

Gold coast backpacker industry essay



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1.0 Executive Summary Gold Coast located in the southeast corner of Queensland is not only well known recreation place but also plays as a major role in tourism industry. Gold Coast backpacker market has been increased and is ranked on the 2nd of Australia Queensland Tourism (Tourism Queensland, 2009). The purpose of this study is to analyse the Gold Coast backpacker industry and examine the broad environment then identify 3 key strategic issues facing the industry. This report provides an environmental analysis of Gold Coast backpacker sector and identifies the 3 key strategic issue facing Gold Coast backpacker. This report used a combination of methods including Porter's five forces model to analyse its task environment and PEST analysis to assess its broad environment.

Research data was collected from a range of source including Tourism Australia, Gold Cost Tourism and Australia Bureau of Statistics. In this report the backpackers were described as young adults who choose budget accommodation option in order to spend more on other experiences in their journey. These travellers mostly use the Internet to gather information for travel. This has an influence on the Gold Coast backpacker sector. There is high intense in Gold Coast backpacker market due to characteristic of industry. Also many backpacker travellers tend to stay not only backpacker hostels but various alternative form of accommodation.

This report found 3 strategic issues facing Gold Coast backpacker market industry. One of the key issues is the student market. The growth from student market is seen as an opportunity for growth in this market. Another focuses on global financial crisis, which still has the potential to threaten

Gold Coast tourism. The other one is was raised about backpacking travel. The other issue is the usage of technology within backpacker industry.

Technology is expected to remain strong driving force in the Gold Coast backpacker industry. 2. 0 Industry Analysis2. 1 The Gold Coast Backpacker Industry SizeThe backpacker industry has been recognised as an important part of Australian tourism industry.

Even though the global financial crisis affected through the world in late 2009, Australia tourism industry was affected negatively (Tourism Research Australia, 2009). As a result, this affirmative aspect affects lots of overnight accommodations. Furthermore, Westthorp (2009) asserted that even though the global downturn the backpacker market has been significantly grown up compared to other accommodation industry in the past few years. In 2009, 132, 749 backpackers visited in Gold Coast and around \$126 million contributed to local economy (Tourism Forecasting, 2009).

In the same year, Gold Coast was ranked on the 2nd (Brisbane 15. 2%; Gold Coast 13. 2%) the backpacker visitor number (Tourism Queensland, 2009). The backpacker market is composed of 36.

7% of Queensland, and the result leads to 23. 7% of Australia backpacker market (Gold Coast City Council, 2009). This numerical result can be seen as back packer organization market size has been increased compared to other accommodation organizations in terms of hotels and motels, which are 19. 5% (Faulkner ; Tideswell, 2002). Read which one of these does not pose a risk to security at a government facility 2. 2 Consumer Group ServedThe consumer group may include local residents, international travellers, and <https://assignbuster.com/gold-coast-backpacker-industry-essay/>

employees. Of those groups, the international travellers are the main consumer group for the Gold Coast backpacker industry. The international visitors spent 14 million nights in backpacker accommodation while domestic visitors spent 1.4 million nights in backpacker accommodation (Australian Government Department of Tourism, 2009). In addition, the most countries which have visited the backpackers in Gold Coast are the Nationals from the U.

K (29%) followed by Japan (10%), Germany (7%), Switzerland (6%), Canada (6%), Scandinavia (5%) and Other (31%) (Gold Coast City Council, 2009). The main age group of backpacker's are young adults, at 15 to 24 years of age (58%), followed by middle aged adults, at 25 to 30 years of age (37%). This shows that on the whole young international adults see the Gold Coast as a favourable place to visit. (Gold Coast City Council, 2009).

2.3 Core Business
The core business of backpacker sector is definitely to provide accommodation.

The main source of income is derived from accommodation which constitutes two third of total income in tourism industry (ABS, 2007). The backpacker hostels provide accommodation in different forms of room designed for groups and single or couples from en-suite dormitories to twin/double rooms. The backpackers cannot be described as one homogenous group as there are differences according to demographics of gender, age and country of origin (Hecht and Martin, 2006). Therefore the backpacker hostels differentiate the core business to meet their different needs.

They provide not only accommodation but also various activity options such as surfing lesson, party cruise and water sports. The most backpacker hostels operate tour desk to provide up to date information and assist activity arrangement. Also some backpackers have their own bar to attract more guests and provide place for encouraging guest interaction. This also helps increase backpacker hostels' income.

3. 0 Key Influencing Factor on the Backpacker Sector
The internet is one of the key influencing factors to the Gold Coast backpacker sector. Golden and Cunningham (2005) argued that the backpackers are typically described as a web savvy and tend to exchange information their experience online. It is no wonder that the backpackers use internet as a tool to gather information, plan their trip, and pay for travel worldwide. The internet as a critical instrument for promoting travel destination and provide travel related services that have great influence on travelers' decision (Bonn et al., 1998).

The internet is the most important source for international backpackers before they come to Gold Coast. Once they chose travel destination, they look for low cost accommodation as they are willing to spend more money on next adventure rather than expensive accommodation. Using the internet they can get access enormous information from photographs of chosen accommodation and room rates to local map and tourist attraction. The internet has also a function for the backpackers to communicate each other. They share the best hostel to stay, the best place to visit and what to avoid on their trip.

The majority of backpackers choose their hostel based on information available on the web (Heung, 2003). The internet has a significant role for both suppliers and consumers in promoting product and finding the best. 4. 0 Backpacker Sector Task Environment4.

1 The Intensity of CompetitionIn the hospitality industry it is important to define the nature of rivalry. There is high intense in Gold Coast backpacker market in terms of similar service and high fixed cost. There is not much difference in providing accommodation and other services. High fixed cost structure is the main characteristic of hospitality industry (Phillips, 1994).

The competition in the backpacker accommodation market is intense as there is no significant change in backpacker accommodation number, while there was 7% decline in overnight visitors to Gold Coast in the year ending June 2009 (Tourism Queensland, 2009). Also competitive intensity increase because of other forms of low cost accommodation such as rented unit/apartment and homes of friends/relative (Ipalawatte, 2003). 4. 2 Threat of substitute productsLike new entrants, substitute products pose a genuine peril for industries and organizations within them (Porter, 1980). The backpackers can choose a variety of alternative accommodation in the Gold Coast such as holiday apartment style and homes of friends and relatives.

International backpackers spent their 35% of their nights in backpacker accommodation and also spent 31% of their nights in a rented house or apartment and 11% stayed in the home of friends or relatives (Backpackers in Australia, 2008). According to Tourism Queensland (2009), other establishments matching the sector in terms of value are lower level tourist

park establishments, country lodges and camping and caravan facilities.

Substitute products comprise those sets of products that are identified as competing with less intensity than the primary competitors. They are still relevant, however, and can influence the profitability of the market and can in fact be a major threat (Tony, 2008). 4. 3 The bargaining power of customers The most important determinants of buyer power are the size and the concentration of customers.

Other factors are the extent to which the buyers are informed and the concentration or differentiation of the competitors. Kippenberger (1998) states that it is often useful to distinguish potential buyer power from the buyer's willingness or incentive to use that power, willingness that derives mainly from the risk of failure associated with a product's use. There are many budget accommodations in Gold Coast which means there are existing high volumes of products and services that buyers can choose. On that account, the backpacker travellers have an ability to influence setting a price of backpacker's room rates by their demand in a truly competitive backpacker market. The consumers have the power to create positive environmental outcomes through wiser choices of their backpacker accommodation (Shane, 2008).

4. 4 The bargaining power of suppliers Suppliers are travel product sellers who own or operate the travel product they are selling (Roland, 1996). The providers for the Gold Coast Backpacker sector source can be classified mainly into three factors which are materials, labour and other supplies to cater for their core business. Of them, material goods are somewhat insignificant in the backpacker sector, given the predominantly intangible

nature of their service. Professional employees are vast on the Gold Coast with well over 30, 000 competent staff holding jobs in the accommodation industry (Australian Government Workplace, 2009).

In addition, when the luxury hotels should have many providers for food and beverage, the backpacker sectors do not need that part of supplier.

Consequently, suppliers have minimal bargaining power, as alternative providers are in excess. As Porter stated (1980) that this abundance of alternative seller decreases the bargaining power of labour suppliers.

However, low power of suppliers does not mean backpacker accommodation to have negligent relationship with the suppliers as the suppliers are also able to set the price of the product. Moreover, the low level of bargaining power of suppliers further enhances the image of the industry. With a strong hold of purchasing and distributing costs, the Gold Coast backpacker industry can be certain of industry's profitability stays appropriate.

4. 5 The Risk of Entry of New Competitors Entry barriers discourage new competitors from entering the Gold Coast backpacker market. New accommodation business on the Gold Coast often increases competition resulting low profitability. There are number of barriers to entry including physical resource such as location which is the most critical attribute in the hospitality industry (Chu & Choi, 2000).

For example, the Islander Backpackers in Surfers Paradise is well known for outstanding location. The land value of Gold Coast has increased 12% on average since 2006 (Goldcoast. com. au, 2008).

YHA Australia promotes their own brand using their culture and reputation for creating differentiation (YHA Australia, 2010). These resources are difficult to duplicate but some resources are necessary to operate business such as beds, kitchen equipments and reception. They are easy to imitate resulting in low barrier to entry. The entry barriers are not significantly high in the hospitality industry (Harrison, 2003). 5.

0 Broad environment of Gold Coast Backpacker sector5. 1 Political / Legislative factorsThe Gold Coast City Council and Gold Coast Tourism established a relationship to enhance the backpacker product and strengthen the partnership among backpacker industry in Gold Coast. They created Gold Coast Adventure Travel Group to support Gold Coast backpacker operators with a focused and coordinated of members' business (Gold Coast City Council, 2009). There are various activities such as producing a brochure board, establishing 1800 information ; booking service and accepting 34 members of the backpacker business (Gardiner, 2005). It leads to great increase in backpacker visitor nights by 55%. Australian government also support tourism development by investing \$190 million and running Working Holiday Visa (WHV) policy (Australian Government, 2008; Pearce, Murphy ; Brymer, 2009).

The WHV policy helps potential tourism market in Gold Coast. In legislative aspect, under Trade Practices Act (1974), the accommodation and amenity price must be specified to recognise easily (Tourism Queensland, 2006).

Also, to prevent illegal backpacker business such as not permitted accommodation; a Current Affair established a strict law about it (Hansard, 2002). 5. 2 Economic factorsThe hospitality industry is easily affected by

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economic conditions. In spite of global economic downturn, the backpacker market has been affected less than the other accommodation industry such as hotels and motels (Pearce et al.

, 2009). Because the majority group of backpackers are young generation who prefers maximise their travel experience within the low budget (Huxley, 2004). The Gold Coast backpacker market is also affected by foreign currency rate as there are high share of international visitors. Another economic factor is that Gold Coast's share of the Queensland backpacker market has grown from 31% to 38%, and this results to in 41, 000 visitors and additional 814, 000 overnight stays, that were calculated to spend about \$61.

5 million to the city (Gold Coast Tourism, 2008). 5. 3 Socio-cultural factors
The overall circumstance of Gold Coast is that young backpacker groups are usually targeted by many low cost accommodations. Therefore, it may be possible that there is a specific lifestyle has been established through day and night time.

The young backpacker is viewing backpacker accommodation as a source of excitement with other people (Hecht & Martin, 2006). Gold Coast has established itself as a destination of recreation area, so various types of events or activities are organised (Gold Coast Tourism, 2008; Pearce et al., 2009). One of the memorable experiences during the holiday is socialising with other people and this leads to the development of dining facilities such as restaurants and pubs (Peel & Steen, 2007). Among the Gold Coast tourists, UK, Germany and New Zealand are the top three international

source markets and these tourist groups are often related to well-being life for example, visiting recreation areas or having social life (Gold Coast Tourism, 2008; Tourism Forecasting, 2009). 5.

4 Technological factors The innovation of technology has given significant impact to change hospitality accommodation market. The most significant factor that technology has brought is that people can use computer everywhere and this may not be a strange phenomenon anymore. Furthermore, it can be possible that people can be socialised by using the Internet and it is true that various types of social networking sites help people can share information (Pearce et al., 2009). About a decade ago, the hospitality business location was thought as the most important factor to success among the other business competition (Murphy, 2000).

However, due to the technology impact, many sophisticated customers can use the Internet to book a room or be served and it seems that without technology facilities, it is absolutely negative to strive in the business world (Murphy, 2000). As a result of this fact, the Gold Coast has a goal to establish and improve modern technology services until 2020 or 2030 years to be a leader of Queensland (Moore, 2002). 6. 0 Three Key Strategic Issues Facing Gold Coast Backpacker Industry 6. 1 Issue 1 - Opportunity 6.

1. 1 Student backpacker market The international backpacker market to Australia are consist of varied group of leisure group, business group and student group interested in education. As a new opportunity, international student market is considered to be potential for growth or profits.

Department of Education, Employment and Workplace Relation (DEEWR)

indicated that there were 631, 935 international students on student visa in 2009. It represents growth of 16. 8% on 2008 figures.

Student backpackers are fast growing niche market. According to Tourism Research Australia (2008) student backpackers spent total of 46 million nights in Australia signifying 29 % of all international visitor nights stayed. The student market is a trend creating backpacker industry change. China dominated the higher education market with 24. 5% followed by India with 19. 1% (DEEWR, 2009).

Student markets from China and India are seen as significant potential which support the Gold Coast backpacker sector. The increasing number of education visitors has been playing significant role for the growth in the average length of stay for international visitor to the Gold Coast (Gold Coast Regional Snapshot, 2009). Like WHV policy support, the useful strategy connecting this student market to the Gold Coast backpacker business is substantial opportunities to be considered. 6. 2 Issue 2 – Threats6.

2. 1 Impact of the global financial crisisAlthough global downturn has been affected the backpacker relatively less than the other accommodation (Pearce et al., 2009), it has brought significant changes of number of visitors as well as profit. The current economic climate, poses potential ramifications to the Gold Coast’s backpacker industry. Strategic management of threats and opportunities will force the industry to adopt new and innovative decisions.

Obvious and significant ramifications include the consumer’s increasing conscious of spending, and thus reluctance to travel. Already, overall

visitations to the Gold Coast have shown a subtle decline (Tourism Queensland). Overall decrease in the number of international visitor during 2009 was largely attributable to the ongoing fall in the global economy. The international visitors to the Gold Coast declined during toughest twelve months for Australia's tourism industry in recent times.

According to Gold Coast tourism Research, 790, 398 international travellers were visited Gold Coast which has declined 7. 8% from previous year. However, during their visit, they spent approximately \$1. 01 billion, which was increased 4. 0% while Queensland State had negative growth (2009).

However, Global financial crisis is still considered to be as a threat to the Gold Coast backpacker industry. 6. 3 Issue 3 - Key success factors6. 3.

1 Technology impact on backpacker marketImprovement of technology has brought significant impact on Gold Coast backpacker markets. The hospitality industry has been transformed from a traditional low-tech to high-tech industry. As mentioned above, the main profit source of Gold Coast backpacker markets is from young generation group (Huxley, 2004). Young people have shown that they have very sensitive behaviour when they pursue present trends such as using the Internet, and this phenomenon is directly related to backpacker market (Bergh, 2000). The Internet is the most popular method to find out backpacker accommodations by youth groups.

As a result of this, backpacker market should have some different types of strategies such as advertisements on the Internet site and corporate with travel agencies. Furthermore, more specifically, technology has been into internal aspects of backpacker facilities in terms of rooms. Due to the

characteristic of backpacker accommodations that are usually consumed for short-term (normally less than a week), security problem has been issued (Lee et al., 2003). This problem leads to change from traditional door key types to computerised door keys such as card-type keys.

Like this, having differences itself, rather than price, by establishing current technology can be a critical way for survives in similar markets (Lee, Barker ; Kandampully, 2003). 7. 0 ConclusionAs it can be seen from the above report, the Gold Coast backpacker market has been significantly increased. Even though there was a global economic downturn, the backpacker market has been affected less than the other accommodation organisations such as hotels. Gold Coast backpacker industry was ranked as the second popular budget accommodation in Queensland through the other regions. The main consumer group served is tourists from UK and their average age is young adults, which composed of 58%.

The major role of the backpacker industries are offering accommodation and outdoor activities in terms of surfing lessons, water sports and cruise party. The backpacker market is critically affected by the development of technology such as the Internet, which gives great quantity of information to people to be able to find enormous satisfaction. It is very important to define their competitors due to the characteristic of this market, which has similar competencies among the same category of markets. In the Gold Coast, there are many types of budget accommodations are established and these still plays a role as a threat element to backpacker sectors. Although many backpacker markets influence on the price, consumer group has a power to control the price because the number of consumer cannot be ignored and <https://assignbuster.com/gold-coast-backpacker-industry-essay/>

they still affect to adjust the price. Backpacker sectors give budget price room compared to other accommodation industries, and it creates minimum power of suppliers.

Furthermore, entry barriers such as location, makes hard to enter this market to new competitors. Broad environment factors, such as political, economical, socio-cultural and technological factors must be analysed due to the ability of influence internally or externally on this market. To success their business, three major strategic issues should be analysed. In Gold Coast, many educated students are the most significant profit source and the student group is being increased. Therefore, investigation of student market may create enormous opportunities to success.

However, impact of the global financial crisis has brought bad influences, and furthermore, it became a critical threat to the backpacker market. Finally, having differences by setting up modern technology such as the Internet and computerised door key can be the key factor to survive in the fierce market.