

Identifying the potential for the Australia VFR market to grow New Zealand tourism

Full report
May 2018

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Introduction



Background

- 40-50% of Australian arrivals into Auckland cite visiting friends and family as the main purpose for their visit to New Zealand
- Tourism industry players typically hold the beliefs that the VFR market is lower value, mainly comprised of Kiwi expats and that it cannot be stimulated by much other than flight pricing
- AIAL believes there is an opportunity to grow arrivals out of this market, particularly outside of the summer peak, and that there is economic upside can be expected as a result of increased spending by hosts
- AIAL would like to build a robust fact base using quantitative research to verify these opportunities and put the industry's assumptions about this market to the test

! Business issue

———— // ————

What value can the Australian VFR market deliver to our tourism sector, and how can it be extracted?

A wide range of information sources was consulted to address the issue



International Visitor Survey

(Ministry of Business, Innovation and Employment)



Growing the Australian Visiting Friends and Relatives Market

(Forward, Jul 2016)



Australian VFR Market Sizing

(Kantar TNS, May 2016)



VFR Hosts: Optimising the benefits of VFR travellers to your local visitor economy

(MyTravelResearch.com)



Six verbal / face-to-face interviews with industry stakeholders

(Kantar TNS, Dec 2017)



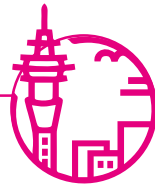
Online survey of Australian Visitors that have visited NZ for a VFR visit, via Auckland

(Kantar TNS, Mar 2018)



Online survey of Australian Considerers of a VFR visit to NZ, via Auckland

(Kantar TNS, Mar 2018)



Online survey of Auckland-based hosts of VFR visitors from Australia

(Kantar TNS, Mar 2018)

XX = Primary research
XX = Secondary research

A low-angle, rear-view shot of a person walking on a polished, reflective floor in what appears to be an airport or travel hub. The person is wearing dark trousers and dark sneakers with light-colored soles. They are pulling a large, bright red rolling suitcase. The background is heavily blurred, showing architectural details and other people in motion, creating a sense of travel and movement. The lighting is soft and even.

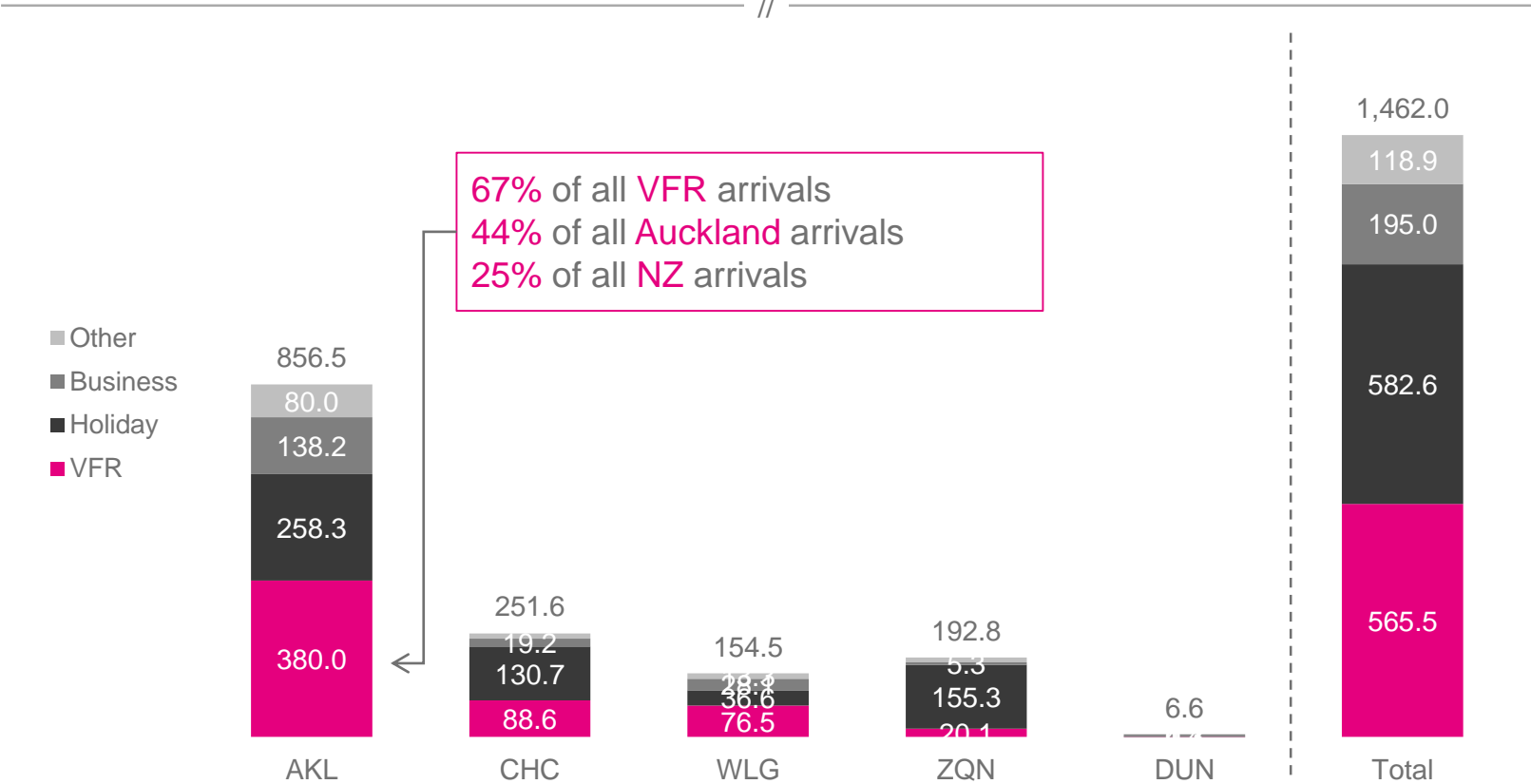
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Key insights

VFR arrivals are an important volume driver of the New Zealand tourism industry

Auckland received nearly 400K Australian visitors last year for the main purpose of visiting friends and relatives, and as in other markets, the challenge is to drive seasonal dispersal of VFR arrivals

Australia visitor arrivals by purpose, by NZ port (000s)
Annual, 2017

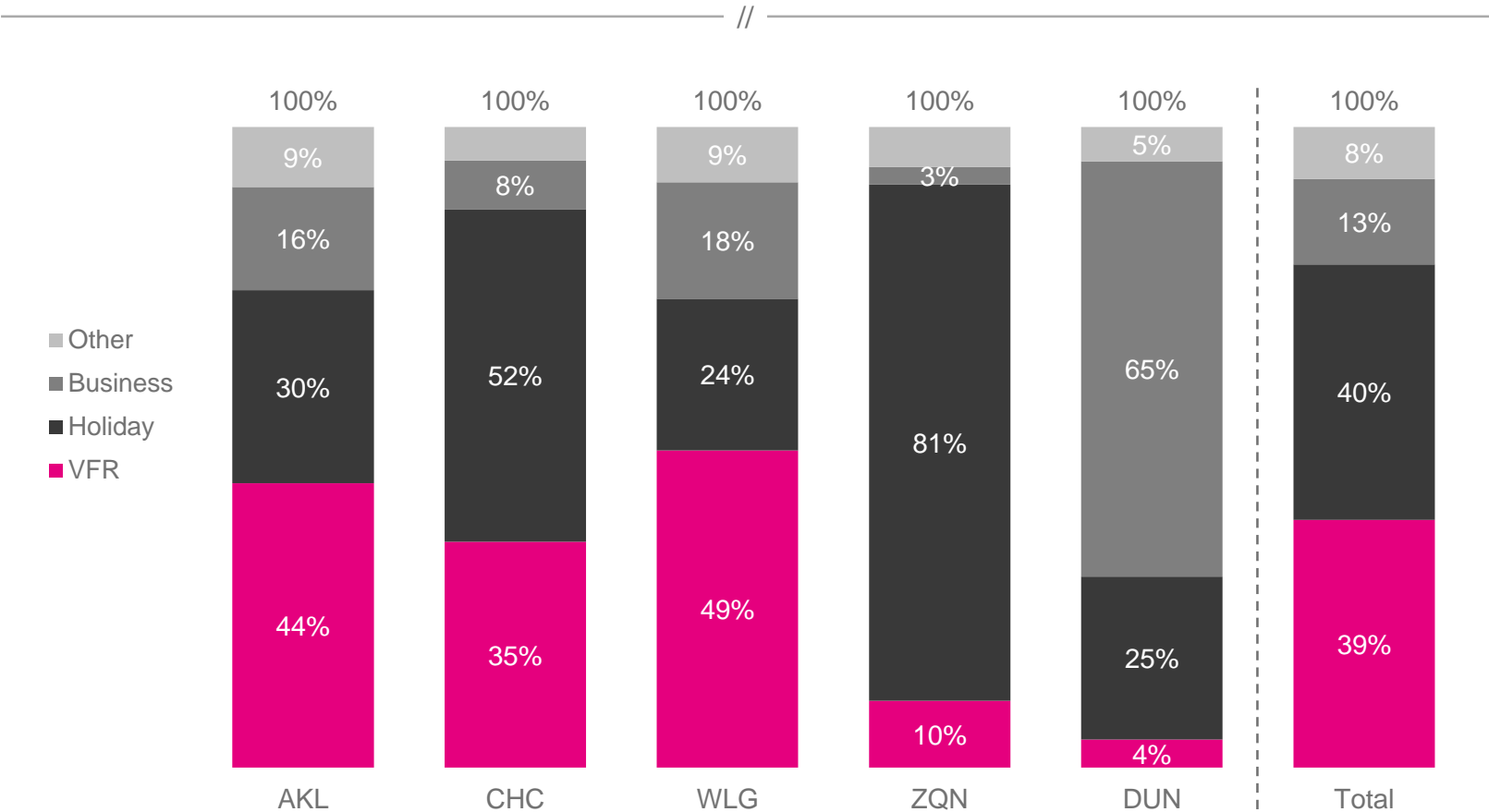


Source: Statistics New Zealand, Jan 2017 – Dec 2017

VFR arrivals are an important volume driver of the New Zealand tourism industry

VFR arrivals account for 39% of all recent arrivals into New Zealand out of Australia, increasing to **44% for Auckland**

Distribution of Australia visitor arrivals by purpose, by NZ port
Annual, 2017



Source: Statistics New Zealand, Jan 2017 – Dec 2017

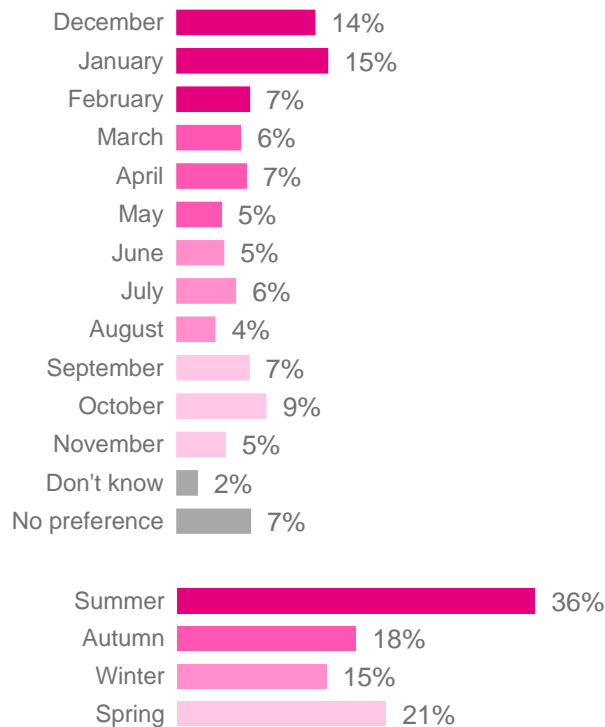
As in other markets,
the challenge is to
drive seasonal
dispersal of VFR
arrivals

While preference for
considerers and visitors alike is
highest for the summer months,
there is scope to **improve off
peak conversion** specifically
during June to October

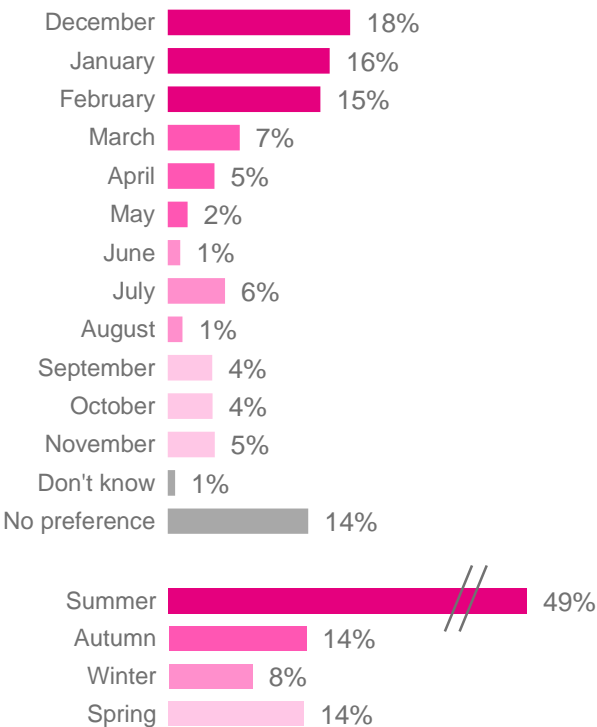
Preferred month / season to visit New Zealand



Considerers



Visitors

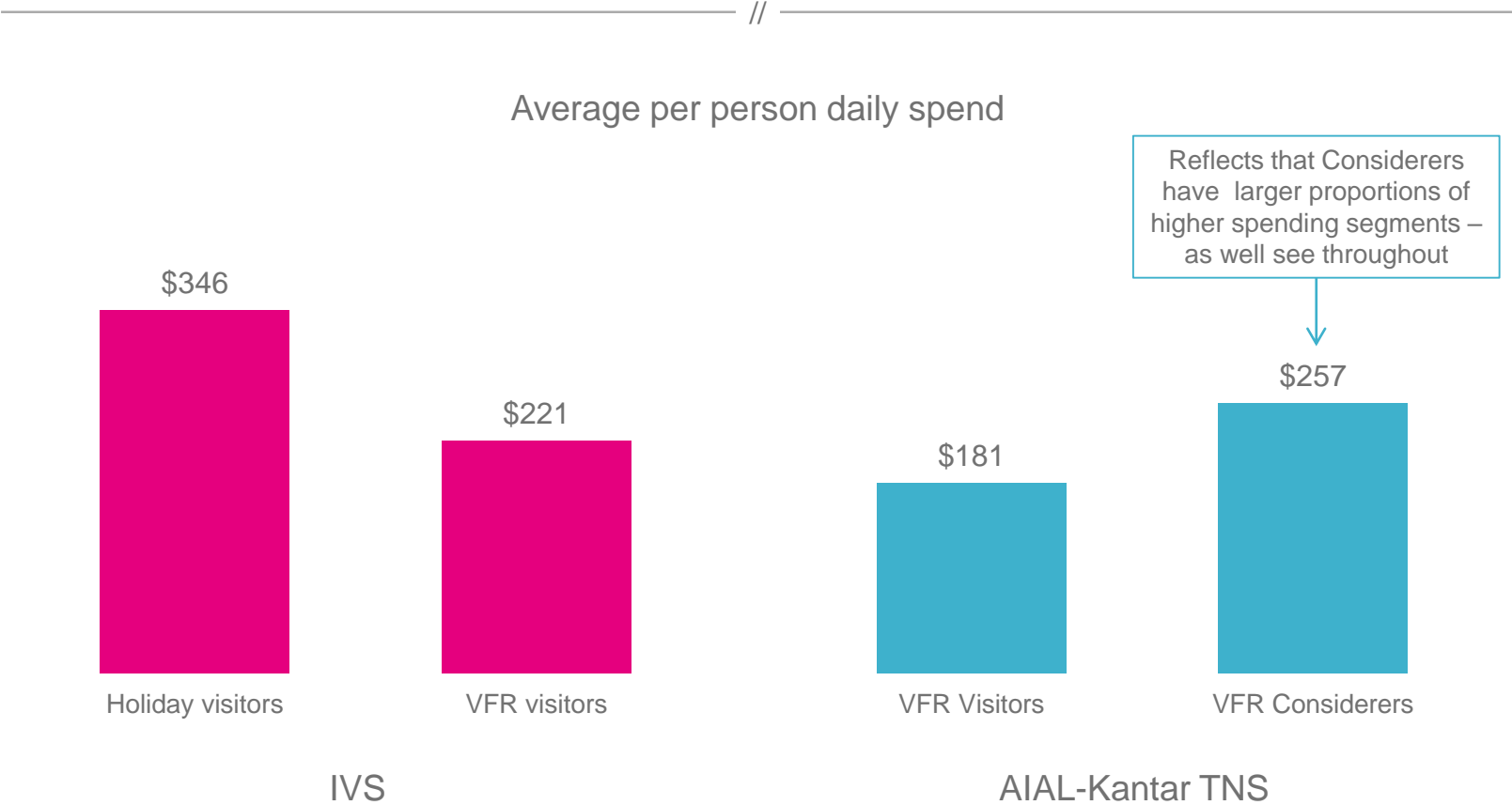


Source: AIAL-Kantar TNS AU VFR Considerer & Visitor Surveys
Base: Considerers, n = 1000 | Visitors, n = 260

Though lower spending than holiday visitors, there is additional value to be extracted

Current VFR visitors don't spend as much as Considerers intend to, highlighting that additional value can be extracted by converting higher value Considerers

Average spend (NZD) in Auckland by Auckland visitors, considerers

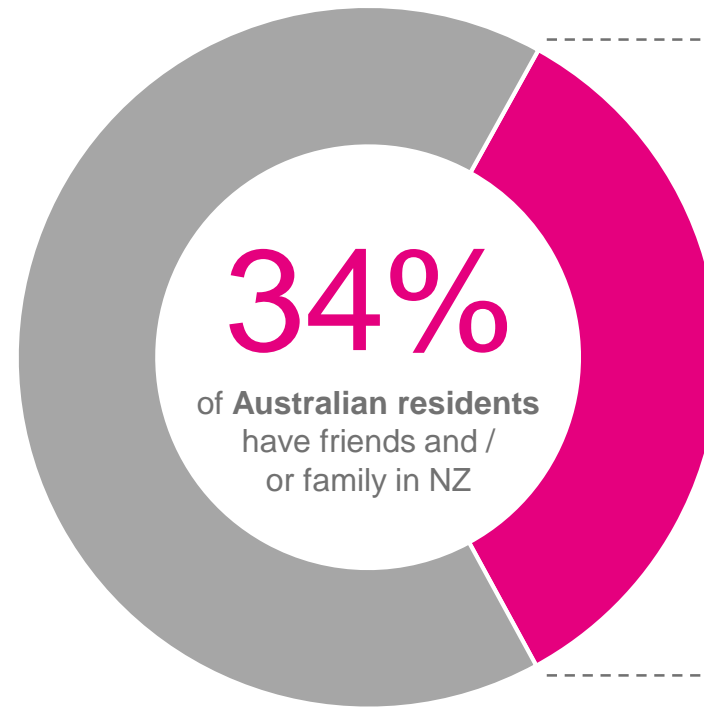


Source: MBIE International Visitor Survey, Q4 2015 – Q3 2016
Source: AIAL-Kantar TNS AKL VFR Host Survey

The market potential for VFR for New Zealand out of Australia is significant

One third of Australian residents have friends or family living in New Zealand (representing the VFR potential market)

Proportion of Australians with friends / family in New Zealand



91% of Australian citizens have **friends** in NZ

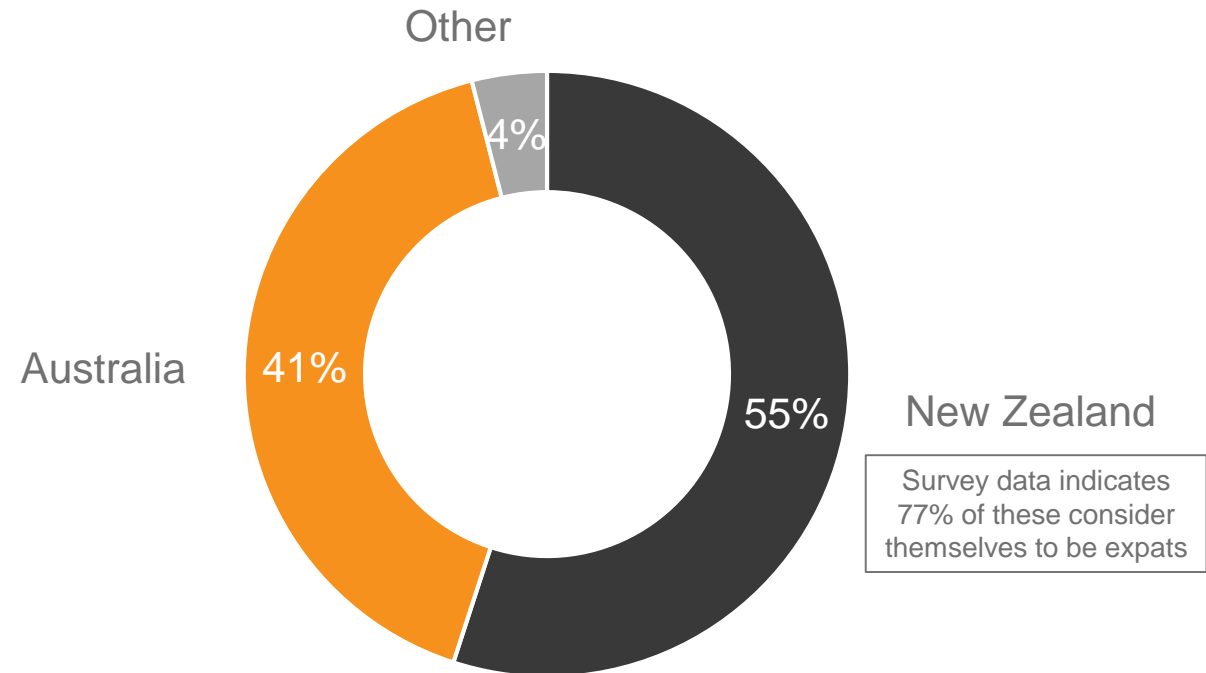
79% of Australian citizens have **family** in NZ

Source: AIAL-Kantar TNS AU VFR Market Sizing, May 2016
Base: Australians aged 18 plus, n=2006

Adjust targeting and messaging to reflect the demographic diversity of the market

While New Zealand citizens are the majority of arrivals, **opportunities exist** to activate people with no national ties to New Zealand

Citizenship of VFR arrivals from Australia via Auckland



Source: AIAL and Kantar TNS analysis of arrival card data, AIAL-Kantar TNS AU VFR Considerer & Visitor Surveys

Adjust targeting and messaging to reflect the demographic diversity of the market

Considerers and Visitors aren't necessarily born-and-bred, Anglo Kiwis or Aussies and international migration means the market only becomes more **diverse**

Surprising stats?



Visitors

Almost half are Australian citizens

Just 45% consider themselves to be Kiwi expats

29% weren't born in Australia

16% identify as Asian

Considerers

Over 80% of are Australian citizens

A third were born outside of Australia

21% identify as Asian

Source: AIAL-Kantar TNS AU VFR Considerer & Visitor Surveys
Further detailed provided in Appendix

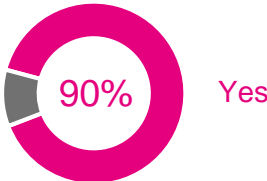
Adjust targeting and messaging to reflect the demographic diversity of the market

Auckland-based hosts of VFR visitors are also **diverse** in their ethnicity and their country of birth

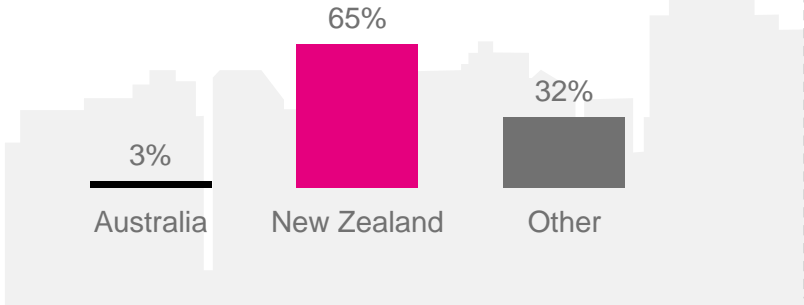
Citizenship, ethnicity and country of birth of Auckland Hosts



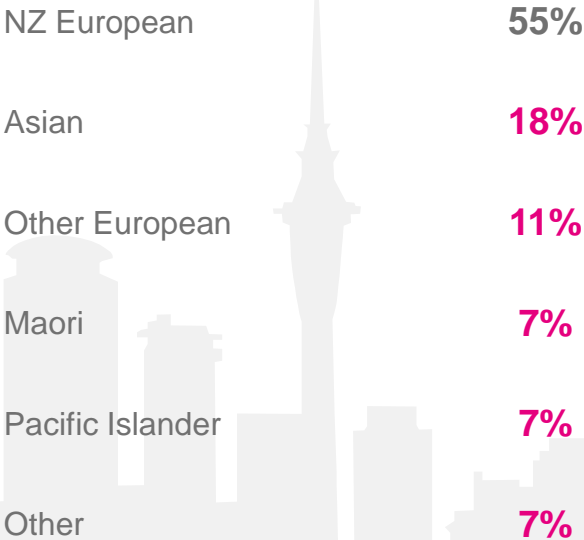
Are you a NZ citizen?



Where were you born?



Ethnicity of the host

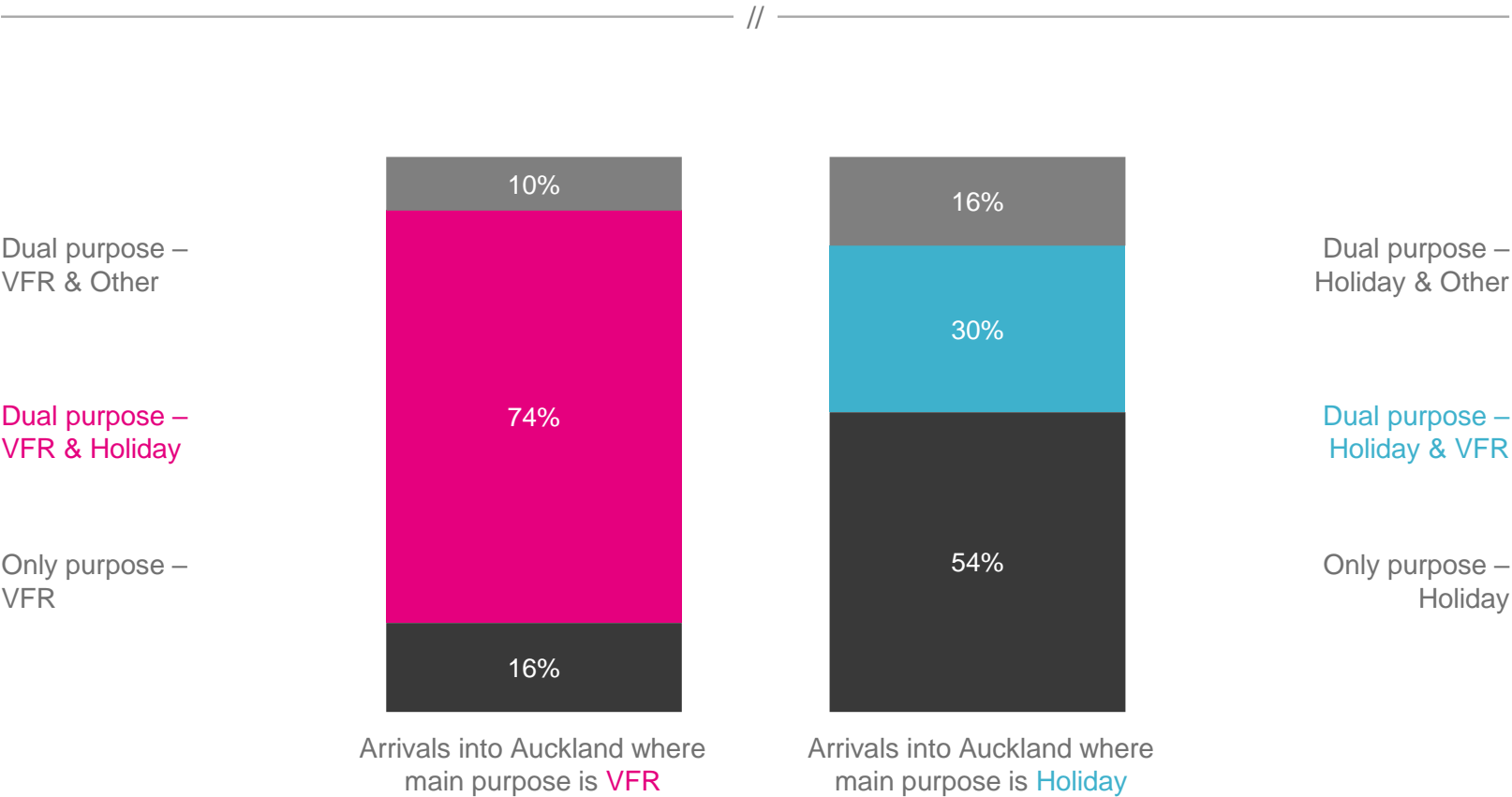


Source: AIAL-Kantar TNS AKL VFR Host Survey
Base: Hosts, n = 1002

Recognise high crossover in VFR and holiday motivations to maximise marcomms impact

The bulk of VFR visitors that arrive from Australia via Auckland also come for a holiday but this doesn't mean destination marketing is a one-solution-fits-all ...

Cross-over in reasons for visiting New Zealand, via Auckland



Source: MBIE International Visitor Survey, Q4 2015 – Q3 2016

Positively frame activation messages around the joy of social connection

Destination marketing needs to be complemented with strong emotive based messages in order to stimulate VFR visitors, most of whom are after all already well familiar with DMO messaging

VFR – **Connection** first

More casual
Grassroots
Host is the networker and scopes out options
Centered around relationships

Holiday – **Destination** first

Well organised
More independent
Not staying with VFR
Centered around the travel/sights

VFR activation

The joy of social integration



CONNECTION

FEELINGS

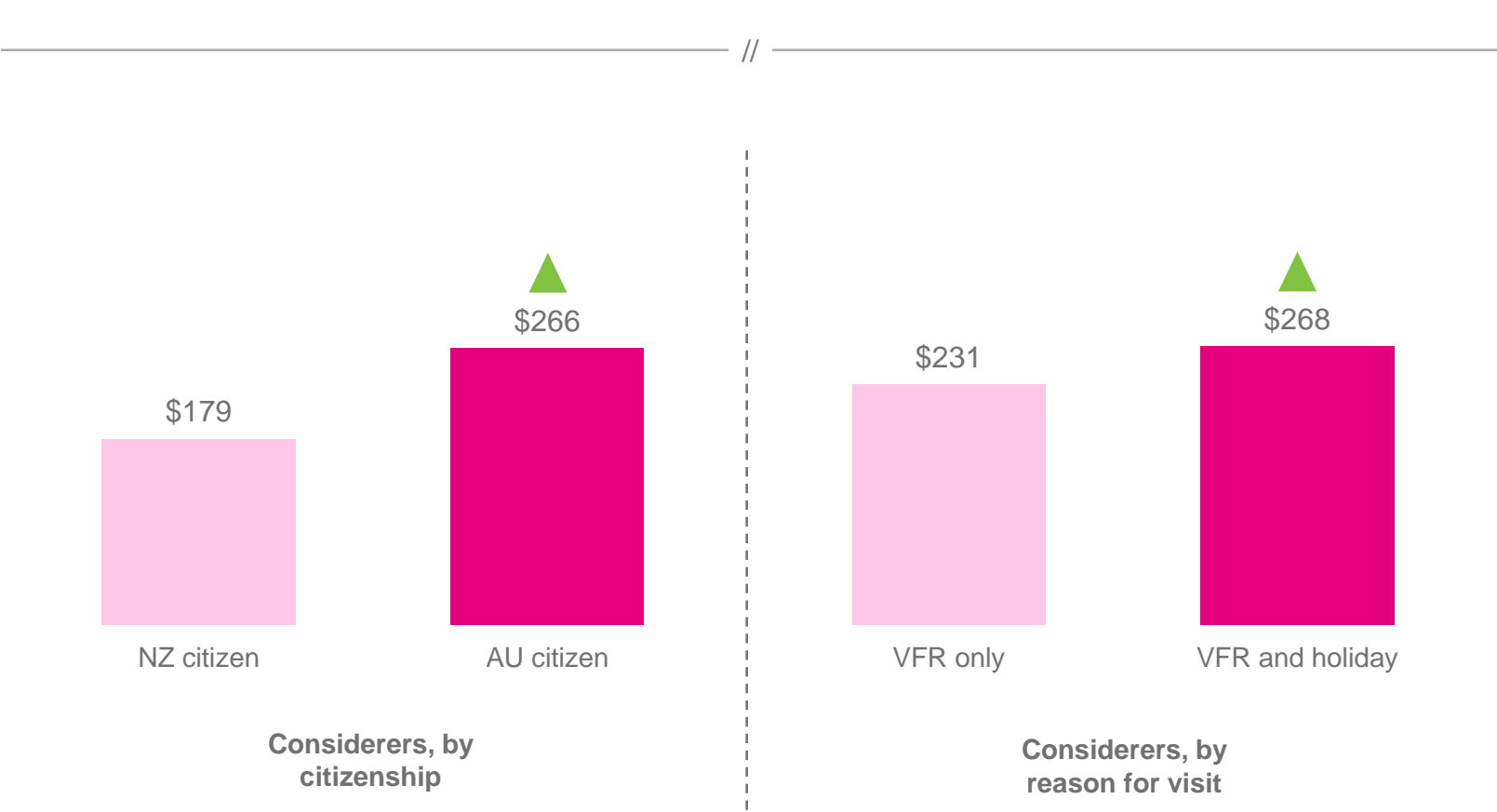
Want to be together
Can't get enough of you
Belonging
Wish you were here

Source: AIAL Activating Australian VFR Market to New Zealand - prepared by FORWARD Insight & Strategy 2016

Recognise high crossover in VFR and holiday motivations to maximise value impact

Australian citizens, who are more inclined to combine their visit with a holiday, **intend to spend more** than NZ citizens, with their behaviours more closely mimicking those of a holiday visitor

Average anticipated daily spend of Considerers, per person (NZD)



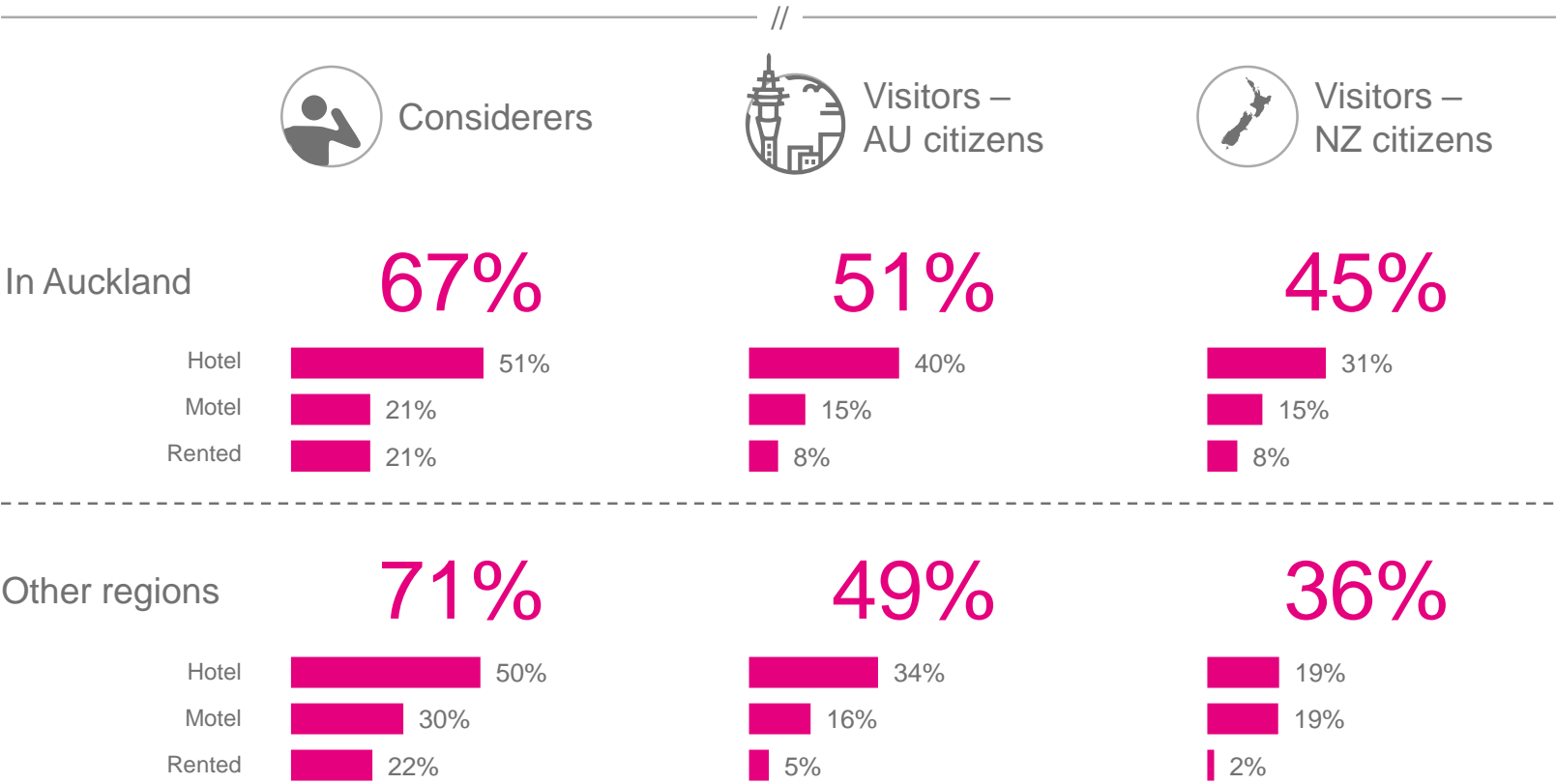
Source: AIAL-Kantar TNS AU VFR Considerer Survey
Base: Considerers, n = 1000; FX rate used: 1.00AUD = 1.06NZD

▲ Sig higher than comparative group

Re-consider the VFR market as an audience for paid accommodation

Australian citizens are especially valuable to target given their usage of **paid accommodation** both in and outside of Auckland

Likelihood to use / usage of paid accommodation



Source: AIAL-Kantar TNS AU VFR Considerer & Visitor Surveys
Base, In Auckland: Considerers, n = 773 | Visitors – AU citizens, n = 140 | Visitors – NZ citizens, n = 72
Base, Other regions: Considerers, n = 757 | Visitors – AU citizens, n = 116 | Visitors – NZ citizens, n = 76

Target 'freedom' and 'convenience' needs to drive greater usage of paid accommodation

Understanding motivators to use accommodation usefully informs offer development and marcomms messaging that operators can take to market

Reasons for planning to use / using paid accommodation in Auckland

	Considerers	Visitors AU citizens	Visitors NZ citizens
To have more freedom / space / privacy	59%	50%	47%
I don't want to be a burden or inconvenience	39%	31%	25%
I don't have any family / friends in Auckland to stay with	33%	5%	8%
Family / friends don't have enough room for guests	24%	23%	20%
Family / friends aren't conveniently located	20%	14%	22%
To have access to other accommodation facilities	19%	0%	7%
I wouldn't feel comfortable enough to ask family / friends	16%	16%	11%
My company / employer would be paying for it	3%	9%	9%

Source: AIAL-Kantar TNS AU VFR Considerer & Visitor Surveys

Base: Considerers that plan to use paid accommodation in Auckland, n = 521 | Visitors – AU citizens that used paid accommodation in Auckland, n = 73 | Visitors – NZ citizens that used paid accommodation in Auckland, n = 31

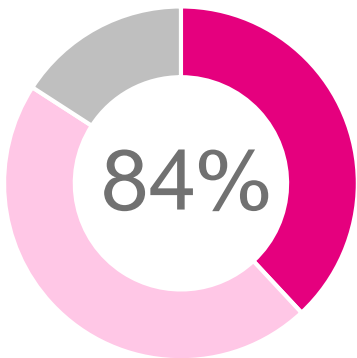
Re-consider the VFR market as an audience for paid transportation

VFR considerers and visitors alike contribute economically via their usage of paid for rental vehicles

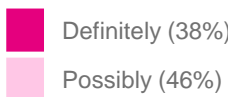
Likelihood to use / usage of rental vehicles



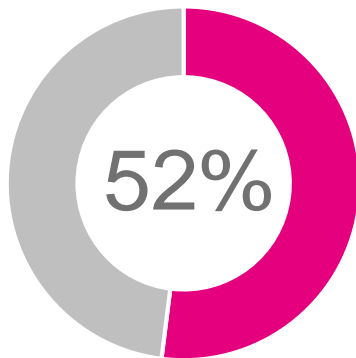
Considerers



Likely to rent a car?



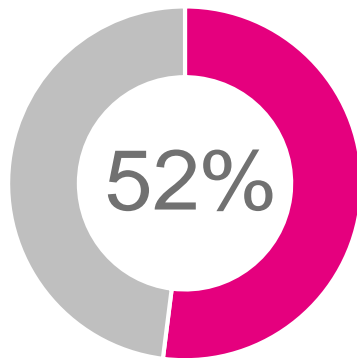
Visitors –
AU citizens



Rented a car?



Visitors –
NZ citizens



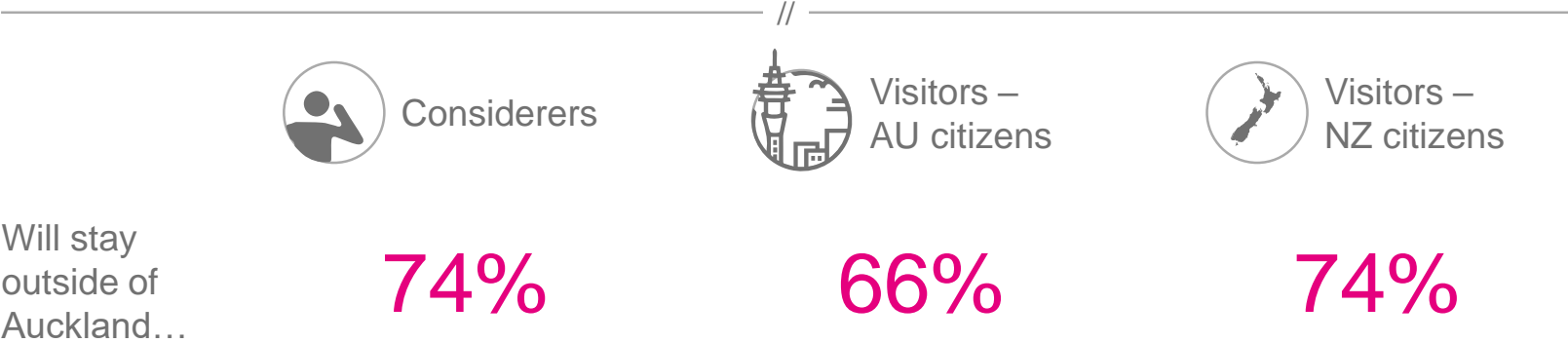
Rented a car?

Source: AIAL-Kantar TNS AU VFR Considerer & Visitor Surveys
Base: Considerers, n = 1000 | Visitors – AU citizens, n = 174 | Visitors – NZ citizens, n = 98

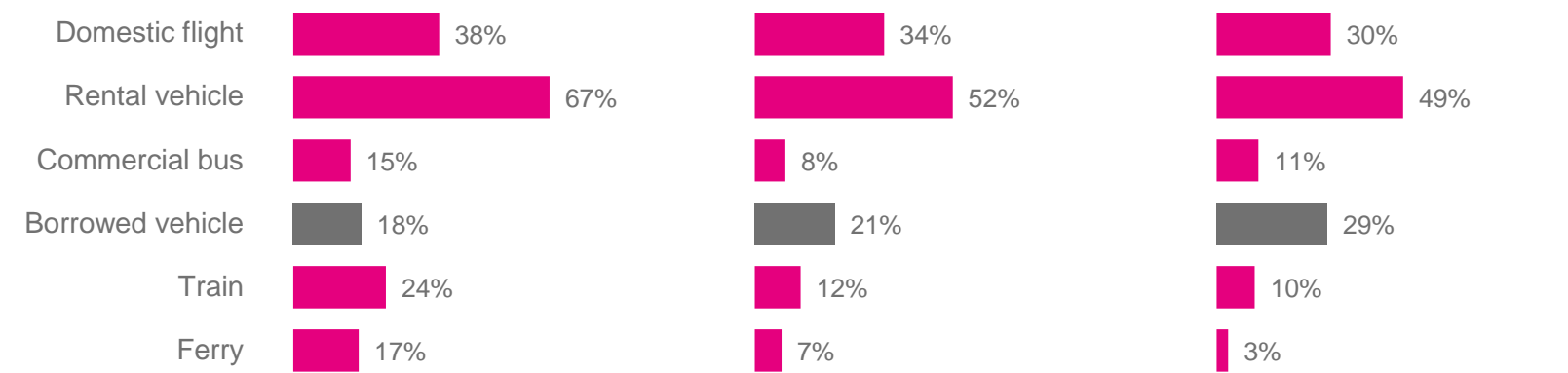
Re-consider the VFR market as an audience for paid transportation

Most Visitors travel outside the Auckland region on their visits, using **paid transport** to do so

Transport within New Zealand to get to / from Auckland



Modes of transport for getting to / from Auckland

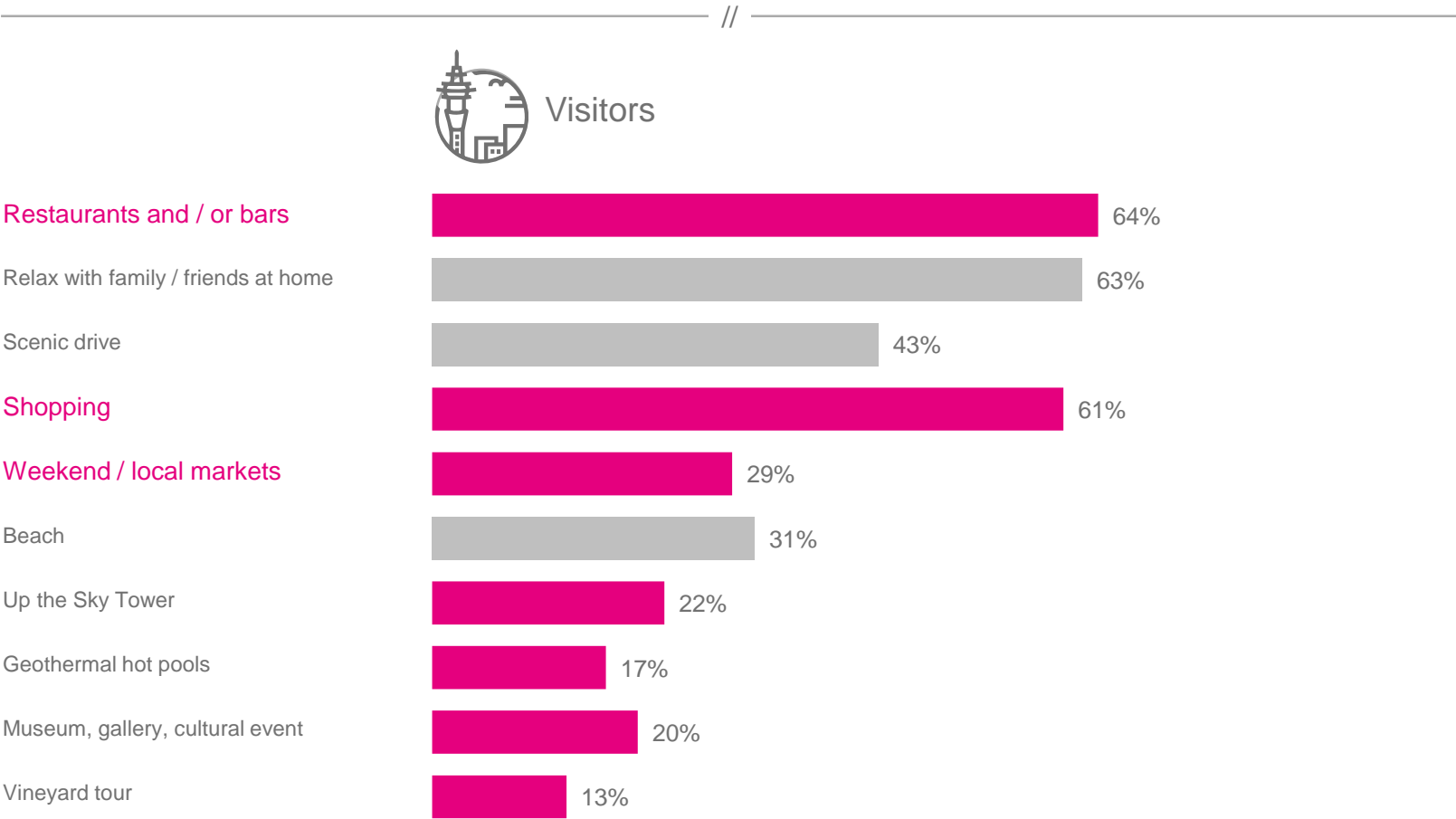


Source: AIAL-Kantar TNS AU VFR Considerer & Visitor Surveys
Base: Considerers that will travel outside of Auckland, n = 757 | Visitors – AU citizens that travelled outside of Auckland, n = 116 | Visitors – NZ citizens that travelled outside of Auckland, n = 76

Use the VFR market to showcase the credentials of NZ retail and stimulate word of mouth

VFR visitors are more drawn to ‘urban’ activities than holiday visitors so this market offers NZ a chance to showcase its credentials

Top ten Auckland activities of partaken

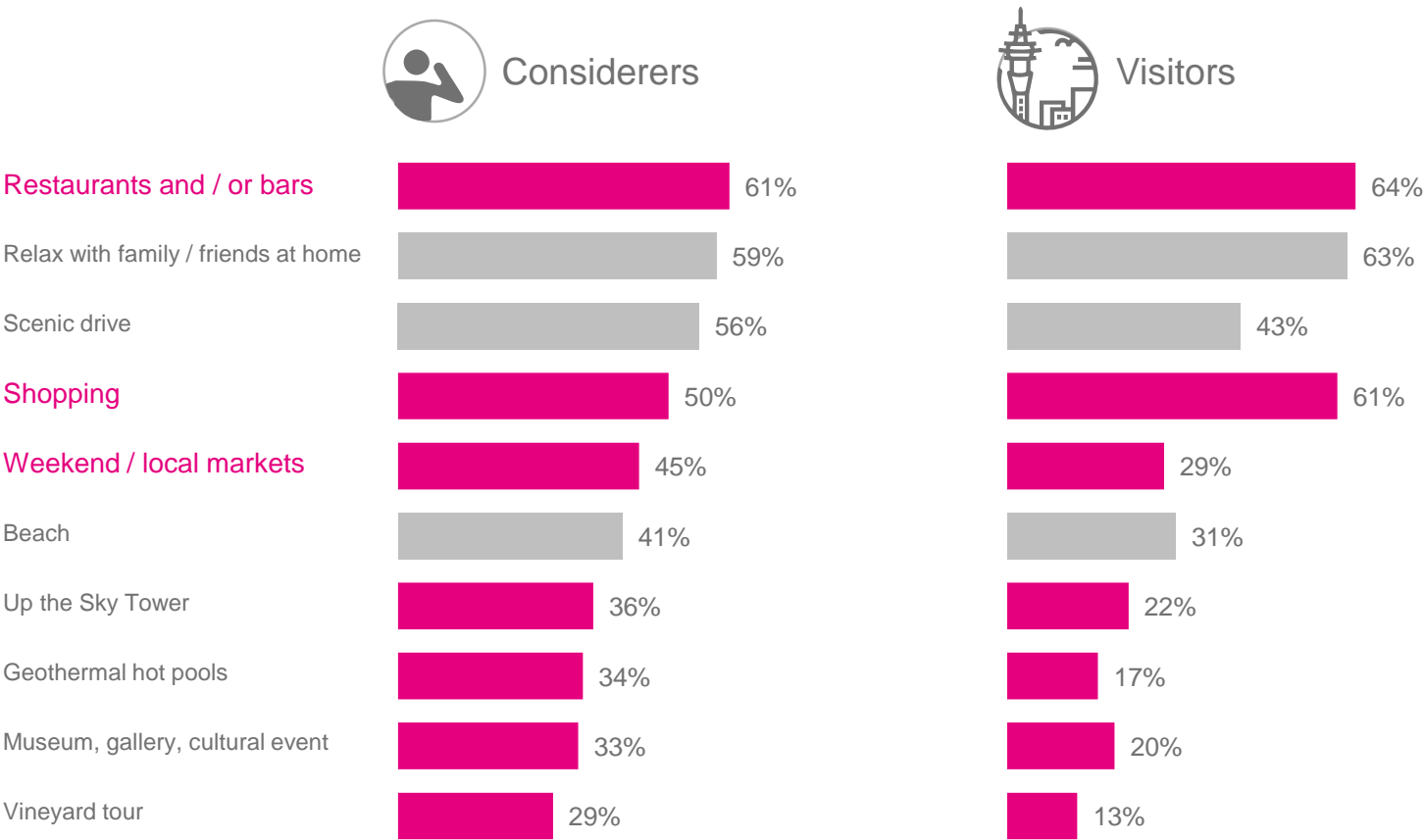


Source: AIAL-Kantar TNS AU VFR Considerer & Visitor Surveys
Base: Considerers that plan to spend at least one night in Auckland, n = 773 | Visitors – AU citizens that plan to spend at least one night in Auckland, n = 140 | Visitors – NZ citizens that travelled outside of Auckland, n = 72

Use the VFR market to showcase the credentials of NZ retail and stimulate word of mouth

VFR considerers and visitors are more drawn to ‘urban’ activities, meaning this market offers NZ a chance to showcase its credentials and increase conversion to participation among interested parties

Top ten Auckland activities of interest / partaken

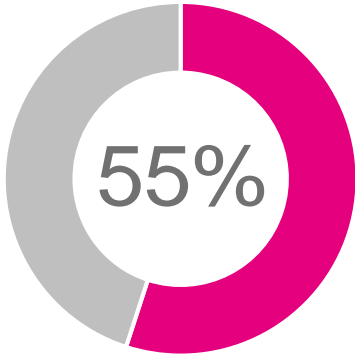
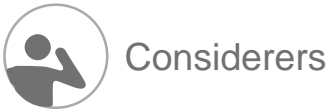


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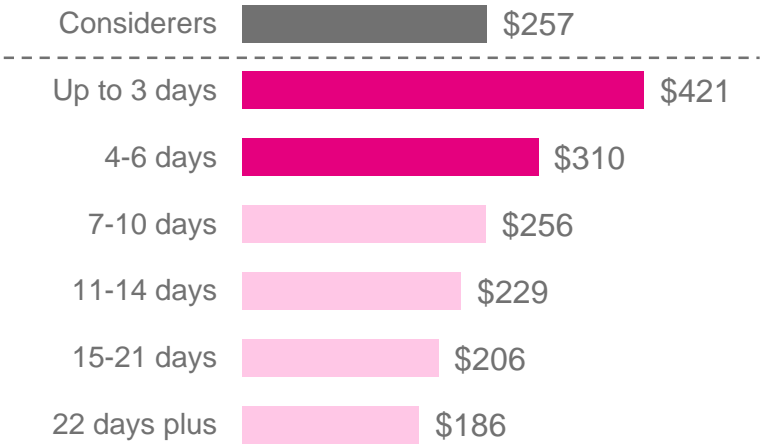
Activate a valuable short break proposition by targeting the VFR market

The bulk of Considerers really like the idea of a short break and would **anticipate spending more than the average considerer**

“I like the idea of visiting for a long weekend / public holiday weekend”



Average anticipated spend of Considerers, by intended length of stay (NZD)



Source: AIAL-Kantar TNS AU VFR Considerer & Visitor Surveys; Base: Considerers, n = 1000
Source: MBIE International Visitor Survey, Q4 2015 – Q3 2016
FX rate used: 1.00AUD = 1.06NZD

IVS current stats (NZD)
▪ \$346 for Holiday visitors
▪ \$221 for VFR visitors

Activate a valuable short break proposition by targeting the VFR market

People that have already visited New Zealand are even **more inclined to like the idea** of a short break and shorter stay visitors tend to have **higher average daily spend**

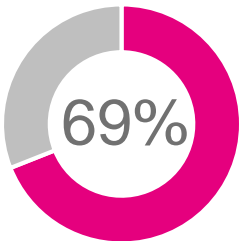
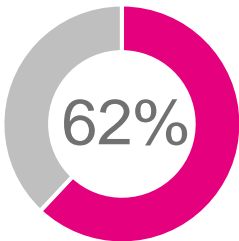
“I like the idea of visiting for a long weekend / public holiday weekend”



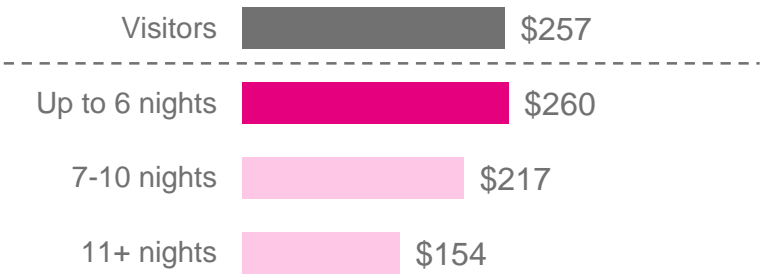
Visitors – AU citizens



Visitors – NZ citizens



Average stated spend of Visitors, by intended length of stay (NZD)



Source: AIAL-Kantar TNS AU VFR Visitor Survey
Base: Visitors, n = 260 | Visitors, NZ citizens, n = 98 | Visitors, AU citizens, 174
Source: MBIE International Visitor Survey, Q4 2015 – Q3 2016
FX rate used: 1.00AUD = 1.06NZD

IVS current stats (NZD)
▪ \$346 for Holiday visitors
▪ \$221 for VFR visitors

Develop off-peak propositions to deliver an increase in off-peak arrivals

For example, a Mid-Winter Christmas **test proposition resonated well** with Considerers and Visitors as an additional visit to make to NZ

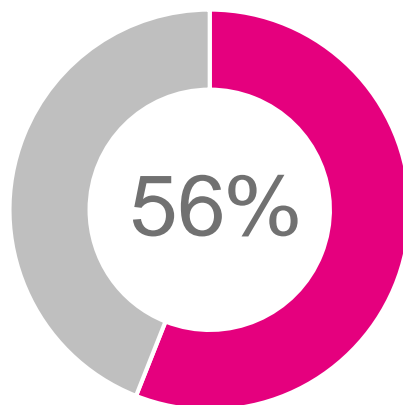
“

I would consider / definitely consider the idea of a NZ-based mid-Winter Christmas experience [arriving via Auckland]

”



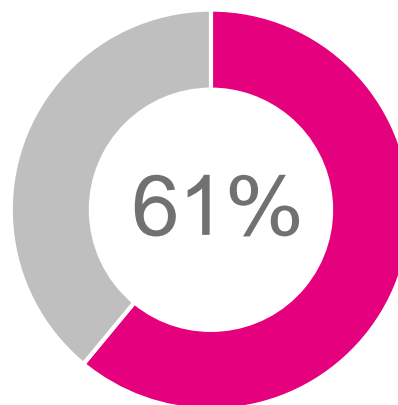
Considerers



Low cannibalisation impact
Of the 56%, a further 52% say they would consider this *in addition* to other trips they may make to NZ



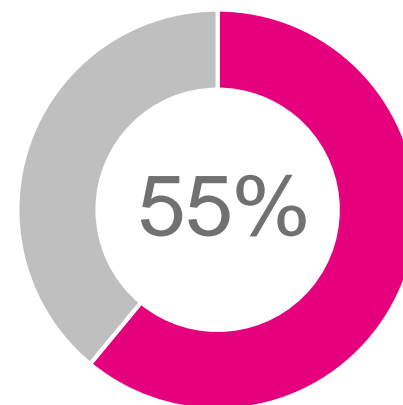
Visitors –
AU citizens



Low cannibalisation impact
Of the 61%, a further 60% say they would consider this *in addition* to other trips they may make to NZ



Visitors –
NZ citizens



Low cannibalisation impact
Of the 55%, a further 59% say they would consider this *in addition* to other trips they may make to NZ

Source: AIAL-Kantar TNS AU VFR Considerer & Visitor Surveys
Base: Considerers, n = 1000 | Visitors – AU citizens, n = 174 | Visitors – NZ citizens, n = 98

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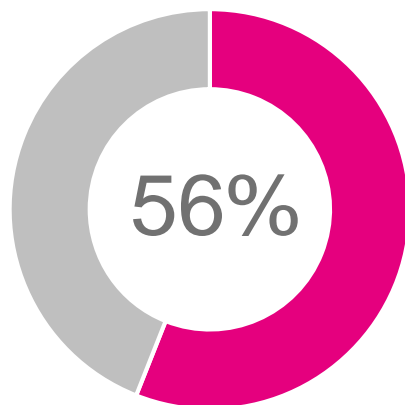
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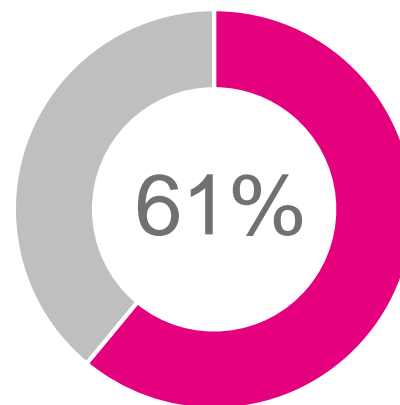
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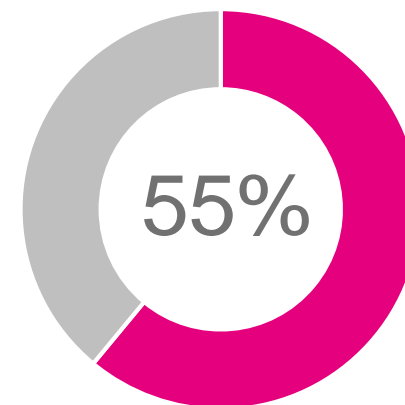
Considerers



Visitors –
AU citizens



Visitors –
NZ citizens



Low cannibalisation impact

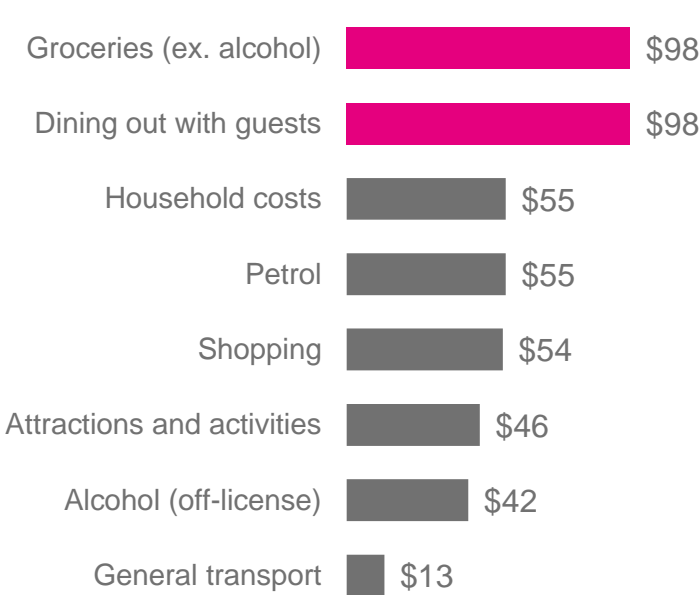
Of considerers of the idea, 50-60% say they would consider this *in addition to* other trips they may make to NZ

Source: AIAL-Kantar TNS AU VFR Considerer & Visitor Surveys

VFR visitors deliver value by stimulating spend from their Auckland-based hosts

The arrival of Australian VFR visitors stimulates domestic tourism among Auckland hosts

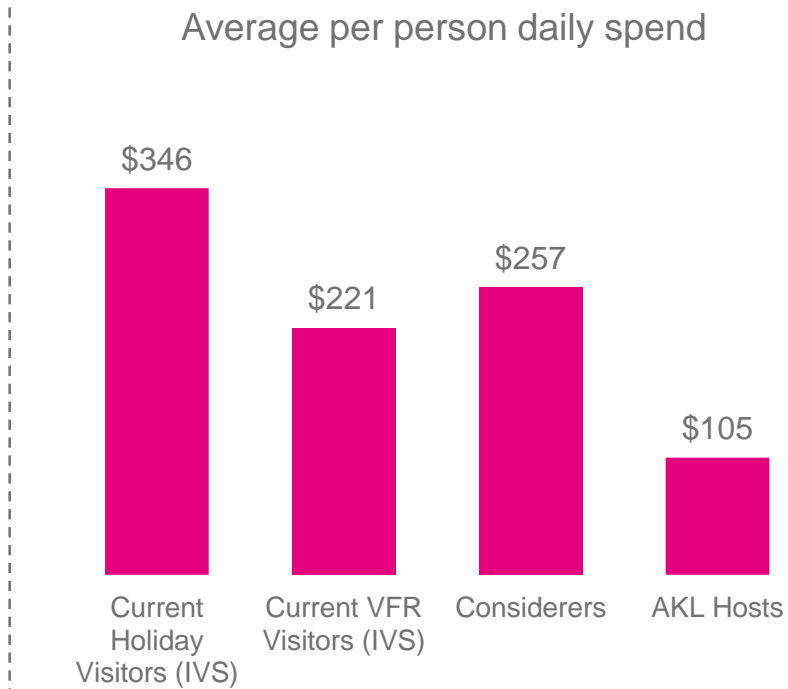
Average estimated spend (NZD) in Auckland, by Auckland hosts as a resulting of hosting guests



Average total spend, NZD

\$460

(Median = \$200)

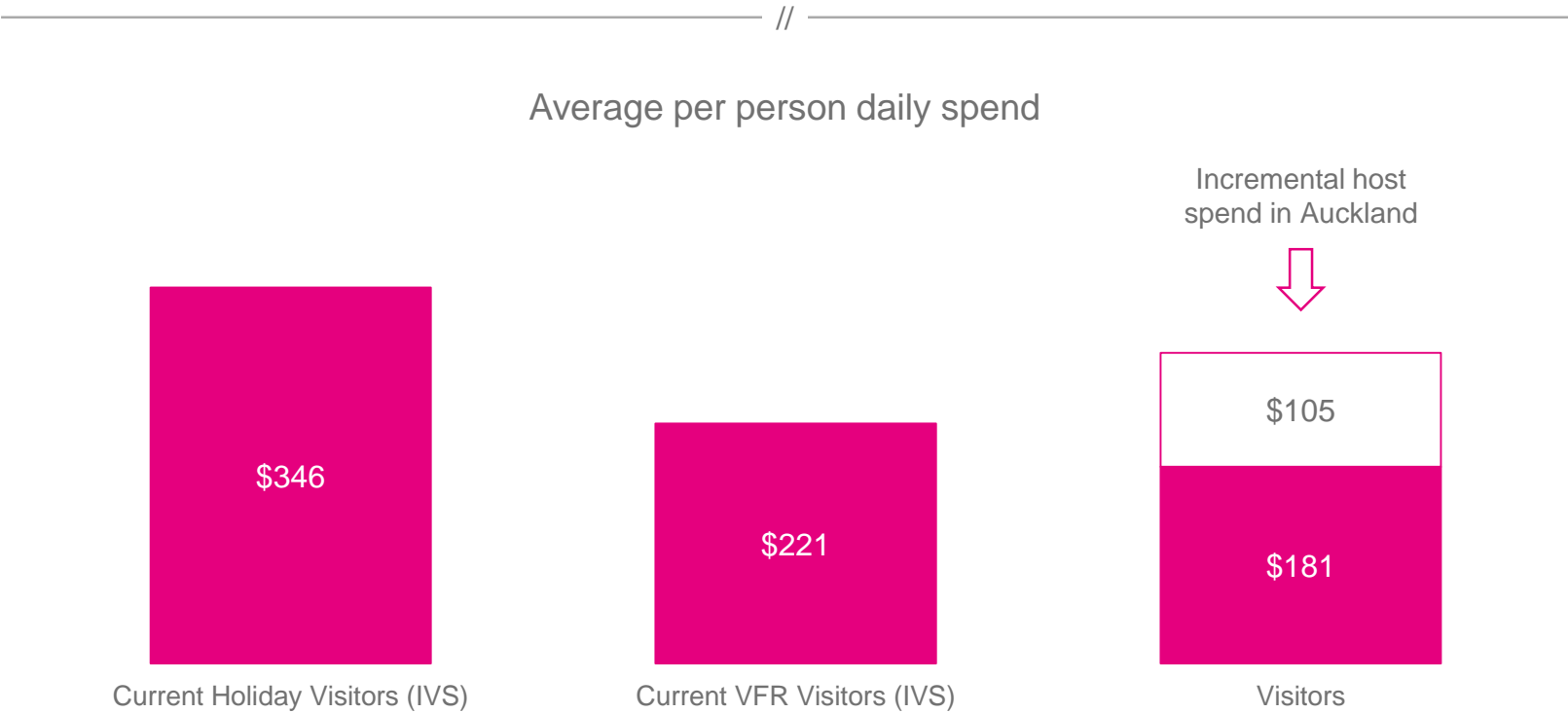


Source: AIAL-Kantar TNS AKL VFR Host Survey; Base: Hosts, n = 684
Source: MBIE International Visitor Survey, Q4 2015 – Q3 2016

VFR visitors deliver value by stimulating spend from their Auckland-based hosts

Incremental host spend on top of visitor spend lifts average daily spend closer to the level of spend of holiday visitors

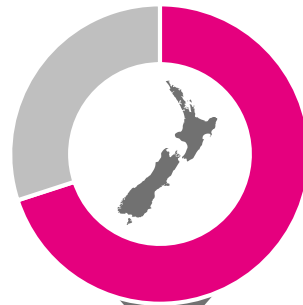
Average spend (NZD) by Auckland hosts as a result of hosting guests



Source: AIAL-Kantar TNS AKL VFR Host Survey
Source: MBIE International Visitor Survey, Q4 2015 – Q3 2016

VFR visitors deliver value by stimulating spend from their Auckland-based hosts

Auckland-based hosts will **take time off work, travel regionally, and spend more** than they would otherwise as a result of their guest's visit



70%

of host's guests travelled regionally ...



39%

of hosts accompanied their guests on these regional trips (day and / or overnight) ...

Average total spend

\$750 NZD

These hosts spent on average NZD\$750 outside of Auckland (median \$200)

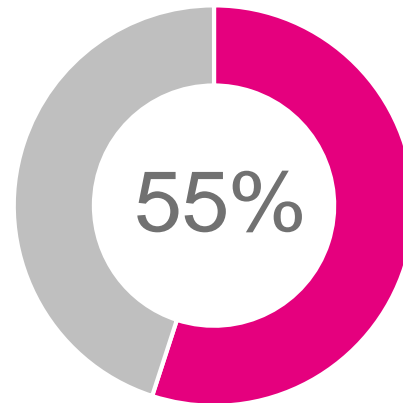
Source: AIAL-Kantar TNS AKL VFR Host Survey
Base: Hosts, n = 1002; Hosts that travelled regionally on a day trip, n=113; Hosts that travelled regionally on an overnight trip, n=156

Arm hosts with offers and information to have a positive impact on visitor behaviour and value

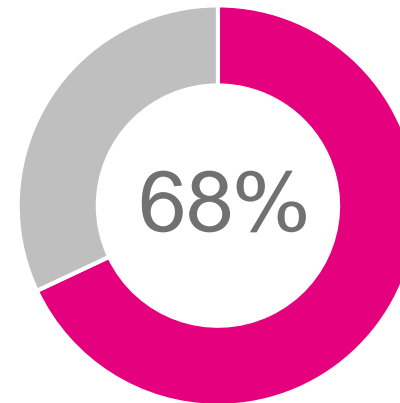
Tourist pricing is common in other markets – what special deals and discounts could industry operators provide to hosts and their guests?



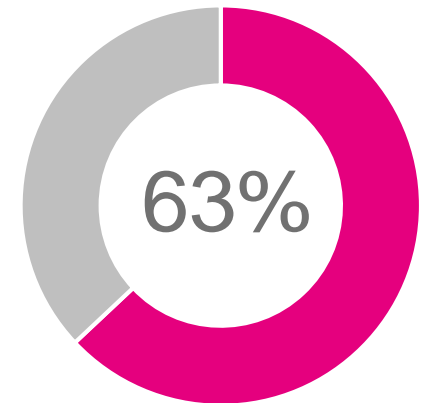
When I host family / friends, I get out and about in the Auckland region much more



Hosting family / friends can sometimes get quite expensive



I would be more inclined to participate in tourist activities with my guests if there were more special deals on activities available



Source: AIAL-Kantar TNS AKL VFR Host Survey
Base: Hosts, n = 1002

Arm hosts with offers and information to have a positive impact on visitor behaviour and value

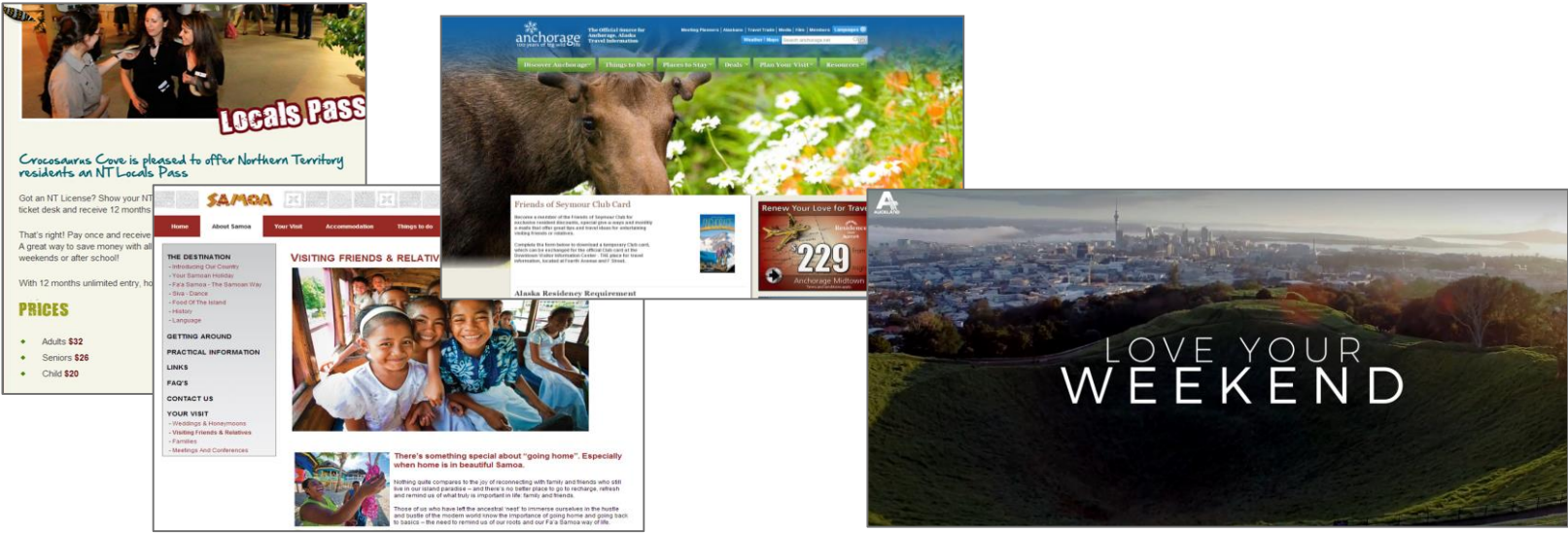
Based on Australian research, incentives such as attractions offering ‘locals pricing’ can significantly increase host, and their visitors, spend

60% of hosts say some sort of initiative would drive growth

Longer visitor stay

Increased trip frequency

Increased spend in the local economy



Source: MyTravelResearch.com, “VFR Hosts – Optimising the benefits of VFR travellers to your local visitor economy”

Leverage hosts as influencers to stimulate first time arrivals and drive future holiday visits

The mere fact of having friends and family in Auckland stimulates the idea of taking a “proper holiday” in New Zealand



Considerers



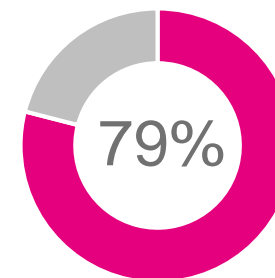
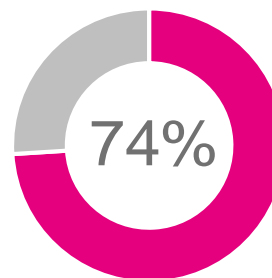
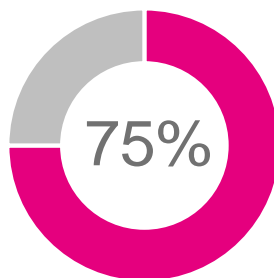
Visitors –
AU citizens



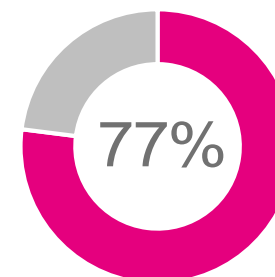
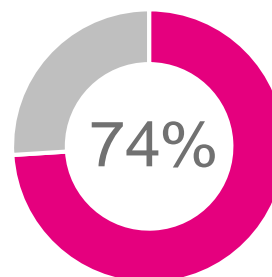
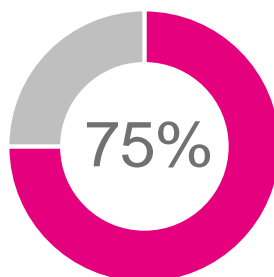
Visitors –
NZ citizens



Having friends and family in the North Island has increased my interest in going to New Zealand for a proper holiday



Having friends / family in the North Island gives me a great reason to think about visiting Auckland for leisure purposes

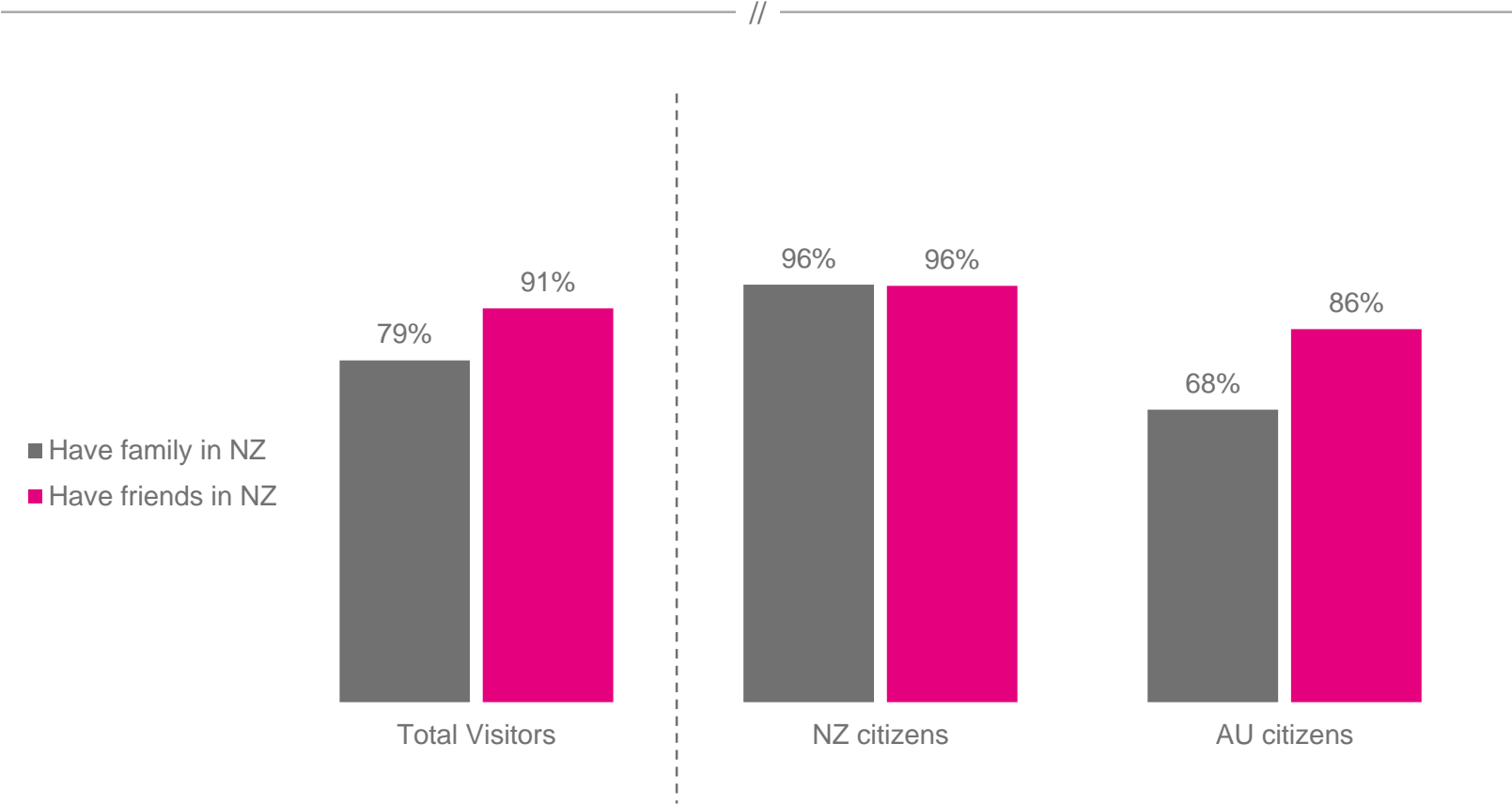


Source: AIAL-Kantar TNS AU VFR Considerer & Visitor Surveys
Base: Considerers, n = 1000 | Visitors – AU citizens, n = 174 | Visitors – NZ citizens, n = 98

Leverage friends as influencers to stimulate convert VFR considerers

Australian citizens that have visited previously are **more likely to have friends** in NZ than family

Interpersonal connections to New Zealand, among VFR Visitors

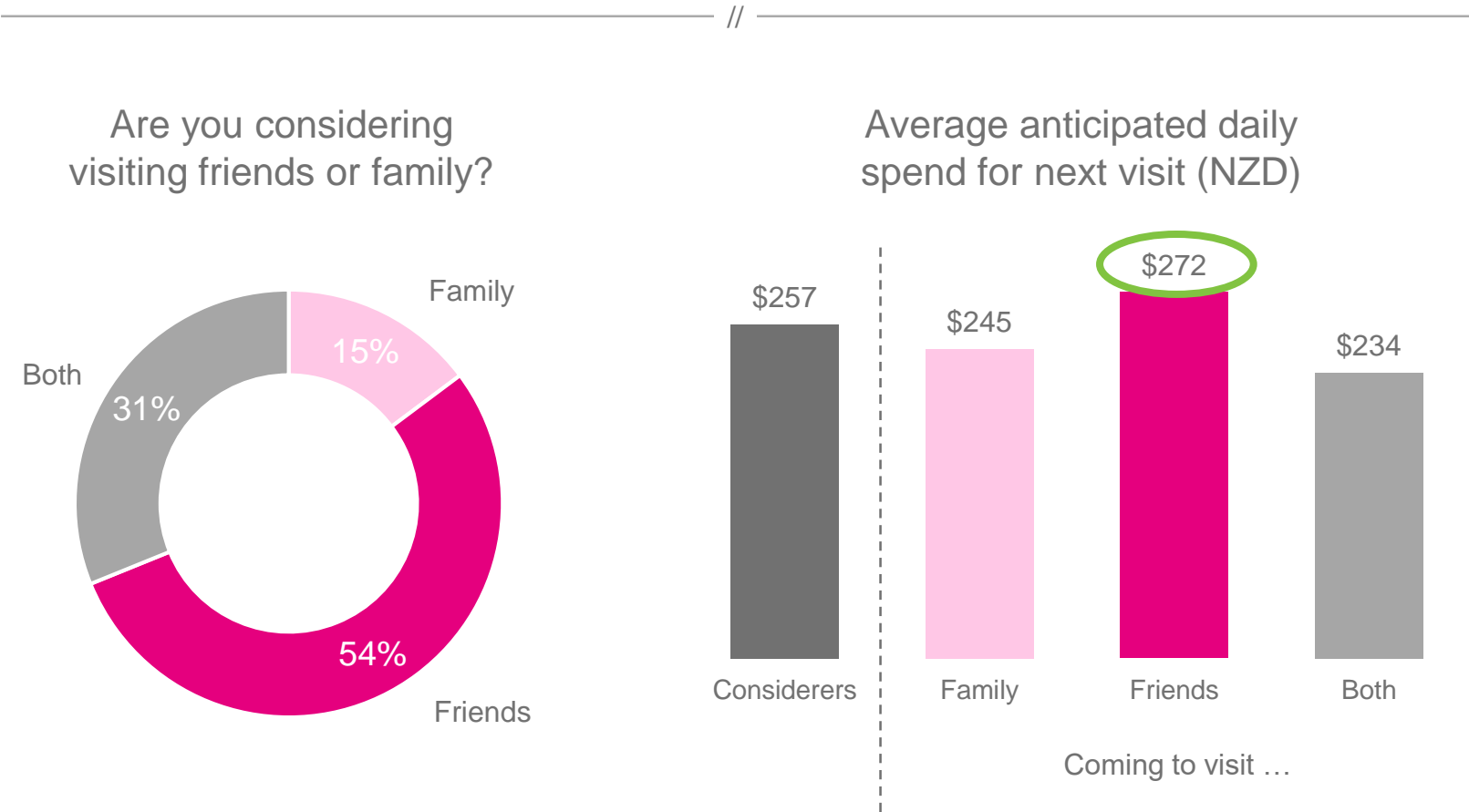


Source: AIAL-Kantar TNS AU VFR Visitor Survey
Base: Visitors, n = 260 | Visitors, NZ citizens, n = 98 | Visitors, AU citizens, 174

Leverage friends as influencers to stimulate convert VFR considerers

Friends are just as much of a motivator for VFR Considerers and Considerers thinking of visiting friends are more likely to have a higher daily spend than those visiting family, or both

Type of guest Considerers are intending to visit

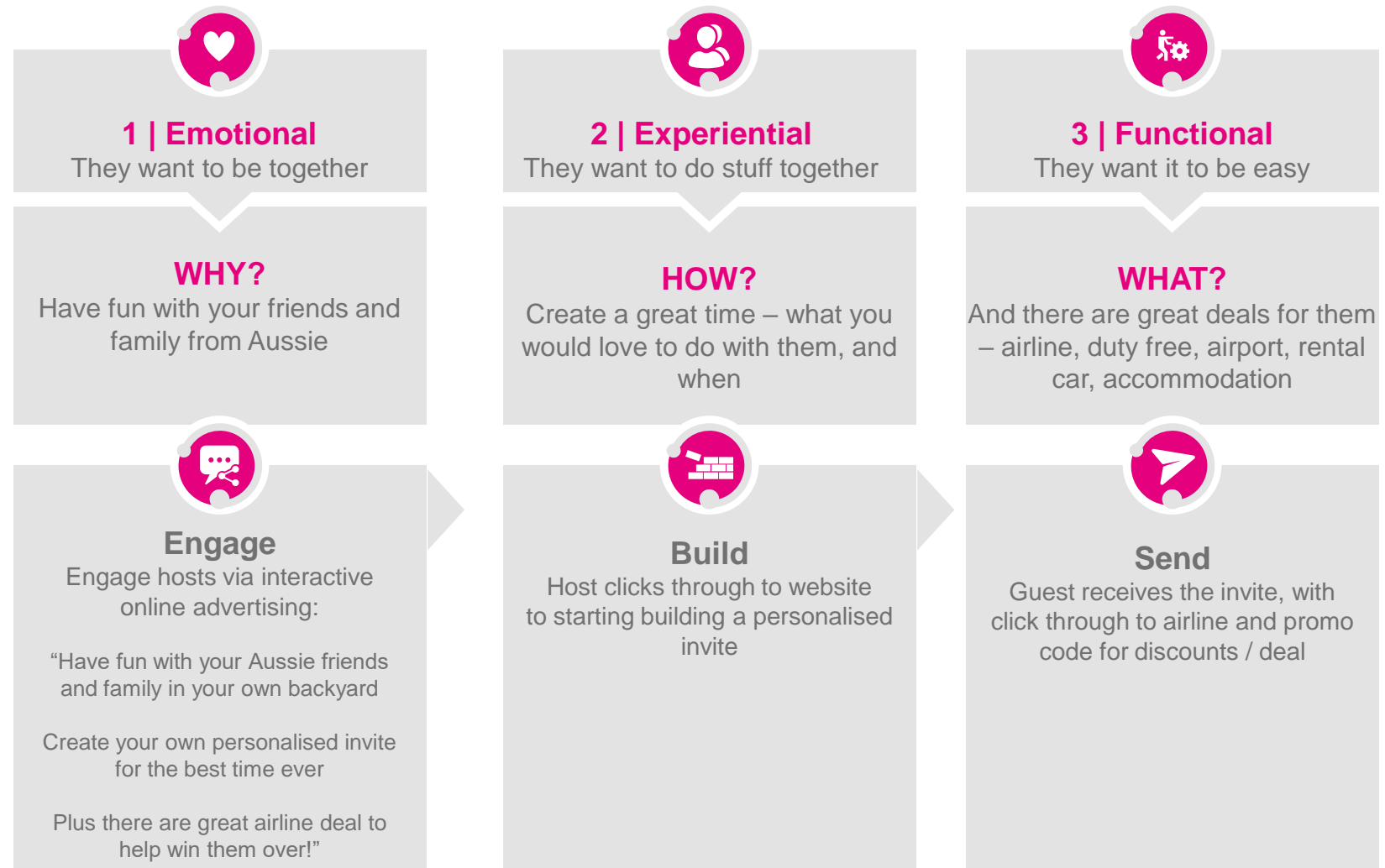


Source: AIAL-Kantar TNS AU VFR Considerer Survey
Base: Considerers, n = 1000 | Considering visiting family, n = 104 | Considering visiting friends, n = 370 | Considering visiting both, n = 188
FX rate used: 1.00AUD = 1.06NZD

Activate the market using a 'host invitation' based marketing strategy

Leverage hosts to deliver emotive messages that build on destination elements and tactical offers

Conceptual idea from FORWARD Insight & Strategy for building a host invite ...



Source: AIAL Activating Australian VFR Market to New Zealand - prepared by FORWARD Insight & Strategy 2016



Arrivals

3

Key take-outs and high level recommendations

Key take-outs

Unlike the Australian holiday market, VFR considerers / visitors ...

- Stimulated by emotive messages around social connection
- Interested in 'urban' activities such as restaurants and shopping
- Welcome the idea of visiting for a short break (3-5 days)
- Can be marketed to directly and via NZ-based hosts
- Stimulate domestic tourism and spending among their hosts
- Can be better identified in CRM systems

And like the Australian holiday market, VFR considerers / visitors ...

- Will use paid accommodation
- Will use paid transport

Furthermore ...

- VFR is an important market for delivering volume
- The market is ethnically diverse and will only become more so
- The role of friends in activating Considerers shouldn't be overlooked
- Off-peak offers have the potential to stimulate incremental visits
- VFR is a route to activating holiday arrivals in the longer term

High level recommendations

Strategy & industry

- Re-consider allocating resources to VFR activation where these insights align with your strategic goals
- Re-consider the VFR market as an audience for paid accommodation and transportation
- Activate a valuable short break proposition by targeting the VFR market
- Use the VFR market to showcase the credentials of NZ retail and stimulate word of mouth

CRM

- Where applicable, capture expat / citizenship status in CRM systems to enable better precision with targeting

Targeting

- Use a push-pull strategy that targets Considerers in Australia and Hosts in New Zealand
- Leverage friends specifically as influencers to stimulate convert VFR considerers

Messaging

- Adjust targeting and messaging to reflect the demographic diversity of the market
- Recognise high crossover in VFR and holiday motivations to maximise marcomms and value impact
- Positively frame activation messages around the joy of social connection
- Target 'freedom' and 'convenience' needs to drive greater usage of paid accommodation

Offer development

- Develop off-peak propositions to deliver an increase in off-peak arrivals
- Stimulate additional host engagement in paid activities with host-specific deals and offers
- Develop offers that provide a return in the form of user-generated social media content

4 Appendix



Adjust targeting and messaging to reflect the demographic diversity of the market

Considerers and Visitors aren't necessarily born-and-bred, Anglo Kiwis or Aussies and international migration means the market only becomes more diverse

Ethnicity and country of birth for Considerers and Visitors

		//			
		Total VFR Considerers	Total VFR Visitors	VFR visitors that are AU citizens	VFR visitors that are NZ citizens
Citizenship	Australia	83%	55%	100%	25%
	New Zealand	13%	55%	25%	100%
	Other	8%	4%	0%	2%
Birth country	Australia	67%	71%	71%	13%
	New Zealand	11%	17%	17%	75%
	Other	23%	12%	12%	11%
Ethnicity	European	72%	78%	78%	74%
	Aboriginal / Torres Strait Islander	3%	4%	4%	4%
	Maori / Pacific Islander	5%	5%	5%	18%
	Asian	21%	16%	16%	11%
	Other	4%	4%	4%	3%

- Around a third of Considerers and Visitors alike were born outside of Australia
- Over a fifth of Considerers and Visitors alike are not of European ethnicity

Source: AIAL-Kantar TNS AU VFR Considerer & Visitor Surveys
Base: Considerers, n = 1000 | Visitors – AU citizens, n = 174 | Visitors – NZ citizens, n = 98