

Tourism Industry Intelligence

Strategic Information for Decision-Makers

South African Market Prospects 2002

May/June/July 2002

Economic performance

South Africa's tourism industry contributes 8.5% to its GDP. On average tourists spend an average of US\$75 per day in South Africa. With the value of the rand being 1 rand = US\$0.09, it serves as an opportunity for visitors to have good value for money when visiting South Africa.

Recent performance

South Africa received 5.5 million visitors in 2001, a 6.4% decrease over 2000, however, in 2000 South Africa received 5.8 million visitors, which was a 2.7% increase over 1999. **Just over 70% of South Africa's visitors are from the African Continent** with Lesotho registering the largest decline (19.2%) in 2001.

UK is the number 1 overseas market

The UK is South Africa's number one overseas market generating 362,508 visitors in 2001 an increase of 3.7% over 2000. The top three reasons for UK residents visiting South Africa were wildlife, scenic beauty and visiting friends and relatives. In 2001, other top overseas destinations were Germany (207,176), USA (174,821) and the Netherlands (97,459).

Critical issues

While South Africa is readily associated with national parks and ancient tribal heritage, **crime, poverty and AIDS are some critical issues which the country faces.** The perception of South Africa as dangerous to visitors is a main obstacle. However the installation of close circuit television in city centres is the start of a campaign to allay visitors fears.

What's Inside:-

- Market & Consumer Trends
- Eco-Monitor
- Cruise News
- Focus: Ian Schrager Hotels
- Destination Watch
- Aviation Update
- Technology Update
- Editorial
- Trends to Watch

Key strategies

Since the events of September 2001, **South Africa is promoting itself as a 'safe haven'**. South Africa sells itself as a land offering scenic and wildlife attractions with a modern infrastructure in wonderful climate, and **in November 2000 South Africa Tourism embarked on an 18-month global marketing campaign worth US\$60 million.** The devaluation of the rand has been seen as an opportunity as **some European markets and the UK see South Africa as a bargain destination.** Another key growth area is that of township tourism where travellers are keen to sample the real South Africa by staying in bed and breakfast establishments in townships.

Future prospects

South Africa has made strong progress in growing its European and North American markets. South Africa now has the potential to threaten Australia's position in the long-haul market. The prospects look good with **some companies in the UK already showing 30% rise in packages for 2002.** With the weak rand luxurious holidays and safaris are now very affordable and given the troubled international scene South Africa is now being viewed as a 'safe haven'.

Market & Consumer Trends

Arab travellers opt for non-American destinations

America is not one of the favorite destinations for Arab travellers. Racial profiling and long waits to get visas are among the main deterrents for Arabian visitors to the US. They are opting instead for the Far East, Europe and Australia. **For Australia alone, travel agents report up to 100% rise in bookings over 2001.** (see *Impact of Terrorism on Tourism*)

Leisure trips remains unaffected by 9/11

Leisure travel has remained strong for much of 2001 despite recent terrorist attacks reveals *NFO Plog's 2002 American Traveler Study*. The difference however, between 2001 and previous years is the mode of transportation used, with the family car now being preferred over flights. **This research has revealed that there was a 12-point increase in leisure trips to attend family events and a 4-point increase in visiting friends or relatives.**

Economy will slow travel this summer

It will be the struggling economy rather than concerns of safety that will slow travel for the summer states *InsightExpress*, an online research firm. **Because of heavier workloads and tighter household budgets, Americans will be attempting to be smarter about spending.** This is reflected in the fact that 85% of Americans select hotel accommodation based on price.

Business travel slow

Post-September 11th, many companies had a 'no fly' policy or a high level approval requirement for all trips. These factors all contributed to the decline of business travel. **Business travel decreased from 26% in 1998 to 21% in 2001**. Furthermore many of the frequent business travellers have cut down on their travel as well. A positive indicator for business travel however is that the importance of business travel is gradually increasing according to a survey conducted by *NFO's Plog Research*.

Eco-Monitor

World Ecotourism Summit

The **World Ecotourism Summit** held in Québec in May 2002, was heralded as a success. **Over 1,100 delegates attended from 133 different countries including 40 ministers from foreign countries.** This conference will become a point of reference for all future discussions and debates on ecotourism. The delegates all agreed to ensure that ecotourism develops harmoniously, respecting the environment, fragile ecosystems and the local populations. (see *upcoming August, 2002 issue of Tourism Industry Intelligence for a focus on World Sustainable Development Summit*).

Cruise News

Carnival's takeover of P & O Cruises approved

The **European Commission has approved Carnival's US\$5.5 billion takeover bid for P & O Cruises.** P & O Cruises has shown a 5% profit of US\$98.9 million at the end of June 2002, however, sales for the same period fell from US\$647.6 million to US\$638.1 million. Royal Caribbean is disappointed in the ruling especially as the European competition authority had previously seemed certain to block the Carnival bid but changed its mind as a result of the recent First Choice/Airtour ruling by the European Court of Justice. **The court ruled that the Commission had been wrong to block the merger between the two firms.**

Aviation Update

“No frills, low cost airlines” - Do you get what you pay for?

Is paying a cheaper fare at a ‘no-frills’ airline really worth it? According to, *The Observer* this may not necessarily be the case. In one instance, **what would have been a cheap weekend to Barcelona on EasyJet ended up costing more than £400 extra because the return flight was cancelled with no chance of getting another flight for up to 3 days.**

Only 10% booked at lowest quoted fare

The flip side of getting a cheap airfare usually means high cost of snacks on the flight, dirty and uncomfortable airplanes and usually sub-standard service. **Furthermore only 10% of seats are booked at the lowest quoted fare.** No-frills airlines can afford to offer these low fares because most of their bookings are done over the Internet and they do not have in-flight catering.

Scheduled airlines slashing fares

Scheduled carriers such as BA and BMI British Midland are fighting back now by slashing fares in order to compete. Even charter airlines such as Britannia Airways are offering flexible one-way fares to certain destinations. Despite this new competition however, the popularity of the low cost airlines is growing. While many may be shopping for the lowest fare, one cannot know what to expect since the level of service within ‘no-frills’ airlines varies.

Continental Airlines receives good report

Continental Airlines has recorded the least flight cancellation at a rate of 0.2% as well as the highest on-time record with 87.9% according to a recent *Air Travel Consumer Report*. Conversely, American Eagle has recorded the most flight cancellations as well as the most lost luggage reports.

Destination Watch

Australian aboriginal program

In response to demand by second and third time visitors to Australia, **tour operators are now offering authentic aboriginal culture tours to Australian visitors.** The tours are provided by aboriginal-owned companies in Australia and enable travellers to learn from the aboriginal people themselves.

Wine tasting in Chile

What was once off-limits to wine loving travellers is now an incentive tour for these persons. Chile’s vineyards are producing more award-winning wines than ever. Now, **after over ten years of a ‘closed door’ policy, visitors can experience some of this world class quality right at its site of production.**

Atlanta targets the gay market

Atlanta has unveiled a marketing initiative designed to attract gay and lesbian travellers to the city. The campaign includes a web site at www.gay-atlanta.com catering specifically to this market niche. This comes as no surprise as the American gay and lesbian men and women travelled overseas six times as often as ‘mainstream’ travellers and also spent more on their vacations, according to *Community Marketing*. The research also revealed that 85% of gay and lesbian travellers used travel agents, twice as much as the national average. Almost 50% of participants in the research took three or more vacations within the past year and 82% spent more than 5 nights in a hotel. (see *How Americans will Travel 2007*).

Focus: Ian Schrager Hotels

Unconventional approach to hotels

Ian Schrager has redefined the way hotels should be. When Ian Schrager emerged on the hotel scene twenty years ago, **he brought with him an unconventional approach and outsider mentality that was deeply rooted in the spirit and ethos of the entertainment industry.** In the mid 1980s hotels could be considered homey or posh but they were seldom innovative, clever, and entertaining at the same time like Ian Schrager hotels. In striving to reinvent the hotel Ian Schrager has created a series of simple concepts upon which his hotels are based.

The concepts are as follows:

Daring, imaginative and provocative

- β A home away from home – where standard hotels are radically modified to feel distinctly more comfortable and residential.
- β The art of lobby socialising – where lobbies become social hubs
- β **Cheap Chic** – which develops high style at an affordable price. Ian Schrager hotels start as low as US\$135 a night.
- β Indoor/Outdoor Lobby which serve to blur the conventional distinction between the two.
- β Urban Resort – where the hotel becomes a self-contained destination and oasis in the middle of a bustling city.
- β The Urban spa – where soothing and calming spa-like qualities are integrated throughout.
- β Daring, imaginative and provocative, dreamlike, magical and memorable.

A new paradigm

- β A distinct point of view.
- β **Poetic, Lyrical and whimsical.**
- β Conventional hotel philosophy turned on its head.
- β Modern day Alice in Wonderland.
- β **Radical and Subversive.**
- β Visceral Experience.
- β Hotel as a theatre.
- β Hotel as Lifestyle; and
- β You are where you sleep which recognise that one's choice of hotel is a profound reflection of who you are.

Conventional hotel philosophy turned on its head

For creative people

The Ian Schrager hotels aim to attract creative people in fashion, film, music, publishing, or advertising, who appreciate products that are **fresh and original, somewhat on the edge.** What differentiates them from the rest and what links them to one another, are the magic and theatricality they create, and the emotions they evoke. It is a collision styles and ideas. To each who experiences Ian Schrager hotels, the experience is purely personal and interactive. **The hotels are defined more by an approach and attitude than by a certain look or style.**

Hotels based on attitude and lifestyle

Ian Schrager has created a new paradigm and has disregarded convention. His properties are considered “**stylish, high-touch and unique**”. His vision is clearly expressed in the following statement.

Hotels where you feel an emotional connection

“I want the experience of visiting my hotels to be more like seeing a great movie, reading a wonderful book, or watching a memorable play not just as a place to sleep, but a place where you feel an honest, emotional connection, where you feel like you are an integral part of the magical story that is unfolding around you – because you are you”.
Ian Schrager

Source: Ian Schrager's Mission Statement, Lodging News, Hotel Online Special Report and ianschrager.com

Hotels & Resort Trends

Ice hotels

The Ice Hotel has become one of the world's most fashionable short winter break. The Ice Hotel has to be built every year as it melts away in May. The main season is therefore five months December to April. In December 2001, the Ice Hotel was a 4,000 square metre ice complex which included a hotel reception, a main hall, an Ice-Art exhibition, an Ice Bar, an Ice Cinema, an Ice Chapel for weddings and a range of 60 rooms. Part of the attraction is that the rooms are never the same each year as they have to be rebuilt. **The venture has been successful attracting 11,000 overnight visitors in the winter 2000/2001 and 33,000 came to see or stay in Sweden's Ice Hotel (www.icehotel.com).**

Hoteliers worry about slump in business travel

Despite noticing a slight recovery in rates and occupancy, **hoteliers are still concerned about the business travel slump.** Describing the hotel industry as in a state of fragile recovery, Richard Helfer, CEO of **Raffles International Hotels and Resorts** surmises that rate pressure on hotels will also increase in the foreseeable future.

Disneyworld vetoes price hike

In an effort to stimulate visitors, Disneyworld has maintained its admission fees, becoming the first park since 1988 to do so. Despite steady growth, visitor numbers have not reached 2001 levels despite marketing strategies to stimulate otherwise. **It is Disney's fervent hope that their '100 Years of Magic' celebrating Walt Disney's 100th birthday combined with the maintaining of admission fees will lure more travellers.**

Technology Update

Savings from on-line bookings evaporate

Corporate customers have seen savings on booking online fall from US\$18.75 (£12.50) in 2001 to US\$5.63 (£3.75) in 2002 are the recent findings of a *Hotels & the Internet 2002 Survey*. Reasons for this is that hotels have adopted a consistent pricing policy across their web sites, central reservation systems and booking direct.

Personalised use of Internet at hotels

One of the key issues facing hotels that offer Internet access via room TVs is **the need for content filtering as part of the service.** Hotels need to provide guests with the ability to personalise the Internet experience according to their needs. It is an opportunity for hotels to offer customisable, parental controls to ensure safe web access. In delivering a family experience, for example, hotels need to provide the same level of blockage to adult content on the net as they do when adult movies are blocked. **As Internet access moves into the hotel bedroom, the responsibility for delivering safe access will rest firmly on the hotel itself.**

Virgin Express has increased internet bookings

Brussels based no-frills airline, **Virgin Express indicates that web bookings has increased by 71.8% for the second quarter of 2002** compared to the same quarter in 2001. During the first half of 2002, **Virgin Express sold 277,000 seats on the internet which accounts for 29.8% of seats sold.**

Editorial

Successful companies are increasingly those that innovate - **break the rules of the game, invent something new or bring a new idea to the market.** This is certainly what Ian Schrager has done with his boutique hotels and what the Ice Hotel AB has done with its ice hotels. Increasingly, the room is becoming more and more a part of the experience and not the experience itself. It is those companies that invent, orchestrate and deliver an exceptional experience that will be the winners of the future.

Trends to Watch

Wellness targeted as a niche market

Hawaii is set to begin marketing 'wellness' as its target niche market. With the formation of the **Hawaii Wellness Tourism Organisation**, acupuncture, personal massage and homeopathic healing are moving closer to Hawaii's tourism mainstream by luring a scattered industry of independent wellness practitioners into the tourism industry.

Hurricane insurance

While hurricanes ruining a Caribbean vacation may seem like a far-fetched idea, **Sandals International** is ensuring that hurricanes do not deter guests. **Sandals offers Hurricane Insurance to guests, guaranteeing free replacement vacations including round-trip airfare in case there is a Hurricane.**

A 'twist' in adventure tours

Some tour operators have carved a niche in the adventure market by offering a storm-chasing tour catering to severe weather enthusiasts. Tours are offered in areas most susceptible to tornadoes in a region of the US commonly called Tornado Alley which stretches from the Dakotas in the north to Texas in the south. One tour operator stated that he would liken storm chasing to Class 4 or 5 water rafting, while ensuring the safety of their clients.

Travelocity in bed with Disney

Travelocity.com and Walt Disney Parks and Resorts have signed a distribution agreement in which the travel site will have direct access to theme park tickets. Under this agreement, Travelocity.com will offer land-only and air-inclusive holiday packages for Disney.

Utell most popular hotel group of Orbitz

The Utell Hotel group comprising 5,500 independent small chain hotels located in 150 countries generated more than US\$3 million in room revenues from June to December, 2001. Utell generated these reservations via the Orbitz site and it is nearly US\$1 million more than any other single hotel brand received through Orbitz during the same period.

Veggievacations.com

A new emerging trend is vegetarian vacations. **Veggievacations.com provides travel related services to the traveling public who lead and eat a Vegetarian lifestyle.** Veggievacations.com offers custom designed tours and as well as group tours. **Veggievacations.com travel philosophy is based on the principle of respect for the local environment and community.**