Papua New Guinea Niche Market Tourism Demand Assessment

Creating Markets, Creating Opportunities
## Table of contents

- Part 1: Tourism Demand Assessment Overview .......................................................... 3
- Part 2: Niche Market Findings and Comparison Destination Cases .................. 8
- Part 3: Unlocking Niche Market Potential for PNG ............................................. 26
Part 1: Tourism Demand Assessment Overview

State of Play
- Understand current markets
- Understand and assess tourism offer

Market Sizing
- Identify and evaluate 5 niche markets
- Size markets to understand potential demand to PNG
- Analyze market perceptions

Benchmarking
- Identify and assess competitor destinations to determine success factors for development

Forward Look
- Create tourism growth scenarios
- High level investment advice for high growth scenarios
Tourism is Growing but Susceptible to Shocks

PNG Total and Holiday Arrivals 2011 - 2017

Holiday arrivals grew at 5% from 2011 to 2016

Decrease in all arrivals from 2016 to 2017 due to elections

Launch of ‘A Million Different Journeys’ campaign 22% bump

Source: TPA, 2018
PNG’s Holiday Market Gap Limits Benefit

Arrivals by Purpose of Visit PNG versus Fiji, Namibia and Global

PNG Holiday Market Gap of 28%

PNG’s tourism industry is reliant on business travelers. Only 25% of arrivals to PNG are holiday tourists versus 53% at the global level.

Emerging markets seek a mixture of cultural tourism and soft adventure.

Growth potential for China, Japan, and Korea.

PNG is reliant on the Australian market.

- Focus on trekking, cultural and historical tourism.
- Kokoda Track is main product.

Seeks a mixture of nature-based and cultural activities.

Cultural tourism is a key appeal.

Source: TPA, 2018

UNWTO Regional Categories:

- Northeast Asia: China, Japan, South Korea
- Southeast Asia: Malaysia, Singapore, Philippines, Indonesia
Tourism Concentration on Two Products: Kokoda Track & Cultural Festivals

- Strong community benefits
- Well known in existing source markets
- PNG comparative advantage in region

2,600 Tourists Participated in the Kokoda Track in 2016

10,000 Cultural Tourists to PNG in 2016

- Location specific limiting benefit outside geographic area
- Festivals are time specific
- Carrying capacity issues
- Limited product development
- Not full tapping into markets
### Selected Niche Market Segments

<table>
<thead>
<tr>
<th>Bird Watching</th>
<th>Diving</th>
<th>Historical tourism</th>
<th>Cultural tourism</th>
<th>Soft Adventure tourism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Observing or Photographing birds in their natural habitat</td>
<td>Scuba diving in fresh or salt water. Includes only active divers with advanced certifications</td>
<td>Visiting sites/relics/monuments/memorials/services related to World War 1 or World War 2</td>
<td>Visiting a destination for an indigenous cultural experience.</td>
<td>Soft adventure activities that are low risk such as hiking, fishing, and kayaking, excludes trekking, bird watching and diving</td>
</tr>
</tbody>
</table>
Niche Markets were selected based on:

- Product availability and stage of development in PNG
- Comparative advantage of PNG’s tourism assets
- Current value of niche market to PNG
- Potential for niche market growth at global level
- Priority for PNG government and industry
- Sustainability: environmental, social, cultural and financial
- Availability of market research and definition of niche segment
Globally Niche Markets Are Large and Robust

2016 Global & PNG Niche Market Number of Trips

- **Diving**: 2.5 million trips (6% of PNG Holiday Market)
- **Birdwatching**: 4.9 million trips (1% of PNG Holiday Market)
- **Historical tourism**: 5.5 million trips (15% of PNG Holiday Market)
- **Cultural tourism**: 270 million trips (27% of PNG Holiday Market)
- **Soft adventure tourism**: 357 million trips (36% of PNG Holiday Market)

**PNG**

- 2,200 trips
- 460 trips
- 5,665 trips
- 10,000 trips
- 13,640 trips

Source: IFC PNG Tourism Demand Assessment, 2018
Globally Niche Markets Are Powerful

2016 Global & PNG Niche Market Total Spend

- **Diving**: $8.1 billion USD
- **Birdwatching**: $22.0 billion USD
- **Historical tourism**: $18.8 billion USD
- **Cultural tourism**: $453 billion USD
- **Soft adventure tourism**: $470 billion USD

### PNG Market

- **Diving**: $6.9 million USD (6% of PNG Holiday Market)
- **Birdwatching**: $3.3 million USD (3% of PNG Holiday Market)
- **Historical tourism**: $16.2 million USD (15% of PNG Holiday Market)
- **Cultural tourism**: $35 million USD (33% of PNG Holiday Market)
- **Soft adventure tourism**: $32.2 million USD (30% of PNG Holiday Market)

Source: IFC PNG Tourism Demand Assessment, 2018
Global & PNG Niche Market Average Price per Trip (USD)

Average spend per trip is higher for PNG in most niche markets.

Cost of travel is high and will prohibit future growth in arrivals for these segments. Impacts value for money.

Source: IFC PNG Tourism Demand Assessment, 2018
PNG Receives More Casual Tourists than Serious Niche Tourists

Casual Tourists versus Niche Market Tourists

Market alignment between participation and primary reason for visit for soft adventure travelers.

Few serious divers and birdwatchers visit PNG for the primary reason of engaging in niche activities even though participation is high.

Source: PNG 2017 IVS and IFC PNG Tourism Demand Assessment, 2018
Part 2: Niche Market Findings

Full Tourism Demand Assessment Includes:

Global Markets
- Number of travelers
- Revenue
- Average spend per trip
- Average length of trip

Global Potential
- Demographics
- Trends

PNG Potential
- Current markets
- Growth potential
- Critical constraints

Recommendations to Increase Niche Market Arrivals to PNG
Niche Market Traveller Profile Details

Demographics
- Age
- Top 3 key source markets

Booking Habits
- Time in advance that bookings are made
- Method of booking

Traveling Habits
- Avg. number of trips per year
- Average duration of each trip
- Average spend per trip
- Top 3 global destinations
- Preferred format of activity participation
Comparison Destination Cases

- Identify destinations that have harnessed the potential of a niche market
- Understand their development story and key elements for success

- Key Holiday Source Markets
- Average Length of Trip
- Average Spend per Day on Tours

- Similarity of Product Offerings to Those in PNG
- Challenges faced by the comparison destination
- Potential lessons for PNG
- Tourism development story
- Understanding of marketing efforts
KEY TAKEAWAYS: Cultural Tourists Need Interactive Products & Itineraries

**Products**
- Authentic and meaningful experiences
- Engage with local peoples and cultures through interactive tours
- Culinary practices

**Travel Patterns**
- Well-travelled and seek new and unique experiences
- Ease of access to information for planning
- Prefer to travel independently

**PNG Now**
- Mismatch between booking preferences
- Focus on festivals limit experiences
- Authentic but not interactive

**PNG Future**
- Itinerary development to showcase range of products
- Customizable tours through inbound
- Destination awareness raising through online media

Book 3 months in advance
Book individually online
Prefer independent travel

Source: IFC PNG Tourism Demand Assessment, 2018
Cultural Tourism: Namibia

CASE

- Strong wildlife tourism
- Need to diversify products and engage new markets
- Desire for community benefit
- Need to spread tourism into rural areas

SUCCESS FACTORS

- Strong enabling environment and mechanisms for community based tourism
- Holistic product development linked to private sector
- Packaging cultural tourist products into customizable itineraries
- Efficient and targeted marketing focused on high return on investment

CASE

South Africa 24%
Germany 17%
UK 5%

16 Days
$290 per day

Source: IFC PNG Tourism Demand Assessment, 2018
KEY TAKEAWAYS: Birdwatching investments must meet the needs of multiple markets

Products
- More remote and lesser known with new species
- Immersive experiences with local communities surrounding birding sites
- Growth in wildlife photography with lower cost equipment and popular wildlife and birding documentaries

Travel Patterns
- Traditional market is older and US/EU focused
- Growing interest in younger market
- Increasing interest from Asia markets with focus on photography

PNG Now
- Many casual birders
- Focus on traditional EU markets
- Low market penetration

PNG Future
- Additional research on endemic birds needed to raise awareness
- Targeting traditional market through print
- Appropriate infrastructure development for shifting market
- Online marketing needed for younger market

40 – 70 years old
1. USA
2. United Kingdom
3. Netherlands

Costa Rica
1. USA
2. Ecuador
3. USA

Source: IFC PNG Tourism Demand Assessment, 2018
CASE

• Strong tourism in Galapagos Islands but limited on mainland
• Desire for sustainable use of natural resources and long term conservation
• Need for economic benefit in communities in and near protected areas

SUCCESS FACTORS

• Sustainable tourism plan to manage protected areas
• Road infrastructure connecting regions to reduce travel time
• Public and private sector collaboration on clearly defined marketing strategy
• Specialized training and support for birding guides
• Diverse accommodation options for a variety of budget and interests

CASE
• United States 60%
• Germany 8%
• Netherlands 8%

11 day

$311 per day

Source: IFC PNG Tourism Demand Assessment, 2018
KEY TAKEAWAYS: PNG Lacks Sufficient Soft Adventure Tourism Products

Products
- Natural environment, learning and meaningful experiences
- Most popular are hiking, ecotourism and cultural
- Environmental sustainability of products and destinations

Travel Patterns
- Customizable trips for unique experiences
- Adult and middle age couples
- Wiling to travel far

PNG Now
- Strong adventure tourism assets
- Few formally developed products and access to land challenges
- Not specifically targeting this market

PNG Future
- Need more formally developed products
- Itinerary development to highlight range of activities
- Targeted marketing to adventure outbound tour operators

Source: IFC PNG Tourism Demand Assessment, 2018
Case
- Negative international reputation
- Low overall recognition in market
- Strong natural assets with gorillas and national parks
- Lack of formally developed products
- Need to diversify products to attract new visitors in medium term
- Desire for economic growth and diversification

Success Factors
- Developed tourism on iconic tourism product and then diversified
- Conservation by communities and former poachers
- Intensive marketing to improve online discoverability, raised awareness, and changed international perceptions
- Government prioritizing necessary infrastructure improvements

Europe 30%
North America 23%
Asia 5%

6 Days
$583 per day
* Entry fee for iconic wildlife viewing

Source: IFC PNG Tourism Demand Assessment, 2018
KEY TAKEAWAYS: Historical tourists seek engaging and multifaceted stories

- **Products**
  - Desire to experience history in person
  - Immersive storytelling to bring the site to life
  - Multiple perspectives

- **Travel Patterns**
  - Booking very far in advance
  - Older demographic
  - Shifting market to students and dark tourists

- **PNG Now**
  - Unique and iconic WW2 story
  - Underdeveloped tourism assets
  - High casual participation
  - PNG story is not always included

- **PNG Future**
  - Product development and infrastructure upgrades
  - Research and guide training to tell a strong narrative and the PNG story
  - Targeted marketing at specialized outbound tour operators

- **Age** 50 – 75 years old
- **With Tour Guide**

18 months

Source: IFC PNG Tourism Demand Assessment, 2018
Historical: Okinawa, Japan

CASE

• Shifting trends in the historical niche market with fewer veteran tourists
• Need for historical tourism products to speak to a range of tourists as their markets diversify
• Desire to expand the tourism experience in Okinawa

SUCCESS FACTORS

• Strong destination management created quality products, infrastructure and transportation
• Bundling products to include historical tourism in more packages
• Collaborating with outbound tour operators specializing in military tours
• High-quality guides give an immersive experience with holistic perspectives and storytelling

CASE SUCCESS FACTORS

<table>
<thead>
<tr>
<th>Destination</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taiwan</td>
<td>30%</td>
</tr>
<tr>
<td>South Korea</td>
<td>23%</td>
</tr>
<tr>
<td>China</td>
<td>5%</td>
</tr>
</tbody>
</table>

Taiwan 30%
South Korean 23%
China 5%

6 Days
$514 per day

Source: IFC PNG Tourism Demand Assessment, 2018
KEY TAKEAWAYS: Divers Need to Know Why PNG is Special

Products

- Coral Triangle gaining awareness in market
- Specialized interests e.g. wreck, muck, night
- Bragging rights experiences

Travel Patterns

- Chinese market driving new global demand
- Reliance on review sites and word of mouth
- Spending as much time as possible in water
- Dive safety is a key consideration

PNG Now

- Strong competition in Coral Triangle
- Undefined unique selling point
- Well coordinated industry with active private sector

PNG Future

- Define the comparative advantages of PNG dive destinations
- Raise overall destination awareness
- Protect the environment
- Build confidence in global dive market

Key Source Markets

1. USA
2. Europe (UK, DE, FR)
3. China

Source: IFC PNG Tourism Demand Assessment, 2018
**CASE**

- Desire for conservation of marine assets for long term benefit
- Tourism skills not meeting the industry need
- Low coordination between industry, government and community

**SUCCESS FACTORS**

- Direct air connections to destination allowing mid-budget market growth
- Proactive and collaborative marketing by public and private sector
- Targeted policy and marketing decisions to grow emerging markets
- Government established 16m hectares of marine protected areas
- Private sector participates in shaping park policies, awareness/education and employment.

---

*China 84%  
Singapore 5%  
Malaysia 1%*

**10 Days**

*10 Days
$171 per day*
Part 3: Unlocking the Potential of Niche Market Tourism for PNG

- Bird Watching
- Diving
- Historical tourism
- Cultural tourism
- Soft Adventure tourism
Unlocking the Potential of Niche Market Tourism

PNG Niche Market Arrivals Growth Scenarios

- 86,570 niche market arrivals spending $286 million per year by 2027
- $78 million worth of investments are needed to unlock the potential

Source: IFC PNG Tourism Demand Assessment, 2018
Investment Scenarios

**Base Case**: Status quo - PNG tourism industry does not invest outside of existing programs. PNG’s past market growth is maintained.

**Mid Case**: PNG invests in facilitating investments to attract more niche visitors. Mirrors global niche market past growth trends.

**High Case**: PNG invests further in facilitating investments to attract additional niche visitors. Growth mirrors past niche market trends for 3 years and then reflects global forecasts for niche market growth.
Base Case: Investment is Needed to Address Capacity

Revenue Growth Scenario

By 2027 invest $70,000 in air transport infrastructure upgrades. Capacity equivalent to 5 more flights to ENB and MB each per year.

Source: IFC PNG Tourism Demand Assessment, 2018
PNG Niche Market Arrivals Growth Scenarios

**Investments (USD Million)**

- **Marketing**: $17.7
- **Product development**: $1.3
- **Capacity building**: $0.16
- **Air transport, accommodation and infrastructure**: $1.55
- **Total**: $20.71

**Source**: IFC PNG Tourism Demand Assessment, 2018

55,950 niche market arrivals by 2027
### Mid Case: Recommendations for Facilitating Investments

<table>
<thead>
<tr>
<th>Public Sector &amp; Donor Investments</th>
<th>Mixed Public &amp; Private Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capacity Building</strong></td>
<td><strong>Product Development</strong></td>
</tr>
<tr>
<td>• Provide scholarship to existing educational programs and financing for SME development</td>
<td>• Develop itineraries for cultural and soft adventure</td>
</tr>
<tr>
<td>• Conduct in situ tour guide training program</td>
<td>• Formalize historical tourism products and develop itineraries</td>
</tr>
<tr>
<td>• Implement specialist training program for birdwatching guides with international expert</td>
<td>• Define comparative advantage of sites, conduct research and compile information for birdwatching and dive markets</td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td><strong>Marketing</strong></td>
</tr>
<tr>
<td>• Upgrade historical tourism sites</td>
<td>• Destination awareness campaigns</td>
</tr>
<tr>
<td>• Implement Public Relations Campaign to address safety perceptions</td>
<td>• Conduct niche market specific famils</td>
</tr>
<tr>
<td><strong>Marketing</strong></td>
<td><strong>Infrastructure</strong></td>
</tr>
<tr>
<td><strong>Private Sector Investments</strong></td>
<td>• Continue dive mooring program</td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td>• Develop soft adventure sites</td>
</tr>
<tr>
<td>• Build birdwatching hides, trails and platform</td>
<td><strong>Capacity Building</strong></td>
</tr>
<tr>
<td></td>
<td>• Provide ground staff training for airport staff</td>
</tr>
</tbody>
</table>
By 2027, the Government of PNG, donors and private sector must invest $21 million in investments must be made to reach mid-growth scenario revenue potential.
High Growth Case: Further Investments are Required to Attract more Tourists

<table>
<thead>
<tr>
<th>Additional Investments</th>
<th>USD Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing</td>
<td>$50.4</td>
</tr>
<tr>
<td>Regulatory</td>
<td>$8</td>
</tr>
<tr>
<td>Product development</td>
<td>$5.8</td>
</tr>
<tr>
<td>Capacity building</td>
<td>$3.7</td>
</tr>
<tr>
<td>Air transport, accommodation and infrastructure</td>
<td>$9.7</td>
</tr>
<tr>
<td>Total</td>
<td>$77.6</td>
</tr>
</tbody>
</table>

* Investments in addition to mid-growth case

86,570 niche market arrivals by 2027

Source: IFC PNG Tourism Demand Assessment, 2018
High Case: Recommendations for Facilitating Investments

Public Sector & Donor Investments

Regulatory
• Implement Youth Engagement Program
• Expand Tourist Police Taskforce
• Implement biodiversity conservation program

Capacity Building
• Implement capacity building programs to strengthen provincial tourism associations and TVET in PNG
• Provide paramedics guide training

Infrastructure
• Upgrade historical tourism sites
• Provide birdwatching accommodation incentives
• Upgrade roads to attractions

Marketing
• Implement targeted destination marketing campaigns to raise awareness for cultural and soft adventure tourism markets
• Implement online marketing campaigns coordinated with private sector, especially for dive markets

Mixed Public & Private Investments

Product Development
• Develop regional historical tourism route
• Develop soft adventure products
• Implement community based tourism project for soft adventure and cultural tourism

Marketing
• Private sector to participate in niche specific tradeshows especially for birdwatching
• Target specialized historical tourism outbound operators

Infrastructure
• Build dive infrastructure
• Upgrade historical tourism sites
• Develop soft adventure sites

HIGHLIGHTS
High Growth Case: Investments are Required to Attract more Tourists

By 2027, the Government of PNG, donors and private sector must invest $78 million in investments must be made to reach high-growth scenario revenue potential.

Source: IFC PNG Tourism Demand Assessment, 2018
The Government of PNG and the tourism industry must make coordinated investments to unlock the potential of niche market tourism and close their holiday market gap.
IFC's work in Papua New Guinea is guided by the Papua New Guinea Partnership. Australia, New Zealand, and IFC are working together through the partnership to promote sustainable economic development, reduce poverty and stimulate private sector investment in Papua New Guinea.