

LONG HAUL FLIGHT MARKET

ITS FUTURE AND IMPLICATIONS FOR AUSTRALIA OVER THE NEXT 20 YEARS



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National Library of Australia Cataloguing in Publication Data

Long haul flight market: its future and implications for Australia over the next 20 years.

ISBN 1 920704 47 7.

1. Air travel - Australia - Forecasting. 2. Aeronautics, Commercial - Australia - Forecasting. 3. Tourism - Australia - Forecasting. I. Murphy, Peter. II. Cooperative Research Centre for Sustainable Tourism.

387.70994

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Acknowledgements

The Sustainable Tourism CRC, an Australian Government initiative, funded this research.

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Summary

This study was undertaken as a scoping study for future research into long haul flight issues and to complement the existing forecasting models and the scenario building that is currently underway with respect to Australia's future tourism directions. It was conducted using the staff resources of three Australian universities and was made possible through the cooperation of an industry focus group and the responses of three separate student groups.

The first aspect of the study was a literature review of long haul flight issues that revealed three themes worthy of further exploration. One was the interests and concerns of consumers, those individuals who choose this form of travel over all other options and determine the success of some airlines and a significant part of Australia's tourism business. Another was how to manage this aspect of tourism, for a long haul flight involves not only the airlines, but also the airports and government policy. All must be in synchronisation if the maximum effectiveness and efficiency is to be obtained in this sector of the tourism industry. Last and as suspected, there is a need to broaden the econometric thrust of past forecasting models and techniques to include more consumer and management issues.

These three themes were then explored in more detail from the perspective of the industry and one convenient consumer subset – the youth traveller. Some principal findings from these groups showed:

- Both groups felt that the 'tyranny of distance' could be overcome through appropriate marketing and management.
- The youth market was very comfortable using the Internet, but would still approach travel agents when travel plans were complex.
- The industry group raised the issue of government policy and interference as a particular concern. They felt that federal initiatives in Australia regarding the direction of international travellers to new areas are not realistic under current circumstances.
- The industry group was more conservative about future forecasts in many cases, for example with respect to the anticipated growth of the China market.

As indicated above there are some important differences of opinion between the youth market and the industry representatives. Such differences need further exploration and analysis if there is to be better coordination within the long haul flight sector.

Chapter 1

Introduction

According to the Department of Industry, Tourism and Resources (DITR), international tourism is the fourth biggest export industry in Australia and it accounts for 11.2% of Australia's total export earnings (DITR, 2001)¹. The dominant international tourism markets to Australia are North East Asia, Europe and New Zealand, which contributed approximately two thirds of the total inbound visitor arrivals in 2001 (DITR, 2001). Due to the great distances between Australia and most countries in the world, visitors from countries other than New Zealand usually have to spend over 6 hours on travelling to and from Australia. This makes such visitors long haul travellers according to Harrison-Hill and the air industry (Harrison-Hill, 2000)².

The long haul travel sector has made greatest contribution to the overall inbound tourism business in Australia. In 1999, over 64% of the total inbound tourists to Australia were long haul travellers and Japan was the largest generating country of long haul visitors (Table 1). According to the Bureau of Tourism Research (BTR), visitors from countries other than New Zealand spent a total of \$15.4 billion on their trips to Australia (1999). Although a downturn in inbound travel was recorded in 2001 due to the terrorist attacks in the United States, this industry was expected to return to positive growth of 4.3% in 2002 (TFC, 2002)³.

Table 1: Major markets of long haul travel to Australia: visitor arrivals in 1999

Country of residence	Arrivals ('000')	% of the total	Average international airfares (\$)	Total spending on international airfare (\$ m)	% of total expenditure per trip	Average expenditure per trip (\$)
Japan	662.5	16	1542	1021.6	36.6	4208
Hong Kong	127.9	3.1	1118	143.0	31.1	3579
Taiwan	133.6	3.2	1139	152.2	27.2	4181
Thailand	55.7	1.3	673	37.5	19.1	3529
Korea	100.1	2.4	986	98.7	27.0	3656
Malaysia	126.5	3.1	681	86.1	23.9	2845
Singapore	234.1	5.7	794	185.9	24.9	3190
China	87.5	2.1	1317	115.2	25.1	5244
Canada	75.2	1.8	2095	157.5	31.0	6753
USA	417.1	10.1	2577	1074.9	45.7	5635
UK	508.9	12.3	2047	1041.7	38.6	5304
Germany	140	3.4	2180	305.2	39.9	5469
<i>Average</i>	--	--	<i>1429</i>	<i>368.3</i>	<i>30.8</i>	<i>4466</i>

Source: (BTR, 1999)

Outlooks for this industry over the next two decades are promising according to many forecast reports. For example, national forecasts for Australia are predicting a strong annual growth of 7.8% over the next ten years, and others consider that 'on the basis of recent trends, a target of 20 million visitors to Australia by the year 2020 is not unrealistic' (Faulkner et al., 2001).

However, these forecasts tend to be based more on the economic conditions at the points of origin and destination than the equally real opinions of the personal costs involved in overcoming our 'tyranny of distance'. These costs are not simply economic but involve health, environmental and management issues which tend to be viewed differently by the industry and consumers. This study proposes, therefore, to investigate supply and demand sector views regarding the prospects of long haul flight travel to Australia over the next 20 years. As such it is intended to supplement existing forecasting models and to complement the scenario building that is currently underway with respect to Australia's future tourism directions.

¹ The top three export industries were mining, manufacturing and agriculture respectively.

² They defined long haul travel as 'interregional travel of at least 6 hours in duration' (Harrison-Hill, 2001: 84).

³ Final statistics for the periods from 2000 to 2002 are not available due to significant delays of data processing by the Department of Immigration and Multicultural and Indigenous Affairs (DIMIA) (www.abs.gov.au/ausstats/abs%40.nsf).

Chapter 2

Literature Review

In this part, the literature related to the issues of long haul travel management, consumers, and forecasting will be reviewed. Major concerns in each area will be discussed, which were later included in the questions for the focus group interviews.

Management Issues

A review of the relevant literature identified six major issues in terms of the management of the long haul travel market:

- 1) airport development,
- 2) aircraft technology,
- 3) airline alliances and mergers,
- 4) frequent flyer and loyalty programs,
- 5) risk management, and
- 6) risks for long haul travel.

Airport Development

The most critical issue facing airports today is perhaps the gap between the fast development of aircraft technology and the underdevelopment of airports. The huge demand for air travel has promoted technological improvements on airplanes and new competitive strategies such as alliances. The introduction of the Boeing B747 around 30 years ago started the design of wide-body planes, which increased requirements for airport facilities ranging from the length and width of runways to the size of the airport terminal. The capacity cut of most airlines around the world after the terrorist attacks in the US has raised immediate issues such as high unemployment rate and declining service quality, but there are figures showing that it is the oldest aircraft in the commercial fleets which will not return to service (Anonymous, 2002e).

Development of aircraft technology has raised the requirements for airport facilities. Today, an airport dealing with super-jumbo jets needs to serve 100 million air passengers and each of its individual terminals should be able to cope with the traffic of 40 million passengers annually (Mok, 1998). Meanwhile, it must be able to evacuate 600 passengers within 90 seconds (Mok, 1998).

Furthermore, a trend in the modern airline industry to gain competitive advantage is to form airline alliances. A core system used by these alliances is the hub-and-spoke network, which has intensified the pressure on airport development (Truitt & Esler, 1996). This system requires expansion of most of the existing gateway airports and new technologies for airport management such as upgraded radar and electronics, effective tracking of vehicles on taxiways, and information control (Wilson, 2001). In short, the growing demand for air travel will keep raising requirements for airport carrying capacity, and the ability to use landing and take-off slots to their maximum potential. Consequently, airport planners are urged to look at least 30 years forward when constructing or expanding an airport (Mok, 1998).

However, many civil airports were designed soon after WWII to serve a small volume of customers. Their low capacity has resulted in severe congestion at major airports around the world. For example, the Los Angeles International Airport was designed to handle 40 million passengers, but is now serving over 100 million customers annually and this number is still growing (Anonymous, 2001a). The consequent delays at the airport have created an estimated cost of US \$6 billion a year to American businesses. It is reported that airport capacity in the US grew by only 1% compared to the increase of 37% of demand for air travel in the last decade (Anonymous, 2001a).

The underdevelopment of airports has been attributed to a decline of financial support from governments (Truitt & Esler, 1996). Under such circumstances, privatisation of airports appears an effective way to raise funds to improve airport infrastructure. However, this issue has long been contentious, attracting heated debate between the government and the industry. On the one hand, the government proposes the sale of public-owned airports to finance their development and improve their efficiency. The success of the privatised British Airports Authority (BAA) in 1987 has been used as an example in this case. On the other hand, opponents to the privatisation are worried about the possibility of higher fees charged by private operators and job cuts (Truitt & Esler, 1996). They argue that the majority of BAA's revenue comes from its retailing and hospitality activities and these businesses have made profits at the expense of nearby restaurants, hotels, and retailing shops (Truitt & Esler, 1996).

The problem of low airport capacity appears more serious in populous areas such as the Asia-Pacific region. Consequently, this is also the region where the most mega-airports⁴ were constructed recently. For instance, the new Hong Kong International Airport started its operation from Terminal 1 in 1998 with a capacity of serving 35 million passengers per year. At the same time, the new Kuala Lumpur International Airport is designed to serve up to 40 million passengers each year (Mok, 1998). However, the Kuala Lumpur International Airport has been struggling to reach its targeted volumes since the end of the 1998 Commonwealth Games.

Aircraft Technology

We have reached a point in the evolution of commercial aircraft where the two principal global manufacturers are embarking on separate development paths. Boeing and Airbus have been the two leading companies in aircraft production and development over the past decade. The success of the B747 has led to a focus on wide-body airplanes for three decades until Boeing declared its development interest in a Sonic Cruiser. This new aircraft is designed for point-to-point service with a low capacity (225-250 passengers), but its speed is 20% higher than an average commercial airplane (Anonymous, 2001d; Sweetman, 2001). The target market for the new aircraft is the business segment because this market is considered as the high-yield sector for the airline industry. Therefore, comfort for business travellers during the flight is highlighted as a key criteria in the design (Anonymous, 2001e). Such a design aims to reduce travel time and provide greater convenience, provided the customers are willing to pay the relevant premium.

However, Boeing's proposition that business travellers will pay a premium for greater convenience and less travel time is questionable. The world-wide economic downturn has forced many companies to cut down their spending, including long haul travel. It would be questionable whether they would still like to pay more in this situation. Although business travel is relatively less sensitive to seasons than other segments (i.e., leisure market), it can be severely influenced by political instability. For example, General Motors and Toyota banned all business travel by their staff immediately after the terrorist attacks in the US (Anonymous, 2001f).

In contrast, Airbus believes the future airline business will still rely on the mass market, making profits by achieving economies of scale. Therefore, the new double-deck aircraft designed by Airbus, the A380, can transport 550 to 700 passengers between large airports (International, 2001). Discounts on the price of the plane can be as high as 40% of the list price, thus making the A380 even cheaper than some B747s (Brown, 2001). It is expected that the major benefit of the A380 will be a reduction in travel costs to customers.

The success of the A380 relies on a sustainable high demand, which again depends on the existence of a favourable travel environment. In addition to the high requirements for airport facilities, people are concerned about the A380's financial future as its strategy is based solely on price competition (Tong & Tong, 2001). Since leisure travellers are very sensitive to price changes, any increase in price due to extra costs will significantly impact airlines' revenue. One such possibility is an increase in fuel prices. On average, an increase of 50% in the number of passengers will require an extra 3% of jet fuel per year (Baker, 2002). The large volume of passengers an A380 carries means a higher spending on fuel than any other plane. Therefore, any fluctuation in fuel prices can affect the profit margin for this plane. In 2000, the oil price soared to over 80¢ per US gallon and US passenger carriers spent 15% of their total revenue (US \$12 billion) on fuel (Baker, 2002). The prices dropped in 2001, but the amount of decrease was far from enough to compensate for the sharp fall in travel demand. However, oil prices are predicted to keep increasing due to a shortfall of oil availability in the future, thanks to the political tension in the Middle East (Parker, 2002). Undoubtedly, this will make it more difficult for the A380 to make money out of its target market.

Regardless of the advantages of smaller planes flying point to point (Fingleton, 2002), the Singapore International Airline's early purchase of the A380 indicates that a primary concern of modern airlines is still the quantity of passengers and the dependence on the hub and spoke system.

Airline Alliances & Mergers

An alliance appears when two entities merge their resources, operations, or financial interests (Kraats, 2000). It has been reported as the most rapidly growing area of competitive advantage for airlines (IATA, 1996). According to Kraats (2000), there are three types of alliances: strategic, regional, and point-specific. Strategic alliance has been defined as 'an arrangement in which two or more firms combine resources outside of the market in order to accomplish a particular task or set of tasks' (Oster, 1994): 229). Strategic alliance agreements cover a wide range of routes and code sharing is one example the process. In comparison, regional alliances only involve routes in a particular region and point-specific alliances focus on services to specific cities.

Airline alliances are often related to better performance in terms of satisfying consumer needs. It is predicted that airline alliances will generally decline to be replaced by a few super-alliances (Gudmundsson, 1999). However, such alliances can become anti-competitive because the shared facilities/services produce highly substitutable products (Chen, 2000). Therefore, airline alliances have been described as a form of

⁴ According to Mok (1998: 84), a mega airport is capable of serving 2-3 times the volume of passengers handled by today's major airports.

protection through a monopoly position via sharing (Chen, 2000). Such concerns are interesting but speculative at this time.

Airline alliances do bring a number of benefits to the operators, customers, and governments. The operators obtain access to other markets and facilities/services. Customers benefit from collecting the Frequent Flyer mileage awards across a whole network. Although the issue of anti-competition brought about by airline alliances challenges the policy makers in this area, governments continue their support for these alliances in order to increase their revenues from relevant taxes. As a consequence, the number of alliances around the world increased by 80% from 1994 to 502 in 1998 (Gudmundsson, 1999).

The difference between alliance and merger or acquisition is that the former involves only a limited combination of resources from each party while maintaining their independent status, whereas mergers involve establishing a new company with the assets of all parties. Like many alliances, most airline mergers have contributed to performance improvement, which makes it an appealing way to save the ailing airlines (Kyle, Strickland & Fayissa, 1992). As a result, about 30 large airline mergers have taken place in the US since 1978, when the industry was deregulated (Kyle et al., 1992). It soon became a world-wide phenomenon. Examples include the marriage of the new Belgian airline and Virgin Express (Anonymous, 2002b), a combination of over 30 Chinese airlines into three new airline groups (Ionides, 2001), and the merger between Japan Airlines and Japan Air System (Anonymous, 2001b).

Frequent Flyer & Loyalty Programs

Frequent Flyer Programs (FFP) were first launched in 1981 in America. In these programs customers collect points for the miles they have travelled with the airline and exchange the points for free future mileage. It soon spread to other parts of the world and around 100 million people in the world belong to at least one such scheme today (Anonymous, 2002d). It is estimated that the total stock of frequent flyer miles in the world may be worth almost \$500 billion (Anonymous, 2002c), and it accounts for up to 10% of airlines' revenue passenger miles (Anonymous, 2002d). It has been suggested that such loyalty programs are reaching a critical point when the only way airlines can honour existing commitments is to devalue them by raising the required flight thresholds; and when many points were lost as unsecured credit with the collapse of Ansett.

This strategy has increased customer loyalty to an airline, but is challenged over the usability of the points. First of all, each airline's capacity is not unlimited and each plane has a fixed number of seats. The customer's FFP points can be changed to a flight ticket only when there is an empty seat on the plane. Yet the rapid accumulation of FFP points by airline customers since 1995 has far exceeded the number of free seats that the airline can supply each year (Anonymous, 2002c). It has been reported that the total number of free miles awarded by airlines each year is two times more than the number of miles redeemed (Anonymous, 2002d). Secondly, the survival of airlines is susceptible to political and economic situations and management. All free miles collected by customers with an airline will lose their value once an airline disappears.

Risk Management

A 'risk' is defined as a potential hazard or threat such as bad weather, poor service, etc. (Getz, 1997). Risk management is a process employed by a business in order to deal with risks (Cloutier, Garvey, Leverette, Moss & Valade, 2000), which focuses on 'anticipating, preventing, or minimising potential costs, losses, or problems for the event, organisation, partners, and guests' (Getz, 1997). As some risks are inherent in most activities (e.g., adventure tourism), the main purpose of risk management techniques is to control or minimise risks, not necessarily to eliminate them (Cloutier et al., 2000). In terms of a business, the basic goal of the whole process is to protect it from litigation (Cloutier et al., 2000).

The high fixed costs of running an airline have determined they are particularly susceptible to risk because they cannot cope with sharp decreases of revenue brought on by terrorism, crashes or sharp economic downturns (Anonymous, 2001c). An airline with an average aircraft cost of \$200 million will suffer a loss if fewer than 75% of its seats are sold (Anonymous, 2001c). Any fluctuation of demand will produce an obvious impact on airline revenues. The bankruptcy of several airlines after the terrorist attacks in America are an example of how political instability can threaten an airline's survival. The collapse of Ansett as a result of inefficient management as well as declining markets has resulted in a high job loss as well as the loss of all FFP points associated with the airline.

In some cases, governments in some countries are providing financial support for airlines that are in trouble. For example, following the 11 September attacks in the States, insurance companies 'increased premiums and cut cover for airlines' third-party terror and war liabilities to \$50m per airline, per 'event' (Anonymous, 2002a) (p13). Recognising the political nature of these events, the British government has agreed to provide underwriting support for businesses suffering from terrorist attack (Anonymous, 2002a).

Risks for Long Haul Travel

The importance of travel safety has gained worldwide recognition from both the public and individual businesses since the 11 September attacks. Not only airlines, but many other sectors have intensified their safety surveillance. As a consequence, delays in goods deliveries have been reported in many places due to the prolonged checks at customs. It is said that it can now take up to 20 hours for a truck to go through the border check between Canada and America (Anonymous, 2001f). Recently, Australia started to add Chinese made X-ray scanners to view the contents of shipping containers, reducing the surveillance time to 10 minutes (Barker, 2002).

In addition to political risks (i.e., terrorist attacks), there are risks of catching disease or illness while engaged in long haul travel. One that many people may be aware of today is Deep Vein Thrombosis (DVT), which causes blood clots after long-time sitting. It is also called 'economy syndrome' as it often occurs to passengers in the economy-class cabin where leg space and seat size is limited. Exercises in flight have been suggested to avoid DVT and many airlines have started to inform their passengers of this risk and the relevant exercises.

Yet other diseases that customers may be affected by during their flight seem to attract much less attention. All of them are associated with the air ventilation in the plane. Today, about 50% of commercial aircraft use air recirculation systems to reduce carbon dioxide concentration in the cabin (Hocking, 2000). In order to improve the air quality, a filtration system is usually attached to remove particulate matter bigger than 0.3µm in the air (Reisman, Mauriello, Davis, Georgitis & De Masi, 1990). However, the airborne viruses that can transmit infection are too small (0.003-0.05 µm) to be removed by any filter system (Hocking, 2000). These viruses can spread illnesses such as flu, measles, etc. Since the symptoms become more obvious after passengers have left the airplane, people tend to regard it as an individual case and attribute the illness to other reasons. Therefore, the risk of airborne disease transmission during the flight has been neglected. Although the airline industry detected this risk over 20 years ago, airline operators were slow to improve the ventilation system due to the concern over extra costs (Hocking, 2000). As a consequence, most passengers are not provided as much fresh air as officially recommended (Hocking, 2000). Yet there has been an increasing number of articles and papers calling for more attention and greater awareness of this issue (Hester, 2001; Hocking, 1998, 2001).

Consumer Issues

Although there has been a substantial body of research carried out on consumers' selection of destinations for vacations, the majority of the empirical work has focussed on domestic vacations, with only a few references to overseas vacations. Very few studies have looked specifically at consumers' decisions for long haul travel destinations. Yet it is arguable that some of the characteristics of long haul travel are substantially different to those of short haul or domestic travel and are likely to impact differently upon the consumers' decision-making process when considering a long haul destination for a vacation:

Long haul travel presents the tourist with a somewhat different set of issues than does short haul travel. The most obvious of these differences are the increased cost and increased time of travel raising the monetary and psychological barriers to travel (Crouch, 1994, p.3).

Of the few studies referring to long haul travel, only a small number actually address the influence that these aspects, such as cost and time have on long haul travel (Crouch, 1994; Hall, 1991; Mayo & Jarvis, 1986). None refer to their effects on the individual tourist's decision-making process. This apparent lack of empirical research into the decision factors influencing long haul destination choice is curious for two reasons, the first being the increase in long haul travel that has accompanied the growth of mass tourism on a global scale. Secondly, distance has historically been a much-talked about problem for destinations in attracting long haul tourists (Burkhart & Medlik, 1981; Hall, 1991; Mayo & Jarvis, 1981; Smith, 1989).

The literature on international long haul travel is scant. There are economic studies measuring arrivals, departures and demand elasticities, segmentation studies that describe the economic and social characteristics of visitors, and forecasting studies, (Crouch, 1993a) but little of this literature has referred to the factors underlying the decision for international travel (Yuan & McDonald, 1990). The study conducted by Crouch (1994) that investigates demand elasticities for short haul versus long haul tourism offers some insight into this area in that it identifies the existence of a systematic difference between long haul and short haul tourism. However, the focus is on the general level of economic factors of demand rather than the context of the factors that impact on consumers' decisions to travel to international destinations.

The intuitive distinctions between domestic and international travel include elements such as the need for passports, the requirements of Customs, unfamiliarity with currencies, financial institutions, languages and culture, and the general lack of familiarity with products and retail establishments. While these factors reduce the convenience of travelling, they also have the potential to create an emotional barrier to accessing the destination (McKercher, 1998), as the anticipation of the effort required to cope with these differences can be overwhelming for the tourist. Indeed the concept of distance decay, originating from gravity modelling (Beaman, 1974; Smith, 1985), suggests that demand will peak at some distance from the destination and then decline geometrically as

distances increase (Eldridge & Jones, 1991). This effect has also been referred to as the friction of distance, and a contributing factor serving to discourage long haul travel (Mayo & Jarvis, 1986).

While the reduced tourism flows that have been discussed within the concepts of distance decay and friction are well documented, little research has been conducted into why the effects occur on an individual level. It is understood that travel time to the destination is increased and that this causes a trade-off with the amount of time actually spent at the destination (Watson, 1974). Travel costs are also typically increased due to the relationship between airfares and the distance of the journey (Crouch, 1994), though demand and competition play equally important roles in pricing on long haul routes. However, Hall (1991) suggested that for tourists considering travel to long haul destinations, the emotional barriers may be intensified beyond that which is felt for closer, more well-known destinations. As such, interconnected within the realities of long haul travel including increased travel time and increased fares, are the emotional barriers being forged by the perceptions consumers hold, many of which may be distorted and bear little correlation with reality (Cadwallader, 1981; Mayo, Jarvis & Xander, 1988). Consumers' perception of distance to destinations has been reported as differing significantly from actual distance (Ankomah, Crompton & Baker, 1995). The awareness of prices at the destination and exchange rate is also likely to be lower in the case of long haul destinations (Crouch, 1994) and as such perceptions of the cost may be distorted. The expectation of jet lag and in-flight discomfort is yet another perceptual element that may act as a deterrent to long haul travel by reducing the convenience of travel. It has been suggested that the perception of jet lag can exist even when the travel may be predominantly north-south (Luce, 1971).

Other factors that have been recorded as having probable influence on the demand for a long haul destination include decreased levels of knowledge and awareness of the destination due to the distance between the destination and the origin market (Crouch, 1994; Mayo & Jarvis, 1986). This lack of knowledge may also be associated with increased perceived risk. Risk factors are linked with concerns that the vacation may not satisfy expectations, that it may provide physical risks by way of health or safety, or that it may not provide value for money (Mayo & Jarvis, 1986). The latter risk is especially relevant when the tourist is outlaying large amounts for the transportation costs associated with long haul travel.

From this brief review, the issues which stand out as being factors that differentiate long haul travel from short-haul travel include increased distance from origin market to destination, increased travel time from origin market to destination, reduced knowledge of destination, increased monetary costs, and increased levels of perceived risk. Generally, these factors act as deterrents to long haul travel.

Nevertheless, within the literature, a contrasting factor has also been reported. Several authors have suggested that distance acts to facilitate long haul travel (Baxter, 1979; Crouch, 1994; Mayo & Jarvis, 1986). Despite the factors attributing to the 'friction of distance', the attractiveness of destinations has been found to increase with distance. The name given to this attraction has differed but the underlying concept that long haul destinations are perceived as highly attractive is constant.

Within the geography literature the factor of reduced knowledge has been identified as increasing the attractiveness of destinations. Distant destinations may be lesser known, which lends enchantment (Baxter, 1979). Thus a more distant destination may be perceived as more attractive than a familiar closer destination. This enchantment is suggested to moderate the perception of risk associated with distance and little knowledge. This concept is similar to that of novelty.

Novel travel is defined as a 'trip characterised by new, unfamiliar experiences that differ from prior life experiences' (Bello & Etzel, 1985, p. 20). A tourist's perception of the extent to which novelty will be present at a vacation destination will be a function of the perceived novelty of objects (man-made attractions), the environment, and other people (residents or tourists) at that destination (Lee & Crompton, 1992). The antithesis of novelty is familiarity. Yuan and McDonald (1990) found that novelty was consistently the highest ranked push factor in a cross-national study of determinants of international tourism. Push factors establish the desire for travel through the motivation that the travel will satisfy unmet needs within an individual (Yuan & McDonald, 1990).

Novelty as a major motivation of international travel supports the thoughts of Baxter (1979, p.312) that 'familiarity (may) breed contempt'. While deterrents such as cost, perceived risk, and lack of knowledge are associated with increased distance, the novelty factor might also be expected to increase with increasing distance.

The economics literature has also posed the idea that attractiveness of a destination may increase with distance. Crouch (1994) maintains that economists treat international travel as a luxury and to extend that argument is to suggest that the longer the haul, the more 'luxurious' the tourism. Similarly, Mayo and Jarvis (1986, p.45) asserted that '... the far-off destination may have a greater allure to the pleasure traveller than destinations that are closer, all other things being equal'. As such it would appear that whether it is labelled enchantment, novelty, luxury or far-off allure, the assertion is that the attractiveness of a destination increases with distance for some travellers.

On the one hand, the literature suggests that the attractiveness of a destination increases with distance. However, on the other hand, the factors that contribute to the 'friction of distance', which operate to deter the act of travelling, have been suggested as also increasing with this distance. In essence, what is clear is that the

knowledge and familiarity with the destination impacts upon the motivation to travel to the destination including the perception of novelty and attractiveness. These act in conjunction with consumers' perceptions of distance, travel time, cost, and risk to differentiate long haul destinations from those destinations closer to the origin market.

Knowledge, Familiarity & Long Haul Destinations

In his effort to systematically identify differences between long haul and short haul tourism, Crouch (1994, p.4) concluded that knowledge is likely to be lower in the case of long haul tourism. 'Tourists tend to know much more about their neighbouring countries as tourist destinations than they do about the faraway destinations.' This reflects that proximity increases the level of knowledge and that distance is more likely to lead to the possibility of biased and inaccurate impressions of long haul destinations.

Somewhat different results have been recorded. In studying travel to the United States by Mexican families, Michie (1985) found that awareness did not always decrease with distance. Additionally, the knowledge the families had of specific destinations was associated with actual visits to those destinations. This reflects that past visitation increases the level of familiarity with the destination.

Motivation, Attractiveness & Long Haul Destinations

The motivational force characterised as novelty is the foremost pull factor for tourists when selecting their international destinations (Yuan & McDonald, 1990). The novelty construct infers the opposite to familiarity. It includes the dimensions of change from routine, escape, thrill, adventure, surprise, and boredom alleviation (Lee & Crompton, 1992). However, tourists may differ in their overall capacity and desire to obtain and consume novel experiences. The unknown can be daunting or threatening and undesirable to one person, yet exciting and appealing to another. Even when both tourists are motivated by the novelty construct, what will be considered novel by one may be quite different to the other (Lee & Crompton, 1992). Even so, the more familiarity a tourist has of a destination, the lower the likelihood that the destination will appeal as offering novel experiences (Bello & Etzel, 1985).

From the literature discussing the novelty motivation, an interlocking relationship between knowledge, familiarity, attractiveness and distance has been introduced (Bello & Etzel, 1985; Crompton, 1979; Lee & Crompton, 1992; Yuan & McDonald, 1990). The findings suggest that a relationship may exist between the knowledge a tourist has of a destination and the attraction the tourist feels toward that destination. The less familiar the destination, the more attractive it becomes for novelty-seeking tourists. The literature also questions whether the knowledge a tourist has of a destination is related to the distance the tourist resides from that destination. An inverse relationship between distance and familiarity has been proposed (Baxter, 1979).

On the one hand, a better knowledge of sites near to an origin may cause these to be visited from that origin in preference to objectively similar but more distant sites. On the other hand, distance may lend enchantment (or familiarity breed contempt) and the less well-known, more distant site, may be perceived as more attractive (Baxter, 1979, p.312).

It needs to be made clear that some degree of awareness and knowledge is necessary for the individual to be conscious of the destination as a possible alternative and have enough information to seriously consider the destination. Yet the knowledge derived from close proximity, past visitation or past residency could constitute familiarity with the destination, and thus reduce the perceived novelty of that destination and hence, its desirability as a long haul international destination (Yuan & McDonald, 1990).

Mayo, Jarvis and Xander (1988) found evidence of an effect similar to the novelty motivation and concluded that distance could increase the attractiveness of a destination. They suggested that the emotional barriers associated with the friction of distance might actually work inversely for far-off destinations. Similarly Crompton (1979) found evidence of increasing attraction to a destination with increasing distance in an image study of Mexico. The measurement of respondents' descriptive image of Mexico suggested that the further the respondent resided from Mexico, the more favourable their image of Mexico as a vacation destination. Yet it needs to be noted that these authors were measuring attractiveness of far-off destinations, not planned future visits to these destinations, and as such did not find whether attraction to the destination translated into actual visits.

There have been a variety of reasons put forward to explain the attraction of the long haul destination. It has been suggested that status associated with a journey to a distant destination has great influence on the image and attractiveness of these destinations (Crouch, 1994; Mayo & Jarvis, 1986).

Travel is a symbol that helps the individual tell himself and the rest of the world who he is. It symbolises success, achievement, worldliness (Mayo, Jarvis & Xander 1988, p.28).

Crouch concurs with these views and further suggests that international travel is a luxury, and the longer the haul 'the more exotic and luxurious the tourism' (1994, p.3).

Perceptions of Long Haul Destinations

Distance & Cognitive Distance

Physical distance is used as a variable in gravity models to forecast tourism demand for specific origin-destination combinations. The general form of the tourism gravity model posits that the number of tourist trips from an origin to a particular destination is directly related to the population of the origin and the attractiveness of the destination and inversely proportional to the distance between origin and destination (Calantone, Benedetto & Bojanic, 1987). While forecasters have advanced and fine-tuned this basic model to better represent tourist flows and have demonstrated that it is a useful predictor of aggregate consumer behaviour, the model is incapable of providing an explanation of the underlying decision-making processes of consumers (Cadwallader, 1981). As such the simplistic representation of distance in the original gravity model has been modified by the use of parameters that more reliably reflect the way in which distance influences the incidence of travel. Attempts have therefore been made to measure distance in terms of travel time, monetary costs, inconvenience, and emotional costs (Smith, 1985).

The empirical relationship between physical distance and travel flows is further distorted by the fact that, as pointed out by Ankomah and Crompton (1992, p.324), 'subjective distance rather than actual distance may best depict what goes on in individuals' minds when they are making travel decisions'. Subjective, or cognitive distance is a mental representation of actual distance moulded by an individual's social, cultural and general life experiences. A substantial number of researchers have reported findings indicating that cognitive distance estimates significantly differ from actual distance measures (Bratfisch, 1969; Brown & Broadway, 1981; Cook & McCleary, 1983; Downs & Stea, 1973; McNamara, 1986). In addition Harrison-Hill (2000) argued that consumers' cognitive distances for competing destinations need to be considered when attempting to understand travel decisions regarding long haul destinations.

Error within cognitive distance estimates by tourists will result in false perceptions being used in their decision making process. Overestimation of distance by tourists can lead to a perception of inflated costs, extended travel time and increased risk, all of which decrease the likelihood of travel. Underestimation of distance by tourists will initially increase the attractiveness of the destination, and increase the likelihood of travel. However, underestimation can be problematic if this leads to unrealistic expectations of a destination. When the tourist's experience does not equate with those expectations, dissatisfaction may result, potentially leading to negative feedback to other tourists who are seeking information about the destination (Ankomah & Crompton, 1992).

Perception of Travel Time

Travel time is presently an unavoidable part of vacations to long haul destinations. Tourist flows to international destinations have increased dramatically since the development of wide-bodied passenger aircraft. These aircraft not only reduced travel time but reduced travel costs enabling international travel to be accessible to most people (McIntosh & Goeldner, 1990). Even though most of the growth in the past decade has been accredited to increased incomes and leisure time and decreased travel costs (Crouch, 1993b), it emerges that when all else is equal, a decrease in travel time to destinations will increase the tourist flows to that destination (Truong, 1981).

Yet some authors have found that travel time may not be perceived by all travellers as a deterrent to travel. Watson (1974, p.152) warns against extending the traditional economic model of time to other situations. 'The traveller is more concerned with comfort and convenience, than with mere times....' Economists often regard time as a limited resource, and as such it has an opportunity cost or a scarcity value (Chevas, Stoll & Stellar, 1989). However, the alternative treatment of time considers that time is a commodity combined with market products to generate utility for consumers. As such, travel time can have a positive commodity value if consumers are enjoying the experience, or when travel is an unpleasant experience, the time involved can have a negative commodity value (Chevas et al., 1989).

These findings support that the commodity value of travel time for long haul tourists will be different again from that of short haul travellers, because many of the trip characteristics may differ, especially the distance being travelled and conceivably, the mode of transport. Sightseeing on an international flight may be limited. Yet many airlines are offering on-board activities such as personalised video screens and gambling (Autphenne, 1998), such that long haul travel may become increasingly enjoyable for some.

Perceived Cost

The influences of monetary costs on international tourism have long been a part of economic demand forecasting models. Studies of the effect of income, prices and exchange rates on the demand for international tourism from three decades were assimilated by Crouch (1993b). For long haul destinations, costs consist of numerous components. The cost of the transportation to the destination, the cost of goods and services purchased at the destination, the exchange rate, gratuities and taxes are all important in considering cost of travelling to a destination.

Measuring these costs in absolute terms may not be too difficult after the vacation has taken place. However consumers base their decision-making on existing knowledge and their perceptions of expected costs, all of which are considered prior to the vacation. Even once a destination has been committed to, only some costs are known absolutely.

When considering long haul destinations it would be expected that tourist's prior knowledge of prices at the destination may be limited. Uysal and Crompton (1984) noted that knowledge of exchange rates generally appears to decrease with increasing distance from the origin market. As such the accuracy of perceptions of cost at long haul destinations may be distorted. In particular distortion may well be in parallel with the airfares. It is likely that tourists will have a fairly accurate idea of the airfares and if these are high-priced may well perceive the costs at the destination to be so too. 'For many prospective tourists, air fare represents the foremost hurdle that must be crossed mentally before any tourism decision materialises' (Krause, Judd & Joseph in Crouch, 1994, p.3)

Even when a tourist perceives that vacationing at the destination could be valuable and unique and they find the destination very attractive, their lack of familiarity with that destination may make them feel somewhat uncertain about the commitment and initial outlay. This perception of monetary risk is likely to be higher for long haul destinations where knowledge of the destination and its prices are limited.

Perceived Risk

Perceived risk is a function of the feeling of uncertainty about the purchase of a product and the perceived consequences of that purchase (Moutinho, 1987). The degree of perceived risk will vary with the associated costs or consequences involved in the decision, including physical loss, loss of time, loss of money, ego-loss or loss of social status. The uncertainty about the product reflects a lack of experience with, and knowledge of that product (Moutinho, 1987).

Uncertainty about a destination would seem to be akin to the level of knowledge and familiarity with that destination. As such it may be surmised that individuals will perceive a higher level of uncertainty for long haul destinations that they have not previously visited, than for more proximate or familiar destinations.

Roehl and Fesenmaier (1992) assimilated the risk factors identified within seminal studies in economics, psychology, consumer behaviour and leisure into the tourism context. This process led to the identification of seven risk components.

1. Equipment risk includes the possibility of mechanical, equipment or organisational problems.
2. Financial risk includes the possibility that the vacation will not provide value for money.
3. Physical risk includes the possibility of physical danger, injury or sickness while on vacation.
4. Psychological risk includes the possibility that a vacation will not reflect my personality or self-image.
5. Satisfaction risk includes the possibility that a vacation will not provide personal satisfaction of felt needs.
6. Social risk includes the possibility that a vacation will affect others' opinion of me.
7. Time risk includes the possibility that a vacation will take too much time or be a waste of time.

These seven components of risk have been extended to include health risk, terrorism risk and political instability risk (Sonmez & Graefe, 1996):

8. Health risk (which has been separated from physical risk) incorporates the possibility of becoming sick while on vacation.
9. Terrorism risk incorporates the possibility of being involved in a terrorist act.
10. Political instability risk incorporates the possibility of becoming involved in the political turmoil at the destination being visited.

The consumer behaviour literature examined by Moutinho (1987) identified three types of risk orientation. These include risk neutral consumers, risk avoiders, and risk takers. While within tourism risk takers were not apparent, the risk neutral group has been identified and is regarded as the largest group. The risk avoiders were split to form those who perceive a high degree of overall risk and those who perceive a high degree of functional risk which encompasses physical and equipment risk⁵ (Roehl & Fesenmaier, 1992). Members of the risk neutral group displayed behaviour very similar to that expected when novelty is the motivation for travel. The finding that the risk neutral segment is the largest (Roehl & Fesenmaier, 1992) is also similar to the finding that novelty is the foremost motivation for international travel (Yuan & McDonald, 1990).

The risk neutral individuals were most likely to be visiting a destination they had not previously visited, were not likely to be staying with friends or relatives and emphasised the travel benefit of experiencing adventure and excitement (Roehl & Fesenmaier, 1992). It must be noted that this group are not actually risk takers, but rather manage their risk through collecting information about the destination. Furthermore, they may

⁵ When using the extended risk typology presented by Sonmez and Graefe (1996) functional risk could incorporate health, terrorism and political instability risks.

perceive uncertainty regarding their trip, as a part of the excitement of travel. As such, long haul travel may appeal to this risk neutral group.

Travelling to a long haul destination for pleasure presents the tourist with somewhat unique elements that are distinct from those for short haul travel. The element that would appear to underlie the perceptual differences is that of knowledge and familiarity with the destination. The literature suggested that with increased distance comes decreasing familiarity. This in turn has been reported as impacting favourably upon the novelty and the perceived attractiveness of long haul destinations. The motivation of novelty has also been identified as the dominant motivation in the choice for international destinations. Decreased familiarity though was also illustrated as an impediment toward choice of a long haul destination as it distorted perceptions of travel time, cost and risk.

As the Internet and other global information technologies develop, it may be that knowledge of a destination is much more easily accessed and acquired. The impact this may have on the perceived novelty and attractiveness of long haul destinations is yet to be ascertained. The increased availability of information has the potential to inform consumers' perceptions and reduce distortion. Whether this in turn has a bearing upon the conversion of consumers' interest in long haul destinations to actual visit needs to be further addressed.

Forecasting Issues

The previous sections have emphasised the importance of forecasts when making any strategic decisions or planning. As the basic information for organisation management, the accuracy of forecasts would determine the effectiveness of the strategy and even the survival of an organisation. The main topic in tourism forecasting is often the various techniques that could be used to predict future tourism demand most accurately (Clements and Hendry, 1998; Brischetto and Voss, 2000). Detailed introduction and discussion relating to these methods can be found in most forecast textbooks and relevant articles.

A most crucial step in forecasting is the identification and measurement of the relevant variables, while the techniques to analyse the data are also subject to discussion. Traditional forecast models have focused mainly on demographic and economic variables (see Witt, Brooke and Buckley, 1991), which tended to produce the predictions mentioned at the beginning of this paper. To improve these models, this study aims to identify other important variables which can be added to the econometric data, as discussed in the 'Management' and 'Consumer' sections.

Chapter 3

Research Design

To examine the views of experts this study extended its research beyond library research to include the opinions of members of the industry and travelling public. To achieve this several purpose-focus groups were organised to investigate participants' ideas and opinions in relation to Australia's long haul travel market. According to Farley (1994: 4), 'a focus group, in essence, is a small, temporary community, formed for the purpose of the collaborative enterprise of discovery.' It is 'focused' because it involves collective activity to generate ideas and thoughts (i.e., watching a video, and debating) (Kitzinger and Barbour, 1999). Focus groups differ from general group interviews because the members of a focus group are encouraged to talk to one another and the major responsibility of the researcher is to record their ideas. In normal group interviews, however, each participant is asked questions by the researcher (Kitzinger and Barbour, 1999). The following sections explain the specific reasons for using focus groups in this study, the sampling and sample size, and how the focus groups were conducted.

Advantages of Focus Groups

Focus groups were first used in the US around fifty years ago to survey consumers' opinions and reactions to a product (Hamel, 2001). This method was soon adopted in other disciplines (e.g., health research) due to its strength in exploring people's opinions, wishes and concerns (Kitzinger and Barbour, 1999).

The popularity of focus groups in social science studies is mainly attributed to a few advantages of this method. First of all, a focus group allows participants to generate their own ideas, pursue their priorities and use their own language (Hamel, 2001). Therefore, information collected with this method may better reflect the true ideas of the participants. Second, it is recommended for exploratory research in particular, due to the relative lower costs and higher efficiency of conducting focus group discussions than surveys (Steward & Shamdasani, 1998). Furthermore, focus group interviews produce rich information and the results are easy to understand (Steward & Shamdasani, 1998). The interview process is also flexible as it is based on the spontaneous reaction/talk of the participants. Consequently, this method has been used widely in different areas. It is estimated that the number of focus groups conducted annually in the US has exceeded 110,000 and this number is expected to double within the next decade (Bristol and Fern, 1996).

The Sample

The focus group is characterised by convenience sampling, in which only selected subjects are interviewed (Fern, 2001). For this reason, the sample is unlikely to be highly representative and the results should not be generated to a larger population (Fern, 2001). To improve its representativeness, researchers are recommended to stratify the heterogeneity within the group based on six characteristics of the group (Fern, 2001). These characteristics are cultural value orientation, social status, age, racial/ethnic differences in cultural value orientation, gender, and personality differences. For the purpose of this research, the samples included both male and female respondents and the industry participants were selected from different sectors.

Different suggestions have been found regarding the ideal size of a focus group. For example, Greenbaum (1998) considers the number of 8 to 10 is best for one group. The market research literature suggests that the ideal number of participants is between 8 and 12 (Kitzinger and Barbour, 1999). However, it is argued that this number is too large for many sociological studies which prefer to work with groups of five or six participants, or even as few as three (Kitzinger and Barbour, 1999). Although the ideal size of a focus group is between 4 and 8 persons in some studies (Kitzinger, 1995), a more moderate rule is to have a group of no more than 12 people in general (Steward & Shamdasani, 1998).

In order to obtain more information and improve the reliability of the data, market researchers often use more than one focus group for each project and the number of groups varies in different projects (Fern, 2001). In theory, the more groups one can organise, the more reliable results will be obtained. Therefore, some researchers suggest even up to 50 focus groups for one project, provided sufficient resources and time are available (Kitzinger, 1995). However, this number seems unrealistic for exploratory research, leading to the advice of 4 to 6 groups for each project (Fern, 2001). Based on this criterion, four focus groups were conducted for this study, including three independent group interviews with university students and one group of industry participants. The following table shows the sample distribution (Table 2).

Table 2: Sample distribution

Focus groups	Student group (La Trobe Uni)	Student group (Victoria Uni)	Student group (Griffith Uni)	Industry group
Sample size	8	35	7	8

The student focus groups were carried out for two reasons. Firstly, they acted as a pre-test of the schedule and questions. During the research, the student focus group at La Trobe University was conducted before the industry group interview. Based on the discussion with these students, minor modifications to the questions were made to improve their clarity. Secondly, thoughts and ideas of the students were considered to be a reflection of the youth market. Compared with the general decline of the mid-aged segment and the stagnation of the senior market in many countries, the youth market has shown the greatest potential, with strong growth since 1996 in the Australian long haul market (Table 3). Thus, study of the youth travel market should be an indispensable part of the analysis of the travel and tourism industry.

Table 3: Market share of total visitors to Australia by age by country of residence (%)

Country of residence	1996					1999				
	15-29	30-59	60+	15-29	growth	30-59	growth	60+	growth	
Japan	43	47	10	46	3%	43	-4%	11	1%	
Hong Kong	25	67	8	32	7%	60	-7%	8	0	
Taiwan	25	62	13	40	15%	49	-13%	11	-2%	
China	12	72	16	21	9%	65	-7%	14	-2%	
Malaysia	25	68	7	37	12%	55	-13%	8	1%	
Singapore	25	69	6	37	12%	56	-14%	7	1%	
Thailand	24	70	6	37	13%	57	-13%	6	0	
USA	17	64	19	24	7%	56	-8%	20	1%	
Canada	23	57	20	29	6%	51	-6%	20	0	
UK	25	53	22	31	6%	49	-4%	21	-1%	
Germany	25	61	14	26	1%	58	-3%	16	2%	

Source: BTR, 1996 and 1999

Conducting Focus Groups

Although researchers often consider focus groups as a type of interview (Hamel, Steward), the role of the researcher in a focus group is more like that of a moderator than an interviewer (Fern, 2001). S(he) is there, only providing instructions on the procedures of the discussion and clarifying the accuracy of what is said (Fern, 2001). Therefore, the moderator is mainly listening and recording the discussion while the group are discussing and raise specific questions for one another spontaneously. The moderator often starts the interview with an introduction to the rules and to the structure of the discussion. The guide is a list of 12-15 open-ended questions to start up the discussion (Farley, 1994). Tape recording of the whole discussion and the subsequent transcription are suggested for each focus group to ensure accuracy of the results (Kitzinger, 1995). To avoid boredom and possible inconvenience for the participants, the discussion should not last more than two and half hours (Steward & Shamdasani, 1998).

The discussion guide for this study consisted of three parts, including issue segments on long haul travel management, consumer research, and forecasting. Around five questions were prepared for each part of the discussion. In order to have greater flexibility and freedom of discussion during the process, the participants were not provided with any list of questions. Instead, the moderators read out each question to start up the relevant discussion and skipped over the questions that had been covered in previous discourse. In order to allow the moderator to guide the talk efficiently, major issues related to each question were briefly listed under each question. In this way, the moderator could quickly identify any uncovered issues and raise relevant questions for further discussion. The template for this study's focus group procedure is presented in Table 4.

Table 4: Procedures for focus groups in this study

Order of the sequence	Steps
1	Introduction of the purpose, participants and moderator(s), and major topics of the discussion.
2	A specific question was raised by the moderator for group discussions. If all issues relating to this question have been covered in the talk, go to step 4.
3	The moderator raised uncovered issues relating to the question for further discussion.
4	The group was asked about the next question.
5	Extra comments were encouraged at the end of each section.

Chapter 4

Results & Discussion

To gauge the reaction of key stakeholders to the future of long haul flights to Australia two segments were selected for analysis. They comprised of young travellers, as represented by three university groups, and the travel industry represented by a cross-section of industry sectors. These segments were brought together in focus groups and asked questions to the three themes that had emerged from the literature review – management issues, customer interests and forecasting issues.

The Student Focus Groups

Six students participated in the first student focus group of this study and all of them were from the School of Tourism and Hospitality, La Trobe University. A second student focus group was conducted at Victoria University involving 35 students, which was followed by the third student focus group at Griffith University with 7 students. A diversity of ideas was expressed in relation to the management, future prospects and consumers of the long haul travel to Australia (Appendix A, B and C).

In terms of the management issues, most of the students in all three focus groups showed a preference for the Internet to search relevant travel information and make travel arrangements. Meanwhile, they expressed different opinions about the privatisation of airports. Students at University of Victoria focused on the advantages while the other two groups pointed out the possibility of increasing prices and deteriorating services. The airlines' loyalty programs seemed to be effective among the youth market as all three groups preferred to choose one airline consistently so as to accumulate the points.

When talking about risks with long haul travel, DVT became the focal topic in all groups though the terrorist attacks in the States were of some concern as well. All groups identified that long haul travellers were motivated to search for differences, but there were some concerns over travel to third world countries experiencing unrest or health problems (by the La Trobe and VU groups). Interestingly, the friction of distance didn't seem to have any significant impacts on their travel decision-making. The majority of all the participants thought distance did not have any serious impact on their destination choices including Australia.

All three groups predicted an increasing international travel frequency in the future, and students from La Trobe University and Griffith University considered that the demand would vary among stages of the family life cycle. Some participants (La Trobe students) thought that workers would have more leisure time in the future while others (VU and Griffith students) emphasised longer working lives and more business-related travel. In addition, the potential of the senior market was addressed because they were considered to be willing to pay more and travel more in the future. Better services were suggested for management improvement, especially in relation to safety and comfort during the flight.

The Industry Focus Group

A focus group interview was conducted in the city of Melbourne on 14 June 2002 to investigate the ideas of representatives from various travel and tourism sectors. The following is a summary of the discussions by the industry focus group based on Appendix B.

Management Issues

The first question in association with travel management was about the travel agency business in Australia. Most participants seemed to be aware of the importance of international travel to Australia's tourism industry and general economy. The Australian Tourist Commission (ATC) was recognised to be consumer marketing oriented, while the states were linked more with general trade. However, they felt that traditional markets had been neglected while ATC was vigorously promoting the new markets. It was indicated that the heavy investment on educating the retail end did not seem to have resulted in equivalent achievements. Consequently, a restructuring the budget plan was suggested. At the same time, the potential of Australia's growing gastronomy market was highlighted and specific strategies to promote its development were suggested.

The role of travel agents in organising complex and variable packages was generally recognised during the discussion. The Internet was found to be most useful in making rough travel drafts and might become the major way for future package deals. Interestingly, this group identified several disadvantage for the Internet, such as insecurity and popularity among only selected segments (not seniors).

In terms of the introduction of A388 and Boeing's stratocruiser, the differences between these two aircraft and their impacts on international travel appeared to be well understood in the group. Although these aircraft

were designed for different target segments, the interviewees suggested that they could be used for some markets simultaneously. However, there appeared to be a tendency to prefer existing planes during the discussion. The markets in the future (2006-2010) for the new aircraft were claimed to be difficult to predict. In addition, the current Boeing 777 was perceived as still attractive and flexible and could be used to open new markets. It was felt that a more rapid development of the long haul travel business would depend on airport improvement.

Airline alliances and loyalty programmes were unanimously agreed to have massive impacts on consumer airline choice. The advantage of airline alliances was identified (e.g. greater market access) but some disadvantages were emphasised. Challenges to airline alliances included high requirements for cooperative management and some concerns over code sharing. An example was that customers often expected seamless status between the carriers and did not want to be served by an airline with lower reputation. Loyalty programmes were believed to have created great costs to airlines, however, they were effective tools to secure VFR and corporate travellers. The participants felt the loyalty programmes had started to lose favour with airlines. Their success had to rely on seat availability to use the awarded points. Furthermore, price was perceived still the driver in the markets like Asia.

Consumer Issues

The participants identified DVT, security and political instability as major risks for international travel. The air traffic controller strike in Australia was also mentioned though it had been more than a decade ago. The respondents believed that there would be cultural differences among customer's reactions to travel risks and some visitors being more concerned than others. The issue of terrorism was not raised until asked by the moderator, most participants agreed that it had affected the States market, and one explained that terrorism was part of the risk.

The second question in this section inquired about travel motivations, for which a list of major motivations were identified and differences between segments stressed. For example, motivations named for long haul travel included the search for unique experiences, novelty, and language similarity. Europe was perceived as the biggest VFR market. Yet there could be constraints to international travel, including government warnings, visa regulations and, more importantly, time and money costs.

Distance was believed to be less of a factor than it used to be, and fares were not considered to be related to it either. As the discussion went on, disparities between perceptions of different segments were noticed. The senior market was thought to still consider distance as an important factor, while families would like stopovers during their long haul travel. The optimal air travel schedule was suggested to include one stop for UK-Australia economy travellers and no stop for business travellers.

All participants perceived factors such as price, time, distance, and attraction to be of the same importance to travel decision-making. A few interviewees added in other factors, including trends (for leisure market), destination, and a combination of marketing and trade initiatives. The group was also aware of possible constraints, such as future fuel crises and low staff productivity.

At the end of this section, the participants pointed out that people in Australia were a major asset for destination attractiveness, but that the ethical practice of companies and countries were also important. They supplemented the previous discussion by highlighting the lack of government investment in industry training and the need to employ aboriginals to enhance the image of their culture.

Forecasting Issues

As the previous two sessions had covered parts of the questions relating to forecasting, the discussion was directed onto the impacts of new markets on the future of Australia's long haul travel. One participant answered that both new and old markets should coexist. Some suggested that the success of the industry would be determined by the rate of profitability, which was in turn influenced by fares, airport charges, flight frequency, etc. Differences between markets were noticed during the discussion. The Chinese market was perceived to be attractive but its attractiveness was restricted by the low flight profitability. In this respect, they indicated that statistics and forecasting figures about this market might have exaggerated the travel interest and rate of return. East Europe was believed to be a new market, but not ready for Australia yet.

The amount of leisure time was generally accepted as an important influence on future tourism growth. Two potential segments were identified for future growth and strategies: business and holiday travel. While employees might not want to use their holiday entitlement, it was recommended that companies should encourage them to use it.

In terms of aircraft technology development, advertisements for the A380 were criticised in terms of building up unsustainable expectations among customers. It was predicted that the success of Australia's travel business will depend on its consolidation as part of a multi-stop travel market in Asia.

In this session, government policies aroused most debate. Firstly, the Australian government's 10-year plan to develop a northern airline hub was said to be unrealistic. Secondly, more liberal policies were called for

because of the disparities between political thinking and the airlines' economic realities. The sustainability of regional traffic was argued to depend on an increase in demand rather than government directions.

Other Comments

At the end of the discussion, participants were encouraged to add any comments that had not been covered in the sessions but might be important. The first issue raised by them was regional tourism in association with drawing international tourists to rural/regional Australia. In this respect, it was argued that government control of airlines without considering the economic return on regional routes was the major constraint.

Following their discussion, the moderator asked the group to identify some key competitors to Australia. Major foreign competitors were identified as New Zealand, Phuket, Bali, and Fiji. They further concluded that all \$1,000 travel cost destinations could be external competitors to Australia's long haul travel market.

General Discussion

Similarities between responses of the student and industry groups could be identified based on the above discussion. In general, they tended to agree that future demand for long haul travel would continue to increase due to technological development. It was believed that aircraft improvement would reduce the impacts of distance on travellers' decision making causing the friction of distance to be less of a factor for future travel choices.

While the student discussions seemed to produce simpler and broader responses, the industry group provided detailed and possibly more insightful information for each issue based on their work experience. It could be seen that the industry group produced more specific ideas and concerns regarding the development of the long haul travel business. Compared to the responses of the student focus groups, the industry representatives made more strategic recommendations. Their ideas were more industry oriented and their discussion focused on issues relating to several major segments (not only the youth and senior markets as identified in the student group discussions) and government regulations. While the students stressed the advantages of new technology such as the Internet, the industry people seemed to be more involved in traditional methods and preferred existing aircraft. The industry group was also the only group that highlighted the constraints to industry development due to government regulations. Representatives of the industry also seemed to be less optimistic than the students when predicting the future of the industry. They appeared to be cautious with forecasting figures, indicating the development of new markets would be a longer process than some predicted.

Chapter 5

Conclusion

Based on economic factors, it has been predicted that international tourism in Australia will keep growing in the future. However, the accuracy of such forecasts can be questioned due to a neglect of consumer and management issues that may have significant impact on industry performance. In order to obtain a better understanding of the future of the Australia's international tourism industry, this study investigated supply and demand sector views by conducting library search and four focus groups.

The results of the focus group interviews confirmed some ideas revealed in the literature review such as the pros and cons of airport privatisation, but indicated less impact from the 'friction of distance' on destination selection than the literature suggested. Similarities between the results of the four groups indicated a good understanding of the industry regarding the youth market and common recognition of some issues (e.g., the importance of Internet, impacts of terrorism and DVT). The majority of all participants in the four groups believed that Australia would not be significantly influenced by the 'tyranny of distance' and the country has great potential for international tourism development.

Yet a different focus was noticed during the industry group discussions, where there was more emphasis on the specific constraints for development and more detailed analysis of each market segment. They also appeared more conservative when relating to published forecasts, saying that the forecasts for the Chinese market growth were yet to be realised. Instead of government intervening with airline schedules and routes, the industry representatives suggested deregulation and product development as a more efficient way to encourage tourist visits. These results are not only beneficial to making a more comprehensive prediction of the industry's growth, but they also indicate directions for future marketing strategies and government policies.

Appendix A: Student Focus Group Interviews at La Trobe University

Time:

11:40am - 12:40 pm, 4 June 2002

Participants:

Six honours students from the School of Tourism and Hospitality, La Trobe University.

Location:

School of Tourism and Hospitality, La Trobe University, Bundoora

Summary of answers

A. Management issues

#	Questions	Answers
1	Features sought when choosing an airline	Popularity of the airline (go for most popular airlines) Safety record of the airline Number of stopovers (look for direct flights) Frequent Flyer Awards with the airline Scheduling
	Use of Internet for long haul travel	Most agree with the use of Internet because of convenience, low cost, and flexibility of self-organisation. <i>Constraints:</i> the ownership of credit card.
	Use of Travel Agency	When complex travel involved; for far destinations; people less familiar with Internet would go to T. A. <i>Constraints:</i> credibility of the information provided (e.g. lowest price?)
2	Impacts of airport privatisation	More extra costs (at Sydney airport, privatised?) Not aware of the difference More customer-based if public-owned
3	Airline choice	Don't mind with Airbus: More stops allow more sight-seeing opportunities Don't like either. Higher speed leads to more risks, plus the lack of safety records for new airplanes
4	Airline alliance and loyalty programs	Go for old airline due to the points collected. Doesn't matter much due to a lack of regular travel. Qantas, Virgin, and Singapore are named for good airlines.
	Features sought for a good airline	TV and movies on board; comfortable pillows; decent food and music; safety more than service. Two vote for 'not much worry for safety' (risks on everyday)

B. Consumer issues

#	Questions	Answers
1	Risks for long haul travel? (DVT)	Most mentioned DVT. More worries when getting old. Airlines should provide videos and exercise suggestions, comfortable stockings Thai Airways didn't do these last year.
	(Terrorism)	11 Sept
	Other risks?	Missing luggage
2	Travel motivations	Change of scenery; different experience; VFR;
	Attractiveness of flight itself as a motivation	Agree (3 people) Yes for the first flight, but boring for the rest (1)
3	Role of distance in decision-making	Important (1) No direct serious impact (majority) The consequent time and cost are important.
4	Attractiveness of far destinations	Same as most tourist destinations Should be different from Australia (e.g. culture)
5	Dominant concern in tourist decision-making	Risk. Travel constraints (money, companion, time which can be more critical than money when one's started a career) Motivations will become most important (decides whether and where to go)

C. Forecasting issues

#	Questions	Answers
1	Expectations of old people	Safety and comfort More willing to pay more
2	Impacts of shorter travel time	More people travelling Longer holidays, see more and do more
3	The rise of new source markets	Intra-regional travel before interregional travel More cultural consideration for them on board (e.g. meals) More varied languages and more languages on screens
4	Importance of price	Yes when future fears die down Price may go down, then may not be important
	(Better service)	More comfort during travel
5	Importance of amount of leisure time	Very important, people can make time priorities
	Technology overcoming time constraints	Yes (all)
	More leisure time for workers	About the same amount (1) Perhaps more Depends on family status (1)
	Increasing travel frequency and shorter travel?	Yes, definitely.

Extra Comments:

- Forecasting questions are challenging
- Ask about favourable airline (4 prefer Qantas, 1 prefer Qantas and Cathay Pacific)

Appendix B: Student Focus Group Interviews at Victoria University

Time:
July 2002

Participants:
35 students from VUT

Location:
VUT campus, Footscray

Summary of answers

A. Management Issues

1. What features of the travel agency business are important to our long haul inbound market?

- Knowledge of Australia
- Internet Website
- Local market share

Topic	Responses
Travel Agents	Knowledge of Australia and Internet Website becoming a major tool when planning a holiday More people booking online Internet websites – important tool for advertising Australia for potential visitors to Australia.

2. More airports are becoming privately operated facilities, will this have any affect on long haul flight satisfaction?

- Access improvements
- Facilities better
- Better customer service orientation

Topic	Responses
Privatisation of Airports	Better customer service More innovative and personalised service Negative = might be limited to certain destinations Higher standard of facilities Revenue will prompt better services May improve facilities but might place limited access to people with limited funds – focus might be placed on price Fee for service will improve standards of service and facilities Competition would improve service and facilities Minimal improvement as profit margins might win over customer service

3. The future airliner market is splitting between the Airbus 388 and the Boeing Stratocruiser. How will this affect our long haul inbound market?

- Split between business and economy classes
- Speed versus economy option
- Direct flights versus hub and spoke

Topic	Responses
Airliner Market	Cost might be inhibitive Quality vs. Economy Faster aircraft might be uncomfortable – turbulence, so people might choose economy over speed Routing Terminal upgrades necessary with increased numbers

4. What is the influence of airliner alliances and loyalty programs on long haul airlines choices?
- Alliance choice selection
 - Impact of frequent flyer programs
 - Satisfaction with above trends

Topic	Responses
Airline Alliance and Loyalty Programs	Alliance choice selection will depend on awards offered by the airlines Also on routing and services offered. Revenue will increase as people will use airlines with reward programs in order to accumulate more points.

B. Consumer Issues

1. International travel is often deemed as risky. What risks do you think people perceive are associated with travel to a long haul destination? How do you think these risks will impact on the demand for travel to these destinations in the future?
- DVT
 - Terrorism
 - Physical and health risks
 - Communication risks

All air travel deemed risky – plane crashes, terrorism, etc. People think the longer the plane is in the air the greater the risk of something going wrong.

Topic	Responses
DVT	Growing concern Measures that airlines have put into place will increase consumer confidence
Terrorism	S11 impacted on whole industry – always in traveller’s minds. Very relevant, especially 1 year after S11 People afraid to travel to countries that harbour terrorists, e.g. Afghanistan
Physical and Health Risks	Concern with travel to third world countries. DVT relevant health risk. People will not travel to counties with civil unrest, disease, famine
Communication Risks	Difficulties in communication lead to misunderstanding, mistrust Difficulties in understanding different cultures and customs People afraid to go to countries with different social attitudes, eg women travelling to Middle East

2. What do you believe motivates people to travel to long haul destinations
- How do these differ from motivations to travel to close-by international destinations

Topic	Responses
Motivation for Long Haul Destinations	Experience something new and interesting Europe – the attraction Differences in culture, climate. People wish to experience attractions that they have read about Visiting friends and family
Motivation for Close by International Destinations	Mainly relaxation Security of not being so far away from home Close short flights More time to enjoy and relax as less time spent travelling

3. The term Tyranny of Distance has been often used to describe problems Australia encounters in trade. Does this also apply to our long haul inbound market? What implications does it have?

Topic	Responses
Tyranny of Distance	Distances between destinations in Australia mean people think twice about travelling here, unlike in Europe or US where distances are not so great Cost of travel Longer flights inconvenient Other competitive markets – Africa, Asia – are closer People may visit for longer periods or not at all – too much trouble

4. The far-off allure has been used to describe the attraction of long haul tourism. What makes long haul destinations attractive?

- Are these attractions sustainable over the long term
- Do these attractions represent a distinctive competitive advantage

Topic	Responses
Attractions sustainable over the long term	Yes, if they are always looked after they will always attract tourists Yes, if advertised emphasising both the physical and cultural differences Yes, depending on how well care for and uniqueness maintained
Distinctive competitive advantage	Yes, international travel more attractive than domestic. Yes, as technology makes it possible for people to research before travelling Yes, unique experiences. No – cost, distance, etc Yes, if costs of packages are reasonable

5. We have spoken of price, time, risk, motivations, constraints and attractions. Which of these issues do you think will be dominant in consumers' decisions for travel in the future?

Topic	Responses
Risk	Terrorism – S11
Time	Compact packages as not as much available time to see People may prefer to take short trips in own country or close by destinations People working longer hours – not as much leisure time
Price	People earning more – willing to pay more, but expectations are also higher Better deals will influence decisions Need well packaged deals – more value for money spent
Motivation	Corporate travel often combined with leisure Leisure reasons have changed, e.g. from exploring cultures to shopping
Attractions	Maintaining an 'image' that is attractive to visitors

C. Forecasting Questions

1. The developed nations have ageing populations and these markets are significant sources of international long haul tourists. Do you see ageing stimulating market change?

- More comfort
- More health issues
- Increased price, more business class travel

Topic	Responses
Ageing Stimulating Market Change	Yes – more available time and money Yes – though more domestic rather than international travel More resorts and hotels with facilities suited to ageing population Need to be aware of dietary requirements Have the money available, hence will use business class for comfort

2. New aircraft may be able to reduce flight times and reduce stops. What impact on travel do you see from reduced flight times?
- Change in travel demography
 - Shorter holidays
 - Increased long haul travel

Topic	Responses
New Aircraft	Increase in long haul travel as less travel time involved Shorter time spent away as travel time decreases Shorter flights – less chance of DVT Increased Corporate travel – less time away from business Greater overseas market for Australia More money spent at destinations rather than on ‘actual’ travel time

3. The old source markets are developed countries. The prospective new source markets are less developed – China, India, and Eastern Europe. What impact will the new markets have on long haul travel?
- Demand for lower price
 - Cultural change in servicing
 - Additional pressure on customs/immigration

Topic	Responses
New Markets	Lower prices will be a major issue Once people visit they might decide to migrate, therefore additional pressure on customs/immigration People from LDC more focused on immigration rather than tourism

4. Will price continue to be the most important factor for passenger demand in the future?
- Security increases
 - Competitive destinations – new destinations
 - Better levels of service

Topic	Responses
Price – the Most Important Factor	Yes, but security will be a major factor Also increased levels of service New more frequent routes – possible development and market share for newer airlines New destinations – underdeveloped countries cheaper People will only travel to where they can afford to go People will pay more for increased levels of service Market will be split – rich to more expensive destinations

5. Work lives appear to be more pressured and time-constrained. How important is the amount of leisure time available in the future for long haul travel?
- Technology will overcome time constraints
 - Workers will have more leisure time
 - Travel will be more frequent but shorter

Topic	Responses
Work Lives Important Factor	Very important – working lives are becoming longer. Travel will become more frequent but only short trips – weekends, 2 days trips. Technology means people can go on holiday but can still do business via WWW Travel will be shorter but more frequent as people fit travel into their working lives Companies may introduce holiday programs so that workers can take holidays in shorter blocks during quiet periods Increase in domestic leisure market as people have less available time to go overseas

Appendix C: Student Focus Group Interviews at Griffith University

Time:

7 August 2002

Participants:

Seven participants between 19 and 26 years of age.(4 male and 3 female).

Location:

B1G2.12 Griffith University, Gold Coast Campus

Summary of answers

#	Question	Responses
	Icebreaker-question about where they had travelled etc., some history to get started.	Five had travelled internationally previously, all have flown domestically. The international travel had been to Europe, USA, South America, Japan, Thailand, Bangkok, Hong Kong, Vanuatu and New Zealand. Travel parties had included with family, been backpacking with friends, and alone. Two are currently planning trips for Xmas (including the participant who has not been out of Oz before).
1	What features of a travel agent would be important to you if travelling to a long haul destination?	<p>If I'm booking a multi-sector or round the world ticket, you need to go to travel agents to put it together- the internet doesn't let it work out yet. I prefer using internet to book travel, especially domestic travel (Five of the six students were consensual of this point).</p> <p>Well, no I'll be the odd one out, I still like using a travel agent, but my sister in law is my travel agent so I can get really good deals and good service and occasionally upgrades through her whereas on the internet I'm just another one. You've got reason, but me, I'm frustrated that I cannot book all my own travel online. I've usually worked out which flights and connections I want anyway, then just give all my work to a travel agent. And what really annoys me is that I often know more about the destination and my own 'unique package' than they do. (More nodding and consensus).</p> <p>What gets me is that the travel agents often cannot do all the booking there and then- you make time to go in but then it takes too long, so they end up going back and forth with options etc. It's not ideal.</p> <p>(Further similar discussion... some interesting talk about searching.</p> <p>All are doing lots of research using the internet prior to booking (consensus on this point). They also discussed how they continue to research after booking right up to when they leave (and again after the travel) 'to build anticipation and excitement' and to 'extend' and remember the travel experiences. This is an interesting point).</p>
1a	Imagine...As a marketer involved in promoting Australia's tourism product, which elements of the travel agency business do you think are important to the long haul market	<p>If you were a global agency then you could ensure that good information about the destination got through to the customers.</p> <p>Put lots of stuff with very well organised links onto the web, make sure you include prices and exchange rate info, lots of virtual tours/live cams.</p> <p>Baby boomers might not like using internet as much, so would need to develop ways of making sure travel agents in other countries know about Australia.</p> <p>Australian agents don't really seem to know all that much about the destinations I've wanted to go to before, so it's probably the same there, vice versa.</p> <p>I'd actually try to set up a mobile person- a network or franchise that travelled around to people's homes and workplaces- probably an Australian, but at least someone who'd travelled here lots. You'd have to advertise the service lots though.</p> <p>And you'd need connections with ATC so that they marketed you too.</p>

#	Question	Responses
2	Let's talk about actual travel- what do you like/dislike about airports, how would you improve airports for long haul travellers?	<p>Showers- I'd have hot showers, and a rental type thing where people could hire a towel and soap. There is nothing worse than the end of a long flight and with a six hour connection somewhere, often the middle of the night, and you're dying for a shower. (Consensus on this).</p> <p>Make lounges more comfortable- recliner seats that allow you to really get comfortable for a few hours.</p> <p>No Better yet, more airport hotels integrated where you can hire rooms by the hour to catch some sleep on those six hour stopovers in Asia.</p> <p>Airport food and drinks are so expensive- I'd like to be able to buy stuff without it costing the earth, and always with credit card facilities even for a coffee. So often you don't have the currency in a stop over and only want a drink or water.</p> <p>Better integrate the rail and airport, especially in Europe- like in Amsterdam at Schipol- that's one of the best airports I've been through with the station right there and easy to find everything- English and Dutch signs also on the boards. No coffee shops but. (some off track discussion)</p> <p>Yeah, and in Singapore they have the bus tours, only at day though. They're good, but it is hard to know how to book them and stuff. (Further talk on destinations that had this type of tour on offer.)</p> <p>Make customs quicker. America's the worst. Hawaii airport just took so long standing in cue and then if the card wasn't perfect they sent you back again. The customs people are really like impatient. Not a good welcome to the country. I always feel guilty coming through customs even though I'm not doing the wrong stuff. I hate it when they go through your ports.</p> <p>Yes and then you get through there to be hassled by the taxi and limo drivers. That's the thing with airports, they have to be out of town, but into town is never really easy and straight forward. Like Brisbane's new train, its good but its still not very clear where you need to go and how to buy the tickets and stuff, and I'm a local so how do tourists feel.</p>
2a	Many of the airports are now being privatised like the airlines. Do you think this is a good thing?	<p>Well, it might make it more expensive. And they are already expensive.</p> <p>It might make them more inventive though- they might be more likely to respond to what the travellers want.</p> <p>Do they have a say in which planes come in and stuff? I don't really understand why Virgin can't have the Ansett stuff- I guess if it was privatised then decisions would be more rational, but then with all the strategic alliances and stuff, maybe they would then exclude certain airlines and that would create a nightmare.</p> <p>I don't really know- what difference would it really make.</p>
#	Question	Responses
3	How about aircraft, how would you improve these for long haul.	<p>Well the bed type idea in Business class and first class now are ideal but they'll never be able to put them in cattle class- not enough volume.</p> <p>I agree, but bigger seats is the least they could trade off for those planes on the real long haul trips to Europe and New York. Especially now with all the media on DVT. Oh, And bigger toilets- how awkward are they?</p> <p>The food too, lots of people complain, but I don't mind it, even like it sometimes, but they somehow need to sort out a better delivery system so that not everyone has to eat at those scheduled times. Perhaps a conveyor or something along the baggage racks: you punch a few buttons and the food comes along to you.</p> <p>They've got the personal TVs and movies now, so why not the food too?</p> <p>I hate having to climb over complete strangers to get up. You hate asking them to get up- and then they sleep when you need to go. They need to make the seats accessible in twos I think.</p> <p><i>(some probing on comfort versus price)</i></p> <p>I'd be willing to pay a bit more, but not business class prices, that's just not value. (three in agreement)</p> <p>No I go for the cheapest- it's only a few hours it's only just getting to and from the real place you intend to be. I don't really like the flying, but it's what you do to get there where the real action is anyway. (two agree)</p> <p><i>(probe on speed versus cost to these two)</i></p> <p>Yeah it would be good to get there quicker real good. But in reality it's still about money and I'd rather spend it on having fun at the destination not just on saving myself a couple of hours of flying.</p>

#	Question	Responses
3b	Do you choose your airline by frequent flyer membership or by lowest cost?	<p>I choose on cost. If you are going around the world it's usually with an alliance anyway and you get enough points for some other flight later, if you can book it. Or if they don't go broke.</p> <p>No, well see I always go with Qantas, even when virgins cheaper I like to accumulate my points. It's good with one world too- though you can't always use your points on the other airlines.</p> <p>That's the problem with some you can't use them in Australia.</p> <p>Well, not that I do that much flying, but you don't really seem to get many points, or be able to claim much. Sort of like fly buys they make it too hard to redeem to save up.</p> <p>But it's something for nothing anyway.</p> <p>Well, like I said I always go Qantas, but it's great how it is really easy to use the alliances. Not just the points but the booking and lounges and check-in and stuff seems much easier with the alliance. And they all seem to be good airlines with similar service and with the good headrests and stuff. (Some talk off-track about which airlines have the new headrests and televisions.)</p>
3c	Do you prefer to fly direct or with stopovers	<p>I like direct mostly. Sometimes its good to stop for some time on the way home and do shopping, but usually the quicker and more direct the better.</p> <p>Yes I liked KLM to Europe for that- just half hour in Singapore to refuel and stretch your legs and then you're off again. It makes for a long time on the plane, but you know you get there and get on with it. (nods all round)</p> <p>(probe on hub and spoke)</p> <p>Hate that about the states. Always flying to the strangest places to get a connection to somewhere else and its different places for different airlines- very confusing. Is that what privatisation does? If so I think govt owned and more open so that you can run direct flights is better.</p> <p>Yes, sometimes you seem to go backwards to go forwards.</p> <p>Well I seem to mostly do around the world sorts of flights so all my stops are for a few days usually. I don't suppose I have one main destination I usually try to make the most of them all and stop as many times in each continent that I can.</p>
3d	Do you think international tourists prefer direct type flights to Australia or to stop and see more destinations on the way?	<p>Well it depends I think on the people. Americans seem to want to stop in Hawaii for a few days. They really don't seem to like flying that much. Even Tom, you know..., he's young and travels lots but he always seems to stop on the way home. But the ways from Norway and Sweden. It doesn't seem to worry them. Distance isn't a worry and they are from small countries.</p> <p>I think it depends on age too. I think older people, the boomers, probably prefer to stop more often. Same with folks with kids.</p> <p>People who are coming here for the first time, if it is like a once in a lifetime type trip that they've been saving for and planning for ages- then they probably want to get in as much as they can and see as many countries as possible.</p> <p>But then maybe they just want to see Australia and want to get here directly.</p> <p>I think they need to have both, both direct and with stops in places like New Zealand and Hawaii, or Asia and places.</p>

#	Question	Responses
4	Let's talk about target markets. In the US and in Europe, the population is ageing similar to here in Australia. At the same time, markets like China, India and some parts of Eastern Europe are becoming more open and affluent. Where do you think the future lies for Australia's long haul markets?	<p>Well certainly everyone is talking about China. Not just tourism wise but for all products- trying to break in and capture the market. The point is that its huge, so we wouldn't want to have like all the tour groups like we had with the Japanese here on the Coast but in China population proportions, it would be too huge. I think it would make the coast even too touristy too artificial.</p> <p>Yes Australia's a great destination, but if we get too many more visitors it will lose its appeal, its personality.</p> <p>But that's all round the world. Places are already over-touristy- like London in summer. But we all want to travel more and more people can and will so everywhere is going to be too touristy.</p> <p>Maybe being long haul will protect Australia a little bit, but we've already said how the distance doesn't really worry us.</p> <p>Yeah, even my Grandmother goes overseas and she's 77. She's not worried by the long distances. She takes her aspirins and wears her socks and sticks to coach tours- she has a ball.</p> <p>But if the developed nations are ageing and still travelling, and the developing nations are getting to the point where they can travel too, won't it all just get unbearable for the residents. As they say- is it sustainable? Will people start to be put off travelling because it loses its appeal and find some other new thing instead.</p> <p>Virtual travel instead.</p> <p>And how much of the travel is to actually go and how much is people going just to say they've gone and been there- sort of status thing.</p> <p>But if the terrorism keeps happening like in New York, then people will stop travelling. That whole virtual travel thing might be the alternate.</p> <p>But terrorism is on the internet too- just look at the viruses and they're getting worse- they'll end up dangerous too or wrecking the net as an alternative too.</p>
#	Question	Responses
5	We are talking about increased tourist numbers. Do you think that our more pressured work lives will make travel more time-constrained and less likely to be long haul?	<p>Well you'd think so, but it seems the busier people get at work, the further they want to get away.</p> <p>I think most people are still making time to take time out and travel and stuff.</p> <p>This is where maybe the travel agent might come back into play- work gets busy and we can't investigate and research the holidays ourselves so we go back to the travel agent instead of doing it on the net ourselves.</p> <p>I think that work will simply divide the market into pretty young and retired, and that whole middle group will not travel much- just stay nearby at places they've been before so that it is easy and doesn't eat into time or work commitments any further. Especially if both are working and can't get holidays together and with divorce then lots of single working parents with really no time. So the market will sort of divide into the younger people go after school or during Uni or just after like. The older people retire early at 50 or 55 and then do lots of travelling. So sort of life stage or lifecycle thing.</p> <p>Yeah, that seems probably true. Even now probably a bit. How many families would all go long haul for holidays.</p>

#	Question	Responses
6	<p>The terrorism attacks were mentioned earlier, how do you think these will impact on tourism in the long run and what other risks do you think people perceive of long haul destinations?</p>	<p>Well people already are starting to go back to the States and Americans seem to be starting to travel again.</p> <p>Really though you've just got to live life. If it is going to happen it will, you can't stop going places and doing things because this threat is there. But then again, you choose where you go. Most people wouldn't go if there was a real risk and it was a pretty high risk, like Afghanistan or Iraq.</p> <p>Yeah, I think the Americans are the worst at perceiving they are in danger. Like they think people will target them individually. Remember back during the gulf war, I did an assignment at school that showed how the Americans just stopped travelling much. It's the same now, so perhaps, it is not a great market to rely on. My sister was going to be off to London for a working holiday for two years just when 911 happened, she postponed it about a month, realised full scale war or other attacks wasn't going to break out, and then she went. People are like that, they'll avoid full-on danger, but won't stop living because there is some risk or some low probability. Lots of people actually want some danger, some risk. So I think the effects will be short-lived.</p> <p><i>(Probe...Do you think the risk is more predominant for long haul destinations?)</i></p> <p>No well for Australia it seems the opposite, like we are perceived as safe and away from all the problems, so I don't think it is distance related but more location. (Consensus nodding).</p> <p><i>(Probe... what about other types of risk?)</i></p> <p>Well the media went on about DVT for a while. Gran was paranoid, but in a well-managed sort of way. She collected lots of information, asked the doctor a million questions and got all the right stuff and did all the right things. So she thought it was a risk but she didn't let it stop her she just sort of managed it- prepared and coped with it.</p> <p>Yeah, my oldies went to France and Germany and they were mostly worried about language and not being able to understand or be understood, they bought all these dictionaries and learned different words and stuff. But I don't think it ended up being that much of a problem. They made a joke about it when they got back that they just needed to ask the other tourists since they were outnumbering the locals anyway.</p> <p><i>(probe...nothing more)</i></p>

#	Question	Responses
7	<p>Thinking caps on again. What makes long haul destinations attractive? What motivates people to come? Are these competitively sustainable in the long term?</p>	<p>Well like I said before I think that there is some status involved. Not just going there for pure curiosity or fun, but to also to be able to tell others that they've been there. I think that's particularly important for long haul and probably sort of more obscure places like Africa or Alaska or whatever.</p> <p>Mm, that's part of it, but like you said, curiosity. I think curiosity of stuff that is a long way away too.</p> <p>Also different stuff, the variety-seeking, like from last week. Looking for something novel and different in life to break out of routine. But then part of that is also telling everyone and remembering it all when you get back.</p> <p>Photos, memories, living life- I think that is why I like to travel. The fun while you're there but then you also get to relive it over and over through photos and mementos and people you meet and email too. Keeps life interesting.</p> <p><i>(Probe... so how would a long haul destination do this better than say New Zealand?)</i></p> <p>Well, its cause it's different. It takes more effort. You usually go for longer. Plan for longer. It's bigger. Probably you don't know so much about it before hand, whereas New Zealand is like an island of Australia anyway.</p> <p>But I always like New Zealand it's a great place. But I've been twice and you don't really feel like it is that different from home anyway.</p> <p><i>(Probe...Thinking cap-how are these things like being different, and the planning involved going to be a competitive advantage of other countries?)</i></p> <p>That's hard. You need to try to keep it a mystery. Australia's got so much to offer, so many varied things. Not just the animals but natural landscape and the culture as well as the aboriginal culture and history.</p> <p>You could go the price angle at the moment with the exchange rate but that might cheapen the experience and probably isn't sustainable for all that long. Though that might increase people who want to come but thought it was too expensive.</p> <p>I think the variety, the unique nature of Australia. Pitch it as different every time, every season, every day, or something like that.</p> <p>You can't do it all even in a lifetime.</p> <p>That's good... anything but the crocodile hunter. Please don't position Australia as like that. We might be unique and different to others, but he's just so over the top. I think our sport helps position us a bit. Not just the Olympics, but that we are out there doing well in quite a lot of sports, keeps Australians being noticed.</p> <p>Yeah that and Neighbours. (groans and laughing)</p> <p>I think we need to keep Australia as a little bit prestigious. Not just so everyone wants it, but put a cap on the number of tourists allowed here each year. Make it realistic, but make it a bit of a lottery or something in terms of who gets here and who doesn't. So that people realise its not common and that it's a bit harder to come to, making it all the more desirable. Of course, not now, not yet, but for in a few years when we are happy with the number of people coming in. That way we keep it a bit controllable too.</p> <p>That's different. Could be hard to implement.</p> <p>Would it be seen as prejudice though?</p> <p>Food for thought- what about as an escape. I know everywhere is an escape from everyday life and home, but if that is what drives people should we be incorporating that into the image of Australia. The one true escape or something.</p> <p><i>(Probe...any others?)</i></p>
	<p>Thanked everyone</p>	

Appendix D: Industry Focus Group Interviews

Time

9:00 -- 12:30 a.m. (two tea breaks), 14 June 2002

Location

Victoria University, City campus

Participants

Eight people from a variety of sectors. Three from airlines, two from relevant associations, two from government body, and one from travel book publisher.

Summary of the responses

(Note: Responses of the participants are categorised into different topics in the following tables. Some names of the topics were explicitly mentioned by the participants during the discussion (those with '*'), followed by ideas focusing on the topic. Others (without '*') were given by the researcher for the purpose of cross-tabulation.)

A. Management Issues

1. What features of the travel agency business are important to our long haul inbound market?
 - Knowledge of Australia?
 - Internet website?
 - Local market share?

Topic	Responses
Travel agents*	Complex and variable packages need travel agents; When the purchase involves multiple sectors, customers still use travel agents not on-line service; Markets and travel types differ, requiring different approaches and travel agent inputs; Travel agents are slower than Internet when dealing with international travel business because agents are middlemen and their services are not point-to-point; Agents can have major influence on consumer decision-making as they act as consultants with specialised knowledge.
Internet*	Consumers look for information from Internet, with which they prepare a rough draft for the travel. For more specific schedules, they often go to travel agents. Paper tickets are safer than e-tickets; Internet is less used by older people; Future package deals may be oriented to web (1 ticket for the whole trip); Today different airlines have different websites (inconvenient for consumers), this is possibly because of the high costs to establish a shared website.
Australia's intern. tourism	ATC is consumer marketing oriented, neglecting traditional market. This is where states come in, but states link more with trade; There've been too high costs on educating the retail sector, whose success is doubted; Some airlines are trying to have direct sales to lower the price (i.e., New Zealand and USA), some expect Australian airlines to follow suit (no booking fee); Food market is not emphasised in marketing, but it is a high-yield market and important (6% of all travellers are for food, esp. Singaporeans); There is markets convergence between food and wine, which means they should be promoted together. Geographic labelling on wine bottles is suggested to express Australia's image; Visa issues (i.e. high refusal rates to some countries).

2. More airports are becoming privately operated facilities, will this have any affect on long haul flight satisfaction?
 - Access improvements?
 - Facilities better?
 - Better customer service orientation?

NOT COVERED IN THE DISCUSSION

3. The future airliner market is splitting between the Airbus 380 and the Boeing Stratocruiser. How will this affect our long haul inbound market?
 - Split between business and economy classes?
 - Speed versus economy option?
 - Direct flights versus hub and spoke?

Topic	Responses
Market impacts	Such split will result in market fragmentation vs. consolidation; Reduction in unit costs over distance for A380; Frequent flyers use Boeing more than A380; This is a supply-driven strategy; A380 is better for high volume and long haul travel (Singapore and UK); Boeing is better for high-yield market and point-to-point travel; Stratocruiser should not be introduced to Australia yet, one reason is that the 2006-2110 market is difficult to predict; Some markets will end up with both; Qantas wants to get into middle America with no stop; Existing Boeing 777 is still attractive and very flexible. It is good for opening new markets, point-to-point service, and high volume traffic (300 seats); A340 will take over from the Boeing 777 as the largest long haul planes.
Airline service	Need to develop internal arrangements with customers. Such new services can be gym, etc.;
Airport service*	A380 leads to congested airports (i.e. London); Airports are behind the development in aircraft, which will lead to restricted use of A380 in some places (Sydney, 0.5 hour needed to disembark 747 already); Airports need major investment for new aircrafts, quarantine and security.

4. What is the influence of airliner alliances and loyalty programs on long haul airline choices?
 - Alliance choice selection?
 - Impact of frequent flyer programs (FFP)?
 - Satisfaction with above trends?

Topic	Responses
Impacts on airline choice	Yes, absolutely massive; There are tangible benefits; Alliances and loyalty programs create a switch in cost; In terms of the point-to-point markets, international airlines (i.e. from Asia) will be competitors to new Australian airlines.
Impacts of FFP*	FFP is good to capture/secure frequent travellers who are mainly VFR/corporate not leisure travellers; FFP enables consumers to recognise their value to the airline; But FFP creates great costs to airlines; Price is still the driver for airline strategies (esp. to Asian markets; and short-haul travel markets), but can be overridden by loyalty; VFR in Europe and America is not price driven; The liability to use points is crucial (i.e. losses due to Ansett collapse); Loyalty program will no longer be popular with airlines, but it still can't be ignored; Customer-driven changes to the industry are required to improve the situation; Loyalty and alliances are side issues, customer service is the key.

Topic	Responses
Alliance*	Emirates don't believe in alliances (they don't like to get allied with others); Alliances are similar to having partners; There is the choice between alliance partner and code sharing partner; Customers expect seamless status, they do not want to have part of the service delivered by airlines of lower reputation; Code-sharing shows that alliances are rubbish; Alliances allow airlines access to markets where liberal alliances are absent; Need cooperation to make it work;

B. Consumer Issues

1. International travel is often deemed as risky. What risks do you think people perceive are associated with travel to a long haul destination? How do you think these risks will impact on the demand for travel to these destinations in the future?
 - DVT?
 - Terrorism?
 - Physical and health risks?
 - Communication risks?

Topic	Responses
Risks in general	Air traffic controller strike in Australia influences Australia's travel safety perceived by visitors; Risks are individual issues, different people have different perceptions of risks; Different cultures have different reactions to risks, which is related to national identity.
DVT*	Good advice on exercises is a myth because DVT can happen anywhere;
Politic-al*	The biggest risks for travellers are related to security and political stability; The quality of today's security people is poor; World stability and politics are the core of political risks; The US is perceived as risky, in comparison Australia is relatively stable.

2. What do you believe motivates people to travel to long haul destinations?
 - How do these differ from motivations to travel to close international destinations?

Topic	Responses
Motivators*	Seeking unique experience; English speaking is important; Word-of-mouth ad. (others' description and suggestion). Good experience encourages return visit. Europe is the major VFR market to Australia, others lack strong VFR market; Backpackers often do apprentice work during their trip, emphasising the ability to work while travelling. Most of them are taking their 1 st overseas trip and focus on Australia's icons. Slight risks are helpful (some tourists like to have some risks); Novelty;
Constraints*	Government warnings have excessive impacts because of blanket statements; International constraints on travel include: visa, cost, and length of vacation time; Economics is more important (To have a cost-effective trip is a major factor when making a decision);

3. The term Tyranny of Distance has been often used to describe problems Australia encounters in trade. Does this also apply to our long haul inbound market? What implications does it have?

Topic	Responses
General	Long distance encourages people to stay longer; Distance is less of a factor than it used to be; Distance/time is more of a factor for seniors (So seats design should consider their needs). Fares and distance are not related; People are encouraged to do short-distance travel to reduce fuel consumption and environmental pollution.
By segment	Distance is a factor in old markets. Different segments want different things; Families take the most advantage of stopovers; Seniors: stop-over doesn't have a major effect on their travel; Shorter flights are being encouraged; UK-Aus. economic traveller doesn't want non-stop trip, 1 stopover is good, 2-3 are bad; Business people love non-stop travel.

4. We have spoken of price, time, risk, motivations, constraints and attractions. Which of these issues do you think will be dominant in consumers' decisions for travel in the future?

Topic	Responses
General	All factors are important; Importance of combining marketing and trade initiatives; Leisure travel is motivated by trends: Australia must retain its trendy status; Destination plays a greater part for travel within Australia (a new and existing destination); Problems with US, only 2% of American travellers go excursion and they go to Qld mainly for short work holidays;
Constraints	Possible fuel crisis in the future will bring price shock, (so airlines are much more fuel efficient than before); Low staff productivity (i.e. Ansett's inefficiency); Need to have small number of staff but with high efficiency.

5. Other comments you wish to make in addition to what we have mentioned above.

Topic	Responses
Terrorism	Terrorism is just part of life's risk like war, it should not be singled out; Terrorism has affected U.S. airlines;
Product development	People in Australia are a major asset for destination attractiveness; Need ethical company and country to attract overseas visitors; Triple bottom line issue (Scandinavians and Germans are affected); Mismatch between image and supply of aboriginal/indigenous experiences, we should employ aboriginals to make improvements.
Training*	Government must continue to invest in industry training, service industry lacks intensive training; Training is a concern for productivity;
Others	Tourism is a \$68 b. industry; Overseas people are using internet information on Australia in advance (before their travel); Marketing people use clichés; Immigration policies and one nation party have had some negative impacts on inbound travel: i.e. visa refusals in some countries.

C. Forecasting issues

(As the previous discussion had covered part of the following issues, some questions in this session were discussed very briefly.)

1. The developed nations have aging populations and these markets are significant sources of international long haul tourists. Do you see aging stimulating market change?
 - More comfort?
 - More health issues?
 - Increased price, more business class travel?

Topic	Responses
Impacts of aging population.	Yes, it does have impacts on the market, but not to exclude the younger generation (the younger generation is an important source too); Such impacts are determined by local profile; A380 in Qantas will consider this; This will result in different ways of dividing cabin by purchase of travel and service style; More people will travel for leisure and this will create higher yield.
Airline development	A380 ads are building up unsustainable expectations in customers; A340 will be able to go directly between Melbourne and Dubai; Possibly future planes can go directly between Australia and UK; European leisure travellers still want 1 stopover (i.e. Singapore will be an important stop in next 15 years); Need to consolidate Australia as a multi-stop destination to the Asian markets, such a travel plan will be connected to various points in Europe (next 10 years at least); Hubs depend on frequency of in and out travel and attractions at the hub.
Topic	Responses
Government plans and regulations	Australian government's 10-year plan to develop a northern hub is not realistic because northern Australia doesn't have enough travel frequency or catchment populations; Disparities between political thinking and airline operation, government needs to expand regulations to increase frequencies to capital cities (this is the basic solution); Regulation issues on air access for long haul markets and long-term economic validity (Aus. needs to gain more free air access to its markets); Governments constantly interfere, Qantas has to make profits domestically to subsidise international flights; Need to free-up regulatory markets so as to achieve long-term mobility of airlines.

2. New aircraft may be able to reduce flight times and reduce stops. What impact of travel do you see from reduced flight times?
 - Change in travel demography?
 - Shorter holidays?
 - Increased long haul travel?

Responses
There will be more travellers due to shorter travel time, they'll be able to 'see more, do more'.

3. The old source markets are developed countries. The prospective new source markets are less developed -- China, India, and Eastern Europe. What impact will the new markets have on long haul travel?
 - Demand for lower price?
 - Cultural change in servicing?
 - Additional pressure on customs/immigration?

Topic	Responses
General	New and old markets need to coexist, by rate of profitability; Intra-regional travel will still be dominant in this region; Future strategy for the Asian markets: short-haul to north Aus. and then disperse it; Another emerging market is the Middle East, which is a high-yield market; India and China need lower-cost airlines.
On the airline industry	Australian airlines need to be designed for these new markets in a more cost-effective way; Rate of profitability is the main issue on individual routes, including frequency, cargo, fares, balanced market (business and leisure), airport charges, fuel costs; There are political constraints from Canberra on airline development; Australia is weak in long haul air agreements (one open sky agreement with New Zealand), other countries are restrictive to Australian airlines; European airlines need to code-share to get into Australia.
By segment	Chinese market is attractive but it has low flight profitability, Forecast figures published for this market are yet to be realised, the reliability of these figures are questionable (the majority of the focus group think so); East Europe is a new market, but it is not ready for Australia yet (it shows growth of travel to Singapore), and this market has an ordinary yield; Guide book sales give good indicators of tourism growth (i.e. they are growing in E. Europe); Should emphasise both new and large established markets.
Cultural consideration in service	Need more cultural consideration for regional passengers (Asia-Pacific region) on flight; Need to improve language skills in service, signs in foreign languages on flight;

4. Will price continue to be the most important factor for passenger demand in the future?

- Security increases?
- Competitive destinations – new destinations?
- Better levels of service?

Responses
The importance of price for demand depends on the situation: e.g. when fear of travel drops, then price is crucial; The price for long haul travel may drop in the future, then it may not be crucial at that time; More comfort during travel will be most important.

5. Work lives appear to be more pressured and time-constrained. How important is the amount of leisure time availability in the future for long haul travel?

- Technology will overcome time constraints?
- Workers will have more leisure time?
- Travel will be more frequent but shorter?

Topic	Responses
Importance of leisure time	More leisure time is certainly important because it leads to more travel opportunity; More leisure time leads to growing holiday travel which creates high yield; Employees may not use their holiday entitlements; we need companies to force them to use them.
More frequent but shorter travel?	When people become older, they're more likely to travel more; When the family grows, they will have less leisure time, but some may travel more when their kids are older; Yes, there will be more shorter trips; Asians are buying houses in Aus (second home), saving their travel costs.
Amount of leisure time	Workers will have about the same amount of leisure time.

6. Any other issues you want to raise in addition to what we have covered today?

Topic	Responses
New issues raised by respondents	To get international tourists to rural/regional areas; Regional areas are less accessible because of government policy for airlines; Government should not direct traffic to areas they don't want to go (should increase travel frequency to these areas first); Create enough demand for airlines to service.
Answers to facilitator's question of Aus. major competitors	Need to measure losses when people choose other destinations; Need to understand how to position ourselves; Major competitors to Australia: New Zealand, Phuket, Bali, and Fiji. All \$1,000 destinations are external competitors.

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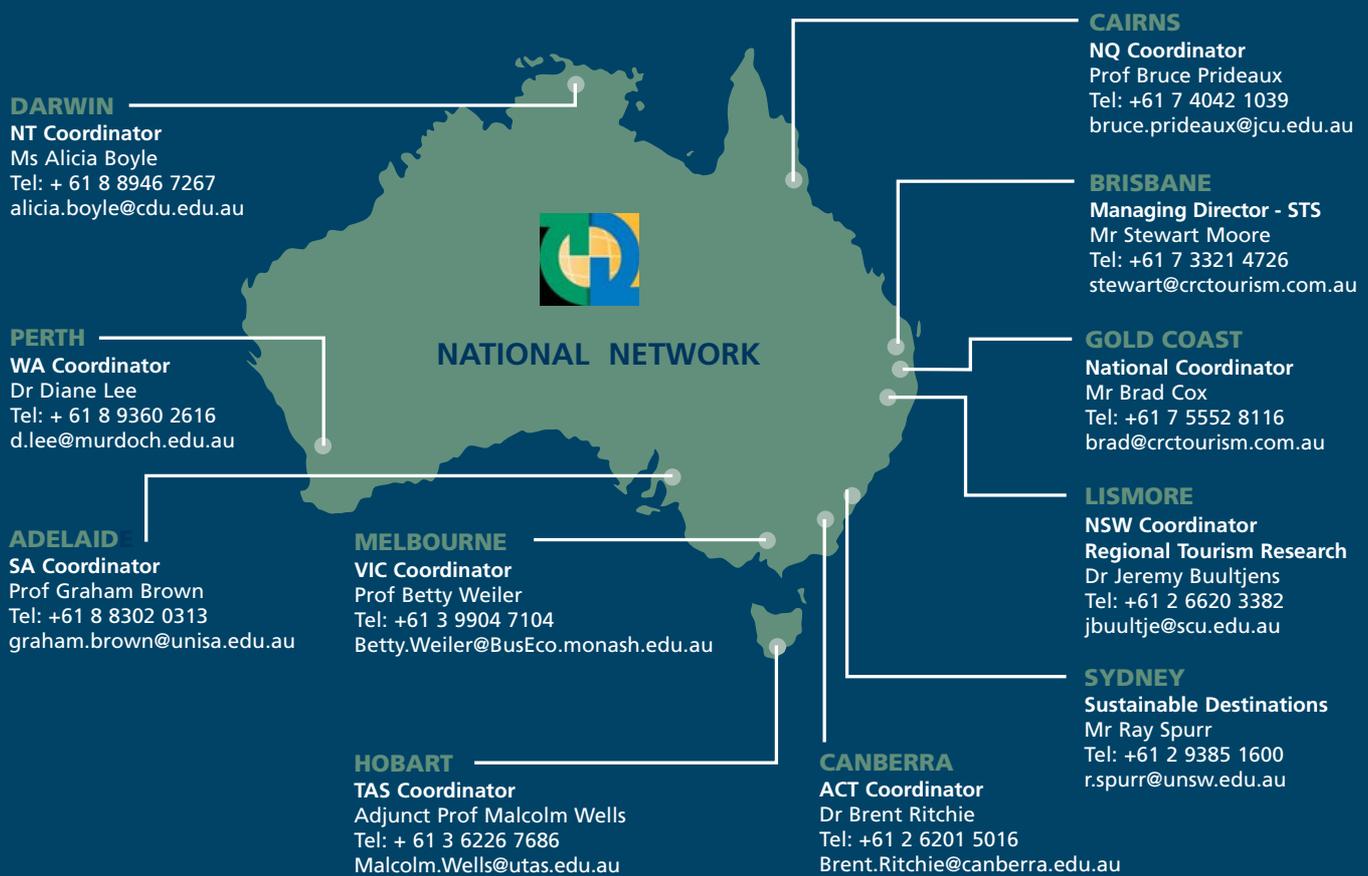
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