

**New Zealand
Tourism
State of the
Industry
2018**

March 2019



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METHODOLOGY

The New Zealand Tourism State of the Industry report references data from Stats NZ and the Ministry of Business, Innovation and Employment (MBIE), which includes but is not limited to the Tourism Satellite Account (TSA), International Visitor Arrivals (IVA), International Visitors Survey (IVS) and the Commercial Accommodation Monitor (CAM). The majority of the data that is presented in this report is for the year ending March 2018; with the major exception being the Visitor Experience data which is presented for the year ending June 2018.

In addition, an online survey was distributed to the member databases of Tourism Industry Aotearoa (TIA), Backpacker Youth and Adventure Tourism Association (BYATA); Youth Hostels Association; New Zealand Airports Association; New Zealand Māori Tourism; and Regional Tourism New Zealand. The survey included 19 questions, with respondents asked to provide comments on most of the sections. The survey was distributed through the Survey Monkey platform.

There were 531 responses to the survey with 431 participants fully completing it. The analysis in this report utilised data from the 431 fully completed survey responses.

Additionally, research and material has been used, prepared by the United Nations World Tourism Organization (UNWTO); MBIE; Stats NZ; TIA; Tourism New Zealand (TNZ); World Travel & Tourism Council (WTTC); New Zealand Cruise Association (NZCA); PwC; Deloitte; Forbes; World Bank and a range of academic authors.

Tourism 2025 Scorecard > 2018

The Aspirational Goal:
\$41 billion total tourism
revenue in 2025

Target for Value

Tourism Expenditure

Source: Tourism Satellite Account

YE March

Domestic International



Individual figures may not sum to stated totals due to rounding

Visitor Experience

Met or exceeded expectations

Source: International Visitor Survey

YE June

Maintained



93.2%
2014



95.1%
2015



94.9%
2016



93.4%
2017



95.2%
2018

Connect

International Seats

2014



2015



2016



2017



2018



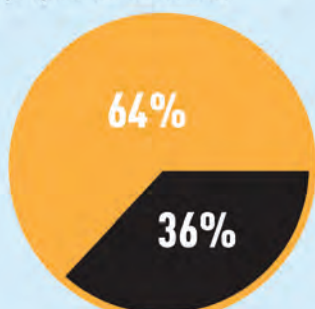
Productivity

Dispersal of International Tourism Spending

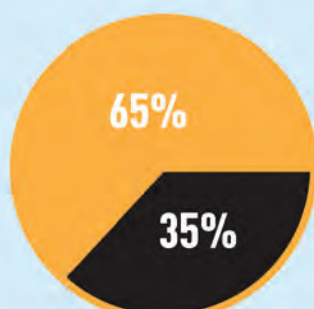
Source: MBIE Monthly Regional Tourism Estimates

YE August

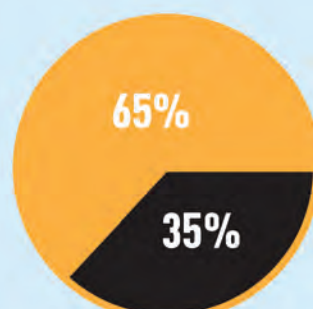
No Progress



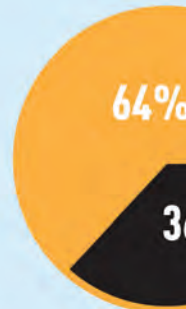
2014



2015



2016



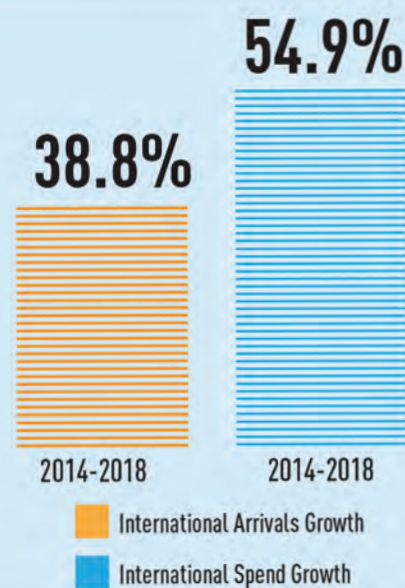
2017


Gateway

Auckland, Wellington,
Christchurch, Otago

Regional

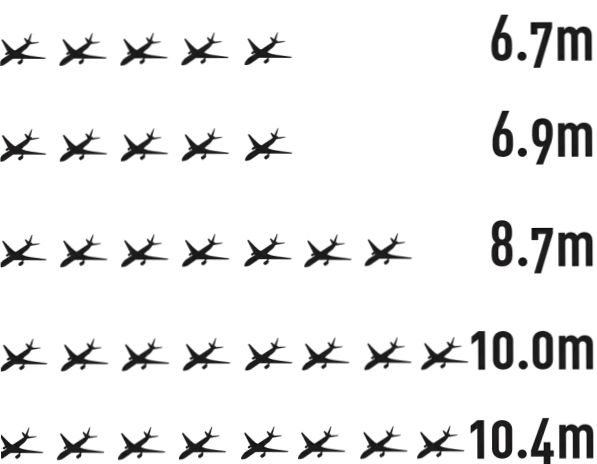
All other regions



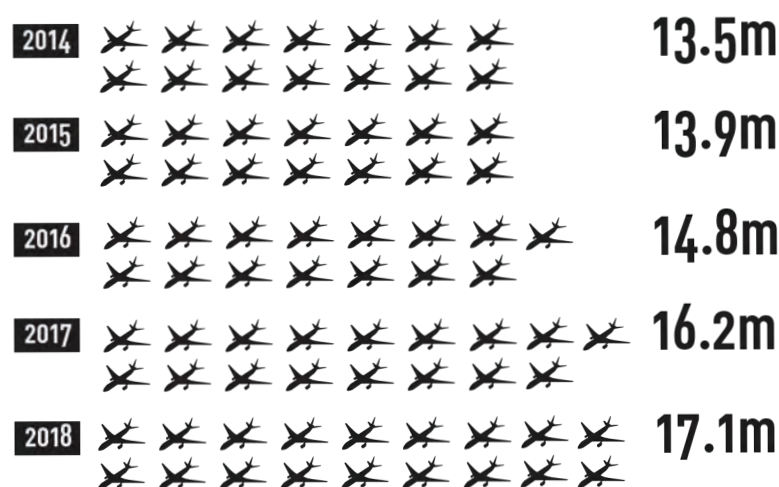
Strong Progress 

Activity

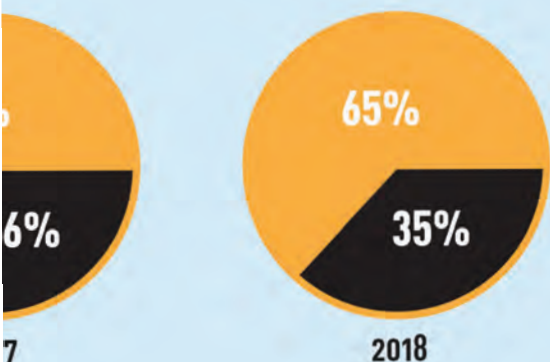
Source: Sabre - Total air capacity (seats)
YE March



Domestic Seats

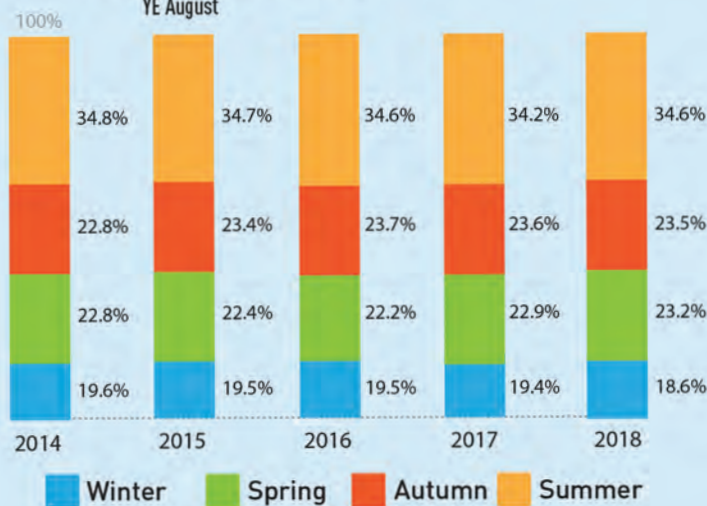



Strong Progress 



Seasonality - International Arrivals by Season

Source: International Visitor Arrivals
YE August



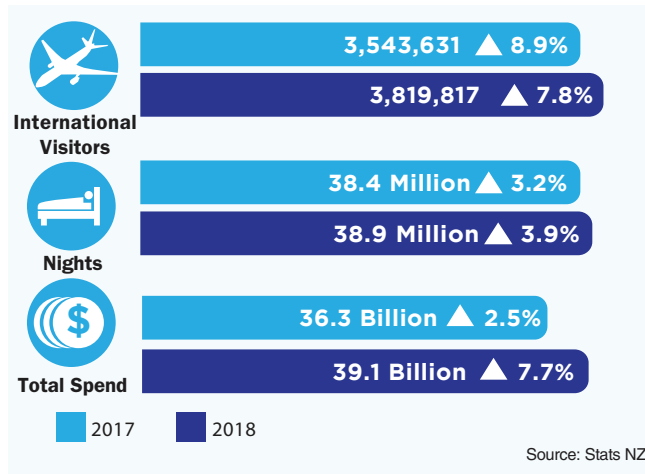
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STATE OF THE INDUSTRY 2017/2018

NEW ZEALAND'S TOURISM INDUSTRY

HEADLINE NUMBERS

YE March 2018



In the YE March 2018, international visitor spend increased 9.6% to \$16.2 billion and domestic visitor spend increased 6.5% to \$23 billion with a total tourism expenditure of \$39.1 billion.

In the YE March 2018, international visitor arrivals were up for the sixth consecutive year at 7.8%. This was slightly down on the annual growth rate experienced in 2017 of 8.9% but is in excess of the 3.7% growth in visitor arrivals experienced by the world's advanced economies.¹

Guest nights have increased 3.9% in the measured accommodation sector which includes hotels, motels, backpackers and holiday parks. This growth has also been supplemented by an increase in visitors engaging in the sharing economy, choosing platforms such as Airbnb.

In the YE March 2018, the dispersal patterns between the gateways (Auckland, Wellington, Christchurch and Otago) and the regions were stable, with a small move of spending towards the gateways. These gateway destinations received 65% of the national tourism spend and 35% of spend was generated outside of these regions.

In the same period there was a minor shift in the seasonality of arrivals with the percentage of summer season arrivals (December, January, February) increasing when compared to the previous year.

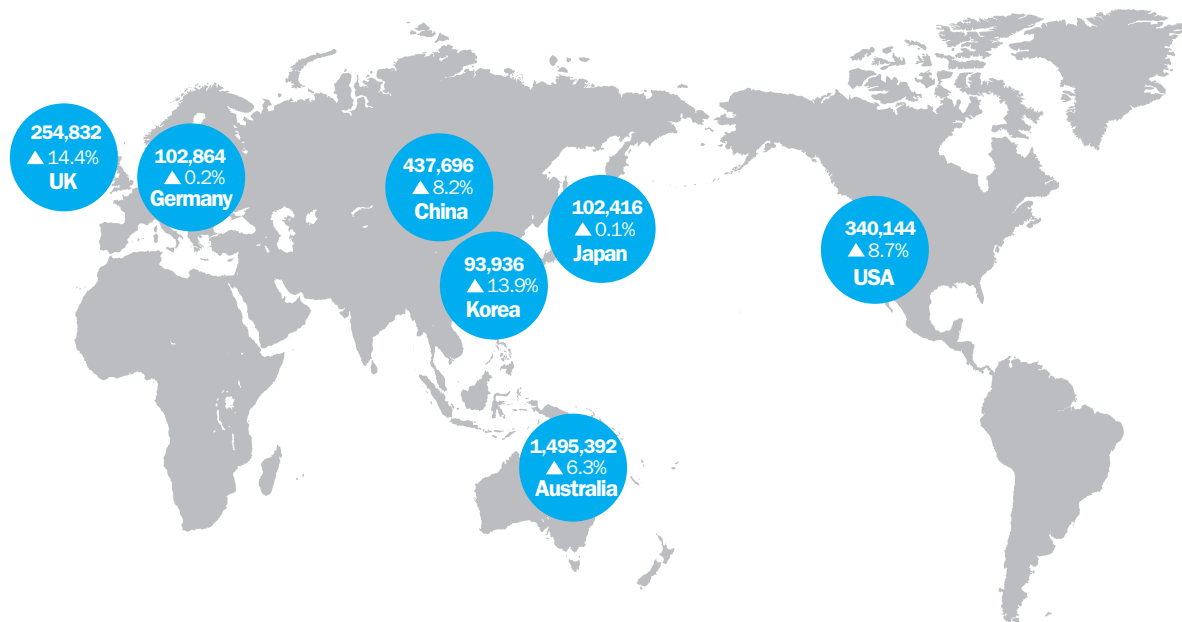
This increase in arrivals has meant that during this period there were over 60,000 additional visitors and the percentage of summer arrivals increased from 34.2% in 2017 to 34.6% in 2018.

Spring arrivals also increased by 0.7% whilst autumn arrivals decreased by 0.1%. Winter arrivals decreased by 0.8% for the same period.

The decrease in winter arrivals is largely due to the 25,000 additional international visitor arrivals that were generated by the DHL New Zealand Lions Series in 2017. When these visitors are accounted for there has been no significant shift in winter arrivals.

INTERNATIONAL VISITOR GROWTH TO NEW ZEALAND

YE March 2018



¹ Classification based on the International Monetary Fund (IMF) definition of advanced and emerging economies

ANNUAL GROWTH IN INTERNATIONAL VISITORS

YE March 2018

New Zealand continues to experience a solid level of year on year growth in international visitor arrivals, up 7.8% for the YE March 2018 with key markets continuing to perform strongly.

This growth is in line with an increase in domestic and international air connectivity. International air capacity has increased by 4% to 10.4 million seats and domestic air capacity has increased by 5.5% to 17.1 million seats. This increase in capacity has helped to support growth in key source markets such as Australia, China, USA and UK.

Air New Zealand has helped to provide most of this additional capacity, especially domestically.

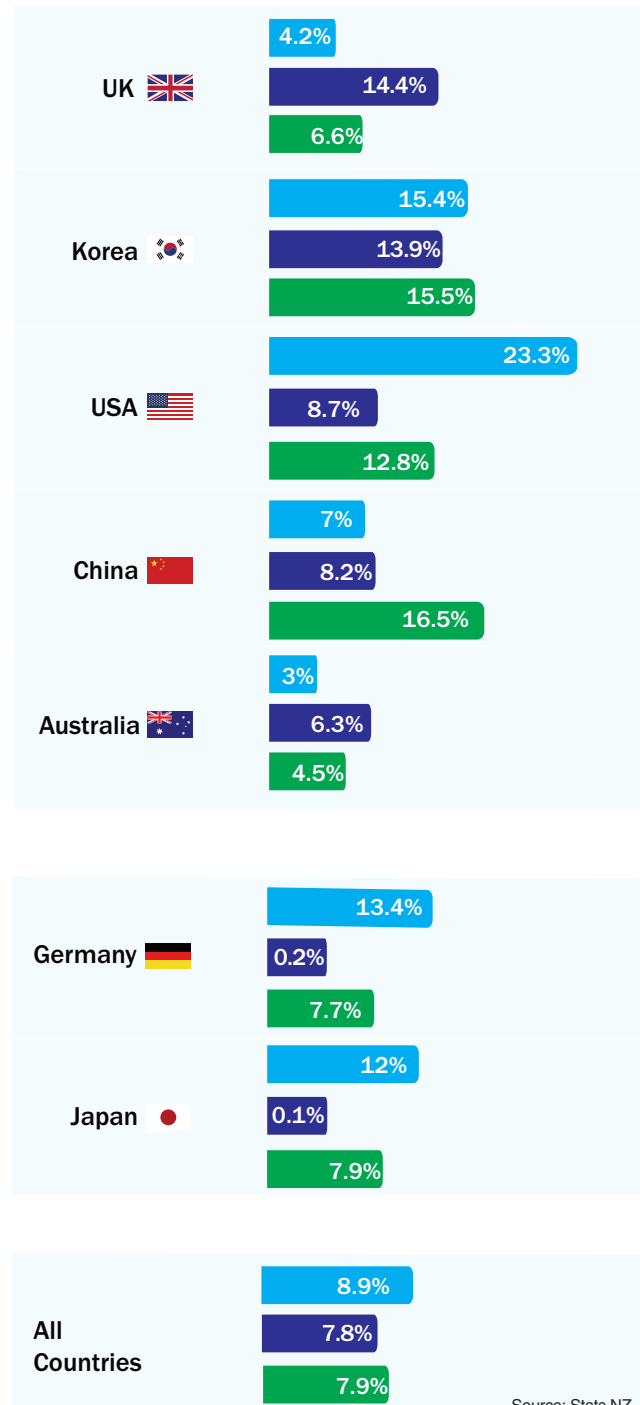
Cathay Pacific, China Southern Airlines, Sichuan Airlines, Philippine Airlines, Singapore Airlines, and others, have also helped to unlock growth potential in key growth markets, and as result, there has been an increase in visitation from the markets they connect New Zealand with.

The five year average growth of all markets has been strong at 7.9%.

The Republic of Korea and USA have both shown very strong growth over the past two years whilst UK and China have both grown faster than the average across all markets.

There has been some softening in the growth of arrivals from Germany and Japan in the YE March 2018, however, the five year average growth rate from these markets remains strong.

The slowest growth rate of our major markets was from Australia (five year average of 4.5%), but in terms of arrivals numbers, Australia was the biggest contributor to growth.

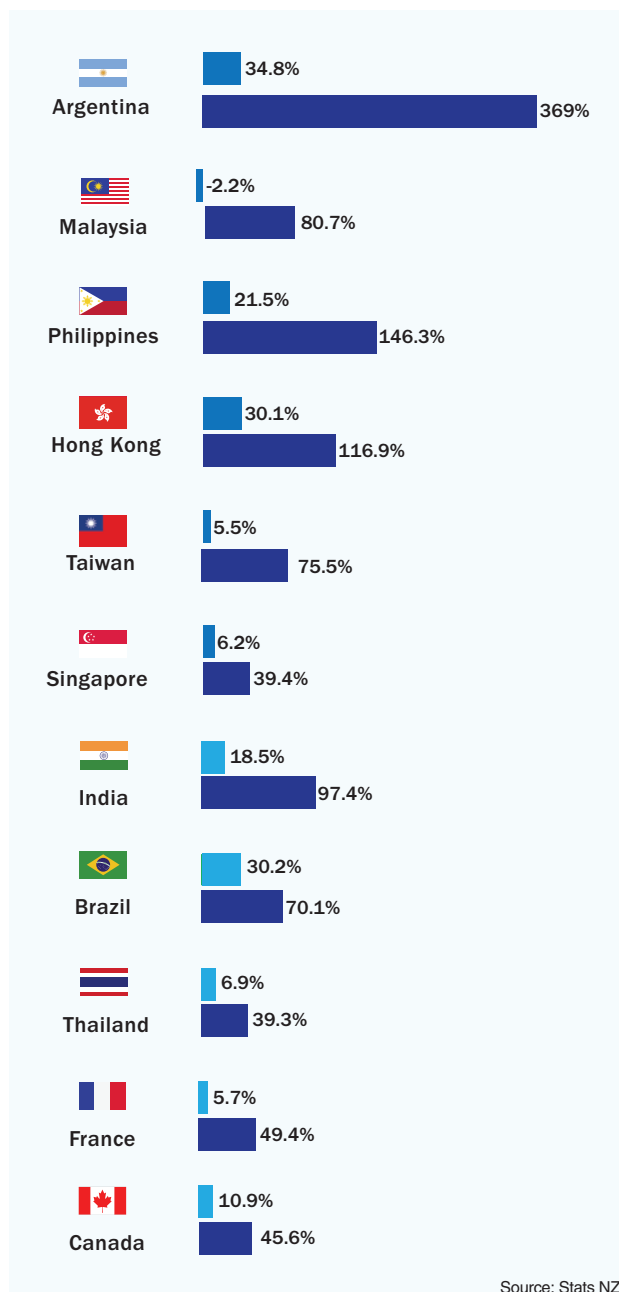


Source: Stats NZ

2017 2018 5 Year average

ARRIVALS GROWTH IN SECONDARY MARKETS

YE March 2018



New Zealand has also seen strong growth from secondary markets over the past five years. Markets such as Hong Kong, Philippines, Argentina and Brazil have all benefitted from an increase in international air connectivity.

Malaysia was the only secondary market to see a decrease in 2018 arrivals. Malaysia is also the only source market besides Tonga to experience a reduction in annual arrivals in the past five years, however, this is in the context of 80.7% growth over a five year period.

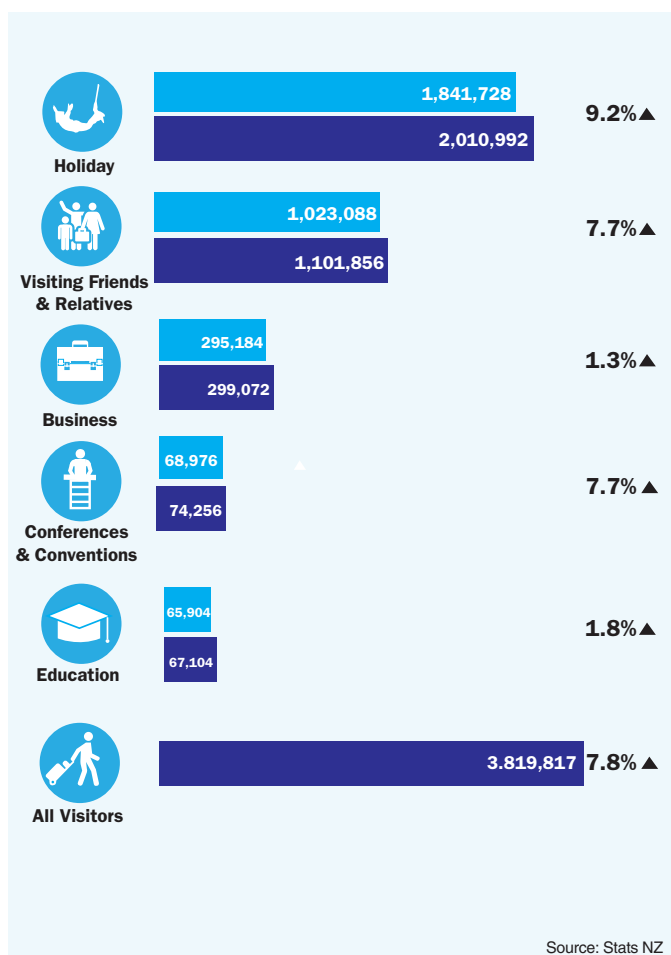
International arrivals from India continued to strengthen to become New Zealand's ninth largest source market. India's growth over the past five years presents significant opportunity for the industry as this growth has occurred despite a lack of direct air connectivity.

This market provides support for seasonal dispersal objectives with a high number of arrivals in the autumn shoulder season.

■ 2018
■ Total growth over 5 years

REASON FOR TRAVEL TO NEW ZEALAND

YE March 2018



Growth in arrivals for the YE March 2018 has been driven by the holiday market segment which has grown from 1,841,728 visitors in 2017 to 2,010,992 in 2018.

The main reason for travel to New Zealand was to holiday, followed by visiting friends and relatives (VFR) and business. There was significant growth of these segments, with holiday arrivals increasing by 9.2% and VFR arrivals increasing by 7.7%.

There was also significant growth in the conferences and conventions market, up 7.7%.

The education market has experienced modest growth, up 1.8%, along with business arrivals that increased by 1.3%.

2017 2018

GUEST NIGHT GROWTH

YE March 2018



ACCOMMODATION SECTOR

The measured accommodation sector experienced growth of 3.9% in the YE March 2018. Over the past five years, it has experienced cumulative growth of 25.5%, at an annual average growth rate of 5.1%.

April, May and June experienced the highest level of growth in bed nights. An average increase of 7% across these three months demonstrated some improvement in the seasonal dispersal of visitors staying in the measured accommodation sector.

In 2018, the first New Zealand specific data was published by Deloitte on Airbnb and its role in the accommodation sector.

According to Deloitte (2018), 3.7 million guest nights were booked through Airbnb in 2017, with 83% of these visitors having vacation or leisure as their primary purpose of travel.

These 3.7 million guest nights were made up of 578,000 stays in which hosts accommodated 1.4 million guests.

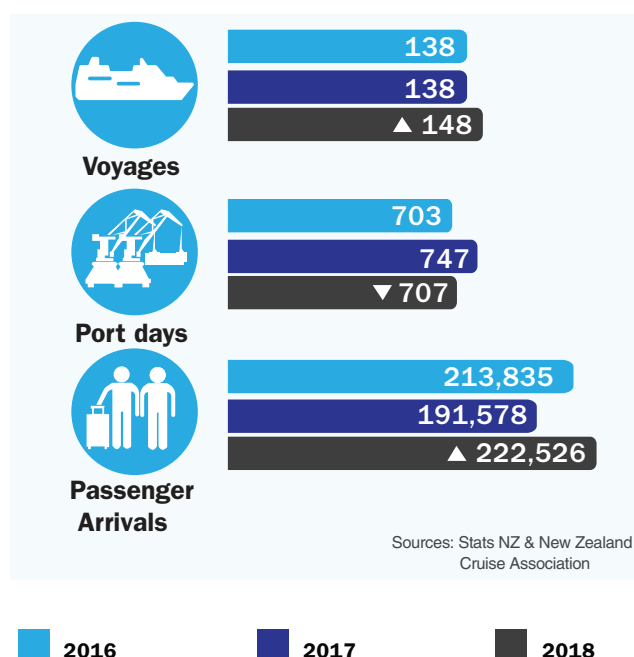
Airbnb was also able to add extra capacity to destinations where there is significant pressure on existing accommodation infrastructure such as Auckland and Queenstown. There were 509,000 and 198,000 bed nights utilised in Auckland and Queenstown respectively. Approximately 35% of these bed nights were utilised by New Zealand residents.

The wider non-measured accommodation sector includes the sharing economy and hosted accommodation extending beyond Airbnb. Therefore, a significant data gap exists which makes measuring the actual impact of the non-measured accommodation sector difficult.

However, it is important to note that at a national level the sharing economy and hosted accommodation platforms such as Airbnb help to support industry objectives through their ability to add to the accommodation supply and can enhance the visitor experience.

KEY CRUISE DATA

YE June 2018



CRUISE SECTOR

In the 2017/18 New Zealand cruise season, 36 vessels visited New Zealand.

These vessels undertook 148 different voyages and spent 707 port days across the country. The regions of Auckland, Southland and Otago received the most port days with 110, 106 and 88 days respectively (NZCA, 2018).

Stats NZ data for the YE June 2018 shows that the total economic contribution of cruise tourism to New Zealand was \$434 million. This contribution was delivered through an increase in total cruise spend of 18.3% on revised 2017 results. This total increase was the result of visitor spend increasing by 31.8%, which offset a 10% reduction in vessel spend.

There were also 259,489 unique passengers that undertook a cruise in New Zealand. This is a 17.1% increase on 2017 passenger numbers and reverses the 7.1% decline that was experienced in 2017.

The strengthening of cruise passenger numbers has been driven by a 4% increase in passengers from Australia and a 111% increase in domestic passengers from Aotearoa New Zealand, both of which experienced significant declines in 2017. This was supplemented by considerable growth in passengers from the USA (+31%), China (+39%) and Japan (+150%).

There was a 9% decline in passengers from European source markets. This softening of the European markets was offset by growth in all other regions which is likely to continue in the 2018/19 cruise season.

It is forecast that an additional 51 voyages will be undertaken in the 2018/2019 season (NZCA, 2018).

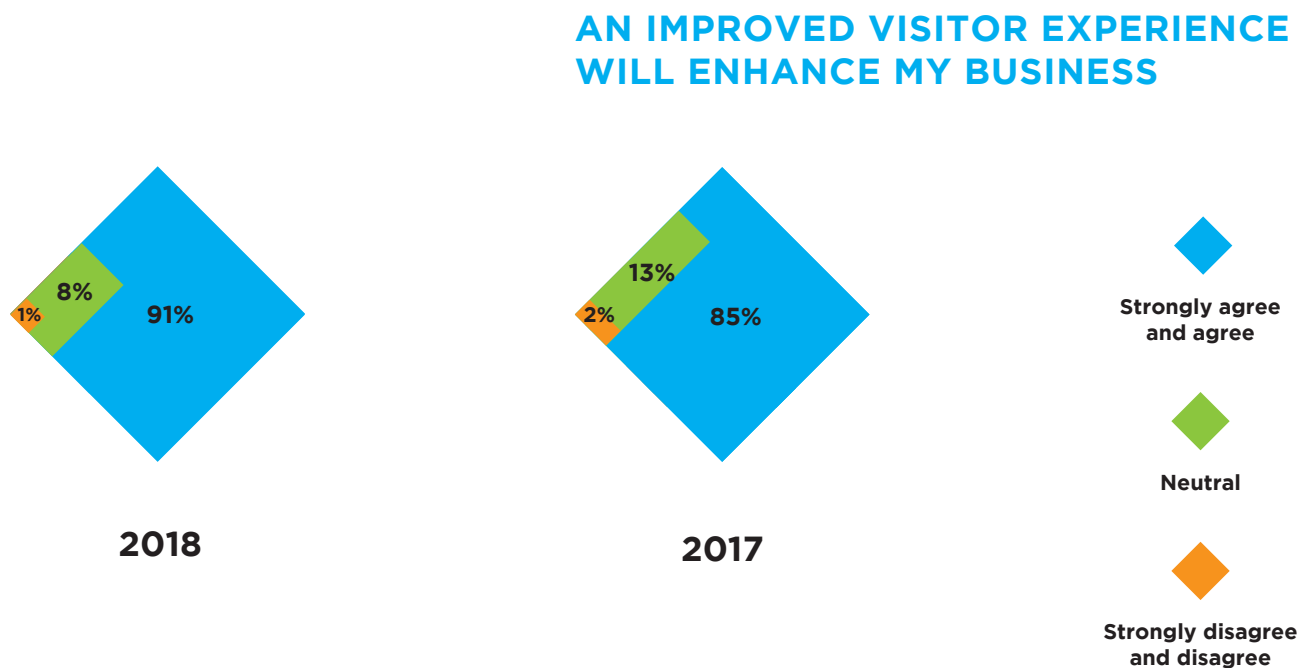
Cruise tourism has also helped to support industry objectives of regional dispersal with smaller regions such as Northland benefitting significantly from an 80% increase in cruise expenditure compared to 2017.

Regions such as Marlborough and Hawke's Bay averaged over \$450,000 and \$399,000 respectively in cruise ship expenditure per port day in the 2017/18 cruise season (Stats NZ, 2018).

INDUSTRY SURVEY FINDINGS

In July 2018 a survey was distributed to assess the state of the tourism industry from an industry perspective. 431 respondents fully completed the survey. This section of the report presents the quantitative data as well as qualitative analysis of survey participants' comments.

This mixed methods approach has been undertaken to provide an understanding of how industry perceives the current state of the industry. The following analyses are primarily based on these results. The source data results from the survey can be found [here](#).



WHAT CAN MAKE A DIFFERENCE TO TOURISM BUSINESSES?

The survey results from 2018 reinforce the results of 2017 which suggested that an improved visitor experience, increased air connectivity, high value visitors, improved infrastructure and improved insight can advance tourism businesses in New Zealand.

The importance of the visitor experience cannot be overstated and the performance of the industry has been extremely strong with 95.2% of international visitors' expectations being met or exceeded (IVS, June 2018).

The survey found a 6 point increase in agreement that improved visitor experience will advance tourism businesses, from 85% in 2017 to 91% in 2018.

Many survey participants commented on the importance of maintaining this level of visitor satisfaction, especially when the industry is faced with pressures such as sub optimal infrastructure, skills shortages and increasing visitor numbers.

One survey participant commented that:

“Due to the boom in tourism over the last three years, New Zealand is at a tipping point where the visitor experience will be seriously compromised.”

The survey results highlight the importance of offering a high-quality visitor experience and the need to address tensions that can impact negatively on the industry's ability to meet or exceed visitor expectations.

Qualitative data collected from survey participants also highlighted some challenges which have adversely impacted the visitor experience. These challenges include:

- ◆ cost and quality of transport options;
- ◆ lack of public facilities and services such as toilets, carparks, and traffic management;
- ◆ price competitiveness of attractions and food & beverage outlets;
- ◆ limited understanding of Māori tikanga across the industry; and
- ◆ cost and quality of accommodation options.

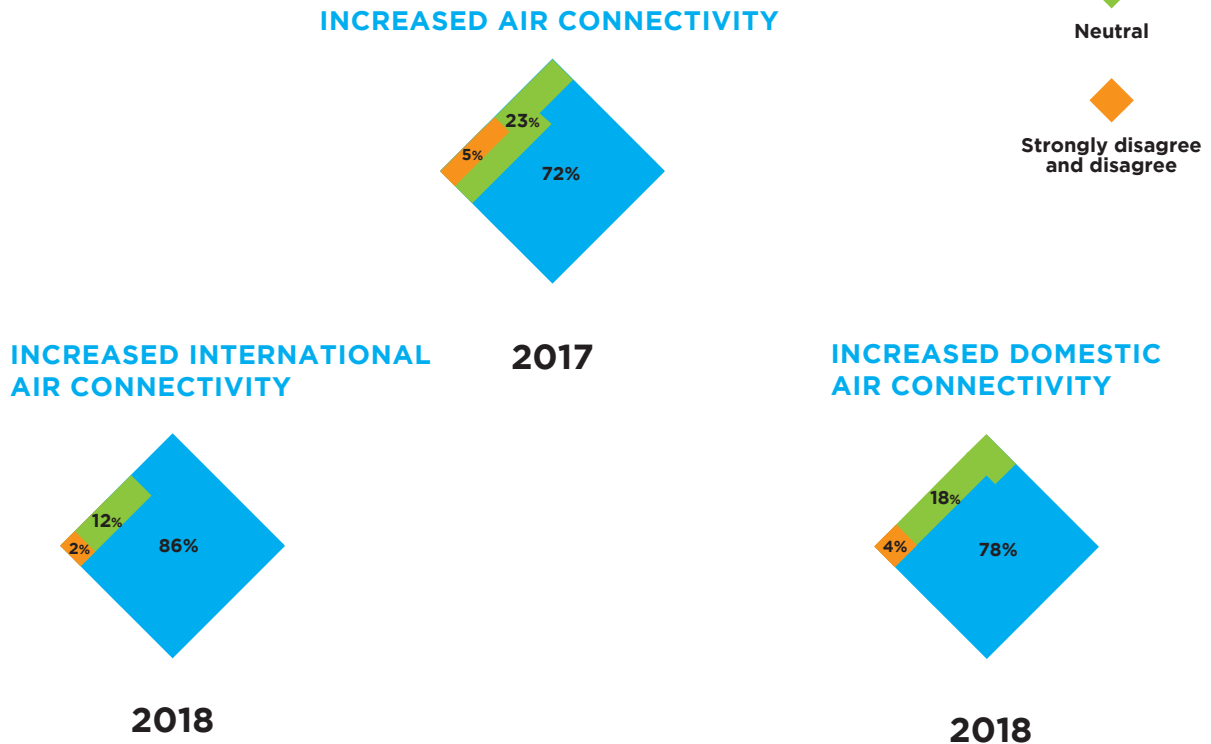
Comments included:

“Māori culture and tikanga is represented strongly by a few tour operator/iwi and is slowly growing. International visitors are seeking culture and unique experiences which is driving demand — change is slowly happening.”

and

“Our lack of large-scale quality and premium commercial accommodation is a major weakness for our international visitor market.”

IMPROVED AIR CONNECTIVITY WILL ADVANCE MY BUSINESS



There has also been a significant change since 2017 in the number of businesses that believe that increased international connectivity is likely to advance their business situation. 2017's data showed that 72% of businesses believed that increased air connectivity is likely to advance their business. Consequently, 2018's survey took a more targeted approach to understand if this demand was for increased domestic or international connectivity.

This year's survey found that 86% of respondents strongly agreed or agreed that increased international connectivity would advance their business.

The importance of increasing domestic air connectivity was also evident, with 78% of tourism businesses strongly agreeing or agreeing that increased domestic connectivity would enhance their business.

However, when international and domestic connectivity are compared, it is evident that improving international connectivity is seen a priority for most tourism businesses.

It is important to note that in YE March 2018 there was a 4% increase in total international seat capacity whilst domestic seat capacity increased by 5.5% (Sabre, 2018).

For the YE March 2017, additional capacity growth was stronger with total international seat capacity growing by 15% and domestic seat capacity growing by 9.5%. The emphasis on improving air connectivity seen in this year's results could be as a result of less additional capacity entering into the air transport system in 2018 when compared to 2017 (Sabre, 2018).

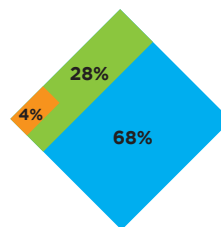
WHAT CAN ADVANCE MY BUSINESS?

Sustainability featured prominently in what can make a difference to tourism businesses.

In the last year, initiatives such as the Tourism Sustainability Commitment and the Tiaki Promise have been launched and comments from survey participants emphasised a range of foci for sustainability that included:

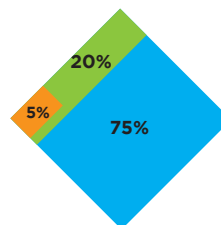
- ◆ inclusive and sustainable economic growth;
- ◆ social inclusiveness through development of a social licence;
- ◆ environmental protection and restoration through tourism; and
- ◆ empathy and understanding of Aotearoa New Zealand's diverse culture and heritage.

There was also a strong level of agreement that increased productivity, the ability to attract higher value visitors and access to insight have the ability to advance tourism businesses. These levels of agreement are similar to those seen in 2017 and continue to be priority areas for many tourism businesses.



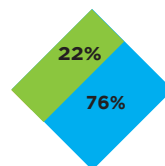
2017

SUSTAINABILITY

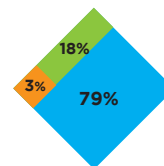


2018

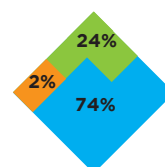
INCREASED PRODUCTIVITY



ATTRACTING HIGHER VALUE VISITORS



ACCESS TO INSIGHT



Strongly agree and agree

Neutral

Strongly disagree and disagree

BUSINESS PERFORMANCE AND CONFIDENCE

In 2018 there was a reduction in business confidence across the New Zealand economy. When the overall economy is considered we can see that business confidence reached a 10 year low in July 2018, with 45% of businesses expecting their general business conditions to deteriorate in the coming 12 months (ANZ, July 2018). Positively for the tourism economy, these results have not filtered through to tourism businesses to the same degree and there is an increased sense of optimism when compared to the overall economy.

BUSINESS PERFORMANCE AND CONFIDENCE

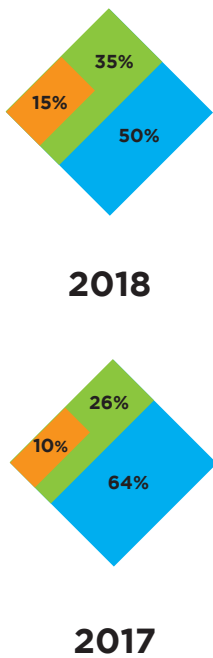
In 2018, there is a higher level of optimism across tourism businesses when compared to the overall economy (ANZ, 2018) with 52% of tourism businesses believing that their business situation will improve over the next 12 months which is slightly down from 62% in 2017.

There has been a decrease in the number of tourism businesses believing that that their business situation will deteriorate over the next 12 months, falling from 15% in 2017 to 11% in 2018.



When performance data is considered we can see that there has been a slight increase in the number of businesses which saw their business situation deteriorate over the past 12 months when compared to 2017. Businesses which have seen their business situation deteriorate have risen from 10% in 2017 to 15% in 2018 but there are still 52% of tourism businesses that believe that their business situation will improve over the next 12 months.

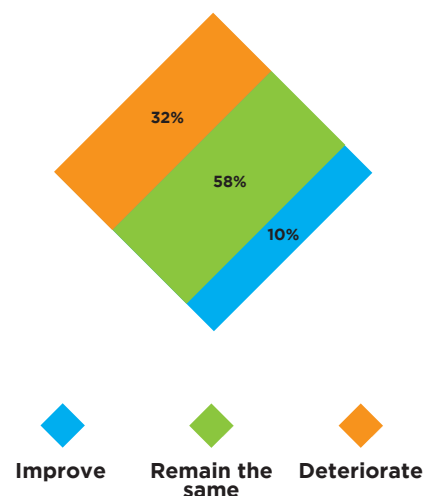
TOURISM BUSINESS PERFORMANCE PAST 12 MONTHS



The key areas of concern identified by tourism businesses affecting their level of performance and confidence were:

- ◆ uncertainty around central government policy;
- ◆ poor understanding of tourism businesses and a high level of bureaucracy when working with local government;
- ◆ targeted rates and the introduction of an international visitor levy;
- ◆ increasing compliance and operational costs; and
- ◆ limited accommodation options for visitors and workers.

COST AND EASE OF DOING BUSINESS



The slight reduction in confidence and performance had a strong degree of correlation with the cost and ease of doing business, which deteriorated for 32% of tourism businesses.

When this cost and ease of doing business data is analysed at a regional level we can see that some regions are performing more strongly than others.

There has been an increase in the ease of doing business in a range of regional and gateway destinations such as Gisborne, Nelson, Southland and Auckland.

The majority of tourism businesses that operate in the Hawke's Bay, Taranaki, Manawatu, Marlborough, Nelson, Tasman, Canterbury and nationally did not see an improvement in the cost and ease of doing business in their respective regions.

This increase in the cost and ease of doing business was also acutely experienced by tourism businesses that operate nationally, with 50% of them stating that the cost and ease of doing business has deteriorated over the past 12 months. Many of these were accommodation businesses, which were concerned with increased rates, taxes and levies and difficulties when dealing with local territorial authorities.

One survey participant commented:

"Auckland Council's cavalier approach to the imposition of a targeted rate on the commercial accommodation sector has sent shock waves through the industry across the whole of NZ. It has set an appalling precedent, which, most worryingly, certain other councils are looking at emulating."

Businesses that operate nationally commented on the need for both local and central government to undertake meaningful consultation and to base policy decisions on insightful evidence based research. These comments included:

"Work with the industry, listen and undertake full and proper consultation. People and businesses live in the now, not on whimsical beliefs... be fully transparent."

and

"Local government policies like the Auckland targeted rate are based on incorrect information; it was biased and uninformed. It was politicised to gain votes."

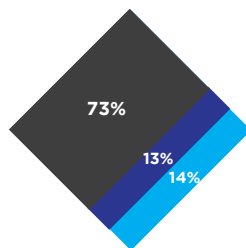
DOMESTIC TOURISM

Domestic tourism expenditure continues to be the largest proportion of tourism expenditure, growing by 6.5% to \$23 billion in the YE March 2018. This was the third highest rate of growth experienced in domestic expenditure over the past 15 years, surpassed by spikes of 8.9% in 2003 and 7.5% in 2015.

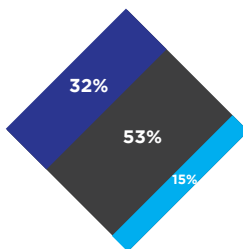
The growth in domestic expenditure has been 26.5% over the past five years, with an average annual growth rate of 5.3%.

International expenditure has grown more quickly and as a result the domestic share of total expenditure has fallen from 63.5% in 2014 to 58.7% in 2018 (Stats NZ, 2018).

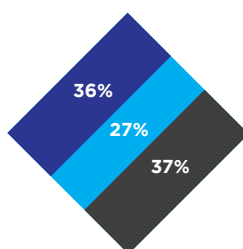
DOMESTIC VISITORS ARE IMPORTANT FOR MY BUSINESS



MY BUSINESS IS MAXIMISING THE OPPORTUNITIES FROM DOMESTIC VISITORS



DOMESTIC DESTINATIONS OFFER GOOD VALUE WHEN COMPARED TO INTERNATIONAL DESTINATIONS



73% of respondents agreed or strongly agreed that domestic visitors are important for their business; however, only 53% of respondents agreed that their business is maximising the opportunities from domestic visitors.

One survey respondent commented:

“It is important to keep residents happy. A good place for residents is a good place to visit. Domestic visitors should get a good experience and value for money. Domestic visitors are easily put-off by over-commercialisation of our tourist destinations.”

In addition to this, only 37% of tourism businesses were in agreement that domestic destinations offer good value when compared to international destinations.

Comments from survey respondents suggest that the increasing cost of tourism products is a challenge for many domestic consumers and to a certain extent the value proposition of some international destinations is creating a competitive alternative for the domestic consumer.

One survey respondent commented:

“We are a quality destination and always will be, so the solution is to provide fantastic value for money as opposed to low price. Therefore amazing service and high price can be still be excellent value for money.”

VALUE OVER VOLUME

Increasing the value of tourism to the New Zealand economy is important. In the past 12 months many tourism businesses have focused on promoting growth in higher value visitors over increasing total visitor numbers.

Tourism New Zealand's mission is 'to boost New Zealand's economy by growing the value of international visitors'. This is achieved in part by increasing the value of visitors through increasing arrivals, stay days and spend. There has recently been an increased emphasis on growing visitor markets which have a potential to grow spend, reduce seasonality and increase regional dispersal.

One example of this was the Amway China incentive hosted in Queenstown in which 8,000 visitors stayed for five days contributing an estimated \$50 million to the New Zealand economy (TNZ, 2018).

Tourism New Zealand's Chief Executive, Stephen England-Hall said:

"The success of the programme puts New Zealand in an excellent position to host other large incentive trips in the future, especially outside the traditional peak summer season."

Developing a value over volume strategy is a challenge for the industry and although there are success stories, the ability of all tourism businesses to leverage a high value strategy is yet to be determined.

One survey participant commented:

"We have seen a year on year increase in our business...it takes hard work and dedication, in doing all we can in the design of our clients' vacations to showcase the very best of New Zealand."

To be able to fully implement a value over volume strategy the tourism product offering needs to be underpinned by high quality infrastructure and human capital.

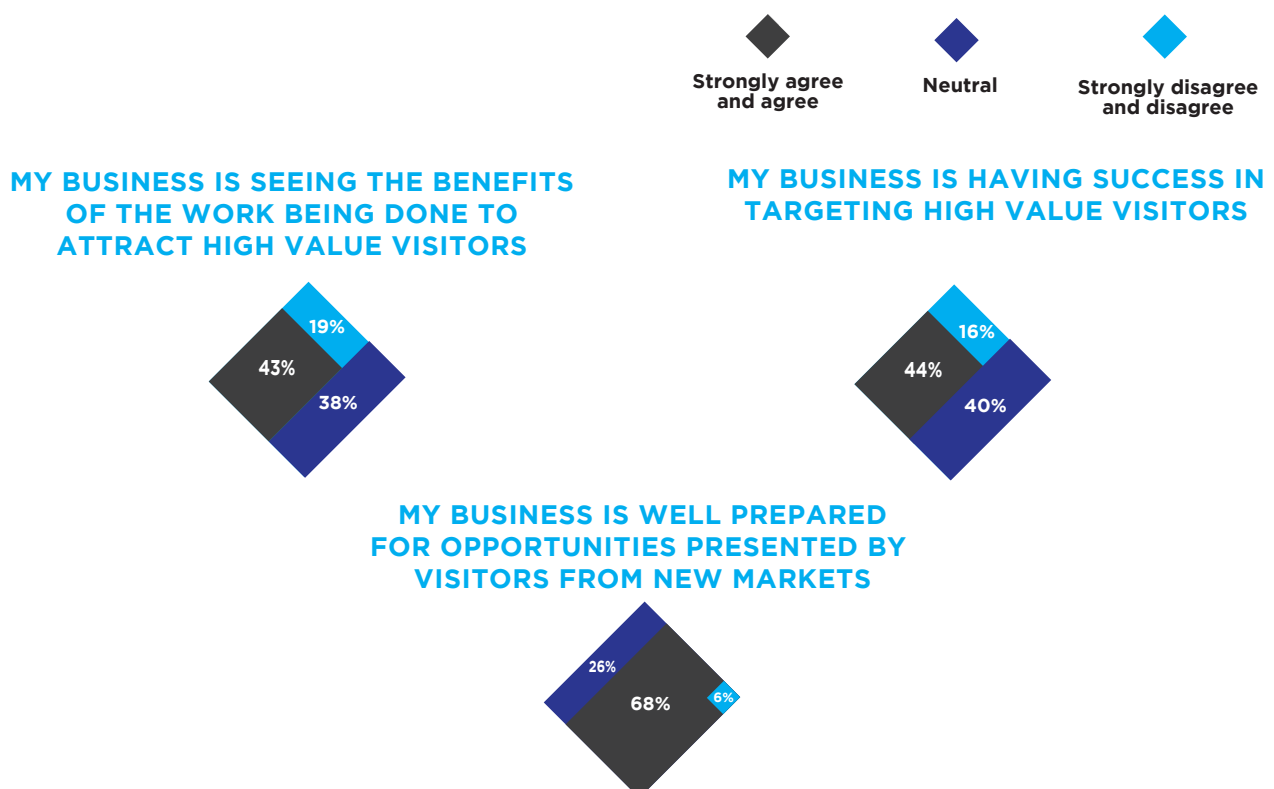
One survey participant commented:

"What I do know is that regional dispersal and seasonal dispersal is challenged by the lack of funding available to local government to invest in improved visitor core infrastructure, new tourism products and experiences and events. Finding a solution for local government that REALLY addresses this is the only real way of moving visitors beyond the main centres which have the reputation and resources to just keep building."

The ability of a value strategy in being able to mitigate some of the social and environmental impacts of increasing visitation in some destinations is appealing to many tourism businesses.

It is also evident that many tourism businesses are prepared for the development of new visitor markets with 68% of tourism business stating that they are well prepared for opportunities they present.

Additionally, 44% of businesses agreed that they have already had success in targeting high value visitors and 43% agreed that they are seeing the benefits of the work being done to attract high value visitors.



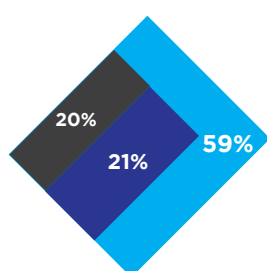
INFRASTRUCTURE

The survey provided a high level of feedback on the topic of infrastructure. There was a high level of concern for the relatively low level of capital investment in tourism infrastructure. When benchmarked internationally this sentiment seems to be validated.

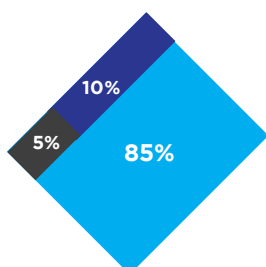
The WTTC (2018) reports that New Zealand's travel and tourism capital investment in 2017 decreased by 0.3% in 2018 when compared to 2017. The global average increase for this period was 4.5%.

This low level of investment is likely to constrain growth in the future and impede host communities' ability to be able to cope with the forecast increase in visitors.

CURRENT INFRASTRUCTURE MEETS THE NEEDS OF VISITORS



INFRASTRUCTURE PROJECTS REQUIRE ADDITIONAL CENTRAL GOVERNMENT FUNDING




Strongly agree
and agree


Neutral


Strongly disagree
and disagree

The survey data highlighted that only 20% of survey respondents were in agreement that current infrastructure can generally meet the needs of visitors and 85% of tourism businesses were in agreement that infrastructure projects require additional central government funding.

One survey participant commented:

“Tourism needs to be seen as a public/ private partnership (and include community infrastructure and goodwill).

With increased growth volume pressure, we need to have much better data and models to assist business cases (which can often take 3+ years to implement).

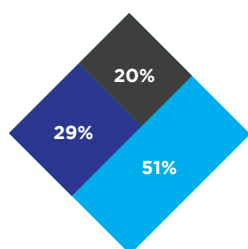
Infrastructure provision is our greatest area of risk.

It is THE hot button.”

This relatively low level of travel and tourism infrastructure investment has been to some extent addressed in 2018. Additional tourism investment is likely as a result of the Provincial Growth Fund and International Visitor Conservation and Tourism Levy that were announced during 2018. However, industry stakeholders are still cautious about how this investment will be spent and how this will improve tourism services and infrastructure.

Continued and sustained growth in both visitor numbers and value present significant opportunities for tourism businesses but it has also highlighted the fragility of some of Aotearoa New Zealand’s infrastructure.

INFRASTRUCTURE INVESTMENT WILL KEEP UP WITH VISITOR GROWTH



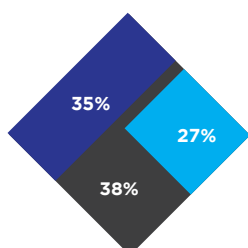
51% of survey respondents were in disagreement that current infrastructure investment will keep up with demand from visitor growth.

Additionally, 38% of survey respondents were in agreement that industry should fund infrastructure projects, a 5% increase on 2017. It also signals that industry is increasing its appetite for investing their own capital to improve the visitor experience in lieu of limited alternatives.

One survey respondent commented:

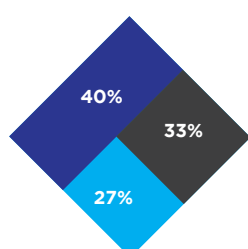
“Tourism adds massive value to regional and national economies. For this contribution to grow we need to make an investment.

Councils and government need to recognise the opportunity and step up rather than holding a hand up.”



2018

INDUSTRY SHOULD FUND INFRASTRUCTURE PROJECTS



2017

Central government has acknowledged that tourism has gone through a period of exceptional growth and it is to some extent addressing the investment gap that has emerged. In order to address this, central government has increased direct infrastructure investment through a variety of mechanisms including the MBIE managed Tourism Infrastructure Fund.

In the first two funding rounds of the Tourism Infrastructure Fund \$34 million has been distributed to 76 separate projects.

The vast majority of recipients have been territorial authorities, with the intention of meeting the fund's objective of supporting local communities particularly those which require assistance to manage the high number of visitors being attracted to their regions.



PEOPLE AND SKILLS

People and skills are increasingly becoming an area of serious concern for many tourism businesses, directly impacting their ability to deliver a quality visitor experience.

In the YE March 2018, tourism employed 365,316 people or 13.5% of all people employed in New Zealand.

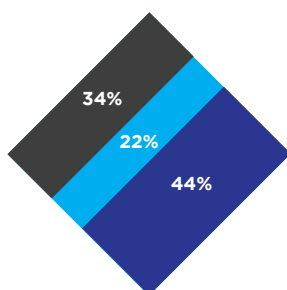
There were 216,012 people directly and 149,304 people indirectly employed in the tourism industry. There were 8,931 additional people employed in the industry in 2018 when compared to 2017.

Tourism employment data (Stats NZ, 2018) highlights that tourism is more labour intensive than other industries. In 2018 tourism's direct value add to GDP was only 6.1% whilst directly employing 8% of the total labour market.

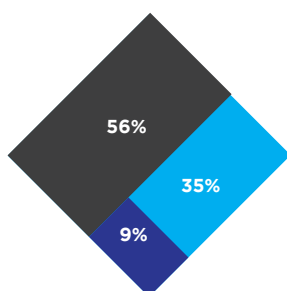
The lack of supply of suitable labour was demonstrated in the responses of survey participants with only 29% of tourism businesses agreeing that they can find skilled New Zealanders to work in their tourism businesses.

Ministry of Education data also shows that in 2017 there were only 4,325 domestic and 725 international students enrolled in tertiary level study with a specialisation in tourism. This has declined year on year since 2009 which has contributed to the disequilibrium in the supply and demand for graduate level labour.

MY BUSINESS IS RELIANT ON MIGRANT LABOUR



WORK VISAS ARE A SIGNIFICANT ISSUE



34% of tourism businesses strongly agreed or agreed that they are reliant on migrant labour to support their business and 56% of tourism businesses strongly agreed or agreed that visa issues are a significant issue.

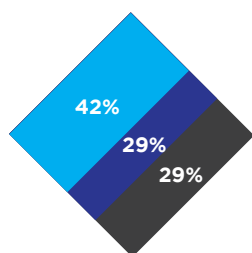
In August 2018, Immigration New Zealand announced updated international student post-study work rights settings which included:

- ◆ the removal of the employer-assisted post-study work visa;
- ◆ a one year post-study open work visa for international students studying at levels 4-7 (non-degree level);
- ◆ a two year post-study work visa for international students studying levels 4-7 outside of Auckland (non-degree level); and
- ◆ three year post-study open work visa for international students studying on a degree level 7 or higher.

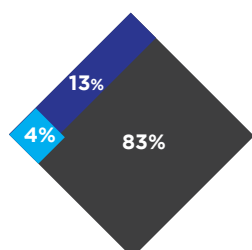
These settings have given certainty to international students choosing to study in New Zealand. They have been designed to match the skills and talents that people bring to New Zealand with the skills that employers need to grow their businesses.

There has also been consideration given to the post-study pathways for international students to ensure that the qualifications that they study towards are fit-for-purpose and contribute to the skills and qualification needs of Aotearoa New Zealand, with the intention of adding additional capacity to the labour market.

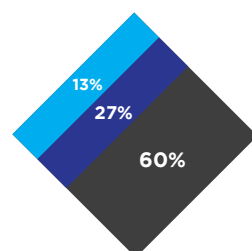
I CAN FIND SKILLED NEW ZEALANDERS FOR MY BUSINESS



STAFFING IS A SIGNIFICANT ISSUE



LOW WAGES ARE A BARRIER TO RECRUITING GOOD PEOPLE

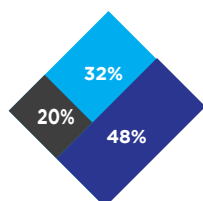


 Strongly agree and agree

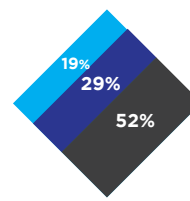
 Neutral

 Strongly disagree and disagree

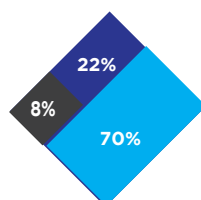
TOURISM QUALIFICATIONS MATCH THE SKILL REQUIREMENTS OF INDUSTRY



MY BUSINESS IS ENGAGED WITH LOCAL EDUCATION PROVIDERS



TOURISM PROVIDES A CAREER PATH



YE June 2018 labour market statistics show that there was a 7.3% decline in full time equivalent workers employed in the accommodation and food services industries (Stats NZ, 2018).

The decline in employment in these sectors has been driven primarily as a result of a reduction in part-time jobs. Notably, this decline has occurred during a period when job growth across the economy has been 2.1% (YE June 2018).

Low wages were cited as a barrier to attracting quality staff, with 60% of tourism businesses strongly agreeing or agreeing that it was a barrier to recruiting quality staff.

Issues of seasonality, remoteness, availability of accommodation and low visibility of career paths were also cited as significant barriers to recruiting quality staff, however, tourism businesses that were able to pay above the living wage also cited an increased ability to not only retain staff but also attract staff.

One survey participant commented:

"We pay above the living wage and our business has no problem attracting staff. This does not appear to be the case with other employers in our area who choose to pay very low wages."

Another survey participant commented:

"We don't struggle to find staff (have 25) as we pay above average salaries and good living wages."

SUSTAINABILITY

In November 2017 TIA launched the New Zealand Tourism Sustainability Commitment (TSC). As at February 2019, over 750 tourism businesses have signed up to the Commitment.

The Tourism Sustainability Commitment vision is:
“Leading the world in sustainable tourism.”

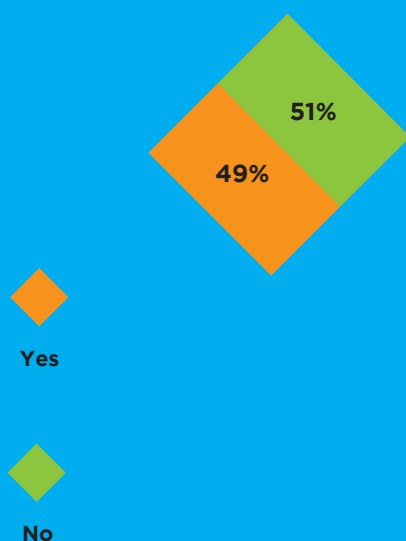
There are eight industry goals, which involve 14 business commitments based around economic, visitor, host community and environmental sustainability.

At the time of the data collection for this report, 56% of respondents were signed up to the TSC. There were 130 qualitative comments connected to the question:

“Is your business signed up to the Tourism Sustainability Commitment?”

This question generated the second largest number of qualitative comments for any question in the survey.

THE TOURISM INDUSTRY IS DOING ENOUGH TO ENSURE IT WILL BECOME A SUSTAINABLE INDUSTRY



The initiation of the TSC in 2017 has highlighted the issue of sustainability for many operators and provides a framework to guide their actions towards sustainability. There is a definite divide across the tourism industry between those that believe the tourism industry is doing enough to become a sustainable industry and those that believe it needs to do more.

49% of survey participants believed that the tourism industry is doing enough to ensure it will become a sustainable industry. There were 111 qualitative comments received for this question, the third largest number of qualitative comments for any question in the survey.

Coding of the quantitative data shows that a large number of respondents are seeking to sign up to the TSC and that the overall perception of the TSC is positive. Tourism businesses are also taking the 14 business commitments seriously by acknowledging that it will take some businesses time to meet the requirements of all 14 commitments. Comments included:

“We are working through the requirements and will be implementing the requirements of the TSC prior to the end of 2018.”

and

“Signing up is easy – doing something about it is another harder aspect.”

The survey data highlighted a tension for some tourism businesses that are signed up to other sustainability programmes and the costs associated with meeting all the commitments in the TSC.

One survey participant commented:

“We have achieved Qualmark Gold and are part of the Rotorua Sustainable Tourism Charter, and this is yet another compliance cost! We are a medium sized, owner operated business and time spent on compliance is increasing by the day, which means less time to manage staff and attract new business.”

The need for the tourism industry to improve its level of sustainability was highlighted by many of the survey participants. However, the practical implementation of putting policy into actions for these businesses will come at some cost which some tourism businesses will need additional support to be able to achieve.

One tourism business that supported the TSC commented:

“Everyone should have sustainability as part of their focus for 2019/20. It will then become a part of culture in business and not just about compliancy.”

One barrier to achieving a sustainable tourism industry is that ‘sustainable tourism’ is difficult to define and that there is not a universally accepted definition.

The TSC has increased awareness of sustainable tourism practices, however, for some survey participants the current set of sustainability benchmarks do not have a strong enough emphasis on the maintenance of environmental quality.

One of these survey participants stated:

“Sustainability is a very broad term and it means different things to different people.”

Since there is no ‘one-size-fits-all’ approach to achieving sustainable tourism there is likely to be a large degree of variance in how tourism businesses interpret sustainable tourism development.

By having measureable outcomes, future sustainable initiatives are likely to be embraced by the industry as it will help destination managers and policy-makers to prioritise action areas that eventually avoid duplication of efforts and wastage of resources.

One survey respondent stated:

“The Commitment is a good start but we need to see tangible change across the sector. Carbon zero strategies, environment enhancement and fair wages.”

The application of sustainability indicators and collection of reliable and relevant data across New Zealand will enable tourism businesses and destinations to create tangible management actions which will enable them to be proactive in identifying problems before they get too difficult to solve.

GLOBAL ISSUES AND RANKINGS

The Tourism industry in New Zealand has performed strongly over recent decades, in line with global tourism growth. Over the past 20 years, international travel departures across the globe have more than doubled from roughly 600 million in 1996 to over 1.3 billion in 2018 (World Bank, 2018). This large increase in visitors has influenced global travel trends and a range of issues have emerged over the past 12 months.

CURRENT GLOBAL ISSUES

TOURISM IS GROWING GLOBALLY

Tourism continues to grow at an extraordinary rate with international tourist arrivals reaching 1.323 billion in 2017. There were an additional 84 million arrivals compared to 2016 and it was the eighth straight year of around 4% growth. Europe experienced the largest rate of growth in international tourist arrivals, growing by 8% in 2017; the Asia-Pacific region followed closely with arrivals growing by 6%.

All source markets amongst the global top ten in terms of expenditure recorded increased tourism expenditure. China continues to lead this group in terms of expenditure with outbound visitors having spent 257.7 billion USD in 2017.

There has also been a significant increase in tourism expenditure from the USA, which has risen by 13 billion USD (9%) compared to 2016.

There have also been strong increases in expenditure results from Canada, Italy and the Republic of Korea (UNWTO, 2018).

EXPERIENCES MEAN MORE THAN THINGS

Demand for travel experiences is now outpacing demand for goods. There has been a shift in personal consumption spending on durable goods such as cars, furniture, household appliances, clothing, apparel and other typical consumer products to experiential spending. This has seen expenditure consistently rise over the past ten years on travel, recreation and eating out (Deloitte, 2018).

RESTAURANTS: NEW ERA OF COMPETITION

Consumer demand for experiences has seen the restaurant industry presented with unprecedented competition. It is currently estimated that in the USA 44% of consumers food budget is spent dining out and this share of food spending is forecast to rise over the coming years. Consumers have expectations beyond good food at a reasonable price; they are demanding a differentiated customer experience to accompany their meals. This is driving restaurants to execute across all dimensions of the customer experience: value, menu, quality and staff so that a cohesive service experience can be executed.

Businesses that have had success in meeting and exceeding customer expectations are finding that strategic employee engagement programmes have been able to transform the customer experience, creating brand loyalty and growing market share. Motivated and engaged employees have been found instrumental in creating a positive restaurant experience for customers and will drive organisation success.

The ability to execute a cohesive service experience is necessary as there has been an increase in unique food experiences that offer authentic menus. Consumers have more choice and traditional brick and mortar locations have seen competition from alternatives such as food trucks, pop-up kitchens, subscription-based meal kits and hosted meals enabled by the sharing economy (Deloitte, 2018).

DATA LEADING PERSONALISATION

The travel and tourism industry is on the verge of an evolutionary leap where the relationship between customer and brand has the ability to be updated in real-time. Through technologies such as AI, IoT and mobile connectivity customers can receive data enabled personalised service experiences.

These experiences will vary. They could include, for example, a frequent business traveller finding that their favourite drink is waiting for them when they board a plane, or a hotel room's air conditioner being set to their liking before they enter the room.

These personalised experiences can be delivered in real time and allow brands to offer tailored marketing messages which are relevant to individual consumers. The ability to unbundle services and send curated marketing messages to specific customers based on their behaviour in real time is likely to unlock additional revenue for brands and create an evermore personalised approach to their marketing (Deloitte, 2018).

THE HUMAN TOUCH

While global trends have emphasised the disruption that technology is likely to cause to the tourism industry, at its heart travel is still very much a human experience. It is enriched by the person-to-person experience and for brands to be successful they need to leverage technology to produce an elevated, authentic humanistic experience.

Successful brands will utilise technology to do more 'machine' work, empowering humans to offer better service experiences, and meaningful humanistic connections.

This will require these brands to increase investment in talent to improve employee engagement. A brand's commitment to the employee experience has considerable strategic value in driving workplace satisfaction and is likely to create improvements in a brand's bottom line performance (Deloitte, 2018).

TECHNOLOGY OF TRAVEL

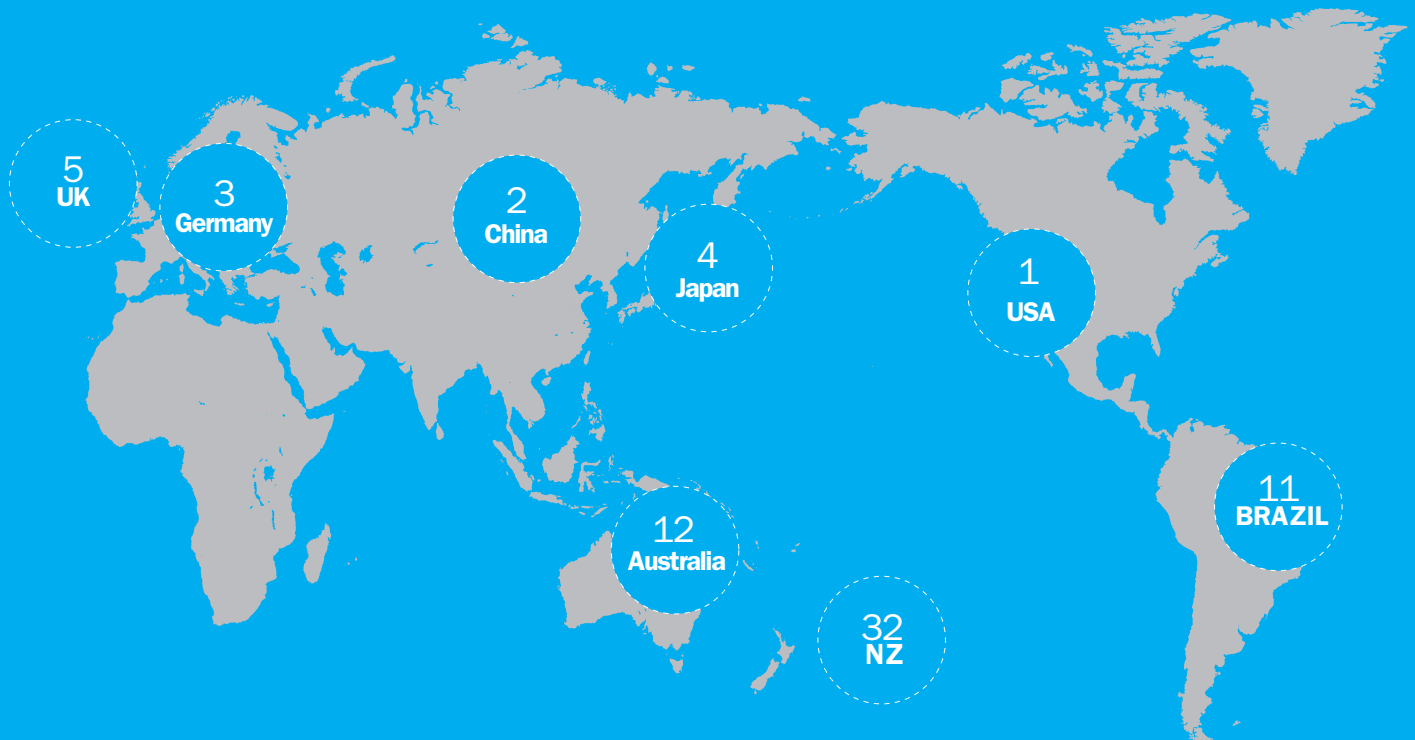
Technology continues to enable disruption in the tourism industry and technologies such as artificial intelligence (AI), Internet of Things (IoT), voice technology, automation and blockchain will likely shape the future of travel and tourism. Travel websites are using AI to deliver more personalised experiences for travel planners through the machine learning of large volumes of unstructured data connected to them, including photos, videos, social networking data and natural language. IoT utilises a wide range of sensors to offer a personalised experience for travellers in real time. Utilising connected sensors, devices and machines, IoT allows organisations to personalise the service experience that consumers' receive in real time.

Voice technology and voice search are areas of heavy investment for technology companies. The adoption of digital home assistants with the ability to 'search-shop-buy' with less friction than traditional channels has created an intense battle to shift consumer behavior amongst some technology companies. Automation and robotics utilise a mix of software and hardware platforms to digitise tasks and workflows based on pre-programmed rules which essentially remove the need for human labour.

Forbes (2017) believe the next major area of mass disruption will be in the ground transportation industry. It is expected that there will be ten million driverless vehicles on the road by 2020 creating a revolution for the sector and raising the question of how to redeploy this segment of the labour market.

Blockchain, the technology that underpins cryptocurrencies such as Bitcoin, Ethereum and Ripple, has recently come to the attention of some big players in the travel and tourism industry due to their ability to streamline online distribution, improve travel payment processes and reduce fraud. Some organisations are looking at blockchain to redesign loyalty programmes, provide real-time baggage tracking, simplify employee/contractor management and improve traveler identification processes (Deloitte, 2018).

GLOBAL RANKINGS



Ranking based on contribution to GDP
(WTTC, 2018)

The World Travel and Tourism Council (2018) ranked New Zealand 32 out of 185 countries for the relative importance of Travel & Tourism's total contribution to GDP.

New Zealand received a 'power ranking' from the WTTC based on absolute growth of 26. This power ranking was derived by calculating the average (equally-weighted) of total travel and tourism GDP, foreign visitor spending, domestic spending and travel and tourism capital investment.

New Zealand was also ranked 27 for countries which have seen the largest growth in travel and tourism contribution to GDP over the past seven years.

Globally, over this seven-year period, travel & tourism growth has been driven primarily by strong spending out of China, growing by \$1.7 billion USD.

