Tourism New Zealand
Three Year Marketing Strategy
FY2014 - FY2016

“Leveraging a strong foundation to accelerate growth”
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Section details Tourism New Zealand’s plans for markets providing key information, selection rationale and our strategic intentions for core priority markets and emerging markets.
1. Executive summary

The last three years have seen the New Zealand tourism industry contend with the on-going financial crisis - affecting important western long haul markets, a persistently high New Zealand dollar, earthquakes in Christchurch and Japan, and ash from a Chilean volcano. However through the successful leverage of the Rugby World Cup 2011, the premiere of the first Hobbit film, a fast emerging China travel market and strong success in the business events space the industry was able to mitigate the impact of these externalities. The net result, as we enter the beginning of a new three-year plan period, is New Zealand’s arrival growth is flat (normalised for Rugby World Cup 2011), but New Zealand is receiving fewer stay-days, and weaker visitor spend (in New Zealand dollars).

Recent arrival results however, show early signs of recovery and optimism, particularly in New Zealand’s traditional markets namely the UK, Japan, Germany and the USA. These promising signals, coupled with positive industry forecasts that anticipate a return to growth, suggest the industry is poised for a strong three years ahead.

During the development of this three-year strategy significant research, review and consultation not only confirmed that evolution and refinement, rather than a complete re-start, was needed, but that significant opportunities could be activated to generate enhanced value outcomes if further resource was available.

Tourism New Zealand’s budget will increase $29.5m, from $83.8m to $113.4m, for the financial years FY14 and FY15, increasing to $115.8m in FY16 and FY17, enabling significant expansion on Tourism New Zealand’s current activity. This additional funding allows Tourism New Zealand to remain and in some cases up-weight its activity in New Zealand’s core markets, while also being able to focus on and resource opportunities of high value in emerging markets and high-value sectors.

The establishment of a presence in the emerging markets of India, Indonesia and Latin America is required now to secure a strong future position for the New Zealand tourism industry. The relevance of non-traditional markets to New Zealand’s tourism industry is only going to grow as their strong economies lead to growth in personal spending power and in turn outbound travel. The additional funding enables the opportunities these markets present to be adequately pursued while not having to downscale efforts in New Zealand’s top six source markets which are integral to the continuity of short/medium term results for industry. Tourism New Zealand is focused on undertaking activity that creates awareness and demand for New Zealand as well as providing leadership and support for New Zealand businesses within these markets.

Tourism New Zealand will also up-weight its focus on the international business events sector as a means of attracting higher-value visitors. This will include the promotion of New Zealand as a compelling destination for international meetings and incentives, development of in-market networks and a focus on securing leads. Work in this space will be done in partnership with industry and will include promotion of what New Zealand can currently offer, as well as preparing for the expected delivery of new conference facilities in Auckland, Christchurch, and Queenstown.

Tourism New Zealand has also developed a strategy to target the premium travel sector. New Zealand can competitively provide for this niche sector and Tourism New Zealand will focus on targeting untapped demand beyond the reach of premium businesses in New Zealand.

The next three years will not be without challenges. At a global level several of New Zealand’s core source markets will remain, to some degree, affected by the global financial crisis which will continue to influence travel decisions. The strong Australian Dollar will likely prevail, continuing to fuel long haul travel from Australia, New Zealand’s largest source market. In New Zealand’s growth markets like China there is still further work to be done to improve the quality of the visitor experience and the availability of quality New Zealand itineraries. Within New Zealand, the travel industry remains affected by the consequences of the
Christchurch earthquakes (e.g. accommodation shortages) and the relatively strong currency is impacting the demand for and economic return New Zealand is generating from international tourism.

While challenges will be on-going, Tourism New Zealand can enter the next three year period confidently with a strong foundation in place and with a strategy that balances the industry’s need for on-going short-term security while creating a strong future position. Tourism New Zealand’s ‘foundation’ includes its successful and internationally recognised multi-channel 100% Pure New Zealand campaign, its digital marketing programme which is driving over 12.8 million visitors a year to a re-vitalised newzealand.com and 1.8 million industry referrals from the site. A well-developed event leveraging programme which continues to capitalise on major sporting and cultural events, and strong travel partnerships. These partnerships have secured some $20-25m per year in co-marketing funds (cash and non-cash contributions) to promote New Zealand.

Partnerships and more broadly, a collaborative approach will be central to the delivery and success of this strategy. This includes working alongside the Tourism Industry Association as it leads the tourism industry in the development of a national tourism plan. The effectiveness of Tourism New Zealand’s three-year marketing strategy stands to be significantly enhanced with the successful implementation of a strong and positive national tourism plan. As such Tourism New Zealand has committed resource and expertise to assist in its development and to ensure alignment between the industry-wide national tourism plan and the Tourism New Zealand three-year marketing strategy.

To reflect the evolution and expansion of Tourism New Zealand’s strategy, our strategic priorities have been refined as illustrated below.
These priorities build off the strong foundations and learnings Tourism New Zealand has gained over the last three years and will enhance Tourism New Zealand’s approach going forward. The key areas of focus within our priorities include:

1. **Grow a portfolio of markets that drives current opportunities and creates future market positions**

   Tourism New Zealand will continue to prioritise the top six visitor markets of Australia, China, USA, UK, Germany and Japan. Investment has been up-weighted in markets where opportunities have been identified to accelerate recovery or activate strong value outcomes through specific initiatives. These markets remain integral to the on-going success of the New Zealand tourism industry both in the short and long term.

   Alongside this, emphasis on emerging markets will be significantly increased in recognition of their longer term potential. Additional funding has been allocated for the establishment of a sizeable presence in the emerging markets of India, Indonesia and Latin America, where effort and investment is required now to secure a strong future position for the New Zealand tourism industry.

   Priority 1 core markets: Australia, China, USA
   Priority 2 core markets: UK, Germany, Japan
   Priority 3 markets: Peninsula South East Asia¹, France, Rest of Europe, Korea, Canada
   Priority emerging markets: India, Indonesia, Latin America²

2. **Drive preference for visiting New Zealand**

   Marketing emphasis will be placed further up the Active Considerers’ decision cycle through campaign, the international media programme and event leverage programmes. This will include leveraging premieres of the Hobbit movies in LA (FY2014) and London (FY2015) and key sporting events including the Cricket World Cup (2015).

   Opportunities to build differentiation for New Zealand in the international marketplace through deeper integration of Maori culture will be sought.

   Digital channels will remain a key channel to drive preference, including newzealand.com.

   Activity to develop preference for New Zealand as an international business events and premium travel destination will be undertaken.

3. **Focus marketing activity on clearly defined higher value visitors**

   A global strategy will be delivered to position New Zealand strongly in the premium travel sector to target untapped demand beyond the reach of premium businesses in New Zealand.

   Substantial scale will be built into the Premier Kiwi Partnership programme (PKP) in China.

   Emphasis will be significantly increased in the business events sector, particularly in the key markets of China, Singapore and North America.

   Special interest focus will be extended beyond ski to golf, hiking/walking, food and wine, and cycling activities. Emphasis in particular will be directed to raising the profile of New Zealand as a cycling destination in Australia to ensure the immediate utilisation of the new cycleway assets.

4. **Partner widely to activate conversion and extend marketing reach**

   Commercial partnerships with the aviation industry, travel sellers and Regional Tourism Organisations will be created and further developed to extend marketing reach and strengthen conversion oriented activity. On-going activity will be delivered with aviation partners to maintain/grow air capacity supply.

   Emphasis will be placed on motivating travel sellers to advocate for New Zealand and improve value.

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¹ Peninsula South East Asia includes Singapore, Malaysia and Thailand.
² Latin America will predominantly see activity undertaken in Brazil, Chile, Argentina and Mexico.
5. **Optimise delivery capability**

*External*
The China Market Development Unit, Qualmark and i-SITE strategies will continue to be supported. Tourism New Zealand will work collaboratively with industry and New Zealand Inc. to achieve strong tourism outcomes.
Tourism New Zealand will help drive industry knowledge and capability to serve emerging markets. Specific opportunities will be created to support the Christchurch recovery.
Tourism New Zealand will work alongside the Tourism Industry Association as it leads the tourism industry in the development of a national tourism plan.

*Internal*
Investment will be directed to talent management and succession planning. Leadership development will be continually built on. Employee engagement will continue to be a focus. Employee’s cultural understanding and ability will be further developed. Tourism New Zealand will accelerate the adoption of technology that will assist in reducing costs and improving efficiency and decisions.

It is believed that at an aggregated level, through the execution of this strategy, Tourism New Zealand will contribute strongly to the achievement of value and volume improvements for the New Zealand tourism industry.
2. The current situation

Globally the travel and tourism industry has become one of the fastest growing economic sectors

Despite the occurrence of external shocks, including political upheaval, economic uncertainty and natural disasters, at an aggregated level, global tourism has shown nearly uninterrupted growth in arrivals for over three decades. In 2012 international arrivals exceeded 1 billion for the first time and international tourism receipts grew to exceed USD1,000 billion, despite global economic constraints (UNWTO, 2012). Today the industry is one of the biggest and fastest-growing economic sectors in the world. These growth trends are expected to continue with worldwide international arrivals forecast to grow 3.3 per cent per year on average from 2010-2030.

For New Zealand, international visitors remain a vital export industry

Tourism plays a significant role in the New Zealand economy. In the year ended March 2012 international tourism expenditure contributed $9.6 billion (15.4 per cent) to New Zealand’s total exports of goods and services up 1.6 per cent, and directly accounted for $6.2 billion (3.3 per cent) of GDP. The tourism industry directly provides employment for 6.2 per cent of New Zealand’s work force and generates $1.3 billion in goods and services tax (GST) revenue. These strong results occurred despite the industry facing the devastating February 2011 earthquake in Christchurch, ash from the Chilean volcano which disrupted air travel, and the on-going effects of the global financial crisis (Tourism Satellite Account, 2012).

Macro factors will continue to influence the industry

As highlighted above many externalities have shaken the New Zealand tourism industry and challenges will continue to be faced throughout the duration of this strategy. In conjunction with one off shocks, the New Zealand tourism industry will also be influenced by key trends and changes within the macro environment.

Some of the major influences that will shape the tourism industry and therefore have been considered in the construction of this strategy include:

The impact of technology

- Technology is creating an interconnected world resulting in unprecedented levels of information flows.
- Technology will progressively evolve the way we identify and engage with potential visitors.
- Social media is super-charging word-of-mouth and the popularity and use of on-line advisory and review sites to inform travel decisions is increasingly prevalent and important.
- Technology, and now more specifically mobile technology, is being used increasingly at all phases of travel (dreaming, researching, booking, experiencing and sharing).
- Technology is contributing to the creation of a much more informed traveller, due to the abundance of information (accurate and not) that it makes available.
- Web technology is fast changing travel destination selection, product decisions and booking channels.

The aviation environment

- The threat of high and volatile oil prices will remain.
- Air traffic will be buoyed by growing demand in emerging markets and bolstered by low cost carriers operating short and medium haul sectors. However, New Zealand will largely be bypassed by the benefits of low cost carrier growth, as low cost carriers will concentrate on sectors less than six hours, where operating efficiencies can allow relatively lower fares compared to legacy carriers.
- Air services liberalisation has not and is not expected to slow. Continued aviation liberalisation will fuel competition, giving passengers more choices and generally lowering ticket prices, which will increase demand for air travel.

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3 This includes indirect value of travel (Tourism Satellite Account, 2012)
The changing visitor

- The global economic balance of power is shifting and this will affect where New Zealand’s visitors come from in the long term.
- Consumers within emerging markets are witnessing relatively rapid growth in personal spending power as their economies expand and as such outbound travel from these emerging economies is growing strongly.
- Demographic changes including an aging population caused by extended life expectancy, healthier older people and multi-culturalism are going to affect travel patterns such as frequency of travel, length of stay, destination choices and what type of products are sought.
- Tourism prosperity will be shaped by baby boomers retiring with wealth and facilitating growth in world travel.

The economics of travel

- The Global and Euro-zone financial crises have made affordability a key travel determinant, which has raised the popularity of close proximity holidays particularly in western markets.
- The increased value of the New Zealand dollar has weakened New Zealand’s value proposition. While many European and western visitors to New Zealand continue to spend the same amount in their currency as they did prior to the financial crises, this equates to less spend in New Zealand dollars.
- The even higher valued Australian dollar is affecting dual destination travel to New Zealand from some key traditional markets.
- Australian travellers are using their strong currency to take more long haul trips.

The travel industry’s continued growth is tied intrinsically to inbound air seat availability

Any shortage of airline supply or inconvenient aviation network options can result in potential visitors not travelling or choosing a different destination. Insufficient seat supply can also have a profound impact on airfare pricing levels in a market environment where the volume of leisure traffic is sensitive to pricing levels.

While the Tasman offers adequate connection points and capacity, air capacity on direct long haul flights into New Zealand has declined from its peak of 1.935m seats in 2004 to a forecast of 1.808m at the end of 2012 (-6.5%). Long haul routes are typified by single carriers resulting in limited price competition. Only three Pacific Rim long haul ports (Singapore, Hong Kong and Hawaii) have more than one carrier serving New Zealand.

Based on the significant relationship between aviation and visitor arrivals, Tourism New Zealand will continue to play an active role in encouraging a strong and sustainable aviation environment in order for it to deliver its tourism outcomes. Tourism New Zealand believes our most significant contribution will come from co-marketing New Zealand alongside carriers committed to serving New Zealand with non-stop services.

Mode of travel being affected by the exponential growth in cruise travellers

The mass cruise market is growing faster than any other sector of the travel and tourism industry. New Zealand is seeing this growth with cruise numbers rising 25 per cent between the 2010/11 and 2011/12 seasons and it is anticipated this will grow a further 18 per cent in the 2012/13 season. The average cruise passenger is of lower value to the New Zealand tourism industry, and more broadly New Zealand’s economy, than the general holiday visitor with an average cruise passenger spending on average $887 in comparison to the average holiday visitor spending $2,300.

Australia is the largest source for New Zealand cruise product, representing nearly 55 per cent of all cruise visitors and concerns exist that cruise is displacing other forms of more valuable travel (e.g. packaged and tour). Working collaboratively with industry is a priority for Tourism New Zealand to derive greater value from this sector over the next three years.

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4 Source: Covec Report 2011
New Zealand’s current performance shows a need to address value 5

At a result level New Zealand is experiencing a situation where arrivals are relatively flat at an aggregated/normalised front, however, total expenditure and other value indicators have weakened. In the year ended March 2013 there were 2.611 million visitor arrivals to New Zealand - down less than one per cent from the March 2012 year (2.618 million), which was boosted by the Rugby World Cup. However, the 2013 figure was up four per cent compared with the March 2011 year. China continues to display strong growth with arrivals increasing 31 per cent in the year ended March 2013. Arrivals from China surpassed 200,000 for the first time ever for the year ended February 2013. New Zealand has also seen some recovery in the Japanese and US markets with arrivals from Japan up 16 per cent (from 65,052 to 75,472) and arrivals from the US up two per cent. While the UK dipped below 200,000 for the first time in a decade in the YE March 2013, the results for the month of March itself were strong up 15.8 per cent.

New Zealand is seeing a change in where arrivals are coming from, with arrivals from Asia growing. There has also been a shift in the type of visitor New Zealand receives. Holiday visitors have decreased six percentage points to 46 per cent of total arrivals over the last decade. In contrast, travellers visiting friends and relatives have increased eight percentage points to represent 33 per cent of all arrivals over the last decade.

Total international expenditure for the year ended March 2013 was $5.50 billion (excluding airfares) – two per cent down on the previous year. A lot of this decrease is the result of the increase seen in 2011 from the Rugby World Cup where international visitors spent $390 million in New Zealand. Other factors contributing to the decrease in expenditure include an increasing ratio of VFR visitors (visiting friends and relatives), a decrease in stay days (particularly in the holiday segment) and the high New Zealand dollar. Over the last three years, the Chinese market was the only major market to increase total expenditure, increasing +42 per cent from $473m to $673m (International Visitor Survey March 2013).

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5 Source: International Visitor Survey and International Visitor Arrivals March 2013
Industry to return to growth according to estimates of future arrival performance

Commissioned by the Tourism Industry Association, these forecasts present an estimate of future international visitor activity based on the latest visitor flows data, economic data, air capacity data and industry intelligence. Tourism New Zealand’s interventions in these markets have been considered in these forecasts. Over the course of this strategy Tourism New Zealand will contribute to the realisation of these forecasts.
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**Australia forecast arrivals**

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**China forecast arrivals**

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**USA forecast arrivals**

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**UK forecast arrivals**

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**Germany forecast arrivals**

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3. The next three years

Tourism New Zealand remains mandated to increase the value of international visitors for New Zealand. Many paths exist to achieve this. A survey of industry stakeholders (~700 returns), as well as interviews with key industry leaders (~15) and 12 industry meetings around New Zealand, signalled that there was a desire for Tourism New Zealand to evolve and refresh its current strategy but that a complete re-start or revolution was not required. Research and analysis Tourism New Zealand has conducted and commissioned, which included several intensive studies into key areas of work, reiterated this sentiment. In short, the priorities that guided our prior strategy remain relevant going forward, but scope exists to change how we achieve them through the activities we prioritise and the means of execution.

With a funding increase for FY2014 – FY2017, the strategy is both an evolution of the previous strategy and a significant expansion on Tourism New Zealand’s previous activity. The additional funding enables specific areas of work to be grown and key initiatives that seek to target high value visitors and secure a strong long term position for New Zealand to be commenced.

Key changes to be implemented over the next three years

Target market:

Less committed Active Considerers will be targeted

Active Considerers of New Zealand will remain the over-arching target audience. By definition an Active Considerer considers New Zealand an appealing destination to visit, is seriously considering New Zealand for their next destination, names New Zealand within their top five most preferred destinations and would be willing to spend above a set threshold on their trip (differing by market). Research indicates over 60 million Active Considerers exist across the six markets of Australia, China, USA, UK, Germany and Japan.

Significant efforts have historically been placed on converting Active Considerers who named New Zealand in their top two preferred destinations for their next holiday. Going forward, increased emphasis will be placed on targeting Active Considerers who hold less preference for New Zealand, scoring New Zealand 3rd, 4th or 5th on their most preferred next destination list. While conversion based activity will continue, a more balanced approach between raising preference and achieving conversion of Active Considerers will be achieved.

Specific strategies to target high value visitors have been developed

As New Zealand’s current performance shows, New Zealand is underperforming on a range of value metrics e.g. expenditure and stay days. Much of this change is explained by a shift in visitor markets, an increase in VFR (travellers visiting friends and relatives) and a relatively high New Zealand dollar. Tourism New Zealand is focused on recovering some of the lost value over the next three years by targeting higher value visitors with its marketing programmes.

An in-depth study into value has enabled Tourism New Zealand to take a wider view of what constitutes a high value visitor. We have looked at spend per night and per visitor, number of regions visited, number of activities consumed, when visitors travel (peak vs. shoulder season), do they consume commercial accommodation and what their life time value is (are they likely to visit New Zealand again?). This study has contributed to Tourism New Zealand’s targeting strategies, particularly in identifying valuable segments within markets, for the lifespan of this strategy.
While the above focuses on identifying and then attracting high value visitors, Tourism New Zealand is also focused on realising full value from visitors while they are in New Zealand by helping them find experiences and products that best suit their requirements. Our increased focus on mobile internet applications is one means by how we will contribute to this.

**Business events, premium sector and special interest leverage are key to achieving value outcomes**

Business events and the premium travel sector, as well as the leverage of special interests, will be integral in achieving growth in value outcomes for the New Zealand tourism industry going forward.

The business events sector provides a high value market segment for New Zealand, with international conference delegates spending on average over $3,000, compared with the average leisure visitor who spends on average less than $3,000. Since Tourism New Zealand began managing the Conference Assistance Programme on the 1 July 2011 (on behalf of the Ministry of Business, Innovation and Employment (MBIE)), Tourism New Zealand has supported and secured 12 business events for New Zealand. With significant new business event facilities likely to be on-line by 2016/17, commencing investment in demand building and conversion activities over the life of this strategy is essential to the profitable introduction of these assets. A focus on international business events also contributes strongly to the building exports focus of the Government’s Business Growth Agenda.

The premium travel sector is another sector that New Zealand can competitively deliver to and will assist in lifting value outcomes. New Zealand tourism currently serves small numbers of very high value visitors who spend far in excess of current average visitor expenditures through a network of luxury accommodation, bespoke activity and transport providers, premium retail of New Zealand products and high-end tour arrangements. This is a niche that merits further investment to target untapped demand beyond the reach of premium businesses in New Zealand.

Research has also shown that visitors who participate in special interest activities spend more and stay longer than average. Tourism New Zealand has identified special interests (e.g. ski, golf, hiking/walking and cycling) that present further opportunities within core markets and sectors, and strategies have been created to leverage these special interests to derive greater value.

**Geographic focus:**

**Tourism New Zealand’s portfolio will become more future focused with greater emphasis on longer term opportunities**

Over the next three years Tourism New Zealand’s commitment to core/traditional markets will remain ongoing, but will be more targeted to focus on the segments within those markets that present the greatest growth opportunities and highest yielding visitors. Investment has been up-weighted in markets within the top six (Australia, China, USA, UK, Germany, Japan), where opportunities have been identified to accelerate recovery or activate strong value outcomes through specific initiatives.

Tourism New Zealand will also be actively investing in selected emerging markets over the next three years to secure a strong long term position for New Zealand. There is a need to invest ahead of the curve in the important markets of India, Indonesia and Latin America as the economic and demographic characteristics of these markets suggest they will only grow in significance for New Zealand tourism. Tourism New Zealand’s emerging markets strategy provides an opportunity for New Zealand to create a balanced market portfolio that secures the New Zealand tourism industry a diversified and sustainable future.
Marketing channels:

Digital will remain a main channel and will be extended towards mobile

Digital remains the most targeted, relevant and measurable channel to reach and engage Active Considerers. Over the next three years Tourism New Zealand will build on the strong digital platform that has been established over the previous three years. A review of Tourism New Zealand’s digital activity has identified several opportunities that will enable us to strengthen our approach and performance digitally to increase preference and conversion of Active Considerers. One such opportunity is to balance digital activity more evenly between preference and conversion activity through tailored strategies. Currently, digital activity has been predominantly conversion focussed.

Due to the international media programme’s demonstrable return on investment, investment will be up-weighted

In the financial year ended 2012 Tourism New Zealand’s international media programme generated an estimated $74 million worth of international media profile (on an advertising equivalence basis) and coverage for New Zealand by leveraging approximately $1 million of investment. This strong return on investment, as well as PR’s ability to influence Active Considerers’ preference and access special interest targets will see PR become an even more important channel over the next three years to achieve desired outcomes.

The way we interact and up-skill our trade partners will be more tailored and specific

A review of Tourism New Zealand’s trade activity saw us map New Zealand’s travel trade landscape more accurately. The end result is a refreshed strategic framework for Tourism New Zealand’s engagement with trade that caters for the differences by market and has helped identify the best partners to work with and the best strategies to engage with them. A customer relationship management (CRM) account management approach will be rolled out and trade training programmes will be specifically tailored to individual partners’ needs.

Tourism New Zealand will work strategically with New Zealand Inc. partners to generate strong tourism outcomes

Working collaboratively with New Zealand Inc. agencies will assist Tourism New Zealand in the achievement of its visitor outcomes. Tourism New Zealand has identified and will seek to leverage synergies that exist between different New Zealand Inc. agencies over the next three years. This will include; utilising other agencies’ expertise and influence to advance New Zealand’s tourism outcomes, partnering to further improve visitor facilitation, collaboration with agencies to achieve aviation outcomes such as assisting the development of air links and air service agreements, and working jointly to achieve international education opportunities.

A continued focus on leveraging film and TV production opportunities will be adopted

Tourism New Zealand, along with New Zealand Inc. partners, collaborated to ensure New Zealand secured strong returns from the first of three Hobbit movies. Tourism New Zealand sought to leverage the promotional platform offered by The Hobbit by ensuring global audiences knew that New Zealand was the starring location for the films and is a real place you can visit to experience Middle-earth.

Early results from Tourism New Zealand’s leverage activity has shown the 100% Middle-earth, 100% Pure New Zealand campaign is performing strongly – motivating 68 per cent of Tourism New Zealand’s target audience tested. Other results include; 82 per cent stated the campaign had increased their interest in New Zealand, 73 per cent said the campaign improved their opinions of New Zealand and 71 per cent stated they would talk to someone else about it. The research has also shown the 100% Middle-earth, 100% Pure New Zealand campaign is effective at depicting New Zealand as a stunningly beautiful place that offers unique holiday experiences. The advertising equivalent value of the media coverage to February 2013 had already exceeded
$20m and the Middle-earth content on newzealand.com received over 330,000 unique visitors between November 2012 and February 2013.

The profile and reach film and TV productions afford New Zealand far exceeds the reach Tourism New Zealand can achieve in isolation and over the course of this strategy Tourism New Zealand will look to employ the skills developed through The Hobbit to leverage film and TV opportunities that contribute to desired outcomes.

Given the strong association with Middle-earth, and the success of the Middle-earth leverage activity to date, specific opportunity exists for Tourism New Zealand to leverage premieres of the second and third Hobbit movies in LA in FY2014 and in London in FY2015 (year one and two of this strategy).

**Strong event leveraging**

The strong economic results international events hosted in New Zealand provide us are evident when you look at the Rugby World Cup 2011 (RWC) and the additional visitor arrivals and spend it secured New Zealand. Whilst there are no mega-events like RWC 2011, the next three years are ripe with opportunities for Tourism New Zealand to leverage events with the ANZAC Centenary 2015, America’s Cup 2013, ICC Cricket World Cup 2015, FIFA U20 Football World Cup 2015 all falling within the lifespan of this strategy.

The opportunities presented by events are not just around an event itself and the visitors who come to New Zealand for it, but the raised profile (including the buzz and talk-ability) it gives New Zealand in offshore markets, which can be leveraged before, during and after the event.

Tourism New Zealand will continue to focus on harnessing the media interest in events as a vehicle to carry destination messages to wide global audiences to further increase interest and preference for New Zealand.

**Cross-market themes:**

**Supporting the Christchurch visitor recovery programme**

Tourism New Zealand is committed to supporting Christchurch as it continues to rebuild its infrastructure and tourism attractions. Activity to support partners is integrated throughout this three-year marketing strategy and specific opportunities to support the Christchurch recovery, such as disseminating positive messages to offshore trade and media, will be sought.

**Integrating Maori content across all programmes**

Maori culture is arguably New Zealand’s most unique point of difference to international visitors. Whilst good progress has been recorded, Tourism New Zealand will actively work with partners over the next three years to ensure greater integration of Maori culture throughout our activity to add differentiation to New Zealand’s story. This aligns with “He kai kei aku ringa”, the Crown-Maori Economic Growth Partnership and its 2012-17 Action Plan, in particular Recommendation 25: Make the most of the Maori value proposition in export markets.

**100% Pure New Zealand will remain Tourism New Zealand’s campaign**

The 100% Pure New Zealand campaign has been used since 1999 by Tourism New Zealand to market New Zealand internationally as a visitor destination. The campaign is multi-dimensional and has proved very adaptable across all media and markets. The latest adaption is 100% Middle-earth, 100% Pure New Zealand, connecting the huge exposure The Hobbit trilogy is getting around the world with New Zealand. 100% Middle-earth, 100% Pure New Zealand was named best destination marketing campaign at the 2012 World Travel Awards.
100% Pure New Zealand tells the story of how New Zealand’s landscape, its people, and its activities combine to deliver a visitor experience that is unique to New Zealand. It works, has wide industry support and will continue to be the foundation of Tourism New Zealand’s marketing work.

Campaigns will be localised to ensure messaging is the most relevant to the target audience, i.e. backpackers, active boomers. Layers will also be built into the campaign to deliver messaging around special interest activities, travel styles or experiences such as food and wine.

Over the course of this strategy, development of the next adaptation of the campaign, post The Hobbit, will be worked through.

The New Zealand Story
The New Zealand Story project seeks to help New Zealand communicate its distinct and unique attributes to international audiences around the world. Currently there is a gap between the understanding of New Zealand by international audiences and the ideal positioning required to ensure the world ‘buys’ (visits/products/services/migration) New Zealand.

Tourism New Zealand, along with New Zealand Trade and Enterprise, and Education New Zealand are leading this project. The end result will be the creation of a New Zealand Story to support export earnings growth. The story will be powerful, as well as feel and be authentic, making it appealing for exporters to use to attract more visitors, students, investors and consumers.

Over the course of this strategy Tourism New Zealand will be involved in the launch of The New Zealand Story. The New Zealand Story will not replace the 100% Pure New Zealand campaign, but rather sit above it, broadening the wider New Zealand positioning.
4. Understanding who New Zealand’s visitors are

To be successful Tourism New Zealand’s strategy must be centred on ‘customers’. To persuade someone to commit to New Zealand for a holiday, a conference or an event, Tourism New Zealand must have a strong understanding of who potential visitors are, what drives their decisions and how they are changing to ensure we can continue to effectively reach and communicate with them. Below is a summary profile of NZ’s visitors.

**Who are they?**

The identified potential audience for New Zealand (Active Considerers) is spread throughout UK and Europe, the Americas, Asia and the Pacific. The Active Considerer by definition finds New Zealand highly appealing, have New Zealand as one of their next preferred holiday destinations and are willing to spend a minimum set amount to holiday here. Currently the size of the global pool of Active Considerers is 60 million across six markets, representing a large audience for Tourism New Zealand to target.

**How are they changing?**

New Zealand’s international visitor mix is being impacted by the rising demand and appeal for New Zealand in Asia, as personal spending power grows as their country’s economics expand. China leads this charge and the implications are significant on the industry in New Zealand requiring more culturally appropriate tourism products that showcase New Zealand to these emerging markets. The age profile of New Zealand’s visitor is also changing due to extended life expectancy, and the retirement of baby boomers which is creating a new wealthy and active travel segment.

**Impact of technology**

Technology is constantly changing the way New Zealand’s target audience is sourcing information, choosing their destination and planning and booking their holiday. Key changes we’ve noticed include; 15 per cent of traffic to newzealand.com now arrives via mobile devices, over half of visitors to New Zealand use a smart phone, laptop or tablet while on holiday and demand for wireless hotspots and faster Internet access in New Zealand is rapidly growing.

**Why they choose New Zealand**

Research shows that visitors are drawn to New Zealand by our beautiful landscapes and scenery. Other characteristics that drive a preference for New Zealand include being recognised for being a safe destination to visit, having friendly people and being a place where visitors can relax and rejuvenate.

**Barriers to travel**

The expense, time required and/or distance required to travel to holiday in New Zealand are key global barriers to visitation of New Zealand (with the exception of Australia). The appeal of cheaper and closer to home destinations rises as global economic uncertainty rise, hence the need for New Zealand to constantly build its brand equity and appeal to negate these barriers.

**Where else are they considering?**

Strong destinations that New Zealand’s potential visitor is also considering alongside New Zealand include the USA and Hawaii, Canada, UK and Europe, and Australia. It is in this context that New Zealand is measured and hence required to stand out as a unique and compelling destination. Increased marketing activity by other National Tourism Organisations creates challenges to generate cut through and new destinations are emerging or raising their profile all the time.

**Are they satisfied?**

9 out of 10 (89 per cent) visitors to New Zealand are highly satisfied with their holiday in New Zealand. Activities, environment, accommodation and food and beverage are all important contributors to this satisfaction. Asian visitors tend to be less satisfied and research conducted in 2011 highlights a need to improve the experience for our Asian visitors, notably the accommodation, food and beverage and personal service provided.

**Do they become advocates?**

96 per cent of visitors say they are likely to recommend New Zealand as a holiday destination to friends and family. The growth in social media means more visitors are sharing their experiences online. Nearly half (46 per cent) of visitors who spoke positively of New Zealand used Facebook as a medium to share updates and pictures of their holiday in New Zealand. Research also shows recommendations from friends and family remains the most frequently used information source for planning holidays.
5. Strategic Priorities: A framework forward

Strategic priorities are the foundations of our strategy. They guide decision making around market selection, resource allocation (money, people and time), activity and channel choices. These priorities will be reviewed annually, as part of annual business planning, to allow Tourism New Zealand to respond to changes in the macro environment including opportunities that present themselves and risks that develop. This review process provides this strategy with the flexibility necessary to operate in the dynamic and fast changing global travel industry.

<table>
<thead>
<tr>
<th>Priority 1:</th>
<th>Grow a portfolio of markets that drives current opportunities and creates future market positions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overview</strong></td>
<td>Ensuring that international visitors deliver the maximum possible value for New Zealand means Tourism New Zealand must have a market and segment portfolio that addresses a number of global trends. As such, growing tourism over time means addressing both mature and emerging markets.</td>
</tr>
</tbody>
</table>

Over the next three years, Tourism New Zealand will continue to prioritise the core markets of Australia, China, USA, UK, Germany and Japan with investment levels maintained or increased where specific opportunities have been identified. These markets deliver strong results, jointly generating the majority of arrivals and stay days for New Zealand and it is anticipated that this will remain the case in the short to medium term. Australia, China and the USA will remain the top tier of markets for Tourism New Zealand. The on-going prioritisation of these markets was strongly supported by industry surveyed.

Over the course of this strategy Tourism New Zealand is also committed to investing in the emerging markets of India, Indonesia and Latin America. Whilst contribution from emerging markets to visitor value and volume outcomes will be relatively small throughout the life of this strategy, it is impossible to ignore the growing importance of these markets. The additional funding enables the opportunities afforded by these emerging markets to be pursued without funding being redirected from core markets which could risk weaker outcomes from these vitally important source markets.

Tourism New Zealand is focused on de-risking market entry and building future quality mono-New Zealand demand within emerging markets. As well as offering significant opportunity for the tourism industry, investments in India, Indonesia and Latin America support the New Zealand Government’s wider priorities and enable the following upcoming events (FIFA U20s World Cup and Cricket World Cup in 2015) to be leveraged.

Tourism New Zealand’s market prioritisation is outlined below and reflects the value of current opportunities and, in the case of emerging markets, future opportunities. The portfolio developed seeks to maintain strong positions in the present while preparing a strong long term position for New Zealand that reduces New Zealand’s reliance on Australia.

The type of activity and level of investment will be prioritised across the portfolio according to the needs of different markets and their ability to deliver outcomes. The portfolio will be reassessed annually to ensure Tourism New Zealand is positioned to take advantage of new opportunities and respond to new challenges as they arise.
**Prioritisation of markets**

**Priority 1 core markets:**
Australia, China and the USA

**Priority 2 core markets:**
UK, Germany and Japan

**Priority 3 markets:**
Peninsular South East Asia, France, Rest of Europe, Korea, Canada

**Priority emerging markets:**
India, Indonesia, Latin America

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**Key activity**
See section seven for detailed market profiles.

**Indicators**
Market performance indicators included in section seven.

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<table>
<thead>
<tr>
<th>Priority 2:</th>
<th>Drive preference for visiting New Zealand</th>
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</table>

**Overview**
Tourism New Zealand's target market is Active Considerers of New Zealand. By definition, Active Considerers already hold a degree of preference for New Zealand as a visitor destination, rating New Zealand among their top five destinations. For the first two years of our FY2011-FY2013 strategy Tourism New Zealand's efforts were predominantly weighted towards converting Active Considerers who already had a strong preference for New Zealand (i.e. ranked New Zealand 1st or 2nd in their top five destinations) and were close to a purchase decision. However, in the last year of the strategy greater emphasis was placed on strengthening the preference less-committed Active Considerers have for New Zealand (i.e. shifting New Zealand further up the preference ranking among Active Considerers who only ranked New Zealand 3rd, 4th or 5th on their preference list).

Over the next three years Tourism New Zealand will continue to spread marketing activity by placing emphasis further up the decision channel and deliver more emotive and inspiring messaging to drive greater preference for visiting New Zealand. Greater focus on generating preference was strongly supported by industry, as arguably Tourism New Zealand is best placed to operate in this space.

Use of digital channels, balanced with selected traditional channels in some markets will be the means to drive preference, including newzealand.com which will be a vitally important vehicle to carry the brand message and to inspire and inform potential visitors. 100% Pure New Zealand will remain Tourism New Zealand’s campaign across all markets and segments. It will be localised to ensure the most compelling and appealing message of New Zealand is delivered to the right audience. Tourism New Zealand will also look to build deeper integration of Maori culture throughout marketing activity to leverage New Zealand’s unique cultural proposition.

The international media programme will play an essential role in supporting preference building activity and will deliver destination messages through a wide range of credible third party channels (e.g. social media, blogs, print, opinion leaders, broadcast, etc.).

Tourism New Zealand will leverage both New Zealand based, and to a lesser degree, offshore events capitalising on their profile and credibility to drive popularity and deliver a destination message. This includes continued leverage of The Hobbit trilogy and associated premieres of the second and third movies that will occur over year one and two of this strategy.
Activity to build preference will be implemented to support strategies to leverage the high value sectors of business events, the premium travel sector, as well as to raise New Zealand’s profile as a cycling destination to help ensure strong utilisation of new assets (cycleways) as they are developed.

Success in driving preference will be determined though growth in the proportion of Active Considerers who consider New Zealand their 1st or 2nd most preferred destination.

<table>
<thead>
<tr>
<th>Market</th>
<th>FY2014 target</th>
<th>FY2015 target</th>
<th>FY2016 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>53%</td>
<td>54%</td>
<td>55%</td>
</tr>
<tr>
<td>China</td>
<td>77%</td>
<td>78%</td>
<td>79%</td>
</tr>
<tr>
<td>USA</td>
<td>50%</td>
<td>51%</td>
<td>52%</td>
</tr>
<tr>
<td>UK</td>
<td>61%</td>
<td>61%</td>
<td>61%</td>
</tr>
<tr>
<td>Germany</td>
<td>53%</td>
<td>54%</td>
<td>55%</td>
</tr>
<tr>
<td>Japan</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
</tr>
<tr>
<td>India</td>
<td>Targets to be set quarter one FY2014</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>Targets to be set quarter one FY2014</td>
<td></td>
<td></td>
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<tr>
<td>Latin America</td>
<td>Targets to be set quarter one FY2014</td>
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</tbody>
</table>

**Focus areas**

**Key activity**

Delivery of campaign brand activity (100% Pure New Zealand) and the evolution of the campaign following the conclusion of the Middle-earth iteration

Increase the utilisation of the international media programme to increase New Zealand’s desirability.

Leverage events and broadcast opportunities and capitalise on their profile and credibility. Key opportunities include:

- Campaign effectiveness: Proportion of those seeing the ad that are more motivated as a result
- Website visits where intent to visit New Zealand was maintained or increased
- Active Considerers associate New Zealand with key brand attributes
- Each event will be assessed in the following areas within our target market:
  - Awareness of event
  - Proportion of Active Considerers who

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6 Targets will be set prior to event taking place.
Priority 3: Focus marketing activity on clearly defined higher value visitors

Overview

International visitor expenditure has been tracking negatively since 2009. While a myriad of factors are contributing to this decline, the growth in the proportion of VFR (visiting friends and relatives) travellers to holiday visitors, the higher New Zealand dollar relative to visitor currencies and a decline in arrivals from high value Western source markets have played significant roles in the decline New Zealand is experiencing.

Tourism New Zealand’s mandate is to increase value from international visitors for the economic benefit of New Zealand and this will be achieved over the next three years through the implementation of strategies to specifically target higher value visitors.

Value can be defined in a number of ways. A visitor may be considered valuable if they stay in New Zealand for a long time, if they travel widely through New Zealand – dispersing the economic benefit, if they spend strongly on a per night or per trip basis, if they travel to New Zealand in low seasons reducing the impact of seasonality, if they consume a large number of activities or if they are likely to return to New Zealand in subsequent trips. Mapping the value characteristics of New Zealand’s key markets show that Western and Eastern markets offer a distinctly different value proposition for New Zealand. Traditionally Western visitors spend more per visitor, consume more activities, and travel to more regions. Eastern visitors however, are more likely to travel in New Zealand’s low/shoulder seasons, spend more on a per night basis and have a stronger lifetime value with more choosing to return again to New Zealand.

Research has facilitated the identification of high value segments within New Zealand’s core markets and these have become the basis of Tourism New Zealand’s targeting strategies for the next three years. This has been specifically important in some of New Zealand’s traditional core markets (e.g. the UK) where at a total level decline in total arrivals is forecast to continue in the early years of this strategy. Through segmentation Tourism New Zealand has identified segments where effort will be concentrated to achieve the strongest outcomes.

As well as only focussing on valuable segments within key markets, higher value visitors will also be reached through a significantly increased focus on the business events sector. Increasing market development, partnership and campaign activity and continuation of managing the Conference Assistance Programme (CAP) will accelerate outcomes within this sector. The importance of this sector will increase as New Zealand’s convention infrastructure improves with the planned convention centres in Auckland, Christchurch and Queenstown.

The premium travel sector is another sector that New Zealand can competitively deliver to and one that strongly targets valuable visitors. Through dedicated resources and focus, high end/high value premium travellers will be targeted in North America, Europe/UK.

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Research currently being undertaken will determine the final wording of this performance measure. During FY2014 benchmarking data will be collected, enabling targets for FY2015 and FY2016 to be confirmed.
Research has also shown that promoting special interest travel can attract higher value visitors, with visitors who travel for special interest activities spending more and staying longer on average. Tourism New Zealand has identified special interests that present opportunities for New Zealand’s markets and strategies have been created to leverage the special interest to derive value. Prioritised special interests include, but are not limited to, ski/snow, golf, hiking/walking and cycling.

The Chinese market requires particular focus in regards to value, as it has delivered exceptional arrivals growth to become New Zealand’s second most important market in terms of visitors and visitor expenditure but is subject to a number of constraints in terms of realising its potential value to the New Zealand tourism industry. A key focus of activity in the China market will be the implementation and up-scaling of the Premier Kiwi Partnership (PKP) programme which will seek to increase the proportion of mono-New Zealand visitors. The programme seeks to achieve this by providing product development and marketing promotion support to selected Chinese travel sellers and New Zealand inbound tour operators in order to reduce the barriers for higher value mono New Zealand product. Tourism New Zealand believes this will go some way towards improving visitor satisfaction as the proportion of low quality and short stay visitors will be decreased.

Success in attracting more valuable visitor segments will be determined though growth in the total expenditure by visitors.

<table>
<thead>
<tr>
<th>Focus areas</th>
<th>Key activity</th>
<th>Indicators</th>
</tr>
</thead>
</table>
|             | Extend special interest focus beyond ski to golf, walking/hiking and cycling activities. | Proportion of Active Considerers who consider New Zealand their 1st or 2nd destination for special interest activity in specified markets\(^8\)  
- Golf  
  - FY2014 target: 36%  
  - FY2015 target: 38%  
  - FY2016 target: 40%  
- Walking/Hiking  
  - FY2014 target: 33%  
  - FY2015 target: 35%  
  - FY2016 target: 37%  
- Cycling  
  - FY2014 target: 33%  
  - FY2015 target: 35%  
  - FY2016 target: 37% |
|             | Increase emphasis on Business Events, particularly in Asia and North America. | Growth in the number of business events supported by Tourism New Zealand that specifically support government’s high priority sectors as defined by the Business Growth Agenda  
- FY2014 target: 70%  
- FY2015 target: To be set in FY2014  
- FY2016 target: To be set in FY2015  
- Estimated value of bids supported through the Conference and Assistance Programme (CAP)  
  - FY2014 target: $87.5 million  
  - FY2015 target: To be set in FY2014 |

\(^8\) Golf – Australia, China, USA; Walking/hiking – Australia, China, USA, UK, Germany, Japan; Cycling – Australia, Germany, USA, UK.
<table>
<thead>
<tr>
<th>Build scale into the Premier Kiwi Partnership (PKP) programme in China.</th>
<th>FY2016 target: To be set in FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Proportion of higher value leisure Chinese visitors increases</td>
<td></td>
</tr>
<tr>
<td>FY2014 target: 30%</td>
<td></td>
</tr>
<tr>
<td>FY2015 target: 35%</td>
<td></td>
</tr>
<tr>
<td>FY2016 target: 40%</td>
<td></td>
</tr>
<tr>
<td>• Increase average stay for Chinese holiday visitors to eight days (currently 6.6 days) by FY2016</td>
<td></td>
</tr>
<tr>
<td>• Grow independent travellers to make up 25% of total visitor arrivals by FY2016</td>
<td></td>
</tr>
<tr>
<td>• Grow the proportion of ADS tourists that are mono-destination to 30% by FY2016</td>
<td></td>
</tr>
<tr>
<td>• Level of satisfaction of Chinese visitors is maintained or grows</td>
<td></td>
</tr>
<tr>
<td>FY2014 target: Increase from FY2013 full year result</td>
<td></td>
</tr>
<tr>
<td>FY2015 target: Maintain at or above FY2014</td>
<td></td>
</tr>
<tr>
<td>FY2016 target: Maintain at or above FY2015</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Delivery of global premium travel sector strategy(^9)</th>
<th>Number of premium sector trade shows attended:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• FY2014 target: 15 attended</td>
<td></td>
</tr>
<tr>
<td>FY2015 target: To be set in FY2014</td>
<td></td>
</tr>
<tr>
<td>FY2016 target: To be set in FY2015</td>
<td></td>
</tr>
<tr>
<td>• Number of premium sector travel trade familiarisations undertaken:</td>
<td></td>
</tr>
<tr>
<td>FY2014 target: 50</td>
<td></td>
</tr>
<tr>
<td>FY2015 target: To be set in FY2014</td>
<td></td>
</tr>
<tr>
<td>FY2016 target: To be set in FY2015</td>
<td></td>
</tr>
<tr>
<td>• Number of premium sector media familiarisations undertaken:</td>
<td></td>
</tr>
<tr>
<td>FY2014 target: 25 outlets hosted</td>
<td></td>
</tr>
<tr>
<td>FY2015 target: To be set in FY2014</td>
<td></td>
</tr>
<tr>
<td>FY2016 target: To be set in FY2015</td>
<td></td>
</tr>
<tr>
<td>• Equivalent Advertising Value for premium sector international media programme:</td>
<td></td>
</tr>
<tr>
<td>FY2014 target: To be set quarter one FY2014</td>
<td></td>
</tr>
<tr>
<td>FY2015 target: To be set in FY2014</td>
<td></td>
</tr>
<tr>
<td>FY2016 target: To be set in FY2015</td>
<td></td>
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</tbody>
</table>

| Direct front line spend to identified high value segments | (Refer to section seven for breakdown of segments within markets) |

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\(^9\) Tourism New Zealand’s premium strategy is currently being finalised. As such only output indicators have been included in this strategy. Over the course of FY2014 Tourism New Zealand will work with the Ministry of Business, Innovation and Employment to develop an appropriate suite of outcome focussed indicators.
Priority 4: Partner widely to activate conversion and extend marketing reach

**Overview**

Partnerships will play an essential role within Tourism New Zealand’s activities. Partnerships provide the opportunity to deliver co-ordinated marketing activity in market and provide the opportunity to package Tourism New Zealand’s activity with a product that potential visitors can buy, thereby activating opportunities for conversion. Partnerships also extend Tourism New Zealand’s marketing reach through attracting more funding by way of cash and in-kind support, and assist tourism industry partners by allowing them to leverage Tourism New Zealand’s 100% Pure New Zealand marketing campaign, increasing their marketing effectiveness.

Partnerships with airlines and airports provide essential foundations for building and sustaining supply-side capacity. Tourism New Zealand partnerships will deliver fully integrated joint venture campaign activity to support filling existing capacity both in long haul and trans-Tasman routes.

Partnerships with Regional Tourism Organisations (RTOs) will remain important through the duration of the strategy with a view to promoting regional stories and maximising visitor value outcomes for New Zealand. Partnerships will range from high impact campaigns in Australia through to working together on TV production, international media programme and visiting trade programmes.

Tourism New Zealand will also continue to prioritise work with travel sellers however, the way we interact and up-skill our trade partners will become more tailored and specific. Tourism New Zealand has developed a trade strategy that will see us better able to cater for the differences by market and has helped us identify the best partners to work with and the best strategies to engage with them. Trade training programmes will be specifically tailored to individual partners’ needs.

### Focus areas

<table>
<thead>
<tr>
<th>Key activity</th>
<th>Indicators</th>
</tr>
</thead>
</table>
| Work with trade, aviation, and Regional Tourism Organisations to extend marketing reach and strengthen the campaigns ability to activate conversion | - Value of partnership contributions  
**FY2014 target:** $22 million  
**FY2015 target:** To be set in FY2014  
**FY2016 target:** To be set in FY2015  
- Return on investment of partner campaigns  
**FY2014 target:** 1:5  
**FY2015 target:** To be set in FY2014  
**FY2016 target:** To be set in FY2015  
- Average monthly referrals\(^{10}\) to industry via newzealand.com  
**FY2014 target:** 149,000  
**FY2015 target:** 162,000  
**FY2016 target:** 178,000  
- Annual referrals to industry via Tourism New Zealand mobile application  
**FY2014 target:** 36,000  
**FY2015 target:** 40,000  
**FY2016 target:** 45,000 |
| Work with aviation partners to maintain/grow air capacity supply | - Maintain/increase the incidence of multiple carriers competing on the 18 long haul inbound air routes from around the Pacific Rim |

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\(^{10}\) Referral rates from paid traffic measure the number of people who, once drawn to newzealand.com from paid search or display digital activity, are then delivered to an operator or partner site where travel/experiences can be purchased.
At least two new air services to New Zealand
Trans-Tasman capacity is preserved or grown with at least the current base of 3.9 million seats per annum
Improved connectivity to second tier cities within Australia
Ensure that existing viable airline capacity remains and is supported
MOUs in place with airlines and travel sellers

FY2014 target: 7 airlines, 2 travel retailers, 3 incentive houses
FY2015 target: To be set in FY2014
FY2016 target: To be set in FY2015

Motivate travel sellers to sell New Zealand

Number of New Zealand advocates to grow (Targets to be set first quarter FY2014)
Number of travel agents who are ‘100% Pure New Zealand Specialists’ grows
FY2014 target: Total all markets: 550; Emerging markets: 60
FY2015 target: To be set in FY2014
FY2016 target: To be set in FY2015

Priority 5: Optimise delivery capability

Overview
Internal: To ensure optimal delivery of the three-year marketing strategy, Tourism New Zealand must ensure it has the right people and skills, and supporting infrastructure.

Tourism New Zealand has reviewed resourcing requirements following the acquisition of additional funding. Extra staff are necessary to ensure the effective delivery of the new expanded three-year marketing strategy. These staff will be based both in-market and in New Zealand. Appropriate changes have also been implemented to ensure our IT landscape and office spaces remain suitable and efficient.

In FY2013 Tourism New Zealand implemented a people strategy that aimed to realise improvements in terms of leadership, competence, culture and performance. Over the course of this strategy programmes that seek to deliver these improvements will continue to be deployed and developed. This will include investment in people leaders to reinforce the desired high energy, performance culture of accountability and responsibility, as well as the development and retention of key talent to ensure that the required capability and skills are available to support the delivery of Tourism New Zealand’s strategy.

Tourism New Zealand is also focused on further developing employees’ understanding of Maori culture through greater exposure. Tourism New Zealand seeks to improve employees’ level of confidence in Maori cultural settings and situations, as well as enabling them to undertake Maori language and cultural training appropriate to their role.

IT systems are a critical enabler for this strategy allowing Tourism New Zealand to operate more efficiently and effectively. Connecting international offices through the implementation of communication tools, such as video conferencing facilities and online voice and video systems, assists Tourism New Zealand to overcome the challenges inherent with a mobile and internationally dispersed workforce. Connectivity delivered

Two types of ‘Advocates’ exist; Travel Agent Advocates and Travel Company Advocates. To qualify as a Travel Agent Advocate the Agent must have successfully completed the 100% Pure New Zealand Specialist Programme. To qualify as a Travel Company Advocate the company must have a formal partnership agreement and a regular contact plan must be place and fulfi a set of criteria such as key staff on familiarisation, attendance at TRENZ or have a certain amount of 100% Pure New Zealand Specialist in their company.
through the implementation of communication focused IT solutions also realises cost efficiencies through reducing the need for air travel between offices.

During FY2012 and FY2013 an information technology outsourced infrastructure model was implemented. This was to mitigate risks with the organisation’s information systems, future proof systems, improve connectivity and deliver cost savings. Over the course of this strategy investment will continue in IT systems to ensure on-going efficiency and productivity gains are made.

**External:** Tourism New Zealand remains committed to Qualmark and i-SITE going forward. Visitor satisfaction and quality are important issues for New Zealand and it is essential for the industry to provide high-quality tourism products, services and information at all levels for visitors, otherwise the value of marketing activities offshore are not leveraged effectively.

In the case of China, Tourism New Zealand will continue to tackle value issues through its China Market Development Unit which includes administering the Approved Destination Status (ADS) programme and the Premier Kiwi Partnership (PKP) programme. The role of both programmes will remain vital over the course of this strategy as New Zealand seeks to extract improved value outcomes out of China.

Over the next three years Tourism New Zealand remains committed to sharing market insights with industry to support the industry’s on-going ability to provide for and extract value from emerging markets. This will be of particular importance to support Tourism New Zealand’s new emerging marketing strategy.

Tourism New Zealand will also seek to engage more collaboratively and effectively with New Zealand Inc. agencies to achieve visitor outcomes. Tourism New Zealand has identified and will seek to leverage synergies that exist between different New Zealand Inc. agencies over the next three years. Priority areas include partnering to further improve visitor facilitation, collaboration with agencies to achieve aviation outcomes such as assisting the development of air links and air service agreements, and working jointly to achieve international education opportunities.

Tourism New Zealand will also look to specifically create or link opportunities to build profile for Christchurch and the South Island to support the region’s rebuild.

<table>
<thead>
<tr>
<th><strong>Focus areas</strong></th>
<th><strong>Key activity</strong></th>
<th><strong>Indicators</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Internal:</strong></td>
<td>Management of talent and succession planning for critical roles.</td>
<td>• 90% of vacant roles filled within six weeks of advertising&lt;br&gt; • Talent and successors identified and 100% of targeted development plans in place</td>
</tr>
<tr>
<td></td>
<td>Continue building leadership development.</td>
<td>• Leadership effectiveness index increases (measured by Loop)&lt;br&gt; <strong>FY2014 Target:</strong> 73%&lt;br&gt; <strong>FY2015 Target:</strong> 75%&lt;br&gt; <strong>FY2016 Target:</strong> 77%&lt;br&gt; • Managerial effectiveness index increases (measured by Loop)&lt;br&gt; <strong>FY2014 Target:</strong> 72%&lt;br&gt; <strong>FY2015 Target:</strong> 74%&lt;br&gt; <strong>FY2016 Target:</strong> 76%</td>
</tr>
<tr>
<td></td>
<td>Focus on employee engagement.</td>
<td>• Overall engagement increases (measured by Loop)&lt;br&gt; <strong>FY2014 Target:</strong> 77%&lt;br&gt; <strong>FY2015 Target:</strong> 78.5%&lt;br&gt; <strong>FY2016 Target:</strong> 80%&lt;br&gt; • Overall staff retention (excl. involuntary...</td>
</tr>
<tr>
<td><strong>Accelerate adoption of technology to reduce costs, improve decisions and enhance effectiveness across the organisation.</strong></td>
<td><strong>Maori Culture integration</strong></td>
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<tr>
<td>---</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>• Adoption of new Finance and HR system to enable improved efficiency in processes, controls and reporting.</td>
<td></td>
</tr>
</tbody>
</table>
| | • Employees feel confident and comfortable in Maori cultural settings and situations (measured by Loop)  
**FY2014 Target:** 70%  
**FY2015 Target:** 75%  
**FY2016 Target:** 80%  
• Employees have undertaken, as appropriate, basic or above Maori language and cultural training in the past two years  
**FY2014 Target:** 75%  
**FY2015 Target:** 80%  
**FY2016 Target:** 85%  |

**External:**

<table>
<thead>
<tr>
<th><strong>Support China Market Development Unit, (ADS), Qualmark and i-SITE strategies.</strong></th>
<th><strong>Engage more collaboratively and effectively with New Zealand Inc. agencies to achieve visitor outcomes.</strong></th>
</tr>
</thead>
</table>
| | • Level of satisfaction of Chinese visitors  
**FY2014 Target:** Increase rating from FY2013 result  
**FY2015 Target:** Maintain at or above FY2014 result  
**FY2016 Target:** Maintain at or above FY2015 result  
• Proportion of higher value leisure Chinese visitors increases  
**FY2014 Target:** 30%  
**FY2015 Target:** 35%  
**FY2016 Target:** 40%  
• Satisfaction of overall tourism experience for all i-SITE visitors compared to those who did not use an i-SITE  
**FY2014 Target:** Maintain at or above 9.0/10 and above satisfaction levels of non i-SITE users  
**FY2015 Target:** Maintain at or above 9.0/10 and above satisfaction levels of non i-SITE users  
**FY2016 Target:** Maintain at or above 9.0/10 and above satisfaction levels of non i-SITE users  
• Number of Qualmark license holders  
**FY2014 Target:** Target to be set quarter one FY2014  
**FY2015 Target:** Target to be set FY2014  
**FY2016 Target:** Target to be set FY2015  |
| | • Continue collaboration with Immigration New Zealand to ensure on-going gains in visitor facilitation.  
• Identified synergies with Education New Zealand leveraged.  
• On-going identification of further opportunities to derive mutual benefit |
<table>
<thead>
<tr>
<th>From working with NZ Inc. organisations.</th>
<th>Specifically create opportunities to support the Christchurch recovery.</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Key recovery messages and images</td>
<td>• Key recovery messages and images distributed to international media and</td>
</tr>
<tr>
<td>distributed to international media and</td>
<td>trade though Tourism New Zealand’s assets.</td>
</tr>
<tr>
<td>trade through Tourism New Zealand’s</td>
<td>• Delivery of South Island focussed regional campaign joint ventures in</td>
</tr>
<tr>
<td>assets.</td>
<td>Australia leveraging ‘100% Pure New Zealand’ assets.</td>
</tr>
<tr>
<td></td>
<td>• Marketing support provided for aviation opportunities.</td>
</tr>
<tr>
<td></td>
<td>• Leverage third parties to tell the region’s story.</td>
</tr>
<tr>
<td></td>
<td>• Connect Christchurch and Canterbury Tourism with international trade</td>
</tr>
<tr>
<td></td>
<td>and media contacts to facilitate briefings on the recovery process as</td>
</tr>
<tr>
<td></td>
<td>major milestones are reached.</td>
</tr>
<tr>
<td></td>
<td>Provide market insights to the industry</td>
</tr>
<tr>
<td></td>
<td>insights FY2014 target: 720 registered for at least one webinar.</td>
</tr>
<tr>
<td></td>
<td>• Tourism New Zealand communications (website/e-newsletters/webinars etc.)</td>
</tr>
<tr>
<td></td>
<td>add value to stakeholder activities FY2014 target: Surveyed stakeholders rate</td>
</tr>
<tr>
<td></td>
<td>the value of Tourism New Zealand communications an average of 4.0 or</td>
</tr>
<tr>
<td></td>
<td>greater on a 5.0 point scale.</td>
</tr>
</tbody>
</table>
## 6. Three year investment

<table>
<thead>
<tr>
<th>Priority 1 Core Markets</th>
<th>Australia</th>
<th>China (includes Taiwan and Hong Kong)</th>
<th>USA</th>
<th>Germany</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year 1</strong></td>
<td>15.4</td>
<td>11.07</td>
<td>10.2</td>
<td>5.2</td>
<td>4</td>
</tr>
<tr>
<td><strong>Year 2</strong></td>
<td>16.4</td>
<td>15.5</td>
<td>11</td>
<td>4.5</td>
<td>6.8</td>
</tr>
<tr>
<td><strong>Year 3</strong></td>
<td>16</td>
<td>14.5</td>
<td>9.5</td>
<td>6.5</td>
<td>7</td>
</tr>
</tbody>
</table>

**Trend and Commentary**

**Priority 1 Core Markets**

- **Australia**
  - Increase then reduce back Y3
  - Funding includes portion of the youth spend from the UK, Germany and Rest of Europe being reallocated to Australia to encourage Euro youth to cross the Tasman. It also includes additional funding to undertake activity in Western Australia to leverage growth potential, special interest (cycling) and activity to work with partners to extract greater value from the cruise sector.

- **China**
  - Increase then reduce within budget
  - Funds have been rebalanced and allocated to Hong Kong and Taiwan. Hong Kong in particular will receive additional funding to promote the additional seat capacity on the Hong Kong–Auckland route.

- **USA**
  - Increase then reduce and hold
  - Rebalancing to Canada and small reduction in overall campaign spend.

**Priority 2 Core Markets**

- **UK**
  - Hold
  - Additional funding allocated in FY15 to leverage the opportunity afforded by The Hobbit premiere of the third movie to be held in London.

- **Germany**
  - Reduce then hold
  - Reduce in line with moving from three to two segments. Less airline support for PR increasing costs especially if broadcast focus.

- **Japan**
  - Increase
  - Increase to reflect targeting of dual segments and to leverage the recovery currently underway.
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>1</td>
<td>1.5</td>
<td>1.75</td>
<td>1.75</td>
<td>Increase then hold</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Increased budget supports the development of the incentive market and a focus on special interest for broader South East Asia.</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1</td>
<td>0.8</td>
<td>0.53</td>
<td>0.53</td>
<td>Reduce then hold</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Reduction in line with loss of Air Asia X service.</td>
</tr>
<tr>
<td>Thailand</td>
<td>1</td>
<td>0.3</td>
<td>0.31</td>
<td>0.31</td>
<td>Hold</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>On-going presence in Thailand continues to support aviation partnership with Thai Airways.</td>
</tr>
<tr>
<td>Rest of Europe</td>
<td>1</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
<td>Hold</td>
</tr>
<tr>
<td>France</td>
<td>1</td>
<td>0.4</td>
<td>0.6</td>
<td>0.7</td>
<td>Increase</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Increase progressively in line with market growth. International media programme opportunities exist.</td>
</tr>
<tr>
<td>Korea</td>
<td>1</td>
<td>0.8</td>
<td>0.86</td>
<td>0.86</td>
<td>Hold</td>
</tr>
<tr>
<td>Canada</td>
<td>1</td>
<td>1</td>
<td>1.3</td>
<td>1.3</td>
<td>Increase</td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
<td>Rebalance with the US. Canada currently under invested. Bias toward East Coast and expand trade partnership. Additional capacity and stronger economy fuelling market growth.</td>
</tr>
<tr>
<td>India</td>
<td>1</td>
<td>0.9</td>
<td>3.5</td>
<td>4.5</td>
<td>Increase</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>Office will be strengthened with senior manager to build strategic partnerships with airlines and other key trade partners. Major broadcast opportunities will be sought, the Cricket World Cup will be leveraged in 2015 and campaign activity will be implemented in Mumbai and Delhi.</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1</td>
<td>0.4</td>
<td>3.5</td>
<td>3.5</td>
<td>Increase</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Two staff will be dedicated to Indonesia to focus on trade and PR. A social media, brand campaign and an international media programme will be established, as well as cooperative marketing with Garuda and Auckland International Airport. Halal product development workshops will be provided to assist New Zealand industry.</td>
</tr>
<tr>
<td>Latin America</td>
<td>1</td>
<td>0.08</td>
<td>2.0</td>
<td>2.5</td>
<td>Increase</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Latin America has been identified as an emerging market with long term opportunities. Funding will enable specialist staff to be employed late 2013 to focus on trade and PR outputs. FIFA Under-20 World Cup will be leveraged in 2015 and activity over the next three years will focus on working with aviation partners to secure new or additional capacity.</td>
</tr>
</tbody>
</table>
7. Market plans

The following market plans provide the background, selection rationale and our strategic intentions for Tourism New Zealand’s core priority markets and emerging markets.

Priority core 1 markets

Australia FY2014-2016

In recent decades, Australia has transformed itself into an internationally competitive, advanced market economy. According to the Economist Intelligence Unit, it is anticipated that growth in real GDP will continue, averaging three per cent a year throughout 2012-30.

For the New Zealand tourism industry Australia remains vitally important. Over 45 per cent of New Zealand’s total arrivals are generated from Australia (around 1.1 million per annum), with the Australian holiday visitor market providing nearly 450,000 visitors annually, and a total of 4.9 million holiday stay days. New South Wales, Queensland and Victoria generate the largest arrivals at present but New Zealand is experiencing double digit growth in arrivals from Western Australia. Australians are visiting New Zealand more often with trend data showing a clear increase in repeat visitation. The strong Australian dollar has seen an increase in long haul travel by Australians. Australians are also the primary source market of cruise visits to New Zealand.

Strong support exists within industry (95 per cent of those surveyed) to retain Australia as a top priority market for New Zealand. If arrivals from Australia slowed the ramifications would be severe for the New Zealand tourism industry.

Our strategy

Target higher value visitors through a focus on special interest areas such as skiing, golf, hiking/walking and cycling. Expand activity in Western Australia and derive greater value outcomes from the cruise sector.

- Grow holiday arrivals: Maintain the annual average growth rate (AAGR) of 3.3 per cent
- Increase real expenditure per holiday visitor: Increase the growth rate of Australian holiday tourist average spend per person to three per cent
- Grow ski market: Grow July to September holiday arrivals at AAGR of 3.3 per cent
- Grow first time visitors: Attract an average of 160,000 first time Australian holiday visitors per year
- Grow Western Australian arrivals: Maintain the AAGR of 4.8 per cent over strategy
- Grow non-transit cruise passengers ex-Australia: 25 per cent (currently 15 per cent) over strategy
- Grow number of Australians cycling on holiday in New Zealand: 25,000 pa (currently 7,500) by FY16
- Grow visitation to New Zealand through niche marketing activity: Achieve an annual average growth rate of 12 per cent over the three year plan period

How we’ll get there

- Increase special interest focus to improve value outcomes
- Leverage big events (Cricket World Cup, ANZAC match)
- Focus on leveraging the growth in arrivals from Western Australia
- Continue regional partnerships
- Trade training (Mega famils, online training of frontline staff)

Focus segments

- Young Adventurers: 18-29yrs, active, social and seeking adventure
- Independent Professionals: Early 30s, seeking break from work and busy lives. High disposable income and enjoy luxury
- Silver Surfers: Active older couples, high disposable income, crave new experiences
China's continued economic strength and growing middle-class has generated double digit growth in Chinese visitor arrivals to New Zealand in recent years. New direct air routes linking Asia with New Zealand have supported this growth and will help maintain the acceleration of Chinese arrivals in the near future. Chinese tourists overtook Germans as the world’s biggest-spending travellers in 2013. International trips by Chinese tourists have reached 83 million annually, up from 10 million in 2000, however only 10 per cent of these trips were to long-haul destinations.

However, while visitor arrival growth has been strong, many are short stay and therefore lower value visitors to New Zealand who have spent most of their time in Australia. New Zealand providers have made considerable progress in delivering an experience that meets the standard and needs of Chinese visitors.

In 2012 Tourism New Zealand initiated a strategy to specifically address value issues associated with China and the next three years will see this built on in order to increase the value of the Chinese traveller to the New Zealand economy and improve the Chinese visitors’ experience.

Actively target high value visitors and encourage them to stay longer and spend more to maximise the value from, and leverage, the arrival growth New Zealand is experiencing from China. Address value issues through expansion of the Premium Kiwi Partnership programme and leverage additional capacity from Hong Kong. Considerably step-up business events programme with dedicated resources.

- Increase average stay for Chinese holiday visitors to eight days (currently 6.6 days)
- Grow independent travellers to make up 25 per cent of total visitor arrivals
- Grow the proportion of ADS tourists that are mono-destination to 30 per cent

Leverage special interests (Honeymoon, Golf, Luxury) to appeal to higher value visitors

Expansion of the Premier Kiwi Partnership programme (PKP)

Provision of guidance/workshops to the industry to help them cater for and extract value from Chinese visitors

Build preference and intention through campaigns and opinion leader PR

Market and position New Zealand as an attractive and compelling business events destination

Focus segments

- Independent travellers
- Incentive Groups
- mono-destination group travellers
The desire for travel from the US remains strong with outbound travel reaching just under 60 million in 2011. Although high by international standards, this equates to only one fifth of the US population. In recent years, international travellers from the US have become more elusive due to the recession, the H1N1 virus and safety concerns. These factors and significant increases in home-port (US origin) cruises have caused Americans to travel domestically or nearby in neighbouring North American countries (including the Caribbean). The strength of the Australian and New Zealand Dollar has also not helped to encourage US tourism with the price of travel down under deterring price sensitive travellers. Capacity restraints from the US have also affected pricing - particularly in the off-season, however the new Hawaiian Airlines service goes someway to rectify this.

For New Zealand the US is a top priority market. Its position as a priority market was supported by industry with 89 per cent of those surveyed agreeing it should be retained in our highest tier. US travellers generate high volumes of visitors for New Zealand annually, representing New Zealand’s fourth largest source market and characteristically US visitors spend strongly per night. American travellers’ length of stay while in New Zealand is hindered due to the low number of paid holidays they receive annually and the time proportion of dual travel with Australia.

Tourism New Zealand is cautiously optimistic about the US as a visitor market with The Hobbit generating strong cut through resulting in a significant lift in the topicality of New Zealand.

### Key information

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Young Adventurers</td>
<td>22-35yrs, very active, experienced travellers</td>
</tr>
<tr>
<td>Independent Explorers</td>
<td>45-65yrs couples, established outdoor enthusiasts, seeking to broaden their minds and connect with people</td>
</tr>
<tr>
<td>Organised Tourers</td>
<td>65yrs +, packaged travellers, need to feel safe/comfortable, want to learn and explore new things while having fun</td>
</tr>
</tbody>
</table>

### Trend data

#### Arrivals

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Holiday</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td></td>
<td></td>
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<td>2006</td>
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<td>2007</td>
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<td>2012</td>
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<tr>
<td>2013</td>
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</tbody>
</table>

#### Holiday Arrivals by Age

<table>
<thead>
<tr>
<th>Age Group</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
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</thead>
<tbody>
<tr>
<td>Under 10</td>
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<td>10 - 19</td>
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<td>20 - 29</td>
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<td>30 - 39</td>
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<td>40 - 49</td>
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<td>50 - 59</td>
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<td></td>
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<td>60 - 69</td>
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<td></td>
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<td></td>
<td></td>
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<tr>
<td>70 plus</td>
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</tr>
</tbody>
</table>

### Our strategy

Target higher value visitors by evolving key messages that drive preference, tightening market segmentation and using the scale and impact of The Hobbit to drive market growth.

### Our 3yr goals

- Grow holiday arrivals to achieve an average annual growth rate (AAGR) of 4.5 per cent over the three year strategy period
- Grow the Young Adventurers segment to achieve an AAGR of three per cent over the three year strategy period
- Grow the Independent Explorers segment to achieve an AAGR of one per cent
- Grow the Organised Tourers segment to achieve an AAGR of two per cent
- Increase the growth rate of US holiday tourist average spend per person to three per cent

### How we’ll get there

- Expand investment in business events and premium
- Increase emphasis on special interest sectors to drive value
- Leverage The Hobbit movies, including premiere of the second movie (FY2014)
Priority core 2 markets

**UK FY2014-2016**

The UK was hit hard by the Global Financial Crisis and while there are signs of improvement, recovery continues to be slow. This slower-than-expected economic recovery, the weak British Pound and the high UK Air Passenger Duty are continuing to severely affect long haul travel. This is being reflected in New Zealand arrivals. The strong Australian dollar is also affecting New Zealand arrivals with significant drop off in dual destination holiday travellers occurring.

New Zealand annually receives more than 180,000 arrivals, making the UK market third only to Australia and China for visitor numbers, however it is unlikely New Zealand will see significant growth in visitor arrivals again until the UK economy begins to grow and the currency strengthens. Estimates vary widely about when this will occur but Tourism New Zealand’s view (shared by COVEC) is that visitor numbers will recover in line with the economy and that will begin within this strategy period.

In the short term Tourism New Zealand is optimistic that progress can be made within certain visitor segments who continue to travel. These include younger travellers and the traditionally strong 50 years plus traveller market. These segments will remain the focus for New Zealand over the next three years, although the focus will shift to place greater emphasis on targeting young British who are resident in Australia on Working Holiday Visas (WHV).

The UK will remain a priority market for New Zealand going forward due to the scale and quality of the market and Tourism New Zealand’s belief that there will be a recovery post-GLOBAL Financial Crisis. Travellers from the UK over-index on a range of value metrics including length of stay, spend, consumption of tourism products and regions visited.

### Key information

#### New Zealand

- New Zealand annually receives more than 180,000 arrivals, making the UK market third only to Australia and China for visitor numbers.
- It is unlikely New Zealand will see significant growth in visitor arrivals again until the UK economy begins to grow and the currency strengthens.
- The strong Australian dollar is affecting New Zealand arrivals with a significant drop off in dual destination holiday travellers occurring.

#### UK

- The UK was hit hard by the Global Financial Crisis and while there are signs of improvement, recovery continues to be slow.
- Slower-than-expected economic recovery, the weak British Pound and the high UK Air Passenger Duty are continuing to severely affect long haul travel.
- New Zealand arrivals are being reflected in New Zealand and China for visitor numbers, however it is unlikely New Zealand will see significant growth in visitor arrivals again until the UK economy begins to grow and the currency strengthens.

### Trend data

Tourism New Zealand will work to arrest the decline in visitor numbers and value through activity focussed on resilient sectors of the market (Backpackers and Active Boomers).

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Arrivals</th>
<th>Holiday Arrivals</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>200,000</td>
<td>150,000</td>
</tr>
<tr>
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<td>2007</td>
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</tr>
<tr>
<td>2008</td>
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<td>90,000</td>
</tr>
<tr>
<td>2009</td>
<td>120,000</td>
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</tr>
<tr>
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<td>70,000</td>
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<tr>
<td>2011</td>
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<td>60,000</td>
</tr>
<tr>
<td>2012</td>
<td>60,000</td>
<td>40,000</td>
</tr>
</tbody>
</table>

### Our strategy

- Arrest the decline in holiday arrivals and achieve zero per cent year on year growth in holiday arrivals by end of 2015
- Arrest the decline in youth arrivals and achieve zero per cent year on year growth in youth arrivals by end of 2015
- Arrest the decline in senior segment arrivals and achieve zero per cent year on year growth in senior arrivals by end of 2015
- Arrest the decline in Australia/New Zealand dual destination travel and achieve two per cent year on year growth in dual destination arrivals by end of 2015
- Increase the growth rate of UK holiday tourist average spend per person to three per cent

### Our 3yr goals

- Refocus to solely target receptive high value segments that still offer potential growth
- Leverage premiere of the third Hobbit movie FY2015
- Work strategically with aviation partners to convert demand to booking
- Focus on triggers of travel with Active Boomers – events (e.g. CWC 2015), influencers, value, special interest – that lead to higher conversion to travel

### How we’ll get there

| Focus segments | Backpackers | Active Boomers 50+
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>18-25yrs, active, attracted to New Zealand offering, crave fun, adventure and excitement (WHV)</td>
<td></td>
<td>Active older segment, semi or fully retired, independent travellers, attracted to NZ’s outdoors. Note 50-65yrs is a mono market focus, 65+ dual market focus</td>
</tr>
</tbody>
</table>
Outbound tourism numbers from Germany remain consistent, however the German economy is not immune from the economic pressures of the Eurozone and exchange rate fluctuations. This is evidenced in functional drivers of travel such as affordability, proximity, allowable holiday time and ease of travel playing a greater role in decision making. This has in turn put pressure on New Zealand’s value proposition and resulted in more Germans choosing short haul destinations (e.g. Italy, Spain) at the expense of long haul destinations like New Zealand and Australia.

New Zealand’s arrival statistics show this. Previously New Zealand enjoyed steady arrival growth from Germany but a drop off has been experienced over the last two years, finishing flat/slightly up. Australia’s arrival data mirrors this trend. However, on a positive note, certain segments within the German visitor market are continuing to perform well for New Zealand, for example the <29yr segment.

Germany remains of strategic importance to New Zealand from a value perspective. While just ranking sixth in terms of total visitor arrivals, German visitors rank third in the generation of total stay days. Positive changes seen recently in how long Germans stay in New Zealand indicates a higher value tourist is now being attracted to New Zealand.

| Key information | | |
|-----------------|-----------------|
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| Trend data | | |
|------------|-----------------|
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Target higher value visitors in both the backpacker and outdoor enthusiasts segments via an increased focus on traditional media, PR, the retail trade in partnership, and the scale and impact of the Hobbit.

- Grow holiday arrivals and achieve an annual average growth (AAGR) rate of one per cent
- Continue to grow the youth market from Germany and achieve an AAGR of 3.7 per cent
- Arrest the decline in senior segment arrivals and achieve a zero per cent year on year growth in senior arrivals by end of 2015
- Increase the growth rate of German holiday tourist average spend per person by three per cent

| How we’ll get there | | |
|----------------------|-----------------|
| Refocus efforts to segments that offer value and growth opportunities |
| Backpackers Students who want to travel/explore the world. Follow the backpacker trail and want to meet other youth travellers. Long length of stay, participate in many activities, adopt independent travel style. |
| Outdoor Enthusiasts (30+ yrs) Active independent travellers attracted to New Zealand’s nature/landscapes. Seeking to broaden their minds, learn and explore new things. |
| Organised Tourers 30yrs+ Differentiated from Outdoor Enthusiasts by mode of travel and activity choice. Structured in holiday style. |

| Our strategy | | |
|------------|-----------------|
| Our goals |
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<table>
<thead>
<tr>
<th>How we’ll get there</th>
</tr>
</thead>
<tbody>
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</tr>
<tr>
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</tr>
<tr>
<td>Organised Tourers 30yrs+ Differentiated from Outdoor Enthusiasts by mode of travel and activity choice. Structured in holiday style.</td>
</tr>
</tbody>
</table>
Outbound travel from Japan is forecast to remain consistent over the next few years and grew by 4.5 per cent in 2012. Japan is a large, attractive market for New Zealand to pursue, both due to its current value and its future potential. Japanese visitors are valuable from a ‘total lifetime’ perspective with visitors on average returning to New Zealand 2.7 times following their first trip. Until recently, visitor arrivals to New Zealand have been in decline, reducing 60 per cent between 2002 and 2011. This has largely been the result of a number of one off events/natural disasters and the stagnant Japanese economy.

The mix of age groups travelling from Japan is changing, with an increasing number of outbound tourists being younger in age (20-29 year olds is now the largest outbound segment). It is within this segment that New Zealand has seen a significant decline.

Historically New Zealand has focussed on appealing to the older Japanese traveller however this has resulted in New Zealand’s positioning, appeal and preference being lower for the younger segment.

In FY13 Tourism New Zealand, in partnership with Air New Zealand, initiated a strategy to target the younger audience. This is being done by employing different messages and media selection, through different product offerings and by utilising different channels. The strategy also continues to target the older visitor segment due to the value they deliver New Zealand and the potential from a large about-to-retire baby-boomer demographic.

Early results from the new strategic approach are promising with arrivals returning to growth. The next three years will see this new strategy of dual target audiences continued.

Continued implementation of a dual segment approach that stabilises the senior segment (Senior Nature Lovers) and grows the high growth youth segment (Young Adventurers).

- Re-acquire 90,000 Japanese visitors pa by end of three year strategy
- Grow holiday arrivals and achieve an average annual growth rate (AAGR) of 5.5 per cent
- Grow the Young Adventurers segment and achieve an AAGR of 10 per cent
- Stabilise/Grow Senior Nature Lovers and achieve an AAGR of 3 per cent over the three year strategy period
- Maintain expenditure per holiday visitor at current per person spend

How we’ll get there

<table>
<thead>
<tr>
<th>Destination repositioning to broaden New Zealand’s appeal</th>
<th>Continuing to invest strongly in aviation partnerships to achieve mutually beneficial outcomes</th>
<th>PR/campaign initiatives to address ‘Young Adventurers’ opportunity, particularly selection &amp; use of a relevant opinion leader</th>
<th>Broaden trade programme to support youth segment development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Young Adventurers</td>
<td>20-35yrs, long length of stay, independent travellers, want new experiences and adventure, just finished studying or in first job.</td>
<td>Senior Nature Lovers</td>
<td>60-74yrs, retired empty nesters, travel in tour groups or as a couple on package tours. High spenders and crave harmony and nature.</td>
</tr>
</tbody>
</table>
Priority emerging markets

A survey of Tourism New Zealand’s industry stakeholders strongly indicated that Tourism New Zealand should continue to prioritise the six markets; Australia, China, USA, UK, Germany and Japan, over the next three years. In the 2012 calendar year 72.4 per cent of New Zealand’s arrivals came from these markets and it is expected that these six markets will continue to produce most of New Zealand’s visitor value over the course of this strategy.

However through the strategy development process, Tourism New Zealand identified other emerging markets, namely India, Indonesia and Latin America, which provide enormous promise and opportunity for New Zealand in the longer term. The strong economies of these countries is leading to growth in personal spending power, and as such outbound travel from these emerging economies is growing exponentially.

Tourism New Zealand is committed to investing early (i.e. at a higher level than the current visitor numbers would justify) within these markets to build demand and to provide leadership and support for New Zealand businesses. Investing ahead of the curve will also accelerate the development of quality visitor arrivals from these markets.

Investment decisions made for this strategy balances the industry’s needs in the short term, which sees Tourism New Zealand continuing to invest in New Zealand’s developed top six markets, while securing a strong long term position through our emerging markets strategy.
High disposable incomes and a willingness to spend on luxury brands and big-ticket items like holidays, as well as an increasingly global mind-set, are driving outbound travel from this market. The UNWTO predicts that India will account for 50 million outbound tourists by 2020. With over 28 million passport holders in the country who are potential travellers, the source market for outbound travel is wide and complex because of its size and variety. India’s real GDP growth is forecast to average 6.4 per cent a year for 2012-30, making India the fastest-growing large economy in the world during the period (Economist Intelligence Unit, 2012).

Indian arrivals to New Zealand are steadily growing (~30,000 visitors in 2012, up six per cent on 2011), off a relatively small investment from Tourism New Zealand. The market also has a preference to travel in New Zealand’s autumn and spring shoulder seasons, making India an important market for offsetting seasonality. Currently there is no direct air service to New Zealand from India, but multiple one-stop options through Asia and Australia exist.

The up-coming hosting of the Cricket World Cup 2015 with Australia provides New Zealand a window of opportunity to encourage media and visitors to New Zealand for what will be a major event. This event is a catalyst for stepping up the priority and investment given to India in the lead-in years.

India provides New Zealand with enormous promise and opportunity in the longer term as a valuable source market. India was the market that was identified most strongly by industry surveyed as a market that should be given greater priority. India is most likely our “next China”.

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**Focus areas**

12 Focus areas to be further refined following the collection of specific Active Considerer research that is in-market currently.
Indonesia ranks as the fourth most populous nation globally. Indonesia is also the world’s most populous Muslim nation, with over 80 per cent of its population stating that they practise Islam. In economic terms, Indonesia has the potential to maintain a rapid rate of economic expansion for several decades, with real GDP growth forecast to average 5.4 per cent a year through to 2030 (Economist Intelligence Unit, 2012). While Indonesia has an expanding middle class with a growing ability and desire to travel, currently outbound travel from Indonesia is being fuelled by the wealthy and young single professionals.

Outbound travel from Indonesia is currently over six million departures annually, an increase of 51 per cent since 2003. Outbound travel is being fueled by the growth in Low Cost Carriers, the lifting of the exit tax in 2011 which was imposed following the 1997 financial crisis to stimulate domestic travel, a strengthening currency and a strong economic outlook. A strong demand also exists for outbound meetings, incentive, conferences and exhibitions (MICE) travel from Indonesia.

In New Zealand, while arrivals from Indonesia have steadily increased over the last five years, total arrivals sit at just over 12,000. Securing a direct air service to/from Jakarta remains a key goal.

Indonesia is central to wider government priorities in trade and export education. With the prospect of direct air services, Tourism New Zealand judges this an opportune time to invest in building demand for quality mono-New Zealand travel.

<table>
<thead>
<tr>
<th>Year</th>
<th>Arrivals</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
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</tr>
<tr>
<td>2001</td>
<td>4</td>
</tr>
<tr>
<td>2002</td>
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<tr>
<td>2005</td>
<td>12,000</td>
</tr>
<tr>
<td>2006</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Outbound Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>2</td>
</tr>
<tr>
<td>2001</td>
<td>4</td>
</tr>
<tr>
<td>2002</td>
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</tr>
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<td>2004</td>
<td>10,000</td>
</tr>
<tr>
<td>2005</td>
<td>12,000</td>
</tr>
<tr>
<td>2006</td>
<td>15,000</td>
</tr>
</tbody>
</table>

**Our strategy**

Target strong growth by increasing investment in trade and business events, PR, campaign, and airline partnerships geared towards Jakarta.

**Our 3yr goals**

- Increase total arrivals to 45,000 per annum by the end of the three year strategy period
- Incidence of Active Considers increases (targets to be set quarter one FY2014)
- Proportion of Active Considerers in emerging markets who consider New Zealand their 1st or 2nd preferred destination (targets to be set quarter one FY2014)

**How we’ll get there**

- Delivery of a social media strategy to leverage the world’s second largest Facebook market
- Cooperative marketing with aviation partners to support current and future direct air linkages
- Delivery of brand campaign and international media programme
- Halal product development guidance and coaching for New Zealand tourism businesses

**Focus areas**

- Incentive
- Independent travellers
- Mono groups

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13 Focus areas to be further refined following the collection of specific Active Considerer research that is in-market currently.
Many Latin American countries are development markets with improving economies and growing trade links with New Zealand. Brazil’s economy has already exceeded the UK’s and is expected to grow 4.4 per cent on average between 2012-16 (Grant Thornton International Business Report 2012).

Outbound travel from Brazil for example has grown by 180 per cent since 2006 and these travellers characteristically are high spending and long staying. In New Zealand total visitor numbers from Latin America in 2012 were just under 28,000, down from 33,000 in 2011 – which was bolstered by rugby fans from Argentina attending the Rugby World Cup 2011.

Currently Tourism New Zealand only undertakes limited trade engagement within this region, but significant opportunities exist particularly via event exposure (2015 FIFA U20s World Cup hosting and 4 Nations Rugby) and working with New Zealand Inc. partners to target the working holiday and education segments. Currently only one carrier flies direct between New Zealand and Santiago. Securing further direct services remains a priority.

It is Tourism New Zealand’s view that additional investment in Latin America is appropriate over the next three years. Tourism New Zealand is yet to form a sound view of an appropriate staged entry approach however, initial thinking is to focus on Brazil and Chile primarily but this needs to be validated in the first half of FY2014.

Use the opportunity afforded by 2015 FIFA U20s World Cup to amplify a focussed market entry strategy aligned to the premium and youth sectors (Backpacking, Working Holiday Visa & Education) of four Latin American markets (Mexico, Brazil, Chile, Argentina).

- Increase total arrivals to 45,000 per annum by the end of the three year strategy period
- Incidence of Active Considers increases (targets to be set quarter one FY2014)
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**How we’ll get there**

<table>
<thead>
<tr>
<th>Focus areas</th>
<th>Premium/Luxury</th>
<th>Honeymoon</th>
<th>Working Holiday and Education</th>
</tr>
</thead>
</table>

\[14\] Focus areas to be further refined following the collection of specific Active Considerer research that is in-market currently