



tourism  
INDUSTRY

ASSOCIATION NEW ZEALAND

**Domestic Tourism Marketing -  
Recommendations for ongoing work**

**24 April 2006**

## Purpose

1. The purpose of this paper is to provide a follow-up to the Tourism Industry Association of New Zealand (TIA) discussion document *Domestic Tourism Promotion* (September 2005), and to consider and recommend further actions to address the issues identified in that document.
2. This paper considers:
  - a summary of the key issues for domestic tourism;
  - the issues that the tourism industry has identified as being of a high priority to address and resolve; and
  - recommendations from the tourism industry for further work and research to gain a better understanding of domestic tourism.

## Background and process

3. In September 2005, TIA released a document titled *Domestic Tourism Promotion*. The paper provided a comprehensive assessment of the issues behind the flat performance of the domestic tourism market. The purpose of the paper was to present the relevant issues to promote informed discussion within industry on domestic tourism, a critical part of the sector which has tended to be taken for granted.
4. In December 2005, TIA convened a meeting of more than twenty key stakeholders (refer list attached as Appendix 2) to consider the *Domestic Tourism Promotion* paper. At this meeting, participants identified a number of recommendations, including priorities for research to gain a better understanding of the domestic tourism industry. These recommendations are to be:
  - discussed at the strategy meeting convened by the Minister of Tourism, Hon Damien O'Connor at Parliament on Thursday 27 April; and
  - forwarded to the inter-agency working group the Government last year proposed be established to investigate the performance of the domestic tourism industry.

## Summary of issues behind the poor performance of domestic tourism

5. The TIA document *Domestic Tourism Promotion* identified a number of factors behind the flat performance of the domestic tourism industry. These included:
  - a) The recent high relative value of the New Zealand dollar, especially in 2004 and 2005, against such currencies as the Australian and United States

dollar, British pound and the Euro, enticing more New Zealanders to travel overseas<sup>1</sup>;

- b) The growth in low cost airlines (e.g. Emirates, Jetstar, Pacific Blue), flying from New Zealand to destinations in Australia and the South Pacific, resulting in “bargain basement” airfares and package holidays often at a lower cost than a local holiday;
- c) A significant increase in flights to Australia, especially from regional gateways in New Zealand to secondary cities in Australia (e.g. Hamilton and Dunedin to the Gold Coast), as a further factor influencing the ease and affordability of trans-Tasman travel and holiday options;
- d) The ability for consumers to easily purchase these holidays on the internet in a single transaction;
- e) The ease of travel across the Tasman, facilitated by the free movement of goods and people, streamlining of customs and immigration procedures, along with a perception that some New Zealanders are now viewing travel to Australia as a “domestic journey”;
- f) A lack of package holidays for sale in New Zealand (e.g. Ski Express packages) due to the nature of domestic airfare pricing and the difficulty in wholesalers securing competitive inclusive tour airfares to package such holidays;
- g) Australian research suggesting their domestic tourism market is being affected by a consumer shift away from intangible goods and use of discretionary income to tangible goods such as housing – similar perceptions are beginning to emerge in New Zealand<sup>2</sup>;
- h) A Federal funded campaign by the recently established Tourism Australia with extensive multi-media exposure in New Zealand, including TV advertising (the “marvellous” campaign), magazines, newspapers and website pop-ups; and other “below the line” campaigns;
- i) Anecdotal evidence suggesting a lack of awareness and understanding by New Zealanders of the excellent visitor destination New Zealand now is and the range of accommodation activity options and attractions available; and
- j) Constraints in leveraging key sporting/conference/other events due to small venue sizes and limited regional infrastructure (e.g. limited opportunity to promote the Rugby Sevens as a result of small venues and limited accommodation availability).

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<sup>1</sup> Influenced by relative weakness of U.S. dollar.

<sup>2</sup> Tourism Forecasting Committee Forecasts April 2005, Tourism Research Council, Australia

## Summary of priority issues

6. On 12 December 2005, a number of tourism industry stakeholders met to consider the issues in this document. These stakeholders included representatives from central government (Tourism New Zealand and the Ministry of Tourism), the regional tourism organisations, accommodation providers, airlines, surface transport and attraction businesses.

These stakeholders concluded that:

- a) A slowing economy, higher interest rates, less discretionary income and increasing fuel prices, while reducing the numbers of New Zealanders holidaying offshore, is likely to impact on domestic tourism expenditure. This makes it even more essential for the industry to gain a better understanding of the domestic market as soon as possible;
- b) Inbound tourism has grown significantly over the past five years. While this has significantly benefited our industry, it has led to domestic tourism being comparatively ignored even though it still makes up approximately 55% of visitor expenditure. It is now timely for domestic tourism to be reaffirmed as a critical part of the New Zealand tourism industry by both the government and our industry;
- c) Government involvement is essential and the industry believes leadership from central government is critical to a revival in domestic tourism, particularly as a “cheerleader” in the promotion of regional tourism ventures. In their 2005 election manifesto, the Labour Party pledged to “engage with sector interests to maximise yield, seasonal and regional spread and foster domestic tourism development”;<sup>3</sup>
- d) An appropriately resourced and researched public/private sector partnership is needed to supplement the government’s involvement – previous campaigns such as “don’t leave town until you’ve seen the country” are understood to have been largely unsuccessful in keeping New Zealanders on shore;
- e) Regional marketing campaigns have generated benefits for many parts of the country, but there is no single national organisation or agency with a focus on the domestic tourism market for driving research and developing industry strategy. Work is needed to identify ways to improve regional marketing collaboration, better use existing information channels (e.g. the ‘i-SITE’ network), and promote the concept of domestic travel to New Zealanders;
- f) New Zealand tourism needs to become even smarter at leveraging off events (including conferences). The country has done well internationally by leveraging off films such as Lord of the Rings. There is further potential, however, to use conferences and events such as sports games to

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<sup>3</sup> Tourism Policy 2005, Labour Party website, [www.labour.org.nz](http://www.labour.org.nz)

generate more value from domestic tourism in the shoulder and low seasons in particular;

- g) The value of the New Zealand dollar through much of 2004 and 2005 relative to other currencies has been a major factor in the flat performance of the domestic tourism market. While this has partially corrected in 2006, the industry can only prosper on the basis of its value and quality, and not being a 'cheap' market internationally; and
- h) More research is necessary to enable informed marketing decisions to be made on how to increase domestic tourism. The research needs are outlined in the next section.

## Research requirements

7. Stakeholders identified the key research needs as being to determine and understand:
  - a) Consumer demand, domestic tourism market niches, motivations for travel, holiday patterns, and factors that influence buying decisions. This research must also consider these factors within the context of the competitive Australasian, Pacific and Asian tourism markets;
  - b) The effect of lifestyle and demographic changes (e.g. two working parents, 24/7 economy) on opportunity to holiday and desired type of holiday as well as issues relating to the 'self drive' segment and the impact of fuel increases;
  - c) If the local product offered meets the needs and expectations of local consumers in terms of quality, type, price/affordability, packaging and best distribution channels;
  - d) The growth in different types of accommodation/transport sectors and the impact that these may have on traditional indicators/measures. This might include the impact of traffic congestion out of Auckland and Wellington, particularly over peak holiday periods;
  - e) The impact of exchange rates on both the international and domestic component of the tourism industry;
  - f) The experience of other countries to identify best practice domestic marketing campaigns. Others have been down this path and knowledge of the results and return of investment (ROI) on campaigns run by Australia, Canada, the USA (e.g. Wyoming, California, Florida), the UK and South Africa would be most useful;
  - g) Further investigation into the development and packaging of domestic product for local consumers. This might require research on :
    - i. how accommodation and transport services are best packaged to create domestic travel products that are attractive in the

- way that international travel packages are (e.g. 7 nights in Fiji or Port Douglas including airfares, accommodation and transfers);
- ii. pricing strategies to make the domestic market more attractive to New Zealanders while ensuring operators get a good commercial return; and
  - iii. the most appropriate distribution mechanisms to use for the domestic market (e.g. booking via a travel agent, i-SITE centre or the internet).

## Recommendations

8. On behalf of its Members, TIA recommends the following course of action to the Minister of Tourism:
  - a) That Government convene an inter-agency working group involving the tourism industry and central government representatives to consider the issues identified in this document and to agree on a work programme to address the priority issues identified, in particular
    - i. That this group recommend the makeup, responsibilities, resources and governance of a public/private sector partnership to take ownership of domestic tourism marketing;
    - ii. That this group have access to the necessary resources to get market research under way as soon as possible, in conjunction with the Tourism Research Council and the Ministry of Tourism;
    - iii. That this group communicate to central and local government the constraints placed on revenue generation from events by limited event and accommodation infrastructure;
  - b) That the Government ensure tourism is prominently featured in its domestic business initiatives such as Export Year 2007 and the Buy Kiwi Made Programme; and
  - c) That the Government engage with sector interests to maximise yield, seasonal and regional spread and foster domestic tourism development, consistent with its 2005 election manifesto pledge.

## **Appendix 1**

### **TIA and Tourism**

The Tourism Industry Association New Zealand (TIA) represents the interests of over 2,000 businesses in the tourism industry. As a member association it has an independent advocacy role by championing the concerns of its members with government and other decision-makers.

Tourism is a \$17.2 billion industry and generates 18.5% of New Zealand's exports. The domestic component of the industry contributes \$9.8 billion to New Zealand's economy. The tourism industry directly and indirectly employs 1 in 10 New Zealanders in a diverse range of businesses. The majority of these are small and medium sized enterprises. Not only is tourism important because of its size, as well as being 9.4% of New Zealand's GDP, it is also:

- Highly employment intensive; and
- Regionally dispersed

The tourism industry in New Zealand consists of more than 8,000 small and medium sized businesses. Of these businesses, most employ less than five people.

New Zealand currently welcomes around 2.370 million overseas visitors to its shores every year. The domestic tourism industry is also important in helping to sustain a vibrant tourism industry.

*(Statistics are sourced from the Tourism Satellite Account, June 2005 and refer to the year ended March 2004)*

***Tourism Industry Association New Zealand (TIA)  
April 2006***

## Appendix 2

### Participants: 12 December 2005 stakeholder meeting

John Collyns	Bus & Coach, and Rental Vehicle Associations
Bruce Robertson	Hospitality Association of New Zealand
Tim Cossar	Positively Wellington/Regional Tourism Organisations of New Zealand
Jim Little	Reserve Group
Danielle Genty-Nott	Duxton Hotels New Zealand
Jan Hindson	Tourism Dunedin
Ross Morley	Budget Rent a Car
Miles Davidson	Ski Areas Association of New Zealand
Jim Archibald	Tourism Coromandel
Delwyn Mitchell	Air New Zealand
Peter Blackwell	Automobile Association of New Zealand
Dereck Howes	Automobile Association of New Zealand
Louise Fowler	Motel Association of New Zealand
John Sandford	Jasons Travel Media
David Wilks	Tourism New Zealand
Paul Yeo	Travel Agents Association of New Zealand
Trevor Knight	@home NZ
Fergus Brown	Holiday Accommodation Parks New Zealand
Kate Meldrum	Tourism Holdings Limited
Mike Chan	Ministry of Tourism
Malcolm Johns	Intercity
Ross Corbett and Dave Bamford	Tourism Resource Consultants Ltd
Fiona Luhrs, Fiona Morris and David Barnes	Tourism Industry Association