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Welcome

Welcome to the second edition of InTouch, produced by the Department of Tourism and Hospitality Management at Waikato University Management School. We have put together an array of research and work being done by our staff and students and hope you enjoy reading about it.

Motel/hotel occupancy in trying times

Tim Lockyer

Many hotels and motels are currently finding business difficult as the economy moves into recession and people are being asked to pay more for petrol, food and other living costs. These factors are having a negative impact on the average occupancy and room rate. In trying times there is a strong temptation for motels and hotels to reduce the amount charged for a room while trying to maintain usual occupancy rates.

The use of discounting, often referred to as yield management or revenue management, was first introduced by the American airlines in the 1980s. The airline industry found that adding an additional few customers at a discounted rate only had a marginal increase in costs but a significant increase in revenue. The reason for this was that airlines had high fixed costs (the cost of the aircraft) and low variable costs (the cost of fuel, food, etc).

The same situation applies to hotels and motels; they have high fixed and low variable costs. Physical facilities, such as the hotel/motel rooms have a very high fixed cost, and the daily operational costs (variable costs) such as labour are often quite low. And in the late '80s and early '90s the accommodation industry followed the airlines and started discounting significantly.

Lately we've seen international hotels in New Zealand advertising rooms for as little as \$50 a night. The theory is that as long as the revenue covers all the variable costs and contributes towards the fixed costs then a discount can be given. It becomes very tempting when a recession is looming to start offering discounts. However, there is a belief that the worst thing that the accommodation industry did was to teach guests to expect discounts, and I agree. My advice would be: Do NOT give discounts. *Continued on page 3*

What do Chinese tourists want in New Zealand?



Waikato University research finds that Chinese students are helping boost tourism numbers.

See story back page

Improving training and turnover important for Hamilton motels

Asad Moshin

Staff turnover, skills shortages, job satisfaction, career progression and investment in staff training are some of the well documented human resource management issues facing the hospitality and catering industries. I carried out a study on some of these crucial issues within the motel industry in Hamilton by interviewing owners and operators of 31 motels out of a possible 47. I also used a questionnaire survey to collect general as well as human resource information from the participants. In particular, the study looked at:

- Skill level and training needs of the staff
- Skills gaps

More than 67% of the respondent motels employed between 6 and 25 full-time staff and about 54% of these motels hired between 6 and 15 part-time employees. Motel owners/operators considered front office, housekeeping and security skills as the most important in the industry. Employees' professional skill gaps (what motel owners/operators expected and what workers actually demonstrated) were found in seven areas: food and beverage; commercial cookery; kitchen attending; patisserie; Asian cooking; front office; and housekeeping. The biggest gap was found in commercial cookery and the smallest in front office.

Some staffing issues arise from weak management at individual establishments but the majority of skill problems are attributed to the nature of the industry. There has been a widespread reluctance to put money into casual and part-time employees because turnover is so

high, but a business is more likely to get staff loyalty if managers make a commitment to upskill their workers.

Hamilton operators put more emphasis on work experience than formal qualifications and few were giving regular training. The largest proportion of the staff (35.5%) had qualifications at certificate level; only 6.5% had advanced diploma. No participating motels had or employed staff with university qualifications.

The challenge imposed by insufficient training and staff turnover is that of providing and maintaining service and product quality. Average or satisfactory quality does not secure repeat business and makes the organisation vulnerable to competition. If different organisations take a casual approach to quality, this can make the destination vulnerable to competition and reduce growth in business profits. What is being implied here is that human resource management in motels in Hamilton must address the two major concerns of reducing the skills gaps and preventing high staff turnover. That will help the establishment to provide quality service and products to its customers and secure their repeat business. Research has found that improved HR practices can lead to an improvement in staff relations, an improvement in quality, commitment and productivity on the part of employees. These can help reduce turnover, thereby saving an organisation the money in recruitment and induction costs, and improving profits.

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Guest nights in Waikato and other tourism regions

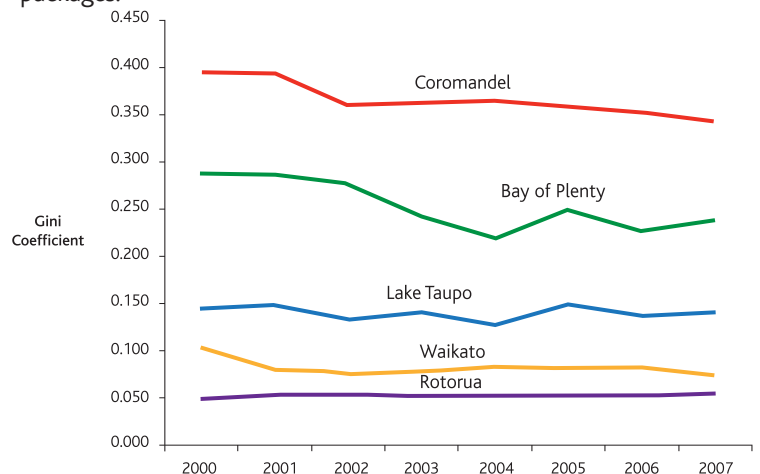
Christine Lim

Whenever we think of tourist accommodation demand, we tend to link it to seasonality. Regional tourism demand patterns could be similar but what is less obvious is the distribution of demand within a region and how this differs between regions over time.

The Gini coefficient technique is a well known tool used in economics for measuring income distribution or inequality. It can also be used to show guest night distributions in the tourist accommodation sector. If the accommodation sector has the same number of guest nights each month, the Gini coefficient value is zero. At the other extreme, where all the guest nights are concentrated in one particular month, the Gini coefficient would be equal to or close to one. Given the monthly variations in guest arrivals, we would expect the Gini coefficient to lie between 0 and 1. A lower concentration of guest nights is expected the closer the Gini coefficient is to 0.

The distributions of guest nights in the Bay of Plenty, Coromandel, Lake Taupo, Rotorua and Waikato from 2000 to 2007 are given below. The Gini coefficient has initially declined for Waikato from 2000 to 2001, after which it has remained quite constant. In comparison, the concentration of guest nights in Rotorua has been lower than Waikato and the distribution has been relatively stable throughout the period. Among the five regions, Coromandel has the highest Gini coefficient from 2000 to 2007. However, the annual distribution of guest nights in Coromandel has declined over time.

When guest nights are more spread throughout the year, seasonal pressures on the resources of the tourist accommodation sector and destination could be alleviated. The solutions and approaches used to alleviate seasonality would also apply to modify guest nights' distribution in a region. They include, among other things, tourist market diversification, encouraging domestic tourism in the off season, using differential pricing, promotions and attractive holiday packages.



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Plenty of tourism opportunities in South Waikato

Anne Zahra and Naomi Pocock

We have been working on a South Waikato Tourism and Events Strategy 2009 to 2019 for the South Waikato District Council. This strategy fits within the district's long term Community Plan and Economic Development Strategy. In total, 133 stakeholders from South Waikato and 12 stakeholders from outside the district participated in this research, either on one-to-one interviews or through community consultations.

The research sought to ascertain current tourism services and events for the South Waikato district plus stakeholder views on the strengths, weaknesses, opportunities and threats for the tourism sector and how the South Waikato district can develop competitive advantage that will lead to employment and economic growth. The key findings were that the district is rich in natural and manmade resources, around which current and potential tourism product has, and can be, developed. Some of these resources are the Waikato River, the Blue Spring, the district's unique geology, lakes, streams, forestry and farming. Overall, the South Waikato tourism product is at an embryonic stage of development and a significant number and range of events take place in the district. This strategy will be submitted to South Waikato District Council mid-October

We are also working with postgraduate students studying a fifth year paper Tourism Development and the Environment. In addition to our research, they are conducting on-the-ground research to evaluate tourism opportunities in the South Waikato. The students took a field trip to the area, visiting Arapuni Dam and Swing Bridge, the Waikato River Trails, the Timber Museum, Te Whetu and the Over The Moon Dairy Company to familiarise themselves with the area.

Following the trip, the students devised the following projects: The first group will analyse the actual and potential market for the Waikato River Trails by conducting a survey of visitors over three weekends. They will use Ministry of Tourism data to support an examination of the potential users of the trail, and review past studies done on heritage and other trails, for example the Central Otago rail trail.

The second group will consider the potential for development of a Tourism/Food/Cheese/Dairy synergy for the South Waikato, by conducting inventory and benchmarking work. They will examine past studies on cultural clustering, food trails, heritage trails, and slow food tourism.

The third group will evaluate the critical success factors for the proposed development of the Timber Museum and how it will meet the objective of being world class. They will run a focus group of students in the class and analyse the visitor books at the existing Timber Museum to develop suggestions for a Visitor Experience Description. They will also examine the potential market for the museum, as well as visitors to heritage attractions and museums generally.

Such applied projects are invaluable for students' learning, and their reports will be useful for tourism stakeholders in the South Waikato. Students will submit their reports in early November.

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Motel/hotel occupancy in trying times (from page 1)

There are several reasons for this. The first and most important reason is that international research indicates that prices for accommodation drop quickly in a market but take a very long time to recover. Recent research looked at the published room rates for the same property over a five year period and the results indicated that when taking into account inflation, salaries and price index, many motels and hotels are actually charging less today than they were five years ago. The problem is that once a guest receives a discount it becomes hard to raise that price again.

Secondly, international experience indicates that discounting of room rates does not allow for sufficient profit margin. This results in less money available to maintain the property. There are many examples of hotels and motels rapidly declining because of insufficient maintenance. Once a property is on that 'slippery road' it is very hard to reverse the trend.

Thirdly, once one property reduces its price, it becomes very hard for others not to follow suit. This often results in the whole market offering discounts. And as a result everyone in the accommodation industry suffers from a reduction in profitability.

Accommodation providers need to look for other ways to maintain their business. I suggest the most productive solution is to add value to the product. For example, include breakfast, light meals or snacks, or a bottle of wine in the price. Often the cost of adding value is quite low but can give the impression to potential guests that they are getting significant additional value. All these are designed to keep the room rate constant and to convince guests they are getting good value for their money. The most important factor during difficult times is to maintain room rates, so that when the current downturn is over it will not be so difficult to re-establish positive pricing strategies.

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Chinese Students – travellers and catalysts for inbound VFR tourism

Maggie Liu and Chris Ryan

Research into the tourist activities of Chinese students studying in New Zealand is not new for staff and students in the Department of Tourism and Hospitality Management. Earlier studies clearly showed the preferences of Chinese students in terms of their interests in sightseeing, scenic locations, their comparative lack of interest in adventure sports (except for some of the more 'passive' ones) and in Māori culture, and their high levels of patronage of motels and Chinese restaurants. New work being finalised by doctoral student Maggie Liu is reconfirming many of these findings, but is taking it a stage further by looking at the role of these students as catalysts for VFR (visiting friends and relatives) tourism to New Zealand.

Maggie's sample numbered 504 Chinese students studying at Waikato, Auckland, Massey and Victoria universities. She found that their key holiday motives were to holiday somewhere safe, in places that were unpolluted, where they could mentally and physically relax, and to visit New Zealand's natural attractions. She confirmed the earlier work by finding the least important motives were to visit Māori based attractions, to engage in adventure sports like caving, or to satisfy a sense of adventure. With reference to their actual holiday experiences in New Zealand, 58.9% stated they were 'satisfied' and 6.7% said they were 'very satisfied'. Only 10% said they were less than satisfied. The numbers of trips made annually by the sample varied from three just making one trip to 62 who had made 10 or more. Day trip activity was high as might be expected, but about 60% of the sample had made at least three annual trips requiring overnight accommodation. The majority of these trips were quite short, of two or three nights but 17% of the trips were for much longer duration. One common characteristic of their travels was independent travel with friends. Two-thirds of the sample stated they travelled in this way for their main holiday with the most common size of groups being three to five in number. Private car was the most favoured means of travel. The most influential sources of information were word of mouth recommendation and the internet. It is apparent that generally this group does not use inclusive tours or other forms of group travel as a norm, but there is a sizeable minority (about one-fifth of the sample) who will use such tours at some stage during their studies in New Zealand.

Of some interest is the role of these students in being a catalyst for, and organiser of, travel for VFR – and Maggie's findings again confirm past work by Lockyer and Ryan (2007) that there are differences between groups of 'friends' and groups of 'relatives/family members'. The latter tend to be inter-generational, and the former more homogenous in age, and as a consequence the activities of both groups differ. Of the sample, 260 had hosted visits by friends and relatives. The frequency of such visits varied from 2.2 of the sample who hosted annual visits to 13% who hosted such a visit only once in five years or more. The peak months for such visits tended to be between December and February, June and July and October. The duration of VFR visits tended to be quite long. Of the total sample, 8% stayed for a week, 50% stayed for between one to four weeks, and 14% stayed longer. Much of this time was taken in travelling around New Zealand with significant patronage of hotels and motels. The students described these times as being 'happy' and 'exciting'.



The sample was asked a series of specific questions about the role they felt they had played in organising the travel patterns of their VFRs. Generally about half to two-thirds of the students who had hosted VFRs felt that they had played the dominant or sole decision making role in a series of decisions relating to places visited, accommodation used, transport used and even often had a significant influence when considering such things as the purchase of souvenirs.

With reference to the levels of spending, the average spend by both relatives and friends tended to be approximately NZ\$2,500 to NZ\$3,000 (excluding air travel) with transport costs within New Zealand accounting for about \$1,300. Shopping, eating out, activity costs, souvenir expenditures and accommodation tended to account for much of the remainder.

The study shows that Chinese students are a significant market segment with a three-fold importance for New Zealand's tourism industry. First, they are travellers in their own right, especially in the first two years of their studies. Second, they are an important reason for attracting friends and relatives to visit them in New Zealand, many of whom spend significant periods of time in this country. Third, given the importance of word of mouth recommendation in the Chinese community, they are important 'ambassadors' for this country.

The tourism industry needs to be able to effectively communicate with this market sector, and can do so through the New Zealand based Chinese press and websites, especially by using Mandarin language pages. It is also a good idea to advertise on intensively used Mandarin language New Zealand based websites such as 'Skykiwi'. This market needs to be both reassured as to its safety combined with a recognition of its culture of group cohesiveness. Given the expected revival in the numbers of Chinese university students with an expected 20% increase in enrolments by the end of 2008 to a figure of 3,500, a conservative estimate of the value of this market for tourism would be about NZ\$5 million a year for VFR business alone with about a further NZ\$3 million for student travel, thus accounting for about 3% of all Chinese tourism expenditure (including education fees and associated costs that are included in the total data).

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