

ACCOMMODATION | BACKPACKER SECTOR

NEW ZEALAND | SERIES A3 | MAY 2007



INTRODUCING THE BACKPACKER SECTOR

The backpacker sector in New Zealand provides low cost lodging for visitors. Backpacker accommodation is popular amongst younger travellers, with international visitors being the largest user group. It is the fastest growth sector within the accommodation industry in recent years.

Backpacker accommodation is defined as establishments that provide accommodation primarily on a per bed basis. These beds are provided in shared rooms (dormitories) or individual rooms. There are shared bathroom and kitchen facilities. Backpackers also include youth hostels, commercial ski lodges and Department of Conservation huts with this style of accommodation.

The backpacker establishments referred to in this report include primarily those that are GST registered, with an annual turnover of at least \$30,000. Many small operators that earn below the threshold or are not GST registered are not covered by these official statistics¹. It is estimated that around 60% of this sector is covered in this report. Therefore the results should be interpreted with caution as they represent predominantly larger backpacker operators.

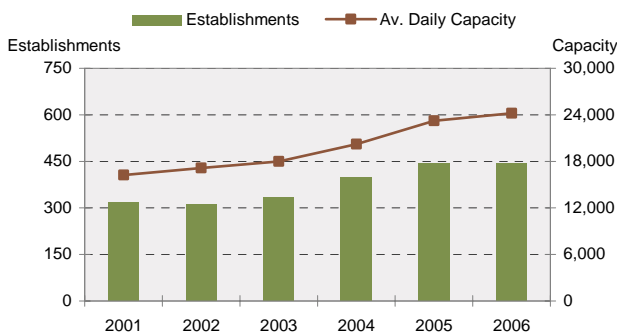
This report provides an overview of the backpacker sector covering various supply, demand and user characteristics.

SUPPLY OF BACKPACKER ACCOMMODATION

How big is the backpacker sector?

In 2006, there were 443 backpacker establishments in New Zealand, an increase of 127 establishments or 40% from 316 in 2001. The majority of this growth occurred in 2004-2005 (Figure 1).

Figure 1: Backpacker Establishments and Capacity*¹

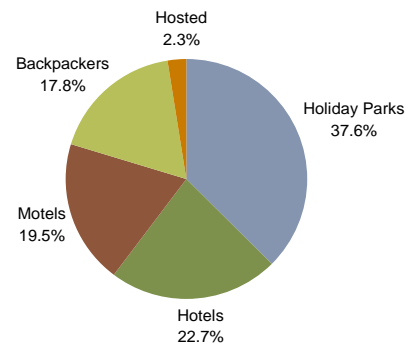


During this period the total daily capacity of backpackers (available rooms or 'stay units') grew rapidly from 16,200 in 2001 to 24,200 in 2006. This is an increase of 8,000 rooms or 49% over the period.



Backpackers supplied 17.8% of the mainstream commercial accommodation capacity in 2006, being the fourth largest provider after holiday parks, hotels and motels (Figure 2).

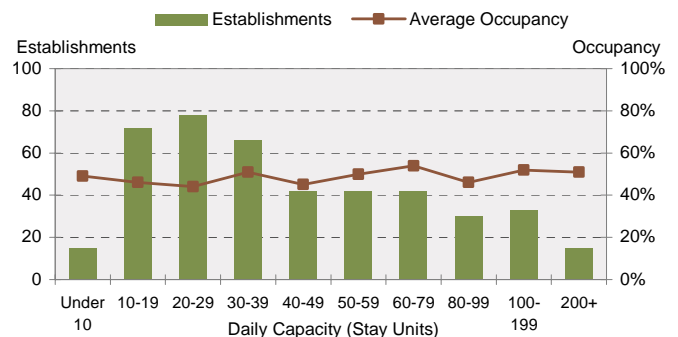
Figure 2: Share of Accommodation Capacity, 2006*¹



What is the distribution of backpacker establishments by capacity?

Backpacker establishments vary widely in their capacity, with most (49%) having between 10 and 39 beds/rooms. Occupancy varies across different establishment sizes with average occupancy ranging between 44% and 54% (Figure 3).

Figure 3: Backpacker and Occupancy Rates by Capacity, 2006*¹



How many people are employed in the backpacker sector?

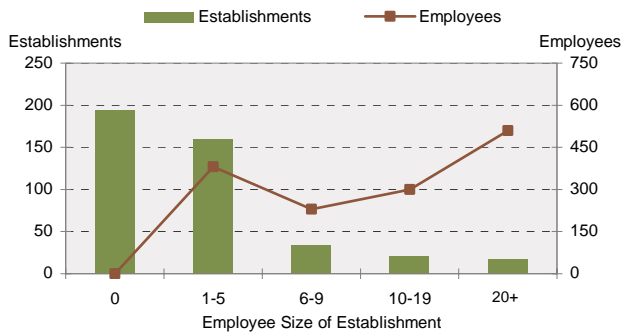
The backpacker sector employed 1,410 people in February 2006. Most backpacker establishments (83%) employed five or fewer employees. Of these, almost two-thirds were run by self-employed operators without employees. Only 16% of backpackers employed more than 6 staff. In 2006, larger backpackers with 10 or more staff each employed 57% of all employees although they accounted for only 9% of backpackers. Conversely, backpackers that employed between 1 and 5 staff employed 27% of all backpacker staff and accounted for 38% of establishments (Figure 4). The average number of people employed by a backpacker establishment increased from 3.0 employees in 2001 to 3.3 in 2006.

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Figure 4: Backpacker Establishments and Employees by Employment Size, February 2006^{*5}

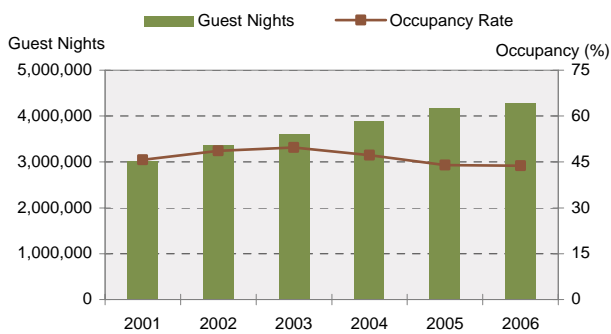


DEMAND FOR BACKPACKER ACCOMMODATION

How many guest nights are spent in backpackers each year?

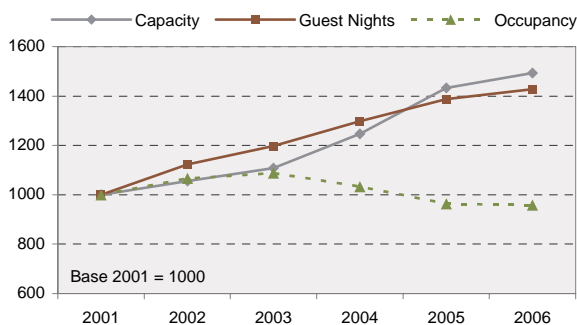
Backpackers hosted 4.3 million guest nights in 2006, up from 3.0 million in 2001 (Figure 5). This was an increase of 43% or 1.3 million guest nights over this period. The average annual growth rate was 7.4% compared with 3.2% for total guest nights. No other form of accommodation has shown such rapid growth over the same period.

Figure 5: Backpacker Guest Nights and Occupancy^{*1}



In 2006, backpackers had an average occupancy rate of 43.7%. This is lower than hotel and motel occupancy at 55.1% and 54.6%, but higher than that for hosted accommodation (26.2%) and holiday parks (14.5%). Backpacker occupancy decreased by 12% between 2003 and 2006 owing to the large increase in capacity (35%) over the same period (Figure 6).

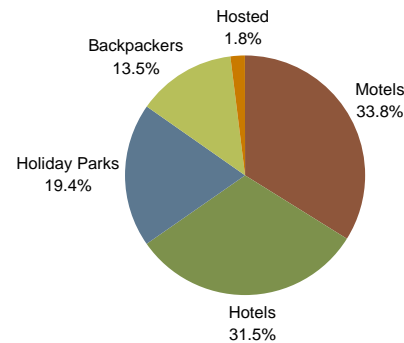
Figure 6: Backpacker Indices: Relative Growth in Capacity, Guest Nights and Occupancy^{*1}



What is the market share of backpacker guest nights?

In 2006, backpackers hosted 13.5% of mainstream commercial guest nights. This compares with 33.8% hosted by motels, 31.5% by hotels and 19.4% by holiday parks (Figure 7).

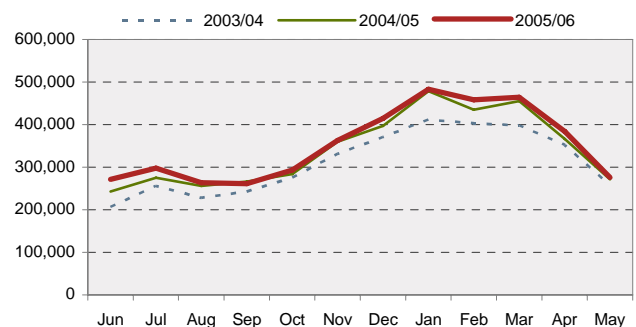
Figure 7: Share of Guest Nights by Accommodation Type, 2006^{*1}



What seasonality does the backpacker sector experience?

The period of higher demand for backpacker accommodation is from November to April and lower demand from May to October. Figure 8 shows how this pattern of seasonality has been consistent over the last three years.

Figure 8: Backpacker Guest Nights by Month^{*1}



How long do backpacker guests stay?

Guests stay an average of 1.91 nights in a backpacker establishment. This length of stay has decreased slightly over the last 5 years from 2.0 nights in 2001. This figure is similar to motels, hotels and hosted accommodation but lower than for holiday parks at 2.04 nights.

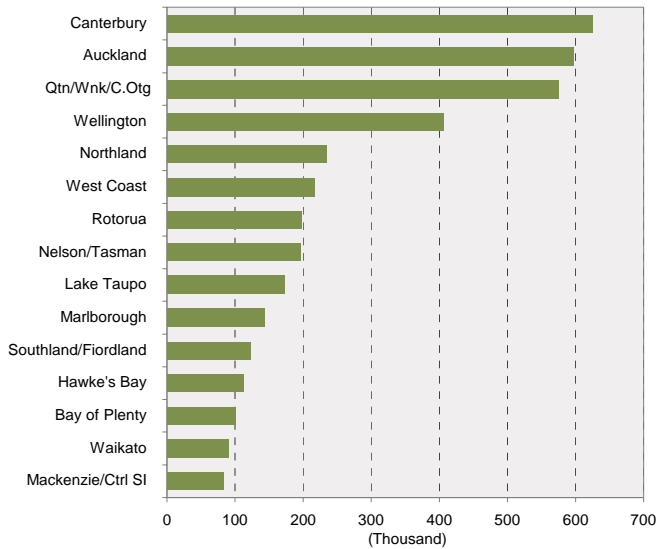
Length of stay varies across regions. Backpacker guests stayed slightly longer than average in the Bay of Plenty (2.63), Hawke's Bay (2.50 nights), Queenstown/Wanaka/Central Otago (2.23) and Auckland (2.19) regions. Shortest stays were in the Mackenzie/Central South Island region (1.30 nights) (Table 2).

How is demand for backpacker guest nights spread among the regions?

The Canterbury and Auckland Regional Tourism Organisation (RTO) regions attract the highest number of backpacker guest nights reflecting their attraction as a holiday destination and key international gateway. In 2006, Canterbury hosted 15% (625,000) of backpacker guest nights and Auckland a further 14% (597,000). The top 15 RTOs hosted 90% of backpacker guest nights (Figure 9 & Table 2).

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Figure 9: Backpacker Guest Nights by RTO, 2006^{*1}

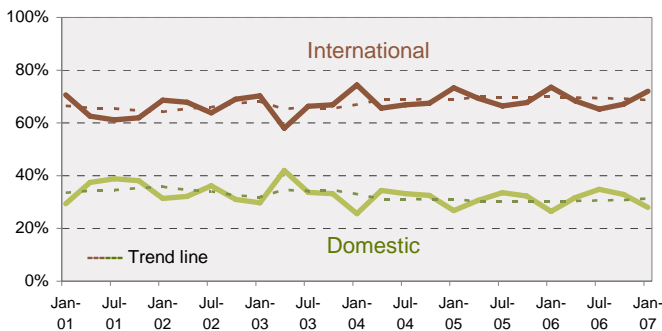


CHARACTERISTICS OF TRAVELLERS STAYING IN BACKPACKERS

Where do backpacker guests come from?

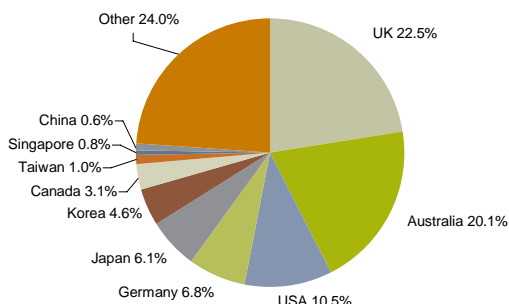
In recent years international visitors represented 69% of backpacker guests while the other 31% were New Zealanders. The proportion of international visitors has increased from 65% in 2001. Proportions vary seasonally with the international share at its highest in January (73%) and lowest in July (65%) (Figure 10).

Figure 10: Proportion of Backpacker Guest Nights by Origin and Month^{*1}



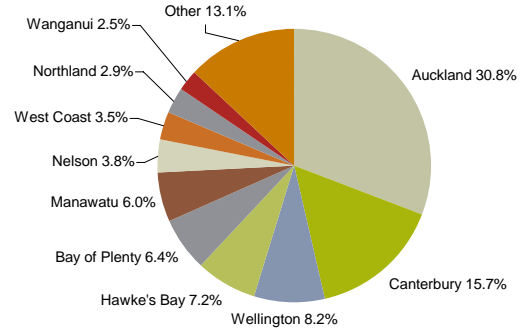
Of the international visitors staying in backpacker establishments, travellers from the UK (22.5%) and Australia (20.1%) are the largest groups in 2005, followed by visitors from the United States (10.5%), Germany (6.8%) and Japan (6.1%) (Figure 11).

Figure 11: Origin of International Visitors Staying in Backpackers, 2005^{*2}



Fifty five percent of domestic visitors staying in backpackers come from the Auckland, Wellington and Canterbury regions (Figure 12).

Figure 12: Origin of Domestic Visitors Staying in Backpackers, 2005^{*3}

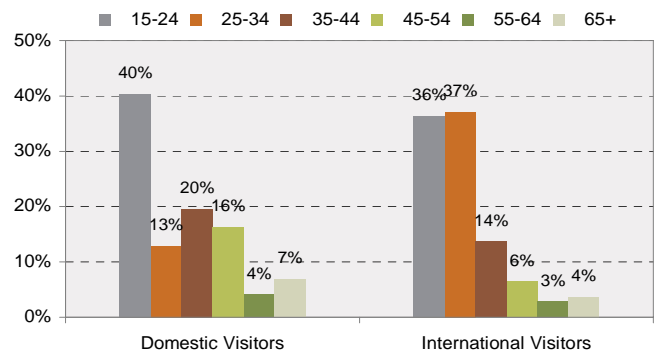


What is the age-sex profile of backpacker guests?

In 2005, international backpacker guests comprised 53% females and 47% males while domestic guests comprised more males (60%) than females (40%).

Backpacker guests are generally much younger than visitors staying in other forms of accommodation. Travellers in the 15-34 age group account for 73% of all international visitors staying in backpackers. Young domestic travellers in the 15-24 age group account for 40% of New Zealanders staying in backpackers (Figure 13).

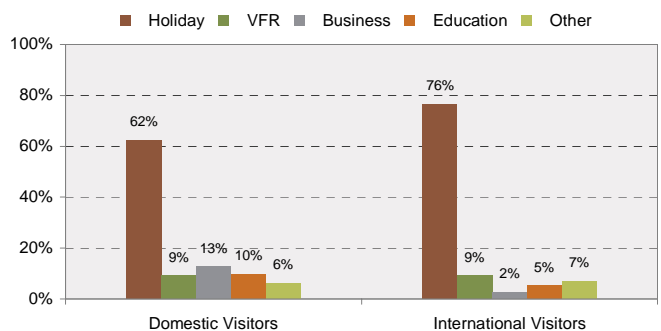
Figure 13: Backpacker Visitors by Age, 2005^{*2*3}



What are the main purposes of travel of backpacker guests?

Seventy six percent of international visitors and 62% of domestic visitors staying in backpackers are on holiday. Domestic business travellers make up a further 13% of domestic travellers staying in backpackers (Figure 14).

Figure 14: Backpacker Visitors by Purpose of Travel, 2005^{*2*3}

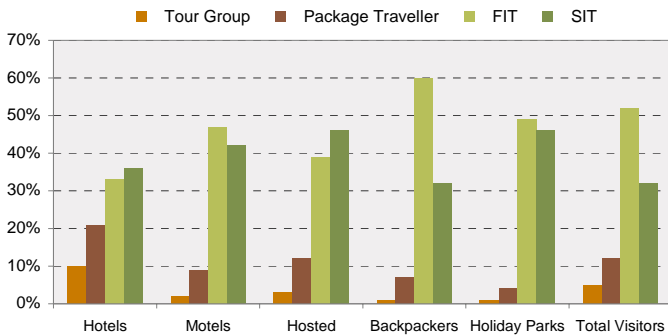


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What are the travel styles of international backpacker guests?

Semi-independent (SIT) and fully independent travellers (FIT) make up 92% of the visitors to backpackers. Package travellers and tour groups represent only 7% and 1% of backpacker guests respectively (Figure 15).

Figure 15: Travel Styles of International Visitors within each Accommodation Type, 2005²

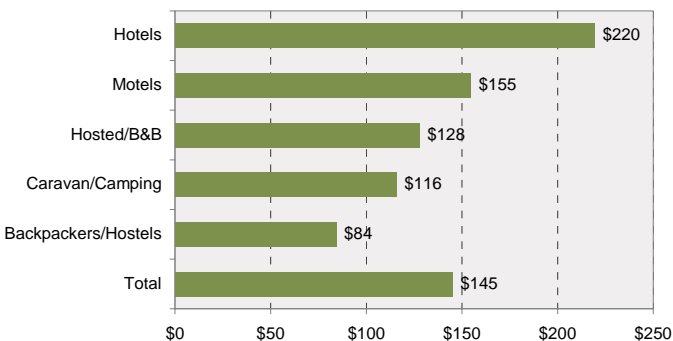


FIT: made all NZ travel purchases after arrival (e.g. dom. airfares, lodging, activities etc.)
SIT: made at least one travel associated purchase before arrival in NZ

How much do international backpacker guests spend?

In 2005, backpacker guests spent an average of \$84 per night on all trip expenses such as accommodation, transportation, meals etc. This is considerably less than the average spend by international visitors staying in other accommodation types (Figure 16).

Figure 16: Average Spend per Night in NZ by International Guests, 2005²



How satisfied are visitors with their backpacker stay?

International guests are more satisfied with their backpacker experience (rating 7.5 out of 10 on average) than domestic guests (rating 7.0). Satisfaction levels for backpacker accommodation are below that for all other accommodation types (Figure 17).

Figure 17: Visitor Satisfaction - Accommodation, Nov05-Sep06⁴

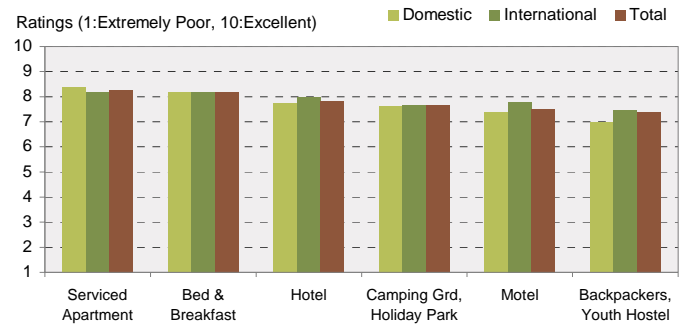


Table 1: Backpacker Trends¹

KEY INDICATORS	2001	2002	2003	2004	2005	2006
Supply (December month)						
Establishments	316	312	334	396	442	443
Ave. Daily Capacity ⁽¹⁾	16,226	17,127	17,985	20,234	23,245	24,226
Ave. Capacity/Est. ⁽²⁾	51	55	54	51	53	55
Employees (in February)	830	990	1,120	1,430	1,510	1,410
Demand (annual)						
Guest Nights (000)	3,007	3,377	3,601	3,901	4,170	4,294
Occupancy (%) ⁽³⁾	45.7	48.7	49.7	47.2	44.0	43.7
Ave. nights stayed	2.00	2.01	1.98	1.92	1.90	1.91

(1) Total stay units or rooms available for booking (2) Average stay units or rooms per est.
 (3) Proportion of available capacity used

Table 2: Backpacker Statistics by RTO 2006¹

Top 15 RTOs (by guest nights)	Establishments ⁽³⁾	Average Stay Units Per Est.	Average Daily Capacity	Guest Nights (000)	Occupancy Rate %	Average Nights Stayed
Total NZ	443	55	24,226	4,294	44	1.91
Canterbury	64	55	3,509	625	42	1.86
Auckland	37	92	3,386	597	46	2.19
Qtn/Wnk/C.Otg ⁽¹⁾	34	76	2,587	575	56	2.23
Wellington	12	146	1,752	406	58	1.92
Northland	35	40	1,397	234	38	2.02
West Coast	26	48	1,246	216	39	1.34
Rotorua	12	81	970	197	52	1.66
Nelson/Tasman	32	36	1,157	196	42	1.84
Lake Taupo	15	71	1,068	172	40	1.87
Marlborough	20	38	766	144	45	1.78
Southland/Fid ⁽²⁾	15	52	775	122	39	1.73
Hawke's Bay	17	44	747	113	40	2.50
Bay of Plenty	14	34	481	101	53	2.63
Waikato	16	37	592	90	39	1.74
Mackenzie/Ctrl SI	10	41	405	84	45	1.30

(1) Queenstown/Wanaka/Central Otago

(2) Southland/Fiordland

(3) Establishments that are GST registered with turnover \$30,000+

DATA SOURCES

- ¹ CAM: Commercial Accommodation Monitor (Statistics NZ)
² IVS: International Visitor Survey (Ministry of Tourism)
³ DTS: Domestic Travel Survey (Ministry of Tourism)
⁴ RVM: Regional Visitor Monitor (Ministry of Tourism)
⁵ BD: Business Demography (Statistics NZ)

IMAGE CREDITS

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 Old Slaughterhouse – www.oldslaughterhouse.co.nz, www.rfleming.net