

SITE Africa

**THE NATURE OF THE
INCENTIVE TRAVEL MARKET
IN SOUTH AFRICA**

Society for
Incentive
Travel
Excellence

site Africa

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FOREWORD

This is the first in-depth survey that has been conducted to determine the value of incentive travel groups in South Africa. As an industry, we have been painfully aware of the divide and misunderstandings within public sector with regard to the essence and intrinsic value of incentive travel. For the longest time, incentive travel has been viewed as leisure trips, whereas these trips are in fact, fundamental to employee motivation and performance.

Corporations engaging in incentive travel for their top employees and/or distributors do so because the business ROI far outweighs the expense.

The results of this research project will show that the average spend per delegate outperforms that of a conference delegate. The estimated economic impact of a comparatively small group of incentive providers is estimated to be in excess of R1 billion which accounts for 7% of the total business events industry in South Africa. To that end, our argument is that more national spend is required on making South Africa a desirable incentive destination as the growth of this sector could have increasing economic and job creation value to the South African economy.

The fact that South Africa is a long-haul destination is the first negative. That said, once people get here, they inevitably feel it was “worth the trip”. Other factors that detract from the destination’s attractiveness include the recent water shortage crisis in Cape Town, failings around South African Airways as well as ESKOM in terms of reliable power supply. Finally, there was a significant amount of destination perception damage caused by the xenophobic attacks in September 2019.



FOREWORD

Whilst COVID-19 had world-wide impact, we have the additional challenge of the “South Africa” strain, placing our industry under more pressure with travel restrictions. We believe this can be adjusted with positive public relations efforts.

In conclusion, this study shows the significant economic impact that incentive travel has on the destination. In terms of passenger numbers, it may be the lowest, but when considering that the average spend per person is estimated to be R29 000, it far outweighs other business events segments. Though small it has the most exponential growth potential within the business events industry.

Therefore, more focus should be placed on marketing efforts for inbound incentive travel for both short and long term travel. As it stands, the recovery for incentive travel is anticipated to start by Q4 of 2021. However, it will be a gradual recovery as the international market starts regaining confidence. Typically, an incentive programme takes minimum 6 months, up to 2 years to plan and execute. Therefore, realistically we may only see 2019 level recovery by late 2023.

For that reason, it is critical to invest in destination awareness marketing now, in order to secure business for 2022 onwards.

We would like to thank the SITE Africa project team and survey participants involved in this groundbreaking research. These results would not have been possible without you.

Tes Proos(CIS, CITP)

President SITE Africa

EXECUTIVE SUMMARY

THE RESEARCH GAP

No significant studies have been undertaken of the nature and extent of the South African Incentive Market. As a result SITE Africa has commissioned the study to deal with this research problem.

This report is the first phase of such an investigation. The report examines the concepts of business travel, individual travel and business travel from a global perspective and then a South African Perspective.

Business
Travel

Individual
Business
Travel

Business
Events

EXECUTIVE SUMMARY



RESEARCH METHODOLOGY

Literature Review

A literature review of information available from leading tourism organisations and associations has been conducted.



SITE Africa Survey

A Survey amongst South African incentive organising houses and DMC's was conducted following SITE Africa approval process.



Validation interviews

Online Zoom meetings with SITE Africa board and have been conducted.

EXECUTIVE SUMMARY



Global Business Travel (2019)

- ❑ 11% of foreign tourists
- ❑ 161 million tourists
- ❑ Declining share of this market due to online meetings
- ❑ Direct value US\$ 163 billion

South Africa (2019)

- ❑ 15% or 1,5 million foreign visitors in 2019
- ❑ + R1,2 billion of visitor spend.
- ❑ +/- 26.4m domestic day business trips
- ❑ 11.3% of all day trips
- ❑ R 21 billion in spend.
- ❑ 5 million domestic tourism trips
- ❑ Worth over R2 billion in spend (SAT, 2020)

EXECUTIVE SUMMARY



Global Business Events (2019)

- ❑ +/- 1.4 billion participants
- ❑ US\$1.1 trillion in direct spending;
- ❑ Average amount spent per business event participant was \$761
- ❑ \$2.5 trillion of output (business sales)
- ❑ Multiplier of 2,36
- ❑ 26 million jobs (Directly and indirectly)

South Africa (2019)

- ❑ 377,000 international visitor trips
- ❑ +/- R3 billion
- ❑ 0.6 million domestic trips
- ❑ +/- R1.8 bn
- ❑ R2,960 of individual spend
- ❑ +/- 2 nights
- ❑ Multiplier +/- 2.45
- ❑ +/- R4,8 billion in direct spend
- ❑ R12 bn overall impact

EXECUTIVE SUMMARY



The Impact of Covid-19

Approximately 197.5 million jobs representing a 60% job losses if travel in September 2020 (UNWTO, 2020). Losses expected to be greater though, due to travel restrictions.



Sector revenues were expected to fall by up to \$1.2 trillion affecting various economies and livelihoods in all continents (UNWTO, 2020).



South Africa

Foreign arrivals decreased by 71% in 2020. This decline reduced tourism numbers from an estimated 15, 8million in 2019 to less than 5 million in 2020. (Statistics South Africa Tourism Report: 2020)

EXECUTIVE SUMMARY



Global Impact of Incentives

Some 98 million participants



Global value – 7% of value of business events
US\$ 75 billion in direct spending,
Total Impact US\$ 127 billion in total economic impact (EIC; 2018)



South Africa

Some 21,000 participants per year;
Direct impact R640 million
Total impact R1,6 billion
Some 8% of the total value of Business
Events

1.INTRODUCTION



This report aims to document the phase one outcomes of a study to determine this economic segment's nature and extent.

The objectives of this phase were to:

- Introduce the concept of business events
- Outline its global economic impact
- Indicate its contribution to the South African economy
- Concisely describe the concept of incentive tourism
- Provide an overview of this market from a global perspective
- To demonstrate its economic impact
- To introduce the nature and impact of the South African incentive tourism sector.

The following section summarises the research methodology adopted for this report.

2. RESEARCH METHODOLOGY

The research methodology adopted for this study first involved a literature review relating to the business event sector's broad nature and impact. This review was also explicitly linked to the incentive component of this sector.

The following sources formed the basis of this review:

- Conventions Industry Council
- International Conference and Congress Association
- International Events Council
- Joint Meeting Industry Council (JMIC)
- Meetings Professional International (MPI)
- South African Tourism (SAT) Strategic Research and National NCB
- Society of Incentive Travel Excellence (SITE) Knowledge and Research Hubs & Incentive Research Foundation (IRF)
- Statistics South Africa – Tourism and Migration Statistics
- United Nations World Tourism Organisation (UNWTO) Statistics.

The second component of the research methodology involved an online survey and 'Zoom' conference meetings with SITE Africa members and the National Convention Bureau.

The questionnaire and interview schedules considered the Incentive Research Foundation's index survey conducted regularly to determine the core trends' incentive tourism market. This consideration ensured that SITE Africa was comparable to this global SITE index. Furthermore, no other global index of the worldwide market has been developed. The in country research assists to focus on Africa.

3.BUSINESS TRAVEL AND BUSINESS EVENTS



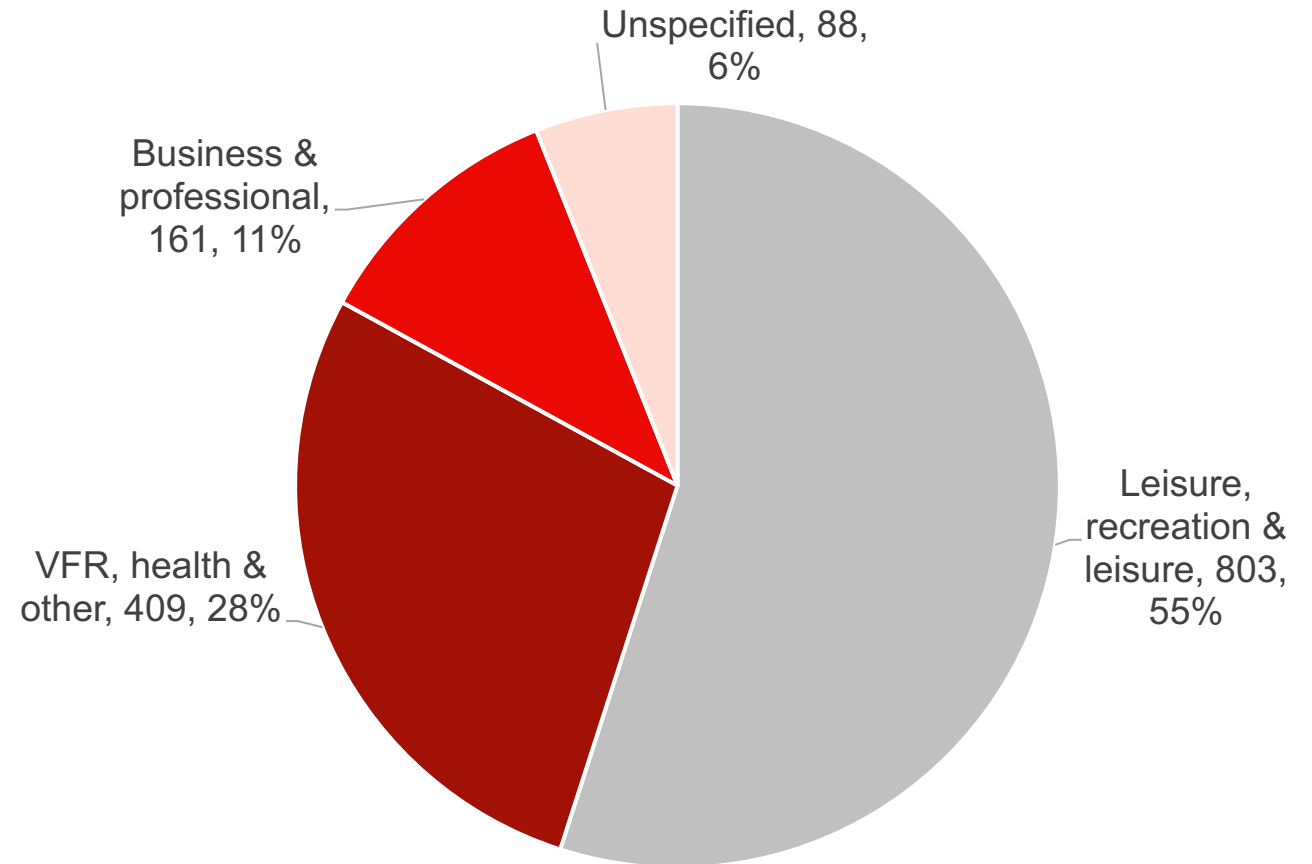
Business
Travel

Individual
Business
Travel

Business
Events

3.2 EXTENT AND IMPACT OF BUSINESS TRAVEL

Business travel's share of the global foreign tourism market (million)



Source: UNWTO, 2020

3.2 EXTENT AND IMPACT OF BUSINESS TRAVEL

Global impact of Business Travel

Business travel 161 million foreign tourists;

Worth US\$163 bn in term of foreign tourism expenditure or receipts;

Business tourism has a declining share of overall tourism 11% share in 2019 compared to 16% in 2005 (UNWTO, 2020)

Impact of virtual meetings

3.2 EXTENT AND IMPACT OF BUSINESS TRAVEL

South Africa's Business Travel Market

15% or 1,5 million foreign visitors in 2019

+ R1,2 billion of visitor spend.

+/- 26.4m domestic day business trips

11.3% of all day trips

R 21 billion in spend.

5 million domestic tourism trips

Worth over R2 billion in spend (SAT, 2020)

3.2 EXTENT AND IMPACT OF BUSINESS EVENTS

Global Extent of Business Events (2019)

+/- 1.4 billion participants;

US\$1.1 trillion in direct spending;

average amount spent per business event participant was \$761;

\$2.7 trillion of output (business sales)

27 million jobs

(EIC 2017 figures inflated by 3,5% per annum)

3.2 EXTENT AND IMPACT OF BUSINESS EVENTS

South Africa Business Events (2019)

377,000 international visitor trips;

+/- R3 billion;

0.6 million domestic trips;

+/- R1.8 bn;

R2,960 of individual spend;

+/- 2 nights;

Multiplier +/- 2.45;

+/- R4,8 billion in direct spend; and

R12 bn overall impact (SAT, 2020)

3.3 IMPACT OF COVID-19 ON BUSINESS EVENTS

The United World Tourism Organization calculates that tourism is the third largest export category following fuels and chemicals.

The overall sector accounted for 7% of global trade in the 2019 year. As a key sector negatively affected by the COVID 19 pandemic, the sector revenues were expected to fall by up to \$1.2 trillion affecting various economies and livelihoods in all continents.

The overall impact on GDP decline was estimated to be 1.5% - 2.8% (UNWTO, 2020).

Global trend projections in the 2020 year included the expectation that the domestic travel restrictions would be lifted first followed by short haul/regional travel, with intercontinental travel restrictions being lifted last.

4.INCENTIVE TOURISM



Incentive tourism is defined as, "a global management tool that uses an exceptional travel experience to motivate and/or recognise participants for increased levels of performance in support of organisational goals" (SITE, 2021). Concept of Incentive Tourism.

4.1 NATURE AND EXTENT OF INCENTIVE TOURISM

Global Extent of Incentive Tourism

Some 98 million participants

Global value – 7% of value of business events;

US\$ 75 billion in direct spending,

Total Impact US\$ 127 billion in total economic impact (EIC; 2018)

4.2 SOURCE MARKETS AND TRENDS

**Incentive Travel DMC Analysis report
key regions
(2019:15)**

North America

Europe

Asia Pacific

**South African Core Source Markets
(SA Convention Bureau national
strategy 2012:23)**

United States of America

Europe & UK

Asia

BRIC

Prominent Sectors that use the incentive travel service

The top 5 global industries using incentive travel service are;

1. Finance & Insurance
2. Pharmaceuticals and healthcare
3. Information and communication technology
4. automotive sales and distribution
5. Other.

Source: ITII 2019 Report

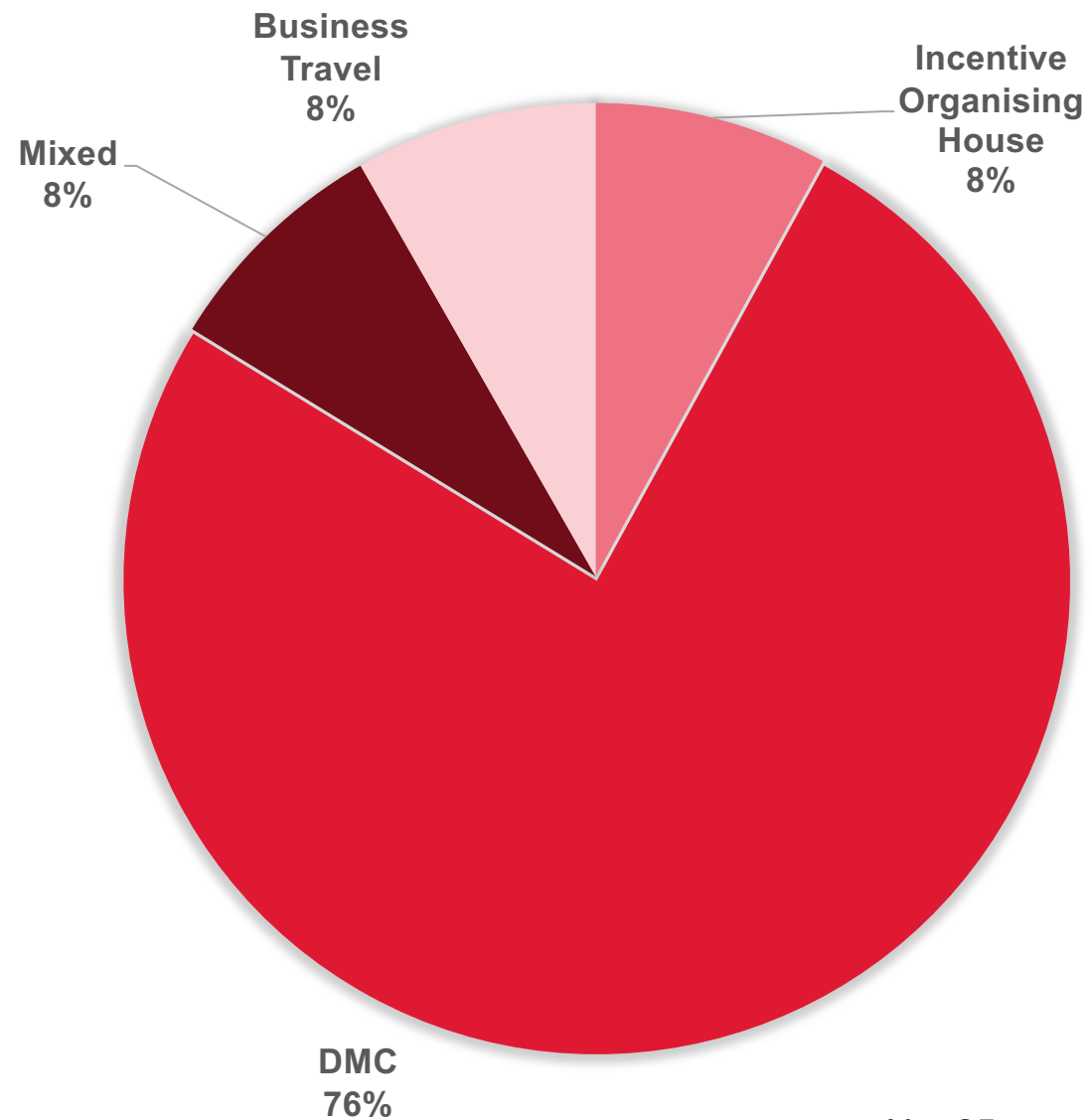
5.SOUTH AFRICAN INCENTIVE MARKET



- Outcomes of the primary research
- Estimated nature & scale of the South African Incentive Industry

Q. Is your organisation predominantly an:

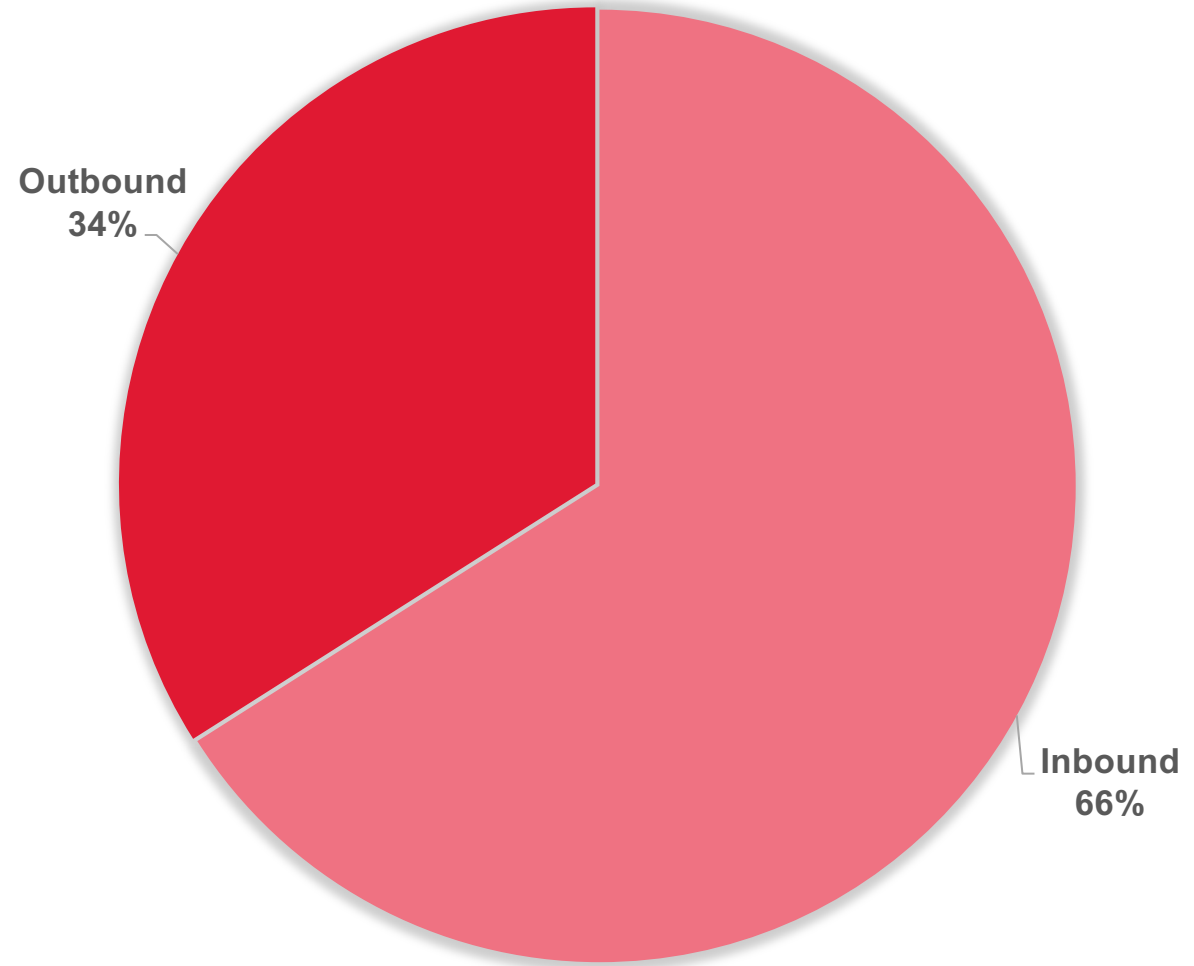
NATURE OF INCENTIVE ORGANISERS



N = 25
n = 12

**Q. Please indicate the percentage
business you handle with respect to
the following:**

INBOUND VS OUTBOUND TRAVEL



**N = 25
n = 12**

**SOUTH
AFRICAN
MARKET SIZE**



Q. In broad terms what do you estimate the turnover of your organisation was in terms of incentive programmes in 2018 & 2019?

AVERAGE TURNOVER

Responses skewed from a minimum of R250,000 in 2018 and R1,2 million in 2019 to a maximum of R280 million in 2018 and R350 million in 2019. Both the mean and mode were thus skewed:

2018:

Mean R44 million

Mode R9 million

2019:

Mean R60 million

Mode R12 million

The Sum of the responses were thus used to safely state

Direct impact or turnover of South African incentive related industry was:

2018: In excess of R480 million

2019 : In excess of R542 million

Total impact based on a multiplier of **2,45 SAT NCB**

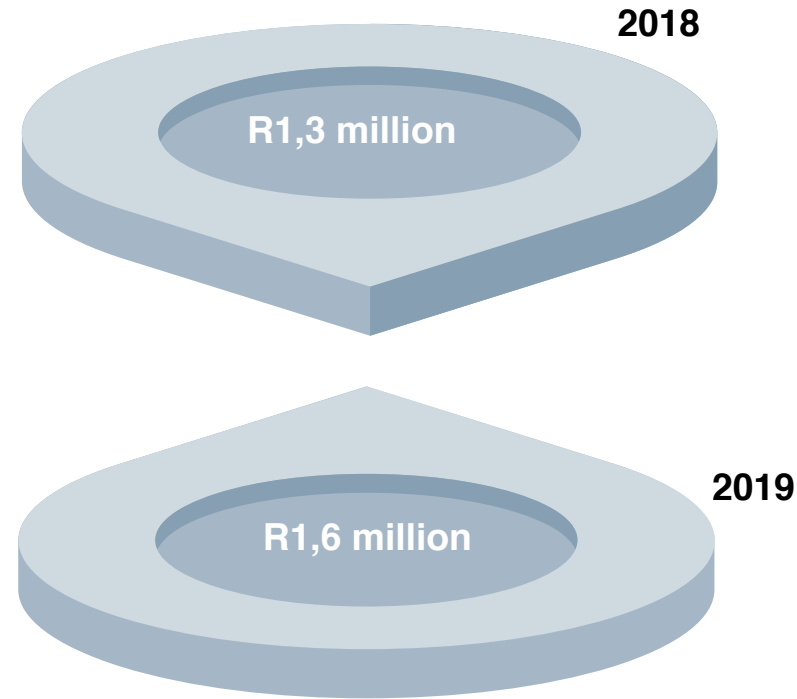
2018: In excess of R1,2 bn; 2019 : In excess of R1,3 bn

Total impact based on a multiplier of **2,36 EIC**

2018: In excess of R1,1 bn; 2019 : In excess of R1,3 bn

Q. Average spend of your incentive programmes?

AVERAGE SPEND PER PROGRAMME



2018 : R1,3 million

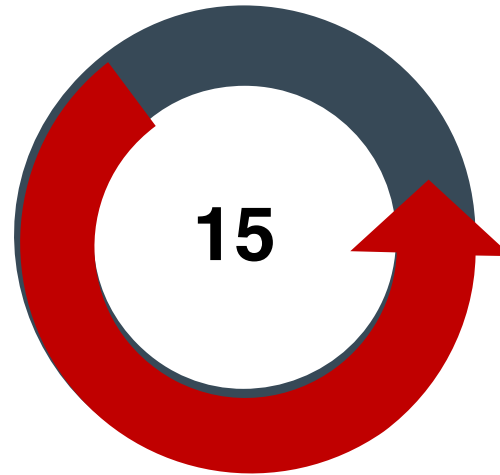
2019 : R1,6 million or some R5,800 per person per day (R1,6 million/ 55 pax/ 5nights)

Calculation – **R5800 x 5 nights=R29 000 per person**

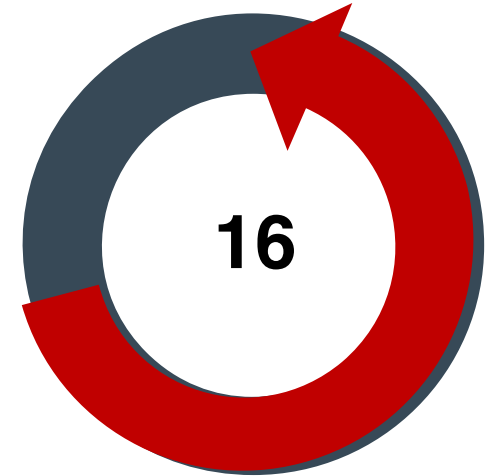
The South African per person spend is thus estimated at **R5800 x 5 nights=R29 000 per person** per programme which is **\$2014** compared to the **\$2500** estimated in the EMEA region estimate and **\$4000** global estimate(Incentive Travel Industry Index, 2019)

Q. How many incentive programmes did you operate in 2018 & 2019

**AVERAGE
NUMBER OF
INCENTIVE
PROGRAMS**



2018



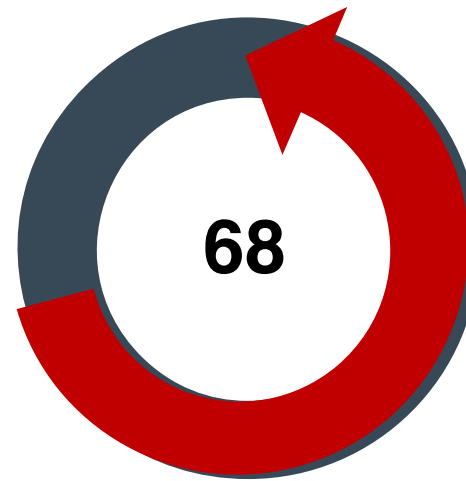
2019

2018: 15

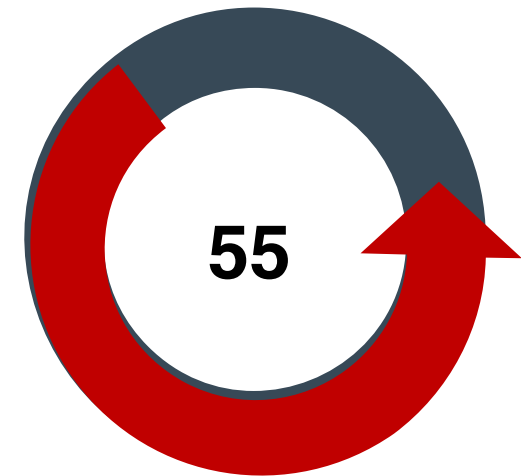
2019: 16

Q. What was the average size of your programmes?

AVERAGE SIZE OF PROGRAMME



2018



2019

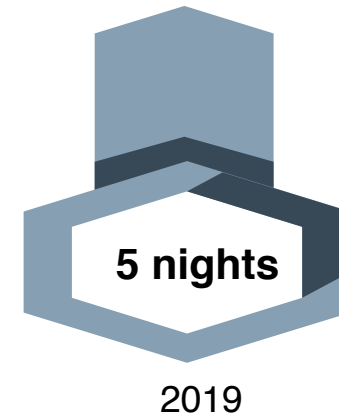
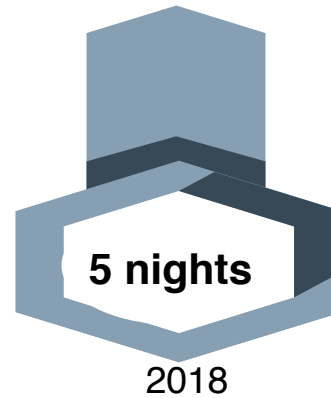
2018: 68

2019: 55

Calculation – 25 incentive providers x 55 average program size x 16 average incentive programs = 22 000 tourists in 2019.

Q. Average duration of your incentive programmes in 2018 & 2019?

**AVERAGE
LENGTH OF
STAY**

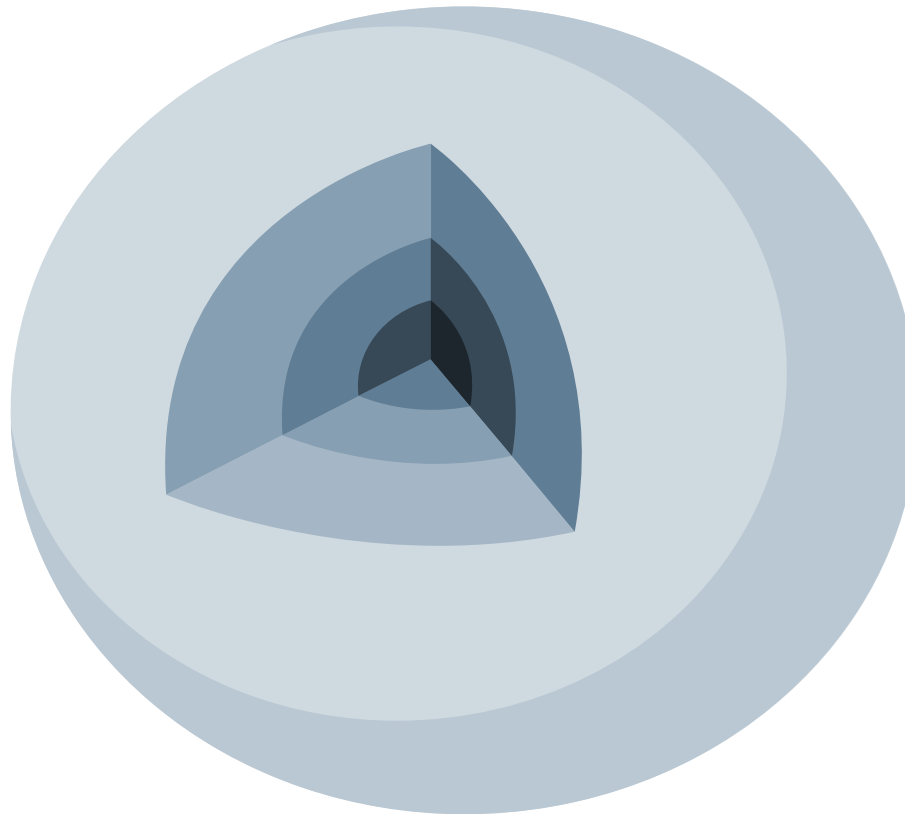


2018: 5 nights

2019: 5 nights

Calculation – 55 pax x 16 programmes x 5 nights
Thus some 105,000 bed nights in 2019.

ESTIMATED ECONOMIC IMPACT



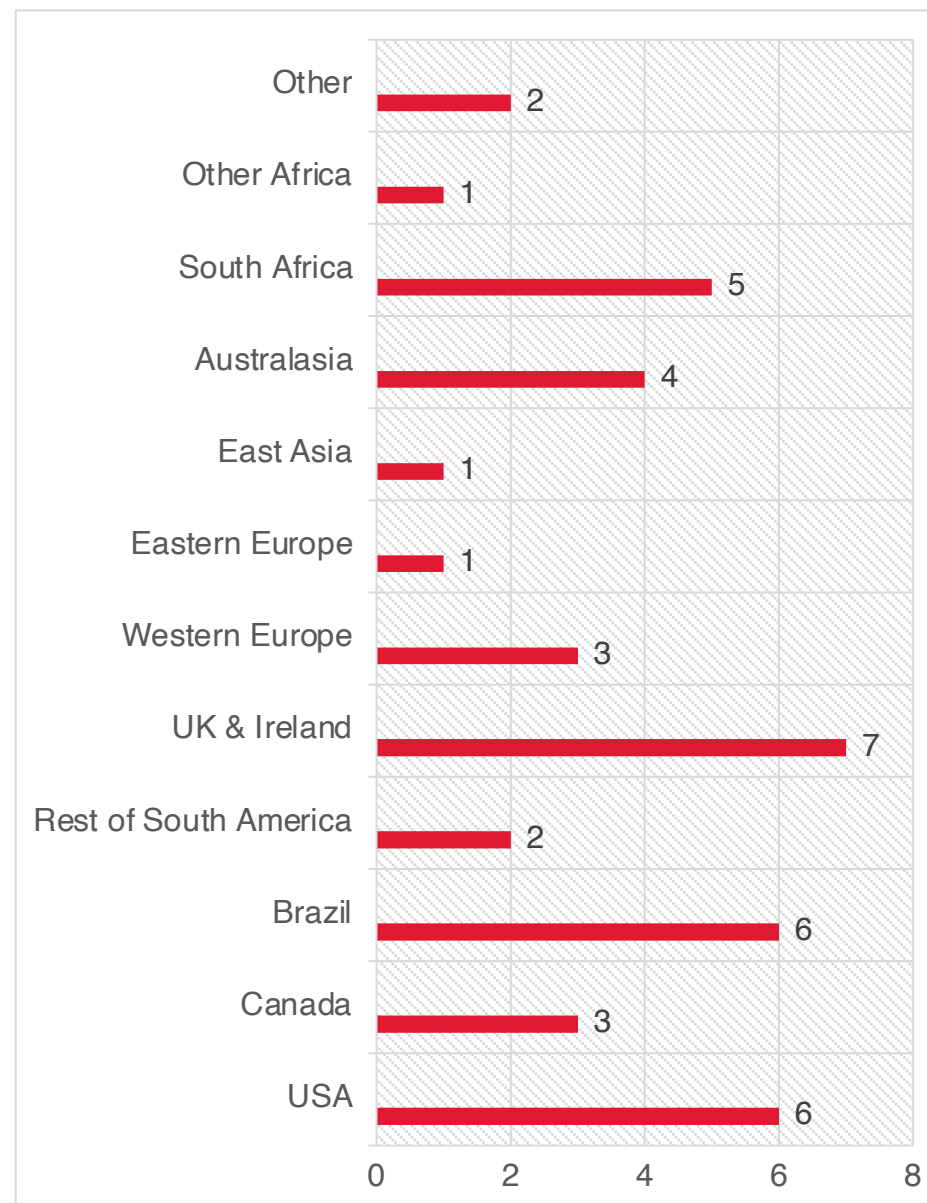
The total economic impact of this spend based on a multiplier of 2,45 was approximately R1,6 billion or about 13% of the value of the business events sector. If the EIC multiplier is used the total impact is some R1,5 billion or 12%.

Thus in 2019 the value of incentive programmes managed by South African agencies was some R640 million. The total economic impact of this spend based on a multiplier of **2,45** was approximately R1,6 billion or about 13% of the value of the business events sector. If it is based on the EIC multiplier of 2,36 it equates to some R1 billion or 12% of the value of the South African business events sector.

Calculation- 25 agencies x 16 programmes x R1,6 million.

Q. What are the primary source markets for your incentive business?

PRIMARY SOURCE MARKETS

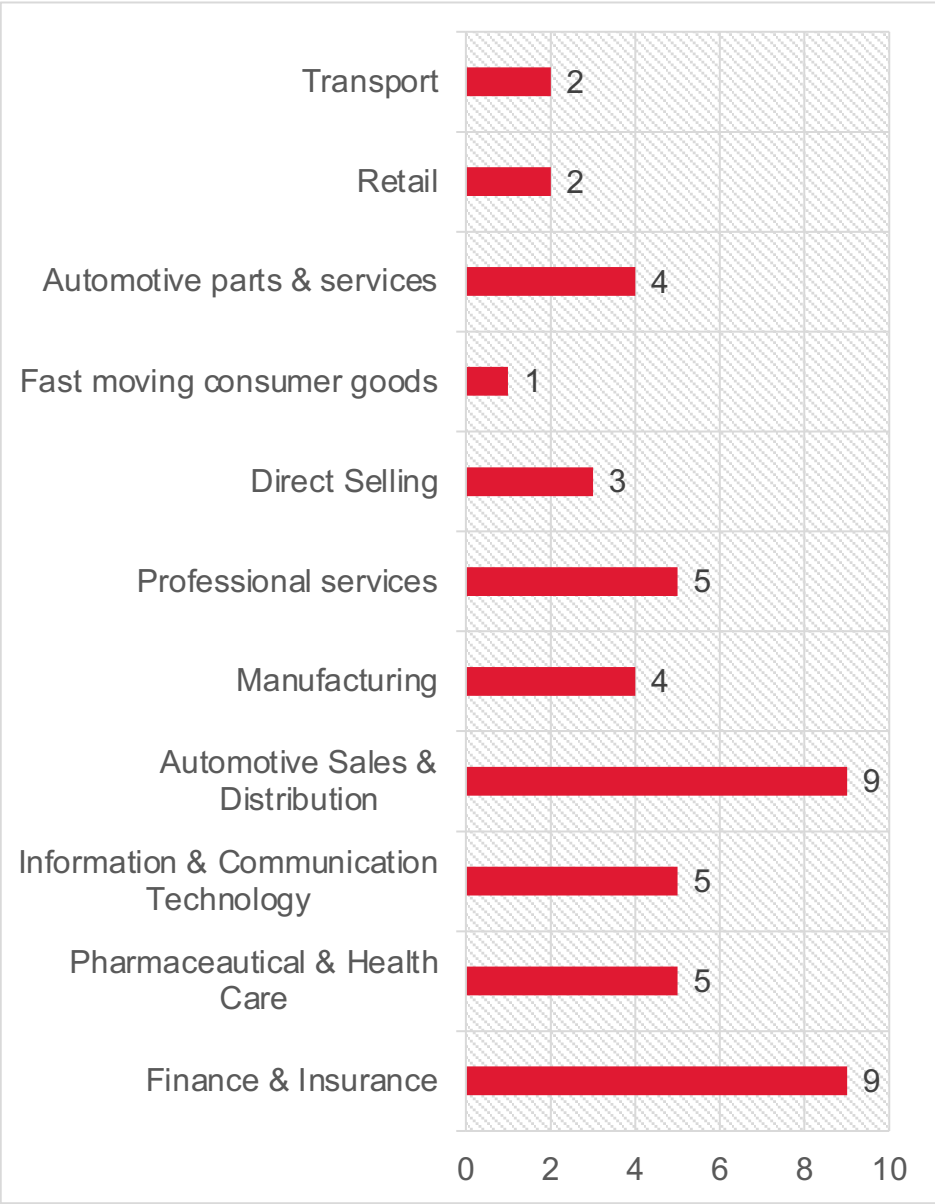


Number of Respondents

Q. What are the key economic sectors that are the source of the incentive programmes that you are involved in?

PRIMARY
SOURCE
MARKET
SECTORS

Top South African Sectors	Top Global Sectors
1. Finance and Insurance	1. Finance and Insurance
2. Automotive Sales and Distribution	2. Pharmaceutical & Health care
3. Pharmaceutical & Health care	3. Information and communication technology
4. Information and communication technology	4. Automotive Sales and Distribution
5. Professional Services	5. Other



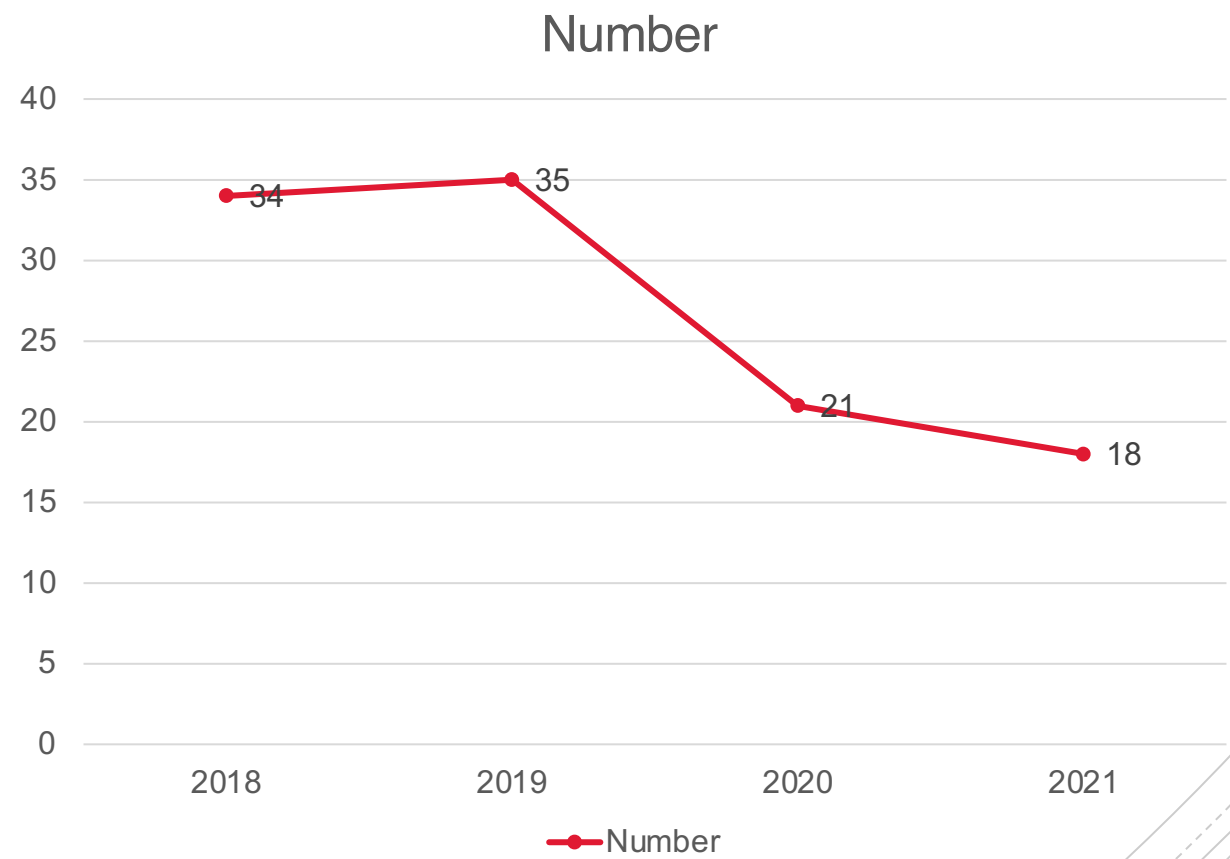
Number of Respondents

COVID-19 IMPACT



Q. What was the size of your organisation in terms of staff (including yourself) ?

**EMPLOYMENT
LEVEL**



Employment level per year (respondents)

What do you estimate was the % decline in your turnover in your 2020 financial year compared to 2019 ?

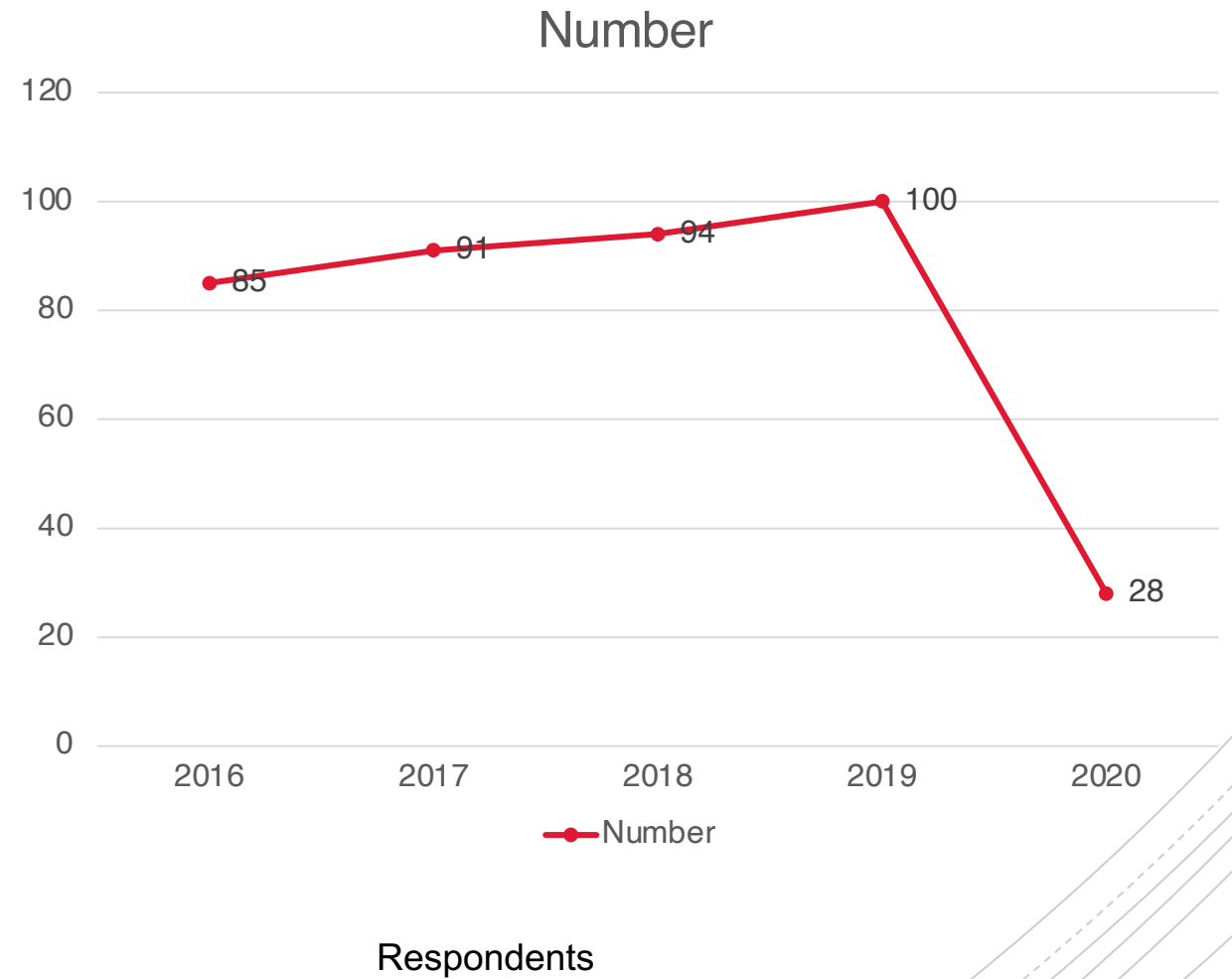
**DECLINE IN
TURNOVER
IN 2019 VS
2018**

90%



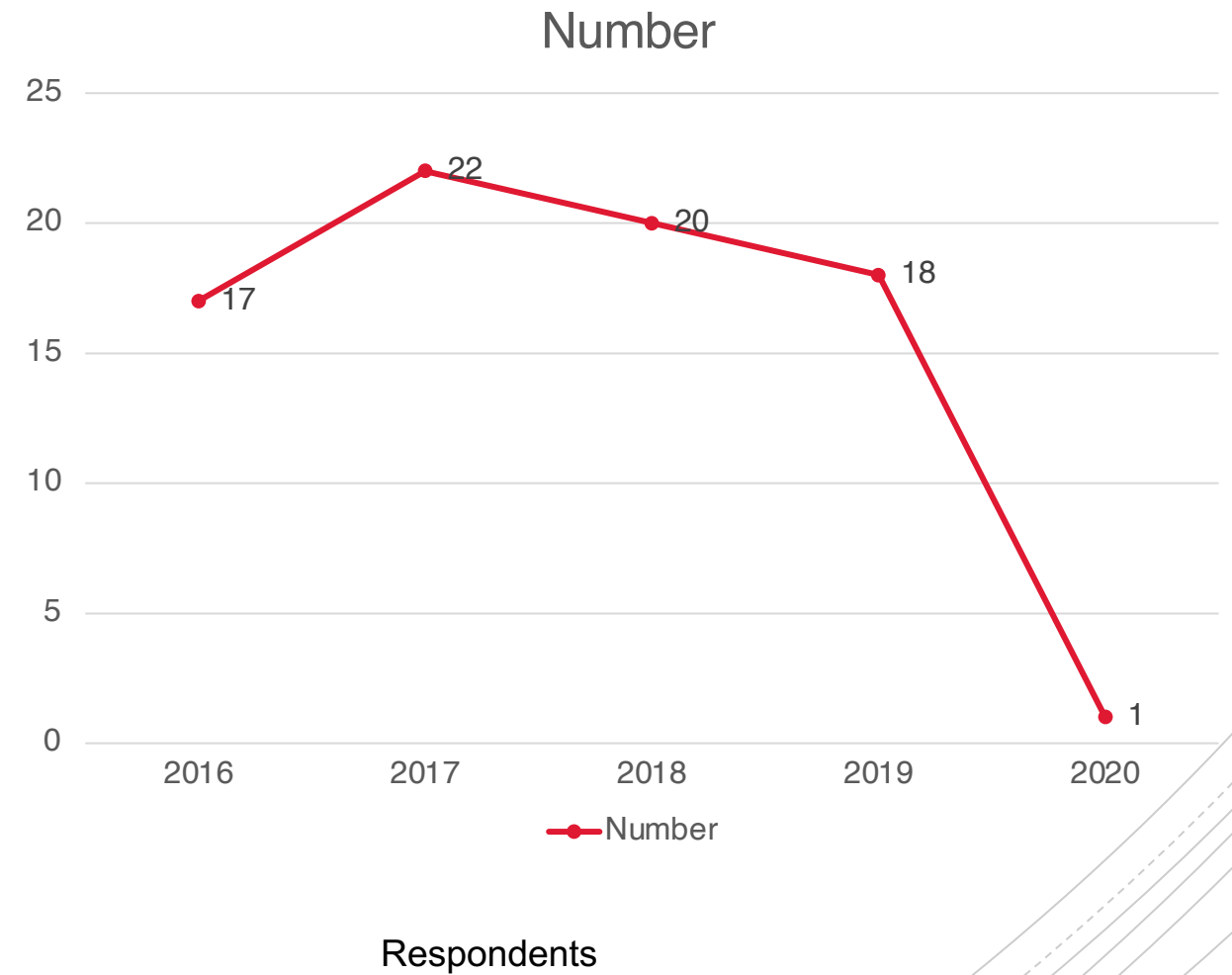
Q. How many RFP's did your organisation quote on in

RFP QUOTES

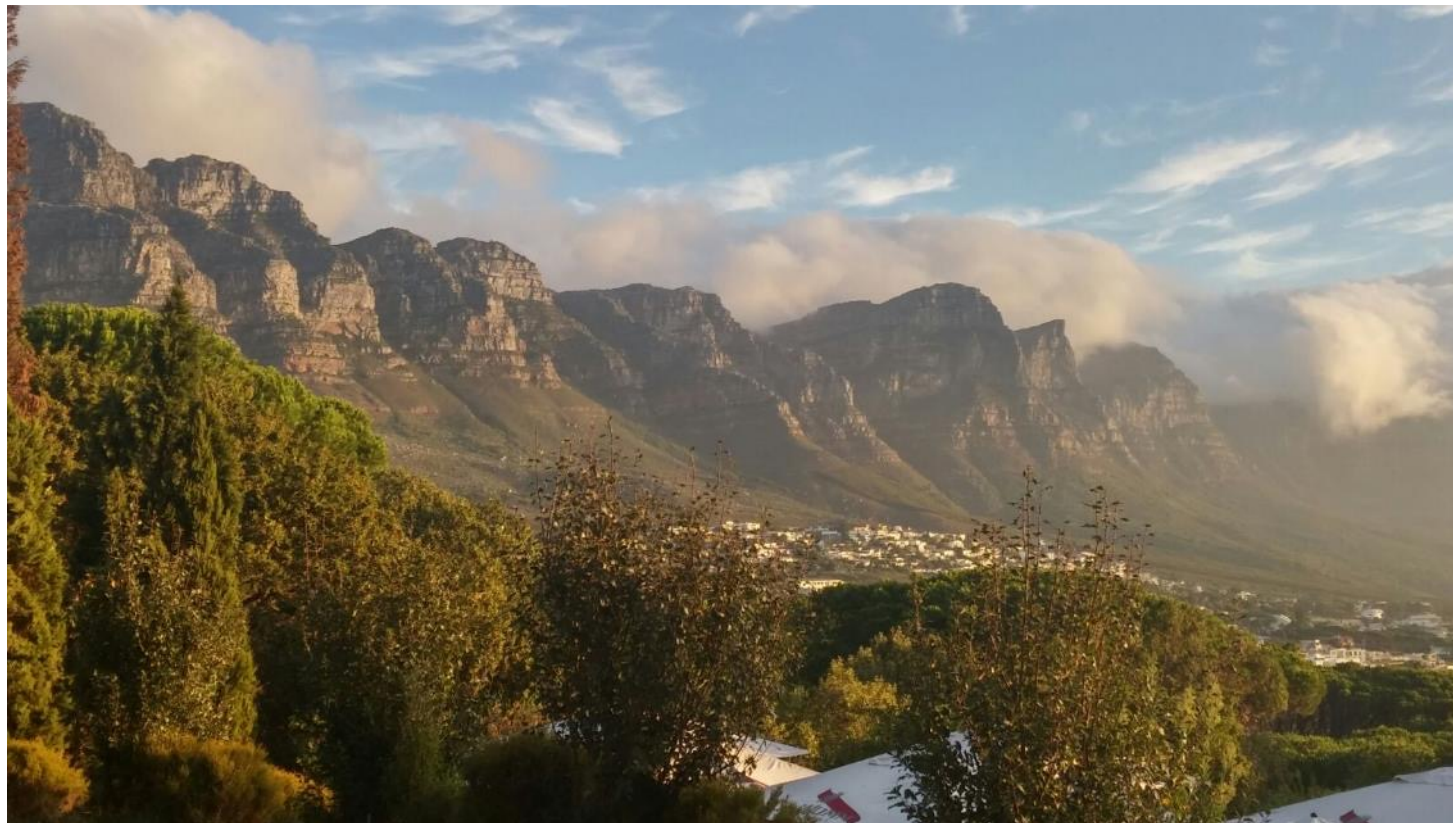


Q. How many RFP's converted into confirmed booking:

QUOTE CONVERSIONS

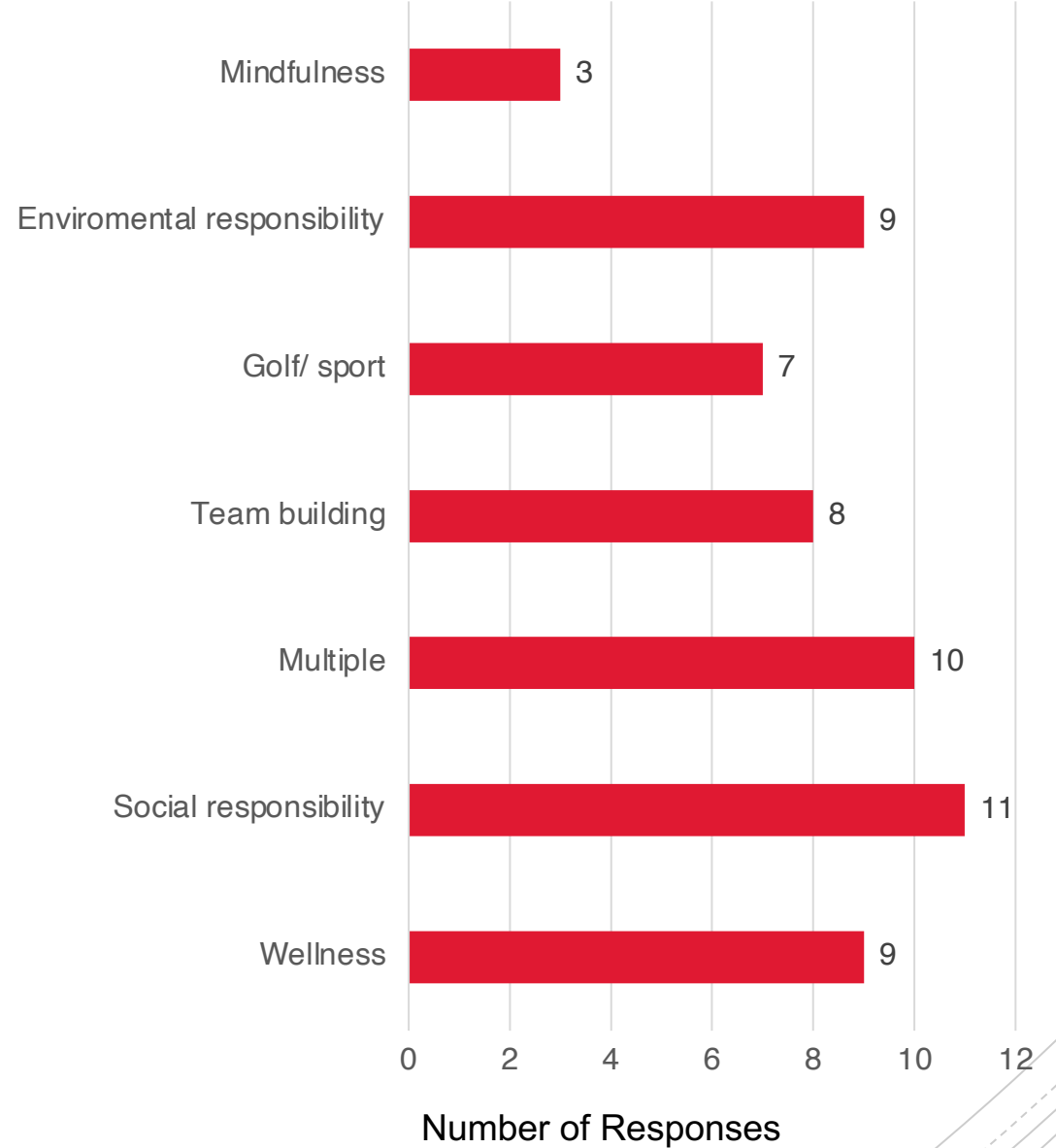


BEYOND TOURISM BENEFITS



Q. Do your incentive programmes include

PROGRAMME COMPONENTS



Q. Organisational benefits of incentive travel?

ORGANISATIONAL BENEFITS



THE RESEARCH TEAM



Niche Partners

Londi Khumalo

Over the last 12 years, Londi has worked in business development, tourism and customer relationship roles in proudly African organisations. Her leadership expertise at Niche partners are;

- Qualitative Market Research
- Marketing & Customer Relationship Management
- Project management
- Investment marketing
- Strategic stakeholder relationship building

Londi has worked with one of Africa's leading meetings venues, the Durban International Convention Centre, which exists to grow its local and international reach in order to sustain over 10 000 jobs as well as Africa's largest and oldest chambers commerce with its 3 000 business members.

Londi@nichepartners.org



Cathkin Booking and Management Services

James Seymour

Experienced executive with a 27 year demonstrated history of working in the events services industry and tourism sector. Strong business development and marketing skills.

Some of James's achievements include founding the Durban KwaZulu-Natal Convention Bureau and securing the World Tourism Organization's Award for excellence in knowledge management.

His areas of expertise are;

- Qualitative & Quantitative Marketing Research
- Customer Relationship Management
- Tourism research, development and marketing
- Electronic marketing

Qualifications in research and marketing including an MSc from the University of Nottingham, one of the worlds top 100 universities..

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