



# NEW ZEALAND TOURISM STATE OF THE INDUSTRY 2019

Clouds on the horizon and silver linings:  
What's the outlook for the New Zealand  
tourism industry?



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# EXECUTIVE SUMMARY

In July 2019 the Tourism Industry Aotearoa (TIA) membership was surveyed on the State of the Tourism Industry. 484 members completed the survey and provided excellent insights into how they are tracking and their expectations for the next 12 months.

These survey participants have highlighted some of the clouds on the horizon for the industry along with a number of silver linings.

This year's results confirm that the phenomenal growth experienced across

the industry over the past four years has slowed. Business confidence has reduced for many tourism businesses with a decrease in the number of businesses expecting to see their situation improve in the next 12 months when compared to the last two years. However, when compared to all businesses across the New Zealand economy, the industry should remain cautiously confident with 43% of tourism businesses expecting their business situation to improve in the next 12 months. This is well ahead of the 9% of business across the New Zealand economy.

Global uncertainty is impacting business' optimism and issues such as Brexit and the China-US trade war are fueling the headwinds a lot of tourism businesses expect to face in the coming year.

Increasing competition domestically due to increased supply and lower growth coupled with fierce competition from international destinations is causing concern for many tourism businesses.

There is a high level of dissatisfaction with Central and Local Government after only 13% of respondents agreed that Central

Government and 15.3% of Local Government were managing compliance requirements in an efficient and timely manner. These costly processes are impacting business productivity and in some cases business sustainability.

Positively, there are some silver linings to these storm clouds. New Zealand tourism businesses are in clear agreement that they see opportunities by being able to achieve a value over volume strategy.

## KEY TAKEAWAYS FOR 2019



The phenomenal growth experienced over the past four years will not continue at the same rate



Business confidence is softening but it is still much more buoyant than businesses across the New Zealand economy in general



Global uncertainty is impacting business optimism and issues such as Brexit and the China-US trade war are fuelling the headwinds



Central and Local Government are not seen as being supportive of the tourism industry

# EXECUTIVE SUMMARY

Sustainability has climbed to be a top priority for many tourism businesses with 78% of respondents already signed up to the Tourism Sustainability Commitment and many others working towards the goals and commitments outlined in the initiative.

Improving the visitor experience is seen as the key driver of business success with 90% of respondents stating that it can advance their business.

Frustratingly for many tourism businesses there seems to be significant issues around data and insights. There is a vast amount of information to digest, however

extracting value from the numbers and using the data to make better business decisions is something many business are struggling with. The reduction in Government produced statistics and the reliability of data is concerning for many tourism businesses and something the industry needs to address.

Lastly, this year's report also includes many verbatim quotes from a range of tourism leaders. We would like to thank everyone who participated in this year's survey, particularly those leaders who agreed to have their thoughts published in this report. Your insights into the New Zealand tourism business landscape and

what lies ahead are greatly valued and form the backbone of this report.

We hope you find the 2019 State of the Industry Report informative and one that provides some insights into how the New Zealand tourism industry can prepare itself for the future.

*'He pai te tirohanga ki ngā mahara mō ngā rā pahemo engari ka puta te māramatanga i runga i te titiro whakamua.'*

*'It is fine to have recollections of the past, but wisdom comes from being able to prepare opportunities for the future.'*



A handwritten signature in black ink that reads "Jamie Smiler".

Jamie Smiler  
Senior Lecturer and Researcher  
Wellington Institute of Technology



Sustainability is now a top of mind issue for the industry



Data and insight need to improve so the tourism industry can make better business decisions



Improving the visitor experience is a key driver of business success



# WHAT CAN ADVANCE MY BUSINESS?

New Zealand tourism businesses continue to focus on improving the experience of their visitors, with 90% of respondents agreeing that they have the ability to advance their business by improving the visitor experience. Air connectivity with international markets is also seen as an important factor, closely followed by domestic connectivity. Respondents commented strongly on the need to increase connectivity to international markets such as the US, Australia and India.

Attracting more high value visitors is seen as a key factor in advancing tourism businesses for 71% of respondents. One respondent commented 'High value visitors are a must. We cannot continue in a sustainable way without targeting this segment' (Anonymous, accommodation provider, Otago). This comment was supported in part by another respondent who commented 'High value customers need to come as well as volume customers. We need to slowly lower volume as opposed to completely turning off volume customers...' (Kent Breeze, Holiday Inn, Rotorua).

77% of respondents agreed that a stronger focus on sustainability will advance their business.

One respondent stated that 'We are a small country, with the scope and potential to LEAD THE WORLD in being sustainable, trying out new practices and basically relying on no-one other than ourselves to lead the way and protect the amazing natural landscapes we have' (Rob Grieve, Kiwi Does It Ltd., tour operator, Auckland).

New to this year's survey was a question on engagement with local communities, with 75% of respondents agreeing that community engagement can advance their businesses.

One respondent commented 'Tourism has to support local communities. Tourism has to be beneficial for the local community: creating better infrastructure and work opportunities... tourists should be "guided"

into the community. Community and tourism should support and benefit from each other' (Walter Speck, The Chalet, Canterbury).

Interestingly, only 68.4% agreed that improving productivity will advance their business situation. For those who believe productivity can advance their business, improving labour productivity and reducing seasonality were the key factors cited for achieving improvement.

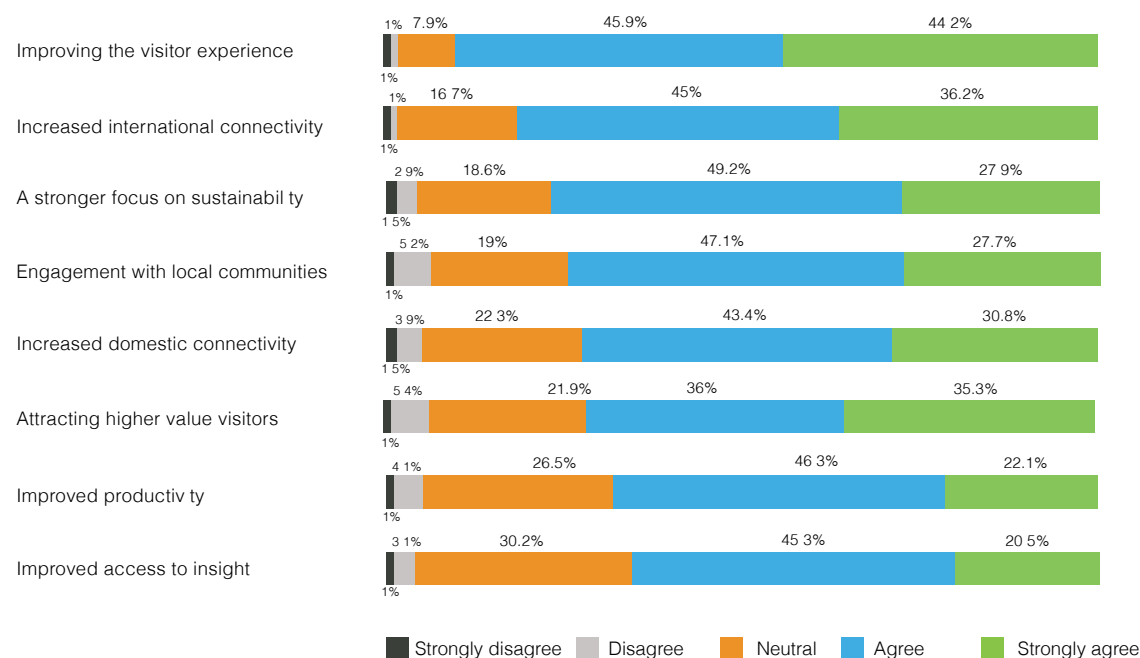
One respondent commented 'We are still challenged with running 90-95% occupancy for five to six months then falling to 50-60% for the remaining months. Operating two hotels and large F&B venues can pose problems with keeping employees. Productivity is also impacted by the fact we are very reliant on visa employees in the region. The pipeline of young trained employees needs to be addressed' (Anonymous, accommodation provider, Hawke's Bay).

Only 66% agreed that improved access to insight will advance their business. Underlying this is the perceived quality of the current insights. Data and insights are seen as imperative for quality evidence-based decision-making processes and there are strong criticisms of the quality, availability and reduction in Government-produced data sets that can be used to make informed strategic and operational decisions.

Respondents commented 'Data and insights are critical. There is a lot of data available, but it is difficult to aggregate/disaggregate to make meaningful insights. There is also high variability and some large assumptions which reduces confidence, especially where some data just seems to defy what we are seeing at an operational level' (Anonymous, marketing and promotional business, Rotorua).

Another participant commented that 'We have a desperate need for real time data and insights to understand more about where the industry is going and how successful it will be. We are doing business in the dark right now (Anonymous, marketing and promotions business, Canterbury).

## WHAT CAN ADVANCE MY BUSINESS





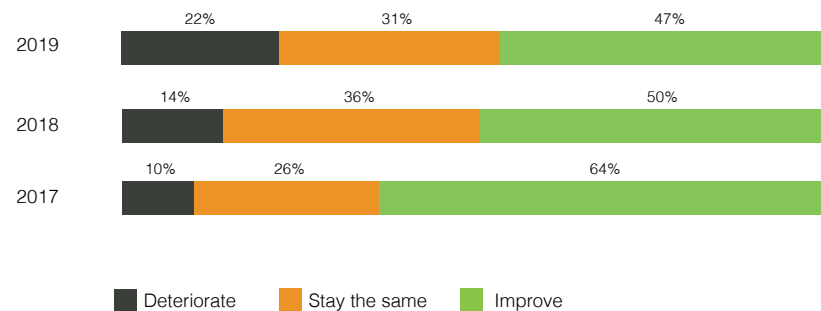
# BUSINESS CONFIDENCE PAST 12 MONTHS

Over the past 12 months, 47% of tourism businesses experienced an improvement in their business situation, slightly down from 50% in 2018 and 64% in 2017. Those who considered their business situation has deteriorated over the past 12 months was 22%, up from 14% in 2018 and 10% in 2017.

Of particular note, the slowing of growth has been welcomed by some respondents as they see it as a good chance to consolidate the growth that has occurred over the past few years.

One respondent commented that 'It seems we have a chance to maybe take a breath and take stock over the next two years. That is a blessing! We need to review and reset the scrum and get action around the main issues that face us and be prepared for what's to come and work together more effectively' (Anonymous, transport operator, Dunedin).

Another commented that 'In many respects, our tourism industry has matured and "come of age" over the last few years to the point we have a solid core business that we should be able to rely upon. However, it seems that we have become a little too obsessed with growth for growth's sake..., we should be diverting more resources into fixing what we already have and using this time to consolidate and protect our core business' (Anonymous, tourism and hospitality consultant, Auckland).

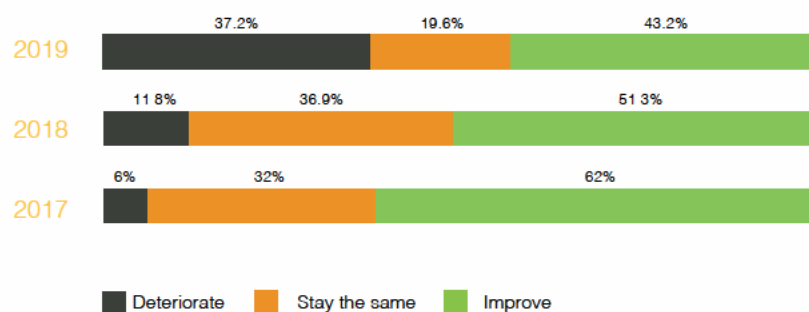


# BUSINESS CONFIDENCE NEXT 12 MONTHS

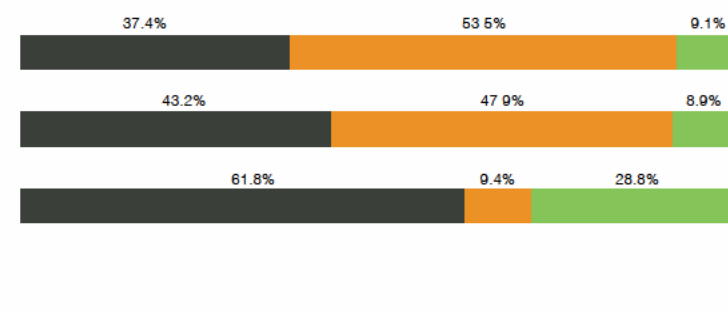
When the next 12 months is considered, there has been a softening in the optimism of respondents. 43.2% of tourism businesses stated that their business situation will improve over the next 12 months, this was down from 52% in 2018 and 62% in 2017. There has also been a sharp increase in the number of tourism businesses believing that their business situation will deteriorate, rising to 37.2% in 2019, up from 11.8% in 2018 and 6% in 2017.

The tourism industry has a much more optimistic outlook than the overall New Zealand economy where only 9.1% of New Zealand businesses expect their business situation to improve over the next 12 months (ANZ, 2019).

## TOURISM INDUSTRY



## NZ ECONOMY





# BUSINESS CONFIDENCE NEXT 12 MONTHS

The Business Confidence topic received 112 comments with the key themes being:

- softening international arrivals;
- slower growth when compared to what has been experienced over the past 4-5 years;
- the cost of increasing regulation and compliance;
- geopolitical uncertainty, including Brexit and the US-China trade war;
- government's response to freedom camping and Airbnb; and
- increased competition in the accommodation sector.

The comments reflected a wide range of sentiment on the 12 month outlook.

Positively, one participant commented 'We are a young business still in our growth phase and we are establishing our networks. It's a great time to be in Tourism' (Sue, Ross Beach TOP 10 Holiday Park, West Coast).

By contrast, another respondent commented 'This season is going to be soft. The seasons have been constricting since 2017/2018 which was our strongest performing year since 2007. 2018/2019 was definitely quieter and forward bookings show that this winter and summer may be quite a bit below expectations' (Anonymous, accommodation provider, Southland).

Influencing factors such as Brexit and the US-China trade war received a lot of attention from respondents.

One participant commented 'Interesting times on the international political scene which may affect western economies who are our market. Europe had a very poor summer. I have yet to understand exactly what is going on, but I expect much uncertainty linked to political uncertainty' (Anonymous, activity operator, Wanaka).

Another commented that 'We are seeing a decrease in visitor numbers from some international markets and we think this may impact our overall number this year. We will look at more vigorous marketing and improving our product over the next 12 months' (Jan Kennedy, Steampunk HQ, Otago).

# VALUE OVER VOLUME

Achieving value over volume continues to be a challenge for the industry with only 46% of respondents agreeing that their business is having success in targeting high value visitors and only 33% attracting an optimum visitor mix for sustainable growth.

One respondent commented 'high value customers are an absolute must. We cannot continue in a sustainable way without targeting this segment' (Anonymous, accommodation provider, Otago).

Where tourism businesses are seeing success in achieving value over volume, they have cited targeting special interest groups, niche markets, conference and incentive groups and increasing visitation during the shoulder periods.

One respondent commented 'To see the value in high value visitors you have to have the visitor experience that aligns with their needs and wants. Our region is increasing its higher end offerings, but this takes time. High value visitors will travel when they want to as they have more disposable income to pay peak prices – I don't see high value being swayed into shoulder season travel. Off-peak for travel for our region is influenced by widening of cruise season schedules, school holidays and Easter. Our best opportunity to really target off-peak in an effective way is to focus on the conference market' (Anonymous, marketing and promotions company, Marlborough).

On a positive note, 66% of respondents believe that they are well prepared for opportunities presented by visitors from new markets.

This optimism is somewhat tempered by the ability of businesses to meet the needs and expectations of some value customers as well as the time it takes to build new markets. One respondent commented 'we really like the idea of attracting high value visitors to New Zealand. As a small

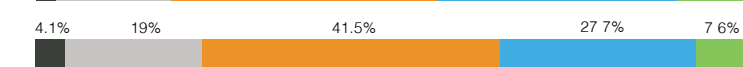
My business is well prepared for opportunities presented by visitors



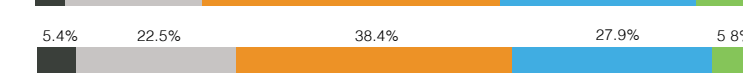
My business is having success in targeting high value visitors



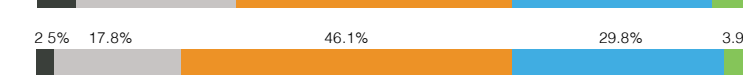
My business is seeing the benefits of the work being done to attract high value visitors



Off-peak marketing is having a positive impact on my overall business growth



My business is attracting the optimum visitor mix for sustainable growth



Strongly disagree Disagree Neutral Agree Strongly agree



country we cannot sustain ever increasing tourism numbers. Although we are not yet seeing the results of this, nor the increase in off-peak visitors to our business/region, we definitely feel this is the way to go forward and understand it will take some time to achieve' (Anonymous, attraction and activity operator, Otago).

Tourism businesses appear to be relatively critical of the advocacy and promotional work being done by the industry to attract high value visitors and off-peak business, with only 35% of respondents agreeing that their business is seeing the benefits of the work being done to attract high value visitors and only 34% believing that off-peak marketing is having a positive impact on their overall business growth.

The most cited barriers to achieving a value over volume strategy is the difficulty in defining what a high value visitor actually is.

One respondent commented 'We have achieved success in attracting what many would consider "high value visitors" e.g. with a spend of \$1,500 per person per day or more. However, we feel there is much work yet to be done to define "high value". Is it the \$\$\$ they spend, the regional or seasonal spread, product utilisation, interaction with New Zealanders? If we dismissed all but these visitors based on per diem spend, our industry would no longer be sustainable. A visitor that spends \$150 per person per day in regions such as Northland, Coromandel and the Catlins is more valuable to that region as there are probably 500 such visitors to the 1 spending \$1500 per day' (Matt Brady, Pan Pacific Travel, Auckland).

Another respondent provided a contrasting perspective on the definition of value over volume by stating 'There needs to be a proper

definition of what a high value visitor is. It's too vague so everyone defines that visitor to fit their own business profile. In order to improve productivity, the visitor profile should be such that it fills our existing product capacity. Looking for a visitor profile that is not able to be hosted or does not fit with what New Zealand has to offer in terms of product fit means increased dissatisfaction and worse, lower productivity and ROI gains' (Brian Westwood, YHA New Zealand).

# VISITOR EXPERIENCE

In the 'what can advance your business' section, improving the visitor experience was rated as the most effective way of advancing tourism businesses, and to back this up 119 comments were provided on this topic. Positively, 85% of respondents believed that visitors received a uniquely New Zealand experience and 72% believed that New Zealand offers good value experiences for visitors. Of the comments received, the factors likely to negatively impact visitor experience for international visitors were:

- high cost of accommodation and food and beverage;
- inadequate infrastructure to meet the needs of visitors;
- limited accommodation options in some destinations;
- limited public transport options;
- underdevelopment of public amenities;
- overcrowding during peak times; and
- freedom campers.

## VISITOR EXPERIENCE

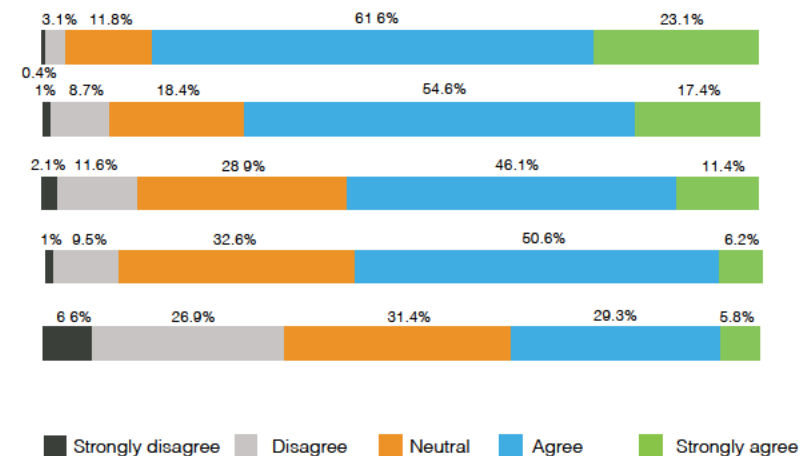
Visitors receive a uniquely New Zealand experience

New Zealand offers good value experiences for international visitors

New Zealand offers good value experiences for domestic visitors

Tikanga Māori (Māori culture) is fostered within the tourism

Facilities and amenities meet the needs of visitors



One respondent commented ‘The reason why I disagree with “NZ offers good value experiences for international visitors” is more to do with expensive accommodation than attractions. Our costs have risen sharply in the last 18-24 months mainly due to accommodation costs. I realise if we compare with other nations’ hotel rates, they seem competitive; however, when you factor in the higher cost of even getting to our remote location – then it is not so good value for money’ (Anonymous, attraction and activity operator, Waikato).

Of concern, only 58% of survey participants believed that New Zealand offers good value experiences for domestic visitors. Suggestions to increase value for the industry and domestic visitors include targeting domestic visitors during shoulder and off-peak seasons where there is often capacity to offer incentives to domestic visitors.

One participant commented ‘Domestic travellers don’t perceive value for money while travelling their own country. They have a perception that all tourism businesses are rip offs. We travel regularly and feel ripped off! I would like to see a national register for “local’s rates” that tourism businesses can sign up to offer local rates. A bit like a “Gold Card” register to’ (Anonymous, accommodation provider, Tasman).

The feedback on whether Tikanga Māori (Māori culture) is fostered within the tourism industry highlights its increasing importance to the industry. There were over 20 comments on this topic and the fact that only 57% of survey participants were in agreement that Tikanga Māori is fostered by the industry demonstrates the variability in capability across the tourism industry.

One respondent stated ‘Tikanga Māori is fostered at government and industry levels but not necessarily at grass roots operator level’ (Jane Hindle, R. Tucker Thompson Sail Training Trust, Northland).

Another respondent commented ‘I believe Aotearoa is a unique holiday destination for our manuhiri. We have a gorgeous backyard that we all take pride in and a strong cultural identity that many want to connect with. However, we are still behind the eight ball in our customer service and fostering Tikanga Māori with the tourism industry and wider. Some within the industry are only doing the basics to tick boxes while others embrace fully our Māori culture and tikanga. There needs to be a concerted and consistent effort from the retailers, supermarkets, gas stations, right through to the accommodation, car rental and tourism activity operators to embrace even the simplest words – Kia ora’ (Anonymous, attraction and activity operator, Waikato).

Unsurprisingly, the industry strongly reaffirmed its position on the quality and availability of facilities and amenities for visitors, with only 35% of respondents agreeing that facilities and amenities meet the needs of visitors. Providing this infrastructure is difficult due to the multi-user nature of most tourism facilities and amenities.

However, they are imperative for destinations to be able to deliver a quality visitor experience. One respondent stated ‘We continue to strive to give visitors that unique NZ visitor experience. It’s what sets us apart as a destination.

Our facilities and amenities including toilets, camping areas and road infrastructure are all areas where future planning and future proofing is essential to cope with increased tourist numbers’ (Jan Kennedy, Steampunk HQ, Otago).

## LOCAL GOVERNMENT

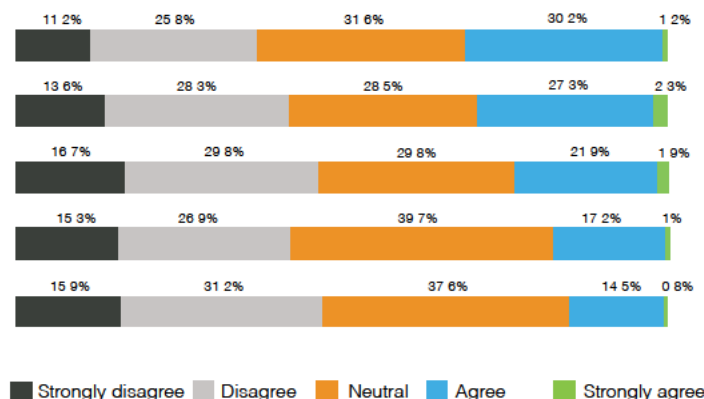
The tourism industry has a strong voice across Local Government agencies

Local Government policy settings support the tourism industry

Local councillors understand and are supportive of the tourism industry

Local Government costs are generally appropriate (eg: rates and fees)

Local Government compliance requirements are generally managed in an efficient and timely manner (eg: consents and fees)



# GOVERNMENT

The topic of Central and Local Government generated the most feedback of all the themes of this year's survey. Central Government and Local Government costs were not seen as being generally appropriate with extremely low agreement levels at 20% and 18% respectively.

Compliance requirements were also seen as not being appropriate with only 13% of respondents believing that Central Government compliance requirements were managed in an efficient and timely manner, with Local Government being slightly higher

at 15%. Government agencies such as Immigration New Zealand, Department of Conservation and Maritime NZ were heavily criticised in the comments from respondents for not enabling tourism businesses, and many tourism businesses believe that a range of government agencies are making it unjustifiably difficult to do business.

One respondent commented 'DOC fees have increased – which I don't have a big issue with – as long as they give you commercial level service for commercial rates – the jury is out on this currently' (Paul Norris, Real Journeys Ltd., Southland).

Improved online IRD services and resourcing for the Ministry of Business, Innovation and Employment were welcomed by respondents.

However, the slow processing of migrant work visas is having a negative impact on many tourism businesses looking to fill roles requiring specialist skills and qualifications and in areas where there are acute domestic labour shortages. One respondent expressed their frustration by stating the following:

'I am not sure where to start. Immigration is directly affecting tourism businesses in a disastrous way:

- ① Visa processing times are affecting revenue for tourism all round.
- ② Work permits for bona fide regular tour guides take too long.
- ③ There is an inability to serve guests due to staffing shortages'.

(Anonymous, tour operator, Auckland)



## CENTRAL GOVERNMENT

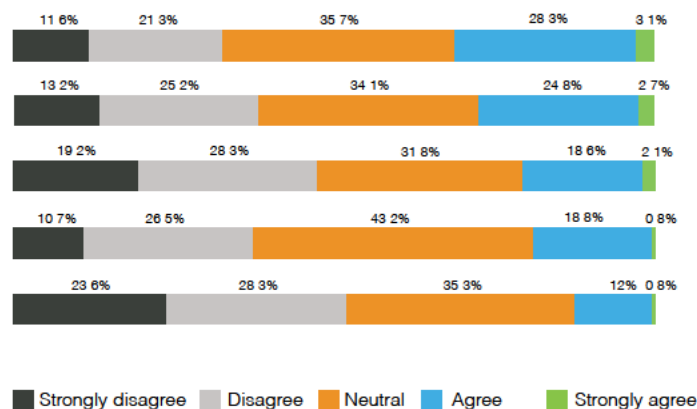
The tourism industry has a strong voice across Central Government agencies

Central Government policy settings support the tourism industry

Government Ministers understand and are supportive of the tourism industry

Central Government costs are generally appropriate (eg: DOC fees, ACC levies, mar time fees)

Central Government compliance requirements are generally managed in an efficient and timely manner (ie: concessions, permits, work visas, etc. )



Respondents also commented strongly on the lack of understanding and support provided by government to the tourism industry.

Local councillors' understanding and support of tourism was slightly higher (24%) than Government Ministers (21%), but for both close to half of respondents did not think the industry was well understood or supported by government. This lack of understanding and support may be somewhat addressed by the appointment of Hon. Peeni Henare as the Associate Minister of Tourism.

One respondent commented 'It is pleasing to read of the appointment of a Tourism Associate Minister, and we look forward to a positive impact for the industry' (Leigh Frame, ibis, Wellington).

Respondents also expect more could be done, for instance: 'Tourism doesn't have such a high profile in this government as it did in previous years. Tourism and Associate Ministers are interested but I don't feel they

are passionate even though they are keen that tourism helps their regional portfolio emphasis' (Anonymous, accommodation provider, Northland).

Tourism's voice across Central and Local Government was identical with 31% of respondents believing that the tourism industry has a strong voice across Central and Local government agencies, although around the same number held the opposite view.

Local Government has slightly more favourable policy settings that support the tourism industry with 30% of respondents agreeing that Local Government supports the tourism industry which compares with 28% for Central Government.

The key themes relating to Central and Local Government were:

- ① political leadership;
- ② immigration;
- ③ government agencies enabling tourism;
- ④ regulation and perceived support of freedom camping; and
- ⑤ increasing compliance costs and taxes.

## GOVERNMENT

# INFRASTRUCTURE

In the 2018 survey, infrastructure was a significant issue for the industry and it continues to be top of mind for most respondents. Only 22% of respondents agreed that current infrastructure can meet the needs of visitors, and just 16% are confident that future infrastructure investment will keep up with demand from visitor growth. There are deep concerns within industry about the sustainability of destinations and their ability to host visitors given the current provisioning.

One respondent commented 'Tourism is simply highlighting the inherent under-investment in infrastructure (3 waters for example) which has existed for decades – particularly in regional NZ. In the main centres we are seeing the result of our inability as a nation to understand the exponential function – we talk about 7% or 10% growth, yet are seemingly oblivious to the fact that by definition sustained growth at these rates means the quantity of whatever is growing doubles every 10 years (at 7%) or 7 years (at 10%)' (Anonymous, attraction and activity operator, Manawatu-Whanganui).

The approach taken to address inadequate infrastructure during peak periods varies across the industry with some believing increased spending is required while others believe that the current infrastructure needs to be better utilised throughout the year before investment occurs.

One respondent commented 'Building infrastructure for only 6-8 weeks (during peak season) of the year is a waste of money. The other 46 weeks it is underutilised. We have parking issues for only 6 weeks, and it is not worth increasing car parking for the remainder of the year when it is empty. We are better off restricting numbers during the peak season and pushing them into shoulders' (Anonymous, tour operator, Tasman).

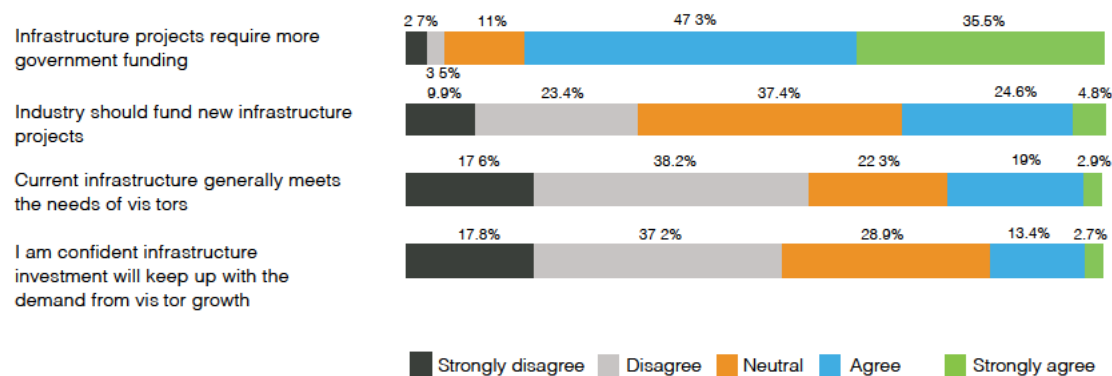
Another respondent commented 'There is a real mismatch between visitor expectations and what can be provided by Local Government through rates. The rating system is not suitable for infrastructure which has to cope with fluctuations over peak periods' (Jane Hindle, R. Tucker Thompson Sail Training Trust, Northland).

The accommodation sector in particular was highly critical of Local and Central Government funding being used to develop freedom camping sites. One participant commented 'Why should camping grounds and holiday parks with good infrastructure

in place already be required to fund (through rates and taxes) a free camping spot nearby that undermines their business? Especially when there is often plenty of availability in the parks and camping grounds. We should be promoting the safe, family-oriented camping facilities already in place. To make more free camping sites available is to indicate that government no longer wants the current kiwi camping places to exist anymore' (Suzanne Cooper, Clarks Beach Holiday Park, Auckland).

There were 74 comments received on infrastructure, with 30% on the topic of funding models. 83% of respondents were in agreement that infrastructure projects require additional Central Government funding.

## INFRASTRUCTURE

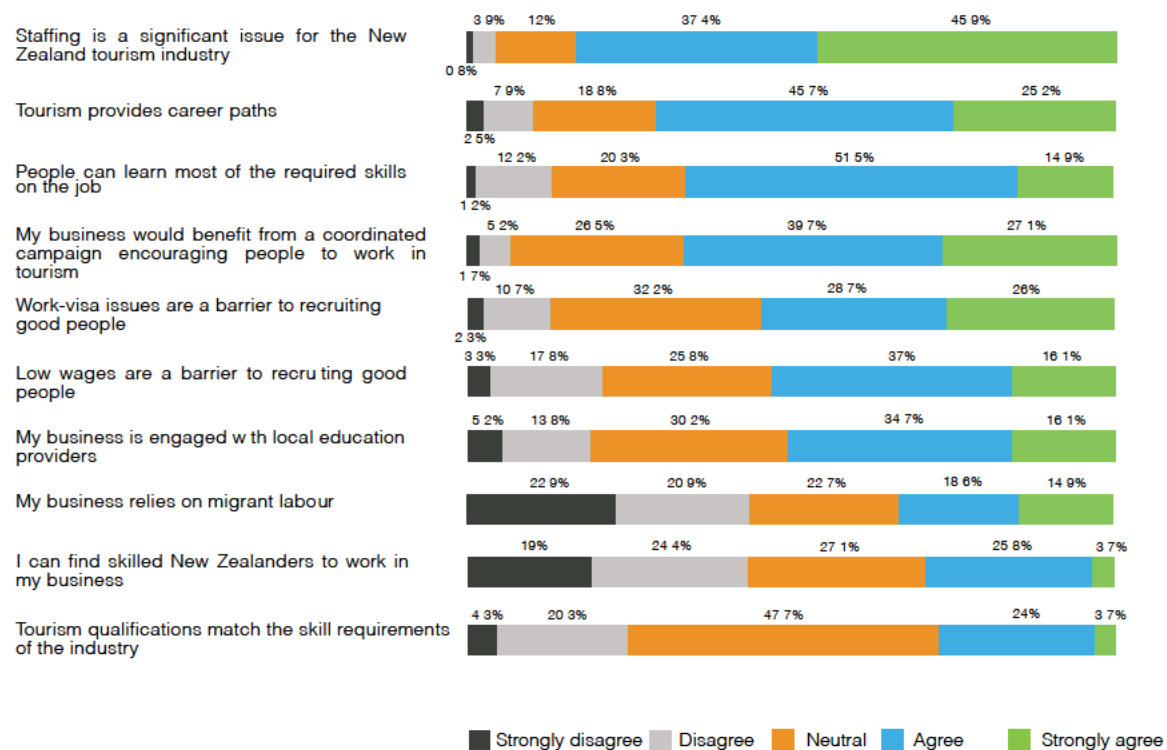


One respondent commented 'Certain infrastructures should be provided by private enterprises (accommodation, visitor experiences, etc.). Central Government should invest in roading, key tourist sights, walking and cycling tracks, and should provide support for areas with small population bases to provide water, waste-water, overall waste management. Local Government should build platforms for communities to thrive: zoning for different land use, making land available for social housing or worker accommodation, and apply a rating system that supports local communities and businesses' (Walter Speck, The Chalet, Lake Tekapo).

29% of respondents agreed that industry should fund new infrastructure projects which indicates that industry has some willingness to contribute to infrastructure developments as long as it is done in a way that is equitable.

One respondent stated that 'Industry recognises that infrastructure is an issue and that we should be part of the solution... the solution just needs to be fair' (Anonymous, accommodation provider, Otago).

## PEOPLE AND SKILLS



# PEOPLE AND SKILLS

83% of respondents agreed that staffing is a significant issue for the New Zealand tourism industry. The lack of supply of skilled New Zealanders to work in their tourism businesses is a concern for 43% of respondents.

In June 2019, New Zealand's unemployment rate was 3.9% and the underutilisation rate fell to 11% (Stats NZ, June 2019), a level not experienced since before the 2008 Global Financial Crisis.

This is reflected in comments on the difficulty in recruiting and retaining staff, especially in entry-level positions.

34% of tourism businesses agreed that they rely on migrant labour to fill many of these positions and 55% cited work-visa issues as a barrier to recruiting good people.



One participant commented 'We would all like to be less reliant on workers that require visas – many of our base positions are not high skill or high value positions, but our aim should be to pay a fair wage for the work done. Training and development for senior roles and encouraging more people to join the sector should occur' (Anonymous, accommodation provider, Otago).

71% of respondents agreed that 'tourism provides career paths' and 67% agreed that their business would benefit from a coordinated campaign encouraging people to work in tourism. Of note, work has already begun in this area with research conducted by ATEED and TIA resulting in the initial launch and now a \$5.2m expansion of the 'Go with Tourism' initiative. This initiative looks at addressing the estimated 40,000 new tourism workers needed by 2025 to address forecast labour shortages. There were many barriers identified by survey participants in the recruitment and retention of staff.

#### The most significant of these were:

- low wages;
- seasonality of visitors;
- migrant worker visa processing issues;
- remoteness;
- accommodation and living costs;
- qualification and skills not meeting the needs of visitor groups;
- low productivity of domestic labour; and
- the size of some businesses making it impossible to hire staff.

The performance of tourism education providers and the qualifications they deliver was commented on by many respondents, with only 28% agreeing that tourism qualifications match the skill requirements of industry.

One respondent commented 'Qualifications that match industry requirements!? Why do we have 2 to 3 year Polytech courses in outdoor leadership where graduates do not even exit with the NZOIA qualification that industry uses' (Anonymous, activity operator, Wanaka).

This criticism was balanced by the 51% of respondents who agreed that they are engaged with their local education providers. There was acknowledgement from the education sector that connections need to be stronger, with one respondent commenting 'There needs to be more emphasis on Polytechnic and University collaborations with tourism in terms of research and capacity building' (Anonymous, Education provider, Otago).

Respondents suggested that education providers need to provide more flexible study options to better meet the

needs of the current labour market conditions and operational realities of the industry.

One respondent commented that 'Tourism courses work to academic years not coinciding with peak tourist times thus preventing great work experience opportunities. We would happily take interns if the courses would adapt' (Clare, The Resurgence, Tasman).

66% of respondents agreed that people can learn most skills on the job and it is evident from the comments from respondents that many tourism businesses conduct significant amounts of in-house training.

However, as costs rise, the return on some in-house training seems to be declining. One respondent commented 'If the industry wants to attract the right people, we need to ensure that we are valuing our own businesses. You cannot train all people on the job and expect them to be able to perform. A focus on qualifications that are hospitality-specific and ones that are transferable to the industry would be good' (Anonymous, accommodation provider, Wellington).

Tourism businesses reported relatively low levels of improvement across this set of productivity metrics despite the fact that improving productivity is essential for remaining competitive with international destinations and for businesses to better meet the needs of visitors with the same or fewer resources.

# PRODUCTIVITY

## PRODUCTIVITY

Encouraging visitors during the off-peak appears to be the most challenging way of increasing productivity. 34% of tourism business experienced an increase in off-peak visitation and improving asset utilisation was achieved by just 36% of respondents. Labour productivity improved for only 37% of businesses.

The low levels of labour productivity improvement were likely impacted by the \$1.20 increase in minimum wage which came into effect on 1 April 2019. This pressure is likely to be more acutely felt over the next two years with Government signaling that the minimum wage will rise to \$18.90 in April 2020 and to \$20 from April 2021.

Unless tourism businesses are able to make meaningful improvements to labour productivity, it is likely that some will have to reduce staffing levels to control labour costs.

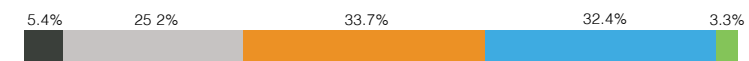
My business is attracting visitors from a broader range of markets



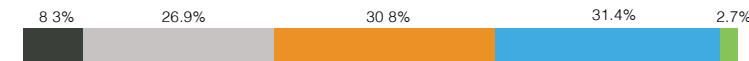
My business has seen an increase in staff productivity



My business is seeing greater year round utilisation of its assets and services (eg: average occupancy)



My business is experiencing more visitors in the off-peak season(s)



Strongly disagree Disagree Neutral Agree Strongly agree

# PRODUCTIVITY

One respondent commented 'We have lifted wages within our business in a bid to move to a living wage scenario in 2020. These wages are not particularly sustainable, and we fear we may need to reduce staffing levels in response' (Anonymous, accommodation provider, Otago).

Another commented 'This is a massive area for focus with NZ's wage rates increasing rapidly. We need to work hard to increase labour productivity in particular if we are to remain competitive as a destination' (Paul Anderson, NZSki, Queenstown).

This sentiment was supported by another respondent who commented 'Staff productivity is challenging with costs of living accelerating and wages unable to keep up due to accelerating increases of other costs, particularly those imposed by DOC and commercial rents' (Anonymous, attractions and activity operator, Otago)

52% of respondents were able to attract visitors from a broader range of markets. This is a positive sign as newer markets provide opportunities for growth and diversification.

One respondent commented 'The productivity of our team is due to the increase in our own domestic marketing campaign bringing us more bookings and domestic visitors in the winter season. We see a large range of markets due to our location and as a gateway to the region. There are more visitors travelling in the shoulder seasons than in recent years' (Anonymous, unspecified business type, Otago).

There are many ways to improve productivity, and survey respondents cited the following as being the most effective for their business:

- ① decreasing seasonality;
- ② investment in technology that supports the delivery of service experiences;
- ③ increasing wages and attracting more qualified and productive staff;
- ④ reducing staff turnover;
- ⑤ improving labour outputs; and
- ⑥ better utilisation of assets.

# DOMESTIC TOURISM

Domestic tourism expenditure makes up over 60% of all tourism expenditure and 79% of respondents agreed that domestic visitors are important for their businesses.

One respondent commented 'Domestic tourism is vital for the industry and is often under-rated' (Jonathan Milne, Simply New Zealand, Christchurch).

69% of respondents agreed that their business would benefit from more resources on how to target domestic visitors, but only 25% were in agreement that the industry is doing enough to encourage growth in domestic tourism.

Respondents noted an appreciation for the support given by RTOs in encouraging domestic visitation, but showed some frustration in the apparent lack of Central Government support in developing the domestic visitor economy.

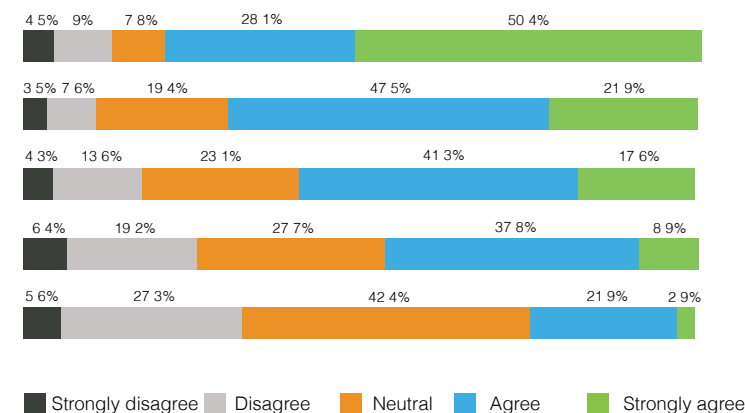
Domestic visitors are important for my business

My business would benefit from more resources on how to target domestic

My business is maximising the opportunities from domestic visitors

Domestic destinations offer good value when compared to international destinations

The industry is doing enough to encourage growth in domestic visitors





One respondent stated 'I think RTOs and businesses are doing a lot more to encourage domestic visitation, but it seems to be forgotten in the Central Government views because it is not 'new money' coming into the economy. Tourism New Zealand is a highly visible and vocal marketing organisation and their sole focus is to promote to the international market. The work they do is 'sexy' and puts international visitors to the forefront of the tourism sector. This is their role and they do it brilliantly, but there is no organisation that champions domestic visitors like Tourism New Zealand does' (Anonymous, marketing and promotions organisation, Marlborough).

48 comments were received on domestic tourism, with 30% citing affordability and price sensitivity as key reasons for many businesses not targeting domestic visitors.

One respondent commented 'New Zealanders are not willing to pay for the things that make international visitors flock to our shores. New Zealanders dislike guided experiences and find hotels expensive. They prefer to visit free things and carry a picnic lunch. They do not see the benefit in experiencing local attractions, and even museums find this' (Anonymous, attraction and activity operator, Auckland).

This view was not shared by all respondents with one stating '56% of our visitor spend is domestic. Industry supports investment in domestic visitor attraction which is appreciated and critical for the destination' (Anonymous, marketing and promotions organisation, Rotorua).

Destinations need to consider their value proposition for domestic visitors, with only 47% of respondents agreeing domestic destinations offer good value when compared to international destinations. The cost of some tourism experiences in New Zealand does not offer a strong value proposition compared to some international destinations for some domestic market segments.

One respondent commented that 'New Zealand is expensive. Domestic Tourism is relatively expensive for the consumer when compared to many overseas destinations' (Anonymous, guided hunting and horse trekking operator, Canterbury).

Another commented that 'Domestic destinations cannot match international ones when it is cheaper to go overseas for a seven night holiday than it is just to fly from one end of NZ to the other' (Anonymous, accommodation provider, Taranaki).

# KNOWLEDGE

69% of respondents use insights to support strategic decision-making, and 67% use insights to make operational decisions. However, there appears to be strong concerns about the availability and quality of some data and insights with only 42% trusting the quality of the insights available.

There were 68 comments received on the topic of knowledge and 44% of these criticised the quality of the current data framework; 42% identified significant gaps in the data itself; and 25% were highly critical of the recent reduction of government produced statistics.

One respondent commented that 'The tourism data sets are a shambles. The government-funded data sets are hard to find, on different websites and their quality is declining due to lack of investment in sample sizes. Woeful!' (Tim Hunter, Southern Discoveries, Southland).

Another respondent commented 'I have major concerns about the abrupt cancellation of the Commercial Accommodation Monitor. While it is not perfect, and ought to be perfectly capable of being upgraded to reduce its imperfections, without it the accommodation industry is effectively flying blind. Given the size and importance of the tourism industry, there is no excuse for its cancellation, as MBIE and Stats NZ ought to have sufficient funding to be able to afford and maintain it (Anonymous, tourism and hospitality consultant, Auckland).

These comments are reflected in the low level of agreement for the following statements:

- I trust the quality of insight that is available (42%);
- My businesses has the right data to make informed business decisions (44%); and
- Insight is made available in a way that is user friendly (38%).

Insight is used to support strategic decision making in my business

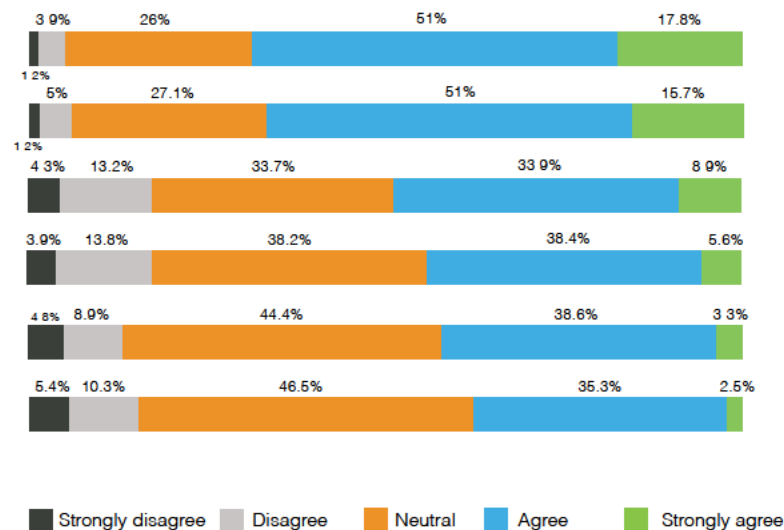
Insight is used to support operational decision making in my business

The data provided by government agencies is used to make decisions in my business

My business has the right data to make informed business decisions

I trust the quality of insight that is available

Insight is made available in a way that is user friendly



# SUSTAINABILITY

Of the respondents to the survey, 78% were members of the Tourism Sustainability Commitment and 22% were not.

The respondents were evenly split on whether the industry is doing enough to ensure its sustainability, with 36% of those surveyed in agreement, 29% disagreeing and 35% being neutral. Of the respondents in agreement, they highlighted the increased importance of sustainability to the industry, host communities and to our visitors.

One respondent commented 'TIA has made HUGE steps with the Tourism Sustainability Commitment since 2018' (Sue Patterson, Arrowtown Promotion and Business Association Inc., Arrowtown) and another commented that 'New Zealand is doing pretty well with awareness and including the visitors. We get many positive comments' (Anonymous, accommodation provider, Northland).

The key areas identified by tourism businesses relating to sustainability were:

- carbon emissions, especially the lack of alternatives for the aviation industry;
- additional costs of sustainability initiatives;
- infrastructure barriers and limiters;
- knowledge gap when it comes to best practice initiatives;
- the measurability of sustainability indicators;
- political leadership; and
- the authenticity of sustainability programmes and initiatives.

There was significant feedback on the authenticity of sustainability programmes and initiatives, and a strong desire for them to be robust to have a meaningful impact for tourism businesses and host communities.

One respondent commented that 'Sustainability is not about signing a commitment, it's about managing resources so our products are presented to the guest in the best possible way' (Anonymous, accommodation provider, Otago).

Another commented that 'We need to do better than just be sustainable. The challenge for tourism operators is to make the places they operate better rather than be content with leaving them the same' (Paul Anderson, NZSki Ltd., Otago).

The challenge for the New Zealand tourism industry is to build on the awareness of sustainability, and to develop sustainability metrics which result in an improvement in sustainability across the industry.

One respondent commented that 'In short, we have words...but do NOT measure. At the present we DO have the governance and leadership and it is time to really step up' (Anonymous, education provider, Canterbury).

Of note, in a global context New Zealand achieved the highest ranking for environmental sustainability in the Asia-Pacific region. The factors cited as contributing to this ranking were: low levels of air pollution, the stringency of environmental regulation and enforcement of these regulations by government agencies (World Economic Forum, 2019).

# NATURAL ENVIRONMENT

New to the 2019 survey was a section on the natural environment. Respondents indicated that the industry is strongly committed to achieving good conduct in relation to the natural environment with: 78% actively working to reduce its footprint, 78% identifying ways to enhance and restore our natural environment, and 72% educating visitors about the importance of the natural environment.

There were 47 comments received with the following themes:

- carbon reduction;
- stewardship for future generations;
- measurement of the impact of tourism on the natural environment; and
- education about reducing the impact tourism is having on the natural environment.

My business is identifying ways it can contribute to the enhancement and restoration of the natural environment

My business is actively working to reduce its environmental footprint

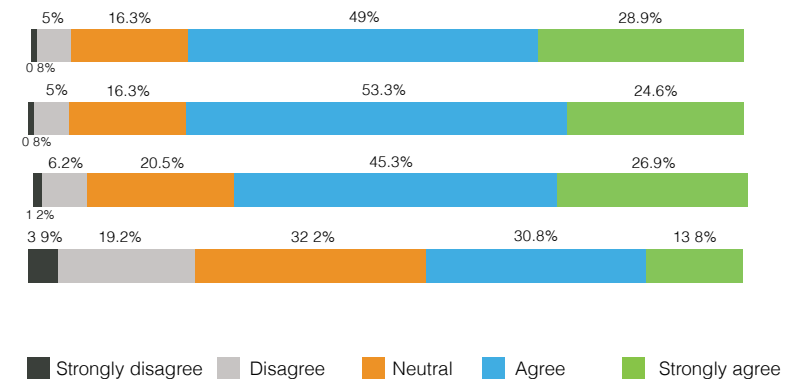
My business educates visitors about the importance of the natural environment

My business measures and understands its carbon footprint

Carbon reduction accounted for 22% of the comments received, with the majority focused on the difficulty in measuring carbon emissions and the need for clear measurement tools for understanding the impact of tourism on the environment.

One respondent commented that 'It would be good to have a global model for understanding carbon footprint. Introducing a tool to measure this would be a great initiative for TIA as part of the sustainability charter' (Hadley Dryden, Destination Coromandel).

Another commented 'We have been carbon neutral for three years now and certainly have this as a genuine focus' (James Dalglish, GO Rentals, Auckland).





# CONNECTIONS

Improving connections to markets and communities is important for respondents with a high level of agreement to all three questions.

81% of respondents agreed that increased international connectivity would advance their business, with only 7% in disagreement.

Comments received highlighted a number of connectivity factors that could be improved, including the lack of connectivity between the United States and Christchurch; the lack of direct services to India; and limited services out of Wellington. One respondent commented 'North American flights direct from Christchurch would greatly improve the South Island's connectivity to international markets' (Jan Kennedy, Steampunk HQ, Otago).

New Zealand is well connected to international markets



My business feels well connected to others within the tourism industry



New Zealand has good domestic connections for visitors



Strongly disagree Disagree Neutral Agree Strongly agree

57% of respondents agreed that New Zealand has good domestic connections for visitors. The importance of resilient roading infrastructure, improving rail links and air-connectivity were identified by respondents as being critical in improving connectivity for domestic visitors. Survey participants highlighted that some destinations are well served while others are not. A need for increased competition to improve domestic connectivity throughout New Zealand was identified.

One respondent commented 'Domestic connections are OK. Although the regional airline framework is principally governed by Air NZ flights, they will shift connections depending on demand rather than based on long term strategic growth (which is understandable but can make it difficult to achieve growth)' (Anonymous, marketing and promotional organisation, Rotorua).

Links between destinations such as Rotorua, Central Plateau and Queenstown were identified as requiring improvement to better meet the needs of visitor itineraries.

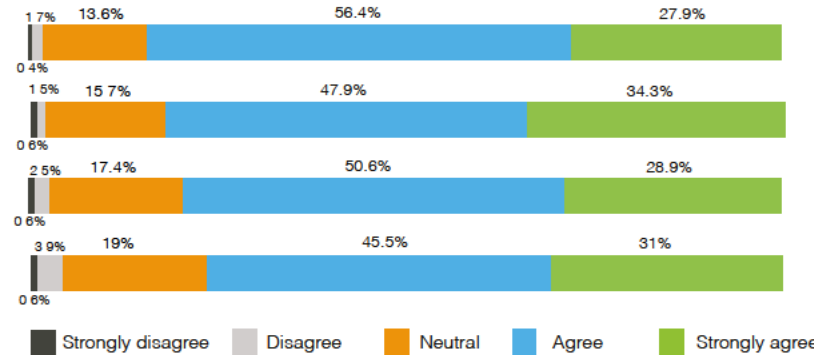
One respondent commented that 'Domestic connections should be available direct from Queenstown without taking two flights. Domestic connections are also highly expensive between the two islands' (Mericia Waqanimaravu, Wai-O-Tapu Thermal Wonderland, Rotorua). Another commented that 'Domestic connectivity into Taupō is a key barrier to growth with schedules not well connected to international arrivals and departures' (Anonymous, unspecified business type, Waikato).

63% of respondents agreed that 'My business feels well connected to others within the tourism industry. Interestingly, 27% provided a neutral response to this question demonstrating a possible area where tourism businesses would be able to create additional value for their business.

The key themes relating to Connectivity were:

- poor regional connectivity;
- high cost of regional airfares;
- improved or new public transport options;
- lack of competition in the aviation sector; and
- the reliability of infrastructure and transport operators

My business supports socially and environmentally sustainable supply chains



Creating positive connections and engagement with communities is seen as being important for the vast majority of respondents, with 77% agreeing that their businesses engage with the local community, 80% showcase the benefits of tourism to their local communities, 82% provide quality employment opportunities and 84% support socially and environmentally sustainable supply chains.

The two strongest themes that emerged around community were social licence to operate and the need for tourism businesses to work collaboratively with their communities.

One respondent commented 'The growth of the tourism sector over the past decade has resulted in greater pressure on our host communities and increasingly unbalanced sharing of the benefits being created. We have companies doing well at the expense of communities, whilst some regions are doing well, and others are under extreme pressure. We need to reward our local communities' (Craig Wilson, Quality Tourism Development Limited, tourism advisor, nationwide).

Respondents provided many examples of how they engage with their local communities.

These examples included 'We promote local tourism businesses in Marlborough, and in return, they refer business to our holiday park' (Anonymous, accommodation provider, Blenheim) and 'We have raised over \$100k for local charities over the past four years. We have given well over \$250k back to schools and conservation education since 2013' (Anonymous, tour operator, Tasman).

Some respondents commented that there is an element of community resistance to tourism in some destinations.

For instance, one respondent commented 'Locals hate tourists...councils cannot cope with basic amenities. Government won't help. Visitors are targeted for more and more tax, yet almost none of it comes back to the industry' (Nik Kiddle, Villa del Lago, Queenstown).

Other respondents highlighted the interconnectedness of tourism and their local communities with one respondent commenting 'Our community revolves around our accommodation. The mothers and grandmothers rely on our work to feed their families. The local businesses rely on the economics of the visitor who stays' (Lewis Dawson, Tongariro Junction, Turangi).

# COMMUNITY

One respondent commented that 'Each month, we take an action towards improving sustainable tourism, even if small steps are taken. Our key goal this year is improved communication with our community, a town of nearly 3,000 which sees approximately 850,000 (conservative figure) visitors. We have taken significant communication steps towards telling the story of tourism in our town while contributing significantly to several community and environmental projects, including some initiated by ourselves' (Sue Patterson, Arrowtown Promotion and Business Association Inc., Arrowtown).

# OVERALL THOUGHTS ON THE TOURISM INDUSTRY

There were 180 comments received from survey participants relating to the question 'What are your overall thoughts on the State of the Tourism Industry in 2019?' These comments highlighted a range of challenges but positively many survey participants remain relatively buoyant about the upcoming year. One participant commented 'Things are positive. There is an appetite for change with some brilliant case studies for tourism operators showcasing how to run a sustainable business that improves their tourism ecosystem (nature, locals, visitors) for the future' (Hadley Dryden, Destination Coromandel).

Sustainability featured strongly as a top of mind issue with 25 comments received. These comments were themed around the need for tourism to act as a restorative force for the environment, the need for adequate provisioning of infrastructure to enable sustainable business practices and a more equitable business environment.

One participant commented 'With record tourism growth over the past 5-7 years, a slowdown will be good for us to reflect and evaluate what impact this growth has had on our environment, our infrastructure, our people and to look at the future sustainability of the Tourism Industry (Anonymous, attraction and activity operator, Otago).

Increasing competition domestically and internationally also featured as a top of mind issue with over 40 comments forecasting economic headwinds over the short to medium term.

One participant commented 'Our overall feeling is that we are entering into a slightly challenging period - China, Brexit, uncertainty around US leadership coupled with year-on-year increased pricing to offshore markets to the extent that the feedback suggests we have exceeded the "value for money" ratio' (Matt Brady, Pan Pacific Travel, Auckland).

Another commented 'We do not expect overseas markets to grow and will be focusing much more actively on stimulating the domestic market. This government is no friend of the tourism industry and it will probably require a very big downturn for them to realise what the economy will lose when tourism shrinks. We are battenning down the hatches for a difficult year ahead' (Anonymous, tour operator, Southland).

In spite of these headwinds, there are still opportunities for tourism businesses to operate more sustainably. Participants noted that the current environment will incentivise tourism business to target more domestic visitors and execute value over volume strategies.

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One participant commented 'After 6 or so good years we can all see the signs of a slowdown / plateau for visitor numbers. With the new Hotels being built around the country hopefully the rates will start to go down. This will enable us to attract more domestic travellers in the short term, while maintaining the marketing required to grow the higher yielding overseas visitors' (Anonymous, wholesale operator, Otago).

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Other significant issues highlighted by participants were:

- ① increasing compliance costs;
- ② geopolitical uncertainty;
- ③ seasonality;
- ④ skills shortages;
- ⑤ social licence to operate;
- ⑥ declining visitor numbers; and
- ⑦ freedom camping

37 comments cited some level of dissatisfaction with Central and Local Government and their role in supporting tourism. The majority of these comments highlighted issues such as infrastructure investment, over regulation, inadequate planning, taxes and levies, and inequitable policy settings.

One participant commented 'There are many challenges for small businesses, Local and Central Government needs to support us' (Anonymous, Accommodation provider, Manawatu). Another commented 'We have a good solid business base in New Zealand tourism but I think over regulation is making businesses inflexible, and the lack of national and regional planning is leading to lengthy and time consuming resolution of planning and resource development. It's making New Zealand less sustainable than it could be' (Anonymous, activity operator, Wanaka).

The value proposition of New Zealand as a destination was also questioned, considering increased competition from better resourced destinations.

One participant commented 'We are competing with other worldly destinations which are cheaper and provide a great experience as well. New Zealand is getting too expensive for international visitors considering they have made a big investment just to get here (Anonymous, tour operator, Tasman).

Another commented 'We must be very careful NOT to kill the goose that laid the golden egg by getting greedy and trying to increase visitor numbers without consideration for the experience we end up offering. New Zealand will lose its place as a desirable location to visit if we continue with this trend' (Anonymous, tour operator, Otago).



The final thoughts on the State of the Tourism Industry in 2019 are provided by Tourism Industry Aotearoa Chief Executive, Chris Roberts

This year has been an important one for the tourism industry. The business cycle has moved into a period of lower growth and I am heartened that the industry is clearly seeing this as a valuable period of consolidation after its long high growth phase.

A couple of things stand out for me.

Firstly, the tourism industry is still expressing much higher levels of confidence than we see across the wider business community, with 43% of respondents to this survey expecting their business situation to improve over the next 12 months compared to 9% across the wider New Zealand economy. This reflects well on the culture of our industry.

Secondly, 2019 has been the year that we have seriously taken on the challenge to become sustainable. Three quarters of respondents to the survey are signatories to TIA's Tourism Sustainability Commitment. We can see that businesses are actively making changes to become more sustainable.

For instance, 78% are contributing to ecological restoration and the same proportion are working hard to reduce their environmental footprint. The results on Productivity, People and Skills, and Visitor Experience reinforce that businesses are taking on a wide set of actions toward sustainability.

What's more, only 36% of respondents think we are 'doing enough' – a clear message to us as we think about the future direction of the TSC. Watch this space.

Every part of the business cycle has its unique challenges. Through research such as this, we can get a good handle on where we are, which is invaluable in ensuring we are addressing the right issues at the right time.

Many thanks to all who completed this survey – your input is vital to the continuing success of our industry.



A stylized, handwritten signature in black ink, appearing to read 'C Roberts'.

Chris Roberts  
Chief Executive  
Tourism Industry Aotearoa

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- The State of the Industry report findings from an industry survey in which 484 tourism businesses completed in July 2019.
- The qualitative and quantitative findings of this report represent the views of these respondents.
- The survey contained 24 questions and participants were asked to provide commentary on 14 topics. These topics provide the framework and structure of this report.
- Additional data has been supplied by Stats NZ, World Economic Forum and ANZ Bank.

### NOTES:

- Not all figures add up to 100%, as a result of rounding percentages.
- The base for figures is 484 unless otherwise stated.

