THE UNIVERSITY OF AUCKLAND
BUSINESS SCHOOL

Champions Trophy
Case Competition 2011

Case 3: nakedbus.com

11 February 2011

Case prepared by Mr Luke Bulling under the supervision of Mr Sunny Gu. This case has been prepared solely for the Champions Trophy Case Competition. All data in this case has been obtained from publically available sources and nakedbus.com. This case is not intended to serve as an endorsement, a source of primary data, or an illustration of effective or ineffective management.

nakedbus.com

David Dollar

From: David Dollar
Sent: Friday, 11 February 2011 7:41
To: * Naked Group Project Teams
CC: John Jobs; Benjamin Banker; Peter Partner; Warren Wallstreet
Subject: Naked Group Strategy Presentation

Greetings,

Our third client, the Naked Group is a young, fast-growing company with ambitious goals.

Inspired by low-cost European airlines, nakedbus.com was established in 2006 with the aim of revolutionising long-distance bus travel in New Zealand by eliminating unneeded ‘frills’ and offering fares as low as $1. Since then nakedbus.com has grown rapidly and now visits 320 towns and cities every day with 32 buses.

In December 2010 the Group launched nakedsleep.com – a service that aims to extend the Group’s business model into selling low-cost accommodation.

With plans to revolutionise the accommodation market, improve sales of tourist activities, and expand operations into the UK, the Group faces some enormous opportunities and challenges.

Hamish Nuttall, CEO of the Naked Group, has asked us to analyse the company and provide recommendations on the strategic level. He is also interested in your thoughts on the Group’s ‘revenue share’ model with bus operators.

You will have ten minutes to present to Hamish and the management team, which will be followed by a ten-minute question and answer session. You will find documents prepared by our research team attached.

Regards,

David Dollar,
Senior Vice President
SYG Consulting Group

The Business

nakedbus.com

Note: All figures given are in $NZD unless otherwise indicated.
NZD$1 = USD$0.76 = GBP£0.48 as at January 2011.

The Naked Group

The Naked Group is made up of nakedbus.com, nakedsleep.com, and Group management company Nakedinsight. The Group's core business is its low-cost national bus network. It has aimed to build on its success in the bus business by moving into selling accommodation and tourist activities.

1.0 Nakedbus.com

Nakedbus.com manages a long-distance bus network covering 80% of New Zealand.

Vision: To be the leading long-distance NZ bus network; profitable for both nakedbus.com and its operators.

Purpose: To provide the most customer-centric, affordable, stress-free, one-stop travel solution with the lowest costs.

Low price: Nakedbus.com's average ticket price is around $23, compared with an estimated $40 for its main competitor InterCity Coachlines. Each nakedbus.com bus trip is guaranteed to have at least one $1 fare available.

Low cost: *"We focus on driving costs out of every area of our business from working online to eliminating costly errors."*

> *"We've stripped the cost of travel by cutting out unnecessary costs like paper tickets, salespeople with expense accounts, and large terminals. Instead, we offer comfortable fast coaches with friendly drivers, and of course, cheap (and cheerful) prices. We keep our prices low by making sure our operation costs are at a bare minimum. For example: easy-to use booking facilities online help minimise mistakes and confusion. Therefore, fewer customer service staff and resources are required to help customers complete their bookings."* – Hamish Nuttall.

Sales channels: 90% of nakedbus.com ticket bookings are online, compared to an estimated 33% for InterCity. Transaction costs for online sales are mainly credit card-related fees at 2.5% of the value of the ticket, compared to an estimated 10-20% for InterCity.

Nakedbus.com also has a network of over 200 agents located in most i-SITE[1] visitor information centres and some backpacker hostels. Agents retain 0-15% of ticket revenue and some charge customers a $4-5 service fee. Agents provide 10% of ticket bookings but 20-25% of nakedbus.com revenue due to strong sales of Nakedpassport multi-passes at backpacker hostels.

Excluding Nakedpassport, 80% of offline ticket sales are through i-SITEs, which are typically more likely to offer InterCity tickets unless nakedbus.com tickets are specifically requested. Nakedbus.com typically makes a loss on such sales, but continues to offer them due to feedback from bus operators.

Yield management: *"The service is designed so that the earlier you book, the less you pay"*

"The biggest cost is....carrying empty seats. Nakedbus.com's business model is to fill those empty seats which make our low fares viable."

Hamish Nuttall sees the Group's strength as being in the yield management[2] of fixed capacity assets. Built on sophisticated algorithms, the Group's proprietary booking and pricing system allows the Group to manipulate its prices so as to segment customers according to their flexibility and according willingness to pay. This enables the Group to fill more seats and spread its costs across more customers than its competitors. As a result, nakedbus.com achieves an 80% average load factor[3] on bus services, compared to an estimated 40% for InterCity Coachlines.

Nakedbus.com offers tickets for sale many months before the journey date. Early bookers are offered the cheapest fares. As the journey date approaches and the bus 'fills up', prices are raised. A price comparison table is provided on page 31.

[1]New Zealand's official visitor information network. I-SITEs help visitors find activities, attractions, accommodation, and transport.
[2] Yield management means understanding, anticipating and influencing consumer behaviour in order to maximise revenue from a fixed, perishable resource.
[3]I.e. 80% of seats occupied.

Nakedbus.com's 'eWayBill' is a Java-based mobile phone application that allows the company to accept bookings and pass them on to drivers via mobile phone as late as five minutes before departure.

Relationship with bus operators: Nakedbus.com does not own any buses. It contracts with 15 bus operators who provide 32 buses, most of which are painted in nakedbus.com livery. While most operators provide their buses' entire capacity and entrust all marketing and sales to nakedbus.com, a few allow the company to sell their excess capacity only. Buses and drivers remain the responsibility of the contracted operators. Nakedbus.com sets the prices, typically retaining 20% of revenue from ticket sales and paying the rest to operators. Typically a new bus route will only become profitable for operators in its third year of operation.

1.1 Customer experience

Wireless internet: Nakedbus.com recently began installing on-board wireless internet technology on its bus network. As well as delivering free internet access to customers with compatible devices, the technology allows nakedbus.com to track buses' progress and contact customers via SMS if a bus is running late. The system also provides nakedbus.com with real-time video surveillance, data on which customers have boarded or missed the bus, and monitoring of speed, braking, and oil pressure.

Loyalty scheme: Each time customers travel with nakedbus.com they earn 'Nakedrewards points' towards future trips. Customers can also earn points by making referrals that result in ticket sales.

Nakedpassport: Nakedbus.com offers a Nakedpassport multi-pass which allows customers to travel on any nakedbus.com routes for the number of journeys purchased. Passes are valid for 12 months and trips must be booked in advance through Nakedpassport.com. Passes can only be used for travel between any two points once in each direction, meaning they are unsuitable for commuters.

Pass name[4]	Trips	Price
Ponga	5	$157
Rimu	10	$260
Totara	15	$360
Kowhai	20	$427
Nikau	25	$477
Kauri	30	$497
Unlimited	Unlimited	$597

2.0 Nakedsleep.com

Nakedsleep.com was launched in December 2010 and presently sells beds in eight hostels owned by Base Backpackers, located in major population centres Auckland, Wellington, and Christchurch; and tourism hotspots Paihia, Rotorua, Taupo, Queenstown, and Wanaka.[5]

Nakedsleep.com aims to capture 5% of the New Zealand budget accommodation market in its first year and grow at 50% per year for the following 5 years. The company plans to eventually expand to 50 New Zealand locations including non-hostel accommodation. Nakedsleep.com plans to contract with only one accommodation provider of each type (hostel, hotel, etc.) in each location. Nakedsleep.com expects to be able to quickly build up a network of accommodation providers through its ability to increase occupancy rates with its yield management abilities.

With nakedsleep.com, the company aims to turn budget accommodation into a network business.
"Customers travelling around NZ will be able to book all their accommodation needs in one spot."

[4]Passes are named after native New Zealand tree species.
[5]See appendices (page 27 onwards) for maps, populations, and other information.

Around 30% of nakedbus.com customers are young New Zealanders travelling to a destination where they intend to purchase accommodation. The Naked Group aims to attract these users to nakedsleep.com through the nakedbus.com email newsletter and through cross-selling during the nakedbus.com booking process.

Low price: Nakedsleep.com offers beds at an average price of $15, compared to an industry average of around $22. At least one bed in every hostel on each night is available for $5. $5 beds are presently available only in dorm rooms; prices are higher for private rooms (starting at around $50).

Low cost: Nakedsleep.com is built on a similar low-cost model to nakedbus.com. Bookings can only be made online through the nakedsleep.com website.

Yield management: Nakedsleep.com uses similar yield management techniques as those used for nakedbus.com. Booking dates are released months in advance and 'the earlier you book, the cheaper it is'.

3.0 Tourist activities

The Naked Group's websites offer a number of tourist activities for sale along with bus tickets and hostel nights.

The Naked Group sells activities on behalf of 15 firms and retains 25% of revenue from activity sales. The Nakedpassport website offers a discount of around $10 for each activity booked in conjunction with a Nakedpassport.

On the nakedbus.com website, activities are currently sold through the bus ticket booking engine (customers must select an activity as a 'destination' from the drop-down menu). Nuttall acknowledges that the existing system is not optimised to market activities and that this has contributed to poor performance in activity sales.

The Naked Group's new booking system (due for adoption in March 2011) has been designed to better handle activities, and the group plans to target activity offers to users in the process of booking bus tickets or accommodation in regions where activities are available.

Tourist activities currently offered on nakedbus.com and Nakedpassport.com:

Activity	Price[6]
Bay of Islands to Cape Reinga, Ninety Mile Beach off road Safari	$139
Bay of Islands - Hole in the Rock Discovery Cruise	$89
Bay of Islands - Swim with the Dolphins	$89
Inter-island ferry Picton to Wellington	$59
Mount Maunganui - Learn to Surf	$70
Queenstown - Double Decker Sightseeing Tour	$48
Queenstown - Milford Sound Day Trip (includes boat cruise on the Sound)	$169
Rotorua - Cultural Hangi[7] Experience	$58
Rotorua - Guided Village Tour & Cultural Show	$28
Rotorua - Maori Arts Experience	$95
Rotorua - Sledging Adventure[8]	$85
Rotorua - White Water Rafting Adventure	$85
Waitomo Caves - Action Packed Caving Adventure	$215
Waitomo Caves - Blackwater Rafting	$145

[6]Prices may be discounted from time to time.
[7]Hangi is a traditional Maori method of cooking food using buried hot rocks.
[8] A sledging participant lies on a board and swims with the current of the river.

4.0 Marketing

Brand: The nakedbus.com brand is well known within its target market in NZ, and is increasingly known to foreign travellers before they arrive in NZ. The brand is positioned as young, fun and edgy and aims to connect well with nakedbus.com's target market.

Publicity: A 2010 survey revealed that 58% of customers found out about nakedbus.com through word of mouth, 21% through a search engine, 7% through online advertisements, and 6% by seeing buses on the road.

The Group distributes flyers at university orientation events, and has an estimated 50% brand awareness among New Zealand students.

Recently, the Group has used headline-grabbing tactics to get coverage in news media:

- A world record attempt to fit 50 models on one bed at the launch of nakedsleep.com
- An offer of free bus rides to Members of Parliament.[9]

Nakedbus.com buses feature pictures of young people, students, and elderly people accompanied with quotes as to why they are 'on the bus'. The back of the bus draws attention to the $1 fares.

4.1 Online engagement:

Google: The Group spends around $2,000 per month to ensure a good ranking in bus or backpacker-related search results.

Newsletter: The Naked Group has a database of 56,000 users to whom it sends a fortnightly newsletter notifying them of upcoming release dates for $1 fares or $5 nights.

Facebook: Nakedbus.com's Facebook page provides regular updates as to the Group's activities and the release of cheap fares for upcoming bus trips. It also asks for suggestions on new routes, timing, and service improvements. In the past, the Group has used the page to source people to appear in advertising images, offering payment in bus tickets. 1,273 people 'like' nakedbus.com's Facebook page as of January 2011.

Websites: Hamish and other managers keep an eye on online travel and backpacker websites and occasionally post comments on forums in response to inquiries within the Naked Group's areas of interest.

5.0 Management

Hamish Nuttall is the founder and CEO of the nakedbus Group. Originally from Birmingham, Hamish has extensive experience in the transport industry both in the UK and New Zealand.

Hamish Nuttall's Employment History:

Date	Organisation	Position
2006 – Present	Nakedbus.com	CEO/Director
1993 – 2006	N/A	Freelance transport/IT consultant
1990 – 1993	Steer Davies Gleave[10]	Senior Consultant
1989 – 1990	West Midlands Travel	Traffic Manager – Birmingham Central
1988 – 1989	Busways	Traffic Supervisor – South Shields Depot
1986 – 1988	National Bus Company	Senior Management Trainee

Hamish is supported by 14 staff specialising in operations, marketing, and customer service. Typically one person at a time will handle incoming phone and email inquiries.[11]

[9]In 2010, Parliamentary 'perks' came under scrutiny in the news media. Members' air travel entitlements were examined in particular. Nakedbus.com's offer coincided with this period of scrutiny.
[10]A transport consulting firm.
[11]Calls to the Group's customer service number (0900 NAKED) cost $1.80 per minute.

Industry Information

6.0 Long-distance bus travel in New Zealand

Market profile: 1.3 million passenger trips per year for scheduled services. The market is growing at an estimated 10% per year. Demand spikes between November and February (New Zealand's summer).

Network industry: Hamish Nuttall sees long distance bus travel as a network business –

> *"it is hard to break into it while only providing one or two routes, as is evidenced by the failure of small operators to thrive. It is like a mobile phone company only serving the Auckland market - most customers want to be able to call outside Auckland occasionally!"*

Nuttall sees travel markets as sustainable with one low cost and one premium operator. He points to the New Zealand and British domestic airline markets as evidence of this, and notes that evidence suggests the low cost operator generally performs better.

Barriers to entry: Nuttall estimates that any new operator would have to invest $12-15 million in vehicles, plus several million in marketing to establish a brand. If such an entrant were to operate at the very low fare level set by nakedbus.com, Nuttall thinks it would struggle to make a return.

Market share: Nakedbus.com has more than 20% market share and serves over 300,000 passengers per year.

6.1 Competition

InterCity: InterCity operates 160 daily coach services to 700 destinations nationwide, serving 1.4 million bus passengers per year. It also offers sightseeing tours through its 'GreatSights' subsidiary. Prior to nakedbus.com's launch, InterCity had 90% market share. InterCity owns its fleet of buses and generates an estimated two thirds of its bookings offline through ticket offices, call centres, and third party booking agents.[12] InterCity CEO Malcolm Johns is one of eight directors on the board of Tourism NZ,[13] appointed by the Minister of Tourism (and Prime Minister) John Key.

Since nakedbus.com's entry, InterCity has lowered its prices by up to 50% on some routes[14] and now guarantees the availability of at least one $1 fare on every bus trip. Nuttall estimates that two thirds of nakedbus.com's customers have been taken from InterCity, while the rest are new to bus travel.

7.0 Budget accommodation in New Zealand

Market profile: Backpacker accommodation in New Zealand is primarily provided on a per bed basis. Beds are provided in shared rooms (dormitories) or individual rooms. Generally there are shared bathroom and kitchen facilities. The backpacker sector also includes youth hostels, commercial ski lodges and Department of Conservation huts.

[12] InterCity booking agents are located in i-SITE visitor information centres, post shops, commercial travel centres, and backpacker hostels.
[13] Tourism New Zealand is a government entity that promotes NZ as a tourism destination.
[14] In 2007 the Naked Group complained unsuccessfully to the Commerce Commission (New Zealand's competition regulator) that InterCity was taking advantage of its market power for anticompetitive purposes by engaging in 'predatory pricing'.

The following 2009 data is from a Ministry of Tourism report on backpacker accommodation:

- The backpacker sector included 467 businesses which hosted 4.6 million guest nights.
- Total capacity (available beds) in was 27,000 beds - 19% of New Zealand's total accommodation capacity.[15]
- Backpackers spent an average of 30 nights in New Zealand.
- 16% of backpacker hostels had 10-19 beds, followed by 20-29 beds (15%), and 30-39 beds (13%). 14% had more than 100 beds.
- Demand for hostel nights peaks in January (550,000 nights) and falls to under 300,000 nights in the winter months.
- Backpacker hostels hosted 14% of total guest nights. Hotels hosted 54%, motels: 48%, holiday parks: 15%.
- The top ten regions for backpacker guest nights were Canterbury (17%), Auckland (16%), Queenstown (10%), Wellington (9%), West Coast (5%), Northland (5%), Nelson-Tasman (4.5%), Rotorua (4.2%), Taupo (3.9%), and Marlborough (3%).
- The average occupancy rate was 43%[16] compared with hotels (54%), motels (48%) and holiday parks (15%).
- International visitors bought 72% of backpacker guest nights in 2009. Of these visitors, 23% were from Australia, 15% from the UK, 10% USA, 10% Germany, and 4% Japan.
- Visitors stayed an average of 2 nights in a backpacker hostel, compared with 1.8 nights in a motel, 1.9 nights in a hotel and 2.1 nights in a holiday park.
- Backpacker visitors stayed longer in Central Otago (3.1 nights), Hawke's Bay (3.0 nights) and Bay of Plenty (2.8 nights).
- 69% of backpacker visitors booked their accommodation before they arrived in a region.
- 50% of international backpacker visitors used the internet to book their accommodation, followed by phone (26%) and a travel agent (11%). Similar figures applied to domestic visitors.
- 79% of international backpacker visitors and 51% of domestic backpacker visitors were aged between 15-34 years.
- 96% of international backpacker visitors travelled independently of packages or tour groups.
- International backpacker visitors spent an average of $91 per night on their trip.[17]

Hostel organisations:

- **YHA:** The Youth Hostel Association of New Zealand is a not-for-profit charitable organisation with 52 backpacker hostels.
- **Base Backpackers:** Owned by Australian private equity group Ironbridge, Base has eight hostels in New Zealand and five in Australia with a total of 4,100 beds.
- **Nomads:** Has eight hostels in New Zealand, 21 in Australia, and five in Fiji.

Listing organisations:

- **BBH:** A booking website with access to a network of 307 independent, mostly owner-operated backpacker hostels.
- **Wotif.com:** Lists offers for hundreds hotels and hostels in New Zealand, Australia, Asia, and London. Originally designed for 'last minute' bookings (within 7 days), Wotif.com now offers listings up to three months in advance. Prices are presented in table form, enabling easy comparisons between providers.

[15] Holiday parks comprised 36%, hotels: 23%, motels: 21%.
[16] A decrease from 47% in 2004 due to a greater increase in capacity than in guest nights.
[17] Visitors staying in hotels: $209, in motels: $150, in holiday parks: $112.

8.0 Tourist activities in New Zealand

The activities market is fragmented with no one provider responsible for more than 10% of the market (most represent less than 1%). Companies generally focus their operations on a few activities within one region.

9.0 Nakedbus.com's customers

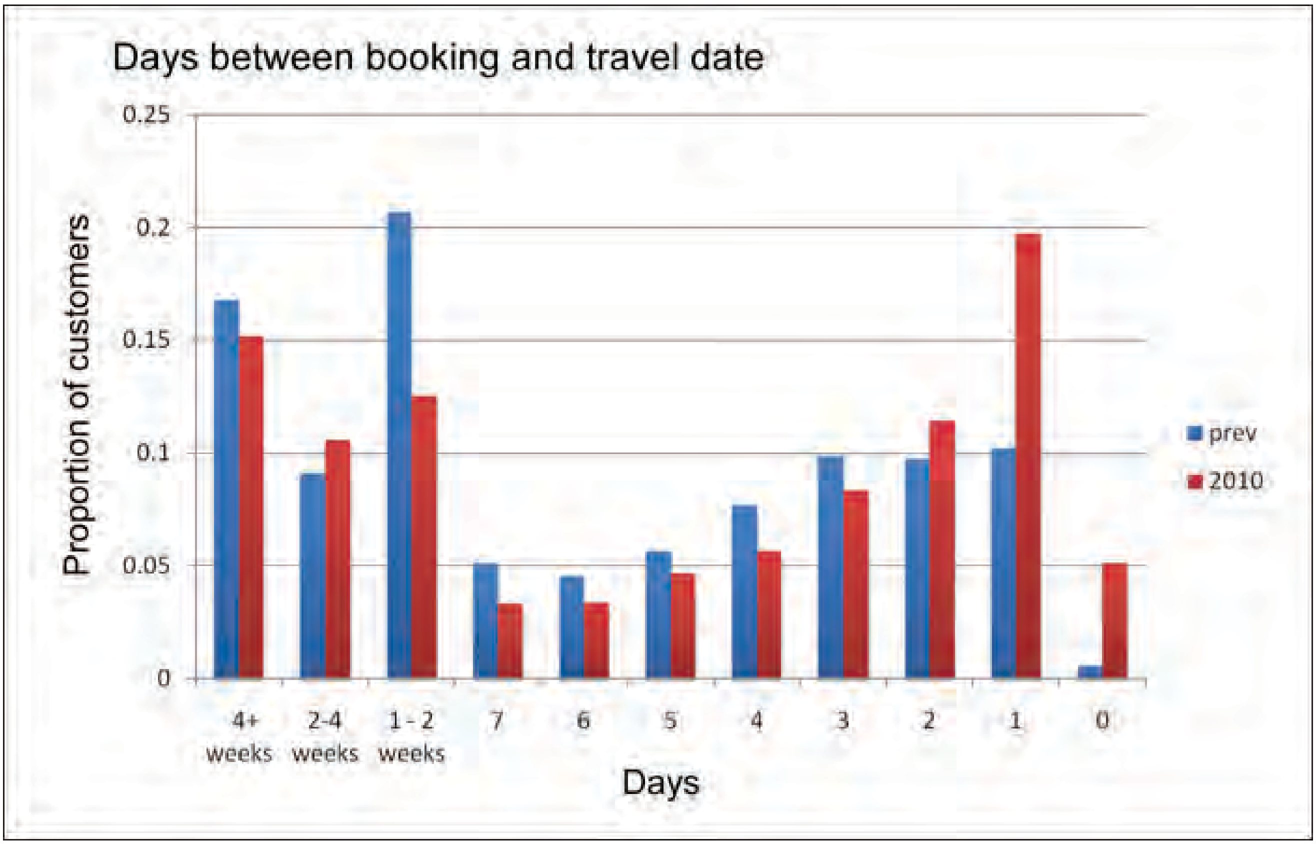
"Customers use nakedbus.com because we're cheap and cheerful."

Age: 46% are 18-25; 21.7% are 26-40. Many are students or backpackers.

From: 82% live in New Zealand.

Reason for travel: Visit friends/family: 50%; Holiday: 20%; Getting to/from education: 11%.

Reason for choosing nakedbus.com: Price: 55%; Convenient pick-up/drop-off locations: 11%; Recommendations: 12%.



10.0 Related industries

Tour bus operators:

Kiwi Experience: Kiwi Experience is owned by Tourism Holdings Ltd (a public company with $182 million revenue in 2010). It offers an integrated 'hop-on, hop-off' backpacker tour bus service, carrying 20,000 passengers per year on its 40 buses. Buses travel the country and stop at tourist attractions. Some accommodation and activities are included, with discounts offered on others.

Trips within a single region are priced from $45. National passes range from a $475[18] 'Funky Chicken' pass (including most locations on both islands) to the $2202 'Full Monty' pass (including all locations on both islands). Passes are valid for 12 months.

> *"Kiwi Experience is an adventure experience company first and a bus travel company second. We stop regularly to show you amazing places all along the way. You could travel cheaper with a city to city bus transport service... but be wary that you'll be seeing New Zealand from a seat, with locals not travellers, and the stops are limited to meal times and rest rooms... if you're lucky."* – Kiwi Experience website.

Stray and Magic Bus: These companies offer driver-guided hop-on, hop-off services in mini-coaches and are integrated with adventure activities and accommodation. Passes are valid for 12 months and range in price between $685 and $1885. Buses run on recycled 'fish and chip' oil.

Private cars: New Zealand has one of the highest levels of car ownership in the world (4.4 million people own 2.6 million light passenger vehicles). Travel by car is the most frequently used option for international visitors to NZ (69%) followed by air services (33%), scheduled bus services (32%), ferry services (21%) and tour buses (20%).

Rental vehicles: Global firms such as Avis, Euro, and Budget operate in NZ, as do hundreds of smaller local operators.

Domestic airlines: Air New Zealand, the 'national carrier' makes over 500 flights per day to 26 domestic destinations. Prices range from low 'Grabaseat' fares (e.g. $39 Auckland-Wellington), to very high fares (e.g. $418 for a flexible next-day Auckland-Christchurch fare).

JetStar is a low-cost airline owned by Australian carrier Qantas. Within New Zealand, JetStar flies only between Auckland, Wellington, Christchurch, and Queenstown. Fares typically range between $30 and $110. JetStar has plans to increase its domestic capacity.

Train: There are presently four long-distance train routes in NZ:

- Overlander: Auckland – Wellington
- Capital Connection: Palmerston North – Wellington
- TranzCoastal: Christchurch – Picton
- TranzAlpine: Christchurch – Greymouth (passes through spectacular mountain scenery)

[18]Christmas season discount rate – usually $1,143.

Challenges and Opportunities

11.0 The nakedbus.com business model

With bus operators regularly demanding a higher proportion of revenue, the Naked Group is currently examining whether its current 'revenue share' arrangement with bus operators is the optimum model of relationship. Hamish Nuttall views it as important for the Group's viability that one model is applied to all operators. A typical bus operator's profit structure is set out on page 25.

Although a change would mean committing to the arduous task of renegotiating contracts with each bus operator, the Group is considering four options.

'Revenue share': (current model)

- Nakedbus.com and the operator agree on a flat 'management fee' applied to all ticket sales revenue - typically 20%.
- Bus operators are not guaranteed any base level of revenue

'Fixed fee':

- Nakedbus.com would pay operators a fixed fee to operate a bus service (calculated according to distance, duration, or frequency of trips).
- Operators could submit tenders for the right to operate a route.

'Profit share':

- Nakedbus.com would charge a low management fee (e.g. 10%) on ticket sales up to the operator's breakeven point.
- Nakedbus.com would charge a higher fee (e.g. 40%) on all revenue above that point.

'Direct ownership':

- Nakedbus.com would purchase vehicles and outsource drivers, depot services, maintenance, and running costs.

12.0 UK expansion

The Naked Group plans to expand nakedbus.com's operations to the UK in the next 12 months. Long term, the Group also plans to launch nakedsleep.com in the UK. The Group sees the UK as attractive for the following reasons:

- Market size: The UK market for long-distance bus travel, at £250 million, is more than 10 times the size of NZ and is forecast to grow 25% between 2005 and 2030.
- Typically short journey times make bus attractive compared to air travel.
- Many potential operator potential partners (the Group has already approached some who are supportive).
- High penetration of broadband and credit/debit cards.
- Supportive regulatory environment (ease of setting up a bus company).
- CEO Hamish Nuttall is very familiar with the market.
- No language barrier.

Some key UK demographics:

- 2 million domestic tertiary students, with a high proportion living away from home
- 8 million households in the UK have no access to a car
- About 6 million 'active' elderly people - who may not like driving long distances
- Over 10 million leisure arrivals per year

Niche opportunities:

- Passengers travelling to 'secondary' airports served by low cost airlines are not served well by public transport other than from London.
- Links between tourist destinations. Destinations such as Stratford-upon-Avon are often not large population centres and are not well served by public transport.

UK operations plan

Because nakedbus.com is internet based, Nuttall estimates that the business can be run from NZ using much of the existing infrastructure.

> *"We forecast that we will capture 5% of the long distance bus market in the first 2 years, and then capture an additional 1-3% per year for the following five years as we build out the network, and gain brand recognition as we have here. 2/3 of our turnover will come from existing bus users and 1/3 will come from users new to bus who are attracted out of cars by our price and edgy brand (making bus travel more acceptable to people who are used to using cars, as we have done in New Zealand)."*

Bus operators in the UK:

National Express: Historically state-owned, National Express controls about 80% of the long-distance bus market. National Express operates shuttle, airport, and intercity services. Most services are subcontracted to local companies. National Express offers a limited number of 'Funfares' from £5.

Megabus: Owned by Stagecoach Group.[19] Megabus serves 50 destinations, with some buses linking with train services. Fares start at £1. Most sales are online, with lower fares for early bookings. Megabus also has services in North America.

Greyhound UK: A recent entrant, Greyhound UK is owned by FirstGroup[20] and offers low-cost intercity bus services from London to South England, Cardiff, and Glasgow.[21] Greyhound UK advertises extra legroom, free Wi-Fi, reclining seats, and fewer seats per bus.

Scottish Citylink: Intercity services in Scotland and Ireland. Services are contracted out to local operators. Stagecoach has a 35% stake.

Ulsterbus: A state owned company that runs bus services in Northern Ireland

Easybus: No-frills express services from London to London's airports in 19-seat coaches

Rail in the UK:

The UK long distance rail market is twice the size of the UK long distance bus market in terms of passenger kilometres. High-speed rail is available on some intercity routes. Long-distance rail operators are:

Virgin Trains: 51% owned by Virgin Group, 49% by Stagecoach. Virgin Trains operates services between London and the West Midlands, the North West, Wales, and Scotland.

East Coast: Re-nationalised in 2009, East Coast operates long-distance services from London to Scotland and cities and towns in between.

East Midlands: Owned by Stagecoach, East Midlands operates services from London to Sheffield and cities and towns in between.

South West Trains: Owned by Stagecoach. Operates services from London to the South West of England.

CrossCountry: Owned by Arriva, a subsidiary of Deutsche Bahn (a German state owned rail company). Operates services between Birmingham and other cities nationwide.

First Great Western: Owned by FirstGroup. Operates services between London and the South West of England.

Megatrain: Owned by Stagecoach. Offers tickets on services operated by East Midlands and South West. Bookings are made in advance, with fares starting at £1. 'Megabusplus' tickets combine rail and bus.

[19]Stagecoach Group is a public company with 2009 revenue of £2.1 billion. Stagecoach operates 16% of UK bus services and 25% of rail, including a 49% stake in Virgin Trains.
[20]FirstGroup is a public company with 2009 revenue of £6.2 billion. It is the UK's largest transport firm and operates 20% of all local bus services.
[21]See page 33 for a map of the UK.

Domestic air travel in the UK

Low-cost airlines Ryanair and EasyJet offer flights within the UK and across Europe. Ryanair's only route within Great Britain is from London to Glasgow, with fares ranging from £7 to £30. An EasyJet fare on the same route is typically £24. EasyJet also offers flights between London and Edinburgh, Inverness, and Newcastle.

Budget accommodation in the UK

The UK budget accommodation market is similar structurally to the NZ market. Most hostels are owner-operated, single-site businesses. The Youth Hostel Association operates around 200 hostels and commercial chains such as St Christopher's Inn have a nationwide presence.

Financial Information

13.0 Ownership

Appendices

Key Tourism Statistics

21 December 2010

Ministry of Economic Development Manatu Ohanga

International Visitor Arrivals[1] — Year ended November 2010

International arrivals:
2,514,209 up 75,583 or 3.1% on the previous year.

Key Markets:		Annual Growth
Australia	1,115,408	4.4%
UK	237,909	-7.8%
USA	191,902	-1.6%
China	120,222	15.0%
Japan	88,324	12.0%

Combined, these markets provided 70% of international visitors to New Zealand for the year ended September 2010.

Purpose of Visit:		Annual Growth
Holiday	1,210,449	2.9%
Visit Friends / Relatives	781,219	0.4%
Business	249,179	8.4%

Average intended length of stay: 20.2

International Visitor Expenditure*[2] — Year ended Sep 2010

Total Expenditure:
$5.951 billion down $330 million or 5.4% on the previous year.

Average expenditure per person, per night	$113
Average expenditure per person, per trip	$2,513

Top Five International Markets:	(millions)	Annual Growth
Australia	$1,733	5.8%
UK	$710	-14.1%
USA	$514	-15.3%
China	$365	17.2%
Japan	$357	-15.4%

Total Expenditure by Purpose of Visit:	(millions)	
Holiday	$3,092	-5.7%
Visit Friends / Relatives	$1,108	2.2%
Business	$632	-8.9%

*Excludes international airfares

Outbound Tourism[3] — Year ended October 2010

Trips Abroad by New Zealand Residents:
2,002,469 up 84,576 or 4.4% on the previous year

Countries Visited by New Zealand Residents:		Annual Growth
Australia	969,374	2.8%
Fiji	96,000	4.9%
UK	92,673	6.3%
USA	97,760	10.4%

Commercial Accommodation[4] — Year ended October 2010

Guest Nights by Accommodation Type:		Annual Growth
Hotel	11,142,243	5.3%
Motel	10,202,338	-1.1%
Backpacker	4,551,644	-0.8%
Holiday Park	6,374,692	-0.1%
Total	32,270,917	1.3%

Occupancy Rates:	
Hotels	56.1%
Motels	45.9%
Backpackers	34.8%
Holiday Park	11.4%
Total	33.4%

Domestic Tourism[5] — Year ended September 2010

Domestic Trips:	(millions)
Day trips	27.5
Overnight trips	16
Total nights	47.7

Purpose of Visit:	(millions)
Holiday	16.5
Visit Friends / Relatives	14.9
Business	10.4

Expenditure:	(millions)
Day trip spend	$2,863
Overnight trip spend	$5,623
Total domestic spend	$8,486
Average spend per day trip	$104
Average spend per overnight trip	$352
Average spend per night	$118

Economic Contribution[6] — Year ended March 2010

Tourism Expenditure:	(billions)
International†	$9.5
Domestic^	$12.9
Total	$22.4

†Includes international airfares paid to New Zealand carriers.
^Domestic expenditure comprises $9.9 billion household expenditure and $3.0 billion business and government expenditure

Tourism Exports:
International tourist expenditure accounted for $9.5 billion or 18.2% of New Zealand's total export earnings.

Direct and Indirect Contribution to GDP:
Tourism directly and indirectly contributes $15.1 billion (or 8.7%) to New Zealand's total GDP (excluding GST and import duties).

Tourism Employment:
Tourism supports 92,900 direct and 89,500 indirect (182,400 total) full-time equivalent jobs (9.6% of the total workforce in New Zealand).

Forecasts to 2016[7]

International:		Avg Annual Growth
Visitor arrivals	3.1 million	3.5%
Visitor nights	57.7 million	2.8%
Visitor expenditure	$8.166 billion	4.0%
Domestic:		
Outbound trips	2.4 million	3.0%
Domestic overnight trips	19.4 million	-0.2%
Domestic day trips	36.7 million	0.1%
Domestic visitor nights	56.1 million	-0.2%
Domestic visitor expenditure	$9.893 billion	1.5%

Data Sources:
[1] International Visitor Arrivals and Departures
[2] International Visitor Survey
[3] International Visitor Arrivals and Departures
[4] Commercial Accommodation Monitor
[5] Domestic Travel Survey
[6] Tourism Satellite Account
[7] New Zealand Tourism Forecasts 2010 - 2016

This paper was prepared by the Tourism Strategy Group, Ministry of Economic Development. For further information visit the Tourism Strategy Group research website (www.tourismresearch.govt.nz) or email info@tourismresearch.govt.nz. Key Tourism Statistics are updated monthly.

Rugby World Cup 2011

- 9 September – 23 October, 2011
- Expected RWC-related overseas visitors: 85,000 in total. Maximum of 43,000 in NZ at any one time.[22] 44% will be visiting NZ for the first time.
- 11,000 plan to visit the South Island's West Coast. 18,000 Otago and Southland.
- Top visitor sources: Australia, UK and Ireland, France, South Africa, USA, and Canada.

Match Locations:

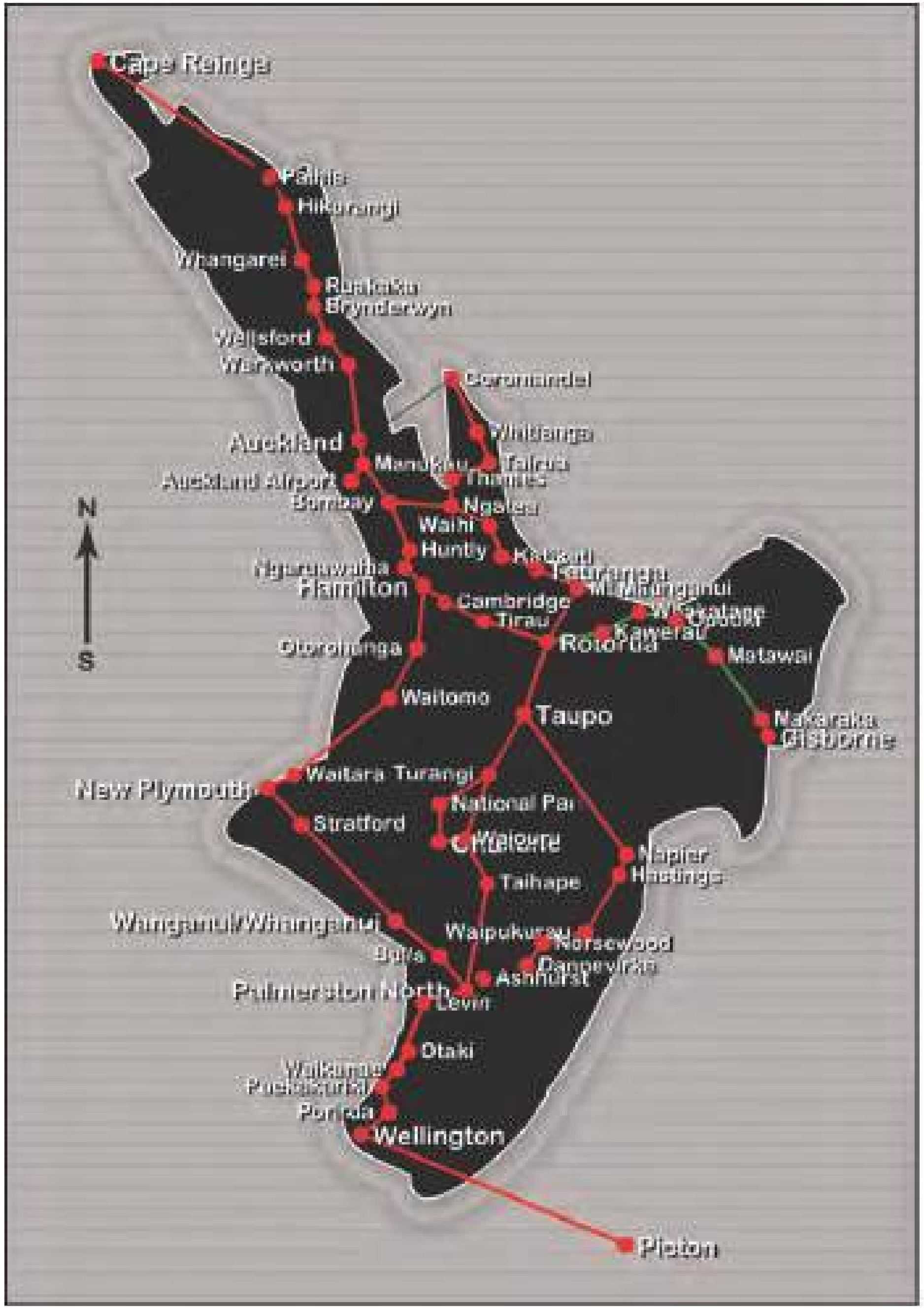
Location	Stadium	Stadium Capacity	RWC Matches
Auckland	Eden Park	60,000	9
	North Harbour Stadium	25,000	3
Christchurch	Lancaster Park	38,628	7
Wellington	Westpac Stadium	36,000	7
Rotorua	Rotorua International Stadium	34,000	3
Dunedin	Forsyth Barr Stadium	30,500	3
Hamilton	Waikato Stadium	25,800	3
Whangarei	Okara Park	25,000	2
New Plymouth	Yarrow Stadium	25,000	3
Napier	McLean Park	22,000	2
Nelson	Trafalgar Park	20,800	2
Palmerston North	Arena Manawatu	18,000	2
Invercargill	Rugby Park Stadium	17,000	2

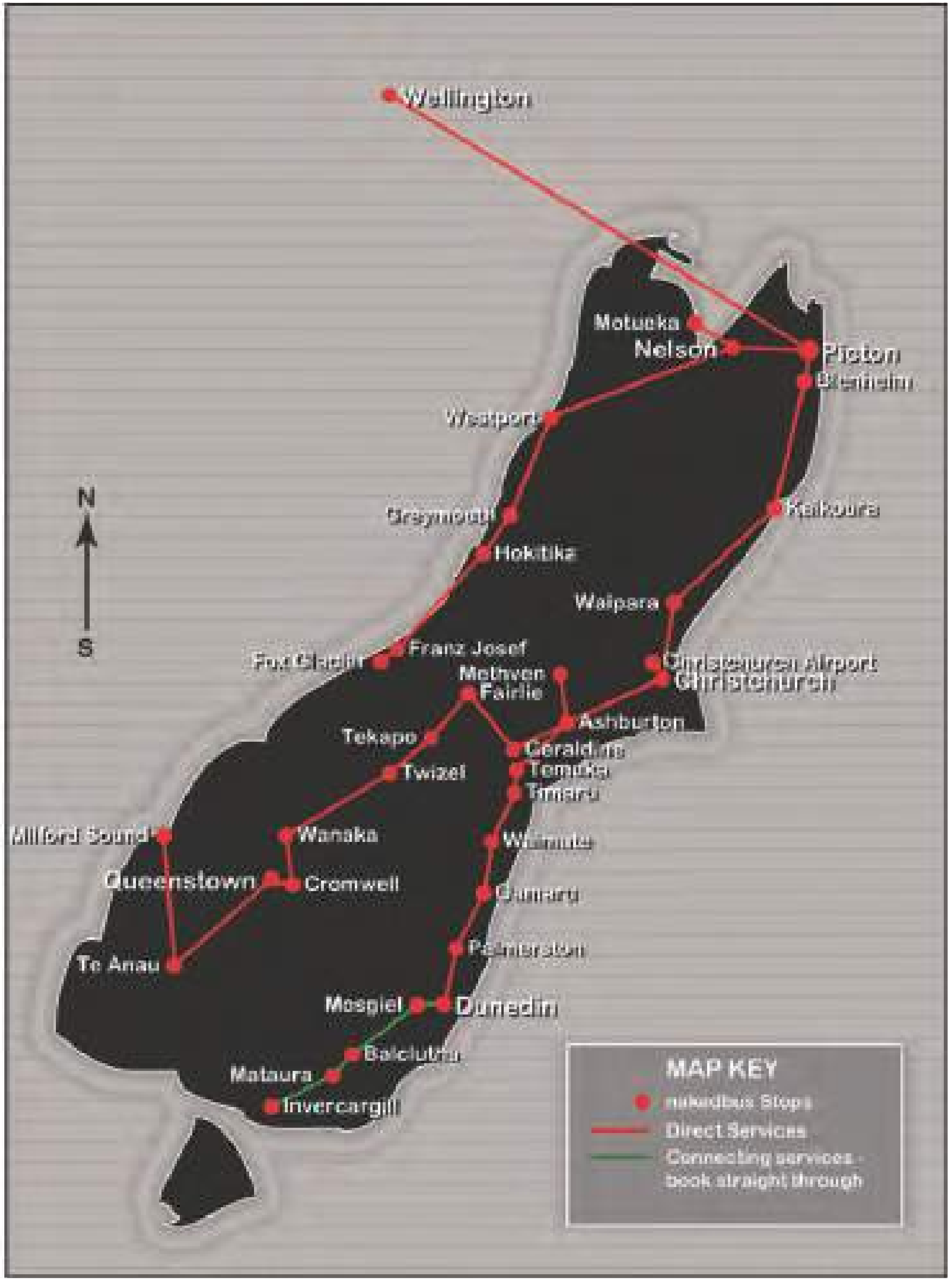
Teams competing:

Pool A	Pool B	Pool C	Pool D
New Zealand	Argentina	Australia	South Africa
France	England	Ireland	Wales
Tonga	Scotland	Italy	Fiji
Canada	Georgia	Russia	Samoa
Japan	Romania	United States	Namibia

[22]Ministry of Tourism research document

Nakedbus.com bus routes





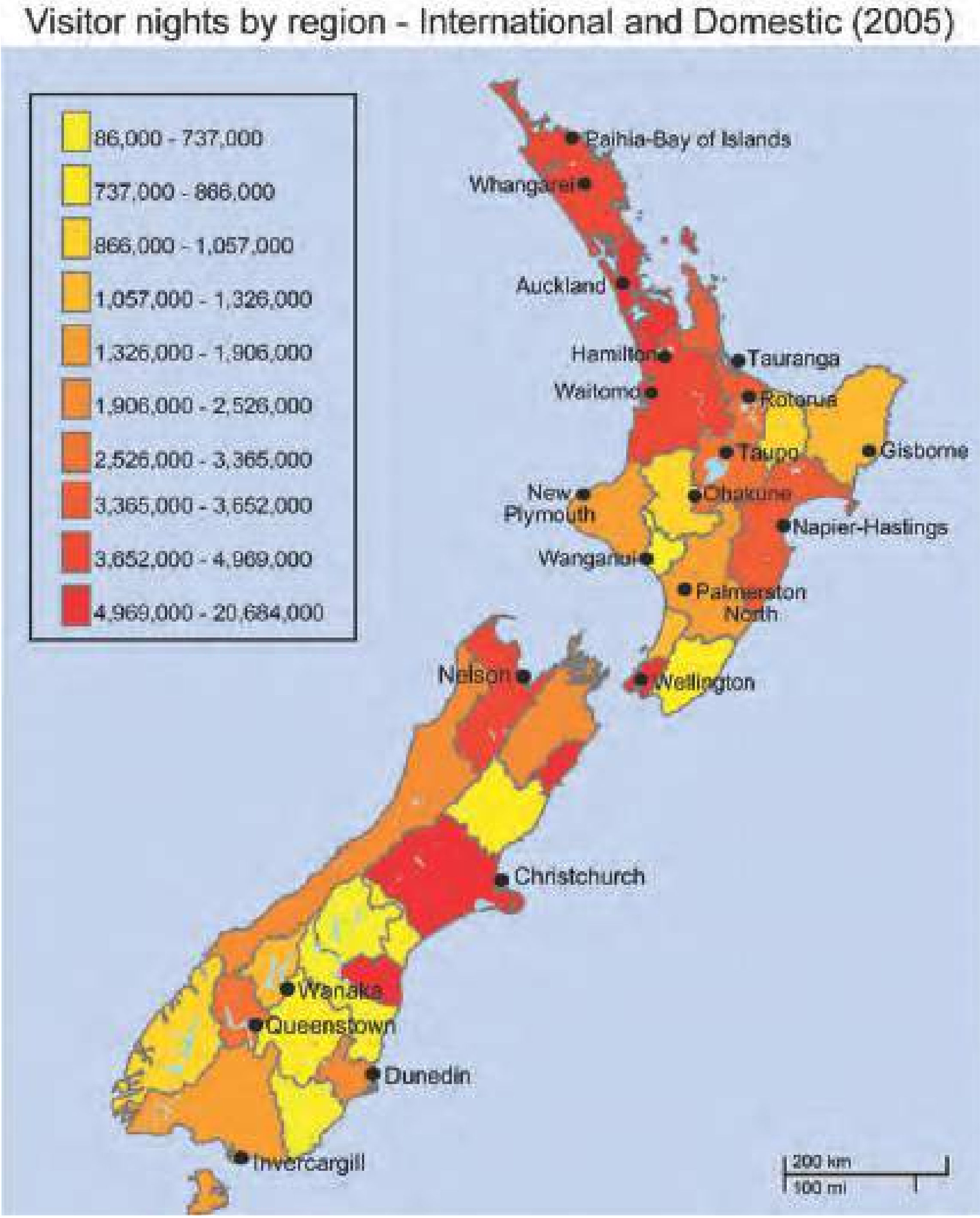
Prices for one-way tickets quoted on company websites on 13 January 2011.

Route		Auckland to Welling	Auckland to Whangarei	Auckland to Rotorua	Rotorua to Wellington	Waitomo to Rotorua	Queenstown to Wanaka	Dunedin to Christchurch	Christchurch to Queenstown
Distance		644km	160km	233km	450km	136km	68km	360km	482km
Self-drive petrol cost[23]		128.80	32.00	46.60	90.00	27.20	13.60	72.00	96.40
Tomorrow	Nakedbus.com	42.99	32.70	39.49	50.99	54.99	15.99	39.99	56.70
	InterCity	55.00	32.00	34.00	49.00	45.00	17.00	51.00	89.00
	Air New Zealand	126.00	193.00	260.00	252.00	N/A	N/A	198.00	115.00
In 2 weeks[24]	Nakedbus.com	34.49	28.99	34.99	42.49	54.99	15.99	24.70	39.49
	InterCity	37.00	28.00	24.00	39.00	45.00	17.00	25.00	46.00
	Air New Zealand	147.00	170.00	137.00	126.00	N/A	N/A	95.00	115.00
In 1 month	Nakedbus.com	29.99	28.99	19.99	30.49	44.99	1.00	22.50	36.99
	InterCity	34.00	28.00	29.00	34.00	45.00	17.00	25.00	50.00
	Air New Zealand	59.00	126.00	137.00	104.00	N/A	N/A	115.00	79.00
In 2 months	Nakedbus.com	29.99	21.99	19.99	30.49	49.99	15.99	22.50	36.99
	InterCity	34.00	28.00	24.00	34.00	45.00	17.00	25.00	46.00
	Air New Zealand	59.00	110.00	95.00	94.00	N/A	N/A	62.00	59.00
In 3 months	Nakedbus.com	29.99	21.99	19.99	30.49	44.99	1.00	22.50	36.99
	InterCity	34.00	28.00	24.00	34.00	45.00	17.00	25.00	46.00
	Air New Zealand	59.00	73.00	184.00	94.00	N/A	N/A	62.00	59.00
In 6 months	Nakedbus.com	29.99	1.00	19.99	30.49	44.99	1.00	1.00	1.00
	InterCity	1.00	1.00	1.00	1.00	45.00	17.00	1.00	46.00
	Air New Zealand	59.00	73.00	73.00	94.00	N/A	N/A	62.00	69.00

Overlander train	Tomorrow	2 weeks	1 month	2 months	3 months	6 months
Auckland to Wellington	89.00	69.00	69.00	49.00	49.00	49.00

JetStar Airways	Tomorrow	2 weeks	1 month	2 months	3 months	6 months
Auckland to Wellington	99.00	89.00	79.00	79.00	69.00	69.00
Christchurch to Queenstown	129.00	29.00	59.00	29.00	49.00	49.00

[23] Assuming a petrol price of $2 per litre and a fuel consumption rate of 10km per litre (25 miles per gallon).
[24] I.e. a ticket booked today for a trip taking place in two weeks' time.



Town/City	Population	Notes, attractions
Auckland	1,400,000	Major city, international airport, several universities
Christchurch	390,000	Major South Island city
Wellington	390,000	Capital city, national museum
Hamilton	200,000	Hamilton gardens, summer festivals
Napier-Hastings	124,000	Art Deco architecture, wineries, outdoor activities
Tauranga	120,000	New Year celebrations, Jazz festival
Dunedin	125,000	Otago University, wildlife, rail tours
Palmerston North	81,000	Massey University, agricultural centre
Nelson	60,000	National Park, adventure tourism,
Rotorua	68,000	Geothermal hot pools, Maori culture, adventure tourism
New Plymouth	69,000	Coastal activities, alpine activities on Mt Egmont/Taranaki
Whangarei	52,000	Close to Northland beaches, holiday homes
Invercargill	52,000	Dairy farms
Wanganui	40,000	Farms, sports
Gisborne	34,000	Wineries, beaches
Queenstown	10,000	Major tourist hub, lake activities, adventure tourism, close to Milford Sound, Fiordland National Park
Waitomo	5,000	Glowworm caves, blackwater rafting
Wanaka	5,000	Skifields, lake activities
Paihia	1,770	Beaches, marine wildlife, sailing
Ohakune	1,100	Skifields, National Park

Map and selected urban areas of the UK

Urban area	Population
London	8,278,000
Birmingham	2,284,000
Manchester	2,240,000
Glasgow	1,199,000
Newcastle	879,000
Liverpool	816,000
Leeds	770,000
Sheffield	640,000
Bristol	587,000
Edinburgh	477,000
Leicester	441,000
Cardiff	327,000
Coventry	300,000
Belfast	483,000
Inverness	58,000
Queenstown	10,000
Waitomo	5,000
Wanaka	5,000
Paihia	1,770
Ohakune	1,100