

Lighthouse Report Four

International travel - What's happening?

This Lighthouse Report brings to you the latest in-market intelligence from our Regional Managers abroad. Importantly, it provides insight into what you can do to best position your business to trade through the uncertain times ahead and how you can partner with Tourism Tasmania for more effective results.

INTERNATIONAL MARKET SITUATION

The dynamic state of the world economy and the spread of recession in Tasmania's key markets including North America, the United Kingdom (UK), New Zealand (NZ), Japan and Germany are likely to result in a reduction of long haul travel to Australia in 2009 and 2010.

Emerging markets in developing regions such as China, India and Eastern Europe are also likely to move into recessionary slow-downs with a consequent reduction in travel to Australia.

While the fall in the value of the Australian dollar against key currencies would normally make Australia a more affordable destination, recent experience suggests that this has little or no impact on increasing international visits when those markets are experiencing deteriorating economic conditions. Distance and a lack of competitive pricing on the limited air seats available also remain key inhibitors.

INTERNATIONAL TRAVEL TO TASMANIA

International travel to Tasmania has held up well in a period of soft visitation to Australia. The year ending September 2008 saw international visitor numbers to Tasmania continue to hold steady, as the state follows the national trend. Visitor numbers are currently only marginally down (-2% to 158,300 visitors) on the year ending September 2007, when the highest number of international visitors was recorded in Tasmania.

MARKET FOCUS – IN BRIEF

NORTH AMERICA

The number of North Americans visiting Tasmania during the year to September 2008 increased by 10%, despite a decrease in the number of visitors from the United States (US). While all the growth has come from Canada in recent quarters, the decreasing value of the Canadian dollar may stem further growth over the coming year. Recessions in both these economies are likely to result in sluggish demand in the period ahead despite falling fuel prices, expansion of low-cost carrier services and more fuel efficient aircraft. That said, growth in the value of the US\$, increased aviation competition on the US – Australia route and simplified connections to Tasmania via the Qantas Aussie Airpass Campaign in February 2009, are likely to stimulate bookings to the state during the shoulder-season.

Meanwhile, wholesalers have indicated that sales have not declined despite the state of the North American economies; and they believe *Australia*, the movie, will help stave off any decline in volume in the near term. It is increasingly important that a destination's value proposition is clear, motivating and provides visitors a real sense of respite from the economic woes at home. Travel wholesalers and retailers alike must continue to see operators being motivated to sell product within North America during this time through initiatives such as Australian Tourism Exchange, New Product Workshop, and trade famils to Tasmania.

Further, there are an increasing number of people booking holiday travel online. This is reflected in the growth in the number of websites providing this capability. While the extent to which this growth is translating into people booking long haul travel online is unclear, what is obvious is that consumers are becoming more comfortable with such transactions. Moreover, online social networking sites such as Facebook and Trip Advisor are experiencing rapid growth and are beginning to influence consumer preference and behaviour.

UNITED KINGDOM

In the UK, consumer confidence to mid November showed increasing pessimism about the present state of the UK economy and employment in the next six months. There is also a growing realisation that it is likely to be some time before the situation improves. Forward bookings for luxury travel have fallen for the final quarter of 2008 consistent with the latest forecasts for a downturn in luxury travel from PricewaterhouseCoopers. Similarly, Australian and New Zealand specialist tour operators are reporting slow bookings and long haul operators have already suffered a downturn in sales. In contrast, surveys conducted by tour operators Leger and Saga Holidays indicate older travellers have been less impacted by the economic climate and continue to travel, while continued strong bookings have been reported by the cruise sector.

The biggest news out of the UK, however, is the recent announcement of the introduction of a long-haul departure tax in November 2009, with a further increase in 2010. This tax is set to increase the cost of travel between Australia and the UK by as much as AU\$400 and is likely to impact heavily on Australia's largest international inbound market.

So what does this all mean? It appears there is still demand for premium luxury travel by the top end traveller resilient to the credit crunch along with sections of the population who will travel if the price and experience is appealing. In other words, don't cut costs, add value. Clever packaging and compelling arguments to travel will help cut through an increasingly crowded and competitive market place. Niche and special interest media can make an impact by appealing to resilient travellers looking to spend money on indulging their passion in a destination that offers a compellingly different experience.

NEW ZEALAND

With the NZ economy now officially in recession, few forecasters are predicting a turnaround before 2010. Restrictions on credit availability are impacting discretionary household spending, including that on travel and the NZ Ministry of Tourism has forecast outbound travel to remain flat to the end of 2009 before gradually lifting to 2014.

While New Zealand is currently Tasmania's third largest export market for tourism, there remains a strong consumer perception that Tasmania does not provide an experiential point of difference to holidaying at home. The provision of trade support in product and experience information will help

grow this market. Additionally, a key opportunity for Tasmania is the introduction of Trans-Tasman flight routes to major Australian cities with key carriers including Jetstar and Pacific Blue. This new connectivity will provide New Zealanders with the opportunity to fly to Tasmania with a single carrier.

The growing popularity of lifestyle and leisure publications and the increasing use of direct to consumer marketing, via online blogs and newsletters promoting experiences rather than specials, provide opportunities for raising your product's profile. Despite the continuing inroads of the internet, surveys show that travel agents remain the dominant means by which New Zealanders book overseas trips, however booking short haul destinations, such as Australia, directly online is on the increase.

Air New Zealand Holidays report that currently 50% of their bookings are through their website and that there has been a significant increase in their land only bookings online from consumers who have already purchased their air travel. Accessibility and availability of Tasmanian product combined with a strategic marketing plan will raise awareness and likelihood of selling product in the New Zealand market.

GERMANY

While the number of Germans visiting Australia increased 5.5% to 153,000 during the year to September 2008, the number who visited Tasmania during the same period decreased by 14% to 8,700, possibly due to the decrease (6%) in their average length of stay (44 nights) in the country.

Germany, like the rest of the European Union, is in recession and facing increasing unemployment. Their economy is expected to remain stagnant throughout 2009, though there is hope for an economic push following elections next year. Further, confidence amongst consumers is shaken and travel decision times are becoming shorter with an increase in last-minute bookings.. History, however, shows Germans to be resilient travellers. Even after 9/11 they continued to make bookings. Moreover, indications are that in difficult economic times Germans cut back on short trips and continue to invest in their main vacation. Despite this, outbound travel is expected to decrease which is likely to result in a further downturn in long haul travel to Australia.

While business travel and travel in the mid-price bracket is expected to decline, high-end luxury travel continues to hold up. Innovation will be the key to conversion, with tailored modular packaging more appealing than mass market product.

Like other countries, a growing number of Germans are using the internet. Currently 74% of Germans are using online services. As with most international visitors, while growing numbers are undertaking travel related research online, bookings for international travel remains dominantly through traditional channels.

ASIA

Japan

The Japanese economy has slowed over the past six months and is now officially in recession. Consumer spending is very weak and despite the growing strength of the Japanese Yen against the Australian dollar, there has been no increase in bookings due to weak demand and concerns about future economic conditions. Job losses and reduced orders for Japanese companies are forecast for 2009-10.

Travel agents have reported decreases in passenger numbers to Australia and the package tour market has been most affected. Despite this, actual bookings to Tasmania over summer are reported to be higher than last year. In-market intelligence suggests the cruise market will be strong this season with the visit of the Venus Pacific from Japan and a push by Princess Cruises in that market, although bookings have come later than usual. Travel agents have reported that independent travel bookings have remain strong and are selling well, with products like the Aussie Air Pass making Tasmania an easier and more affordable destination. Trade partners remain enthusiastic about Tasmania and are keen to build on our strong performance over the past year. Upmarket travellers have also maintained interest in travel and offer good prospects over the period ahead.

China

After posting double-digit growth for the past five years, economic growth in China will moderate to possibly its lowest in nearly two decades following a worse than expected result for November. However, a string of stimulus packages are hoped to kick in during the second or third quarter of 2009, and the country is still widely forecast to weather the global crisis better than much of the rest of the world.

China continues to be a rising inbound market for Australia. Improved air capacity between China and Australia and increasingly flexible Chinese government tourism policies has been largely responsible for this growth. A survey by AC Nielsen and the Pacific Asia Travel Association (PATA) in late October 2008 revealed Australia to be second only to Japan as the preferred quality travel destination, ahead of the UK, France and all other European countries.

Significantly, Chinese media are increasingly showing interest in visiting Tasmania as a new destination, with a focus on nature and fresh produce. Such attention will build opportunities for targeted, quality nature and farm gate experiences. As the Chinese market matures and seeks new experiences, Tasmania will be well placed to lift its profile and share of this growing market.

Korea

The Korean economy has slowed during the past six months and is expected to slip into recession by the end of the year. A weakening currency and doubts about the health of the country's bank sector means that many consider it amongst Asia's most vulnerable economies.. Job losses and reduced orders in the manufacturing sector are forecast for 2009-10, albeit the devalued currency is likely to help buffer the export trade.

The three major travel companies have reported reductions in passenger numbers to Australia, some with substantial decreases. The package tour market has been among the worst affected; however, in-market sources report that independent travellers, those undertaking working holidays and those travelling for education have been less affected.

Hong Kong

Economists expect the Hong Kong market to rebound late in the first half of 2009. However, consumer sentiment has been impacted by the global economic turmoil and people are consequently reducing spending on luxury and long haul travel, as well as opting for substitute short haul destinations. On the other hand, the current political unrest in Thailand and the high value of the Japanese Yen are tipped to result in a dramatic decline in visitation to these

traditionally popular short haul destinations. As a result, Australia is expected to benefit with the devaluation of the Australian dollar making Australia one of the most competitive destinations.

Meanwhile, demand for 'free and easy' and more individualised travel is increasing. As a result, traditional group travel agencies in Hong Kong have established new departments to meet the rising demand. At the same time, agencies already geared toward free independent travel have increased their marketing budgets. These agencies are aggressively promoting Tasmania since the launch of *The Last Paradise*, with the support of Qantas, and good sales have been reported. This television series has built awareness of Tasmania in the market and coverage of *Australia* the movie has continued the positive message.

Singapore

Singapore is not immune from the current global economic woes with a devaluation of its share market, retrenchments from major companies and increased cost of living. Despite this, Singapore is expected to fare better than most Asian nations due to its economic connections with China and India.

Travel is a lifestyle in Singapore and it won't be easily inhibited. Australia is Singapore's closest western destination. The devaluation of the Australian dollar has made Australia more favourable with the low cost carriers also making Tasmania more affordable and accessible. Notably, Tasmania continues to get media attention as it is lesser known than most other Australian destinations and thereby provides the lure of the exotic.

Malaysia

Malaysia's economy has so far held up well in an increasingly challenging economic climate. However, given the inter-connectedness of the international economy, 2009 is likely to be very challenging with growth revised down for the coming year. While its currency is expected to depreciate against the US\$ to 2010, a near \$2 billion fiscal stimulus will boost the economy from the first quarter of next year with the government not expecting the country to slide into recession.

The travel trade has reported decreased bookings for Australia since September 2008. Despite Tourism Tasmania's showcasing of *The Last Paradise* on Astro WLT Chinese Channel to a large audience in the first half of 2008, travel agents packaging Tasmanian product reported slow sales. A more recent devaluation of the Australian dollar has, however, renewed interest in travel to Australia and the additional capacity of Air Asia X flying to Melbourne makes it more affordable than ever to visit Tasmania.

India

The impact of the global financial crisis on India has been stronger than expected but the recovery is predicted to be earlier than many other countries. GDP growth for the country is expected to remain between 6% - 7%. Following falls in consumer confidence after the recent attacks in the financial capital of Mumbai, the Indian Government announced an extra \$4 billion in spending to help shield the country from the impact of the financial crisis. The government is also considering further stimulus measures.

Economic conditions affecting the mass market are not expected to effect the high yield market coming to Australia. Travel agents are very positive about the future with strong travel

projections for the months of December and January. Research of the outbound travel market by AC Nielsen and PATA has shown that while traditional media such as newspapers and magazines remain the primary vehicle for travel advertising, over half of Indian travellers used the internet to search for information about destinations abroad. This result highlights the importance of having an effective online presence if the early adopters of this technology and technology savvy affluent travellers are to be captured.

The Indian market prefers coach travel, however there is evidence from other destinations that self-drive is growing in popularity.

MOVING FORWARD

Given the current market environment, it is essential that operators continue to support and service the travel trade in Tasmania's key international markets and endeavour to generate as much media exposure as possible. These measures are effective and require little financial outlay.

While other countries and states shy away from international marketing at such a time, Tourism Tasmania is taking the opportunity to implement a program of strategic relationship building to ensure we have the itineraries and product available for co-promotion with travel wholesalers, travel agents and the media.

In addition, Tourism Tasmania will focus on a long term strategy based on the following pillars:

- The development of a well defined set of goals over three years, to be reviewed and adapted annually. These goals will cover all our activity in-market as well as performance targets for our work with industry, aviation, digital resources, and our key in-market partnerships.
- A whole of industry and whole of government approach using the expertise and knowledge of all government departments and colleagues on the ground in industry, and including an annual 'Think Tank' planning session with these key industry partners and active government agencies.
- Research and communication – regularly providing the right information to the right people about international markets and Tasmania's performance.
- Product development and industry access to markets, ensuring the product experience fulfills the marketing promise and can be purchased by the consumer. .
- International partnerships –identifying and measuring effective partnerships with key travel trade, airlines, other state tourism bodies, Tourism Australia and in-country brand partners to leverage the exposure and subsequent conversion of Tasmania to our key target audiences.

WHAT YOU CAN DO

FOCUS ON THE LONG TERM

Operators should remain confident in their long-term business plans as historically the markets will pick up over the long term. However, your business's short-term planning will need to be reviewed.

DON'T CUT PRICES – CUT COSTS

It may be tempting to cut prices in order to attract and maintain turn over. This may be true in the short term, however many examples show it is difficult to recover yield once the market picks up.

Instead, operators are encouraged to find ways to reduce costs and reconsider and reprioritise spend across all areas of their business.

ADD VALUE

To increase your business's market share, consider value-adding to your product and provide experiences of a higher quality that better meet the needs of your specific target markets.

REFRESH YOUR MARKETING MESSAGES

Now is the time to refresh your core offer to consumers. Travellers will become more discerning and you need to tailor your messages to those most likely to respond to your product. The next six to twelve months will see a more crowded and competitive media market than before, so make noise and present the most compelling argument for visitation to win the attention of the travel media and subsequently the travelling consumer.

Niche and special interest media activity is an area in which Tasmania can make a quick impact by appealing to highly resilient travellers looking to spend money on their passion in a destination that offers a compellingly different experience.

HIGHLIGHT OUR DIFFERENCES

Here in Tasmania we're lucky to have our own unique brand. See this as an opportunity to align your own business branding and marketing activities with the Tasmanian brand and gain further brand recognition and stronger market differentiation for your business, your local area and zone, and Tasmania as a whole.

BE SEEN AND GET ONLINE

It's important that consumers and locals know you are open for business. An online web presence continues to be the fastest growing way of marketing and distributing tourism product, so get online and bookable via the internet. As well, the more traditional distribution channels of brochures, packaging and even business signage continue to be important.

MONITOR YOUR YIELD

Monitor your profit margin, visitation, bottom line, and any changes in your market segments. Constantly monitoring who is visiting your operation and getting feedback from them will keep you ahead of any changes that you and your competitors may need to make in this uncertain economic climate.

WORK WITH OTHERS

Make your advertising spend go further by working in partnership with other operators, organisations and Tourism Tasmania. Importantly, international media activity should be supported by travel trade partner activity. Partnerships need to be a component whether through cooperative marketing, fact box inclusions in media, or participation in the visiting journalist program.

STAY INFORMED

Keep yourself up to date with what's happening by regularly visiting the Tourism Tasmania corporate website. Think about attending training courses and workshops that will extend your skills and put you in a more competitive market position. You can also learn more about the Internet and how

you can use it to grow your business by reading the free tutorials in the Tourism e-Kit, found on Tourism Tasmania's corporate website www.tourismtasmania.com.au

BECOME ACTIVE IN TEAM TASMANIA

Team Tasmania provides a platform for 'export ready' Tasmanian tourism operators, in partnership with Tourism Tasmania, to sustainably develop and grow their international visitor business. Export Ready means those operators who have the following:

1. Ability to provide commission levels that allow for sales to be made via wholesale travel agents
2. Accreditation in business excellence
3. An appreciation for the varying customer needs of visitors from different cultural backgrounds
4. Managed inventory that can be sold or resold online.

Specifically, the program enables the industry to effectively communicate the distinctiveness of their product and destination to consumers, media and travel trade, and develop and deliver on the visitor experiences promoted.

The 'new-look' format for Team Tasmania, due to be launched in March 2009, is the result of an extensive review of the current partnership model provided by Tourism Tasmania. It included a survey of future aspirations Team Tasmania members have of the partnership, combined with Tourism Tasmania's understanding of the market needs and budgetary constraints we all face. Within the context of the current economic environment, the partnership philosophy of Team Tasmania is now more important than ever.

Application for membership to the new program will be available to all Tasmanian operators currently 'export ready' or seeking to develop their business skills to become export ready. Participation in the program will enable Team Tasmania members to have access to benefits across four key areas:

1. Business development: ensuring businesses are 'export ready' and can maintain competitiveness in the country markets of their choice.
2. Access: enabling businesses to access the right markets for their business via the right distribution channels. Primary to this is the education and relationship building with travel trade partners.
3. Marketing opportunities: providing opportunities to market cooperatively with Tourism Tasmania to provide depth to the Tasmanian destination message.
4. Communication and networking: access to seminars, networking forums and regular communications pertaining to doing business in international markets.

Membership applications will open early in 2009, with industry partners invited to learn more about how their business could become export ready and work in international markets.

FURTHER INFORMATION

Further information on international visitors is presented in the International Visitor Snapshot. The report is updated quarterly with the latest results from the International Visitor Survey conducted

by Tourism Research Australia. The International Visitor Snapshot can be found at http://www.tourism.tas.gov.au/research/index_fastfacts.html

For more information about the Team Tasmania membership program contact Gill Parssey on 6230 8301 or at Gill.Parssey@tourism.tas.gov.au