Optimising Tourism New Zealand's future role and contribution to New Zealand

CONTENTS

REPORT PANEL MEMBERS:
David Smol (Chair), Jenn Bestwick, Kevin Malloy

1
Executive summary

1.1

FUTURE TRENDS FOR NEW ZEALAND'S TOURISM SECTOR

The 2018 Tourism Satellite Account tells us that since 2010, the value of New Zealand's tourism sector has grown from $25.6 billion to $39.1 billion per annum, with particularly high growth experienced between 2014 and 2018. International visitor spending has increased by 54.9% since 2014, on the back of a 38.8% increase in international visitor arrivals over the same period. In 2018, the international tourism sector's contribution to total export goods and services was 20.6% or $16.2 billion. Tourism is also a significant employer, with 13.5% of New Zealand's workforce, or 365,316 New Zealanders, either directly or indirectly working in tourism.

There can be no doubt that tourism is a major contributor to the New Zealand economy. A further benefit of the sector is the broad economic value it brings across all regions of New Zealand, aligning strongly with the Government's regional economic development aspirations.

Internationally New Zealand is viewed as a friendly, safe and beautiful country to visit. The richness of Māori culture is seen as a point of differentiation for New Zealand's tourism proposition and is increasingly reported as one of the highlights of international visitors' time in New Zealand.

Because of New Zealand's geographic isolation, the key factor that affects our ability to increase international visitor arrivals is air connectivity. The passenger volumes and routes of airlines that fly to New Zealand are undeniably linked to the flow of international visitors to our shores. In recent years, New Zealand has experienced growth in direct flights from new markets, such as China and Indonesia, which have supported growth in visitors from those countries in addition to our traditional markets.

As we look forward, there are a number of 'headwinds' the New Zealand tourism industry must weather over the coming years. Arising from both macro global trends and New Zealand-specific circumstances, the tourism sector in New Zealand has a number of challenges it must overcome to ensure a sustainable future.

1.2

HEADWINDS

Softening international growth

With global economic growth slowing, indications are that growth in international visitor numbers to New Zealand will slow in the short to medium term. There are some early signs of this already, with visitor numbers in the first half of 2019 flattening off. Targeting and attracting high-value visitors will be critical to maintaining sector growth in the short term.

Fierce competition

Competition amongst national destination-marketing organisations is intensifying. Tourism New Zealand's (TNZ) country competitors are generally larger, with larger marketing budgets, and they are competing fiercely to attract visitors. TNZ's extremely successful 100% Pure New Zealand brand continues to position New Zealand strongly in the face of this competition; however, our geographic location presents additional challenges in attracting visitors from long-haul, largely northern hemisphere markets.

Social licence

The recent and rapid growth in tourism numbers has highlighted weaknesses in the infrastructure that is required to accommodate the increased volumes of visitors. This, in turn, has created tension between local and visitor populations in some regions. In recent years, concerns regarding the safety of foreign drivers, freedom camping practices and the pressure on general roading and water infrastructure have been attributed to the effect of international visitors, resulting in a questioning of our social licence to continue to grow international tourism. While undoubtedly the increased visitor numbers have contributed, in part, to these issues, a key concern is the apparent lack of responsiveness of our infrastructure planning and investment to accommodate exceptional growth in our permanent and visitor populations. In the absence of a more coordinated response, it is likely that the social licence for international visitors will continue to be eroded, leading to a deterioration of our New Zealand reputation as being welcoming, friendly and warm hosts.

Sustainability

Growing global concerns regarding climate change, environmental degradation and wider sustainability practices represent a threat to international travel in general and to New Zealand in particular. Growing awareness and concern about carbon emissions are predicted to have a significant effect on travel choices globally over coming years. Given New Zealand's distance from most source markets, the potential implications for our international tourism industry of travellers' carbon emission concerns is not to be ignored; careful reflection by our tourism industry is required to support our long-term visitation proposition. The Government's Aotearoa New Zealand Government Tourism Strategy and Tourism Industry Aotearoa's (TIA) Tourism 2025 & Beyond framework both recognise this and articulate pathways forward.

1 Executive summary

1.3

TOURISM NEW ZEALAND'S CORE MARKETING AND INSIGHTS ROLE

TNZ is New Zealand's national destination-marketing organisation. For 20 years, TNZ has promoted New Zealand as an international visitor destination under the brand campaign of 100% Pure New Zealand.

TNZ is widely respected for its work, both domestically and internationally, and is viewed by its peer organisations as one of a small number of global benchmark destination-marketing organisations. TNZ has particular strength in customer insights and digital marketing, resulting in it being a partner of choice for a number of large global digital platforms.

TNZ's core capability represents a digital marketing and customer insights centre of excellence in the New Zealand Government portfolio, bringing world-leading innovations in marketing activity to its role for the benefit of New Zealand.

Staying ahead of the pack

TNZ's core function of promoting New Zealand as a visitor destination is becoming more complex. Not only is destination marketing becoming an increasingly crowded space with fierce competition between countries for visitor arrivals, but marketing activity itself is becoming more technical, as digital marketing and customer insights play an ever-growing role in influencing visitor preferences.

While TNZ's expertise in its core functions is well understood, the challenge for TNZ is to maintain its performance-based reputation for being innovative, expert and efficient in its core destination-marketing activity. As the national destination-marketing organisation for a small country, TNZ does not, and will never, have the budgets of many of its core competitors. Accordingly, it needs to continue to be excellent at what it does – to push the boundaries in what is possible in digital marketing, leveraging industry spend on smart, targeted campaigns and maintaining its presence with trade and wholesale channels in-market. TNZ already makes every dollar work hard. The challenge in the future will be to continue to grow the productivity of every single dollar.

100% Pure New Zealand and 'Brand New Zealand'

Having built such a strong international brand over the last 20 years, the 100% Pure New Zealand brand is synonymous not just with tourism but, in part, with New Zealand's wider country brand. While it was never intended to be an environmental statement, New Zealand's reliance on its landscapes in international tourism marketing has inevitably seen it interpreted that way, both on and offshore. Concern regarding the deterioration in New Zealand's environment, coupled with global sustainability concerns, means it is more important than ever that the broader pillars of the 100% Pure New Zealand brand are profiled and understood.

TNZ's recent work to reposition 100% Pure New Zealand is a good step in this direction. Broadening out the brand positioning to that of a welcoming nation builds on one of the original pillars envisaged, that of our friendly and welcoming culture. However, there are risks with this re-positioning in a climate of declining social licence for tourism. While the majority of New Zealanders may well be warm and welcoming, the attitude of some towards visitors, particularly in tourism hotspots where growth in tourism is creating tensions between local and visitor populations, may be less predictable.

RECOMMENDATION 1

That TNZ continue to perform, innovate and invest in its core role as the centre of destination marketing excellence in New Zealand.

Strengthening the integration of demand and supply

TNZ arguably knows more about the people who choose to visit New Zealand than any other body or organisation. Its world-facing orientation provides it with global consumer perspectives, which are seldom understood in any depth when viewed from the New Zealand perspective. As data analytics capabilities and customer insights continue to deepen, our understanding of visitors' interests, preferences and expectations of their time in New Zealand continue to develop. At present, the tourism sector makes limited use of the customer insights developed by TNZ to influence the design or delivery of existing or new tourism products. There is an opportunity to strengthen our national and regional destination propositions through a more deliberate and formalised sharing of customer insight intelligence and in doing so, to tighten the connection between our brand positioning and tourism product supply.

TNZ already does some aspects of this work from time to time. For example, its recent work to support tourism businesses to be 'China-ready' helped some businesses understand how to redesign their products and services to be more attractive to Chinese visitors. To realise this benefit requires an expanded function for TNZ and a framework for it to provide targeted and relevant insights and intelligence into clustered regions. In doing this, it can provide critical and timely insights that inform supply side and destination-planning opportunities. It also requires some RTOs to play a more active role in destination management, working with regional tourism communities to evolve tourism products and services to continue to deliver on customer preferences.

To achieve this, TNZ will need to develop sector-facing customer insights tailored to regional and industry segmentation, to maximise the fit of insights to audience. Alongside the RTOs, TIA will have a role in facilitating elements of this work and providing support to its member organisations.

RECOMMENDATION 2

That TNZ play a key role, alongside MBIE, working with local government (including RTOs) in more systematically supporting destination planning, management and regional marketing through more systematic provision of market and customer insights.

The invisible majority: understanding the preferences of domestic visitors

TNZ's undoubted expertise in customer segmentation, insights and intelligence means it is the natural organisation to fill a current and significant gap in our knowledge of domestic tourist preferences. At present, there is no single organisation charged with developing customer insights into New Zealand travellers' preferences or intentions. As domestic visitors represent 58% of our total visitor spend,[1] this represents a significant information gap that is unlikely to be filled by anyone other than the Government. While at a national level, domestic tourism does not represent an export revenue benefit, at a regional level, domestic tourism has many productivity benefits, including mitigating seasonality issues, increased employment opportunities and stimulating flow-on regional economic growth (e.g., through indirect tourism goods and services). Having greater access to information regarding the preferences of domestic tourism would have considerable benefit for the purposes of destination planning and regional tourism marketing.

RECOMMENDATION 3

That TNZ's role be extended to include the collection, analysis and sharing of insights relating to both domestic and international visitors, thereby enabling sector participants to build a picture of, and respond to, the preferences of all potential visitors/customers.

[1]. Tourism Satellite Account 2018.

1 Executive summary

Regional dispersal

Tourism, particularly domestic tourism, clearly provides significant economic benefit to regions. However assuming that regional dispersal can be achieved equally across all New Zealand fails to recognise two significant factors – visitor preference and regional attraction and capacity.

Where under-represented regions aspire to grow their tourism economy, domestic tourism (as well as quasi-domestic visitors from Australia) represents the most viable entry point, allowing regions to develop their destination management capability and, over time, grow their attractiveness and capacity to accommodate greater numbers. Regions in close proximity to international gateways are more likely to achieve spillover tourism by working closely with gateway destinations to promote targeted activities. The challenge for regions seeking to attract greater visitor numbers is to develop destination plans that articulate a clear visitor attraction strategy based on the attractions and capacity available in the region.

RECOMMENDATION 4 & 5

That MBIE and TNZ review the Government's approach to promoting regional dispersal, to address any conflict with other marketing objectives (which are focused on customer experience and on enhancing productivity and aggregate value-add) and to assess the case for prioritising domestic and Australian visitors as the primary drivers of dispersal.

That MBIE and TNZ focus support for regional dispersal on regions that have realistic prospect of being successful, based on a matching of visitor preferences and a region's current and potential strengths as a tourism destination.

Protecting and re-growing tourism's Social Licence

There can be little question that in recent years the resistance to the growth in international visitor numbers and their perceived effects on our day-to-day lives has eroded tourism's social licence. As a critically interested party, TNZ's challenge is to work closely with other key government agencies, providing insights and intelligence that support improved coordination of efforts to mitigate the effect of increasing visitor numbers. This will require TNZ, MBIE and wider Government (e.g., DoC, NZ Transport Agency and local government) to work in a more proactive and integrated manner to both anticipate social licence challenges and coordinate effective mitigations. TNZ's unique role is to provide the 'early warning signal' of where social licence issues are likely to emerge, based on its customer insights, global networks and understanding of the tourism system.

RECOMMENDATION 6

That consideration be given to the way TNZ and MBIE work with other central, local government and private sector parties to more actively mitigate and/or address issues that represent a significant risk to tourism's social licence and/or the visitor experience.

A sustainable sector

TNZ plays an important role in reinforcing the importance of the New Zealand tourism sector's commitment to move to a more sustainable mode. Its work on insights and sharing the way customers' preferences are shaped by environmental and wider sustainability concerns will be critical in creating increased momentum to becoming a more sustainable sector.

Furthermore, TNZ's Qualmark product could be repositioned to align more directly with a sustainability accreditation model and in doing so, raise the profile and awareness of sustainable practices within the industry and provide a platform to demonstrate the sector's commitment over time. Whether this function is best left with TNZ, or to be owned independently or by the industry, needs further consideration.

RECOMMENDATION 7

That tourism system stewardship and coordination focuses on developing an integrated New Zealand tourism system response to the Government's Tourism Strategy's sustainability goals, as well as clarifying TNZ's role in supporting its delivery.

1.4

TOURISM NEW ZEALAND, THE WIDER TOURISM ECOSYSTEM AND 'NZ INC'

Visitor-centric destination planning and management

Visitor destination planning and management is a relatively immature and fragmented function in New Zealand. The growth of tourist numbers in recent years has highlighted the need for increased visibility of total visitor projections, to improve the ability of central and local government and the private sector to anticipate investment and development needs.

MBIE's recent work to provide assistance and support for regions undertaking destination planning is a useful initiative. The challenge is to develop regional and national understanding of the tourism-related infrastructure required to support the projected growth in visitor numbers and in doing so, make sure tourism continues to be a valuable and valued source of export revenue for New Zealand.

RECOMMENDATION 8

That TNZ provide tailored customer insights and preference intelligence to support the development of 'super-regional' clusters grouped around visitor journeys and in doing so, support capability development at the 'super-regional' level.

Strengthened sector stewardship and coordination

As recognised in the Government's Tourism Strategy, the need for a more coordinated and proactively stewarded sector is apparent if New Zealand's tourism opportunity is to be optimised. Increased collaboration across key central government agencies, local government (including RTOs), iwi/Māori and private sector/industry bodies can increase coordination, timely and responsive policy and regulatory settings and deliver improved regional coordination and destination readiness.

The 'right' set of stewardship and coordination arrangements is likely to continue to evolve through time. While much purposeful collaboration is happening already across the main players in the ecosystem, clearer communication as to how stewardship is working would help retain sector confidence that the right level of planning is occurring and that emerging challenges and opportunities are being proactively addressed.

Data and insights underpin planning and decision making across the tourism ecosystem. There is scope for stronger integration across the relevant parts of Government and improved ways of working with the sector to make the most of an ever-growing set of data-related opportunities to add value and manage risk.

RECOMMENDATION 9, 10, 11 & 12

That TNZ work more closely with New Zealand Māori Tourism (and with MBIE and DoC) to further support the development of Māori tourism and make sure Māori culture is appropriately incorporated into TNZ's destination marketing

That as the government policy lead on tourism, MBIE lead an inter-agency (including TNZ) and wider iwi, local government and private sector discussion to make sure stewardship and coordination mechanisms are, and remain, fit for purpose, to improve sector efficiency, productivity and integration, building on existing arrangements wherever possible.

That TNZ continue its existing level of support for tourism sector business development through current mechanisms (e.g., www.tourismnewzealand.com) and that MBIE and TNZ work with other economic development agencies (notably NTZE, Callaghan Innovation) to consider and monitor their prioritisation of, and level of support to, tourism sector businesses.

That MBIE, Statistics NZ and TNZ develop a sufficiently joined-up engagement with the tourism sector to develop/evolve an integrated set of government-produced data and visitor insights, to better inform the tourism system.

1 Executive summary

Tourism and the conservation estate

A number of New Zealand's most iconic tourism attractions are part of the conservation estate and managed by the Department of Conservation (DoC). DoC has made good progress in responding to the growth in visitor numbers, with increased funding in recent budgets enabling investment in areas such as Waipoua forest and Punakaiki, in new systems and in destination management plans for some iconic attractions. However reconciling biodiversity protection with providing for increased tourism and promoting recreation remains a complex challenge.

Commercial activity on the conservation estate is a fraught issue that is highly political at all levels and requires national attention to develop constructive new frameworks for considering such matters.

The status quo is not an option. Failure to develop sustainable and enhanced access opportunities to the conservation estate will result in overcrowding and ultimately undermine conservation values as visitor numbers continue to grow. The challenge for DoC and the wider tourism system is to unlock the potential for tourism to be a positive contributor to both economic and conservation values and in doing so enhance New Zealand's reputation as a responsible custodian of its natural environment.

RECOMMENDATION 13 & 14

That MBIE and TNZ continue to support DoC, working with Māori, to develop a shared vision and action plan for conservation tourism that articulates how tourism is part of the sustainable and beneficial future for New Zealand's conservation estate.

That TNZ should ensure customer insights inform DoC's development of tourism opportunities on the conservation estate and to help DoC build customer centricity.

Opportunities to leverage TNZ's core capabilities to support NZ Inc

TNZ's brand positioning cannot operate in isolation of wider New Zealand country brand positioning. Tourism represents one of many opportunities that New Zealand takes to the world. As a small country, we need to make sure that our marketing and promotional work is aligned, whether for study, work, migration, trade, investment or tourism matters. TNZ has a leadership role to play in ensuring a sufficiently structured brand architecture that maintains a common underpinning narrative when New Zealand promotes itself to the world.

The challenge for TNZ is to continue to evolve the 100% Pure New Zealand brand to encompass both people and place in a way that is believable and achievable, so that every visitor experiences the promise of 100% Pure New Zealand. In the event that greater coordination of New Zealand's marketing to the world is desirable, TNZ should play a leadership role in coordinating New Zealand's wider brand marketing, to make sure New Zealand presents a considered and unified brand to the world.

RECOMMENDATION 15

As part of the concurrent review of NZ Story, that consideration be given to whether increased coordination, mandate and alignment would support the strengthening of New Zealand's national brand as a country to visit, study, work, live, invest in, and buy products and services from; and that consideration be given to:

- *whether NZ Story's role as a platform toolkit be expanded to provide broader critical brand infrastructure*
- *the most synergistic 'host' and/or lead for such a national brand function to benefit NZ Inc and the appropriate governance arrangements of the same.*

Funding TNZ

TNZ is funded by the Government to undertake its primary functions of destination marketing and visitor insights. This report makes recommendations on some potential extensions, building on TNZ's core role and capabilities.

RECOMMENDATION 16

That TNZ and MBIE work through the financial implications of Ministers asking TNZ to undertake any new functions, to make sure that adopting new functions does not inadvertently compromise TNZ's effectiveness in delivering on its existing priorities.

1.5

WHAT DOES SUCCESS LOOK LIKE?

If TNZ and the broader system can deliver on each of the challenges outlined above, New Zealand tourism will be well placed to navigate successfully whatever the future may hold.

TNZ will not only retain its reputation as a world-leading national destination-marketing organisation but also New Zealand will retain its reputation as a top visitor destination appearing on 'bucket lists' all over the world and continuing to attract increasing numbers of high-value visitors to our shores. Our compelling national proposition, supplemented by relevant and aligned regional marketing, will continue to be highly attractive to potential visitors in our target markets and customer segments.

Leading edge customer insights will make sure that markets and potential visitors receive relevant, coordinated messaging that supports their customer journey and delivers targeted national, regional through-to-product-level information to support their decision making.

Deep customer insights and intelligence will inform our tourism product supply side, to make sure that our onshore tourism product is internationally recognised for its customer relevance and responsiveness and our reputation for being an easy, sustainable, innovative and welcoming travel destination will become a stronger element of our compelling global proposition. The uniqueness of New Zealand's Māori culture will continue to be a key point of differentiation in our tourism landscape.

More proactive cross-government (central and local) stewardship and activity will work to mitigate negative tourism effects, thus ensuring the locals' experience of tourism is more positive and enriching, leading local communities to further embrace visitors and share their places and stories.

The combination of highly successful visitor targeting and high-quality relevant product will deliver increased productivity from international visitors.

And critically, our renewed commitment and action to a sustainable tourism industry will see significant innovation in product and service delivery, demonstrating our commitment to sustainability, as well as resulting in improvements to our natural environment and making a positive contribution to New Zealand's reputation.

1 Executive summary

2
Introduction

1. The Ministry for Business, Innovation and Employment (MBIE) is New Zealand's lead government policy agency for tourism and is the monitoring body for Tourism New Zealand (TNZ). As New Zealand's national tourism-marketing organisation, TNZ is the dominant player in attracting international visitors to New Zealand. It operates in a busy landscape with a range of other government, local government, Māori and private sector participants in the New Zealand tourism sector. In light of the opportunity that tourism presents to the New Zealand economy and the challenges associated with the sector's growth, MBIE commissioned this Panel[2] to address the following question:

   What role should Tourism New Zealand play in supporting New Zealand's future tourism needs and how is it positioning its capabilities to deliver on this role?[3]

2. In addressing this question, the Panel considered the following themes:

   • How well TNZ undertakes its core country-destination-marketing function.

   • New Zealand's institutional settings for supporting tourism.

   • What, if any, extended roles/functions could TNZ play to support wider government or the tourism ecosystem.

3. The Panel's findings in relation to the above themes are detailed in the following sections.

4. Over the course of the project, the Panel interviewed a broad range of stakeholders,[4] both in New Zealand and in some key offshore markets (i.e., Australia, China and USA). The Panel wishes to thank the many stakeholders we spoke with for their valuable time, insights and views, which have been formative in shaping the Panel's conclusions.

5. The Panel wishes to thank the TNZ Board and staff for their enthusiastic and positive approach to the project and commend them for their willingness and openness with regard to sharing their knowledge, contacts and relationships. The Panel is also extremely appreciative of the work by the TNZ and MBIE teams to support the Panel's activities.

---

2. Panel Member Biographies are provided in Appendix 1.
3. The terms of reference are provided in Appendix 2.
4. The list of stakeholders interviewed is provided in Appendix 3.

2 Introduction

3
Current context

About Tourism New Zealand

6. TNZ is a Crown Entity established under the New Zealand Tourism Board Act 1991. Governed by a Board of Directors appointed by the Minister of Tourism, TNZ has a team of around 150 staff in 13 offices around the world. Government funding for TNZ in FY2018/19 was approximately $111.5 million.

7. TNZ's main marketing asset is the 20-year-old '100% Pure New Zealand' marketing campaign. While the campaign has evolved considerably over the two decades since its inception, it remains the core campaign for attracting international visitors to New Zealand and this image has become synonymous with New Zealand more broadly.

New Zealand's tourism profile

8. Visitor arrivals to New Zealand account for 0.8% of the global tourism market. With international visitor numbers to New Zealand at 3.86 million in 2018, the Tourism Satellite Account 2018 indicates those visitors spent $16.2 billion on holidays in New Zealand and contributed 20.6% to New Zealand's total exports of goods and services. This is in the context of a total tourism spend (including domestic) in New Zealand of $39.1 billion.

9. Internationally, competition amongst national tourism-marketing organisations is increasing. As more countries aspire to benefit from international tourism, governments are increasingly investing in destination marketing. In 2016, the World Travel and Tourism Council indicated that total global government spending on tourism marketing, promotion and visitor-related infrastructure was expected to top $413 billion over the next decade, an increase of 29%.

10. New Zealand's largest source market by number of visitors is Australia, comprising almost half of all visitors to New Zealand.

China and the USA are second and third respectively. These three markets account for approximately 85% of total international visitor arrivals.

11. Domestic visitors make up approximately 60% of our tourism industry. Our domestic market plus top three international markets currently make up approximately 94% of all tourism in New Zealand (domestic and Australia alone constitute approximately 80%).

12. MBIE's International Tourism Forecasts 2019–2025 indicate that international visitor arrivals will continue to grow over the forecast period, reaching 5.1 million by 2025, and that broadly the same visitor arrival profiles will continue. However, MBIE is projecting that if we look at visitor profile by market spend, the Chinese visitor spend will increase at a faster rate than that of other markets and by 2025, it will be approaching the total market spend from Australia.

13. Although the underlying drivers of growth remain, the market outlook in the near term has deteriorated.

New Zealand's tourism sector

14. The New Zealand tourism industry is made up of a diverse range of organisations and businesses, ranging from large multinationals to small and medium-sized enterprises (SMEs). The tourism sector employs 216,000 people directly and a further 149,000 indirectly, meaning that approximately 1 in 7 jobs in New Zealand is related to tourism [5].

15. Tourism Industry Aotearoa (TIA) is the largest independent industry association, with a membership that represents 85% of the total tourism industry turnover. Its membership spans the entire sector and includes a range of association members. As an industry body, TIA's positioning is to influence government (central and local) and lead the private sector.

5. Statistics NZ Tourism Satellite Account year ended March 2018 (issued Dec 2018).

16. Another feature of the New Zealand tourism industry is Regional Tourism Organisations (RTOs). Responsible for the destination marketing of 31 regions or sub-regions across New Zealand, RTOs are generally funded by private sector members, local government or a combination of the two. RTOs vary dramatically across New Zealand in their size, function and funding. In recent years, there has been a move to combine RTOs in many regions with broader economic development agencies (e.g., Auckland Tourism Events and Economic Development, Christchurch NZ and Wellington Regional Economic Development Agency).

The Government's Tourism Strategy

17. The Government launched the New Zealand Aotearoa Government Tourism Strategy at the annual travel and trade event, TRENZ, this year. Following a period of consultation, the Strategy outlined the Government's aspirations for tourism growth to be productive, sustainable and inclusive and in doing so, enrich New Zealand Aotearoa through sustainable tourism growth. The Strategy outlined five goals:

   • Tourism sector productivity improves.

   • Aotearoa New Zealand delivers exceptional visitor experiences.

   • Tourism protects, restores and champions New Zealand Aotearoa's natural environment, culture and historic heritage.

   • New Zealanders' lives are improved by tourism.

   • Tourism supports thriving and sustainable regions.

18. The Action Plan contained in the Strategy outlines a number of workstreams designed to deliver the Strategy and TNZ has a number of lead/co-lead agency responsibilities outlined in workstream actions. These have been taken into consideration and in some cases, built upon, in the drafting of this report.

3 Current context

4
Tourism New Zealand's core marketing and insights role

19. The terms of reference for this project directed the Panel to consider:

    • how TNZ is positioning its core marketing role to adapt to future tourism and marketing trends, and any capability shifts needed

    • TNZ's response to current Government priorities, including regional growth, focus on off–peak tourism, high–value visitors, a balanced market portfolio and making data available to the tourism sector.

4.1

THE TOURISM NEW ZEALAND MARKETING MODEL

20. TNZ's primary function is to market New Zealand internationally as a tourism destination.

21. International tourism is a form of exports, unusual in that the service is delivered onshore.

22. New Zealand itself is the main attractor. The first step in the decision–making process of most visitors is choosing to come to New Zealand in general (rather than to a specific region, city or attraction).

23. The fragmented nature of the sector (a large number of mainly small businesses and RTOs) means that left to itself, the sector is unlikely to spend the optimal amount (from a national benefit perspective) on international marketing.

24. One solution to this problem is using taxpayer funding, with the marketing delivered through a dedicated government entity, in this case TNZ. Many other countries have similar arrangements.

The Active Considerers model

25. With a relatively small budget and intense competition for international visitors across a significant number of large and diverse markets, TNZ needs to be highly targeted in its marketing. TNZ uses a dream–plan–book funnel as the framework for its promotion of New Zealand as a visitor destination.

26. The long–established 100% Pure New Zealand campaign and targeted media (delivered largely through digital channels) raises awareness of New Zealand as a holiday destination.

27. TNZ then focuses on a potential visitor population known as 'Active Considerers'. Active Considerers see New Zealand as a preferred destination (first or second preference) for their next holiday; would seriously consider visiting in the next three years; and have a realistic budget for their visit. TNZ undertakes targeted research (predominantly via surveys), on a market–by–market and cohort–by–cohort basis, to understand the preferences and concerns of Active Considerers and seeks to align its marketing and promotion to move Active Considerers from the 'dreaming' to the 'booking' stage of their decision making.

28. TNZ researches Active Considerers to learn about:

    • their preference for New Zealand as a destination, compared with our competitors, and by visitor segment (e.g., independent professionals, empty nesters)

    • the brand attributes that influence their preference for New Zealand

    • their motivations to visit

    • any barriers that are important to overcome in order to convert them from dreaming to booking (e.g., personal safety, proximity of attractions).

29. TNZ's visitor-facing website, newzealand.com, is its primary means of facilitating trip planning by potential visitors. Ease of planning is one means of lowering the barriers to booking. TNZ works with the travel trade (wholesale and retail) to make booking as easy as possible.

30. A significant proportion of international visitors (e.g., around 70% of Chinese and American visitors) still book holidays through travel agents (offline or online). This reflects New Zealand's status as a remote and relatively unknown destination, and that most visitors want to tour rather than remain in one place. Approximately 50% of Australian visitors rely on travel agents when booking trips to New Zealand, despite them seeing New Zealand as a quasi-domestic destination.

31. TNZ deploys multiple channels across its suite of activities, with a strong but not exclusive emphasis on digital.

32. TNZ takes an 'end-to-end' view of the international visitor, from the initial dreaming stage, through the visit itself, to the visitor's post-trip disposition towards New Zealand, all of which can affect the way visitors characterise the experience within their personal networks.

Priority markets

33. TNZ considers both current and potential visitor numbers in selecting priority markets for marketing. The three primary markets are Australia, China and USA/Canada.

34. Historically, the west coast has been the priority American market, but new direct flights (e.g., from Houston) have extended the potential catchment.

35. In China, TNZ has prioritised the four Tier 1 cities (i.e., large, relatively affluent populations and direct flights). Tier 2 cities are likely to offer increasing potential in time, particularly as non-subsidised direct flights become economic.

36. Australia has unique characteristics as a source market for international visitors: short-haul flights, potential for multiple visits (e.g., the average Australian visitor will visit New Zealand four or five times over their life), and short visits (e.g., long weekends). In addition, New Zealand competes with other Australian states for the 'domestic' Australian visitor. Thus, Australian tourists have characteristics similar to those of domestic tourists from a regional attraction perspective.

37. TNZ's next tier of priority markets is UK/Germany, Japan/Korea and Singapore/Malaysia, with India, Argentina/Brazil, Indonesia and Philippines targeted as emerging markets.

38. There are approximately 108 million Active Considerers in TNZ's top six target markets (and an additional nearly 50 million in India, Indonesia, Brazil and Argentina); TNZ tracks their attitudes over time.

Partnering

39. TNZ works in partnership with New Zealand-based RTOs, airlines, airports and large tourism businesses, including co-funding of targeted marketing campaigns in-market.

40. TNZ also works with in-market partners. For example, in China, TNZ works with around 50 social media companies and travel agents (within a total population of around 40,000) to promote New Zealand and make planning and booking as simple as possible for the visitor.

41. TNZ hosts multiple trips for NZ tourism operators in-market and sponsors 'famils' from the in-market trade to New Zealand to 'look, see, feel'.

4 Tourism New Zealand's core marketing and insights role

Marketing business events and incentives

42.   TNZ is funded to promote New Zealand as a location for conventions, business events and incentives (a business rewarding its staff with an overseas visit), but not to contribute to event costs. In promoting events, TNZ works in partnership with the sector (including RTOs, conference facility operators, airlines, major accommodation providers and Conventions and Incentives New Zealand).

Giving effect to Tourism Strategy priorities: value over volume, seasonal and regional dispersal

43.   TNZ has incorporated the Government's Tourism Strategy priorities into its marketing approach. Examples include the following:

*   Value: targeting 'free independent travellers' rather than group visitors from China, focusing on the high-value visitor in each of its customer segments and a focus on high-value business events.

*   Seasonal dispersal: running in-market PR campaigns aimed at promoting shoulder periods, as well as investing in markets (such as India and Indonesia) where off-peak/shoulder travel is more likely.

*   Regional dispersal: a three-year partnership with local players to promote Wellington, Tasman, Marlborough and Nelson and a focus on road trips in the Australian market.

Effectiveness of international marketing in promoting government's tourism priorities

44.   Value generated by international tourism has increased significantly faster than volume in recent years.

45.   Regional and off-peak expenditure is also growing in absolute terms, but not yet in relative terms. This is not surprising – shifting either of these is a major, multi-year challenge.

46.   Promotion of regional dispersal has created some tensions for TNZ (in the sense of balancing conflicting objectives) and with some of TNZ's regional partners. These issues are discussed further below.

Views of interviewees

47.   Feedback from stakeholders was that TNZ's international marketing:

*   is highly targeted, and world leading in aspects of digital marketing

*   holds unique and highly sought partnership relationships with global platforms such as Google and Facebook

*   reflects real strengths in 'creative' and customer-centricity

*   is one of the global benchmarks of national destination-marketing organisations

*   continues to evolve with the market, as new technology options become available and competitors innovate (e.g., the recent refreshing of the New Zealand brand, and the launch of '100% Pure Welcome')

*   is effective in targeting business events and incentives

*   incorporates effective partnering onshore and offshore, which enables TNZ to achieve far more than it could when operating in isolation

*   has benefited from TNZ's clarity of purpose and strategy.

48.   A visitor-centric orientation for TNZ's marketing and the Government's support of the sector is central, with a careful balancing against other priorities for the domestic economy.

49.   Some interviewees expressed the view that TNZ could be more systematic and comprehensive in its sharing of customer insights.

50.   TNZ evaluates the effect of its marketing through multiple methodologies. The targeted approach makes it easier to trace short-term effect, although demonstrating attribution remains difficult.

51. There is potential to link TNZ's promotion of business events and incentives more strongly with MBIE-led support for major events (mainly sporting and cultural).

Panel's view

52. TNZ is exceptional in all aspects of the marketing of New Zealand as a tourism destination; it is recognised as such by peers, it is well regarded by partners and it continues to strive to improve. TNZ's capability in insights and digital marketing stands out.

53. As digital marketing inevitably continues to develop at pace, the ethics of access to, and use of, individuals' data via global platforms, to target potential visitors and market destinations, is likely to become increasingly possible and contentious. As NZ's Government-owned destination-marketing expert, TNZ is alert to this issue and needs to make sure it maintains high integrity and alignment with wider 'NZ Inc' settings in this regard.

54. While it is not possible to determine the optimal budget (in the sense of maximising net national benefit) for international marketing, the available evidence suggests that additional targeted expenditure would be likely, in the absence of any binding constraints in the supply system, to generate net national benefits.

55. The Panel agrees that TNZ has benefited from clarity and stability of purpose and strategy, which has helped define and build the key capabilities that the organisation needs to deliver effectively.

56. This clarity of purpose should not be compromised without careful thought but, alone, is not sufficient reason to rule out possible extensions to TNZ's role in the broader tourism ecosystem where there is a strong case for additional Government action and where TNZ is the government entity best placed to undertake that action.

57. TNZ should continue to perform, innovate and invest in marketing and insights, to make sure it remains at the frontier of international best practice in destination marketing.

58. In doing so, TNZ should be more systematic and granular in the sharing of customer insights with its key partners in the New Zealand tourism system.

4.2
UNDERSTANDING THE PREFERENCES OF DOMESTIC VISITORS

59. TNZ represents the international marketing arm of the New Zealand tourism sector (at times, in partnership with RTOs and larger tourism businesses).

60. RTOs and tourism businesses promote tourism in their regions, primarily to potential domestic visitors. Regions compete to attract visitors; a visitor choosing one region over another does not represent a net increase in national income.

61. The tourism supply system serves both international and domestic visitors. Many partly tourism businesses (e.g., transport companies, hospitality providers, retailers) service local residents as well.

62. TNZ provides in-depth insight into the preferences of international visitors. No national-level entity systematically collects and shares insights on the preferences of domestic visitors.

Views of interviewees

63. The absence of systematic information on the preferences of domestic visitors is a significant gap. TNZ is best placed to fill that gap.

64. If the function is to be performed, the results should be communicated in a way that is readily accessible for the smaller RTOs and for the many SMEs that operate in the tourism sector.

4 Tourism New Zealand's core marketing and insights role

Panel's view

65. Access to insights on the preferences of all potential visitors to a region would inform the development of destinations, attractions and supporting services by RTOs, tourism businesses and local service providers, which in turn, should improve the offering to international visitors. Ancillary benefits could include better information for New Zealanders considering domestic travel and at the margin, might include some New Zealanders choosing a domestic trip over an international trip.

66. The market is unlikely to perform this insight function for domestic visitors, given the fragmented nature of the sector.

67. Of government entities, TNZ is clearly best placed to research and share insights on the preferences of potential domestic tourists. While TNZ has the necessary expertise, tools and relationships, it would need to grow its capacity, which would require funding.

68. Having TNZ provide a comprehensive and integrated picture of domestic and international visitor preferences and insights would be likely to stimulate destination development, supply side investment and innovation, and improve supply chain responsiveness.

69. A framework for collecting and analysing insights would need to be developed, which might be an adaptation of the dream-plan-book model used for Active Considerers in international markets. Initially at least, the focus might be on the various cohorts of potential visitors living in the main urban centres.

70. The insights would need to be region-specific, capturing preferences relating to journey time and cost, access to air services and so on.

71. If such an initiative were to proceed, TNZ would need to make sure that access to the insights was enabled and supported for potential users, who would likely cover a wide range in terms of digital and data capability.

72. TNZ should develop a business case for the collection and sharing of domestic insights, to be worked through as part of a broader priorities and funding process with MBIE.

4.3
REGIONAL DISPERSAL

73. Regional dispersal is one of the Government's Tourism Strategy priorities, mainly because of:

    • concern about visitor numbers at a small number of tourism hotspots, which has created pressure on infrastructure and risked the loss of local support for tourism and erosion of the visitor experience

    • a focus on regional economic development and a view (evidence-based) that tourism could be one source of economic opportunity in some regions that are achieving below-average outcomes (including having relatively high unemployment) and may have under-utilised infrastructure.

74. As noted above, TNZ has adapted its marketing strategy to promote regional dispersal.

Views of interviewees

75. With recent increases in capacity in Auckland and Queenstown (notably in hotels and convention centres) and a recent slowing in the rate of growth of international visitor numbers, key gateway sites may have more scope to accommodate growth.

76. The regional dispersal objective conflicts with other TNZ objectives (e.g., value over volume, supporting productivity growth). Some RTOs and businesses in hotspots feel they are being excluded from, or under-represented in, TNZ's international marketing.

77. Other things being equal, dispersal to regions that have less-developed tourism sectors can result in lower visitor spend and lower sector productivity, and risks undermining the visitor experience.

78. First-time/'bucket list' visitors to New Zealand are likely to want to visit the iconic locations and if they feel dissuaded, they may choose to visit another country instead, rather than another part of New Zealand.

79. Locations such as Milford, Tongariro Alpine Crossing and West Coast glaciers remain under pressure, but this can be addressed through active management by the relevant parties. The Milford Opportunities Project is an exemplar.

80. The TNZ-led promotion of Wellington, Tasman, Marlborough and Nelson in the China market – a multi-entity partnership that combined marketing and a focus in the four regions on enhancing China-readiness – has delivered results.

81. Events (e.g., sporting, cultural and business) are one means of attracting visitors (primarily domestic and potentially Australian) to a priority region. The size and type of event to target depends on the available facilities (e.g., accommodation, convention halls and stadia). Larger events should continue to go to the larger cities (maximising the national benefit).

Panel's view

82. No region is 'full' in the sense that additional capacity could not be created through coordinated planning and investment. Where the data show local residents becoming unhappy with tourism numbers, understanding the reasons for this and developing and communicating a credible set of mitigations, is important.

83. Where specific attractions reach their capacity, such as the Tongariro Alpine Crossing for parts of the year, active management is necessary to make sure that social licence, visitor experience and the local environment ecosystem are all protected.

84. Tourism will feature more strongly in the economic development priorities for some regions than in others. The Government will need to be disciplined in prioritising support for dispersal in regions that have the potential to grow tourism (given visitor preferences) and the commitment to working collaboratively to achieve that growth.

85. Dispersal may be best achieved using the following hierarchy of visitor groups:

- domestic visitors (promoted by RTOs) and acknowledging the role of events in stimulating visitor activity

- Australian (repeat) visitors, for whom dispersal is most likely within reasonable proximity to their entry gateway

- all other international visitors, to the extent that such activity is compatible with TNZ's other objectives.

86. Regions that are priorities for economic development may have limited capacity and funding to market their regions to domestic visitors. Therefore, there is a case for TNZ supporting these RTOs more actively on ways to use customer insights to inform marketing campaigns and destination development. To the extent that RTOs from a priority region are part of a regional cluster, the cluster-lead could work with TNZ to support the RTOs. However, such activity needs to be driven from customer preferences, to ensure positive visitor outcomes and avoid damage to regional and national propositions.

87. Any funding for marketing campaigns to promote regional dispersal and for investment in attractions, amenities and access in priority regions might best occur via Vote Regional Economic Development.

88. TNZ and MBIE should review the way in which TNZ is currently supporting regional dispersal, to address the problem of conflicting objectives and to assess the case for focusing on domestic and Australian visitors, as well as on domestic regions that have the potential to meet visitor expectations.

4 Tourism New Zealand's core marketing and insights role

4.4
PROTECTING TOURISM'S SOCIAL LICENCE AND THE VISITOR EXPERIENCE

89. Rapid growth in international visitor numbers in recent years has combined, in some locations, with rapid growth in the resident population (e.g., Lakes District) or dramatically changed the ratio of visitors to locals (e.g., Mackenzie District, the West Coast). This has created considerable pressure on select hotspots, which has the potential to erode both New Zealanders' support for tourism and welcoming of visitors, and the quality of the visitor experience.

90. Pressures that have emerged in recent years include traffic congestion, higher land prices flowing through to higher hotel and house prices, pressure on infrastructure, concern about road safety, irresponsible behaviour by a subset of freedom campers, pressure on environmental ecosystems and previously remote places becoming crowded. Digital communication and social media mean that negative stories and images can circulate and influence perceptions very rapidly.

91. The reputation of tourism in New Zealand, with both locals and visitors, is a form of collective good. Protection of this reputation is a shared responsibility across central government, local government and the sector.

92. TNZ has been proactive in monitoring social licence, notably through the Mood of the Nation surveys (a partnership with TIA) and related research, which provide snapshot and trend information on how New Zealanders are feeling about tourism and are a means of identifying emerging pressure points. TNZ also monitors the quality of the visitor experience, utilising a range of data sources, including the International Visitors Survey and relevant social media.

Views of interviewees

93. Monitoring social licence and acting early to address emerging issues is an ongoing priority for the Government and for the sector.

94. A number of emerging pressures have been addressed: TNZ has been an integral contributor to a range of collaborations, including in relation to the Tiaki Promise (a commitment to care for New Zealand while travelling), safe driving and responsible camping.

Panel's view

95. MBIE, in its capacity as ecosystem steward, should continue to oversee a system for identifying and, where appropriate, acting on early warning signals.

96. TNZ has been, and remains, central to the early identification of issues that could compromise either social licence or the visitor experience.

97. A more proactive approach to funding of, and investment in, tourism-related infrastructure should reduce the risk of a repetition of some of the pressures that emerged with the rapid growth in visitor numbers of recent years.

4.5

TOURISM AND ENVIRONMENTAL SUSTAINABILITY

98.   Tourism and environmental sustainability are deeply intertwined.

99.   People come to New Zealand mainly because of our natural landscapes. Many visitors want and expect to see us taking good care of those landscapes, and a subset care about the protection of our unique biodiversity. Retention of tourism's social licence to operate will depend, in part, on the environmental performance of the sector.

100.   Environmental sustainability is at the heart of the Government's Tourism Strategy and of the industry's 'Tourism 2025 and Beyond'.

101.   TNZ owns and operates Qualmark, which assesses and ranks business on various dimensions of performance, including environmental sustainability. TNZ and TIA have discussed the possibility of TIA taking on responsibility for Qualmark.

Views of interviewees

102.   Potential visitors from some long-haul markets (mainly in Europe) may be less likely to choose to come to New Zealand as concerns about climate change increase.

103.   Tourism businesses are increasingly integrating sustainability into their products and services. High-value eco-tourism experiences, including those that give customers an opportunity to contribute to biodiversity (e.g., through pest eradication), are an economic and environmental opportunity.

104.   TNZ is making an important contribution in this area, through tracking visitor perceptions of environmental sustainability and local concerns about the potential effect of tourism on the natural environment, as well as through participation in initiatives such as the Tiaki Promise and responsible camping.

105.   TNZ and the industry have raised the profile of Qualmark, including in relation to environmental sustainability.

Panel's view

106.   Environmental sustainability must be integral to New Zealand's tourism offering and to the visitor experience. Central government, local government, iwi and tourism businesses all have a part to play in charting a path towards a consistently strong performance across all dimensions of the sector's interaction with the natural environment.

107.   Sector leadership will be critical.

108.   A robust sector-wide assurance system for environmental sustainability will become increasingly important. Government is likely to strengthen regulated minimum standards over time. Beyond that, an accreditation system may be the best way to recognise and incentivise exceptional environmental performance. The imprimatur of the Government would add credibility to an accreditation system. An adaptation of a CarboNZero-type model is one possible option. Administering an environmental accreditation system is some way removed from TNZ's core business.

109.   Tourism system leadership should focus on developing an integrated New Zealand tourism system response to the sustainability goals in the Government's Tourism Strategy and clarify TNZ's role in supporting its delivery.

4 Tourism New Zealand's core marketing and insights role

5

Tourism New Zealand, the tourism ecosystem and NZ Inc

5.1

INSTITUTIONAL ARRANGEMENTS FOR TOURISM – INTERNATIONAL COMPARISON

110. The terms of reference for this project required the Panel to consider New Zealand's institutional settings for tourism and the way these compared with overseas models.

111. The Panel briefly examined institutional arrangements in other countries that have at least some similar characteristics to New Zealand, and came to the following conclusions:

- Objectives are similar across countries (e.g., competing for share in the international visitor market, targeting higher value visitors, promoting regional and seasonal dispersal, improved environmental sustainability), but relative priorities vary.

- Governments play similar roles in international marketing, but with more variation in terms of government involvement in domestic marketing and in the development of the domestic supply system. Some governments take a more active role in the sector than is the case in New Zealand.

- The details of institutional arrangements vary considerably, but typically include a central government policy ministry and a tourism board (or equivalent) that has international marketing as its primary focus.

- Expenditure on the promotion of tourism is difficult to compare (e.g., absolute amounts, $ per tourist arrival, $ per capita of domestic population) but, on the basis of the limited evidence considered, New Zealand is at the lower end of the spending scale for comparator countries.

112. The Panel concluded that the New Zealand model is broadly consistent with common practice internationally, with the many specific variations reflecting history, broader institutional arrangements and politics (including federal–state and central–local), amongst other things.

5.2

STEWARDSHIP AND COORDINATION OF THE TOURISM ECOSYSTEM

113. The terms of reference for this project required the Panel to consider TNZ's broader role within the system, what it could look like, where it is now, and any capability shifts needed, including whether TNZ should extend into data provision, innovation and product development, destination planning and management, and potentially, business development.

114. In addressing these questions, the Panel started by understanding existing arrangements and then explored possible changes with interviewees, focusing primarily on possible extensions to the role of TNZ.

115. The tourism ecosystem includes all the participants involved in attracting and servicing visitors, and includes:

- multiple central government agencies, such as MBIE (steward of the system on behalf of the Minister), TNZ, Ministry of Transport, New Zealand Transport Agency, Department of Internal Affairs (local government, freedom camping), Department of Conservation (DoC)

- multiple local government entities, notably councils and RTOs/Economic Development Agencies

- New Zealand Māori Tourism, iwi, Māori tourism businesses

- businesses from a range of sectors, such as transport (air, land, water), hospitality, accommodation, conference centres, recreation, adventure, arts and culture and a number of trade associations (notably, TIA)

- ServiceIQ (the tourism sector's Industry Training Organisation), Immigration New Zealand (within MBIE), and tertiary education and training providers who support tourism workforce development.

Views of interviewees

116. The roles of TNZ, MBIE and DoC in the tourism ecosystem are generally well understood.

117. Perceptions vary with regard to whether the ecosystem is actively stewarded and governed in a sufficiently 'joined-up' way, including across the public-private and central-local dimensions.

Panel's view

118. Effective stewardship of, and coordination across, the tourism ecosystem through time requires:

- at the whole-of-tourism level, purposeful collaboration across central government, local government (including RTOs), Māori and the sector, spanning long-term planning through to short-term delivery

- integration across relevant parts of central government, as tourism is both affected by, and affects, a range of other government objectives, policies and programmes

- coordination between central and local government, in the design and delivery of:

  - relevant national policies and regulations (e.g., freedom camping)

- specific place-based initiatives (e.g., tackling Queenstown's traffic congestion, the Milford Opportunity)

- regionally based coordination between local government/RTOs and the sector (supported by central government), focusing on destination management and development

- the collection and sharing of data, information and insight that can inform decision making across the sector

- a central government-led rapid response capability to identify and ensure appropriate action in relation to emerging issues that could compromise social licence and/or the visitor experience

- a tourism sector that is supported to keep New Zealand competitive in the visitor experiences that we can provide

- funding mechanisms that, as much as possible, make sure tourists face the costs that they impose, so that no entity (including ratepayers) is disadvantaged by growth in visitor numbers.

119. The 'right' set of stewardship and coordination arrangements is likely to continue to evolve through time. Much purposeful collaboration is already happening across the main players in the ecosystem, but clearer communication with regard to the way stewardship is working would help retain the confidence of the sector that the right level of planning is happening and that emerging challenges and opportunities will be addressed proactively.

120. Keeping the visitor at the heart of the Tourism Strategy is fundamental to long-term success. TNZ's primary role is to make sure that the voice of the visitor sufficiently shapes the evolution of the tourism supply system.

5 Tourism New Zealand, the tourism ecosystem and NZ Inc

121.   Conversely, it is equally important that the TNZ Board and senior management have an in-depth understanding of broader government objectives and programmes that intersect with tourism, to enable the realisation of potential synergies and to recognise and manage any conflicts of objectives.

122.   Building on recent initiatives and consistent with the priorities of the Government's Tourism Strategy, MBIE, as the system steward, should work with TNZ and other industry partners to make sure that stewardship and coordination arrangements remain fit for purpose as the sector continues to evolve.

5.3
VISITOR-CENTRIC DESTINATION PLANNING AND MANAGEMENT

123.   New Zealand has 31 RTOs. RTOs play an important role in the tourism ecosystem, focusing on:

•   marketing of their region, primarily to potential domestic visitors

•   destination management and development (working with local tourism businesses, local government and relevant parts of central government): defining and building on the region's inherent strengths and opportunities, including the winning and delivery of visitor-attracting events.

124.   Most RTOs are an arm of local government and are accountable to local ratepayers via the council of the relevant territorial authority. While this is an important connection, given the effect of tourism on council-provided infrastructure and services and the potential effect of tourism on the lives and feelings of local residents, it can also complicate wider regional collaborations.

Views of interviewees

125.   Local government boundaries are not a good match with New Zealand's main tourism regions. Many international visitors plan itineraries that traverse multiple RTOs. A visitor-centric supply system needs to organise at the right level to support visitor outcomes.

126.   Smaller RTOs (sometimes comprising only two or three people) are constrained by lack of resources and capability, which makes it difficult to stay abreast of an evolving visitor mix, make effective use of digitally based data and marketing channels, and lead destination management and development in their regions.

127.   Some purposeful regional collaborations are occurring, often facilitated by the largest council or RTO in a region, or by a major business such as the region's gateway airport.

128.   While often funded by local government, RTOs sometimes have only limited input into wider local government decision-making processes regarding tourism-related infrastructure.

129.   RTOs are generally positive about TNZ's international marketing of New Zealand, provision of customer insights and of opportunities to partner. Not surprisingly, some felt 'their' region was under-represented in the marketing. A number felt there was scope for TNZ to be more systematic and granular in its sharing of customer insights.

130.   International marketing of a region, mainly in Australia, by individual RTOs has the potential to confuse potential visitors and trade channels, owing to the lack of a differentiated regional proposition.

131.   Some RTOs in urban centres and tourism hotspots question aspects of the Government's focus on tourism as a means to support regional economic development at the expense of marketing urban centres and existing tourism hotspots. Some cited this as a reason they decided to undertake (or increase) their own destination marketing.

132.   RTOs support MBIE's new and embryonic destination development and management function as a source of expert advice for RTOs.

Panel's view

133. RTOs play an important role in the tourism ecosystem. From the perspective of New Zealand making the most of the international tourism opportunity, we came to the following conclusions:

    • RTOs should organise destination management and development in regions from the perspective of the international visitor and become the local experts on the products and services within those regions

    • One natural way of doing this (building on what is already happening) would be to develop 'super-regional' clusters of RTOs, which acknowledge and respond to visitor journeys, organised around the airports and RTOs in the main international gateways (a form of hub-and-spoke model). Note that some smaller regions (e.g., West Coast) have tourist-flow links to more than one gateway.

    • Such a model would support greater capability being held at the hub for the benefit of the cluster.

    • Central government should provide targeted support to build RTO capability. This support should focus on the super-regional clusters – it is not practical to attempt to support 31 individual RTOs, many of which will continue to be constrained by insufficient funding.

134. Local RTOs would continue to promote domestic tourism for their own regions, either individually or as part of the cluster, depending on the source market and visitor journeys. In addition to collaborating with RTOs in international marketing, TNZ should support regional RTO clusters to extract the maximum value from visitor insights, to inform their destination management and development. This would complement MBIE's support to RTOs in destination management more generally.

135. While some tension between regional and local interests is inevitable, TNZ and MBIE should focus on supporting the broader regions to maximise the net benefits of tourism.

136. Where RTOs choose to initiate marketing offshore, particularly in Australia, coordination with TNZ would be both advisable and desirable, to ensure the avoidance of conflicting messages and to maximise the marketing's effect.

137. TNZ, MBIE and TIA should work with regional clusters on an iterative evolution of a set of complementary visitor-centric destination development and management plans, to help each cluster identify and develop strengths that are both distinctive and attractive to potential visitors and for which the whole is greater than the sum of the parts.

5.4

PRODUCT DEVELOPMENT AND BUSINESS DEVELOPMENT

138. Markets function through businesses and entrepreneurs identifying and pursuing profitable opportunities, operating within a context shaped by government regulation (e.g., a range of minimum standards, company, competition, intellectual property law).

139. Competition and innovation drive productivity. Resources are attracted to their highest-value uses. Successful businesses grow; others contract and some fail.

140. Beyond its role in shaping the operation of markets through regulation, intervention by the Government in support of business requires a compelling rationale. Generally, the Government should take care not to displace private sector support of business that would otherwise occur, nor to prop up businesses that would otherwise fail and free up resources for uses that are more productive.

141. The current business support arrangements in New Zealand have evolved over a long period and do not include a particular focus on the tourism sector. For example:

    • New Zealand Trade and Enterprise (NZTE) supports exporters and attracts inward investment. NZTE does not prioritise support for onshore 'exporters', but has partnered with TNZ to promote investment opportunities in hotels (e.g., Project Palace) and for tourism attractions (that fit with the New Zealand and 100% Pure Welcome value propositions).

- Callaghan Innovation provides support to R&D-intensive businesses and provides expert advice on emerging technology platforms such as robotics, artificial intelligence and virtual and augmented reality, all of which have potential applications in tourism.

- MBIE's Digital Economy team has worked with the tourism sector (amongst others) to understand barriers to the uptake of digital technologies.

- NZTE and Callaghan administer the Regional Business Partners programme, through which generic business development support is provided at the local level, typically by some combination of Chambers of Commerce and Economic Development Agencies.

- Business.govt.nz provides a range of generic resources aimed primarily at new and SME businesses.

- MPI administers a range of primary sector programmes, including in support of productivity and innovation on-farm.

142. At times, the Government has introduced programmes to co-fund tourism-related investments (e.g., via Tourism Growth Partnership, Provincial Growth Fund), because of the potential for spillovers. For example, the Ruapehu gondola should attract visitors to the region outside the ski season, resulting in downstream benefits for a range of local businesses.

Views of interviewees

143. The time required to stimulate demand to viable levels (particularly outside the main centres) and the relative absence of tourism-attraction businesses of scale are constraining the industry's growth. The primary barrier is the small scale of the market, rather than problems with policy or regulatory settings.

144. More value could be realised from TNZ insights (preferably extended to include domestic visitors), to enable better-informed product development – supporting entrepreneurs in identifying and evaluating investment opportunities based on an in-depth understanding of potential demand.

145. TNZ insights have helped tourism

businesses become China-ready: understanding and catering to the preferences of Chinese visitors. Examples are a preference for short walks/kayaking trips over multiday tramps/kayaking trips, free Wi-Fi, mobile payment options such as WeChat, warm rather than cold water to drink in winter and access to food-delivery options.

146. Larger tourism businesses generally do not see a need for development support from the Government.

147. As with other sectors, business leaders in tourism have been early and innovative adopters of digital technologies, and there is a long tail of proven but unrealised opportunities.

148. Some small tourism businesses are partly lifestyle choices, with the owners having limited aspiration to grow or to adopt digital technologies.

149. TNZ should remain focused on its core role of international marketing. Expanding into capability building for product and/or business development could be a significant distraction.

150. Sourcing workers is a challenge for tourism businesses in some parts of the country. In Queenstown, housing shortages complicate the attraction and retention of workers.

151. The lack of New Zealanders who are interested in working in tourism has a potential effect on the authenticity of our tourism brand. Increasingly, tourism products and services are being fronted by non-New Zealanders, making authentic story telling more challenging. As the tourism sector continues to grow, this issue is likely to be exacerbated unless New Zealanders perceive the sector as having attractive career and educational opportunities.

Panel's view

152. There is a good case for TNZ being resourced to more proactively share its visitor insights (extended to include domestic visitors), to inform the evaluation of potential investment opportunities by businesses and entrepreneurs.

153. Beyond that, the case for extending the role of the Government, including TNZ, is limited. A business development function would be a significant new role for TNZ, requiring different capabilities and at this stage, does not appear to be a priority.

154. Despite the limited case for intervention, if the Government does decide to co-invest further in tourism attractions, then TNZ insights and support of coherent destination management plans would be important elements informing decision making.

155. From time to time, MBIE, NZTE, Callaghan and TNZ should review whether the tourism sector is being reflected appropriately in the business support system.

156. TNZ should continue its existing level of support for tourism sector business development through the current mechanisms (e.g., www.tourismnewzealand.com).

5.5
MĀORI TOURISM

157. Māori history, culture and stories are an increasingly integral and valued part of the tourism experience and of TNZ's marketing.

158. New Zealand Māori Tourism works with Māori tourism businesses to support and promote product development, business and workforce capability, and is an important participant in the tourism ecosystem.

Views of interviewees

159. TNZ research and anecdotal feedback is that while international visitors choose to come to New Zealand primarily because of our natural landscapes, the friendliness of the people and the Māori culture, history and stories enrich the visitor experience once they are onshore.

160. Iwi note the importance of iwi telling their own stories.

161. Māori tourism offerings have moved well beyond the traditional performing arts products. A number of Māori businesses are performing strongly. Māori stories, culture and history are an integral part

of their offering, which may be delivered through adventure or through cultural or environmental products (e.g., Hollyford guided walks, Whale Watch).

162. A number of iwi and Māori businesses see tourism as an area of potential opportunity through both cultural products and as a wider sector opportunity (e.g., accommodation).

163. The Tiaki programme and the relaunch of 100% Pure Welcome are good examples of TNZ weaving Māori culture into its marketing.

Panel's view

164. TNZ should continue to make sure Māori history, culture and stories remain an integral element of its marketing activities

165. MBIE and TNZ should work with New Zealand Māori Tourism more closely to make sure that their contributions remain complementary, supporting both the development of Māori tourism businesses and the Māori dimension of New Zealand tourism.

166. Currently, TNZ has strong Māori membership on its Board, but at a structural level, it might wish to augment this with a Māori stakeholder group/kāhui as a source of ongoing insight and advice.

5.6
TOURISM AND THE CONSERVATION ESTATE

167. A number of New Zealand's most iconic tourism attractions are part of the conservation estate and managed by the Department of Conservation (DoC).

168. DoC has a number of functions under the Conservation Act, including:

- The management for conservation purposes of all land and natural and historic resources held under the Act

- Conservation advocacy

- Promotion of the benefits of the conservation of natural and historic resources in New Zealand

- Fostering recreation and allowing tourism on conservation land, providing the use is consistent with the conservation of the resource.

5 Tourism New Zealand, the tourism ecosystem and NZ Inc

169. Section 4 states that the Act shall be interpreted and administered so as to give effect to the principles of the Treaty of Waitangi.

170. Tourism features in DoC's functions, but as one of a number of potentially conflicting objectives.

171. DoC is co-leader (with MBIE) of government's Tourism Strategy, is refreshing its Visitor Strategy and is investing to upgrade infrastructure (including new walks, visitor centres, car parks and toilets) at a number of sites including in locations that are priorities for regional economic development.

Views of interviewees

172. Many of DoC's stakeholders place a very high priority on the conservation elements of DoC's mandate. Interviewees for this project were all involved in tourism and are not a representative subset of DoC's stakeholders.

173. DoC has made significant progress in facilitating tourism and in investing in supporting infrastructure, while maintaining a strong focus on biodiversity.

174. The noise and visual impact of helicopters is a source of tension between high-value tourism and uninterrupted enjoyment of the wilderness.

175. The Milford Opportunity Project is a good example of stakeholders working together in pursuit of a solution that enhances select tourism opportunities while strengthening protection of the natural environment.

176. DoC underprices access to parts of the conservation estate, partly because of the practical difficulties in managing access. That New Zealanders should be free to enjoy all parts of the estate is still a widely-held view.

177. DoC concessions are one way to realise revenue from visitors to the estate, but the operation of the system is constrained by legacy issues and by the provisions of the Conservation Act. When DoC seeks to increase its return on the granting of concessions (consistent with the term of the concession), the affected businesses generally object.

178. Building new eco-tourism businesses on the conservation estate is made difficult (if not impossible) by a combination of Resource Management Act and Conservation Act constraints; the proposed eco-lodge in the Eglinton Valley is an example.

179. TNZ has supported DoC to develop tourism-focused products by providing visitor insights e.g. highlighting the value of short walks for many international visitors relative to multi-day hikes.

180. DoC is engaging with a number of iwi and Maori groups on how DoC gives effect to the principles of the Treaty.

181. Growth in visitor numbers – both domestic and international – is causing increased pressure on specific iconic attractions. The system struggles to take a more strategic and holistic approach to optimising opportunities for tourism and conservation management across broader regions e.g. a more integrated approach to Queenstown, Te Anau, Milford, Dusky and Doubtful Sounds.

Panel's view

182. DoC has made good progress in responding to the growth in visitor numbers, with increased funding in recent budgets enabling investment in areas such as Waipoua forest and Punakaiki, in new systems and in destination management plans for some iconic attractions. But DoC's 'DNA' is not visitor-centric, commercial or business-like and the Conservation Act has a different orientation.

183. Commercial activity on the conservation estate is a fraught issue that is highly political at all levels and requires national attention to develop constructive new frameworks for considering such matters.

184. The status quo is not an option. Failure to develop sustainable and enhanced access opportunities to the conservation estate will result in overcrowding and ultimately undermine conservation values, social licence and the visitor experience as visitor numbers continue to grow. Supporting DoC to address this challenge is a high priority, for MBIE and TNZ in particular.

185. TNZ's primary contribution should continue to be to work closely with DoC to ensure customer insights inform development of tourism opportunities on the conservation estate, help DoC build customer-centricity and to spot emerging issues early.

186. MBIE and TNZ should support DoC, working with Māori, in developing and delivering on a shared vision and action plan for conservation tourism that articulates how tourism is part of the sustainable and beneficial future for the conservation estate.

5.7

DATA AND INFORMATION

187. Tourism data and information serve multiple purposes and timeframes, including:

   • inputs to the National Accounts and the Tier 1 statistical system

   • long-term infrastructure planning

   • evaluation of business investments (e.g., estimating demand for a new hotel)

   • operational decisions driven by close-to-real-time information on visitor locations and likely movements.

188. Statistics NZ and MBIE are the lead government agencies for tourism statistics and data. The Government is more active in providing tourism data and insight than it is in most sectors. MBIE's recently updated Tourism Domain Plan was the result of a structured engagement with the sector to determine priority data needs, given the available funds.

189. TNZ's focus is on visitor-related research and insight, drawing on multiple information sources.

190. Some of the larger RTOs conduct insight-related surveys and research, although funding for this activity is limited.

191. Market providers (adding value to public data sources) have not emerged in tourism in the same way as, for example, Core Logic in the building and construction sector.

Views of interviewees

192. Digital, mobile and 'GPS' technologies are enabling continual innovation in the sourcing, accessing and use of data.

193. MBIE's monthly regional tourism statistics are an example of world-leading innovation. The close-to-real-time nature of the data means it is relatively likely to be revised, which (although unavoidable) unsettles industry players.

194. Statistics NZ, through its DataVentures commercial business unit, is collaborating with mobile phone companies to generate anonymised data on people movements, which is a potentially rich source of real-time insight.

195. Data scientists are scarce and expensive. Cross-sector collaboration would help to attract and fund the necessary expertise.

196. Across the sector, there are varying levels of familiarity and comfort with accessing and using large quantities of data, as well as a reluctance to accept that systematic close-to-real-time data are unlikely to be available and accessible in the near future.

197. Views and understandings about what the Government does (and should do) in relation to tourism data provision vary widely, as does understanding of the rationale for the different data sets currently collected (and not collected) by the Government.

198. The sector perception is that Statistics NZ, MBIE and TNZ are not as closely connected as they could be and that some of the data sets are not as integrated and easy to consume as they could be.

199. The sector is unhappy when the Government discontinues an existing survey, such as the recent decision to cease conducting the accommodation survey.

200. TNZ could be more systematic and granular in sharing its visitor insights with the sector.

201. Some sector players would like to see an allocation of levy funds to the sector (most likely through TIA), to enable the collection of data to inform business decisions in areas that are beyond the role of the Government. Part of the Tourism and Conservation Levy was identified as one possible source.

5 Tourism New Zealand, the tourism ecosystem and NZ Inc

202. Tourism research is under–supported by the Government, compared with some other areas.

203. There may be scope to stimulate innovation in the capture and use of tourism data. One example might be a visitor 'app', giving visitors access to important real–time information (e.g., road conditions, weather events, public holidays and other relevant central and local government information) and working as a commercial platform to promote tourism opportunities (e.g., activities and accommodation) in the geographic area in which the visitor is located. The underlying data would potentially offer a range of valuable new visitor insights.

Panel's view

204. Much good work is being done to support central and local government agencies and the tourism sector with data and insight to inform decision making.

205. There is scope for the core government agencies, Statistics NZ, MBIE and TNZ, to be more integrated and interact with the sector in a more connected way, including in building a shared understanding of the appropriate role of Government in statistics, data, data products and visitor insights (recognising funding constraints).

206. Limited levy funding might enable the industry collectively to fund data that is of value to tourism businesses but is beyond the appropriate role of the Government.

207. TNZ's partnerships with international social media companies is a potentially rich source of new insight and will help make sure that TNZ and New Zealand remain at the leading edge of what is possible.

208. Recent innovations by MBIE in data gathering may result in increased private sector opportunities to support the tourism sector in making better use of data and information.

209. MBIE, Statistics NZ and TNZ should continue to work closely to further develop/evolve an integrated set of government–produced data and visitor insights, to inform the tourism system. They should also maintain an engagement with the sector to build more of a shared understanding of respective roles, priorities and future possibilities.

5.8
TOURISM NEW ZEALAND AND NZ INC

210. The terms of reference for this project required the Panel to consider whether there was a case for TNZ to take on more marketing functions for other government agencies.

211. Across the New Zealand Government, various agencies have responsibilities for the way New Zealand is promoted and perceived internationally, including TNZ, NZTE, Ministry for Foreign Affairs and Trade, Te Puni Kokiri, Ministry of Primary Industries, MBIE (immigration, science) and Education New Zealand (ENZ), as well as the various security agencies. While each of these agencies has specific priorities in terms of target audiences, markets and messages, their activities can influence perceptions of New Zealand that have an effect more broadly.

212. TNZ's 100% Pure New Zealand marketing campaign has built recognition globally over the last 20 years and is widely associated with 'Brand New Zealand', not just narrowly as New Zealand's tourism brand. This has both positive and negative implications.

213. The New Zealand Story (NZ Story) was developed as a platform toolkit to help export businesses and private sector agencies to share their stories on the world stage in a way that aligned with, and contributed to, a more consistent global view of New Zealand. The initiative was led by NZTE and co-developed with TNZ and ENZ as New Zealand's national destination-marketing organisations for tourism and international education respectively. It was conceptualised as a shared and coherent platform for the development of a single narrative/story applicable to all constituencies. NZ Story is governed by a Board that includes a number of public sector chief executives and senior private sector representatives.

214. Predominantly for New Zealand businesses exporting product offshore, the NZ Story's values and central idea are closely linked to 100% Pure New Zealand and provide a 'toolbox' of resources for New Zealand exporters and public sector agencies to use in addition to their own product-specific marketing material. Furthermore, ENZ's

central campaign 'Think New' builds on the New Zealand experience alongside a high-quality education experience, to position New Zealand in a cluttered international education market.

215. NZ Story partners have commissioned an independent review, by DesignWorks, of NZ Story.

216. The central question for this TNZ-focused project is whether the various international touchpoints could deliver stronger value and greater results internationally if they:

- were to draw on TNZ's expertise in consumer insights and digital-marketing capabilities

- operated with a greater degree of coordination – for example, under a more formal shared/common brand and sub-brand architecture

- utilised a common platform (e.g., the NZ Story) to support coherent story telling more strongly.

Views of interviewees

217. Stakeholder feedback included the following observations:

- The NZ Story toolbox has been successful in increasing awareness of the New Zealand product globally and has some great content and collateral for use by exporters,

- NZ Story provides a good counterpoint to tourism marketing (i.e., New Zealand is more than just tourism).

- Participation in NZ Story across relevant government agencies is variable, reflecting time constraints and other priorities.

- NZ Story and TNZ serve different functions, albeit both promote elements of New Zealand's export economies.

- While there is a degree of cooperation between TNZ, NZ Story, ENZ and others, it relies as much on relationships/ goodwill as on formal structures.

- Interviewees expressed diverse views about the future role and function of NZ Story.

- Interviewees saw an opportunity to take a more deliberate approach to managing

'Image New Zealand', but it needed to be an 'umbrella brand' architecture that would work for all sectors/segments (e.g., trade, immigration, tourism, education, investment).

- The disciplines required by both TNZ and NZ Story are the same.

- Any platform needs to be able to work at both the country-to-consumer/business level and the business-to-consumer/ business level.

- There is scope to involve Māori in 'Image New Zealand' more effectively.

Panel's view
TNZ's customer insight and digital-marketing capabilities

218. Building in-depth insights into target markets, whether visitor, student, migrant or investor, increases the chance of conversion and benefit realisation for New Zealand.

219. TNZ is a centre of excellence in the Government's portfolio for destination marketing and customer insights. Given the functional nature of this expertise, this capability could be deployed more widely across the Crown for wider national benefit to provide insights into not only visitors but also people who wish to study, live, invest or work in New Zealand.

220. Clearly, TNZ could not do this within existing resources but if adequately resourced, this expert capability could be more widely used to benefit NZ Inc.

Greater coordination of Brand New Zealand activity

221. As digital marketing and borderless communication has grown over the last few years, the consistency of our marketing messaging has become increasingly important for Brand New Zealand. This is particularly the case where countries, businesses and individuals have multiple touchpoints with NZ Inc. Given New Zealand's very small size and limited marketing spend, a coordinated approach to managing Brand New Zealand is critical for efficiency and collective effect.

222. The current approach to Brand New Zealand is largely delegated to several different agencies, each focused on their particular

5 Tourism New Zealand, the tourism ecosystem and NZ Inc

customer segments. While the NZ Story governance structure provides a point of coordination and collaboration and provides a grounding set of values for all agencies and private sector organisations, its origins as a toolkit for exporters affect the perception of any broader role or application.

223.   To date, TNZ, ENZ and NZ Story brand and marketing collateral have been developed with a degree of communication, to minimise the risk of one or other cannibalising or damaging the collective positioning of New Zealand internationally.

224.   Given its functional marketing expertise, there is scope for TNZ to provide a leadership role, alongside other relevant agencies, in progressing this work.

225.   The Panel engaged with the independent reviewers and with the Board of NZ Story and suggested that the latter consider whether:

- increased coordination, mandate and alignment could usefully support the strengthening of New Zealand's national brand as a country to visit, study, work, live, invest in, or buy products from

- NZ Story's primary role as a platform toolkit should be expanded to provide broader critical brand infrastructure

- TNZ might be a synergistic 'host' and/or lead for such a function to benefit NZ Inc, subject to ensuring an enduring pan-NZ Inc (rather than visitor-focused) orientation.

6
Summary of recommendations

THE PANEL RECOMMENDS THAT:

1. TNZ continue to perform, innovate and invest in its core role as the centre of destination marketing excellence in New Zealand.

2. TNZ play a key role, alongside MBIE, working with local government (including RTOs) in more systematically supporting destination planning, management and regional marketing through more systematic provision of market and customer insights.

3. TNZ's role be extended to include the collection, analysis and sharing of insights relating to both domestic and international visitors, thereby enabling sector participants to build a picture of, and respond to, the preferences of all potential visitors/customers.

4. MBIE and TNZ review the Government's approach to promoting regional dispersal, to address any conflict with other marketing objectives (which are focused on customer experience and enhancing productivity and aggregate value-add) and to assess the case for prioritising domestic and Australian visitors as the primary drivers of dispersal.

5. MBIE and TNZ focus support for regional dispersal on regions that have realistic prospect of being successful, based on a matching of visitor preferences and a region's current and potential strengths as a tourism destination.

6. Consideration be given to the way TNZ and MBIE work with other central, local government and private sector parties to more actively mitigate and/or address issues that represent a significant risk to tourism's social licence and/or the visitor experience.

7. Tourism system stewardship and coordination focuses on developing an integrated New Zealand tourism system response to the Government's Tourism Strategy's sustainability goals, as well as clarifying TNZ's role in supporting its delivery.

8. TNZ provide tailored customer insights and preference intelligence to support the development of 'super-regional' clusters grouped around visitor journeys and in doing so, support capability development at the 'super-regional' level.

9. TNZ work more closely with New Zealand Māori Tourism (and with MBIE and DoC) to further support the development of Māori tourism and make sure Māori culture is appropriately incorporated into TNZ's destination marketing.

10. As the government policy lead on tourism, MBIE lead an inter-agency (including TNZ) and wider iwi, local government and private sector discussion to make sure stewardship and coordination mechanisms are, and remain, fit for purpose, to improve sector efficiency, productivity and integration, building on existing arrangements wherever possible.

11. TNZ continue its existing level of support for tourism sector business development through current mechanisms (e.g., www.tourismnewzealand.com) and that MBIE and TNZ work with other economic development agencies (notably NTZE, Callaghan Innovation) to consider and monitor their prioritisation of, and level of support to, tourism sector businesses.

12. MBIE, Statistics NZ and TNZ develop a sufficiently joined-up engagement with the tourism sector to develop/evolve an integrated set of government-produced data and visitor insights, to better inform the tourism system.

13. MBIE and TNZ continue to support DoC, working with Māori, to develop a shared vision and action plan for conservation tourism that articulates the way tourism is part of the sustainable and beneficial future for New Zealand's conservation estate.

14. TNZ should ensure customer insights inform DoC's development of tourism opportunities on the conservation estate and to help DoC build customer centricity.

15. As part of the concurrent review of NZ Story, that consideration be given to whether increased coordination, mandate and alignment would support the strengthening of New Zealand's national brand as a country to visit, study, work, live, invest in, and buy products and services from; and that consideration be given to:

    • whether NZ Story's role as a platform toolkit be expanded to provide broader critical brand infrastructure

    • the most synergistic 'host' and/or lead for such a national brand function to benefit NZ Inc and the appropriate governance arrangements of the same.

16. TNZ and MBIE work through the financial implications of Ministers asking TNZ to undertake any new functions, to make sure that adopting new functions does not inadvertently compromise TNZ's effectiveness in delivering on its existing priorities.

6   Summary of recommendations

Appendix 1
Panel member biographies

David Smol
CHAIR

David was appointed as chief executive of the Ministry of Economic Development in 2008. He was the inaugural chief executive of the Ministry of Business, Innovation and Employment (MBIE) following the merger of four departments from 2012 to 2017. During this period, David was accountable for the Tourism and Economic Development portfolios, amongst others. He chaired a group of public sector chief executives focused on enhancing tourism's contribution to New Zealand.

Since finishing at MBIE, David has worked in a variety of governance and consulting roles, including in the transport and regional economic development sectors, and has undertaken several independent reviews. David has an M-Phil in economics from Cambridge University and was made a Companion of the Queen's Service Order in 2018.

Jenn Bestwick
PANEL MEMBER

Jenn is on the Boards of the Tertiary Education Commission, New Zealand Qualifications Authority, Invercargill City Holdings, Arrow Irrigation Company Ltd and Development West Coast Advisory Body. Jenn chairs the Resilience to Nature's Challenges National Science Challenge. She was formerly on the Boards of Tourism New Zealand and Southern Response Earthquake Services and she chaired the Ara Institute of Canterbury.

Jenn is a Lead Reviewer for the State Services Commission Performance Improvement (PIF) programme. She has participated in PIF Reviews of Education New Zealand, the Ministry of Health, the Ministry for the Environment, and Land Information New Zealand. She was involved in the review of the Environmental Protection Agency, the Crown Research Institute core funding review and NIWA, as well as ESR four-year reviews on behalf of shareholding Ministers.

Kevin Malloy
PANEL MEMBER

Kevin has extensive experience in advertising and marketing. He was the Worldwide Media Director of the advertising agency DMB&B before holding several executive positions with the media agency Starcom, including CEO of Global Operations, while based in New York. Kevin led Starcom's two largest global clients, Coca-Cola and Proctor & Gamble. His lead on the Coca-Cola assignment lasted for 20 years and included assignment wins in major markets such as the US, China and Russia. This assignment involved a strong digital and 'what's next' element, as Coca-Cola constantly sought to maintain their relevance and leadership in a fast-changing media and digital environment.

Kevin is now based in Auckland and has several key governance roles in which his advertising and marketing expertise is put to use, including on the Boards of TVNZ and Kiwibank. He is also on the Boards of the charity organisations, the Dingle Foundation and the Halberg Foundation. Kevin has an ongoing consultancy role as the Global Digital specialist for Tourism NZ and works with NZTE as a specialist Beachhead Advisor.

Appendix 2: Report terms of reference

1   Background

1. Tourism New Zealand operates a stable and successful business model traditionally focused on destination attraction and impacting seasonal arrivals through marketing activities.

2. Tourism New Zealand activities were last considered in 2010. Since then the tourism landscape has shifted:

    *   tourism numbers have increased significantly, creating infrastructure capacity constraints

    *   the recently released draft Aotearoa New Zealand Government Tourism Strategy increases the focus on areas such as regional development along with shifting towards both higher value and innovative new tourism activities

    *   digital disruption has altered the way that consumers receive information and make decisions

    *   new funding models like the international visitor levy are being introduced.

3. Tourism New Zealand is responding to this landscape shift. It has taken steps to promote greater distribution of visitors both across the shoulder seasons and to the regions.

4. However, it is becoming increasingly apparent that the sector's overall offering is struggling to accommodate the rate of growth and rapidly changing visitor expectations. Overlaying this is uncertainty over the impact the international environment will have on global tourism.

5. This means that New Zealand is not securing the full value from the growth of the sector and the negative impacts of this growth are not being well managed, with the flow on effects on the sector's licence to operate. Also, any uncertainty in international tourism growth will place even greater imperatives on the sector in New Zealand to be able to market a high quality and relevant product.

6. Tourism New Zealand is not the only actor in the system. For example, MBIE, local government, regional tourism organisations, the Department of Conservation and New Zealand Trade and Enterprise are also adjusting their activities to support changing tourism needs. Other government agencies also have tourism functions, including New Zealand Story, Education New Zealand, and the Te Puni Kokiri New Zealand Maori Tourism initiative.

7. MBIE has therefore commissioned a report into the future role of TNZ. The report will examine how to best leverage TNZs skills and capability to benefit brand New Zealand and the tourism economy.

2   Scope, Product and Principles

Scope

8. The purpose of the report is:

    What role should Tourism New Zealand play to support New Zealand's future tourism needs and how is it positioning its capabilities to deliver on this role?

9. The report will consider the following areas:

    Strategic context

    *   The changing international environment, including the key factors that could impact on future of international tourism to New Zealand

    *   New Zealand's tourism trends and future needs in the context of the draft Tourism Strategy

    Current government priorities

    *   Tourism New Zealand's response to current government priorities including regional growth, focus on off peak tourism, high value visitors, a balanced market portfolio and making data available to the tourism sector.

Core business

- How Tourism New Zealand's is positioning its core marketing role to adapt to future tourism and marketing trends, and any capability shifts needed

Broader role

New Zealand institutional settings and how this compares with overseas models for supporting tourism

- Tourism New Zealand's broader role within the system, what it could look like, where it is now, and any capability shifts needed to get there. This includes considering:

    a. if Tourism New Zealand should take on more marketing functions for other government agencies

    b. if Tourism New Zealand should extend into data provision, innovation and product development, destination planning and management, and potentially business development.

Product

10. The report product will:

- set out a future state for Tourism New Zealand to work towards, in the context of broader institutional settings, and the critical capability shifts it needs to achieve

- provide a more general assessment of Tourism New Zealand's organisational capabilities and improvement needs.

11. This report will then set the foundation for:

- Tourism New Zealand to develop its response and an action plan to move towards this future state

- a second engagement round with other actors in the system to discuss any proposals that may have implications for their activities

- any enabling budget bids and policy work.

12. The report is not a funding review and is not designed to evaluate any single proposal. The report may also identify gaps within New Zealand's tourism settings but conclude that Tourism New Zealand is not the right mechanism for addressing them.

13. The report owners are the General Manager Tourism and General Manager Entity Performance and Investment.

Principles

The report process will be:

- future focused – on future New Zealand needs, future consumer preferences and tourism trends, and Tourism New Zealand's adaptability to future shifts in these areas

- open and transparent – ensuring that there are "no surprises" for either Tourism New Zealand or MBIE

- panel driven – ensuring the panel of experts bring external expertise relevant to the report

- based on effective stakeholder engagement – balancing the opportunity for stakeholder input with engagement fatigue.

- efficient – ensuring compliance costs for gathering information is minimised

- sensitive to the need to ensure appropriate protection of information.

3   Process for the report

Panel membership

The panel will comprise three individuals necessary to ensure the appropriate mix of experience and knowledge is represented, including:

- an ability to connect with Tourism New Zealand and challenge its thinking

- understanding of the tourism industry and its economic contribution

- expertise in key potential capability areas, for example business growth support

- general organisational capabilities such as strategy and change management.

A digital marketing expert may also be co-opted to the panel where needed.
MBIE will ensure appropriate steps are taken to manage any potential conflicts of interest.

Report process

The report phases are:

1. Panel recruitment, commissioning meeting with MBIE and review of background material

2. Initial Panel meeting with board and chief executive: Board's own reflections on the tourism landscape and where it sees the issues and opportunities

3. Interviews with Tourism New Zealand staff across locations, and wider stakeholders

4. Follow up meeting with Board and Chief Executive

5. Draft report

6. Final meeting with Board and Chief Executive

7. Report finalisation, including Tourism New Zealand's response and action plan

8. Board meeting with Minister to discuss report and action plan

The Panel Chair will have regular (e.g. weekly) 'check ins' with the Board Chair and Chief Executive throughout the process to test thinking and ensure no surprises. The Panel Chair will also check in with MBIE on progress. The process will commence early April, involve around 15 days on-site, with a final report, response and action plan targeted for late June.

Administration

MBIE's Entity Performance and Investment Team (MBIE) will recruit and provide support for the panel throughout the process. The key contact for the process is Alan Vandermolen, Director, Entity Performance and Investment. MBIE will work with Tourism New Zealand to develop background material for the report panel, and book key stakeholder meetings. The cost of the report will be met by MBIE. The report will subject to requests under the Official Information Act (1982). The panel's final report and Tourism New Zealand's action plan will be released publicly, with any commercial–in–confidence material withheld.

Annex 1: Report questions

Questions to consider in developing the report product (set out in paragraph 9)

Strategic context

- What aspects of the international environment could impact on future international tourism to New Zealand?

- What are the future New Zealand tourism needs and trends that New Zealand needs to respond to?

Government priorities

- How well is Tourism New Zealand positioned to respond to current government priorities including regional growth, focus on off peak tourism, high value visitors, a balanced market portfolio and making data available to the tourism sector?

Core Business

- How well is Tourism New Zealand positioned to fulfil its core marketing role and adapt to future tourism and marketing trends?

What key shifts are needed across the four key capability dimensions (below) to respond to government priorities and fulfil its core marketing role?

Broader role

- What are the current New Zealand institutional settings for supporting tourism, and how does this compare with overseas models?

- Are there any gaps in New Zealand's institutional settings relative to New Zealand's tourism needs?

- Is Tourism New Zealand best placed to address any identified gaps for supporting tourism? In particular:

   a. Should Tourism New Zealand take on more marketing functions for other government agencies?

b. If Tourism New Zealand should extend into data provision, innovation and product development, destination planning and management, and potentially business development

- What does this mean for the future role that Tourism New Zealand could play?

    a. What could this mean for Tourism New Zealand arrangements?

    b. What could this mean for future Tourism New Zealand capabilities across the four key capability dimensions (below)?

Four key capability dimensions:

1. Leadership and direction: Purpose vision and strategy, leadership and governance, and culture

2. Delivery for Customers and New Zealand: Understanding customer needs, value proposition, operating model, collaboration and partnerships

3. People development: Leadership and workforce development, performance and engagement

4. Financial and resource management: including information management

Appendix 3: Stakeholder interview list

The Panel is grateful to the following organisations, who contributed insights to this report:

New Zealand

- Air New Zealand
- Auckland Airport
- Auckland Tourism Events and Economic Development
- Christchurch Airport
- ChristchurchNZ
- Conventions and Incentives New Zealand
- Department of Conservation
- Designworks
- Destination Queenstown
- Dive! Tutukaka
- Education New Zealand
- Holiday Parks Association of NZ
- Local Government New Zealand
- Ministry of Business, Innovation and Employment
- Ministry of Foreign Affairs and Trade
- Ngāi Tahu Tourism
- New Zealand Story
- New Zealand Trade and Enterprise
- NZ Māori Tourism
- Queenstown Lakes District Council
- Real Journeys
- Regional Tourism New Zealand
- Rotorua Economic Development
- Rotorua Lakes Council
- Sky City Entertainment Group
- Te Arawa Lakes Trust
- Touch of Spice
- Tourism Industry Aotearoa
- Tourism Holdings Limited
- Tourism New Zealand
- Williams Hotels
- Venture Southland
- Venture Taranaki

World

- Ache-to-Travel Vacations
- American Airlines
- ANZCRO (Australia New Zealand Central Reservations Office)
- Ctrip
- Flight Centre
- Google
- Helloworld Travel Limited
- M Booth
- Mindshare
- National Geographic
- Qyer.com
- Singapore Tourism Board
- Special Group
- Swain Destinations
- Tencent Holdings Limited
- Tourism Research Australia
- Tourism Ireland
- TravMedia
- UTOP Communication
- Virgin Australia
- Virtuoso

7 Appendix

Appendix 4:
Documents reviewed

- Angus and Associates, Holiday Parks Association of New Zealand. (2019). Holiday Parks Key Insights March 2019.

- Angus and Associates, Holiday Parks Association of New Zealand. (2019). Peak Season Holiday Park Visitors Expenditure and Behaviour Research Summary Report.

- Auckland Tourism, Events and Economic Development. (2018). Destination AKL 2025: A New Direction for Auckland's Visitor Economy.

- Cruise Lines International Association Australasia. (2019). 2018 Australia Ocean Source Market.

- MartinJenkins. (2010). Review of Government's Tourism Sector Agencies. Wellington: Ministry of Business Innovation and Employment.

- Ministry of Business, Innovation and Employment. (2018). Tourism Data Domain Plan 2018.

- Ministry of Business Innovation and Employment. (2019). Tourism New Zealand (TNZ) and the State of Tourism in New Zealand.

- Ministry of Business, Innovation and Employment; Department of Conservation. (2019). Aotearoa New Zealand Government Tourism Strategy.

- OECD. (2017). A Review of the Policy Framework for Tourism Marketing and Promotion. Paris: OECD Publishing.

- OECD. (2018). Analysing Megatrends to Better Shape the Future of Tourism. Paris: OECD Publishing.

- OECD. (2018). OECD Tourism Trends and Policies. Paris: OECD Publishing.

- Productivity Commission. (2015). Australia's International Tourism Industry (Commission Research Paper). Canberra: Author.

- Reinhold, S., Beritelli, P, & Grünig, R. (2018). A business model typology for destination management organizations. Tourism Review.

- Stevens and Associates. (2018). Learnings from International Examples of Regional Tourism Destination Development. Ministry of Business, Innovation and Employment.

- Tourism Industry Aotearoa. (2019). Tourism Insight Framework.

- Tourism New Zealand. (2017). Briefing for the Incoming Minister.

- Tourism New Zealand. (2017). Statement of Intent FY18–21.

- Tourism New Zealand. (2018). A Summary of TNZ's Market Portfolio. Wellington: Tourism New Zealand.

- Tourism New Zealand. (2018). Briefing to Minister Vote Reprioritisation January 2018.

- Tourism New Zealand. (2018). Tourism New Zealand Annual Report 2017/18.

- Tourism New Zealand. (2018). Tourism NZ bid Initiative – Further Detail.

- Tourism New Zealand. (2019). Future Roles for TNZ – Discussion.

- Tourism New Zealand. (2019). Kia Ora Case Study – Think with Google.

- Tourism New Zealand. (2019). MBIE Panel North America Market Overview.

- Tourism New Zealand. (2019). Performance Follow-up.

- Tourism New Zealand. (2019). The Unique New Zealand Experience.

- Tourism New Zealand. (2019). TNZ Feedback on Strawperson.

- Tourism New Zealand. (2019). TNZ NAM Trade Marketing.

- Tourism New Zealand. (2019). TNZ Report – Board Briefing for Panel.

- Tourism New Zealand. (2019). Tourism New Zealand Briefing to Hon. Eugenie Sage.

- Tourism New Zealand. (2019). Tourism New Zealand Statement of Performance Expectations 2019/20.

- Tourism New Zealand. (2019). Tourism Product and Productivity.

- World Tourism Organization, the Centre of Expertise Leisure, Tourism & Hospitality of Breda, University of Applied Sciences and the European Tourism, Futures Institute of NHL Stenden University of Applied Sciences. (2019). 'Overtourism'?: Understanding and Managing Urban Tourism Growth beyond Perceptions, Volume 2: Case Studies. Madrid: World Tourism Organization.

- World Travel and Tourism Council. (2012). The Comparative Economic Impact of Travel and Tourism.