Tourism New Zealand Youth Update

Current State of Affairs – we're smashing it!

		Holiday Arrivals			
Rank	Key Markets	YE Aug 14 Youth Arrivals	YE Aug 15 Youth Arrivals	% Growth Youth Arrivals YoY	% Growth Total Arrivals YoY
1	Australia	113,344	119,488	5.4%	3.9%
2	China	20,752	30,064	44.9%	33.9%
3	USA	22,848	27,056	18.4%	13.8%
4	Germany	22,816	25,680	12.6%	9.1%
5	United Kingdom	19,712	23,216	17.8%	9.7%
6	France	8,016	9,104	13.6%	6.7%
7	Japan	6,656	8,528	28.1%	13.3%
8	Canada	5,920	6,480	9.5%	3.5%
9	India	5,488	6,128	11.7%	23.4%
10	Singapore	5,152	5,888	14.3%	11.2%
	TOTAL	292,560	326,192	11.5%	11.1%

Source: Statistics New Zealand International Visitor Arrivals. Aug 2015. Visitors aged 18-29 year old.

Future Opportunities

With strong growth across the board, the question remains…

How do we use insights to sharpen our Youth strategy to provide the strongest international tourism value?

- Who are our current youth visitors to New Zealand?
- Who should we focus on?
- How do we target them?

Desktop Research (IVA) – Who are our current Youth visitors?

Youth holiday visitors are a key value opportunity

Value of Youth Visitors as compared to Total Visitors

	Arrivals (k)	Stay Days (m)	Expenditure $m
Total Visitors	2,991k	58.4	8,152.0m
Youth Visitors	603k	18.7	$1,794.6m
% Youth	**20%**	**32%**	**22%**

Value of Youth Visitors by Purpose of Visit

Purpose of Visit	Arrivals (k)	Stay Days (m)	Expenditure $m
Holiday	**323.7k**	**8.4m**	**$1,129.6m**
Education	30.1k	3.5m	
VFR	161.9k	3.3m	$300.3m
Business	36.1k	0.8m	
Other	51.0k	2.7m	
Total	602.9k	18.7	$1,794.6m

- 54% of total youth visitor arrivals
- 45% of total youth stay days
- 63% of total youth expenditure

Source: Statistics New Zealand International Travel and Migration June 2015; MBIE International Visitor Survey March 2015
Where cells are blank sample size is insufficient, expenditure is ages 15-29

Youth holiday visitors = nearly 1/4 of total holiday arrivals

Value of Youth Holiday Visitors as compared to Total Holiday Visitors

	Arrivals (k)	Stay Days (m)	Expenditure $m
Total Holiday Visitors	1,460	23.1	$5,014.9m
Youth Holiday Visitors	323.7	8.4m	$1,129.6m
% Youth	**22%**	**36%**	**23%**

Source: Statistics New Zealand International Travel and Migration June 2015; MBIE International Visitor Survey March 2015
Where cells are blank sample size is insufficient, expenditure is ages 15-29

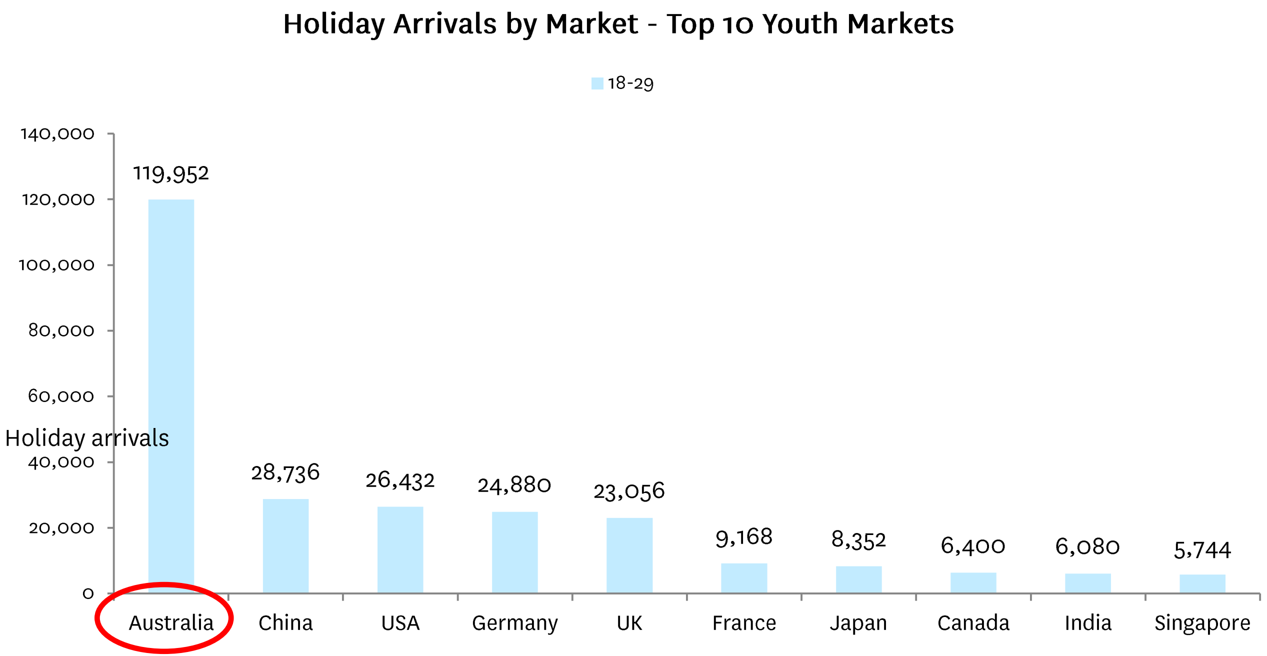
NEW ZEALAND TOURISM

100% PURE NEW ZEALAND

Australia drives the volume of Youth holiday arrivals

Australia accounts for nearly 40% of youth holiday arrivals.

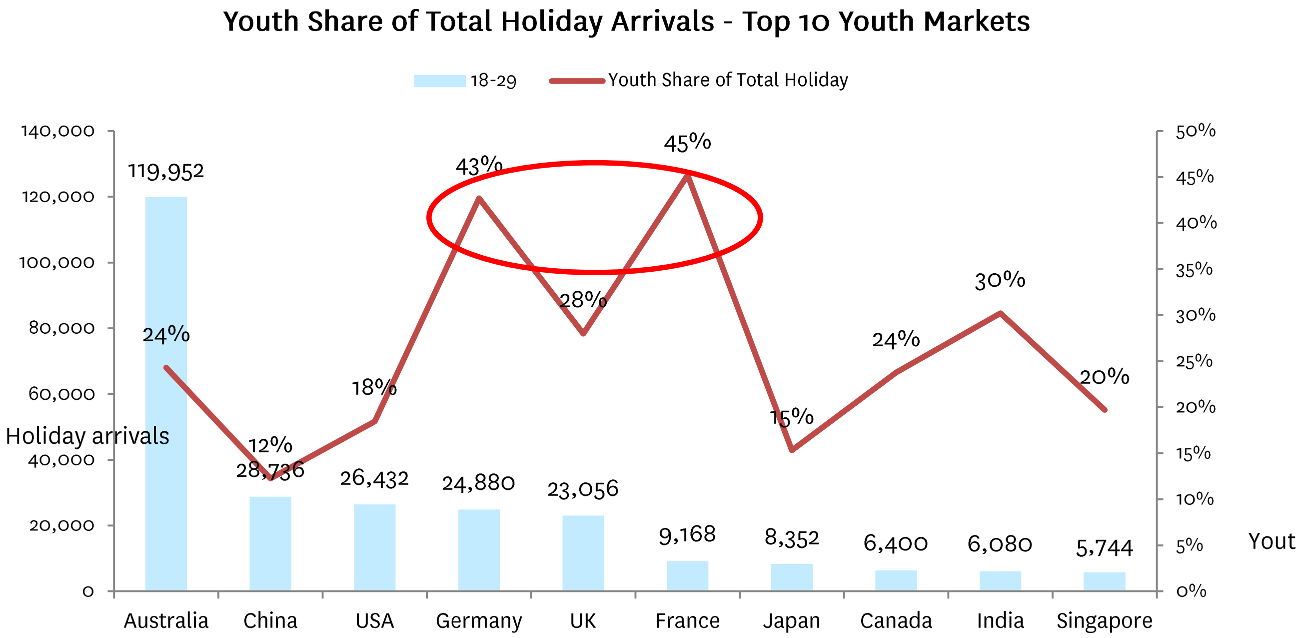
China, USA, Germany and the UK all account for approximately 25,000 Youth holiday arrivals each.



Source: Statistics New Zealand International Travel and Migration June 2015

Europe has a high proportion of Youth holiday arrivals

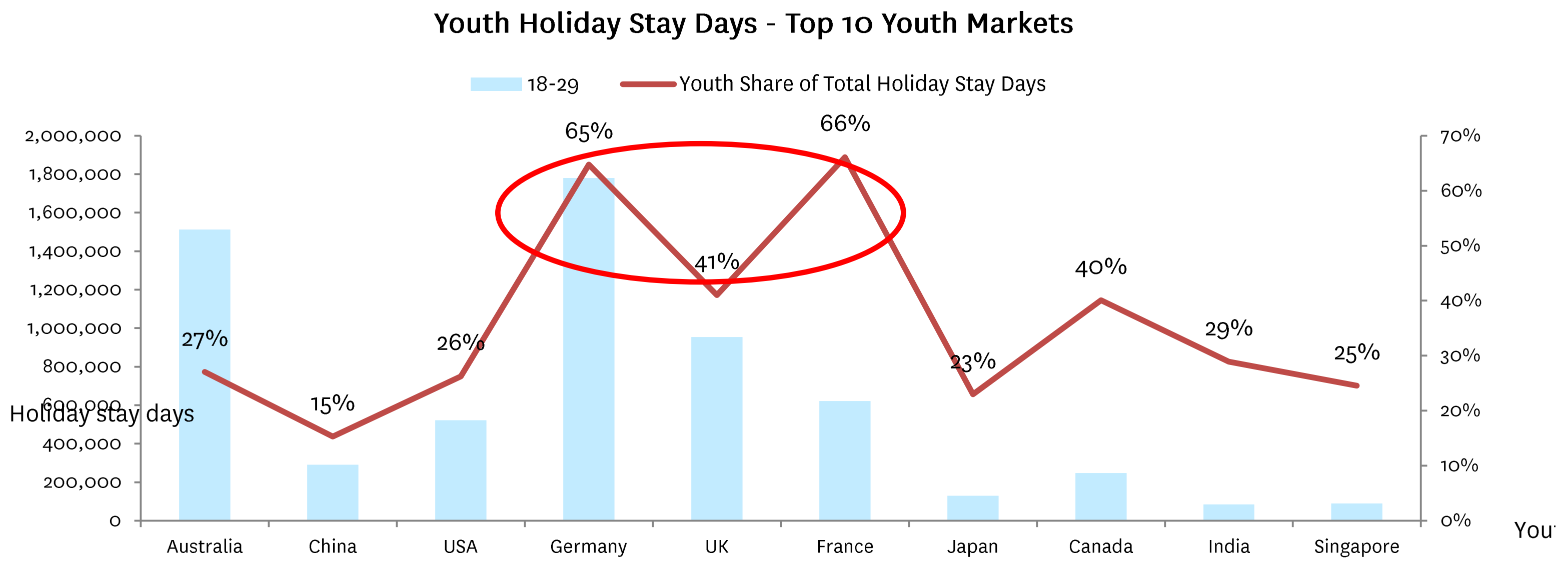
The Youth share of total holiday arrivals is over 40% in the European markets of Germany and France.



Source: Statistics New Zealand International Travel and Migration June 2015

Europe has a higher proportion of Youth holiday stay days

Youth stay days are driven by both the volume of Australian arrivals and the greater length of stay from European arrivals.



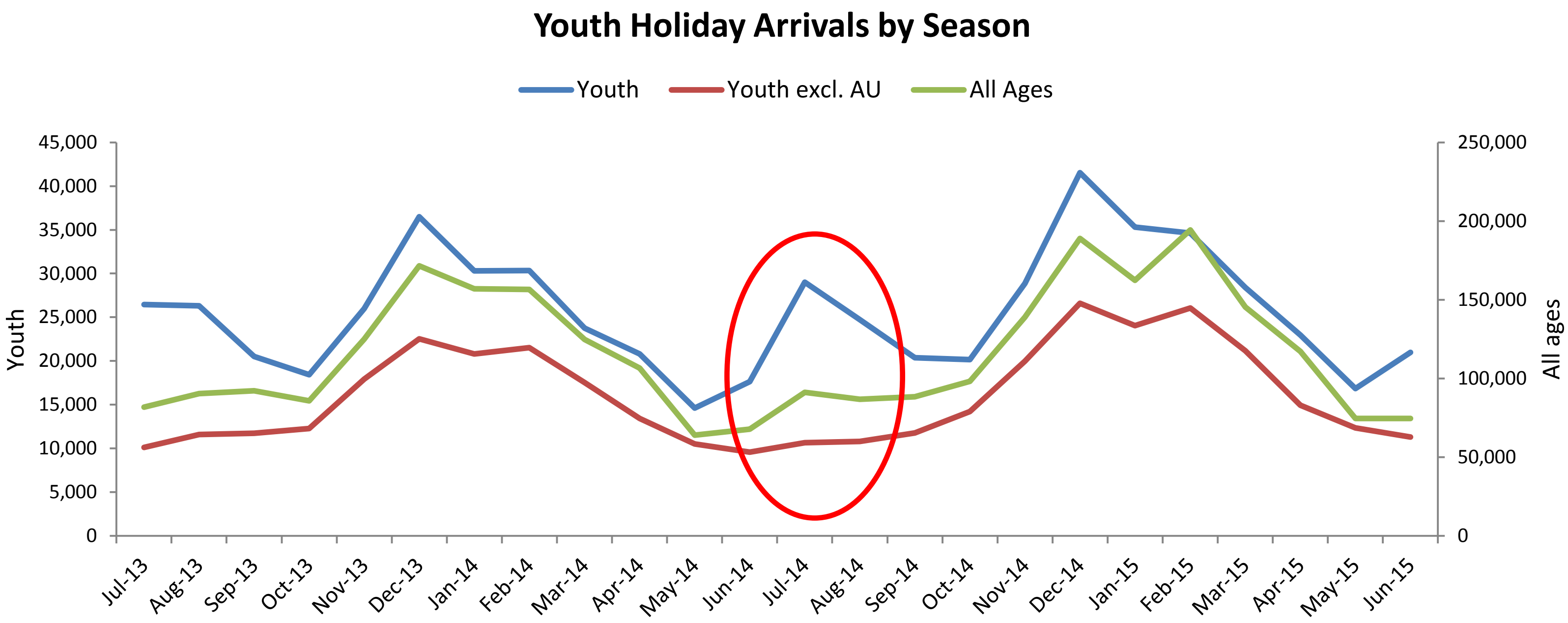
Source: Statistics New Zealand International Travel and Migration June 2015

NEW ZEALAND TOURISM

100% PURE NEW ZEALAND

Youth share the same seasonal trend in arrivals

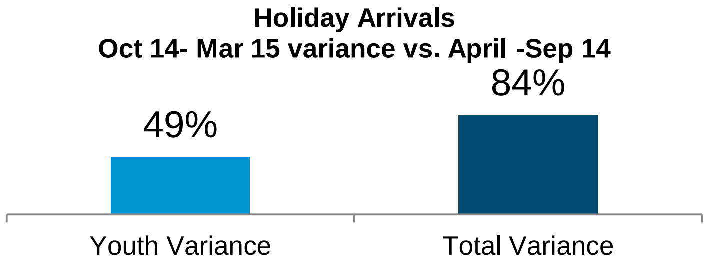
A spike in winter driven from Australia (likely for skiing) is the exception.



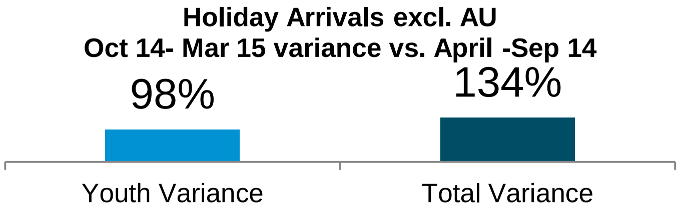
Source: Statistics New Zealand International Travel and Migration Mar 2015

The seasonal curve for Youth holiday arrivals is flatter

While arrivals in high season (Oct – Mar) are 49% higher than low season (Apr – Sep) for Youth holiday arrivals, it is significantly lower than 84% variance demonstrated by total holiday arrivals.



The difference in variances is not affected by the removal of Australian holiday arrivals – however total variance increases.



Source: Statistics New Zealand International Travel and Migration Mar 2015

Summary

- Australia drives 40% of Youth holiday arrivals.
- China, USA, Germany and the UK are 'equal second' to Australia, each driving approximately 25,000 Youth holiday arrivals.
- Youth holiday arrivals are important to the European markets – driving 40%+ of total holiday arrivals and 60%+ of total stay days in Germany and France.
- While Youth follow the same seasonal trend and total holiday arrivals, the seasonal curve is flatter – with skiing out of Australia a key opportunity to drive spikes of arrivals in winter.

Desktop Research (IVS) –
What segments within Youth should we focus on?

Youth Visitor Sub-segments

Below are the key visitor profiles based travel behaviour, demographics and type of holiday.

- **Backpackers**

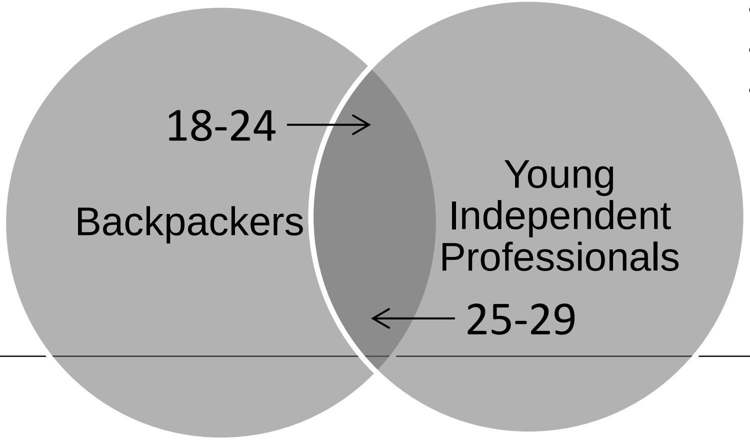
Key travel behaviour: Long length of stay.

- Stays in New Zealand for over 4 weeks
- Stays in low cost accommodation
- Bus as key form of transport
- Significantly profiles at the younger end of the Youth sector – 18-24 years-old

- **Young Independent Professionals**

Key travel behaviour: Length of stay within annual leave.

- Stays in New Zealand for 2 weeks or less
- Stays primarily in hotels and motels
- Participates in a self-drive holiday
- Significantly profiles at the older end of the Youth sector – 25-29 years-old



Sub-segment Value

The two sub-segments are of approximate equal value.

	Demographic Profile – Backpackers	Demographic Profile – Independent Professionals
Age	18-24	25-29
Arrivals	159,040	164,720
Key Markets (not inc Australia)	Germany, USA and UK	China, US and UK
LOS	31.3 Average Stay Days	20.8 Average Stay Days
Accommodation	Budget	Hotel
Transport	• Hop-on/Hop-off Bus • Bus Tour (e.g. Contiki)	• Campervan • Rental Car
Visa	Visitor or Working Holiday	Visitor
% Working Holiday Visa	7%	2%
Average Spend per Visitor	$3,675	$3,518

NEW ZEALAND TOURISM | 100% PURE NEW ZEALAND

Backpackers deep dive

Backpackers represent a valuable, distinct segment that requires a unique product set and messaging. Therefore we need to specifically target this segment with highly relevant intervention.

Value of Backpackers

	Arrivals (k)	Stay Days (m)	Expenditure $m
Total Holiday Visitors	1,460,000	23.1m	$5,014.9m
Youth Holiday Visitors	323,700	8.4m	$1,129.6m
Backpacker Holiday Visitors	159,000	4.9m	593.0m
% Backpacker of Total	**10.8%**	**21.2%**	**11.8%**

Backpacker opportunity

With a pool size similar to European markets, there is a large volume opportunity to drive growth in 18-24 year-old arrivals from Australia; however the value they provide is not comparable as they represent 38% of backpacker arrivals and only 16% of Backpacker stay days.

	Market	Pop. (18-24)	ACs (18-24)	AC Pool	Arrivals (18-24)	Conversion Rate	YOY Growth
1	Australia	2.2m	25.6%	0.6 m	59.7k – ski!	10.3%	12%
2	Germany	6.5m	14.4%	0.9m	15.5k	1.6%	7%
3	USA	31.4m	10.1%	3.1m	13.1k	0.4%	9%
4	UK	5.9m	11.9%	0.7m	12.8k	1.8%	15%
5	China	n/a	53.4%	n/a	9.1k		28%
6	Japan (20-24)	6.2m	3.5%	0.2m	4.3k	1.9%	16%
7	France	5.3m	n/a		3.9k		16%
8	Canada	3.4m	n/a		3.6k		4%
9	Korea	n/a	n/a		3.0k		26%
10	Sweden (20-24)	0.26m	n/a		2.9k		-3%

** The 18-24 AC pool in each market is populated by the percentage of 18-29 ACs in each market applied to the 18-24 year old population.*

Sources: Stats NZ International Travel and Migration YE June 2015, TNS AC Monitor June 2015; Tourism Research Australia

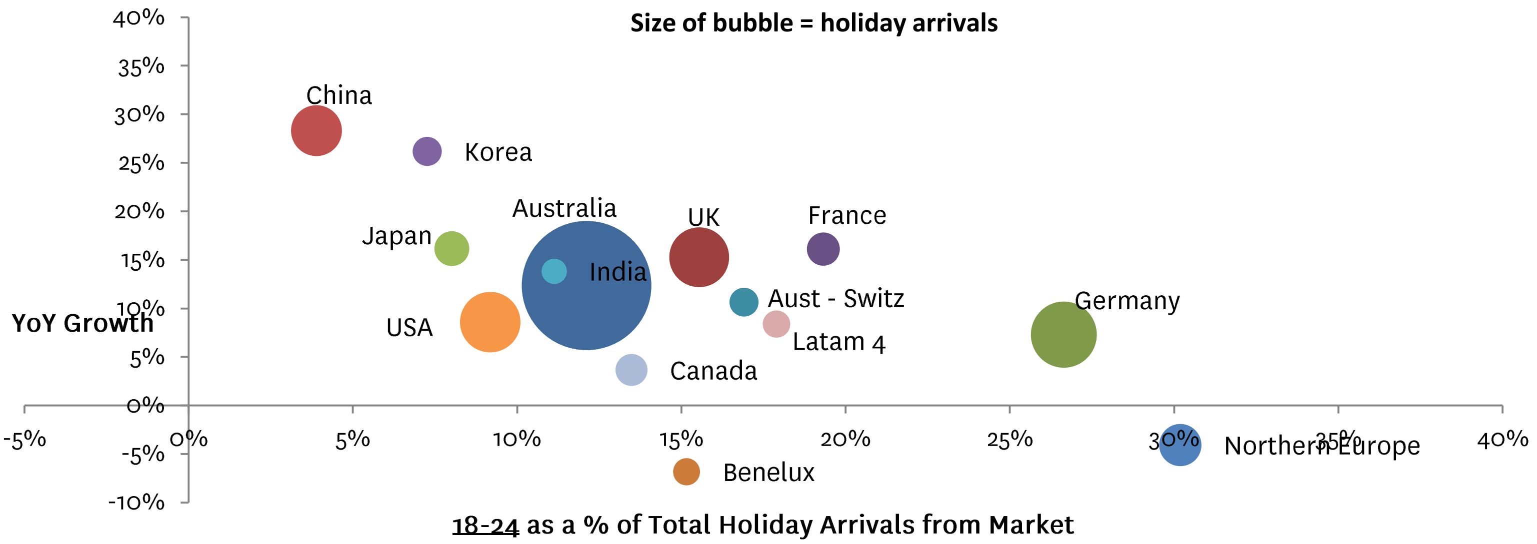
NEW ZEALAND TOURISM

100% PURE NEW ZEALAND

Backpacker arrivals – size, growth and mix

European markets have a high share of 18-24 arrivals with strong growth. These European backpackers provide value in their importance to the market. (28% of German holiday arrivals, 20% of French holiday arrivals and 16% of UK holiday arrivals)

18-24 Arrivals by Market – Size, Growth and Mix



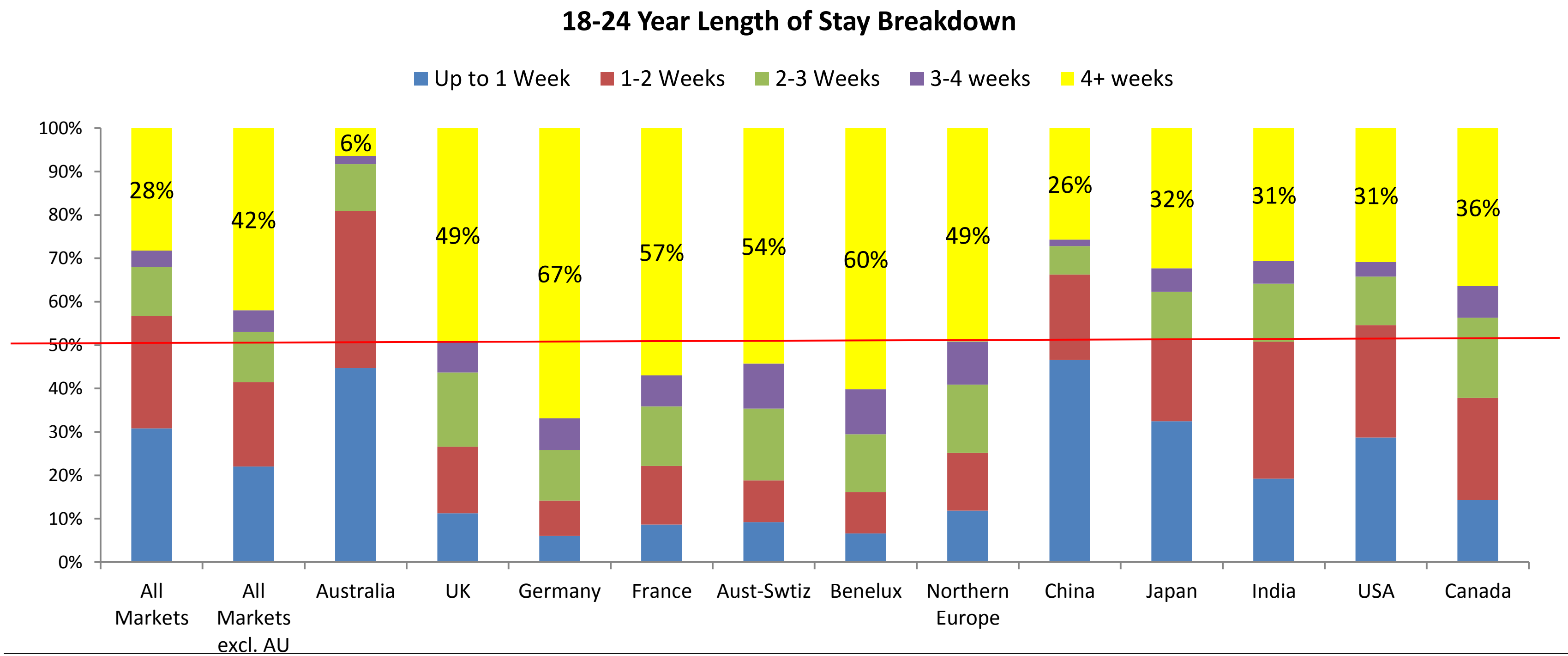
Source: Statistics New Zealand International Travel and Migration June 2015

NEW ZEALAND TOURISM

100% PURE NEW ZEALAND

Backpacker stay days

Also, in European markets, 50-60%+ of 18-24 year olds stay in New Zealand for more than 4 weeks as compared to the 30%+ in other markets and less than 10% in Australia.



Sources: Stats NZ International Travel and Migration YE June 2015

A new opportunity – Transient Backpackers

International backpackers in Australia provide a very strong volume opportunity for backpackers that hasn't yet been fully leveraged by TNZ.

	Market	Backpacker Arrivals into the Market	Transient Arrivals into NZ	Conversion Rate	YOY Growth
	Australia	0.59m	23.3k*	**4%***	n/a
	Singapore	--	3.5k*		

Note: Singapore is the next largest destination visited by 18-24 year olds prior to New Zealand.

Best 'transient backpacker' definition using IVS:

- *Holiday Arrival*
- *Aged 15-24**
- *Not Australian*
- *Visited Australia Prior to New Zealand*

Change in IVS Survey means we only have three quarters (Dec 14, Mar 15, Jun 15) of this measure with small sample sizes (38 in Dec 14 and 30 in Mar 15). Seasonal factors will apply – with full data not available until Sep 15 IVS (released in Nov 15). Sample size is too low to drill into transient backpacker arrivals by market (home country).

** Data is based off of only three quarters of data.*

Summary

There are two key segments within Youth holiday arrivals – Backpackers and Independent Professionals.

Backpackers are a distinct segment unique to the Youth sector - providing 11% of the total holiday arrivals and expenditure.

The key Backpacker opportunities appear to be Europe and European Backpackers in Australia based on their volume, share of arrivals from the market and stay days they provide.

Qualitative Research – Understanding Backpackers

Qualitative Research Set-up

AUCKLAND
NEW ZEALAND
11th June, 19th – 23rd June

N=4 Focus Groups

N=1 Group
Decided on NZ in AUS

N=1 Group
Came directly to NZ

N=1 Group
Decided on NZ in AUS

N=1 Group
Came to NZ via AUS – & always planned to

N=4 In Depth Interviews

N=2 Came directly to NZ

N=2 Decided NZ in AUS

SYDNEY
AUSTRALIA
15th - 17th June

N=2 Focus Groups

N=1 Group
Considering NZ

N=1 Group
Decided against NZ

N=4 In Depth Interviews

N=2 Decided Against NZ

N=2 Considering NZ

Motivations

The dream of true discover that backpacker seek when they travel underpins why they backpacker and where they choose to go to fulfil their desires.

- No two journeys are the same – unpredictable, spontaneous, easily swayed
- Now or never – last opportunity for total freedom; a rite of passage
- Financially naïve – avoiding the bank of mum and dad is key
- Sociability is key – interact with another culture AND like-minded travellers
- Backpacking is an investment

Expectations of Backpacking Romanticised

They know what they want (or expect) it to be like, but they're chasing something that doesn't actually exist...

THE DREAM = *travelling with true abandon*

What that dream looks like...

- DO SOMETHING COMPLETELY UNIQUE TO EVERYONE ELSE'S JOURNEY
- ALL ACTIVITIES ARE COMPLETELY THRILLING
- CHALLENGE ONESELF TO SURVIVE WITH LIMITED RESOURCES AND NO HOME COMFORTS
- HAVING TOTAL FLEXIBILITY & FREEDOM TO UNDERSTAND ANOTHER CULTURE
- OPERATING OUTSIDE OF CONVENTION, CHALLENGING OTHERS' EXPECTATIONS

THE IDEA OF BACKPACKING IS OFTEN AN EXAGGERATED VERSION OF EVENTS

Realities of Backpacking – Not as sexy, but just as fun!

In practice backpackers recognise that they have limits and lines that they are unwilling or uncertain to cross...

THE REALITY = *travelling with SOME abandon*

What that reality looks like...

- DO SOMETHING COMPLETELY DIFFERENT FOR ME, ALONGSIDE OTHER BACKPACKERS
- SOME ACTIVITIES ARE COMPLETELY THRILLING, OTHERS ARE MORE MUNDANE (LIKE WORK!)
- NEEDING TO USE SOME HOME COMFORTS AS A MEANS OF SURVIVING
- LEVEL OF FLEXIBILITY BUT THERE ARE PRE-PLANNED EVENTS IN PLACE BEFOREHAND
- MORE SAFETY CONSCIOUS & SPEND TIME IN BACKPACKER COMMUNITY

THE REALITY IS SOMETHING MORE CONTAINED, BUT...

Backpacker Travel Journey

NEW ZEALAND TOURISM | 100% PURE NEW ZEALAND

Decision-making of inexperienced backpackers

THE TANGIBLES ARE VARIABLES THAT CAN BE MORE OBJECTIVELY MEASURED, COMPARED & PHYSICALLY EXPERIENCED

TANGIBLES			INTANGIBLES		
SAFETY & EASE	**WEATHER & SEASONS**	**EMPLOYMENT & AFFORDABILITY**	**ACTIVITIES & EXPERIENCES**	**CULTURE & PEOPLE**	**NATURAL BEAUTY**
How safe is where I'm going? How accessible is help if I need it? How easy is it to get a visa? How quick can I get it? How easy will it be to get around? E.g. public transport, car hire, etc. Do they speak the same language?	Will the weather be better than it is at home? Will the sun be shining vs. the pouring rain? Will I be able to spend time outside / see things? Will my photos look good? Will I get a tan?	Is travelling there VFM? How far will my budget stretch? Will I be able to afford to do all of the things I want to do? How much does it cost for flights? Accommodation? Transport and food? Will I be able to find work there easily?	What can I do whilst I'm there? What can I do that I (or my friends) have never done before? Will I have authentic / real experiences? Will I experience things that are special/ unique only to my trip? Will I see & do things no one else before me has done?	Will I experience a different culture to my own? Will I meet locals?	What is there to see in terms of landscape? Is there diverse scenery? How far is it from home? How much distance can I cover?

Decision-making of experienced backpackers

WHEREAS THE INTANGIBLES ARE SUBJECT TO INFLUENCE & PERSONAL OPINION RELATIVE TO WHAT THEY'VE EXPERIENCED PREVIOUSLY

TANGIBLES

SAFETY & EASE

How safe is where I'm going? How accessible is help if I need it?

How easy is it to get a visa? How quick can I get it?

How easy will it be to get around? E.g. public transport, car hire, etc.

Do they speak the same language?

WEATHER & SEASONS

Will the weather be better than it is at home? Will the sun be shining vs. the rain pouring?

Will I be able to spend time outside / see things?

Will my photos look good? Will I get a tan?

EMPLOYMENT & AFFORDABILITY

Is travelling there VFM?

How far will my budget stretch? Will I be able to afford to do all of the things I want to do?

How much does it cost for flights? accommodation? Transport and food?

Will I be able to find work there easily?

INTANGIBLES

ACTIVITIES & EXPERIENCES

What can I do whilst I'm there? What can I do that I (or my friends) have never done before?

Will I have authentic / real experiences?

Will I experience things that are special/ unique only to my trip? Will I see & do things no one else before me has done?

CULTURE & PEOPLE

Will I experience a different culture to my own?

Will I meet locals?

NATURAL BEAUTY

What is there to see in terms of landscape?

Is there diverse scenery?

How far is it from home? How much distance can I cover?

Australia's Performance – Different to Expectations

- Backpackers anticipate high cost of living and Australia lives up to that expectation
- Not always as easy to find work as they anticipated – though there is work to be found depending on what you're willing to do

*"I knew it would be expensive and to be honest, it has been… there's **no way I could have afforded it** without working"*

- Very different experiences between those who had seen West / Central AUS vs. East Coast alone
- Although Great Barrier Reef and sites of East coast considered beautiful

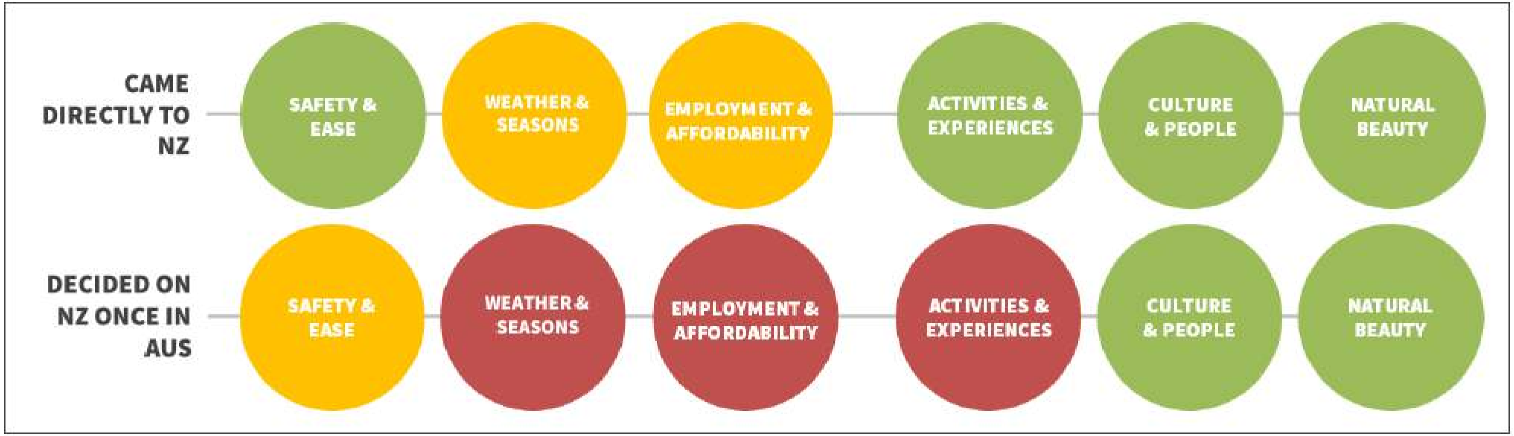
- Surfing, BBQs, parties and hanging out on beaches
- Adventure central – anticipation of adrenaline filled activities e.g. skydive, bungee

- Distances travelling around Australia are far and more difficult to do on your own
- The laws and regulations esp. for parking are considered strict and prohibitive

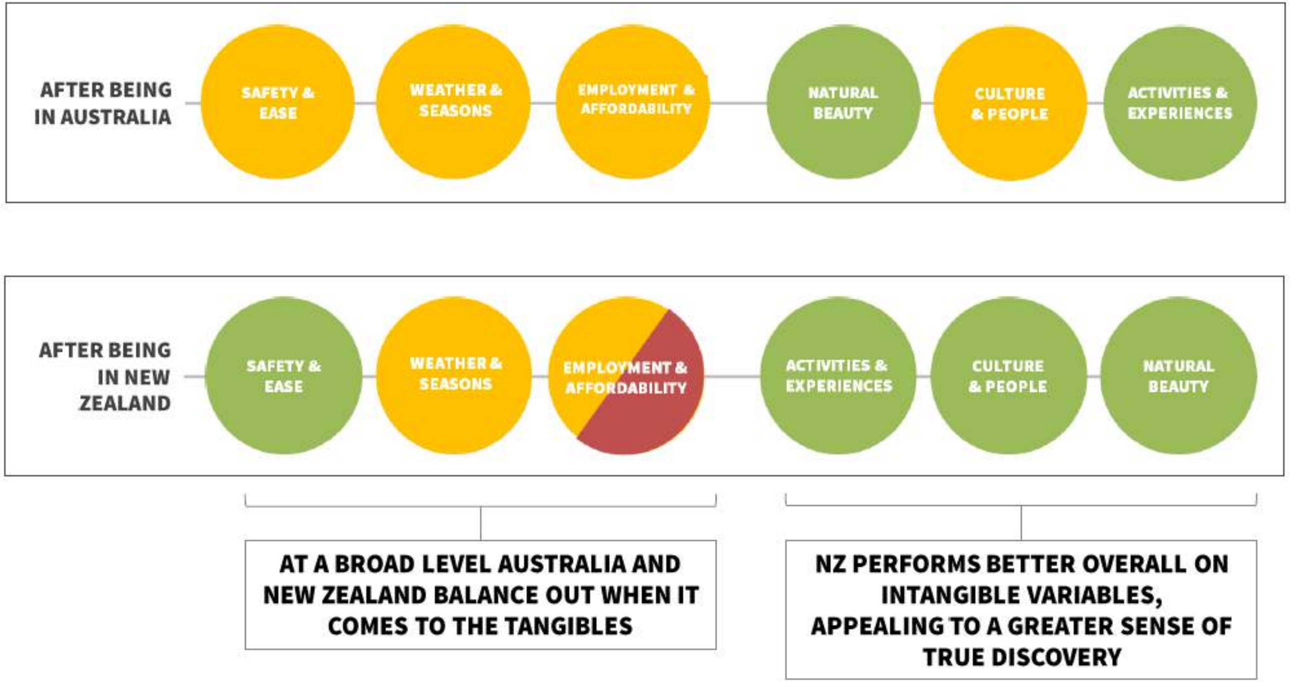
- It isn't hot and sunny *all* of the time – it rains, is windy and you need a jumper now and then
- Sydney and Melbourne in particular have seasons like all countries, rather than the permanent sunshine expected

- Few felt as if they had spent any time with Australians – we heard of almost no 'authentic' experiences with the locals…
- Bad impression of treatment of aboriginals
- More competitive and elitist although Australians are friendly

New Zealand's Performance – Better than Expectations



Both are loved by backpackers but…



NEW ZEALAND TOURISM | 100% PURE NEW ZEALAND

Key learning – don't compete!

WE SHOULD ACKNOWLEDGE THE SIMILARITIES

There's no denying that New Zealand and Australia share a lot of similarities, and this can work to our advantage, particularly our proximity to one another!

We can use backpacker familiarity with Australia to highlight that NZ will be 'just as easy as AUS'

AUSTRALIA IS OUR PACIFIC BROTHER...LET'S TREAT THEM MORE LIKE FAMILY THAN FOE!

AND CELEBRATE THE DIFFERENCES

Trying to directly measure what one country has that the other one doesn't – we end up highlighting the negatives of both places...

Instead we think it's important to showcase and highlight the differences – and tapping into how each place uniquely delivers to the truths they're after...

There is space for us to leverage our proximity to Australia more so that we are working with them, rather than competing against them (which isn't a fair fight)

Key travel decision motivations – all Backpackers

In general, Backpackers are excited for the challenge this experience will bring, but they want to find ways to have a bit of control.

Insights	Implications/Actions
1. Make it or break it Being a Backpacker is a life phase • Backpacking is a rite of passage **only available at a certain point in their life** • It helps them to **discover themselves and the world** • **Proving that they are adults** to both themselves and their parents	Focus on the 18-24 age demographic where this life stage primarily sits.
2. Diving into the unknown Safety, ease and money are key travel planning factors • Backpackers are typically **inexperienced** - with this being their first long-haul travel on their own • They have **a significant focus on the tangible variables** (ease, safety, weather, affordability) in the destination decision-making process to help them feel in control	Test propositions that include tangible messages (but not to the detriment of New Zealand's compelling emotional proposition).

Key motivations - European Backpackers

Potential Backpackers in Europe are keen on Australia, so the key is to not make them pick between Australia and New Zealand but rather to pick both with offers of working holiday visas and flights likely to be the most relevant.

Insights	Implications/Actions
1. Australia is awesome • **Australia is the iconic destination for backpackers**.	Don't make backpackers choose between Australia or New Zealand.
2. I need a plan B • A **working holiday visa and employment provides the necessary safety net** to make it on their own • However, **New Zealand is significantly overshadowed by Australia as a working holiday destination** due to the popularity and perceived ease of obtaining the Australian Working Holiday Visa	Activity will need to leverage the sale of Australian working holiday experiences to ensure NZ is an option and/or an extension.
3. Just get me there • The typical backpacker **organises flights and visas in their home country** and purchases tours once they arrive in their destination.	Flights and visas will likely be the most successful offer.

Key motivations - International Backpackers in AU

International Backpackers in Australia love Australia, so the need is to offer something different but amazing to drive their FOMO with offers of experiences and tours likely to be the most relevant.

Insights	Implications/Actions
1. Backpacker travel is flexible and spontaneous • The typical backpacker has **only a confirmed start and proposed end date** to their travel • Everything else is planned along the way based on people they meet and their recommendations.	The opportunity to drive backpackers from Australia to New Zealand is strong.
2. Book before its gone! • Key **experiences and tours are booked shortly upon arrival** in Australia to ensure they are locked in before they run out of money.	Activity will need to leverage backpacker travel sellers to ensure New Zealand bookings are an extension of backpacker's Australian bookings.
3. Better than Oz? • Backpackers in Australia consider New Zealand because it's close and they likely won't return; • However, perceptions of New Zealand aside from being beautiful are that it is cold, has a low minimum wage and only offers adventure activities. • They are hesitant to leave (amazing) Australia for somewhere that may not be as good therefore **something truly unique will be required to pull them away.**	In order to drive travellers' FOMO, product will need to be differentiated from Australia.

Summary

- Backpacking is a life phase and rite of passage with true discovery being the motivator.
- For these relatively inexperienced travellers, the tangible travel factors are key to providing assurances – and, with perceptions of these tangible elements greater for Australia than New Zealand, we need to find ways to address these via messaging and product.
- However, the New Zealand experience delivers a very positive ‘true discovery’ experience.
- In order to successfully promote this positive New Zealand experience, we need to promote messages and product differentiated from Australia and that truly drive their FOMO whilst in this region of the world without trying to compete with Australia.
- The messaging and product requirements differ in Europe from Australia.

Questions?