

**Information included in this document was sourced between January and March 2010 to form the basis of the strategy. Information relating to our investments or to information that we consider commercially sensitive has been removed from this public document. There are few areas that this has occurred and in all cases the removal of the information is clearly presented in red.**



**Tourism New Zealand  
3 Year Marketing Strategy  
2010 - 2013**

**March 2010**

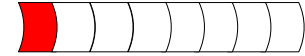
## Contents

---

<b>1. Executive Summary.....</b>	<b>3</b>
<b>2. Introduction.....</b>	<b>9</b>
<b>3. Strategic Foundations – Summary .....</b>	<b>18</b>
<b>4. Outcomes, Investment and 2010/11 Position.....</b>	<b>22</b>
<b>5. Strategic Foundations - Detail.....</b>	<b>27</b>
<b>6. Market Plans .....</b>	<b>41</b>
<b>7. At a glance work programme .....</b>	<b>61</b>
<b>8. Scaling the plan to \$89m.....</b>	<b>63</b>

## **1. Executive Summary**

---



## 1.1 Executive Summary

International tourism plays an important role in the New Zealand economy contributing some \$9.3 billion\* of value. Tourism New Zealand's (TNZ) purpose is to maximise the value of international in-bound tourism to New Zealand by increasing the number of visitors, how long they stay and how much they spend. We work to achieve this outcome by focussing on the following activities:

1. Building a strong brand proposition for New Zealand through advertising and promotion in prioritised target areas (segments and geographies).
2. Off-shore PR activity that leverages New Zealand in media (film, TV, on-line, print).
3. Working with domestic and international trade to package and deliver quality products to the market.
4. In-country quality assurance through Qualmark.
5. Visitor assistance and sales through a network of i-SITE visitor centres.

There are many possible ways and places we could grow the value of tourism to New Zealand. The strategic and day to day management challenge is to prioritise these possibilities to focus on the highest return on investment initiatives, and dedicating sufficient resources to execute them with excellence.

The world is emerging from a sharp economic slow down in 2009 that had a negative impact on tourism flows. Short haul leisure travel has grown in our region, as it has in many other regions, while long haul travel has been slower to recover. We do anticipate recovery in long haul in the life of this plan, but our longer term outlook is that markets that are one flight away will be better placed to attract leisure travel due to time pressures, rising costs (largely due to oil price increases) as well as increasing environmental sensitivity to long haul travel.

We have developed six strategic foundations which underpin the 3 year strategy:

1. Focus investment in selected markets using a portfolio approach.

\* Sourced from Ministry of Tourism (YE March 2009)

2. Enrich New Zealand’s strong brand positioning.
3. Leverage digital media to identify and communicate with potential visitors.
4. Capitalise fully on the visitor bubble and media coverage for RWC 2011.
5. Build the partnerships that are critical to achieving growth in visitor arrivals.
6. Make the operational changes that are essential to facilitate delivery of the plan.

These strategies will touch each of our markets, but with a slightly different emphasis in each, resulting in a market portfolio approach.

Market	Market statement
Australia	In Australia we will implement a broad and deep marketing strategy working closely with partners to fully develop the potential of the market.
UK	Given the challenging economic outlook, we want to maintain existing visitor value by using more cost effective marketing to capitalise on the natural affinity that the UK market has with NZ as a destination.
USA	We are pursuing an aggressive investment in partnership with Air New Zealand to derive a 50% increase in arrivals and a billion dollar impact (across 5 year project Eagle lifespan). <i>Note US targets in this paper were set based on a joint venture proposal which was discontinued following the announcement by Continental Airlines that they would fly to New Zealand from November 2011.</i>
Japan	Japan is a very valuable market for New Zealand. However we have identified considerable barriers to further growth that need to be better understood. We will work with our partners and identify strategies to overcome or understand these better. In the immediate future we will look to achieve operational efficiencies.
China	China is the world’s fastest growing economy and New Zealand needs to be there. We need to increase the value of the market by simultaneously increasing the number of mono-destination travellers and addressing quality issues in dual

	destination travel.
South Korea	The Korean market reacts quickly to changes in the environment, resulting in severe peaks and troughs in arrivals. We will invest modestly in activity in Korea to take advantage of an expected upsurge in demand through the plan period.
India	India will continue to show modest growth over the plan period but its importance will really emerge in the next planning period, provided that air links are in place.
Europe	Within Europe, Germanic nations represent the strongest growth opportunity for New Zealand during the plan period.
SE Asia (Singapore, Thailand, Malaysia, Indonesia)	Expanding air capacity out of these markets is the single most important outcome that we could achieve to realise gains. Our focus will therefore be to work with our airline and airport partners to grow these connections.

Implementing these strategies is going to result in some obvious changes to the way in which TNZ does its business. This will become obvious to our stakeholders and to the industry. The most striking changes will be:

- **A digital approach to communications** – we will take 100% Pure New Zealand to the world in a way that capitalises on the advantages that the digital world offers. It will deliver more visitors and more value to New Zealand.
- **Engagement in Joint Ventures and Public Private Partnerships** – meaningful partnerships will be a feature of our operating style so that we can much more effectively leverage the government’s investment in tourism.

### What will the 3 Year Marketing Strategy deliver?

On the top line, we anticipate that the 3 Year Marketing Strategy will deliver 167,000 incremental visitors above the TMT forecasts for 2013. The biggest gains will come from the USA and Australia. Germanic

Europe will deliver a significant increase in high value visitors. Our investigation in market suggests that the TMT forecasts for China, Japan and Korea are bullish and will be challenging to meet.

Market	YE January 2010	Revised TMT forecast to 2013	TNZ Sector Target 2013	Commentary on TNZ Sector target
Australia	1,095,696	1,201,000	1,300,000	Last years growth of 12% was exceptional. We have targeted a mid point growth rate between 2008 and 2009 actual growth: 6% per annum.
UK	258,228	286,000	286,000	Arrivals will meet the TMT forecast, even though our funding is slightly reduced. Efficiency gains and more effective digital strategies will maintain levels.
USA	197,843	231,000	290,000	Growth targets drawn directly from the Project Eagle business case. <i>Note US targets in this paper were set based on a joint venture proposal which was discontinued following the announcement by Continental Airlines that they would fly to New Zealand from November 2011.</i>
Japan	79,594	99,000	99,000	Our in market assessment suggests the Ministry forecast is on the high side and will challenge us. We will watch closely.
China	97,432	165,000	165,000	We consider TMT forecast arrivals are very high. We will be stretched to achieve this. Our focus will be on quality.
Sth Korea	54,799	81,000	81,000	We will hold the arrivals at the level forecast by TMT and consider this to be a very optimistic target.
India	25,712	34,000	34,000	We are targeting the same level of growth that has been achieved for the past 2 years in India (7.5%). Real growth in this market will come outside this 3 year

				period.
Germanic Europe	65,528 + 15,403 = 80,811	87,000	96,000	We are targeting an increased rate of growth than forecast, due to increased investment and activity.
SE Asia	90,831	102,000	102,000	We will match an optimistic Ministry forecast, achieved through work to secure and expand, where possible, air capacity into NZ.
<b>TOTAL**</b>	<b>1,981,000</b>	<b>2,286,000</b>	<b>2,453,000</b>	<b>+167,000</b>

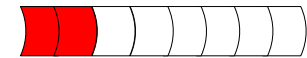
\*Specific forecast not available, "rest of world" forecast growth applied as a proxy

\*\* Rest of world not reforecast and assumed to be same as TMT forecasts

We have undertaken work to scale the \$99m plan to \$89m per annum. Under this scaled plan, partnerships work with the private sector (airlines, airports, travel sellers and others), which is costed at \$xm per annum *<investment figure removed>*, would be scaled back. This would have the double impact of reducing by at least \$xm *<investment figure removed>* per annum the partnership contributions. Some significant leverage work in the area of the Rugby World Cup 2011 would not be able to be pursued, including extra leveraging activity around the Giant Rugby Ball in Sydney and international sales promotion work. Scaled back investments in China, India and Korea would see reductions in visitor growth and quality from these markets. Finally, new investment in markets not currently covered (e.g. Latin America, Eastern Europe) would not begin.

## 2. Introduction

---



## 2.1 2009 was tough– but fast action and additional funding in Australia delivered a good result

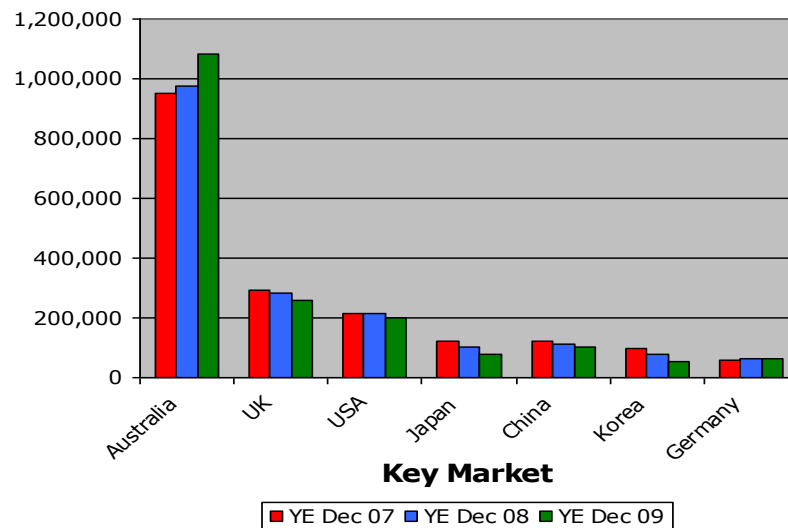
In 2009 economic factors, uncertainty and Influenza A (H1N1) made for a challenging year for the New Zealand tourism industry. In the face of this visitor arrivals to New Zealand remained unchanged at 2.45 million despite the worst global recession in over 50 years. A decline of 4.2% had been forecast. This successful outcome was in part generated from our investment strategy throughout this period, which saw Australia deliberately targeted as a responsive source of visitors.

We were able to aggressively pursue Australia throughout 2009 due to our ability to foresee and nimbly react to current trends, the additional \$2.5m funding allocated by Government and through the execution of successful partnerships.

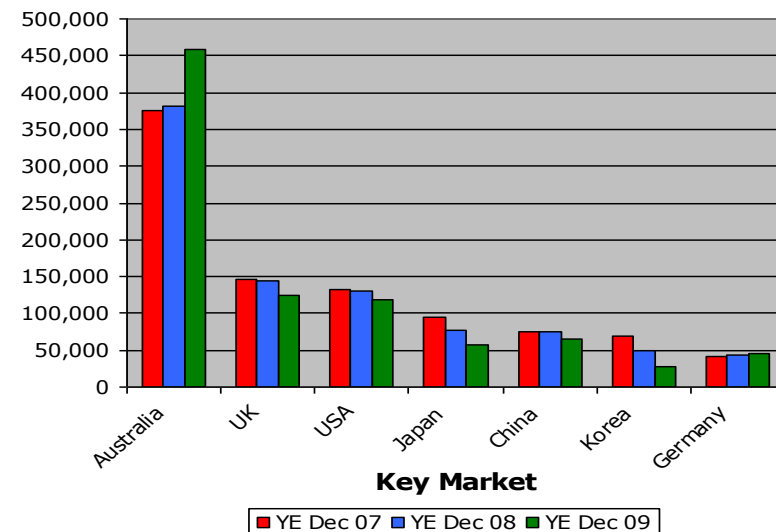
The positive result out of Australia almost perfectly offset the collective decline in arrivals from other markets.

Australia's good performance however, masked the poor performance from other key markets and how the shift in visitor composition has profoundly impacted some New Zealand tourism businesses during 2009. This 3 year strategy will address these issues.

**Total Arrivals YE Dec 2007-2009**



**Holiday Arrivals YE Dec 2007-2009**



## 2.2 The Ministry of Tourism's forecast key messages

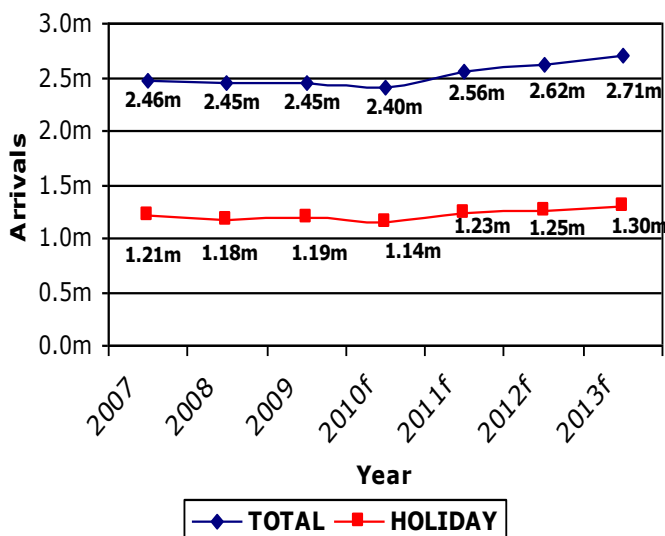
### The Ministry of Tourism's forecasts key messages include\*:

- Continued strength in the Australian market
- Strong recoveries in most major markets in 2011 driven by a return to economic growth and the Rugby World Cup
- Growth in emerging markets to fill the gaps left by contracting markets such as Japan and South Korea
- New Zealand's tourism industry is resilient and always rebounds strongly following adverse demand shocks

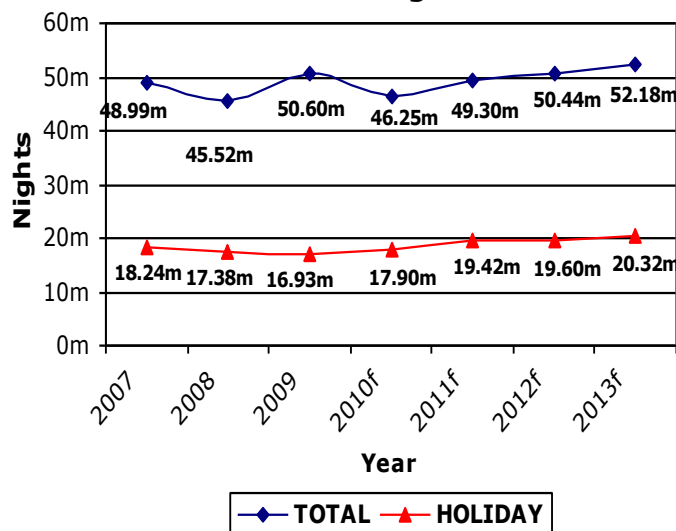
2009 Results (YE Dec)			
	Total	Year on year	Holiday
Arrivals	2.46m	0.0%	1.19m
Expenditure	6.187bn	+4.0%	3.29bn
Nights	50.6m	+11.2%	16.9m

### 3 Year Trends

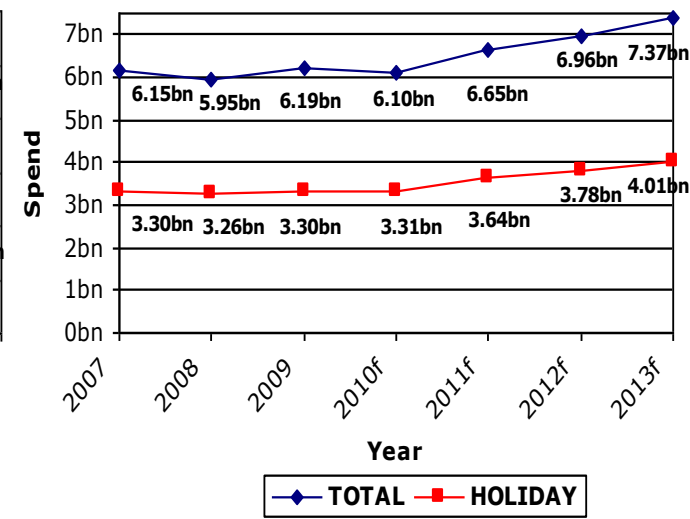
Visitor Arrivals



Visitor Nights



Visitor Spend



\*Commentary sourced from the Ministry of Tourism's 'Review of Visitor Arrival Forecasts'

## 2.3 Our major visitor economies are emerging from the global recession

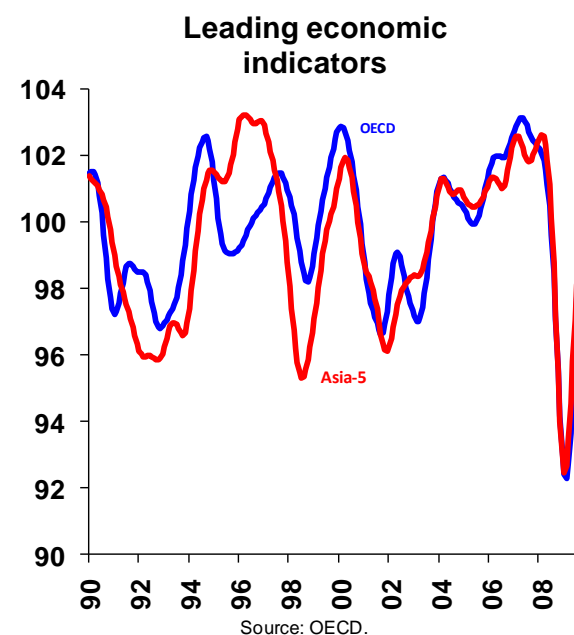
### Consumer confidence is returning slowly, but travel decisions will lag improvements in confidence

After a period of recession that struck almost all of the world's major economies over the past 2 years, tentative growth has returned to most. However, many of the drivers of the recovery are short term and significant vulnerabilities remain.

These vulnerabilities vary from how the markets will react to the removal of significant government led stimulus packages that were implemented to avert the worst effects of the recession, to a slow recovery in employment denting consumer confidence, to the continued over investment in housing in some of our key markets.

While a "W" shaped recession that would see growth move back into negative territory is now much less likely, it is possible that the urgency of the recent bounce back may slow in 2010.

For tourism, as a consumer commodity, this means that our potential visitors will likely continue to be cautious in their decision making in 2010. While there will always be groups and niches that are insulated from the recessions, long haul trips are significant financial commitments for households and the prevailing level of confidence among consumers will set the tone for decisions.



**Our traditional markets are still the largest source of wealthy consumers and will be our primary source of earnings in the next 3 years...**

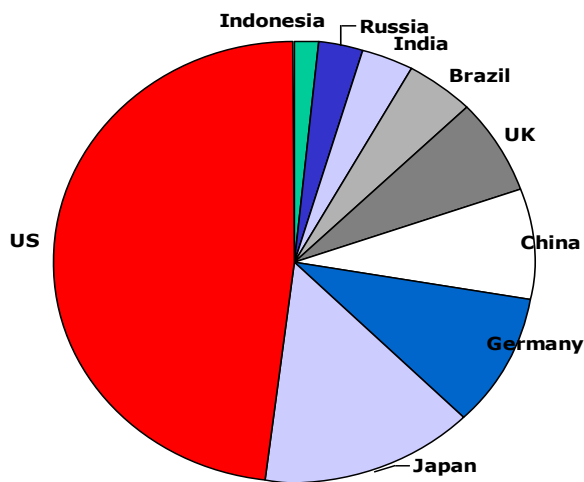
The USA is still the powerhouse, clearly standing out as the world’s largest consumer economy. The USA, Australia, Japan, Germany and the UK will make up 66% of our visitors and close to two thirds of all visitor spend and in 2013 these five economies will still be a valuable source of business for New Zealand.

**...but in the strategy period some of our emerging markets are going to be the fastest growing economies.**

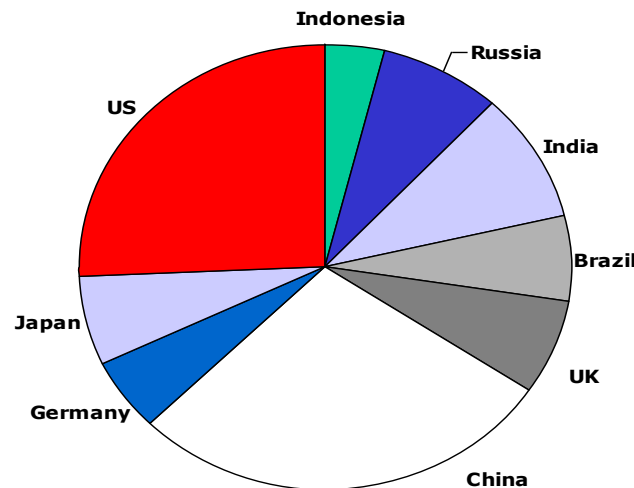
The patterns of growth reveal some significant changes, primarily around the emerging role of China as an economic force, but also in countries such as India, Brazil and Russia. During the strategy period we need to reinforce the work already started in growing the value coming out of China, but also start laying the platform to capitalise on the rapid growth that will come from markets such as India, where we are already active, and consider how we can tap into markets we have barely touched such as Brazil and Russia.

**Forecast**

**Stock of private consumption (2009, US\$trn)**

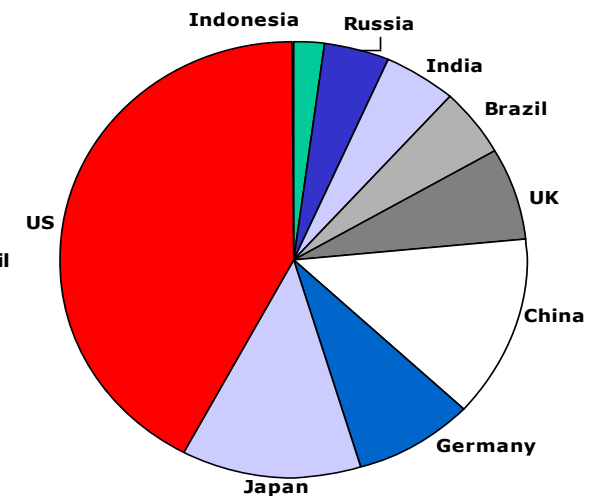


**Increase in private consumption (2009-14, US\$trn)**



**Forecast**

**Stock of private consumption (2014, US\$trn)**

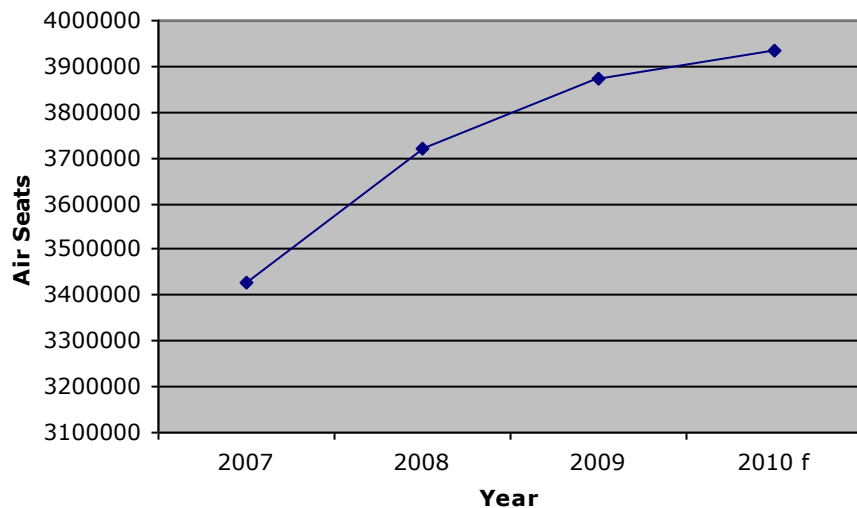


## 2.4 Air capacity on long haul reduced as a consequence of recession, short haul has grown strongly

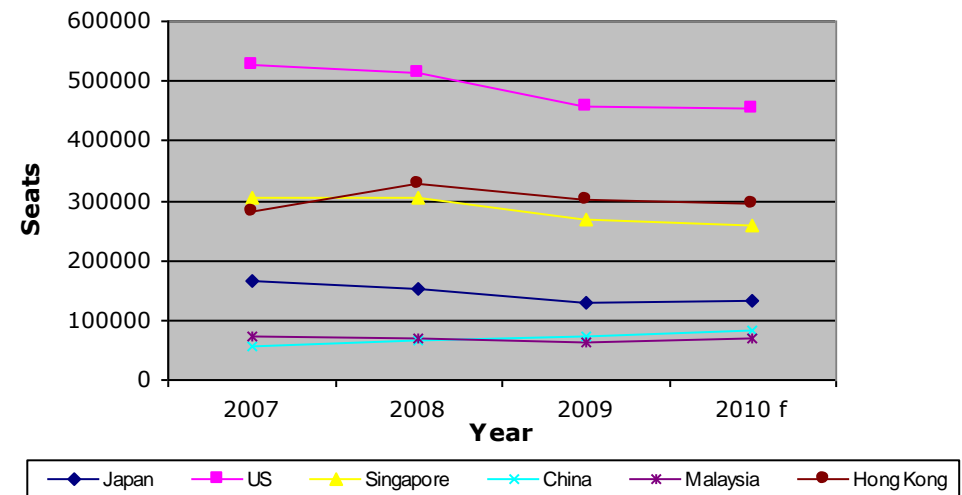
Only Australia and China saw increases in their air capacity during the recession. China's growth was a consequence of Air New Zealand reverting back to their 'normal' service from Beijing which they had reduced during the economic downturn last year. Marginal to no growth in air capacity is expected for 2010 from our long haul markets.

We consider that as a consequence of restricted capacity on key routes, we are losing potential travellers.

**Air Capacity inbound from Australia  
2007 - 2010**



**Comparison of Air Capacity on direct routes  
inbound to New Zealand 2007 - 2010**

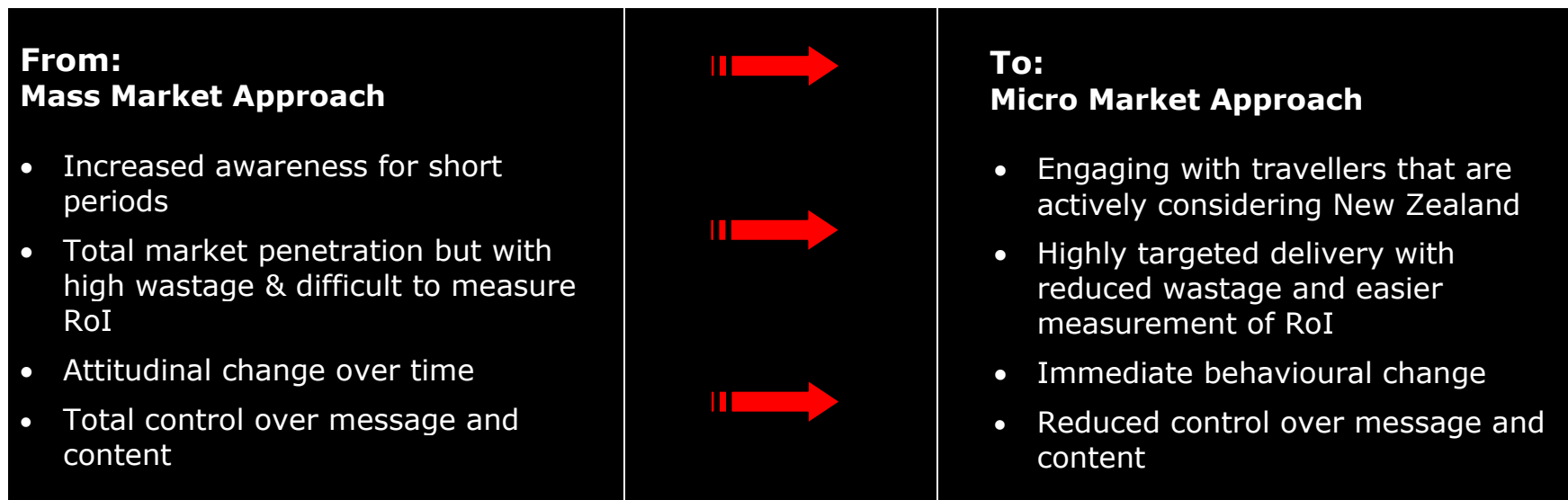


## 2.5 Marketing Changes

---

### **The Web has driven a major shift in the way that consumers find and share information and make purchase decisions.**

The context for marketing has changed given the coming of age of the Web resulting in a significant change in our approach to marketing. Almost three quarters of traveller's time researching their next destination is spent online. Given that only 16% of global tourism/travel media spend is online, New Zealand has the opportunity to punch above its weight in the key channel to reach potential visitors. Taking advantage of this opportunity will involve a major change in our approach to marketing resulting in a move from a mass market approach to a micro market approach while the key elements of branding and image delivery remain stable.

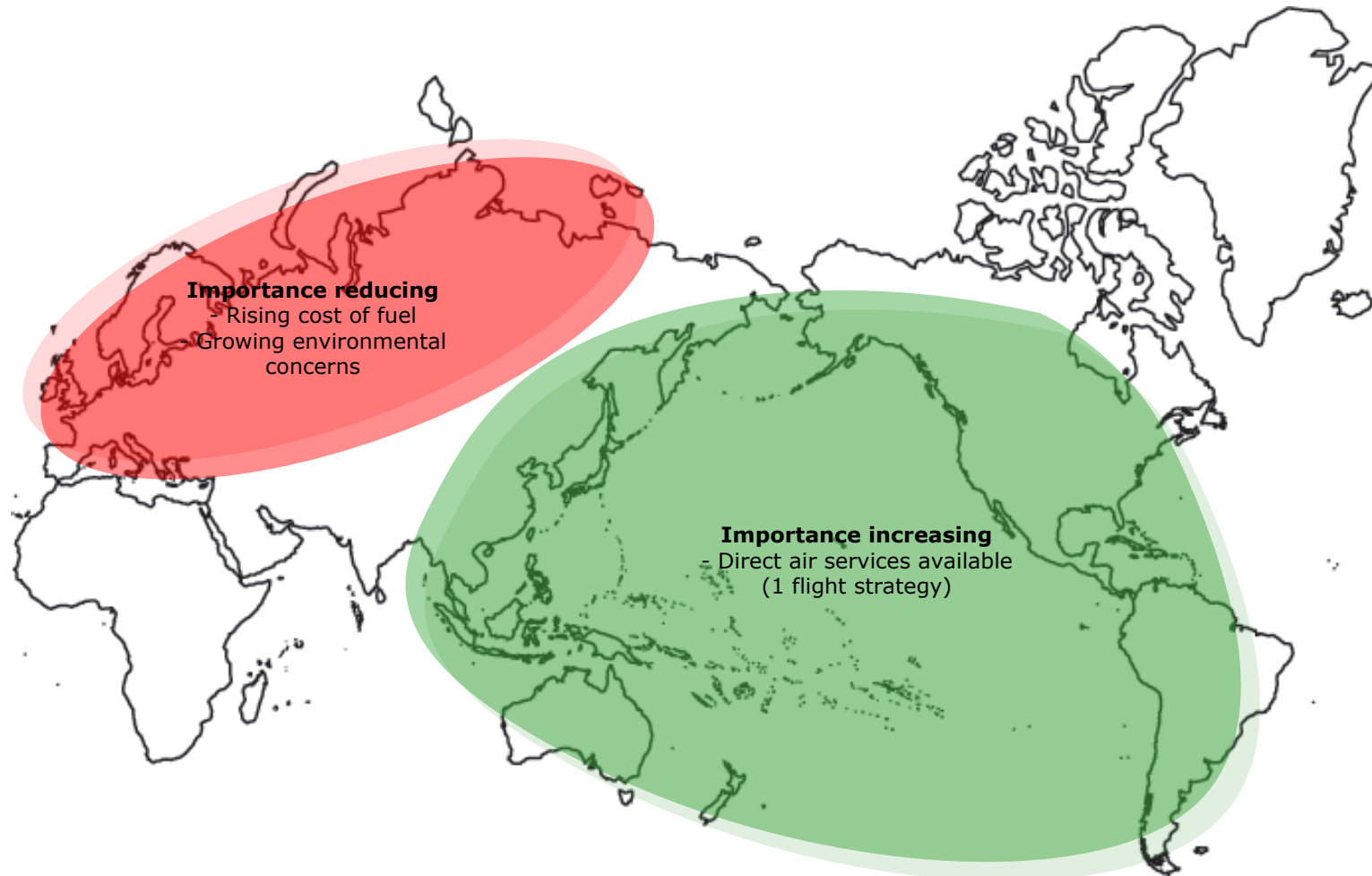


This change will require a substantial organisation change and a review of current marketing vendors.

## 2.6 A 10 year view

---

New Zealand's traditional tourism source markets will look different in 10 years. Of increasing importance will be the Pacific/Asia Regions due to the availability of direct air services. Rising fuel costs and growing environmental concerns among consumers is likely to result in traditional tourism source markets such as Europe and the UK reducing in importance. This 3 year strategy takes this into consideration.



## 2.7 High level opportunities and threats

---

A review of the global environment and of the major trends impacting on tourism has led us to identify the following high level threats and opportunities that this 3 year strategy addresses.

### Opportunities

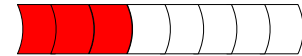
- The Web has come of age, allowing more targeted communications with increased measurability
- The Web gives us access to special interest groups and markets where we have no physical presence
- Fast growing economies in Asia (China and India) and large, strong and growing economy in Australia
- RWC 2011 represents a unique opportunity for New Zealand to step-change its profile in many key markets
- New Zealand's strong environmental credentials and image are more relevant in an over congested world

### Threats

- Long haul leisure markets have been hit hardest by the economic slowdown. Rising fuel prices will again start to bite into airfares
- Competition from Australia and emerging 'edgy' markets for leisure travellers (Vietnam, Africa)
- International access to New Zealand is (outside of Australia) reliant on air services that are 'long and thin' (monopolies or duopolies)
- New Zealand has to match its product offering to suit travellers from nations like China to avoid being trapped in a low value paradigm
- Environmental concerns about long haul travel are starting to re-emerge as the global economic crisis is resolved

### **3. Strategic Foundations – Summary**

---



### **3.1 The Marketing Plan is built on six strategic foundations**

---

#### **1) Focus investment in selected markets using a portfolio approach**

- Use expert opinion, statistics and market experience to guide a market selection that maximizes economic returns
- Develop explicit strategies per market
- Ensure sufficient investment in GROWTH designated markets to achieve outcomes
- Engage and partner with NZ tourism private sector to align public and private sector activity

#### **2) Enrich New Zealand's strong brand positioning**

- Keep '100% Pure New Zealand' as the campaign line
- Emphasise the 'experience' aspect of the positioning
- Communicate to our audience a clear impression of what they can do in NZ
- Build in the benefit of a NZ holiday – i.e. *how a NZ holiday makes you feel*
- Use product placement and PR to access large scale audiences cost effectively in selected markets

#### **3) Leverage digital media to identify and communicate with potential visitors**

- Shift from predominantly broadcast media to digital media to allow for better targeting and measurability
- Accelerate usage of social media to promote New Zealand (across pre, during, & post visit periods)
- Up-weight use of paid Web search (SEM) and rebuild NewZealand.com to ensure better natural (algorithmic) search results
- Pioneer use of mobile Web for promotion and to enhance visitor experience

- Build prospective visitor lists and use eCRM to convert interest to purchase

#### **4) Capitalise fully on visitor bubble and media coverage for RWC 2011**

- Support NZ Inc to ensure visitor targets are met
- Ensure added value opportunities are captured in terms of length of stay and spend
- Build a legacy of increased visitor numbers from word of mouth (WOM) and repeat visitation

#### **5) Build the partnerships that are critical to achieving growth in visitor arrivals**

- Deepen the Air New Zealand partnership beyond EAGLE particularly in markets where Air New Zealand is the dominant carrier (e.g. Japan)
- Build strategic partnerships with joint promotional activity (e.g. destination and offer messages)
- Recognise the importance of growing air capacity and be prepared to react to opportunities to participate in joint marketing activity that supports new capacity
- Play the lead in coordinating RTO investment, particularly in Australia

#### **6) Make the operational changes that are essential to facilitate delivery of the plan**

- Decentralise decision making to increase speed and quality of decisions for tactical in-market activity
- Re-organise Qualmark to reduce operator compliance costs & reduce opex, whilst protecting the integrity of the system will result in a more economic basis for operating the business

As a result of this strategic planning process, we will be working in a different way. This will be obvious our stakeholders and to the industry. The most obvious will be:

- **A digital approach to communication** – we are investing to develop a comprehensive digital platform that will take 100% Pure New Zealand to the world in a way that capitalises on the advantages that the digital world offers. It will deliver more visitors and more value to New Zealand. Our investment in developing the strategy has already begun. Our investment in the tools and the skills required to deliver it successfully will follow.
- **Engagement in Joint Ventures and Public Private Partnerships** – the potential gains to be made from a broader and deeper co-operation between ourselves and private sector partners have been clearly demonstrated in our work with Air New Zealand on the “Big Shout” campaign in Australia, and with Qantas and Heritage Hotels on the Today Show. Meaningful partnerships, including with airport and airline partners to boost air capacity into New Zealand, will be a feature of our operating style so that we can much more effectively leverage the government’s investment in tourism.

A critical factor for TNZ in securing productive, long term, public private partnerships is funding certainty over time. To date TNZ has been able to secure significant funding contributions through our partnerships with *<investment figures and names of parties removed>*. The JV funding with the RTOs has brought \$5m of RTO funds into a co-ordinated campaign. We have recently signed a world wide deal with Singapore Airlines and we have a number of other smaller, but significant partnerships with private sector companies under way. To shift our mode of operating to a public private partnerships model, there are enormous benefits in being able to offer our partners security of funding over periods of up to five years. We are committed to this principle, and we will be developing a KPI that measures partnership funds secured.

## **4. Outcomes, Investment and 2010/11 Position**

---



## 4.1 Outcomes

### Total arrivals

KPI measure	2009/10 performance		TMT 2013 Forecast	TNZ 2013 Sector Target
Australia	1,082,680	+10.9%	1,201,000	1,300,000
UK	258,438	-9.3%	286,000	286,000
USA	197,792	-6.9%	231,000	290,000
Japan	78,426	-23.5%	99,000	99,000
China	102,259	-9.0%	165,000	165,000
South Korea	54,799	-26%	81,000	81,000
India	25,336	+6.2%	34,000	34,000
Germanic Europe	64,564	+3.6%	87,000	96,000
SE Asia	90,831	+3.0%	102,000	102,000
<b>Total*</b>	<b>1,955,125</b>		<b>2,286,000</b>	<b>2,453,000</b>

\* Rest of world not reforecast and assumed to be same as TMT forecasts

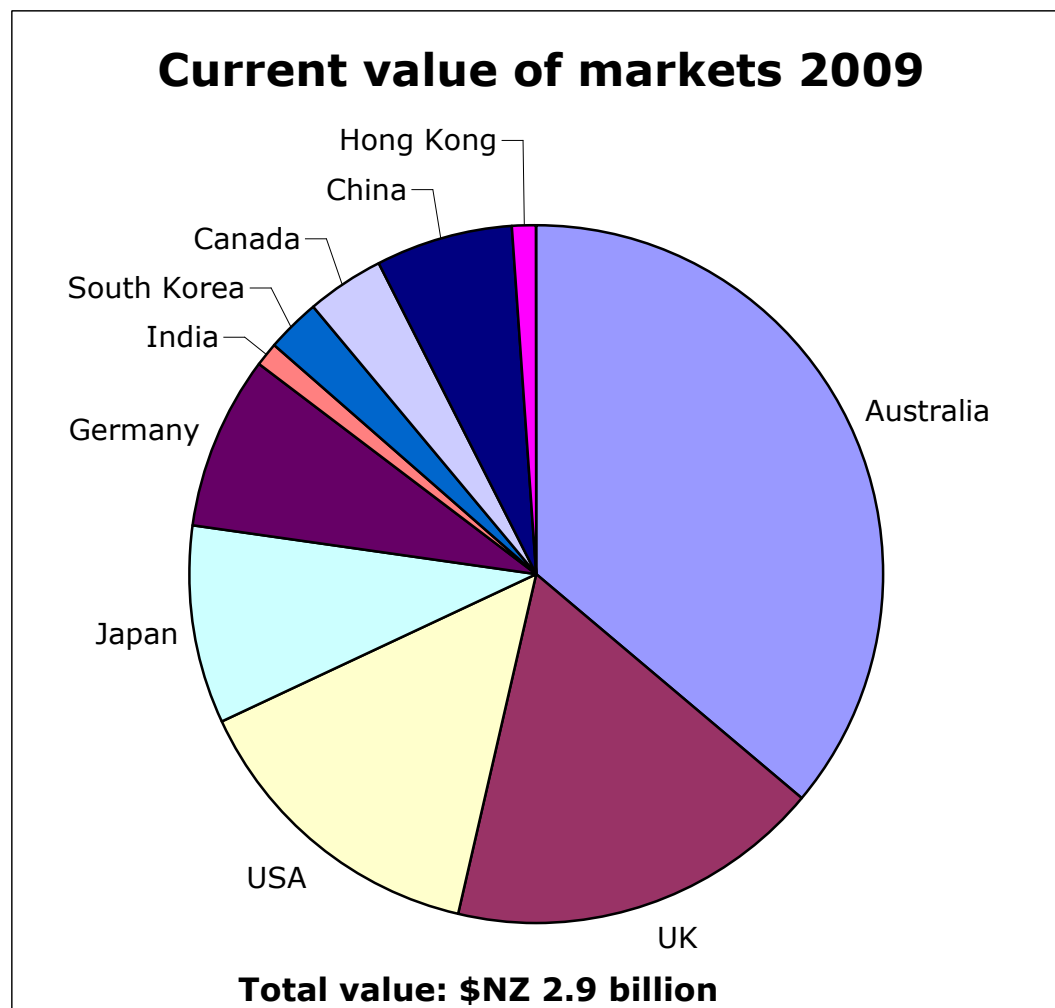
## 4.2 Investment

Investment					
	2009/10	2010/11		2012/13	
Market	Total	Total	YoY	Trend	Comment
<b>Australia</b>	x	x	x	x	Investment information and commentary in these columns is removed
<b>UK</b>	x	x	x	x	Investment information and commentary in these columns is removed
<b>USA</b>	x	x	x	x	Investment information and commentary in these columns is removed
<b>Japan</b>	x	x	x	x	Investment information and commentary in these columns is removed
<b>China</b>	x	x	x	x	Investment information and commentary in these columns is removed
<b>Sth Korea</b>	x	x	x	x	Investment information and commentary in these columns is removed
<b>India</b>	x	x	x	x	Investment information and commentary in these columns is removed
<b>Germany</b>	x	x	x	x	Investment information and commentary in these columns is removed
<b>Europe</b>	x	x	x	x	Investment information and commentary in these columns is removed
<b>SE Asia</b>	x	x	x	x	Investment information and commentary in these columns is removed

<b>Other Offshore</b>	x	x	x	x	Investment information and commentary in these columns is removed
<b>Total Offshore</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	
<b>Rugby World Cup 2011*</b>	x	x	x	x	Investment information and commentary in these columns is removed
<b>Qualmark</b>	x	x	x	x	Investment information and commentary in these columns is removed
<b>NZ based marketing costs</b>	x	x	x	x	Investment information and commentary in these columns is removed
<b>Other New Zealand</b>	x	x	x	x	Investment information and commentary in these columns is removed
<b>Total</b>	<b>x</b>	<b>99.0</b>	<b>x</b>	<b>x</b>	

\*RWC 2011: In 2009/10 the instalment of the Giant Rugby Ball in Japan is included in the Japan budget, as were additional leveraging funds. This table does not include the \$1.8m of additional government funds for the Ball in Tokyo. In 2010/11 RWC2011 funding is also included in country budgets, and in NZ based marketing costs, and totals more than the \$2m in line item above.

### 4.3 2010/11 Position



## 5. Strategic Foundations - Detail

---



## 1) Focus investment in selected markets using a portfolio approach

### Goal (Where do we want to be in 2013?)

Our investment profile will move to ensure that, within a fixed budget, we have sufficient investment to grow designated markets to achieve growth outcomes, balanced with sufficient investment to service our traditional markets that are a mainstay of the New Zealand industry. Our operational costs in market will be more closely aligned with the outcomes that each market delivers us.

We will have explicit and well communicated strategies in each market. Our decisions will be informed by expert opinion, statistics and market experience and will be transparent to our stakeholders, and give strong signals to industry so that they have the information necessary to align their investment, and to partner with us in ways that benefit tourism.

We will use available macro-economic information in a structured manner to help us guide our investments, and to explain our choices to our stakeholders.

### Gap (Where are we now?)

The world recession drove our investment strategy in Australia which resulted in strong arrivals performance. Unsurprisingly our results from other traditional markets (UK, USA and Japan) are down and some emerging markets, or markets showing potential, are not being invested in sufficiently to realise their potential.

Our assessment shows the largest opportunities rest in further exploiting current markets e.g. USA, China, Germanic Europe rather than significantly up weighting markets yet to be addressed, e.g. Latin America, Eastern Europe. This will also service to mitigate our heavy reliance on Australia.

**Measures and targets (How will we know we've got there?)**

<b>KPI measure</b>	<b>2009/10 performance</b>	<b>2011/13 Target</b>
--------------------	----------------------------	-----------------------

Refer to specific country targets in section 7

**KEY ACTIVITY**

<b>Project</b>	<b>Description</b>
----------------	--------------------

Macro-economic environment	Building on our involvement with the Economist Intelligence Unit in the 2009/10 strategic planning sessions, we will undertake at least an annual exercise to update our 3 year forward scan of the macro-economic environment in our key and potential visitor markets. Where there are significant changes in the economic environment, scans may take place more frequently to ensure we have the necessary 'big picture' view.
Market Assessment Tool	The market assessment tool allows a consistent and forward looking analysis of our current and potential markets using indicators and categories that are specific to tourism. The tool allows us to compare current value, visitor outcomes and future potential, and takes into account the crucial factor of air access. The inputs to the assessment tool will be regularly updated and communicated within TNZ to assist in market decision making.
Planning processes	A more decentralised decision making model (see strategic foundation 6) that places decisions in market will require the establishment of a structured planning process to ensure co-ordination. An improved planning process (utilising the inputs above and placing more emphasis on regional office input) will result in a more transparent and supported business plan.
Discretionary travel	Our focus in prioritising markets has been weighted to holiday travel. Our marketing activity will have most impact on these travellers.

## 2) Enrich New Zealand's strong brand positioning

### Goal (Where do we want to be in 2013?)

Add depth to the 100% Pure New Zealand positioning in ways that assist prospective visitors to understand what a holiday in New Zealand would feel like.

### Gap (Where are we now?)

Over the past 10 years we have built a global brand positioning for New Zealand expressed by 100% Pure New Zealand. This positioning is as relevant today as it was 10 year ago.

We have communicated landscapes effectively, to the extent globally we hear

*"New Zealand, I hear it's beautiful, I'd love to go there someday"*

Clearly the gap we have to fill is to provide a compelling vision for of what a New Zealand holiday would feel like and a reason to commit.

### KEY ACTIVITY

Project	Description
Brand development	Capitalise on the momentum '100% Pure New Zealand' has as the expression of the New Zealand brand
Product marketing	Accelerate the convergence of destination and product marketing with 100% Pure New Zealand message
PR	Access larger scale audiences through product placement and high impact PR in Australia, the USA, Germany and China
RWC	Capitalise on RWC 2011 as a stage to demonstrate what a New Zealand holiday will feel

	like (more detail in strategic priority 4)
Film	Maximise film, especially The Hobbit, to communicate the New Zealand experience and build marketing programmes around these extraordinary opportunities

<b>Measures and targets (How will we know we've got there?)</b>		
<b>KPI measure</b>	<b>2009/10 performance</b>	<b>2011/13 Target</b>
<ul style="list-style-type: none"> <li>Increase intention to visit within next 12 months i.e. New Zealand number one destination of choice in Australia , top 3 in UK, top 5 in the USA</li> </ul>	See Quarterly report	See Statement of Intent 2009/10
<ul style="list-style-type: none"> <li>Association of New Zealand with specific special interest areas i.e. honeymoon, New Zealand is a great place for a honeymoon</li> </ul>	<p>TNZ currently measures the impact of PR. In 2008/09 there were 2.7 billion impressions generated from high impact projects at a cost of \$1 per 380 impressions.</p> <p>The value in these measures and targets is when they are applied at a campaign and country specific level. TNZ will develop a country and campaign set of measures and targets and report against these as part of our quarterly reporting programme.</p>	
<ul style="list-style-type: none"> <li>Number of impressions generated through all measurable PR</li> </ul>		
<ul style="list-style-type: none"> <li>Specific PR measurement pre and post campaign</li> </ul>		

### 3) Capitalise on digital media to identify and communicate with potential visitors

#### Goal (Where do we want to be in 2013?)

Increase the effectiveness and efficiency of marketing investment by shifting media emphasis from broadcast to digital media. Digital media offers opportunities to reach a potential traveller audience throughout the purchase cycle.

#### Gap (Where are we now?)

The TNZ approach to media began to include digital in a meaningful level over the past 2-3 years and has included some strong campaigns, particularly in the Youth sector (e.g. Go all the Way). In the 09/10 year digital is approximately x% of media value *<percentage figure removed>*. Much of the digital media has been driven from a 'broadcast' stand-point – using large audience sites for display media - as opposed to 'zeroing' in on prospective travellers through sharp targeting strategies.

#### KEY ACTIVITY

Project	Description
Awareness	Replace the dependence on awareness generation through offline media and leverage an awareness strategy through highly targeted digital activities that will create deeper engagement levels and therefore better conversion.
Search	Invest in search to ensuring all New Zealand content is search compliant and achieves visibility in all key markets via Paid Search and Organic Search.
Social	Build robust social networks in all markets using Face Book as primary vehicle to harness word of mouth with scale.
Website	Rebuild newzealand.com in a content/conversion rich site to exploit natural search and Web 2.0 principles
Mobile	Develop/utilise mobile applications to enhance the in country visitor experience (e.g. <a href="http://foursquare.com/">http://foursquare.com/</a> )

eCRM	Engage directly with potential travellers to deliver powerful and relevant product messages.
------	--

<b>Measures and targets (How will we know we've got there?)</b>		
<b>KPI measure</b>	<b>2009/10 performance</b>	<b>2011/13 Target</b>
<ul style="list-style-type: none"> <li>newzealand.com average monthly unique visits</li> </ul>	611,000	2010/11 – 1,000,000 2011/12 – 1,350,000 2012/13 – 1,700,000
<ul style="list-style-type: none"> <li>newzealand.com average monthly referrals to operator sites</li> </ul>	100,000 (TBC)	2010/11 – 150,000 2011/12 – 200,000 2012/13 – 250,000
<ul style="list-style-type: none"> <li>newzealand.com post site visit intention to travel research</li> </ul>	No benchmark – baseline and target to be determined	
<ul style="list-style-type: none"> <li>New Zealand 'Facebook' fan base</li> </ul>	114,000 (15 March)	2011 – 250,000 2012 – 500,000 2013 – 1,000,000

#### 4) Capitalise fully on visitor bubble and media coverage for RWC 2011

<b>Goal (Where do we want to be in 2013?)</b>
<p>The rugby world knows New Zealand is the place to be during and after RWC 2011, and our strategies around the event deliver maximum visitors for the next three years. We will maximise economic return of RWC2011 and achieve a legacy for NZ by:</p> <ul style="list-style-type: none"> <li>Helping deliver the forecast 85,000 international visitors</li> <li>Increasing length of stay and visitor spend in NZ by RWC visitors</li> <li>Stimulating summer season after RWC 2011</li> <li>Boosting arrivals 2011-15, leveraging the success of the event</li> </ul>

### Gap (Where are we now?)

We have raised awareness of the event through marketing/PR since 2005 and now need to focus heavily on driving conversion through:

- Digital strategy
- Partnership with sponsors
- Increased trade engagement and aligned PR with Official Travel Agents

We will also need to address the issue that plagues most major international events – the lull in visitors immediately after an event. The most likely impact on visitor numbers would be from Australia, UK and Japan whose visitors may have already travelled to New Zealand for the event and therefore not be travelling during summer. Our separate strategy of heavily targeting the growth markets of USA, China, and Germanic Europe (which have no strong rugby interest) should help to counter the expected drop off from rugby related markets immediately post RWC to ensure summer is “full” and visitor numbers continue to grow in the next three years.

### Measures and targets (How will we know we’ve got there?)

KPI measure	2009/10 performance	2011/13 Target
• Contribution to gross international visitor arrivals generated by RWC 2011	NA	85,000
• Contribution to maximum number of international RWC visitors in NZ at any one time in 2011	NA	43,000
• Ensure that potential lull in arrivals immediately post RWC is nullified by arrivals from non rugby markets (USA, China and Germanic Europe) to fill the summer of 2012.	NA	Growth in value and /or numbers from USA, China and Germanic Europe  Above average growth from

<ul style="list-style-type: none"> <li>• Arrivals from RWC nations post event in 2012/2013</li> </ul>	NA	RWC related markets in 2012, 2013
---	----	-----------------------------------

<b>KEY ACTIVITY</b>	
<b>Project</b>	<b>Description</b>
Primary activity targeting markets most likely to deliver numbers to RWC: England, Australia, France, South Africa, Expatriate community Limited Trade/PR activity (overlaid with global activity) in: Japan, Italy US/Canada, Argentina	
Marketing activity to drive visitation	<ul style="list-style-type: none"> <li>• Online targeting of rugby community. PR including: Opinion Leader, Media hosting</li> <li>• Major TV programmes previewing RWC 2011</li> <li>• Giant Rugby Ball, Sydney</li> <li>• GRB PR leverage</li> <li>• Large scale competition/promotion</li> <li>• Activity with sponsors – TBC</li> <li>• PR aligned with OTA activity</li> </ul>
Deliver an outstanding experience	<ul style="list-style-type: none"> <li>• Use i-SITE and Qualmark to promote “Give it 100%”</li> <li>• Support volunteer programme</li> <li>• Use festival to increase length of stay</li> <li>• Use word of mouth to drive post RWC visits (capture visitor comments for digital distribution)</li> </ul> Support NZ2011’s deployment of the Giant Rugby Ball in 3 venues – TBC
Generate a legacy for Tourism	<ul style="list-style-type: none"> <li>• Develop ‘big idea’ to drive post event visits</li> <li>• Strengthen fern as NZ brand</li> <li>• Raise profile of tourism in NZ</li> <li>• Create a culture of ambassadors</li> </ul>

## RWC 2011 Budget Extract

	2010/2011		2011/12	
	Funded from baseline	Funded from additional	Funded from baseline	Funded from additional
Giant Rugby Ball (GRB) Sydney	<Investment information in these columns is removed>	<Investment information in these columns is removed>	<Investment information in these columns is removed>	<Investment information in these columns is removed>
Leverage GRB				
Extra leverage				
Staff NZ GRB x3				
Large scale competition/ promotion				
Ex-Pat strategy				
UK/Europe				
Australia				
South Africa				
Other (staff, i-SITES)				
<b>Total</b>				

## 5) Build the partnerships that are critical to achieving growth in visitor arrivals

### Goal (Where do we want to be in 2013?)

The reason that partnerships are important to TNZ is because they allow our messaging to be packaged with something our customers can buy. Secondly, they extend our reach through matched funding. The extent to which we can partner is broad; they include airlines, regional tourism operators and travel sellers (both onshore and off shore).

Partnership work with airlines (Air New Zealand and others) on strategic routes we have identified will expand route capacity into New Zealand by driving conversion of interest to actual visits.

Deepening traveller seller capability to sell the right New Zealand through itinerary development and training, and closer partnerships with these travel sellers will drive more conversion of interest into travel 'now'.

In Australia, JV work with the RTOs will result in more regional differentiation, and increased arrivals to regional New Zealand

### Gap (Where are we now?)

Aside from our recent formal engagement with Air New Zealand in the USA, and our global agreement with Singapore Airlines, our engagements with airline partners could be considered tactical. It is important that we remain flexible enough to take these tactical opportunities, but there are considerable upside benefits to a 'whole of globe' strategy that results in the organisation targeting specific routes and partners.

As we have worked to establish 100% Pure New Zealand as a global campaign in the past decade, we have made explicit choices to focus resources on destination awareness, with less focus on combining this with conversion work with partners and travel sellers. With the brand well established the opportunity exists now to combine the 'destination' with an offer that will drive specific visitation.

We are in year 1 of a JV programme with Regional Tourism Organisations in Australia. It is too early to see results, but the framework that we are working under, and the relationships that we have established are a good start. That is not to say however, that there are not improvements that can be made. As results begin to emerge from the monitoring that is being carried out, we will be in a position to assess the impact of the projects, rather than process.

**Measures and targets (How will we know we've got there?)**

<b>KPI measure</b>	<b>2009/10 performance</b>	<b>2011/13 Target</b>
We are currently reviewing all of our KPIs in our trade and partnership areas as part of developing our 2010/2011 Statement of Intent. We will include in these a new measure for 'partner funds committed' which will include cash, and some agreed definitions of contra. We will liaise with the Ministry of Tourism as we develop these.		

**KEY ACTIVITY**

<b>Project</b>	<b>Description</b>
Project Eagle	Our partnership with Air New Zealand in the USA is our most significant partnership project. In 2010/11 it will be critical to growth from the key US market.
Assessment of first year of RTO JV partnerships	The Ministry of Tourism is tasked by Cabinet to carry out an assessment of the first year of the JV projects. Tourism New Zealand will participate in this review and ensure that all the results and information that we hold are available for analysis.
SQ deal	The world-wide deal with Singapore Airlines offers us significant opportunities to grow arrivals on routes service by Singapore Airlines, the second largest carrier in the world
Further opportunities with Air NZ (Japan)	In Japan, Air New Zealand and TNZ already have a very close relationship. Opportunities exist to explore a partnership approach that would generate efficiencies and develop a NZ Inc approach with our national carrier.

Global air route analysis	There are some routes into NZ that are strategically more important than others. Changes in routes can have important consequences for capacity and visitor flows. We will develop strategic view on which air routes are the most strategically important, and which partners offer us the best opportunities to expand capacity and drive competition. We will then seek partnerships to develop these routes.
---------------------------	--

## 6) Make the operational changes that are essential to facilitate delivery of the plan

### Goal (Where do we want to be in 2013?)

To get TNZ organisationally fit to execute the three year marketing plan with excellence.

### Gap (Where are we now?)

There is a big organisational shift required to make TNZ fit to execute the new strategy with confidence. The organisation must change and acquire a new level of adaptability and new skill-sets both in house and externally (e.g. digital marketing).

### Measures and targets (How will we know we've got there?)

KPI measure	2009/10 performance	2011/13 Target
Qualmark at break even	<investment figure removed>	Breakeven

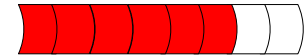
### KEY ACTIVITY

Project	Description
Martin Jenkins Review	Fully engage in the review and ensure that the outcomes are incorporated into this strategy and implemented in line with agreed timeframes
Decision making	Further decentralise decision making to increase speed & quality of decisions for tactical in-market activity – particularly partnered activity.

Talent Review	There will be new skills needed in the new organisation to deliver the plan. For example: more digital marketing skills off-shore (expanded focus from trade); more relationship and negotiation skills, more matrix organisational experience, and better leadership capability.
Qualmark	Re-organise Qualmark to reduce operator compliance costs & reduce opex, whilst protecting the integrity of the system will result in a more economic basis for operating the business.
Human resource management	Emphasise HR and build 'human capital' processes – KPI frameworks, talent management, etc.
Operational cost review	A programme of work to review overheads across the organisation including people, facilities, expenses.
Marketing vendor review	Review current marketing vendors against the need for digitisation and replace with best in class.

## 6. Market Plans

---



## 6.1 Australia

**In Australia we will implement a broad and deep marketing strategy working closely with partners to fully develop the potential of the market.**

Strategic Direction to 2013	KPI targets	Investment	
<p>As our largest and closest market Australia will continue to be crucial to our market portfolio to 2013 and we will <u>hold</u> our current level of investment (including that invested through joint ventures with Regional Tourism Organisations). Australia is our only market where our share of market and budget is sufficient to generate incremental travel through significant paid media activity. The implementation of a digital strategy, and increased tactical level work with the trade in Australia, will target increased conversion of existing high awareness levels to actual travel, and increases in expenditure.</p>	<p>Total visitor arrivals 2009: 1.083million Total visitor arrivals 2013:1.3million</p> <p>Total visitor expenditure 2009: \$1,775 million Total visitor expenditure 2013: \$2,377 million</p>	<p>Investment information in these columns is removed</p>	<p>Investment information in these columns is removed</p>
<b>Top line evidence to support Strategic Direction</b>			
<p><u>Positives</u></p> <ul style="list-style-type: none"> <li>• The Australian economy is strong in comparison to our other markets and will support continued investment. Resource exports to China are recovering well leading Australia's economic growth</li> <li>• Our Market Assessment Tool shows Australia over indexing in all categories, indicating that growth potential out of Australia is the highest of all our markets, including regional and seasonal spread</li> <li>• Strong fiscal stimulus package from the government saved Australia from the worst of the recession</li> <li>• Consumer confidence dipped with media focus on the recession, but it has recovered</li> <li>• Market relatively cost-effective</li> <li>• Our market share at 17% gives us scale</li> </ul>			

- We are consistently in the top 3 most preferred destinations for travel
- We can drive decisions to travel with our market share and short decision times
- RTO activity in Australia means much more differentiated product

#### Issues to watch

- Outbound travel to New Zealand benefited from intense competition in trans Tasman aviation and availability (and discounting) of tourism goods and services in New Zealand as demand from other destinations fell away
- EIU suggests that withdrawal of government's fiscal stimulus package could cause some tremors
- Risk of trans-Tasman air capacity reduction
- Consumers continue to exercise some constraint and there is evidence of trading down to a lower grade holiday and/or VFR type breaks
- EIU notes that for a range of reasons (high house prices, high levels of household liabilities and external debt) Australia's recovery may not be as strong as predicted
- New Zealand's level of reliance on Australia is already high. We see strong benefits in growing long haul markets that will have the effect of reducing reliance on Australia
- Australians are returning to long haul travel

#### **Key activities supporting Strategic Direction**

Australia is the only market where we will continue to run a traditional 'full service' marketing campaign. Activity will include;

- Increased co-operative work with trade partners to focus on converting high level of awareness to travel
- Continuation of joint venture work with RTO partners to increase regional visitation
- The continuation of TV and broadcast media as the backbone of our communications plans in Australia
- Supplementing broadcast media with extensive digital media including search, social, mobile and eCRM
- Integrated large scale PR/Events will be used to bring to life, in a compelling way, the opportunities for holidays in New Zealand e.g. *The Today Show*
- The Rugby Ball deployment in September 2010 in Sydney

Traditional paid media	Digital media	Partnership marketing	Integrated PR/Events	IMP Opinion Leaders	Trade Development	Trade training	RWC	Conf/bus
●	●	●	●	●	◐	◐	●	●

## 6.2 UK

**Given the challenging economic outlook, we want to maintain existing visitor value by using more cost effective marketing to capitalise on the natural affinity that the UK market has with NZ as a destination**

Strategic Direction to 2013	KPI targets	Investment	
The UK is the second largest and a vital market for New Zealand now, and is likely to remain so through the life of this strategy. It has some growth potential, mostly from the youth sector, but that growth is going to be increasingly difficult and expensive to secure compared to other markets. Our level of investment will be reduced slightly, reflecting our goal of maintaining value and the move to digital which will provide efficiencies. The UK is a good, strong, mature market for New Zealand, so we need to maintain it and grow its value.	Total visitor arrivals 2009: 258,438 Total visitor arrivals 2013: 286,000  Total visitor expenditure 2009: \$811.80 million Total visitor expenditure 2013: \$983 million	Investment information in these columns is removed	Investment information in these columns is removed

## Top line evidence to support Strategic Direction

### Positives

- The Market Assessment tool shows the UK is a good market for us, over-indexing on all the categories, with modest growth potential
- Youth travel continues (the UK is 'exporting its unemployment') but New Zealand is not as 'on trend' as Australia for youth travel - our demographic tends to be older
- Air capacity is good and pricing is historically low
- Natural affinity and awareness, understanding and desire to travel to New Zealand are already evident
- British are a travel market, just not here, now

### Issues to watch

- UK economy has been hard hit by the recession and EIU's view is that it will be the slowest of the great economies to emerge from the recession
- Position as a financial services economy meant the country was particularly hard hit
- Australia benefiting from much better air services, at least 3 airlines running A380's into Australia
- We may be close to our likely ceiling in arrivals so incremental growth will get harder and more expensive
- The housing boom caused serious consumer trouble
- Government accounts are running substantial deficits and fiscal sustainability requires substantial budget cuts – in an election year.
- Shorter, warmer, cheaper is on trend for travel out of the UK
- Increase to Air Passenger Duty later this year

## Key activities supporting Strategic Direction

- Paid, mass media activity will largely stop (i.e. no more Tube posters).
- PR will particularly use opinion leaders, global newsroom and the RWC to profile the New Zealand experience compellingly e.g. Good Morning TV '1 year out from RWC 2011'
- 'Go all the Way' and 'What do you say UK?' are the right strategies directed at the right audience, however execution needs to be re-targeted
- Rugby World Cup is a big opportunity in this market, and will be a key factor in the strategy

- Youth market programme (pan Europe) led by the UK to drive holiday and working holiday travel
- Partnership marketing opportunities are considerable for destination/air/land packages. The majority of our marketing activity will be partnered

Traditional paid media	Digital media	Partnership marketing	Integrated PR/Events	IMP Opinion Leaders	Trade Development	Trade training	RWC	Conf/bus

### 6.3 USA

**USA – Aggressive investment in partnership with Air New Zealand to derive a 50% increase in arrivals and a billion dollar impact**

Strategic Direction to 2013	KPI targets	Investment	
We will: <ul style="list-style-type: none"> <li>• Increase awareness of the New Zealand holiday experience</li> <li>• Develop New Zealand’s product brand to be a clear, distinct and compelling proposition</li> <li>• Be the leading destination and airline on-line</li> <li>• Be the best cruise destination in the Southern Hemisphere</li> <li>• Grow the number of incentive visitors from the USA</li> <li>• Use personal invitations to increase conversion</li> </ul>	Total visitor arrivals 2009: 197,792 Total visitor arrivals 2013: 290,000  Total visitor expenditure 2009: \$596.93 million Total visitor expenditure 2013: \$1,005 million	<b>Investment information in these columns is removed</b>	<b>Investment information in these columns is removed</b>

<ul style="list-style-type: none"> <li>and repeat visitation</li> <li>• Continue to stimulate competition on air routes and engage with trade partners</li> </ul>			
---	--	--	--

**Top line evidence to support Strategic Direction**

Positives

- The USA is coming out of recession, buoyed by a massive stimulus package
- The USA is by far the world’s largest economy, accounting for almost half of worlds stock of private consumption
- The USA will account for around 25% of the growth in private consumption to 2014
- The Market Assessment Tool shows the USA over-indexing in all categories, with one of the higher growth scores
- Growth in the USA is likely to soften in the long term, but not disappear in 2010
- So much of what happens in USA influences the rest of the world
- 30.5 million American’s travelled long-haul in 2008 - our largest long-haul outbound market
- 94 per cent of US visitors are highly satisfied with their visit to New Zealand - the highest visitor satisfaction of all markets
- The USA is the third largest visitor market to New Zealand and the third highest spending market
- There are 28 direct flights in each direction per week, the most direct air links after Australia
- Good product fit and low-cost distribution systems in place
- Highly valuable and attractive tourism market for New Zealand and Air New Zealand










Issues to watch

- The US government reacted fast and hard to recession with massive stimulus, and now faces the difficult task of weaning off it
- The level of unemployment remains high at 9.7%
- Consumer confidence is returning but consumers are still strained, with net wealth as a percentage of annual disposable income hit hard by recession
- Fuel hype has died away, but likely to return
- Airfares are at lowest level in 15 years, but with likely rise in oil, likely to increase

- EIU note potential further falls in property prices

### Key activities supporting Strategic Direction

- Increased levels of broadcast PR such as 'America's Next Top Model' to raise awareness and convey better what an American visitor can experience in New Zealand
- Utilisation of celebrities and opinion leaders to endorse the New Zealand experience and generate word of mouth
- Targeting of specialist media to harvest those considering a trip to New Zealand, that New Zealand can provide for and suit their interests
- Delivery of a strong and deep digital strategy to ensure that Americans understand what a holiday to New Zealand offers them and how they can purchase it
- Establishing closer relationships with the leading cruise companies to ensure that the unique nature or the New Zealand coastal cruise experience is understood

Traditional paid media	Digital media	Partnership marketing	Integrated PR/Events	IMP Opinion Leaders	Trade Development	Trade training	RWC	Conf/bus
								

## 6.4 Japan

**Japan is a very valuable market for New Zealand. However we have identified considerable barriers to further growth that need to be better understood. We will work with our partners and identify strategies to overcome or understand these better. In the immediate future we will look to achieve operational efficiencies.**

Strategic Direction to 2013	KPI targets	Investment	
<p>Japan is a large and valuable market for NZ which has not responded well to the traditional approaches and level of marketing that we have applied over the past 5 years. We have some major questions over how we can best progress in this market that require us to review our recent approach and results. We believe that Air New Zealand has a similar stake in this market, and that it makes sense for us to carry out this review together. This may result in a joint approach between us to the Japan market that exploits efficiency gains that can be achieved from a partnered approach.</p>	<p>Total visitor arrivals 2009: 78,462            Total visitor arrivals 2013: 99,000             Total visitor expenditure 2009: 378.91m            Total visitor expenditure 2013: \$498 million</p>	<p>Investment information in these columns is removed</p>	<p>Investment information in these columns is removed</p>
<b>Top line evidence to support Strategic Direction</b>			
<p><u>Positives</u></p> <ul style="list-style-type: none"> <li>• Japanese economy is the worlds third largest</li> <li>• Return to low level growth in GDP is expected</li> <li>• Air New Zealand currently provides direct connection from Japan to New Zealand</li> <li>• Japan has an aging population with the means to travel</li> <li>• Rugby link, drives some degree of affinity with Japan</li> </ul>			

Issues to watch

- Market Assessment Tool Japan tracks above index for size & value and air capacity, but under indexes for visitor outcomes and, importantly, growth
- EIU advise that the governments current fiscal position looks unsustainable; required adjustments will detract from growth
- Recent political change has not bought level of change that commentators consider necessary
- Internet take up is slow compared to other mature markets, but is developing.
- Younger population is typically not undertaking long-haul travel so youth opportunities are not as pronounced as in other markets
- Growth of short-haul travel to Korea and China represents an ongoing challenge

**Key activities supporting Strategic Direction**

- RWC 2011 offers opportunities to develop niche markets, especially as Japan is hosting the 2019 event, and building on good media awareness following deployment of the Giant Rugby Ball
- The digital strategy offers opportunities to pursue targeted markets (independent travellers) but its impact in the Japanese market is diluted because our target audience (aged 55+) are less likely to be internet users
- A close relationship with Air New Zealand exists, with joint advertising being undertaken, but we intend to explore co-ordinated activity to achieve cost savings and improve outcomes.
- Our marketing support for charter flights (10 are planned for this season) will continue to be an important part of the mix
- Traditional trade remains important and will be a key focus area  
PR will demonstrate to our target audience how they can holiday with purpose in NZ through high impact multi-media projects, specialist media, opinion leaders – in particular those associated with RWC 2011

Traditional paid media	Digital media	Partnership marketing	Integrated PR/Events	IMP Opinion Leaders	Trade Development	Trade training	RWC	Conf/bus

## 6.5 China

**China is the world's fastest growing economy and New Zealand needs to be there. We need to increase the value of the market simultaneously increasing the number of mono-destination travellers and addressing quality issues in dual destination travel**

Strategic Direction to 2013	KPI targets	Investment	
<p>We will begin to extend our geographic presence targeting regions surrounding Shanghai, Beijing and extend our activity in southern China. The key to our success in China is improving quality outcomes. Our two pronged approach of policing quality through our ADS unit and improving consumer knowledge of the New Zealand offering is the right strategy. We will increase resources dedicated to tackling quality in both New Zealand and China. We will work closely with partners on product marketing for the FIT and quality group tour markets, particularly Air New Zealand.</p>	<p>Total visitor arrivals 2009: 102,259                      Total visitor arrivals 2013: 165,000                       Total visitor expenditure 2009: \$336.66 million                      Total visitor expenditure 2013: \$607 million</p>	<p>Investment information in these columns is removed</p>	<p>Investment information in these columns is removed</p>
Top line evidence to support Strategic Direction			
<p><u>Positives</u></p> <ul style="list-style-type: none"> <li>• Almost 25% of the increase in the worlds private consumption 2009-2014 is going to come from China</li> <li>• Manufacturing base is rapidly moving up the value-add chain resulting in China overtaking Germany as worlds biggest export economy in 2010</li> <li>• The government has significant surpluses for investment in infrastructure, which will lead to rapid productivity growth, and a lift in wages</li> <li>• Middle class numbers are swelling rapidly, particularly on the east coast, and will deliver a huge pool of potential travellers</li> </ul>			










- The economy is strong, continued at 8% through recession, well managed by government
- China is a fast adaptor of trends and technology, speeding its development and consumer maturity
- Recent falls in ADS dual destination numbers have allowed quality, mono destination, FIT travel to 'shine through' illustrating that a quality market, while small, does exist

Issues to watch

- Chinese outbound is still dominated by traditional travel trade, which includes a low value segment for New Zealand
- Chinese awareness of what New Zealand offers is low, which can exacerbate low quality tours
- Direct air capacity is limited to Air New Zealand at present – but slots are available to grow in both directions
- Access over hubs out of Asia can be limited by capacity when European routes are full

**Key activities supporting Strategic Direction**

- Use New Zealand activity and events around the Shanghai World Expo to generate media coverage and buzz e.g. Prime Ministers visit, Te Puia cultural involvement
- Use integrated marketing largely centred around influential opinion leaders to endorse the quality and breadth of the New Zealand experience, e.g. entrepreneurs in film media
- Partnering will continue to be important with trade and airlines
- We will, through increased resources to our China monitoring unit, eliminate exploitive practices in group touring

Traditional paid media	Digital media	Partnership marketing	Integrated PR/Events	IMP Opinion Leaders	Trade Development	Trade training	RWC	Conf/bus
								

## 6.6 South Korea

**The Korean market reacts quickly to changes in the environment, resulting in severe peaks and troughs in arrivals. We will invest modestly in activity in Korea to take advantage of an expected upsurge in demand through the plan period**

Strategic Direction to 2013	KPI targets	Investment	
<p>Korea has the potential to deliver good quality visitors to New Zealand. We consider that the quality issues of the past have largely been resolved. However, Korea remains a volatile leisure market because of the extreme reactions it displays to events such as H1N1. Our strategy therefore needs to take advantage of opportunities to improve value without locking us into ongoing, high levels of commitment. Korea's world class broadband infrastructure offers good opportunities for our digital strategy to be deployed.</p>	<p>Total visitor arrivals 2009: 54,700 Total visitor arrivals 2013: 81,000</p> <p>Total visitor expenditure 2009: \$193.45 million Total visitor expenditure 2013: \$335 million</p>	<p>Investment information in these columns is removed</p>	<p>Investment information in these columns is removed</p>
Top line evidence to support Strategic Direction			
<p><u>Positives</u></p> <ul style="list-style-type: none"> <li>• Growth in the Korean economy is strong by world standards. Korea over indexes in the growth category in the Market Assessment Tool. There was no recession in Korea.</li> <li>• Rapid growth in China is benefiting the Korean export industry</li> <li>• The market has been 'cleaned out' of low quality tours by recent events (economic, health scares) and as a result Korea consumers have grown more discerning.</li> <li>• FIT an increasing proportion of visitors</li> <li>• Korean investment in infrastructure development, including ultra fast broadband, means high internet penetration across all consumer groups</li> <li>• Air service levels are adequate with direct flights on Korean Air, and one stop on Air New Zealand, Asiana,</li> </ul>			










- Cathay Pacific via Asian hubs. Korea slightly over indexes on air capacity
- Free Trade Agreement being negotiated now, this will raise New Zealand's profile politically and within high level business

Issues to watch

- The volatility of the market (reacting to health and economic scares), and the risk of growth in low value visitors are the key issues
- Developing Asian economies are competing with Korean manufacturing, with lower wage rates
- High level of consumer liabilities are potentially limiting consumption growth

**Key activities supporting Strategic Direction**

- Digital led marketing communications
- Some partnered trade promotion, particularly with connected Korean Air

Traditional paid media	Digital media	Partnership marketing	Integrated PR/Events	IMP Opinion Leaders	Trade Development	Trade training	RWC	Conf/bus
								

## 6.7 India










**India will continue to show modest growth over the plan period but its importance will really emerge in the next planning period, provided that air links are in place.**

Strategic Direction to 2013	KPI targets	Investment	
<p>Growth will come from India, but most likely beyond our 3 year planning horizon as the economy matures and air capacity grows. We will gradually <u>increase</u> investment in India to improve consumer awareness through PR, and to significantly improve trade knowledge of New Zealand's product offering. Developing air services will be a focus of partnership work to ensure that at peak times there is capacity to meet growing demand, and competition to drive value.</p>	<p>Total visitor arrivals 2009: 25,336            Total visitor arrivals 2013: 34,000             Total visitor expenditure 2009: \$90.29 million            Total visitor expenditure 2013: \$137 million</p>	<p>Investment information in these columns is removed</p>	<p>Investment information in these columns is removed</p>
<b>Top line evidence to support Strategic Direction</b>			
<p><u>Positives</u></p> <ul style="list-style-type: none"> <li>• The EIU class India as an awakening economy</li> <li>• India is the worlds 4<sup>th</sup> largest economy, and growing, with an average 6% GDP growth p.a. for 25 years</li> <li>• Some predict India will overtake Japan as the second largest economy in next 2-3 years</li> <li>• With an economy largely domestically focussed, India was protected from the recession – there were no bank failures</li> <li>• Past reforms to trade and tariffs, banking, and government systems are paying benefits now</li> <li>• Demographics are positive, a middle class of 368 million and the world's largest English speaking market</li> </ul> <p><u>Issues to watch</u></p> <ul style="list-style-type: none"> <li>• Income levels are still low by world standards</li> </ul>			

- Air access is a key challenge for India, there are currently no direct flights to New Zealand (current aircraft are unable to make this distance) and with primary access through Singapore, route capacity is restricted. To grow India significantly, more route capacity is required
- India under indexes on all categories in the Market Assessment Tool, we believe this supports the EIU's assessment, and suggests that we need to look beyond the 3 year horizon for the real value in India

#### Key activities supporting Strategic Direction

- 1-2 major multi-media projects annually to drive visitation, predominantly around key touch-points such as film and cricket
- Implementation of the digital strategy
- Trade work

Traditional paid media	Digital media	Partnership marketing	Integrated PR/Events	IMP Opinion Leaders	Trade Development	Trade training	RWC	Conf/bus
								

## 6.8 Europe

### Within Europe, Germanic nations represents the strongest growth opportunity for New Zealand

Strategic Direction to 2013	KPI targets		Investment	
We will <u>increase</u> our investment with a particular focus on growing the shoulder season arrivals. The digital strategy allows us to enter these markets with a low level of investment in	Total visitor arrivals 2009: 85,000	Total visitor arrivals 2013: 96,000	Investment information in these columns is	Investment information in these columns is
	Total visitor expenditure 2009:			

<p>'infrastructure'. A much more partnership focussed approach with airlines will yield better returns. A strong trade presence in Germany provides further benefits, as German trade services Eastern Europe too.</p>	<p>Not available Total visitor expenditure 2013: \$448 million (Germany/Switzerland only)</p>	<p>removed</p>	<p>removed</p>
--	---	----------------	----------------

### Top line evidence to support Strategic Direction

#### Positives










- Our target market, the youth segment, are still travelling despite the recession
- Germanic Europe is recovering relatively fast
- Those economies likely to emerge fastest are export driven (e.g. Germany) and with lowest over-valuation of housing (e.g. Netherlands)
- Arrivals from Europe have a high holiday component and very strong visitor outcomes (length of stay, spend) compared to other markets
- Germans are continuing to travel, and use savings rather than debt, so have been somewhat insulated from the crisis.
- Germanic Europe (Germany, Switzerland, Austria) is English speaking
- Our current footprint in Europe is much lighter, and we are tapping a smaller proportion of the possible market than in the UK; incremental gains are likely to be easier to achieve
- Germany in particular over-indexes on growth potential in the Market Assessment Tool, but across Europe there is some good potential
- Intuitively the product fit with Germanic Europe is exceptionally strong

#### Issues to watch

- Recovery across Europe from the economic crisis is going to be patchy
- Those likely to be the slowest to recover had overvalued housing with primarily domestic rather than export economies (e.g. Ireland)
- Long term rising fuel prices
- Distance and the associated environmental concerns

### Key activities supporting Strategic Direction

- Partnerships with airlines – *<names of airlines removed>* – supported by partnerships with trade to provide product offerings to compliment
- Digital emphasis across marketing (search, newzealand.com, language variants, social, eCRM)
- Increased PR across Germanic Europe through integrated high profile PR opportunities
- Targeted PR opportunities relevant to RWC in strong rugby nations e.g. France – in France using opinion leaders, high profile TV programmes to build on buzz generated around the Giant Rugby Ball
- Align PR to Official Travel Agent’s activity to drive conversion

Traditional paid media	Digital media	Partnership marketing	Integrated PR/Events	IMP Opinion Leaders	Trade Development	Trade training	RWC	Conf/bus
								

## 6.9 SE Asia (Singapore, Thailand, Malaysia, Indonesia)

**Expanding air capacity out of these markets is the single most important outcome that we could achieve to realise gains. Our focus will therefore be to work with our airline and airport partners to grow these connections**

Strategic Direction to 2013	KPI targets	Investment	
<p>These markets are potentially equally as important for their roles as airport/airline hubs between Europe and New Zealand, as they are as sources of visitors. Our work in these markets will be focussed on developing commercial relationships and joint ventures with e.g. Singapore Airlines, Thai Airways and Malaysia Airlines as connectors to Europe. We will use the digital strategy and work with trade connections in these markets to grow South East Asian arrivals in the most efficient way we can to further bolster these routes. Strong routes between South East Asia and New Zealand will support the proposal to develop New Zealand as a hub between Latin America and South East Asia.</p>	<p>Total visitor arrivals 2009: 90,831 Total visitor arrivals 2013: 102,000</p> <p>Total visitor expenditure 2009: Unavailable Total visitor expenditure 2013: \$345 million</p>	<p>Investment information in these columns is removed</p>	<p>Investment information in these columns is removed</p>
<b>Top line evidence to support Strategic Direction</b>			
<u>Positives</u>			
<ul style="list-style-type: none"> <li>• Governments in all three economies responded quickly to the recession with large stimulus packages, and hence their recovery will likely be quicker</li> <li>• EIU is bullish about the region, but notes that the withdrawal of stimulus packages suggests we shouldn't over</li> </ul>			

estimate recovery prospects

- Collectively these markets account for around 70,000 visitors, slightly less than Japan
- Singapore is very stable, and has a wealthy government with a strong growth agenda and a deliberate policy on population growth. Singapore is also the strongest prospect in South East Asia in the Market Assessment Tool, but doesn't stand out in comparison to some of our other markets

Issues to watch

- Thailand had the largest stimulus package as a percentage of GDP, and has the most unstable government, and is the least 'stable' prospect for us. Thailand notably under indexes on growth potential, and current value

**Key activities supporting Strategic Direction**

- Develop airline partnerships – *<names of airlines removed>*
- Trade training and awareness to ensure that the NZ that is being sold in SE Asia is that which suits high value visitors from this market.
- Investigate, research and understand the Indonesian opportunity

Traditional paid media	Digital media	Partnership marketing	Integrated PR/Events	IMP Opinion Leaders	Trade Development	Trade training	RWC	Conf/bus

## **7. At a glance work programme**

---



Country	Categorisation								
	Traditional paid media	Digital media	Partnership marketing	Integrated PR/Events	IMP/Opinion Leaders	Trade development	Trade Training	RWC	Conf/Bus
Australia	●	●	●	●	●	◐	◐	●	●
UK	○	◑	●	◐	◐	◐	◐	●	○
USA	◑	●	●	●	●	◑	◐	◑	◐
Japan	○	◐	◑	◑	◑	◐	◑	◐	○
China	◑	◑	●	◑	●	●	●	○	◑
Sth. Korea	○	◑	◐	○	◑	◐	◐	○	◑
India	○	◑	●	◑	◑	◐	◐	○	◑
Europe	○	●	●	◑	◐	◐	◐	◑	○
SE Asia	○	◑	◑	○	○	◑	◑	○	◑

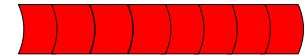
**Key:**

● Full work programme

○ No action

## **8. Scaling the plan to \$89m**

---



### 8.1 Scaling the plan to \$89m per annum

The following table summarises how the 3 year marketing strategy could be scaled from \$99m per annum to \$89m per annum. Should this be necessary we do see some important initiatives missed, including the opportunity to capture \$xm *<investment figure removed>* in private sector funding over three years, delivery of some valuable RWC 2011 leveraging opportunities, and securing visitor growth from China, South Korea, and India.

Market/Activity \$m	2010/11 Budget (m)	2011/12 Budget (m)	2012/13 Budget (m)	Effect of investing another \$10M in each of the plan years
Trade Partnerships	x	x	x	Investment figures and comments in these columns have been removed
Rugby World Cup 2011	x	x	x	Investment figures and comments in these columns have been removed
China	x	x	x	Investment figures and comments in these columns have been removed
South Korea	x	x	x	Investment figures and comments in these columns have been removed

India	x	x	x	Investment figures and comments in these columns have been removed
Emerging markets	x	x	x	Investment figures and comments in these columns have been removed
<b>TOTAL</b>	<b>\$10.0M</b>	<b>\$10.0M</b>	<b>\$10.0M</b>	