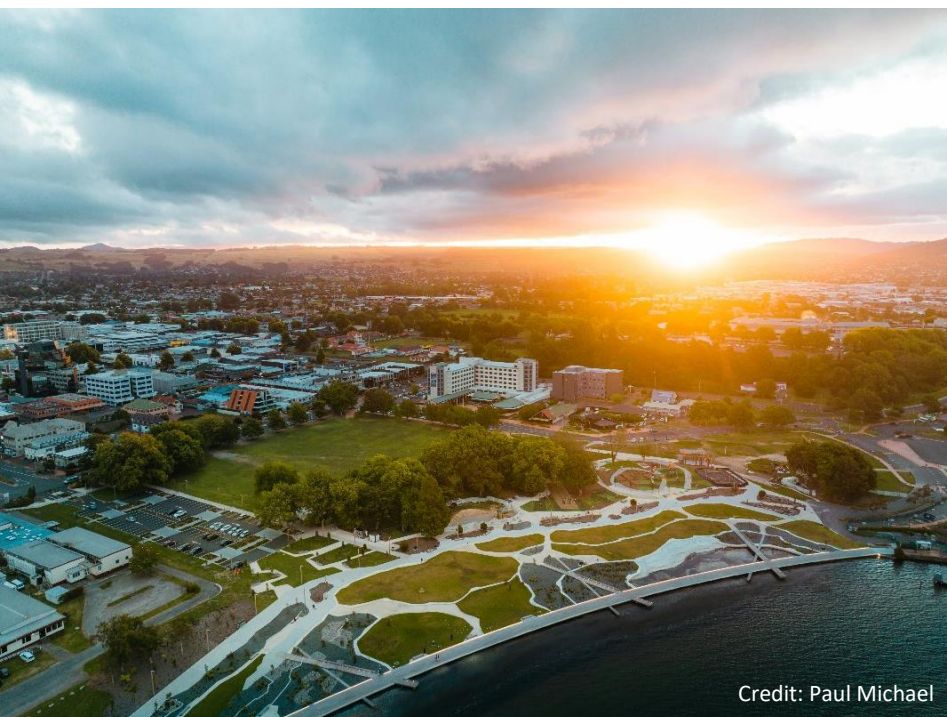


The potential costs to tourism of negative perceptions of Rotorua



Credit: Paul Michael

Report commissioned by RotoruaNZ

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September 2022

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2. Executive summary

This report has been commissioned by RotoruaNZ. Its purpose is to investigate the costs to tourism of emerging negative perceptions of Rotorua. The context to these negative perceptions has been:

- an increase in national media stories highlighting social issues in Rotorua
- many Rotorua motels are being used for emergency housing, including mixed use with visitors
- a rising proportion of potential travellers citing social issues as a reason to not visit Rotorua.

There are concerns that these negative perceptions might be a factor that is contributing to Rotorua's visitor economy recovering slower from Covid-19 than its tourism destination peers elsewhere.

Given this context, the key questions addressed by this report are:

1. What is the value of the gap that Rotorua's visitor economy is missing out on from not recovering as quickly as tourism destination peers elsewhere in the country?
2. Can the gap which Rotorua is missing out on be easily explained by a lack of capacity?
3. Can the gap be explained by changes to visitors' perceptions of Rotorua?

The analysis in this report draws on base information from a variety of sources, including: Ministry of Social Development (MSD), Ministry of Business, Innovation and Employment (MBIE), New Zealand Police, Statistics New Zealand, Data Ventures (mobile monitoring), Meltwater (media monitoring platform), Angus & Associates (tourism research), and Delve Research (market research).

2.1. Key findings

- Rotorua's visitor economy is underperforming the rest of the New Zealand visitor economy. This underperformance has cost Rotorua \$17 million over the past three months, and if current trends persist then Rotorua could lose \$92 million of visitor spending over a 12-month period.
- The reasons for underperformance are challenging to unpack with precision.
 - Given that Rotorua lags virtually every other visitor destination in New Zealand, the problem is not an underlying lack of visitor demand throughout the country.
 - A lack of capacity of rooms available to be booked is also not Rotorua's key problem, despite many rooms being contracted for emergency housing.
- An increase in visitors who day trip rather than stay overnight is a factor in Rotorua's spending gap. Day trippers are less valuable than overnight visitors who have more chances to spend.
- Rotorua's problems appear to be related to visitors' perceptions. Perceptions of Rotorua as a destination have deteriorated over the past few years, with an increasing proportion of potential travellers saying they don't want to visit Rotorua.
- The reasons for these negative perceptions can be broadly split into those related to products offered and their cost, as well as those related to safety concerns.
- The increase in the proportion of travellers being put off Rotorua by safety concerns is worrying because visitor operators can easily tweak what products they are pitching to visitors, but they have little influence over the overarching perceptions of safety in Rotorua.
- The challenge when it comes to perceptions of safety is that it doesn't matter what is actually happening somewhere, instead it is about what people rightly or wrongly think of a place.
- Despite the number of reported victims of crime in Rotorua having fallen since 2020, visitors are conflating crime, alongside social issues such as homelessness and emergency housing.
- And the media isn't helping, with some 1,570 media stories over the past year highlighting safety and social problems in Rotorua, including the unfortunate situations of motels offering a mixed use between visitor accommodation and contracted emergency housing.

3. How much larger would Rotorua's visitor economy be if it recovered in line with its peers?

This section gives context to the current state of Rotorua's visitor economy. It also quantifies how much larger Rotorua's visitor economy would be if it were recovering in line with its tourism destination peers.

3.1. Rotorua is underperforming New Zealand

Rotorua's visitor economy is underperforming New Zealand. This underperformance is clear by looking at the visitor economy's present state against its 2019 pre-Covid peak. In the three months to July 2022:

- Guest nights in Rotorua were only 50% of their 2019 level, while nationally guest nights reached 86% of their 2019 level.
- Visitor spending in Rotorua was at 84% of its 2019 level (inflation-adjusted), compared to nationally where spending had already fully recovered to 101% of its 2019 level.

Table 1

Comparing the recovery of Rotorua's visitor economy compared to New Zealand				
Calculations of data sourced from MBIE, 3 months to July 2022 and 2019				
Measure		Recovery	Level (3 months to July)	
		2022 as % of 2019	2022	2019
Guest nights	Rotorua	50%	231,800	463,967
	New Zealand	86%	6,466,700	7,559,942
Visitor card spending (\$m, inflation adjusted to 2022 pricing)	Rotorua	84%	\$81m	\$97m
	New Zealand	101%	\$3,115.0m	\$3,069.3m

3.1.1. Nowhere else is showing such a lack of demand

Detailed analysis compared to other tourism destinations highlights that Rotorua's poor performance is unique. Demand has returned with gusto in virtually every destination in New Zealand's visitor economy. This implies that Rotorua's underperformance can't easily be dismissed as being driven by external forces that have affected overarching visitor demand patterns. The following key points should be noted:

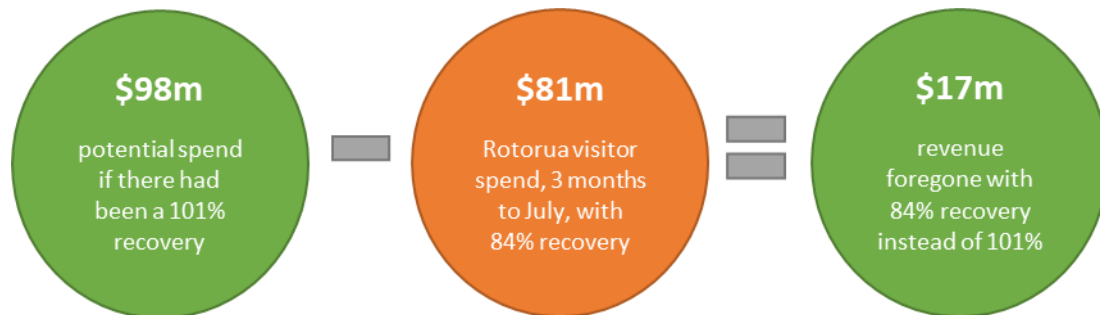
- Rotorua is ranked second lowest in visitor spending relative to its pre-Covid peak compared to 30 other regional tourism areas in New Zealand (see Table 3, in the Appendix).
- Spending in places that neighbour Rotorua has performed strongly. The regional tourism areas of Bay of Plenty, Coromandel, Taupō, and Waikato all sit 104% to 115% above their pre-Covid level.
- Many regions performing better than Rotorua are doing so despite a high pre-Covid dependency on international visitors so border issues are not the key problem. Notable examples include:
 - Wanaka visitor spending is at 131% of its pre-Covid level (international visitors represented a 61% share of guest nights in 2019).
 - Queenstown has already recovered to 97% of its pre-covid spend (international visitors represented a 70% share of guest nights in 2019).
 - Auckland has already recovered to 94% of its pre-Covid spend (international visitors represented a 47% share of guest nights in 2019).
 - As reference point, 44% of guest nights in Rotorua were international visitors in the June 2019 year compared to 43% nationally.

Given that general external visitor demand forces don't seem to be behind Rotorua's underperformance, the challenge must be specific to Rotorua. We will explore these Rotorua specific challenges in sections 4 (capacity) and 5 (perceptions of Rotorua). But before we do, let's establish how much larger the Rotorua visitor economy would currently be if it were recovering in line with the New Zealand average.

3.2. What is the cost of this underperformance?

It is estimated that visitor spending in Rotorua would have been at least \$17 million larger over the three months to July 2022 had it recovered more rapidly in line with the New Zealand visitor economy¹. This \$17 million gap represents potential revenue that has been foregone because of underperformance.

Figure 1 – Foregone revenue in Rotorua visitor economy from underperformance, 3 months to July 2022



Moreover, until the performance gap can be closed, this foregone revenue will continue to accumulate.

If usual seasonal patterns persist over the remainder of the year then Rotorua could potentially stand to lose \$92 million of visitor spending from underperformance over a 12 month period².

A factor behind the spending gap appears to be an increased tendency for visitors to pass through Rotorua for a day instead of overnighing. Day trippers are less valuable than overnight visitors who have more chances to spend.

Recently released data suggests the number of unique visitors passing through Rotorua has already recovered to 88% of its pre-Covid level³, which is much faster than the 50% recovery we have seen in guest nights in Rotorua. There is circumstantial evidence to suggest that some visitors might be choosing to spend the day in Rotorua and then overnight in neighbouring areas (Bay of Plenty, Coromandel, Taupō, and Waikato) where guest nights have on average recovered to 99% of their pre-Covid level⁴.

¹ Visitor spending on cards in Rotorua over the three months to July 2022 was at 84% of its pre-Covid level, while nationally spending sat at 101% of its pre-Covid level. If spending in Rotorua had hit 101% of its pre-Covid level then it would have totalled \$98 million, rather than the \$81 million that was recorded. Note, this estimate is conservative as it is based off card spending only and excludes cash spending and online payments.

² MBIE's Monthly Regional Tourism Estimates showed that 18.5% of visitor spending in Rotorua before Covid-19 occurred over the three months to July. This proportion has been used to scale the estimated \$17 million foregone revenue over the most recent three-month period into an annual estimate.

³ This estimate is sourced from mobile phone monitoring data from MBIE's Monthly Unique Regional Population Estimates which have been compiled by Data Ventures. The estimate quoted here is the average monthly unique visitors across the three months to July 2022 compared to those same months in 2019.

⁴ Recent perceptions surveys by Delve Research have shown that 31% of Aucklanders visiting Rotorua choose to pass through for the day, with Tauranga and Taupō being most frequently chosen to overnight in. The surveys also showed that 66% of Wellingtonians and 50% of Christchurch travellers pass through for the day, with Tauranga and Taupō also being the most common choices of places to overnight in instead.

4. Is Rotorua's problem a simple lack of capacity?

The previous section highlighted that Rotorua's underperformance has already cost at least \$17 million over just three months. The analysis further demonstrated that every other major tourism destination in New Zealand is recovering much faster and so Rotorua's underperformance can't easily be dismissed as being a generalised lack of visitor demand. With this context in mind, we will now test factors specific to Rotorua that might be behind the underperformance. In this section, we check whether capacity issues could be behind Rotorua's challenges, while the next section looks at the role of perceptions of Rotorua.

4.3. Room availability is not the key challenge

Given the previous section showed travellers are showing a greater tendency to pass through Rotorua for the day, rather than overnight, it makes sense to test whether there is a lack of rooms available to book.

Commercial accommodation data shows that if all rooms in Rotorua were made available for travellers to book then Rotorua's capacity would have been 412,500 stay unit nights over the three months to July. However, the data further shows that only 286,300 of these stay unit nights (69% of capacity) were made available for visitor bookings because many establishments were contracting rooms out for emergency housing or had rooms offline due to maintenance requirements and staffing shortages.⁵

You might think that having so much capacity unavailable to be booked must be a handbrake on Rotorua getting visitors back, but more detailed analysis (see Table 2) highlights that this assertion is wrong. Over the past three months, only 40% of even this diminished number of available rooms were booked suggesting there is still a lot of capacity out there. Furthermore, even if guest nights booked in Rotorua had recovered a little faster in line with the New Zealand average (to 86% of their pre-Covid level) then the occupancy rate of available rooms would still only have reached 68%.

Table 2

Considering whether available accommodation capacity is sufficient to support higher occupancy				
<i>Author calculations, implied guest nights + occupancy under different scenarios, 3 months to July 2022</i>				
Scenario	Guest nights	Stay unit nights occupied	Available stay unit nights	Occupancy (% available units)
Current Rotorua	231,800	113,600	286,300	40%
NZ average (86% pre-Covid)	396,873	194,498		68%
Full recovery (100% pre-Covid)	463,967	227,380		79%

Rotorua's problem is not that there aren't enough rooms available, the challenge is that many visitors are choosing not to book them. Given that visitor demand is returning everywhere else, this suggests that changes to visitors' perceptions of Rotorua as a place they would want to spend time must be playing a key role in underperformance.

⁵ Staffing shortages shouldn't be overplayed as a key limiting factor in Rotorua's recovery. Many establishments are having to operate with leaner staffing, but the tension in Rotorua is not as great as in some of New Zealand's other key tourism destinations. For example, Statistics New Zealand's Monthly Employment Indicators to July 2022 (from payday payroll filings) showed staff numbers in Rotorua's accommodation and hospitality sector were sitting at 90% of their pre-Covid level (July 2022 compared to July 2019), while in Queenstown-Lakes accommodation and hospitality sector employment was at just 79% of its pre-Covid level.

5. What role might perceptions play in Rotorua's recovery gap?

The previous sections have shown that Rotorua's underperformance can't be explained by a generalised lack of demand across the New Zealand tourism industry or a simple lack of capacity in Rotorua. This suggests that changes to visitors' perceptions of Rotorua as a place they would want to spend time must be playing a key role in underperformance. With this context in mind, this section explores visitors' perceptions of Rotorua – including changes in travellers' willingness to visit Rotorua and which factors influence the decision to come.

5.4. Are perceptions of Rotorua as a place to visit changing?

Surveys have highlighted a deterioration in the perceptions of Rotorua as a place to visit. For example, a June 2022 report on market perceptions by Angus & Associates showed that⁶:

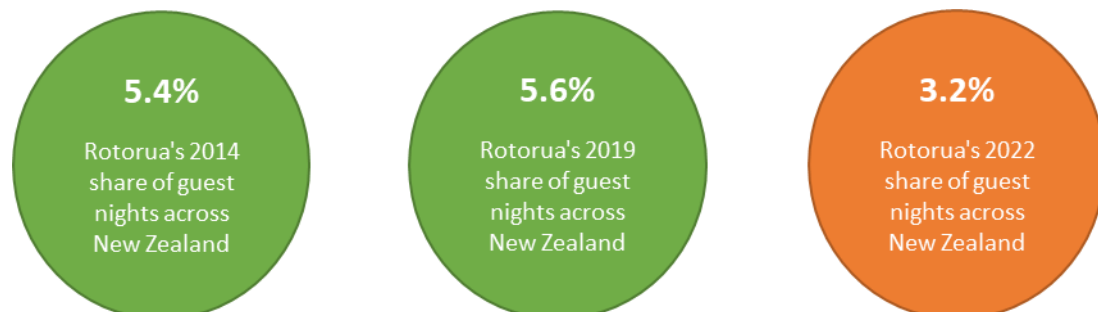
- In 2018, 66% of overnight domestic travellers said Rotorua 'is a good place to take the family on holiday', while by 2022 that proportion had fallen to 54% of travellers.
- The proportion of New Zealanders who find the thought of visiting Rotorua on holiday to be not appealing has risen from 15% in 2019 to 18% by 2022.
- The proportion of overnight New Zealand travellers who have visited Rotorua in the past 12 months has fallen from 27% in 2019 to 19% by 2022.

A study by Delve Research highlights that a strong pattern of reluctance to visit Rotorua that has emerged in the past year.

The proportion of domestic travellers saying they are unlikely to visit Rotorua deteriorated from 38% in February 2021 to 48% by March 2022.⁷

Unfortunately, there is no consistent market research available before 2018/19 to look at longer term trends in perceptions. However, an analysis of guest night market share data shows that the pattern of underperformance of the Rotorua visitor economy compared to the rest of New Zealand has only emerged since 2019. Between 2014 and 2019, Rotorua maintained a 5.4% to 5.6% market share of guest nights across New Zealand, however, this had plunged to 3.2% across the June 2022 year.

Figure 2 – Rotorua's market share of guest nights across New Zealand, calculations from MBIE data



⁶ Source: Angus & Associates, Market Perceptions: Rotorua report, June 2022.

⁷ Source: Delve Research, Red market insights: Perception Pulse, March 2022.

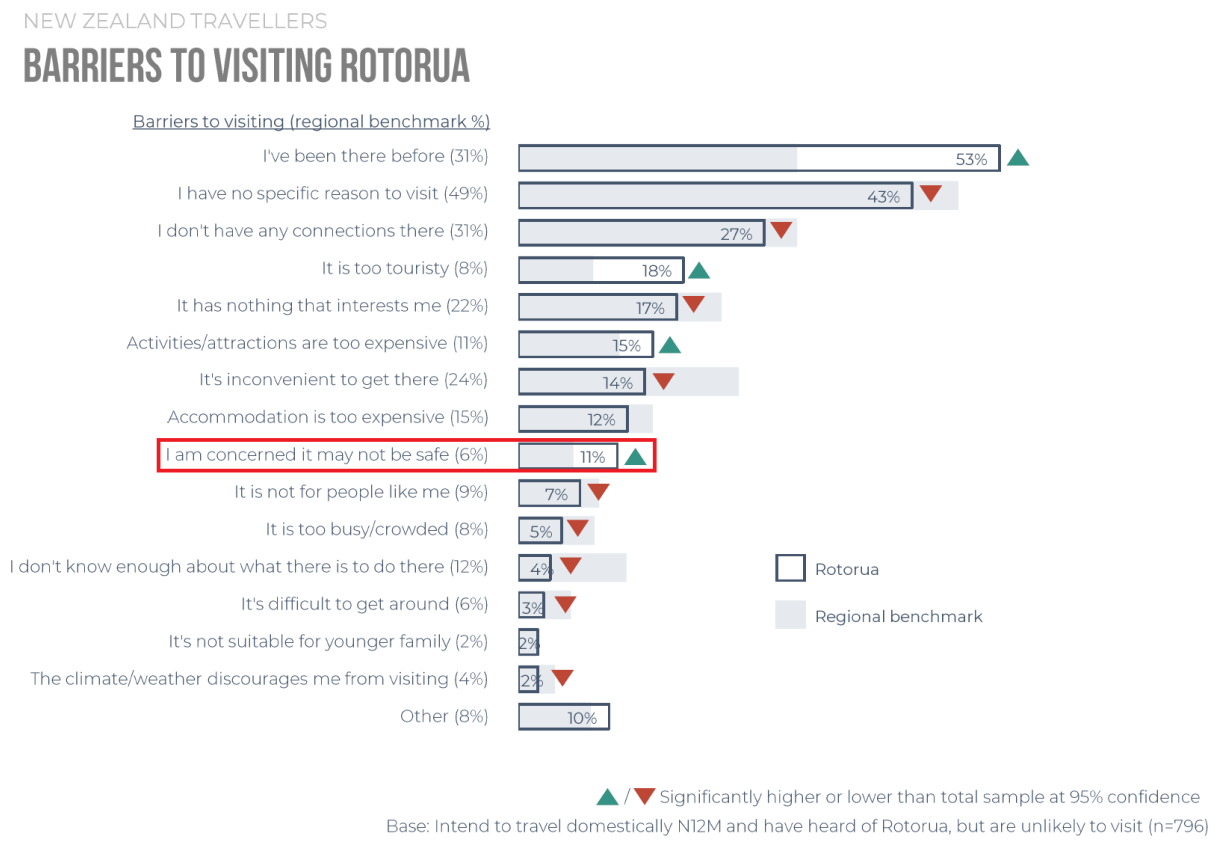
5.5. What do travellers say are influencing these perceptions?

Travellers are citing a range of factors that are putting them off travelling to Rotorua.

Some of these factors are related to the product offered and its cost. For example, Angus & Associates market research highlights that the key detractors include having visited before and lacking specific reasons to go, as well as factors related to perceptions that Rotorua is very touristy and expensive.

However, in the middle of the list is an alarming 11% of travellers being put off because of concerns that Rotorua is not safe to visit.

Graph 1 – Barriers to visiting Rotorua, May 2022 data⁸



The proportion of travellers citing safety concerns as a reason for not visiting has increased dramatically over recent years.

Just 5.8% of travellers cited safety concerns as being a barrier to visiting Rotorua in 2018, while by 2022 that proportion had risen to 11%.

⁸ Source: Angus & Associates Market Perceptions: Rotorua report, June 2022.

5.6. What might perceptions of safety be feeding off?

The increase in the proportion of travellers being put off Rotorua by safety concerns is alarming because it risks becoming a deep-seated issue that is harder for visitor operators to solve than barriers related to product offerings and price points. Visitor operators can easily tweak what products they are pitching to visitors, but they have little influence over the overarching perceptions of safety in Rotorua.

And the irony is that while perceptions of safety have deteriorated, the number of people reporting being victims of crime in Rotorua has fallen since its 2020 peak. New Zealand Police data shows that the number of people reporting being victims of crime in Rotorua in the June 2022 year was 2.7% lower than in June 2020, while nationally there has been an increase of 4.8%⁹.

When it comes to perceptions of safety – it isn't what is actually happening that matters, instead it is about what people rightly or wrongly think of a place.

And conversations underpinning recent surveys of safety have also highlighted that visitors are conflating factors such as crime, alongside social challenges related to homelessness and emergency housing¹⁰.

The reality is that these social challenges have been put front and centre of the visitor. There have been 13 Rotorua motels contracted by the Ministry of Housing and Urban Development to exclusively provide emergency housing to around 250 families¹¹. On top of these 13 contracted motels, there are at least 40 other uncontracted motels that have emergency housing residents. Unfortunately for travellers, many of these uncontracted motels are mixed-use, meaning that some travellers are discovering upon arrival that their sense of holiday indulgency must coincide with observing people in the most challenging social situations.

Not surprisingly, negative stories relating to these situations are feeding into the media, which risks further reinforcing the negative perceptions of social challenges and safety in Rotorua. Media mentions of Rotorua related to crime, homelessness, gangs, drugs, and emergency housing have increased dramatically from 2019 to 2022¹².

In the August 2022 year there were 1,570 media stories in Rotorua that cited issues related to safety and social problems, which was more than double the 731 such stories in 2019.

Media mentions of safety and social problems in Rotorua are similar to Tauranga (1,480 in 2022), but are significantly above key visitor destinations, such as nearby Taupō (128 in 2022) and Queenstown (350 in 2022).

⁹ Source: New Zealand Police, unique victims of crime: <https://www.police.govt.nz/about-us/publications-statistics/data-and-statistics/policedatanz/unique-victims-demographics>

¹⁰ Source: Delve Research, Red market insights: Perception Pulse, March 2022.

¹¹ Source: Ministry of Social Development, Rotorua Emergency Housing Analysis, April 2022.

¹² Media mentions have been analysed using a media monitoring platform called Meltwater.

6. Concluding remarks

- The analysis in this report has shown that Rotorua's visitor economy is underperforming relative to the rest of the New Zealand visitor economy. This underperformance has cost Rotorua \$17 million over the past three months alone, and if current trends persist then Rotorua could potentially stand to lose \$92 million of visitor spending over a 12-month period.
- The reasons for underperformance are challenging to unpack with precision.
 - But given that Rotorua lags virtually every other type of visitor destination in New Zealand, including destinations near and far, it seems clear that the problem is not an underlying lack of visitor demand throughout the country.
 - An analysis of accommodation that is available for booking also suggests that a lack of capacity is also not Rotorua's key problem, despite many rooms being contracted out for emergency housing.
- An increase in visitors who day trip rather than stay overnight is a factor in Rotorua's spending gap. Day trippers are less valuable than overnight visitors who have more chances to spend.
- Rotorua's problems appear to be related to visitors' perceptions. Perceptions of Rotorua as a destination have deteriorated over the past few years, with an increasing proportion of potential travellers saying they don't want to visit Rotorua.
- The reasons for these negative perceptions can be broadly split into those related to products offered and their cost, as well as those related to safety concerns.
- The increase in the proportion of travellers being put off Rotorua by safety concerns is worrying because it is an issue that is harder for visitor operators to solve than barriers related to product offerings and price points. Visitor operators can easily tweak what products they are pitching to visitors, but they have little influence over the overarching perceptions of safety in Rotorua.
- The challenge when it comes to perceptions of safety is that it doesn't matter what is actually happening somewhere, instead it is about what people rightly or wrongly think of a place.
- Unfortunately, despite statistics on the number of people reporting being victims of crime in Rotorua having fallen since 2020, travellers are conflating factors such as crime, alongside other social challenges related to homelessness and emergency housing.
- And the media isn't helping, with some 1,570 media stories over the past year highlighting safety and social problems in Rotorua, including the unfortunate situations of motels offering a mixed use between visitor accommodation and contracted emergency housing.

7. Appendix

Table 3 – Exploring the recovery of visitor spending across New Zealand’s regional tourism areas

Comparing the visitor spending recovery across New Zealand over recent months			
<i>Total visitor (dom. and int.) spending on cards, MBIE data (inflation adjusted to 2022 pricing, \$ million)</i>			
	Recovery	Spend (\$m, 3 months to July)	
	2022 as % of 2019 pre-covid	2022	2019
Lake Wanaka Tourism	131%	\$58.9m	\$44.9m
Trust Tairāwhiti	123%	\$24.5m	\$19.9m
Destination Wairarapa	118%	\$37.1m	\$31.6m
Destination Marlborough	116%	\$38.1m	\$33.0m
Destination Great Lake Taupō	115%	\$87.0m	\$75.4m
Northland Inc	114%	\$128.7m	\$113.1m
Venture Taranaki	113%	\$66.7m	\$58.8m
Visit Whanganui	112%	\$25.3m	\$22.5m
Tourism Waitaki	112%	\$24.8m	\$22.2m
Hawke's Bay Tourism	112%	\$97.7m	\$87.6m
Destination Clutha	111%	\$10.6m	\$9.5m
Visit Southland	111%	\$60.0m	\$54.1m
Nelson Regional Development Agency	110%	\$55.7m	\$50.5m
ChristchurchNZ	108%	\$288.6m	\$267.4m
Venture Timaru	107%	\$40.3m	\$37.6m
Destination Coromandel	107%	\$67.2m	\$62.8m
Tourism Central Otago	107%	\$23.8m	\$22.2m
Tourism Bay of Plenty	106%	\$154.1m	\$145.6m
Destination Kaikoura	106%	\$10.8m	\$10.2m
Hurunui Tourism	105%	\$21.7m	\$20.6m
Central Economic Development Agency	105%	\$81.1m	\$77.3m
Hamilton & Waikato Tourism	104%	\$197.7m	\$190.1m
Enterprise Dunedin	99%	\$103.4m	\$104.3m
Destination Queenstown	97%	\$194.5m	\$201.1m
Auckland Unlimited	94%	\$728.6m	\$775.3m
Visit Ruapehu	93%	\$22.7m	\$24.4m
Development West Coast	91%	\$30.7m	\$33.8m
Wellington Regional Development Agency	90%	\$261.6m	\$290.9m
Mackenzie Region	87%	\$17.7m	\$20.4m
Destination Rotorua	84%	\$81.3m	\$96.8m
Visit Fiordland	65%	\$6.2m	\$9.5m
<i>Not elsewhere classified</i>	<i>121%</i>	<i>\$67.8m</i>	<i>\$55.9m</i>
New Zealand	101%	\$3,115.0m	\$3,069.3m