

WESTPAC ECONOMIC BULLETIN

The tourism sector in New Zealand.

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Paul Clark, Industry Economist

+64 9 336 5656

paul.clark@westpac.co.nz



What should tourism-orientated firms be doing to better leverage future opportunities?

Firms in the tourism sector have a great opportunity to grow in the post-Covid environment as international tourists return in force. This report argues that firms in the sector will better ensure their future prosperity by taking action to improve their adaptability.

Firms in the tourist sector will need to be better at sensing opportunities, be better able to organise the resources they need to grab those opportunities and then transform themselves to capture the added value from these opportunities.

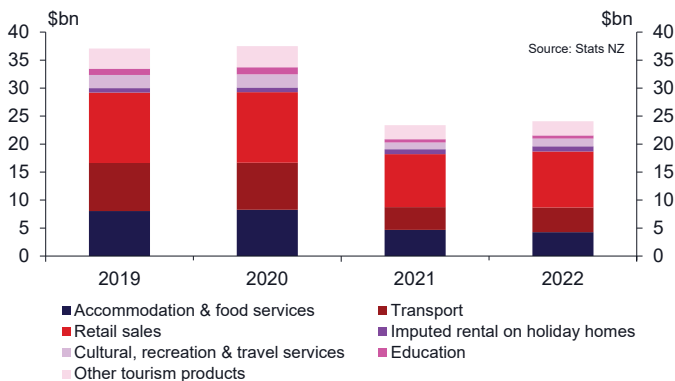
To achieve that, we recommend that tourism firms should:

- **Obtain and analyse data.** Expand their analytical capabilities by investing in new digital technologies. That will allow them to better detect changes in the operating environment. To that end, firms should be developing a superior ability to detect weak signals before they become big ones.
- **Create and leverage a tourism ecosystem.** Build capability through mergers and acquisition or by pursuing strategic alliances and joint ventures. Resulting economies of scale will provide the means to create new service offerings, while access to new technologies will encourage the development of services more personalised to tourist needs.
- **Engage with the customer on their terms.** Make sure that they are always in front of the customer, irrespective of when, where and how they might want to interact. Put simply, tourism firms need to ensure that they can deliver a purchasing experience wherever and whenever the customer wants to engage.
- **Eliminate barriers to innovation.** Remove factors that limit the ability to mobilise the resources needed to develop new services. Key here is the ability to free up the time of management and shift focus away from immediate operational concerns.
- **Use digital technologies** to develop completely new business models. Firms should use digital technologies to transform their operations, rather than using them to extract efficiency gains from existing operations.

Context.

The contribution tourism activities make to New Zealand's economy is significant. Before Covid struck in the early part of 2020, spending by tourists was worth a whopping \$37bn, excluding GST. Of that just over \$21bn was generated by domestic tourism, with a little under \$16bn coming from foreign visitor arrivals. In a normal year, spending by foreign visitors typically accounts for about a fifth of New Zealand goods and service exports, which is similar in magnitude to the contribution made by dairy exports.

Figure 1: Tourism sales by product (excl. GST) – March year



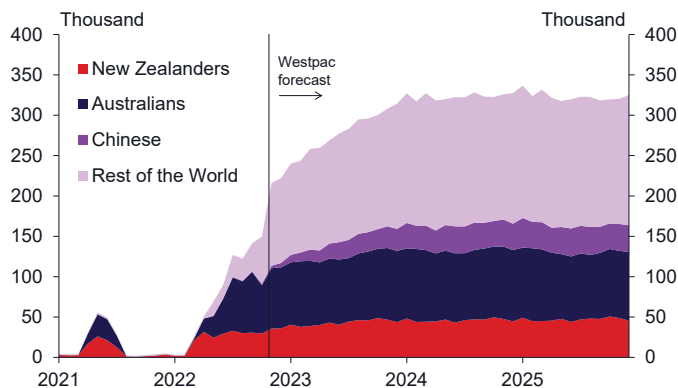
The arrival of Covid changed all of that.¹ The closure of the borders, and the sudden disappearance of foreign visitor arrivals threw New Zealand's tourism sector into disarray. Spending plunged, threatening the very viability of those dependent on international trade. Many would have floundered, had it not been for ongoing government financial support. That said, with the borders closed for the best part of 2 years, losses were still incurred.

It would have been a been worse had it not been for domestic tourism, which despite lockdown interruptions, provided some support over the period. However, marketing campaigns aimed at encouraging Kiwi's to "Do Something New" were not nearly enough to cover the financial hole created by still absent foreign visitor arrivals.²

Indeed, the recovery in industry fortunes only really began in early 2022, with the staggered opening of the borders. A release of pent-up demand saw an initial sharp rise in foreign visitor arrivals, which was followed by a period of consolidation. By early 2023, visitor arrivals from offshore, led initially by Australians and ex-pat Kiwis, and then from traditional source markets in Europe and North America, had recovered to almost two-thirds of pre-Covid levels.

Looking forward we expect domestic tourism in New Zealand will soften over the coming year. Ongoing increases in the cost of living and sharply higher interest rates are likely to force a reprioritisation in household spending and a rethink on what is considered by many to be a discretionary item. Add to that the lure of overseas travel. Kiwis now have choices, with many looking to reconnect with family and friends that live in foreign climes.

Figure 2: Visitor arrivals from abroad by citizenship

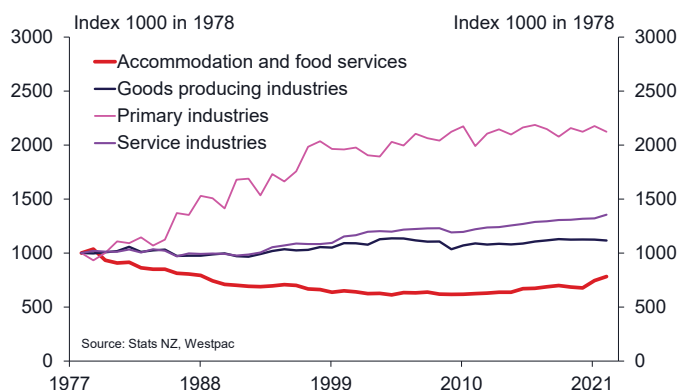


By contrast, the recovery in foreign visitor arrivals still has legs. We expect growth will continue to be driven by visitor arrivals from traditional source markets and increasingly China, our second largest market, previously off-limits because of their zero-Covid policy.

That should provide easy pickings for local tourism providers. But there is a limit to this. As time progresses and foreign visitor numbers approach pre-Covid levels, tourism firms will have to compete that much harder if they to grow market share and improve profitability. Lifting sector productivity will be key.

That's not to say the productivity in the tourism sector is necessarily low. Indeed, labour productivity in the tourism sector, expressed as the direct contribution to gross value add each worker makes, is relatively high when compared to other sectors in New Zealand and is not out of kilter with those in other jurisdictions. Indeed, using data from the OECD, we place it twelfth out of its 38-member peer group. Importantly, and perhaps somewhat surprising, labour productivity in New Zealand's tourism sector is higher than those markets that we traditionally view as being leading edge. Not only that but growth in labour productivity in the tourism sector has shown a positive trend over time. By comparison both New Zealand's primary and goods producing sectors reflect a declining trend in labour productivity growth.

Figure 3: Multifactor productivity by sector



The news is not so good, however, when capital and labour are combined to provide a more complete measure of operational efficiency. Capital in this regard refers to the infrastructure,

¹ Covid-19: Zero international arrivals marks low point for tourism | RNZ News

² Domestic tourism: The biggest winners in the second year since the Covid-19 pandemic struck NZ | Stuff.co.nz

machinery and equipment used to deliver tourism services. Although international estimates are not readily available, multifactor productivity for accommodation services, which we have used as a proxy for tourism throughout this report, has consistently underperformed other sectors of the New Zealand economy.

In large part that is because capital productivity in the tourism sector is lower than that in other sectors. It is however catching up, with growth in capital productivity tilting higher in recent years. The challenge facing the sector is how to further boost capital productivity, which will then drive multifactor productivity. The adoption of digital technologies will be key.

Increasing productivity through the adoption of new technologies is critical for firms that are looking to grow in an environment where growth opportunities will be harder to come by.

What do firms have to be good at if they are going to succeed?

While the opening of the borders has been the dominant factor driving the recovery in foreign visitor arrivals over the past year, this has tended to mask the impact of other factors, such as technological change, evolving customer preferences and ongoing supply-side challenges.³ These trends, already in train before Covid, are now gaining greater importance because of it. What's more, with the genie now out of the bottle, they are set to become ever prominent in the future.⁴

Tech and consumer preferences.

Technology has been a driving force behind changing consumer preferences, as travellers increasingly seek personalised and experiential touchpoints. In the tourism sector, virtual and immersive video is becoming an increasingly popular way for people to experience destinations without traveling.

According to Amadeus, a leading global travel technology company, 51% of people expect to be using virtual travel as part of their decision-making process in 2033.

Source: Lancelot LDN

Virtual Journeys NZ is encouraging the tourism industry to use digital innovations and technology to meet the high demand for visitor experiences in New Zealand.

Source: Adventure Travel Trade Association

These factors are likely to lift the competitive bar in the tourism sector. For example, the World Economic Forum previously estimated that in the decade to 2025, digital technologies will create up to US\$305bn of additional value within the sector, of which US\$100bn will transfer from traditional players to new digital competitors that operate innovative business models and have value-producing capabilities.

That suggests that those that continue to operate as they have traditionally done will face more challenging conditions in the future. However, for those that can keep pace with change, the portents are much better. But that will require an ability to foresee, shape, and adapt to the changing competitive landscape.

To that end, we think there are several things that firms must get right if they are going to be successful in the future.

Boost dynamic capabilities.

All firms strive to build internal capabilities that deliver a competitive advantage. However, to sustain that advantage, firms need to differentiate between ordinary and dynamic capabilities.

Simply put, ordinary capabilities refer to the standardised routines that firms adopt across the main dimensions of their business, such as operations, people, finance, marketing/branding, and technology. They can deliver a competitive edge, although that tends to be short-lived because they can usually be readily identified and if any good, copied by competitors.

By contrast, dynamic capabilities refer to the ability of a firm to integrate, build and reconfigure these ordinary capabilities in response to changes in the operating environment. Often built over a long period of time, these capabilities are typically unique to a firm, not easily copied, and because they are overarching, provide the underpinnings of delivering a superior customer service and sustainable competitive advantage.

The responsiveness of dynamic capabilities can be decomposed into three aspects, which jointly enable firms to achieve a superior and sustained performance. The first is the ability to *sense opportunities* generated from changes in the operating environment. The second is the ability to *mobilise the resources* and assets of the firm to grab those opportunities and the third is the ability to *re-configure and re-adjust* current business structures and operational capabilities to ensure that value add is sustained.

Firms that boost their dynamic capabilities are always ready for changes in their operating environment, are better able to maintain their competitive advantage and defend their market position.

³ [WTTTC-Staff Shortages-August22.pdf](#)

⁴ [Wanted: 65,000 workers for hospitality, tourism sector | Stuff.co.nz](#)

1. Sense opportunities

In simple terms, the better a firm can detect changes in their operating environment, the greater the chance that it will identify opportunities more quickly than its rivals, and the more likely it is that they will be able to generate a competitive edge. As one tourism firm in the Waikato suggested, the ability to read and understand the market is key to delivering a superior customer experience.

Firms that do it well have a superior ability to detect weak signals before they become big signals. That includes changes in government regulation, advances in digital technology, macro-economic developments, and socio-political undercurrents. In addition, firms with a “finger on the pulse” are also able to keep track of developments closer to home, such as changes in market structure, customer preferences, and competitor/supplier behaviour. Examples include accommodation providers, airlines and vehicle rental firms that look for feedback from customers, which they use to improve their service offering. A jetboat operator in Queenstown suggested that customer feedback on sites like TripAdvisor, was an important driver of revenue growth for this business.

Importance of Tripadvisor.

Tripadvisor is by far the world’s biggest travel review site.

About 96% of hotel and hospitality brands worldwide say that Tripadvisor reviews are influential in generating bookings.

Tripadvisor has reportedly 3.5m reviews of hotels, attractions, and restaurants in New Zealand, which suggests that many tourism firms in this country use it to monitor customer feedback.

Source: Tripadvisor

Sensing includes establishing analytical systems that scan, search, and explore activities across and within different operating environments.

Keeping tabs on what is happening in an increasingly complex operating environment is not easy. That is particularly true for the many small tourism firms operating in New Zealand that tend to be operationally focused and as such have neither the bandwidth nor wherewithal to undertake a detailed assessment of ongoing events in their operating environment. We estimate that the average tourism firm in New Zealand directly employs about three people, which is about half those employed by their counterparts in other OECD countries. The fact that these firms often represent a lifestyle choice of their owners and are not as growth oriented as those with a stronger commercial focus, suggest they may lack the peripheral vision needed to keep tabs on what is going on.

Indeed, most of what passes for an understanding of the operating environment is built off a combination of “word

of mouth” exchanges, customer feedback, media reports and data retrieved from in-house transactional systems. One industry source indicated that trade fairs were also an important source of information.

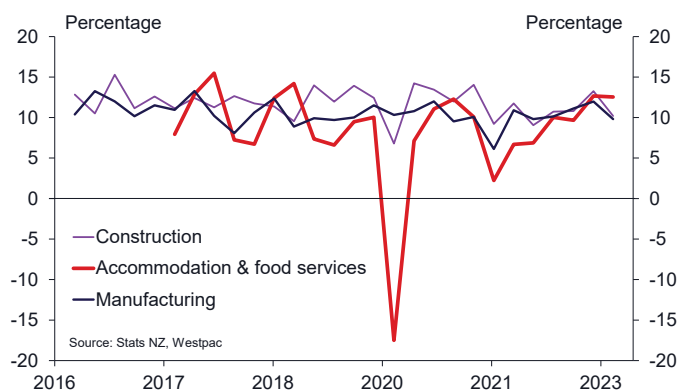
In some cases, firms rely on the understanding that others have of their operating environment. For example, many small accommodation providers depend on referrals from travel agents, better able to keep an eye on changing customer preferences.

The implication here is that many tourism firms operating in New Zealand see the same opportunities their competitors are also seeing and so may be missing out on others that are not immediately evident. That in turn limits revenue growth.

But it not only opportunities that are being missed. An inability to keep tabs on what is happening in the operating environment also means that threats can be overlooked, which in turn increases business risk.

That is particularly relevant for the tourism sector, where margins are typically more volatile than in other sectors. In part that reflects a heightened sensitivity to shifting customer preferences, changes in the economic cycle, and the impact of advances in technology. The sector is also vulnerable to unforeseeable shocks such as natural disasters, terrorist events and, of course, public health crises such as Covid. For example, British travel firm, Thomas Cook, which had revolutionised the package holiday, came unstuck in 2019 because it didn’t adapt to changes in its operating environment, such as the internet revolution occurring in holiday booking and uncertainties relating to Brexit, which hit sterling’s buying power abroad.

Figure 4: Operating margins by sector



The question then is whether anything is likely to change. At a sector level it should. The sector is profitable and returns are good, so it has the ability to invest. Data from the Annual Enterprise Survey (AES) suggests that the accommodation and food services sector had an average ROE of 17% between 2013 and 2022. That’s about 5% higher than the average for all industries in New Zealand.

But these sectoral level indicators are dominated by the performance of the larger, more profitable operators. The reality is that this is a highly fragmented sector, dominated by small cash strapped firms, many of whom struggle to keep their heads above water even in the good times. They

may be profitable, but not nearly enough to make the type of investment in analytical capabilities needed to make a meaningful improvement in their ability to sense changes in their environment.

Furthermore, we think that the factors that have limited the ability of tourism firms to sense opportunities in the past will continue to do so in the future. As already mentioned, most tourism firms are concerned with operational and service delivery issues that have an immediate effect on the bottom line. Stretched for time and under resourced, many do not have the capacity to look beyond the short-term.

That doesn't mean that change will not come. We think that as costs fall, tourism firms will increasingly look to new digital technologies that use advanced algorithms in conjunction with big data, artificial intelligence (AI), and natural language processing, to improve their analytical and thus sensing capabilities.

But that is likely to be a slow drawn out process. A quicker option, but perhaps more disruptive in the short-term, is for the sector to consolidate through mergers and acquisition activity or joint ventures. We think that industry consolidation would create the economies of scale necessary for substantive investment in sensing capabilities and the technologies that underpin them.

Tourism firms need to invest in new technologies that enable them to detect weak signals in their operating environment.

2. Seize opportunities.

At best, the ability to scan the operating environment and sense what opportunities are out there, is a necessary condition for success. However, it is not a sufficient one.

Figure 5: Barriers to innovation in accommodation and food services



A firm also needs to be able to mobilise the necessary resources and associated capabilities to develop new services and seize these opportunities. Resources in this regard refer primarily to a firm's capital stock (tangible and intangible assets), methods of organising workflows (systems and processes), organisational structure, and human capital (skills and competencies).

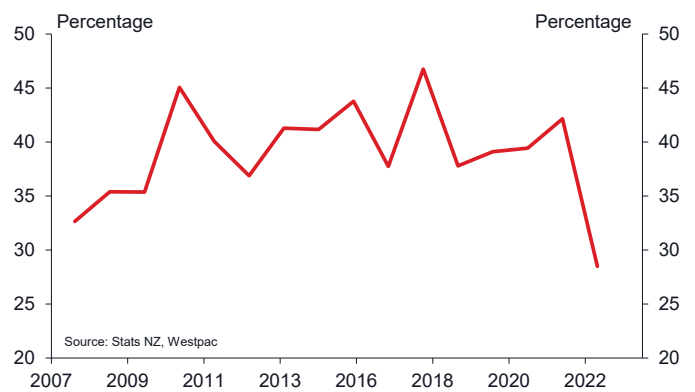
Mobilising resources though can be a challenge. Among other things it requires an innovative mindset or a willingness to change to meet the market head on. That is not always evident in the tourism sector, where firms face significant barriers that prevent them from innovating. According to Stats NZ Business Operations survey, most firms viewed the cost of developing new services, a lack of management time and having access to suitable staff resources, as being the major barriers to innovating. By contrast the licensing of patents or copyrights and lack of cooperating firms are not seen as major barriers.

At a more technical level, seizing opportunities is about the design of new business models, understanding what resources and capabilities are needed as a result, and being able to identify where the gaps might be. That then forms the basis for decisions on how to best address those gaps.

Often that can be achieved through purchases on the open market, with prices reflecting the imbalance between supply and demand.

Alternatively, firms may look to develop their own resources and capabilities, especially if they are unique and mission critical. That requires two things: investment in research and development (R&D) and a propensity to innovate. On both counts, tourism firms in New Zealand, perform poorly. According to Stats NZ, accommodation and food services providers spent an average of \$2.5m on in-house R&D over the past decade. That's not much for a sub-sector that generates an income of about \$16bn annually. Accommodation and food services providers are not particularly innovative either, with less than 50% of firms developing/introducing new services, processes or work organisation methods each year. Covid related lockdowns, saw that percentage dropping sharply in early 2022.

Figure 6: Percentage of accommodation & food service firms that introduce new services, processes & methods



Despite this, there is a recognition in the sector that innovation is important. Several industry sources suggest that tourism services and products can become stale quite quickly, so it was important to continuously innovate and cannibalise service offerings to keep ahead of the game. That can take many forms. One hotelier in Hokitika, for example, indicated that they had seen a big gain in patronage following the total rebuild of their hotel's public space. A large tourist attraction in the Waikato indicated that they add something new every year. Both firms confirmed the need to keep up with changes in technology.

The ability to innovate is critical for firms that are looking to seize opportunities.

Another approach is to identify and develop partnerships and joint ventures with other firms to create a tourism ecosystem. That's popular with tourism operators that find they cannot provide all the pieces of a solution themselves and so must work with other businesses to access what they need. Going the acquisition route is another way to permanently add needed resources and capabilities, although that may be a bridge too far for New Zealand's cash strapped tourism firms. According to the AES, many firms in the tourism sector face liquidity issues, meaning that they are often unable to meet their financial obligations.

Figure 7: Percentage of accommodation & food service firms that cooperate with others on innovation



However, working with other businesses is not just limited to those in the tourism sector. While it is common for best practice tourism firms in New Zealand to partner with others that offer complementary services to reach new customers, they also look to collaborate with businesses outside of the tourism sector to help them maximise the returns on investments made to develop their own capabilities. Indeed, several industry sources indicated that they were working with technology providers to improve their marketing capabilities, with a focus on search engine optimisation (SEO) and targeted advertising. Others suggested that they work with IT firms so that they can digitally share data with other tourism firms that provide complementary services.

The ability to access capabilities is critical for tourism firms that look to seize opportunities.

3. Transformation.

The ability to seize opportunities is about accessing resources/capabilities and designing new business models. Transformation, however, refers to the implementation of new business models and how easily these resources and capabilities, together with other assets of the firm, might be configured to deliver on these seized opportunities.

It's this ability that largely determines a firm's competitive advantage. Simply put, the quicker a firm can implement new business models and mobilise its resources in response to changes in its operating environment, the more adaptable it is to changing circumstances and likely it is to prosper during uncertain times. Several industry sources indicated that because of Covid they quickly redeveloped how they market themselves and communicated with domestic audiences.

There are several factors that are key here.

The first is human capital. At one level this is a numbers game. Staff shortages are evident across the sector, with many people having been laid off during Covid. Unable to attract these people back, and until recently not helped by prevailing migration settings, many tourism firms have been forced to come up with innovative ways of attracting new staff. One industry source that operates a large attraction in the Waikato, for example, indicated they were actively recruiting through social media as well as college open days.

At another level, human capital is about quality. Employees that are knowledgeable and experienced are usually better at understanding how the resources of the firm need to be reconfigured to cope with an ever-changing environment. Not only that, but implicit and explicit knowledge is key to determining a firm's ability to solve problems and create new knowledge that ensures a competitive advantage. Several industry sources confirmed that training was important to ensuring a good customer experience and returnee customers.

All the tourism firms we talked to emphasise the importance of having good people as well as a strong internal culture that provides a sense of belonging. With tourism largely being a "people" business, it is imperative that staff at all levels of the firm are not only knowledgeable but have well developed soft skills. A large tourism attraction in the Waikato suggested that having passionate people at every level of his firm was key to delivering superior customer experience.

There are many ways in which firms within the sector can develop their human capital. Education is key, with best-in-class firms already providing industry specific training. Firms might also consider funding employee enrolments on external training courses, while others may focus on providing intensive on the job training. Developing a work culture that encourages workers to think outside of the box and innovate more is another way that firms might look to develop their staff. Some firms also divide their labour into niches, which encourages specialisation. Lastly, firms might also want to increase diversity in their workforce. According to a recent McKinsey study, executive teams with ethnic and gender diversity are 36% and 25%, respectively, more likely to achieve financial outperformance.⁵

The second is organisational learning. Firms that are better able to transform are usually those that have embedded learning in their organisational structures, processes, and routines. Often this learning comes direct from customer interactions, which occurs at every level of the firm. This focus on learning and ongoing renewal also attracts and generates engaged and productive human capital.

⁵ How diversity, equity, and inclusion (DE&I) matter | McKinsey

Learning is also critical for a firm's ability to influence, adapt to market conditions, and thrive over the long run. Given that, it's not surprising many larger firms in the tourism sector actively create or plan to adopt a culture of lifetime learning. They also recognize the connection between inspiring employees to learn continuously and keeping their organisation in step with today's pace of change.

The ability to “orchestrate changes”, build new capabilities, transform the asset base, and reconfigure processes is crucial if firms want to stay ahead of their competition in a rapidly changing environment.

Digitalisation not digitisation.

Building the dynamic capabilities needed to deliver a competitive edge depends in part on being digitally smart. Put simply, firms that embrace new digital technologies that make it easier for customers to interact/transact, deliver improved operational efficiencies and lift productivity levels are likely to gain market share and outperform those that don't.

Digitisation in tourism.

According to the World Economic Forum's Digital Transformation Initiative (DTI), digitisation processes in the travel, tourism, and aviation sectors will be worth up to US\$305bn between 2016 and 2025.

The same report estimates that digital transformation will bring benefits worth \$700bn to customers and society. Interestingly, the process is expected to migrate about \$100bn in value from traditional businesses to their new digital competitors.

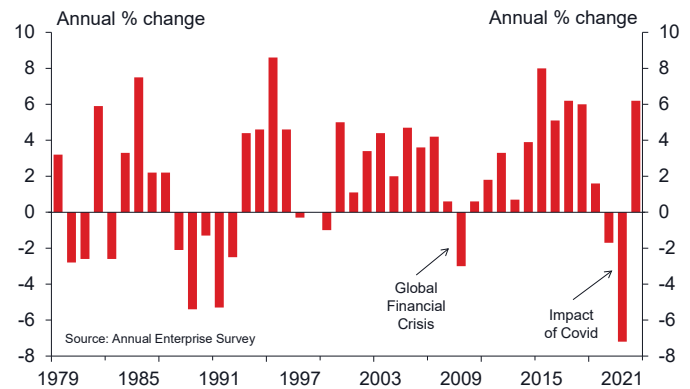
Source: Stratoflow

Internationally at least, the tourism sector has been at the forefront of the digital revolution and has been an early adopter of new technologies and platforms, with hotels, travel, and tourism services among the first to embrace online/mobile booking and the sharing economy. However, it's the more recent advances in AI, robotics automation, chatbots, augmented reality (AR), virtual reality (VR), blockchain technology, the internet of things (IoT) and location-based services, the adoption of which have been accelerated by Covid, which have really begun to revolutionise the sector, not only in terms of how services are delivered, but also what services are delivered and when.

To that end, AI and big data coupled with data analytics are being used to sense opportunities. That in turn is increasing the level of analytical maturity within the sector, with firms overseas increasingly looking to predict what will happen in their operating environment and identify opportunities that this might throw up.

Other technologies are being used to seize these opportunities and transform business models. That includes robotics automation and web-based tools, which are disrupting work organisation methods, and making internal processes quicker, simpler, and more accurate. That in turn is leading to greater operating efficiencies and spurring on productivity gains. Examples include the Hilton group of hotels, which uses intelligent robots to provide directions and other tourist information in response to human speech.

Figure 8: Growth in multifactor productivity – accommodation & food services



Technology is also changing the consumer face of tourism in some sub-sectors. Tourism firms are increasingly leveraging off the advertising muscle of social media, such as Facebook and Twitter, and employing immersive technologies such as AR, VR, and platforms such as the Metaverse to more effectively market tourism destinations. Chatbots and online virtual assistants are increasingly being used by firms to improve customer service, reduce costs, and speed up response times. Importantly, these are the kind of technologies that are enabling mass customisation⁶ and the provision of more personalised tourist services. Viahero, for example, is a travel service that connects travellers digitally with a local person who lives in their destination area. For a flat fee, the “hero” creates an entirely personalised, individualised itinerary for travellers, including detailed maps and even online or phone support.

Digital technologies are facilitating a shift towards tourism services that are tailored to the individual customers.

These technologies are being used in New Zealand, although the pace of adoption has been relatively slow. According to the Adventure Travel Trade Association, education and awareness are the main issues preventing tourism businesses in New Zealand from taking full advantage of the benefits of technology.

Indeed, tourism firms here are more about digitising their existing operations, as opposed to making the big structural changes that optimise the use of new technologies. Put more simply, most tourism businesses in New Zealand are not using digital technologies to transform their operations.

⁶ Mass customisation is a process that combines the individuality of customisation and the advantages of mass service delivery to meet changing customer requirements.

That reflects the fact that most firms operating in this sector are small firms focused on the “here and now”, as well as the level of investment that would be required to transform their operations.

Tourists though are embracing digital technologies. Mobile, has already taken centre stage, with consumers more generally using smartphones to research and book tourism products and services. It is estimated that more than 90% of travellers now research their holidays online. The proportion of online travel sales via mobile has been steadily increasing, accounting for nearly 50% of all digital travel sales in 2022. Searching online using a mobile device is becoming increasingly common, especially with younger tourists aged 18 to 34, who are twice as likely to discover travel destinations via mobile than travellers aged 35 and over.

These trends have real implications for tourism firms. Indeed, with potential tourists using all manner of digital technology to interact, firms that provide tourism services will have to look at marketing their services across a range of different channels, both physical and digital. Put simply, tourism firms need to ensure that they can deliver a purchasing experience wherever and whenever the customer wants to engage.

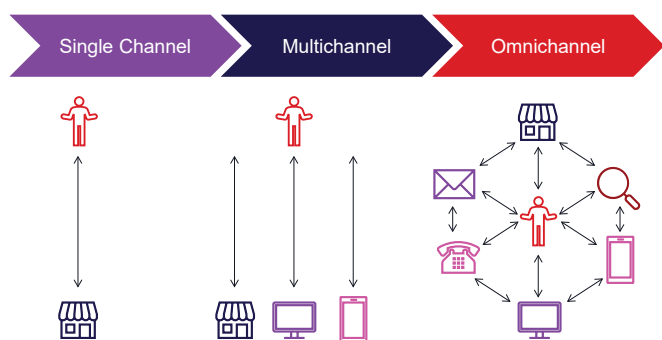
Omnichannel model in the tourism sector

Customers expect the tourism sector to have the answers always available; that whenever they need it, the tourist provider should be ready to help.

Specifically, tourist providers must take control of all possible communication channels, including messaging apps, chatbots, dedicated software development teams, social media, booking platforms, email, etc.

Source: Drew Global Business Consulting

Figure 9: Omnichannel vs multichannel marketing



Source: The Association of National Advertisers (US), Westpac

To an extent that is happening already. Many tourism firms in New Zealand have both a physical shop-front and an online presence complete with e-commerce capabilities. However, while many can deliver a multichannel capability, few are able to provide omnichannel capability that integrates various marketing channels to provide the tourist with a seamless purchasing experience across different devices. Air New Zealand is one example of a tourism firm that offers a true omnichannel capability. And that is important. According

to technology-based tourist operator, eRoam, 60% of online purchasers beginning their shopping journey on one device before switching to another.

Furthermore, the average booking for accommodation involves 45 touchpoints across a range of different channels and devices. The implication here is that in addition to being there whenever the potential tourist wants to engage, it is equally important to deliver the infrastructure/capability to engage. That is a key factor driving customer loyalty. According to Bloomreach, loyal customers will end up spending 67% more than new tourists.

Omnichannel touchpoints are essential for improving the overall tourism purchasing experience.

Boiling this down.

Firms in the tourism sector that have a competitive edge are better at sensing opportunities that exist in their operating environment, are able to organise the resources they need to seize these opportunities and are able to transform themselves to lock in added value.

To deliver on these critical success factors, we think that firms operating in the tourism sector should:

- **Obtain and analyse data.** Expand their analytical capabilities by investing in new digital technologies. That will allow them to better detect changes in the operating environment. To that end, firms should be developing a superior ability to detect weak signals before they become big ones.
- **Create and leverage a tourism ecosystem.** Build capability through mergers and acquisition or by pursuing strategic alliances and joint ventures. Resulting economies of scale will provide the means to create new service offerings, while access to new technologies will encourage the development of services more personalised to tourist needs.
- **Engage with the customer on their terms.** Make sure that they are always in front of the customer, irrespective of when, where and how they might want to interact. Put simply, tourism firms need to ensure that they can deliver a purchasing experience wherever and whenever the customer wants to engage.
- **Eliminate barriers to innovation.** Remove factors that limit the ability to mobilise the resources needed to develop new services. Key here is the ability to free up the time of management and shift the focus away from immediate operational concerns.
- **Use digital technologies** to develop completely new business models. Firms should use digital technologies to transform their operations, rather than using them to extract efficiency gains from existing operations.

Contact the Westpac economics team

Kelly Eckhold, Chief Economist

+64 9 348 9382

Nathan Penny, Senior Agri Economist

+64 9 348 9114

Any questions email:

electronics@westpac.co.nz

Satish Ranchhod, Senior Economist

+64 9 336 5668

Paul Clark, Industry Economist

+64 9 336 5656

Darren Gibbs, Senior Economist

+64 9 367 3368

Shania Bonenkamp, Graduate

shania.bonenkamp@westpac.co.nz

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