

Team 35 would like to introduce

**#YOURTIKI**

Now, let's get ready to innovate.

**Introducing Your Tiki** — Prior to 2013, Contiki's total revenue was on the decline. In recent years, total revenue has been steadily coming back up again. Contiki's inbound revenue generated by NZ tours has experienced a similar decline and recover pattern. However, despite NZ becoming an increasingly popular travel destination, Contiki's inbound revenue growth has begun to stagnate again. This could partly be due to the lack of supply of NZ hotels, especially during our popular summers. Whatever the cause, it is our educated prediction that Contiki will continue to suffer losses in revenue growth, simply because the market is shifting quickly. Young travellers are increasingly becoming empowered by the connectivity of the internet and the open functionality it offers. This is inline with the shift towards FIT in most major markets like China (FIT up 60% in 2015).

The strategy of Contiki's profit model focuses on filling coaches to their maximum capacity of of about 50-60 people. However, our research and empathy interviews with Contiki customers has revealed that this coach-based model restricts both true flexibility and perceived flexibility. Contiki has done well to offer flexibility within their coach-based model, but this simply isn't keeping up with consumers' demands. This is where Your Tiki becomes the hero. Within 10 years, we guarantee that the world's travel industry will be dominated by Autonomous Electric Vehicles (AEVs) and car sharing services. Your Tiki is about slowly building a secondary model around AEV sharing early, so that they can reap large market shares in the future. We know this is a scary concept, but we also know that if Contiki doesn't take the lead, somebody else will.

# Time for some fresh innovation

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## Executive summary

Our 'Your Tiki' travel packages add flexibility and reliability relative to traditional coach-based tours. During our empathy interviews with Contiki customers, both flexibility and reliability were identified as the biggest areas of value in need of constant improvement by travel package companies.

Our mountains of online research helped us to find and justify a useful means of truly revolutionising travel both in New Zealand and all over the globe. Contiki's next-generation youth market (aged 18–35) has grown up with extremely high expectations due to the rapid onset of technologies like the internet just before they were born. Among their demands is a consistent need for methods of travel that allow them to have much more control over the personalisation of their trip to NZ (especially since it is a bucket list trip).

These demands echo mostly from highly technologically-advanced countries including the US, Germany and China. As mobile takes over the internet of things, residents of these nations are spending more time planning their lives, and often at the last minute. To do so, they want everything smartly interconnected from their phones, their distant friends, their cars and even their travel. Your Tiki takes advantage of these pre-established technologies and infrastructures in a way that hasn't been done before.

Universal technologies like the internet level the playing field for new entrants. This is why Contiki needs to move now. By utilising the power of their established brand, Contiki has the opportunity to gain large shares in a rapidly expanding market. Haven't worked it out yet? Read on to learn about our exciting innovation.

## Meet Team 35

Team 35 is so fortunate to benefit from such a diverse range of gifted members who can boomerang ideas so effectively. We're always saying "Team 35 is so much more than just a number."

**Sam Jacks** is the team's sustainability expert. This, along with his experience in online marketing, ensures our project reflect Contiki's 'green Kiwi' image. He has nearly finished studying at the University of Auckland, soon to graduate with majors in management and marketing.

**Liam Newth's** experience with studying Commercial Law helps the team understand the modern and upcoming legislation around our Your Tiki proposal. He will be joining Sam on graduation day, having also nearly finished with his management and marketing majors.

**Andy van Lier** shares his invaluable, real-world lessons with the group from starting up and managing his own business. His experience makes him great at communication and understanding our market.

**Su Kwek** studies marketing and management. Her young travel experiences in every continent (except Antarctica) is perfect for this Contiki project. She excels with the logistics of both the team and our Your Tiki travel package.

**Hadleigh Waldegrave**, that's me. I am openly proud to lead such an inspiring team. My life ambition is to use my studies – Marketing and Genetics – to bring life changing biotechnologies like regenerative eyesight to the world (yep, this is happening). Currently I am employed in online marketing with a focus on SEO and CRO design.

contiki

#NOREGRET



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# Market situation analysis



## Introduction

The world has changed dramatically since Contiki was founded in 1962. Flights around the world have dramatically dropped in price, and the cost of travel has shown a marked decrease over the years. As the decades have passed, Contiki has continued to provide a range of travel options for young people, incorporating a mix of sightseeing, free time, culture, socialising, and adventure.

The Travel Corporation (TTC), Contiki's parent company, still embraces Contiki's guiding principles of providing enriching experiences for travellers by combining an unbeatable mix of exceptional service and quality at great value.

TTC are especially focused on their core values of focusing on a long-term perspective, paying attention to detail, and having a grounding in sustainable tourism.

As the world's largest youth travel company, Contiki have held a major share of the New Zealand inbound tourism market for decades. However, the growth of Free Independent Travellers (FITs) within the tourism market represents a major threat and opportunity, and Contiki must innovate to meet the demands of this changing market.

## Market description

The travel and tourism industry is one of the world's largest industries with a global economic contribution of almost \$7.6 trillion in 2014.<sup>Fig. 1</sup>

With international tourist arrivals increasing to 1.13 billion in 2014 from a mere 528 million in 2005, it is clear to see that the tourism industry is experiencing steady growth almost every year. These figures are predicted to hit 1.8 billion by 2030.<sup>Fig. 2</sup>

As with every other industry, the rise of technology has completely revolutionised the way the travel industry operates. It appears that such technology will be a key driver and enabler of the travelling in the future. Greater demand and expectations will be placed on superior user engagement as increased use of smartphones, digital payment, and data supporting personalised and predictive relations – coupled with a revolutionised new method of accessing travel content – indicate that the industry is on a revolutionary path. To stay ahead and maintain market share, travel agencies will have to make crucial strategic decisions about investing in technology.<sup>1</sup>

Emergence of online travel sites such as Priceline and Expedia has ultimately forced many traditional travel agencies to explore new markets and niches. Examples include specifically targeting luxury travelers, or the corporate sector. However, as there is steady growth in the broader economy, the industry's prospects should boost over the coming years with travel rates increasing. Declining unemployment and growth in per capita income will lead to growth in both domestic and international travel.



# Market situation analysis

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## Contiki reviews

There has been mixed feedback among Contiki users. Overall, the main complaints surrounding the experience include: Contiki tours being an overly Western-centric with a lack of focus on culture and native experiences<sup>2</sup>.

Contiki's trip managers not providing real help, quickly. Communication is also common concern, especially among ESOL travellers.<sup>2</sup>

Contiki-style tours are often perceived as a budget-conscious means of seeing the world. This conflicts with Contiki's premium package since travelling to NZ is generally expensive.<sup>2</sup>

Inherently, there is inflexibility with having to stick to a specific schedule – According to our empathy interviews with Contiki customers, there is some free time here and there, but for the most part you cannot stray too far from a predetermined schedule. Before clicking 'pay now', customers perceive that they cannot decide to sleep in one day or spontaneously explore to a different place of interest.<sup>2</sup>

However, complaints form a minority of users as, in general, Contiki is a much-loved tour agency receiving constant 4-5 star reviews across Google, social media and 3rd party review websites.<sup>Fig. 1</sup>

## Contiki products

Contiki offers 8 unique styles of travelling to guarantee demands met by any 18-35 year old. These include: Discovery Plus, High Energy, In-Depth Explorer, Easy Pace, Camping, Sailing & Cruise, Festivals & Short Stays, and Winter & Ski.

These diverse travelling styles cater for travellers who wish to slow down and take their time, to high energy explorers, and everyone in between. However, it should be noted that 'Easy Pace' and 'Camping' is not currently available in New Zealand. However, with the implementation of our proposed idea, it would enable such tour services, leading to greater profits.

Sorry, we haven't yet finished exploring Contiki's current market. You'll have to read on to find out about our exciting proposal!



# Current marketing situation



## Competition

Internationally, the tourism industry is a highly saturated market. Many big players with lots of marketing power dominate the industry including: Trafalgar Tours, Top Deck, Intrepid, and many others. Some of these companies also offer premium products which are difficult for entrants to imitate.

Within New Zealand, there appears to be a few tour agencies operating with similar 'hop-on hop-off' bus-tour offerings. However, they do not come close to providing a flawless experience – A highly valuable aspect that modern day youth travellers seek. Here are some examples:

**Kiwi Experience** – You must cancel your original buses and book new rides while on holiday.<sup>3</sup>

**Flying Kiwi** – You can hop off easily but the buses only go past each location for pickup every 9 days.<sup>4</sup>

**Stray Travel** – Offers 'hop-on hop-off' passes that last for 12 months, but they do not seem to help with customising your trip or organising rides that aren't along their route.<sup>5</sup>

We have learnt that the current market offerings either lack true flexibility or they do not provide a seamless, end-to-end experience – an endemic throughout the international tourism industry.

## Distribution

The Contiki travel corporation runs tours across the globe in Europe, Russia, Egypt, Australia, New Zealand, North and South America, and Asia.

However, Contiki appears to be expanding into more countries. From 2017–2018, Contiki will be offering tour services to USA & Canada. These options are available for purchase now and include 6 of the 8 tailored travel experiences of: Discovery Plus, High Energy, In-Depth Explorer, Easy Pace, Festivals & Short Stays, Winter & Ski.

Contiki's New Zealand product focus on Auckland (e.g. Jaffas 'N' Jandals), the North Island (e.g. Northern Choice), the South Island (e.g. Sweet As South), and New Zealand as a whole (e.g. The Big Tiki).



# Opportunity & Threat Analysis

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## Opportunities

Global demand for air traffic continues to increase. With the exception of 2009 (9/11 bombings), data shows that global air traffic passenger demand has increased every year since 2005.<sup>Fig. 3</sup> Growth in airline seat capacity has increased by 4.5% overall to NZ.<sup>6</sup> Seat capacity has increased by 16% for USA to NZ flights over the last year.

The idea of car sharing is becoming increasingly popular. Tesla is planning to release a car sharing service in 2018 due to a promising market.<sup>7</sup> "It's now proven that car owners here in NZ are some of the most open people when it comes to sharing their car" (Founder of My Car Your Rental NZ).

The NZ Government and Tourism New Zealand are increasing funding for promoting NZ tourism as tourism overtakes dairy as NZ's largest export industry.<sup>8</sup> According to UNWTO, by 2020 the total international youth trips will reach almost 300 million.<sup>9</sup> "Youth travel industry has grown faster than global travel overall."<sup>9</sup>

The way Chinese customers travel is changing structurally. UNWTO has indicated that 95% of tourists from China are now discontented with the current offerings available both domestically and internationally.<sup>9</sup> These tourists are shifting away from the traditional concept of a tour group, to seeking more personalized tour experiences. However, the benefits of not having to stress over visa applications, travel planning, language barrier issues, and competitive prices, all still attract many first-time Chinese travellers.

## Threats

The world's population is aging. The number of people aged 60+ is increasing, especially in China, India, and the USA (+12% in 2013 and expected to increase another +21% by 2050).<sup>10</sup> This can also be an opportunity for Contiki to target since this market has a higher average income.

Of the 215,040 Chinese holiday visitors in NZ during 2014, 73,000 were FIT (an increase of 60% on the previous year). China is the fastest growing FIT market however this trend can be seen in many other markets (e.g. US, Germany). This can also be viewed as an emerging opportunity for Contiki.<sup>11</sup>

New Zealand's currently strong dollar relative to the rest of the world makes travelling to NZ more expensive.<sup>12</sup>

Continued violence, terrorism, and political unrest such as the Europe refugee crisis, do affect some destinations around the world which Contiki operates in.

Young travellers increasingly have more control over when, where, and how they travel. They are often money poor but time rich and therefore want to extract the most experience, adventure, and culture they can from each trip. Travellers are becoming increasingly independent due to the connectivity of the internet which empowers them. Again, depending on your mindset, this can also be explored as an opportunity for Contiki.



# Marketing strategy

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## About our target markets

Our product will initially target the USA, later followed by Germany & China. The AEV and car sharing markets are growing fastest in these countries and are predicted to be grow massively throughout the next 5-6 years.<sup>13</sup> We expect to capture that growth in New Zealand's inbound market. Our ideal customer is between the ages of 18-24 years of age. The behaviours of each of our target markets are that of our ideal consumer, 'Alex'. Alex, is a 21 to 35 year old American who is highly technology focused. Alex is likely to be environmentally conscious and interested in sustainable technology like AEVs. Alex prefers to book travel, accommodation and activities online, and carries a smartphone or tablet to make communication and accessing information on-the-go easy. Our American, German and Chinese travellers are also highly aware of car-sharing services (74%) or have already used a car-sharing service (35%) such as UberPool.<sup>14</sup>

**USA** – The US FIT tourism market largely consist of 21 to 35 year old students and workers with medium/high income or wealthy parents, whose consumer interests include sustainable technology like AEVs, and whose lifestyle values are defined by self-direction, stimulation and hedonism. As of 2015, New Zealand had 125,728 holiday seekers arriving. There are 4.3x as many American travellers who prefer FIT over group travel.<sup>15</sup> America has an increasing growth rate of 8.7% annually and just over half the market are between the ages of 18-25. We expect to be introducing Your Tiki in the early 2020s and we want to capture the expected growth between now and then. The outbound US market is expect to be at 191,107 travellers. At least 75% of those travellers are intending to travel via FIT.<sup>15</sup> With this data, we've calculated a US target market size of 167,500 people.

**Germany** – The German FIT tourist market largely consists of 20-29 year olds travelling on holiday.<sup>Fig. 4</sup> 92,000 Germans arrived in NZ in 2015, up 13% from 2014.<sup>Fig. 5-6</sup> These visitors tend to be the quality, not quantity travellers. They have the longest average length of stay of 48.1 days and the highest spend of \$5,664 per holiday.<sup>16</sup> This is partly evident in the behaviour of German travellers. 18% of the market are repeat visitors, meaning that some know more than most about New Zealand.<sup>17</sup> Most German people are FIT, looking for exploration and adventure, and they travel to an average of 8 regions in NZ per stay.<sup>18</sup> These characteristics are perfect for Contiki to capture value using our AEV sharing model. The AEV sharing market in Germany 2nd behind the US (26% growth in 2015)<sup>19</sup> and Your Tiki will meet those needs by offering a packaged semi-FIT deal.

**China** – This inbound FIT market consists largely of independent self driving professionals, aged 25-54.<sup>20</sup> Luckily, our younger target market represents the majority of AEV sharing users. 78% of these are concerned with experiencing authentic Maori culture. Again, most Chinese travellers prefer FIT over coach tours.<sup>Fig. 7</sup> In 2015 China had 356,000 visitors enter NZ for a holiday. By 2022 that number is expected to be 921,000 (predicted annual growth rate of 14.5%).<sup>Fig. 8</sup> Many Chinese tourists are coming from Beijing, being the second largest tourist city next to Shanghai inbound to NZ. Car sharing started relatively late in China in 2012, emerging with just 39 vehicles and one service. By 2014, those numbers become 1,000 vehicles and 5 active operators in 6 of the major cities (Beijing being one of them).<sup>21</sup>



# Marketing strategy



## Positioning

Our offer pre-empts the future of travel. The current market offerings either lack true flexibility or they do not provide a seamless, end-to-end experience. The Your Tiki tour packages are an FIT inspired twist on Contiki's current packages like the 'Northern Choice'. Instead of staying 9 nights in up to 9 locations, travellers spend longer in the more popular regions. Then, consumers benefit from the geographical flexibility AEV sharing has to offer. Our Your Tiki offer includes car sharing credit, purchased in bulk from car sharing service providers.

To make our Your Tiki packages more seamless and flexible, Contiki's website will have a section featuring activities and places from Google Maps and Tripadvisor that have been endorsed by Contiki's team with first-hand experience. Contiki will also include a live, anonymous feedback section for travel groups to post any delicate or embarrassing concerns that trip managers can address immediately. This was a huge issue in our point of view statement. This feedback will also assist in measuring the qualitative success of our trips.

Your Tiki is the prime opportunity for Contiki to position themselves as the alternative, premium and customized deal that consumers can rely on for flexibility. Remember, a large number of travel markets have shifted, or are shifting towards FIT<sup>22</sup> and Your Tiki is the perfect opportunity for Contiki to put their foot in the door of this upcoming FIT market. It would kick off in the USA because it is the largest car sharing country in the world, followed Germany and China<sup>23</sup>. We advise Contiki could establish another brand to accommodate this model.

## Objectives

We aim to secure 2000 young FIT travellers within the first 2 years of trialing and introducing Your Tiki. To facilitate the consumer's transition to this new form of travel, the website will need to promote and educate Your Tiki to prospective customers as well as offer car-sharing credits for completing a survey about the semi-FIT offering. Contiki can then take data from what customers are saying and either improve their service or set benchmarks to increase further marketing goals. This will assist us in measuring the true the size of our FIT market and then can put us in good stead to achieve our goal. As we still need together data about our future market, we will revisit our goal of 2000 sales in the first 2 years. We recognise that future scaling in NZ specifically may be capped by the lack of accommodation supply, however, we have an idea about utilising AirBnB's 16+ person accommodation that we would be happy to discuss.

In order to quantify our success, Contiki's customer review section will need restructuring. Currently, there are 3600+ general reviews, but the review process doesn't allow customers to rate specific aspects of their trip. By refreshing the review process to allow travellers to rate aspects like the comfort of bedding or AEV travel, future customers can see average statistics for any trip they're interested in.



# Marketing mix

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## Places

AEVs would naturally be situated around NZ tourism hotspots (including Paihia, Auckland, Waitomo, Rotorua, Wellington, Christchurch, Queenstown, Dunedin etc) because this is where populations are infrastructure needed to host car-sharing services will be most concentrated. Note that intercity car sharing already exists in NZ (e.g. CityHop)<sup>24</sup> and that AEVs can provide one-way trips as they can drive themselves to their next pickup point.

Travellers will use these AEVs to travel off the main Contiki journey to get to destinations of significant personal interest such as Oamaru (Steampunk world) and Napier (art deco architecture), as well as trips to national parks, farmlands, walking tracks, sightseeing locations, etc. Contiki would offer competitively priced discounts on car-sharing credits to customers with their high level of buying power within NZ's tourism sector.

## Pricing

Calculating prices for Your Tiki is difficult because the decreasing costs of car sharing have yet to settle. Prices for this service would be based on the bulk-buying of 3rd party AEV sharing credit. This is the major factor that will affect the pricing relative to Contiki's current offerings.

By negotiating a price lower than the standard rate offered by these 3rd parties, Contiki will be able to entice travellers to use AEV travel with Contiki as the intermediary, thus ensuring Contiki is able to profit from this new service offering. Contiki may make a small margin on these car-sharing rates. Also, prices margins may initially be bumped up to position Your Tiki as a premium product.

## Product

This proposal utilises the traditional Contiki travel format and brings 'Camping' and 'Easy Pace' style packages that Contiki does not currently offer in NZ.<sup>25</sup> Travellers spend more time in each main region (see places), giving them more freedom to explore NZ in their own time, to get a more tailored, and more scenery- and culture-enriched travel experience. Travellers can pre-purchase these 'off-route' activities as part of their package deal with Contiki. Contiki's established buying power will take advantage of this familiar revenue stream, but from a new market. Travellers can then order a shared AEV (from one of many prospective car sharing providers like Uber, Tesla, Zipcar etc) to get to these off-route activities. This is targeted specifically at the next generation of FITs who are already demanding more flexibility in order to truly personalise their experiences.

Of course, this business model won't manifest overnight. We suggest trialling this program with rental cars and 3rd party ride-sharing mobile applications. The end goal is to establish an end-to-end, semi-FIT experience by integrating AEV sharing services into Contiki's existing coach-based model. This will position Contiki at the forefront of travel in 2025, thus increasing their brand reputation among our youthful target market and establishing Contiki as a competitive offering for most individuals who prefer FIT. It's natural to be dubious about our business model, but note that AEVs have already been trialled by the NZ Transport Agency and the Ministry of Transport, and NZ legislation is being prepped to allow for the rollout of AEVs.<sup>26</sup>



# Marketing mix

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## Promotion

Contiki advertising material surrounding this trip would be primarily focused on the US, German, and Chinese markets. US and German citizens are known to have an early adopter attitude to AEVs and car sharing.<sup>27</sup> Contiki could get a lot of traction in NZ's inbound tourism market from leveraging this early adoption mentality. Furthermore, German tourists are also known to stay in NZ for the longest time of all travellers, making a slower paced Contiki tour more appealing to German travellers. Chinese tourists have demonstrated the highest growth in FIT travel within NZ<sup>28</sup>, and we want Your Tiki's marketing to help divert Chinese FITs to considering Contiki's semi-FIT offers instead. We suspect it will take longer to persuade the Chinese visitors that shared-AEV is the best travel method for flexible tours.

## Processes

Put simply, Contiki buys activities in bulk that travellers can include as part of a package, along with vehicle-sharing credits. After arriving in NZ, travellers are transported to each main tourism hub by the existing Contiki coach network. Travellers utilise local AEVs to reach activities and to explore off-route places of interest. Travellers are transported by AEVs back to the main accommodation after completing an activity. Travellers even have the option to stay in alternative locations and travel back to the Contiki coaches before the next departure. Travellers continue on their Contiki journey to the next main tourism hub via a Contiki coach (rinse and repeat until the end of the trip).

## Action program

Ultimately fully Autonomous Electric Vehicles are proposed to align with Contiki's sustainability policy and the Tourism NZ 100% Pure marketing strategy, and to fully exploit the technology.

Our pilot trial will allow any issues to be identified, including associated customer feedback, allowing Contiki to refine, improve and continue to develop the Your Tiki product. Once complete, the pilot trial will move to implementation. Initially this will occur at the same destination as the pilot trial (probably Auckland) and then quickly throughout the rest of the country since AEV sharing will be established in enough areas by 2020–2025.

Future up-scaling will include offering similar Your Tiki packages in other countries that Contiki is established in, before new entrants saturate these markets. Popular travel destinations for German tourists currently include mostly European countries like Spain, Italy, Turkey, Greece and France.

2020 AEVs will very likely be internet-connected, linking the group to Contiki information databases and social media sites to keep the group in touch with Contiki, the main tour group, friends and family. Contiki will be able to track and monitor progress of the group and be able to intervene and assist if any problems arise.



# Marketing mix

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## Potential issues

The technology for AEVs is still young and so our innovative business model is largely untested.

Currently, AEVs are on average more expensive than combustion engine vehicles. However, many manufacturers like BMW, Tesla, and Ford are investing more into new factories in order to reduce future production costs. Government subsidies also help. For example, Tesla's Model 3 is a stage 3 autonomous vehicle which means it all has the functional capabilities to nix the need for a driver (stage 4 describes cars that will be legally passed by governments to not require a driver). The Model 3 has been subsidised down from US\$35,000 to just US\$27,500 (about NZ\$37,000).

We initially discussed how NZ may not have the charging infrastructure needed to host intercity AEVs. However, we have found out that NZ already has over 1000 charging stations throughout the country – Enough to drive to and from anywhere in NZ, including remote places like Fiordland National Park.<sup>Fig. 9</sup> The numbers of charging stations across the globe looks to be doubling every year.<sup>Fig. 10</sup>

Short range and long charging times could affect operations by not having vehicles ready for use when required.<sup>29</sup> Future improvements in battery and charging technology should negate this. For comparison, 2016's most economical petrol vehicle was the Ford Fiesta with about 750km per tank, whereas Tesla's 2016 Model X travels about 550km per charge (today's chargers provide 270km of range for a 30 minute charge).

Contiki will need to digitise its local knowledge to enable integration with the GPS units and the AEVs. This IT project will require a large portion of Your Tiki's total investment.

Reluctance of management and employees to adopt a radically different product offer. This will likely require internal marketing to educate employees about Contiki's vision for the future of travel.

## Future development

Once the NZ inbound travel market is reasonably well established, Contiki can expand their semi-FIT Your Tiki offerings to other inbound destinations like Australia.

If our proposal is successful and the forecasted growth of FITs and AEVs continues, then Contiki can further develop its tours with the option to be fully independent, using only AEVs to travel in New Zealand and in other countries that Contiki operates in. Smaller customised tours will allow its customers to have an in-depth experience of New Zealand at a pace that suits them while still having access to Contiki's network of suppliers and its information and local knowledge.



# Financials



## Viability

As we have explored, Contiki's current profit model relies on filling large coaches with as many travellers as possible in order to decrease travel costs and increase margins. But our empathy interviews with Contiki customers taught us that flexibility is one of the most valuable aspects of group-travel<sup>Fig. 11</sup>, and that the logistical nature of coaches limits flexibility (and scalability). Under our Your Tiki model, these travel costs would be replaced by AEV sharing credits.

We do not know how much Contiki spends on hiring coaches and paying drivers/trip managers. However, BMW's DriveNow AEV sharing service currently costs NZ\$0.47 per minute, NZ\$45 for 3 hours, or \$167 for 24 hours.<sup>30</sup> And with more and more competitive offerings from companies like Tesla, Zipcar, Google, Mercedes-Benz, Uber, Apple, BMW, Porsche, and Ford<sup>31</sup>, car sharing rates will undoubtedly drop to a point where existing transport offerings can't compete effectively.

What we do know is that if today's travel companies don't take advantage of this new market, other startups like BlaBlaCar<sup>32</sup> and LiftShare<sup>33</sup> will fill the gap.

## Margins

Since the only major variable cost will be purchasing car-sharing credit in bulk, we can expect our profit margin will be similar to Contiki's current margins of about 22%<sup>34</sup>. Of course, trials and website fixed costs will cause margins to be lower initially.

## Sales forecast

Our data gathered from Tourism New Zealand shows that there will be about 191,000 holiday arrivals from the US in 2020, between 55% and 60% of which aged between 18 and 34. We have connections with a credible NZ marketing director who has informed us that no less than three quarters of these arrivals will be FIT.<sup>15</sup> Using this data conservatively, we can estimate that there will be at least 108,000 FIT arrivals from the US between the ages of 18 and 34 in the year 2020.

Data from Uber's car sharing service in the US shows that 35% of Americans have already used a car-sharing service<sup>14</sup>, most of which are young people within our target age. Also, Innovative Mobility's 2016 Car Sharing Report forecasts the car sharing market to more than double in countries like the US and Germany by 2020.<sup>35</sup> As such, we can expect a US market size of 70,000.

This market size considers only the US market since we want to launch our new product to Americans first because they are early and rapid adopters of car sharing services. We then want to expand our market to Germany because they are the 2nd largest adopters of car-sharing services. Another market to expand to will be China because they have the strongest FIT growth and because they are quickly catching up to match the US's car-sharing market. So, there will be plenty of potential markets for up-scaling our product.



# Financials



## Revenue forecast

Contiki's current 8-10 day trips are priced around \$1,800 and their 16–19 day trips are priced around \$3,200<sup>36</sup>. Given Contiki's inbound revenue of \$7,333,323 in 2015<sup>34</sup> and an estimated average sale price of \$2,300, we estimate Contiki is currently selling about 3,100 NZ tours per year. We believe that the revenue Contiki can gain from our product will not be limited by demand, but instead by existing resources and growth restrictions. The question is: How many sales can Contiki practically handle per year?

Using their current average price, the market revenue for travellers inbound from the US is about \$160,000,000. So, if Contiki can handle 5000 sales per year (a market penetration of 7%), they will receive about \$11,500,000 revenue. This revenue figure only represents sales of NZ tours to US travellers.

## Profit contingencies

This exciting business opportunity has arisen due to the interconnectivity of technologies like the internet, and so this opportunity is open to anyone with low barriers to entry. However, Contiki can use its existing partnerships, buying power and marketing power to reposition their brand (or establish a new brand) to reflect this inevitable future of travel. This will incur necessary marketing and advertising costs that will initially reduce margins, but will pay dividends in the long run. As such, we believe educational marketing and advertising strategies will be critical to Contiki's future market share.



# Objective evaluation



## Controls

Although the Your Tiki model is somewhat revolutionary, our sales objectives will be measured using traditional methods (e.g. website enquiries and end-of-term financial reports). Some typical KPIs will be 'Your Tiki sales', 'Your Tiki revenue' and 'Your Tiki cost per traveller'. However, a lot of our initial objective feedback will also be qualitative.

Surveys will be completed at the end of each AEV segment during the pilot program. Positive comments can give direction to what is being done well and negative or neutral comments are analysed to see what can be improved. Some KPIs worth investigating here will be (before the pilot program) "How comfortable out of 10 are you with hands-free driving?" and (after the pilot program) "Now that you have experienced hands-free driving, how comfortable out of 10 are you with hands-free driving?".

Contiki's social media presence will be important for informing youth travellers that reliable and flexible AEV-style travel has arrived. Qualitative feedback on social media should be recorded and analysed to improve the Your Tiki offerings, especially in its earlier stages.

As previously explained, the Contiki website review section will be re-structured to allow for more accurate, quantitative feedback on specific aspects. This review section should include the question "How likely are you to recommend Your Tiki to others?" so that we can gauge Your Tiki's Net Promoter Score.

## Conclusion

It is clear Contiki needs to innovate soon in order to maintain and grow their market share within the New Zealand inbound tourism market. Already we are seeing high levels of FIT growth, and the rollout of Electric Autonomous Vehicles over the next 5 to 10 years will only make FIT growth soar exponentially higher. Contiki must rise to the challenge and develop a strategy to incorporate AEVs into their business model or else risk losing market share in an ever diminishing market of coach tour travellers. We strongly believe that failure to adopt the new AEV technology will mark the end of Contiki's deeply established brand. If we do not embrace these inevitabilities, Contiki will undoubtedly cease to gain market share.

We understand that our Your Tiki business model concept may be confusing and even intimidating. There is much more we would to share and discuss. If you would like to be apart of driving Contiki into the future, please reach out to Team 35. We have made this report in hopes that Contiki remembers what they stand for: #NOREGRET



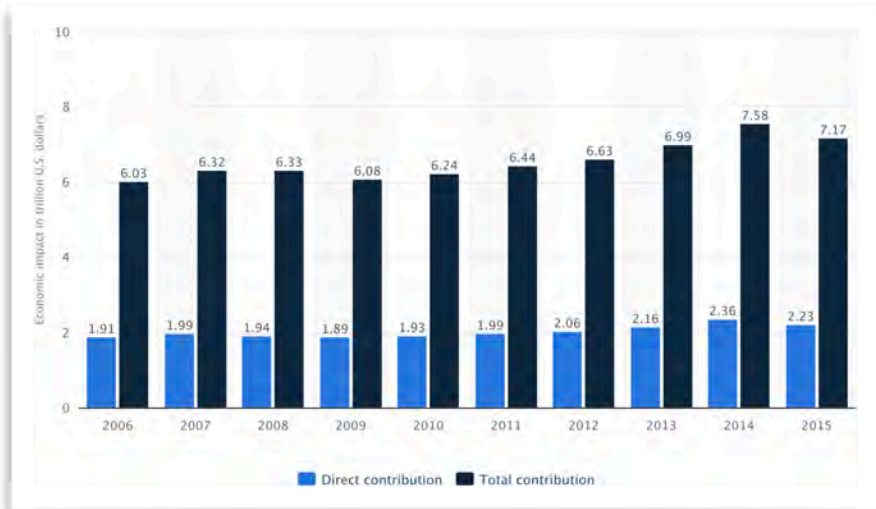
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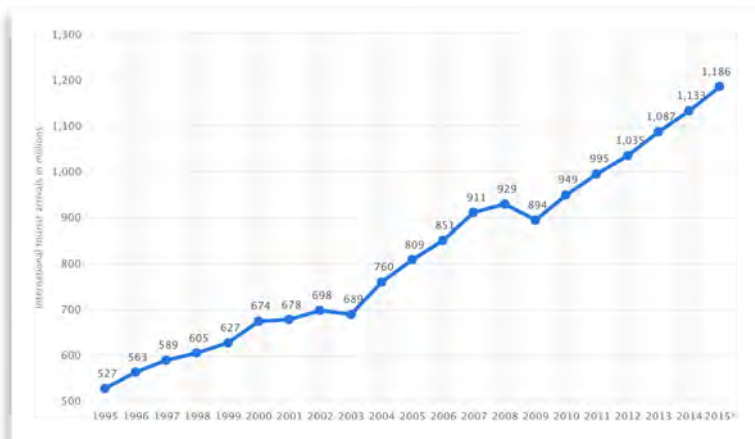
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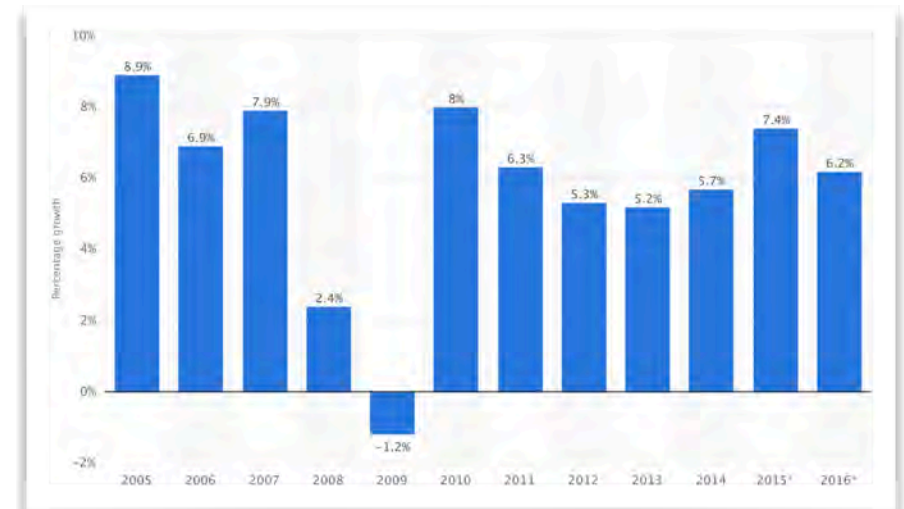
**Fig. 1** – <https://www.statista.com/statistics/233223/travel-and-tourism-total-economic-contribution-worldwide/>



**Fig. 2** – <https://www.statista.com/statistics/209334/total-number-of-international-tourist-arrivals/>



**Fig. 3** – <https://www.statista.com/statistics/193533/growth-of-global-air-traffic-passenger-demand/>



**Fig. 4** – <http://www.mbie.govt.nz/info-services/sectors-industries/tourism/tourism-research-data/other-research-and-reports/pdf-and-document-library/Germany.pdf>

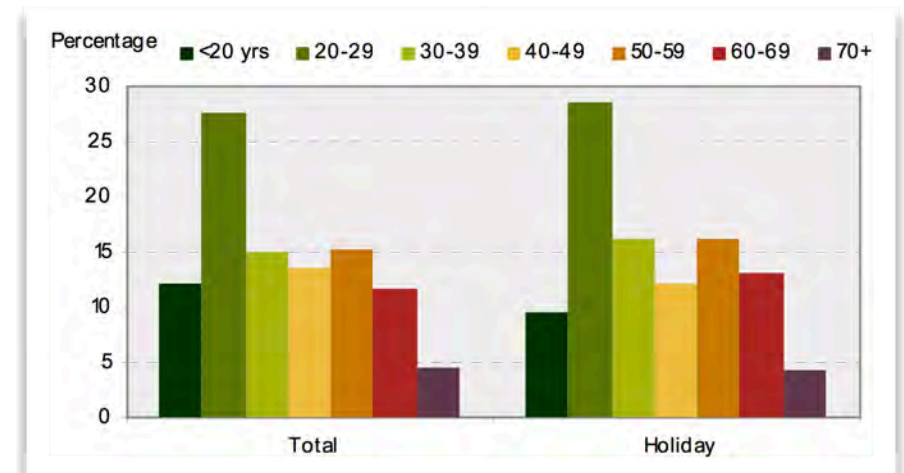




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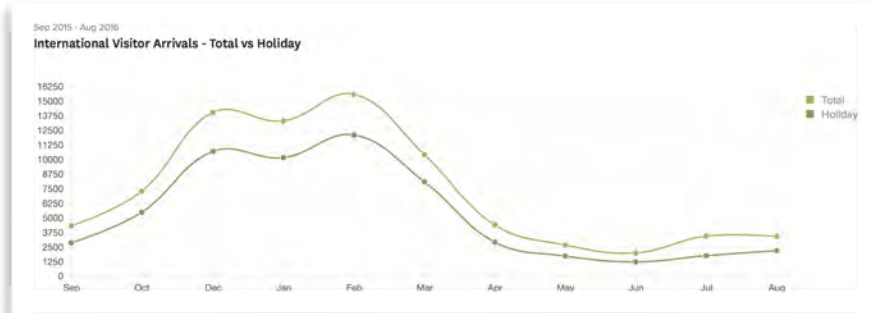


Fig. 6 – <http://www.mbie.govt.nz/info-services/sectors-industries/tourism/documents-image-library/key-tourism-statistics.pdf>

Year ended August 2012–16

Key characteristic	Year ended August					Change 2015–16	
	2012	2013	2014	2015	2016	Number	Percent
<b>Total visitor arrivals</b>	<b>62,336</b>	<b>65,520</b>	<b>76,096</b>	<b>81,424</b>	<b>91,632</b>	<b>10,208</b>	<b>12.5</b>
<b>Travel purpose</b>							
Holiday	42,272	44,448	54,064	58,992	67,952	8,960	15.2
Visiting friends & relatives	10,224	10,224	10,768	10,688	11,312	624	5.8
Business	2,832	3,616	2,928	3,312	3,504	192	5.8
Education	2,864	2,704	2,320	2,576	3,040	464	18.0
Conferences & conventions	480	544	752	656	416	-240	-36.6

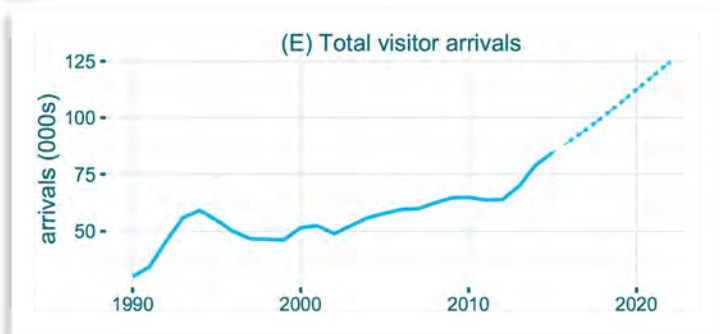


Fig. 7 – <http://www.nzcntourism.co.nz/wp-content/uploads/2016/06/china-fit.pdf>



Fig. 8 – <http://www.mbie.govt.nz/info-services/sectors-industries/tourism/tourism-research-data/international-tourism-forecasts/documents-image-library/tourism-forecasts-2016-2022.pdf>

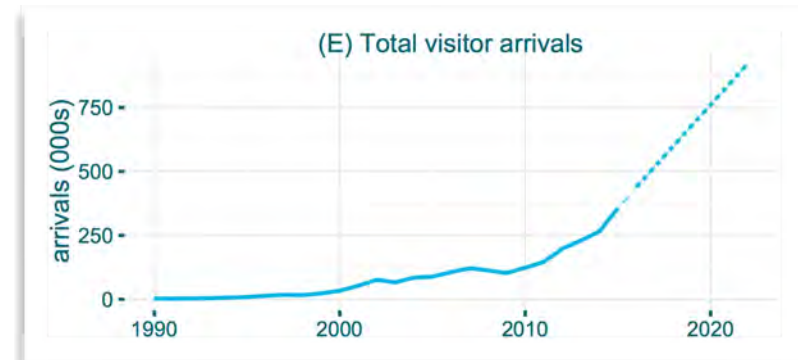


Fig. 9 – <https://www.plugshare.com>



Fig. 10 – [https://www.tesla.com/en\\_AU/supercharger](https://www.tesla.com/en_AU/supercharger)

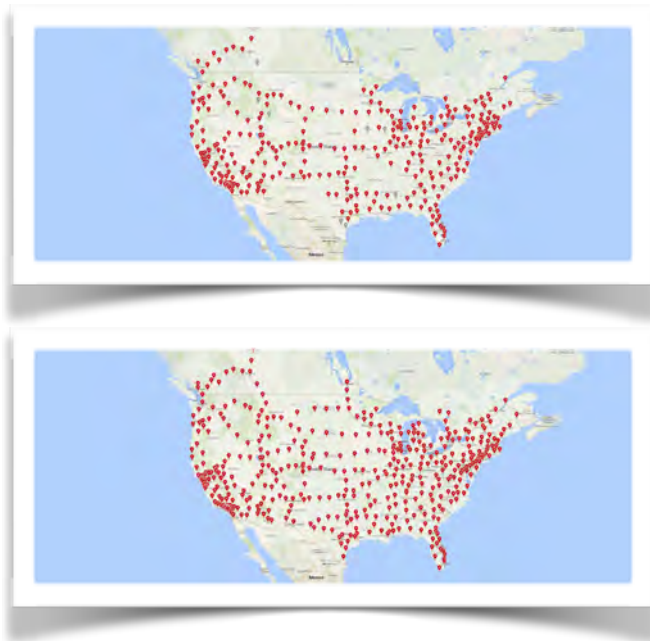


Fig. 11 – Excerpts from some of our empathy interviews with Contiki customers.

*“Contiki had to have some structure and say ‘we’re going to do this activity at this time’, but that’s your prerogative to go if you want to go... It’s completely up to you”*

Chris – 26yr male

*“My roommate was a little pissed off that the manager didn’t contact the headquarters for him... He missed out on a day of his skiing”*

Lydia – 23yr female

*“If I didn’t know much about the place and how to get around, I would definitely consider an autonomous vehicle experience, coupled with an itinerary-style app.”*

Edward – 24yr male