

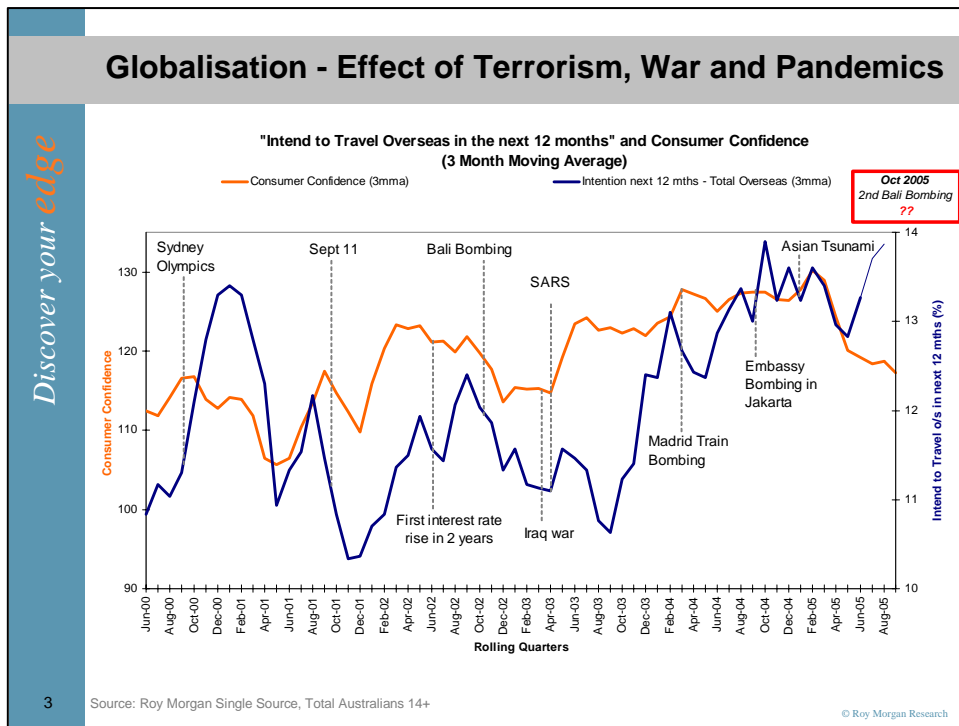
Tourism & Leisure In The 21st Century

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By
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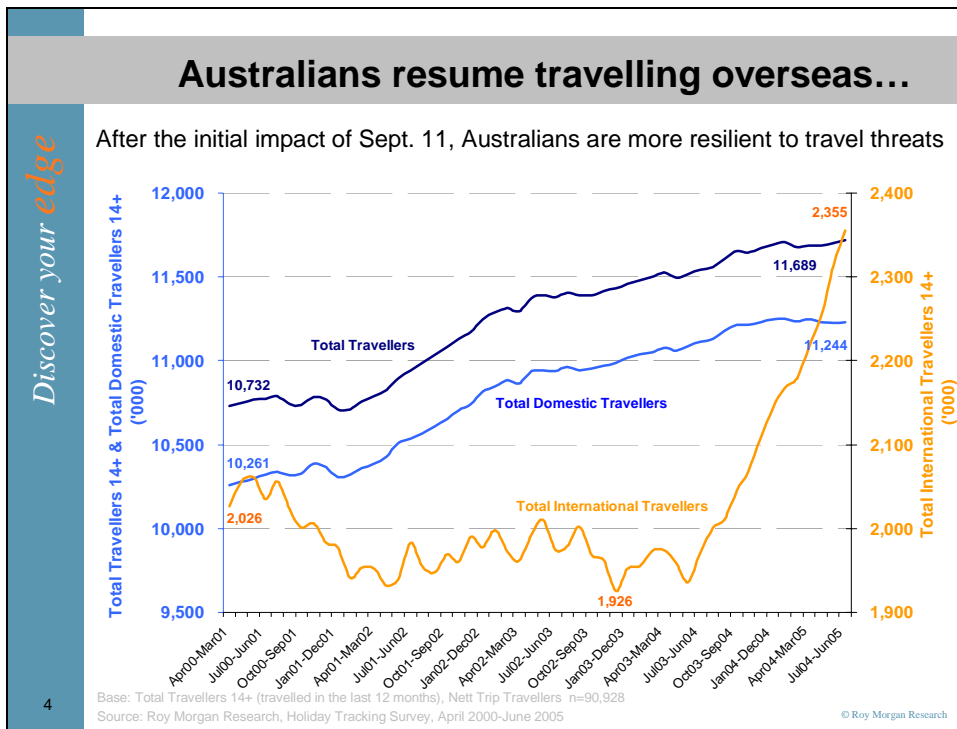
Tourism and leisure in the 21st Century are being shaped and buffeted by many forces.

Globalisation is having a huge impact on the world and tourism is particularly affected by these changes. We are now a global village.



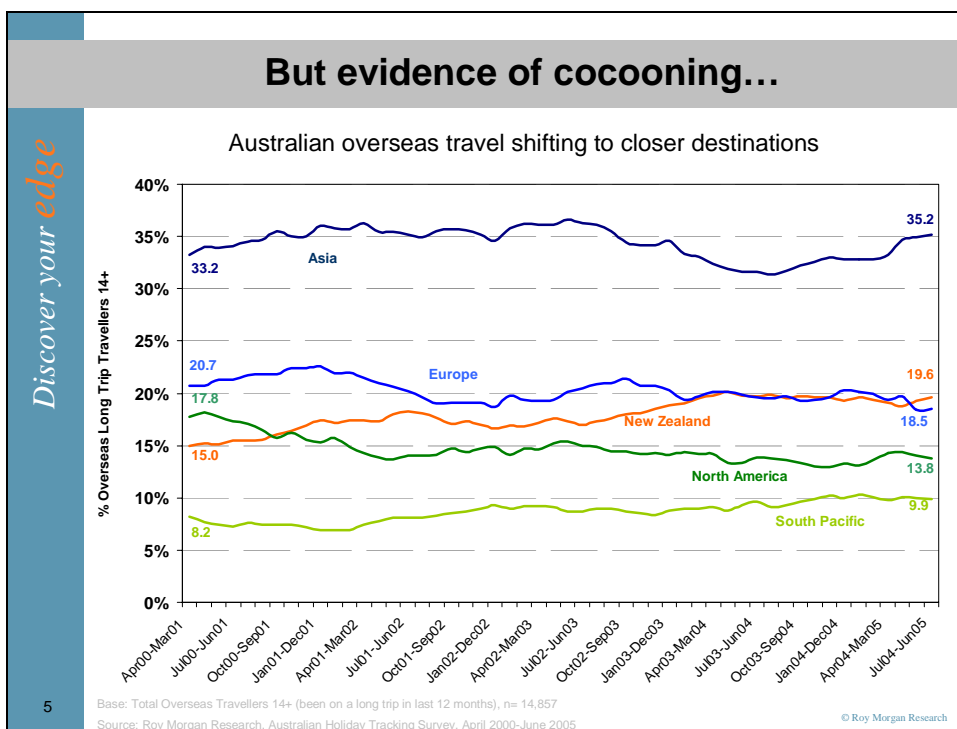
It is not only our economies that are linked. New communication technologies provide up-close and real-time media coverage of terrorism attacks, wars, and natural disasters. September 11 delivered a blow to both consumer confidence and overseas travel intentions. Subsequent events such as the Bali bombing and SARS also negatively impacted on Australians' outbound travel intentions.

Recent trends show that Australians have become accustomed to such events and are now more resilient in their travel plans.

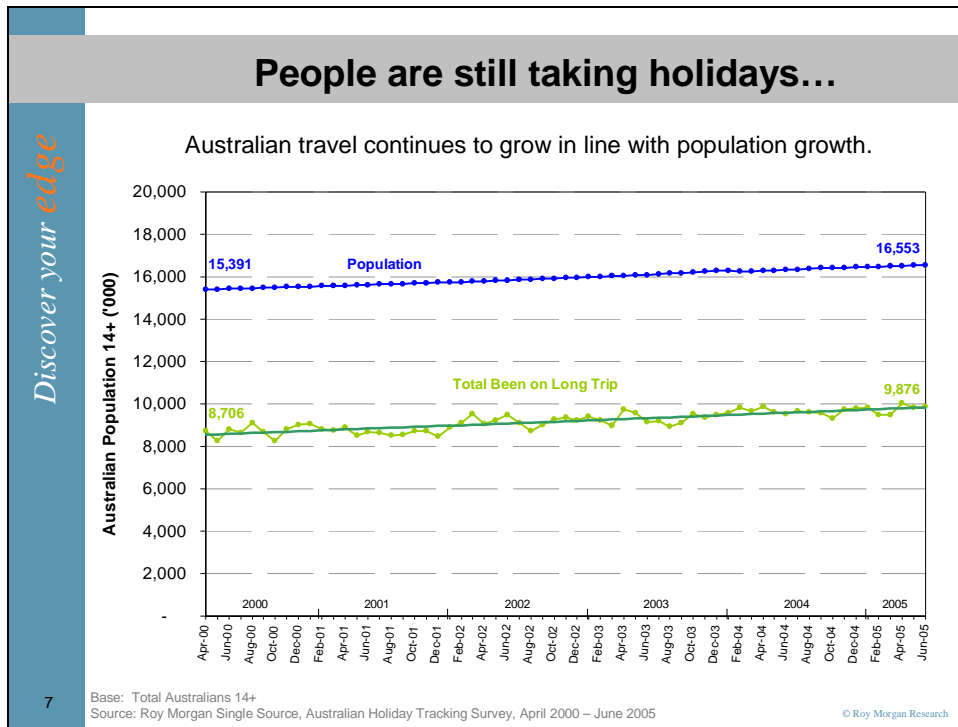


Post-September 11 Australians are still enthusiastic overseas travellers but there has been a decrease in how far from home they are prepared to travel, with a clear preference for short-haul overseas destinations.

Over the past five years there has been a growth in travel to New Zealand, Asia and South Pacific, and a decline in travel to North America and Europe.



Despite domestic tourism keeping pace with the population growth, as a proportion of household expenditure tourism hasn't done as well as other industries.



...But spending more on other products & services

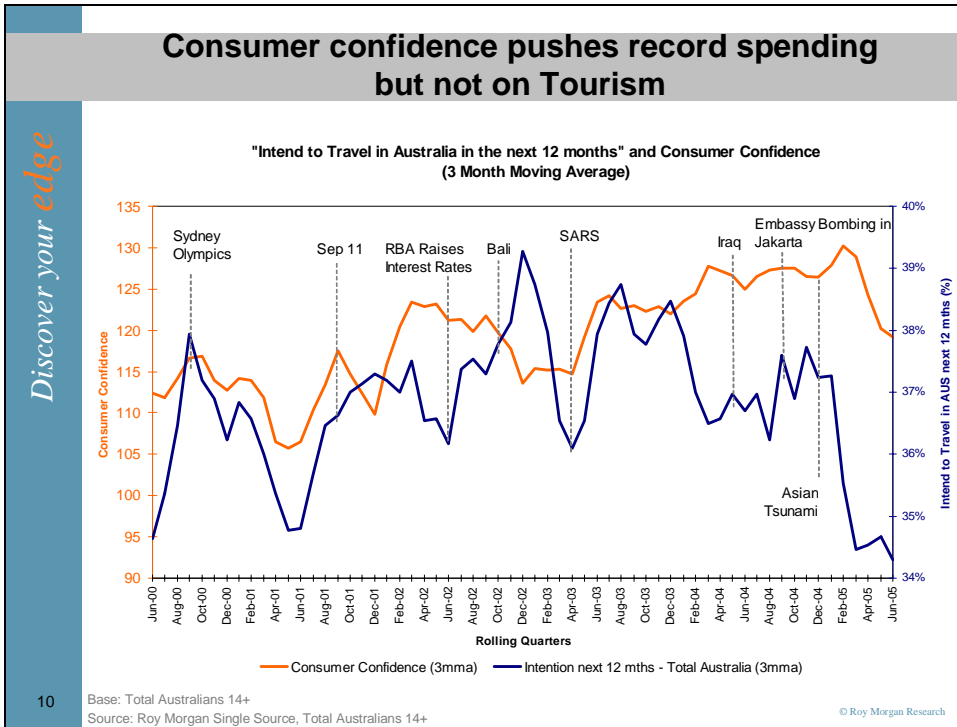
Product & Service	Weekly Household Expense 2003/04	Change from 1998/99
• Spend on the Internet	\$ 0.94	↑ 236%
• Spend on Mobile Phones	\$12.36	↑ 183%
• Spend on Mortgage Interest Payments	\$38.24	↑ 47%
• Spend on Education	\$16.32	↑ 41%
• Spend on Childcare	\$ 4.78	↑ 34%
• Spend on Health Insurance	\$17.66	↑ 34%
• Spend on Petrol	\$29.72	↑ 26%
• Spend on Landlines	\$16.42	↑ 15%
• Spend on Travel	\$45.36*	↑ 14%*

*Weekly per person 14+ expense 2004/05 *Change from 2000/01

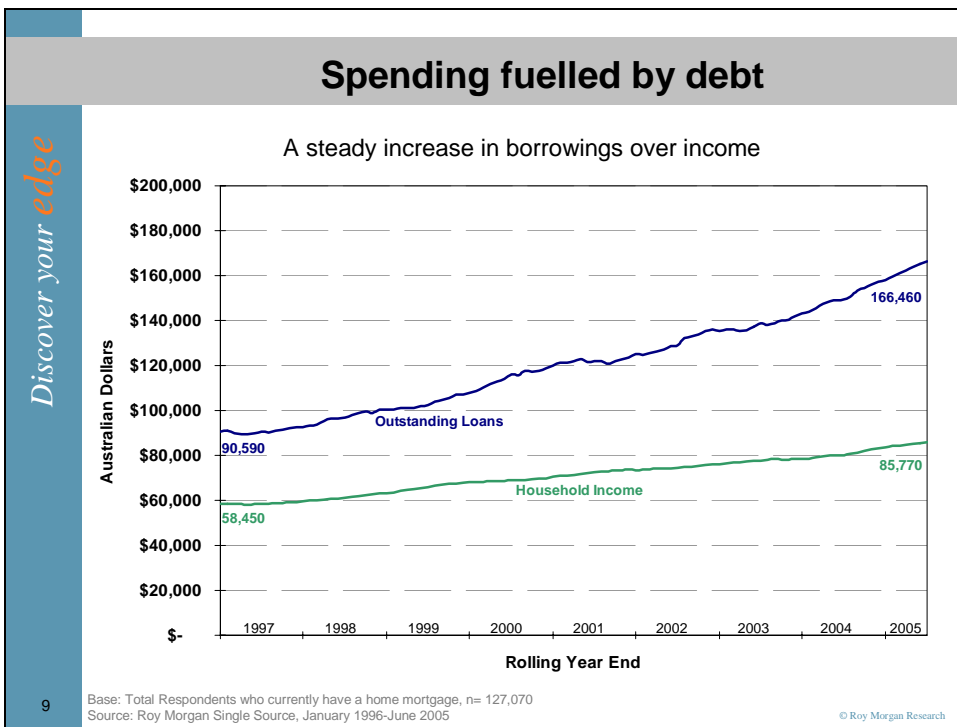
The overall increase in average weekly household expenditure on goods and services between 1998-99 and 2003-04 was \$184 or 26%. Over the same period the price of goods and services, as measured by the CPI, rose by 18%.

8 Source: Australian Bureau of Statistics Household Expenditure Survey 2003-04
* Roy Morgan Single Source, total weekly value per person of all trips in the last 12 months, Jul04-Jun05 compared with Jul00-Jun01

Roy Morgan Consumer Confidence is still high (the early part of the year saw record high levels), people are borrowing heavily to spend, but tourism is losing its “share of wallet”.

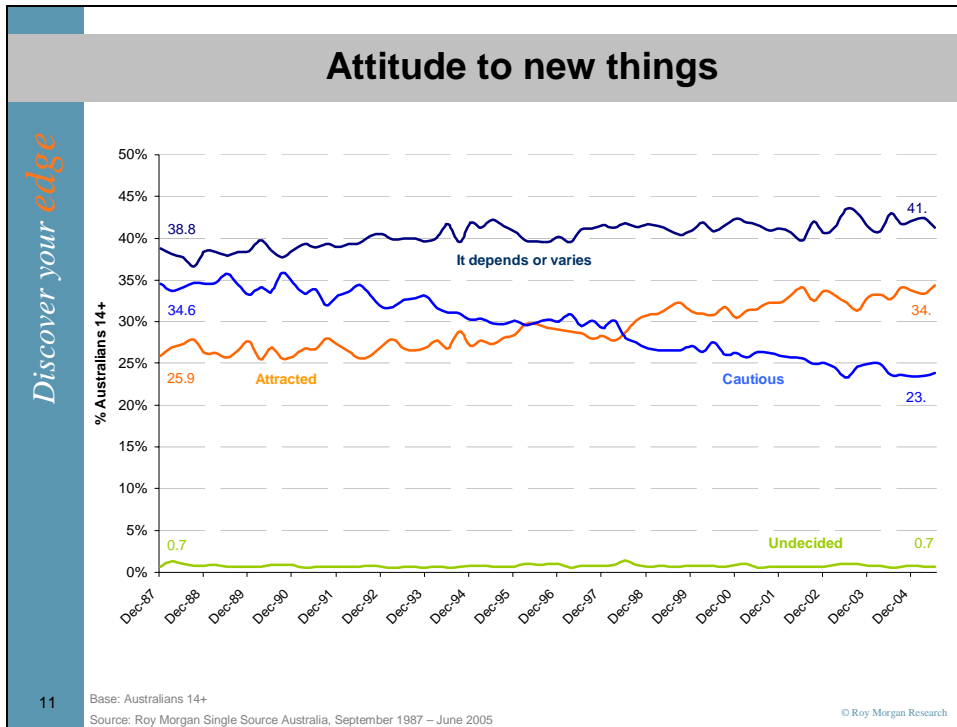


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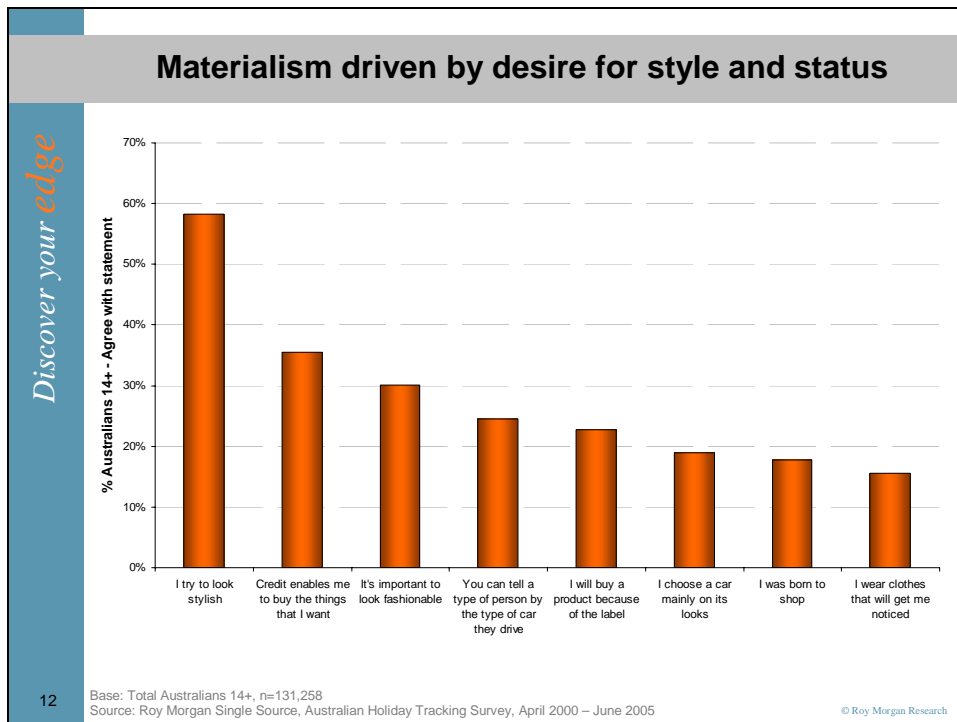


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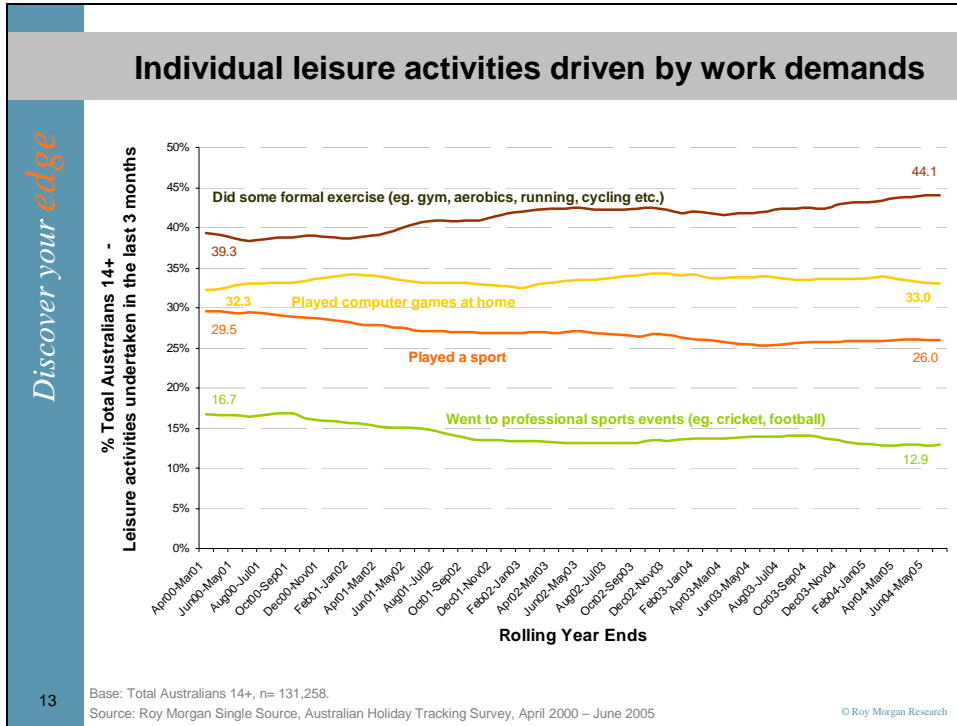
This spending is underpinned by some very slow but fundamental shifts emerging in the Australian psyche. Australians are becoming more open to new things. Now more Australians consider themselves “attracted to new things” rather than “cautious”.



Australians want to display their success and confidence through possessions. Consumers in Australia are becoming more materialistic, with a heightened concern for status and style.



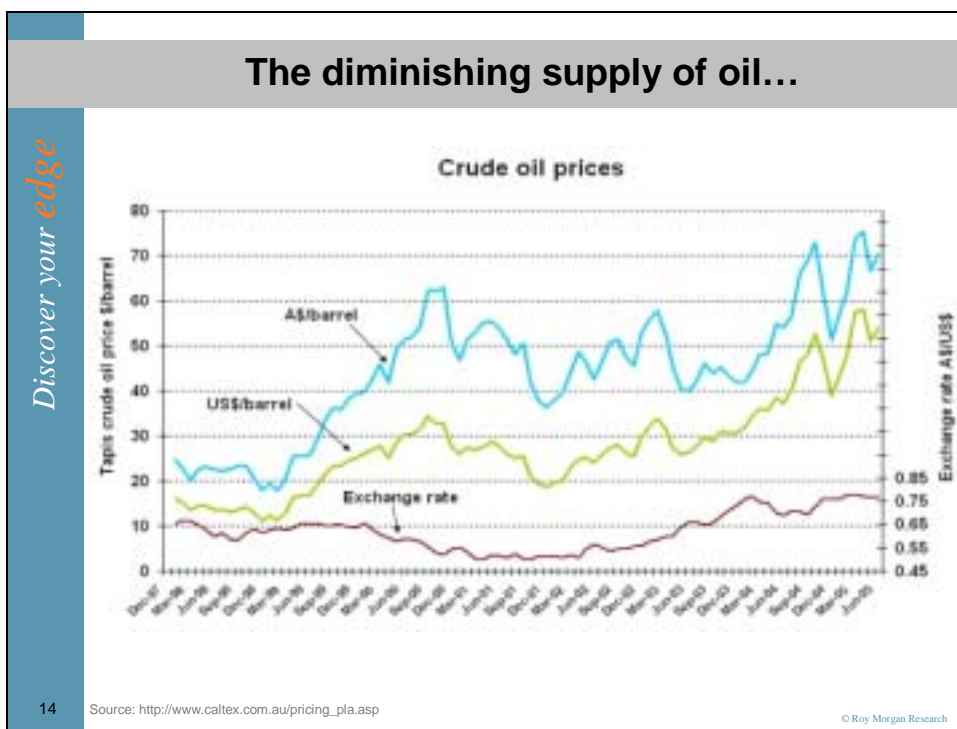
There is also evidence of a change in the pattern of leisure. With increasing work demands, flexibility is driving the choice of leisure activities with a move to more self-selecting/personal activities as opposed to group controlled and scheduled leisure.



A decrease in unemployment also has been shown to reflect a decrease in leisure time. With Australia’s unemployment rate having fallen from 7% in September 2000 to 5.0% in August 2005, we are at record low unemployment levels and our recreational time is being stretched.

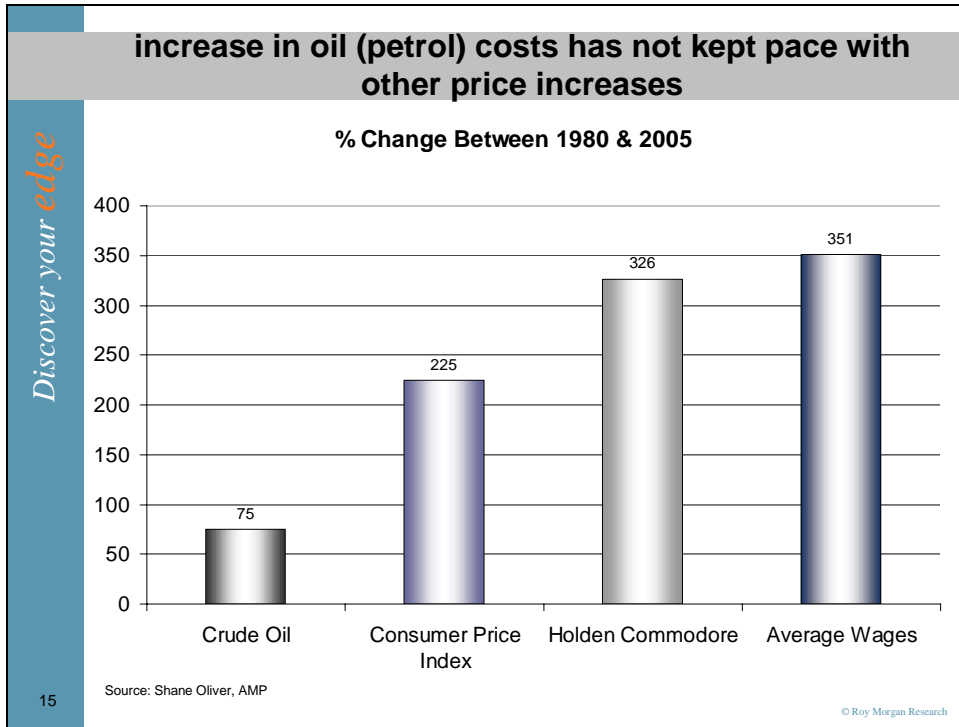
Oil Prices

A burning question at the moment is how the rising oil prices will affect tourism?

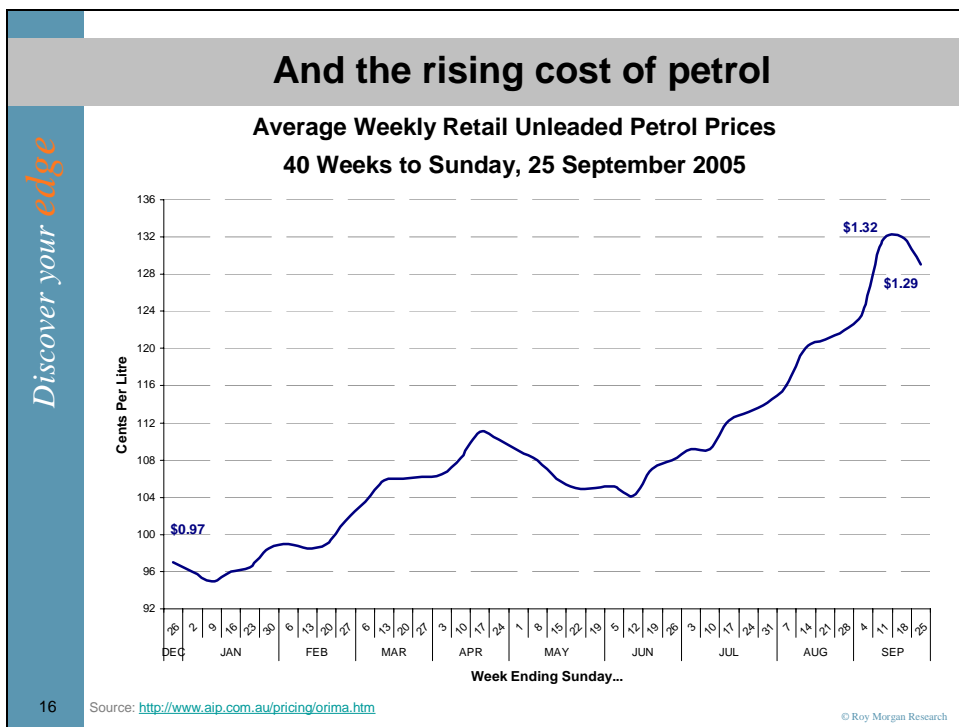


We have seen the impact on the aviation market of the soaring cost of crude oil. According to The Australian (August 24, 2005), airlines are now paying 42% more than in August last year and 25% more than three months ago.

Ross Honeywill in his paper, *“The Next Business Cycle - A View from the Premium End”*, showed the increase in oil prices is still substantially less than increases in other commodities, and is therefore unlikely to be a spike – more a reality we must come to terms with.



Rising petrol prices are also having an adverse effect on tourism. Regional touring is suffering as the rising cost of petrol pushes travellers to look at other options.



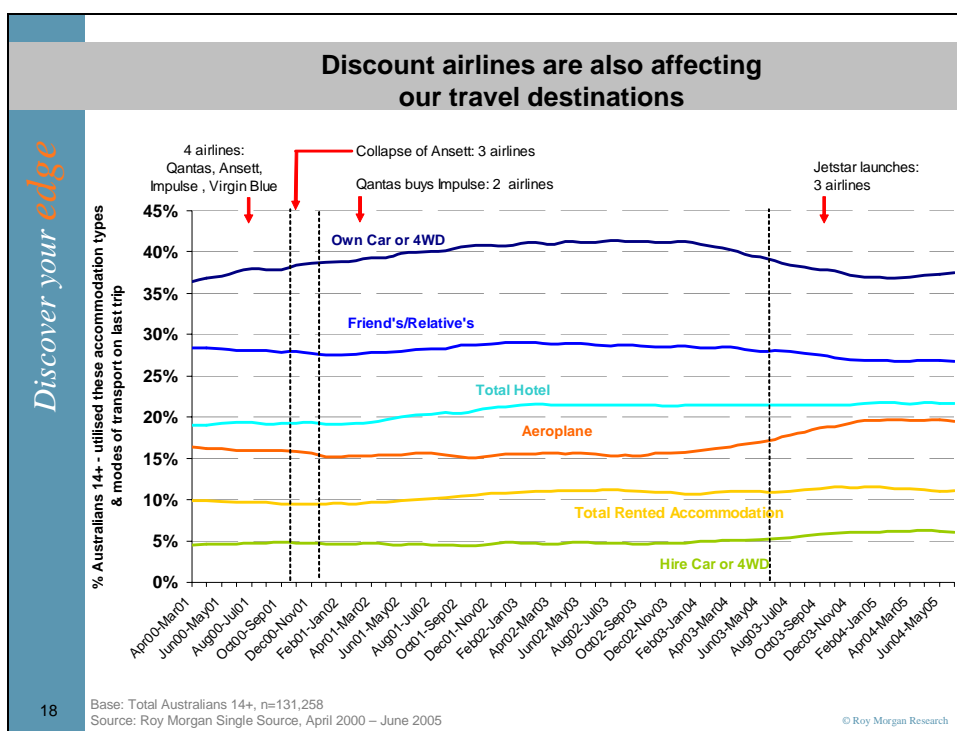
The oil price surge, exacerbated by hurricane Katrina and Rita, is continuing to be felt in the aviation industry. Cheap airfares may no longer be sustainable in the long term, and the trend towards air travel may be short-lived.

This brings us to the “cheap airfare phenomenon” – What is the impact of discount airlines?

First, we see a marked increase in air travel since the launch of Jetstar.

Second, people are no longer visiting friends and relatives in the same numbers. Customers are now choosing to capitalise on the ‘cheap’ airfares and let the airlines pricing dictate their destination.

As people are not travelling to ‘VFR’ destinations we see an increase in paid accommodation and car hire as these are no longer supplied by friends and relatives.

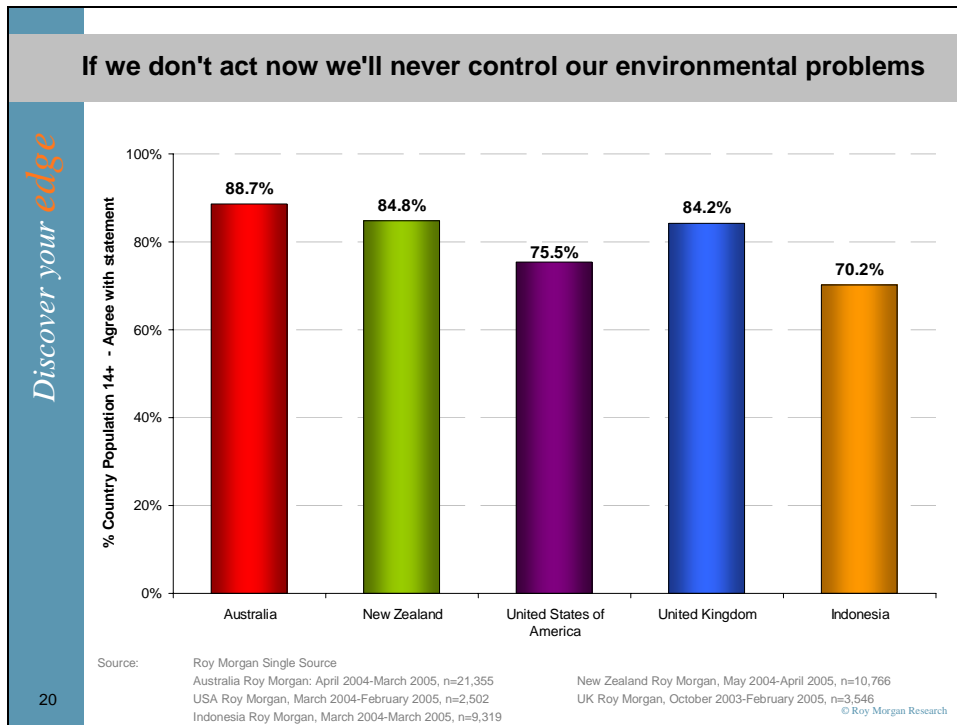


Sustainability of Tourism

Another big issue for the world of tourism is its very survival – the sustainability of tourism.

Increasing urbanisation and growing world population pose a challenge to tourism – a challenge that is separate to the big climate change/global warming situation that has implications for every part of our society.

The vast majority of people surveyed in Australia, New Zealand, USA, UK and Indonesia believe “If we don’t act now, we’ll never control our environmental problems.”



In a [paper](#) presented by Hugh Morgan at the 5th Annual Forbes Global CEO Conference 2005, “Confidence Abounds Among Affluent Australian Opinion Leaders and Shareholders”, “environmental issues” was identified as the most important issue for Australia – from the Roy Morgan Opinion Leaders Survey (<http://www.roymorgan.com/news/polls/2005/3895/>).

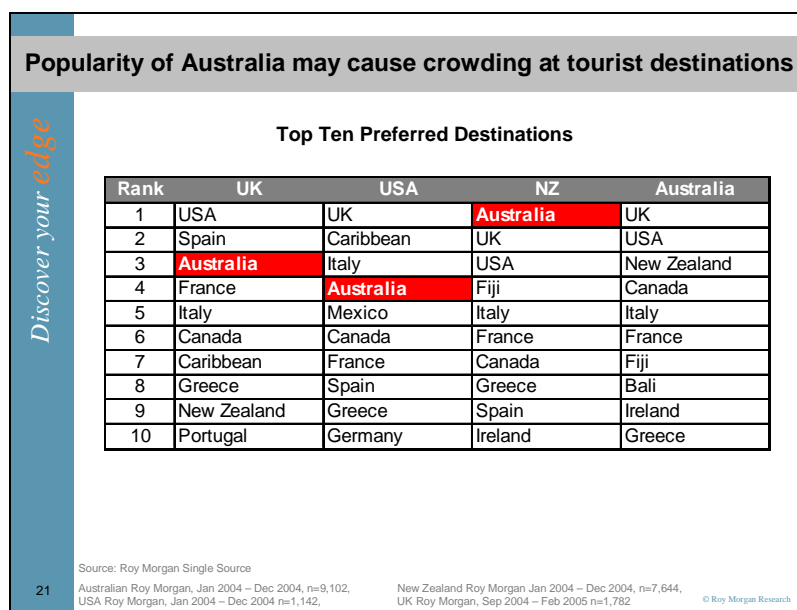
Most important problem facing	The World (%)	Australia (%)
Poverty; the gap between the rich & poor	28	15
Religious fundamentalism	16	8
Environmental issues	13	22
Terrorism	11	4
Wars and conflicts	9	2
Globalisation / fairer world trade	5	7
Human rights	5	5
Corruption	5	4
Economic Problems	3	7
HIV / Aids and other health issues	3	1
Educational issues	1	12
Drugs and Drug Abuse	*	7
Refugees, refugee and asylum problems	*	4
Crime	*	1
Unemployment	*	1

Results of a survey conducted exclusively for the World Economic Forum by Gallup International, interviewing more than 60,000 citizens in over 60 countries, representing over 1.3 billion of the world’s population at the end of last year, but before the Asian Tsunami disaster, found:

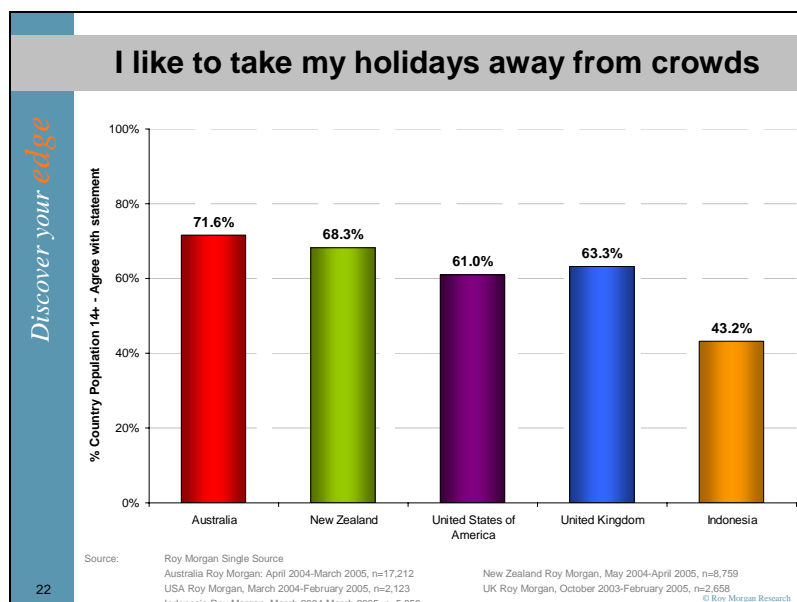
“ ‘*Protecting the environment*’ was in the ‘Top 5’ most important priorities for world leaders for Australians and New Zealanders (NZ 17%, Australia 14%), as well as ‘*reducing wars and conflicts*’ (Australia 13%, NZ 9%) and ‘*closing the gap between rich and poor countries*’ (NZ 11%, Australia 9.5%).”

There are very few places left on our planet that have not been reached by tourists and Australia is facing the possibility of a large influx of overseas visitors.

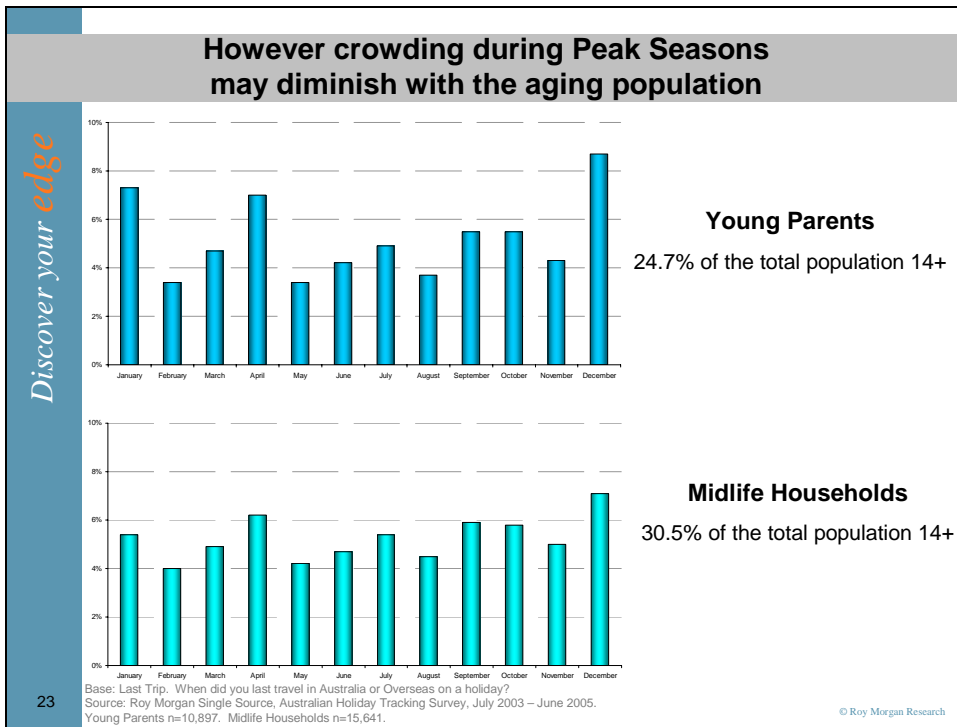
Given Australia’s popularity amongst travellers from overseas nations, this is a pertinent point.



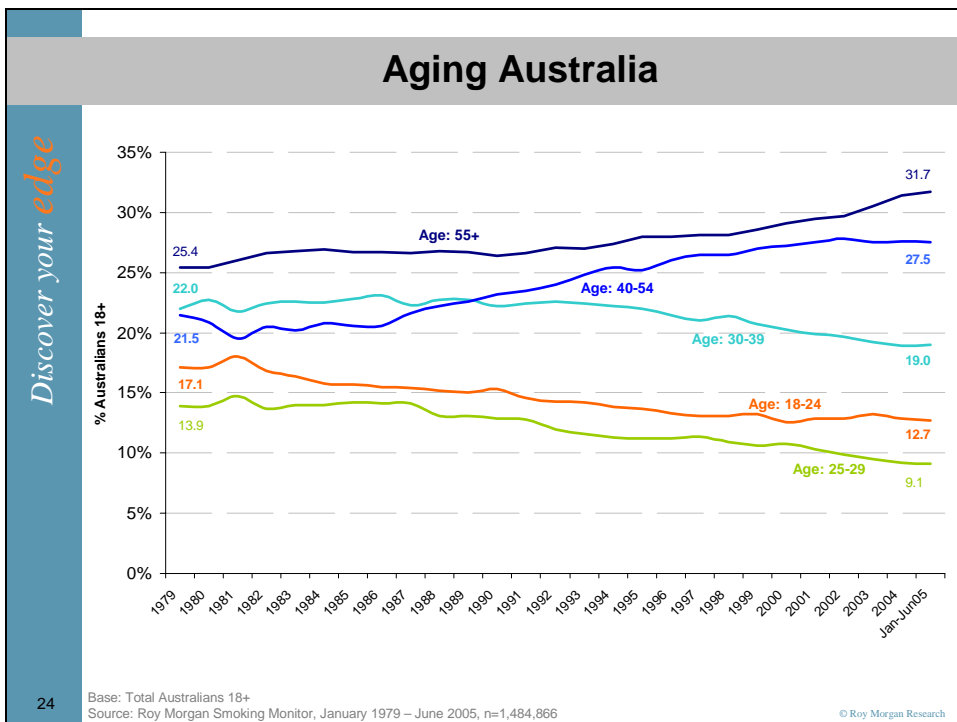
Australia’s most popular tourism destinations could experience overdevelopment, crowding and environmental degradation. There is the risk that holidaymakers wanting to escape the crowds and experience clean air and pristine nature will become disenchanted with these traditional tourism meccas.



One trend that will take the pressure off popular tourism destinations is the aging population; seasonal peaks and troughs will become less exaggerated, with older people more able to travel anytime in the year. Seasonality of travel is most pronounced in families with school age children.



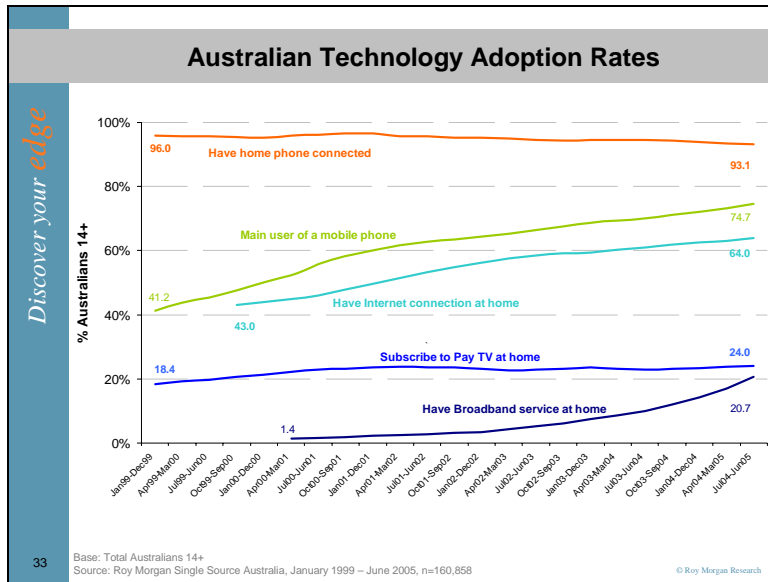
This group as a proportion of the population is declining while older households without children are increasing.



Technology and Communications

“The sheer size and dynamic nature of two of the world’s fastest growing areas of commercial activity have ensured that technology and tourism are increasingly interdependent and that, indeed, technology is dictating the restructuring of the entire tourism industry.”

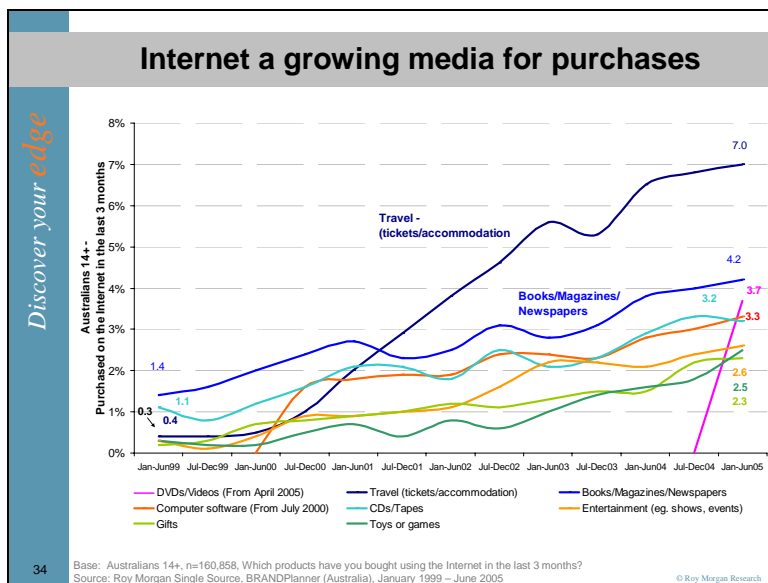
D Walker (1997) and Lord Marshall (2000) on the *World Wide Web and Digital Television...* Source: Journal of Vacation Marketing April 2001: *Consumers, Travel and Shopping – A Bright Future for Web or Television Shopping*



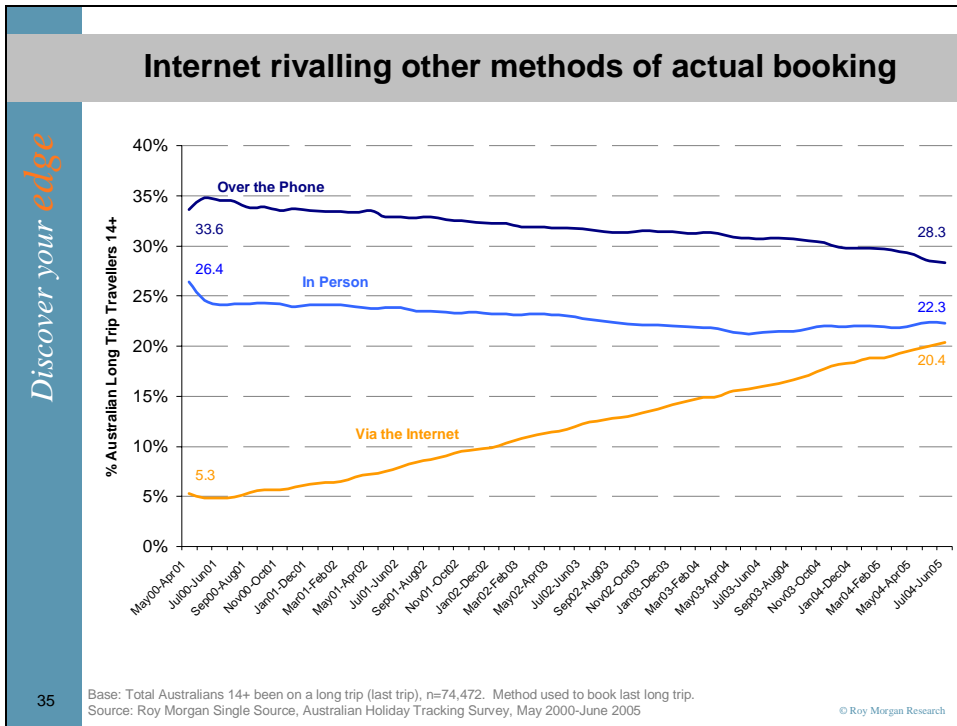
The Internet has radically changed tourism distribution channels and booking patterns. It is now one of the most important pre-departure tools for Australian travellers.

Travel tickets and accommodation are the most purchased products over the Internet.

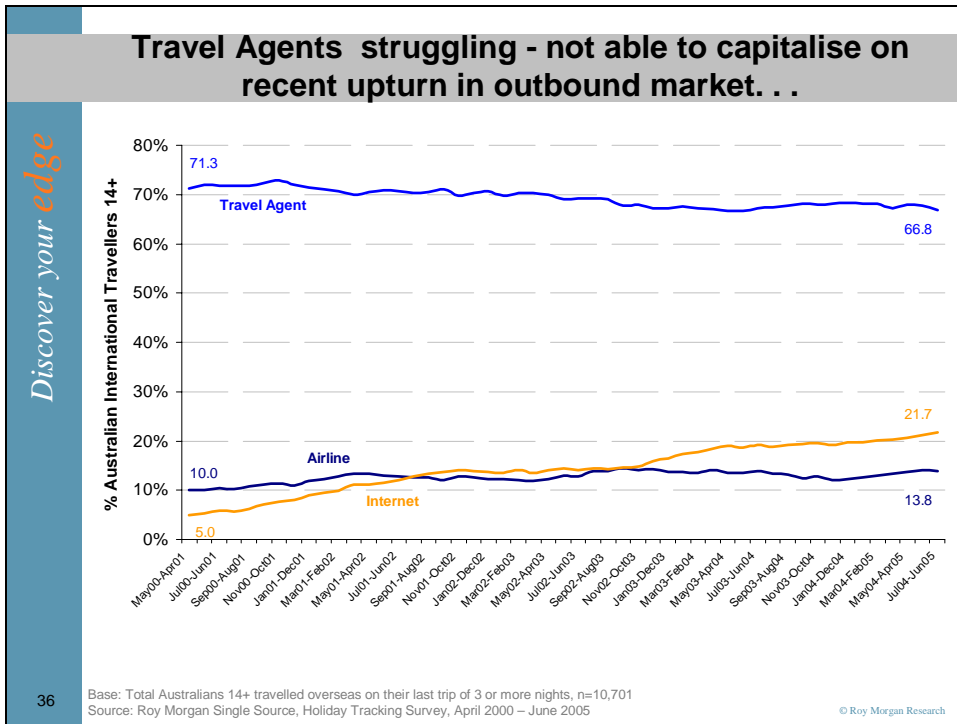
The number of people who made a purchase (for any product) over the Internet increased from 840,000 in the six months Jan-June 1999 to 4.87 million in the period Jan-June 2005. Significantly, almost one quarter of all Internet buyers in the six months to June 2005 purchased travel tickets or accommodation.



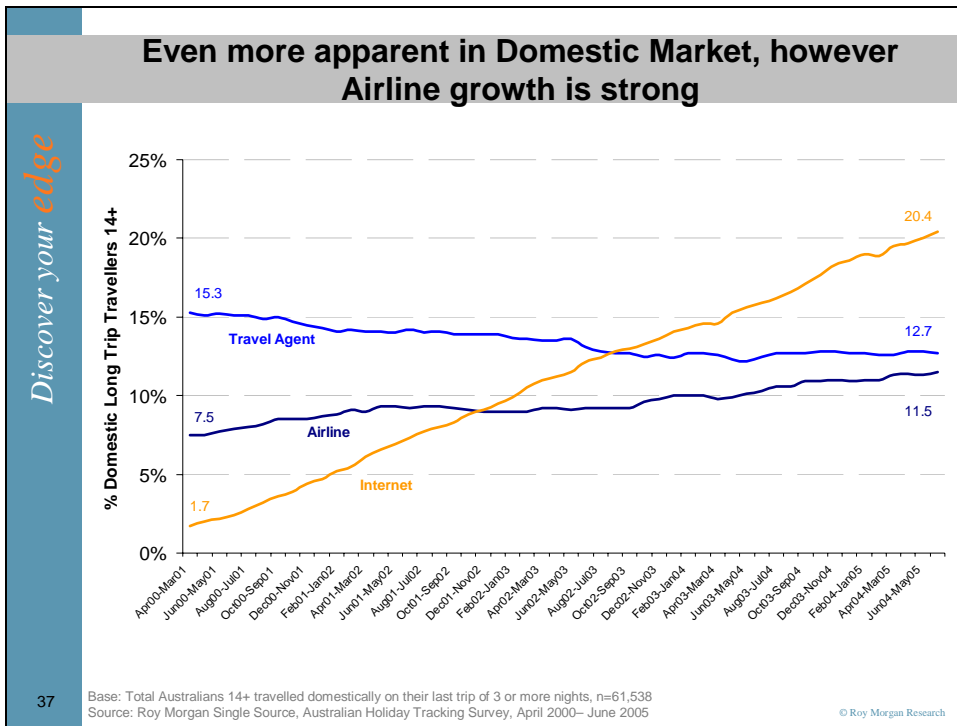
Booking online is rapidly approaching travel agents as the preferred means of making reservations.



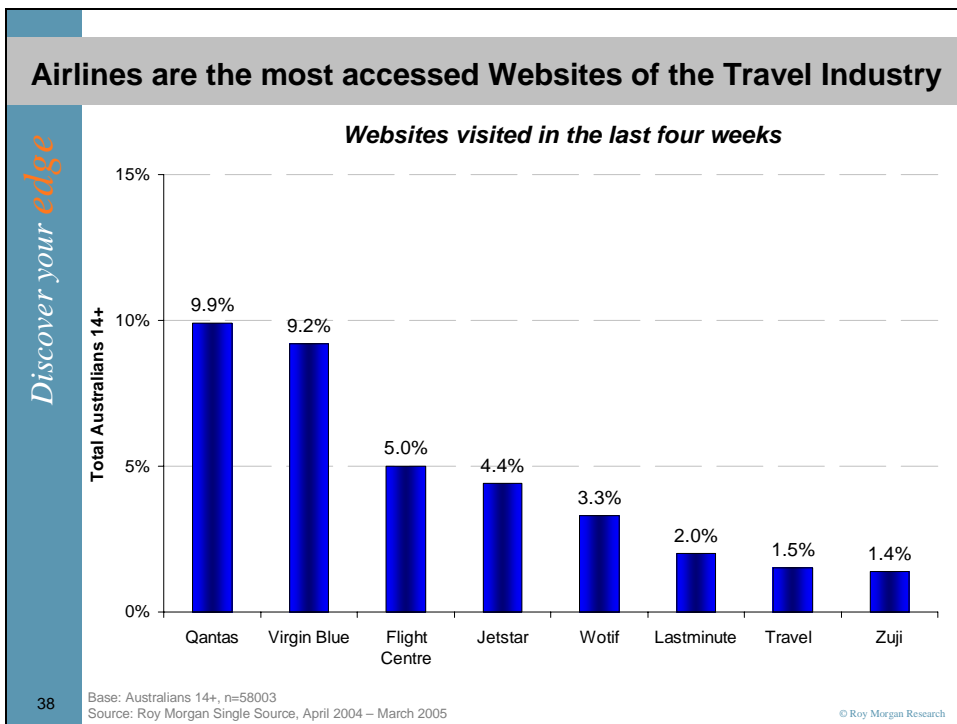
Overseas travel bookings continue to rise, and although travel agents are still the preferred booking method for international travel, the Internet has absorbed much of the growth.



More dramatically, we see in the domestic market travel agents haven't been able to capitalise on the growth in the industry where again the Internet continues to grow rapidly as a preferred booking method.

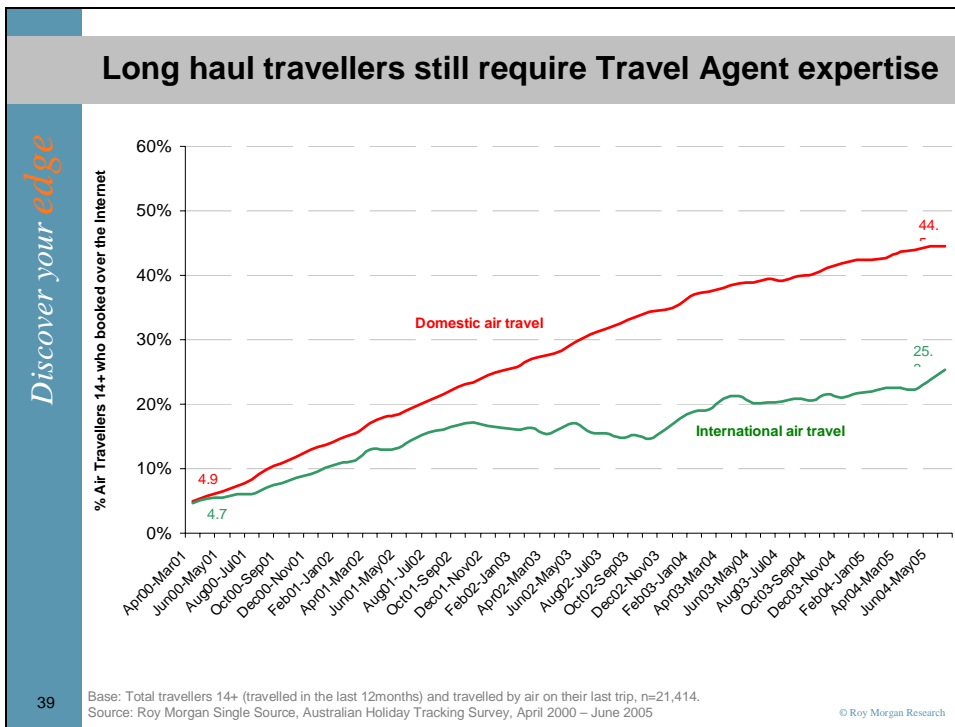


Airline websites have given customers control of their travel purchases. They now have the flexibility and ease to view a selection of flights and customise their travel options.

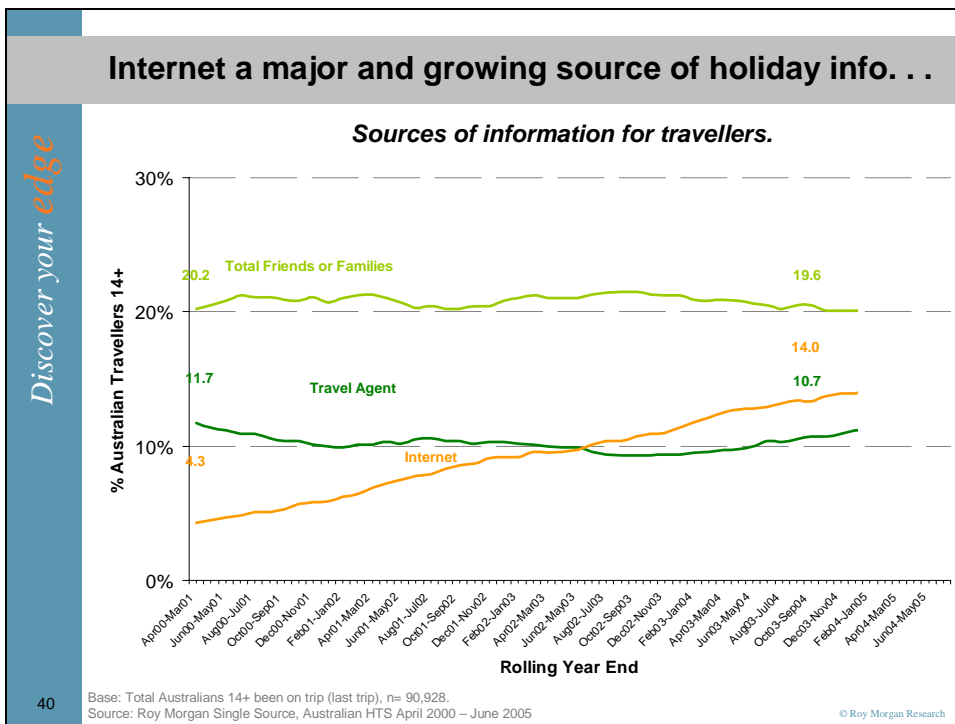


Simple short haul air travel is moving to the web while international long haul still requires human interaction.

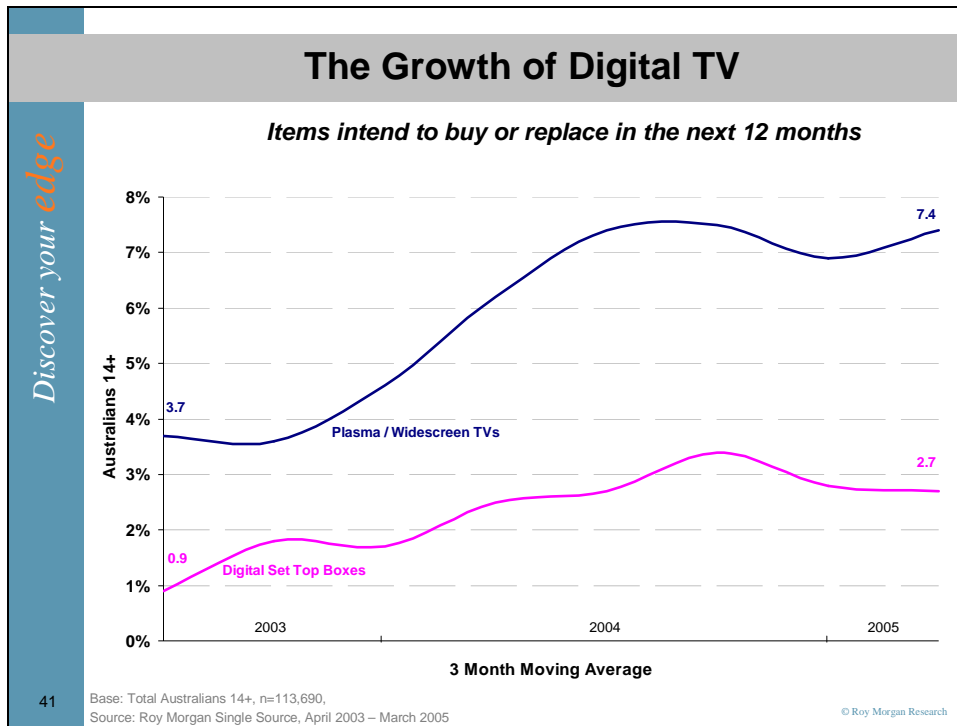
Complex long haul pricing and lack of destination knowledge continue to drive long haul travellers to travel agents as a preferred booking method.



The Internet has also established itself as the chief source of travel information (other than personal recommendations), growing its influence over the destination choices of Australian holiday seekers.



The growth in Digital TV will multiply these Internet effects.



So we have:

- the rapid increase in Internet as a valuable search engine, combined with
- more “impulse” travel decisions,
- more customisation, and
- an increased willingness to go to different places.

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

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

We believe in Advertising

- Great ad research recognises great ideas.
- The medium is not the message but it can have a profound influence on how the message is perceived and understood.
- Ads can only be effective if they’re noticed in the first place.
- 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.
- Entertainment is an effective **vehicle**, not an advertising objective.
- ‘Relevance’ is a key to persuasiveness and brand linkage.

43 © Roy Morgan Research

We believe in Advertising (cont’d)

- Otherwise ‘effective’ ads fail without strong brand linkage.
- How people **feel** about what is ‘said’ is far more important than what **is** said.
- Some memorable, persuasive, effective ‘communication’ is wordless.
- Effective appeals to prospects who are not ‘open to buy’ are ineffective.
- The opinions and ratings of respondents who are not ‘open to buy’ should never be allowed to drag ad effectiveness scores down.
- Ads that are recalled for twice as long are usually twice as cost-effective.
- Maximising sales data helps focus & refine **targeting** – the secret to advertising cost effectiveness.

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But rather than philosophise, let's see how different people react to marketing messages through the eyes of the consumer via the 'Reactor'.

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.

We have chosen examples of ads that are potentially relevant to both males and females and that relate to tourism.

The first advertisement for Australia has Delta Goodram singing and was viewed more favourably by women than men. The second was for Ireland, the golf scenes held more appeal for males.

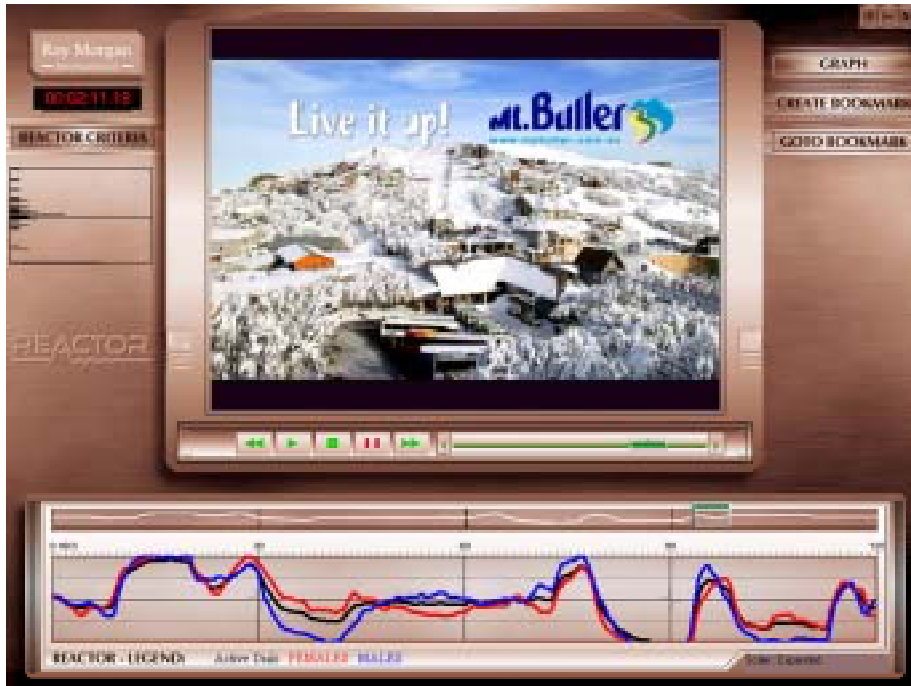
These five-second commercials rated very well by the *Reactor*. Given the growing importance of the Internet, the ability of a five-second commercial to demonstrate impact is crucial.



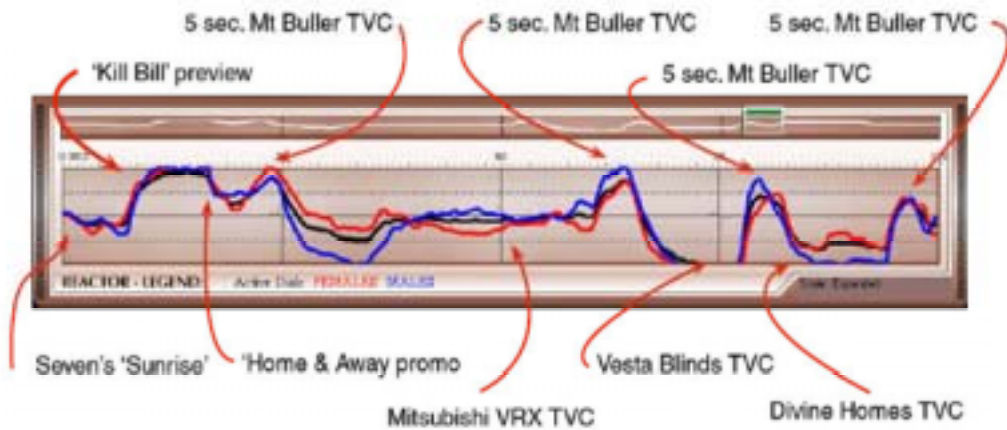
Different desination features appeal differently to the sexes.



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



Tourism peaks viewer interest.



So how do you know what works in advertising?

Today, in a world where gender differences and individual differences are inextricably intertwined with and nuanced by culture, family, peer group, and environmental context, there is no magic formula, no prescription that will guarantee success.

Today, with the acquisition of US-based communications and advertising research firm, Mapes and Ross, Roy Morgan Research is able to bring the same rigour to the measurement of the "creative" communications impact as we have done for the measurement of channels.

Mapes and Ross, operating for over 30 years, has developed a normative database and library of over 33,000 advertisements and their performance in persuading consumers to the brand.

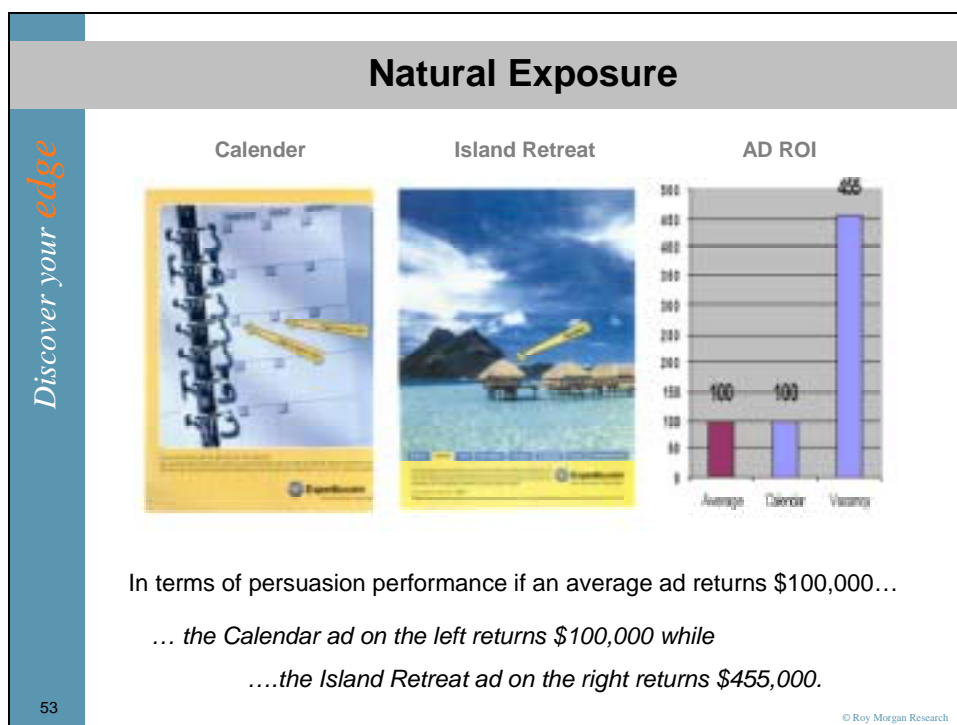
It is about the consumers' **change in brand preference**. The data also includes the more traditional, but less predictive measure of 'recall'.

The experience and data demonstrates, not surprisingly, that not all advertisements perform equally. The thirty years of experience and evidence has also demonstrated the enduring importance of some fundamental principles of communications.

For example, below are two magazine ads for a travel brand. By looking at the illustration of each ad separately, how well could you answer what product is being advertised in each case, and what the advertiser is trying to tell customers about the product?

In the first Expedia.com ad (calendar), the visual confusingly juxtaposes two prices on two adjacent dates, but fails to provide a clear explanation on how to avoid paying the higher fee when using Expedia.

By contrast, the second ad (island retreat) provides a simple and appealing depiction of the benefit.



The Relative Return on Investment or Ad ROI of the two ads is shown in the graph on the right.

In terms of persuasion of performance, if an average ad returns \$100,000, the ‘Calendar’ ad on the left was average – returning \$100,000 while the ‘Island Retreat’ ad on the right returns \$455,000 by the same criteria. That is a Mapes and Ross Ad ROI score of 455 relative to the Average Day-after-Persuasion score based on 100. Many print (and web) ads derive strength from having the visual and headline work together. Ads are more effective when the headline interprets and reinforces the story told by the visual.

What is really simple though is the fact that you spend the same amount of money to buy space on television whether your ad works or not. It costs the same to mail a letter or insert a catalogue whether or not the letter or catalogue is read or acted upon. The difference that makes a difference is the creative connection. The evidence is clear, there is no excuse for getting it wrong!

So, **in summary**, tourist travel has rebounded after a series of terrorist and “anti-travel” events but travel has “lost” or gone backwards in “share of wallet” terms. Travel and tourism is getting less than its fair share of the increased consumer spending pie.

Is this a social trend – like the women’s movement that is “unstoppable” – or does it represent an “opportunity gap”, ready to be filled by the smartest players in the game?

The answer lies not in the weather, the amount of global conflict, or the price of oil. The answer lies for the most part in how consumers respond to these things. So the smartest players in the game will be the ones who know most about consumers, and how to connect with them.

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