



THE NEW ZEALAND HOTEL INDUSTRY CONFERENCE 2014



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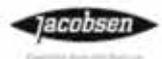
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About the conference

The 8th annual New Zealand Hotel Industry Conference attracted more than 25 international and local speakers and panellists and more than 200 delegates, including hotel managers, owners, developers, bankers, lawyers, real estate firms and other industry stakeholders.

Co-hosts Horwath HTL and Tourism Industry Association New Zealand (TIA) acknowledge the commitment of Platinum Sponsor Accor to this key hotel industry event.

TIA's hotel sector represents the interests of more than 130 members throughout New Zealand, including international chains, large independent and privately owned hotels. TIA hotel sector members employ 11,000 staff nationally, with annual revenues of more than \$866 million.

In conversation with Mantra's Bob East

Mantra Group was about to go public and its very candid CEO Bob East offered some fascinating insights to Horwath HTL's Terry Ngan at the NZ Hotel Industry Conference 2014.

Mantra Group chief executive Bob East describes the group's philosophy as "Knowing what matters is the most important thing" and they aim to identify what matters to all their stakeholders – guests, travel trade, staff, owners and developers. East says the group is unique in that the owners started the business from scratch and designed the brand and the brand values the group now lives by. It now has 113 properties in Australia, New Zealand and Indonesia across three brands.

East says that New Zealand "gets hospitality" pointing to Queenstown as a town that understands hospitality. "Your airports understand hospitality relative to what we get in Australia. You understand the core value of making people feel welcome."

And that is what the independent hotels are doing very well – that "ownership" of the guests.

Mantra is owned by East and the management team and private equity interests.

"The joy of the ride is in creating our own destiny we were able to establish our values and over time have built a workforce of 4,000."

Mantra is going public because the opportunities outstrip its available capital. The company has done everything out of cash-flow so while it had high debt at the start they have paid that down and are determined not to be in debt again.

Having built the company one hotel at a time they will now look more broadly at group acquisitions. They aim to get bigger properties in Australia and NZ and "cherry



Bob East and Terry Ngan.

pick" into the Asian market.

Asked by Terry Ngan how the independent hotels can compete, East said that in Australia the big players are getting bigger and the independents are "being gobbled up".

In Australia the top 10 operators have 40 percent of the stock - 10 years ago that was about 30 percent.

As to branding East refers to "Bob's BBQ test". He wanted to be able to go to a BBQ and not have to explain who and what Mantra was but have people recognising the name.

Brand ambassador is a local favourite, champion Australian tennis player, Pat Rafter, and once he came on board "the next year the

profile of the business went through the roof".

Asked how essential it was that hotel operators work with developers and owners he said the company's approach is to sit down with developers and find out what their strategic drivers are – are they looking at fixed term leases, building finance?

"For us it is more appropriate to find out the developer's needs – if they are having trouble with funding we will buy in."

The company's model is to work with what they think the projects needs and they might put \$15 million into certain projects.

Putting equity in also creates an align-

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ment between the owner and the operator and they have an average tenure in their projects of 18 years.

As for China, East points to Australia and NZ as having the geographical good fortune of being in the right area for the 100 million outbound trips Chinese tourists take a year “and we have every aspect of what they are aspirationally seeking – Western style CBDs and open sky.

“We don’t need to adapt to this market – this is our opportunity to say, this is the way we do hospitality. They are coming here to experience what we have and they want to be greeted by friends.”

Mandarin speaking staff, signs and Chinese food are good but the company does not

make it a Chinese experience .

He points instead to issues such as easier visa access for Chinese travellers.

At present he says all roads lead to the Asian market with Bangkok recently overtaking London and Paris as the most internationally visited city in the world.

The company also has a group called Women in Mantra Workforce to address the imbalance between men and women in general management roles with one of the issues for women being time constraints in a 24 hour industry. Women in Mantra is about information sharing, job sharing and identifying barriers in the workforce for women. ■

PLAYING YOUR PART

Platinum sponsor Accor Hotels' senior vice president New Zealand, Pacific and Japan, Garth Simmons, says that while last year the industry had a lot of optimism and felt it had turned the corner and was moving ahead, “this year we have started to see a good gain in yield and it is important the industry captures this opportunity”.

He points to the need for high levels of satisfaction and cultural understanding so that guests feel welcome.

“It is time for us to get better returns on our business and exposure.”

Simmons also mentioned former Tourism Industry Association CEO Martin Snedden who, he says, brought the industry together by creating the CEO group – now the CEOs of New Zealand’s major tourism entities sit on the TIA board.

“We, as an industry, need to keep this direction and use this body as the way for the industry to move forward.”

But the industry should not rest on its laurels. “It’s all about everyone here playing their part.” ■



Garth Simmons

REAL SUCCESS

Horwath’s Terry Ngan asked Bob East what his measurement of success was.

“From a business sense it is whether we have taken people on a journey with us. We created a vision and core values and decided everything [within the existing company] needed to be changed.

“For me success is if I can go to any of our properties and get a sense that the team works with similar values – trust, passion and adventure. We are very simple in our approach and we build the same meaning and value into our brands.”

As to one real point of difference, he puts it down to the company’s belief in “If you know what matters” pointing to its recent move into Indonesia – where they admit they don’t know what they are doing in that market.

“Our approach is let’s start by admitting we don’t know how to start and find out what matters locally. Our presumption is that we don’t know and we will ask and build a system that works.” ■

Visitor growth outlook

The main message Westpac chief economist Dominick Stephens had for NZ Hotel Industry Conference attendees was that while New Zealand is a major out-performer globally in economic terms “please remember this is temporary”.

Stephens says the driver for New Zealand’s 4 percent per annum growth is the Canterbury rebuild of which construction activity alone was 1 percent of GDP.

“A huge contributor to the upturn of growth was the Canterbury rebuild.”

He says he is starting to find some businesses appreciate this is temporary growth we are seeing. His concern is that some people are over-investing and over-employing.

His overall message was don’t get too excited, enjoy it while it lasts but this is temporary.

NZIER senior economist Kirdan Lees emphasised that 2013 was a stellar year for arrivals in NZ and their research for the Ministry of Business, Innovation and Employment had shown that a lot of the growth was down to marketing from Tourism New Zealand including its work around *The Hobbit*



Kirdan Lees, Dominick Stephens and Ross Jackson.

movies – there were 13.5 percent more visitors from the US.

However despite 2013 being a standout year going back the value has been flat for the industry – spend is tailing off and length of stay was a bit less. However, the plus side is that the last six months is seeing people staying a bit longer and spending a bit more. Chinese visitors who were staying for four days are now staying on average seven days.

Lees is optimistic because the volume is there and the value proposition is starting to look very positive.

As to China Dominick Stephens says

the untapped potential is away from the seaboard and gradually heading inland as there has been a massive disparity in income between the seaboard cities and the interior of China. Lees agreed saying some of the regional centres had not been well tapped by New Zealand.

Stephens says that while many countries had high hopes for India and Brazil in the tourism markets both countries’ economies have stumbled as they have been overstimulated by capital flows. “Brazil and India’s underlying economic structures are struggling.” ■

Airline growth relies on the whole industry

Filling the aircraft coming into New Zealand is a job for the whole tourism industry.

Airlines are not motivated to grow capacity into New Zealand and airports do not have airlines knocking on their doors for access, the NZ Hotel Industry Conference heard.

Charles Spillane, the general manager corporate affairs and general counsel at Auckland Airport, who led a panel looking at the outlook for airline growth, said it was easy for a country to fool itself about demand and while there was a lot of brand awareness for NZ converting this into visitors was harder.

"We will have more success if NZ acts as a pack," he said, noting that the kit (airlines) can go anywhere they want to.

If New Zealand can fill in the seasonal troughs in the low season, that will drive occupancy for hotels.

He also noted that there had been talk about the impact of law changes in China around package travel but it was important that packages were part of the market as they are an essential part of an airline's business.

As to the impact of airlines Malcolm Johns, the CEO of Christchurch International Airport (CIAL), said that a 777 daily brings \$140



Michael Ma, Mark Froad and Richard Thomson.

million in GDP to a country annually.

Mark Froad, international market development manager at Auckland International Airport (AIAL) said airports played a role in market interventions through insights into the market, partnership with NZ trade and conversions into flights.

Richard Thomson, the GM of networks at Air NZ said it was easy for an airline to become quite myopic and focused on its own business while airports could offer a broader perspective.

Jetstar's head of NZ, Grant Kerr, said his company had significant relationships with all airports and it was important for them that airports understood the airline needed

to keep costs low. He noted that every bit of capacity they have put into Queenstown has been absorbed.

Michael Ma, the NZ general manager of China Southern Airlines said the NZ market was doing well for the company. The inaugural twice a week flights were increased to daily flights within a year. The company increased frequency to 7-10 times a week in the summer and will move to "double daily" flights for the peak season.

He noted there was huge market demand in the peak season and in his opinion they were not worried about the number of visitors but he asked how well NZ can provide in the peak season, in regards to accommodation, transportation and restaurants etc.

CIAL's Malcolm Johns also noted that a lot of consumers from South East Asia had a smorgasbord of destinations to choose from and that visa and immigration rules for new markets are critical. He pointed to the joint visa available with Australia for the Cricket World Cup.

"We should be relentless in kicking those doors down."

Mark Froad noted too that seasonality is a bug bear and highlighted AIAL's new "Four seasons - Five Senses" programme which aimed to promote seasonal and cultural events along with food and beverage within NZ - pointing to the blossom festivals at the opposite timings to the Japanese blossom festivals and the whitebait season.

As to the Australian market, Jetstar's Grant Kerr said Queenstown is an all-year-round destination and what the rest of the country needed to do was to make NZ an all-year-round attraction. Charles Spillane said the message is that the whole tourism industry has to get behind filling the aircraft coming into New Zealand ■

MORE PRODUCT

China Southern Airlines, NZ general manager, Michael Ma offered an insight for hotel operators about engaging with Chinese consumers.

More capacity means more visitors, but more capacity does not mean high revenue, during the low season the airline has a big task with the average load on NZ -Guang-dong route at 60-70 percent.

He would like to focus on how to increase product during the low season and says NZ must keep designing low season product with operators and tours.

New product for the Chinese market should also recognise that most of those coming in the low season are price sensitive passengers. ■

No time to rest on our laurels

Associate Minister of Tourism, Todd McClay, says that over the last six years the Government has spent and committed \$600 million to tourism and in partnership with the private sector.

"We are starting to see the results of this investment," he says pointing to Tourism New Zealand's strengthened

focus on special interest visitors and to the Tourism Growth Partnership fund which has just announced six projects which will receive a total of \$3.84 million.

But, he says, there is more that can be done and New Zealand is missing out on large



Todd McClay

international conventions and conferences. He noted that work is progressing on the development of the NZ International Convention Centre in Auckland and he expects the consenting process to start later this year.

In Christchurch they are going through the request-for-proposals process and working towards a 2017 opening date for a convention centre.

In Queenstown the council will decide later in June 2014 if they will proceed with a proposal for a conference centre and are looking to a 2016 opening date while Wellington has also announced it has plans for a convention centre.

McClay pointed to the Conference Assistance Programme which has put out 35 bids this year and out of nine conferences announced it has won six of them with a total value estimated to be \$10.5 million.

Tourism New Zealand has also attracted 50 incentive groups to New Zealand and a good example of this is an 800 strong group of Thai people who will visit for 10 days in September 2014.

He later said there is a lot to be positive about "but New Zealand couldn't rest on its laurels". The sector needs to be innovative and to grow and the Government will partner with the industry.

"Thank you for the work you all do, for your commitment to our economy and to tourism." ■

Tough being a GM, hotel leaders say



Bill Edwards, Garth Simmons, Barry Robinson and Jesper Palmqvist.

The multitude of tasks a general manager of a hotel today has to undertake is enormous, says Bill Edwards, head of operations Australasia for InterContinental Hotels Group.

Speaking as part of the hotel leaders panel Edwards said his group was trying to give its general managers better qualified supervisors and managers and underpin their work with quality staff.

Accor Hotels Garth Simmons noted that staff turnover is about 50 percent in Auckland although in regional destinations the turnover was very low – however Queenstown, he said, was a revolving door.

Questioned around distribution channels and Online Travel Agencies (OTAs) CEO and MD at Wyndham Hotels Asia Pacific, Barry Robinson, said in Asia Pacific they have more centralised revenue management systems and this centralisation has given them better yield and selection. They are also focusing on their online presence and mobile apps. TripAdvisor is loaded onto their websites.

He said they are not fighting the online trends but are looking at ways they can be smarter.

Bill Edwards noted that OTAs, or third party booking platforms are a challenge – and his company is spending on direct platforms and social media.

It's all about mobile devices and making it easier for them to use so they don't give visitors the opportunity to go to the web. ■

KEY CHINA THOUGHTS

Julia Gong, of China Ready and Accredited, offered some pithy thoughts on doing business with China.

- China borders 14 nations and its 1.3 billion population means that of every five people in the world, one is Chinese.
- The Chinese New Year is the largest migration on earth with 240 million people criss-crossing China as they head home to their families for the week long holiday period.
- There are 118 boys for every 100 girls and by 2020 there will be 30 million more men than women in China.
- China is the world's biggest consumer of luxury goods and the world's largest energy consumer.
- Water pollution is one of the greatest threats facing China now.
- The unsaid message is more important than what is said.
- Chinese people are frank yet tactless; honest yet sophisticated; suspicious yet gullible – China is one big contradiction. ■



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Charming, bold hotelier honoured



A passion for guest service and a bold attitude that encourages staff to dare to be different saw Pullman Auckland general manager Rob McIntyre (pictured) named the AHS Hospitality Hotel Industry Senior Hotel Executive of the Year 2014.

Since arriving at Accor's 5 star Pullman Hotel in 2011, McIntyre has grown the business significantly throughout all performance areas, says awards judge and TIA sector manager hotels, Sally Attfield.

"Known for his charm and tenacity, Rob is always keen to stay ahead of the competition and improve guest services. For example, the hotel's mobile phone application was a first for New Zealand hotels, giving guests the ability to review menus, order room service, learn about hotel events and stay in touch with the hotel from their mobile phone. The introduction of free wi-fi was another bold move that impressed the industry," says Attfield.

Awards judge Stephen Hamilton, director of Horwath HTL, says McIntyre has an excellent management and leadership style and has introduced a culture of change into the Pullman Auckland. ■

Beyond the call of duty

Going the extra mile saw a young reservations yield manager named as the Outstanding Young Hotel Executive of the Year.

Janelle McClintock (pictured with Service IQ's Debbie Martindale), Reservations Yield Manager at Auckland's Jet Park Hotel was named as the Service IQ Outstanding Young Hotel Executive of the Year at the NZHIC dinner. She is responsible for managing all the hotel's reservations systems and a team of two, plus training and oversight of all other front office staff who take reservations after hours.

Janelle is a pivotal part of the hotel's success and achievement of its revenue targets, and over the past four years has become a tremendous asset for Jet Park Hotel," says Sally Attfield, awards judge and TIA sector manager hotels.

Awards judge Stephen Hamilton, director of Horwath HTL, says Janelle achieves her busy, demanding role, shows leadership and initiative and has undertaken further education to improve her skills and contribution to the hotel.

Janelle is also known for going beyond the call of duty for guests. "A small example is driving some visitors out to a motel and picking them up the next morning when the hotel was fully booked. She sets an example of service standards for others, and together with her team receives excellent feedback from the hotel's important corporate clients." ■



Hotel's 'Go Green' dedication wins award

A raft of conservation initiatives, including using 40 litres of food waste per week as chook feed, helped win the hotel industry's Environmental Initiative Award.



James Cook Hotel Grand Chancellor won the Greenfield Hotel Industry Environmental Initiative Award 2014, which was announced at the NZHIC dinner.

The hotel's 'Green Team' is responsible for a raft of conservation initiatives, including using 40 litres of food waste per week as chook feed, a 'switch off' policy for staff and putting sustainable fish on the menu.

"This was an outstanding entry," says awards judge and TIA sector manager hotels, Sally Attfield. "Sustainability practices are widespread through the hotel and staff are also actively involved in community initiatives."

Awards judge Stephen Hamilton, director of Horwath HTL, says the James Cook Hotel Grand Chancellor has achieved significant conservation results and financial savings as a result of its green initiatives.

"For example, it is saving approximately 46,500 litres of water annually with its 'Go Green' initiative for guests who stay more than one night and a significant reduction in the amount of waste sent to landfill." ■

Online marketing essentials

Operators needed to ensure they are not Online Travel Agent dependent, said Lynn Jeynes, a project manager at Miles Partnership, during a panel on hot issues, opportunities and risks facing hotels.

This meant getting the balance right and knowing how much of your money is going to OTAs.

If a client has more than 40 percent of their business coming from OTAs "we start to worry". The right balance is about 20 to 30 percent coming from OTAs and other bookings coming through direct online bookings, email newsletters, website phone bookings and media advertising.

The hidden costs of OTAs are calculable by looking at the number of rooms you have, average occupancy, night rates and OTA commission. This should show you how much money you spend on OTAs.

"We say [to clients] that is your marketing spend but if you cut 40 percent [down] to 20 percent you can use that money in other

marketing channels."

She also pointed to operators' websites and learning from the best by highlighting engaging websites where the imagery is based on the target market – whether that be family-friendly or weddings – and the content and articles and information is all directly relevant to that target group.

She also recommended that all Search Engine Optimisation elements be visible on the website. This can be checked through Moz Bar (www.moz.com).

Jeynes said that 78 percent of bookings are made online and operators needed to ensure they were seeing the whole picture – that included trackable phone numbers in any advertising, trackable links and ensuring Google Analytics is up and running.

The number one job though was ensuring guests were happy.

"Once they are happy, respond to them online. If you are getting negative comments research shows that 87 percent of people would be happy if the hotel manager responded to that review." ■



tourism
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Photo: Auckland Tourism, Events and Economic Development Ltd

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Horwath HTL is pleased to co-host the New Zealand Hotel Industry Conference

Horwath HTL Limited
Level 11, Forsyth Barr Tower
55-65 Shortland Street
Auckland, New Zealand

Telephone: +64 9 309 8898
Facsimile: +64 9 309 8980
Email: horwath.htl@horwath.co.nz