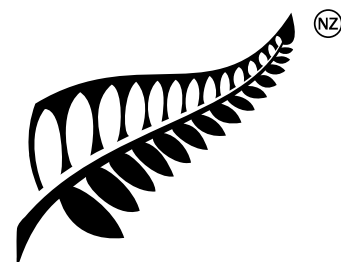




# New Zealand Tourism Strategy 2010



# Foreword

## From the Chair of the Tourism Strategy Group

New Zealand tourism experienced strong growth over the last decade with international arrivals alone increasing by 85% in the ten years to December 2000. The sector can be proud of its achievements. It is now one of the largest earners of foreign exchange (contributing 16% of New Zealand's export earnings). This dynamic industry is destined to play a leading role in the continual transformation of the New Zealand economy.

Both industry and Government acknowledge there are challenges facing the sector that need to be addressed and opportunities to be taken advantage of. It is therefore timely to develop a strategy for the next ten years that will maximise the sector's potential and grow tourism, whilst ensuring cultural, social, environmental and economic sustainability.

In September last year I was appointed to chair the Tourism Strategy Group (TSG) established to develop the New Zealand Tourism Strategy. The challenge was to build on earlier work undertaken by the Tourism Industry Association (TIA) and to develop a strategy that would:

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**"Provide a framework for decision making that will allow the tourism industry in partnership with government to face the future with confidence and build the capabilities for sustainable growth"**

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The TSG is pleased to present the results in this document, the New Zealand Tourism Strategy 2010. This strategy was developed jointly by industry and government, involving extensive input from sector participants. In particular I would like to recognise the advice and contribution that the TSG members and those that assisted them, including the Maori Tourism Advisory Group (MTAG), have made to this strategy.

In reading the Tourism Strategy 2010 you will not find the issues and challenges facing the tourism industry discussed at length. We have debated these for long enough. Instead, the strategy focuses on articulating a direction and identifying opportunities that need to be grasped to achieve this vision.

The strategy is about *sustainable* tourism development to ensure the benefits accruing from the sector's growth will not be short-lived. Sustainability is essential.

Critical to the success of the strategy will be:

- Ongoing investment by operators in product development, technology, quality systems and marketing in parallel with ongoing funding support from government reflecting the public good nature of much of the marketing, research and development, policy and environment conservation effort.
- Managing the natural environment and environmental sustainability.
- A very focused off-shore marketing strategy that is leveraged locally.
- Creative linkages between destination marketing and destination management.
- Upskilling and capability building of sector participants, particularly small and medium sized businesses.
- More effective partnerships between central and local government and between government and industry.
- Increased participation of Maori throughout the sector.
- Rationalisation of agencies supporting the delivery of tourism.

Adopting and funding the recommendations outlined will conservatively enable us to grow expenditure by international visitors to \$9.4 billion (a 74% increase) and by overnight domestic visitors to an estimated \$6.3 billion (a 50% increase) by 2010. The opportunity exists to grow total expenditure to \$26.8 billion.

Tourism will be an exciting and rewarding industry to work in over the next ten years. I look forward to partnering with industry colleagues and government to achieve the objectives that are outlined in the New Zealand Tourism Strategy 2010.

**Evan Davies**  
**Chair**

# Tourism Strategy Group

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## Members

Evan Davies (Chair)	Sky City
Geoff Burns	Air New Zealand
Glenys Coughlan	Tourism Industry Association New Zealand
George Hickton	Tourism New Zealand
Hugh Logan	Department of Conservation
Ngatata Love	Te Puni Kokiri
Kerry Marshall	Local Government New Zealand
Mike Noon	Office of Tourism and Sport
Brian Roberts	Destination Northland
Wally Stone	Whalewatch Kaikoura

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# Executive Summary

## Why a Strategy

Tourism has grown strongly over the last ten years. It now accounts for 9.3% of GDP and is one of the largest earners of foreign exchange (contributing 16% of New Zealand's export earnings). It will be one of the key sectors that continues to transform the New Zealand economy.

Tourism plays a significant role within the New Zealand economy and will become increasingly important over the next ten years.

The challenge is significant however as:

- The sector comprises a large number of small and medium sized businesses that have limited ability to invest in its development.
- The global market place is extremely competitive and New Zealand's market share is very small (0.45%).
- Consumers are becoming more demanding when selecting holiday destinations and are seeking authentic life experiences.
- The New Zealand tourism experience is differentiated by our environment and our people. Tourism must grow in a way that does not compromise this.

A strategy is required to ensure that New Zealand maximises the sector's potential and grows tourism in a way that is sustainable culturally, socially, environmentally and economically.

A strategy is required to map out a clear direction for the sector and provide a framework for best practice decision making.

The Tourism Strategy 2010 will:

- Assist the sector to manage growth in a way that ensures long-term sustainability.
- Provide ways to manage conflicts between increasing tourism growth and environmental, social and cultural values that are important to New Zealanders and our visitors.
- Provide the appropriate structure within which ongoing industry investment and profitability can be both facilitated and maximised.
- Value and build on the unique contribution Maori make to the tourism sector and enable Maori to increasingly benefit from tourism growth.
- Reduce overlaps and gaps within the sector.
- Secure commitment and funding to tourism from central and local government.
- Make it easier for operators to do business in the sector.
- Provide the wider New Zealand public with an understanding of the value of tourism to the economy and the role that all New Zealanders' need to play.
- Provide cohesion to strategic direction and activities.



## Tourism Strategy 2010 - Our Vision

Over the past six months, industry and government have worked jointly to develop a common vision for the sector.

The vision for tourism in New Zealand is that:

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In 2010,

Visitors and their host communities understand and embrace the spirit of manaakitanga (*hospitality*)

while,

New Zealanders' environment and culture is conserved and sustained in the spirit of kaitiakitanga (*guardianship*)

and,

Tourism is a vibrant and significant contributor to the economic development of New Zealand

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The mission for the tourism sector is to:

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Welcome Visitors

Protect our environment

Celebrate our culture

---

The overall direction for the tourism sector can be summarised as being:

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A sustainable yield driven strategy based on growing tourism demand and financial returns while enhancing the quality of the visitor experience and New Zealanders' quality of life

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Key principles that run through the strategy are:

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- **Sustainability** – sustainable development is critical to ensure the benefits of tourism will not be short-lived. This will require greater integration between destination management and destination marketing than has been the case to date. It will also require all sector participants to embrace the values of manaakitanga and kaitiakitanga.
- **Yield driven** – increasing yield requires emphasis to be placed on both growing visitor numbers and spend per visitor. A 1% increase in spend by all visitors generates the same economic result (a \$1billion dollar increase in revenue) as a 12% growth in visitor numbers. This highlights the importance of strategies that increase visitor spend rather than focusing solely on growing visitor numbers.

The Tourism Strategy Group (TSG) has developed a unified strategy for the sector.

The Tourism Strategy 2010 maps out a path for sustainable tourism growth.

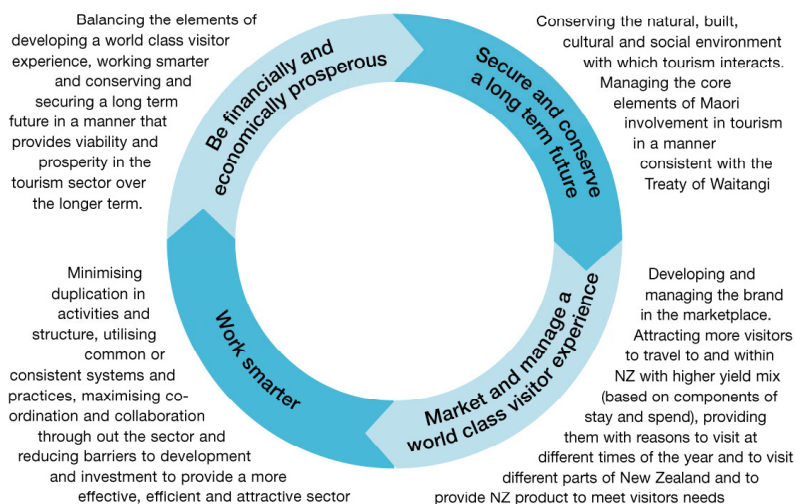
- **Maori participation** – Maori will play a key role in tourism and will increasingly benefit from it as more Maori are employed in the sector and take an equity stake.
- **Public/private commitment** – more effective public and private sector partnerships consistent with the Treaty of Waitangi. The public and private sectors will need to commit additional funding if the potential benefits from tourism are to be achieved. This commitment will need to move beyond one year funding cycles and stronger public/private partnerships will be required if government funding is to be leveraged effectively.

## Strategic Framework

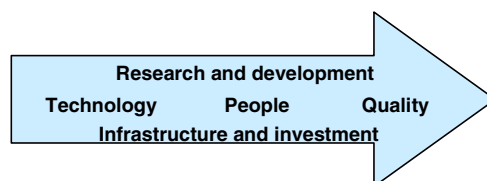
The framework around which the Tourism Strategy 2010 is built is outlined below.

Four objectives and five enablers underpin the vision and mission.

### Objectives



### Enablers



Strategies to support this vision have been developed around four key objectives:

- Securing and conserving a long term future
- Marketing and managing a world class visitor experience
- Working smarter
- Being financially and economically prosperous

And five key enablers:

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- Technology
  - People
  - Research and development
  - Infrastructure and investment
  - Quality
- 

## Key TSG Recommendations

The TSG is making a number of recommendations to ensure the sustainable development of New Zealand tourism.

These recommendations are linked to the four objectives and five enablers outlined in the strategic framework. Recommendations have also been proposed about structure and funding. In the discussion below, the structural recommendations have been outlined first to give clarity about who will take overall responsibility for the implementation of the full set of recommendations.

The key recommendations outlined below are described in more detail in Appendix 2 where responsibility for delivery and proposed implementation timeframes are listed. More specific recommendations are outlined in Appendices 4-7.

Key recommendations have been made by the TSG to enable the strategy and vision to be realised.

## Structural Recommendations

The TSG is recommending significant structural change to align the sector to deliver the outcomes projected.

Key recommendations are:

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- **NewTNZ** – Establish a new jointly owned and funded private/public sector organisation to lead international branding and marketing. It will work closely with the private sector and regional tourism entities to leverage sales and marketing opportunities and ensure destination management and destination marketing are closely linked.
- **NewRTOs** – Establish NewRTOs to take on an enhanced role in destination marketing and management, domestic and international marketing and regional tourism planning and development. They will facilitate the provision of services to tourism operators. Consolidation of common functions and a reduction in Regional Tourism Organisation (RTO) numbers is recommended as they work through this process.
- **Ministry of Tourism** – Adopt a whole-of-government approach which is led by an appropriately resourced Ministry of Tourism.
- **Tourism Industry Association (TIA)** – TIA will have a strong advocacy role with both local and central government and will play an important role in further developing the Small and Medium Enterprise (SMEs') capability.
- **Maori** - Build Maori capability and increase Maori equity investment in tourism to enable greater participation of Maori

Structural change is required to position the sector well and maximise opportunities.

throughout tourism. Facilitate the creation of representative Maori tourism bodies (or structures within existing bodies) at a regional level initially, with the establishment of a National Maori Tourism Organisation following.

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## Securing and Conserving a Long Term Future

Critical to sustainable growth is conserving the natural, built, cultural and social environment with which tourism interacts and on which tourism is dependent.

Key TSG recommendations are:

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Develop and promote resource use efficiency initiatives and environmental management systems to achieve agreed international benchmarks.

Monitor and manage visitor impacts on the protected environment.

Develop and maintain recreational services and facilities on conservation lands to support increased visitor growth without damaging the environment.

Adopt a whole of sector model to reduce complexity and improve efficiency in tourism planning and development.

Maori partner with NewRTOs on regional tourism planning and development, destination marketing and destination management .

Incorporate cultural heritage thinking into decision making.

Develop cultural tourism products in a manner and timeframe that will differentiate New Zealand in the global marketplace and assist in tourism growth.

Increase stakeholder understanding and support for tourism.

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## Marketing and Managing a World Class Visitor Experience

Attracting and retaining visitors that assist in growing yield and match our brand and product values, requires strategies that focus on a range of marketing mix elements.

Key TSG recommendations are:

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Encourage widespread adoption of common brand architecture and adopt the New Zealand fern mark more extensively.

Improve the use and quality of authentic and contemporary Maori experiences through a mechanism such as a Maori mark of authenticity.

Utilise public/private partnerships and a greater range of joint initiatives across all elements of the marketing mix to increase penetration and effectively leverage the public sector's spend for industry benefit and industry spend for public benefit.

All sector participants will embrace the values of manaakitanga and kaitiakitanga.

Strong market positioning is critical to success.

Increase development and packaging of year round, regionally differentiated and high yield products and events.

Develop a tourism distribution channel strategy to increase New Zealand's influence in the distribution channels and the yield accruing to operators.

Consider adoption of the Visitor Information Network (VIN) strategy to provide objective information and travel services for the independently minded traveller.

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## Working Smarter

Opportunities exist within the sector to improve operator profitability by 'working smarter' right across the sector.

Key TSG recommendations are:

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Develop and deliver a range of business tools, methods, templates and resources for use by Small and Medium Enterprises (SMEs).

Align destination marketing and destination management.

Clarify NewRTOs functions and examine options for reducing the current 25 RTOs.

Develop a shared back office for NewRTOs for common functions most efficiently undertaken on a joint basis.

Secure central and local government long-term funding commitment to the tourism sector and required infrastructure.

Rationalise the number of industry associations and/or make belonging to a range of these less cumbersome for tourism operators.

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## Being Financially and Economically Prosperous

The achievement of this objective is dependent on balancing the elements of the other objectives developing a world class visitor experience, working smarter and conserving and securing a long term future.

Key TSG recommendations are:

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Research, develop and promote at the sector level the use of pricing and yield management strategies to improve financial and economic viability.

Tourism operators increase their use of pricing strategies to improve yield.

Tourism operators premium price for quality and authenticity and NewTNZ and NewRTOs leverage this in marketing campaigns.

Tourism operators increase their use of competitive yield management strategies

Work with airlines to ensure airline yield and capacity issues are adequately taken into account when targeting visitors and developing products.

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Operator returns will increase through rationalisation, alignment and adoption of best practice approaches.

New Zealand as a whole will benefit from tourism growth.

## Enabling the Sector

There is a range of enabling strategies that will support the successful and sustainable development of tourism in New Zealand.

Key TSG recommendations are:

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Five enablers will support the success of the Tourism Strategy 2010.

### Technology

Develop a sector wide technology strategy and encourage sector wide adoption of technology.

### People

Refocus the delivery of training to better meet the needs of SMEs.

Reduce the number of providers of tourism training.

Increase tourism's share of industry training funding to reflect its contribution to the economy.

### Research and Development

Obtain five-year commitment to funding for the core tourism data set. Centralise accountability for commissioning the core tourism data set and developing the R&D programme.

Improve the level and leverage of public research funding applied to tourism research to reflect its contribution to the economy.

### Infrastructure and Investment

Build infrastructure commitment to developing infrastructure to support delivery of the visitor experience promise.

Agree infrastructure responsibilities and funding commitments.

### Quality

Implement a quality brand, sector standards and an effective national accreditation framework for tourism.

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## Implementation Costs

Funding will be required for:

- Set-up or one-off costs. This is estimated to be in the range of \$5 million-\$11 million over a three to four year period.
- On-going costs for activities.
- Investment in capital and infrastructure.

Additional funding will be sourced from:

- More efficient use of current funds.
- Allocation of a greater proportion of funds from other Votes (e.g. Industry New Zealand, Research and Science, Education) to the tourism sector.
- An increase to Vote: Tourism.
- An increase in funding and commitment from Territorial Local Authorities (TLAs) to NewRTOs.

The Tourism Strategy 2010 will not be achieved without additional funding and commitment from both the public and private sectors.

- Ongoing private sector infrastructure investment and an increase in funds in areas such as destination marketing and technology.

The majority of additional one-off funding by nature of the activities to be undertaken is proposed to be sourced from central government with some from local government and industry. This one-off funding will be required over a three to four year period.

## The Benefits

Tourism will be a key sector in the transformation of the New Zealand economy and contribute significantly to economic growth both nationally and regionally. Modelling work undertaken, based on a conservative scenario, suggests that in 2010:

- International visitor numbers will have grown by at least 81% to 3.2 million people, the majority of whom will arrive by air.
- The visitor mix will be similar to at present with 52% coming from Australia, United Kingdom, United States and Japan.
- Holiday visitors are expected to account for 42% of all domestic visitors and 53% of all international visitors.
- International visitor spend is projected to grow to at least \$9.4 billion, an increase of 74%.
- Total expenditure from both international and domestic visitors is conservatively estimated to be nearly \$16 billion, with more ambitious modelling suggesting it could grow to approximately \$27 billion.
- This additional visitor expenditure will flow to all regions of New Zealand.
- An additional 100,000 people will be employed in tourism with Maori comprising in excess of 20% of these new employees.
- The returns to industry operators (i.e. sector profitability) will be improved through the implementation of more effective pricing strategies, four seasons destination marketing and yield based management strategies.

The benefits to New Zealand of 'getting tourism right' are potentially very large.

## Next Steps

The strategy has been developed jointly with industry, Maori, conservation and central and local government and the objectives, key strategies and recommendations have been discussed with them. The TSG endorses the strategy outlined in this document and is now seeking to work with industry, Maori and key government agencies to obtain feedback on how best to implement Tourism Strategy 2010.

To achieve the TSG recommendations, it is proposed that a Tourism Strategy Implementation Group comprised of private and public section members, be established to oversee the development of the Implementation Plan and monitor progress towards key milestones.

Feedback is now sought on how best to implement the Tourism Strategy 2010.

# Developing the Tourism Strategy 2010

## Our Approach

In September 1999 the TIA circulated a discussion document entitled “*Tourism 2010: A Strategy for New Zealand Tourism*”. This provided the foundation for the current strategy.

At the Tourism Conference in August 2000, the Prime Minister and Minister of Tourism reinforced their commitment to a private/public sector partnership to develop a tourism strategy for New Zealand.

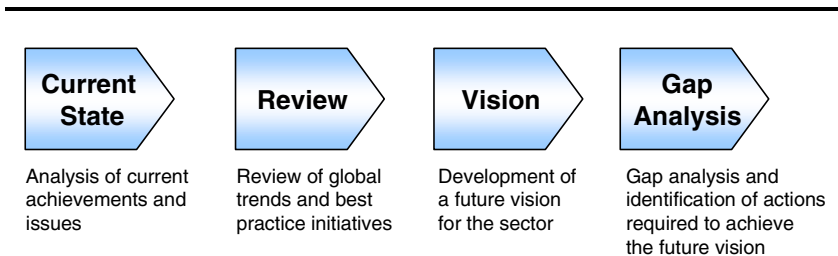
The key aims of the strategy were to:

- Align the interests and activities of all tourism industry players – government and private sector.
- Harness the collective energy and avoid duplication of effort.
- Provide clarity of purpose and direction for the sector.

A joint industry and government group, the Tourism Strategy Group (TSG) was appointed to oversee the development of the strategy with 31 March 2001 set as the reporting date.

In October 2000, the TSG appointed Cap Gemini Ernst & Young as project managers. Their role was to work in conjunction with the TSG and key government and industry players to develop a sector wide strategy for the next ten years.

The process that followed involved:



Analysis of data and review of research materials underpinned the process. Given the limited availability of data however, the process also involved extensive input from a wide range of sector participants.

This took a variety of forms including:

- A cross section of people with detailed industry knowledge attended ten cluster-based focus group meetings. These meetings were held early in the strategy formulation and were attended by over 120 people. Additional focus group meetings and workshops were held subsequently to discuss and debate issues and strategies further.
- A web-site was established for the project.
- Receipt of materials / submissions from a cross section of individuals and organisations, stemming from the web-site and others from direct contact throughout the strategy development process.

A high level of commitment to the development of a tourism strategy was signalled at the New Zealand Tourism Conference in 2000.

Development of the strategy involved extensive industry input.



- One-on-one and group meetings with a number of sector participants.
- A Maori Tourism Advisory Group (MTAG) was established to advise the TSG on matters related to Maori. Their input has been included throughout this document and the paper they provided to the Tourism Strategy Group and a list of members is attached. (Appendix 3).
- Feedback on goals underpinning the strategy through forums such as the TIA's Tourism @ Work 2001 Roadshows (attended by over 400 participants across nine locations), the TIA and Tourism New Zealand (TNZ) Board meetings and the TIA Joint Industry Council meeting.
- The TSG met to consider and debate issues, test and develop ideas, map out a clear direction for the sector going forward, determine the critical goals that the sector must achieve and to identify what needs to happen to achieve these objectives.

## Document Structure

Presented in this document is the New Zealand Tourism Strategy to 2010 that has resulted from the above process. It is intended as a framework for decision making for those organisations and individuals currently operating in the sector and for those who are either impacted by it or are considering operating in the sector.

The document is structured as follows:

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### Tourism in New Zealand

A brief overview of tourism in New Zealand today. Some key facts are presented to give an indication of the scale of the industry and its importance to the New Zealand economy. A summary of key sector challenges is also presented to set the context within which the strategy has been formulated.

### Setting the Direction for Tourism in New Zealand

A vision for tourism in New Zealand over the next ten years. Four key objectives are identified around which the strategy and its recommendations are based.

### Aligning the Sector for Success

A new framework is described for the structure of the sector. Further discussion and debate is required around the detail of this proposed structure but it has been described early in the document to provide a context for who might take a lead on the recommendations that are subsequently presented.

### Objective Discussions (4 sections)

For each of the four primary objectives, the challenge, solution and recommendations are provided.

The draft Tourism Strategy 2010 is outlined in this document.

The remainder of this document is divided into ten sections and is supported by a series of appendices.

## Enabling the Sector

For the sector to succeed it must be supported by appropriate strategies for technology, people, research and development, infrastructure and investment and quality. The key features of these strategies and recommendations are outlined.

## Funding the Strategy's Implementation

Funding requirements to support the implementation of the Tourism Strategy are outlined.

## Tourism in 2010

A picture is provided of what the sector can achieve by 2010 if the strategies and recommendations discussed are adopted.

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A number of the sections of this document are supported by appendices that provide more detail on the strategy. The appendices are not background or reference documents, but contain specific details that are integral to the Tourism Strategy 2010.

Each of the four objectives has a separate appendix that details:

- Goals
- Key Recommendations
- Supplementary Recommendations
- Key Accountabilities
- Performance Indicators

Other information contained in the appendices includes:

- A glossary of abbreviations and terms.
- The TSG paper prepared by the Maori Tourism Advisory Group.
- An assessment of funding implications of each of the key recommendations and the assumptions underpinning this assessment.
- Detailed output from the Tourism Activity Model on which the projections for the Tourism Strategy 2010 has been based.
- A bibliography.

## Our Audience

The primary audience for this document is a range of stakeholders in the tourism sector including:

- Operators
- Industry associations and organisations
- Regional tourism organisations
- Local government including Local Government New Zealand (LGNZ)

Appendices support the base strategy document, providing detail which is integral to the Tourism Strategy 2010.

The strategy will be of interest to a wide range of audiences and will strengthen New Zealanders' understanding of the importance of tourism.

- Central government
- Maori, Maori tourism organisations and operators
- Tourism investors
- Offshore and onshore distributors
- Tourism sector groups such as arts and cultural sector, and adventure tourism sector
- Non government organisations.

It is also intended for a wider New Zealand audience which could range from individuals who wish to understand more about tourism in New Zealand, to communities who derive income from tourism, to potential investors.

## Next Steps

The sector has debated the issues and challenges for some considerable time. Tourism Strategy 2010 notes many of these issues and challenges and focuses on actions that should be taken to ensure that New Zealand maximises the opportunities in a sustainable manner for our environment, culture and built heritage.

The TSG endorses the strategy outlined in this document. It is now seeking sector buy-in and feedback on how best to implement the strategy.

Government is committed to the broad direction of the Tourism Strategy 2010 and will work in partnership with industry to develop an effective implementation plan.

The following steps are proposed to ensure implementation gets under way and develops self-sustaining momentum:

- Discussion of implementation.
- A detailed Tourism Strategy Implementation Plan is developed.
- The Tourism Strategy 2010 is published and publicised as the basis of the implementation plan.

It is intended that Tourism Strategy 2010 be formally launched at the New Zealand Tourism Conference in August 2001.

The strategy has been issued in draft and feedback is sought on how it should be implemented.

What happens next?

# Tourism in New Zealand – The Current State

## Global Tourism

According to the World Tourism Organisation (WTO) between 1950 and 1999 the number of international visitor arrivals worldwide grew from 25 million to 664 million (an average annual growth rate of 7%). The majority (62%) of people travelled for holiday, leisure and/or recreation.

Global tourism is growing at an average annual rate of 7%.

The number of international visitor arrivals world-wide is forecast to grow to 1,046 million visitors in 2010.

The tourism sector is seen by many countries as a source of economic development, with increasing levels of competition in the global marketplace.

New Zealand's global market share is estimated to be between 0.25% and 0.45%<sup>1</sup> of all international visitors. The New Zealand market share in our top four markets varies from 0.35% to 17.88%.

New Zealand captures a relatively small proportion of the global tourism market and we are struggling to hold this share.

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### Market Share in Top Four Origin Markets

Market	International visitor numbers	NZ market share
Australia	573,870	17.88%
UK	200,260	0.37%
USA	195,790	0.35%
Japan	151,360	0.93%

Source: Tourism New Zealand Market Share Analysis 2001

---

Research recently undertaken by TNZ suggests that between 1995 and 1999 New Zealand's market share declined in seven of its top nine origin markets. It was estimated that if New Zealand's 1995 market share position had been held, a further 295,000 international visitors would have visited New Zealand in 2000. This would have added a further \$1.12 billion in foreign exchange.

## Tourism's Contribution to our Economy

Total visitor arrivals have grown over the last decade. During the 1990s, international visitor arrivals grew by 85%. International visitor arrivals for 2000 were 1.8 million, an increase of 11% from the previous year<sup>2</sup>. Domestic tourism also grew by 40% over this time. In 1999 it is estimated that domestic tourists outnumbered international tourists by approximately 10:1.

International visitor arrivals have grown over the last ten years.

The measurement of tourism's contribution to the New Zealand economy is complex due to tourism's inter-sectoral nature. Statistics New Zealand uses a Tourism Satellite Account (TSA) to measure New Zealand tourism activity with the most recent available analysis based on 1997 data. The TSA estimated tourism expenditure (international

Tourism is one of New Zealand's top export earners.

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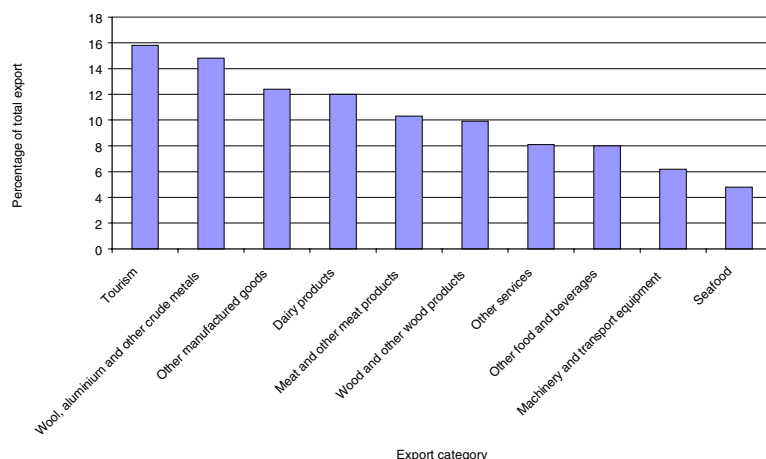
<sup>1</sup> An NZIER report estimated the New Zealand market share as 0.45% while an estimate by TNZ put it at 0.25%.

<sup>2</sup> International Visitor Arrivals.

and domestic) to be \$11.5 billion, or 9.3% of GDP (when both direct and indirect contributions are taken into account).

The 1995 TSA confirmed tourism to be one of New Zealand's largest export earners, generating 16% of exports<sup>3</sup>. This was greater than any other single export sector in New Zealand.

## Exports Broken Down by Category



Source: Statistics New Zealand TSA 1995

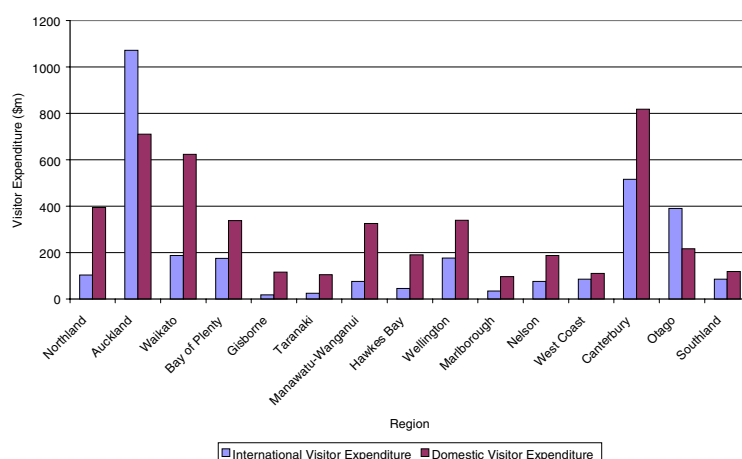
Targets set by TNZ for visitor arrivals and visitor expenditure for the year ended June 2000 have been achieved. The targets were:

- Visitor arrivals of 1.7 million
- Visitor expenditure of \$4.2 billion excluding international airfares

The table below depicts (as at 1998) the regional spread of international and domestic visitor expenditure.

The tourism sector is currently achieving its targets.

## Visitor Expenditure By Region



Source: Estimates for TIA prepared by McDermott Fairgray based on 1998 data

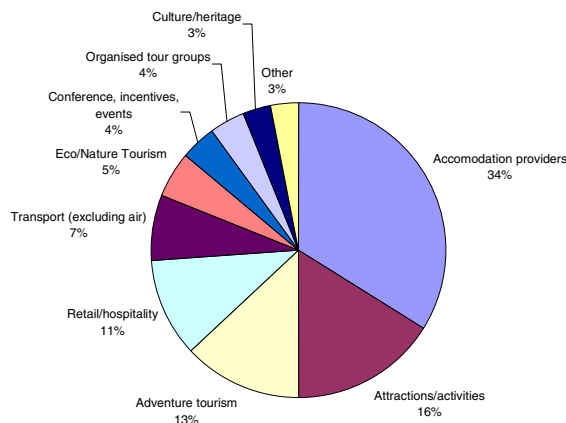
<sup>3</sup> Export figures are not as yet available from the 1997 TSA so 1995 export figures have been provided.

Significant differences exist between international and domestic visitor spending patterns due to differing regional preferences. Auckland and Otago are the only regions where international spend exceeds domestic visitor spend.

The tourism industry provides a wide variety of products and services ranging from adventure tourism, to culture and heritage, transport, accommodation, retail, and hospitality.

The tourism industry provides a wide variety of tourist products and services.

Composition of NZ Tourism Industry (excluding Airlines)



Source: TIA, Benchmarking Regional Tourism Organisations 2001

Tourism involves a small number of publicly listed companies and it is estimated between 13,500 and 18,000 SMEs, approximately 80% of which employ less than 5 people<sup>4</sup>.

Tourism supports one in every ten jobs in New Zealand.

The tourism sector in New Zealand accounted for the direct employment of 86,000 full time equivalent (FTE) persons and indirect employment of a further 63,000 FTE persons in 1997. This is equivalent to tourism supporting one in every ten jobs in New Zealand.

There are no accurate statistics on the levels of Maori employment in the tourism industry. Recent research utilising Statistics New Zealand Employment Statistics indicates that in the June quarter 2000, Maori made up 9% of employment in the tourism characteristic industries compared to 8.94% of the total labour force. Maori are estimated to make up approximately 12% of New Zealand’s population. As such, Maori participation in tourism is consistent with overall levels of Maori employment. While this is the case, there is a perception that Maori in tourism are not generally in managerial or decision-making roles.

9% of people employed in tourism related industries are Maori.

<sup>4</sup> Two recent studies have been undertaken to determine the number of SMEs in the sector. A recent survey of Tourism Organisations (RTOs) identified approximately 13,500 tourism businesses, while an assessment by NZ Statistics identified approximately 18,000 businesses involved in providing services to tourists (a wider definition than the RTO survey).

## Current Visitor Profile

International visitors numbered 1.8 million in 2000 and domestic overnight trips for the year 1999 have been estimated at 17.2 million.

The domestic overnight visitor expenditure however accounted for only 44% of all tourist expenditure. Day trip expenditure has been excluded from our estimates for consistency with international definitions of tourism expenditure.

Domestic overnight visitors account for 90% of all visitor numbers yet contribute only 44% to all visitor expenditure.

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### Visitor Numbers, Nights and Expenditure 2000

	Visitors (million)	Visitor Nights (million)	Expenditure (\$million)
Domestic (1)	17.2	55.2	\$4,262
International (2)	1.8	35.4	\$4,700 - \$5,400

Source: 1) McDermott Fairgray Domestic Travel Study<sup>5</sup>  
2) TNZ International Visitor Survey, International Visitor Arrivals<sup>6</sup>

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TNZ estimated international visitor spend to be \$4.7 billion in 2000. This is calculated by multiplying International Visitor Survey (IVS) data by departures. This spend increases to \$5.4 billion when it is multiplied by international arrivals which are approximately 201,019 greater than departures. As all forecast data is based on international visitor arrivals this higher spend estimate has been used as the basis for forecast comparisons.

International visitors travel to New Zealand for either 'Holiday/Leisure', 'Business', 'Visiting Friends & Relatives (VFR)' or 'Other' reasons. Holiday/Leisure visitors comprise the majority of visitor arrivals, overnight stays, and total spend.

The majority of international visitors come to New Zealand for holiday and leisure.

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### International Visitors: Reason for Visit

	Holiday	Business	VFR	Other
Visitor arrivals (%)	52%	11%	27%	10%
Visitor nights (%)	45%	7%	33%	15%
Visitor spend (%)	59%	13%	19%	9%

Source: TNZ International Visitor Survey and International Visitor Arrivals

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Visitors from Australia, United Kingdom, USA and Japan provide a significant contribution to tourism in New Zealand, with Australia alone accounting for 32% of all international arrivals.

Four international markets contribute nearly two-thirds of visitors and overnight stays.

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<sup>5</sup> Domestic figures from the Domestic Travel Study are for the year 1999 and include overnight trips only (day trips are excluded).

<sup>6</sup> International expenditure figures from TNZ are for the year 2000 and international visitor numbers are sourced from the international visitor arrivals for the year 2000.

## International Visitors by Market

Market	Visitor Arrivals		Visitor Days	
	No.	%	No.	%
Australia	573,870	32.1	7,420,224	21.0
United Kingdom	200,260	11.2	5,993,163	16.9
United States	195,790	11.0	3,211,069	9.1
Japan	151,360	8.5	2,331,046	6.6
South Korea	66,590	3.7	1,141,222	3.2
Germany	51,450	2.9	1,524,440	4.3
Taiwan	40,850	2.3	634,998	1.8
Singapore	35,730	2.0	467,649	1.3
Other	470,920	26.3	12,684,640	35.8
<b>All Markets</b>	<b>1,786,820</b>	<b>100.0</b>	<b>35,408,451</b>	<b>100.0</b>

Source: TNZ International Visitor Survey and International Visitor Arrivals to December 2000.

It is estimated that Japan has the highest spend per visit and contributed the highest proportion of visitor expenditure to New Zealand tourism for the year 2000 (16% of total international visitor expenditure).

International visitor expenditure and spend per visit (\$) varies by market.

## International Visitor Expenditure by Market

Market	Percent of total visitor expenditure (%)	Spend per visit (\$)
Japan	16.3%	\$5,867
Australia	16.2%	\$1,535
United States	12.7%	\$3,512
United Kingdom	12.3%	\$3,344
South Korea	4.8%	\$3,931
Germany	3.5%	\$3,694
Taiwan	2.2%	\$2,943
Canada	2.1%	\$3,393
Switzerland	1.1%	\$4,675
Other	28.8%	\$3,317
<b>All Markets</b>	<b>100.0%</b>	<b>\$3,039</b>

Source: TNZ International Visitor Survey and International Visitor Arrivals to December 2000.

In analysing these figures it is important to note that Australia has a relatively low spend per visit but visitors from Australia come in large numbers making up 32% of all international arrivals and generating a lot of repeat business. Seventy percent of those who came to New Zealand in 2000 had been here before.

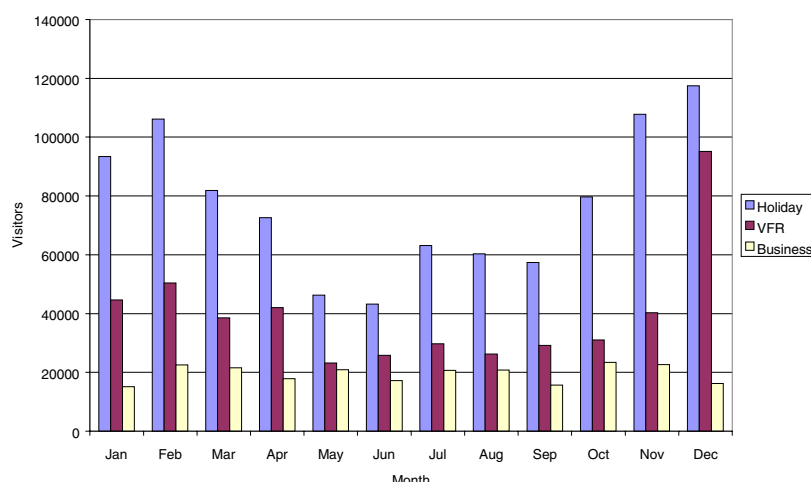
The overall pattern of international visits is seasonal due to the underlying influence of the 'holiday' visitor summer peaks and winter troughs.

International visitor arrivals follow a seasonal pattern.



Holiday and VFR international visitor arrivals peak in December/January while the off-peak season occurs in May/June. In contrast, business international visitor arrivals were relatively consistent throughout the year.

### Seasonality by Purpose of Visit (2000)



Source: TNZ International Visitors Arrivals to December 2000

The peak has been growing in absolute numbers as international visitor arrivals increase, but the percentage spread over the year has been relatively constant at a national level. Some regions have widened the shoulder, but seasonality remains a key issue for the sector.

### Key Challenges for the Sector

In developing the strategy, input was sought from a wide cross section of the tourism sector through one-on-one interviews, individual and group submissions, facilitated workshops, cluster-based focus groups, and strategy sessions at the 'TIAs Tourism @ Work 2001 Roadshows'.

This input identified a range of challenges that the sector must meet to remain competitive in the global marketplace and to ensure that tourism remains sustainable. There is a high degree of consensus about the challenges presented.

The challenges identified include:

- Ensuring that tourism does not deplete the natural resource on which it depends.
- Making the most of our branding and marketing, recognising and championing our positive points of difference.
- Understanding better what visitors will be seeking from New Zealand and what motivates them to travel.

Analysis of challenges facing the sector identified significant opportunities.

- Making New Zealand tourism product more distinctive and aligned to visitors' needs and wants.
- Taking a more strategic approach to pricing and positioning to support increased yield and better returns for operators and investors.
- Finding ways for all parts of the tourism sector to be more efficient and to work more effectively together.
- Capturing the opportunities offered by technology.
- Developing the quality of New Zealand product and becoming internationally known for this.

## **Addressing the Challenges**

To address the identified challenges and future proof the sector, the strategy will focus on:

### **Continued sustainable growth**

The long-term future of the sector is linked to growing tourism in a way that protects our natural, cultural, built and social heritages.

### **Integrating destination marketing and destination management**

Closer links will be established between these two areas to safeguard the sustainability of growth.

### **Managing and increasing yield**

A coherent and balanced approach will be taken to yield optimisation. Increasing visitor numbers is important, but this must be linked to effective pricing, yield and destination management strategies.

### **Increased participation and partnerships**

There will be more effective partnerships established between:

- Public and private sectors
- Central and regional/local government agencies
- RTOs and other agencies/operators, including Maori tourism organisations
- Industry and Maori.

There will be more participation of Maori, local communities and individual New Zealanders in shaping and delivering tourism.

### **Aligning and rationalising structures**

Current structures will be aligned with and support the future development of tourism in New Zealand. This will involve some 'rationalisation' of current participants as the sector is over serviced and under served by the current multiplicity of organisations.

These challenges have been taken into account when shaping the direction for Tourism in New Zealand that is mapped out in the following sections of this document.

The Tourism Strategy 2010 addresses these challenges and captures the opportunities they offer.



# Setting a Direction for Tourism in New Zealand

## Developing a Unified Vision

A sustainable growth strategy has been developed for the sector. Sustainability is critical to ensure the benefits accruing from the sector's growth are not short-lived.

To achieve this a unified vision and mission and a set of supporting objectives have been developed to guide the sector over the next ten years.

The Vision for Tourism in New Zealand provides a picture of the desired future – the vision is:

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In 2010:

Visitors and their host communities understand and embrace the spirit of *manaakitanga* (*hospitality*)

while,

New Zealanders' environment and culture is conserved and sustained in the spirit of *kaitiakitanga* (*guardianship*)

and,

Tourism is a vibrant and significant contributor to the economic development of New Zealand

---

It reflects the future for tourism in New Zealand and consists of:

- The **people** involved in the sector, including those who visit and travel within New Zealand, those who are employed in the sector, and the communities that host visitors.
- The **place** in terms of promoting destination New Zealand and its regions in a way that ensures the effective management of destination elements and sustainability issues.
- The **prosperity** of both the sector and its individual businesses based on informed investment, business profitability and the economic and social wellbeing of communities and New Zealand as a whole.

This informs the Mission, which is to:

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Welcome Visitors

Protect our environment

Celebrate our culture

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The Mission Statement is developed for participants in the tourism sector and aims to guide and inspire the actions of the sector. Participants should be confident that by aligning their policies or business strategies to the mission they will benefit from the mission's promises. This will in turn build prosperity as outlined in the vision for the sector.

The strategy is about sustainable growth of New Zealand Tourism.

The sector requires a unified vision so it can maximise the benefits of tourism.

The Tourism Strategy 2010 can be summarised as:

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A sustainable yield driven strategy based on growing both tourism demand and financial returns from tourism while enhancing the quality of the visitor experience and New Zealanders' quality of life.

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Key principles that run through the strategy are:

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- **Sustainability** – sustainable development is critical as otherwise the benefits of tourism will be short-lived. This will require greater integration between destination management and destination marketing than has been the case to date. It will also require all sector participants to embrace the values of manaakitanga and kaitiakitanga.
  - **Yield driven** – increasing yield requires emphasis to be placed on both growing visitor numbers and increasing spend per visitor. A 1% increase in spend by all visitors generates the same economic result (a \$1 billion increase in revenue) as a 12% growth in visitor numbers. This highlights the importance of strategies that increase visitor spend rather than focusing solely on growing visitor numbers.
  - **Maori participation** – Maori will play a key role in tourism and will benefit from it as more Maori are employed in the sector and take an equity stake.
  - **Public/private commitment** – more effective public and private sector partnerships consistent with the Treaty of Waitangi. The public and private sectors will need to commit additional funding if the potential benefits from tourism are to be achieved. This commitment will need to move beyond one year funding cycles and stronger public/private partnerships will be required if government funding is to be leveraged effectively.
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Key values have also been identified for the sector as outlined below:

Value	Incorporating elements of:
Style	<ul style="list-style-type: none"><li>• Manaakitanga (the warmth and hospitality offered to visitors)</li><li>• Relaxed excellence</li><li>• Friendliness: the culture of New Zealand</li></ul>
Credibility	<ul style="list-style-type: none"><li>• High quality service and experience</li><li>• Tourism seen as part of the new economy</li><li>• Coming of age</li><li>• Honesty and entrepreneurial spirit</li><li>• Hard working and people oriented</li></ul>
Sustainability	<ul style="list-style-type: none"><li>• Kaitiakitanga (guardianship of our land and natural resources for the benefit of present and future generations)</li><li>• Financially viable</li><li>• Well balanced between the interests of business and the use of collective resources</li><li>• Long term view and understanding</li></ul>

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Values underpinning the vision and mission are also important.

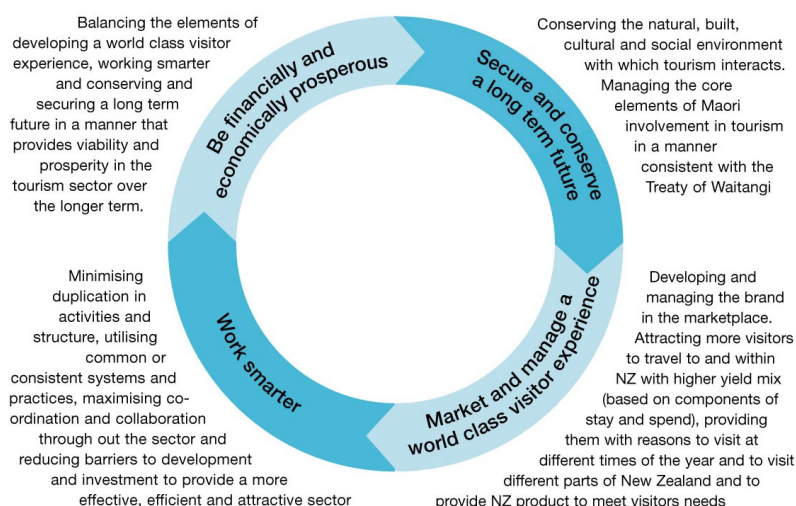
Diversity	<ul style="list-style-type: none"> <li>• Cultural diversity in the workplace of people</li> <li>• Diversity in the skill base</li> <li>• Diversity within product experience</li> </ul>
Embracing	<ul style="list-style-type: none"> <li>• Embracing the pride of New Zealanders, enjoyed by New Zealanders</li> <li>• Sense of “wonder” in what we have and wanting to share it with others</li> </ul>
Innovation	<ul style="list-style-type: none"> <li>• Innovation in product development</li> <li>• Free thinking to differentiate product and delivery</li> <li>• Innovation in the way we manage the sector</li> </ul>
Authenticity	<ul style="list-style-type: none"> <li>• Authenticity of product</li> <li>• Distinct, unique, and original</li> <li>• Value for money</li> </ul>
Prosperity	<ul style="list-style-type: none"> <li>• Ensuring economic, natural and social development and prosperity within New Zealand</li> </ul>

These values describe the characteristics that those involved in tourism in New Zealand are likely to exhibit. They contribute to making the New Zealand experience unique and also to how visitors feel about the experience.

## Defining the Objectives

To achieve this vision and mission four primary objectives have been agreed:

Four primary objectives underpin the Tourism Strategy 2010.



These objectives are interdependent as illustrated in the diagram, and supported by a series of goals:

Linked to these objectives are twelve goals.

**Objective 1: Securing and conserving a long term future**

- To recognise the value of the natural environment and actively protect, support and promote its sustainability.
- To ensure Maori participate and are partners in the tourism sector and that Maori culture and identity is protected.
- To proactively foster the recognition, understanding and appreciation of New Zealand’s built, historic, cultural and Maori heritage.
- To have New Zealanders and their communities understand and actively support tourism.



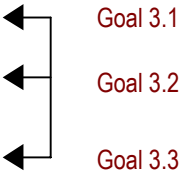
**Objective 2: Marketing and managing a world class visitor experience**

- To strengthen the unique elements of New Zealand’s culture, lifestyles and environments in our brand positioning and New Zealand and regional product development.
- To establish New Zealand as a leading tourism destination in our target markets.
- To optimise yield, seasonality and regional spread.
- To sustain and strengthen our distribution channels to ensure long term distribution access and profile of New Zealand tourism product.



**Objective 3: Working smarter**

- To improve the capability of people working in the tourism sector.
- To have the public sector responsive, aligned and committed to their role in infrastructure and regional development investment.
- To increase sector efficiency and effectiveness.



**Objective 4: Being financially and economically prosperous**

- To achieve greater financial contribution and economic growth for tourism operators and investors, the regions and New Zealand as a whole.

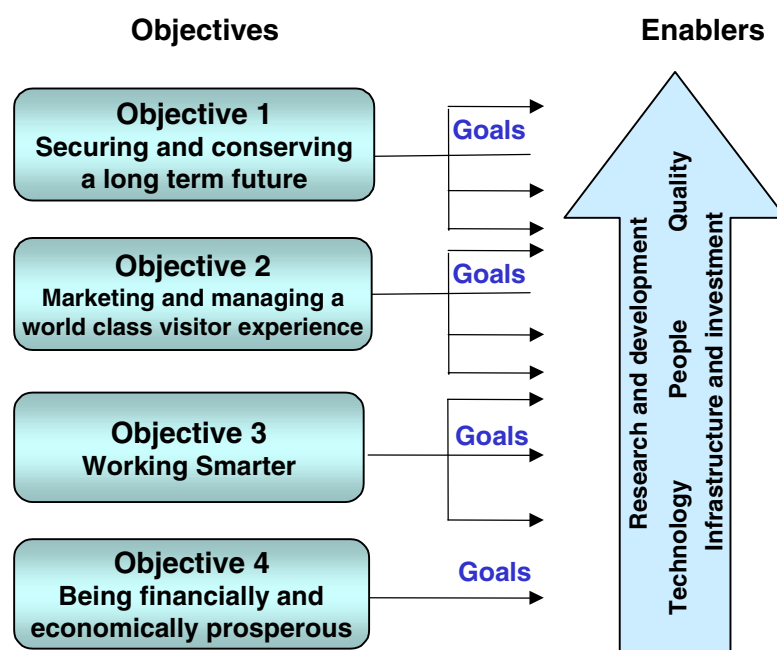


The key strategies and recommendations associated with each objective are discussed further in this document and detail is provided in Appendices 4, 5, 6 and 7.

## Recognising the Role of Enablers

There are a number of enablers that cut across and support these objectives as outlined below.

Enabling strategies have also been developed for a number of functional areas.



The Tourism Strategy 2010 focuses on the following enablers:

- Technology
- People
- Research and development
- Infrastructure and investment
- Quality.

The key strategies and recommendations associated with these enablers are also discussed further in this document.





# Aligning the Sector for Success

## The Current Structure

Increased growth has been a key feature of the tourism sector over the past ten years. Forecasts indicate the next ten years will see growth accelerate. Consensus in the sector is that present structures must change to ensure we maximise the benefits the opportunities offer.

Four themes demanding attention have emerged:

- Rationalisation
- Alignment
- Participation of Maori and Maori businesses
- Partnerships

### Rationalisation

In many parts of the tourism sector there is an excess number of players, including:

- Training providers – there are in excess of 750 providers of tourism training courses including secondary schools
- Industry Training Organisations (ITOs) – there are currently three serving the tourism sector.
- Regional Tourism Organisations – there are currently 25 RTOs administering a combined budget of around \$25 million. Between them they employ 19 CEOs, 4 General Managers and 25 Marketing Managers.
- Industry Associations – there are currently in excess of 31 Industry Associations

This not only creates additional costs, but also divides a limited pool of expertise too thinly and weakens the voice of tourism. The key will be to rationalise the number of players, not to create additional entities.

### Alignment

The fragmented nature of the sector also makes it difficult to align the sector to achieve key goals or initiatives. While the industry is likely to continue to comprise a large number of small operators, opportunities exist to review and realign roles and responsibilities.

### Maori Participation

Participation levels of Maori in tourism vary. However the consensus is that overall the level of participation is well below that which it should be given the importance and relevance of Maori and Maori product for tourism.

The sector needs a structure that will position it well for the future.

Rationalisation is required to reduce duplication and to improve the effective use of comparatively scarce resources.

Alignment of interests is hard to achieve with a fragmented structure.

Current Maori participation levels do not reflect their contribution to the tourism sector.

Participation of Maori that have an equity position or stake in the sector needs to be strengthened at both the regional and national level. Strong Maori regional organisations will ensure support for the development of a strong Maori national structure.

## Partnerships

Internationally, new trends are emerging around public/private sector roles in tourism:

- In semi-mature or mature tourism sectors, government tends to take a more facilitative rather than developmental role.
- The private sector is taking greater control of destination marketing.
- Public-private co-operation tends to focus on improving destination attractiveness, marketing efficiency, productivity and tourism sector management.
- Areas where public-private sector co-operation are proving effective are tourism education and training programmes, tourism marketing and promotion initiatives, trade shows, joint marketing programmes, initial/start up financial support, facilitation of local approval processes.
- New areas for public-private co-operation are likely to be in technological innovation, policy making and legislative issues, and hosting of mega-events.
- Private-public sector relationships are becoming more formal and based more on partnership models.
- Co-operation among public agencies and strategic partnerships, between tourism companies and among inter-dependent companies across other industries is also of vital importance.

Many of these trends are also relevant in New Zealand, but the current structure and funding of tourism is inhibiting the development of more effective partnerships between:

- Central government agencies (to create a whole of government approach to tourism).
- Central and local government.
- Government and the industry.
- Maori and government and Maori and the industry.

## The Future Structure

The current structure has served the sector to this point. However, to achieve its objectives to 2010 a different structure is required, a sector structure which is designed to deliver:

- A partnership approach between:
  - The public and private sectors
  - Central and local government

Achievement of the strategy will require active working partnerships to be developed sector wide.

Some fundamental changes are proposed to position the sector to achieve its objectives.

- A decision making structural forum for the sector that gives effect to that partnership and drives the implementation of the strategy.
- Effective partnership with, and participation of, Maori.
- An effective ‘whole of government’ approach.
- An environment in which private investment can be optimised.
- Strengthened links between operators, local government/RTOs, and central government.
- Closer links with customers.
- Best alignment and deployment of sector resources.

To achieve this, Tourism Strategy 2010 proposes strengthening the policy advice role, establishing a new agency (NewTNZ) and enhancing the role of RTOs (referred to as NewRTOs). These proposed changes will have implications for all sector participants.

Potential future roles for key agencies are discussed further below.

## Ministry of Tourism

The Tourism Strategy 2010 has identified the need to strengthen the policy function. For Government to succeed in adopting a whole-of-government approach to tourism, it will require a strong lead policy agency to work closely with a wide range of government agencies. It will need to be confident that the advice it receives is independent of any particular sector interests or tourism providers.

This will become increasingly important under a scenario where the Board of NewTNZ has more significant private sector membership and has funding sourced from both government and the private sector.

A Ministry of Tourism is proposed to lead whole-of-government work on tourism issues. To be effective close working relationships will be required with:

- Department of Conservation on tourism and conservation estate issues.
- Te Puni Kokiri (TPK) on Maori development issues.
- Industry New Zealand on the wider economic context for tourism development.

It would be beneficial to establish a tourism desk or designated tourism contact in these key departments. An effective process for early involvement in policy issues affecting tourism needs to be agreed with other departments.

The Ministry of Tourism will advise the Minister on the purchase of services for which the Crown is paying, the delivery of these services and the impact of these in terms of the government’s desired outcomes for tourism. Depending on the organisational form of NewTNZ, the Ministry may also have a role in reporting on the government’s ownership interest.

Government will continue to need high quality, independent policy advice.

Immediate priority should be given to increasing the resourcing and funding of Office of Tourism and Sport (OTSp) to enable it to take on an enhanced policy advice role, prior to the establishment of a Ministry of Tourism.

## NewTNZ

NewTNZ will be set up as a public/private sector partnership to lead destination brand development and international marketing and market research.

A new private/public sector organisation (NewTNZ) will be set up.

NewTNZ will:

- Focus internationally, and work through NewRTOs to ensure that international campaigns are leveraged by these organisations both in terms of their off-shore marketing and their domestic marketing campaigns.
- Work closely with other organisations that have responsibility for marketing New Zealand off-shore. This will include a mix of joint campaigns with tourism operators in origin markets and with other players such as TradeNZ, the Wool Board and the Dairy Board.
- Work with Te Puni Kokiri, Department of Conservation, and NewRTOs to ensure that destination marketing is more closely aligned with destination management.
- Assist in strengthening marketing and branding capability in the regions and in ‘incubating’ initiatives that may benefit multiple regions or a large number of operators. Specific examples of this include Qualmark and VIN where Tourism Strategy 2010 is proposing an extension of current initiatives that will require some national leadership in the short to medium term.
- Source funds from both government and industry. Funding commitment will need to increase to support the wider range of functions and to ensure that investment in marketing grows as visitor numbers and the tourism revenue base grows.

The organisational form of NewTNZ has yet to be determined. It will be governed by a Board appointed by central government, local government, Maori and TIA. The Board would not be a representative body for sector parties. It will carry out strategic governance functions on a collegial basis.

The preferred form and the details for the legal structure will be worked through during the implementation phase of the strategy.

Establishing NewTNZ as a public/private partnership and assigning it a wide remit of functions will:

- Encourage the private sector to have greater input into destination marketing campaigns. It will facilitate more effective partnerships and will create an opportunity to use public funds to leverage private funding contributions. It will also enable greater leverage of off-shore relationships to maximise marketing impact.

NewTNZ will facilitate strong public/private partnerships and a greater leverage of funding in destination marketing.

- Strengthen links between international and domestic marketing campaigns and better support the regions in leveraging international campaigns locally.

Reduce some duplication of sales and marketing effort between central and local government and between the public and private sectors, enabling the spend to be used more effectively.

## Local Government

Local Government will continue to be involved at a regional level in setting policy, tourism planning and development, environmental management and destination management.

Its role and commitment will increase to reflect the requirements of NewRTOs, the significance of tourism to local economies and the need for more involvement in destination management.

Each TLA will continue to determine the level of its involvement in tourism planning and development and the extent to which it will fund tourism. TLAs will be able to contract with NewRTOs for services including facilitation of tourism planning, co-ordination of domestic marketing and destination management. As at present, it is likely that some TLAs will club together to purchase these services.

Local Government will continue to play a significant role in tourism.

## NewRTOs

The role of RTOs will expand. These new organisations are referred to in this document as NewRTOs. They will work with NewTNZ to leverage international marketing campaigns and may also obtain support in areas such as:

- Assisting with business case development.
- Develop effective approaches to local government and private industry for funding.
- Assisting with the co-ordination/roll-out of key sector wide initiatives such as technology changes.
- Providing tools for development of domestic tourism.

Regionally, NewRTOs will take an active role in tourism planning, product development, and destination marketing and destination management. They will provide a range of services to local operators including:

- Co-ordination of regional industry training opportunities.
- Shared services for local operators.
- Technology support/infrastructure.

Consolidation of RTO numbers is envisaged as they move to NewRTOs. This is discussed further in the “Objective 3 - Working Smarter” section of this strategy.

The proposed changes will ensure that:

- The link between central government, local government and operators is strengthened.

Regional building blocks will continue to be important going forward. The role of NewRTOs reflects this.

- Tourism planning and development is better co-ordinated and managed for the benefits of all participants.
- Co-ordination of activities or ideas can be gathered and developed regionally.
- Operators have a vehicle through which to provide and receive information.

## **Tourism Industry Association**

TIA will continue to play an important advocacy role on behalf of industry at both the central and local government levels. A greater amount of time will be spent working with local government than has been the case to date.

TIA will continue to offer member services, but it will review current structures in light of the Tourism Strategy 2010, particularly the underlying structure of Joint Industry Councils.

The Tourism Strategy 2010 requires TIA to play an increasing role in industry development and building industry capability with SMEs in particular. TIA will also be involved in key sector initiatives where a collective industry voice is required.

TIA will increase both its advocacy and capability building roles.

## **Maori**

Participation of Maori with an equity investment or stake in the tourism sector will be developed at the regional level. Maori regional organisations will be encouraged to work with NewRTOs to develop a co-ordinated regional approach to tourism development, destination marketing and destination management.

Their role will be determined by the regions they represent and could include involvement in tourism planning and development, marketing of Maori product, the development and implementation of a Maori mark of authenticity and assistance in destination management elements.

It is important for Maori that representation and participation is developed at a regional level to enable a strong national structure to be developed at a later date.

Maori participation will increase with initial emphasis being at a regional level.

## **Private Sector**

Private operators will continue to take the lead on product development and destination management.

The new structure will however support a more co-operative approach to marketing and product development between the public and private sectors and NewRTOs. Corporate operators will work with the new organisation on international product development and marketing and with NewRTOs at a regional/local level. The new structure will strengthen operator links with local government and also to central government via NewRTOs.

A new range of business supports and services will be available to SMEs and TIA will assist operators in building capacity in areas such as training and research and development.

Private operators will find it easier to do business in the sector.

## Positioning for the Future

The proposed sector structure addresses the current weaknesses and fulfils the structural needs for the implementation of the Tourism Strategy 2010 including partnership, efficiency and effectiveness and leverage for private investment. It reflects international experience and emerging trends.

This framework will ensure:

- The facilitation of market focussed public and private sector partnerships and alliances.
- There is an effective mechanism to link central and regional sector players, and regional entities with local operators and interests.
- That Maori participate more fully at all levels in the sector.
- Industry issues and interests continue to be effectively articulated and progressed.
- The structure of the sector is better suited to the needs of the strategy.

## Key Recommendations – Sector Alignment

The TSG recommends that:

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By July 2002, a new jointly owned and funded private/public sector organisation is established to lead international branding and marketing. It should be governed by a Board with members appointed by:

- Central Government,
- LGNZ on behalf of TLAs and NewRTOs
- TIA on behalf of industry.

In appointing representatives to the Board, consideration should be given to nominating people with industry experience, including Maori.

Adopt a whole-of-government approach to tourism that is led by a Ministry of Tourism. Immediate priority should be given to increasing the resourcing and funding of OTSP to enable it to take on an enhanced policy advice role, prior to the establishment of a Ministry.

TIA continues to lead industry advocacy at both a local and central government level, playing an important role in further developing SMEs' capability. TIA will be involved in key sector initiatives where a collective industry voice is required.

By mid 2002, NewRTOs will be established and take an enhanced role in:

- Destination marketing and management
- Domestic and international marketing
- Regional tourism planning and development, and
- Facilitating provision of services to tourism operators.

High level recommendations have been developed related to sector alignment.



Local Government builds stronger links with NewRTOs and increases funding levels and certainty by July 2002. This will support their expanded role in both regional tourism planning and development and also the realisation of local and regional benefits.

Build Maori capability and ensure that Maori equity investment in tourism is increased, to enable greater participation of Maori in tourism at both a regional and national level.

By mid 2002, OTSp, Maori and TPK facilitate the creation of representative Maori tourism bodies (or structures within existing bodies) at a regional level. In the longer term, they will facilitate the establishment of a National Maori Tourism Organisation.

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The proposed framework for the sector structure has been described here, ahead of the strategy itself, to provide a context for the allocation of responsibility for implementing the recommendations under each of the primary objectives

The detailed specification for the new structure and the timeframe and approach to change will need to be worked through during the implementation stage of the strategy.

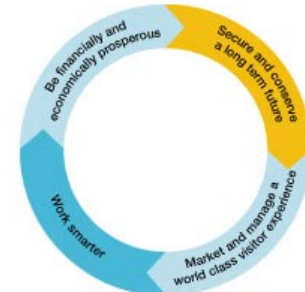
# Objective 1: Securing and Conserving a Long Term Future

## Introduction

Sustainable tourism development demands strategies that embrace many environmental and economic aspects. This section focuses on the environmental aspects of sustainability. Economic aspects are addressed in the sections on Working Smarter and Being Financially and Economically Prosperous.

Four goals have been identified within this area:

- 1.1 To recognise the value of the natural environment and actively protect, support and promote its sustainability
- 1.2 To ensure Maori participate and are partners in the tourism sector and that the Maori and culture and identity is protected
- 1.3 To proactively foster the recognition, understanding and appreciation of New Zealand's built, historic, cultural and Maori heritage
- 1.4 To have New Zealanders and their communities understand and actively support tourism.



## The Challenge

### Natural Environment

The natural environment is fundamental to the New Zealand brand and many tourism products. New Zealand has a clean, green brand image and visitors assume that New Zealand is vigilant at environmental management. This is not always the case as illustrated by:

- A 1997 OECD survey that ranked New Zealand last when it came to the number of companies producing environmental reports.
- The 1997 Kyoto protocol, which New Zealand may struggle to meet. It requires developed nations to reduce carbon dioxide emissions by 5.2% of their 1990 levels between 2008 and 2012. This will be a challenge as New Zealand's carbon emission in 2000 were 19% higher than they had been in 1990.

In other instances New Zealand demonstrates a much greater commitment to environmental management:

- **Green Globe** - New Zealand leads the world in implementing Green Globe, an international environmental accreditation programme for travel and tourism companies.
- **Seoul Declaration** - At the APEC Tourism Working Group meeting in Seoul in 2000 a Tourism Charter was adopted. It sets out four policy goals, one of which is "to sustainably manage tourism outcomes and impacts". New Zealand chaired the working group that developed this recommendation.

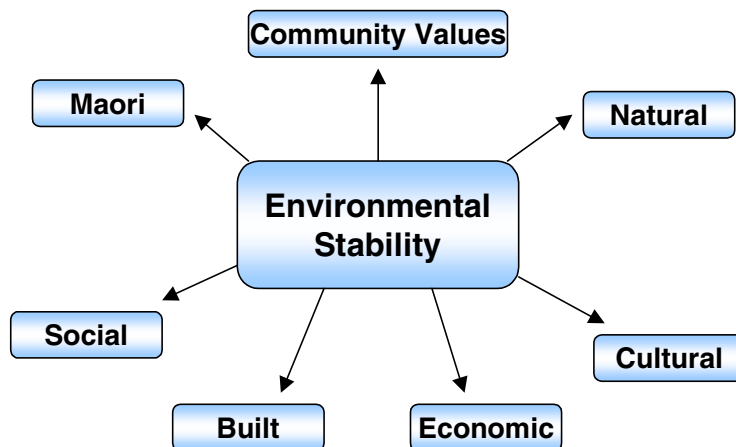
Increasing attention will need to be paid to environmental sustainability as domestic and international visitor numbers continue to grow.

- **APEC / PATA Code** - At the Pacific Asia Travel Association (PATA) in April 2001, PATA and APEC adopted the Code for Sustainable Tourism. The code which New Zealand developed with PATA encourages APEC member economies to:
  - Conserve the natural environment, ecosystems and biodiversity.
  - Respect and support local traditions, cultures and communities.
  - Maintain environmental management systems.
  - Conserve energy and reduce waste and pollutants.
  - Encourage a tourism commitment to environment and culture.
  - Educate and inform others about local environment and culture.
  - Co-operate with others to sustain environments and cultures.

Environmental conservation is not currently seen as the responsibility of all that operate in the sector. The sector must improve the management of environmental elements if the benefits of growing visitor numbers are to continue to outweigh the costs that this growth imposes on accessibility and use of these environments.

## Tourism Planning and Development

Co-ordination of sustainable tourism planning and development involves a range of elements as outlined below.



Tourism planning and development processes can assist in protecting, supporting and promoting sustainability.

At present tourism planning and development is seen to be:

- **Fragmented** – undertaken by many agencies often independent to the tourism sector.
- **Complex** – especially hard for operators new to the sector to understand.
- **Inefficient** – partly related to the number of organisations involved.

The working relationships between current RTOs and local governments are not as effective as they need to be to ensure tourism and attractive elements of New Zealand, remain sustainable in the longer-term.

## Maori Culture and Partnership

Maori contribute unique elements to New Zealand's cultural environment. However there are a number of areas of concern at present both for Maori and for the tourism sector as a whole:

- **Authenticity of the Maori product** – there are no common standards so visitors cannot readily identify product as authentic.
- **Maori responsibilities** - while there are a large number of Maori employed in the tourism sector, their voice is not as strong as it could be.
- **Interaction** - There is a lack of understanding of how regional Maori representative groups, in particular tourism groups, should interact with current RTOs.
- **Resourcing** - the level of resourcing available to Maori in tourism is low compared to its importance in the sector. An example of this is the lack of funding for Maori tourism representative groups. There is an almost complete lack of data about Maori involvement in tourism.

Increasing the role of Maori is critical to growing tourism sustainably.

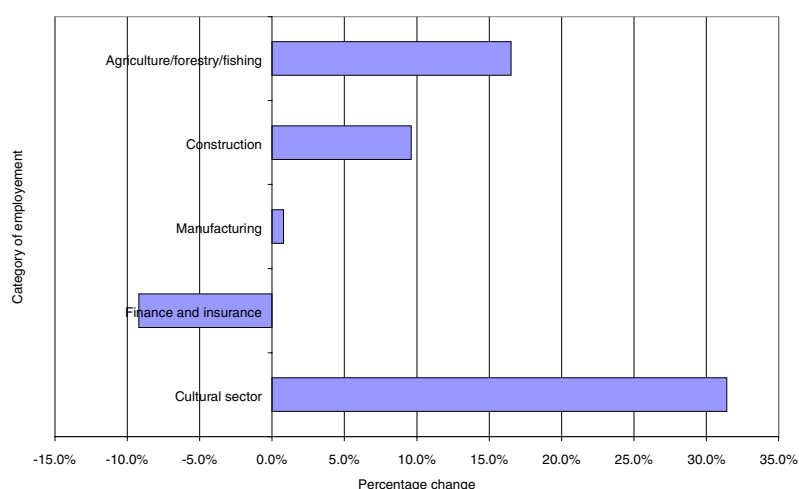
## Cultural Tourism

Cultural tourism is defined as “those cultural dimensions that enable more depth of interaction with, and understanding of, our people, place and cultural identity.” The Heart of the Nation Report estimated that around 6-10% of international visitors gross expenditure was on cultural goods and services, suggesting that visitors spent between \$282 million and \$470 million on cultural good and services.

Cultural tourism is also playing an increasingly important role in tourism.

Between 1990-1996 job creation in the cultural sector increased at rates much higher than traditional occupations as seen in the diagram below.

### Percentage Change in NZ Employment 1990-1996



Source: Heart of the Nation Report

Strategies are required to ensure that demand for cultural tourism does not increase faster than our ability to manage its sustainability.

New Zealand must use strong cultural tourism products to assist us in differentiating Destination New Zealand from our competitors.

## Community Understanding and Support

The friendliness of the New Zealand people is one of our differentiators, but not all welcome tourism activity. While some people will continue to resist tourism, increasing the awareness of the benefits of tourism (for instance the economic returns it delivers, how it impacts the environment) should lessen the resistance amongst some.

Support for tourism at the community level will be critical to ensuring that:

- The required infrastructure to support tourism is in place.
- Destination management and destination marketing are linked so that the benefits of tourism outweigh the costs at a community level.

Communities must be encouraged to embrace tourism.

## The Solution and Key Recommendations

### Natural Environment

The Tourism Strategy 2010 addresses the need for all New Zealand environmental factors to be protected and promoted. Maori participation in all facets of this strategy is essential. It requires all sector participants to commit to conserving the natural environment to achieve sustainability and to maintain the quality of the visitor experience.

The aim is to have all operators and organisations recognising the value of the natural environment and actively protecting, supporting and promoting its sustainability as part of what they do. All sector participants must embrace the values of manaakitanga and kaitiakitanga.

The key recommendations are:

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Ministry for the Environment (MFE), OTSp and TIA, on behalf of private sector operators, develop and promote resource use efficiency initiatives and environmental management systems to achieve agreed international benchmarks (including carbon neutrality) by 2010.

Department of Conservation monitors visitor impacts on the protected environment and promptly intervenes to manage these impacts using tools such as booking systems and one-way routes.

Department of Conservation invests in maintaining existing, and developing new recreational services and facilities on conservation lands to support increased visitor growth without damaging the environment.

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Environmental sustainability and enhancement of the quality of the tourism product are inter-related.

Other recommendations are:

- Continue to implement Green Globe or similar systems by operators.
- Implement Seoul Declaration and the APEC/PATA Code.
- Investigate options for carbon neutrality and resource use efficiency.
- Develop a tourism and environmental statement.
- Investigate the options for monitoring and minimising conflicts between tourism and the environment.

## Tourism Planning and Development

Tourism planning and development must be streamlined and made more effective if New Zealand is to succeed in accommodating the projected growth in visitor numbers sustainably over time.

The key recommendation is:

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Adopt a whole of sector model to reduce complexity and improve efficiency in tourism planning and development by 2004. This will be led by LGNZ with local operators, investors, local government, Maori, NewRTOs, NewTNZ and central government agencies.

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This will require relationships and processes to be put in place to support better planning and development efforts. Other recommendations are:

- Identify and monitor the cumulative effects of tourism activities on the environment and develop options for their management. This will be undertaken by TLAs, Regional Councils and the Ministry for the Environment.
- Develop and implement district and tourism planning processes that uphold community values and involve communities in identifying local assets and defining acceptable limits of change for these. This will be undertaken by TLAs and NewRTOs.
- Develop frameworks for identifying outcomes and assessing of the impact of tourism.
- Increase participation in planning and develop process by Maori.
- Work with Maori to manage the protection of Maori rights of ownership and non-depletion by tourism of Maori historic and cultural heritage.

As part of this co-ordination this strategy recommends that NewRTOs roles incorporate elements of destination management as well as destination marketing.

Tourism planning and development is an important strand across many of these areas.

## Maori Culture and Participation

The Tourism Strategy 2010 recognises and understands the rights of Maori under the Treaty of Waitangi with regards to tourism and provides opportunities consistent with these rights.

Maori require increased participation and partnerships consistent with the Treaty of Waitangi.

The key recommendations are:

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By mid 2002, Maori partner with NewRTOs and agree roles and accountabilities on:

- Regional tourism planning and development.
- Regional destination marketing and regional destination management.

OTSp and TPK should facilitate this.

Build Maori capability and ensure that Maori equity investment in tourism is increased, to enable greater participation of Maori in tourism at both a regional and national level. *(This recommendation is also identified in "Aligning in Sector for Success")*.

By mid 2002, OTSp, Maori and TPK facilitate the creation of representative Maori tourism bodies (or structures within existing bodies) at a regional level. In the longer term, they will facilitate the establishment of a National Maori Tourism Organisation. *(This recommendation is also identified in "Aligning the Sector for Success")*.

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Other recommendations are:

- Develop and maintain a database of Maori in Tourism.
- Develop a monitoring and auditing framework for Maori.
- Develop quality standards and accreditation framework for Maori.
- Improve resourcing of Maori initiatives to build capacity.

## Cultural Identity

The Tourism Strategy 2010 focuses on developing cultural tourism products in a manner and a timeframe that will differentiate New Zealand in the global marketplace and support sustainable tourism growth in New Zealand. By their nature, cultural tourism products will assist in increasing yield, and addressing seasonality and regional spread issues as they can be targeted at high yield visitors.

Cultural tourism is becoming a key growth area.

The key recommendations are:

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By mid 2002, NewRTOs, Maori, the arts, cultural and heritage sector and the Ministry of Culture and Heritage provide guidance to the tourism sector on incorporating cultural heritage thinking into decision making.

Tourism operators, Maori, NewTNZ and NewRTOs in conjunction with the arts and cultural sector, investigate opportunities to develop cultural tourism products in a manner and timeframe that will differentiate New Zealand in the global marketplace. This will assist in tourism growth, so that by 2003 these products account for an increased proportion of the product range.

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Other recommendations are:

- Develop frameworks for cultural and heritage outcomes.
- Promote recognition of the importance of Maori cultural heritage.
- Prioritise areas of historic and cultural value.
- Continue cultural tourism planning.
- Continue development of cultural tourism product registers and cultural tourism directories.

### **Community Understanding and Support**

The Tourism Strategy 2010 aims to increase New Zealanders' level of understanding and interaction with tourism. This will encourage them to contribute to tourism growth in a way that does not detract from community values.

It is recommended that:

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By late 2002, TIA and NewTNZ undertake a range of initiatives to increase understanding and build support for tourism among stakeholders.

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This will take the form of a communication package and be delivered by NewRTOs at the regional level and will also include a national component that will be championed by TIA and NewTNZ within the whole-of-government..

Improving the level of community understanding and awareness will assist in achieving the vision.





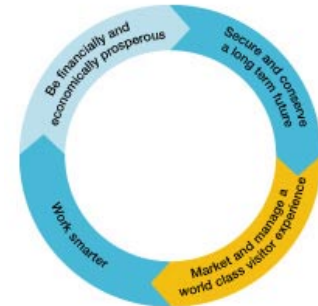
## Objective 2: Marketing and Managing a World Class Visitor Experience

### Introduction

Attracting and retaining visitors that assist in growing yield and match our brand and product values, requires strategies that focus on a range of marketing mix elements.

The goals identified to achieve this are:

- 2.1 To strengthen the unique elements of New Zealand's culture, lifestyles and environments in our brand positioning and New Zealand and regional product development.
- 2.2 To establish New Zealand as a leading tourism destination in our target markets.
- 2.3 To optimise yield, seasonality and regional spread.
- 2.4 To sustain and strengthen our distribution channels to ensure long term distribution access and profile of New Zealand tourism product.



### The Challenge

#### Branding and Marketing

Each year increasing numbers of people will be travelling both domestically and internationally but traditional destinations are finding the need to invest more in product development, marketing and branding to hold market share.

Visitors to and within New Zealand are providing new challenges that need to be taken account of in the development and marketing of product. Visitors:

- Are becoming more demanding and are seeking “life experiences”, adventure holidays and authenticity of experiences.
- Tend to be “time poor” and are looking to do more in a shorter timeframe.
- Are becoming more technology savvy, especially at gathering information about destinations.

New Zealand as a tourism destination has a small voice, market share and level of awareness even in key target markets.

The total experience New Zealand has to offer is unique, but strong branding and marketing will be required if New Zealand is to be a leading tourism destination in the future. New Zealand must be proactive if it is to hold and grow its international market share and to encourage New Zealanders to holiday at home.

New Zealand has a small voice in a highly competitive global market.

Strategies are required to leverage limited tourism marketing expenditure more effectively and ensure position doesn't erode.

TNZ is not the largest international marketer of New Zealand. Air New Zealand for instance is noted as saying that their budget for international marketing and sales operations (including staffing) is several times greater than TNZ's funding and is growing.

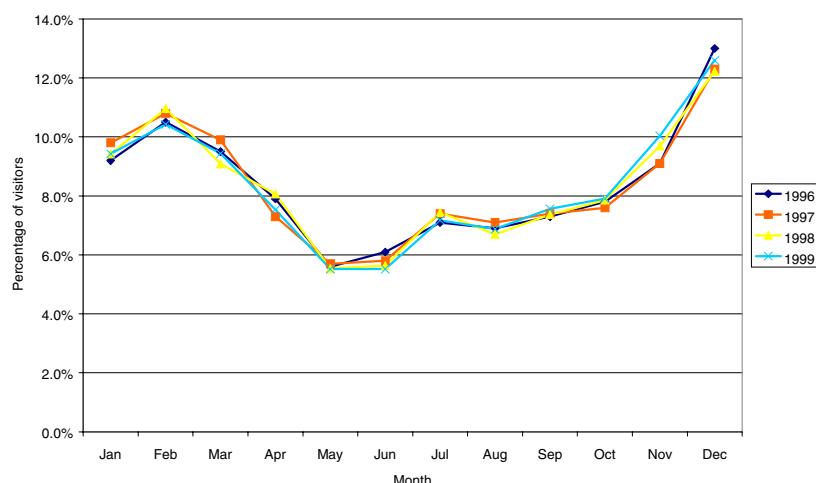
Similarly, trade agencies also invest heavily in marketing New Zealand off-shore. At present there is only limited co-ordination and leverage between these agencies, the private sector and TNZ's marketing campaign.

Concepts of customer relationship management (CRM) and trade relationship marketing (TRM) are being used by larger operators in the sector but opportunities exist to apply them more widely across the sector.

Marketing strategies are also required to address seasonality fluctuations. Seasonality analysed on a percentage basis (the percentage of visitors that arrive each month), indicates that there has been little change in travel patterns throughout the year even though absolute numbers have moved the peak higher. The graph below shows analysis on a percentage basis for our top four markets.

New Zealand must position itself better as a year round destination.

### Seasonal Distribution for Top Four Markets



Source: TNZ International Visitor Arrivals (UK, US, Japan and Australia)

The challenge is to identify and develop products that will assist in smoothing out regional spread and seasonality and at the same time increase visitor yield. Domestic visitors must be included in strategies to reduce seasonality impacts.

## Distribution Channels

Distribution channels are key ways of getting our New Zealand brand and product in front of potential domestic and international visitors in the global marketplace.

New Zealand currently faces a number of challenges with regards to distribution channels, including:

- Changes are occurring in the way that visitors gather information and book travel and not all operators within the sector understand the strategic impact of this.
- There are a number of amalgamations of large offshore distributors providing an increased power to a number of providers of these services.
- There is no common agreement on the role that the public sector and the private sector have to play in distribution channels.
- The amount of “noise” in distribution channels is growing as more tourist destinations emerge and operators find new ways to communicate to their target markets about products.
- The representation of New Zealand and its products offshore is diminishing, in some cases to levels where the level of business may mean that offshore distributors may no longer wish to promote New Zealand product.

Opportunities exist to use distribution channels more effectively to attract visitors to New Zealand and to increase yield.

## The Solution and Key Recommendations

### Building a Compelling Brand

The Tourism Strategy 2010 focuses on continued investment, promotion and development of a compelling brand. This includes increasing New Zealanders’ and the sector’s understanding of New Zealand tourism brand positioning.

Continued development of a compelling brand will make New Zealand more visible to our target markets.



This will involve emphasising the unique elements of New Zealand's culture including Maori, lifestyles and environments in our brand positioning, New Zealand product development and regional product development.

Ensuring a match between the brand promise and the delivery of product or service is essential. Unique elements of New Zealand stressed in the brand, must be reinforced in the product being offered.

The Tourism Strategy 2010 promotes establishing a compelling brand centrally and then leveraging this more effectively both regionally and at a local operator level. This will require an increased commitment to funding destination marketing.

The key recommendations are:

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NewTNZ continues to encourage widespread adoption of a common brand architecture and accelerates and widens the adoption of the NZ fern mark. This should be done by developing strategic alliances with the public and private sector so that by 2010, awareness and understanding of the NZ tourism brand reaches agreed targets.

Improve the use and quality of authentic and contemporary Maori experiences through a mechanism such as a Maori mark of authenticity.

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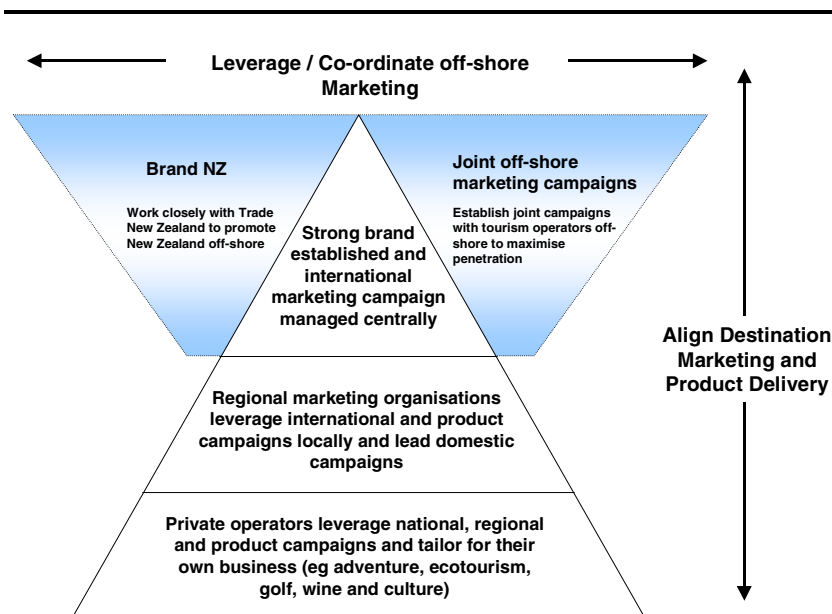
Other recommendations are:

- Develop and co-ordinate differentiated and regional brands consistent with the New Zealand tourism brand.
- Consider extending use of the New Zealand fern mark to the New Zealand flag.
- Promote recognition of the importance of Maori culture and experience in brand positioning.
- Use strategic alliance opportunities to improve reach and penetration of the brand.
- Emphasise our people and cultures as well as our landscapes and adventure industry in our tourism branding.

## **Creativity and Co-ordination in Marketing**

The sector has limited funds to develop and market New Zealand as a tourism destination especially compared with competitors such as Australia. The Tourism Strategy 2010 focuses on use of creative and co-ordinated marketing and ensuring that all exposure of New Zealand to domestic and international visitors sends a consistent message. This includes co-ordination between and within advertising, market research, product development, pricing, promotion and distribution.

Creativity and co-ordination of marketing elements will assist in getting the most out of our marketing spend.



This strategy builds on work already underway, and provides key players in the sector with a more co-ordinated and collaborative approach for marketing initiatives. It will involve NewTNZ working closely with private sector operators both off-shore and locally. It will also involve greater use of BrandNZ and joint campaigns with entities such as TradeNZ, the Wool Board and the Dairy Board in key origin markets.

The key recommendation is:

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Tourism operators, NewRTOs and NewTNZ continue to plan, develop and implement joint initiatives for all elements of the marketing mix to achieve private/public sector spend mix targets by 2003.

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These targets will be agreed at a later date. This will improve effectiveness of domestic and international marketing and optimise available resources.

Other recommendations are:

- Improve the understanding of visitors' perceptions of New Zealand and their decision making processes.
- NewRTOs continue to lead domestic marketing of their regions.
- Continue development of co-operative strategies with Australia and the South Pacific where it is productive, and competitive strategies where it is not.
- Improve co-ordination of multi-channel approaches including word of mouth, media and marketing.
- Develop more effective one-on-one marketing relationships with visitors to sell them New Zealand product and encourage referrals and repeat visits.

- Identify opportunities to improve the sector approach to visitor post sales process and experience.
- Identify opportunities for better meeting the needs of visitors with disabilities.
- Evaluate opportunities to grow the volume and value of the domestic market.
- Continue to develop mechanisms for joint funding of destination marketing offshore.
- Continue to develop customer relationship management (CRM) and trade relationship marketing (TRM) initiatives.

## Year Round Destination Marketing

Tourism Strategy 2010 focuses on growing year-round demand and regional demand for New Zealand as a destination to both domestic and international visitors, and in particular to high yield visitors. This will mean influencing visitors decision making processes both directly and through intermediaries.

The two key recommendations are:

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Tourism operators, NewRTOs, NewTNZ and inbound operators increase the development and packaging of year round, regionally differentiated and high yield products. The aim is that by 2003, these products will account for an increased proportion of the product range.

Tourism operators, event management operators and NewRTOs develop events at a regional level so that by 2003, these products will account for an increased proportion of the New Zealand product range. OTSp undertakes national policy advice and co-ordination and NewTNZ will assist with national marketing aspects of events.

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Other recommendations are:

- Continue to develop, in conjunction with airlines, new joint dual and multi-destinational products.
- Co-ordinate season based product.
- Include the “New Zealand experience” as part of the product.
- Provide niche products for lifestyle and other sub-segments that focus on optimising yield, regional spread, or seasonality.
- Improve co-ordination of Meetings, Incentives, Conventions and Events (MICE) management to utilise a twelve month calendar and encourage event bidding and management best practice sharing.

## Distribution Channel Positioning

The focus of Tourism Strategy 2010 is on increasing our influence in the distribution channel, particularly decisions made at offshore points of sale. This includes development and retention of strong and diverse distribution channels to ensure long-term distribution access and profile of New Zealand tourism product.

Growing year-round, regional and high yield demand is key to growth in yield and financial viability.

Strong and diverse distribution channels will continue to be used to market New Zealand product to visitors.

Long term distribution channel requirements to fit changing visitor profiles will be identified and developed and public and private sector roles will be agreed.

The key recommendations are:

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By 2002, NewTNZ, tourism operators and offshore distributors develop a tourism distribution channel strategy so New Zealand tourism operators have an increased level of influence in the distribution channel.

Consider adoption of the Visitor Information Network (VIN) strategy (as currently being prepared by the VIN Inc. Board in conjunction with TNZ), to provide objective information and travel services to the independently minded traveller.

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The distribution channel strategy could be developed using the same public/private approach as the Tourism Strategy, 2010 and will include offshore representation.





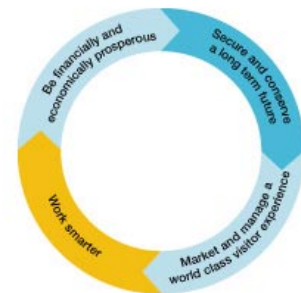
## Objective 3: Working Smarter

### Introduction

Opportunities exist within the sector to improve operator profitability by “working smarter” right across the sector.

Three key goals have been identified:

- 3.1 To improve the capability of people working in the tourism sector.
- 3.2 To have the public sector responsive, aligned and committed to its role in infrastructure and regional development investment.
- 3.3 To increase sector efficiency and effectiveness.



### The Challenge

#### Sector Roles and Structures

The tourism sector has developed from a small sector with large scale government involvement to a major contributor of economic value in New Zealand, with the private sector leading service delivery. This evolution has resulted in some inefficiencies, overlaps and gaps.

Local government has an important role to play in tourism, and tourism is equally important to local government particularly in relation to regional development and infrastructure. Its involvement is not consistent either in terms of approach or level of funding. While some variations are appropriate, greater national consistency and co-ordination is required if the benefits of tourism are to be maximised across the regions.

As discussed previously in this document, competitively, and for its size, the tourism sector in New Zealand is over supplied and under served by organisations.

The multiplicity of these agencies do not assist tourism in attracting resource levels that reflect the contribution it makes to the economy. For example, tourism attracts 1.1% of Skill New Zealand training funding as compared to 10.1% in agriculture and 9.1% in forestry, which makes similar contributions to GDP. Similarly, Foundation of Research, Science and Technology (FoRST) funding allocations to tourism do not reflect tourism’s significance in the economy.

The number and complexity of structures within the sector causes some inefficiencies, duplications and frustrations. At a time when the sector is experiencing continued growth and would benefit from improved efficiencies, it is not coping as well as it could with the current processes, practices, systems and structures and level of activity, but it can.

Improving sector efficiency and effectiveness will enable the sector to meet projected growth targets in a more capable and systematic manner. More detailed discussion on this can be found in the section on Aligning the Sector for Success.

The sector regards itself as being “over served” and “under serviced”.

## RTOs

RTOs have developed as separate, competitive businesses in the visitor marketplace and they should remain as such. However, a number of issues need to be addressed including:

- They individually carry all the administration tasks and costs of running small businesses and there is limited sharing of best practice methodologies and approaches. Scope exists to reduce costs and improve performance through sharing of “back office” functions.
- The RTO “model” that each is based on is different dependent on the key requirements of the related TLAs. Some RTOs have non-tourism economic development roles as well.
- Destination management is becoming a key regional issue and many RTOs do not yet have an understanding of how to manage this.
- RTOs are currently a key regional resource and a link between central government and operators but do not always have sufficient or confirmed long term funding bases.
- RTOs get involved in tourism planning and development to different extents throughout the country, thus having different impacts.
- As individual businesses they do not have enough strength or voice in the tourism sector.

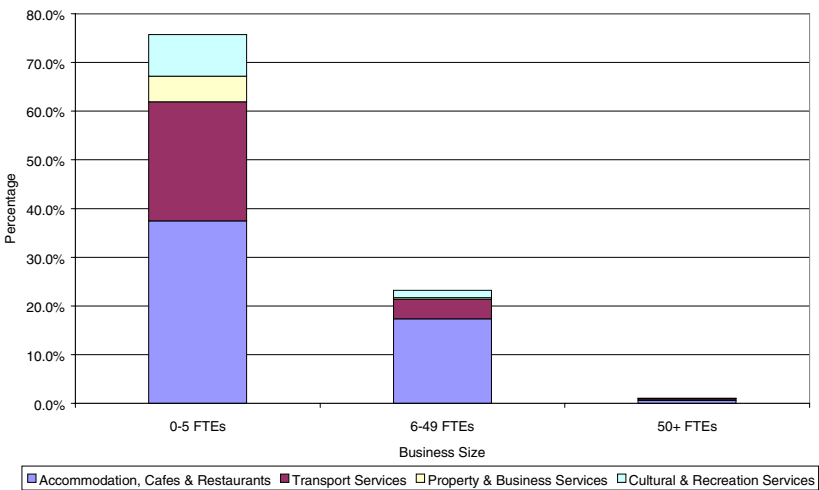
RTOs provide a vital link across the tourism sector and play a key role in regional development.

## SMEs

By number, the overwhelming majority of New Zealand tourism operators are small businesses employing less than five people.

The sector is comprised of a large number of SMEs.

### Number of FTEs in Tourism businesses by sub sector



Source: Statistics NZ

These businesses do not access or leverage technology, investment funds, learning and development tools and leading practices to the same extent as larger players in the sector. If growth is to be managed effectively and the SMEs are to share in the benefits of that growth, they will need to develop and leverage greater capability.

## The Solution and Key Recommendations

### Sector Structure

The Tourism Strategy 2010 focuses on ensuring that the sector has efficient and effective structures, systems, relationships and processes.

The recommendations for sector structure and systems focus on strengthening links across the sector, building capability to support the tourism strategy implementation and new relationship models. A number of recommendations regarding structure were outlined previously in “Aligning the Sector”. These recommendations are not repeated here, but are critical to achieving the “Working Smarter” objective.

In addition to the previously outlined recommendations, the TSG recommends that:

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By mid 2002, TIA in conjunction with industry associations and operators, investigates the feasibility of rationalising the number of industry associations and/or makes tourism operators’ membership to these associations less cumbersome.

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Structural and system changes are required to enable the strategy to be achieved.

### Public Sector Commitment

There are key roles that central and local government will be required to play to achieve the strategic goals the TSG has agreed. This will require a approach that is responsive, aligned and committed at both the central and local government levels.

The key TSG recommendation is that:

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By mid 2002, TLAs and central government confirm their long-term commitment to the tourism sector and confirm required infrastructure.

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Public sector commitment is required to deliver the Tourism Strategy 2010.

This does not mean the public sector will be required to do everything; simply that it commits long term to the responsibilities it has and upon which the rest of the sector depends.

Other recommendations are to:

- Communicate the message about tourism as a key economic contributor.
- Establish partnerships for effective investment and achievement of development objectives.
- Develop processes to support more effective tourism development and planning.
- Set-up issues based public agency groups to identify and progress

tourism related issues.

- Develop a message to local government about their role in the tourism sector.

## NewRTOs

The strategy involves a significant change in role for RTOs. Specifically, it is proposed that second generation RTOs be set up. In this document they are referred to as NewRTOs. At the same time, it is proposed that the number of RTOs reduce.

RTO capability will be improved and their role changed.

The key TSG recommendations are:

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By mid 2002, NewRTOs will be established and take an enhanced role in:

- Destination marketing and management
- Domestic and international marketing
- Regional tourism planning and development, and
- Facilitating provision of services to tourism operators.

*(This recommendation is also identified in "Aligning the Sector for Success").*

NewRTOs work closely with regional and local government to closely align destination marketing and destination management.

A working group of NewRTOs develops detailed options and recommendations for RTO functions, including the reduction of the existing 25 RTOs.

A working group of NewRTOs, investigate, model and develop a shared back office business case for common functions most efficiently undertaken on a joint basis. The aim is to achieve an overall reduction in NewRTO's back office costs by end of 2002.

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Specific changes suggested for NewRTOs fit under two broad headings:

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### Efficiency and effectiveness

- Development of common methodologies e.g. model for economic impact assessment.
- Co-ordination with NewTNZ on development and use of domestic marketing tools and methodologies similar to those used in international marketing.
- Development of shared technology infrastructure to enable efficiencies.
- Development of a common (physical or virtual) back office to undertake some NewRTOs functions such as developing funding models, human resource activities, purchasing, some financial functions.

### Increased roles

- An increase in destination management activity and associated strong links with local government.
  - Provision of research, information and education resources to operators, local authorities and local communities.
  - A greater role in co-ordination of tourism planning and development among local operators, local government interests and local communities.
  - Co-ordination/facilitation of events at a regional level
  - Facilitation of an increased and more effective participation of Maori in regional tourism organisations.
-

Other recommendations are to:

- Improve the database of existing regional tourism products and then identify product and supporting infrastructure gaps.
- Develop common methodologies.
- Investigate opportunities for provision of research and information resources to operators.
- Increase the use of domestic marketing tools and methodologies.
- Identify technology requirements.
- Review funding allocations.
- Develop capacity to facilitate effective tourism planning and development processes.

### **SME Capability**

The Tourism Strategy 2010 aims to further develop the capability of the large number of SME operators in the sector.

The key TSG recommendation is:

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TIA, in conjunction with tourism operators, develops and delivers a range of business tools, methods, templates and resources for use by SMEs by end of 2002.

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Other specific areas that will enhance the capability of SMEs are covered in “Enabling the Sector” and relate to:

- Technology update and use – both for understanding and targeting visitors, and for business management improvement.
- Research and development: access, understanding and use.
- Learning and development opportunities that are relevant and delivered in ways that suit SMEs (e.g. web based learning in operators own time).
- Development of employee attraction and retention programmes and initiatives.
- Development of a national accreditation framework for tourism.

SME capability improvement will be targeted at key needs.

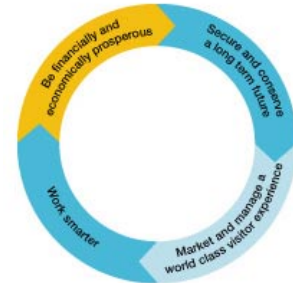


## Objective 4: Being Financially and Economically Prosperous

### Introduction

The sector will be financially and economically prosperous if it develops and markets a world class visitor experience, secures and conserves a long term future and works smarter.

The goal set in this area, “to achieve greater financial contribution and economic growth for the regions and New Zealand as a whole”, cannot be achieved in isolation. It will result from the achievement of the other Tourism Strategy goals.



### The Challenge

The tourism sector in New Zealand is growing in economic terms as evidenced by the increase in foreign exchange receipts and GDP. A financial picture (for example balance sheet or profit and loss statement) cannot be compiled for the tourism sector as a whole, but available sharemarket and other information indicates that profitability is low across the sector.

Profitability levels are low for many operators.

The level of return on investment (ROI) will need to be improved in the long term to sustain the levels of investment required to respond to the demands of growth and other challenges in the future.

### Asset Utilisation

Fundamental to improving profitability is the need to improve asset utilisation levels, which are adversely impacted by strong seasonality patterns. For example, although some accommodation is booked to 90% capacity or more in the December to February period, room occupancy rates below 50% are common in other months. These issues are covered in more detail in ‘Developing a World Class Visitor Experience’.

With visitor numbers continuing to grow, the challenge is to improve year round asset utilisation for current tourism operators, rather than building more facilities to cover the peak season that then languish in the off season.

### Airline Intentions

As the majority of our international visitors arrive by air, improving financial and economic viability is closely linked to business decisions taken by the major airlines operating in New Zealand. Increasingly airline capacity and route decisions will be driven from Australia. There is a risk that over time Australia will become the major hub for international travel to New Zealand. The implications and impact of this must be assessed and addressed to safeguard New Zealand’s long term future as a leading tourism destination.

The strategy must explicitly take airline intentions into account as they are critical to our ability to grow the number of international arrivals.



For airlines to grow inbound routes they must also have a healthy outbound flow on that route. This needs to be a year round route, not one where the demand lasts for three months of the year. It also needs to be a route that is profitable for the airlines.

Return on airline marketing expenditure needs to be comparable in New Zealand to that in other markets. The return on expenditure and the airlines' ability to return a profit will effect their ability and willingness to contribute to destination marketing overall or for particular routes.

## Pricing and Yield Management Strategies

Pricing strategies are not currently used to full effect. Examples of how pricing strategies could be used more effectively include:

- Use of pricing strategies for the “high season” and the “low season”.
- Alteration in pricing in response to exchange rate fluctuations.
- Use of pricing mechanisms to manage visitor numbers at tourism attractions.

More effective use of pricing strategies could significantly improve yield.

As quality systems are extended through the sector and cover a wider range of tourism activities the opportunity will also exist to premium price for quality and authenticity. Tourism operators should explore opportunities to leverage this to improve the overall profitability of their businesses. At a regional and national level it should be built into marketing initiatives.

Opportunities exist to use yield management mechanisms more actively both at an individual operator level and sector wide level. These are key to managing the sector's ability to gain revenue and build financial prosperity.

## Cost Minimisation

On the cost side of the equation, the many small organisations in the sector cannot currently realise economy of scale benefits. Each of the thousands of small tourism businesses develops its own processes and systems. There is considerable, costly duplication among these operators.

Opportunities exist to reduce costs by working more closely with other tourism operators.

Examples of “inefficient” costs for small operators are:

- Belonging to and paying for several industry associations.
- Development of technology costs on a business by business basis (e.g. websites).
- Lack of buying capacity for items that might be bought by all parts of the sector.

There are other avoidable business expenses including costs of communication with customers, information and research costs and recruitment costs.

The challenge is to put in place systems and resources to help tourism businesses reduce their exposure to avoidable costs.

## The Solution and Key Recommendations

The strategy focuses on recommendations that will improve economic and financial prosperity by increasing revenue from existing investment and reducing operating costs for tourism businesses.

The key TSG recommendations are:

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Pricing strategies and yield management are key mechanisms for improving financial returns.

TIA leads sector initiatives to research, develop and promote the use of pricing and yield management strategies to improve financial and economic viability.

Tourism operators increase their use of pricing strategies to improve yield.

Tourism operators explore premium pricing opportunities for quality and authenticity and NewTNZ and NewRTOs leverage this in marketing campaigns.

Tourism operators use competitive yield management strategies as a mechanism to improve utilisation of current assets and infrastructure, and improve planning and infrastructure development.

Tourism operators, NewTNZ and NewRTOs work with airlines to ensure airline yield and capacity issues are adequately accounted for in targeting visitors and developing products.

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Continued prosperity of carriers to New Zealand, particularly on target visitor arrival routes is a key area of focus for yield management.

Together the other three Tourism Strategy 2010 objectives: Securing and Conserving a Long Term Future, Developing a World Class Visitor Experience and Working Smarter, and the Enabling Strategies will provide a focus for improving the financial and economic prosperity of the tourism sector.

The main strategies covered by these objectives and the enabling strategies are outlined below:

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Other recommendations can be found throughout the strategy.

### Revenue Enhancement Solutions

- Increase the number of expected visitors, targeting high yield visitors
- Development of a compelling brand
- Product development targeting high yield visitors
- Improved access to and analysis of information to make investment decisions
- Focus on the development of product to influence visitors to come at different times and go to different places.

### Cost Reduction Solutions

- Online learning and development opportunities
  - Development of employee attraction and retention programmes
  - Rationalisation of association costs
  - Improved regional planning processes
  - Building operator technological understanding and capability
  - NewRTOs shared service around “back office functions”
  - Improved technology infrastructure
  - Improved quality frameworks
-

The Tourism Strategy 2010 will position the sector for long term economic growth and sustainability, and support individual participants to improve long-term financial returns.

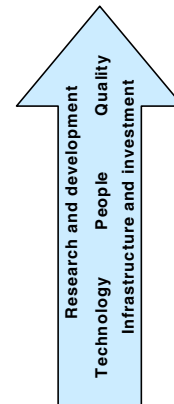
In doing this, the goal is to achieve greater financial contribution and economic growth for the regions and New Zealand as a whole.

# Enabling the Sector

## Introduction

There are a range of enabling strategies that will support the implementation of the tourism strategy and the successful and sustainable development of tourism. The Tourism Strategy 2010 outlines these and a series of recommendations for:

- Technology
- People
- Research and development
- Infrastructure and investment
- Quality.



## Technology

### The Challenge

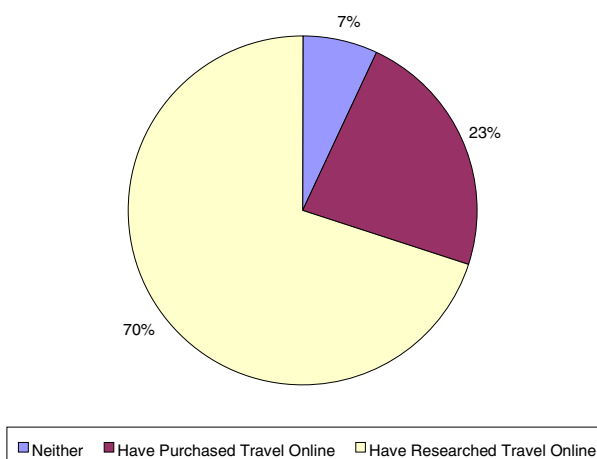
More than any other sector, tourism should be able to secure significant lifts in performance through the application of technology.

Increasingly potential visitors are surfing the internet before they decide where to go and what to do, but only a small percentage are currently booking on line as can be seen from the USA example below.

Connecting the sector is difficult, but technology offers many opportunities to tourism that at present cannot be taken up.

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### US Adults Who Research and Book Travel Online



Source: eMarketer 2 August 2000

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Consistent and reliable web information is an important part of attracting visitors and meeting their expectations.

The WTO Business Council identified the following key technology trends:

- Use of technology to improve research through such tools as the tourism futures simulator.
- Development of customer databases and relationship marketing applications.
- Development of public/private partnerships to develop and run sector website technological solutions.
- Establishment of country wide websites covering all relevant sectors in the country – tourism and non-tourism concerns.

The sector needs to take these trends into account and develop a better understanding of how:

- Technology can save time and money for small businesses by reducing their operating costs and providing information to inform business decisions.
- To use current and emerging technologies to gain a better understanding of visitors' needs and wants, and to communicate what New Zealand has to offer.

## The Solution and Key Recommendation

The sector will use current and new technologies to develop stronger and better relationships with visitors, to reduce costs for operators, and improve quality and enhance connectivity and information exchange.

The Tourism Strategy 2010 focuses on:

- Leveraging technology in our destination branding and marketing.
- Establishing technology enabled communication and information channels within the sector and with visitors.
- Building tourism operator technology understanding and capability and leveraging this to improve business profitability.

The key TSG recommendation is that:

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By 2002, TIA and NewTNZ facilitate the development and implementation of a sector wide technology strategy to support sustainable growth in New Zealand tourism.

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It is proposed that the technology strategy should cover the use of technology to:

- Support targeted yield growth.
- Strengthen the brand.
- Develop options for research and development assimilation to operators and others in the sector.

The strategic solution is a sector wide approach to technology supporting the growth of tourism in New Zealand.

- Assist in destination management.
- Provide analysis for workforce planning.
- Develop an understanding of the New Zealand experience.
- Build an understanding of visitors' needs, preferences and behaviours and potentially create one-on-one relationships with them.
- Promote efficiency and effectiveness of marketing expenditure.
- Enhance operators profitability.

The technology strategy should make recommendations relating to:

- How to resolve current bandwidth issues which limit access in some areas.
- Roll-out of the strategy (including training and investment issues) in a sector that is characterised by a large number of SMEs.

The technology strategy should be developed in liaison with government's eCommerce Action Team (ECAT). It should also draw on international technology strategies and systems where relevant.

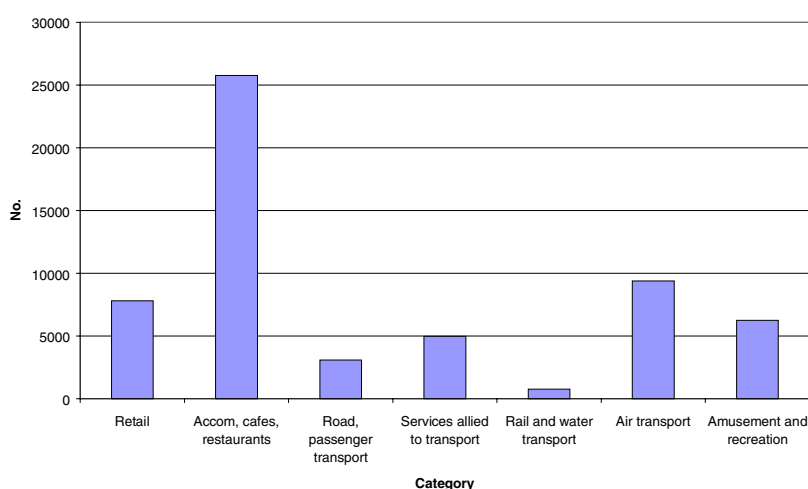
## People Strategy

### The Challenge

People are the key to the success of New Zealand tourism, but at present there is no process for identifying current and future workforce needs and aligning tourism training to meet these. The chart below shows the types and numbers of employees in the tourism sector in 1995.

People working in tourism are critical to the quality of visitors' experience.

### Number of employees directly employed (equivalent FTEs) in Tourism



Source: TIA/Statistics NZ

Tourism related employees are spread across many industries. This makes it difficult to provide tourism specific learning.

Current delivery of training does not suit SMEs and employees of SMEs. The training content does not focus sufficiently on planning, establishing and managing businesses effectively and it is not provided in a way that makes it accessible to SMEs.

The large number of training organisations results in fragmented training provision and makes it difficult to communicate the needs of the sector to training providers.

Skill New Zealand has not seen tourism as a priority area. In 2000 it allocated 1.1% of funding for industry training to aviation, tourism, travel and hospitality, compared to 10.1% to agricultural, and 9.1% to forestry. Tourism's share of industry training funding is disproportionately low when compared to its contribution to the economy.

The nature of much tourism related employment can exacerbate capability issues for the sector. The remuneration structure, and perceptions about low skill level, low status, lack of career paths and seasonality of many jobs has resulted in tourism not being seen as an attractive long term prospect for employment. Sector capability is negatively impacted by the loss of experienced staff and low recognition of the value of tourism to local communities and the New Zealand economy as a whole.

## The Solution and Key Recommendations

The Tourism Strategy 2010 aims to provide better learning opportunities and more portability of skills within the sector and to increase the attractiveness of the tourism sector to employees. Initiatives will include raising the sector profile and awareness of its role and importance in delivering the New Zealand experience.

The key TSG recommendations are:

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Sports, Fitness, Recreation Industry Training Organisation (SFRITO), Aviation, Tourism and Travel Training Organisation (ATTTO) and Hospitality and Service Industry Training Organisation (HIS), in conjunction with tourism operators refocus the delivery of training to better meet the needs of SMEs.

Ensure efforts are made in conjunction with the TEAC to reduce the number of providers of tourism training.

TIA works with SkillNZ to obtain a larger proportion of industry training funding.

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Other recommendations are to:

- Establish a process to enable identification of sector wide skill requirements and effective work force planning.
- Make the development of SME and Maori tourism participants' capability a top priority.

The solution involves a range of initiatives aimed at attracting and retaining people who consistently deliver the New Zealand experience.

- Have NewRTOs take a role in identifying regional training needs and co-ordination of training opportunities.
- Ensure Industry New Zealand works with NewRTOs, TIA and SMEs to build capability at a regional level.

## Research & Development Strategy

### The Challenge

Tourism is a knowledge and information based sector. Yet currently there is mismatch in some areas between available research and the needs of the sector.

The tourism information system comprises four data sets (CAM, IVA, IVS, DTS) and two aggregation tasks.

The forecasting component of the system comprises international visitor arrivals (numbers, length of stay and expenditure), domestic tourism and New Zealand outbound.

Establishing the core data set has been challenging. At present accountability for the elements of the core data set sit with TNZ and OTSp (in conjunction with the Tourism Research Council of New Zealand (TRCNZ) and the Department of Statistics). This results in:

- Fragmented purchase capability and strategies.
- Users not fully understanding where to go for what information.
- Use of different methodologies and the inability to compare results.

Diluted purchasing power and sector voice to key providers and funders.

Research findings are held in many physical and electronic locations and are hard to access. Research outcomes are often presented in ways that do not meet users' needs. Opportunities to extract the value from tourism research and information and to build on this for marketing and product development purposes have not been taken up.

Research and information provides a basis for decision making at all levels in tourism. Ensuring ongoing access to the core data set for tourism is essential. Funding for research must be targeted to high value, top priority information needs. The level of funding should reflect the social and economic importance of tourism to New Zealand.

Many of these challenges are not unique to New Zealand. The WTO Business Council identified the following key trends in research and development:

- Development of tourism satellite accounts.
- Involvement of the private sector in research and statistics.

Tourism research and information is not making the contribution it could to sector success.



## The Solution and Key Recommendations

The strategy focuses on making relevant, timely and high quality tourism research accessible to inform decision making across the tourism sector. The strategy also aims to enhance the research and development culture in tourism by increasing the value of research and development investment and application.

The key TSG recommendations are:

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By mid 2002, OTSp in conjunction with the TRCNZ establish commitment for continuation of funding for the core tourism data set for at least the next five years. The accountability for commissioning the core tourism data set and developing the R&D programme should be aggregated and managed within one organisation.

OTSp in conjunction with the TRCNZ work to improve the level of public research funding applied to tourism research. The funding level should be comparable to other sectors making a similar economic contribution.

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Other recommendations are to:

- Improve the quality and integration of the core data set to support effective sector analysis.
- Assign clear accountability for specific research requirements.
- Ensure appropriate funding for publicly-funded applied research that is focused on the needs of users and is widely disseminated.
- Improve levels of information regarding Maori in tourism.
- Collect, analyse and distribute widely across the sector, information to support a better understanding of visitors' needs, preferences and behaviours.
- Prepare guidelines on presentation and dissemination of research.
- Exploit technology and other media to increase the accessibility of research, including private sector research, to users.

## Infrastructure & Investment Strategy

### The Challenge

Within the tourism sector there is a mix of core tourism infrastructure and wider infrastructure that is used by tourists and others alike.

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#### Tourism core infrastructure

Aircraft  
Accommodation  
Buses/coaches  
Conference and convention facilities  
Tourism activities and attractions  
Trains, ferries  
Conservation estate  
Intellectual property rights of large scale events

#### Wider infrastructure

Roads  
Water and sewerage systems  
Telecommunications  
Retail  
Ports  
Airports  
Train stations, ferry terminals  
Taxis

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The solution is to ensure improved access to and use of quality research and information.

Infrastructure is critical, but under pressure and investment needs improved commitment.

Infrastructure development cannot follow tourism growth, but must proceed in parallel if growth is to be sustained. Adequate infrastructure is critical to keeping the promise to visitors, and ensuring the quality of the visitor experience is maintained. An example of this is providing infrastructure that meets the needs of visitors with disabilities.

As the primary means of entry to New Zealand, airports and aircraft infrastructure capacity is critical to sustainable tourism growth.

Some core New Zealand infrastructure is run down and funding to upgrade/replace it is limited. Lack of infrastructure is potentially a major inhibitor to effective management of tourism growth. In some areas increased visitor numbers has created new infrastructure needs, but it is not clear how these should be funded.

A low level of financial return in tourism businesses in New Zealand puts pressure on investment decisions in areas such as infrastructure, technology and skills development.

Many of these issues and opportunities are not unique to New Zealand. The WTO Business Council identified a number of relevant trends, including:

- Establishment of Tourism Investor Associations as a means of strengthening the public/private partnership in investment.
- Incentives for investors (e.g. reduced interest rates) in tourism infrastructure (new or improvements).
- Development of programmes to attract private sector investment in superstructure projects.
- Whole of region approaches to development of infrastructure where the public sector, semi-public and private sector take specific accountability for development of particular pieces of infrastructure.

## The Solution and Key Recommendation

The Tourism Strategy 2010 requires public and private sector tourism participants to work together to define and fulfil their respective roles in assessing, planning, developing, funding and operating the infrastructure required to deliver on the promise.

Better research information about current and future needs will be provided. Closer alignment will be achieved between tourism product development and infrastructure planning and development. NewRTOs and local government will work more closely together on tourism planning and development.

The key TSG recommendation is:

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Central and local government and the private sector, develop a model and agree on roles and responsibilities in relation to tourism infrastructure needs. This should be facilitated by OTSp, LGNZ and TIA.

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The strategy is to assess, plan and develop infrastructure in alignment with visitors' needs.

Other recommendations are to:

- Increase the collection and dissemination of key information to provide a better understanding of current and future infrastructure needs.
- Develop standard and consistent tools and methodologies (e.g. economic impact assessment).

This will involve:

- Facilitating collaboration and strategic alliances for mutual benefit among sector participants.
- Building regional tourism planning and development capability.
- Improving co-ordination in regional planning processes.
- Making research and information more readily available to support tourism sector decision making.
- Providing clarity about product development direction.

## Quality Strategy

### The Challenge

Quality is a subjective judgement by visitors; did services and products meet their expectations or fall short? Visitors' quality assessment of New Zealand tourism begins with their decision to visit, and ends long after the visit is over.

The challenge for tourism is to ensure that visitors develop appropriate expectations, and that tourism and related products and services meet these expectations.

The tourism sector has multiple industry standards and quality assurance systems. These are not always aligned with internationally accepted quality benchmarks, which can result in confusion for visitors about what product they should choose, at what price.

Qualmark is a joint venture between TNZ and the Automobile Association. It was set up in 1994, initially to grade accommodation. Its vision is "To be recognised as the quality standards endorsement agency for all New Zealand tourism offerings".

A recent review noted that Qualmark was currently undercapitalised and that the current quality system has a number of shortcomings. Qualmark has identified the changes required, but has noted that it is not equipped to achieve these at present and that its current funders cannot fund the required changes from existing resources.

Quality of experience is a key element of the New Zealand offering. There is a risk that New Zealand could be undermined as a destination if quality standards are not in place to assure the quality of experience, particularly in relation to the natural environment and the authenticity of experience.

Authenticity of product and quality are major issues for Maori and Maori tourism operators. At present both visitors and Maori share concerns about the authenticity of some Maori product. These concerns need to be addressed.

Quality is determined by the fit between visitors' expectations and their experience.

## The Solution and Key Recommendation

The key TSG recommendation is that:

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Qualmark in conjunction with operators, investigates, develops and implements:

- a quality brand
  - sector standards and
  - an effective national accreditation framework for tourism.
- 

Key elements of this will include:

- Developing and implementing a single, integrated, effective quality standards and accreditation framework for New Zealand tourism products and services.
- Supporting and providing incentives for the adoption of these by operators.
- Building a national tourism quality brand.
- Clarifying the relationship of the quality brand to other industry standards and quality marks including Maori made.
- Gathering, analysing and disseminating information about the fit between visitors expectations and their actual experience.
- Benchmarking international tourism standards and service levels.
- Ensuring operators have the necessary capability building tools, training and assistance.
- Encouraging a whole of government approach to quality issues where they impact the visitor experience.
- Developing a business case for an industry wide consumer protection and complaints management framework.

The objective is to have quality underpinning the visitor experience across the entire value chain



# Funding the Tourism Strategy Implementation

## Funding Commitment

The Tourism Strategy 2010 maps out a direction that will conservatively see spend by international visitors grow from \$4.7 billion to \$9.4 billion in 2010. Modelling work suggests that for every 1% increase in spend by all visitors above this baseline, a further \$1 billion revenue will result.

The impact on the New Zealand economy of fully implementing the Tourism Strategy is therefore very significant. Further private commitment to funding and investment in infrastructure will be required to generate these returns.

Tourism must be recognised as a key contributor to our economy and the need to commit funding to it must be taken seriously. The sector will not be able to generate these returns on a one-year funding cycle or without significant investment funding from both the public and private sectors. The sector will also need to explore opportunities to spend existing funding more effectively in the future.

The funding for implementing the strategy over the next ten years is expected to come from five main sources:

- A more efficient use of current funding through such activities as a NewRTO back office, increased use and access to technology and research and development information.
- Allocation of a greater proportion of funds from other Votes (Industry New Zealand, Research and Science, Education) to tourism activities.
- An increase in Vote: Tourism for such things as international marketing, increased advice to government, implementation of Tourism Strategy 2010 recommendations.
- An increase in funding from TLAs to NewRTOs to fund changes in role, improve regional tourism planning and development and deliver regional benefits.
- Ongoing private sector infrastructure investment and an increase in funds in areas such as destination marketing and technology.

Funding will be required:

- For set-up or one-off costs
- To cover ongoing costs for activities
- For investment in capital and infrastructure.

Indicative requirements in each of these areas are discussed further below.

The recommendations in this strategy will require additional funding from both government and the private sector.

Increased funding will come from a range of sources.

Funding will be required to support different initiatives.

## One-off Funding

Initial analysis indicates that one-off additional funding of \$5 million - \$11 million is required to implement the major development initiatives in the Tourism Strategy 2010. Recommendations requiring one-off funding include:

- Establishment of a new jointly owned private/public sector marketing organisation.
- Establishment of NewRTOs.
- Creation of representative Maori tourism bodies.
- Continued development of environmental management mechanisms (e.g. Green Globe).
- Reduced complexity and improved efficiency in tourism planning and development.
- Mechanism such as a Maori mark of authenticity.
- Development and implementation of a distribution channel strategy.
- Adoption of the VIN strategy (if agree to adopt).
- Development of a range of business tools for use by SMEs.
- Business case for NewRTOs shared back office.
- Options appraisal for rationalisation of NewRTOs.
- Development and implementation of a technology (including eCommerce) strategy.
- Implementation of Quality brand, sector standards and accreditation framework.
- Tourism Strategy Implementation Group governance.

A table that sets out the broad assumptions underpinning this analysis is included in Appendix 9: Funding Implications.

The majority of additional one-off funding is proposed to be sourced from central government with some from local government and industry. This one-off funding will be required over a three to four year period.

Government's role would be to financially enable the sector to position itself for successful growth in the coming ten years and beyond.

A one-off investment by government is warranted on the basis of:

- The need to initially fund the sector to ensure that tourism growth is sustainable and effectively managed.
- The difficulty of attracting private sector funding for sector development projects because of low levels of profitability in the sector.

One-off funding requirements have been estimated at between \$5 million-\$11 million.

This initial investment will have a high payback in both economic and social terms.

- The catalysing effect this investment will have for investment by other parts of the sector.
- The impact that the Tourism Strategy 2010 will have on improving profitability levels in the sector. This will enable the sector to become progressively more self sufficient over the next ten years.
- The contribution that implementation of the tourism strategy will make to the achievement of government's social and economic goals including regional development, industry development and addressing social and economic inequalities.

## Additional On-going Funding

The magnitude of additional on-going funding required to support sustainable tourism growth is more difficult to assess. Scope exists to fund some initiatives and extensions in roles from within existing funding. This will arise through rationalising sector participants, removing duplications and inefficient practices and leveraging funding more effectively.

Additional ongoing funding will however be required particularly in the areas of:

- Marketing
- Product development and building capability
- Destination management.

## Marketing

Funding for marketing initiatives should be expected to increase in line with the changing visitor base level. The projected increase in visitor numbers (international 81% and domestic 48%) and visitor spend (international 74% and domestic 48%) are likely to require a similar level of growth in marketing spend by central government, local government and private sector operators.

Currently private sector spend on marketing initiatives is significantly higher than public sector spend and growing at a faster rate. This is expected to continue however:

- Central government support for international destination marketing will continue to be critical. If it were to increase in line with international visitor spend, destination marketing spend in 2010 would be \$98 million. International experience (e.g. United States) has demonstrated that where central government support has been withdrawn, tourism growth has slowed and a case has subsequently been made for re-instatement of government funding for destination marketing.
- Local government funding of RTOs is critical for their long-term viability. The private sector contribution to RTOs is growing but without baseline funding from local government, these organisations would not survive.

More effective marketing campaigns can be developed if the organisations involved have secure longer term funding which enables them to develop three to five year, rather than one year, strategies.

On-going growth will also need to be supported by additional funding.

Marketing spend will need to grow in line with tourism growth.



## Product Development and Capability Building

The strategy proposes an increase in focus on products that attract high yield visitors, smooth seasonality impacts and assist with regional spread. Arts and cultural and events products are discussed in this context.

This will require funding for both product development and product establishment and marketing. Some will come from a transfer of current spend (e.g. if an operator changes their product mix) but new funding will also be required.

Appropriately the significant majority of product development and capability building investment is undertaken by the private sector. This will continue to be the case with the level of investment increasing in line with growth in the sector.

Funding is however expected to come from central government in areas such as:

- Tourism obtaining a greater proportion of industry training funding from SkillNZ.
- Increasing the level of public research funding applied to tourism research to a level at least comparable to other sectors making a similar economic contribution.
- Capability building where INZ funding is accessed for specific developmental initiatives or to help develop business network, Maori tourism infrastructure etc.

## Destination Management

An increased investment in destination management is required if tourism is to grow sustainably.

Funding will be required to:

- Develop environmental management systems.
- Monitor and manage visitor impacts.
- Develop products in a way which is consistent with long term environmental sustainability.

Funding will come from many sources, consistent with the need for sustainable tourism to be the responsibility of all in the sector. For instance:

- Tourism operators may develop environmental management systems that require funding.
- Local and central government will need to invest more in maintaining existing facilities to ensure they can be sustained on a long term basis and that the growth in visitor numbers can be accommodated without damaging the natural and other environments.
- Visitors may be asked to fund some elements of sustainable tourism through mechanisms such as fees for visiting specific sites.

The sector will need to invest continually in product development and capability building to attract high yield customers.

Sustainable tourism growth will also require a greater and ongoing commitment to destination management.

## Investment in Capital and Infrastructure

Improvements have been identified for individual tourism businesses, which, if adopted, will require investment of both time and money. This falls into the categories of:

- Investment by individual businesses in their own business. For example in technology improvements, accessing training programmes, implementing environmental management programmes or participating in a quality accreditation programme.
- Investment by employees or owners of businesses in implementing recommendations relevant for the sector. For example, in working with TIA to develop business improvement tools, in working with NewRTOs on tourism planning and development mechanisms.

For the sector to take a large step forward it is important that most tourism operators buy-in to the investment required.

Funding for infrastructure will also need to grow to both improve the current infrastructure and to provide new infrastructure required for the number and type of visitors expected to travel to and within New Zealand.

This is the case for both core tourism infrastructure (such as hotels) and wider infrastructure (such as roads and ports).

The funding for improvements and additional infrastructure is likely to come from:

- Central government for wider infrastructure such as state highways and improvements to the conservation estate.
- Private organisations, including those in the tourism sector such as operators of hotels and those providing wider infrastructure such as telecommunications.
- Local government for such things as toilets and tourism amenities (e.g. convention centres).

## Success Relies on Funding Commitment

A \$4 billion per annum increase to the New Zealand economy by 2010 from international visitors cannot be achieved without investment. In total for the years 2001-2010 this is estimated to be an additional \$20 billion in international visitor spend.

In the short term the sector will look to government to commit additional funds from a wider range of government departments and to commit these funds for more than one year. In the medium to long term expectations are that the funding required to achieve the targets identified in the Tourism Strategy 2010 will be spread across all sector participants. It will not simply be the responsibility of central government. Without all sector participants pulling their weight, these results will not be achieved.

Tourism operators will also need to invest significantly in their own businesses.

Additional infrastructure will be required to meet the needs of a growing number of visitors.



# Tourism in 2010

## Global Projections

International tourist arrivals are forecast to grow to 1 billion in 2010 and reach 1.6 billion in 2020. These volumes represent an overall average annual rate of growth of 4.5% for the period 2000 – 2010 and 4.4% average annual growth for the period 2010 - 2020. The following table outlines average annual growth rates by region for the periods 2000-2010 and 2010-2020.

Global international visitor numbers are forecasted to reach 1 billion in 2010 and a further 1.6 billion in 2020

### Projected International Visitor Growth Rates by Region

Receiving Region	2000 – 2010	2010 – 2020
Europe	3.2%	3.1%
East Asia/Pacific	8.2%	6.8%
Americas	4.0%	3.8%
Africa	5.7%	5.1%
Middle East	7.1%	6.5%
South Asia	6.8%	5.8%
<b>TOTAL</b>	<b>4.5%</b>	<b>4.4%</b>

Source: WTO – Tourism: 2020 Vision

The projected growth in arrivals in East Asia Pacific is notably higher than the global average.

The World Travel and Tourism Council (WTTC) projects international visitor exports (tourism and travel spend) will grow from US\$565 billion in 2000 to US\$1.1 trillion by 2010, an annual growth rate of 4.8%.

The WTTC indicates that the global tourism industry contributes directly and indirectly 11 per cent of global GDP (US\$3,575 billion); supports 200 million jobs world wide; 8% of total employment or and 1 in every 12.4 jobs.

By 2010, international global spend is estimated to grow to 11.6% (US\$ 6,591 billion) of global GDP and will support 250 million jobs, and 9% of total employment, or, 1 in every 11 jobs.

Global visitor expenditure is expected to grow to US\$1.1 trillion in 2010 and contribute 11.6% of global GDP.

## New Zealand Tourism - Base Case Projections

The following presents a conservative picture of the future for New Zealand tourism in the year 2010 and is presented as projections based on specific assumptions and have not been set as targets.

The base case forecasting assumptions were developed by McDermott Fairgray. They are heavily dependent on the projected growth of the economy in our origin markets. They also assume that policy settings will remain largely as they currently stand and investment in international marketing will remain proportionate to visitor arrivals.

New Zealand tourism activity projections for 2010 show strong growth.

Key assumptions underpinning the base case scenario include:

- International visitor numbers growth rates vary by individual markets and visitor types<sup>7</sup>.
- Domestic visitor numbers grow at an average annual rate of 4% based on an aggregate domestic growth of 4%<sup>8</sup>.
- No-growth is forecast in 'average daily spend' figures for domestic or international visitors<sup>9</sup>.
- No change in the 'length of stay' is forecast for domestic visitors (changes in international visitor 'length of stay' have been forecast).

Further details on the tourism activity model and the assumptions upon which it has been based are included in Appendix 8: Tourism Activity Modelling.

Key changes projected under this base case scenario are summarised below:

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### Base Case Scenario - Projected Changes

	2000	2010	% Change
<b>Visitor Nos. (millions)</b>			
International	1.8	3.2	81%
Domestic	17.2	25.5	48%
Total	19.0	28.7	51%
<b>Visitor Nights (millions)</b>			
International	35.4	55.8	58%
Domestic	55.2	81.7	48%
Total	90.6	137.5	52%
<b>Visitor Spend (millions)</b>			
International	\$5,430	\$9,359	72%
Domestic	\$4,262	\$6,310	48%
Total	\$9,692	\$15,669	62%

Source: Cap Gemini Ernst & Young Tourism Activity Model

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<sup>7</sup> Forecasts have been developed using visitor arrival numbers from "International Visitor Arrival" card statistics, compiled by Statistics New Zealand.

<sup>8</sup> A limited historical data exists for domestic visitor numbers resulting in a lack of accurate and valid forecasts for visitor numbers in 2010. The assumption of 4% for aggregate domestic visitors has been applied to all domestic visitor forecasts as forecasts were not available by type of traveller.

<sup>9</sup> Visitor expenditure has been calculated by multiplying 'average daily spend' per visitor by the 'length of stay' per visitor to determine the average spend per visit. Average spend per visit is then multiplied by the number of visitors to determine total visitor expenditure by market.

It is estimated that:

- International visitors will comprise 11% of all domestic and international visitor arrivals in 2010 (3.2 million out of a total of 28.7 million) and will spend on average at least 10 times more per visit than domestic visitors
- Total international visitor expenditure for 2010 (\$9.4 billion) will make up approximately 60% of total visitor expenditure (\$15.7 billion). This is a 4% additional share of total visitor expenditure from 2000.

The top 4 markets for international visitor arrivals and expenditure are forecast to be Australia, United States, United Kingdom and Japan.

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### Forecast International Arrivals for Top Four Markets

Market	Projected International Visitor Numbers	Spend \$m	% Spend
Australia	906,190	\$1,145.00	12%
United States	366,260	\$1,228.00	13%
United Kingdom	348,610	\$897.00	10%
Japan	219,120	\$1,559.00	17%

Source: Cap Gemini Ernst & Young Tourism Activity Model

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Of the top 4 markets the United States is projected to have the largest growth in both visitor arrivals (87%) and visitor expenditure (79%).

International visitor arrival numbers and international visitor expenditure are projected to grow over the next ten years.

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### Growth 2000-2010 (%)

	Visitor Arrivals	Visitor Expenditure
<b>Top 4 Markets</b>		
United States	87%	79%
United Kingdom	74%	34%
Australia	58%	30%
Japan	45%	76%
<b>Other High Growth Markets</b>		
South Korea	210%	161%
Thailand	202%	150%
China	126%	127%
Taiwan	118%	139%
Euro - 8	132%	138%

Source: Cap Gemini Ernst & Young Tourism Activity Model

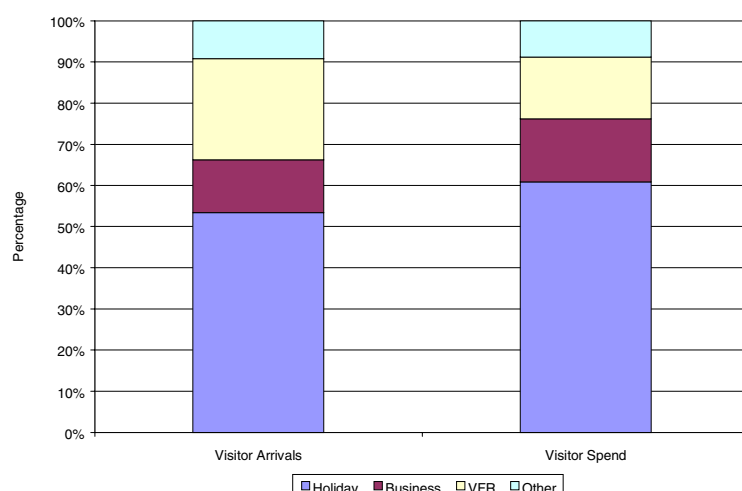
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If current travel patterns remain consistent among the smaller international markets, rapid growth in visitor arrivals and visitor expenditure will come from South Korea, Thailand and China. It should be noted however that growth rates in our smaller markets have tended to fluctuate significantly over time and that by 2010 other markets may have emerged with higher growth rates.

In the year 2010 international holiday visitors are projected to comprise 53% of all international visitor arrivals and 61% of all international visitor spend.

Holiday visitors will remain the largest influential visitor grouping.

## International Visitor Arrivals and Visitor Spend Composition



Source: Cap Gemini Ernst & Young Activity Model

Growth for international holiday arrivals is projected to be 86%, second only to international business arrivals, which is projected to grow at 107%.

Japanese visitors are projected to continue to have the highest spend per visit of all international arrivals. Japanese visitors are forecast to spend on average \$7,118 every time they visit New Zealand. It is estimated that Japan will have the highest spend per visit and will also rank among the top 4 international markets for visitor arrivals and visitor expenditure. The United States is another top 4 international market for both visitor arrivals and visitor expenditure.

Average spend per visit per international tourist will continue to vary significantly by market.

## Projected Visitor Expenditure by Market

Market	Average spend per visit per tourist (\$)	Total visitor expenditure (\$ million)
Japan	\$7,118	\$1,559
Switzerland	\$4,434	\$73
Germany	\$3,781	\$218
United States	\$3,355	\$1,228
South Korea	\$3,314	\$683
Canada	\$3,242	\$192
Taiwan	\$3,226	\$287
United Kingdom	\$2,575	\$897
Australia	\$1,264	\$1,145

Source: Cap Gemini Ernst & Young Tourism Activity Model

Switzerland ranks second to Japan in average spend per visit, yet it has a relatively low projected total expenditure of \$73 million. Although Australia has a relatively low spend per visit at \$1,264 it contributes \$1,145 million to the New Zealand economy per annum, more than 15 times that of Switzerland.

Peak season international visitor numbers for the peak month of December are projected to increase from 242,000 in year 2000 to 439,000 in year 2010. This increase of 197,000 international visitors will generate an additional 3.38 million international visitor nights in this month alone.

This projected increase in international visitor arrivals will place additional pressure on accommodation providers, (i.e. hotels, motels, backpackers, lodges, camping grounds, caravan parks, motor inns, and other providers) rental car providers and airlines to meet the demand of a growing visitor population. Additional investment in infrastructure will be required to accommodate this growth in numbers.

The increase in peak season visitors will place increasing pressure on capacity within the tourism industry.

## Growing Tourism More Rapidly

The forecasting assumptions that drive the base case scenario were developed during Tourism Strategy 2010. As stated previously they effectively assume constancy in current policy settings.

The strategy that has been articulated for New Zealand tourism is however expected to:

- Grow numbers more rapidly than had previously been forecast – particularly in our 4 top markets and amongst those travelling for holidays.
- Increase spend per person through the introduction of new products and more effective local marketing of them, but more importantly through strengthened pricing strategies.

The timeframe for developing this strategy did not allow for a “bottom-up” recasting of the forecasts. Rather, the Tourism Activity Model has been used to test the potential impact of a range of “illustrative” scenarios. These scenarios include:

- **Visitor spend growth** – Under this scenario visitor numbers are held at the same level as in the base case, but spend per visit is projected to grow by an additional 4% in all markets.
- **Visitor number growth scenario** – Under this scenario spend assumptions are held at the same level as in the base case, but visitor numbers are projected to grow by an additional:
  - 4% in our 4 target markets
  - 2% in all other markets (including domestic).
- **Combined growth scenario** – This scenario combines the impact of the visitor number and visitor spend growth scenario.

Delivering on the strategies mapped out for the tourism sector is likely to result in more rapid growth than was projected in the base case.



The results from this scenario modelling are outlined below:

	2010 Base Case	Visitor Nos. Growth Scenario	Visitor Spend Growth Scenario	Combined Growth Scenario
<b>Visitor Nos. (millions)</b>				
International	3.2	3.3	3.2	3.3
Domestic	25.5	31.5	25.5	31.5
Total	28.7	34.8	28.7	34.8
<b>Visitor Nights (millions)</b>				
International	55.8	57.4	55.8	57.4
Domestic	81.7	100.7	81.7	100.7
Total	137.5	158.1	137.5	158.1
<b>Visitor Spend (millions)</b>				
International	\$9,359	\$9,642	\$14,407	\$14,844
Domestic	\$6,310	\$7,780	\$9,714	\$11,978
Total	\$15,669	\$17,422	\$24,121	\$26,822

This modelling analysis highlights the importance of focusing on managing yield rather than simply trying to increase visitor numbers. The results in the table below show that a 1% increase in spend per international visitor per day, compounded over the ten year period achieves a projected spend of \$10.4 billion. If however daily spend per visitor were to remain as per the base case (i.e. no increase), then 3.6 million international visitors (or a 12% increase) would be required to achieve the same result.

Analysis shows that a small percentage increase in spend per day has a significant impact.

	2010 Base Case	1% Additional Daily Spend Per Visitor	12% Additional Visitor Numbers
International visitor numbers	3.2m	3.2m	3.6m
International visitor spend	\$9.4b	\$10.4b	\$10.4b

This highlights the significance of strategies that aim to increase visitor spend rather than focusing solely on growing visitor numbers.

## What Will The Sector Look Like In 2010?

If the sector is to achieve the goals set out in this strategy, it will need to change significantly over the next 10 years.

In 2010 it is envisaged that:

The tourism sector will operate very differently in 2010.

The majority of our visitors will be holidaying or visiting friends and relatives. Increasingly they will be free and independent travellers who are technology savvy and seek to use technology enabled distribution channels. The sector will have developed effective CRM strategies and through targeted marketing will grow our market share.

Maori will participate fully in all facets of tourism and will play a key role in differentiating the New Zealand tourism experience. Product authenticity will be protected and all operators will embrace the values of manaakitanga and kaitiakitanga.

The New Zealand experience (“the way we make you feel”) will stand out as a unique global offering. Destination New Zealand” will be seen as a leading global tourism destination.

Tourism destinations and products will have been developed in a way which protects our environment, culture and built heritage.

All sector participants will work towards securing and conserving our long-term future. New Zealand will have achieved its carbon neutrality targets and will lead the world in Green Globe and other environmental management strategies.

A strong global brand will be established and will be marketed internationally through both physical and virtual distribution channels. Marketing strategies will be developed and implemented jointly with private sector tourism operators and agencies (e.g. Trade NZ, Dairy Board) that market New Zealand off-shore.

Our destination marketing and destination management will be closely aligned to ensure that we deliver on our promise to visitors.

High spending visitor markets will be targeted. Products will be developed to improve yield, reduce seasonality issues and increase regional spread. Growth in visitor numbers from key volume markets like Australia, USA, the United Kingdom and Japan will be a priority.

The organisations servicing the sector will have reduced in number and will more closely meet the needs of operators and our customers.

The sector will have invested significantly in technology and bandwidth issues for remote communities will have been addressed. The sector will be viewed internationally as leading the way in terms of embracing technology to:

- Improve business practices and decision making amongst the many SMEs operating in the sector.
- Meet the needs of visitors.
- Redefine how distribution channels work within the tourism sector.

Improved research and development will underpin decision making and will be relevant to, and widely used by, operators and policy makers.

The profitability of the sector will have improved through a combination of factors including:

- Increased visitor numbers.
- Improved management of seasonality.
- Application of pricing and yield management strategies.

Communities will understand the benefits of tourism and will be welcoming hosts.

Projections are that there will be at least another 100,000 new jobs created in the economy as a consequence of increased visitor expenditure. Tourism will be seen as an exciting and dynamic sector to participate in and will be a highly desirable career choice.