

# Covid-19 and Financial Practices in the New Zealand Hotel Industry

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## Introduction

In response to the Covid-19 pandemic the New Zealand government implemented a range of previously unprecedented measures such as nationwide lockdowns and border closures to reduce the spread of Covid-19, resulting in significant impacts to the hotel industry. In June 2021, the Pacific International Hotel Management School (PIHMS) held a hotel industry Covid-19 Impact, Reaction & Recovery conference with 14 hotel industry leaders from around New Zealand. During a panel discussion regarding the financial impacts of Covid-19 and the resulting government measures, four industry leaders\* were asked to discuss the impact and response of the hotel industry in regards to: (1) hotel classification; (2) customer demographics; (3) financial practices; (4) government influence; and (5) cost of compliance. The discussion was later analysed and key points were identified and outlined below.

## Hotel Classification

- Star rating and property size had a limited impact on hotels' financial performance.
- Booking decisions of customers appeared to be predominantly affected by hotel location.
- Bigger hotel chains focused on balancing cash flow across portfolios while smaller or independent properties focused on conserving cash and securing at least a minimum revenue.

## Customer Demographics

- The pandemic negatively impacted popular international destinations more significantly than traditionally domestic destinations.
- Destinations that were traditionally dominated by local travellers witnessed an increase in demand during the pandemic as New Zealanders did not have the option to travel overseas.
- Hotels have adapted and changed their strategies for pricing and marketing in order to attract and entice more domestic consumers.

## Financial Practices

- A tried and tested method to survive the pandemic was reducing or removing non-essential costs in hotel operations.
- Marketing spending in terms of campaigns was primarily focused toward local communities or the wider domestic consumer base.
- Hotels moved away from online travel agencies (OTAs) to retain more revenue and offer better customer service in terms of booking flexibility.



Key themes emerging from the finance panel discussion during the NZ hotel industry Covid-19 Impact, Reaction & Recovery conference.

## Government Influence

- The viability of the hotel industry during the pandemic was maintained partly by government support in the form of wage subsidies and financial handouts, as well as training and development grants.
- Recovery of the tourism industry will rely heavily on support from the government, through more government spending, new strategies, and border reopening.
- Government funded isolation hotels may require rebranding due to negative public perceptions perpetuated by the media.

## Cost of Compliance

- Many hotels already had adequately robust hygiene standards and practices, and therefore did not incur significantly higher costs to comply with government mandated hygiene protocols.
- Hotels deployed enhanced hygiene practices in the form of removing unnecessary guest room items, making hand sanitisers widely accessible, utilizing cleanable plastic menus, and introducing cleanliness scores for hotels as a key performance metric.
- Consumer panic buying in the early stages of the pandemic resulted in compliance challenges in the form of procurement difficulties for essential items, such as toilet paper and hand sanitisers.

\* **Panellist roles & affiliations:** Manager of Central Performance Delivery, IHG Hotels & Resorts, Australasia; General Manager, Kings & Queens Hotel Suites, Taranaki; General Manager, Chateau Tongariro Hotel, Tongariro National Park; Functions Operations Manager, The George, Christchurch.