



10 CHALLENGES & OPPORTUNITIES FACING THE HOSPITALITY INDUSTRY

From automation to the golden age of television, what to look out for in the next decade.

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Think back. Not too far back – let’s say 30 years. The very first episode of *MasterChef* was still three years off hitting UK television screens. Celebrity chefs didn’t exist. Waitressing was something you did until you got a real job, and ordering online ... well, that was the stuff of science fiction.

Now fast forward to the present day. Food is a societal superstar. Hospitality employs 819,000 people and restaurant revenues alone sit at more than \$20 billion. Prime-time cooking shows have created celebrity chefs and home cooks on comfortable terms with sous vide baths and foams. Many of them see a future in the industry.

They see a world of opportunity. But hospitality has plenty of challenges as well. So how will the industry evolve in the next five to 10 years?

1 It will be harder to find staff – especially good staff

Operators will have to be smart when it comes to finding good staff and keeping them. Millennials will skew average length of service down, and both efficiency and productivity will potentially fall as fresh workers take time to get used to new working environments more often. Venues will have to devote effort and resources to developing strong cultures, systems and procedures to entice, quickly upskill and retain core talent.

2 The industry will automate

In 2016, Wendy’s in the US rolled out 6000 self-service kiosks, further integrating their restaurants with online ordering. Their kitchens became more automated. As a result, wage hikes and competition for good staff mattered less.

Standby for more of the same across the industry. Automation will change front-of-house and back-of-house operations forever, and it will replace repetitive, labour-intensive activities that require minimal decision making. Advanced machine-learning and artificial intelligence will take on more complex roles.

3 Our health will matter more

With almost two in three Australians overweight or obese and rates of Type 2 diabetes increasing at an alarming rate, we’re already seeing a move toward healthier eating. More Australians dying from obesity-related diseases will only speed the rate of change.

Healthier lifestyles will impact not only the type of venues consumers visit, and how often they visit them, but also what’s on the menu – with an inevitable knock-on down the supply chain. Lobbying from the fast-food and soft drink industries might slow governmental efforts to offset rising health care costs to treat lifestyle-related diseases, but success in place like California and Mexico means the change will be inevitable.

4 We could win – or lose – in the supermarket wars

The advance of Aldi, the arrival of Amazon Fresh, the steady expansion of Costco, and the lack of leadership in Woolworths and Coles will see intense competition in Australian supermarkets over the coming years.

If prices fall or remain stagnant as the “majors” fight to maintain market share, households could use the extra discretionary spend on eating out. But if they continue the push into traditional hospitality industry categories like salads and ordered meals there will be big impacts. A shopper buying their groceries and deciding to trial a pre-made meal experience instead of going out to their local café is one less customer in the market – and on a mass scale, this is potentially significant.

5 Great TV = people staying home

Smart TVs are bringing cheap, top-notch content into Australian homes. It’s easy to have a good night in without leaving the house. The hospitality industry – like bricks and mortar retailers – will need to provide unique in-venue experiences to get consumers out.

6 Bricks to clicks

As more and more retail spending moves online, retail vacancy rates will climb throughout Australia. Property owners will look for hospitality operators to fill this space and will offer big incentives to lure them. But competition within the industry will ramp up as operators looking to expand encounter reduced barriers to financing their plans. And back to point 1: more venues puts more pressure on the supply of labour, potentially compounding issues around the quantity and quality of available staff.

7 Clicks to bricks

Food delivery services are becoming more popular and prevalent, especially in metropolitan areas. Superficially, that gives food providers the opportunities to increase their yield from both fixed and non-fixed assets. But this opportunity could simply build a new rival.

When Dan Murphy’s arrived in Australia and reduced the price of liquor, many smaller hospitality businesses, unable to secure better wholesale prices, started buying direct from Dan’s. While their intention was to keep their costs low, they actually helped Dan Murphy’s grow, establish a brand position in the market, and kept consumers out of bars. Food-delivery services could emerge as a potential long-term rival in exactly the same way.



8 Consumers will expect more

The presence of food in our lives, on our TVs and in our day-to-day conversations has risen exponentially in recent years. Cooking shows, celebrity chefs and media coverage of food trends are everywhere.

Online reviews, influential bloggers and social media have given consumers a voice directly to venues and with each other. While it’s challenging for some, venues now have low-cost, wide-reach platforms that allow instant communication with their market and a potent means of quality control. And as customers get more knowledgeable about food and beverage – which they will – so will their expectations.

9 There’s a new “Aussie” in town

Australia’s demography has changed significantly in the past 10 years. More people live in metropolitan areas – and we are more culturally diverse. For the hospitality industry, that means growing segments that eat and drink very differently to Australians of the 1980s or 90s. Around 75 per cent of Indians don’t drink alcohol, mainly for religious reasons. Eating with family members at home is common. Wealthy Chinese have a propensity for luxury and premium items. This will influence how the Australian hospitality industry evolves.

10 We’ll want to know everything about our food. Everything.

The current farm-to-table movement is just the start of an evolving desire to know where our food comes from. First it was fruit and vegetables; next, consumers will connect more with the treatment of animals before slaughter and consumption. “Free-range” and “grass fed vs corn fed” are just the start. Labels like “animals per square metre”, “animal husbandry details” and “humane treatment” will start to appear on packaging and the industry will bring this trend into the mainstream.

The eventual evolution of this will be a greater acceptance of alternate forms of animal protein production – including products cultured from stem cells in petri dishes. Impossible Foods – based in Silicon Valley – has created a vegetable-based “meat” patty that tastes exactly like a real all-beef version, but with lower cholesterol and a lower carbon footprint. A recent survey in the US found one third of those surveyed would eat lab-grown meat regularly if it was available. “Growing” a steak in a kitchen, grilling it and putting it on a plate will dramatically impact supply chains, potentially without compromising the taste or consumer experience in a restaurant.

Of course, there are any more than 10 challenges and opportunities facing the hospitality industry. Hospitality is real-time. It has a large human element. This means it’s unpredictable and constantly changing. The margin for error is small. These are big, complex issues that need to be discussed, and soon. ♣

About Us Tully Heard is a hospitality and consulting business in Sydney co-founded by John Tully and Luke Heard, co-founders of the hospitality wholesaler CLUBCO and owners of farm-to-table restaurant acre in Camperdown. For more information visit <http://tullyheard.com.au/news/>.