

# HoReCa: AN ECONOMICAL SECTOR WHICH REINVENTS ITSELF

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## Abstract

*This paper provides an overview of current trends and challenges within the Hospitality, Restaurant, and Catering (HoReCa) industry. It examines how the industry is responding to these new paradigms, particularly focusing on the evolution of Food and Beverage (F&B) activities to offer guests a distinctive and immersive experience, fostering a sense of belonging. Additionally, it explores how Hospitality and F&B sectors are addressing guest expectations aligned with Environmental, Social, and Governance (ESG) principles, emphasizing minimalist approaches and proposing solidarity and eco-friendly initiatives. Furthermore, the paper discusses the evolving criteria influencing talent acquisition and retention in the HoReCa sector, particularly emphasizing the adaptability demanded by Generation Z, reflecting ongoing changes in the industry.*

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## 1. Current trends and challenges

In the aftermath of the Covid crisis, both customer and employee expectations have shifted markedly toward a more comprehensive and wellness-oriented approach. This paradigm shift places greater emphasis on environmental considerations and local social engagement within the Hospitality, Restaurant, and Catering (HoReCa) sector. Notably, various segments within the leisure travel industry, including niche markets such as agrotourism and medical tourism, are swiftly adapting their offerings to align with these evolving consumer demands. Concurrently, there has been a discernible evolution in the trajectory of brand development within the HoReCa market. Brands are increasingly focused on delivering distinctive, personalized experiences that prioritize social, solidarity, and environmental concerns, as well as promoting engagement with local activities and communities, fostering Brand loyalty from guests. It is becoming evident that factors aligned with Environmental, Social, and Governance (ESG) principles wield a significant influence over customer satisfaction, the prevalence of direct bookings, and the success of loyalty programs within this industry landscape.

Concurrently, the expanding capabilities of artificial intelligence (AI) are broadening accessibility to a larger audience, thus accelerating the expectations of guests while prompting swift operational adaptations to these continuously evolving approaches. AI technologies are playing a dual role by facilitating the maintenance of essential agility, communication, and responsiveness in daily interactions with HoReCa customers while simultaneously expanding the spectrum of guest expectations.

Moreover, the digitization of the customer experience imposes a constant demand for vigilance and innovation upon hotels. The evaluation of guest experiences through online ratings has become increasingly pivotal as a decisive criterion in booking decisions. The ultimate selection of a hotel or restaurant is significantly influenced by its electronic reputation, often gauged through platforms like TripAdvisor or Google reviews. Consequently, the management of online reputation has become an imperative and ongoing task for hotels and restaurants, requiring consistent monitoring and proactive engagement to maintain a favorable digital presence.

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Within the realm of the Hospitality and F&B sectors, these evolutions also significantly influence the expectations of the emerging generations of HoReCa collaborators. The identification and retention of talent are notably impacted by various factors, including but not limited to, the provision of work-life balance, opportunities for autonomy in the workplace, the commitment of companies towards ESG initiatives, and the implementation of expedited training programs aimed at swiftly cultivating individual expertise.

These examples stand as pivotal indicators of the substantial transformations currently underway within the Hospitality and F&B sectors. These industries have undergone more profound changes in the past three decades than in the entirety of the preceding century, signifying a rapid and dynamic shift in the landscape of employment and organizational paradigms.

## **2. Focus on an «old new» creative proposition: local F&B activities**

Niche markets have exhibited robust growth, presenting novel prospects to customize and tailor unique experiences for guests within the hospitality industry. Proposals from contemporary hotels and restaurants are characterized by a strong emphasis on local hospitality benchmarks, indigenous cuisine, and community connections as fundamental components.

The era shaped by the Covid-19 pandemic has solidified the role of F&B activities as conduits for conviviality and entertainment, generating distinct local ESG experiences for guests, thereby fostering their loyalty. F&B offerings are increasingly locally oriented, demonstrating reverence for local environmental and social considerations. Proximity, community engagement, traceability, and the quality of locally sourced food have emerged as sought-after criteria appreciated by guests.

Over a span of fewer than two decades, F&B has evolved into a symbol of quality and a catalyst for a reinvented guest experience, enriching the overarching ambiance of hotels on a global scale. The deliberation of ESG issues, the provision of wholesome cuisine, and the creation of an enjoyable atmosphere converge to create a profound «human touch» at the core of hotel activities. These elements constitute pivotal facets of the value proposition put forth by hotels seeking to meet evolving guest preferences and industry standards.

## **3. Transformation of the F&B Experience: Evolution into an Integrated Culinary and Entertainment Experience**

Luxury goods industries (Hospitality ON, 2022) are making notable forays into the F&B niche market, offering a fusion of sensory experiences aimed at fostering a sense of belonging among consumers. Recognizing that F&B embodies passion through culinary art, lifestyle narratives, and storytelling, these industries acknowledge its potential as a platform for ESG initiatives, such as combating food and water waste, advocating for local produce, and embracing sustainable packaging practices.

This shift in perspective within the luxury industry underscores a departure from solely product-oriented strategies to recognizing F&B as a means to curate entertainment and unique experiences that cultivate a sense of community. Esteemed brands like Christian Dior (with cafes in Saint-Tropez, Tokyo, Seoul, and Miami), Giorgio Armani, Bulgari, Chanel, and Vuitton (Fashion Network, 2022) have strategically invested in F&B activities. Their strategic move highlights a profound understanding of the opportunity to offer customers an unparalleled guest experience, anchored in environmental and social considerations, thereby fostering a sense of community engagement towards ESG objectives.

Following the prior entries of OLTA and Airbnb into the HoReCa market, the luxury industry's current entry into the realm of luxury hospitality and F&B markets signifies an acceleration in the convergence of these domains. This trend marks a significant interpenetration between luxury industries and the hospitality sector, indicating a transformative phase in the way these markets intersect and evolve.

## **4. Adaptive Evolution of the HoReCa Sector: Heightened Awareness and Engagement with ESG Challenges Inherent to its Operations**

The hospitality sector assumes a role in global water consumption and carbon footprint, with complex supply chains that may pose challenges in ensuring sustainability across all operational facets. Specific

aspects such as packaging and food/water waste present notable challenges within certain segments of the industry.

Nevertheless, the hospitality industry is cognizant of these challenges and recognizes the critical importance of action plans and solutions for the well-being of both guests and employees. Efforts are being consistently implemented, focusing on measurable and quantifiable action plans to reduce carbon emissions. These initiatives encompass progressive elimination of single-use plastics from guest experiences, the systematic inclusion of locally sourced foods in F&B offerings, the integration of organic goods certified by agroecology labels, and concerted efforts to minimize food and water waste (in collaboration with organizations such as « Too Good to Go » for instance). Additionally, there is an increasing emphasis on involving employees in solidarity initiatives through company foundations, supporting mentoring programs, and gradually adjusting gender parity. The promotion of environmentally friendly buildings, validated through specific construction ecolabels, and the introduction of ESG labels for regular operations audits are also being actively pursued.

Financial investments and human resources are consistently allocated to various domains within the hospitality industry, including the establishment of ad hoc solidarity funds and the incorporation of an ESG component within yearly bonuses for employees and management representatives, contingent upon the successful implementation of sustainable solutions verified by independent professional bodies. Furthermore, systematic reporting, following the guidelines outlined in the "EU Taxonomy for Sustainable Activities Regulations," is being prioritized.

## **5. The Growing Influence of Generation Z in Hospitality: ESG and Circular Economy Awareness Among Guests and Employees**

The COVID-19 pandemic has redefined working life balance, the prioritization of objectives, and the anticipations of employees engaged within the HoReCa sector, particularly among the younger demographic cohorts.

Notably, foundational elements such as inclusion, diversity, social mobility, and training, which have conventionally formed the bedrock of the Hospitality & Restauration industry, are increasingly sought after by the Generation Z population. They advocate for a heightened emphasis on these traditional pillars, advocating for their comprehensive integration into daily business operations.

Talent acquisition and retention within the HoReCa sector now extend beyond conventional considerations to encompass specific sensitivities of the Generation Z workforce. These include the balance between professional and personal life, well-being, ESG concerns, the pursuit of a meaningful vocation (*raison d'être*), digitalization, cross-functional management, real-life connections, enhanced decision-making autonomy and opportunities for competency development.

In light of the people-centric nature of these enterprises, an increasing number of European hotel chains are cultivating enduring partnerships with universities and business schools, primarily focusing on training initiatives. Education systems across diverse European nations, exemplified by initiatives such as Germany's "Azubis Program," France's "CFA or Apprentissage", Scandinavian countries' programs and various other European educational schemes, are instituting long-term training programs integrating theoretical classroom learning with extensive practical on-the-job experiences, spanning durations of 12 to 36 months within hotel and restaurant settings.

This blended approach facilitates the seamless integration of students into their chosen field, providing ample time and opportunities to comprehensively acquaint themselves with working conditions and assess the alignment between their professional expectations and the realities of the industry. This strategic approach has notably gained traction within the HoReCa business domain in recent years, significantly enhancing students' prospects of promptly securing desired employment while offering substantial support to the hospitality industry in attracting and retaining motivated and dynamic talents.

## 6. Conclusions

After the Covid crisis, the expectations of both customers and employees have clearly shifted towards a more comprehensive, lifestyle and wellness-oriented approach. This paradigm shift places greater emphasis on environmental aspects and local social engagement in the Hospitality, Restaurant, and Catering (HoReCa) sector. In parallel, AI technologies play a crucial role in the day-to-day operations of HoReCa sectors: a dual role by facilitating the maintenance of agility, communication and responsiveness in daily interactions with HoReCa customers, fostering their loyalty to brands while broadening the spectrum of guest expectations. In addition, the digitalization of the customer experience requires hotels to be constantly vigilant and innovative. The evaluation of guest experiences through online reviews is increasingly becoming a decisive criterion for booking decisions and for customer brand loyalty.

These industries have undergone more profound changes in the last three decades than in the entire previous century, signifying a rapid and dynamic shift in the landscape of employment and organizational paradigms. The era marked by the Covid-19 pandemic has cemented the role of lifestyle brands and F&B activities as channels for socializing and entertainment, providing guests with distinctive local ESG experiences that foster loyalty. F&B offerings are increasingly locally focused and demonstrate respect for local environmental and social considerations.

In parallel, the luxury goods industry has recently been making greater inroads into the niche F&B market, offering a fusion of sensory experiences designed to evoke a sense of belonging in consumers. This shift in perspective within the luxury industry (e.g., Christian Dior, Armani, Chanel, Louis Vuitton) underscores the move away from purely product-driven strategies and the recognition of F&B as a means of curating entertainment and unique experiences that foster a sense of community. Following the earlier entries of OLTA and Airbnb into the HoReCa market, the current entry of the luxury industry into the luxury hospitality and F&B markets marks an increasing interpenetration between the luxury industry and the hospitality industry and points to a transformative phase in the way these markets intersect and evolve.

The growing influence of Generation Z in the hospitality industry is increasing awareness of ESG and the circular economy among guests and employees. This fact, already recognized by the HoReCa industry, has gained significant traction in its business sector in recent years.

Attracting and retaining talent in the HoReCa industry now goes far beyond conventional considerations and also encompasses the particular sensitivities of Generation Z. These include work-life balance, well-being, ESG concerns, the pursuit of a meaningful vocation (*raison d'être*), digitalization, cross-functional management, real-life connections, greater decision-making autonomy and skills development opportunities.

Major human, social, technological and environmental challenges... for which the main players in the HoReCa sectors are actively and regularly preparing in order to offer the best adapted services to guests and employees of the new generations.

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