



# STATE OF THE TOURISM INDUSTRY

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2015



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# State of the Tourism Industry 2015

This report examines the last ten years of tourism in New Zealand and gives a snapshot of the current state and performance of the tourism industry. It is the fifth publication in an annual series produced by Lincoln University and the Tourism Industry Association New Zealand (TIA).

The State of the Industry 2015 presents a selection of data drawn principally from Statistics New Zealand (SNZ) with additional data supplied by the Ministry of Business, Innovation and Employment (MBIE), the Reserve Bank of New Zealand (RBNZ), Cruise New Zealand (CNZ), Australian Bureau of Statistics (ABS), Tourism New Zealand (TNZ) and the Fresh Information Company.

The report also presents the results of a New Zealand-wide survey of businesses and organisations associated with tourism, which explored challenges, opportunities and future vision for tourism.

## Executive summary

In the 12 months to March 2015, international arrivals grew by 7.1% to reach 2.948 million with the strongest growth coming from Asia (18.5%) and the Americas (7.5%). In 2015, the top six markets (Australia, China, USA, UK, Japan and Germany) represented 74% of all international arrivals.

Seat capacity on air routes to and from New Zealand increased 4.5% in the 12 months to March 2015. This has potential to increase more in the future with a number of new services scheduled in late 2015 and in 2016. More than half (55.4%) of the tourism businesses surveyed reported that increased air capacity presented an opportunity for their own business and 81.8% reported it as an opportunity for the whole tourism industry.

Increases in international arrivals have increased the total of visitor stay days over the last decade, but the average and median stay days of the six main markets have remained constant. Visitors from China, UK and Germany have the longest median stay days. More than two-thirds (68.4%) of those surveyed reported that changing markets were a challenge facing the tourism industry as a whole, although only a third (33.5%) reported this as a challenge to their own business.

International student arrivals (for less than 12 months) increased by 10% in the 12 months to March 2015, but spending by these students has levelled out. The average spend by international students in 2015 was \$37,352. Altogether, 40% of the tourism businesses surveyed reported that they catered to international students.

The national level data showed that VFR visitors represented almost a third (31.3%) of all international arrivals in 2015. More than two thirds (68.5%) of the tourism

business respondents also reported catering to VFR visitors, illustrating the importance of these visitors across all segments of the tourism industry.

Although the number of cruise voyages, port days and crew arrivals increased in the 12 months to August 2015, the number of cruise passengers was down on the previous year. Just under a quarter (23.9%) of the tourism businesses surveyed reported cruise passengers as customers for their business.

For international arrivals, seasonality remains an issue with strong December and February arrival peaks evident across most international markets. Although visitors from Australia are the most evenly distributed, 13% of Australian arrivals are in December. For most of our international markets seasonality is becoming more pronounced, although it is impacted in individual years by the timing of holiday periods such as Easter, Chinese New Year and Ramadan. Seasonality was the most commonly reported challenge facing the tourism businesses surveyed, with half (50.9%) reporting it as a business challenge and almost half (48.2%) of those people indicating it was the most significant challenge they faced.

After seasonality, the challenges reported by survey respondents as being most significant in respect of their own business were staff and skill shortages (25.6% of respondents), increasing regulatory demands and compliance costs (21.1%) and investment in infrastructure (21%). Amongst the other challenges suggested, lack of capacity at busy times and a wide range of issues associated with staffing and skills were prominent.

Direct tourism employment increased by 5.3%, and indirect tourism employment increased by 5.6%, in the year ended March 2015. However, more than two-thirds (68.1%) of the tourism businesses surveyed reported employing seasonal workers, more than half (54.2%) reported difficulty getting skilled staff, and almost a third (32.4%) reported employing migrant workers.

Overall, commercial guest nights increased by 6.3% in the last 12 months. Altogether, 60% of commercial guest nights are domestic. The importance of the domestic market was also highlighted by survey respondents, with just under a third (30.3%) reporting that their business primarily catered for domestic visitors and 13.9% reporting an equal mix of international and domestic.

International tourism expenditure increased 17% to \$11.8 billion, contributing 17.4% to the total of export goods and services. Domestic tourism expenditure increased 6.3% to \$18 billion. There are differences in expenditure patterns between international and domestic tourists, with the largest proportion of international spending on passenger transport (31%) and the largest proportion of domestic spending on retail (40%). Maximising domestic tourism potential was identified as one of the most significant opportunities by survey respondents.

Tourism expenditure is unevenly spread throughout the regions with Auckland attracting the highest percentage of spend (29%) and Gisborne attracting the lowest



(0.4%). Domestic visitors were responsible for a higher percentage of spend in all but two regions (West Coast and Otago).

Although only a quarter (24.9%) of those surveyed reported that limited regional dispersal was an issue for their business, regional dispersal was also mentioned as a challenge in respect of limited regional promotion, capacity limits and a perceived lack of regional events. More than half (51.3%) of the survey respondents also reported that attracting more visitors to regions presented an opportunity for their business, and 83.3% reported this as an opportunity for the whole tourism industry.

Methodology

### State of the Tourism Industry (SOI) 2015

The State of the Tourism Industry relies heavily on data from the Tourism Satellite Account (TSA). The TSA 2015 report features changes to tourism expenditure and tourism employment, reflecting the use of administrative data sources. The time series, back to 1999, has been updated to reflect these changes.

Domestic tourism expenditure has been revised upwards, primarily due to the development of the Household Tourism Expenditure Estimates (HTEE) by Statistics NZ. These estimates are based on electronic card transaction data and use geographic information to determine tourism spending in New Zealand by New Zealanders. The HTEE represent a significant improvement in the measurement and quality of the tourism value attributed to households.

International tourism expenditure in 2014 has been revised downwards, stemming from an improved methodology in the International Visitor Survey (IVS) undertaken by the Ministry for Business, Innovation and Employment (MBIE). The revisions to IVS expenditure were published by MBIE in March 2015. The IVS is a major component in deriving international tourism expenditure in the Tourism Satellite Account.

Tourism employment estimates have been revised due to Statistics NZ adopting the use of the administrative-based employment source, Linked Employer-Employee Data (LEED). Tourism employment is now reported based on the number of people employed instead of a full-time equivalent measure.

The majority of data are presented for the year ended March 2015; the exception is cruise data which is collated to an August year end.

These data are presented in four sections:

- Tourism in context: the reach of tourism; external and internal risks
- International demand: arrivals; air connectivity; key markets; visit characteristics (purpose and length of stay); niche market; seasonality; spend
- Regional dispersal and domestic tourism: accommodation data; regional expenditure
- Tourism outcomes: export earnings; domestic tourism expenditure; contribution to GDP; employment

## SOI Survey 2015

An online survey was distributed via the membership databases of TIA, New Zealand Airports Association, Backpacker, Youth & Adventure Tourism Association, Cruise New Zealand, Holiday Parks Association of New Zealand, the New Zealand Maori Tourism Council, Motel Association of New Zealand, Regional Tourism Organisations New Zealand, Ski Areas Association of New Zealand, Tourism Export Council New Zealand and the Youth Hostel Association of New Zealand.

The survey was in four parts and collected data on:

- The nature of respondents' involvement in the tourism industry
- Challenges facing the tourism industry
- Tourism industry opportunities
- Vision for tourism in 2025

The survey was accessible online to respondents from early June until the end of July 2015. Altogether 269 surveys were complete enough to be included in analysis presented in this report.

## Technical Appendix

This SOI 2015 report is accompanied by a Technical Appendix which contains:

- Additional data analysis relating to the SOI 2015
- A full sample description and additional data analysis of the SOI Survey 2015
- A copy of the online survey

## Part 1: State of the Tourism Industry 2015

### Tourism in context

#### The reach of tourism

The tourism industry is made up of a wide range of businesses from large stock exchange-listed companies through to small businesses such as bed and breakfast operators. More than 85% of tourism businesses are small-to-medium enterprises (SMEs) and many have fewer than five staff.

Tourism plays a significant role in the New Zealand economy in terms of production of goods and services. It creates employment and directly and indirectly supports 12.1% of the total number of people employed in New Zealand. It generates travel spending by international visitors, resident New Zealanders, and business and government travellers.

Official international tourism expenditure as measured annually by Statistics NZ in the Tourism Satellite Account includes international airfares paid by visitors to resident airlines and spending by foreign students who study in New Zealand for less than 12 months.

Aside from specialised travel and accommodation providers, a number of other sectors also gain benefit from tourism expenditure. The sector provides value to industries within New Zealand that add tourism experiences to their product offering, such as farm stays, factory tours and wineries. Tourism helps drive regional economic growth and supports the revitalisation of towns and communities. This in turn creates employment opportunities and helps build regional pride.

Maori culture adds a unique dimension to tourism in New Zealand. In turn, tourism provides Maori with opportunities to showcase their culture to the world.

#### Internal and external risks

A review of key events impacting New Zealand tourism over the last ten years highlights a range of external and internal risks or vulnerabilities. These include, but are not limited to:

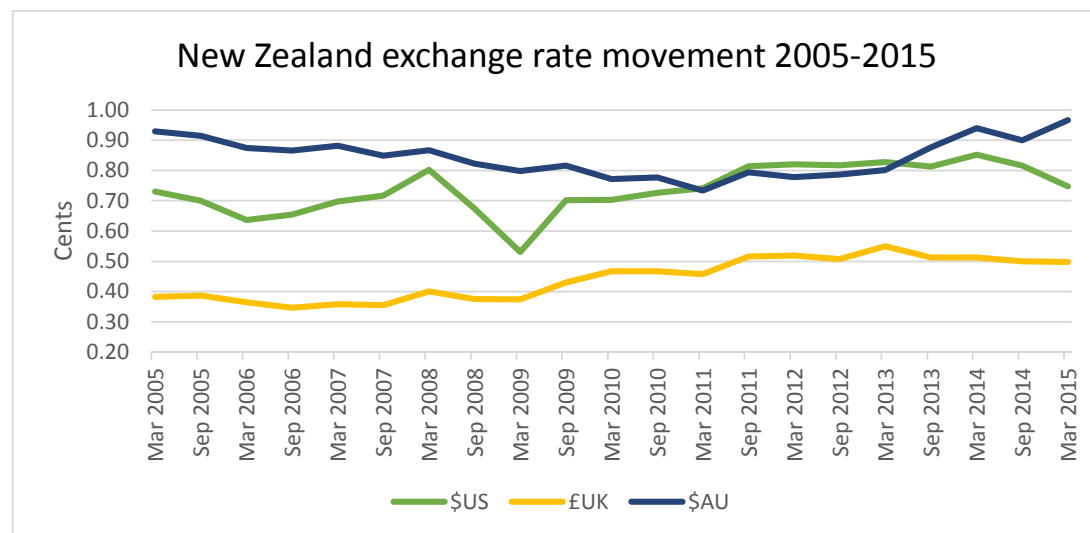
- Geological, e.g. earthquake (Christchurch 2010-11), tsunami (Japan 2012), volcanic ash (Chile 2008, Iceland 2010, Bali 2015)
- Atmospheric, e.g. flooding (Nelson 2013), tropical cyclones (Cyclone Lusi 2014, Cyclone Pam 2015)
- Biological, e.g. human (Ebola 2014, MERS 2015)
- Political, e.g. terrorism and political unrest (Syria since 2011, Ukraine 2014)
- Economic, e.g. Global Financial Crisis (2008), fluctuations in oil prices

Tourism flows are also affected by changes in travel costs including airfares, insurance rates, travel taxes and visa costs, and the exchange rates of both origin and destination countries. For example, the introduction of the border clearance levy from 1 January 2016 is expected to have a dampening effect on travel.

### International exchange rates

The 2008 Global Financial Crisis precipitated some significant shifts in exchange rates, with a massive move in the currency that eventually saw the New Zealand Dollar trading below 0.50 against the \$US in March 2009 (see Figure 1). In the last five years (since March 2010), the New Zealand dollar showed steady increases against the three currencies shown in Figure 1, peaking at 0.55 £UK (March 2013), 0.85 \$US (March 2014) and 0.97 \$AU (March 2015). These exchange rate movements cause a general (but lagged) effect on visitor demand from these countries. For example, an appreciating \$NZ leads to a decline in international visitors and an increase in New Zealanders travelling overseas.

Figure 1 New Zealand exchange rate movement 2005-2015

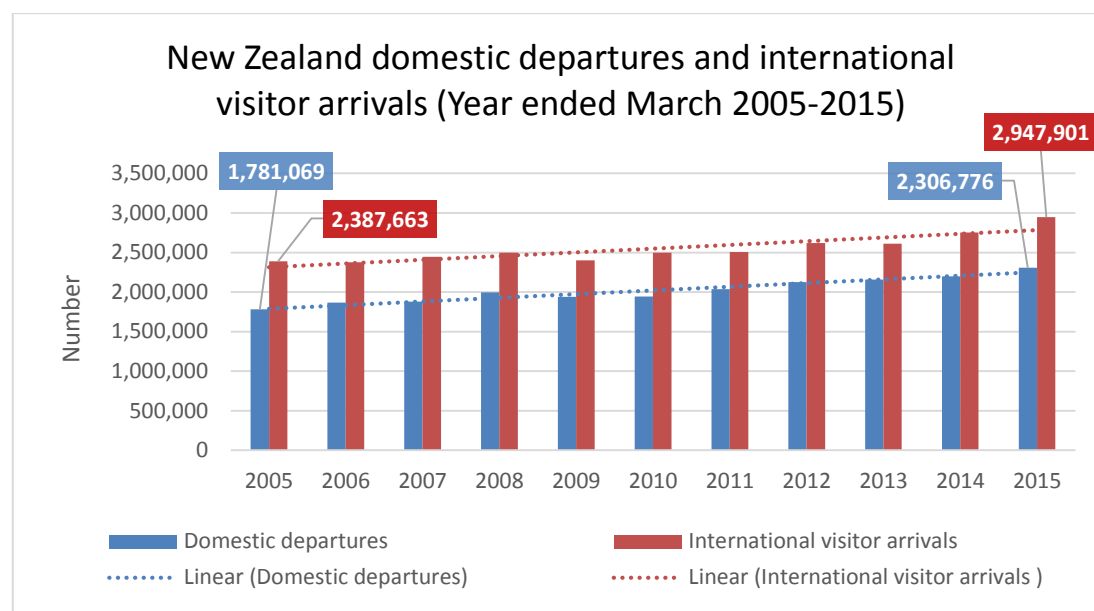


Source: Reserve Bank of New Zealand

### Outbound travel

The effect of the above changes in exchange rates is most clearly seen in the growth of outbound travel by New Zealanders. Between 2005 and 2015 the number of New Zealanders departing short term (less than 12 months) grew by 525,707 (a 30% increase) (Figure 2). Over the same period the \$NZ increased by 32% against the £UK. There were less significant changes in value against the other two currencies shown in Figure 1, although in the five years from March 2010 the \$NZ increased by 26% against the \$AU and 7% against the \$US. Other factors that contribute to outbound travel by New Zealanders are population growth (i.e., bigger population base provides a bigger potential market) and an ageing population. These, combined with increasing wealth and the strength of the New Zealand economy more generally, mean that New Zealanders are in a better financial position to travel.

Figure 2 New Zealand domestic departures and international visitor arrivals (Year ended March 2005-2015)

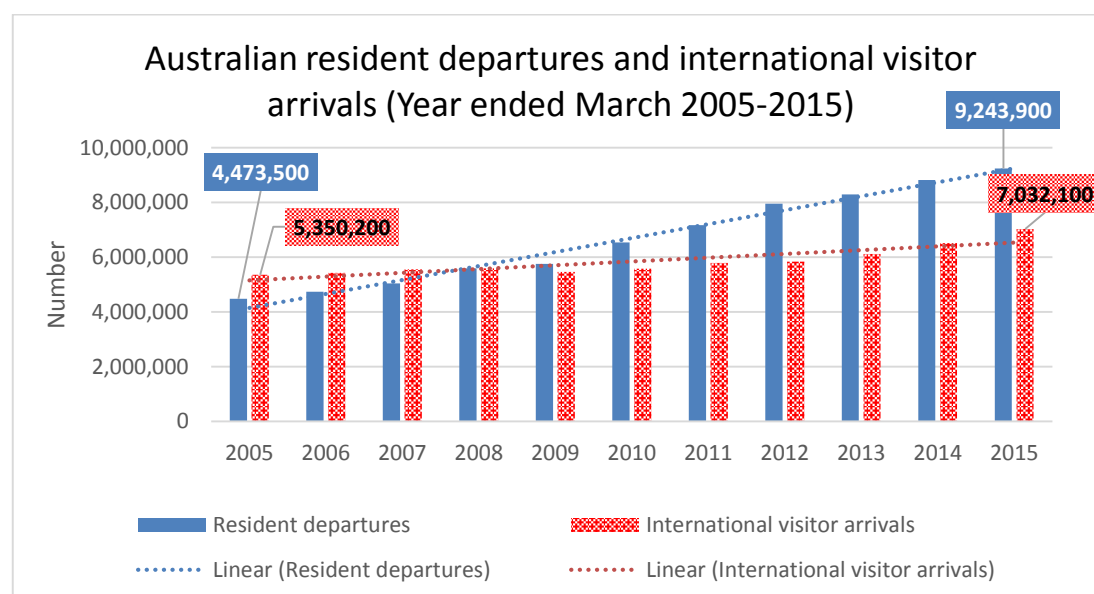


Source: Statistics New Zealand

Figure 2 also shows that international arrivals exceed domestic departures by around 500,000 each year, demonstrating a healthy net inflow of visitor arrivals for the past decade.

As a comparison, in Australia, resident departures have outnumbered international arrivals since 2008 (Figure 3). Between 2005 and 2015 the number of short term (less than 12 months) resident departures from Australia more than doubled (a 106% increase) while international arrivals grew by 32%. The strength of the Australia dollar and the growth of budget airlines, primarily to Asia, have driven this increase in Australia resident departures.

Figure 3 Australian domestic departures and international arrivals (Year ended March 2005-2015)



Source: Australian Bureau of Statistics

# International demand

## International arrivals

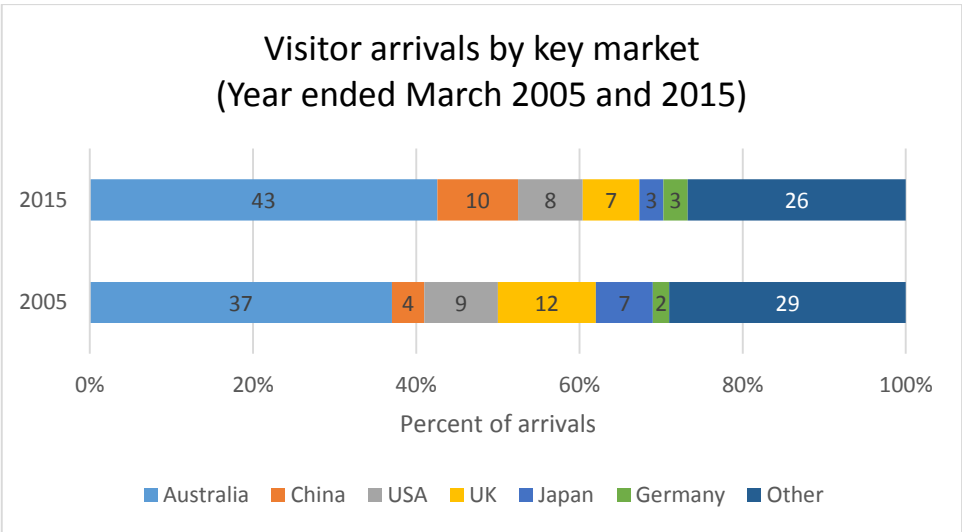
Between 2005 and 2015, international arrivals to New Zealand grew by 23%, from 2,387,663 to 2,947,901 (+560,238) (Figure 2). In 2015, the top six markets in order of size were Australia, China, USA, UK, Japan and Germany and, combined, represented 74% of all international arrivals (Figure 4). In 2005, these six markets represented 71% of all international arrivals (Figure 5). As Figure 5 shows, the Australian, China and German markets all increased their percentage share of arrivals, the USA percentage changed only slightly, while UK and Japan had the largest percentage falls between 2005 and 2015.

Figure 4 Visitor arrivals by key market (Year ended March 2015)



Source: Statistics New Zealand

Figure 5 Visitor arrivals by key market (Year ended March 2005 and 2015)



Source: Statistics New Zealand

Growth has not been consistent over the last ten years for the top six markets, as shown by Figures 6 and 7. Australian arrivals exceeded one million for the first time in 2010 and have grown 45% since 2005 (Figure 6). In the year ended March 2015, Australia accounted for 43% of international arrivals compared with 37% in 2005 (Figure 5).

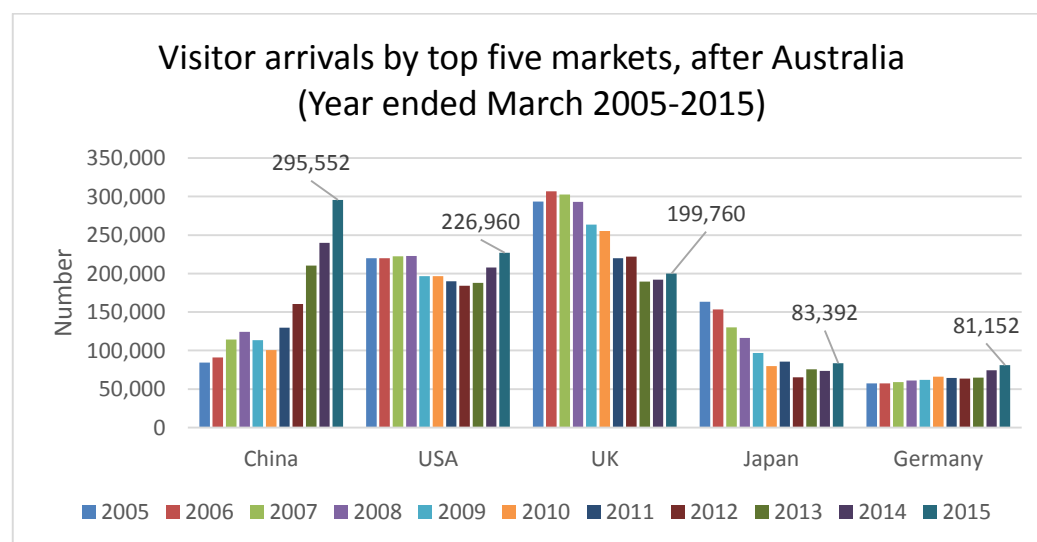
*Figure 6 Visitor arrivals from Australia (Year ended March 2005-2015)*



Source: Statistics New Zealand

Figure 7 shows the arrival data for the remaining top six markets (after Australia) in 2015. These data show that China overtook the UK as our second largest visitor market for the year ended March 2013 and has consolidated this position in the two years since. Chinese visitor arrivals increased by 22% in the 12 months to March 2015 and now represent 10% of all international arrivals. In 2005, visitors from China represented only 4% of international arrivals (Figure 5). Of the other key markets, the largest percentage increase in the 12 months to March 2015 was from Japan (14%), followed by USA and Germany (each 9%) and the UK (4%).

*Figure 7 Visitor arrivals by top five markets, after Australia (Year ended March 2005-2015)*



Source: Statistics New Zealand

### Growth of other markets

In the 12 months to March 2015, there was a 5.1% increase in visitors from Europe with the strongest growth coming from Denmark (11%), Germany (9.3%), France (8.3%), Sweden (6.4%) and Ireland (5.7%). However, with the exception of Germany, this growth is from small initial base numbers.

The Asian market grew by 18.5% in this 12 month period with Taiwan (32.1%), India (27.5%), China (23.3%) and Hong Kong (22.5%) the best performing countries. Once again, however, this growth is from a small initial base (with the exception of China).

As Figure 7 shows, there was an increase of 19,296 visitors from the USA over this 12 month period (9.3%). In the 12 months to March 2015, visitors from the Americas overall have grown by 7.5%. Of the other visitors from the Americas, Brazil had the highest growth rate (9.9%), but again this was from a low base (10,960 arrivals in 2014).

### Air connectivity

A key Tourism 2025 indicator to drive and track progress is monitoring inbound passenger capacity (seats) growth. Capacity has increased by 4.5% from the year ending March 2014 to the same period in 2015 to reach 8.1 million seats. Capacity from Australia increased by 5.3% to just under 5 million seats. The Asia region increased 5.9% to 1.6 million seats and North America increased 4.1% to 733,000 seats. The only region to show a decline in capacity over this period was South America, down 32% to 98,000 seats (Source: SABRE-ADI).

While there has been a decline in capacity for South America over this period, this will be short-lived as Air New Zealand commences the new Buenos Aires to Auckland service from December 2015, adding an additional 95,000 seats a year from South America. Other significant services that will offer growth to capacity include the new Air New Zealand Houston to Auckland service. Significant capacity growth will also be achieved in late 2015 with the new Air China Beijing to Auckland capacity and the South Island will benefit substantially from the China Southern Guangzhou to Christchurch service, scheduled to commence in December 2015. Combined, these new services are estimated to add around \$0.5 billion to the New Zealand economy a year.

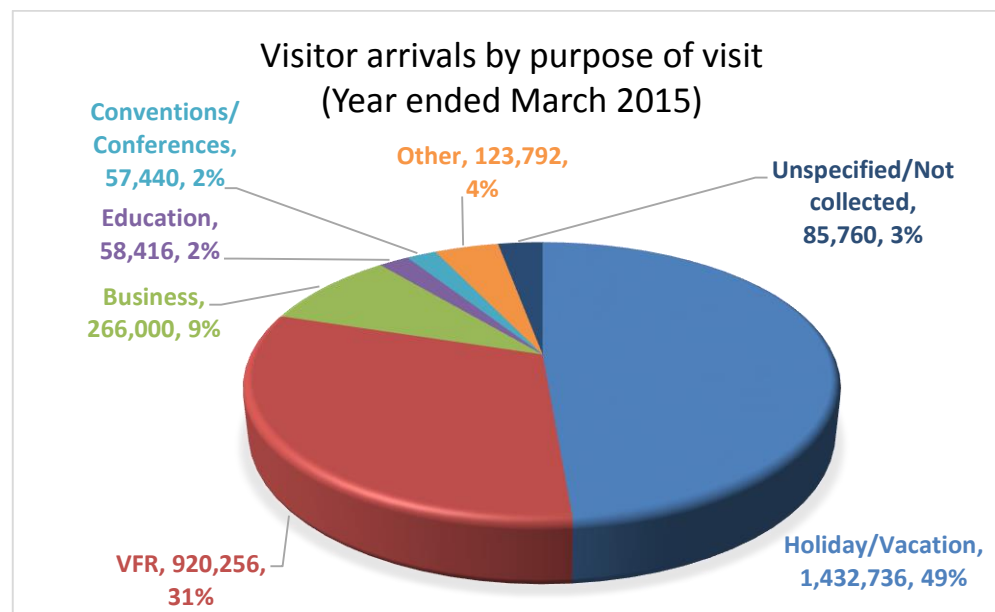
In 2016, the United Airlines service from San Francisco to Auckland from July will see the return of United Airlines to the New Zealand market after being out of the market for 13 years. American Airlines, through its Joint Business Agreement with Qantas, will also lift capacity on the Los Angeles to Auckland route in mid-2016. These new routes will further stimulate the growing US visitor market. The Vietnam visitor market will also be opened up in 2016 with the launch of the Air New Zealand seasonal service from Ho Chi Minh City to Auckland.



### Purpose of visit

For the year ending March 2015, 49% of international arrivals were Holiday/Vacation visitors (47% in 2014), slightly under a third (31%) were Visiting Friends/Relatives (VFR) (32% in 2014) and 9% were business visitors. Education and Conventions/Conference each contributed 2% of visitors while 7% of visitors indicated an 'other' purpose, or did not specify their purpose of visit (Figure 8).

Figure 8 Visitor arrivals by purpose of visit (Year ended March 2015)



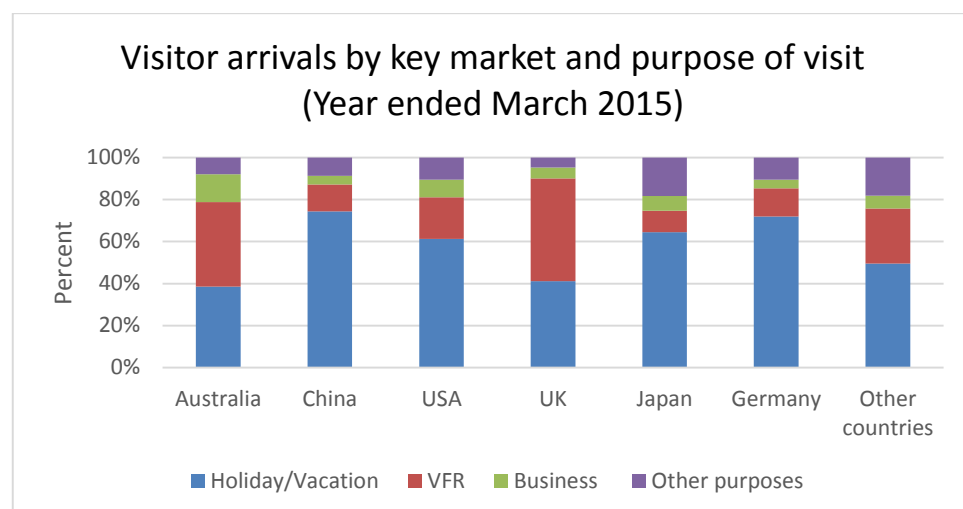
Source: Statistics New Zealand

### Purpose by key market

Together, holiday/vacation and VFR visitors accounted for 80% of all international arrivals in 2015 (Figure 8). The China (74%), Germany (72%), Japan (64%) and USA (61%) markets had the highest proportion of holiday visitors, while the UK (49%) and Australian (40%) markets had the highest percentage of VFR visitors (Figure 9). This high percentage of British and Australian VFR visitors can be explained by the number of Australians and British living in New Zealand.

Overall, 41% of UK visitors and 39% of Australian visitors reported holiday/vacation as their main purpose of visit in the year ended March 2015 (Figure 9). Of the six key markets, Australia had the highest proportion of business visitors (13%,  $n=168,192$ ) followed by USA (8%,  $n=19,232$ ) and Japan (7%,  $n=5808$ ), although there was considerable variation in the number of business arrivals from each of these markets. The 12,176 business arrivals from China represented only 4% of Chinese arrivals.

Figure 9 Visitor arrivals by key market and purpose of visit (Year ended March 2015)

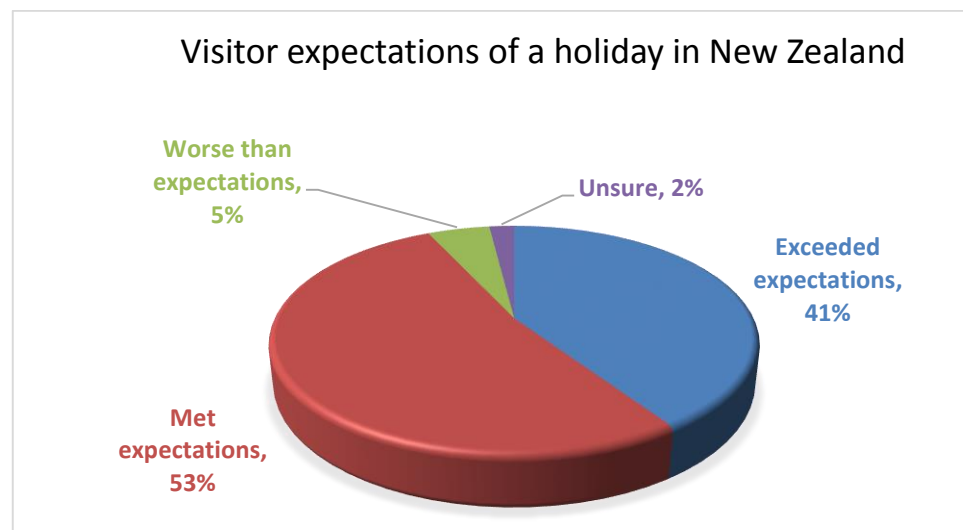


Source: Statistics New Zealand

### Visitor Experience

Tourism New Zealand's latest Experience Monitor shows that New Zealand as a destination exceeds or meets expectations of 94% of international visitors (Figure 10). Those whose expectations are exceeded (41%) record a 9.5 out of 10 satisfaction rating. For those whose expectations are met, an 8.9 out of 10 satisfaction level is recorded. It is also suggested that the USA and Germany both score high on satisfaction and expectations of these visitors are being exceeded.

Figure 10 Visitor expectations of a holiday in New Zealand



Source: Experience Monitor 2015, Tourism New Zealand

\* Due to rounding, the total percentage adds to 101.

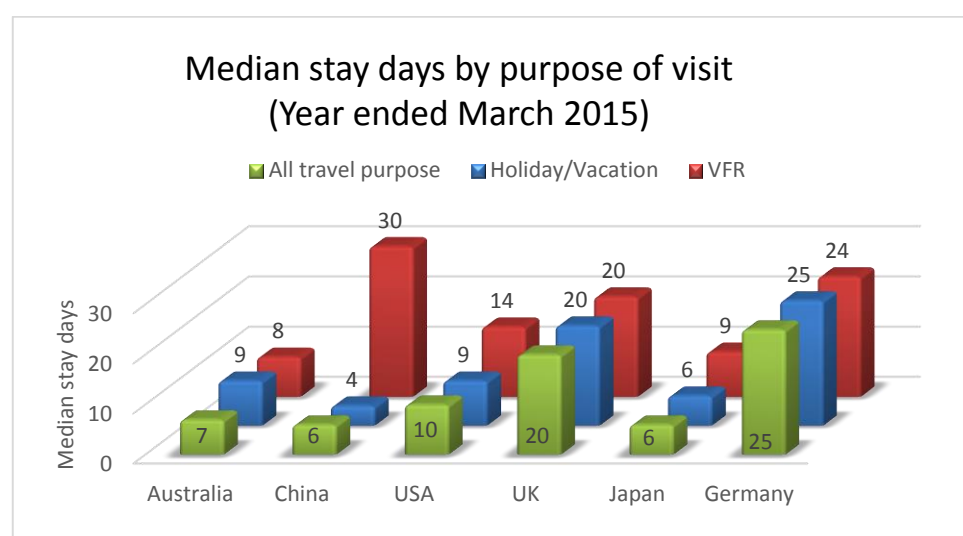
### Length of stay for key markets

In 2015 the median stay days of visitors from each key market varied considerably. As Figure 11 shows, visitors from Germany, the UK and the USA had the longest median stay days (25, 20 and 10 days, respectively). The median stay days of visitors

from USA and China increased by one day in 2015 (from 2014), while Australian, UK and German visitors had the same median stay days as in 2014. The median stay days of visitors from Japan fell by one day (from 7 in 2014 to 6 in 2015).

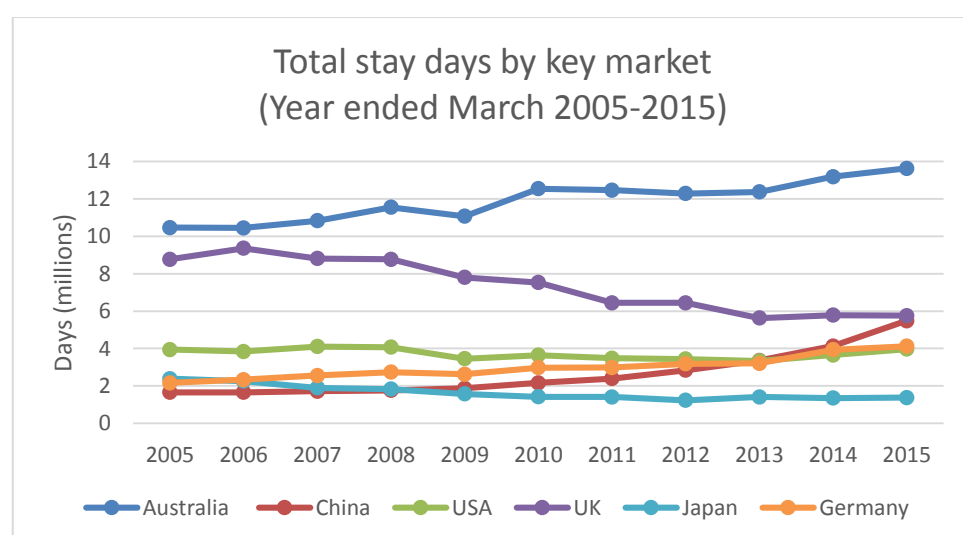
VFR Chinese visitors had the highest median stay days overall. It is important to realise though, that only a small group of Chinese visitors come to NZ to visit friends and relatives (13% of all Chinese visitor arrivals) (Figure 9/11). Holiday/vacation visitors from Australia and Germany had longer median stay days than VFR visitors from those countries.

Figure 11 Median stay days by purpose of visit and key market (Year ended March 2015)



Source: Statistics New Zealand

Figure 12 Total stay days by key market (Year ended March 2005-2015)



Source: Statistics New Zealand

Figure 12 shows the total stay days for the key markets. The steady decline in UK visitor numbers from 2006 onwards is clearly evident, translating into fewer UK stay days, although both the average and median stay days have remained constant (see Technical Appendix for comparison of average, median and total stay days for each

market). Australia, China and, to some extent, Germany's visitor numbers, and consequently stay days, have largely helped mitigate the effects of falls in the stay days of the other markets, with the overall total performance over the time span most likely reflecting the impacts of the GFC. Between 2005 and 2015, the total stay days of international visitors increased by 11,229,997 (24%).

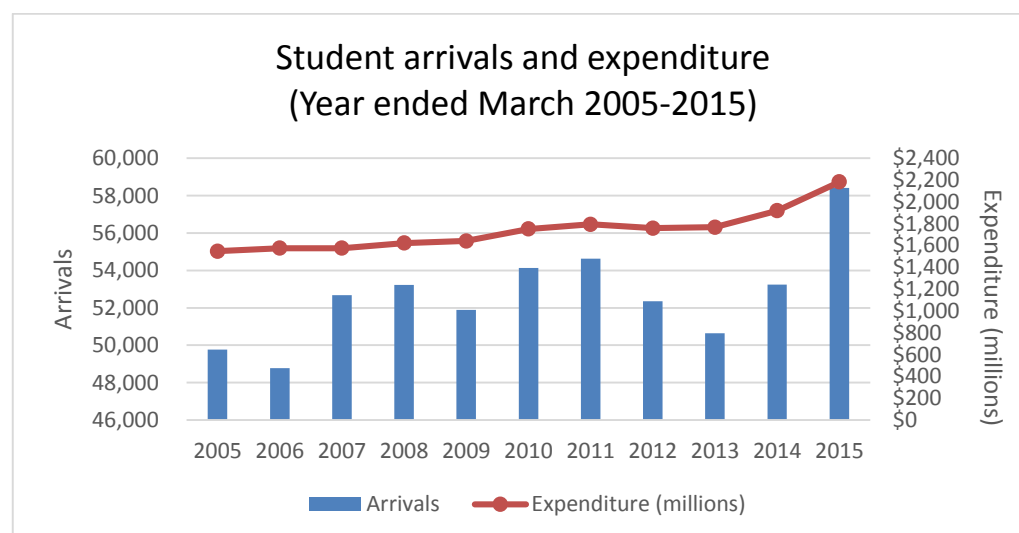
### International demand – niche markets

Among the larger visitor flows reported above, three niche markets can be highlighted because of their special characteristics.

#### Education

Education market data requires care in interpretation as formal tourism definitions do not record students who stay for more than one year. In the 12 months to March 2015 the number of education visitors arriving for less than 12 months increased by 5168 (a 10% increase) although they only represented 2% of total international arrivals. Education visitor arrivals have been erratic over the last ten years while expenditure on education has maintained a gradual year on year increase (Figure 13). The fall in student arrivals in 2012 and 2013, shown in Figure 13, is attributable to the impact of the Christchurch earthquakes.

Figure 13 Student arrivals and expenditure (Year ended March 2005-2015)



Source: Statistics New Zealand

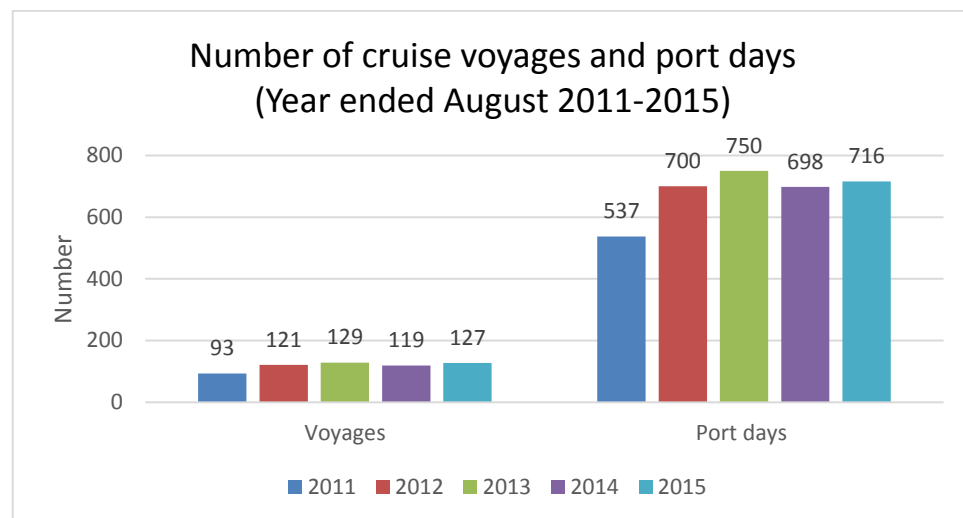
Expenditure by international students studying for less than 12 months comprises course fees, living costs and airfares on resident airlines. In the year ended March 2015, expenditure was \$2.2 billion, an increase of 13.8% on the previous year. The average spend per international student for the 2015 year was \$37,352, a slight increase on the 2014 average spend of \$36,020.

Many international students also have family and friends visit during their stay, contributing to the international VFR market.

## Cruise

In the 2014-15 season 201,370 passengers and 75,400 crew visited New Zealand ports on 127 separate cruises with 716 port days (Figures 14 and 15). These include both international visitors and New Zealanders. International arrivals data for the year ended March 2015 show only 30,480 sea cruise arrivals. Cruise passengers are only recorded as arrivals or departures if they begin or end their cruise in New Zealand. Otherwise, they are regarded as being in transit, even if they leave the ship for periods while it is in New Zealand. In terms of total arrivals, cruise forms the equivalent of our fourth largest visitor market (i.e., cruise passenger numbers exceeded visitor arrivals from the UK in 2015).

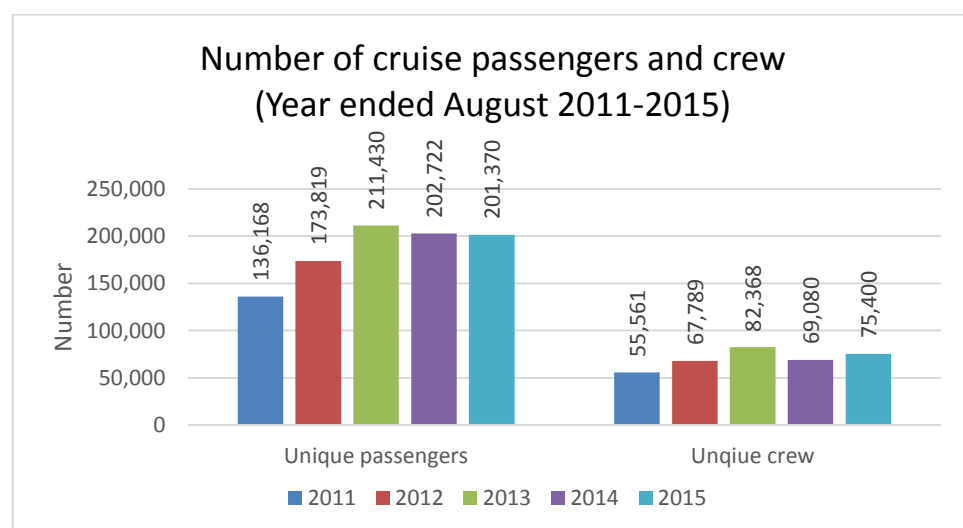
Figure 14 Number of cruise voyages and port days (Year ended August 2011-2015)



Source: Cruise New Zealand

After peaking in the 2013 season, the 2015 season data shows some recovery in the number of voyages, port days and crew arrivals. Passenger numbers, however, remain lower than in the previous two cruise seasons.

Figure 15 Number of cruise passengers and crew (Year ended August 2011-2015)



Source: Cruise New Zealand

The cruise sector contributed \$436.1 million in value added to New Zealand's economy in the 2014-2015 season. The Auckland region attracted the largest share of spend (43.7%) related to cruise as it is the key exchange port (where cruises start and end). Other key regions, in order of cruise spend were Wellington (12.2%), Canterbury (11.4%), Otago (8.2%) and Bay of Plenty (8%). Australians made up more than half of all cruise passengers (51%) in the 2014-2015 season, followed by North Americans (20%), New Zealanders (11%) and British (7%) (Cruise New Zealand, 2015).

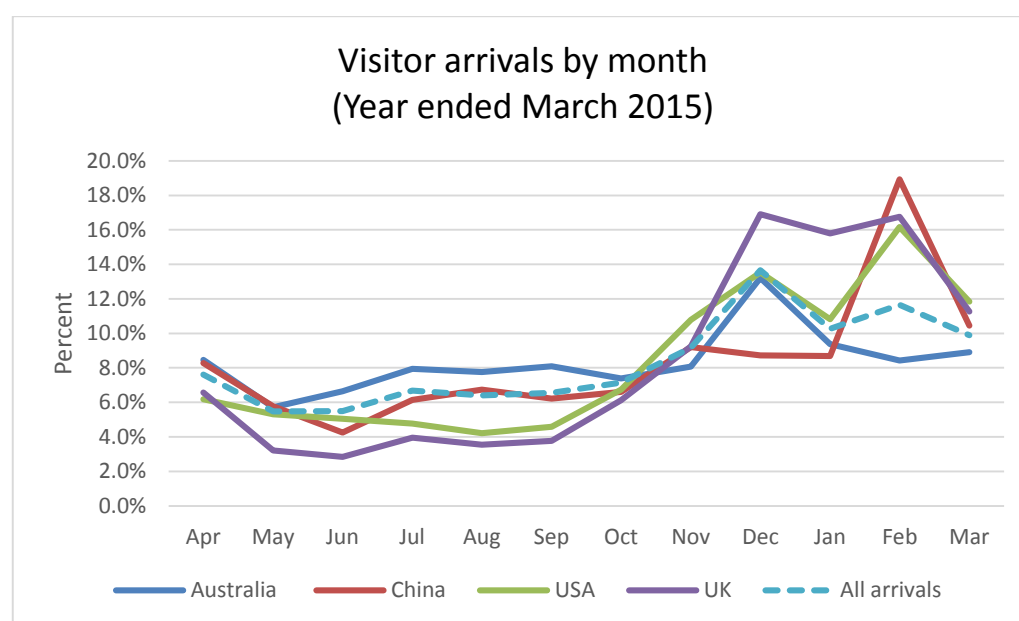
### Convention

Altogether 57,440 international visitors reported their main purpose of visit as Convention/Conference in 2015. This represents a 5% increase since 2005 (54,813) but is less than the 57,888 Convention/Conference visitor arrivals in 2014. These visitors represented around 2% of visitor arrivals each year since 2005, although in 2015 they only represented 1.9% of arrivals (compared with 2.3% in 2005). A graph showing these data is included in the Technical Appendix.

### International demand – seasonality

Figure 16 shows the monthly arrivals by the top four markets for the year ended March 2015. Seasonality is pronounced with peaks in December and February. Visitor arrivals from Australia were the most evenly distributed over the year with a peak of 13.2% in December and a low of 5.7% in May. The timing of the Chinese New Year was responsible for the larger than usual proportion of Chinese visitor arrivals in February (18.9% compared with 11.9% in February 2014). The December peak was most pronounced for the UK market (16.9%) although a similar number of UK visitors arrived in February (16.8%). The peak month for USA arrivals was February (16.2%) with a further 13.5% arriving in December.

Figure 16 Visitor arrivals by month (Year ended March 2015)



Source: Statistics New Zealand

The Technical Appendix contains detailed graphs of monthly arrivals over the last ten years for 12 markets (the top six and the six growing/emerging markets included in the SOI survey). These data also show a December peak in arrivals from Singapore (23%), Malaysia (18%), the Philippines (13%) and India (12%). The December peak was less pronounced for Indian visitors, however, with a further 12% arriving in March and 11% arriving in both February and May (the latter related to timing of the Indian monsoon). Arrivals from the Philippines also had a secondary April (12%) peak. While Indonesia also had a peak in arrivals in December (18%) there was a larger one in July (23%), related to the timing of Ramadan. Altogether, 18% of visitor arrivals from Brazil were in January, although there was also a small July peak (10%).

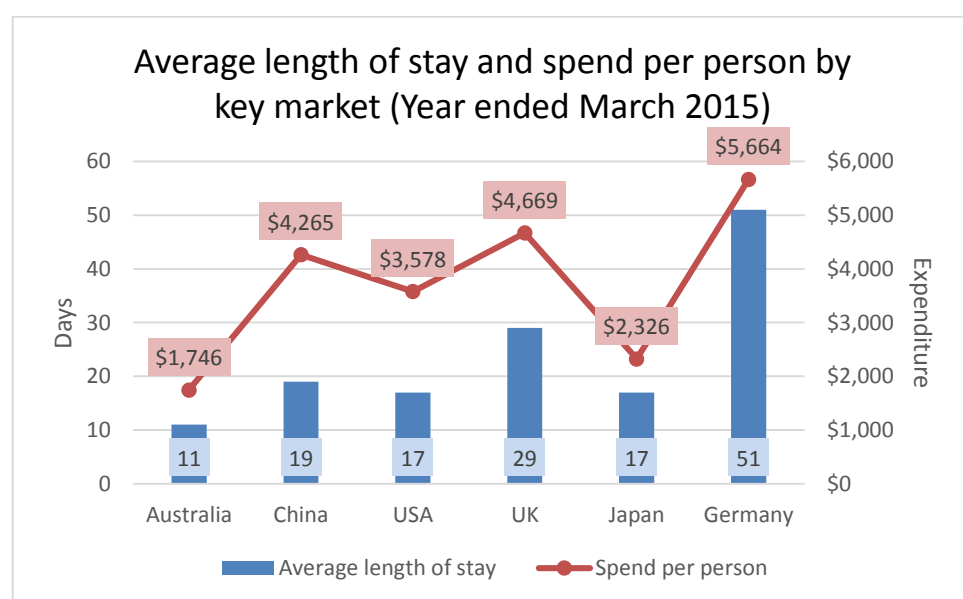
### International visitor spend by key market

Spend data sourced from the IVS shows a total spend of \$8.2 billion in the year ended March 2015. The Australia market spent \$2.2 billion (27%) and the China market spent \$1.2 billion (15%) of this total.

With the advent of the Regional Tourism Estimates (RTE), an alternative average spend per visitor by key market can be calculated (to the IVS). This calculation takes the 2015 March year end expenditure values for each key market, applies this against the 2015 March year end visitor arrivals and gives the resulting estimate of average spend per visitor (Figure 17).

Figure 17 shows the average length of stay and average daily expenditure for visitors from each of the key markets. While Australia contributes around 43% of international visitors to New Zealand, the average spend is relatively low at \$1,746 per person. As Figure 17 shows, however, visitors from Australia also have the shortest average length of stay. By contrast, visitors from Germany have the longest average length of stay and the highest spend per person (\$5,664).

Figure 17 Average length of stay and spend by key market (Year ended March 2015)



Source: Statistics New Zealand and MBIE

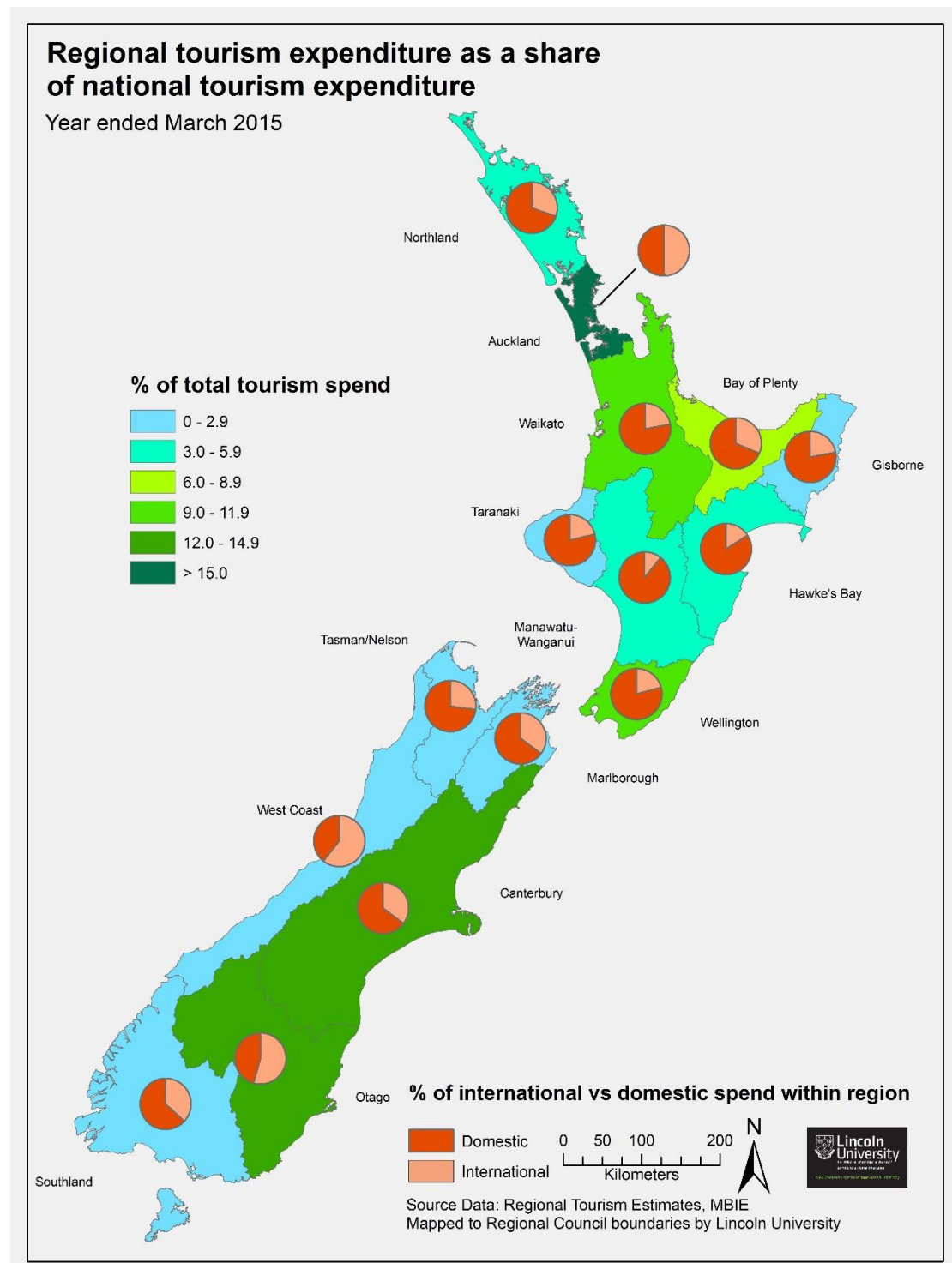
A useful comparison can be made between visitors from China and the USA who have a similar average length of stay, although the average spend per Chinese visitor is \$687 more than the average spend of visitors from the USA (\$3,578). In turn, the average spend of visitors from the USA is \$1,252 more than the average spend of visitors from Japan (Figure 17).



## Regional dispersal and domestic tourism

The tourism industry supports many regional communities and economies, forming an important role in respect of both economic and social activity. Figure 18 shows the regional distribution of total tourism expenditure and the proportion of international vs domestic expenditure within each region.

Figure 18 Regional tourism expenditure as a share of national tourism expenditure (Year ended March 2015)



Most expenditure occurs in the gateway city of Auckland (29%), followed by Otago (12.6%), Canterbury (12.1%) and Wellington (11.2%). Gisborne (0.4%), Taranaki (1.3%), Marlborough (1.3%) and the West Coast (1.6%) are the regions with the lowest percentage share of tourism expenditure (Figure 18).

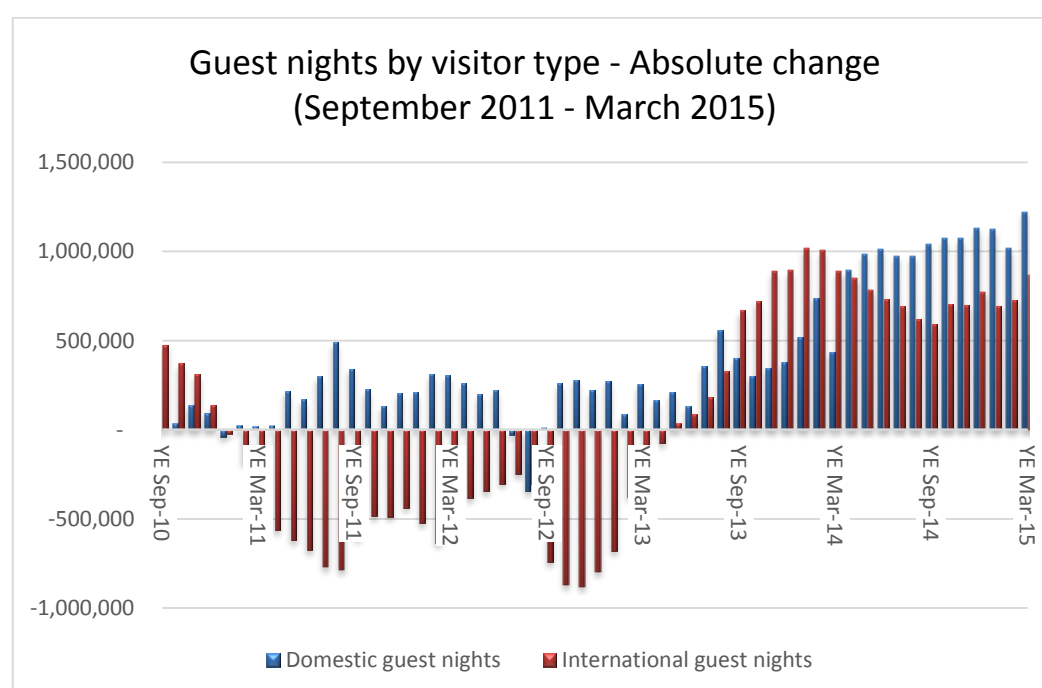
Domestic expenditure dominates in all regions except for West Coast (where 60.7% of spending is domestic) and Otago (54.3% domestic). Spending in Auckland is almost equally split into 49.7% international and 50.3% domestic.

Domestic travellers account for more than half of the demand for overnight stays and make a substantial contribution to the industry's overall financial resilience and functioning. Domestic travel patterns are less marked in their seasonality and demonstrate greater regional spread.

### Commercial accommodation

Altogether, 35.2 million guest nights were spent in short-term commercial accommodation in the year ended March 2015, a 6.3% increase compared with the year ended March 2014. International visitors accounted for 40% and domestic travellers 60% of all commercial guest nights in the year ended March 2015. The Statistics New Zealand Accommodation Survey is a census of all short-term (i.e., less than one month) commercial accommodation units that are GST registered and have a turnover of at least \$30,000 a year. As such, these figures do not include hosted accommodation (including private hotels, guesthouses, bed and breakfasts and farm stays) or the many domestic and international VFR visitors who stay in private accommodation. In the year ended March 2015, 31% of international visitors listed their primary purpose of visit as VFR.

Figure 19 Guest nights by visitor type – Absolute change (September 2011 - March 2015)



Source: Statistics New Zealand

Figure 19 shows the volume change (from the same month in the previous year) in guest nights for both international and domestic visitors from September 2010 to March 2015. These data show a steady increase in domestic guest nights over the last 12 months, whilst international guest nights declined over the winter months before increasing and levelling out over the summer months.

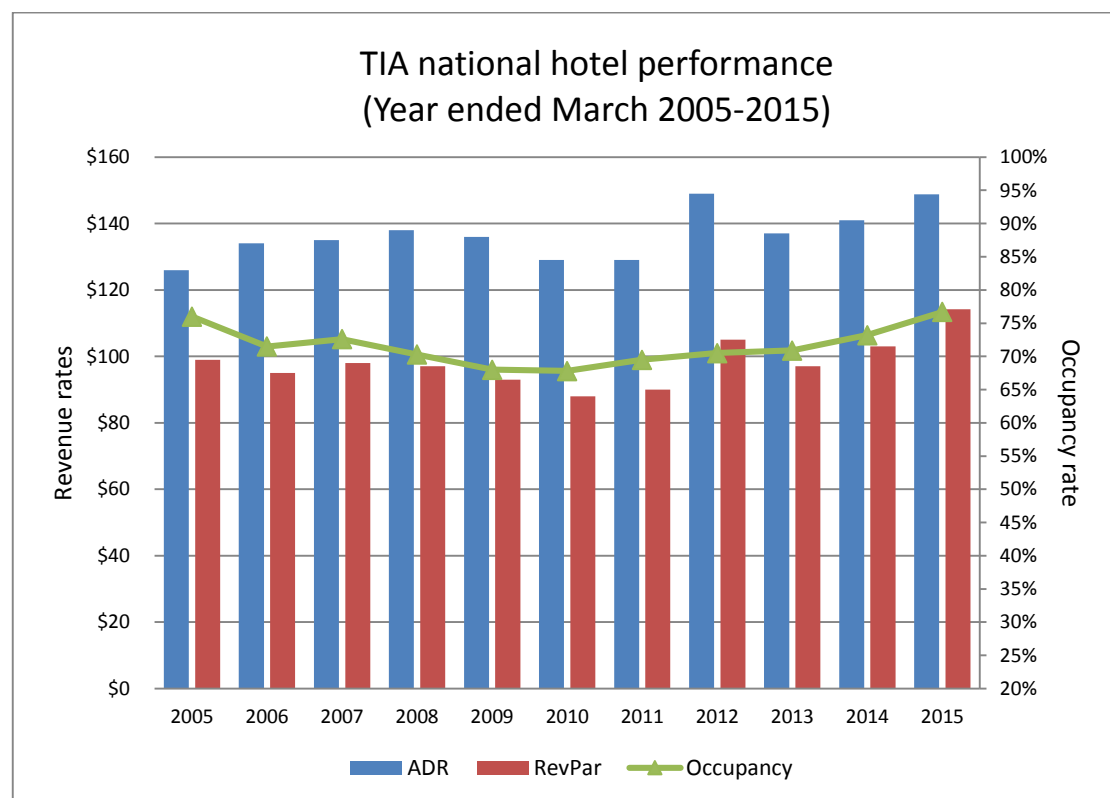
### Hotel sector in 2015

The average daily revenue rate (ADR) for the TIA Hotel Sector at March 2015 was a high of \$149. The only exception to this was in the year ended March 2012, during the period in which the 2011 Rugby World Cup took place. This reflects the trending increase in occupancy since 2009 – however in 2015 the occupancy rate was 77%, the highest over this ten year period. This increase in occupancy has been influenced by event activity across New Zealand, the marketing efforts of Tourism New Zealand and the industry's ongoing commitment to grow value.

There has been little increase in hotel capacity over the last twelve months and the increases that have occurred have been mainly in the Christchurch market. This stands at approximately 1700 rooms, compared to pre-earthquake levels of over 3500 rooms.

Outside of New Zealanders, the key markets for the hotel sector are Australia and China with steady growth occurring in the other traditional markets of UK, USA, Japan and Germany.

Figure 20 Hotel performance



Source: The Fresh Information Company

Figure 20 also shows the revenue per available room (RevPar). The increases in both ADR and occupancy have improved RevPar over the ten years by \$15 (not inflation adjusted). This has added approximately \$90 million in revenue to hotel results over the ten year period.

## Tourism outcomes

### Contribution to exports

International visitor expenditure brings new money to the economy and has the equivalent effect as other export sectors. For the year ended March 2015, international tourism expenditure increased by an estimated 17.1% (\$1.7 billion) to \$11.8 billion and contributed 17.4% to New Zealand's total exports of goods and services. This increase follows five relatively flat years of tourism expenditure, especially when compared to dairy (Figure 21). Figure 21 also shows that while both tourism and dairy continue to stand out as the two largest export sectors, the gap between these two sectors has reduced. The decline in tourism's contribution over these years was related to the dramatic increase in dairy export revenue over the past two decades with growing export receipts driven by higher prices and increasing animal numbers. However, milk price volatility in the 12 months to March 2015 impacted significantly on the value of dairy's contribution. Meat and meat products (in third place) contributed 9.2% to exports in 2015.

Figure 21 International tourism expenditure compared with main primary exports (Year ended March 2005-2015)



Source: Statistics New Zealand

### Domestic tourism expenditure

Domestic tourism expenditure does not have the same export effect as international expenditure, but does retain discretionary spending within New Zealand and acts as a buffer to the lost revenue from outbound domestic travel. For the year ended March 2015, domestic tourism expenditure provisionally increased 6.3% (\$1.1 billion) to \$18 billion (Figure 22).

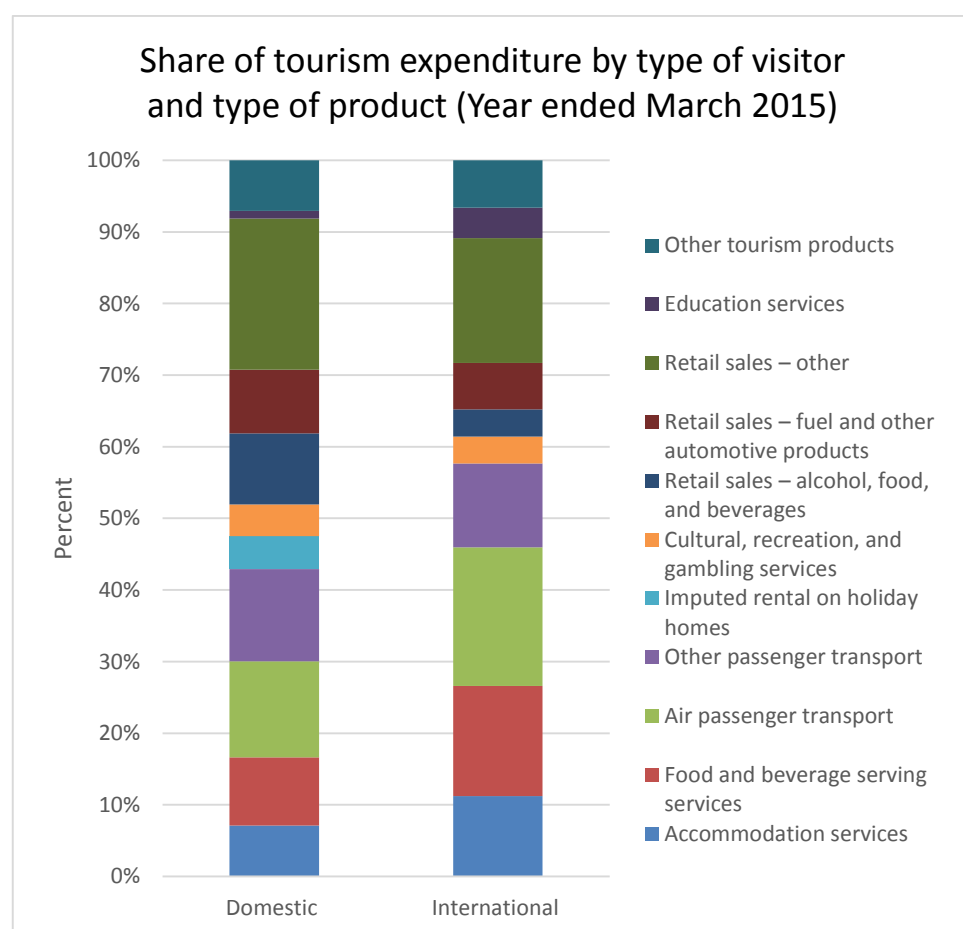
Figure 22 Tourism expenditure by type of visitor (Year ended March 2005-2015)



Source: Statistics New Zealand

Alongside the variations in total spend (Figure 22) and regional patterns of domestic versus international travel (Figure 18) already noted, there are also differences in expenditure patterns.

Figure 23 Share of tourism expenditure by type of visitor and type of product (Year ended March 2015)



Source: Statistics New Zealand

The biggest share of domestic demand was retail (40%, down from 43% in 2014), while international tourism's demand on retail was only 28% (up from 26% in 2014) (Figure 23). International visitors spent the largest portion of their budget on passenger transport (31%), food and beverage services (15%) and accommodation (11%).

Taken together, international and domestic expenditure give rise to flow on (indirect) expenditure to other sectors.

Tourism's flow-on effect within the economy has become more pronounced, but this needs to be seen in the wider context of the composition and growth of the overall New Zealand economy. In the 12 months to March 2015, direct tourism value added increased by 10.6% while indirect tourism value added increased by 10.5% (Figure 24).

Figure 24 Tourism value added (Year ended March 2005-2015)



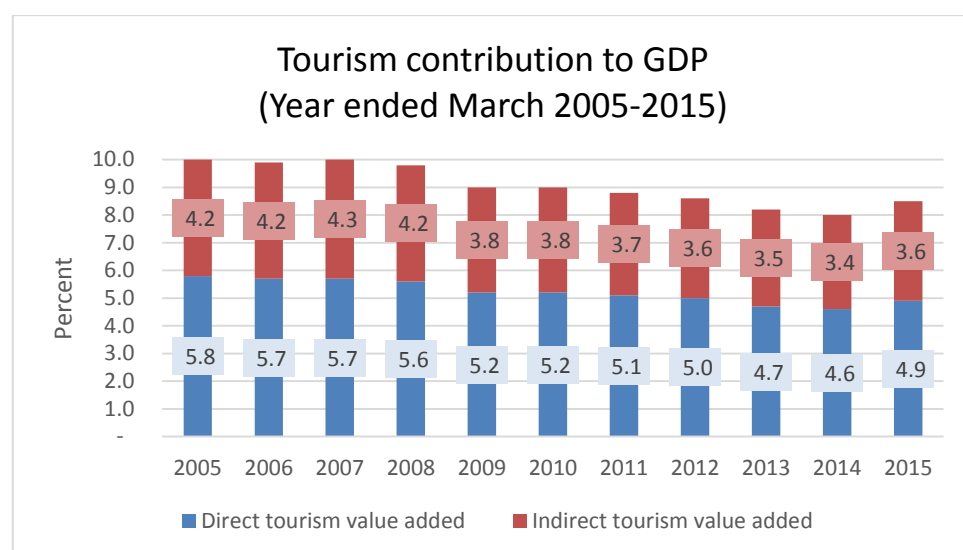
Source: Statistics New Zealand

### Contribution to GDP

The most robust measure of any sector's contribution to an economy is its effect on GDP. Here the combined effects of expenditure, supply inputs and employment are recorded.

International tourism had been dropping as a proportion of foreign exchange earnings (from 21.4% in 2005 to 15% in 2014) and as a component of the national economy. The 12 months to March 2015 saw a reversal of this with an increase to 17.4%. As Figure 25 shows, the direct tourism contribution increased to 4.9% and the indirect tourism contribution increased to 3.6% in the 12 months to March 2015.

Figure 25 Tourism contribution to GDP (Year ended March 2005-2015)



Source: Statistics New Zealand

### Tourism employment

Tourism employment is arguably the most important social benefit from tourism sector activities. Figure 26 shows the number of people both directly and indirectly employed in tourism over the last decade. Direct tourism employment increased by 5.3% and indirect tourism employment increased by 5.6% in the year ended March 2015.

The 2015 employment numbers come from Linked Employer-Employee Data (LEED) annual statistics, generated using existing administrative data from the Inland Revenue taxation system and business data from Statistics New Zealand's Business register (BR). Together, these data present an estimate of the actual number of people employed in tourism (in contrast to the measurement of FTE employment equivalents used in previous years).

Figure 26 Tourism employment (Year ended March 2005-2015)



Source: Statistics New Zealand



In 2015, the number of people directly and indirectly employed in tourism represented 6.9% and 5.2% of the total number of people employed, respectively. This compares with tourism generating 4.9% direct value and 3.6% indirect value added to GDP, reflecting a higher level of labour intensity in tourism industries.

In 2014/15, 61,404 people were approved under 42 Working Holiday Schemes, an increase of 12.4% from 54,640 in 2013/14 (MBIE, 2015). Germany (22%), the UK (20%) and France (14%) contributed half of all working holidaymakers in 2014/15. Many of these visitors are employed in tourism during their New Zealand stay and, while based in New Zealand, working holidaymakers also potentially attract additional international VFR visitors.

Given the seasonality of the industry that causes a year round fluctuation of employment levels across sectors of the industry, it is difficult to accurately represent and fully understand the social impact of tourism employment data.

## Part 2: SOI Survey 2015

This section of the report presents the results of the SOI survey: the key features of the sample are presented in Tables 1 and 2 and the sample's engagement with visitor markets is described, along with results relating to challenges, opportunities and tourism vision. Additional survey results (including a detailed sample description) and a copy of the survey questions can be found in the Technical Appendix. The survey data set was almost complete with only two questions either unanswered, or containing data not able to be included (*n*=number answering each question).

### Sample description

*Table 1 Key sample features (n=269)*

Industry involvement	75% ( <i>n</i> =201) ≥ 75% sales from tourism 14% ( <i>n</i> =37) 25-75% sales from tourism 11% ( <i>n</i> =31) tourism support/government or legislative
Sample location	23% ( <i>n</i> =63) Lower South Island 19% ( <i>n</i> =51) Auckland 15% ( <i>n</i> =40) Canterbury 10% ( <i>n</i> =26) Central North Island 9% ( <i>n</i> =25) Upper South Island 9% ( <i>n</i> =24) Bay of Plenty 8% ( <i>n</i> =20) Northland 7% ( <i>n</i> =20) Wellington
Operational scope	50% ( <i>n</i> =135) only in region of primary location 28% ( <i>n</i> =74) New Zealand and overseas 13% ( <i>n</i> =35) New Zealand-wide 9% ( <i>n</i> =25) in own region and rest of same island

Table 2 describes the key operating characteristics of the 238 tourism businesses surveyed (i.e., those respondents who reported that 25% or more of their sales came from tourism). The 'visitor markets' and 'visitor types' data reported in the following section describe these tourism businesses in more detail.

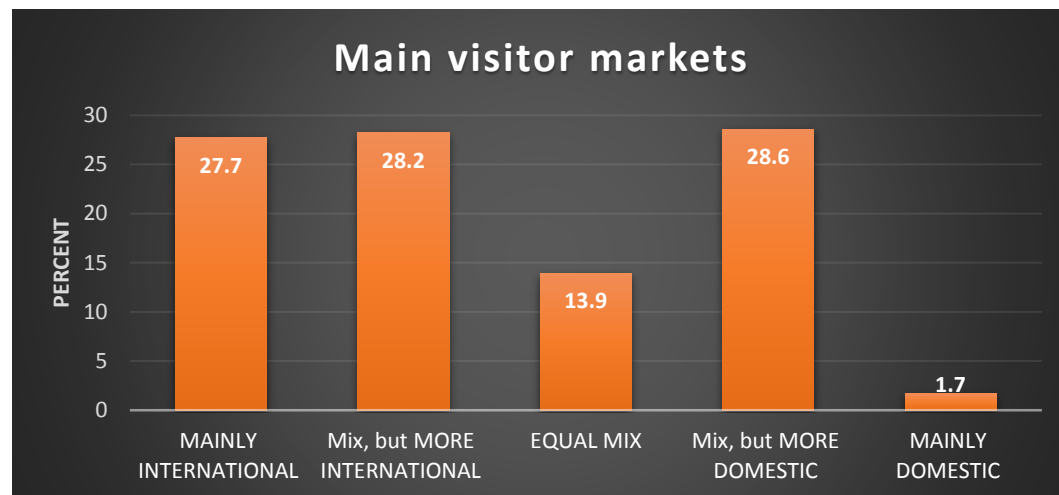
*Table 2 Tourism business characteristics (n=238)*

Primary business focus	53% ( <i>n</i> =125) accommodation 25% ( <i>n</i> =60) attractions and activities 12% ( <i>n</i> =29) tour operators 5% ( <i>n</i> =13) transport 5% ( <i>n</i> =11) promotion & marketing/retail/ food & hospitality
Operating characteristics	94% ( <i>n</i> =224) operate year-round 68% ( <i>n</i> =162) employ seasonal workers 54% ( <i>n</i> =129) find it difficult to get skilled staff 32% ( <i>n</i> =77) employ migrant workers
Number of employees	Full time employees: ranged from 0-9000 employees Part time employees: ranged from 0-2000 employees 54% ( <i>n</i> =128) employ 1-5 full time employees 42% ( <i>n</i> =99) employ 1-5 part time employees

## Visitor markets

A number of questions gathered information on the respondents' main visitor markets. Over half of the tourism businesses surveyed (55.9%) primarily catered for international visitors, just under a third (30.3%) primarily catered for domestic visitors and 13.9% reported an equal mix (Figure 27).

Figure 27 Tourism businesses – main visitor markets (n=238)



Respondents were also asked the main origin of both their international and domestic customers (Figure 28 and 29). Altogether, 50.4% of respondents reported that their main international visitor origins were from traditional markets (e.g., UK, Europe, North America, Japan and Korea) and 34.9% reported that their main visitor market was Australia. The 'everywhere' category in Figure 28 indicates those who reported visitors from all the categories given (see Technical Appendix for more detail).

Figure 28 Tourism businesses – main origin of international visitors (n=238)

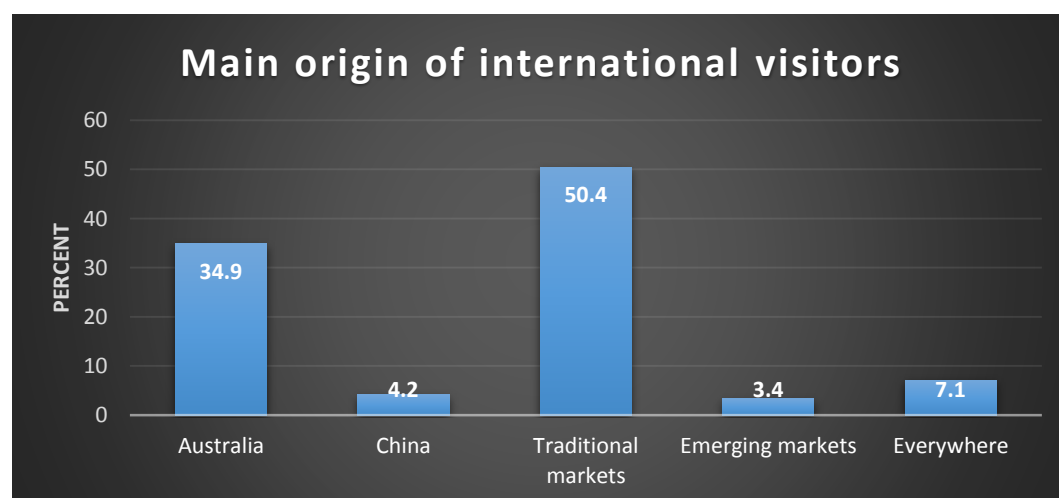
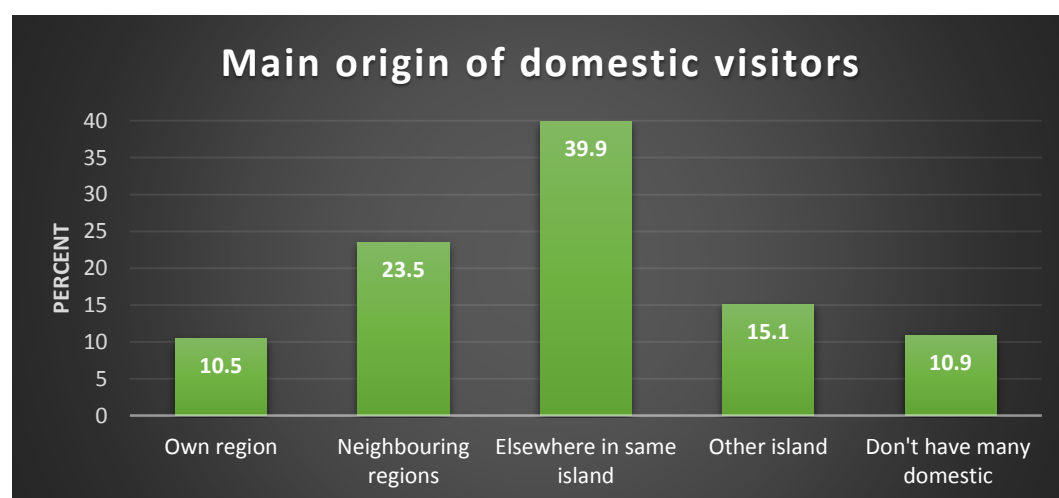


Figure 29 shows the main origin of domestic visitors. Overall, 40% of domestic visitors were from elsewhere in the same island and 24% were from neighbouring

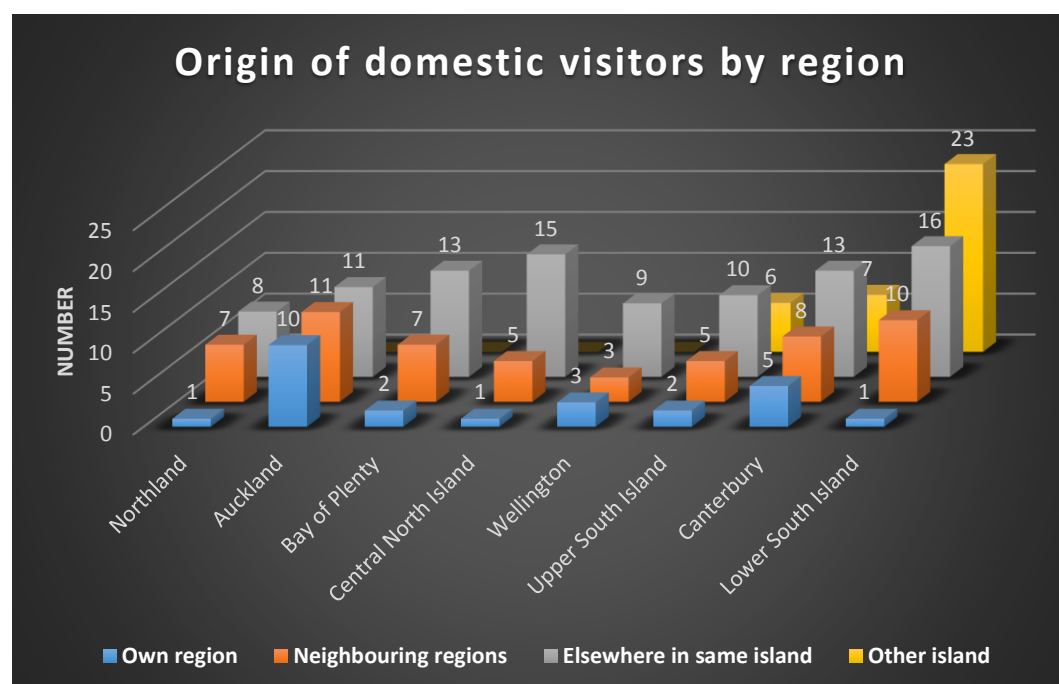
regions. Just over 10% reported that their domestic visitors mainly came from within their own region and a further 11% did not have many domestic visitors.

Figure 29 Tourism businesses – main origin of domestic visitors (n=238)



Respondents from Auckland and Canterbury reported the highest number of domestic visitors from their own region. This is to be expected given the population densities of these two regions. Auckland, along with the lower South Island regions reported the highest number of domestic visitors from neighbouring regions. The only respondents reporting that the majority of their domestic visitors were from the other island were located in the South Island (n=36), again with a majority (n=23, 64%) of these in the lower South Island regions (Figure 30).

Figure 30 Tourism businesses – origin of domestic visitors by region (n=238)

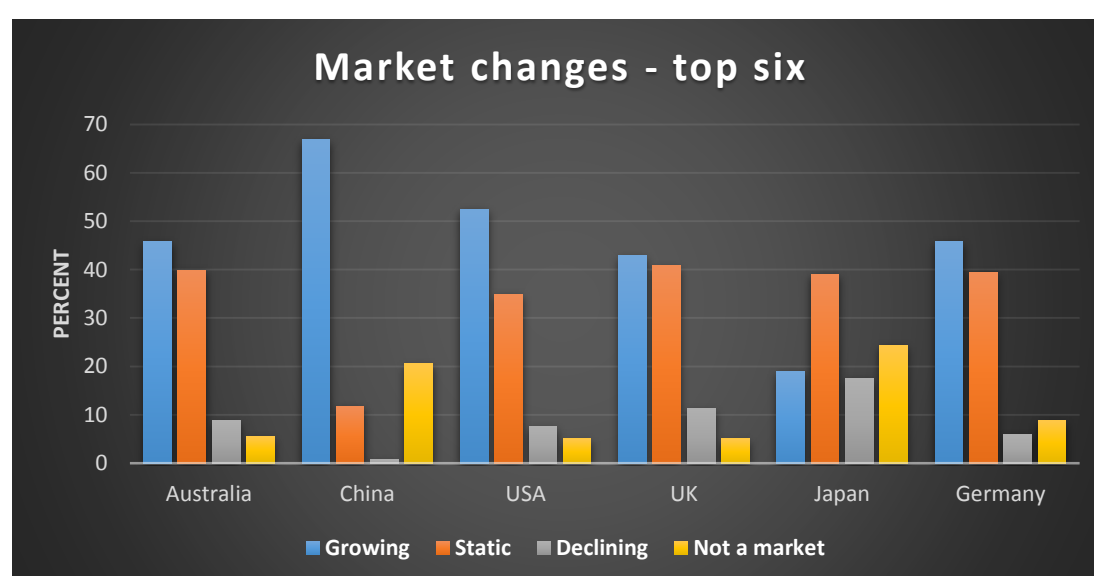


### Experience of changing markets

Respondents were given a list of 12 international markets and asked about their experience of that market over the previous three years. The results are shown in Figure 31 (top six markets) and Figure 32 (six 'selected' growing/emerging markets).

Altogether, 66.8% ( $n=159$ ) of the tourism business sample reported experiencing growth and 11.8% ( $n=28$ ) reported a static China market over the last three years. However, 20% of the tourism business sample ( $n=49$ ) reported that China was not one of their markets. Of the top six markets, Japan had the lowest percentage reporting growth and the highest percentage reporting either decline, no change or not being a market.

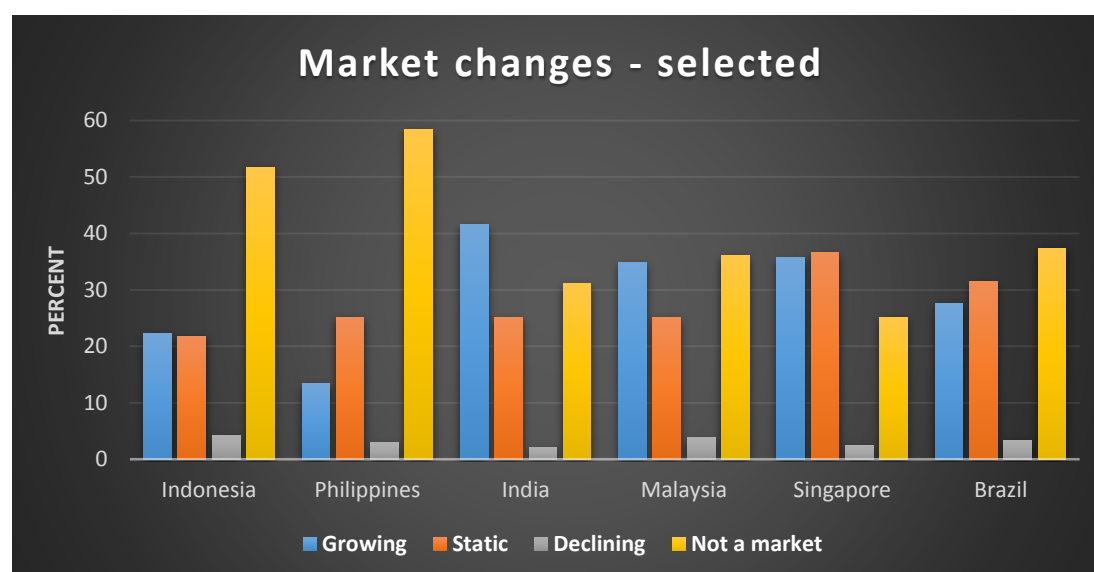
Figure 31 Experience of market change – top 6 markets ( $n=238$ )



The six selected markets all represented small, but growing, visitor markets (according to arrival data) although respondents' experience of these markets was mixed (Figure 32).

While just over 40% of respondents had experienced growth from the Indian market a further 31% reported that India was not a market for their business. Altogether, 72% of respondents reported the Singapore visitor market as either growing or static. There was mixed experience of the emerging Brazil market with 28% of respondents reporting growth, 32% finding it static and 37% not catering to this market (Figure 32).

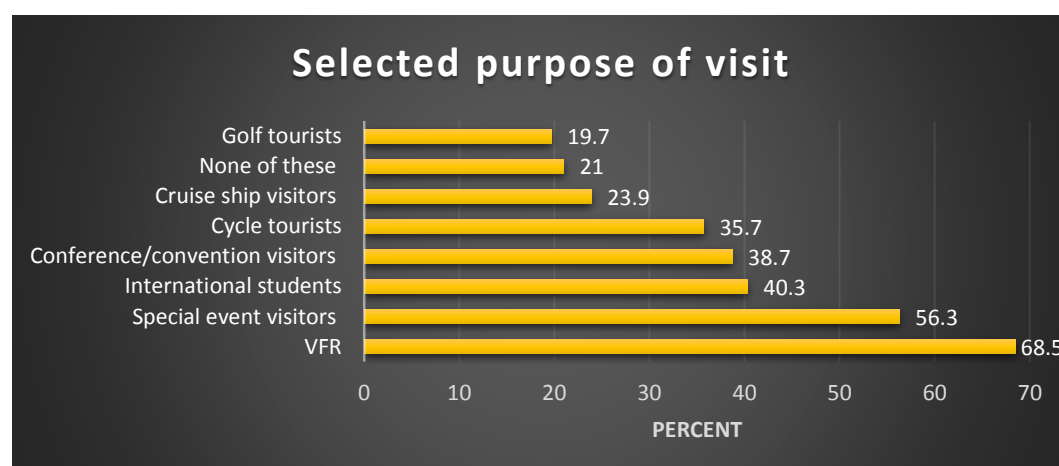
Figure 32 Experience of market change – selected markets (n=238)



### Selected visitor types

In order to examine types of visitors (by purpose of visit) in more detail, respondents were given a list of seven selected purposes of visit (as well as a 'none of these' option) and asked to indicate those which were customers for their business. More than two thirds (68.5%) reported having VFR visitors as customers and more than half (56.3%) reported having special event visitors as customers (Figure 33).

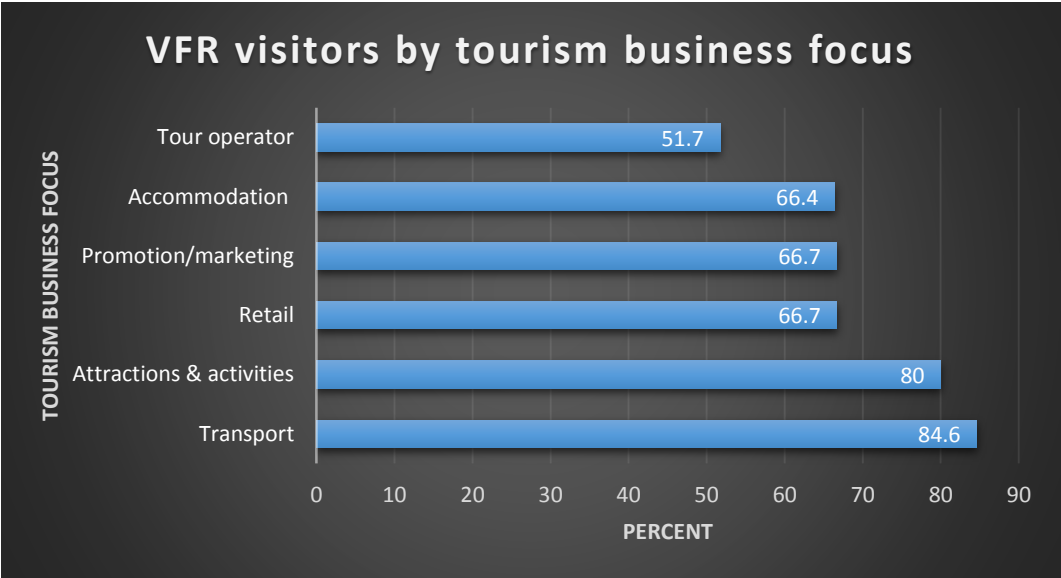
Figure 33 Tourism business – selected purpose of visit (n=238)



Further analysis was undertaken to identify (by type of tourism business and tourism business location) those catering to the top two purposes of visit reported (VFR and special event visitors). While VFR visitors were most important for those operating transport businesses (84.6%) and attractions and activities (80%) more than two thirds of the retail, promotion/marketing and accommodation business surveyed also reported having VFR customers (Figure 34). This reinforces the importance of the VFR market. While their main purpose is to visit friends and family, their visitor dollar does penetrate through to tourism businesses. Only two food and hospitality

businesses completed the survey and were not included in the data shown in Figures 34 and 35.

Figure 34 VFR visitors by tourism business focus (n=163)



Special event visitors were also most important for transport operators (76.9%), followed by retail (66.7%), promotion/marketing (also 66.7%) and attractions and activities (61.7%) (Figure 35).

Figure 35 Special event visitors by tourism business focus (n=134)



Table 3 shows the selected visit purpose data by business location. Respondents in Northland reported the highest percentage of VFR visitors (76.5%), followed by Auckland (74.4%). The South Island sample reported the lowest percentages of VFR visitors.

International students were more evenly distributed across regions, with Canterbury respondents reporting the lowest percentages of international students as customers for their business. The Auckland businesses surveyed reported the highest percentage of convention/conference visitors followed by the Lower South Island and Wellington; the low percentage of these visitors reported by the Canterbury sample reflects the current lack of conference facilities.

Cruise visitors were almost twice as prevalent in Auckland as in the two next best regions (Bay of Plenty and Northland). The highest percentages of special event visitors were reported by respondents in Auckland, Wellington, Canterbury and Northland. Cycle tourists were most common in the Lower South Island, followed by Bay of Plenty and Northland. Golf tourists were most prevalent in Northland and the Lower South Island (Table 3). The data shown in Table 3 are presented as graphs in the Technical Appendix.

*Table 3 Selected visit purpose by tourism business location (%)*

	VFR (n=163)	Int. student (n=96)	Conf/ Convnt (n=92)	Cruise (n=57)	Special event (n=134)	Cycle (n=85)	Golf (n=47)
Northland	<b>76.5</b>	47.1	29.4	23.5	58.8	35.3	<b>29.4</b>
Auckland	<b>74.4</b>	41.9	<b>55.8</b>	<b>53.5</b>	<b>69.8</b>	23.3	18.6
Bay of Plenty	69.6	43.5	39.1	26.1	52.2	39.1	4.3
Central NI	73.9	43.5	30.4	8.7	43.5	34.8	17.4
Wellington	73.3	46.7	40.0	13.3	60.0	33.3	20.0
Upper SI	66.7	41.7	33.3	8.3	45.8	33.3	8.3
Canterbury	64.9	<b>29.7</b>	21.6	18.9	59.5	35.1	10.8
Lower SI	60.7	39.3	44.6	19.6	53.6	<b>46.4</b>	<b>35.7</b>

It must be noted that these data describe the survey sample and are not representative of the tourism industry as a whole. Also, as noted previously, these visitor markets and visitor types data only relate to those operating tourism businesses (n=238). The next sections present a selection of data describing tourism industry challenges, opportunities and vision (full results can be found in the Technical Appendix). These data relate to the whole survey sample (n=269).

## Challenges

Respondents were given a list of 16 tourism industry challenges and asked to indicate whether each of these was a challenge for their own business/operations and/or a challenge facing the whole tourism industry, or if they did not perceive it to be a challenge. They were also asked to indicate which of the challenges was the most significant for their business.

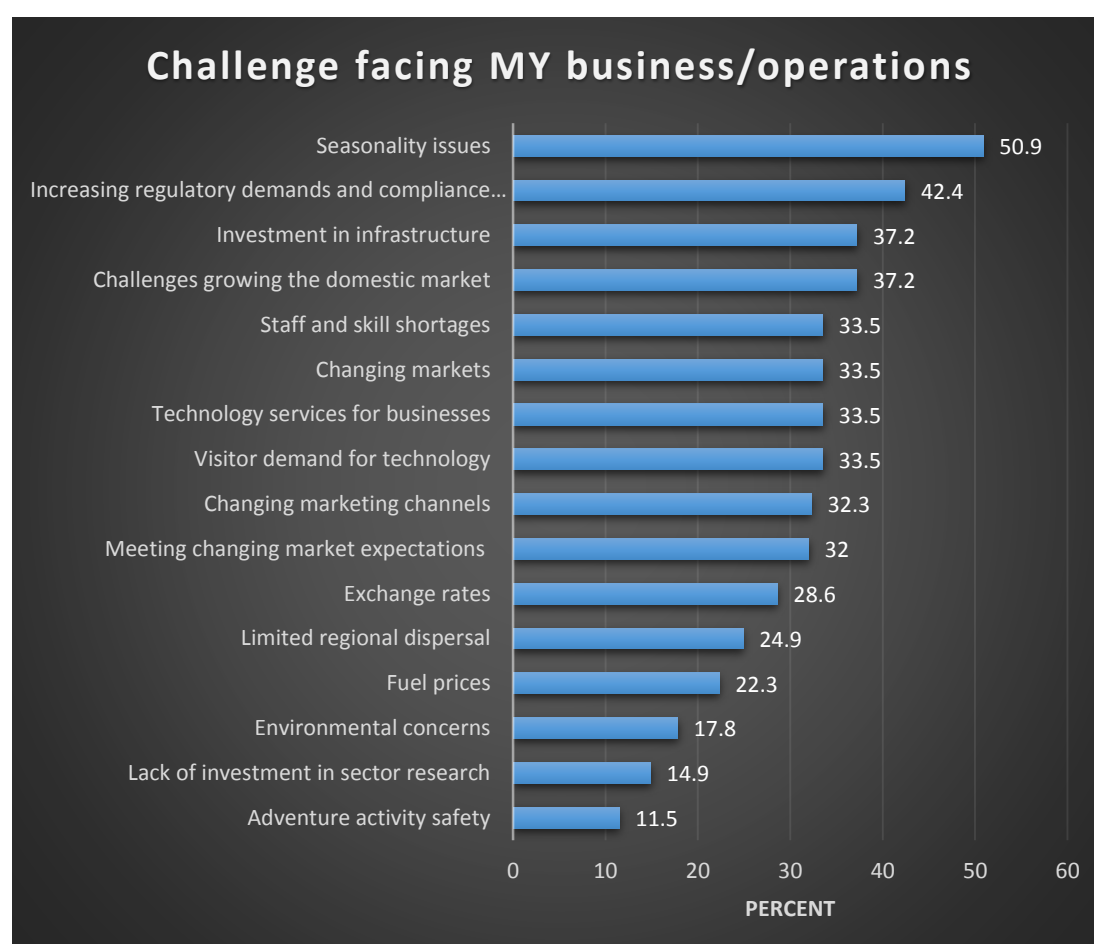
Figure 36 shows the most commonly identified challenges in respect of respondents' own businesses/organisations. Half of all respondents identified seasonality issues as a challenge facing their business/organisation (50.9%, n=137) with just under half of



these respondents also indicating that this was the most significant challenge they faced (Figure 37). Other challenges rounding out the top five were:

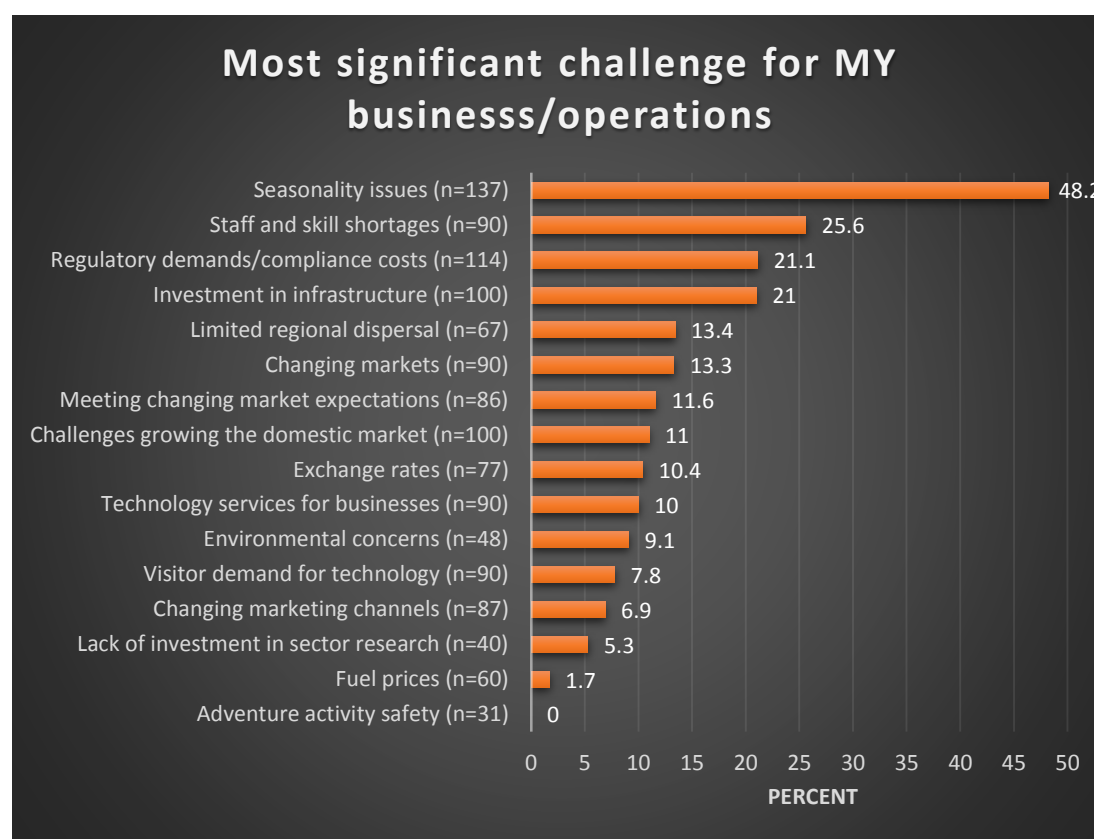
- Increasing regulatory demands and compliance costs (2<sup>nd</sup> as 'my business challenge' and 3<sup>rd</sup> as the 'most significant challenge');
- Investment in infrastructure (3<sup>rd</sup> equal as 'my business challenge', 4<sup>th</sup> as 'most significant');
- Challenges growing the domestic market (3<sup>rd</sup> equal as a business challenge and 8<sup>th</sup> as most significant challenge); and,
- Staff and skill shortages (4<sup>th</sup> equal as a 'my business challenge' and 2<sup>nd</sup> as 'most significant challenge').

Figure 36 Challenge facing MY business/operations (n=269)



When asked about challenges facing the whole tourism industry, each of the top five challenges were supported by more than two thirds of respondents. Changing markets was reported most often as a whole tourism industry challenge (68.4% of respondents), followed by increasing regulatory demands and compliance costs (65.1%), environmental concerns and exchange rates (both 64.3%), and seasonality (63.9%). For full results see Technical Appendix.

Figure 37 Most significant challenge for MY business/operations (n=269)



Respondents were also asked to describe any other challenges (not included in the list provided) facing the tourism industry. Altogether, 105 respondents (39%) reported other challenges and these were coded according to the eleven themes shown in Table 4. While many of these new challenges identified were similar to the challenges provided in the survey question, they provided more nuanced descriptions of the challenges and featured across multiple themes. The top ranked challenge of ‘seasonality issues’, for example, was further described in respect of accommodation ‘capacity’ at busy times, and in respect of overcrowding (at busy times and at iconic sites) and in respect of impacts on ‘tourist satisfaction’. Support and governance challenges were associated with a variety of funding and support organisations (including local councils, MBIE and Tourism New Zealand) as well as the recipients of support (e.g. small businesses and regions). A number of broad concerns – related to environmental concerns, marketing foci, destination management, poor cohesion across the sector and lack of understanding of tourism impacts – were also described.

Other challenges described related to concerns associated with tourist behaviour (e.g., driver competence and freeloading), realistic pricing (e.g. freedom camping issues and pricing/enforcement consistency) and concerns around how level the tourism ‘playing field’ is. The challenge of operating without a ‘level playing field’ was raised in respect of compliance costs and enforcement, promotion and marketing support (particularly for small businesses) and in terms of business support more generally. Table 4 includes an illustrative example for each of 11

themes; a detailed summary of the other challenges reported is presented in the Technical Appendix.

*Table 4 Other challenges*

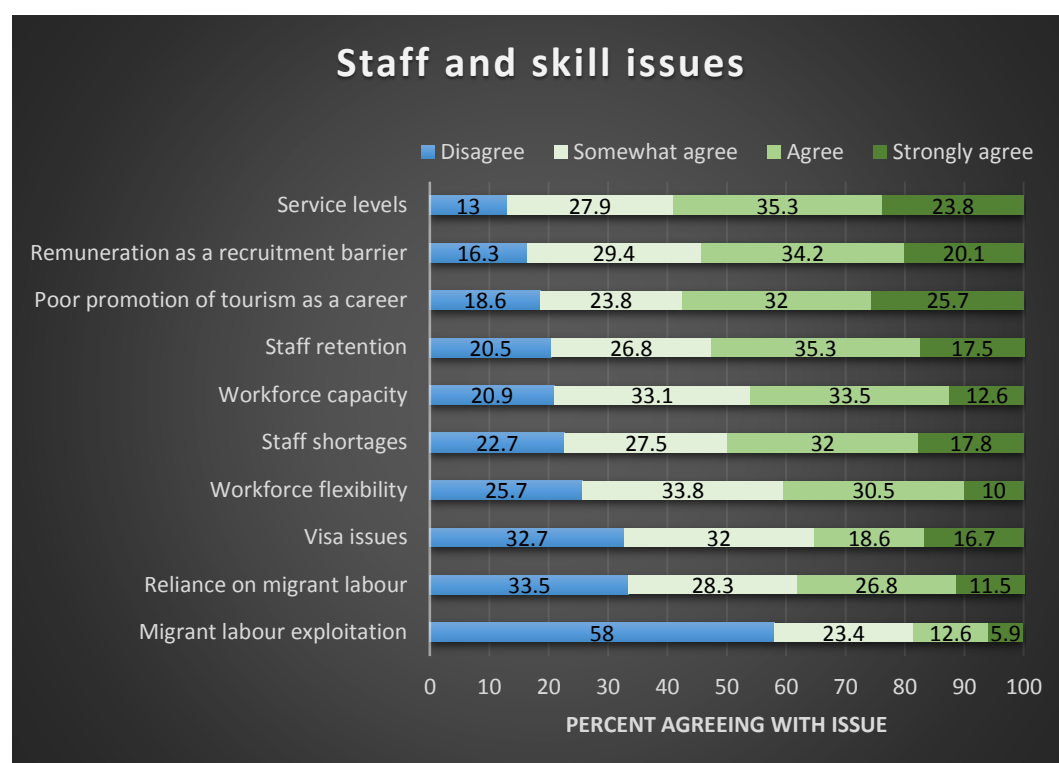
<b>Theme</b>	<b>Example of challenge identified</b>
<b>Employment</b>	<i>We need to make tourism a sexy industry for young people to come and work in</i>
<b>External challenges</b>	<i>Tourism is volatile and dependent on a stable and secure national and international economy</i>
<b>Capacity &amp; supply</b>	<i>Large events being held in New Zealand are affecting availability of accommodation, coaches etc</i>
<b>Regional dispersal</b>	<i>Location barriers – i.e., regions that are not as well promoted</i>
<b>Compliance</b>	<i>The increase in compliance is time consuming and not helping those that already comply. There should be more enforcement of non-compliance</i>
<b>Safety</b>	<i>Maintaining New Zealand's reputation as a safe destination</i>
<b>Realistic pricing</b>	<i>Freedom campers are unlimited and unregulated and this drains not only our industry, but also the ratepayers in our area</i>
<b>Support &amp; governance</b>	<i>Unequal regulatory demands and Council not being proactive in ensuring compliance of regulatory demands, which leads to an 'uneven playing field'</i>
<b>Tourist behaviour &amp; satisfaction</b>	<i>The challenge now is opening up new areas for discovery and dispersing tourist to reduce pressure and, ultimately, negative visitor experiences</i>
<b>Small business challenges</b>	<i>Seems to be dominated by larger businesses – it's difficult for small businesses to get noticed</i>
<b>Broad concerns</b>	<i>As we grow visitor numbers we need to be mindful of our own community, or we will kill the golden goose for both the visitors and our communities</i>

As noted, staff and skill issues were selected as the 4<sup>th</sup> equal challenge facing individual businesses and the 2<sup>nd</sup> most significant (Figures 36 and 37). Altogether, 60.6% of respondents also indicated that this was a challenge for the whole tourism industry. Of the 11 themes describing other challenges, employment issues attracted the most comments and these commonly described the individual staff and skill issues which were examined via a targeted question.

### **Staff and skill issues**

In order to explore staff and skill issues in more depth respondents were presented with ten specific issues (identified from media reports) and asked to indicate the extent to which they agreed, or disagreed, that each represents a significant issue for the tourism industry. Figure 38 shows that almost 90% of respondents agreed that service levels were an issue with almost a quarter (23.8%) strongly agreeing. The issue attracting the highest level of strong agreement was 'poor promotion of tourism as a career' (25.7%). The three items attracting the lowest levels of agreement were migrant labour exploitation (58% disagreed), reliance on migrant labour (33.5% disagreed) and visa issues (32.7% disagreed) (Figure 38).

Figure 38 Agreement concerning staff and skill issues (n=269)



## Opportunities

Respondents were given a list of 14 tourism industry opportunities and asked to indicate whether each of these was an opportunity for their own business/operations and/or an opportunity for the whole tourism industry, or if they did not perceive it to be an opportunity. They were also asked to indicate which opportunity was the most important for their business. There was considerably more variation in the selection of opportunities than there was for challenges.

As Figure 39 shows, nine of the 14 opportunities were selected as relevant to their business by more than half of all respondents. While use of new technologies and social media was the most picked opportunity for their own business, only 4.4% of respondents selected this as the most important opportunity for them (Figure 40). Overall, the highest scoring opportunity was maximising domestic tourism potential (selected as a business opportunity by 59.1% of respondents and as the most important opportunity by 14.7% of these respondents).

Attracting more visitors to regions was selected as a business opportunity by 51.3% of respondents with 16% of these also picking this as their most important opportunity; this was also the 2<sup>nd</sup> most selected opportunity for the whole tourism industry (selected by 83.3% of respondents). The highest scoring opportunity for the whole tourism industry was growth of new markets (86.6% of respondents) (see the Technical Appendix).

Figure 39 Opportunity for MY business/operations (n=269)

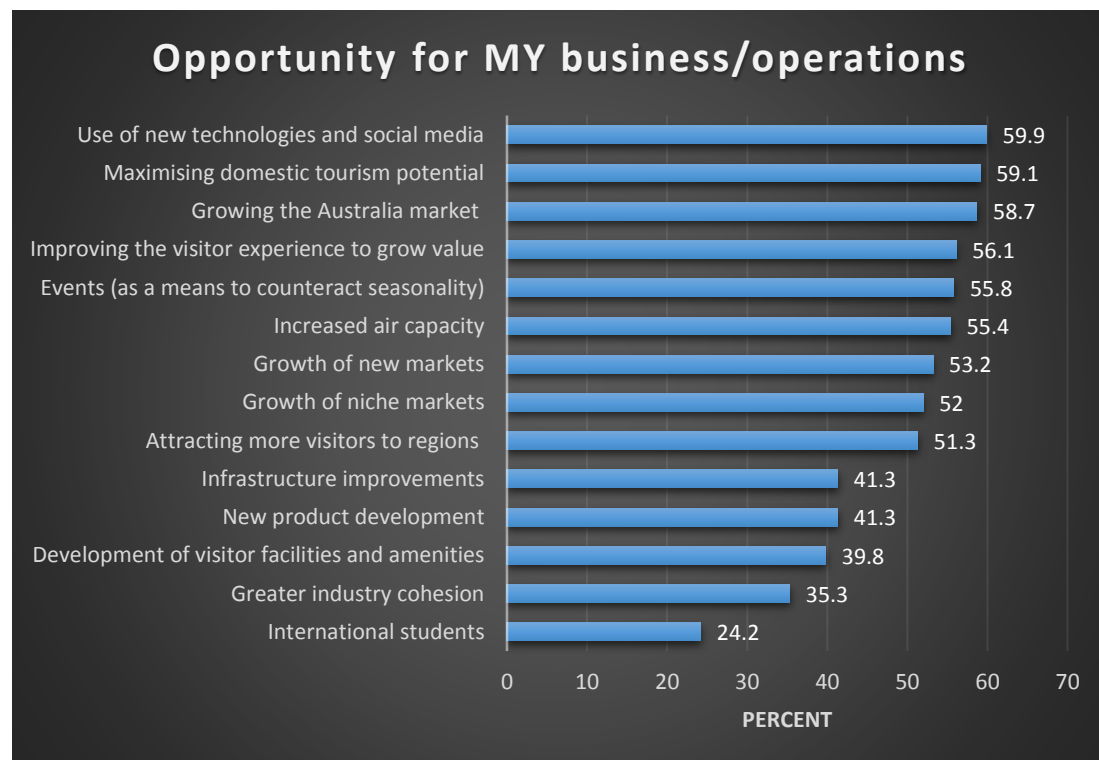
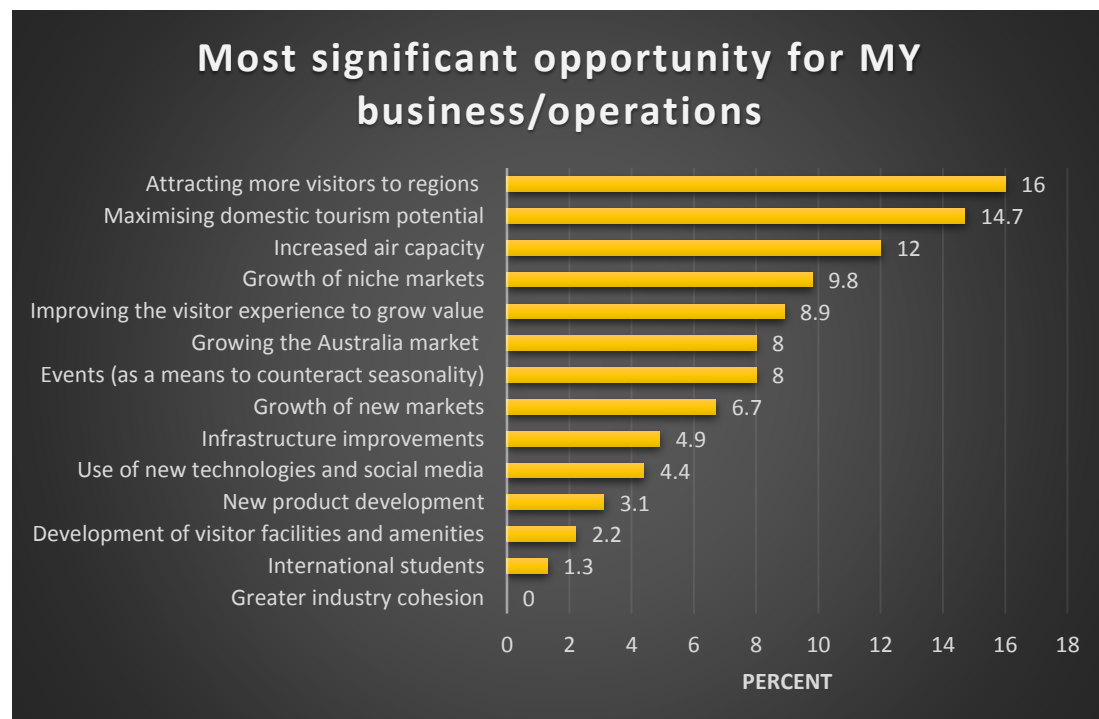


Figure 40 Most significant opportunity for MY business/operations (n=269)



When asked about opportunities for the whole tourism industry, the only opportunities attracting less than 75% support were events (as a means to

counteract seasonality) (74%), new product development (71.4%) and international students (61.7%). For full results see Technical Appendix.

When asked about opportunities in an open-ended question, 37 respondents (14%) reported other opportunities. These were coded into the seven themes shown in Table 5. Many were the converse of the challenges identified previously (e.g., opportunities to improve accommodation supply and to target niche and selected markets).

There was some overlap across the seven opportunity themes as, for example, opportunities associated with niche and selected markets were also noted in respect of promotion to those markets. Some of these comments were focused on new markets and some on greater promotion efforts around existing (but currently small) market segments. As one respondent noted, there is “*a big opportunity to look beyond the same old, same old*”. Promotional opportunities were also associated with funding opportunities and broader opportunities resulting from changes in origin countries (rather than in New Zealand). Table 5 presents an illustrative example for each of seven themes; a detailed summary of these opportunities described is presented in the Technical Appendix.

*Table 5 Other opportunities*

Theme	Example of opportunity identified
<b>Niche &amp; selected markets</b>	<i>Australian travellers are our closest source, there is an opportunity to tap this further with their long-stay travellers such as group coach tour tourists</i>
<b>Increased &amp; improved promotion</b>	<i>Promote the range of accommodation available when touring New Zealand and their benefits e.g., farm-based accommodation or B&amp;Bs where they meet and stay with locals</i>
<b>Increase &amp; improve supply</b>	<i>Improved wide range of accommodation, especially in the regions</i>
<b>Funding &amp; operational</b>	<i>Having easy pathways for entrepreneurial people to set up new business, gain commercial experience and to raise the standards across the industry</i>
<b>Attitudes to tourism</b>	<i>Many Kiwis don't believe they are involved in the tourism industry, but every time they help a tourist with directions or show their hospitality they are part of the experience</i>
<b>Improving the tourist experience</b>	<i>Expanding experiences to untouched areas in our region. Guests are hungry for these experiences</i>
<b>Broad opportunities</b>	<i>GDP growth in our tourism source markets creating larger markets of people who can afford high-value experiences, and are looking for the experience that New Zealand offers</i>

## Domestic tourism

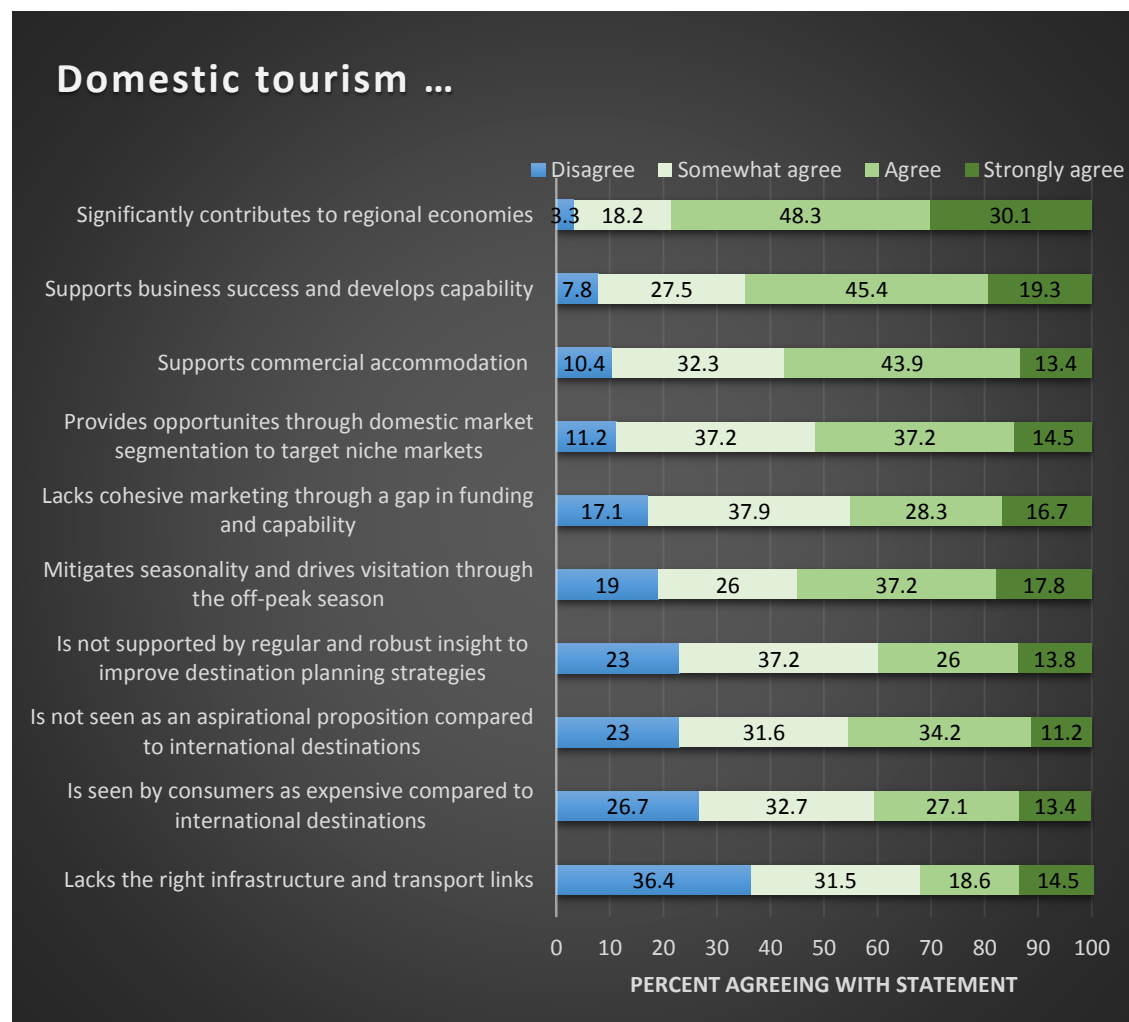
In addition to these challenge and opportunity questions, a more targeted question explored levels of agreement with ten statements about domestic tourism. As Figure 41 shows, the four statements attracting the most agreement described positive attributes of domestic tourism and attracted high levels of agreement (around 90%

and higher). Altogether, 96.6% of respondents agreed that domestic tourism significantly contributes to regional economies (30.1% strongly agreed) (Figure 41).

The statements describing issues associated with domestic tourism attracted lower levels of agreement, although the lowest scoring statement (that domestic tourism lacks the right infrastructure and transport links) still attracted an overall agreement level of 64.6%. Respondents were most ambivalent (i.e., had the highest percentage who 'somewhat agreed') that domestic tourism:

- Lacks cohesive marketing through a gap in funding and capability (37.9%)
- Provides opportunities through domestic market segmentation to target niche markets (37.2%)
- Is not supported by regular and robust insight to improve destination planning strategies (37.2%)

Figure 41 Agreement with domestic tourism statements (n=269)

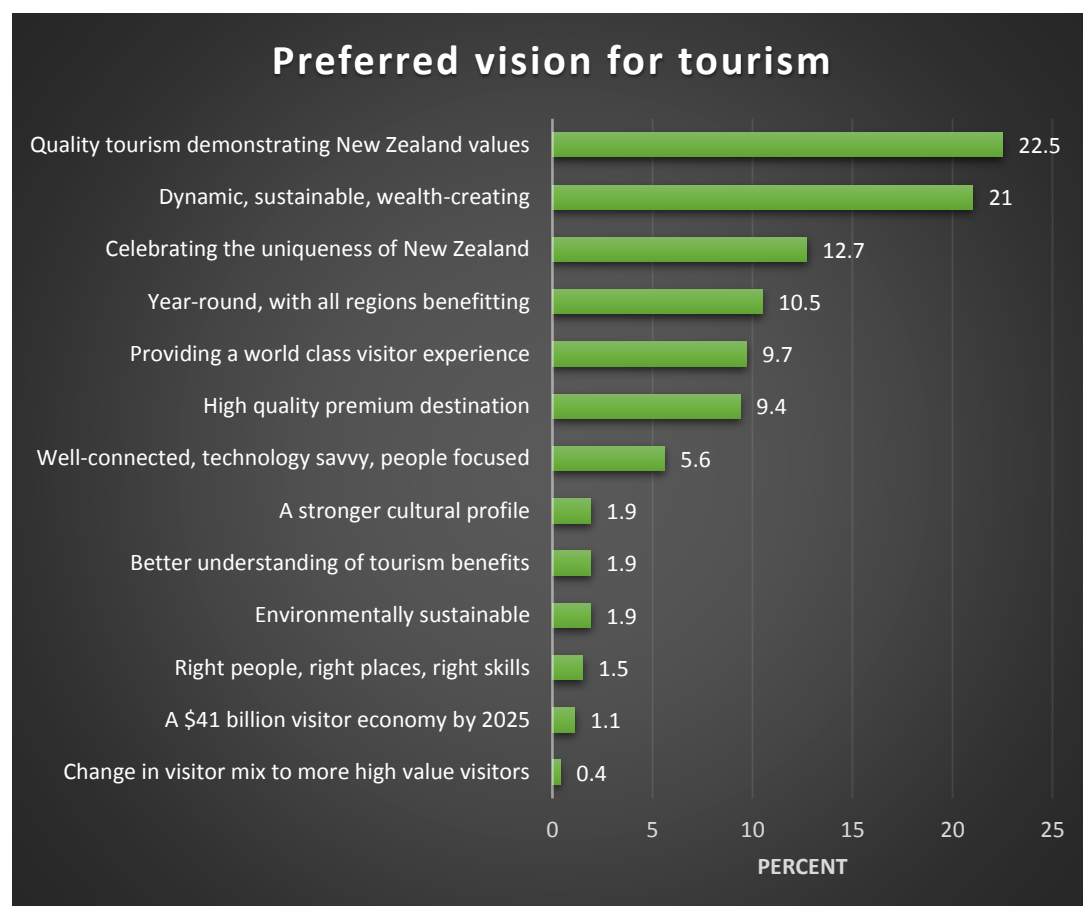




## Vision

Respondents were given 13 vision statements (based on interview data collected for the SOI 2011 and SOI 2012) and asked to indicate the extent to which they agreed with each. They were also asked which of the vision statements was closest to their own vision for tourism in 2025. There was over 85% agreement with all the vision statements. The highest levels of agreement were for *‘celebrating the uniqueness of New Zealand’* (98.6% agreement), *‘providing a world class visitor experience’* (97% agreement) and having *‘the right people, in the right places with the right skills’* (96.6% agreement) (see Technical Appendix, Figure 22). However, the two ‘most preferred’ visions were that *‘we have quality tourism, we have preserved our community and our environment, and people understand that we are a country that values conservation, community and people’* (22.5%) and that tourism is *‘a dynamic, sustainable, wealth-creating industry’* (21%) (Figure 42).

Figure 42 Preferred vision for tourism (n=269)



A final question asked if respondents had an alternative vision of tourism; altogether 24 alternative visions were suggested. These were often complex, describing multiple facets of tourism within a single vision and overall, they focused on three main themes: the visitor experience; the operation of a high quality, supportive and cohesive industry; and the values underpinning both the supply and demand aspects of tourism in New Zealand. The majority simply packaged the various themes found in the original vision statements in different ways. The full list of the 24 alternative vision statements can be found in the Technical Appendix. Five vision statements



(shown below) highlighted two broad themes, representing demand and supply side aspects of tourism, which did not feature in the original vision statements. The first described diversity of demand (and the importance of accessibility in tourism) while the second focused on supply-side facets (especially the importance of cohesion and collaboration) across both industry and community.

*A diverse industry that recognises the value of all visitors from budget to 5 star, promoted in an authentic way to an engaged visitor type.*

*An industry which all NZ residents, especially families, no matter their economic means can experience – holidays in affordable camping grounds and huts throughout the country.*

*An industry that works cohesively throughout regions and with the local community, utilizing technology and exceptional service while protecting our environment and providing a personal approach.*

*A profitable, sustainable, INNOVATIVE industry that encourages new product development through cross-sector and cross-regional collaboration.*

*Growth is managed sustainably and not at the expense of existing community infrastructure and well-being.*

## Reflections

The SOI survey was designed to examine the state of the tourism industry from an on-the-ground perspective of those working in the tourism industry. As such, it sits under the umbrella of the high level, top-down visitor data collected at the national level. This 'reflections' section draws on both data sets and presents a discussion relating to five key areas of interest: the visitor mix; seasonality; challenges associated with staffing and skills; regional spread; and domestic tourism.

### The visitor mix

The national level data presents a detailed overview of international visitors to New Zealand, providing information on where they come from, their main purpose of visit, and length of stay and spend. These data show that almost three quarters of international visitors to New Zealand originate from six main markets and that this concentration has increased over time. In 2015, the top three markets – Australia, China and USA – provided 61% of all international arrivals to New Zealand. The predominance of visitors from these main markets was also confirmed by survey respondents with only 3% reporting that their 'main visitor origin' came from emerging markets. When asked specifically about their experience of growth relating to each of the six main markets, more than two thirds of respondents reported growing numbers of visitors from China and more than half had experienced growth in visitors from the USA.

The 'main purpose of visit' data is a very broad measure, particularly given that 80% of all international arrivals are recorded as either holiday/vacation or VFR visitors. These data also miss the multiple purposes of many visitors. When asked about the types of visitors (differentiated according to a selection of visit purposes) more than a third of the tourism businesses surveyed reported having cycle tourists, conference/convention visitors and international students as customers for their business, and over half reported having special event visitors as customers. What was most striking, however, was that more than two thirds of the tourism businesses reported having VFR visitors as customers. While these VFR visitors were particularly important for transport and attraction and activity business, they were also reported as customers by more than two thirds of the accommodation, promotion/marketing and retail businesses and by more than half of the tour operators surveyed.

While there have been significant growth rates reported for international arrivals from a number of countries outside the top six, these data need to be treated with caution as the number of visitors from these countries remains small. When asked about their experience of growth associated with six selected small, but growing visitor markets, only India, Malaysia and Singapore were reported by a third or more respondents as 'growing'. Of these, India is the only market that might be classified as 'emerging'. The tourism businesses surveyed reported limited experience of the other emerging markets selected, with more than half having no experience of visitors from either Indonesia or the Philippines, and more than two thirds having no experience of visitors from Brazil. There may, however, be potential for further growth in some of these minor markets as a result of workers entering New Zealand

on special visas and growing numbers of international students (from a range of countries), who also potentially attract VFR visitors.

The survey data also showed that a third of all respondents thought that changing markets presented a challenge for their own business/operations while more than two thirds of respondents thought that changing markets were a challenge for the whole tourism industry. More than half of the survey respondents also saw the growth of both new and niche markets as opportunities for their business. Growth of new markets attracted the highest level of support (by 87% of respondents) as an opportunity for the tourism industry as a whole.

### Seasonality

The data also shows defined seasonality patterns for international visitor arrivals with 13.7% of all international arrivals in December and 35.7% arriving between December 2014 and February 2015 (inclusive). This December-February arrival concentration has become more pronounced over time (i.e., in 2005 it was 33.9% and in 2010, 34.6%). While some of the smaller emerging markets do demonstrate more varied arrival patterns, numbers are small and are not necessarily consistent by year, as they relate to movable events such as Ramadan and the Chinese New Year. Much is made in the tourism rhetoric about the large cohort of Indian visitors in May (coinciding with the arrival of the Indian monsoon), but 2015 arrival data for this market shows that New Zealand attracted more Indian visitors in both December and March and an almost equal number in February as in May.

It is also of note that seasonality issues were identified by half of all survey respondents as a challenge facing their business/operations and, of those, almost half reported that seasonality was the most significant challenge they faced. Almost two thirds of all respondents also indicated that seasonality was a challenge facing the whole tourism industry. While just over half of all respondents agreed that events (as a means to counteract seasonality) presented an opportunity for their business/operations, there was also some concern around the impact of large events on current accommodation capacity. Others noted that continued growth in visitor numbers, particularly during the summer months, had potential to further stress capacity (for both accommodation and more generally) and impact negatively on the visitor experience.

### Challenge of staff and skills

After seasonality, the second most significant challenge noted by respondents related to staff and skill shortages. A third of all survey respondents reported that staff and skill shortages were an issue for their business (with a quarter of those indicating it was the most significant challenge they faced) and 61% indicating that this was a challenge facing the whole industry. A wide range of employment-related challenges were also reported in response to the open-ended challenge question. These included, amongst others, concerns about service levels, limited interest in tourism as a career and the lack of seniority/gravitas in the sector, poor remuneration for staff and reliance on transient labour. Almost a third of the tourism businesses surveyed reported that they employ migrant workers and more than half

find it difficult to get skilled staff. Concern about these issues was also voiced through high levels of agreement with the items listed in the specific staff and skill question (see Figure 38) which was asked after the open-ended challenge one.

### Regional dispersal

There is considerable variation in the effects of tourism on regions and specific locations within New Zealand. As might be expected, the gateway regions attract a disproportionate share of visitors. The data relating to niche markets such as cruise, education and convention/conference visitors also highlight significant regional variation in visitor spread. The survey data also supported this. As Figure 18 showed, the proportion of total tourism expenditure ranges from 29% in Auckland to 0.4% in Gisborne. A quarter of survey respondents reported that limited regional dispersal was a challenge for their business and 38% thought this was a challenge facing the whole industry. Over half of all respondents reported 'attracting more visitors to regions' as an opportunity for their business, with 16% of these respondents indicating that this represented the most significant opportunity for them. When asked about this as an opportunity for the whole tourism industry, 'attracting more visitor to regions' had the second highest level of support (83% of respondents). Increasing the regional spread of tourism benefits also featured in the other tourism opportunities suggested by respondents and included improved/enhanced regional accommodation options, expanded visitor experiences (into untouched areas of the regions) and increased regional promotion.

### Importance of domestic tourism

The importance of domestic tourism was also linked to regional spread. As the map in Figure 18 showed, domestic expenditure outperforms international expenditure in all but two regions (West Coast and Otago). Data from the accommodation survey also highlights the importance of domestic tourism. Beyond this, however, data on domestic tourism activity are limited. The importance of domestic tourism was confirmed by the survey data. Altogether, 30% of the survey respondents reported that their main visitor markets were either mainly, or predominantly domestic, with a further 14% reporting an equal mix of international and domestic. More than a third reported that their business faced 'challenges growing the domestic market' and almost half thought this was a challenge for the whole tourism industry. 'Maximising domestic tourism potential' was the second most common significant opportunity for my business reported (by almost two thirds of respondents) with 15% of these reporting it their most significant opportunity. More than three quarters of the survey sample saw this as an opportunity for the whole tourism industry.

## Tourism insights

This report presents trends that describe high level changes in New Zealand tourism over the last ten years. This ‘top-down’ data are supported by ‘bottom-up’ data, collected via a survey of businesses and organisations involved in tourism. Together, these data sets illustrate both the diversity and spread of tourism in New Zealand according to economic and broader social indicators. The vision statements offered for review in the survey were taken from previous qualitative research on the state of the tourism sector (i.e., data collected for the SOI 2011 and SOI 2012) and the level of support they engendered in 2015 suggested that they remain current. The key components of a tourism industry vision are associated with a supportive and cohesive industry providing a quality visitor experience to a wide range of visitors. While a third component – relating to the values underpinning both the supply and demand of tourism – also remains current, the alternative visions suggested by the 2015 survey respondents indicate that these values have increased in importance. The broader positioning of tourism within New Zealand society, including its importance to New Zealanders as tourists themselves, and in respect of its contribution to community wellbeing was a strong theme across these vision statements. These findings add a more nuanced and human dimension to the numerical data generated via the IVS, the TSA and the Regional Tourism Estimates and go some way towards mitigating the issues associated with the granularity of these tourism datasets.

While our reflections section represented an attempt to integrate these statistical data with an empirical survey dataset it also highlighted a multitude of areas that would benefit from empirical research-generated insight. Future SOI iterations, for example, could examine investments in the tourism sector (e.g. International Convention Centre, Air NZ investment in their new fleet) and track the impact of these. Another research area of interest is the VFR market, including its relationship with other visitor groups (such as, for example, international students and working holiday makers) and some targeted empirical analysis of its economic and regional impacts. Other useful research initiatives could address niche markets and test the realities of their benefits to local communities. One example of this might be a synthesis of extant cycle trail research findings to examine both supply and demand factors associated with new cycle trails. It is reasonable to expect, for example, that cycle trails benefit regions as a simple function of their location, but what needs more examination is the extent to which these benefits accrue to different types of businesses and to the wider communities. Overall, greater insight is needed into understanding the drivers of tourism’s regional spread and the distribution of tourism benefits throughout regions. However, domestic tourism remains the sector most in need of more robust data and research-generated empirical insight.

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