THE TRAVEL SECTOR IN SOUTH AFRICA

EXECUTIVE SUMMARY

Prepared on behalf of the Association of Southern African Travel Agents by Grant Thornton
THE TRAVEL SECTOR IN SOUTH AFRICA

EXECUTIVE SUMMARY

Prepared on behalf of the Association of Southern African Travel Agents by Grant Thornton
THE TRAVEL SECTOR IN SOUTH AFRICA
EXECUTIVE SUMMARY

Defining the Travel Sector in South Africa 04
Structure of the Travel Sector 05
Distribution of Travel Sector Outlets 06
Travel Sector Turnover 07
Air Travel Bookings 08
Land Bookings 09
Employment in the Travel Sector 10
ACRONYMS

ASATA   Association of Southern African Travel Agents
BA      British Airways
BBBEE   Broad-Based Black Economic Empowerment
GDS     Global Distribution System
ITC     Independent Travel Consultant
KZN     KwaZulu-Natal
OTA     Online Travel Agent
SA      South Africa
SAA     South African Airways
TMC     Travel Management Company
DEFINING THE TRAVEL SECTOR IN SOUTH AFRICA

Defining the Travel Sector

- The main task of travel agents is to supply the public with travel services.
  A travel agency operates as a broker, bringing buyers and sellers together, for the suppliers of travel such as airlines, hotels, car rentals, ground operators, tour companies, travel insurance, etc.

- Travel agents can be categorised in several ways, on the basis of size, the market/s they serve, the services provided and/or delivery models offered. Many brands offer a combination of service offerings, to different markets, through a variety of delivery tools, making the industry a complex web of products and services all geared towards serving customer needs.

Role of ASATA

- Established in 1956, the Association of Southern African Travel Agents (ASATA) is a representative forum that promotes professional service in the travel industry for its members and their clients.
  ASATA’s role is to ensure the sustainability and profitability of its members as well as ensuring the delivery of professional service to the travelling consumer.

- In total, some 1 741 travel agencies, TMCs and ITCs are members of ASATA, either directly or via the travel group they are affiliated to.

- Although the exact size of the travel sector in South Africa is unknown, it is estimated that >90% of the travel sector are members of ASATA (directly or by affiliation).

Structure of the Travel Sector

- In South Africa there are around 15 large, national travel groups, 13 of which are ASATA members. These travel groups each have one or more well-known travel brands, many of which are home-grown South African brands. Some have international brands acquired via license/ other affiliations or they are part of an international group.

- Of the 13 large travel groups, 8 own and operate travel agencies under one or more of their travel brands either as OTAs, TMCs, In-house Corporates, ITCs or retail outlets. In total there are 250 branded branches owned by these 8 travel groups.

- The remaining 5 travel groups are franchisors and do not own or operate their own outlets. In addition, 4 of the 8 large travel groups also have franchised branches across these 9 franchisors, the majority of which are unbranded ITCs.

- Franchisors offer franchisees the benefit of booking and distribution technology/ systems, group buying power together with group commissions and supplier relationships and in some cases brand and marketing benefits. There are a variety of franchise or licence models, viz: unbranded franchise, branded franchise, unbranded ITC, branded ITC and affiliate.

- In addition to the large corporate groups there are a number of independent travel agents, with no affiliation to a large group/ franchisor. Independents represent only 4% of the total travel sector in South Africa.

SIZE

- Multinationals: with offices worldwide
- National multiples: with offices throughout a country
- Independents: with anything from one to a handful of outlets
- Independent Travel Consultants (ITC): self-employed business owners

SERVICE

- Full-service travel agency: offering all services and products related to international and domestic travel, for leisure and holiday purposes and for individual or group travel
- Corporate/ Business travel agency also known as a Travel Management Company (TMC): specialising in servicing the comprehensive travel needs of business or corporate clients
- In-house travel agency: providing business travel services to only one corporate account.
- Specialty agencies: focuses on a specific market need, such as leisure, incentive groups, etc.

DELIVERY

- Retail Travel Agents: offers services via a retail outlet
- Online Travel Agents (OTAs): all services are provided online, with telephonic support
There are 15 large national travel groups, 13 of which are ASATA members. These ASATA-member travel groups each have one or more well-known travel brands represented by 1741 outlets, operated as Agencies, TMCs or ITCs which are wholly owned outlets or branded / unbranded franchises or affiliates.
The travel sector consists of more than 1,780 branches or outlets, distributed across South Africa, with a dominance of presence in Gauteng, the Western Cape and KwaZulu-Natal.

Of these, around 1,110 (64%) are independent travel consultants (ITCs) and the balance are travel management companies (TMCs) and/or travel agents, mostly trading under a known brand (25%). 11% are independent companies or unbranded franchises/affiliates.

Distribution of Travel Branches by Province

<table>
<thead>
<tr>
<th>Province</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gauteng</td>
<td>46.4%</td>
</tr>
<tr>
<td>Western Cape</td>
<td>30.4%</td>
</tr>
<tr>
<td>KwaZulu Natal</td>
<td>12.5%</td>
</tr>
<tr>
<td>Eastern Cape</td>
<td>5.6%</td>
</tr>
<tr>
<td>Free State</td>
<td>1.6%</td>
</tr>
<tr>
<td>Limpopo</td>
<td>1.3%</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>1.3%</td>
</tr>
<tr>
<td>North West</td>
<td>0.6%</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>1.0%</td>
</tr>
<tr>
<td>Western Cape</td>
<td>29.7%</td>
</tr>
</tbody>
</table>

Distribution of Travel Branches by BUSINESS MODEL

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unbranded ITC</td>
<td>54.4%</td>
</tr>
<tr>
<td>Branded wholly owned branch / in-house corporate</td>
<td>13.9%</td>
</tr>
<tr>
<td>Branded franchise</td>
<td>11%</td>
</tr>
<tr>
<td>Branded ITC</td>
<td>9.4%</td>
</tr>
<tr>
<td>Affiliate</td>
<td>5%</td>
</tr>
<tr>
<td>Independent</td>
<td>4.1%</td>
</tr>
<tr>
<td>Unbranded franchise</td>
<td>2.2%</td>
</tr>
</tbody>
</table>

Of these, around 1,110 (64%) are independent travel consultants (ITCs) and the balance are travel management companies (TMCs) and/or travel agents, mostly trading under a known brand (25%). 11% are independent companies or unbranded franchises/affiliates.
TRAVEL SECTOR TURNOVER

Estimated Annual Turnover

Total turnover from the travel sector affiliated to ASATA was approximately R39,5 bn in 2017, up 6.2% from R37 bn in 2016.

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover (R)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>37 138</td>
</tr>
<tr>
<td>2017</td>
<td>39 439</td>
</tr>
<tr>
<td>Growth</td>
<td>6.2%</td>
</tr>
</tbody>
</table>

Turnover by CLIENT CATEGORY

Corporate travel accounted for 56% of all travel turnover in 2017 (R22 bn), with large corporates (29%) accounting for a slightly higher share than SME corporates (27%).

Government spend on travel with ASATA affiliated travel companies accounted for around R8,2bn in 2017 (21% of total turnover).

Whilst the leisure market spent R7,8bn with ASATA affiliated travel companies in 2017.

Turnover by TRANSACTION TYPE

Air travel accounted for 60% of all travel turnover - some R23,6 bn from ASATA affiliated travel companies in 2017.

Nearly a quarter (22%) of total travel turnover was spent on accommodation/ venues, 7% on tour packages and 5% on car hire.
In 2017, close to R24bn was spent on air travel, representing 60% of all travel spend through ASATA affiliated travel agencies, TMCs and ITCs.

In terms of number of bookings processed, more than 8.7 million flight segments were booked during 2017 by these agencies – 4.6 million domestic flight segments (52%) versus 4.2 million international segments (48%).

However, in terms of value, at R6.8bn domestic air travel only accounted for 29% of turnover, compared to 71% for international bookings (R16.9bn).

In 2017, the average price per domestic segment sold was R1 483, and R4 062 per international segment.

85% of the value all travel agent air bookings were processed through a Global Distribution System (GDS); and

10% were booked through another online site (intermediary); and

4% were booked directly with airlines.

Booking demand for air travel is influenced by holiday periods, with reduced number of bookings in December, January, April and somewhat in July.

Demand for international flights is greater than domestic flights during these holiday months.

For domestic flights, South African Airways is the top selling airline by a considerable margin, followed by BA Comair and SA Airlink.

South African Airways remains the top selling airline for international flights, but Emirates the second highest selling international airline, also has a significant share of the market. British Airways, including BA Comair for regional flights, is the third highest selling airline.

Top South African destinations for air travel bookings, in order of demand are Johannesburg, Cape Town and Durban.

Internationally, top destinations for air travel bookings are (in order of number of segments booked): London, Dubai, Mauritius and Phuket.
LAND BOOKINGS

Seasonality of Accommodation Room-night Bookings

- The total value of accommodation and venue bookings processed by ASATA affiliated members in 2017 was close to R9 bn, or 22% of total travel spend processed.
- In 2017, approximately 4.2 million roomnights were booked via ASATA affiliated travel agents, 85% of which were for domestic accommodation (within South Africa). Only 15% were for international destinations (approximately 600 000 roomnights in 2017).
- The average inclusive spend on accommodation and venues per roomnight sold was approximately R2 050 in 2017.
- 53% of the number of all travel agent roomnight bookings were processed through a Global Distribution System (GDS), 31% were booked via an online site (intermediary) and 16% were booked directly with the accommodation provider.
- As with air travel, booking demand for accommodation is influenced by holiday periods, with reduced number of bookings in December, January, April and somewhat in July. Except for the month of December, demand for international accommodation experienced less peaks and troughs when compared to demand for domestic accommodation. Bookings for domestic roomnights peaked in September, October and November 2017.
- The top 3 domestic accommodation brands sold by ASATA affiliated agencies in 2017 were the Protea/ Marriott Group; City Lodge Group; and Tsogo Sun Hotels.
- Internationally, the top selling accommodation brand by South African travel agents, TMCs and ITCs is Hilton, followed closely by Marriott (including Protea) and then Holiday Inn and Radisson. As can be expected there is a far wider range of international accommodation brands utilised than in the domestic market.
- The total value of Tour Packages sold by ASATA affiliated agencies in 2017 was approximately R2,7bn, representing 7% of the total travel spend through ASATA affiliated travel agencies.
- The total value of Car Rental bookings sold by ASATA affiliated members in 2017 was R2bn, representing 5% of total travel spend through ASATA affiliated travel agencies.
- The average spend per car rental booking was approximately R1 300 in 2017.
- Seasonality of carhire bookings follows a similar trend to that of accommodation and air travel bookings. In terms of brand, Avis, Europcar and Bidvest were the preferred brands in 2017.
EMPLOYMENT IN THE TRAVEL SECTOR

Racial and Gender Profile of Employees in the Travel Sector

- 45% Black Female
- 27% White Female
- 19% Black Male
- 8% White Male

Close to 9 000 people are directly employed in the travel sector, which is an average of 5 per outlet (including ITCs which are generally owner-operated). Of these employees more than 8 300 are with ASATA affiliated groups, ITCs, TMCs or travel agencies.

The sector is well represented by females and whilst not yet representative of the racial profile of the country, nearly two thirds of employees are black.

Of all the travel sector employees:
- 73% are female
- 64% are black
- 45% are black females
- 49% are travel consultants (without management responsibility)