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Tourism
REPUBLIC OF SOUTH AFRICA

University of Pretoria

An assessment of the impact of mega trends in the tourism sector

FINAL REPORT

MARCH 2019

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EXECUTIVE SUMMARY

The aim of the study is two-fold:

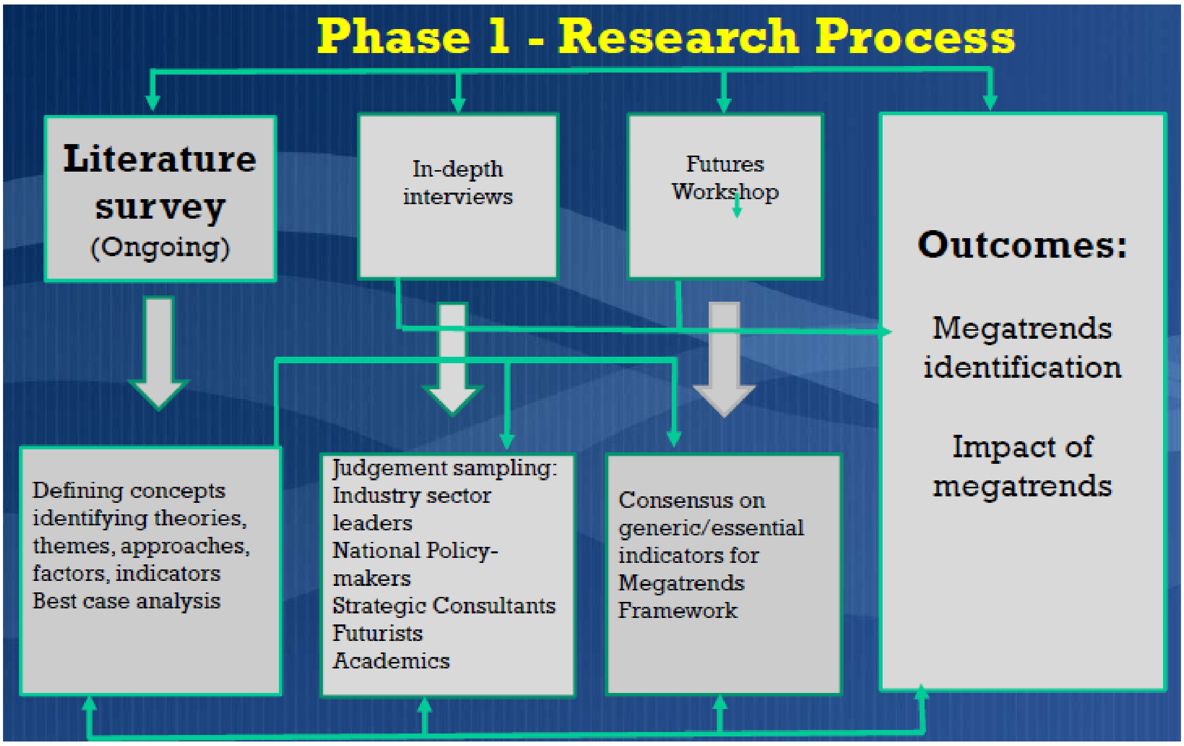
i. to identify and analyse global shifts as well as tourism specific megatrends that impact the tourism sector at a global, regional and local level, from both the demand and supply side of the sector;

ii. to develop a framework that will enable the sector to proactively respond to challenges and capitalise on opportunities for future development of sustainable tourism products and services over time.

The study is conducted over two phases, the **first phase (conducted in the period 2018/2019)** concentrates on identifying megatrends that affect tourism and assesses the impact of these trends, particularly as they relate to the South African tourism industry. This report is based on the outcomes of the first phase of the study.

The **second phase (to begin in 2019/2020)** will focus on developing a framework that will enable the sector to proactively and consistently respond to challenges and capitalise on opportunities over time.

The research process followed in the first phase is depicted as follows:



From this process five major trends were identified:

- Economic
- Political

- Social
- Technological
- Environmental

Mega-trends and their impact on South Africa's tourism industry

Economic trends

- Globally tourism will continue to outperform GDP.
- In terms of GDP growth, emerging economies are outperforming the developed economies. Africa will also continue to experience high economic growth with sub-Saharan Africa growing at an average of between 4 to 4.5%. South Africa is lagging behind at an average of approximately 1.3% growth which is not predicted to increase substantially towards 2030 (under current conditions).
- While the WTTC maintains that tourism in South Africa is increasing in its importance to the economy (from a 2.9% direct contribution to GDP in 2018 to 3.3% in 2028), **this prediction can be disputed** if one looks at the trend, according to Stats SA, from 2006 to 2017 where the contribution of tourism to the total GDP has declined from 3.3% to 2.8% respectively.
- Employment is expected to rise in the tourism industry from 4.5% in 2017 to 5.2% of total employment) in 2028 but growing youth unemployment in South Africa remains a major challenge. This is not expected to decrease over the next decade.
- The quality of education in South Africa remains a concern, especially as there is a direct link between education and prosperity. Interventions to uplift the standard of education is a priority for job creation and innovation in the sector.
- Information and Communication Technologies have the greatest potential to help bridge the educational gap, especially in the rural areas.
- Economic growth in emerging economies of the BRIC nations, especially China (although this market is not expected to grow substantially for South Africa) and India, will significantly contribute to the expansion of tourism, and South Africa should ensure that we adapt our product offering to welcome tourists from these countries.
- Seven of the ten fastest-growing markets in percentage terms will be in Africa. The top ten will be: Malawi, Rwanda, Sierra Leone, Central African Republic, Serbia, Tanzania, Uganda, Papua New Guinea, Ethiopia and Vietnam. Each of these markets is expected to grow by 7-8% each year on average over the next 20 years, doubling in size each decade.
- The growing African middle-class and increased disposable income among many members of Africa's growing communities will increase their propensity to travel, with South Africa increasing its share of the African market.
- The demand for air transport continues to grow with 8.2 billion passengers expected to take the skies in 2037.
- The recent rate of Foreign Direct Investment (FDI) into Africa has been among the highest in the world and in terms of number of projects, foreign direct investment in South Africa's tourism sector was the highest in Africa between 2013 and 2017. However, investor confidence has been eroded in South Africa over the last

decade and this must be turned around to ensure growth in investment in the economy and in the tourism sector.

Political trends

- SA is perceived as politically unstable (particularly as a legacy left by Zuma) and continued uncertainty fueled by issues such as the land expropriation debate will inhibit investment and negatively affect tourism to South Africa.
- Terrorist acts, crime, cybercrime, white collar crime, protests and riots are on the increase globally, in Africa and in South Africa. This will affect the flow of tourists towards destinations with those perceived as 'safe' being preferred.
- While the value of the rand falls and the exchange rate is favourable for inbound tourism, the deterioration of the safety and security environment and lack of political will to deal with corruption, will far outweigh the advantages gained through incoming tourism. The tourism industry will remain vulnerable to all of these types of crimes and unless faith is restored in the police and justice system, tourism will be adversely affected.
- Unless addressed adequately the safety situation in South Africa (or lack thereof) is a major threat to tourism in the future, which will have an impact on the industry's ability to create jobs.
- China is expected to become the largest outbound market by 2025 (with international tourists from China growing from 120 million in 2015 to 220 million in 2025). It appears that Africa and South Africa will not share equally in this level of growth for the foreseeable future. South Africa still has accessibility problems for Chinese tourists with visa processes remaining inhibitive. Safety and security will also inhibit the growth of this market to South Africa
- South Africa's visa processes will continue to inhibit tourism growth.

.**Social trends**

- Changing demographics will have a significant influence on visitor demand in the years to come. This is evident in:
    - the sustained growth of the global middle class;
    - aging populations and increasing longevity;
    - a worldwide population which is generally be wealthier;
    - the increasing popularity of multi-generational travel, involving families, and driven by aging travellers with high spending power and substantial leisure time.
- Millennials and Generation Z and other emerging generations will make up the majority of domestic and international travellers by 2040 and will become important forces in mobility**.** They are increasingly moving away from traditional holidays (e.g. sea, sun and sand) and want unique and authentic experiences.
- There is a growing demand for accessible tourism.
- The tourism industry will have to adapt to these trends and embrace innovative ways to accommodate the new demands and exact preferences of these individual groups

- Social media and User Generated Content (UCG) is becoming the most influential and extensively utilised travel information source, influencing the tourists' purchase path as well as upsetting existing travel agencies, guidebooks and traditional marketing approaches and star grading systems.
- Developing countries will continue to increase their international arrivals at a higher rate than developed countries. Europe will still attract the highest number of international visitors in 2030 and the biggest total market share, but combining the market shares of Latin America, Asia-Pacific, Africa, and the Middle East in 2030, will exceed Europe's market share by about 10 percent.
- China will be overtaking the US as the country with the highest propensity to travel abroad, and will be the world's largest source of outbound tourism demand within the decade.
- Africa will become an increasingly important source market for South Africa, particularly from neighbouring countries such as Angola.
- Domestic travel is not predicted to increase dramatically in the foreseeable future.

The following issues need to be considered for the success of the tourism industry in South Africa in the future:

- The Chinese, Indians and Africans have very specific tastes and travel behaviours, and if these are markets worth targeting, our product offering should be adapted to appeal to them.
- Our product offering should be accessible to the ageing market, a growing, lucrative segment.
- Emerging generations are powerful consumers and have very specific requirements related to technology, social responsibility and sustainability when they travel, and we should ensure that our product appeals to this market.
- We need a tourism industry that is transformed. Blacks do not always feel comfortable to travel, since the tourism product was designed for Whites. We need an inviting tourism product, for all races, ages and genders in South Africa.
- City tourism and business tourism are growing trends and provide significant opportunities for the South African tourism industry.

Technology trends

- New technologies are reshaping sectors and markets across the globe, and the speed and magnitude of disruption is speeding up. These developments include:
  - The sharing economy
  - The Internet of Things,
  - Autonomous vehicles
  - Artificial intelligence
  - Blockchain technology
  - Big Data analytics
- These trends will make travel more affordable, accessible and efficient to many people.
- The reconceptualization of middlemen such as intermediaries could signify that established models of tourism in areas like accommodation or travel agencies will continue to be drastically redesigned, with more travellers using technological

platforms to link directly with the supplier, instead of dealing with a booking agent or professional travel agent.
- New technology in transport is reducing the cost and increasing the speed of travel thus increasing accessibility to various tourist destinations.
- Schemes to reduce carbon emissions are expected to negatively impact destinations far from markets.
- Technology could have a severe impact on the tourism industry and specifically job creation (or losses) in South Africa. The sharing economy provides enormous opportunities for job creation, but at the same time, other enabling technologies such as artificial intelligence could lead to job losses.

The tourism industry in South Africa should harness technology to personalise the tourism offering, appeal to emerging generations, and improve the visitor experience.

Environmental trends

- Climate change will influence which destinations will be preferred by tourists and which ones will cease to be as attractive while also impacting on the profitability of tourism through increasing energy use, seriously impacting on the ‘bottom line’ of operators.
- There will be rising pressure on many destinations’ water resources as tourism grows and the demand for higher standard accommodation and more water-intense activities continue. This scenario has become a reality in South Africa, where the drought in the Western Cape affected the tourism industry.
- Social enterprises are becoming more involved in the tourism sector, partly due to the role of social media and mobile technology in linking people fast and simply.
- There is more emphasis on inclusive tourism with the growing use of tourism as a tool for social integration and new expectations in the sustainable development goals (SDGs) that development should be inclusive and that the Global North and the private sector will take more responsibility for this.
- The “people” part is becoming more noticeable in the tourism sector, causing greater promotion of employment, training and workforce partaking as key drivers for industry development.
- There is a greater emphasis on measurement and assessment of sustainability initiatives.
- With the increasing threat of ‘over-tourism’ destinations are becoming more aware of implementing measures to combat this.
- By 2030 aircraft will fly with bio or renewable fuel.
- Long haul travel could be affected by increasing awareness of environmental impact.

The environment is the core of our value proposition in South Africa. The challenge is thus to develop, engage and sustain our environmental assets into the future. The consequences of climate change are extensive and we should not think that the tourism industry in South Africa is immune to these consequences (as the water crises in Cape Town showed). The tourism industry should use resources sparingly, and should educate tourists on sustainability initiatives. We should adapt our tourism offering to appeal to the growing demand for sustainable tourism.

From trends to futures

The purpose of creating future scenarios is to present a set of alternative futures based on the identified trends and to assess how tourism can develop within the context of both certainties and uncertainties within the sector. The scenarios are based on those key uncertainties which can impact the future direction of the industry towards 2030 either negatively or positively.

Tourism Futures Scenarios

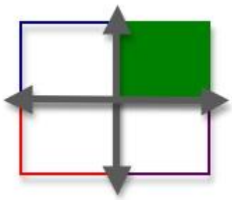
Four scenarios were developed that depict the possible direction of the tourism industry in South Africa. In preparation of these scenarios there was consensus by participants that there will be changes affecting tourism in terms of global and local economic growth, challenges in developing an environmentally sustainable tourism industry, potential challenges in meeting changing demand driven by new markets, changing tastes and the pervasiveness of technology as well as pressures on infrastructure development, particularly through channels of international and local investment.

In building the scenarios the key uncertainties that could significantly impact the South African tourism sector were identified as:

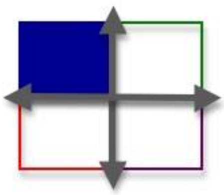
1. Government policy and uncertainty in relation to the accessibility to South Africa through visas and airlift;
2. Increasing unemployment (especially youth) with increasing levels of inequality exacerbating crime and unrest;
3. Regulations around the ease of doing business (nationally and within the tourism sector).
4. Industry transformation for inclusive growth)
5. Collaborative partnerships within the sector and a whole government vision for tourism
6. Tourism awareness in South Africa.
7. Sustainability, particularly in terms of the effect of tourism on the host community, also relating to inclusive growth
8. The ability of the sector to respond/adapt to competition/change.
9. The effect of technology on tourism and developments in transport technology
10. Infrastructure development and supply chain models
11. The profile and preferences of future travellers (tourists).
12. Visitor experience and satisfaction.
13. The effects of global geopolitics.

14. The South Africa brand.
15. Tourism as a key priority strategic sector in South Africa.
16. The South African economy – business confidence, consumer confidence and investment)

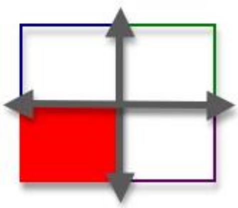
Scenario 1 demonstrates the best case scenario where there is an integrated tourism sector within a South Africa that is competitive with respect to tourism. Industry has transformed, the economy is growing, unemployment has decreased and with that unrest and crime, the industry is inclusive and sustainable attracting global and domestic investment for infrastructure development, visitor numbers increase and expenditure increases and South Africa becomes a preferred destination for current and new markets, satisfying tourists' needs with unique and authentic experiences.



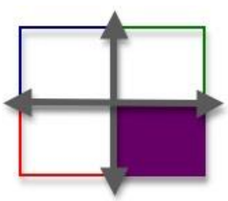
Scenario 2 demonstrates a fragmented tourism sector within a South Africa that is still competitive with respect to tourism. There is an increase in short-term tourism due to a weakening rand, traditional markets still prevail and traditional products are still provided. However this is followed by a slow, long-term decline and loss of market share due to lack of innovation, high barriers of entry for SMMEs short-term support for transformation. Tourism continues to operate in silos, remains fragmented and there is little long-term planning no coordination of government departments in the interests of tourism.



Scenario 3 demonstrates a worst case scenario where there is a fragmented tourism sector within a South Africa that is uncompetitive with respect to tourism. The sector is suffering job losses, lack of transformation, declining tourist arrivals (also in the traditional source markets), perceived as an increasingly unsafe destination, no innovation of product offering, no multi-sectoral and government cohesion in the interests of tourism.



Scenario 4 demonstrates an integrated tourism sector, but within a South Africa that is uncompetitive with respect to tourism. Collaboration exists within the sector and between the sector and Government, but South Africa there is missing the changing market with the country and the sector underestimating the consumer. South Africa is overpriced and safety remains a major challenge. South Africa's over-confidence with respect to its diversity of offerings has resulted in a sector that is not optimised compared to that of other countries that actually have less to offer.



The way forward

During the second phase of the project (209/2020) it is envisaged that the key supply-side and demand-side drivers that will shape tourism in South Africa towards 2030, and as identified in Phase 1, will be evaluated against each scenario in terms of the response and policy implications for South Africa's tourism industry.

DEFINITIONS

Concept	**Definition**
Experience economy	The economy evolved from a service paradigm into an experience paradigm. Revenues would henceforth derive more and more from staging memorable, exciting and engaging experiences (Pine & Gilmore, 1999)
Future studies	Defined by Kubick (2009:x) as "A methodological based form of inquiry into alternative futures in terms of what is possible, probable, and/or preferable with the goal of anticipating and possibly influencing those futures".
Geopolitics	"Geopolitics is the study of influence of geography on the political character of states, their history, institutions, and especially relations with other states" (Faringdon, 1989:14).
Globalisation	The worldwide movement toward economic, financial, trade, and communications integration. Globalization implies the opening of local and nationalistic perspectives to a broader outlook of an interconnected and interdependent world with free transfer of capital, goods, and services across national frontiers. However, it does not include unhindered movement of labor and, as suggested by some economists, may hurt smaller or fragile economies if applied indiscriminately (Business Dictionary).
Horizon scanning	Horizon scanning aims to spot changes in the world around us before they become 'old news', so that decision makers can plan on how to exploit or mitigate these changes, securing the most positive outcome for their organisation. This means systematically monitoring a wide range of information sources and indicators, with the intent of identifying patterns and 'weak signals' of coming disruptions that could have a severe or a transforming impact on our world, the way we organise our work, our economies, our social interactions, our travel habits and our communication channels (Marteaux, 2018).
Macroeconomic	Study of the behavior of the whole (aggregate) economies or economic systems instead of the behavior of individuals, individual firms, or markets (which is the domain of Microeconomics). Macroeconomics is concerned primarily with the forecasting of national income, through the analysis of major economic factors that show predictable patterns and trends, and of their influence on one another. These factors include level of employment/unemployment, gross national product (GNP), balance of payments position, and prices (deflation or inflation). Macroeconomics also covers role of fiscal and monetary

	policies, economic growth, and determination of consumption and investment levels (Business Dictionary).
Megatrend	Megatrends describe overarching transformations in society which will have great and long-lasting impacts and are global forces at work that are affecting society as a whole, the state, the market, and society for many years in advance (Dwyer *et al,* 2009: Prandecki, Nawrot, Fronia & Wawrzyński, 2013).
Scenario planning	Scenario planning (sometimes called “scenario and contingency planning”) is a structured way for organisations to think about the future. A group of executives sets out to develop a small number of scenarios—stories about how the future might unfold and how this might affect an issue that confronts them.
Sharing economy	Collaborative consumption, often associated with the sharing economy, takes place in organized systems or networks, in which participants conduct sharing activities in the form of renting, lending, trading, bartering, and swapping of goods, services, transportation solutions, space, or money (Mohlmann, 2015).
Social Media	Social media have been widely adopted by travelers to search, organize, share, and annotate their travel stories and experiences through blogs and microblogs (e.g., Blogger and Twitter), online communities (e.g., Facebook, RenRen, and TripAdvisor), media sharing sites (e.g., Flickr and YouTube), social bookmarking sites (e.g., Delicious), social knowledge sharing sites (e.g., Wikitravel), and other tools in a collaborative way (Leung, Law, van Hoof & Buhalis, 2013).
Sustainable development	‘Development that meets the needs of the present without compromising the ability of future generations to meet their own needs’ (WCED, 1987: 43)
Urbanization	Urbanisation means an increase in the proportion of people living in urban areas compared to rural areas. An urban area is a built-up area such as a town or city. A rural area is an area of countryside (BBC, 2014).

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1. INTRODUCTION AND BACKGROUND

This report serves as the first draft of the final report on phase 1 of the research project. The report will be adjusted to its final form after comments from the NDT and the Expert forum have been taken into account and worked into the document. It begins with the background to the study and a review of the aim and objectives, followed by the methodology for the two stage research into the topic. Thereafter the five trends that have been consolidated from both secondary and primary sources are comprehensively presented, these are the economic, political, social, technology and environmental trends. Each of these trends are viewed from a global, regional and local perspective with relevant statistics and graphics, mainly from secondary sources, that show current trends and future forecasts where appropriate. The implications for tourism are discussed under each of these trends. The views of the interviewees, where most agreed on the impact of certain trends on the tourism industry in South Africa, are presented the discussion to supplement to the secondary information. The interviews were conducted as a foundation for the development of four Future Tourism Scenarios. These scenarios are then presented and each is discussed individually. Thereafter some concluding remarks are made followed by the proposed plan for phase 2 of the research project.

2. CONTEXT/RATIONALE OF THE STUDY

Megatrends are macroeconomic and geostrategic forces that shape the world. By definition, they are large in scale and impact, and include some of society's biggest challenges and opportunities. The Organisation for Economic Co-operation and Development (OECD, 2017) advocates that an in-depth discussion of megatrends, including the consideration of plausible alternative scenarios, enables policy makers to bring unforeseen and emerging issues onto the strategic policy agenda, more effectively develop potential policy responses, and better enable the industry to capitalise on opportunities and respond to challenges as they arise. The construction of scenarios can act as a tool to help policy makers better manage long-term risks and proactively respond to the identification of emerging opportunities and threats.

The landscape of international and domestic travel is changing due to various transformations such as large-scale social, economic, political, environmental and technological changes, bringing new and often unseen challenges, threats and opportunities. These megatrends are slow to form, but once they have taken root, they tend to have lasting influence in different areas such as human activities, processes and perceptions, including tourism. Various organisations identify several megatrends that are likely to impact the tourism sector and these may include population growth, redistribution
of wealth, geopolitical changes and conflicts, rising fuel costs, climate change and its consequences, new technologies and work patterns, etc. The OECD (2017) in particular, isolates, among others, the following four megatrends that are likely

to have significant impacts and relevance for tourism:

- sustainable tourism growth;
- enabling technologies, and
- travel mobility

The depth and complexity of the resultant and inevitable challenges and opportunities posed by these megatrends demand solutions that leverage the technological, collaborative and commercial benefits that the megatrends themselves will enable. Exploring the multi-dimensional implications of these megatrends is important to inform policy and planning and shape the future of tourism as well as to stay ahead of critical issues these megatrends may present.

3. PROBLEM STATEMENT

Research is required to identify global shifts that impact on tourism as well as tourism specific megatrends that are changing the landscape of the tourism sector for future development of sustainable tourism products and services.

4. PURPOSE OF THE STUDY

The aim of the study is two-fold:

i. to identify and analyse global shifts as well as tourism specific megatrends that impact the tourism sector at a global, regional and local level, from both the demand and supply side of the sector

ii. to develop a framework that will enable the sector to proactively respond to challenges and capitalise on opportunities for future development of sustainable tourism products and services over time.

5. OBJECTIVES OF THE STUDY

- To ‘deconstruct” the concept of megatrends.
- To identify and analyse megatrends from a global, regional and South African perspective.
- To assess, with specific reference to South Africa, how megatrends influence tourism, amongst others:
  - Tourism demand and consumption,
  - Tourism supply and infrastructure, and
  - The future of jobs in tourism
- To examine best practices, policies and approaches that exist and have been successful to address the impact of megatrends.
- To explore the need and possible institutional structures for optimal response to megatrends.
- To investigate how the need to respond to short-term priorities can be reconciled with the need to develop a long-term approach to address megatrends in tourism.

- To reflect on how new technologies and other developments will impact on decision-making in the future from a tourism perspective.
- To develop a framework that will enable the sector to proactively and consistently respond to challenges and capitalise on opportunities over time.

The study is conducted over two phases, the **first phase (2018/2019)** addresses the first three/four objectives and concentrates on identifying megatrends that affect tourism and assessing the impact of these trends, particularly as they relate to the South African tourism industry. The **second phase (2019/2020)** addresses the remaining objectives (including objective 4) and will focus on developing a framework that will enable the sector to proactively and consistently respond to challenges and capitalise on opportunities over time.

6. RESEARCH METHODOLOGY

6.1 Project Plan

This project is primarily focused on the development of a framework that will enable the tourism sector to proactively and consistently respond to challenges and capitalise on opportunities over time. From the literature review it would appear that there are no set of guidelines, rules, processes or methodologies against which the sector can, with relative confidence, structure its response to the challenges and opportunities brought about by megatrends. A further question that arises is how the need to respond to short-term priorities can be reconciled with the need to develop a long-term approach to address megatrends in tourism. The study uses a qualitative approach over the two phases:

- **Phase 1** (2018/2019) focusses on identifying the megatrends and analysis of the impact of these trends on the South African tourism industry;

- **Phase 2** (2019/2020) will focus on formulating a framework to respond to megatrends.

The comprehensiveness of the study as well as the adjustment of the objectives to include aspects such as exploring different institutional arrangements for the tourism sector to optimally respond to megatrends as well as the impact of new technologies on decision-making, have resulted in the decision to do the study over a period of two years. This will allow far more in-depth research and the formulation of a framework based on comprehensive data and consultation with stakeholders using both interviews and consultative workshops. Table 1 provides a summary of the methodology for the two-phase approach.

Table 1: METHODOLOGY: Phase 1 - 2018/2019 and Phase 2 - 2019/2020

<table>
<tr><td colspan="3">AN ASSESSMENT OF THE IMPACT OF MEGATRENDS ON TOURISM</td></tr>
<tr><td colspan="3">PHASE ONE 2018/2019</td></tr>
<tr><td colspan="3">Identifying and assessing the impact of megatrends of the tourism industry, with particular reference to South Africa</td></tr>
<tr><td>Objectives</td><td>Methodologies to address all objectives in phase 1</td><td>Proposed Time Scale</td></tr>
<tr><td>- To ‘deconstruct” the concept of megatrends.
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2. In-depth interviews

3. Consultative Workshop</td><td>Ongoing

June – Oct 2018

12 October 2018

Ongoing</td></tr>
<tr><td colspan="3">Consolidation of findings, Report writing and submission as well as presentations will follow as per 2018/2019 Project Schedule.</td></tr>
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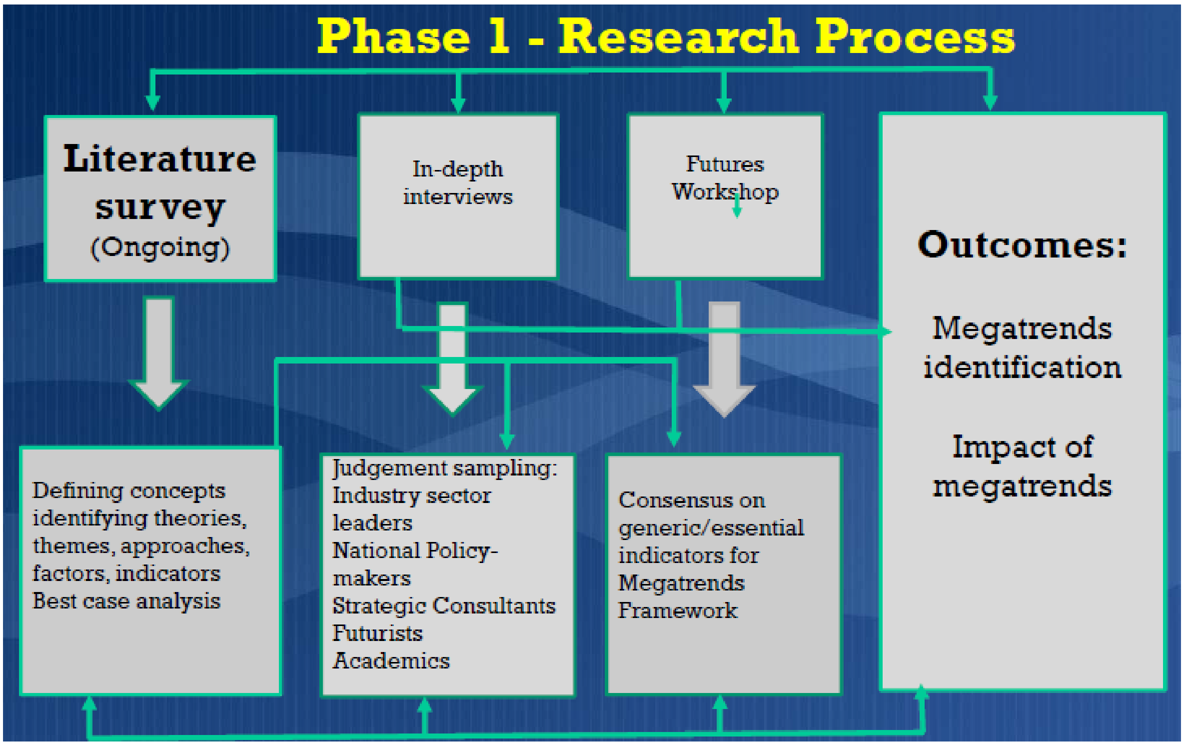
PHASE TWO 2019/2020		
Developing a Framework to respond to megatrends		
Objectives	**Methodologies to address all objectives in phase 2**	**Proposed Time Scale**
- To examine best practices, policies and approaches that exist and have been successful to address the impact of megatrends. - To explore the need and possible institutional structures for optimal response to megatrends. To investigate how the need to respond to short-term priorities can be reconciled with the need to develop a long-term approach to address megatrends in tourism. - To reflect on how new technologies and other developments will impact on the decision- making in future from a tourism perspective. - To develop a framework that will enable the sector to proactively and consistently respond to challenges and capitalise on opportunities over time	1. Analysis of documents, literature and approaches 2. In-depth interviews 3. Consultative Workshop	Ongoing Mar – Jun 2019 End Jun – Early Jul 2019 July – Sep 2019 Sep – Dec 2019
Consolidation of findings, Report writing and submission as well as presentations will follow as per 2019/2020 Project Schedule.		

The research process followed in Phase 1 is illustrated in Figure 1.

Figure 1: Research Process- Phase 1



6.2 Analysis of documents and best-case scenarios

A content analysis of relevant literature, documents and approaches used for the identification and analysis of megatrends and their impact on the tourism industry has been done and is ongoing. A number of publications relating to tourism futures and global trends have been consulted and best cases such as Scottish Tourism and Queensland Tourism have been studied. The analysis of these documents allowed the formulation of an interview schedule which relates to megatrends impacting tourism (Interview Schedule attached as **Addendum A**). A number of "Futures" talks, webinars and seminars have been attended, including a webinar on: Why futures thinking for business in Africa?, and a Global Trends workshop both presented by the Institute for Futures Research at the University of Stellenbosch as well as a presentation by Dr Jakkie Cilliers with the topic: African futures - the long view - structural transitions required to set Africa on a pathway to prosperity.

6.3 In-depth interviews

Thirty-eight (38) in-depth interviews were held with high-level individuals in South Africa (31), the UK (6) and Finland (1). The complete list of individuals is attached as **Addendum B**. Transcription of all interviews was done. Based on interviews, a first draft analysis was done in preparation for the Tourism Futures Workshop. This initial analysis was done manually by identifying common themes and opinions around those themes. This draft analysis was used in preparation for the Tourism Futures Workshop which was held on 12 October 2018.

6.4 The Tourism Futures Workshop

The purpose of the Workshop was to develop and gain consensus on a set of Future Tourism Scenarios which will provide us with a view of the possible directions that the tourism industry and sector in South Africa may take, viewed against identified certainties and uncertainties within the tourism sector. The Workshop was facilitated by an experienced Futures Expert, Chantell Ilbury from "MindofaFox". The Workshop took place on the Main Hatfield Campus of the University of Pretoria and was a full day event. Apart from the two researchers who attended as observers and the facilitator, the Workshop was attended by 18 high-level participants. The list of attendees is attached as **Addendum C**. The feedback to the Workshop was extremely positive and the follow-up email to participants provides a brief outline of the feedback and the envisioned next steps. A copy of the email is attached as **Addendum D.**

The steps outlined above have addressed the objectives of the study through the selected methodologies. The support by Industry and Government has been exceptionally strong and the opinion was expressed on numerous occasions that this was a valuable and somewhat overdue exercise within the sector. The outcomes should prove valuable in terms of the potential impact of the identified trends and drivers. The development of a set of tourism scenarios provides a foundation for the second phase of the project which will focus on the opportunities and challenges presented to the sector under different circumstances and the development of a framework against which the sector could respond.

7. RESULTS

7.1 Defining the concept of megatrends

Steffen *et al* (2015) refer to the “Anthropocene” where it is predicted that humanity is now entering a period of potentially unprecedented and even more rapid global change driven by human activities. These global changes are typically referred to as megatrends. Nordin (2005) distinguishes between three terms that are used to describe changes: “fad”, “trend” and “megatrend”. Fads are short-lived and typically do not have broad social implications or significance and are regarded as phenomena that are fashionable. According to Dwyer *et al* (2009) a trend is a general direction or tendency, is typically long-lasting and has a greater impact on society. However, the word “trend” has become a very popular term and may be applied to changes in a variety of contexts and to phenomena of varied significance. Informed by media analysis, Naisbitt (1982) distinguished “fads” as top-down flows from “trends”, as bottom-up waves. The term “megatrend” was first used by Naisbitt, in the early 1980s but despite a number of publications devoted to that concept (Naisbitt & Aburdene, 1990; Naisbitt, 1996), Naisbitt did not propose any definition of the term and as a result it was interpreted quite freely in the years that followed. Megatrends describe overarching transformations in society which will have great and long-lasting impacts. They are global forces at work that are affecting society as a whole, the state and the market, for many years in advance (Dwyer *et al*, 2009: Prandecki *et al*, 2013). While there is still no generally accepted set of phenomena defined as megatrends, nor is there a set of qualities that should characterize that concept, Prandecki *et al* (2013) suggest that megatrends can include such general concepts as the waves of civilization described by Toffler in 1982, as well as much more specific phenomena such as terrorism. Tourism is affected by social, political, economic, technological and environmental changes and understanding of these megatrends, and the interactions between them, should be a priority for future research (Buckley *et al*, 2015; Dwyer *et al*, 2009).

7.2 Mega-trends that impact tourism, with specific reference to South Africa

This section presents the results from both the secondary sources and the interviews conducted as well as some insights from the Scenario-building phase. The trends and megatrends were identified through a literature review, horizon scanning process, data analysis, interviews with experts and a consultative workshop. The data sources include industry reports from organisations such as the Organisation for Economic Cooperation and Development (OECD), World Bank, research journals and datasets held by organisations such as Stats SA. In compiling the results a number of steps were followed:

<u>Step 1</u>
The first step in compiling the trends that affect South Africa's tourism currently and may do so in the future was to identify the themes that surfaced from the interviews. A number of initial themes were identified, namely: Political, Environmental, Source Markets, Crime and Safety, Economic, Job creation, Education, Technology, Accessibility, Social, Geographical, Domestic Tourism, The Tourism product, and BREXIT.
In analysing the data it became evident that the themes identified from the interviews could be consolidated into five major trends: These are:
Economic trends
Political trends
Social trends
Technology trends
Environmental trends

<u>Step 2</u>
The second step was to refer to the relevant secondary sources for appropriate supporting statistics and forecasts and to supplement and validate the views of the interviewees.

Step 3
Insights gained from the Tourism Futures Workshop were added under the relevant trends in order to assess the relevance for South Africa currently and in the future.

Step 4
Due to the complexity and comprehensiveness of the material, the insights gained on the trends in tourism were written up by following a specific structure. Each of the trends are viewed from a global, regional and local perspective and show current trends and future forecasts where appropriate. The implications for tourism are discussed under each of these trends. The views of the interviewees, where most agreed on the impact of certain trends on the tourism industry in South Africa, are presented in 'boxes' throughout the discussion. Relevant insights from the Futures Workshop are also presented in the form of 'boxes'. The discussion also looks at how megatrends influence tourism in terms of:

- Tourism demand and consumption,
- Tourism supply and infrastructure, and
- The future of jobs in tourism

The discussion on each trend concludes with some highlights relating to the impact of the trends on the South African tourism industry.
"The future of tourism will be impacted by large-scale social, economic, political, environmental and technological changes, bringing new and often unseen challenges, threats and opportunities. These "megatrends" are slow to form, but once they have taken root, exercise a profound and lasting influence on human activities, processes and perceptions, including for tourism. ……… Exploring the multidimensional implications of these megatrends to 2040 is important to inform policy and shape the future of tourism." (OECD, 2018)

8. ECONOMIC TRENDS

8.1 Overview

It is well recognised that tourism and economic growth are interlinked. Economic growth stimulates tourism and increased tourism creates economic growth and opportunities and ultimately (if sustainably managed) a better society.

In the development of the Future Scenarios for South Africa's tourism industry, participants highlighted a number of **economic certainties** inherent to the tourism industry. It is within these certainties that policy-makers and industry leaders need to shape tourism's future in South Africa. From an economic perspective these certainties were identified:

1. Tourism is resilient
2. The industry is growing (globally, regionally and locally)
3. Tourism is multi-sectoral.
4. Tourism and economics are interrelated and interdependent.
5. The sector is labour-intensive.

8.1.1 Tourism is a resilient industry

Globally the tourism industry has proven to be resilient, recovering from unpredictable shocks, political instability, health pandemics and natural disasters (Figure 2).

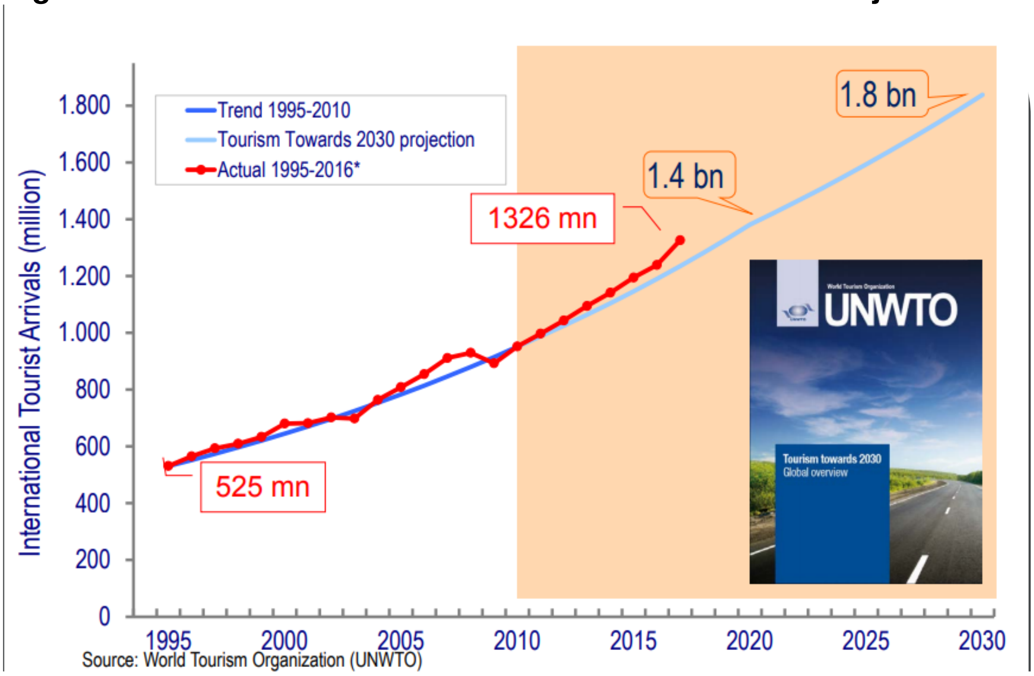
Figure 2: Tourism: A Resilient Industry

Source: Yeoman (2018)

8.1.2 Tourism is a growing industry

Global tourism has grown steadily over the last 60 years, continues to grow and is predicted to reach 1,8 billion international arrivals in 2030 (Figure 3). International tourist arrivals in emerging economy destinations are projected to grow at double the rate of that in advanced tourism economies.

Figure 3: Actual Trend versus Tourism Towards 2030 Projection: World



Source: UNWTO (2011)

Growth in international tourism arrivals is being led by Africa and Europe with Africa at 8.6% and Europe at 8.4% in 2017 well above the world average of 7.0% (UNWTO, 2018). According to the World Travel and Tourism Council Data some 63 million international travellers visited Africa in 2017, generating US$48.7 billion in visitor exports. Global expenditures on travel more than doubled between 2000 and 2016, rising from USD 495 billion to USD 1.2 trillion and accounting for 7% of global exports in goods and services (OECD, 2018).

Travel & Tourism in Africa directly contributed 3.3% of total GDP in the region and this is predicted to remain the same towards 2028. According to the WTTC (2018a) tourism to South Africa is gaining the lion's share of the tourism spend on the continent, with an estimated $8.7 billion (R103billion) being received from inbound tourism. With South Africans spending $4.8 billion (R56billion) on outbound travel almost twice that amount is received back from inbound tourism (WTTC, 2018a).

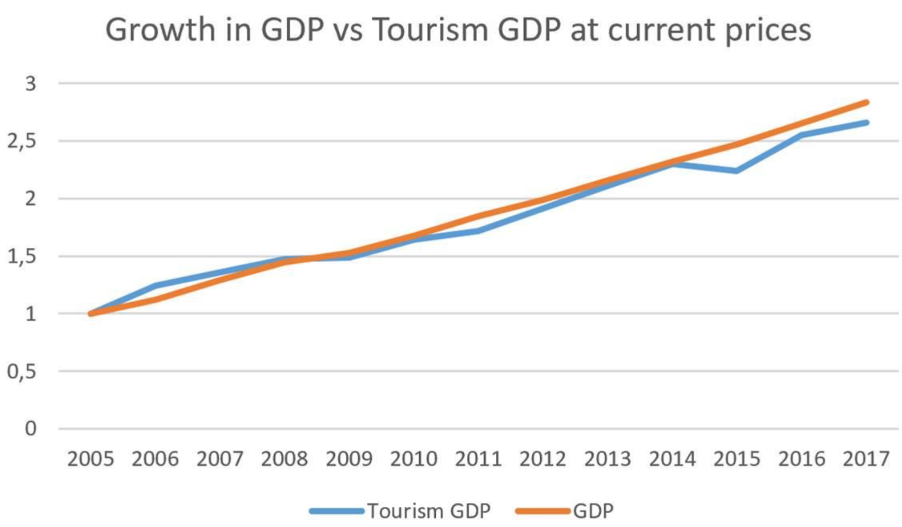
8.1.3 Tourism and economics are interrelated and interdependent.

Globally, travel and tourism as a sector has outperformed the global economy for the seventh year running, growing by 4.6% against 3% (WTTC, 2018).

- The **direct contribution** of Travel & Tourism to GDP in South Africa in 2017 was ZAR136.1bn (USD10.2bn), 2.9% of the total GDP and is forecast to rise by 2.4% in 2018 (putting South Africa 39th in the World) and by 3.6% pa from 2018-2028, to ZAR197.9bn (USD14.9bn). The WTTC forecasts that Travel & Tourism will make up **<u>3.3% of total GDP in 2028</u>**.

While the WTTC forecasts that tourism will grow to 3.3% of the total GDP in South Africa by 2028, this figure can be disputed as, according to statistics obtained from Stats SA the current trend from 2006 shows a decline in the growth of the contribution of tourism to the economy (see figure 4). In 2006 the contribution of tourism to the economy was 3.3% while in 2017 this contribution has declined to 2.8% (Stats SA, 2018). In order to turn this trend around (and reach the 3.6% average growth predicted by the WTTC up to 2028) it would suggest that government and industry need to put certain measures or interventions in place to stimulate the growth predicted by the WTTC.

Figure 4: Tourism vs GDP in South Africa



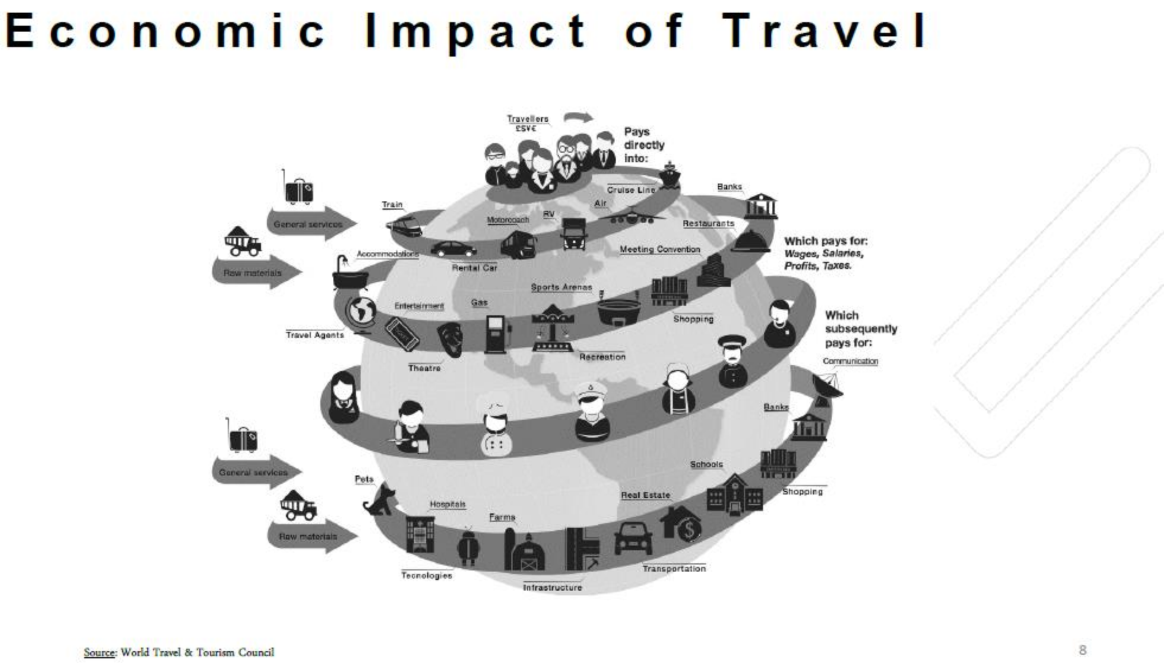
Source: Stats SA (2018)

- The **total contribution** of Travel & Tourism to GDP was ZAR412.5bn (USD31.0bn), 8.9% of GDP in 2017, and is forecast to rise by 2.9% in 2018 (putting South Africa 34th in the World), and to rise by 3.5% pa to ZAR598.6bn (USD44.9bn), **10.1% of GDP in 2028**.
- Generated ZAR126.7bn (USD9.5bn) in **visitor exports**, 9.2% of total exports in 2017 (putting South Africa 37th in the World). This is forecast to grow by 3.4% in 2018, and grow by **5.3% pa, from 2018-2028**, to ZAR219.6bn (USD16.5bn) in **2028, 11.4% of total.**

8.1.4 Tourism is multi-sectoral

The economic impact of tourism is illustrated in figure 5 which shows the flow of income to all the role-players within the system and the interdependence between various sectors.

Figure 5: The economic impact of tourism across sectors



Source: WTTC (2018b)

While figure 5 depicts the flow of money to various sectors, mainly in the private sector, the enabling role of public sector institutions such as transport, immigration, health, education and economic affairs is a pre-requisite for this to successfully take place.

8.2 Drivers of change

8.2.1 Globalisation

Globalisation has increased the number of people visiting foreign countries each year. This has brought with it increased GDP growth due to tourism spending. Dwyer (2015) says that globalisation is a powerful force shaping national and regional economies which are linked and interdependent, more so than ever before. In the global economy, services, including tourism, are the fastest-growing sector of the global economy. The deregulation associated with globalization will also positively influence inbound and outbound tourism flows. Destination choice will be determined by economic factors, the availability of time as well as perceived desirability. The increased mobility of business will lead to high rates of growth in business travel. However, in a study conducted by the WTTC it states that the rise of populism across Europe, USA, and other parts of the world is evidence that globalisation and the movement of people and trade that it embodies does not benefit everyone equally (WTTC, 2017).

8.2.2 Long term economic growth

Economic growth trends generally mirror the trends across the travel and tourism sector. Global economic growth will continue with growth in developing economies at a higher level than that of the developed world (figure 6 depicts the period 2017-2019). This trend is set to continue with IATA (2018) predicting that global GDP is expected to be in the region of 3.2% over the next 20 years. According to MRI (2017) the uncertainty of the global economy is increasing with the prolonged low growth in the developed world widening societal disparity and creating a loss in employment opportunities. The MRI (2017) states: *"If each country leaves its societal problems unattended, the growth rate of the global economy is expected to slow down over the medium to long–term".*

Figure 6: Global economic growth 2017-2019

Source: IMF (2018)

These long-term economic growth trends will influence tourism in the following ways:

- With the developed world becoming richer on a GDP per capita basis and a global improvement in average income levels, resulting in more wealthy people, tourism will increase globally (Dwyer, 2015). The "new wealthy" will seek new experiences.

From the in-depth interviews held in preparation for the Tourism Futures Workshop interviewees generally agreed that, since approximately 2005, the portfolio of inbound markets essentially remains unchanged with UK, USA, France, Germany and Netherlands (regarded as part of the developed world) still dominating inbound tourism to South Africa.

- Economic growth in emerging economies of the BRIC nations, especially China and India, will significantly contribute to the expansion of tourism (Elmahdy *et al*, 2017).

Interviewees were in agreement that South Africa has not yet experienced a significant rise in tourists from China, both from a business and leisure perspective. Travel from India has great potential but is currently negatively affected by visa accessibility.

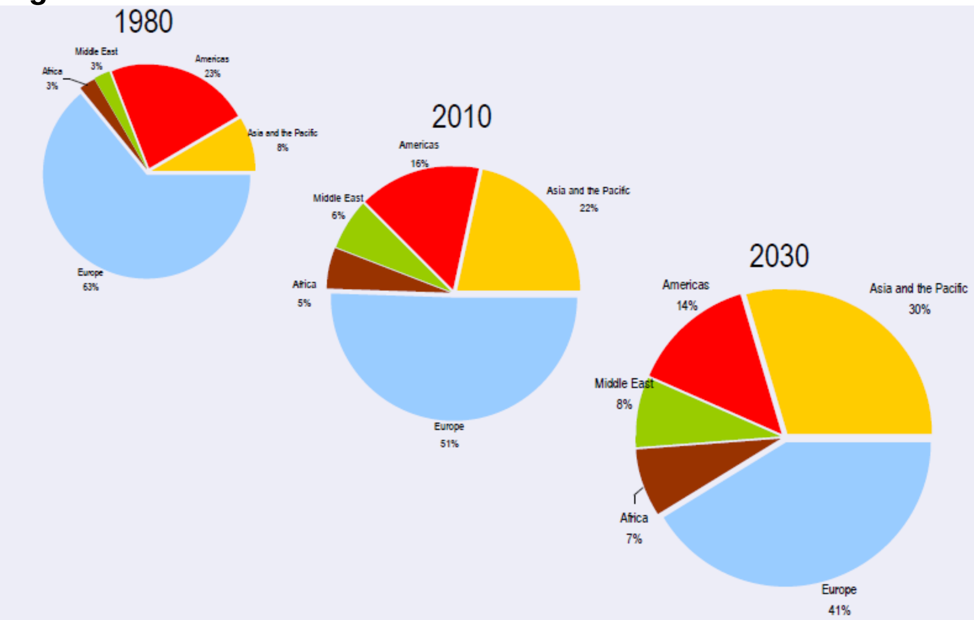
- Africa will also continue to experience economic growth with sub-Saharan Africa growing at an average of between 4 to 4.5%. The performance of different regions and countries will vary significantly with West and East Africa expected to grow most rapidly and North Africa the slowest (ISS, 2017). The growth in the middle-class market, will see a greater desire for travel with an increase in both domestic and outbound leisure and business travel. South Africa is already experiencing a higher than average increase in tourists from Africa (e.g. a 7.8% increase from 2016 to 2017 as opposed to 6.7% total inbound average over the same period). However, according to the ISS (2017) despite the increase in economic growth in Africa, unlike the global trend, the number of Africans living in extreme poverty is predicted to increase. This, together with its extremely rapid population growth, is putting pressure on education, healthcare and other basic services and increasing the potential for social instability. Coupled with increasing levels of criminal violence in Southern, West and North Africa this will affect Africa's desirability as a tourist destination.

Interviewees were in agreement that there has been a considerable increase in arrivals from African countries, also by air.

- Economic growth in South Africa has lagged behind other African economies but, with a more positive outlook through political change, GDP growth is projected to gather pace, increasing from 1.3 percent in 2017 to 1.4 percent in 2018, 1.8 percent in 2019, and 1.9 percent in 2020 (World Bank, 2018). But, according to the World Bank, South Africa remains constrained by its low growth potential with slow private investment growth and weak integration into global value chains preventing the country from reaping the new economic opportunities emerging around the globe, including that of tourism. Over the last number of years South Africa has seen increasing levels of social and political unrest and increasing levels of violent crime (also against tourists) impacting the future economic potential of tourism.

The rise of the developing world is seen in terms of international arrivals as well, with Asia and the Pacific, the Middle East and Africa increasing their shares towards 2030. Europe and the Americas' share of arrivals is forecast to further decrease as shown in figure 7.

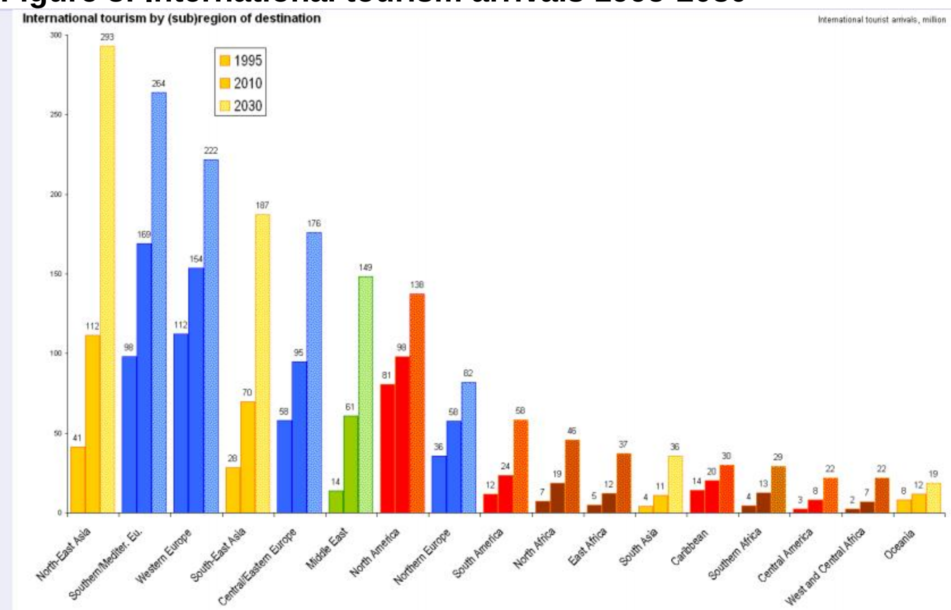
Figure 7: Share of international arrivals 1980 - 2030



Source: UNWTO (2018)

Regionally, the UNWTO (2018) predicts that international arrivals are to increase with North East Asia being the most visited region in 2030. As can be seen in figure 8 Southern Africa is and will continue to lag behind both North and East Africa in terms of international arrivals.

Figure 8: International tourism arrivals 1995-2030



Source: UNWTO (2018)

As shown in figure 4 the tourism sector in South Africa has mostly underperformed in relation to the total economy but is forecast to be one of the most promising contributors to the South African economy and GDP growth. The future growth and stability of South Africa is, according to various scenario planners such as the Institute for Security Studies and Indlulamithi South Africa, at a turning point with the direction in which it may go very much dependent on the political will to address corruption and government policies related to education, land reform, transformation of the economy, job creation and safety and security. A stable South Africa is a pre-requisite for tourism to grow and flourish in the long term and to reach its potential as a job creator.

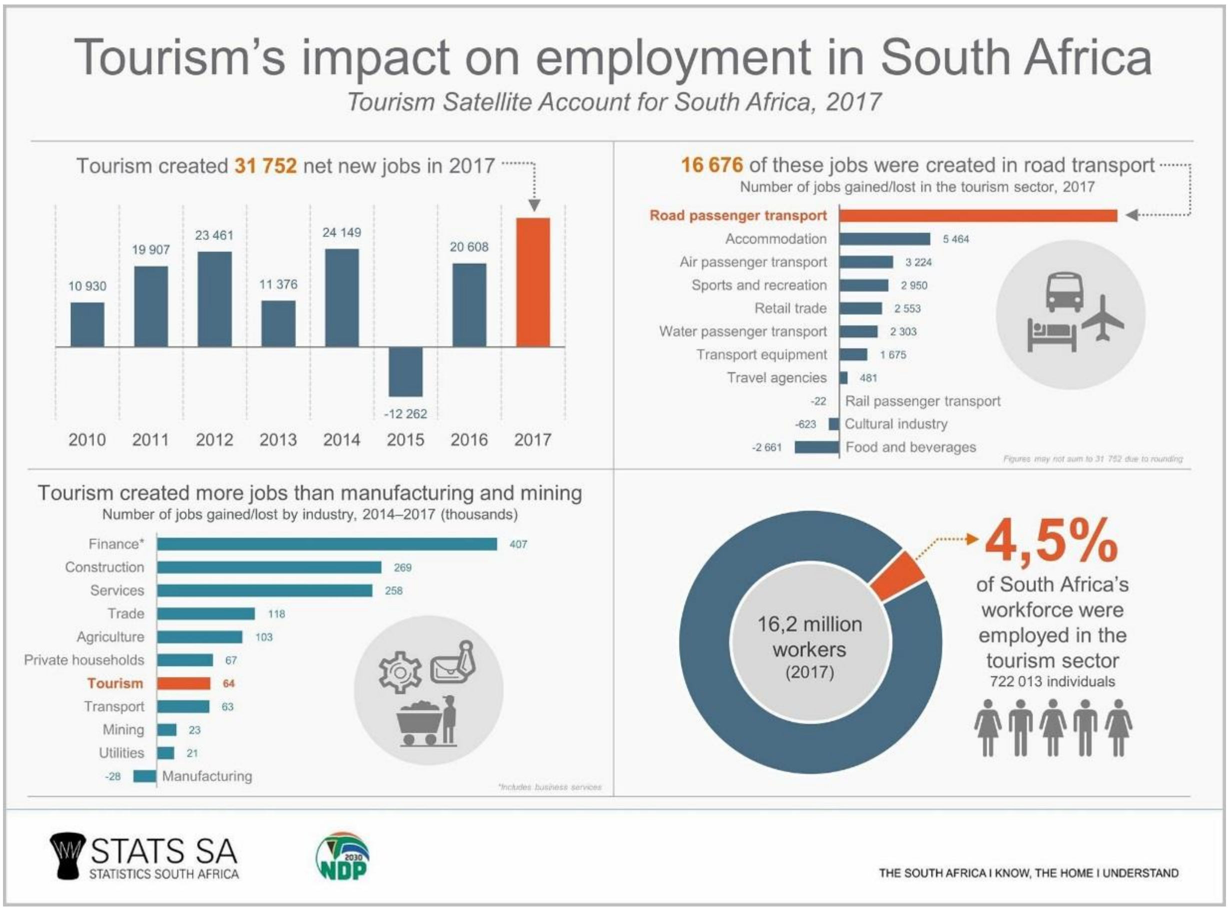
In the development of the Future Scenarios for South Africa's tourism industry, participants highlighted a number of key **economic uncertainties** which could have a significant impact on the South African tourism sector and divert its course either positively or negatively:

1. Government policy and uncertainty related to:
    - Accessibility
        - Visas
        - Airlift
    - Unemployment; crime and unrest; and increasing levels of inequality.
    - Labour regulations.
    - Regulation around the ease of doing business (nationally and within the tourism sector), particularly for SMMEs.
2. Meaningful industry transformation.
    - Internal (within South Africa and the industry – i.e. inclusive growth)
    - External (reflecting needs of potential tourists and source markets).
3. Collaborative partnerships within the industry.
4. The ability of the sector to respond/adapt to competition/change.
5. The effect of technology.
6. Supply chain models.
7. Developments in transport technology.
8. Tourism's positioning as a key priority strategic sector in South Africa.
9. The South African economy – business confidence, consumer confidence and investment)

8.2.3 Employment, entrepreneurship and job creation

The Tourism Satellite Account of South Africa (2018) reports that 31,752 net jobs were created in 2017. Figure 9 provides an overview of the top job creation sectors for 2017 with road passenger transport leading this growth.

Figure 9: Tourism's impact on employment in South Africa



Source: TSA (2018)

According to the WTTC (2018) **travel and tourism** directly supported 726,500 jobs in 2017**,** 4.5% of total employment (putting South Africa 24th in the World). This is expected to rise by 1.0% in 2018 and rise by 2.9% pa to 980,000 jobs, **<u>5.2% of total employment in 2028.</u>**

Unemployment in South Africa is a serious challenge. Cilliers (2017:136) says the following:
"The unemployment rate, currently at around 28 per cent, is defined as the percentage of labour force that is unemployed but willing and able to work, and actively seeking employment. Unemployment has grown every year since 2008, when the global financial recession hit South Africa, a trend that, as we have seen, has been intensified by government policy. More than one in four people in the South African labour force in 2016 were willing and able to work but could not find employment. The prognosis for South Africa's employment rate is not good, partly because of the uneven distribution of skills in the labour force, poor outcomes from an education system that is not delivering what the economy needs and poor labour relations. Government policies have steadily reduced employment intensity in the private sector." This

situation is further exacerbated by the increasing number of unemployed youth in South Africa. According to Statista (2018) youth unemployment in South Africa was at a staggering 53.53% in 2017, of the estimated 9.3 million unemployed citizens in South Africa in 2017, 6 million were under the age of 35. This is the single most important obstacle to poverty reduction in South Africa. Pepper (in Statista, 2018) suggests that this is caused by a lack of adequate growth of the job market and a structural mismatch between the skills the modern South African economy demands, and the skills it supplies.

The National Development Plan (NDP) aims to reach an ambitious unemployment rate of 6% by 2030. The question remains on how this can be achieved. Shivdasani (2018) argues for three strategies: implementing policies that encourage foreign direct investment, upskilling programmes for the workforce and deepening trading relationships with other major economies in Africa. The tourism industry, as a growing, global and labour-intensive industry is well-positioned for both formal job-creation and for stimulating entrepreneurship. There is broad consensus amongst leading tourism organisations, academics and practitioners that job creation in the tourism industry is dependent on increased levels of both foreign and domestic investment (in transport and tourism infrastructure as well as technology), appropriate education and innovative products and services to meet the changing demographics and needs of tourists.

Interviewees highlighted a number of challenges relating to employment and job creation in the tourism industry which will impact the 2030 NDP vision of reducing unemployment to 6%. These are:

- A lack of transformation in the industry.
- Inadequate primary and tertiary education with the demand/supply skills mismatch being identified as a critical issue for tourism. A lack of cultural understanding and language skills were highlighted.
- The lack of local and foreign investment, due to political uncertainty, which is viewed as a major barrier to achieving optimum growth in the tourism industry.
- The importance of building relationships with domestic, African and global partners is essential for the tourism industry to grow and remain competitive.
- Lack of recognition of changing work patterns e.g. lack of support for younger generations to become entrepreneurs and older generations to stay in the workplace longer as mentors and advisors.
- The business climate is not conducive to small business for entrepreneurship, it is overly regulated, BEE conditions are inhibitive, there is no real partnership between Government and business and Government still undervalues tourism.

According to the OECD (2018) the 2030 Agenda for Sustainable Development sets out a broad and ambitious global poverty reduction strategy involving both advanced and emerging economies and says that tourism has the potential to contribute, directly or indirectly, to all of the sustainable development goals (SDGs). Tourism has been particularly included as targets in goals 8, 12, and 14 on inclusive and sustainable economic growth, sustainable consumption and production, and the sustainable use of oceans and marine resources. They state that accomplishing the sustainable development goals involves a strong component of public intervention, especially in ensuring underlying conditions for private sector to flourish, but also in coordinating and disseminating policy approaches at the national and sub-national levels.

Changing demographics will influence employment, job creation and entrepreneurship in tourism globally and in South Africa in the long term. Some of the important trends are generational. The world population as a whole is ageing and this is a resource that is not being utilised. This trend is also evident in South Africa. According to Hajkowicz, Cook and Littleboy (2012) elderly citizens provide a wealth of skills, knowledge, wisdom and mentorship and this resource is not fully utilised by governments, companies, communities and families. The younger generations (generally referred to as Generations Y and Z) exhibit different work patterns to that of the older generations and this is mostly driven by technology. The major trend is that younger generations are more concerned about material rewards and leisure activities, are more mobile and prefer flexible work hours, and want to function independently (Douglas, Lubbe & van Rooyen, 2018). These phenomena are predicted to increase in the future impacting the way we work and travel. In South Africa entrepreneurship is key to growth with the changing work patterns of the younger generations able to innovate and with the mentoring of older generations.

8.2.4 The importance of education in job creation

There is a clear link between education and competitiveness/prosperity (Airey, 2018). Cilliers (2017:128) concurs saying "*Efforts to transform economic ownership patterns without the new owners' having appropriate education and experience are punishing South Africa's government and private sector effectiveness*". The relationship between income levels and education is strong. In the long-term, improved levels of education lead to increased worker productivity, and hence higher wages (Cilliers, 2017). In their future scenario planning the ISS forecasts that under the best case scenario, **by 2034** 72% of the age-appropriate population will have completed Grade 12 (as opposed to 66% under the worst case scenario) and only 17% of the age-appropriate population will have completed tertiary education (as opposed to 14%). Cilliers (2017) concedes that these scenarios do not take the quality of education into account – a problem that has been raised a number of times with regard to South Africa's education system. This has serious implications for the tourism industry which requires competitiveness at a global level.

Interviewees were of the opinion that education for the tourism industry is lacking at the primary, secondary and tertiary levels and unless these issues are addressed will detrimentally affect the growth and competitiveness of the industry in the long-term: • Basic education shortcomings • Basic skills shortage • Narrowness of curriculum focus at tertiary level • Lack of a multi-disciplinary approach in tourism education

• Skills in interacting with different cultures lacking • Language skills lacking

Tourism-focussed education has grown worldwide and while it would appear that the importance of the revenue generated by tourism is recognised its reputation is weak in terms of its educational recognition. This is demonstrated by the closure of programmes in tourism (Airey, 2018), both globally and in South Africa. According to Airey (2018) the post-industrial 2030s with its rise in populism will mean that education must respond to the changing world of tourism with its new forms of demand and supply, new pressures and tensions from tourism and its focus on sustainability. There will be a greater focus on research. Society will demand a multi-disciplinary, multi-sector and multi-method approach – this is something that a leading academic in South Africa with whom an interviewee was conducted, emphasized as well. Appropriate education is a pre-requisite for a decent job which does not necessarily mean academic education but education relevant to the job requirements and life-long learning.

8.2.5 The sharing economy as a job creator

Harnessing technology is recognised as a major stimulus to creating jobs in the tourism industry and the exponential growth in the tourism sharing economy is a case in point. The sharing economy is having a major influence on the tourism industry and will continue to do so with far greater variety and co-living towards 2030. Tourism services and businesses such as hotels, restaurants and tour operators are being challenged and gradually replaced by individuals who offer budget-friendly services such as accommodation, transportation, excursions and meals (Elmahdy *et al*, 2017). According to the OECD (2018) peer to peer platforms have the potential to drive economic growth and job creation, and generate added value by encouraging tourists to disperse to less well-known destinations. The sharing economy has grown quickly in the past five years to capture a sizable portion of economic activity with the growth being most notable in transportation and accommodation. For example, according to the World Bank (2018) the projected annual growth rate for the global peer to-peer accommodation economy is estimated at 31% between 2013 and 2025, six times the growth rate of traditional bed-and-breakfasts (B&Bs) and hostels. The sharing economy will be discussed in more depth in the section on technology trends.

8.2.6 Transport and Air Connectivity

IATA (2018) predicts that air traffic growth will be 5% over the next 20 years while global GDP growth is predicted at 3.2%. Passenger travel is set to double over the next 20 years from over 4.1 billion passengers in 2017 to 8,2 billion in 2037. Tourism is transport- intensive and South Africa as a long-haul destination is dependent on air travel for its tourism growth. In 2017, IATA forecasted that the number of air passenger journeys to, from and within South Africa will more than double from the 23.6-million in 2016 to more than 54-million **by 2036**. This will be the result of an **average annual growth rate in the country's local and international air travel of 4.3%**, significantly above the expected rate of 3.5% for the aggregated global industry. This will be dependent on a number of factors:

- Oil prices. In the face of declining stocks of oil, basic transport needs (eg. for economic development and commuting to work) may have precedence over discretionary transport needs such as recreational tourism. Ongoing high oil prices would be particularly bad for tourism to long haul destinations.
- Government charges, taxes and fees for airlines and passengers.
- Maintenance of transport infrastructure, currently regarded as best in Africa.
- Investment in new transport and aviation infrastructure.

Interviewees highlighted a number of issues related to transport in South Africa as a driver or inhibitor for tourism growth:

- SAA inhibits accessibility and new entrants to market, trying to protect SAA, we are going to lose our marketability and positioning.
- Importance of the Single African Air Transport Market (SAATM) as a driver for growth.
- Retaining South Africa's position as a Hub (being taken away by Ethiopia).
- Transport infrastructure and accessibility to certain iconic attractions not being maintained.

8.2.7 Investment

The UNWTO says that investment is clearly needed to maximise the economic opportunities that tourism presents and governments have a responsibility to make their countries' investment environments as conducive to tourism investment as possible. Investment is an essential stimulus for tourism growth and job creation. According to the WTTC (2018) **Travel & Tourism investment** in South Africa in 2017 was ZAR 71.0bn, 8.2% of total investment (USD5.3bn) (putting South Africa 28th in the World). It should rise by 3.4% in 2018, and rise by 4.4% pa over the next ten years to ZAR 112.7bn (USD8.5bn) in **2028, 10.1% of total investment**. The recent rate of Foreign Direct Investment (FDI) into Africa has been among the highest in the world. Increased disposable income among many members of Africa's growing communities will increase their propensity to travel. It is critical to take a holistic approach to development such as expanding air routes, diversifying numbers of carriers and developing more infrastructure to meet the needs of 2030 and beyond. In terms of number of projects, foreign direct investment in South Africa's tourism sector was the highest in Africa between 2013 and 2017 (fDi Markets, 2018) but investor confidence has been eroded in South Africa over the last decade and the country has been downgraded by the major ratings agencies. However, the changing political outlook in South Africa has the potential to once again increase foreign and domestic investment.

To summarise the economic trends and their impact on tourism in South Africa:

- While the WTTC maintains that tourism in South Africa is increasing in its importance to the economy, from a 2.9% direct contribution to GDP in 2018 to 3.3% in 2028, this prediction can be disputed if one looks at the trend, according to Stats SA from 2006 to 2017 where the contribution of tourism to the total GDP has declined from 3.3% to 2.8%.
- Employment in the tourism industry will rise from 4.5% in 2017 to 5.2% of total employment) in 2028.
- Economic growth in emerging economies of the BRIC nations, especially China and India, will significantly contribute to the expansion of tourism, and South Africa should ensure that we adapt our product offering to welcome tourists from these countries.
- The recent rate of Foreign Direct Investment (FDI) into Africa has been among the highest in the world.
- In terms of number of projects, foreign direct investment in South Africa's tourism sector was the highest in Africa between 2013 and 2017 but investor confidence has been eroded in South Africa over the last decade and this must be turned around to once again increase investor confidence in South Africa.
- Increased disposable income among many members of Africa's growing communities will increase their propensity to travel.

9. POLITICAL TRENDS

9.1 Overview

Political stability is an important precondition for tourism growth and social and political changes across the globe have an impact on consumers. The rise of populism, disruptive politics, the potential for increased terrorism linked to ISIS, no-go areas such as Syria, the shift of global economic power from advanced to emerging economies and the growth of trade protectionism all impact tourism and international tourism flows. Global awareness is increasing as more people become global citizens (i.e. expats, population diversity in various countries). These forces impact the numbers of international tourists as well as the flow of tourists to different destinations as politics dictate the attractiveness of destinations for tourists. The major issues for tourism relate to safety and security, the potential spread of diseases, political instability and issues of accessibility.

In the development of the Future Scenarios for South Africa's tourism industry, participants highlighted a number of **political certainties** inherent to the tourism industry. However, in the political context it would seem that the **uncertainties** in the sector far outweigh the certainties. It is within these certainties and uncertainties that policy-makers and industry leaders need to shape tourism's future in South Africa.
The certainties were identified as:

1. The tourism sector is multi-sectoral, and requires integration.
2. It relies on the perception and reality of the safety within a country.

The uncertainties were identified as:

17. Government policy and uncertainty related to:
    - Accessibility to South Africa as a tourist destination
        - Visas
        - Airlift
    - Unemployment; crime and unrest; and increasing levels of inequality.
    - The labour environment.
    - Regulation around the ease of doing business (nationally and within the tourism sector).
18. Meaningful industry transformation.
    - Internal (within South Africa and the industry – i.e. working towards inclusive growth)
3. Collaborative partnerships (multi-sectoral and “whole” government involvemen).
4. The effects of global geopolitics.
5. Tourism as a key priority strategic sector in South Africa.

In this respect interviewees expressed a number of **concerns** related to the political environment within South Africa and its impact on tourism in the longer term:

- SA is perceived as politically unstable (particularly as a legacy left by Zuma) and the uncertainty generated by the power struggle in the ANC
- Government is not perceived to be performing well in prioritising issues and does not understand the value of tourism
- The land expropriation debate is causing uncertainty on a number of fronts:
    - Investment is being negatively impacted with the concomitant loss of jobs
    - Internationals want to buy property in Cape Town, but now are too scared to do so
    - Negative perceptions related to the destination as tourists compare us to similar situations in Zimbabwe etc.
- Service delivery protests
    - Major roads and destinations are being affected e.g. Kruger National Park
- Political interference in tourism industry

No co-ordinated tourism strategy, all government departments operate in silos

9.2. Drivers of change

9.2.1 Safety and Security

Safety and security is a major issue with tourists becoming less tolerant of “unsafe” destination.

Interviewees were of the opinion that:
• The safety situation in South Africa (or lack thereof) is a major threat to tourism in the future • Negative images of South Africa is creating negative perceptions as far as tourism is concerned • Not only crime but harassment of international tourists is viewed as a concern to tourism growth

Safety and security is a major determinant and influencer of international tourism. **Terrorist acts** globally are on the increase with heightened security measures being implemented. Africa is no exception with fatalities from terrorist attacks increasing from 3842 in 2013 to 10469 in 2015 (ISS, 2017). According to Dwyer *et al* (2008) the threat of terrorism is likely to become more decentralised due to Internet use. However, Southern Africa, West Africa, North Africa and the Sahel has seen increasing levels of **criminal violence** which is expected to cause more deaths than armed conflict towards 2030 and beyond. South Africa has seen an increase in crime since 2011/2012 with 80% of the incidents regarded as serious crimes while at the same time there has been a decrease in reporting rates, an indication of a lack of trust in the police. Since 1997 there has been a steady increase in **riots and protests** in South Africa, mostly related to service delivery issues (Cilliers, 2017). **Xenophobia** is a recurring problem in South Africa which has caused tremendous reputational damage to South Africa. These real and perceived risks constrain tourist arrivals and behaviour with tourists seeking alternative destinations. In a study conducted by Lubbe, Fairer-Wessels, Douglas and du Preez (2014) safety and security proved to be a major indicator of South Africa's competitiveness as a tourist destination with South Africa being rated very negatively. **White-collar crime** is expected to increase on the back of cyber-terrorism with billions being lost. South Africa's reputation has also been tarnished by high-level **corruption**. While the value of the rand falls and the exchange rate is favourable for inbound tourism, the deterioration of the safety and security environment and lack of political will to deal with corruption, will far outweigh the advantages gained through incoming tourism. The tourism industry will remain vulnerable to all of these types of crimes and unless faith is restored in the police and justice system, tourism will be adversely affected.

9.2.2 Health issues

The future spread of persistent life-threatening diseases may cause international travel to be perceived as a personal risk. Future travel may be strictly regulated to prevent the spread of any virulent diseases among tourist destinations (Elmahdy *et al*, 2017). Long-haul travellers are observed to be very sensitive to negative news. However, timely, accurate, and responsible communication is even more important than the negative news itself because visitors make decisions based not so much on the risk itself as on perception of risk (Duncan, 1972; Tarlow, 2005). Tourism's vulnerability raises the need to have and effectively be able to implement disaster management strategies, particularly at the destination level.

9.2.3 Accessibility

Changes in border regulations via the introduction and implementation of agreements such as the Schengen Agreement or China's Approved Destination Status (ADS) have reduced border travel restrictions, creating huge tourism opportunities and traffic in several regions worldwide.

China is expected to become the largest outbound market by 2025 (with international tourists from China growing from 120 million in 2015 to 220 million in 2025). It appears that Africa and South Africa will not share equally in this level of growth for the foreseeable future. South Africa still has accessibility problems for Chinese tourists with visa processes remaining inhibitive. Safety and security will also inhibit the growth of this market to South Africa. However, while Chinese tourists make a considerable economic contribution to destinations, they also bring pressure to the carrying capacity of destinations as is evidenced by the local resident protests against tourists in Hong Kong and Spain. This showed that a massive increase in tourists could lead to the decline in the welfare of local communities requiring destinations to design appropriate tourism policies with a view to maximising the benefits for both tourists and residents. In summary, the relevance of the political driver for tourism has a number of implications: First, destinations perceived as less safe and secure will be avoided. Second, destinations that do not advance economically because of political constraints to growth will generate fewer outbound and domestic tourist numbers. Third, conflicts in and around the Middle East have capacity to substantially increase fuel costs of travel. These impacts on both the demand for travel, placing increased pressures on suppliers many of which operate already on low margins (Dwyer et al, 2007). Elmahdy *et al* (2017) agree and add that political turbulence in regions such as the Middle East, Africa and parts of Asia are predicted to diminish tourism flows overall but is predicted to enhance the attractiveness of tourist destinations perceived as 'safe'. Tourist attractions that offer settings (e.g. outdoor recreation settings) where large numbers of visitors are gathered are more prone to terror attacks and may need more security measures to ensure safety. Loss of natural heritage due to war and civil unrest can occur. The destination as a whole as well as the individual operators who deliver the tourism product must play a role in sustaining the safety and security of their visitors and collectively the destination (Dwyer *et al*, 2007).

To summarise the political trends and their impact on tourism in South Africa:

- The safety situation in South Africa (or lack thereof) is a major threat to tourism in the future, which could have an impact on the industry's ability to create jobs.
- South Africa's visa processes remain inhibitive to tourism growth.
- The land expropriation debate is impacting investment into the country negatively, with the concomitant loss of jobs
- The supply of tourism and infrastructure will also be negatively affected if investment into the country is lacking.

10. SOCIAL TRENDS

10.1 Overview

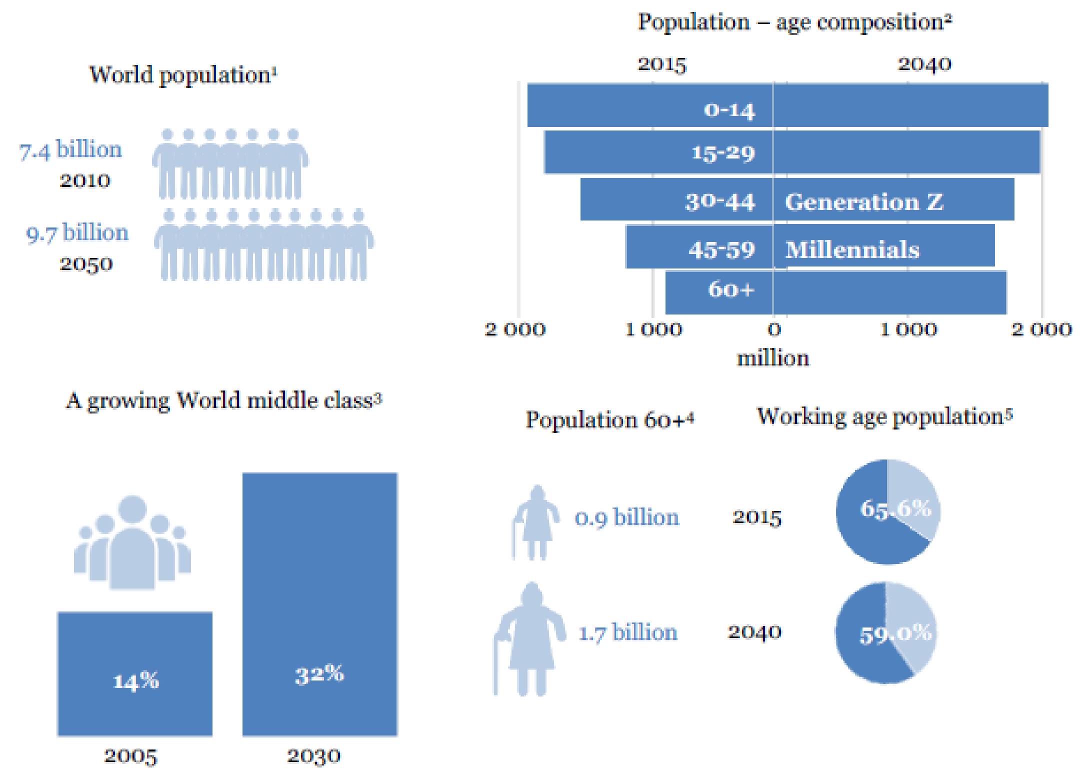
Over the next number of decades, the organization of the visitor economy will change as education and income levels grow in emerging economies, gender inequalities are addressed, the global population grows older, and new consumer groups appear. In combination, these factors will influence the propensity to travel and the expectations of tourists (OECD, 2018a).

In the development of the Future Scenarios for South Africa's tourism industry, participants highlighted a number of **social certainties** inherent to the tourism industry. It is within these certainties that policy-makers and industry leaders need to shape tourism's future in South Africa.
From a social perspective these certainties were identified:
1. The profile of tourists will constantly change.
1. Consumer power is increasing.
2. South Africa has a diverse offering.

10.1.1 The profile of tourists will constantly change

Changing demographics will have a significant influence on visitor demand in the years to come. Specifically, trends such as the sustained growth of the global middle class and aging populations indicate that the worldwide population will generally be wealthier and older in the coming decades. Moreover, the increase in importance of emerging generations will further upend existing considerations that fuel the tourism market (figure 10).

Figure 10: Changing global demographics



OECD infographics based on various sources: 1. UN (2017). World Population Prospects; 2. UN (2017); 3. Bussolo et al. (2014); 4. UN (2017); 5. UN (2017); 6. UNWTO (2017a); OECD (2018), OECD Member Country average refers to 2016 International Tourism Expenditures. Some of the icons were designed by Freepik from www.flaticon.com.

From: OECD (2018b)

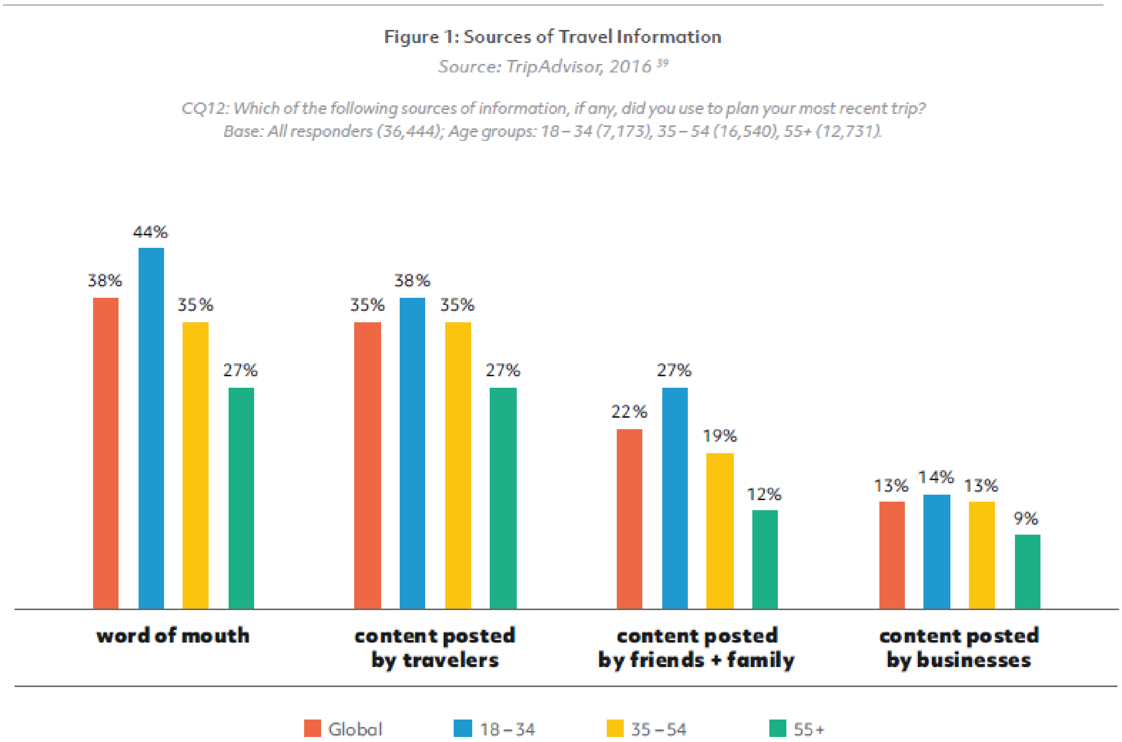
10.1.2 Consumer power is increasing.

It is believed that Millennials and Generation Z and other emerging generations will make up the majority of domestic and international travellers by 2040 and will become important forces in mobility. The way that they behave when they travel could result in significant shifts in the tourism market. A study by Airbnb showed that Millennials consider travel more essential than other priorities, such as buying a property or a car. Furthermore, Millennials in the United Kingdom, United States and China placed more value on experiences than on possessions. They are more likely to build their own travel itineraries than to depend on the recommendations of travel agents or take part in package tours. The tourism industry will have to adapt to these trends and embrace innovative ways to accommodate the new demands and exact preferences of these individual groups (OECD, 2018a).

Social media, or user generated content, increases consumers' power as it is instant and fast becoming the most influential and extensively utilised travel information source, influencing the tourists' purchase path as well as upsetting existing travel agencies, guidebooks and traditional marketing approaches and star grading systems.

Consumers perceive WOM as more credible than a company's marketing materials, because the content is not being distorted by company/organization interests. Platforms such as Facebook, TripAdvisor, Twitter and Instagram, have afforded tourists the chance to share their photos, recommendations, reviews, videos and opinions of their travel experiences, virtually and instantaneously with their friends, and with large worldwide audiences. In a survey of more than 35,000 EU travellers, UGC was utilised by up to 35 percent of respondents. Only 13 percent of respondents used information offered by a service provider or destination. Despite this, destinations still invest millions of marketing dollars into their websites, magazines and other official marketing channels (figure 11).

Figure 11: Sources of travel information



From: The World Bank Group (2018)

10.1.3 South Africa has a diverse offering.

From January to May 2018 visitor arrivals from African countries to South Africa increased. According to South African Tourism Chief Executive Officer, Sisa Ntshona a combination of concerted marketing efforts and investments including deal-driven campaigns, outdoor campaigns, **South Africa's diverse tourism offering** and experiences contributed to this increase with Zimbabwe growing by 5.8%, Mozambique by 3.6%, Malawi grew by 1,573 (12.2%) to 14,477 and the Democratic Republic of Congo by just over 35% (SA Tourism, 2018).

A diversified tourism offer allows countries to strengthen occupancy in the low season and draw higher spending markets by focusing on additional and alternative markets. Developing alternative and unique offers can encourage investment in individual businesses and niche groupings in all parts of a country (OECD, 2018c). The OECD further reported that a repetitive theme is the development of more opportunities concentrating on nature based tourism, wilderness areas and outdoor activities. This is good news for South Africa, with our ample nature-based tourism offerings.

From the in-depth interviews held in preparation for the Tourism Futures Workshop some interviewees agreed that we have a diverse tourism offering:

- One interviewee opined: “We have a tremendous amount to offer, specifically adventure and extreme sports for traditional tourists.”
- Other interviewees agreed that our value proposition is better than the rest of Africa, and that we are different from the rest of Africa, in that we have much better opportunities and are better structured to seize opportunities – from a distribution, product experience and infrastructure point of view.

On the other hand, some interviewees were less positive and commented that our cultural opportunities are not being leveraged and that too much emphasis is placed on wildlife tourism. The lack of cultural offerings could jeopardise our tourism future, since according to the UNWTO, cultural tourism has emerged in recent years, as a major driver of demand (UNWTO, 2018). More widely, the OECD encourages rural and community-based tourism initiatives, partly to produce unique alternative visitor experiences but also to support local livelihoods (OECD, 2018c).

10.2 Drivers of change

10.2.1 Expansion of the global middle class

The world is experiencing a growth of the global middle class as a result of bigger wealth in emerging economies. At the end of 2016, globally, there were in the region of 3.2 billion people thought to be in the middle classes. Yearly, about 150 million people are joining this demographic group, with the bulk of those (an estimated 88%) living in Asia (Kharas, 2017).As of 2015, the global middle class was spending USD 35 trillion yearly – about one third of the entire global economy – yet, that figure is predicted to nearly double (USD 29 trillion) by 2030, with only USD 1 trillion of the growth originating from developed economies (Kharas, 2017). Other predictions show that, by 2030, this fast growing middle class will lead to increased populations in major cities, mainly in Asia (ESPAS, 2015). This growth in middle class buying power and consumption is expected to play a key part in the world economy in the years to come. The combination of this growth together with technology developments means that people in the middle class will have greater access to services and goods around the world. As the middle class increases in developing economies, they will play an increasingly vital role as source markets for global tourism, specifically the middle classes in Asia. While this expansion of the global middle class holds great potential for tourism growth, it also comes with challenges (OECD, 2018a).

10.2.2 Aging populations

Over the next 35 years, the share of people in the world over the age of 60 is expected to almost double, with some regions experiencing more noteworthy growth than others. By 2050, almost all regions of the globe will have nearly a quarter of their population aged 60 or older, according to The United Nations (UN). At present this demographic group is growing at a rate of almost 3% per annum, and is anticipated to reach 1.4 billion people in 2030 and 2.1 billion by 2050 (UN, 2017). The rate of aging is not predicted to be the same across the globe. For example, in Europe, a quarter of the population is already 60 years of age or older and that figure is estimated to increase to 35% by 2050 (UN, 2017). Research shows that tourism is one of the main sectors that will profit from an aging population that is more and more likely to chase leisure-oriented experiences compared to past generations. The next 50 years will see OECD countries most affected by population ageing, and developing countries, notably in Africa and South Asia, experiencing substantial population increases. For this reason, the volume and range of products and services that older people are expected to consume, including tourism, are also positioned to grow significantly. Infrastructure and support services will need to be personalized to accommodate both growing demand and varying visitor requirements and preferences. While the buying power of ageing populations is predicted to stay high in future decades (Dobbs et al., 2016), the current trajectory could change if work becomes unstable and the retirement age in countries continues to increase. This could lead to increased variation in levels of buying power for those nearing retirement in 2040. Linked to an aging population is the growing demand for **accessible tourism**. Tourism-related infrastructure, modes of transport, and information provision, will need to be carefully designed and operated to cater for a greater number of customers with reduced mobility and limited communications abilities, in order to help tourists confidently navigate their way around a destination. Research commissioned by the European Commission emphasises the growth possibilities for accessible tourism in Europe. Results indicate that accessible tourism demand by individuals with special access needs from the European Union presently produces a total economic contribution of EUR 394 billion in terms of GDP within the European Union (3% of total EU27 GDP in 2012). Also, it predicts that if European Union tourism destinations were enhanced to attain almost complete accessibility of buildings, hotels, restaurants, museums, and various accessible services, by 2020 demand would increase almost 44% resulting in a potential increase of 39% in economic contribution (Miller in OECD, 2018a). Another consequence of an aging population, is the increasing popularity of **multi generational travel**, involving families, and driven by aging travellers with high spending power and substantial leisure time. Around one-third of retired individuals have taken trips with people in other generations (AgeWave and Merrill Lynch, 2016). Destinations who want to cater to this market, should have the ability to create and align activities that are of interest to all members of the travel party (OECD, 2018a).

10.2.3 Emerging generations

Demographic groups that are on the horizon, are referred to as emerging generations. Generation Z (born in the late-1990s to early-2010s) and Millennials (born in the early-1980s to mid-1990s) will both signify significant market prospects in the tourism sector by 2040. Both of these demographics have never been without technology and grew up with the Internet, which will play a major role in how they access, direct and relate with diverse tourism products and services. Undeniably, they are expected to be particularly demanding compared to earlier generations, having grown up with the fast and direct access to information made possible by digital technology. They are also more probable to travel individually compared to earlier generations and are open to temporarily accessing or renting products or services, such as modes of transport or accommodation, instead of owning them outright. Changes in these demographic groups, each with their unique travel preferences, will lead to different policy and industry pressures. Millennials make up approximately 20% of international travel, spending more or less USD 203 billion around the world. By 2040, they will range in age from 45 to 60, with the oldest nearing retirement, and having accrued added wealth over the next 25 years, their proportion of total expenditure is anticipated to grow significantly. Generation Z – will also be a most important force in the tourism market and labour force by 2040, ranging between the ages of 30 and 45 (OECD, 2018a). By as early as 2020, this demographic group will comprise of the largest share of the global population at 2.6 billion, estimated to overtake Millennials who are projected will number 2.3 billion (Weinswig, 2016). Millennials take four or more trips per year, more than other generations, but these trips tend to be shorter in period compared to other demographic groups (Globetrender, 2017).

In the development of the Future Scenarios for South Africa's tourism industry, participants highlighted a number of key **social uncertainties** which could have a significant impact on the South African tourism sector and divert its course either positively or negatively:

1. Meaningful industry transformation.
   a. Internal (within South Africa and the industry – i.e. inclusive growth)
   b. External (potential tourist and source markets).
2. Tourism awareness in South Africa.
3. Visitor experience and satisfaction.
4. The profile and preferences of future travellers (tourists).
5. The South Africa brand.

10.2.4 Meaningful industry transformation

The travel industry in South Africa has made significant progress this past decade in reply to the B-BBEE Act of 2003. Research done by Grant Thornton and commissioned by the Association of Southern African Travel Agents (ASATA) aimed to reveal the representation of black people in the South Africa tourism industry. The total results are quite positive with the bulk of travel companies getting excellent scores on their BEE scorecards. Interestingly, out of all the candidates researched for the study, more than 55% of all South Africa tourism enterprises with BEE certificates have a status of either Level 1 or 2. In terms of ownership, of all the travel based companies that were investigated almost 40% were black and 25% black female owned. In terms of larger enterprises, the study indicated that they have reached the Tourism BEE scorecard target, set out for black women across all levels of management (Business Essentials, 2018). Research done by South African Tourism and KayaFM showed that only a small share of South Africans travel in their own country. Black people specifically, are missing from the domestic market. Income levels are not the biggest barriers to travel, but rather the fact that the tourism sector does not understand or respond to the various needs of black travellers (Mabena, 2017).

From the in-depth interviews held in preparation for the Tourism Futures Workshop interviewees had the following opinions:

- Black–owned business of major tourism facilities in cities still limited
- Industry transformation not fast enough
- The tourism product was not yet fully transformed. Many interviewees alluded to the fact that certain Blacks do not always feel comfortable to travel, since the tourism product was designed for Whites. We need an inviting tourism product, for all races, ages and genders in South Africa.

10.2.5 The profile and preferences of future travellers

a. China

As shown in figure 12 the UNWTO predicts that more than 50% of the 1.3 billion international arrivals the world can expect by 2020 will travel to destinations with emerging economies. In five years' time, developing countries in Africa, Asia-Pacific and Latin-America will jointly welcome more international arrivals than developed countries and account for 55% of the market share. By 2030 this number will increase to 57% and 1.8 billion international travellers will cross borders. Europe will still attract the highest number of international visitors in 2020 and 2030 and the biggest total market share (47% in 2020 to 41% in 2030) but combining the market shares of Latin America, Asia-Pacific, Africa, and the Middle East in 2030 exceeds Europe's by about 10 percent (Skift, 2015).

Figure 12: International tourism by region of destination

UNWTO Tourism Towards 2030: International tourism by region of destination

	International Tourist Arrivals received (million)					Average annual growth (%)					Share (%)	
	Actual data			Projections		Actual data		Projections				
								2010-'30, of which				
	1980	1995	2010	2020	2030	1980-'95	'95-2010		2010-'20	2020-'30	2010	2030
World	**277**	**528**	**940**	**1,360**	**1,809**	**4.4**	**3.9**	**3.3**	**3.8**	**2.9**	**100**	**100**
to Advanced economies[1]	194	334	498	643	772	3.7	2.7	2.2	2.6	1.8	53	43
to Emerging economies[1]	83	193	442	717	1,037	5.8	5.7	4.4	4.9	3.8	47	57
By UNWTO regions:												
Africa	7.2	18.9	50.3	85	134	6.7	6.7	5.0	5.4	4.6	5.3	7.4
North Africa	4.0	7.3	18.7	31	46	4.1	6.5	4.6	5.2	4.0	2.0	2.5
West and Central Africa	1.0	2.3	6.8	13	22	5.9	7.5	5.9	6.5	5.4	0.7	1.2
East Africa	1.2	5.0	12.1	22	37	10.1	6.1	5.8	6.2	5.4	1.3	2.1
Southern Africa	1.0	4.3	12.6	20	29	10.1	7.4	4.3	4.5	4.1	1.3	1.6
Americas	62.3	109.0	149.7	199	248	3.8	2.1	2.6	2.9	2.2	15.9	13.7
North America	48.3	80.7	98.2	120	138	3.5	1.3	1.7	2.0	1.4	10.4	7.6
Caribbean	6.7	14.0	20.1	25	30	5.0	2.4	2.0	2.4	1.7	2.1	1.7
Central America	1.5	2.6	7.9	14	22	3.8	7.7	5.2	6.0	4.5	0.8	1.2
South America	5.8	11.7	23.6	40	58	4.8	4.8	4.6	5.3	3.9	2.5	3.2
Asia and the Pacific	22.8	82.0	204.0	355	535	8.9	6.3	4.9	5.7	4.2	21.7	29.6
North-East Asia	10.1	41.3	111.5	195	293	9.9	6.8	4.9	5.7	4.2	11.9	16.2
South-East Asia	8.2	28.4	69.9	123	187	8.7	6.2	5.1	5.8	4.3	7.4	10.3
Oceania	2.3	8.1	11.6	15	19	8.7	2.4	2.4	2.9	2.0	1.2	1.0
South Asia	2.2	4.2	11.1	21	36	4.3	6.6	6.0	6.8	5.3	1.2	2.0
Europe	177.3	304.1	475.3	620	744	3.7	3.0	2.3	2.7	1.8	50.6	41.1
Northern Europe	20.4	35.8	57.7	72	82	3.8	3.2	1.8	2.2	1.4	6.1	4.5
Western Europe	68.3	112.2	153.7	192	222	3.4	2.1	1.8	2.3	1.4	16.3	12.3
Central/Eastern Europe	26.6	58.1	95.0	137	176	5.3	3.3	3.1	3.7	2.5	10.1	9.7
Southern/Mediter. Eu.	61.9	98.0	168.9	219	264	3.1	3.7	2.3	2.6	1.9	18.0	14.6
Middle East	7.1	13.7	60.9	101	149	4.5	10.5	4.6	5.2	4.0	6.5	8.2

Source: World Tourism Organization (UNWTO) © (Data as collected by UNWTO September 2011)

From: Skift (2015)

By 2022, we expect that China will be overtaking the US as the country with the highest propensity to travel abroad, and will be the world's largest source of outbound tourism demand, with 128 million trips. China is expected to grow from an estimated 140 million travellers in 2018 to 250 million in 2025 (Tourism Update, 2018).Growth is set to be very strong, at 8.4% over the period 2017-2022. Outside of Asia, the US and France are likely to profit the most, due to their China-ready approach. Driven mainly by GDP per capita, and the increase in middle-class households China is already the largest source of tourism expenditure, growing by 10.9% over 2017-2022 (Euromonitor, 2018).

Approximately 100 000 of these travellers will have visited South Africa in 2018, with an average stay of nine days, and a predicted impact of R1.4bn (€90.36m) for the six months ending June 2018. While packaged tours are still popular for Chinese travellers to SA, their travel habits are shifting and they are moving towards FIT tours. The number of repeat travellers from China to SA is over 50%, showing that first time travellers are seeing SA as safe, secure and a value-adding destination. Chinese travellers mainly use Chinese-language websites to book their travel, so it is worthwhile for SA businesses to create good relationships with local tourism players in China (Tourism Update, 2018).

The in-depth interviews held in preparation for the Tourism Futures Workshop provided a lot of insight into the Chinese market. Participants said that:

- China as a source market for South Africa is still in its infancy.
- The Chinese are immature in their behaviour and thinking.
- Chinese tourists that we have been visiting have added no real value, and have not created jobs or increased profits as they do not spend money on the ground.
- Visa accessibility was mentioned as a barrier in attracting the Chinese market.
- Most participants agreed that we have not done enough to attract this market, since they have very specific needs, in terms of food and language.

b. Africa

Africa continues to be the biggest contributor of tourist arrivals with a noticeable increase of 39.2% increase in the number of Angolans visiting South Africa during the month of May 2018 compared to the same period last year (see figure 13 below). This increase can be attributed to the visa waiver which came into effect in mid-December 2017.

Figure 13: Tourism arrivals from Africa

AFRICA:								
AFRICA LAND:								
Botswana	51 541	60 097	8 556	16,6%	408 608	423 337	14 729	3,6%
Lesotho	121 114	127 398	6 284	5,2%	1 203 241	1 220 739	17 498	1,5%
Malawi	17 395	18 645	1 250	7,2%	112 313	127 588	15 275	13,6%
Mozambique	116 232	117 966	1 734	1,5%	894 107	918 654	24 547	2,7%
Namibia	17 417	16 265	-1 152	-6,6%	132 729	127 148	-5 581	-4,2%
Eswatini	79 104	76 911	-2 193	-2,8%	571 766	571 229	-537	-0,1%
Zambia	15 464	14 495	-969	-6,3%	112 740	108 672	-4 068	-3,6%
Zimbabwe	192 180	198 895	6 715	3,5%	1 365 027	1 465 576	100 549	7,4%
TOTAL AFRICA LAND	610 447	630 672	**20 225**	**3,3%**	**4 800 531**	**4 962 943**	**162 412**	**3,4%**
AFRICA AIR:								
Angola	3 816	5 827	2 011	52,7%	31 503	43 461	11 958	38,0%
DRC	3 458	4 488	1 030	29,8%	19 061	22 959	3 898	20,5%
Egypt	565	651	86	15,2%	5 633	5 243	-390	-6,9%
Ethiopia	690	818	128	18,6%	5 591	6 197	606	10,8%
Ghana	1 515	1 874	359	23,7%	11 263	13 299	2 036	18,1%
Kenya	2 327	2 403	76	3,3%	18 961	17 933	-1 028	-5,4%
Morocco	126	115	-11	-8,7%	1 070	1 209	139	13,0%
Nigeria	4 477	5 295	818	18,3%	34 056	34 701	645	1,9%
Senegal	214	177	-37	-17,3%	1 669	1 584	-85	-5,1%
Tanzania	2 995	2 791	-204	-6,8%	23 763	23 185	-578	-2,4%
Uganda	1 039	1 105	66	6,4%	8 878	8 963	85	1,0%
Other Africa	4 257	3 997	-260	-6,1%	27 957	26 361	-1 596	-5,7%

Source: SA Tourism (2018)

The increasing importance of Africa as a source market was also raised by a number of interviewees. Passengers arriving from Africa at airports are increasing, and social travel from Africa is growing. Zimbabwe has shown a huge increase. Specific challenges in terms of attracting more tourists from Africa were highlighted:

- We compete with Paris, New York and the likes for high end African travellers. SA is not fashionable for high spending Africans (only perhaps Cape Town).
- Travelling into Africa is too expensive, it is sometimes cheaper to go to Thailand than Malawi.
- Why are we not attracting more visitors from Africa. Are we not providing the right product or are we expensive?

c. Changing preferences

The predominance of emerging generations and their inclinations for sustainable, bespoke and unique travel experiences could result in a shift away from more traditional sea, sun, sand, and attraction based tourism. The emerging generations bring with them unique preferences, and the tourism destination of the future will have to adapt their offering if they want to cater for these generations. They are expected to choose travel experiences that they believe to be "authentic" – preferring to head off the beaten track and "live like a local" (Future Foundation, 2016). Generation Z, for example, seems to be highly impacted by social media and recommendations by peers when making travel choices. They are interested in unique trips focused on relaxation, but with an element of risk included (Globetrender, 2017). While the craving for risk-taking may weaken as Generation Z nears retirement, it is possible that this preference will be taken up by succeeding generations. However, the buying power of these groups in 2040 may affect their inclination and/or ability to travel, as they have faced economic circumstances that have generally made it more difficult for them to accrue wealth as easily as for preceding generations (Dobbs et al., 2016). Indeed, Millennials were hit hard by the global recession, which impacted career advancement, and now face a changing workforce that is often precarious and increasingly automated, as well as greater inequality in general. These changing situations may also go some way to elucidating the trend towards shorter trips and growing popularity of budget travel options such as no-frills airlines, home-sharing and ride-sharing platforms, hostels etc. These matters must all be addressed in assessing the travel preferences of emerging generations in the decades ahead (OECD, 2018a).

The in-depth interviews held in preparation for the Tourism Futures Workshop raised a number of changing preferences that will impact the future of tourism in South Africa.

- Tourists want a sense of belonging and meaningful exchanges, experiences and interaction with the destination and local people (food, culture and activities).
- Rise of "ethic groupings" for example the "African American Market" would like to travel to SA to return to their roots.
- Fitness travellers: there are now fitness tours so niche travel agents will give an adventure holiday or extreme sport holiday, linked to a traveller's level of fitness.
- Free from movement: free from lactose, free from gluten, if not pure veganism it is a shift towards plant based diets.
- Social responsibility: the non-tech disrupter that is going to be pivotal in what people spend their money on, social justice will become an important motivator in travel experiences. Sustainable experiences will be demanded, since tourists are becoming aware of their impact.
- Time will be more important than the cost of travel to a lot of people, thus the quicker they can get there, the more attractive the destination will become.

10.2.6 Tourism awareness in South Africa

One way to increase tourism awareness in South Africa, is to encourage domestic travellers to travel more in their own country. There is significant difference between countries in the relative importance of the domestic market to the tourism economy. In various developed countries it can be many times more valuable than the international market in terms of total visitor spend. Many countries are looking to grow domestic tourism, acknowledging its importance in supporting business performance and securing profitability. The risk of over-reliance on certain international markets which may become unstable, might be lessened with a strong domestic market. It may also help to address seasonality, even though in certain countries domestic tourism is in fact more seasonally peaked. Domestic tourism might also be more sustainable, since lower transport related carbon emissions per visitor is produced (OECD, 2018c).

During the in-depth interviews held in preparation for the Tourism Futures Workshop interviewees were fairly vocal about domestic tourism in South Africa, and what can be done to increase it in future. Most agreed that domestic tourism has been neglected and that everywhere else in the world it is regional tourism and domestic tourism that keeps tourism economies afloat. What that means is that when the industry of a region country is put under threat because it is such a fickle industry, it will not necessarily collapse and fold because an international market has developed a particular attitude towards it. Domestic tourism is essential for job creation, and gives us resilience to bounce back. The ideal would be a split of 75% domestic market, and 25% international market. Challenges in growing the domestic market were also highlighted:

- Over-tourism (Cape Town)

- The tourism product needs to be adjusted for emerged and emerging market
- Small town viability
- Affordability

10.2.7 The tourism product

a. City tourism

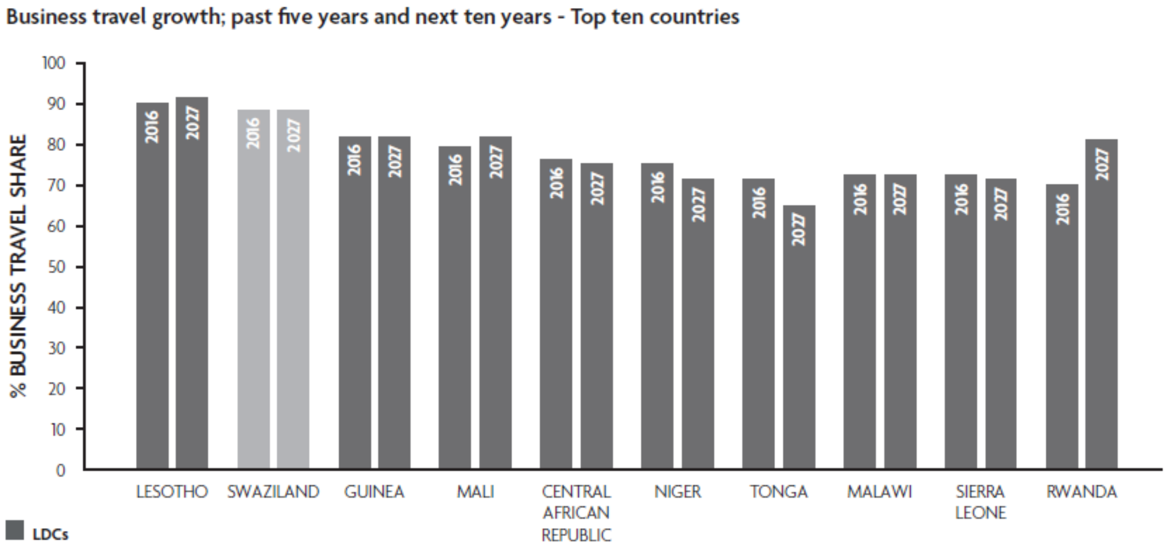
With 54% of the global population residing in urban areas, cities have become global economic hubs, driving growth and innovation, while attracting an increasing number of people who will come to live, do business and discover them. This growth has also lead to an increase in city tourism - a trend which is predicted to last. Cities represent 45% of global international travel. With over half a billion trips taken to cities yearly, they have become catalysts of global travel, leading to substantial growth in Travel & Tourism within city boundaries and for wider country destinations. Travel to cities has increased more rapidly than total international travel demand in the past decade (WTTC, 2018).

During the in-depth interviews held in preparation for the Tourism Futures Workshop interviewees mentioned the growing interest in city tourism in South Africa. Some mentioned that cities are becoming more important than countries. Another interviewee mentioned the importance that rooftops play in city tourism as a venue and an attraction.

b. Business Tourism (travel)

Within developing economies, business travel often plays the primary role in growth of the wider Travel & Tourism sector. Fourteen of the top 20 countries where business travel signifies the biggest share of total Travel & Tourism GDP in 2016, are those categorized as Least Developed Countries (LDCs) by the UN3 (see figures 14+15). Travel & Tourism in these countries is severely dependent on the business structures that generate the infrastructure and jobs for the transportation, accommodation and other services that leisure travellers could use in due course (WTTC & Travelport, 2017).

Figure 14: Business travel growth



From: WTTC & Travelport, 2017

Figure 15: Top ten countries forecast growth

Top ten countries forecast growth in business travel 2017 - 2027

	BUSINESS TRAVEL REAL GROWTH 2017-2027	% SHARE OF TOTAL T&T 2016	% SHARE OF TOTAL T&T 2027	SHARE INCREASE 2016-2027
CHINA	9.5%	19.2	23.3	4.1
MYANMAR	8.7%	39.9	46.1	6.2
RWANDA	8.5%	70.2	81.1	10.9
GABON	8.5%	26	33.7	7.7
GREECE	8.2%	6.7	9.7	3.0
HONG KONG	8.0%	16.1	18.8	2.7
TANZANIA	7.9%	14.5	16.8	2.3
CAMBODIA	7.4%	15.1	16.2	1.1
SOLOMON ISLANDS	7.3%	31.5	40.2	8.7
INDIA	7.2%	5.4	5.4	–
WORLD	3.7%	23.1	22.4	-0.7

From: WTTC & Travelport, 2017

During the in-depth interviews held in preparation for the Tourism Futures Workshop interviewees commented on the importance of business travel as a sector in the tourism industry.

- Some mentioned that business travel is expanding into Africa, and that they are seeing more trips to/from Africa as a result of South Africa's world class infrastructure.
- The trend towards convexes were also mentioned (linking conferences and exhibitions).
- Bleisure travel is also increasing, as a result of the increasing importance placed on traveller well-being and creating a work-life balance. Business travellers should be encouraged to explore leisure opportunities at t the destination.

To summarise the social trends and their impact on tourism in South Africa:
The opinion of many interviewees was that we as a country need to decide what kind of a tourist destination we want to be? Do we want to be a mass tourist or quality tourism destination? We need to reconsider the markets that we are targeting. How we capitalise on emerging markets, emerging generations and their changing preferences will determine the type of product that we need to develop and market as well as the number of jobs the tourism industry will be able to create.
The following issues need to be considered for the success of the tourism industry in the future:

- The Chinese, Indians and Africans have very specific tastes and travel behaviours, and if these are markets worth targeting, our product offering should be adapted to appeal to them.
- Our product offering should be accessible to the ageing market, a growing, lucrative segment.
- Emerging generations are powerful consumers and have very specific requirements related to technology, social responsibility and sustainability when they travel, and we should ensure that our product appeals to this market.
- We need a tourism industry that is transformed. Blacks do not always feel comfortable to travel, since the tourism product was designed for Whites. We need an inviting tourism product, for all races, ages and genders in South Africa.
- City tourism and business tourism are growing trends and provide significant opportunities for the South African tourism industry.

11. TECHNOLOGY TRENDS

11.1 Overview

Developments in technology are making travel more affordable, accessible and simpler for many people throughout the world, and in the future, technology could totally change what is thought of as tourism (OECD, 2018b).

In the development of the Future Scenarios for South Africa's tourism industry, participants highlighted **technology certainties** inherent to the tourism industry. It is within these certainties that policy-makers and industry leaders need to shape tourism's future in South Africa.

From a technology perspective these certainties were identified:

1. Technology will shape the tourism sector.

11.1.1 Technology will shape the tourism sector

Advanced technology allows tourist destinations to add value for their visitors and minimise operating costs (Elmahdy *et al*, 2017). Mobile technology and expanded mobile services covering remote areas will encourage tourists to visit and experience new, unknown nature areas. Electronic word-of-mouth becomes an increasingly important factor for destination image and travel behavior. Social media allows for more transparency between customers and suppliers as well as more competition among tourist destinations and greater consumer power as it opens new horizons for the introduction of novel marketing and sales technologies in the entire tourism industry (Zsarnoczky, 2018). The Internet of Things is expected to help in managing visitors flows in outdoor areas, improve traffic management and enhance the monitoring of fragile ecosystems (Elmahdy, 2017). Because of the digital revolution, the international development trends in tourism have led to innovative solutions such as cloud-based booking sites or information and experience sharing via digital platforms. The bulk of tourism market stakeholders have access to exhaustive information on their consumers and can meticulously follow and track how consumers change and behave. These innovative systems of tailored products and services are accessible thanks to numerous flexible follow-up techniques like CRM client databases. The cloud-based CRM client database systems – ones that produce suggestions by studying earlier sales records and demographic data – have developed quickly (Zsarnoczky, 2018). Indoorization of outdoor activities and artificial recreations settings may signal a shift away from recreation in nature, but it is also argued that such services can stimulate participating in Nature Based Tourism (Elmahdy *et al*, 2017).

11.2 Drivers of change

In the development of the Future Scenarios for South Africa’s tourism industry, participants highlighted a number of key **technology uncertainties** which could have a significant impact on the South African tourism sector and divert its course either positively or negatively:

1. Technology developments.
2. Developments in transport technology.

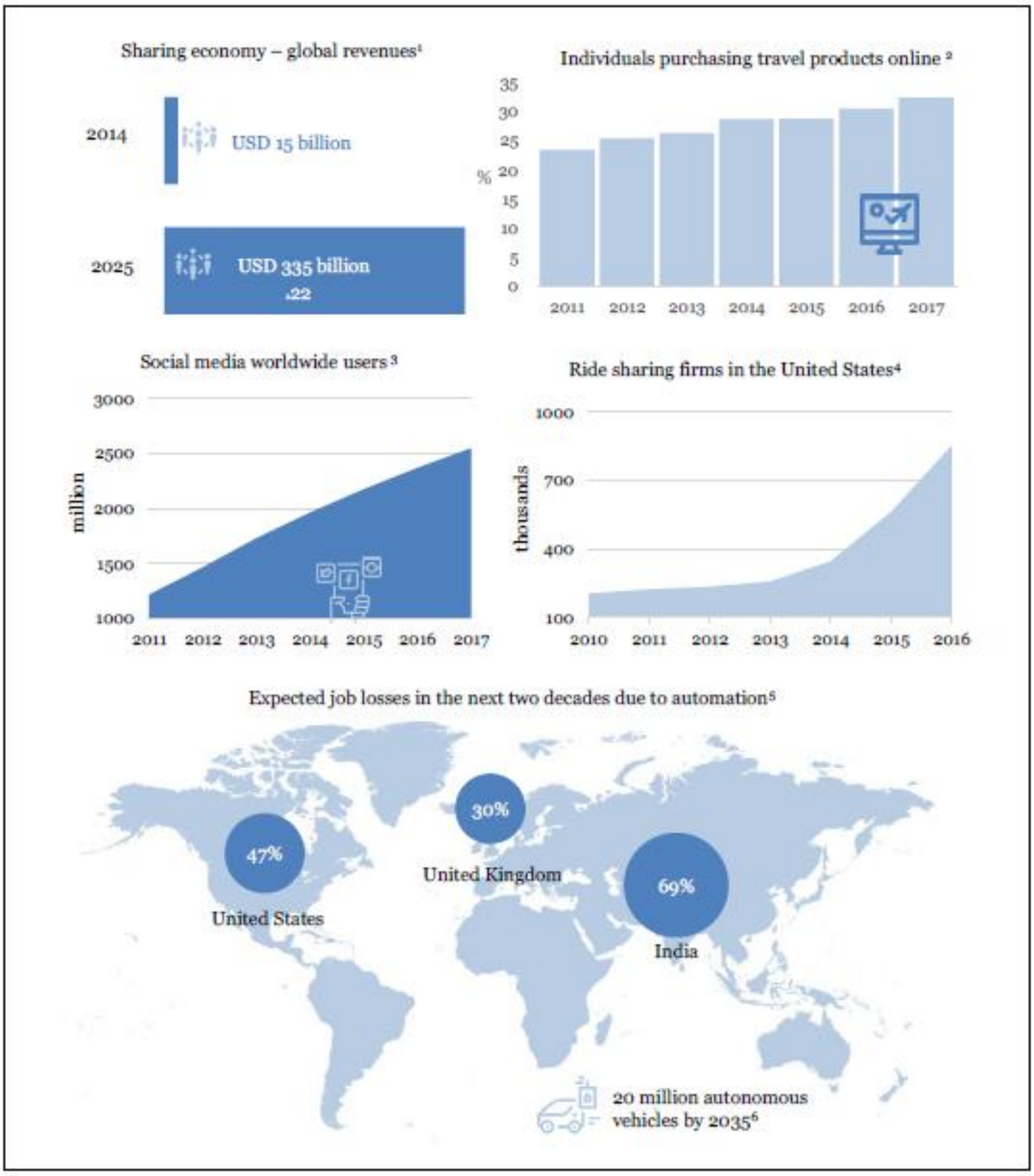
11.2.1 Technology developments

New technologies are reshaping sectors and markets across the globe, and the speed and magnitude of disruption seems to be speeding up. From the sharing economy to the Internet of Things, to autonomous vehicles and artificial intelligence, and blockchain technology to big data analytics, a variety of novel and developing innovations are promising to bring more opportunities for people everywhere. Together, these trends could make travel more affordable, accessible and efficient to many people. The reconceptualization of middlemen such as intermediaries could signify that established models of tourism in areas like accommodation or travel agencies will continue to be drastically redesigned, with more travellers using technological platforms to link directly with the supplier, instead of dealing with a booking agent or professional travel agent. Policy makers will have to contemplate how to give a supportive environment that stimulates innovation as new technologies are being developed, with the possible advantage of more effortlessly linking tourists with a broader selection of business partners and destinations. New technologies will also have a complex and less well-understood influence on employees working in the tourism industry. For example, the introduction of new technologies that can automate human tasks through machine learning and artificial intelligence could totally change how people work, what they do, and more generally how many jobs are accessible. Policy makers must also contemplate how to manage these fast changes to prevent possible negative consequences (OECD, 2018c).

In recent periods, technological developments have made travel more affordable, accessible and simpler for many people, and in the years to come, technology has the potential to completely change what is thought of as tourism (e.g. integrated ticketing, mobile payment systems). For example, as virtual reality technology are improving, it is possible that virtual tourism could either supplement or replace physical journeys for some travellers. On the other hand, as people’s lives are becoming more digital and connected, the chances to unplug and have analogue, natural experiences while tavelling may well become a favourite alternative to purely digital experiences. It is not yet clear how travellers’ behaviours will change given these types of paradigm-shifting technologies, but it does provide broad possibilities and challenges for policy makers who should ensure that their national and local economies are ideally positioned to flourish in the world of tourism 2040 (OECD, 2018c). The major key trends related to the enabling technologies are given in figure 16 below.

Figure 16: Key trends related to enabling technologies

Figure 3. Key trends related to the enabling technologies



OECD infographics based on various sources: 1. PwC (2015); 2. OECD Dataset: ICT Access and Usage by Households and Individuals (extracted in June 2018); 3. UNWTO/GTERC (2017); 4. Hathaway and Muro (2017); 5. Frey and Osborne (2013) and Kim (2016); 6. IHS markit (2016). Some of the icons were designed by Freepik from www.flaticon.com.

Source: OECD (2018c).

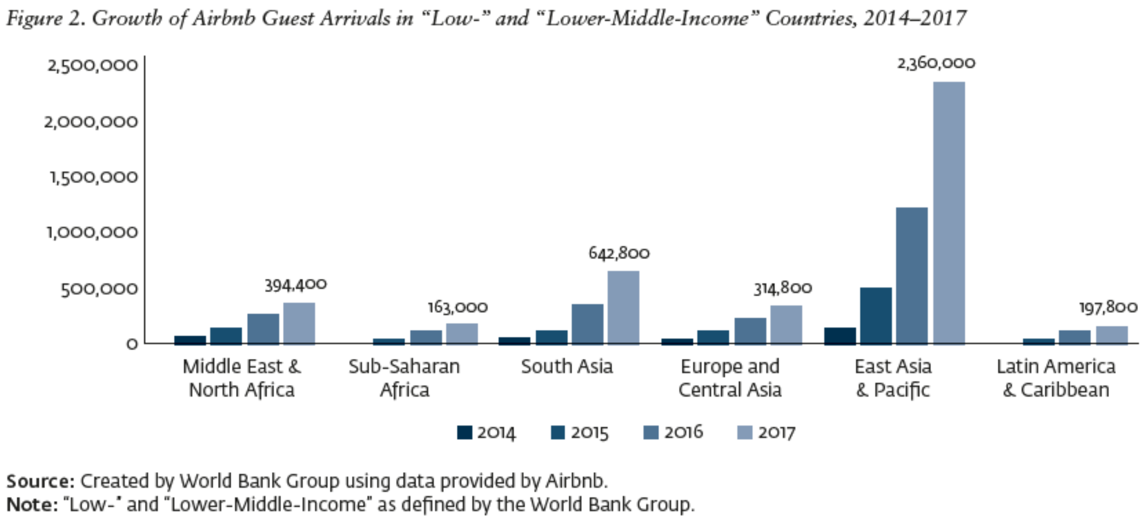
It is difficult to predict how technologies that are already in existence will continue to change– as well as the development of new and yet unknown technologies – making specific actions by policy makers a challenge. The fast speed with which technology is changing in society, which is expected to only speed up in scale, further intensifies the difficulty of adjustments to current approaches and novel policy responses. Technological innovations could alter the tourism experience, how people work within the sector, and raise questions about how to best manage these transitions. A priority area for policy makers will be the continued focus on future-proofing and anticipating how technologies will bring new opportunities and pose challenges to the tourism sector (OECD, 2018c).

a. The sharing economy

The sharing economy has grown rapidly in the last five years to capture a substantial share of economic activity (OECD, 2018c). Digital platforms give the marketplace and payment systems, enabling individuals to offer their rooms or entire homes as tourist accommodation to consumers directly without needing to create a website or collect payments directly. With these new accommodation options available, travellers can now locate cheaper, flexible, and local accommodation options, which were in the past off the radar of online travel agencies (OTAs), visitor information centers, and guidebooks, or did not exist at all (The World Bank, 2018. However, some worry about the quality of home-sharing accommodations compared to hotels. Some countries and cities have made progress on regulating home-sharing but many more are still assessing what the best way is to react to its development and growth. The same is true for ride-sourcing, which has also come across comparable challenges regardless of its substantial growth in recent years. The sustained, fast growth of ride-sourcing firms such as Uber, Lyft and BlaBlaCar is also giving more choices for people when travelling that can be more affordable and efficient. (Sawers, 2016). Dining and travel experience are also expected to grow in the future, as travellers become more at ease and familiar with the opportunity to dine in someone’s home when on a trip (through platforms such as BonAppetour and VizEat), or use the opportunity to take a tour or personalised experience through platforms like Vayable, ToursbyLocals and recently through Airbnb’s Trips feature, which provides tours and exclusive experiences hosted by locals (OECD, 2018c).

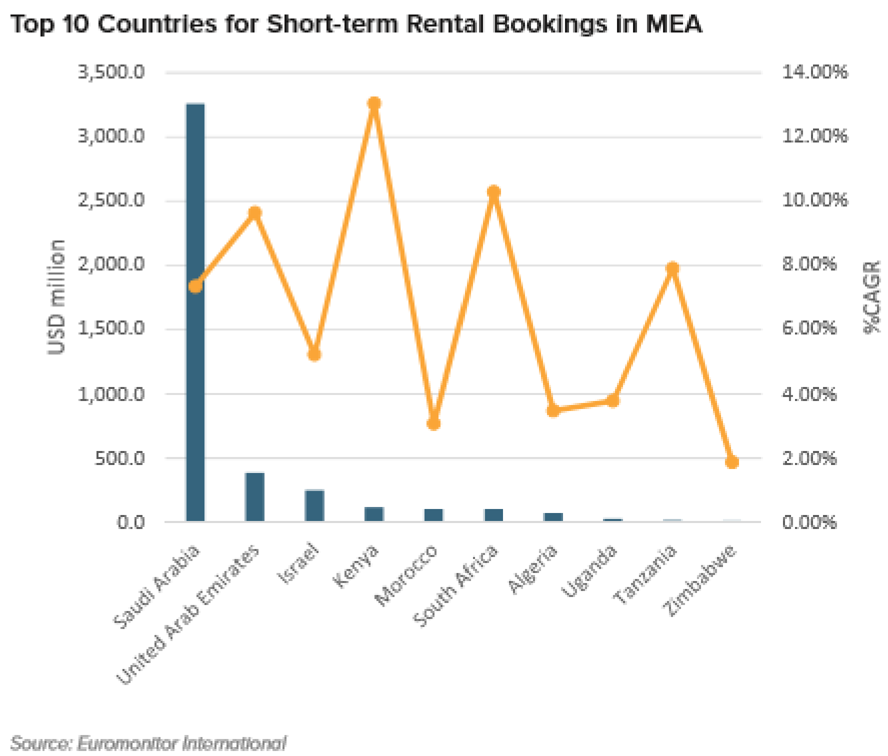
Even though P2P accommodation has shown high growth rates in the last five years, it seems that these rates have slowed down in mature markets. Increased regulation and bad media coverage are reasons given for the slower growth of supply. Emerging markets are new growth centers for P2P accommodation. Statistics received from Airbnb indicated that the number of guests in low-income and lowermiddle- income countries has increased by 1,160%, from 323,100 in 2014 to more than 4 million in 2017 (also see figure 17 and 18). The fast increase in peer-to-peer accommodation provides opportunities and challenges for destination managers. Destinations that could previously not expand due to a lack of accommodation, are no longer held back. Day trips to villages can be extended to overnight visits, resulting in more visitors for local restaurants, shops, and other businesses. In addition, digital technology could substantially decrease the cost of collection, storage, computation, and transmission of data about travellers’ behaviour. P2P accommodation also makes it difficult for destination managers trying to plan, develop, and manage the quantity, quality, reputation and safety of the entire destination. P2P accommodation competing with the hotel market is another challenge, as many tourist boards get funding and other kinds of destination-level support from hotels (The World Bank, 2018).

Figure 17: Growth of Airbnb in emerging economies



Source: The World Bank (2018)

Figure 18: Countries for short term rental bookings



Source: Geerts (2018)

Millennial guests are the main users of P2P accommodation. Sixty percent of all guests who book on Airbnb are between the ages of 18 and 35. In China, 83% of those booking on Airbnb are millennials. For Homestay.com, 52% of guests are age 18–35. However, the average age does vary by platform. A 2016 study by Pew Research Center noted that 42 is the median age across users of Airbnb, HomeAway, VRBO, and similar services. More statistics is needed to recognize whether the higher usage rate by millennials is due to the appeal of the P2P accommodation product, or as a result of their overall higher usage of digital technology. It is also uncertain whether the existence of P2P accommodations leads to the growth of this younger market or whether the current market has only moved away from traditional to P2P (The World Bank, 2018).

In the development of the Future Scenarios for South Africa's tourism industry, participants also agreed on the importance of the sharing economy. However, they did raise a few concerns.

- They mentioned that these establishments are threatening traditional accommodation and transport modes.
- Some people are buying houses for Airbnb purposes (pushing out locals) and completely changing the character of towns.
- Uber could also lead to a loss of revenue for airports in terms of parking fees.

b. Artificial Intelligence

Fast progresses in automation through robotics, machine learning and artificial intelligence are set to upset labour markets around the globe in the next 20 years, possibly removing up to 69% of current jobs in India, 47% in the United States and 30% in the United Kingdom (Frey and Osborne, 2013; Kim, 2016). In 2015, Japan opened the world's first hotel staffed by robots and the company who started with the idea has plans to open 100 more locations by 2021 (Kikuchi, 2017). Many jobs in the tourism sector, will possibly be influenced by this growing infiltration of automation into the economy. Simultaneously, real-time translation software is easing the burden of travelling to regions where they do not speak the language (NITB, 2013). Although this can give tourists more choices, it also have the potential to influence the duties of tour guides. Virtual assistants are being developed, powered by artificial intelligence, to assist travellers in booking trips more simply (Boztas, 2017; Levere, 2016). Big data is also being utilised to make services more effective and personalised by using such data to track buying behaviour and forecast service demand (Song and Liu, 2017). However, the increased usage of big data raises concerns over privacy, incorrectness and mismanagement of such information (OECD, 2018c).

c. Blockchain technology

Known primarily for underpinning cryptocurrencies such as Bitcoin, blockchain technology has a broad array of possible applications in various sectors. In tourism, blockchain applications could consist of improved forms of identity management and more secure, effective communication for travellers with the whole range of travel service providers, from airlines to loyalty reward programs (Gjerding, 2017). Blockchain technology also has the possibility to alter and simplify loyalty programs for frequent travellers (Kowalewski et al., 2017).

d. Virtual reality (VR) technology

Tourism is a sector that could clearly be affected by virtual reality if people were able to experience novel and unusual places without leaving the comfort of their own homes. A key point in the tourism sector will be to balance the potential and promotion of VR destination experiences against the interests of those along the traditional tourism value chain. Virtual tourism experiences may offer a chance for other on-site experiences at sites seen as too environmentally or culturally sensitive to allow physical visitor access. Through augmented reality (AR) the tourism sector could be transformed, as tourists and suppliers adjust to technologies such as holograms or mobile apps that add virtual elements to real-life situations. Visitor experiences could be enhanced through easier access to navigation information, translations, and even virtual interactions with historical figures (OECD, 2018c).

e. Social Media

Today platforms like TripAdvisor, Instagram, Twitter and Facebook have given travellers the chance to share their pictures, videos, recommendations, opinions, and reviews of their travel experiences, virtually and in real-time with their friends, as well as with large worldwide audiences. This user-generated content (UGC), is often more widely used and influential than other sources of content. The credibility and power of UGC is not guaranteed and is determined by many factors such as the quality, relevance and usefulness of the information, as well as users' previous experiences with the online platform. Online travel reviews on TripAdvisor have grown to 660 million in 2018 with more than 255 new content pieces posted every minute. This growth in review volume and activity on UGC platforms is being driven out of emerging markets. Over the past five years, the average growth rate of reviews posted by travelers from the Middle East, Asia, and Eastern Europe was 21 percent, 18 percent and 10 percent respectively (The World Bank Group & Tripadvisor, 2018).

In particular, UGC is often used to impact the choices of emerging generations, such as Millennials or Generation Z. While the increasing universality of social media offers opportunities for those marketing destinations, it can also present a threat for vulnerable destinations (communities, cultural or environmental attractions) unprepared or unsuited to rapid growth in tourist traffic due to sudden popularity on one or more platforms (OECD, 2018c).

From the in-depth interviews held in preparation for the Tourism Futures Workshop interviewees agreed that the influence of social media as an information source is increasing for example bloggers. Within seconds a whole lot of people know about the level of services that they have experienced at a tourism establishment. Interviewees also believed that the effect of social media would be the biggest on millennials. Some highlighted the need for social media experts in tourism organisations.

11.2.2 Developments in transport technology

New technology is reducing the cost and the increasing speed of travel thus increasing accessibility to various tourist destinations. Schemes to reduce carbon emissions are expected to negatively impact destinations far from markets (Elmahdy *et al*, 2017). Autonomous vehicles (AVs) are already successfully being tested on the roads in a number of countries and it is expected that the use of this technology on a wider scale could happen by 2025 or sooner (Keating, 2017; Assis, 2017). Sales of AVs could reach more than 20 million by 2035 (IHS Markit, 2016). Widespread adoption of AVs would have major consequences for traveller movement and tourism both within main urban centres as well as for inter-city or regional travel (OECD, 2018c).

From the in-depth interviews held in preparation for the Tourism Futures Workshop interviewees mentioned a number of new transport technologies that could have an influence on the South African Tourism industry of the future, for example:

- high speed trains,
- driverless cars,
- vertical take-off and landing technology etc.

The impact of these technologies is that transportation hubs will have to be reconfigured. Parking at these hubs will become less important, since travellers will be dropped off at the airport either by means of Uber or a driverless car etc.

From the in-depth interviews held in preparation for the Tourism Futures Workshop interviewees made some general comments in terms of the future influence of technology on the tourism industry. These viewpoints can be summarised in implications for the tourism industry, opportunities and threats.

Implications for the tourism industry

- The impact of technology will become faster and faster
- We live a world of instant communication and constant connection
- Data protection regulations should be adhered to
- Technology should act as an enabler. It frees up the human to do more that drives real value
- South Africa should be on top of technological enhancements, but we are not there yet

Opportunities

- Consumers expect to interact at certain points in the value chain with humans, particularly at problem-solving level
- Technology allows SMMEs to compete with large corporations
- Technology allows the tourism industry to build a better customer experience
- It improves the ease of movement
- Manual completion of forms and arrival cards are outdated, if digitised, it could improve tourism
- The more accessible information is the more aware people become of a destination.
- Opportunity to push message to consumer, rather than wait for them to visit your site: we could be a lot more proactive in sending out communications or offers, in getting the message across.
- Personalisation.
- Deliver more value to the customer.
- Growth in importance of Big Data which allows for personalisation of content - not yet used effectively in SA to analyse data
- With big data it becomes easy to understand where the pressure is building up in terms of over-tourism

Threats

- Job losses as a result of technological advances (e.g. self-service check-in at airports, sharing economy)
- Disintermediation - Suppliers increasingly want better control of their distribution since they do not understand the value that travel agents bring.
- Technology solutions increasingly enable consumer to interact directly with suppliers or use OTAs (Online Travel Agents etc.)

To summarise the technology trends and their impact on tourism in South Africa:

Technology could have a severe impact on the tourism industry and specifically job creation (or losses) in South Africa. The sharing economy provides enormous opportunities for job creation, but at the same time, other enabling technologies such as artificial intelligence could lead to job losses. The tourism industry in South Africa should harness technology to personalise the tourism offering, appeal to emerging generations, and improve the visitor experience.

12. ENVIRONMENTAL TRENDS

12.1 Overview

Tourism is closely linked to the environment, underlining the latter's extreme importance.

In the development of the Future Scenarios for South Africa's tourism industry, participants highlighted a number of **environmental certainties** inherent to the tourism industry. It is within these certainties that policy-makers and industry leaders need to shape tourism's future in South Africa.

From an environmental perspective these certainties were identified:

1. Tourism is impacted by events outside of the sector's control.
2. Climate change and responsible tourism.

12.2 Tourism is impacted by events outside of the sector's control

"Tourism's opportunities and growth potential is enormous IF the world avoids major crises. There are several obvious very major crises that could hugely disrupt the industry...One is runaway climate change that is causing havoc in a lot of tourist destinations, a second is conflict that ends up making tourism frightening and blocked in many places, and a third is epidemic diseases (like Zika) that make it frightening to travel." Prof Jeffrey Sachs, Earth Institute, Columbia University

Even though certain events and security emergencies such as terrorism, natural disasters, and civil unrest are outside of the tourism sector's control, we can control how we respond to these events that disrupt tourism operations at destinations. For this reason, companies within the tourism industry will need to have suitable procedures to react to emergencies, including implementing procedures to synchronize with all levels of government law enforcement bodies. The prediction that the travel and tourism industry is set to grow at 4% per year globally, does not take into account the fact that our sector could encounter ever-rising and unforeseeable shocks, from terrorist attacks and political instability, to health pandemics and natural disasters. Every year, new challenges become apparent to test the resilience of the sector. According to the Institute of Economics and Peace's 2016 Global Terrorism Index16, deaths from terrorism in OECD countries increased with 650% from 2014-2015, and these years were the worst years ever documented for global terrorism. A lack of employment and opportunity together with increasingly poor performance in socio-economic measures could be attributed as drivers for terrorism in OECD countries. Twenty-one of the 34 OECD countries experienced at least one incident in 2015 (WTTC, 2017).

From the in-depth interviews held in preparation for the Tourism Futures Workshop participants agreed that the environment is the core of our value proposition. Our environmental assets underpin the lifestyle why people come here. A lot of our food, our wine is anchored in our environment. Our main assets are anchored in our environment and our people to a large extent are anchored in our environment as well. The challenge is thus to develop, engage and sustain our environmental assets into the future.

12.3 Drivers of change

12.3.1 Climate change and responsible tourism

a. Climate change

"Climate change is the root cause of most other issues. If we don't reverse climate change in the next 20 years, there's no chance of recovering loss of natural heritage. As global warming temperatures rise, it'll bring new pandemics to different areas" Eric Ricaurte, Greenview.

The consequences of climate change for the Travel & Tourism sector are extensive. Subjection to climate-related risks from floods, sea-level rise or crop failure can have an enormous influence on the estimation of tourism property and infrastructure. (WTTC, 2017). Climate change will influence which destinations will be preferred by tourists and which ones will cease to be as attractive while also impacting on the profitability of tourism through increasing energy use, seriously impacting on the 'bottom line' of operators (Dwyer et al, 2007). Subjection to climate-related risks from floods, sea-level rise or crop failure can have an enormous influence on the estimation of tourism property and infrastructure. Winter tourism is negatively impacted in regions such as Northern Europe and North America as winter becomes warmer and wetter; lower-altitude ski resorts are predicted to encounter economic problems as a result of the decline in snow cover and visitation levels, while capacity pressures will be created in higher-altitude resorts. Dog sledding and snowmobiling are also expected to face negative effects due to reduced snow cover. Climate change is leading to receding glaciers, hence, diminishing not only their aesthetic value but also their economic value associated with tourism activities such as sightseeing, trekking and skiing. Climate change is also leading to coral bleaching, starfish outbreaks and environmental degradation which negatively impact dive and snorkel tourism (Elmahdy et al, 2017). UNESCO identified 31 attractions that were at severe risk as a result of climate change. These attractions are defenceless and in danger due to increasing temperatures, rising seas, escalating weather events, melting glaciers, worsening droughts, and longer wildfire seasons (WTTC, 2017).

"Our industry is dependent on destinations with beautiful natural and cultural resources. The industry relies on the beauty of destinations. The goal is for our industry to be supportive of local communities, and one way we can do that is by incorporating sustainability into the bottom line". Tiffany Misrahi, World Economic Forum

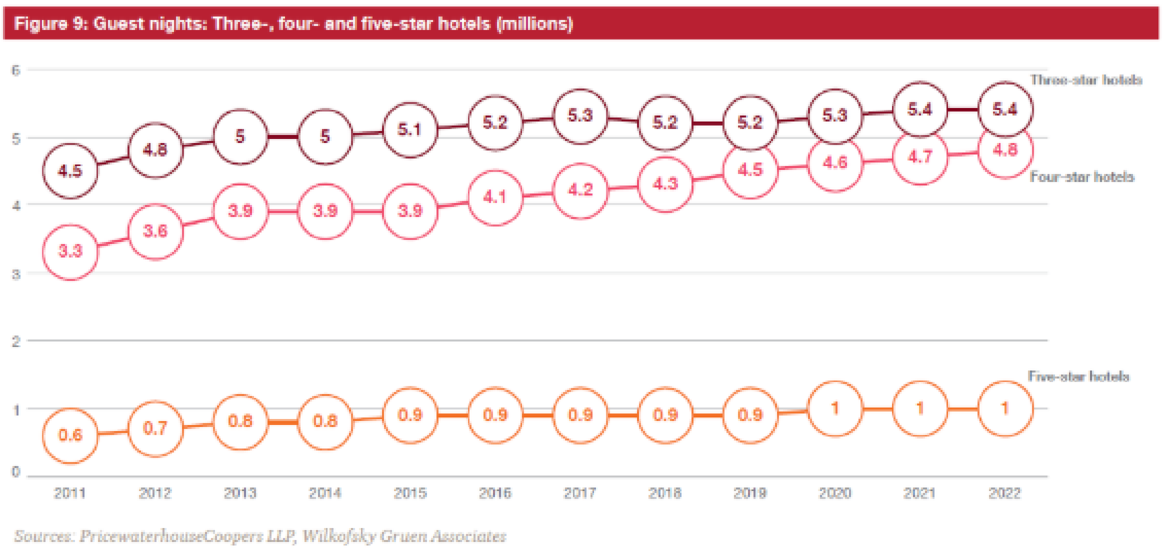
With more than one billion international tourists travelling the world every year and estimated growth upwards of 3.8% for the period 2010 to 2020 as well as billions more domestic travellers, upholding destination integrity and attractiveness is essential to the long term sustainability of the sector. Commoditisation and degradation reduces destinations' attractiveness and, in certain cases, is expected to permanently alter the features that make them appealing for tourism (WTTC, 2017).

b. Responsible (sustainable tourism)

Tourism is widely seen as an activity that humans engage in that is reliant on natural resources, while at the same time also instrumental in the depletion of these resources. Tourism as a sector is a consumer of energy and generator of greenhouse gas emissions. It also adds to fresh water and land use, degrading the environment, and consuming unsustainable food. In addition, tourism has a number of effects on global biodiversity. Tourism's interconnectedness with these resources can be direct or indirect, and although all tourism activities are in the long run local, they contribute to occurrences of global significance. At the same time, however, tourism can also increase awareness of environmental and cultural values, contribute money to the protection and management of protected areas, and grow their economic value and prominence. Tourism which should be based on broad stakeholder engagement and sustainable development principles can lead to more inclusive growth by providing employment and economic development opportunities as well as social integration in cities and rural areas. Tourism can play a pivotal role in steering the changeover to a low-carbon and resource efficient economy (OECD, 2018c).

Not only is tourism reliant on fresh water resources, it is also a significant consumer of these resources, and variations in the quality or availability of water resources can have undesirable effects on tourism (OECD, 2015). In the future, there will be rising pressure on many destinations' water resources as tourism grows and the demand for higher standard accommodation and more water-intense activities continue. Therefore, tourism development may become less achievable or even impossible as a result of deteriorating water quality and the expenses linked with providing fresh water. Impacts will in the long run be contingent upon numerous factors, such as the relative shortage of fresh water in established and future tourism destinations, competition with other economic sectors for example biofuels or agriculture, the organisation of the tourist industry (e.g. small guesthouses vs. large resort hotels), as well as the amount of water that each guest uses per night (OECD, 2018c). This scenario has become a reality in South Africa, where the drought in the Western Cape seemed to affect the tourism industry. Data shows that hotels decreased their room prices to stay occupied as they took away bath plugs and pressed guests to shower in short bursts. Guest nights at hotels in Cape Town increased by 1%. This growth came from more reasonably priced three-star hotels, which reported a 3% growth compared to the overall 1% number. Five-star hotels experienced a modest decline in guest nights in 2017 according to the report, in part because of slower growth in foreign tourism and also because of a double-digit increase in average daily rates (see figure 19 below). Research done by Wesgro, Cape Town's official tourism promotion agency, indicated that January and February hotel bookings were between 10% and 15% down when compared to the same period in 2017 (Rangongo, 2018).

Figure 19: Guest nights during Cape Town drought



(PwC)

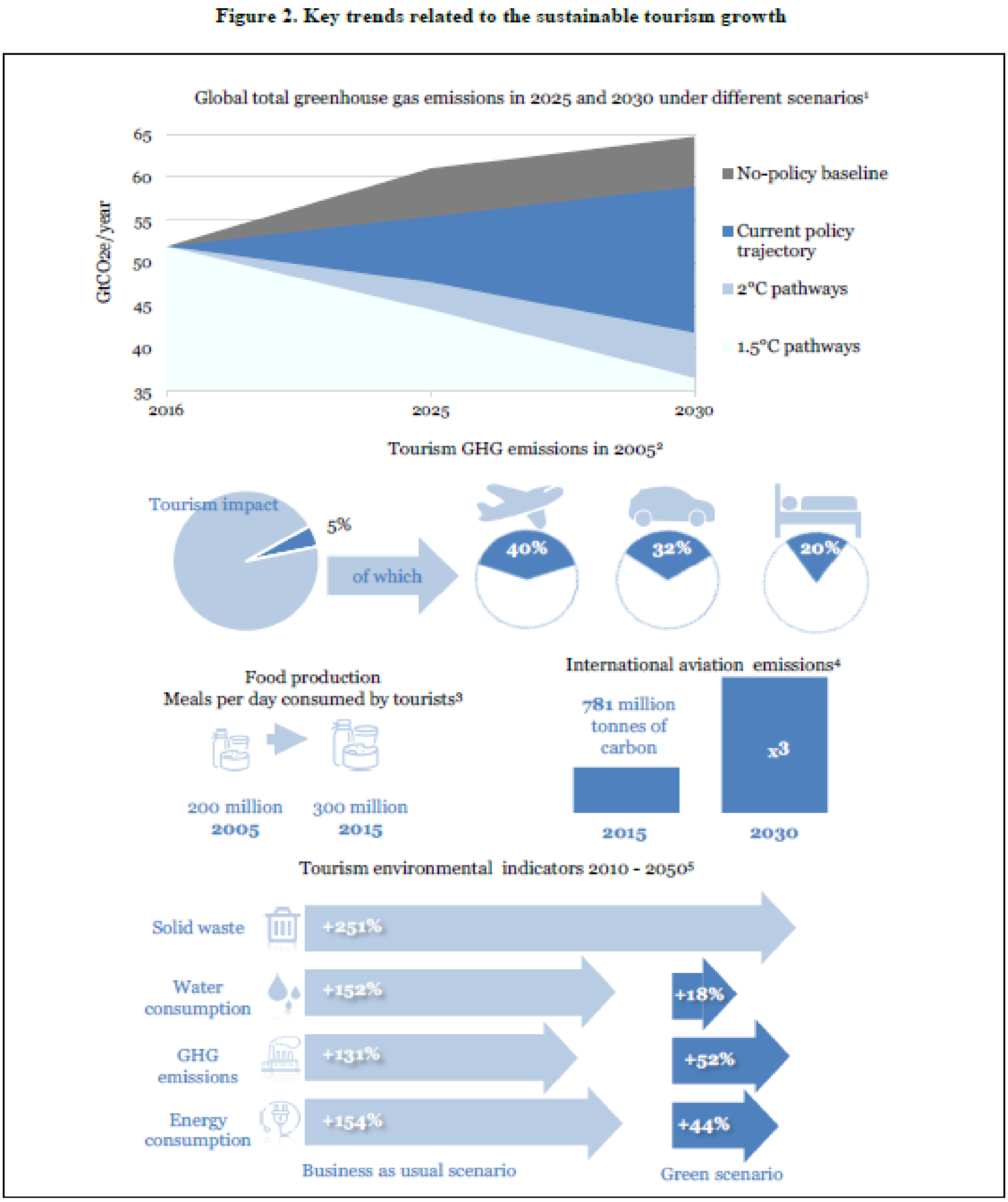
Source: Rangongo (2018)

Every year, the World Travel and Tourism Council (WTTC) identifies tourism destinations and enterprises for best practices in sustainability concerning the community, innovation, people and the environment. In its most recent report, a number of key trends were identified that give understanding into the future of sustainable tourism (WTTC, 2016):

- There has been a significant growth in the quantity and quality of applications from city destinations, highlighting the increase in city tourism along with an increased use by municipal governments of tourism for economic development.
- Conservation and preservation of biodiversity have always remained of consistent importance. Nevertheless, as a result of a global push for climate action, climate change and GHG emissions are progressively regarded as vital elements of any sustainability initiative.
- Social enterprises are becoming more involved in the tourism sector, partly due to the role of social media and mobile technology in linking people fast and simply.
- The "people" part has become more noticeable in the tourism sector, causing greater promotion of employment, training and workforce partaking as key drivers for industry development.
- There is a greater emphasis on measurement and assessment of sustainability initiatives, which has led to an increase in the overall standards in this area. The most prominent trends in sustainable tourism growth are given below in figure 20.

International aviation has increased its emissions by 83% since 1990, generating an estimated 781 million tonnes of carbon in 2015 (ATAG, 2016). In a business as usual scenario, it is estimated that the sector will generate three times this amount by 2035 (OECD, 2018c). From the in-depth interviews held in preparation for the Tourism Futures Workshop participants agreed that increasing attention is being placed on sustainability in the aviation industry. The fact that we are geographically not well-located could have a negative influence, since long distance flying might become vulnerable. Fortunately, the newer aircrafts are more environmentally friendly.

Figure 20: Key trends related to sustainable growth



OECD infographics based on various sources: 1. UNEP (2017); 2. UNWTO (2017b); 3. UNWTO-UNEP (2008); 4. CREST (2016); 5. UNEP-UNWTO (2010). Some of the icons were designed by Freepik from www.flaticon.com.

From: OECD (2018c)

In the development of the Future Scenarios for South Africa's tourism industry, participants highlighted a number of key **environmental uncertainties** which could have a significant impact on the South African tourism sector and divert its course either positively or negatively:

1. The effect of tourism on the host community (i.e. sustainability).

12.3.2 The effect of tourism on the host community (i.e. sustainability).

While well-organized tourism development has the capacity to add to the economic and socio-cultural well-being of host communities, fast and unintended tourism growth can equally lead to negative influences, such as overcrowding, which can affect both the communities and the environment upon which it relies. The latest events of tourist overcrowding in destinations such as Venice and Barcelona, Cinque Terre in Italy, and Koh Tachai in Thailand have contributed to a worsening in relationships with local communities and in many cases have been linked with the degradation of local natural and cultural heritage sites. Some of the worst affected areas have imposed restrictions, mostly with direct consequences for tourism organisations' profit. (WTTC, 2017).

From the in-depth interviews held in preparation for the Tourism Futures Workshop participants mentioned that over-tourism (overcrowding) is not yet a major threat for South Africa, but that care should be taken to manage large volumes of tourists at iconic attractions such as Robben Island and Sanparks.

Some research has linked tourism growth to the decline of traditional culture, as well as increased gambling, drug trafficking and even prostitution. Statistics also show that increased tourism can lead to increased property taxes and increased living costs in host communities, which may become too expensive for local residents (Kim et al., 2013). The exponential growth in the tourism sharing economy is a case in point. Peer to peer platforms have the ability to drive economic growth and job creation, and produce added value by motivating tourists to disperse to less well-known destinations. On the other hand, it may also create negative externalities. Accommodation sharing services specifically may affect neighbours and local residents, due to noise and other disturbances, and by contributing to pressure on the local housing market. In a worst-case scenario, poorly-managed growth of these services may also have a harmful effect on the historical fabric of destinations and lessen the attractiveness of areas as places to live and visit (OECD, 2018c).

To ensure that the effect of tourism on the host community remains positive, the OECD suggests an integrated governmental approach, with participation and support from industry and civil society. These include guarding, managing and improving natural and cultural resources, and developing the infrastructure and skills required to meet anticipated future demand. Such an approach will assist in securing the longevity of tourism as an economic and social force by focusing on environmental sustainability, all-inclusiveness, variation, innovation and strategic improvements to productivity;

rather than just responding or seeking to meet short-term objectives to stabilise, adjust or shift towards new market opportunities (OECD, 2018c)

From the in-depth interviews held in preparation for the Tourism Futures Workshop participants alluded to sustainability consciousness increasing, especially in the developed world. In fact, one participant suggested that sustainability is becoming a hygiene factor, when people travel. Even in the aviation industry, increasing attention is being paid to sustainability, which will have an impact on destinations and markets, and will change the flow of tourism globally. More importantly, while traditionally the focus has been on the economic impact of tourism, more recently, the UNWTO acknowledged that more emphasis should be placed on the benefits and impacts of tourism on local communities as well as on natural, cultural and heritage sites.

From the in-depth interviews held in preparation for the Tourism Futures Workshop interviewees made some general comments in terms of the sustainability of the tourism industry in the future. These viewpoints are summarised below:

- We do not sustain our environment as we should, the importance of an organisation such as Fair Trade should be emphasised
- Increasing opportunities in volunteer tourism
- Global certification of suppliers adhering to sustainability principles is paramount
- Major push for "Measuring Sustainable Tourism": Focus has always been on economic impact of tourism, now we have to link economic with environment with social impact. Challenges in measurement e.g. Tourism and energy use/efficiency, tourism and emissions, tourism and Government involvement.
- Animal rights/welfare issues are becoming important: People want to come to Africa to experience wildlife, but they opt to go to Botswana which is completely compatible with the animal welfare mind-set. In SA, we have created problems for ourselves because of the ethics around captive breeding of lions etc.
- Sustainable production is becoming vital: Companies increasingly practice responsible tourism. Consumers should be educated about this.
- Sustainable use of food, water and energy: Tourism industry must adapt to cater to this trend. Although not a direct tourism attraction there is a massive investment here in renewable energy. Over time, sustainability will become the cheaper option. By implementing wind and solar energy, accommodation providers will become more desirable.

To summarise the environmental trends and their impact on tourism in South Africa:

The environment is the core of our value proposition in South Africa. The challenge is thus to develop, engage and sustain our environmental assets into the future. The consequences of climate change are extensive and we should not think that the tourism industry in South Africa is immune to these consequences (as the water crises in Cape Town showed). The tourism industry should use resources sparingly, and should educate tourists on sustainability initiatives. We should adapt our tourism offering to appeal to the growing demand for sustainable tourism.

In concluding this section a quotation from Cooper (in Fennell & Cooper, 2019) is apt:

"Sustainable tourism futures will be fundamentally shaped by a number of driving forces. Some drivers are already known, some are on the horizon whilst others are yet to emerge. It is this level of uncertainty that means the tourism sector and destinations need to build-in resilience in their systems in order to be prepared for an unpredictable future. It is a mistake to treat each driver in isolation as they are interlinked and reinforcing. For example, social and economic drivers will encourage the growth of tourism, but they will also determine social attitudes to processes such as climate change and as a consequence we will see the very nature of tourism operations begin to change. However, at certain points in time, some trends will tip and become significant – and irreversible; the adoption of the Internet in the 1990s is an obvious example here. Finally, underpinning these drivers will be cross-cutting variables such as technology that will pervade every aspect of sustainable tourism in the future."

13. BUILDING THE TOURISM FUTURES SCENARIOS FOR SOUTH AFRICA

13.1 Purpose of developing the Tourism Futures Scenarios

Dwyer *et al* (2008) pose the questions of what forms tourism will take in the future and what changes are taking place globally that will influence the types of experiences that tourists will seek in the future. They go on to say that the answers that destination managers and tourism operators give to these questions will influence the types of products and services that are developed today to match future industry needs - "*Since the future cannot be known with certainty, public and private sector tourism organisations must 'gamble' on the correctness of their decisions to allocate resources today to maintain /achieve competitive advantage for their organisations tomorrow*".

The purpose of identifying megatrends and their impact on the tourism industry is to ultimately help tourism decision-makers and researchers to plan for a sustainable future. The more we know of the trends underpinning tourism development the greater the capacity of destination managers and tourism operators to formulate strategies to achieve competitive advantage for their organizations. This essentially means that businesses, destinations and industries can shape and/or modify their plans to ensure that their strategies and objectives are sufficiently robust to harness future opportunities brought about by trends.

The purpose of creating future scenarios is to present a set of alternative futures based on the identified trends and to assess how tourism can develop within the context of both certainties and uncertainties within the sector. The scenarios are based on those key uncertainties which can impact the future direction of the industry towards 2030 either negatively or positively. According to Amer, Daim and Jetter (2013) scenarios are considered a valuable tool that helps organisations to prepare for possible eventualities and makes them more flexible and more innovative and can be defined as a description of a future situation and the course of events which allows one to move forward from the actual to the future situation.

13.2 The context, scope and criteria for developing the scenarios

In order to align the understanding of all the participants in the Scenarios Planning Workshop, the process began by discussing the context within which tourism operates in South Africa with issues such as the exchange rates, politics, international markets, domestic markets and behaviour patterns, crime and the economy. Next the scope of the topic was defined with consensus being reached on the definition of a 'tourist' and types of tourists; shifting continental versus EU/US tourists; numbers of tourists; business, leisure, formal and informal; international and domestic; low-end mass market and high-end premier tourism segments. Thereafter the role-players on the supply-side were identified e.g. major holding groups, tour operators, airlines, travel agents, Government, guides, conference centre groups, attractions groups, etc. Then consensus was reached on what the sector could rely on as certainties going into the future. The discussion then turned to identifying and reaching consensus on those uncertainties that will impact the tourism sector to 2030. It was agreed that these uncertainties would form the foundation for the possible future directions of the tourism industry.

13.3 What are the certainties for the sector going into the future?

1. The tourism sector is multi-sectoral, and requires integration.
2. It is a labour-intensive sector.
3. It relies on the perception and reality of the safety within a country.
4. It competes on a global basis.
5. Globally, the sector is growing.
6. South Africa has a diverse offering.
7. Technology will shape the tourism sector.
8. The profile of tourists will constantly change.
9. The sector will be highly regulated.
10. Tourism is impacted by events outside of the sector's control.
11. Tourism is linked to economics (issues such as affordability, disposable income, and behavioural changes).
12. Climate change and responsible tourism.
13. Africa will experience continental and regional growth.
14. Consumer power is increasing.
15. The tourism sector requires a long-term, multi-pronged approach in order to achieve a best-case scenario.
16. The tourism sector is resilient, and able to build proactive strategies. This is a rule to win.

13.4 What are the key uncertainties that could have a significant impact on the South African tourism sector and divert its course either positively or negatively?

1. Government policy and uncertainty:
   i. Accessibility
      a. Visas
      b. Airlift
   ii. Unemployment; crime and unrest; and increasing levels of inequality.
   iii. Labour.
   iv. Regulation around the ease of doing business (nationally and within the tourism sector).
2. Meaningful industry transformation.
   - Internal (within South Africa and the industry – i.e. inclusive growth)
   - External (potential tourist and source markets).
3. Collaborative partnerships.
4. Tourism awareness in South Africa.
5. The effect of tourism on the host community (i.e. sustainability).
6. The ability of the sector to respond/adapt to competition/change.
7. The effect of technology.
8. Supply chain models.
9. Visitor experience and satisfaction.
10. Developments in transport technology.
11. The effects of global geopolitics.
12. The profile and preferences of future travellers (tourists).
13. The South Africa brand.
14. Tourism as a key priority strategic sector in South Africa.
15. The South African economy – business confidence, consumer confidence and investment)

Finally, it was agreed that two goals need to be achieved by the tourism industry to reach a best case scenario by 2030: competitiveness and sector cohesion.

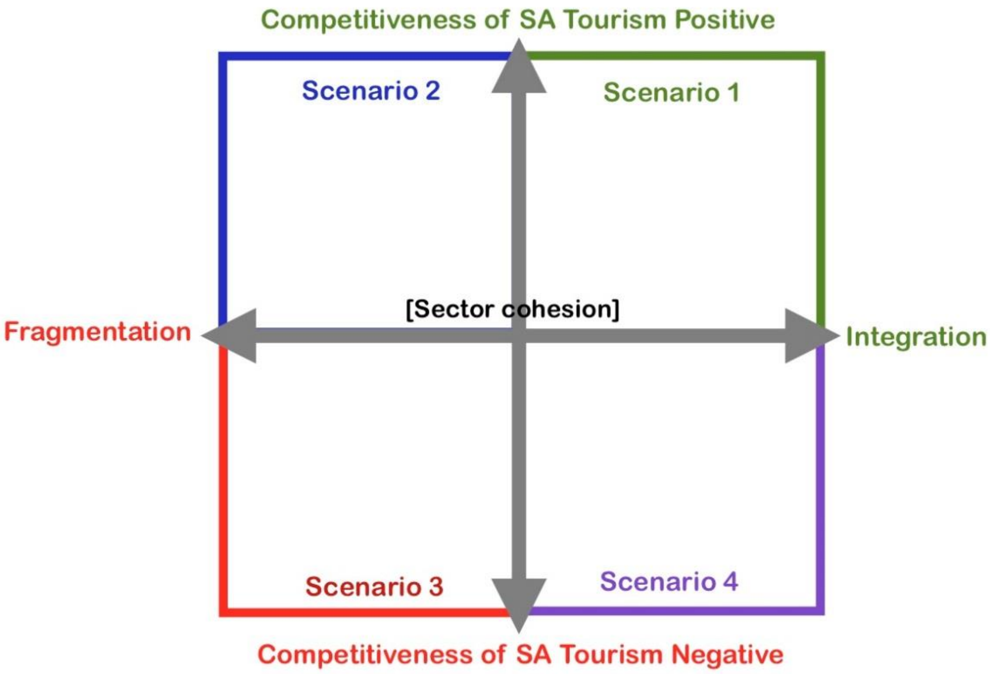
<u>Competitiveness</u>
There is increasing competition in the tourism industry - between destinations worldwide (between established markets and from new markets), between destinations domestically, and between firms within a destination. Achieving competitive advantage in times of rapid change requires tourism stakeholders to have a clear understanding of the direction of change and its implications for business or destination management (Dwyer *et al,* 2008). A competitive tourism destination can be defined as having the sustained ability to increase tourism expenditure and capacity to attract visitors while providing them with satisfying, memorable and unique experiences in a profitable way, while enhancing the well-being of residents and preserving the natural capital of the destination for future generations, within a changing macro environment.

<u>Sector cohesion</u>
"*Going forward we need to ensure that growth is planned for, well managed and includes partnerships between not only the public and private sectors but also includes communities themselves*." (Guevara, 2018).
Tourism is an interdependent system, it is multi-sectoral, essentially integrated with other sectors in the economy, it operates within an environment that is enabled by public-private sector cooperation and coordination. As such its success depends on what can be termed sector cohesion. Sector cohesion provides for planning and policymaking to achieve inclusivity and stability in the sector and initiating integration involves coordination of sectoral initiatives to help define national priorities, particularly in its efforts to adapt to the future.

13.5 The South African Tourism Futures Scenarios 'Board'

Each scenario is plotted in a quartile of the matrix (figure 21) with the horizontal axis indicating the level of sector cohesion that is achieved under each scenario and the vertical axis the level of competitiveness of tourism in South Africa. Scenario 1 would demonstrate the best case scenario where there is an integrated tourism sector within a South Africa that is competitive with respect to tourism. Scenario 2 would demonstrate a fragmented tourism sector within a South Africa that is competitive with respect to tourism. Scenario 3 would demonstrate a worst case scenario where there is a fragmented tourism sector within a South Africa that is uncompetitive with respect to tourism. Scenario 4 would demonstrate an integrated tourism sector, but within a South Africa that is uncompetitive with respect to tourism.

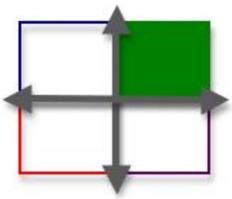
Figure 21: The South African Tourism Futures Scenarios 'Board'



13.6 The South African Tourism Scenarios

Scenario 1 – The best-case scenario: An integrated tourism sector within a South Africa that is competitive with respect to tourism.

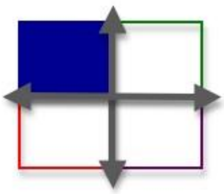
The participants were in agreement that, under this scenario, we will see the following:



- Transformation is meaningful.
- Tourism is the leading job creating sector in South Africa.
- South African tourism is a meaningful player across key multiple markets.
- There is high connectivity between tourists and South African communities (citizens).
- The tourism sector is at the core of enhancing and embedding inclusive growth in South Africa.
- Tourism is a catalyst for economic growth; i.e. get tourism right and you get the economy right.
- Tourists have an amazing all-round experience; i.e. end-to-end (seamless), from planning to visit to return destination.
- South Africa and the tourism sector provide an enabling and attractive environment for investors.
- Easy access (i.e. flow) from both an external and internal perspective.
- Infrastructure is well-developed, and continually expanding and developing to enhance South Africa's relevant future competitiveness as a tourist destination.
- South Africa is a safe country for residents and tourists alike. Hence, residents become ambassadors who promote the country.

- There is a thriving SMME tourism sector.
- Collaborative partnerships are a key approach to a successful sector.
- Trust between stakeholders is high.
- Sustainable management of tourism resources.
- South Africa has adopted a 'whole government' approach to tourism.
- Continental, regional and country focus are key success factors for the sector.

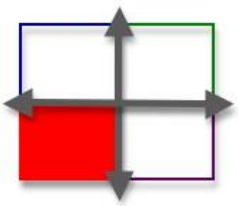
Scenario 2 - A fragmented tourism sector within a South Africa that is competitive with respect to tourism.
The participants were in agreement that, under this scenario, we will see the following:



- A weak rand encourages short-term tourism.
- However, there is slow, long-term decline and loss of market share for the sector.
- The sector is stagnating.
- Traditional source markets still prevail.
- Providing traditional products.
- There is little or no alignment between the private sector and Government.
- Very few collaborative partnerships exist.
- Whatever collaboration exists, it is in pockets.
- There are winners and losers within the sector – it is not inclusive.
- Low levels of innovation within the sector.
- Sustainable resource management is not mainstream.
- Complacency has set in; the result: a business-as-usual mindset.
- A fragmented sector results in inefficiencies and unnecessary duplication.
- Short-term gains for the sector produce a 'fool's paradise'.
- There is no 'whole Government' approach to tourism.
- Government pays lip service to tourism.
- There are initiatives, but they are in silos. This has become the norm.
- Because the sector is fragmented, communication is poor. Associations (i.e. funding members) are also fragmented, and a number of different independent bodies exist.
- There is short-term support for transformation, and token compliance (lip service as opposed to real change).
- High barriers to entry for SMMEs.
    - Market access is difficult.
    - Scale is not achievable.
    - Inclusivity is not enabled.
- Short-term Government planning inhibits a long-term strategic view for the sector. There is no alignment of planning horizons.
- Government does not consider tourism a key strategic sector for the country.
- Irresponsible 'over-tourism' is the outcome: short-term gains, winners and losers, and no meaningful contribution as a sector to GDP.

Scenario 3 - A fragmented tourism sector within a South Africa that is uncompetitive with respect to tourism. The worst-case scenario.

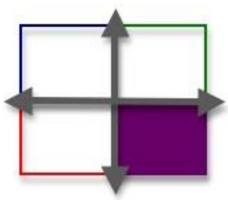
The participants were in agreement that, under this scenario, we will see the following:



- The sector is suffering job losses.
- Declining tourist arrival numbers contribute to the job losses.
- South Africa is considered an unsafe destination.
- Lack of accessibility for tourists, and increasing barriers to entry.
- Government policy uncertainty reduces investment in the country.
- Both the country and the sector lack an understanding of the shifting tourism market.
- A loss of market share in the traditional South African tourism market.
- Increased bureaucracy in South Africa makes it very difficult to do business.
- South Africa is inward-focused and oblivious to the broader continental and intercontinental perspectives.
- Loss of skills - in the tourism sector and the country as a whole.
- Poor management of human capital and natural resources leads to losses in both.
- Increased infighting for the same piece of the tourism pie.
- Perception of brand South Africa's is poor.
- Tourism's product offering is tired and old.
- South Africans are negative towards their own country – this spreads further harm with respect to South Africa as a tourism destination.
- Lack of geographic spread further exacerbates a declining tourism sector.

Scenario 4 - An integrated tourism sector, but within a South Africa that is uncompetitive with respect to tourism.

The participants were in agreement that, under this scenario, we will see the following:



- Collaboration exists within the sector and between the sector and the Government, but South Africa is missing the changing market.
- A misalignment with market needs leads to unrealistic returns on investment.
- Both the country and the sector have underestimated the consumer.
- They have also missed the technology boat, and are playing catch up.
- South Africa's over-confidence with respect to its diversity of offerings has resulted in a sector that is not optimised compared to that of other countries that actually have less to offer.
- South Africa is an overpriced tourist destination.
- Over-regulated resource management has led to a loss of tourists.
- Persistent issues and challenges around safety.
- Macroeconomic factors impact tourism.
- False strategising produces an industry that is globally uncompetitive.

At the conclusion of the development of the Tourism Futures Scenarios, the report was subsequently sent to all participants for further input and adjustments. Minor suggestions were made by some of the delegates which were subsequently included in the final report as per above.

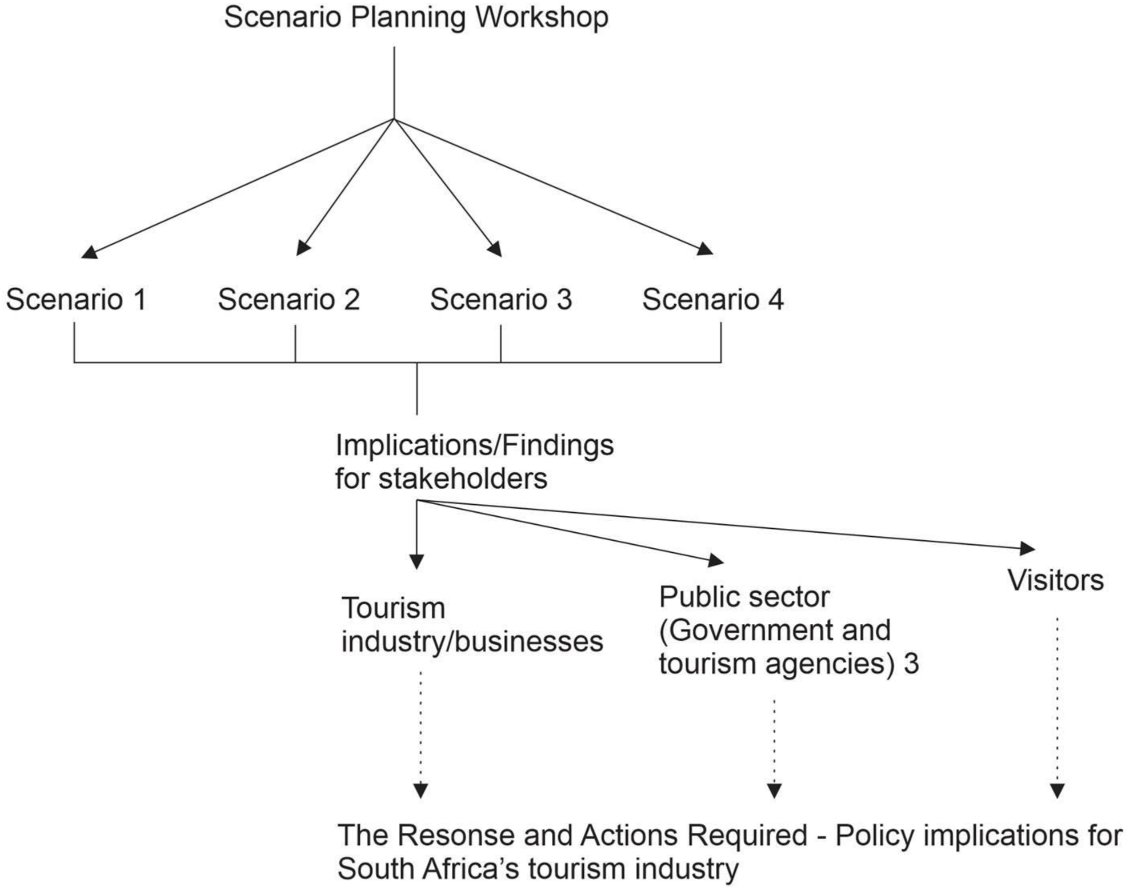
14. THE WAY FORWARD

It is important to note that these scenarios provide alternative directions for tourism in South Africa but do not assign probabilities of each of them playing out. This will be done in the second phase of the project as shown in the ensuing Box and in figure.

The scenarios will form the foundation for the second phase of the project where the framework will be developed that will enable the sector to proactively and consistently respond to challenges and capitalise on opportunities over time. During the second phase probabilities of each scenario playing out in the future will be assigned by looking at aspects such as: • SWOT – the strengths and weaknesses of the sector, and the threats and opportunities offered. • Options – the options within the span of the sector's control to secure the best-case scenario. • Flags that could change those probabilities, and which must be carefully monitored • Decisions – the decisions that need to be taken as a matter of priority, and the actions associated with them. • Achieving the best-case scenario – what would be considered the meaning of winning for South Africa, and the sector's contribution.

During the second phase of the project (209/2020) it is envisaged that the key supply-side and demand-side drivers that will shape tourism in South Africa towards 2030, and as identified in Phase 1, will be evaluated against each scenario in terms of the response and policy implications for South Africa's tourism industry. This is illustrated if figure 22.

Figure 22: Assessment of SA's Tourism Industry Response and Policy Implications of each Scenario



Source: Adjusted from Page et al (2010:108)

15. CONCLUSION

Cooper (in Fennell & Cooper, 2019) says the following:
"Sustainable tourism futures will be fundamentally shaped by a number of driving forces. Some drivers are already known, some are on the horizon whilst others are yet to emerge. It is this level of uncertainty that means the tourism sector and destinations need to build-in resilience in their systems in order to be prepared for an unpredictable future. It is a mistake to treat each driver in isolation as they are interlinked and reinforcing. For example, social and economic drivers will encourage the growth of tourism, but they will also determine social attitudes to processes such as climate change and as a consequence we will see the very nature of tourism operations begin to change. However, at certain points in time, some trends will tip and become significant – and irreversible; the adoption of the Internet in the 1990s is an obvious example here. Finally, underpinning these drivers will be cross-cutting variables such as technology that will pervade every aspect of sustainable tourism in the future."

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ADDENDUM A

August 2018

Division Tourism Management
Title of the study
AN ASSESSMENT OF THE IMPACT OF MEGATRENDS ON THE TOURISM INDUSTRY

Research conducted by:
Prof B A Lubbe
Dr A Douglas
Cell: 0824521743

Dear Participant

You are invited to participate in an academic research study conducted by the Division of Tourism Management on behalf of the National Department of Tourism.

The purpose of the study is to identify and analyze global shifts as well as tourism specific megatrends that impact the tourism sector at a global, regional and local level, from both the demand and supply sides of the sector, with a view to developing a framework that will enable the sector to proactively respond to challenges and capitalise on opportunities for future development of sustainable tourism products and services over time.

Please note the following:

Your responses in the interview will be treated confidentially and you will not be identified in person based on the answers you give. A consolidated view of all responses will be reported.

- Your participation in this study is very important to us. You may, however, choose not to participate and you may also stop participating at any time without any negative consequences.
- The interview we will conduct with you will take approximately 45 minutes to one hour.
- The results of the study will be used to compile a framework against which industry and government can respond to the impacts of megatrends on the tourism industry. This report will be submitted to the NDT. They will also be used for academic purposes and may be published in an academic journal. We will provide you with a summary of our findings on request.

In conducting the interview you have indicated that:

- You have read and understand the information provided above.
- You give your consent to participate in the study on a voluntary basis.

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AN ASSESSMENT OF THE IMPACT OF MEGATRENDS ON THE TOURISM INDUSTRY

INTERVIEW SCHEDULE

Purpose of the interview:

- To understand the **current trends** impacting your industry and the tourism industry as a whole as well as the strategic responses to these trends.
- To hear your views on what **future trends** you believe will have the most impact on tourism and your industry and how you believe we, as a destination, should respond to these both from a Government and Industry perspective
- The interviews are a pre-cursor to the Workshop where we will be constructing a few scenarios to look at how tourism will be affected and what the response should be.

Structure of the interview:

In order to best use our time, we are going to ask for your views but then we will also try to cover
any issues which were perhaps not touched on.

Date of interview…………………………………………………………..

Name of interviewee………………………………………………………….

Company…………………………………………………………………….

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Questions/issues to cover
From the perspective of megatrends (global/Africa/South Africa), what trends are **currently** (also **future**) affecting the industry and more particularly, your sector?

What is the **impact** of these trends on the tourism industry in South Africa and on our sector?
More specifically: in the

Demand for tourism

- Consumer spending patterns
- Consumer behavior
- Consumer tastes and expectations
- Origin of tourists (are our key markets going to change?)
- Role of ICTs

Supply of tourism

- Labour (future of jobs in the sector)
- Environment (sustainability)
- Provision of infrastructure
  - Transport
  - Safety and security
  - Health

How is the tourism industry and your sector currently responding and should respond in the future?
What do you think the Government's role is (or should be)?
Industry's role
Sector' role
Your business

What do you think are the major **opportunities** facing South African tourism now and in the future?

What do you think are the major **challenges** facing South African tourism now and in the future?

What process does your sector/organization normally follow in your long term strategic planning approach?

Given the fact that there are numerous short-term priorities that need resources (*e.g.* creating jobs) how would you reconcile your short-term goals your long-term strategies?

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ADDENDUM B
LIST OF INTERVIEWEES SOUTH AFRICA AND OVERSEAS

NAME	ORGANISATION	CONTACT DETAILS	Interview	Date of interview	Workshop
Gillian Saunders	Department of Tourism	gillian.saunders@za.gt.com	Yes	10 August at 14h30	Yes
Mike Fabricius	Tourism Consultant	mike@thejourneytourism.com	Yes	17 Sept at 11h00	No
Otto de Vries	ASATA	otto@asata.co.za	Yes	6 August at 15h00	Yes
Dion Chang	Flux Trends	connected@fluxtrends.co.za	Yes	11 September at 10h30	No
Ross Kata	Legacy	+27 (0) 11 806 6888	Yes	7 August at 13h30	Yes
Claude Vankeirsbilck	Tourvest	+27 11 790 0000	Yes	8 August at 13h30	Yes
Paul Botes	Travelport	Paul.botes@travelport.com	Yes	6 August at 13h30	Yes
Chris Zweigenthal	Airlines Ass of SA	aasa@global.co.za	Yes	21 August at 9h30	No
Vanya Lessing	Sure Travel	vanya@suretravel.co.za	Yes	18 Sept at 11h00	No
Christelle Grohmann	Grant Thornton	christelle.grohmann@za.gt.com	Yes	10 August at 11h30	Yes
Jakkie Cilliers	ISS	jcilliers@issafrica.org	Yes	10 August at 9h00	No
June Crawford	CEO BARSA	june@barsa.co.za	Yes	19 Sept at 14h00	No
Ana Lemmer	Fair Trade Tourism	ana@fairtrade.travel	Yes	4 Sept at 10h00	Yes
Rudi van der Vyver	CEO - SAACI	ceo@saaci.org	Yes	6 September at 11h30	Yes
Sabine Lehmann	Curiositas	sabine@curiositas.co.za	Yes	17 Sept at 14h00	No
Daneel van Lill	UJ	daneelvl@uj.ac.za	Yes	26 Sept 10h00	No
Nicola Kleyn	GIBS	nicola.kleyn@up.ac.za	Yes	25 Sept at 12h30	No
Shamilla Chettiar	NDT	s.chettiar@tourism.gov.za	Yes	4 Oct at 11h00	Yes

Rod Rutter	Duma	rod.rutter@dumatravel.co.za	Yes	26 Sept at 11h30	Yes
Bronwen Cadle du Pont	TTA	bronwyn BCadle@csir.co.za	Yes	6 Sept at 9h00	Yes
Hapiloe Sello	SANParks	Hapiloe.sello@sanparks.org	Yes	5 Oct at 10h00	Yes
Prof Andre Roux	IFR Stellenbosch University	Andre.Roux@usb.ac.za	Yes	14 June 2018	No
Dr Morne du Plessis	WWF	mduplessis@wwf.org.za	Yes	12 June 2018	No
John van Rooyen	Tsogo Sun	John.vanRooyen@tsogosum.com	Yes	12 June 2018	No
David King	Wesgro	david@wesgro.co.za	Yes	13 June 2018	No
Monique Swart	ABTA	monique@abta.co.za	Yes	27 September at 12h30	Yes
Riaan Grobbelaar	StatsSA	RiaanG@statssa.gov.za	Yes	27 September at 8h00	Yes
Bashni Muthaya	SATourism	bashni@southafrica.net	Yes	27 September at 10h00	Yes
Bernhard Meyer	NDT	bmeyer@tourism.gov.za	Yes	14 September at 8h30	Yes
Corne and Lynda	Wesgro	lynda@wesgro.co.za	Yes	19 September at 9h00	No
Lebusa Mabolloane	ACSA	Lebusa.Mabolloane@airports.co.za	Yes	27 September 2018	
Prof Juha Kaskinen	Professor	Futures Research, University of Turku: juha.kaskinen@utu.fi	Yes	20 August	Over seas
Mr Roger Carter	CEO	TEAM Tourism Consulting roger@teamtourism.onmicrosoft.com	Yes	28 August	Over seas
Mr Chris Greenwood	Senior Tourism Insight Manager	VisitScotland Chris.greenwood@visitscotland.com	Yes	28 August	Over seas
Ms Susan Dickie	Director: Insight	VisitScotland	Yes	28 August	Over seas

		susan.dickie@visitscotland.com			
Mr Peter Nash	Manager: Northern Europe	Tourism Ireland pnash@tourismireland.com	Yes	29 August	Overseas
Prof Chris Cooper	Professor/ Tourism Futurist	Leeds Becket University c.p.cooper@leedsbeckett.ac.uk	Yes	3 September	Overseas
Ms Patricia Yates	Director: Strategy and Communication	Visit Britain patricia.yates@visitbritain.org	Yes	4 September	Overseas

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ADDENDUM C
LIST OF DELEGATES TO TOURISM FUTURE SCENARIOS WORKSHOP
12 OCTOBER 2018

NAME	ORGANISATION	CONTACT DETAILS
Gillian Saunders	NDT	gillian.saunders@za.gt.com
Natalia Rosa	ASATA	Natalia@bigambitions.co.za
Ross Kata	Legacy	rkata@legacyhotels.co.za
Paul Botes	Travelport	Paul.botes@travelport.com
Ana Lemmer	Fair Trade Tourism	ana@fairtrade.travel
Rudi van der Vyver	CEO - SAACI	ceo@saaci.org
Judy Lain	Wesgro	judy@wesgro.co.za
Shamilla Chettiar	NDT	s.chettiar@tourism.gov.za
Rod Rutter	Duma	rod.rutter@dumatravel.co.za
Bronwen Cadle du Pont	TTA	bronwyn BCadle@csir.co.za
Hapiloe Sello	SANParks	Hapiloe.sello@sanparks.org
Monique Swart	ABTA	monique@abta.co.za
Riaan Grobler	StatsSA	RiaanG@statssa.gov.za
Bashni Muthaya	SATourism	bashni@southafrica.net
Bernhard Meyer	NDT	bmeyer@tourism.gov.za
Lebusa Mabolloane	ACSA	Lebusa.Mabolloane@airports.co.za
Bennie	DHA	
Ronney Marhule	DHA	Ronney.marhule@dha.gov.za

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ADDENDUM D
Follow-up Email to participants of the Tourism Futures Workshop of 12 October 2018
TOURISM FUTURES

Berendien Lubbe <berendien.lubbe@up.ac.za> 16 Oct (2 days ago)

to Ross, Anneli

Dear Ross

We wish to thank you most sincerely for your participation in our Tourism futures Workshop held on 12 October 2018,.

We believe it was a great success and that the outcome will be very valuable to both Government and Industry. We were indeed fortunate to have such a high level of participants from both. We also wish to thank Chantell Ilbury for doing such a great job in facilitating the Workshop.

Just a few notes on our next steps:

1. As mentioned to you at the close of the Workshop we have had quite a few requests for a follow-up Workshop to gain even more depth in our future tourism planning. We have had a very kind offer from SANParks to host such a workshop and we shall follow this up. Since we are rapidly moving towards the end of the year, we are looking at various dates that would suit most of the participants who indicated that the new year might be better. We shall keep you informed on this as soon as possible to ensure you are once again able to participate.

2. We are currently compiling the report from the Workshop and as soon as it is ready we will circulate it for your further input, which we would greatly appreciate.

3. As mentioned, this is the first phase of this project which covers the identification and impact of mega-trends on tourism, with particular reference to South Africa. This phase will conclude in March 2019 with a full report which will be made available through the National Department of Tourism website as well as a Research Colloquim where we will present our results to the Minister, Government and Industry leaders as well as academia.. We shall add your name to the list of invitees to ensure that you are able to attend.

4. The second phase of the project will commence shortly after March 2019 and the aim is to develop a framework that will enable the sector to proactively and consistently respond to challenges and capitalise on opportunities over time. We shall also keep you informed on this project.

Best regards
Berendien

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Prof Berendien Lubbe
Division Tourism Management