Towards an Effective Segmentation Approach for the KwaZulu-Natal Domestic Tourism Market

(8th Edition)

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Prepared by:
Wayne Tifflin
Richard Wyllie
Karen Kohler

Contents

List of Acronyms

Bn	Billion
DTGS	Domestic Tourism Growth Strategy
EDTEA	Economic Development, Tourism and Environmental Affairs
GDP	Gross Domestic Product
KSIA	King Shaka International Airport
KZN	KwaZulu-Natal
LSM	Living Standards Measure
Mn	Million
NDT	National Department of Tourism
NTSS	National Tourism Sector Strategy
PMB	Pietermaritzburg
R	Rand (South African)
SA	South Africa
SAT	South Africa Tourism
StatsSA	Statistics South Africa
TKZN	Tourism KwaZulu-Natal
UK	United Kingdom
UNWTO	United Nations World Tourism Organisation
USA	United States of America
VFR	Visiting Friends and Relatives
WTTC	World Travel and Tourism Council

1. Introduction

In South Africa, and in particular KwaZulu-Natal (KZN), domestic tourism is considered to be an essential contributor to the growth of the national tourism economy and it may also provide a foundation for sustainable tourism growth and development, more so during times of global uncertainties (NDT, 2012). In other words, the growth of domestic tourism is important as there is always a chance that there may be a decline in international arrivals due to factors such as the Ebola virus, and terrorist attacks in Europe and the USA.

Therefore, the purpose of this report is to analyse the current state of domestic tourism in both South Africa and in KZN.

2. The Current State of Domestic Tourism and Foreign Tourism

2.1. South Africa

In 2016, there were a total of 24.3 million domestic trips in South Africa (SA). However, this meant that there were 4.05% fewer trips in 2016 when compared with 2015. The total value of domestic tourism in SA was estimated to be in the region of R26.5 billion – this figure was an increase when compared with 2015 (by 12.25%). The reason behind this increase, when compared to 2015, was an increase in the average spending per trip, from R960 in 2015 to R1 090 in 2016 (13.54%). Further, the average length of stay had increased by 2%, in 2016, to 4.3 nights (SAT, 2017). It is evident that, during 2016, the SA domestic tourism performance was considered to be better than in 2015.

2.2. KwaZulu-Natal

When looking at KZN, there were a total of 4.19 million domestic trips in 2016 (TKZN, 2017). This figure shows that there was a decline of about 18.8% (down from 4.98 million trips) when comparing 2016 with the previous year. The total direct value of domestic trips in the province had declined from R5.5 billion in 2015 to R4.6bn in 2016 (TKZN, 2017). The average length of stay recorded in 2016 was 4.5 nights, down from 4.8 nights in 2015. Length of stay affects the amount of money spent in a destination because when visitors stay for shorter periods, they tend to spend less. The average spend per trip R1 108 in 2016, compared to R980 in 2015. This was an increase, however, the reduced length of stay and the declining number of tourists in and to, the province has impacted negatively on the tourism spend in the province.

3. Domestic Tourism in South Africa

The fowling section will discuss the data provided by SA Tourism regarding,

1. Domestic tourism trends in South Africa
2. Domestic tourism trends in KwaZulu-Natal

It will also attempt to provide some insights into why there is a decline in tourism trips in and to, KZN.

Table 1 outlines the domestic tourism trends for SA. It shows a decline in the number of domestic trips taken in SA, between 2013 and 2016. However, the number of travellers has remained relatively the same. Thus, it is clear that travellers are taking fewer trips. The spending pattern of these tourists has increased over the years. This is due to the increased costs of travelling, such as fuel, tolls, accommodation, food etc. Therefore, we see that people are travelling less, spending more and staying for the same period of time, when comparing the years 2013 and 2016. The number of domestic travellers in SA has remained the same since 2013. It seems that the pool of travellers is stagnant. Is it possible that people rotate their travel? That is, they may skip a year of travel or do a longer trip every two years.

Table 1: Domestic Tourism Trends in SA (2013-2016)

	2013	2014	2015	2016
No. of trips	25.2mn	28mn	24.5mn	24.3mn
No. of travellers	12mn	12mn	12.4mn	12mn
Spend – per trip	±R980	±R950	±R960	±R1 090
Spend – per day	±R210	±R238	±R229	±R250
Avg. length of stay	4.4 nights	4.0 nights	4.2 nights	4.3 nights
Spend – total market	R24bn	R26.8bn	R23.6bn	R26.5bn
Main source markets	KZN Gauteng Free State	Gauteng KZN Western Cape	Gauteng Limpopo KZN	Gauteng Limpopo Western Cape

Source: TKZN, 2017

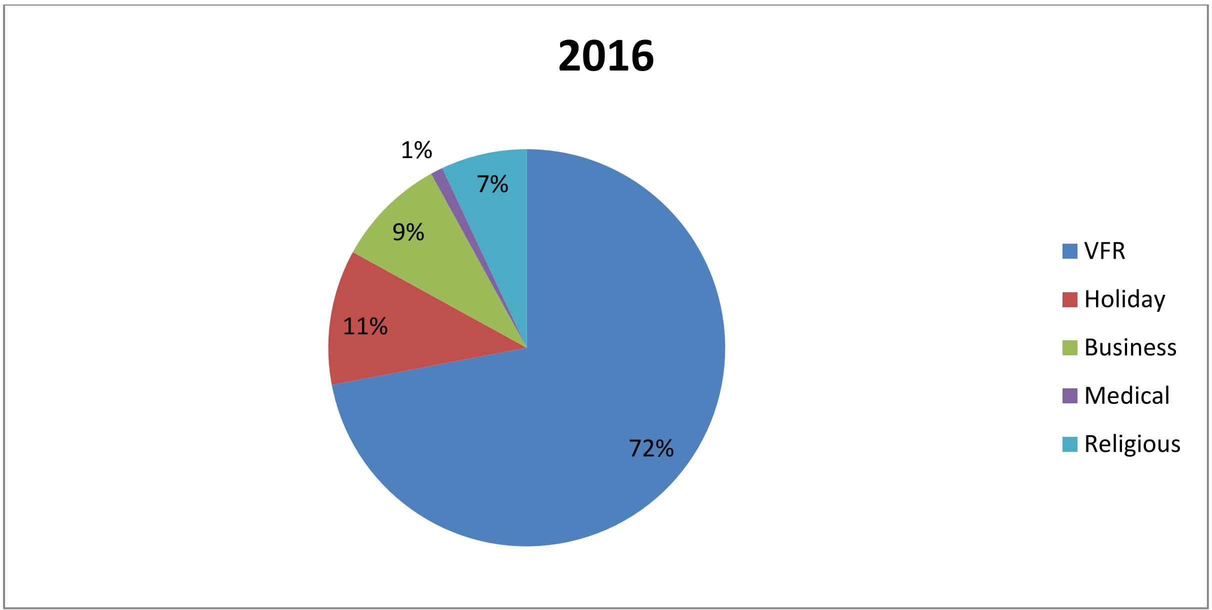
In terms of the purpose of their trip, both Table 2 and Figure 1 show that the majority of South African domestic tourists travel for the purpose of 'VFR' (over 70%) (SAT, 2017). The VFR market is one which is largely "under-researched" or not completely understood. In other words, this market has not been researched as much as other markets such as 'holiday' tourists and business travellers/tourists. It is also a very fragile market, responding rapidly to economic pressures.

Table 2: Primary Purpose of Domestic Trips in SA (2013-2016)

	2013	2014	2015	2016
VFR	72%	73%	71%	72%
Holiday	12%	10%	11%	11%
Business	6%	6%	9.8%	9%
Medical	0.5%	0.5%	1.2%	1%
Religious	7.4%	7.4%	6.9%	7%

Source: TKZN, 2017

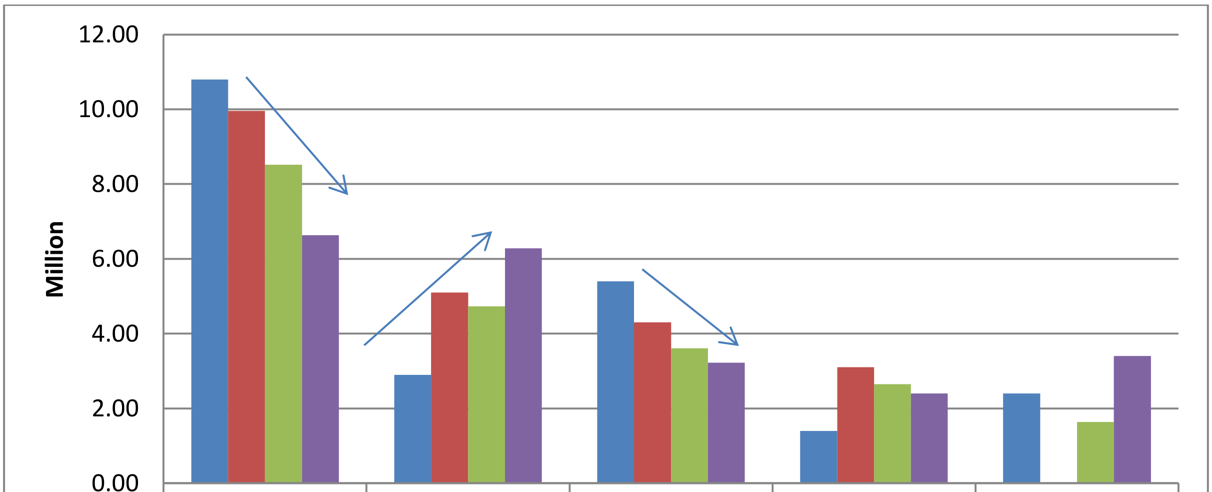
Figure 1: Primary Purpose of Domestic Trips in SA (2016)



Source: TKZN, 2017

In Figure 2, the top five domestic source markets for South Africa are outlined comparing the years 2013 to 2016. The trends have shown that while the markets from both Gauteng and KZN have been on the decline since 2013, the market from Limpopo has increased from 2013 (SAT, 2017).

Figure 2: Top 5 Domestic Source Markets for South Africa (2013-2016)



	Gauteng	Limpopo	KZN	E Cape	W Cape
2013	10.80	2.90	5.40	1.40	2.40
2014	9.96	5.10	4.30	3.10	0.00
2015	8.52	4.73	3.61	2.65	1.64
2016	6.63	6.28	3.22	2.40	3.40

Source: TKZN, 2017

4. Domestic Tourism in KwaZulu-Natal

As previously discussed, it was noted that there has been a general decline in the number of domestic trips in the province (and country). Table 3 provides a snapshot of the main trends in domestic tourism in KZN from 2013-2015 (SAT, 2016). The number of trips, in and to KZN, has declined since 2013. The tourism spend per trip has remained the same and the length of stay has declined marginally. The decline in the number of trips has resulted in a decline in the direct value of tourism in KZN. The main source markets continue to be Gauteng and KZN.

Table 3: Domestic Tourism in KZN (2013-2016)

	2013	2014	2015	2016
No. of Trips	±7.1mn	±5.3mn	±4.98mn	±4.19mn
Spend (per trip)	±R726	±R979	±R1 108	±R1 108
Avg. length of stay	4.1 nights* 8.22 nights[#]	4.2 nights* 8.02 nights[#]	4.8 nights* 8.02 nights[#]	4.5 nights* 8.02 nights[#]
Spend: Direct Value	R6.6bn	R5.2bn	R5.5bn	±R4.6bn
Main source markets	Gauteng KZN	Gauteng KZN	Gauteng KZN	Gauteng KZN

Source(s): *SAT, 2017 and [#]TKZN, 2017

Table 4 has outlined the top five domestic source markets for KZN in terms of the general market (all domestic tourists included) as well as the top five source markets for 'holiday' tourists. As is evident in the table, Gauteng, KZN and the Eastern and Western Cape markets make up the top four for both. This information is vital in terms of the marketing of KZN as a tourism destination. By understanding which markets visit KZN more frequently, more focussed marketing activations can be designed.

Table 4: Top Domestic Source Markets for KZN in 2016

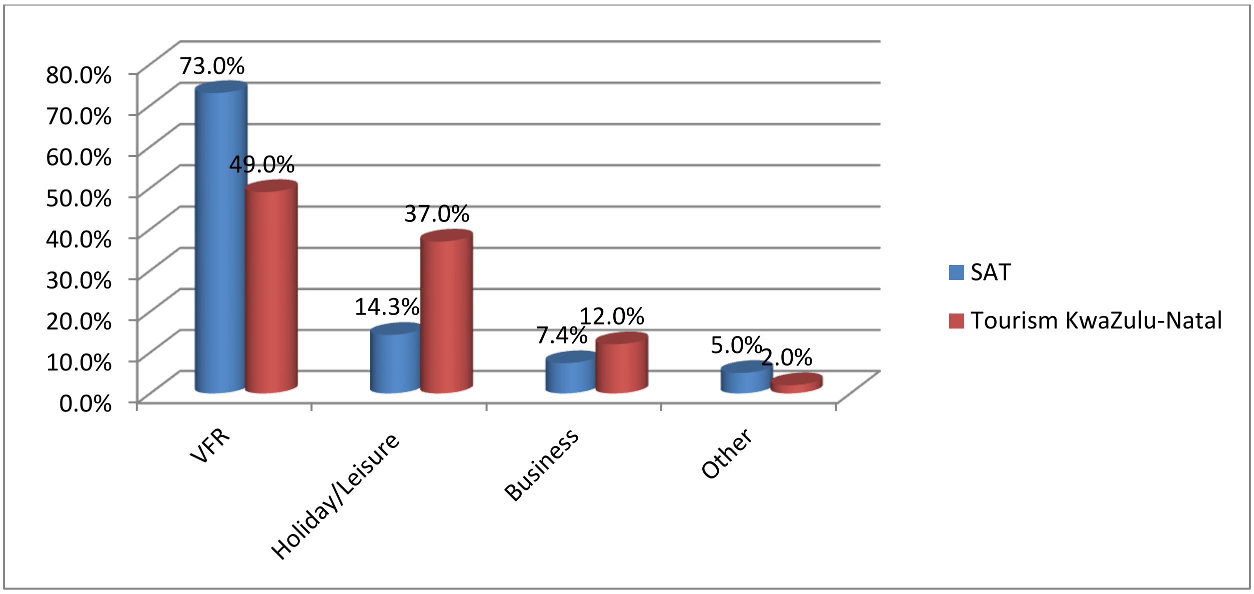
Top 5 Domestic Source Markets for KZN	Top 5 Domestic Holiday Source Markets for KZN
1. Gauteng	1. Gauteng
2. KZN	2. KZN
3. W Cape	3. W Cape
4. E Cape	4. E Cape
5. Free State	5. Limpopo / Mpumalanga

Source: TKZN, 2017

4.1. Purpose of Trip

Figure 3 has shown that the main purpose of all domestic trips into KZN was either for VFR (58%) or for a holiday (32%) (SAT, 2017). Once again, the VFR market is considered to be very important and thus there is more evidence that there is a need for further research and understanding of this market. However, unlike SA, KZN attracts a large number (in proportion to the other markets) of domestic holiday tourists. This shows that KZN is still considered to be a destination to which domestic tourists come to relax and take part in leisure activities. This information is important in terms of creating content for marketing campaigns and activations. Also, the fact that there are a large number of VFR tourists means that marketing campaigns could entice people to spend more time taking part in activities or events, or even exploring other parts of the province as part of their entire trip.

Figure 3: Purpose of Domestic Trips to KZN in 2016



Source: TKZN, 2017

In Table 5, it is evident that the biggest activity participated in by KZN's domestic tourists is 'going to the beach' – which is not surprising as KZN has a coastline stretching up to about 560kms (TKZN, p. 2017). It is also evident that visitors get more and more active in outdoor activities while on holiday.

Table 5: Domestic Tourist's Activities in KZN in 2016

Activity	
Go to the beach	75%
Food and wine fair	31%
Watch a live sports event	30%
Go to a live show, theatre or concert	27%
Visit a health spa	26%
Visit a museum, art gallery or historical building	22%
Take part in any water sport	16%
Visit an African township or cultural village on a tour	16%
Take part in a sports event	15%
Visit an arts or craft outlet	15%
Visit a nature or wildlife or game reserve	14%
Go hiking or mountain climbing	12%
Art and crafts festival	11%
Go backpack/hostel travelling	11%
Tour of the battlefields	11%
See bushman paintings	10%
Horse riding	10%
Bird watching	9%
Mountain biking or other cycling	6%
Fly-fishing	5%
Attend a conference, workshop or training session	1%

Source: TKZN, 2017

4.2. Analysis of why tourist numbers to KZN have declined but have increased to Limpopo

It is clear that over the last three years domestic trips to, and in, KZN have declined, with Limpopo now being the leading domestic tourism destination in South Africa. The discussion below will attempt to outline some of the reasons for this.

Tourism trips in SA were 24.3mn in 2016, a slight decline from 24.5mn in 2015. The number of travellers has remained similar as indicated in table 6 below. Further, VFR is the most compelling reason for domestic trips in SA. Figure 1 illustrates that in 2016, 72% of domestic overnight travel in SA was for the purpose of VFR. The high proportion of VFR travel is true for all provinces to varying degrees, with the Northern and Western Cape recording the lowest proportion of VFR travel, with 61% and 60% respectively. In addition, the purpose of travel to KZN has also been dominated by the VFR market, 75% in 2013, 77% in 2014, 73% in 2015 and 72% in 2016.

Table 6: Domestic Travellers in SA

	2013	2014	2015	2016
Travellers	12mn	12mn	12.4mn	11.7mn

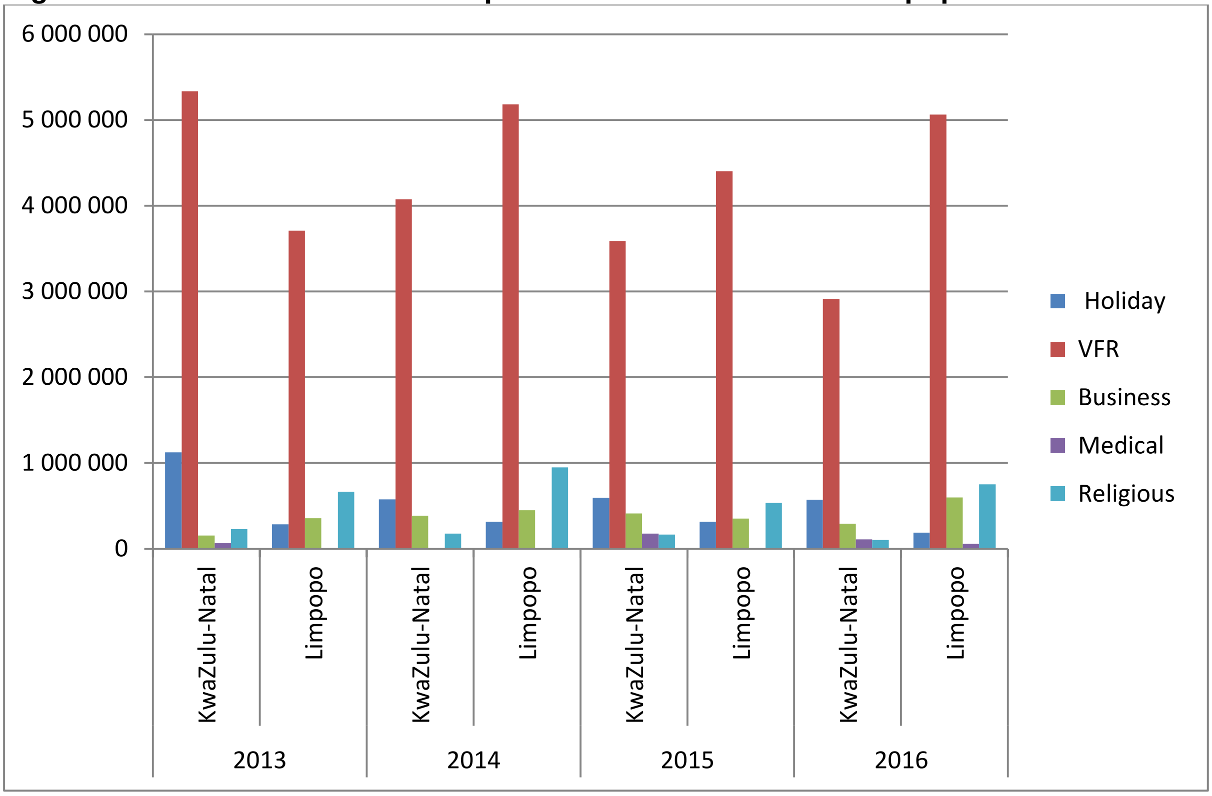
Due to the significant proportion of VFR travellers, it is imperative to understand this traveller more. Do VFR travellers stay with friends and relatives and also consider that to be a holiday, in order to eliminate or reduce the cost of accommodation? This question, amongst others, continues to be unanswered and once again further research is recommended.

The table below is a comparison between KZN and Limpopo. Limpopo has now become the leading domestic tourism destination, if total arrival numbers alone are considered. The reasons for this are unknown. An attempt is made here to provide some insight into possible reasons.

Table 7: Reasons for Travel: Comparison between KZN and Limpopo 2012 - 2016

Province	Holiday	VFR	Business	Medical	Religious
2016					
KwaZulu-Natal	571 000	2 915 000	294 000	110 000	104 000
Limpopo	189 000	5 063 000	598 000	58 000	750 000
2015					
KwaZulu-Natal	596 000	3 591 000	413 000	178 000	168 000
Limpopo	314 000	4 401 000	354 000	-	536 000
2014					
KwaZulu-Natal	578 000	4 073 000	388 000	-	176 000
Limpopo	314 000	5 183 000	451 000	-	948 000
2013					
KwaZulu-Natal	1 125 000	5 336 000	155 000	64 000	228 000
Limpopo	285 000	3 708 000	358 000	-	667 000
2012					
KwaZulu-Natal	900 000	4 995 000	266 000	-	53 000

Figure 4: Reasons for Travel: Comparison between KZN and Limpopo 2013 - 2016



As indicated in table 7 and figure 4, the number of VFR trips to Limpopo has increased steadily and surpassed that of KZN. Simultaneously, the VFR trips to KZN have declined significantly, since 2012. The number of holiday trips to KZN has also declined since 2013, but has remained consistently higher than that of Limpopo. It is thus clear that KZN is a more popular destination for holiday makers than Limpopo is.

Figure 5: Paid Bed Nights 2015-2016

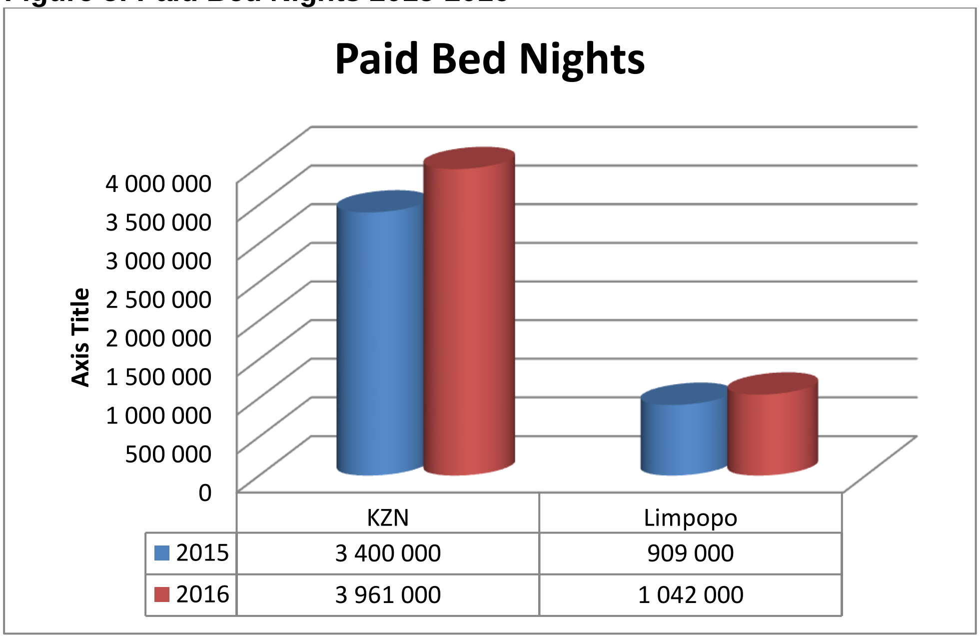


Figure 5 above indicates paid bed nights in KZN and Limpopo. Paid bednights represents the number of nights that visitors spent in paid accommodation. This is an important indicator of the economic impact of tourism in a destination, because accommodation spend is a significant portion of the total spend. This is also significant because it is leisure tourists spend the most nights in paid accommodation. In 2015, StatsSA reported that, in South Africa, leisure tourists had 12.5mn paid bednights, business travellers had 989 000 and VFR travellers had 656 000 paid bed nights. In 2016, leisure travellers had 10.8mn paid bednights, business travellers had 1.1mn and VFR travellers had 1.045mn paid bed nights. It is clear that in terms of spending in a destination, the leisure and business traveller are the desired targets. Figure 5 also supports the point that KZN has a larger holiday market than Limpopo and should begin to focus on growing this market.

There are three possible reasons why the numbers of domestic tourists to KZN have declined:

4.3.1 A change in migration patterns, which has impacted on the need to undertake VFR trips to and within KZN.

It is proposed that migration, specifically to Gauteng for employment, has influenced domestic travel, because of the high proportion of VFR travel in SA. Thus, travellers who lived in KZN or Limpopo and now live and work in Gauteng, would now travel back "home" frequently for VFR purposes.

In reference to table 8 below, the period between 2011 and 2016, research has indicated (Maritz and Kok, 2014) that there were some significant migration trends between provinces. Migration pattern data from StatsSA indicated that KZN and Limpopo have the highest negative migration. i.e. more people moved out of those provinces than into them. Between 2006 and 2011, 322 018 KZN residents migrated to other provinces. Of that, 211 060 went to Gauteng, 30 810 to the W.C, 20 607 to the E. Cape and 10 733 to the Free State (29 216 to Mpumalanga). These are our top 5 source markets. By comparison, Limpopo had 372 131 residents migrate to other provinces. Some 274 432 went to Gauteng 41 283 to Mpumalanga, and 28 385 to NW.

Table 8: Net migration in South Africa, 2011-2016

Province	In-migration	Out-migration	Net Migration
Gauteng	435 298	211 223	224 076
Western Cape	158 631	62 251	96 380
North West	104188	69 555	34 633
Limpopo	98 669	127 955	-29 286
Eastern Cape	96 442	133 415	-36 973
Mpumalanga	86 764	72 690	14 074
Kwazulu-Natal	78 369	100 683	-22 313
Free State	49 255	54 274	-5 018
Northern Cape	32 847	21 362	11 484

Therefore, it is argued, this is one reason why Limpopo has surpassed KZN as the leading domestic tourism destination in terms of trips.

Further, the improvement of the roads between Limpopo and Gauteng has made travelling between these two provinces easier and quicker. Far more trips are made now than was the case a few years ago.

4.3.2 “A mind-set shift towards travel that was influenced by the economic crash of 2008 and the weak SA economy”:

Another possible reason for the decline in domestic tourism into and within KZN is the weak economy, specifically the crash of 2008. The cost of travel has increased, especially to KZN, considering the toll road fees and fuel costs, from the major market, Gauteng. This has forced people to re-evaluate how they holiday, not necessarily that they would stop holidaying, but to consider travelling for shorter distances. Further, people living in Gauteng have more options for a short stay, which are two or three hours away, rather than a 7 hour car trip to the coast. Also, when looked at in conjunction with 4.3.1, the declining ‘need’ to travel to KZN, there are savings on the cost of travel.

4.3.3 “KZN as a source market (intra-provincial) has declined in the last few years”:

In 2013, KZN was the second highest domestic source market after Gauteng, contributing 22% of the market. In 2016, this proportion had declined to 13%, sitting at fourth place, behind Gauteng, Limpopo and the Western Cape. This can be seen in Figure 2, where 5.4mn trips in 2013 were from KZN down to 3.22mn trips in 2016. This is a 40% decline. In addition, a major share of the KZN domestic market is from KZN (intra-provincial travel). In 2013, intra-provincial travel was 91% of the KZN domestic market. In 2016 it was 78%, a 14% decline. This shows that KZN residents are not travelling in the province as frequently as they did previously.

Considering that VFR is a significant proportion of the KZN domestic market, KZN residents should be encouraged to travel for leisure purposes also.

5. Conclusion

Domestic tourism in SA is largely a VFR phenomenon. It is important to understand this market better because there may be some opportunities to convert some of these travellers to the leisure segment. Further, some may already be leisure travellers but describe themselves as VFR, because they stay with friends and/or relatives. Accommodation is the most expensive component of a domestic holiday. Thus if this expense can be reduced or eliminated it would make travel more affordable and it is likely that more people could travel. The cost of accommodation is also a possible reason why domestic tourists stay with friends and relatives.

The change in the migration patterns, which has led to increased travel between Limpopo and Gauteng, the impact that a weak economy, declining disposable income, and an improved road system between Gauteng and Limpopo, as well as a significant decline in the KZN population who travel within the province have all contributed to the decline of domestic trips to and within KZN.

6. Recommendations

The following recommendations are made:

1. There should be an increased focus on the leisure segment of the market. Marketing campaigns should encourage travellers from our core markets to travel for leisure. Even if such tourists stay with friends or relatives, they should be encouraged to participate in leisure activities, thus exposing them to what is available. This is usually where the greatest spend occurs and thus where the greatest value lies.

2. Encourage travel within KZN i.e. intra-provincial. The marketing campaigns should focus on our core market, which is KZN. The major share of the KZN market comes from within KZN, thus this should be our main focus. Currently our participation in platforms to engage the leisure market is in other provinces. The only local platform is the KZN Travel and Adventure Show. Day trip options are also an important way to get people to begin the shift to travelling for leisure. Day trip activities and experiences need to be aimed at the KZN resident.
3. Understanding the VFR market and its variations is important in that there is a significant proportion of this segment who can be converted to the leisure segment. A suggestion is that focus groups of people made up of VFR travellers be conducted to better understand this segment of the market. This would then allow TKZN to respond more effectively. A survey would also be implemented to obtain further primary data.

References:

Maritz J and Kok P: Using Election Data to Measure Migration Trends in South Africa
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Tourism KwaZulu-Natal

Statistics South Africa

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