

Tourism

Market Summaries
SAMS001 · June 2013

Tourism is not only the world's largest industry, but also one of the world's fastest growing industries. It also makes a significant contribution to global economic growth, economic development and employment.

Tourism in SA is now one of the biggest producers of foreign exchange and is a good sector for the emergence and development of small, medium, and micro-enterprises (SMMEs). With relatively little marketing and strategic planning, South Africa saw foreign arrivals grow from 3,6 million in 1994 to 9,6 million in 2008, with the average amount spent per visitor being R8100.

The global financial crisis led to a slowdown in tourism in 2009, but international visitor numbers have grown steadily since then - reaching 9,2 million in 2012. Foreign tourists spent R76 billion in SA in 2012.

The direct contribution of tourism to GDP in SA was nearly R85 billion in 2011, when the industry employed about 600,000 workers.

Over R100 billion was spent by domestic tourists (South Africans holidaying in their own country) in 2012.

Market developments and business opportunities

South Africa's tourism industry can be broadly divided into two main categories. The inbound sector includes businesses specialising in providing activities and services within SA for overseas visitors, including accommodation and organised tours. This sector also caters for SA citizens exploring their own country. The second sector is outbound tourism, including businesses, such as travel agents and package tour operators, which promote and sell overseas holidays to SA residents.

The tourism industry is fragmented, with many different businesses and market sectors playing a part, including tour operators, travel agents, accommodation providers and activities organisers. The diverse nature of the industry means that it offers plenty of scope for new business opportunities.

Small businesses dominate the local tourism market, particularly in terms of providing accommodation, farm visits and game lodges. There has been a surge of these businesses in the industry since 1994. They get their start-up capital mostly from their own sources (savings, family, friends, etc) so access to capital is not considered a problem by this group of entrepreneurs. Rather, their main challenge is marketing their services and establishments, and getting known by the intermediary (travel agents and booking agencies) and end-user (individual tourist) markets.

Travel agents and tour operators

Consumers wishing to travel overseas, whether on a package tour or exploring a country independently, now have a greater choice of places to access information and book tickets. The Internet, travel magazines and travel guides all provide easily accessible information on many global destinations.

However, many consumers still consider a travel agent their first port of call when planning an overseas holiday. The larger multiples continue to acquire a growing share of the market through heavy price discounting and buyouts of smaller competitors. However, consumers are growing ever more aware of the types of attractions and experiences they want from their holidays and demand is growing for specialist destination travel agencies, or those specialising in particular types of holiday, such as honeymoons or safaris.

Accommodation providers

Accommodation is central to the inbound tourism industry and in many tourist towns there is a range of accommodation available to suit every budget and taste. Large-scale hotel complexes and smaller boutique bed and breakfasts (B&Bs) appeal to the majority of travellers. However, there is also a demand for low-budget accommodation, with travellers who prefer a more informal style of accommodation and the chance to interact with other travellers to talk about shared experiences.

The search for authenticity within the tourist experience has meant a rise in the demand for the "township hospitality experience" where people are attracted to stay in an African setting, whether it be a rural or township dwelling.

Caravan parks and camping sites are still popular, especially for families during the school holiday season. South Africa's weather allows campsites to be used for most of the year. Bush camps, providing a luxury experience of camping in the bush with the mod cons, are increasingly popular in nature reserves.

A number of SA residents and overseas visitors are also buying holiday homes in SA. This has created opportunities for holiday home services. Rather than taking care of the day-to-day upkeep of a holiday home themselves, consumers hire local businesses, usually estate agents to take care of lawn mowing, window cleaning and minor repairs. These businesses also stock the holiday home with basic essentials prior to the owners' arrival, and ensure it is cleaned after they leave. Local security companies are also called upon to ensure the safety of the property.

Activities organisers

Leisure activities and visiting attractions are usually top of the list when planning a holiday, and many consumers are keen to include special interests or hobbies. Interest-focused holidays, such as wine tasting, adventure sports, yoga, golf, arts and literature or health spa breaks appeal to a wide audience, and represent an important part of both the inbound and outbound tourism sectors. Holiday organisers range from independent tutors offering particular leisure courses to co-ordinators arranging the whole package, from transport to accommodation.

The market for celebrating weddings and special events abroad is continuing to grow, as more couples prefer to combine their special occasion with the chance to get away. Destination weddings have become especially popular as the bride and groom seek to cut costs and combine a holiday abroad with their wedding. Demand for dedicated destination wedding planners and

travel agents specialising in organising foreign weddings is escalating. Other emerging business opportunities in this area include businesses organising and broadcasting live coverage of the wedding via web cam, to cater for friends and relatives unable to travel abroad.

In SA, ecotourism is a big draw card, with birding holidays, safaris and hikes being very popular. Heritage and cultural trails, many of them telling the story of the struggle against apartheid, have become very popular as the country seeks to express its rich and diverse history.

Consumer profile and current market trends

Tourist arrivals and revenues were dominated by:

- Over two-thirds of arrivals from overseas were from 'Business Travel' and "Visiting Friends and Relatives" markets;
- Heavy dependence on arrivals from neighbouring states where SA already has over 90% of market share;
- Over 50% of overseas holiday travel was drawn from just four markets - the UK, Germany, France and the US. South Africa was still a marginal player in these global leisure markets and government promotion agency SA Tourism is trying to build on these countries and customer segments.

About 60% of South Africa's arrivals come from five neighbouring states. Outside of neighbouring SADC, however, there is scope to attract smaller high-end leisure volumes which long term may provide growth in markets in East and West Africa.

Domestic tourists and short haul - from the SADC countries, accounted for 63% of tourism in 2002. The hectic pace of modern life is largely responsible for sustained growth in the market for short weekend trips and 'city breaks'. Consumers often find it impossible to take long summer holidays from work; organised short breaks of two or three days provide ample opportunity to unwind away from the pressures of work and home. The trend for short breaks is also driving demand for domestic tourism, with hotels and bed and breakfast accommodation in cities or idyllic rural spots offering the opportunity for a relaxing break away from home without the cost of travelling abroad.

Domestic is the bedrock of the tourism industry, but SA Tourism's core business was defined as foreign tourism.

There are many different categories of tourist. Below the profiles of some of the domestic tourists are explored. The challenge will be to cater to the needs of the categories and also entice them to explore other areas of SA.

Young, 'up and coming' professionals

This group numbers over 5 million in SA and has a monthly household income of under R10,000. This sector on average stays at a venue for six nights, uses taxi or cars, holidays in December, April, June/July and usually holidays in KZN, Eastern Cape and Western Cape.

Independent young couples and families

This group totals about 0.7 million, stays on average 10 nights at a venue, travels by car, has a monthly income of about R10,000-R25,000, are mostly from Gauteng and go to KZN mostly. The most popular time this group holidays is December.

Striving families

This group numbers 0.4 million, stays at a destination on average for 5.5 nights, uses cars or taxis, has a monthly income of below R10,000, comes from Gauteng, the Eastern Cape and Mpumalanga. The holiday destinations of this group include KZN, Gauteng and Western Cape, in December, June and April.

Well-off "homely" couples

This group have a monthly income of R10,000-R20,000, stay an average of 7.5 nights at a destination, travel with their spouse or partner, come from KZN, Western Cape and Eastern Cape and travel to these three provinces mostly, in December, April and February.

Home-based low income couples

This group earn below R10,000, have school children of high school age, spend 5 nights at a destination, come from Western Cape, Eastern Cape and KZN primarily and travel to these three provinces mostly, in December, January and April.

Basic needs, older families

This sector earns primarily under R5,000 a month, majority have children over 21 years, travel by car or taxi and stay for 5 nights at a destination on average. They come mostly from Western Cape and KZN, and travel to Eastern Cape, KZN and Western Cape in December, October and February.

Golden active couples

This group stay on average 13 nights at a destination, earn between R 5,000 and R20,000 per month, come mostly from Gauteng and travel to KZN, Western Cape and Mpumalanga all year round, by car.

Future trends and issues

Post World Cup 2010

South Africa's public and business optimism has been boosted by its successful hosting of the soccer World Cup championships in the year 2010. This event brought over 1,4 million new visitors to the country but, more importantly, brought a period of sustained international focus leading up to the event itself. The global media coverage of the World Cup gave South Africa the opportunity to showcase itself to the world community in a way that no amount of public relations could have done.

Internet planning and bookings

Consumers are gaining confidence in the use of the Internet to search for information on travel destinations, as well as to book transport, accommodation and tickets to attractions.

On the back of these developments, the new breed of 'DIY travellers' is expected to increase. These consumers prefer to research destinations independently via the Internet and travel literature; book flights, accommodation and leisure activities directly, without the help of an agent; and spend holidays engaging with the locals and seeing the sights independently.

Sustainability principles

Sustainable tourism is becoming increasingly important to both travellers and the places they visit. This is tourism that encompasses four broad themes:

- Visitor satisfaction
- Industry profitability
- Community acceptance and benefit and
- Environmental conservation.

Sustainable tourism involves not only looking after the natural environment, but also the culture and traditions of local people.

Access for disabled

Consideration will need to be given to the physical adjustments required for premises to cater for the access needs of disabled customers in the future, in order to avoid discrimination in this sector.

Transformation and black empowerment

The great value of tourism, however, is that it belongs to all South Africans and its benefit must be felt in every community and that "real transformation" in tourism should not only be confined to ownership and management. There is a need for all of the stakeholders in the tourism sector to be more actively identifying, supporting and mentoring BEE entrepreneurs and service providers.

An SMME training programme is being developed to provide critical business skills to entrepreneurs and to fund the participation of tourism SMMEs in exhibitions, shows and trade fairs locally and overseas, through the Tourism Enterprise Partnership.

Government has launched the Black Economic Empowerment Tourism Charter that will see 30 percent of industry ownership going to black people.

The Tourism BEE Charter was launched in Durban at the Tourism Indaba 2005, the largest southern African tourism exhibition. The charter will be implemented over two periods the first phase over next five years to 2009 and the second phase to be implemented in the period to 2014. Issues that the charter forces business to address include employment equity, skills development, procurement and small business development.

In 2010, black ownership fell short of the target and even dropped 0,22 points from the previous year to 11,83 points out of the targeted 20. However, surveys have shown that companies have seen the value of complying with the regulations set down by the Charter. Unfortunately the

practice of fronting, where a white company gives the appearance of being black owned in order to benefit from BEE deals, has been widespread but is now being recognized and addressed.

Government initiatives

In a partnership between the business community and the South African government, the Business Trust was formed as an initiative focused on job creation and human capacity development via the tourism industry and the schooling system respectively in 1999.

The Tourism Enterprise Partnership falls within the policy-vehicle of the Government's Tourism Action Plan launched in 1999. As such, it represents a component of a larger and longer-term strategy to both attract and effectively cater for the expected growth in domestic and international tourism. At the micro level, the Business Trust has identified the important contribution that enterprise development can have on skills development and job creation. Sustainability is also a key issue at both the macro and micro levels, due to the integrated relationship between drawing tourists and serving them effectively.

There is growing recognition in government, among corporates and SMME's, and in the civil society at large that the way to work toward sustainable development is through mutual partnership and mutually dependent and beneficial linkages.

The concept of "win-win" business partnerships, has been explored and implemented in several nations around the world, breaking down traditional barriers between large and small, black and white, and domestic and international enterprises. Governmental structures at local, provincial, and national level also play an essential facilitating role.

A recent addition to government policy is the publication of responsible tourism guidelines - published as the Responsible Tourism Handbook: A Guide to Good Practice for Tourism Operators. This is to promote the principle of sustainable development in the tourism industry by highlighting the recognition of the 'triple bottom line' in assessing business success: economic, environmental and social sustainability. For example, in terms of prioritising opportunities for local communities, three areas are flagged in which the private sector is expected to engage:

- To develop partnerships and joint ventures in which communities have a significant stake in ownership and management
- Enterprises should maximize the employment of staff from the local community
- Established private sector enterprises should buy locally made goods and use locally provided services from locally owned SMMEs wherever quality, quantity and consistency permits.

The main aim of the Tourism Enterprise Programme is to encourage and facilitate the growth and expansion of tourism enterprises in response to increasing and broadening demand for tourism activity resulting in job creation and income generation opportunities. Furthermore, the primary emphasis will be on historically disadvantaged entrepreneurs and enterprises.

A Tourism Business Council has been established to promote business interests.

Each province has formulated tourist strategies in line with the national Tourist Action Plan. In the short term, this plan will focus on marketing campaigns in the traditional 'Big Six' markets (UK, USA, Germany, Italy, Netherlands and France). It will also gather comprehensive information

on the international tourist market to strategically target sectors of tourists and open up the emerging markets in Asia, the Middle East and the rest of Africa.

Regional co-operation in southern Africa is also underway to promote tourism: RETOSA, the Regional Tourism Organization of Southern Africa, is currently embarking on a study of the implementation of a UNIVISA system in the SADC region, to facilitate easy passage from one country to another in this region, similar to the Schengen visa in the Schengen States in Europe.

Standards and legislation

The White Paper on the Development and Promotion of Tourism in South Africa (1996) outlined the government's tourism strategy. The document prioritises the mobilisation of the country's human and material resources in order to obtain a greater share of the increasing world tourism pie. The potential of the tourism industry to boost reconstruction and development in South Africa was also acknowledged, particularly with respect to creating opportunities for emerging and small entrepreneurs, and in so doing, supporting access to greater socio-economic benefits for the wider population.

The Tourism Act 1998 formalised this policy direction, with these aims:

- To make provision for the promotion of tourism to and in the Republic
- The further regulation and rationalisation of the tourism industry
- Measures aimed at the maintenance and enhancement of the standards of facilities and services hired out or made available to tourists; and the co-ordination and rationalization, as far as practicable, of the activities of persons who are active in the tourism industry
- With a view to the said matters to establish a board with legal personality which shall be competent and obliged to exercise, perform and carry out certain powers, functions and duties;
- To authorize the Minister to establish a grading and classification scheme in respect of accommodation establishments, the membership of which shall be voluntary
- To authorize the Minister to establish schemes for prescribed sectors of the tourism industry, the membership of which shall be voluntary; to make provision for the registration of tourist guides
- To prohibit any person to act for gain as a tourist guide unless he has been registered as a tourist guide in terms of the Act
- To authorize the Minister to make regulations; and to provide for matters connected therewith

Further information

Businesses You Can Start: Guides from Enterprise Fundi

- Tour Guide
- Bed and Breakfast (B&B)
- Holiday Cottages

- Travel Agent
- Pony Trek Organiser
- Outdoor Activity Centre

World heritage sites

There are 690 cultural and natural sites preserved worldwide in this UNESCO co-ordinated campaign - 86 of which are in Africa, nine in southern Africa (South Africa, Zimbabwe and Mozambique) and four in South Africa itself. These are:

- Greater St. Lucia Wetland Park/iSimangaliso Wetland Park: <http://whc.unesco.org/en/list/914>
- Robben Island: <http://whc.unesco.org/en/list/916>
- Fossil Hominid Sites of Sterkfontein, Swartkrans, Kromdraai, and Environs : <http://whc.unesco.org/en/list/915>
- Ukhahlamba / Drakensberg Park: <http://whc.unesco.org/en/list/985>

Financial and technical support

Tourism Enterprise Programme (TEP)

The goals of TEP are to promote a greater trust and confidence in tourism enterprises, foster business between SMMEs, and provide technical assistance to tourism enterprises,

Website: www.tep.co.za.

Industrial Development Corporation

The IDC finances commercial projects within the tourism industry.

Website: www.idc.co.za:

Government departments and boards

South African Tourism

Website: www.southafrica.net

Department of Environmental Affairs and Tourism

Website: www.environment.gov.za

Tourism Business Council of SA

Website: www.tbcsa.org.za

Campaigns and exhibitions

Endangered Wildlife Trust

Web site: www.ewt.org.za

Ecotravel

Website: www.ecotravel.co.za

Fair Trade In Tourism (FTTSA)

Website: www.fairtourismsa.org.za

Southern Africa Environment Project

Web site: www.saep.org

Associations, institutes and portals

Tourism, Holiday and Sport Education and Training Authority (THETA)

Theta is the sector education and training authority (SETA) established under the Skills Development Act (No 97 of 1998) for the Tourism, Hospitality and Sport sector.

Website: www.theta.org.za

Federated Hospitality Association of South Africa (FEDHASA)

Website: www.fedhasa.co.za

South African Chefs Association

Website: www.saca.co.za

SA Tourism Services Association

Online database of credible tourism service providers.

Website: www.satsa.com

Tourism portals

Wildnet Africa: www.wildnetafrica.com

MWeb Travel: www.mweb.co.za/travel

Africa Travel Search: www.africatravelsearch.com

Provincial tourism websites

Gauteng Tourism: www.gauteng.net

Western Cape Tourism: www.tourismcapetown.co.za

Eastern Cape Tourism Board: www.ectourism.co.za

Northern Cape: www.northerncape.org.za

Northwest Province: www.tourismnorthwest.co.za

Free State Tourism: www.freestatetourism.org

Limpopo Tourism: www.limpopotourism.org.za

DISCLAIMER This information is meant as a starting point only. While all reasonable efforts have been made to ensure that the information is accurate and up-to-date, the publisher makes no warranties and will not be responsible for any errors or omissions in the information, nor any consequences of any errors or omissions. Professional advice should be sought where appropriate.

Cobweb Information South Africa (Pty) Ltd

Website: www.cobwebinfo.co.za

SAMPLE