

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

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Abstract

In the last two decades, the Australian tourism industry has grown from a fledgling sector to one of the major industries. However, tourism has experienced difficult and challenging times of late. In the past 10 years the tourism industry also has faced the change of consumer demands, consumer demographics, increased competition and unstable global geopolitics. This paper examines the current challenges and barriers to the Australian tourism industry and attempts 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 ongoing uncertainty of the global environment has continued this year, with the war in Iraq, the SARS outbreak and ongoing threat of terrorism. World travel passenger figures last year (2002) show an increase of 3.1% to over 700 million passengers despite the difficult climate for tourism (Figure 1). What the figures don't report is the changes that have resulted from the challenging environment.

The World Tourism Organisation reports the main changes are that consumers looking to travel to 'familiar' closer-to-home destinations are taking a 'wait-and-see' approach to making travel plans, and leaving travel bookings to the last minute. However, the WTO notes that some products and sectors have been more resilient or have benefited, including non-hotel accommodation such as apartments and B&Bs and special interest trips with high motivation factors related to culture, sports, entertainment or visiting family and friends. Long haul destinations are the most affected by these trends and global short-haul travel is expected to grow more strongly than long haul. Overall it is likely that year on year growth will be between 2 and 5%. Globally, there will continue to be a strong desire for travel later this year (2003) and there will be pent up demand for long haul destinations such as Australia.

Forecasting trends of key markets

International tourism is one of Australia's most valuable industries, contributing AUD 17.1 billion to Australia's economy annually. Over the past two decades inbound tourism has been a stellar performer, with average annual growth of 8.5%. However, in the past two years inbound tourism has seen two consecutive years of flat performance - with 1.5% decline in arrivals in 2001 and 0.7% decline for 2002 - and is facing a third year of negative or flat growth. Australia's recovery from the recent decline in international tourists due to SARS is already underway, but work is required in a

number of markets. There are indications that the recovery efforts are having strong impact and that travelers across 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 the concept of life stages has changed; holiday and work patterns have changed; people's shopping habits have changed. Work leisure shifts, globalisation and technology are key factors which will affect how travellers of the future holiday would be. In the future, travel will not be about the destination but about tailored-made experiences that the traveller can engage in. This will bring about new travel demands such as a desire for authenticity, instant gratification, self-fulfilment and possible blending of business and leisure travel. Tourism markets trends in Canada for example show a growing trend of women-only travel experiences.

Over the past year the ATC (Australian Tourist Commission) has undertaken 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 consumer switch to short haul destinations.

Current trends to travel closer to home/take shorter holidays, pose 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 in Japan, 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 and there are some real business opportunities here for suppliers.

Table 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.

Changes in consumer demographics will require operators to be smarter, more selective and to really tap into the needs of individual travellers. Micro-segmentation of the key travel markets Australia targets will enable a 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 in a number of markets 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 are barriers to visiting. Research shows that consumer perceptions in a number of markets view Australia as costly to visit, too far away, and offering too much to see and do in just a two week holiday. On top of that, we're seen as good environmental citizens who take care of our natural wonders – international travelers have no sense of urgency to visit Australia. A common perception is Australia will always be there.

Aviation is the fuel line for Australian tourism. Global aviation has been experiencing turbulence since September 11. Recent world events have seen conditions worsen and this is reflected in 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 remaining reducing services. Preliminary IATA traffic figures for June 2003 show an 11.8% drop in international passenger traffic over June 2002, with SARS-hit Asia-Pacific carriers experiencing a 35.8% drop. However, these figures show considerable improvement over the 21% and 55% year on year drops recorded respectively for May. Capacity cuts in Asia Pacific (-27.2%) and North America (-12.5%) on passenger services resulted in a sharp increase in the industry-wide load factor to a normal level of 73.7% from the 65.0% low recorded for May. Load factors out of the United States have been as high as 90% in some months which is creating serious seat shortages.

Recovery in the coming months is dependent 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. The United Kingdom and Germany are two markets in particular where growth in capacity is aiding the recovery in visitor numbers from these markets.

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 once 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 Australia remains a safe destination.

Increased competition/costs

Global events in the last two years have caused a massive confidence crisis and impacted on travel worldwide. There are now 175 National Tourist Offices competing for a share of 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 combing 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 in New Zealand for example differs significantly to Japan or the United States. So while it is possible to comfortably launch a comprehensive TV campaign in New Zealand, Australia can no longer afford to do so in other markets – we have to look at other media – need innovative approaches.

Australia looks to work with partners in these markets to boost spending *e.g.* Japan Airlines. In Australia's 4th largest market, the United States, the cost of airing a 30 second ad during a popular TV show on NBC is USD 500 000 – that would consume the entire budget in one week.

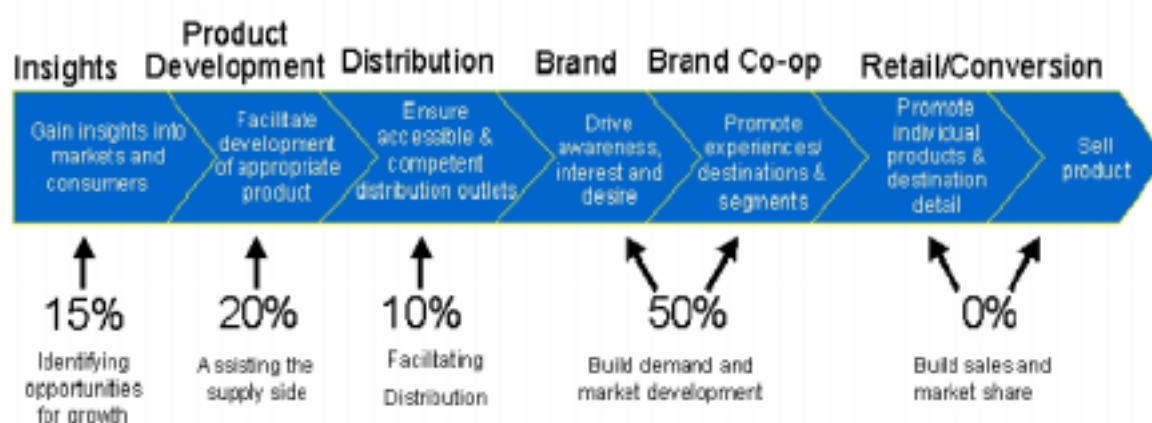
Australia's innovative approach

To overcome these barriers we must develop a smarter marketing approach – strive for innovation and unique marketing activities. ATC is the Australian Government agency charged with the responsibility of promoting Australia with representation in 20 countries around the globe and aims to reach consumers/trade through a range of programmes and activities. The ATC is more than an advertising agency – it is not just about the next campaign. While building the awareness of Australia as a tourist destination is important, as is conversion, there are a lot of other programmes underway that address the complexities of marketing Australia. Australia adopted an integrated approach focusing on both the consumer and travel trade.

Establishment of strategic direction

Activities such as the Visiting Journalist Program, direct marketing, online marketing via Australia.com, celebrity endorsements, consumer and trade promotions, Aussie Specialist Program and trade events are all key components. All ATC marketing activities are driven by having understanding and insights into the markets and consumers we target.

Table 2. ATC Strategic Direction



Source: Australia Tourism Commission.

Australia was the first destination to build an international brand image of a destination, when the ATC launched “Brand Australia” in 1996. Brand Australia conveys an image for Australia that highlights the spectacular natural environment, the distinctive personality of the Australian people and the free spirited nature of lifestyle and culture. Since its inception the powerful brand has been shaping a unique global image of Australia as a world-class tourist destination (Table 3).

During the Sydney 2000 Olympics awareness of Brand Australia was at an all time high and following the games it moved towards partnership marketing. Recently however it was felt that in light of the changing world and Australia’s position within it, that the current Brand Australia and its descriptors were no longer as relevant and that Brand Australia needed a refresh. The ATC is currently working on refreshing the brand proposition, to better differentiate Australia from its competitors. The aim will be to deliver a core promise that will be compelling – and be uniquely Australian. A brand that will make Australia stands apart.

Table 3. 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.

The ATC focuses its efforts on the markets offering the best opportunities for Australia. Can't be everything to everyone – so focus activities in 20 countries (Table 4).

Tourism Ambassador Program

The Ambassador Program is an initiative that the ATC implemented last year with the aim of using high profile Australians to endorse the country as a desirable tourist destination – this concept has paid dividends.

Ian Thorpe was the first, becoming Australia's Holiday Ambassador to Japan. This proved to be a great success in Japan – with Ian's appointment generating AUD 20 million in publicity. This year two more Ambassadors were announced. Megan Gale was announced as Australia's first Tourism Ambassador in Italy. Her endorsement of the country as a tourist destination will significantly boost Australia's profile amongst Italian travellers. Australia's current five-time world champion surfer Layne Beachley became the 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. However, there are also opportunities for all Australians to be ambassadors for the country.

Flexible advertising campaigns

The ATC conducts advertising campaigns in key travel markets to stimulate travel bookings to Australia – tailored to the specific market. ATC campaigns also target specific types of travellers such as backpackers – particularly in Europe (a main contributor of the youth traveller), the United States and increasingly Asian countries such as Korea and Japan.

A critical element of the ATC's advertising activities is flexibility. Over the past two years the ATC has had to respond quickly to external shocks which have impacted on consumer sentiment to travel. As a consequence Australia had to put campaigns on hold and re-launch new ones as soon as consumer sentiment has 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.

ATC launched a series of recovery campaigns starting in May, totalling AUD 33.2 million and spanning more than 10 countries, including the United States; United Kingdom; Japan; Singapore; Hong Kong, China; and New Zealand to capitalise on improving consumer sentiment to travel – with impressive results.

Other innovative approaches – leveraging off opportunities *e.g.* film releases. Promotional campaigns to coincide with the release of Finding Nemo are being run in the United States, Japan, and China. The ATC is currently exploring similar opportunities in Europe to coincide with the movie's release in key markets.

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 the profile of Australia as a tourist 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% of pages viewed, followed by Europe with 19%, Japan and Korea with 12%, other Asia 5% and New Zealand and the Pacific with 2%.

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 for researching information about the destination 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 the major industries. However, tourism has experienced difficult and challenging times of late. The shock of September 11, 2001 and the collapse of Ansett 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 also has faced the change of consumer demands, consumer demographics, increased competition and unstable global geopolitics.

It might take a while before we know how much the new approach Australia launches will be effective in coping with the challenges and barriers posed in the world tourism market. However, undoubtedly, it is expected that those measures – establishment of strategic direction, design of flexible advertising campaigns, proactive application of Internet for tourism promotion of Australia – will improve the environment of the Australian tourism industry and help break through the recent challenges and various barriers.