

University of Pretoria

Division: Tourism Management

AN ASSESSMENT OF THE IMPACT OF MEGATRENDS IN THE TOURISM SECTOR

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Megatrends

Macroeconomic and geostrategic forces that shape the world

Slow to form

Large in scale and impact

Affect society as a whole for many years in advance

Predictable: high degree of certainty over which there is little control

Unpredictable: “Shocks and surprises” possible but high degree of uncertainty

Include some of society’s biggest challenges and opportunities



Overall aim of the study

- 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 side of the sector, with a view
- 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.



Phases of the study

Phase 1 - 2018/2019

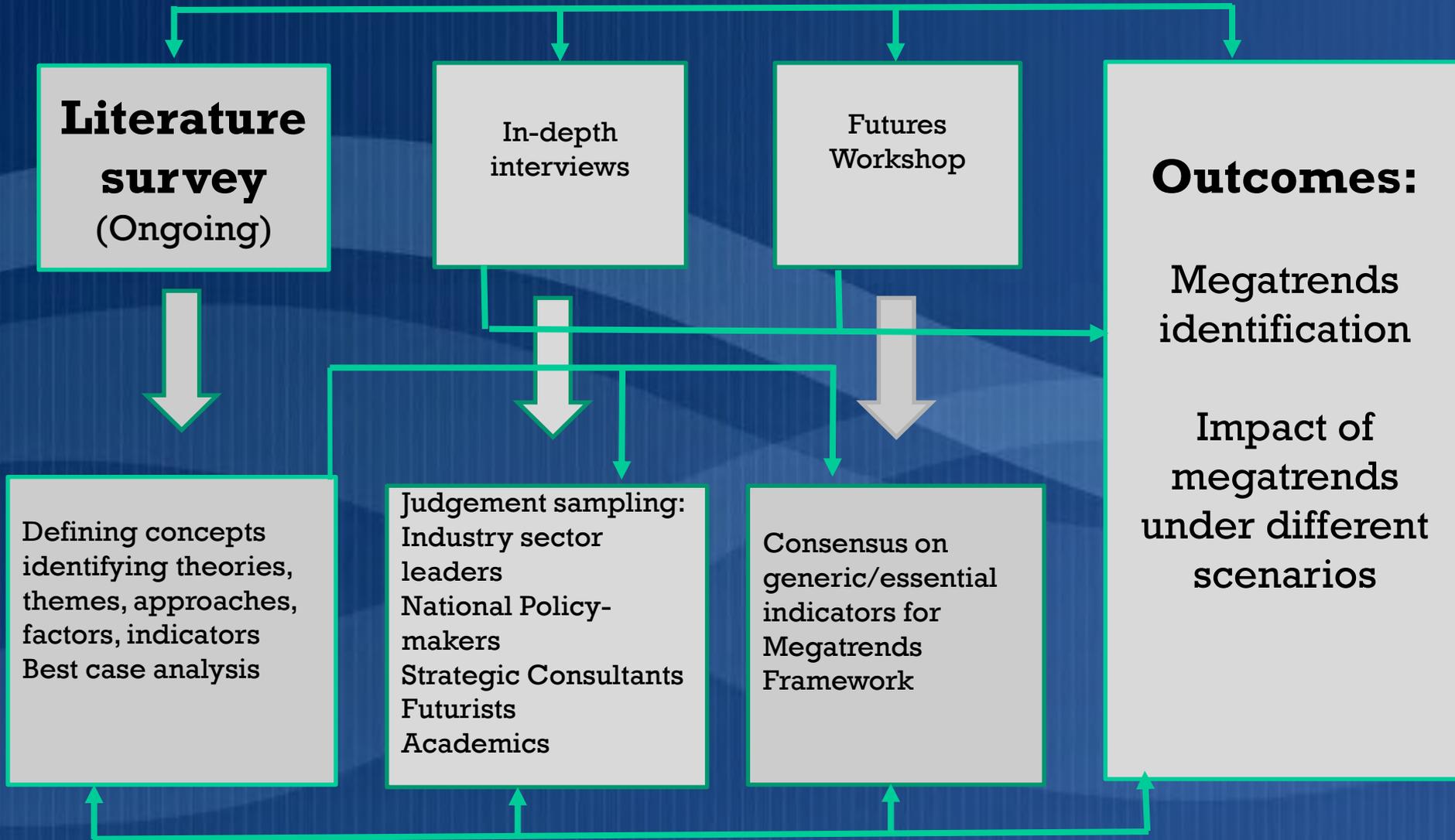
Identifying the megatrends and analysing the impact of these trends on the South African tourism industry

Phase 2 - 2019/2020

Formulating a framework for Government and Industry to respond to megatrends



Phase 1 - Research Process



Megatrends

- Economic
- Political
- Social
- Technological
- Environmental



Economic Trends

- Global **economic growth** will continue with improved income levels
- Emerging economies (BRIC) will grow at higher level than the developed world
- Africa to experience high economic growth (but number living in extreme poverty will increase)
- **South Africa to continue to lag behind**

- Globally **tourism growth** will outperform GDP
- **South Africa ? (Figure)**
- **China inbound not expected to grow substantially for South Africa**
- **India to significantly contribute to expansion of tourism , also to South Africa**
- **African inbound market share to increase to South Africa**
- Air travel continues to grow



South Africa

Growth in GDP vs Tourism GDP at current prices



Political Trends

- Continued political uncertainty about South Africa will inhibit investment and negatively affect tourism
- Terrorist acts, crime, cybercrime, white collar crime, protests and riots will increase globally, in Africa and in South Africa.
- This will affect the flow of tourists to destinations with those perceived as 'safe' being preferred
- Value of rand will fall (favourable for inbound) but advantage will be outweighed by deteriorating safety situation.
- Destination accessibility to increase globally
 - Airlift
 - Visas
 - South Africa?



Social Trends

- Changing demographics will significantly influence visitor demand (growing global middle class, wealthier, ageing, multi-generational travel, high spending, substantial leisure time)
- Tourists will increasingly want
 - sense of belonging and meaningful exchanges,
 - experiences and interaction with a destination and local people.
- Rise of “ethnic groupings”
- Niche travel will increase.
- Social responsibility, justice and sustainability will become important motivators
- Emerging generations (millennials and GenZ) will make up majority of domestic and international travel moving away from traditional holidays towards unique and authentic experiences.
- Growing demand for accessible tourism, city tourism and business tourism.
- Black travelers will become increasingly demanding for tourism products to meet their needs (domestic travel in SA)



Technological Trends

- New technologies reshaping sectors and markets, speed and magnitude increasing, making travel more accessible and efficient:
 - The sharing economy
 - The Internet of Things (e.g. smart cities)
 - Autonomous vehicles
 - Artificial intelligence
 - Big Data analytics
- Reconceptualization of middlemen - more travellers using technological platforms to link directly with suppliers.
- Social media and UGC becoming most influential and extensively used for travel information, influencing the tourists' purchase path.
- New technology in transport reducing cost and increasing speed of travel and accessibility to destinations.
- Technology will impact job creation (or losses) in South Africa



Environmental Trends

- Climate change will influence preferred destinations
- Rising pressure on many destinations' water resources
- More emphasis on inclusive tourism
- Growing use of tourism as a tool for social integration
- Greater emphasis on measuring sustainability initiatives.
- More awareness on combatting “over-tourism”.
- SDGs will increasingly drive national tourism agendas



From trends to futures

Four scenarios were developed

Two goals were identified to reach a best case scenario by 2030:

- **Competitiveness**
- **Sector cohesion**

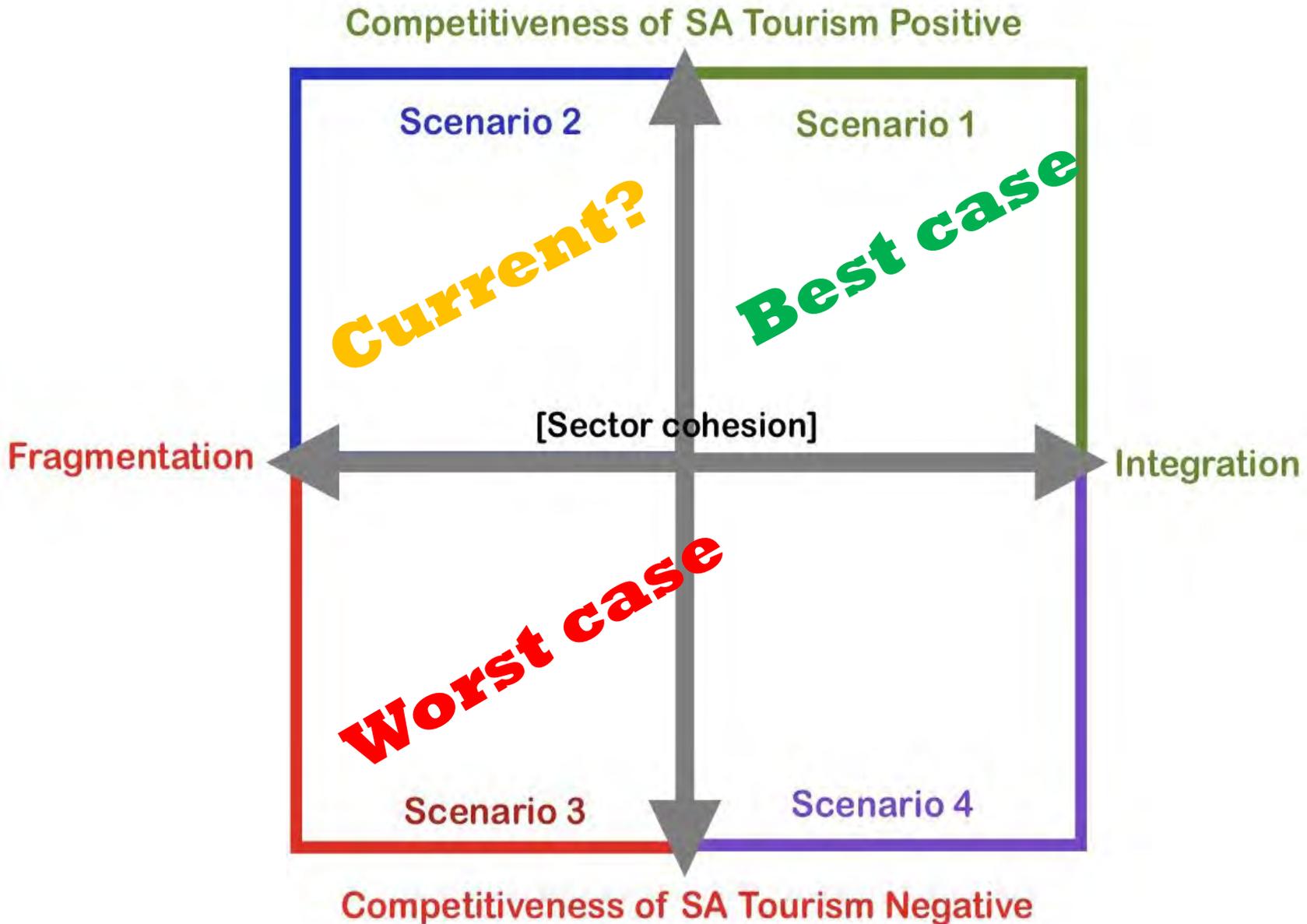


***A competitive tourism destination** has the sustained ability to increase tourism expenditure and capacity to attract visitors while providing them with satisfying, memorable and unique experiences in a profitable way, while enhancing the well-being of residents and preserving the natural capital of the destination for future generations, within a changing macro environment*

***Sector cohesion** provides for planning and policy-making to achieve inclusivity and stability in the sector. Initiating integration involves coordination of sectoral initiatives to help define national adaptation priorities*



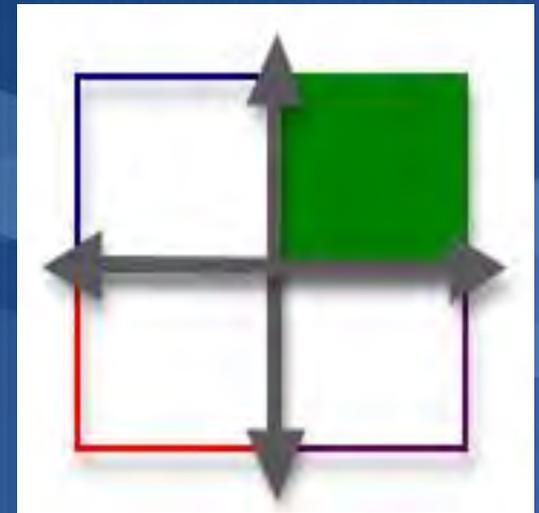
The South African Tourism Scenarios



Scenario 1 - The best-case scenario

An integrated tourism sector within a South Africa that is competitive with respect to tourism.

- Industry has transformed
- Economy is growing
- Unemployment has decreased
- Unrest and crime, has decreased
- Industry is inclusive and sustainable,
- Global and domestic investment for infrastructure development
- Visitor numbers and expenditure increase
- South Africa becomes a preferred destination for current and new markets, satisfying tourists' needs with unique and authentic experiences.



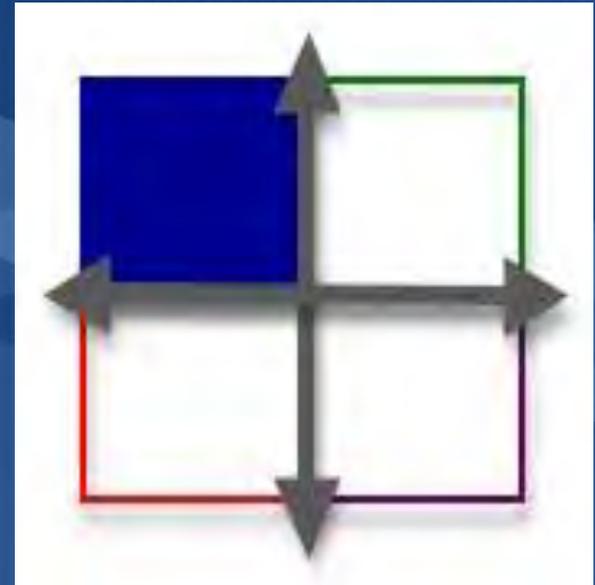
Scenario 2

A fragmented tourism sector within a South Africa that is competitive with respect to tourism.

- Increase in short-term tourism due to a weakening rand
- Traditional markets still prevail
- Traditional products are still provided.

However this is followed by a slow, long-term decline and loss of market share due to:

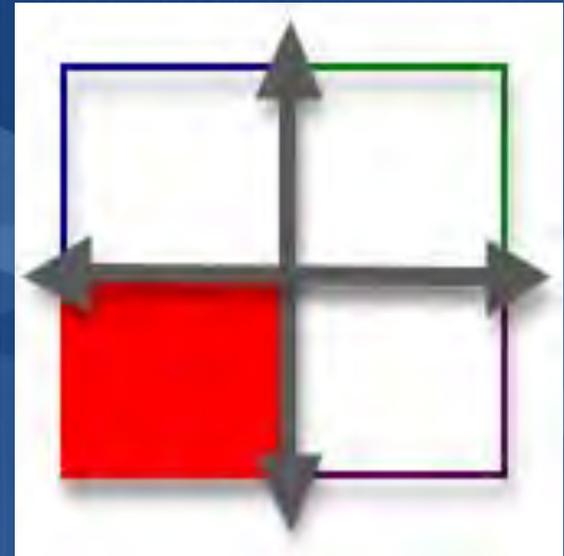
- lack of innovation
- high barriers to entry for SMMEs
- Short-term support for transformation
- Tourism continues to operate in silos, remains fragmented
- Little long-term planning
- No coordination of government departments in the interests of tourism.



Scenario 3 – Worst-case scenario

A fragmented tourism sector within a South Africa that is uncompetitive with respect to tourism.

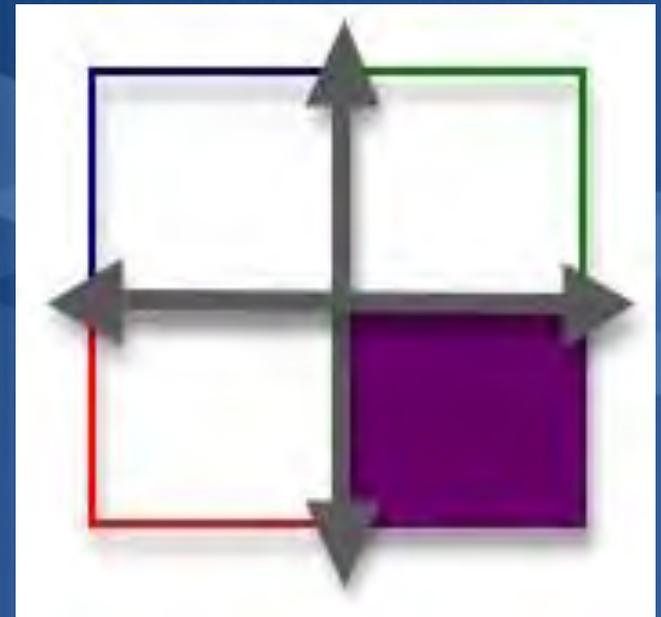
- Sector is suffering job losses
- Lack of transformation
- Declining tourist arrivals (also in the traditional source markets),
- Perceived as an increasingly unsafe destination
- No innovation of product offering
- No multi-sectoral and government cohesion in the interests of tourism.



Scenario 4

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
- Missing the changing market with the country and the sector underestimating the consumer. S
- Overpriced
- 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.



Next Steps

- **Phase 2 – 2019/2020 - Developing the framework for responding to megatrends and achieving the best case scenario**
 - Considering the implications of the trends for destination management, enterprise management and product development.
 - Identifying the flags that could change the probabilities in the scenarios

IDEAL RESPONSE

Within a tourism context and more particularly from the perspective of the response of governments and industry to megatrends, the ideal would be to **develop a framework** that can use the cumulative knowledge of a variety of disciplines against which policy and strategies for a sustainable tourism future can be set.



THANK YOU
QUESTIONS?

