

Rotorua business pulse July 2022

Reflecting on challenges and looking forward to new opportunities – Rotorua business leaders have their say in the first of our six-monthly business confidence surveys.

Photo: Paul Michael

Foreword

John McRae, Chair of RotoruaNZ

Rotorua businesses have had to negotiate a lot of uncertainty over the last two years. The challenging macro and local environments have been reflected in responses by business leaders in the inaugural Rotorua business pulse survey.

Rotorua businesses are among some of New Zealand's most innovative, collaborative and resilient businesses. There's a strong connection to mātauranga Māori here, working in partnership for the good of the land, the community and the generations to come. While it's evident that we share many of the same challenges – rising costs, inflation and retaining skilled staff – the survey results also show a strong belief in the potential of our city and a desire to make things better.

And there are promising signs on the horizon. I'm buoyed by the fact that the majority of our business leaders have indicated a positive view of the next 12 months. Most businesses are sustained by a strong pipeline of work ahead and are feeling optimistic about the future, with a commitment to investing capital into the business and hiring more staff.

We've learnt over the past two years that we are stronger together and I know that by working collectively, we are well prepared for the challenge ahead. I believe that these results demonstrate that Rotorua will make a strong recovery from the harsh effects of COVID-19 and that the business community offers many of the answers we need to restore our city's potential.



Background

The Rotorua Business Pulse Survey is a joint initiative between RotoruaNZ and the Rotorua Business Chamber. The survey provides Rotorua business leaders (owners, CEOs, GMs) an opportunity to share their thoughts on the local economy and how their business is faring across key metrics. The survey was in field between 12 April and 4 May and was completed by seventy-nine businesses. It will be distributed every six months to observe how different measures are tracking over time.

Key themes



- Business leaders are feeling positive about the future after a tough year and are looking to invest capital into their business, buoyed by strong pipelines of work.
- Businesses are significantly more positive about the future of their own businesses compared to Rotorua's wider economic situation. This suggests that the negative economic perception is not reflective of business reality.
- There is a direct interplay between the social challenges surrounding emergency housing and the ability for Rotorua businesses to feel confident in their city. This results in an inability, perceived or real, to attract high quality staff and be proud of the destination they are selling.
- Challenges remain: Inflation and finding skilled staff are the two top concerns for Rotorua businesses but finding staff is the thing keeping business leaders up at night. The rising costs of doing business are fueling profitability concerns in spite of the strong forward work pipeline.
- Sustainability is a gap for most Rotorua businesses, with three quarters not having any policies in place to reduce emissions. Rotorua businesses are playing their part in the flexible working revolution and most are paying the living wage.

Business leaders feel positive about the future

The last couple of years have been particularly challenging for Rotorua. As a tourism destination that relied heavily on international visitors, the tourism sector employed 22% of the working population and contributed 11% to its GDP. Unsurprisingly, the Rotorua visitor economy was severely impacted when borders shut and international tourism dried up.

However we are now at a turning point and the results of the Business Pulse Survey clearly show this. Looking at the last year, businesses viewed things in an overwhelmingly negative light. Today, a net -30% say their business is better off (Figure 3).

Despite this, the outlook for the next year is looking a lot more positive, with a net +42% of business leaders expecting their economic situation to improve (Figure 4).

There appear to be a number of factors driving this turnaround. Businesses are expecting the volume of business activity to pick up, with a net +53% of businesses claiming this to be the case (Figure 1). This is likely heavily influenced by the return of international visitors, which businesses were most positive about in the near future, according to open text comments.

Crucially, we also see that businesses are willing to put their money where their mouth is, with almost half claiming they will be investing capital into the business and a similarly large number looking to hire staff in the upcoming year.

Investing capital and hiring more staff are very real signs that businesses are feeling confident in the city's future.

We also see that businesses are feeling positive about the direction that their business is heading, with 16% most positive about their strategy and 20% positive about their organisational culture (Figure 2).

Explainer: A number of the questions are standard business confidence-type questions based around the perception of things deteriorating, staying the same, or improving. For these types of questions, the results are presented as a net score, subtracting the deterioration percentage off the improvement percentage. Other results will just be presented as a standard percentage of respondents.

Across the following measures, how do you expect your business to have changed in 12 months' time?

● Decreased ● Remained the same ● Increased

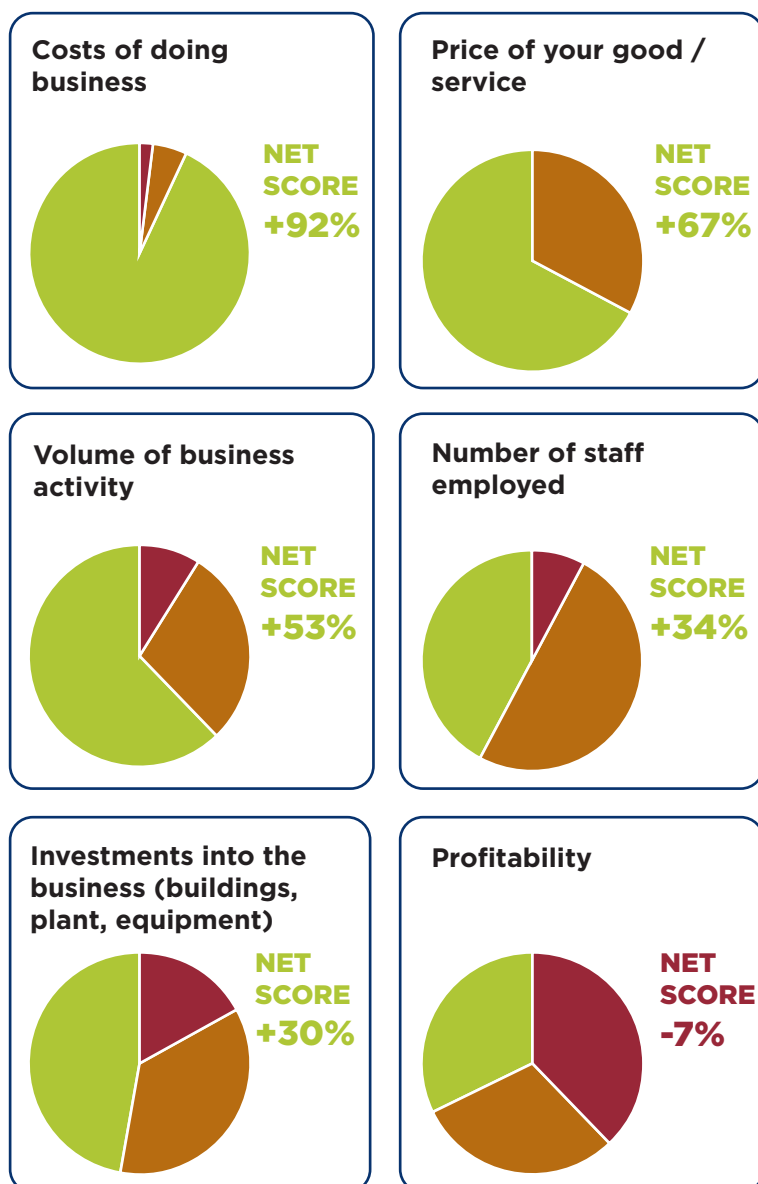


Figure 1

What is the number one thing you feel most positive about currently for your business?

Forward work/sales in the pipeline	23%
Organisational culture	20%
Business strategy	16%
Business survival (staying afloat)	9%
Managing through the impact of COVID-19	8%
Debt levels	5%
Retaining skilled staff	5%
Ability to generate profitability	4%
Other - please specify	3%
Ability to invest capital in the business	1%
Inflation - cost of goods/ services sold	1%
Retaining unskilled staff	1%
I am not positive about anything for our business	3%

Figure 2

Businesses are more positive about their economic situation than Rotorua's

Whilst things are looking up and overall business confidence is growing, there is an underlying dynamic in these results that is worth unpacking. Rotorua businesses' situations are not reflective of their broader perception of Rotorua. Simply, Rotorua businesses are considerably more optimistic about their own economic situation compared to the city's overall. The survey asked respondents how they think the economic situation has changed for New Zealand, Rotorua and their own business over the last 12 months (Figure 3). New Zealand is net -68%, Rotorua is a net -80% and their own business is net -30%. This is a substantial net difference of 50% between Rotorua and their own businesses.

Compared to 12 months ago, how do you think the economic situation has changed for...?

Deteriorated Remained the same Improved

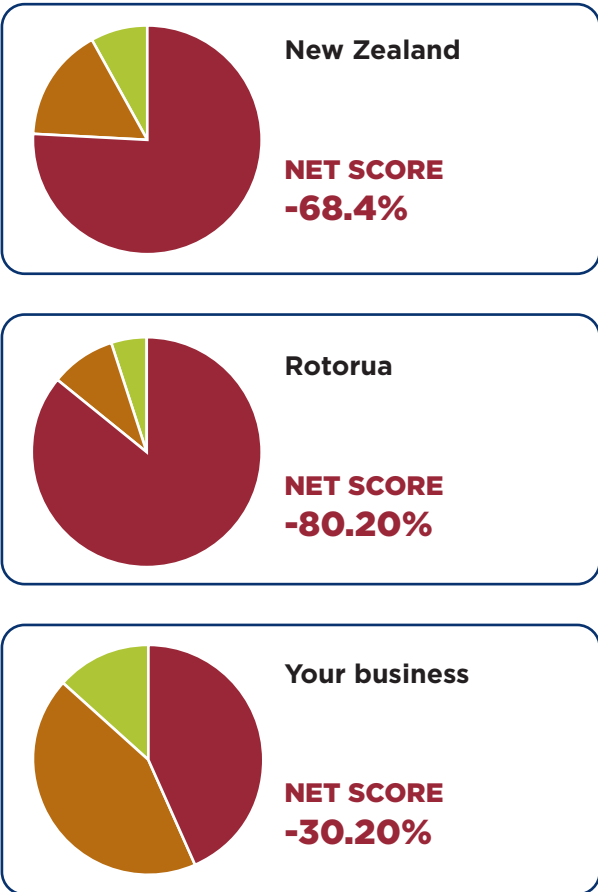


Figure 3

When we ask the same question looking out to the next 12 months (Figure 4), we see the same dynamic at play – Rotorua businesses are considerably more optimistic about their own businesses (net +42%) than Rotorua (net +9%) – a difference of 33%. This suggests that either businesses deem their own economic outcomes to be independent of Rotorua's economy or that Rotorua's broader perception challenges do not reflect reality for businesses on the ground. We will attempt to unpack this in the next section.

In 12 months' time, how do you think the economic situation will have changed for...?

Deteriorated Remained the same Improved

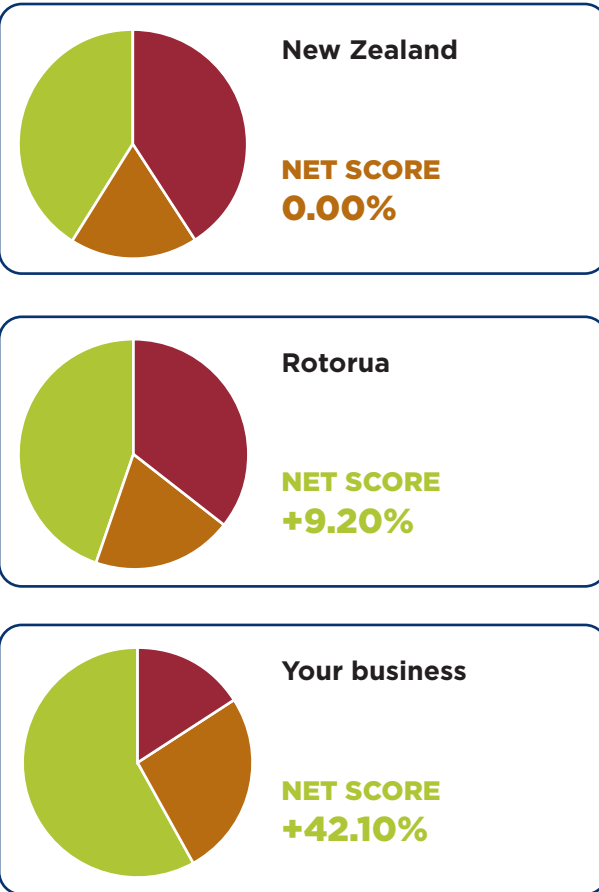


Figure 4



Rotorua is still an awesome place to live, work and play. We just need to make sure we can sort some of the other issues that impact people wanting to come and live here.

Patchell Industries Ltd

Brent Whibley - Chief Executive Officer

Brent Whibley of Patchell Industries Ltd has good reason to want to counter the perception issues faced by Rotorua and the negative narratives circulating amongst the wider community.

“We are really struggling to attract staff into Rotorua, especially in the management space. The media is sharing the wrong stories; they’re all doom and gloom and, sadly, frightening people off from living here.”

Coupled with the ongoing housing issues, staffing shortages mean that the business must transport staff to their View Road site from four locations outside of Rotorua – Tauranga, Tokoroa, Te Puke and Taupō.

Despite the struggles, Brent remains optimistic and positive about the future.

“We’re very much committed to Rotorua. We’ll celebrate 50 years in business this September and we have 208 staff across Patchell’s and our affiliates. Just before our first COVID lockdown, China was in lockdown, which meant we had a rough time because everything stopped. We moved on and adapted, but over the last couple of years, it has been quite hard, especially when immigration stopped. As more people come back from overseas we know staffing pressures will ease, but the issue we’ll face is how to attract them into Rotorua as opposed to places like Tauranga and Auckland.”

He says there is a lot we can be proud of as a city and there are some amazing untold stories about other business sectors in Rotorua aside from tourism. Due to the negative commentary, he thinks it might be time for other industries to share the spotlight.

“In our sector alone, there are four manufacturers here in Rotorua who produce 22% of the country’s heavy transport equipment. Collectively we dominate the sector and are providing some real kick-ass solutions, but there isn’t really any acknowledgment around what we’re doing and most of the focus goes on tourism and hospitality.

“Rotorua is still an awesome place to live, work and play. We just need to make sure we can sort some of the other issues that impact people wanting to come and live here.”

The interplay between Rotorua's social challenges and business confidence

The previous section shows there is a clear difference between business leaders' confidence in their own businesses versus Rotorua more broadly. So why is there a difference and what is causing it? It will come as no surprise that businesses perceive the challenges around emergency housing as having a significant impact on brand Rotorua – most claiming that fixing emergency housing should be the city's highest priority over the next 12 months.

The results however, suggest that there has to be an element of 'perception being worse than reality' – from a business perspective at least.

If businesses aren't seeing a significant impact on their own bottom line, we have to acknowledge that perhaps this is an issue that has been self-perpetuated and snowballed into something far greater than the sum of its parts.

There is no doubting the emergency housing situation in Rotorua is a very real social issue, with approximately 600 family units and 2,000 people in motels. As a direct result, the city has suffered considerable reputational damage (particularly given the mixed-use providers), and we will all need to work hard to turn this around. It will take a community-wide approach to change the narrative.

From a business point of view, challenges around attracting and retaining talent is one of the most tangible outcomes of Rotorua's reputational damage. The live, work, play message more broadly is one that has come through strongly from business leaders. Comments from survey respondents reflect this:

"We need to promote Rotorua to people looking to move to regional NZ. That will attract a more skilled workforce to town. However, there is a negative aspect out there as people are aware of the emergency housing situation and the crime those people are bringing to the town."

"It's difficult to employ staff as no one wants to move to Rotorua. To grow Rotorua with educated, skilled, working professionals who can add to the economy, this needs to be a place that people want to live and be part of. One of the most difficult parts is getting people to move into Rotorua, other than to retire."

Broadly, comments reflect a lack of confidence in Rotorua as being a great place to live and conduct business in. Rebuilding this confidence is critical if we want to turn around Rotorua's reputation. We have all had a role to play in perpetuating the negativity and it might be time to refocus our efforts to "focusing on positive stories around businesses and investment and long term sustainability of the district as a place to visit and live and invest in", as one respondent put it.

Looking ahead, challenges remain

In addition to local challenges, global macro conditions are having a major influence on Rotorua businesses, highlighted by their main areas of concern. A net +92% of businesses expect their costs of doing business to increase over the next year and, despite the volume of business activity increasing, profitability remains a concern as this and price increases may not be enough to offset rising costs (Figure 1).

Driven by supply chain constraints around the world and competing global demand, the pressure

of inflation is being felt keenly by Rotorua businesses and is the main factor driving up operating costs (Figure 5). It's also the area of the highest concern for business leaders.

The global war for talent and local reputational challenges are also having a significant impact on Rotorua, with businesses feeling anxious about not only finding skilled staff but also retaining their current skilled staff (Figure 5). Of note is that finding unskilled staff is not a major area of concern for businesses.



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Lifestyle is the key factor that will draw people here. Rotorua is a fantastic place!

7d Architecture

Dave Gray - Owner

Compared to most businesses, COVID created a different kind of dilemma for Dave Gray's business 7d Architecture Ltd.

Dave started 7d Architecture Ltd near the end of the GFC when he could see the curve heading upwards in the building industry. He had been very busy prior to the first lockdown but when COVID arrived the curve shot straight up: "It was crazy."

Dave believes the sudden increase in demand was due to the lockdown effect where people had money set aside that they might have otherwise spent on travel.

"It clearly caught the building industry off guard. No one was really prepared for the large influx of work and it created a set of challenges not related to people looking for work, but for people with too much work! As a result, the building industry over the last few years has been challenging due to the fact that we are just too busy."

The unexpected workload has created additional issues, including mental health stresses due to the additional pressures business owners have had to take on.

"I feel that you get tradespeople that are really great at what they do – like builders, electricians, plumbers, and other sub-trades – and they start off in business then all of a sudden they have this management side of the business that needs to be taken care of and I think that's quite difficult, especially if you have challenging projects."

There have also been issues relating to the current housing shortages with some clients ready to build but unable to find any land.

"Just this morning I had a phone call from someone who has very specific requirements and they want to build a new home but can't find land, so instead they're having to do alterations and extensions to their existing home. We see this on a very regular basis. We communicate our concerns with the Council and they are listening to us and the industry. It's a team effort to make things work and we are having those sorts of conversations as we can."

A self-professed optimist, Dave says that whilst there are still challenges on a day-to-day basis, the next 12 months are looking positive for the building industry and the wider local economy.

"Rotorua has a great geographic location close to many places and, as borders open up, tourism will begin to grow again. Lifestyle is the key factor that will draw people here. Rotorua is a fantastic place!"

When business leaders are asked what keeps them awake at night, the answer is clear (Figure 6). Inflation scores a measly 5% compared to 24% of business leaders losing sleep around finding skilled staff. The implication here could be that finding skilled staff is within their control therefore something to genuinely worry about. Also given that a lot of Rotorua businesses are SMEs, the impact of not having sufficiently staffed businesses is hugely consequential for business profitability. While still considered a major concern, inflation can at least be negated in part by increasing prices and is largely due to macro conditions.

Please rate your current level of concern about the following in relation to your business

Fairly + Extremely Concerned

Inflation - cost of goods/services	71%
Finding skilled staff	68%
Regulatory and policy challenges	52%
Retaining skilled staff	48%
Ability to generate profitability	40%
Supply chain/shortages	33%
Managing through the impacts of COVID-19	31%
Finding unskilled staff	27%
Retaining unskilled staff	25%
Ability to invest capital in the business	23%
Forward work/sales in the pipeline	21%
Export conditions	19%
Debt levels	19%
Business survival (staying afloat)	15%
Organisational culture	13%
Business strategy	9%

Figure 5

This response is consistent across different sectors and job types.

We asked businesses what specific roles they had trouble recruiting for over the last year and the responses were ubiquitous. They included chefs, electricians, hairdressers, lawyers, health workers, developers and more. Almost half of businesses have current vacancies and more than half are looking to hire in the next year. Finding skilled workers to live and work in Rotorua is one of the highest priorities facing the city from an economic lens.

What is the number one thing that keeps you awake at night with regards to your business?

Finding skilled staff	24%
Ability to generate profitability	16%
Regulatory and policy challenges	8%
Managing through the impacts of COVID-19	8%
Forward work/sales in the pipeline	8%
Business survival (staying afloat)	8%
Inflation - cost of goods/service sold	5%
Retaining skilled staff	4%
Debt levels	3%
Supply chain/shortages	1%
Finding unskilled staff	1%
Business strategy	1%
Other - please specify	4%
Nothing keeps me awake at night	8%

Figure 6



Photo: Tom Lee / Stuff

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We're now seeing a lot of good indications and are on a positive trajectory, and I'm optimistic things will continue to improve once we get visitors back into our economy.

Poco Tapas & Wine

Catherine Rose & Jeff Slessor - Owners

Opening a hospitality business just as the COVID-19 Omicron variant was beginning take hold, is certainly not for the faint-hearted. However, Poco Tapas and Wine owners Catherine Rose and Jeff Slessor decided they were up for the challenge.

“When we opened we were still in the red traffic light setting and going into it was pretty scary as we'd just gone through two years of the pandemic, put a mortgage on the house and then boom we got Omicron which left us thinking holy crap what have we done!”

And it wasn't just COVID that had Cath and Jeff on edge. They also had to deal with people apprehensive about eating out, staffing issues, unexpected costs, delays, and being the new kid on the block.

“Our opening date moved from December to February. We employed someone who resigned before they even started so we were a week out from Christmas trying to find a manager, which was really hard. Luckily we eventually found someone, although when we started trading no one knew we existed and people just didn't want to go out.”

Fortunately, with the shift to the orange setting, they have seen a significant shift and are now reaping the benefits of their hard work and positive outlook.

“We're now seeing a lot of good indications and are on a positive trajectory, and I'm optimistic things will continue to improve once we get visitors back into our economy. The main challenge we are facing now is staff; there's just nobody out there and that's a massive problem for the hospitality sector. The borders reopening should help to fill some staffing gaps. It's early days for Poco, but overall I think we're on a strong path.”

Cath also believes that the community spirit of Rotorua, coupled with the outdoor activities here, makes it the absolute best place to live, work and play.

“There are a lot of jobs here at the moment, which is great. There's so much happening in terms of construction and development, the lakefront is amazing and if you're into the outdoors I couldn't think of a better place to be. I love it here.”

Opportunities for improvement in sustainability, high adoption of flexibility and living wages

Only a quarter of Rotorua businesses have policies in place to reduce carbon emissions (Figure 7). Given the rapidly growing importance of sustainability – not only from an environmental perspective but also from a consumer demand lens – this is something that Rotorua businesses should look to rectify. It's healthy to see that one in five businesses would value additional support or information in this space, acknowledging that this is a gap for them (Figure 8).

With the pandemic causing a significant shift in working habits across the globe, we can see this reflected in the flexibility offered by Rotorua businesses. More than half provide flexible hours and just less than half have the option to work from home (Figure 7).

Which of the following statements are true for your business?

We pay the living wage or higher to all staff	62%
We plan to hire additional staff in the next 12 months	57%
We offer flexible working hours to employees*	54%
We currently have vacancies that need to be filled	47%
Our staff have the option to work from home*	45%
We have policies in place to reduce carbon emissions	26%
None of the above	10%

Figure 7

*for roles where this is possible

Demographic of respondents

Seventy-nine Rotorua businesses representing a cross-section of different industries responded to the survey, but were weighted towards tourism and accommodation. Professional services was also well represented alongside hospitality and food services, and other services.

There were responses from a range of different businesses by employee size but most were weighted towards the 0 - 5 and 6 - 20 brackets.

What areas in your business would benefit from additional support or information?

30%
Marketing
22%
Leadership and management
22%
Sustainability
22%
Innovation
20%
Strategy
20%
HR/employment
18%
Digital
16%
Immigration
15%
Data and analytics
11%
Technology
8%
Finance/accounting
7%
Health and safety
4%
Other - please specify
16%
None of the above

Figure 8



Photo: Michelle Cutelli

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I believe it's imminently doable to address the social issues if we pause and take a 'people first' approach, which this place has always been good at.

Pennington Consulting

Liz Pennington - Owner

Liz Pennington almost cried walking through the city centre when she returned to Rotorua after almost 10 years living away.

“Because I come from a mental health background, it was a big shock to walk down the main street and see people who were intoxicated, others clearly unwell and those living with an experience of homelessness. Where we are opening our doors and welcoming people we need to look at this and ask ourselves what we are able to do as a community and collective of people.”

Liz is a mental health and wellness consultant who moved back to Rotorua with her husband earlier this year. She has 15 years' experience in a raft of CE roles and has worked in both the public sector and with non-governmental organisations. She has also been a social development manager for Ministry of Social Development (MSD), a community development manager and health and disabilities manager. Her past work included working alongside local iwi representatives and Council in Tauranga, where she was part of co-leading the creation and development of a social service village.

“I love community development advisory work and I'm really glad I'm back because I think the sorts of things that I can do are really needed here and can support my community. I think there's a real opportunity to make a contribution to this community and that's what makes me want to be here because I see the need and I believe there are things we can do.”

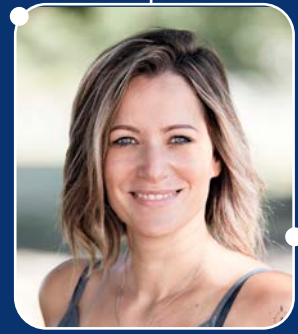
Interestingly, Liz is spending approximately half her time working locally and half of her time with clients from other parts of the country. Liz is busy running workshops, consulting locally and facilitating coaching here in Rotorua. In her view, the solution to some of our city's issues is quite simple.

“I believe it's imminently doable to address the social issues if we together take a 'people first' approach, which this community and its people has always been good at. Investment into pastoral care is important and MSD and all the partnering organisations have a place at the table to ensure people who are in emergency housing are getting their full and correct entitlement and the range of support they and their families need.”

Afterword

Miriam Hewson, Chair of Rotorua Business Chamber

Rotorua is a city with challenges, however it is clear from the responses to this survey that there is a lot to be positive about in the business community. Looking over the next year, we see that most businesses have strong pipelines, and are planning to invest in the business, both in capital and staff. We also see a lot of Rotorua businesses taking action on flexible working and paying the living wage.



Macro challenges of inflation and availability of skilled workers are countering the positivity and driving concerns around future profitability. Emergency housing has also turned into an issue that the business community deems to be the number one issue facing the city.

According to a number of businesses, we are at a tipping point, perilously balanced on a precipice which could go one of two ways. As a business community we have an opportunity to pivot our attention and focus on the positive elements – which you have told us exist.

Rotorua is unique in everything we represent. Local issues require local solutions and we all play an important role to achieve this. People thrive in environments that are inclusive and free of judgement.

With our natural resources, cultural wisdom, and innovative minds we can harness our strengths and create a place that everyone talks about. A place is not just recognised by its looks, but mostly by the energy of its people. What continues to drive us is our can-do attitude, which is also showing in the result of this survey.

We have willing and capable people in our place. Let's work together towards solutions that focus on making business easier, better, and safer.

If you have any questions, please email
insights@rotoruanz.com

To download the report, please visit
rotoruanz.com/business-pulse-survey



Use this QR code to sign up
to participate in the next
Business Pulse Survey

