

CHAPTER 8. INNOVATION IN THE FIELD OF MARKET COMMUNICATION AND MARKETING: THE AUSTRALIAN INITIATIVE

This text has been drafted by Bob Pegler, Former Minister-Counsellor at the Permanent Delegation of Australia to the OECD

Abstract

In the last two decades, the Australian tourism industry has grown from a fledgling sector to a major industry. However, tourism has experienced difficult and challenging times of late. In the past 10 years the tourism industry has faced the change of consumer demand and demographics, increased competition and unstable global geopolitics. This paper examines the current challenges and barriers faced by the Australian tourism industry and attempt to reveal its innovative approach to cope with these recent challenges and barriers.

Marketing Australia

Outlook of tourism market

In the past two years tourism globally has been impacted by an overall weak economy combined with a series of shocks, which began with September 11. The uncertainty of the global environment continued this year with the war in Iraq, the SARS outbreak and ongoing terrorism threats. World passenger figures last year (2002) show an increase of 3.1 per cent to over 700 million passengers despite the difficult climate. What the figures don't reveal is the changes that have resulted from the challenging environment.

According to the World Tourism Organisation the main changes are that consumers now give preference to destinations closer to home, taking a 'wait-and-see' approach to travel plans, and leaving bookings to the last minute. However, the UNWTO⁷³ notes that some products and sectors have been more resilient and others

73. World Tourism Organisation.

have even benefited. These include non-hotel accommodation such as apartments, and B&Bs, and special interest trips with high motivation factors related to culture, sports or visits to family and friends. Long haul destinations have been most affected by these trends. Short-haul travel is expected to enjoy comparatively stronger growth. Overall it is likely that year on year growth will be between 2 and 5 per cent. Globally, there will continue to be a strong desire for travel and there will be pent up demand for long haul destinations including Australia.

Forecasting key market trends

International tourism is one of Australia's most valuable industries, contributing AUD 17.1 billion to the economy annually. Over the past two decades inbound tourism has been a stellar performer with average annual growth of 8.5 per cent. However, in the past two years inbound tourism has seen two consecutive years of flat performance - with 1.5 per cent decline in arrivals in 2001 and 0.7 per cent decline for 2002. It now faces a third year of negative or flat growth. Australia's recovery from the recent decline due to SARS is already underway, but greater efforts are required in a number of markets. There are indications for example that people from a number of markets such as the United Kingdom are travelling again in increasing numbers.

Challenges

A lot has happened over the last couple of years to change the operating environment. The global travel industry is reeling under the impact, and the task of selling a destination is a difficult one.

The changing consumer

A major area of change is the consumer. In the past 10 years holiday and work patterns and people's shopping habits have changed. Work/leisure shifts, globalisation and technology are key factors, which will affect future holiday profiles. Tomorrow travel will not be about the destination but about experiences tailor-made for the traveller. This will create new demand, reflecting a desire for authenticity, for instant gratification, self-fulfilment and possibly a blending of business and leisure travel. Tourism market trends in Canada for example show a growing market for women-only travel experiences.

Over the past year the Australian Tourist Commission (ATC) has launched a project to develop medium and long-term industry models. One of the consequences of reduced consumer confidence towards long haul travel in these uncertain times is

the switch to short haul destinations. Current trends -- staying closer to home, taking shorter holidays -- represent another challenge for a long haul destination like Australia.

Demographic change will be a huge factor in the industry's future in the next decade. Australia has great potential with the over 50s segment, particularly from Japan (Table 8.1), and will need to refresh and represent the product to capitalise on this growing market of retiring baby boomers. This segment is looking for rejuvenation, learning and fulfilment. There are some real business opportunities here for suppliers.

Table 8.1. The Ageing Consumer (Median Age of Population*)

	2000	2005
Japan	41.3	53.2
Asia	26.1	38.7
Europe	37.7	47.7
North America	35.4	40.2
Oceania	30.7	39.9

* The median age in a number of major markets will be between 45 and 55 years by 2050. Japan, currently has the oldest population in the world with a median age of 41.3 years. The median age is expected to be 53.2 year by 2050.

Source: Australia Tourism Commission.

Changes in consumer demographics will require operators to be smarter, more selective and ready to tap into the needs of individual travellers. Micro-segmentation of the key travel markets Australia targets will make it possible to focus on and develop experiences to suit the needs of the discerning new consumer.

At the same time there have been changes in how consumers plan and book their travel. Increasingly, new technology is playing a greater role in how consumers plan and even purchase their travel.

More consumers are opting to travel independently rather than as part of an organised group tour.

Barriers to travel

Despite being one of the most desirable destinations in the world, Australia faces a few image problems, which act as barriers. Research shows that consumers in a number of markets view Australia as costly, too far away, offering too much to see and do in just a two week holiday. Moreover since we're also seen as good environmental citizens who take care of our natural wonders, potential travellers feel no sense of urgency to visit, on the understanding that: "Australia will always be there".

Aviation, which is the lifeline for Australian tourism, has been experiencing turbulence since September 11. Recent world events have seen conditions worsen and this is reflected in the bottom lines of the world's major carriers. There has also been transferral of profits from the traditional full service carriers towards the new Value Based Airline (VBA).

Australia too has been impacted, with a number of players exiting the market and those who remain reducing services. Preliminary traffic figures (IATA) for June 2003 show an 11.8 per cent drop in international passenger traffic over June 2002, with SARS-hit Asia-Pacific carriers experiencing a 35.8 per cent drop. Even so this is a considerable improvement compared to the 21 per cent and 55 per cent reductions recorded respectively for May. Capacity cuts in Asia Pacific region (-27.2 per cent) and North America (-12.5 per cent) passenger services helped to bring the industry-wide load factor to a more normal level of 73.7 per cent, from the 65.0 per cent low recorded for May. Load factors out of the United States have been as high as 90 per cent in some months, resulting in a serious shortage of seats.

Recovery in the coming months depends on capacity being restored. Already we have seen heavy discounting on some routes to drive a quick recovery in passenger traffic. Overall the aviation sector is picking up traffic from consumers that may have deferred travel as a result of the war in Iraq and SARS. Growth in capacity has been particularly instrumental in helping the number of visitors from the United Kingdom and Germany to recover.

Since the events of September 11 the ongoing threat of terrorism has made consumers worldwide more concerned about personal security and safety, and this has impacted on travel. The recent bombing of the Marriott in Indonesia has again brought concerns about the links between travel and terrorism to the forefront. The Australian Government has implemented a number of security initiatives to ensure that Australia will remain a safe destination.

Increased competition/costs

Global events in the last two years have caused a massive crisis of confidence and impacted on travel worldwide. There are now 175 National Tourist Offices competing for a share of the international travel market. Competition for inbound tourists has intensified and a number of Australia's competitors are pouring more money into marketing programmes to increase market share.

Not only is more money being allocated, but competition is getting smarter. International tourism marketing is becoming increasingly sophisticated with many destination offices now combining their efforts. Media costs in some of Australia's major markets are so high that TV advertising isn't possible. The affordability of media space is another problem, particularly in Japan and the United States. The cost of a 30-second ad on a popular NBC TV show in the United States -- Australia's 4th largest market -- is USD 500 000, an entire week's budget. Australia can comfortably launch a full TV campaign in New Zealand, but can no longer afford this in many other markets.

So we have to look at other media, and innovative approaches. Australia hopes to work with partners, such as Japan Airlines, in these markets, to boost spending.

Australia's innovative approach

To overcome these barriers we must develop a smarter marketing approach, strive for innovation and develop unique marketing activities. ATC, the Australian Government agency charged with promoting Australia, is represented in 20 countries around the globe. It is more than an advertising agency. Building the awareness of Australia as a tourist destination is important, but there are many other programmes that address the complexities of marketing Australia. The integrated approach adopted focuses on both the consumer and the travel trade.

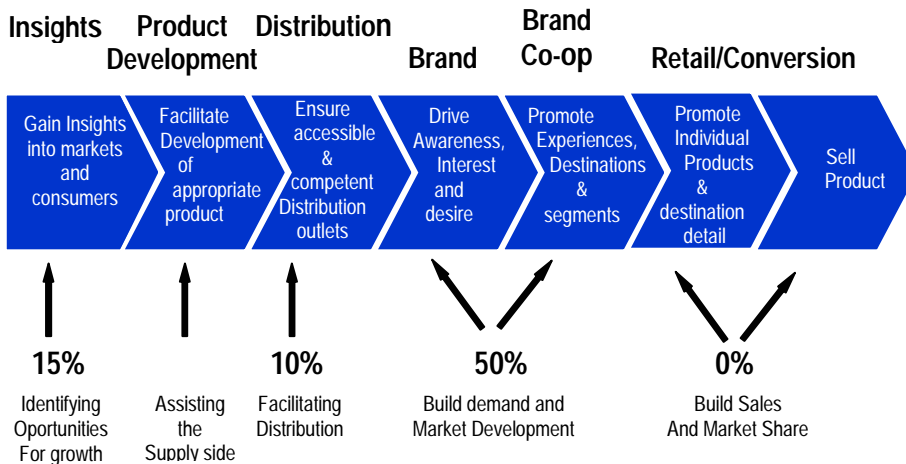
Establishment of strategic direction

All ATC marketing activities are driven by understanding and insight into the markets and consumers targeted. Key activities include the Visiting Journalist Program, direct marketing, online marketing via Australia.com, celebrity endorsements, consumer and trade promotions, Aussie Specialist Program⁷⁴ and trade events.

74. www.tourism.australia.com/Marketing.asp?sub=0399

Australia was the first destination to build an international brand image, when the ATC launched “Brand Australia”⁷⁵ in 1996. Brand Australia highlights the spectacular natural environment, the distinctive personality of the Australian people and the free spirited nature of lifestyle and culture. Since its inception this powerful brand has been shaping a unique global image of Australia as a world-class tourist destination (Figure 8.2).

Figure 8.2. ATC Strategic Direction ⁷⁶



Source: Australia Tourism Commission.

During the Sydney 2000 Olympics awareness of Brand Australia was at an all time high. After the games the focus shifted to partnership marketing. Recently however it was decided that the current Brand Australia was no longer as relevant and needed refreshing. The ATC is currently working on this and trying to better differentiate Australia from its competitors. The aim will be to deliver a core message that will be compelling and uniquely Australian.

The ATC focuses its efforts on markets that offer the best opportunities, with activities in 20 countries (Table 8.2).

75. www.tourism.australia.com/Marketing.asp?sub=0291

76. www.atc.australia.com

Table 8.2. Focusing the efforts

STRATEGIC POSITIONING	UNDERSTANDING AND INSIGHTS	FOCUS	SYNERGY AND LEVERAGE
MAXIMISE YIELD AND VISITATION POTENTIAL		USA	UK China
ENCOURAGE GROWTH POTENTIAL	Germany	Singapore Korea	Japan New Zealand Canada
MAINTAIN, SUPPORT AND DEVELOP	Italy	Ireland France India Hong Kong, China	Middle East
LIMIT TO SUPPORTING INDUSTRY INITIATIVES		Switzerland Netherlands Malaysia Thailand Chinese Taipei	
PROVIDE STRATEGIC SUPPORT AS REQUIRED		Latin America Sweden Denmark Philippines South Africa Indonesia	

Source: Australia Tourism Commission.

Tourism Ambassador Program

The Ambassador Program is an initiative that the ATC implemented last year, using high profile Australians to recommend the country as a desirable tourist destination. The concept has paid dividends.

Swimming champion Ian Thorpe was the first, becoming Australia's Holiday Ambassador to Japan. This was a great success in Japan, generating AUD 20 million in publicity. This year two more Ambassadors were announced. Supermodel Megan Gale was named Australia's first Tourism Ambassador to Italy. Her endorsement will significantly boost Australia's profile with Italian travellers. Australia's five-time world champion surfer Layne Beachley was appointed Tourism Ambassador for the Youth market. The Tourism Ambassador Program is one way to cost-effectively communicate the essence of Brand Australia to the consumer. But of course all Australians can be ambassadors for their country.

Flexible advertising campaigns

The ATC conducts tailor-made advertising campaigns in key travel markets. These campaigns also target specific types of traveller such as backpackers – particularly in Europe (a main source), the United States and increasingly such Asian countries as Korea and Japan.

Flexibility is important in the ATC's advertising activities. Over the past two years we have had to respond quickly to external shocks affecting consumer sentiment on travel. Some campaigns were put on hold, ready to launch new ones as soon sentiment improved. Earlier this year the ATC put a number of campaigns on hold due to the uncertainty caused by the Iraq conflict and SARS and reallocated funds to recovery campaigns.

As of May the ATC launched a series of recovery campaigns totalling AUD 33.2 million and spanning more than 10 countries, including the United States, the UK, Japan, Singapore, Hong Kong, China and New Zealand. We thus capitalised on improved consumer sentiment, with impressive results.

Other innovative approaches include leveraging opportunities such as film releases. Promotional campaigns to coincide with the release of the film "Finding Nemo" are running in the United States, Japan, and China. The ATC is currently exploring similar opportunities to coincide with the release in Europe.

The ATC co-ordinates Australia's participation at major travel trade events around the world and has led trade missions to a number of countries to raise Australia's profile as a destination. The Australian Tourism Exchange is the ATC's premier event to showcase Australia's diverse range of tourism products. More than 2 000 delegates from Australian companies meet with 500 key overseas tourism wholesalers to develop new business opportunities for Australian inbound tourism operators.

Australia.com

The Internet is a powerful medium for targeting the consumer and - australia.com – the ATC's consumer Web site plays a major role in all PR and marketing activities. This site is used as the call to action in major advertising campaigns and provides a vehicle to reach a large number of consumers around the globe.

The site offers a choice of over 60 tailored language/country combinations, including French, German, Italian, Spanish, Portuguese, Japanese, traditional Chinese and simplified Chinese. In 2002/03 australia.com delivered over 42 million pages to consumers globally and approximately 6 million user sessions. The largest

audience for australia.com was from North America, accounting for 37 per cent of pages viewed, followed by Europe with 19 per cent, Japan and Korea with 12 per cent, other Asian countries with 5 per cent and New Zealand and the Pacific with 2 per cent.

The Internet has become a powerful tool in travel planning and decision-making. Twenty-five per cent of all visitors to Australia used the Internet to research information prior to travelling. Internet use for trip planning is strongest in the United Kingdom, United States, Japan and Singapore.

Conclusions

In the last two decades, the Australian tourism industry has grown from a fledgling sector to one of our major industries. However, tourism has experienced difficult and challenging times. The shock of September 11, 2001 and the collapse of Ansett airlines a few days later were followed by the second Gulf War, SARS and a weakening global economy. In the past 10 years the tourism industry has also faced changing consumer demand and demographics, increased competition and unstable global geopolitics.

It might take a while before we can gauge the effectiveness of the new approach. However we are confident that measures which include a new strategic direction, flexible advertising campaigns and proactive application of the Internet for tourism promotion, will improve the environment of the Australian tourism industry and help us to meet the recent challenges and break through the barriers.

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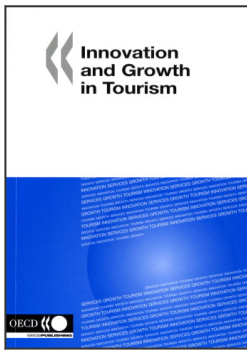
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