

Unit 1 Contemporary Hospitality

LO3- Understand recent
developments affecting hospitality

AC 3.1

Labor Cost

- In 2005 labor expenses remained the largest single expense item for hospitality managers, accounting for 44.6 percent of total operating costs.
- Consequently, any trend or issue that could potentially impact labor costs must be taken seriously by hospitality owners and managers alike as enormous amount of time is used to solve this problem.
- Now, hospitality workers are seeking to be unionized for better negotiations, adjustment to immigration laws and minimum wage are cause for concern for managers

SUPPLY — LABOR

- Managers must also consider:
 - Overall employment rate
 - Immigration rates and restrictions
 - Competition for workers among industry sectors
 - Employee turnover – can exceed 100% in some sectors
 - Part time versus full time workers
 - In short, the outlook is good but there will be challenges filling entry-level jobs

Technology

- The hospitality industry has been slow in terms of adapting to new technologies but the industry has made some inroads
- Perhaps the segment that is the most advanced is the airline industry, both in terms of on-line interaction with customers as well as up-to-the-minute pricing
- New technologies are being introduced every year

Empowerment

- Empowerment is the act of providing additional levels of responsibility to both employees and managers
- This has been the result of cost cutting efforts but also as a result of trying to improve customer satisfaction
- It has been able to happen because of the new “breed” of employees as well as improved technology and communication

Diversity

- Hospitality organizations are becoming more diverse in response to changes in society as well as demographic shifts and becoming more aware of the importance of a diverse organization
- Many companies have established themselves as leaders in this area.

Goeldner & Ritchie (2012)

Concern with Security

- Concern for personal security and safety has resulted in destinations, organizations and society in general attempting to provide a greater level of safety for travelers
- Examples include airline marshals, hotel security forces, cameras, and increased education.

. Goeldner & Ritchie (2012)

Security

The effects of September 11th and other recent events have resulted in:

- Travel restrictions
- Safety and security issues
- Cost of operations
- Government regulations
- Destinations that have been affected

OUTLOOK FOR HOSPITALITY

Concern with Sanitation

- Increases in food-borne illness has resulted in a raised concern on the part of consumers
- Raised concerns in the US probably began with the Jack-in-the Box incident in the 1970s
- More recent incidents have also raised questions about the quality of the food supply and even the water supply (e.g., bottled water)

OUTLOOK FOR HOSPITALITY

Sustainability

- Going “green” is not new, but it reflects industry-wide focus on corporate responsibility
- Most hotels encourage guests to reuse towels and many have embraced low-cost changes such as lighting
- Guests prefer to support businesses that are concerned about the industry

OUTLOOK FOR HOSPITALITY

Globalization (Last but not least)

- Globalization is perhaps one of the greatest factors affecting the industry as it impacts every facet of operations including:
 - Competition
 - Work force
 - Travel patterns
 - Company alliances, etc.

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Multicultural Issues

- The newest trends and topics around industry and research surrounding hospitality research and development is the management of multicultural talent and the political landscape affecting the hospitality industry.
- Franchise is becoming the biggest industry in the world, the success of franchise lie in the understanding of ownership, internal and external customer- and workforce-related - and top legislative matters, insights of marketing and promoting.
- With the development of globalization, multicultural issues are facing and disturbing the industry operators. Bringing the far corners of the world together is part and parcel of what the hospitality sector does.
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- Blending amenities to cater for the needs of the world's different cultures is central to success for large, international hospitality chains.
- Cultural issues have never before been such a crucial determinant of how a large hospitality should operate.
- In some Asian cultures, for example, eye contact is not sought, as it can make guests feel uncomfortable, while in Western tradition it is equated with openness and honesty. This could be important in defining how staff addresses themselves to certain Asian guests

Higher Education

- A number of changes to the hospitality educational process poses several challenges for transformation educational curricula, learning materials, instructional practices and education stakeholders.
- The learning process to reflect the use of information in the real world and transforming the library specialist to an active collaborator in curriculum planning for effective use and availability of information resources.(Wang & Wang 2009)

Increased Competition

- Hotels everywhere indicate that their community is overbuilt; there are too many available hospitality rooms relative to the guests desiring to rent them.
- The resulting competition, which often involves price cutting in efforts to provide greater value to guests, reduces still further the profits generated.
- A steep fall in occupancy ratio in the wake of the global slowdown and tight competition among hospitality operators in a shrinking market have brought down hospitality room rents drastically across the world.
- The competition in Europe has resulted in low occupancies and as a result, the average room rate has taken a beating of almost 30 percent in all major leisure markets. Rooms are now sold not only for less but also bundled with packages, like breakfast, airport transfers or a day's sightseeing. Competition calls for innovation in hospitality industry. (Wang & Wang 2009)

Market Segmentation and Overlapping Brands

- “Market segmentation is increasing as lodging chains focus on a specific niche of travelers.
- Some industry observers are concerned that franchisers may expand their number of brands to the point that investors who purchase from the same franchiser.
- will be in direct competition with themselves! Also, as the number of brands increases, the ability of consumers to differentiate between them decreases.”
(Wang & Wang 2009)

Dependence upon the Nation's Economy

- When the nation's economy is good, business travel generally increases. Hospitality occupancy rates and rack rates increase, which results in higher profit levels.
- The reverse is also true: business travel slows when the economy slows. Then occupancy and rack rates decrease. Discounts to increase occupancy are offered, which yield lower revenues and profit decreases. (Wang & Wang 2009)

New Management

- The complex forces of capacity control, safety and security, capital movement, and technology issues will require a future management cadre that is able to adapt to rapid-paced change across all the traditional functions of management
- The growing complexity of the customer/employee interaction, driven by technology and the information age, will shape human resources needs in the future. The customer, armed with more information, will expect frontline and other hospitality staff to be at least as knowledgeable about the firm's offerings as they are themselves.

- This will be difficult in an industry characterized by low-skilled, low-paid personnel and a high degree of cultural and behavioral diversity among its employees. Visioning the future: major forces driving change in the hospitality industry' considers seven areas decisive to the future development of the industry. Each is examined to determine the scope and complexity of the issue and the timing of its impact. That is assets and capital, health and safety, new management , marketing, distribution and capacity management, technology, sustainable development, social issues

Thank You

Reference

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- Jin-zhao Wang & Jing WANG (2009). *Issues, Challenges, and Trends, that Facing Hospitality Industry*, journal of Management Science and Engineering, Volume 3. No. 4, pp. 53-58
- Goeldner & Ritchie (2012)