

# Domestic tourism data for marketing planning

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12 June 2008

**SOUTH AFRICAN TOURISM**



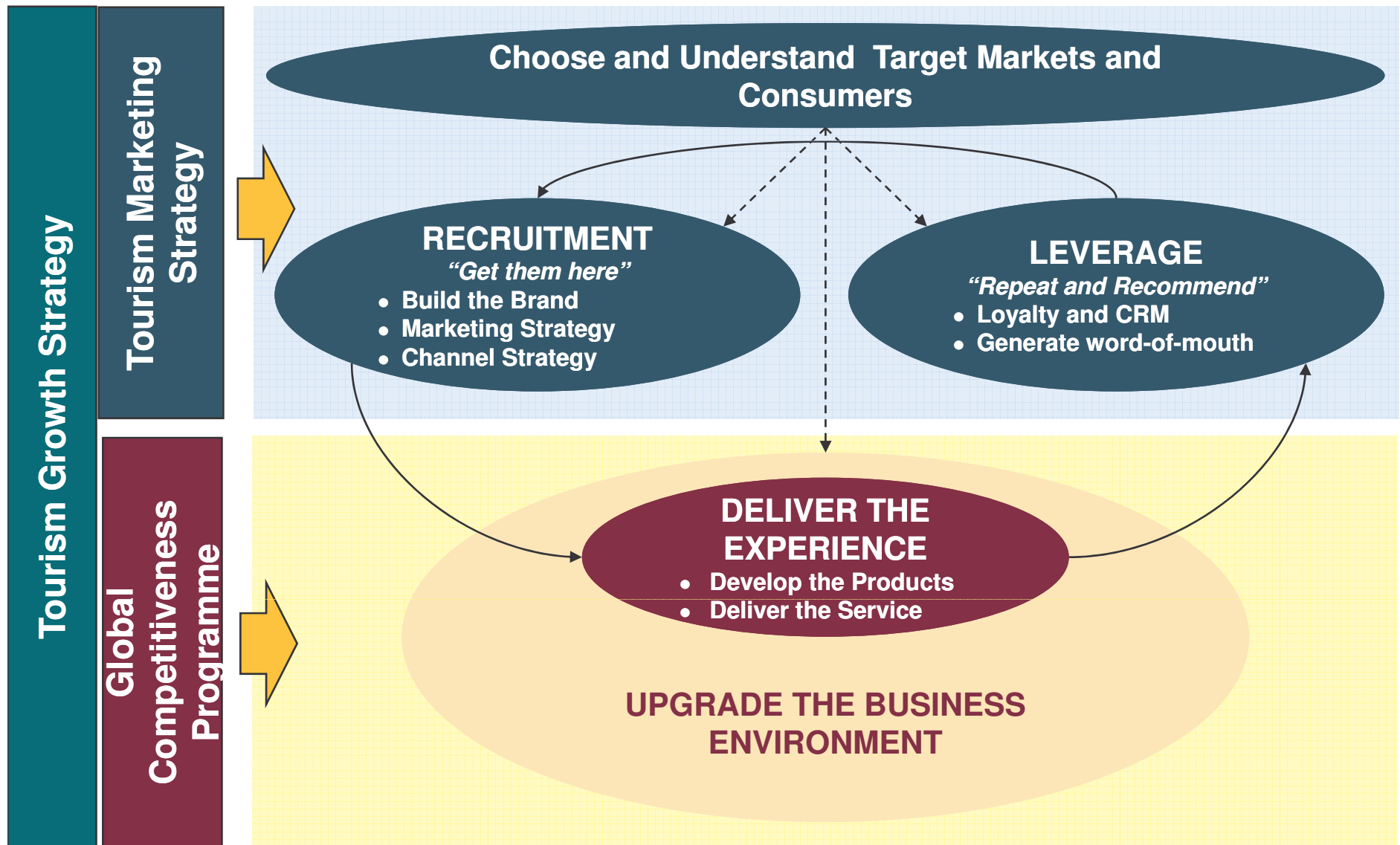
## AGENDA

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- **The Marketing Tourism Growth Strategy of South Africa**

- Overview of the Domestic Tourism Market
- Domestic Market Challenges
- The Domestic Marketing Strategy

# The Tourism Growth Strategy has two areas of focus: The outward looking Marketing Strategy and the internal Global Competitiveness Programme

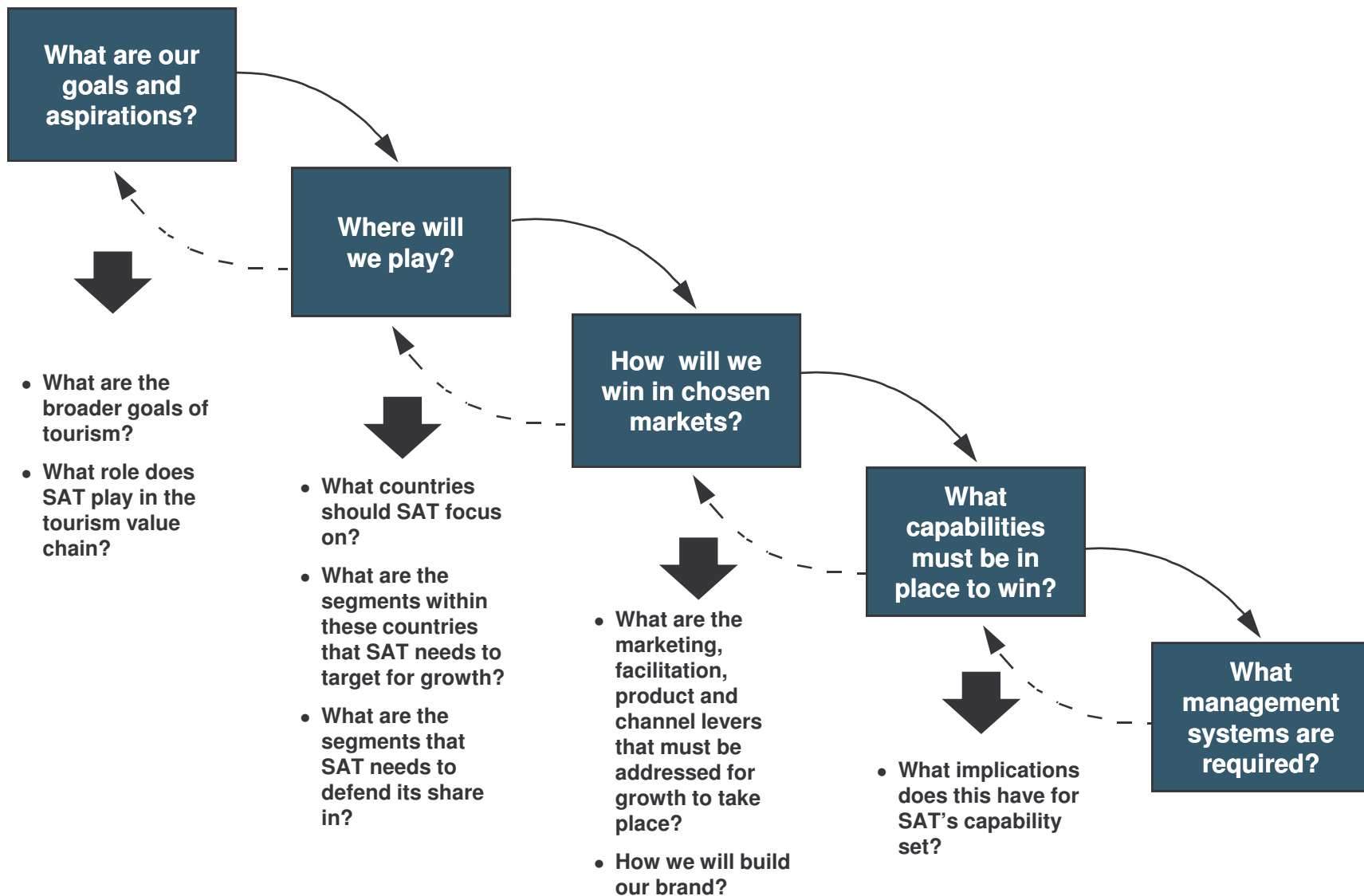


# The core business of South African Tourism is the international marketing of South Africa which forms part of a broader tourism strategy for South Africa: The Tourism Growth Strategy (TGS)



# Critical questions in developing the Tourism Growth Strategy

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## Mandate and Key Strategic Objectives for Tourism

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## AGENDA

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- The Marketing Tourism Growth Strategy of South Africa

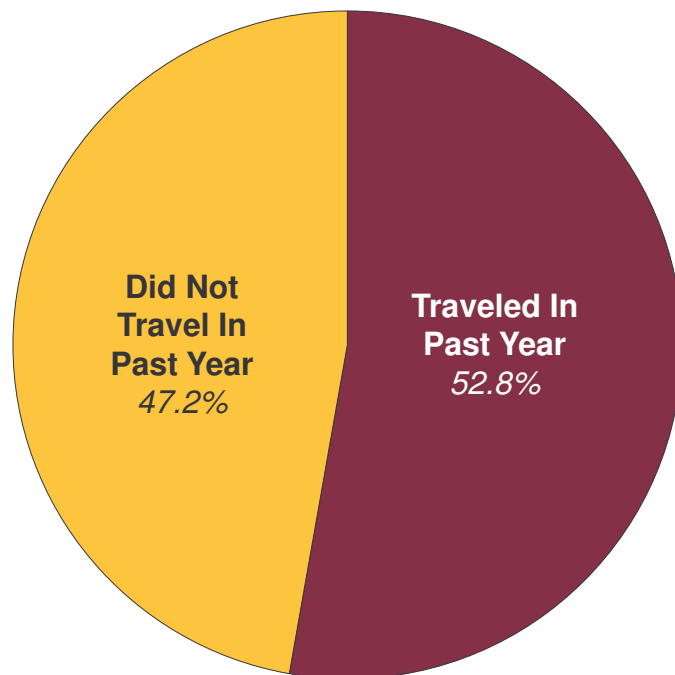
- **Overview of the Domestic Tourism Market**

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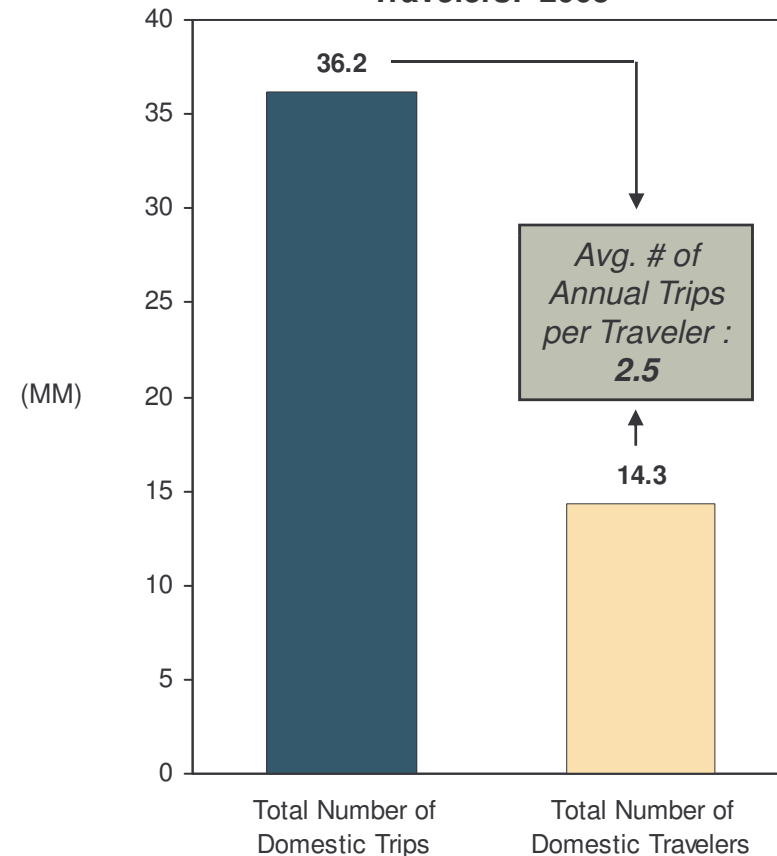
**In 2005, just over half of South African adults traveled within the country, resulting in some 36 million domestic trips**



**Percentage of Adult Population That Has Taken A Domestic Trip Over Past Year: 2005<sup>1</sup>**



**Number of Domestic Trips and Travelers: 2005**



Note: <sup>1</sup> Based on the question "How many domestic trips have you yourself taken in the past 12 months?" asked in **each** of the 2005 monthly surveys; therefore, incidence does not correspond to an exact Jan.-Dec. 2005 time frame, but rather is an average for any point in time over the course of 2005

Source: SAT Domestic Surveys for 2005

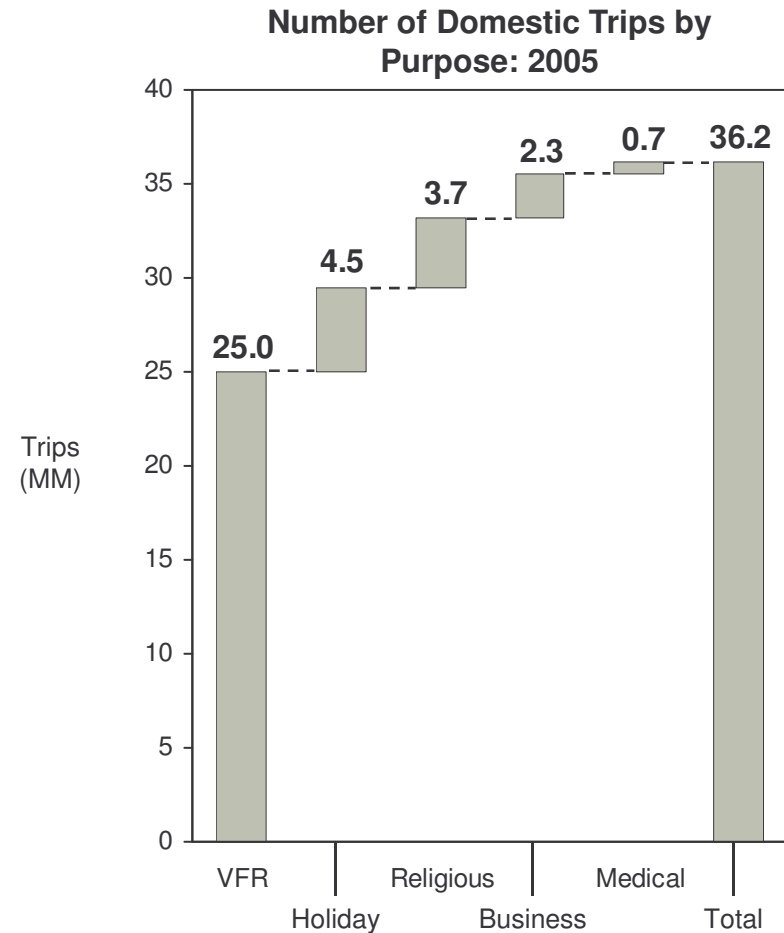
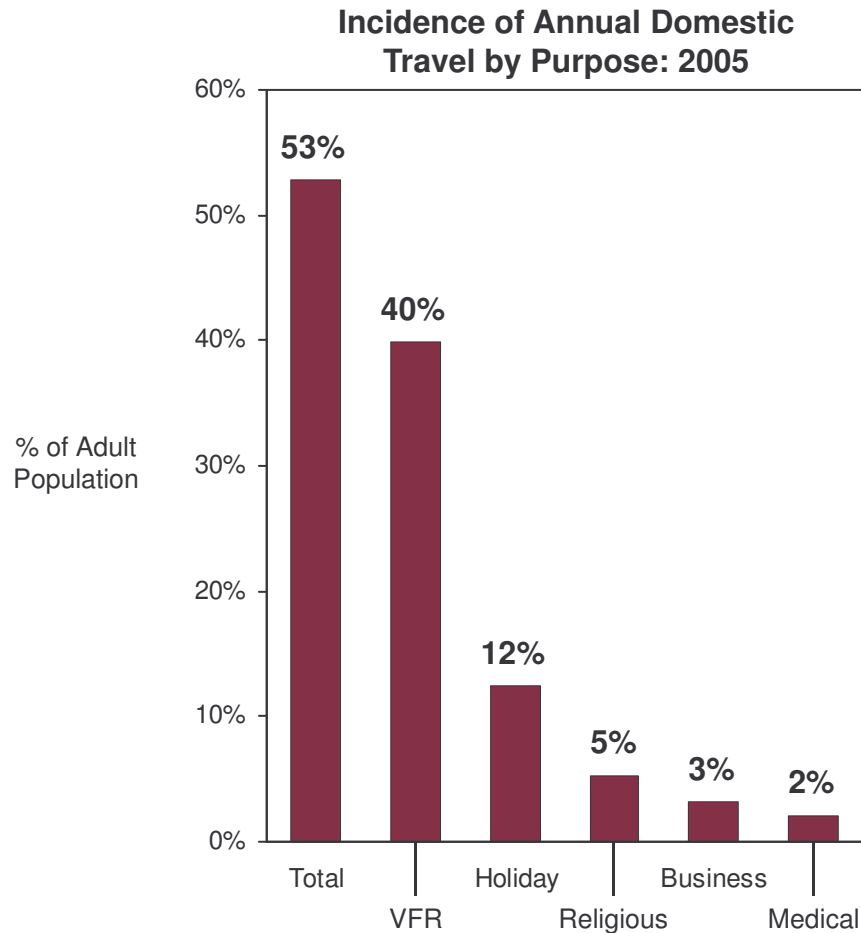


## Overview of the Domestic Tourism Market: Key metrics

**The vast majority of domestic trips - some 25 million - were taken for the purpose of visiting friends and relatives**



*At 12% and 3%, respectively, the incidence of annual holiday and business travel remains low*



Share of Total Trips	69%	12%	10%	6%	2%
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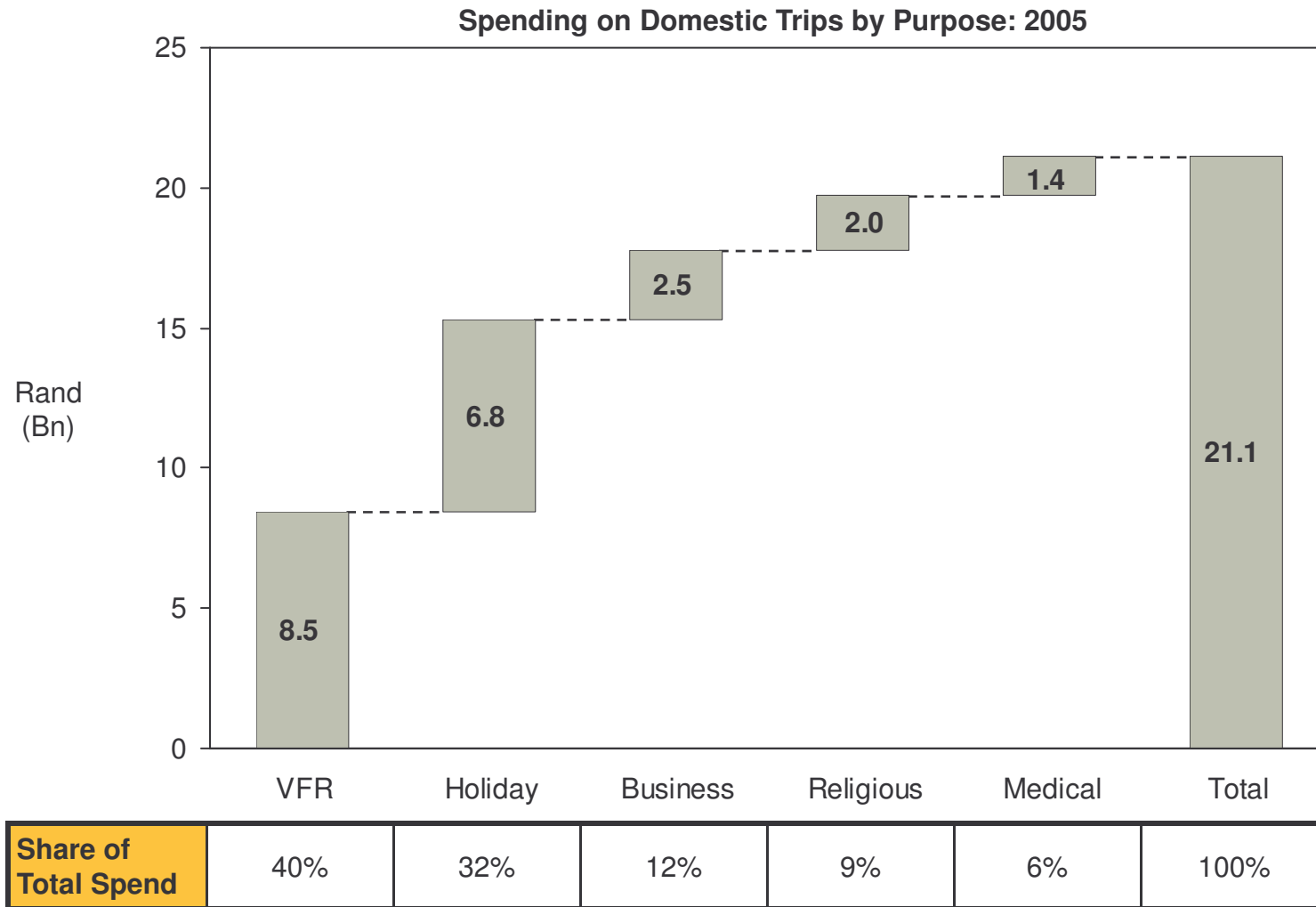
Source: SAT Domestic Surveys for 2005

## Overview of the Domestic Tourism Market: Key metrics

**In total, spending on domestic tourism amounted to approximately 21.1 billion Rand in 2005**



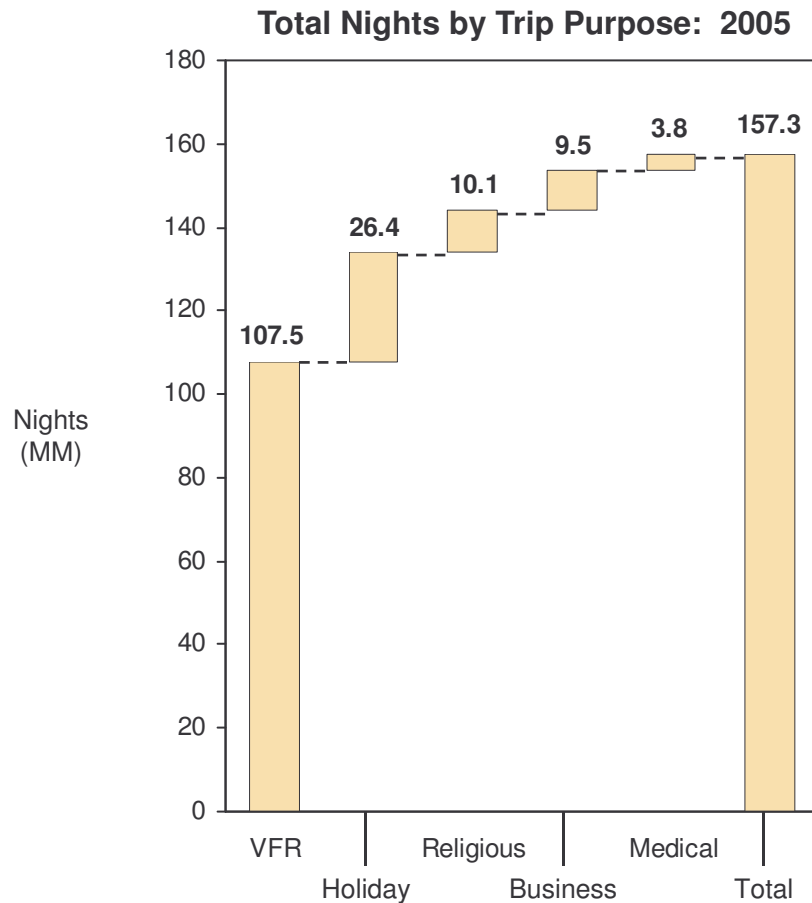
*Holiday travelers produced nearly a third of all domestic tourism revenues, despite accounting for just 12% of all domestic trips*



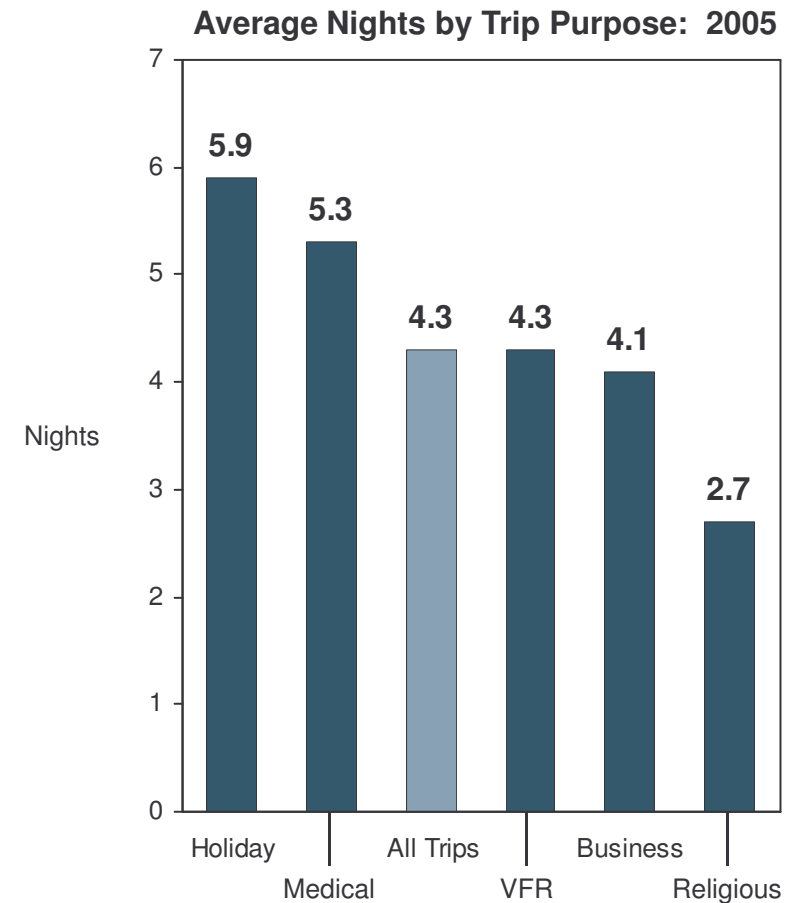
Source: SAT Domestic Surveys for 2005

## Overview of the Domestic Tourism Market: Key metrics

**Domestic tourism activities resulted in a total of 157 million nights away from home, and the average trip lasted 4 nights**

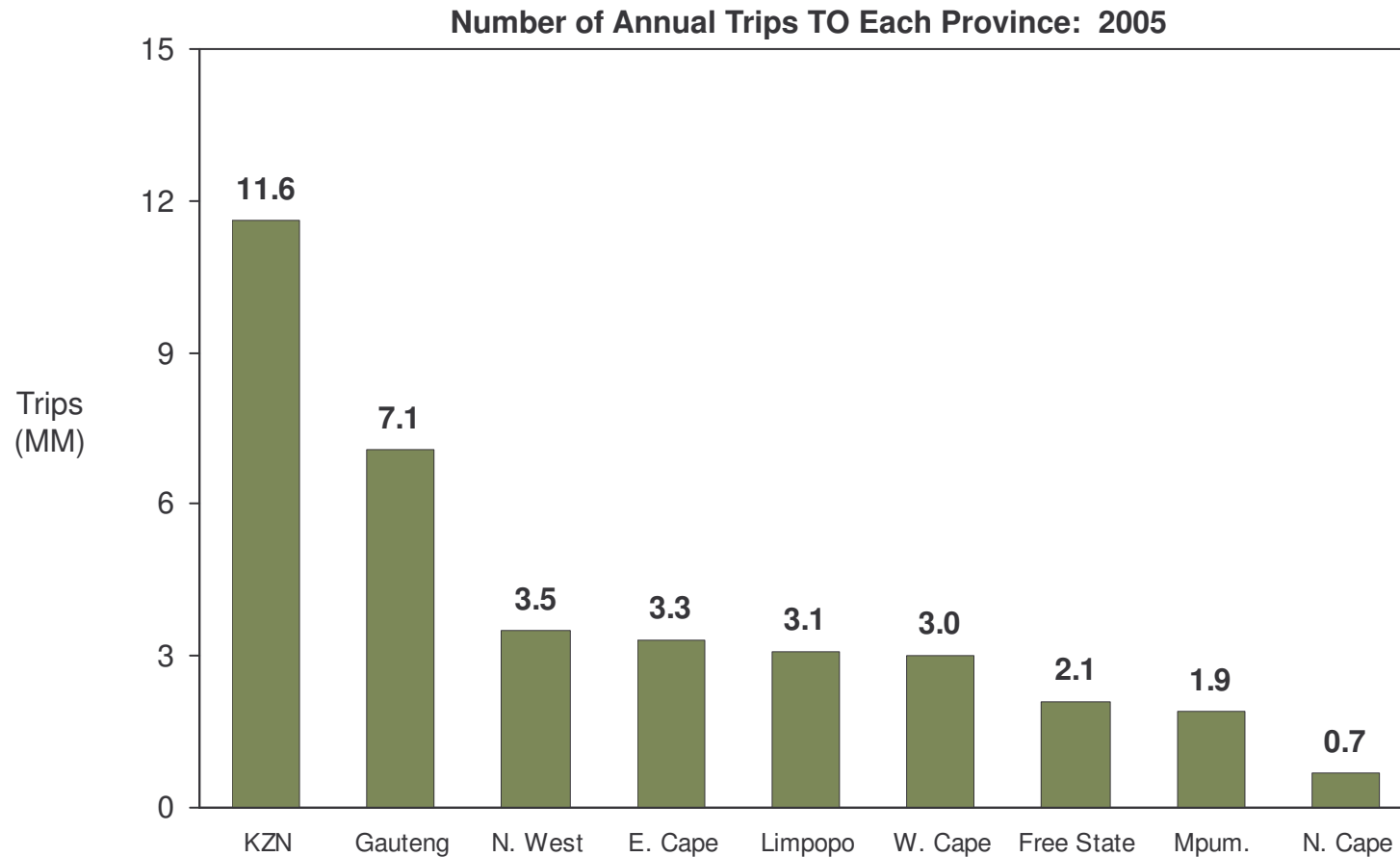


Share of Total Nights	68%	17%	6%	6%	2%	100%
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Source: SAT Domestic Surveys for 2005

## Nearly a third of all trips were taken to (or within) KwaZulu-Natal; Gauteng was the second most popular destination

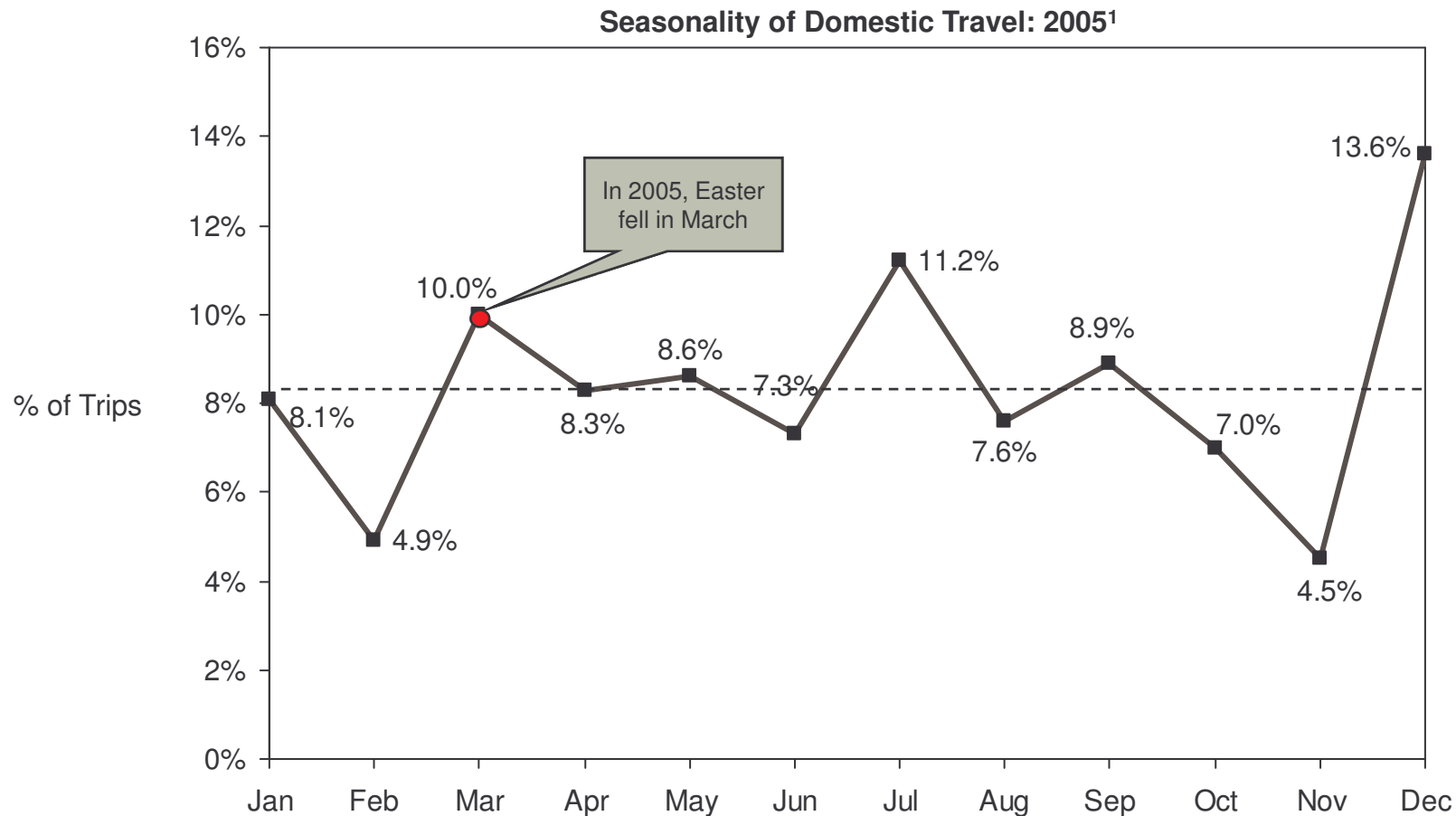


Share of Total Trips	32%	20%	10%	9%	9%	8%	6%	5%	2%
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## Domestic travel is highly seasonal; In 2005, the number of trips jumped in the holiday months of March, July, and December



*Conversely, the number of trips plummeted in non-holiday months, and particularly in months lying immediately before holiday periods (i.e. February and November)*



## AGENDA

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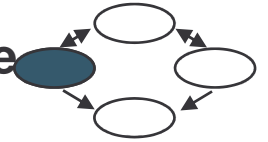
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**The revenue generation and transformation potential of the domestic tourism market is currently constrained by four interrelated challenges:**

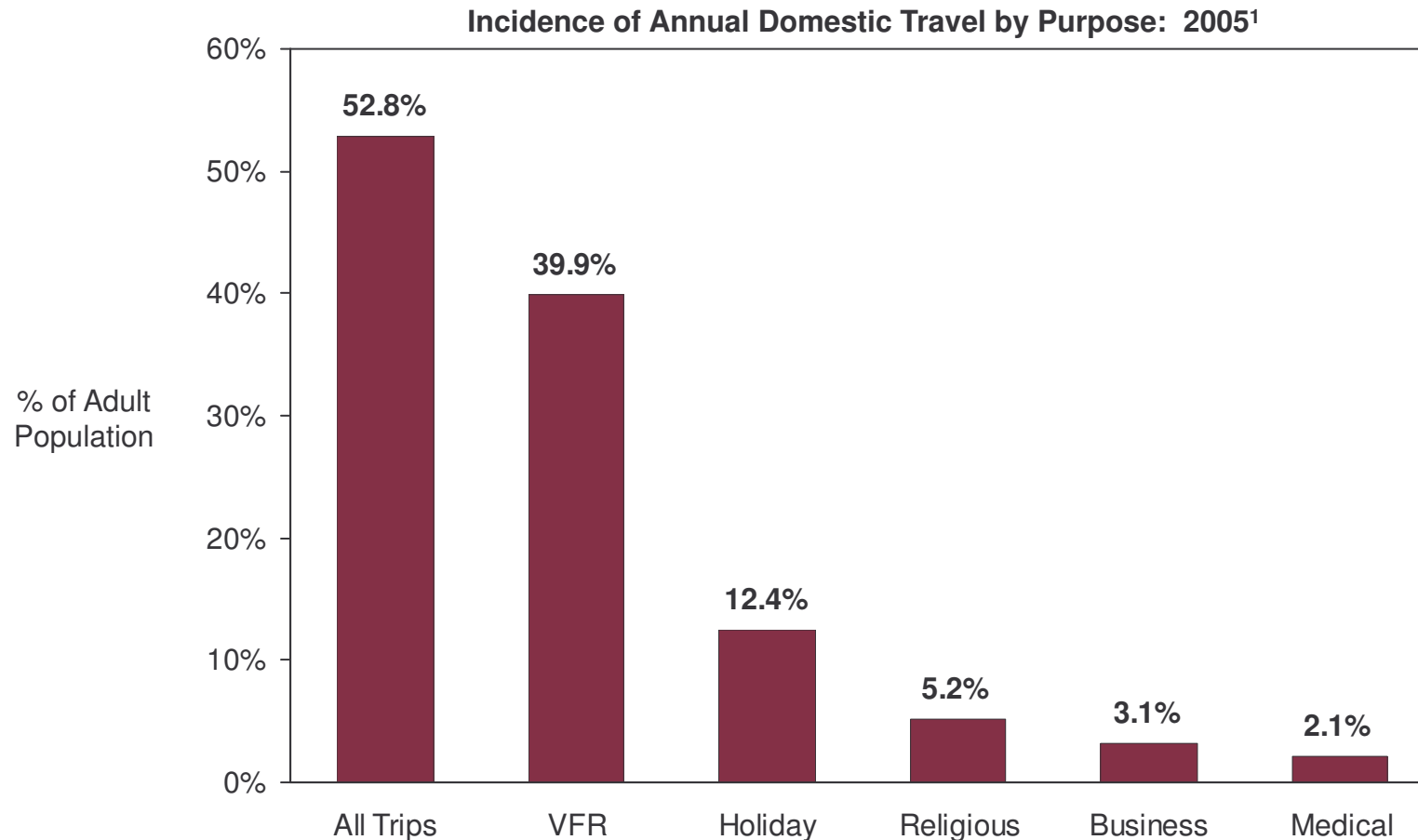
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## The greatest challenge facing domestic tourism in South Africa is the immaturity of the domestic holiday travel market



*This is characterized by a low incidence of holiday travel relative to VFR travel*

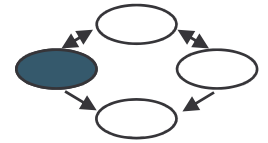


Note: <sup>1</sup>Based on the question "How many domestic trips have you yourself taken in the past 12 months?" asked in each of the 2005 monthly surveys; therefore, incidence does not correspond to an exact Jan.-Dec. 2005 time frame, but rather is an average for any point in time over the course of 2005

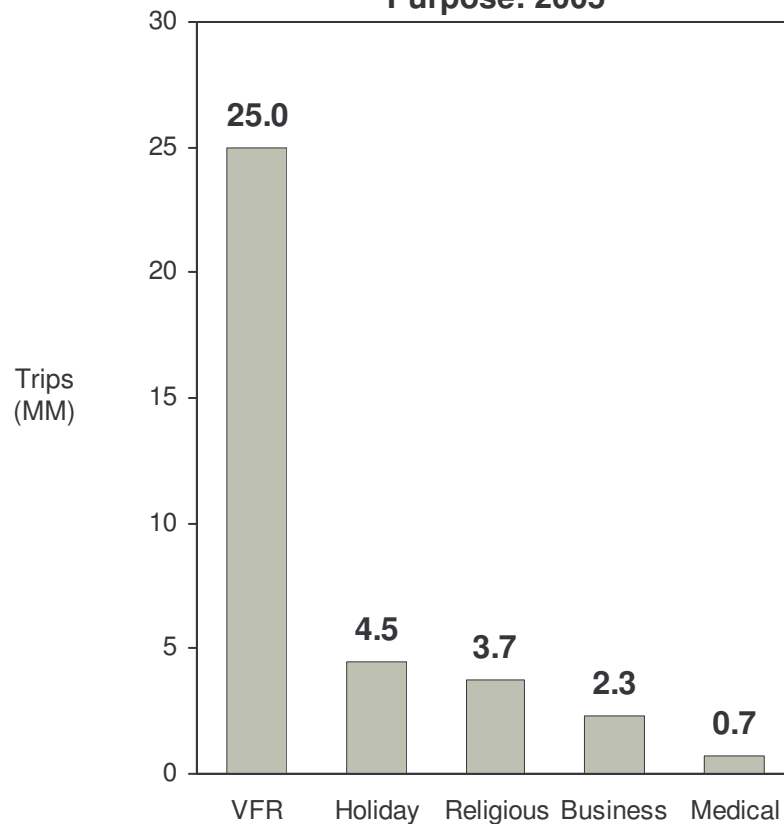
Source: SAT Domestic Surveys for 2005



**The vast majority of domestic trips, nearly 70%, are for the purpose of VFR, while holiday travel accounts for just 12% of all trips**

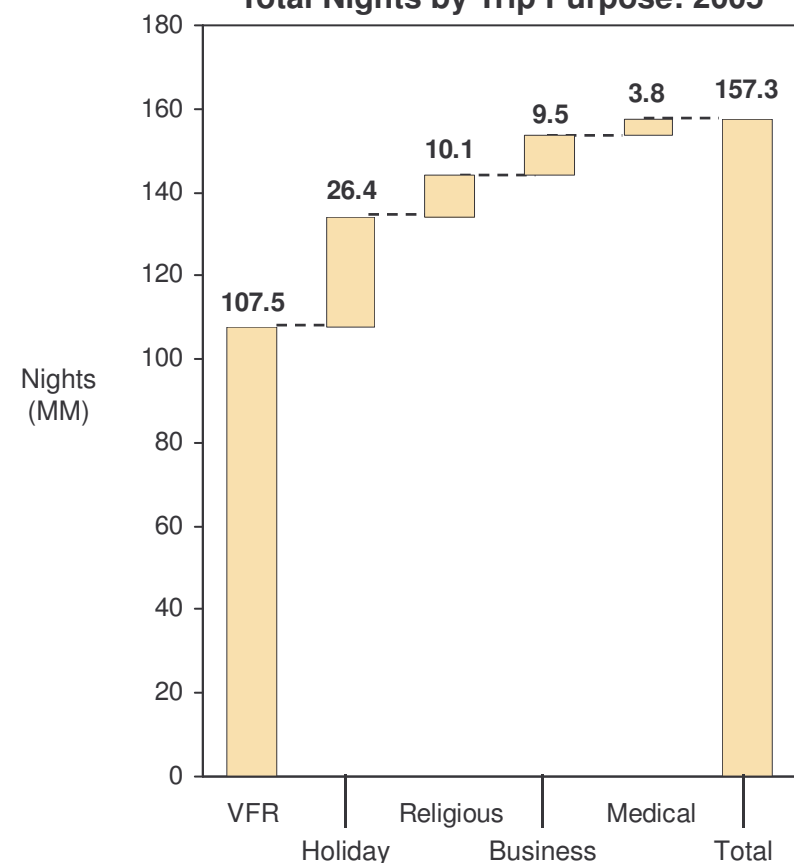


**Number of Domestic Trips by Trip Purpose: 2005**

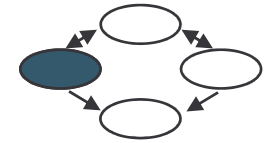


Share of Total Trips	69%	12%	10%	6%	2%
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**Total Nights by Trip Purpose: 2005**



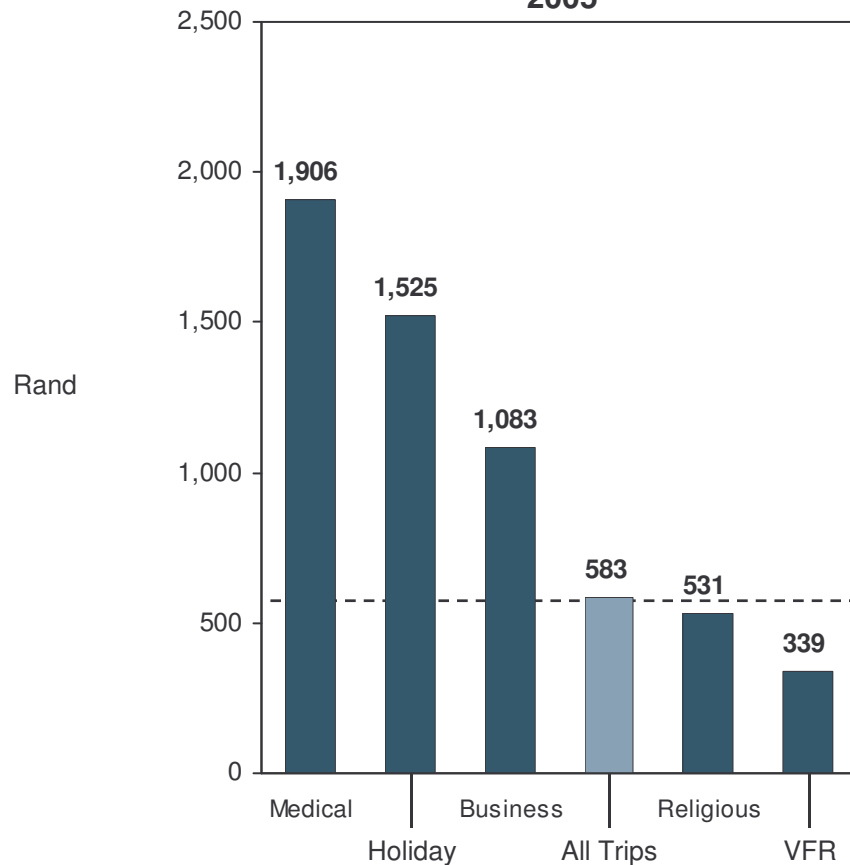
Share of Total Nights	68%	17%	6%	6%	2%	100%
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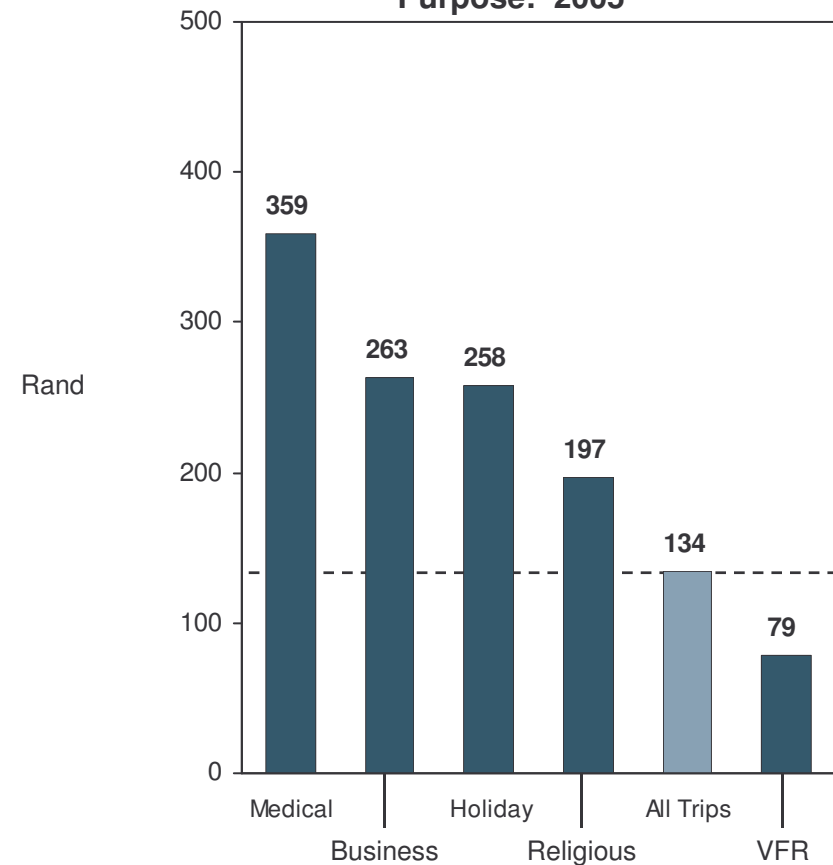
## However, the relative value of a holiday trip far outweighs a VFR trip

*On a per trip basis, VFR trips generate nearly 5 times less revenue than holiday trips - when trip length is accounted for, VFR trips are still 3 times less valuable than holiday trips*

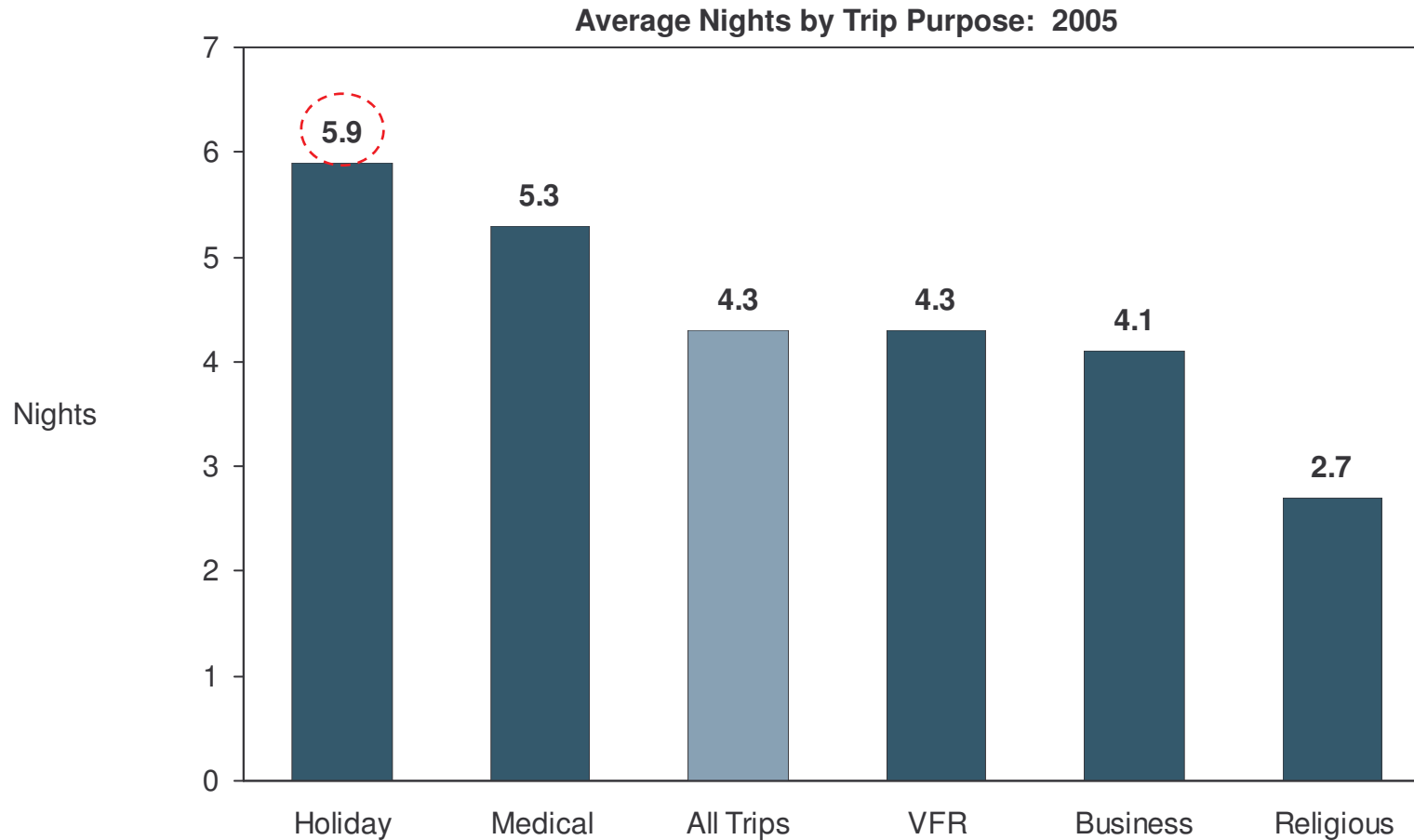
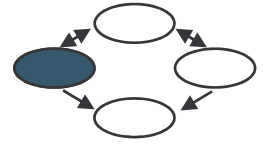
**Average Spend Per Trip by Purpose:  
2005**



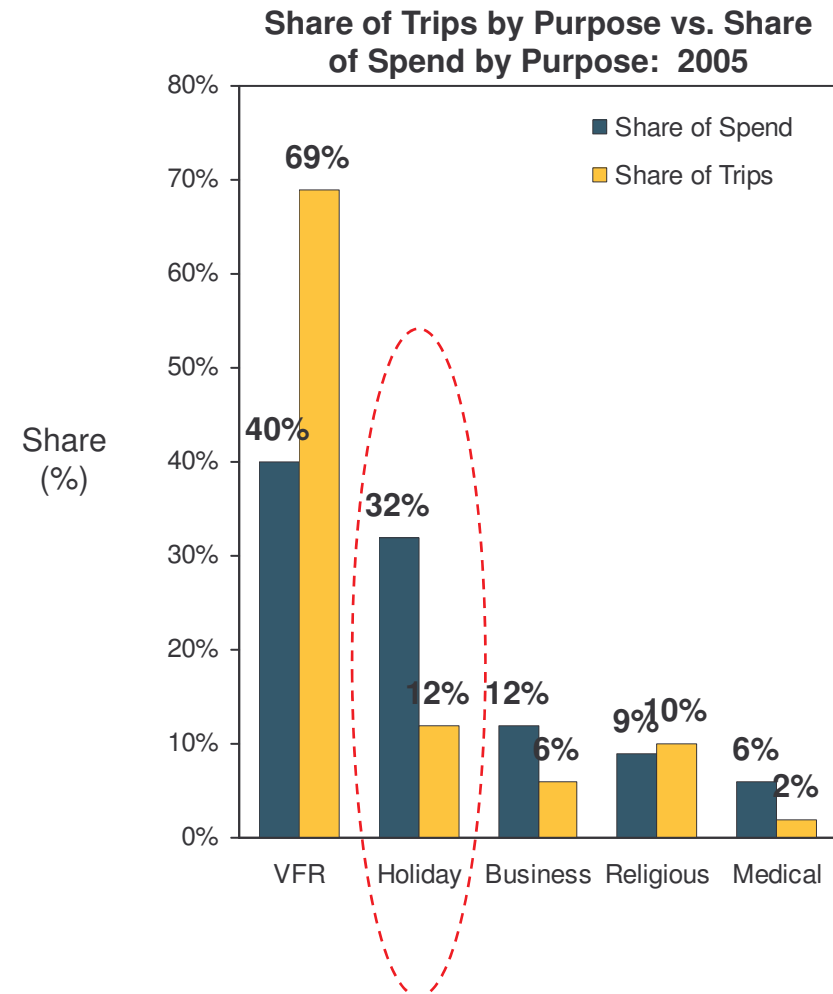
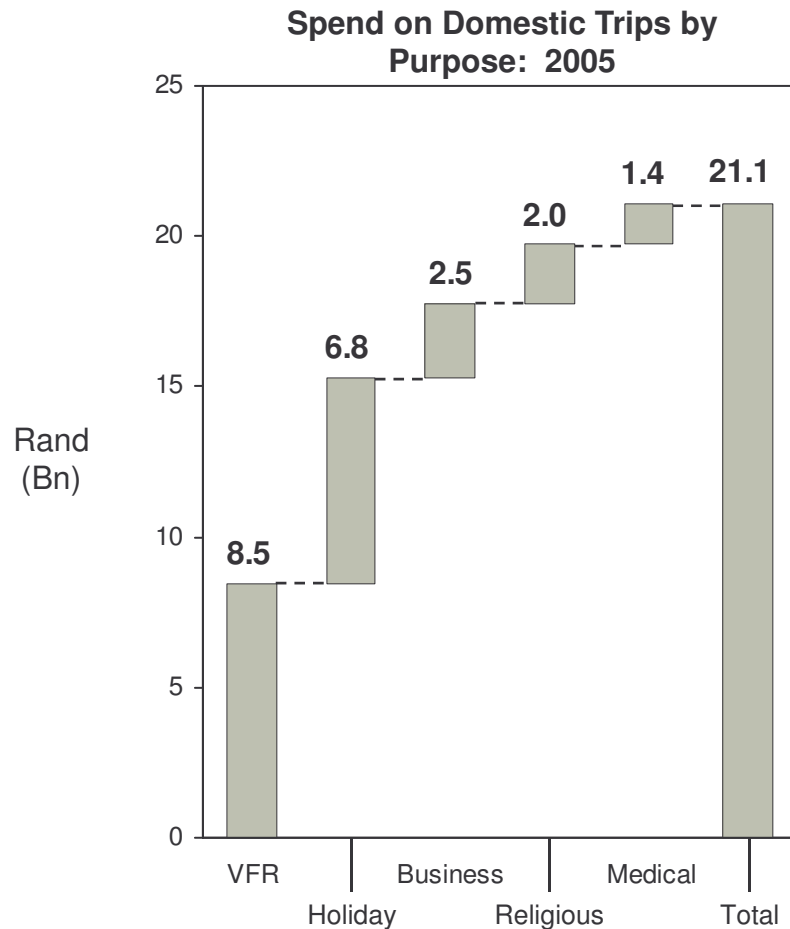
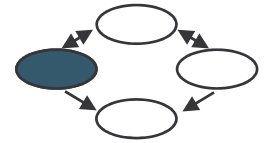
**Average Spend per Day by  
Purpose: 2005**



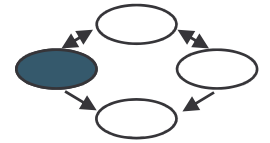
**Furthermore, holiday trips are, on average, longer than all other trip types**



**As a result, holiday spending accounts for a far greater share of total spending than its relative trip volume would imply**

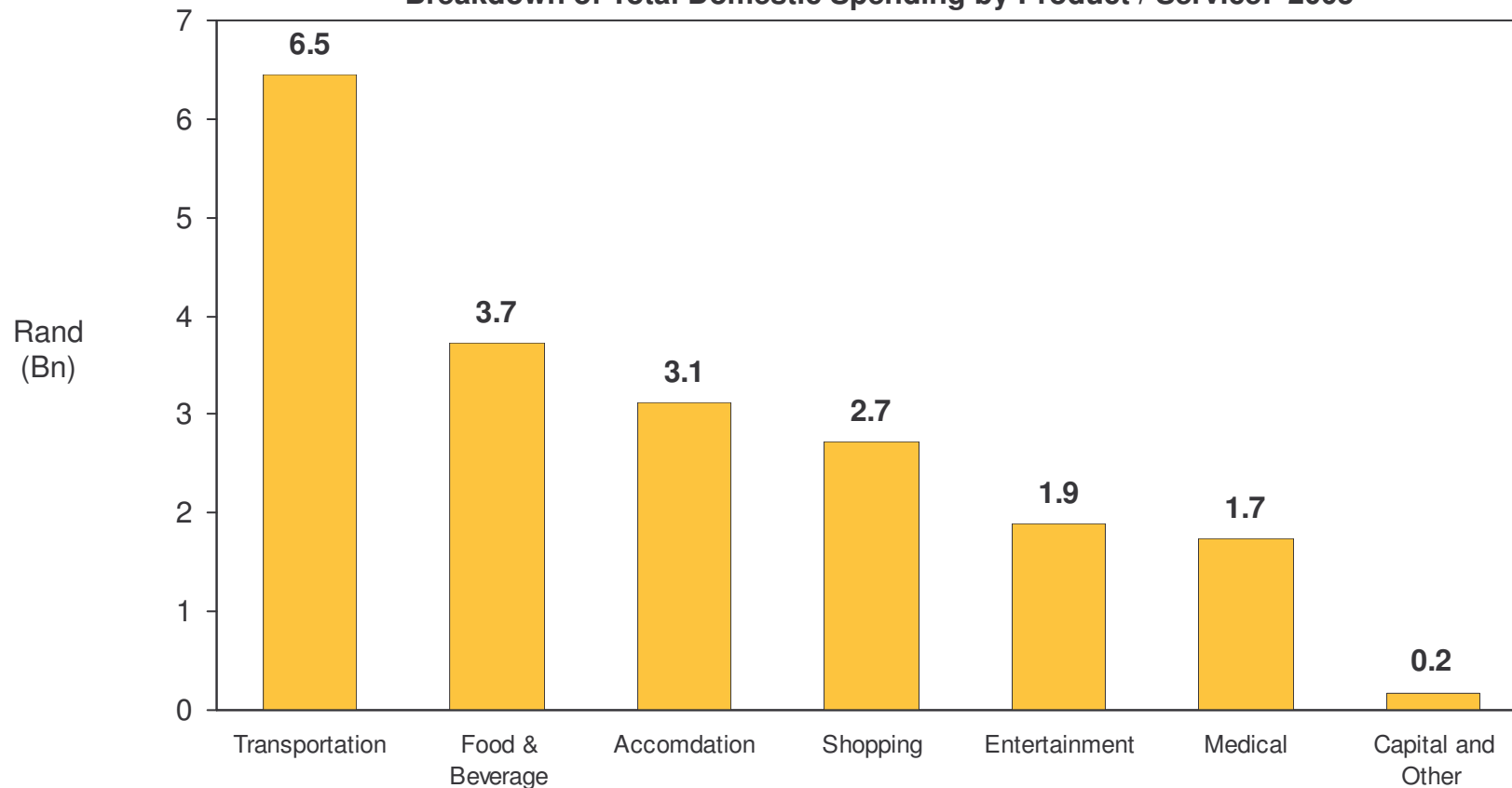


## The majority of total domestic tourist spending goes towards transportation costs



*Higher value activities like accommodation, shopping, and entertainment attract a relatively small share of total expenditures*

**Breakdown of Total Domestic Spending by Product / Service: 2005<sup>1</sup>**

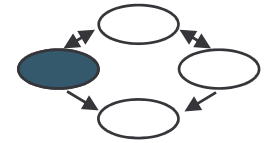


Share of Total Spend	33%	19%	16%	14%	10%	9%	1%
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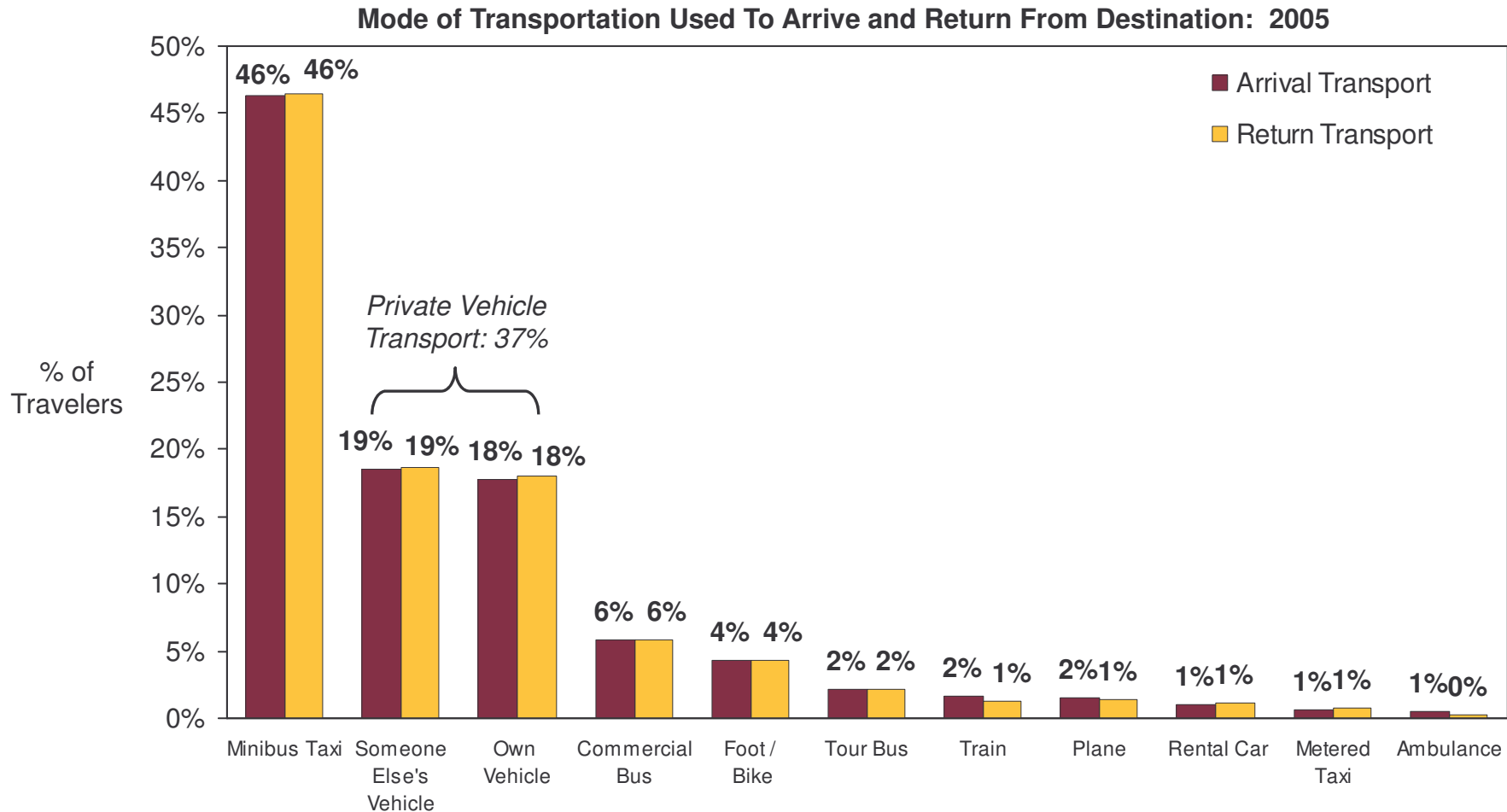
Note: <sup>1</sup>Spend by product / service figures do not sum exactly to total spend. This is because the survey allowed people who reported a total spend amount to answer "don't know" when asked how much they spent by product / service.

Source: SAT Domestic Surveys for 2005

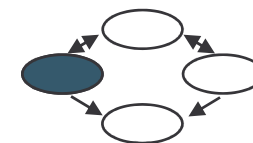
**This is despite the fact that the vast majority of domestic trips are facilitated by low-cost minibus transport and private vehicles**



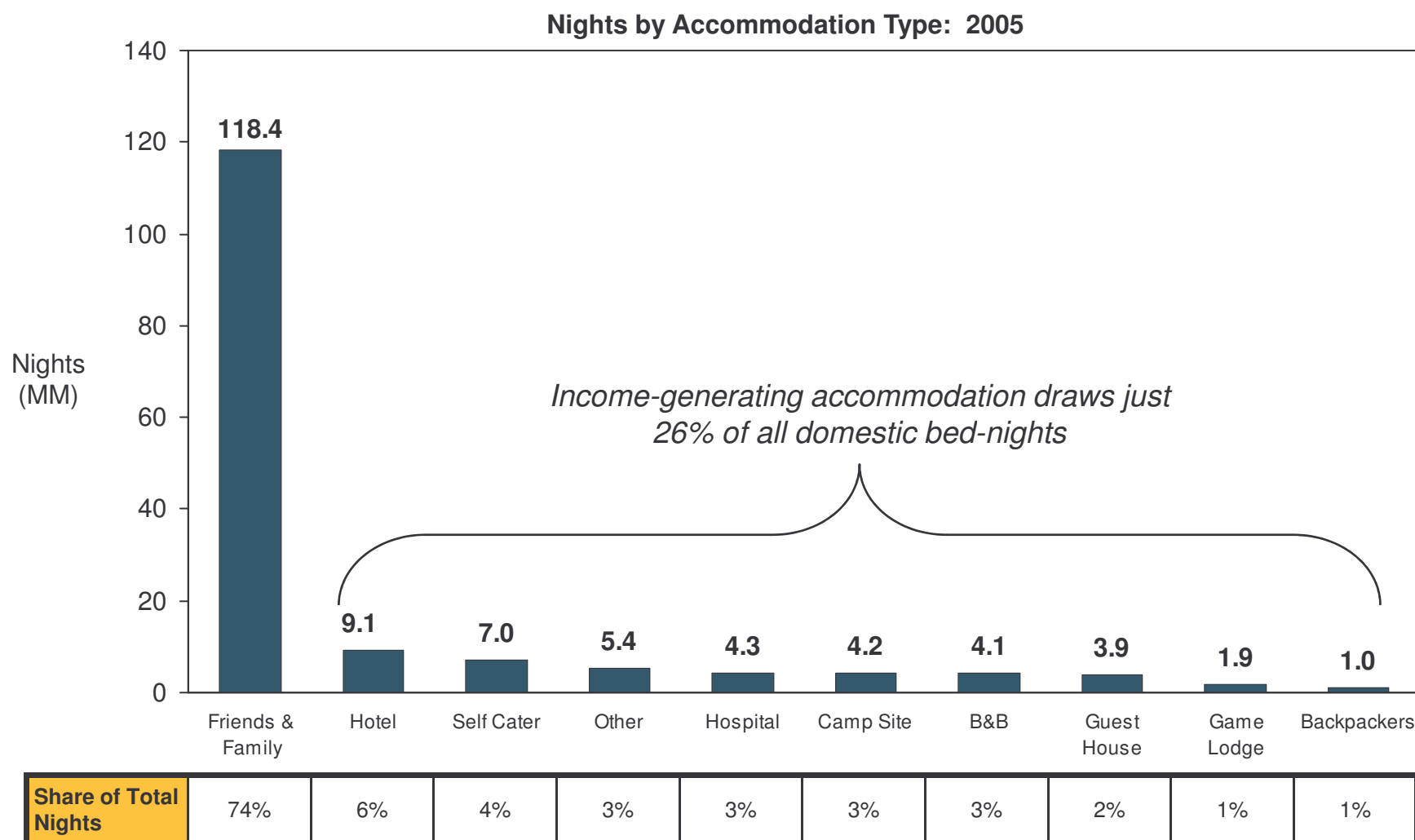
*Forms of transport that generate greater levels of employment and income - tour buses, trains, planes, and rental cars – all receive little use by domestic tourists*



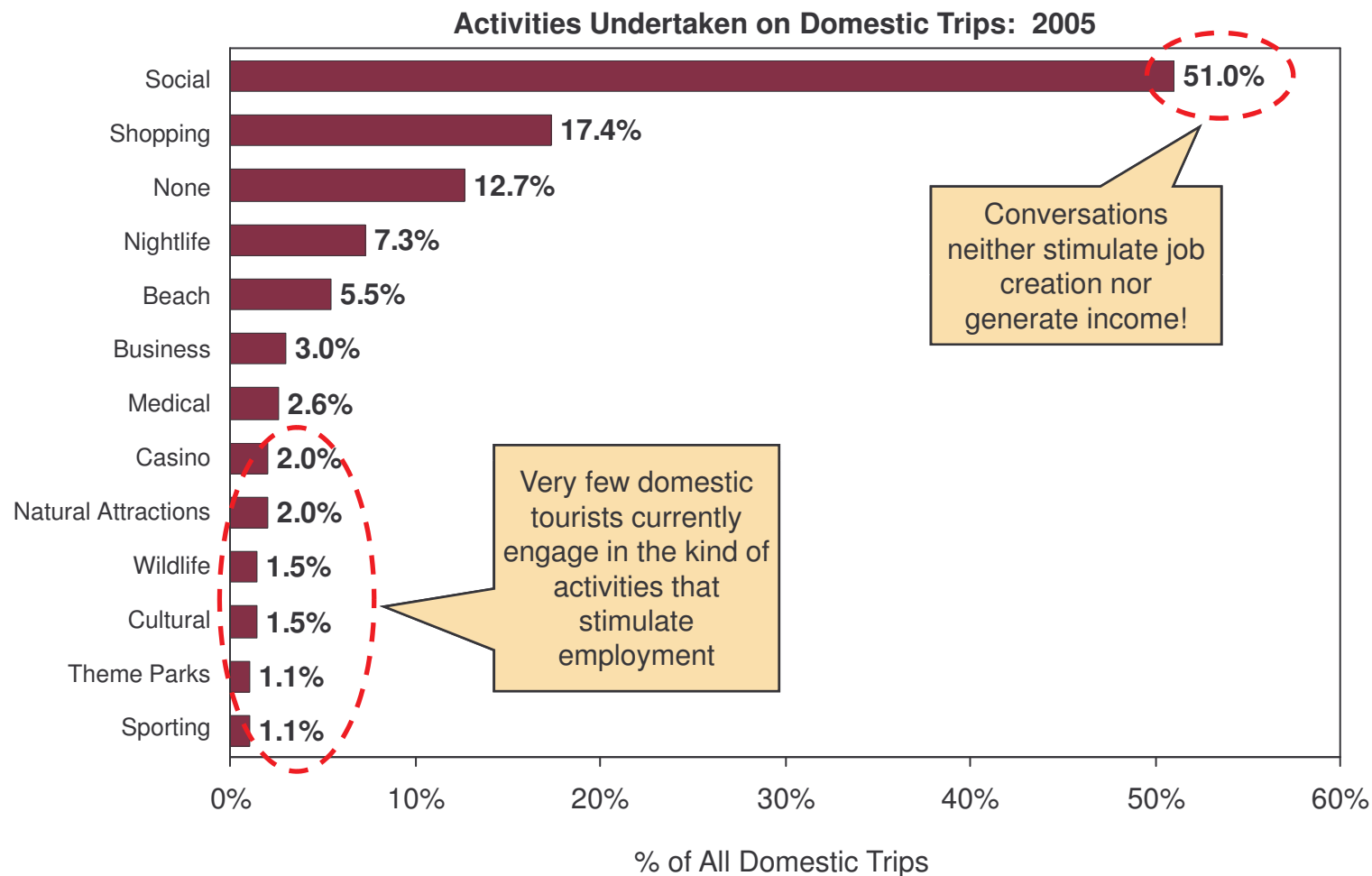
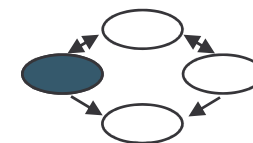
## The accommodation industry, in particular, has yet to benefit from the true potential of domestic tourism



*Three-quarters of all domestic bed nights are spent in unpaid accommodation*

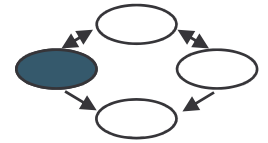


## Furthermore, the majority of domestic tourists do not engage in high-value tourist activities

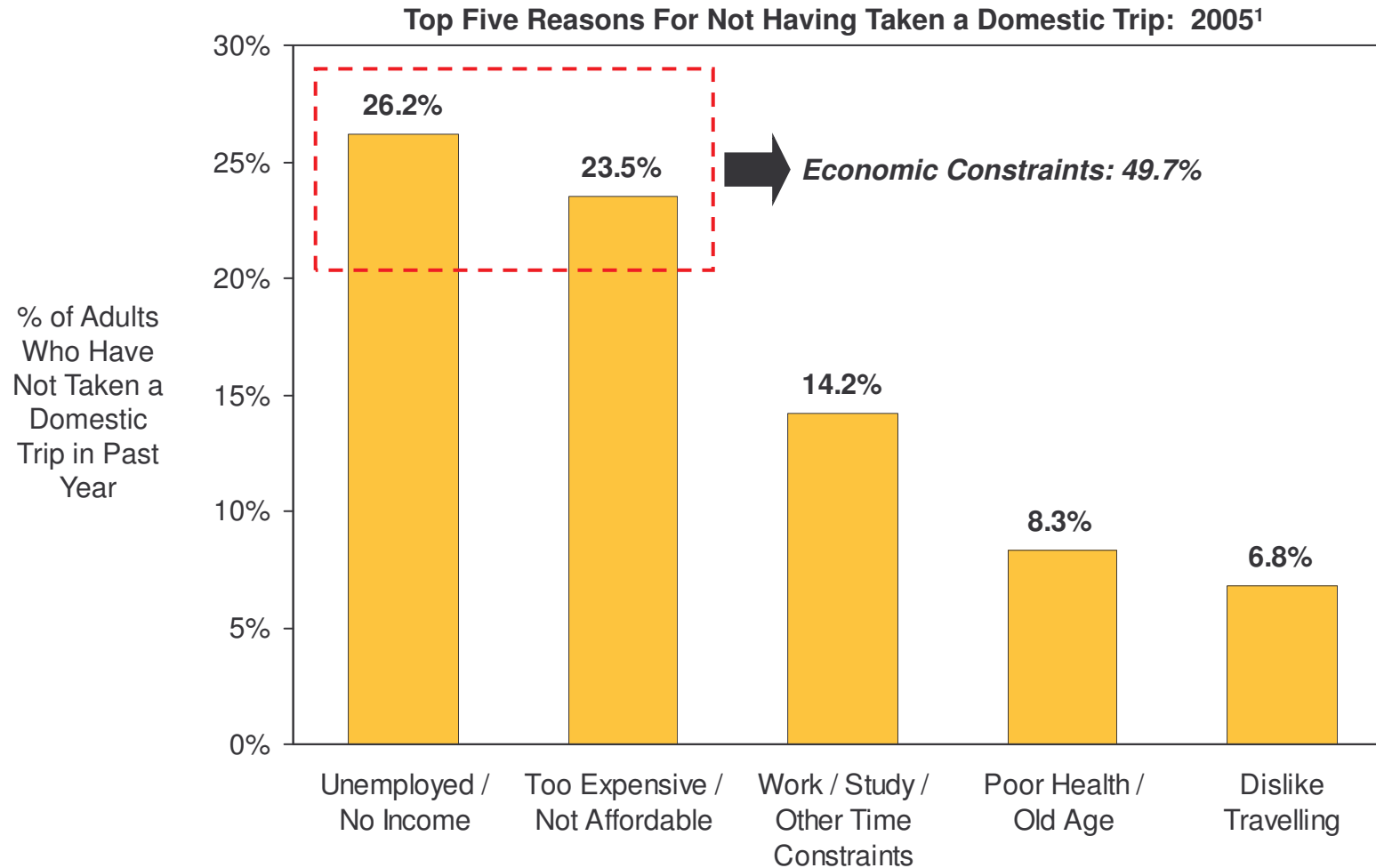




## Recent market research confirms that economic constraints remain the greatest barrier to increasing domestic travel in South Africa...



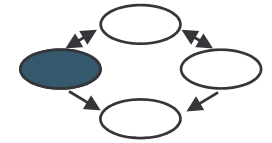
*A combination of unemployment and affordability stand out as major barriers to domestic travel*



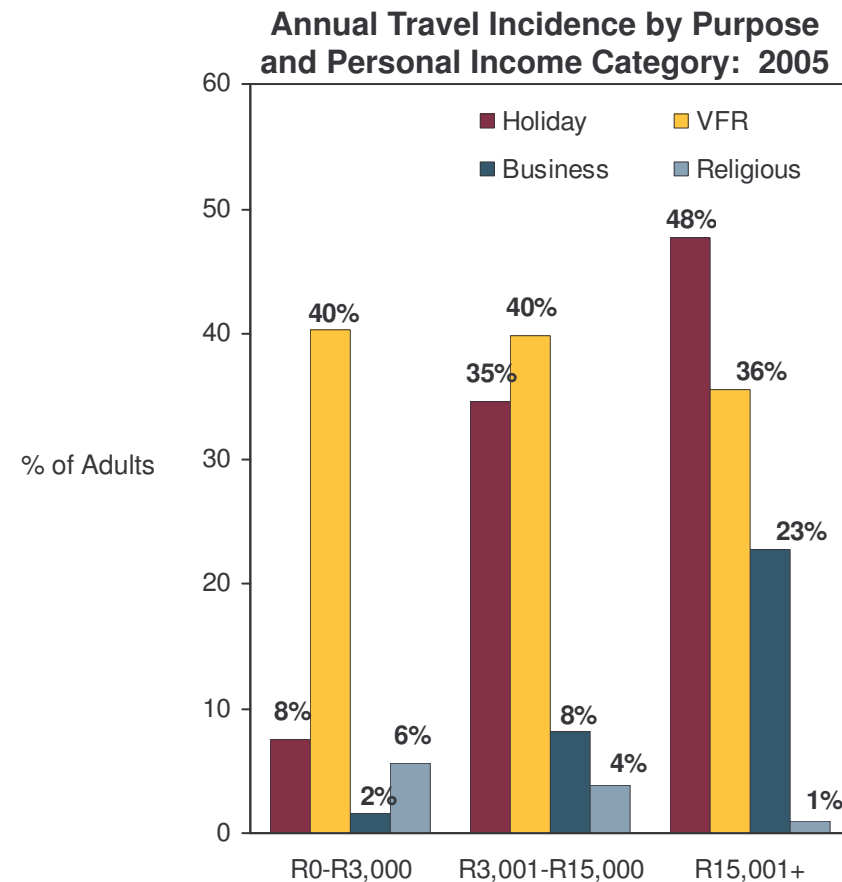
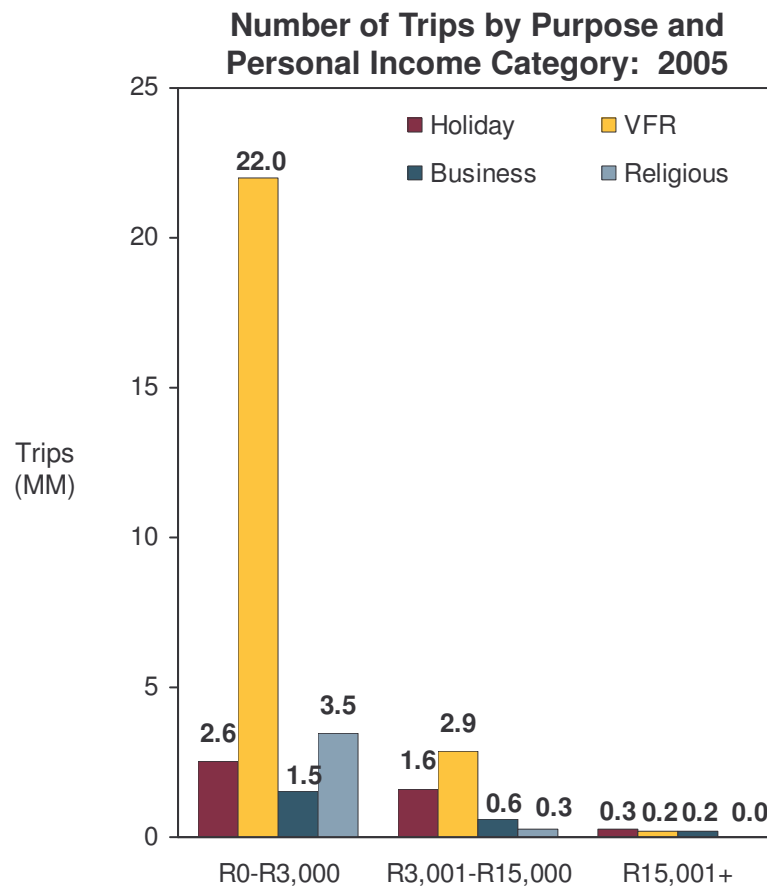
Note: <sup>1</sup>Respondents could give more than one reason for not taking a trip

Source: SAT Domestic Surveys for 2005

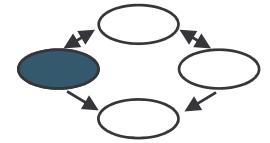
## ...and clearly supports the hypothesis that maturation of the domestic holiday market is linked to personal income



*Annual holiday travel incidence jumps from just 8% in the lowest income category, to 35% and 48%, respectively, among middle and high income groups; Business travel incidence follows the same pattern, while VFR travel incidence is consistently high at all income levels*

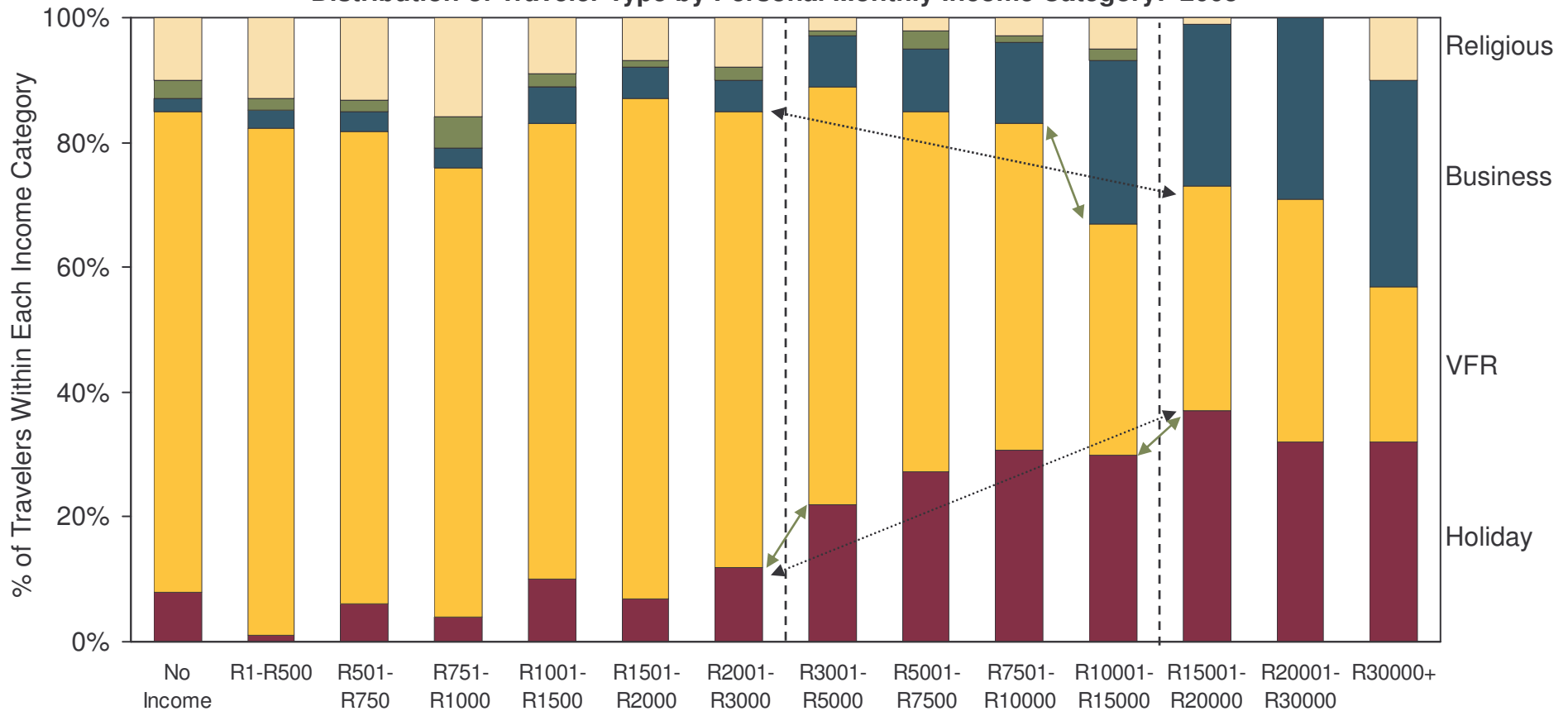


## The trigger point for domestic holiday travel seems to exist around the 3,000-5,000 Rand monthly personal income mark



*Holiday travel continues to escalate with income up to a peak at the R15,000-20,000 mark*

**Distribution of Traveler Type by Personal Monthly Income Category: 2005<sup>1</sup>**



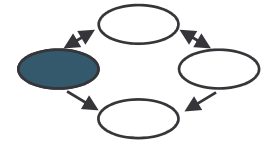
*VFR and Religious travelers disproportionately outweigh other traveler types among lower personal income brackets*

*Around the R3,000-R5,000 personal income mark, VFR and religious travelers begin to trail off, while the proportion of holiday and business travelers rises dramatically*

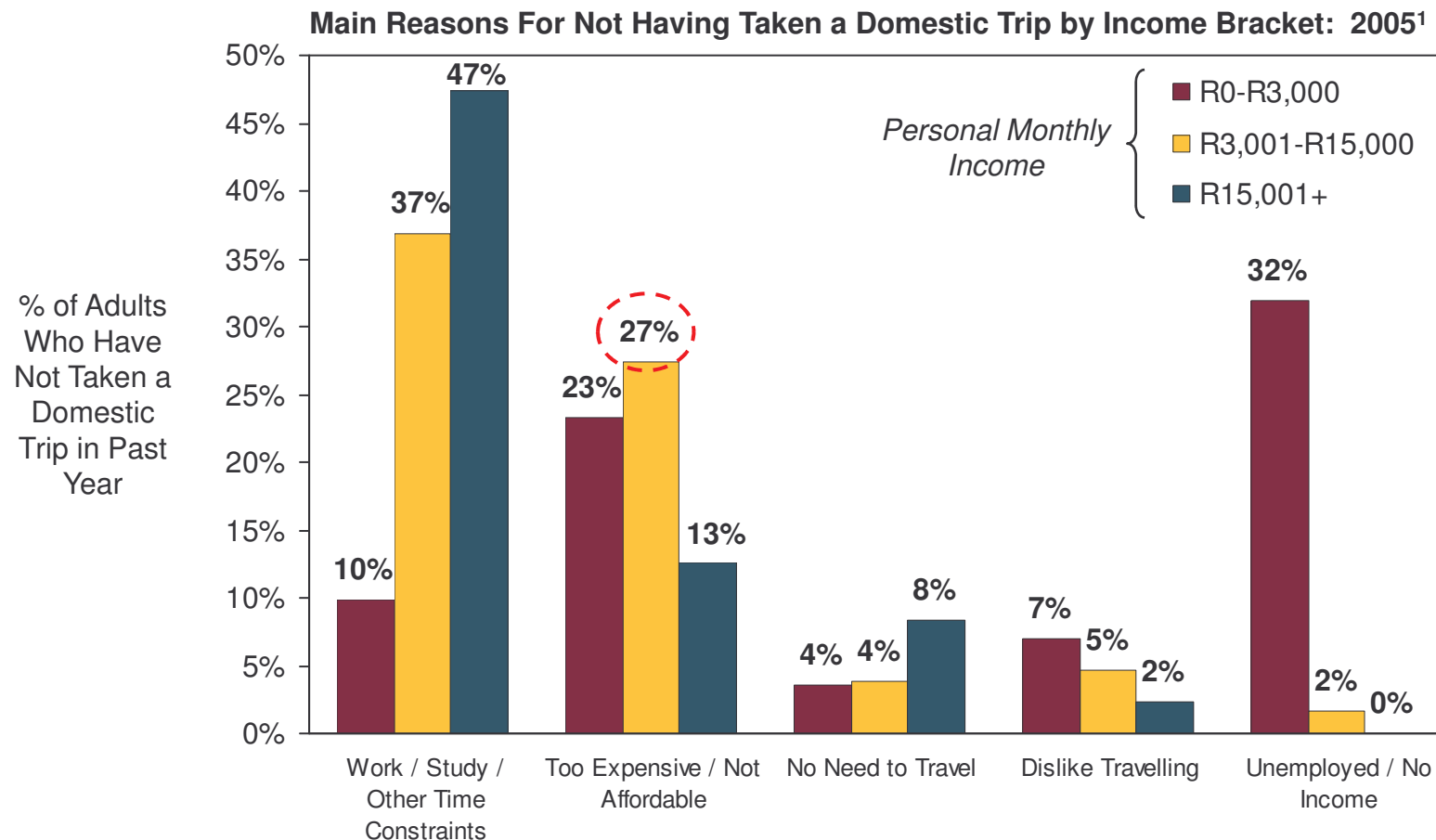
*After seeing another spike in the R15,000-R20,000 range, holiday travel remains prominent in the highest income groups*

Note: <sup>1</sup>Based on respondent's travel purpose as of their first recalled trip  
Source: SAT Domestic Surveys for 2005

## Among these higher income earners, time constraints are the major impediments to domestic holiday travel



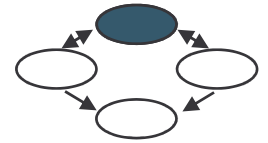
However, affordability is still a major constraint on domestic holiday travel among the middle-income bracket



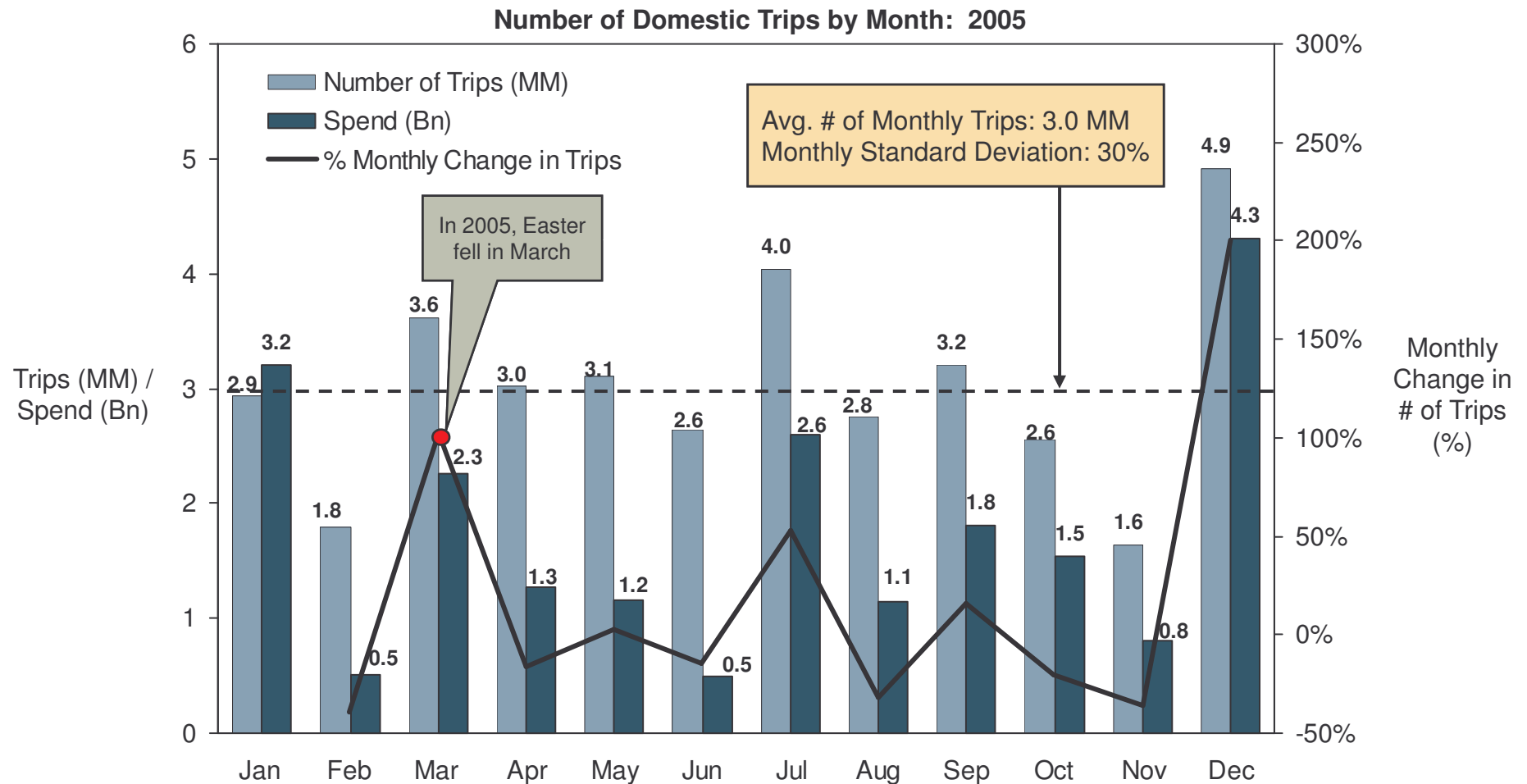
Note: <sup>1</sup>Respondents could give more than one reason for not taking a trip

Source: SAT Domestic Surveys for 2005

## Seasonality presents a second major challenge to both managing capacity / cash flow and extracting value from domestic tourists

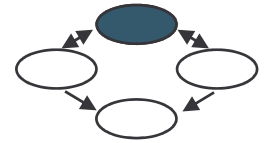


*Domestic travel volume jumps by as much as 100% and 200% in the month of Easter and in December, respectively, and dips sharply in non-holiday months*

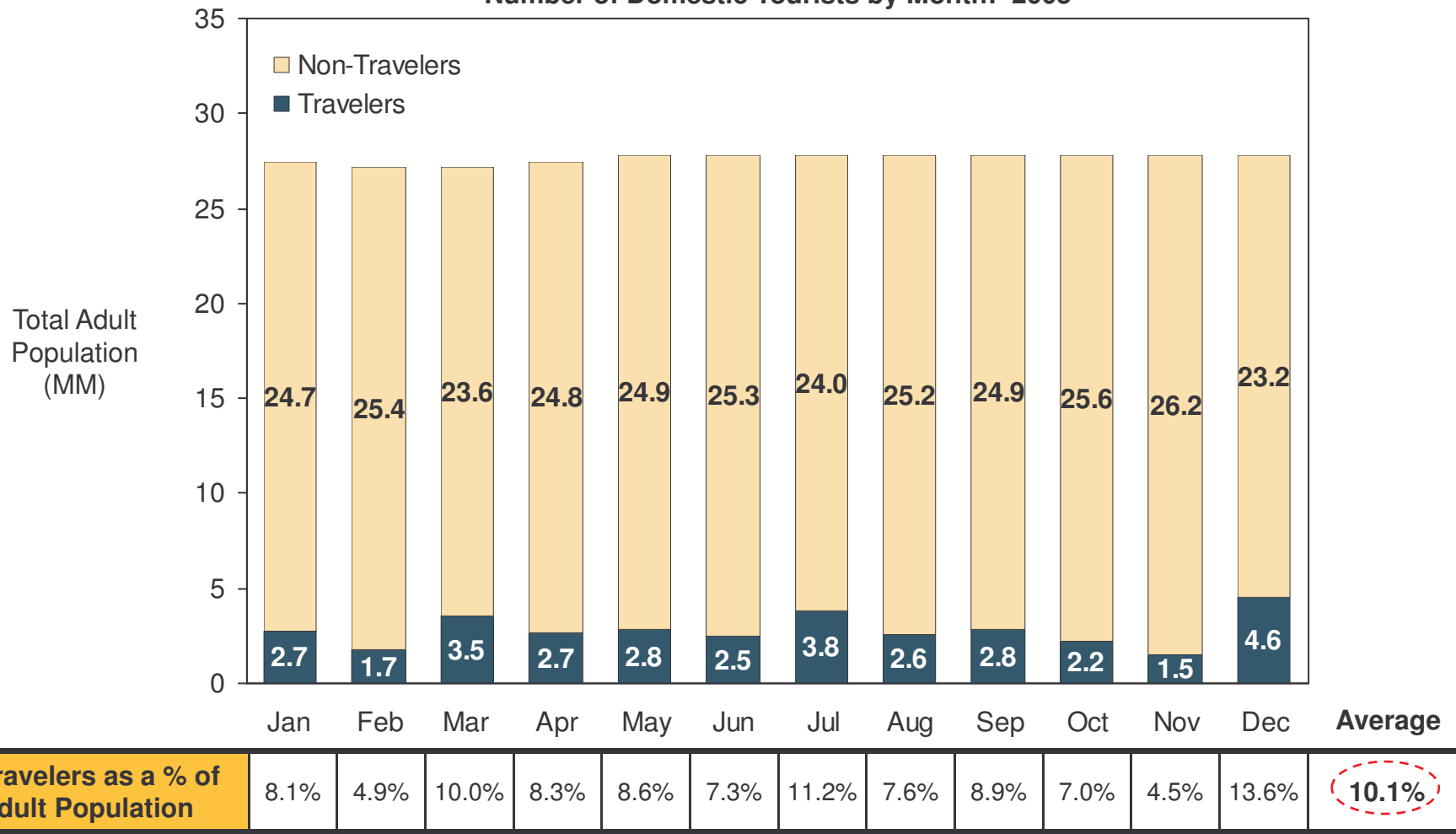


Overview of the Domestic Tourism Market: Domestic market challenges

**At various times throughout the year, monthly domestic travel incidence can be as high as 14% of the population, or as low as 5%**

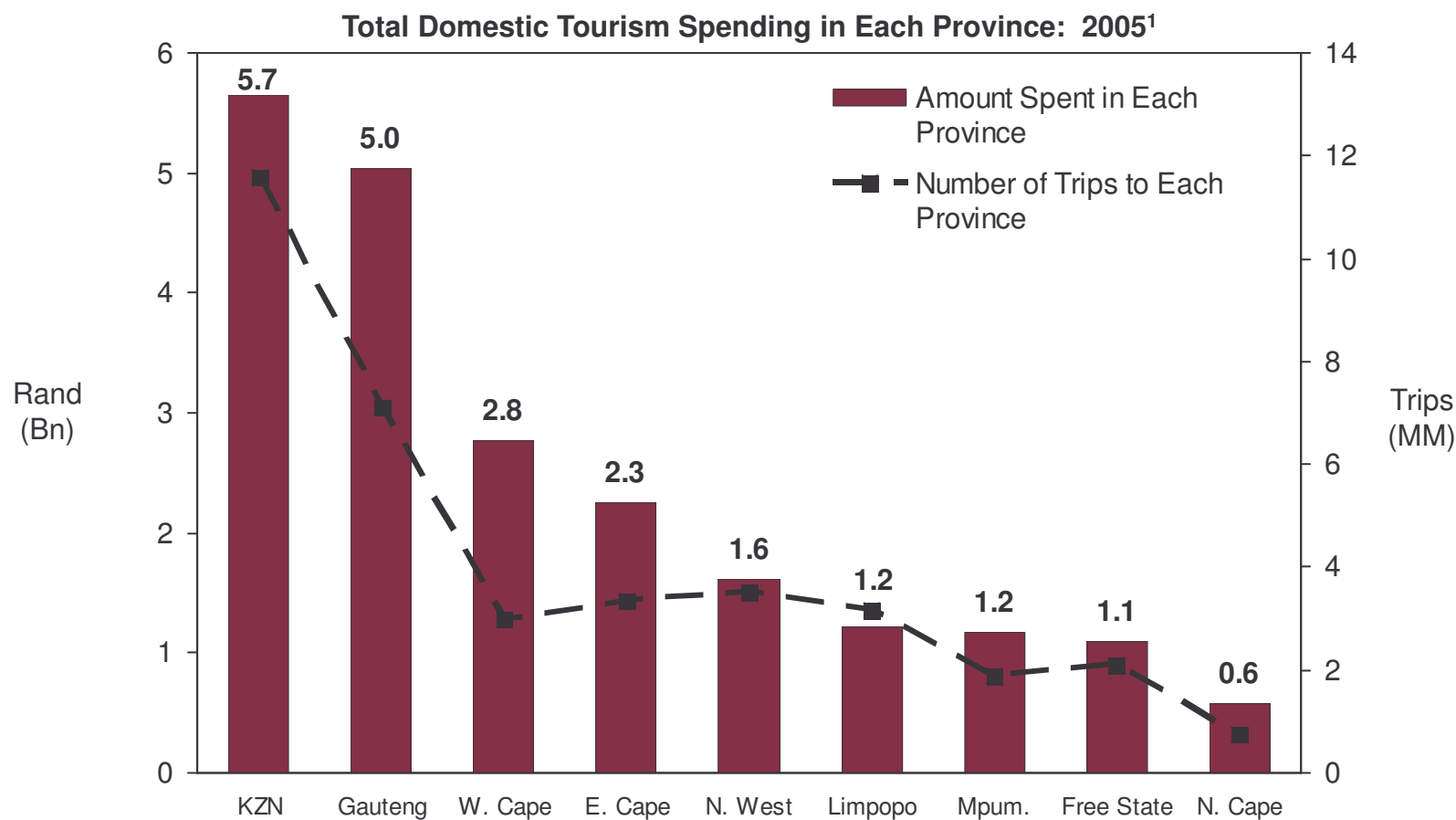
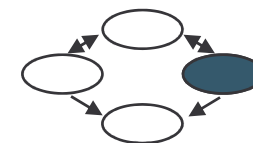


Number of Domestic Tourists by Month: 2005



Source: SAT Domestic Surveys for 2005

## Finally, a third major challenge concerns the fact that only pockets of the country are benefiting from domestic tourism

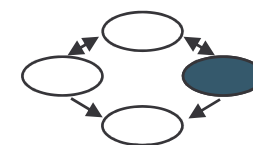


% of Total Spend	26%	24%	13%	11%	8%	6%	5%	5%	3%
Avg. Revenue / Trip	488	709	934	677	459	389	619	528	775

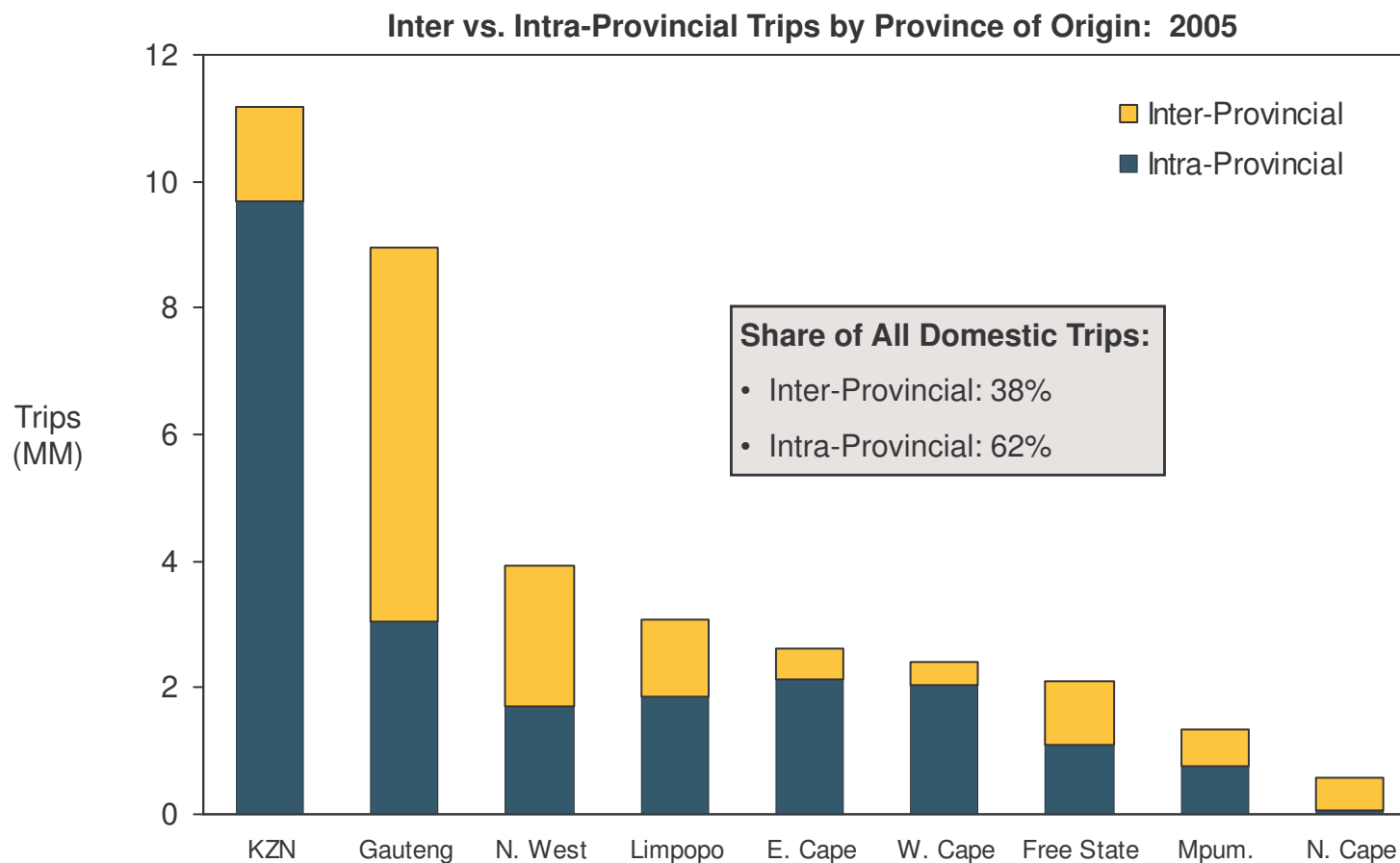
Note <sup>1</sup>Provincial spending figures sum to 21.5Bn, which is slightly greater than the 21.1Bn total spend figure. This is because the survey asks for spend per trip, but one trip may include several provinces

Source: SAT Domestic Surveys for 2005

**This is due, in part, to the relatively low prevalence of inter-provincial travel, which accounts for under 40% of all trips**



*Intra-provincial travel outweighs inter-provincial travel in all provinces except for Gauteng, the North West, and the Northern Cape*



Inter-Provincial (MM)	1.47	5.90	2.22	1.21	0.49	0.38	0.99	0.57	0.50
Intra-Provincial (MM)	9.70	3.06	1.72	1.87	2.13	2.03	1.11	0.77	0.07



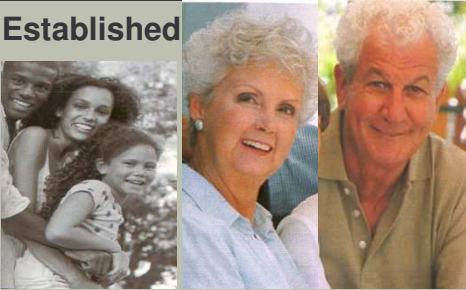


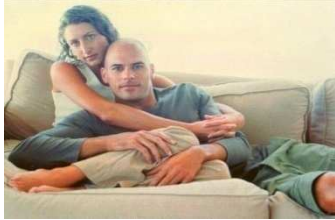


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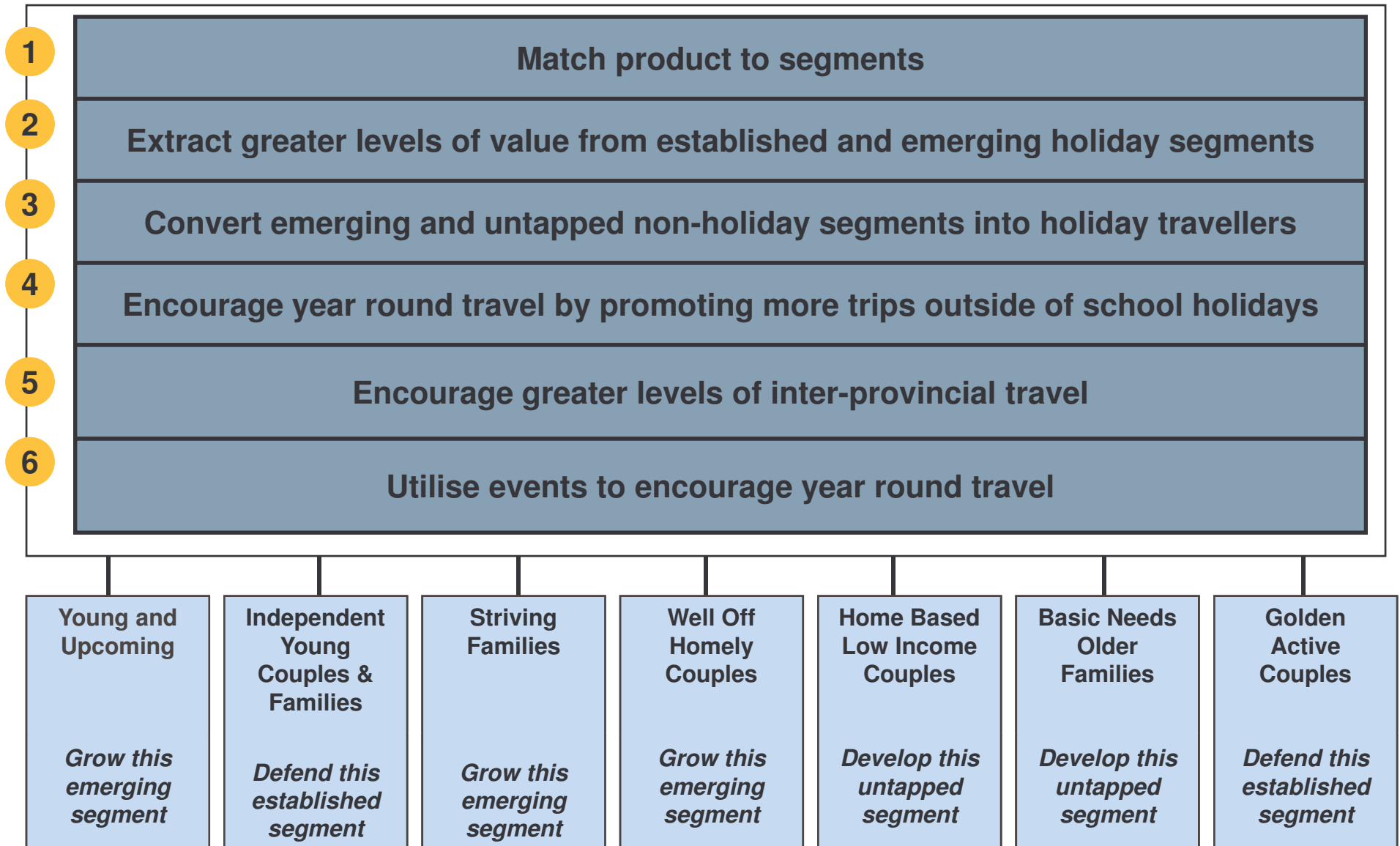
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## There are many segments in the domestic market but SA Tourism focuses on the emerging young market in order to develop a culture of travel

*Consumer segments are categorised based on their current holiday travel status and differentiating between established, emerging and untapped markets*

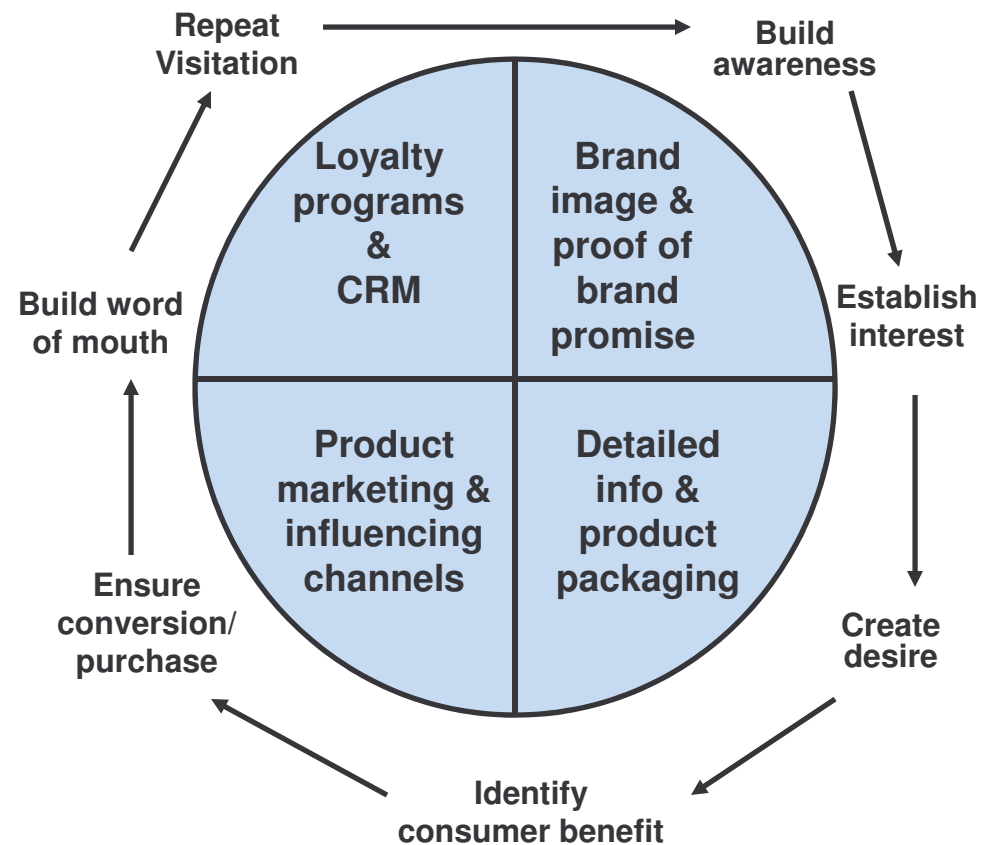
Category	Definition	Segments	Approach
<b>Established</b> 	<ul style="list-style-type: none"> <li>• High average spend</li> <li>• Majority of the segment travel for holiday purposes</li> <li>• Little room for growth</li> </ul>	<ul style="list-style-type: none"> <li>• Independent young couples and families</li> <li>• Golden active couples</li> </ul>	<ul style="list-style-type: none"> <li>• Defend and extract value</li> </ul> 
<b>Emerging</b> 	<ul style="list-style-type: none"> <li>• Medium average spend</li> <li>• Only small proportions of the segment travel for holiday purposes</li> <li>• Non-travellers represent opportunities to grow these segments</li> </ul>	<ul style="list-style-type: none"> <li>• Well-off homely couples</li> <li>• Young and up-coming</li> <li>• Striving families</li> </ul>	<ul style="list-style-type: none"> <li>• Grow and defend</li> </ul> 
<b>Untapped</b> 	<ul style="list-style-type: none"> <li>• Low average spend</li> <li>• Few if any of these segments travel for holiday purposes</li> <li>• Opportunity for growth exists however a dedicated education process will be required</li> </ul>	<ul style="list-style-type: none"> <li>• Home based low income couples</li> <li>• Basic needs older families</li> </ul>	<ul style="list-style-type: none"> <li>• Develop</li> </ul> 

## Six segment specific strategies have been developed to grow domestic tourism



**In addition, six destination marketing strategies have (or will be) implemented on a national level to support the growth of the domestic tourism industry**

- 1 Roll out a South African domestic destination brand at a national level**
- 2 Develop and promote set of South African experiences related to target consumers**
- 3 Distribute appropriate information in specific places**
- 4 Facilitate co-operative product packaging and promotion programmes at national and provincial levels**
- 5 Develop marketing and distribution channels**
- 6 Encourage repeat visitation**



**Continuous Research, Strategic Planning, Partnerships & Public Relations**

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Email: [research@southafrica.net](mailto:research@southafrica.net)  
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