



October 2010 Newsletter

For those of us that experienced the 4th September Christchurch earthquake, especially the violent nature of the initial quake and the experience of over 1,400 after shocks that day will remain with us for many years to come. For many people in Christchurch and the surrounding areas it has left devastation that for some will take many years to put right. The continuation of business and particularly tourism is essential to the recovery, but we should not forget those people whose struggle is only just beginning.



Ray and Charlie Ives (RTONZ) all rugged up in their dry suits for a trip with Black Cat while involved with judging the New Zealand Tourism Awards

In this issue we look at why the number of Australians travelling overseas to countries other than New Zealand could be a threat to our visitor arrivals from Australia and we provide an audit for evaluating the visitor experience.

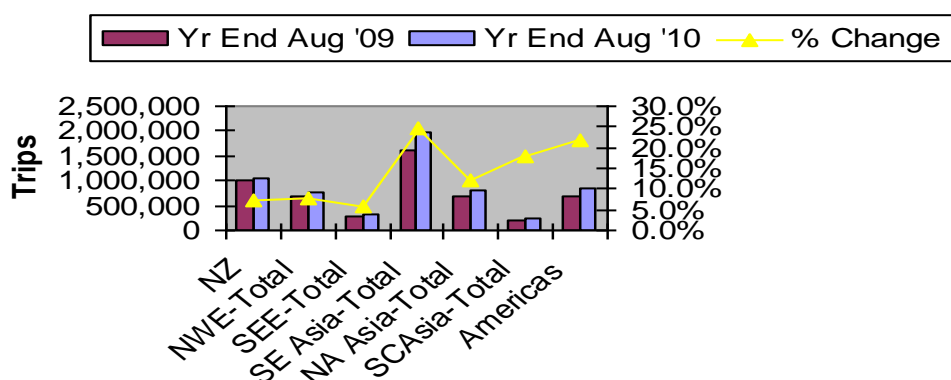
Your feedback is appreciated. Please feel free to call me or [click here](#) to email me.

Aussie departures threat to New Zealand tourism growth

If increasing international travel is an indicator of a healthy economy then Australia certainly has that. Departures from Australia for the year ending August 2010 show increases to all markets in comparison with the same period in 2009. While numbers to New Zealand are increasing, there are some worrying concerns regarding the numbers travelling to other markets that could in the future see our reliance on Australia for visitor growth severely tested.

The chart below compares the growth in Australian visitor departures for the years ending August 2009 and August 2010. It includes results for New Zealand and six other regions (North West Europe, South East Europe, South East Asia, North Asia, South Central Asia and Americas).

Australian Departures to Major Markets



While New Zealand gained 72,000 trips (7.3% growth) for the period from Australia, a number of other regions did significantly better in percentage terms and in some cases in actual numbers. Australian departures to North West Europe, France (21.5%), Netherlands (16.0%) and Germany (10.2%) grew at a faster rate than departures to New Zealand. In South East Europe, Spain (12.7%), Italy (9.2%) and Greece (8.9%) also grew at a faster rate than New Zealand. The Americas grew 21.9% over the same period and the USA increased its arrivals from Australia by 26.4% (136,400) for the year ending August 2010. The long haul departures market from Australia appears to have recovered quickly from any downturn.

What are the reasons for the growth in these markets and what is the significance for the New Zealand market? One of the key factors for growth in the European and American markets appears to be the exchange rate. As the table below indicates the strength of the Australian dollar against the Euro, British Pound and American Dollar has been significant in the last year, making visits to these countries more attractive for Australians as their purchasing power increases.

Exchange Rate AU\$	Pound	Euro	NZ	USA
Aug'09	0.50	0.58	1.23	0.81
Aug '10	0.57	0.70	1.27	0.90
% Change	14.00%	20.69%	3.25%	11.11%
Oct '10	0.61	0.71	1.31	0.99

The strength of the Australian Dollar continues to increase against all currencies as the latest rates indicates. This is likely to increase the motivation for Australians to take long haul trips to Europe and the USA. The strength of the Australian dollar against the New Zealand dollar has been less significant. This suggests that the exchange rate was less important in attracting Australians to New Zealand over the period. The danger for New Zealand is that Australians who might previously have considered New Zealand may now find Europe and the USA more affordable and therefore more attractive. In this way the long haul Australian market could have a negative impact on increasing the number of Aussies to visit New Zealand.

It is of course not only the growth in the Australian long haul market that may threaten our potential to increase trips to New Zealand. While people accept that Australia is like a domestic

market for New Zealand, the same is true for countries like Indonesia (Bali) which is only five hours flying time from Sydney. Not much more than the three hours twenty minutes from Auckland to Melbourne.

Indonesia increased the number of Australian arrivals by 47.2% for the year ending August 2010. This equates to an increase of 220,400 trips to 687,100. This is a huge increase in comparison with the previous year and is a major rival for New Zealand in the Australian holiday market. The reason for the increase is less likely to be related to the exchange rate as the Australian dollar declined slightly in value against the Indonesian Rupiah from August 2009 to August 2010. Was it cheap flights (average of 118 per week and likely to increase), Aussies substituting long haul for short haul or was it Aussies perceiving a safer Indonesia again and therefore an attractive destination? It seems unlikely to be the substitute scenario as during the same period significantly more Australians travelled to Europe and the USA.

Other South East Asia countries were also attractive to Australians. There was an increase of 24.6% for a total growth of 391,500 trips over the year to August 2010. Good growth was also achieved by North Asia and South Central Asia with 12.2% and 18.1% respectively.

While New Zealand has achieved good growth from the Australian market in the last year, it is significantly lower in numbers and percentage terms than other markets for Australians. Marketing New Zealand to Australians will be up against stiff competition from Asia, USA and Europe. There are strong trends for Australians to visit Asia. Over 3 million trips to year end August 2010 in comparison with 2.5 million for the previous year. An annual growth rate of 20% is very significant. The attractiveness of Asia rather than New Zealand for Australians is driven by enhanced access; over one million Asians live in Australia which creates a large visiting friends and relatives market. For Australians generally the motivation to explore countries that provide different experiences to their homeland and New Zealand is high.

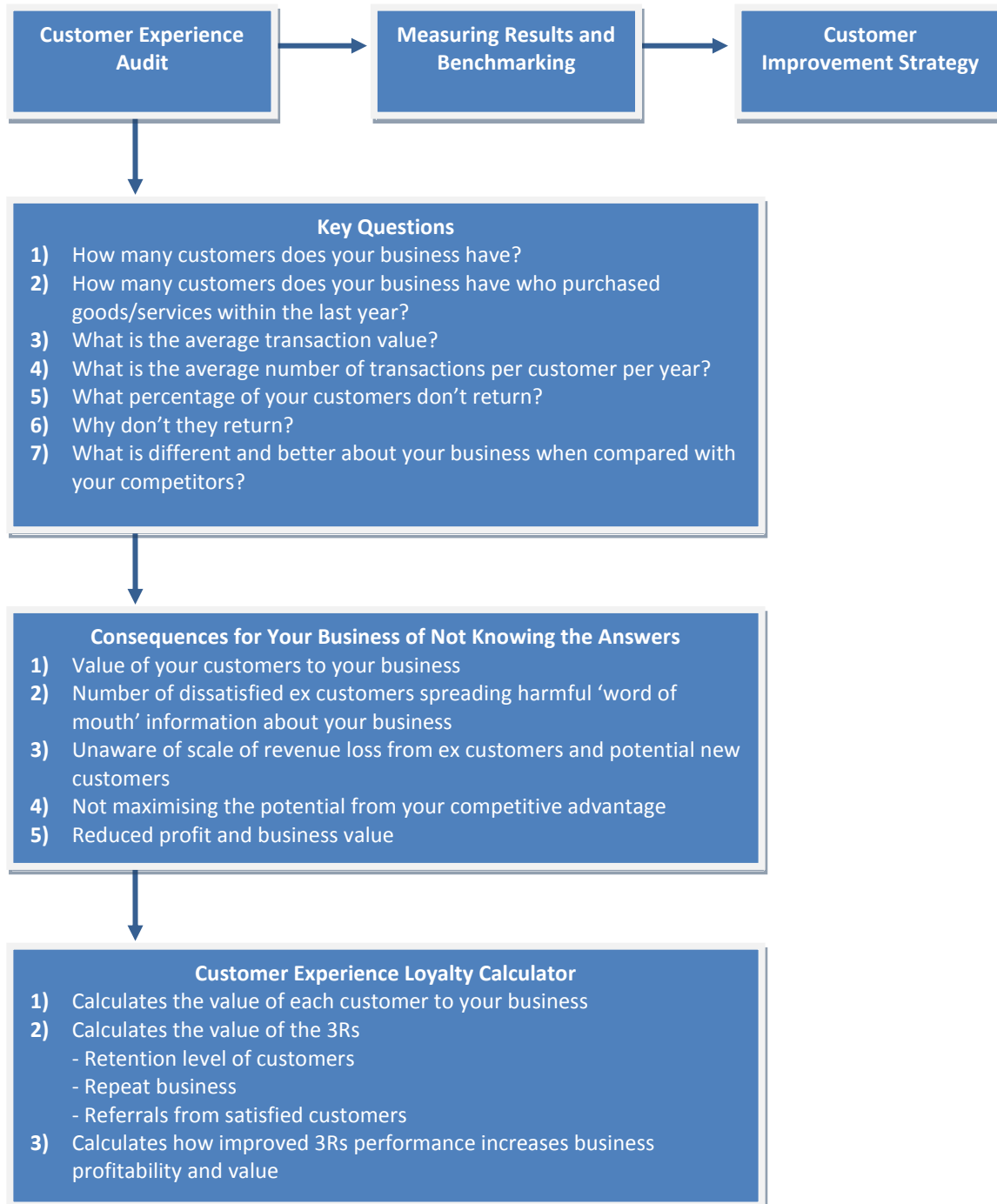
New Zealand and Australia roughly receive the same number of visitors (1 million) from each country. We need to remember that as Australia has a population about five times the size of New Zealand's we are hardly getting our fair share.

To counter the huge growth in the Australian outbound market to places other than New Zealand we need to:

- Ensure that access to New Zealand (number and suitability of flights) is not compromised.
- New Zealand highlights the differences with Australia so as to attract specific trips, particularly from countries such as the USA, and not be viewed as an add on to an Australian trip. In particular we need to focus on the regional differences (landscape, culture, food and drink, activities, events, etc) to encourage multiple trips.
- Focus on providing a world class customer experience to ensure that visitors go back to their own countries and spread strong 'word of mouth' support.
- Increase the attractiveness of New Zealand for higher spending and yielding Australians.
- Evaluate the effectiveness of our marketing to ensure scarce resources are well utilised.

Auditing the customer experience

The August newsletter introduced Customer Experience Tracker which is a new way of evaluating and improving the customer experience. Our work within the industry suggests that some businesses are unable to link the quality of the customer experience with their financial performance. This article suggests that by asking some simple questions, understanding the consequences of not knowing the answers and applying a customer loyalty calculator for customer retention, repeat business and referrals will clearly identify the financial consequences of a poor and also a great customer experience.



For more information on the Customer Experience Audit contact [Ray Sleeman](#)