



Tourism New Zealand

Briefing for the Incoming
Minister

1 November 2017

1. Overview

Mandated to market New Zealand internationally, the New Zealand Tourism Board, trading as Tourism New Zealand, is a Crown Agent governed by the Crown Entities Act 2004.

Tourism New Zealand was established by the New Zealand Tourism Board Act 1991 to market New Zealand as an international visitor destination for the long-term benefit of New Zealand. Our specific statutory functions under this Act include:

- Develop, implement and promote strategies for tourism.
- Advise the Government and the New Zealand tourism industry on matters relating to the development, implementation and promotion of those strategies.

Tourism New Zealand is focused on improving tourism's contribution to economic growth for New Zealand by increasing the number and mix of international visitors, when they arrive, the regions they travel to, how long they stay and how much they spend. These objectives are outlined in the organisation's Statement of Intent FY18-21; Four year strategic plan FY18-21 and annual Statement of Performance Expectations. Key performance objectives for FY18 include: an increase in the value of visitors to NZ; growth in arrivals in the shoulder seasons, and growth of spend in regions.

In order to achieve these objectives Tourism New Zealand targets a select group of priority markets and sectors, balancing the opportunities for short term value growth alongside longer-term sustainability.

Australia, China, USA, UK, Germany and Japan make up New Zealand's six largest source markets (in order) and Tourism New Zealand's six priority markets. In addition, Tourism New Zealand also targets India, Indonesia, Brazil and Argentina as emerging markets in recognition of the growth opportunities they deliver.

Tourism New Zealand also targets specific sectors across all of these markets namely the Business Events sector (for the hosting of international meetings, conferences and incentives) the premium travel sector and the special interest travel sector, where travellers choose their destination based on a particular hobby or interest. Tourism New Zealand has identified New Zealand's unique marketable opportunities lie with golf, cycling, and walking/hiking special interests. As a general rule, these sector visitors deliver higher value than the average holiday maker be it through a higher daily spend, arrival in the shoulder seasons or because they visit more regions.

Tourism New Zealand markets New Zealand under the umbrella of '100% Pure New Zealand'. While marketing and PR activity is where most of our financial resources are focused, we also work closely with travel trade and airlines, engage with the New Zealand tourism industry, provide information for visitors and provide assurance of the quality of New Zealand's tourism product and experience.

As New Zealand's National Tourism Organisation, we are the only Government agency with the mandate and resources to promote 'destination New Zealand' internationally. Tourism New Zealand is not mandated to promote domestic tourism.

The Government's funding for Tourism New Zealand is \$117.35 million for FY18, as it was for FY17. In FY17, additional financial and non-financial contributions of around \$27.9 million were added to Tourism New Zealand's marketing investments through a variety of 50:50 partnership agreements.

In FY17, a record 3.657 m people came to New Zealand, spending a total of \$10.250 billion, measured through MBIE's International Visitor Survey. The organisation achieved its measures set out in the FY17 Statement of Performance including visitor value and volume, number and cost of campaigns delivered; awareness of 100% Pure New Zealand; equivalent advertising value achieved through international media visits; the value of partnerships; stakeholder satisfaction and traffic to our key conversion channel newzealand.com.

Governed by Board appointed by Minister of Tourism

Tourism New Zealand is governed by a Board of Directors. The Minister of Tourism's formal line of accountability with Tourism New Zealand is through the Board's Chair. The Board meets approximately every six weeks, equivalent to eight times per year.

The current Board Chair is Kerry Prendergast, who was appointed to the role in August 2011. Other Board members are Richard Leggat (Deputy Chair), Raewyn Idoine, Mike O'Donnell, Chris Parkin, John Thorburn, Jamie Tuuta and newly appointed Jan Hunt. The composition of the Board reflects a balance of tourism industry and general commercial expertise.

Located in 11 offshore markets

Tourism New Zealand has 13 offices globally, we co-locate staff in a further three locations (New Delhi, Beijing, Buenos Aires), and have around 160 full-time staff members.



2. Current sector performance

The global tourism sector is expanding, driven in large part by rising middle class prosperity, low fuel prices and increased aviation capacity fuelled by new entrants and more efficient airplanes.

Over the past 10 years, international visitor arrivals to New Zealand have grown from 2.5 million to 3.6million (year ending June 2017). However, this is a tiny number of visitors compared to global volumes – in fact New Zealand receives only 0.3% of all international travellers. New Zealand enjoys 0.8% of international traveller spend, which reinforces that New Zealand is a premium higher-value destination.

The FY17 financial year ended with *total* arrivals (including arrivals for the purpose of holiday, business, education, visiting friends and relatives) in growth at 3.6 million (10% up on last year) and the higher spending group of *holiday* arrivals at 1.9 million (up 12%). This puts New Zealand ahead of global tourism trends in which international tourist arrivals grew by 3.9% for the 2016 calendar year, and 6% in January-April 2017 (Source: UNWTO World Tourism Barometer).

High level visitor trends YE Jun 2017								
	Visitor arrivals		Total stay days		Holiday Arrivals		Holiday Stay days	
	Total (000s)	Annual growth	Total (m)	Annual growth	Total (000s)	Annual growth	Total (m)	Annual growth
Priority 1 core markets								
Australia	1,451	↑ 6.2%	14.48	↑ 0.1%	589	↑ 9.7%	6.46	↑ 5.4%
China	398	↑ 0.3%	7.29	↑ 8.6%	296	↓ -3.6%	2.66	↑ 4.2%
USA	325	↑ 26.4%	5.03	↑ 15.7%	211	↑ 31.2%	2.68	↑ 19.2%
Priority 2 core markets								
UK	244	↑ 14.3%	6.63	↑ 10.0%	112	↑ 22.5%	2.87	↑ 14.0%
Germany	105	↑ 14.6%	4.99	↑ 3.9%	78	↑ 14.8%	3.38	↑ 2.6%
Japan	101	↑ 7.3%	1.58	↑ 1.0%	68	↑ 3.8%	0.63	↓ -2.8%
Priority emerging markets								
India	56	↑ 15.2%	2.73	↑ 17.2%	26	↑ 7.0%	0.33	↑ 0.1%
Indonesia	24	↑ 35.0%	0.38	↑ 22.7%	18	↑ 48.1%	0.18	↑ 45.3%
Latin America	32	↑ 34.3%	0.90	↑ 6.6%	20	↑ 33.7%	0.34	↑ 18.6%
Rest of world	912	↑ 13.9%	24.02	↑ 5.1%	487	↑ 17.5%	9.22	↑ 7.9%
Total	3,648	↑ 10.2%	68.04	↑ 5.9%	1,905	↑ 12.3%	28.75	↑ 7.8%

Source: International Visitor Arrivals YE Jun 2017

International tourism expenditure has been through a period of high growth, with expenditure increasing 19.6 per cent in the year to March 2016. However, this growth has moderated over the last year though it remains at a record high level. Total spend to the end of June 2017, as measured by MBIE's International Visitor Survey, was \$10.25 billion, flat against the FY16 result, while total holiday spend increased 4% to \$6.55 billion. Average visitor spend dropped by 8% overall to \$3170 per visitor, down from the FY16 record of \$3,430 per person, while average holiday spend dipped 5% to \$3,800 per visitor (down from \$4000 recorded in FY16).

The declines in average spend could be impacted by the strength of the New Zealand dollar against a number of major currencies. MBIE's latest forecasts¹ estimate that visitor arrivals to New Zealand will grow at 4.8 per cent a year, reaching 4.9 million visitors in 2023, from 3.5 million in 2016. Total international spend is expected to reach \$15 billion in 2023, up 52 per cent from 2016.

3. Issues and opportunities for Tourism New Zealand and industry

How do we compete globally?

The world is becoming more globalised and more connected. In order to access the best the world has to offer, consumers are adopting digital technologies at an accelerating pace. This is disrupting traditional industries, intensifying competition and raising the expectation of the global consumer who expects all their purchases to be convenient, authentic, personalised, and easy to transact through online and mobile channels. The global travel market is no exception.

¹ MBIE produces tourism forecasts annually. The forecasts are based on econometric modelling, current trends and best available forecasts of international factors and have been developed with input from members of the tourism industry.

a. Digital partnerships

As a niche marketer in this global market place, Tourism New Zealand continues to be an innovation leader in global destination marketing. We have established global marketing partnerships with Google and Facebook which enable us to deliver globally with fewer, more integrated initiatives where we can test, learn and rapidly adapt our approach. We are extending this model into China (where Google and Facebook are not present) and developing new online partnerships there as well.

b. Air connectivity

In recent years there has been a significant increase in airline capacity, primarily from China and the USA. As a general rule, increased competition on routes provides more choice for consumers, and more competitive pricing from airlines. We continue to work alongside aviation partners to support the viability of new and existing routes. Our primary partner is Air New Zealand, with whom we have a \$20m annual MOU committing the partners to shared marketing activity to the value of \$10m each. We are working closely with United and American Airlines to support the ongoing viability of their new routes into Auckland. We work in collaboration with the international airports (Auckland and Christchurch International Airports) in their network planning. The role for TNZ is to help the airlines sell their seats by clearly targeting people who are already seriously considering visiting New Zealand (Active Considerers or ACs). Other airline partnerships include Emirates, China Southern and LATAM Airlines.

How do we make the most of growth while managing challenges?

International visitor spending is significant at \$10.25b but historically this has been skewed toward the main gateways of Auckland, Wellington, Christchurch, and Queenstown (between 64% and 66% of spend occurs in those gateways). New Zealand also remains a highly seasonal destination, with the vast majority of international visitors arriving over the summer months of December to February. Rapid growth and the concentration of visitors at certain times and places is putting pressure on capacity in our most popular areas. The uneven nature of growth does not enhance investment attractiveness and is a contributor to concern about the impact of visitor growth.

While infrastructure development is outside the remit of Tourism New Zealand, we will continue to take an active approach to informing development through market insights. An example is the hotel investment research that Tourism New Zealand and MBIE commissioned with NZTE to examine the state of hotel capacity across the country and the opportunities for increased international investment.

A priority of Tourism New Zealand's four year strategy is to encourage regional and seasonal dispersal to deliver longer term value and sustainability.

a. Dispersal

These goals are Tourism New Zealand's key priorities – regional and seasonal dispersal. Since FY16 Tourism New Zealand ceased promoting New Zealand as a 'peak season' (summer) destination and runs no partner campaigns that offer peak season product. Change is occurring with the volume of international arrivals in the shoulder seasons (autumn and spring) now growing faster than the peak season (13.1% in spring 2016 and autumn 2017, against peak summer growth of 8.3%).

Over the next four years Tourism New Zealand will also encourage tourists to visit areas beyond the gateway regions and traditional tourist highlights of Auckland, Rotorua and Queenstown. Two specific programmes have begun this work. The first in China is aimed at encouraging Chinese Free and Independent Travellers to experience the Wellington, Tasman, Marlborough and Nelson regions. Local operators and the RTOs have done a lot of work to ensure their product is China-ready. Activity has included marketing partnerships with Chinese travel sellers, trade training and the use of high-profile opinion leaders. Then at the start of 2017, a 'test' campaign was run in Australia to assess

whether Tourism New Zealand could shift consumer behaviour by marketing a single region to Victorians – that region was Northland. The test used a range of data sources to show that the desired impact was achieved including credit card transactions in Northland, sales data from trade partners and using Facebook to target consumers then monitor travel behaviour.

b. Insights

With increasing demand for tourism product, Tourism New Zealand has identified the role it can play in providing market insights to New Zealand tourism operators, in particular in regions with opportunity to grow visitors. Over the next four years we will work more closely with Regional Tourism Organisations and businesses to provide market insights which will enable investment in products and services that are desired by international visitors. Our overall aim is to improve the visitor experience, support the expansion of products and grow visitor spend.

What is the impact of the changing dynamic of the China market?

Of notable significance in recent months has been the slow-down seen out of China with holiday visitors to June 2017 down 2.3% on the previous year and average visitor spend reduced by 14% to \$4100 per visit. This is off the back of some 18 months when arrivals growth was +30%. However, the market mix is changing for the positive, with the decline coming from the lower value group tour market and growth continuing in the higher-value Free and Independent Traveller (FIT). At June year end the number of visitors travelling on General Visitor Visas (independent, FIT travellers) exceeded those travelling on Approved Destination Status Visas (group tours) for the first time with a 58/42% split. FIT visitors are also more likely to travel in the shoulder periods, and to explore the regions, both central planks of TNZ's strategy to spread tourism spend. As always, the Chinese market presents challenges. While airline capacity increased by 70% in 2016, much of it launched in peak season, unsupported by TNZ marketing campaigns.

How do we maintain community support?

Research conducted in collaboration with Tourism Industry Aotearoa, the 'Mood of the Nation', indicates that New Zealanders are mostly supportive of the tourism sector. However, issues resulting from rapid growth, such as a lack of infrastructure, freedom camping and visiting drivers are creating concerns around New Zealand's ability to cope with the growth.

Tourism New Zealand will continue with its programme of work to monitor the industry's social license to operate, and ensure that measures are taken to sustain and enhance the experience of both visitors and Kiwis. Over the next four years Tourism New Zealand will continue to work with other government agencies (e.g. through the Tourism Chief Executives' Group) and the sector to respond to the pressures of growth and help communicate the benefit that tourism delivers to New Zealanders and their communities.

4. Tourism New Zealand's key activity

Tourism New Zealand undertakes destination marketing by delivering activity through three converging channels – those that are paid for; those that are owned and those that are earned.

Paid is typically advertising campaigns, with 97% of this spend in digital media.

Owned is using our consumer website newzealand.com and social media channels to promote New Zealand, engage with potential visitors, and refer them on to industry operators to book travel and activities.

Earned involves bringing selected media and travel agents to New Zealand, sending news content to international media, utilising opinion leaders in selected markets, and training offshore travel trade so they are better able to sell New Zealand.

All activity is delivered under the 100% Pure New Zealand campaign.

'100% Pure New Zealand' campaign

The campaign was first launched in July 1999, and at 18 years old is one of the longest running tourism campaigns in the world. It regularly wins awards and is often held up by the industry globally as an example of success.

The 100% Pure New Zealand campaign is a way to promote New Zealand as an international visitor destination. It tells the story of how New Zealand's landscapes, people and activities combine to deliver something that cannot be experienced anywhere else in the world – a 100% Pure New Zealand experience. It's an 'only in' and 'uniquely New Zealand' experience. It is not intended to be an environmental standard.

Tourism New Zealand regularly fields questions over whether the state of the New Zealand environment is negatively impacting on the visitor experience. The Tourism Insight Series August 2017 International Visitor Experience report, produced by the Ministry of Business, Innovation and Employment, provided information on visitors' overall satisfaction of New Zealand. The report found:

- Visitors reported high levels of satisfaction with visiting New Zealand, rating their visit on average 9 out of 10.
- Visitors were most satisfied with the natural and built environment (9.1 out of 10) and with their sense of safety (also 9.1 out of 10).

Campaign and PR getting New Zealand into the conversation in key markets

Tourism New Zealand spends the largest amount of its funding on marketing campaigns, supported by PR activities that are integrated into marketing efforts.

Primarily our campaign work utilises digital marketing tools to target ACs including Search Engine Marketing and Optimisation (buying search terms and optimising newzealand.com so that New Zealand appears front and centre for people when they are researching holidays online), as well as investing in online banner and advertisement space on websites utilised by ACs to draw them to newzealand.com. Activity is designed to engage ACs, bring to life what a New Zealand holiday will look like, remove any barriers to travel and then connect them to a travel provider that can book them a holiday.

Tourism New Zealand also uses communication channels such as PR to deliver messages through third parties to contribute to New Zealand's popularity as a destination and to strengthen conversion (when a person planning a holiday is 'converted' into booking a holiday). Tourism New Zealand delivers fully integrated campaigns that contain elements of digital, PR, social media and trade activity to improve the effectiveness of our campaign delivery. The end goal of our campaign work is to close the gap between desire and action amongst ACs.

Engaging with travel partners to help them convert AC interest

Tourism New Zealand's trade marketing work increases the trade's motivation and capability to make bookings. Tourism New Zealand carries out a range of trade activities (both in New Zealand and in our key markets) aimed at motivating, connecting and enabling trade partners towards different objectives and to overcome different barriers.

The outcome of trade work is travel companies who are converting and selling the right types of holidays - focussing on longer stay days, visitation to multiple regions, in all seasons with participation in a range of activities.

Assuring visitors' experiences are high quality

Our marketing helps get visitors to New Zealand, so once they are here Tourism New Zealand has a role in ensuring they have an exceptional experience. Tourism New Zealand is involved with a number of programmes to influence and ensure quality visitor experiences for international visitors; in effect delivering on the promise made to visitors through the marketing campaign.

Approved Destination Status (ADS): a bilateral tourism arrangement between the Chinese Government and a foreign destination, permitting Chinese holiday travellers to visit a destination in a tour group. Only 'ADS approved' operators can conduct ADS tours. Approval, monitoring and compliance are delivered via Tourism New Zealand on behalf of the Ministry of Business, Innovation and Employment.

Premier Kiwi Partnership programme (PKP): an incentive-based programme between Tourism New Zealand and selected travel sellers in China, aimed at developing, marketing and promoting longer stay and higher quality itineraries for Chinese ADS tours to New Zealand, specifically outside the peak season.

Qualmark: New Zealand tourism's official quality assurance agency, 100% owned by Tourism New Zealand. Qualmark measures operators against assessment criteria and provides guidance and advice to assist tourism operators in New Zealand exceed visitors' expectations, by raising the standard of the industry and in turn, reduce the industry's reputational risk, by addressing safety, quality and environmental concerns. Tourism New Zealand has recently completed a significant review of Qualmark to ensure it better supports the industry's delivery of quality visitor experiences.

i-SITE New Zealand: i-SITE New Zealand is New Zealand's official Visitor Information Network and is a subsidiary of Tourism New Zealand, governed by a Board of Directors. Tourism New Zealand provides staff, support services, business systems, training to local i-SITE network staff and marketing to raise the profile of the i-SITE network.

Appendix 1: Key Tourism New Zealand contacts and communication

The chief executive is Stephen England-Hall. The CE is supported by an Extended Leadership Team including:

- Andrew Fraser – Director of Marketing (Auckland)
- Kate Necklen – Global Marketing Communications Manager (Wellington)
- Rene de Monchy – Director of Trade, PR and Major Events (Auckland)
- Lauren Vosper (acting)– General Manager PR and Major Events (Auckland)
- Lisa Gardiner – International Business Events and Premium (Wellington)
- Sue Parcell – General Manager Finance and IT (Auckland)
- Deborah Gray – General Manager Corporate Affairs (Wellington)
- Brighid Kelly – General Manager People (Wellington)
- Emil Petrov – Manager, Strategy (Auckland)
- Bjoern Spreitzer – General Manager Americas and Europe (Los Angeles)
- Tony Saunders – General Manager Australia (Sydney)
- Gregg Wafelbakker – General Manager Asia (Shanghai)

Communication with Ministers

Along with the Chair of the Tourism New Zealand Board Kerry Prendergast, the Chief Executive meets with the Minister of Tourism regularly at the Minister's discretion.

Regular contact with the office of the Minister and Associate Minister is managed by General Manager Corporate Affairs Deborah Gray.

Communications that Ministers can expect to receive from Tourism New Zealand include:

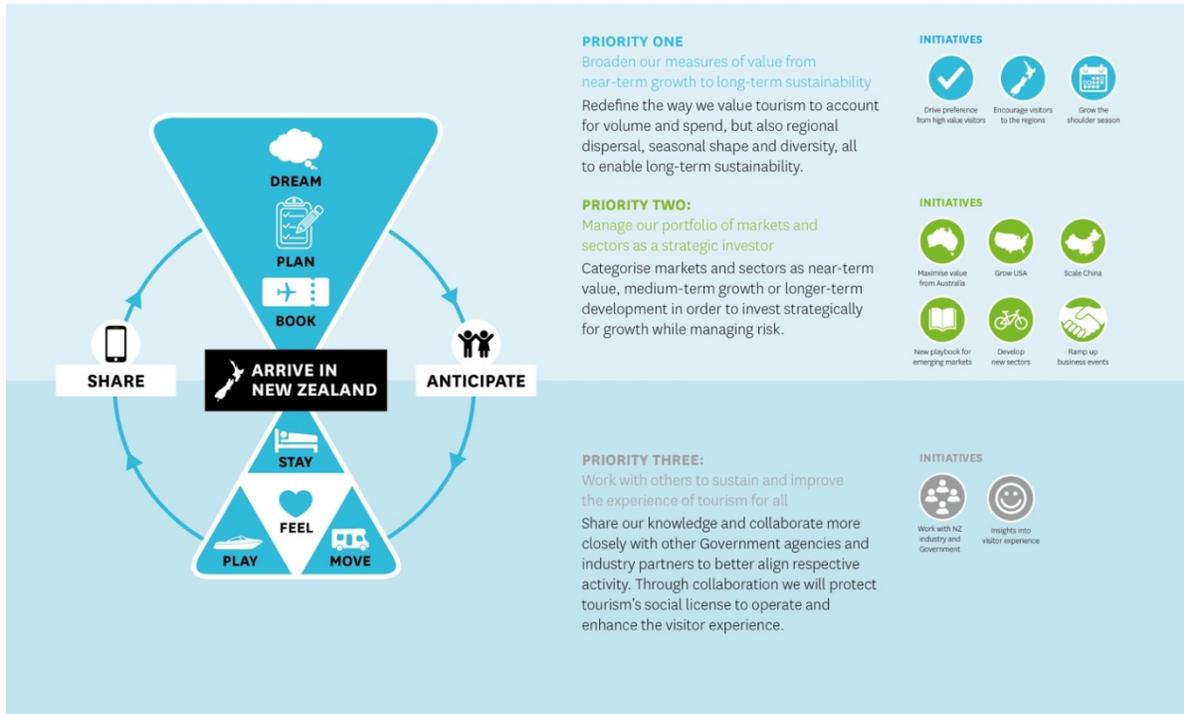
- Weekly Briefings – upcoming activity, matters arising over the week and achievements.
- Quarterly Reports – information on how Tourism New Zealand is tracking towards its performance measures outlined in our Statement of Performance Expectations. Tourism New Zealand's financial performance is also summarised along with an update on key tourism outcomes such as international visitor arrivals in these reports. The dates the Quarterly Reports are provided to Ministers are committed to in Tourism New Zealand's Output Agreement with Ministers.
- Statement of Intent – Tourism New Zealand's intent for a four-year period. The next SOI is to be provided in June 2018.
- Statement of Performance Expectations – is provided annually in June and describes the key activity and outputs, including performance measures that Tourism New Zealand will deliver.
- Annual Report – tabled in Parliament in October.

Appendix 2: Tourism New Zealand’s four-year strategy

Tourism New Zealand’s strategy for FY18-21 was ratified by the Board on 7 December 2016.



MISSION: To boost New Zealand’s economy by growing the value of international visitors



Priority one: Broaden our measure of value from near-term growth to long-term sustainability

Tourism New Zealand recognises that long-term value will be generated from more than just volume and spend, but also the dispersal of visitors to new regions and driving demand in the off-peak (spring and autumn seasons) to improve capacity utilisation and signalling to capital investors and employers.

Tourism New Zealand will continue to target ‘higher-value’ visitors such as those coming for an International Business Event, a ‘special interest’ holiday or premium visitors – each category delivering a higher average spend per holiday than other visitors. Tourism New Zealand will also ensure portfolio diversity can deliver resilience to geopolitical risks to mitigate the potential effect of sudden change.

Lastly, Tourism New Zealand continues to evolve its insight into the ‘visitor experience’ and factors that make visitors more likely to become an advocate for New Zealand in their home markets as well as return to New Zealand in future.

Priority two: Manage our portfolio of markets and sectors as a strategic investor

This priority looks at how to manage markets and sectors to ensure the organisation can maintain momentum in mature markets, seize opportunities to grow markets, while also taking a future-

focused position, investing in selected emerging markets and sectors to realise potential value in the medium to long term.

With over 80 million Active Considerers (ACs: people who are already seriously considering visiting New Zealand) across Tourism New Zealand's six top markets (Australia, China, USA, UK, Germany and Japan), it neither can, nor needs to, target them all. In order to reach and convert the highest-value ACs, Tourism New Zealand needs to take a strategic approach to market investment and development.

Within each market or segment, Tourism New Zealand will prioritise activities relevant to the time horizon and stage of development. The amount invested in a market, and the activities prioritised, will depend largely on market development stages.

- HORIZON 1 – Near-term value: Visitor mix is stable. Approach is to monitor AC pool, remove barriers through dream-plan-book, and encourage regional and seasonal dispersal and repeat visits. Includes: Australia; UK; Germany; Japan; Korea; Singapore; Canada; Malaysia
- HORIZON 2 – Medium-term growth: Market may have only recently boosted air connectivity. The focus is to attract high value visitors to establish New Zealand as a more premium, value destination. New and innovative ideas are important to develop the market. USA and China
- HORIZON 3 – Long-term development: Before air connectivity. The focus is to grow volume to 50,000 visitors to create the commercial business case for an airline. Brazil, Argentina, India and Indonesia.

Priority three: Work with Government and industry partners to sustain and improve the experience of visitors and host communities

In order to ensure visitors returning to their home act as unofficial brand ambassadors, it is essential that tourists continue to have excellent visitor experiences. New Zealand is a long-haul, premium-priced destination with a strong, niche appeal in most overseas markets. We rely on positive brand association and word of mouth to make the most of our unique strengths as a destination. Poor visitor experiences will make it harder to compete with other tourism boards for targeted customers.

Tourism New Zealand will take a supporting role in improving visitor experience and industry by shaping investment in the industry through the provision of market insights and / or marketing capability. We will identify industry agencies and work with them (e.g. MBIE, DOC, New Zealand Transport Agency) as well as provide demand-side insight to the wider tourism industry to support medium-term growth and long-term development of the sector.