Business traveller

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NZ seeks share of $2.7 trillion market

New convention centres offer chance to attract more big business events

New Zealand has one big advantage when it comes to attracting major conferences in the $2.7 trillion business events sector – but it won't last long.

An international expert says this country is in a sweet spot with major convention centre openings over a three-year period in Christchurch, Wellington and Auckland.

"This is the last developed country on Earth to have a network of modern convention centres – every other country has already done this," says Martin Sirk.

"It's great that the country is on stream and you've now got this network, but that's table stake that gets you to base camp of Everest."

With the planned opening of the New Zealand International Convention Centre in Auckland in 2025, and two new convention centres – Te Pae Christchurch and Tākina Wellington – already open, the events industry says business is being booked well into the future.

Sirk is the founder of international strategic consultancy Sirk Serendipity and spends his time between the US and Europe. He says making that capital investment gets this country to first base in the "brutal" contest for events.

"For the next four or five years you'll be able to get the PR benefits of being the new boys on the block. But that fades very rapidly and there are new centres popping up all over the world," he says.

"We're continuing to see investment going in the [United] States and especially in Asia-Pacific, and once you build these things, you have to fill up. The level of competition is brutal out there."

He's speaking as an insider. From 2002 to 2018, Sirk was chief executive of the International Congress and Convention Association, and before that held senior positions with Hilton International, Brighton and Hove City Council, and the British Tourist Authority, working and organising meetings in all regions of the world.

This year's TRENZ tourism trade event was held in Christchurch's new Te Pae convention centre. Photo / George Heard

Martin Sirk (left)

> This is the last developed country on Earth to have a network of modern convention centres – every other country has already done this.

He has been in New Zealand at Business Events Week 2023, run by Business Events Industry Aotearoa.

The prize is vast. An international group, the Events Industry Council, and Oxford Economics value the business events industry's economic impact at US$1.6 trillion ($2.7 trillion).

The research measures direct spending, total business sales, jobs created, and the contribution to global GDP. It also emphasises the wider benefits of business events, such as knowledge sharing, innovation and employee engagement.

The economic value of business events in New Zealand was estimated at $1.48 billion in the year ending June 2019, the most recent year for which there is full data before the country's border closed.

The business events sector is currently Tourism New Zealand's fourth most valuable visitor market – after Australia, the United States, and Britain.

The country's leading annual business events exhibition, known as MEETINGS, broke records this year for the value of business generated. A buyer survey shows $157 million worth of business will take place during the next five years following the two-day event in Wellington in June.

Tourism NZ aims to bid for a record 90 international conferences worth $135m in the 2024 financial year. This follows 84 bids worth a total of $120m in 2023.

Business events were obliterated when the pandemic hit in 2020. Sirk says that in Europe, as an example, such events have recovered to around 80 per cent of pre-Covid times. However, online meetings are still having an impact on physical gatherings.

"The pandemic had a huge impact on physical face-to-face meetings," he says. "The industry ground to a halt."

Every chief executive and organisation re-engineered the way in which they ran their meetings. And some of those changes will be permanent.

"Many of the routine, functional things that can now be done over Zoom will continue to be done over Zoom. But we've seen a huge rebound in terms of demand for meetings to deal with those more complex relationship-type objectives." Some problems can't be solved online.

In the post-pandemic world, there are going to be winners and losers, he says.

"I guess like me, many people are weighing up where we should be and only going to the places where it's really critical that we do go," says Sirk.

"It means that when you do run a meeting, you've got to make sure it's a bloody good meeting. If you're running the second- or third-best meeting in your field, you're in danger of extinction."

That means having top talent among presenters and panellists, world-class content and making sure the event is run as sustainably as possible.

This is especially true for events in geographically remote New Zealand.

"It's always been a challenge to get people down here, even before people have been putting sustainability right at the top of the agenda."

It is now expected that organisers will offer plant-based food, low-impact venues with no single-use plastics and a recycling policy. Event organisers also need to think about the broader societal benefits of running a meeting, what can visitors bring to this country and ideas they can leave here to improve it.

Sirk says organisers also need to get creative with their subjects to make their event as enticing as possible. Using the diaspora of Kiwi experts in their fields – who can tell a great story to international colleagues – is also key to attracting business here.

International interest in Māori culture and the tangata whenua approach to economics and sustainability is also a drawcard but can't be used as a superficial way of selling the country.

"New Zealand is uniquely positioned to be able to put its cultural appeal inside the box as well as on the wrapping paper," says Sirk.

Airline add-ons – the extras costing passengers billions

Detailed analysis of airlines' ancillary revenue finds the bumpy recovery from the pandemic worked in their favour to help sell extra services.

Research into 65 airlines shows that Air New Zealand last year made close to a fifth of its revenue from charging for add-ons and its loyalty scheme.

The annual study for business-to-business rental vehicle aggregator CarTrawler was done by IdeaWorksCompany and finds the rapid recovery in air travel has changed passenger behaviour.

As airports and aircraft became more crowded, travellers became more inclined to spend money on comfort and conveniences such as extra legroom, assigned seats, early boarding, checked bags and priority screening.

This spending "was heightened by the pandemic; it wasn't a significant factor before," the report says.

IdeaWorksCompany has worked with airlines on ancillary revenue strategies for the past 27 years. The analysis of financial documents and airline announcements in their reporting periods for 2022 – when the recovery took hold – found the carriers in the study reported extra revenue of US$69 billion ($116b) from the total of $407b.

The airlines studied included the big US carriers, which are the main earners of ancillary revenue, and European low-cost carriers, as well as Air New Zealand.

Airlines have a multitude of ways of making money from passengers beyond ticket sales, and IdeaWorks details ancillary revenue-raising tactics.

Frequent flyer programmes: this category consists largely of the sale of miles or points to programme partners such as hotel chains and car rental companies; co-branded credit cards; online malls; retailers; and communication services. Miles or points sold directly to programme members also qualify.

A la carte features: the list continues to grow, and the following are typical – on-board food and beverage sales; checking of baggage and excess baggage; assigned seats or better seats; call centre support for reservations; fees for using credit or debit cards; priority check-in and screening; early boarding; on-board entertainment and internet access.

Commission-based products: includes commissions airlines earn on the sale of hotel accommodation, car rentals and travel insurance.

Advertising: includes any advertising initiative linked to passenger travel, including in-flight magazine revenue; messages sold on aircraft, loading bridges, gate areas and airport lounges; and fee-based placement of consumer products and samples.

Fare or product bundles: airlines may allocate a portion of the price associated with a fare bundle or product bundle as ancillary revenue. This is determined by assigning a revenue value to the extra services included in the bundle, such as checked baggage, early boarding and seating with extra legroom.

CarTrawler chief executive Peter O'Donovan said it was clear airlines were looking beyond ticket sales to ensure their business models were supported by diversified and resilient revenue streams in a post-Covid travel era.

"As passenger demand increases, so too do opportunities for additional revenue generation, and we expect to see ancillary revenue as a percentage of overall revenue continuing to increase over the next few years," he said.

"While low-cost carriers have always had the edge on driving ancillary revenue streams, many of the top US airlines are catching up and seeing real returns from their loyalty programmes and frequent flyer benefits," said O'Donovan.

How Air NZ performed

The New Zealand airline racked up big losses during the 2022 financial year as closed borders and tight restrictions meant it was behind many others in the survey. However, ancillary revenue made up an estimated 18.8 per cent or $514 million of total revenue of $2.7b. This equated to $70 per passenger.

The top earner per passenger was US carrier Jet2.com, which earned twice that.

"Air New Zealand has described ancillary revenue activities in its investor documents in the past, without disclosing a specific revenue amount," IdeaWorks says.

During the 2022 year, Airpoints membership topped 3.76 million.

The programme was valued at $389m, which included revenue in advance. Other revenue of $125m included lounge revenue, Koru membership, commissions and fees.

Before the pandemic, ancillary revenue in 2019 was $406m.

The report points out that next year, the airline will have a new way of raising extra revenue: its Skynest bunk beds to be fitted in the economy section will be available in new planes late next year for $400-600 for a four-hour stint.