Roy Morgan Research

State of the Nation

Australia

Spotlight on Tourism

September 10, 2015

Roy Morgan

Research

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With an estimated value of $102 billion (visitor expenditure) to Australia in 2014 - tourism matters.

Source: Tourism Australia

Australia's Biggest Exports (Goods & Services) (2013-14)

Rank	Product	$AUD Billions
1.	Iron ore	$74.7
2.	Coal	$40.0
3.	Natural gas	$16.3
4.	Education	$15.7
5.	Tourism	$13.9
6.	Gold	$13.3
7.	Crude Oil	$10.4
8.	Beef	$6.4
9.	Wheat	$6.1
10.	Aluminium	$6.1

Base: Goods and services exported during the 2013-2014 financial year.
Source: Department of Foreign Affairs and Trade

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Tourism is potentially a country's most valuable 'New Age' export industry; and **Sustainability** is about ensuring the export is an ever 'renewed' resource.

Sustainability means many things to many people; sustainability of your target market, your product, your brand, your natural resources or indeed economic contribution to your business – or in this instance, Australia's economy – and jobs.

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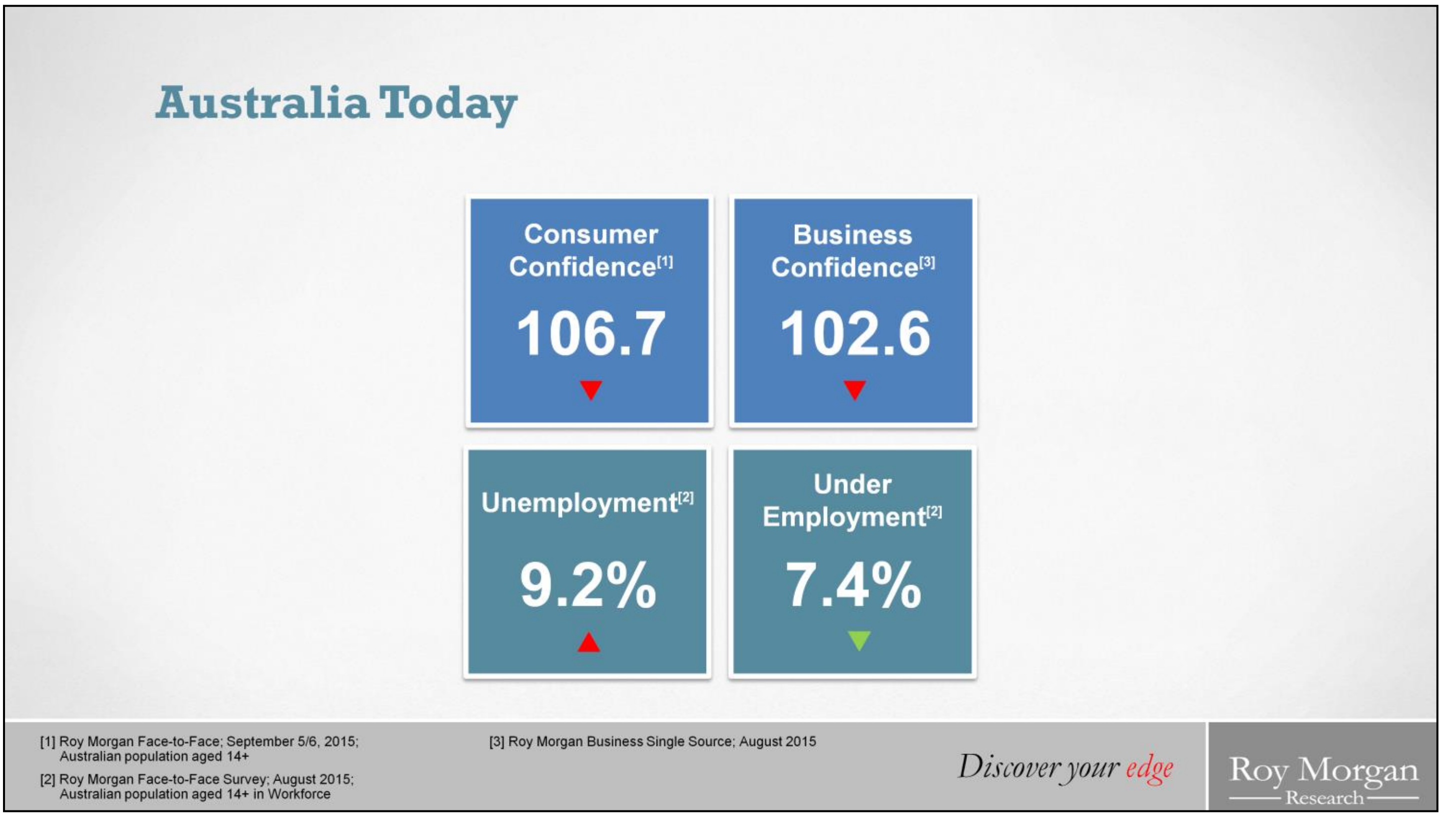
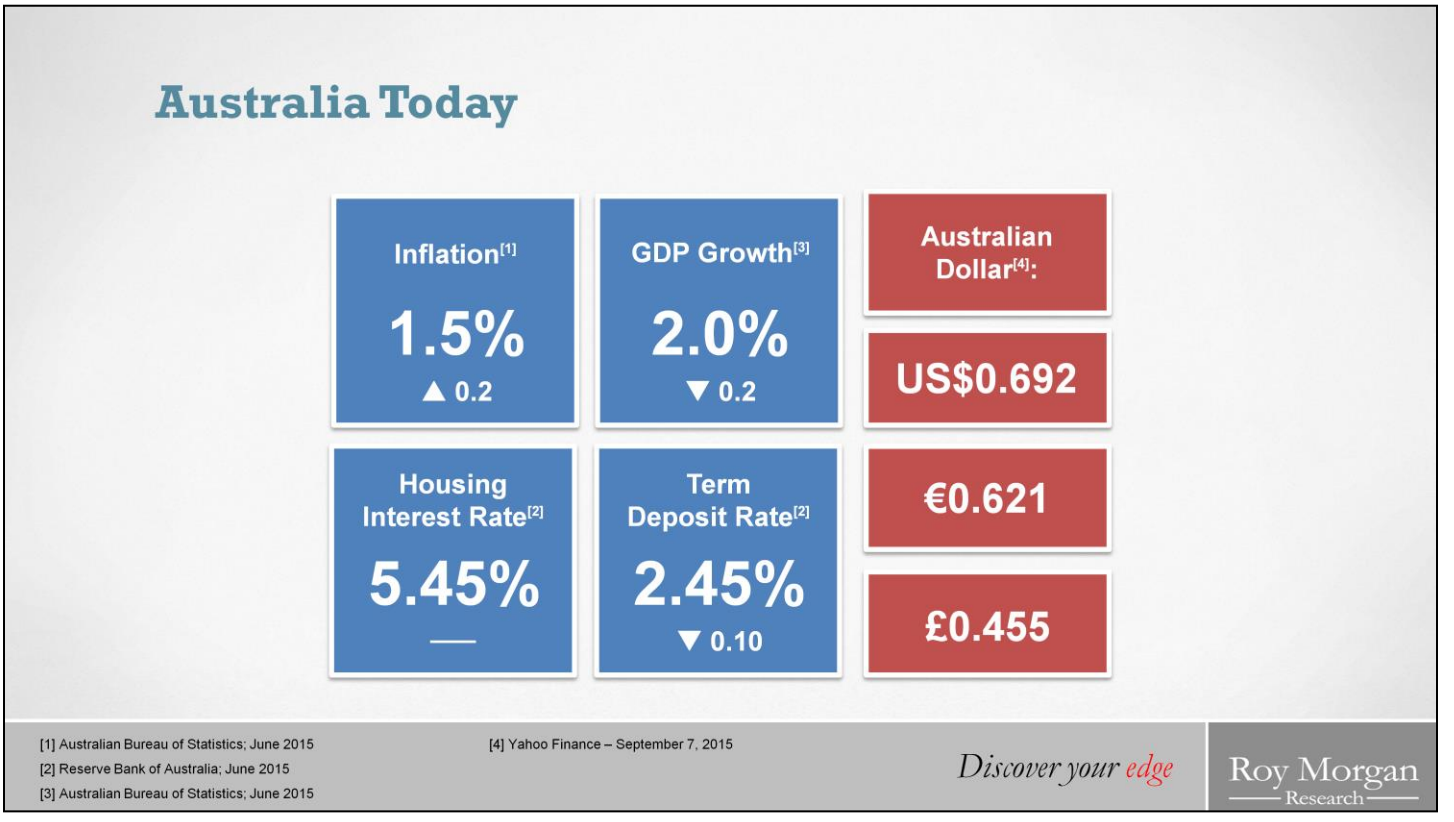
http://dfat.gov.au/about-us/publications/trade-investment/australias-trade-in-goods-and-services/Pages/australias-trade-in-goods-and-services-2013-14.aspx

The 'Commodities Boom' is over – Iron ore prices have fallen around 75% from their peak in February 2011 ($191.70). The associated substantial drop in the Australian Dollar makes other Australian industries more competitive – Education, Agriculture, Manufacturing, Tourism.



ANZ-Roy Morgan Consumer Confidence in early September is just in positive territory at 106.7 (at its lowest level since July 2014) and Roy Morgan Business Confidence is even lower at 102.6 in August.

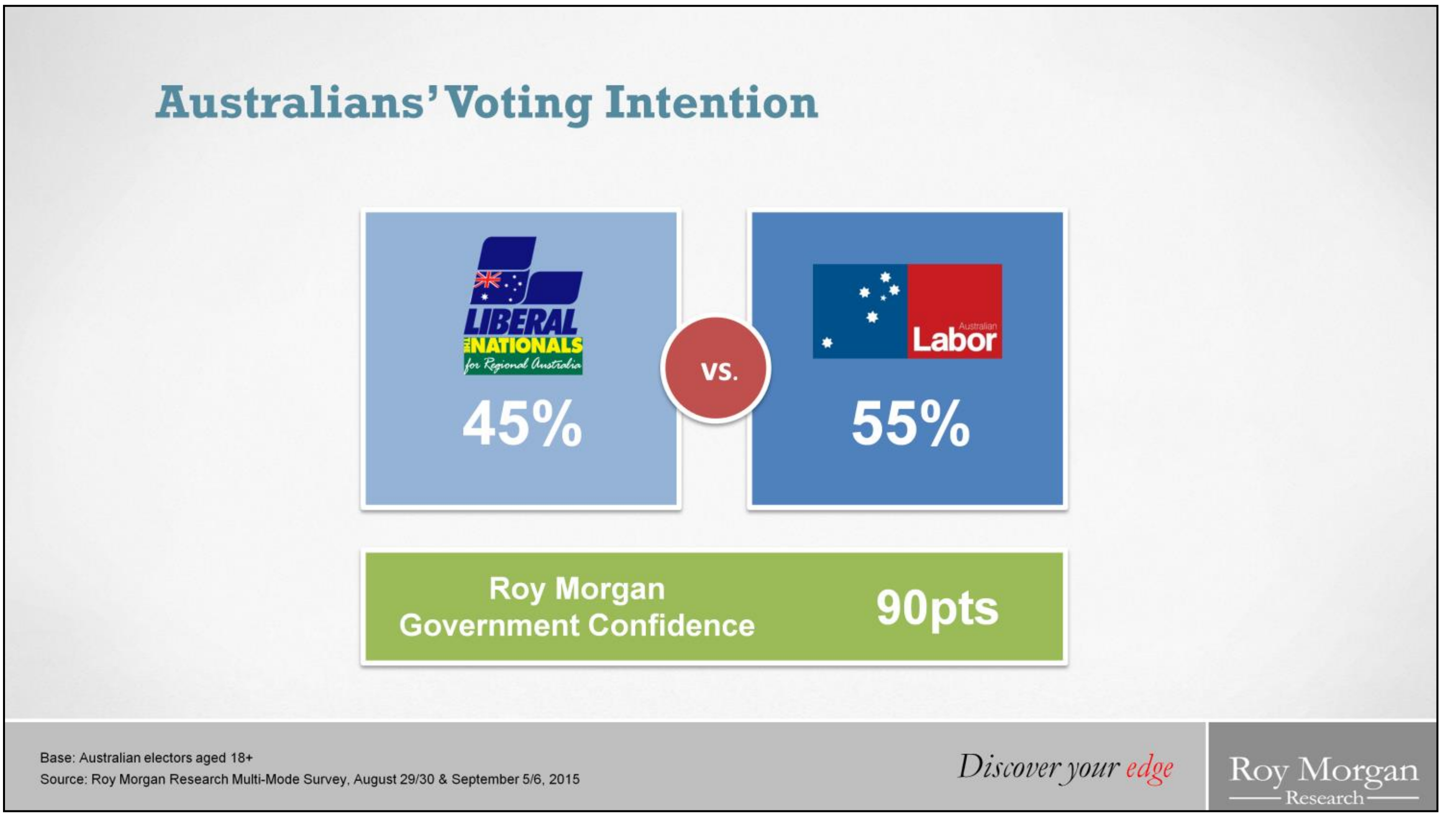
Real unemployment as measured by Roy Morgan Research is now 9.2% in August - while a further 7.4% of Australians are now under-employed.



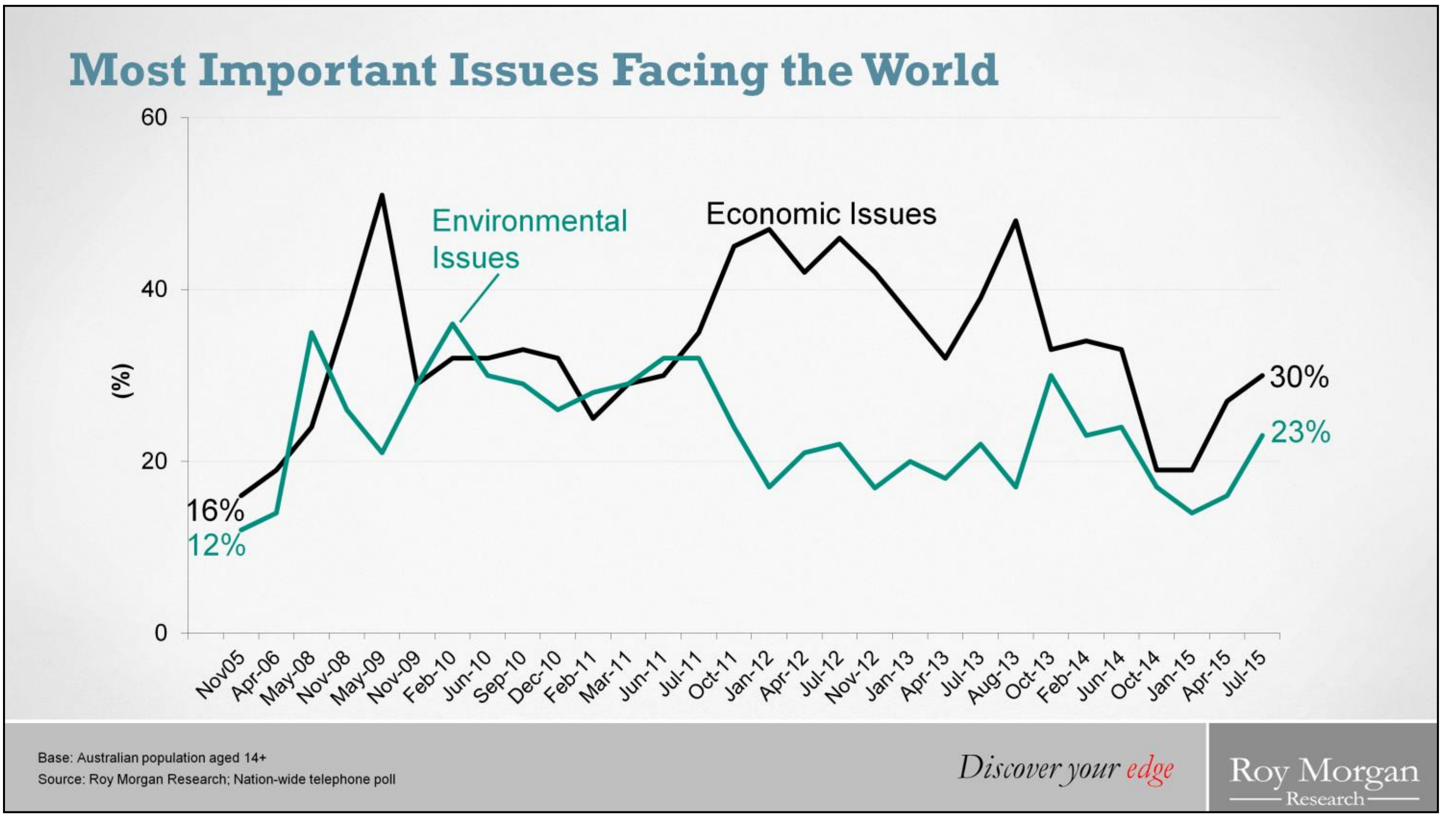
Inflation – is low .

GDP Growth is down to 2.0%.

Interest rates are low and the Australian $ is down to just below 70c US (the lowest the Australian Dollar has been in over six years since the Global Financial Crisis in early 2009).



Support for the current L-NP Government has dropped to 45% cf. 55% for the ALP while the Roy Morgan Government Confidence Rating is now at 90 points – this means more people believe the country is now 'heading in the wrong direction' (46.5%) than 'heading in the right direction' (36.5%). It's not all good!


Most Important Issues Facing the World
60
40
20
0
(%)
Environmental Issues
Economic Issues
16%
12%
30%
23%
Nov05
Apr-06
May-08
Nov-08
May-09
Nov-09
Feb-10
Jun-10
Sep-10
Dec-10
Feb-11
Mar-11
Jun-11
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Oct-13
Feb-14
Jun-14
Oct-14
Jan-15
Apr-15
Jul-15
Base: Australian population aged 14+
Source: Roy Morgan Research; Nation-wide telephone poll
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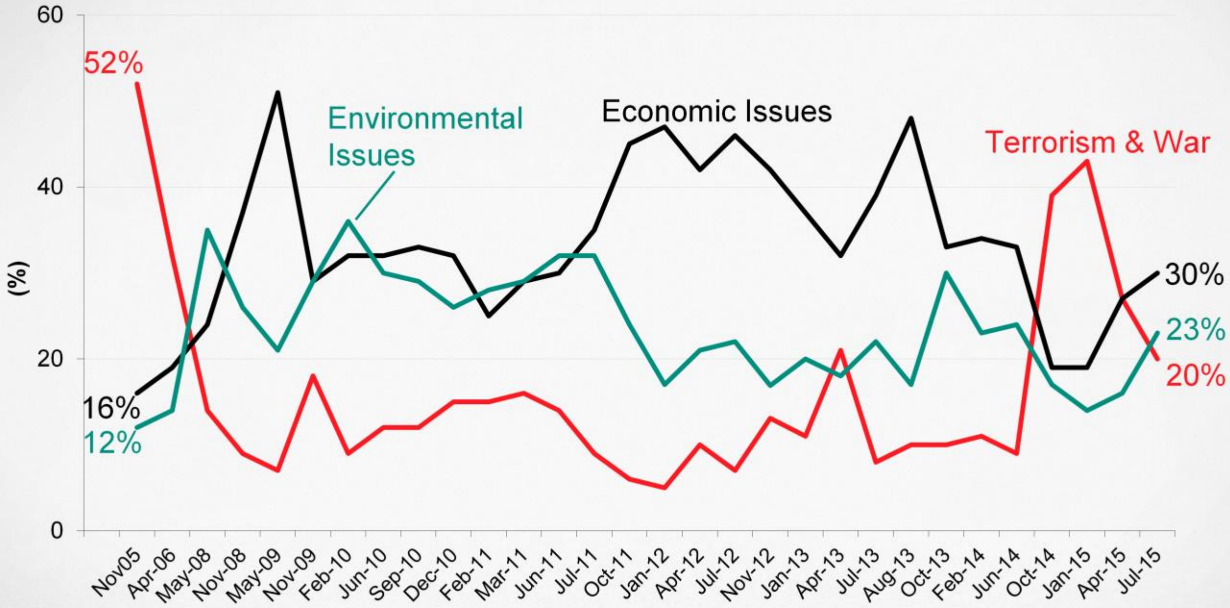
Most Important Issues Facing the World



Base: Australian population aged 14+

Source: Roy Morgan Research; Nation-wide telephone poll

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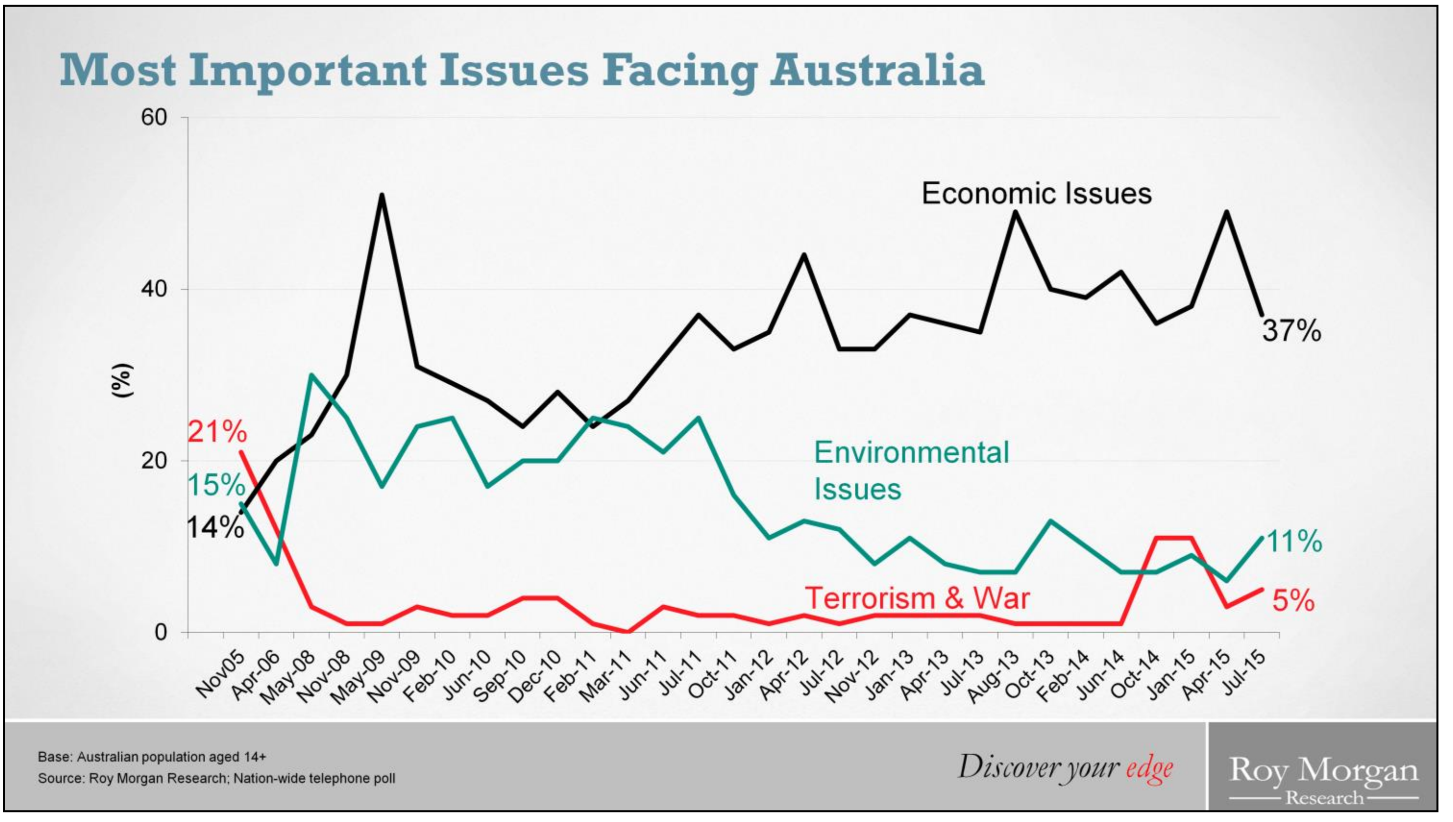
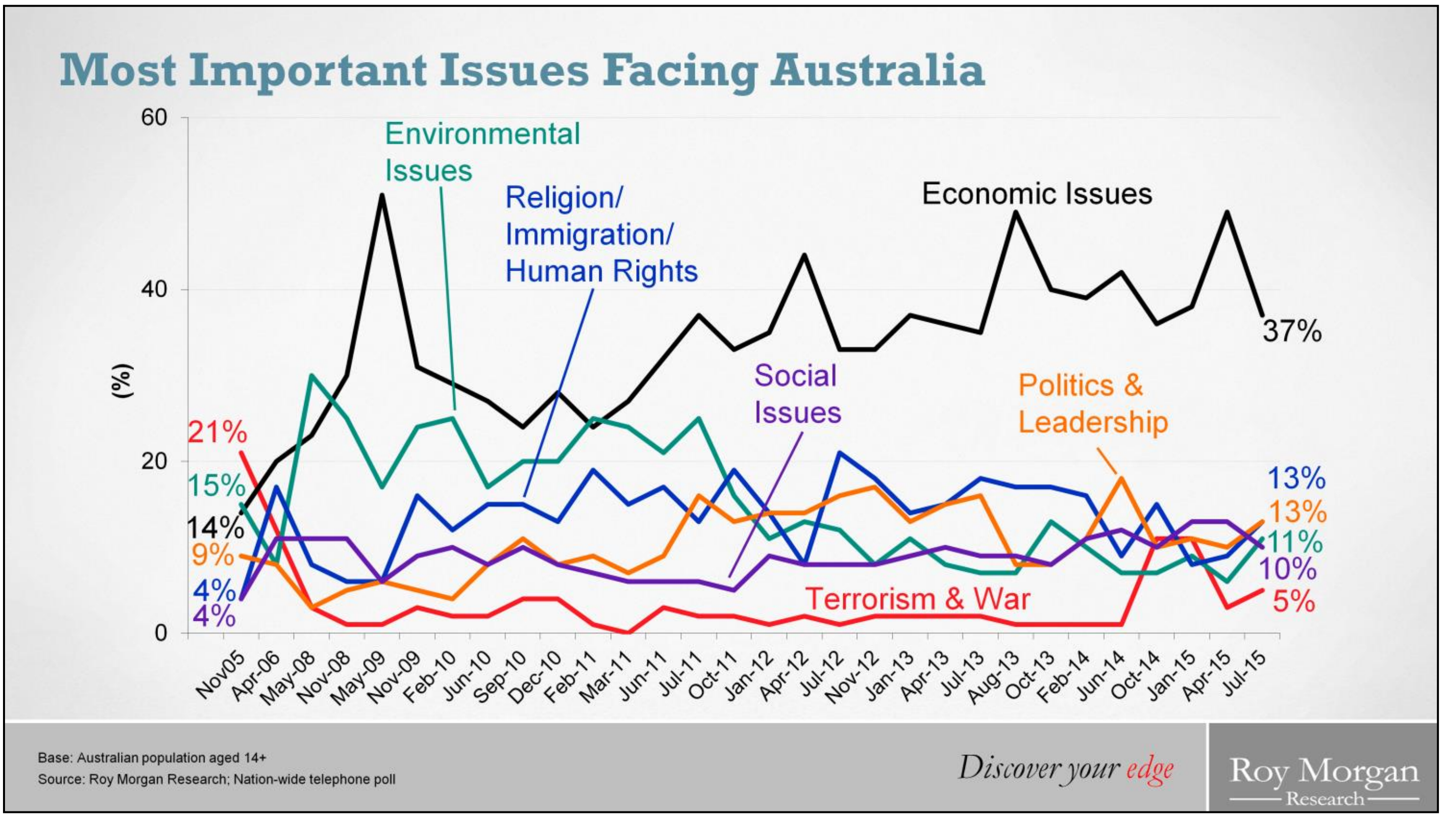


Economic issues still dominate for Australians. Australians nominate Economic Issues (37%) as the biggest problems facing Australia. These include the Economy/ Economic problems/ Interest rates (15%), Unemployment (13%), and other issues including Cost of living/ Inflation/ Federal Budget/ Poverty/ Over-reliance on Mining.

However this is lower than the last point in April – when concern about the budget and the Greek crisis, Iron ore prices etc. dominated the news and before the substantial interest rate cuts.



July has also seen an increase in concern about the environment amidst discussions about renewable energy (in fact the latest Morgan Poll had the Greens with 15% support – highest for a long time (Sept 2010).

July has also seen an increase in concerns about political leadership issues with neither party leader being highly regarded and an increase in concerns about terrorism and war.

State of the Nation 2015

Economic Issues still dominate for Australians.

Economy/ Economic problems/ Interest rates, Unemployment, Cost of living/ Inflation/ Federal Budget Poverty/ Over-reliance on Mining.

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State of the Nation 2015

What's Happening?

Focus on tourism

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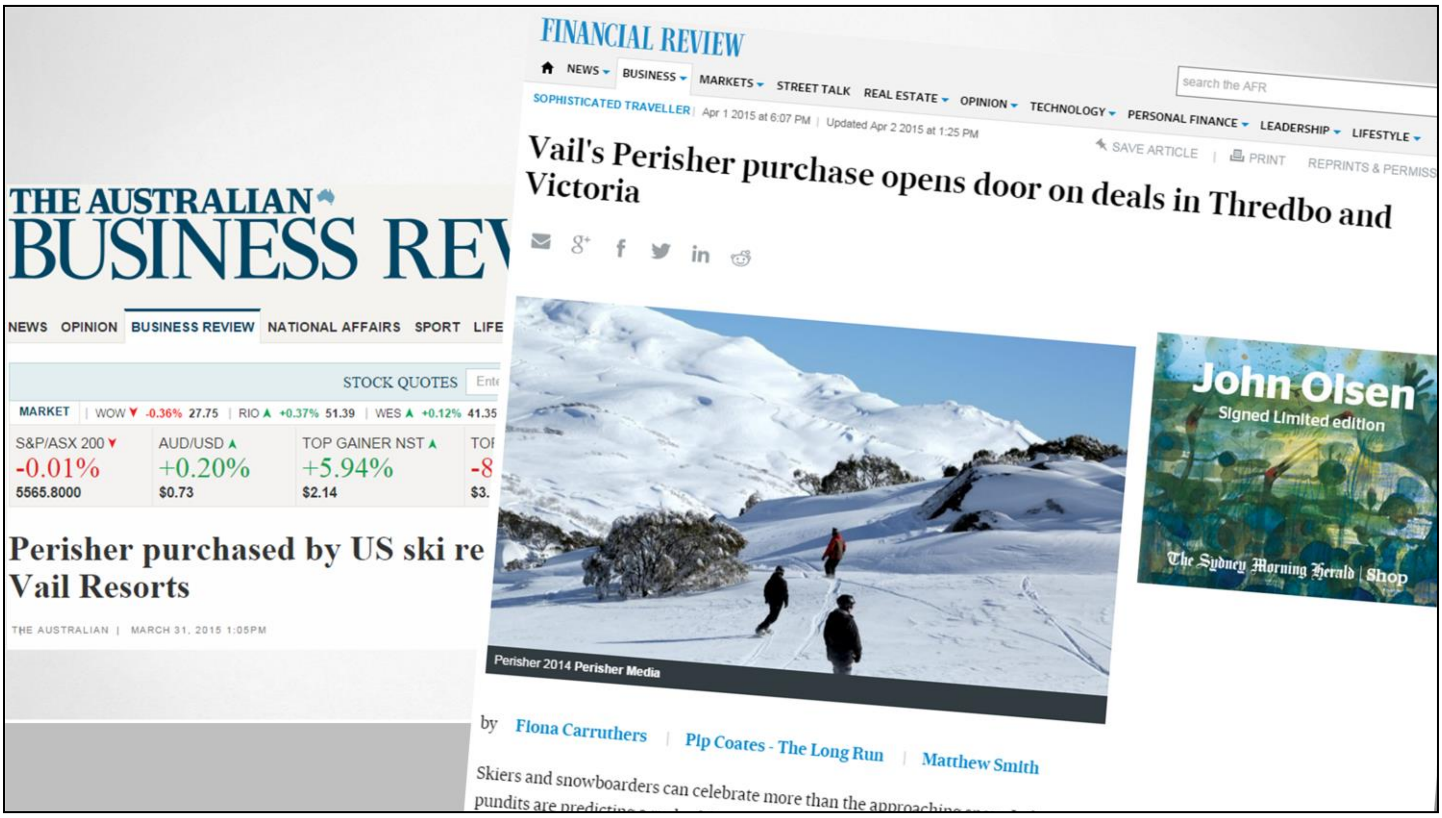
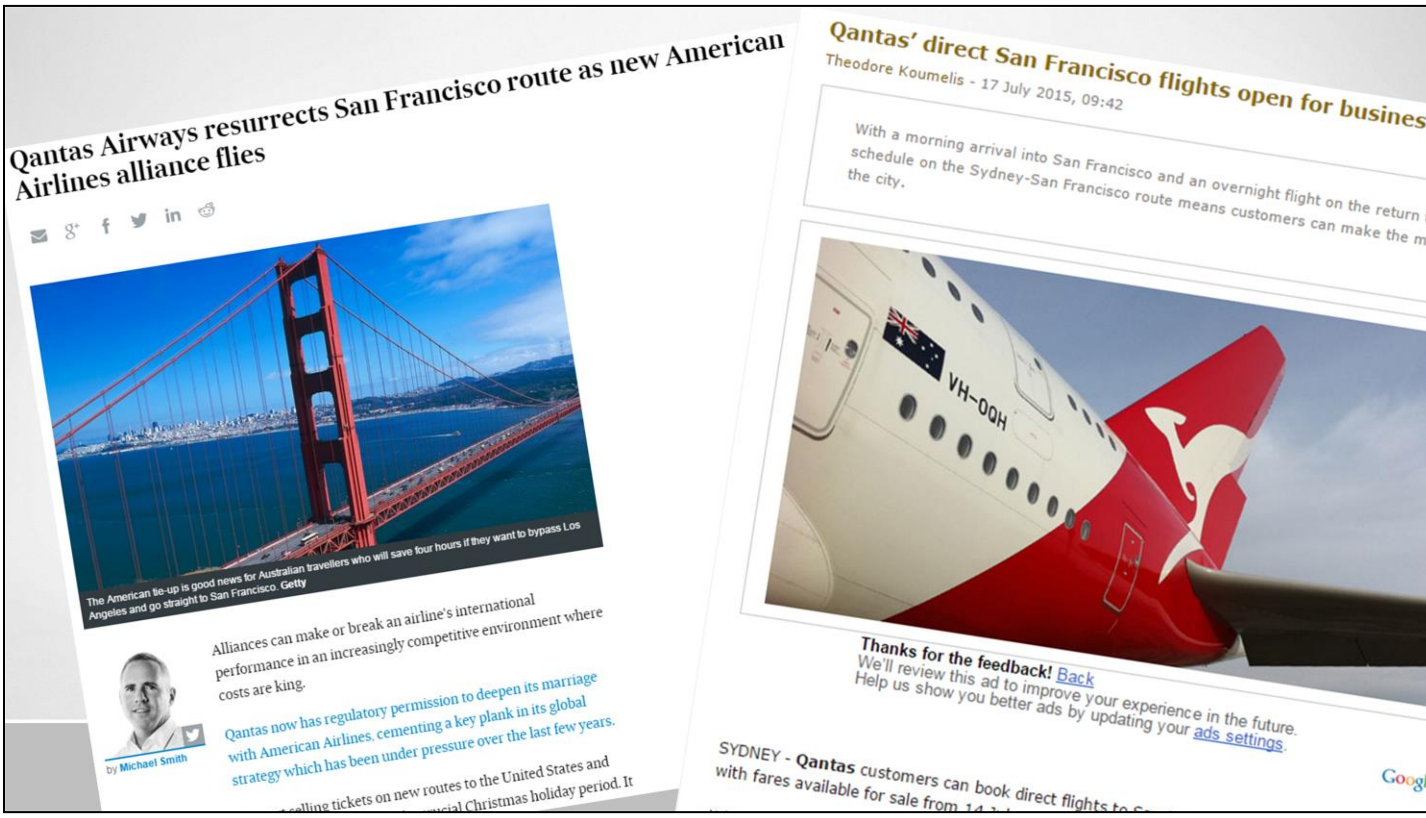


US resort company Vail buying Perisher – linking it into a global ‘chain’.


Qantas Airways resurrects San Francisco route as new American Airlines alliance flies

The American tie-up is good news for Australian travellers who will save four hours if they want to bypass Los Angeles and go straight to San Francisco. Getty

by Michael Smith

Alliances can make or break an airline's international performance in an increasingly competitive environment where costs are king.

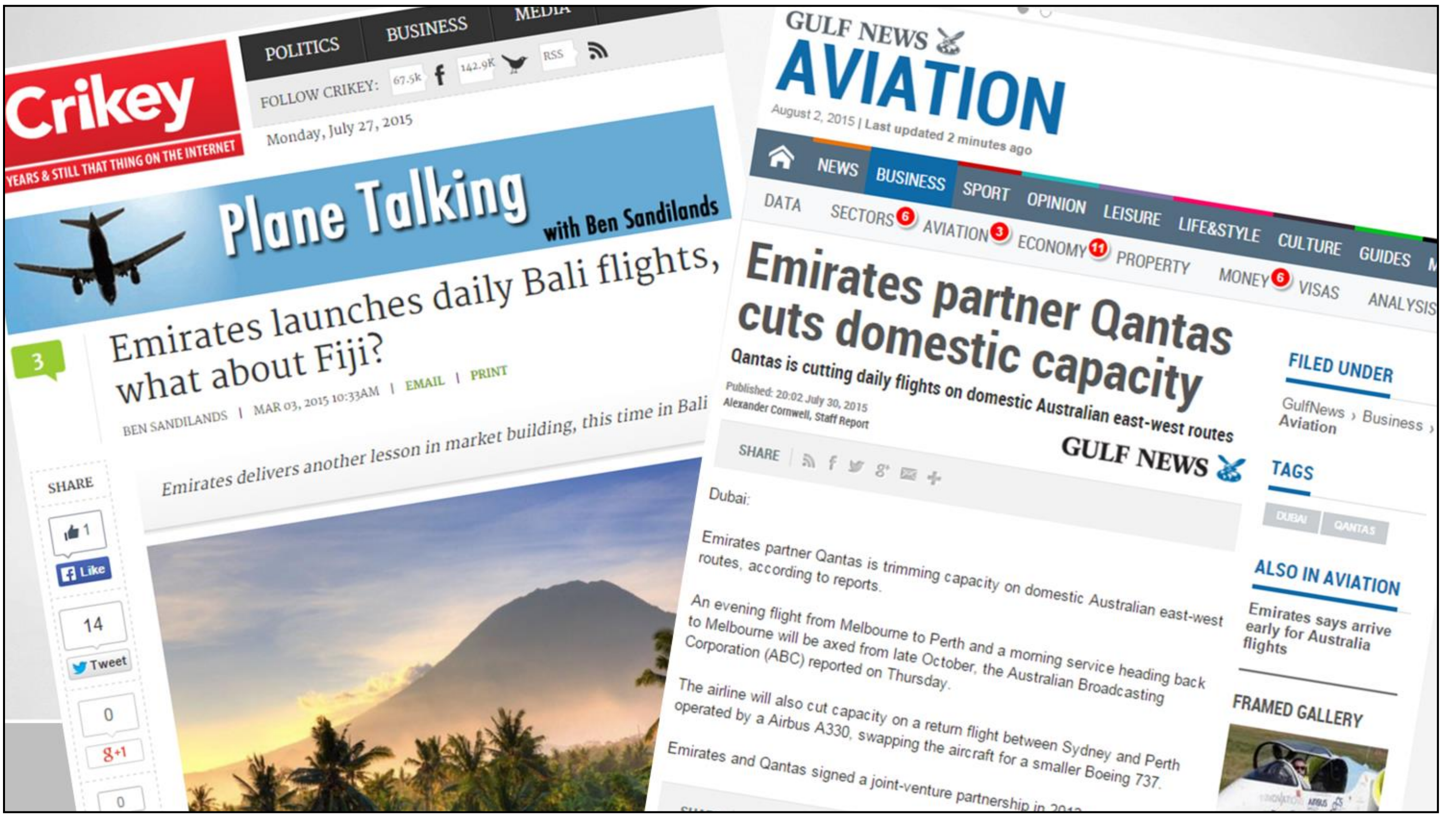
Qantas now has regulatory permission to deepen its marriage with American Airlines, cementing a key plank in its global strategy which has been under pressure over the last few years.

Qantas' direct San Francisco flights open for business

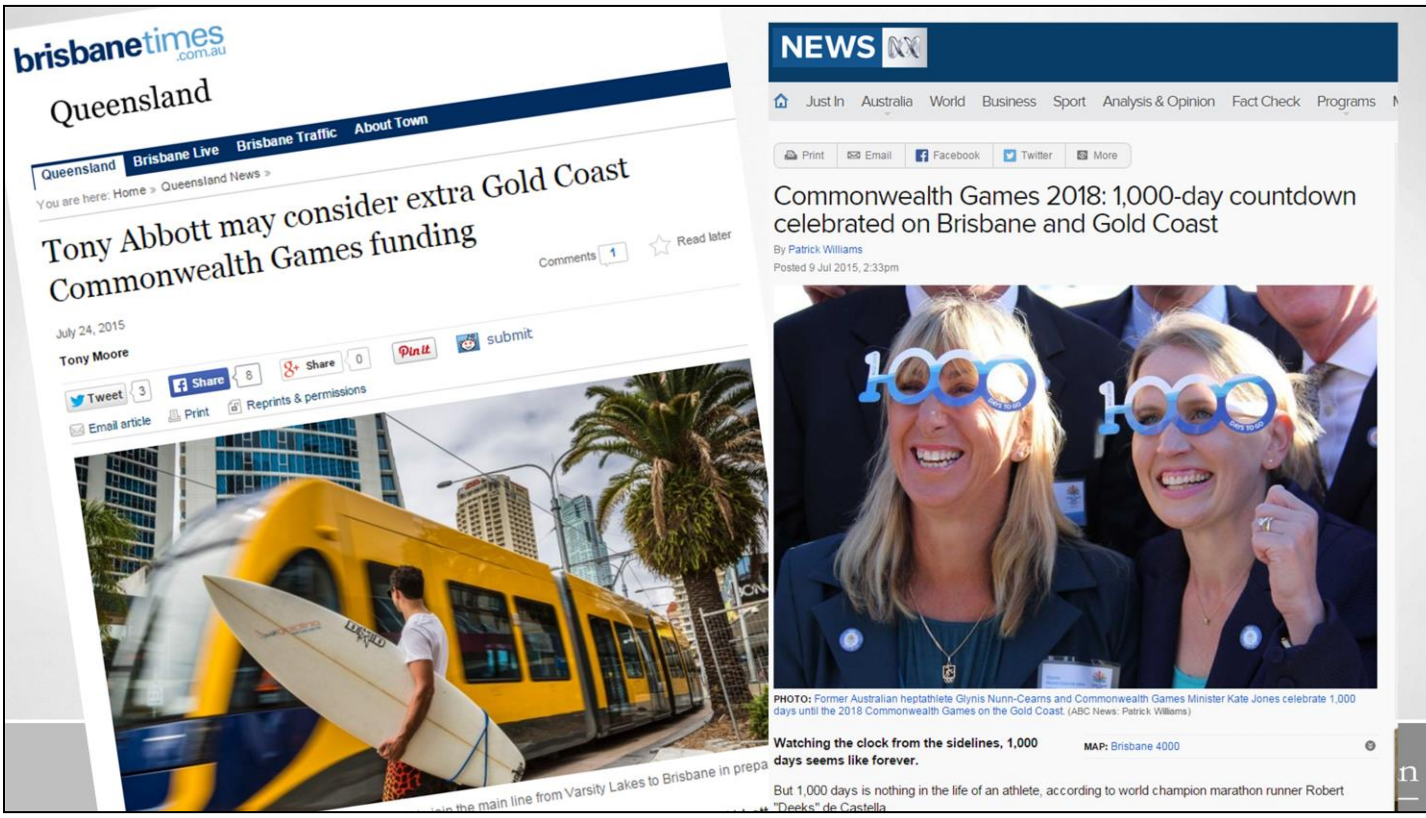
Theodore Koumelis - 17 July 2015, 09:42

With a morning arrival into San Francisco and an overnight flight on the return to schedule on the Sydney-San Francisco route means customers can make the mo the city.

SYDNEY - **Qantas** customers can book direct flights to



Emirates partnering with Qantas, daily flights to Bali (Roy Morgan airline data shows Emirates going from strength to strength).



Commonwealth Games – discussions about Queensland and extra infrastructure.

A new Casino for Brisbane.

Paul Keating warning about our ageing infrastructure in the new era of China.

The world of tourism has entered a new era:

In the late 80s, globalisation and the increase of the middle class in emerging nations, was seen as a huge opportunity for travel. We've seen many competitors for the emerging wealth. and globalisation is now having a huge effect on the world and tourism. We are truly a global village.

Technology, the enabler, has developed a life of its own – the Internet and constant connectivity via smart phone other mobile devices – and is the ultimate disruption.

Even within the tourism industry itself we are seeing fragmentation and convergence at the same time powered by technology and the opportunities afforded by the global marketplace.

Our economies are linked, and new communication technologies provide up-close and real-time media coverage of terrorism attacks, war, and natural disasters.

For the tourism industry – these are 'uncontrollable factors' …

The controllable factors are – infrastructure, marketing, branding.

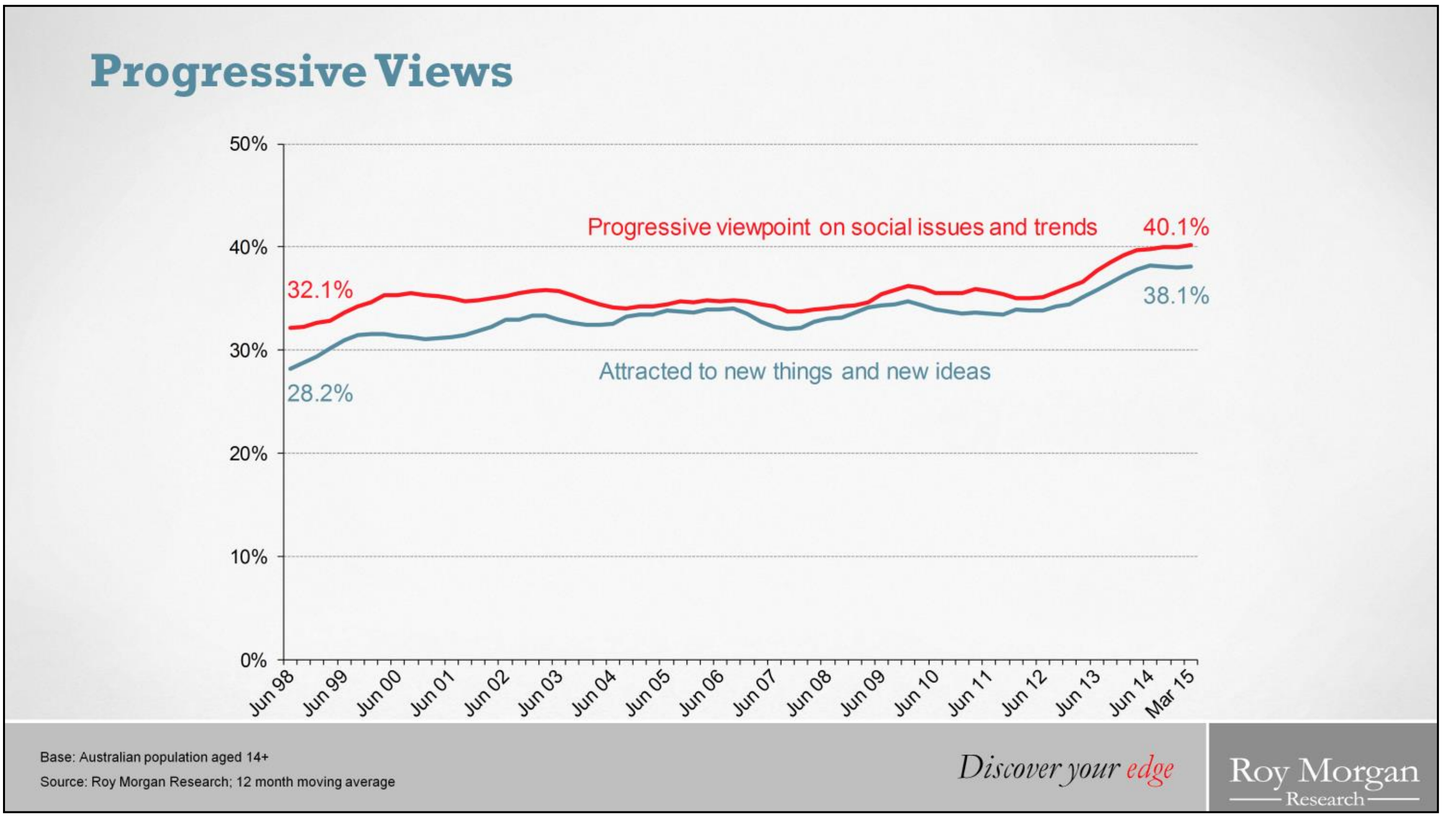
It is important to understand the 'uncontrollable factors' as they provide the context within which the industry operates. And perhaps more importantly they provide insight into the critical issue of 'Timing'.

All indications are that it's **now** time to put all our efforts behind our tourism industry – and get it right for now and the future.

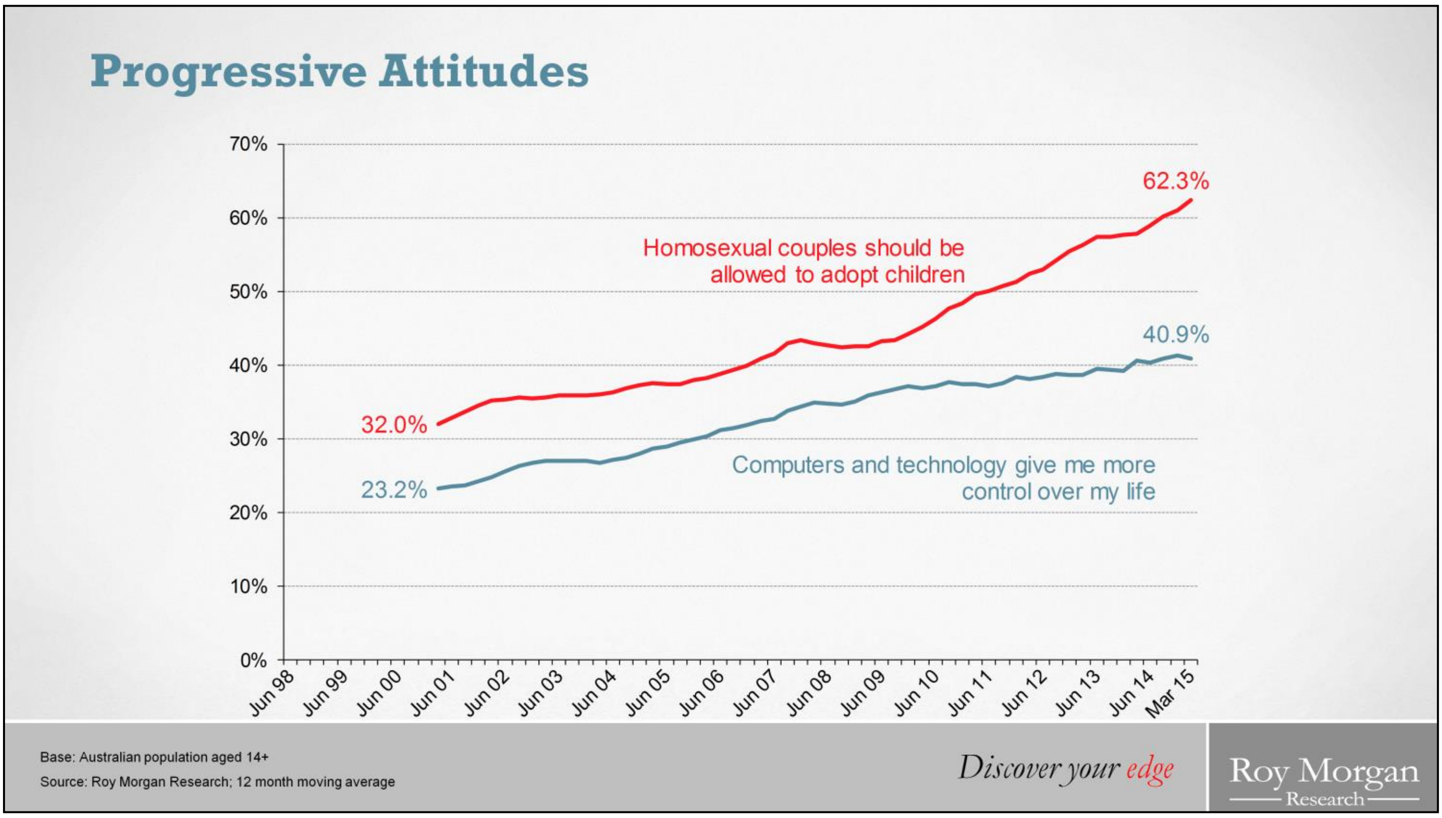
But let's look at the underlying themes:

Key themes emerge around society: changing consumers and choices, technology, economics and the business of tourism, metrics, and politics. We can only touch on some of these here but all are addressed in detail in our Tourism reports.

Australia as a nation is growing, and ageing. Our population is now over 23.5 million, and as the baby boomers turn 65+ that is the group that will be growing fastest and the group with the greatest wealth and spending power.



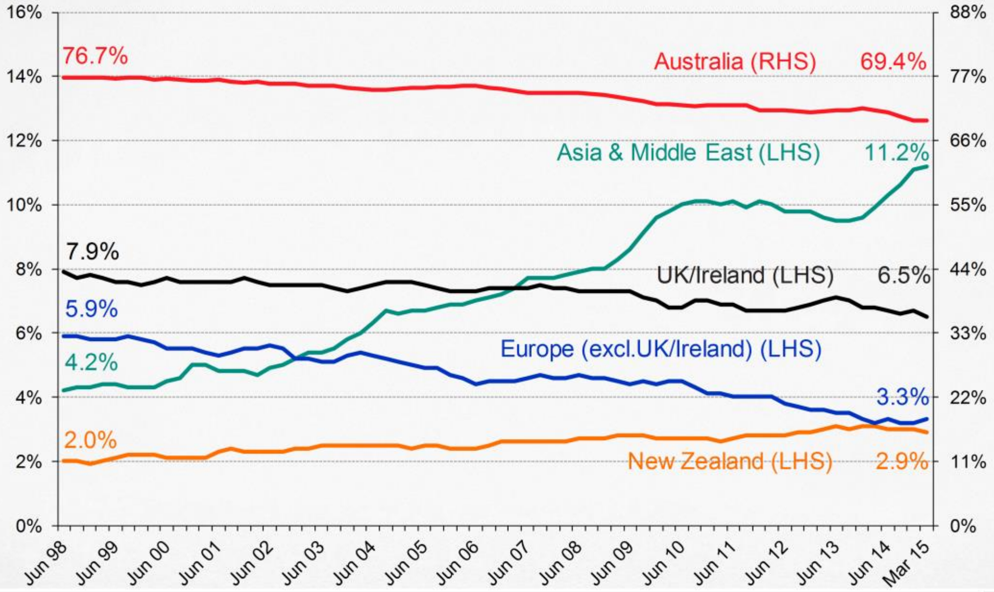
We are increasingly educated, and increasingly socially progressive and attracted to new ideas.



This manifests in such things as being open to homosexual marriage and adoption and open to new technology.

Clearly these things have an impact on our holiday preferences and activities – the arts, historical places are increasingly part of our holiday repertoire.

Country of Birth



Note: Approximately 7% were born in other countries.

Base: Australian population aged 14+

Source: Roy Morgan Research; 12 month moving average

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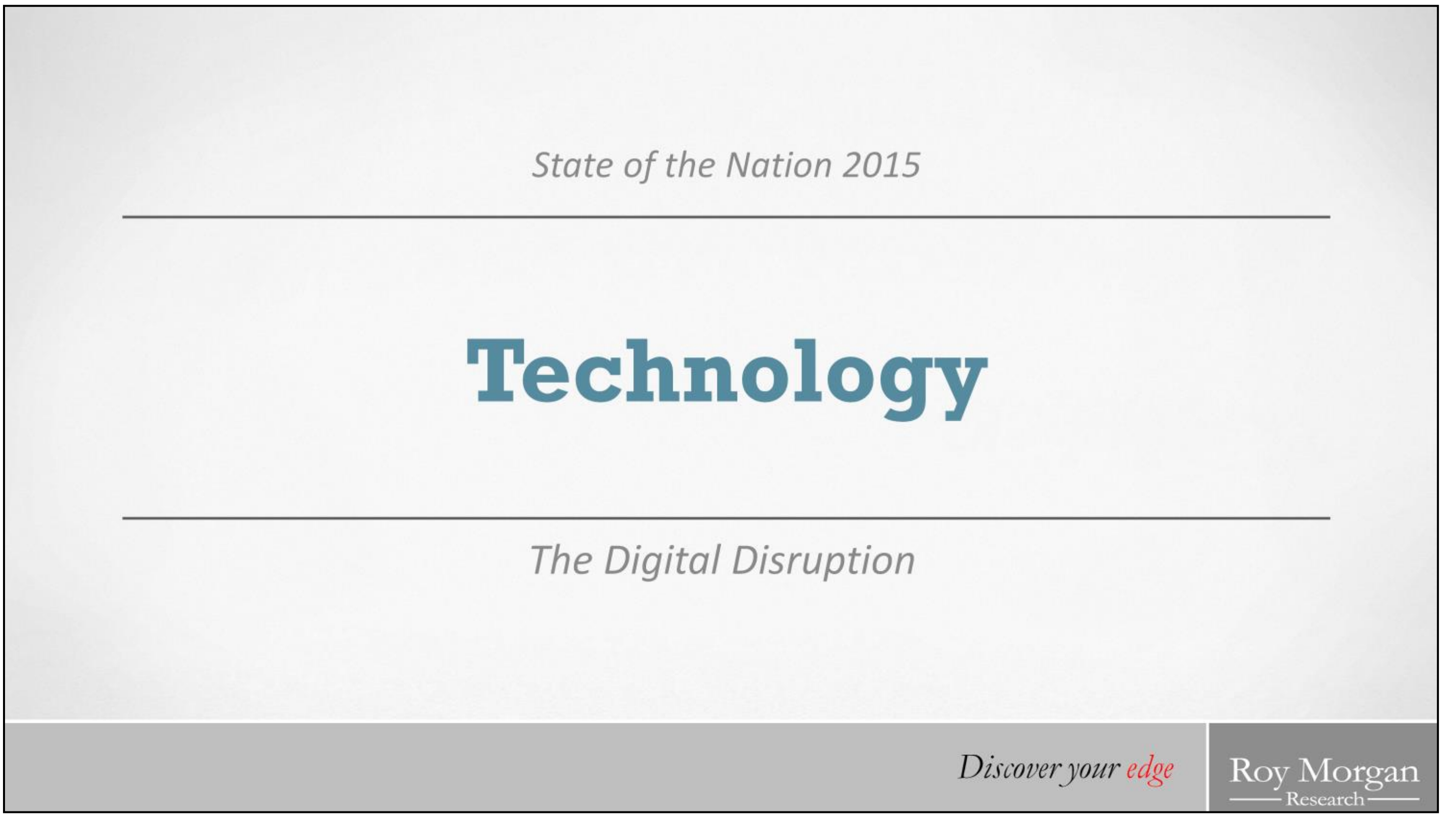
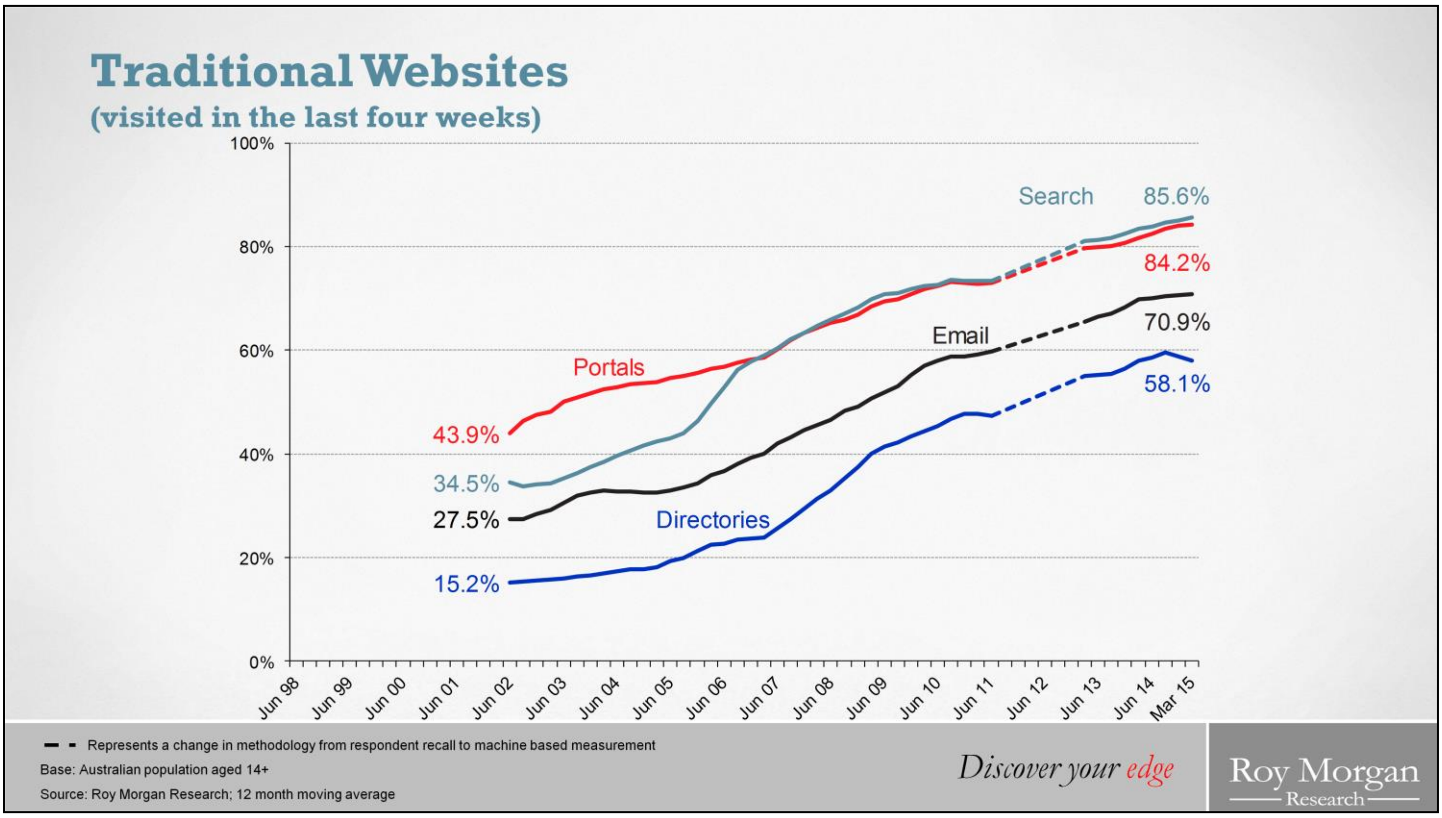
Now only 69% of Australians were born here. More than 30% were born overseas.

We are increasingly international in our make up, and our food preferences, and desire to see and engage with the world. We are a very different nation than we were even 10 years ago.



Every industry is now digital!

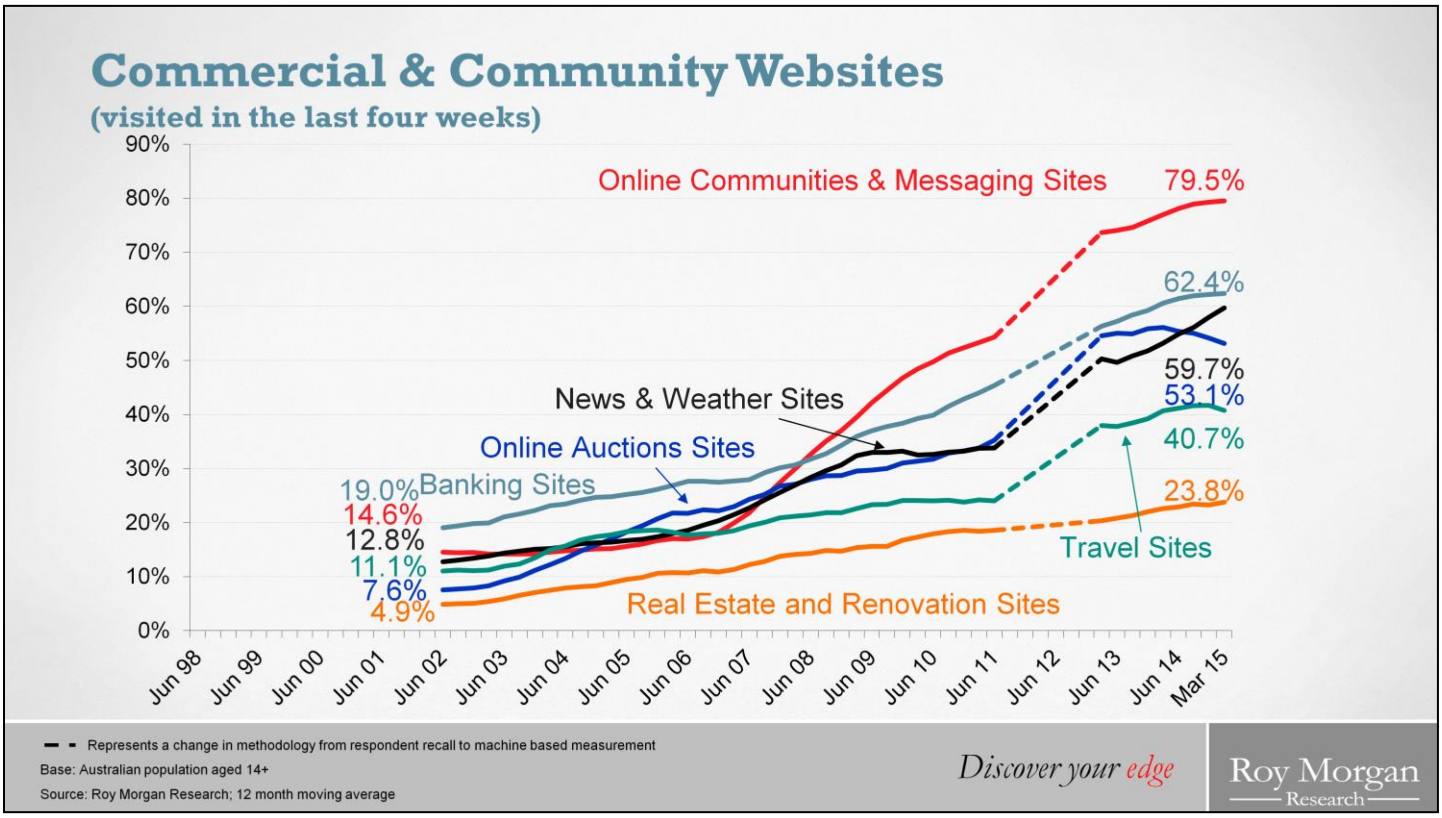
The exponential growth of digital, mobile, video and the extraordinary extent of automation and variable pricing of everything from hotel room to airline seats to media is having an impact of the very essence of the tourism landscape.



We are seeing growth in all kinds of websites.

This data is derived from Roy Morgan Single Source - an address-based sample, multi-mode, nationwide, predominantly face to face establishment survey of approximately 50,000 Australians with telephone, self-completion and web based follow up and, for the last few years, machine based web audience measurement.

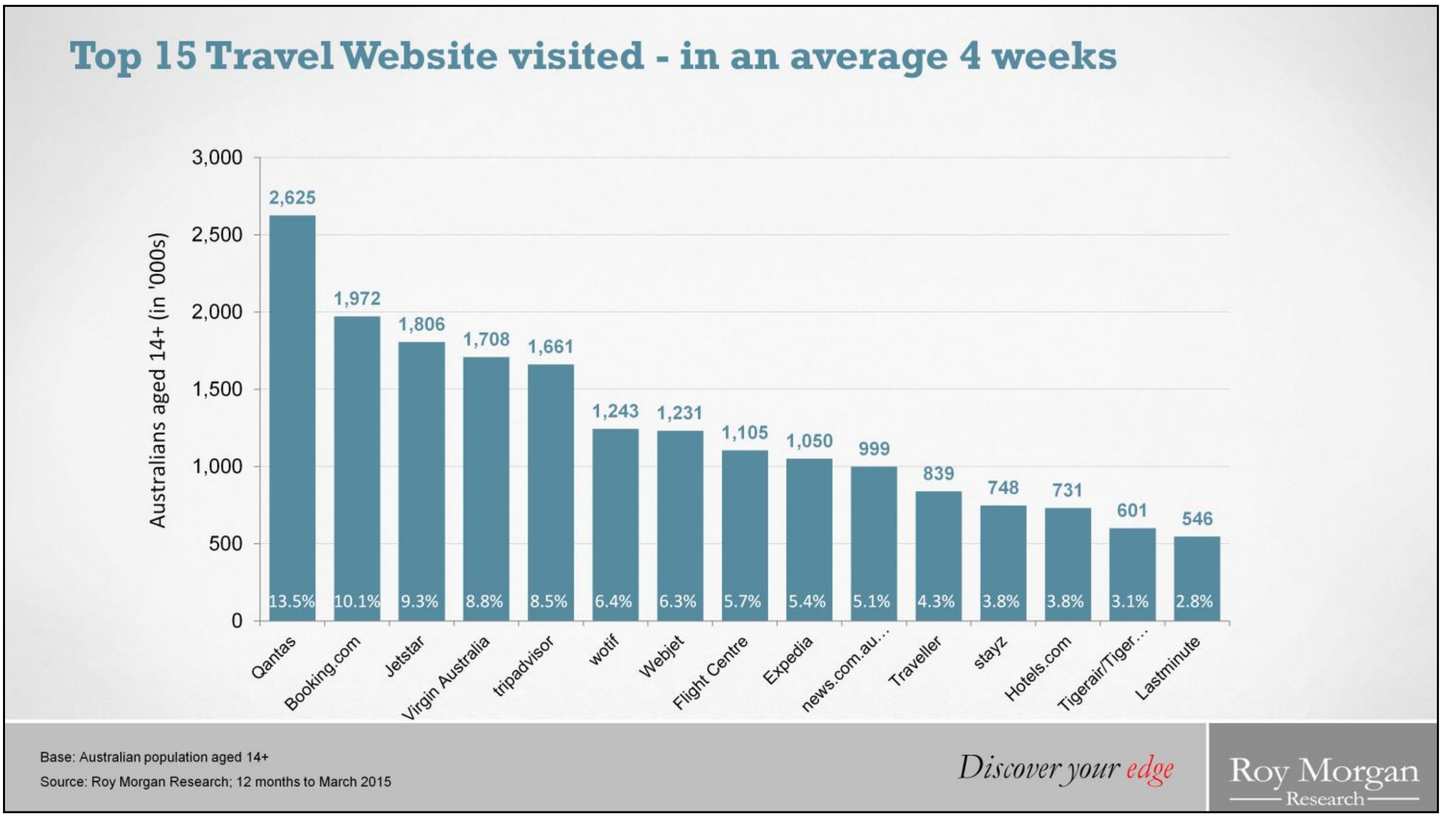
Search has meant consumers know what’s available; there is no hiding if your offering is poor.



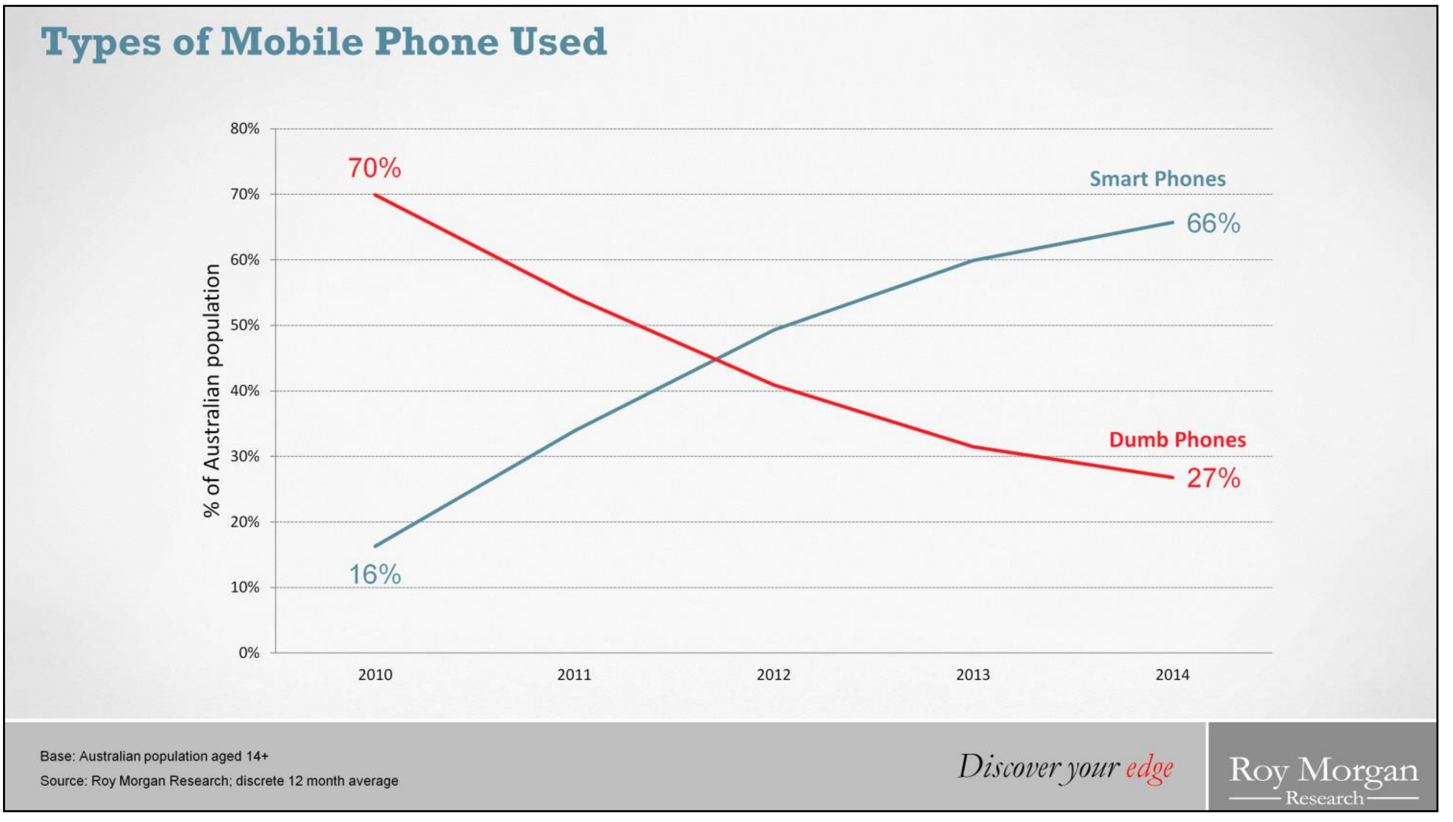
The real growth is in online communities and messaging sites. Facebook is now mainstream – almost ubiquitous. Consumers can talk back, share and publish.

Travel is there too; 41% of Australians - almost 8 million of us - visit a Travel site in an average 4 weeks.

9.6 million visit Google Maps in an average 4 weeks (6 million of them by phone).



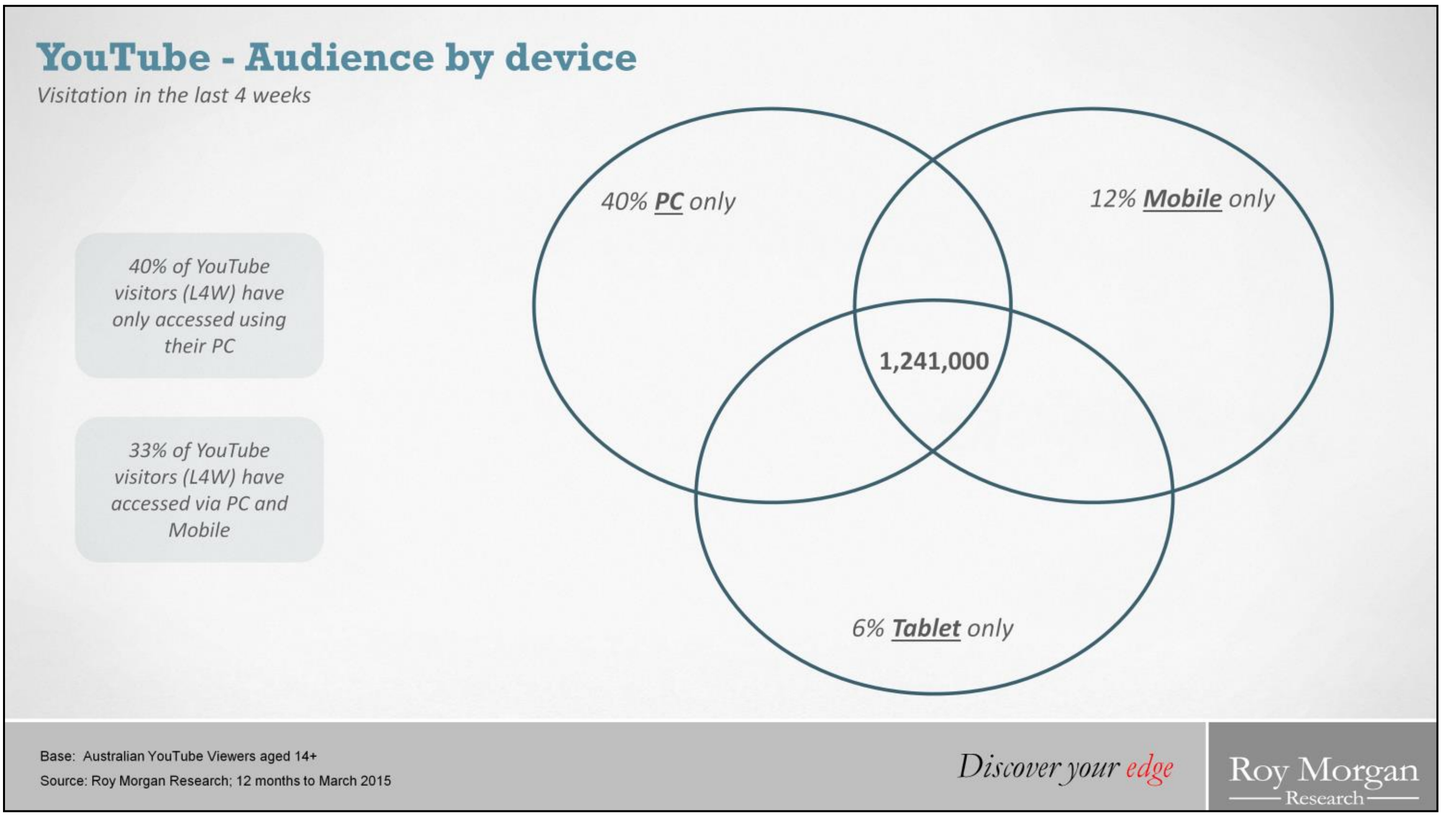
Top 15 travel websites include everything form Qantas to TripAdvisor, news.com.au/travel to lastminute.com.



The rise of the smart phone has turbo charged the changes we've seen due to the digital access to information of all sorts – it's now 'always on' & 'always accessible'. Empowering consumers wherever they are.

Note:

Dumb phone = doesn't run apps.

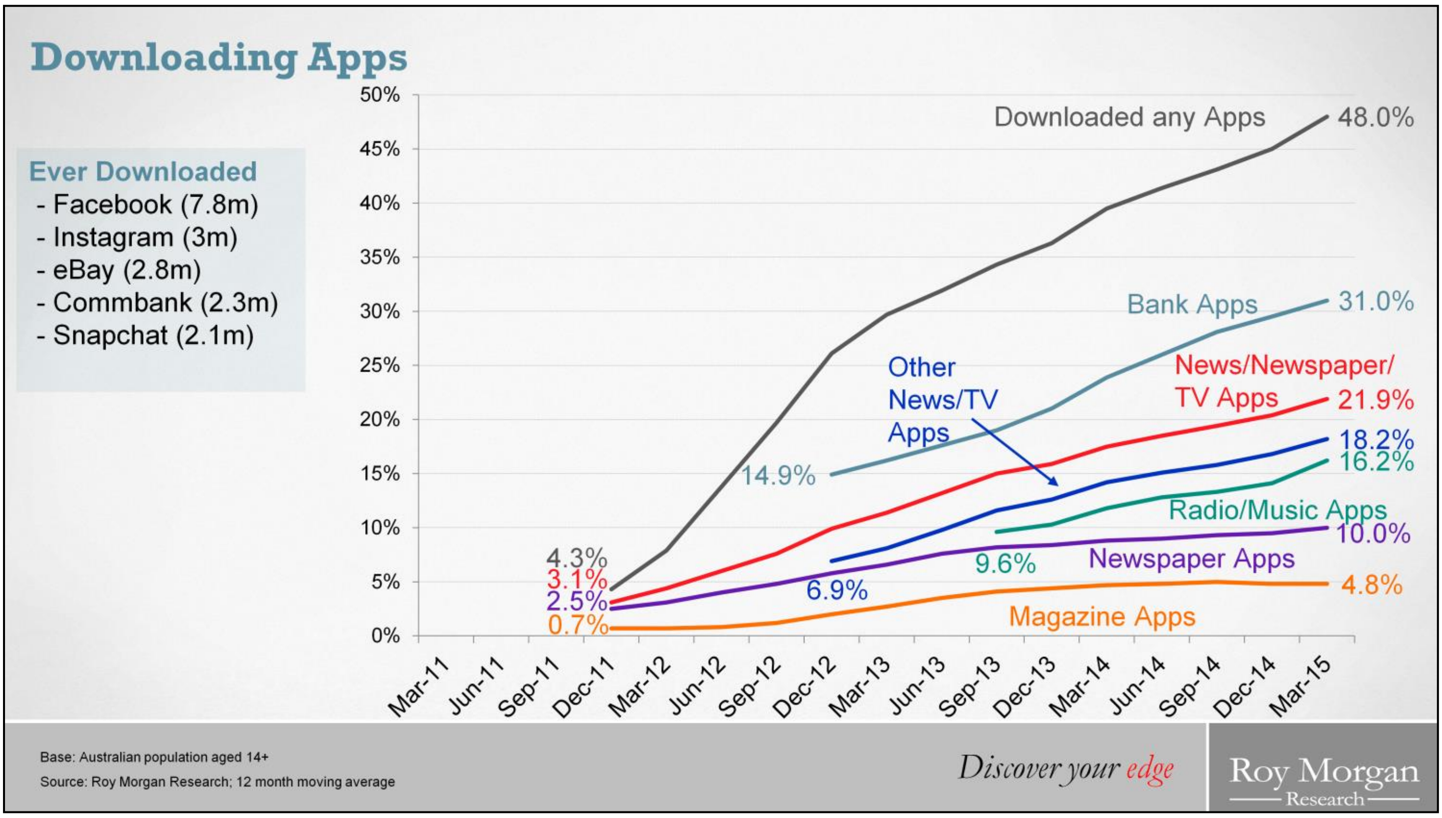


It becomes critical to understand and monitor how people are using every site. For YouTube, PC is still dominant but mobile is gaining, both on phone and tablet.

The overlap of the 1.2 million who use all three devices, and the three other overlap options of PC and mobile, PC and tablet, tablet and mobile, is what is confounds most measurement systems around the world. Only Single Source can measure the cross platform audience, the unique audience and the shared audience (overlap) across devices.

The fact that people are accessing sites using different devices is great for those making the devices, those in the tech space – but excruciating for those who see their business as providing a travel or tourism experience – it's really hard to just keep up.

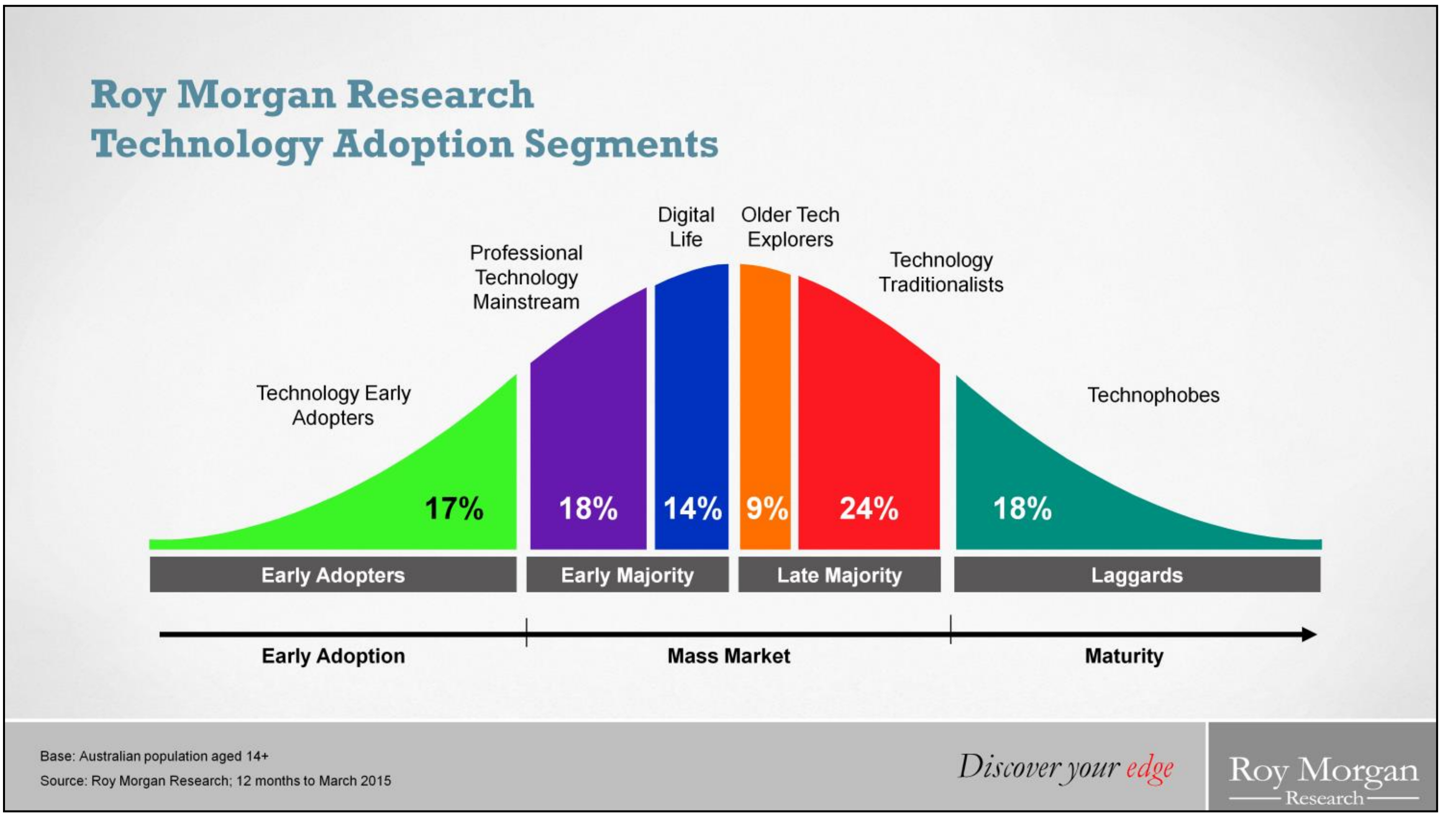
We recently surveyed people in the media industry and the media buying industry about the challenges they are facing – they talked about the challenge to simply keep up in a fast changing environment where skills and expertise are in huge demand and short supply.



Apps are going gangbusters – increasing numbers of apps are being downloaded and although the numbers are naturally slightly lower for ‘ recent use’ they are still substantial.

Social media is the driving force.

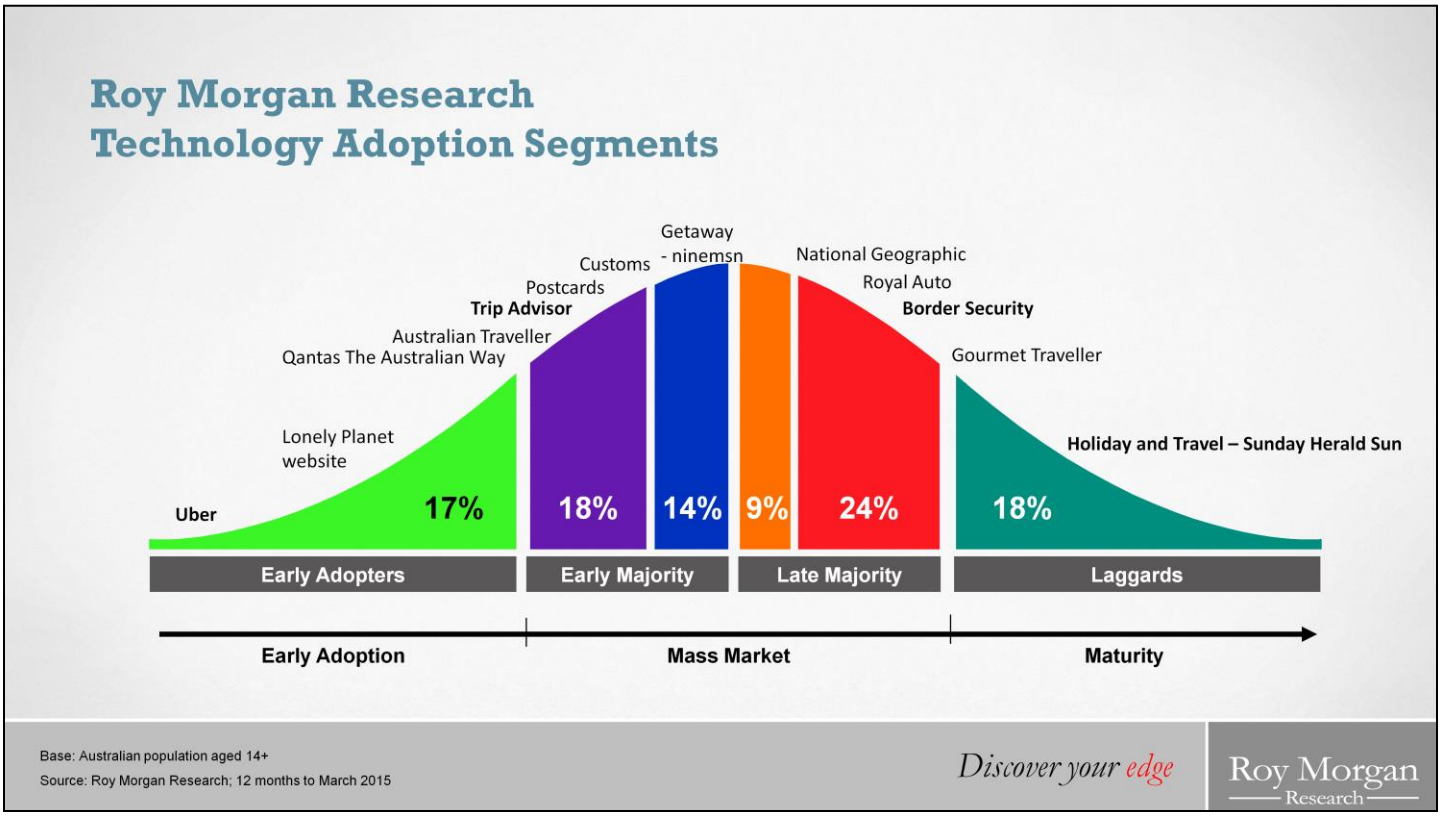
7.8 million Australians have downloaded the Facebook app; 3 million Instagram, 2.8 million the eBay app, 2.3 million the Commbank app and 2.1 million have downloaded Snapchat.



Recognising we needed to understand the rapid changes in technology and their impact on consumers, Roy Morgan Research undertook a major study of technology and how Australians are adapting to it. The study's results, which were first launched in May 2012, show that different segments of the population are taking up the new technology at very different rates.

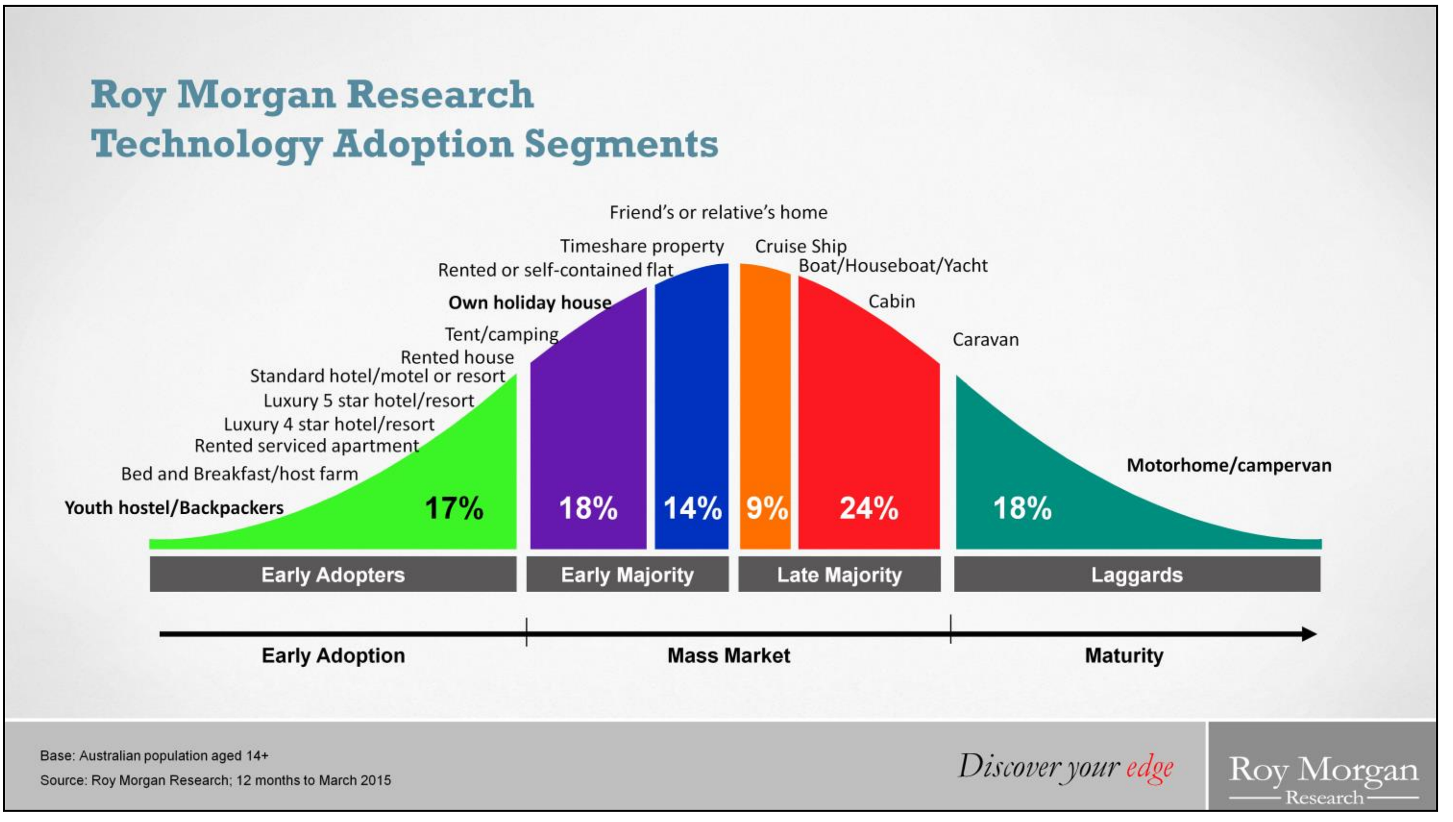
In essence, the technology adoption curve is an innovation curve – there are early adopters at one end and laggards at the other, with the majority in the middle.

This framework is particularly informative in relation to understanding who is consuming which media and what sources of information via which means (e.g. are people reading the newspaper via app, or website on their PC, or in hard copy). Roy Morgan is of course measuring all these. But it is relevant to travel too.



We see that for instance TripAdvisor has now become mainstream, while Uber is still in the early adopter phase.

We also see TV programs like Border Security in the late majority segment and Laggards are still reading the Holiday Travel in the Sunday Herald Sun.



It's fun to see where these folk stay on holiday. We'd expect to find an *Early Adopter* either backpacking or in a 4 or 5 start resort (they can make the choice), *Professional Technology Mainstream* camping, or in their own holiday home, *Digital Life* probably at a friends or family's home, *Older Tech Explorers* on a cruise or a house boat, *Technology Traditionalists* in a cabin or caravan and *Laggards* in a motor home or campervan.

So we have:

- The rapid increase in Internet as a valuable search engine, combined with
- More customisation, and
- An increased willingness to go to different places more ‘impulse’ travel decisions.

This means cut-through and impact of visual advertising is more important than ever before as an influencing factor in the consumer’s choice. Advertising must work harder.

So much has been written and voiced about advertising and Roy Morgan Research has its own set of beliefs and evidence-based framework.

Our recent ‘State of the Nation 21’ on Media focussed heavily on the changing media landscape, and especially the growth of digital media.

It’s always been easy to reach your target audience in traditional media using Roy Morgan Single Source.

Until recently it was near impossible to ‘target’ an audience in digital media.

Now – with Roy Morgan online data linked to offline behaviour (think Helix) – it is possible to target digital audiences very precisely.

Of course, just because you ‘reach your target’ doesn’t mean you ‘persuade’ them to your brand or product.

So we come to advertising. The fundamentals of advertising haven't changed – but…

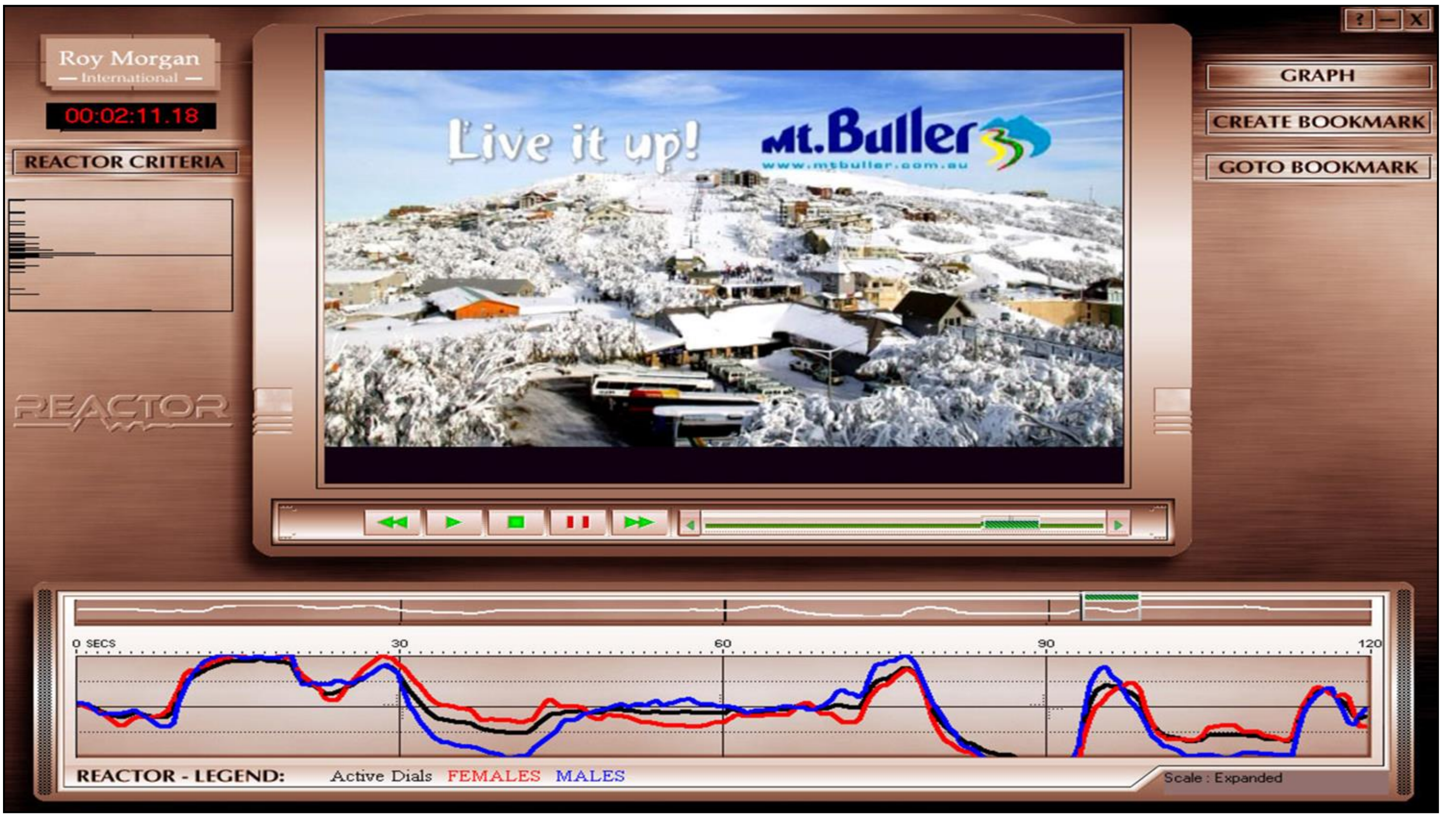
5 seconds may be all you have!

Increasingly, consumers are able to choose to accept or reject advertising (and, increasingly, they do).

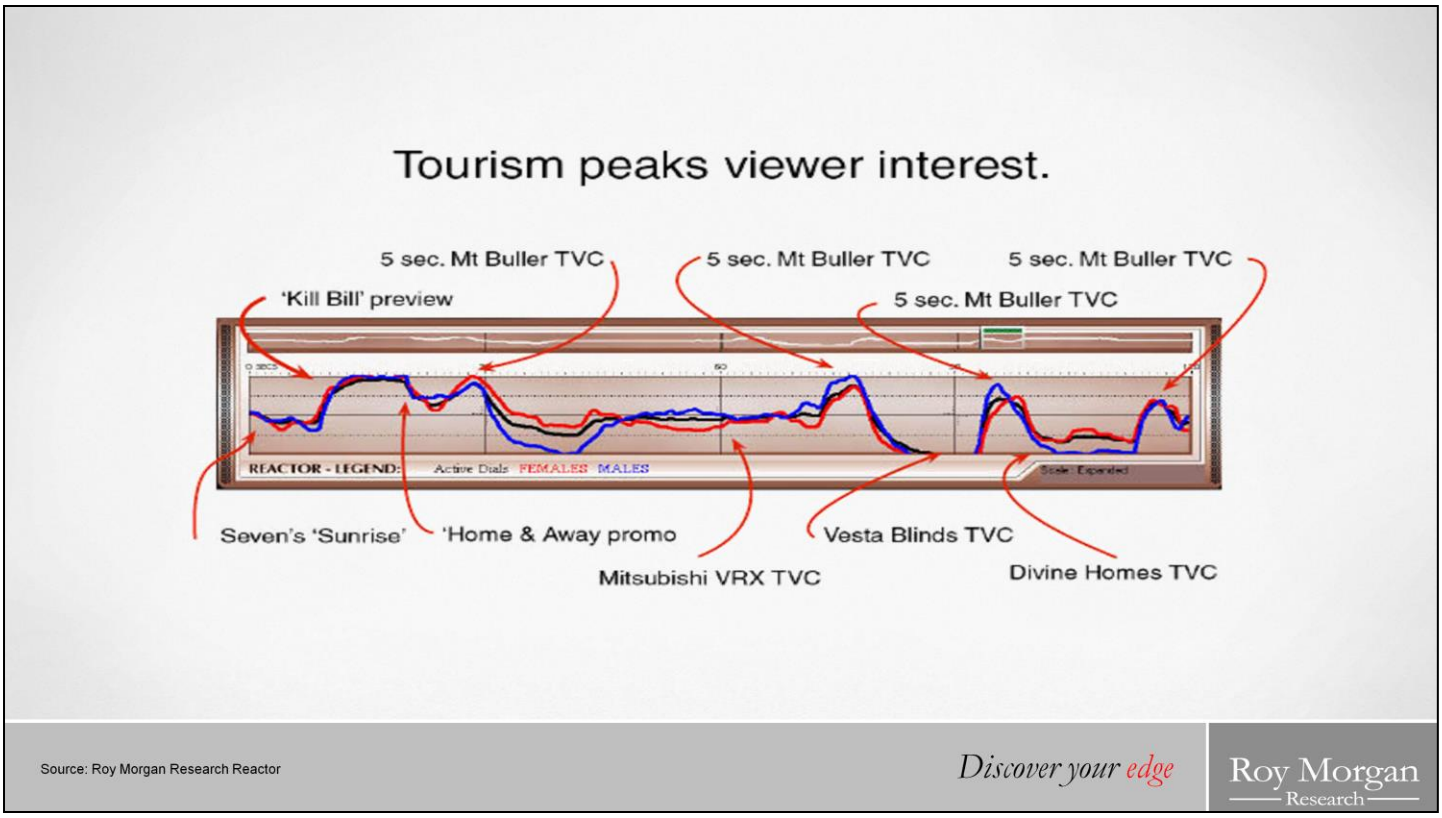
Ads that raise interest within the first few seconds are more effective than those that don’t.

Roy Morgan showed two years ago that five-second commercials can rate very well by the *Reactor.* Given the growing importance of the Internet, the ability of a five-second commercial to demonstrate impact is crucial.

We searched through reels of ads, some male products and some female products, some just lousy ads that didn't work for anyone because they were just not good.



The next set of five-second commercials for Mt Buller is measured within a context of the Sunrise Program. Some ten years ago.



It showed clearly that while some longer ads failed to engage the audience, the five second Mt Buller "live it up' ads lifted the 'Reactor line' each and every time.

Ten years ago – they thought a 5 second ad couldn't work and didn't run the ad.

Once again – it's time!

Economics matter - the tourism export industry is worth some $13.9 billion.

And the economy and its moving parts has a huge impact on tourism:

a) consumer choices-to travel or not, and where, for both Australians and international audiences

b) the viability of the industry and its parts

c) Distribution of economic activity city vs country (big infrastructure decisions make or break a country town)

If we look at the big picture of consumer choice and economics. The underlying patterns seem to be:

1. if the economy is in good shape (and consumer confidence is high and unemployment low) people will want to holiday and travel. If the economy is generally good but unemployment is high people seem to want to invest (home renovations, etc.) rather than spend on holidays.

   Interest rates are the wild card. Higher interest rates impact negatively on the mortgage belt consumer and those aspiring to home ownership – but low interest rates represent an immediate hit to the $ spending power of self funded retirees – increasingly important to this market.

2. The decision to travel overseas vs domestically is impacted by:

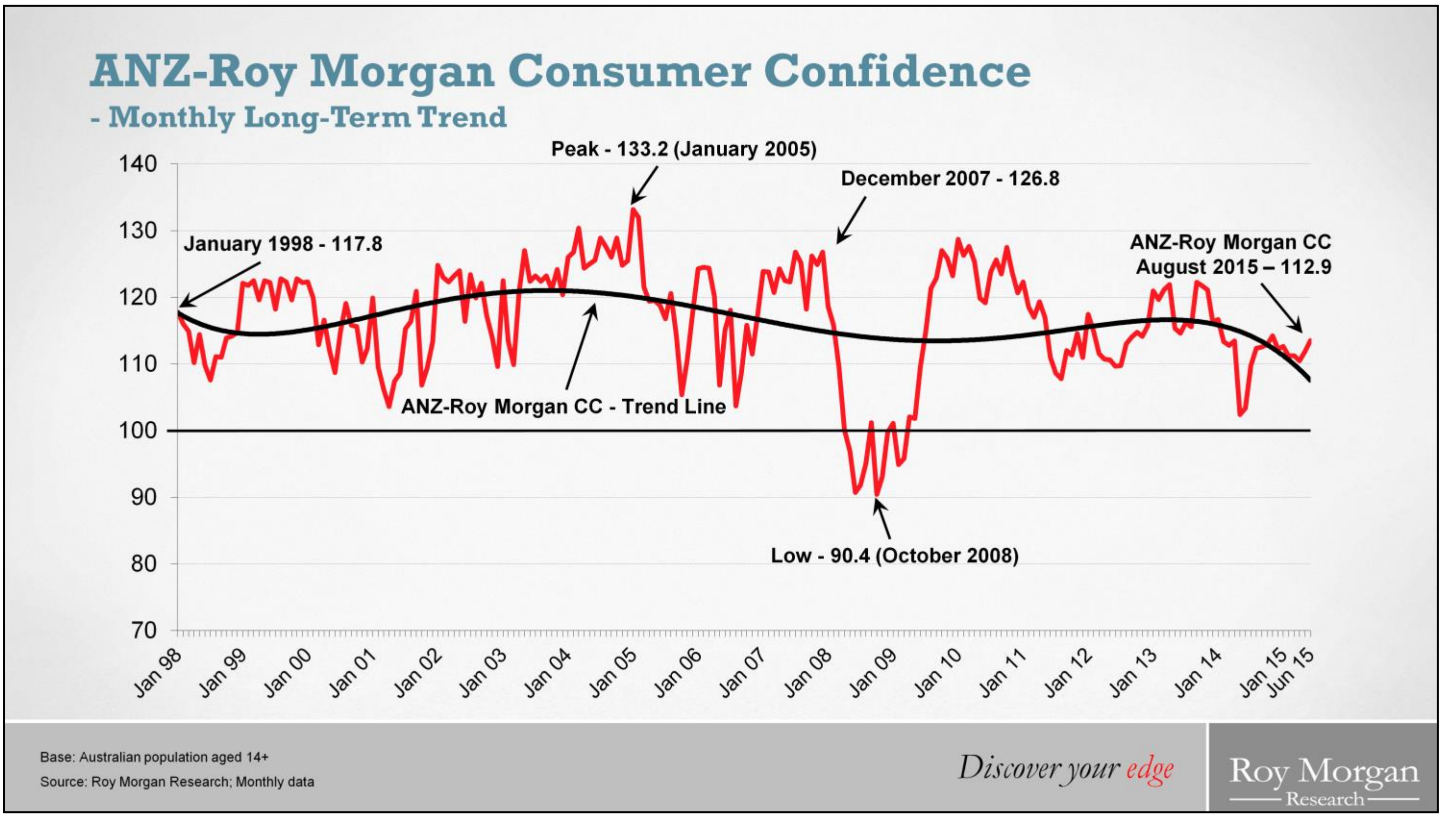
   a) economic factors - Value of the $ (a high dollar means greater spending power outside the country) and other financial considerations e.g. cheap air fares and packages; and

   b) fear factors: terrorism, international unrest, war, riots etc. (generally and specifically at the planned destination), natural disasters (e.g. floods, Bali earthquake), epidemics (e.g. SARS, ebola), airline incidents that create uncertainty (e.g. strikes).

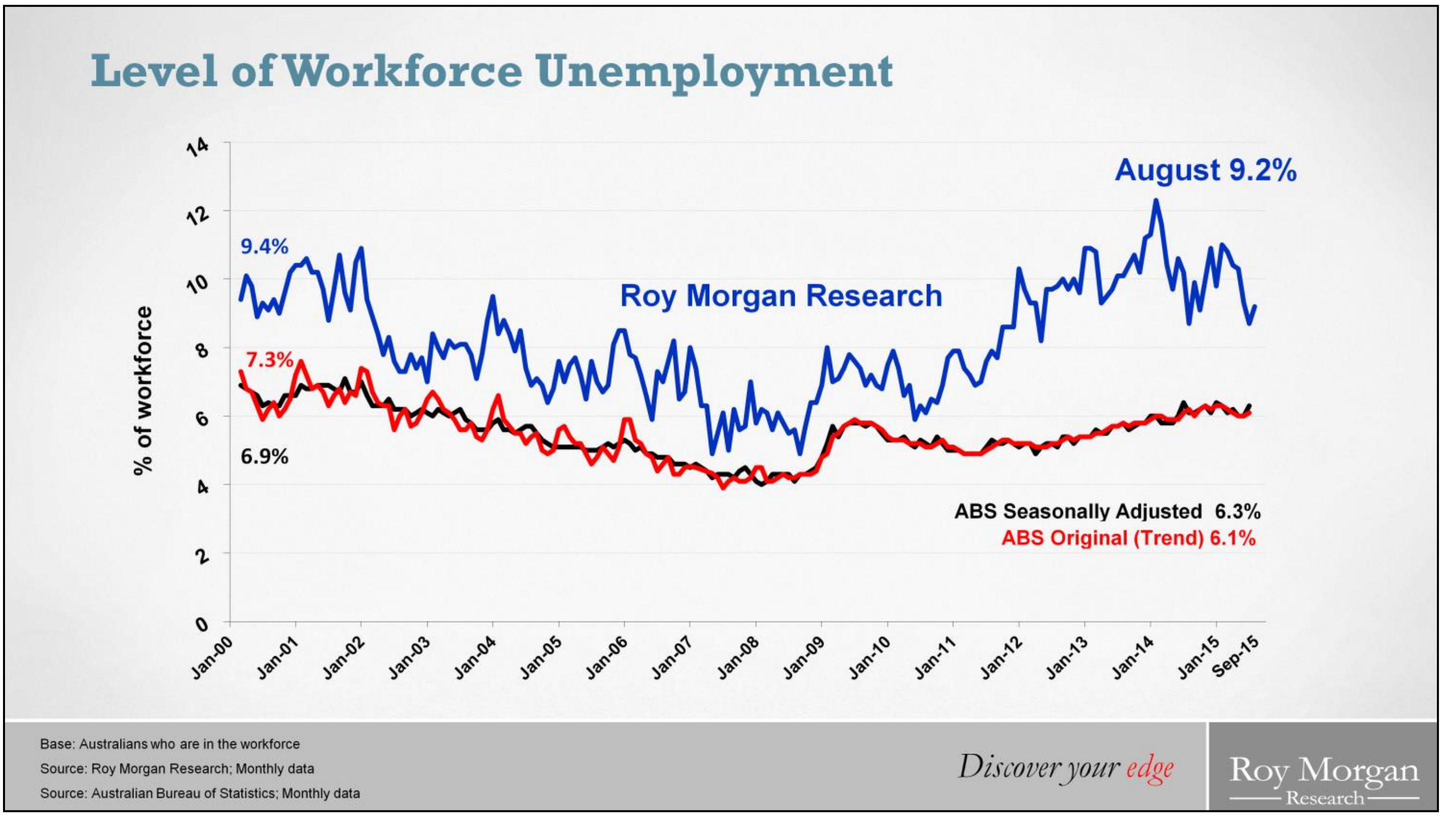
3. The type of holiday people take is more related to life stage, Values*, personal socio-economic factors; birthplace and other affiliations.

4. Infrastructure costs will be heavily impacted by interest rates – and of course politics. So what do we see?

*Devised by Michele Levine of Roy Morgan Research and Colin Benjamin of the Horizons Network.

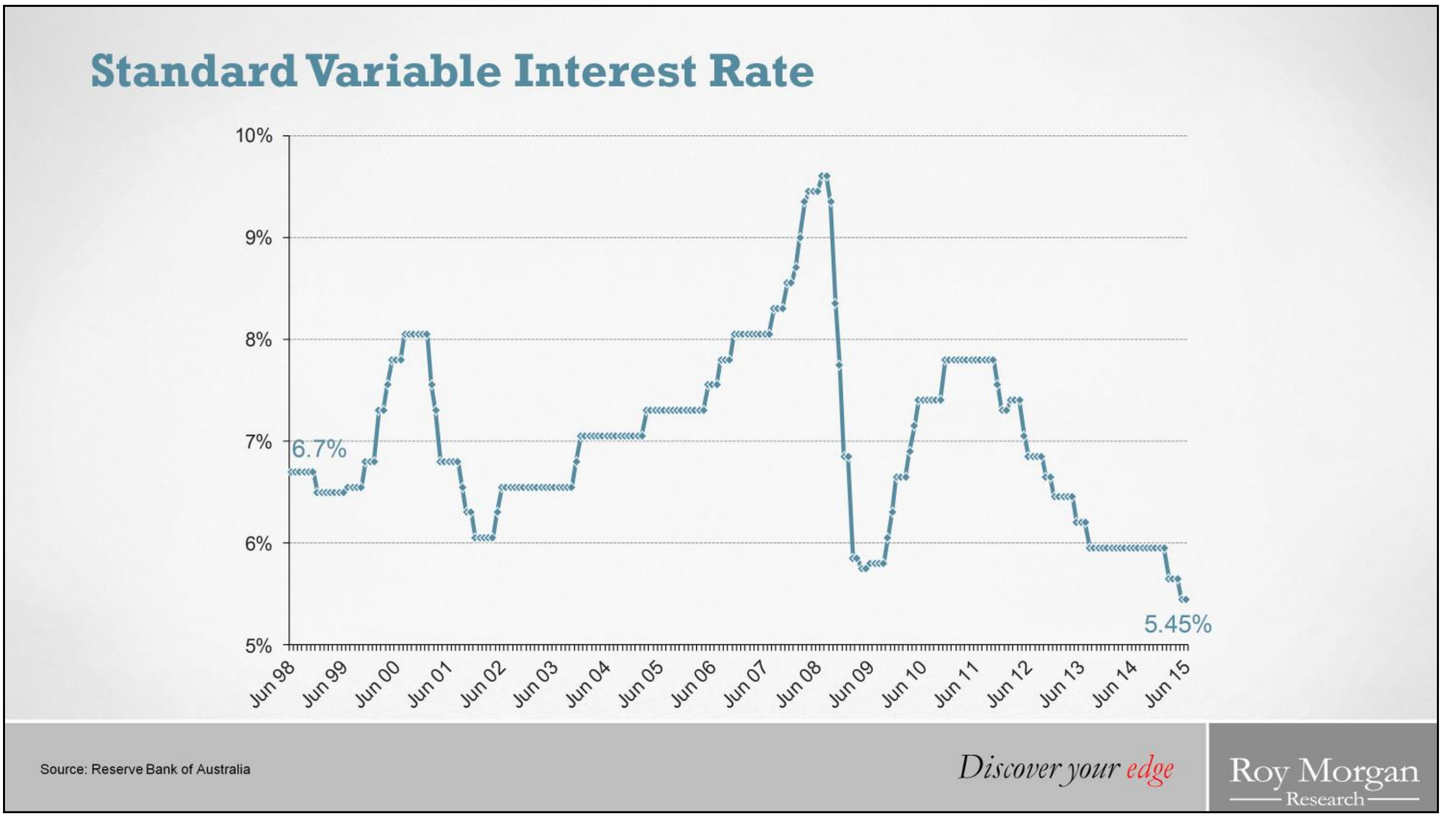


Consumer Confidence is in positive territory – but could not be described as buoyant.



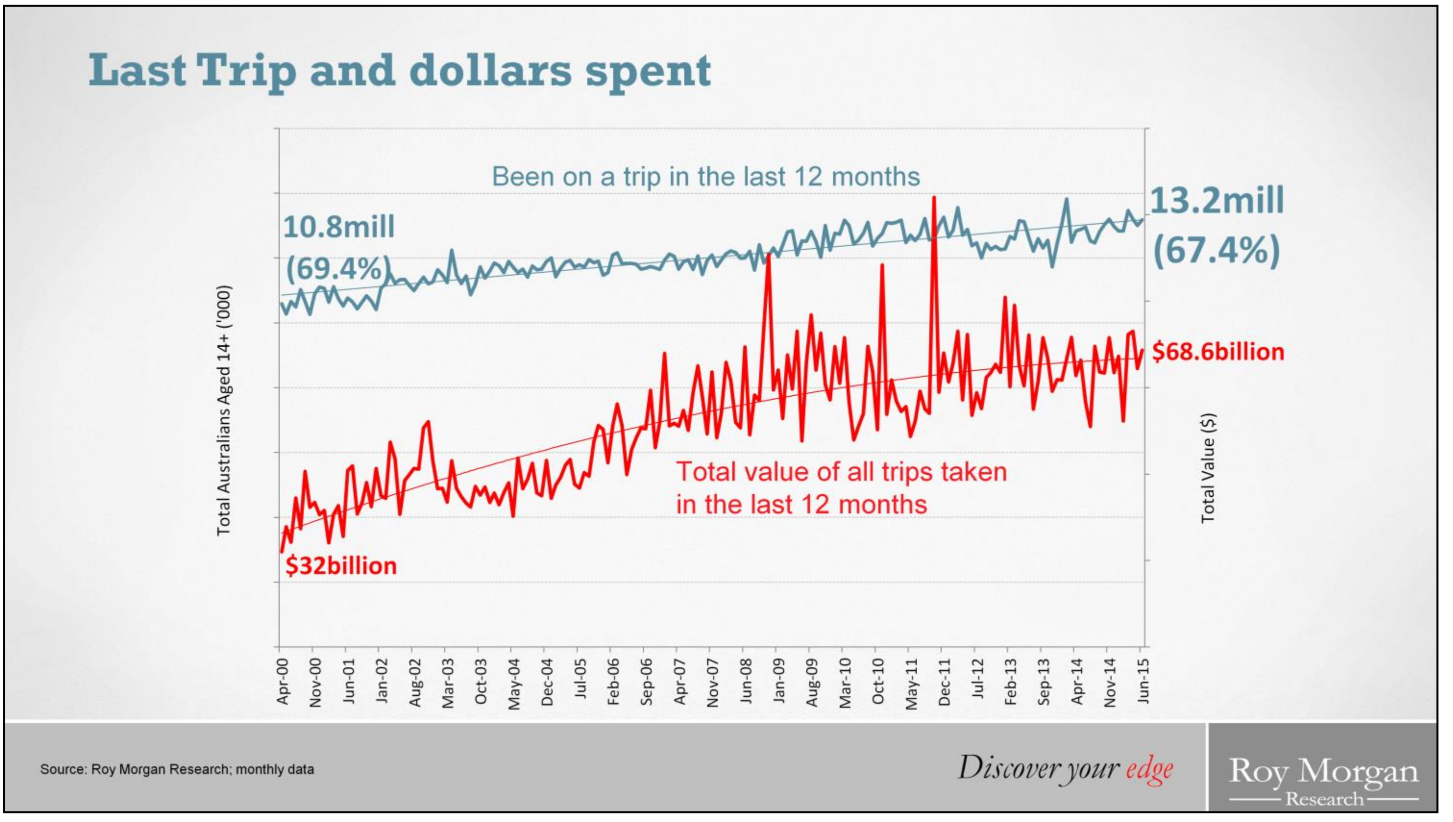
Real unemployment coming down – but still too high. There is still 16.6% of the workforce unemployed or underemployed.

So we'd expect to see some slight softening of the travel and holiday expectations.



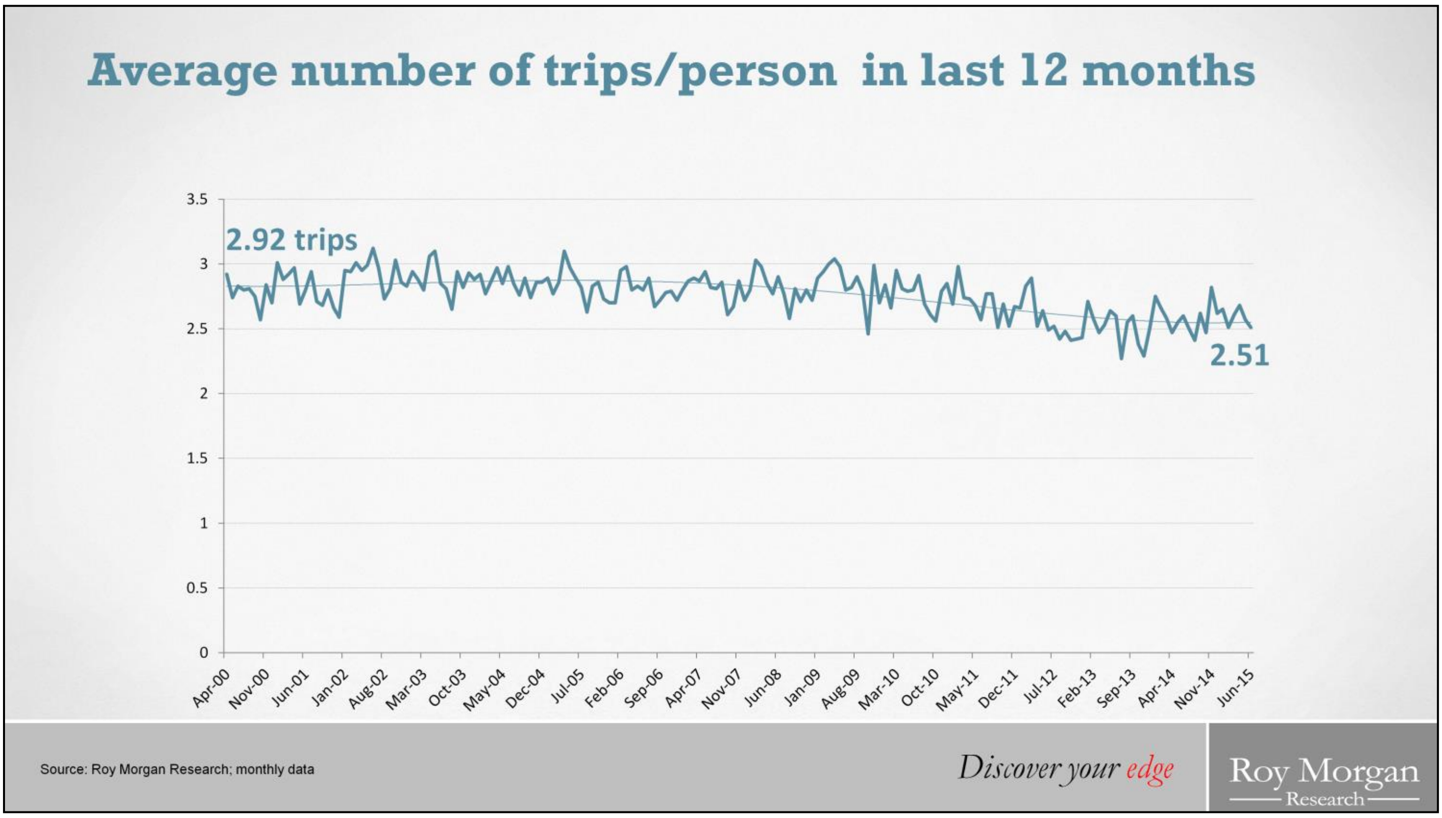
Moreover interest rates are low – this means for the self funded retiree there is less disposable interest-based spending money and for others there is a push for house purchasing and renovations (sensible alternatives to what might be seen as frivolous spending on holidays and travel).

These broad economic factors mean Australia is still uncertain.

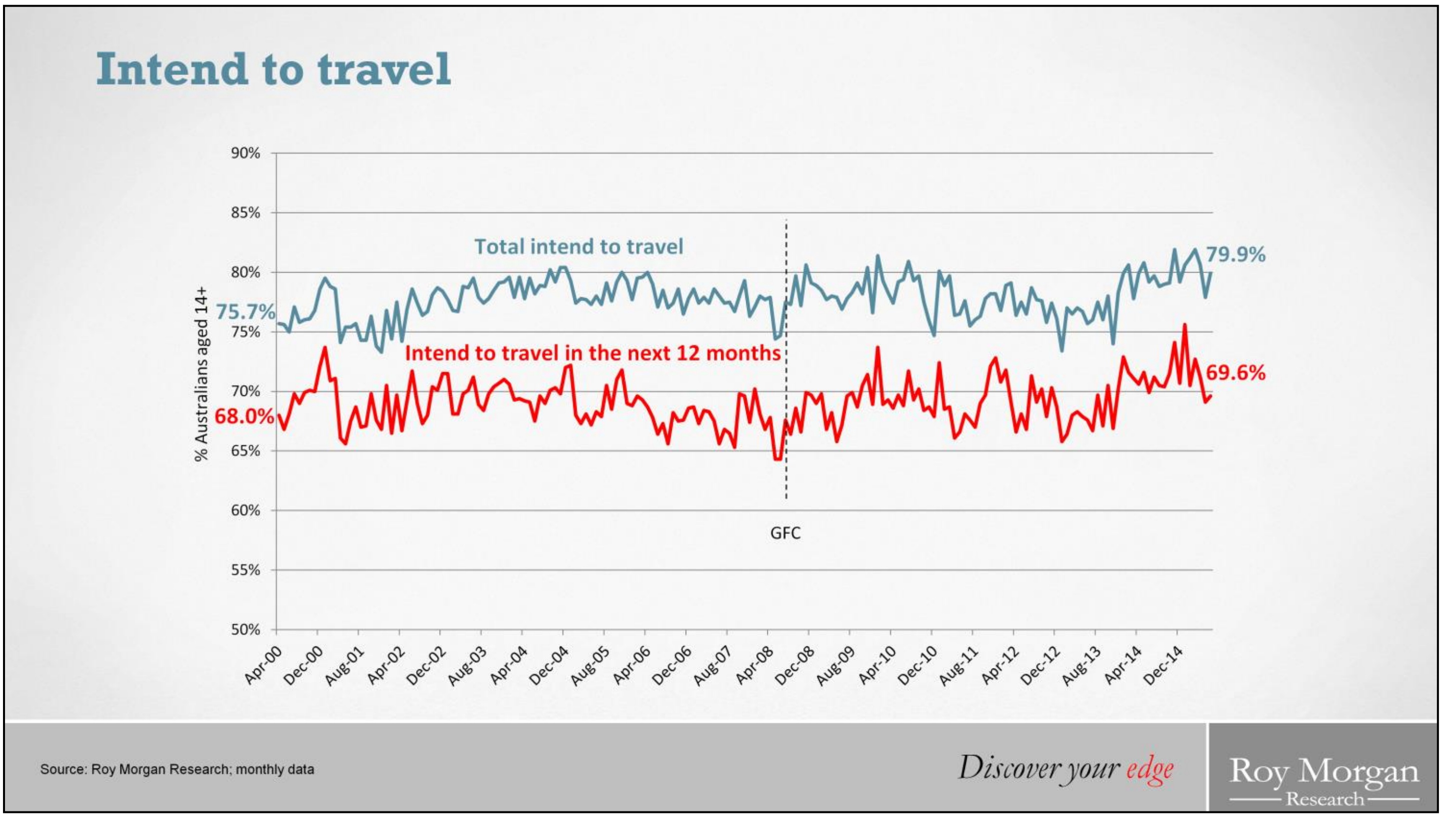


Indeed we see some softening in recent travel data. The blue line shows while population growth is holding up the sheer numbers of Australians travelling, in percentage terms fewer have travelled in the last 12 months than previously.

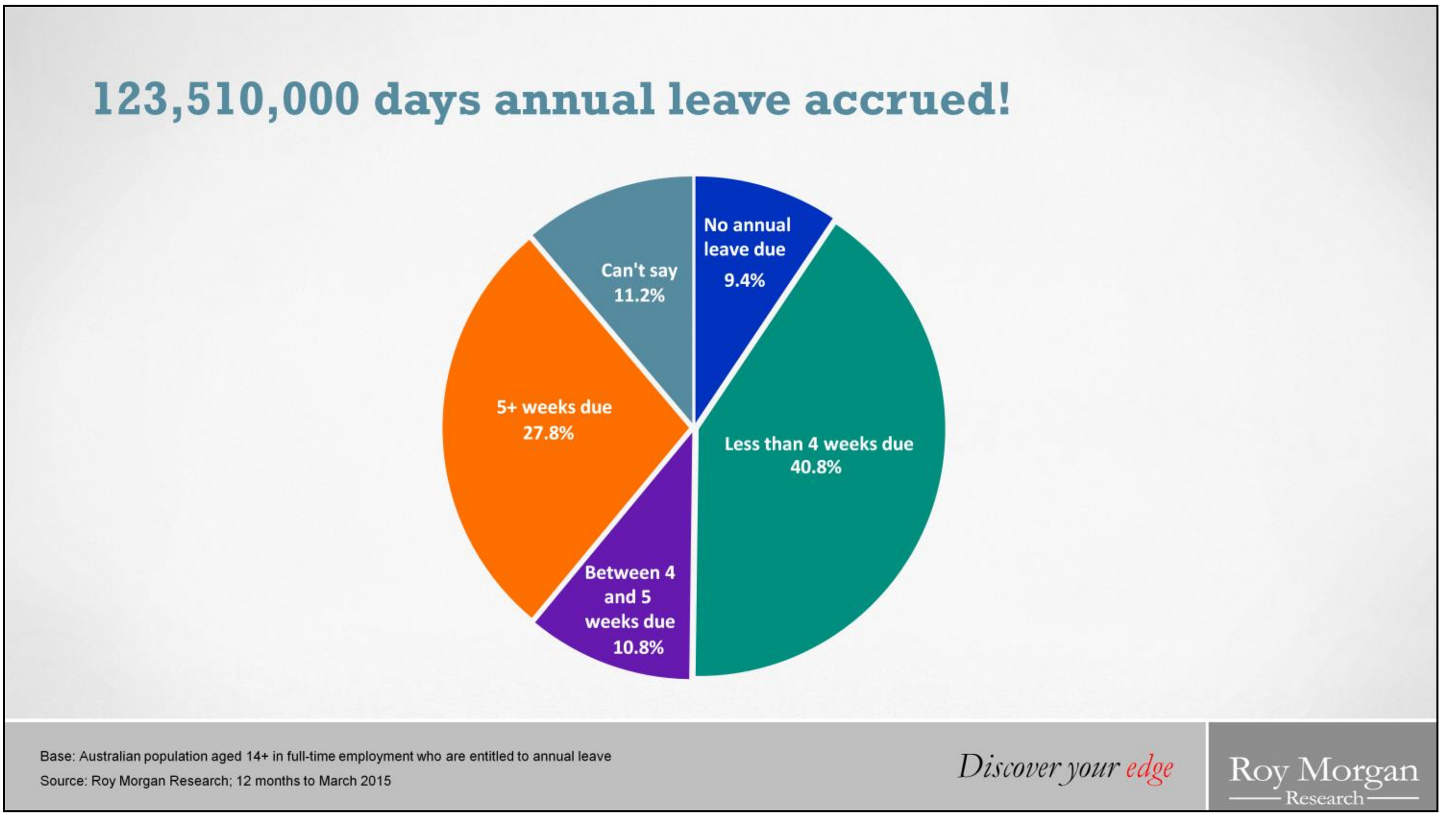
The red line shows total dollars spent by Australians on holidays has flattened recently.



And the average number of trips Australians are taking has come down from 2.92 in 2000 to 2.5 in 2015.



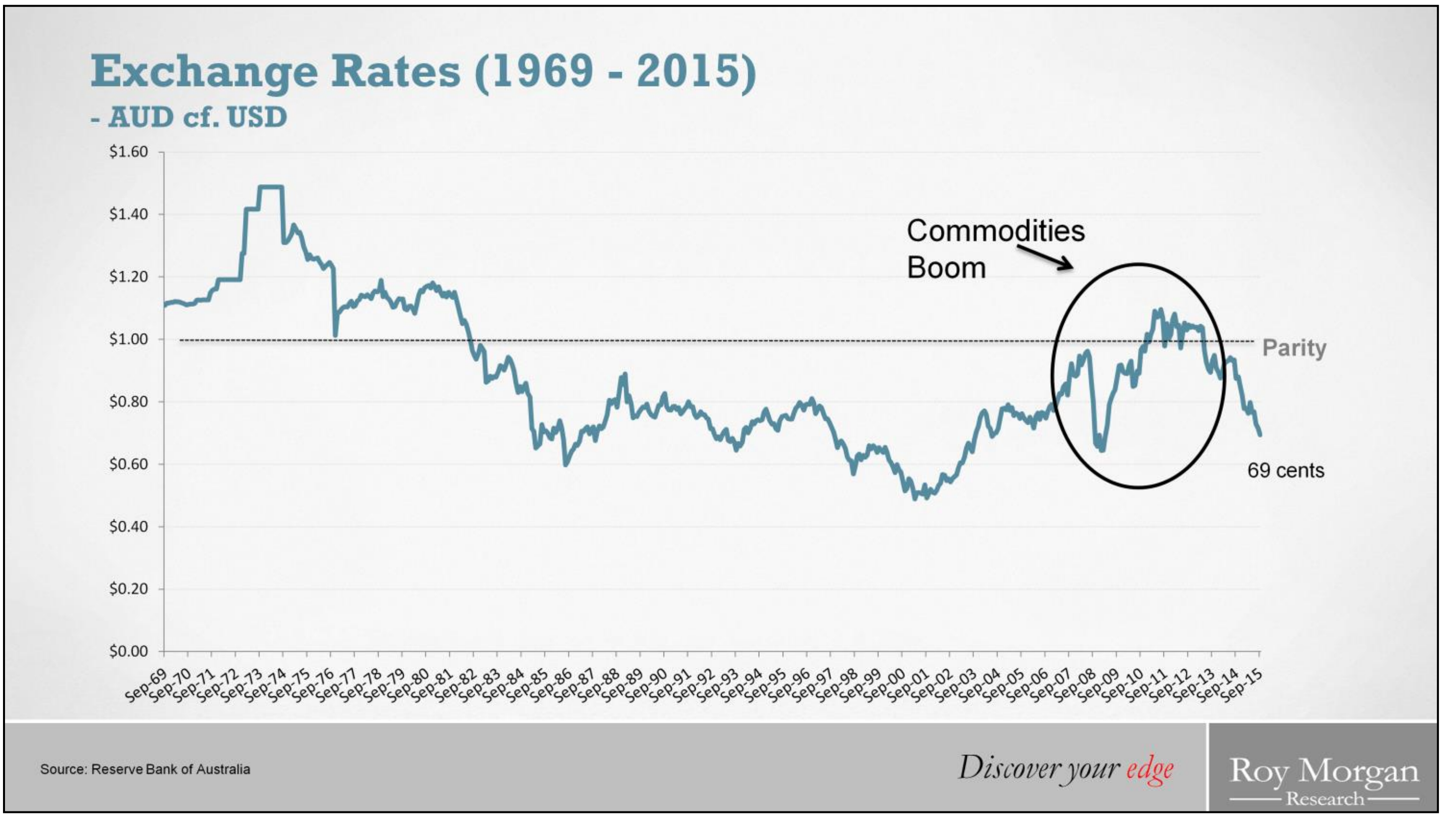
Intention to travel – that was looking so good in late 2013 and 2014, is also showing some signs of flattening but it is too early to tell.



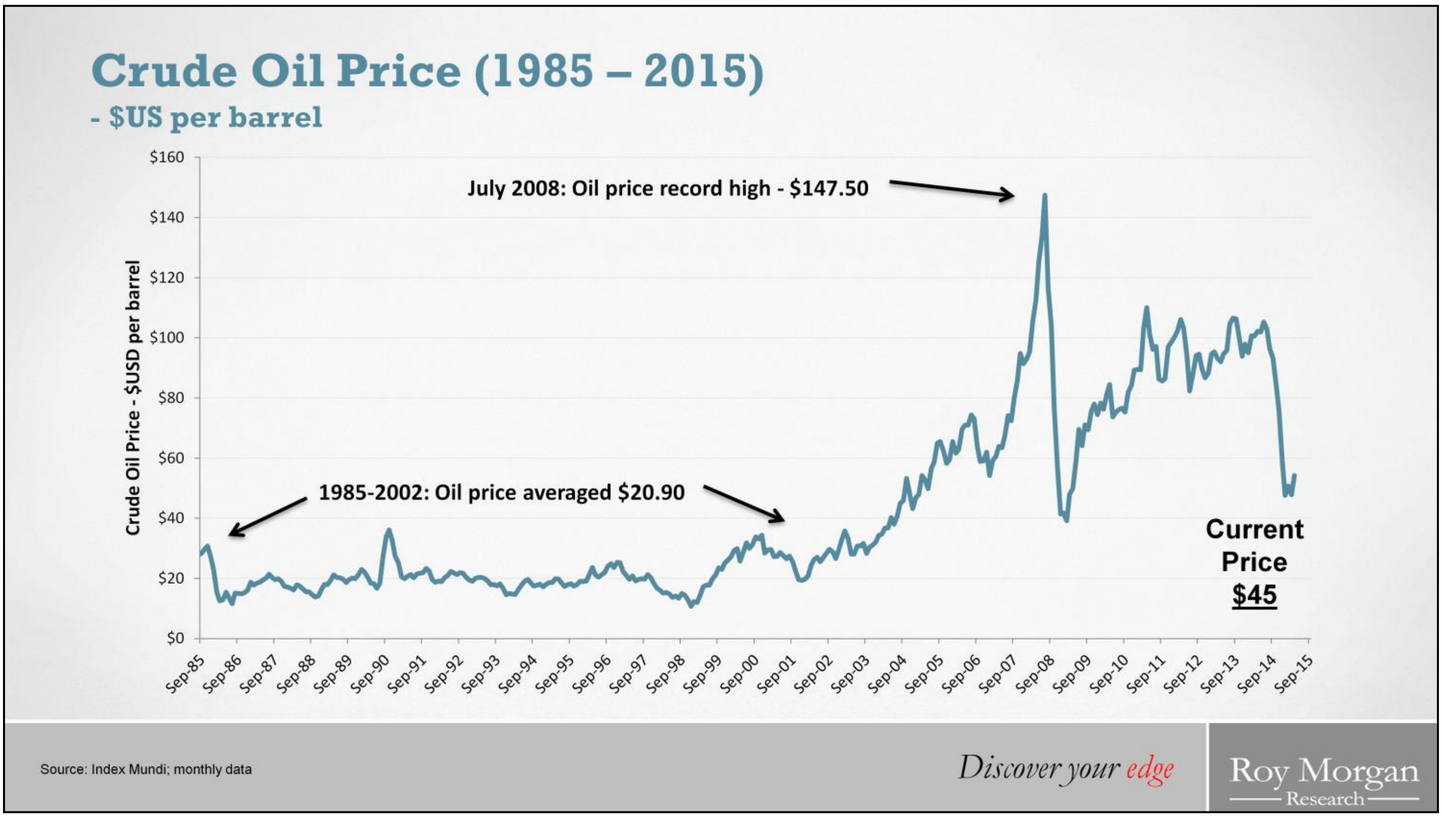
Aussies have how much leave accrued?!

The latest results from Roy Morgan Research reveal that Australia's full-time workforce has a grand total of 123,510,000 days of annual leave accrued, or an average of just under 21 days leave each. That's a whole lot of holidays waiting to be taken!

So where will we go?

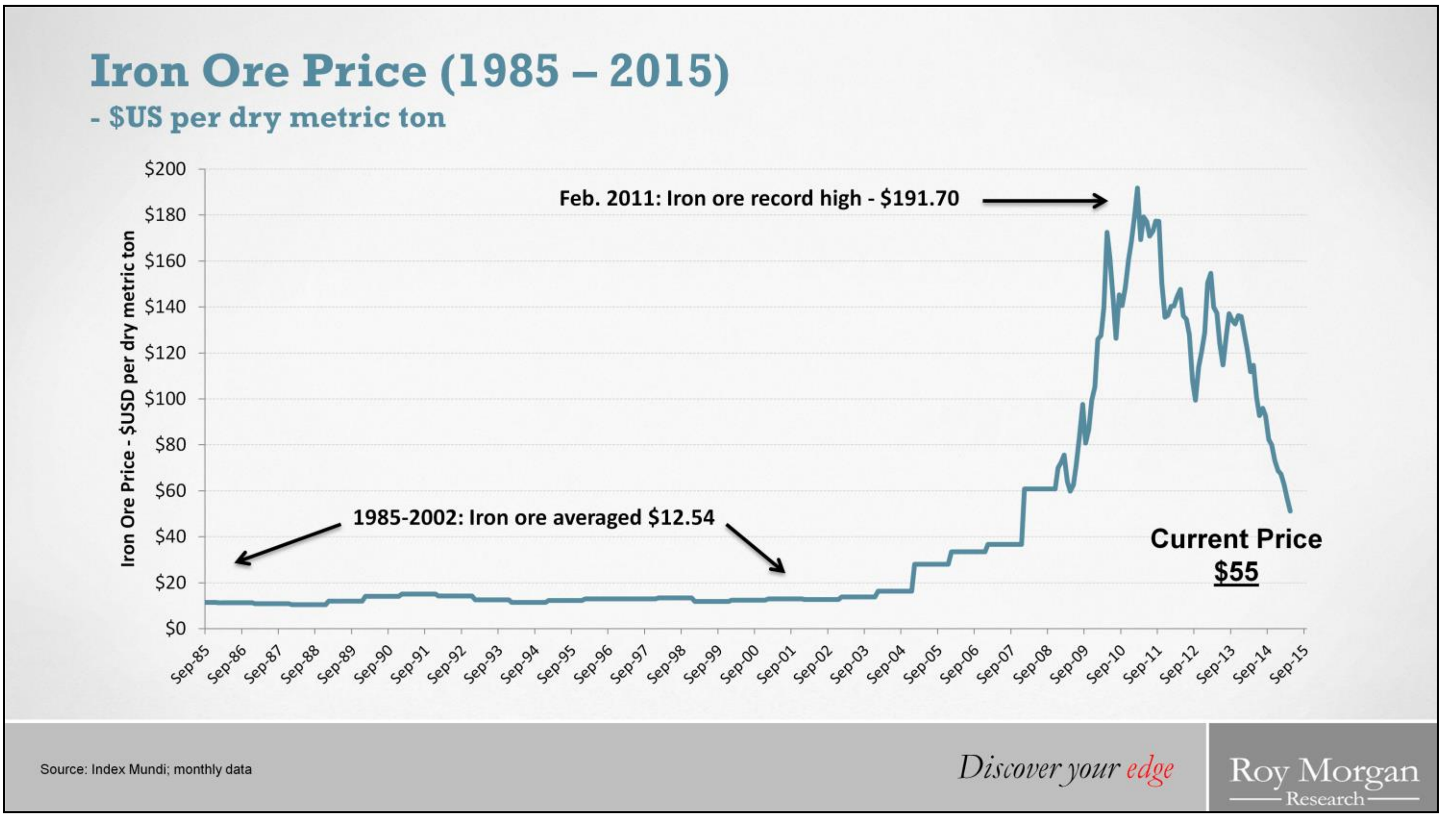


On the other economic measures that matter like the exchange rate, we see the $ is lower than recently enjoyed (or experienced).



Oil is traditionally seen as the barometer of the global economy. The crash with the GFC is obvious.

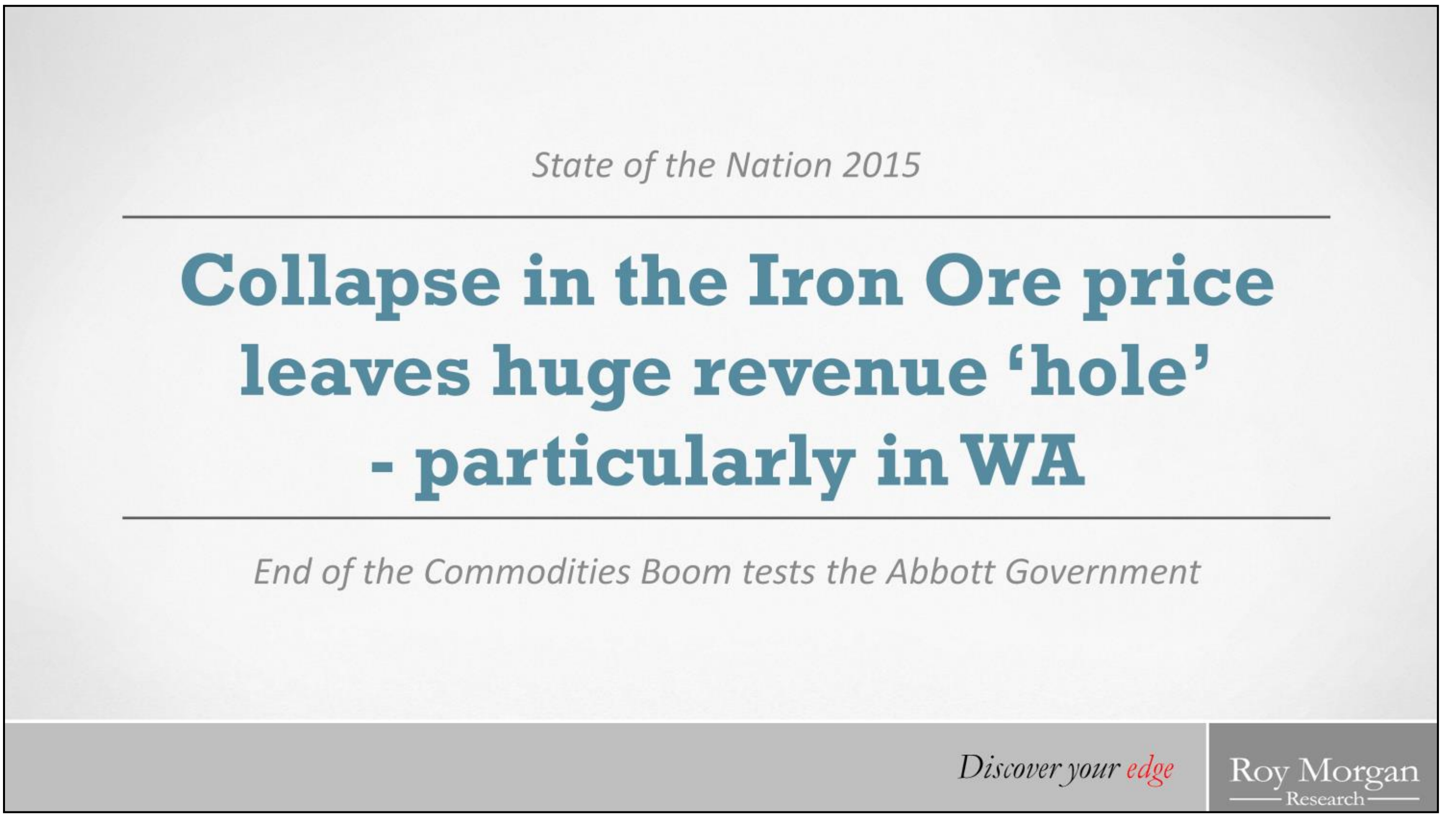
The low levels now must give us some concern about international economies and the impact on their appetite for travel.



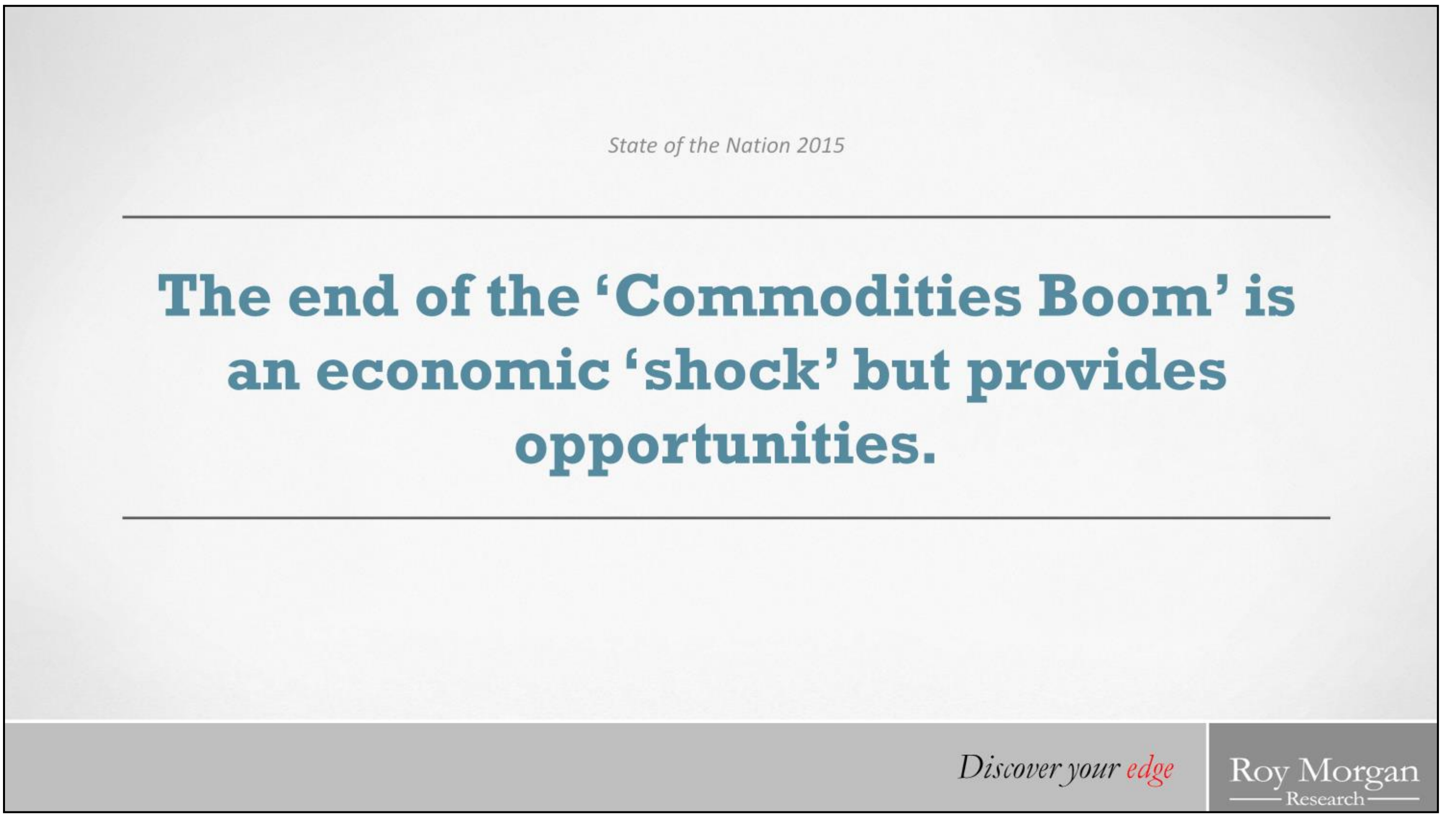
This graph of the Iron ore price demonstrates the extent of the Iron Ore boom and also the recent massive fall.

But Iron ore didn't crash with the GFC – it continued to rise until February 2011 at a peak of nearly $200. This is, of course, why Australia didn't experience the GFC to anything like the extent of other countries.

Iron ore has since fallen substantially to around $55.



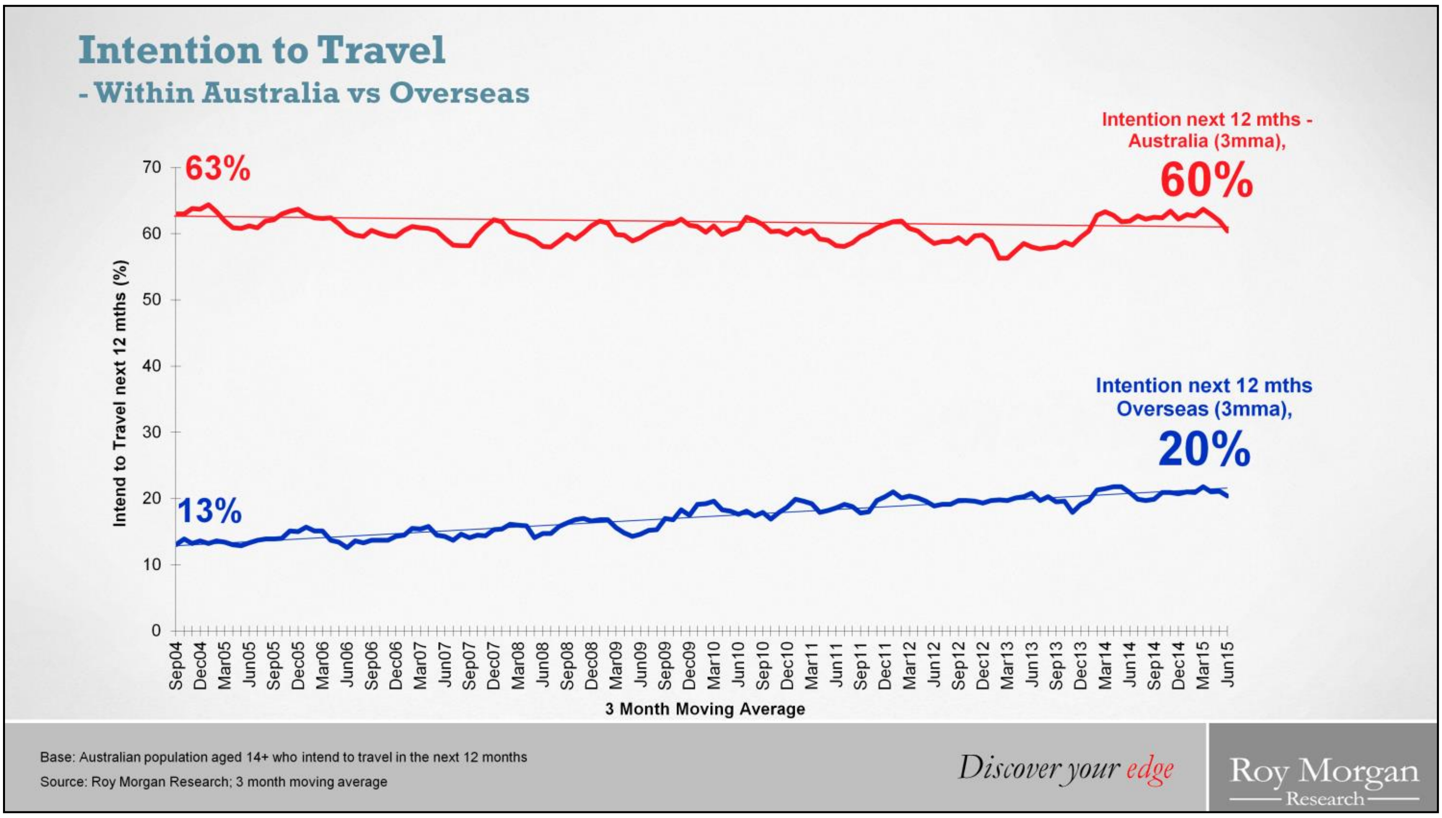
While the previous Government faced the issue of whether or how to redistribute the wealth from the mining boom (Mining Tax or Mining Super Profits Tax), and how to moderate environmental concerns (Carbon Tax) the L-NP Abbott Government is having to deal with socio-economic and political issues associated with the end of the mining boom.



The end of the mining boom has seen the Australian dollar down to 73 US cents and interest rates lowest for many years (so the viability of infrastructure development is enhanced). We have seen substantial investment in infrastructure relevant to tourism and we can expect to see more. Port Hedland airport, Geelong airport, International flights to Hobart.

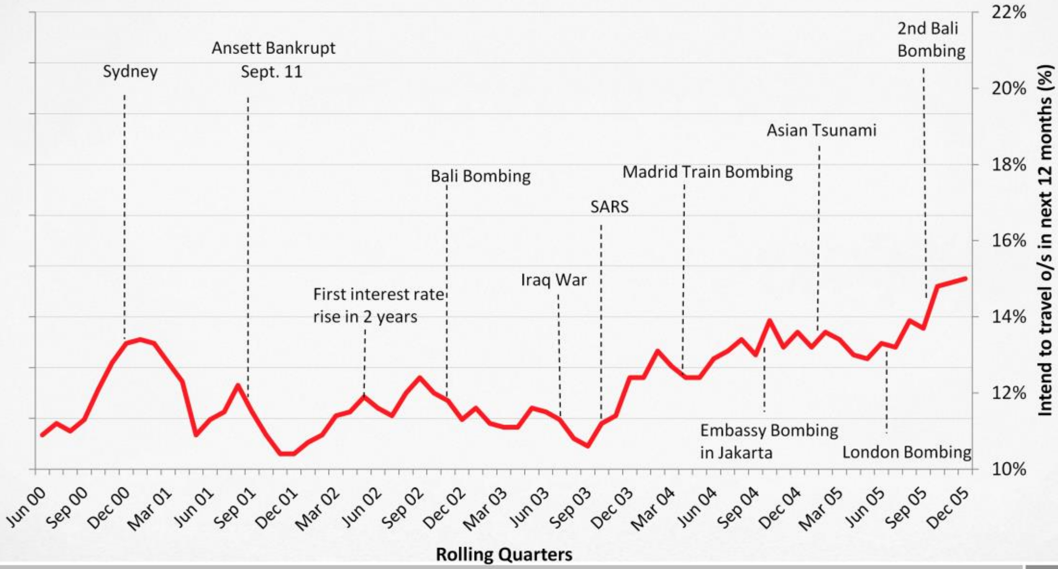
These things change the economics of tourism to Australia and within Australia.

The lower $ means Australia is more attractive to domestic travellers and international visitors. Australia has always been an aspirational destination – people want to come here – the barrier, perceived or real, is cost.



And indeed our data shows we see the increase over time in Australians overseas travel intentions at the expense of domestic travel as the $ increased – but then the impact of the international context needs to be factored in.

Intention to Travel
- Overseas in the next 12 months



Base: Australian population aged 14+ who intend to travel overseas in the next 12 months

Source: Roy Morgan Research; 3 month moving average

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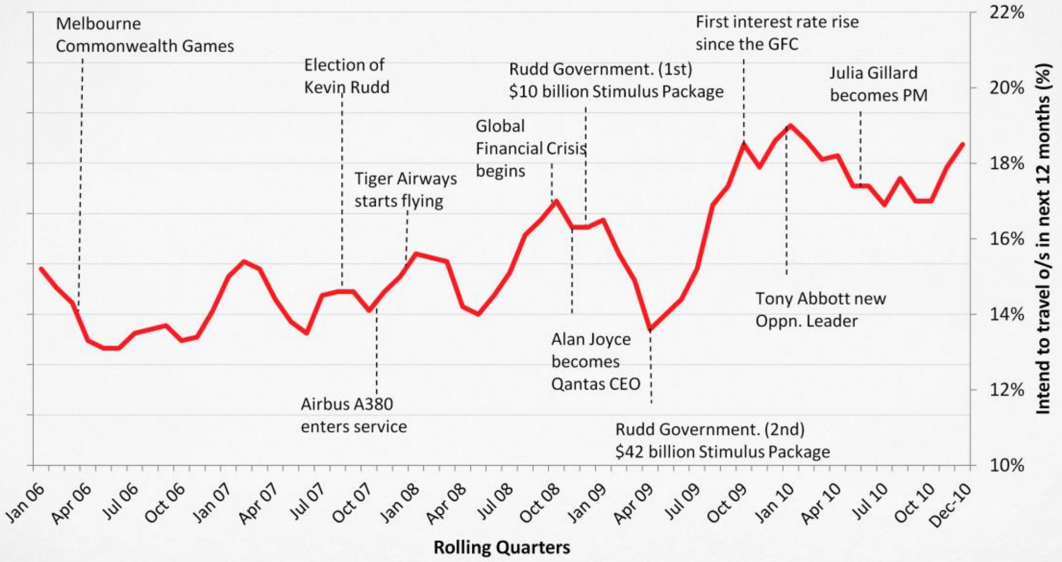
Intention to Travel
- Overseas in the next 12 months



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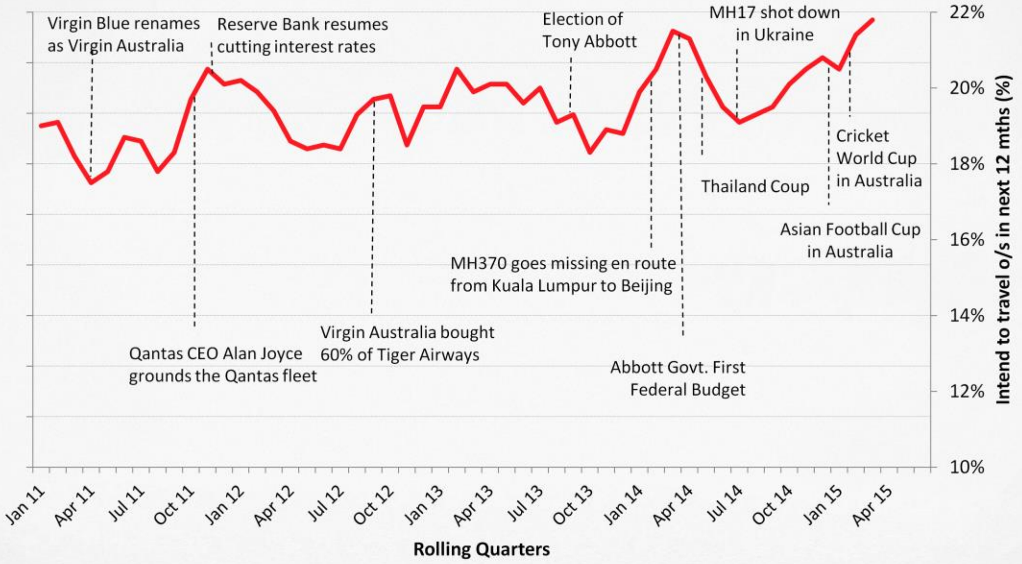

Base: Australian population aged 14+ who intend to travel overseas in the next 12 months

Source: Roy Morgan Research; 3 month moving average

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The international context has relevance for both inbound and outbound travel and trade. Today the international context is one which includes unrest and terrorism throughout much of the world particularly in the Middle East & Eastern Europe which directly affects Australia and Australia's increasing engagement with, and dependence on, Asia.

Australia is increasingly engaging with and part of Asia. Today only 69% of Australians were born in Australia, more than 10% were born in Asia or the Middle East, and that that number would increase substantially if it were to include children who were born here with Asian parents. Australians increasingly travel to Asian destinations on holidays, for business or to visit family and friends.

We have seen substantial increases in travel to Asia and the middle east.

Australia's Biggest Trading Partners (2013-14)

Rank	Country	$AUD Billions	% Share of Total
1.	China	$159.6	23.9%
2.	Japan	$72.2	10.8%
3.	United States	$58.2	8.7%
4.	South Korea	$34.6	5.2%
5.	Singapore	$29.5	4.4%
6.	New Zealand	$22.7	3.4%
7.	United Kingdom	$20.3	3.0%
8.	Malaysia	$19.9	3.0%
9.	Thailand	$18.8	2.8%
10.	Germany	$16.8	2.5%

Base: Goods and services exported during the 2013-2014 financial year.
Source: Department of Foreign Affairs and Trade

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Australia's Import & Export markets are dominated by China – which comprises nearly a quarter of Australia's total Imports & Exports.

Trade with Asia is on the increase. Several important international Trade Agreements are being implemented including those with three of Australia's biggest trading partners China, Japan and South Korea. Around 40% of Australia's Trading is with North East Asia (China, Japan & South Korea).

There is a lot of overlap between our trading partners and the core markets articulated by Tourism Australia.

Australia's Biggest Trading Partners and Core Tourism Markets

Country	Total Spend $b	Increase/ Decrease
China	$5.7b	up 19%
United Kingdom	$3.4b	down 1%
United States	$2.8b	up 9%
New Zealand	$2.4b	up 6%
Japan	$1.4b	up 4%
Singapore	$1.2b	up 9%
South Korea	$1.1b	same
Malaysia	$1.1b	up 14%
Germany	$1.0b	up 68%

Source: International Visitors Survey – Tourism Research Australia; December 2014 quarter

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China remains the fastest growing and most valuable inbound visitor market representing $5 billion annually and the potential to grow to $13 billion.

16 Core Markets for Tourism Australia are:

Americas (United State of America, Canada, Brazil)

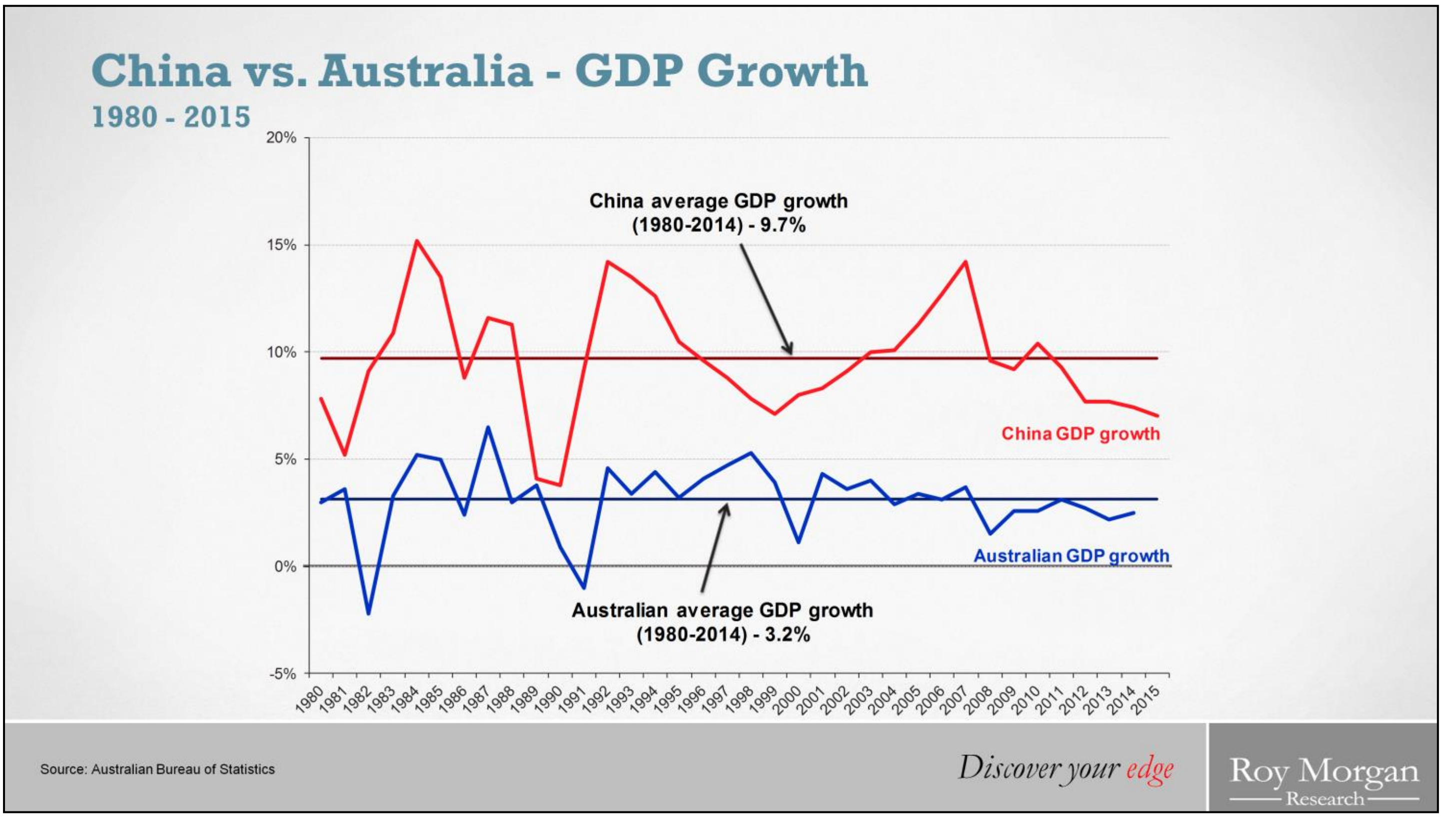
Europe (United Kingdom, Germany, France, Italy)

New Zealand

Greater China (China, Hong Kong)

Japan and Korea (Japan, South Korea)

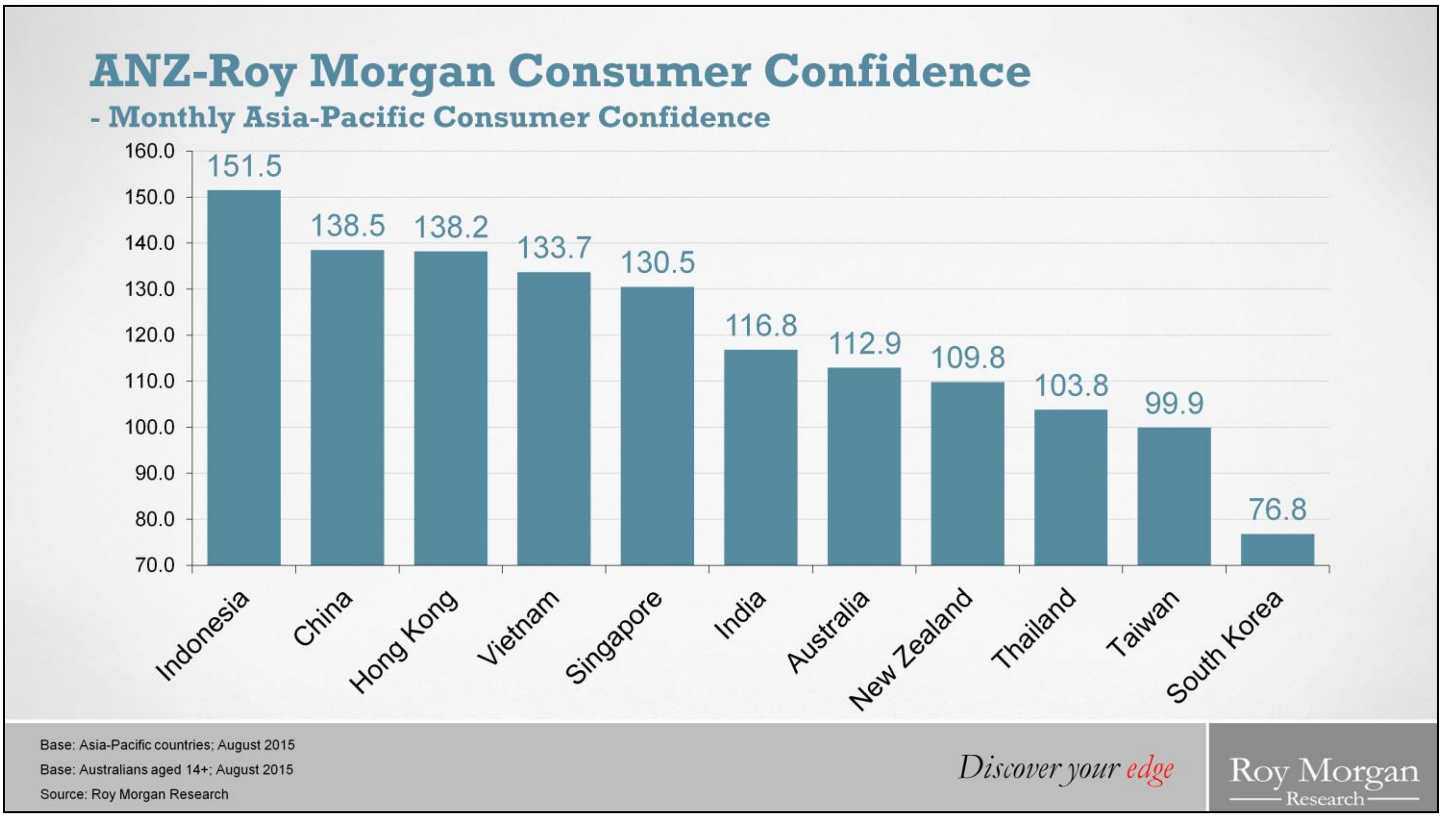
South and South East Asia (Singapore, Malaysia, India, Indonesia)



China's GDP has grown by an average of 9.7% since 1980. However, China's GDP growth is now slowing down.

As clearly our biggest trading partner, and greatest inbound tourist source, any slowdown in Chinese GDP growth will have a huge impact on the Australian economy – as we've already seen with the plunge in the Iron Ore price.

Chinese consumer confidence, as measured monthly through the ANZ-Roy Morgan consumer confidence index, is high at 138.5. While this is high by Australian standards – it is at its lowest level on record – and well below the mid 150s in November last year.



At 141 China's consumer confidence is high relative to Australian standards – but it is the lowest on record. Roy Morgan is now continuously surveying in 11 Asia-Pacific countries.

(Australia, China, Hong Kong, India, Indonesia, New Zealand, Singapore, South Korea, Taiwan, Thailand, Vietnam)

Now look briefly at the various sectors that traditionally make up the tourism industry – destinations, airlines, agents, activities, accommodation and transport. See what's changing and what's stayed the same. And in particular look at these sectors via the lens of Roy Morgan Values Segments* (a powerful proxy for segmented yield).

*Devised by Michele Levine of Roy Morgan Research and Colin Benjamin of the Horizons Network.

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Destinations

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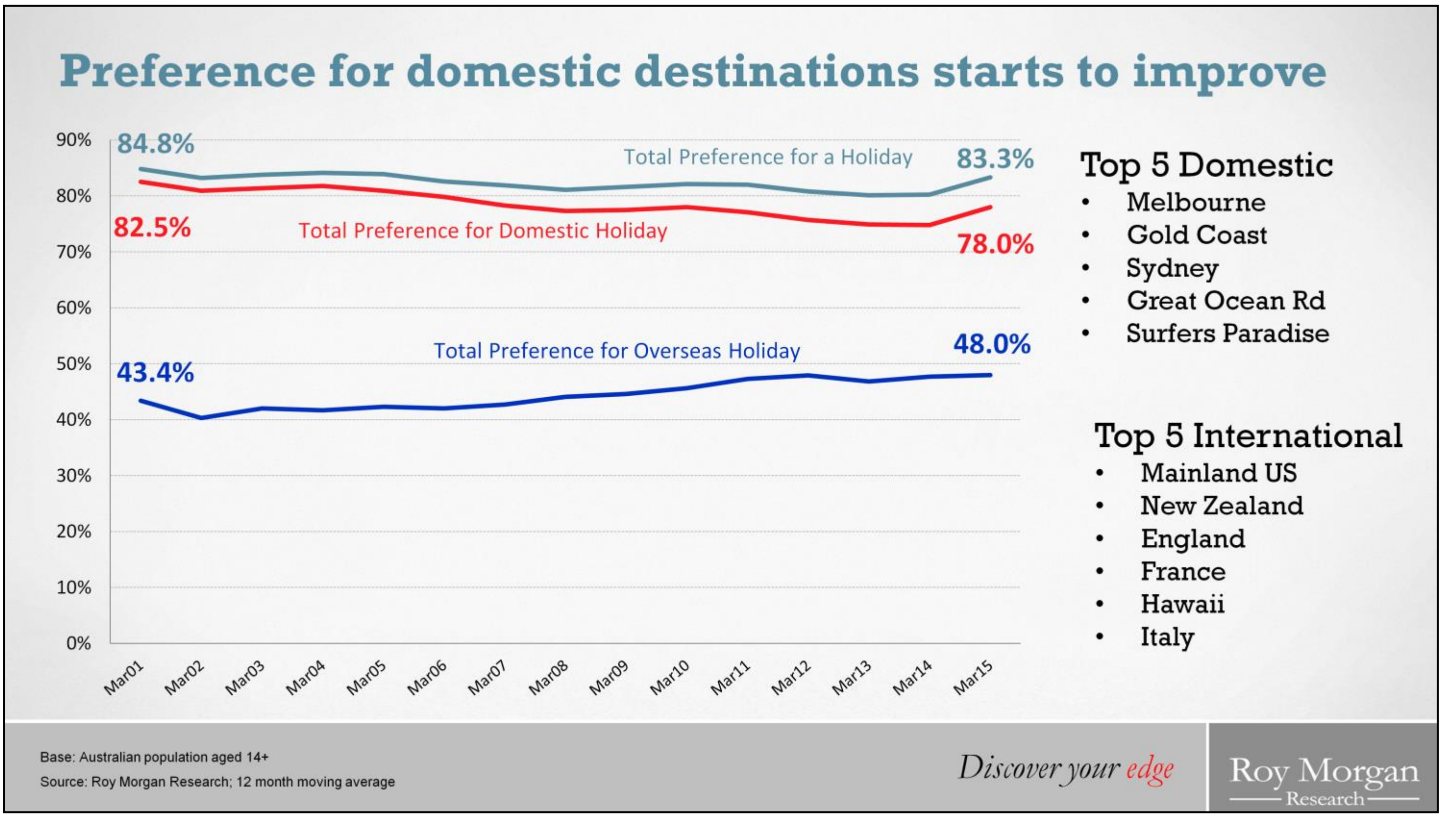
Roy Morgan Research

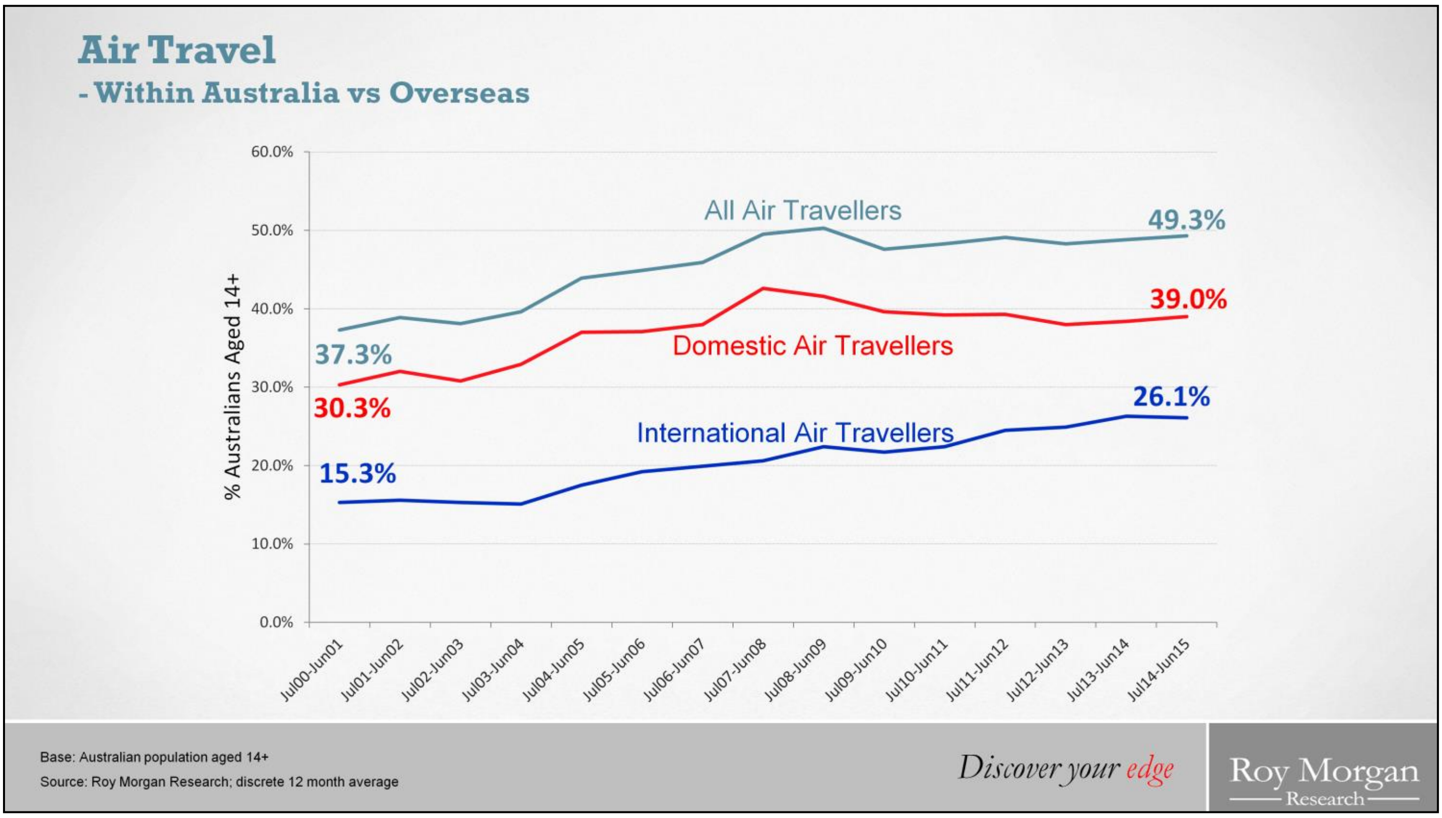


Preference for a domestic holiday is improving – the top five are Melbourne, Gold Coast, Sydney, Great Ocean Road and Surfers Paradise.

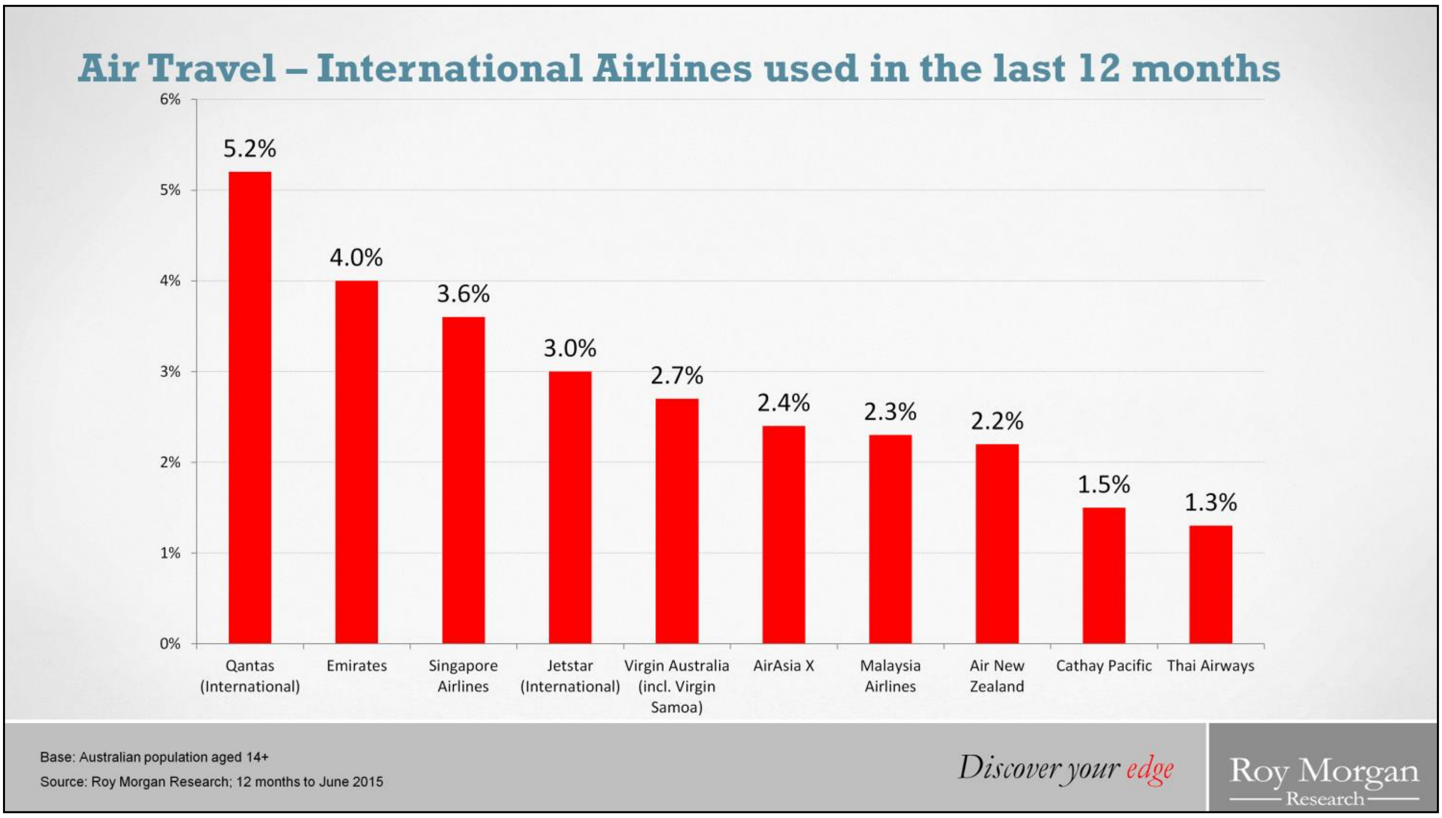
Top five International destinations still, US, NZ, England, France, Hawaii and Italy.

No single Asian country makes it into the top 5.

As Richard Branson is quoted as saying: "*If you want to be a millionaire, start with a billion dollars and launch a new airline.*"

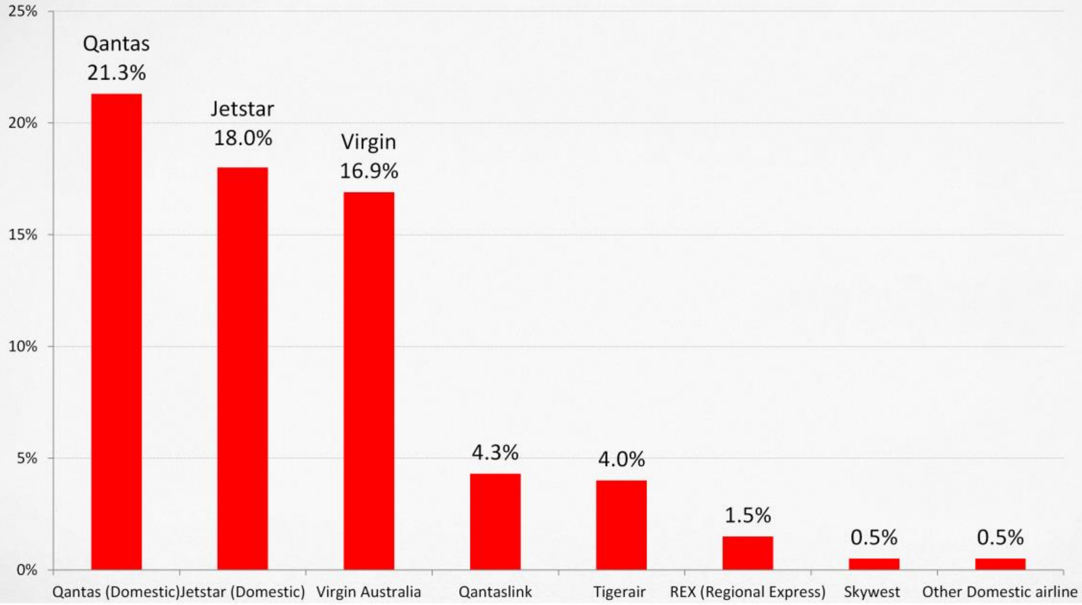


More people are travelling by air than ever before. Yet challenges abound for airlines.



Qantas is still the big player – but competition is everywhere.

Air Travel – Domestic Airlines travelled in the last 12 months – latest 12 months



Base: Australian population aged 14+

Source: Roy Morgan Research; 12 months to June 2015

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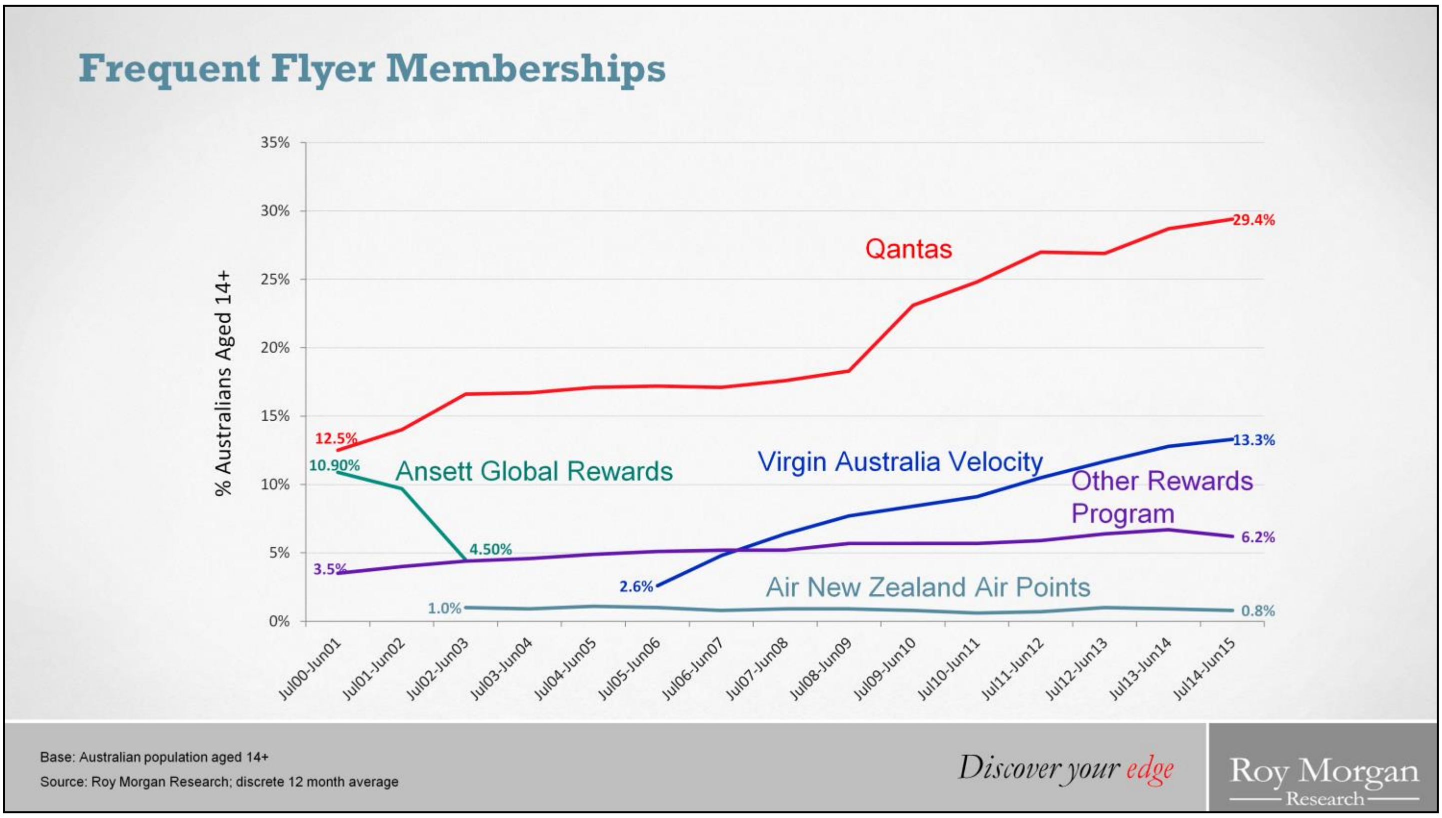


Challenges abound for airlines – oil prices, geopolitical unrest, greater competition than ever before – from discount airlines, and international airlines; and in Australia, heavy union involvement. Changing business models that fragmented ‘travel’.

We have all seen the profound shift in the newspaper business model.

Larry Klugman in June described the situation like this ‘the subsidy that advertisers have long provided to news content is gone’.

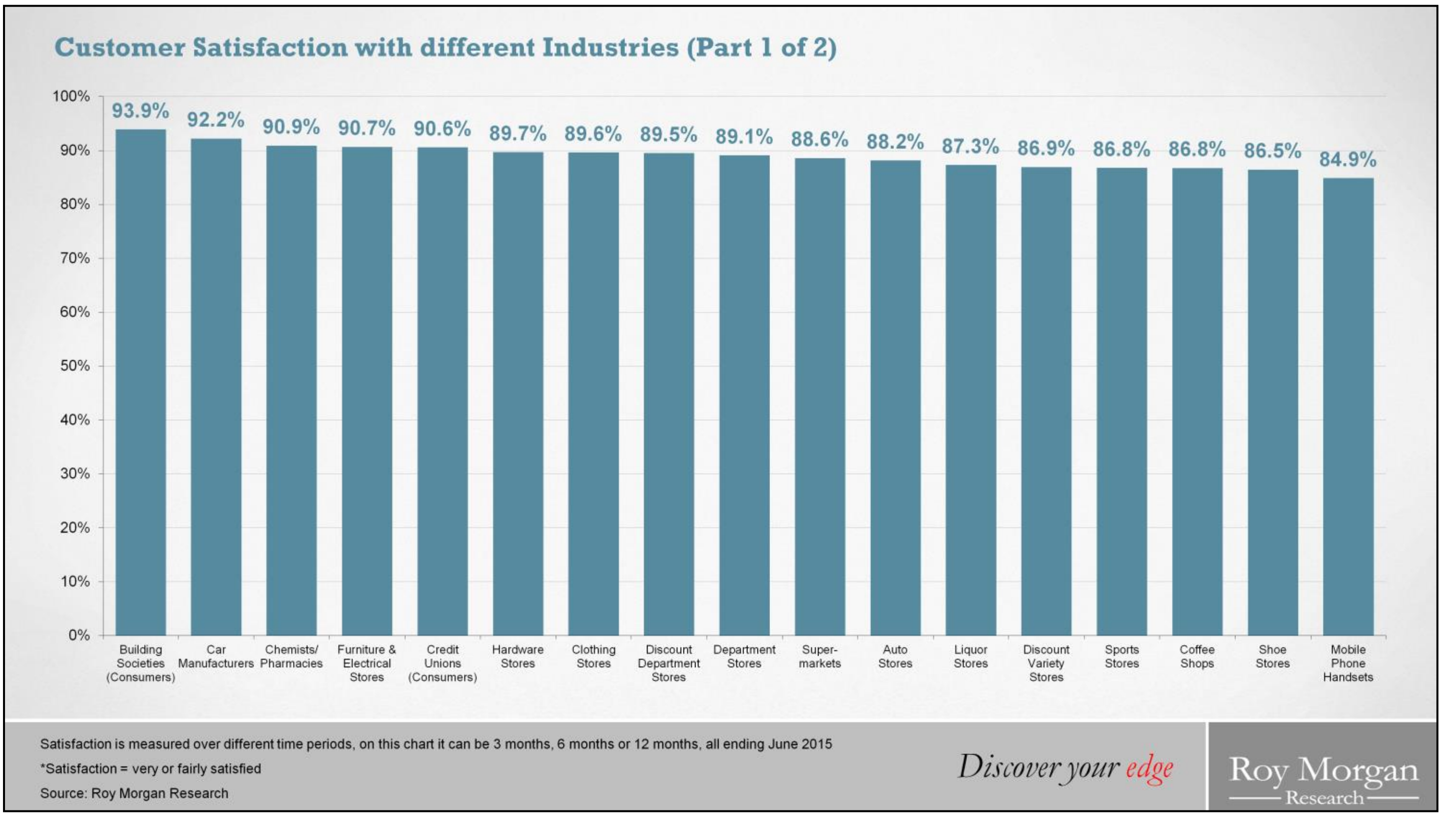
For airlines - subsidies provided by consumers willingly paying more for an all encompassing service – where the airline set the rules, the pace, and the possibilities are gone!

Consumers now know the options, trade on price with discount sites.

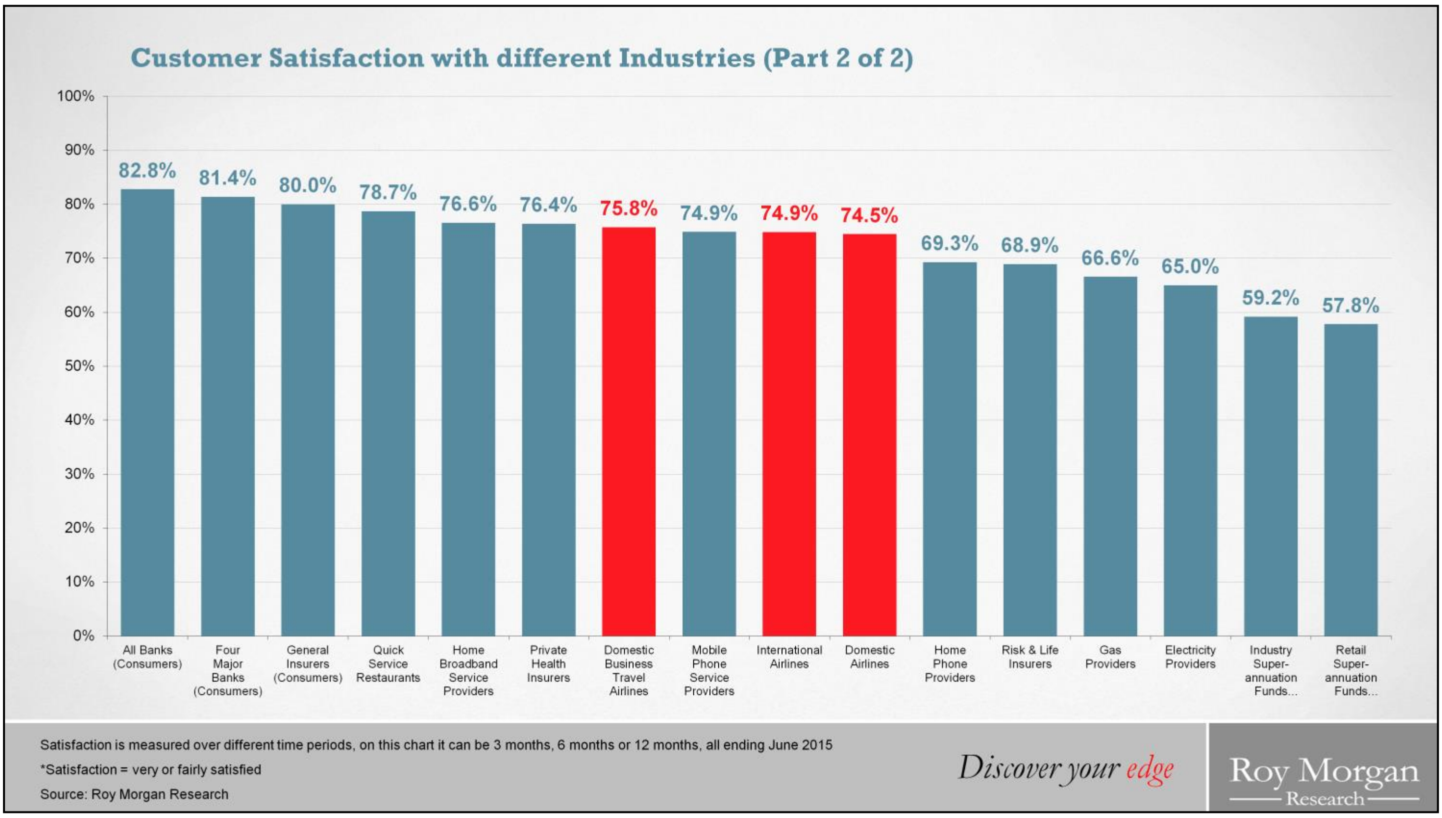
Airlines are left to do all the heavy lifting – massive capital requirements, safety costs, people costs, while those in the ‘tech’ space with low barrier to entry, low cost to start, eat away at the ‘value ads’.

And what a tough gig they have!

Roy Morgan cross-industry Customer Satisfaction Awards show that Australians don't rate airlines as highly as many other industries in terms of satisfaction.



This chart shows the percentage of customers who are satisfied* with their service provider(s) in that industry.



This chart shows the percentage of customers who are satisfied* with their service provider(s) in that industry. Satisfaction with Airlines appears in red.

Domestic Business Airlines - 75.8%

International Airlines - 74.9%

Domestic Airlines - 74.5%

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Travel Agents and Tour Operators

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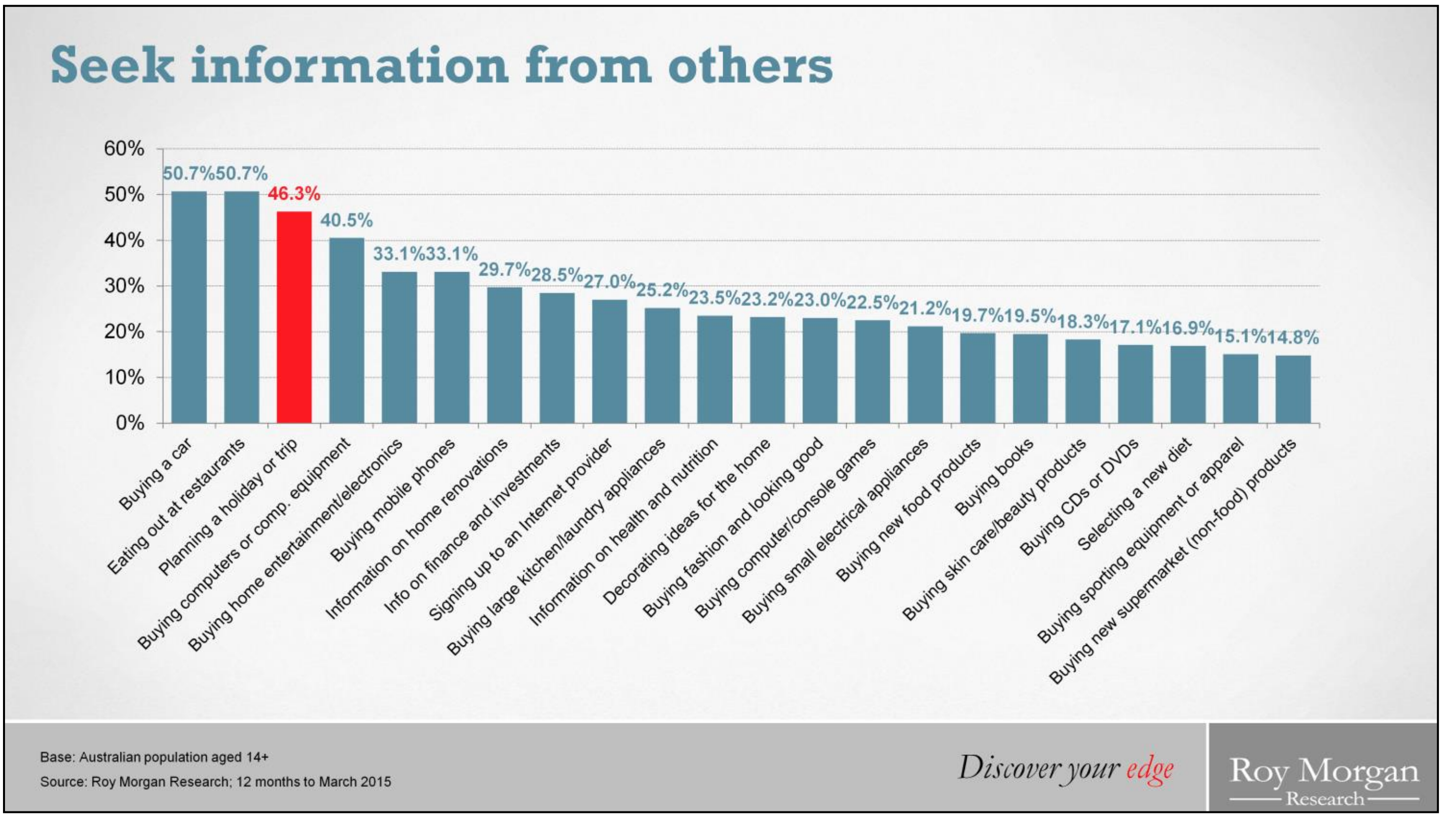
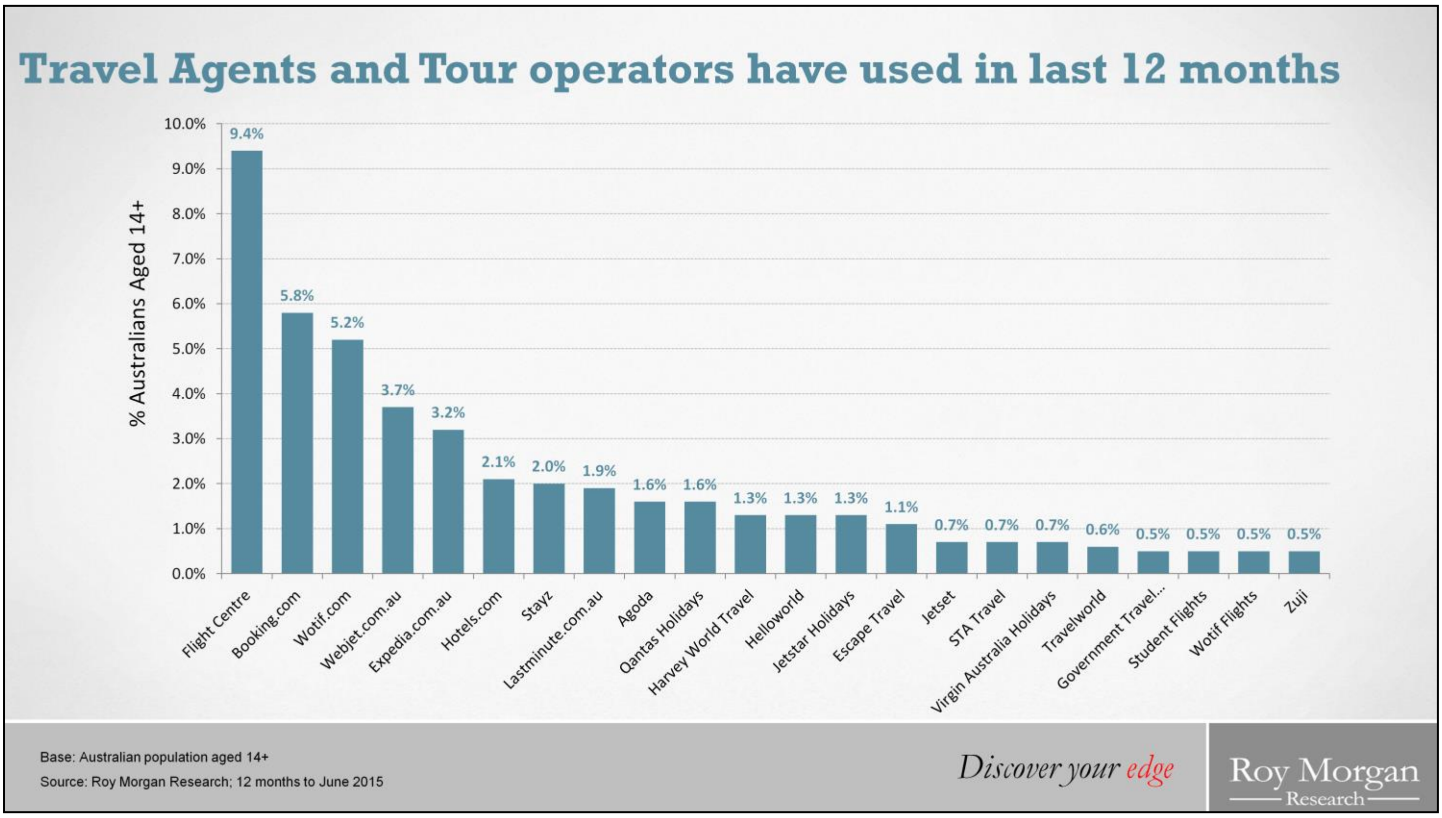


Information is the very essence of travel and tourism. Roy Morgan surveys ‘word of mouth’ the extent to which people talk about things – seek advice have their advice sought. Australians seek info about holidays more than they seek info about anything – except what car to buy and where to eat.

Australians have their advice sought about holidays a lot too. Second only to where to eat. This is an industry where people need and want to talk about it.



Even if their usage is relatively low.

Our data shows clearly that today travel agents are used when there is a level of complexity (e.g. international travel); Online only travel agents are used more by younger people by people who are fairly tech savvy; and more traditional travel agents tend to be used by the less technologically savvy, less travel savvy (travel represents complexity to them); cruise travellers; and there is some evidence that those at the very top end of the luxury market also use traditional travel agents (perhaps like a Private Bank).

Threats to travel agents (the traditional channel to the consumer) and indeed much of the travel industry include:

DIY

Do it Direct online is easier every day

Online access to reviews etc. remove some of the uncertainty around booking online (and can devalue a trusted brand)

Digital Life (Young Tech Adoption Segment) just don't use agents.

Opportunities exist around packages:

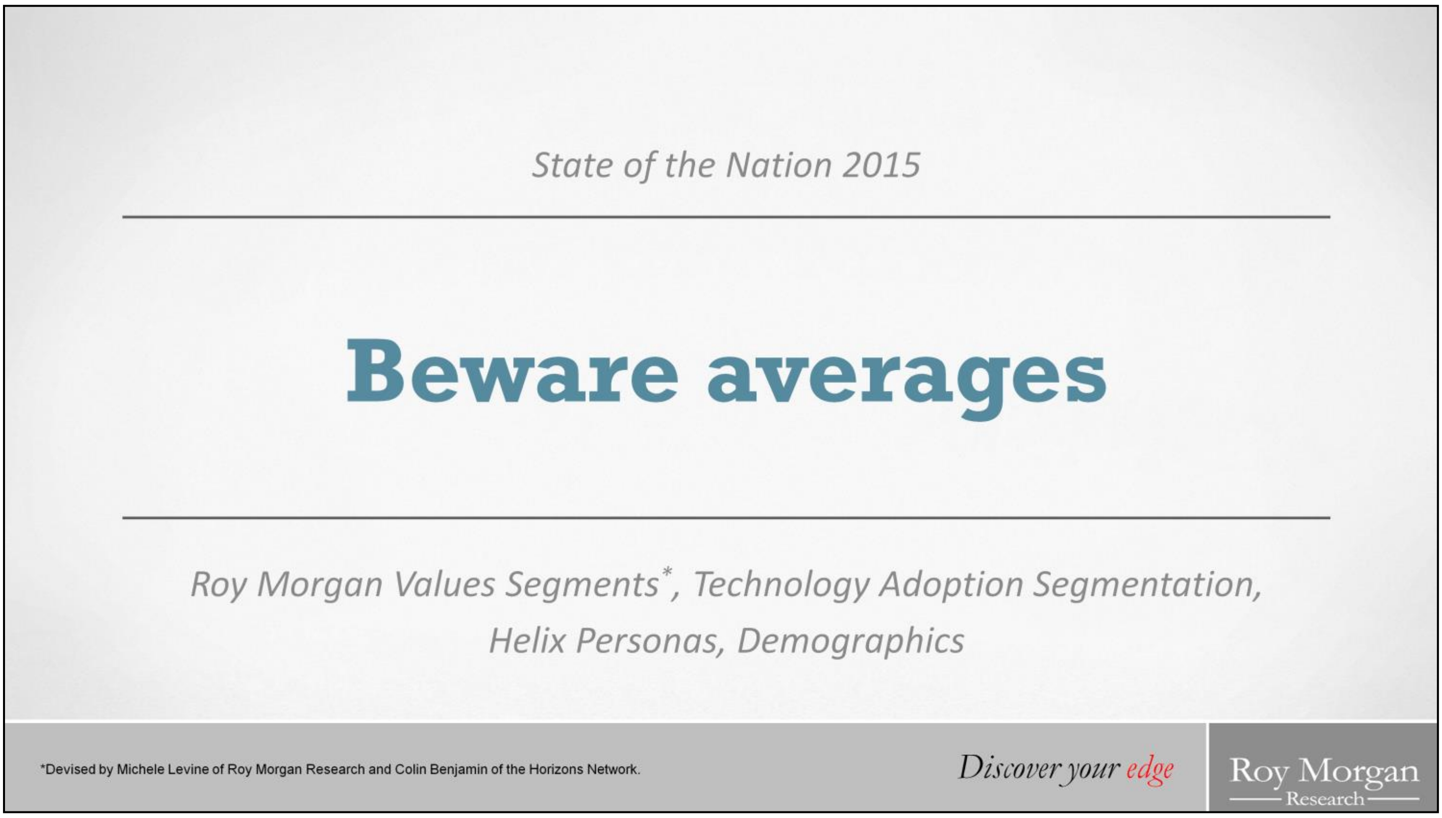
Complexity (packaging complexity and thus making it simple and safe, is adding value)

Special Deals - that are so well priced (such a good deal)

Unique offerings- that can only be arranged through the agent (e.g. visit an artist working at home, or work in a jungle)

Specialist special interest group tours – Arts Tour, Small business exchange tour, sci-fi tour, etc.

Trust- built in support 24/7 so that the agent is part of the entire experience – available and adding value and offering additional services for the duration of the travel (not just before it begins).

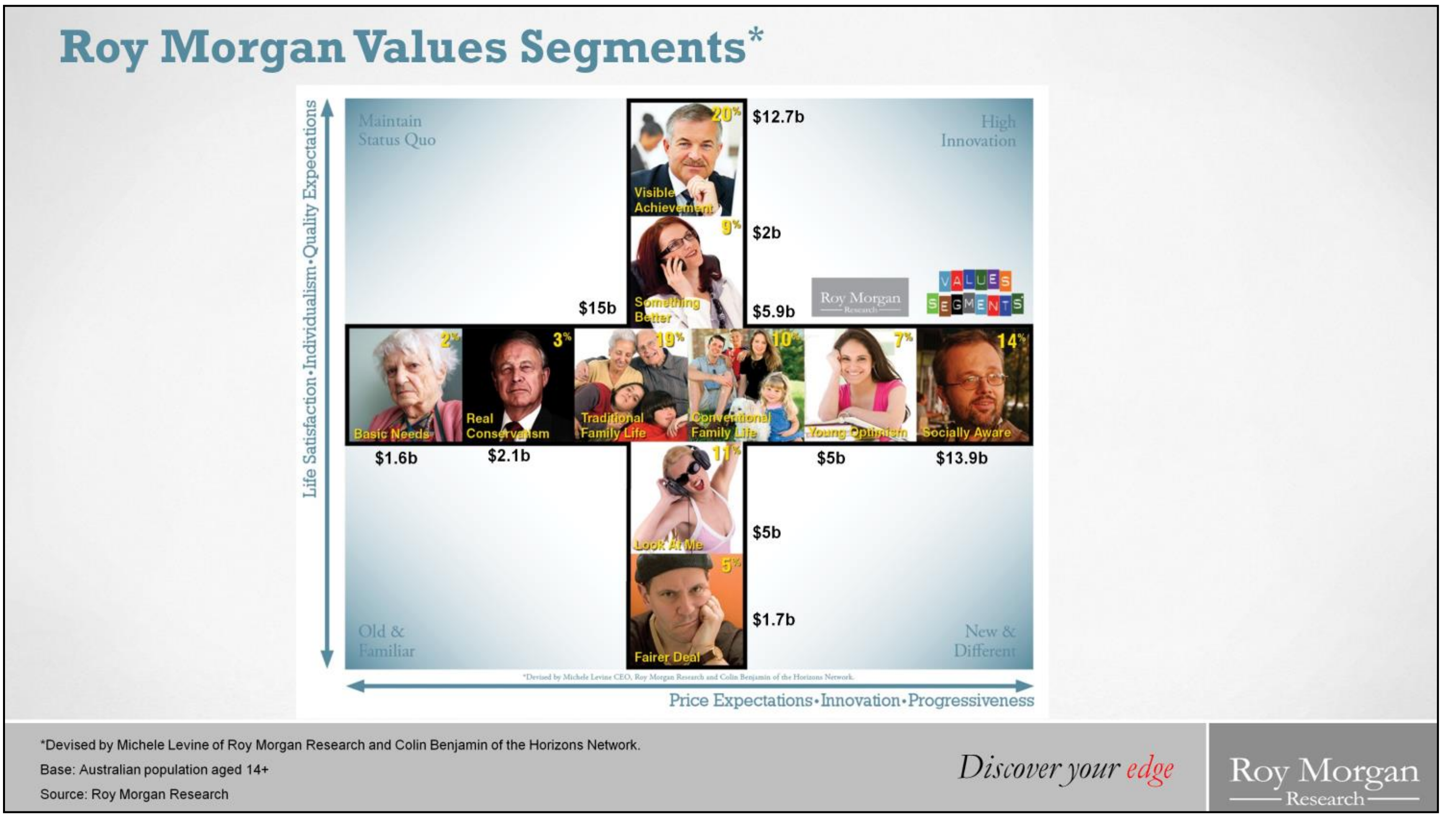


Anything that blurs our vision is dangerous!

In 2013 we said "There is no such thing as a general audience. Every audience comprises multiple, niche and nuanced audiences that, despite ending up viewing the same station, or the same newspaper or magazine, or the same website or app, are identifiably distinct.

It is the unique strengths each brand that mean the difference between winning and losing.

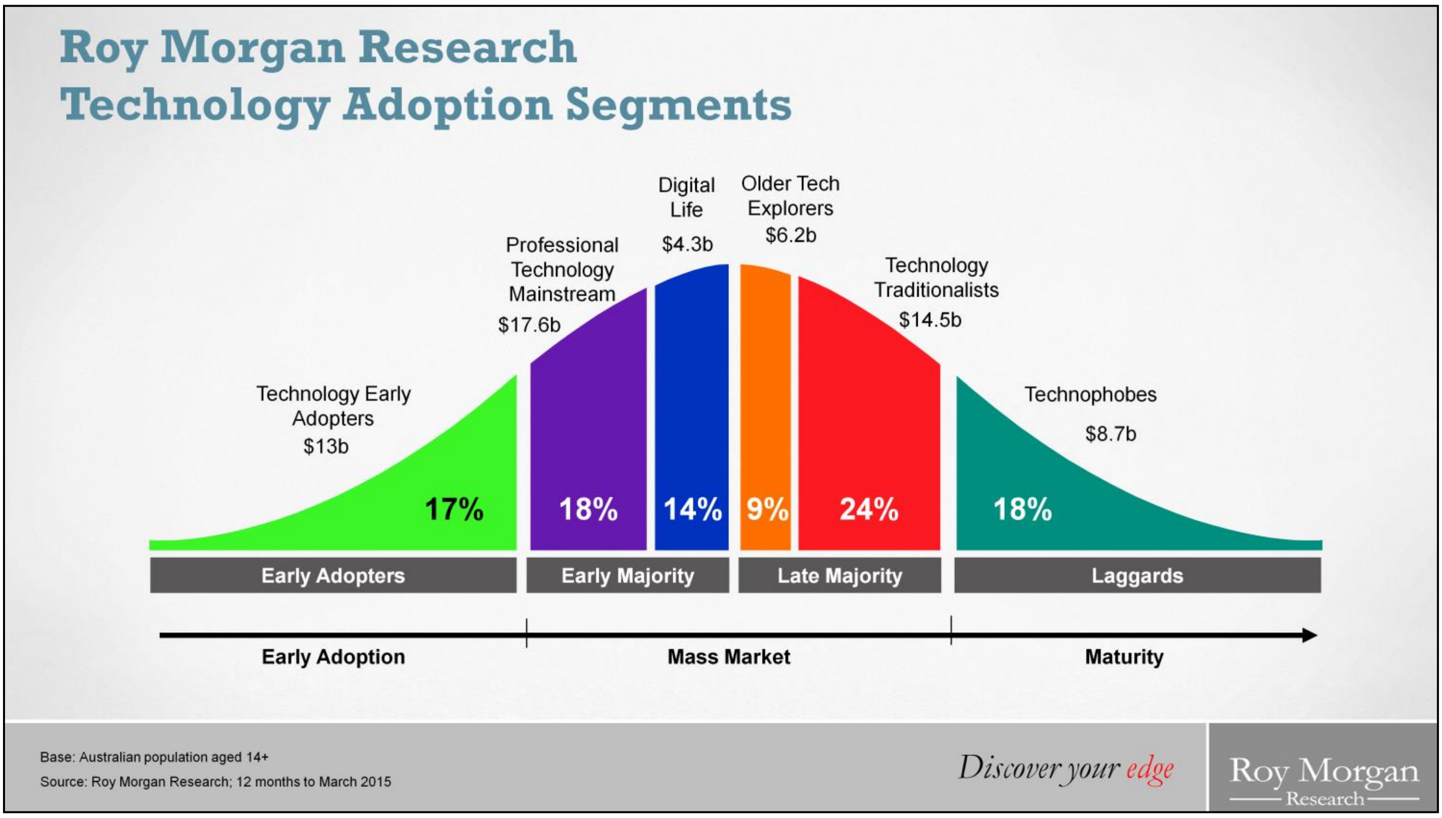
Today consumers are in charge. They can increasingly obtain the content, information, opportunities and deals they want, when they want it, in the form they want. So it's right to make consumers the centre of our focus – their values, their engagement with technology, their age and their community are all things that impact on the choices they make and thus the value they bring to each medium or brand.



Of the $65b visitor spending

$15b – TFL older longer holidays including RC adds $17.1b

Visible Achievement 12.7b
Socially Aware 13.9b



We saw some of the differences in these segments earlier. Decisions about who to target- what technology you need to engage with etc. are informed by the $s. The big dollars are not in the young cool digital life segment – they are in Professional Technology Mainstream and Technology Traditionalists.

Helix Personas, our powerful psychographic, geo-digital segmentation and profiling tool provides insight into why luxury holidays are so strong in some communities (Leading Lifestyle) or areas and so low in other affluent areas like some Metrotech communities .

Any segmentation can tell you where to find people are who can afford a 5, 6 or 7 star holiday but only Helix Personas can tell you who will choose to buy it or instead go trekking in the wilderness. Helix Personas incorporates not only age, wealth and spending power, but also Values* and Technology Adoption. It can provide a real understanding of why some communities who can afford a product or service choose to have it and why some don't.

*Devised by Michele Levine of Roy Morgan Research and Colin Benjamin of the Horizons Network.

The Digital world is not the enemy of Travel Industry – it is only the enemy of those in the travel industry who are not adding value and don't understand who the old, new and emerging consumers are

The Digital space is increasingly about communities and relationships: SO:So:

Build your own communities

Build alumni (get value from reunions of the communities that travelled to a particular place or in a particular year)

Continue to build engagement with your customers – to create a community and then an alumni.

This means your customer list is used for more than the occasional (or not so occasional) direct offer.

To be successful in this changing world it is more important than ever before to understand your customer.

We at Roy Morgan have spent 70 years understanding people and the choices they make – who to vote for, what to read, where to go, how much to pay, for what?

We have developed frameworks to help us understand such things as:

Why people with the same income and life stage can often make radically different choices - a luxury cruise or trekking in the dessert. (**Roy Morgan Values Segments***);

Why some people choose to hold all their personal information 'in the cloud' while other buy real leather travel wallets and only stay in accommodation with a safe for personal belongings (**Tech adoption Segments**); and

Why in some communities it is cool to 'travel rough for the experience', while in others it is more acceptable to be taking 'time for the kids' (**Roy Morgan Helix Personas)**.

*Devised by Michele Levine of Roy Morgan Research and Colin Benjamin of the Horizons Network.

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It's Time

*All indications are that it's **now** time to put all our efforts behind our tourism industry – and get it right for now and the future.*

Roy Morgan
Research

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