

The Marketing Tourism Growth Strategy for South Africa

2008- 2010

May 2008

SOUTH AFRICAN TOURISM



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The Strategy Development Process

The information and strategic plans contained in this document are based on extensive research and consultation conducted by SA Tourism over the past five years.

The process of developing the strategy was guided by a set of core principles to which we believe we have remained true.

The insights we have gained and used to inform our strategic choices were generated through two parallel, but integrated, processes:

1. The Tourism Growth Strategy started in 2001 and is a market-facing process that involves on-going research and analysis to support critical choices around which markets and consumer segments to focus on, and specifically how to activate growth through marketing, brand positioning and channel fulfillment in the chosen focus areas while at the same time monitoring and evaluating our work.
2. The Global Competitiveness project was done in two phases in 2003/4 as a joint project with the Department of Environmental Affairs and Tourism and the Department of Trade and Industry. It studied how competitive the South African tourism sector is and has initiated a set of actions to adjust the competitive platforms and micro-economic context of the industry to fill key product gaps and upgrade the overall performance and rate of innovation in South Africa's tourism industry.

This document details the Tourism Marketing Strategy of South Africa which forms part of the broader Tourism Growth Strategy. More information is our website **www.southafrica.net/research**

Guiding principles of the Tourism Growth Strategy (TGS)

The TGS was developed according to a set of consistent principles

Focused

We have limited human and financial resources so must be focused in all our activities so we make choices and explicit trade-offs which have a long-term strategic impact on South African tourism. This is not about doing everything on offer but making choices based on ROI and business objectives, and making clear decisions on what you do and do not do

Data Driven and customer focused

The strategic decisions that drive the TGS are based on sound data and analysis, and not anecdote. It is about understanding consumers who are attractive for South Africa in terms of our objectives and the immediate focus is on people who are interested in traveling to South Africa.

Consultative to build sector 'co-opetition'¹

The TGS process is consultative, incorporating input from as many stakeholders as possible. The principle is to build "co-opetition" in the sector so that we co-operate on building volume and compete on service and move away from the current destructive competition

Goals are GDP, jobs and transformation

Choices are made in relation to our mandate and the national tourism goals in the Tourism Act: to promote GDP growth and job creation and the transformation of our economy through six key objectives (growing volume, spend, length of stay and provincial distribution while reducing seasonality and promoting transformation)

Transparent

The choice-making processes and source of data is transparent to build consensus on building tourism against the broader nation's goals while informing business-level decision making within a broader context.

¹ The concept of "Co-opetition" is used here with the same meaning as that described by Adam Brandenburger and Barry Nalebuff in their book of the same title
The Marketing Tourism Growth Strategy 2008 – 2010, May 2008

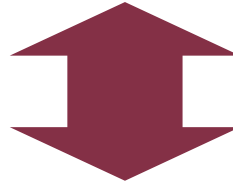
Mandate and Key Strategic Objectives for Tourism

The Tourism Act's mandate to SA Tourism is ...

Sustainable GDP Growth

Sustainable job creation

Redistribution and transformation



... through six key objectives ...

Increase in tourist volume

Increase in tourist spend

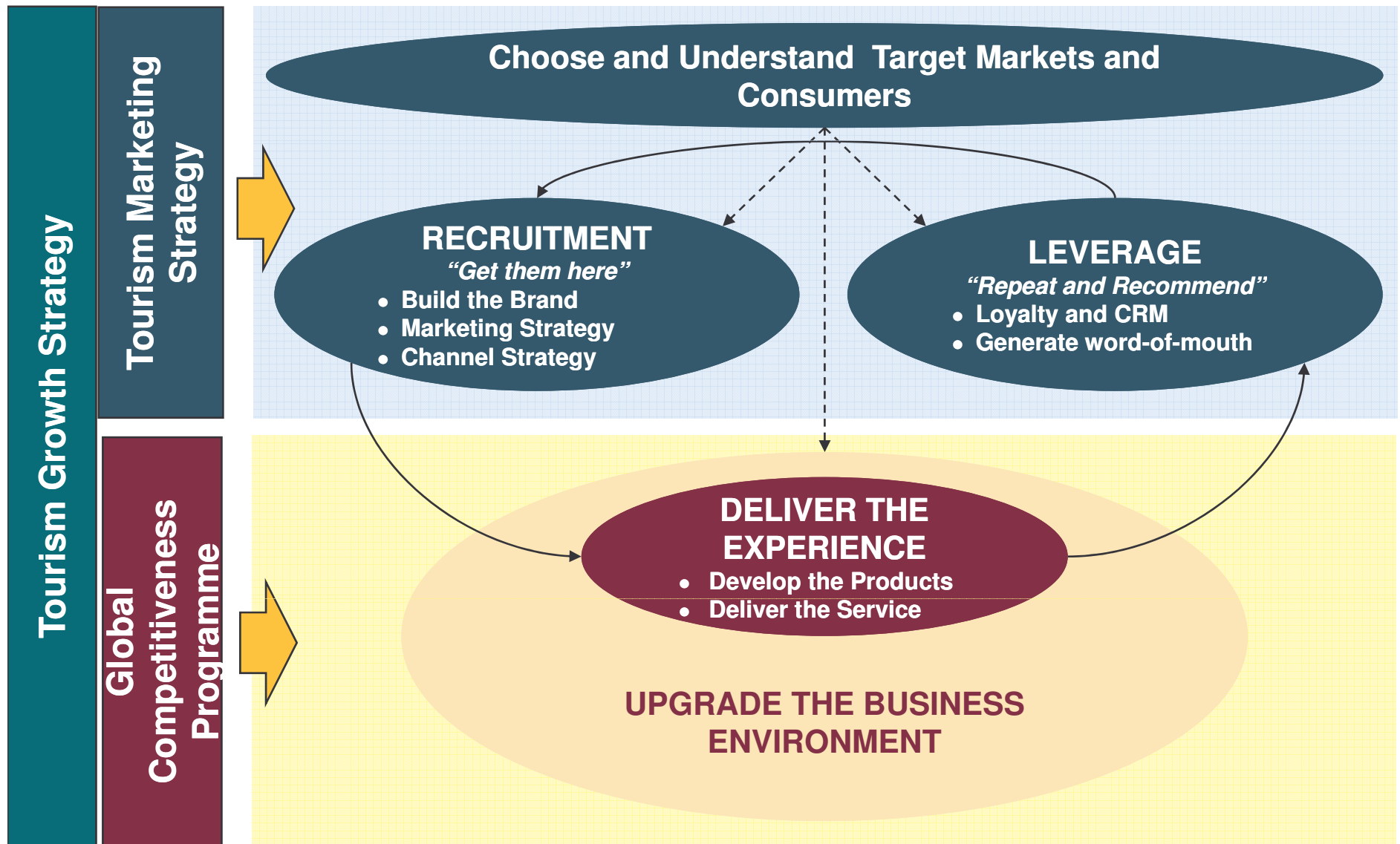
Increase length of stay

Improve geographic spread

Improve seasonality patterns

Promote transformation

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



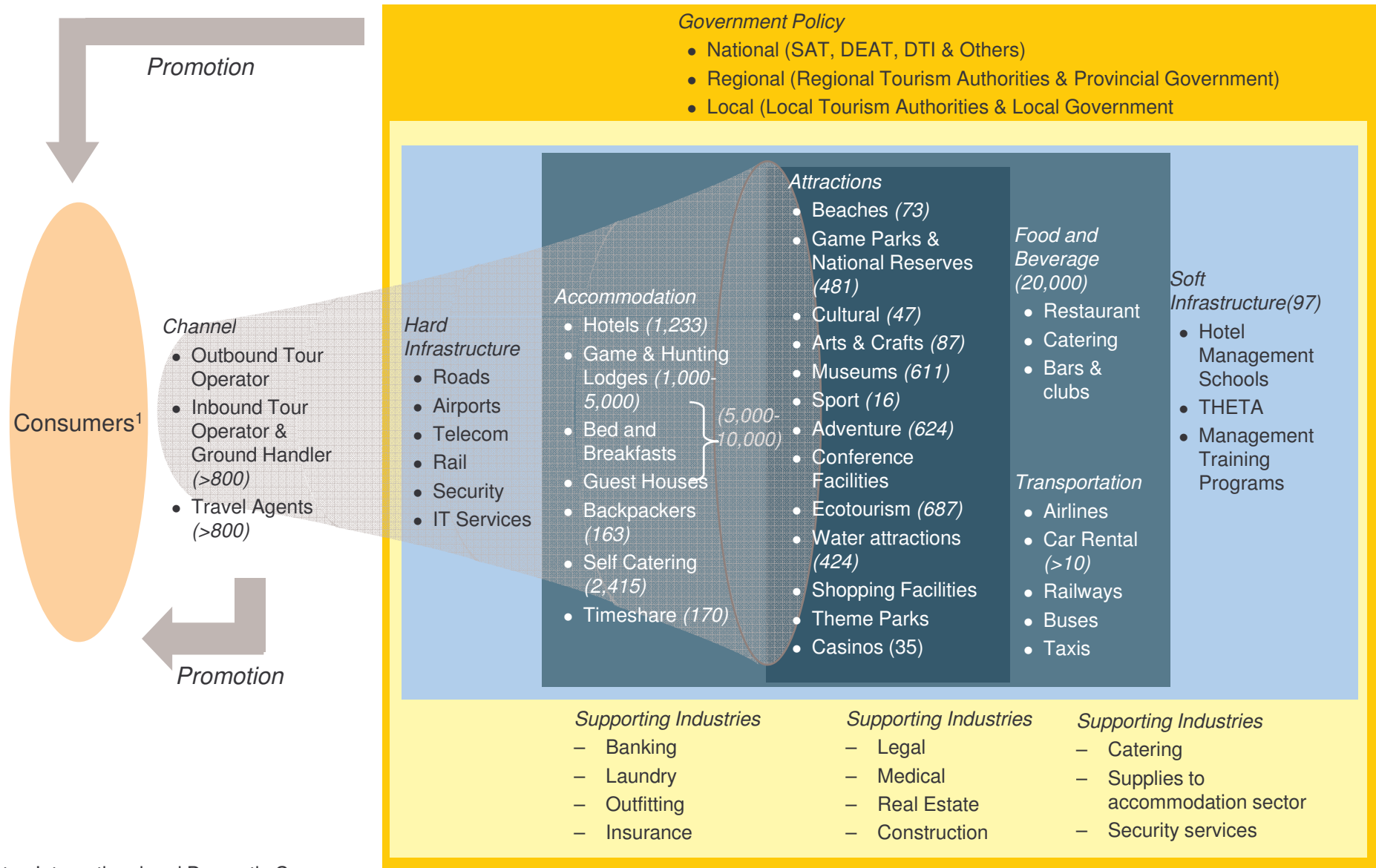
The success of delivering the mandate of tourism lies in different areas – together they form the Tourism Growth Strategy



This is dependent on the co-ordinated delivery of different organisations on their mandates as most of them sit outside tourism



Co-ordination is even more challenging because tourism industry cluster consists of a large number of players

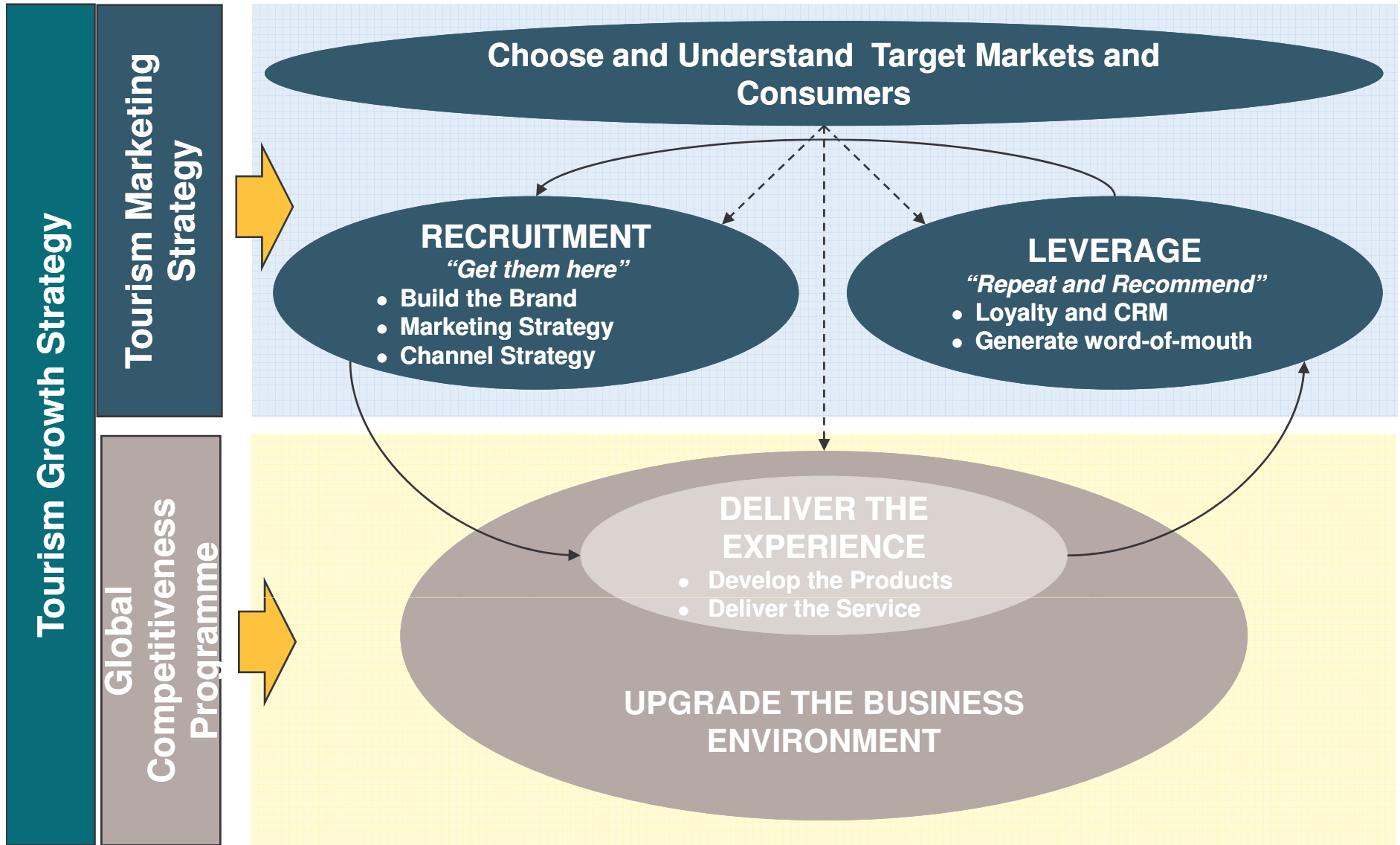


Note: International and Domestic Consumers

Source: JICA, ABSA, AA Travel, Babasa, Portfolio Collection, SAT, Interviews, Monitor Research

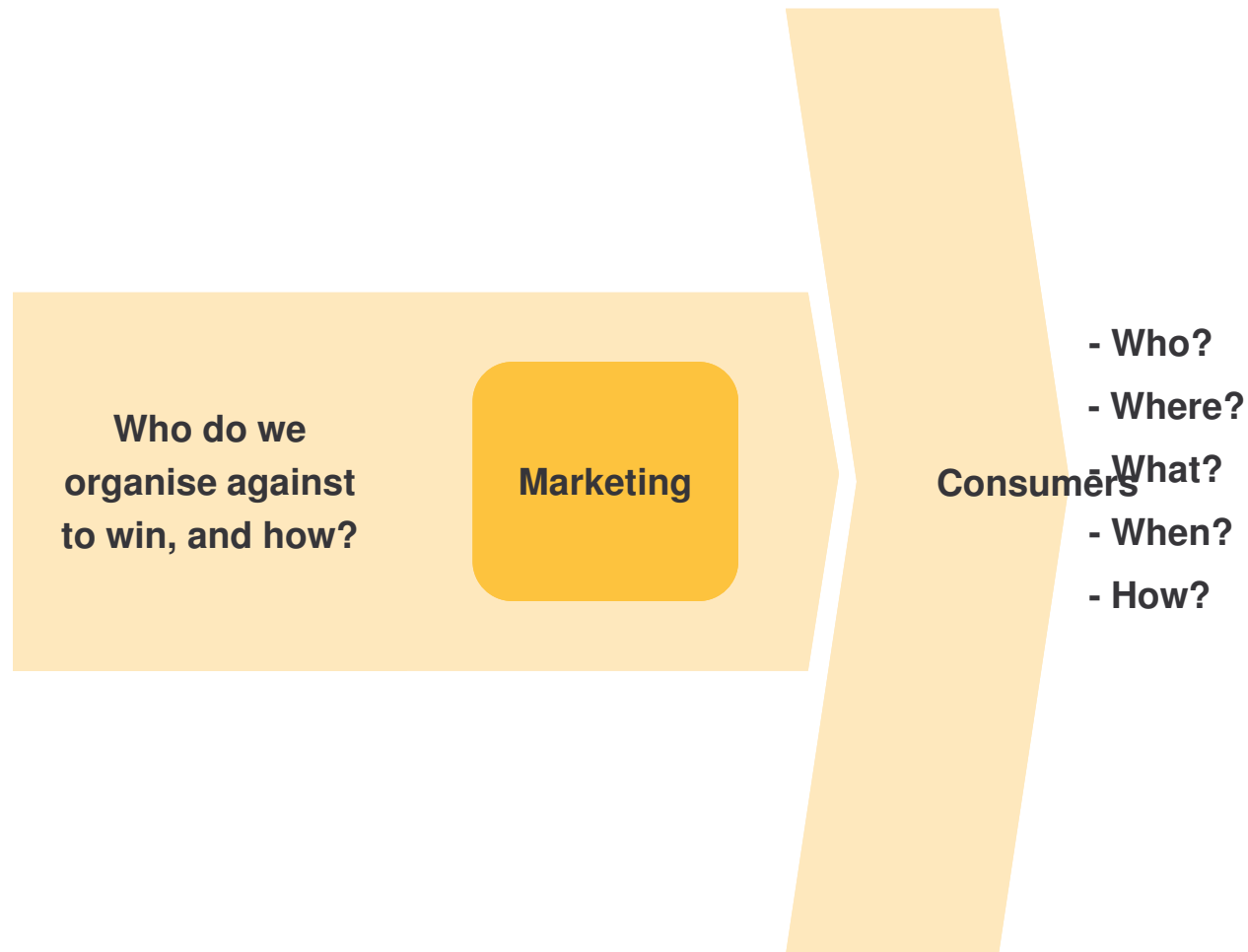
The Marketing Tourism Growth Strategy 2008 – 2010, May 2008

The Marketing Tourism Growth Strategy



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The core business of South African Tourism is the international marketing of South Africa



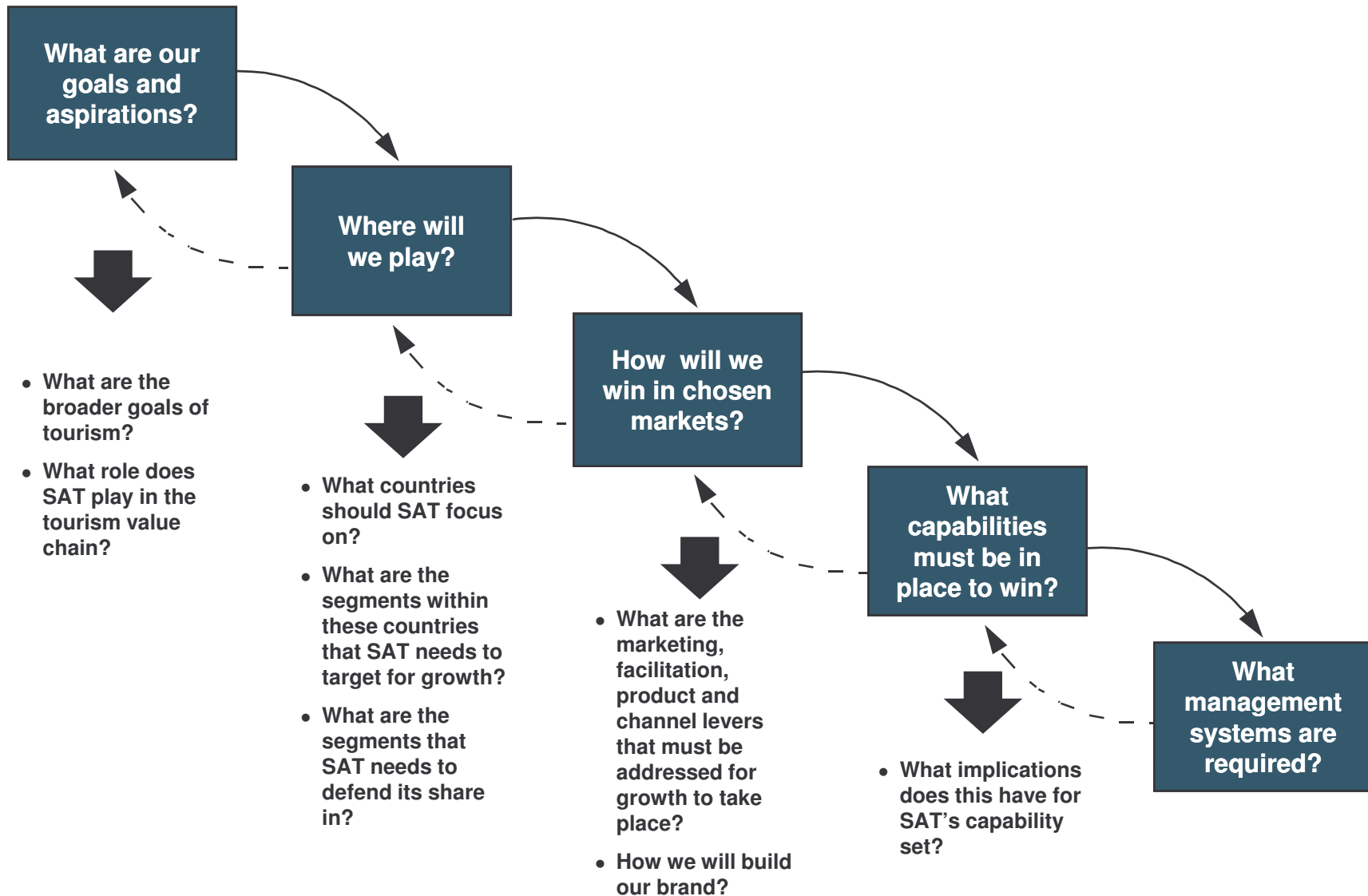
... which forms part of a broader international tourism strategy...



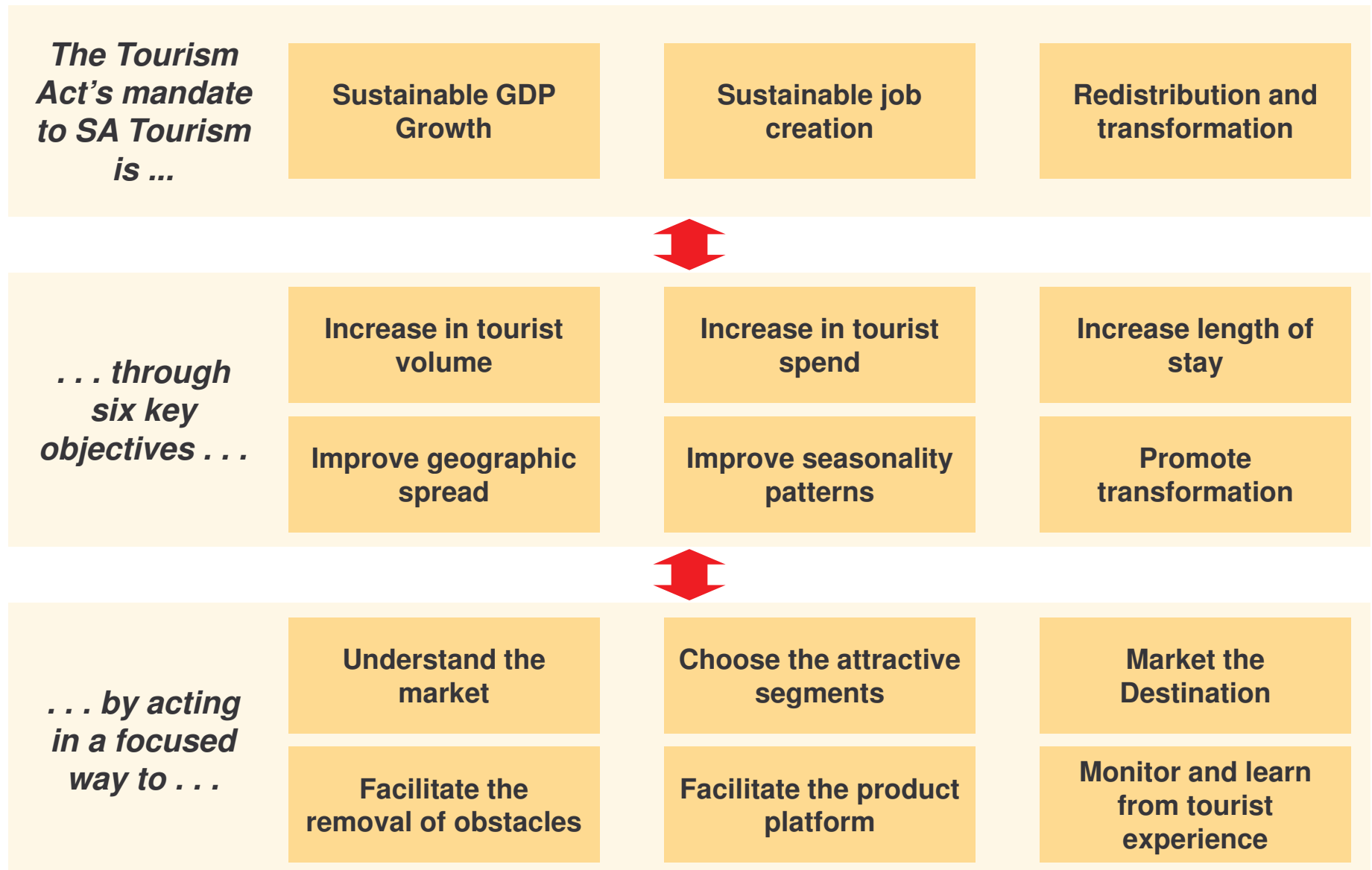
... in combination with South Africa's overall strategy for tourism: The Tourism Growth Strategy (TGS)



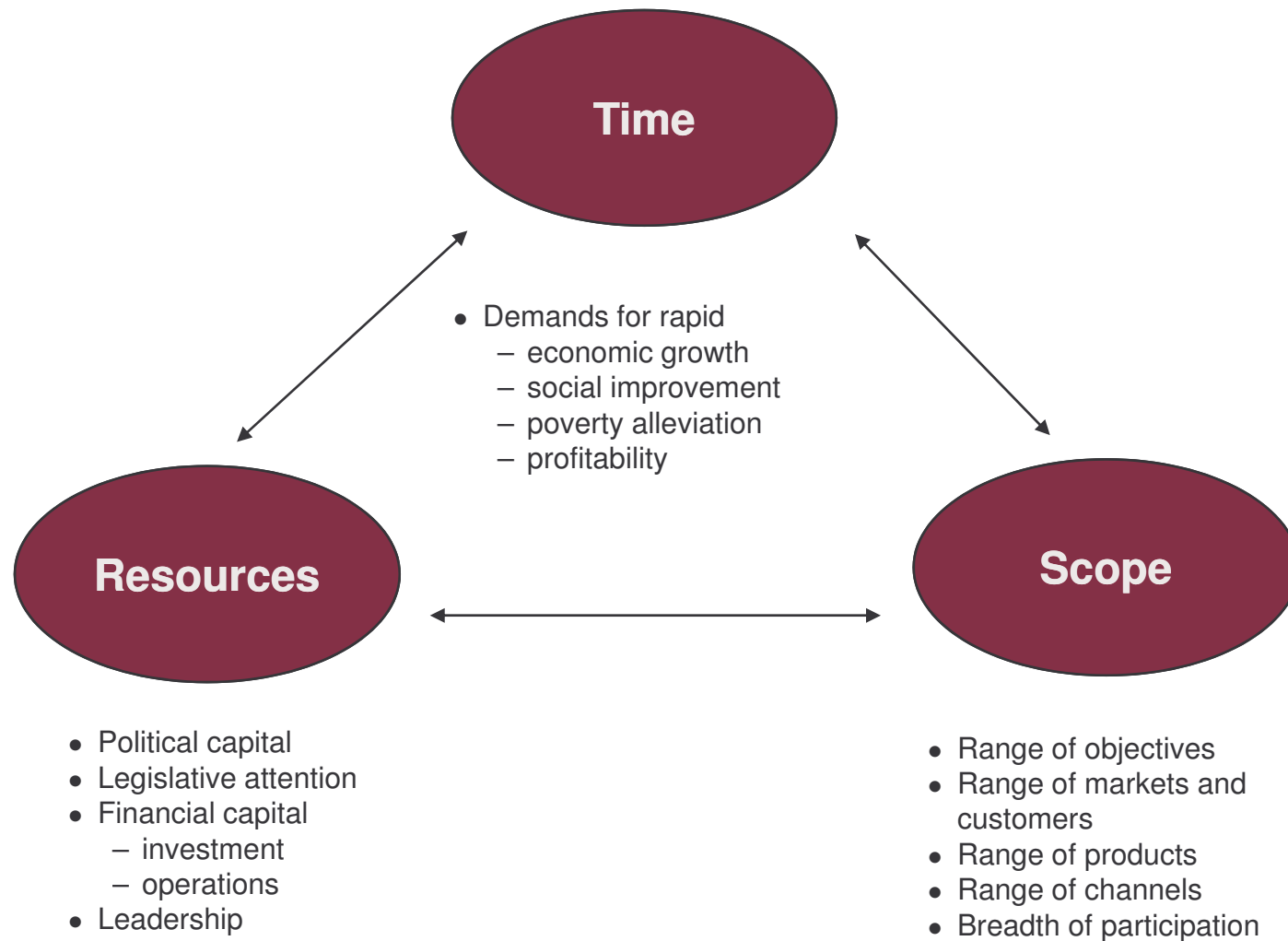
Critical questions in developing the Tourism Growth Strategy



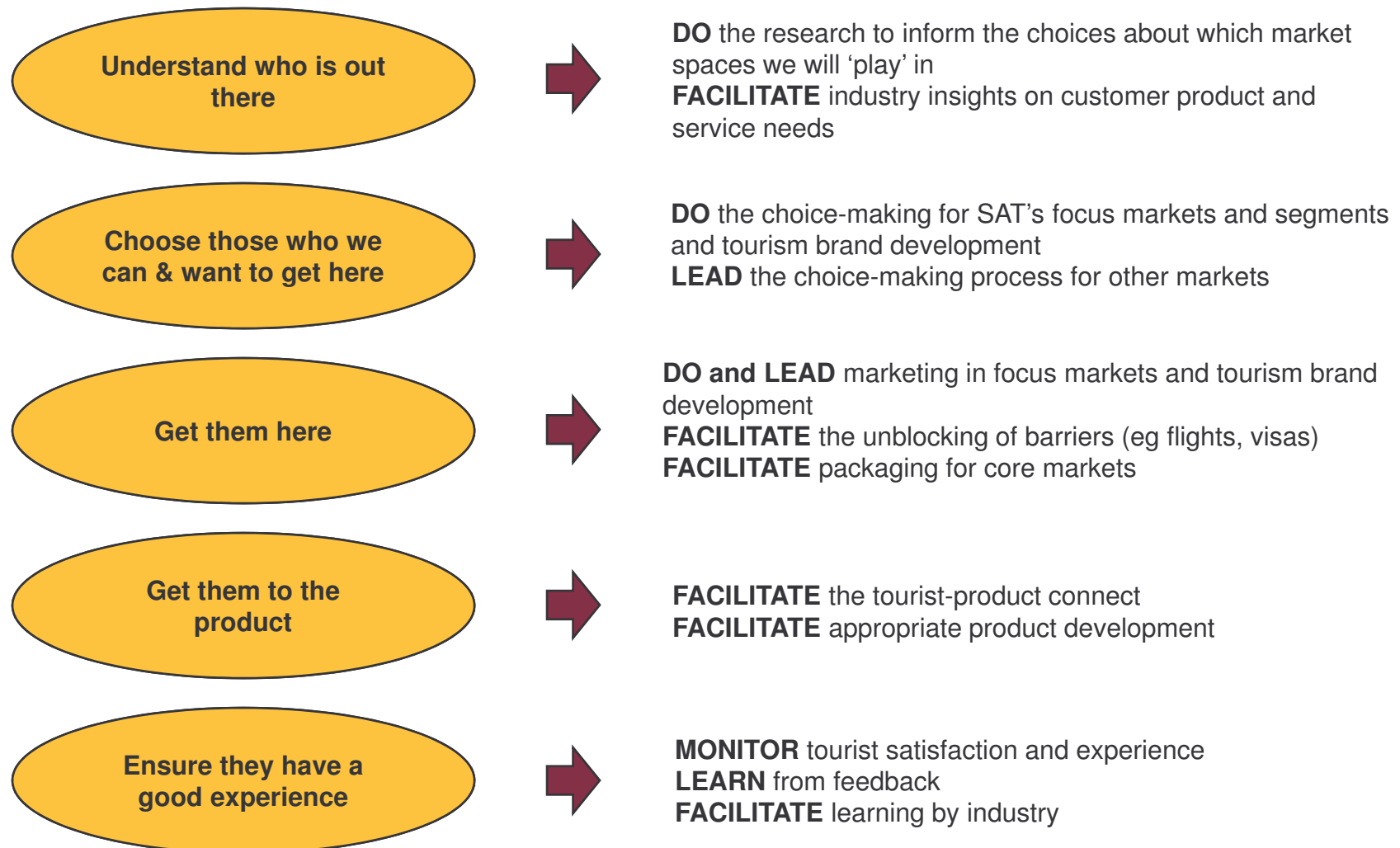
Mandate and Key Strategic Objectives is the Vision for Tourism



In developing an integrated growth strategy for South African Tourism, trade-offs needed to be made across three key dimensions



Therefore South African Tourism sees its role in the tourism sector in terms of what it actually does as an organisation and what it facilitates



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A vision for tourism: the key challenges for tourism

The Tourism Act sets out clearly the mandate for SA Tourism and it is against that mandate that we make the strategic choices in the organisation. The mandate is delivered through the six key objectives that are levers for tourism growth. What is important to remember is that no one tourist can deliver all six objectives and that the strategy must look across the globe for consumer segments and markets that can help us realise our goals.

Since the transition to democracy in 1994, South Africans have become aware of the potential for tourism to play a meaningful role in contributing to the economic development of our country and our people. Government has prioritised tourism as one of five economic growth sectors on which to focus its efforts to support investment and facilitate growth.

The period of strong growth since 1990 has fundamentally changed the face of the tourism industry in South Africa. With a small domestic market and less than 1 million annual foreign arrivals in the two decades before 1990, we have grown to a destination that welcomed more than 7 million visitors by 2005.

The early stages of the TGS process involved wide-ranging interviews across the industry and a data-rich assessment of what key challenges needed to be addressed. In that process, the facts around past performance and the experience of the industry was that whatever strategy emerged, it could only deliver against the mandate if it set an action programme that would successfully address eight key strategic challenges on an on-going basis. These eight challenges were identified as follows:

CHALLENGE: Volume

Tourism arrivals have grown eight-fold since 1990, but further growth is essential if tourism is to make a meaningful impact on job creation and GDP growth. With the size of our population and unemployment levels, South Africa cannot be a high-end, low impact destination (ie niche) for a few wealthy foreigners. Tourists today lack the time and money to travel for long holidays so we need focus on growing the volume.

This does not deny the importance of the high value parts of the market. Instead, it implies the need to reach into and beyond the exclusive five- and four-star markets into the middle (three- and two-star) markets in order to achieve the volumes necessary to create jobs across the country. The TGS's focus is on growing the cake not re-dividing it.

Two of the associated challenges are therefore to make the country:

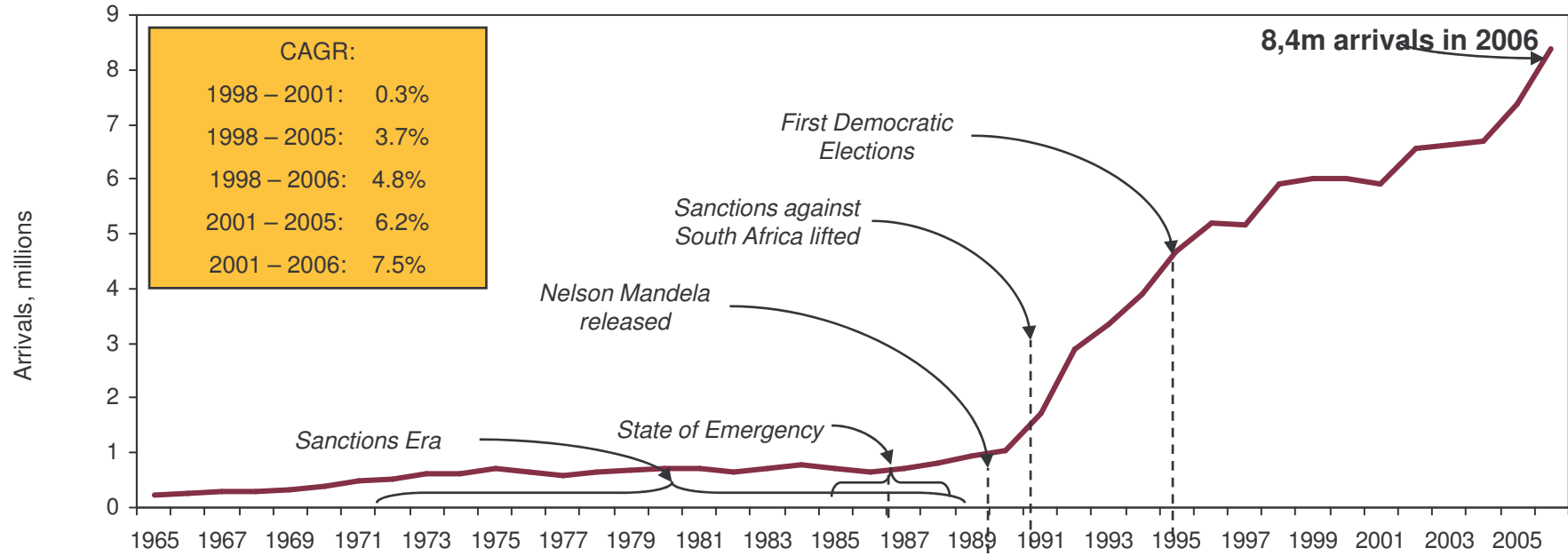
1. More affordable, and
2. Open it to younger travellers in whom we could make a lifetime investment as potential repeat travellers to South Africa at different stages in their life.

Against this background, South Africa has had to understand that volume growth needs to be pursued deliberately and systematically and that the 'goodwill' impact of the end of apartheid on tourism from 1990 had largely played out by 1998.

Furthermore most of our arrivals come by land from our neighbouring states (where we have an outbound market share of 69% to 99%) so we need to look beyond the region for new growth. Volume is therefore a critical part of the portfolio review as we look at the high-volume travel markets of the world (and in particular, the big long-haul markets) for overseas arrivals.

Evolution of international tourism to South Africa

Foreign Tourist Arrivals to South Africa, 1965-2006



1970s and 80s – Stagnation

- Stagnation drove low investment, focus on narrow white domestic market and costs

1990-1998 – Growth

- Initial period of short-term profit-taking followed by period of investment growth and entry of foreign players
- Start of new focus on skills and training

1998 onwards – Cyclicity

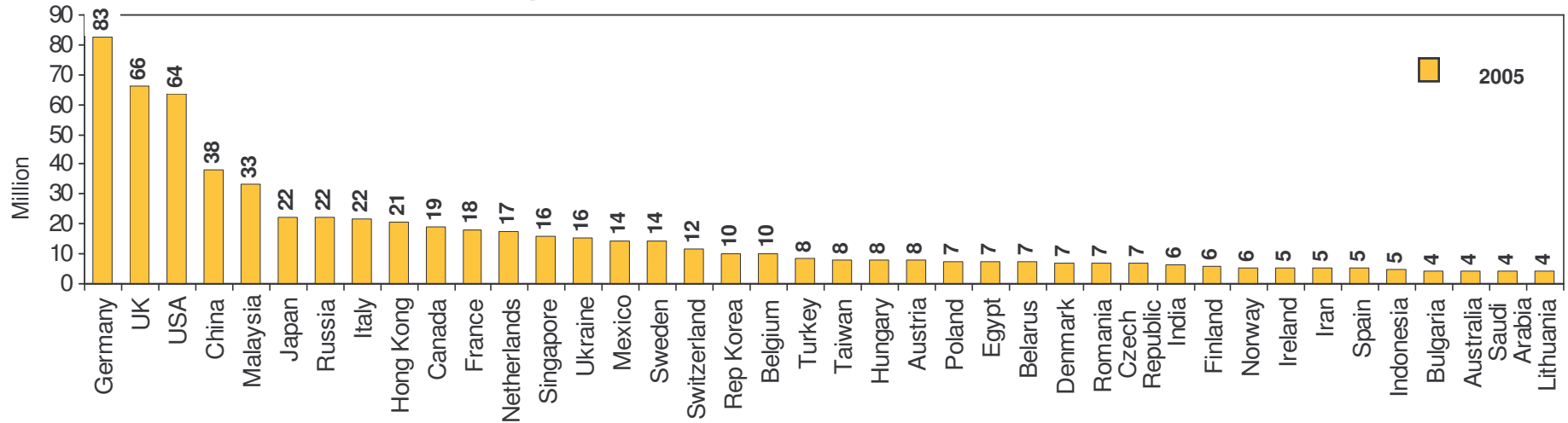
- Global events, currency volatility drive uncertainty and short-term strategy by firms
- Investment rates remain weak overall
- Skills development slow

*based on opinion of participants interviewed, anecdotal evidence

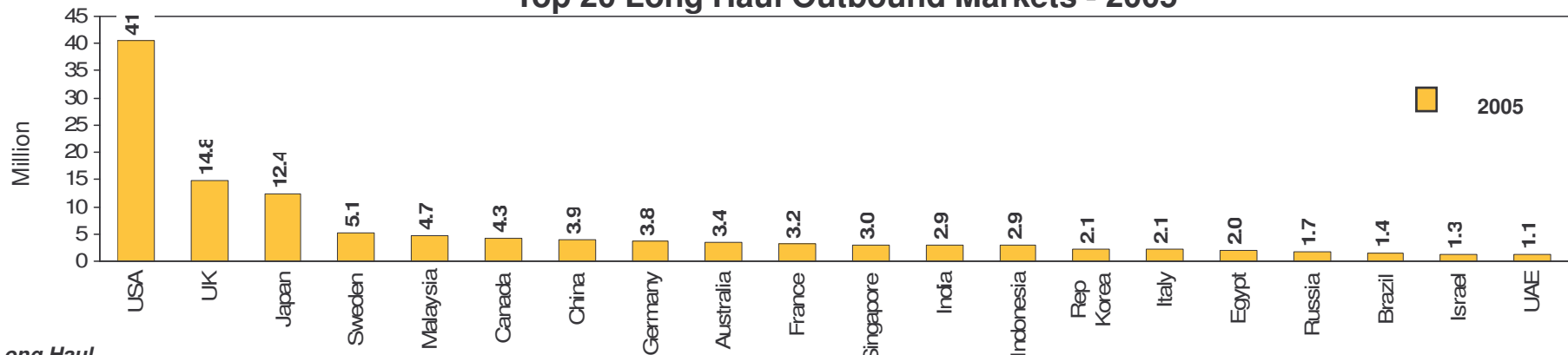
Source: StatsSA, GCP Skills Review Interviews, 2004, WTTC (The 2003 T&T Economic Research): 2003, 2004 are estimates of employment

Top outbound and long-haul outbound markets in the world – based on 2005 outbound numbers (excluding Sub-Saharan Africa)

Top 40 outbound markets in the world – 2005



Top 20 Long Haul Outbound Markets - 2005



**Long Haul
as a % of
total
outbound**

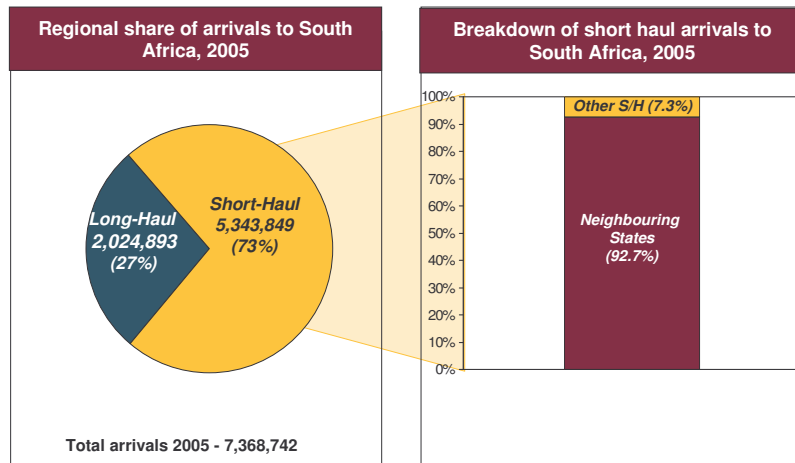
64%	22%	56%	36%	14%	22%	10%	5%	83%	17%	19%	47%	60%	21%	10%	27%	8%	55%	34%	38%
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Note: Long haul outbound data was calculated using the proportions estimated from WTO data source and applying it to the Euromonitor data. It is the closest approximation as this data is not available. Data for the USA was sourced from U.S. Department of Commerce, ITA, Office of Travel and Tourism Industries, September 2006 as 2005 WTO data was incomplete and skewed the results.

Source: Euromonitor IMIS, WTO Yearbook of Tourism Statistics 2006

Short-haul dominates foreign tourism while VFR is the biggest generator of domestic trips

International arrivals to SA – Long-haul vs. Short-haul



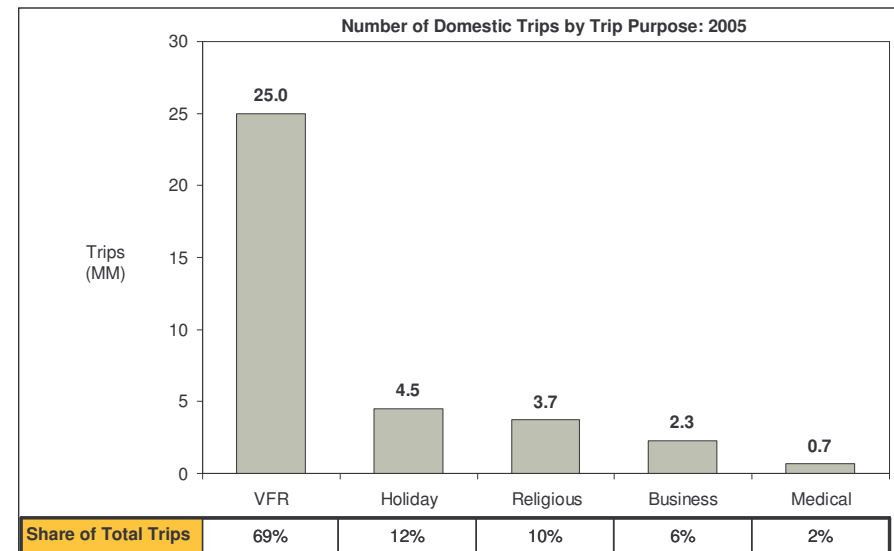
Source: StatsSA, SA Tourism analysis

The main purpose of travel in South Africa is to visit friends and relatives (VFR) 25 million trips. The second largest is holiday (4,5 million trips). The third largest reason for travel is for religious reasons. But holiday travel is the biggest generator of revenue so is the focus of the strategy to grow domestic travel in our country.

While we have grown the size of total arrivals, the proportion of long-haul travellers to short-haul has decreased from 31% in 2004 to 27% in 2005.

Most of our foreign tourist arrivals come by land from neighbouring countries where the we currently have high market share and the challenge is to get these tourists to come more often or travel to South Africa to do different activities.

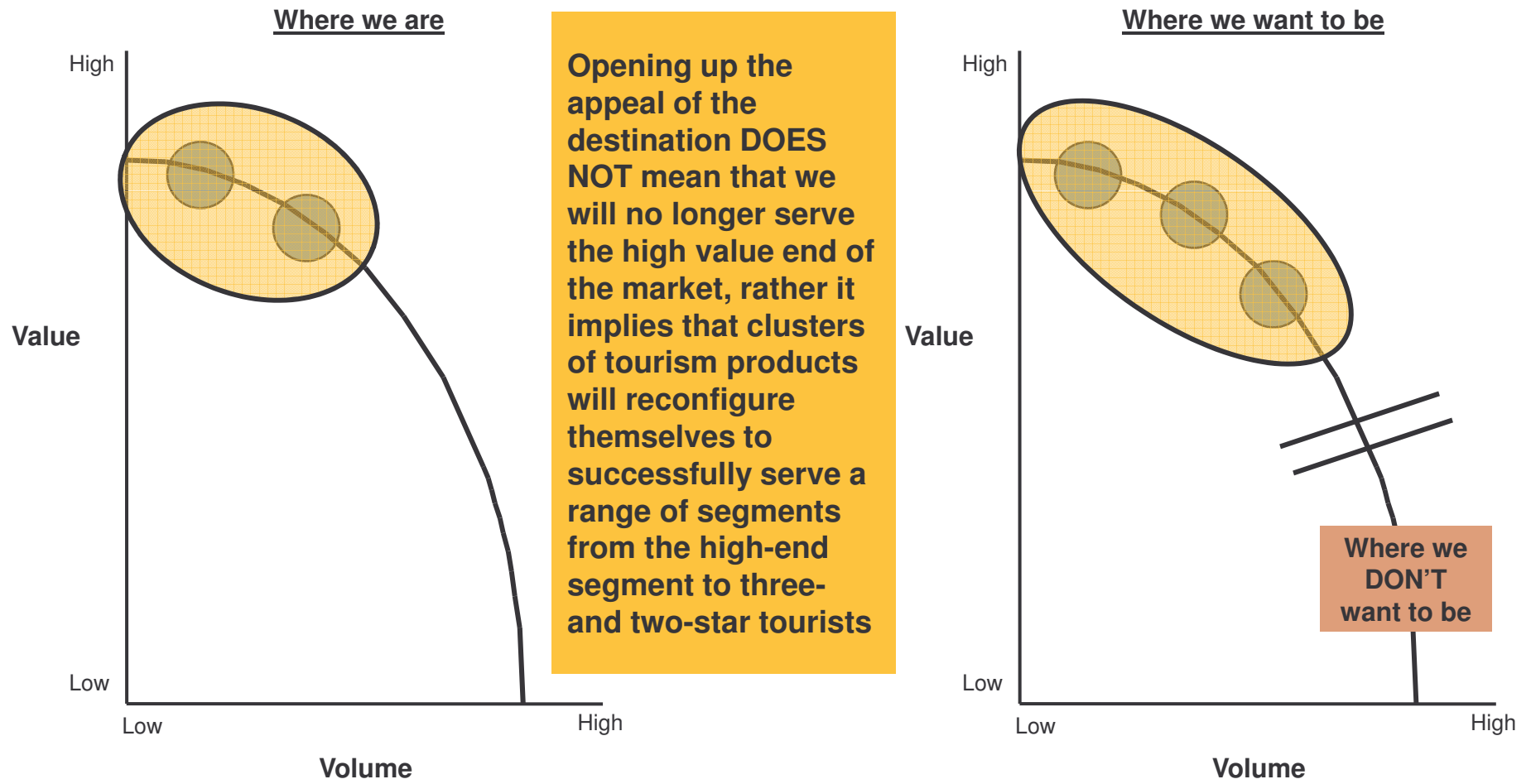
The growth potential in the long-haul market (ie flying time of more than five hour) is bigger as our market share is low.



Source: SA Tourism Domestic Tourism Surveys for February 2005 until January 2006

Extending beyond the high-end game

South Africa's positioning in overseas markets has historically been predominantly aimed at the high-value, low impact market making our country an expensive destination that few tourists could afford



CHALLENGE: Value

Tourism is often called the “new gold” of the South African economy as the total foreign direct spend of tourists has overtaken gold foreign exchange earnings^[1]. Two of the key challenges around increasing value from tourism are to:

1. Maximise the spend of our current travellers to increase revenues, and
2. Maximise the relationship between volume and value in our choice of markets such that we maximise the return on the marketing effort.

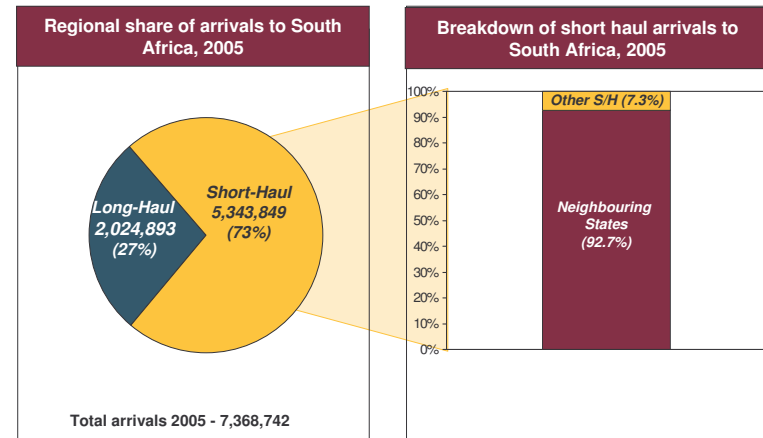
While the contribution of tourism to South Africa’s GDP is round R120 billion^[2] and has outperformed all other sectors in terms of both GDP and job creation^[3], there remain opportunities to extract further value. Compared with our global competitors for example, we appear to be under-performing our potential.

^[1] Standard Bank quoted in *Business Day* 12 October 2004

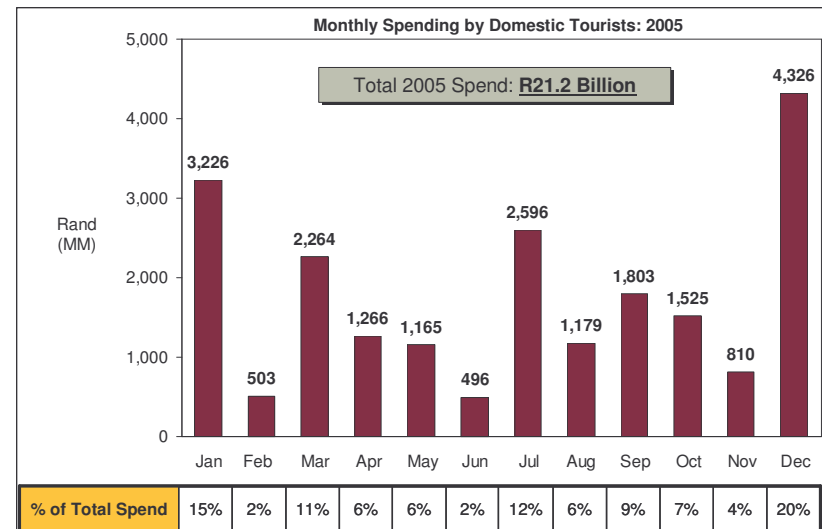
^[2] WTTC & Accenture – South Africa Travel and Tourism Climbing to New Heights, 2006

^[3] Gearing up to be Globally Competitive: DEAT, the DTI and SAT Global Competitive Study (2003/4) www.southafrica.net/research

International arrivals to SA – Long-haul vs. Short-haul

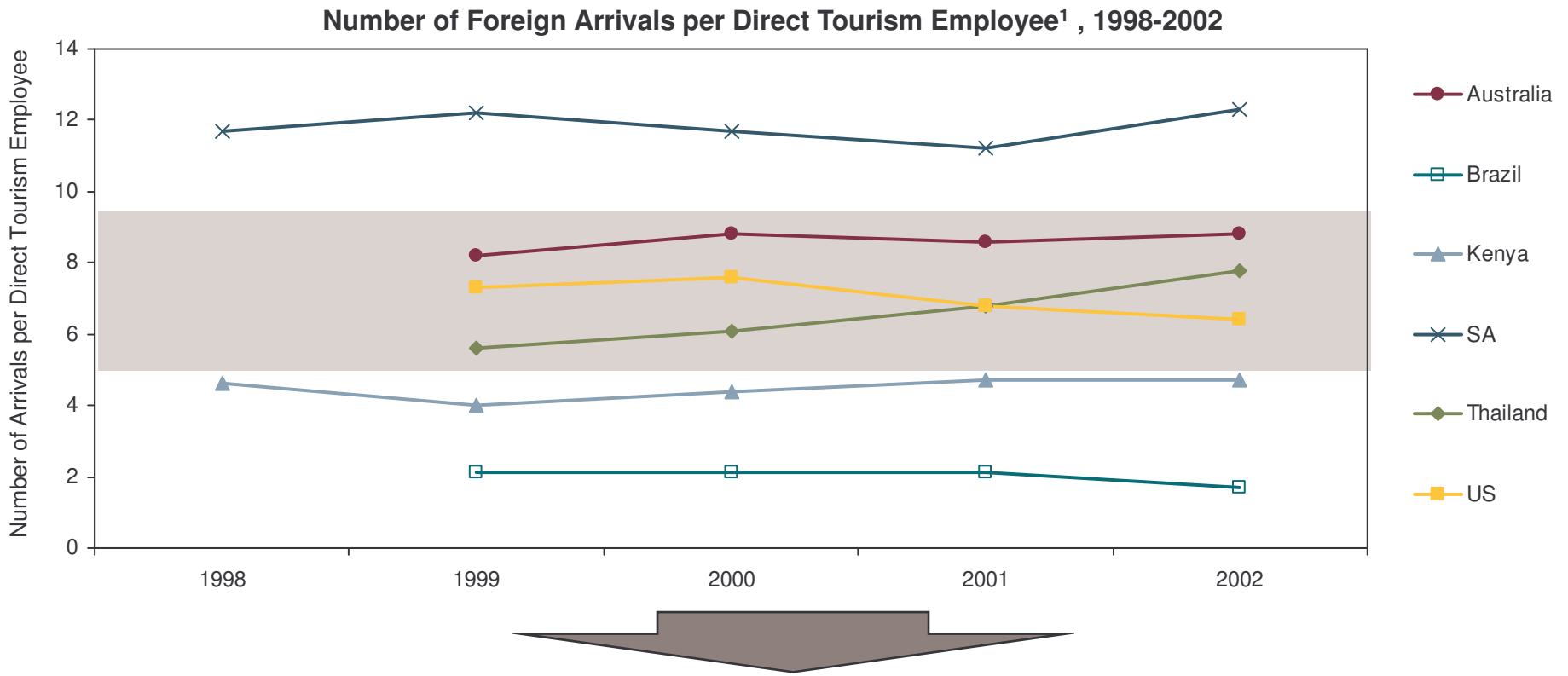


Source: StatsSA, SA Tourism analysis



Source: SA Tourism Domestic Tourism Surveys for February 2005 until January 2006

South Africa needs more arrivals than its competitors to create a job



The ratio for the well established tourism destinations of Australia, Thailand and the US may suggest the optimal ratio for serving visitors. Is SA trading off ‘effectiveness’ for ‘efficiency’?

¹ Only employees directly employed in the tourism sector were used to do this calculation

Source: WTTC (The 2003 T&T Economic Research) , BTR, ITA Office of Travel and Tourism Industries, Tourism Authority of Thailand, Embassy of Brazil in London, SAT

Australia creates more jobs and value than South Africa

The Global Competitiveness study benchmarked South Africa tourism's performance externally against our biggest global competitors (Australia, Brazil, Kenya and Thailand) while also internally against other sectors of the economy*.

Whereas Australia creates one job for every eight foreign arrivals, South Africa creates a job for every 12 arrivals. According to the World Travel and Tourism Council, the global standard is that every eight foreign arrivals should create one direct job in the host country.

Value-capture per employee is also an important benchmark. For every direct employee in the tourism sector, Australia earns US\$ 12,232 in receipts compared with South Africa which earns US\$ 7,002 per employee per year.

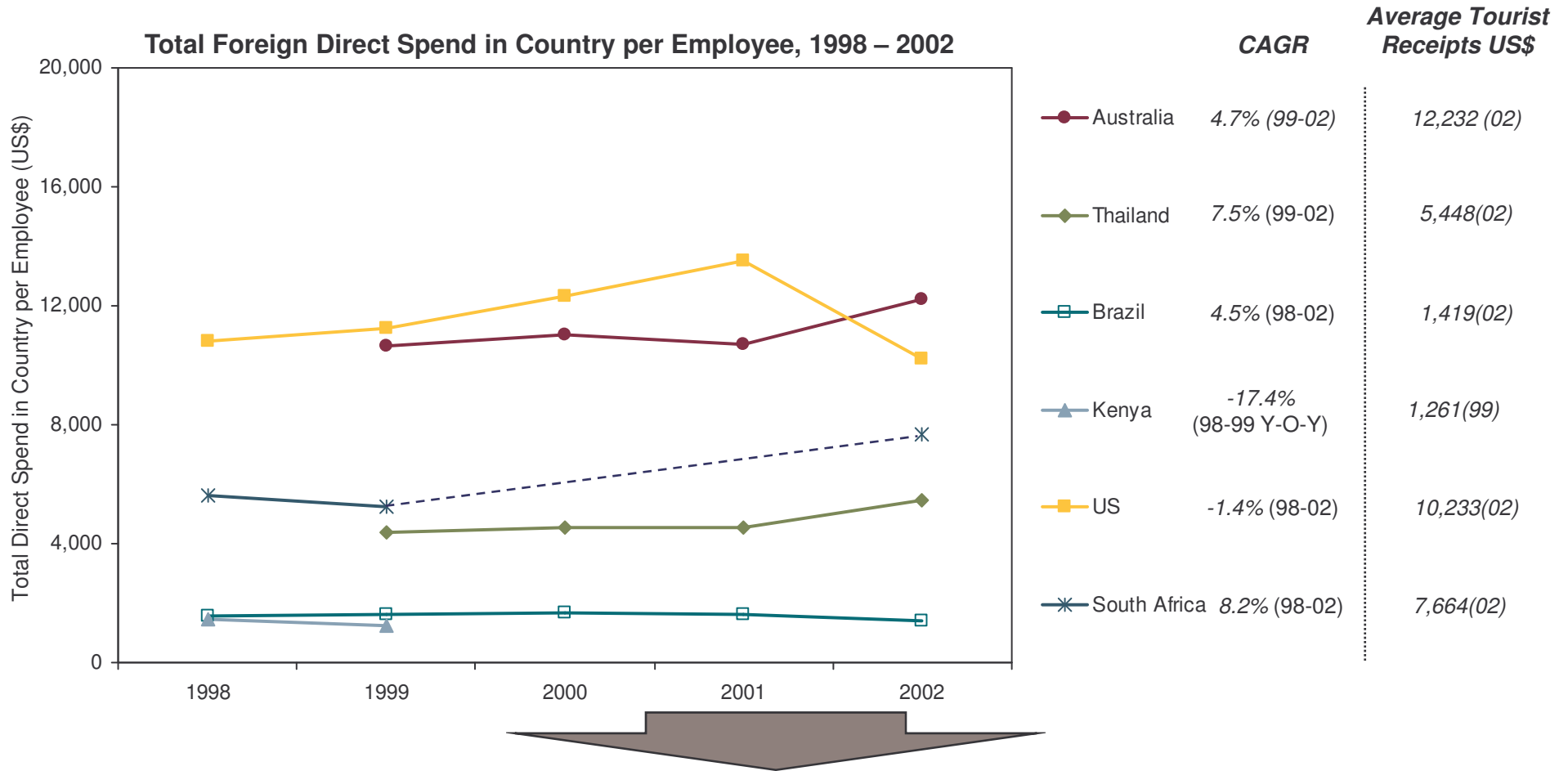
These results can be explained by the very different market demographics of the two destinations. South African tourism is dominated by a domestic market that has limited resources, and a foreign market drawn largely from neighbouring states which are less developed than our own.

Research into the travel patterns of tourists from neighbouring states (and many overseas business travellers) reveals significant missed opportunities. These range from the lack of availability of desired products in our experience (particularly cultural tourism) through to limited night activities as many tourists stay in their hotels for fear of their safety.

Thus, growth, jobs and transformation need to be underpinned by a deliberate strategy to increase the value of tourism arrivals through either/or encouraging more frequent travel, increasing the length of stay, as well as increasing the average spend per day during a trip.

* Tourism outperforms all priority sectors of the SA economy in terms of job creation and contribution to GDP, Global Competitive Study 2003

Australia outperforms the competition in value capture per employee



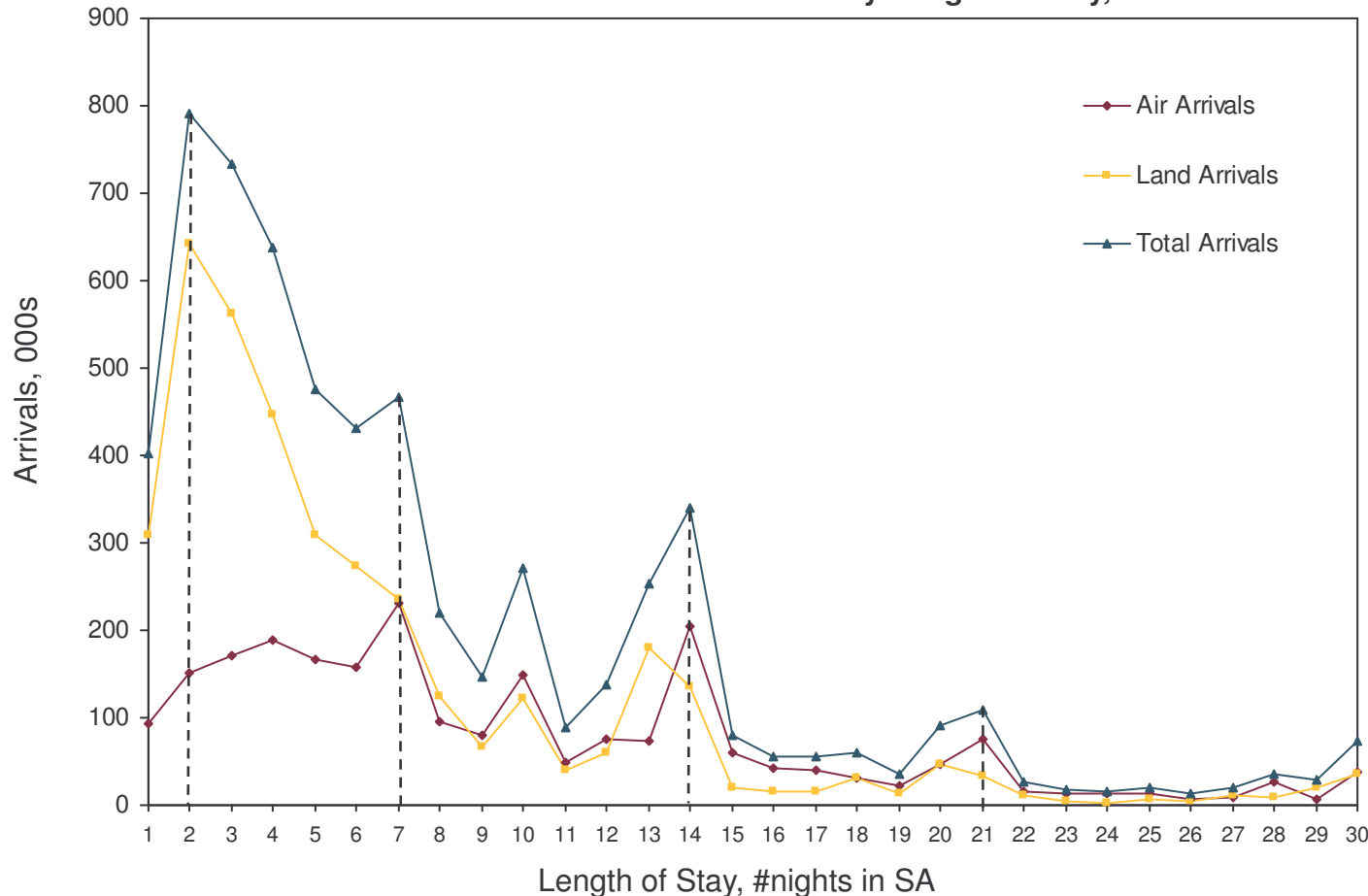
South Africa's value extraction is reasonable, but the larger questions are how to grow employment (to Australian levels per tourist) and increase value capture

Source: WTTC; BTR, Tourism Authority of Thailand, Embassy of Brazil in London, ITA Office of Travel and Tourism Industries

Another way to increase value to increase length of stay but the global trend is towards more short (rather than few long) holidays

South Africa's average length of stay is significantly affected by the high proportion of land travellers who typically stay for 2 days but the average of 10 days is line with global trends

Distribution of South African Arrivals by Length of Stay, 2002

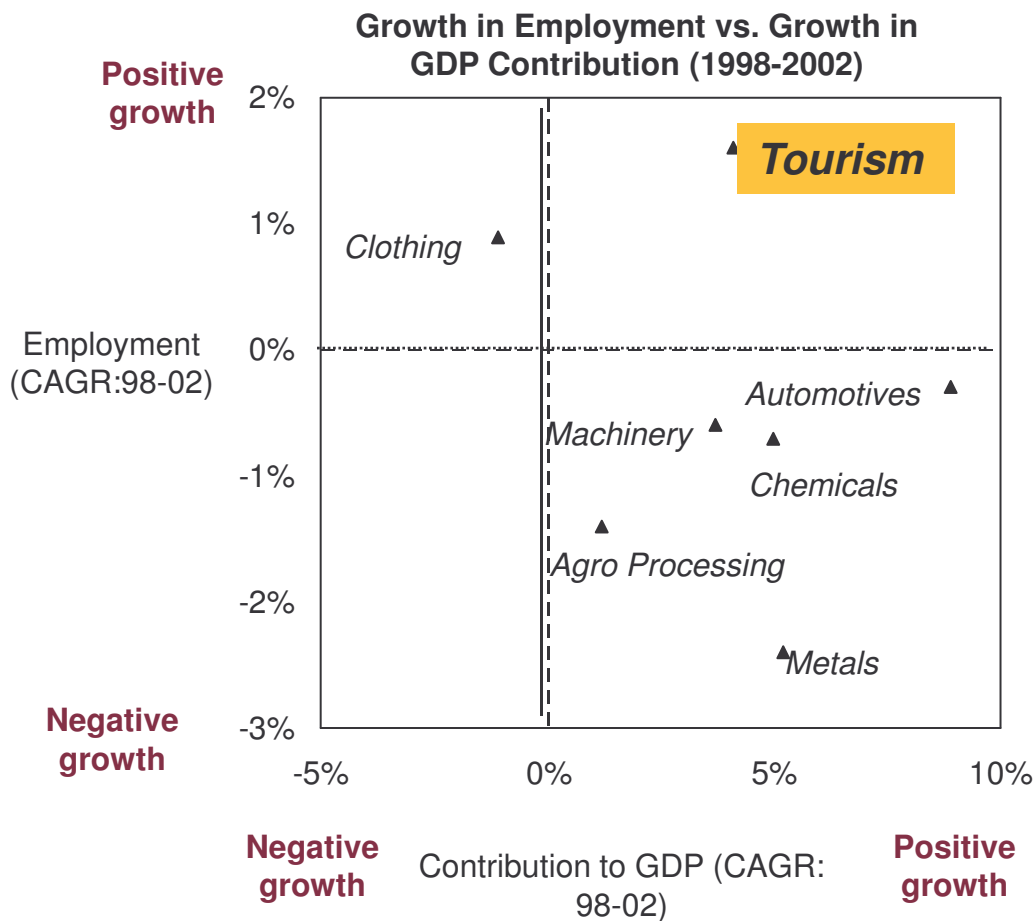


Length of Stay, South Africa Vital Statistics:	
• Average length of Stay ¹ :	
– All tourists:	10 days
– Land arrivals:	7.7 days
– Air arrivals:	14.5 days
• Most common length of stay ² :	
– All tourists:	2 days
– Land arrivals:	2 days
– Air arrivals:	7 days

¹ Average length of stay calculated as a weighted average (weighted by relative proportion of source countries)

² Most common length of stay is the statistical mode Source: SAT Departure Survey, 2002

Internally, the tourism sector is the only priority¹ sector showing positive growth in employment and GDP, however transformation levels are poor



On an Internal Basis

- Tourism is performing well relative to the other priority sectors and is creating jobs and value
- However, ***transformation of the tourism levels in the industry are poor***

Note: 1 Priority sectors as identified by Cabinet, CAGR applied to each sector for period 1998-2002, Tourism GDP values are estimates
 Source: DTI; Quantec, 2004; SAT; Monitor Analysis, GCP Phase 1 2004

CHALLENGE: Transformation

Aligned to the goal of tourism value reaching an ever-widening circle of our nation is the important challenge of ensuring the direct participation by the previously disadvantaged majority in the industry. Tourism is still predominantly white-owned and white-managed.

The imperative to transform goes beyond the desire to extend economic participation alone. Transformation is in many ways a key opportunity and requirement for future growth. Apart from the fact that unless transformation occurs there won't be enough managers or businesses to meet the demand for new capacity. There exist clear signals in the market that transformation will be the key to unlocking new opportunities for growth.

Consumer research has revealed that foreign tourists are exposed to fewer and less authentic cultural experiences than they expect or desire. The uniqueness of our diverse cultures, both in their historical and modern forms, represent a significant opportunity for South Africa's competitiveness globally – exactly because this speaks directly to one of the key drivers of outbound Western markets: the desire to experience another culture.

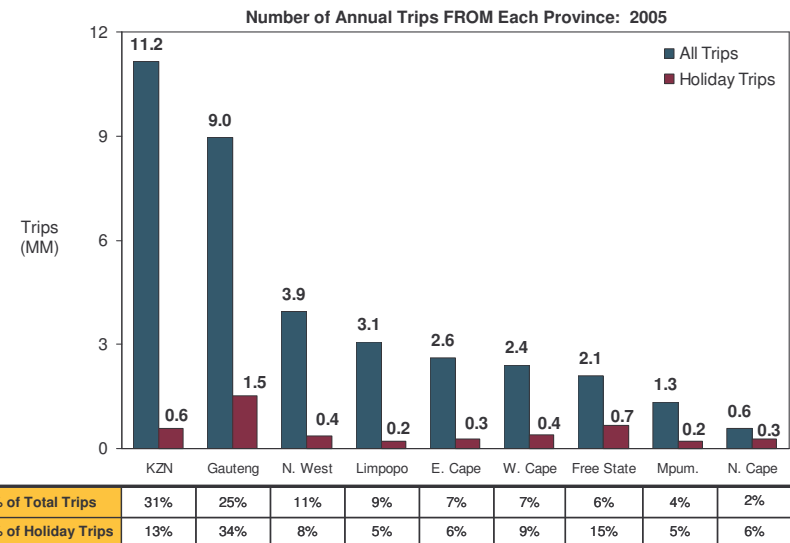
In the domestic market, the challenges of growing tourism in emerging tourism segments is in many respects dependent on new offerings becoming available. Despite conventional wisdom, emerging tourism segments want many of the same things as the foreign market – and they want it delivered by an industry that represents the totality of South African society.

The mandate of the TGS process is to develop an approach that not only supports the transformation agenda, but which also specifically seeks out sources of growth through transformation.

CHALLENGE: Distribution

If tourism is to impact significantly on poverty and unemployment, then tourism must develop in areas beyond the traditional tourism routes and nodes currently used. Provincial-level data reveals that Gauteng and the Western Cape enjoy the bulk of tourism receipts as these are the two areas visited by most foreign tourists. In the domestic market, KwaZulu Natal has the highest visitors but most of them are from the province.

The challenge for the TGS process was to seek opportunities to extend the access to market for less-developed provinces. In part, this would include developing products to encourage international tourists to increase the average number of provinces visited on a trip (or to return to visit new and different places), and to encourage new and existing domestic travellers to explore destinations outside their traditional patterns. For this to be successful new products must meet the desired experience of these consumers (ie not 'build it, and they will come').



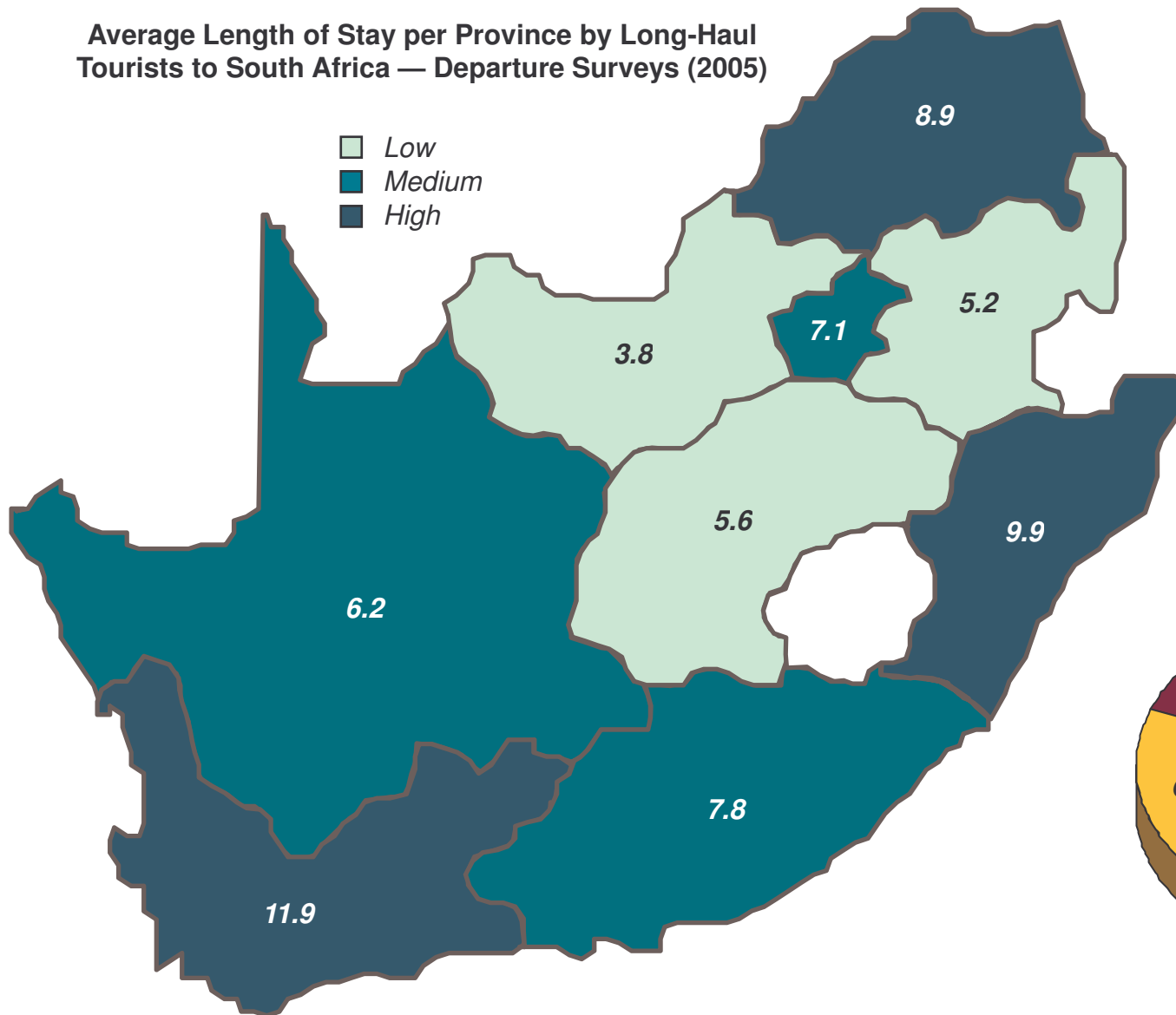
Source: SAT Domestic Surveys for 2005

The second aspect involves choosing consumer segments in markets who are interested in exploring the country.

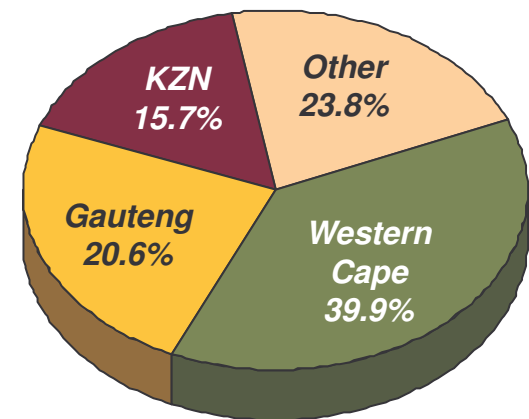
While UK and USA tourists tend to visit one to two provinces, there are segments in France, Germany and the Netherlands who go off well-known tourist routes and explore less visited places. The latter two markets also have high repeater rates to our country.

CHALLENGE: Tourism value from long-haul travel was being captured mainly by three provinces — adding up to 76% of the tourism receipts

Average Length of Stay per Province by Long-Haul Tourists to South Africa — Departure Surveys (2005)



Share of Nights Spent by Province (2005)



CHALLENGE: Seasonality

Like many other destinations, South Africa faces the challenge of seasonality in domestic and foreign arrivals. Domestic travel patterns follow the patterns around school, religious and traditional holidays, with strong peaks at year-end and Easter.

The seasonality of foreign arrivals varies by region (driven by market-specific and traditional holiday patterns). Overseas arrivals, dominated by significant numbers of VFR arrivals and the tradition of the “big trip” being in the European winter, result in a strong peak starting in October and ending in February. June is traditionally South Africa’s lowest month and for some key overseas markets represents almost half of the arrivals for the year-end peak.

These seasonal patterns present a significant challenge for product owners and transport operators as business profitability and job sustainability is a function of activity throughout the year. Both costs and investment must therefore be made in line with expected total annual revenues.

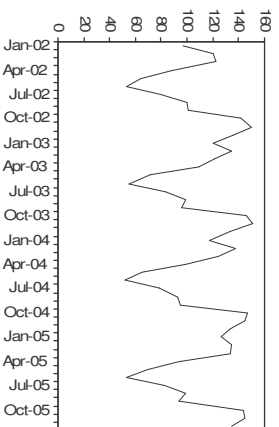
To invest ahead of growth in an environment where new demand will be further concentrated at one particular time of the year doesn’t make business sense. For this reason we experience the perennial issue of limited seat availability on airlines in the peak. At the same time, the impact of employment is also sub-optimal as jobs increasingly become seasonal and temporary in nature.

Against this background, the TGS and Portfolio Review looks for opportunities to address this challenge – particularly through finding new market segments (domestic and international) whose travel patterns may be more flexible so we can extend the season and/or reduce the level of the gap between high and low months.

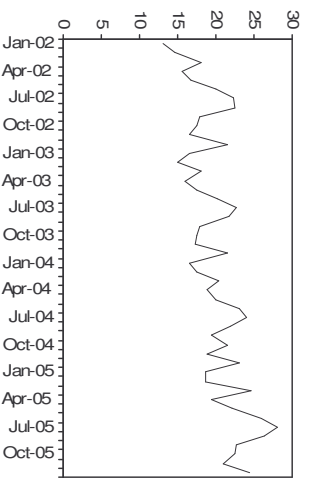
Seasonality patterns vary by region but are a major constraint on capacity for growth

The deep seasonal pattern of arrivals created significant challenges for investing in capacity to serve increased demand as well as sustainability of jobs and current product

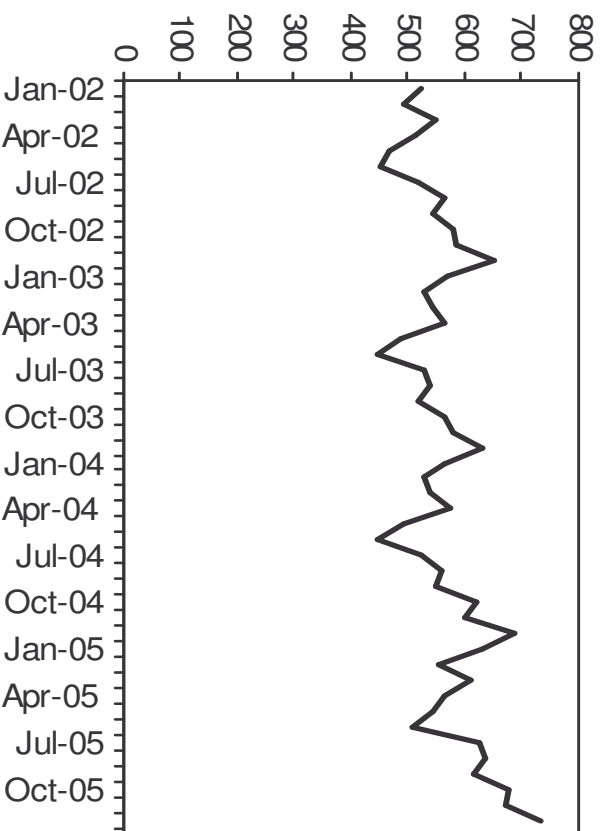
Europe (02-05)



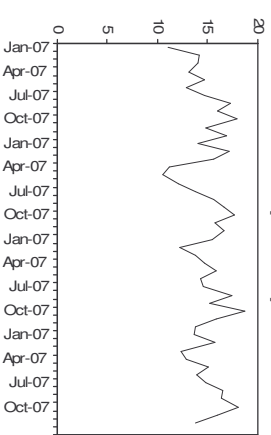
North America (02-05)



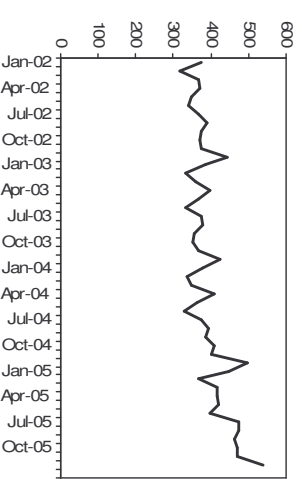
Arrivals to South Africa (2002-2005)



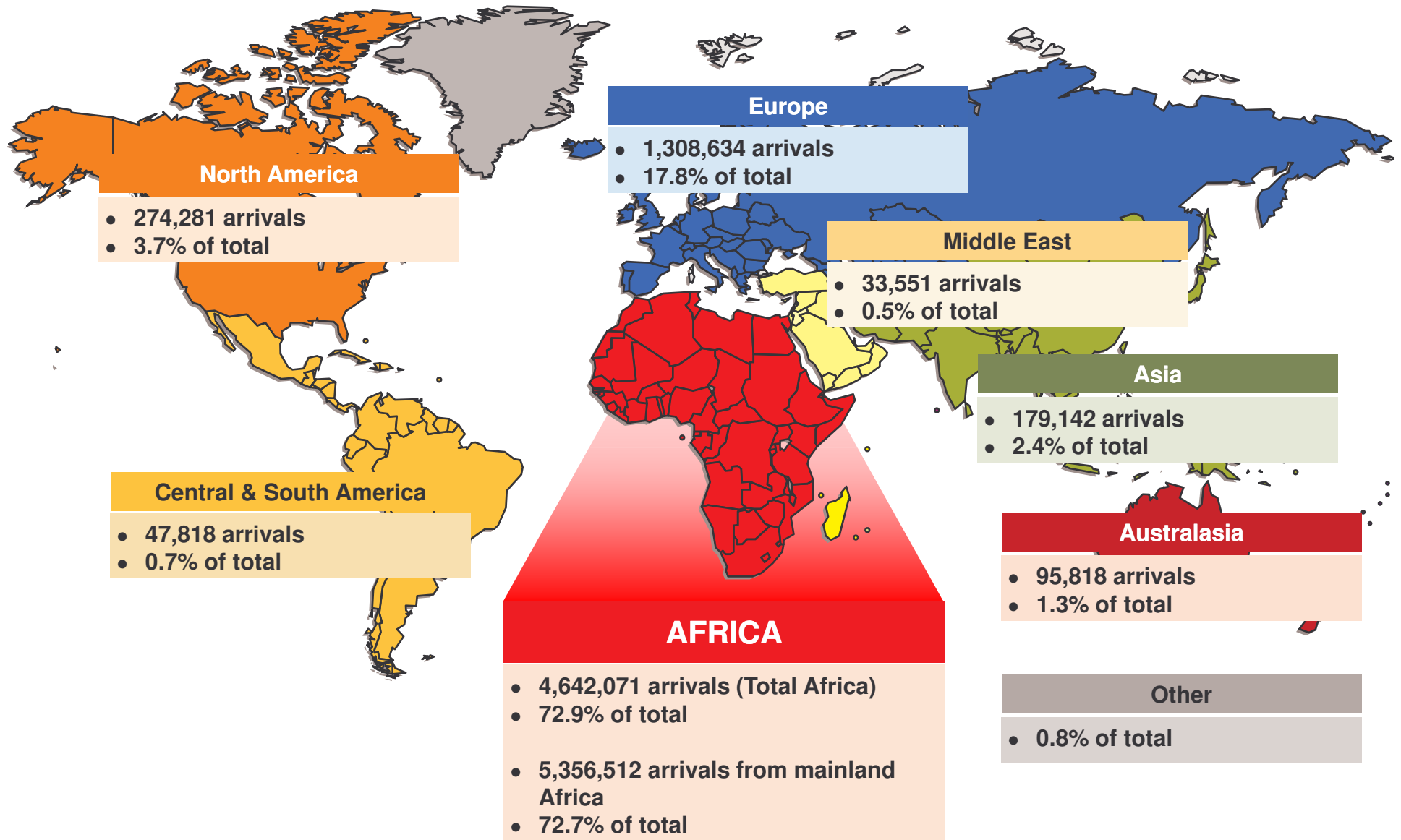
Asia (02-05)



Africa (02-05)



Over-exposure to Europe and Africa raised the need to spread the risk globally and invest in Asia and the Americas



CHALLENGE: Risk Management

Tourism industries, particularly those which are heavily dependent on foreign source markets, are vulnerable to unpredictable events outside of their spheres of direct influence. The last two decades have seen national tourism industries buffeted by a series of events from the Asian economic crisis, the events of 9/11, and the Asian SARS virus to the Tsunami of December 2004.

Destinations like Australia, South Africa and Brazil have in addition faced challenges around global exchange rate fluctuations which have made price consistency management and competitiveness challenging.

Some of the cyclical in South Africa's growth performance can be attributed in part to an over-dependence on a narrow set of source markets – mainly neighbouring states and Europe.

The TGS process was therefore mandated to find an approach that ensured that limited marketing resources were deployed in a fashion that achieved an appropriate balance between the need to focus as well as reducing the level of dependence on a set of markets in one or two economic regions.

CHALLENGE: Sustainability

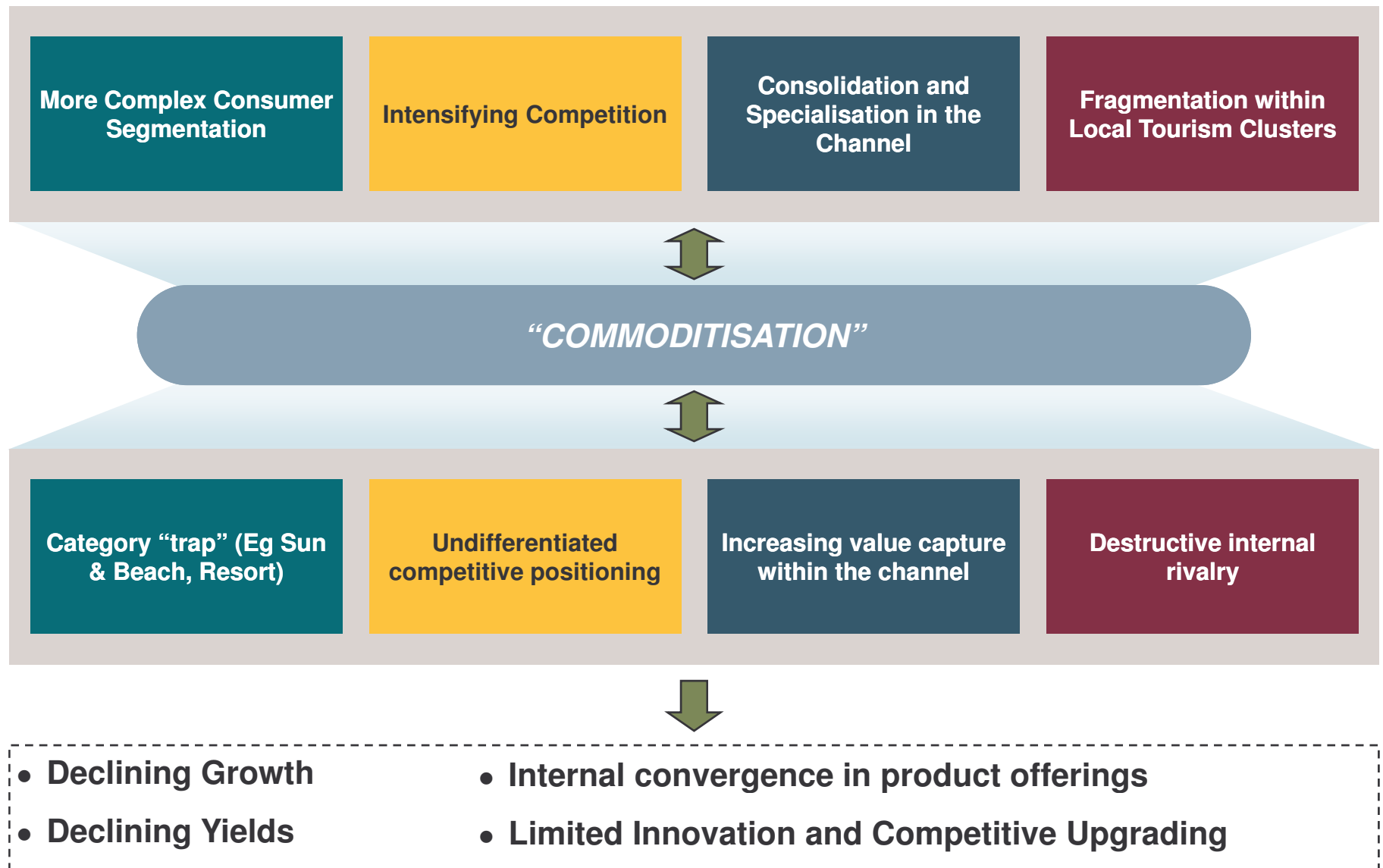
The recognition that South Africa's competitive strategy needed a fundamental review was accompanied by a clear desire that future growth must be sustainable in the long run.

While the patterns of growth in recent years suggest that there will always be periods of growth and followed by periods of consolidation, these should not become patterns of boom and bust driven by short-term tactical approaches to market opportunities. Instead, growth in our industry must become about sustained investment behind clear choices around how to differentiate ourselves in important target markets for the future development of our destination.

Thus the mandate to the TGS process was that the choices made about which markets to target, how to re-position the brand, and how we compete in the channel and the market, needed to be choices about the long term.

These choices would have to enable South Africa to differentiate itself from the world in a way that is compelling to consumers, internally consistent, practical to implement, inspiring of confidence in investors and the industry, and clear and action-oriented in its message about what needs to be done.

The core challenges identified are symptomatic of powerful patterns of change in the global tourism markets



With product offerings that overlap so much, it's easy to offer a diversity of offerings - and become commoditized in the process



CHALLENGE: Competitiveness

All of the challenges described before ultimately come back to a single key proposition: South Africa, in order to achieve sustained growth, must be able to differentiate itself from its competitors now and for future growth.

In a dynamic world market, differentiation requires constant innovation and renewal because tourism is rife with the practice of replicating good ideas and not so good at creating new ones. So flavour of the month soon becomes yesterday's news.

An industry that is innovative is one that is characterised by businesses, institutions and organisations that are informed, sophisticated in their outlook and constantly investing to upgrade their performance against their consumer's every changing needs and choices.

While there is evidence of many new and interesting things happening all the time – in terms of offerings, products, and experiences – in the mind of consumers globally, South Africa remains, on the whole, much the same as what it was 10 to 15 years ago. South Africa is still perceived mainly as an adventurous wildlife destination with striking natural beauty.

Most consumers globally have low levels of travel awareness about South Africa and regard our country as generally unsafe and often unstable as well. Our cultural assets are largely unclear in the consumer's mind, and undifferentiated from the rest of the continent.

Challenges that remain going forward

Internally, our tourism industry remains fragmented, and often inter-company, inter-provincial and inter-city competitive behaviour is destructive. Firms at different parts of the value chain often struggle to find opportunities for co-operation and collaboration, leaving the space open for stronger players higher up the value chain to exert considerable influence over pricing, packaging and the shape of the value proposition.

Tourism value-chains are still under-developed, and linkages across the industry are still generally fragmented and shallow. Supporting institutions and organisations, whether public or private, are relatively new and face periodic crises of confidence and legitimacy as they struggle to find adequate skills and resources.

Thus the mandate for the TGS process was extended in 2003 to move beyond the challenges of competitive go-to-market strategies in target markets. The next stage had to extend into identifying what needed to be done in order to upgrade the micro-economic context within which tourism firms operate (i.e. the business environment) and where new platforms to support competitiveness need to be established.

All of the eight challenges described above have to be addressed in ways that recognise the realities of a dynamic and difficult global market. Whatever the TGS process came up with, it had to be bold in its ambitions, and at the same time realistic about what constraints are imposed by the realities of global markets.

The global context continues to challenge us to make tough choices

Focus effort and resources

- Despite increases in overall funding of the marketing campaign, the total budget is small in global terms, and as the currency weakens, is getting smaller. SA Tourism needs to focus its efforts and resources on those countries and customer segments which are most valuable to South Africa.

Re-balance the portfolio

- Arrivals to South Africa are still too dependent on a few large markets. The mix of arrivals needs to lessen dependence on volatile markets and at the same time increase our share in high-value markets.

Marketing to be based on a view of customers

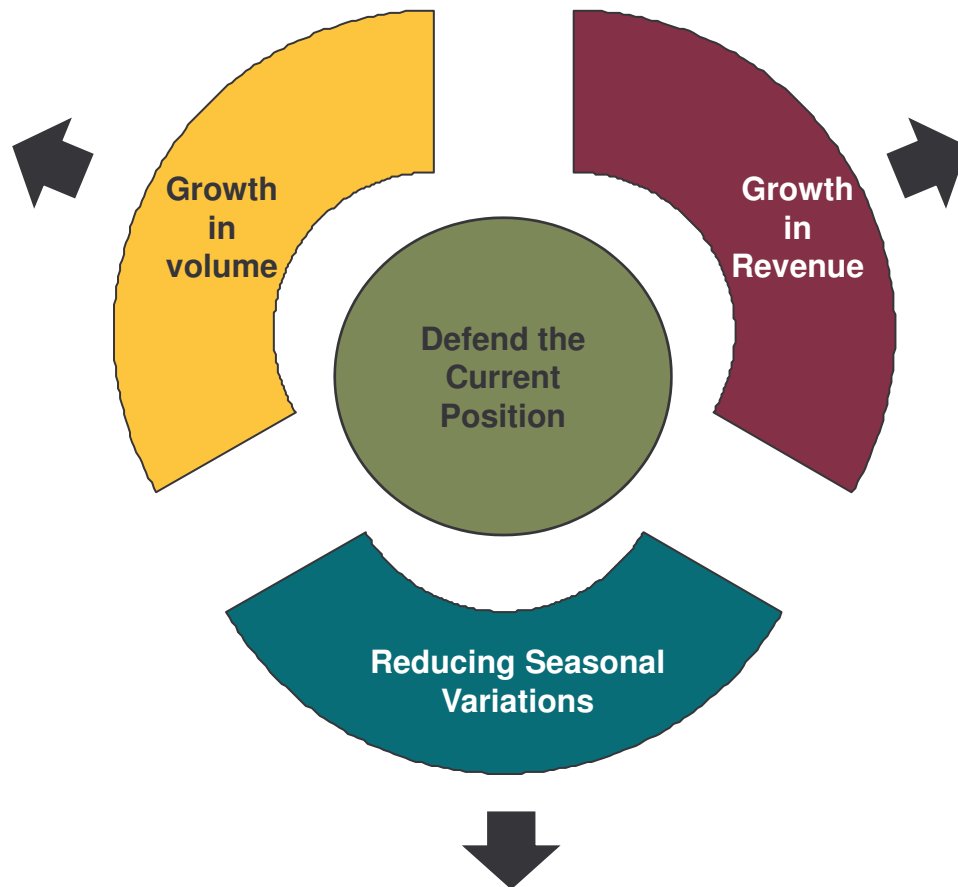
- Generic 'spray and pray' marketing, and increased commoditisation of the offering by channels, results in averaging and low returns. SA's marketing has to focus on specific sets of consumers (and the specific channels that serve them), and speak directly to their specific holiday buying criteria. We need to move from pushing what we like about SA to delivering to consumers what they want and in line with our tourism brand.

Create alignment within the tourism sector

- Behind the strategy the tourism industry needs to redefine and upgrade products and services to deliver against the promise offered by the marketing message.

Defending share while pursuing new growth opportunities

SA Tourism needs to mount a defense of share in our areas of strength while at the same time aggressively pursuing growth in volume, value and reducing seasonality.



Travel Categories

Our targeted growth areas are:-

- **Leisure travel** (domestic and international)
- **Business Tourism** (conferences, meetings and incentive travel)
- **Opportunistic marketing** (these are large one-off marketing opportunities leveraged off other events eg the 2003 Cricket World Cup, the 2010 Soccer World Cup, the World Summit on Sustainable Development in 2003, the North Sea Jazz in Cape Town, Fashion Week)

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Our Focus: Where to play?

The strategy for growth defines how limited marketing resources will be employed to drive growth from selected high-potential target categories, markets and consumer segments when measured against our objectives.

Those choices are guided by a core principle: we defend our current position while we look for, and pursue, opportunities for growth in both leisure and business tourism.

The core of SAT's business is marketing in the leisure and the business tourism markets.

Leisure (which combines holiday travel and visiting friends and relatives (VFR) as well as domestic and international travel) and **business tourism** (as opposed to business travel) are areas of focus because they are forms of travel that involve active choices that can be influenced through marketing.

Business travel is driven by the interests of a particular business and is therefore difficult to influence. Here the opportunity is to get the business traveller to extend his/her trip by a few days for leisure, or return later for leisure. In both cases the ROI is difficult to measure.

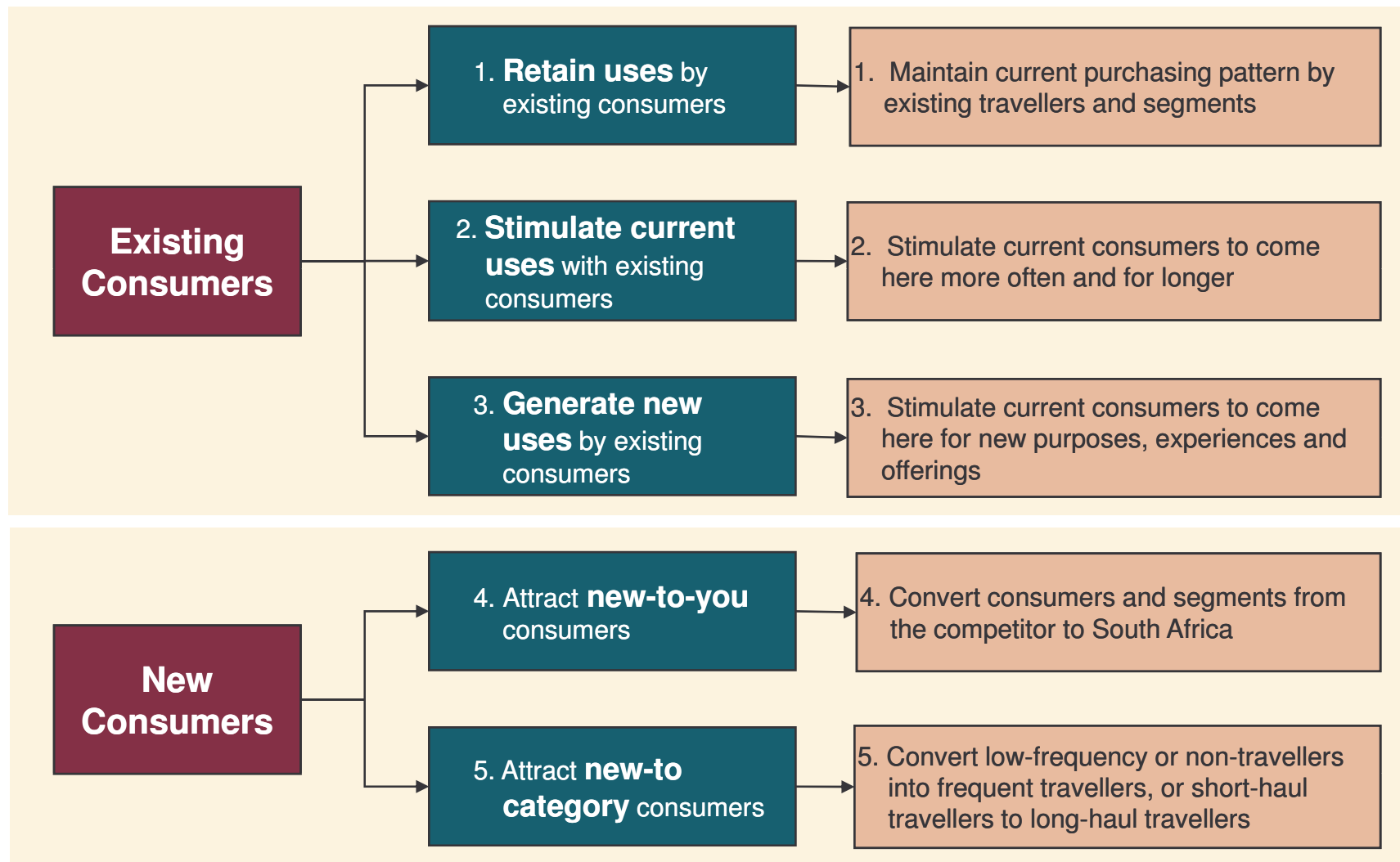
Event marketing is driven by leveraging off major events that are not part of our core business. There are two major aspects to this activity that support our key objectives – (1) getting more people to attend the event and thereby growing volume and value, and (2) using the event to position the country by building awareness of the destination.

SAT is organised internally around four regional geographies:

(1). Africa and Middle East (including domestic and regional land travel) (2.) The Americas and the UK (3) Asia and Australasia (4) Europe

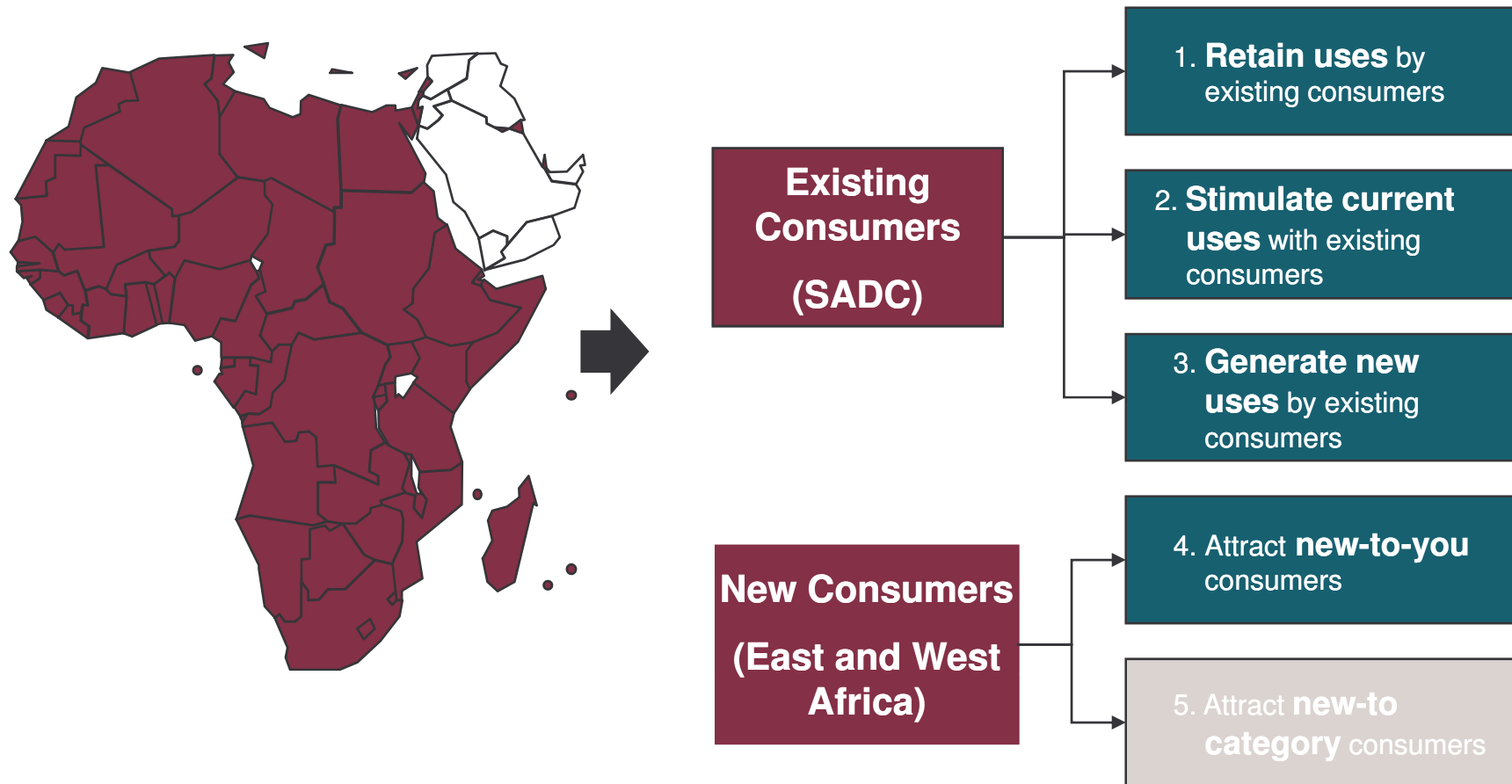
To obtain growth and defend the current shares, the strategy needed to integrate the approach through focusing the five key drivers

Different countries and /or segments drive growth in different ways



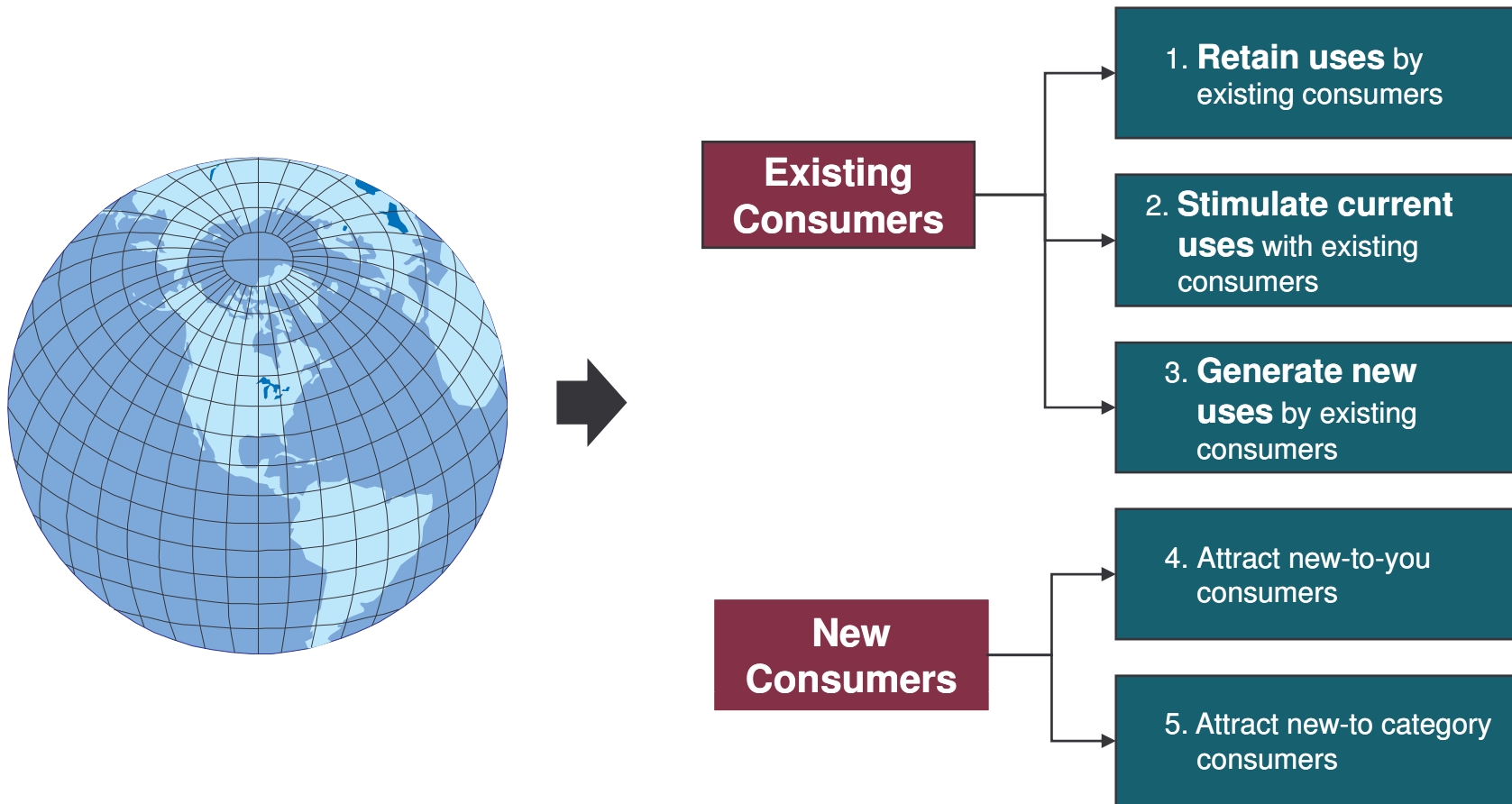
60% of South Africa's arrivals are from our 5 neighbouring states

Given the high market share already in SADC and the absence of any true competition, the strategy for SADC shifts to one of 'defend' and the extraction of additional value. Outside of neighbouring SADC however, there is scope to attract smaller high-end leisure volumes which in the long term may provide growth in markets in East and West Africa



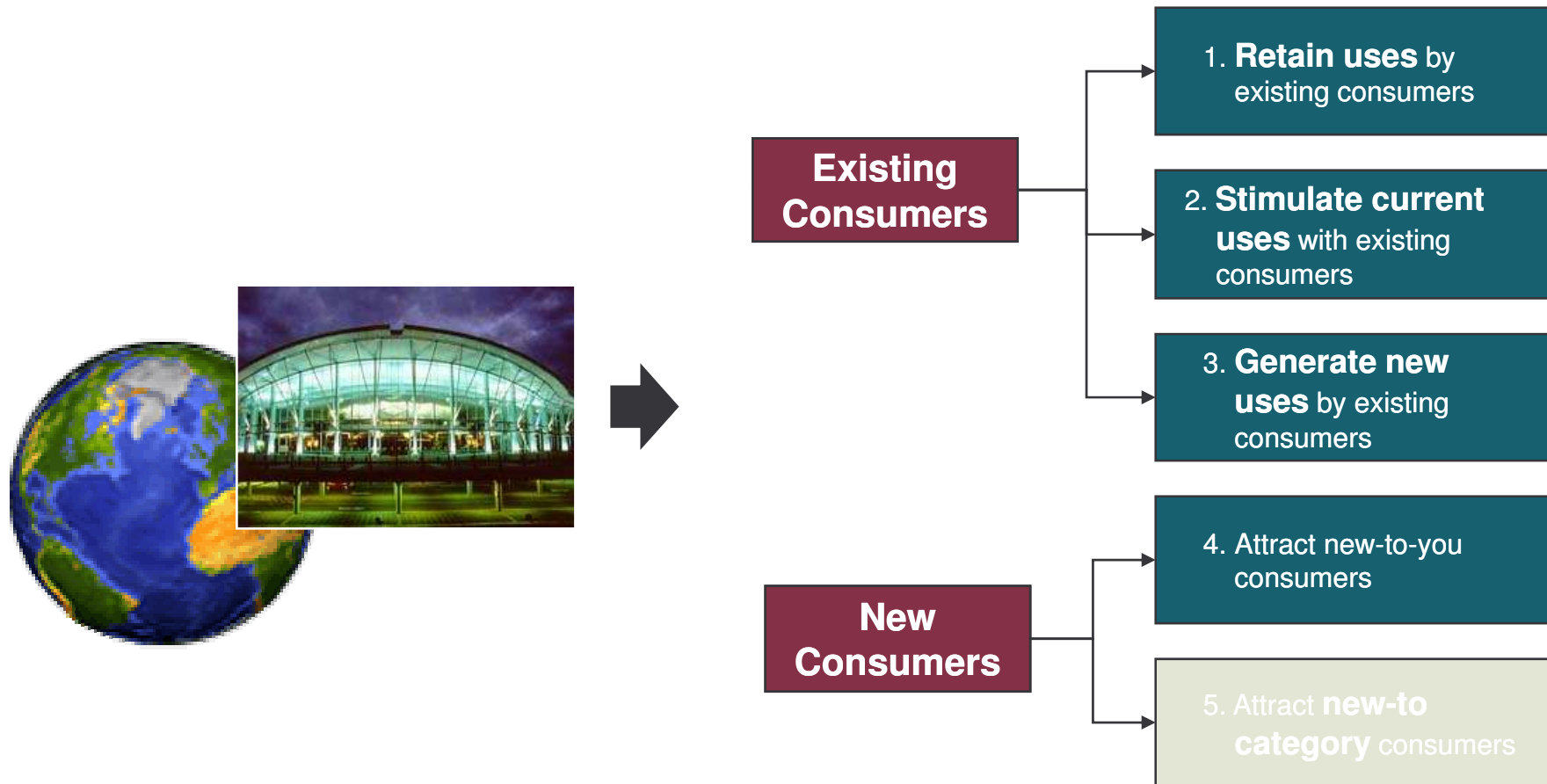
For countries outside of Africa, the focus for South Africa was to leverage all the growth drivers in the overseas (non-continental Africa) markets

The real growth for South Africa is to focus the portfolio on countries and markets that are attractive from a volume and value perspective and from which South Africa can get the greatest yield in the short- to medium-term. Clearly some markets are more seasonal than others. Category conversion (ie from short-haul to long-haul travel) would be the most difficult to do



Business Tourism cuts across several countries

The real value of Business Tourism lies in the ability to leverage resources to attract large numbers of delegates at low cost



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1. Choosing the focus of international leisure marketing

The decisions about where to focus in leisure travel is a tri-annual review process of all the countries of the world (excluding the domestic market) being put through a series of filters. The application of these filters are designed to optimise against (1) maximising yield from marketing investments, and (2) balancing the portfolio to limit over-exposure to one or two regions. As above, review seeks to deliver against:

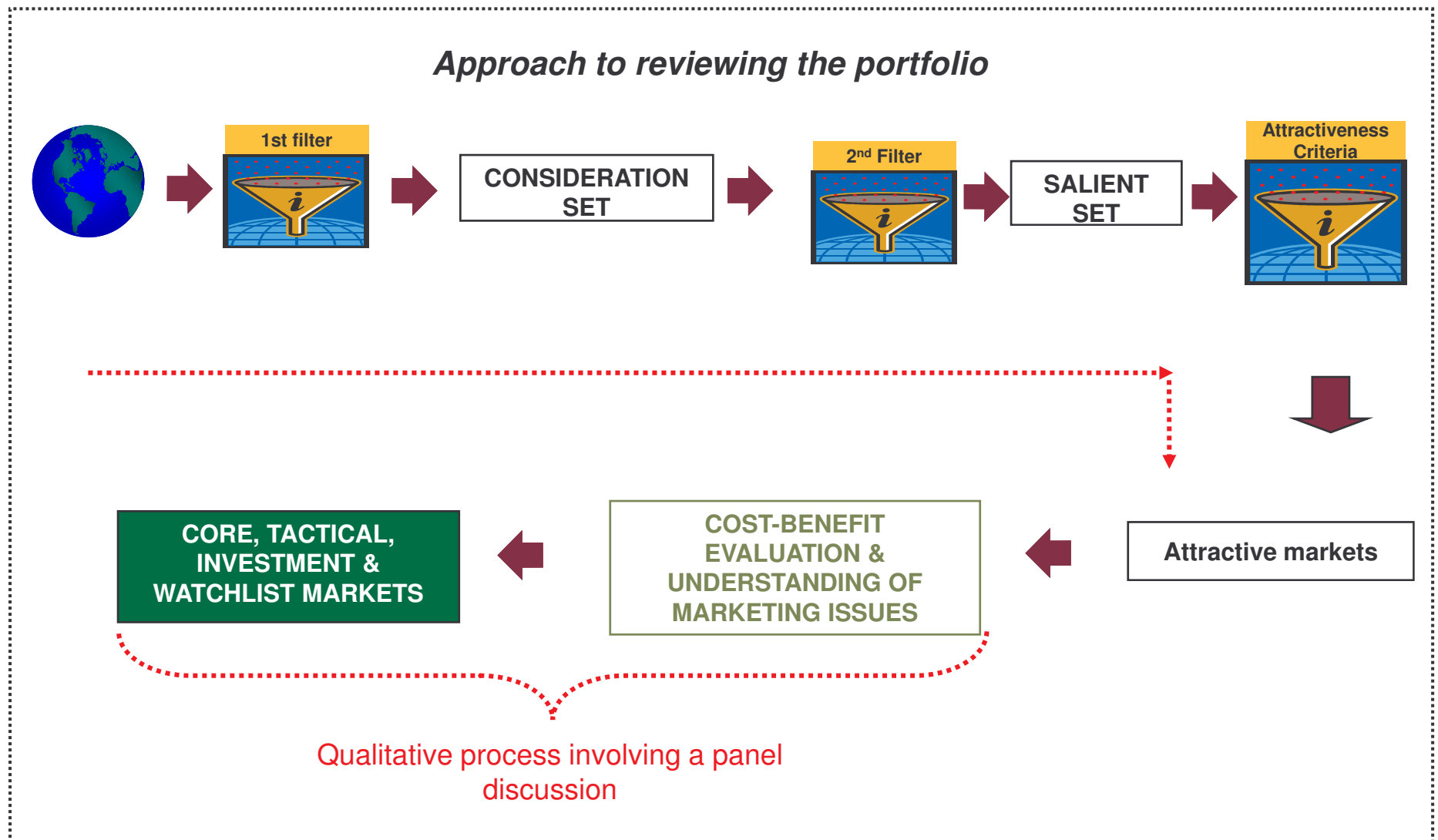
- Identifying where current positions must be defended
- Seeking opportunities for growth in volume
- Seeking opportunities for growth in revenue
- Seeking opportunities to reducing seasonal variations.

Thus our choices about where to focus in the four regions include:-

- Markets that are currently important to us – markets where we are strong and whose continued presence in our portfolio is critical to meeting our long-term objectives
- Markets that are attractive to us – those markets that are major sources of growth. These markets, where competition is stiff, also represent significant growth opportunity because of the sheer size of consumer segments in a relatively concentrated geographic space scale can be achieved
- Markets, that are attractive and which represent opportunities to spread our risk outside of Europe and Africa, and whose outbound travel patterns are counter-cyclical.

The results of the analysis are then organised into categories in each regional portfolio which informs the nature of the marketing approach to be adopted in each case.

The review adopts a “fresh eyes” approach by considering all countries in the world filtered on a set of attractiveness criteria



Portfolio Review 2008-2010

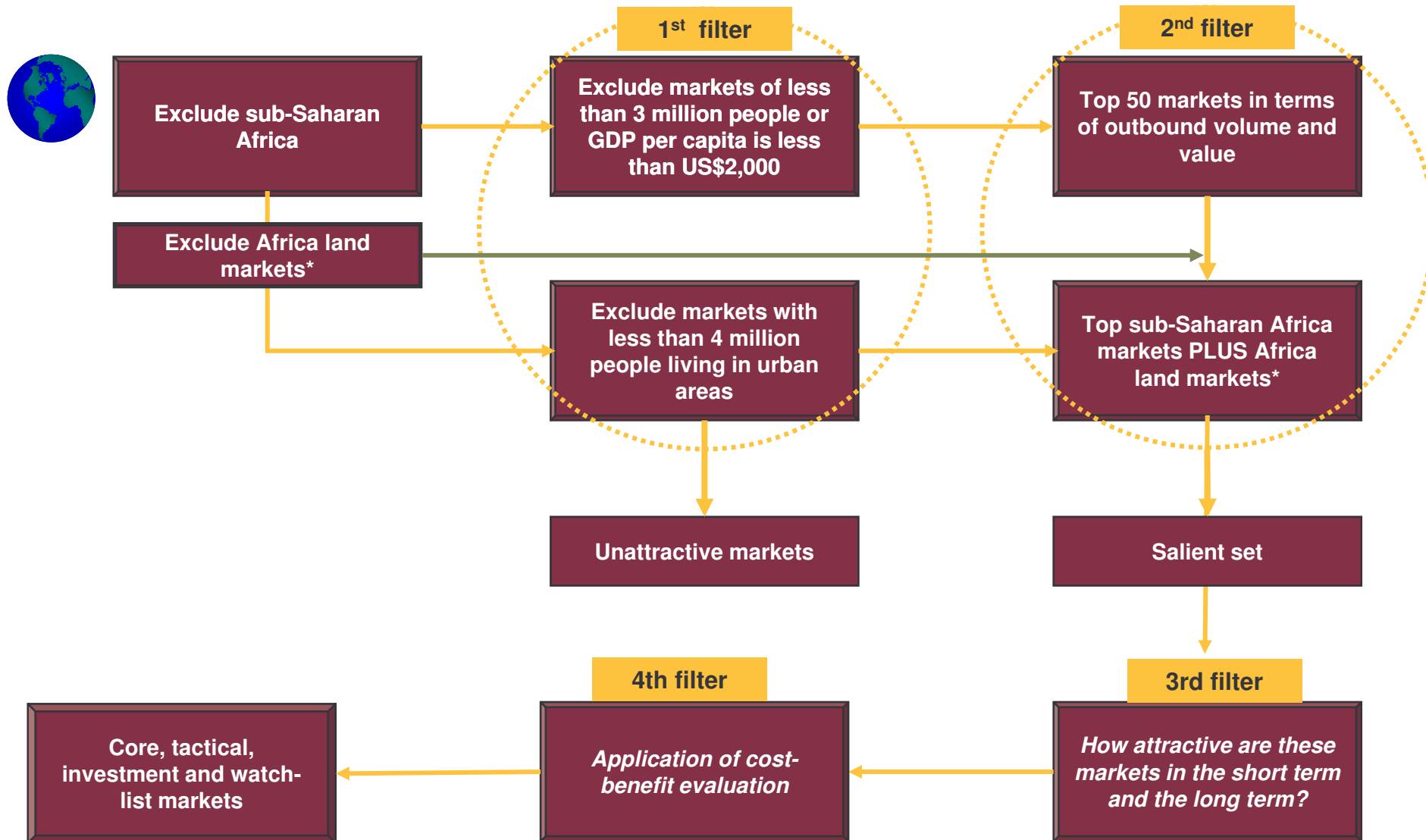
The most recent portfolio review was conducted in 2007, and produced the following portfolio for the period 2008 to 2010:

Given that 60% of all arrivals to South Africa come from five neighbouring states, and that we enjoy dominant share in these markets, the strategy for SADC is principally a 'defend strategy' (i.e. retain existing tourists and extract additional value from them). Outside of SADC, however, there is scope to attract smaller high-end leisure volumes which in the long term provide opportunities for growth, especially from East and West Africa.

For countries outside of Africa, the focus for South Africa is to leverage all the growth drivers – defend current share and aggressively pursue new growth opportunities. The overseas portfolio is focused on countries and markets that are the most attractive from a volume and value perspective, and from which South Africa can get the greatest yield in the short-to medium-term. In these markets our core challenge is to build awareness and positive perceptions of South Africa as a leisure destination, and to ensure that our information and sales strategies are able to follow through by 'closing the deal' and that the consumer travels to South Africa.

It is against the different nature of the growth challenges in each of these domains that SA Tourism has invested in-depth market research in order to ensure that our marketing efforts are focused on the highest-yield consumer segments (who are interested and positive about our country), and against the drivers of growth that are appropriate in each chosen market. To date, SA Tourism has segmented most focus markets.

Key Steps of the Portfolio Review Process



*Africa land markets are markets where more than 60% of arrivals to SA arrive by land.

The results of the evaluation will illustrate the suggested core, tactical and watch-list markets within each region.

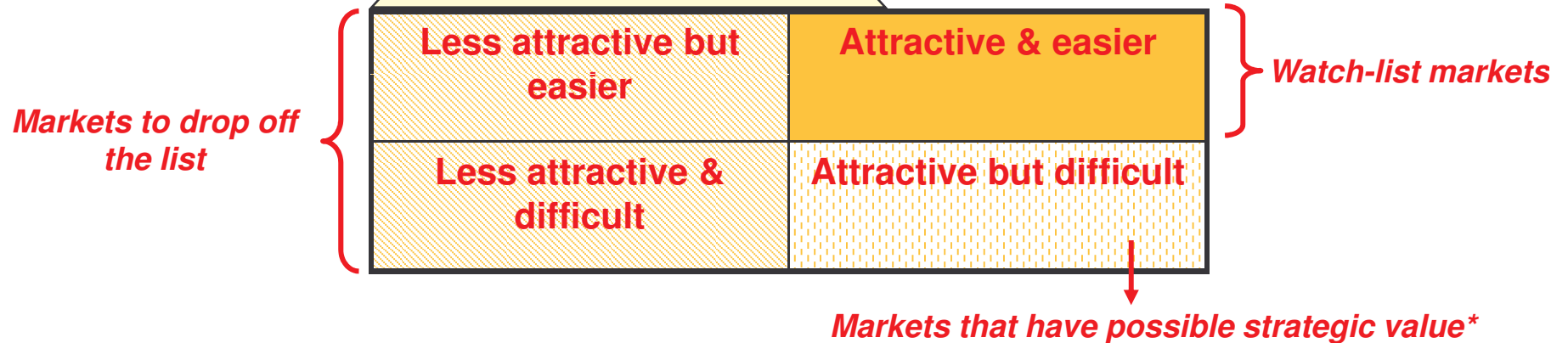
Core markets are those which present the greatest opportunity. Tactical markets are those which should be considered for specific, tactical opportunities. Watch-list markets need to be watched for value segments.

<p>LESS ATTRACTIVE BUT EASIER</p> <p>TACTICAL MARKETS</p> <ul style="list-style-type: none"> ▪ Markets where there are particular opportunities, i.e. “low hanging fruit” ▪ 15% of organisation’s effort deployed against these markets 	<p>ATTRACTIVE & EASIER</p> <p>CORE MARKETS</p> <ul style="list-style-type: none"> ▪ Markets that deliver the “bread & butter” ▪ 60% of organisation’s effort deployed against these markets ▪ Best capabilities allocated to these markets
<p>LESS ATTRACTIVE & DIFFICULT</p> <p>WATCH-LIST MARKETS</p> <ul style="list-style-type: none"> ▪ Markets that are on the radar ▪ Activity in these markets will only occur if there is spare capacity in the organisation ▪ 5% of organisation’s effort deployed against these markets 	<p>ATTRACTIVE BUT DIFFICULT</p> <p>INVESTMENT MARKETS</p> <ul style="list-style-type: none"> ▪ Invest in these markets ahead of return, i.e. invest for the future ▪ 20% of organisation’s effort deployed against these markets

Markets that fall into the Watch-list box need to be rationalised to understand the relative attractiveness of each market in this set

An evaluation of the effort vs gain of investing in the watch-list markets was conducted. This resulted in a ranking of watch-list markets.

<p>LESS ATTRACTIVE BUT EASIER</p> <p>TACTICAL MARKETS</p> <ul style="list-style-type: none"> Markets where there are particular opportunities, i.e. "low hanging fruit" 15% of organisation's effort deployed against these markets 	<p>ATTRACTIVE & EASIER</p> <p>CORE MARKETS</p> <ul style="list-style-type: none"> Markets that deliver the "bread & butter" 60% of organisation's effort deployed against these markets Best capabilities allocated to these markets
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Note: Core, tactical and strategic markets were excluded from the original effort vs gain evaluation to give the scores for just the watch-list markets.

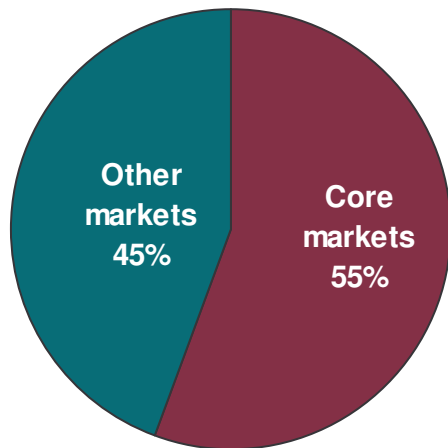
*This depends on the air lift and air capacity in the market as well as national imperatives.

SA Tourism portfolio 2008 – 2010: The domestic market is a core market that forms the base on which the tourism growth is built

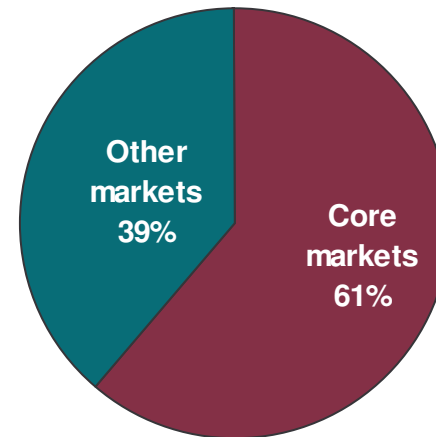
Responsibility		AFRICA	AMERICAS & the UK	ASIA & AUSTRALASIA	EUROPE	
Portfolio Manager	Country Manager	CORE MARKETS	Botswana Domestic Kenya Nigeria	USA UK	Australia India	France Germany Netherlands
		INVESTMENT MARKETS	Angola DRC Mozambique Zimbabwe	Canada	China (incl. Hong Kong) Japan	Italy Sweden
		TACTICAL MARKETS	Ghana Lesotho Swaziland Tanzania	Ireland	Singapore	Switzerland
Stakeholder Manager		WATCH-LIST MARKETS	Egypt Namibia UAE	Brazil	Malaysia New Zealand Rep of Korea	Austria Belgium Denmark Norway Spain
		STRATEGIC IMPORTANCE	Bahrain, Oman, Qatar, Saudi Arabia			
Global Channel Manager		STRATEGIC LINKS/HUBS	Ethiopia, Zambia, Senegal	Argentina	Thailand	Greece

The 9 core air markets account for 55% of air arrivals and 61% of foreign direct spend (excluding Africa land) respectively

% of total air arrivals



% of total foreign direct spend from air markets



Having a chosen set of countries or markets is not sufficient. We need to understand consumers on a segment level

There are three key reasons why SAT chose to do segmentation (or a variation thereof):

1. To understand how the market is structured at a consumer level

Action Segmentation™

	18-29		30-44			45 and Older	
	Male	Female	Male		Female	<50K	50K+
			<50K	50K+			
Casual	A		E			X	
Light Hiking	B	C	F	G	I	J	K
Back-packing / Mountaineering	D		H	L			

Do not target
 X - Colapsed because individual segments were too small



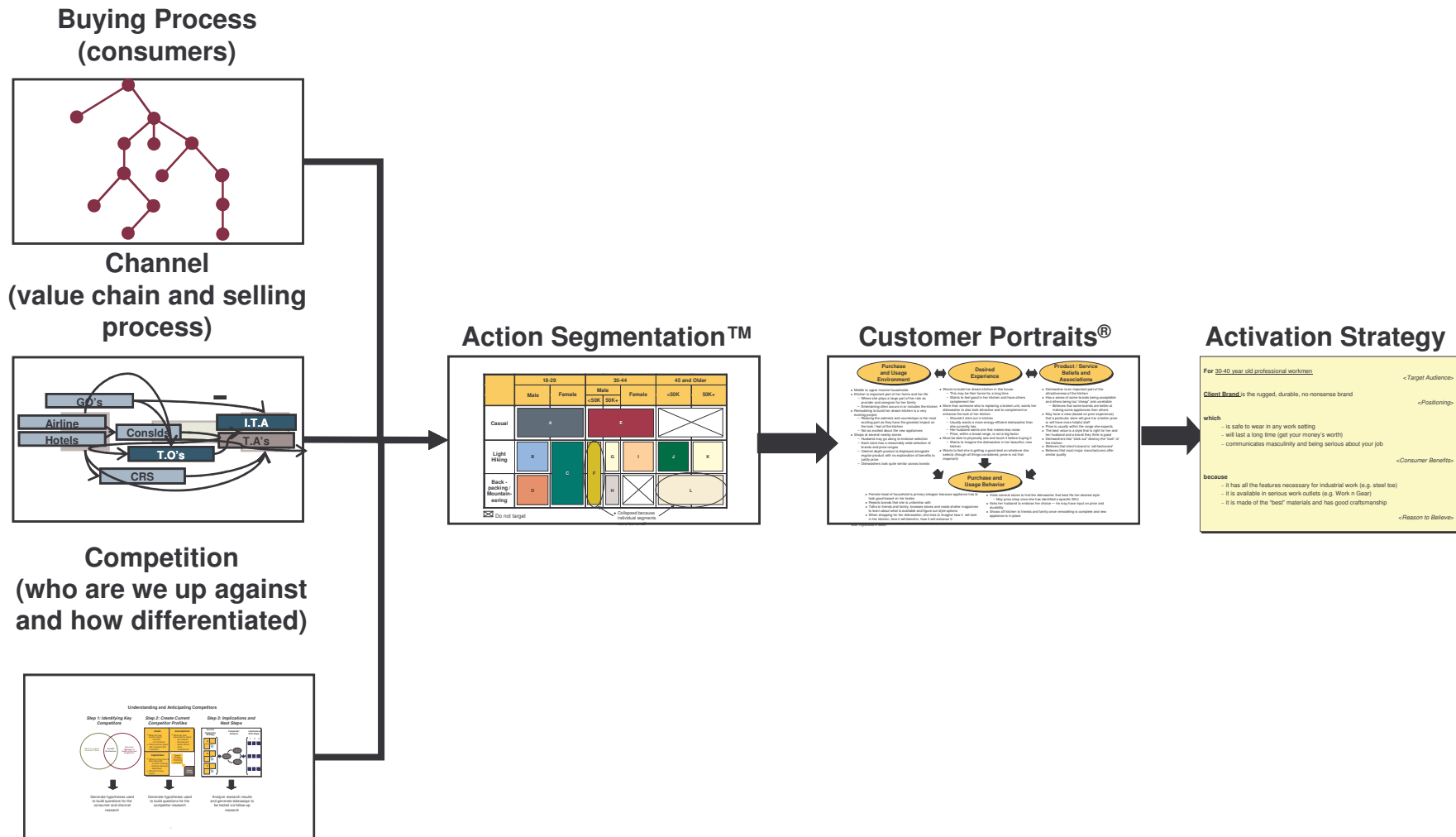
2. To understand the relative size and value in the market as well and objectively show the relative contribution of the segments

3. Allows one to identify the levers in the market that need to be pulled to activate the segment

The action segmentation model generates deep consumer insights into chosen markets as the basis for developing marketing plans



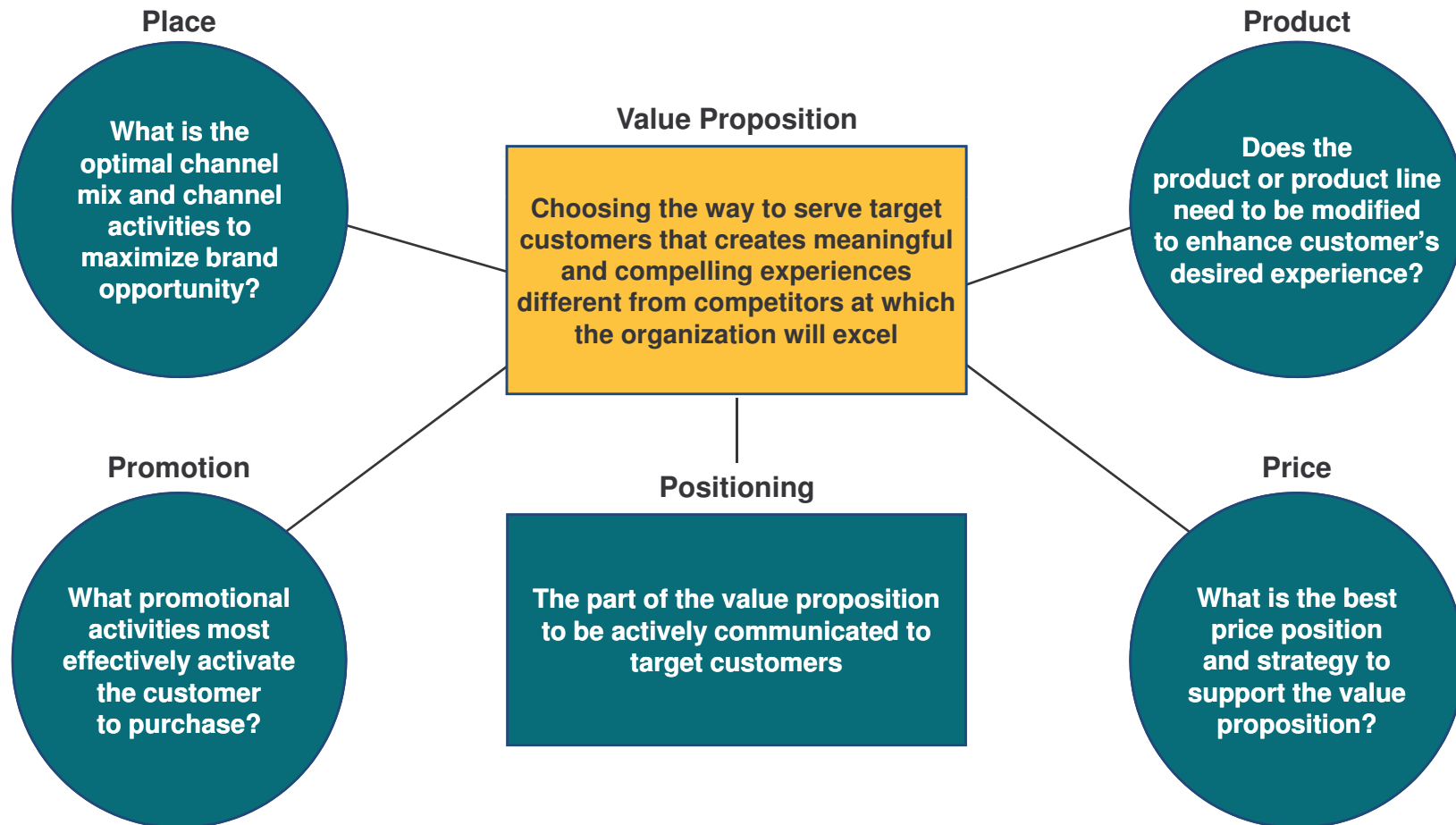
We use both qualitative and quantitative methodologies to test and size markets





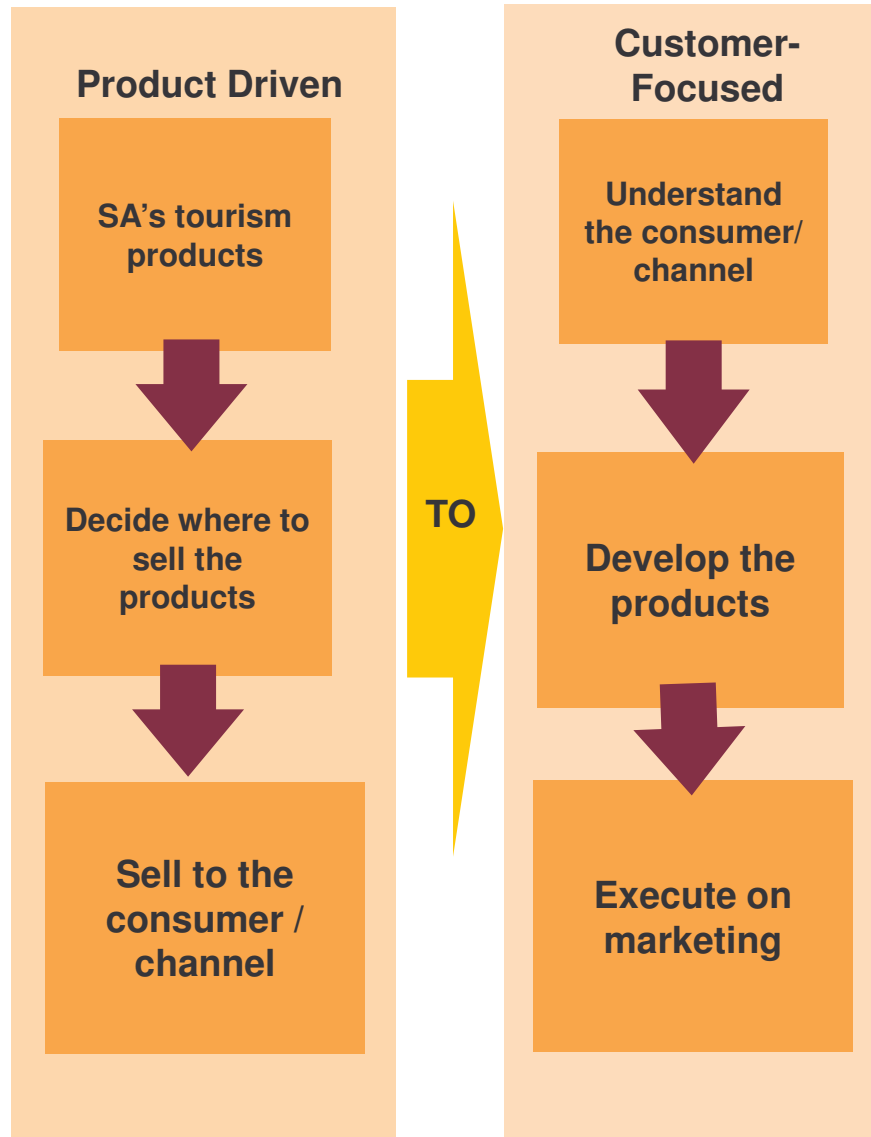
Growth and Activation Strategies have been developed

For each chosen segment, an activation strategy has been created. This includes an overall value proposition and depending on the segment's drivers and barriers specific changes to product, price, positioning, place, or promotion





Shifting from Product-driven to Consumer Focused Strategy

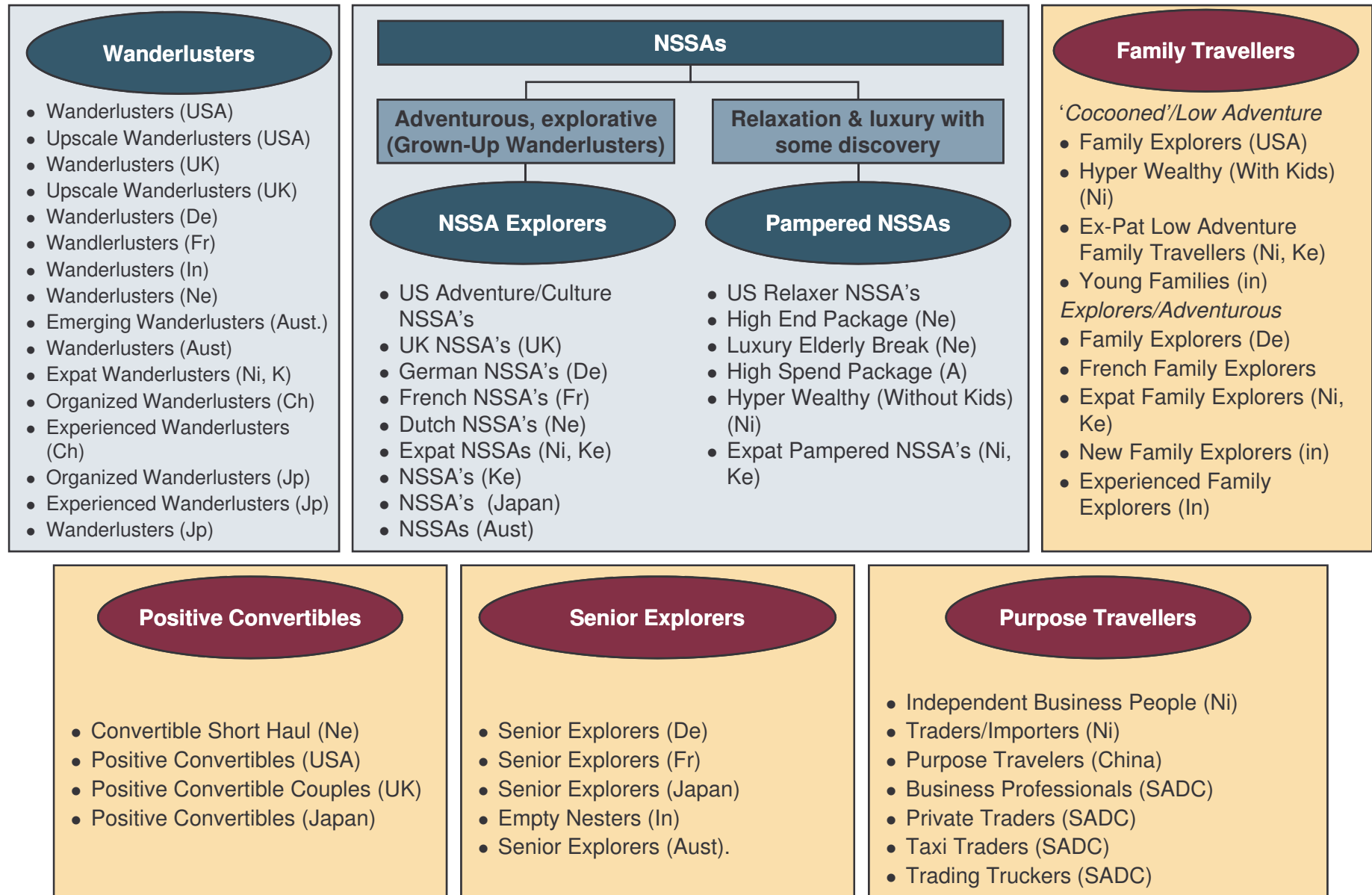


In-depth consumer research in portfolio markets is consistent with the decision taken in the first phase of the TGS: to focus on consumers and not products. In the past SA was marketed in terms of what products were on offer with little reference to the desired experience of the consumer or a brand positioning for the country. The second major value of consumer research is the ability to accurately measure the real opportunity for growth. Historically SAT worked with national totals and averages –ie total population, average spend and total outbound travel. This is inappropriate because in most source markets, the majority of the population travels short-haul if they travel (at all) beyond their own borders.

SA, being a long-haul market for all major tourism source markets, has to focus on people who are worldly, well travelled and are interested in other cultures. They are also the most positive about our country and interested in travelling here.



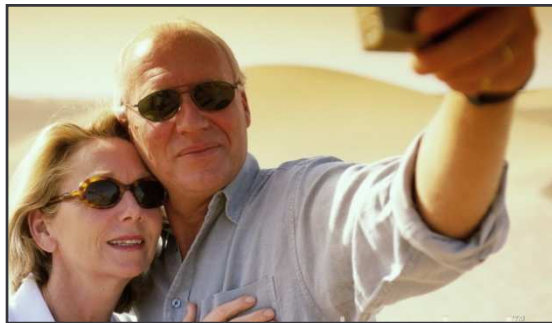
These segments are in our focus markets across the world





But there are Two Core Segments in our international leisure focus

Marketing in international markets is focused principally on worldly, well-travelled segments of travellers who are seeking new experiences. The brand and marketing strategies are focused on two priority segments who form the heart of our global marketing campaigns:



The 'Next Stop South Africa' (NSSA) segment

The NSSA segment represents our traditional market. They are wealthier experienced international travellers, usually between the ages of 40 and 60 whose children (if any) have left home. They typically look for natural beauty and authentic cultural experiences. They prefer independent or small group travel, and look for luxury and comfort as part of their experience. Safety is a key consideration when choosing a new destination. Safari is a big draw-card when travelling to Africa.

The 'Wanderluster' Segment

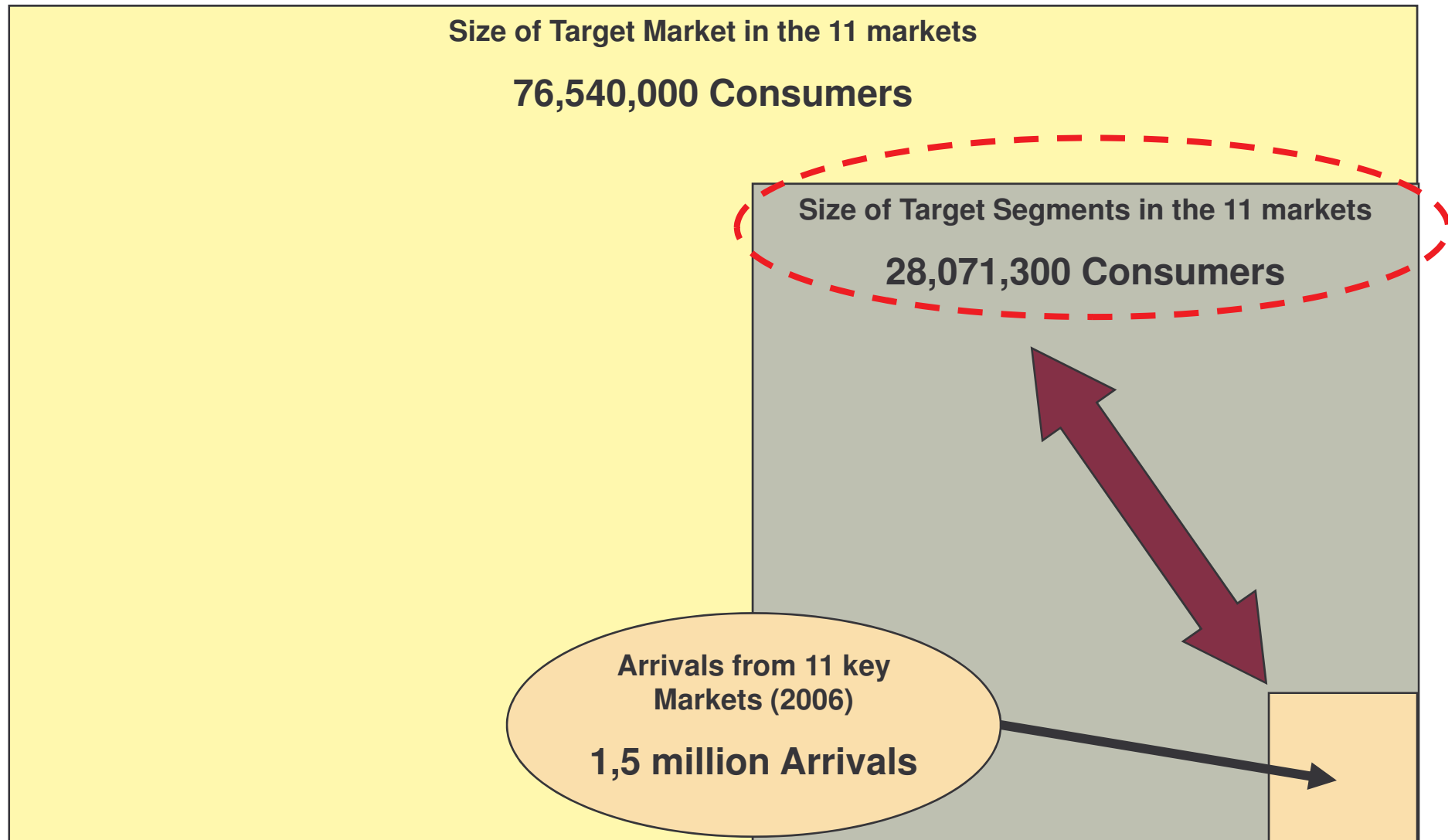
The "Wanderluster" segment is made up of younger singles or couples between the ages of 25 and 40 and generally do not have children. They are young urban professionals earning higher incomes, and they already have considerable travel experience. Their desired experience centres on nature, culture and adventure with a strong liking for "urban vibe". While also concerned with issues of safety and comfort, these consumers are driven more by the emotional appeal of a destination compared to the more practical NSSAs. They are generally more positive about South Africa in every market than any other segment but they also want to travel the world.



The other segment categories are pursued on a tactical or opportunistic basis only.

While we have made progress un growing the markets in our portfolio, there is still significant opportunity in 11 core markets

For markets where SAT has conducted detailed research, there is still massive potential



Source: SAT Market Segmentations Studies for US, UK, Germany, France, Netherlands, Kenya, Nigeria, India, China, Japan and Australia

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2. Domestic Tourism Strategy

Domestic travel is a new area of focus in the Tourism Growth Strategy. The domestic strategy is based on research done in 2003 and was launched at Indaba 2004 in Durban. It is a logical growth as domestic travel serves a number of functions in most travel markets:

1. It is bedrock of the tourism sector in South Africa and contributes significantly to the business with more than 36 million trips recorded in 2005
2. It has untapped potential and presents an opportunity for growth given that holiday travel accounted for 32% of total value captured in 2005
3. The domestic market provided the base-load of tourism volumes and value, particularly to the majority of the provinces that are off the well-trodden path of international tourism
4. In competitive theory terms, vibrant domestic markets support innovation and will therefore in the long-term aid international marketing efforts.

We have identified seven segments with varying current and strategic value. These segments were broadly clustered into the following three categories based on their current travel patterns: Established, Emerging and Untapped.

In the domestic market, SA Tourism focuses on three “emerging” segments made up of consumers who have travelled, but for whom lack of knowledge about travel opportunities is a key barrier to travelling more often. Currently the vast majority of domestic travel is still driven by visiting friends and family, but holiday travel contributes the largest share of value in the domestic market. The ‘Sho’t Left’ campaign, is targeting the emerging segments to inspire them to overcome the barriers that currently stand in the way of leisure travel.

The Domestic Market is important - and will become more so in future

Half the population travels ...

- 52.8% of South Africans travel each year
- On average, domestic travelers take 2.5 trips per year

... generating huge volumes ...

- Domestic travelers generated a total of 36.2 million trips in 2005, compared to 6.7 million foreign arrivals

... generating significant value ...

- In 2005, domestic tourists spent R 21.1 billion, compared to a total direct spend by foreign tourists of R 47.8 billion (2004)¹



BUT, the market is still emerging ...

Note: ¹International market data not yet available for 2005

The Marketing Tourism Growth Strategy 2008 – 2010, May 2008

The Domestic Market is still emerging

**The market is
“immature” ...**

- 69% of trips are for visiting friends and relatives
- 62% of trips are taken within the home province
- Holiday travel starts once personal incomes exceed R 3,000 per month, and is established above R 10,000 per month

**...highly seasonal
...**

- The domestic market is highly seasonal and closely tied to traditional and school holidays around Easter, July and December

**... geographically
concentrated,
and ...**

- 63% of domestic tourism value is captured by KZN, Gauteng and the Western Cape
- 58% of domestic volume goes to KZN, the Western Cape and Gauteng

**... plays a limited
role in driving
sector
development**

- Domestic tourists generally display fundamentally different behaviours to international tourist
- Domestic spend is primarily on transport, food and accommodation
- “Social” activities dominate domestic travel behaviour, with wildlife, culture, and natural attractions taking up 2% or less of what domestic tourists do

The Market

Where the Volume is

- 56% of all trips originate in KZN and Gauteng
- The holiday market is concentrated (62% in KZN, Gauteng and the Free State), BUT
- The highest rates of holiday travel incidence are to be found in the Free State (30% of adults), and the N. Cape (23% of adults)

Where the Value is

- 40% of domestic tourism spend comes from Gauteng, BUT
- The highest spenders per trip are in the Free State, Gauteng and the Northern Cape

Holiday travel is the future

- Holidays made up only 4.5 million trips in 2005 (12%), BUT
- Contribute 32% of total domestic tourism spend (an average of R 1,525 per trip compared to R 339 for VFR)..
- Have the highest average length-of-stay (5.9 nights)...
- And have the highest incidence amongst younger adults (18 – 39 years), the same demographic whose incomes are rising the fastest

The Scorecard

The Winners

- KZN and Gauteng see by far the biggest volume and value
- The Western Cape sees a large net inflow of trips and spend and is a key destination for holiday travelers

The Development Project

- The Free State, Mpumalanga and the Northern Cape are seeing less value from domestic tourism than they should

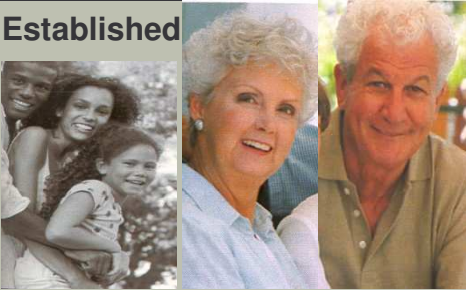


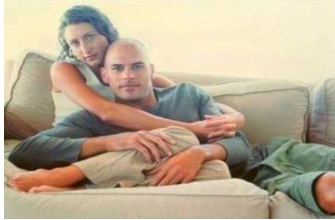




There is an interesting provincial “balance of tourism trade”

- KZN, Limpopo, Eastern Cape, Western Cape, Mpumalanga and the Northern Cape all receive more volume and value than their own residents contribute to the market
- Residents of Gauteng, the North West and the Free State contribute greater value and volume to the total market than those provinces receive in total

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

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3. Business Tourism

South African Tourism has for many years been working the Meetings, Incentives, Conferences and Exhibitions (MICE) market- largely in support of industry efforts. At Indaba 2005, SAT launched its business tourism marketing strategy, 'Business Unusual'.

As part of the first phase of the TGS, SA Tourism studied the MICE market and in 2006 developed a target lead strategy. Associations are the primary focus while corporate meetings and incentive travel are secondary. The exhibitions market was not seen as globally attractive given our geography and the relative strength that Europe has in this market. While business tourism was not as attractive as the leisure market in terms of the volume, it does provide a key opportunity for growth in spend (in incentive travel) and reducing seasonality. Like the leisure strategy, the business tourism strategy will focus its marketing efforts on these segments in specific geographies:

Europe: UK, France, Belgium, Netherlands, Switzerland, Austria and Denmark, and Sweden and Italy (Incentives)

Asia: Australia and Japan and India (both incentives only)

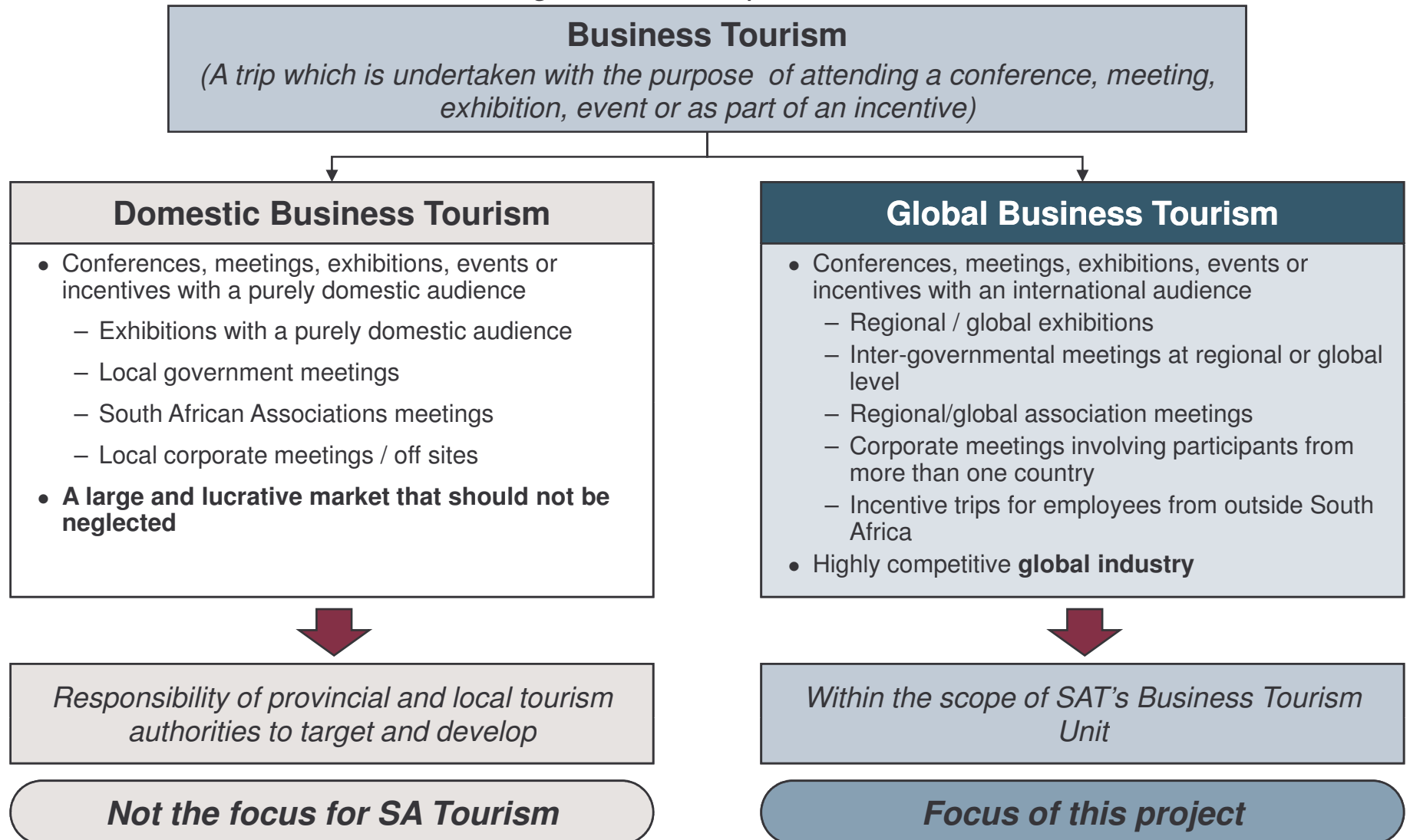
Americas: Canada and the USA

Africa: Business travel and tourism is a core part of the current market strategy to develop the leisure market, and will be address as such. Business Tourism opportunities are in East and West Africa as well as SADC.

There will also be a strategic link to the domestic business tourism market, focusing on driving growth through inspiring 'breakaways at home' but this is driven by the cities and the provinces.

SA Tourism focuses on international business tourism market

There is a large and very lucrative domestic market which is the responsibility of the regional and local tourism authorities to target and develop

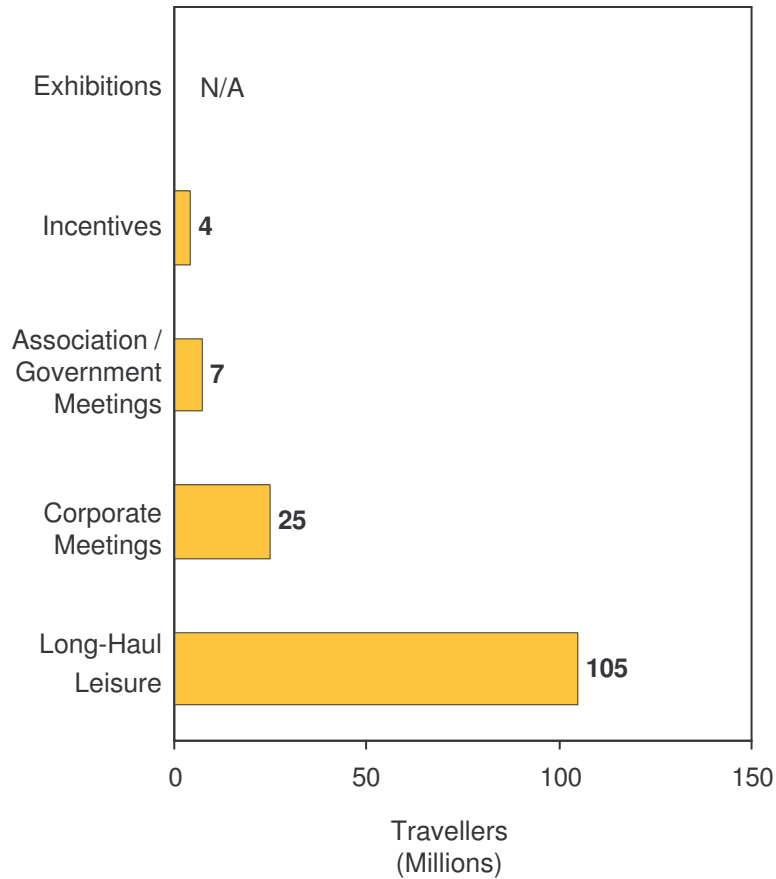


Business Tourism meets many of these high-level goals of SAT

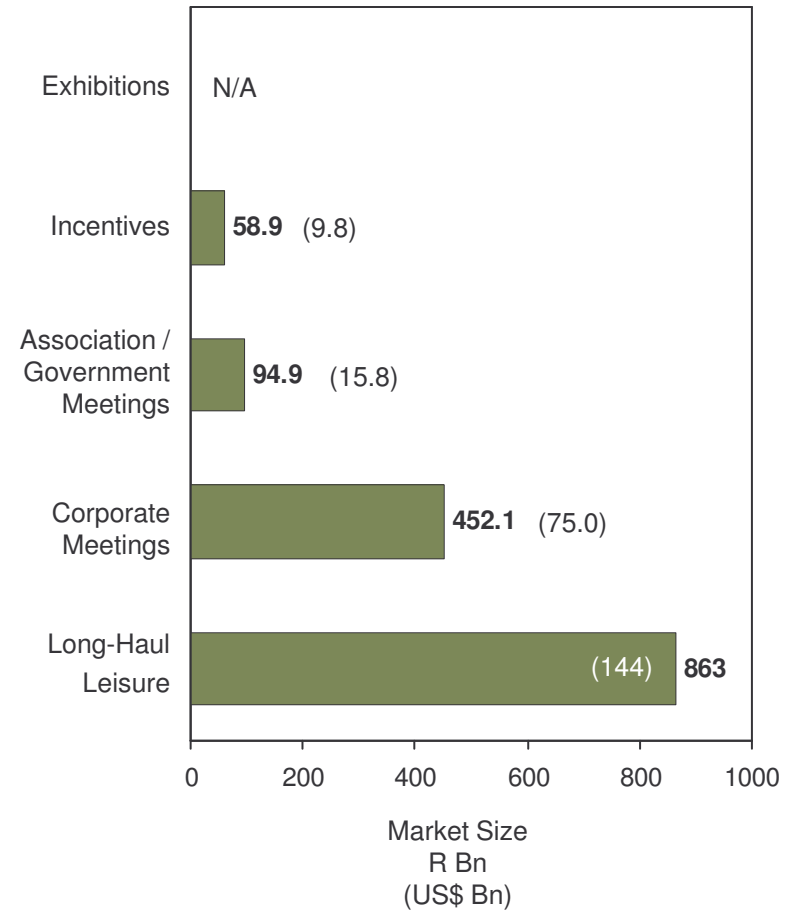
 <p>Volume</p>		<ul style="list-style-type: none"> • Business tourism is not a large market in comparison to the leisure market • However, there is strong growth in the market in South Africa
 <p>Spend</p>		<ul style="list-style-type: none"> • Business tourists are not attractive on a total spend basis when compared to other categories of travellers, but on a spend per day level they perform well • In absolute terms, spend by business tourists has shown significant fluctuation in the last few years
 <p>Length of Stay</p>		<ul style="list-style-type: none"> • The length of stay of business tourists is in general shorter than for other visitor types • However there is an opportunity to increase length of stay by encouraging pre- and post-tours to extend length of stay
 <p>Distribution by Province</p>		<ul style="list-style-type: none"> • Business tourists are less likely than leisure travellers to move around the country • However, a coordinating body could ensure more equitable spread of events, especially with facilities opening in Bloemfontein and elsewhere
 <p>Distribution by Season</p>		<ul style="list-style-type: none"> • The meetings market in particular is attractive from a seasonal distribution perspective, since there is an opportunity to influence time of arrival by targeting meetings that are scheduled for off-peak periods
 <p>Transformation</p>		<ul style="list-style-type: none"> • Business Tourism Associations are actively promoting transformation principles and encouraging members to meet regulations • The business tourism sector provides an excellent opportunity for previously disadvantaged enterprises to play a role in the provision of services to them across the value chain

Globally, the business tourism markets are large and attractive

Global Tourism Outbound 2005



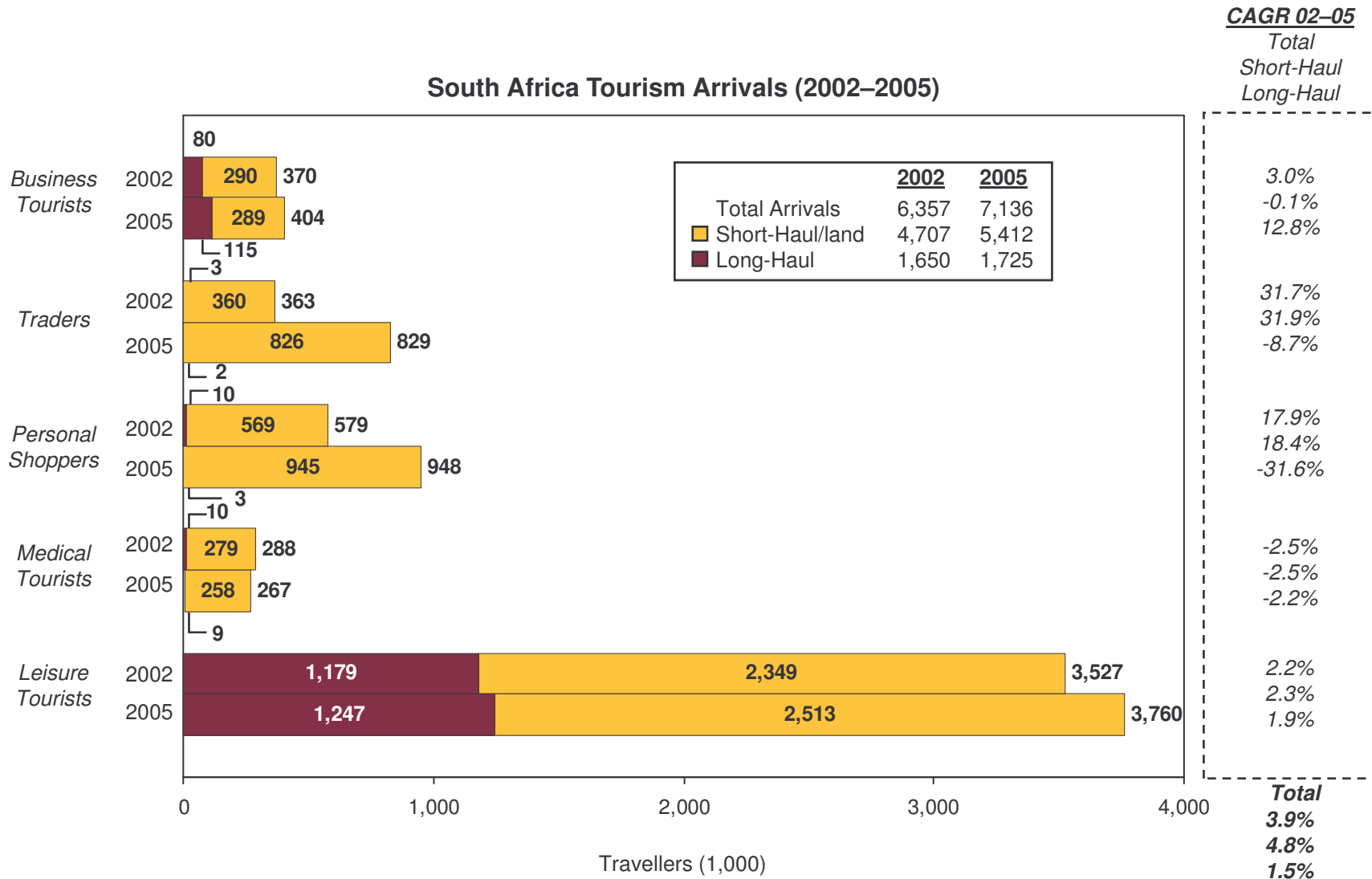
Global Tourism Market Size 2005



Note: See Appendix for methodology, Corporate meetings, average 127 participants, 197,000 meetings annually

Source: South African Departure Survey 2005, WTO, EIS Study, Convention Industry Council, ICCA, UIA, Vienna Convention Bureau, Sydney Convention and Visitor Bureau, Tourism Vancouver, European Travel Commission, Monitor analysis

But business tourism arrivals are relatively small to South Africa



Source: South African Tourism Departure Surveys 2002–2005
The Marketing Tourism Growth Strategy 2008 – 2010, May 2008

Meetings are the most attractive segment within the business tourism market



Exhibitions

	Global		South Africa*	
	2002	2005	2002	2005
Travellers (mn)	N/A	N/A	N/A	N/A
Rands Bn	N/A	N/A	N/A	N/A
US\$ Bn	N/A	N/A	N/A	N/A

- A large market with over 70 exhibitions in South Africa every year and over 1.5 million attendees
- However, they tend to be mostly for a domestic audience
- Moreover, there is a limited impact on many of SAT's goals
- **Better data on foreign visitors to exhibitions is needed before SAT should invest in this market**

Do not appear attractive at present – need more information from industry before they become a focus for SAT



Incentives

	Global		South Africa*	
	2002	2005	2002	2005
Travellers (mn)	3	4	0.04	0.04
Rands Bn	86	59	N/A	0.3
US\$ Bn	8.3	9.8	N/A	0.05

- High spend per trip
- Contributes to SAT's goals
- However, strong overlap with leisure tourism and with meetings
- Smallest market of the Business Tourism constituents
- **Better data on visitor numbers is needed before SAT should invest heavily in this market**

Not a priority on their own — form part of the corporate meetings strategy



Meetings

	Global		South Africa*	
	2002	2005	2002	2005
Travellers (mn)	12	20	N/A	0.24
Rands Bn	297	317	N/A	1.7
US\$ Bn	28.6	53	N/A	0.3

- Large market
- Contributes to SAT's goals, particularly improving seasonality
- South Africa is well positioned to serve this market with world class facilities
- Although recently slipping down ICCA rankings, South Africa has a strong competitive position, and on a number of delegates hosted basis, its ranking is actually improving

Meet SAT's goals, large and attractive market

* Estimates based on SAT departure surveys and Monitor analysis
Source: South African Departure Survey 2005, Monitor Analysis

The meetings market can be divided into three organisational types

Inter-Governmental Meetings

- Meetings of representatives of governments and government institutions
- Usually within multi-lateral or regional organisations / institutions, to negotiate relationships, set regional policy on key issues or set regional investment agendas
- IGO meetings can be segmented into regional, international and large international meetings

Corporate Meetings

- Business-related meetings of private companies, sometimes including customers, suppliers and other external role-players
- Sometimes include other corporate events such as exhibitions and product launches

Association / NGO and Academic Meetings

- Meetings of professional associations, industry associations, non-governmental organisations and academic groups
- Exchange information, network with other professionals
- Learn and develop their subject areas
- Association meetings can be separated into Small, Medium and Large categories

Inter-Governmental meetings appear attractive but may have risks

Regional and Continental Inter-Governmental Meetings

- Regional and Continental meetings with synergies in areas of local expertise and policy focus could boost South Africa's profile as a leader in SADC and Africa



- Continental policy leadership
 - Trade negotiations
 - African development
 - Poverty alleviation
 - International relations



- Leading in SADC policy areas
 - Food, Agriculture and Natural Resources (FANR)
 - Trade, Industry, Finance and Investment (TIFI)
 - Infrastructure and Services (I&S)
 - Social and Human Development and Special Programmes / SHD&SP)
 - HIV and AIDS Programme

International Inter-Governmental Fora

- The large number of international organisations to which South Africa belongs (over 50 IGOs and 17 environmental treaties) gives plenty of opportunity to attract international meetings
 - These meetings are attractive as in general, they have to rotate between member countries and delegates usually pay for themselves
 - Moreover, they behave like Association Meetings with clear synergies in targeting and promotion



Large Inter-Governmental Summit Meetings

- Large inter-governmental summit meetings with Head-of-State involvement (such as WSSD) have the potential to generate significant positive benefits for South Africa
 - Significant foreign earnings and job creation
 - Positive press coverage
- However, this must be managed against some of the negative aspects
 - Potentially damaging negative publicity or problems with brand



Corporate meetings are small, volatile in demand and short lead times

Contribution to Tourism's Goals

Volume

✓

- Corporate meetings represent over 95% of meetings in South Africa, bringing in an estimated 150,000 arrivals per year

Global spend per delegate

Spend

✓

Corporate	Association	Incentive
\$3,001	\$2,150	\$2,510
R18,031	R12,918	R15,081

• Spend per delegate is high

Length of Stay

X

- The length of stay for Corporate meetings is shorter than for other meetings and offers less opportunity for pre- and post-tours

Distribution by Province

✓

- Owing to the small size of Corporate meeting, corporate meetings are not confined to large cities or conference centres

Distribution by Season


✓

- Corporate meetings occur year round and school holidays make off-peak months more attractive

Drawbacks

- The average global size of a Corporate meeting is 127 participants compared to 650 for an association meeting
 - This makes corporate meetings more expensive to acquire per-delegate

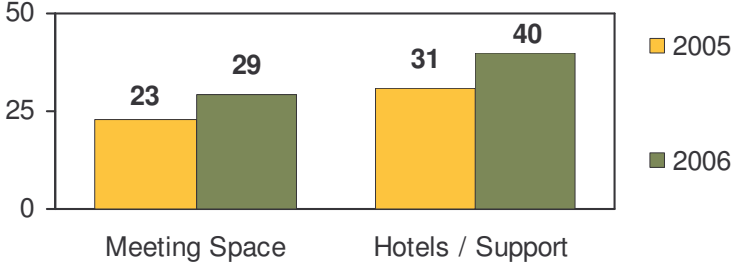
Association Meetings	Small	Medium	Large
Average # of participants	133	463	2,588
Cost to acquire per delegate	\$102	\$29	\$5
Cost to acquire per delegate	R612	R175	R31



- Corporate meetings are highly subject to economic conditions — one of the first things to be cut during economic downturn is corporate travel budgets

- Lead times for Corporate meetings (6–8 months) are typically much shorter than for association meetings (3–5 years), causing uncertainty in the meeting pipeline and posing challenges to meeting organisers

Average lead time for a Corporate meeting (weeks)¹



Category	2005	2006
Meeting Space	23	29
Hotels / Support	31	40

¹ MPI — Future watch 2006—“A comparative outlook on the global business of meetings “, Monitor Analysis, SAT, ICCA
The Marketing Tourism Growth Strategy 2008 – 2010, May 2008

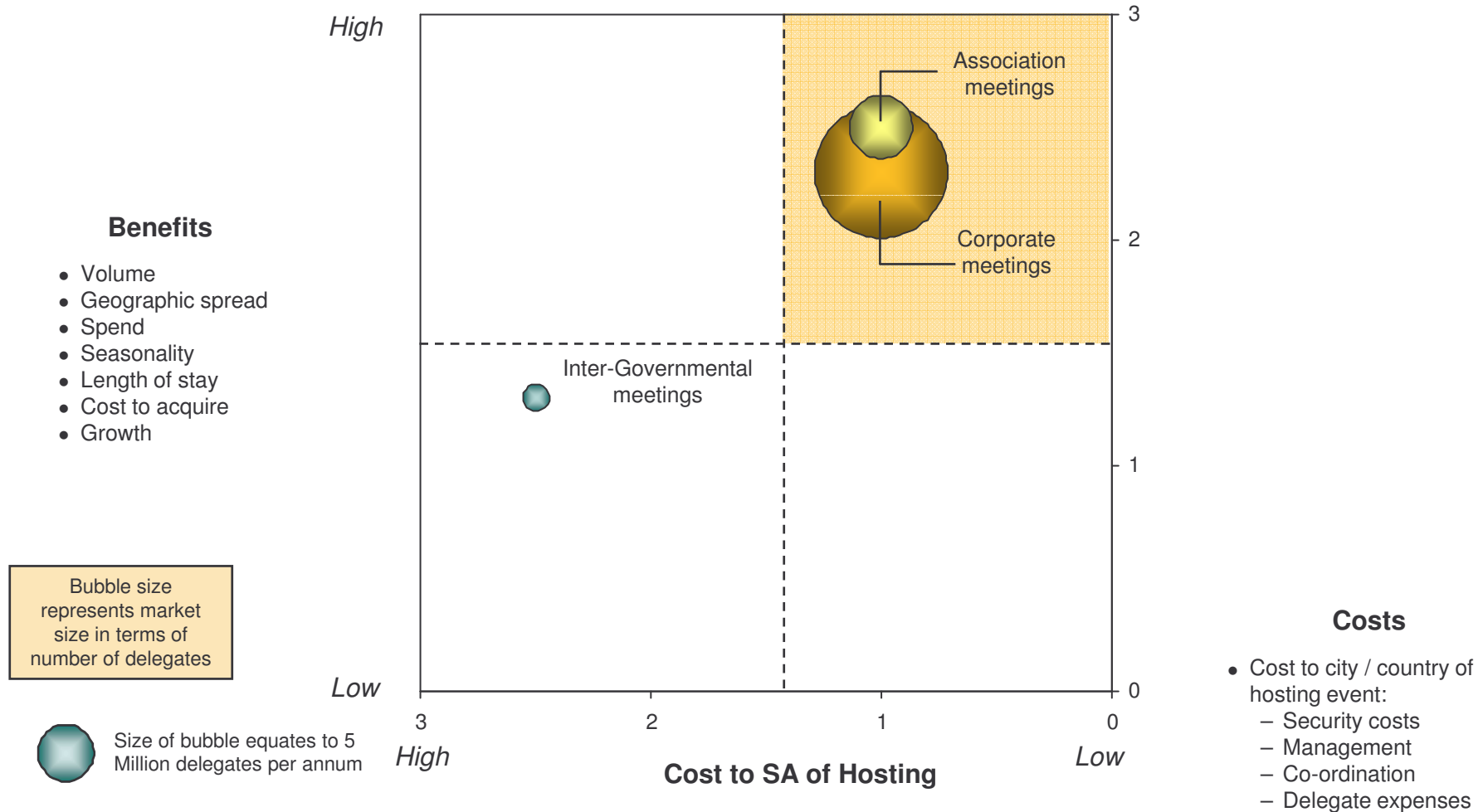
Association meetings have advantages over both

- Rotation policies for many associations make them an easier target to attract to South Africa
 - Potential for repeat business
- High potential for repeat leisure travel
- Stable business
 - Most associations are required to have meetings under their constitutions
 - Meetings tend to be organised 3–5 years in advance, giving a clear view of the pipeline of up and coming meetings to conference organisers and event venues
- Pre- and Post- tours are more likely to be purchased by association meeting participants than by corporate or government meeting participants
 - It is not uncommon for association participants to bring a travel partner

Each has cost / benefits, with associations the most favourable

Inter-governmental meetings are typically expensive to host, but they have potential spin-off benefits due to their high profile and the public status of their delegates

Comparison of Meeting Segments by Cost and Benefit



Source: Monitor Conference Survey 2001, Supplier Interviews, PCO Interviews, ICCA,UIA, Monitor Analysis

We have developed databases to target attractive associations

Opportunities in the “High Priority” and “Low Hanging Fruit” segments for associations should be pursued aggressively through local reps and head offices

Medium-Long Term Investment

Characteristics

- Large, greater than 2 days duration and typically happen in arrivals troughs
- However, may have been to SA recently or there is no SA representative of the association

Actions

- **Build and maintain relationships** with SA representatives to keep South Africa on the radar screen
- Provide support to SA representatives to be active members of the association (“ambassador program”)
- Continue to develop local associations database to “fill in blanks”

Low Priority

Characteristics

- Small, short meetings in peak arrivals months
- No SA representatives of the association and no SAT presence in host country

Actions

- **Do not invest resources** in trying to attract these meetings
- However, track developments to see if they move into other quadrants (increased meeting size, appointment of South African representatives etc.)
- Continue to develop local associations database to “fill in blanks”

Most Attractive

High Priority

Characteristics

- Large, greater than 2 days duration and typically happen in arrivals troughs
- South African membership and SAT presence in host country
- South Africa possible option in short to medium term

Actions

- **Aggressively pursue opportunities**
 - Contact local representative and suggest hosting
 - Contact headquarters
 - Liaise with CVBs / ICCs to begin bid process

Low Hanging Fruit

Characteristics

- Small, short meetings in peak arrivals months
- However, South African Representation and SAT presence in host country
- South Africa possible option in short to medium term

Actions

- **Pursue opportunities**
 - Contact local representative and suggest hosting
 - Contact headquarters
 - Liaise with CVBs / ICCs to begin bid process

Executive Summary:

A clear set of choices has been made to meet these objectives



Contributing to Tourism's 6 key objectives is certainly achievable

However, attaining Top 10 conference destination status by 2010 will be a significant challenge

Integrated SA Tourism portfolio 2008 – 2010: Underscored are leisure and business tourism markets (* = associations and # = incentives and corporate meetings)

Responsibility		AFRICA	AMERICAS & the UK	ASIA & AUSTRALASIA	EUROPE	
Portfolio Manager	Country Manager	CORE MARKETS	Botswana Domestic Kenya Nigeria	<u>USA*#</u> <u>UK*#</u>	<u>Australia*</u> <u>India #</u>	<u>France*#</u> <u>Germany*#</u> <u>Netherlands*#</u>
		INVESTMENT MARKETS	Angola DRC Mozambique Zimbabwe	<u>Canada*#</u>	China (incl. Hong Kong) <u>Japan #</u>	<u>Italy #</u> <u>Sweden #</u>
		TACTICAL MARKETS	Ghana Lesotho Swaziland Tanzania	Ireland	Singapore	<u>Switzerland*#</u>
Stakeholder Manager		WATCH-LIST MARKETS	Egypt Namibia UAE	Brazil	Malaysia New Zealand Rep of Korea	<u>Austria*#</u> <u>Belgium*#</u> <u>Denmark*#</u> Norway Spain
		STRATEGIC IMPORTANCE	Bahrain, Oman, Qatar, Saudi Arabia			
Global Channel Manager		STRATEGIC LINKS/HUBS	Ethiopia, Zambia, Senegal	Argentina	Thailand	Greece

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4. Events: The 2010 Soccer World Cup opens up new area of marketing

To take this opportunity forward SA Tourism has established an events unit to target and help the relevant organisations to bid for major global events to raise the profile of South Africa



May 15, 2004 - South Africa wins bid for 2010 World Cup

In its bid to host the Soccer World Cup in 2010, South Africa highlighted the key objectives for the event as:

- Hosting a world-class African World Cup
- Ensuring a lasting social legacy through the event
- Leveraging the event to spread economic and social benefits beyond the borders of South Africa

Events such as 2010 are in line with the broader objectives for tourism

Key Objectives of the Tourism Organising Plan

***Maximise value
during the event***

**Contribute towards hosting a successful
FIFA* World Cup™ in 2010**

Maximise tourism value from the event

**Enable other African countries to benefit
from the event**

***Maximise value
after the event***

**Maximise the opportunity to brand South Africa
as a tourism destination**

**Have a positive impact on social legacy through
advancing the tourism competitiveness agenda to
support objectives of creating jobs, growth and equity**

Strategic Interventions of what SA Tourism does and what it facilitates

Core Interventions: WHAT SAT DOES

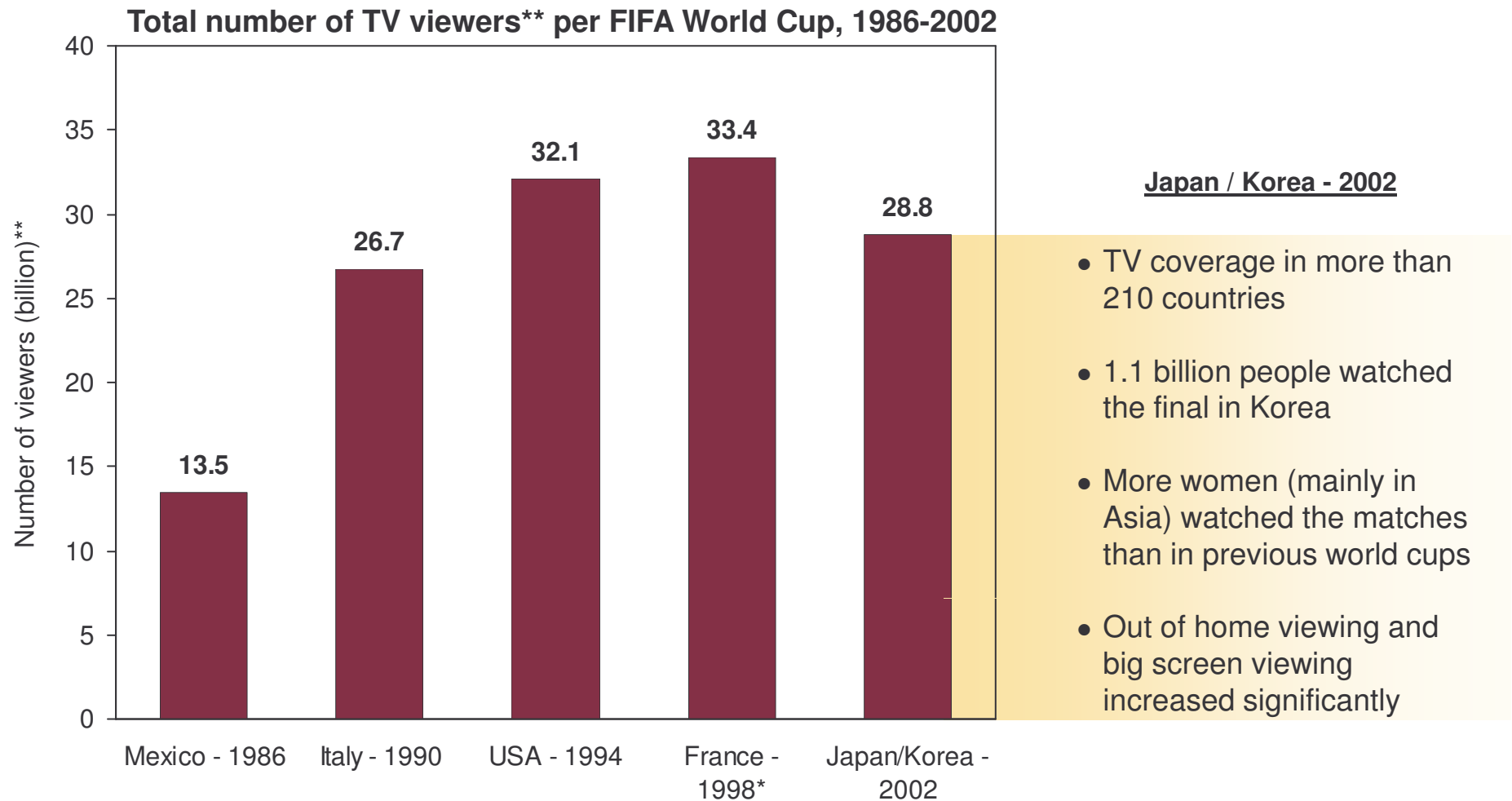
Strategic Focus on Events	Event criteria & selection
	Awareness of support offered
	Leverage opportunities
Info Manage	Strategic Research
	Calendar of Events
	Communication Platforms
Marketing Branding	Media Leverage
	Brand Leverage
	PR / Communication Campaigns

Non-Core Interventions: WHAT SAT FACILITATES

Graded Accom.	Support Tourism Grading Council
	Support Fedhasa/NAA/TBCSA
	Facilitate Interactions
Improve Transport Safety	Support SATSA / ASATA/ TBCSA
	Support implementation of Plan
	Facilitate Interactions
Skills & Service Levels	Support Theta
	Support Events Industry
	Facilitate Interactions

It is also a huge opportunity for positioning SA on global TV platforms

The number of TV viewers in 2010 will probably be higher than in 2002 since South Africa is in the same time zone as most soccer loving countries



* According to FIFA, viewership for France 98 was over weighted because of the auditing methods used in China, where viewership figures were based on rankings in Shanghai which were then multiplied by a factor to estimate the audience for the entire country

** The number of viewers is cumulative as it counts the number of viewers over the number of days the event was hosted. There is therefore double-counting

Source: www.fifa.com

As well as increase SA's market share in core markets and open new ones

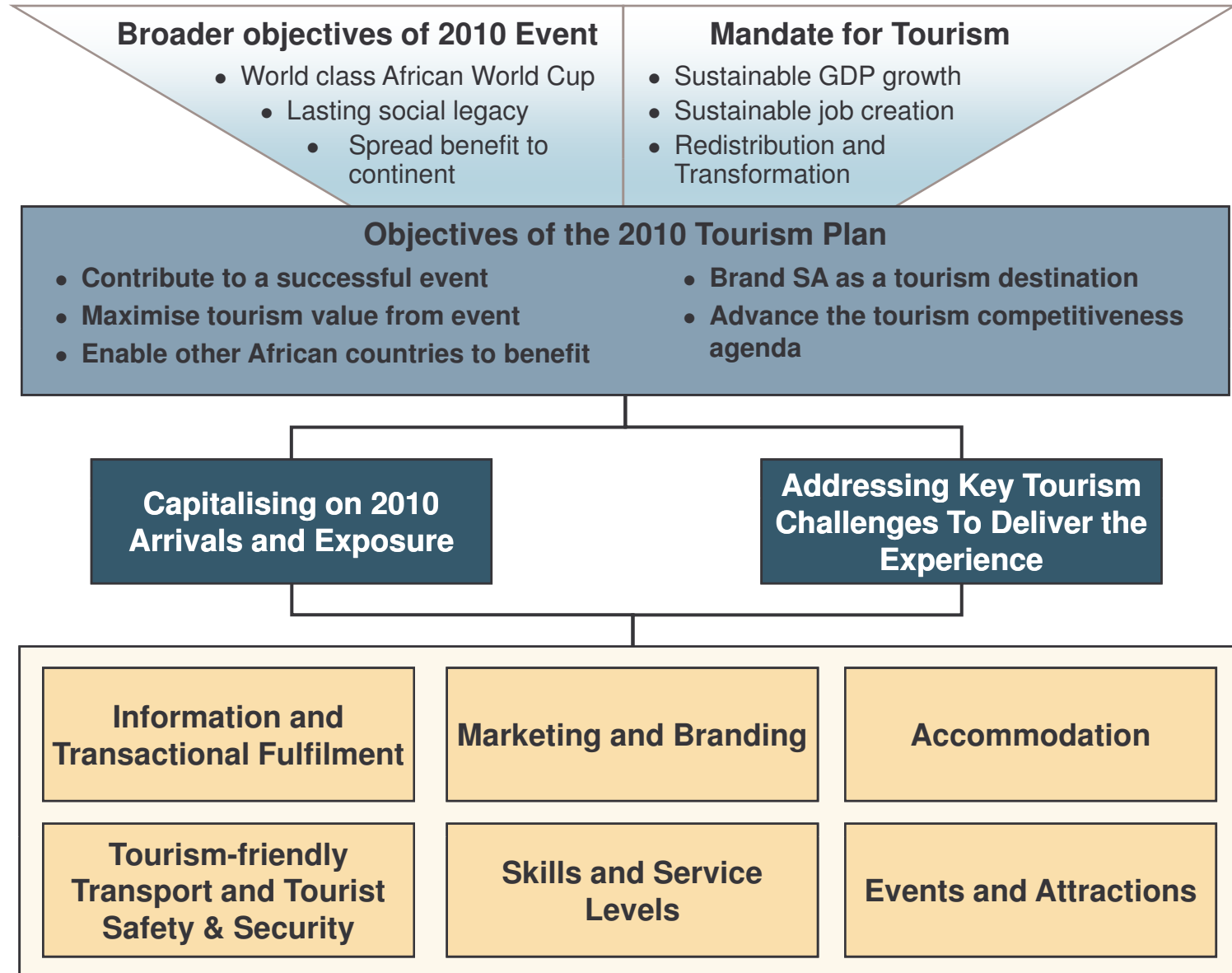
Countries SAT Focuses On

Core Markets	Tactical Markets	Investment Markets	Watch-List Markets	Strategic Hubs	Other Countries
<ul style="list-style-type: none"> Kenya Nigeria USA UK Australia France Germany Netherlands 	<ul style="list-style-type: none"> Tanzania India Botswana Lesotho Swaziland 	<ul style="list-style-type: none"> Angola Mauritius Canada China Japan Mozambique Zambia Zimbabwe 	<ul style="list-style-type: none"> Ghana Senegal Brazil Malaysia New Zealand Singapore Belgium Ireland Italy Sweden Switzerland 	<ul style="list-style-type: none"> Egypt UAE 	<ul style="list-style-type: none"> Argentina Czech Republic Mexico Spain Portugal Turkey Denmark Poland Iran Costa Rica Greece Ivory Coast Togo Tunisia

Likely to participate in the 2010 WC

To achieve the 2010 tourism objectives we need to capitalise on opportunities presented by the World Cup and address key tourism challenges

Position South Africa to Achieve its Tourism mandate and broader 2010 Objectives...



... by...

...through coordinated interventions within each functional area.

Executive summary of Events Project on 2010

The 2010 Opportunity

- The event presents a platform to help South Africa achieve its tourism mandate and objectives
- By taking advantage of opportunities to:
 - Maximise value *during* the event
 - Maximise value *after* the event
- About R11 billion in tourism revenue could be generated during the event

Key challenges for tourism around 2010

- Poor access to channels and tourism information
- Insufficient accommodation
- Insufficient compelling attractions & activities
- Inadequate service levels and skills shortage
- Inadequate public transport
- Insufficient focus on tourist safety & security
- Limited institutional capacity
- Managing expectations
- Demand management
- Displacement of general tourists around the event

Key tourism-related initiatives

- Initiatives have been grouped into specific functional areas to facilitate the implementation process:
 - Information
 - Marketing and Branding
 - Tourism-friendly transport and tourist safety & security
 - Accommodation
 - Events and attractions
 - Skills and service levels

Making it happen

- Obtain buy-in and sign-off of the plan from the Minister
- A tourism 2010 unit is to be set-up within SAT, reporting to the CEO, for:
 - Planning, Management & Monitoring
 - Co-ordination of Initiatives
 - Stakeholder Management
- Inter-governmental coordination in respect of tourism through DEAT and the TCC

Action Plans for the Events Marketing strategy

2010 Action Plan

- Research & Info Management
- Leverage media opportunities from 2010 related events
- Positive messaging opportunities from key national & international events
- Brand leverage opportunities
- Provide visitors with a great experience
- Institutional coordination

Event Action Plan

- Event Criteria & Selection Process
- Research & Info Management
- Media Leverage
- Brand leverage opportunities
- Communication platforms
- Provide visitors with a great experience
- Institutional coordination

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Review: 2002-2005/6

Part of the development of the TGS was a set of predictions on what the possible outcome would be of a successful implementation of the strategy. The re-balancing of the portfolio has achieved important success with a better spread of volume across markets than in 2001. The process of re-balancing is subject to all the fluctuations of global tourism and is hard to predict and hold on course.

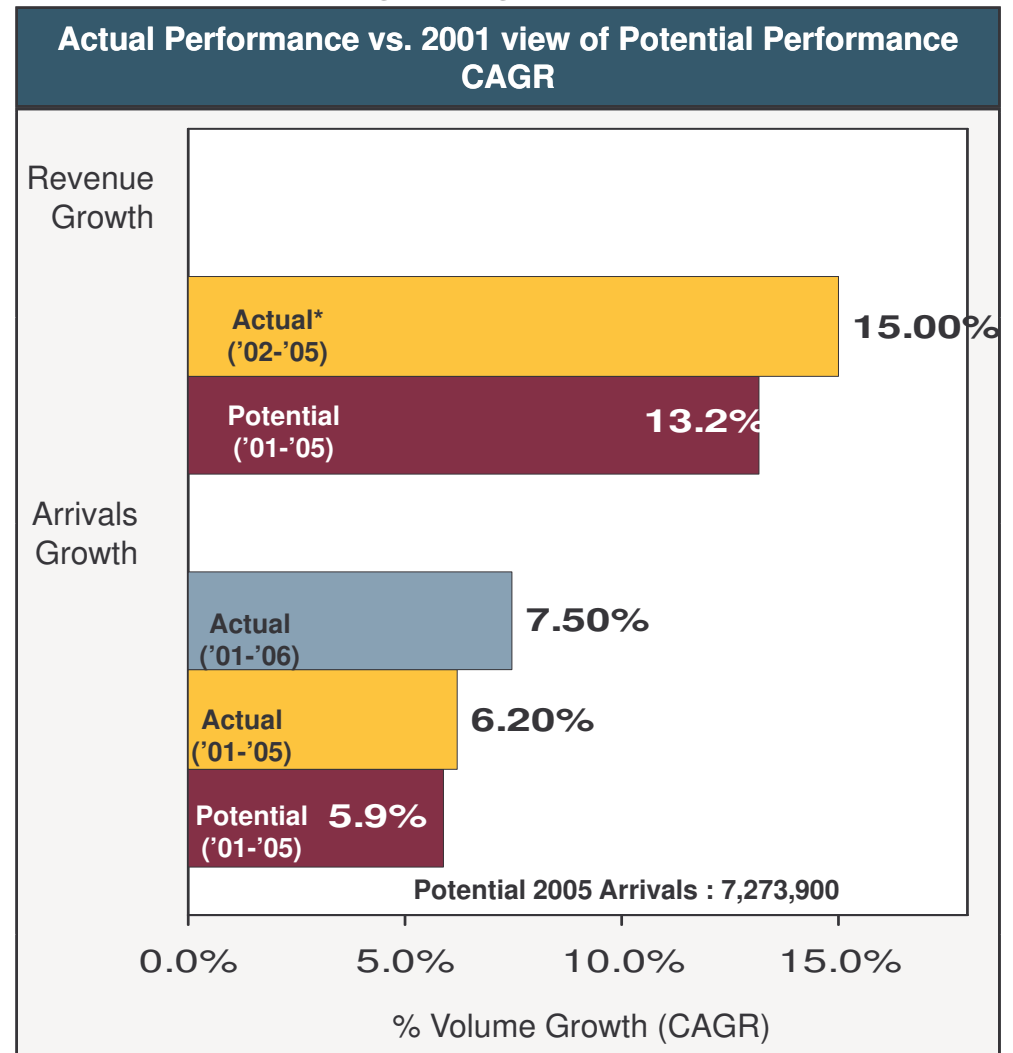
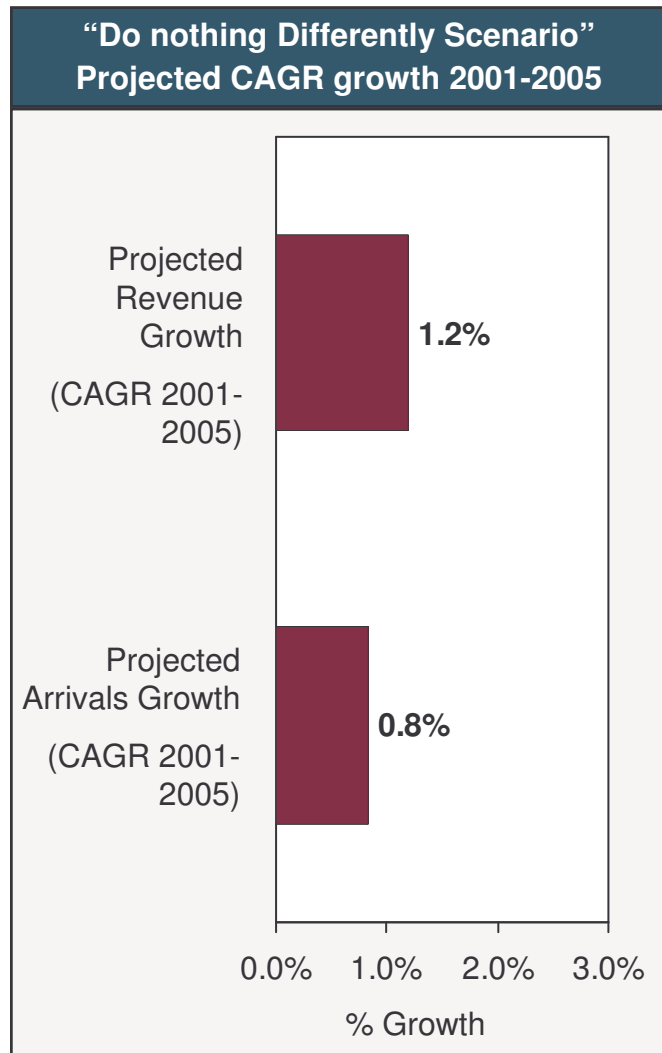
But the critical knowledge we have now is which markets we can indeed grow (i.e. recruit first time visitors) and where we need to defend and get repeat visitors to come more often for find new reasons for them to visit. Furthermore we understand which markets we need to look if one regional market goes into decline or collapses.

Arrivals and revenue growth were weak in 2001 when the TGS process started. At the end of the first year, we modelled what scenario we were looking at if we carried on marketing the country the same way (i.e. no focus and putting money across the globe in regional hubs) and what the potential growth rates could be achieved up to 2005 if we became more focused and differentiated in our marketing efforts.

It is important to note that this modelling was done before the dramatic events of tourism in the past four years and was largely based on mathematical regressions. Therefore the huge events of 9/11, the Gulf War, the Iraq War, SARS and the South East Asian tsunami of 2004 were not factored in. All these factors have led to a decline in the volume of global travel from some markets since 2001 and which only started to rebound in 2004.

We have achieved the volume and value growth

Potential growth in arrivals and revenue was modelled in 2001 using the best available data at the time. Good advances have been made towards the targeted growth rates.



Review of Phase One: 2002-2004

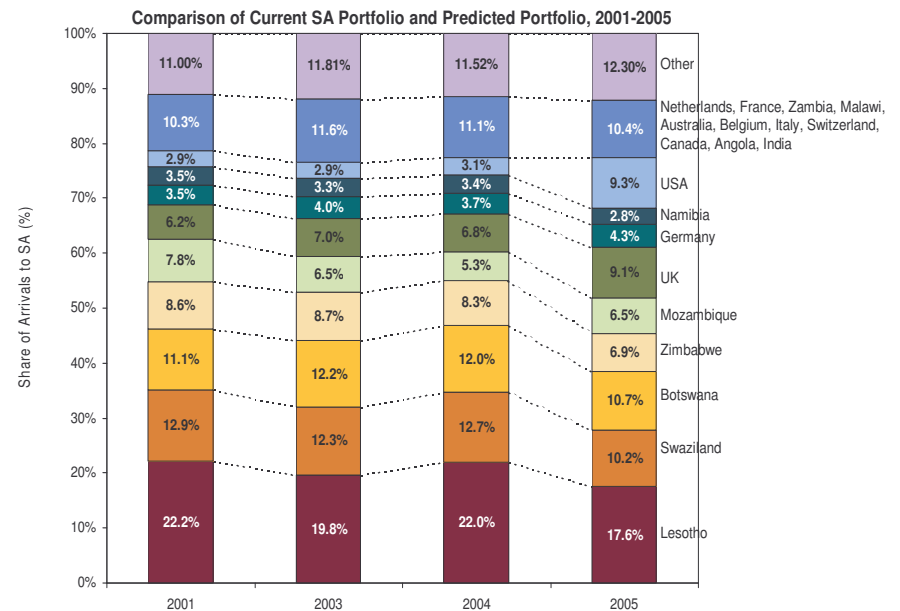
At the end of 2004 the data suggests that we had made important strides towards realizing our growth potential.

The arrivals growth has been closer to the target than value as the years 2003 and 2004 saw a decline of revenue from some markets as the Rand continued to strengthen against the US dollar. Like many of our competitors, foreign tourists continued to arrive but they just spent less on their visit.

An evaluation of the sources of growth since 2001 has confirmed both the wisdom of the portfolio choices, and the impact of targeted marketing action.

The first portfolio was a larger set of countries and represented the first phase of SAT moving from an organisation that marketed to the world to a more focused marketing organisation aware of where the bigger and best opportunities sat.

Increased Spread in the Arrivals Portfolio from 2001 - 2005



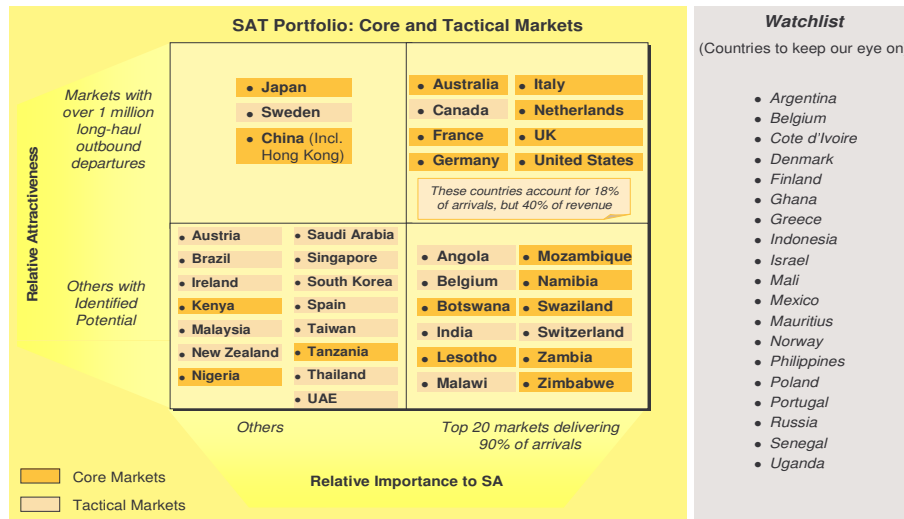
Note: The 2005 portfolio was obtained using the assumptions outlined on the previous slide
 Source: Statistics South Africa, Foreign Visitor Departure Survey, Monitor Analysis
 Tourism Growth Strategy October 2005

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Most of the growth that we have seen since 2001 has been in the core portfolio, which suggests that we are getting the returns on our increasingly focused efforts:

Most of the Volume Growth between 2002-2004 came from the Portfolio markets

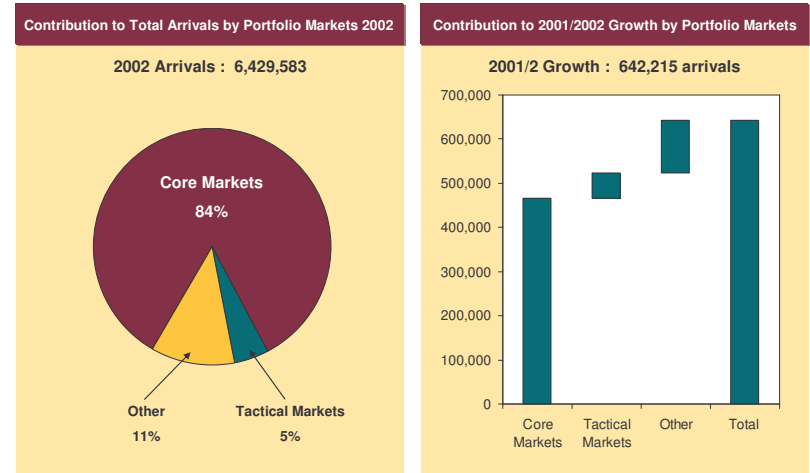
SAT Portfolio of Markets 2002-2004



Tourism Growth Stra

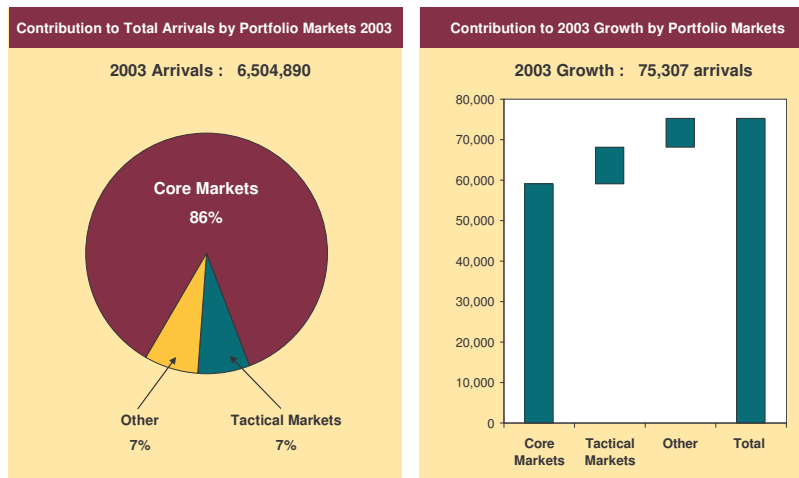
Portfolio Markets were the Foundation of the Volume and of 2002 Growth

Our core and tactical markets were the major drivers of volume growth in 2002



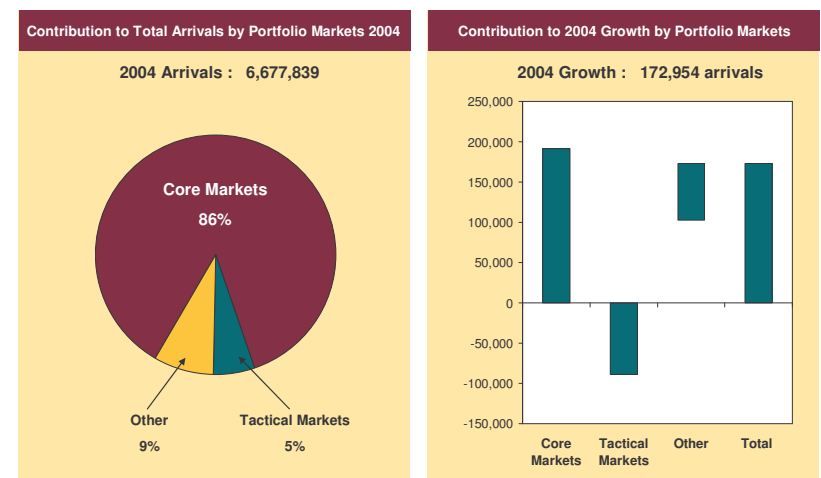
Portfolio Markets were the Foundation of the Volume and of 2003 Growth

For the second year, our core and tactical markets were the major drivers of volume growth



Portfolio Markets were the Foundation of the 2004 Volume Growth

In 2004, our core markets were the major drivers of volume growth



Most of the Volume Growth between 2004-2005 also came from the Portfolio markets

SA Tourism Portfolio 2005 – 2007:

	AFRICA & MIDDLE EAST	UK and AMERICAS	ASIA & AUSTRALASIA	EUROPE
CORE MARKETS	Kenya Nigeria Domestic	USA UK	Australia	France Germany Netherlands
TACTICAL MARKETS	Tanzania Botswana Lesotho Swaziland		India	
INVESTMENT MARKETS	Angola Mauritius Mozambique Zambia Zimbabwe	Canada	China (including Hong Kong) Japan	
WATCH-LIST MARKETS	Ghana Senegal	Brazil	Malaysia New Zealand Singapore	Belgium Ireland Italy Sweden Switzerland
STRATEGIC HUBS	Egypt Senegal UAE		Malaysia Singapore	

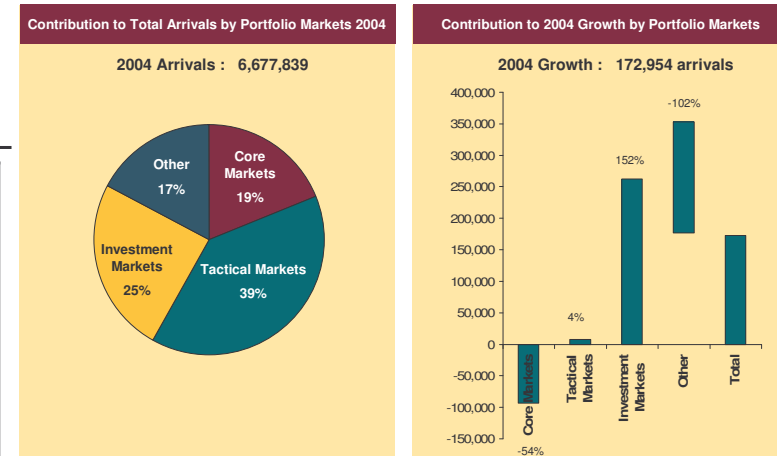
Tourism Growth Strategy May 2005

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Portfolio Markets were the foundation of the 2004 volume growth

In 2004, our core markets were the major drivers of volume growth



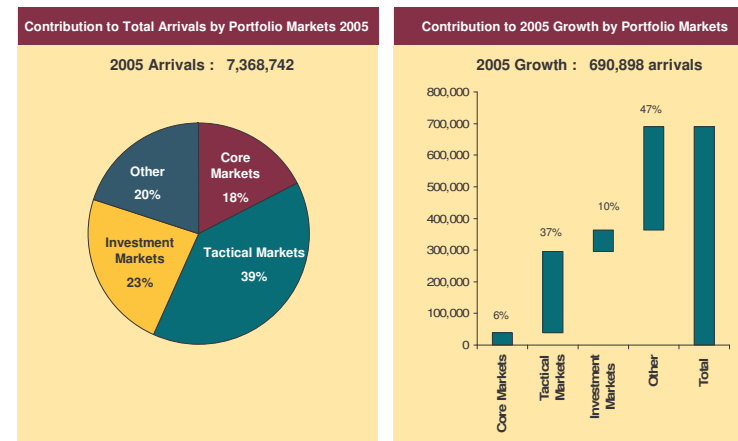
Tourism Growth Strategy May 2005

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Portfolio Markets were the foundation of the 2005 volume growth

In 2005, our core markets were the major drivers of volume growth



Tourism Growth Strategy May 2005

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Conclusion

The Tourism Growth Strategy is the result of sustained investment and learning over the period 2001 to 2005. Through the process an accurate picture of the opportunities and challenges has been brought into stark relief. The size of the potential prize in our focus markets is so compellingly large (and larger than in anywhere else), that the logic speaks for itself.

The following figure provides a graphic illustration of the measurable opportunity available to South Africa in target market segments in eleven key markets where we have developed detailed consumer segmentations.

SAT hopes that industry will be inspired to align its own strategies with these choices. There's money to be made in these focus areas, and the returns on our collective investment will multiply as we align our resources against a common vision for growth of tourism, employment and our country.

We encourage stakeholders to engage with the detail of both the detailed country-level marketing strategies as well as the Global Competitiveness programme. Effective marketing creates the demand, but we need to also deliver on the promise. The GCP guides our actions and investments behind the brand and the growing demand for South Africa.

But marketing alone cannot deliver results — key constraints and barriers on delivery need to be removed

Maintain our presence in non-core markets

- SAT cannot afford representation in all markets which are important, but SA needs to maintain some marketing presence through other players (for example foreign missions)

Align tourism product and services

- The new strategy requires that in our product and services we begin to do things differently from the past - and keep ahead of the competition
- Focus on tourism safety and quality strategies

Make it easier to get access to South Africa

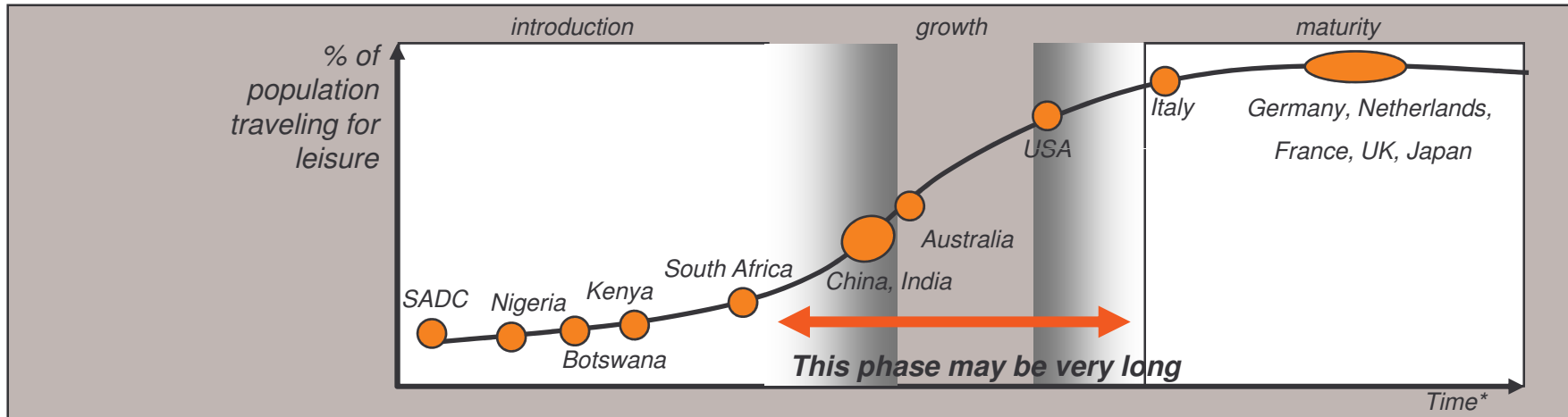
- In certain key markets - particularly Africa and Asia - our immigration and visa procedures represent a major constraint

Enable adequate and competitive airlift

- At certain times of the year, and in certain markets, the availability of airline seats is lower than would support growing demand. This combined with channel economic issues drives up the cost of holidays to SA compared to our competitors

The Theory of Travel Evolution: Markets are at different stages of development and therefore need specific strategies to activate

Tourism Industry Life Cycle



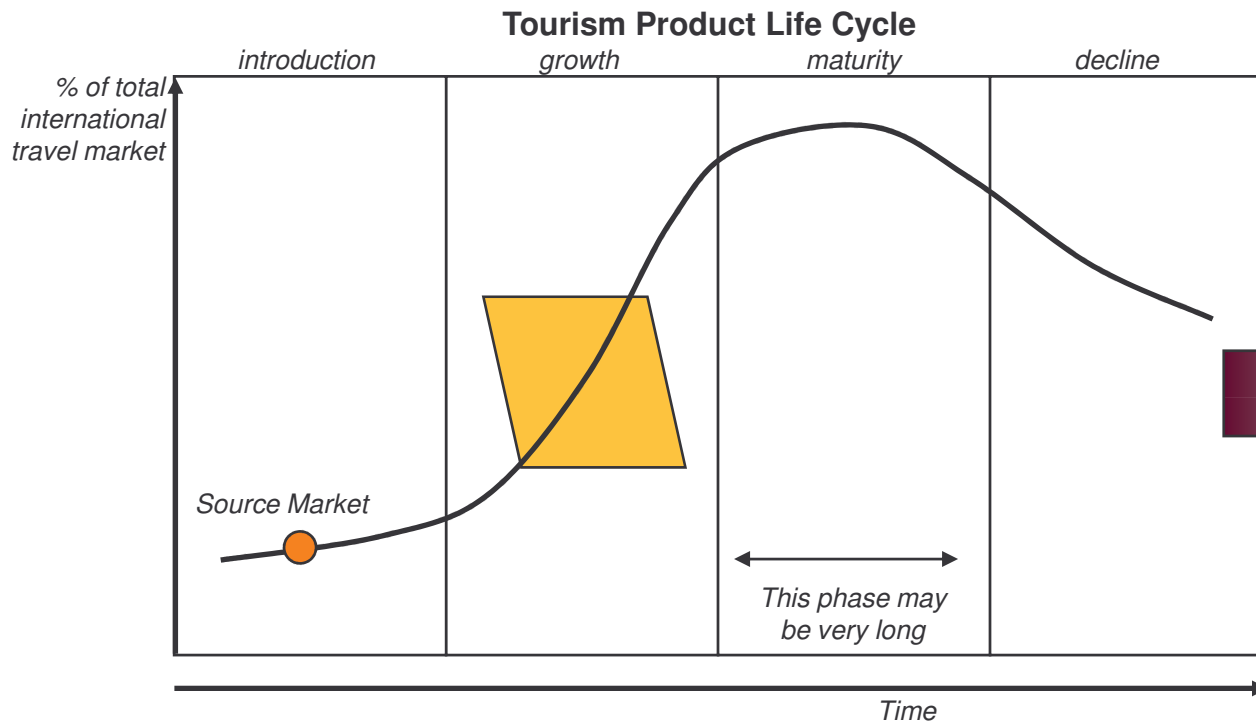
Market Symptoms	Consumer	<ul style="list-style-type: none"> • Uninformed, Price insensitive, multi-purpose 	<ul style="list-style-type: none"> • Seek information & opportunity; discover leisure 	<ul style="list-style-type: none"> • Very informed, price sensitive, focus on leisure
	Product	<ul style="list-style-type: none"> • Very individualized • Status oriented 	<ul style="list-style-type: none"> • Emergence of packages (seeking scale effects) 	<ul style="list-style-type: none"> • Specialized packages
	Competitor	<ul style="list-style-type: none"> • few • One-stop-shops 	<ul style="list-style-type: none"> • Emerging specialization / focus 	<ul style="list-style-type: none"> • High competition • Clear focus
	Channel	<ul style="list-style-type: none"> • Unsophisticated, isolated, experience based 	<ul style="list-style-type: none"> • Integrate products; information/choice provider 	<ul style="list-style-type: none"> • Specialization; Information provider
Tourism Authority Actions	Marketing	<ul style="list-style-type: none"> • Combine with trade initiatives 	<ul style="list-style-type: none"> • "shout": get as many as you can 	<ul style="list-style-type: none"> • Adapt trade and market to select segments
	Overall strategy	<ul style="list-style-type: none"> • Develop positioning 	<ul style="list-style-type: none"> • Facilitate scale effects (e.g., packages) 	<ul style="list-style-type: none"> • Understand segments & select

* The duration of the four phases of the life cycle may vary significantly; their graphical representation with equal distances may thus be misleading.

Note: Framework based on Michael Porter: Competitive Strategy, 1980, Chapter 8 (Industry Evolution)

The tourism industry in South Africa appears to be in a rapid growth phase

The doubling of tour operator numbers in the past five years, expansion in hotel rooms and rapid expansion in non-hotel accommodation as well as product proliferation generally are indicative of the current growth phase of the tourism industry



Profile of a high growth industry:

- Rapid entry by new players and over capitalisation / excess capacity
- Emergence of consolidating forces in order to control pricing and capacity
- More 'competition' than 'co-opetition' and weak relationships within the industry
- Lack of industry-specific / institutionalised information

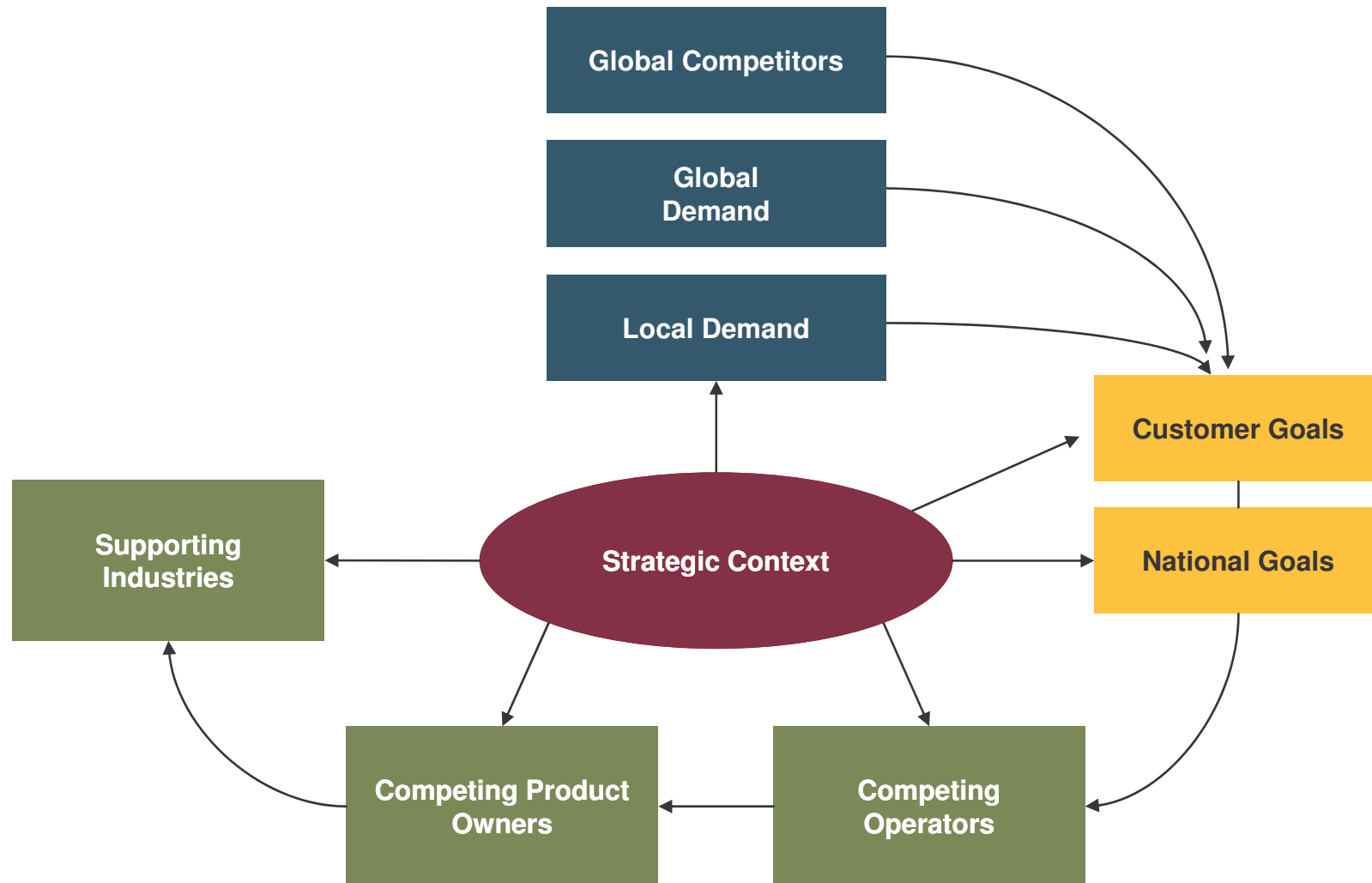
 = SA current position

* The duration of the four phases of the life cycle may vary significantly; their graphical representation with equal distances may thus be misleading.

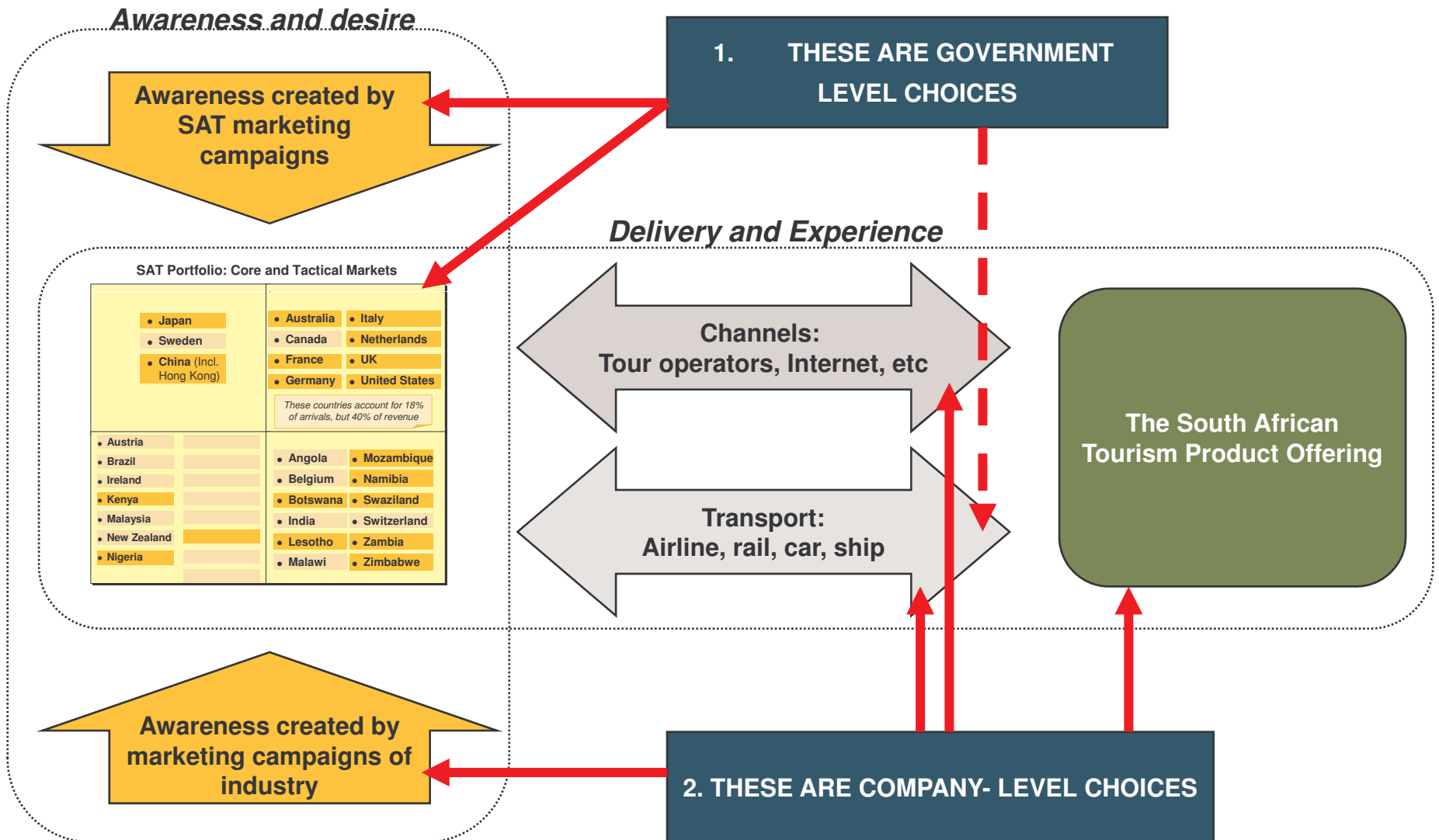
Note: Framework based on Michael Porter: Competitive Strategy, 1980, Chapter 8 (Industry Evolution)

Strategic alignment in the sector is one of the biggest challenges ahead and one of the biggest barriers to growth

Sustainable competitiveness is not an accident - it is created through the deliberate development of the context within which firms both compete and co-operate



SA Tourism is responsible for branding and creating awareness - tourism service providers are responsible for the experience delivery



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