

**REPUBLIC OF SOUTH AFRICA
DEPARTMENT OF ENVIRONMENTAL AFFAIRS & TOURISM
AND SOUTH AFRICAN TOURISM**

JAPAN INTERNATIONAL COOPERATION AGENCY

THE STUDY ON TOURISM PROMOTION AND DEVELOPMENT PLAN IN THE REPUBLIC OF SOUTH AFRICA



FINAL REPORT Volume 2: East Asian Market Promotion

JULY 2002

PADECO Co., Ltd.
PACIFIC CONSULTANTS INTERNATIONAL

Towards Tourism Development in South Africa

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Table of Contents

Volume 1: Tourism in South Africa

Executive Summary

Chapter 1	Introduction	1
1.1	Background.....	2
1.2	Objectives of the Study	2
1.3	Study Area.....	2
1.4	Report Organization	4
Chapter 2	The Nation.....	5
2.1	The People.....	6
2.1.1	Population.....	6
2.1.2	Households.....	7
2.1.3	Education.....	8
2.1.4	Health/Welfare	10
2.2	The Culture	11
2.3	The Land.....	12
2.3.1	Geography	12
2.3.2	Flora and Fauna	16
2.4	Infrastructure	17
2.4.1	Transport.....	17
2.4.2	Water Supply	23
2.4.3	Sanitation.....	24
2.4.4	Electricity	25
2.4.5	Telecommunication.....	27
2.5	The Economy	29
2.5.1	Overview of South Africa's Economy.....	29
2.5.2	Regional Socio-Economic Analysis	34
Chapter 3	Tourism Demand and Impact.....	41
3.1	International Market	42
3.1.1	Arrival Trends.....	42
3.1.2	Typical Tour Patterns – Comparison by Markets	45
3.2	Domestic Demand.....	47
3.2.1	Size of the Market.....	47
3.2.2	Origin of South Africa's Domestic Tourists.....	47
3.2.3	Destination of South Africa's Domestic Tourists	48
3.2.4	Domestic Tourists by LSM Group	49
3.2.5	Purpose of Visit.....	50
3.2.6	Domestic Tourist Spending	51
3.2.7	Domestic Business Travel Market	51
3.2.8	One Day Excursions by Domestic Tourists.....	52
3.3	Economic Impact.....	53
3.3.1	Impact of Tourism on the Economy and Employment.....	53

Chapter 4	Tourism Institutions	57
4.1	Total Tourism Organizational Structure.....	58
4.1.1	The National Tourism Forum	58
4.1.2	MINMEC	58
4.1.3	MIPTEC	58
4.2	Government Institutions	59
4.2.1	National Governmental Organizations.....	59
4.2.2	Provincial and Local Organizations	63
4.3	Major Private Institutions	64
4.3.1	Tourism Business Council of South Africa (TBCSA)	64
4.3.2	The Board of Tourism Marketing SA (TOMSA).....	65
4.3.3	Association of Southern African Travel Agents (ASATA).....	66
4.3.4	Southern African Tourism Services Association (SATSA)	66
4.3.5	Federated Hotel Association of South Africa (FEDHASA).....	66
Chapter 5	Tourism Products and Support	67
5.1	Tourist Attractions.....	68
5.1.1	Scope and Location.....	68
5.1.2	Entertainment	69
5.1.3	Standard & Performance of Attractions	72
5.2	Tourist Accommodation	72
5.2.1	Total Industry	72
5.2.2	Hotels:.....	73
5.2.3	Guesthouses:.....	74
5.2.4	Bed & Breakfast:.....	74
5.2.5	Self-Catering:.....	75
5.2.6	Private Game & Hunting Lodges:	75
5.2.7	National & Provincial Parks:	76
5.2.8	Timeshare:.....	77
5.3	Conference Facilities.....	77
5.3.1	Structure	77
5.3.2	Capacity.....	78
5.4	Tourism Support Services	80
5.4.1	Transport.....	80
5.4.2	Tour operators.....	84
5.4.3	Travel Agents	85
5.5	Marketing and Promotion	85
5.5.1	Background.....	85
5.5.2	Review of former strategy.....	86
5.5.3	Strategy (2001-2002).....	86
5.5.4	Promotional Activities by South African Tourism	88
5.5.5	Promotional Activities by Tour Operators.....	93
5.5.6	Promotional Activities by Hotel Companies	93
5.5.7	Promotional Activities by Airlines (SAA)	94
5.5.8	Promotional Activities by Province.....	94
5.6	Human Resource Development	97
5.6.1	Introduction	97
5.6.2	Brief History	97
5.6.3	Legislative Framework.....	98
5.6.4	THETA	99
5.6.5	Tourism Learnership Project ("TLP")	102
5.6.6	South African Tourism Institute (SATI).....	104

5.6.7	Tourism Training Demand.....	105
5.6.8	Tourism Human Resource Training Supply	107
5.7	Tourism Security Issues in South Africa	109
5.7.1	Background.....	109
5.7.2	South African Crime Profile	110
5.7.3	General Safety and Security Initiatives - National.....	111
5.7.4	Tourism Specific Safety and Security Initiatives	113
5.8	Environmental Conservation	117
5.8.1	Legal Framework.....	117
5.8.2	Environmental Impact Assessment (EIA) System	125
5.9	Investment.....	128
5.9.1	Investment Trend.....	128
5.9.2	Government Support	129

Chapter 6 SWOT Analysis for the South African Tourism Industry..... 135

6.1	Introduction	136
6.2	Strengths.....	136
6.2.1	Attraction Strengths for Foreign Tourists	136
6.2.2	Strengths for the Domestic Holiday Market	137
6.2.3	Domestic Business Tourism	138
6.3	General Strengths	138
6.4	Weaknesses.....	138
6.4.1	From the Attraction Perspective	138
6.4.2	From the Institutional And Support Perspective	138
6.5	Opportunities.....	139
6.6	Threats.....	139
6.7	Conclusions.....	144

Volume 2: East Asian Market Promotion

Executive Summary

Chapter 7 Study Framework 1

7.1	Introduction	2
7.2	Framework for Strategy and Action Plan Formulation	2
7.2.1	Strategy and Action Plan Formulation	3
7.2.2	Determinants for Strategy Formulation.....	7

Chapter 8 East Asian Survey Results..... 15

8.1	Background.....	16
8.2	Current Market Segments and Seasonality.....	16
8.3	Survey of Operators/Agents in Japan.....	18
8.4	Survey of Ground Operators in Hong Kong, Taiwan, Singapore and Korea	19
8.5	SA Ground Operator Survey	20

8.6	Departing Passenger Survey	21
8.7	Dubai Case Study	26
Chapter 9 Tour Packages and Products.....		27
9.1	Tour Packages Offered in the Source Market.....	28
9.1.1	Main Characteristics	28
9.1.2	Typical Tour Patterns by Different Markets	29
9.1.3	Pricing.....	32
9.2	Popular Products Included in East Asian Tour Packages.....	32
9.3	Potential of South African Tourist Products from East Asian Perspective	33
Chapter 10 South Africa's Position in the Market.....		39
10.1	Tour Packages Offered in Print Media Ads in Japan	40
10.2	South Africa's Destination Exposure in Japan.....	42
10.2.1	Tour Brochures	42
10.2.2	Guidebooks.....	43
Chapter 11 Promotion Measures Available in Japan.....		51
11.1	Available Promotion Measures.....	52
11.2	Expenditure for Advertisement	52
11.3	Cost and Assessment of Promotional Measures.....	55
11.3.1	Mass Media	55
Chapter 12 Promotion Strategy		71
12.1	Determinants for Strategy Formulation.....	72
12.1.1	Barriers to Tackle	72
12.1.2	Market Segments.....	82
12.1.3	Marketers.....	87
12.1.4	Tourist Draw Cards and Appeal to Market.....	94
12.2	Promotion Strategy.....	101
12.2.1	Objectives	101
12.2.2	Approach to Promotion	102
12.2.3	Five-Point Strategy	103
Chapter 13 Promotion Action Plan		105
13.1	Japan	106
13.1.1	Immediate / Short Term Action Plans (1 – 3 years)	106
13.1.2	Medium / Long Term Action Plans (5 years /over).....	121
13.2	Korea	124
13.3	Taiwan.....	128
13.4	Hong Kong	132
13.5	Singapore.....	136

Volume 3: Focus Area Tourism Development

Executive Summary

Chapter 14 Focus Area Selection and Planning 1

14.1 Introduction	2
14.2 Selection of Focus Areas	2
14.2.1 Selection Criteria	2
14.2.2 The Selection Process.....	3
14.2.3 The Selection Results - Selected Candidate Focus Areas.....	3
14.3 Planning Methodology.....	8
14.3.1 Tourism Development Objectives	8
14.3.2 Basic Planning Principles	8
14.3.3 Tourism Product Development	10
14.3.4 Refining Focus Areas – Subject Areas within Focus Areas.....	12
14.3.5 Other Tourism Components.....	13

Chapter 15 Pilanesberg–Madikwe Corridor Tourism Development Plan 19

15.1 Tourism Development Concept	20
15.1.1 Background and Current Condition	20
15.1.2 Strengths and Potential	20
15.1.3 Development Concept	21
15.2 Long-Term Development Framework.....	24
15.2.1 Definition of Subject Area	24
15.2.2 Demand Analysis	25
15.2.3 Socio-Economic Framework.....	27
15.3 Product Development Plan.....	34
15.3.1 Existing Supply of Tourism Resources and Assets	34
15.3.2 Tourism Resource/Asset Map.....	34
15.3.3 Interpretation of Current Tourism Product(s)	34
15.3.4 Core Tourism Product Strength & Potential of the Area	35
15.3.5 Potential Tourism Products	35
15.3.6 Target Market Segments	36
15.3.7 Specification of Future Product Development	36
15.4 Infrastructure Development Plan.....	40
15.4.1 Road	40
15.4.2 Water Supply	40
15.4.3 Sewage Treatment	41
15.4.4 Electric Supply	41
15.4.5 Telecommunication.....	41

Chapter 16 Khayelitsha Tourism Development Plan 43

16.1 Tourism Development Concept	44
16.1.1 Background and Current Condition	44
16.1.2 Strengths and Potentials.....	44
16.1.3 Development Concept	45
16.2 Long Term Development Framework	48

16.2.1	Definition of Subject Area	48
16.2.2	Demand Analysis	48
16.2.3	Socio-Economic Framework.....	51
16.3	Product Development Plan.....	57
16.3.1	Existing Supply of Tourism Resources and Assets	57
16.3.2	Tourism Resource/Asset Map.....	58
16.3.3	Interpretation of Current Tourism Product(s)	58
16.3.4	Core Tourism Product Strength & Potential of the Area	58
16.3.5	Potential Tourism Products	59
16.3.6	Target Market Segments	59
16.3.7	Specification of Future Product Development	61
16.4	Infrastructure Development Plan.....	62

Chapter 17 Valley of the Olifants Tourism Development Plan 63

17.1	Tourism Development Concept	64
17.1.1	Background and Current Condition	64
17.1.2	Strengths and Potentials.....	64
17.1.3	Development Concept	65
17.2	Long Term Development Framework	68
17.2.1	Definition of Subject Area	68
17.2.2	Demand Analysis	69
17.2.3	Socio-Economic Framework.....	72
17.3	Product Development Plan.....	77
17.3.1	Existing Supply of Tourism Resources and Assets	77
17.3.2	Tourism Resource/Asset Map.....	77
17.3.3	Interpretation of Current Tourism Product(s)	78
17.3.4	Core Tourism Product Strength & Potential of the Area	78
17.3.5	Potential Tourism Products	78
17.3.6	Target Market Segments	79
17.3.7	Specification of Future Product Development	79
17.4	Infrastructure Development Plan.....	82
17.4.1	Road	82
17.4.2	Air Transport	82
17.4.3	Water Supply	83
17.4.4	Sewage Treatment	83
17.4.5	Electric Supply	83
17.4.6	Telecommunication	83

Chapter 18 Badplaas/Barberton/Malelane Area Tourism Development Plan 85

18.1	Tourism Development Concept	86
18.1.1	Background and Current Condition	86
18.1.2	Strengths and Potential	86
18.1.3	Development Concept	87
18.2	Long Term Development Framework	90
18.2.1	Definition of Subject/Study Area	90
18.2.2	Demand Analysis	91
18.2.3	Socio-Economic Framework.....	93
18.3	Product Development Plan.....	99

18.3.1	Existing Supply of Tourism Resources and Assets	99
18.3.2	Tourism Resource/Asset Map.....	99
18.3.3	Interpretation of Current Tourism Product(s)	99
18.3.4	Core Tourism Product Strength & Potential of the Area	100
18.3.5	Potential Tourism Products	100
18.3.6	Target Market Segments	101
18.3.7	Specification of Future Product Development	101
18.4	Infrastructure Development Plan.....	105
18.4.1	Road	105
18.4.2	Water Supply to Game Reserves	106
18.4.3	Sewage Treatment	106
18.4.4	Electric Supply to Game Reserves.....	106
18.4.5	Telecommunication.....	107
Chapter 19 Marketing & Promotion for Focus Areas		109
19.1	Introduction	110
19.2	Current Promotional Activities in Focus Areas.....	111
19.2.1	Pilanesberg-Madikwe Corridor	111
19.2.2	Khayelitsha	111
19.2.3	Valley of the Olifants	111
19.2.4	Barberton	112
19.3	Tourism Marketing and Promotion Plans.....	113
19.3.1	General Strategy Applicable to All Focus Areas	113
19.3.2	Marketing & Promotion Plans General Methodology	115
19.3.3	Pilanesberg-Madikwe Corridor	116
19.3.4	Khayelitsha	121
19.3.5	Valley of the Olifants	124
19.3.6	Barberton Subject Area	128
19.3.7	Marketing & Promotion Linkages of Focus Areas with the East Asian Markets.	131
Chapter 20 Human Resource Development Plans for Focus Areas		135
20.1	Introduction	136
20.2	HR Development in the Pilanesberg-Madikwe Corridor Subject Area	136
20.2.1	Provincial, Regional & Local Levels	136
20.2.2	Focus Area.....	137
20.2.3	Existing Tourism Employment and Skills Base.....	137
20.2.4	Future Human Resource Development Requirements	141
20.3	HR Development in the Khayelitsha Subject Area	144
20.3.1	Provincial, Regional & Local Levels	144
20.3.2	Focus Area.....	144
20.3.3	Existing Tourism Employment and Skills Base.....	145
20.3.4	Future Human Resource Development Requirements	147
20.4	HR Development in the Valley of the Olifants Subject Area	150
20.4.1	Provincial Level Provincial, Regional & Local Levels	150
20.4.2	Focus Area.....	150
20.4.3	Existing Tourism Employment and Skills Base.....	151
20.4.4	Future Human Resource Development Requirements	154
20.5	HR Development in the Barberton Subject Area	157
20.5.1	Provincial Level Provincial, Regional & Local Levels	157
20.5.2	Focus Area.....	158

20.5.3 Existing Tourism Employment and Skills Base.....	158
20.5.4 Future Human Resource Development Requirements	162

Chapter 21 Institutional Development Plan for Focus Areas 165

21.1 Introduction	166
21.2 Pilanesberg-Madikwe Corridor	167
21.2.1 Current Institutions.....	167
21.2.2 Institutional Development Plan	169
21.3 Khayelitsha.....	170
21.3.1 Current institutions.....	170
21.3.2 Institutional Development Plan	172
21.4 Valley of the Olifants.....	174
21.4.1 Current institution.....	174
21.4.2 Institutional Development Plan	176
21.5 Barberton	177
21.5.1 Current Institutions.....	177
21.5.2 Institutional Development Plan	180

Chapter 22 Selection of Projects and Programs 183

22.1 Introduction	184
22.2 Planning of Priority Projects and Programs.....	184
22.2.1 Planning Components	184
22.3 Candidate Projects and Programs	188
22.4 Environmental Consideration	198
22.4.1 Existing Condition and Environmental Considerations.....	198
22.4.2 Initial Environmental Examination (IEE)	200
22.5 Selection of Priority Projects & Programs.....	212
22.5.1 Selection Methodology	212
22.5.2 Evaluation of Candidate Projects and Programs.....	213
22.5.3 Selection Results	219

Chapter 23 Pilanesberg – Madikwe Corridor Subject Area... 223

23.1 Pilanesberg – Madikwe Corridor Project/Program Package	224
23.1.1 List of Priority Projects & Programs.....	224
23.1.2 Project Sheets	224
23.2 Costs Estimate, Implementation Schedule and Financing Alternatives..	243
23.2.1 Cost Estimate	243
23.2.2 Implementation Schedule	243
23.2.3 Financing Alternatives	246
23.3 Economic Evaluation.....	247
23.3.1 Economic Benefits.....	247
23.3.2 Economic Costs.....	251
23.3.3 Economic Return	251
23.3.4 Sensitivity Analysis	252
23.4 Preliminary Financial Assessment.....	252

23.5 Environmental Considerations	253
Chapter 24 Khayelitsha Corridor Subject Area.....	261
24.1 Khayelitsha Project/Program Package	262
24.1.1 List of Priority Projects & Programs.....	262
24.1.2 Project Sheets	262
24.2 Cost Estimate, Implementation Schedule and Financing Alternatives....	275
24.2.1 Cost Estimate	275
24.2.2 Implementation Schedule	275
24.2.3 Financing Alternatives	278
24.3 Economic Evaluation.....	279
24.3.1 Economic Benefits	279
24.3.2 Economic Costs	283
24.3.3 Economic Return	283
24.4 Preliminary Financial Assessment.....	284
24.5 Environmental Considerations	285
Chapter 25 Valley of the Olifants Subject Area	289
25.1 Valley of the Olifants Project/Program Package.....	290
25.1.1 List of Priority Projects & Programs.....	290
25.1.2 Project Sheets	290
25.2 Cost Estimate, Implementation Schedule and Financing Alternatives....	305
25.2.1 Cost Estimate	305
25.2.2 Implementation Schedule	305
25.2.3 Financing Alternatives	308
25.3 Economic Evaluation.....	309
25.3.1 Economic Benefits	309
25.3.2 Economic Costs	312
25.3.3 Economic Return	312
25.3.4 Sensitivity Analysis	313
25.4 Preliminary Financial Assessment.....	313
25.5 Environmental Consideration	314
Chapter 26 Barberton Corridor Subject Area.....	317
26.1 Barberton Project/Program Package.....	318
26.1.1 List of Priority Projects & Programs.....	318
26.1.2 Project Sheets	319
26.2 Cost Estimate, Implementation Schedule and Financing Alternatives....	340
26.2.1 Cost Estimate	340
26.2.2 Implementation Schedule	340
26.2.3 Financing Alternatives	343
26.3 Economic Evaluation.....	344
26.3.1 Economic Benefits	344
26.3.2 Economic Costs	348
26.3.3 Economic Return	348
26.3.4 Sensitivity Analysis	349

26.4 Preliminary Financial Assessment.....	349
26.5 Environmental Considerations	350

List of Tables

Volume 1: Tourism in South Africa

Table 2.1.1	Population by Province	6
Table 2.1.2	Health Figures in South Africa	11
Table 2.4.1	Tourist to/from S.A. by mode of travel	18
Table 2.4.2	Inter-City Bus Services in S.A.	20
Table 2.4.3	Name and Location of Airport	21
Table 2.4.4	Runway in Three INTL Airports	22
Table 2.4.5	Air Traffic Movements by INTL airport	23
Table 2.4.6	Number of Household supplied water by source by province (households)	24
Table 2.4.7	Toilet Facility by type by province	25
Table 2.4.8	Electricity Condition in S.A.	25
Table 2.4.9	Gross Production of Electricity by type of ownership	26
Table 2.4.10	Capacity of Generation installed by type by ownership	26
Table 2.4.11	Number of Household with access to Electricity for lighting in 1996	27
Table 2.4.12	Number of Household by type of access to telephone by province in 1996	29
Table 2.5.1	Trend of GDP in South Africa	30
Table 2.5.2	GDP by Sector	30
Table 2.5.3	Real GDP Growth by Sector	31
Table 2.5.4	Increase in Consumer Prices	31
Table 2.5.5	Average Exchange Rates in Cents per Foreign Currency Unit	32
Table 2.5.6	Unemployment Rate as of September 2000	32
Table 2.5.7	Employment by Sector as of September 2000	33
Table 2.5.8	Trade Balance and Services Receipts	33
Table 2.5.9	Composition and Real Growth of Services Receipts	34
Table 2.5.10	Gross Geographic Product (GGP) in 1991 and 1996 Estimated by DBSA	36
Table 2.5.11	GGP by Sector	38
Table 2.5.12	Employment Situation by Province	39
Table 3.1.1	Visitor Arrivals from 1996 to 2000 by Major Source Regions	42
Table 3.1.2	Visitor Arrivals from 1996 to 2000 by 10 Most Productive European Markets	43
Table 3.1.3	Ranking of Top 10 Productive European Markets	43
Table 3.1.4	Visitor Arrivals from 1996 to 2000 by East Asian Markets	44
Table 3.1.5	Visitor Arrivals for January – June from 1997 to 2001 by 10 Most Productive European Markets	44
Table 3.1.6	Visitor Arrivals for January – June from 1997 to 2001 by East Asian Markets	45
Table 3.1.7	Profile of visitors from long haul source markets	47
Table 3.2.1	Destination of South Africa's Domestic Tourism Overnight Trips by Type of Trip	49
Table 3.2.2	One Day Excursions by Major Regions	52
Table 3.3.1	Definitions of Tourism Accounts Used by WTTC	53
Table 3.3.2	Travel and Tourism Demand Estimated by WTTC	55
Table 3.3.3	Contribution of Travel and Tourism to GDP and Employment Estimated by WTTC	55
Table 3.3.4	Comparison of Economic Impact of Tourism	56
Table 5.1.1	The South African Food Service Industry, 1999	69
Table 5.1.2	Allocation of Casino Licences	70
Table 5.1.3	The Most Active Casino Operators (only includes operators with 2 and more licences)	71
Table 5.2.1	South African Tourism Accommodation Capacity	73
Table 5.2.2	Hotel Room Occupancies and Room Rates, All Grades	74
Table 5.3.1	South African Conference Capacity Breakdown by Province, 2001	78
Table 5.3.2	South African Conference Capacity Breakdown by Venue Type, 2001	79
Table 5.3.3	The South African MICE Demand in 1999	80
Table 5.4.1	Air Route between East Asia and South Africa	81
Table 5.4.2	Fares (in Rands) Per Blue Train Route	83
Table 5.4.3	Fares (in Rands) Per Rovos Rail Route	84
Table 5.5.1	The Profile of Visitors from Long Haul Source Markets	86

Table 5.5.2	Tourism Market Segments	86
Table 5.5.3	Fund Allocation by discipline	87
Table 5.5.4	Geographic Spend Focus	88
Table 5.5.5	International Travel Exhibitions	88
Table 5.5.6	Joint Marketing Agreement.....	92
Table 5.5.7	Main East Asian Tour Operators	93
Table 5.6.1	Industry Sub-sectors by THETA Chamber	99
Table 5.6.2	Number Of Hospitality NQs And Units Achieved.....	100
Table 5.6.3	Number of NQs and Units Achieved per Functional Area.....	100
Table 5.6.4	TLP Actual Achievement vs. Original Business Plan Deliverables	104
Table 5.6.5	Number of Employers and Employees.....	106
Table 5.6.6	Government Institutions & Private Colleges Registered with THETA.....	108
Table 5.6.7	Private Training Institutions (Excluding Colleges).....	109
Table 5.7.1	Composition of Serious Crime.....	110
Table 5.7.2	Were you personally a victim of crime during your stay in South Africa?	113
Table 5.7.3	If yes, where did the crime take place?	114
Table 5.7.4	Description of the crime	114
Table 5.7.5	Did you report it to the police?	115
Table 5.8.1	Outline of International Agreement, National Policy, and Program & Strategy..	120
Table 6.1.1	SWOT Analysis for the South African Tourism Industry.....	141
Table 6.7.1	SWOT Analysis.....	145

Volume 2: East Asia Market Promotion

Table 7.2.1	Indicative General Characteristics of Alternative Promotion Approaches for Underdeveloped Destination	9
Table 8.2.1	Total Arrivals of East Asian Travelers in South Africa.....	16
Table 8.2.2	Estimated Distribution of East Asian Tourists by Age Group	17
Table 8.2.3	Level of Arrivals during Low Season Relative to Monthly Average in 2000	17
Table 8.6.1	Airport Departing Passenger Survey -- Summary	25
Table 9.2.1	Products included in East Asian Tour Package Catalogues	33
Table 9.3.1	Potentials of Products from East Asian Perspective	35
Table 10.1.1	South Africa's Position in the Market: Tour Packages	40
Table 10.1.2	South Africa's Position in the Market: Tour Packages -B.....	42
Table 10.2.1	South Africa's Destination Exposure in Tour Brochures	43
Table 10.2.2	Proportion of Shelf Space for Travel Guides and Guidebooks Given to Each Destination at Narita Airport Bookstore	45
Table 11.2.1	Spending by Foreign Government Tourist Offices	54
Table 11.3.1	Publication's profile, circulation, Ad. Tariff.....	57
Table 11.3.2	Newspapers Reading Ratio (multiple choice)	58
Table 11.3.3	Publication's Profiles, Circulation and Ad. Tariff.....	60
Table 12.1.1	Barriers Identified for East Asian Market.....	73
Table 12.1.2	Estimate of Potential Tourists.....	81
Table 12.1.3	Crude Estimate of Magnitude of Potential Market Growth: Case of Japan	82
Table 12.1.4	Japanese Overseas Travllers by Age Group in 1990, 1995 and 2000	84
Table 12.1.5	Major Tourist Draw Cards of Tours to South Africa for East Asian Market.....	95
Table 12.1.6	Visitor Facilitation at Major Tourist Sites Featured in East Asian Packages.....	98
Table 13.1.1	Japanese Market Development – Marketing Deployment Plan for the First Year	115

Volume 3: Focus Area Tourism Development

Table 14.2.1	JICA TPDP Study Focus Area Selection Criteria	2
Table 14.3.1	Sampled Numbers and their Share in the Tourism Industry*	17
Table 15.2.1	Pilanesberg-Madikwe Current and Future Medium to High Potential Target Markets	27
Table 15.2.2	Population and Households.....	30
Table 15.2.3	Economic Conditions of the Area	30
Table 15.2.4	Projected Total Expenditure by Tourists to the Subject Area with the Proposed Plans	32
Table 15.2.5	Projection of Tourism-Related Employment in the Subject Area with the Proposed Plans	33
Table 15.3.1	Recommended Product Development for Pilanesberg-Madikwe.....	38
Table 16.2.1	Current Tourism to the Study Area.....	49
Table 16.2.3	Population and Households.....	53
Table 16.2.4	Economic Conditions of the Area	54
Table 16.2.5	Projected Total Expenditure by Tourists to the Subject Area with the Proposed Plans	56
Table 16.2.6	Projection of Tourism-Related Employment in the Subject Area with the Proposed Plans	56
Table 16.3.1	Recommended Product Development for Khayelitsha.....	61
Table 17.2.1	Final Current Tourism to the Study Area	70
Table 17.2.2	South Eastern Valley of the Olifants Current and Future Medium to High Potential Target Markets	71
Table 17.2.3	Population and Households.....	74
Table 17.2.4	Economic Conditions of the Area	74
Table 17.2.5	Projected Total Expenditure by Tourists to the Subject Area with the Proposed Plans	75
Table 17.2.6	Projection of Tourism-Related Employment in the Subject Area with the Proposed Plans	76
Table 17.3.1	Recommended Product Development for the Valley of the Olifants Subject Area	81
Table 18.2.1	Current Tourism to the Study Area.....	91
Table 18.2.2	Barberton Current & Future Medium to High Potential Target Markets	93
Table 18.2.3	Population and House Holds.....	95
Table 18.2.4	Economic Conditions of the Area	95
Table 18.2.5	Projected Total Expenditure by Tourists to the Subject Area with the Proposed Plans	97
Table 18.2.6	Projection of Tourism-Related Employment in the Subject Area with the Proposed Plans	98
Table 18.3.1	Recommended Product Development for the Barberton Corridor Subject Area	103
Table 19.3.1	Tourism Promotion Tools Available to Tourism Destination Promotion Organisations.....	114
Table 19.3.2	Pilanesberg-Madikwe - Branding Essence & Promotion and Communications Mix	118
Table 19.3.3	Annual DMO Budget for Pilanesberg-Madikwe.....	120
Table 19.3.4	Khayelitsha - Branding Essence & Promotion and Communications Mix	122
Table 19.3.5	Annual DMO Budget for Khayelitsha.....	124
Table 19.3.6	Valley of the Olifants - Branding Essence & Promotion and Communications Mix	126
Table 19.3.7	Annual DMO Budget for the Valley of the Olifants Subject Area	127
Table 19.3.8	Barberton - Branding Essence & Promotion and Communications Mix.....	129
Table 19.3.9	Annual DMO Budget for the Barberton Subject Area.....	130

Table 20.2.1	Current Tourism Employment in the Pilanesberg Madikwe Corridor	138
Table 20.2.2	Employment Profile in Pilanesberg Madikwe	138
Table 20.2.3	Training Needs and Tourism Qualifications within Madikwe	140
Table 20.3.1	Current Tourism Employment in Khayelitsha	145
Table 20.3.2	Employment Profile in Khayelitsha	145
Table 20.3.3	Training Needs and Tourism Qualifications within Khayelitsha	146
Table 20.4.1	Current Tourism Employment in the Valley of the Olifants	151
Table 20.4.2	Employment Profile in the Valley of the Olifants	152
Table 20.4.3	Training Needs and Tourism Qualifications within The Valley of the Olifants....	153
Table 20.5.1	Current Tourism Employment in the Barberton Study Area	159
Table 20.5.2	Employment Profile in the Barberton Area	159
Table 20.5.3	Training Needs and Tourism Qualifications within Barberton	161
Table 22.3.1	Candidate Projects & Programs for the Pilanesberg-Madikwe Corridor Subject Area	189
Table 22.3.2	Candidate Projects & Programs for the Khayelitsha Subject Area	192
Table 22.3.3	Candidate Projects & Programs for the Valley of the Olifants Subject Area	194
Table 22.3.4	Candidate Projects & Programs for the Barberton Subject Area	196
Table 22.4.2	Candidate Projects & Programs Required IEE and Classification of Type	205
Table 22.4.3	List of Type A Projects/ Programs	208
Table 22.4.4	Result of IEEs of Type A	208
Table 22.4.5	List of Type B projects/ programs	209
Table 22.4.6	Result of IEEs of Type B	209
Table 22.4.7	List of Type C projects/ programs	210
Table 22.4.8	Result of IEEs of Type C	210
Table 22.4.9	List of Type D projects/ programs	211
Table 22.4.10	Result of IEEs of Type D	211
Table 22.5.1	Prioritisation of Projects & Programs – Pilanesberg-Madikwe Corridor Subject Area	213
Table 22.5.2	Prioritisation of Projects & Programs - Khayelitsha Subject Area	215
Table 22.5.3	Prioritisation of Projects & Programs - Valley of the Olifants Subject Area	217
Table 22.5.4	Prioritisation of Projects & Programs - Barberton Subject Area	218
Table 22.5.5	List of Priority Projects & Programs – Pilanesberg-Madikwe Corridor Subject Area	220
Table 22.5.6	List of Priority Projects & Programs - Khayelitsha Subject Area	221
Table 22.5.7	List of Priority Projects & Programs - Valley of the Olifants Subject Area	221
Table 22.5.8	List of Priority Projects & Programs - Barberton Subject Area	222
Table 23.2.1	Project Costs – Pilanesberg – Madikwe Corridor Subject Area	244
Table 23.2.2	Project Implementation and Operation/Maintenance Cost – Pilanesberg – Madikwe Corridor Subject Area	245
Table 23.2.3	Suggestions for Potential Funding Sources for Implementing Priority Projects and Programs	246
Table 23.3.1	Projection of Visitors to Pilanesberg – Madikwe Corridor	247
Table 23.3.2	Estimate of Tourist Expenditure per Tourist for Pilanesberg–Madikwe Corridor	248
Table 23.3.3	Economic Benefits of Priority Projects and Programs	250
Table 23.3.4	Economic Internal Rate of Return for Priority Projects and Programs	251
Table 23.3.5	Sensitivity of Economic Internal Rate of Return (EIRR)	252
Table 23.4.1	Indicative Result: Return on Investment (ROI) for Molatedi Dam Area Development	253
Table 23.4.2	Indicative Result: Return on Investment (ROI) for Pilanesberg Game Reserve Expansion	253
Table 23.5.1	List of Priority Projects & Programs in Pilanesberg - Madikwe Corridor Subject Area required EIA	254
Table 23.5.2	Size/ Description of Each Project/ Program in Pilanesberg - Madikwe Corridor Subject Area	255
Table 23.5.3	Results of Preliminary EIA for Type A	256
Table 23.5.4	Results of Preliminary EIA for Type B	257
Table 23.5.5	Results of Preliminary EIA for Type C	258
Table 23.5.6	Results of Preliminary EIA for Type D	259
Table 24.1.1	List of Priority Projects & Programs	262

Table 24.2.1	Project Costs – Khayalitsha Subject Area	276
Table 24.2.2	Project Implementation and Operation/Maintenance Cost – Khayalitsha	277
Table 24.2.3	Suggestions for Potential Funding Sources for Implementing Priority Projects and Programs	278
Table 24.3.1	Projection of Visitors to Khayelitsha	279
Table 24.3.2	Estimate of Tourist Expenditure per Tourist for Khayelitsha	280
Table 24.3.3	Economic Benefits of Priority Projects and Programs.....	282
Table 24.3.4	Economic Internal Rate of Return for Priority Projects and Programs	283
Table 24.3.5	Sensitivity of Economic Internal Rate of Return (EIRR)	284
Table 24.4.1	Indicative Result: Return on Investment (ROI) for African Music/Dance	285
Table 24.5.1	List of Priority Projects & Programs in Khayelitsha Subject Area requiring EIA	285
Table 24.5.2	Size/ Description of Each Project/ Program in Khayelitsha Subject Area	285
Table 24.5.3	Results of Preliminary EIA for Type A	286
Table 25.1.1	List of Priority Projects & Programs.....	290
Table 25.2.1	Project Cost – Valley of Olifants Subject Area	306
Table 25.2.2	Project Implementation and Operation/Maintenance Cost – Valley of the Olifants Subject Area	307
Table 25.2.3	Suggestions for Potential Funding Sources for Implementing Priority Projects and Programs	308
Table 25.3.1	Projection of Visitors to the Valley of the Olifants.....	309
Table 25.3.2	Estimate of Tourist Expenditure per Tourist for the Valley of the Olifants.....	310
Table 25.3.3	Economic Benefits of Priority Projects and Programs.....	311
Table 25.3.4	Economic Internal Rate of Return for Priority Projects and Programs	312
Table 25.3.5	Sensitivity of Economic Internal Rate of Return (EIRR)	313
Table 25.4.1	Indicative Result: Return on Investment (ROI) for Wildlife Education and Research Centre.....	313
Table 25.5.1	List of Priority Projects & Programs in Valley of the Olifants Subject Area requiring EIA	314
Table 25.5.2	Size/ Description of Each Project/ Program in Valley of the Olifants Subject Area	314
Table 25.5.3	Results of Preliminary EIA for Type A	315
Table 25.5.4	Results of Preliminary EIA for Type C	316
Table 26.1.1	List of Priority Projects & Programs.....	318
Table 26.2.1	Project Costs – Barberton Corridor Subject Area.....	341
Table 26.2.2	Project Implementation and Operation/Maintenance Cost – Barberton Corridor Subject Area	342
Table 26.2.3	Potential Funding Sources for Implementing Priority Projects and Programs ...	343
Table 26.3.1	Projection of Visitors to Barberton	344
Table 26.3.2	Estimate of Tourist Expenditure per Tourist for Barberton	345
Table 26.3.3	Economic Benefits of Priority Projects and Programs.....	347
Table 26.3.4	Economic Internal Rate of Return for Priority Projects and Programs	348
Table 26.3.5	Sensitivity of Economic Internal Rate of Return (EIRR)	349
Table 26.4.1	Indicative Result: Return on Investment (ROI) for Mountainlands Game Reserve Development	350
Table 26.4.2	Indicative Result: Return on Investment (ROI) for Further Development of Songimvelo Game Reserve.....	350
Table 26.5.1	List of Priority Projects & Programs in Barberton Subject Area requiring EIA ...	350
Table 26.5.2	Size/ Description of Each Project/ Program in Barberton Corridor Subject Area	352
Table 26.5.3	Results of Preliminary EIA for Type A	354
Table 26.5.4	Results of Preliminary EIA for Type B	355
Table 26.5.5	Results of Preliminary EIA for Type C	356

List of Figures, Photos, & Maps

Volume 1: Tourism in South Africa

Figure 1.3.1	Study Areas	3
Figure 2.1.1	Households in Urban and Non-Urban Areas by Province.....	7
Figure 2.1.2	Average Monthly Household Expenditure in SA and by Province	8
Figure 2.1.3	Percentage of the Population Aged 20 years or more by Education Levels (October 1996).....	9
Figure 2.1.4	Percentage of the Population Aged 20 years or more by Population Group (October 1996).....	9
Figure 2.1.5	Change of Adult Literacy Rate by Population Group.....	10
Figure 2.3.1	Location and Provinces	13
Figure 2.3.2	Area by Province	13
Figure 2.3.3	Land Cover and Land Use.....	15
Figure 2.3.4	Average Temperature and Rainfall by Province.....	16
Figure 2.5.1	Monthly Household Income per Person	35
Figure 2.5.2	Monthly Household Expenditure per Person.....	35
Figure 2.5.3	Real GGP Growth in 1991-1996.....	37
Figure 2.5.4	GGP per Capita in 1996	38
Figure 2.5.5	Unemployment Rate by Province	39
Figure 2.5.6	Relationship between Unemployment by Province and GGP per Capita	40
Figure 3.1.1	Typical Tour Pattern – UK Market	46
Figure 3.1.2	Typical Tour Pattern – Japanese Market	46
Figure 3.2.1	Origin of South Africa's Domestic Tourists.....	48
Figure 3.2.2	Destination of South Africa's Domestic Tourism Overnight Trips	49
Figure 3.2.3	Domestic Tourists by LSM Group.....	50
Figure 3.2.4	Domestic Tourists by Purpose of Visit.....	50
Figure 3.2.5	Weighted Average Expenditure Per Capita Per Trip.....	51
Figure 3.2.6	Most Popular Regions for Business Trips 2000-2001	52
Figure 3.2.7	Average Expenditure Per Capita Per Trip	53
Figure 4.2.1	Organizational Chart of the DEAT	60
Figure 4.2.2	Organisational Chart of SA Tourism.....	63
Figure 5.1.1	The Distribution of Casino Spending in South Africa	71
Figure 5.3.1	The South African MICE Industry	77
Figure 5.3.2	Breakdown of South African Conference Venues by Maximum Delegate Capacity – Theatre Style, 2001	79
Photo 2.3.1	National flower, animal and bird (King Protea, Springbuck, Blue Crane).....	17
Photo 2.4.1	National Road between Johannesburg and Pretoria.....	19
Photo 2.4.2	Johannesburg International Airport	22

Volume 2: East Asia Market Promotion

Figure 7.2.1	Formulation of Promotion Strategies and Action Plan.....	5
Figure 7.2.2	Major Information Sources for Promotion Planning.....	6
Figure 7.2.3	Report Composition for Strategy and Action Plan Formulation.....	7
Figure 7.2.4	Identification of Major “Barriers” Blocking Market Takeoff.....	10
Figure 7.2.5	Conceptual Basis for Promotion Approaches for East Asian Market.....	11
Figure 7.2.6	Alternative Promotion Approaches for Underdeveloped Destination.....	11
Figure 7.2.7	Segments to be Focused and Information Source.....	12
Figure 7.2.8	Assessment of Major Tourist Draw Cards.....	13
Figure 7.2.9	Three Types of Values Constituting Total Brand Value.....	13
Figure 9.1.1	Typical Tour Pattern for Japanese Market.....	31
Figure 9.1.2	Typical Tour Patterns for East Asian Market (Hong Kong, Singapore, Taiwan and Korea).....	31
Figure 10.2.1	Canada Advert in Japanese Newspaper.....	46
Figure 10.2.2	Greece Tourism and Australia Advert in Japanese Newspaper.....	47
Figure 10.2.3	London/Paris and Italy Advert in Japanese Newspaper.....	48
Figure 10.2.4	Malta Advert in Japanese Newspaper.....	49
Table 11.3.4	Monthly Magazines' reading ratio (multiple choice).....	62
Figure 12.1.1	General Awareness of East Asians about South Africa.....	74
Figure 12.1.2	Danger of Falling into “Supplier Logic”.....	76
Figure 12.1.3	Market Perception and Assessment of Value for Money.....	77
Figure 12.1.5	Effect of Security and Safety Concern.....	79
Figure 12.1.6	Prospect of Further Destination Development: Voices of Agencies and Operators in the Source Market.....	80
Figure 12.1.10	Behaviour of Major Marketers: Tendency of Large Japanese Travel Agencies (1).....	89
Figure 12.1.11	Behaviour of Major Marketers: Tendency of Large Japanese Travel Agencies (2).....	89
Figure 12.1.12	Need for Push to Major Factors Influencing Potential Tourists.....	92
Figure 12.1.13	Evolution of TV Programs on International Travel: Case of Japan.....	94
Figure 12.1.14	Most Critical Barriers and Constraints & Room for Enhancing Appeal to the Market.....	101
Figure 13.1.1	Promotion Strategy for Japan – Short Term (1-3 Years).....	120
Figure 13.1.2	Promotion Strategy for Japan – Medium / Long Term (5 Years & Over).....	123
Figure 13.2.1	Promotion Strategy for KOREA – Short Term (1-3 Years).....	127
Figure 13.3.1	Promotion Strategy for TAIWAN – Short Term (1-3 Years).....	131
Figure 13.4.1	Promotion Strategy for Hong Kong – Short Term (1-3 Years).....	135
Figure 13.5.1	Promotion Strategy for SINGAPORE – Short Term (1-3 Years).....	139

Volume 3: Focus Area Tourism Development

Figure 14.2.1	Focus Area Selection Matrix – Part I	5
Figure 14.2.1	Focus Area Selection Matrix – Part II	5
Figure 14.2.1	Focus Area Selection Matrix – Part II	6
Figure 14.3.1	Basic Planning Principles (1 of 2)	9
Figure 14.3.1	Basic Planning Principles (2 of 2)	10
Figure 14.3.2	Effective Strategy for Product Development	11
Figure 14.3.3	Destination Marketing Strategy Development Process	14
Figure 14.3.4	Human Resource Development Plan – Methodology	15
Figure 14.3.5	Institutional Development Process	16
Figure 15.1.1	Development Concept for Pilanesberg – Madikwe Corridor	23
Figure 15.2.1	Current Tourism to the Study Area	25
Figure 15.2.2	Estimated Future Tourism to the Study Area	26
Figure 15.3.1	Current Tourism Products – Pilanesberg-Madikwe	35
Figure 15.3.2	Potential Tourism Products – Pilanesberg-Madikwe	36
Figure 15.3.3	Target Market Segments with Medium to High Penetration Potential - Pilanesberg-Madikwe	37
Figure 16.1.1	Development Concept for Khayelitsha	46
Figure 16.2.1	Estimated Future Tourism to the Study Area	50
Figure 16.3.1	Current Tourism Products – Khayelitsha	58
Figure 16.3.2	Potential Tourism Products – Khayelitsha	59
Figure 16.3.3	Target Market Segments with Medium to High Penetration Potential - Khayelitsha	60
Figure 17.1.1	Development Concept for the Valley of the Olifants (1)	67
Figure 17.1.2	Development Concept for the Valley of the Olifants (2)	68
Figure 17.2.1	Estimated Future Tourism to the Study Area	70
Figure 17.3.1	Current Tourism Products – Valley of the Olifants Subject Area	78
Figure 17.3.2	Potential Tourism Products – Valley of the Olifants Subject Area	79
Figure 17.3.3	Target Market Segments with Medium to High Penetration Potential – Valley of the Olifants Subject Area	80
Figure 18.1.1	Development Concept for Badplaas/Barberton/Malelane Area	88
Figure 18.2.1	Estimated Future Tourism to the Study Area	92
Figure 18.3.1	Current Tourism Products – Barberton Subject Area	99
Figure 18.3.2	Potential Tourism Products – Barberton Subject Area	100
Figure 18.3.3	Target Market Segments with Medium to High Penetration Potential – Barberton Corridor Subject Area	102
Figure 21.1.1	Proposed Institutional Structure: Pilanesburg - Madikwe	169
Figure 21.2.1	Proposed Institutional Structure: Khayelitsha	173
Figure 21.3.1	Proposed Institutional Structure: Valley of the Olifants	176
Figure 21.4.1	Proposed Institutional Structure: Barberton	181
Figure 22.1.1	Prioritisation of Projects and Programs	184
Figure 22.2.1	Flow of Economic Analysis for Priority Projects and Programs	186
Figure 22.4.1	The Application Procedure of an EIA	201
Figure 23.1.1	Location of Priority Projects (Pilanesberg – Madikwe)	225
Figure 24.1.1	Location of Priority Projects (Khayelitsha)	263
Figure 25.1.1	Location of Priority Projects (Valley of Olifants)	291
Figure 26.1.1	Location of Priority Projects (Barberton)	320
Map 15.2.1	Pilanesberg-Madikwe Corridor Subject Area	25
Map 16.2.1	Khayelitsha Subject Area	48
Map 17.2.1	Valley of the Olifants Subject Area	69
Map 18.2.1	Barberton Corridor Subject Area	91

List of Appendices

Volume 1: Tourism in South Africa

Appendix A	Study Work Flow
Appendix B	Tourism Institutional Framework
Appendix C	Map of Tourism Resources
Appendix D	South African Marketed Tourism Resources
Appendix E	Tourism Employment
Appendix F	THETA Action Plan
Appendix G	National Qualification Framework
Appendix H	Tourism Employment Statistics
Appendix I	Tourism Qualifications and Skill Needs
Appendix J	EIA Application Procedure

Volume 2: East Asian Market Promotion

Appendix A	Tour Operators Interview Survey in Japan
Appendix B	Operators Interview Survey in East Asian Countries
Appendix C	Survey of Ground Operators in South Africa
Appendix D	East Asian Tourist Departure Survey Questionnaire
Appendix E	The Experience of Dubai
Appendix F	Tour Patterns by East Asian Tourists
Appendix G	Website Improvement
Appendix H	Production of Promotion Video for East Asian Market
Appendix I	The Structure of Japanese Outbound Travel Industry

Volume 3: Focus Area Tourism Development

Appendix A	Tourism Demand Analysis For Focus Areas
Appendix B	Product/Market Assessment for Focus Areas
Appendix C	Tourism Resource Lists for Focus Areas
Appendix D	Tourism Resource Maps for Focus Areas
Appendix E	Biodiversity Corridor Marketing and Promotion
Appendix F	Project Construction Costs
Appendix G	Terms of Reference for Environmental Survey
Appendix H	Terms of Reference for Socio-Economic Impact Assessment Survey
Appendix I	Questionnaire for Socio-Economic Impact Assessment Survey
Appendix J	Socio-Economic Tables
Appendix K	Preliminary Financial Assessment of Priority Projects
Appendix L	Nkomazi Wilderness

List of Abbreviations

ACSA	Airports Company of South Africa
APCOSA	The Association of Professional Conference Organizers of Southern Africa
ASATA	Association of Southern African Travel Agents
ATM's	Air Traffic Movements
ATNS	Air Traffic and Navigation Services Company
B&B	Bed and Breakfast
BABASA	Bed and Breakfast Association of South Africa
BEE	Black Economic Empowerment
CAIA	Chemical and Allied Industries Association
CBOs	Community-Based Organizations
CBRTA	Cross-border Road Transport Agency
CIP	Critical Infrastructure Programme
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
COASA	The Coach Operators Association of South Africa
CPPP	Community Public Private Partnership Programme
CSIR	Council for Science and Industrial Research
DBSA	Development Bank of Southern Africa
DEAT	Department of Environment Affairs and Tourism
DTI	Department of Trade and Industry
DWAF	Department of Water Affairs and Forestry
EIA	Environmental Impact Assessment
EIBTM	European Incentive Business Travel and Meeting Exposition
EIR	Environmental Impact Report
ETQA	Education and Training Quality Assurance body
EU	European Union
EXSA	The Exhibition Association of South Africa
FEDHASA	Federated Hospitality Association of South Africa
FSC	Forestry Stewardship Council
GDP	Growth Domestic Product
GEAR	Growth, Employment and Redistribution
GGP	Gross Geographic Product
GKG	Gaza-Kruger Gonnarezhou
GSM	Global Systems for Mobile Communications
GSA	Ground Service Agents
GTA	General Travel Agents
HCTC	Hospitality and Catering Training Council
HILG	Hotel Industry Liaison Group
HITB	Hospitality Industries Training Board
HSRC	Human Science Research Centre
IA	Implementing Agent
IATA	International Airline Transport Association
ICC	International Convention Centre
ICUN	World Conservation Union
IDC	Industrial Development Corporation
ITMAS	International Tourism Marketing Assistance Scheme
JICA TPDP	Japan International Cooperation Agency Tourism Promotion and Development Plan
JTB	Japan Travel Bureau
KZN	KuwaZulu-Natal
LSM	Living Standard Measure
LTO	Local Tourism Organization
MATTA	Malaysian Association of Tour and Travel Agents
MEC	Member of the Executive Council
MICE	Meetings, Incentives, Conventions and Exhibition
MINMEC	Ministerial committee comprising members from provincial tourism ministries and the Minister and Deputy-Minister of DEAT
MIPTEC	Committee comprising members from provincial tourism departments and tourism boards and DEAT
MITF	Malaysia International Travel Fair
MTN	Mobile Telephone Network

NATAS	National Association of Travel Agents
NGO	Non-Governmental Organizations
NQF	National Qualifications Framework
NQs	National Qualifications
NRA	South African National Roads Agency
OTOA	Overseas Tour Operators Association of Japan
PATIIIs	Priority Areas for Tourism Infrastructure Investment
PCOs	Professional Conference Organizers
PHASA	Hunting Association of South Africa
PPT	Package Planning Trip
RDP	Reconstruction and Development Program
RPL	Recognition of Prior Learning
RTO	Regional Tourism Organization
SAA	South African Airways
SAACI	The South African Association of for the Conference Industry
SACAA	South African Civil Aviation Authority
SADHS	South African Demographic and Health Survey
SAFCC	South African Federation of Convention Cities
SAIX	South African Internet Exchange
SAMSA	South African Maritime Safety Authority
SANP	South African National Parks
SAQA	South African Qualifications Authority Act
SARCC	South African Rail Commuter Corporation
SARS	South African Revenue Service
SAT3/ WASC/SAFE	Southern Africa/Western Africa Submarine Cable/South Africa-Far East
SATCHI	South African Association of Trainers, Consultants and Service Providers to the Hospitality Industry
SATI	South African Tourism Institute
SATOUR	South Africa Tourism Board
SATourism	South African Tourism
SATRA	South Africa Telecommunications Regulatory Authority
SATSA	Southern African Tourism Services Association
SAVRALA	South African Vehicle Renting and Leasing Association
SDF	Skills Development Facilitator
SEAs	Strategic Environmental Assessments
SEAT	Sector Educational and Training Authority
SMEDP	Small and Medium Enterprise Development Programme
SMMes	Small, Micro- and Medium-sized Enterprises
SMPC	SA Tourism Marketing Partnership Committee
SSP	Skills Support Programme (as part of SMEDP)
Stats SA	Statistics South Africa
TBCSA	Tourism Business Council of South Africa
TETASA	Travel Education and Training Authority of South Africa
THETA	Tourism, Hospitality and Sport Education and Training Authority
TISA	The Timeshare Institute of South Africa
TLP	Tourism Learner ship Project
TSA	Tourism Satellite Account
TSA	Travel Sub-Agents
UNISA	University of South Africa
VFR	Visiting Friends and Relatives
WSP	Workplace Skills Plan
WTO	World Tourism Organisation
WTTC	World Travel & Tourism Council

Volume 2: East Asian Market Promotion

EXECUTIVE SUMMARY

2. East Asian Market Promotion

2.1 Background and Objectives

Despite its total market size, East Asia is currently a comparatively small market for South Africa, e.g., with about 65,000 arrivals in 2000 from the five countries subject to study (Japan, Korea, Hong Kong, Singapore, and Taiwan), accounting for 1.1% of total visitor arrivals and 4.3% of total arrivals from overseas (excluding those from Africa).

Japan, with 18 million people travelling abroad a year, is a market where a significant number of people have gained international travel experiences, of which many could potentially consider South Africa as their next destination.

Background:

Tapping into the East Asian market would prove to be highly lucrative

A high level of income coupled with the increasing travel experience is an important factor that could draw more Japanese to long-haul destinations such as South Africa.

Other parts of East Asia including Hong Kong and Singapore also show these tendencies, and still others like Korea, Taiwan and some of the Southeast Asian countries will soon be reaching this point as their income level and travel experience increase further.

East Asian outbound travellers have grown fastest in the world and are also known as big spenders. South Africa's attempt to capture this opportunity will benefit its tourism sector with high return.

O b j e c t i v e :

**Increase East Asian Tourists
&
Foreign Exchange earnings**

**Formulating a Promotion Strategy
&
Action Plan**

Objectives:

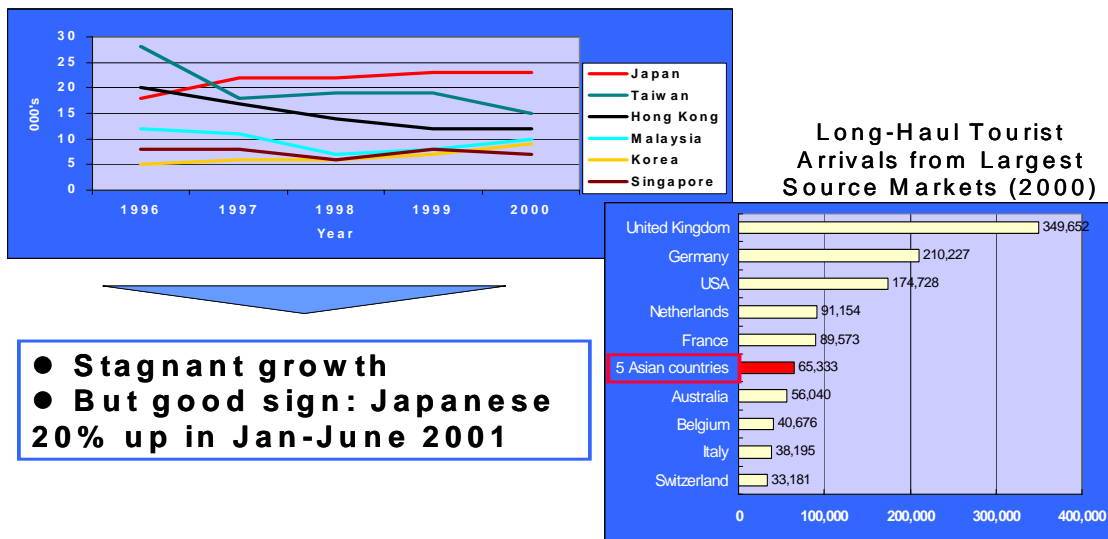
To increase the number of East Asian tourists to South Africa generating more foreign exchange earnings.

Objectives & Emphasis

Emphasis:

Putting much emphasis on formulating plans that are of realistic, concrete measures immediately implementable, so that tangible results would be brought about in the soonest time possible.

2.2 Present Situations



● Stagnant growth
 ● But good sign: Japanese 20% up in Jan-June 2001

Arrivals from East Asian have been generally stagnant in the past several years - much room for improving the situation.

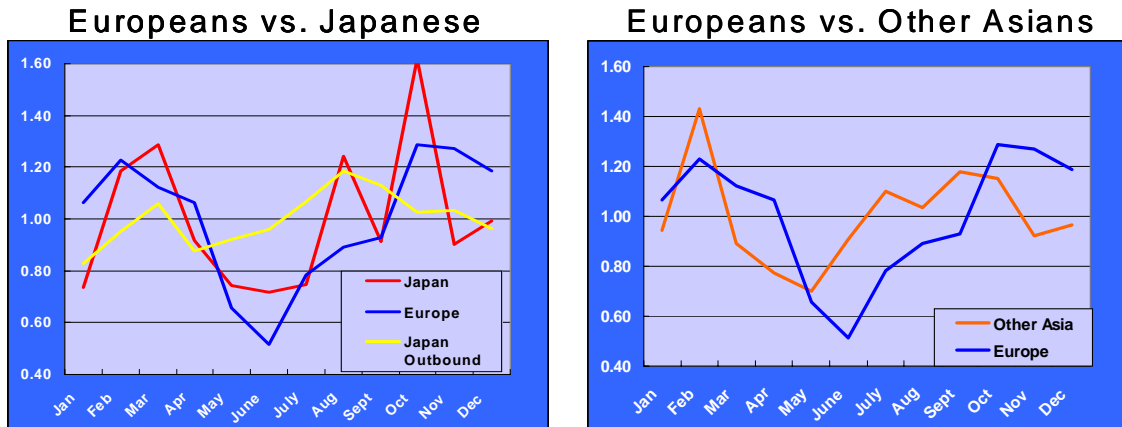
Good sign is that Japanese travellers went up by 20% in Jan-June 2001.

Arrivals from East Asia

The number of arrivals is not big but, the total arrival figure comes after the top five "long-haul" markets if summed up for the five source markets of Japan, Hong Kong, Singapore, Taiwan and Korea.

East Asia Promotion means reducing seasonality.

Fluctuation of monthly arrivals in 2000 (Ave. = 1.0)



Incl. visitors from Hong Kong, Singapore, Korea and Taiwan

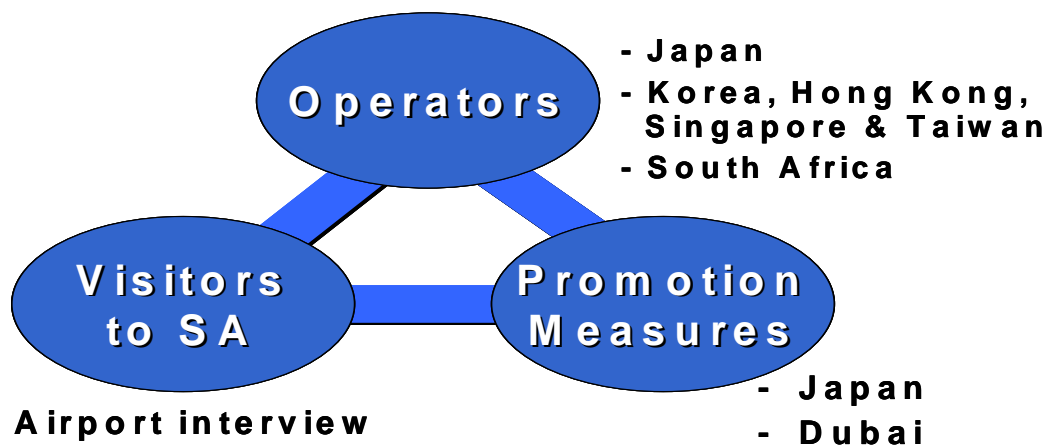
The proportion of East Asian arrivals during low season in the annual arrivals is higher than that for European tourists.

Reducing seasonality

Developing this market will contribute to flattening seasonality and have a positive impact on cash flows of the tourism industry in general.

Understanding the East Asian Market

Using Surveys



Operators' interview surveys in five target countries and SA were done.

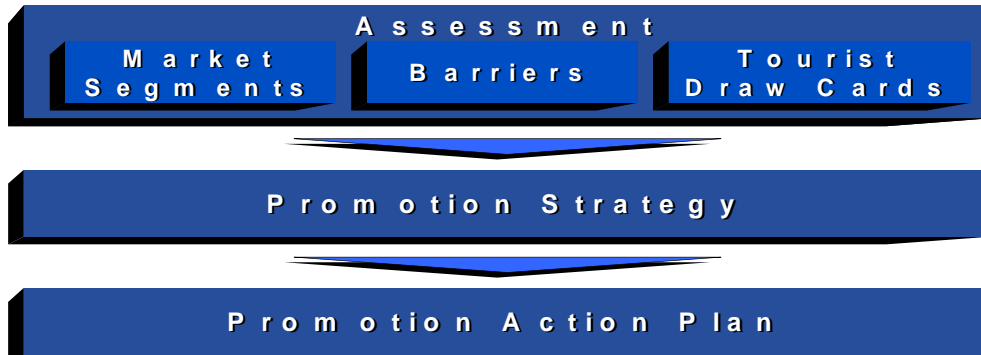
Understanding the East Asian market using survey results

An interview survey of East Asian tourists at Johannesburg and Cape Town Airports; and

A survey on promotion measures in both Japan and Dubai as a successful case in East Asian tourists' promotion.

2.3 Assessment

Action Plan Formulation was made as follows

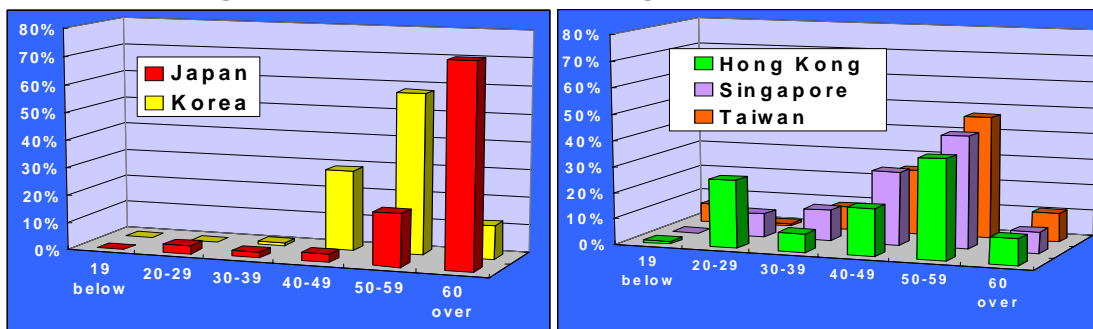


Market Assessment was made in three aspects

- | | |
|---|---|
| The three parts results of market assessment | Understanding the market segments and potentials; |
| Promotion strategies and an action plan were based on these assessment | Existing barriers against desirable growth and how to crack them down; and
Tourist draw cards or selling points of South African tourism powerful enough to attract tourists from East Asia. |

Current Segments of East Asian Visitors are Apparent

Age Distribution of Package Tourists to SA



Japan: Senior dominant
Korea: Similar but younger
(youth also non-negligible)

● Middle age/over dominant
● Younger segments also comparatively large

Source: Major South African ground operators handling East Asian tourists

Market segment

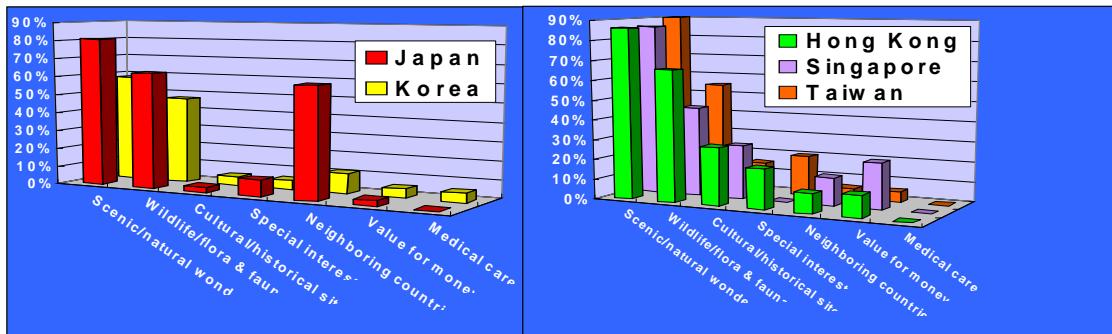
Japan: over 60 years of age, or senior.

Korea: similar to Japanese tourists, but younger, young segment from Korea, particularly students, is not negligible.

Others: middle aged people, including 40s and 50s, but the proportion of younger segments including 20s and 30s are comparatively large.

Reasons for Choosing South Africa are Concentrated.

Survey Results: "Holiday" Tourists



- Attracted to "scenic/natural wonder" & "wildlife/flora & fauna"
- Victoria Falls is essential for Japanese
- "Value for money" is low

The first is scenic beauty and natural wonder, and the second is wildlife and flora & fauna.

Primary reasons for choosing South Africa

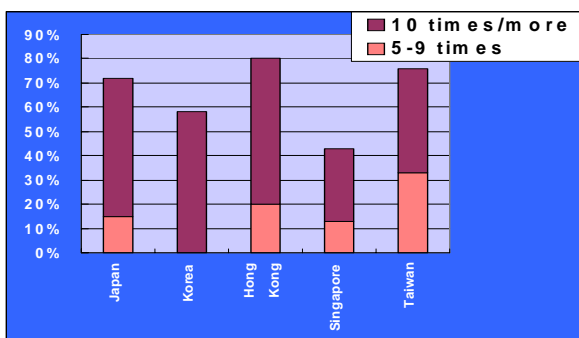
Japanese tourists are attracted also to major tourist attractions in neighbouring countries including Victoria Falls and Chobe National Park.

Value for money for their trip to South Africa is not high.

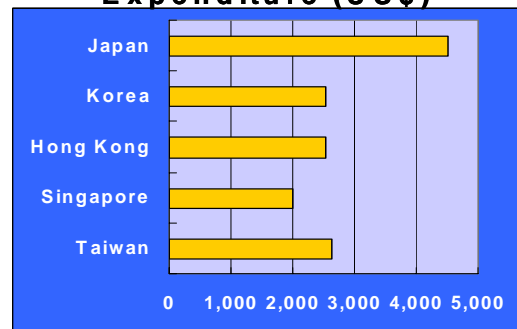
East Asian Visitors are Experienced Travelers.

Survey Results: "Holiday" Tourists

Past overseas travel experience



Average Total Expenditure (US\$)



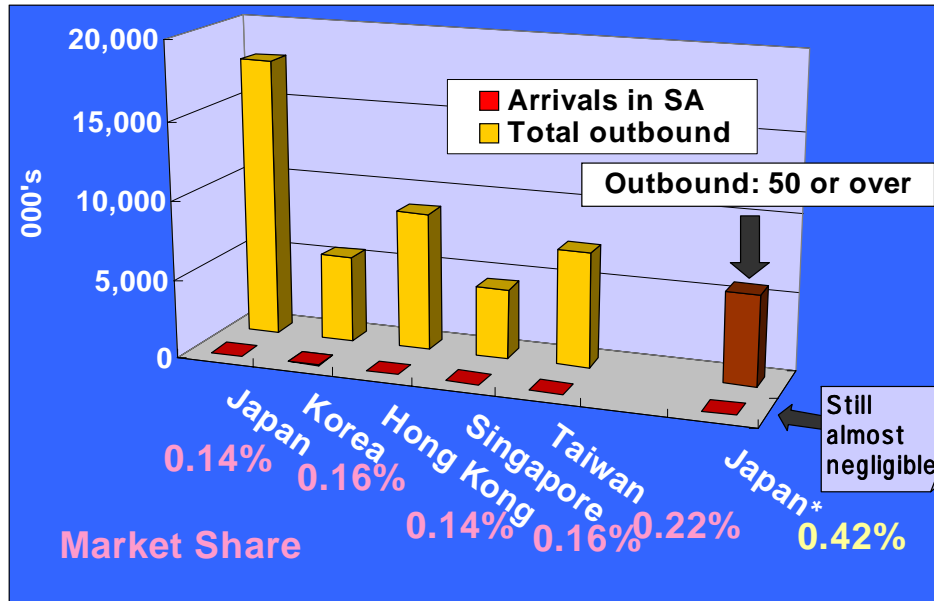
A large part of tourists have more than 10 times of previous overseas travel experience, and most of them have five times or more.

East Asian travellers are experienced

Japanese spend about 4,500 US dollars on the average, and those from other countries spend 2,000 to 2,600 dollars.

They are good customers although they may not be easy to satisfy.

Penetration into East Asian Market is Minimal.



Current stage: just the beginning

Potentials: Current penetration into East Asian Market is so little (0.15% to 0.2%).
Current penetration is low

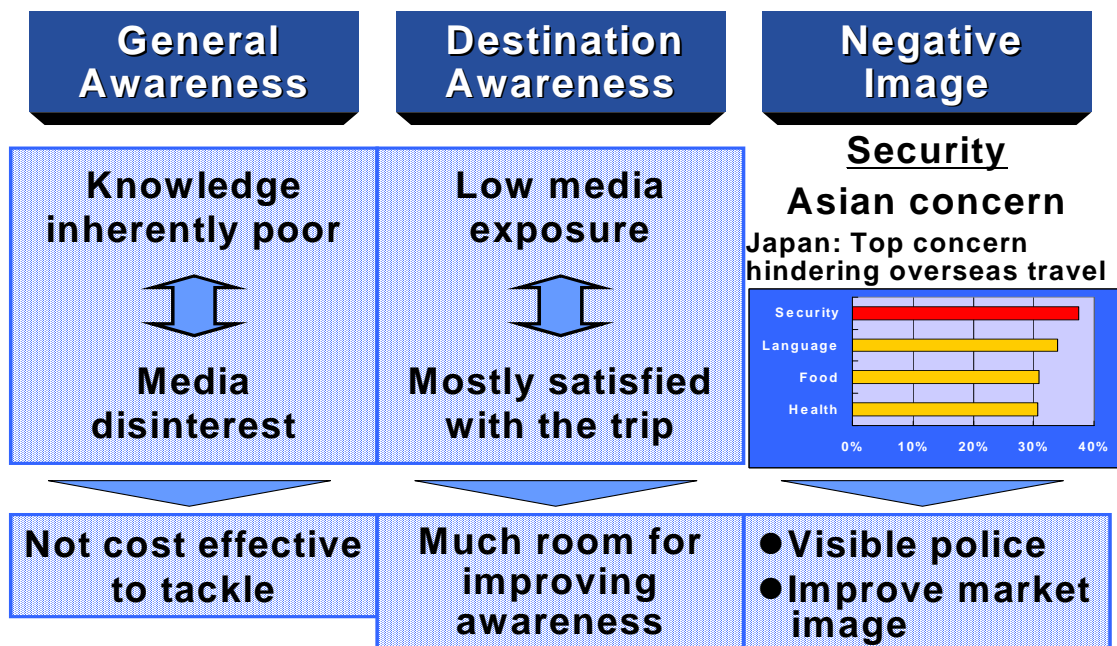
Significant potential for future development However, significant potential for future market development.

What are Barriers to South African Tourism ?

Consumers	<ul style="list-style-type: none"> • Awareness • Market exposure • Negative image
Product	<ul style="list-style-type: none"> • Faraway • High price • Product appeal
Agents Operators	<ul style="list-style-type: none"> • Passive to sell SA • Information on SA
Airlines	<ul style="list-style-type: none"> • Seat capacity • Direct flights
Promotion activity	<ul style="list-style-type: none"> • Budget • Presence • Collaboration

	Potential consumers: low awareness of South Africa; low media exposure; and negative images about South Africa, particularly the security problem.
<u>Barriers:</u>	
<i>Potential consumers</i>	Tourism product: faraway destination for East Asians; expensive; and overall product appeal is relatively weak.
<i>Tourism products</i>	Tour operators and travel agencies in the source market are generally passive in selling tours because this business is currently not attractive to them and they do not know well enough about South African tourism.
<i>Agents/operators</i>	
<i>Airlines</i>	Airlines seat capacity is insufficient and there are no direct flights except for Hong Kong, Singapore and Bangkok.
<i>Promotion activities</i>	Institutionally, there is low promotion budget, non-existence of the representative office of SA Tourism except in Japan; and insufficient collaboration among SA Tourism, South African embassies and South African Airways.

Barrier No.1 : Little Awareness & Negative Image



It is quite difficult and not cost effective to rapidly enhance East Asians' "general" awareness of South Africa.

Barriers: Consumer

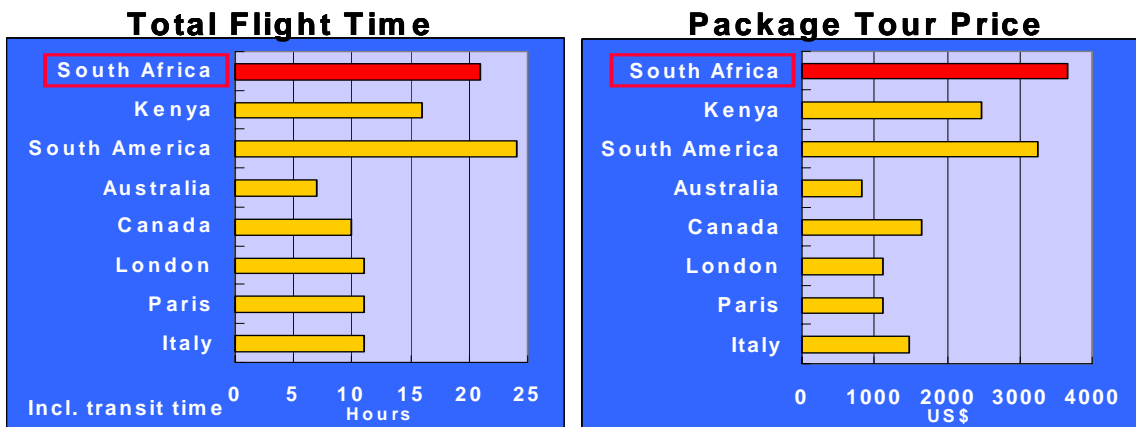
Little awareness & negative Image

Much easier to improve the awareness of South Africa in the target segment, because who actually visited South Africa are mostly satisfied with their trip, and willing to tell the story to the others.

Very important to recognize that the perceived lack of safety is a major barrier, particularly in this security-conscious market like Japanese.

Barrier No.2 : Faraway & High Price

Standard Japanese Package Tours



Product appeal is extremely important

Source: Asahi Newspaper, Playguide Tour, Look JTB, World Air Service, Eurasia Travel

Barriers: Product

Faraway & high price

Product appeal is extremely important

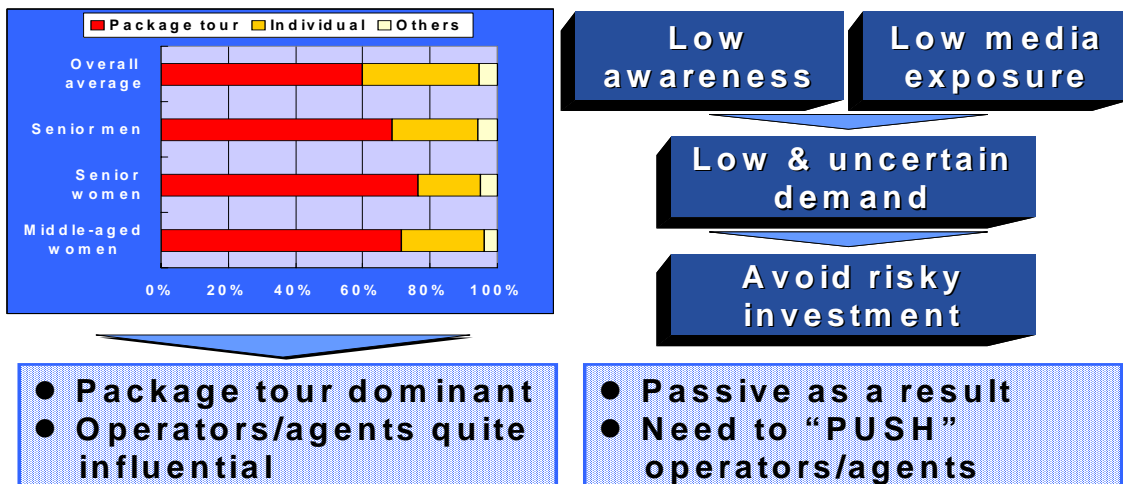
The price level of package tours to South Africa is no comparison with the tours to Europe, and is comparable to South America.

While there is a limit in flight time reduction, the tour price could go down as tourist volume increases, but not in the short-term.

Under these unfavourable conditions, product appeal is critically important for tourism promotion in the East Asian market.

Barrier No.3 : Passive Operators and Agents

Overseas Travel Type (Japan) Large Travel Agencies (Japan)



Japanese Agents/Operators: Operators/Agents are influential Package tour dominant Need to "PUSH" operators/agents Give them stronger motivation to sell South Africa

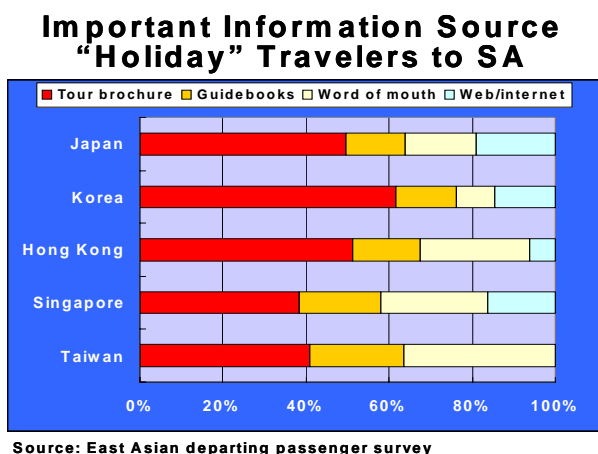
Operators and agents are very influential especially in Japan. They are quite influential on the decision making of potential tourists.

Package tour sold by agents, is a dominant form in the entire overseas travel market, and this tendency gets stronger for senior and middle age segments.

Currently, the power of operators and agents is significantly underutilized; even the very basic effort such as provision of information on South Africa is in short supply.

Critically important to "push" influential operators and agents and let them actively sell South African tours. Significant effect can be expected if giving them a stronger motivation

Comments from many of the operators interviewed revealed that South Africa has a good potential to achieve significant growth in their markets easily at least up to three times as much as the current number, if promotion activities are actively done.



Power of marketers underutilized

Asian operators and agents generally very influential

Lack of information on South Africa

Give them stronger motivation to sell South Africa

Other East Asian Agents/Operators: Operators/Agents are influential Broachers are the primary source for choosing trip

Operators and agents are very influential not only in Japan but in other Asian countries as well.

Among the holiday travellers to South Africa, tour brochure is the top important information source about the tour to South Africa "before" they made a trip.

Currently, however, the power of such influential operators and agents is significantly under-utilized.

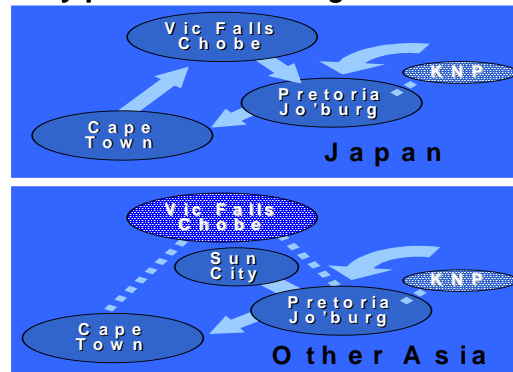
Significant effect may be expected if giving them stronger motivation to market South African tours.

How should we Market South Africa ?

Powerful Draw Cards

Scenic Wonders	<ul style="list-style-type: none"> • Table M t. • Cape Point • Cape Town
Wildlife Flora & Fauna	<ul style="list-style-type: none"> • Flowers • Variety of wildlife
Entertainment & Others	<ul style="list-style-type: none"> • Sun City, • Pilanesberg (Excl Japan) • Blue Train
Neighboring Countries	<ul style="list-style-type: none"> • Vic. Falls • Chobe N.P. • Kalahari (For Japan)

Typical Package Tours



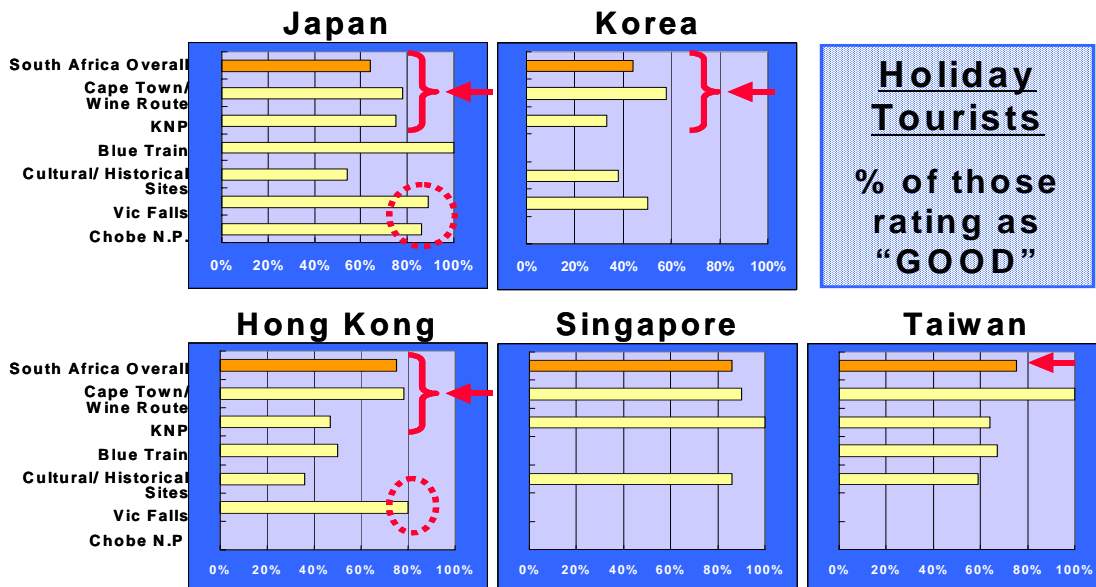
Tourist Draw Cards:

Powerful draw cards do exist but not many

Distance between tourists draw cards is another issue

The distance between powerful destinations requires air transport, it is difficult, for example, to include Kruger National Park in typical package tours, and instead Japanese operators include Chobe National Park in Botswana that can be easily accessed from Victoria Falls, which is essential for Japanese typical package tours to South Africa.

For other East Asian markets, Sun City is a must, and the tours typically include game viewing at Pilanesberg, rather than at Kruger National Park.



Note: Blank items are those with small sample.

Importance to Enhance Product Appeal

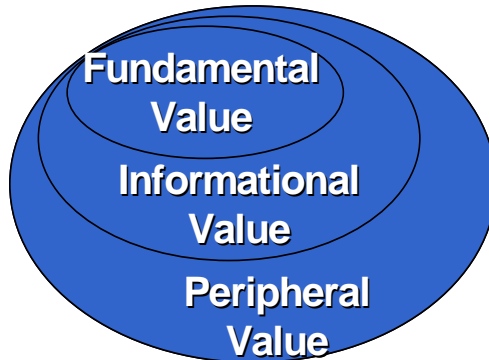
The rating of "South Africa Overall", which is not particularly high for most of these markets. Even Cape Town is rated lower than Victoria Falls.

Extremely important to further strengthen the existing major draw card destinations, since they are the ones that have a truly strong tourist drawing power in East Asia.

Enhancing Product Value can be Done.

Principle of Branding

Total Brand Value =



- Strengthen “Fundamental Value”
- Add “Informational Value”

Cost Effective Measures

Major Tourist Sites

- World-class site presentation
- Interpretation
- Visitor facilitation

Attract channel & media

Promotion

- Provide value-adding information
- Feature valued add-on products (besides major ones)

Source: The Manual of The Brand Marketing Strategy, 2001

Enhancing Product Value

Take cost effective measures

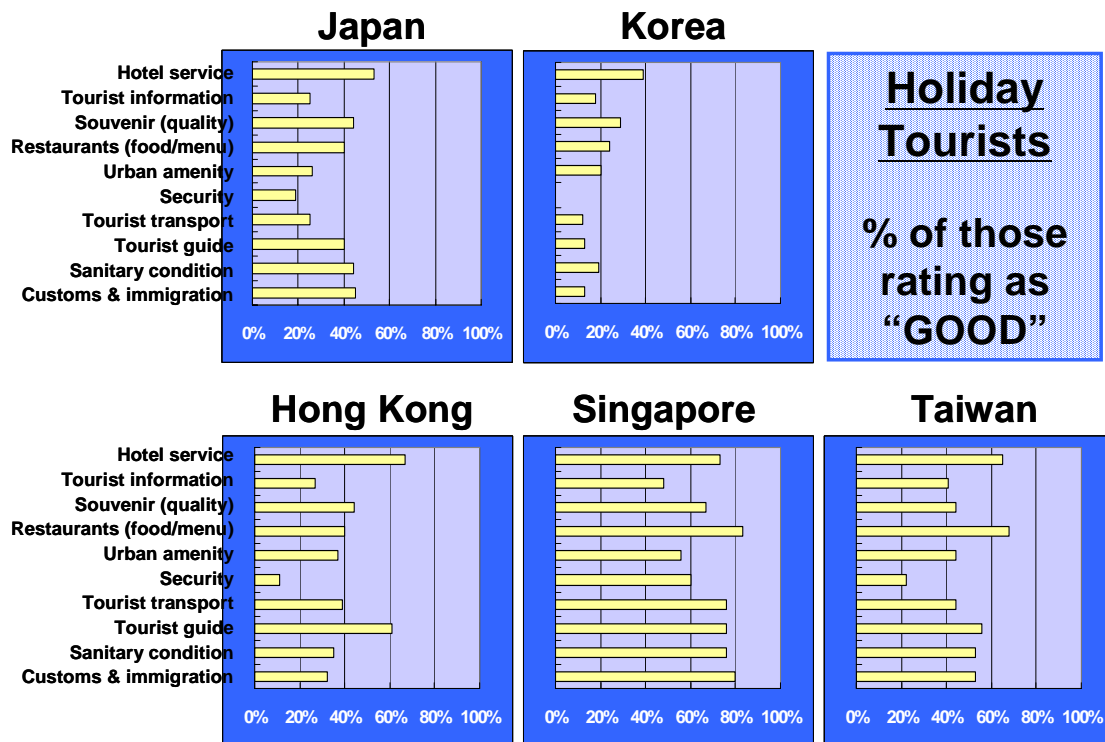
The basic and effective approach is to strengthen the fundamental value, and add some informational value.

Cost effective measures in the relatively short term include: Improve the way to present the major tourist sites to visitors including introducing world-class presentation, interpretation and visitor facilitation.

On the promotion side, it is effective to provide value-adding information and stories about the draw card attractions. This would work for capturing the interest of marketers or tour operators and various kinds of media in the source market.

Another important measure is to feature valued add-on products that will enhance the value of the existing powerful draw card attractions and destinations.

Quality and Services must also be Improved.



All kinds of tourist services are not rated highly

Need to get serious

Generally, tourists' services are not rated highly by East Asian tourists, particularly by Japanese, Koreans and tourists from Hong Kong.

If targeting East Asians who are used to high quality service in their own countries, there is much room for improvement in tourist service in general in order to meet the standard expected by them.

We can Learn from Dubai's Experience

Dubai claims as a completely safe destination.

Offers a superlative experience with customization to source markets. Staffs in representative offices are trusted to promote the destination as best fits the source market.

Learning from Successful cases in Dubai for East Asian tourists promotion

Devotion to customer satisfaction and commitment by all relevant players, including Department of Tourism, Commercial Marketing, Departments of Civil Aviation, Immigration, and Police, etc.

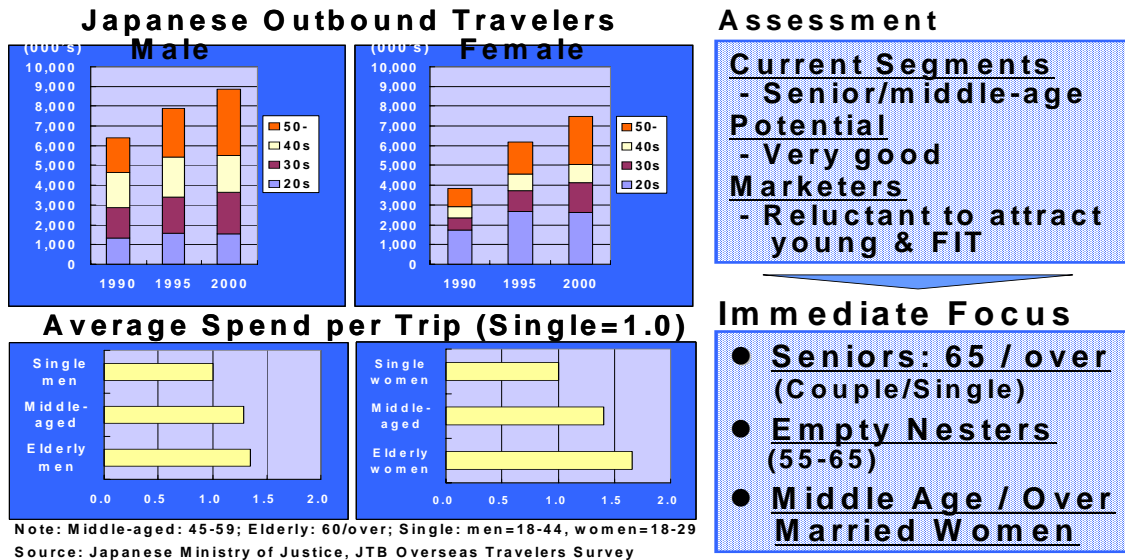
Principles can be transferred to South African promotion strategy

Aggressively packaged and offers concentrated visitor experience, which is an important consideration for East Asian tourists.

In short, Dubai's success is due to the devotion of all those concerned with tourism sector, both public and private, attempting to enhance the value of total tourist services and achieving customers' satisfaction.

2.4 Promotion Strategy

Strategy: Target Segments - Japan



Promotion Strategy for Japanese market

Target the segments that are the easiest to penetrate

Senior market

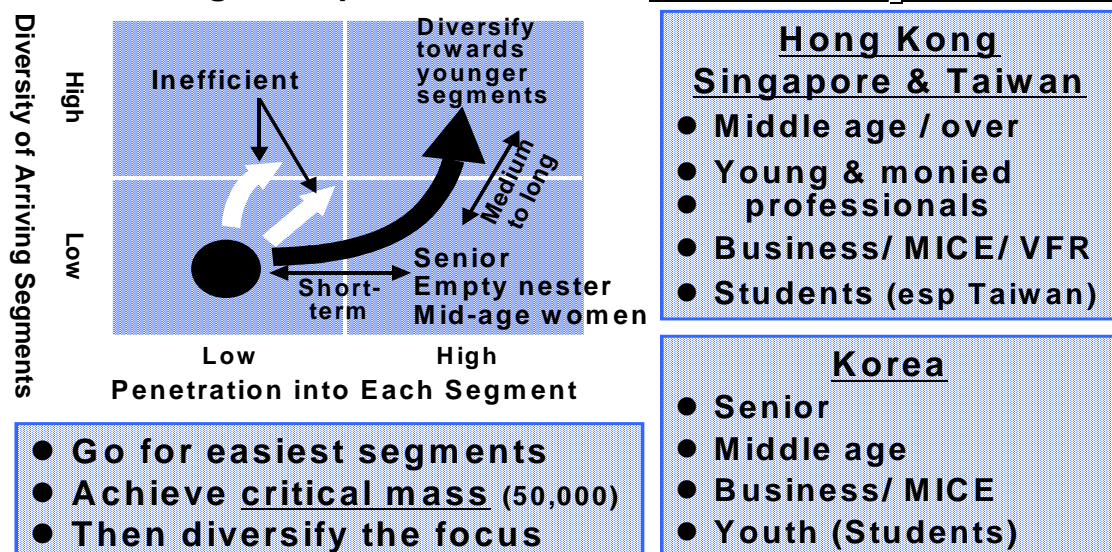
The best, most cost-effective strategy is to target the segments that are the easiest to penetrate. These segments are the senior market, either couple or single; empty nesters whose children have already grown up and left their home; and married women who are middle aged or over.

Average spending proves that those are capable to afford the travel to South Africa.

Strategy: Phased Approach

Same Principle

Positioning in Japanese Market Other Asia: Immediate



Phased approach is recommended

Go for easiest segments

Achieve critical mass first then, diversify the focus

Same approach can be used for other East Asian markets

For Japanese market, in the short term (3 years), promotion activities should be focused on the existing predominant segments. Once the annual arrival figure reaches a critical mass of 50,000, then diversify the focus towards younger segments.

Specifically, the immediate and short-term target segments for Hong Kong, Singapore and Taiwan should include those as shown in the box, and the immediate target segments for Korea should include those as shown in the box.

Strategy should be as follows from Market Perspective

Push Marketers	Enhance Product Appeal	Concerted Effort
<ul style="list-style-type: none"> ● Take advantage of their power ● Collaborate aggressively ● Information & incentives 	<ul style="list-style-type: none"> ● Provide value-adding information ● Strengthen tourist draw cards ● Effective use of media 	<ul style="list-style-type: none"> ● SA Tourism, embassies & SAA ● Consistent, synergistic activities ● Economies of scale

“From Market Perspectives”

Push marketers

Enhance product appeal

Concerted effort

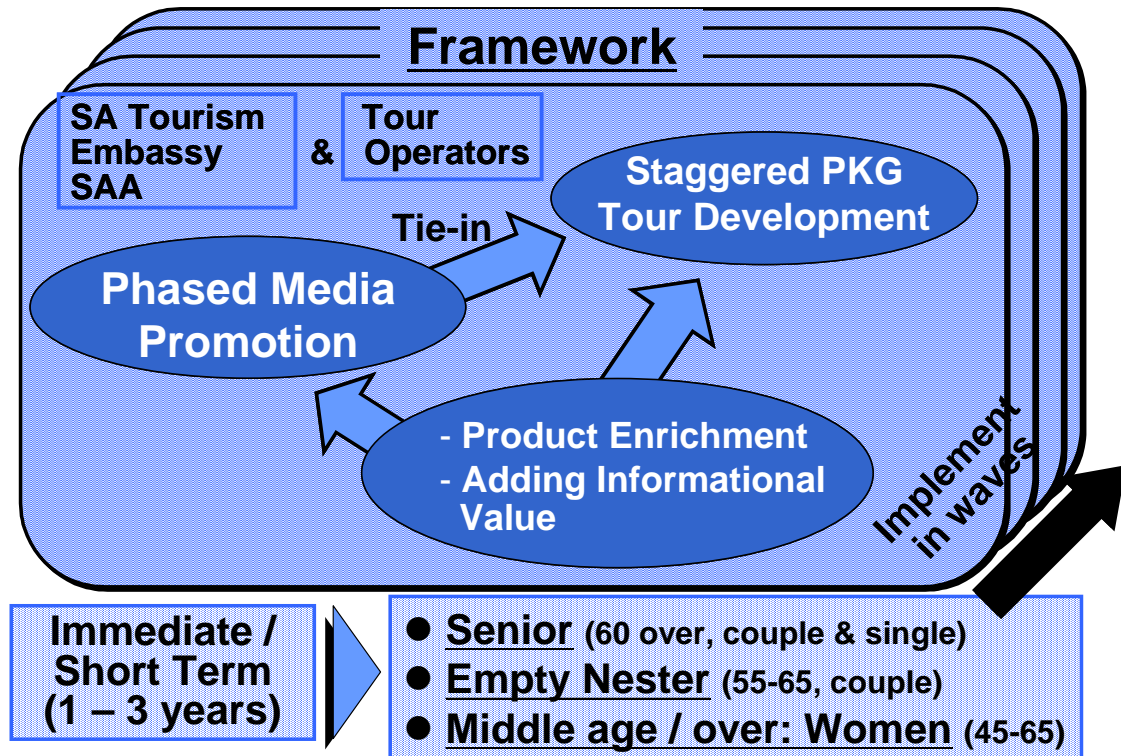
Push marketers to actively sell South Africa. It's quite effective to take advantage of their power by aggressively collaborating with powerful operators and agents and providing information and incentives valuable to them.

It is essential to enhance product appeal from the East Asian perspective. The existing powerful tourist draws should be strengthened and media attention should be captured by providing value-adding information, featuring valued add-on products, and improving the presentation of major tourist sites.

All promotion activities should be carried out by well-coordinated collaboration among SA Tourism, embassies in the source markets and South African Airways. Information and image to be delivered should be consistent and synergy of activities should always be taken into account

2.5 Promotion Action Plan

Action Plan - Japan



Framework for the Japanese market action plan

Establish close collaborative working arrangement among South African promotion bodies

Working closely with marketers

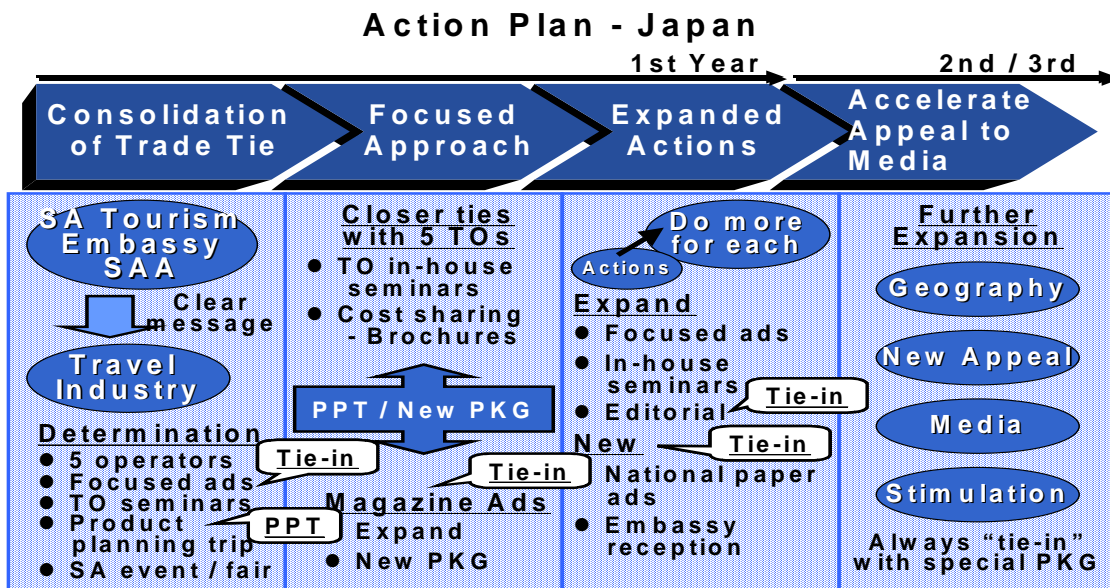
The series of actions should be undertaken in phases

Firstly, South African promotion bodies in the source market, including, SA Tourism, embassy and South African Airways, establish a close collaborative working arrangement, and then initiate close joint marketing relationship with some of the major Japanese tour operators and travel agencies.

Working closely with these operators, and using attractive and appealing information package, active media promotion should be undertaken in phases by tie-up with these operators. And at the same time, package tours that are consistent with this media promotion should be developed and advertised jointly by these operators and the South African promotion bodies.

In this process, it is essential to select and use the media that can effectively reach these short-term target segments.

Very importantly, this series of actions should be undertaken in phases or in waves in order to make this framework effective.



In the initial three months, consolidate trade ties, specifically by announcing the determination of South Africa to penetrate into Japanese market using trade media.

Then select 5 Japanese tour operators that are keen on selling South Africa, and advertise package tours through tie-in with these operators, by using right magazines for the target segments.

At the same time, offer Product Planning Trip (PPT) to the selected operators to develop new package tours. This process is a preparation for the next phase.

Immediate actions (1-3years)

Consolidation of the Trade Tie

Focused approach

Expanded actions

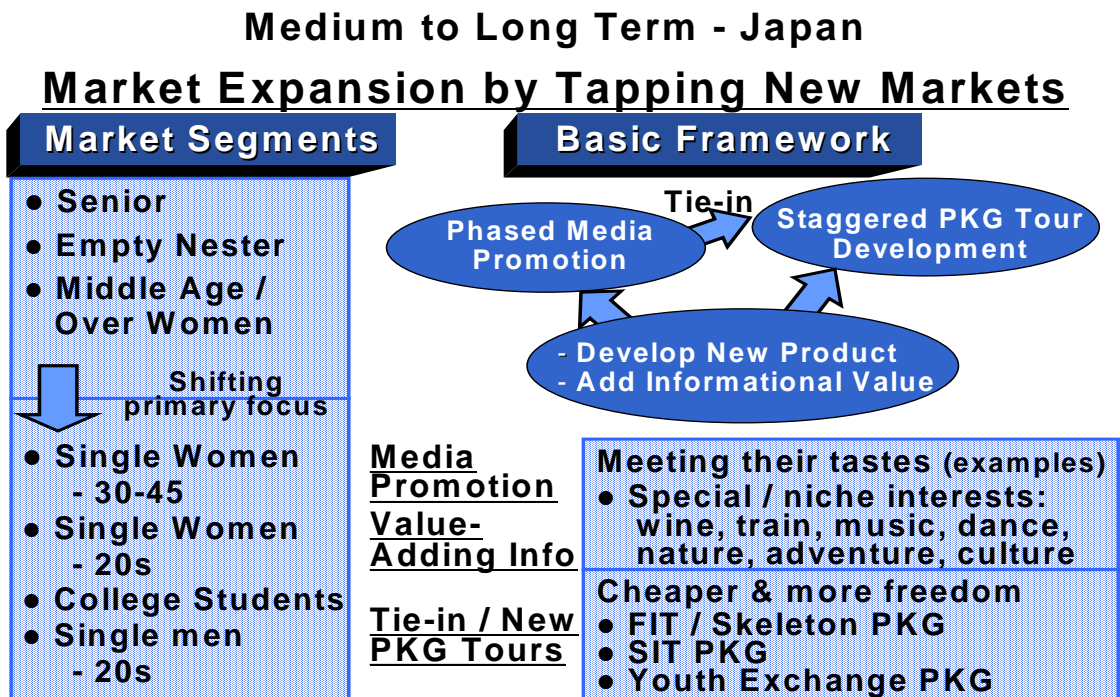
Accelerate appeal to media

The second phase is to take focused actions by establishing closer relationship with the chosen operators. In-house seminars for these operators should be held for their Tokyo and Osaka branches to upgrade the capacity of frontline sales clerks.

Simultaneously, provide cost-sharing support for brochure production for the package tours developed in the previous phase. And then advertise these new package tours in more magazines.

The next phase is to expand previous actions and, introduce new promotion activities including national newspaper ads with tie-in tour packages newly developed by PPT, a South African embassy reception to help promote the launch of the newly developed packages.

In the second and third year, further expand all activities in various dimensions including geographic expansion of in-house seminar, introducing and placing ads on new attractions, approaching TV directors and program producers, introducing magazine editorials, assigning celebrity figures matching the image to be delivered. These actions should be taken always with a tie-in to specific tour packages.



Once the arrivals from Japan has reached 50,000, then the next step of medium to long-term measures will be to expand the target segments, and focus primarily on younger segments.

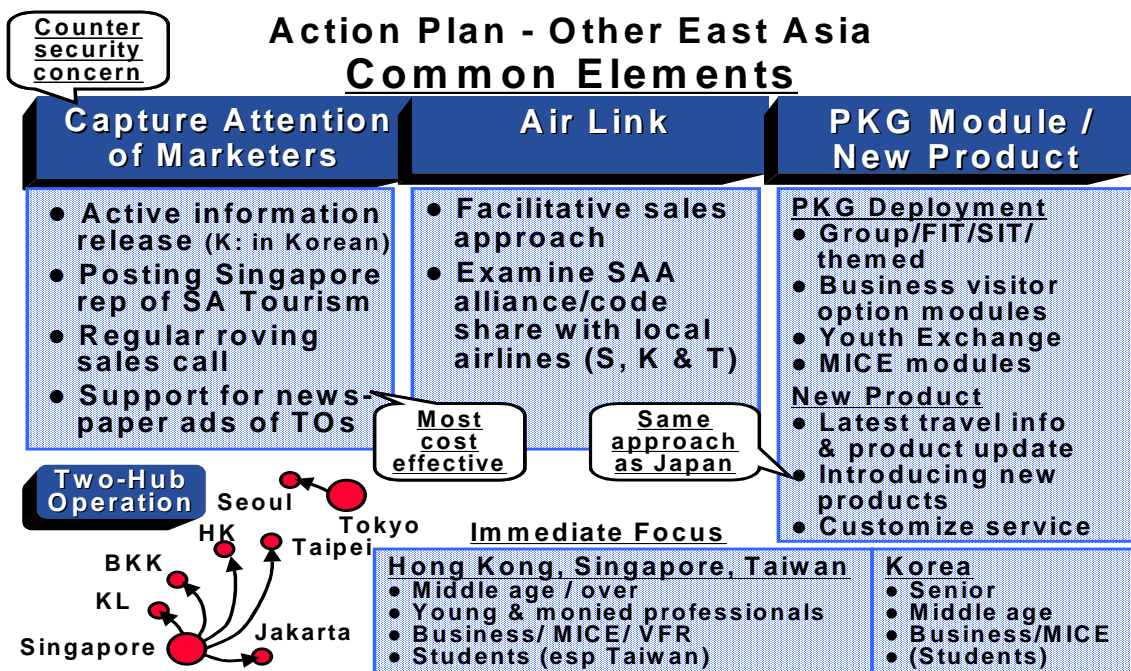
Medium to long term actions

The basic framework to be used for this phase is essentially the same as that for the short-term action plan.

Market expansion by tapping new segments

The difference is that contents of the ads, and value-adding information to be delivered should be those that will meet the tastes of young potential tourists.

Newly developed tie-in tour packages should also be those that will meet their tastes, particularly those that are cheaper and with more freedom, including FIT package, Skeleton package, SIT package, youth exchange package etc.



Action Plan for Other East Asia countries

Capture attention of marketers

Air link

Package module/new product

Other than Japan in East Asia, there is no SA Tourism representative office, promotion is limited in these markets, and even SA Tourism itself is not well known by tour operators there. This situation must be changed. Recommended approach is common to all markets.

More active information release is necessary, and this will contribute to countering the negative image of South Africa.

In order to improve the presence of SA Tourism in the region, we recommend that a representative be posted in Singapore who will be responsible for regular roving sales calls to ethnically similar Hong Kong and Taiwan markets as well as emerging Malaysian, Indonesian and Thai markets. The figure shows this two-hub operation in the East Asian market.

In addition, provide major operators support for tour package ads on newspapers that is the most cost-effective means for market package tours.

Improvement would also be needed for airlines, including facilitating sales approach and move toward establishing alliance or code share with local flagship airlines where such arrangement has not been made.

A similar framework in Japan should be taken for promotion. Assist selected operators in developing new tour packages that will meet the tastes and needs of the target segments.

Support to be provided for developing new product includes provision of latest travel information and product update, offering of PPT, and customization of service matching East Asian tastes and wants.