

October 2008

Kia ora

Welcome to this special Summer preview edition of regional rap.

Since the start of this year it has become clear that the New Zealand tourism industry is facing more difficult times. This is a situation which will be compounded by the global financial crisis that has the US in its grip and has expanded across the UK and Europe.

Tourism New Zealand has been monitoring developments closely with the help of our offshore offices and the industry and we believe it is vital that this information is collected and disseminated quickly to the industry here.

At present, our information is that the summer will be slower than last year, but that we do not believe we are an industry on the verge of an imminent collapse.

Both the US and UK are major contributors to New Zealand's multi-billion dollar tourism industry. As many visits were probably booked ahead of the crisis, its full effects are unlikely to be felt immediately.

Maximising all opportunities in Australia will be vital, as it will become the bedrock of the New Zealand tourism industry in the coming summer months.

From our side, Tourism New Zealand is using the information gathered to make sure we are putting the right resources into the right markets at the right time.

It is vital that New Zealand continues to invest in promoting New Zealand offshore through the 100% Pure New Zealand brand and to stimulate interest in Australia and the UK, through our 'What's On' and 'What Do You Say UK?' brands.

We need to do everything to maintain New Zealand's position and profile in the short-term to keep people coming. In the longer-term it will position New Zealand well when the situation starts to improve.

In times of uncertainty people love the security of strong brands, and 100% Pure New Zealand is a strong and well-recognised brand around the world.

George Hickton
Chief Executive

Tourism New Zealand

AUSTRALIA

Visitor Arrivals

Holiday	Actual	Variance on last year
Month ended Aug08	35,024	+4.5%
Year ended Aug08	382,984	+4.2%

Total	Actual	Variance on last year
Month ended Aug08	79,178	+1.3%
Year ended Aug08	969,856	+3.4%

Commentary

Three-month arrival trend +2%

Overall, operators are positive and consumer interest in New Zealand is strong.

Annual GDP growth is expected to slow from 3.3 per cent in 2003-07 to 2.6 per cent in 2008-12. Domestic demand, the main growth driver, is expected to soften due to the global credit crunch and households moving to reduce their high levels of debt.

Despite these concerns, New Zealand is seeing strong growth out of Australia with excellent value for money and positive word-of-mouth. We are on track to welcome one million Australian visitors in a 12 month period in the first half of 2009.

An additional 280,000 seats on the Tasman route this year will help capitalise on the opportunities presented by this market. Increased capacity will lead to competitive pricing, putting New Zealand in a good position, particularly as long-haul travel becomes more expensive and Australians choose to holiday closer to home.

Booking times are getting shorter, but late bookings could come through if New Zealand is seen as an affordable, accessible alternative to long-haul travel.

Tourism New Zealand's trade team in Australia have begun to notice increased product development and more of a focus on niche products and the luxury sector. Cruise is also reporting good growth, as it is seen as a good value holiday option.

Australia will become increasingly important to the New Zealand tourism industry in the coming months as other markets suffer fallout and uncertainty from the economic crisis.

Activity

The 'What's On' campaign in Australia has entered its third year, with the launch of the 2008 spring campaign in July. The 'What's On' campaign is focused on encouraging visitors to travel outside of the peak season and to visit more of the regions.

The spring 'What's On' campaign drove record numbers to www.newzealand.com/travel/australia/ during August and September. At its peak, the campaign saw over 33,000 unique user sessions in one week – the highest number ever seen in the two years since the campaign was launched.

A demonstration of the flexibility of the campaign was the creation of two additional ads to promote New Zealand's bumper ski season. The 'Spring Ski' television commercials ran on Australia's Easter Seaboard for a week in September.

UNITED KINGDOM

Visitor arrivals

Holiday	Actual	Variance on last year
Month ended Aug08	5,500	-9.7%
Year ended Aug08	145,759	-5.6%

Total	Actual	Variance on last year
Month ended Aug08	11,792	-6.9%
Year ended Aug08	289,845	-4.0%

Commentary

Three-month arrival trend -3%

The global economic crisis, combined with ongoing rises in food, petrol and household costs, is taking its toll on consumer confidence and domestic demand. As credit conditions tighten, households are expected to curb spending in a forced attempt to rebuild savings.

The UK trade is reporting strong interest in New Zealand, but conversion levels are weaker and the traditional September booking spike has not eventuated.

Fortunately, a large proportion of New Zealand's target market in the UK is older and therefore better insulated from economic concerns. However, that market is clearly being cautious, looking for value and trading down and shortening itineraries. A concern exists that New Zealand in particular may disappear off dual-destination trips.

Tourism New Zealand has been working closely with trade partners in the UK to secure their support for the new 'What Do You Say UK?' campaign (see below for details). Air New Zealand promoted a fully-inclusive lead-in fare of £797 for April-June travel.

This fare has since been matched by other carriers with fares under £800, for the first time in many months.

Airline capacity for summer is not a concern, with some carriers such as Cathay Pacific and Singapore Airlines increasing capacity out of Europe.

Activity

Research into the UK market has found that awareness of New Zealand is high despite strong competition. A new consumer campaign, 'What Do You Say UK?' was launched in September and should help overcome the barriers of being a 'trip-of-a-lifetime' destination by prompting potential visitors to come now.

The campaign went live on 8 September and is running on television and online till December. It sits alongside the 100% Pure New Zealand campaign. Given current conditions, it is hoped the campaign will help to reduce the expected decline in arrivals.

The Giant Rugby Ball venue is to go up in London from 25 November to 2 December. In a coup for New Zealand and Tourism New Zealand, the International Rugby Board will use the venue for the Rugby World Cup 2011 Pool Allocation Draw on 1 December 2008. A total of 250 international media outlets are expected to attend this event giving New Zealand exposure in many of our major markets.

New Zealand was voted the number one destination in the Condé Nast Traveller Reader's Travel Awards 2008 (UK). It is the fifth year New Zealand has had a top five ranking.

In August, Tourism New Zealand ran a four-day product workshop in London, the final part of a two-year product development initiative with regional tourism organisations.

GERMANY

Visitor arrivals

Holiday	Actual	Variance on last year
Month ended Aug08	1,452	+8.2%
Year ended Aug08	41,639	+0.2%

Total	Actual	Variance on last year
Month ended Aug08	2,398	-6.0%
Year ended Aug08	60,700	+1.8%

Commentary

Three-month arrival trend -1%

The credit-crisis has spread and affected German-speaking markets, with several German and Swiss banks reporting severe losses. As a result, expected GDP growth has reduced to 1.7% for 2008, from 2.2%.

Rising energy and higher food prices were already reducing disposable incomes and denting consumer confidence. However, overall the German economy is expected to cope with the crisis and the relatively-strong Euro continues to make overseas travel affordable.

Travel sellers are cautious, expecting growth from German markets to slow over the summer months because of the economic situation.

Activity

The 100% Pure New Zealand campaign ran in Germany in September and will run through to mid-November with the aim of driving travel over summer. Advertising is taking place in the four main centres, with activity in cinemas, online and on outdoor screens.

Work with the travel trade in Germany has seen a number of promotions from travel sellers

running alongside the 100% Pure New Zealand advertising activity, with a number of travel deals available on www.newzealand.com/travel/neuseeland-reisen/

UNITED STATES

Visitor arrivals

Holiday	Actual	Variance
Month ended Aug08	4,444	-18.9%
Year ended Aug08	131,602	-1.1%

Total	Actual	Variance
Month ended Aug08	10,010	-5.8%
Year ended Aug08	216,237	-0.8%

Commentary

Three-month arrival trend -5%

The economic crisis and USD\$700bn bail-out package has affected all aspects of daily life in the US as people grapple with their finances, future investments and job security.

Operators are reporting that bookings are see-sawing, but interest is higher post-election.

Many travellers arriving from the US this summer will have booked their travel before the financial crisis hit; overall cancellation levels have increased but are not ballooning out. New bookings are coming late, with people waiting for late deals closer to Christmas and January/February.

This being the case, the US financial crisis is expected to impact significantly on outbound travel, with the drop-off in visitor arrivals likely to be felt through to late 2009.

High summer airfares and reducing capacity are issues for New Zealand, with other long-haul destinations offering better value for money in terms of flights. A return economy fare in December ranges from between US\$2000 and US\$2800 (NZ\$4600). However, a bright spot has been a recent reduction in Air New Zealand economy airfares from mid-February to US\$1399.

Online travel seller Orbitz is reporting strong growth on the back of more New Zealand product and online promotions.

Qantas and Tourism Australia are pumping millions to promote travel on the back of the launch of the film 'Australia', and New Zealand may see some dual-destination benefit from that.

On the positive side, online sellers and smaller niche and luxury New Zealand specialists are reporting good growth. The cruise season is also expected to be a strong one, following on from the bumper 2007/08 cruise season.

With the NZ dollar weakening, deals may seem more attractive especially for travel from mid-February.

Activity

Tourism New Zealand is holding back its pre-peak season 100% Pure New Zealand advertising till December (post-election) when Americans will start to look again at travel.

For the first time in two years, the campaign will run in carefully-targeted regions outside of California.

An 18-month campaign with travel booking website orbitz.com has seen double-digit growth in bookings. Tourism New Zealand negotiated with Orbitz to have New Zealand as the featured destination for their US\$2.5 million national television campaign in September.

Work is underway to get the travel trade motivated to run their own promotions around December campaign activity and list travel deals online at www.newzealand.com/travel/usa/.

New Zealand graced the cover of National Geographic Adventure's October 2008 edition (circulation over 500,000).

CANADA

Visitor arrivals

Holiday	Actual	Variance
Month ended Aug08	4,444	-18.9%
Year ended Aug08	30,385	+13.1%

Total	Actual	Variance
Month ended Aug08	2,134	+4.3%
Year ended Aug08	52,525	+11.9%

Commentary

Three-month arrival trend +7%

Tourism New Zealand's partners in Canada are positive about strong bookings for the New Zealand summer ahead. Air New Zealand will increase services to four flights per week from December. Qantas has also reported good sales via Australia.

The medium-term outlook remains robust for summer, though economic growth will slow as a result of the US downturn and strong Canadian dollar.

Activity

Tourism New Zealand has extended its marketing activity to include Toronto as well as Vancouver for the first time. Advertising will run throughout September and October on television, outdoors, online and in cinemas, with the aim of driving visitor arrivals during the peak summer months.

Kiwi Link North America will visit Canada for the first time in 2009. Space is available for 48

operators to attend the Los Angeles and Toronto events.

JAPAN

Visitor arrivals

Holiday	Actual	Variance to Last Year
Month ended Aug08	6,600	-11.8%
Year ended Aug08	87,618	-10.4%

Total	Actual	Variance on last year
Month ended Aug08	9,108	-7.8%
Year ended Aug08	113,992	-9%

Commentary

Three month arrival trend -5%

Rates of loss of arrivals had been declining over the last four months since June/July, but this has been put under threat due to the global economic situation.

Japan's economy is vulnerable to rising international fuel and commodity prices as the country has few natural resources and so depends on imports. Wages grew by just 0.2 per cent in May, while the cost of living rose 2.4 per cent in the same month. Despite some big takeovers by cashed-up Japanese banks, consumer confidence is expected to take a further hit because of the current economic crisis.

Outbound travel is continuing to suffer because of a lack of air capacity. October is expected to hold up, but November arrivals will be down due to a loss of school-charters.

Overall, the expectation is that the next few months will remain weak and that Japan will finish the year to June down 10% to 13% at between 100,000 and 103,000.

But there are some positives: group incentive travel is continuing; interest among seniors for high-end and luxury products is seeing a shift in product being sold; airlines have held back from further fuel-price surcharge increases, and a drop in the NZ dollar against the Yen is making a trip here more affordable.

Activity

Tourism New Zealand launched a Kiwi Walk promotion in September, with interactive content on www.newzealand.com/travel/japan/ covering 10 New Zealand walks suitable for walkers of all levels. The new campaign was promoted heavily at the JATA World Travel Fair (Japan's largest consumer travel fair).

A Kiwi Walk section has been created on www.newzealand.com/travel/ja/trade/, with information to help the travel trade support this campaign.

Tourism New Zealand has worked closely with the Japan Automobile Federation (JAF) to market New Zealand self-drive holidays to its 1.3 million person database.

CHINA

Visitor arrivals

Holiday	Actual	Variance on last year
Month ended Aug08	4,466	-25.9%
Year ended Aug08	77,166	+8.2%

Total	Actual	Variance on last year
Month ended Aug08	6,446	-28.5%
Year ended Aug08	120,342	+1.8%

Commentary

Three-month arrival trend -22%

With personal incomes rising at between 10 and 15% annually, Chinese consumers had been spending their disposable income on leisure activities including outbound travel.

However, there has been a 60% drop in China's stockmarket since the start of the year and market feedback is that private investors are now looking to cut-back on discretionary spending.

Outbound travel has been slow to recover after the Olympic Games, due in part to continuing restrictions on Government travel, which represents more than 20% of arrivals from China. However, the Shanghai tourism market is starting to pick up.

With oil prices dropping and the summer season around the corner, airlines are feeling more optimistic, with forward bookings starting to pick up from November onwards.

Activity

The 100% Pure New Zealand campaign was launched in China on 21 April 2008. A second round of the campaign is running during September and October, attracting more than 137,000 user sessions on www.newzealand.com/travel/china/ in its first week.

The Shanghai consumer market has responded well to the campaign. Web hits have been high and travel agents are reporting higher enquiry levels.

Tourism New Zealand has partnered with Immigration New Zealand and Air New Zealand to offer its first semi-FIT (Fully Independent Traveller) itinerary in China. The initiative simplifies the visa application process for residents from Shanghai and neighbouring provinces.

Kiwi Link Asia was held on 13-15 October. Ninety Asian travel companies (from China, Hong Kong, Taiwan, Korea, India, Thailand, Malaysia and Singapore) and 45 New Zealand operators attended the three-day event.

KOREA

Visitor arrivals

Holiday	Actual	Variance on last year
Month ended Aug08	4312	+7.1%
Year ended Aug08	58,737	-23.0%

Total	Actual	Variance on last year
Month ended Aug08	6336	+10.3%
Year ended Aug08	88,779	-19.0%

Commentary

Three-month arrivals trend -6%

Korea continues to struggle to find solid ground from which to rebuild following last year's heavy price rises in the group tour market.

Some operators have recently dropped package prices, but reduced airline capacity, the global financial crisis, the weak Korean Won and shaken consumer confidence will not help the market rebuild in the short-term.

Fully independent travel and New Zealand-only trips continue to increase. Korean Air will operate more capacity to Auckland over the peak summer months with a B747 replacing B777 equipment in the December 08 to March 09 period. This will give the route an extra 7,400 seats over the peak New Zealand summer demand period.

As always, if you have any feedback or comments, please email Cas Carter, General Manager Corporate Communications, at casc@tnz.govt.nz