

Current Status of Hotel Management 2019

Elucidating the environment and challenges of the hotels

January 29, 2020

The number of inbound visitors to Japan exceeded 10 million in 2013 for the first time and 30 million 5 years later in 2018. The Japanese government aims to increase it to 40 million in 2020 and 60 million in 2030. With coming two mega-events – the Olympic and Paralympic Games Tokyo 2020 and the 2025 World Expo in Osaka – as additional promoting factors, the number of hotels is growing in Japan.

However, there are some opinions concerning about oversupply of hotels amid such trend. In addition, emergence of new type accommodation facilities like “minpaku” (private lodging) makes the outlook of future hotel industry unclear.

With these backgrounds, Xymax Real Estate Institute (Xymax REI) and the laboratory of Professor Yukio Komatsu of Waseda University (*1) jointly conducted questionnaire and hearing survey on the current status of hotel management targeting approximately 3,300 hotel business entities over the nation (the companies with sales of 50 million to 5 billion yen by the data of Tokyo Shoko Research, Ltd). The number and the rate of valid responses from the questionnaire were 628 and 19.1%, respectively, and hearing survey was conducted in 16 companies.

In this survey, we focused on and asked about their business conditions as well as the issues that were likely to have most impact on their hotel management, including the measures taken for foreign guests, the initiatives to improve their building facilities, implementation of disaster control measures, and understaffing. This report summarizes the outcome of the survey.

*1 The laboratory of Professor Yukio Komatsu of Waseda University : <http://www.waseda.jp/sem-ykom/>

Summary of Survey Results

1. Profile of the hotel business entities

- **The year of starting hotel business** was 1990 or after among almost half of the hotel business entities. About 70% of them **operated only one building in total** and possessed 100 or fewer **guest rooms in total**.

2. Profile of the “primary hotels”

- **Regarding their primary hotel** (the hotel chosen by each hotel business entity from its operating ones), the majority (about 30%) of **the business style of the hotel business entities** was “owner’s direct management” (serving as an owner, management, and operator). **Year of completion of its construction** was before 2000 in about 80%, and **the number of the guest rooms** was 100 or fewer in about 70%. **The regular room charge** was 7,500 yen or lower in about half of the primary hotels, and **the percentage of the foreign guests** was 10% or less in 70% of them.

3. Management conditions of the primary hotel

- About one thirds of the hotel business entities answered that **their business conditions (1 year before to today)** were "Good" or "Fair," however, the percentage decreased to 15% for the "Optimistic" or "A little optimistic" answers regarding **outlook (3 to 5 years later)**. Thus, many hotel business entities had unclear or pessimistic outlook for their hotel management.
- The factors to affect **future hotel management** included "retention of staff," "further aging of building and facilities," "an increase of outsourcing cost," "natural disasters," "an increase of foreign guests," and "oversupply of hotels." The percentages of "Think so" and "Partly think so" answers regarding these 6 issues were more than 50%.
- As for the initiatives to improve **their building and facilities**, high percentage of the respondents have "Done/Partly done" or "Considering" "introduction of Wi-Fi," "renovation of building/shared space," and "introduction of mobile payment."
- We analyzed the result by dividing the hotels into 2 groups according to **the year when the construction of the building was completed ("before 2000" group and "2000 or after" group)**. Regarding "renovation of building/shared space," "introduction of individual air-conditioning system," "introduction of barrier-free facilities," "introduction of key cards," and "seismic strengthening," **many respondents of the "before 2000" group** thought it was **"Necessary but not possible."** The differences of the percentages were more than 15 percentage points from those of the "2000 or after" group.
- As for **disaster control measures**, "designation of responsible person and command structure at disaster" and "creation of action manual/flow to allow employees' immediate actions" were implemented at a large percentage (about 70%) of the primary hotels.
- Regarding **disaster control measures** for foreign guests, the majority of the respondents took "no specific measures," followed by "introduction of translation/interpretation machine" (about 30%).

4. Understaffing at primary hotels

- More than 80% of the hotels were in the state of **"understaffing."** **By duty**, more than 70% of the respondents answered that their "housekeeping staff" and "customer-facing staff" were in the state of "chronic understaffing" or "tend to be understaffed."
- Regarding **the problems caused by understaffing having a serious impact on the operation**, more than half of the respondents mentioned "lower level of customer services" and "employees' increased overtime hours/decreased holidays."
- The measures taken for **resolving understaffing issues** included "recruiting diverse personnel including elderly people" and "multiple duties/enhancement of mastering skill and/or help system," which percentages exceeded 40%.
- In terms of **recruitment/acceptance of foreign employees**, foreign employees were "working (worked)" for 40% of the respondents.
- **Expectations on foreign employees** included "resolution of understaffing" (92%) "enhancement of customer services for foreign guests" (72%), which far outstripped the

percentages of other issues. **Concerns about recruitment of foreign employees** included “difficulty in communicating with the Japanese employees,” “no training program,” “no preparation of dormitory/housing,” and “retention rate,” which were indicated by 40% or more of the respondents.

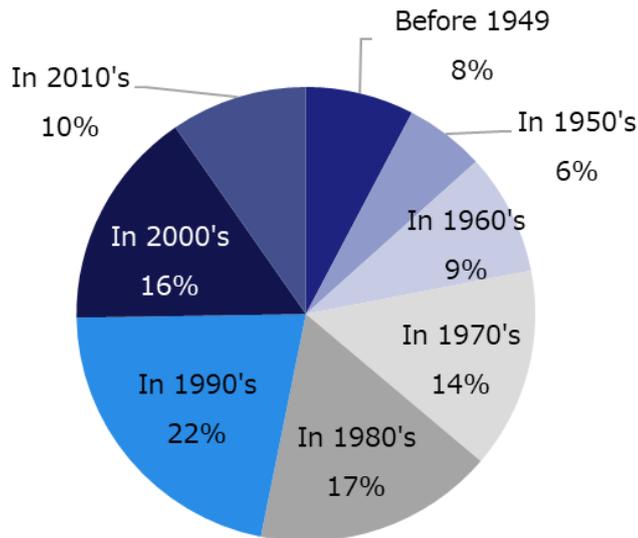
- When we saw **the status of outsourcing** by duty, the majority of the respondents keep their staff by “direct hiring only,” while the percentage (about 40%) of “outsourcing only” was much higher regarding “housekeeping staff” than other duties. The more guest rooms hotels had, the more they resorted to “outsourcing only: More than 60% of the hotels having more than 100 guest rooms relied on outsourcing.
- Regarding **what the hotel business entities thought of their outsourcing contractor**, more than 80% of the respondents “Strongly think so,” “Think so,” or “Partly think so” of the issue “Agent service fee is increasing.”

1. Profile of the hotel business entities

The year of starting hotel business

The year of starting hotel business was 1990 or after among almost half of the hotel business entities. About 10% of the entities started their hotel business in 2010's. **(Figure 1)**

Figure 1: Year of starting hotel business (single answer, n=602)



We also asked about the total number of their operating buildings and the total number of guest rooms. **(Figure 2 and Figure 3)** 72% of them operated only one building in total, and about 70% of them had 100 or fewer guest rooms.

Figure 2: Total number of operating buildings (single answer, n=597)

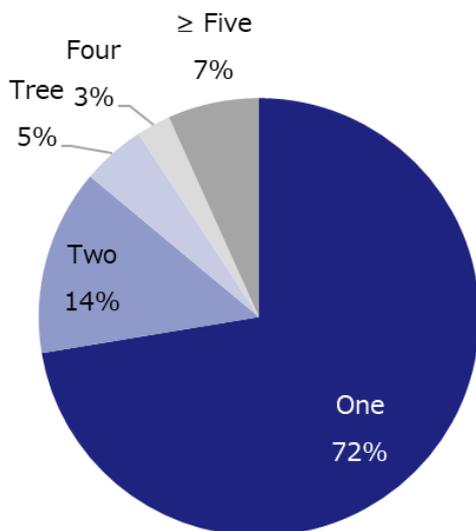
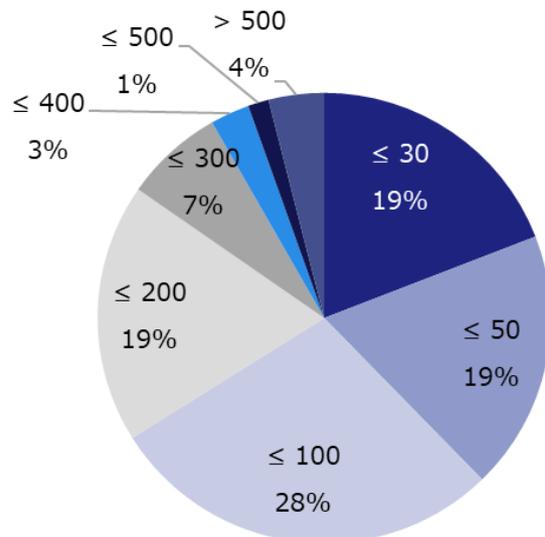


Figure 3: Total number of guest rooms (single answer, n=607)



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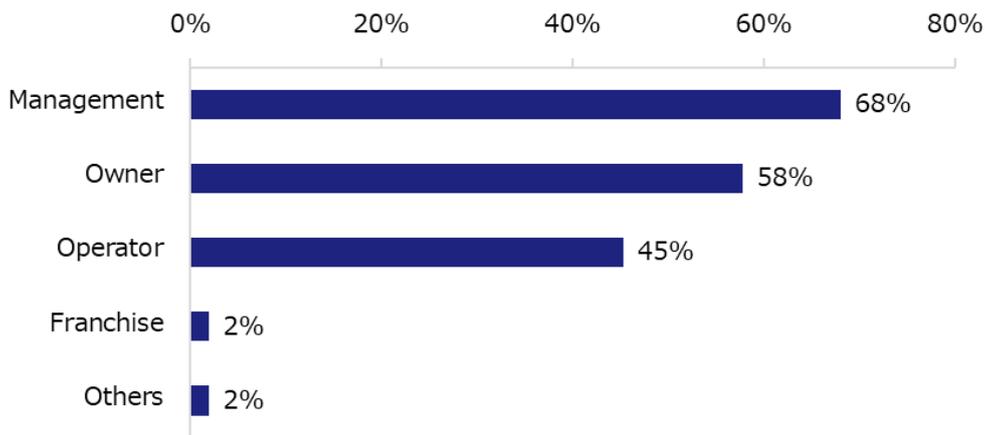
2. Profile of the “primary hotels”

In the following questions, we asked about the particular hotel chosen by each hotel business entity from its operating ones (hereinafter referred to as “primary hotel”).

Role of the hotel business entities in their primary hotel

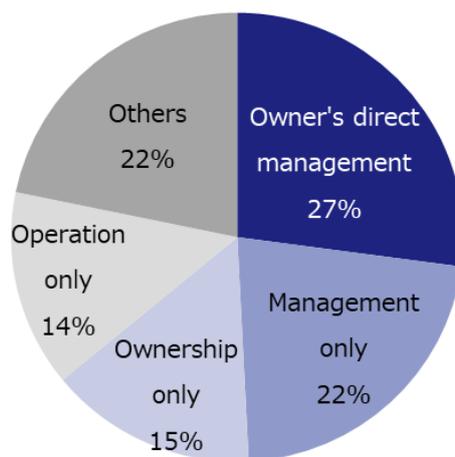
When asked about the role in their primary hotel, the majority (about 70%) of the hotel business entities answered that they were in a “management” role. **(Figure 4)**

Figure 4: Role of the hotel business entities (multiple answers, n=620)



We defined the business style of the hotel business entities serving in the roles of “management,” “owner,” and “operator” as “owner’s direct management.” Our analysis showed that about 30% were in charge of “owner’s direct management.” **(Figure 5)**

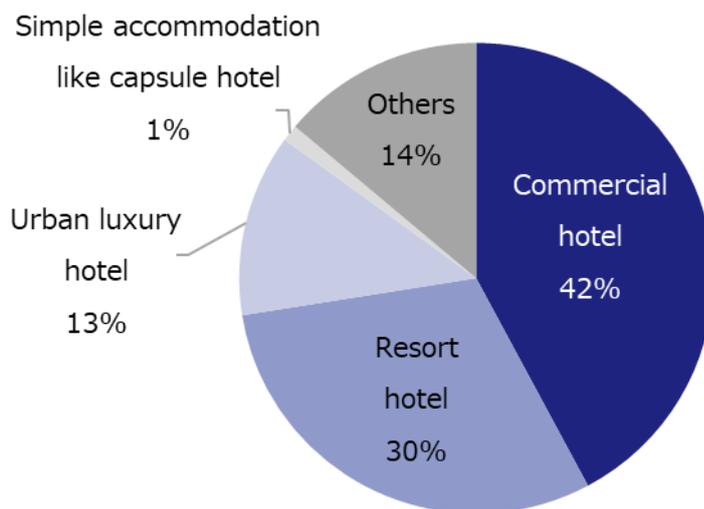
Figure 5: Business style of the hotel business entities (single answer, n=620)



Type of their primary hotel

The majority (42%) of the hotel business entities answered that the type of their primary hotel was “commercial hotel,” followed by “resort hotel” (30%) and “urban luxury hotel” (13%). **(Figure 6)** “Others” include “hot-pillow hotel” and “training accommodation.”

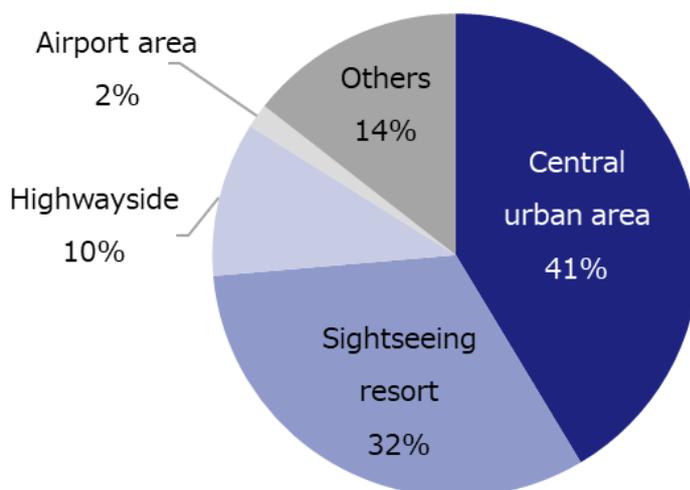
Figure 6: Type of the primary hotel (single answer, n=614)



Location of their primary hotel

When asked about the location of their primary hotel, the majority (41%) answered that it was in “central urban area,” which was followed by “sightseeing resort” (32%). **(Figure 7)** “Others” includes “station front,” “ski resort,” and “mountain area.”

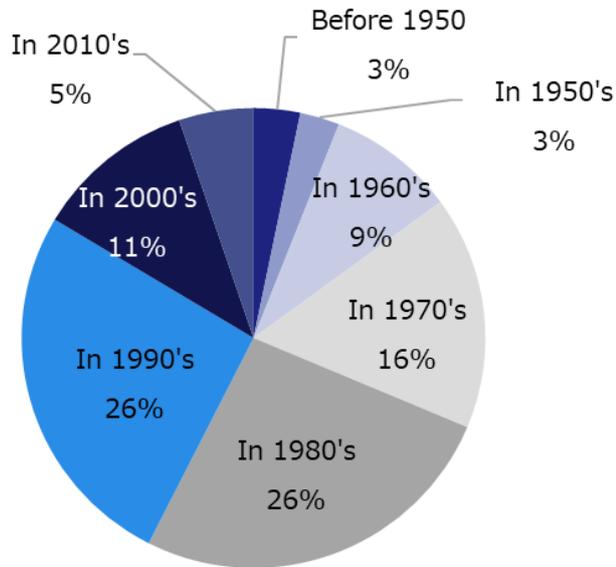
Figure 7: Location of the primary hotel (single answer, n=618)



Year of construction completed in the primary hotel

Figure 8 classifies the year when construction of the primary hotel had been completed. More than half of the hotels had been constructed before 1990, and about 80% of the hotels were aged 20 years or more (constructed before 2000).

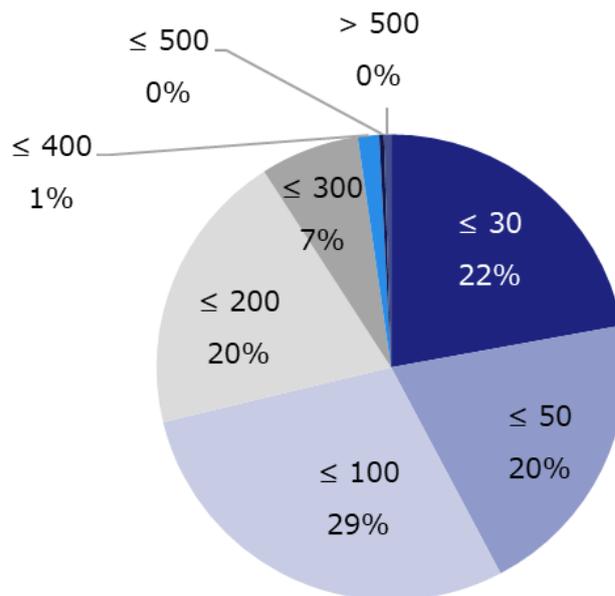
Figure 8: Year of construction completed (single answer, n=616)



The number of the guest rooms in the primary hotel

About 70% of the primary hotel had 100 or fewer guest rooms. (**Figure 9**)

Figure 9: The number of guest rooms (single answer, n=615)

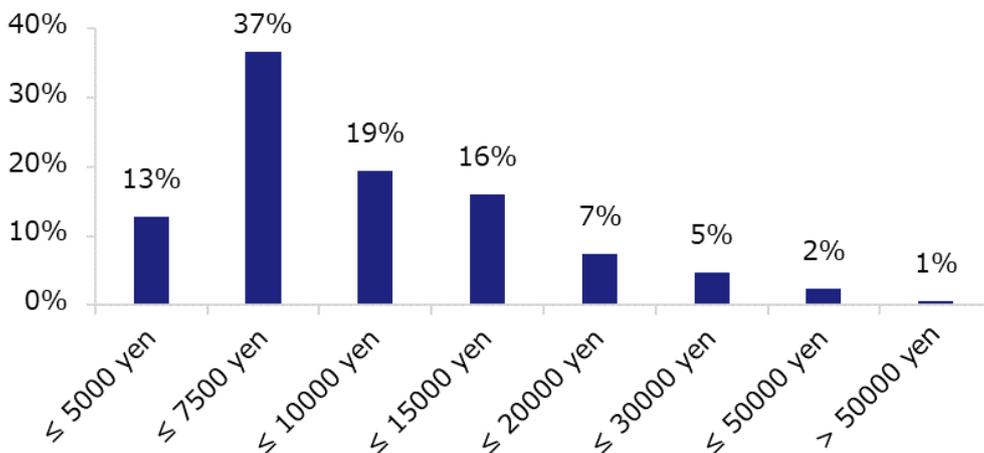


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The regular room charge of the primary hotel

In half of the primary hotels, their regular room charge was 7,500 yen or lower. **(Figure 10)**

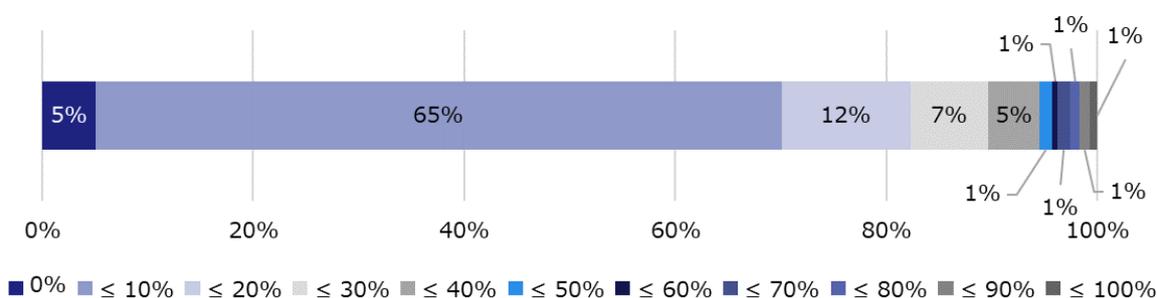
Figure 10: Regular room charge of the primary hotels (single answer, n=612)



Foreign guests in the primary hotel

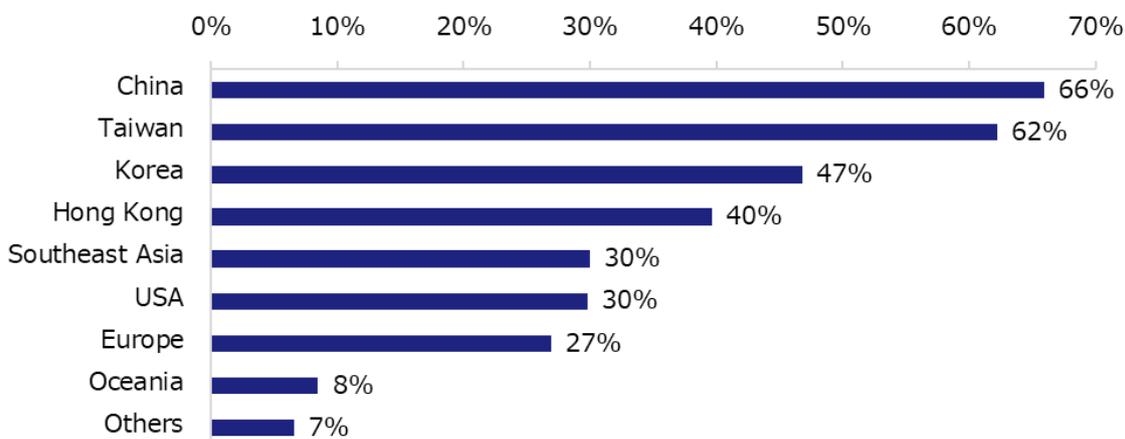
In 70% of the primary hotels, the percentage of the foreign guests was 10% or less. **(Figure 11)**

Figure 11: The percentage of the foreign guests (single answer, n=588)



The majority of the foreign guests had been from China, followed by Taiwan and Korea. **(Figure 12)**

Figure 12: National origins of the foreign guests (multiple answers, n=590)



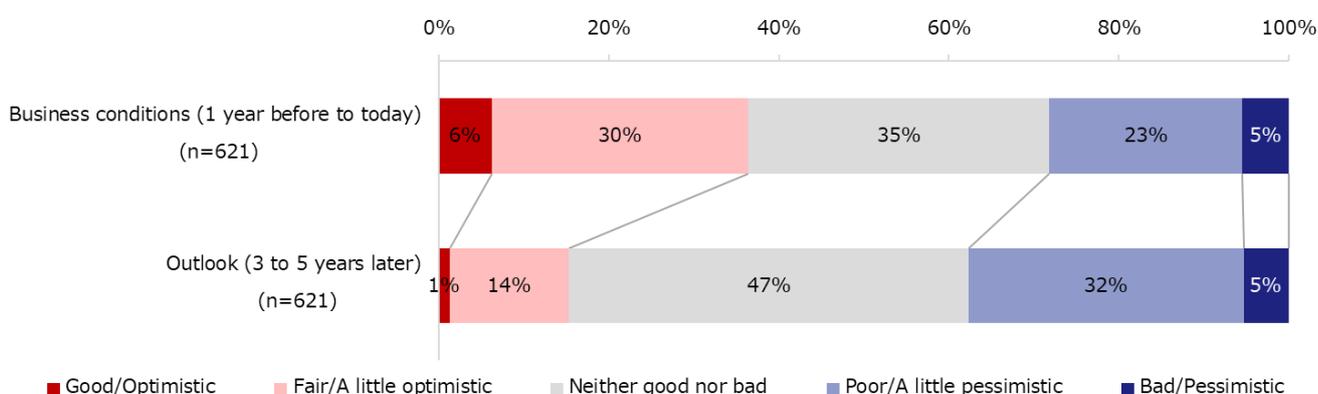
3. Management conditions of the primary hotel

In this section, we asked about the management conditions of the primary hotels in terms of their business conditions, building and facilities, and disaster control measures.

Business conditions of the primary hotel

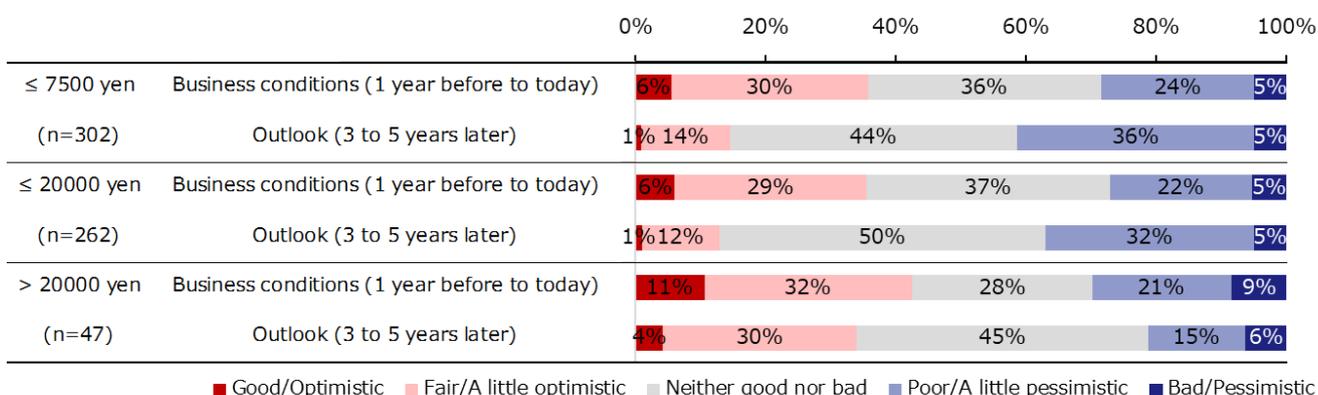
We asked about the business conditions of the primary hotel relative to the year before in 5-scale rating from "Good" to "Bad," and about the outlook (3 to 5 years later) in 5-scale rating from "Optimistic" to "Pessimistic." **(Figure 13)** For the business conditions, the answers of "Good" or "Fair" outnumbered those of "Bad" or "Poor." Regarding the outlook, the percentage of the "Optimistic" or "A little optimistic" answers was lower than that of "Pessimistic" or "A little pessimistic" answers, and nearly half of the answers was "Neither good nor bad." It suggests there were many hotel business entities having unclear or pessimistic outlook.

Figure 13: The business conditions and the outlook



Next, we analyzed the business conditions and the outlook of the primary hotels by the range of regular room charge **(Figure 14)**. In all the ranges, similarly, the answers of "Good"/"Optimistic" and "Fair"/"A little optimistic" regarding the "outlook (3 to 5 years later)" decreased from those for "business conditions (1 year before to today)." However, in the group of the regular room charge "More than 20,000 yen," the percentage of "Good"/"Optimistic" and "Fair"/"A little optimistic" answers for the "outlook (3 to 5 years later)" was high (34%) and the percentage of "Poor/A little pessimistic" and "Bad"/"Pessimistic" answers (21%) decreased from that for business conditions (30%). The result indicated that the hotels of higher regular room charge had more optimistic outlook.

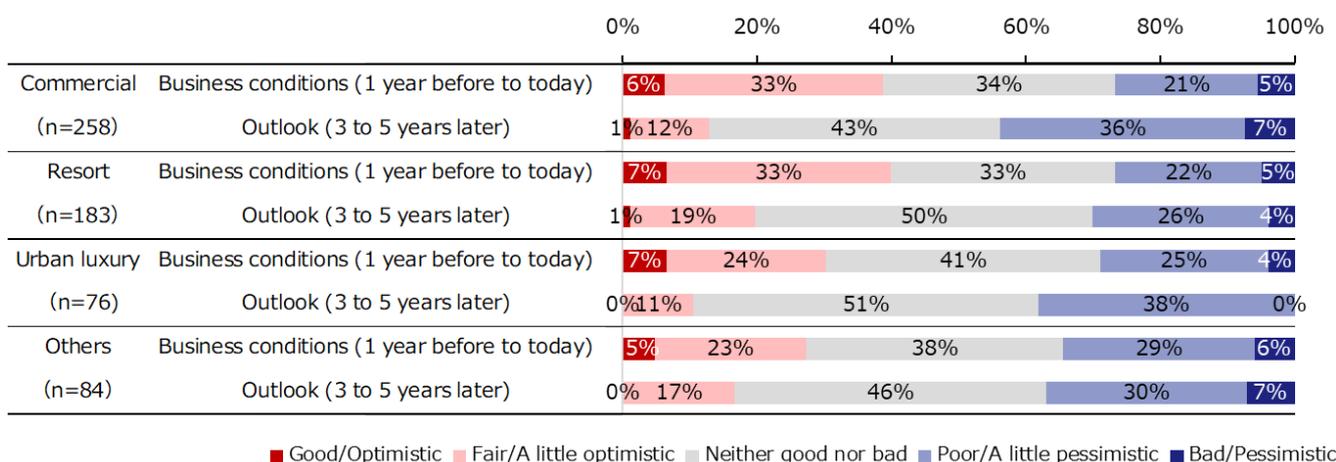
Figure 14: The business conditions and the outlook (by regular room charge)



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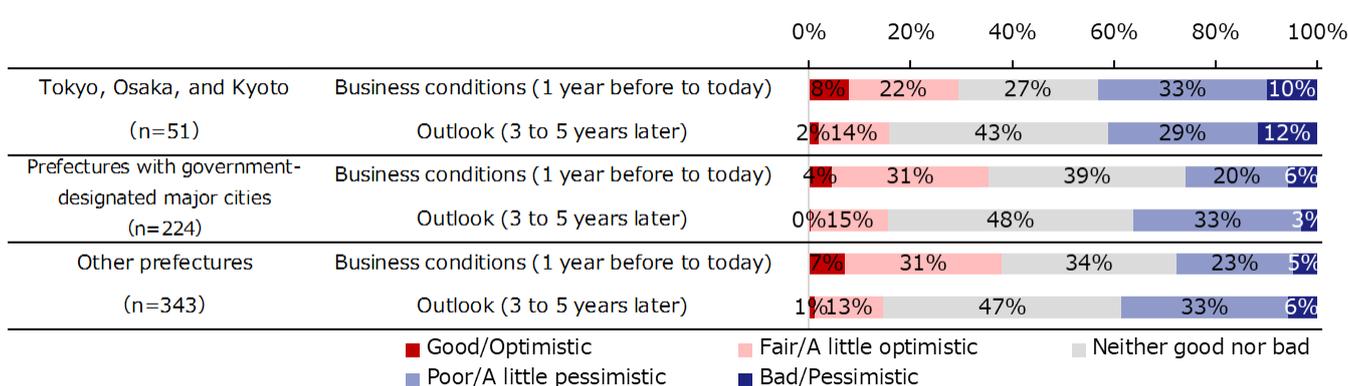
Second, we analyzed the business conditions and the outlook of the primary hotels by the hotel type. **(Figure 15)** 39% of the commercial hotels answered that their “business conditions (1 year before to today)” were “Good”/“Fair,” but the percentage decreased to 13% for their “outlook (3 to 5 years later)” and that of “Pessimistic”/“A little pessimistic” answers accounted for nearly half (43%). It suggests that many hotel business entities of the commercial hotels had more pessimistic outlook than those of resort hotels or urban luxury hotels.

Figure 15: The business conditions and the outlook (by hotel type)



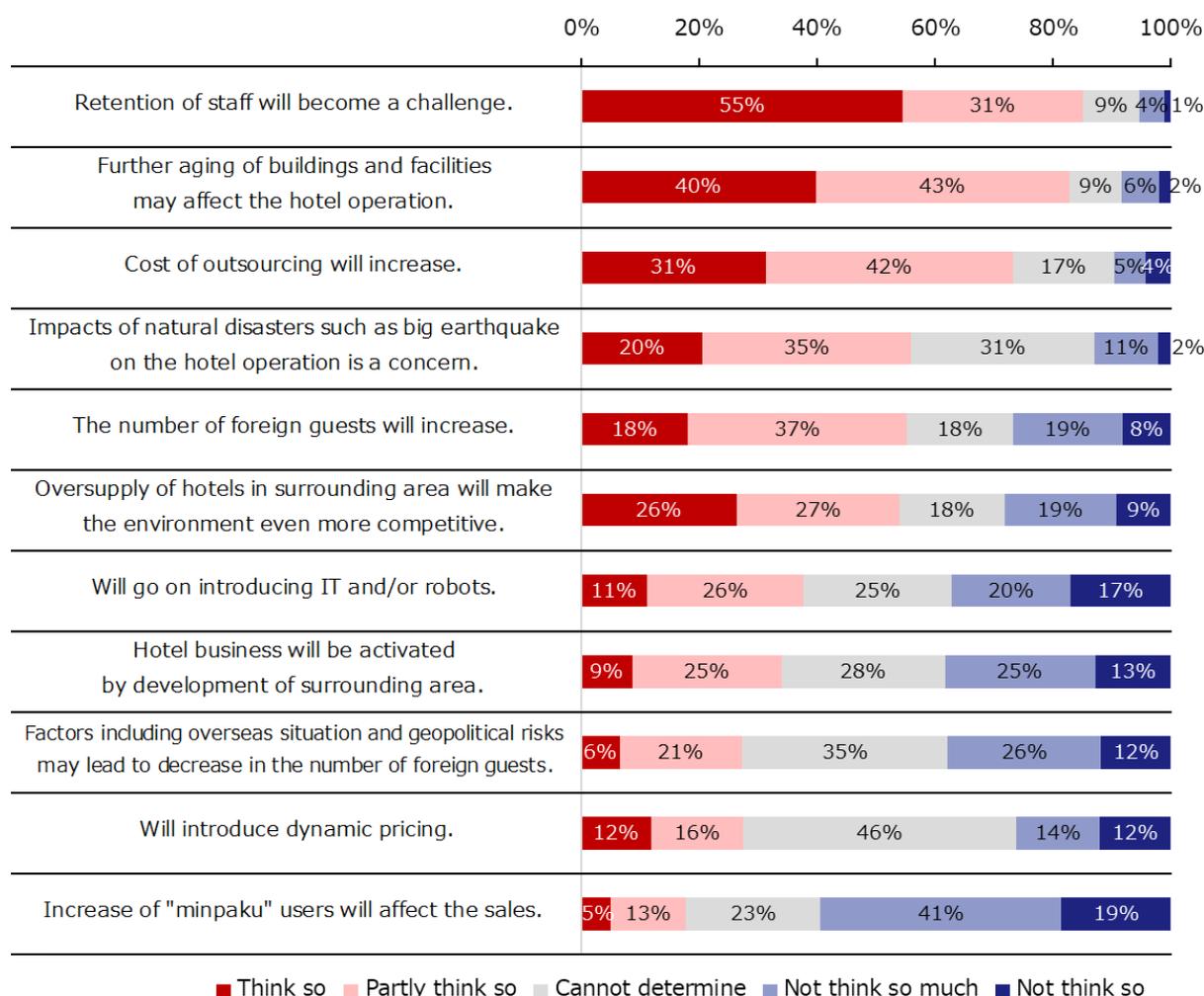
Furthermore, we analyzed the business conditions and the outlook of the primary hotels by prefectural area. **(Figure 16)** Regarding the hotels in all the areas, similarly, the percentage of “Good”/“Fair” decreased from the “business conditions (1 year before to today)” to “outlook (3 to 5 years later).” As for the hotels in the metropolitan areas like Tokyo, Osaka, and Kyoto, the percentage of the answers of “Pessimistic”/“A little pessimistic” business conditions was higher (43%) than the other areas by more than 10 percent points, which indicates not favorable their current business conditions.

Figure 16: The business conditions and the outlook (by prefectural area)



We also asked about the issues related to future hotel management. **(Figure 17)** The percentage of “Think so” and “Partly think so” answers was highest regarding “Retention of staff will become a challenge” (86%), which was followed by “Further aging of buildings and facilities may affect the hotel operation” (83%), “Cost of outsourcing will increase” (73%), “Impacts of natural disasters such as big earthquake on the hotel operation is a concern” (55%), “The number of foreign guests will increase” (55%), and “Oversupply of hotels in surrounding area will make the environment even more competitive” (53%). The percentages of “Think so” and “Partly think so” answers regarding these 6 issues were more than 50%. On the other hand, “Not think so” and “Not think so much” answers accounted for more than 50% regarding “Increase of “minpaku” users will affect the sales.”

Figure 17: The issues related to future hotel management (n=622)



In terms of the issue “Oversupply of hotels in surrounding area will make the environment even more competitive,” hearing from the hotel business entities indicated that their perceptions varied depending on the development status of the area surrounding their primary hotel. It seemed that the hotel business entities having a stronger sense of urgency were those with their primary hotel located in the areas of current and continuous new supply such as metropolitan area and famous sightseeing resort. The reasons included: “Because hotel business is based on the location and the facilities, the measures to aim for strong competitive advantage are limited and thus the companies tend to result in a price war” and “an increase of foreign guests would not always lead to the rise of occupancy rate especially in the commercial hotels for which the ratio of single rooms is large, because many of the guests travel in a group like a family.”

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Voices of the hotel business entities: (The following are some of their opinions from our questionnaire or hearing)

- How should an independent hotel survive? How should we differentiate ourselves from chain hotels and those entering from other industries? We are considering day to day how to survive when hotels have been already oversupplied. (Tokyo)
- Our primary hotel is a major one at a station front of a big city, and we do not concern much about an increase of competitors. (Tokyo)
- We are not pessimistic about construction of a new hotel next to ours, because the target of their guests is entirely different from ours. We think about having a partnership with them through selling meal tickets of our hotel restaurant to the guests of the new hotel in which no restaurant is provided. (Nigata)
- In Kyoto, too many accommodation facilities have been established, which is causing a shortage of workers. (Kyoto)
- In Kyoto, the number of small-scale hotels (including simple accommodations) that look like an apartment building has more than doubled in the past few years. Despite their scale, those providing good-quality guest rooms may become our competitors. Even the relatively wealthy-class foreign visitors stay these hotels. (Kyoto)
- In Hiroshima City, too many hotels have been established and caused oversupply. Further, 1,000 more rooms will be added. Our primary hotel is located in the suburban area and has almost no tourists. In the past, on August 5 – the day before Hiroshima Atomic Bomb Memorial Day, the hotels in the city were occupied and even our hotel was busy with guests. However, this year there were vacancies even in the hotels in the city. (Hiroshima City)
- Recent launches of large-scale chain hotels make us nervous and our outlook unclear. Also, sharp rise in the minimum wage is our current headache. Although we agree with the rise, the speed is too fast. We are at a loss to address an increase of 25 to 30 yen per year. (Yamaguchi)

Likewise, our hearing from the hotel business entities revealed that their measures and strategies varied depending on the location, the type, and the target guests of their primary hotel, regarding the issue “The number of foreign guests will increase” shown in Figure 17. Some entities focused on welcoming inbound visitors to Japan as one of their growth strategies “because the number of domestic guests will be shrinking (due to the factors such as the Japanese population decrease).”

On the other hand, other entities were less enthusiastic about welcoming inbound visitors to Japan because “the high commission of the overseas reservation websites tends to make our net price lower, although it is desirable that foreign guests make reservation for longer term and that a number of guests can be secured in advance” and “it is risky to rely too much on foreign guests in consideration of a large gap between increase and decrease due to the factors such as geopolitical risks.” One of the respondents “focus on welcoming school trip guests more than foreign guests” in urban luxury hotels and resort hotels

Voices of the hotel business entities:

- Although the number of inbound visitors to Japan is increasing statistically, the problem of the area of

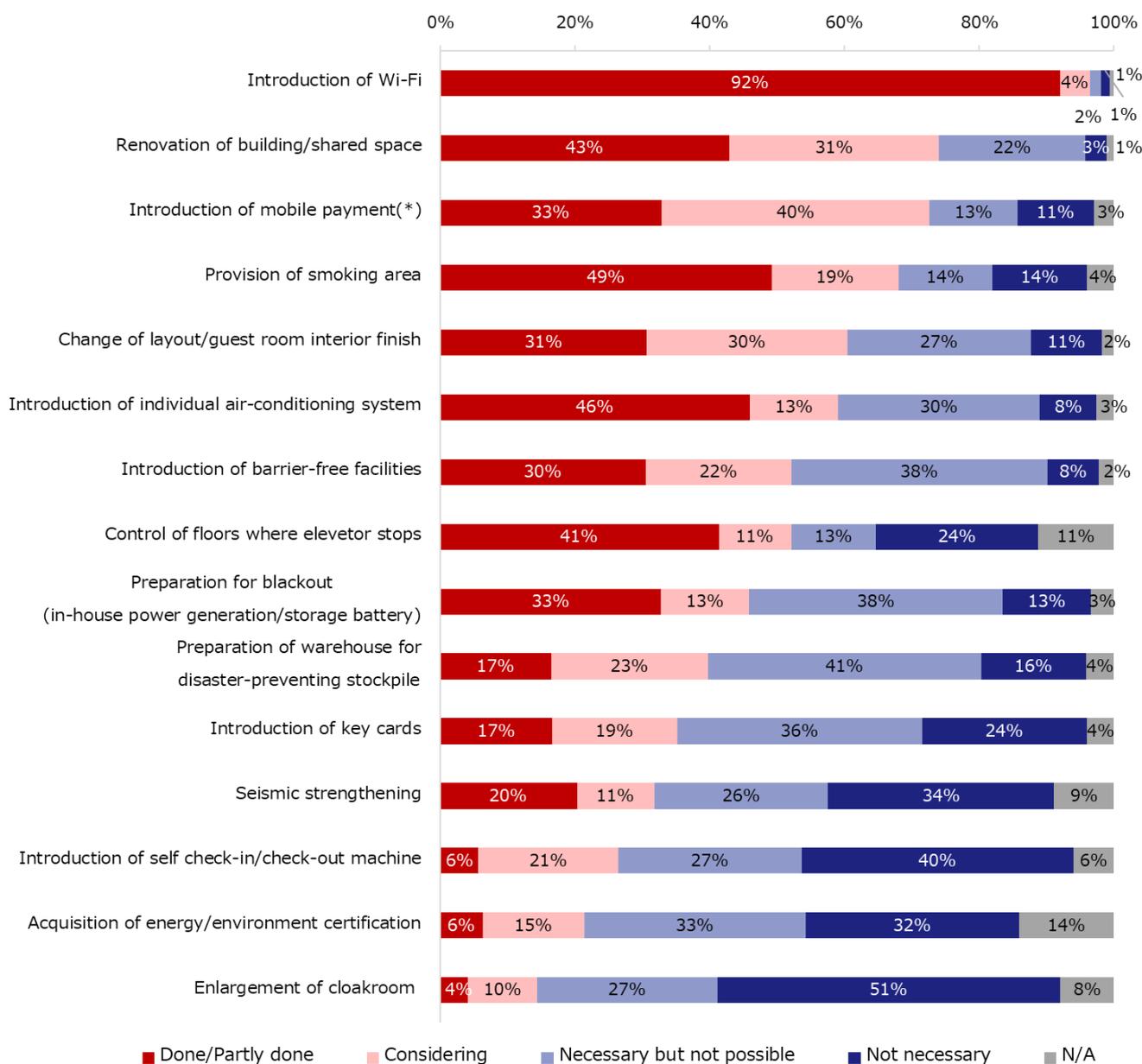
our primary hotel is a decrease in the number of guests. Because foreign visitors do not come to the area, we cannot receive the benefits. (Chiba)

- Although it is possible to increase the percentage of foreign guests (from the current 70%), we limit it strategically. The number of guests from Korea and Hong Kong is decreasing, but we do not make a discount. (Tokyo)
- The measures for inbound visitors should be taken by our entire area. Otherwise, it may lag behind other sightseeing resorts and sink. (Shizuoka)

The building and the facilities of the primary hotel

As for the building and the facilities of their primary hotel, we asked about the introduction of the initiatives listed in **Figure 18**. The percentage of “Done/Partly done” or “Considering” was highest regarding “introduction of Wi-Fi,” which was followed by “renovation of building/shared space” and “introduction of mobile payment.” More than 90% (highest percentage) of the hotels have “Done/Partly done” the initiative “introduction of Wi-Fi.” In terms of “introduction of mobile payment,” only 33% of the hotels have “Done/Partly done” but 40% of them were “Considering.” It suggests that an increasing number of hotels would introduce it in future.

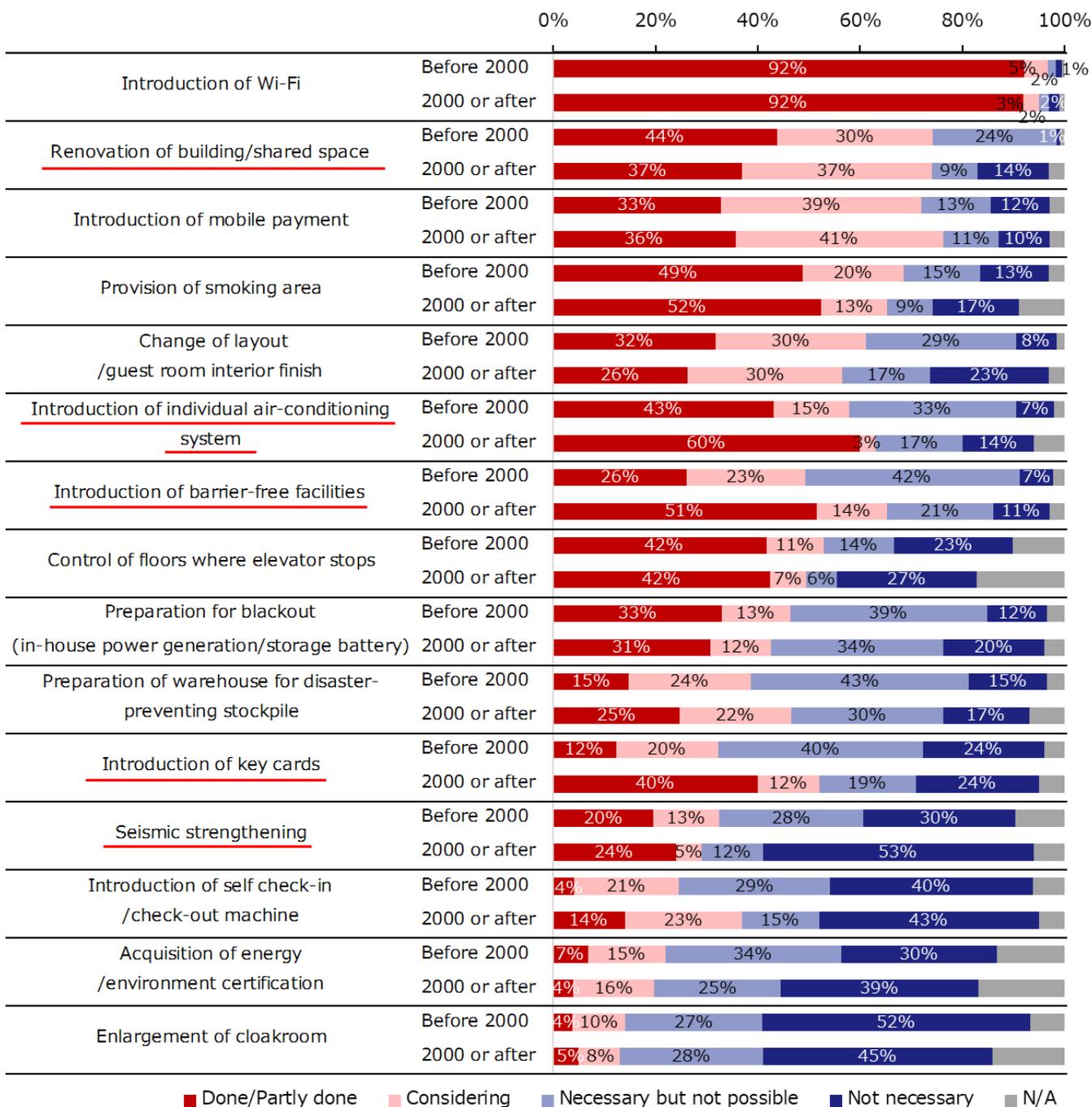
Figure 18: Introduction of the initiatives to improve their building and facilities (n=624)



(*): Alipay, LINE Pay, and PayPay, etc.

Next, we analyzed the result by dividing the hotels into 2 groups according to the year when the construction of the building was completed: the “before 2000” group and the “2000 or after” group. There are large differences (more than 15 percentage points) in the percentage of “Necessary but not possible” regarding “renovation of building/shared space,” “introduction of individual air-conditioning system,” “introduction of barrier-free facilities,” “introduction of key cards,” and “seismic strengthening.” (Figure 19)

Figure 19: Introduction of the initiatives to improve their building and facilities (by year of construction completed) (Before 2000, n=515; 2000 or after, n=101)



According to our hearing from the hotel business entities, many of them think to achieve “renovation of building/shared space” by “closing floor by floor because a whole building renovation requires our hotel to shut down.” One of them answered that they “have a plan to refurbish the exterior finish and the undersurface parts such as piping. Will close the hotel entirely for 2 months and our employees will take refreshment leave.”

Some entities answered that they cannot address refurbishment of piping and others “due to financing problem” because “banks are reluctant to lend money for such refurbishment that is difficult to tell its effect on a rise of average daily rate.”

As for “introduction of individual air-conditioning system,” many hotel business entities replaced their central air-conditioning system with the individual air-conditioning systems. One of them suggested that “it is true that an introduction of individual air-conditioning systems needs some initial cost, however, they are more cost-effective than the central air-conditioning system in terms of running cost. In addition, the central air-conditioning system requires an engineer to stand by and a single failure may cause breakdown of the entire system, whereas the individual air-conditioning systems have a smaller impact.”

Regarding “introduction of key cards,” one respondent suggested that its “running cost is too much for us to recover investment, because we have a small number of guest rooms.” In this survey, many hotel business entities have not addressed “introduction of key cards” partly because about 40% of the respondents were those with 50 or fewer guest rooms in total.

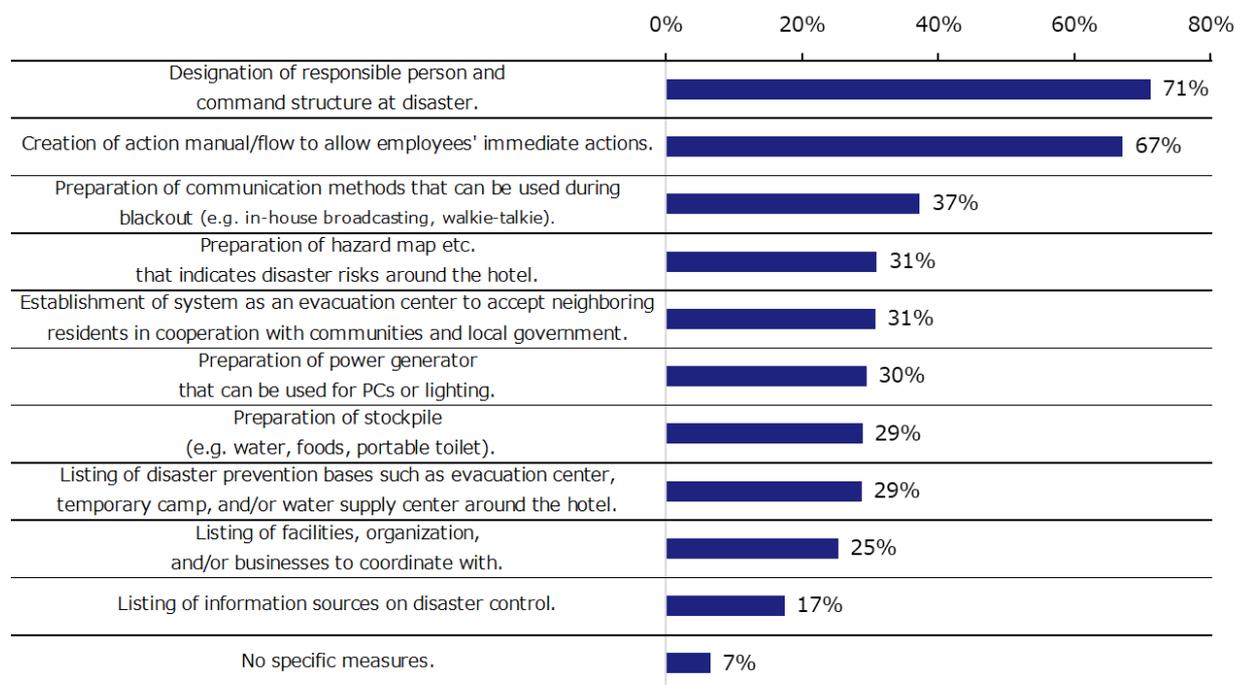
Voices of the hotel business entities:

- Following the instruction from the national government, we will shut down for 3 months to conduct seismic strengthening. With designation of our hotel as an evacuation center, we will be able to receive a subsidy. (Hokkaido)
- Although our hotel has high percentage (85%) of foreign guests, the rooms are small relative to the room size of overseas hotels. We wish to make the rooms into connecting rooms and make room for bathroom and sink but cannot do it due to a lack of finance. (Tokyo)
- Our hotel building was aged 40 years with no renovation. Despite its 40-year old specification, it can attract guests owing to its advantage of “next to ski slopes.” During off-season, because our hotel alone cannot attract guests, we rely on travel reservation websites as well as our own website. However, we cannot expect attracting guests and close our hotel except the “Golden Week” and the “Bon” holiday week. (Gifu)

Disaster control measures at the primary hotel

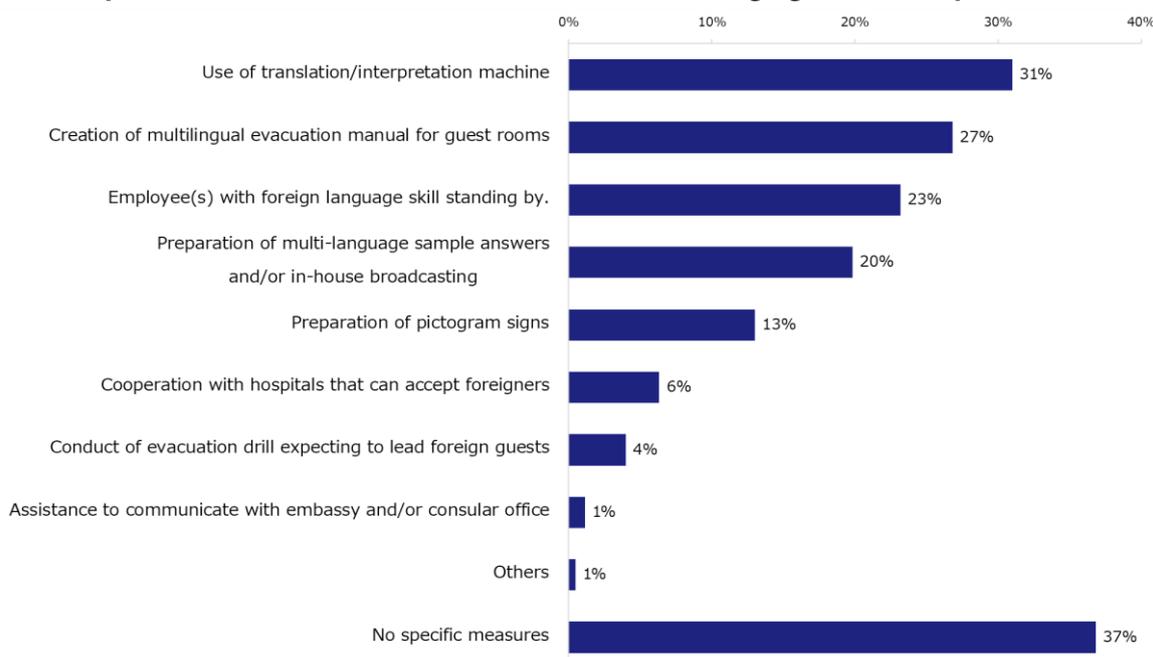
The diagram below shows the implementation of disaster control measures at the primary hotels. **(Figure 20)** The rate of implementation was highest for “designation of responsible person and command structure at disaster” (71%), which was followed by “creation of action manual/flow to allow employees’ immediate actions” (67%). For other measures, the percentage was less than 40%.

Figure 20: Implementation of disaster control measures (multiple answers, n=620)



When asked about the measures taken especially for their foreign guests, many respondents used “translation/interpretation machine” (31%) although the majority took “no specific measures” (37%). **(Figure 21)**

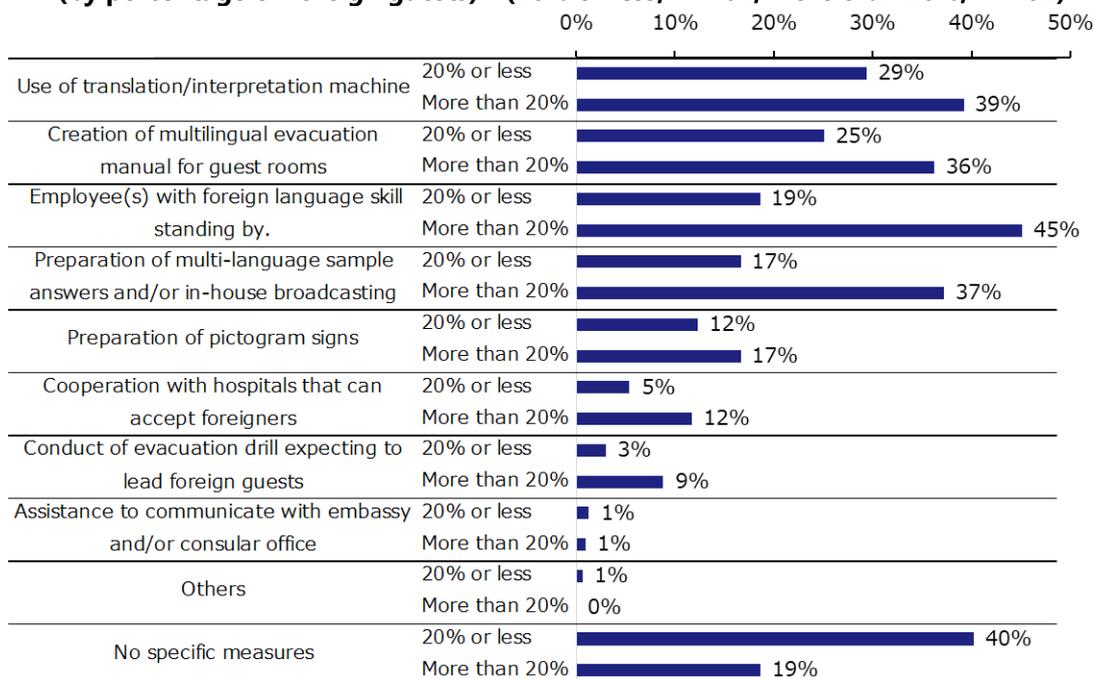
Figure 21: Implementation of disaster control measures for foreign guests (multiple answers, n=600)



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When we see the result by the percentage of foreign guests, regarding all the measures, the rate of implementation was higher at the hotels in which their foreign guests accounted for “more than 20%” than those with foreign guests accounting for “20% or less.” (Figure 22)

Figure 22: Implementation of disaster control measures for foreign guests (by percentage of foreign guests) (20% or less, n=462; more than 20%, n=102)



According to our hearing from the hotel business entities, only a small number of them made a contract with local governments such as “agreement on provision of accommodation facilities at disaster.” However, some of them accept people who cannot go home temporarily because of traffic impediment or other reason(s) (local residents) or others at disaster because “hotels involve some public aspects.” In terms of stockpiles of water, foods, and/or others, their measures varied from “preparing them for guests, employees, and people who cannot go home temporarily because of traffic impediment or other reason(s),” to “preparing only for our employees” or “no stockpile.” One of the respondents suggested that “it is difficult to determine the extent to which our stockpiles should cover, because it needs place and money. It must be easier to deliver if the governments subsidize it.”

Voices of the hotel business entities:

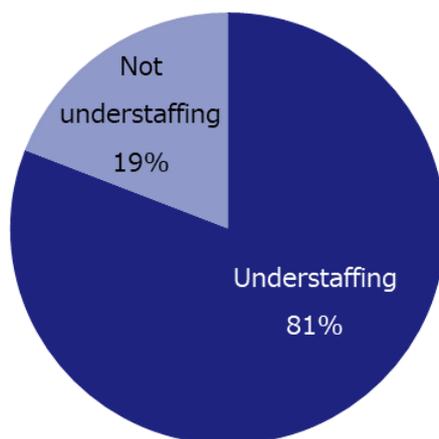
- Because our hotel is in an area where the Nankai Trough and Tokai earthquakes may occur, we prepare many emergency foods. We wish there would be a service that can deliver foods and water without fail at emergency. (Shizuoka)
- Although we hope to expand our storage for stockpiles for disaster and other purposes, our first priority is to address nonconforming issues such as seismic strengthening of elevators, which requires much cost and makes the expansion impossible. (Shizuoka)
- We conduct a disaster drill every month. For foreign guests, we took measures such as automatic translation machine, finger pointing, and signs. (Aichi)
- Through the community organizations, we announced to our neighbors that our hotel can be used as an evacuation center at disaster. (Hiroshima)

4. Understaffing at primary hotels

Situation of understaffing at primary hotels

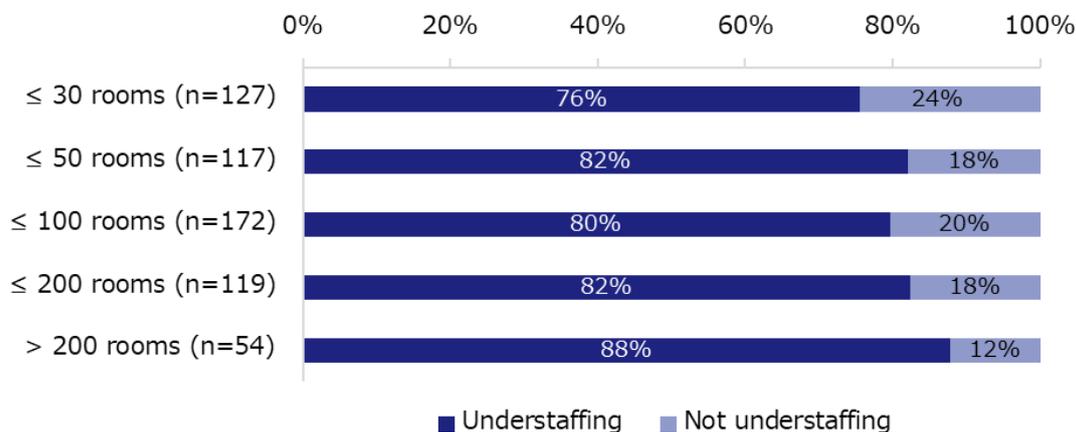
In the recent trend of labor shortage, what kind of labor situation are the hotels in? **(Figure 23)** In our survey, 81% of the hotels were in the state of “understaffing.”

Figure 23: Situation of understaffing (n=597)



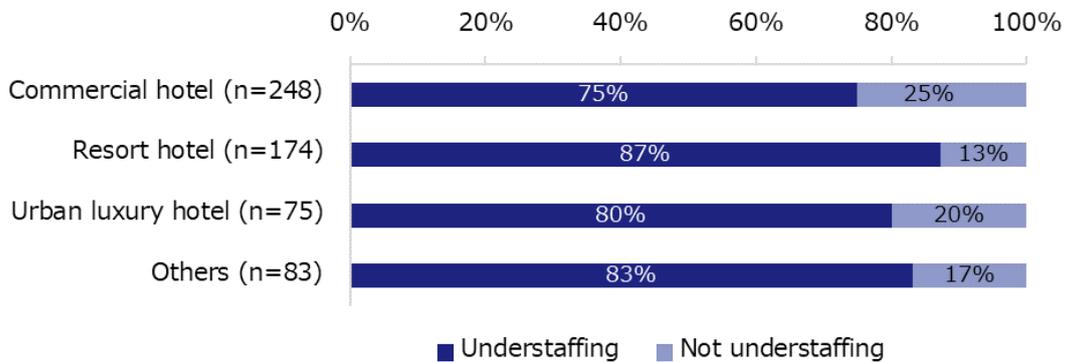
When we analyzed the result by the number of guest rooms, the more rooms the hotels had, the higher percentage they tended to be in the state of “understaffing.” **(Figure 24)**

Figure 24: Situation of understaffing (by number of guest rooms)



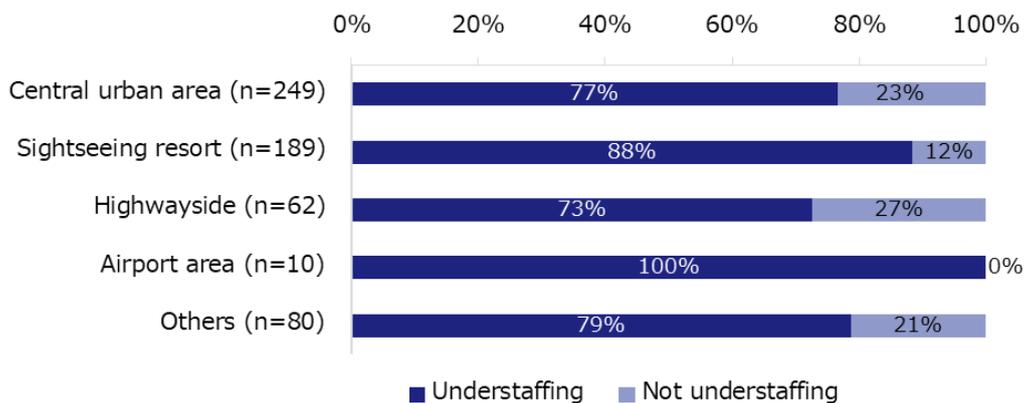
By hotel type, the percentage of “understaffing” responses were largest (87%) in “resort hotel.” (Figure 25)

Figure 25: Situation of understaffing (by hotel type)



By location, most of the hotels in “airport area” or “sightseeing resort” were in the state of “understaffing,” whereas more than 20% of the hotels in “highwayside” or “central urban area” were in “not understaffing” state. (Figure 26)

Figure 26: Situation of understaffing (by location)



By prefectural area of the hotels (Figure 27), there was no large difference in the situation of understaffing among “Tokyo, Osaka, and Kyoto,” “prefectures with government-designated major cities,” and “other prefectures.”

Figure 27: Situation of understaffing (by prefectural area)

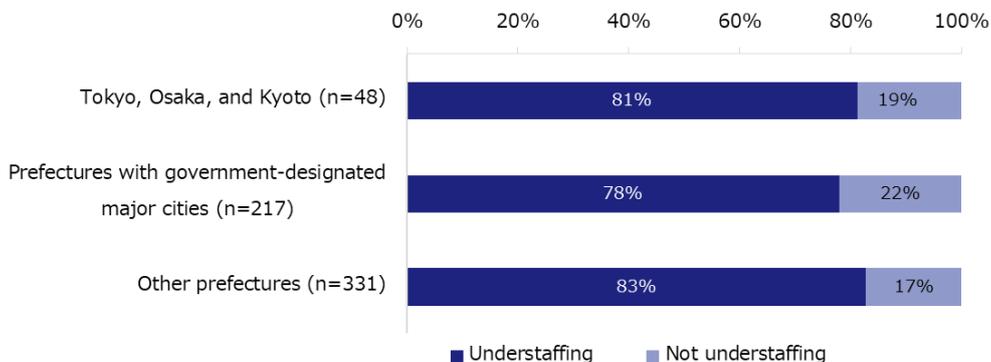
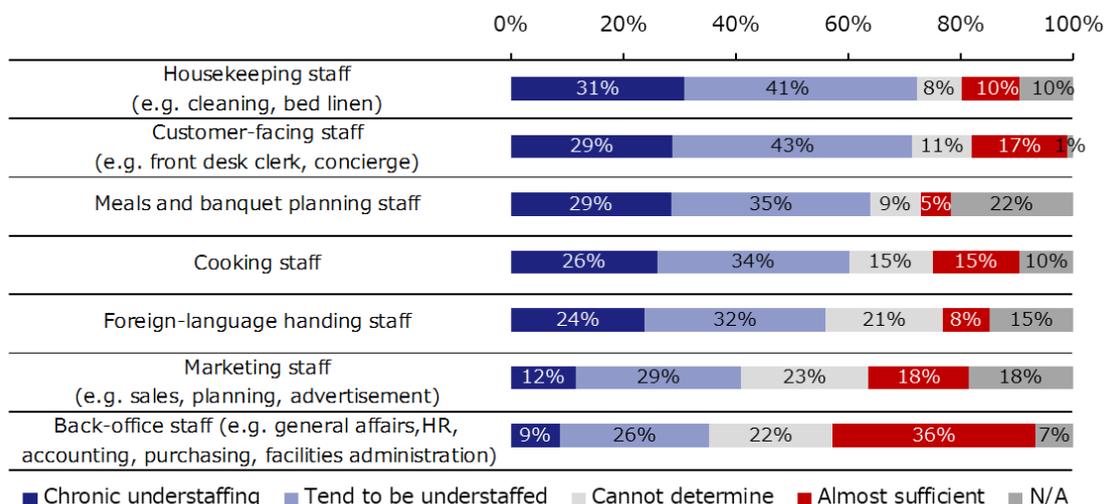


Figure 28 shows the answers from the hotels in the state of “understaffing” on their specific duties short of workers. The situation of understaffing was serious especially in “housekeeping staff” (the sum of “chronic understaffing” and “tend to be understaffed” was 72%) and “customer-facing staff” (72%), and more than half of the respondents answered that they were short of workers for all the duties except “marketing staff” and “back-office staff.”

Figure 28: Situation of understaffing by duty (n=476)



We asked the respondents answering their hotel was short of workers what were the top 3 problems caused by understaffing having a serious impact on the operation. (**Figure 29**) The top problem was “lower level of customer services” (58%), which was followed by “employees’ increased overtime hours/decreased holidays” (52%), and “increase of unskilled employees” (38%).

Figure 29: Problems caused by understaffing having a serious impact on the operation (multiple answers, top 3, n=479)

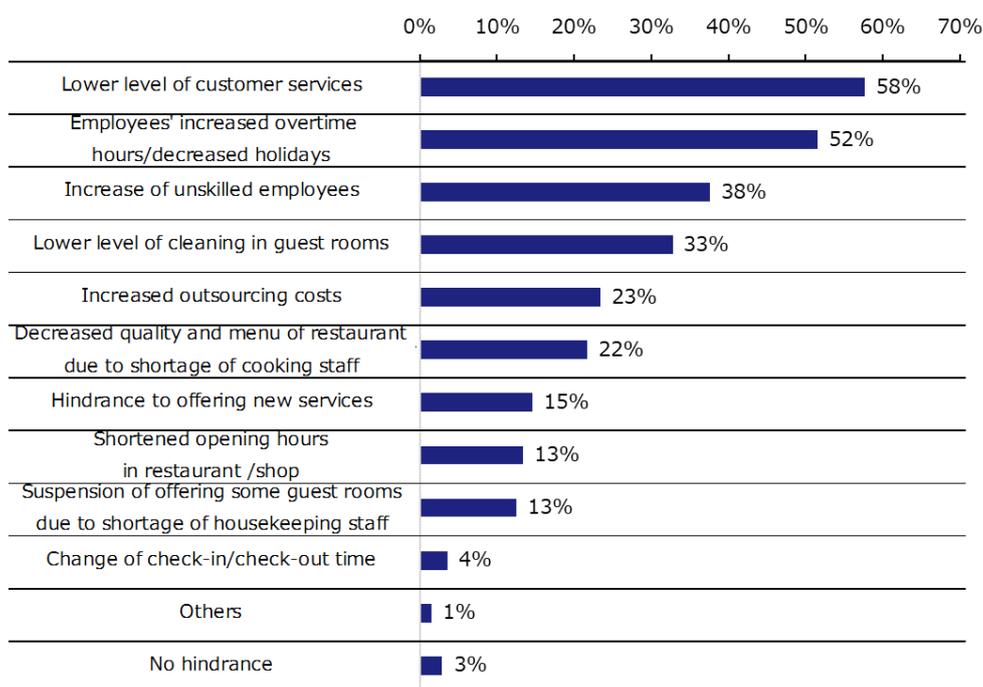
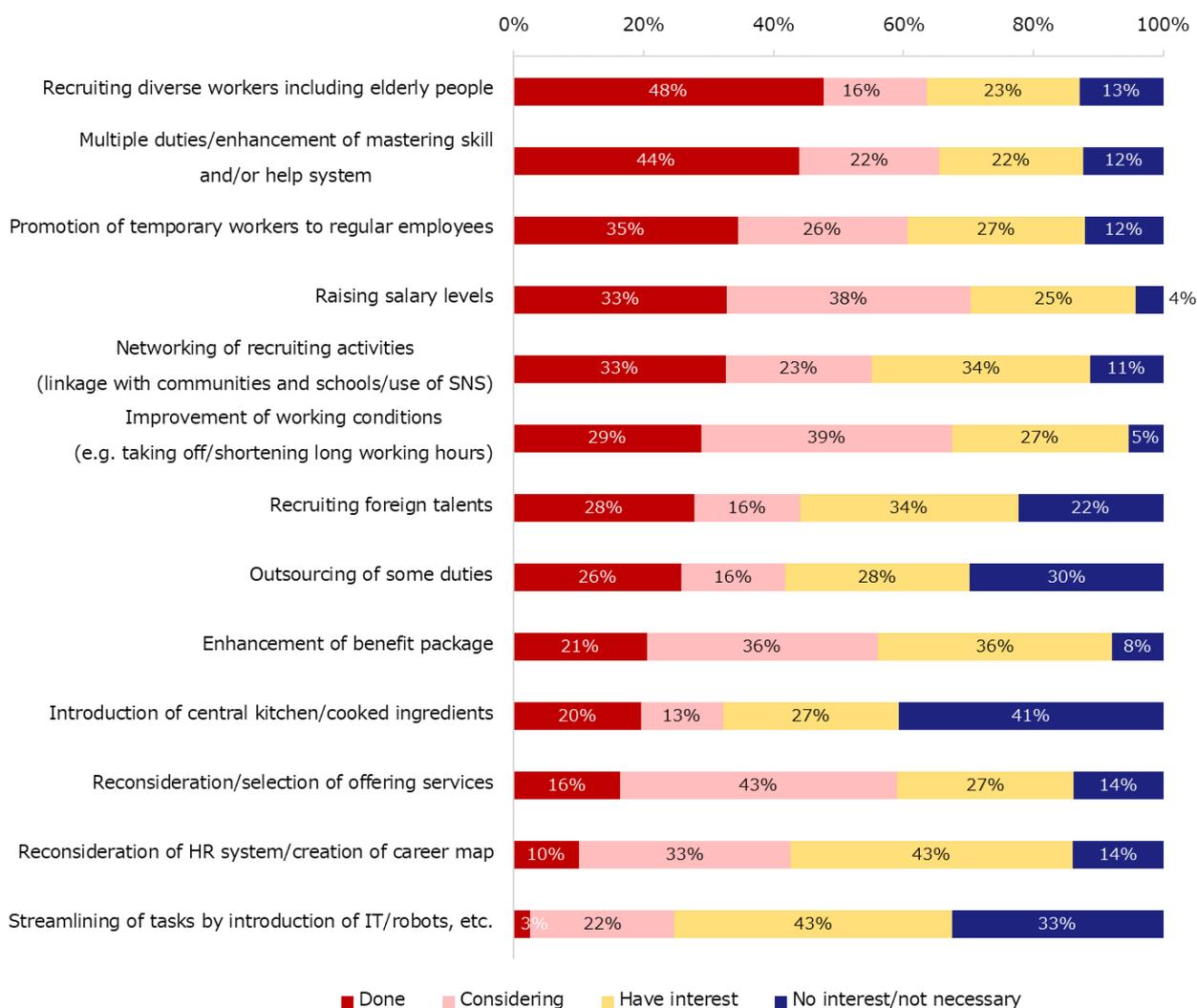


Figure 30 lists the answers for our question on what measures were taken for resolving understaffing issues. The percentage of “Done” was highest for “recruiting diverse workers including elderly people” (48%), which was followed by “multiple duties/enhancement of mastering skill and/or help system” (44%), and “promotion of temporary workers to regular employees” (35%). In terms of “reconsideration/selection of offering services,” the percentage of “Done” was small but that of “Considering” was largest among the measures. In addition, the larger percentages of the respondents were “Considering” the measures related to employee satisfaction such as “improvement of working conditions (e.g. taking off/shortening long working hours),” “raising salary levels,” and “enhancement of benefit package,” which suggested they had an intention to improve the retention rate in order to resolve their understaffing problems.

Figure 30: Measures taken for resolving understaffing problems (n=476)



Our hearing from hotel business entities suggested that they seemed to regard not only a difficulty of recruiting but also low retention rate as the challenges of understaffing problem. One of them said, “many workers misunderstand that hotel jobs are easy, but actual operations are complicated. They cannot make out with the gap.”

According to our hearing from those answering “Not understaffing” to our questionnaire, many of their specific measures and reasons related to enhancement of employee satisfaction including “providing overnight

lodging exclusively without meal service/banquet," "no heavy physical labor (no bellboy nor doorman were assigned)," "shifted to the salary system in which young people have more chance to get a raise," "assuring bonus rate at the top level of the industry (equivalent to 4 or more months' pay)," "introduction of night shift," "with an aim to enhance motivation, dispatching 2 employees to overseas training for 6 months every year to learn hotel duties and language," "increasing our hiring by the measures such as accepting overseas internship the city government is engaged with," and "we have a large percentage of regular employees including cleaning staff."

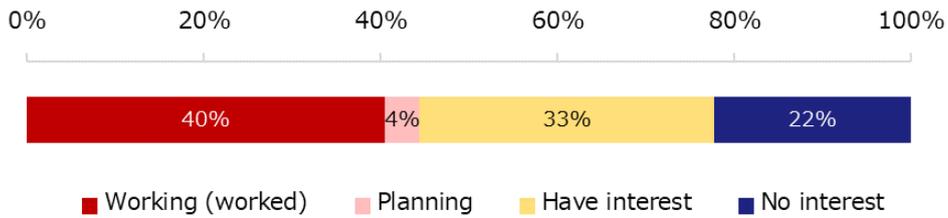
Voices of the hotel business entities:

- In this industry, it must become much harder to retain sufficient number of workers. Securing workers should be managed first, but meanwhile, we are now working to differentiate our salaries from those of competitors. By categorizing the tasks of the hotel duties into the "cleaning tasks" and the "front desk tasks," we started to automate the front desk tasks (it is difficult to automate cleaning tasks) and the saved labor cost is paid for cleaning tasks. (Tokyo)
- We have focused our energy on recruiting activities in expectation of labor shortage, however, it's getting harder and harder to hire new employees every year. Although we are addressing workstyle reforms positively, there are some measures we are concerning about, like "the restrictions on the interval between working hours" with which it is difficult for us to deal if it is introduced. Also, we are considering streamlining our tasks by introducing technologies. (Hyogo)
- We are considering creation of a mechanism to reduce dependence on human resources, enhancement of customer satisfaction by development of human resources, increase of marketability, and creation of a mechanism to achieve/maintain enhancement of employee satisfaction. (Fukuoka)

Recruitment/acceptance of foreign employees in the primary hotel

Figure 31 shows the result of our question on recruitment/acceptance of foreign employees regardless of the state of understaffing. It tells that many hotels were recruiting foreign employees as indicated by 40% of the respondents for which foreign employees were “working (worked).” On the other hand, about 20% have “no interest.”

Figure 31: Recruitment/acceptance of foreign employees (n=615)



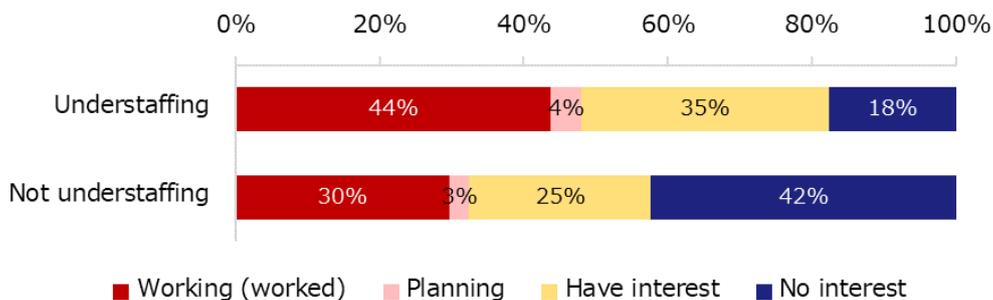
When we analyzed the result by prefectural area, for 57% of the respondents having their primary hotel in Tokyo, Osaka, or Kyoto, foreign employees were “working (worked).” The percentage exceeded the average (40%) significantly. (**Figure 32**)

Figure 32: Recruitment/acceptance of foreign employees (by prefectural area)



When classified by the state of understaffing, the respondents of the hotels in the state of “understaffing” were more likely to accept or have interest in recruiting foreign employees. (**Figure 33**) In addition, in the hotels of “not understaffing,” the percentage of the respondents having “no interest” in recruiting foreign employees was more than double of that of the hotels in the state of “understaffing.”

Figure 33: Recruitment/acceptance of foreign employees (by state of labor sufficiency) (Understaffing, n=478; not understaffing, n=111)



Next, we asked the respondents answering that foreign employees were “working (worked)” or they were “planning”/“have interest” in recruitment what were the top 3 issues they expected foreign employees of. **(Figure 34)** Their top expectation was “to result in resolution of understaffing,” in more than 90% of the respondents.

Figure 34: Expectations on foreign employees (multiple answers, top 3, n=466)

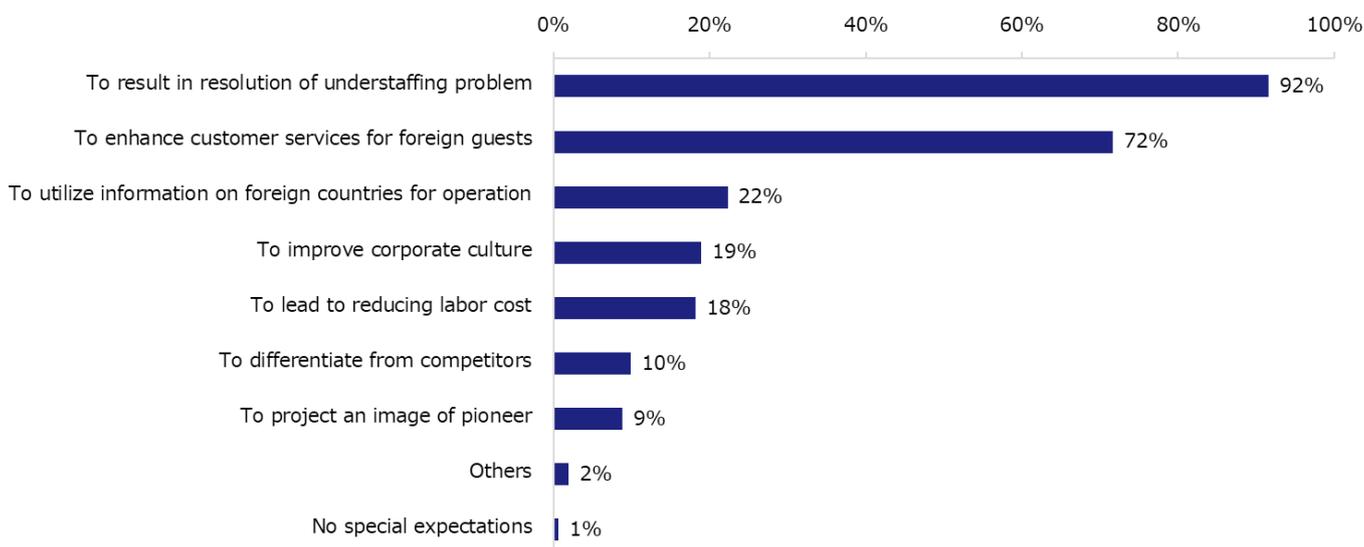
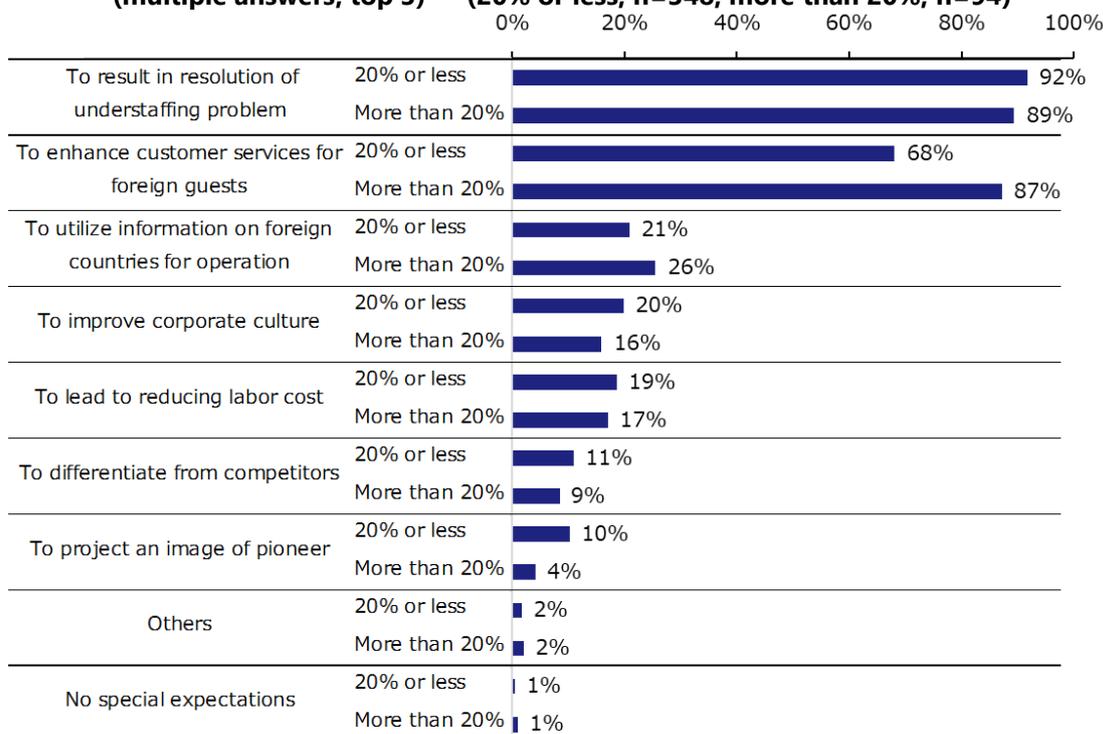


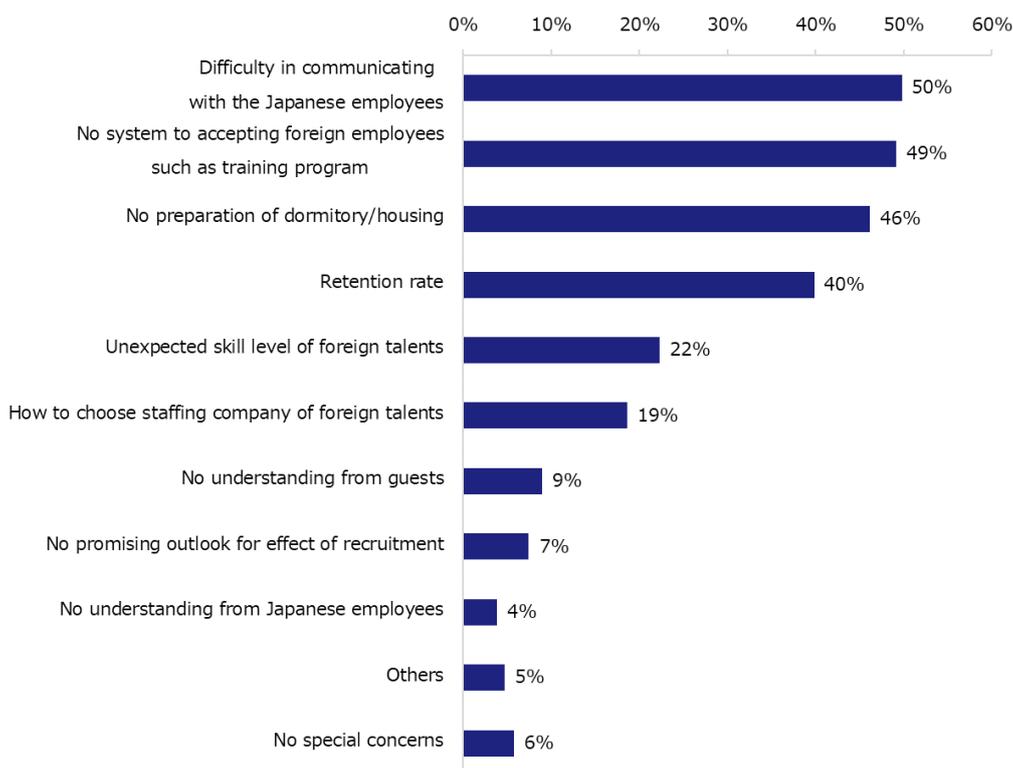
Figure 35 analyzed the expectations on foreign employees by the percentage of foreign guests. Although there were no large differences in almost every issue, a sole gap was observed in the issue “to enhance customer services for foreign guests,” which was indicated by 87% of the “more than 20%” group and by 68% of the “20% or less” group.

Figure 35: Expectations on foreign employees by the percentage of foreign guests (multiple answers, top 3) (20% or less, n=348; more than 20%, n=94)



Furthermore, we asked the top 3 concerns about recruitment/acceptance of foreign employees. **(Figure 36)** Their top concern was “difficulty in communicating with the Japanese employees” (50%), which suggested half of the hotel business entities had a problem in communicating with foreign people. Also, a larger percentage of hotel business entities were not prepared for accepting foreign employees as shown by “no system to accepting foreign employees such as training program” (49%) and “no preparation of dormitory/housing” (46%).

Figure 36: Concerns about recruitment/acceptance of foreign employees (multiple answers, n=472)



Our hearing from the hotel business entities revealed that their ideas and policies on recruitment of foreign employees varied among them. Among those having their hotel in a metropolitan area or sightseeing resort busy with foreign guests, some were “hiring foreign employees for both purposes of resolving understaffing and treating foreign guests” but others were “not thinking to hire foreigners to treat foreign guests.” The reasons for positive hiring included “Their diligent work receives a high mark from guests,” whereas those for passive hiring included “Foreign employees need longer hours of training,” and “The communities of foreigners make it easier for them to switch to another hotel with better conditions.”

Among the respondents having their hotel in a provincial area which is not busy with foreign guests, there were more opinions for passive recruitment of foreign employees. The reasons included “no responses to our recruiting announcement” and “even though hiring them directly, many of them returned to their home country in a short period or moved to a big city like Tokyo.”

Voices of the hotel business entities:

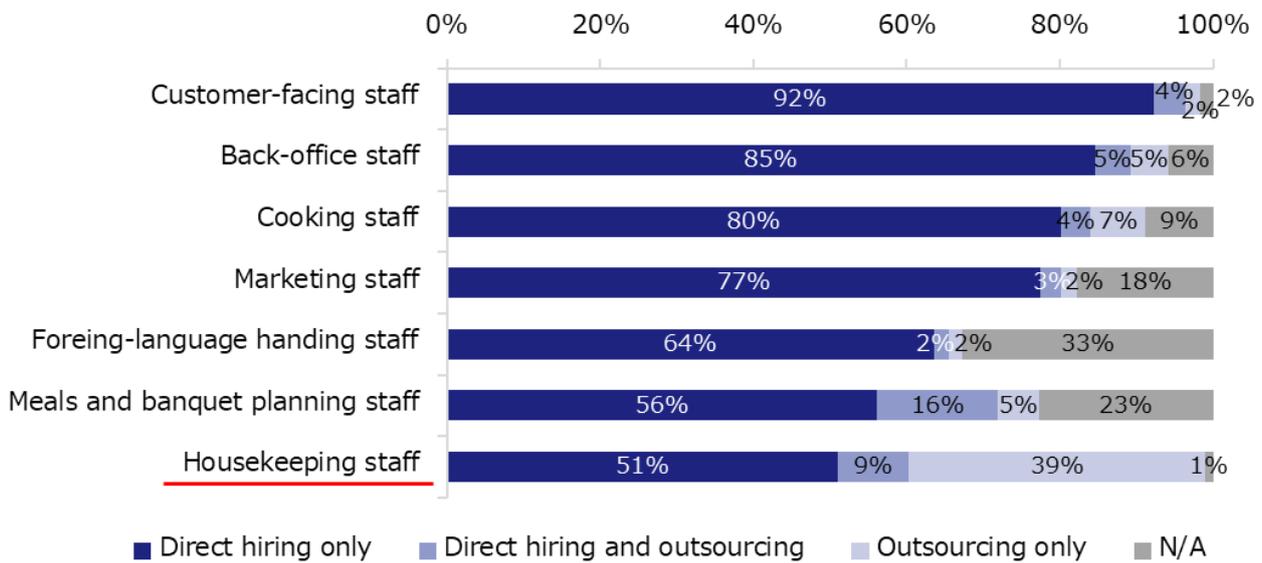
- We are considering and will implement the training seminars and the measures to bridge a communication gap between the Japanese employees and the foreign workers that is created by the differences in their culture and values. (Hokkaido)

- Because our hotel is in the area busy with foreign guests, we create a partnership with a school near the area to hire foreign students all the time. We have prepared their dormitory and training manuals. Many of the students are excellent and good help. (Hokkaido)
- To hire diverse workers such as foreigners and LGBTQs, we participate in recruitment events such as "career fair" proactively. (Yamanashi)

The status of outsourcing in the primary hotels

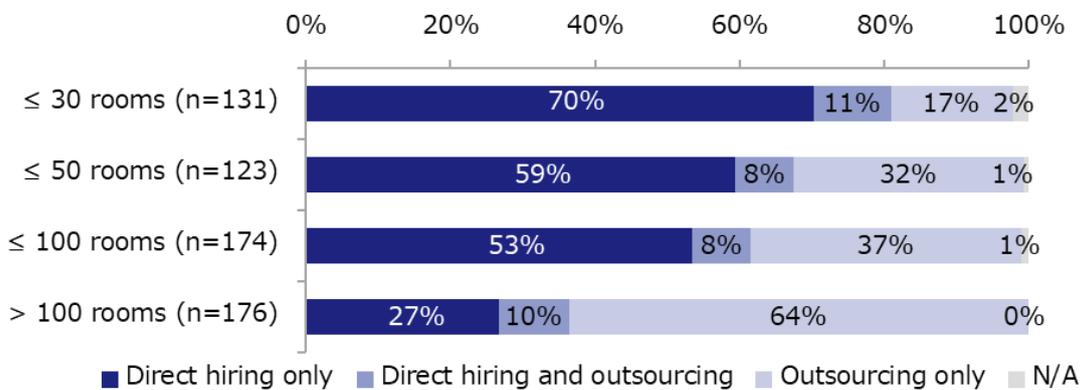
Figure 37 shows the result of our question on the status of outsourcing in the primary hotels. Large percentages of the respondents keep "customer-facing staff" and "back-office staff" by their direct hiring only, while the percentage of "outsourcing only" was much higher regarding "housekeeping staff" than other duties.

Figure 37: The status of outsourcing (n=615)



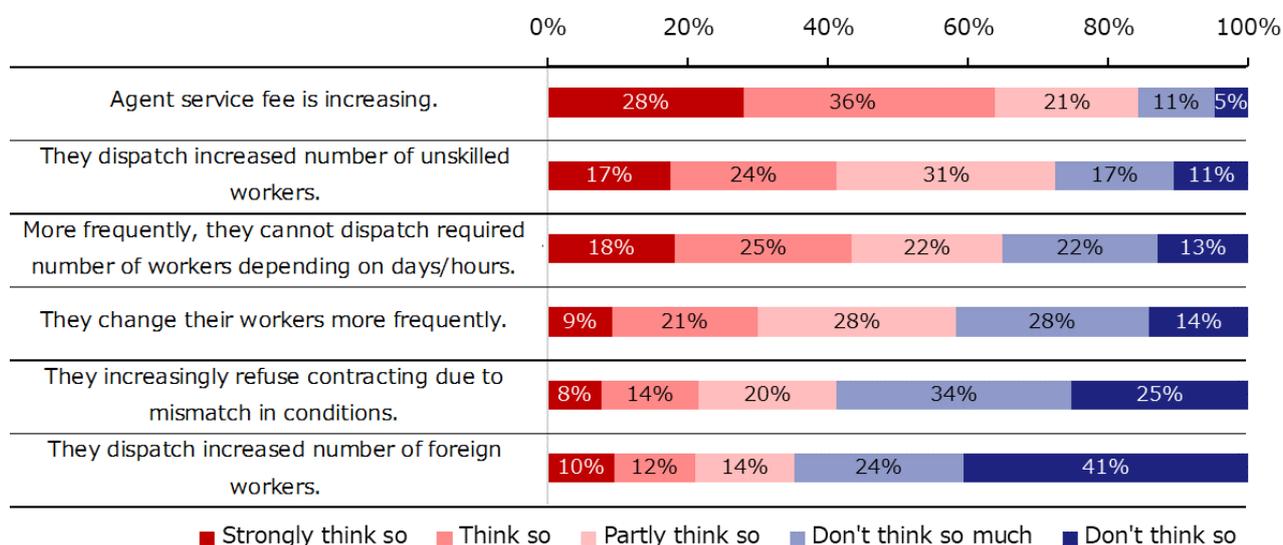
Our analysis on the outsourcing status of housekeeping by the number of guest rooms indicated that more than 60% of the hotels having more than 100 guest rooms relied on outsourcing. (Figure 38)

Figure 38: The status of outsourcing of housekeeping staff (by number of guest rooms)



We asked the hotel business entities that chose “direct hiring and outsourcing” or “outsourcing only” in **Figure 37** what they thought of their outsourcing contractor. **(Figure 39)** About 80% (the total of “Strongly think so,” “Think so,” and “Partly think so”) of them thought that “Agent service fee is increasing.”

Figure 39: What the hotel business entities thought of their outsourcing contractor (n=351)



According to our hearing from the hotel business entities, many of those outsourcing their housekeeping duties seemed to think of increased agent service fee as a challenge for their management. One of the factors to cause an increase of agent service fee is labor shortage. The situation is serious as indicated by their voices such as “There are hotels that cannot supply bed linen as well as hotels that cannot open all their guest rooms because bedmaking cannot be done due to shortage of cleaning staff. 5 years ago, it was said that the Japanese workers did not apply for the job, but now even the foreign workers do not apply” and “Outsourcing companies sometimes do not accept a job regardless of money.” One of them mentioned, “We should accept an increase of agent service fee to open our guest rooms, although outsourcing contractors have managed to operate so far.”

Even for those hiring housekeeping staff directly, “it is difficult to recruit cleaning staff despite our announcement.” One of them were “outsourcing the operation of 2 floors because of understaffing, out of 6 floors in total.”

Another hotel business entity suggested, “Too much demand for housekeeping, and supply cannot catch up. The problem must become a crucial factor for a hotel to survive in future.”

Voices of the hotel business entities:

- Because our outsourcing contractor for cleaning jobs has a difficulty in retaining sufficient number of workers, we strongly concern about declined level of their services, and the most about decreased revenue and profit caused by it. We are carefully considering our necessity to change check-in/check-out time in future. (Aomori)
- With a small number of linen supply companies, increased prices of bed linen led directly to an increase of guest room charge. It seems that current situation is susceptible to the conditions of linen supply companies. (Yamaguchi)

Summary

Our questionnaire and hearing of this time elucidated the current situation of hotel management.

As for the business conditions, an increased number of hotel business entities regarded the outlook as unclear or pessimistic. As the factors that may have impact on future hotel management, more than half of them pointed out "retention of staff (understaffing)," "further aging of building and facilities," "increased cost of outsourcing," "natural disasters," "foreign guests," and "oversupply of hotels in surrounding area" (in the order of highest percentage to lower).

When we analyzed their initiatives to improve their building and facilities by the year when the construction of their primary hotel had been completed, the percentage of "Necessary but not possible" answers was higher in the "before 2000" group than that in the "2000 or after" group by 15 percentage points or more regarding "renovation of building/shared space," "introduction of individual air-conditioning system," "introduction of barrier-free facilities," "introduction of key cards," and "seismic strengthening."

In terms of the state of retention (understaffing), our hearing indicated that many hotel business entities had difficulties in recruiting as well as keeping retention rate. When we saw their understaffing problem by duty, the top duty short of workers was housekeeping (e.g. cleaning, bed linen supply). Although about half of the hotel business entities resorted to outsourcing of housekeeping staff, the outsourcing contractors were also facing a serious shortage of labor, which caused an increase of outsourcing cost. Because the hotel business must continue to have demand for housekeeping that exceeds supply, how to secure cleaning/bed linen staff adequately will become a key to a successful hotel management, amid continuous new supply of hotels.

In future, the competitive advantages of hotels may become apparent depending on how to deal with the issues indicated by this survey.

Xymax REI will continue to conduct our research on hotel business and release useful information.

Survey Overview

Survey period	August - December, 2019
Target respondents	<p>A total of 3,289 companies selected from the data of Tokyo Shoko Research (TSR)</p> <p>Geographical coverage: Nationwide</p> <p>Sales: 50 million – 5 billion yen</p> <p>Business classification: The companies registering themselves as doing hotel business as their “primary” or “secondary” business</p>
No. of valid responses	<p>Questionnaire: 628 companies; response rate, 19.1%</p> <p>Hearing: 16 companies</p>
Survey method	Questionnaire by email/website and hearing
Topics covered in the survey	<p>I. About the company and its hotels</p> <p>The year of starting hotel business, total number of operating buildings, total number of guest rooms, location, hotel type, the percentage of foreign guests, etc.</p> <p>II. Current status of operation in the hotel</p> <p>Business conditions, the building and the facilities, disaster control measures, recruitment of foreign workers, understaffing, outsourcing, etc.</p>

* The percentage mix in the charts contained in this report are rounded to the nearest integer and therefore may not add up to 100%.

* In the charts or this report, non-respondents were excluded from the calculation for each analysis..

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