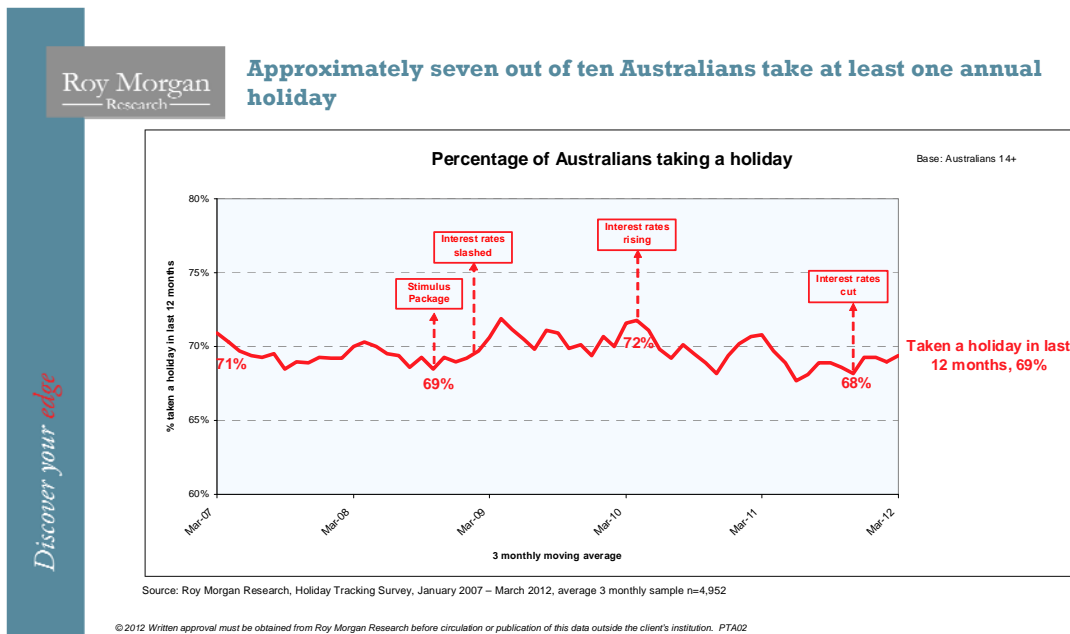


## Opportunities for Domestic Tourism

### National Tourism & Events Excellence Conference Melbourne, July 16-17, 2012

By Michele Levine, CEO  
Roy Morgan Research

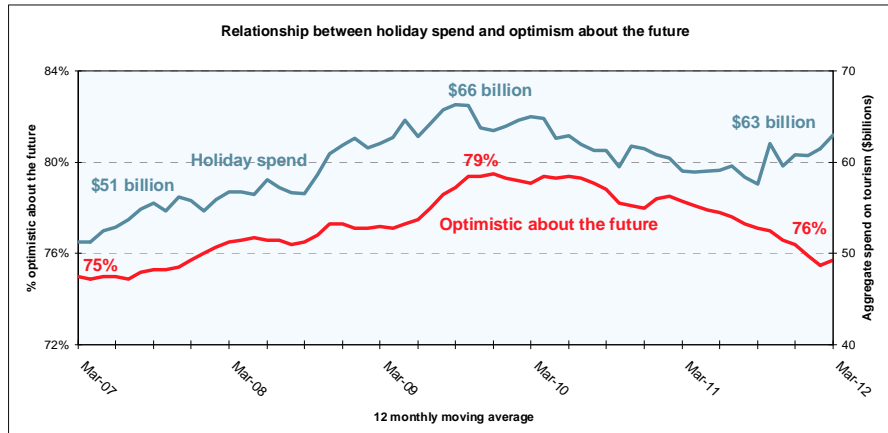
Australians love to take holidays, with some seven in ten taking at least one holiday a year – year in year out.



But over the last few years with less optimism about the future Australians are spending less money on their holidays and domestic tourism has suffered in recent years with the high Australian dollar luring many to take holidays overseas. This coupled with fewer international visitors is clearly a difficult situation.

**Declining optimism and rising interest rates post-GFC meant that holiday spend fell until late 2011; there has been a small upturn in recent months after interest rates were eased**

Discover your edge

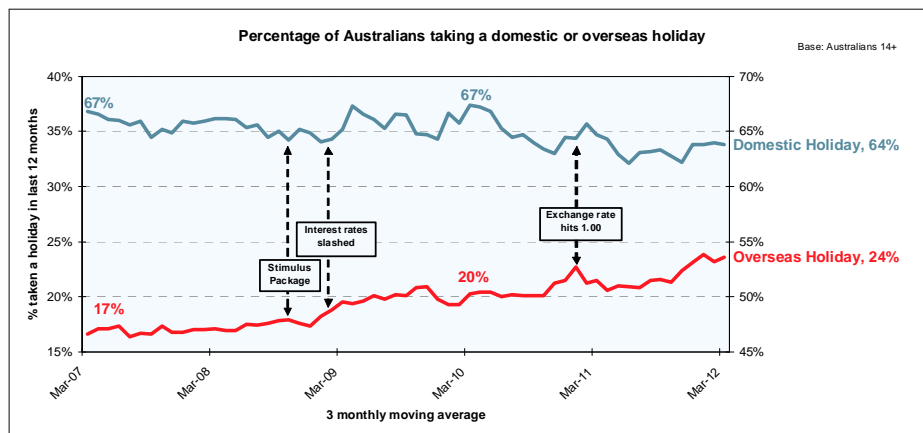


Source: Roy Morgan Research, Holiday Tracking Survey, April 2006 – March 2012, average annual sample n=20,120

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**With a strong dollar, an increasing percentage of Australians are choosing an overseas holiday over a domestic one**

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Source: Roy Morgan Research, Holiday Tracking Survey, January 2007 – March 2012, average 3 monthly sample n=4,952

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The majority of Australians (57%) believe “globalisation brings more problems than it solves” but then if there were no problems very few of us here would have jobs.

It’s a pleasure to be here with you this morning. We are all here because we recognise one simple reality – in this globally connected world tourism is a crucial part of the economic future of Australia and will be for some time to come.

So I’m Michele Levine from Roy Morgan Research. Our business is 70 years old. We have had to reinvent ourselves a number of times. So I speak to you, not as someone outside looking in – but as someone who is in the thick of change.

We had to reinvent because our clients were changing:

- Newspapers , the finance industry, the telecommunications and technology industries;
- What we had celebrated in the past was no longer relevant;
- What we had assumed about our business and that of our clients could no longer be assumed.

**Globalisation** saw mid sizes firms disappearing as global players emerged to serve the needs of global advertisers.

**Internet** dramatically pushed costs down.

Combination of globalisation and technology created a powerful drive for **speed**, immediacy and thus pre-packaged models, formulas, and reporting formats. No time for thinking, head scratching or ‘sleeping on it’.

**Access to information** created the need for a different skill base – integrators not primary researchers.

It has been a challenging year or so – for our clients for us and for the world.

If the last few years were a time of worry – GFC – it was also a year of taking stock for many companies including ours.

With over 1,000 employees Roy Morgan like all companies had to think and act quickly following the GFC and then monitor as it evolved. We didn’t sack staff – but looked at the market and took decisive action and set about investing in our future as we saw it.

We knew there would be winners and losers – we wanted to be a winner.

For several years we had engaged with our clients as they transformed, we ourselves had been in constant transformation – so we were ready. We invested in:

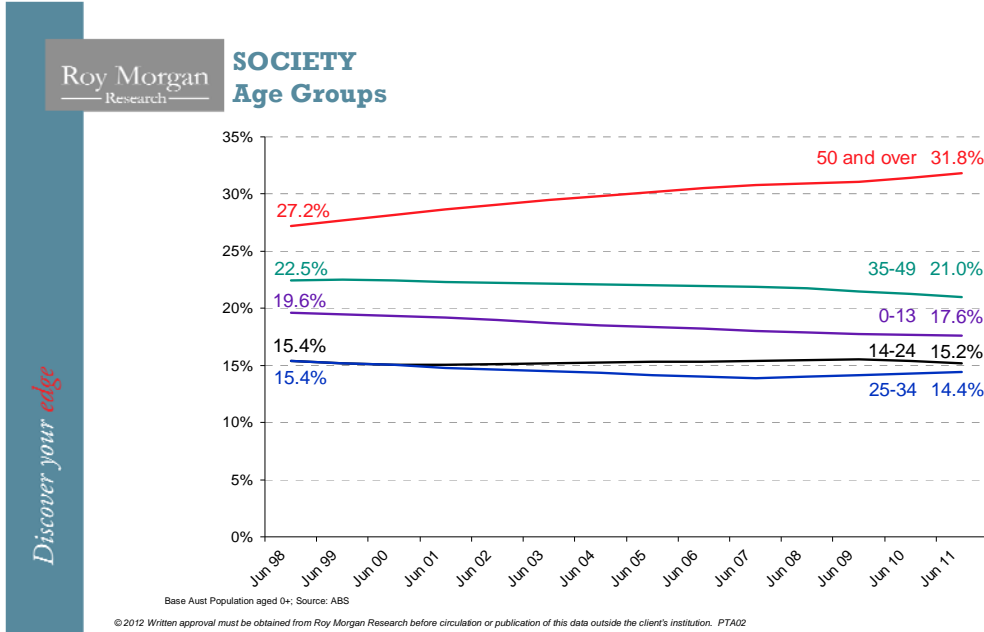
- Infrastructure;
- Speed
- Technology, and
- New products

We at Roy Morgan believe in tough times; those who succeed are those who understand their customers and potential customers better than ever before, and better than their competitors and alternatives.

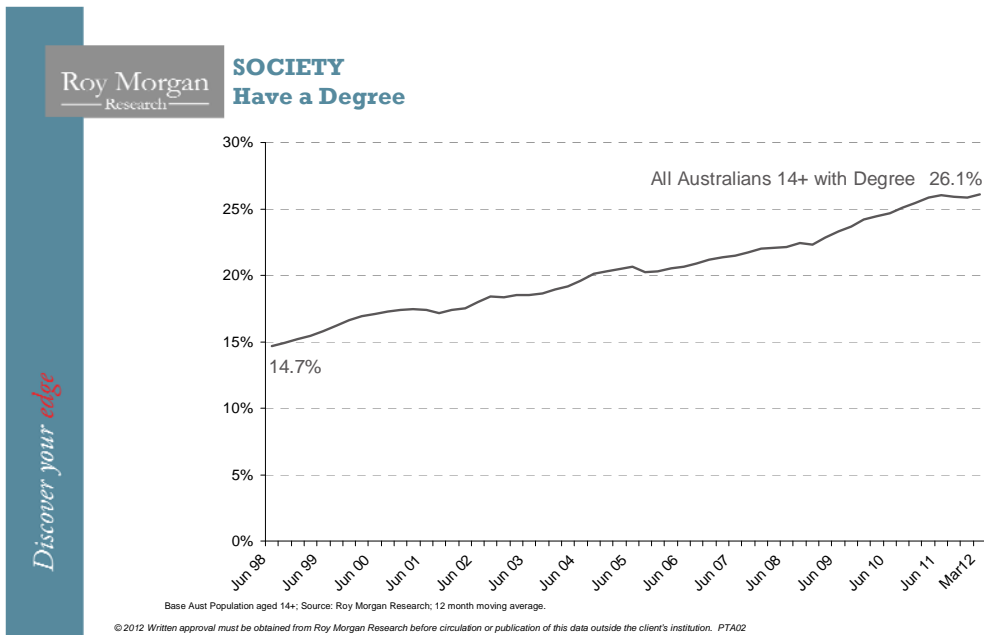
In our case we had to understand our clients and their customers – but who better to do that than Roy Morgan Research.

Let me give you a brief run down of what we found, what we learned and what we preached:

The Australian population is *ageing*, we are an increasingly *educated* population, increasingly *open minded* – more accepting of gay marriage, homosexuals adopting children, more open to the concept that technology empowers people.



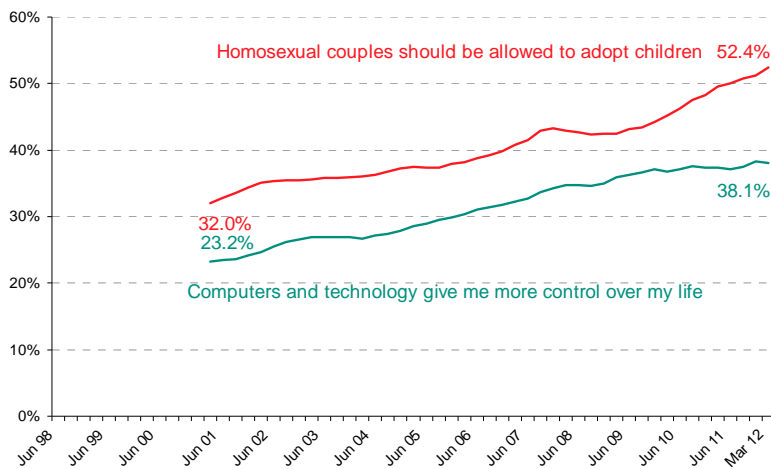
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**SOCIETY**  
Progressive Attitudes

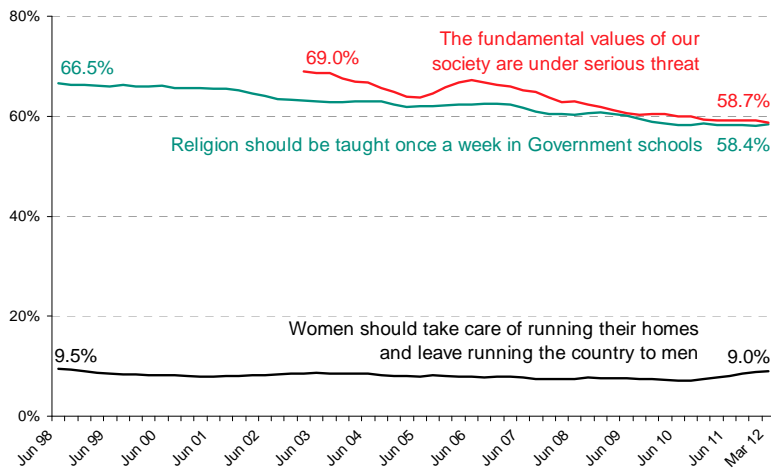
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Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.  
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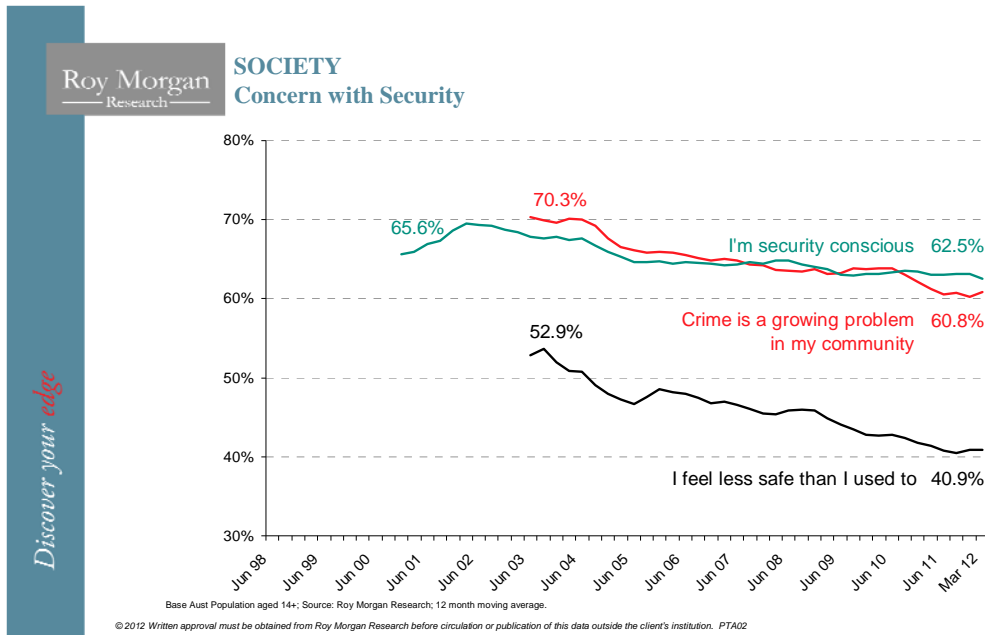
**SOCIETY**  
Conservative Attitudes Declining

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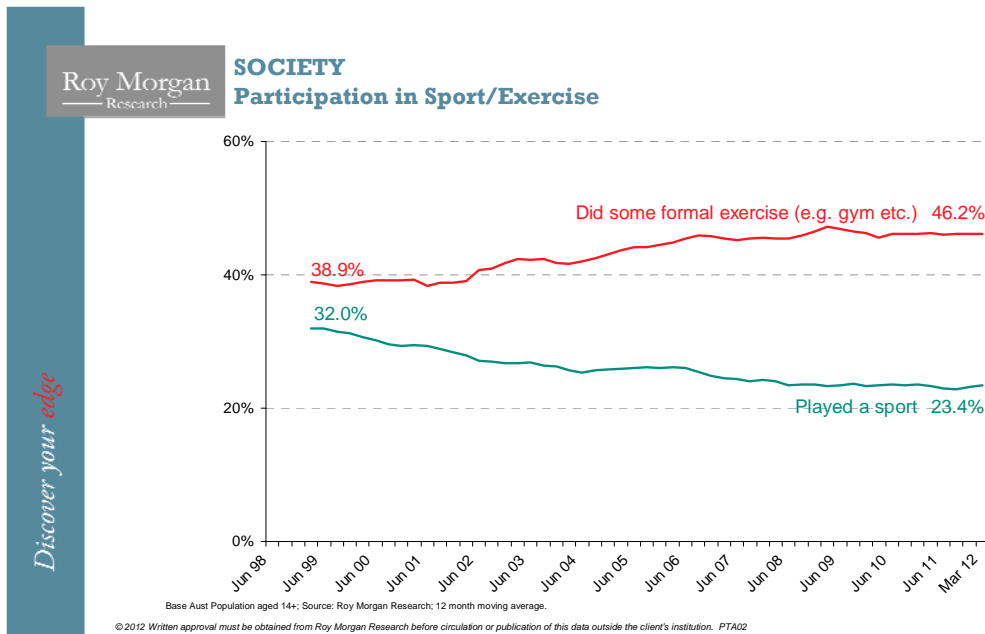


Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.  
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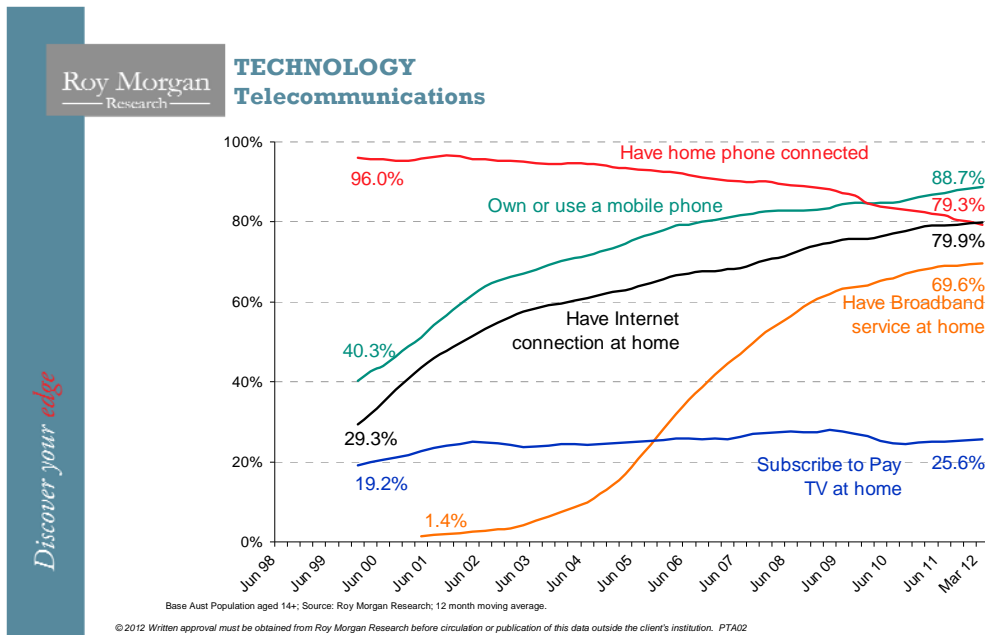
And less concerned about *security*.



*Activities* are also changing – two themes have emerged: firstly, a move away from planned organised group activities to more personal ‘when it suits me’ activities; and secondly, a move to online social engagement.

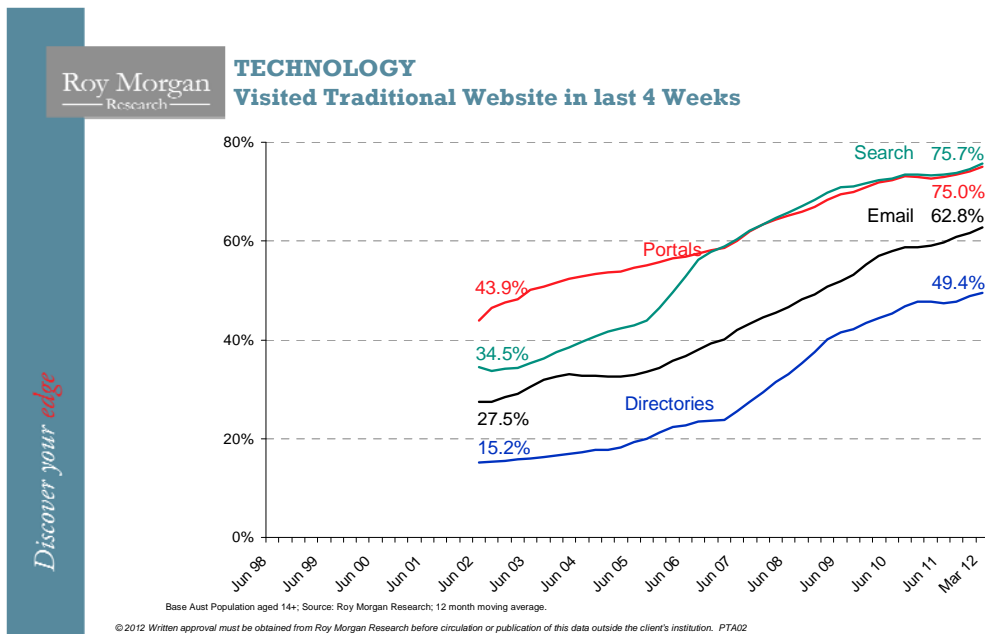


Technology and Communications are transforming the way our business and our clients businesses operate.



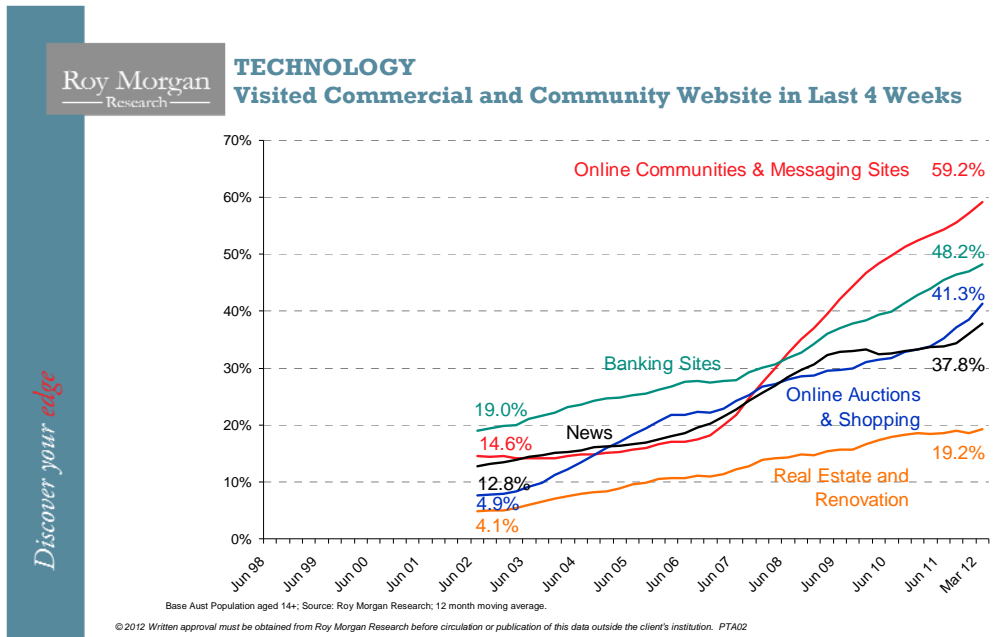
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As well as the GFC – economic difficulties, another thing has changed the landscape of our industry and our clients – the Internet and of course ‘mobile’ access and engagement.



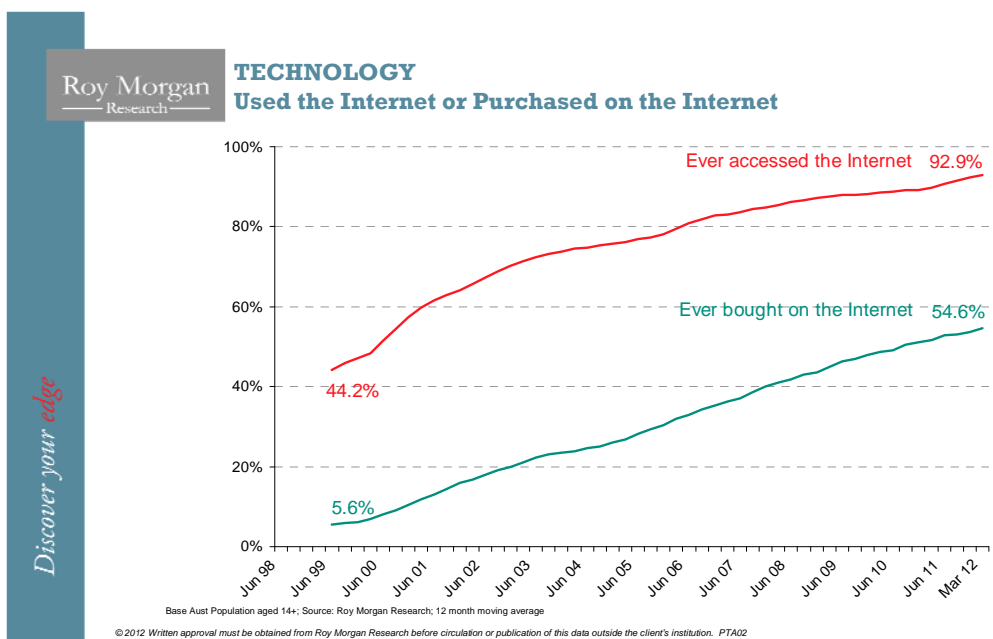
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This technology is not only an enabler – it is also a huge expense. Let’s never forget the sheer impact on people’s discretionary income of all the technology and connectivity we all must have today – it’s hardly even discretionary.



13

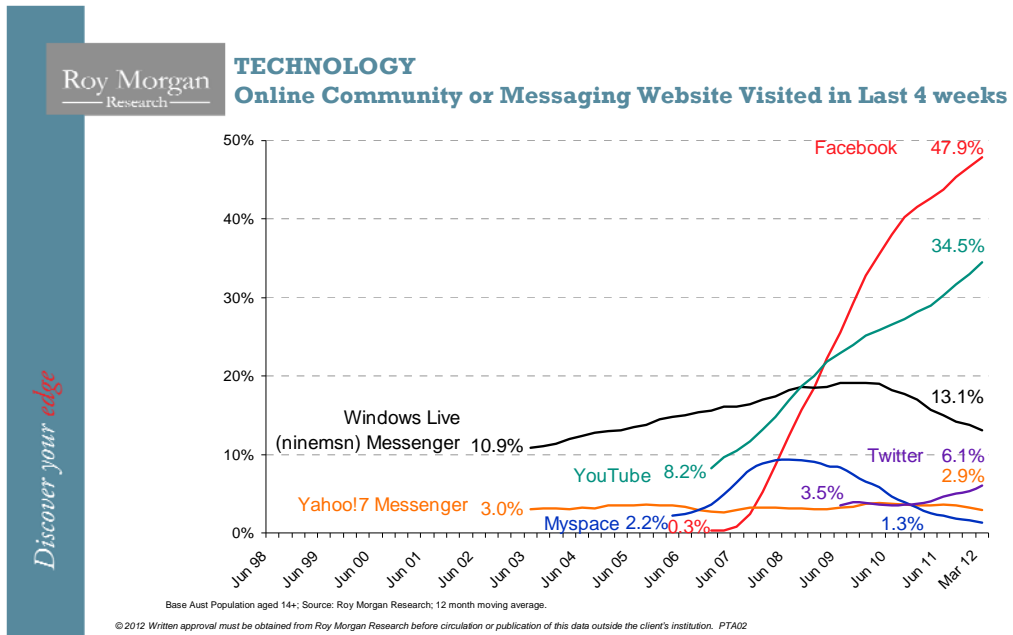
‘Search’ in particular is increasing dramatically – in essence, this means ‘there is nowhere to hide’. Businesses that depend for their success on the ignorance of their customer base have a short life in this newly searchable world. The Internet and ‘search’ in particular puts the ‘option’ at the finger tips of clients and potential clients. Thus there is more competition from places that previously were ‘great places’ but unknown. The task is to make it work for you. This is so important for tourism.



14



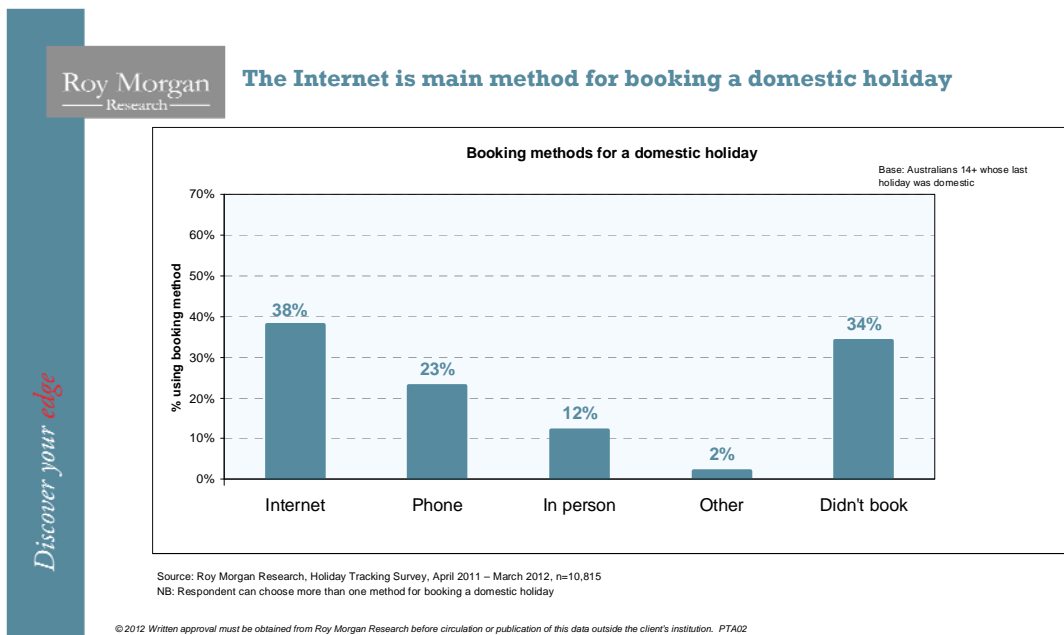
Engagement with online communities and messaging is also increasing.



15

Our view today is that the traditional media still have enormous value in building brand value, and creating desire while the Internet is more like an information medium and a direct sales medium. The challenge is to 'Make sure you get the sale'. In simple terms, don't forget to ask for the sale and make purchasing easy.

The majority of Australians have now bought online.



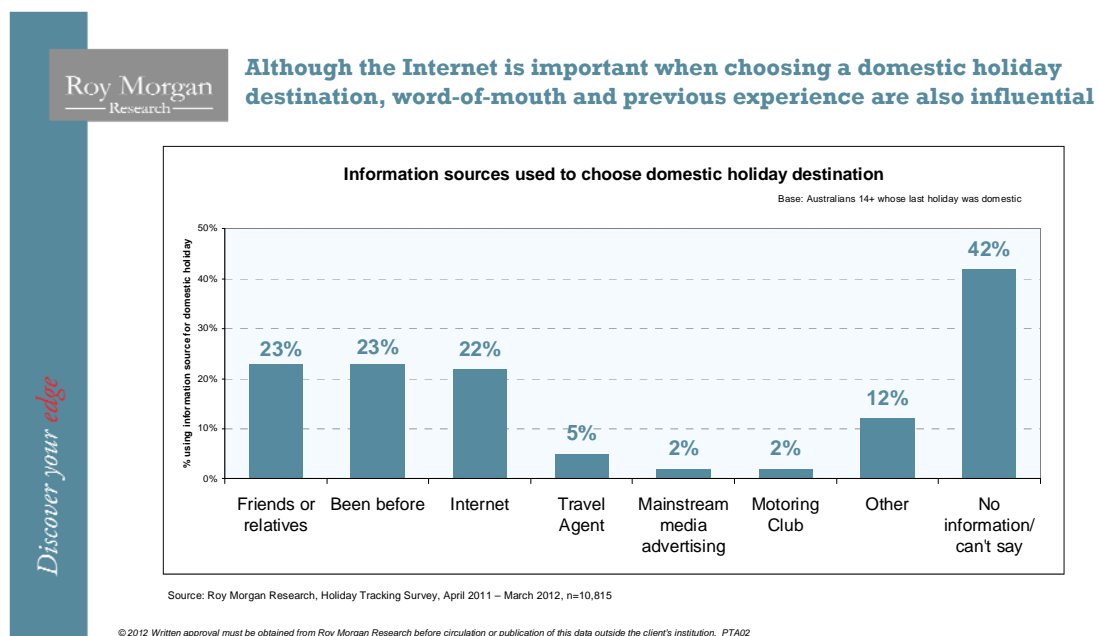
16

Regardless of medium, given the choices people have today, and the ease with which they can ‘turn off’ your advertising, likeability and enjoyment, and cut through are more important than ever. You can win at that game – even when you only have 5 seconds to do it. The Roy Morgan *Reactor* has shown how 5-second advertisements can ‘cut through’ and create excitement.

And chat, eg Facebook, is important not only because it is ubiquitous but because it is two-way. Customers can talk back – and spread the word. So the ‘experience’ is so much more important than ever before. Encourage people to share their experiences – how you do that will depend on who the people are eg for older people the opportunity to send photos to their family via Facebook would be very cool – and it is pretty easy to facilitate that.

## Trusted advisors

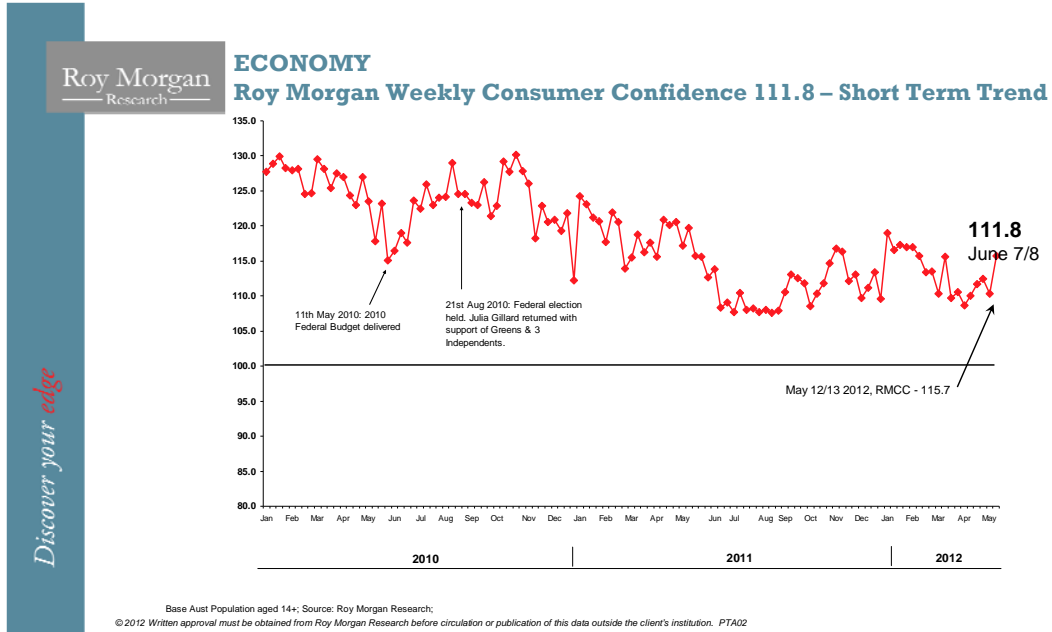
In this new world of media fragmentation the role of ‘word of mouth’ and in particular ‘trusted advisors’ is even more important.



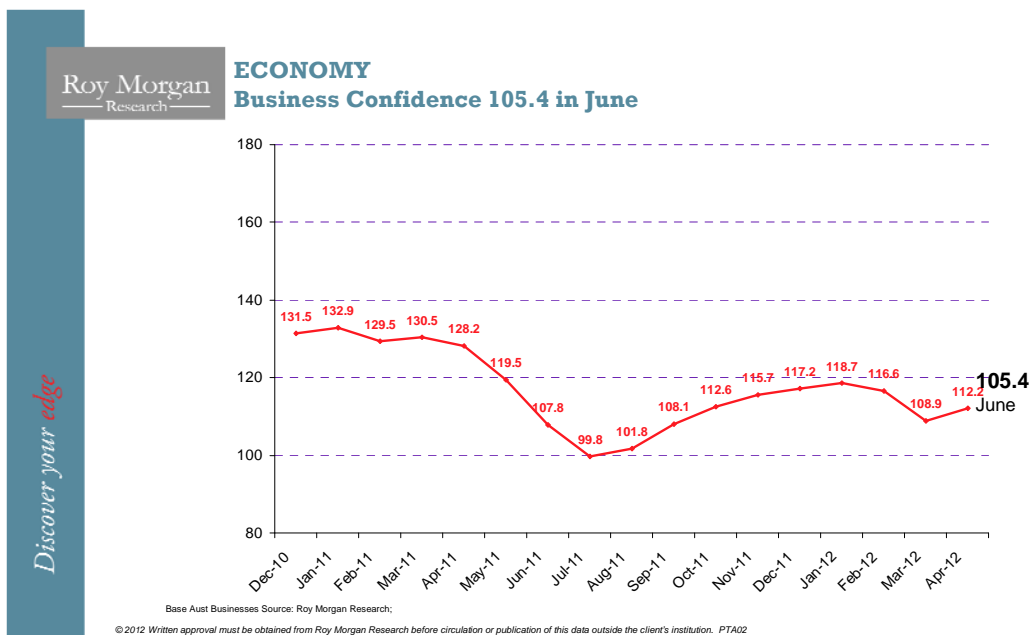
Roy Morgan data shows 32% of people have their opinion sought by friends and relatives about travel. These are what we call ‘trusted advisors’. These are super critical people to understand and impress. The multiplier effect if you get trusted advisors on side is phenomenal.

**Let’s look at the economy** (sorry there’s not a lot of super good news in the economic indicators but they’re all averages, and no one markets to the average – that is no one who is still in business).

Take Consumer Confidence. The most important message about consumer confidence is the number (111.8 for June 7/8). Yes it's higher in WA and Victoria and lower in Tasmania. But a number over 100 means that more than half the population overall are optimistic (even if Consumer Confidence was below 100 – there's still almost half the population are confident).



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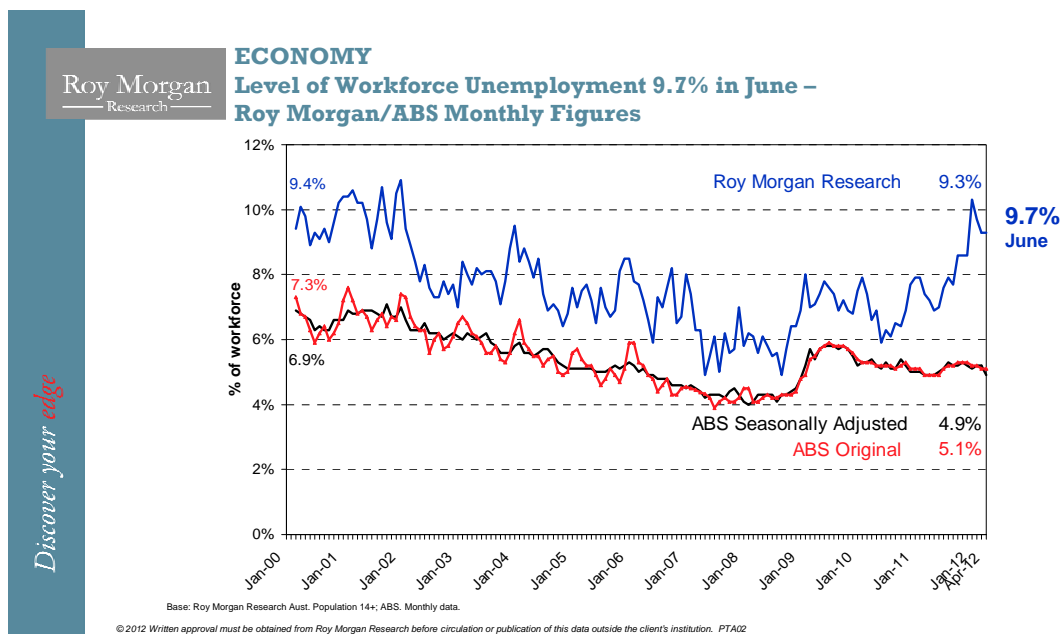
Everything we know about people across every category is that people who are confident and optimistic spend more and do more. So it is blindingly obvious we must 'talk to them'.

This is both a 'targetting message' but more importantly it is a 'communication style' message.

If you offer a positive optimistic promise, you will be heard by optimistic/confident people (and maybe some negative people).

If you present a fearful, negative, or depressed message 'times are really tough, so you should spend less', negative people still won't buy, and even confident/optimistic people will get depressed – a waste all around!

**Unemployment** is high (almost 10% of the workforce is unemployed). The June figure was particularly high because so many people simply stopped looking for work – the workforce itself shrunk. And to the unemployed we need to add the underemployed in total 2+ million Australians are unemployed or underemployed.



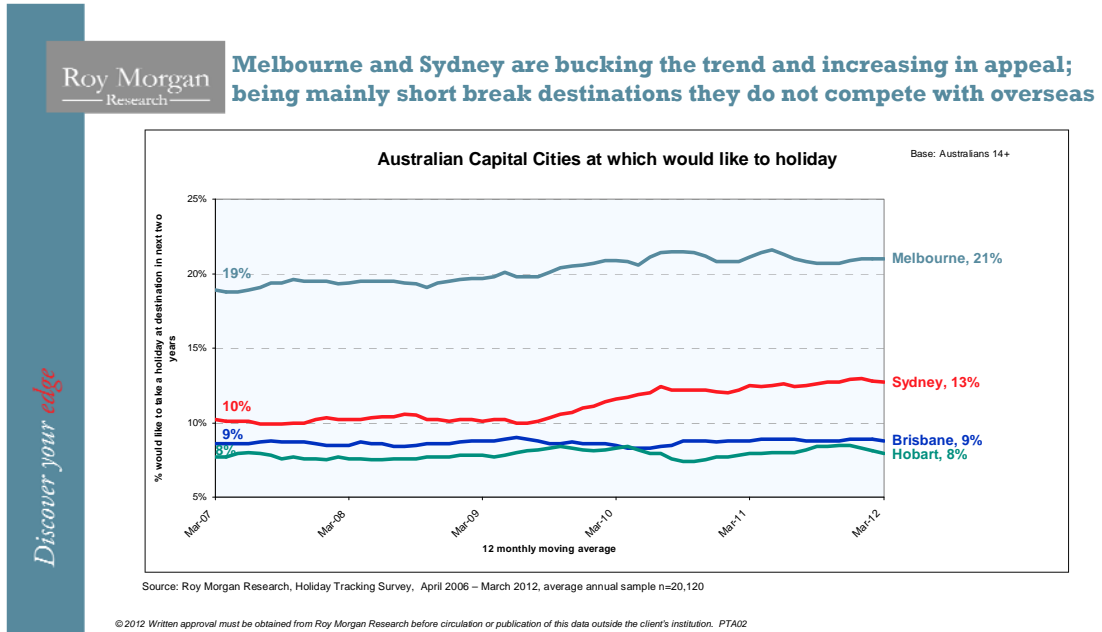
20

We know that when confidence is high and employment is strong people go on holidays. We know that when confidence is high and unemployment is an issue people spend on 'investments' like their home – and in this economy one of the industries that is flying is home renovations.

The opportunity exists to reposition the value of tourism – to create relevant value – this is very different to cutting prices or value for money. It is about the notion of **investing in yourself** – your wellbeing, your state of mind. The exact positioning will depend on the audience.

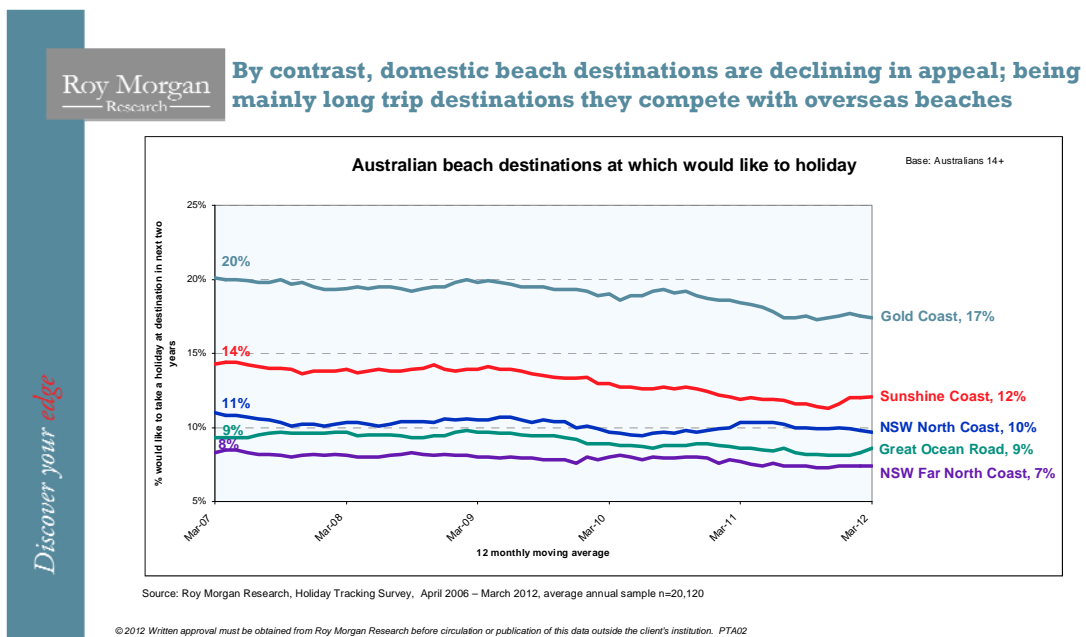
## Pick the winners

The Roy Morgan data shows while domestic tourism has trended down, capital cities like Melbourne and Sydney have bucked the trend. This is partly the short break market but there's more to it than that.



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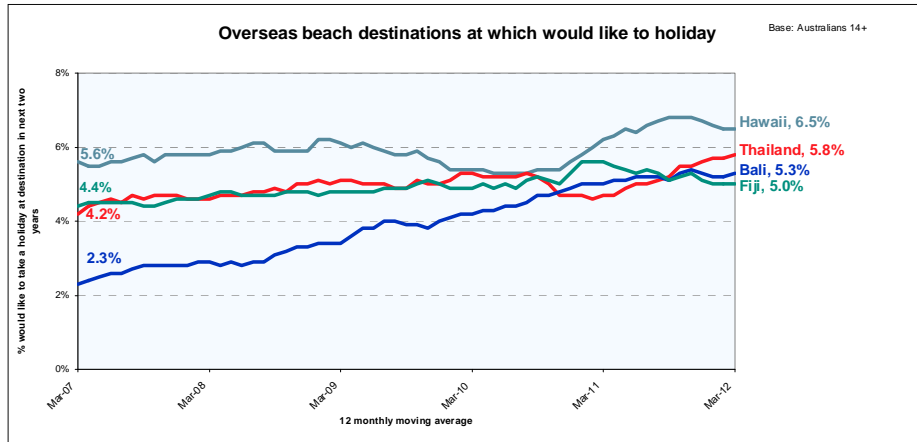
By contrast beach destinations have suffered, and we see an increase in alternative overseas beach destinations.



22

**Over the past five years Hawaii, Thailand, Bali and Fiji have grown in appeal for Australians**

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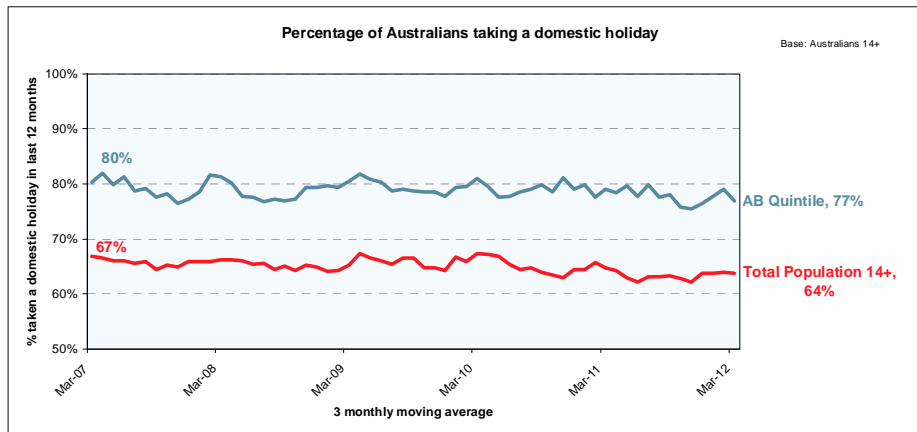
Source: Roy Morgan Research, Holiday Tracking Survey, April 2006 – March 2012, average annual sample n=20,120

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However, there are some segments of society that are consistently robust, positive, and keep the economy going against all odds.

**Pick the winners: groups that are more likely to take domestic holidays - AB Quintile\***

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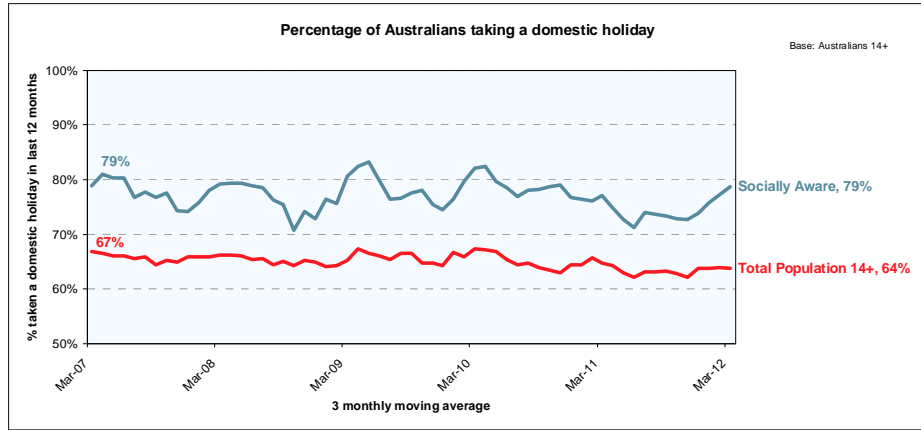


Source: Roy Morgan Research, Holiday Tracking Survey, January 2007 – March 2012, average 3 monthly sample n=4,952  
\*AB Quintile are the top 20% of Australians 14+ in terms of occupation, income and education.

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They are not the young under-30s, or the struggling families, or older pensioners; they are the more affluent ‘Socially aware’ and ‘Visible achievement’<sup>1</sup>, and affluent Baby Boomers.

**Pick the winners: groups that are more likely to take domestic holidays – Socially Aware\***



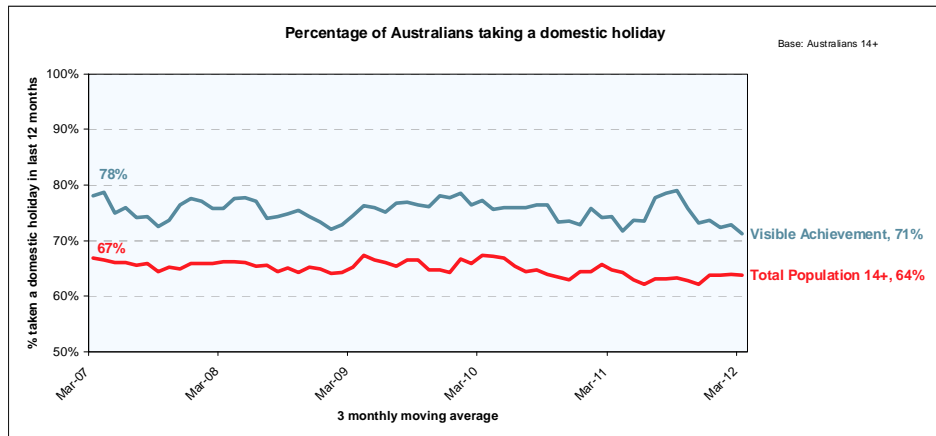
Source: Roy Morgan Research, Holiday Tracking Survey, January 2007 – March 2012, average 3 monthly sample n=4,952  
\*Socially Aware is one of the Values Segments devised by Michele Levine of Roy Morgan Research and Colin Benjamin of the Horizons Network.

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25

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**Pick the winners: groups that are more likely to take domestic holidays – Visible Achievement\***



Source: Roy Morgan Research, Holiday Tracking Survey, January 2007 – March 2012, average 3 monthly sample n=4,952  
\*Visible Achievement is one of the Values Segments devised by Michele Levine of Roy Morgan Research and Colin Benjamin of the Horizons Network.


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26

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These people are all spending way above their population weight. The data shows they too are considering their options – why wouldn't they, they always have. But they are making choices based on **what they'd like to do** – not just what fits their budget or what they can afford.

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## Understanding Values Segments

Socially Aware (16%)



- The highest socioeconomic group
- Progressive, liberal thinkers
- Try new or different things
- On holidays they are interested in nature and scenery, the beach, snowfields, local culture, museums, art galleries

Visible Achievement (17%)




- Proof of having made it up the social ladder
- Personal recognition, higher incomes
- Tangible rewards of success such as travel, recreation and high-quality homes, vehicles
- Choose holiday destinations which are trendy and to which their friends aspire

Values Segments devised by Michele Levine of Roy Morgan Research and Colin Benjamin of the Horizons Network

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These high yield targets are also more likely to be 'trusted advisors' so the multiplier effect applies as well.

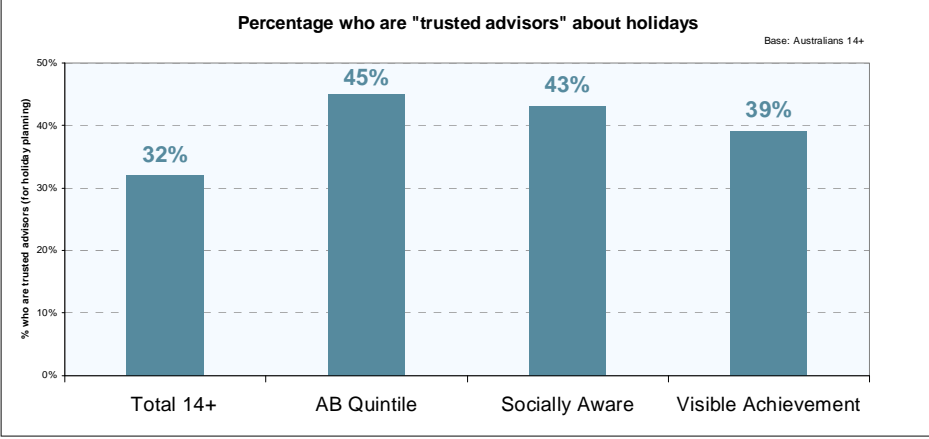
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## AB Quintile, Socially Aware and Visible Achievement are more likely to be "trusted advisors" about holidays – multiplier effect on visitation

**Percentage who are "trusted advisors" about holidays**

Base: Australians 14+



Segment	Percentage
Total 14+	32%
AB Quintile	45%
Socially Aware	43%
Visible Achievement	39%

Source: Roy Morgan Research, Holiday Tracking Survey, April 2011 – March 2012, n=19,690

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The Roy Morgan Business Survey also shows the optimistic businesses, those looking to the future, are embarking on new product development, looking for acquisitions and making decisions based on what they'd like to do, where they want and need to be in the future NOT just what they have in their budget.

### **So in summary – what are the opportunities for the domestic tourism market?**

- Short breaks rather than long.
- The trend towards 'spur of the moment' rather than long term planning – make sure you are there and get the gig, treat your digital media as a sales tool not just a marketing tool.
- Focus:
  - high yield
  - optimism
  - trusted advisors
- Experience matters – minimise bad experience because of the danger of viral transmission for bad experiences and encourage people to share their good experiences.
- Positioning a holiday as an investment in yourself: your career, your family, or your wellbeing.

### **Australia is even older than Roy Morgan Research**

Our tourism industry needs a rethink – it needs strategic investment; strategic intent on the part of the Government; recognising that tourism – a powerful service industry – directly relates to jobs.

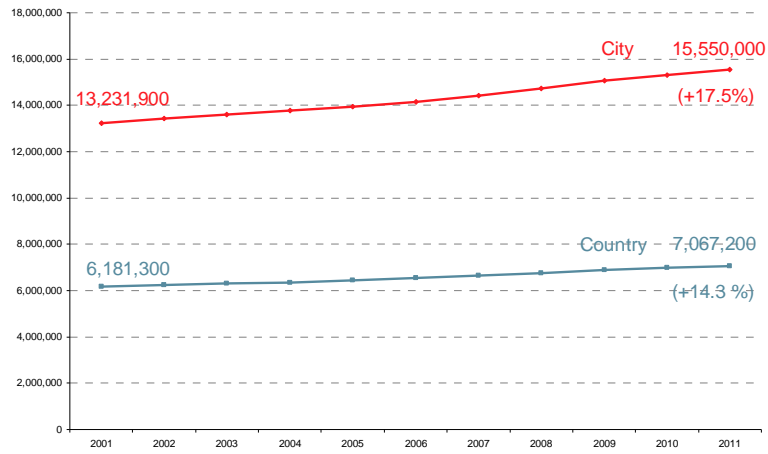
If there is any doubt – the last Roy Morgan **State of the Nation** demonstrated clearly that the real two speed economy is capital cities Vs country areas. Country areas are being left behind on every economic measure:

- population growth
- consumer confidence and business confidence
- education
- socioeconomic status

and unemployment is much higher outside cities.

**DEMOGRAPHICS**  
Population Growth – City V Country

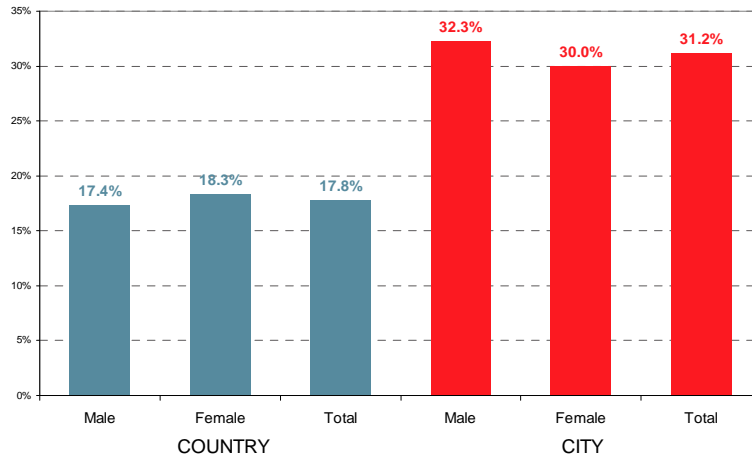
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Base: Aust Population  
Source: ABS Estimated Residential Population, June 30  
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**DEMOGRAPHICS**  
Have a Degree – City V Country

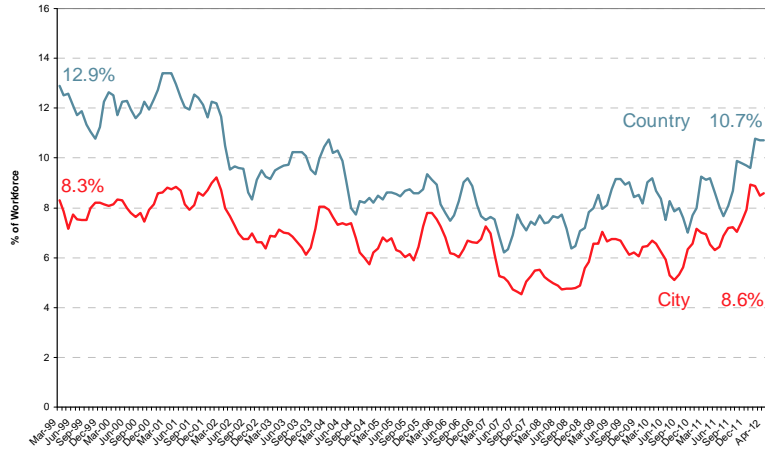
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Base: Aust Population 14+; Apr11 – Mar12  
Source: Roy Morgan Research  
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### UNEMPLOYMENT Level of Workforce Unemployed – City V Country

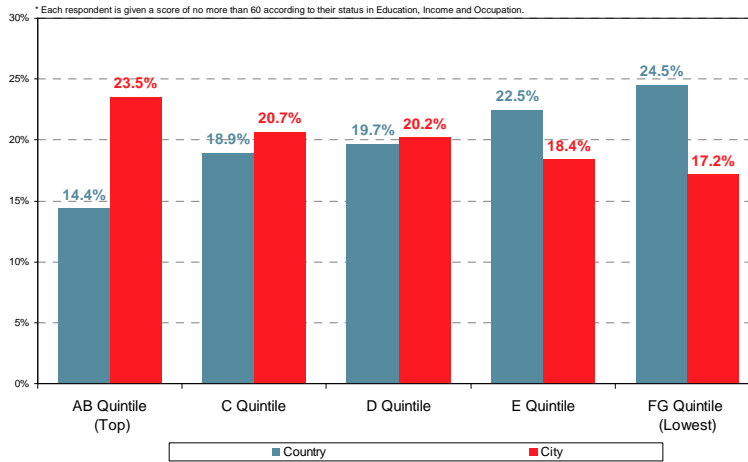
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Base: Aust Population 14+ in workforce  
Source: Roy Morgan Research; 3 monthly moving average  
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### DEMOGRAPHICS Socio Economic Scale – City V Country

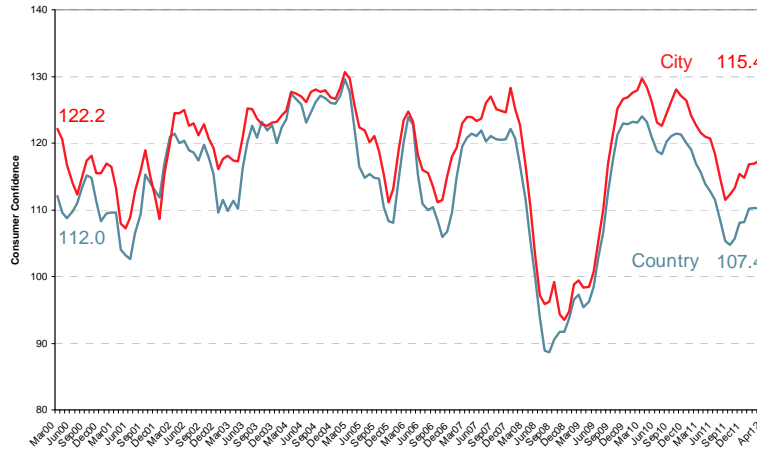
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Base: Aust Population 14+; Apr11 – Mar12  
Source: Roy Morgan Research  
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## CONSUMER CONFIDENCE Consumer Confidence – City V Country

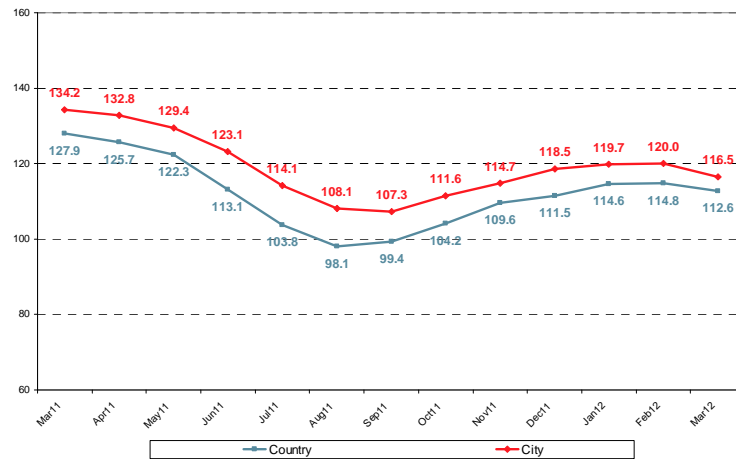
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Base: Aust Population 14+  
Source: Roy Morgan Research; 3 monthly moving average  
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## BUSINESS CONFIDENCE AND OUTLOOK Business Confidence

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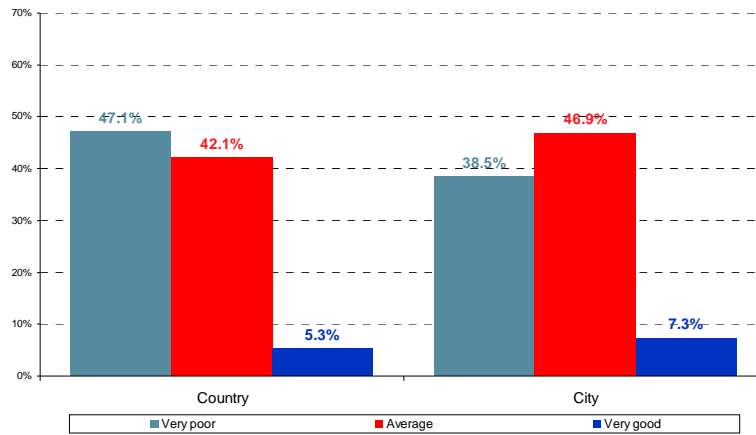


Base: Aust Businesses  
Source: Roy Morgan Research; 3 month moving average  
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**BUSINESS CONFIDENCE AND OUTLOOK**

**Performance of State Government in fostering a climate of Growth in the last 12 months – City V Country**

*Discover your edge*



Base: Aust Business, Jan12 – Mar12  
Source: Roy Morgan Research  
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Tourism is crucial to the survival of regional and rural Australia.

**But its not just Government.**

The tourism industry itself needs to invest for the future – driven by the best understanding possible about its customers and potential customers and strategic allies, and it will be deeply technology enabled.

In tough times, those who succeed are those who understand their customers and potential customers better than ever before, and better than their competitors and alternatives.

For further details contact:

Michele Levine, Chief Executive, Roy Morgan Research  
Office (0)3 9224 5215 Facsimile (0)3 9629 1250 Mobile (0)411 129 093  
E-mail: Michele.Levine@roymorgan.com