



Papua New Guinea Niche Market Tourism Demand Assessment



Creating Markets, Creating Opportunities



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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

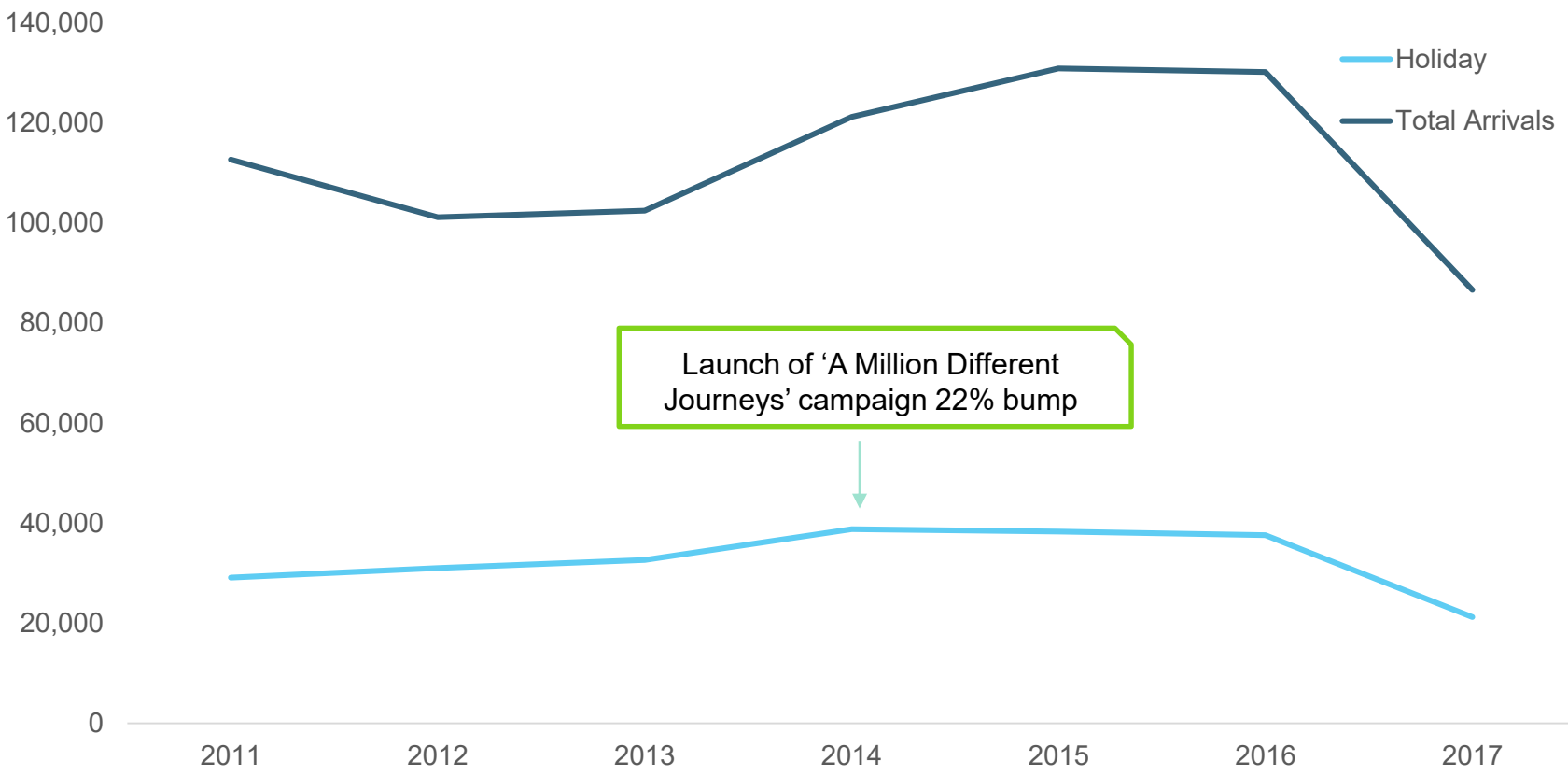
- Create tourism growth scenarios
- High level investment advice for high growth scenarios

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



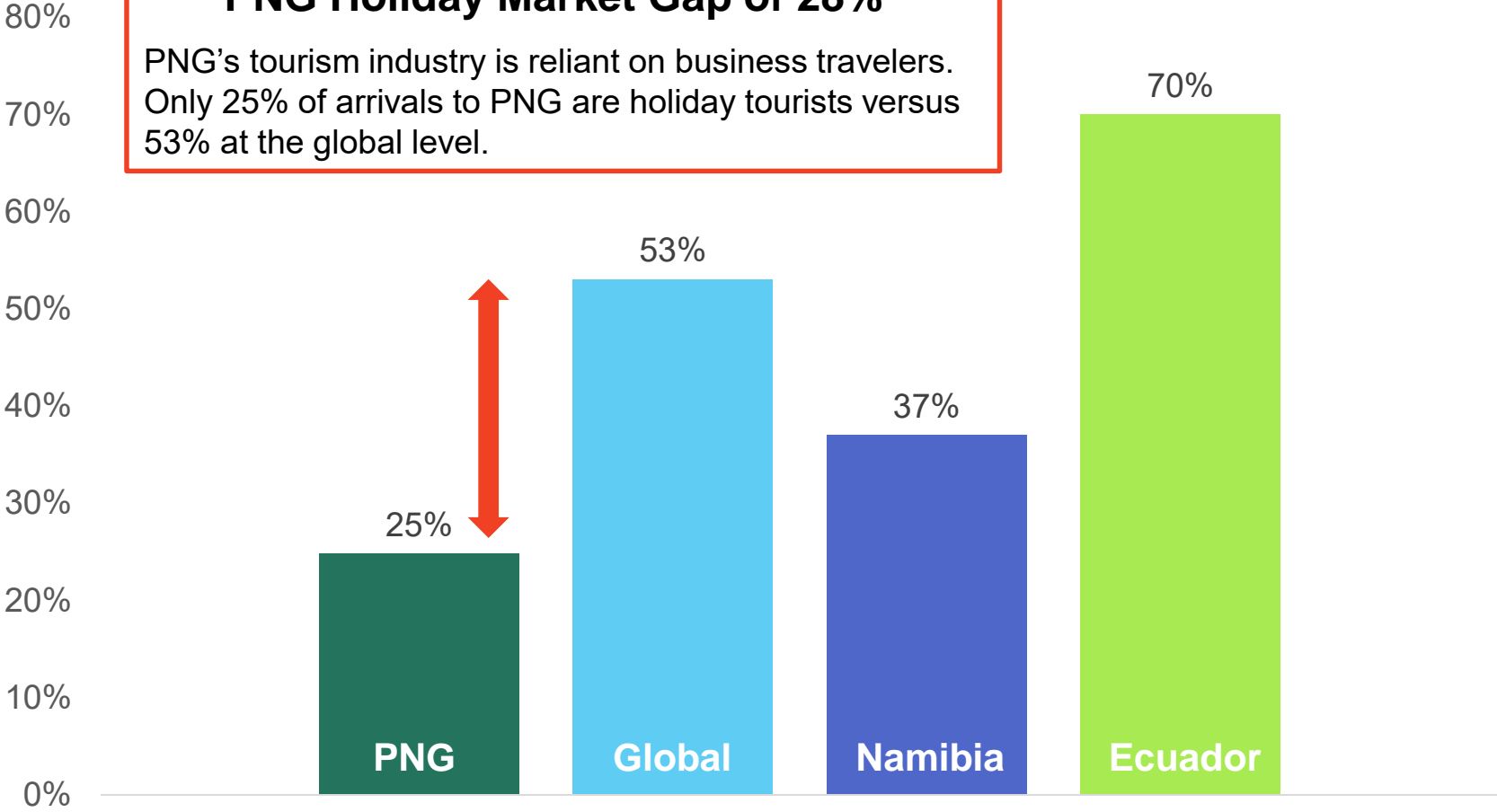
Launch of 'A Million Different Journeys' campaign 22% bump

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.

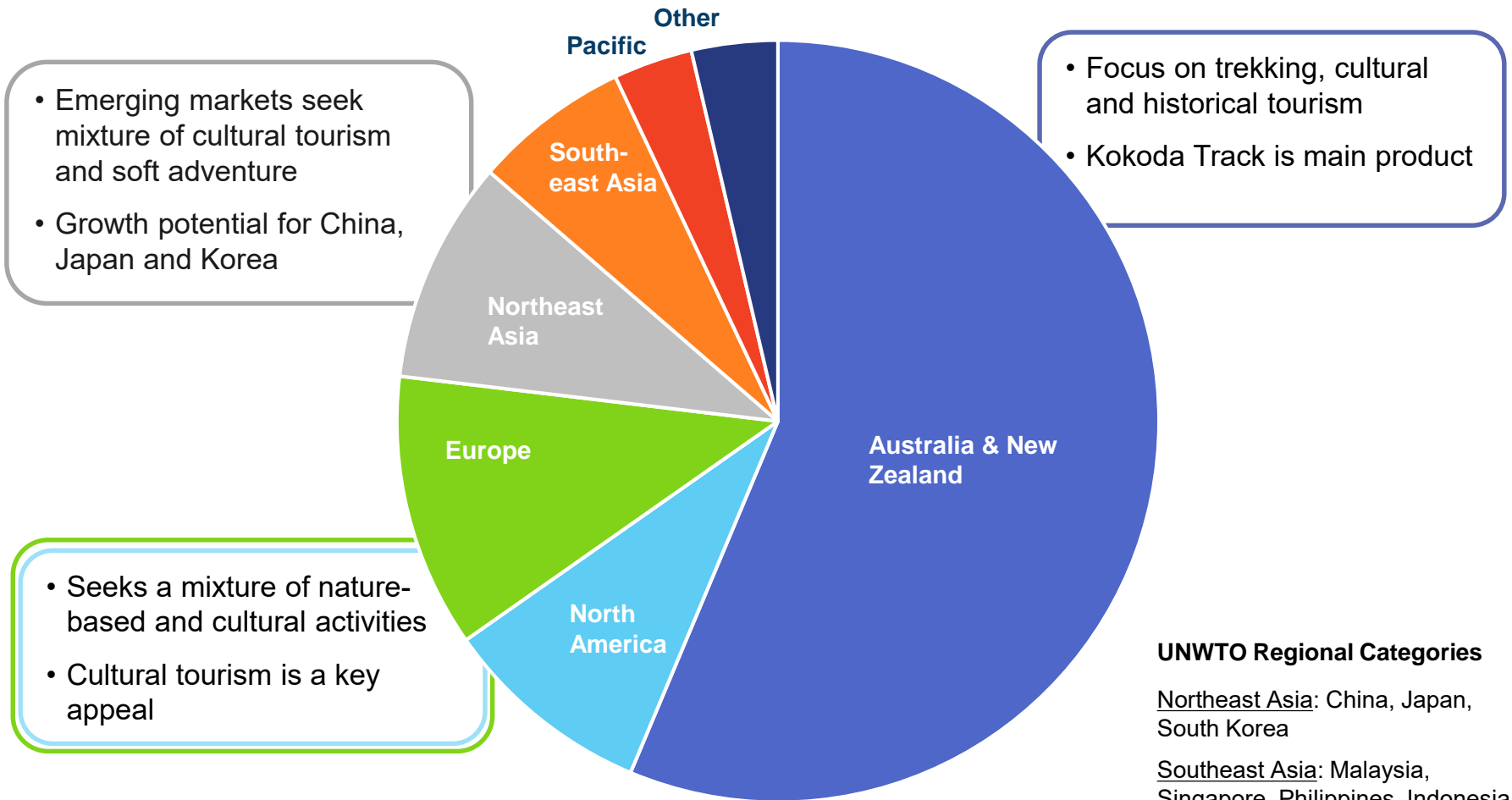


% of Total Arrivals for the Purpose of Holiday

■ PNG ■ World ■ Namibia ■ Ecuador

PNG is Reliant on the Australian Market

Holiday Source Market 2017



UNWTO Regional Categories

Northeast Asia: China, Japan, South Korea

Southeast Asia: Malaysia, Singapore, Philippines, Indonesia

Tourism Concentration on Two Products: Kokoda Track & Cultural Festivals

HIGHLIGHTS

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



2,600 Tourists Participated in the Kokoda Track in 2016

- ✓ Location specific limiting benefit outside geographic area
- ✓ Festivals are time specific
- ✓ Carrying capacity issues
- ✓ Limited product development
- ✓ Not full tapping into markets



10,000 Cultural Tourists to PNG in 2016

HIGHLIGHTS

Selected Niche Market Segments



Bird Watching

Observing or Photographing birds in their natural habitat

Diving

Scuba diving in fresh or salt water. Includes only active divers with advanced certifications

Historical tourism

Visiting sites/relics/monuments/memorials/services related to World War 1 or World War 2

Cultural tourism

Visiting a destination for an indigenous cultural experience.

Soft Adventure tourism

Soft adventure activities that are low risk such as hiking, fishing, and kayaking, excludes trekking, bird watching and diving

HIGHLIGHTS

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

HIGHLIGHTS

Globally Niche Markets Are Large and Robust

2016 Global & PNG Niche Market Number of Trips



Diving



Birdwatching



Historical tourism



Cultural tourism



Soft adventure tourism

Global

2.5

million
trips

4.9

million
trips

5.5

million
trips

270

million
trips

357

million
trips

PNG

2,200

trips

6%

of PNG

Holiday Market

460

trips

1%

of PNG

Holiday Market

5,665

trips

15%

of PNG

Holiday Market

10,000

trips

27%

of PNG

Holiday Market

13,640

trips

36%

of PNG

Holiday Market

Globally Niche Markets Are Powerful

2016 Global & PNG Niche Market Total Spend

HIGHLIGHTS



Diving



Birdwatching



Historical tourism



Cultural tourism



Soft adventure tourism

Global

\$8.1

USD billion

\$22.0

USD billion

\$18.8

USD billion

\$453

USD billion

\$470

USD billion

PNG

\$6.9

USD million

\$3.3

USD million

\$16.2

USD million

\$35

USD million

\$32.2

USD million

6%

of PNG

Holiday Market

3%

of PNG

Holiday Market

15%

of PNG

Holiday Market

33%

of PNG

Holiday Market

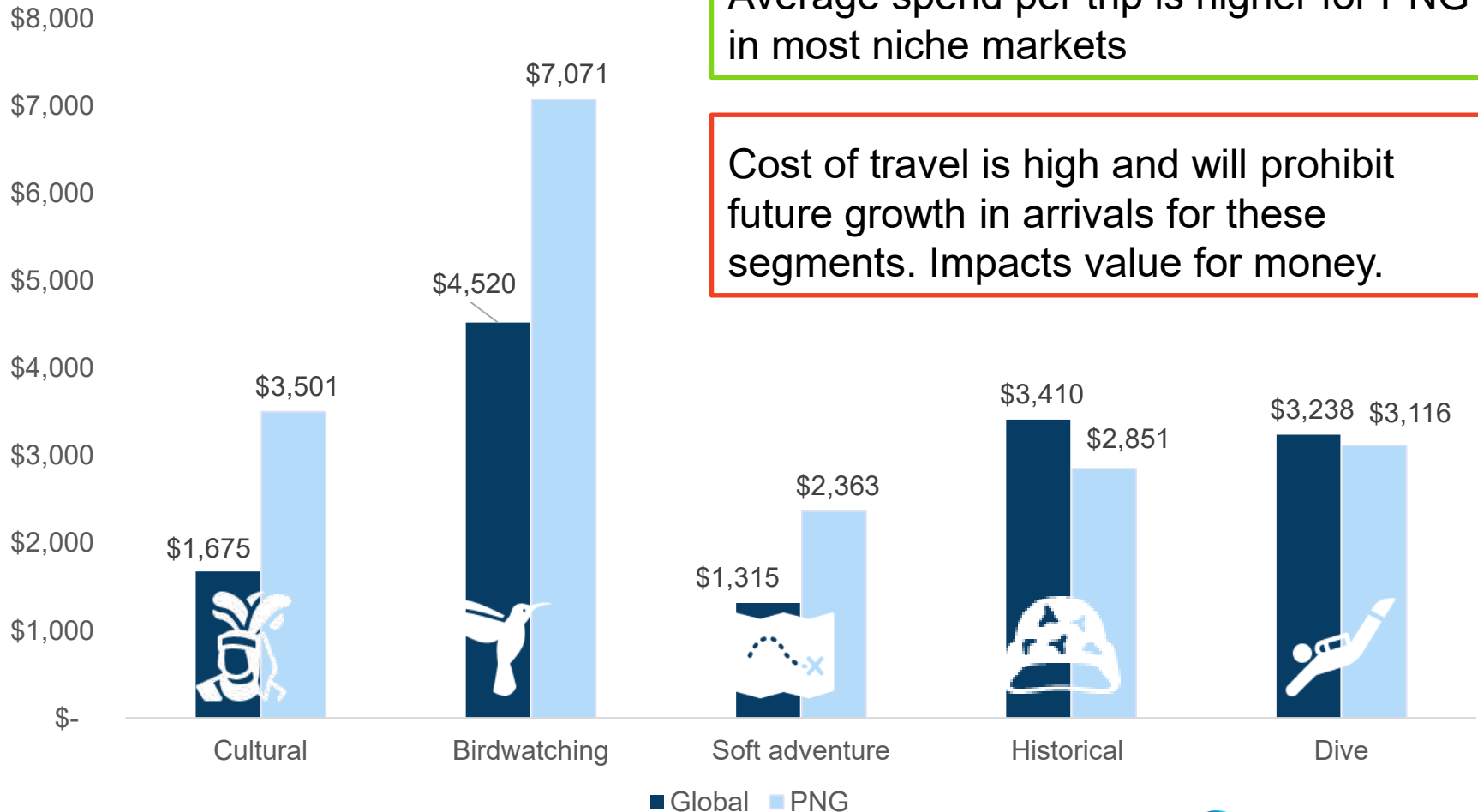
30%

of PNG

Holiday Market

Price of Travel to PNG Prohibits Growth

Global & PNG Niche Market Average Price per Trip (USD)

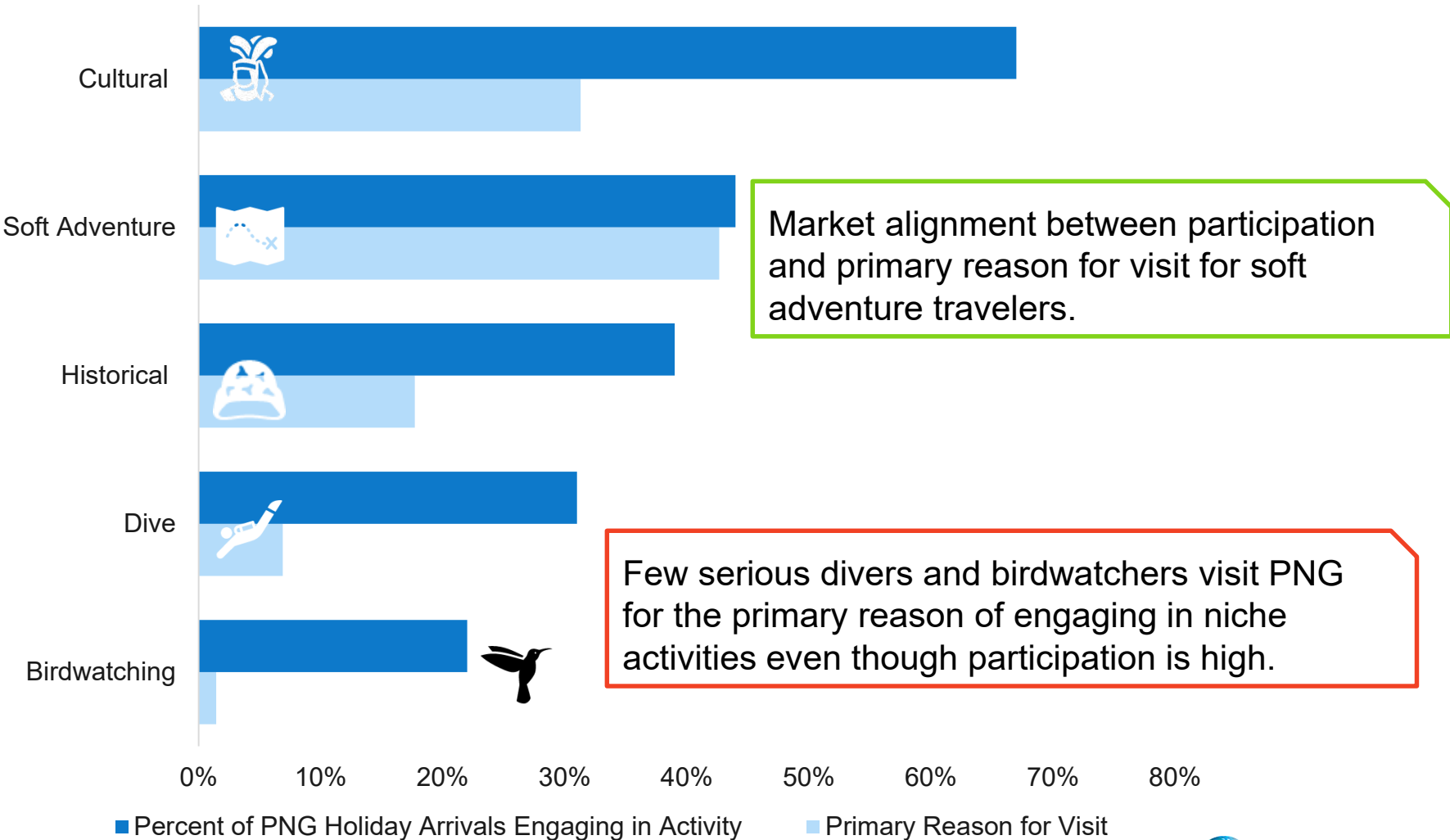


Average spend per trip is higher for PNG in most niche markets

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

PNG Receives More Casual Tourists than Serious Niche Tourists

Casual Tourists versus Niche Market Tourists



HIGHLIGHTS

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



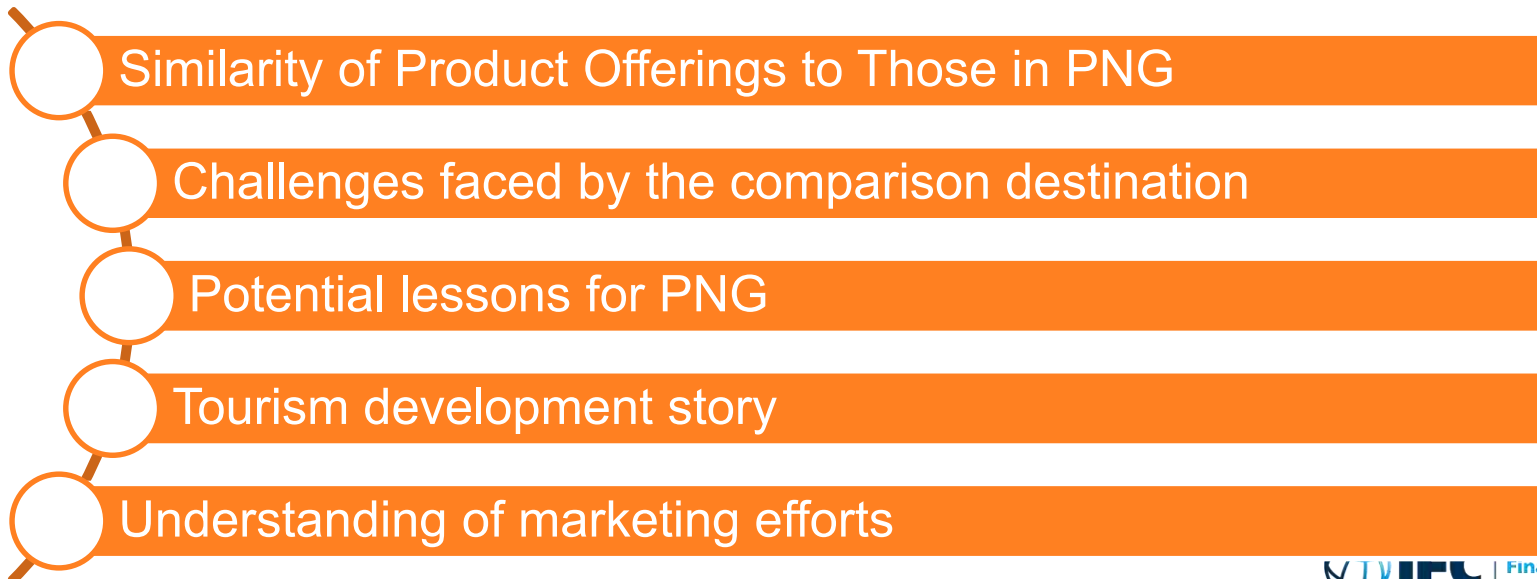
Key Holiday Source Markets



Average Length of Trip



Average Spend per Day on Tours



KEY TAKEAWAYS: Cultural Tourists Need Interactive Products & Itineraries

HIGHLIGHTS



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

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



South Africa 24%
Germany 17%
UK 5%



16 Days



\$290 per day



KEY TAKEAWAYS: Birdwatching investments must meet the needs of multiple markets

HIGHLIGHTS



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



1. Costa Rica
2. Ecuador
3. USA

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



United States 60%
Germany 8%
Netherlands 8%



11 day



\$311 per day

KEY TAKEAWAYS: PNG Lacks Sufficient Soft Adventure Tourism Products

HIGHLIGHTS



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



30 – 55 years old



Independent travel with a partner



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



1. New Zealand
2. Southern Africa
3. South America

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



KEY TAKEAWAYS: Historical tourists seek engaging and multifaceted stories

HIGHLIGHTS



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



18 months



Age 50 – 75 years old



With Tour Guide

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



Taiwan 30%
South Korean 23%
China 5%



6 Days



\$514 per day

KEY TAKEAWAYS: Divers Need to Know Why PNG is Special

HIGHLIGHTS



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



10 days



Buddy Diving with a Dive Master

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




\$171 per day

HIGHLIGHTS

Part 3: Unlocking the Potential of Niche Market Tourism for PNG



**Bird
Watching**



Diving



**Historical
tourism**



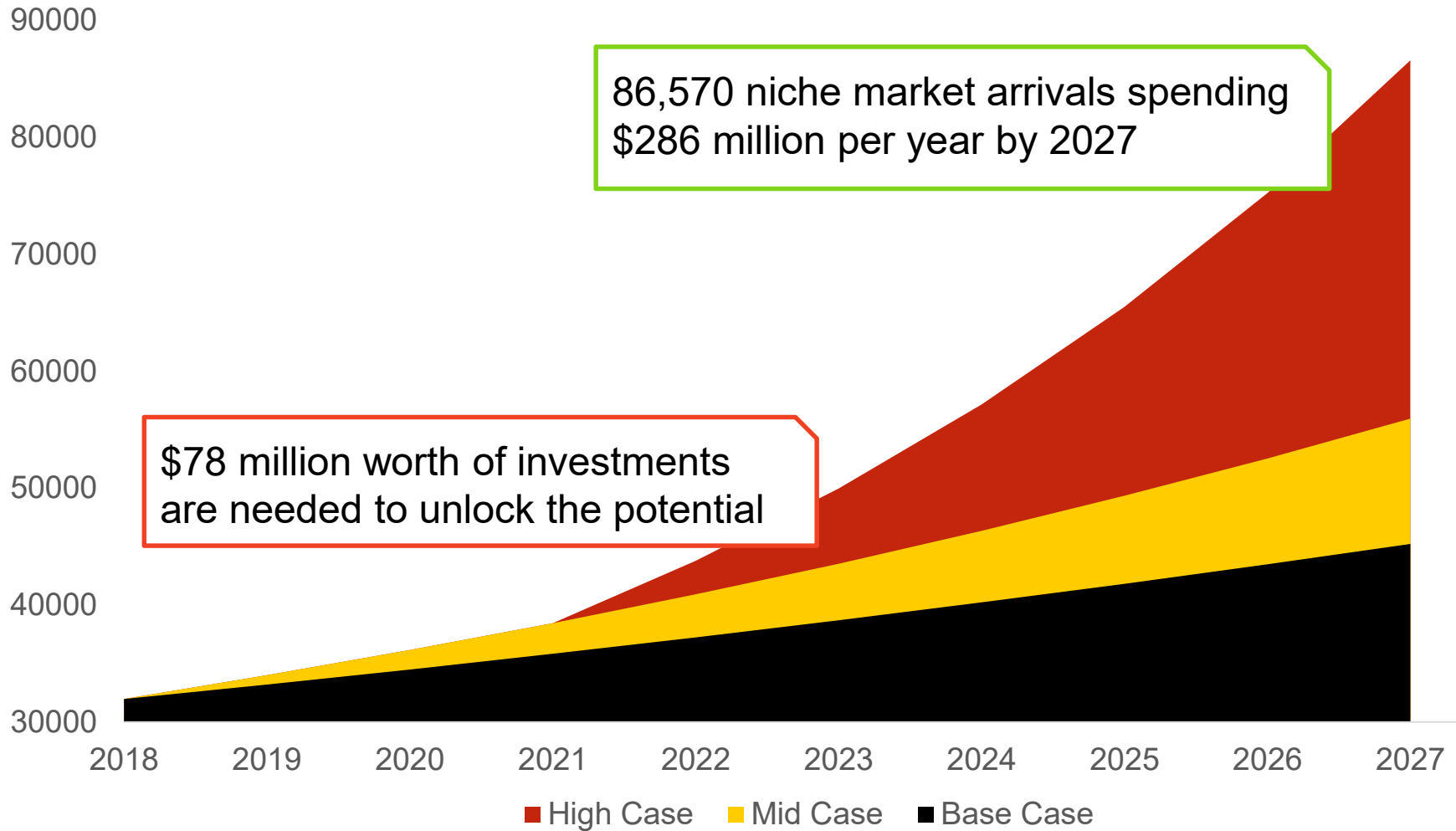
**Cultural
tourism**



**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

Investment Scenarios

HIGHLIGHTS

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

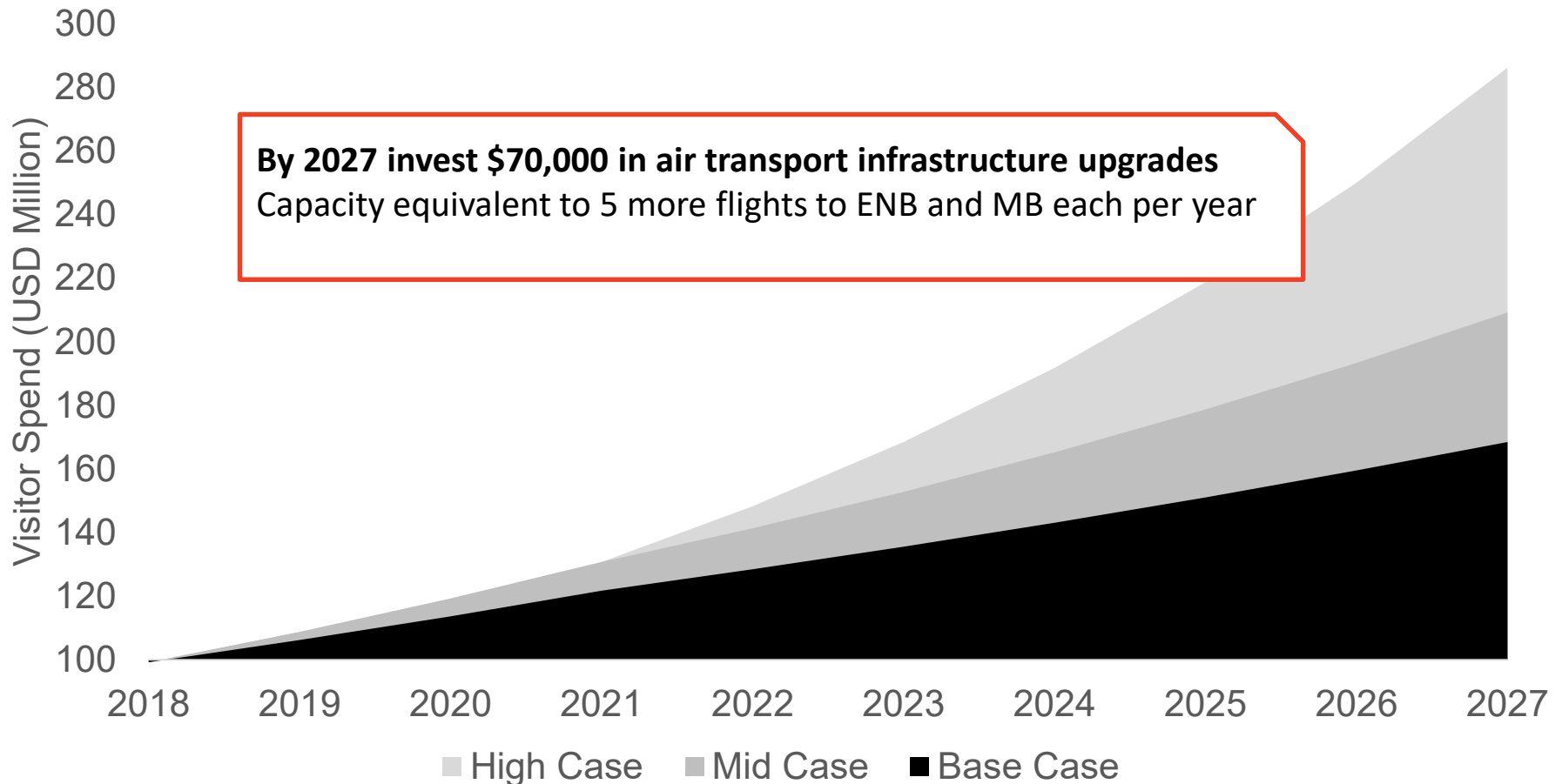
Mid Case: PNG invests in facilitating investments to attract more niche visitors. Mirrors global niche market past growth trends.

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



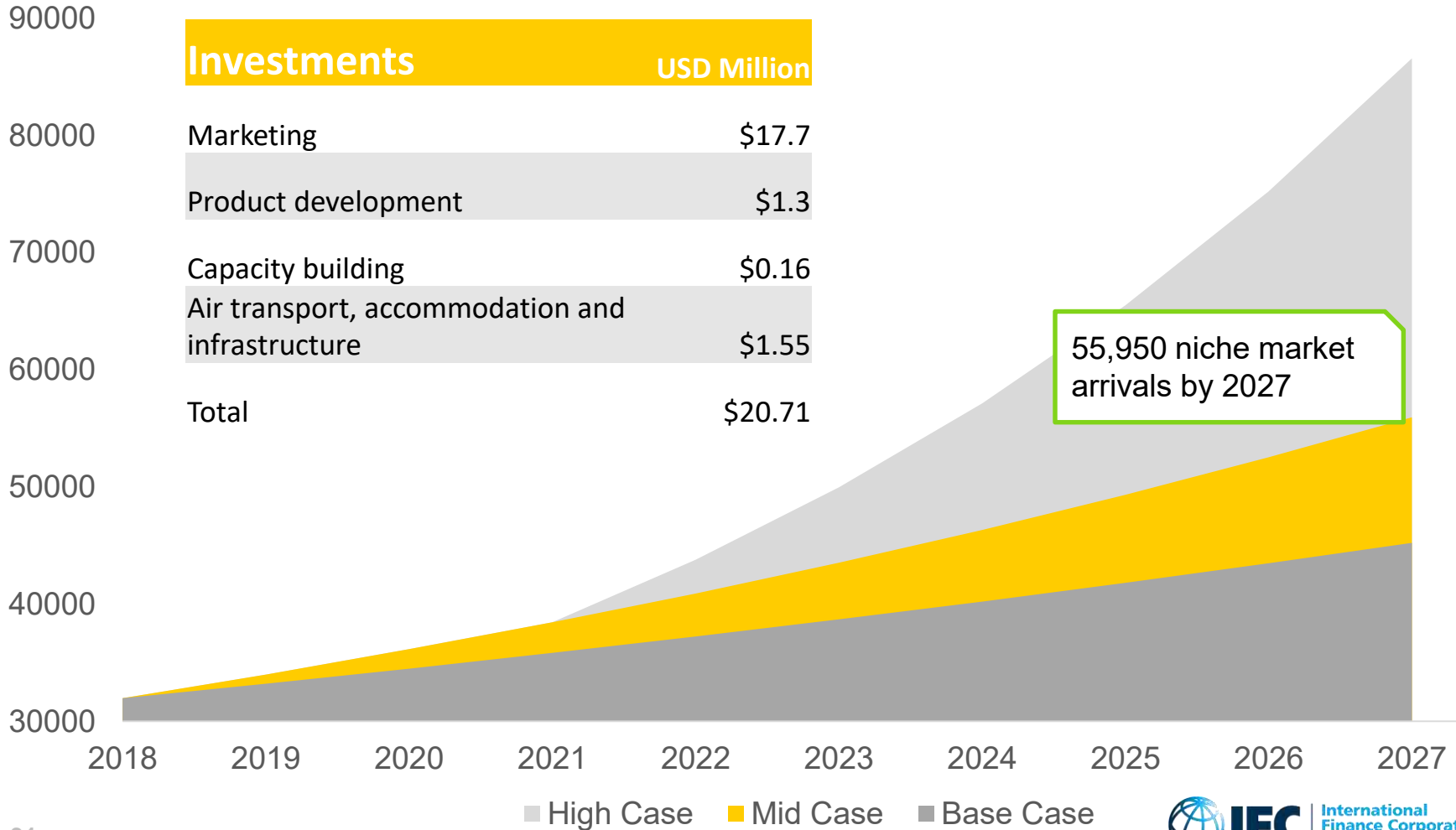
Revenue Growth Scenario



Mid Growth Case: Investments are Required to Attract more Tourists



PNG Niche Market Arrivals Growth Scenarios



Mid Case: Recommendations for Facilitating Investments

Public Sector & Donor Investments

Capacity Building

- Provide scholarship to existing educational programs and financing for SME development
- Conduct in situ tour guide training program
- Implement specialist training program for birdwatching guides with international expert

Infrastructure

- Upgrade historical tourism sites

Marketing

- Implement Public Relations Campaign to address safety perceptions

Mixed Public & Private Investments

Product Development

- Develop itineraries for cultural and soft adventure
- Formalize historical tourism products and develop itineraries
- Define comparative advantage of sites, conduct research and compile information for birdwatching and dive markets

Marketing

- Destination awareness campaigns
- Conduct niche market specific famils

Infrastructure

- Continue dive mooring program
- Develop soft adventure sites



Private Sector Investments

Infrastructure

- Build birdwatching hides, trails and platform

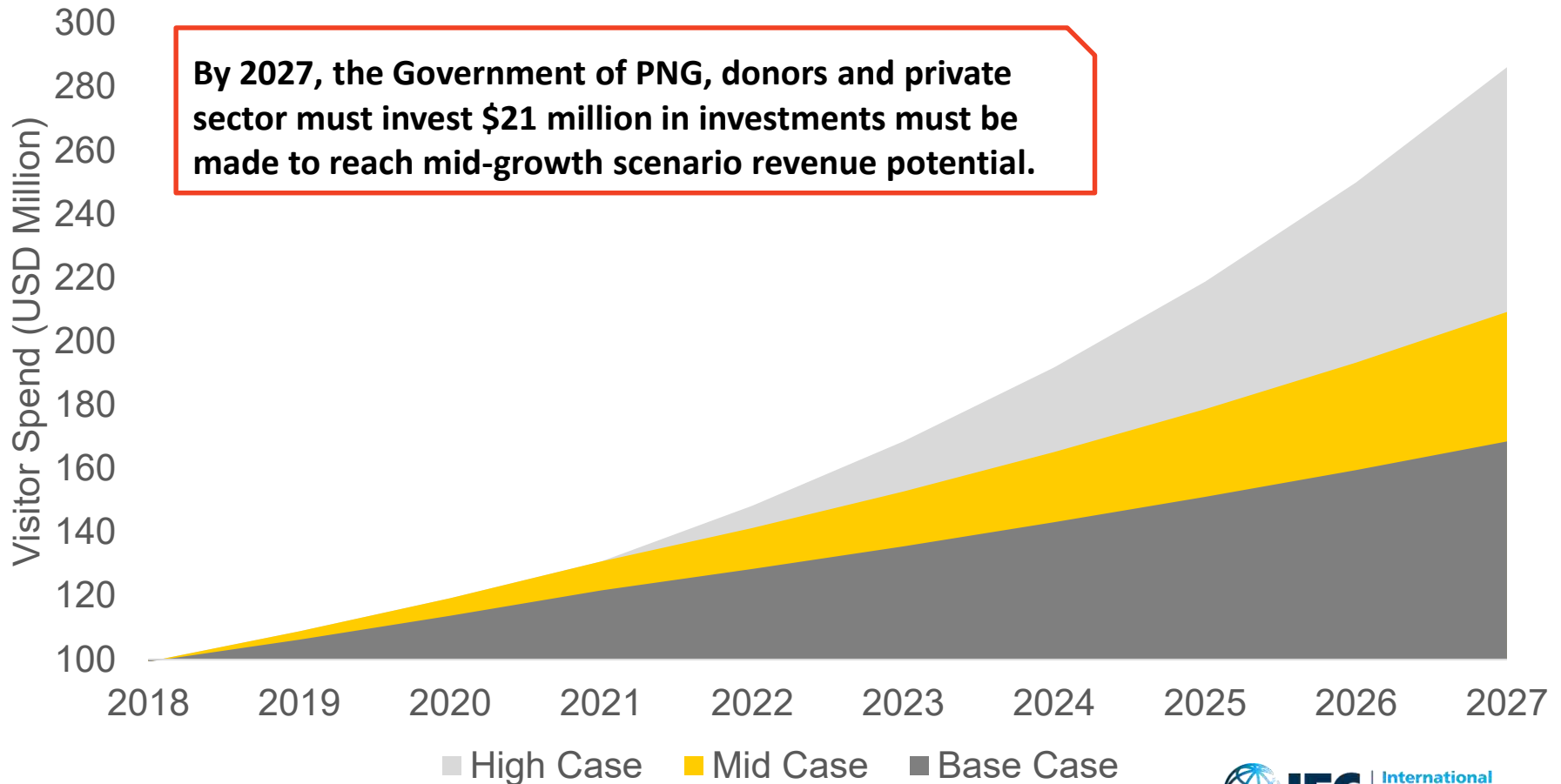
Capacity Building

- Provide ground staff training for airport staff

Mid Growth Case: Investments Need to Address Capacity



Revenue Growth Scenario



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

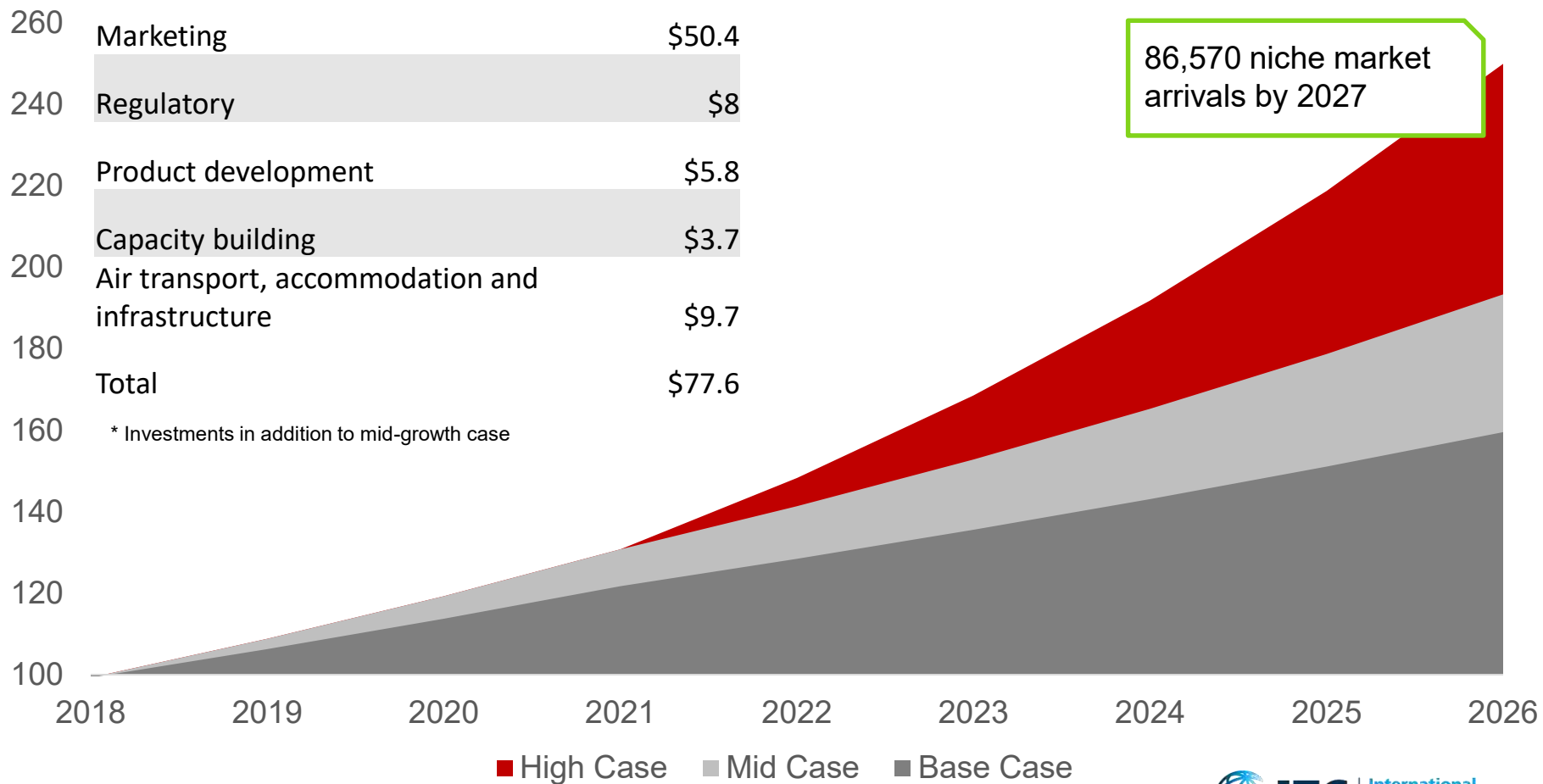


Additional Investments	USD Million
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Marketing	\$50.4
Regulatory	\$8
Product development	\$5.8
Capacity building	\$3.7
Air transport, accommodation and infrastructure	\$9.7
Total	\$77.6

* Investments in addition to mid-growth case

PNG Niche Market Revenue Growth Scenarios



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

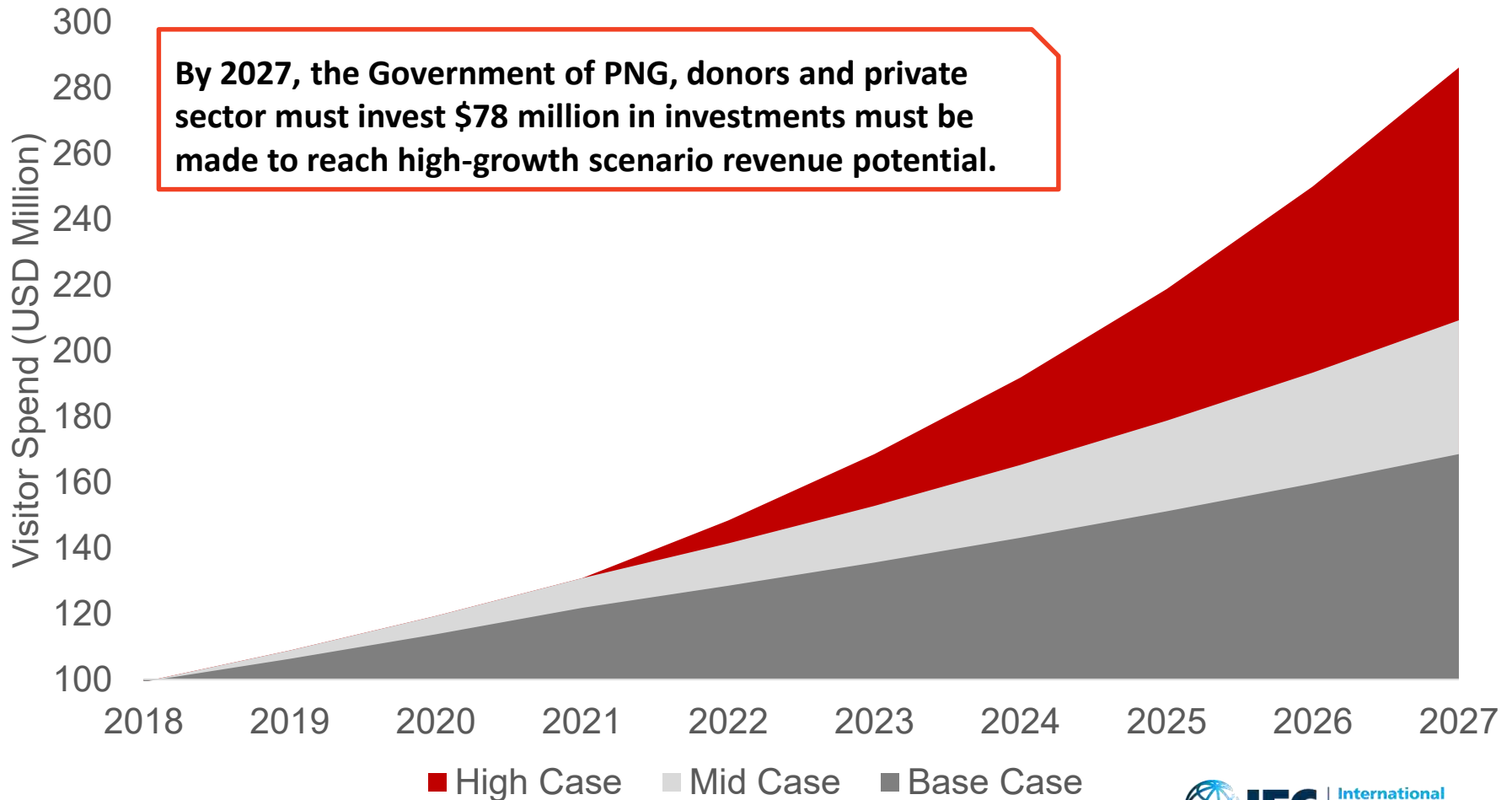
- Build dive infrastructure
- Upgrade historical tourism sites
- Develop soft adventure sites

HIGHLIGHTS

High Growth Case: Investments are Required to Attract more Tourists



Revenue Growth Scenario



HIGHLIGHTS

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.

2018 2019 2020 2021 2022 2023 2024 2025 2026 2027

■ High Case ■ Mid Case ■ Base Case



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.



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