



restaurant
association
of new zealand

2018 hospitality report

Topline Statistics for New Zealand's Hospitality Industry

PRODUCED BY THE RESTAURANT ASSOCIATION OF NEW ZEALAND

Highlights:

- Nationwide sales for the hospitality industry in 2018 (year end March) increased by 3.6%, to exceed \$11 billion.
- Sales growth in 2018 carried across all sectors, excluding the clubs sector, with takeaway / food to go recording the highest growth of 5.7%.
- Regionally, revenue growth in the Bay of Plenty region was highest for the second year in a row, at 6.8%, followed by Auckland, at 5.1%.
- The number of hospitality businesses nationwide increased by 534 in total to reach 17,328 in 2017.
- The industry currently employs almost 130,000 people.
- The top challenges identified by the industry are lack of skilled employees, managing wage costs, and building and maintaining sales.

People now eat out more often than ever, for a wider range of occasions.

This is helping to drive the hospitality industry's growth, although competition for the consumer dollar is fiercer than ever. In 2018, New Zealand's hospitality sector achieved record sales of over \$11.2 billion (year end March). This represents sales growth of 3.6% over the previous year, which after two years of significant growth (9.7% from 2016–2017 and 8.5% from 2015–2016), settles at a more stabilised level in 2018. This growth is also reflective of New Zealand's slower economy over the last year and it is expected to remain restrained in the near term. Challenges in the dairy industry, growth constraints in building, and the uncertain impact of the Government's policies are expected to impact over the remainder of 2018 (Westpac, 2018).

However, there is still much to look forward to in hospitality. In 2018, an increase in sales carried across the industry, excluding the clubs sector, with takeaway / food to go recording the highest growth.

Sales for the food to go sector grew 5.7% in 2018. In dollar terms this translates to an increase in annual sales of \$148 million, slightly more than the dominant restaurant and cafe sector which increased by \$138 million in 2018 to reach \$5.6 billion in sales.

Consumer spending is highest in Auckland, Wellington and Christchurch. These three regions all have annual sales of more than \$1 billion per annum. Regionally, however, the largest percentage sales increases in 2018 were in the Bay of Plenty region (up 6.8% in 2018, following a 10.6% increase achieved in 2017), Auckland (up 5.1%), and Rest of North Island (up 5.0%). The only region to post a small decline in sales was the Manawatu/Whanganui region (down -1.7%).

Employment growth for the industry is forecasted to be 2.7% per annum.

The Ministry of Business Innovation and Employment (MBIE) forecast annual employment growth for the hospitality sector to be 2.7% per annum through

to 2026. For the period 2016–2017, however, the industry achieved employment growth of almost three times that, at 6.8%. The total number of employees employed in hospitality is now just under 130,000, with more than 72,000 people employed in restaurants and cafes. Matching the takeaway / food to go sector's lead in sales and outlet growth, employee numbers increased by 7.2% in 2017, meaning this sector now employs 25,000 workers.

Hospitality business owners rank their number one challenge as the lack of skilled employees, followed by managing wage costs. This competition for skilled employees has the potential to drive wage rises in some regions, although operators also look for creative ways to retain employees to ensure their labour costs are kept under control. Wages continue to rise beyond customers' expectation of price rises and that's a challenge and balancing act that hospitality business owners face.

Auckland dominates for hospitality employment opportunities and this region now employs just under 50,000 hospitality workers. Auckland also recorded the highest percentage employment increase from 2016–2017 (9.7%), closely followed by the Bay of Plenty region's 9.2% growth.

Seven new hospitality businesses open every day of the year.

The challenge for hospitality owners to find staff is compounded by the number of new businesses opening every week, although – to a certain extent – this is offset by a comparative number of businesses closing. In 2017, while over 2,700 new businesses opened, due to those closures, the volume of new outlets in 2017 overall was an increase of 534 new establishments.

The Bay of Plenty region recorded the largest percentage outlet growth (5.9%), followed by Canterbury's 5.1%.

The hospitality industry is a highly competitive market; building and maintaining sales volume is another top challenge, particularly when the consumer dollar is being split amongst a larger pool of establishments.

The hospitality industry has performed exceptionally well in recent years and although 2018 sees the industry settle into a more stable position, the industry is well positioned to face the challenges of the industry's competitive operating environment. Though a more cautious outlook is expected for the remainder of 2018, there are also opportunities for operators, particularly for those that hone and deliver their product well and for those that embrace changing consumer dining trends and developments in technology to help grow their business.



Marisa Bidois
CEO, Restaurant Association of New Zealand



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sales data



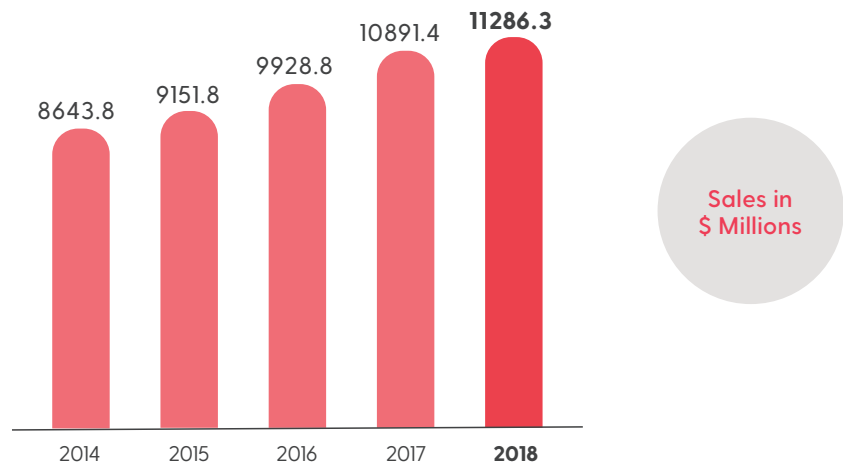
sales data

AFTER TWO YEARS OF VERY STRONG sales growth (8.5% growth 2015–2016 and 9.7% growth 2016–2017), 2018 shows a more controlled result for the hospitality sector. Sales growth is 3.6%. Our members tell us that trade has stabilised. There is currently uncertainty around the impact of the raft of legislation changes proposed, which is affecting business confidence in the sector.

For our research purposes we look at five sectors within the hospitality industry: cafes and restaurants, takeaway foodservices, pubs, taverns and bars, catering services and clubs. A breakdown of the industry indicates that four out of the five sectors showed sales growth in 2018. In 2018 the takeaway sector's sales growth was dominant, continuing a trend established three years ago. After sales growth of 11.1% from 2016–2017, takeaway /food to go reported a 5.7% increase in 2018. In dollar terms this is also the strongest growth. This means that in 2018 sales for the food to go sector surpassed \$2.7 billion.

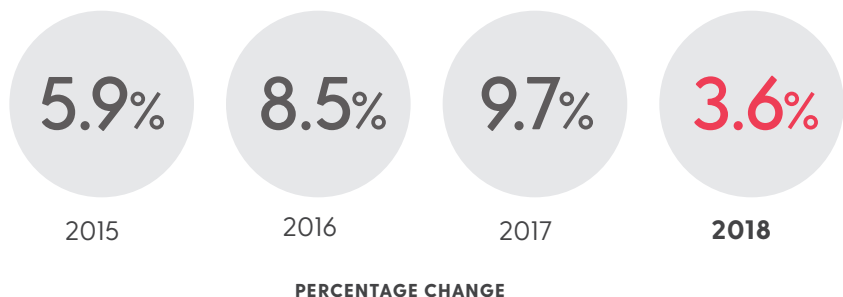
Industry Sales national

YEAR ENDED MARCH

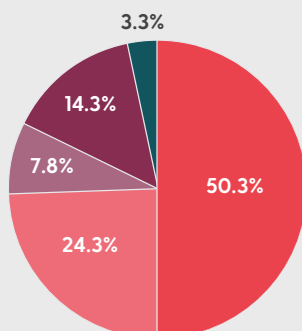


Sales Growth national

YEAR ENDED MARCH



2018 Industry Sales by Sector Market Share



Food and Beverage Services Sectors	2014 (\$ millions)	2015 (\$ millions)	2016 (\$ millions)	2017 (\$ millions)	2018 (\$ millions)
Cafes and restaurants	4376.0	4635.2	5061.1	5531.3	5670.1
Takeaway food services	1961.5	2142.4	2339.8	2599.4	2747.6
Catering services	614.8	661.5	735.5	836.5	880.4
Pubs, taverns and bars	1346.5	1379.7	1446.4	1553.2	1617.8
Clubs (hospitality)	345.0	333.0	346.0	371.0	370.4
Total New Zealand	8643.8	9151.8	9928.8	10891.4	11286.3

sales data national figures breakdown by year

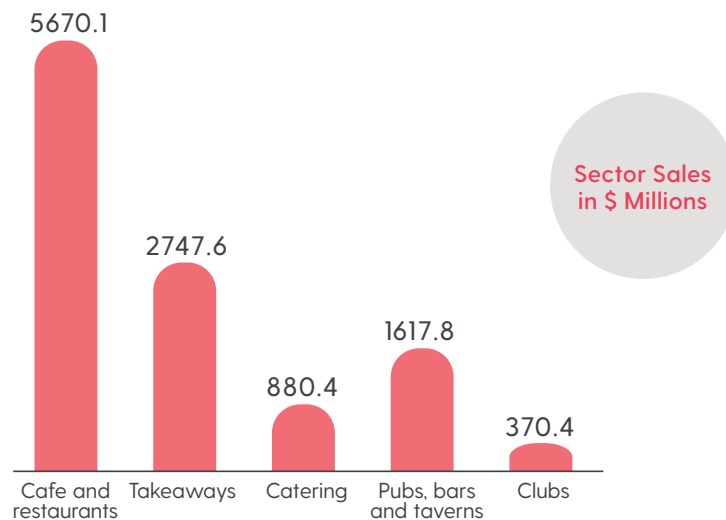
WITHOUT DOUBT THE INDUSTRY'S star sector is still restaurants and cafes. They account for 50% of the industry's sales as well as employing half of the industry's staff. This sector recorded sales growth in 2018 of 2.5%. restaurants and cafes increased sales by \$138 million (slightly less than the takeaway sector) and now posts annual sales of more than \$5.6 billion.

The pubs, taverns and bars sector has found the need to 'reinvent' its image over recent times to overturn a decline in popularity of its traditional model. The focus has moved away from beverage sales only to food becoming a far larger part of their business. Following a 7.4% increase in sales in 2017, the sector recorded 4.2% sales growth in 2018. This reflects annual sales of \$1.6 billion.

The clubs sector, which admittedly represents a very small part of the industry, was the only sector to post a small decline in sales performance in 2018 at -0.2%. In dollar terms the sector accounts for just \$370 million in sales per annum. Finally, catering services recorded the second highest growth from 2017-2018, of 5.2%.

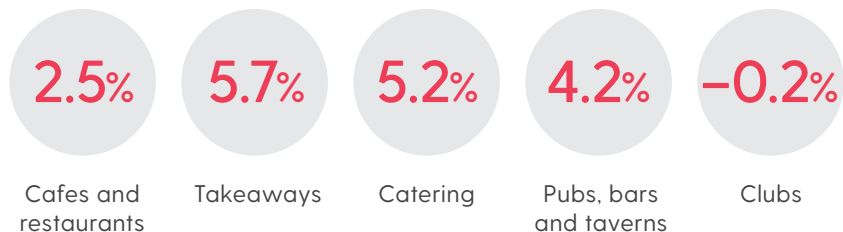
Industry Sales by sector 2018

YEAR ENDED MARCH



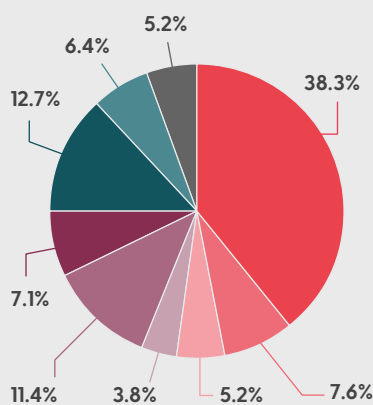
Sector Growth

YEAR ENDED MARCH



PERCENTAGE CHANGE 2017-2018

2018 Industry Sales by Region



Region	2014 (\$ millions)	2015 (\$ millions)	2016 (\$ millions)	2017 (\$ millions)	2018 (\$ millions)
Auckland	3127.9	3390.6	3705.5	4115.9	4325.8
Waikato	650.3	683.8	747.3	816.7	852.4
Bay of Plenty	428.0	452.5	502.0	555.0	592.5
Manawatu-Wanganui	365.0	370.5	397.6	435.5	428.1
Wellington	1007.6	1063.0	1156.4	1257.4	1281.9
Rest of N Island	636.4	665.1	695.6	761.7	800.0
Canterbury	1203.1	1248.8	1321.5	1407.1	1,427.9
Otago	537.9	570.2	640.6	692.3	722.9
Rest of S Island	472.4	484.6	514.4	566.5	582.5
Total New Zealand	8643.8	9151.8	9928.8	10891.4	11286.3

sales data national figures breakdown by year

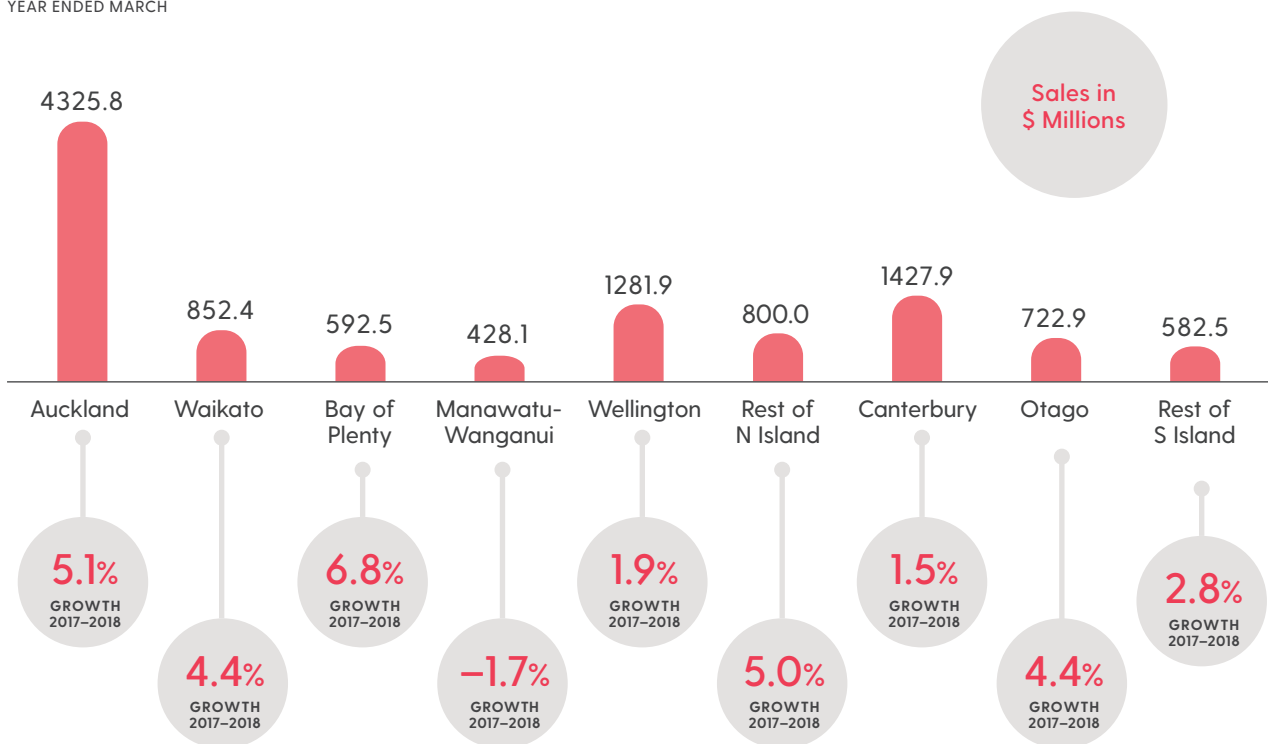
REGIONALLY THE LARGEST PERCENTAGE SALES increase for the third year running is the Bay of Plenty region (up 6.8%, following 10.6% in 2017 and 10.9% in 2016). Annual sales for this region have grown from \$428 million in 2014 to just under \$600 million in 2018.

The Auckland region drives the industry accounting for almost 40% of sales. Sales in Auckland increased 5.1% to reach \$4.3 billion in 2018. Rest of North Island also achieved sales growth of 5%, while the other regions achieved sales ranging from, -1.7% for the Manawatu/Wanganui region to 4.4% for both Otago and Waikato.

Restaurants and cafes dominate the hospitality industry's market share, with just over half of the sales for the hospitality industry occurring at these types of businesses. This division of sales between the various sectors in the industry remains consistent over the years, with cafes and restaurants typically sitting at around 50% share of the industry's sales, takeaway foodservices just under 25%, pubs, taverns and bars around 15%, catering services around 8% and the small clubs sector around 3%.

Total Industry Sales by region 2018

YEAR ENDED MARCH



3.6% In 2018, national industry sales grew by 3.6% over the previous year.



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employee data

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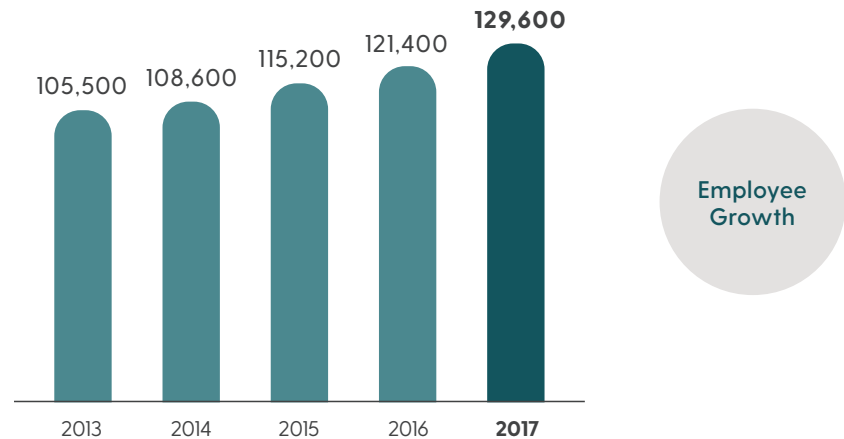
employee data

EMPLOYMENT FORECASTS MADE BY the Ministry of Business, Innovation and Employment (MBIE) suggest overall employment demand will grow by 1.8% annually, adding about 47,000 workers on average per year to the workforce, to 2026. Over this forecast period (2016–2026), employment in highly-skilled occupations will increase by 273,800. There will be fewer opportunities for lower-skilled workers, with 14,000 more lower-skilled workers added on average each year. For the hospitality sector MBIE's forecasts set annual employment growth at 2.7% per annum through to 2026.

Our research indicates that from 2016–2017 the number of employees in the hospitality sector grew by 8,200 to reach 129,600. This represents growth of 6.8%, a rate that outstrips outlet growth over the same period (3.2%). As with the industry's sales growth, the employment percentage change from 2016–2017 is more restrained than the previous year when the industry recorded not only significant sales growth, but also an increase in the number of employees of 5.4%.

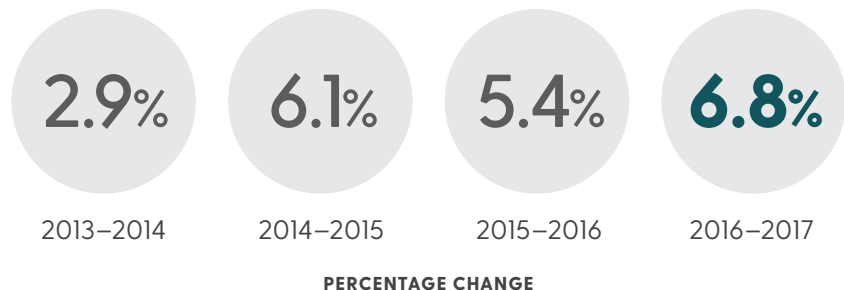
Total Employee Data national

YEAR ENDED FEBRUARY

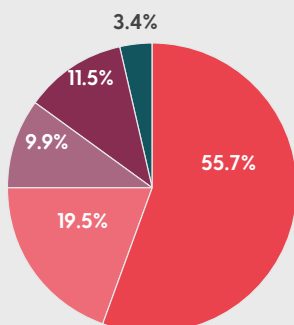


Employee Growth

YEAR ENDED FEBRUARY



2017 Number of Employees by Sector Market Share



Food and Beverage Services Sectors	2013	2014	2015	2016	2017
Cafes and restaurants	57,500	59,700	63,400	67,200	72,200
Takeaway food services	19,100	20,200	21,900	23,600	25,300
Catering services	10,900	10,300	11,300	11,900	12,900
Pubs, taverns and bars	14,300	14,600	14,600	14,400	14,900
Clubs (hospitality)	3,650	3,750	4,000	4,200	4,400
Total New Zealand	105,500	108,600	115,200	121,400	129,600

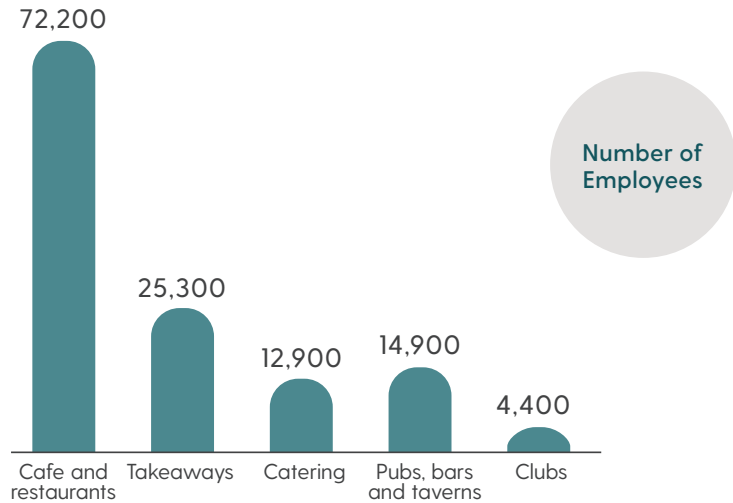
employee data national figures breakdown by year

WHILE ACCOUNTING FOR AROUND 50% sales market share, the restaurant and cafe sector also employs 55.7% of the industry – or 72,000 workers. Employment in this group grew by 7.4% in 2017. In terms of employee productivity, sales per employee for restaurant and cafe workers is \$76,611.

The number of people employed in takeaway operations also grew by over 7% and, although this sector is the industry's second largest employer, this represents 25,300 workers – substantially less than those employed in restaurants and cafes. For this less labour-intensive sector sales per employee is \$102,743. Meanwhile, the largest percentage employment increase in 2017 was recorded in the catering sector, with 8.4% growth. The catering industry employs almost 13,000 workers, with sales per employee reaching \$64,845.

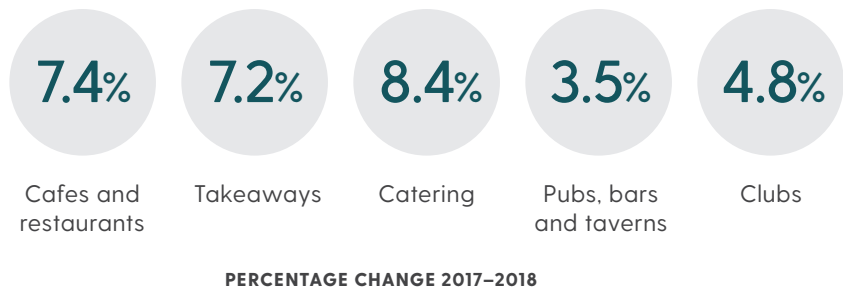
Total Employees by sector 2017

YEAR ENDED FEBRUARY

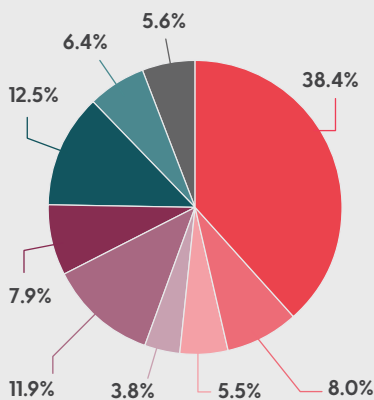


Employee Growth

YEAR ENDED FEBRUARY



2017 Number of Employees by Region



Region	2013	2014	2015	2016	2017
Auckland	37,300	38,600	42,100	45,400	49,800
Waikato	8,800	8,800	9,400	9,900	10,400
Bay of Plenty	5,800	6,000	6,100	6,500	7,100
Manawatu-Wanganui	4,600	4,700	4,850	4,750	4,950
Wellington	13,700	13,900	14,400	14,800	15,400
Rest of N Island	9,200	9,200	9,400	9,700	10,300
Canterbury	13,000	13,700	14,900	15,700	16,100
Otago	6,600	7,000	7,300	7,700	8,300
Rest of S Island	6,400	6,700	6,600	7,000	7,300
Total New Zealand	105,500	108,600	115,200	121,400	129,600

employee data national figures breakdown by year

BY 2018 THE NUMBER OF PEOPLE employed in the Auckland hospitality industry is expected to exceed 50,000 workers and it is just shy of this in 2017. After posting employment growth of 9.7%, 49,800 are now employed in the region. The Bay of Plenty region also saw a substantial increase in the number of staff employed, registering 9.2% growth in 2017. Bay of Plenty has performed better than most regions, recording the highest sales growth, as well as the largest increase in number of businesses. The Otago region, lead by growth in Queenstown/Southern Lakes, also saw employee numbers increase by 7.8%. While the second largest region in terms of total number of hospitality employees, Canterbury reported the smallest percentage increase in 2017, growing by just 2.5%. This is despite 105 new businesses opening in the region.

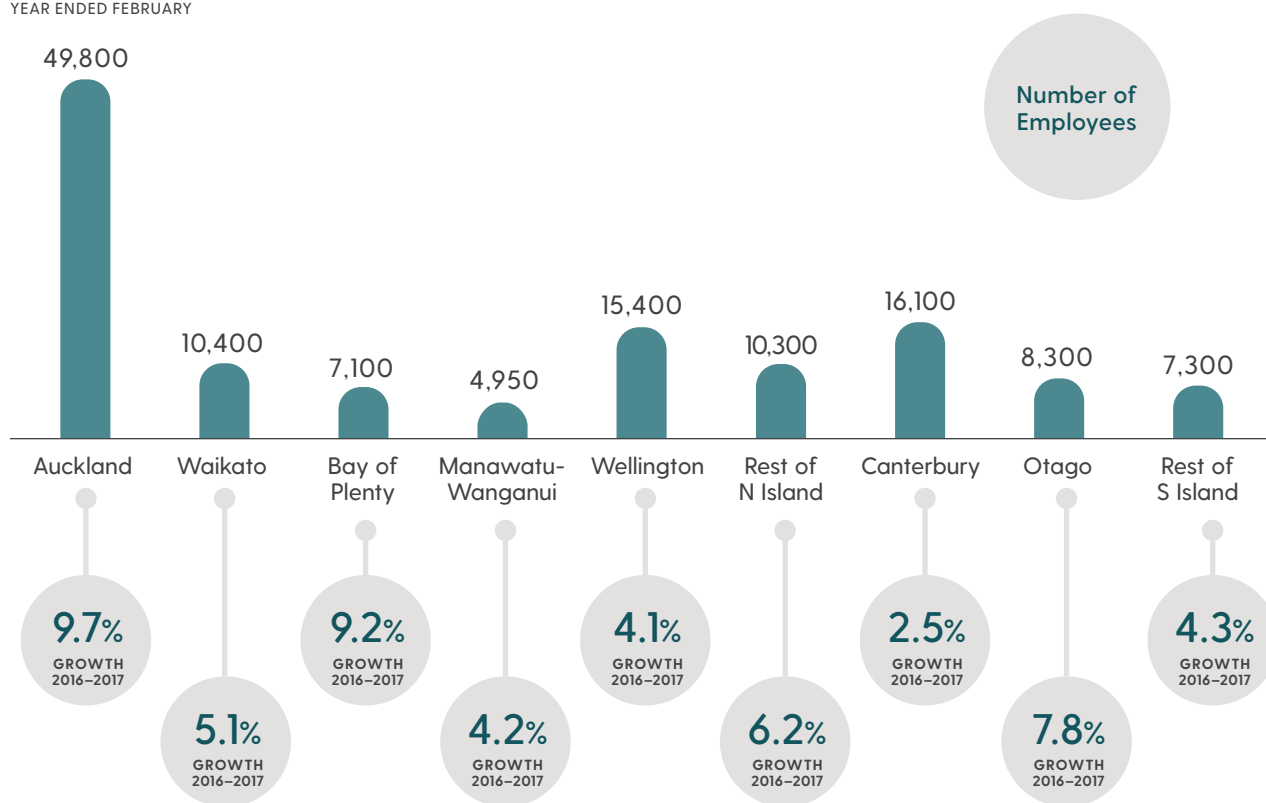
Business owners in Canterbury report finding workers to fill job vacancies as extremely challenging.

The typical hospitality employee is young, female, born in New Zealand and working full-time. The hospitality industry employs a much higher proportion of younger workers than the national economy. More than 40% of the cafe, restaurant and bar sectors workers are under the age of 25. There are more female workers than male in the cafe, restaurant and bar sectors. Females represent 57% of the workforce. Nearly 38% of workers in cafes, bars and restaurants work part-time hours. Those working 40–49 hours account for the highest share of employees.

SOURCE: SERVICE IQ: CAFES, BARS AND RESTAURANTS SECTOR INFOGRAPHIC 2017

Total Number of Employees by region 2017

YEAR ENDED FEBRUARY



6.8% In 2017, national employee growth was 6.8% over the previous year.



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remuneration

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remuneration



WAGE RATE GROWTH IN THE Restaurant Association's 2017 remuneration survey reflects caution in light of the current political and economic climate, which will introduce new minimum wage increases and employment legislation

changes. The survey indicates that while increasing, wage growth is very restrained. From 2016–2017 hourly wage rates increased by 2.5% over the previous year. Salary rates were more subdued, showing just 1.4% growth.

2.5% From 2016–2017, hourly wage rates increased by 2.5% over the previous year.

AT A GLANCE OF 81 POSITIONS which were also surveyed in 2016, 59 achieved increased hourly rates in 2017, with 28 of those positions increasing in excess of 5% over the year. These rates ranged from a 1% increase for a bar person (\$16.99/hour in 2017), through to a 20% increase for executive chefs, who now earn on average \$32.14/hour. Although Sommeliers achieved an 11% wage growth, Restaurant Managers, Baristas

and Food to Go Assistants all saw wage rates in decline. Restaurant Managers who received a salary fared better, however; and average salary for this role is \$58,549 in 2017 – an increase of 10.5% over 2016. Also receiving a substantial salary increase in 2017 were Chef de Parties, who at \$43,281, saw an annual salary rise of 5.2%.



In 2017, Executive Chefs saw the largest wage increase of 20% and now earn on average \$32.14/hr.



Sommeliers achieved an 11% wage growth in the past year.



In 2017, Chef de Parties, who at \$43,281, saw an annual salary rise of 5.2%.

remuneration

ALTHOUGH SURVEY RESPONDENTS WERE QUESTIONED before minimum wage rate changes were announced by the Government at the end of 2017, the Restaurant Association's remuneration survey showed that the industry is evenly split regarding future remuneration rate movements – 52.7% of operators surveyed have indicated that they intend to

increase staff remuneration levels over the next 12 months, with an average wage increase of 3% expected for those businesses. Conversely, 47.3% will keep staff remuneration levels the same. However, only 47% intend to increase their staff numbers over the next 12 months – while 52% will keep to existing levels.

47.3% of businesses reported they intend to keep staff remuneration levels the same over the next 12 months.

The survey's wage and salary figures are averages and should be considered in terms of trends over several years. For example, in 2012, the average hourly wage for wait staff was \$14.50 and in 2014, \$15.47. In 2017, it was \$16.58, which equates to a 14% increase over the five-year period. Looking at the key kitchen position of head chef, in 2012 an employee in this position was paid \$20.66/hour on average, in 2014 \$22.57 and in 2017 the average hourly rate was \$23.38. This reflects a 13% increase over five years.

As hospitality operators will be aware, wage pressures are one of the biggest challenges to keeping our businesses profitable. However, across the board, wages are set to increase due to the roll-on effect of raising the minimum wage. Members will need to consider how this will affect their business and what changes may need to be made in order to remain viable over the coming years.

\$16.58

Average hourly wage
for wait staff in 2017

\$23.38

Average hourly wage
rate of Head Chef in 2017

Members will need to consider how the roll-on of effect of raising the minimum wage will affect their business and what changes may need to be made in order to remain viable over the coming years.



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outlet data

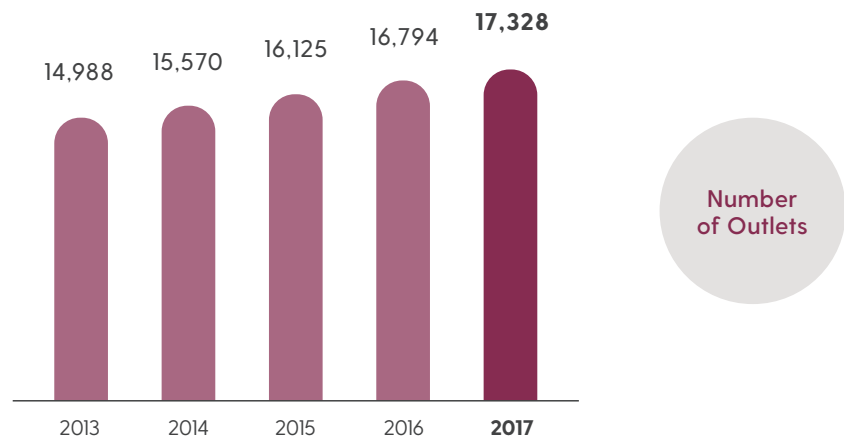


outlet data

THERE ARE NOW MORE THAN 17,000 hospitality outlets around the country, offering an outstanding diversity in dining choice for the consumer. Outlet growth for the hospitality industry across New Zealand has been consistent over the past five years, at between 3.5%–4% per annum. From 2016–2017 the number of hospitality operations increased by 3.2% – an overall increase of 534 businesses nationwide. While a substantial number of new businesses continue to open, this is offset to a certain extent by the high number of closures, although, there are now 2,340 more hospitality outlets than there were in 2013. Because of this growth, more business owners report feeling the challenge of competition from other businesses more keenly today than 5 years ago.

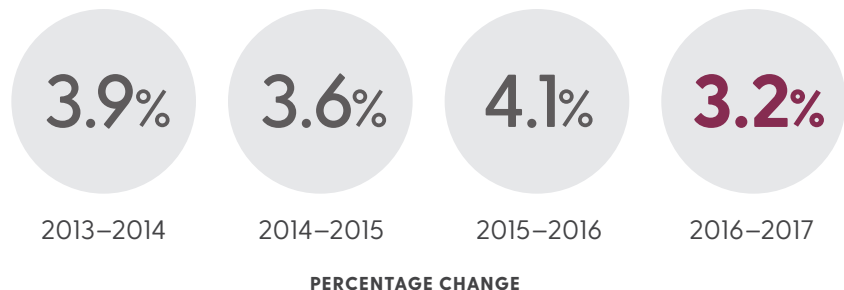
Total Outlet Data national

YEAR ENDED FEBRUARY

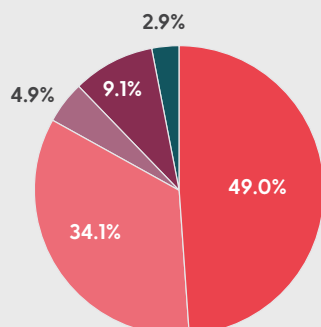


Outlet Growth

YEAR ENDED FEBRUARY



2017 Number of Outlets by Sector Market Share



Food and Beverage Services Sectors	2013	2014	2015	2016	2017
Cafes and restaurants	7,293	7,611	7,854	8,211	8,499
Takeaway food services	4,872	5,073	5,370	5,670	5,913
Catering services	780	822	810	822	843
Pubs, taverns and bars	1,617	1,614	1,623	1,599	1,578
Clubs (hospitality)	426	450	468	489	495
Total New Zealand	14,988	15,570	16,125	16,794	17,328

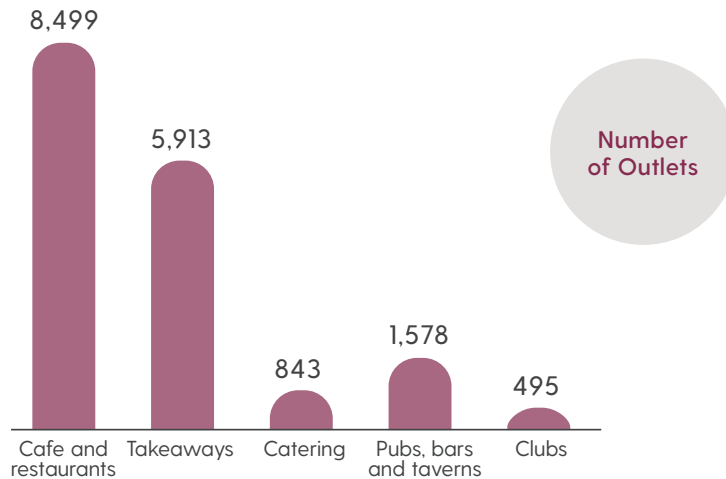
outlet data national figures breakdown by year

ALL SEGMENTS OF THE HOSPITALITY

industry have seen the number of businesses grow over the past 5 years, except for pubs, taverns and bars. The number of outlets in this sector has declined by 2.4% over 5 years (2013–2017) and it is expected that this will continue in the future as their market share declines to under 10% of the industry. In contrast, the number of restaurant and cafe businesses represents just under half of the industry. This sector increased in size by 3.5% from 2016–2017. This means there are 288 more restaurant and cafe businesses fighting for their portion of the consumer dollar (which increased by 2.5%). Although the takeaway sector posted higher outlet growth (4.3%), this reflected an increase in the number of outlets for this sector of 243.

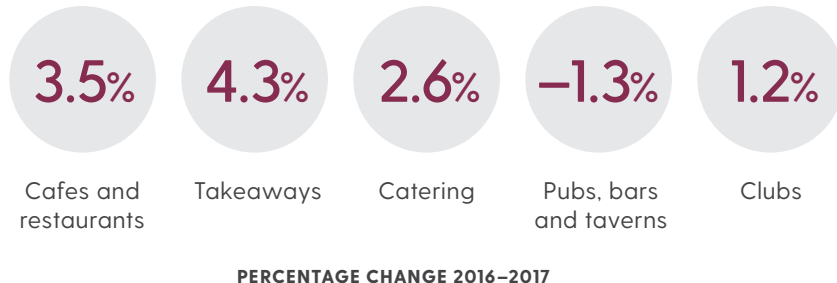
Total Outlets by sector 2017

YEAR ENDED FEBRUARY

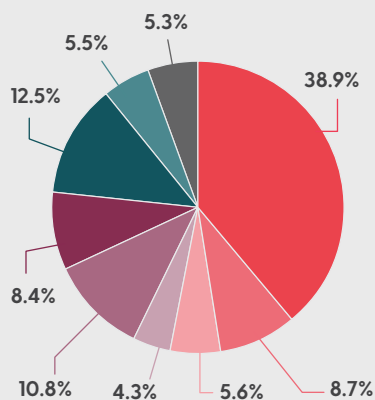


Outlet Growth

YEAR ENDED FEBRUARY



2017 Number of Outlets by Region



Region	2013	2014	2015	2016	2017
Auckland	5,664	5,886	6,144	6,483	6,741
Waikato	1,305	1,350	1,395	1,461	1,515
Bay of Plenty	837	855	879	918	972
Manawatu-Wanganui	711	744	735	723	741
Wellington	1,692	1,749	1,812	1,854	1,872
Rest of N Island	1,329	1,374	1,419	1,449	1,452
Canterbury	1,716	1,851	1,938	2,061	2,166
Otago	870	879	906	912	948
Rest of S Island	867	885	906	927	924
Total New Zealand	14,988	15,570	16,125	16,794	17,328

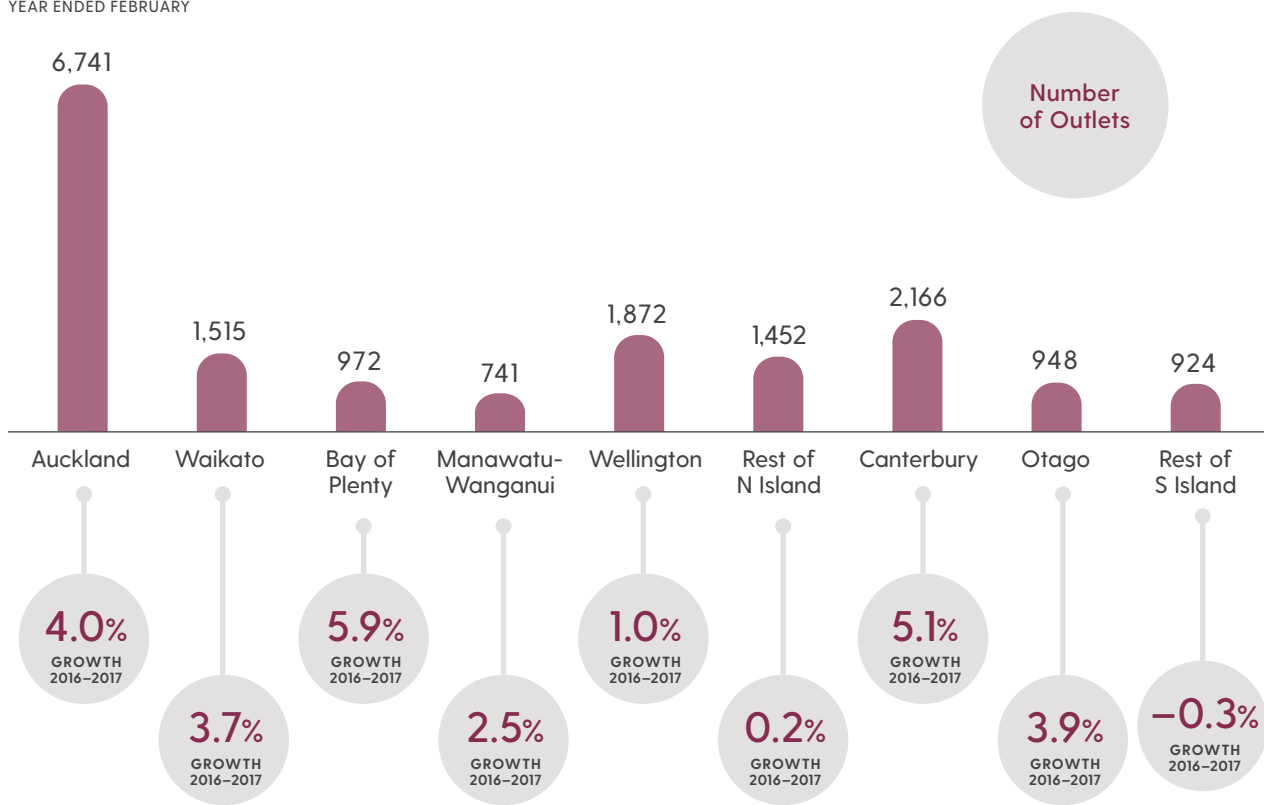
outlet data national figures breakdown by year

THE TOTAL NUMBER OF OUTLETS by region ranged from -0.3% decline in the Rest of South Island sector (the only region to have a decrease in the number of businesses) to 5.9% growth for Bay of Plenty. The Canterbury region was the only other region to record over 5% outlet growth and there are now more than 2,100 hospitality businesses in the region, with

many more set to open 2018/2019. The Auckland region, where the majority of new businesses are located, had the largest overall increase – growing by 258 outlets. Over five years (2013–2017) the number of hospitality businesses in Auckland grew by 19% – over 1,000 more businesses.

Total Number of Outlets by region 2017

YEAR ENDED FEBRUARY



3.2% In 2017, national outlet growth was 3.2% over the previous year.

openings

Number of businesses opened 2017

NATIONAL



1,416
Cafes and
restaurants



978
Takeaway
food services



144
Catering
services



150
Pubs, taverns
and bars



51
Clubs

2,739

Total number
of businesses
opened 2017

Number of businesses opened

BY REGION

REGION	2017	2016	2015
Auckland			
Cafes and restaurants	654	579	468
Takeaway food services	423	441	384
Catering services	54	48	39
Pubs, taverns and bars	45	45	42
Clubs (hospitality)	18	21	18
Total	1200	1134	957
Waikato			
Cafes and restaurants	123	117	87
Takeaway food services	96	84	63
Catering services	12	6	12
Pubs, taverns and bars	12	15	18
Clubs (hospitality)	0	3	0
Total	246	228	177
Bay of Plenty			
Cafes and restaurants	78	72	60
Takeaway food services	69	60	36
Catering services	15	9	9
Pubs, taverns and bars	12	6	6
Clubs (hospitality)	3	6	6
Total	180	147	114
Manawatu-Wanganui			
Cafes and restaurants	42	27	27
Takeaway food services	39	27	33
Catering services	3	3	3
Pubs, taverns and bars	6	9	9
Clubs (hospitality)	6	3	3
Total	96	69	75
Wellington			
Cafes and restaurants	123	111	108
Takeaway food services	78	102	93
Catering services	12	12	6
Pubs, taverns and bars	21	24	12
Clubs (hospitality)	3	6	6
Total	237	258	222

REGION	2017	2016	2015
Rest of N Island			
Cafes and restaurants	99	90	105
Takeaway food services	69	87	60
Catering services	12	21	15
Pubs, taverns and bars	12	15	15
Clubs (hospitality)	6	3	0
Total	198	213	201
Canterbury			
Cafes and restaurants	171	165	102
Takeaway food services	123	105	87
Catering services	15	12	15
Pubs, taverns and bars	21	21	21
Clubs (hospitality)	6	12	12
Total	339	315	234
Otago			
Cafes and restaurants	72	54	57
Takeaway food services	30	39	24
Catering services	12	9	3
Pubs, taverns and bars	12	9	15
Clubs (hospitality)	3	3	0
Total	129	114	99
Rest of S Island			
Cafes and restaurants	42	27	27
Takeaway food services	39	27	33
Catering services	3	3	3
Pubs, taverns and bars	6	9	9
Clubs (hospitality)	6	3	3
Total	96	69	75

Total openings

YEAR 2017	YEAR 2016	YEAR 2015
2739	2595	2178

closings

Number of businesses closed 2017

NATIONAL



1,149
Cafes and
restaurants



738
Takeaway
food services



120
Catering
services



183
Pubs, taverns
and bars



45
Clubs

2,232

Total number of
businesses
closed 2017

Number of businesses closed

BY REGION

REGION	2017	2016	2015
Auckland			
Cafes and restaurants	510	411	360
Takeaway food services	330	288	252
Catering services	45	45	36
Pubs, taverns and bars	57	39	45
Clubs (hospitality)	9	9	9
Total	951	795	702
Waikato			
Cafes and restaurants	108	75	66
Takeaway food services	60	57	48
Catering services	12	12	12
Pubs, taverns and bars	18	9	12
Clubs (hospitality)	3	3	3
Total	201	156	138
Bay of Plenty			
Cafes and restaurants	66	45	39
Takeaway food services	33	39	33
Catering services	6	6	9
Pubs, taverns and bars	15	12	9
Clubs (hospitality)	6	0	3
Total	123	105	90
Manawatu-Wanganui			
Cafes and restaurants	36	30	39
Takeaway food services	27	27	21
Catering services	6	9	9
Pubs, taverns and bars	9	15	12
Clubs (hospitality)	0	0	0
Total	81	78	81
Wellington			
Cafes and restaurants	78	99	87
Takeaway food services	15	72	48
Catering services	18	15	18
Pubs, taverns and bars	9	15	15
Clubs (hospitality)	93	0	6
Total	225	207	171

REGION	2017	2016	2015
Rest of N Island			
Cafes and restaurants	69	90	87
Takeaway food services	15	63	42
Catering services	15	9	18
Pubs, taverns and bars	9	18	12
Clubs (hospitality)	0	6	3
Total	201	186	159
Canterbury			
Cafes and restaurants	126	90	87
Takeaway food services	75	66	42
Catering services	9	12	9
Pubs, taverns and bars	24	21	12
Clubs (hospitality)	3	6	0
Total	243	198	150
Otago			
Cafes and restaurants	42	51	36
Takeaway food services	24	30	21
Catering services	9	6	6
Pubs, taverns and bars	15	18	12
Clubs (hospitality)	0	0	0
Total	93	108	75
Rest of S Island			
Cafes and restaurants	57	39	33
Takeaway food services	36	30	18
Catering services	6	3	6
Pubs, taverns and bars	15	24	15
Clubs (hospitality)	0	0	3
Total	117	99	78

Total closings

YEAR 2017	YEAR 2016	YEAR 2015
2232	1932	1641



restaurant
association
of new zealand

key challenges



key challenges

Strong tourism growth was achieved in 2017 for both international arrivals and spend in New Zealand, driven by strong growth in Asian markets, especially China, and in established markets such as the US and the UK. Overseas visitor arrivals to New Zealand increased 8.9%. International tourism expenditure was \$14.5 billion (contributing 20.7% to New Zealand's total exports of goods and services), while domestic tourism expenditure increased 4% (\$820 million) to \$21.4 billion. However, while hospitality and tourism is in healthy shape, the industry is not without challenge.

An annual survey by the Restaurant Association (RA) highlights the top challenges as ranked by hospitality business owners:

1

The biggest challenge for hospitality business owners is the **lack of skilled employees**.

[RA survey snapshot 2018]

More than 230,000 people are directly employed in tourism (8.4% of the total number of people employed in New Zealand). Almost 130,000 of those are employed in the hospitality sector. It is, therefore, a huge challenge to encourage and retain workers in the industry and, as such a labour-intensive industry, the **lack of skilled employees** is ranked as the number one challenge for hospitality business owners. Many of our members express concern about proposed legislation changes, particularly the prospect that Government will clamp down on employers' ability to access overseas labour.

2

Managing wage costs, as the minimum wage rises in the coming years, is the second biggest challenge.

Closely following this is **managing wage costs**. Plans to lift the minimum wage by around 6% per annum over coming years is a major concern to a number of businesses. This would leave New Zealand with one of the highest minimum wage rates relative to average income in the OECD. The main impact will be to improve New Zealand's lowest-paid workers, at the expense of business profits. While other industries may be able to alleviate labour cost increases by further automating their service, the personal connections made as part of the hospitality service offering come with a heavy reliability on labour. Many members are concerned that they will simply not be able to afford the roll-on effect of the increase.

3

Building and maintaining sales volume is the third top challenge.

The third top challenge is **building and maintaining sales volume**. We're looking at some significant changes in the policy environment over the coming years. This includes the coming introduction of a suite of policies that will dampen the housing market and which will likely have flow-on downside impacts for consumption spending.

What is the Restaurant Association doing to assist in these areas...

At the Restaurant Association, we aim to assist our members with the challenges our industry are facing. With the lack of skilled staff being at the top of the list we have focused our efforts on promotion of the industry as a viable career option in many different platforms and continue to work on this for our members. Our most recent example is the creation of our ProStart training programme, where we work with unemployed New Zealanders who are interested in our industry and provide them with a pathway to employment in our industry while supporting them with training and mentoring along their journey. We also provide a national training platform for our members and their staff through our professional development programme where we have short courses on a variety of important baseline and advanced essential skills for the industry. Check out our website for more insights into the work we do for the hospitality industry.

restaurantnz.co.nz



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industry trends




international trends

The 2018 Global Restaurant Summit in the USA highlighted interesting trends and challenges that the industry faces.

What's Hot?

- Fastest growing cohort is 65 or older
- Non-alcoholic bar sales are up 6%
- New cuts of meat
- Housemade condiments
- Streetfood-inspired dishes
- Globally-inspired breakfast items
- Sustainable seafood
- Healthy kids menus
- Vege carb substitutes
- Uncommon herbs
- Global spices



WHILST THE FOCUS WAS ON what was happening in the USA, there was agreement from all the international delegates that the top two challenges were recruitment and minimum wage pressure.

The industry in the United States is huge with over 1 million locations, 15 million employees, and \$800 billion USD in sales. Whilst these figures increase year upon year with now, 49% of all food now purchased in restaurants and cafes, as opposed to the supermarket, productivity is flat with the output per labour hour increasing by just .06% in the past ten years.

USA, the average sales an employee generates is about \$58,000 vs \$237,000 for a grocery store worker.

However, though productivity is not increasing, technology does have a huge part to play in the sector.

70% of consumers believe that technology in a restaurant speeds up service, increases convenience and increases order accuracy. 68% of consumers use it to look up locations, hours of operation, and menus. Over 50% use online services to order takeout and 25% will make an online reservation.

Other consumer insights reveal that 75% of customers would go to a restaurant outside of peak hours to receive a discount. 40% would like to pick an exact table from a seating chart on a website and the same percentage would pay to participate in a loyalty programme that included guaranteed reservations on busy days, and discounts or skip the line privileges. 14% indicated they would pay a fee to get a better table.

Unsurprisingly, 90% of consumers enjoy going to restaurants whilst only 66% enjoy going to the supermarket. This correlates with the trend whereby people are saying they would rather spend money on an experience than buying from a store.

Finally, 40% of operators say they are looking to devote more resources to growing the off premise take out market. This sector is very popular with the under 35s; they represent half of the sales as they look for time saving convenience in all aspects of their lives.

domestic trends

A RECENT MY FOOD BAG AND STUFF SURVEY showed that only 52% of parents now eat at home every night. Statistics New Zealand data shows that a quarter (26%) of all food-spending is now spent in restaurants and on ready-to-eat meals, such as takeaway hot drinks and takeaway pizzas (compared with 23% in 2014).

A UBS research report, titled *The End of the Kitchen?*, posits that by 2030 we could see a scenario where "most meals currently cooked at home are instead ordered online and delivered from either restaurants or central kitchens". In-home kitchens will shrink accordingly and we'll see the rise of shared kitchens. This also reflects the need for high density urban developments in New Zealand that will impact the amount of space available in homes.

IN 2018, WE SURVEYED OUR MEMBERS NATIONWIDE TO FIND OUT WHAT THEY THOUGHT ARE THE HOTTEST TRENDS THIS YEAR.

Dietary trends around no dairy, no gluten and any allergies that customers may have. The demand for organic products will grow too.

LYNETTE BUURMAN,
CAFE ENCOUNTER,
KAIKOURA

Healthier and traceable local food ingredients.

HELMA VAN DEN BERG,
CLEARVIEW ESTATE WINERY
RESTAURANT, HAWKE'S BAY

Vegetarian and gluten-free.

SCOTT BARRETT,
BEACH HOUSE & KIOSK,
WELLINGTON

Ready to go meals will be on the rise with time poor consumers; the demand will be on healthy nutritious lunch and dinner packs ideally with home delivery (think classy meals on wheels).

HAYLEY SMITH,
HOROWHENUA
LEARNING CENTRE,
MANAWATU-WANGANUI

Vegan options.

BARBARA OLSEN-HENDERSON,
BACH ON BREAKWATER, TARANAKI

Online ordering.

THERESE & MATS WICKBOM,
CAFE CINEMA, NORTHLAND

Industry disruptors, such as Uber, changing the way we provide services to customers.

DANIEL GREGORY,
AL FORNO RESTAURANT,
AUCKLAND

**fresh
gluten-free vegan
sustainable
asian food**

Food trend predictions.

While we've seen many international predictions of what is 'hot' this year, we've surveyed members to find out which of these international trends are going to make an impact locally.

Some of the trend predictions reflect consumers changing lifestyle choices, which include having more choice of vegan and vegetarian menu items, locally-sourced foods, and healthy options. Here's what some of our members have to say...

**Healthy food and cider.
Increasing prices as staff costs rise.**

JULES TERRY, SEABREEZE CAFE, MARLBOROUGH/NELSON

**Fresh, healthy food on plate, served fast
all at a good price to the customer.**

WAYNE JONES, BULLY HAYES RESTAURANT & BAR, CANTERBURY

**Plant-based food.
Gin. Non-alcoholic drink and food pairing creatively.
Environmental awareness and greater use of technology in compliance.**

JULIE CLARK, FLORIDITAS,
WELLINGTON

A move towards environmentally friendly cuisines. Delivery market through Apps will gain popularity and higher costs of operations will force small business out of the market.

CHICO THIPCHAROEN,
BANGKOK THAI RESTAURANT,
MANAWATU-WANGANUI

appendix

SALES DATA

1. Regional (and lower level area) sales and detailed industry sales prior to June 2017 were created independently to the published industry data, and do not sum to the total New Zealand figure.
2. Figures are exclusive of GST.
3. Due to rounding figures may not sum to the stated totals.

OUTLET AND EMPLOYEE DATA

1. These statistics are provisional, and updates in the series may be incorporated in subsequent releases. It is expected the largest revisions will occur in the most recent reference periods, with smaller changes earlier in the time series.
2. Fine-level regional and industry business demography data needs to be used with caution. The Business Frame, which is the main source of data for the business demography series, is designed to support quality national level statistics. It is not designed to provide quality fine level regional or industry statistics and is indicative only.
3. Employee Count is a head count of salary and wage earners for the February reference month sourced from taxation data.
4. Employment and Business location figures are rounded, and discrepancies may occur between sums of component items and totals.
 - Outlet data is random rounded to base 3.
 - Employee data is graduated random rounded (Less than 22 employees to base 3, 22–100 employees to base 5, 100–1000 employees to base 10, 1000–5000 employees to base 50, more than 5,000 employees to base 100).
5. Coverage is of all Economically Significant Enterprises (ESE), these are generally defined as enterprises with greater than \$30,000 annual GST expenses or sales, or enterprises in a GST exempt industry.
6. The time series of Business Demography has several significant changes caused by improved Stats NZ processes.
7. The industrial classification coded to an Enterprise is determined by its predominant economic activity. Where an Enterprise has Geographic Units outside of the geographic area to which it has been assigned, these can also help to determine the industrial classification of the Enterprise.
8. Individual components will not add up to Sub Totals and Totals. An Enterprise may have Geographic Units in more than one geographic area, so it is counted separately in each of those geographic areas.
9. Based on 2013 boundary pattern.



The 2018 Hospitality Report was compiled by The Restaurant Association of New Zealand. If you have any questions, please contact us here:

Restaurant Association of New Zealand
45 Normanby Road
Mt Eden, Auckland 1024

info@restaurantnz.co.nz
0800 827 737

www.restaurantnz.co.nz

