

Tourism New Zealand Baseline Review

Summary Report of Key Findings

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Tourism New Zealand Baseline Review: Summary Report

Executive Summary

The Tourism New Zealand (TNZ) Baseline Review (the Review) was undertaken by the Ministry of Tourism and overseen by a steering group drawn from the Treasury, TNZ and its Board, and the Ministry of Economic Development (MED). The Review draws on three main research projects, aimed at establishing:

- The role for government in tourism marketing;
- Whether government can have confidence in the effectiveness of TNZ at delivering on key objectives (mainly relating to increasing visitor arrivals and expenditure); and
- Whether there is a case for further public investment in offshore destination marketing and who should fund this investment.

To address these objectives, we set up the Review to address four key questions:

- Does market failure exist that establishes a *prima facie* case for government support?
- Can the net economic benefits of further growth in tourism be established?
- Is TNZ's marketing strategy contributing to increased tourism expenditure?
- Is taxpayer funding the most appropriate means of providing for any increase in TNZ's baselines?

Does Market Failure Exist?

The literature and the research undertaken for this Review indicate that a case for government investment in offshore marketing does exist, based on market failure relating to the presence of externalities and indivisibilities. Individual tourism operators

are unlikely to capture the full benefit of offshore marketing investment, and the fragmented nature of the industry also means the minimum investment necessary is unlikely to emerge without partnership with government.

International practice also indicates that offshore destination marketing is a common activity for governments to be involved in, and indeed may be particularly important in geographically distant places.

Can the Net Economic Benefits of Further Growth in Tourism be Established?

The existence of market failure does not in itself establish a case for further government investment, because the economic benefits tourism provides to the New Zealand economy are likely to impose costs (most likely in the form of displacing other, potentially more productive, economic activity).

Our analysis suggests that gross economic benefits to the New Zealand economy from the tourism sector are considerable – tourism is a major and growing contributor to production, employment, and, most importantly, exports (the sector represents 9.4% of GDP, 18.5% of total exports, and an estimated 5.9% of total employment). The balance of payments on services trade is positive, largely driven by tourism, and the sector therefore makes a major contribution to offsetting the overall balance of payments deficit.

However, despite the tourism sector's current contribution to aggregate economic measures, the net economic benefits cannot at present be established (because we do not have the data that would allow us to measure which activity would be displaced and whether or not this activity would be less or more productive). Research commissioned for this Review, however, indicates that growth in value added and productivity in the tourism sector have outstripped corresponding measures in the wider economy in recent years, although this aggregate measure masks a high degree of underlying variability within the sector, as well as variability in growth from year to year. Furthermore, crowding out effects are more likely going forward than they were in the past (due to the economy running at full capacity), though we do not know whether this crowding out would be into less or more productive parts of the economy (no empirical evidence exists either way).

On balance, and while there are significant challenges in parts of the tourism sector relating to workforce and skills issues, the sector strategy (the New Zealand Tourism Strategy 2010, or NZTS 2010) is focused on the right set of outcomes (lifting yields and emphasising quality rather than quantity, as well as addressing seasonality and emphasising regional spread). This, combined with positive indications on the growth in value added and productivity in parts of the sector, tentatively indicates that further growth in the sector is likely to provide net economic benefits to the New Zealand economy and, to the extent that offshore destination marketing is effective in attracting further high yield visitors, there is a case for further investment in such activities.

Is TNZ's Marketing Strategy Contributing to Increased Tourism Expenditure?

The next question we have asked in this Review is whether government can have confidence that investment in TNZ activity in the form of offshore marketing has an effect on visitor arrivals.

Some recent studies undertaken in the Australian context indicate – on balance – a positive relationship between government investment in marketing and visitor arrivals. In this context, we modelled the relationship between TNZ marketing spend and visitor arrivals in the UK and the relationship between TNZ marketing spend and economic value added in key markets, as measured by the brand value of the New Zealand brand.

We have used visitor arrivals as a proxy for overall expenditure for these analyses, since data for the targeted segment (the Interactive Traveller) has not been collected for long enough. Both research pieces underlying this work indicate a positive relationship exists between government investment in offshore marketing and visitor arrivals, and the Interbrand findings indicate that the effect TNZ has had in this can be isolated as indicated below. Key findings relating to the three markets for which sufficient data was available are (2001-2004):

- Australia: The impact of TNZ's \$18m investment earned the New Zealand economy \$467m (a return on investment (ROI) of 26:1);
- UK: The impact of TNZ's \$20m investment earned the New Zealand economy \$224m (ROI of 11:1); and
- US: The impact of TNZ's \$21m investment earned the New Zealand economy \$309m (ROI of 16:1).

These findings suggest that government can have confidence that its investment in offshore marketing through TNZ is providing a sizeable return on investment, based on the research commissioned for this Review. It needs to be kept in mind that these returns are expenditure measures and do not give a sense of the net return to the economy. Further work is required for other markets and to isolate the TNZ effect on its target segment, but these findings do indicate a reasonable case that further investment in offshore marketing will provide an acceptable return on investment for New Zealand.

Is Taxpayer Funding the Most Appropriate Means of Providing for any Increase in TNZ's Baselines?

The final question then becomes who should fund this increased investment in offshore marketing. Options include further public, taxpayer-funded investment, private sector contribution, or some form of user pays (through targeted taxation), or a combination of these.

The research undertaken for this review indicates that the deliberate move in the 1990s away from industry partnership towards strong nation branding (the 100% Pure campaign) has paid off, but that there is now a need for more industry partnership where a focus on the conversion end of marketing is needed in addition to awareness building in key markets (the research indicates the UK and US markets for such a focus). Stakeholder analysis identified both a need for more focus on conversion to actual travel in key markets (for which the industry clearly needs to be there) and a desire by the industry to have more joint key performance indicators. Many other countries also have some form of co-funding arrangement or make use of targeted tourism taxes.

There are also clearly benefits to the industry from Tourism New Zealand's marketing activities. We therefore suggest that, if increased investment is made in conversion activity, this should incentivise more industry contribution, where appropriate. Further work will be required to assess options and identify the most appropriate process, method or form that this industry contribution may take.

We also suggest that the Ministry of Tourism be asked to assess the costs and benefits of recouping some of the public investment in offshore marketing through targeted taxation (e.g. a departure charge).

Lastly, the Review has also indicated the need for more relevant monitoring of TNZ's performance over time, which will necessitate the development of better key performance indicators, and the embedding of data collection processes into research programmes.

Market Recommendations

The research commissioned for this Review also indicates broad directions for some of the future investment in marketing New Zealand as a visitor destination (related to how we should think about key markets). It indicates that there appears to be a clear case for additional, targeted funding for TNZ. Australia, the UK and the US all show strong cases for future investment, based on modelled future economic value added of further brand investment through TNZ. Korea also shows high potential in terms of modelled return on investment, and Japan and China require further research regarding how the brand works (in Japan) and how it might work (in China).

- For Australia, the branding strategy looks right on target, in that it is focused well on conversion to actual travel, with the need for perhaps more regional awareness building;
- For the UK, the recommendation is that consistent investment should be maintained in terms of awareness and preference building, but that further work on converting preference into actual travel may be required; and
- For the US, the focus needs to be more on conversion to actual travel (in both the UK and the US, we have a lower than market average conversion rate, i.e. competitors do better in terms of conversion to actual travel).

For the remainder of the markets, the data was not sufficient to isolate TNZ's role in the brand earnings to the New Zealand economy. Nonetheless, indications for marketing focus exist:

- For Japan, the market has shown low growth, and there are some indications that the brand may not work all that well, requiring further research;
- Korea has shown strong, if uneven, historical return on investment (overall brand), and is a fast growing economy and may warrant serious consideration for further investment; and

- China will require major investment to address current quality inbound tourism issues, and to harness synergies with other trade with China, and this investment is likely to require research first.

Tourism New Zealand Baseline Review: Summary Report

Introduction

1 As part of the GIF 2004/05 Budget, Cabinet directed officials to undertake a review of Tourism New Zealand's (TNZ) offshore marketing function [CAB (05) 13/7 (58) refers]. This report sets out the objectives of this review, key findings and recommendations for future funding for TNZ.

Review Objectives

2 The overall objective of the TNZ Baseline Review (the Review) is to assess the effectiveness of TNZ's offshore marketing function and to determine appropriate future funding levels for public investment in destination marketing at the national level. To enable this assessment and determination, we reviewed the rationale for, and nature of investment in, TNZ's offshore marketing activities (its campaign and channel outputs) with a particular focus on establishing their effectiveness in achieving the relevant stated objectives of the New Zealand Tourism Strategy (NZTS 2010). Detailed Terms of Reference (TOR) (Appendix 1) and the Review methodology (Appendix 2) are attached. In summary, the TOR boil down to three primary questions:

- Is there a case for public investment in the tourism sector (context objective)?
- Is there a relationship between public spend on offshore marketing and actual visitor arrivals and brand position / share of voice (effectiveness objective) and is this relationship positive? and
- Has TNZ's offshore marketing function delivered on the relevant stated objectives of the NZTS 2010 (focus objective)?

Scope of Review and Assessment Framework

3 The Review is focused on the effectiveness of the offshore marketing function of TNZ. The Crown Entity's onshore activities (such as the Visitor Information Network and its role in Qualmark) are excluded, as are the activities of the Ministry of Tourism and the broader policy settings (although the Review will outline implications for these policy settings as well as further work in preparation for the mid-term review of the NZTS 2010).

4 The following criteria are suggested for an assessment of the three primary questions outlined in paragraph 2 above:

- 1. Does market failure exist that establishes a *prima facie* case for government support?**
- 2. Can the net economic benefit of further growth in tourism be established, given the increasing pressure on labour and land?**

3. Is TNZ's marketing strategy contributing to increased tourism expenditure?

4. Is taxpayer funding the most appropriate means of providing for any increase in TNZ's baselines?

5 These assessment criteria will guide the analysis throughout the report below.

Government Investment in the Tourism Sector

Offshore Destination Marketing

6 There are many public good aspects of tourism development. International promotion, regulation, investment attraction and infrastructure development are often not undertaken by the private sector alone, as commercial benefits may not be immediately clear or cannot be fully captured by firms. Offshore destination marketing, in particular, appears to be a common activity for governments to be involved in, as a survey by the OECD (2000) shows, though the level of funding and extent of industry partnership varies widely.

7 The literature also appears to indicate a role for government in offshore marketing, to correct for potentially sub-optimal investment levels. The two most commonly cited reasons for potential under-investment rely on market failure and public good rationales:

Externalities / Non-Appropriability

8 This occurs where individual tourism operators who engage in offshore marketing are not able to capture the full benefit (i.e. others may benefit without contributing to the cost). The likelihood of this 'free rider' effect is considered to be high in tourism because the industry is fragmented, contains a large number of small firms, has wide dispersal of direct expenditures across the economy and supplies goods and services to residents as well.

Indivisibilities

9 Small firms and fragmented industries often lack the resources to fund the minimum investment necessary to conduct an effective marketing campaign. While this could be overcome by cooperative marketing, firms may have insufficient awareness of the benefits of organising cooperative efforts, or may be risk averse, because of the long lead times associated with offshore marketing (the time between investment and realisation of benefits) or because of differences in time preferences.

10 Australian work on this issue appears to indicate that the provision of offshore marketing by central government might be particularly important in geographically distant places (i.e. while it may be possible for a hotel in London to capture some of the benefits from marketing itself in Paris, a similar hotel in Auckland is unlikely to be able to do so) (Australian Tourism Taskforce, 2002).

Considerations for Government

11 The existence of market failure does not in itself, of course, establish a case for government investment in offshore promotion, even though in practice, a government role in this appears to be commonly accepted in many countries (OECD 2000). Although the existence of significant externalities and free rider problems in destination marketing point to the likelihood of a socially sub-optimal outcome in terms of investment, the starting position for government investment in this has to be one of:

- Assessing the net economic benefits of public investment in such offshore marketing; and
- Assessing the most appropriate level of support and the nature of the public/private partnership.

Assessing the Net Economic Benefits of Public Investment in Offshore Marketing

12 As discussed, any case for government investment in offshore marketing has to be based on an analysis of the real costs and benefits of offshore marketing. Research commissioned for this Review paints a mixed picture. On the whole, tourism is a major and growing contributor to production, employment and exports in New Zealand. Its growth in value added and labour productivity has outstripped the corresponding measures of growth in the wider economy (although it is unclear, given the limited data availability, whether this differential is driven by multi-factor productivity or changes in capital/labour ratios, or whether the differences represent cyclical or structural influences). There is also a high degree of underlying variability in the sector, as well as variability in growth from year to year. It has also been a major driver of economic development in some regions, acting as a catalyst for developing and preserving cultural heritage. Key gross figures include:

- For the year ended March 2004, total tourism expenditure in New Zealand was \$17.24 billion (including GST), with a total value added (direct and indirect) to the New Zealand economy of \$12 billion (9.4% of GDP). Imports used in the production of goods and services sold to tourists accounted for just under \$4 billion. GST paid on direct tourism value added alone is in the order of \$600 million;
- International tourism is New Zealand's largest export earner, accounting for 18.5% of total exports compared with 14.3% from the next largest contributor, dairy products – it has therefore led to a diversification of New Zealand's export base (Bowden, 2004); and
- An estimated 102,700 full-time equivalent (FTE) employees were directly engaged in producing goods and services purchased by tourists in the year ended March 2004 (5.9% of total employment), with a further 66,400 FTEs estimated (in 2002) to be indirectly engaged¹.

¹ Note this number includes employment generated by international students studying in New Zealand for less than one year.

13 Tourism, particularly in regional New Zealand, also contributes significantly to labour force participation rates, particularly with regard to part-time employment of women.

14 Lastly, tourism also has significantly positive balance of payments effects: The balance of payments on services trade is positive, largely driven by tourism, and the sector therefore makes a major contribution to offsetting the overall balance of payments deficit (Black, Vink and White, 2003; Skilling, 2005).

15 On the face of it², therefore, tourism contributes substantially to the New Zealand economy. Any decrease in the growth of this sector will have a substantial effect on the New Zealand economy, particularly in view of its contribution to foreign exchange earnings (which is an important economic priority for New Zealand). Any assessment of public investment in the sector, however, needs to be viewed in the context of the potential costs to the economy of expansion of tourism, which, the international literature suggests, can come at the expense of output and employment in other industries (and foreign exchange earnings could be offset by high levels of leakages through imports used in the development of tourism product offerings). Therefore, the overall return to the New Zealand economy may be less than is immediately apparent. Key costs include:

- While it is unlikely that tourism growth will have crowded out growth in other industries in the 1990s, due to the surplus capacity in the economy, any further expansion of tourism (or of any other industry for that matter), is likely to be offset at least in part by reductions in output and employment in other industries (though we have no empirical evidence whether this would be less or more productive output and employment);
- Parts of employment in the tourism industry, notably the accommodation and food and beverage serving sectors, are characterised by low paid and low skilled jobs, with considerable seasonal fluctuations in employment (with a projected significant increased requirement in labour and thus more intense competition for the available supply; and
- Infrastructural and other tourism development required to support an increase in tourism can increase the price of land for other users, and can impact negatively on the quality of life of residents in the tourist destination, as well as the natural and cultural environment.

Section Summary

16 On balance, the market failure argument has been supported but, with the available evidence, assessing the net economic benefits of further growth in tourism is problematic. Conventional approaches to assessing the net economic benefits of government support for offshore tourism, even if the data were currently available, have

² Note that this is not an absolute effect, i.e. the dynamic nature of the economy ensures that resources do flow from lower value activities to higher value activities over time.

their limitations³. Given that the extent of crowding out of other economic activity is not currently measurable⁴, any decision on this matter will have to be based on incomplete evidence and thus remain a matter of judgement.

The Effectiveness of Offshore Destination Marketing

17 As discussed above, the case for further taxpayer funding for offshore destination marketing rests on a number of criteria. This section focuses on the third of those criteria, relating to whether or not TNZ's past marketing activities have contributed to an increase in international visitor expenditure. We have used visitor arrivals as a proxy for this, since the data relating to the Interactive Traveller segment (which is essentially TNZ's focus segment with regard to higher expenditure) has not been collected for long enough to be able to be included in the model. In essence, this section therefore focuses on work related to returns on promotional expenditure (but not necessarily on the rates of return to the wider community, which is not measurable at present).

18 A survey of the literature on the benefits of investing in offshore destination marketing reveals a paucity of rigorous economic analysis on this. In their review of more than 50 studies that have attempted to model international tourist movements, Crouch and Shaw (1990) comment that most have relied on econometric analysis, with the most frequently analysed independent variables income levels, tourism product price levels, costs of transportation and exchange rates. Destination marketing expenditure, although frequently acknowledged as a potentially influential independent variable, has not been analysed in the majority of these studies (Dwyer and Forsyth, 1992; 1993; Faulkner, 1997; Witt and Martin, 1987). In the few cases where it has been analysed (see, for example, Barry and O'Hagan, 1972; Papadopoulos, 1987; Uysal, 1984; Uysal and Crompton, 1984; Uysal and O'Leary, 1986), the results have been inconclusive, with a mix of positive and negative relationships of different magnitudes identified.

19 In their review of the literature in the context of this Review, Martin, Davis and Mutch (2005) also observe that there is indeed a paucity of such research. These authors do suggest, however, that, for the handful of case studies they have reviewed, conclusions are reasonably consistent and theoretical underpinnings are sound (Crouch, Schultz and Valerio, 1992; Dwyer and Forsyth, 1992; 1993; Industry Canada (1994); National Bank, 1997; NZIER, 1997), pointing to an overall positive relationship between marketing and visitor arrivals.

20 In the New Zealand context, the only modelling with marketing spend as the independent variable has been done by the National Bank in 1997. It suggests that a

³ Cost/benefit analyses do not adequately capture intangibles, which include important government goals, or general equilibrium effects. Computable General Equilibrium (CGE) models are useful for understanding linkages and trade-offs in the economy, but the results generated are heavily dependent on the assumptions that underlie the scenarios being modeled. The development of CGE models may have merit in the long run, but would need to be assessed in terms of the expected benefit and is clearly not practicable over the timeframe of this baseline review.

⁴ Nor is there any available research that indicates that the crowded out economic activity (i.e. the potential reductions in output and employment in other industries) is either more or less productive or beneficial in net economic terms to the economy as a whole.

1% rise in real marketing expenditure raises the arrivals rate by approximately 0.1% and the amount spent per day by almost 0.5%. These results suggest that a \$10 million increase in spending on destination marketing would generate a \$450 million increase in tourism expenditure, equivalent to a rate of return on the margin of 45:1. The National Bank argued that the additional GST earned on the extra revenues alone (estimated at \$28 million) would more than pay for the additional support.

21 Such rates of return seem very high, but reviews of the National Bank work by NZIER (1997) and similar work undertaken in Australia (Crouch et al., 1992; Dwyer and Forsyth, 1992) suggest similarly high modelled rates of return. Even though these benefits do not represent net economic benefits, on the face of it, they would suggest a very favourable rate of return.

22 Because there is widespread scepticism at such high rates of return and generally inconclusive findings in the literature, and in order to assess the National Bank model with more up to date data, we contracted Otago University to model the effect of marketing spend by TNZ on arrivals from the UK market. The study used Ordinary Least Squares Regression to model the relationship between demand for tourism in the UK and the key causal forces:

- size of the market (modelled using real GDP per capita in the UK),
- ability to pay (also modelled using real GDP per capita in the UK),
- the price of the good (modelled using the exchange rate between the UK pound and the New Zealand dollar, using dummy variables to model seasonality); and
- market (consumer) tastes, modelled through:
 - the total dollar spending by New Zealand national tourism organisations (NTOs) in the UK; and
 - the share of voice, i.e. the proportion of New Zealand NTO spending relative to spending by all NTOs of all countries in the UK.

23 Adopting a specific to general modelling approach, the authors (Williams and Gnoth, 2005) built an initial model that explained a variance of 99% and found that including *both* absolute spending and share of voice explained more variation than each of them individually. These effects are considered to be additive, that is, if share of voice drops (because of, for example, competitor marketing), more needs to be spent on marketing to maintain the numbers of arrivals⁵.

24 The model will need further development and testing, at this stage, the overall findings are inconclusive. At present, all that can be concluded is that there is a positive relationship between marketing investment and visitor arrivals, but the size of and shape of this relationship will need further refinement of the model. We therefore suggest a longer time frame for this work, with more measured model-building in a

⁵ It is worth pointing out that share of voice is a crude measure, as it does not say anything about the quality of marketing or its effectiveness in reaching target markets.

number of key markets (first half of 2006, with a view to making a decision by mid 2006 on whether this work is worth continuing).

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25 The findings from the Otago report require further refinement of the model and therefore are not appended in this report, as the only finding to date is that there is a positive relationship between public marketing spend and visitor arrivals for the UK market that has yet to be further defined. In view of the already observed trend in the literature to inconclusive findings in such models, it is worth persevering with further refining this model, rather than attempting conclusions now.

The Focus of TNZ Marketing

26 In addition to modelling the effectiveness of marketing spend on arrivals, the Review also focuses on the effect of TNZ marketing spend on brand position and on the effectiveness in delivering on NZTS 2010 goals. This section therefore focuses first on the relationship between TNZ activities and NZTS 2010 goals, and then on the brand position in key international markets.

Marketing Focus

27 Assessing the focus of TNZ's marketing in delivering on the goals of the NZTS 2010 involved mapping and categorising its goals and objectives, mapping the marketing strategies and initiatives of TNZ since the NZTS 2010's inception, and reviewing and analysing how well TNZ activities are aligned with its intent in terms of economic objectives (mainly relating to increasing and sustaining the volume of tourists arriving in NZ and increasing the yield from these tourists). This work involved both a desk-based review of the Strategy in the context of comparable strategies, as well as in-depth interviews with key onshore and offshore tourism industry stakeholders relating to TNZ delivery on sought NZTS outcomes.

Comments on the NZTS 2010

28 Not surprisingly, given its age, most key stakeholders indicated that the NZTS 2010 needs updating (with a view to a 2015 outlook at least, based on expected visitor trends), with a particular emphasis on better specification of goals and key deliverables, more prioritisation, and better allocation of responsibilities for key actions. There was also a strong view that future strategies need greater engagement with industry representatives.

29 Assessed against comparable strategies of other NTOs, the NZTS 2010 is of a similar format to most others, though perhaps less focused on key performance indicators (KPIs) and their delivery. This is also reflected in stakeholder comments, who pointed out slow progress in improving sector efficiency and capability, increasing yield and overcoming seasonality issues (though this was not seen as a TNZ responsibility alone).

30 The upcoming mid-term review of the NZTS 2010 will particularly need to take into account the following suggestions for improvement:

- Better sector analysis - analysis of NZ's tourism industry, including assessments of the industry's outlook, key markets and competitors⁶;
- Clearer performance framework - inclusion of measurable KPIs relating to key goals and outcomes;
- Technology - more of a focus on the implications of technological change for the sector; and
- Greater prioritisation of the NZTS 2010 actions - more focus on increasing public-private partnership across both marketing and product delivery.

Comments on TNZ Effectiveness in Translating NZTS 2010 – The Interactive Traveller

31 Attracting more of the Interactive Traveller, TNZ's target market for New Zealand, is a direct response by TNZ to the focus of the NZTS 2010 on lifting yield, addressing seasonality and enabling regional spread. The Interactive Traveller psychographic segment⁷ is considered to – on average – do 40% more activities than other travellers, is likely to go off the beaten track, be more environmentally aware, and seek out authentic experiences. Interactive Travellers are also perceived to be high users of technology, to have more liberal attitudes and a global mindset. The segment is more likely than the general population to be in the 24-34 or 50-64 age groups, has higher discretionary income and is thought to represent between 5-9% of the population in any of the key origin markets.

32 Overall stakeholder perspectives relating to how well TNZ has translated the Strategy's economic goals into a marketing approach are positive, although views are more divided on the Interactive Traveller segmentation. While this segmentation was seen as a strong targeting approach, many comment on the need to better explain the product preferences of this segment to the industry and to develop more guidance on the implications of such targeting for small and medium enterprises (SMEs).

33 There are also views that the Interactive Traveller strategy is relatively untested and that further evidence is needed that this segment was actually helping to increase yield⁸. As will be discussed in other sections of this report, due to data constraints, we have not been able to model the impact of marketing spend on the arrivals of this particular segment (and findings on impact of marketing spend on arrivals alone are still inconclusive), so a forward recommendation is to model this more consistently and to build appropriate performance measures into TNZ's reporting.

⁶ There was a strong view that there should be less of an emphasis on good news, and more of a critical analysis of some of the weaknesses / challenges the industry faces.

⁷ The Interactive Traveller segment is a psychographic segment, rather than a demographic segment, that is, its selection is mostly based on behavioural characteristics, such as the types of attitudes and behaviours this segment displays.

⁸ For instance, there were questions by a number of stakeholders regarding whether or not – in terms of net economic benefit to the country – this segment was actually spending in the best way (i.e. there was a view that they might consume more imports than other segments, thus lessening the net economic benefit).

34 Lastly, many stakeholders indicate that the Interactive Traveller segment needs to be better understood in terms of key geographic markets and how they might differ. For example, what does the segment look like in China? The industry expresses a strong wish to engage in more debate with TNZ on future market selection and segmentation, as well as to better understand the Interactive Traveller segment.

Comments on the 100% Pure Campaign

35 Overall perceptions of brand building activity are very positive. The 100% Pure campaign is almost universally described as excellent, a model for the industry and the envy of other NTOs, reinforced by recent international awards such as the Webby Award. TNZ's move away from tactical marketing to focus on the development of a strong global destination brand instead is seen to have been necessary at the time and very successful overall, though there is a view that the pendulum has swung too far now, and that additional emphasis on partnership marketing with the industry is now called for in situations where that makes sense (e.g. greater focus on trade marketing activity, such as working with trade and airlines in terms of product packaging). Around half of interviewees see weaknesses in trade partnership, in relation to a perceived lack of partnership marketing with the industry and in relation to alignment and discussion with the industry, and the need to work more closely with the private sector (though it should be noted in this context that TNZ do partnership marketing with various stakeholders, e.g. Air New Zealand).

36 Another key issue identified as part of this research suggests that an increased focus by TNZ on conversion in addition to awareness building is desirable, particularly in relation to mature markets.

37 Stakeholders indicated that there is a lack of distinctive regional marketing, and that TNZ should play a greater role in supporting RTOs to improve regional differentiation (as TNZ already does, with, for example, the Wellington RTO).

Comments on Accountability

38 There is also a stakeholder view that there is a lack of reporting on accountability by TNZ and too little discussion with the private sector on marketing strategy. Specific suggestions for improvement mentioned by stakeholders include the need for:

- Better explanation of the rationale for investment;
- Greater accountability by the Board of TNZ;
- More stringent performance criteria / strong performance measures / clear return on investment targets;
- An annual marketing plan (to make explicit implicit models of how tourism marketing strategy is done effectively);
- Greater focus on yield;
- Benchmarking versus other destinations; and

- Joint KPIs with the industry;

39 Clearly these are stakeholder views and further work is required to assess where exactly the weaknesses lie and where, in the accountability processes set down by legislation and agreed upon with the Minister, improvements could be made.

40 There is also a view that future measurement of overall performance should focus more on the performance of the sector in achieving net economic benefits to the New Zealand economy, rather than continued (and superficial) 'good news' assessment.

41 Many of these suggestions for improvement will be the task of the Ministry of Tourism, particularly relating to the better explanation of the overall rationale for investment and to the development of performance criteria and return on investment targets. There is a perspective that monitoring of TNZ is not strong, harming credibility, and this is certainly also a focus for the Ministry with the new requirements of the Crown Entities Act.

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42 Key findings for this section indicate that there are generally strong positive views on the effectiveness of the 100% Pure Campaign, and that the deliberate move in the 90s away from tactical marketing towards strong nation branding had been the right one. This is coupled with a view that the pendulum has perhaps now swung too far towards nation branding alone, and that some form of move towards more tactical marketing, in partnership with the industry and at the conversion end of marketing, is desirable.

43 The Interactive Traveller strategy is broadly perceived as the right focus for TNZ marketing strategy aimed at increasing yield. This strategy needs testing further, however, in terms of how it actually delivers these outcomes, particularly in view of the impact geographical segmentation might have on this psychographic segment, and with particular emphasis on understanding this segment in some of the Asian, particularly the emerging Asian, markets.

44 Stakeholders hold strong views regarding the need for better accountability, as outlined above, particularly relating to the development of annual marketing plans that have some form of industry partnership, and the need to benchmark performance measures against comparable destinations. Joint KPIs with industry are also seen to be necessary and useful in encouraging more public/private partnership (and this may become a focus of the mid-term review of the NZTS 2010).

45 It is also worth noting here that the requirements of the Crown Entities Act will encourage moves into stronger accountability reporting.

The Brand Position

46 The second part of Interbrand's research was concerned with the effectiveness of TNZ's offshore marketing focus in terms of brand values over time, benchmarked against other NTOs and industry sectors. This part was also concerned with assessing

the impact of share of voice reduction and giving guidance to government, as an investor, on appropriate levels of future investment in the brand in each market.

47 The five top source markets (Australia, UK, USA, Japan, Korea) and China were reviewed in depth for this analysis. Together, they accounted for over 70% of total visitor arrivals and over 60% of tourist expenditure in 2004. Because data for the interactive traveller segment has only been collected recently, separate valuations for this segment (which made up over 55% of visitors to New Zealand in 2004) have not been derived.

48 The brand valuation undertaken by Interbrand consists of three primary analyses:

- A financial analysis to derive forecasts for economic or intangible earnings⁹, a measure similar to economic value added;
- A role of branding analysis focused on the role of the New Zealand brand in securing these earnings; and
- A benchmarking analysis to assess the strength of the New Zealand brand.

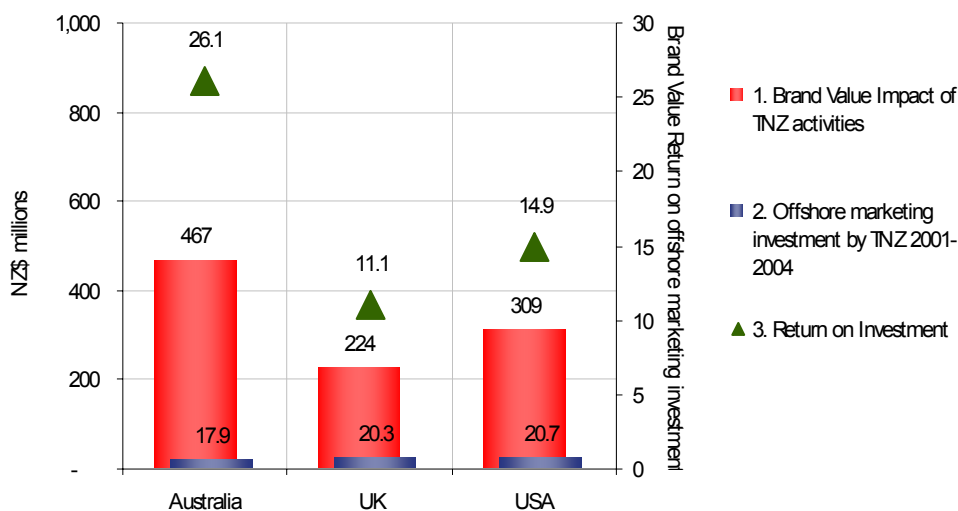
Financial Analysis

49 Financial analysis is concerned with the value of the New Zealand brand to the New Zealand economy (through export revenue in the form of tourist expenditure). Measurement and modelling methodology is set out in the attached Interbrand report. This analysis indicates that earnings from the brand (i.e. what proportion of tourist expenditure is attributable to the New Zealand brand) are strongest in the Australian and UK markets, set against a significant decline in the relative importance of the US and Japan.

50 Return on marketing investment (i.e. the isolation of the brand values associated with TNZ's efforts) suggests the following very positive results in the key three markets for which sufficient data was available:

Figure 1: Return on Investment for TNZ Offshore Marketing

⁹ The concept of intangible earnings is similar to that of the widely used corporate performance measure economic profit or economic value added. It is calculated as total allocated tourism value added (direct, indirect + GST), less TNZ expenditure less tourism allocated net capital stock multiplied by a capital charge rate. For the New Zealand brand in the context of tourism, the value being considered is the value to all New Zealanders (i.e. the proportion of tourist expenditure that contributes, as export revenue, to the New Zealand economy, as identified by the Tourism Satellite Account).



- Australia: An overall particularly high brand return on investment in Australia, with the impact of TNZ's activities from 2001 to 2004 in the region of \$ 467 million (based on a marketing investment of \$18 million and implying a return on investment of 26);
- UK: TNZ's activities there may have prevented a substantially greater erosion of market share in an intensely competitive market over the past few years, with the impact of marketing in the region of NZ\$ 224 million, implying a return on investment of 11 (with \$20.3 million invested); and
- US: The impact of TNZ's activities in the US from 2001-2004 was in the region of \$309 million, based on a marketing investment of \$21 million and implying a return on investment of about 14.9.

51 Overall, these are impressive findings and the findings of this research imply very good return on further investment in the brand

52 Looking forward, brand earnings are expected to grow strongest in the UK and Korea (though it is noteworthy that the rest of the world contributes 33% of intangible earnings and, while no detailed analysis was done, given the potential size of these combined markets, should not be discounted).

Role of Branding Analysis

53 The role of branding analysis is aimed at identifying the customer demand drivers that underlie brand value creation, and at assessing the relative importance of these drivers and the role that the brand plays in securing their effectiveness. For instance, the higher the role of branding measure, the more reliant New Zealand is on the tourism brand in terms of earnings through tourism expenditure.

54 Key drivers, based on stakeholder interviews in offshore markets, not surprisingly, include scenery, cultural heritage, societal culture, activities, ease and safety, accommodation and cuisine, and cleanliness and purity. These are assessed as differentiating New Zealand from other destinations in the minds of potential visitors.

Comparisons with three other countries (Canada, US and Australia) are made, and the key findings here include:

- Scenery – New Zealand gives a far greater emphasis to the scenery driver compared to the other NTOs; stakeholders view this as very successful, though missing strong brand icons (such as the US have in the form of Grand Canyon and Canada in terms of Niagara Falls). Stakeholders believe that the 100% Pure campaign has been instrumental in developing strong and differentiated perceptions of New Zealand’s scenery;
- Cultural heritage – New Zealand has a highly distinctive cultural heritage, with particular reference to its Maori and Polynesian influences; and many stakeholders view this attribute as an increasingly important and irreplaceable – if undersold – critical factor of differentiation. Stakeholders believe that the tourism industry here should do more to enhance this driver;
- Societal culture – This is seen as New Zealand’s most attractive and most poorly communicated attribute, with some negative perceptions and underplayed by the 100% Pure campaign, which has too little reference to modern New Zealand societal culture;
- Activities – The perception here is that the unique feature in this context is the density of outdoor pursuits, which lends energy to the scenery; and most stakeholders indicate that they are happy with the 100% Pure emphasis on this;
- Ease and safety – There are currently no brand icons that capture this, so the 100% Pure campaign has only partially leveraged this driver, which, though a crucial differentiator, is difficult to convey;
- Accommodation and cuisine – There is a perception that, amongst its comparable destinations, New Zealand has an advantage in this driver, though the brand campaign does not directly focus on this driver; and
- Cleanliness and purity – Stakeholders indicate that the perceptions of this attribute are somewhat stronger than the reality; there are no brand icons that capture this driver (which holds true for most destinations). The 100% Pure campaign has been instrumental in developing this driver (though there is some concern that sustainability of these perceptions will deteriorate unless the country also matches this with stronger environmental policy).

55 Country-specific findings indicate that the role of branding (measured through the Role of Branding Index (RBI) which assesses the role of the New Zealand brand in securing economic earnings by weighting the importance of the 7 brand drivers, establishing the reliance on the brand within each driver) varies from a low of 32% to over 50% in Australia, 52% in Korea, 54% in Japan and 59% in the US to 62% in the UK (with Rest of World sitting at 40%).

56 In other words, the New Zealand brand plays the greatest role in generating intangible earnings in the UK market. Australia is an outlier in this analysis in that it differs from other markets because of its close proximity and high levels of country

knowledge. This has the dual effect of increasing the affinity with the New Zealand brand but reducing the visitor's reliance on the brand to convey the destination's drivers.

Brand Strength Analysis

57 Brand strength analysis takes into account the effect of other attributes (such as the market characteristics in which the brand operates, the endurance of the brand, the brand's market share, price premium and perceived differentiation). Explained another way, this analysis takes into account not only the market share of a brand, but the market in which it operates (which might be dominated by another brand), the pricing environment (the brand in question might achieve its market share at a significant price premium) and the brand positioning (which might be highly differentiated). The following key analysis is provided:

Competitive Context

58 This describes the New Zealand brand's key competitive set. Key competitor brands are identified for the 5 key markets (note no information for China is available).

Table One: Competitor Analysis

Country	1 st competitor	2 nd competitor	3 rd competitor	4 th competitor	5 th competitor
Australia	US	UK	Canada	Italy	France
UK	US	Australia	Canada	South Africa	
US	UK	Italy	Australia	France	Spain
Japan	US	Australia	Thailand	Italy	
Korea	Australia	US	Thailand		

59 Table One indicates that, in Australia for example, the main competitor nation brand (as monitored in the media) is the US, followed by the UK, Canada, Australia, and France.

Market Characteristics

60 This assesses the attractiveness of the market from an incumbent brand's perspective. With this attribute, the 6 key markets can be split into high growth (South Korea and China), moderate growth (UK and Australia) and low growth (Japan and US), highlighting the potential for TNZ investment in these markets. Higher market scores for Korea and China do highlight the potential for TNZ to further develop these markets (note this assessment is based on market characteristics, i.e. the growth prospects of those markets highlight significant potential).

Stability

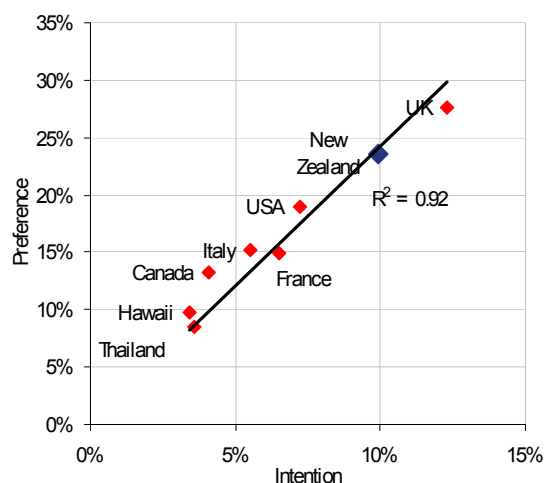
61 This assesses the depth of relationship between a brand and its target market. The relative awareness of the brand in the context of the main competitors for the main markets for the period 2001-05 is as follows:

- Australia: 5% increase, becoming the market's most familiar destination;
- UK: 5% drop (potentially due to increased fragmentation of competition for awareness in the UK);
- US: stable (over the last 3 years);
- Korea and China: not presently measurable.

62 Preference and intention analysis in the 3 key markets indicates that:

- In Australia, New Zealand has strong preference and intention scores, only just behind the market leader, the US. Preference has improved steadily since 2001, however, intention has remained stable;

Figure 2: Preference/Intention Ratios for Key Competitors in Australia



- In the UK, New Zealand has a reasonable level of preference, increasing steadily until 2003 and dropping back in 2004, but at present a very low level of intention, indicating potential for TNZ to target there; and
- In the US, preference and intention are strong and have risen strongly, and the ratio of intention to preference (i.e. the move towards conversion) is strongest in that market.

63 These findings highlight the strong improvement throughout 2002 and 2003, likely to have had some associated impact with the Lord of the Rings. The momentum of this has continued in the US throughout 2004 and has been sustained in Australia, though not in the UK (which is now below 2001 levels for both preference and intention). The low levels of preference to intention, most notably in the UK, highlight the substantial upside opportunity for New Zealand going forward.

64 Satisfaction ratings have been falling across all markets since 2002, though countries that have had 100% Pure brand marketing (Australia, UK, US and Japan) have only had relatively small falls in satisfaction. While the exact nature of these falls in visitor satisfaction is not known, it could be that the existing tourism product is less suitable for the marginal visitor, highlighting the importance of assessing the product offering underlying the marketing message. Intention to revisit is strong in all markets, and it is noteworthy to mention that, while visitor satisfaction in China and Korea is comparatively poor, this does not impact intention to revisit to a great degree.

Leadership

65 This attribute refers to market leadership, market influence, and dominance of a particular niche. Market share analysis is central to this. Market share analysis based on indices or rankings provides a broad indication of the relative effectiveness of an NTO's marketing programme, and is a useful indicator of the performance of a destination vis-à-vis competitor destinations (Faulkner, 1997). In addition to giving an indication of a destination's market share, such analysis can also provide an indication of changes over time.

66 In the context of this Review, assessing the market share gives a picture of the performing, emerging, declining and stagnant markets for the New Zealand tourism product.

67 Overall, New Zealand has been growing market share in all the key markets, most notably in China, Korea and the UK. The key points to note here are:

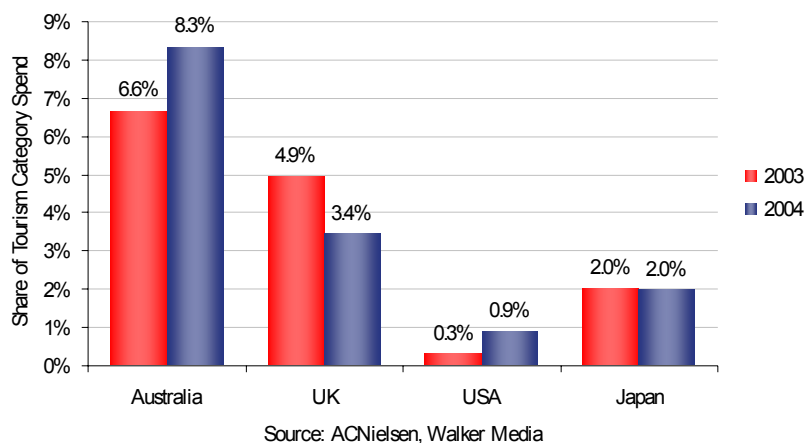
- Australia: There have been steady increases in market share, with relative market share growing strongly compared to the market leader (US);
- UK: The growth of market share has been substantial, with a 40% increase over the 1999-2004 period, with relative market share compared to the market leader (US) constant;
- US: New Zealand's market share remains small at 0.8%, however in relation to the market leader (UK) has increased over time (more a result of the fragmentation of the long haul market in the US);
- Japan: Market share and relative market share compared to the leader (US) have been low;
- Korea: Ups and downs since 1999 in terms of market share, but relatively stable market share relationship in comparison to the leader (Thailand);
- China: New Zealand's market share (not surprisingly) has more than doubled over the 1999-2005 period, and China was the only country in which New Zealand sustained its absolute share in 2004, compared to 2003. Its relative market share has also more than doubled in comparison to the market leader, Thailand.

68 In summary then, the UK and Korea are notable for their relatively high market shares despite the considerable distance barrier.

Support

69 Support assesses the level, consistency and effectiveness of brand investment over time. The main measure here is share of voice (SOV), which demonstrates the relative investment being made in sustaining the value of the brand. Key findings here are:

Figure 3: Share of Voice in 4 Key Markets



- Australia: New Zealand has sustained its position as Australia's highest international NTO spender, with a 7.2% SOV market share, ahead of Malaysia with 6.0%;
- UK: The SOV voice dipped by a third in 2004, its NTO rankings slipped from 9th to 7th, however it remains one of only four long-haul destinations in the top 10 NTO advertisers – note that, given the nature of the competition in that market, maintaining this position will require significantly higher levels of marketing investment;
- US: Significant increase in SOV in 2004; catapulting it to the 8th highest spender with a 0.36% relative share versus the market leader, Mexico;
- Japan: There has been a 23% drop in New Zealand marketing in 2004, however as the category also dropped by a similar level, the SOV was sustained.

70 Considering the broad number of destinations, and the small investment by TNZ in comparison with others, these results are very strong (NZ punching above its weight, to use a cliché). TNZ has successfully developed a differentiated and engaging brand positioning, which has been kept consistent across all communications.

71 A tentative implication of this for the Australian market is that further brand investment in the nation brand alone may not need to be the focus going forward, and that instead, some regionally differentiated awareness building with RTO involvement might be more suitable.

Summary of Brand Strength Results by Market

72 Brand strength analysis overall suggests that, in general, the New Zealand brand is strong in only two markets, the Australia and UK, reflecting its niche positioning:

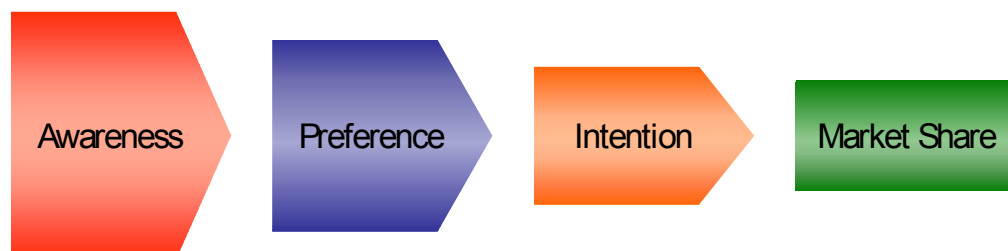
- Australia: The New Zealand brand has been far stronger here than in other markets – the challenge for TNZ will be one of sustaining this strong market position;
- UK: New Zealand’s other strong market, where growth or even sustaining of current market share (in the context of aggressive competition) will require a much larger marketing investment;
- US: Has been a substantial success over the 2001-04 period, the 100% Pure campaign has proved to have a strong affinity with American long-haul travellers, and the next few years are a critical period, with substantial investment needed;
- Japan: The New Zealand brand has yet to develop a strong position in Japan, despite significant marketing investment (and Australia has had the same experience), suggesting significantly more research is needed;
- Korea: Korea is described in the report as the enigma of New Zealand’s target markets, with considerable distance and minimal marketing investment yet a strong brand – which suggests it remains a substantial opportunity for TNZ; and
- China: As with Japan, a comprehensive research programme needs to be established prior to brand investment.

73 The report expresses an overall concern that New Zealand is vulnerable from its narrow focus on only four key markets, which may in itself lead to the need for further funding.

74 An analysis of TNZ’s role in supporting brand strength suggests that, on average, without TNZ investment, 10% of the awareness, preference and differentiation brand strength attributes would erode annually and that TNZ’s marketing investment is responsible for 50% of the effect on these attributes (on average, across Australia, UK, US). In other words, and to take just one as an example, if awareness levels of New Zealand as a visitor destination in Australia are 41%, then both TNZ and other influences are responsible for that. The research suggests that TNZ’s investment is responsible for half of it and that, on average, 10% of the awareness percentage would erode per year if we discontinued that investment.

Conversion from Awareness to Market Share

Figure 4: The Conversion Process: Awareness to Market Share



75 This section in the report is concerned with drawing conclusions about where in the stages of conversion (awareness, preference, intention, market share) particular markets sit, to draw conclusions about whether a specific stage is more or less likely to be an area needing TNZ market focus. It is also concerned with assessing this in the

competitive sense, that is, the relative conversion performance of New Zealand versus competing destinations. Detailed charts are attached, but in summary, results relating to the conversion rates in key markets suggest:

- **Australia:** There is a low correlation between awareness and preference, but this sits close to the weighted market average, suggesting that conversion to preference is generally at an appropriate level. As a market leader, New Zealand has been broadly in line with the market in terms of conversion rates. New Zealand performs slightly above the market in terms of conversion to market share, suggesting reasonable performance in this area (though France and Thailand are outperforming New Zealand on this conversion);
- **UK:** New Zealand shows poor conversion from awareness to preference, lower than all of the other top destinations, which supports the general stakeholder view that NZ should focus additionally on conversion. New Zealand's intention scores have fallen, despite relatively stable preferences, resulting in a falling preference-intention ratio, to the lowest amongst its competitive set – again highlighting the need for TNZ to focus its marketing effort on reasons to visit. Lastly, New Zealand performs well below the market average in terms of conversion to market share and thus could benefit from more investment at this end of the awareness to conversion curve; and
- **US:** There is a very strong correlation between awareness and preference, far stronger than in the other two markets, UK and Australia. The average awareness-preference ratio is significantly higher, with the strongest increase in the awareness-preference conversion ratio, as a result of rapidly increasing preference over the three year period. New Zealand is well below the market in terms of conversion rates, suggesting potential for TNZ to concentrate its efforts on conversion. Lastly, New Zealand performs well below the market average in terms of conversion to market share (incidentally, the same result is true for Australia, suggesting the distance barrier is an important factor), further emphasising greater effort on conversion of intention to purchase.

Section Summary

76 The assessment of the New Zealand brand overall indicates that current brand earnings are strongest in the UK and Australia, with potential high growth most likely in the UK and China, both of which would require substantial investment. Brand earnings are also relatively high in the Rest of the World segment, which accounts for 33% of intangible earnings generated from the brand (perhaps indicating both past investment, e.g. Germany and potential for future investment).

77 Return on marketing investment shows a particularly high brand return on investment in Australia, driven by the higher conversion impact from preference to market share compared to the UK and US markets, where the high distance and cost barriers dilute this impact. Key return on investment figures are: Australia, 26:1, UK, 11:1, and US 15:1 (which the report suggests should be considered conservative investments).

78 As regards the impact of a change in marketing investment (e.g. doubling it), Korea shows the highest return on investment.

79 The Role of Branding analysis suggests that the New Zealand brand plays the greatest role in generating intangible earnings in the UK market, and that perhaps less emphasis on the nation brand is necessary in Australia (coupled with stronger regional differentiation, or regional awareness building).

80 Brand strength analysis indicates that South Korea and China are likely to be high growth potential markets, though significant marketing investment, carefully tailored to each market, is needed, if these markets are to be developed to have a greater level of brand understanding.

81 Preference and intention analysis suggests that further investment in the UK should be focused at the intention / conversion end of marketing, that we should seek to work on conversion from preference to market share in the US, with the potential return on additional investment in conversion-related activities likely to be significantly higher than additional investment in general preference-building communication; that we should increase market share in the US (based on strong results at the intention end of marketing) and that Australia requires, as discussed, less country brand awareness building but more regional differentiation (or regional product awareness building).

82 Overall, considering the small investment by TNZ in a variety of markets, share of voice findings are very strong, suggesting major return on investment, and, on the basis of this research, a strong case for forward investment.

83 These findings present a useful basis from which to consider future investment, and point to the need to enhance research with regard to the collection of key data, and with regard to building tracking of these measures into the marketing programme:

- Greater consistency in terms of timing, periodicity and reporting in order to accurately track performance over time, set clear targets for the future, and use some of the information more effectively in time-series modelling;
- The need to develop a clear and agreed approach to calculate visitor market share consistently over time (e.g. consistent tracking of competitive set); and
- Consistent brand driver tracking research (reasons to choose New Zealand over other destinations) over time.

China Marketing Strategy

84 A further consideration in the context of this Review, particularly with regard to forward funding recommendations for TNZ, is the need to consider an appropriately resourced China marketing strategy.

85 In summary, the China market is a strongly growing tourism market for NZ, with enormous potential to grow. Outbound tourism from China is projected to grow by 10 million visitors to 40 million visitors during 2005, with World Tourism Organisation predictions that, by 2020, this figure will grow to 100 million outbound visitors. Australia, with whom New Zealand shares most of its Chinese visitors, has projected that, by 2015, China will be its most significant visitor market. Even taking a very conservative view on these figures, it is reasonable to assume that New Zealand's share of these outbound visitors will grow with or without marketing intervention.

86 Inbound tourism from China currently suffers from many of the features characteristic of immature markets, such as undifferentiated products, services and distribution channels, competition on price rather than value, a focus on volume rather than quality, and some leisure group tour practices that seriously affect visitor satisfaction (China has the second lowest satisfaction ratings in the International Visitor Survey).

87 Not all tourism from China is experiencing these problems. This issue is mainly confined to the group leisure tour market which is, however, the largest and fastest growing (in recent times) sector of the visitor market from China. Of 83,800 visitors to New Zealand from China in 2004, approximately 34,400 were on group leisure tours. Of these, some 24,100 are considered to receive very low quality tours and represent the core of current quality problems.

Marketing Implications

88 TNZ activity in China to date has been limited to trade training; and there is also no significant industry marketing there. Implementation of a China marketing strategy is the centrepiece of proposals to resolve quality problems in the leisure group tour market from China. In view of the quality problems experienced in the China market and the projected growth potential, there is a need to implement an appropriately resourced China marketing strategy that operates at the source market end of the distribution channel.

89 In the context of this Review, the purpose of such a strategy would be one of risk management, aiming to educate and influence Chinese travel consumers about New Zealand as a high quality, high value destination not a cheap mass tourism destination. Consumers who match New Zealand's desired traveller profiles and who make informed purchase decisions about their travel to New Zealand represent a long term sustainable market-led solution to the current problems.

90 Market self-correction, while feasible over the long run, is likely to take longer than that experienced in other markets, due to language barriers and the size of the market. Hence a major downside of relying on market evolution to correct away from very poor quality tourism is likely to be lasting harm to NZ's image (a lasting example of such undesirable impacts has already been experienced in the education market from China, and a similar one in the tourism context is likely to have further negative spillover effects for trade relations with China).

91 It is proposed, then, that future budget setting for TNZ take into account that resourcing is needed to conduct targeted marketing actions in China, including identification of market segments in line with the NZTS and a consumer campaign targeted at these segments, particularly in view of Air New Zealand's recent decision to establish direct air services to Shanghai.

Section Summary

92 The China market shows strong growth potential in the brand valuation, and is also a key focus for reasons of quality control and consumer education purposes. One of the key findings of this review is therefore the need to invest into TNZ activities in China immediately, subject to the development of a (likely to be extensive and

expensive) communications adaptation to the tagline (100% Pure apparently translates to 100% Nothing in China), and subject to a comprehensive research programme prior to major brand investment.

Conclusions and Recommendations

93 This section concludes with an assessment of all the findings outlined above against the original assessment criteria for the Review, makes recommendations for market investment and draws out budgetary implications as well as indications for future performance reporting.

Revisiting the Assessment Criteria

94 Having synthesised the main findings from the research reports, it is now timely to return to the Review's key objectives and assessment criteria. The Review, as readers will recall, is aimed at establishing the case for further public investment in the tourism sector through assessing the potential net economic benefits of such investment, analysing the relationship between public marketing spend and visitor arrivals and assessing TNZ's delivery on the stated relevant objectives of the NZTS 2010.

95 To aid analysis, four assessment criteria are used to assess this case. They are:

1. Does market failure exist that establishes a *prima facie* case for government support?
2. Can the net economic benefits of further growth in tourism be established?
3. Does TNZ's marketing strategy contribute to increased tourism expenditure? and
4. Is taxpayer funding the most appropriate means of providing an increase in TNZ's baseline.

Does market failure exist?

96 Criterion One has been satisfied in this analysis. The literature and international practice indicate that, at least *prima facie*, a rationale for government involvement exists, based on market failure relating to the presence of externalities and indivisibilities.

Can the net economic benefits be established?

97 Criterion Two is more difficult to satisfy. The sector clearly contributes substantial gross economic benefits to the New Zealand economy – it is a major contributor to production, employment and exports, as well as to the balance of payments on services trade. Growth in value added and labour productivity also appears to have outstripped the corresponding measures of growth in the wider economy, although it is unclear at this stage whether this is a cyclical effect or not, nor is it clear whether the effect is related to multi-factor productivity. There is also a large degree of variation in sub-sectors of the industry and variation over time in productivity growth. However, assessing the net economic benefits would necessitate the development of a Computable General Equilibrium (CGE) model, to model the effects

of increased growth in the tourism sector on other sectors (and therefore identify the opportunity cost of such investment). Such modelling, of course, has its own methodological problems, well documented in the literature.

98 In the absence of such data, what is known is that such crowding out effects are much more likely going forward than they have been in the past, due to the economy running at full capacity, though no empirical evidence exists either way. What is also known is that the projected future labour and skill demands of the sector will increasingly present it with difficulties – its low productivity / low wage / low skill combination reduces its competitiveness in capital and labour markets. This is a particular concern in view of the NZTS 2010 goals relating to lifting quality and yields, which both depend on higher quality inputs of capital.

99 Any conclusion on this criterion, therefore, remains based on judgement rather than empirical evidence. In view of the NZTS 2010's focus on quality and higher yield, the overall approach of the sector – at least in intent – appears to be the right one. That is, the focus is on increasing productivity, on focusing on quality not quantity, on de-commoditising the product. In the context of this Review, therefore, the conclusion on whether or not net economic benefits can be established is an empirical no, but a judgement that the intent of the NZTS is going the right way.

100 What remains to be assessed, in this context, is the delivery on Criterion Three by TNZ.

Is TNZ's marketing contributing to increased visitor expenditure?

101 Increased visitor expenditure outcomes are intended to be achieved by a targeted marketing campaign aimed at the Interactive Traveller. For reasons of recency of data collection on the Interactive Traveller segment, neither the Otago modelling work nor the Interbrand valuations were able to include data on this segment. What we have aimed to do instead is to focus on visitor arrivals and brand valuation.

102 As discussed above, findings on the Otago modelling work remain inconclusive, and conclusions, other than the existence of a positive relationship, cannot be drawn at this early stage. Hence we will attempt to model this relationship in the UK in a longer term timeframe and in other markets.

103 Going forward, Interactive Traveller data needs to be factored into such models, which, if they are more conclusive, could become a mainstay of the research and monitoring programme the Ministry of Tourism employs.

104 Brand valuation suggests that there are indeed strong current brand earnings, particularly relating to the UK and Australia, and that future growth is most likely to occur in the UK and China. In particular, the modelled return on investment from TNZ spend in Australia (\$467 million, the UK (\$224 million) and the US (\$309 million) suggest a very strong and positive relationship between brand value earnings to the New Zealand economy and TNZ marketing spend.

105 The results, however, might inform different marketing strategy in different markets, such as more emphasis on conversion in the UK coupled with brand driver adjustment, less country brand investment in Australia, coupled with regional

differentiation (potentially in conjunction with RTOs) and further work at the conversion to market share end in the US.

106 It is also clear the investment in China is required, to move the market to the sort of quality outcomes expected under the NZTS 2010, and the Interbrand report suggests that there is a possibility that further investment in Germany (TNZ allocate nearly \$1m to this market at present) and additional investment in parts of Europe (Netherlands, Scandinavia) might also give good returns on lifting yield.

107 With regard to delivery on NZTS 2010 intention, stakeholders emphasise the need for further testing of the Interactive Traveller strategy in key geographic markets, better analysis of this and better communication of the characteristics of the segment to the industry, to match the product offering with the market demand.

108 Stakeholders also indicate a view that better public / private partnership is required, with more transparent performance measures needed and the communication of annual marketing plans.

Is taxpayer funding the best mechanism for forward investment in TNZ?

109 Criterion Four is instrumental in decisions around setting future funding levels for TNZ. On the whole, New Zealand is one of the few countries in the world to fund its offshore marketing solely through public money. This decision was made in the early 90s, reflecting perceptions then that New Zealand had not developed a tourism profile. Instead, marketing initiatives were scattered between the different tourism markets, and there was no coherent brand. This reflects the tension between generic marketing of a destination and tactical marketing of a product, with the interests of a private partner primarily being in the latter.

110 This strategy appears to have paid off, with a strong coherent destination brand apparent in all the major markets, and with stakeholder feedback overall very positive impact of the 100% Pure campaign. Yet the pendulum might have swung too far, and it may be timely, in the context of future budget setting for TNZ, to return to some form of industry partnership.

111 In their review of alternative models for funding offshore destination marketing, Martin, Davis and Mutch (2005) refer to three possible alternatives:

- Funding generated from general taxation, with the principal advantages around no distortion of the competitive position of tourism against other industries and across rival tourist destinations, coupled with administrative efficiency;
- Tourism taxation with the possible distortion of the competitive position of the sector (for which little consistent evidence exists and which may be less of a concern in a long haul destination such as New Zealand); and
- Funding from industry which reflects the fact that offshore destination marketing confers private benefits and it is therefore not unreasonable to expect some contribution from industry.

112 We suggest a combined approach, with some funding from general taxation, some funding from industry, and the further investigation for recouping some funding through targeted taxation.

113 Suggesting funding from industry is timely in view of the need to have a more partnership-based approach to offshore marketing, as indicated in this Review, and the need to address the current imbalance between the awareness levels of interactive travellers of New Zealand as a preferred destination, and the conversion of this awareness into a sale (where the industry has to play a lead role and which requires direct cooperation between TNZ and the industry). Additional government funding could thus be conditional – in whole or in part – on an equivalent contribution from the industry. Given the likely scale of the additional funding involved, and the administrative cost of devising levies (even though this could be done), coupled with strong industry opposition to levies, we suggest that partnership funding, incentivised by a dollar for dollar matching from central government, and focused on the conversion end of marketing, is appropriate.

114 As regards targeted taxation, in economic theory at least, industry funding and targeted taxation are identical in terms of outcomes – if industry is funding the marketing, they will presumably pass this on (to the extent that they are able to, given demand elasticity) through an increase in prices to tourists. Ultimately the proportion of the tax or levy that is passed on depends on the slopes of the demand and supply curves – but the incidence is identical across the two options. The choice between the two options is essentially one of administrative convenience, and one of flexibility in the face of changing circumstances.

Conclusions from Assessment Criteria

115 The overall analysis against the four assessment criteria suggests that Criterion 1 has been satisfied, Criterion 2 has not been fully satisfied, but positive indications exist and, in intent, the NZTS 2010 is on the right track regarding this. Criterion 3 has not been satisfied in the direct causal sense from the Otago modelling work, but is strongly supported by the Interbrand brand valuation, which, taken on its own, suggests a strong positive relationship between marketing investment and value to the New Zealand economy in terms of brand earnings. Criterion 4 analysis suggests that a combination of taxpayer funding and incentivised industry contribution (subject to further research around effective mechanisms for this) is the best approach to forward funding, coupled with an analysis of the ins and outs of recouping some of that public funding through targeted taxation (again, subject to further research around effective mechanisms).

Market Recommendations

116 The brand value research in key markets suggests the following forward strategies:

- Australia: This market has historically provided a strong return on investment (26:1), and looks to provide a strong case for consistent future investment. The strong correlation in the market between preference and intention, and the high conversion of intention to market share suggests that continued focus on preference building activities is the appropriate strategy;

- UK: Although from a numerical standpoint the historical return on investment does not seem strong (although considerable at 11:1), the highly competitive nature of the market suggests that consistent investment should be maintained. The conversion patterns indicate that further work on converting preference into market share could also provide a strong return on investment – additional analysis would be required to confirm this;
- US: This market has an ROI of 15:1. Conversion appears to be the key issue in the US market. The information suggests that this issue needs to be addressed prior to major additional 'above the line' investment in this market;
- Japan: The forecasts for Japan suggest low growth, and the return on investment does not seem to be as attractive here as in other markets; high media costs are likely to be a key factor here (this market may therefore need further research);
- Korea: Based on the limited data, Korea seems like a potentially attractive market for investment. Its high growth economy and historic strength of New Zealand could be an underleveraged asset; and
- China: With limited data it is hard to draw a conclusive picture regarding the Chinese market; however it is clear that significant additional research and great care will be required prior to substantial investment in this market.

Performance Monitoring

117 OECD (2000) research indicates that very little research has been done to set effective performance measures for NTO marketing expenditure. An evaluation of existing NTO structures in 14 countries undertaken in 2000 indicates that best practice should be some form of both a fixed component and a performance-based component to NTO budgets. The fixed component enables dealing with the need to work with long term planning and encourages a long term perspective. The performance-based component is meant to promote NTO market focus and market orientation.

118 The literature indicates that NTO promotional budgets should ideally be linked to objectives and tasks that are specific, with assumptions about the relationship between dollars spent, exposure levels, measures of awareness, preference and intention to travel, as well as conversion rates spelled out, market by market. Such measures could be based on a combination of share of voice (competitive parity) measures and ROI measures. These could take the form of more specificity on market by market and goal-related KPIs, or could be based on particular industry outcomes relating to conversion, where appropriate.

119 Further work on these is necessary in conjunction with TNZ, and it is suggested that work emerging from the Baseline Review post submission of this report and the 2005/06 budget round develop such KPIs for the 06/07 financial year.

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Appendix 1: Terms of Reference

Terms of Reference – TNZ Baseline Review

As part of the GIF 2004/05 Budget, Tourism New Zealand (TNZ) put up a bid for an increased offshore marketing budget (seeking an extra \$41m pa (GST inclusive), which was unsuccessful but led to a one off increase of \$10m (GST inclusive) for 2005/06 “to fund a targeted media campaign focusing on attracting a greater number of higher yield travellers from the United States of America, Japan and the United Kingdom”. At that same meeting, Cabinet also directed officials to undertake an offshore marketing baseline review in 2005/06 [CAB (05) 13/7 (58) refers].

At the time, concerns regarding the initial \$41 million bid centred on the need to better understand the net economic benefit of further government investment in tourism promotional funding. There were questions regarding:

- The relative productivity of resources in tourism versus other sectors
- The relative importance of promotional spends versus other factors influencing tourism flows and expenditure

Government Involvement in the Tourism Sector

There are many public good aspects of tourism development. International promotion, regulation, investment attraction and infrastructure development are often not undertaken by the private sector alone, as commercial benefits may not be immediately clear or cannot be fully captured by firms.

Offshore marketing, in particular, appears to be a common activity for governments to be involved in; indeed a survey of international practice by the OECD (2000) generally points to a role for central government in this, though the level of funding and extent of industry partnership varies widely.

The literature also appears to indicate a role for government in offshore marketing. The two most commonly cited reasons rely on market failure and public good rationales:

- Potential underinvestment in offshore promotion: This is due to the inability by individual firms to capture the full benefits of that investment (particularly when the industry is fragmented, contains a large number of small firms, has wide dispersal of direct expenditures across the economy and supplies goods and services to residents as well, with no particular ‘tourism product’).
- Indivisibilities of promotional spend: Small firms and fragmented industries often lack the financial capacity to fund the minimum investment necessary to conduct an effective marketing campaign (or have insufficient awareness of the benefits of organising cooperative efforts).

Australian work on this issue appears to indicate that the provision of offshore marketing by central government might be particularly important in geographically distant places (i.e. while it may be possible for a hotel in London to capture some of

the benefits from advertising itself in Paris, a similar hotel in Auckland is unlikely to be able to do so) (Australian Tourism Taskforce, 2002).

While a generic role for government in destination marketing / offshore promotion therefore appears to be commonly accepted in many countries and also supported in the literature, there is little guidance on either the shape or size of that role or its effectiveness. General justifications do not offer guidance on the most appropriate level of support or the nature of the industry partnership. Promotional activities are just one of the factors considered to influence destination selection decisions and therefore tourism flows (other determinants include economic conditions in countries of origin, real exchange rates, air capacity, independent private sector spend, etc.).

Furthermore, there are also questions regarding the return on public investment in offshore marketing. While questions of the relative productivity of resources employed in the tourism sector compared to other sectors cannot at present easily be answered (e.g. no sector productivity data is available for the tourism sector), an attempt needs to be made to better understand the effectiveness and efficiency of resources employed in destination marketing, as well as the alignment of its focus with the strategic direction of the New Zealand Tourism Strategy (NZTS) 2010 and its focus on yield.

These Terms of Reference (TOR) set out the objectives, scope and process for a review of the overall focus and budget of TNZ's offshore marketing activities (its campaign and channel outputs, as detailed in Purchase Agreement 2004/05).

Objectives

The overall objective of this project is to review the rationale for and appropriate budget of, TNZ's offshore marketing activities (its campaign and channel outputs) and to establish their effectiveness in achieving the stated NZTS 2010 strategy objectives for future tourism. Within the NZTS framework, an attempt will be made to review the rationale for current public investment in tourism-related activities, with a particular emphasis on tourism promotion (i.e. while government roles in tourism will be reviewed for the context of this review, specific evaluation emphasis will be on tourism promotion only).

The main emphasis is on understanding where we want to be in the future (rather than reviewing the past). Underlying objectives fall into 4 categories, including context objectives regarding the role of government in tourism, focus objectives regarding alignment of strategic direction (NZTS 2010) and marketing strategy, effectiveness objectives regarding current offshore marketing impact and budget objectives relating to future funding and a bid into Budget 2006.

Context objectives include:

- Establishing the case for why support for the tourism sector might be a good public investment, as far as that is possible (note this will have to be based on limited data (e.g. expenditure data and the current Tourism Satellite Account), as comparative sectoral productivity data is not available)

- Assessing, as far as this is practical, the area of government investment where there are the greatest benefits / returns on investment

Focus objectives include:

- In light of the NZTS 2010's vision for long term tourism, analysis of current place (what sort of tourism do we currently have and does it differ from the strategic direction) and current marketing campaign aims.
- Assessing how we do more of what's required in offshore marketing (if there is a difference between what's required and what's currently done), what do we need to do to get to the desired type of tourism (i.e. what is the set of activities required to achieve desired goals, who is responsible for these activities (including a review of international practice re. private sector leverage and/or alternative funding models such as industry levies) and what is the place of current central government promotional activities within this)

Effectiveness objectives include:

- Gaining a better understanding of the impact of the current overall marketing spends in achieving the currently desired outcomes (i.e. the objectives stated in 04/05 purchase agreements), including:
 - Describing the international market context in view of declining 'share of voice' / decline of brand profile concerns identified by TNZ (including emerging and horizon markets)
 - Assessing how effective current TNZ channel and campaign activities are at increasing visitor arrivals (including the percentage of interactive travellers coming to NZ (selected market analyses))
 - Identifying the size and nature of private sector contribution to this marketing (i.e. extent of leverage)
- Gaining a better understanding of the impact of the current overall marketing spends in achieving the desired NZTS 2010 outcomes
- Developing an understanding of current performance measures that work for the identified focus and if and how these might need to be changed

Budget objectives include:

- To develop a proposal for future funding for TNZ in time for Budget 2006

Scope:

Included in the scope are a review of the impact of both campaign activities and channel activities. Not included in the scope of this review are TNZ's capability or onshore activities (e.g. VIN, Qualmark), the existing TNZ organisational form, or the Ministry of Tourism's roles and activities.

Strategic Approach

The project will proceed in 4 phases (some of which will happen concurrently):

- Phase 1: Establishment of Terms of Reference (TOR) and Steering Group and establishment of context case regarding the role of government in tourism
- Phase 2: Review TNZ's vision and strategic focus as well as the focus of current promotional activities in the context of the desired NZTS 2010 goals
- Phase 3: Researching effectiveness of current marketing spend in achieving both currently desired and NZTS 2010 outcomes (if these differ)
- Phase 4: Development of proposal for future funding for TNZ (for Budget 2006)

Outputs Delivered and Timeframe

Phase 1:

- TOR established and agreed upon by 1 July
- Steering Group set up by 1 July
- Context case developed by 30 August

Phases 2 and 3:

- Strategy review by 30 August
- Marketing evaluation findings by 30 September
- Presentation of draft findings to Steering Group by 30 September
- Preparation of draft report by 15 October
- Consultation on draft report by 15 November
- Preparation of final report by 31 December

Phase 4:

- Development of budget bid by 30 November

Project Governance

The project will be managed by the Manager Tourism Policy. Accountability is to the GM, Ministry of Tourism. The project will have a formal steering group drawn from TNZ (CEO & Chairman or designee), Ministry of Tourism (GM), MED (Deputy Secretary Industry and Regional Development) and Treasury. The steering group

will provide overall guidance for the project, focused on two main project stages, one at inception / Terms of Reference stage and one at draft findings stage. From Phase 2, TIANZ (CEO or designee) will also be invited to participate in steering group.

Other key stakeholders (e.g. Air New Zealand, RTONZ) will also be engaged, but will not sit on the formal steering group for the project in the interests of manageability.

Appendix 2: Review Methodology

Overall Approach to Baseline Review

This review of TNZ's offshore marketing function is essentially an effectiveness evaluation, focused on outcomes of the offshore marketing intervention. The main techniques for effectiveness evaluation that this report draws on consist of performance measurement and indicator reviews, economic/value based measurements, benchmarking (external practices and processes and performance metrics), stakeholder analysis, and programme evaluation. Particular emphasis is placed on the following attributes of effectiveness identified by Treasury (1998):

- Relevance (the extent to which TNZ's marketing strategy continues to make sense in regard to the problems or conditions to which it is intended to respond (NZTS 2010));
- Appropriateness (the extent to which TNZ's intervention is logical in light of specific objectives to be achieved, achievement of intended results (the extent to which goals and objectives have been realised);
- Acceptance (the extent to which the constituencies or customers for whom a programme is designed judge it to be satisfactory – stakeholder analysis);
- Responsiveness (TNZ's ability to adapt to changes in such factors as markets, competition etc.); and
- Monitoring and reporting (the extent to which key matters pertaining to performance and organisational strength are identified, reported, and carefully monitored).

In terms of approach, two key criteria guided the development of the Terms of Reference for the Baseline Review:

- Appropriateness of activity – the extent to which the offshore marketing activities of TNZ match the needs of clients and stakeholders (both through the stated needs in the NZTS 2010 and through stakeholder interviews);
- Effectiveness – the extent to which the offshore marketing activities achieve the stated objectives relating to increased visitor arrivals and increased yield¹⁰

Establishing Causality – Methodological Issues

Departments continually face problems with establishing direct causality of policy intervention. It is often difficult to show, let alone provide robust measures of, the level of causality between policy advice, ensuing policy decision and later outcomes. There are often a multiplicity of factors that impact on the shape of final outcomes, many of which are outside the control of government. Information gaps also limit evaluation, often related to limited historical time-series data collection, or the lack of

¹⁰ Yield-related objectives can, of course, be achieved through other means, so this goal is not specifically TNZ-related.

development of indicators. Experimental or quasi-experimental research conditions are often not possible, and evaluations often have to rely on a range of techniques (SSC, 1999). For this reason, and because all of those identified difficulties apply to some degree to this evaluation, we have adopted a *weight of evidence* approach to this effectiveness evaluation described below.

Evaluating Effectiveness of NTO Marketing Activities

A meaningful evaluation of any NTO's overall marketing effectiveness requires some conclusions to be drawn on the extent to which visitor arrivals are actually attributable to that NTO's activities. The fundamental difficulty with such evaluations is that we rarely get to observe what would have happened if the policy had not been put into effect.

Most NTOs reviewed in the context of this Review use Return on Investment (ROI) measures of performance. ROI analysis is based on quantification of the return an NTO achieves for a specified investment in promotion and marketing, most often in the form of visitor numbers or expenditure. Most are simple causality approaches, that is, revenue generated is indexed against the total amount of spend on promotion. In other words, no direct causality is attributed to the NTO's role in this, there is an assumption that a relationship exists (WTO 2003). We cannot answer the question of whether the NTO's offshore marketing activities generated visits that would not have occurred without it.

A review of impact assessment indicators of tourism marketing programmes by Woodside and Sakai (2001) lists a range of effectiveness and efficiency indicators commonly used. Effectiveness indicators are mostly focused on measuring performance (that is, delivery on benefits to stakeholders) and include the value of revenues generated from the programme. Efficiency indicators are focused on conformance measures, that is service delivery that meets mandated standards (such as activities done in compliance to standards set, cost per inquiry ratios of different media vehicles used).

This Review is primarily focused on effectiveness indicators (i.e we are not assessing the efficiency of different media vehicles use, though this might be a forward recommendation).

The Approach we took

Evaluating a specific policy action, such as an NTO's offshore marketing programme, requires an estimate of the change in the number and types of visitors directly attributable to that NTO's activities. The main obstacle to this is usually establishing the direct cause-effect linkage between the action being evaluated (in this case TNZ's offshore marketing) and a change in tourism activity. As Stynes (1999) indicates, the fundamental rule in evaluating the impacts of a particular action is to estimate changes with and without the action, not simply before and after. To attribute a change in tourism to a particular action, one must establish a cause-effect relationship. Put another way, we want to know the extent to which the market's response is actually attributable to the organisation's actions, and for this a positive relationship between marketing activities and market trends is not, in itself, proof of a causal relationship.

Relating to the context of this Review, the question then becomes not one of what would the level of tourism activity from, say, the UK have been before and after TNZ intervention, but what would it have been with and without.

The immediately obvious problem with this requirement is that experimental or quasi-experimental research designs (which would achieve the greatest internal validity), where we 'turn off the tap' in terms of marketing investment to see for a little while what effect that might have, are clearly not feasible. Quite apart from the difficulty with assessing the lag effects, such experimentation frequently needs to be built into promotional activity at the design stage. This is clearly not an option in this Review.

The literature suggests that evaluations of NTO programmes need to look at both assessment of the impact of immediate programme-related factors (such as no. of enquiries on media advertising, coupon responses to direct marketing, attendance levels at trade shows, column inches in travel writing, no. of enquiries from trade missions) and *some* form of identification and analysis of broader environmental factors that have the potential to impact visitor numbers (Faulkner, 1997). Multivariate analysis and experimental and quasi-experimental methods are suggested as the main methods for the latter task, if causal relationships are to be established.

We therefore have to rely on methods of enquiry that attempt to model such relationships, and to place these into the context of a framework that systematically integrates a range of techniques, in the interests of triangulation and a 'weight of evidence' approach.

Weight of Evidence Approach

International literature suggests that the best way to deal with these problems is to employ what is termed a 'weight of evidence' approach to evaluating the effectiveness of NTO offshore marketing activities. Due to the difficulty in attributing an increase in visitation or yield directly to marketing activities, this approach suggests gathering a range of indicators that together offer an indication of the success or otherwise of an NTO's activities in achieving the goals it has (Tourism Victoria, 2000). Seaton (2000) suggests that the best way to triangulate in this context is to look at a combination of behavioural and communication measures¹¹.

This has consisted of two types of modelling applied to this Review. One, conducted by Otago University, relies on econometric modelling of the relationship between marketing investment and visitor arrivals. The second, conducted by Interbrand, comes at the problem from the other end, essentially modelling the relationship between the economic value added to the New Zealand economy from the brand investment, and is a causal ROI measure based on modelling (as opposed to the simple ROI models described above, which establish trends but don't model the causal link). Both of these approaches rely mostly on behavioural measures.

¹¹ Behavioural measures include the measurement of visitor numbers, visitor expenditure and occupancy, critical market profiling, repeat visit analysis, emergent market analysis, benchmarking and competitive indexing and the identification of leverage effects. Communications measures include pre- and post-communication measures, qualitative techniques for destination image and branding research, and conversion studies.

In addition, and to determine the impact of the brand in various markets, as well as its contribution to outcomes sought by stakeholders (industry, both on and off-shore, sampling strategy attached below), communication measures were used, with a particular focus on brand analysis and conversion effects.

Both of these studies were supplemented by a review of the international literature related to causal modelling.