



## Country snapshot

# New Zealand – 100% pure opportunity

New Zealand is one of the least inhabited places on earth, one of the most stunning in terms of its natural beauty and, as the home of the first commercial bungee jump, the adrenalin capital of the world.

Its popularity with international tourists is steadily increasing, with 4% annual growth expected over the next five years, according to the New Zealand Ministry of Tourism. Jobs in tourism already account for around 10% of the country's total employment<sup>1</sup> and the government has recently launched a strategic plan to ensure New Zealand delivers a world-class experience to visitors.

In 2011, the nation will host the Rugby World Cup, giving it an opportunity to showcase its diverse attractions to thousands of spectators, plus the millions more who will be watching via TV screens and the internet.

As work begins on improving the country's sports stadiums, transport infrastructure and hotels ahead of this high profile event, the signs are that there has never been a better time to invest in New Zealand.

### Room to breathe

Legend has it that New Zealand, or Aotearoa, the land of the long white cloud, was fished from the sea by Maui. The Maori migrated there around 1,000 years ago and were joined by European migrants about 800 years later, when New Zealand became a British colony. This intriguing mix of Maori and European cultural heritage makes it one of the world's premier tourism destinations.

As a relatively young nation, it has retained the pioneering spirit of the early explorers, and one of its most appealing attributes remains its lack of crowds. Even though New Zealand is about the same size as Britain or Japan, it has a population of just 4.2 million, compared to the UK's

60.7 million or Japan's 127.5 million, giving tourists plenty of room to breathe<sup>2</sup>.

Today, it enjoys a stable economy with excellent prospects for long-term competitiveness. The annual growth in GDP, according to the Economist Intelligence Unit, is expected to hover around the 3% mark during 2008 – 2009.

Its current unemployment rate is around 3.5% – the lowest in 21 years – which effectively means full employment, and New Zealand's government has created some compelling business advantages that are attracting continued investment.

### Environmental champion

For a country considered by some to be 'at the end of the earth', New Zealand has been remarkably successful at attracting international tourists. Its scenic beauty has been a magnet for visitors since the early European migrants, with tourism playing an increasingly important role in the country's economic growth.

In 2006, for instance, tourism contributed NZ\$18.6 billion (US\$14.6 billion) to the economy, representing 9% of the country's GDP, according to the New Zealand Tourism Strategy 2015 report. It was also New Zealand's biggest single export earner (NZ\$8.3 billion/US\$6.5 billion) and employed 10% of the workforce.

New Zealand has much to offer, particularly to those seeking an adrenalin rush. As mentioned in the introduction to this piece, it is the home of the first commercial bungee jump – off Kawarau Bridge in Queenstown – and the country now has

more jump sites than any other. It also has plenty of white and black water rafting, cannon swings, mountains to climb and numerous other licences to thrill. Overlaying this is the Maori cultural experience backed by a general perception that New Zealand is a green, unspoilt and safe haven offering respite from a busy and troubled world.

One of the most successful tourism advertising campaigns in recent years – 100% pure New Zealand – sums up what makes New Zealand special. The tag line was an inspired choice, enabling designers to focus on the natural beauty of the country, and to rival Australia's more down to earth approach "So where the bloody hell are you?".

As an environmental champion – one of New Zealand's unique selling points – the preservation of nature is paramount, and the photographs used in the campaign extend this message to a global audience. They feature stunning natural landscapes, ranging from the Milford Sound to Lord of the Rings country around Otago, the volcanic attractions of Rotorua and the beach beauty of the Bay of Islands.

The campaign has defined the brand 'New Zealand' in a positive way throughout the world and helped to boost visitor arrivals last year by around 1.6%. Visitor numbers have been growing steadily during the past few years, reaching around 2.5 million for the year ended November 2007, with most travellers spending much longer here than in many other countries.

However, when looked at from a global perspective, New Zealand clearly remains a niche destination, attracting just over 0.3%

of international arrivals and 0.6% of international tourism expenditure.

To understand the market dynamics better, it's worth taking a look at visitor numbers for 2007, as shown below.

Country of origin for visitor arrivals in New Zealand – year ended Nov 2007	
Market/Region	2007 (000)
Australia	946
United Kingdom	297
United States	217
Japan	123
China	120
South Korea	103
Germany	59
Rest of the World	602
<b>Total World</b>	<b>2,467</b>

Source: New Zealand Ministry of Tourism

Australia remains New Zealand's largest source market – and vice versa – with Australia and the UK making up around 50% of inbound tourism. The growth in low cost flights in Australasia will encourage more regional travel, and a surge in American visitors is expected after 2010, when Air New Zealand introduces the long range 787 Dreamliners to its US routes.

Emerging source markets such as India and China, with new middle classes keen to travel, also represent massive opportunities for growth, and even capturing a fraction of these markets would make a significant difference to tourism revenues in New Zealand.

So far though, visitors from China tend to arrive in tour groups, which usually have a lower dollar per day spend than solo travellers, so the challenge is to encourage more independent visitors from these countries.

New Zealanders travel a great deal around their own country and in the year to June 2007, spent around NZ\$7.9 billion (US\$6.2 billion) in the process, quite a bit more than the NZ\$6.3 billion (US\$4.9 billion) spent by international visitors. Domestic travel increased around 4.5% in 2006 and is expected to continue to grow; however, the amount spent by international visitors is set to overtake domestic revenues by 2011<sup>1</sup>.

### Hotel business

According to the HotelBenchmark™ Survey by Deloitte, which monitors hotel performance around the world, hotels in

New Zealand are currently performing well. In Auckland, for example, revenue per available room grew by just over 19% in the first six months of 2007.

While the strong New Zealand dollar is not particularly helpful to visitors, hoteliers believe the business outlook remains positive.

This view is supported by tourism officials, who point out that people are spending more when they are in the country, with expenditure up an estimated 7.4% in 2007, compared to 6.5% growth in 2006. This suggests that the industry can grow its value faster than its volume.

### World-class sport

New Zealand's Ministry of Tourism had already predicted 4% annual growth in international visitors, even before it was announced that the country had been chosen to host the Rugby World Cup in 2011.

A world-class sporting event such as this usually brings a leap in visitor numbers, leading to full hotels and busy restaurants, as French hoteliers can confirm from this year's highly-successful World Cup. Interest tends to peak during the event with a legacy impact that can last for some time, as visitors generally return home as advocates for the host nation.

There are, however, a few clouds on the horizon. First – the 'inconvenient truth' of global warming, which is becoming a big deal in some of New Zealand's target markets.

Ironically, this may mean that one of New Zealand's best selling points – its natural beauty – could become a focus issue, as visitors become more concerned about the environmental impact of flying long distance for a vacation. There is clearly a dilemma facing a country at the forefront of sustainability in encouraging international visitors, given that air travel is considered by many to be a growing source of greenhouse gas emissions.

This conflict between welcoming tourists but not their carbon footprint, is more pressing for New Zealand and Australia, who are much more dependent on air travel than other regions, such as Europe. Like other airlines, Air New Zealand is working on its green credentials and plans to trial bio-fuel on a test flight of a Boeing 747. There are other initiatives by business leaders to become more involved in the sustainability

debate, and to challenge assumptions about global warming, rather than just accepting current wisdom. There is a delicate balance to be found here, as the green lobby has considerable backing in many source countries, particularly the US and the UK.

Given New Zealand's backdrop of full employment, there is also the challenge of attracting and retaining the right people to work in tourism. Long-term success will depend on visitors enjoying a high quality of service, and this puts pressure on hotels, restaurants, bars and resorts to attract people into jobs that are not often regarded as well paid. As most of New Zealand's tourism businesses are small enterprises, the ability to offer other compensation benefits is limited.

Tourism authorities recognise this and are working with businesses and other stakeholders on ways to increase the pool of suitably trained people. While more needs to be done, at least the issue has been raised and is being debated.

As Tourism Minister Damien O'Connor says in the latest forecast report, tourism in New Zealand is no longer in a cycle of boom and bust, and is experiencing steady growth. Value is growing at a faster rate than volume, and will continue to do so.

With more people travelling than ever before, the land 'at the end of the world' is likely to attract those looking for a destination where the '100% pure' label fits better than anywhere else on earth. ●

### Andrew Dick

Partner, Deloitte New Zealand  
Tel: +64 9 306 4358  
Email: andick@deloitte.co.nz

1. New Zealand Ministry of Tourism
2. Economist Intelligence Unit
3. New Zealand Ministry of Tourism
4. New Zealand Tourism Forecast 2007-2013, New Zealand Ministry of Tourism