

HOSPITALITYREPORT

Edition 1, Volume 1



Industry Statistics,
Trends Analysis,
Regional Breakdowns,
Industry Growth

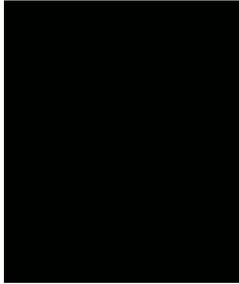
REPORTING ON NEW ZEALAND'S HOSPITALITY INDUSTRY (2011)

produced by the
Restaurant Association of New Zealand
& AUT University



AUT | UNIVERSITY | **HOSPITALITY
+ TOURISM**

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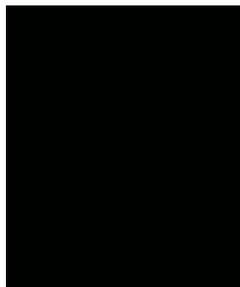
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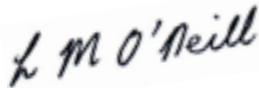
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COLLABORATORS WELCOME

Head of AUT School of Hospitality & Tourism

Welcome to the 2010 AUT/ Restaurant Association of NZ Restaurant Research Handbook. This Handbook was jointly prepared by researchers from AUT University's School of Hospitality and Tourism and the Restaurant Association of New Zealand.

This publication demonstrates the synergy between university generated research and the practical hospitality environment.



Linda O'Neill
Head of School of Hospitality and Tourism
AUT University

The benefits of this synergy are clear; you, the reader, are better informed and consequently better able to make the important decisions that will positively impact upon the hospitality industry and New Zealand's wider economy.

We look forward to continuing this exciting partnership with the Restaurant Association of New Zealand.



Restaurant Association of New Zealand

The hospitality industry is one of the country's biggest industries, contributing \$6.5 billion to the economy annually, providing 100 thousand jobs and touching all New Zealanders as it forms a key component of the nation's social fibre.

The Restaurant Association has an objective to assist its members to improve their performance and productivity. Recognising that there has been a lack of relevant statistical data and comment available for the hospitality industry, the Association sought to change this, working with AUT researchers to utilise combined resources and expertise in providing you with this Industry Report.

OUR MISSION

We motivate and inspire members to succeed, by providing them with the tools and resources that will help them build customer loyalty, rewarding careers and financial prosperity. Now and in the future.

The information enclosed within this report is vital to help hospitality businesses understand the current hospitality environment, benchmark their performance against the wider market, and plan for the future with greater confidence.

We look forward to building on the work that forms this foundation report, and providing future analysis and insights on the hospitality industry in years to come.

The Restaurant Association of New Zealand



INTRODUCTORY REMARKS

Purposes and
uses of this
report



This report provides an overview of the restaurant sector of the hospitality industry. Statistics gathered reflect input from the Restaurant Association of New Zealand, various statistical bodies (Statistics New Zealand, Business and Economic Research Limited [BERL], et al.) with collation and discussion provided by the Restaurant Association of New Zealand and the Auckland University of Technology School of Hospitality and Tourism.

This report also includes opinion pieces and industry input ranging from author Perrin Rowland, the Hospitality Standards Institute and American Express.

The information in this report provides restaurateurs and other interested parties the highlights, historical trends and future industry implications and possibilities. The report contains areas of concern identified by operators and provides prompts that could improve productivity/profitability within the sector. Menu pricing, staffing levels, remuneration trends and career prospect data have all been identified as areas that need operator attention. Valuable regional data also provides corporate bodies with guidance on possible areas of opportunity.

The information in this report is presented to you in good-faith. At the time of research and write-up the information gathered and collated was and is accurately presented. Any omission or error is accidental, and the authors caution readers that any statistical information is, by its nature, subjective and therefore interpretive. The authors also caution that the opinion pieces in this report represent the author's opinions, not those of either the Restaurant Association or AUT University.

We trust that the inaugural issue of this collaboration will provide insightful information that can be used to improve the operations of your own hospitality outlet.

This report was prepared by

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David Williamson, Senior Lecturer, AUT University School of Hospitality and Tourism

Nicola Waldren, Restaurant Association of New Zealand

Rene Bennett, Research Assistant



NOTES ON READING THIS DOCUMENT

Graphs and Tables

The graphs and tables provided in this report offer an opportunity to compare, contrast and discuss the different data sets presented throughout the document. Readers are encouraged to increase their own understanding by making their own analysis, comparisons and conclusions based on the report data.



Real Vs. Nominal Data

Nominal values relate to actual value recorded during the time period in which the data was collected. *Real* figures show how this value relates to the base year of a data set, for example how much \$100 worth of sales in the year 2010 translates to in the year 2004. This allows for accurate comparison over both dollar value and time.

Quotations

Throughout this document, quotes will be displayed in **bold font**. These quotes were collected from Restaurant Association members during the research gathering and compilation phases of report production.

Quotes were selected based on how well they communicated the overall feedback of members, as well as to add qualitative support to statistical data.

“This is a sample of what these quotes will look like.”

Dates for Statistics

- Sales statistics from Statistics New Zealand's data are for years ended March.
- Employment and Outlet statistics from Statistics New Zealand's are for years ended February.
- Information presented is the most up-to-date available at the time of press.
- Longitudinal analysis has been compiled and been presented to display the largest amount of data available for *all* data sets. Consequently this may result in different growth rates for similar statistics when base years differ.



LOOKING BACK TO THE FUTURE

An opinion piece from an authority in Food & Beverage



Photo: Monsoon Poon, Wellington

A History of Restaurants in New Zealand Perrin Rowland

Does history repeat itself?

In this opinion piece author Perrin Rowland relates hospitality history, and in doing so reveals that our past is indeed a mirror to our future.



Recently, I released a book titled: Dining Out: A History of the Restaurant in New Zealand. It takes a serious look at the role the restaurant plays in New Zealand. I have been lucky enough to secure a series of interviews about the book and one of the last questions I always seem to be asked is whether I would like to venture an opinion on the future of restaurants in New Zealand. I'll come clean: historians are not really supposed to have opinions (we still do – it's just frowned upon; we're not journalists). Even more seriously, historians are not supposed to remark on the future; we really shouldn't even contemplate the present. The present is considered an occupational hazard. None of this curbs me from enthusiastically and, even, recklessly taking what I know of the past and projecting it – without a thought to consequences – into the future...with caveats. I cannot predict whether we will be eating hanging from the ceiling sucking powdered ribeye through twisty straws but I can give some perspective about restaurants and licensing, as well as the role restaurants play in New Zealand culture. Restaurants, especially in regard to licensing, have often been at the centre of governmental and social discussion especially as far as regulations are concerned. Rest assured, the New Zealand restaurant has always withstood such increased scrutiny, prejudice and

labyrinthine labour and liquor laws and still it has continued to remain a significant and influential part of New Zealand's social and cultural makeup.

Dining out in New Zealand has always been a popular pastime. In the 1840s, taverns and hotels offered a three-course menu (soup, a joint and pudding) at meal times and hot soup throughout the day. In the 1850s, four and six penny dining rooms served up hot roast dinners and oyster suppers; the more expensive menus included beer. In the 1860s, restaurants supplied even more lavish services: Parisian chefs providing every delicacy, famous coffee percolators, ladies toilets, and reading rooms with international magazines.

Competition between hotels and restaurants became so fierce that in the 1870s, hotel barrooms dared to offer a free lunch to try and lure punters away. Thanks to local restaurant associations this practice was quickly protested and stopped.

By the end of the nineteenth century, dining out in restaurants was an international phenomenon. Each country had their ideas about what made a good restaurant.

In England, one went to a restaurant to reinforce one's place in society mostly through manners and the company one kept; restaurants were expected to maintain such good taste and pass it on to their customers. In America, restaurants often involved elaborate gimmicks such as dining inside a life sized Faberge egg, within a gilt Tiffany birdcage or across an indoor lake in which swans were pressed into servitude with bottles of champagne strapped to their backs. In New Zealand, restaurants grew into large businesses serving hundreds of customers with modern technical conveniences such as hydraulic lifts, flushing toilets, air conditioning, electric lights and mechanical dishwashers.

During the nineteenth century restaurants were licensed as long as they provided accommodation – even if it was just in the form of single beds. The Spanish Restaurant in Dunedin was licensed (owner Mr Guardiola was known to find certain parties a double bed on occasion) as was the Trocadero in Wellington, (owner Harry Price was a prominent member of the Licensed Victualler's Association, the local body lobbying for the rights of licensees). As licensing committees became more powerful they began to attach certain regulations to license holders. Some license holders became responsible for public street lighting and the maintenance of sidewalks around their premises, they needed to provide a certain number of fire escapes, supply public and private bathrooms – one licensee maintained a nearby public bridge. This meant that hotels, not restaurants, became more and more equipped to fulfill the requirements of very unique licensing situations. Doubtless the public enjoyed the sturdy architecture and paths with excellent street lighting, but this ultimately resulted in hoteliers becoming the sole recipients of liquor licenses. This had consequences for the licensed restaurateurs: in the 1900s, when the Trocadero burnt down, the owner rebuilt it as a hotel, not a restaurant.

The increased popularity of temperance reform and the very real concern over the population's health spurred even greater concern over drinking, especially in relation to soldiers during World War I. In fact, soldier's drinking was a concern for many of the Allied forces. Both England and New Zealand made it an offense to treat a soldier to a drink; America, Australia and New Zealand made it illegal for an army canteen to sell alcohol; and almost all the Allied forces agreed to close their pub doors by 6 pm. In New Zealand, this was never designed to be permanent legislation – rather it was to last six months past the end of the war and 'no further'. Temperance reformers smelled blood and lobbied to make the law permanent in 1918 subject to a vote for continuance. As a result, the country held a vote to decide whether to keep 6 o'clock closing or prohibit alcohol altogether.

There was little in the argument in a third option – such as scrapping six o'clock closing or moving to a later closing time. Instead the licensed trade marshaled forces to secure 6pm closing in the face of prohibition. With the help of overseas votes, they kept the country wet by a margin of 10,000 votes – the smallest margin ever. Every three years, New Zealand voted between continuing six o'clock closing or prohibiting alcohol entirely. This lasted until 1967. Along the way local licensing committees decided on the distribution of licenses and local votes could decide to reduce or eliminate licenses completely in specific areas. The resulting (and very profitable) six o'clock swill meant that all the entertainment in the bars were removed as well: barmaids were ousted, gambling banned, music frowned upon and food removed so that all

that was left were very, very long bars, slightly flat beer and tiled floors that ensured a quick hose down. As a result, the licensing question eventually became a specific fight between hoteliers and temperance workers. Restaurateurs quickly and tidily stepped out of the argument and focused instead on what I have called the restaurant experience: serving contemporary food in distinctive surroundings.

Restaurants then became some of the few places New Zealanders could go to indulge in all of the new fashions and fads made popular in the 1920s and 1930s. Restaurants embraced the dance floor and music shows. The Vedic in Dunedin became famous for its operatic floorshows, fancy tearooms advertised their music programmes on their menus, and the Dixieland in Point Chevalier was a seaside restaurant by day and cabaret in the evenings where Auckland's fast set went to shimmy in their bugle beads. Popular fad diets of the 1920s and 30s also led to fad restaurants. Raw food restaurants with fruit bars and ice cream sundaes became popular. Vegetarian restaurants dotted the coasts of New Zealand with marmite broth, nutmeat pies and vegetarian roasts molded to look like the real thing. 'Daintiness' became fashion. Small dishes of well-made foods captured the public's fancy and fueled an interest in department store tearooms.

These large restaurants became some of the most popular places for a light luncheon of salmon mayonnaise, small teacakes and scones; businessmen could also enjoy a lunch hearty mixed grills and steaks.

Still, if a patron wanted to drink with their dinner, restaurateurs almost always found ways to accommodate their thirst. The supper-clubs and cabaret's allowed New Zealanders to BYO, even charging customers for spot glasses and mixers. Others hired out restaurants for catered parties where the menu included an associated wine list. Some restaurants were famously raided and hauled in front of the court to 'explain themselves' with newspaper reporters recording every word. True, restaurateurs paid fines but they were rarely criminalized. Perhaps because, without fail, the arresting undercover officers expressed regret that they had to shut down such wonderful parties and end the good time that they, themselves, were having.

The acceptance of social drinking continued to gain support amongst New Zealanders. During World War II, both police and society tended to look the other way when it came to soldier's (and their dates) drinking in public. As long as the parties in restaurants did not get too out of hand, authorities generally adopted the habit of looking the other way. By the end of the war, many considered cocktails and drinking part of the sophistication and modernity of the post-war world. As early as 1950, restaurateurs increased the pressure in broadening New Zealand's licensing laws. Legislation may have moved slower than the public and the industry desired, but ultimately, this allowed for a permanent change to the restaurant experience. For decades, drinking with dinner in New Zealand was an optional experience and entirely dependent on the whim of the diner. After WWII, the diners embraced drinking as a public mandate and permanently altered the restaurant experience by defining the restaurant as a place where one expected to enjoy food with a drink (especially wine) amidst appropriate décor and service. Empowered and celebrated, restaurant culture began to enjoy the awards, reviews and, eventually, the broad appeal brought with mass media.

In light of today's increasing and, often, frenetic claims about New Zealand's drinking, it would be helpful to remember the longer history of New Zealand's licensed past... and their unlicensed activities. The romance and drama of restaurants masks the hard work of the real people involved from both the dining and the critical public.

Unfortunately, today's arguments are very similar to temperance worker arguments at the beginning of the twentieth century. Drink is once again demonized across the board, where extremist and illegal behavior represents the entire spectrum of alcohol consumption. Furthermore the same nineteenth century arguments are offered as solutions: constrain drinking habits by limiting access to alcohol.

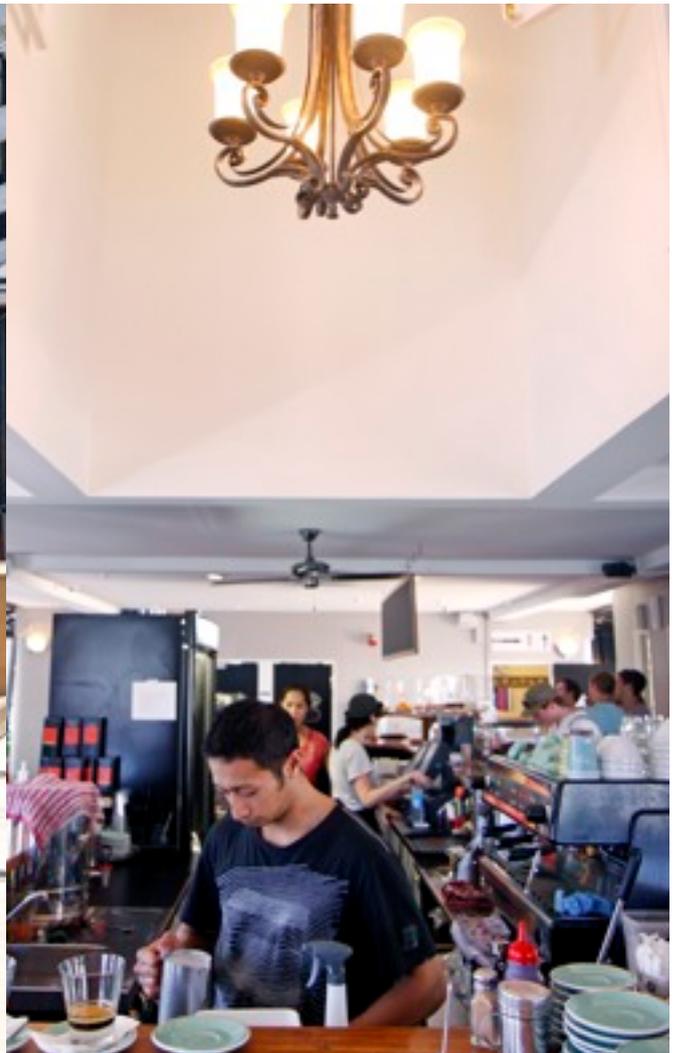
...regardless of legislation, hysterics or authorities, restaurants have always focused on the interests, needs and wants of the diner above all else.

For me, this highlights that a lot more research needs to be done concerning New Zealand's booze culture – not just how much people are drinking but where New Zealanders think it appropriate to engage in social drinking and where it is not. There is an unspoken recognition between drinking, say with dinner, and getting drunk and dangerous. After all, it took the early temperance workers some time before their followers were ready to give up their own wine with dinner. Until pundits and policy writers study their history they will likely continue to repeat themselves.

The good news is that diners still enjoy drinking in restaurants and consider it a right to do so. There is little to indicate that restaurateurs are in danger of losing either licenses or drinkers. In fact, the fashion of cocktails is once again on the rise so that drinking with an array of small plates is becoming more popular. The growing casualisation of dining out usually indicates a more relaxed response to drinking and celebrating in public – a great trend for the Rugby World Cup.

However, regardless of legislation, hysterics or authorities, restaurants have always focused on the interests, needs and wants of the diner above all else. For the past 160 years, the way restaurants work, the type of food they provide, the look and feel of the dining room and even the amount and types of liquor on offer constantly change according to the desires of the customer. Keeping up with fashions and trends (as well as helping to define them) is part of the industry and the challenge of being a restaurateur.

But always – no matter what social, political or moral upheaval – the New Zealand restaurant remains constant in its hospitality.



Photos: Parade Cafe, Wellington

TOP-LINE DATA

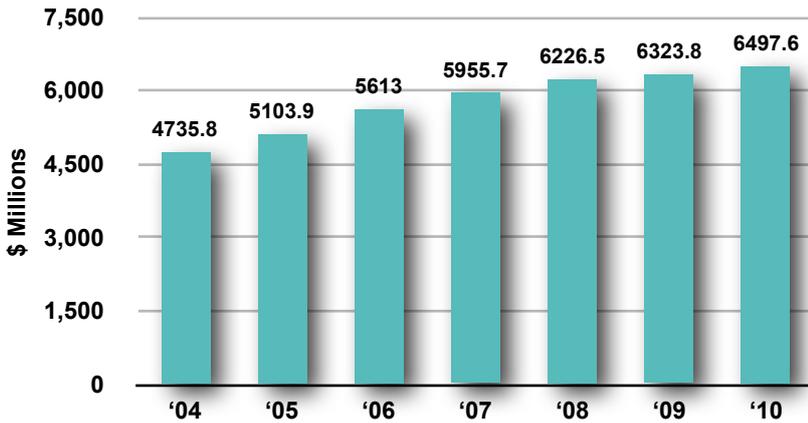


Photo: Mantra Restaurant, Queenstown

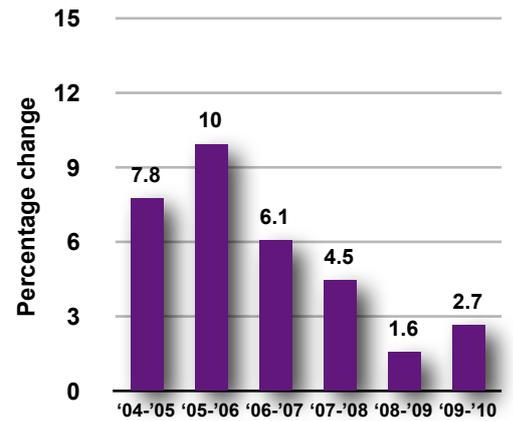
Top 5...
Key Industry
Statistics At
A Glance

1...Total Industry Sales: National

Source: Statistics New Zealand



Sales Growth: National



2...Total Industry Sales: Regional

REGION	2004 (\$ million)	2005 (\$ million)	2006 (\$ million)	2007 (\$ million)	2008 (\$ million)	2009 (\$ million)	2010 (\$ million)
Auckland Region	1,578.3	1,679.9	1,844.7	2,020.1	2,051.9	2,096.5	2,205.5
Waikato Region + Bay of Plenty Region	638.1	663.1	661.7	712.2	773.8	740.3	791.6
Wellington Region	605.6	749.0	817.6	858.6	931.8	929.0	852.6
Rest of the North Island Region	618.1	738.5	810.3	787.1	786.3	858.1	926.5
Canterbury Region	684.2	656.9	773.9	765.6	835.4	887.0	925.6
Rest of the South Island Region	611.4	616.3	704.5	811.8	847.0	812.7	795.6
Total New Zealand	4,735.8	5,103.9	5,613.0	5,955.7	6,226.5	6,323.8	6,497.6

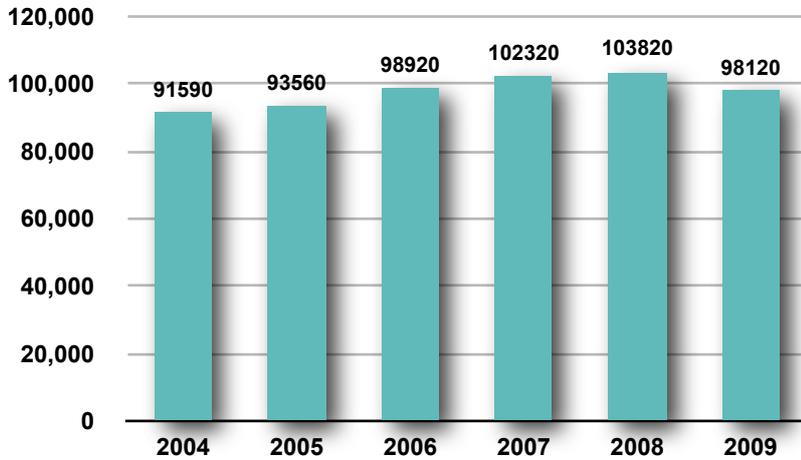
Top-Line Data

National Figures Breakdown By Year

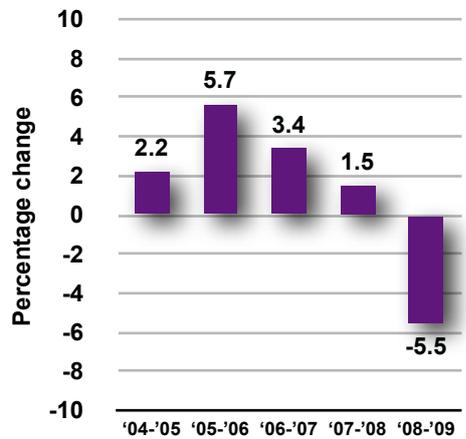
TOP-LINE DATA

3...Total Number of Employees: National

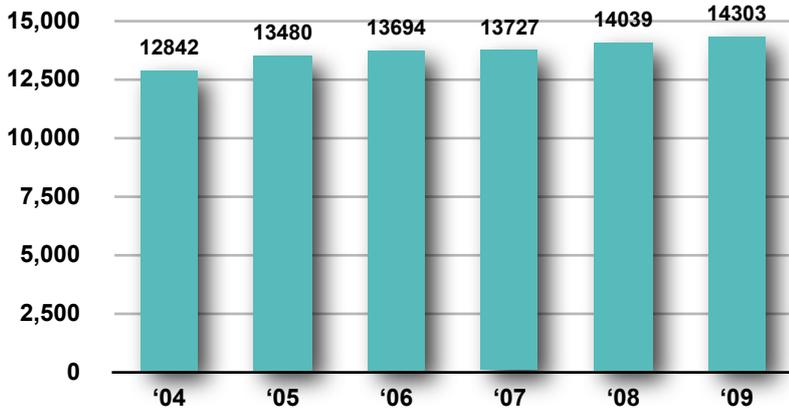
Source: Statistics New Zealand



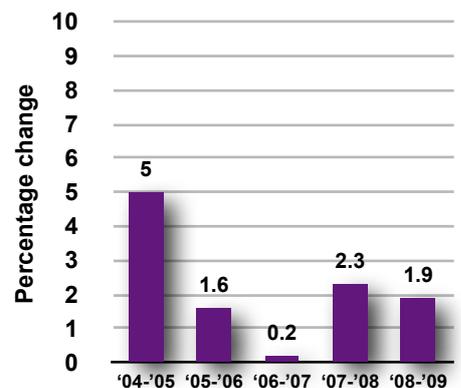
Employment Growth: National



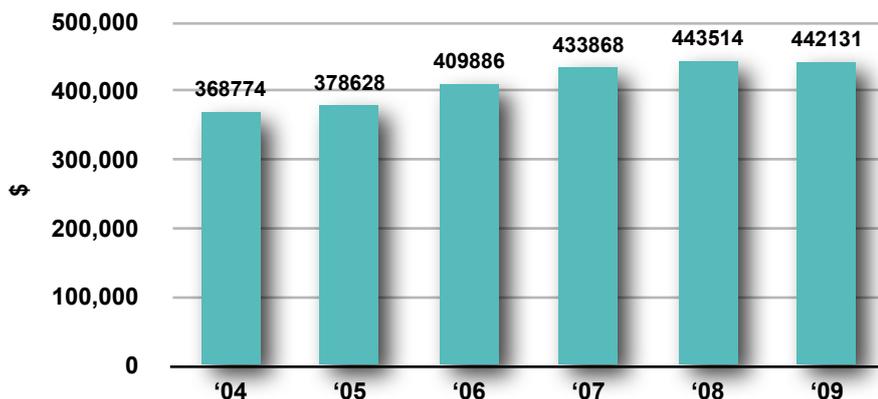
4...Total Number of Outlets: National



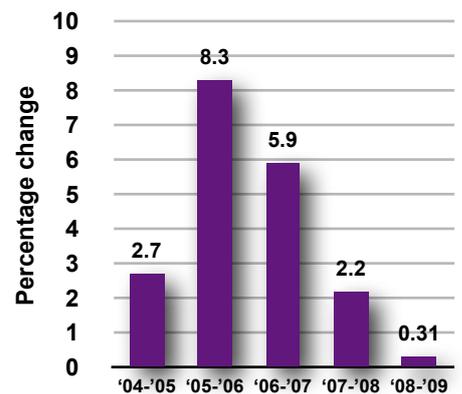
Outlet Growth: National



5...Sales Revenue per Outlet: National



Revenue Growth: National



ECONOMIC OVERVIEW

Remuneration,
Productivity &
Labour Pool
Indicators



It has undoubtedly been a difficult few years for the hospitality industry. Industry difficulty has been compounded by the global economic crisis, tourism arrivals, and the Christchurch earthquakes. This section tracks our industry in consideration of these wider forces.

The New Zealand recovery stalled in mid 2010 – due to a run of bad luck, a weak housing market, and a crisis of consumer confidence. However the beginning of 2011 saw economic growth of 0.2 per cent over the December quarter. This change relieved fears that the country may have entered into a technical recession. GDP rose by 1.5 percent over the 2010 calendar year.

The Christchurch earthquakes have caused business and consumer confidence to dip, indicating that households and businesses will be more cautious regarding expenditure and investment decisions. Electronic transactions data indicate a decidedly lackluster Christmas shopping season, with rising petrol prices sapping shoppers' spending budgets, and there appears to have been less post-quake replacement spending in Canterbury to date than expected.

Food and fuel prices continue to climb, with the higher petrol prices in the March 2011 quarter expecting to add around 0.5 percentage points to inflation in the quarter.

The food price index was up 5.3 percent in the year to February 2011, with a 9.7 percent rise in the cost of fresh milk being the largest individual upward contributor to higher food prices.

In 2010, a modest improvement in visitor arrivals (up 3.1% on the previous year in November) was not matched by growth in average tourist spend – the amount spent per tourist, per night, was still down from a year ago. Interestingly, despite the changing composition of international arrivals (away from UK/Europe, toward Asia and Australia) the average length of visitor stay has remained fairly stable at 22 days.

However, there is much to look forward to in 2011. The highlight of New Zealand's hospitality and tourism calendar will be the Rugby World Cup – a boost for both international and domestic tourism. A 70,000 increase in visitor arrivals is expected (excluding players and officials) with numbers of international tourists forecast to peak in October 2011.

Confidence levels in the hospitality industry are higher than any other; 42.5% of hospitality operators (as surveyed by the Restaurant Association) indicated confidence that business levels in 2011 will improve, with only 12% expecting increased hardships. These results compare to a national average of 27% of business owners expecting to see business confidence improvements (National Bank of New Zealand, 2010).

The Only Way For Food Prices Is Up

By Christopher Adams, NZ Herald, Jan 2011

While rocketing commodity prices might be a boon for Kiwi farmers, they are likely to have a negative impact on other New Zealand industries, economists warn.

The United Nations says world food prices reached record levels in December 2010, exceeding those in 2008 that sparked riots from Egypt to Haiti.

An index of 55 commodities tracked by the UN's Food and Agriculture Organisation (FAO) climbed for a sixth month to 214.7 points in December 2010, above the previous all-time high of 213.5 in June 2008, the agency stated in a monthly report.

The FAO lists Russia's worst drought in over a century, as well as rising Chinese demand, as factors contributing to rising food costs.

White sugar was trading at US\$752.70 (\$993) a tonne this week on the NYSE Liffe in London, a 96 per cent increase on its price two years earlier.

The value of corn rose by 52 per cent last year on the Chicago Board of Trade.

NZIER principal economist Shamubeel Eaqub said rising food costs meant increased income for Kiwi farmers, which would mitigate the impact dry weather conditions had on production levels last year.

"It's not just milk, food prices in general are going up and that includes things like meat as well as grains."

Dairy herds are fed grain in many parts of the world, meaning a rise in the price of that commodity usually leads to an increase in global dairy prices. New Zealand dairy farmers stand to benefit as this country's cows usually feed on grass.

"We sell into an international market, so we sell [products] at the same price as everyone else, but because our input costs are lower because we're not feeding [the animals] grain, our farmers can make more money," Eaqub said.

He said it would take some time for the flow-on effect of higher farm incomes to filter through to the wider economy. "Higher farm incomes usually translate into more spending. Now, instead of spending a lot more money farmers over the last year or so have been quite conservative - paying down debt instead."

Federated Farmers president Don Nicolson said that while rising food prices would provide some benefit for farmers, the impact of a high New Zealand dollar was a continuing challenge.

And as pigs and chickens were fed grain, pork and poultry farmers would be negatively impacted by higher grain prices, Nicolson said.

Eaqub said economic activity and demand in emerging markets remained strong, meaning commodity prices were likely to stay high over the next 12 months.

Rising food prices would see consumers left with less scope for discretionary spending on things like eating out and big ticket retail items, he added.

That could be bad news for companies like Fisher & Paykel Appliances, which slashed its profit forecast in December, largely due to a weaker demand in its key markets - New Zealand and Australia. F&P Appliances chief executive Stuart Broadhurst said last month that appliances were a product category particularly hard-hit by the downturn, which left consumers less willing to shell out on dishwashers, washing machines and refrigerators.

Eaqub said local food manufacturers which purchased ingredients at international prices would be adversely affected by rising raw ingredient costs.

BNZ economist Stephen Toplis said that while rising costs of raw ingredients were a challenge for manufacturers, the strength of the kiwi dollar lessened that impact by making imported goods cheaper.

Meanwhile, the value of coffee on New York's Intercontinental-Exchange (ICE) has increased by around 33 per cent since July last year.

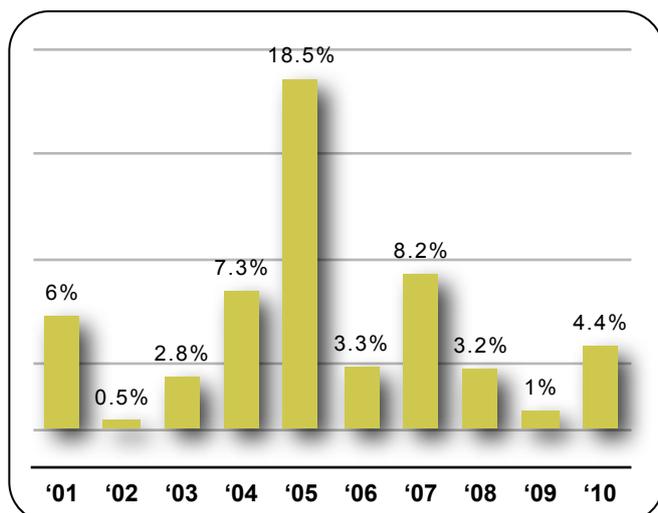
Supplies of arabica, the world's most-grown coffee, will exceed demand by 6.67 million 60kg bags in the year ending in September 2011, according to ABN Amro Bank and VM Group.

The FAO has warned that international food production must rise by 70 per cent by 2050 as the global population increases to 9.1 billion people from about 6.8 billion in 2010.

- additional reporting: Bloomberg

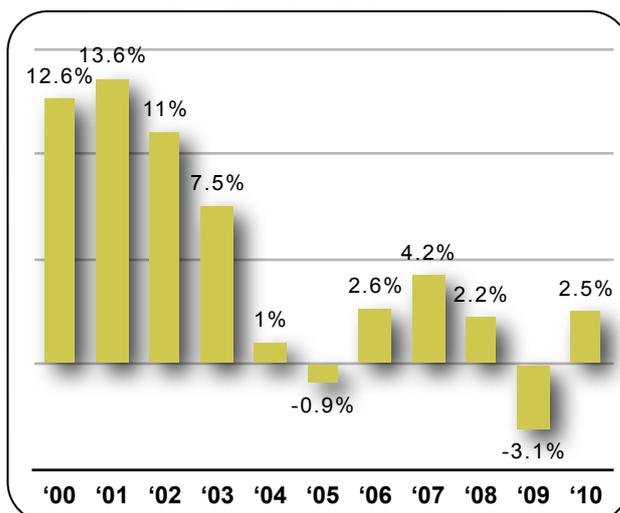
Economic Growth

Real Growth In GDP



Tourism Growth

International Tourism Growth



Source - Statistics New Zealand

Restaurant Price Growth

CPI Comparative Price Increases: 1988 - 2010

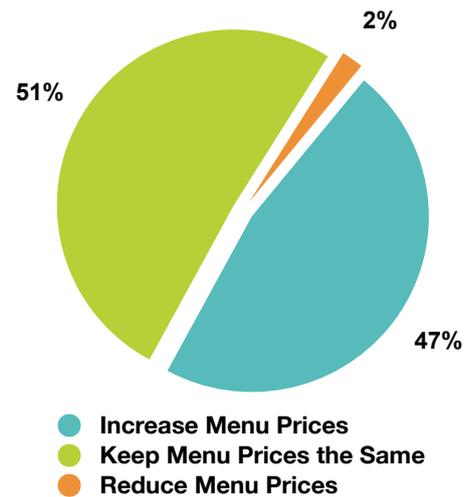
Year	Restaurant Price Index Growth	CPI Growth	Restaurant Price Index Net Gain
1988	7.4%	9.0%	-1.6%
1989	6.0%	4.0%	2.0%
1990	6.3%	7.0%	-0.7%
1991	2.2%	4.5%	-2.3%
1992	1.1%	0.8%	0.3%
1993	1.0%	1.0%	0.0%
1994	1.7%	1.3%	0.4%
1995	2.1%	4.0%	-1.9%
1996	1.0%	2.2%	-1.2%
1997	2.8%	1.8%	1.0%
1998	1.5%	1.3%	0.2%
1999	1.3%	-0.1%	1.4%
2000	1.9%	1.5%	0.4%
2001	2.7%	3.1%	-0.4%
2002	2.1%	2.6%	-0.5%
2003	1.8%	2.5%	-0.7%
2004	1.5%	1.5%	0.0%
2005	1.4%	2.8%	-1.4%
2006	2.7%	3.3%	-0.5%
2007	2.7%	2.5%	0.2%
2008	5.0%	3.4%	1.6%
2009	3.2%	3.0%	0.2%
2010	2.1%	2.0%	0.1%
AVERAGE	2.7%	2.8%	-0.1%

Source: Statistics New Zealand

Food service operators appear, in the table to the left, to be keeping pace with annual inflationary factors traded between 1988 and 2010.

Over this 22 year period menu prices have remained constant with CPI with only a 0.1% deficit between them.

Menu Prices: In 2011 my business plans to...



Source: Restaurant Association Hospitality Industry Survey

"Need to hold menu prices or introduce new foods to keep profit levels the same as I don't think customers will have more cash to spend this year than last, but we plan to increase our market share."

Sales Growth Vs. GDP 2002 - 2010

	2001 - 2002	02 - 03	03 - 04	04 - 05	05 - 06	06 - 07	07 - 08	08 - 09	09 - 10	Average Annual Growth
Foodservice Sales Growth	7.3%	9.1%	5.8%	9.7%	11.8%	6.8%	4.5%	1.6%	2.7%	6.6%
GDP Growth	4%	6%	9%	6%	3%	8%	3%	1%	4%	4.9%
Food Industry Net Gain	3.3%	3.1%	-3.2%	3.7%	8.8%	-1.2%	1.5%	0.6%	-1.3%	1.7%

Source: Statistics New Zealand

Annual Growth in Cost of Goods Food Products: 2000 - 2010

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Average Annual Growth
Processed Meat: Beef	19.1%	15.3%	-3.0%	-17.8%	15.1%	0.2%	3.1%	-11.2%	12.1%	1.5%	6.5%	3.7%
Processed Meat: Sheep	3.4%	28.4%	3.3%	-4.1%	5.4%	-1.2%	-1.8%	-12.7%	11.4%	22.2%	-3.2%	4.6%
Milk, Cheese & Eggs	1.9%	11.2%	-1.4%	-5.0%	4.4%	1.5%	-5.5%	9.1%	18.5%	-5.6%	12.1%	3.7%
Fruit	4.1%	13.1%	-1.7%	0.3%	-5.1%	-0.4%	16.8%	-2.0%	10.4%	6.0%	1.2%	3.9%
Vegetables	1.4%	19.9%	2.7%	-10.7%	15.9%	-13.3%	22.8%	-1.2%	22.3%	-14.4%	10.3%	5.1%
Fish & Seafood	4.0%	8.0%	2.1%	0.3%	-3.9%	1.0%	2.6%	0.2%	9.6%	6.3%	0.7%	2.8%
Oils and Fats	-2.0%	7.6%	6.1%	-3.2%	-3.1%	3.4%	2.4%	1.5%	30.1%	-3.5%	9.8%	4.5%

Annual Growth in Cost of Goods Operational Costs: 2000 - 2010

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Average Annual Growth
Commercial Electricity	-3.3%	1.3%	6.2%	4.8%	8.2%	10.2%	16.1%	-10.9%	40.8%	-14.2%	-1.7%	5.2%
Commercial Gas	2.0%	5.2%	4.8%	10.2%	10.5%	15.2%	4.2%	13.6%	0.1%	4.1%	-3.6%	6.0%
Commercial Rent	0.0%	0.3%	1.0%	1.9%	1.6%	1.8%	3.4%	3.9%	3.5%	2.5%	0.7%	1.9%

The average annual growth in restaurant menu prices was 2.7% (refer to the Table on the previous page). While this remains on par with inflationary pressures, when a focus is drawn to costs directly associated to the food services, this 2.7% annual increase may be insufficient.

Of the 10 categories identified above, only rental charges have been below the 2.7% average menu price adjustment, at 1.9% per annum.

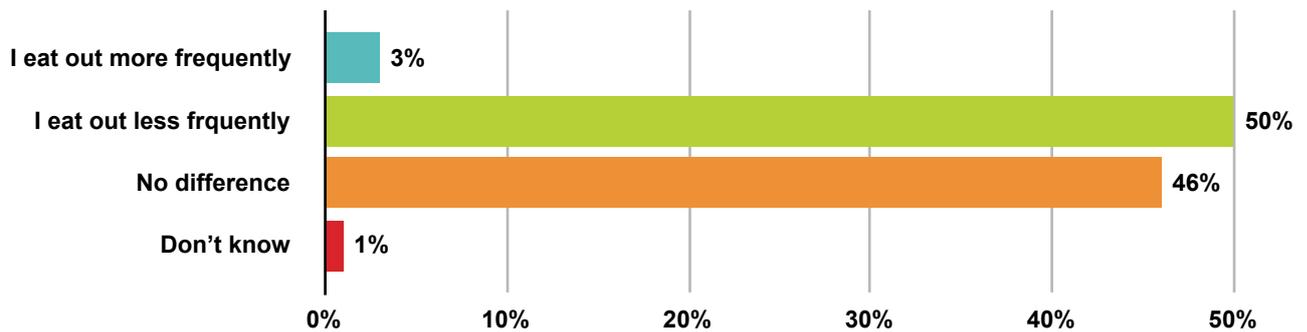
All other areas note increases above the level that food service operators are passing on to their customers. Leading this difference are gas prices that held growth at 6% per year.

“(It is too much of a competitive market to increase prices too much. Many cost increases are outside our control including all utilities, milk, meat, fruit and veg. Everything going up. nothing going down in price....”



The Impact Of The Current Economic Climate For Consumers

Over the past 12 months what impact do you think the economic climate has had on how often you eat out?



Source: American Express Consumer Insights survey 2010

New Zealand's dining population is divided on the impact of the economy upon their eating habits.

While 50% of New Zealanders report that they are eating out less frequently as a result of the current economic climate, 46% claim the economic climate has had no impact on their eating habits. A further 3% claim to eat out more often.

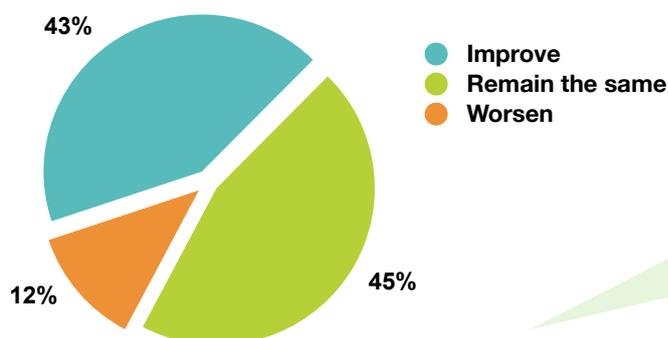
The recession is having little impact on increasing any particular dining category; cafes, casual dining and fast food premises were the dining categories where the largest proportion of consumers claim to now spend more, however, this was only across 9% (cafes), 7% (casual dining) and 7% (fast food) of New Zealanders respectively. These increases may be negated by consumers who claim to be spending less with 24% (cafes), 24% (casual dining) and 20% (fast food) claiming to spend less across these same categories.

The category that recorded the greatest reduction in spend is fine dining but all categories tested in the survey recorded at least a 10% reduction in spend.

Additionally two thirds of the population (68%) have indicated that the GST increase at the end of 2010 has made no difference to how often they dine out while 32% will dine out less frequently. Older New Zealanders and those on higher incomes noted that the GST increase will make no difference to how often they dine out.

"We absorbed some of the GST increase and budgeted the new menu for October with the Cogs at that time. Since the beginning of November food costs have risen astronomically, Lamb up 27%, All dairy produce increased approx 7%, pork up 7%, electricity increase and the list is endless. If we cannot stabilise food then we have to look at overheads and wages hence we are looking at ways to reduce our staffing costs.."

Hospitality operators expectations of business levels in 2011:

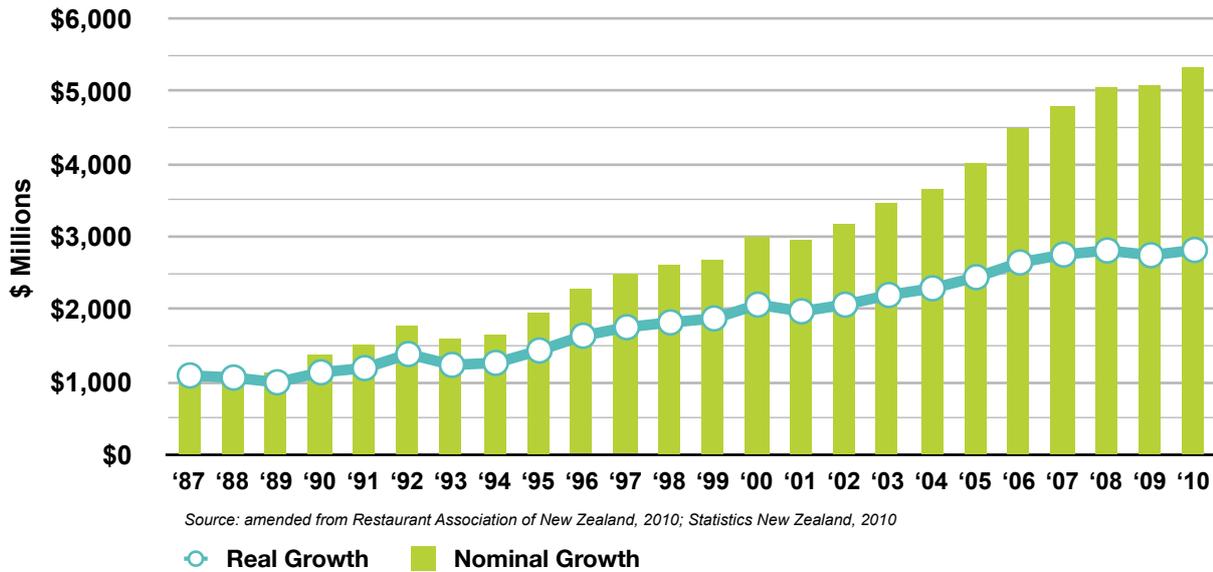


"There are glimmers of hope ahead with tourism certainly going up this year. We are now closer then we were to recovery in the market "

Total Spending in *Foodservice Outlets*

24 years of spending

CPI adjusted to 1987 as base



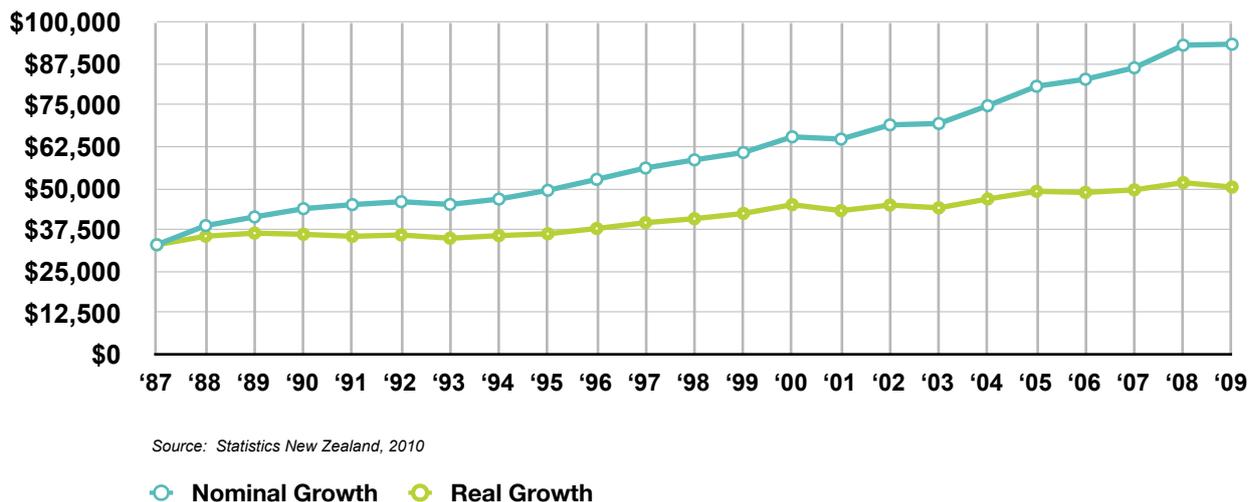
Steady growth is noted in foodservice sales over the past 24 years (1987-2010), with average real growth reaching 4.4% per annum. Throughout the recessionary period (2008 - 2010) the foodservice industry still maintained positive average annual growth of 4% nominally.

This is a positive result given that real disposable income increased 2% per annum in real terms (See Table below) over this 24 year period. This result indicates that New Zealanders are spending a larger portion of their salary on dining out.

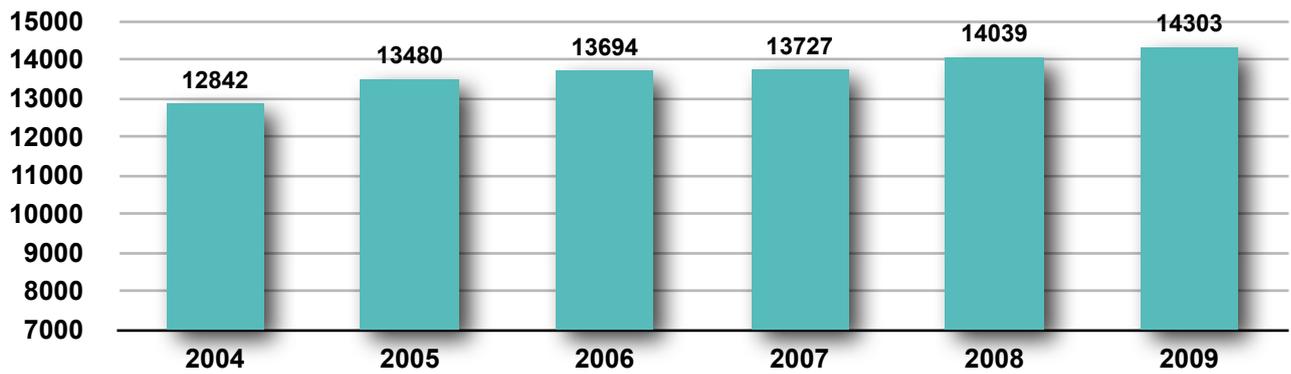
However this positivity could be to the detriment of restaurant profitability, because growth attracts competition. Currently, sales growth is outpacing the increase in nationwide outlets. If we see this reverse the per outlet distribution of the increased revenue will diminish.

Household Disposable Income

Adjusted Growth: 1987 - 2009



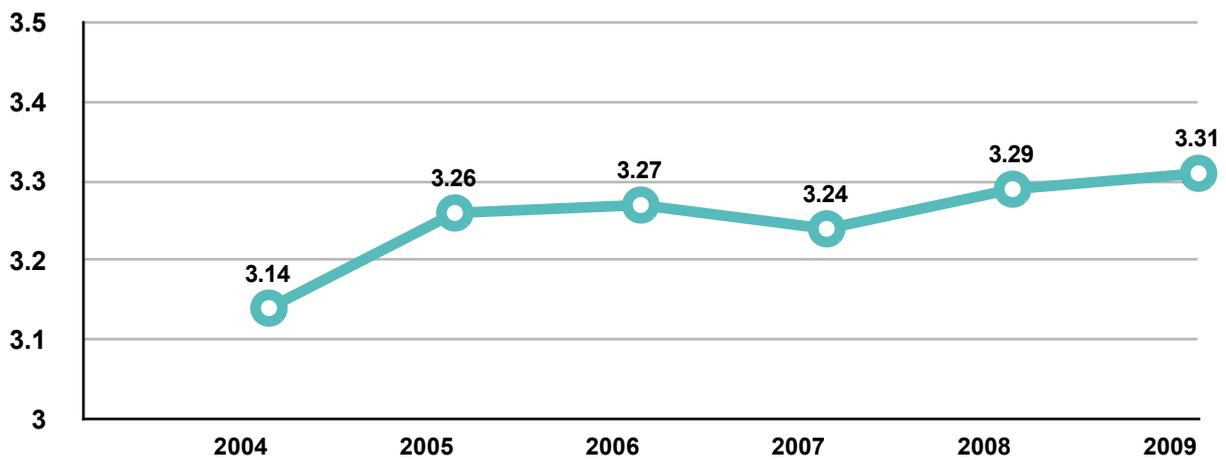
Total New Zealand Hospitality Operations Outlet Growth: 2004 - 2009



The number of hospitality outlets has grown steadily over the six years 2004 to 2009 - an 11% increase in the total number of outlets over those years.

After a bit of a jump from 2007 to 2008, this growth continued even during the recessive economic period beginning in 2008.

Hospitality Outlets by National Population Size Outlets per 1000 people



Over the six years (2004 to 2009) the number of outlets has also remained steady at around 3.3 outlets per 1000 people.

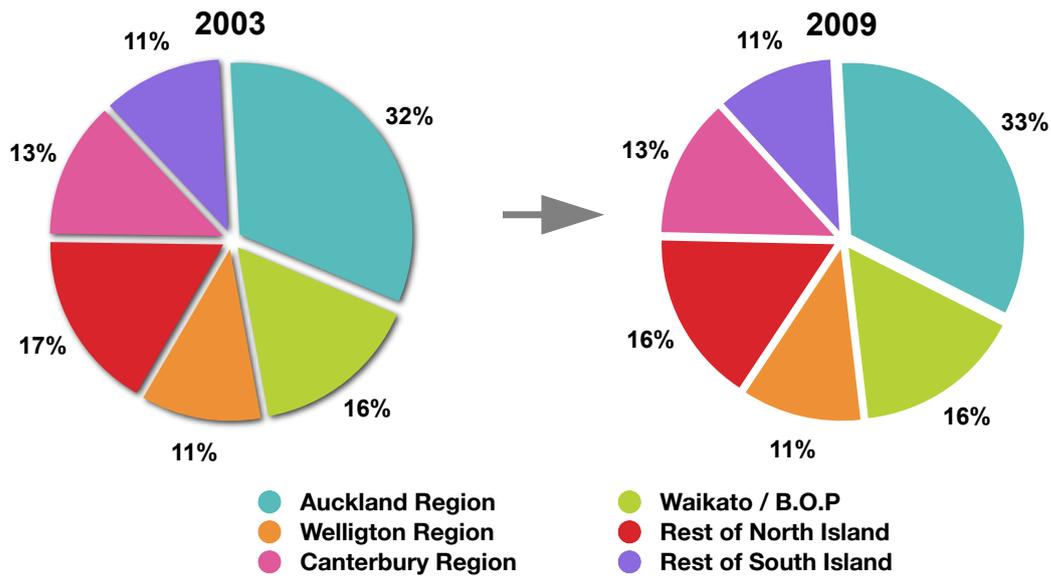
By total population current outlet density is increasing congruently.

The relationship between population and outlet growth is important because if the two do not grow equitably then profitability issues for operators is a consideration. Currently profitability levels in restaurant outlets is a mere 5%. More outlets, within a reducing population may encourage diminished profitability.

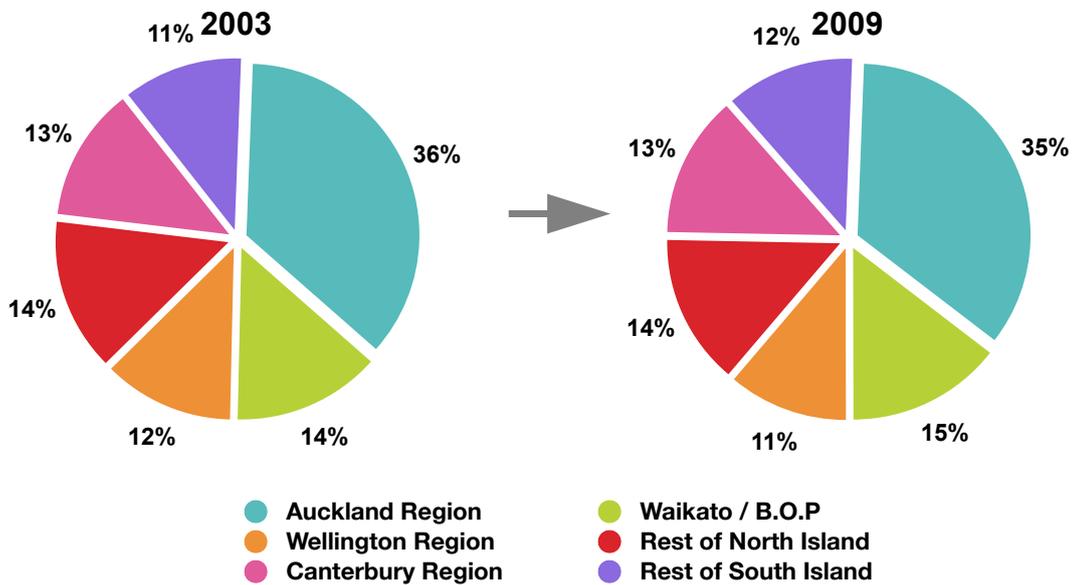


Photo: Bellota SKYCITY Auckland

National Population Distribution by Region 2003 - 2009



Outlet Distribution by Region 2003 - 2009



Perhaps not surprisingly the distribution of hospitality outlets mirrors the distribution of population. The relationship between the number of outlets and population has not significantly changed over the 2003 - 2009 period.

Auckland has seen a 1% increase in population, translating to an increase of 141,000 inhabitants. Auckland also realised a decrease (of 1%) in its share of hospitality providers, signaling that growth of new outlets is slightly below the national average. Auckland's growth in hospitality providers averages 2.6% per annum (over the period 2004-2009), similar to the average national outlet growth of 2.2%.

The "Rest of..." categories, in both the North and South Islands have held firm on their proportional share of the population, having each seen a 1% proportional increase in outlets. This suggests that smaller areas of New Zealand are becoming growth centres of hospitality without any increase in the population base that supports them.

2011 TOP CHALLENGES AND MAXIMISING PROFITABILITY



Photo: Joe's Garage, Queenstown

Top Challenges for 2011 For The Hospitality Industry

Building and maintaining sales volume is the number one challenge facing hospitality operators. In a Restaurant Association Snapshot survey in 2010, 52% of respondents listed these factors as areas of concern. Respondent projections anticipated that [in 2011], these areas would constitute ongoing and challenging situations.

These concerns were underpinned by previous concerns [from 2010]: labour costs (41%), food costs (36%) and operating costs (34%). This changes little in expectations for 2011 with these three (labour costs, food costs and operating costs) continuing to be top challenges for business, along with lack of skilled employees.

Top 10 Challenges	Biggest challenges 2010	Expected biggest challenges 2011
Building / maintaining sales volume	52%	51%
Operating costs	34%	39%
Labour costs	41%	37%
Food costs	36%	36%
Lack of skilled employees	27%	29%
Competition from other business	19%	20%
Lack of cash-flow	27%	19%
Government legislation compliance	18%	17%
Tax burden	14%	16%
Inflation	6%	9%

Source: Restaurant Association

Top Challenges for 2011 By Region For The Hospitality Industry

Labour costs are a major concern for Wellington hospitality businesses with nearly 80% of the survey respondents listing this as their top challenge.

Wellington also has concerns about the lack of skilled staff in 2011 - perhaps reflecting Rugby World Cup concerns?

Competition from other businesses, along with food costs also feature quite highly for the Southern Lakes region.

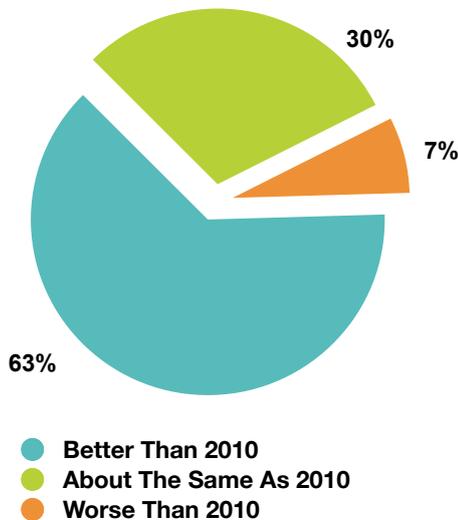
Lack of cashflow is the major issue for Hawke's Bay businesses.

Region	Expected top challenge for 2011	Percentage
Auckland	Building & Maintaining Sales Volume	55%
Wellington	Labour Costs	79%
Bay of Plenty	Building & Maintaining Sales Volume	53%
Christchurch	Labour Costs	62%
Marlborough / Nelson	Building & Maintaining Sales Volume	67%
Southern Lakes	Competition From Other Businesses & Food Costs	50%
Waikato	Food Costs	60%
Manawatu/ Wanganui	Food Costs	67%

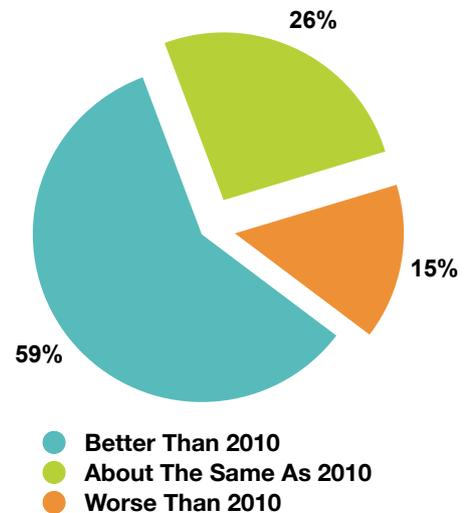
Source: Restaurant Association

Business Confidence In 2011

Do you expect sales to be...



Do you expect profit to be...



Industry responses reflect a positive view: 63% of survey respondents expecting their **sales** to be better than 2010 and 59% expecting their **profit** to increase.

Regionally **Auckland** has the highest expectations for 2011 – 78% believe their sales will be better than 2010 and 68% believe their profit will increase.

"Although the World Cup will have a major impact, I'm focusing on prior to the cup and especially after the cup to maintain the momentum which we are - and have been - building."

EVERYDAY TOOLS FOR MAXIMISING PROFITABILITY

Ben Nemeschansky

Ben Nemeschansky is a Senior Lecturer in Hospitality Management at AUT University. Ben's research focuses on restaurant menu analysis and restaurant management.

Taking the lead from Professor Gary M. Thompson [Cornell University], Ben outlines the key issues that impact upon your businesses profitability. After reading Ben's article you will be able to sharpen your business 'axe'.



Photo: Wai Restaurant, Queenstown

How sharp is my axe?

Abraham Lincoln once said: "If I had six hours to chop down a tree, I'd spend the first four sharpening the axe". Managers sometimes fail to appreciate the significance of the time spent in planning and analysing all aspects of the operation and end up offering products and services that really do not contribute positively to the success of their operation, let alone to its profitability.

Associate Professor John Tarras put it well when he pointed out that to be a good restaurateur you'll have to be financially sophisticated to the point where you know exactly what is going on in all aspects of your business. It is not enough to possess only hospitality skills. You must excel in business because in the end an operator is ultimately responsible for his/her own profits

In the current economic climate, restaurateurs are faced with a number of tough challenges; how can I build and maintain sales volume? How do I control and manage my operating costs, labour costs and food costs? How should my menu be priced? The hospitality industry, through a Restaurant Association snapshot survey in 2010 identified these as some of the top challenges for 2011. Answers to these questions could provide the industry with that "sharp axe" that they will need to succeed and improve restaurant profitability in the next few years.

Restaurant Profitability Management Research

Today, Restaurant Revenue Management (RRM) and Revenue Per Available Seat (RevPASH) are common management tools in most well run restaurant operations. However, it had taken until 1998 (over 35 years of restaurant profitability research) to define these two terms.

In 2010, Professor Gary M. Thompson from Cornell University identified a large number of worthwhile, but as yet unanswered research questions relating to restaurant profitability.

Sharpening the management axe

Our aim here is to make you aware of these unanswered research questions and topics (Thompson, 2010, p. 317-320) with the view of tackling some of them in the future to provide you with the tools to sharpen your axe. In this article we will look at six of the topics in some detail. For more detail on the other research questions and topics, please see the original article by Professor Thompson.

The following ideas will give you some food for thought and a realisation that every element of your operation affects profitability. It has been said that "If you don't manage every key element of your business, you'll get killed."

EVERYDAY TOOLS FOR MAXIMISING PROFITABILITY

1.

Pricing:

In order to maximise profitability, managers have to be able to establish effective pricing strategies. Therefore, as Professor Thompson points out, interesting research questions would include; which menu items are most important in driving profitability? Can pricing be used more effectively in a specific market segment to improve profitability? What market and facility limitations inhibit an operator from using price to drive profitability?

2.

Operating Hours:

What is the ideal time to open and close my restaurant? Does opening earlier/closing later yield an increase in table turns and profitability? What are the conditions that determine when we should alter our operating hours?

3.

Layout Design

There have been some studies that have evaluated the effects of restaurant layout on customer spending but these have been limited to only a few specific restaurants. Additional research in a number of different sized and styled restaurants in New Zealand would provide operators with guidelines on layout that maximises customer spend.

4.

Location:

There are very few studies that examine what the key location variables are that affect the initial choice of a restaurant location. New research is required to determine, how for example accessibility, foot or vehicle traffic counts, proximal demand generators, and the location of competitors affect the profitability of a location.

5.

Size

In addition to choosing the right locations for your restaurant it is equally important to decide on the optimal size of your restaurant and how this affects profitability.

6.

Concept:

In many situations operators have a concept in mind when deciding on location and size of the restaurants but there are times when a location is available and the best concept for that location should be decided. Research that would identify the characteristics of the market, location and competition and how they all affect profitability would be helpful.

Other “hanging” questions and topics that need to be researched in the future:

- Forecasting
- Raw Materials
- Data Management
- Price discounting timing, up-selling timing and discounting vs upselling
- Equipment
- Table Mixes
- Stations
- Real time staffing adjustments, real time table adjustments, real time food preparation decisions

HUMAN ECONOMIC CAPITAL

Remuneration, Productivity & Labour Pool indicators

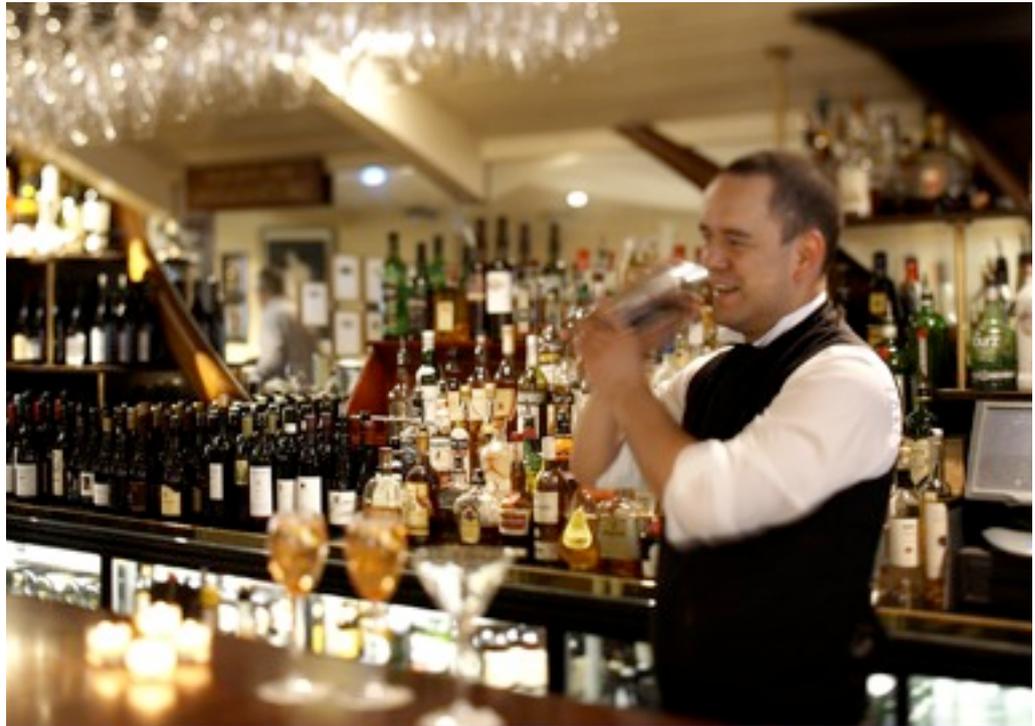


Photo: Boulcott Street Bistro, Wellington

Are wages in the hospitality industry weathering the current economic uncertainty?

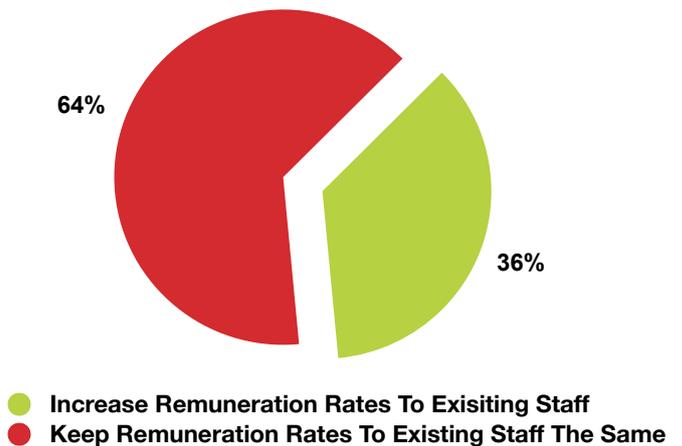
Results from the Restaurant Association’s annual Hospitality Industry Remuneration Survey (in 2010) indicated that there was a noted reaction of hourly rates across all hospitality positions of 0.5%. Salaried positions noted a similar trend; 2% on average. These findings contrast to 2007/2008 when hourly wages rose (6.4% and 7.3% respectively) and salaried positions increased 3.9% and 9.8% for the same periods.

The concern for employees therefore relates to their “real wage” levels given the impact of inflation. Considering this trend a Head Waiter currently earns 10% less than they did in 2006 and a Head Chef faces a similar (7%) reduction.

Many business owners have also indicated in a Restaurant Association snapshot survey at the end of 2010 that they will be keeping remuneration rates at the same level for existing employees.

However, hourly wage earners appear advantaged, especially entry level employees that have seen minimum wage increases 24.4% between 2006 - 2010, a real increase of 11.6%.

Remuneration Rates: In 2011 hospitality businesses plan to...



“I hope sales and profits will be up and I can pass some of that onto my staff.”

Challenges & Opportunities In Hospitality

Steve Hanrahan

Steve Hanrahan is the Chief Executive of HSI, the hospitality industry's ITO.

HSI's role is to develop and monitor NZQA unit standards and qualifications for the hospitality industry.

This means they oversee, supervise, assist and review all nationally recognised training for chefs, waiters, porters, hotel receptionists, house-keepers, duty managers and bar persons.



We Kiwis have a lot to be proud of in our hospitality industry. As a nation of some of the greatest travellers on earth, we come back home and demand the level of service we received in countries where service is a long-term profession, and staff rely on tips as the bulk of their wages. It's all credit to our hospitality industry that we generally meet those high expectations – and often exceed them.

The hospitality industry has blossomed across New Zealand – it's quite extraordinary to remember that not long ago, coffee in many places was a dull, drip-filtered affair, and service could sometimes be described the same. Now, you can travel anywhere in the country and find great coffee and crafted teas, fantastic, innovative food, and excellent service.

And our economic influence shouldn't be overlooked – hospitality industry sales are over \$6 billion per year. If we include accommodation, the industry employs 126,000 people – that's nearly 7 % of all people working in New Zealand – in 20,000 businesses.

It's fair to say, that 2010 was a challenging year for the hospitality industry – like many others sectors, the global recession hit us hard as many clients tightened their belts and stayed home.

With the Rugby World Cup due to storm our shores later this year, we need to be ready to greet all the visitors and show them true professional Kiwi hospitality. The sector is working to do that.

HSI currently oversees training to over 7,000 chefs, waiters, baristas, bartenders, maitre d's, porters, hotel receptionists, and managers every year. Training ranges from short up-skill programmes to national qualifications.

Recent research predicts we're going to need 24,400 new people entering the hospitality business over the next four years.

"Over the next four years, around 24,400 new people will be needed in the hospitality industry as a result of turnover and industry growth. This equates to 6,100 new people entering the industry each year. This will create challenges for the industry in terms of training and skill requirements. Of this number, based on the current level of qualifications within the industry, around 3,680 people will be needed each year with Level 1 to 3 qualifications while a further 640 people will be needed with Level 4 qualifications or above." BERL Report 2010

The largest area of employment growth will be in bar attendants, baristas, waiters, managers and chefs.

Ensuring we have adequate training for the new people is important, to ensure Kiwi hospitality remains second-to-none. There are plenty of challenges and opportunities this year and beyond

which makes it an exciting time for all of us in the hospitality industry.

Steve Hanrahan

- CEO, Hospitality Standards Institute

Employee Snapshot

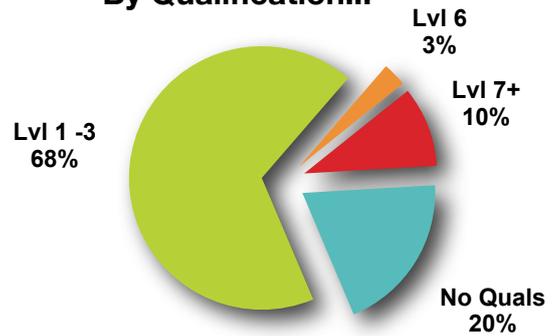
The typical hospitality employee is...

Source: Business and Economic Research Limited, 2010 Industry Report for HSI

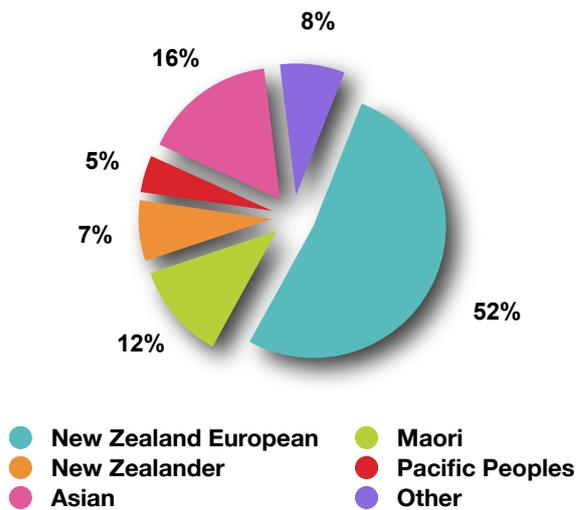
By Gender...



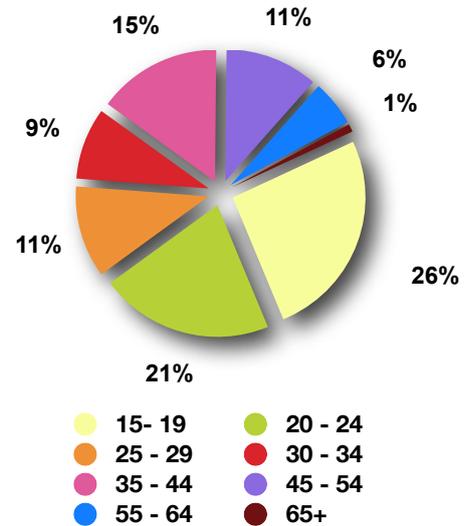
By Qualification...



By Ethnicity...



And by Age...



According to Business and Economic Research Limited (BERL) (2010) statistics, the typical hospitality employee in New Zealand is young, female, and with a low level of education.

Over half (52%) of the current hospitality workforce is of New Zealand / European decent with a majority (58%) being under 30 years of age. The hospitality industry tends to employ/attract, young people; 26% of the workforce is 19 years of age or younger. Older workers are under represented with only 17% of those employed in the industry being over 45 years of age. Consequently, hospitality's emphasis on younger employees may hold long-term difficulties.

BERL predicts that the hospitality industry will require over 24,000 new employees entering the hospitality business over the next four years; ; that is over 6,000 employees per year over the next four years. BERL notes that compounding this need is the current lack of students who successfully completed hospitality courses. Combined, these factors not only predict a staffing short fall, but also indicate that future hospitality staff may be less qualified.

"Shortage of local candidates, particularly those with suitable skills & experience has impacted on the growth and also service parameters of our business model."

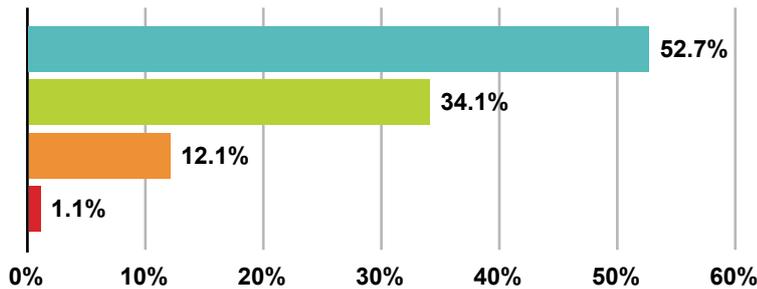


Employee Shortfall

Hospitality industry recruitment experiences

Source: Restaurant Association Hospitality Industry Snapshot Surveys 2011

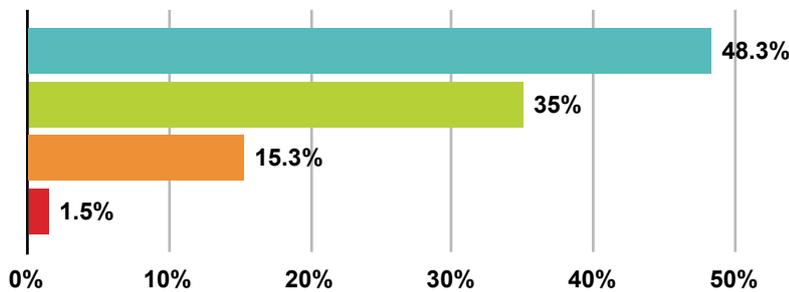
How easy do you find it to recruit a senior chef?



“While eventually the positions were filled, often we are having to compromise our standards in order to get ‘someone’ rather than our ideal candidate...”

- **Extremely Difficult, I had to repeatedly advertise to fill the position**
- **Difficult. I was able to fill the position but not in an acceptable timeframe.**
- **Relatively Easy. I was able to fill the position in a suitable timeframe.**
- **Extremely Easy. I had a number of suitable candidates applying for the job.**

How easy do you find it to recruit a restaurant manager?



“Basically it wasn't the number of applicants but the quality or more precisely the lack of quality”

- **Extremely Difficult, I had to repeatedly advertise to fill the position**
- **Difficult. I was able to fill the position but not in an acceptable timeframe.**
- **Relatively Easy. I was able to fill the position in a suitable timeframe.**
- **Extremely Easy. I had a number of suitable candidates applying for the job.**

It is widely recognised that the hospitality industry has had a long term skill shortage of employees for senior positions in the industry. For a number of years chefs have been listed on Immigration New Zealand’s long term skill shortage list, while restaurant managers appear on the short term skill shortage list.

Certainly, it is proving extremely difficult for hospitality operators to recruit senior level staff. An industry survey in 2010 revealed that 77% had advertised for a senior chef in the past 12 months and 87% of those had had difficulty finding a suitable candidate. Senior front of house roles fare little better with 83% reporting difficulty in recruiting successfully for a manager position.

Operators perceive that a lack of experience is a prime concern.

Many operators are forced to recruit staff that are not adequately experienced or to promote staff that were not ready for enhanced positions.

Other industry concerns include the level of respect that is attributed to the hospitality industry as a career choice and the added difficulties in attracting and keeping staff sourced from overseas. The comment “New Zealanders do not take the job seriously and have the attitude that ‘I am doing this until I find a real job’” was a common one.

There is a desire amongst the industry to see immigration laws changed to allow easier renewals of work visas and to make it easier to attract foreign trained chefs and other hospitality staff to New Zealand.

Employee Shortfall

Hospitality industry recruitment experiences

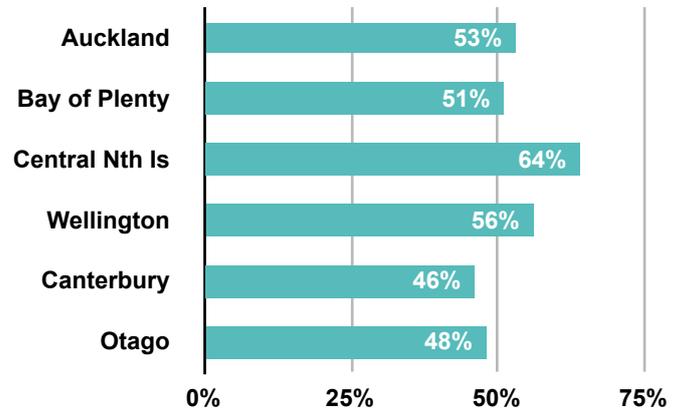
All regions (as noted far right) indicate extreme difficulty in recruiting for senior roles, both front of house and kitchen positions. Respondents noted that recruitment 'now' is more difficult than ever before.

Auckland, Wellington and Central North Island businesses are having the greatest recruitment issues (a hospitality survey in 2010 indicated that over 90% found it extremely difficult or difficult to recruit senior chef positions in these regions).

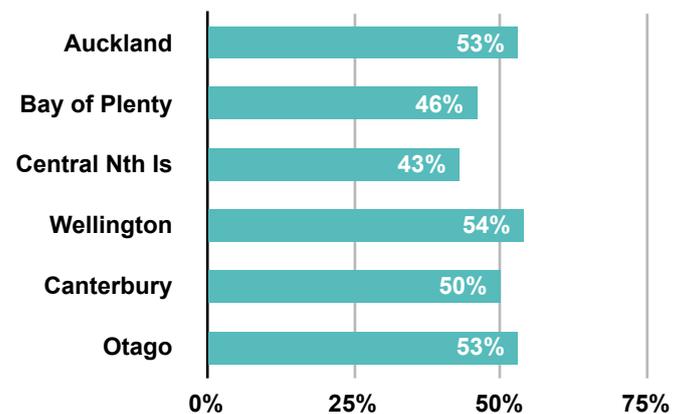
North Island businesses again fare the worst when trying to recruit front of house management positions; 85% in Auckland and 86% in Central North Island indicated difficulty or extreme difficulty in finding candidates for these roles.

Confirming the long term difficulty in finding suitable staff for chef roles, 84% of survey respondents have found the recruitment process as difficult, or even more difficult, over the past 12 months.

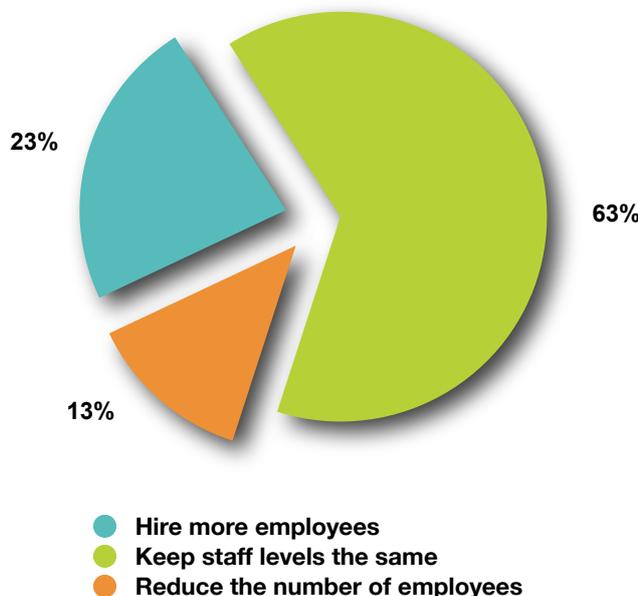
Degree of difficulty in recruiting senior chef BY REGION (extremely difficult)



Degree of difficulty in recruiting restaurant manager BY REGION (extremely difficult)



Staff Levels: In 2011 my business plans to...



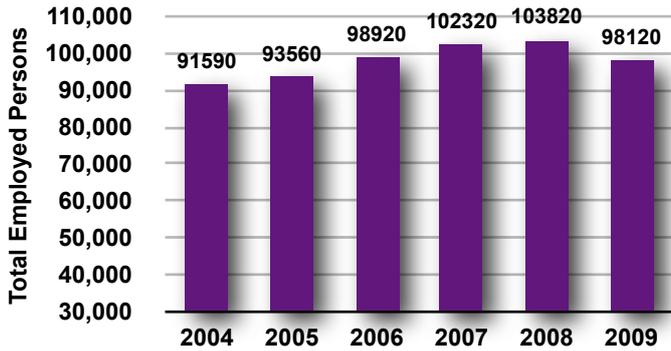
Source: Restaurant Association Hospitality Industry Snapshot Surveys 2011

"We want industry professionals that see it as a career with corporate benefits. We would offer a business partnership for the right candidate but the Hawke's Bay lacks skills or entrepreneurs willing to take a risk. If they are this way inclined they all move to Auckland or Wellington."

Hospitality Employment Growth

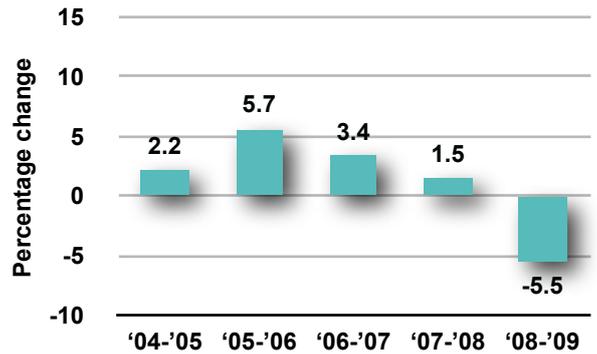
Regional Figures: 2004 - 2009

National Figures

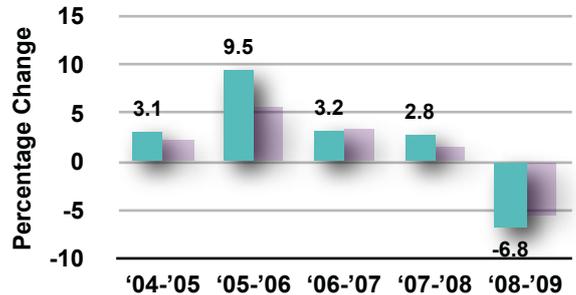
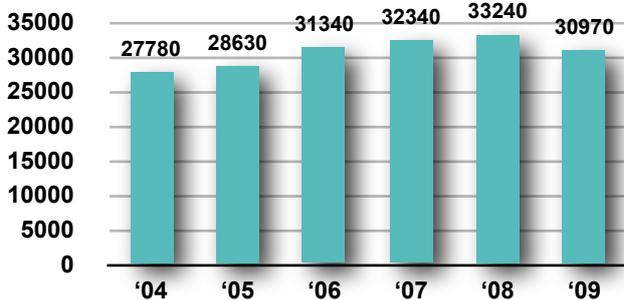


Source: Statistics New Zealand

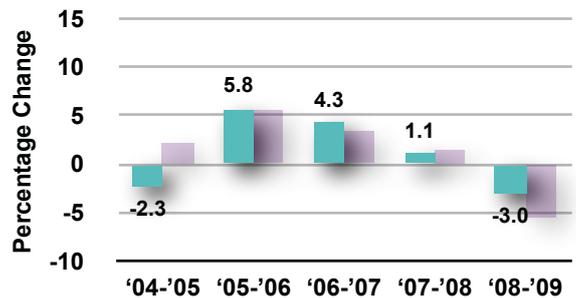
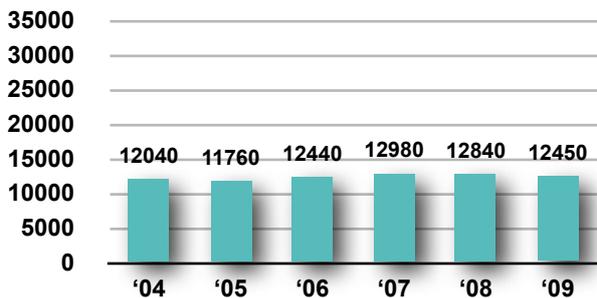
National Annual Employment Growth



Auckland



Wellington Region



The hospitality industry has experienced many years of positive employment growth. However in the period 2008 – 2009, as businesses reacted to the difficult trading environment there was a sharp drop in hospitality employment - a reduction of 5.5%.

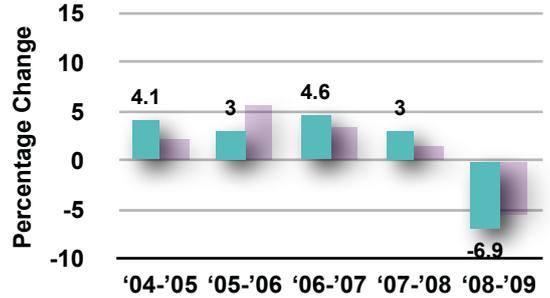
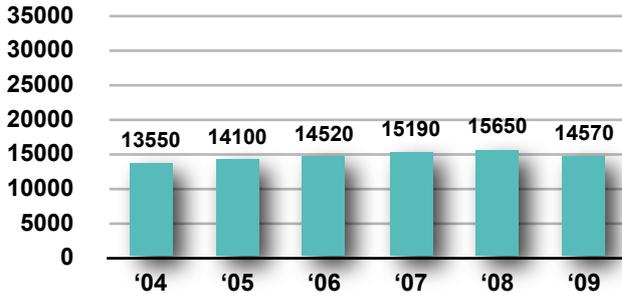
While Auckland has seen average annual growth higher than the national average this region was also dramatically impacted in 2008 – 2009, with a 6.8 drop in employment numbers. Wellington has managed to weather the economic downturn better than any other region with only a 3% reduction in employment numbers in 2009 (against that national average of 5.5%).

Unlike some regions, where fluctuations from year to year occur, the Waikato / Bay of Plenty region (shown on the graphs on the following page) has experienced steady growth - averaging 3.7% per annum from 2004 - 2008. However the region also recorded the largest reduction of staff in 2009 (of 6.9%) at the height of the economic downturn. Job security during recessionary periods for those employed in hospitality in this region was worse than any other region.

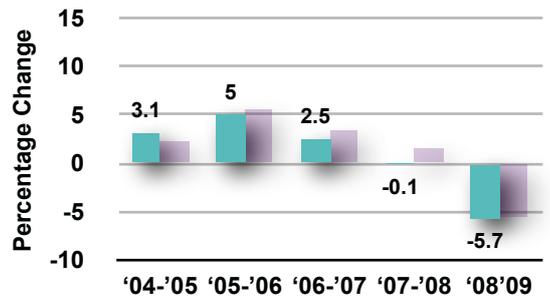
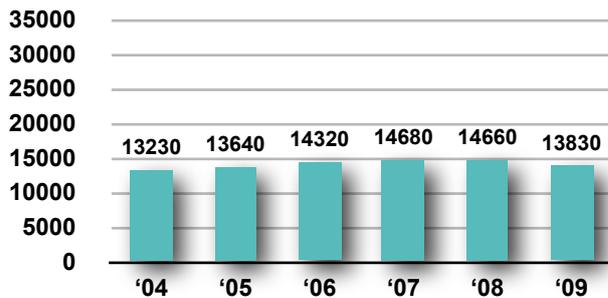
Hospitality Employment Growth

Regional Figures: 2004 - 2009

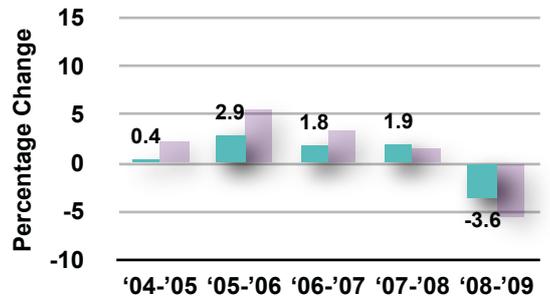
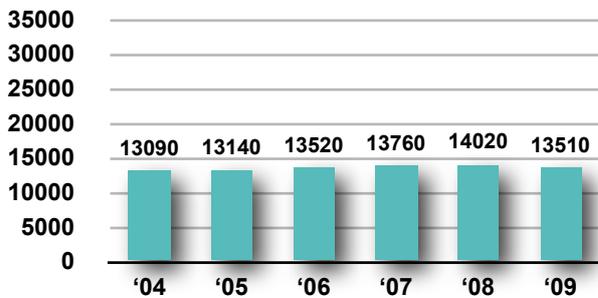
Waikato / Bay of Plenty



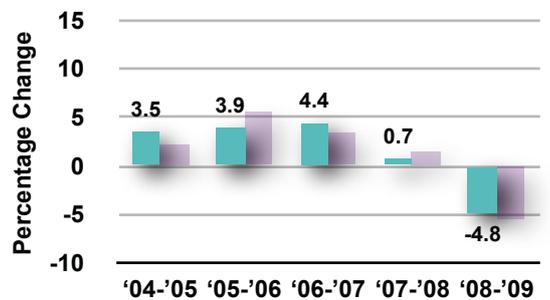
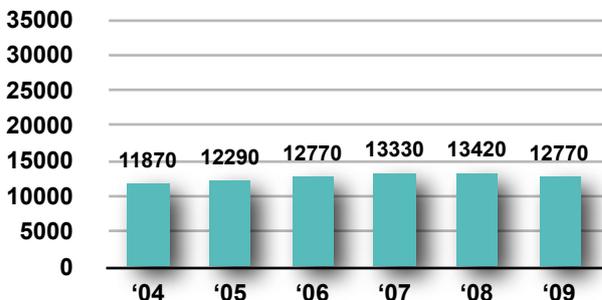
Rest of the North Island



Canterbury



Rest of the South Island

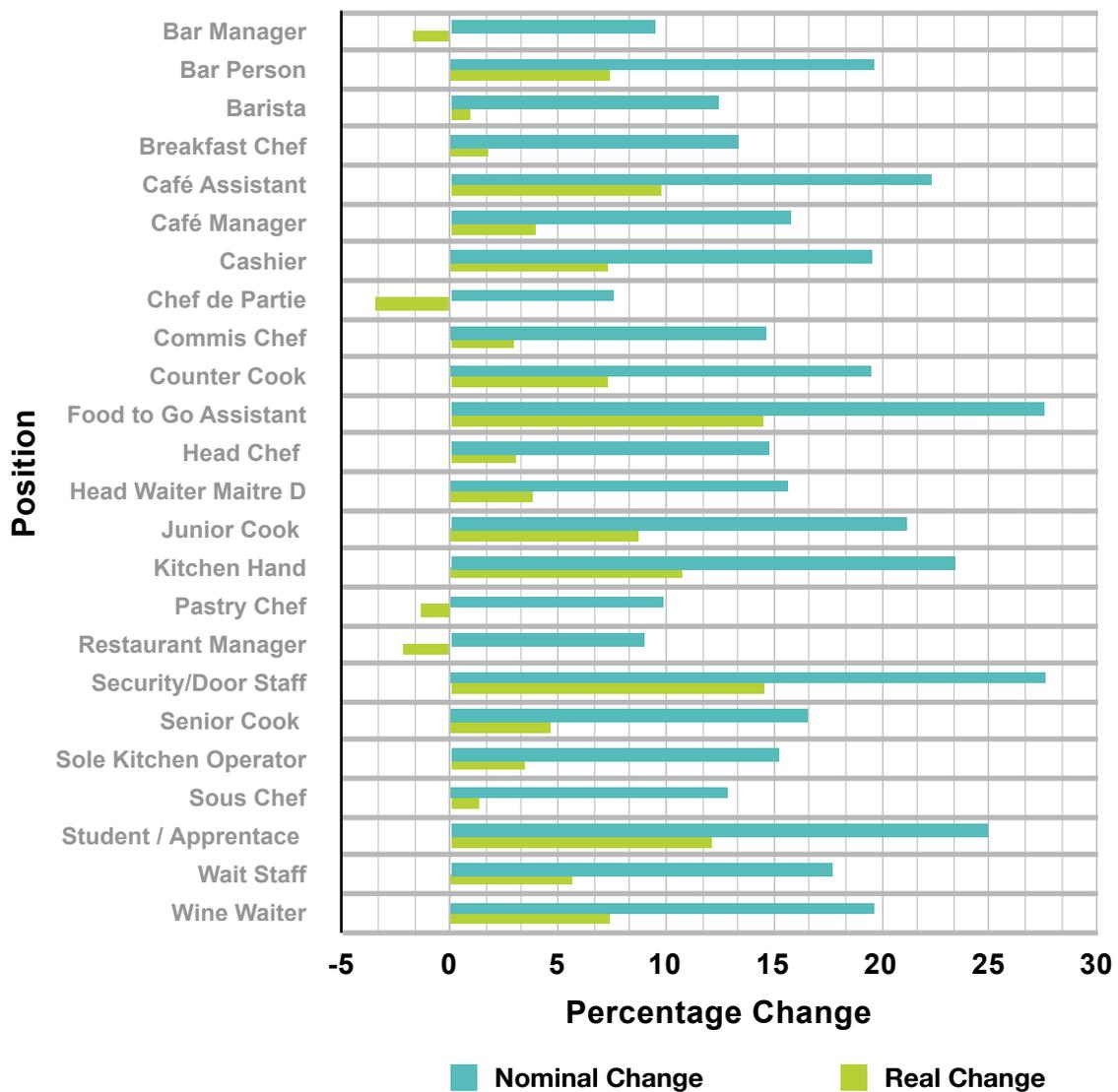


Smaller areas of the South Island exhibit high employment growth with the “Rest of the South Island” experiencing an average of 4% annual growth during the period 2004 - 2007. This region has also been impacted by the economic downturn and shows a 4.8% decrease for the period 2008-2009. However, this is less than the national average which noted a decrease of 5.5% over this period.

Canterbury also stood strong in tough times only losing 3.6% of its employees in 2009. No doubt the difficulties of recent earthquakes will further impact Canterbury’s employment patterns.

Remuneration Data

Average HOURLY WAGE Growth: 2006 - 2010



Source: amended from Restaurant Association of New Zealand, 2010; Statistics New Zealand, 2010

Hourly Wage Growth Market Trends

The Restaurant Association of New Zealand annual hospitality industry remuneration survey shows wage growth trends over a five year period; [2006-2010].

All positions have seen current dollar growth in hourly remuneration levels, although real currency growth, adjusted for inflation, has seen Bar Manager, Chef de Partie, Pastry Chef and Restaurant manager positions slightly disadvantaged when 2010 levels are compared to 2006.

Growth in many areas is affected by the unstable economic climate with an industry-wide decrease in hourly wages of 0.5% for the period 2009-2010, compared to a positive 6.4% and 7.3% for the periods 2007-2008 and 2008-2009 respectively.

Remuneration Data

HOURLY Remuneration by Position: 2006 - 2010

REMUNERATION DATA

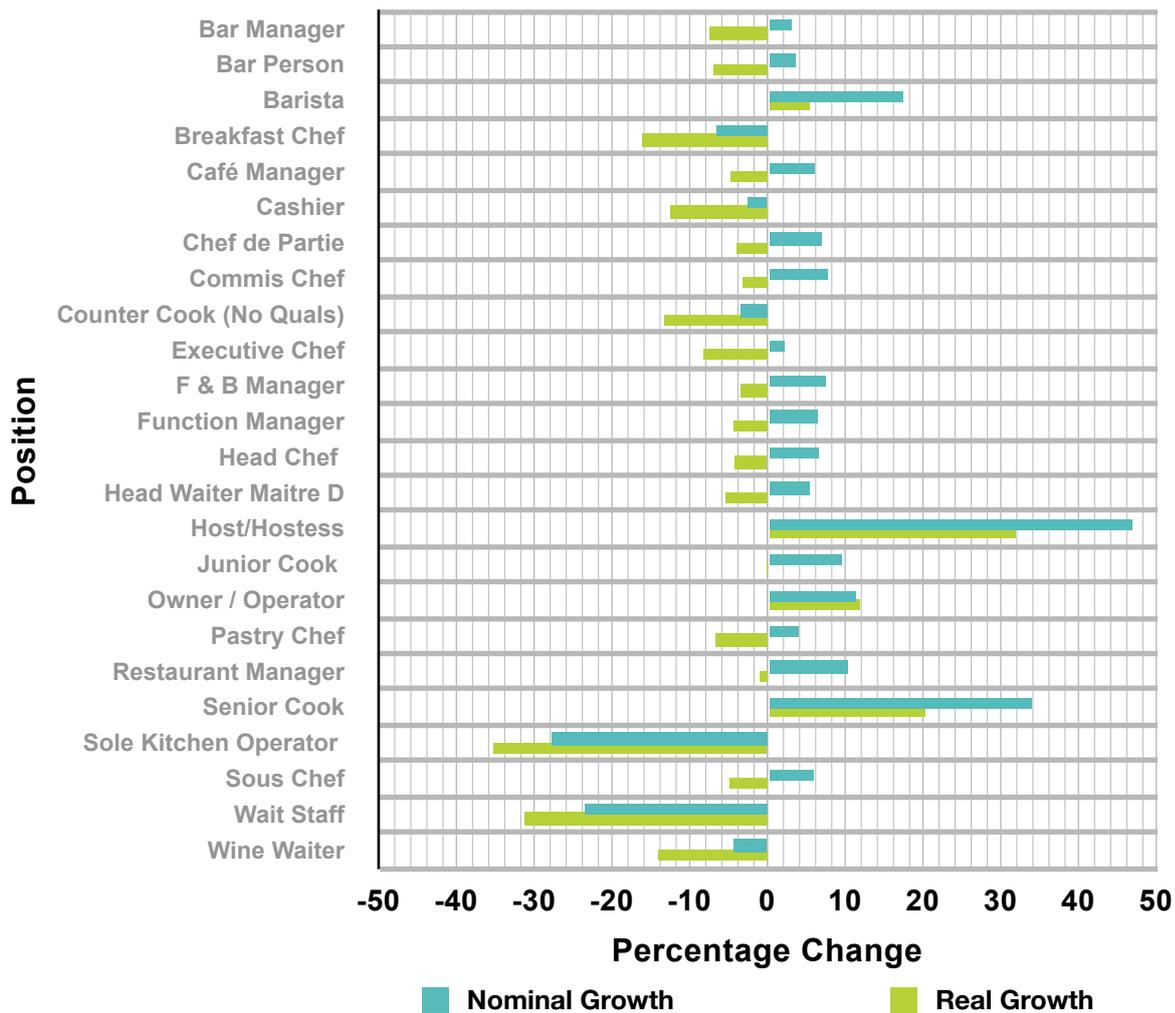
	2006	2007		2008		2009		2010	
	Rate	Rate	% change '06-'07	Rate	% change '07-'08	Rate	% change '08-'09	Rate	% change '09-'10
Bar Manager	\$15.98	\$16.13	0.9%	\$15.84	-1.8%	\$17.90	13.0%	\$17.50	-2.2%
Bar Person	\$12.06	\$12.51	3.7%	\$13.35	6.7%	\$13.95	4.5%	\$14.43	3.4%
Barista	\$12.96	\$12.81	-1.2%	\$14.32	11.8%	\$14.88	3.9%	\$14.57	-2.1%
Breakfast Chef	\$14.29	\$14.67	2.7%	\$15.58	6.2%	\$15.93	2.2%	\$16.20	1.7%
Café Assistant	\$11.31	\$11.54	2.0%	\$12.60	9.2%	\$13.53	7.4%	\$13.83	2.2%
Café Manager	\$15.83	\$15.99	1.0%	\$16.55	3.5%	\$17.72	7.1%	\$18.33	3.4%
Cashier	\$12.63	\$12.58	-0.4%	\$17.47	38.9%	\$16.61	-4.9%	\$15.10	-9.1%
Chef de Partie	\$15.43	\$15.73	1.9%	\$16.06	2.1%	\$16.89	5.2%	\$16.60	-1.7%
Cleaner	\$11.54	\$12.32	6.8%	\$13.09	6.3%	\$14.07	7.5%	\$14.40	2.3%
Commis Chef	\$13.37	\$12.88	-3.7%	\$14.68	14.0%	\$15.11	2.9%	\$15.33	1.5%
Counter Cook*	\$12.40	\$13.49	8.8%	\$14.10	4.5%	\$15.96	13.2%	\$14.82	-7.1%
DJ	\$62.38	\$46.29	-25.8%	\$36.27	-21.6%	\$46.69	28.7%	\$41.72	-10.6%
Duty Manager	\$14.56	\$14.63	0.5%	\$15.78	7.9%	\$16.47	4.4%	\$16.29	-1.1%
Executive Chef	\$21.13	\$23.82	12.7%	\$22.88	-3.9%	\$26.54	16.0%	\$27.08	2.0%
F & B Manager	\$18.34	\$17.36	-5.3%	\$19.62	13.0%	\$20.82	6.1%	\$20.97	0.7%
Food to Go Assistant	\$11.26	\$11.25	-0.1%	\$12.61	12.1%	\$14.49	14.9%	\$14.36	-0.9%
Front Office	\$13.86	\$13.58	-2.0%	\$15.63	15.1%	\$14.87	-4.9%	\$16.03	7.8%
Function Manager	\$17.07	\$18.75	9.8%	\$19.79	5.5%	\$18.41	-7.0%	\$19.65	6.7%
Head Chef Qualified	\$18.88	\$19.74	4.6%	\$20.42	3.4%	\$21.84	7.0%	\$21.67	-0.8%
Head Waiter Maitre D	\$14.62	\$14.75	0.9%	\$15.89	7.7%	\$16.59	4.4%	\$16.91	1.9%
Host/Hostess	\$14.82	\$14.29	-3.6%	\$15.04	5.2%	\$15.87	5.5%	\$15.02	-5.4%
Housekeeper	\$12.44	\$13.08	5.1%	\$14.01	7.1%	\$14.82	5.8%	\$15.10	1.9%
Junior Cook*	\$11.97	\$12.17	1.7%	\$13.03	7.1%	\$14.30	9.7%	\$14.50	1.4%
Kitchen Hand	\$10.82	\$11.27	4.2%	\$12.40	10.0%	\$13.00	4.8%	\$13.35	2.7%
Office Manager	\$17.89	\$17.77	-0.7%	\$18.80	5.8%	\$20.05	6.6%	\$20.83	3.9%
Owner / Operator	\$40.08	\$21.29	-46.9%	\$21.77	2.3%	\$26.04	19.6%	\$21.24	-18.4%
Pastry Chef	\$15.98	\$15.54	-2.8%	\$17.02	9.5%	\$17.40	2.2%	\$17.56	0.9%
Restaurant Manager	\$16.69	\$17.69	6.0%	\$17.55	-0.8%	\$19.40	10.5%	\$18.19	-6.2%
Room Attendant	\$11.73	\$11.72	-0.1%	\$13.01	11.0%	\$13.45	3.4%	\$13.59	1.0%
Security/Door Staff	\$15.04	\$16.32	8.5%	\$16.33	0.1%	\$18.61	14.0%	\$19.19	3.1%
Senior Cook*	\$14.23	\$14.72	3.4%	\$16.51	12.2%	\$16.85	2.1%	\$16.59	-1.5%
Sole Kitchen Operator	\$14.06	\$13.64	-3.0%	\$14.85	8.9%	\$16.25	9.4%	\$16.20	-0.3%
Sous Chef	\$16.78	\$17.14	2.1%	\$17.32	1.1%	\$18.72	8.1%	\$18.94	1.2%
Student / Apprentice	\$10.76	\$11.56	7.4%	\$11.41	-1.3%	\$13.25	16.1%	\$13.44	1.4%
Wait Staff	\$12.02	\$12.11	0.7%	\$13.00	7.3%	\$13.94	7.2%	\$14.15	1.5%
Wine Waiter	\$12.57	\$14.06	11.9%	\$14.55	3.5%	\$15.52	6.7%	\$15.04	-3.1%

* No Qualifications

Source: amended from Restaurant Association of New Zealand

Remuneration Data

Average SALARY Growth: 2006 - 2010



Source: amended from Restaurant Association of New Zealand, 2010; Statistics New Zealand, 2010

Salary Growth Market Trends

Within the 2006 - 2010 period, as outlined within the table above, a downward trend is noted in the majority of analyzed salaried positions.

Sole Kitchen Operators were more than 35% worse off in 2010 than they were in 2006, with wine waiters closely following with over 30% depreciation in their wage.

These trends, when considered alongside the employment predictions found in the Business and Economic Research Limited's (BERL) 2010 industry report may compound the industry's future employment issues - while the need for more positions is projected, as the wage growth is negative this may affect a young workers decision to enter the hospitality industry.

"I hope that sales and profits will be up in 2011 and I can pass some of that onto my staff..."

Owner/Operator, Host/Hostess, Baristas and Senior Cooks have seen increases in their remuneration levels.

Over-riding these findings has been the impact of the recession, with salary growth of -2.9% in the period 2009-2010, compared to 3.9% and 9.8% for the periods 2007-2008 and 2008-2009 respectively. As business and consumer confidence grows, it could be anticipated that an improvement in real wage rates in line with previous year's growth may be possible.

Remuneration Data

SALARY by Position: 2006 - 2010

REMUNERATION DATA

	2006	2007		2008		2009		2010	
	Rate	Rate	% change '06-'07	Rate	% change '07-'08	Rate	% change '08-'09	Rate	% change '09-'10
Bar Manager	\$39,860.00	\$45,137.00	13.2%	\$47,694.00	5.7%	\$47,416.00	-0.6%	\$41,034.00	-13.46%
Bar Person	\$19,970.00	\$19,970.00	0.0%	\$14,723.00	-26.3%	\$27,333.00	85.6%	\$20,667.00	-24.39%
Barista	\$27,000.00	\$27,000.00	0.0%	\$20,320.00	-24.7%	\$39,230.00	93.1%	\$31,667.00	-19.28%
Breakfast Chef	\$32,750.00	\$32,750.00	0.0%	\$41,225.00	25.9%	\$35,533.00	-13.8%	\$30,563.00	-13.99%
Café Assistant	\$28,210.00	\$28,210.00	0.0%	\$28,210.00	0.0%	\$44,000.00	56.0%	\$17,000.00	-61.36%
Café Manager	\$40,444.00	\$38,500.00	-4.8%	\$43,814.00	13.8%	\$42,866.00	-2.2%	\$42,833.00	-0.08%
Cashier	\$41,077.00	\$41,077.00	0.0%	\$37,000.00	-9.9%	\$38,666.00	4.5%	\$40,000.00	3.45%
Chef de Partie	\$35,789.00	\$35,770.00	-0.1%	\$27,753.00	-22.4%	\$37,223.00	34.1%	\$38,237.00	2.72%
Cleaner	\$33,175.00	\$12,000.00	-63.8%	\$29,014.00	141.8%	\$34,875.00	20.2%	\$22,571.00	-35.28%
Commis Chef	\$31,492.00	\$28,716.00	-8.8%	\$32,640.00	13.7%	\$37,166.00	13.9%	\$33,900.00	-8.79%
Counter Cook*	\$26,000.00	\$26,000.00	0.0%	\$35,000.00	34.6%	\$38,228.00	9.2%	\$25,067.00	-34.43%
DJ	\$19,220.00	\$33,163.00	72.5%	\$49,400.00	49.0%	\$16,666.00	-66.3%	\$21,000.00	26.01%
Duty Manager	\$35,251.00	\$43,422.00	23.2%	\$35,459.00	-18.3%	\$36,317.00	2.4%	\$39,000.00	7.39%
Executive Chef	\$62,272.00	\$59,213.00	-4.9%	\$62,831.00	6.1%	\$67,404.00	7.3%	\$63,508.00	-5.78%
F & B Manager	\$51,237.00	\$50,270.00	-1.9%	\$51,117.00	1.7%	\$56,074.00	9.7%	\$55,000.00	-1.92%
Front Office	\$33,058.00	\$34,377.00	4.0%	\$36,475.00	6.1%	\$34,362.00	-5.8%	\$38,400.00	11.75%
Function Manager	\$43,269.00	\$43,280.00	0.0%	\$41,161.00	-4.9%	\$44,151.00	7.3%	\$46,000.00	4.19%
Head Chef Qualified	\$48,144.00	\$49,134.00	2.1%	\$52,537.00	6.9%	\$53,379.00	1.6%	\$51,294.00	-3.91%
Head Waiter Maitre D	\$38,825.00	\$35,669.00	-8.1%	\$36,702.00	2.9%	\$38,792.00	5.7%	\$40,875.00	5.37%
Host/Hostess	\$28,608.00	\$33,277.00	16.3%	\$44,908.00	35.0%	\$37,818.00	-15.8%	\$42,000.00	11.06%
Housekeeper	\$38,132.00	\$40,380.00	5.9%	\$41,132.00	1.9%	\$41,090.00	-0.1%	\$41,714.00	1.52%
Junior Cook*	\$24,000.00	\$24,000.00	0.0%	\$24,000.00	0.0%	\$30,692.00	27.9%	\$26,688.00	-13.05%
Kitchen Hand	\$30,400.00	\$30,400.00	0.0%	\$21,100.00	-30.6%	\$24,046.00	14.0%	\$22,240.00	-7.51%
Office Manager	\$41,968.00	\$40,631.00	-3.2%	\$42,658.00	5.0%	\$41,938.00	-1.7%	\$48,917.00	16.64%
Owner / Operator	\$39,896.00	\$43,431.00	8.9%	\$47,234.00	8.8%	\$50,683.00	7.3%	\$49,662.00	-2.01%
Pastry Chef	\$36,320.00	\$41,800.00	15.1%	\$48,015.00	14.9%	\$44,285.00	-7.8%	\$37,688.00	-14.90%
Restaurant Manager	\$43,675.00	\$45,005.00	3.0%	\$52,219.00	16.0%	\$46,889.00	-10.2%	\$48,123.00	2.63%
Room Attendant	\$29,000.00	\$29,000.00	0.0%	\$29,000.00	0.0%	\$15,000.00	-48.3%	\$25,846.00	72.31%
Security/Door Staff	\$62,400.00	\$62,400.00	0.0%	\$34,675.00	-44.4%	\$16,666.00	-51.9%	\$16,666.00	0.00%
Senior Cook*	\$27,483.00	\$33,762.00	22.8%	\$44,838.00	32.8%	\$33,908.00	-24.4%	\$36,789.00	8.50%
Sole Kitchen Operator	\$45,600.00	\$45,600.00	0.0%	\$45,600.00	0.0%	\$35,000.00	-23.2%	\$32,875.00	-6.07%
Sous Chef	\$42,773.00	\$42,340.00	-1.0%	\$45,729.00	8.0%	\$44,749.00	-2.1%	\$45,271.00	1.17%
Student / Apprentice	\$26,233.00	\$26,233.00	0.0%	\$15,030.00	-42.7%	\$24,666.00	64.1%	\$24,200.00	-1.89%
Wait Staff	\$33,000.00	\$33,000.00	0.0%	\$13,711.00	-58.5%	\$36,238.00	164.3%	\$25,211.00	-30.43%
Wine Waiter	\$45,000.00	\$45,000.00	0.0%	\$40,000.00	-11.1%	\$35,000.00	-12.5%	\$43,000.00	22.86%

* No Qualifications

Source: amended from Restaurant Association of New Zealand

Understanding Productivity

Measuring workforce productivity is a subjective matter, especially in hospitality; can one staff member be considered less productive than another based solely on sales?

This report therefore simplifies productivity measurement to purely financial terms but rationalises that soft-skills and service standards should be considered within your own business' judgement of overall productivity.

The aim of this information is to guide restaurateurs towards goals and targets in the operation of their business, based on national and regional averages. These averages serve as guides only.

This section suggests that more consideration may be required before employing or retrenching staff in order to ensure sales reflect an appropriate return on investment for each employee hired.

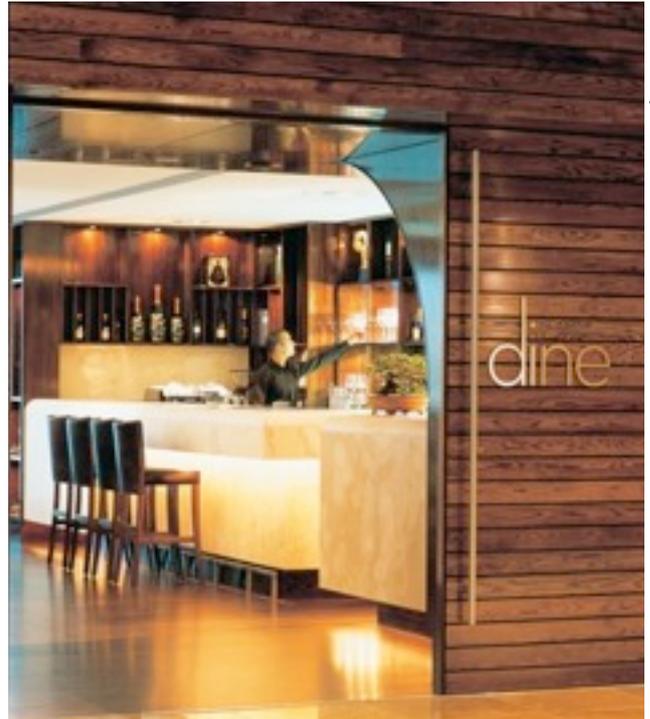
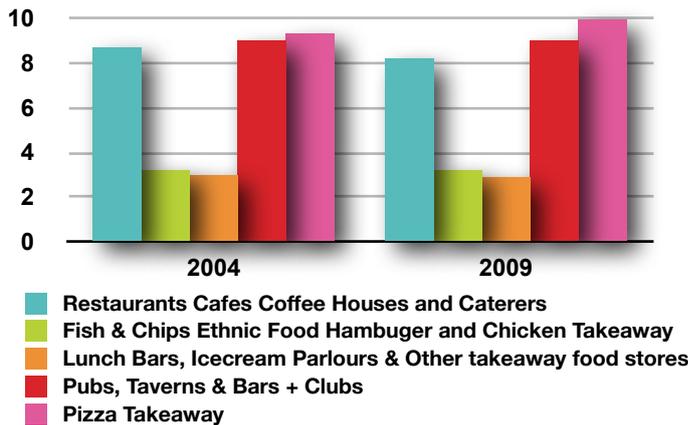


Photo: Dine by Peter Gordon, Auckland

Staffing levels

Employees per outlet



A quick snapshot is shown above indicating, nationally, the average number of employees in the different hospitality sectors. A comparison is given between 2004 and 2009 employee levels.

All sectors of the industry have remained relatively consistent in their average employee numbers. However, it should be noted, Lunch Bars and Pizza Takeaways saw significant increases in staffing levels (of 63% and 44% respectively between the years 2002 - 2009). This also coincided with a large increase in the number of outlets over those years.

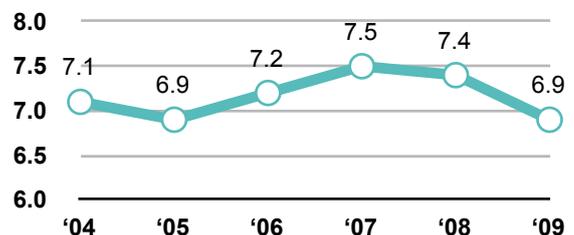
The table below notes that the average number of employees per hospitality business is 7. This figure is also given in the regional analysis to offer more specificity to the reader.

While this figure alone does not take into consideration things like the cover numbers or the style of the operation, when paired with the analysis of per outlet spend, these averages guide targets regardless of size or type.

This report notes productivity in financial terms. To achieve this the authors divided turnover by the (average) number of employees. National average annual sales per outlet in 2009 was \$442,131, with an average of 7 employees needed to achieve this. Readers can modify this calculation to suit specific operations.

Throughout the regional sections on the pages following, the national average line will be indicated for quick comparison.

Average Employees per outlet: National Figures



Source: amended from Restaurant Association of New Zealand, Statistics New Zealand

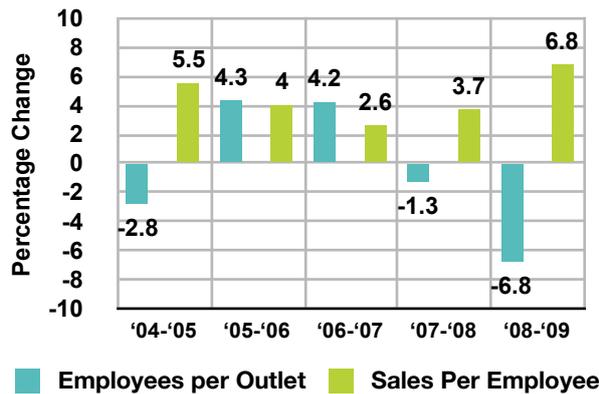
Sales productivity

The sales per pay-rolled employee graph shows the total sales burden per employee irrespective of position.

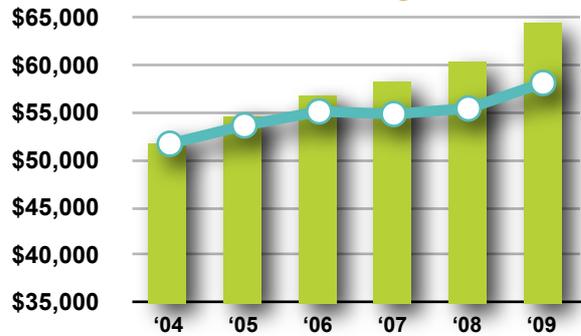
The blue line is currency adjusted, allowing for better year to year comparison. This has further been broken down for outlet specific guides, located in the bottom half of this page.

From a position of staff productivity, 2009 realised higher than ever per staff member sales performance. A decrease in the number of employees per outlet of 6.8% was directly matched by an increase in sales per employee of 6.8%.

Growth in Employees per outlet Vs. Sales per employee



Sales per pay-rolled employee - National Average



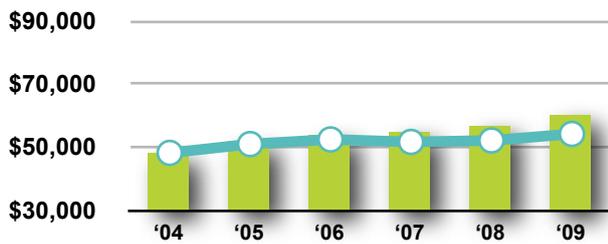
2008 noted a decrease in the number of employees per outlet (of -1.3%), with a corresponding increase in sales per employee of 3.7%. This noted, even in the years when there has been growth in the number of employees per outlet the industry has still managed to maintain positive growth in employee sales revenue.

This offers an opportunity to reflect in times of economic prosperity (or otherwise) how efficiently staff are being utilised. Over the past few years many businesses have undergone some retrenchment & economised by not replacing employees as they have departed. As a result businesses are operating leaner and more efficiently.

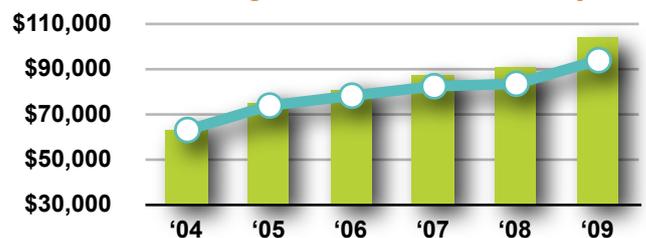
With the hospitality industry noting that labour costs are in their top three concerns of 2011 focus should be given to ensuring new appointments are going to improve overall profitability, or they may simply cannibalise the productivity of existing staff members.

Sales per pay-rolled employee - By Outlet type

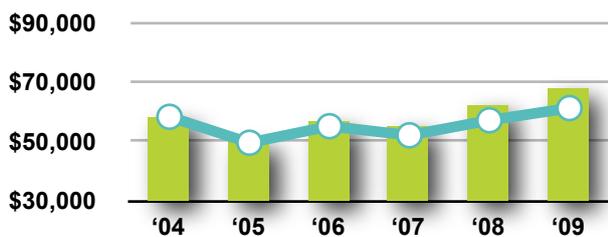
Restaurants, Cafes & Caterers



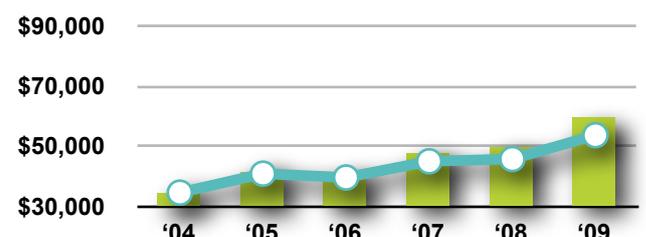
Fish & Chips, Ethnic Food, Hamburger and Chicken Takeaways



Lunch Bars, Ice Cream Vendors and Other Takeaway



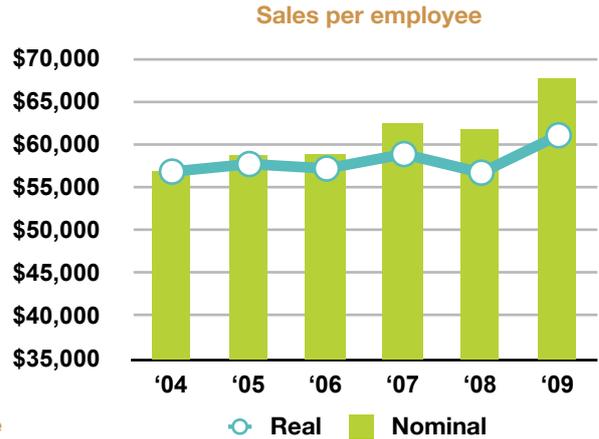
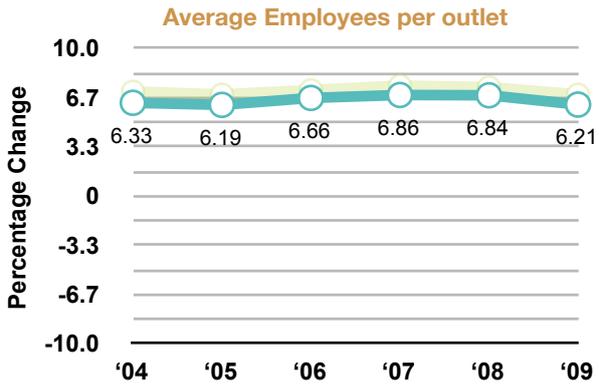
Pizza Takeaways



When classified by outlet style, some interesting trends in the annual sales productivity per employee emerge. All outlet types have shown increased real productivity since 2004, although for "Restaurants, Cafes & Caterers" and also the "Lunch bar, Ice cream and Other Takeaways" sectors the increase is fairly marginal when offset by the value of these gains against inflation. "Fish & Chip, Ethnic Food, Hamburger and Chicken Takeaways" have shown the greatest annual growth, both nominally and in real terms and this is the most productive sector of the foodservice industry as well. In 2009 the average sales per employee in this sector reached \$103,000.

Sales productivity

Auckland

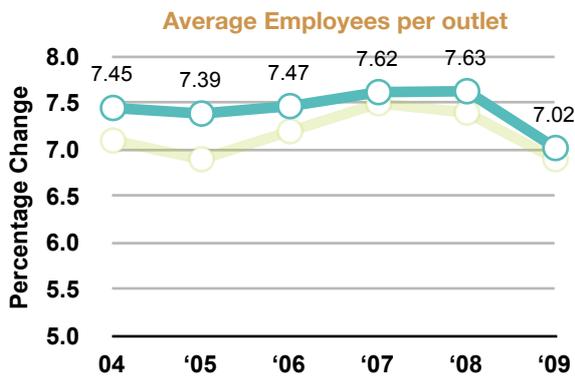


Growth in Employees per outlet Vs. Sales per employee



Auckland, in comparison to national trends, appears to have a relatively productive work force. The number of employees per outlet is the lowest in the country. In 2009 it was 6.21 (compared to the national average of 6.9 in 2009), while sales per employee hover at around 5% higher than the national average. Of note, in a trend mirroring the national trend, a reduction in the number of employees per outlet in 2009 of -9.2% realised a like increase in sales per employee of 9.7%. 2008 noted an unfavourable “blip” in productivity – a decrease in the number of employees per outlet of -0.3 unfortunately also saw a decrease in productivity of -1.2%.

Waikato / Bay of Plenty



Growth in Employees per outlet Vs. Sales per employee

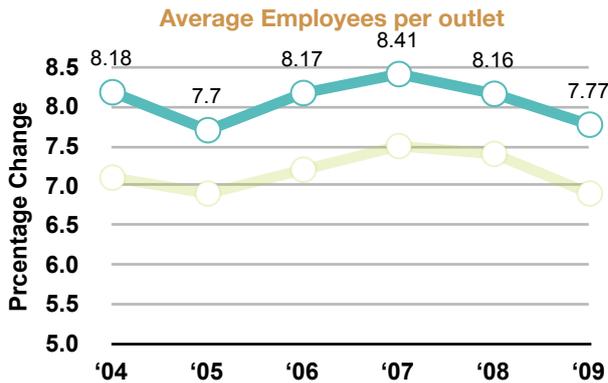


Businesses in the Waikato/Bay of Plenty area may need to start to better utilise their employees potential. Sales per employee were the lowest in the country in 2009. At \$50,081 per employee this is close to 30% below the national average. In real terms this is also the only region to show a decrease in sales per employee.

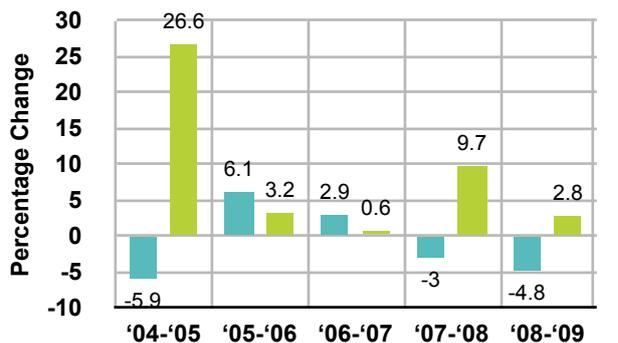
This is further emphasised by the fact that this region has the lowest spending per capita for dining out.

Sales productivity

Wellington Region

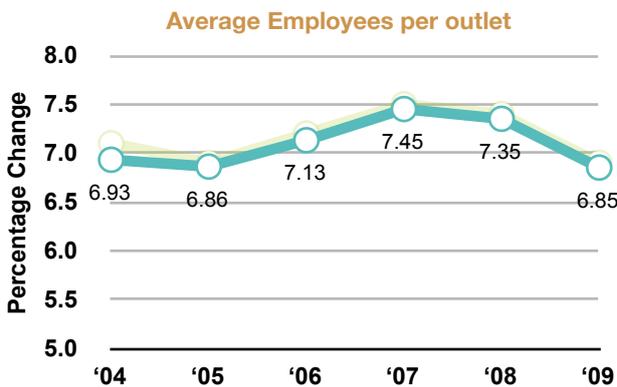


Growth in Employees per outlet Vs. Sales per employee

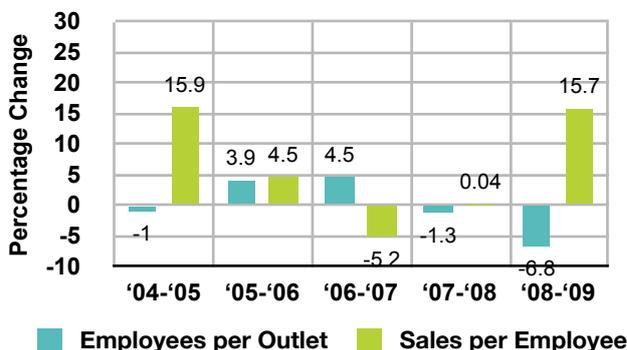


Wellington has the most employees per outlet at 7.77 employees (compared to the national average in 2009 of 6.9), although this has decreased over the past few years (from a peak of 8.41 in 2007). However this seems well justified as it also has the highest sales per employee at \$74,600 (in 2009). The region has seen consistent growth in productivity and also has the highest food service expenditure per capita. Of particular note (in the years surveyed here), Wellington experienced a real jump in productivity in 2005 – a reduction in the number of employees per outlet of -5.9% resulted in an increase in sales per employee of 26.6%. Sales per employee over those years rose from \$50,299 to \$63,690.

Rest of the North Island



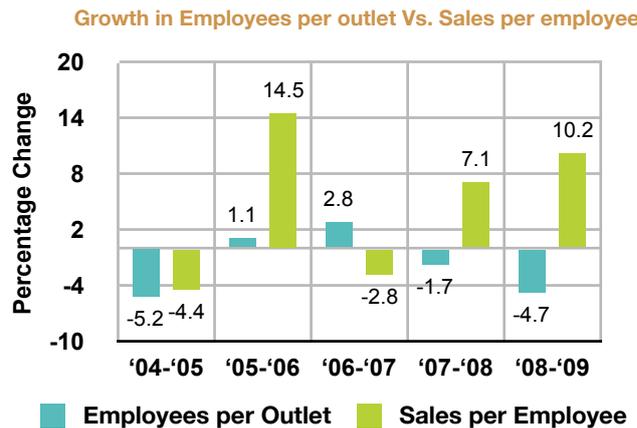
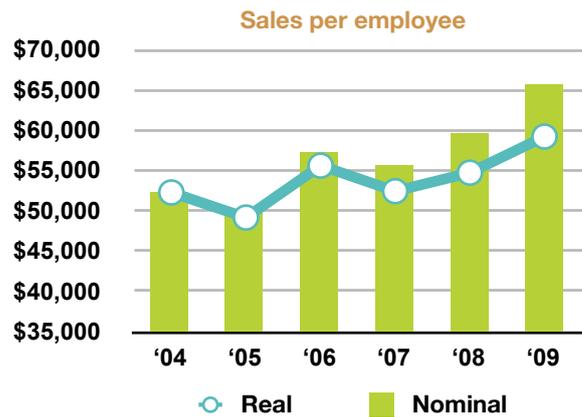
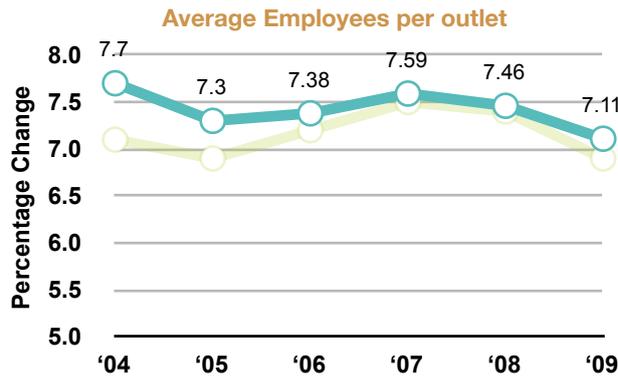
Growth in Employees per outlet Vs. Sales per employee



Although the greater North Island maps very closely to the national average trend in employees per outlet, productivity per employee has been much lower than the national average (until a large jump in productivity as a result of a drop in employee numbers in 2009). This region has shown the greatest fluctuations over the six years surveyed, showing a steady increase in productivity from 2004-2006, before declining for two static years 2007 – 2008. The dramatic increase in 2009 was a result of a drop in employee numbers of -6.8%.

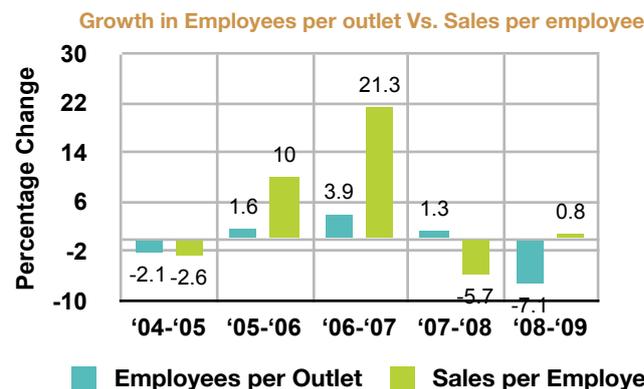
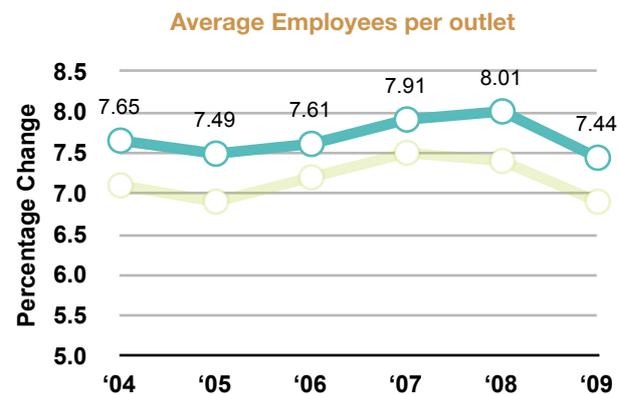
Sales productivity

Canterbury



While not the highest output per employee in New Zealand, Canterbury has realised a steady growth in annual financial return per employee. In 2009 sales per employee in Canterbury reached \$65,000, surpassing the national average of \$64,000. This is largely due to the large sales increase (35%) over these six years (2004-2009) and a fairly muted outlet growth (11%), compounded by a decrease in staffing levels and heavy growth in per resident spending. While 2011 has bought a time of major upheaval for Canterbury operators, maintaining control over employee levels will benefit Canterbury based operators.

Rest of the South Island



After hitting a peak in 2007 of \$66,900 sales per employee, the Rest of the South Island struggled in 2008 with a -6% decrease on this figure. Coincidentally 2008 also saw the average number of employees per outlet peak at 8.01.

Strong outlet growth in this region has been supported by solid sales growth which, if staffing levels are monitored, will see this region go from strength to strength.

CONSUMER INSIGHTS

KIWI DINING CULTURE IS ALIVE AND WELL: AMERICAN EXPRESS

Consumer
Spending
Culture



Photo: Prime Restaurant, Queenstown

Kiwi Dining Culture is Alive and Well American Express

Geoff Begg, Vice President and General Manager of Merchant Services at American Express, shares with us the results of their nationwide survey.

The results breath optimism into the future of New Zealand dining as well as provide insights into how consumers are making choices when it comes to dining options.



Kiwis have retained their enthusiasm for dining out despite tough economic times. While there is evidence that some diners either traded down or were eating out less frequently, 69% of respondents in a recent American Express* survey said they ate out at least monthly and nearly a third said they dined out at least weekly.

Respondents were almost equally split on whether the economic conditions had an effect on their dining habits. More casual eateries (cafes, pubs, bistros etc.) fared best, with nearly half of the respondents claiming to be spending more or the same amount in these establishments.

The survey also indicated that family and friends are by far the most influential when it comes to finding a place to eat; 89% of respondents look to them. The rise of online media sources for dining recommendations is significant, with internet searches

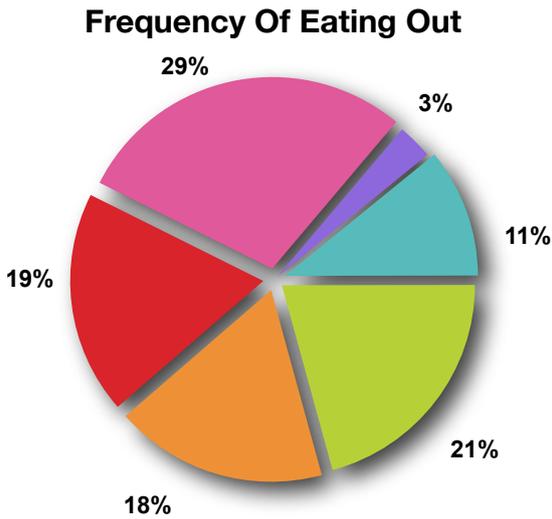
(31%), restaurant websites (20%), online reviews and restaurant blogs (18%), and social media (6%) all garnering mention. Younger diners (18- 29 year olds) clearly have a preference for online media, with 18% citing Facebook as a source of information, compared to 6% of all respondents. Other critical factors considered by diners when deciding where to eat were a restaurant's reputation for quality food, affordability, excellent service and a great vibe.

It is great to see that the culture of dining is alive and well. Dining out makes people feel good and is driven by their desire to socialise. While the recession has lowered spending on higher priced items, dining out remains a vital part of Kiwi culture.

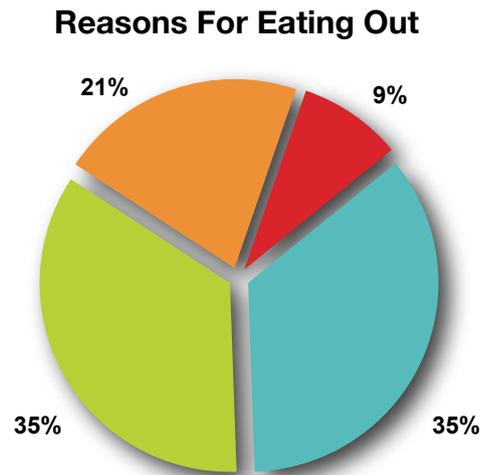
Geoff Begg

- Vice President and General Manager of Merchant Services at American Express

Consumer Spending Dining Habits



- At Least Two-Three Times A Week
- Once A Week
- Once A Fortnight
- Less Than Once A Month
- Never



- To Catch Up With Family & Friends
- For Special Occasions
- For Convenience
- For Business Purposes

Frequency Of Eating Out: Based On Annual Income

	Household Income					
	All	Less than \$30K per annum	\$30-50K per annum	\$50-70K per annum	\$70-100K per annum	\$100K + per annum
At least 2-3 times a week & Once a week	32%	22%	24%	31%	36%	38%
Once a fortnight & Once a month	37%	26%	36%	34%	40%	43%
Less than once a month & Never	32%	53%	39%	34%	24%	18%

For many New Zealanders, eating out is part of the New Zealand lifestyle with 69% that eat out at least once a month and of these, 32% that eat out at least weekly.

Dining out is the norm in Auckland and among young people with higher proportions eating out at least weekly. Aucklanders are more likely to eat out than other New Zealanders with 44% that claim they eat out at least once a week.

Perhaps not surprisingly the Table above shows that more affluent diners eat out more frequently. This survey also indicated that younger diners (those in the 18-29 year age group) were far more likely to be eating out very frequently (at least once a week).

The meal of choice is dinner or lunch with only a few choosing to eat out for breakfast.

Eating out is mostly for pleasure with work related dining very low.

Cost per se is not the sole reason influencing dining choices. The holistic experience (food quality, atmosphere, affordability and service) are all important.

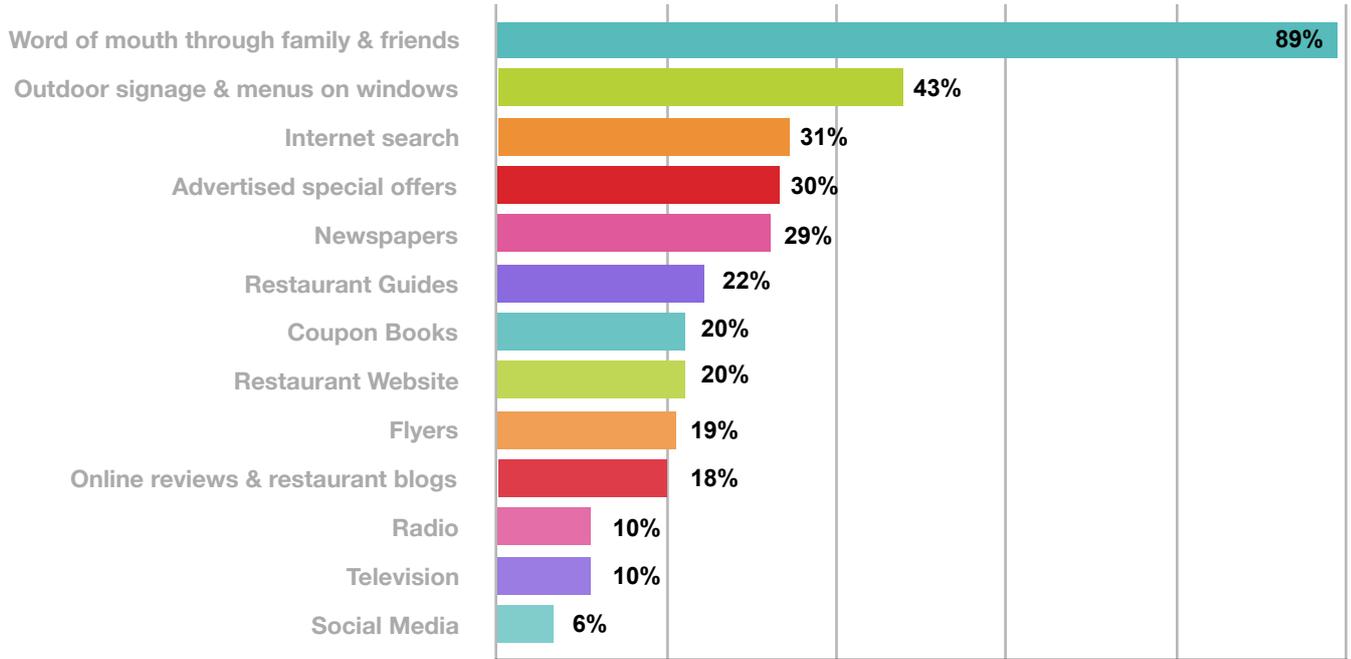
New Zealanders mostly eat out for pleasure – catching up with family and friends and celebrating special occasions are the most common reasons to eat out.

Least common is eating out for business purposes, though this is more common among males, those aged 30-44 and those on higher incomes.

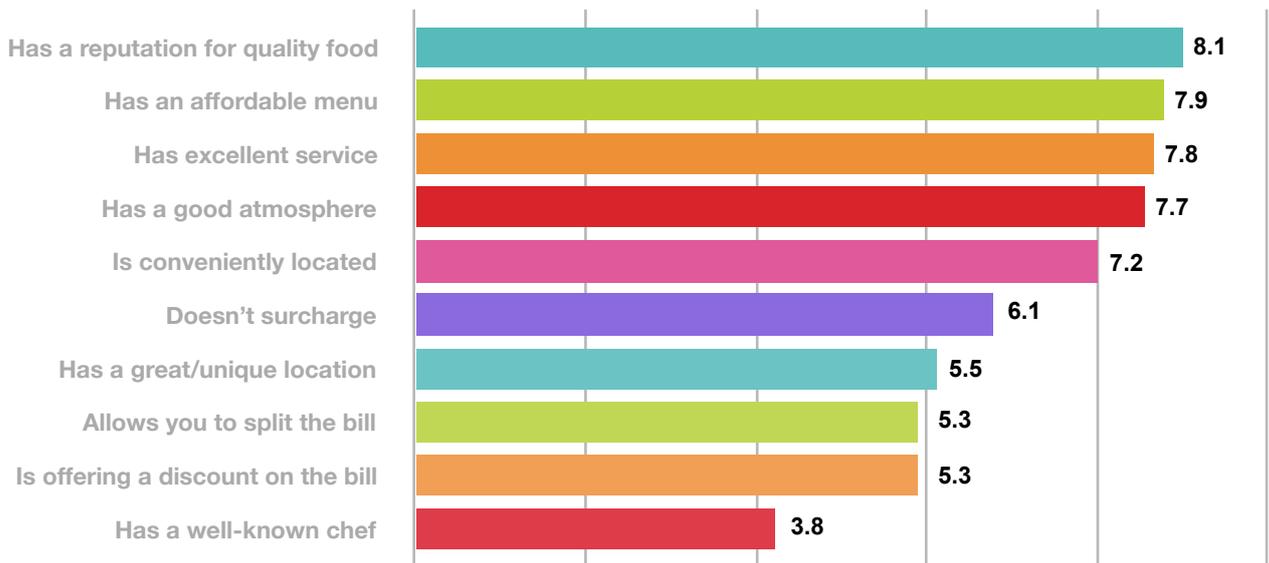
38% claim to eat out for convenience and this reason is more prevalent among the young and fancy free (students, those aged 18-29 years and single respondents).

Consumer Spending Sources Of Information

Which of the following sources, if any, do you use to find places to eat out



When choosing a place to dine, how important are the following?



Word of mouth is by far the most important source for identifying places to eat out, so providing a positive dining experience is paramount to growing popularity.

However, a clear trend in New Zealand is the growth in use of the internet (searches, websites, blogs, social media) as a source of information, at the expense of more traditional printed media (flyers/ newspapers).

This is particularly true for younger respondents (many of whom dine out on a regular basis).

Reputation on the quality of the food, affordability, service and the atmosphere at a dining establishment are the most important factors when choosing a dining venue. Practical issues (convenient location, no public holiday surcharge, splitting the bill) are more secondary considerations. While only a few choose a dining establishment based on it having a well-known chef (15%).

Young New Zealanders (18-29 years) are more likely to rate 'convenience' and 'offering a discount' as important. Conversely, the 'quality of food' was less important.

Tipping in New Zealand Restaurants

Marcus Pearson

In this opinion piece Marcus Pearson shares his insights into the practice of restaurant tipping.

While clearly noting its benefits, Marcus also notes that complacency and compulsory tipping could negatively impact on the hospitality/restaurant experience.



Photo: India Once Upon A Time, Queenstown

Tipping is a unique hospitality phenomenon because it involves the extra payment for service that accompanies the delivery of food and beverage that the customer has already consumed. Because tipping is not part of New Zealand's culture many New Zealanders 'stiff' their wait staff. Other nationalities, like the Americans, tend to be more generous because tipping is part of their culture.

Historically, tipping gained popularity in the coffee houses of sixteenth century England. Savvy coffee house owners, in London, placed convenient brass urns to receive tips from customers who appreciated prompt service. This practice promoted both competition and a point of difference between coffee shops. The English took the habit of tipping with them as they colonised the Americas. However, within England's colonisation of New Zealand the habit of tipping became relegated; it was not embraced within New Zealand's cultural norms as it was in America.

These differences correspond to how people perceive status and power. In America and Europe, where tipping is prevalent, people tend to place emphasis on value, status, prestige and power. This contrasts to countries like New Zealand where these characteristics tend to be 'down-played' within our infamous 'tall-poppy syndrome'. Despite the propensity for New Zealanders not to tip, a trend has emerged since the 1980s; New Zealand restaurant diners began [and continue] to tip, but their tipping patterns are associated with high-end dining experiences rather than habitual tipping within all hospitality experiences. Most people believe that tipping is a direct consequence of good service, but research shows that other factors influence tipping habits.

These factors include social pressures to tip; because if 'you don't you will look cheap', and feelings of guilt; 'if I don't tip I will compromise someone's income'.

Within restaurant environments the culture of tipping can generate a positive synergy; tipping promotes highly positive diner/staff experiences by encouraging customised services for guests. This synergy in-turn impacts upon the total dining experience for worker and guest promoting a team culture for staff by enhancing service for guests. The positive environment generated by guest tipping can also encourage service staff to stay longer with their employer. This is an important consideration, given the transient reputation of hospitality employees.

Clearly tipping within restaurant environments holds benefit for all concerned; customers get better service; owners get more efficient and service orientated staff and service workers get more money. These factors should encourage everyone in hospitality to promote the practice, but an important danger exists.

Over time, within this dynamic, a 'right to get a tip' mentality can easily emerge. Exemplifying this is tipping practice in the American state of Florida. In most Miami restaurants a compulsory tip of 18% (of your bill) is added. Further to this you are invited to add an 'extra' gratuity. When the cost of the meal is added to the compulsory 18% tip, as well as Florida's answer to GST (sales tax of 7%), plus extra gratuity, dining out becomes VERY EXPENSIVE even in the most ordinary of eateries. New Zealand has a long way to go to catch up with Miami's tipping excesses but somewhere between frugality and excess lies a happy medium.

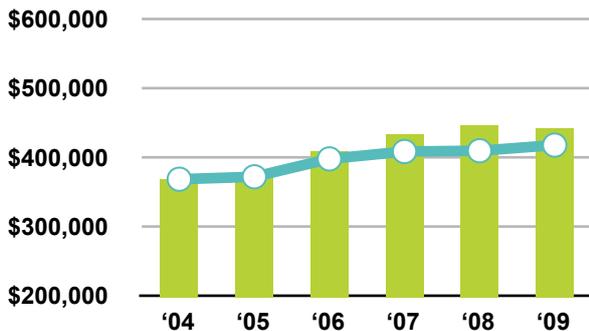
SALES GROWTH

Sales Growth & Outlet Revenue Distribution

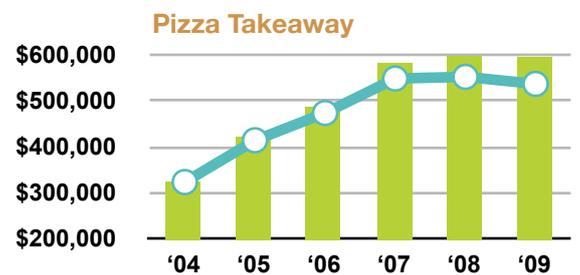
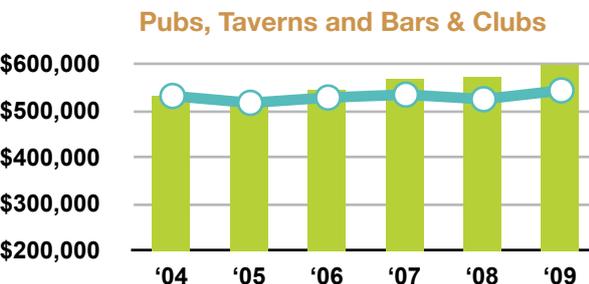
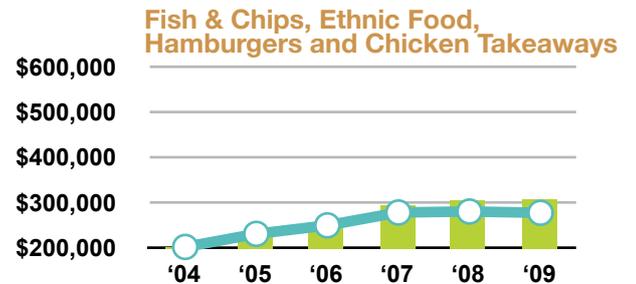
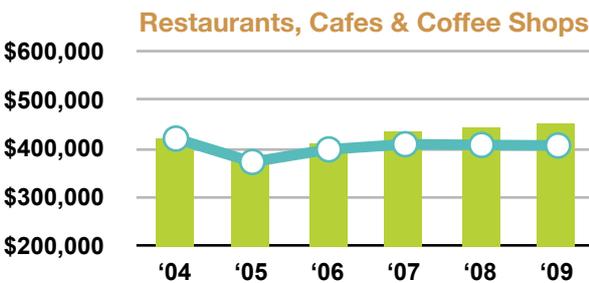


Photo: Parade Cafe, Wellington

Sales per Outlet National per outlet average Sales distribution



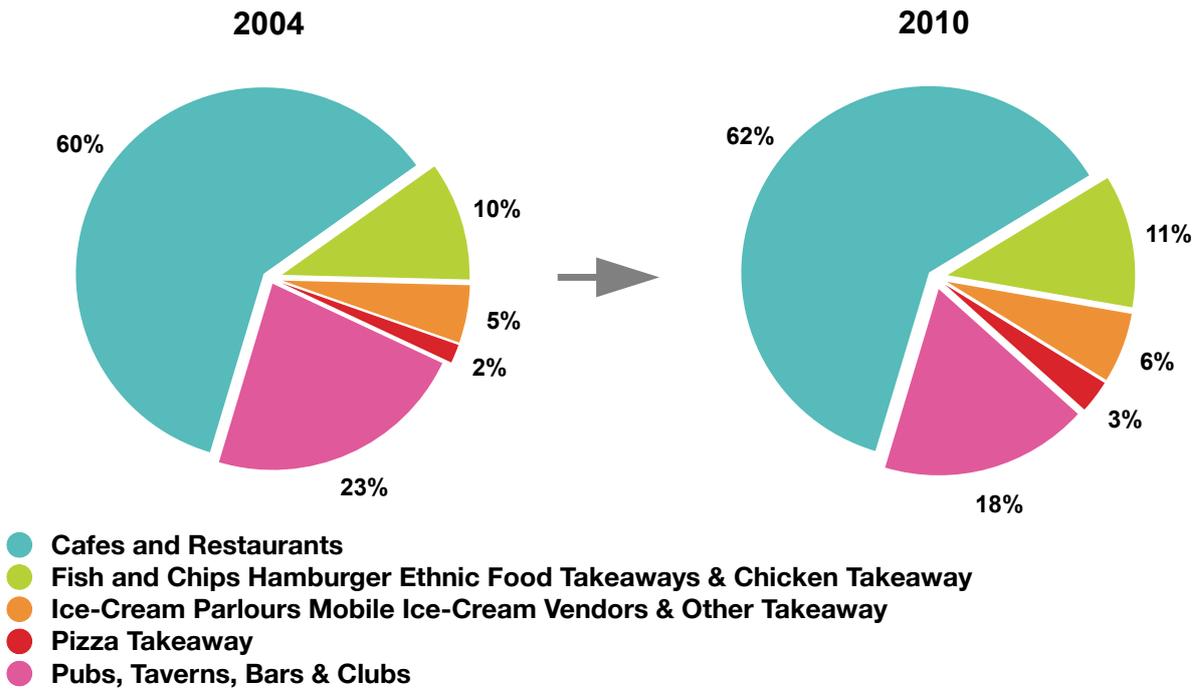
"Our turnover has remained very similar for the last 4 years, however we have diminishing profit. Labour costs are so much harder to control with 4 weeks annual leave and more importantly, the lack of a youth rate for students."



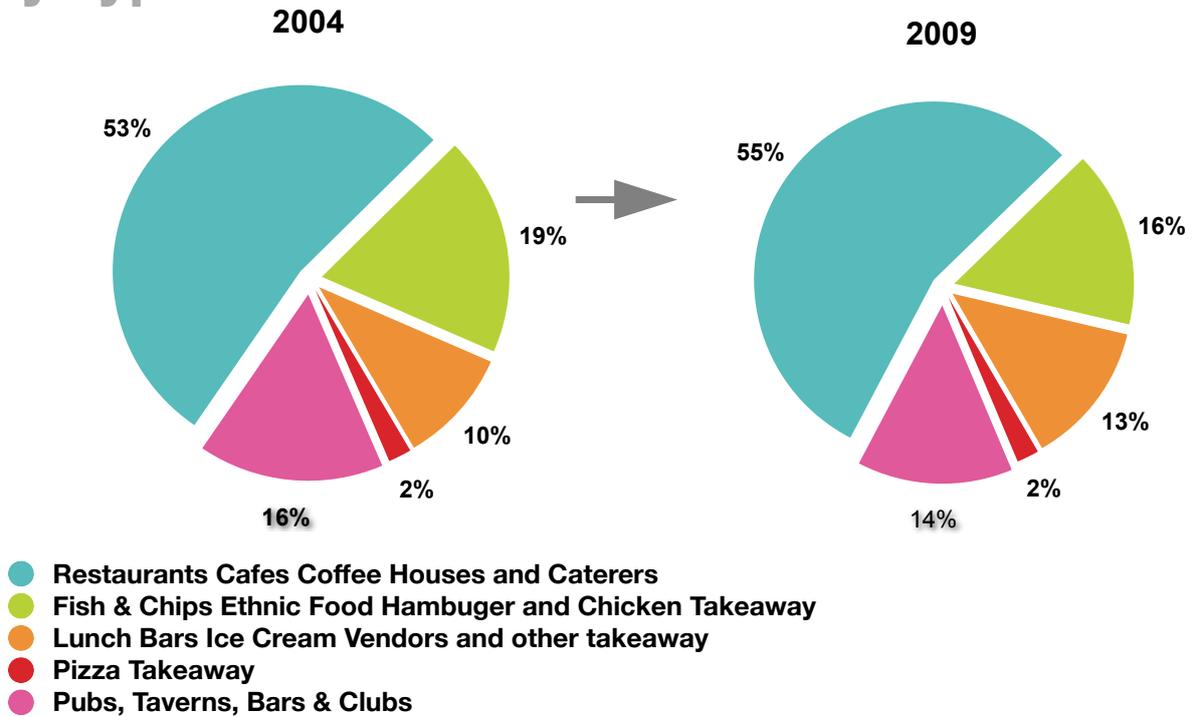
Real Growth (Blue line with circles) Nominal Growth (Green bars)

Sales By Hospitality Outlet Type Percentage of Revenue

Source: Restaurant Association / Statistics New Zealand



Breakdown of Hospitality Outlets By Type



The two graphs at the top of this page show that in the seven years (2004 - 2010) there has been very little change in the distribution of consumer spending by type of outlet. The only sector to record a decrease in this area is pubs, taverns, bars and clubs which notes a 5% loss in revenue share. This has been fairly evenly absorbed between all the other outlet sectors (with cafes & restaurants increasing by 2% and the other sectors each increasing by 1%) respectively.

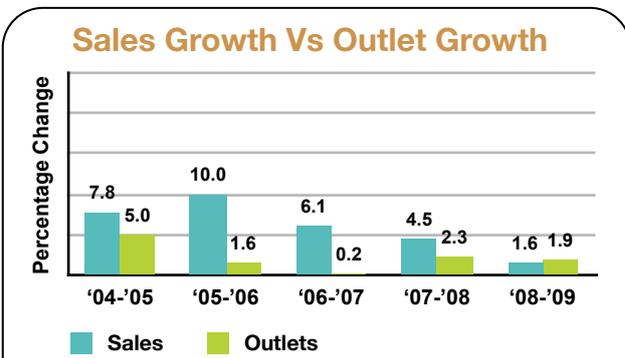
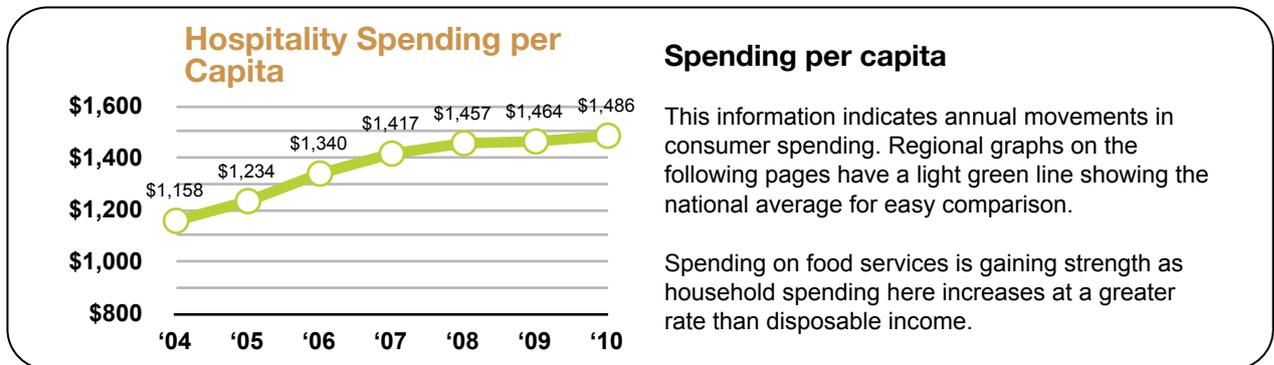
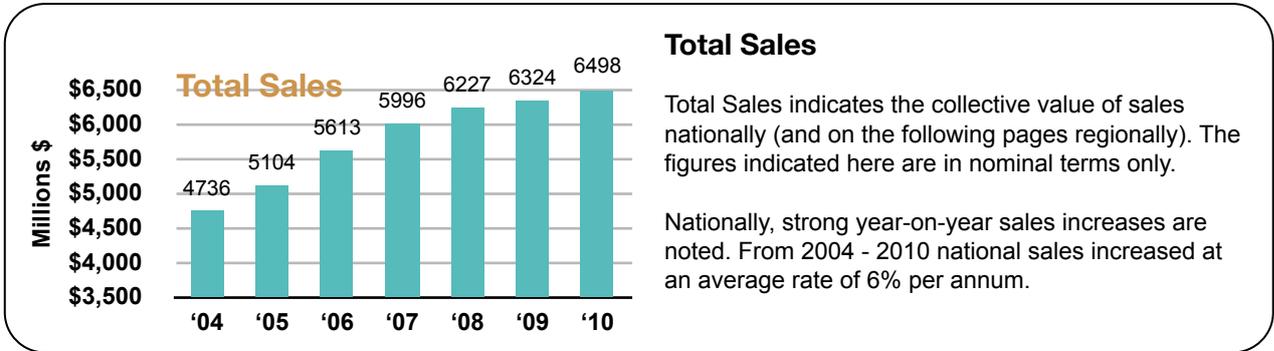
The lower graphs on this page show that from (2004 - 2009) there has been a 2% increase in the number of cafes and restaurants, so although they have increased their market share by 2%, this corresponded to an increase in the number of outlets. During this time pubs, taverns, bars & clubs decreased in numbers by 2%.

Sales Growth and Per Capita Spending Introduction

This section considers the key indicators impacting on sales growth, specifically total sales, per capita spending, sales growth vs outlet growth and revenue share per outlet.

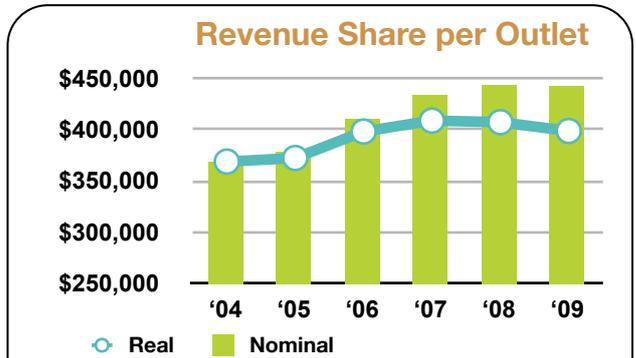
Nationally, there is sound levels of growth in both total restaurant sales and per capita spending.

This increase in sales can be explained, in part, from the increasing per capita expenditure. Between 2004 and 2009 an average increase of 4.3% annually per head of population was realised, with expenditure growing 28% over that period, from \$1,158 in 2004 to 1,486 in 2010. Growth over this period (2004-2010) appears to be driven by "Auckland", "Canterbury" and "Rest of the North Island".



Sales Vs. Outlet Growth

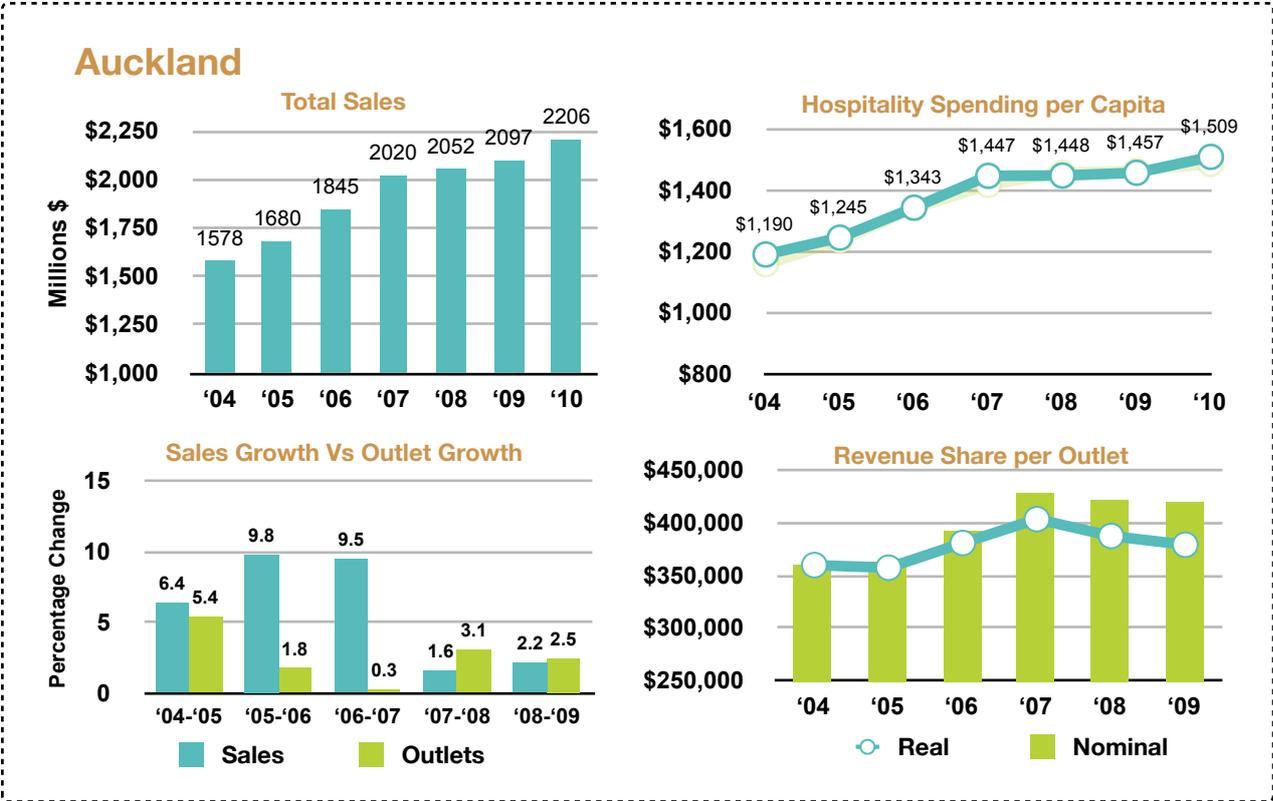
When percentage sales growth exceeds outlet growth each established outlet (on average) will see an increase in total sales. Nationally the level outlets is 4% higher than sales volume. The effect of this in nominal and real terms on per outlet distribution can be seen on this page in the "Revenue Share per Outlet", right.



Revenue Share per Outlet

The graph above indicates the share of total sales for each hospitality business, on average, across the range of providers. From 2004 - 2009 a nominal increase in per outlet revenue share of 20% (3.9% per annum), translating to a real improvement of 8% after inflation. This change was underpinned by reduced staff numbers and slower outlet growth; generalised responses to current economic pressures.

Source: amended from Restaurant Association of New Zealand, 2010; Statistics New Zealand, 2010



Auckland has seen a not insignificant sales increase of 40% over the period 2004 – 2010. Sales are now climbing towards \$2.5 billion dollars and the regions percentage market share is 34%.

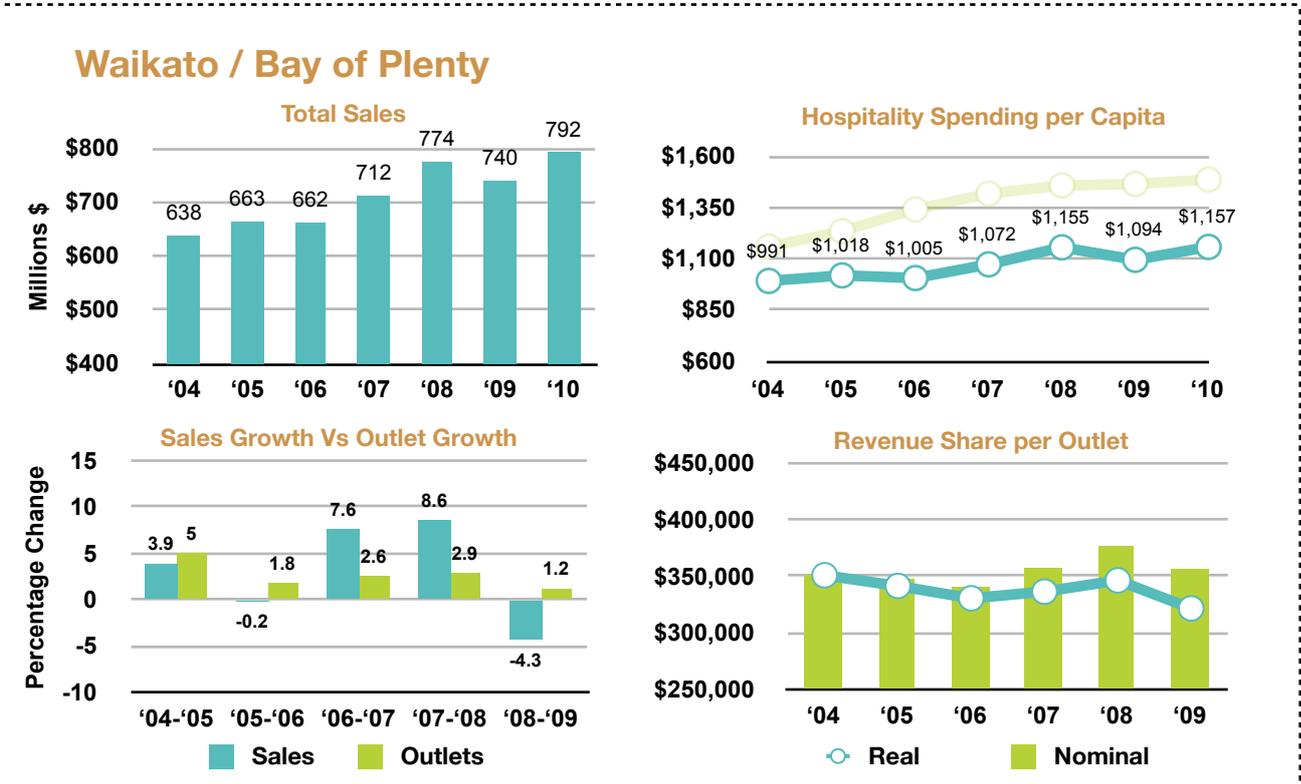
The annual per capita spend is consistently slightly above the national average. In 2010 it was \$1509 – 2% above the national average of \$1486.

However the revenue share per outlet falls below national indicators, in 2009 at \$420,477 it was -5% below the national average.

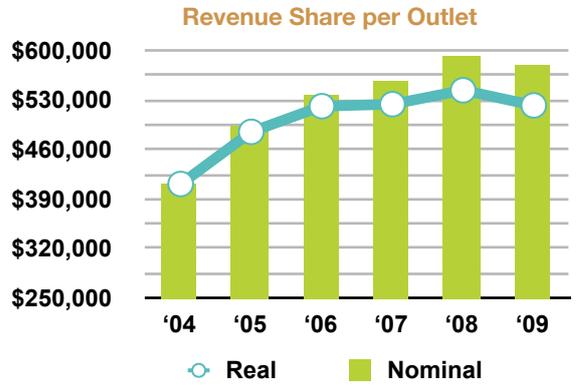
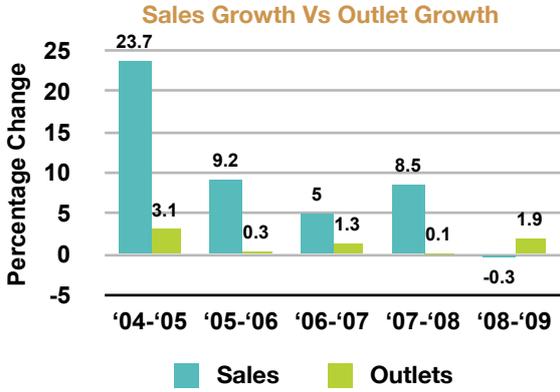
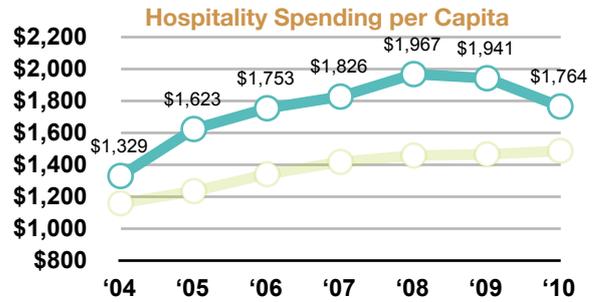
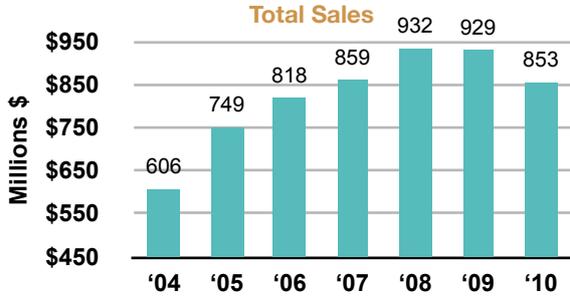
Waikato / Bay of Plenty has the lowest per-capita spending in New Zealand, at \$1157 this is 28% lower than the national average.

This contributes to an explanation why Waikato / Bay of Plenty has the lowest annual per outlet share of revenue at \$356,771, 24% lower than the national average.

While total sales in the region are growing at 4% per annum on average, the high level of outlet growth has impacted, resulting in sales revenue per outlet declining in real terms by -8% over the



Wellington



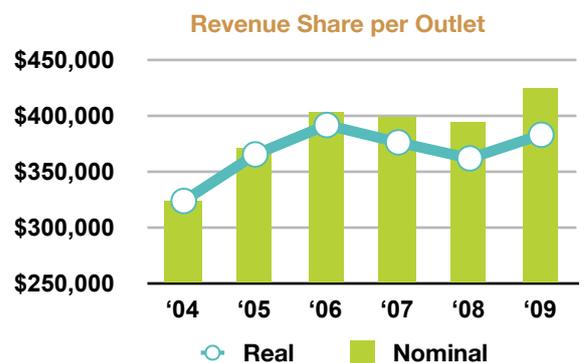
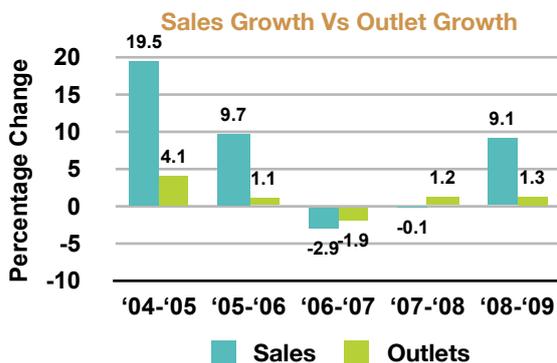
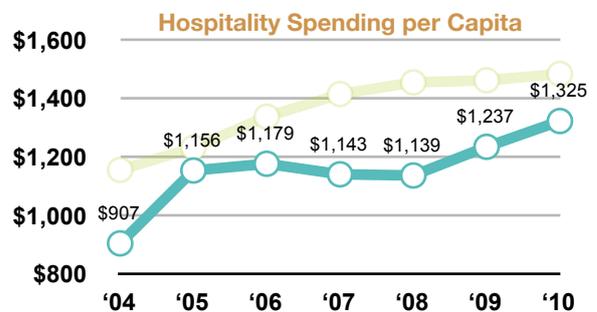
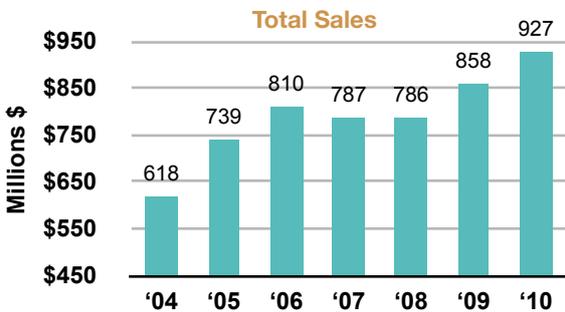
Wellington was the hardest hit region in New Zealand during 2010 with a 8.2% drop in total sales for the region, where nationally an average of 2.7% growth was recorded. The effect of this was reduced at a per outlet revenue share level, showing growth of 41% from 2004 - 2010 (to \$579,538 per outlet) due to a slowing in outlet development.

The Rest of the North Island is slowly catching up to the national average per capita spending after some good growth in this area over 2004 – 2010. In 2010 the annual per capita spend finished at \$1325 which is 12% below the national average. However the improvement is evident, in 2004 it was 22% below.

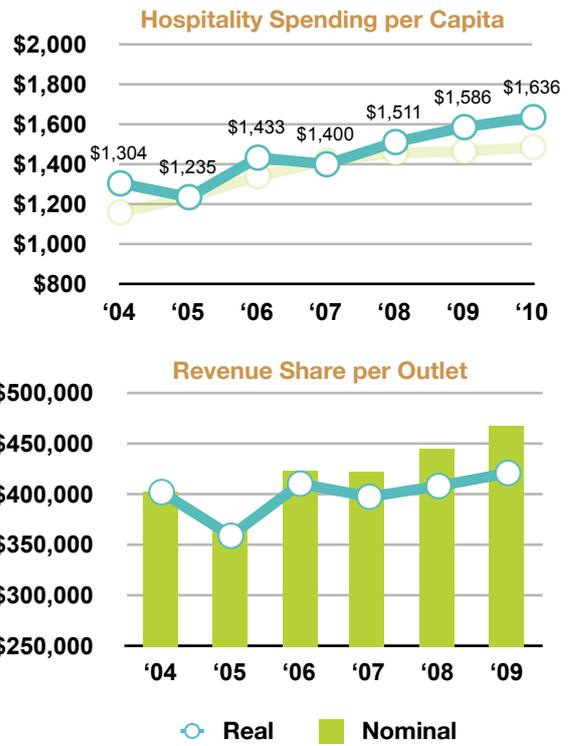
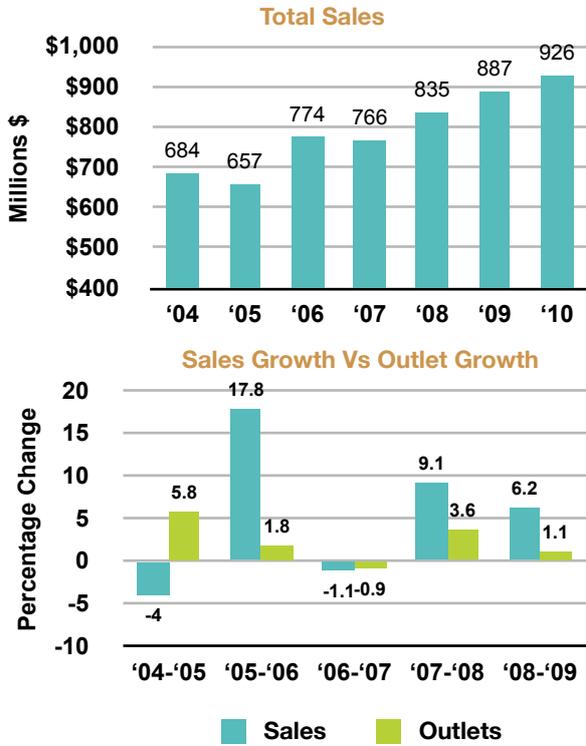
Whilst having the most productive staff, Wellington also has the highest per-capita spend per resident at \$1,764.

The region has also seen an 18% real increase in per outlet revenue distribution since 2004, which is also a very positive sign.

Rest of the North Island



Canterbury

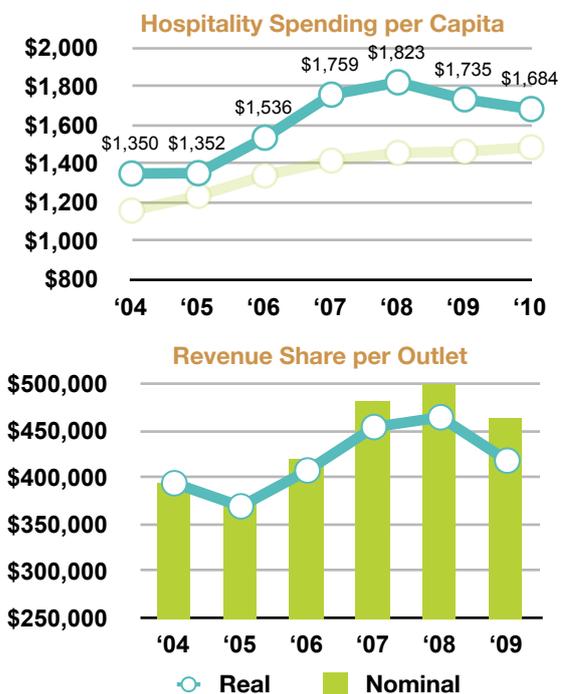
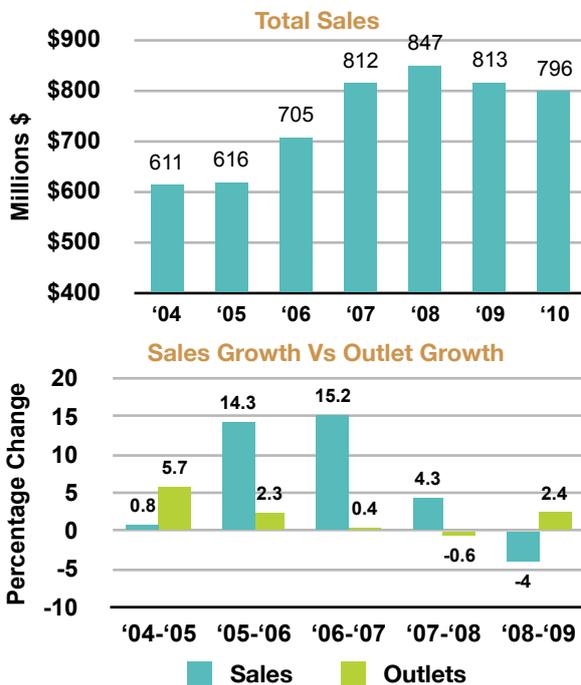


Canterbury was showing good signs of growth and sustainability for operators over the years surveyed (2004-2010). Industry sales grew 35% over that period, reaching close to \$1 billion in 2009. Per-capita spending has increased steadily, showing an increase of 25% from 2004 – 2010 and consistently exceeding the national average each year.

Real sales per outlet have grown 5% since 2004, impacted by an 11% increase in the number of outlets.

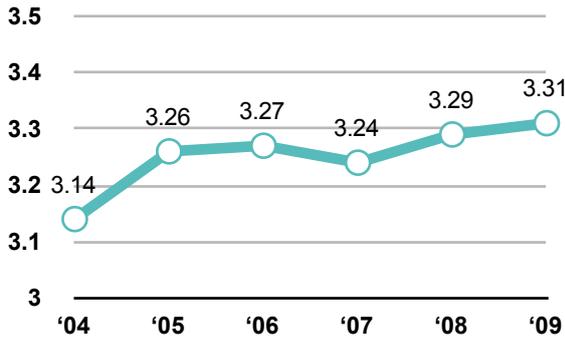
The Rest of the South Island was experiencing a boom for the period 2004 – 2008 when it hit a peak (sales of \$857 million and sales revenue per outlet of \$506,000). However the South Island seems to have suffered more from the impact of the economic climate than the North, as the following two years saw a sharp drop – a -6% drop in sales and a -8% decline in per capita spend between 2008 - 2010. Despite this the number of outlets continued to increase and this in turn affected the sales revenue which also declined to \$460,000.

Rest of the South Island

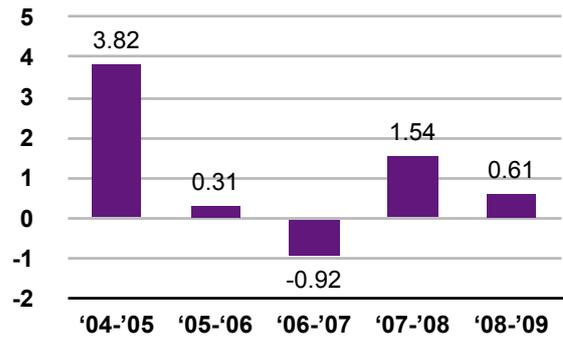


Competition Density

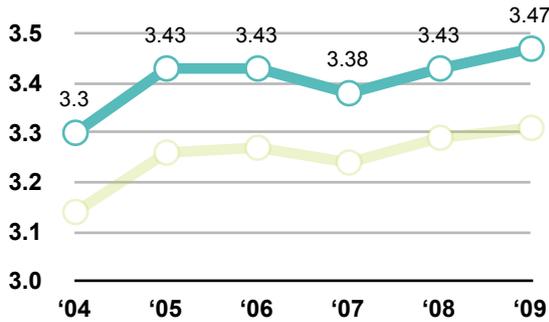
Outlets Per 1,000 Citizens Nationally



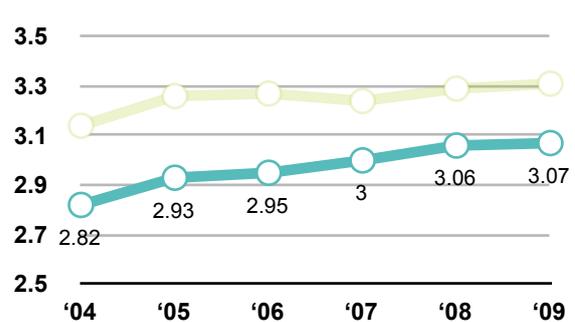
Annual Growth - Outlets Per 1,000 Citizens Nationally



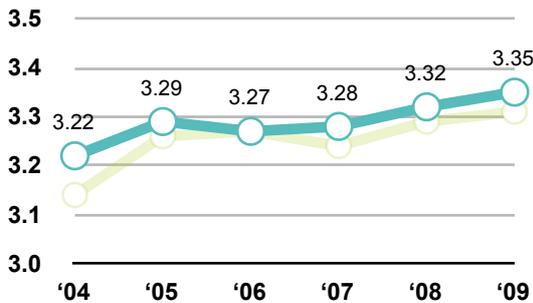
Auckland



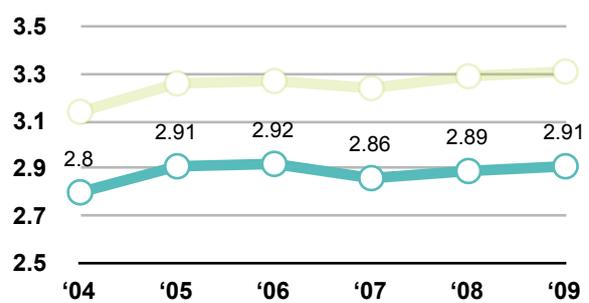
Waikato / Bay of Plenty



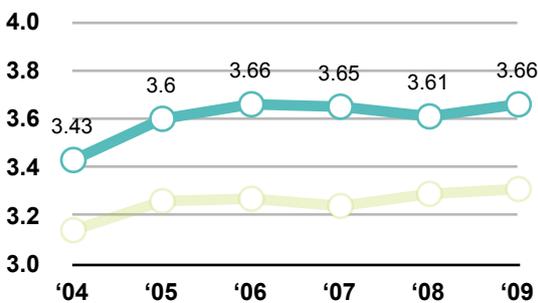
Wellington Region



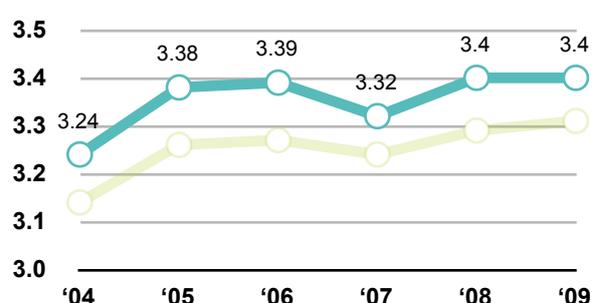
Rest of the North Island



Rest of the South Island



Canterbury



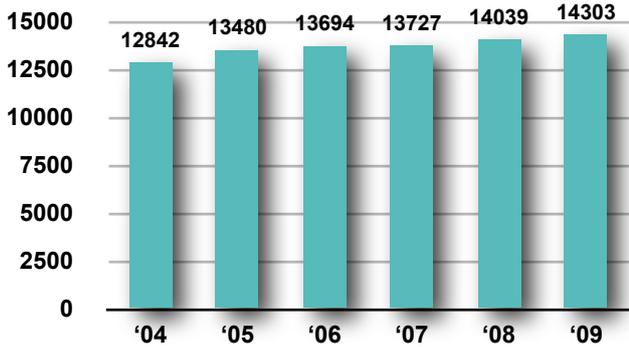
Between 2004 – 2009 the number of outlets per population has remained relatively static, increasing over that period from 3.14 to 3.31 outlets per 1,000 citizens.

The Rest of the South Island is the most competitive “region”, with 3.66 outlets for every 1,000 citizens. The Rest of the North Island by comparison has only 2.91.

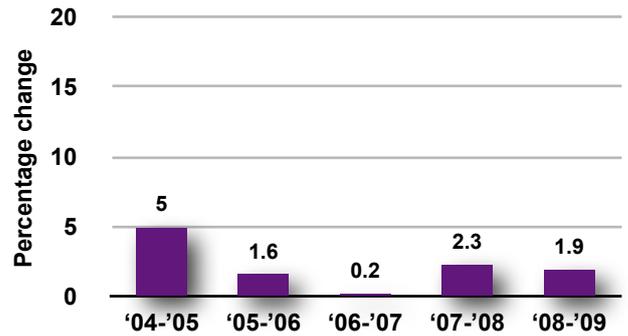
Between 2004 – 2009 the average rate of regional competitive density grew 1.66 per annum. Auckland has annual growth of 1.02 per annum, Waikato/Bay of Plenty 1.72, Wellington -0.08, Rest of North Island 0.76, Rest of South Island 0.66, Canterbury 0.98.

Outlet Growth: By Region

Total No. Hospitality Outlets: National



Annual Outlet Growth: National



Auckland

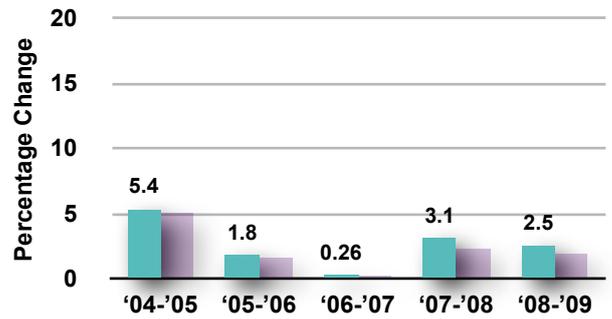
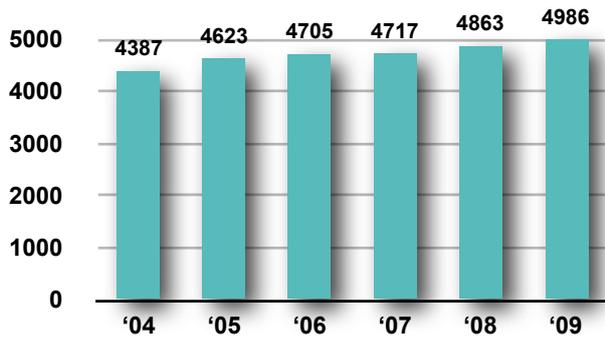
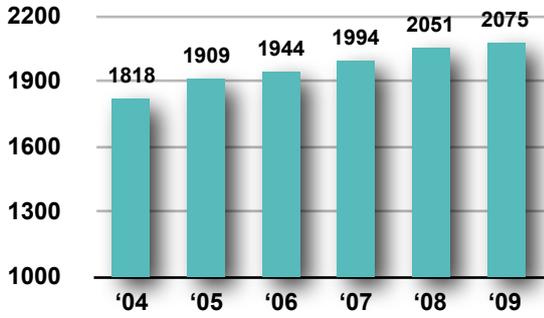
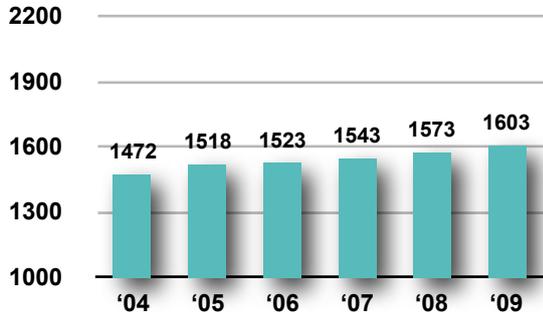


Photo: The Cow Queenstown

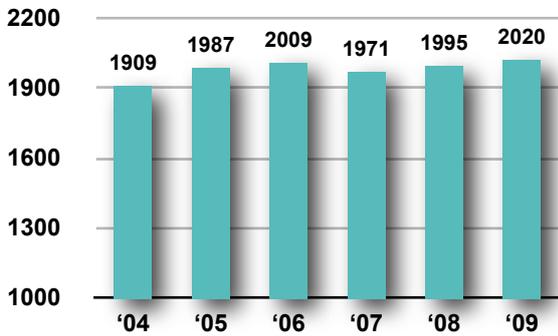
Waikato / Bay of Plenty



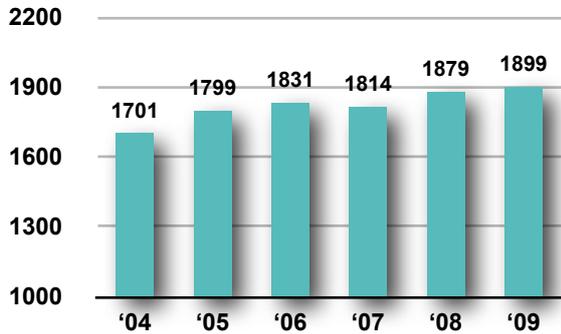
Wellington Region



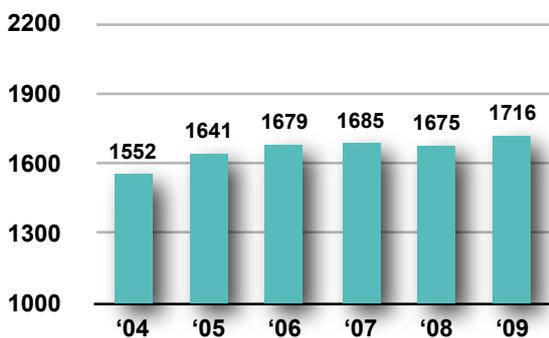
Rest of the North Island



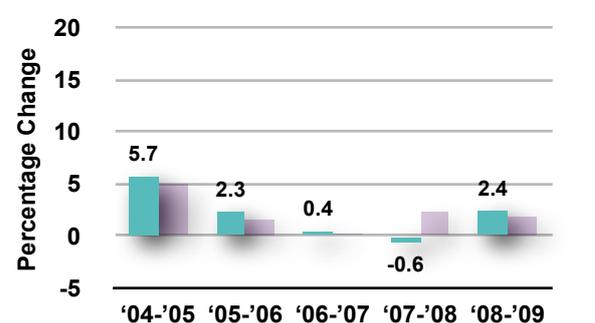
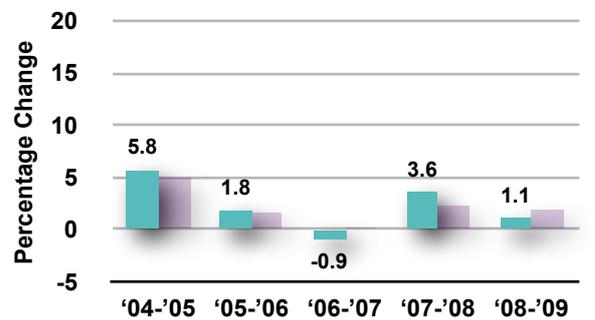
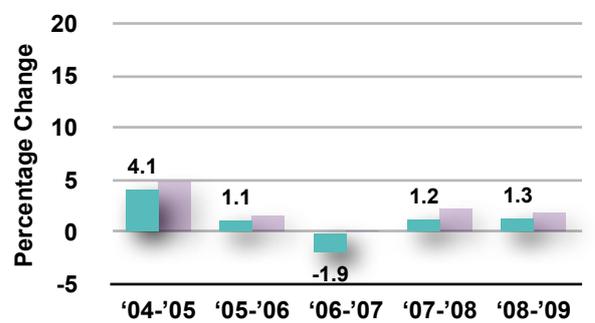
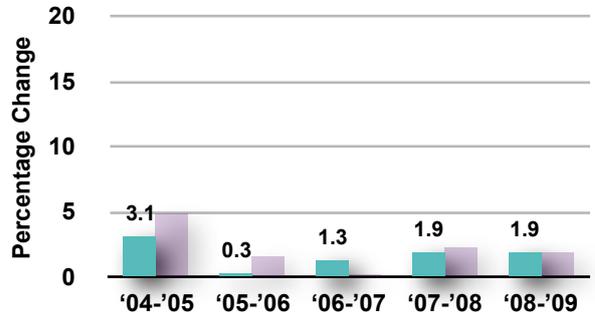
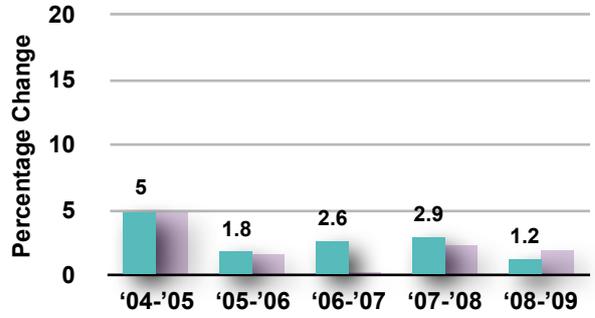
Canterbury



Rest of the South Island



Annual Outlet Growth



CONCLUSION



Photo: Parade Cafe, Wellington

The first edition of Reporting New Zealand's Hospitality Industry (2011), prepared by the Restaurant Association and AUT University, holds little surprise for those keenly aware of New Zealand's general economic position and current workplace trends.

Many of the issues raised in this report are only now becoming evident in wider circles. For example in June 2011 Wellington's Dominion Post reported that 'chefs and cooks have made it onto the list of New Zealand's top 10 skill shortages for the first time'. While apparently 'new news' for the Dominion Post, this report signalled this shortage, and further suggests that with declining graduate student numbers within hospitality, that the current situation will only worsen. Obviously this is not good news for the industry, with Rugby World Cup hospitality in the later half of 2011, New Zealand needs to put its best foot forward and showcase hospitality in a professional and memorable way.

Similarly, the growth of industry outlets when measured against population density is another key area of concern. As new outlets open up within stagnant populations, competition for business survival increases. This is a real and ongoing concern for an industry that has a low return on investment already.

These unfortunate negative trends bring ongoing challenge and show the importance of the information in this report, specifically how, as Perrin Rowland suggests, there is a cyclic nature to hospitality; and as Ben Nemeschansky notes that sharpening your operational axe to maximise profitability is as important now than it has ever been.

This information, combined with Geoff Begg's American Express nationwide survey, brings an optimistic outlook in understanding the future directions and consumer prompts impacting the industry. These themes promote the importance of consistency, quality and value for money, and the relevance of a point of difference in business advantage.

The Restaurant Association of New Zealand and AUT University, School of Hospitality and Tourism, have been pleased to prepare this report and trust that you will maximise its content and utilise its information to enhance your own business operations.



Photo: Mantra Restaurant, Queenstown

1 Provides you with relevant information

2 Helps cut your costs

3 Promotes your business

Restaurant Association membership benefits you in 3 ways

Photo courtesy of Restaurant Association



**RESTAURANT
ASSOCIATION
OF NEW ZEALAND**

THIS IS HOW WE DO IT...

1. Provide you with relevant information

- a. **Free 24/7 advice line** for employment, financial (*in partnership with Grant Thornton*) and legal queries (*in partnership with Hesketh Henry*)
 - Help with employment agreements, redundancies, disputes or dismissals, contracts, conveyancing, criminal law, commercial law, IP & much more
- b. **The Thymes newsletter** posted to you every 8 weeks detailing what is happening in the industry, any law changes and providing tips from experienced hospo professionals
- c. Access to a comprehensive range of **industry-specific employment templates** - handbooks, guidelines and sample letters
- d. **Weekly 2 hour professional development courses** for you and your staff (*just \$34.50 for members*),
 - topics include food and health & safety updates, courses for first time managers, branding, social media & much more

2. Help cut your costs

As part of your membership you are eligible for the following:
(*Restaurant Association membership is \$38.33 per month*)

Specialist banking solutions and lower credit card commission rates (1.46% - 1.62%) with Westpac

- o Choose from a range of preferential Business and Personal banking member deals aimed at giving you the best value across your day to day banking needs
 - o Member deals include merchant & EFTPOS leasing solutions, with preferential Visa & MasterCard processing rates, personal and business Gold credit cards and equipment finance leasing
- If your monthly credit card turnover is \$7000 (and assuming your current rate is 3%), on the 1.62% rate you will save \$96 per month*

Preferential pricing with Nova Energy

- o Exclusive Natural Gas or LPG deals for Restaurant Association members; expect between a 10-30% discount
 - o Dedicated account managers for Restaurant Association members
- If you spend \$350/month on gas, & save 10%, you will save \$35/month*

Hospitality Insurance Plan with Crombie Lockwood

- o Specialised policy developed with the Restaurant Association to cover ALL the risks associated with restaurants, cafés and bars
 - o Heavily discounted premiums
- Your premiums are likely to be several hundred dollars cheaper than competitors, and if not then the cover will be far superior for the same cost*

Total Office mobile and broadband plans with Telecom

- o Plans start at just \$95 or \$99/month (excl. GST) on a 24 month plan. *You could save you at least \$223+GST a year by combining your broadband with all your business landline rental and call in*

Cheaper stationery, cleaning products & furniture with OfficeMax

- o Up to 50% discount on essential hospitality specific stationery items
 - o Free delivery for orders over \$50
 - o Heavy discounts on items such as EFTPOS rolls, toilet paper, floor/glass/mirror cleaners and many more
- If you currently purchase through a retail channel and spend just \$200 per month, your saving with OfficeMax will be at least \$40/month*

Exclusive VIP programme with Coke + free membership

- o Discounted beverage pricing, a free order and delivery service, support to help you improve beverage sales and a single Coke sales representative as primary point of contact
- Customers joining the VIP programme also get a FREE Restaurant Association membership (or \$200 credit for existing members)*

25% off Hospitality and Chefs uniforms from b2b clothing

3. Promote your business

We encourage consumers to frequent Restaurant Association member businesses.

- a. We do this via our **Gift Voucher** and **Restaurant Gift Card** programs
 - o The public purchases vouchers or restaurant gift cards to a designated value; they can only spend these at Restaurant Association member businesses
 - o Member operations are promoted online at www.dinefind.co.nz, and www.restaurantgiftcard.co.nz which is where the public goes to see where they can spend their vouchers or gift card
 - o If you accept a voucher or card, we reimburse you 100% of the value
 - o There are over \$500,000 worth of unspent vouchers/gift cards in the market right now. This money is only available to Restaurant Association members
- b. **20% discount off the Menu Mania boost marketing programme**
 - o The boost programme includes Front Page listings, Top of search results + extra features on the biggest NZ online dining guide (170,000+ hits per month)

GO TO
www.restaurantnz.co.nz
or call
0800 737 827

CONTACT DETAILS



Photo: Clooney Restaurant, Auckland



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+ TOURISM**

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