

MANATECH

RESEARCH REPORT

Navigating the Modern Hospitality Landscape: Staffing, AI Integration, and Economic Resilience

Executive Summary

The hospitality industry in 2025 and 2026 is characterized by a "two-speed" reality: record-breaking top-line sales figures contrasted against severely squeezed margins and persistent labor shortages. In New Zealand, annual sales reached a record NZD 15.99 billion by mid-2025, yet labor costs have hit an all-time high of 40% of revenue. In Australia and North America, the narrative is dominated by a shrinking labor pool, with 54% of operators citing recruitment and retention as their primary concerns.

To combat these pressures, the industry is undergoing a fundamental shift toward "Agentic AI" and automation. Once the exclusive domain of global giants like McDonald's, enterprise-grade AI—capable of predicting no-shows, automating phone reservations, and optimizing labor schedules—is now accessible to independent and regional operators. Data indicates that strategic AI implementation can reduce no-shows from 34% to 5% and improve scheduling accuracy by 20%, offering a vital lever for long-term sustainability in an era of high fixed costs and reduced discretionary spending.

Detailed Analysis of Key Themes

1. The Persistent Labor Crisis and Staff Retention

Despite record employment numbers in some regions, the hospitality sector faces a structural staffing crisis.

- **Causes of Shortages:** Research highlights that pay, burnout, harassment, and unreasonable demands are primary drivers. In Australia and New Zealand, 67% of chefs work more than 38 hours weekly, while 60% of general hospitality workers have experienced bullying or harassment.
- **Retention vs. Recruitment:** Retention issues are twice as prevalent in hospitality compared to other sectors (27% vs 13%). Operators are finding that increasing wages is often not enough; the focus is shifting toward "lifestyle fit," including transparent scheduling and professional development.
- **The Skills Gap:** While entry-level roles are becoming easier to fill due to migrant arrivals, 72% of businesses report extreme difficulty in filling senior front-of-house and kitchen positions.

2. The AI ROI Roadmap: From Novelty to "Electricity"

By 2026, AI is no longer viewed as a "cool tool" but as essential infrastructure—comparable to electricity—that should be embedded and invisible.

- **High-ROI Use Cases:**
 - **Inventory & Purchasing:** AI turns sales patterns into smarter prep and ordering, reducing food waste which can account for 4%–10% of purchased food.
 - **Labor Forecasting:** Moving away from "staffing by gut feel," AI uses historical sales data and external factors (like weather) to align staffing with sales reality, reducing over-scheduling by up to 22%.
 - **Automated Phone Handling:** AI voice tools eliminate the "black hole" of missed calls during rushes, handling routine inquiries and reservations to protect revenue.
- **Common Pitfalls:** Operators are cautioned against "point solutions" (multiple disconnected tools) and "replace the manager" fantasies. AI is designed to augment, not replace, human hospitality and culture.

3. Revenue Recovery: No-Show Mitigation

No-shows are identified as "silent profit killers," typically accounting for 5% to 20% of bookings.

- **Predictive Modeling:** Modern systems analyze guest history, booking channel, and even weather to score the risk of a no-show.
- **Case Study Results:** AI-powered SMS confirmation sequences (24-hour, 4-hour, and 1-hour touches) have helped venues like Bella Vista Bistro reduce no-shows from 34% to 5%.
- **Dynamic Overbooking:** Sophisticated AI recommends optimal overbooking levels based on real-time risk assessments, ensuring maximum table yield without guest frustration.

4. Economic Divergence and Regional Trends

The industry is experiencing a "two-speed economy," particularly evident in New Zealand and major metropolitan hubs.

- **Tourism vs. CBD:** Export-driven and tourism-focused regions (e.g., Nelson and Queenstown) are seeing double-digit growth. Conversely, Auckland and Wellington CBDs struggle as office occupancy remains 35%–40% below pre-pandemic levels.
- **Consumer Shift:** Takeaway food services are outperforming traditional cafés and restaurants as consumers seek "affordable luxuries" while cutting back on full-service dining due to inflation.

Important Quotes with Context

On the Reality of AI Implementation

"AI won't feel like a novelty. It'll feel like electricity: expected, embedded, and invisible when it's done right."

- **Context:** From the 2026 ROI Roadmap for owners, emphasizing that the focus must be on practical benefits like speed and accuracy rather than "sci-fi promises."

On Labor Costs and Margins

"Every dollar of the 1.4 percent sales growth over the past year has been earned against substantial cost increases that continue to pressure margins across the sector."

- **Context:** Marisa Bidois, CEO of the Restaurant Association (NZ), explaining that record sales figures are misleading because they are offset by food price inflation (4.6%) and record-high labor costs (40%).

On the Human Element of Hospitality

"AI can summarize trends, flag issues, and suggest actions. It cannot set culture, coach performance, or create hospitality."

- **Context:** A warning from industry consultants against the "replace the manager" fantasy, stressing that AI should free managers to spend more time on the floor with guests and teams.

On Scheduling and Retention

"Before, we would have to wait for a photo of our schedules... When HotSchedules came out, you never wondered when your shift was."

- **Context:** A hospitality worker highlighting how transparent, accessible mobile scheduling reduces employee anxiety and improves work-life balance, which is critical for retention.

Actionable Insights for Operators

Strategic Staffing

- **Sponsor Overseas Workers:** Utilize industry labor agreements to hire skilled workers (managers and chefs) where local talent is unavailable.
- **Optimize Job Ads:** Shift ads to focus on company culture, values, and specific benefits to appeal to talent in a shrinking pool.
- **Cross-Training:** Train staff to handle multiple roles to increase operational flexibility during lean shifts.

AI and Automation Rollout (90-Day Plan)

Timeline	Objective	Action Steps
Days 1–15	Identify Pain Points	Choose one high-cost problem (waste, overtime, or missed calls) and define 3–5 KPIs.
Days 16–45	Data Hygiene	Standardize recipes, prep yields, item naming, and job codes to ensure AI has clean inputs.

Timeline	Objective	Action Steps
Days 46–90	Pilot & Scale	Run a pilot in one location or during one daypart. Scale only after measurable KPI movement is seen.

Operational Efficiency

- **Implement "Agentic" Communication:** Use AI "inboxes" (like Navi Host) to unify WhatsApp, Instagram, and SMS inquiries, allowing front-desk staff to focus on in-person guest experiences.
- **Dynamic Table Management:** Move beyond tracking occupied tables to using AI that predicts turn times based on party composition and order history.
- **Predictive No-Show Strategies:** Implement a multi-touch SMS confirmation strategy. Personalized messages (referencing guest name or previous visits) can increase response rates by up to 23%–31%.

Financial Management

- **Monitor Labor % vs. Sales:** Calculate labor costs as a percentage of total sales (Target: 25%–35%) and use AI forecasting to prevent both understaffing (lost sales) and overstaffing (wasted labor).
- **Menu Engineering:** Use AI-supported reporting to identify "money-maker" items that are currently buried on the menu and cut items that slow down the kitchen line during peaks.

Want to explore this topic further?

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