GROWING YOUR PRODUCT - GROWING OUR INDUSTRY

WHITEPAPER ON INNOVATIVE PRACTICES IN THE QUEENSLAND VISITOR ECONOMY
1. WHY CHANGE?

The tourism sector has for many years relied on capital investment to increased yield – this approach is typically referred to as product development. In recent years, as capital for tourism investment has been harder to access, many businesses have embarked on a process of experience development. That is, shifting the way people think about the product to maximise the perceived value. This requires a deep understand of what consumers ‘value’, and where their needs are not being met.

This year, DestinationQ is exploring the wide range of tools the tourism industry have used and can use in the future to drive the value of tourism to the economy looking at, and beyond, product development. There are a number of levers needed for a business to be ready for change – to grow the product.

Successful businesses have more than a good idea and an understanding of what represents value. Effective change requires a culture that embraces innovation, with strong leadership, a vision and a purpose that goes beyond making money, businesses need a result focus and a way to measure, and rules and systems for implementation.

Growing your product goes beyond raising capital, find out how leaders in the sector are doing it in Australia and internationally and let’s grow the industry.

This issue is at the heart of driving value and meeting the needs of the future customer to Queensland.
2. OBSERVATIONS FROM THE FIELD

Following the preparation of 10 industry case studies, interviews with owners, investors and the banks followed by 17 regional workshops across the State, with over 300 operators participating, an online survey with 170 respondents and the workshop notes being distributed to over 700 operators state-wide, the project team make the following observations.

1. The change in approach to tourism by the *government is making a difference* – industry acknowledge that Government is more responsive, particularly by National Parks.

2. Operators don't know what they don't know - proactive operators either buy in the advice or are very good at understanding the trends. The rest rely on facilitated processes of mentoring or events / conferences and the guidance of their RTO.

3. Those lagging in the adaptation cycle have no *formal way of stretching their businesses thinking* or driving change ahead of consumer asking – they rely on osmosis or gut.

4. There is an *over-reliance on the RTO* is the 'what's new' conversation - only a small percentage of businesses are thinking for themselves.

5. **Collaboration between operators** to maximise destination appeal is recognised as essential - but there is a lack of tools to make this happen and the workshop format only works for certain personality types and mature business people.

6. The balance between *discounting, yield management and value-adding* is a hard one to make and many are struggling with cost management.

7. There is a *hunger for insights into future trends* but a lack of knowledge of where to go for this and time to search for it. Most of the current information relies on the rear vision mirror.

8. Delivering *quality service and exceeding expectations* is universally important but seems to rely on the passion of individuals.

9. *Customer feedback* is recognised as important, both direct and via *social media*, and informs product change.

10. *Reaching the uninvolved* is a consistent theme - but there are no solutions to this.

“There has been big headway with the state government cutting red tape.”

*Accommodation provider*
3. UNDERSTANDING THE CHALLENGE

The industry identified a wide range of barriers to their future growth, some were barriers to driving demand, other to supply, they have been separated into the top five in each of these two categories:

Top 5 Demand Barriers

- **Lack of collaboration** and information sharing to grow the market (80%)
- **Reducing access to funding** both for capital improvements and operational needs (e.g. EMDG) (73%)
- **Lack of destination awareness** and a clear common message to market (67%)
- **Need for investment in public infrastructure** including access (60%)
- **Service quality** is not improving at the rate of customer expectations and there the level of industry development is planned to reduce not increase (60%)

Top 5 Supply Barriers

- **The planning approval process** is not tourism-oriented, and planners don’t understand tourism (80%)
- **Lack of data** to build a strong case for investment (60%)
- **Policy and regulatory changes are made without effective industry consultation** or understanding of the implications on tourism businesses (60%) and Government is increasingly risk adverse (60%)
- **Knowledge management** and effective systems (40%)
- **Telecommunications infrastructure** (60%)

The identified levers for change, outlined below, are explored in more detail in the following pages and are supported by a range of **Business insights** (what each business can and needs to action) and **Destination Insights** (what needs to be done in partnership).

Picking Winners: Should Queensland identify and work with high growth businesses?

In 2009 the UK Government undertook a study that identified that just 6% of firms provided half of the jobs growth potential. The study found that these ‘high-growth’ firms (with 10 staff or more) were growing twice as fast, both in employment and sales, then other firms which fail to innovate. These firms were across all sectors of the economy and had the potential to positively influence other firms. This resulted in a significant policy shift in government, to concentrate on high growth businesses and sectors - both young firms and established businesses. When implemented a number of challenges became apparent for the tourism sector. The majority of the tourism industry’s lifestyle and micro-enterprises, did not have the ability to demonstrate their case for participation in high-growth targeted support programs.

The Queensland Government has recently completed a similar study on Queensland small businesses in which the tourism industry is identified as having potential with 18% identified as ‘tigers’ and 17% ‘staff hunter’ businesses, well about many other sectors.
4. DRIVERS OF CHANGE

Through the workshop process it was clear that each region is driven by different needs and opportunities for innovation. Below is a graphical summary of a key driver of change in each region that set it apart from other regions. The SWOT Analysis table provided below the map highlights areas where Queensland operators believe the State is performing compared to our competitors.

**Strengths**
- Strong client focussed industry and attitude
- Constant improvement and competitive advantage is a driver
- Keeping abreast of emerging trends and new markets
- A supportive Government policy and regional planning (e.g. DTP) process

**Weaknesses**
- Conversion of new ideas and new markets
- Lack of forecast data on global trends
- Slow to react to technological changes
- Staff engagement is a priority driver

**Opportunities**
- New models for collaboration and idea sharing
- A state and destination culture of innovation
- Continue to focus on finding hero experiences
- Reintroduce a form on one-on-one mentoring

**Threats**
- Over-reliance on customer feedback
- Lack of channels for idea inspiration
- See other products as competitors
- Reliant on Government funding and slow to react to changes in Government policy
4. DRIVERS OF CHANGE (CONT.)

What are the levers we could use to overcome the barriers?
The challenges of workforce reform and investment in staff training and skills were often flagged as challenges, but when the time came to vote on where the priorities lay, these were often seen as ‘too hard’ or someone else’s challenge. The top five levers identified were:

- Industry collaboration and unity around a common goal or vision (92%)
- Government support & coordination, including investment attraction and support (67%)
- Operator buy-in to marketing and growing the destination (67%)
- A clear and supportive planning scheme (50%)
- Investment in infrastructure, access and linkages (42%)
- Forecasts to highlight market opportunities (33%)

"We need to stop the tall poppy syndrome and start networking and sharing ideas."

Tourism Organisation

What are the levers industry can use to overcome the barriers?

a) The biggest challenge identified for Queensland is to define, then deliver a unique promise that lifts the value associated with a Queensland experience.

b) Recognising Queensland will not compete with Asia on price, who will the industry drive perceptions of value to increase yield.

c) How can the industry better collaborate, not just market together but build value together.

d) What are the triggers and enablers of product reinvestment and reimagining?

Case Study: Google Drivers of Innovation

1. Have a mission that matters: Successful businesses have a mission, that their staff are committed to, that goes beyond profit.

2. Think big start small: The best ideas start with a clear consumer need and often start small and grow, the challenge is knowing how to scale an idea once its started.

3. Strive for continual improvement: We don’t always get it right the first time, track performance and keep adapting to the needs of the market

4. Look for ideas everywhere: successful businesses in the industry are regularly exposed to new ideas from overseas and interstate either through business or personal travel.

5. Share everything: don’t fear your competition and resist sharing ideas. Learn from the world of video gamers and collaborate to solve complex problems.

6. Spark with imagination, fuel with data: there is no shortage of imagination, or current and historic data. Businesses need the skills in combining the two to build a strong case for investment.

7. Be a platform: Don’t just think, how can I grow – remember a rising tide floats all boats. How can you help another business to grow and leverage that growth - programs like ‘hero experiences’ that help to build a common platform of unique selling points.

8. Never fail to fail: No-one gets its right first time, every time. Embrace the learnings and keep the lessons.
Tourism businesses who consistently match their marketing promise to what visitors experience on site tend to generate high visitor satisfaction levels. Achieving this balance between promise and delivery can be an exceptionally powerful tool – delivering repeat business, alongside positive recommendations. When this balance is not successfully achieved, the typical customer reactions are confusion and dissatisfaction. The following industry quotes were collected through the workshop phase of this project.

**Business Insights**

- The stories are there but we are no good at telling them – implementing the story. By the time we do, South Africa or South America will already be telling it better than we can. - Attraction Operator
- It is easy to give people what they expect. We need to give them the unexpected. – Accommodation Provider
- We view our staff as just as important as our guests. It all comes down to having vision – not all about making money – the whole team needs to understand that vision. – Accommodation Provider
- We are good dreamers, great marketers but we under-deliver on the promise. – Accommodation Provider
- Continue to refine the Hero Experiences and back them in the marketing. – Tour Operator

**Destination Insights**

- The more we have to offer, the wider the population that will come. The rest of the destination is not a threat. - Attraction
- If there is a vision for the region that is strong and agreed, that will automatically get people sharing information around it. – Industry Advisor
- Tourism is everyone’s business. It is the welcome, the service, everything. People need to understand that whatever they are doing, they are in tourism. Tourism is about a destination. It is more than just a room or a drink. It is a total experience. – Tourism Organisation
- We recognise that we need to promote the destination first, before our accommodation rates. – Accommodation Provider
- We need a point of difference. I can’t sell my product myself – we have to sell the region. – Accommodation Provider
- There is a need to raise the awareness of what we have to offer in our region and building the capacity of our events and operators is a big part of that. - Attraction
- RTOs and LTOs are good at generic regional stories, but sales and marketing staff need to be groomed to be story tellers. It is not just a unique selling point – they need to be changed for every market (e.g. China, domestic). We need the middle tier marketing people to tell stories. – Sectorial Association

**DestinationQ Questions**

- How can you best engage staff in developing and delivering your promise to visitors?
- How can your experience be better defined in order to emphasise the point of difference?
- How does your business showcase the destination’s vision and key selling points in its marketing?
- Does our industry structure facilitate the type of Queensland experience we want to deliver?
- When do we promote the Queensland promise over the destination’s promise?
- What type of active engagement is needed between industry and the community (including Local Government) to ensure buy-in and involvement in delivering destination promises?

**Jungle Surfing – Port Douglas**

At Jungle Surfing, staff involvement is an integral component of delivering the promise of a personal experience to customers. A culture of innovation is being fostered with staff credited with the latest product idea, the ‘Hamster Wheel’.
b. What Drives Perception of Value?

Perception of value largely depends on the product or service’s ability to satisfy customer needs or requirements - now, and on an ongoing basis in the future. The consumer's perceived value of an experience or service affects the price that he or she is willing to pay for it. This being the case, strategies designed to raise perceived value should be part and parcel of a business’s arsenal of tricks and tools. Astute marketing, clever packaging and the value added by staff offering personal experiences are useful options.

**Business Insights**

- We are obsessed with service and training. We are very strategic about hiring people who are passionate about what they do. It is not enough to be just friendly – the service and food has to be world class. – Accommodation Provider
- Everybody needs to try a bit more to exceed expectations. Success is from within. – Accommodation Provider
- I work very hard at gleaning information from customers – that is the essence of it all. One word constantly comes through – quality. Overall that is what folks are after. It can’t be good – it has to be great. – Attraction and Restaurateur
- Smaller operators are selling value not price – a big part is training – you cannot just say you are selling value if you are not.- Accommodation Provider
- It has never been easier to find out the expectations of guests because of social media. It all comes down to value for money – did they get value? We have to look outside our backyard. – Accommodation Provider

**Destination Insights**

- For a long time industry rested on its laurels; but we decline if we can’t meet customer expectations. – Attraction Operator
- Customers want an experience. It is not just a product. We need to extend the service and make something really remarkable. We need to answer the experience question – Accommodation Provider
- Customer service is a key deficiency and we need an advertising campaign about locals welcoming visitors saying that tourism is everyone’s business. – Accommodation Provider
- Generation Y prefer something that is a bit of an adventure, a personal welcome, a personal goodbye. – Accommodation Provider
- It’s about understanding what visitors are experiencing today and what they expect for tomorrow. - Attraction
- We have to lift the quality and standard of what we do to have more product we can refer people to. – Accommodation Provider

**DestinationQ Questions:**

**ME** What strategies do you have in place implement to build customer loyalty?

**ME** To what extent is there a service gap in your business between cost and perceived value?

**WE** How do we create a greater perceived value for visitors to Queensland?

**WE** Do the destinations create the perception of value or is that a Queensland-wide priority?

**Leveraging Australia’s competitive edge**

In 2013, Australia was ranked **11th worldwide**, and **2nd within the Asia Pacific** region in Travel & Tourism, improving two places since 2011. Key to Australia’s competitiveness are its **rich natural resources** (the highest number of natural World Heritage sites), and diverse fauna within a comparatively **pristine natural environment** supported by the stringency and enforcement of environmental legislation. Australia’s **air transport infrastructure** is above average (ranked 4th) whereas its **general tourism infrastructure** (ranked 20th) is well below. Australia his considered to have one of the most **advanced visa policies** in the world, especially with respect to the electronic visa processes).
c. New Forms of Collaboration

The reasons and necessity for collaboration among tourism businesses as a means of maximising the potential of the industry are well understood. However effective collaboration remains a challenge. As an industry we need to raise our game if Queensland is to thrive as a destination and meet its challenging 2020 aspirations. That means establishing new methods for the industry to collaborate effectively.

**Business Insights**

- **It is difficult to get into the international market alone. You need to work with the RTO and Council to work how to access it. It is hard when you are small to find the time to invest in the international market.** – Food Industry
- **The more you know about each others products, the longer we can keep people in the area.** – Accommodation Provider
- **We need to stop the tall poppy syndrome and start networking.** – Tourism Organisation
- **An idea is of no value unless you share it with someone else.** – Tourism Organisation
- **We need to collaborate with other industries about operational ideas and inclusions for our packages.** – Industry Advisor
- **We are so small there is only so much we can do on our own. You need other people to help you.** – Tourism Attraction
- **It’s the same old faces turning up every time – we need to pull others in.** – Accommodation Provider
- **When you spark some enthusiasm, you can stimulate a lot of collaboration. You need a catalyst. They need to see the difference collaboration can make.** – Tour Operator

**Destination Insights**

- **We need trust in the decided way forward, and integrity in the decision – everyone needs to come together, even if they don’t agree 100%.** – Accommodation Provider
- **We need to hunt in a pack – collaboration is a key driver of success.** – Service Provider
- **The key is having a vision that inspires a shared passion; a common end-goal that we all go after together. Collaboration and tenacity drive innovation.** – Accommodation Provider
- **We can be the best in the world, but if we don’t have a strong distribution network then it won’t work.** – Accommodation Provider
- **Our lack of unity and having one voice means that government won’t listen to industry if there is conflict/lack of a consistent message.** – Industry Association
- **We are partners in crime here – we have world class product, but we need to give them an excuse to come. We need to work together to let people know our unique selling point – this will make for a longer stay, a bigger yield.** – Attraction Operator
- **The key is being one on one with someone we trust. Small operators are terrified of showing they don’t know.** – ACCC

**DestinationQ Questions:**

- **Are you actively to participate in partnerships, network and working collectively to keep visitors staying longer?**
- **Are you collaborating and cross-promoting complementary services and products with tourism and other businesses? If not, what is preventing this type of collaboration?**
- **What roles should destination partners play in building collaboration and innovation?**
- **Do we have a large enough knowledge base to successfully lead our businesses?**

**Kinnon & Co – Longreach**

Kinnon & Co are in business of selling the entire destination as the best possible opportunity to thrive as a business. By developing partnerships and collaborations over time, Kinnon & Co. has continuously grown value for its customers.

They are constantly creating new packages to create value for customers who are looking to make the most of their visit, especially first time guests.
d. Triggers & Enablers for Reinvention

All successful sectors of the economy benefit from a constant cycle of product development and reinvention. For some R&D led sectors this cycle is to the fore - its reinvent or die. Exactly the same principles apply in the visitor economy if we are stay ahead of the competition domestically and internationally - market knowledge and insight need to be successfully applied to developing and refreshing visitor experiences if we to grow productivity and competitiveness.

Business Insights

• If I continued to produce the same product as everyone else, my business wouldn’t survive. We must aspire to be the best. – Industry Provider
• We drive procedures, and we drive consistency, new ideas and innovation comes naturally. – Accommodation Provider
• We are always talking about new markets – the fact that you are talking about it means you’re already too late. - Attraction
• When an idea comes from staff, they are excited about it and they get involved. – Tour Operator
• My challenge is to convince the rest of the people in my business that we need to make a change. – Accommodation Provider
• Consumer taste is a fad-driven thing. The moment you open you’re business, you should be planning your next change.- Accommodation Provider
• As a small business, with a small workforce, taking time out to work on your business to develop new initiatives is really difficult.- Attraction
• Some of the barriers are also opportunities – sometimes regulations and standards actually helps distinguish us from other destinations. In my case the system actually forced me to innovate. – Attraction Operator

Destination Insights

• We have a lot of repeat visitation – people that come through the region every few years and you want them to be able to do something different each time. – Tour Operator
• Every time we hit a brick wall with government, we need links to the decision markers. – Event Organiser
• If the yield doesn’t follow, we won’t do it. – Tour Operator
• We need to raise the bottom up or pick winners, otherwise we will have a dead weight on innovation, which effects the whole destination. – Industry Advisor
• Necessity is the mother of invention. We are not the best in the world, others deliver the best value and produce new ideas. We need to look around and see what others are doing to drive innovation. – Industry Advisor
• We need to step outside the industry – what is going on in the overall economy. We are listening to tourism data because it is relevant but also to the bigger picture. – Accommodation Provider
• If you have good product, there is plenty of opportunity. There is no reason not to have successful product in our region. – Accommodation Provider

DestinationQ Questions:

MB How do you know when its time to change or reinvent in your experience?
MB What is one major change or shift you as a business operator are going to do to disrupt and remove inertia?
WE What lessons can we learn about reinvention from other sectors of the economy?
WE What will support businesses to be more active risk takers in developing new products and experiences?

Understanding the Needs of Lenders:
Through the development of this Whitepaper the project team met with senior representatives of a number of the major banks and they shared some interesting insights, including:
• Banks want to sell a package of services, so they are as interested in how many POS transactions you make as they are in the capital you are looking to raise.
• The ‘lifestyle’ investment trend in tourism is severely impacting on the risk associated with investment and driving down valuations (thus impacting Lending Value Ratios).
5. THE WAY FORWARD

The Pillars Supporting Innovation:

1) Market need - the ultimate objective of innovations is not to establish technological superiority. The underlying objective of any innovation is maximisation of returns on a constrained resource by improving products and processes and creating a market for it.

2) Economic growth - according to the Growth theory by Robert Solow, technological progress and innovation is the greatest engine of economic growth. Recent studies indicate that technological progress is now responsible for up to half of the growth of the US economy.

3) Leverage talent – human resources and knowledge management

Today we live in an era of such rapid change and evolution that leaders must work constantly to develop the capacity for continuous change and frequent adaptation. They must recognise people’s innate capacity to adapt and innovate.

4) Creation of an unforeseen benefit — "disruptive" innovation

One of the important properties of innovation is that of ‘discontinuity’ and it can have a deep social and economic impact. "Disruptive innovation" means one needs to often deal with the unexpected, like:

- Unforeseen changes in industry structure / market structure, etc.;
- Changes in demographics, changes in perception, and meaning;
- New knowledge — scientific and non-scientific.

5) Strategic R&D - A great idea can only get us started. In the changing global scenario and propelled market demand for newer and better products, to stay at the leading edge and to compete with more dynamic industrial economies as well as the newly emerging economies there is a need for:

- Strong science and technological links with the best research in the world;
- Incentives for knowledge transfer;
- Business R&D;
- High standards of education — imperatives of knowledge driven economy.

Queensland Tourism Business Participant Survey Results

"For me, the ideas are the easy part. I struggle to find mentors that think like I do and can inspire me to achieve my goals"

Accommodation provider

“Customers want an experience. It is not just a product. We could build new rooms easily – sure there is money and red tape, but we’ve learnt that it is not just a bed or a place to sleep anymore. We need to extend the experience and make something really remarkable. We need to answer the experience question. It’s easy to give people what they expect. We need to give them the unexpected”

Accommodation provider
This Whitepaper on Innovative Practices in the Queensland Visitor Economy was commissioned by the Department of Tourism, Major Events, Small Business and the Commonwealth Games. This document is not a part of any Queensland Government policy.

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