



Report on the findings of the Tourism New Zealand Domestic Demand Review

FEBRUARY 2023





**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

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Abbreviations used in this report

B2B	Business to business
DMP	Destination management plan
DOC	Department of Conservation
EDA	Economic Development Agency
MBIE	Ministry of Business, Innovation and Employment
RED	Regional economic development
RTO	Regional Tourism Organisation
TDLG	Tourism Data Leadership Group
TIA	Tourism Industry Association
TNZ	Tourism New Zealand

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Executive summary

1. This report contains recommendations and supporting analysis for the Minister of Tourism regarding central government's ongoing involvement in domestic tourism marketing. It has been written by the Tourism branch of the Ministry of Business, Innovation and Employment (MBIE) with input from Tourism New Zealand (TNZ).
2. As a result of the COVID-19 pandemic and subsequent border closures, in 2020 the then Minister of Tourism and TNZ (a Crown entity that typically concentrates on the international marketing of New Zealand) agreed to market tourism domestically from that time.
3. Once New Zealand's borders reopened in 2022, the Minister of Tourism at that time commissioned MBIE and TNZ to work on a review of the domestic marketing function and recommend whether central government should continue this activity and investment in the medium to long term. The Domestic Demand Review entailed 23 stakeholder interviews (including Regional Tourism Organisations (RTOs), tourism operators, industry associations, Māori tourism representatives, and TNZ) and desktop research on domestic tourism, to provide the basis for the findings and recommendations in this report.

Context for domestic tourism marketing in New Zealand

4. Domestic visitors are essential to the health and success of New Zealand's tourism sector, comprising nearly 60 percent of total tourism spend for the year ending March 2020¹. While individual domestic visitors tend to spend less than their international counterparts (and spend is more concentrated in retail), they travel more frequently and across a broader range of seasons. Domestic tourism is also a key market for many of New Zealand's regions, and is the target market for many RTOs which lack the reach or size to effectively engage with international visitors in the way that TNZ can.
5. Domestic tourism is therefore a key contributor to New Zealand's overall tourism policy, which considers how the tourism system can become regenerative, sustainable, and deliver positive outcomes for domestic and international visitors as well as for New Zealand communities. The Domestic Demand Review has taken into account the five main areas of focus to achieve these goals, as set out in the 2019 New Zealand-Aotearoa Government Tourism Strategy²:
 - a. Te ōhanga (The Economy)
 - b. Ngā rohe (Regions)
 - c. Te Taiao (The Environment)
 - d. Tātou o Aotearoa me ō tātou hapori (New Zealanders and our communities)
 - e. Ngā manuhiri o te ao, o Aotearoa anō hoki (International and domestic visitors).

¹ [Tourism Satellite Account - Tourism Evidence and Insights Centre \(mbie.govt.nz\)](#) [NB: more recent figures from this measure are distorted due to COVID-19 border closures and a less accurate representation of 'BAU' tourism expenditure by international and domestic]

² [2019 New Zealand-Aotearoa Government Tourism Strategy \(mbie.govt.nz\)](#)

The ongoing role of Tourism New Zealand in domestic tourism marketing



6. In considering whether the Government should continue to intervene in domestic tourism marketing, MBIE’s key findings include:
 - a. **From a strictly economic policy view, there is no rationale for government to encourage one type of spending by New Zealanders over another.**
 - b. **It is very difficult to avoid perceptions of unfair treatment between different regions.**
 - c. **Better domestic data and capability at the regional level could drive better outcomes (however, there are other potential avenues for this rather than solely TNZ).**
 - d. **Stakeholders were strongly supportive of TNZ’s activities while borders were closed, and very satisfied with the high standard of work TNZ led to stimulate domestic demand for the tourism sector.**
 - e. **While TNZ sees value in some continued involvement, other stakeholders were less convinced this would be useful when there a no restrictions on travel. In MBIE’s view, the ability to reactivate and deactivate a central marketing function as required is more appropriate.**

7. It is important to note the different perspectives and reference points of MBIE and TNZ. TNZ is a world-class marketing agency using marketing to change behaviour and is working to align that behaviour change with Government’s broader tourism goals. Meanwhile, as the monitoring agency of TNZ, MBIE takes a wider policy view in assessing TNZ’s ongoing role and has intentionally taken an economy-wide view of whether Government should continue to invest in stimulating domestic demand.

8. In MBIE’s view, long-term tourism challenges (e.g. seasonality) have shown intervention is warranted for sector resilience, however it is not clear marketing is the answer.

9. This report considers the domestic marketing role is better placed with RTOs and larger operators which have the capacity to do so (this also ensures a continued effort to achieve broader outcomes from an industry level), rather than by central government in the current environment and with resource constraints. Further, MBIE believes there is

insufficient evidence to justify either additional budget allocation or a reallocation of spending from international marketing activities.

10. There are also significant concerns that central government would be advocating for specific discretionary spend in particular sectors and firms over others which is neither equitable nor will it enhance overall wellbeing in New Zealand.
11. The role that TNZ played during the international border closure demonstrates that a world-class agency such as TNZ does give government another lever to try and cushion the impact of sudden shocks on firms and regions reliant on visitors. As a result MBIE recommends the Minister retains the power to activate domestic demand marketing in a similar period of disruption in the future. This direction should be given via the annual Letter of Expectation from the Minister to TNZ, and does not need for amendment to the Tourism Board Act 1991 (as the Act does not currently specify international or domestic marketing³).

The scope of a potential central domestic marketing function, as informed by stakeholders



12. Notwithstanding Recommendation 1, MBIE has also considered what would be an appropriate scope for any continued involvement if a future Government or Minister opted to have a semi-permanent domestic marketing function within TNZ’s portfolio. With respect to this, MBIE’s analysis draws on feedback from the stakeholder interviews and TNZ’s reflections from the past two years.
13. Key findings include:
 - a. **Any domestic demand-driving campaigns should focus on seasonal ‘nudge’**

³ The Tourism Board Act 1991 sets out the ‘Object of New Zealand Tourism Board’ as: “The New Zealand Tourism Board’s object is to ensure that New Zealand is so marketed as a visitor destination as to maximise long-term benefits to New Zealand”.

marketing, (marketing encouraging behaviour change, that is, more domestic travel aligned with Government priorities) and be coordinated across other central Government agencies.

- b. Campaigns should align with broader government policy and strategies – domestic visitors may be more receptive than international visitors to this due to prior context and at-home community benefits.
- c. Transparent coordination involving a clear strategy with RTOs is critical to avoid overlap with work by RTOs and a perception of wasted marketing spend.
- d. A domestic function should prioritise domestic research and insights, as stakeholders see the value of this continuing from central government as they can use it to drive joint activity.

Introduction

14. Before the COVID-19 pandemic occurred in 2020 and prompted a global public health response including many border closures, tourism was New Zealand's largest export earner, a significant employer and an important sector to nearly all regions across the country. However, with no international visitors, and subsequent national and regional lockdowns, the tourism industry and regions faced significant difficulty and uncertainty. Government provided a range of broad-based (or whole of economy) support, but also provided targeted support for some sectors that were particularly affected. As part of this, the Minister of Tourism at the time indicated that TNZ should pivot its focus to promoting domestic tourism. Cabinet later agreed to amend TNZ's mandate (and scope of its appropriation) to formally allow for marketing of domestic tourism⁴.
15. In 2022, as the effects of the pandemic reduced, New Zealand reopened its borders and the tourism industry returned to welcoming international visitors. As a result, the then Minister of Tourism commissioned the Tourism Branch of MBIE and TNZ to review the central domestic marketing function and consider whether this could add value in addressing key tourism challenges in the medium-long term.
16. This report discusses the findings of the Domestic Demand Review, provides context for tourism in New Zealand and how it is marketed, and presents MBIE's analysis and recommendations.

The Domestic Demand Review

17. The Domestic Demand Review was conducted by MBIE and TNZ in late 2022/early 2023 and focused on understanding the benefits, challenges and trade-offs associated with domestic marketing from a central entity. Key objectives of the review's Terms of Reference were to understand:
 - a. the benefits and challenges of a national agency leading delivery of New Zealand's domestic tourism demand; e.g. whether this could influence or shape longer term Government objectives such as seasonality (travel outside the peak season) and regional distribution (visitor spread across the country),
 - b. how a national body (such as TNZ) intersects with the role of regional bodies such as RTOs or Economic Development Agencies (EDAs) in driving and potentially shaping domestic demand, and
 - c. the trade-offs for Ministers, in particular between increasing overall demand and the distribution of that demand with what market or coordination issues are preventing this from happening already.
18. The review does not assess the performance or success of the work carried out by TNZ during the COVID-19 lockdowns. However, that work is referred to in this report to demonstrate the kinds of work which could be undertaken in the future, and to illustrate the relationship between the different components of the tourism marketing system.

⁴ The Cabinet Minute specifically refers to tourism 'marketing'. Synonyms for this word are used throughout this report.

19. The Domestic Demand Review included information gathering and analysis based on desktop research into domestic tourism data, TNZ domestic insights and international case studies during the COVID-19 pandemic. MBIE also conducted 23 interviews with stakeholders including RTOs, tourism operators, airlines and airports, and collaborated with TNZ to attain up-to-date industry perspectives.
20. The stakeholder interviews were confidential, with participants agreeing that their comments could be used to inform the broad analysis of this report. The entire process was also subject to a privacy assessment by MBIE Evidence and Insights officials to ensure its robustness. To ensure consistency, each interview followed the same structure and participants were asked a standard set of questions. MBIE also interviewed TNZ to learn about the work the agency undertook in stimulating domestic demand, the challenges and opportunities, and the trade-offs if TNZ were to continue working in the domestic market in the medium to long term.
21. Some stakeholder feedback was out of scope for the Domestic Demand Review but was passed on to TNZ for consideration. The Annex to this report includes some of that feedback.

How to use this report

22. This report covers the following:

<p>Context for domestic tourism marketing in New Zealand (page 10)</p>	<p>Description of tourism in New Zealand, Government strategy and key players, and more details about domestic visitors</p> <p>Overview of TNZ’s recent domestic marketing activities and its views on continuing these</p>
<p>Part One – The ongoing role of Tourism New Zealand in domestic tourism marketing (page 20)</p>	<p>MBIE’s analysis and recommendation with respect to domestic tourism marketing by a central agency, drawing on stakeholder feedback and research, and including discussion of key issues</p>
<p>Part Two – The scope of a potential central domestic marketing function, as informed by stakeholders (page 31)</p>	<p>MBIE’s analysis and recommendation for possible options if Ministers decide to progress with a future domestic tourism function, drawing on stakeholder feedback and evidence from TNZ</p>
<p>Annex: Other considerations raised by stakeholders (page 36)</p>	<p>Summary of some stakeholder feedback out of scope for the Domestic Demand Review</p>

Context for domestic tourism marketing in New Zealand

The New Zealand-Aotearoa Government Tourism Strategy

23. The previous Minister of Tourism stated that he wished New Zealand to be one of the top three aspirational holiday destinations for discerning travellers. For some time tourism policy has been changing its focus from increasing the number of visitors to considering how the tourism system can become regenerative and sustainable, and to delivering positive outcomes for domestic and international visitors as well as New Zealand communities.

24. The New Zealand-Aotearoa Government Tourism Strategy (the Government Tourism Strategy, the strategy)⁵ launched in May 2019 recognises the importance of both international and domestic visitors. It sets out a vision for the future of tourism in New Zealand, developing a sector which protects the environment, improves New Zealanders' lives, supports thriving regions and leads to increased productivity. This vision could be achieved by working with the industry to deliver sustainable growth across the sector – developing greater environmental, economic and social sustainability.

25. The strategy identifies a number of areas where the tourism sector can deliver positive outcomes for all New Zealanders (refer to Figure 1):
 - a. **Te ōhanga (The Economy). Tourism sector productivity** – rather than looking at how to increase the volume of travellers in New Zealand, this area focusses on how the sector can increase output without necessarily requiring an increase in visitor numbers.
 - b. **Ngā rohe (Regions). Tourism supporting thriving and sustainable regions** – how tourism can improve the lives of those living in New Zealand's regions, supporting economic, environmental and/or social sustainability. This could be linked to supporting enhanced social licence, or to projects designed to protect our natural environment.
 - c. **Te Taiao (The Environment). Tourism protecting, restoring and championing New Zealand's natural environment, cultural identity (especially Te Ao Māori), and heritage** – how projects can encourage or support domestic and international visitors to take different types of trips around New Zealand to engage with, support and protect our natural and cultural resources.
 - d. **Tātou o Aotearoa me ō tātou hāpori (New Zealanders and our communities). New Zealanders' lives are improved by tourism** – tourism can bring huge benefits to communities but can also disrupt them through damage to infrastructure or community stability. The Government wants to encourage forms of tourism which engage with the communities they take place in and give more than they take away.
 - e. **Ngā manuhiri o te ao, o Aotearoa anō hoki (International and Domestic visitors). Aotearoa New Zealand delivers exceptional visitor experiences** – in order to

⁵ [2019 New Zealand-Aotearoa Government Tourism Strategy \(mbie.govt.nz\)](https://mbie.govt.nz)

support the sustainability of our tourism sector, we must continue to develop high-quality, authentic visitor experiences which appeal to both international and domestic visitors.



Figure 1: Strategy focus areas⁶

26. Each element of the strategy connects to the others, and a successful tourism sector will see all elements working well. The strategy also reflects that all actors in the sector – including TNZ, RTOs and individual operators – have a role to play in developing a successful, sustainable tourism sector in New Zealand Aotearoa.

Tourism New Zealand is a key contributor to this strategy

27. TNZ is a Crown entity that markets New Zealand as a visitor destination for the long-term benefit of New Zealand. It plays an important role in shaping demand for New Zealand as a destination and in influencing a type of visitor who intends to stay longer, explore wider, and enjoy our culture and environment in a considerate way. For the past 20 years, TNZ has promoted this country under the brand campaign of *100% Pure New Zealand*.

28. TNZ was established by the New Zealand Tourism Board Act 1991 (the Act). While the Act is silent on whether tourism includes ‘domestic’, prior to the COVID-19 pandemic TNZ’s role focused exclusively on international marketing.

⁶ Source: MBIE New Zealand-Aotearoa Government Tourism Strategy: [New Zealand-Aotearoa Government Tourism Strategy | Ministry of Business, Innovation & Employment \(mbie.govt.nz\)](https://www.mbie.govt.nz/government-tourism-strategy)

29. TNZ is governed by a Board of Directors and has accountability through this Board to the Minister of Tourism. The Board meets approximately every six weeks. The composition of the Board reflects a balance of tourism industry and general commercial expertise.
30. TNZ generally operates at the upper and middle levels of what it refers to as the marketing 'funnel', but its domestic work at the time of the COVID-19 pandemic covered all levels of this funnel.
31. The basic levels of the marketing funnel are as follows (refer to Figure 2):
 - a. Dream – establishing an awareness of potential travel and activities, and creating desire
 - b. Plan – driving visitors to begin investigating where they might go, what they might do and when
 - c. Book – converting the consideration to booking travel, and making this process accessible.

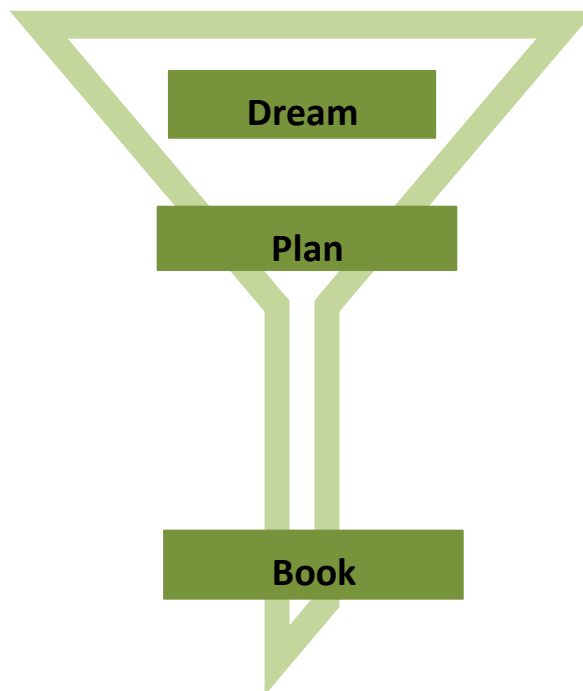


Figure 2: The marketing funnel

32. TNZ undertakes its marketing activity through four main channels:
 - a. Paid – typically advertising campaigns either direct to the consumer, direct to agents, or in collaboration with partners (such as airline and trade partners), with the majority of this spend through digital media
 - b. Owned – using TNZ’s consumer website [newzealand.com](https://www.newzealand.com) and social media channels to promote New Zealand, engage with potential visitors, refer them on to industry operators to book travel and activities, and gain their advocacy once they

- return home
- c. Earned – this includes helping global media and travel agents to experience New Zealand either live or virtually, sending news content to media, and using opinion leaders in selected markets to advocate on TNZ’s behalf
 - d. Trade – a business to business (B2B) model whereby TNZ uses content, events, training and partnerships to inspire domestic and international travel trade so they are better placed to sell New Zealand to their clients.
33. In 2019, an independent report *‘Optimising Tourism New Zealand’s future role and contribution to New Zealand’*⁷ was undertaken to look at what role TNZ should play in supporting New Zealand’s future tourism needs and how it was positioning its capabilities to deliver on this role. The key finding was that TNZ’s core capability represents digital marketing and customer insight centres of excellence, bringing world-leading innovations in marketing activity to its role for the benefit of New Zealand. The 2019 report also noted that TNZ’s expertise in customer segmentation, insights and intelligence could make it the natural organisation to fill a current and significant gap in our knowledge of domestic tourist preferences. (MBIE notes that while this report remains relevant, the COVID-19 pandemic has placed additional constraints on the sector for the near future which must also be considered.)

Regional Tourism Organisations have a role in destination management

34. Marketing by TNZ is supported by the work of the 31 RTOs, which most commonly form part of local councils or economic development agencies. RTOs market and develop the tourism offering in their region, providing an amplifying voice to the operators and businesses who may otherwise be too small to achieve any substantial impact through marketing.
35. Due to their size and relative ‘reach’, most RTOs focus on domestic tourism marketing (also paid, owned and earned media). Some RTOs also look at Australia and a small number of international markets.
36. In recent years, the Government has signalled a desire for regions to shift their primary focus to destination management, and create Destination Management Plans (DMPs). This shift broadens their scope from solely marketing to a whole-of-place approach.
37. Destination management will see RTOs and local councils bring together different stakeholders in their community to achieve the common goal of developing a well-managed, sustainable visitor destination. This is an ongoing process that requires destinations to define their identity and, by extension, their tourism offerings more carefully. This includes regions considering what volume of visitors they wish to encourage and how best to manage this number, taking account of social, economic, cultural and environmental risks and opportunities.
38. By focussing on destination management, the Government is encouraging regions to

⁷ [Tourism New Zealand Report \(mbie.govt.nz\)](https://www.mbie.govt.nz/tourism-new-zealand-report)

think about what services or experiences they could offer all year round, rather than relying on increased volume during peak season to support the tourism sector. There is a limited direct role for central government in implementing the destination management approach.

Domestic tourism makes a significant contribution to New Zealand’s visitoreconomy

39. A domestic visitor is a New Zealand resident who travels within the country but outside their usual environment (the place or places a person occupies within their regular routine of life, except places visited for leisure or recreational activities only). In New Zealand, for a visitor to be outside their usual environment they must satisfy at least one of the following conditions:
 - a. travel by a scheduled flight or inter-island ferry service, and/or
 - b. travel more than 40 kilometres from their residence (one way) and outside the area they commute to for work or visit daily.

40. Prior to the COVID-19 pandemic, domestic tourism was the largest component of the tourism industry by expenditure. For the year ended March 2020 the total tourism spend was \$41.9 billion, of which domestic market expenditure was \$24.4 billion (58 per cent of the total), with \$17.9 billion of this coming from households and \$6.4 billion from business and government. By contrast, international visitor expenditure was \$17.5 billion (42 per cent of the total) for the same period⁸.

41. However, there are some key differences between domestic and international tourists. Tourism is measured by where consumption occurs away from people’s usual place of residence. While there are many non-financial benefits from tourism, the macro-economic value is its contribution to aggregate demand (the combined total demand for goods and services in an economy).

42. International visitors add to aggregate demand in the economy and to demand for each sector (either directly or indirectly). Domestic visitors do not add to aggregate demand (unless they substitute a domestic trip for an international trip), but many regions and firms rely on domestic travellers. As an example, residents of a small town may only have access to a café and supermarket if there is steady visitor demand to keep these afloat. Domestic tourism is also important as it encourages the movement of money from large concentrated areas (such as cities) to less populous regions (such as the countryside and seaside towns) during holiday periods.

43. Domestic visitors spend differently to international visitors. Domestic visitors tend to spend a lower proportion of their overall tourism spend on tourism-characteristic products⁹ such as accommodation, transport, and food and beverage (34% versus 51%

⁸ [Tourism Satellite Account - Tourism Evidence and Insights Centre \(mbie.govt.nz\)](https://mbie.govt.nz/tourism-satellite-account)

⁹ Tourism expenditure can be defined as measuring the amount spent by visitors on goods and services for and during tourism travel. Spend is categorised into ‘tourism-characteristic’ products and ‘tourism-related’ products. A product is considered tourism-characteristic if at least 25 percent of its total production is purchased by tourists. Such products would cease to exist in meaningful quantity, or the

for international visitors). Rather, the tourism spend of domestic visitors is weighted more towards retail sales, including supermarket purchases, shopping and fuel.

44. FreshInfo estimated that in 2019 domestic visitors spent on average \$155 per day compared to \$232 per day for international visitors¹⁰.

Increased research into domestic tourism is providing more insights

45. Prior to the COVID-19 pandemic and TNZ taking a lead role at a national level, there was little research and data about the domestic tourism market. Sector advocate organisation Tourism Industry Aotearoa initiated research in 2016 to establish a domestic tool offering data on visitor behaviour and TNZ purchased this research in 2020 to update it and fill some of the gaps in domestic insights. This research supported the shift in focus to domestic marketing while New Zealand's border was closed to international visitors.
46. Since 2020, more research has been produced to provide regular updates on domestic travel perception, experiences, and intentions. This includes:
- a. TNZ produces regular research updates and visitor segmentation to better understand the domestic visitor (e.g. breakdowns of age, gender, income, areas of interest etc).
 - b. TNZ partnered with Data Ventures (part of Stats NZ) to produce daily domestic and international visitor counts by RTO. MBIE produces a monthly report using this same data.
 - c. TNZ also provides the Domestic Growth Insight Tool (DGIT, adapted from information produced by Tourism Industry Aotearoa), the Domestic Travel View Report (produced by Kantar), and the Domestic Audience Understanding tool (adapted from MBIE's Monthly Regional Tourism Estimates, 2020)¹¹.
 - d. Angus and Associates conducts an annual Domestic Satisfaction Report for Tourism Industry Aotearoa as a way to track the Tourism Sustainability Commitment¹². This research shows that domestic visitors have different characteristics and intentions in comparison to international visitors.
47. The analysis by TNZ in 2020 showed there are potentially 45 million domestic trips taken annually in New Zealand, made up of 26 million day trips and 19 million overnight trips. TNZ's research looked at domestic demand for specific activities, regions, preferred accommodation type and travel motivations. For example, data showed that 73 percent of domestic trips were made by non-family trips and 71 percent of the trips were by

level of their consumption would be significantly reduced, in the absence of tourists. A product is considered tourism-related if tourists purchase no more than 25 percent of its total production.

¹⁰ <https://www.tourismnewzealand.com/assets/insights/industry-insights/tnz-te-ohanga-report-2.pdf>

¹¹ DGIT: [Activating Domestic Tourism | DGIT](#). DTVR: [Domestic Travel View Report October 2022 \(tourismnewzealand.com\)](#). DAU: [tnz-domestic-audience-understanding-may-2020.pdf \(tourismnewzealand.com\)](#)

¹² The New Zealand tourism sustainability commitment aims to see every New Zealand tourism business committed to sustainability by 2025. See: www.sustainabletourism.nz

road¹³.

48. Other research has confirmed that New Zealanders typically enjoy travelling in their own country, are keen to travel domestically and see domestic travel as important¹⁴. Some 71 per cent of New Zealanders intend to take a domestic holiday in the next twelve months (September 2022 – September 2023), with 53 percent of those planning for a trip for six days or more.
49. In the 12 months prior to this report, 52 per cent of New Zealanders had visited a place they had not been to before and 21 per cent had participated in a holiday activity they had not done before.
50. New Zealanders have consistently rated their domestic holiday experiences as excellent or good since 2020, with only 1 in 20 reporting a poor experience relative to expectations¹⁵. This is consistent with similar research by Angus and Associates where New Zealanders who took a domestic leisure holiday rated their experience 8.6 out of 10¹⁶.
51. Encouraging more domestic tourism can help to increase how welcoming New Zealanders are to other visitors travelling in their community. Research by TNZ¹⁷ shows that New Zealanders who participate in domestic tourism are also more likely to be supportive of the broader tourism industry (refer to Figure 3).

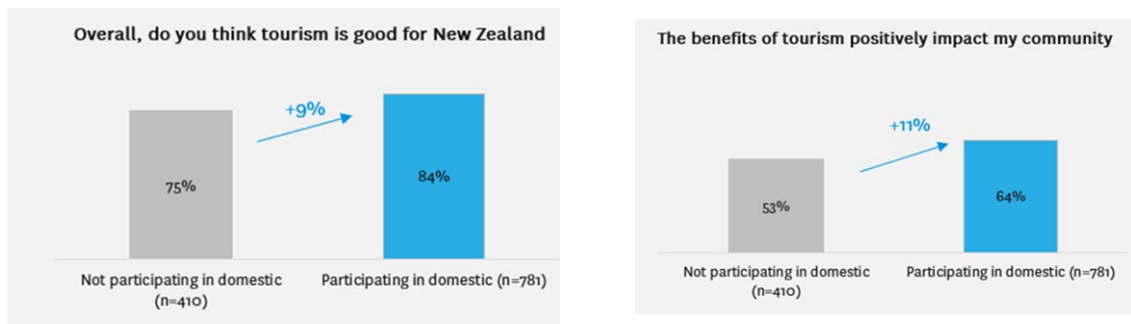


Figure 3: Survey views on benefits from tourism (Source: TNZ Domestic Views of Tourism Report April 2021)

¹³ Source: TNZ Domestic Growth Insight Tool 2020

¹⁴ [TNZ's October 2022 Domestic Travel View Report / https://www.tourismnewzealand.com/assets/insights/domestic-research/Domestic-Travel-View-Report-September-22.pdf](https://www.tourismnewzealand.com/assets/insights/domestic-research/Domestic-Travel-View-Report-September-22.pdf)

¹⁵ [TNZ's October 2022 Domestic Travel View Report / https://www.tourismnewzealand.com/assets/insights/domestic-research/Domestic-Travel-View-Report-September-22.pdf](https://www.tourismnewzealand.com/assets/insights/domestic-research/Domestic-Travel-View-Report-September-22.pdf)

¹⁶ <https://www.tia.org.nz/assets/Domestic-Visitor-Satisfaction-YE-Sep-2022.pdf>

¹⁷ Source: TNZ Domestic Views of Tourism Report April 2021

Domestic tourism gained critical support from Tourism New Zealand marketing while borders were closed

52. As mentioned earlier, the Government approved TNZ to undertake a domestic marketing function when New Zealand's borders were closed in response to the COVID-19 pandemic.
53. TNZ's Statement of Performance plan FY22 highlighted the agency's work to shape and stimulate domestic demand in the short term, and to support the sector while the border was closed. It also considered how TNZ's domestic work could transition to support longer term seasonality, regional dispersal and productivity goals. TNZ's goals included:
 - a. Drive domestic demand while borders remain closed.
 - b. As international borders re-open, lay the foundation for long term value through a framework that targets high value domestic visitors to drive seasonal, regional and cultural outcomes.
 - c. Grow the value contribution of domestic holidays across all four Capitals of the Living Standards Framework¹⁸ and guide the evolution of tourism products to be more relevant for domestic audiences in the future.
54. The information in the shaded box below has been supplied by TNZ to provide further details of its recent domestic marketing activities and where it sees value in continuing.

Tourism New Zealand's approach to domestic consumer marketing: shifting its operating model to effectively pivot to the domestic market

The following section provides context on how TNZ approached its domestic work since this was established in 2020.

TNZ's Strategic Plan described how New Zealanders (as hosts and visitors) and international consumers expect tourism to be different in the post COVID-19 environment: more sustainable, productive and inclusive. The Government and tourism industry share this view and have used the COVID-19 pandemic to explore the 'what' and 'how' of this intent in different ways.

Since 2020, TNZ has focused on demand generation and industry support to help the sector's resilience while our borders were closed to international visitors. TNZ's role in domestic tourism focused on overall demand generation (increasing overall sector value) but also demand shaping for optimal outcomes (e.g. influencing regional and seasonal dispersal).

At a strategic level, TNZ led a broad marketing strategy focusing on increasing the number of New Zealanders travelling domestically. This demand generation was complemented with tactical activity to shape and maximise opportunities for growth.

Within the mix of TNZ's tactical activity, TNZ strengthened its relationships with the RTOs, working closely with some regions, across seasons and targeting a wide audience. TNZ notes that its tactical activity was not intended to duplicate the efforts of RTOs. It actively worked with RTOs to address issues as they arose and monitored the tactical activity.

¹⁸ The Four Capitals of the Living Standards Framework are: natural, human, social, and financial and physical. See: www.treasury.govt.nz/sites/default/files/2019-12/lst-as-poster.pdf

TNZ's domestic marketing was 'full funnel' but this would be recalibrated if continued

TNZ's domestic activity has operated 'full funnel' since 2020 (see below). TNZ notes that if the agency were to continue a domestic function in the medium-long term it would recalibrate its operating model to focus on the 'upper funnel' (Dream and Plan marketing activity). The agency would also expect that it would utilise its partnerships to drive conversions to the booking stage.

The basic levels of the marketing funnel are:

- a. **Dream** – creating desire and intent for domestic travel overall. The marketing platform “Do Something New, New Zealand” is an example where the focus was on encouraging New Zealanders to participate in domestic tourism and try a new activity or go to a different place than their habitual practice. The new brand platform “If You Seek” encourages New Zealanders to continue to discover extraordinary and unique experiences in New Zealand.
- b. **Plan** – marketing and information providing suggestions or addressing barriers to booking to support consumer planning and commitment to a domestic holiday.
- c. **Book** – While TNZ does not execute any booking / conversion *per se* it does act as a considerable source of referrals for tourism operators. A wide range of tourism businesses is listed on the [newzealand.com](https://www.newzealand.com) website, which is used by international and domestic consumers alike to research holiday options. Consumers can then link directly to operator sites to make a booking. In some instances, activities that are highlighted in digital marketing activity will include direct links to an operator page on the [newzealand.com](https://www.newzealand.com) site. TNZ also partners with third parties on activity (such as media) – third party links will go direct to a tourism operator.

The entrance into the domestic market was undertaken in a similar way to when entering any other market. That is, it took a data driven approach to understand the system and where the pressure points lie.

Funding decisions between the international and domestic functions are based on what is most likely to achieve broader tourism outcomes

TNZ has always taken a portfolio approach to relative market investment. Given TNZ's fixed funding, it regularly evaluates the level of investment across its portfolio of markets, or the 'basket' of markets as it is often referred to. Domestic and international markets do not represent separate approaches to overall portfolio management. In this way New Zealand would be treated as a market in much the same way as Australia, or another overseas country.

Increased investment in one market comes at the expense of another. These are commercial decisions made by management based on current strategy and the wider operating environment. Relative market investment ultimately is based on the best use of funds to achieve TNZ's broader outcomes that both domestic and international tourism can contribute to. As a Crown entity, TNZ's Board makes the ultimate decision about TNZ's commercial strategy and investment priorities, ensuring those decisions align with Government strategies for tourism.

In the medium-long term, TNZ could continue work in the domestic market as part of its portfolio of key markets

In FY21 when borders were shut TNZ's marketing spend in the domestic market peaked at around 17% of baseline funding. However this has reduced to 9% of baseline funding in FY23. As the international tourism recovery continues, TNZ would continue to view 'domestic' as one market

within a broader portfolio. Spend would be adjusted to reflect what is required to achieve desired outcomes, balancing that with adequate spend in other markets to also achieve desired outcomes.

TNZ would expect in FY24 as international tourism is further into recovery that the relative investment in domestic tourism would decrease. However the TNZ view is that there would need to be a minimum viable investment level.

TNZ's website [newzealand.com](https://www.newzealand.com) plays a key role

The website [newzealand.com](https://www.newzealand.com) plays an important role across the marketing funnel. Key content includes the inspirational marketing campaigns that contribute to the Dream stage in the upper funnel. This website holds a wealth of information on specific destinations, activities, itineraries, transport, and accommodation to help international (and more recently domestic) visitors in the planning stage. Operator listings direct consumers to specific operators where they can do more research and book elements of their visit.

Any operator can list on [newzealand.com](https://www.newzealand.com). However, ranking preference is given to those operators who have achieved Qualmark standards. The intention of this is to ensure those operators who comply with Qualmark standards and are ultimately providing reassurance of quality and health and safety are the first to be seen by consumers when searching for tourism experiences.

A sustainable and resilient tourism industry is not just about the right interventions on the demand side but also on the supply side. TNZ prioritises Qualmark certified firms to ensure operators meet minimum standards and provides a path to achieving higher standards for the benefit of the consumer, operator, and the broader industry. The ideal outcome of this path is a collective effort across industry to be Qualmark certified.

Prior to the COVID-19 pandemic, when TNZ was exclusively marketing to international markets, the operator listings on [newzealand.com](https://www.newzealand.com) were used by both international and domestic consumers despite the content being pitched at an international audience. TNZ predicts that this would continue even in an environment where TNZ had only minimal or zero investment in domestic marketing.

That said, reduced or removed investment in domestic and less marketing activity in this market would logically lead to fewer domestic visitors landing on the website.

Operating model for connecting with industry in relation to TNZ activity

The COVID-19 pandemic provided the opportunity for TNZ to further improve partnerships with the tourism industry. Pre-pandemic, TNZ had established robust channels for engagement with the tourism industry through TNZ and industry-led meetings/events, as well as projects focusing on international marketing. However, TNZ's work in domestic marketing enabled a day-to-day cooperation with the tourism industry and deeper connections with new regions.

The domestic work served as a lower, more achievable entry point for the industry to engage with TNZ activity. While a product might be ready for the domestic market, further improvements are often required to be featured to an international audience. Working in partnership with TNZ domestically proved to be a good entry point for lesser known regions and products, to guide them on the way to be marketed to an international audience. It will be important to consider how regions are supported through this 'gateway' in the medium to long term.

Part One – The ongoing role of Tourism New Zealand in domestic tourism marketing

55. This part of the report considers whether domestic marketing by central government can make a positive impact on the Government’s broader tourism goals over the medium to long term, and if it should continue to intervene. It discusses some of the feedback received from stakeholders and presents MBIE’s analysis of the Government’s continued involvement alongside some of the key concerns.

Recommendation and key findings

1

The domestic function should be deactivated

The Minister of Tourism should have the ability to reactivate in future shocks

56. In considering whether the Government should continue to intervene in domestic tourism marketing, MBIE’s key findings include:
- a. **From a strictly economic policy view, there is no rationale for government to encourage one type of spending by New Zealanders over another.**
 - b. **It is very difficult to avoid perceptions of unfair treatment between different regions.**
 - c. **Better domestic data and capability at the regional level could drive better outcomes (however, there are other potential avenues for this rather than solely TNZ).**
 - d. **Stakeholders were strongly supportive of TNZ’s activities while borders were closed, and very satisfied with the high standard of work TNZ led to stimulate domestic demand for the tourism sector.**
 - e. **While TNZ sees value in some continued involvement, other stakeholders were less convinced this would be useful when there a no restrictions on travel. In MBIE’s view, the ability to reactivate and deactivate a central marketing function as required is more appropriate.**
57. From an economic policy perspective there is no rationale for government to fund domestic tourism marketing. Whether people choose to buy groceries or fuel in their

local town or in another region entirely makes no difference to the overall state of the New Zealand economy.

58. There are also significant concerns that central government would be advocating for specific discretionary spend in particular sectors and firms over others which is neither equitable nor will it enhance overall wellbeing in New Zealand.
59. In MBIE’s view, the domestic marketing role is better undertaken by RTOs and operators than by central government in the current environment.. Further, MBIE considers there is insufficient evidence to justify either additional budget allocation or a reallocation of spending from international marketing activities.
60. The role that TNZ played during the international border closure demonstrates that a world-class agency such as TNZ does give government another lever to try and cushion the impact of sudden shocks on firms and regions reliant on visitors. As a result MBIE recommends the Minister retains the power to activate domestic demand marketing in a similar period of disruption in the future. This direction should be given via the annual Letter of Expectation from the Minister to TNZ, and does not need for amendment to the Tourism Board Act 1991 (as the Act does not currently specify international or domestic marketing¹⁹).

Is domestic marketing warranted from a broader tourism policy perspective?

61. While the domestic tourism market has long been successful, MBIE considers there are a number of untapped opportunities which, if developed further, would yield positive outcomes across the tourism sector and contribute to the New Zealand-Aotearoa Government Tourism Strategy. These include:
 - a. **Regional distribution** – if visitors travel to a wider range of locations in New Zealand, the benefits of tourism would be felt by more communities, and there would potentially be a lower impact at each location as visitors would be more widely spread.
 - b. **Seasonality** – as with regional distribution, greater seasonal distribution eases pressure on high volume visitor areas and allows the benefit of tourism to be felt more equally through the year.
 - c. **Coordination** – RTOs are primarily responsible for marketing to domestic visitors, but as they represent their region independently they are often targeting and competing for the same domestic customers. By encouraging RTOs to coordinate the timing and nature of their campaigns, there is likely to be a reduction in overlapping advertising campaigns, and this should encourage greater engagement between regions (acknowledging their structure does drive some level of competition naturally).
 - d. **Higher quality tourism** – the Government Tourism Strategy aims to encourage higher value tourism to deliver better social outcomes rather than just focusing on increased volume, and improved domestic tourism could contribute to this.

¹⁹ The Tourism Board Act 1991 sets out the ‘Object of New Zealand Tourism Board’ as: “The New Zealand Tourism Board’s object is to ensure that New Zealand is so marketed as a visitor destination as to maximise long-term benefits to New Zealand”.

62. The Government has focussed on these areas in the past and used many different tools to try to achieve positive outcomes. Regions and operators have also innovated and developed their products and offerings in an attempt to realise the benefits of these opportunities. This includes using tools such as marketing and altering or amending tourism offerings as well as more dynamic tools such as price settings.
63. These opportunities are discussed in more detail below, along with an assessment of the likely impact of any central government involvement.

Poor regional distribution leads to imbalanced outcomes ...

64. It is difficult for RTOs to address regional distribution on their own as, by their nature, they are focused on promoting product from within, and attracting visitors to, their own region. Further, as RTOs are funded locally they are not responsible for a national approach. Just as national tourism marketing agencies compete to reach potential visitors overseas, RTOs tend to compete with one another for potential visitors across New Zealand and, in some cases, Australia. This is a zero-sum game as there is a limited number of potential visitors across New Zealand and the success of one region can be to the detriment of another.
65. This creates additional problems both for successful and unsuccessful regions:
 - a. Those regions who generate high levels of visitors can become saturated, with significant impacts on community resilience/social licence and lower quality visitor experience due to overcrowding (e.g. Milford Sound/Piopiotahi, Tongariro Crossing).
 - b. Those regions with low levels of visitors struggle to maintain the level of infrastructure and workforce needed to support a thriving tourism sector and are unable to obtain market share from more successful regions.
66. Achieving improved distribution would provide more visitors to less well-travelled areas and would also ease pressure from those regions of New Zealand which have high concentrations of visitors. However, not all regions will agree on the 'ideal' number of visitors their region can sustain, and more popular regions may object to a proposal which diverts visitors away from their region.

... but it's hard for a national campaign to be fair to all regions

67. Using a national marketing plan to address regional distribution would likely be more cost efficient and have greater productivity gains than any local-led campaigns, given the regional focus of RTOs. A national campaign can place focus on a wide range of areas to encourage New Zealanders to choose them as destinations for their next trip.
68. However, it is unlikely that any nationally-led campaign could put equal focus on all of New Zealand's 31 regions. Such an approach would damage the competitive element of New Zealand's tourism sector and may end up creating worse divisions than already exist.
69. While TNZ has some evidence of impacting regional distribution in a COVID-19 operating

context, it is unclear how far a national campaign could affect visitor distribution now borders are fully open. Most New Zealanders already know where they like travelling or have established holiday routines. However, TNZ’s *Do Something New, New Zealand* campaign, which ran when borders were closed, was able to affect some change in regional distribution and seasonality (based on the feedback from stakeholders and noting that there was complete market share at this time). It is noted that these reflections do represent an imperfect assessment as the border was closed at this time and it is unclear whether this period accurately reflects how effective this messaging could be in the future.

Domestic tourism remains seasonal, though less so than international tourism ...

- 70. Regions develop their tourism offering based on their natural advantages and the types of service they think visitors will be most interested in. For example, a region whose primary tourism activity is a ski-field may focus its marketing and tourism offering on winter as this is when most visitors are likely to travel there.
- 71. Leveraging these assets is entirely appropriate but does lead to difficulties in seasons where the offering has less appeal (for example, winter weather impacting regions with beach offerings). The seasonal nature of tourism in New Zealand (as illustrated in Figure 4) is a perennial issue. It has significant impact on productivity and places particular pressure on retaining a skilled workforce.

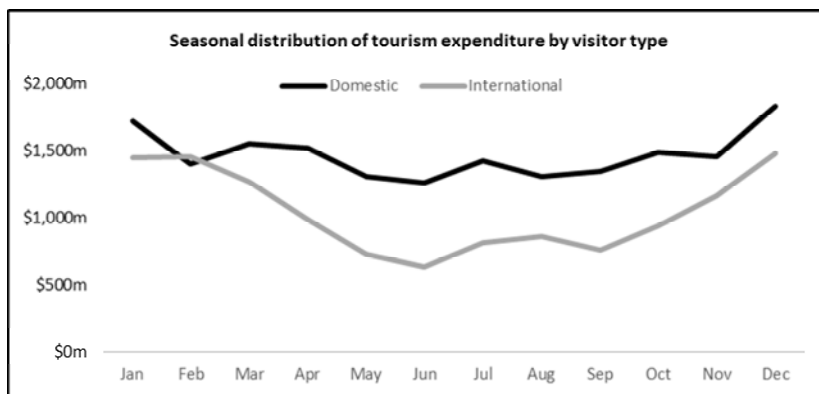


Figure 4: Seasonal distribution of tourism expenditure in 2021²⁰

- 72. Domestic visitors are often able to smooth out some of these peaks and troughs as they are less impacted by the pressures that limit international travel, such as increasing air fares, distance to travel, and the difference in seasons (e.g. a customer from the northern hemisphere may not want to travel in their summer to visit in New Zealand’s winter).
- 73. There is also anecdotal evidence to suggest that domestic visitors prefer to travel when there are fewer international visitors as attractions are less crowded. In other words, there can be more domestic visitors to some locations when international visitor numbers are lower.

²⁰ [Tourism satellite account: Year ended March 2021 | Stats NZ](#)

74. Tourism operators and RTOs use a variety of tools to address seasonality. These include:
- a. events and festivals (discussed below)
 - b. targeting locals in the off season to promote experiences on the other side of a region (noting that money spent 40km from someone's usual residence is considered tourism expenditure) as a way to boost activity
 - c. approaching school groups to offer specially adapted tours across the winter periods
 - d. adjusting prices.
75. One of the most successful tools to address seasonality is the use of events, which can particularly appeal to stimulate travel purchase decisions in the domestic market. These events are often held in the low or shoulder season and are designed to match the traditional tourism offering of a region. A good example of this is the Featherston Booktown Kaukatea Festival, running in May and acting as an opportunity to attract additional visitation to the small town of Featherston, as well as to nearby Wellington, during the off season.
76. These events could be significant in nature and tied to larger multi-day events (e.g. the recent Rugby World Cup hosted in Auckland and Whangarei, *Guns n Roses* performing in Wellington as part of a world tour), but could also be smaller 'local' events such as concerts, festivals or local fairs/fetes which RTOs and operators could target specifically to domestic tourists.
77. However, domestic visitors still face barriers that limit the times in the year they can travel. Much like international visitors, they can be limited by school holidays, airfares, rental car costs, and work or family commitments but to a lesser extent.

... and a national awareness campaign or calendar for events and opportunities could be a useful tool, with consideration of equity to all regions.

78. A marketing campaign may be able to raise awareness of events or opportunities in New Zealand regions that travellers are previously unaware of and which may encourage additional travel outside of traditional tourism periods. That said, as stated earlier with respect to regional distribution, it is unlikely that any national campaign could fairly or equally cover events in all, or even most, regions. However, this dynamic could potentially be managed by TNZ, as it is likely to be worth the additional coordination.
79. It would also be difficult for any national campaign to be aware of all events and tourism opportunities available across New Zealand, given the mix of large and small events. This may result in priority being given to large events which may not need the support of such a campaign. Again, such an arrangement could be manageable through transparency of communication and providing other leverage opportunities to regions for balance.
80. A marketing campaign approach may also prove counter-productive from a destination management perspective. Increased centralised marketing would reduce responsibility for regions to develop their own marketing products and campaigns to target visitors, especially as RTOs and local government are increasingly resource constrained.

Poor coordination leads to missed opportunities ...

81. As regions are effectively competing with each other for visitors, they often do not share information about visitors or trends with one another, which can lead to a more parochial view of the system. This limits how much progress can be achieved at a system level.
82. This outcome is rational in the system as it currently stands. Visitor spend is a vital part of regions' economy and they are focussed on maximising this income so that they can use it to support regional development.
83. Events (as mentioned earlier) are a good example of how collaboration can be useful. Regions close to one another have in the past marketed very similar events running at the same time. For example, a visitor who wishes to attend food festivals may need to choose between two festivals in different regions if these are both scheduled at the same time. This type of behaviour only serves to compound the zero-sum nature of domestic tourism.
84. Some regions have already begun working together in pursuit of joint objectives (e.g. some South Island RTOs have begun to coordinate efforts to effectively target North Island travellers from a whole of region standpoint). However, at present stakeholders interviewed suggested that this collaboration only extends locally, or to nearby regions, and there is only some national collaboration between RTOs in regard to marketing activity.

... but better data could drive improved outcomes

85. Sharing user data and domestic customer insights can help all regions and operators develop a more complete picture of the market and potential visitors. While this has long been considered an issue in tourism, there has been recent progress, particularly since TNZ took on a domestic marketing role.
86. Some of these challenges may be addressed through the Tourism Data Leadership Group (TDLG)²¹, or other central levers. The TDLG has begun convening regularly to facilitate the provision of consistent, reliable tourism data and insights. Accordingly, this issue may best be resolved outside of this report. The TDLG will need to consider what gaps there are in tourism data and the priorities for investment. Insights into both international and domestic visitors will no doubt be part of the TDLG's consideration.

Higher quality tourism is important...

87. Before the COVID-19 pandemic, strong visitor growth brought with it some of the economic benefits of tourism but also highlighted a number of challenges. The Government Tourism Strategy highlighted that the costs and benefits from tourism do not always fall in the same place, which can lead to under-investment in the

²¹ The Tourism Data Leadership Group (TDLG) is established to facilitate the provision of consistent, reliable, and trusted tourism data and insights that enables improved understanding to support better decision making, long-term value gains and sustainability for the benefit of all New Zealanders. See: [Tourism Data Leadership Group | Ministry of Business, Innovation & Employment \(mbie.govt.nz\)](https://www.mbie.govt.nz/tourism-data-leadership-group)

infrastructure required to support visitors and our communities. Both international and domestic visitors can create infrastructure pressure, overcrowding, increased pressure on our workforce, and environmental impacts. This is most acute in regions which have become 'overcrowded' but is also linked to the behaviour of visitors, how they interact with a community and the environmental impact of their visit.

88. A focus group survey prior to the pandemic²² showed that those New Zealanders surveyed expressed a desire for more visitors who want to give back to the country, are environmentally conscious, and are interested in engaging in our culture and heritage.
89. In the past, RTOs and operators have primarily marketed to encourage a greater volume of visitors and as such there has been little marketing (especially at a coordinated national level) focusing on different types of tourism engagement (e.g. environmental tourism, socially engaged tourism and Māori tourism). However, this is changing as regions begin to focus on destination management and the types of visitors they are trying to attract.
90. The Government Tourism Strategy aims to enrich Aotearoa New Zealand and works to ensure New Zealanders' lives are improved by tourism. This can be achieved through encouraging different types of tourism and visitors which focus on addressing these issues.

... and green / sustainable tourism and improved cultural capability could be areas to focus on

91. For example, while the international border was closed, there continued to be strong, or even increased, usage of the Department of Conservation's (DOC) services. In particular, visits to New Zealand's Great Walks increased overall, and DOC locations near urban centres also saw higher visitor numbers²³.
92. This appears to reflect a trend of domestic visitors wishing to reconnect with nature, Māori culture (and how these interconnect with mana whenua connection to place) and New Zealand's history during domestic holidays.
93. However, while there was increased usage of public conservation land during this period, there was also continued misuse, such as littering, track damage and even dog and human wastage at sites. So while the majority of DOC users felt the experiences were authentic and memorable, there is still a way to go in ensuring New Zealanders travel in a sustainable manner, with marketing being a useful tool when used in conjunction with other levers²⁴.
94. With respect to cultural capability, while international visitors are often more interested and willing to pay for experiences to learn about Māori culture, New Zealanders are likely to be able to engage in a deeper manner due to their existing context and history. There

²² [Research archives | Corporate \(tourismnewzealand.com\)](#)

²³ [Summer 2020/201 Visitor Insights Report \(doc.govt.nz\)](#)

²⁴ [Summer 2020/201 Visitor Insights Report \(doc.govt.nz\)](#)

is also a personal relevance for New Zealanders, beyond simply the experience itself. Engagement such as this builds into the long-term relationship with Te Tiriti and mana whenua for all, an important part of calling Aotearoa home.

95. Increased marketing campaigns from a centralised body may help to encourage this engagement from visitors and operators. Campaigns of this type can help increase understanding of New Zealand’s history and the role of Māori and Pākehā as Te Tiriti partners, build New Zealander’s cultural capability, and encourage more sustainable travel, provided they are crafted in partnership with iwi and hāpu and Māori tourism operators.
96. While marketing has a role to play, it should not replace or supplement the work that regions and operators can do themselves. For example, more RTOs and operators are building relationships with their local iwi. In doing so, they have been able to improve their understanding of the culturally appropriate way to position their tourism offering. Several larger operators interviewed for this report also commented that any future marketing should involve more connections with local iwi. Meanwhile, TNZ has indicated it could perform a connecting role as part of its partnerships strategy.
97. A central agency, such as TNZ, could play a role in supporting RTOs and operators to grow their cultural capability, and bringing RTOs and iwi together to provide iwi with the opportunity to provide input into marketing activity (particularly involving areas that are taonga, or have a special meaning or sacredness to Māori).
98. However, TNZ might not have the right capability to take on a cultural capability and training role for the RTOs. It is also likely to be more appropriate for this role to be led locally by RTOs and operators, so they can make personal connections with local iwi and Māori within their communities.
99. In general terms, there is an argument that Government could use nationwide marketing to ‘nudge’ behaviour change by targeting specific, non-economic outcomes such as cultural engagement, ‘green’ tourism or greater engagement with Māori tourism and culture. Such campaigns have taken place in the past in other areas, often focussed on personal safety (e.g. the *Respect Every Ride* campaign on motorcycle safety by Waka Kotahi).

Stakeholders’ views on the Government’s ongoing involvement in domestic tourism marketing

The ability for the Minister of Tourism to reactivate and deactivate the domestic function is important

100. Stakeholders throughout the interviews noted that there is undoubtedly value in the Government promoting domestic travel as a tool to increase resilience across the tourism sector. Further, there was a deep appreciation for the work TNZ undertook during the COVID-19 pandemic to support the recovery of the industry throughout this

unprecedented shock. This was also mentioned by those RTOs and operators that did not have a majority domestic visitor base pre-pandemic and who saw the TNZ domestic function as an important reminder of the value of domestic tourism.

101. However, the key feedback heard was that the operating model used while borders were closed would not be effective in a BAU environment. Therefore, any central domestic function should retain an ability to be switched on and off as needed.
102. Allowing for this function to be reactivated and deactivated acknowledges that the financial investment would only be appropriate in a specific, strategic form, while recognising the effective job TNZ did during the pandemic to maintain activity across the tourism sector and its future potential.
103. Stakeholders also expressed significant concerns that international tourism marketing could be at risk if any funding was reallocated to the domestic market. That said, many RTOs with a predominantly domestic visitor mix felt they had been waiting for central government to fill this gap in domestic tourism for some time.
104. Several participants also felt that, any issues with the recent process aside, it would be a loss if all the efforts put into establishing a domestic function became obsolete without someone to coordinate domestic tourism efforts. Retaining the ability to activate this function, along with the domestic knowledge and tools within TNZ, would allow for these efforts not to be wasted whilst also recognising the wider constraints at play.

Tourism New Zealand sees a role for continued involvement

105. MBIE also spoke with TNZ in more detail in a formal interview setting to gain a holistic view of the domestic function. (See page 17 for further details of TNZ's activities with respect to domestic marketing and its views on whether and how this role could continue).
106. TNZ's view is that there is value in maintaining a role in the domestic market as part of their market portfolio. In the short term, TNZ has retained a small domestic team which has regular engagement with industry on matters that relate to the domestic market. The majority of TNZ's resources and marketing activity has returned to its international work and is focused on the rebuild and recovery of international tourism in the long term. Domestic tourism is seen as the 'gateway' to operating in the international markets in this sense and is often the strategy used by operators and regions.
107. With respect to activating and deactivating a domestic marketing function as the need arises, TNZ shared with MBIE officials that it would be unrealistic to enter and exit one of its international markets in this way, as maintaining brand awareness is the key catalyst to securing bookings.
108. However, MBIE and TNZ note that there is less need to promote 'Brand New Zealand' to New Zealanders. Domestic marketing activity is therefore more focused on pushing potential travellers to take domestic trips, along with driving specific forms of higher

value tourism. This kind of activity can therefore be inconsistent, and come and go from public view as needed.

Determining whether the Government should intervene

Taking advantage of the opportunities a domestic tourism function presents will drive positive outcomes ...

109. There have been many attempts to influence domestic and international visitors to travel to a broader range of locations in New Zealand or to travel outside of peak travel seasons. It is agreed that finding ways of achieving success in these areas would be of great benefit not only to the tourism sector, but also to New Zealand's communities more generally.
110. Domestic visitors represent about 60% of the total visitor market, and stakeholder feedback suggests they may be more easily influenced than international visitors to make choices aligning with the Government's tourism objectives. New Zealanders also have an active interest in protecting our cultural and natural resources, potentially allowing for benefits to extend beyond tourism.
111. The Government is focusing more on developing and encouraging a regenerative tourism sector. By encouraging more sustainable travel and greater community and cultural engagement, the tourism sector can bring greater benefit to New Zealand communities than before.
112. There is also an appetite from industry for some further work from central government in domestic tourism, with many stakeholders feeling this has always been a necessary gap to be filled, both in demand stimulation and in data and insights.

... but it is not clear that marketing by a central agency is the best way to achieve these goals

113. Long term issues in seasonality and distribution have showed that intervention is likely to be necessary to ensure a sustainable and resilient tourism sector. However, while this is the case, it is not clear that marketing (and/or a drive to greater volume) is the answer. Further, relying on a marketing approach, especially one led by a central government body such as TNZ, may have the effect of reducing the impetus on operators and regions to find ways of achieving these outcomes through locally led activity.
114. Instead, RTOs play a vital role in helping to drive change. As lead regional agencies in driving better destination management, RTOs will need to consider not only how they support the right kind of tourism offering but also how they market their region and partner with others. Any future domestic marketing by TNZ would need to closely align itself with RTOs in order to achieve success and avoid duplication.

Marketing for behaviour change is a lever government uses ...

115. Marketing may have a role to play in encouraging New Zealanders to engage in different types of tourism while travelling in New Zealand. Government does sometimes intervene to encourage customers to make specific choices in other areas (for example, the Government has begun to encourage uptake in electric vehicles and offers road user charge exemptions for these drivers).
116. It is not clear the impact such a campaign would have on consumer choices given the range of tourism options which exist for consumers now that the borders are open, but there may be a benefit in conducting A-B testing²⁵ to determine the outcome. This would allow for a more informed decision on future work.
117. However, there needs to be a clear policy rationale for this type of marketing, and it is unlikely to be an economic development tool.

...and we must balance resources used for domestic and international tourism

118. Without additional financial resource, any new spend on domestic tourism is likely to mean a decrease in spending on one of the markets in the international tourism 'basket' – at least in the short term. This does create some risk that there would be a reduction in brand awareness in some markets and potentially a loss in international visitors. As mentioned earlier, some stakeholders interviewed were concerned that this could put international marketing at risk.
119. These trade offs would need to be carefully considered. In terms of pure financial impact international visitors are seen as more important to the sector, and TNZ's international brand work as critical to its success. International visitors also tend to spend more per day than their domestic counterparts. Accordingly, most operators would prefer that there was no reduction in international marketing spend.²⁶
120. While domestic tourism marketing at TNZ has been carried out by a small team, and work and resources can be distributed to different markets at different times of the year, all marketing, including domestic, requires budget allocation. Decisions of this type are out of scope of this report but should be considered.
121. Recognising where decision-making responsibilities lie for the future of a central domestic function is also important. If the function is to take on the ability to be reactivated and deactivated, this responsibility should lie with the Minister of Tourism. However, the TNZ Board has a responsibility to decide how allocated funds are budgeted across the portfolio of markets, so it would need to be clear how this could extend to domestic marketing in the future.

²⁵ A-B testing refers to testing a focus group's response to two variations and drawing a conclusion on which was more effective.

²⁶ Based on stakeholder discussions

Part Two – The scope of a potential central domestic marketing function, as informed by stakeholders

122. Notwithstanding that MBIE’s policy recommendation in Part One of this report was to discontinue a central domestic marketing function (while keeping the ability to reactivate and deactivate this if needed), Part Two considers an appropriate scope for such a function if it were to continue. It is intended to provide a useful reference point if a future Government or Minister opts for a semi-permanent domestic marketing function within TNZ’s portfolio.
123. The analysis in this part draws on TNZ reflections from the past two years and feedback from the stakeholder interviews. As the conversations held within these interviews form qualitative evidence collected by MBIE, the points raised in this part are intended to be represented as reflections, sentiment, and general experiences or views of domestic marketing from key industry players. These are shared below with the knowledge that the data sources used in Part One (and the many others available) only tell part of the story, and that those experiencing a function day to day, such as TNZ in its domestic marketing role, offer unique and valuable insights.

Recommendation and key findings



2

Seasonal nudge marketing encouraging higher value tourism has the greatest opportunity for benefit

Any implementation should be supported by further testing and evidence

124. The key findings of this part, discussed below, are:
- a. Any domestic demand-driving campaigns should focus on seasonal ‘nudge’ marketing.
 - b. Campaigns should place environmentally conscious and culturally engaged tourism at their core.
 - c. Transparent coordination involving a clear strategy with RTOs is critical.
 - d. A domestic function should prioritise domestic research and insights, as stakeholders see the value of this continuing.

Any domestic demand campaigns should focus on seasonal ‘nudge’ marketing

125. If TNZ were to operate permanently in stimulating domestic demand, focusing on addressing seasonality would be crucial. Many stakeholders interviewed by MBIE said that, despite the unique circumstances surrounding the COVID-19 pandemic, they could see strong potential in domestic marketing based on the activity over the last two years to ‘nudge’ New Zealanders to travel somewhere new around the country in the quieter months of the year.
126. Some operators mentioned that during these shoulder seasons their products would sit unused during the off-peak season but they still needed to pay for maintenance. Pricing tools such as discounted rates were suggested as one of the only tools available to operators to push domestic travellers to book off-season.
127. To combat the downturns in these periods, RTOs cited their use of events as a driver for year-round visitation. One example was *Visa Wellington on a Plate*, which takes place in winter and encourages people to visit the Wellington region when they normally wouldn’t, through the lens of its culinary culture. This use of events was raised as particularly relevant for urban areas and smaller regions that do not contain the traditional leisure or adventure tourism offerings more popular year round.
128. Some stakeholders questioned how far marketing could ‘move the needle’ on when New Zealanders choose to take a domestic holiday. **Summer travel does not require additional nudge marketing domestically in a non-COVID-19 environment, and many felt this would not be a justified intervention unless in a time of unprecedented shock.**
129. Any marketing carried out would therefore need to be at specific points in the year when the tourism sector needs an additional push (e.g. April - September). It would be important to ensure that development of any seasonal campaigns involved collaboration and coordination with RTOs to ensure consistency with the work they already undertake.

Campaigns should align with broader government policies and strategy

130. **Stakeholders felt that there were significant opportunities within domestic tourism marketing to deliver on non-economic outcomes the Government is seeking to foster within the tourism sector.** Currently, these include protecting and sustaining the natural environment through environmentally friendly tourism, improving outcomes for Māori and preserving culture through deeply engaged visitors.
131. If central government continued to invest in domestic marketing, future marketing activity would bring most of its value through focusing on these outcomes, particularly through partnerships with industry cultural and sustainability champions.
132. Several stakeholders commented that since TNZ began its involvement with domestic tourism marketing they had noticed that visitors were interested in applying a deeper cultural lens across their activities. This was particularly true of outdoor experiences

where the cultural aspect is often ignored (e.g. kayaking on the Whanganui river). Stakeholders also noted an increased uptake in New Zealanders seeking out activities labelled as being a cultural experience.

133. During such discussions about domestic visitor willingness for a cultural experience, several stakeholders commented that international visitors were typically more interested than domestic visitors in learning about Māori culture. However, they saw potential in promoting cultural tourism to domestic visitors, as international visitors are only in New Zealand for a limited amount of time and often do not have sufficient prior context to go deeper than the surface. This could be done in a manner that educates New Zealanders on their indigenous culture in a way that can extend beyond the tourism experience.
134. Further, several stakeholders expressed a feeling that any future domestic work should involve more intentional building and strengthening of links with iwi. Many felt this was currently lacking across the system and was crucial to a future domestic presence.
135. Stakeholders also agreed that targeting environmentally conscious visitors who seek out more sustainable experiences and are trying to travel in a mindful way would be a valuable outcome of any TNZ domestic marketing activity.
136. Many stakeholders said further domestic marketing that leverages environmental tools (such as the Tiaki Promise²⁷) would be welcomed. One firm reflected that since TNZ began its domestic work they had noticed an increase in customers asking how they planned to lift the sustainability of their business in the coming years, and how their model currently shaped up in comparison to industry standards.
137. Seasonal campaigns and partnerships with RTOs should therefore use these platforms to encourage New Zealanders to travel within their own country in a way that lifts cultural capability and contributes to the protection of the natural environment.
138. Leveraging opportunities provided to RTOs or operators could allow a level of creative control to regions / firms in order to retain the authentic representation of their offering; however, with set guidelines including these certain values and forms of quality tourism.

Transparent coordination involving a clear strategy with Regional Tourism Organisations is critical

139. When asked about any challenges or unintended consequences associated with the domestic demand function, many stakeholders (mostly RTOs) described a difficulty in overlap of marketing activity, some misrepresentations of their offering, and generally a desire for more transparent collaboration and communication with TNZ.
140. The RTOs also expressed a deep passion for how well they knew and understood their

²⁷ A commitment to care for New Zealand, for now and future generations. See: www.tiakinewzealand.com/en_NZ/

unique offerings, so would prefer in future to have some control over partnerships to ensure they are accurately represented.

141. While TNZ made considerable efforts to mitigate any issues from the outset of the domestic function, this feedback was very consistent across the interviews within this review suggesting there was a perception of some conflicting activity. The perceived conflict stemmed from TNZ's operating model during the COVID-19 pandemic, as this involved domestic work at all levels of the marketing 'funnel'.
142. However, in MBIE's interview with TNZ, TNZ made it very clear that any future domestic work would look to pull back on the 'always on' COVID-19 model and work only within the 'upper' funnel (the Dream and plan space, i.e. awareness of domestic holiday possibilities and interest in planning one) to avoid duplication and potential conflict. TNZ's overall mandate seeks to 'grow the pie' of tourism across the sector in New Zealand through marketing, and accordingly the agency does not wish to take on the work of individual regions.
143. MBIE agrees that TNZ should therefore only work within the bounds of the upper funnel, removing most of the perceived issues on the part of RTOs such as missing out on referrals to operators, bookings, and media buying opportunities.
144. This approach should also resolve some issues raised during the interviews concerning search terms and regional marketing costs. RTOs typically bid for paid search terms associated with their region and its offering to ensure their website and its advertisements are among the first results when people search for these terms online. When TNZ began domestic marketing work during the COVID-19 pandemic some RTOs approached it with concerns that this was leading to wasted marketing spend (this was also feedback heard within the stakeholder interviews).
145. TNZ responded to this concern early in its campaign activity and noted that it had taken this concern seriously. Its key goal when entering the domestic space was to support the industry through the COVID-19 pandemic from a national standpoint, as opposed to entering the scope of regions' work programmes. Therefore, TNZ carried out a 'test' in partnership with three RTOs, to see whether their joint involvement in search terms advertising was in fact causing wasted spend or a reduction in referrals to operators.
146. This test intended to see if: "stand alone RTO or Tourism New Zealand paid search activity drives more efficient & effective conversion versus a combination of both RTO and Tourism NZ optimised paid search as a stronger proposition".
147. The outcome of this test showed that when both an RTO and TNZ were actively targeting domestic visitors there were more referrals (clicks and conversions) and an overall uplift than when just one agency was active.²⁸ However, the marketing cost for the search

²⁸ The test duration was small, leading to a narrow sample size, and several public holidays fell during the time which possibly impacted the results. It was therefore recommended to do another test with a longer duration, with the predicted results being similar albeit more robust.

terms used in the marketing campaign were slightly raised in some cases by the increased competition. One of the RTOs involved also said its perception was that visitors referred through its own website rather than TNZ's newzealand.com spent more when in the region.

148. When looking at both this test and the stakeholder feedback it is evident that, regardless of any mitigation, there is a perception that TNZ's domestic marketing created some unnecessary challenges for RTOs and some wasted spend (whether or not this was actually the case).
149. Accordingly, any future domestic marketing by TNZ would need to have a clear coordination strategy in place with RTOs and any featured operators in campaigns. Given that events are such a large driver for visitation to regions, a calendar of off-season events to be promoted with TNZ support could be an effective tool provided there was thoughtful management of equity in opportunity across the regions and this aligned with other marketing activity.

A domestic function should prioritise domestic research and insights, as stakeholders see the value of this continuing

150. During the interviews stakeholders were asked about the domestic research and insights that TNZ has begun providing since entering this market (which include the Domestic Growth Insight Tool, Domestic Travel View Report and Domestic Audience Understanding tool, as described earlier in the Context section of this report).
151. These tools aim to provide an understanding of the segments across the domestic market (e.g. those seeking to explore nature or connect with friends or family, and those interested in wine, food and scenery), the latest perceptions of and demand for domestic holidays, and overviews of the size of the market.
152. Stakeholders shared a wide range of feedback on their use of these tools. Some said they relied highly on them, but many admitted they would like to refer to such tools more but this was often an afterthought. Some also reflected that these tools were developed from a national standpoint so could be hard to apply to regional decision making.
153. **Generally, however, there was a positive feeling about having a central body provide some reliable insights on what to expect from domestic visitors.** A number of stakeholders reflected that there had been a gap in tourism data regarding domestic tourism for some time, filling this gap was very valuable, and they would certainly be interested in further work in this area.
154. **TNZ is of the view that the loss of these resources as a consequence of deactivating the domestic function would be the greatest downfall.** This reflects the views of some stakeholders who did not want the data collected thus far to go to waste. However, improving tourism data for users is a standing priority for MBIE and the TDLG.

Annex: Other considerations raised by stakeholders

During the interviews for the Domestic Demand Review MBIE received some additional, unprompted feedback regarding some pressure points in the sector. This feedback is outside of the scope of the Domestic Demand Review but has been passed onto TNZ executives for their consideration, and the themes recorded for future note.

Feedback received about Qualmark and the i-SITEs, two key areas mentioned by stakeholders, is summarised below.

Qualmark

The quality assurance certification system Qualmark has been owned and operated by TNZ since 2015. It is designed to ensure that activities are of a high quality and safety level for their visitors. The process in place assesses tourism activities and gives them a Qualmark accreditation which can reassure visitors that they are booking a reputable experience.

Qualmark assured experiences are also placed higher in search results on TNZ's website and on other webpage. These experiences are often preferred for marketing partnerships as their Qualmark status reflects that they have been assessed and accredited in line with set standards.

The main feedback from stakeholders regarding the Qualmark system was that, while all saw its value, some said it could be harder for some operators than others to reach the required standard, cover the membership fee, or understand the benefit in doing so. This is said to create a sense of exclusion that translates into fewer opportunities of being a part of TNZ marketing activity (and others that have followed suit on prioritising Qualmark, such as Air New Zealand).

There was also some feedback to suggest that among those firms facing barriers towards achieving Qualmark status many are Māori owned, and this raised questions about the system's ability to provide equal opportunities in this sense. Further, those visitors interested in seeking out Māori experiences were said to notice a gap in available options.

While a centralised standard of quality is a helpful tool to provide guidance for the sorts of activity New Zealand wishes to present, feedback suggests it need to be designed in such a way that it is equitable and accessible for firms of all sizes. MBIE considers that any future work from TNZ with respect to domestic tourism marketing could benefit from closer scrutiny of this feedback to assess the most suitable way to run such a system.

i-SITE information centre network

i-SITE New Zealand is the country's official visitor information network. As it is governed by a Board of Directors and is locally owned and operated, earnings are directed back to communities. TNZ provides staff, support services, business systems, training and marketing to raise the profile of this network. The i-SITE network attracts around 7.6 million in-person walk-ins annually: 56% are international, 25% domestic and 19% locals.

The general feedback was that the i-SITEs are currently a missed opportunity and could be used more effectively to provide a source of high quality, reliable information about the best way to experience New Zealand, including for domestic visitors.

[ends]



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