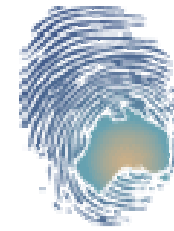




MONASH University



NATIONAL
CENTRE FOR
AUSTRALIAN
STUDIES

The Billion Dollar Backpackers: Tourism Trends 2010 Update

Dr Jeff Jarvis

Tourism Fiji – Fiji Islands Backpacker Association

Backpacker Tourism Workshop

30 April 2010



Backpackers in Australia: The 10 year boom segment

* WHM visa changes took effect 2005

- **Between 1999 – 2009 backpacker arrivals have grown by 40% to 570,000, nights up 66.5%**
- ***Total backpacker arrivals between 1999-09 5.48 million***
- **Non backpacker arrivals have grown by 23.3%**
- **Backpacker arrivals growth since 2004* – 18.3%**
- **Non Bp arrivals growth since 2004* – 6.7%**
- **Nights have increased by 17.4 million nights to 43.8 million nights in Australia (24.7% of all international visitor nights)**
- **2009 ‘backpacker industry’ worth \$3.48 Billion**
- **Average 2009 length of stay 76 nights, spend \$6114**

Backpackers in Australia 2009 v 2005

Visitor Numbers

| | | |
|--------------------|----------|---------|
| • (1) UK | 128, 274 | +0.3% |
| • (2) Germany | 57,013 | +32.6% |
| • (3) Other Europe | 50,196 | +16.7% |
| • (4) USA | 49,804 | +8.8% |
| • (5) France | 36,778 | +102.6% |
| • (6) Scandinavia | 29,832 | +12.9% |
| • (7) New Zealand | 29,087 | - 0.4% |
| • (8) Korea | 26,879 | +15.4%j |
| • (9) Canada | 25,147 | +39.1% |
| • (10) Japan | 21,516 | -31.2% |

Backpackers Major Market* performance 2005 -2009

Over 10,000 arrivals 09

Japan -31% and Switzerland -14%

| <u>Market</u> | <u>% growth</u> | <u>Number 2009</u> |
|--|-----------------|--------------------|
| • (1) Taiwan | 317% | 12,383 |
| • (2) France | 103% | 36,778 |
| • (3) Italy | 80% | 11,896 |
| • (4) Canada | 39% | 25,147 |
| • (6) Germany | 33% | 57,013 |
| • (7) Holland | 19% | 15,934 |
| • (8) Other EU | 17% | 50,196 |
| • (9) Korea | 15% | 26,879 |
| • (10) Scandinavia | 13% | 29,832 |
| • (11) USA | 9% | 49,804 |
| • (12) UK | 0% | 128,274 |
| • * Market concentration around UK & Nth Europe is diminishing | | |

Backpackers in Australia 2009 v 2005

Nights

| | | |
|--------------------|-------------|---------|
| • (1) UK | 8.7 million | +1.8% |
| • (2) Germany | 4.5 | +83.5% |
| • (3) Other Europe | 4.3 | +46.1% |
| • (4) Korea | 4.1 | +82.4% |
| • (5) France | 3.2 | +170.7% |
| • (6) USA | 2.4 | +10.3% |
| • (7) Japan | 2.1 | -22.3% |
| • (8) Canada | 2.0 | +65.5% |
| • (9) Scandinavia | 1.9 | +28.1% |
| • (10) Taiwan | 1.9 | +4088% |
| • TOTAL | 43.8 | +37.2 |

Why is backpacking (still) booming???. . . .

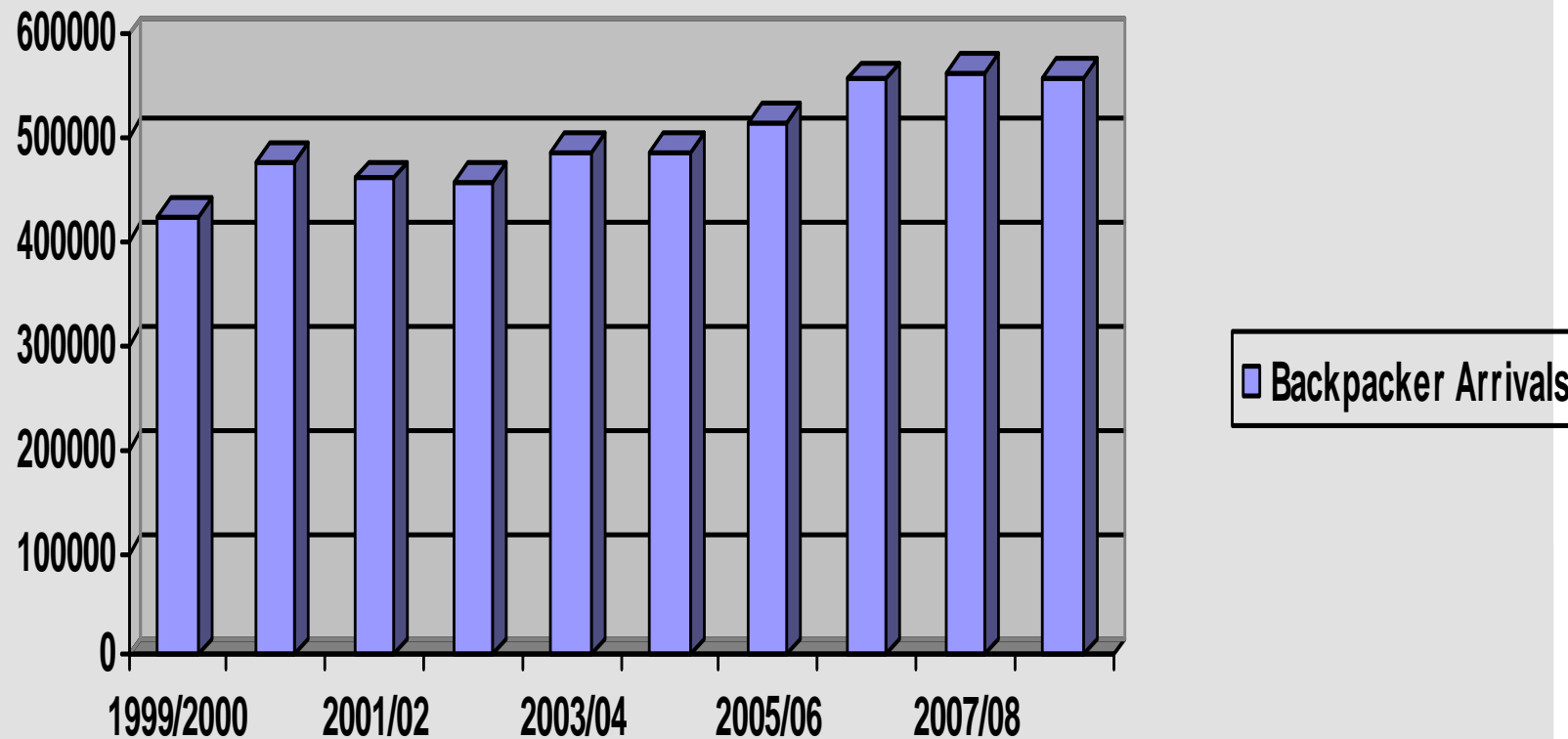
- **(a) Socio-Cultural**
 - Gap year phenomenon (Especially ex UK)
 - Career breaks (Changed work environment)
 - Globalization (travel = investment in future career)
 - University Internationalisation (Exchange programs)
 - The rise of the New 30s (Delaying children, marriage)
- **(2) Economic**
 - World GDP growth over recent years, GFC
 - Declining 'real' costs of travel eg: STA \$A1399 RTW
- **(3) Political**
 - Visas (eg: Expansion of WHMs) or visa free travel
- **(4) Travel Industry**
 - Specialist agents (Eg: STA Travel)
 - Airline alliances & Round the World (RTW) airfares
 - Global-budget airlines (Air AsiaX) (Cut costs of travel)

Backpacker Varieties in Australia

Jarvis 2007 (Segmentation based on how they found the time to travel)

- **(1) Holiday Backpacker**
 - > Short-term backpacker on paid holidays. Older, mid 20s, repeat visitation. Strong recent growth. Have \$\$ to spend
- **(2) Gap Year Backpacker**
 - > Gap between school and university. 18-19 y olds
 - > 'Party backpackers' & 'Volun-tourism'. Use WHM visa
- **(3) University Gap Traveller**
 - > (a) End of year and (b) end of course travel. 20-24 y olds
- **(4) Career breaker (Flash-packer)**
 - > Break from established career, (financial resources)
 - > 26 +, Social, quality accommodation (Design Hostels)
 - > Can use WHM visa (under 31). Boutique hotels, 5 star
- **(5) Study Backpacker**
 - > Study in Australian university and backpack in the breaks
- **(6) Grey Nomad**
 - > Over 55 mature traveller, Self drive popular, boutique hotels, Retired or on extended trip.

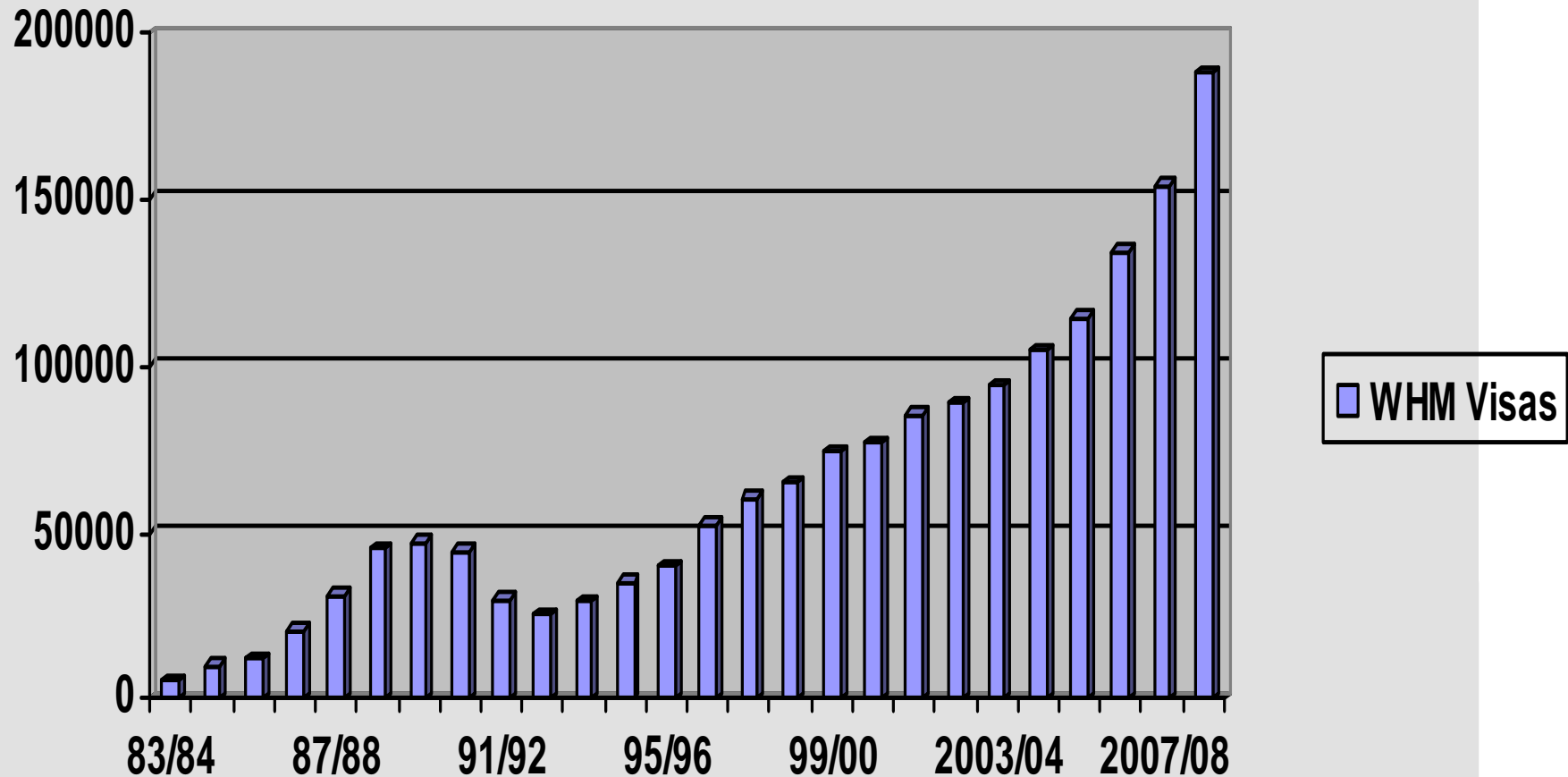
Backpacker Arrivals 1999/2000 – 2008/09



WHM Visas issued 1983/84 – 2008/09

27.3% of the Backpacker Market in 2007/08

2008/9 +21.7% Growth over 2007/8 (79.8% growth since 2004/5)



Backpackers by State 2005 – 2009

Visitors

| • State | 2005 | 2009 | %cng |
|---------|---------|---------|------|
| • NSW | 383,386 | 446,765 | 16.5 |
| • QLD | 323,073 | 369,746 | 14.4 |
| • Vic | 213,217 | 259,240 | 21.6 |
| • SA | 85,038 | 98,721 | 16.1 |
| • WA | 92,897 | 102,830 | 10.7 |
| • TAS | 31,363 | 38,807 | 23.7 |
| • NT | 108,933 | 126,236 | 15.9 |

Backpackers by State 2005 – 2009

Nights (Millions of nights)

| • State | 2005 | 2009 | %cng |
|---------|------|------|-------|
| • NSW | 10.1 | 13.6 | 33.8% |
| • QLD | 9.4 | 14.1 | 50.7 |
| • Vic | 5.1 | 6.7 | 32.0 |
| • SA | 1.2 | 1.6 | 36.8 |
| • WA | 4.1 | 4.5 | 10.8 |
| • TAS | 0.4 | 0.7 | 80.1 |
| • NT | 1.0 | 1.6 | 57.1 |

Backpackers by Length of Stay in Australia

| • Category | 2005 | 2009 | %CNG |
|--|------|------|-------|
| • 1-9 Nights | 0.4 | 0.5 | 12.7 |
| • 10-39 nights | 4.6 | 4.6 | -0.1 |
| • 40-99 nights | 7.1 | 7.6 | 6.5 |
| • 100-199 | 8.3 | 12.1 | 45.1 |
| • 200+ | 11.3 | 18.9 | 67.0% |
| • NB: Number of 200+ night backpackers increased by 71% - 67,500 | | | |

Backpackers by Age Group 2005 - 2009

- **Age Group** **2009 nights** **% Change 05**
- **20 - 24** **20.2mn** **29.5%**
- **25 – 29** **14.5** **57.1**
- **30- 34** **3.2** **60.6**
- **35 – 39** **1.0** **32.3**
- **NB: 25-34 year olds added over 6.5 million nights**
- **Backpackers who visited 21+ destinations in Australia increased by 55.5%**

Key Destinations 2005 – 2009

Nights

| • Destination | 2009 | % cng 05 |
|------------------|------|----------|
| 1. Sydney | 10.7 | 31.4 |
| 2. Melbourne | 5.6 | 30.8 |
| 3. Brisbane | 5.0 | 72.6 |
| 4. Perth | 3.2 | 5.6 |
| 5. Nth Qld | 3.2 | 26.4 |
| 6. Gold Coast | 1.5 | 37.8 |
| 7. Adelaide | 1.2 | 27.8 |
| 8. Byron Bay | 0.9 | 17.0 |
| 9. Whitsundays | 0.9 | 16.1 |
| 10. Sunshine Cst | 0.8 | 139.3 |

Growth Destinations 2009 – 2005

Nights (Millions)

| | | |
|--------------------------|-------------|---------------|
| • Bundaburg (Qld) | 0.6 | 185.1% |
| • Darling Downs | 0.2 | 139.8 |
| • Southern (Qld) | 0.2 | 552.9 |
| • Central Cst NSW | 0.1 | 215.4 |
| • North West (WA) | 0.07 | 166.8 |

Backpackers and the Working Holiday Maker (WHM) Visa

- **Australia permits young people 18-30 from 19 (23*) countries to work for 12 months in Australia**
- **Encourages cultural exchange and closer ties to permit an extended holiday supplemented by short term employment**
- **In 2005 significant changes were made**
 - > Maximum of 6 months in one employer (up from 3 months)
 - > A second visa of 12 months was made available if 90 days were spent working in regional Australia on the first visa. Eg: Fruit picking, construction, pearling

Dept of Immigration and Citizenship study 2007/08:

Estimated each WHM spends over \$13,200 in Australia = market value at \$1.8 Billion

- For every 100 WHMs that arrive, 6.3 **additional** jobs are created in the domestic economy



Australian WHM visas issued 2007/2008

(Source: Department of Immigration and Citizenship, 2008)

| Rank | WHM Visa Country | Visas issued 2007/08 |
|------|------------------|----------------------|
| 1 | UK | 34,145 |
| 2 | KOREA | 32,635 |
| 3 | GERMANY | 17,438 |
| 4 | IRELAND | 17,120 |
| 5 | FRANCE | 11,005 |
| 6 | JAPAN | 10,599 |
| 7 | CANADA | 8,090 |
| 8 | TAIWAN | 6,132 |
| 9 | SWEDEN | 3,914 |
| 10 | NETHERLANDS | 3,590 |
| 11 | ITALY | 3,568 |
| 12 | HONG KONG (SAR) | 1,535 |
| 13 | DENMARK | 1,142 |
| 14 | BELGIUM | 976 |
| 15 | FINLAND | 928 |
| 16 | NORWAY | 694 |
| 17 | ESTONIA | 521 |
| 18 | MALTA | 94 |
| 19 | CYPRUS | 5 |



WHMs are a fast growing segment

- From 2004/05 to 2008/09 the number of WHM visas issued increased by over 79.8%, from 104,000 to 188,000.
- Estimated to account for 23.4% of the backpacker market in 2004/05 and 33.6% in 2008/2009
- Over the same time, international visitation to Australia increased by just 4.5% [1\]](#)
- This growth in the popularity of the WHM visa runs counter-cyclical to the sluggish international arrival trends evident in the Australian tourism industry in recent years.

[\[1\]](#) Tourism Research Australia (TRA), International Visitor Survey. Superweb data, 2004/05 – 2008/09

Observations on the backpacking industry in Australia 2010

- **(1) Growth of the WHM visa as an important sub segment**
 - Behave differently to leisure backpackers
 - Development of long stay WHM destinations
 - Long term apartment rental
- **(2) Growth of 'new' European markets: France and Italy, stagnation of the UK market, emergence of Taiwan**
- **(3) Increased 'commodification' and packaging up of the East coast experience eg: Peterpan, Wicked Travel**
- **(4) Increased prices for 'flashpacker' product' eg: \$45 dorm bed in Byron Bay**
- **(5) 'Big business – chain' involvement. Properties selling for \$11million (Base – Nomads)**
- **(6) Internationalisation of the 'Australian experience'**

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Backpackers and Fiji... The story so far..

- **Pre 2005: Fiji is an established as a stopover on RTW tickets for travellers, usually after being in Australia NZ**
- **In 2005 budget airlines link Fiji to Australia – stimulates a mini boom – 2 markets arrive RTW and ex Aust - Nz**
- **Gradually flight costs rise to Fiji and increased supply of product occurs**
- **Air NZ (Star alliance) cuts Fiji from its RTW route**
- **Air Asia and budget carriers enters the market to Australia**
- **Jetstar enters the market to Fiji, V-Australia**
- **Air Pacific link to HK - Europe**



Fiji: Executive Summary 2006

- *Short term International Backpackers/Independent Travellers are high yield and long stay visitors to Fiji.*
- **Fiji is a component of a multi-destination trip typically combined with Australia & NZ**
- **23% are on a “working holiday maker” visa for Australia or NZ**
- **The majority (59.6%) arrived in Fiji on “round the world” tickets with Air Pacific (60%) or Air New Zealand (40%)**
- **Average stay in Fiji is 12.2 days (Median 14 nights)**
- **Average trip away from home is 170 days**
- **They are typically NOT on holidays, rather an extended “Gap” trip away from their career or studies.**
- **Market is dominated by UK visitors (46%)**
- **93% are first time visitors to Fiji**

Executive Summary: 2006

- **Backpackers spend on average \$101.53 per day.** (Expenditure varies from \$79 Coral Coast - \$116 Yasawas)
- **Each Backpacker/Independent Traveller on average is worth between \$970# - \$1239**(FJ\$) per stay.** (12.2 days)
- *Expenditure is dependant upon travel behaviour. Those who travel in the Yasawas are higher yield.*
- **Those travellers who self define themselves as “Independent Travellers” comprise 24% of the market, are older (29.5) and have a higher yield (\$1478)**
- **Total Economic value is estimated to be up to \$73.5million (FJ\$) combining with IVS 2005 figures (59,400 arrivals)**
- **So each backpacker in Fiji is worth approximately 2- 2.5 Japanese Tourists (\$487*)**
- **Ave expenditure in Fiji by Japanese visitors. Source IVS 2005*
- *** Higher than the IVS figure due to the inclusion of “independent travellers” and the methodology of asking expenditure yesterday.*
- *# For a traveller who would spend 12.2 days on the Coral Coast*



Current situation analysis for Fiji 2010

- **Fiji has re-emerged as a player for the Backpacker side trip market (Previously priced out)**
- **But substantial competition exists: NZ, Bali, Thailand, Vietnam**
- **Backpackers look at Asia vs Fiji and see Asia offering a cheaper travel alternative with more options to visit multiple countries.**
- **Limited awareness of Fiji in the market, perception of an expensive destination (vs Asia)**
- **Marketing 'confusion' with domestic Australian promotion**

Destinations ex Australia serviced by Budget Carriers (July-October 2010)

- **Darwin – Bali (Jetstar) \$149**
- **Perth – Singapore (Tiger) \$ 156**
- **Sydney – Nadi (Jetstar) \$179**
- **Sydney – Saigon (Jetstar) \$199**
- **Sydney – Nadi (Virgin) \$199**
- **Gold coast – Kuala Lumpur (Air Asia) \$227**
- **Sydney – Bali (Jetstar) \$429**
- **Sydney – Phuket (Jetstar) \$459**

The opportunity: Working Holiday Makers and Fiji

- WHMs fastest growth segment of Backpackers to Australia (21% 2008/9)
- **Long stay – High yield (\$12,000 +)**
- Earn Australian dollars (Up to \$1500 per week in Wine industry in Mildura) Ave spend in Mildura \$3961
- Opportunity to target them to include Fiji as a ‘holiday’ trip
- **Maximize advantage of Airline links**
- Challenge is to compete with Asia and other Australian destinations and to raise the awareness of Fiji (South Pacific)

Monash Research on WHMs

- **(1) Mildura - Vic: February 2009**
- **(2) Bundaburg - Qld: October 2009**
- **(3) Mildura - Vic: February 2010**
- **(4) Byron Bay - NSW: March 2010**

Key findings and observations on researching the WHM market 2009 - 2010

1. WHMs are becoming a more valuable segment in the overall backpacker market – **Longer stay and higher yield**
2. WHM visa acts as a clear motivator to drive visitation to Australia
3. **WHM visa changes have altered the dispersion patterns of travellers to 'work' destinations (Regional dispersion)**
4. WHM visa changes have motivated travellers to increase their length of stay
5. **WHMs behave differently to leisure backpackers (Travel – Work – Travel)**
6. Industry has not responded to their needs (Working hostels)
7. Information issues – Work destinations – how to find work
8. **Exploitation issues**
9. Negative WOM generation - Reduction in work opportunities
10. Integration of international travel while in Australia

Motivations to go travelling 2009 – 2010

Mildura Research 2009-2010

| Motivation Statement : Percentage (Agreed or strongly agreed) | 2009 | 2010 |
|---|-------------|-------------|
| <i>a) In my country travelling for an extended time is regarded as a positive thing to do for young people (aged 18 – 31)</i> | 53.2 | 50.9 |
| <i>b) As I have travelled a lot previously, spending an extended time away from home was not a concern to me.</i> | 39.1 | 33.6 |
| <i>c) Within my group of friends, travelling for an extended time away from home is regarded as a common thing to do.</i> | 31.4 | 33.2 |
| <i>d) I wanted to go travelling before taking on the responsibilities associated with adult life.</i> | 73.4 | 63.1 |
| <i>e) I was influenced by the promotion of WHM visas by the travel industry in my home country. Eg: STA Travel, Kilroy Travel</i> | 12.4 | 22.0 |
| <i>f) If Australia did not offer WHM visas I would not have taken an extended trip away from home.</i> | 36.1 | 32.2 |

Segmentation: How they found the time to Travel

| Traveller Category | Mildura 2009 | Mildura 2010 | Bundaburg 2009 |
|---|--------------|--------------|----------------|
| <i>High School Gapper</i> | 29.1 | 29.1 | 22.6 |
| <i>University Gapper</i> | 31.0 | 28.1 | 32.2 |
| <i>Career Breaker (Quit job/ leave without pay)</i> | 36.3 | 37.6 | 41.1 |
| <i>Unemployed</i> | 3.6 | 5.2 | 4.1 |

Information Sources on Australia

| <i>Information Source (Percentage (Agreed or strongly agreed))</i> | 2009 | 2010 |
|--|-------------|-------------|
| <i>(a) Information gained from the Tourism Australia internet site on working holidays in Australia</i> | 12.5 | 27.5 |
| <i>b) Information gained from internet blogs I read written by travellers on working holidays in</i> | 29.0 | 31.3 |
| <i>c) 'Word of mouth' advice from friends/other travellers who have been on a working holiday in Aust</i> | 59.2 | 57.9 |
| <i>d) Travel stories I have read about working holidays in Aust , in newspapers, magazines</i> | 33.7 | 31.8 |
| <i>i) Brochures/information I saw at a travel agent on working holidays in Aust</i> | 18.4 | 19.6 |
| <i>j) Information I gained from social networking sites (eg: Facebook)</i> | 19.0 | 19.1 |
| <i>k) Advice from Australian friends that I have met.</i> | 31.4 | 27.5 |
| <i>l) Information I gained from reading a guidebook on Aust</i> | 22.5 | 21.9 |



Desire to visit neighbouring destinations while on a WHM visa

Source: Mildura WHMs 2010

- **New Zealand** 65.5%
- **Thailand** 51.8%
- **Bali** 45.4%
- **Fiji** 44.8% (84,200)
- **Malaysia** 24.8%
- **Vanuatu** 16.4%
- * *11.2% had already left Australia for a 'side trip' to another country and 43.5% intend to before the end of their visa*

| Motivation to come to Australia as a WHM (Percentage (Agreed or strongly agreed)) | 2009 | 2010 |
|---|-------------|-------------|
| <i>(a) It is a form of travel that lets me experience more of the country than just being a tourist.</i> | 73.4 | 80.4 |
| <i>(b) It is a cost effective (cheap) way to work, travel and see the country</i> | 69.8 | 59.3 |
| <i>(C) It is a good way to meet lots of other travellers</i> | 75.7 | 81.7 |
| <i>(D) It is a good way to experience the Australian way of life.</i> | 69.2 | 76.6 |
| <i>(E) I wanted to travel to avoid the economic situation at home</i> | 18.3 | 37.8 |
| <i>(F) Working in will be beneficial to my resume (CV) and future career</i> | 37.3 | 43.0 |
| <i>(G) It's a good party atmosphere traveling this way.</i> | 62.8 | 64.0 |
| <i>(H) It's a good way to take an extended break from my career/life at home</i> | 69.8 | 67.8 |
| <i>(I) I wanted to improve my English language skills (Not Applicable if English was their native language)</i> | 67.7 | 69.0 |
| <i>(J) I wanted to travel and was a country where I had the opportunity to work to earn money while I traveled so I could afford to leave home.</i> | 50.8 | 62.1 |



Attitude to travelling as a WHM

| <i>Attitude to Travelling (Percentage (Agreed or strongly agreed))</i> | 2009 | 2010 |
|---|-------------|-------------|
| a) It's a form of travel that permits maximum freedom and flexibility in my plans. | 71.0 | 72.0 |
| b) It is a good way to meet and interact with local Australian people | 52.1 | 51.4 |
| c) It is a good way to meet lots of other 'like minded' people. | 69.8 | 72.0 |
| d) I feel that a Working Holiday in is beneficial for my overall personal development. | 71.6 | 72.5 |

Travellers Attitudes to Fiji 2010

Qualitative research March 2010

- **“I think Fiji sounds really nice but I think it’s quite expensive. I don’t think it’s much more expensive (than Australia) but compared to lots of Asian countries it is. Because I hear Asia is really cheap to travel in.”**
- ***Merlin, 23 Estonia***

Travellers Attitudes to Fiji 2010

Qualitative research March 2010

- **“I might go to Fiji, because it’s amazing – its just great beaches, I’m definitely going to do island hopping, diving, snorkeling.”**
- **“People just said that Fiji is amazing and you see some pictures at travel agencies. It could work on a budget.”**
Ross, 20 UK

Travellers Attitudes to Fiji 2010

Qualitative research March 2010

- “I thought of going to Bali because it’s so cheap to go to Bali. I don’t know... I think you don’t hear so much about Fiji,
- you hear more about Asia because all the people go to Asia when they come to Australia or leave Australia. I met maybe five people out of one hundred who went to Fiji.”
- **Sonia, Germany 21**

Travellers Attitudes to Fiji 2010

Qualitative research March 2010

- “Don’t know, I probably wouldn’t go to Fiji as a first choice to be honest with you. I’d go somewhere like Borneo and Papua New Guinea or somewhere like that or just somewhere in the third world...”
- “Maybe it’s a bit touristy, it’s not what I really look for. I’d like to go somewhere where there are no tourists, off the track.”
- **TOM, UK, 24**



Travellers Attitudes to Fiji 2010

Qualitative research March 2010

- **“I would definitely go there but for like two or three weeks. But it depends on finding a cheap flight maybe?”**
- **Its nice place to have a holiday from working here. Two friends of ours just came from Fiji and said they really enjoyed it.”**
- **Luigi, 29, Italy**

Travellers Attitudes to Fiji 2010

Qualitative research March 2010

- “Yeah, I’d actually like to go to Fiji, one day I think I will”
- “I don’t know why I wont go there on this trip, *(He had been to Thailand for 2 weeks with a friend)*
- . There were just too many places to see and too little time. I wanted to see as much of an Australia as I could and I think NZ was my number 2 place to see.”
- **Dave, Canada 25**



Travellers Attitudes to Fiji 2010

Qualitative research March 2010

- **“ It would nice to save a bit of money and do Asia and Fiji.”**
- **“Yeah, it’s mainly because of the people I have spoken to who have been to Fiji. They say it’s a beautiful place really. I don’t really know too much about it, haven’t looked too much into it but it’s just an option.**
- **Thomas , 25 UK**

Travellers Attitudes to Fiji 2010

Qualitative research March 2010

- “I have (thought about Fiji) but I don’t think I have enough money to do that. I would love to but I don’t know if I have enough money.
- Australia and NZ are the main ones for me and I was thinking if I had enough money I’d love to go Fiji but I just don’t have enough money for that. Which is a bit of a shame.
- **Matthew, 19, UK**

Travellers Attitudes to Fiji 2010

Qualitative research March 2010

- **OBSERVATIONS**

1. **Fiji now competes with Asia as a 'side trip' option for WHMs**
2. **Seen as more expensive than Asia**
3. **Seen as mono destination vs Asia (Multi destination)**
4. **Word of mouth is a major factor in influencing travellers perceptions and motivations to Fiji**
5. **Limited awareness of cheap flights to Fiji**
6. **Limited awareness of Fiji as a destination**