
ILEMBE TOURISM INDUSTRY RESEARCH
Consolidated Bi-Annual Report (July 2019 – December 2019)

Prepared For:

ENTERPRISE ILEMBE ECONOMIC DEVELOPMENT AGENCY



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Acronyms

LIST OF ACRONYMS	
CGE	Computable General Equilibrium
FK	Forward Keys, suppliers of global airline data
GDP	Gross Domestic Product
iLembe	iLembe District Municipality
KSIA	King Shaka International Airport
KZN	KwaZulu-Natal
Rbn	Billion Rand
Rmn	Million Rand
SA	South Africa
SAT	South African Tourism
Stats SA	Statistics South Africa
STR Global	Smith Travel Research (global hotel occupancy data)
TKZN	Tourism KwaZulu-Natal
TSA	Tourism Satellite Account
TTRA	Travel and Tourism Research Association
UNWTO	United Nations World Tourism Organisation
VFR	Visiting Friends and Relatives
WTTC	World Travel and Tourism Council

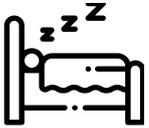
Definitions

LIST OF DEFINITIONS ¹	
Adventure Tourism	A leisure activity that takes place in an unusual, exotic, remote, or wilderness destination and tends to be associated with high levels of involvement and activity by the participants, most of it outdoors.
Avi-tourism	This type of travel takes advantage of birding-related events, and many tourist destinations promote birding festivals, hotspots, trails, preserves, parks and other locations to encourage birders to travel to the area, as well as highlighting local endangered or endemic bird species.
Blue Flag Beach	Blue Flag is an international award given to beaches, boats and marina's that meet excellence in the areas of safety, amenities, cleanliness and environmental standards. The strict criteria of the programme are set by the international coordinators of the Blue Flag campaign in Europe, the Foundation for Environmental Education (FEE).
Business Tourism	The provision of facilities and services to the millions of delegates who annually attend meetings, congresses, exhibitions, business events, incentive travel and corporate hospitality.
Cultural Tourism	The subset of travel concerned with a country or region's culture, specifically the lifestyle of the people in those geographical areas, the history of those people, their art, architecture, religion(s), and other elements that helped shape their way of life.
Direct Impact	(... of tourism) is a result of the total amount that is spent by tourists in an area and it refers to any businesses that receive direct payment from tourists.
Domestic Tourism	Tourism that takes place between and within regions of a particular country. It effectively includes inter-regional tourism and intra-regional tourism.
Holiday	An extended period of leisure and recreation, especially one spent away from home or in travelling.
Indicator	Measurable variable used as a representation of an associated (but non-measured or non-measurable) factor or quantity.
Indirect Impact	The 'indirect spend' or indirect impact of tourism is concerned with the consumption of goods and services in the tourism sector, usually calculated by means of the use of a multiplier.
Induced Impact	(... of tourism) occur when the locals, who have earned money through tourism either directly or indirectly, spend their income on goods and services, thus stimulating the local economy.
International Tourism	Travel which involves leaving the borders of one country to enter another.
Long-Haul Travel	Travel which covers a large distance and usually involves the use of a variety of transport types in order to cover many different areas.
Multiplier	A factor that is applied to any estimation of the direct economic impact of tourism in an area and it makes it possible to estimate the impact of indirect and induced impacts of tourism.
Niche Tourism/Market	Consists of tourism based on 'special interests, culture and/or activity-based tourism involving small numbers of tourists in authentic settings.
Sub-Indicator	

¹ Source(s): A. Beaver, 2012, *A Dictionary of Travel and Tourism*, Oxford University Press; Blue Flag, South Africa, 2016, Internet: <http://blueflag.org.za/wessa/>, Accessed: 23 May 2016; T. Var et al, 1993, *VNR's Encyclopaedia of Hospitality and Tourism*, Van Nostrand, New York; United National World Tourism Organization.

	A sub-set of indicators, e.g., if the indicator is 'accommodation', a sub-indicator could be 'hotels' or 'B&Bs'.
Tourism	Comprises the activities of persons travelling to, and staying in places outside their usual environment, for not more than one uninterrupted year, for leisure, business and other purposes. The usual environment of a person consists of a certain area around his/her place of residence, plus all other places he/she frequently visits.
Tourist	<p>A person who travels away from their home and stays away for at least one night (more than 24 hours) at their destination, is not remunerated in that destination, and may travel for different purposes including business, leisure and exploration.</p> <ul style="list-style-type: none"> • <u>Domestic Tourist</u>: a person resident in South Africa who travels to another part of the country for at least one night, but not more than one year, and is not remunerated in that destination. • <u>International Tourist</u>: a person from outside South Africa who travels into the country for at least one night, but not more than one year, and is not remunerated in that destination.
Traveller	A person who moves between different geographical locations for any purpose and any duration. The term traveller in this report refers to an international traveller.
Region	A region is an area of land that has common features. A region can be defined by natural or artificial features. Language, government, or religion can define a region, as can forests, wildlife, or climate. Regions, large or small, are the basic units of geography. In this report, the North Coast tourism region consists in the main of the iLembe District Municipality.
Visiting Friends and Relatives (VFR)	A form of travel involving a visit whereby either (or both) the purpose of the trip or the type of accommodation involves visiting friends and/or relatives/family.
Visitor	Any person who moves to an area for less than one day (24 hours) or does not spend a night in the area.

Tourism Research Findings Highlights



Overnight visitors = 431 653
 Foreign = 31 942
 Domestic=399 711



Day visitors = 85 024

Tourist stayed an average of **5.32 NIGHTS**
 & spent an average of **R4 602.50**

Major reason for visiting



Holiday 64%



VFR 17 %



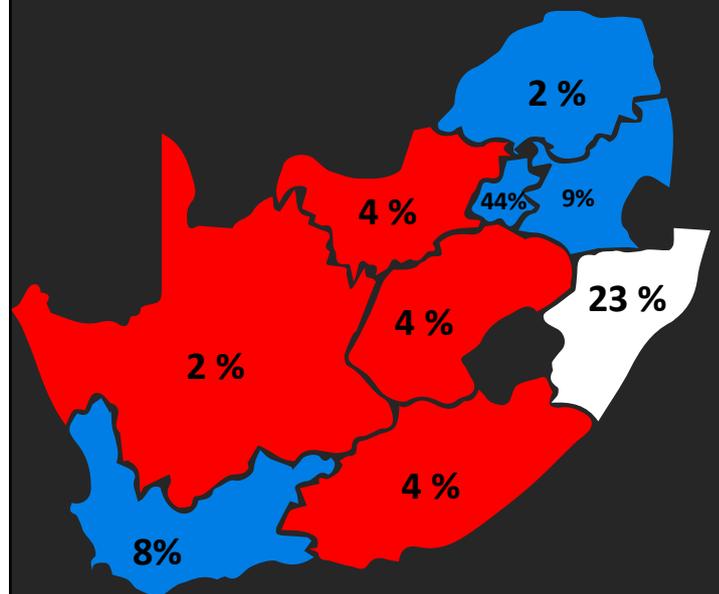
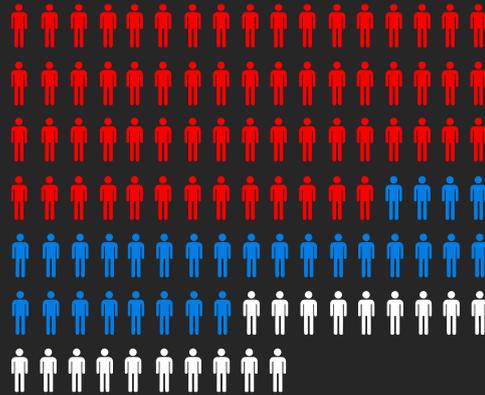
Shopping 6.4%



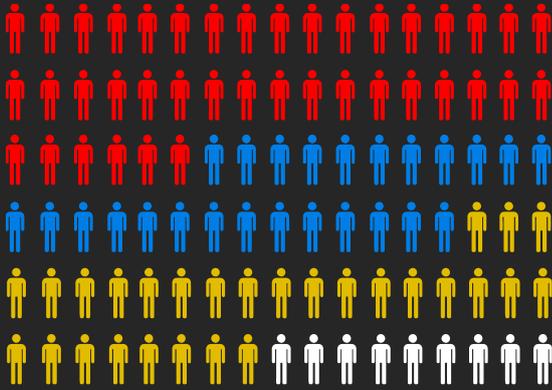
Business 4.7%

TOTAL VISITORS

516,677



Origin of Domestic (RSA) Visitors to iLembe District



- 20.17% United Kingdom
- 20.88% Germany
- 13.98% Swaziland
- 7.56% USA
- 37,41%Other

Top foreign overnight visitors' origin



Direct Spend
2,billion



Jobs
6 882



GDP Contribution
R3,217 Billion

SECTION 1

1. Introduction

1.1 Purpose of the study

Enterprise iLembe is a development agency under the iLembe District Municipality, whose role is to promote trade and investment opportunities in the district. In its bid to foster the tourism industry in the district Enterprise iLembe decided to undertake a research project in order to evaluate the contribution of tourism to the economy of the iLembe area. To this end, they appointed Sivandi to undertake the study aimed at collecting data, both existing and primary, in order to do the evaluation.

This report is a summary of the research results of the tourism sector in the iLembe District for the period of July – December 2019.

1.2 Methodology

Due to the complexity of the tourism sector as well as to the lack of available information at a sub-destination level, a multi-faceted approach was planned in order to be able to obtain as much of the required data as possible. Some of the information was available, but a large portion required primary data to be collected, collated and analysed.

1.2.1 Data Collection

To this end, monthly occupancy data was requested of all accommodation establishments in the iLembe district. The returns were collated according to category, on a monthly basis, and analyses undertaken. All of the data for each six-month period is to be collated in order to provide the biannual report.

Intercept surveys were also undertaken with a minimum of 100 respondents, where possible. Only visitors from out of the area, from the rest of KZN, South Africa and from overseas are interviewed, not local residents, according to international best practice. Locals are excluded as they represent 'recycled' money, and not new money being injected into the iLembe economy.

License plate surveys are also undertaken to ascertain the ratio of local to visitor vehicles. Background data was also collected. This was in the form of air passenger arrivals from King Shaka International Airport, toll road numbers for class 1 vehicles heading north through the Tongaat Toll Plaza, and provincial and national hotel occupancy figures obtained for comparative purposes.

A variety of other surveys were also consulted for further background/environmental information. These included South African Tourism (SAT) annual reports, Table Bs, and quarterly domestic tourism reports, as well as reports from Statistics South Africa (STATSSA).

More specific and relevant reports from the provincial tourism authority, Tourism KwaZulu-Natal (TKZN) were also consulted. These included the annual Tourism Statistics Brochures and the monthly updated Tourism Intelligence Report.

1.2.2 Economic impact

Tourism impacts can be categorised as direct, indirect or induced. The direct impact of tourism is a result of the total amount that is spent by tourists in an area and it refers to any businesses that receive direct payment from tourists. An example of this this would be a payment by a tourist to an accommodation establishment such as a hotel or B&B. In addition to this, the 'indirect spend' or indirect impact of tourism is concerned with the consumption of goods and services in the tourism sector. These goods and services are what tourism businesses purchase from their suppliers, forming the tourism supply chain.² The indirect impact can also be calculated by applying a local multiplier (see diagram below).

Lastly, the induced impacts of tourism occur when the local residents, who have earned money through tourism either directly or indirectly, spend their income on goods and services, thus stimulating the local economy – as explained in the paragraph above.³ In other words, the local spend within an economy is seen as 'recycled money' and is important for maintaining the local economy rather than growing it (direct and indirect impacts).

Therefore, in order to calculate a realistic figure that will show the economic impact of tourism, it is important that all of the three impacts (discussed above) are quantified and are added together.⁴ The indirect and induced impacts are often calculated by multiplying the direct impacts with a multiplier factor. The diagram below shows the simple steps that are followed in order to calculate the total economic impact.

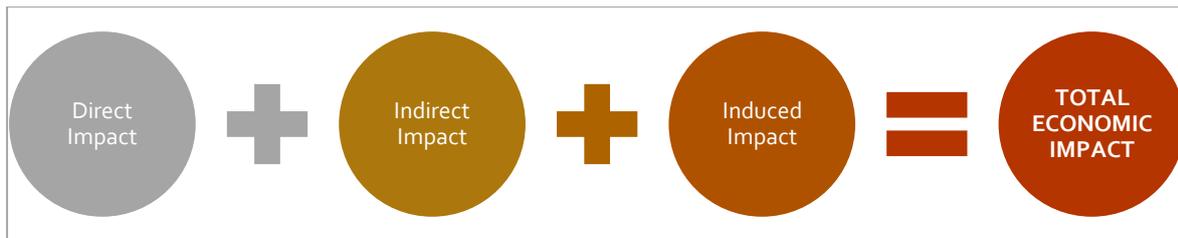
Calculating the Economic Impact of Tourism⁵

² A. Nedelea et al, p.250.

³ J.D. Theron, p.17.

⁴ J.D. Theron, p.17.

⁵ J.D. Theron, p.17.



The Multiplier Effect: Indirect and Induced Impacts

As mentioned above, the direct expenditure of tourists is only part of the total economic impact of tourism in a local area/region. The notion that every amount of tourist-spend in the area has a re-occurring impact on the economy of an area is known as the 'multiplier effect'.⁶ Essentially, the multiplier is a factor that is applied to any estimation of the direct economic impact of tourism in an area, and it makes it possible to estimate the impact of indirect and induced impacts of tourism.⁷ In other words, multipliers are used to quantify the total impact of tourism.⁸ Therefore, for the purpose of this study the **multiplier of 2.0** will be used in order to ensure consistency with other similar studies and to permit comparability.

Measuring the Economic Impact of Tourism

The measurement of the economic benefits, along with related costs of tourism, can help a wide range of stakeholders such as marketers, planners, and others with an interest in visitor activities to reach a variety of objectives.⁹ For example:

- It informs decision makers of the benefits that accrue to a community by investing in tourism marketing and facilities
- It allows for public-private partnerships in marketing and the development of infrastructure
- It allows tourism-related employees to understand their role in the community
- By demonstrating the effects of tourism development to the general public, it helps citizens to make informed decisions when choosing whether to encourage or resist additional tourism marketing or development.¹⁰

⁶ A. Nedelea et al, p.283.

⁷ J.D. Theron, p.20.

⁸ M. Saayman, A. Saayman, and W. Naudé, 2000, *Economic and Sectoral Effects of Tourist Spending in South Africa: Regional Implications*, Faculty of Economic & Management Sciences: Paper prepared for the ABAS International Conference, 10 – 12 July, Prague, Czech Republic, Potchefstroom University for CHE, Potchefstroom South Africa.

⁹ D.C. Frechtling, 2006, An Assessment of Visitor Expenditure Methods and Models, *Journal of Travel Research*, 2006, 45, p.26.

¹⁰ D.C. Frechtling, p.26.

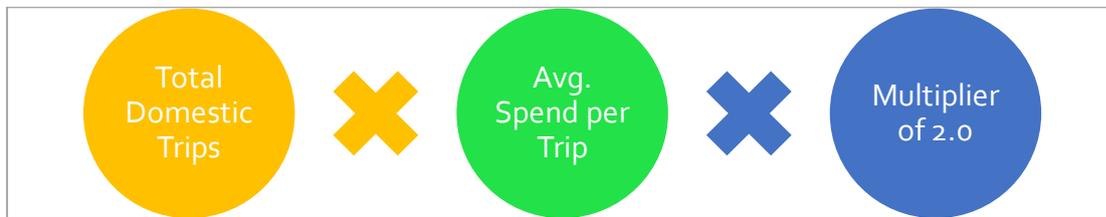
When attempts are made to measure the economic impact of tourism, this often results in the development of policies or decisions that are often favourable for tourism development.¹¹ However, it must be noted that economic impact analysis is a “best guess” rather than being “accurate”.¹² Most impact models for tourism are variations of the following equation:¹³

Economic Impact Formula



For example, in the SA context, the following will be used (based on one calendar year):

Example of Economic Impact Formula



Thus, this brief discussion has laid out the foundation for an analysis of the economic value, or impact of tourism in the North Coast or iLembe region.

1.3 Limitations of the study

As with most research in economic development, accurate data was one of the major limitations in this study. The limited readily available tourism statistics at local level, where data is available, it is often conflicting amongst the providers of tourism research.

At a national level South African Tourism (SAT) and Statistics South Africa (STATSSA) are the primary sources of tourism data. At a provincial level Tourism KwaZulu-Natal (TKZN) provides tourism statistics as well as for local level including the North Coast of the province. Therefore, this means the local level data is not primary data but it is extrapolated from the National and Provincial data. Extrapolation of data has several weaknesses which make it difficult to accurately quantify economic impact thus there is a need to collect primary data for this research.

¹¹ J.W. Pao, 2005, *A Review of Economic Impact Analysis for Tourism and Its Implications for Macao*, Monetary Authority of Macao, p.7.

¹² J.D. Theron, p.22.

¹³ D.J. Stynes, p.1.

1.4 Structure of the report

This report is structured as follows;

- Findings Highlights
- Section 1: Introduction
- Section 2: iLembe Tourism Statistics
- Section 3: Economic Impact of Tourism in the iLembe District

SECTION 2

2. iLembe Tourism Statistics

Table 1: Tourist Statistics

Description	Foreign	Domestic	Total
Total Overnight tourist staying in formal accommodation	27 525	344 431	371 956
Total overnight tourist staying with family & friends	4 417	55 280	59 697
Total overnight tourist	31 942	399 711	431 653
% of KZN Overnight visitors			16.5 %
% day visitors			16.4%
Number of day visitors	6 292	78 732	85 024
Total Visitors	38 234	478 443	516 677

The numbers above still indicate that KZN and iLembe remains a preferred destination for domestic tourists, there is still a lot of work to be done in getting international tourist into the province.

2.1 Number Overnight Visitors

A total of 516,677 visitors visited iLembe District over the review period of July 2019 – December 2019. Of these 431 653 were overnight visitors. This included those who stayed in formal accommodation establishments as well as Airbnb’s and visiting friends & relatives [VFR] (Table 1). There were 85 024-day visitors who mainly came to visit the beaches and to do shopping to the district during the period.

Figure 1.1.1 Overnight Visitors Trends July -December 2019

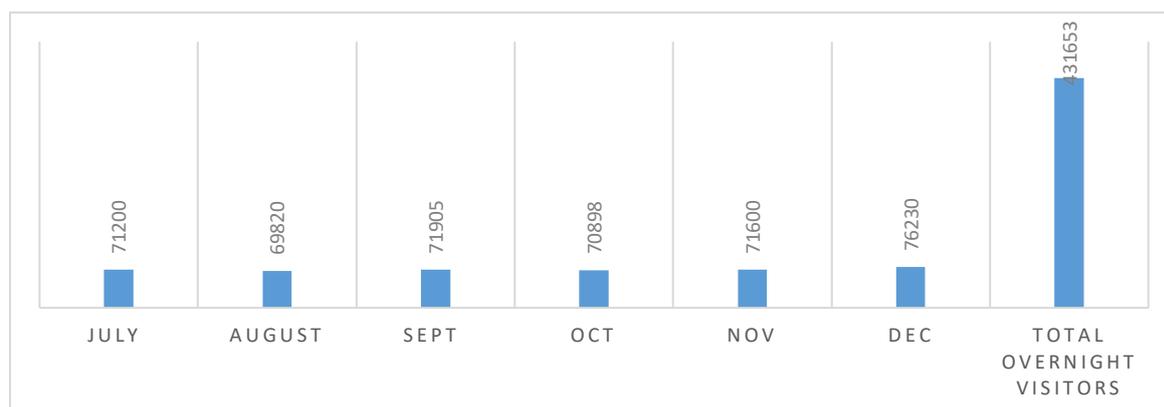
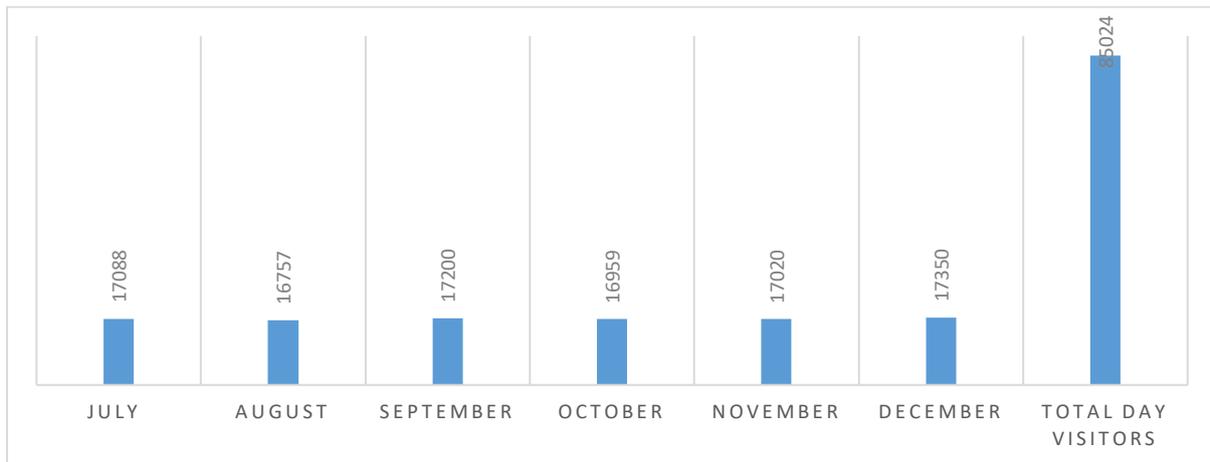


Figure 1.1.2 Day Visitors trends



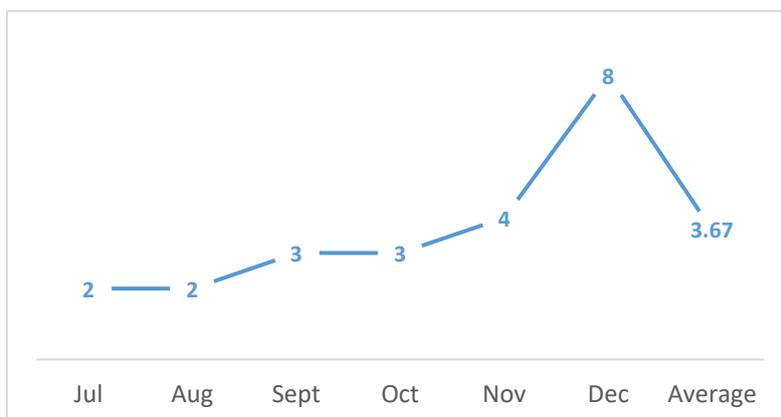
2.2 Length of Stay

Figure 2.2 Average length of stay by overnight tourists



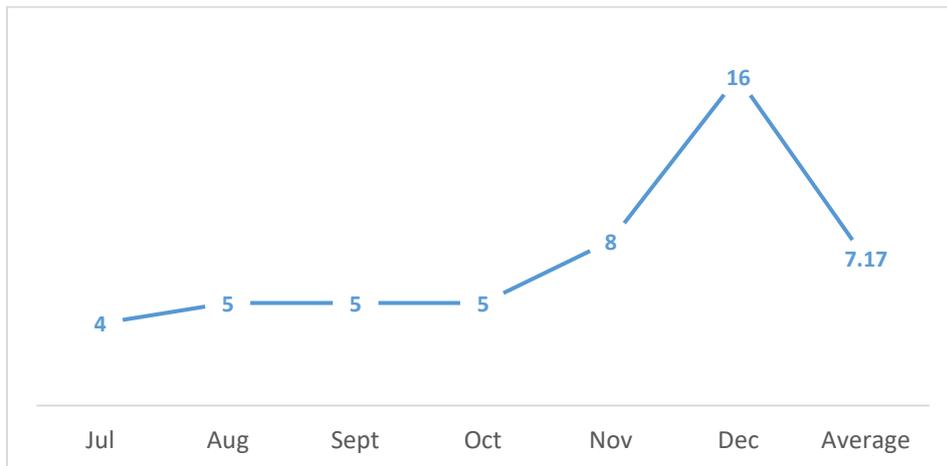
Overnight tourists stayed for an average of 5.5 nights over the review period. This peaked during the tradition December holidays at 12 days.

Domestic



Domestic overnight tourists stayed for an average of 3.67 nights over the review period. This peaked during the tradition December holidays at 8 days.

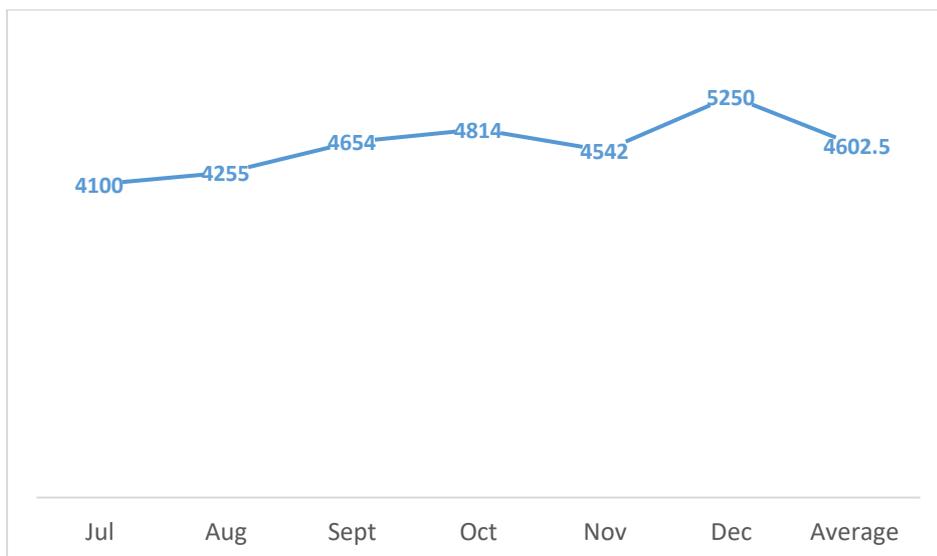
International



International overnight tourists stayed for an average of 7.17 nights over the review period. This peaked during the tradition December holidays at 16 days.

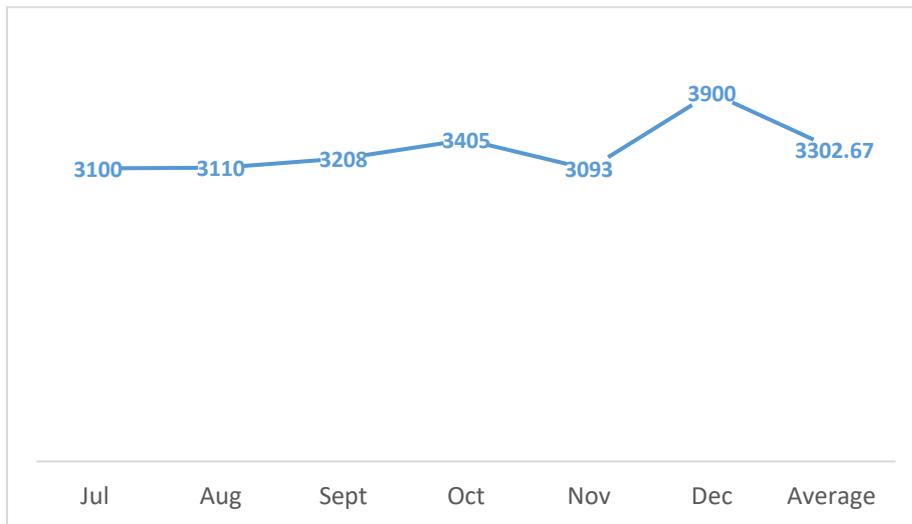
2.3 Average Spend

Figure 2.3 Average spend of tourists trends (Excluding flights)



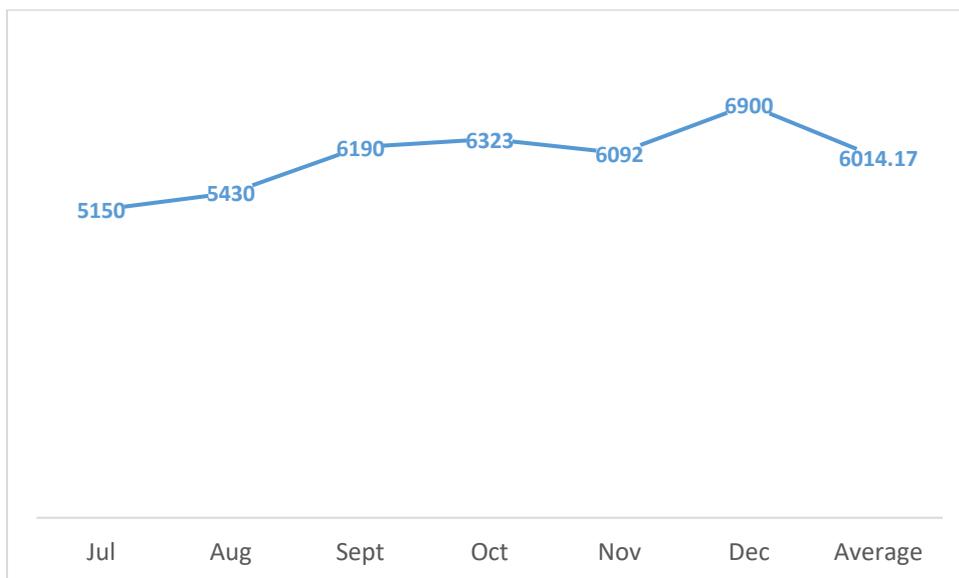
The average spend of tourist visiting iLembe from July to December 2019 was R4 602.50, the average spend peaked in December at R5 250 which is a normal trend around the festive season.

Domestic



The average spend of domestic tourist visiting iLembe from July to December 2019 was R3302.67, the average spend peaked in December at R3 900 which is a normal trend around the festive season.

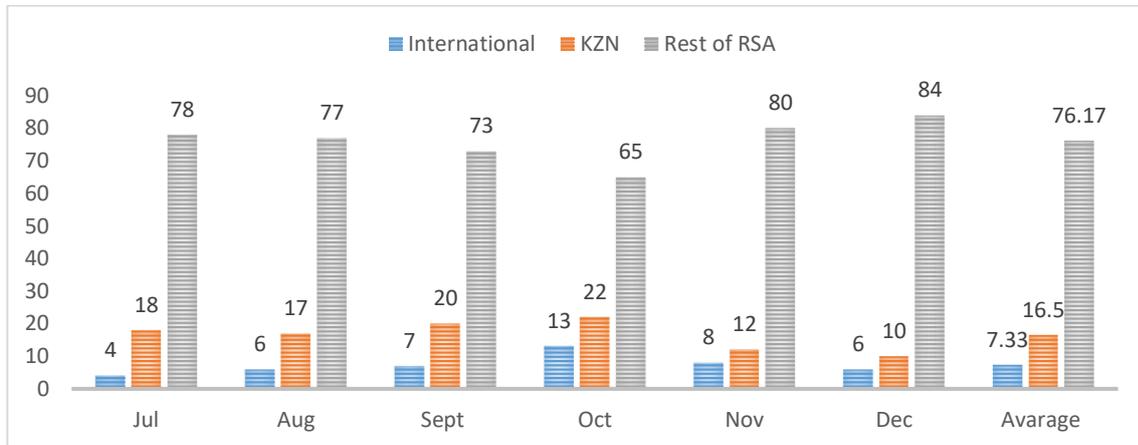
International



The average spend of domestic tourist visiting iLembe from July to December 2019 was R6014.17, the average spend peaked in December at R6 900 which is a normal trend around the festive season.

2.4 Origin of Tourists to iLembe

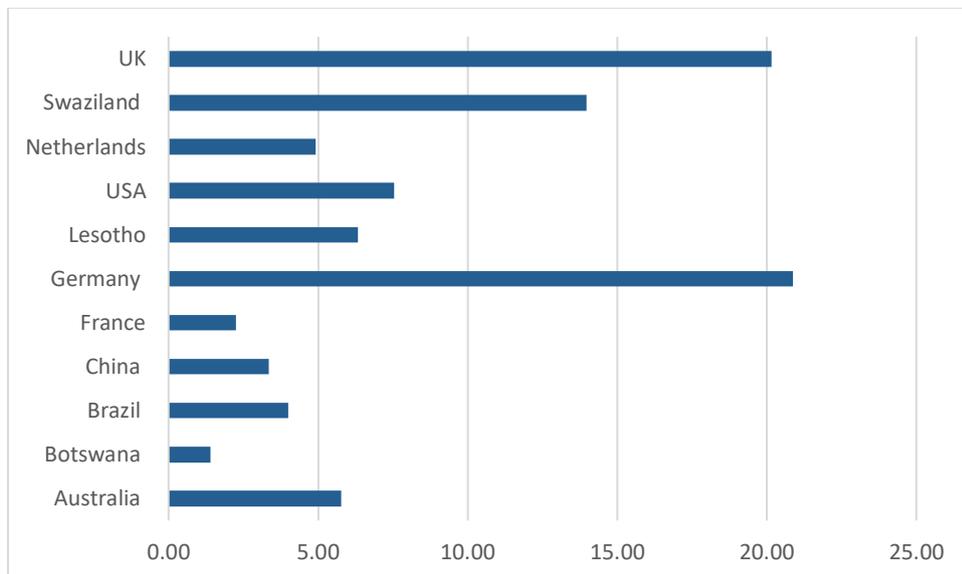
Figure 2.4 Origin of visitors to iLembe July 2019-December 2019



The majority of visitors are domestic averaging 76.17% over the review period, this is not surprising as the province of KwaZulu Natal has always been the inland country's cities destination of choice. This was followed by other parts of KZN visitors whose numbers averaged at 16.5% and international tourists at 7.33% over the review period.

2.5 Origin of Foreign Tourists to iLembe

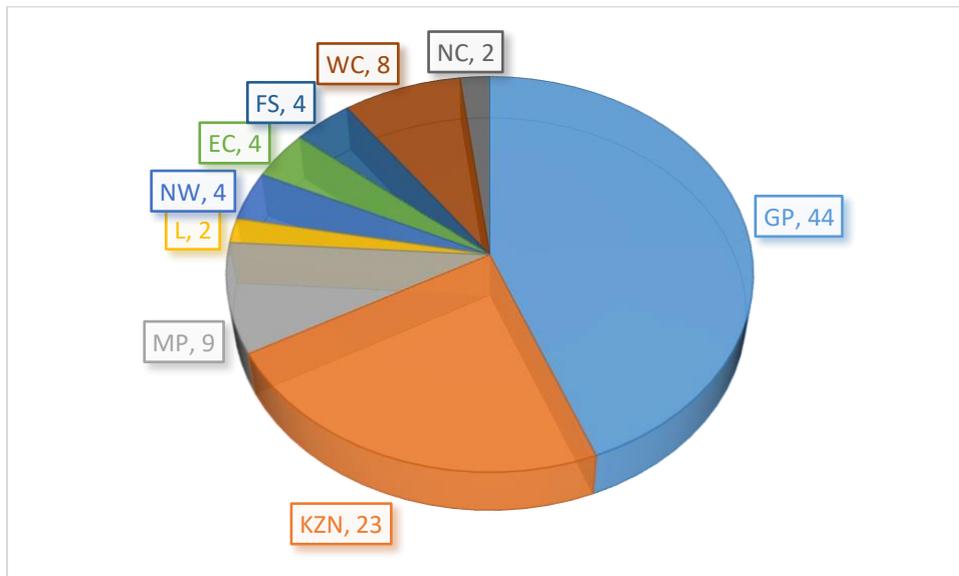
Figure 2.5 Origin of foreign tourists



A majority of foreign visitors came from the traditional markets i.e. Germany at 20.88 % and the UK at 20.17 %, followed by the Swaziland 13.98%.

2.6 Origin of Domestic Tourists

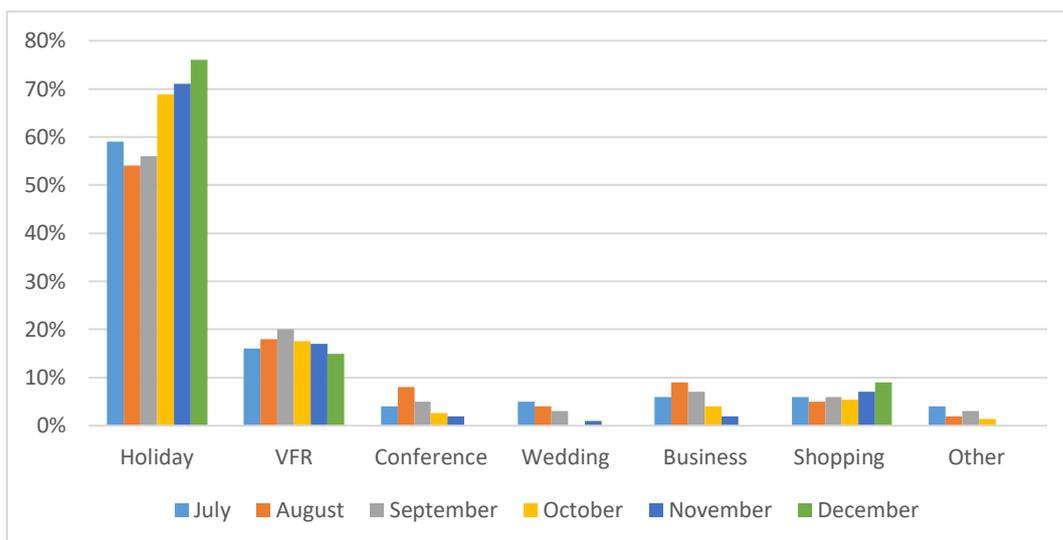
Figure 2.6 Origin of Domestic Tourists



The majority of domestic tourists originated in Gauteng, followed by those from within KZN, and from Mpumalanga. What is worth noting is the fact that the number of tourists recorded from the furthest provinces of Limpopo and North West was insignificant. This can also be attributed to the fact that tourist from those provinces register themselves as being from Gauteng.

2.7 Purpose of Visit

Figure 2.7 Purpose of Visit to iLembe – Intercept Survey

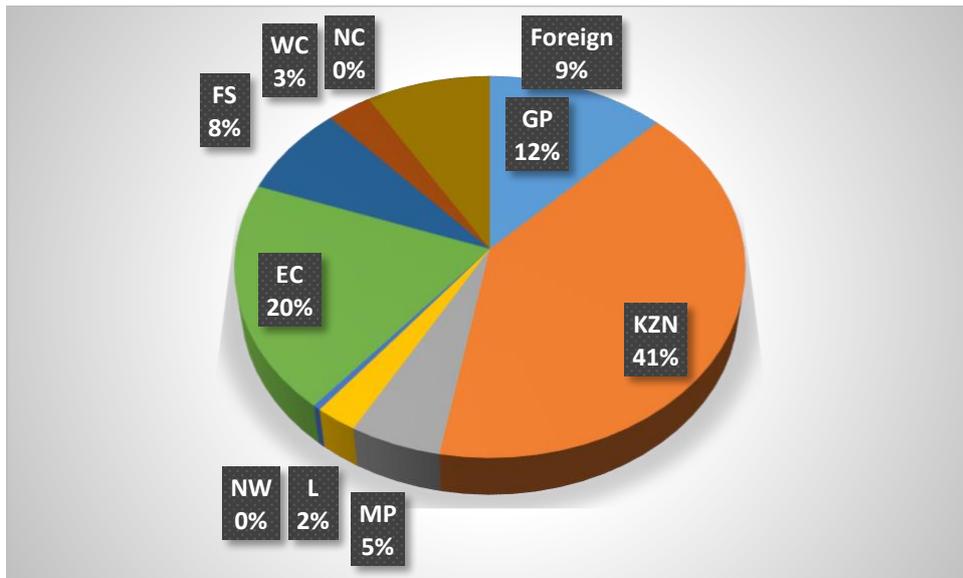


By far the majority of tourists to iLembe were there for a holiday, an average of some 64%, followed by visiting friends and relatives at 17.32%, this should be lumped with holiday, but it was separated in order to get the real factor of paid accommodation.

2.8 Day Visitors

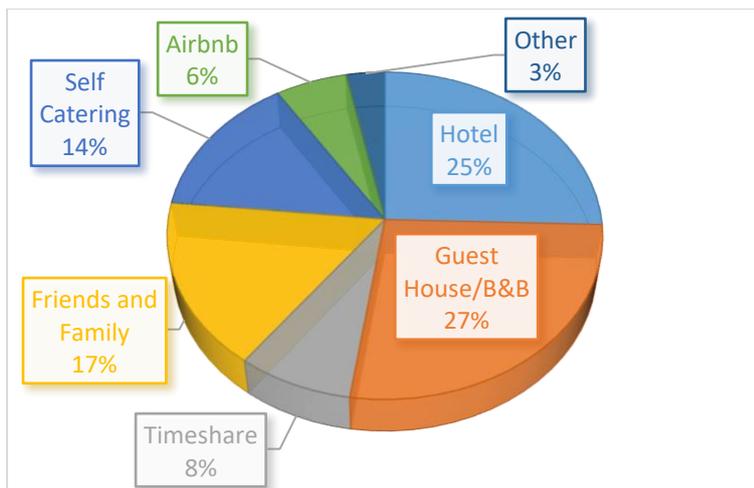
41% of domestic day visitors to iLembe were from other regions of the KwaZulu Natal province followed by the Eastern Cape at 20%, Gauteng Province with 12% and only 9% were of foreign origin(Figure 2.8).

Figure 2.8 Origin of day visitors



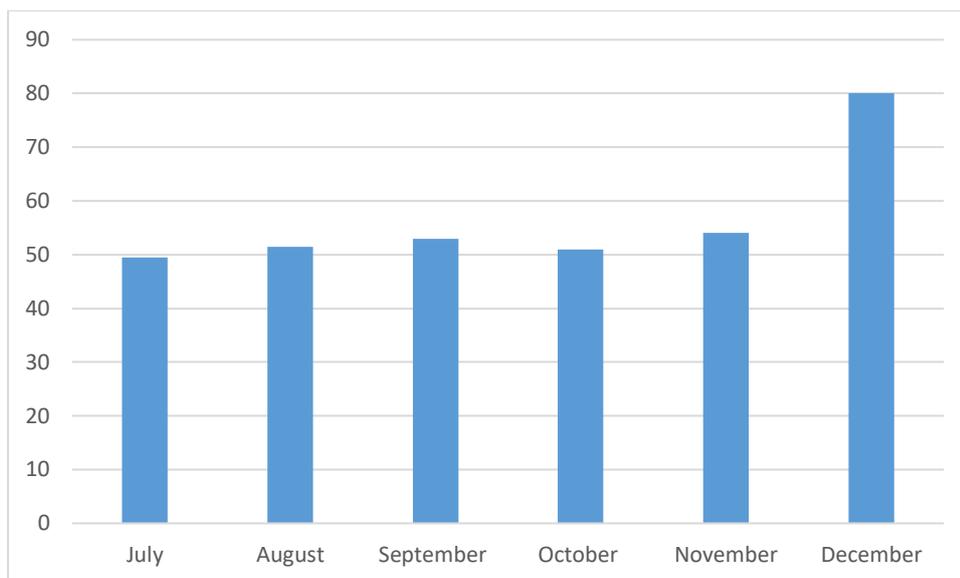
2.9 Accommodation

2.9.1 Type of accommodation used tourists



A majority of visitors that visited in the period under review stayed in Guest houses(including lodges) (27%) followed by hotels (25%), visiting friends and family (17%), as well as self-catering and Airbnb were some of the used form of accommodation.

2.9.2 Occupancy rates



The average room occupancy of accommodation establishments that participated in the research during the study period was at its lowest in July where it was 49.50% with the highest occupancy being in December at 80 % (Figure 2.9.2). Hotels recorded the highest average occupancy over the period under review, followed by bed & breakfast.

According to Statistics South Africa 2019, the tourism industry occupancy rate was 53.8% highest being hotels at 52.1%, followed by Guest houses at 40.1% as well as caravan parks at 36.4% other accommodation which include Airbnb stood at 68%.

SECTION 3

3. Impact

The gross benefit of tourism is the wealth created in the region as a result of the tourist spend or activity. In order to quantify the gross benefit of the quarter we quantify the direct expenditure derived from all visitor activity during the period on tourism products and services.

The estimated value of each of these identified expenditure sources is discussed below and detailed in the **methodology** in **page 7** where details of the different assumptions used are also stated.

Following the identification and quantification of the expenditure sources we apply a multiplier to calculate the overall contribution to GDP as well as the total contribution to employment.

Tourist and Visitors Spend

A total of **516 677** visitors visited iLembe over the review period of July 2019 – December 2019. Of these **431 653** were overnight visitors visiting the iLembe District between July to December 2019. This included those who stayed in formal accommodation establishments as well as Airbnb's and visiting friends & relatives [VFR]) (Table 1). There were **85 024**-day visitors who mainly came for business, weddings or shopping to iLembe during the period.

There was an average group size of 3.8 individuals and the average spend of the overnight visitors per stay was R4 602.50 with a total direct spend of R1,986,682,933. However, this is average which is below the R6014 average spent by international tourist and day visitors average spend was R580 totaling R49,313,920. Thus, the total expenditure by visitors into the iLembe District was **R2,035,996,149** between **July 2019 to December 2019**.

Table 3 Total direct expenditure of visitors

Category	Value	Expenditure
Overnight visitors	431 653	R1,986,682,933
Day visitors	85 024	R49,313,920
Total	516 677	R2,035,996,149

3.1 Economic Impact

3.1.1 GDP contribution and employment

The results of the economic impact analysis are provided in Table 4. The total direct expenditure of visitors to iLembe during the study period was **R2,035,996,149** with a resultant impact on iLembe's **GDP of R3.217 billion**. The number of people directly employed by the sector is **11,560** between **July 2019-December 2019**.

Table 3.1.1 GDP and Employment contribution

	GDP	Jobs Created
Contribution	R3,217	6,882

* 1.58 for every R1 of direct expenditure contribution to GDP

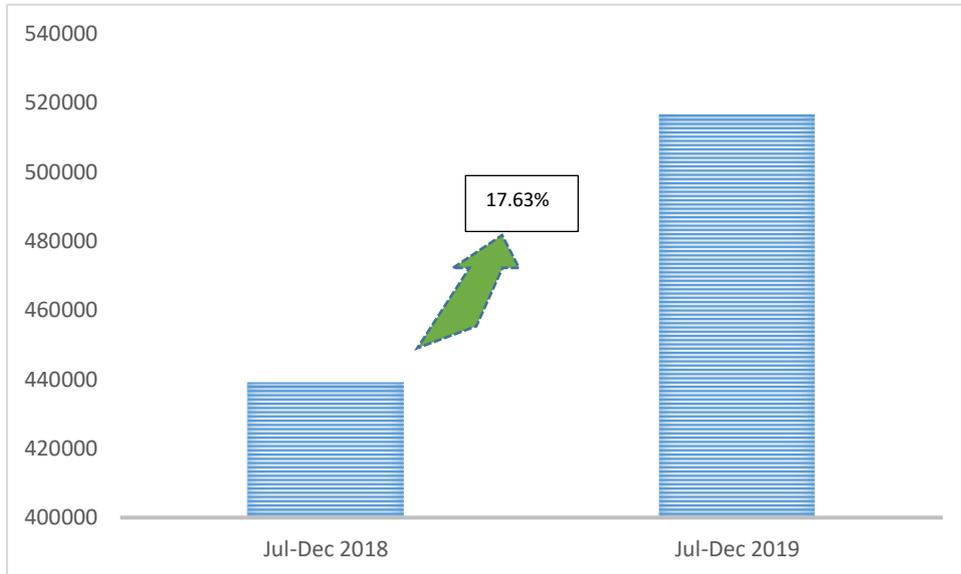
**this is based on 3.38 jobs for each R1 millions of direct expenditure of R2,035,996,149 used for wholesale & retail trade, catering & accommodation (Tourism) in the iLembe District.

SECTION 4

4. Trends

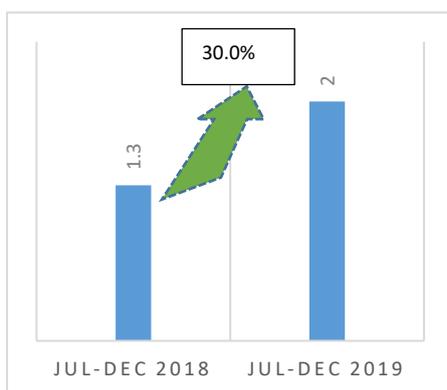
4.1 iLembe travel and tourism trends

Total Visitors

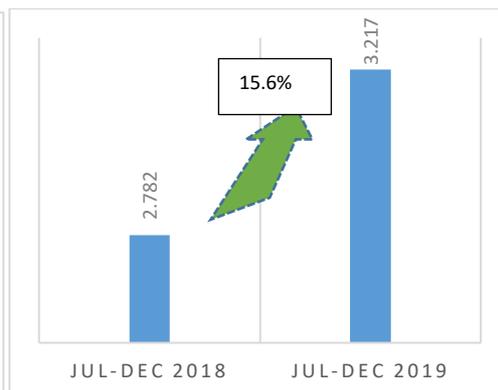


According to Sivandi survey there were 439 255 tourists that visited the iLembe district between July to December 2018 in comparison to the 516 677 tourists between July – December 2019 an increase of 17.63%.

Total Spend



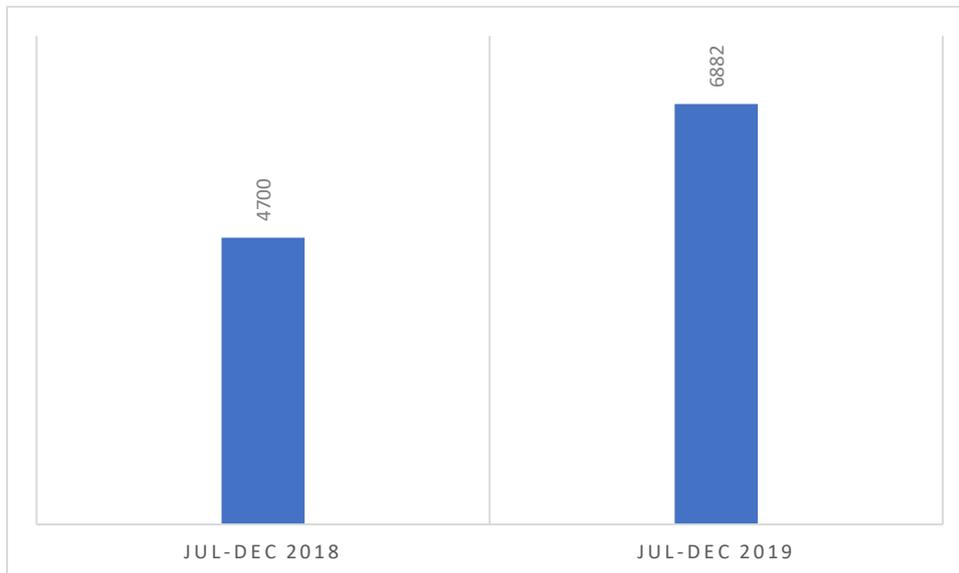
GDP Contribution



According Sivandi survey the total spend from tourism in iLembe district between July -December 2018 was 1.39 Billion in comparison to the R2.0 Billion between July -December 2019 demonstrating a 30% increase in direct spend.

The GDP contribution from tourism in iLembe district between July- December 2018 was R2.782 Billion in comparison July – December 2019 which was R3.217 Billion demonstrating a growth of 15.6 % from the previous year.

Employment opportunities maintained/created



According to the Sivandi) survey the number of people directly employed in the travel and tourism sector in iLembe between July – December 2018 was 4 700 in comparison to 6 882 jobs created between July – December 2019 which reflects a massive increase this is attributed to the inclusion of jobs from Airbnb not included previously.

4.2 Global Tourism Trends

According to the world tourism barometer (UNWTO, 2020) international tourist arrivals (overnight visitors) worldwide grew 4% in 2019 to reach 1.5 billion, based on data reported by destinations around the world.

Tourism in 2019 demonstrated another year of strong growth, although slower compared to the exceptional rates of 2017 (+6%) and 2018 (+6%). Demand was slower mainly in advanced economies and particularly in Europe.

All regions enjoyed an increase in arrivals with the Middle East (+8%) led growth, followed by Asia and the Pacific (+5%). International arrivals in Europe and Africa (both +4%) increased in line with the world average, while the Americas saw growth of 2%.

As per the main source markets, France reported the strongest increase in international tourism expenditure among the top ten markets, while the United States led growth in absolute terms.

Based on current trends, economic prospects and the UNWTO Confidence Index, UNWTO forecasts a growth of 3% to 4% in international tourist arrivals worldwide in 2020.

4.3 South Africa travel and tourism trends

Final 2019 stats not yet published.

4.4 KwaZulu Natal travel and tourism trends

Final 2019 stats not yet published.