

A hiker with a backpack is walking on a rocky path overlooking a lake. The lake reflects the surrounding landscape, including snow-capped mountains and a clear blue sky. The hiker is wearing a white t-shirt, dark shorts, and a backpack. The scene is set in a mountainous region with a clear blue sky and some clouds.

VISA

Visa New Zealand Tourism Spend Report

May 2017

Introduction

The success of New Zealand’s tourism sector can be attributed to many factors – the natural beauty of the country, the openness and warmth of its people and the wealth of experiences that visitors can choose from during their stay.

There are many different components to creating a highly successful tourism industry. Making the visitor experience as simple and convenient as possible is a fundamental part of this. Visa, along with a wide range of other New Zealand service providers, has a core role to play in delivering a world-class experience for visitors from around the globe.

In this short report, we have used the data collected through Visa’s global processing network, VisaNet, to provide insight into how international visitors are spending when they get to New Zealand. We have focused on the top ten source markets for international visitors measured by the total amount that they contribute to New Zealand’s economy. For each, we show the leading categories for spend and the growth (or decline) over the past two years.

The information highlights where the high-value visitors are coming from, which market segments are growing, which types of businesses are reaping the greatest benefits from the tourism surge, and a unique insight into how New Zealand is performing compared to other popular destinations.

Global advancements in payments technology are also influencing travel spend habits through the rapid adoption of new experiences and technologies, such as mobile devices. Thanks to the launch of mobile payment technology such as Visa payWave in many markets around the world, we are seeing significantly more contactless payment transactions taking place by tourists in New Zealand in just one year. Our data shows us that in 2016 international Visa cardholders making contactless transactions in New Zealand using Visa payWave more than doubled year-on-year.

For today’s tourist to New Zealand, offering reliable, secure and seamless payment solutions is key to increasing spend both long before they arrive in country and during their stay.

Visa’s insights demonstrate the value of the tourism sector to the New Zealand economy – and with recent data¹ confirming tourism has now overtaken dairy as New Zealand’s biggest export earner, the insights will also provide the tourism industry itself with vital knowledge of what visitors want into the future. These are all important components of New Zealand’s tourism strategy, and together with delivering an increasing range of innovative payment options, are part of Visa’s contribution to the success of New Zealand’s largest foreign exchange earner.

Marty Kerr
Visa Country Manager,
New Zealand & South Pacific



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¹ Tourism Satellite Account 2016, Statistics New Zealand

About Visa

Visa Inc. is a global payments technology company that connects consumers, businesses, financial institutions, and governments in more than 200 countries and territories to fast, secure and reliable electronic payments.

We operate one of the world's most advanced processing networks — VisaNet — that is capable of handling more than 65,000 transaction messages a second, with fraud protection for consumers and assured payment for merchants. Visa is not a bank and does not issue cards, extend credit or set rates and fees for consumers. Visa's innovations, however, enable its financial institution customers to offer consumers more choices: pay now with debit, pay ahead with prepaid or pay later with credit products.

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Interpreting the data in this report

The information in this report has been drawn from records of all transactions performed by international Visa cardholders in New Zealand between 2015 and 2016. Globally, there are 3.1 billion Visa cards as of 31 December 2016.

We have focused on *face-to-face spend* while travellers are in New Zealand; that is, transactions that have taken place where the purchaser is present with their Visa card or mobile device.

We have also primarily used two different metrics:

- 1. Spend:** The total dollar value of the transactions made, which provides the clearest way to understand the absolute value in any given year.
- 2. Transactions:** The total number of individual transactions made, which provides the clearest way to compare different periods and different markets.

Note: All currency is in New Zealand (NZD) dollars unless stated otherwise. All Visa transaction data has been converted from USD to NZD based on the average annual exchange rate advised by the Reserve Bank of New Zealand (RBNZ). All 2015 transactions were converted at the average annual rate of NZ \$1 = US\$0.7003 and all 2016 were converted at the average annual rate of US\$0.6970.

International tourism spend – at a glance

In 2016, New Zealand welcomed a record 3.5 million international visitors to its shores. This represented 12 per cent growth over the previous year and was the continuation of at least five years of substantial gains.²

Interestingly, not just the volume of visitors increased. The amount Visa cardholders spent while visiting New Zealand was up 12.3 per cent, however, the total number of transactions was up by 22.8 per cent year-on-year to the end of 2016. The growth in spend for those nationalities outside the top ten was up 17 per cent.

Significant gains were made in virtually every spend category and across almost all nationalities, including a number of emerging markets such as Argentina, Ukraine and Philippines which saw an increase in spend of more than 50 per cent.

International visitors using Visa as their preferred payment method added to the growth and provides insight into how visitors generally choose to spend during their trips to New Zealand.

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² <http://www.tourismnewzealand.com/news/visitor-arrivals-now-more-than-35m>



International tourism spend – at a glance

Highlights of the 2016 inbound VisaNet data includes: ³

-  Spend from international Visa cardholders contributed NZD\$2.8B to the New Zealand economy, an increase of 12.3 per cent from 2015
-  Transactions through the Visa network grew by 22.8 per cent from 2015
-  Out of the top 10 inbound markets to New Zealand, representing 84 per cent of spend, **New Zealand improved its ranking as a destination in six of those 10 markets between 2015 and 2016**
-  New Zealand also saw growth in spend from nationalities outside the top 10 inbound markets, contributing 21 per cent of the growth and 16 per cent of total spend
-  **New Zealand is also outperforming Australia**, showing stronger spend growth in five of the nine other markets
-  Compared to 2015, contactless payments by international visitors using Visa payWave rose **116 per cent**
-  **Online and other non-face-to-face transactions grew** by 17.6 per cent from 2015 to 2016
-  The three largest categories for card-not-present (or online payments) in 2016 were travel services, accommodation (lodging) and vehicle rental, **which implies people are choosing to book and pay online, be it before, during or after their stay**
-  **Key consumer categories experiencing more than 15 per cent growth** in visitor spend from 2015 were restaurants, food and grocery, fuel and transport and travel services

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Unlocking greater value from international visitors



Attracting high value visitors seeking a premium experience is a cornerstone of New Zealand's tourism strategy.

Both the New Zealand Government and Tourism Industry Aotearoa are focused on building the traditional low and shoulder seasons for visitors – a strategy pinned on giving them a 'great visitor experience'. Key to embedding this 'experience culture', is encouraging New Zealanders to view the tourism sector as highly valuable.

Visa is in a unique position to help promote the value of tourism to New Zealanders with insights on how they spend their money when they arrive and seasonal patterns of spending. All these indicators are useful guides for building a better tourism offering.

Visa also measures the way people are preferring to spend and how they are using new technologies to make their purchases simpler and more efficient. The ease of purchasing in-market is particularly important for the high value Free Independent Travellers (FIT) who tend to make as many decisions during their visit as they do in their initial planning.

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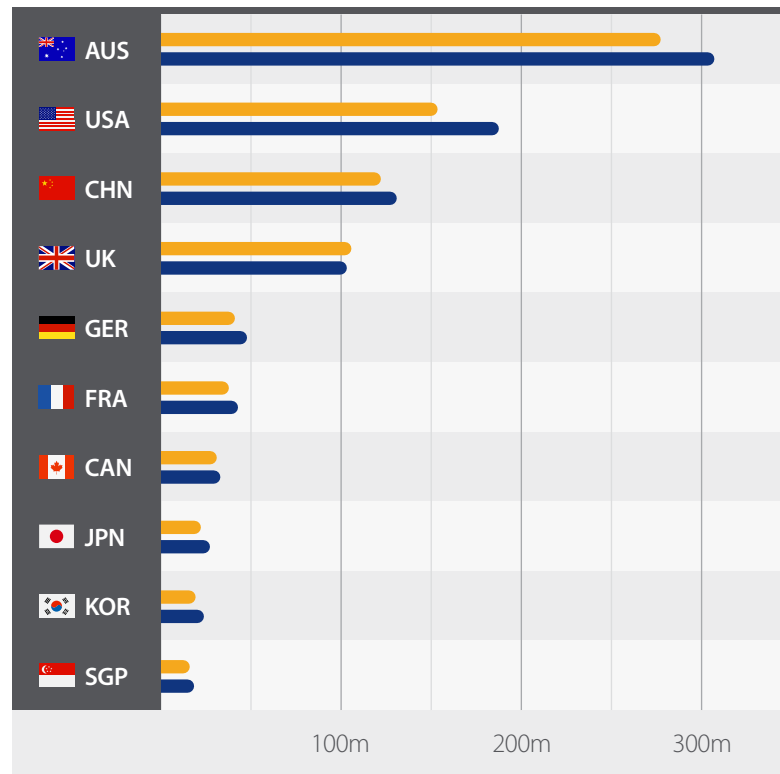
Spend in New Zealand by top 10 visiting nationalities

In both the 2015 and 2016 calendar years, New Zealand saw the same 10 countries placed in the top spender spots. They contributed 84.6 per cent (2015) and 84 per cent (2016) of all spend. Countries outside the top 10 contributed 21 per cent of the growth but 16 per cent of the spend.

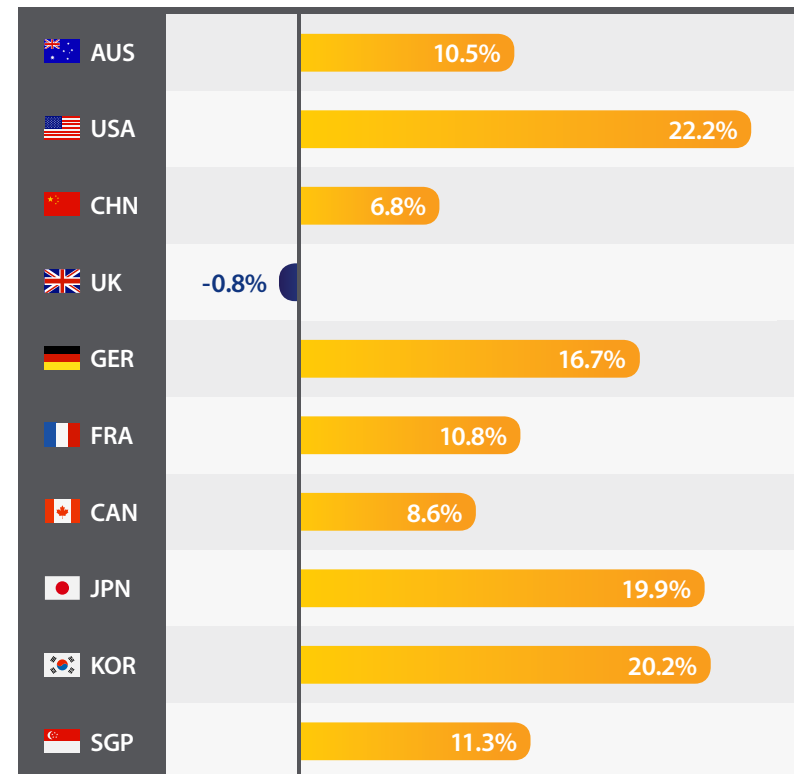
All top 10 markets showed year-on-year growth, except for visitors from the United Kingdom. Visitors from USA, South Korea, Japan and Germany delivered the greatest growth in expenditure.

Spend across top 10 markets

2015 2016



Growth in spend – Change in spend, 2016 vs 2015



Unlocking greater value from international visitors

International Visa transactions in New Zealand

Transactions recorded from international visitors to New Zealand grew by 22.8 per cent in the 12 months to the end of 2016, from 14.8 million in 2015 to 18.1 million in 2016. The growth reflected not only a rise in visitor numbers but also the more prominent use of multiple forms of electronic payments. Use of Visa payWave grew by 116 per cent in 2016 and online and other non-face-to-face transactions grew by 17.5 per cent. The growth in Visa payWave transactions can be attributed partly to a growing number of New Zealand merchants accepting contactless payments, as well as the increasing number of markets adopting Visa payWave. For example, in Australia more than 80 per cent of all face-to-face Visa transactions are made via Visa payWave⁴. Key inbound markets such as the UK also has high penetration of Visa payWave. The USA has only migrated to EMV chip card technology in recent years, but is rapidly embracing digital and mobile payments innovation.

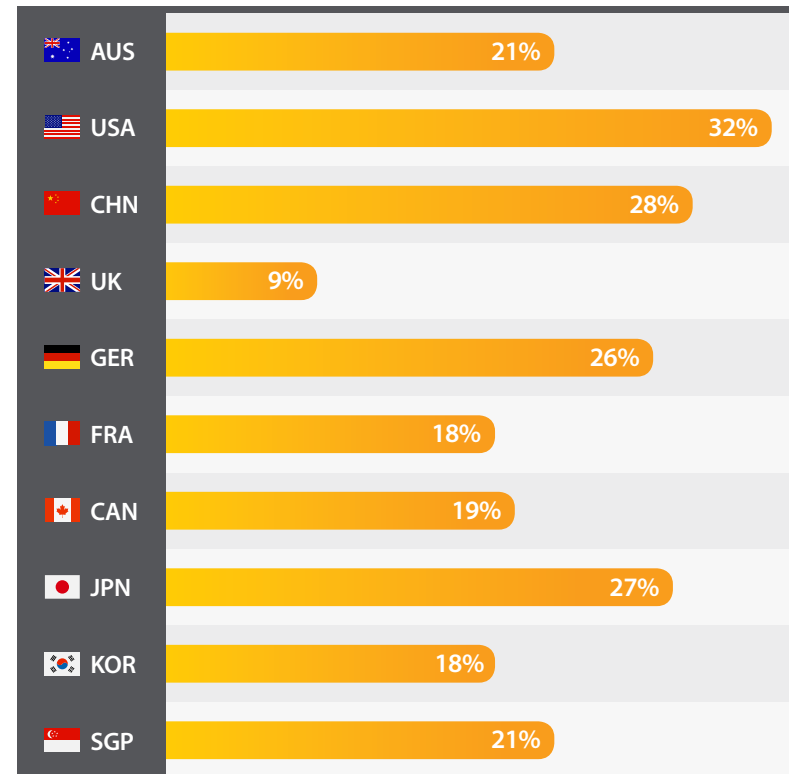


In total, international Visa cardholders from all markets made NZD\$2.8B worth of Visa transactions in New Zealand in 2016 (including online and ecommerce spend with New Zealand merchants)

Inbound markets contributing the most to the increase to the overall transactions were USA, China, Japan and Germany, which all experienced more than 25 per cent growth.

While the UK showed a slight decline in spend year-on-year, the number of Visa transactions made by UK Visa cardholders increased.

Year-on-year change in transactions



Unlocking greater value from international visitors

New Zealand's rise as a spend destination of choice

Visa transaction data shows New Zealand is performing strongly overall as a destination market. This can be seen in the level of spend in New Zealand, compared to other destinations vying for the attention of the top 10 source countries. Apart from France (27), New Zealand ranks in the top 25 destination markets for all top 10 inbound visitor markets.

More importantly, when looking at ranking changes between 2015 and 2016, New Zealand has *improved its ranking in six of the top 10 markets*.

When looking at the four that haven't improved, the US and Australia are flat – these are already the two largest inbound markets by total spend - and there are slight declines from the UK and Canada.

Where NZ ranks as a destination market

	2015	2016	YOY change
AUS	2	2	0 ●
USA	20	20	0 ●
CHN	14	13	+1 ↑
UK	20	21	-1 ↓
GER	22	21	+1 ↑
FRA	28	27	+1 ↑
CAN	10	11	-1 ↓
JPN	20	19	+1 ↑
KOR	25	24	+1 ↑
SGP	17	16	+1 ↑

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Australia versus New Zealand – Comparative Growth

With the exception of the United Kingdom, New Zealand had strong year-on-year transaction growth from all of its top 10 markets. Notably, New Zealand outperformed Australia in year-on-year growth from five out of the nine key markets (Australia excluded). These growth markets included the USA, Germany, France, Canada and South Korea.

The UK had soft growth into New Zealand. A deeper look at the numbers suggest that travellers chose shorter European trips over long haul destinations like New Zealand and Australia. Key growth markets for the UK traveller were Spain (number one destination and up 18%), Republic of Ireland (26%) and Netherlands, Poland and Portugal, which were all up in the mid-teens.

How New Zealand compares to Australia for year-on-year growth in Visa transactions

	NZ Growth	AU Growth	AU v NZ
AUS	21%	–	–
USA	32%	28%	4% ↑
CHN	28%	35%	-7% ↓
UK	9%	16%	-7% ↓
GER	26%	23%	3% ↑
FRA	18%	11%	7% ↑
CAN	19%	17%	1% ↑
JPN	27%	38%	-12% ↓
KOR	18%	15%	3% ↑
SGP	21%	29%	-8% ↓

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Key markets to watch

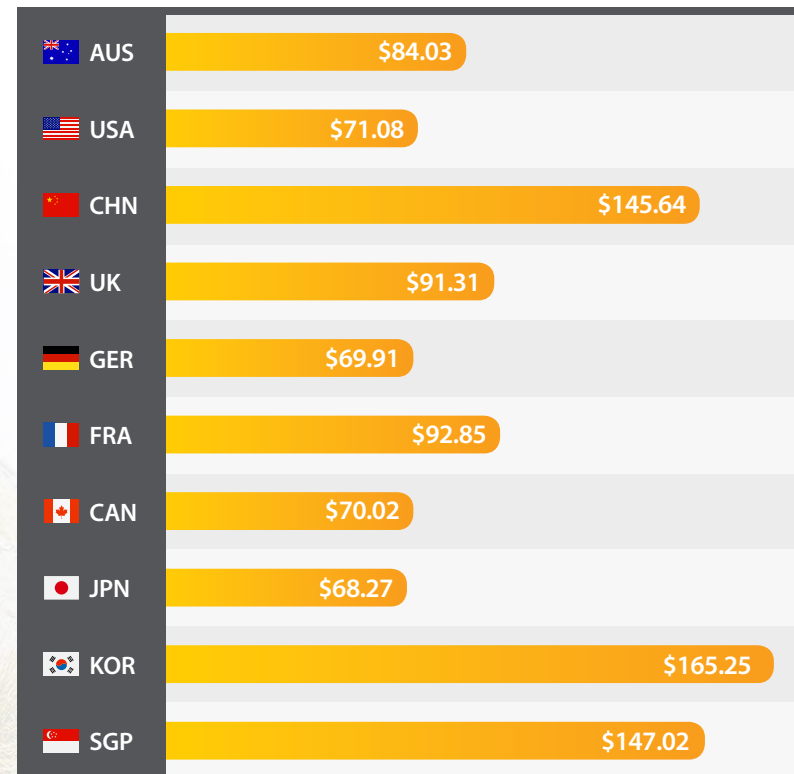
Outside of the top 10 inbound markets for New Zealand, several emerging markets have demonstrated significant increase in spend in New Zealand in 2016 compared to 2015.

The most notable are Argentina (145%), Philippines (80%), Ukraine (72%), Peru (48%), Malaysia (36%), India (39%), the United Arab Emirates (32%) and Thailand (26%).

Average Transaction Spend

South Korean, Singaporean and Chinese cardholders spent considerably more on average per transaction in New Zealand, and in some cases more than double that of people from Japan, Canada and USA, suggesting these source markets represent a potentially higher value visitor.

Average Transaction Spend in top 10 markets \$NZD



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Face-to-face spend by consumer category and visitor nationality

In both 2015 and 2016 the leading categories for visitor spend by the top ten visitor nationalities, are shown in the table below. It's worth noting that airlines and lodging, in particular, tend to have a large proportion of their spend online, which has not been captured in the data below.⁵

Spend by consumer category	2015 \$NZD	2016 \$NZD	% Change
Shopping & Retail	326m	349m	+7%
Lodging	260m	292m	+12%
Restaurants	179m	220m	+23%
Food & Grocery	163m	187m	+15%
Fuel & Transport	110m	126m	+15%
Entertainment	92m	102m	+11%
Vehicle Rental	76m	85m	+11%
Travel Services	61m	70m	+15%
Services	54m	56m	+5%
Home Improvement & Supply	48m	51m	+6%
Education & Government	24m	27m	+12%
Airlines	12m	11m	-8%
Grand total	1.4 billion	1.5 billion	+12%

The largest growth in consumer spend between 2015 and 2016 occurred in the restaurants, food and grocery, fuel and transport and travel services categories.

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For most of the top 10 visitor nationalities, accommodation and lodging showed the highest level of expenditure, except for Chinese and South Korean visitors who spent more on food and groceries and retail goods in New Zealand than any other consumer category. The trend for the latter may reflect the Chinese and South Korean appetite for retail shopping while in New Zealand, versus other markets which may be more enamoured with Kiwi experiences.

How do visitors from the top 10 markets spend in New Zealand?

Categories	USA	UK	KOR	SGP	JPN	GER	FRA	CHN	CAN	AUS
Airlines	1.1%	1.0%	0.5%	1.4%	1.0%	1.0%	0.7%	1.5%	0.6%	0.7%
Shopping & Retail	17%	19%	23%	19%	24%	13%	28%	30%	18%	20%
Services	4%	6%	3%	5%	4%	3%	4%	3%	4%	4%
Fuel & Transport	8%	8%	4%	5%	5%	14%	8%	6%	9%	8%
DIY/Hardware	2%	4%	14%	3%	1%	1%	2%	6%	2%	3%
Education & Government	2%	2%	3%	2%	6%	2%	2%	5%	2%	1%
Entertainment	6.5%	6.1%	3.5%	7.5%	5.5%	8%	5.4%	4.4%	6.4%	6.5%
Food & Grocery	10%	12%	30%	8%	12%	12%	10%	12%	12%	9%
Lodging	21%	18%	7%	23%	20%	21%	18%	17%	19%	22%
Restaurants	16%	13%	6%	11%	13%	8%	10%	7%	13%	14%
Travel Services	5%	6%	3%	5%	6%	6%	4%	4%	5%	4%
Car Hire	3%	3%	2%	10%	3%	9%	8%	4%	9%	9%

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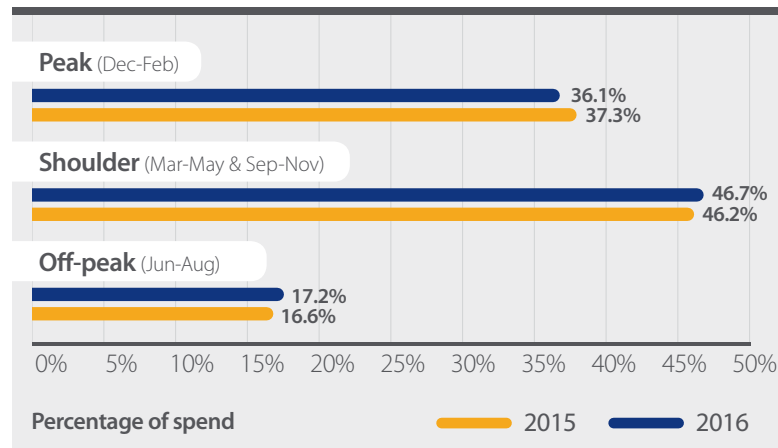
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Seasonality spend

In parallel to the tourism industry seasons, Visa classifies peak season as December to February, the off-peak season from June to August, and the shoulder seasons from March to May, and September to November. While more visitors continue to come to New Zealand, Visa's data shows that there has not been any significant change in seasonality trends from 2015 – 2016. This is notable in itself, as it shows an opportunity for tourism businesses to continue to offer experiences to attract visitors to New Zealand outside of the peak season, to disperse visitation across the year.

Comparison of peak, shoulder and off-peak between 2015 and 2016

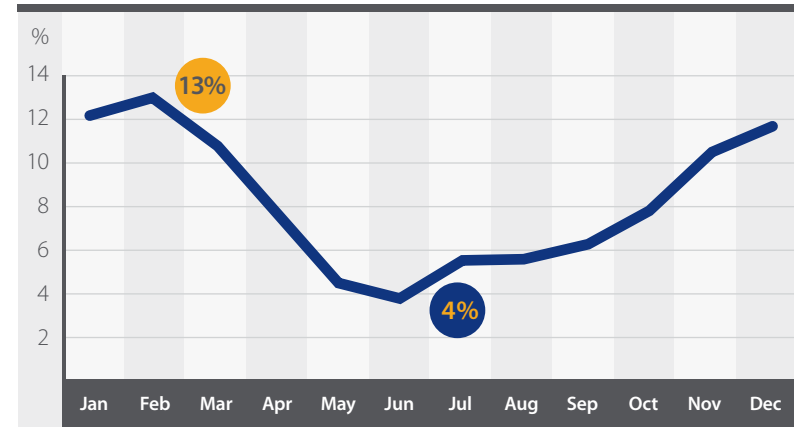


Of the 17 per cent of total spend value occurring in the off-peak season, Germans spent the least (7 per cent) while **Australians spent the most (22 per cent).**

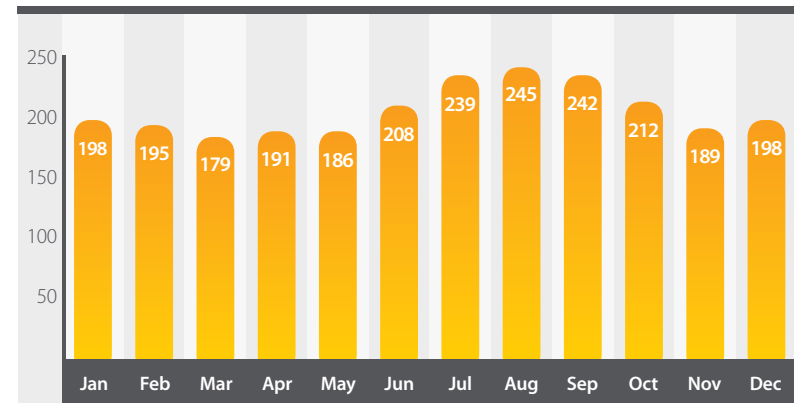
Lodging and Seasonality

Looking at the leading spend category of accommodation, spend increased three-fold in the peak season, again suggesting an opportunity to attract visitors on the shoulder and off peak months.

Seasonality of spend, lodging 2016



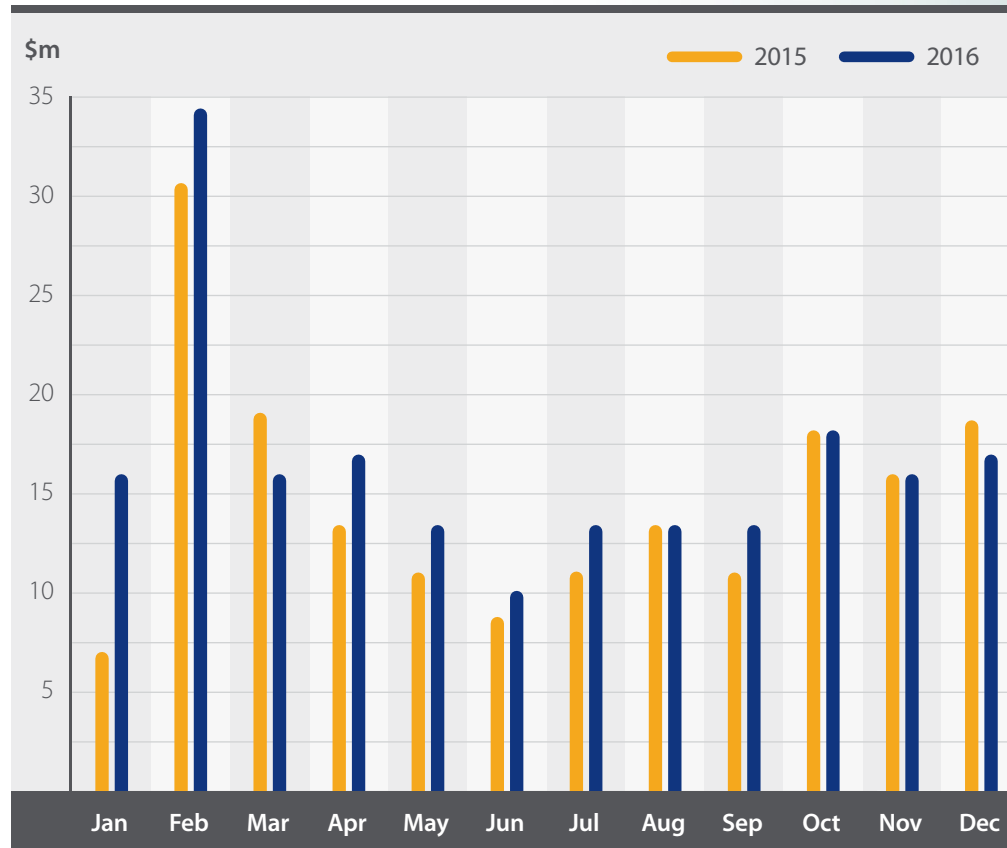
Average ticket size, lodging (\$NZD)



Unlocking greater value from international visitors

The importance of travellers arriving in New Zealand during the Chinese New Year holiday is particularly notable. Chinese New Year has twice the volume of other months for Chinese visitors, as shown by the spend during February in both 2015 and 2016.

Spend by Chinese visitors 2015 & 2016 (\$NZD)



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Tourism trends and Visa's role in the travel and tourism sector

By 2025, estimated cross border travel around the globe will rise dramatically, with spending reaching nearly NZD\$3.08 trillion⁶ annually, according to a Visa study.⁷

Not only is international travel and tourism blossoming, but it is unfolding in very interesting ways. Three mega-trends are reshaping and accelerating the growth of travel and tourism globally.

Rising global traveling class

Visa estimates that more than 280 million households will be traveling internationally by 2025. Growing income levels around the world are creating a new 'traveling class'. Households making NZD \$28,715⁸ or more per year account for 90 per cent of spending on international travel and about four out of every five international travel arrivals today. By this calculation, nearly half of all households globally will belong to the traveling class by 2025.

Visa estimates travellers from nearly one in three of these traveling class households will take at least one international trip per year. Households in emerging markets will fuel the growth in global travel, representing nearly all traveling households by 2025.

Global aging

By 2025, travellers aged over 65 will more than double their international travel to 180 million trips, accounting for one in eight international trips globally. Older travellers can afford bigger trips and are more focused on comfort and health than saving money. Long-term, the aging traveller will transform travel and one area that is already growing in response is the so-called "medical tourism" industry as more travellers opt to combine medical treatments with vacations.



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⁶ Using current exchange rate from <http://www.xe.com>

⁷ Mapping the Future of Global Travel and Tourism, Visa Survey, 2015

⁸ Using current exchange rate from <http://www.xe.com>

Tourism trends and Visa's role in the travel and tourism sector

Increasing connectivity

The forces of globalisation and technology are shrinking distances. Construction of more than 340 new airports around the world is expected over the next decade, creating new routes and destinations that will make international travel easier and more convenient. At the same time, awareness of alternative modes of transportation, accommodation, destinations, cost and other travel options is spreading with the rapid expansion of internet access and the number of mobile devices around the world. Digital connectivity is not only fostering greater spontaneity in travel, but also a broader array of personalised travel and tourism options as well.

Support for the New Zealand tourism sector

Drawing on the power of the world's most advanced processing network, Visa can help the New Zealand tourism industry better understand the spending patterns and preferences of international visitors.

With billions of transactions flowing through VisaNet every day, Visa sees roughly 25 cents of every US retail dollar spent around the globe. Using these actual transactions as a starting point, Visa can employ sophisticated data analysis methods to monitor spending patterns across major purchase categories and insight into the number of cross-border visitors and key differences in their spending habits.

This brief report is designed as a snapshot of activity in New Zealand over the last two full calendar years.

For information about global travel and tourism visit
www.visa.co.nz

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