THE ECONOMIC IMPACT OF TOURISM IN UNDERBERG, KWAZULU-NATAL

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Research report presented in partial fulfilment of the requirements for the degree of Master of Business Administration at the University of Stellenbosch

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Degree of confidentiality: A March 2011
Declaration

By submitting this research report electronically, I, Jacobus Danie Theron, declare that the entirety of the work contained therein is my own, original work, that I am the owner of the copyright thereof (unless to the extent explicitly otherwise stated) and that I have not previously in its entirety or in part submitted it for obtaining any qualification.

JD Theron

January 2011
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Lake Naverone
Lemon Tree Bistro
Louwlands B&B
Major Adventures
Owl’s Nest
Penny Gum B&B
Plum Tree B&B
Pile Inn
Pucketty Farm
Sani Lodge
Sani Manor
Sani Pass Hotel
Sani Valley
Thaba Tours
The Rose & Quail
The Highlander
The Himeville Museum
Tumble inn
Underberg Hotel
Under the Berg Guest House
Umzimkhulu River Lodge
Abstract

Information on tourism trends and visitor numbers is often lacking at a local level. Municipalities and stakeholders are often unaware of important tourism trends that affect their businesses. This is especially true for the rural town of Underberg in KwaZulu-Natal.

To address this lack of information an exploratory study has been conducted to estimate the economic impact of tourism in the district. Surveys and interviews were used to gain insight into the behaviour and expenditure of visitors and into the business of accommodation establishments.

The findings of these surveys allow for estimations of tourism impact to be calculated for different levels of occupancy in the district. These provide an indication of the magnitude of the tourism sector in the district. The calculations also take into account the secondary effects of tourism through the use of applicable tourism multipliers that provide an idea of the total effect of tourism on the economy.

The study demonstrates that certain segments spend more than others and confirms the notion that nature and adventure tourism activities are the major contributors to the tourism economy.

The effect of events, timeshare and the ownership of property is also taken into account in these estimations as they have a tangible impact on the economy.

While only an estimation, the results indicate quite clearly that tourism is a significant contributor to the district’s economy. An analysis of employment created by tourism, along with an applicable tourism multiplier, suggests that up to 30 per cent of the employed people in the district are directly or indirectly employed by tourism activities.

Key to the development of tourism in the district is the need for proper destination management that will lead to an increase in visitor days as well as an increase in tourism revenue.

The information generated here will assist in devising strategies for proper destination management.
Opsomming

Inligting oor toerismetendense en besoekergetalle is gewoonlik gebrekkig op 'n plaaslike vlak. Munisipaliteite en rolspelers is dikwels onbewus van belangrike tendense wat hul ondernemings beïnvloed. Dit geld veral vir die landelike dorp Underberg in KwaZulu-Natal.

Om aandag te skenk aan hierdie gebrek aan inligting word 'n verkennende studie onderneem om die ekonomiese impak van toerisme in die distrik te bepaal. Vraelyste en onderhoude is ingespan om insig te verkry in die gedrag en besteding van besoekers, en die ondernemings van akkommodasieverskaffers.

Die bevindinge van hierdie opnames maak dit moontlik om die geraamde toerisme-impak vir verskillende vlakke van okkupasie in die gebied te bereken. Dit verskaf 'n aanduiding van die omvang van die toerismesektor in die distrik. Die berekeninge neem ook die sekondêre uitwerking van toerisme in ag en gebruik toepaslike toerismevermenigvuldigers om beter insig in die algehele uitwerking van toerisme op die ekonomie te verkry.

Die studie toon aan dat sekere segmente meer as ander spandeer en bevestig die vermoede dat natuur- en avontuur-toerismeaktiwiteite die vernaamste bydrae tot die toerisme-ekonomie lewer.

Die uitwerking van spesifieke byeenkomste, deeltitel en die eienaarskap van eiendom word ook in ag geneem omdat dit 'n tasbare uitwerking op die ekonomie het.

Hoewel die berekening slegs ’n beraming is, toon die resultate baie duidelijk dat toerisme ’n beduidende bydrae tot die distrik se ekonomie lewer. ’n Ontleding van werkskepping deur toerisme tesame met ’n toepaslike toerismevermenigvuldiger dui daarop dat tot 30 persent van die werknemers in die omgewing direk of indirek van toerisme-aktiwiteite vir werk afhanklik is.

Die behoefte aan behoorlike bestemmingsbestuur is van deurslaggewend belang vir die ontwikkeling van toerisme, ’n toename in die aantal besoekerdae en ’n toename in inkomste uit toerisme.

Die inligting wat uit hierdie navorsingsverslag voortspruit, sal help om strategieë vir behoorlike bestemmingsbestuur te ontwikkel.
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<tr>
<td>CTO</td>
<td>Community Tourism Organisation, in this case the local Kwasani organisation known as the Southern Berg Escape</td>
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<td>District</td>
<td>The municipal district of KwaSani Local Municipality encompassing the towns of Underberg and Himeville</td>
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<td>GDP</td>
<td>Gross domestic product</td>
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<td>IDP</td>
<td>Integrated Development Plan</td>
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<tr>
<td>KwaSani</td>
<td>Local municipality</td>
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<td>Sisonke</td>
<td>District municipality</td>
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<td>KZN</td>
<td>KwaZulu-Natal Province</td>
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<td>TSA</td>
<td>Tourism Satellite Accounting</td>
</tr>
<tr>
<td>TFCA</td>
<td>Transfrontier Conservation Area</td>
</tr>
<tr>
<td>TKZN</td>
<td>Tourism KwaZulu-Natal, the parastatal organisation promoting tourism in the province</td>
</tr>
<tr>
<td>VFR</td>
<td>Visiting friends and relatives</td>
</tr>
<tr>
<td>Visitor/Tourist</td>
<td>A person not resident in the district who visits the district for a holiday, business, to visit friends or relatives or other reasons not including employment or permanent residency</td>
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CHAPTER 1
Introduction and problem statement

1.1 INTRODUCTION

Globally, tourism has expanded considerably since World War II. What's more, tourism has become an important aspect of global economic activities as well as regional and local economies (Keyser, 2009: 3). According to Pao (2005: 68), in 2004 tourism had grown to such an extent that it accounted for over 241 million jobs worldwide and for more than 10 per cent of the world gross domestic product.

Many countries are starting to recognise their comparative advantage in tourism and to see tourism as a means to growth and development (Saayman & Saayman, 2006: 1).

In South Africa, tourism activities have made a remarkable contribution to the economy. To a large extent, this was due to foreign arrivals that increased more than threefold from just over 500 000 visitors in 1994 to over 2 100 000 in 2007 (Occasional Paper 71, 2009: 2).

While it can be argued that South Africa is disadvantaged because it is a long-haul destination, Kruger-Cloete (2001: 17) contends that emerging trends indicate that long-haul travellers are on the increase and that the expected growth in tourism for Africa in the next two decades will exceed the global average. This is further compounded by the “…growing maturity of tourists seeking a differentiated tourism experience” (Kruger-Cloete, 2001: 18).

According to the Global Competitiveness Report (GCP Report) (2005), domestic tourism too has grown rapidly in South Africa and provides the “base demand” for the tourism economy.

Strategically, South Africa is well placed to take advantage of tourism. This is largely due to the country’s location, its natural splendour and cultural diversity (Pan-African Investment, 2008: 3).

In the South African context, direct tourism expenditure accounted for 3.3 per cent of the Gross Domestic Product in 2008 (Keyser, 2009: 318). This figure is estimated to be considerably higher by some authors, approximating 10.5 per cent. In 2008, this latter figure consisted of direct expenditure (2.7%) and indirect impacts of the initial expenditure (7.8%) (Pan-African Investment, 2008: 2). According to the GCP Report (2005: 24), South Africa can be regarded as being in the growth phase of tourism.

As a result of the economic significance of tourism, the South African government has identified tourism as a “… sector through which many of the government's economic aims can be
achieved - it is seen to be an important source of foreign currency, a means of drawing foreign investment, and given the sustained growth of international tourism over the last two decades, a reliable export product” (Cornelissen, 2005: 677).

Tourism can be regarded as fulfilling multiple roles in the economy. According to Keyser (2009: 306), tourism generates income which can positively impact on the GDP of a country. In addition, tourism plays a role in the redistribution of economic resources, serves to diversify economies and often has an agglomeration effect whereby new businesses are established in an area as a result of the increase in tourism.

Keyser (2009: 116) contends that there exists a “vast amount of backward linkages between tourism operations and other types of businesses”. This implies that the effect of tourism spending may ripple through the economy in a cyclical manner and act as a catalyst for additional economic activity.

As a labour-intensive industry, tourism is often promoted by governments, especially in developing countries. It is estimated that more than 7.6 per cent of South Africa’s labour force were employed in this sector in 2007 (Keyser, 2009: 320).

Tourism can thus play an important role in the South African context, stimulating the economy and providing much-needed employment in a country with a very high unemployment rate (Roux, 2002: 211).

As a result of the potential that tourism holds, “there is considerable and growing interest in the impact of tourism on local areas. “Much of this interest has arisen from the role of tourism in economic regeneration” (Guidance Tourism, 1998: 2).

In total, 35.9 per cent of all domestic trips in South Africa are made to KwaZulu-Natal, which makes it “the most important domestic tourism holiday destination in South Africa” (Occasional Paper 48, 2006: 6).

In 2008, the contribution of tourism activity to the provincial economy constituted about 10 per cent of the provincial Gross Domestic Product (GDP) (Clacey, Dlamini & Morgan 2008: 11).

Several smaller towns and regions in South Africa can be seen as growing tourist destinations (Van den Berg, 2011). The town of Underberg in KwaZulu-Natal represents one such tourism town (Clacey et al. 2008: 11).

This study will focus on the town of Underberg and investigate the economic impact of tourism in the district.
Situated on the southern slopes of the Drakensberg, Underberg attracts tourists with its scenery, peacefulness and tranquillity, opportunities for outdoor recreation, and its location as a gateway to Lesotho.

The primary activities in the town are agriculture, forestry and tourism (IDP, 2007: 23). Beukes (2008: 9) contends that “a major economic sector in this predominantly rural mountain environment is tourism”.

While tourism is one of the district’s economic drivers there have been few if any attempts to quantify the impact of tourism in the district (Van den Berg, 2011).

According to Stynes (1997: 3), “businesses and public organizations are increasingly interested in the economic impacts of tourism at national, state, and local levels.”

In many smaller economies local information is lacking or inadequate (Guidance Tourism, 1998: 2). This lack of information may lead to the wastage of scarce resources, which small towns can ill afford. The tourism market analysis for the Sisonke district identifies “the lack of accurate visitor statistics as a major factor inhibiting the development of a meaningful marketing analysis and strategy” (Clacey et al., 2008: 11).

One way to obtain such localised information is by way of an economic impact study. According to Stynes (1998: 4), “Economic impact studies provide information to help decision makers better understand the consequences of various actions on the tourism industry as well as on other sectors of the economy”.

Gathering this information is by no means an easy task as the impact of tourism is often spread across many industries. “Measuring the impact of visitor volumes at a local level has been an important issue for destination and countryside managers for years. Yet, the scale, diversity and nature of tourism make quantification a challenge (Tourism South East, 2008: 1).

It is also imperative that communities understand “the relative importance of tourism to their region, including tourism’s contribution to economic activity in the area” (Stynes, 1998: 3). This understanding can assist in shaping attitudes and creating an environment conducive to tourism (Santini, 2011).

Such information is also essential for developing appropriate tourism strategies for a region in order to compete successfully with other tourist destinations (Van den Berg, 2011).
In order to have a competitive advantage all destinations must ensure that their overall competitiveness and attractiveness is better than that of their competitors (Keyser, 2009: 237). To do this, destinations must understand their own tourism dynamics (Keyser, 2009: 237).

It can be argued that Underberg faces heavy competition from other local destinations such as the Natal Midlands and the Northern Drakensberg tourist destinations (Santini, 2011). As such, it is important for the town to understand its unique competitive advantages.

“Knowledge and information about unrealized demand is needed in order to develop the full picture of the competitive position of the destination relative to other destinations” (Keyser, 2009: 237).

It is also important to consider that the district is a vital gateway to Lesotho and as such tourism in the district also takes on international relevance. Recently, through government initiatives, attempts have been made to establish a planning framework for transfrontier parks in the district (Van den Berg, 2011).

These cross-border conservation areas could result in an increase in tourism in the future and in an economic boost for the district. “Finally, cross border co-operation is thought to increase the efficiency of monitoring and managing natural resources, reduce and/or eliminate duplication of efforts, and create economies of scale, as well as enhance economic opportunities (e.g. through increased tourism potential and revenues) as the economic basis for Transfrontier Conservation Areas (TFCA)” (Suich, 2005: 2).

Lastly, while tourism is an important economic catalyst its effects may not be equally distributed in communities (Keyser, 2009: 27). “South African and Peruvian examples have demonstrated that an increase in tourism does not necessarily result in better lives for a wider range of people living in the destination” (Keyser, 2009: 28).

These examples appear to hold true in the Underberg district too as the majority of players in the tourism industry are members of the white community (Van den Berg, 2011). However, as most people employed in the district are from disadvantaged communities one could argue that the redistributive role of tourism is fulfilled to a certain extent.

It is important to note that tourism should not only be looked at in terms of positive economic contributions as the possibility also exists that tourism can have a negative impact on communities (Keyser, 2009: 18). According to Keyser (2009: 19), these may include environmental damage and social disruptions. While not the focus of this study, reference will be made to this where applicable.
1.2 PROBLEM STATEMENT

South Africa has spent much effort researching visitor trends, both at a national level and provincial level (Occasional Paper 63, 2006: 2). This research effort includes visitor spending per person per day. Tourism KwaZulu-Natal (TKZN) analyses tourism trends in the province for different tourism regions. These regions are huge geographic areas and as such specific data for districts such as Underberg is not available or does not exist at all (Santini, 2011).

"In order to plan and market effectively for tourism, readily available information on the volume of visitors to an area and their economic impact on the local economy is essential" (Southern Tourist Board, 2001: 4).

According to a publication by the Southern Tourism Board (2001: 4), estimating the economic impact of tourism at a local level is often impeded by an absence of meaningful data. Generally, tourism data is collected at a national level. Local surveys may vary in “quality, reliability and comparability” (Southern Tourist Board, 2001: 4).

The main aim of this study is to:
- Estimate the economic impact of tourism to the district of Underberg
- Investigate factors that may contribute to the economic impact of tourism in the district
- Make recommendations to increase the economic impact of tourism in the district.

1.3 OUTCOMES OF THE STUDY

The aim of this study is to estimate the economic contribution of tourism to the district. To date there has been no such estimation at a local level and the only information available is at a broader regional level (Van den Berg, 2011).

“Compared to other economic sectors, such as agriculture, manufacturing or mining for which there is considerable official data at the national level, the tourism sector is distinguished by the poor state of official data collection” (Visser & Kotze, 2006: 90).

According to Clark (2006: 1), tourism as a growing sector of the economy “provides opportunities and presents challenges to local government who bear the responsibility to manage and provide tourism infrastructure”. In order to play this role more effectively, information on the economics related to tourism becomes imperative.

Since it is of primary importance to all residents in the district of Underberg that tourism grows (which in turn contributes to economic growth), it is also important to gain insight into the factors
that may influence the economic contribution of tourism to the district. The study will elaborate more on these factors and explain how they influence the economic impact of tourism.

The main outcomes of this study will include:

- Estimations of the direct economic impact of tourism in the district
- Estimations of the indirect impact of tourism in the district
- Developing a greater understanding of the factors that influence the economic impact of tourism in the district. If understood, these factors can be manipulated to increase the economic impact.
- The development of a set of recommendations that may increase the economic impact of tourism in the district.

Although outside the scope of this study, it is important to understand that tourism may have many other impacts that cannot be quantified by economics alone (Keyser, 2009: 27).

Taking the above into account, it is hoped that the information is used to make decisions that will ultimately lead to an increase in tourism to benefit the town, the communities and the people who are involved in the tourism business while ensuring a sustainable environment to which visitors can return.

1.4 LITERATURE REVIEW

While a multitude of information exists on the economic impact of tourism in general, it seems that the more localised the required information is, the greater its scarcity.

According to Visser and Kotze (2006: 88), smaller tourism destinations have generally received little research activity. The same can be said for the district of Underberg (Santini, 2011).

Available literature varies from theoretical works to models that measure impact, case studies and regional tourism information. These different works and approaches will be discussed in more detail in this section.

Both Pao (2005) and Nedelea, Elmazi and Totska (2008) provide a general perspective on the economic impact of tourism in their respective (developing) countries and provide a brief overview, including disadvantages, of the most popular models used to estimate the economic benefits of tourism. However, both these articles remain academic in nature and no attempt has to been to apply them practically. These publications also provide insight into the use of multipliers, which Nedelea et al. (2008: 241) describe as the process of spending and re-spending tourism expenditure and income.
In *Developing Tourism in South Africa*, Keyser (2009) provides comprehensive theories on tourism in general. This publication deals with concepts in tourism, destination marketing, sustainability, and the economic and social impacts of tourism in South Africa. Despite its pragmatic and practical approach the publication stops short of providing a useful methodology for the measurement of economic impacts.

Locally, Visser and Kotze (2006: 89) provide a general overview of tourism in South Africa, focusing on differences between foreign and domestic tourism after which they discuss the specifics of tourism impacts in the Free State.

Cornelissen (2005) investigates the relationship between spatial factors and the impact of tourism in the Western Cape. While the author’s research does not directly apply to this study, several insightful observations have been made. She points out, among other insights, that accommodation statistics provide a good indicator of tourism in an area as well as the most visible impact on the economy by tourists (Cornelissen, 2005: 168). Her observation plays a role in the methodology employed in this study.

On a more practical level, several guidebooks and other resources aim to provide practical assistance to people who wish to conduct economic impact studies on tourism. Guidance Tourism (1998), distributed by the Department of Culture, Media and Sport (UK), provides technical advice to conducting impact studies. “The best source of information on the pattern of tourism activity in the local area will come from a well conducted local visitor study. Such a study will usually involve tourist surveys to collect data on the character and proportions of different types of visitors to an area and the calculation of the volume of tourism throughout the year” (Guidance Tourism, 1998: 3).

The document also further advises that researchers should “develop some kind of model, which by local area information can be estimated and be robust enough for purposes required. Models can come in various guises from exemplars to mathematical or statistical approaches” (Guidance Tourism 1998: 5). These documents were very useful in the formulation of an approach for this study.

In a WTO publication entitled *A Practical Guide to Tourism Destination Management* (2007) the factors for a successful tourism destination are discussed. This is relevant as it is important to understand the factors that make a destination competitive. Competitiveness in turn affects the magnitude of the economic impact. These factors are discussed in Section 2.1.2.
At national level, several documents on the state of tourism in South Africa can be found. These include *Domestic Tourism* (survey by Statistics SA, 2008), *Global Competitiveness Programme for the Tourism Industry in South Africa 2005 – 2010* (Department of Tourism and Environmental Affairs), and *A Framework/Model to Benchmark Tourism GDP in South Africa* (Pan African Investment, 2008).

The above-mentioned documents provide insight into all facets of tourism including the economic impact of tourism in the country. However, they do lack refinement in the sense that this information cannot be applied beyond provincial level to, say, a regional level.

Applicable local information for a study of this nature can be found in the planning document of the district municipality, namely the Integrated Development Plan (IDP2010, 2007), and in the district’s tourism strategy (Clacey *et al.*, 2008). While providing essential background information on the dynamics of the district neither of these documents provides any information on visitor numbers or the specific economic impact of tourism.


Many useful insights into the current status of tourism can be found in the above-mentioned articles. However, two criticisms can be levelled against the information contained in these articles. Firstly, the information relates mostly to the province as a whole. Since the province is the biggest market for domestic tourism in South Africa (Occasional Paper 71, 2009: 2), it is understandable that the information may vary for different geographical regions within the province. Secondly, estimations are made in some of these articles on the economic value of certain tourism activities. However, the author observed that in some cases figures appear to be unsubstantiated and without any indication of how they were calculated. These articles do, however, provide a useful benchmark in terms of which actual results can be discussed.

Underberg is a rural district. Rural destinations differ fundamentally from urban destinations in the sense that, in many cases, their accessibility is a determining factor of the volumes of
visitors. According to Muradzikwa, Ross and Standish (2004: 4), basic infrastructure and access roads are required before any rural destination can develop its tourism.

Gopaul (2006: 8) states that “rural tourism has a strong influence on rural communities in terms of development”. The author concludes that rural communities are receptive to the idea of tourism as a viable economic activity. Rural tourism is normally based on some natural resource or nature-based tourism. Failure to manage such resources may lead to a loss in tourism (Gopaul, 2006: 9).

The above information therefore provides insight into the tourism landscape, dynamics and current status of tourism in South Africa and the province of KwaZulu-Natal. It is therefore clear that to obtain specific information for this study practical research will have to be conducted to generate localised information.

Attention must now be focused on the method of data collection and the model that will be applied to understand the economic impacts.

Stynes (1998; 2001), Frechtling (2006) and Saayman and Saayman (2006) have produced some of the most appropriate literature for this study. All their publications deal with either actual case studies or with the construction of models to measure impact of tourism.

Stynes (1999) is quoted throughout much of the literature reviewed and is regarded as an expert in the field of determining the economic impact of tourism (Wilton & Polovitz Nickerson, 2006: 17). Stynes (1998) provides a basic guide to measure tourism impact, “The purpose of this bulletin is to present a systematic introduction to economic impact concepts and methods”. “The principal methods here are visitor spending surveys, analysis of secondary data from government economic statistics, economic base models, input-output models and multipliers” Stynes (1998: 2).

Stynes (1998) goes further to provide basic equations for the estimation of economic impact and practical advice regarding the use of multipliers. These will be referred to in Section 2.1.5 in this document.

Stynes (1999: 5) defines economic impact analysis as tracing the “flows of spending associated with tourism activity in a region to identify changes in sales, tax revenues, income and jobs due to tourism activity”.

Frechtling (2006: 31) relates that most models begin with the estimation of the expenditure of visitors in a defined geographic area.
According to Wilton & Polovitz Nickerson (2006: 18), visitor surveys are one of the best ways to establish the economic impact of tourists. However, the author does caution that the surveys must be completed at the time of the visit or shortly afterwards since a recall bias becomes apparent as time passes by.

Frechtling (2006: 30) comments that survey questions based on expenditure “can produce estimates of mean visitor expenditure per person per day, and then multiplying this by the number of qualified visitors produces the estimate of visitor spending”.

“The favoured method is to draw a sample of travellers and administer a survey to it asking for expenditure data. Then means are computed for the various expenditure items and these are multiplied by estimates of the traveller population” (Frechtling, 1994: 6).

Frechtling (1994: 7) outlines the qualities of a good model and singles out “relevance, coverage, efficiency, accuracy, and transferability of the approach”.

Saayman, Saayman and Naude (2000) and Saayman and Saayman (2006) also present a variety of case studies in which the economic impact of tourism is estimated. These provide useful insight into the methodology used for localised economic impact studies. A particular study (Saayman & Saayman, 2006) on the economic impact of tourism in the Kruger National Park provides a practical approach to the measurement of tourism expenditure. Saayman and Saayman (2006: 78) mention that one of the difficulties experienced in the latter study is the absence of a regional input-output model for South Africa. One of the shortcomings of this study was the very short sample period that the average expenditure per visitor was calculated upon and thus any seasonal variations will not be accurately reflected.

According to the Southern Tourist Board (2001: 12), it is acceptable to use occupancy figures to estimate tourism volume in a specific area provided that allowance is made for day visitors and visitors staying with friends or relatives.

Stynes (1998: 20) maintains that one can fine-tune a model to suit a particular situation by adding different levels of complexity in terms of “visitor segments, spending categories and multipliers”. He also advises that “estimates of tourist spending will generally be more accurate if distinct spending profiles and use estimates are made for key tourism segments”.

Crompton, Seokho & Shuster (2001: 83) further state that any study should take care to exclude any contribution by local residents.
Saayman et al. (2000: 5) use different scenarios based on the increase of tourism, both domestic and foreign, to calculate economic impact. The authors also identify the international multiplier as 1.9 and the domestic multiplier as 1.96.

Another important factor to keep in mind would be the ability of tourism to sustain employment in the tourist destination. According to Pan-African Investment (2008: 31), in 2008, one job was created in the tourism sector for every foreign tourist that arrived in South Africa. Domestic tourism, however, has less of an impact on job creation and one job was created for every R13 537 spent by the tourist. The reason for this discrepancy is that domestic tourists did not always make use of tourist accommodation and “often spend less on curios and recreation facilities” (Pan-African Investment & Research Services, 2008: 31).

Crompton et al. (2001: 80) state that economic impact studies are an inexact science and warn that the motivation behind conducting them is often strategic and to garner support for projects.

According to Guidance Tourism (1998), it is important to keep in mind that “given the dynamic nature of tourism” all surveys are ultimately just an approximation of the true state of affairs.

Of relevance to this study is the profound influence that protected areas have on the appeal of a district as a tourism destination. Wilton and Polovitz Nickerson (2006: 24) also draw attention to the fact that there is a strong relationship between natural resource attractions and visitor spending.

It is important to note that direct impacts of tourism have many secondary effects, most of them not economic but rather social. Keyser (2009: 27) discusses these impacts in depth and comes to the conclusion that environmental and social sustainability is crucial for the success of any tourism destination.

Krause (2005) moves beyond the actual economic impact of tourism and poses the question of how equitable tourism income is shared in communities. She concludes that even in fair trade environments income is not as equally shared as is hoped for. The extent to which the products and organisations actually are fair is rather unclear and hard to measure (Krause 2005: 53).

It is clear that, due to the lack of information, a survey method needs to be employed and a model developed for the purposes of this study.

1.5 INTERVIEWS

To gain perspective, the initial results were shared with the chairman of the Community Tourism Organisation (CTO) for Underberg, the manager for Economic Development in the KwaSani
Municipality and two well-known tourism operators in the district. These individuals were selected as each one, buy virtue of their business, occupation or experience would be able to share a unique perspective on tourism in the region. The author approached these people telephonically explaining the nature of the study and made an appointment for an interview.

Interviews were conducted by sharing the results of the study with the persons interviewed and soliciting their views on the results obtained. In each instance the interviewer provided the result to a particular question from each of the surveys, allowing the interviewee to provide his or her interpretation on the question at hand. These results were captured by the interviewer and incorporated in this document. After all the results were shared a generalised discussion on tourism and the economic impact of tourism followed. These comments will also be reflected in this study.

In addition the remarks and contributions of a number of other individuals involved in the tourism industry, retailers and event planners were captured and incorporated where relevant.

1.6 SUMMARY

This document represents an exploratory study aimed at estimating the economic impact of tourism in the district of Underberg, KZN and attempts to gain an understanding of factors that affect the economic contribution of tourists to this region. While much research has been done on this topic at a national and international level, it seems that this type of information is lacking at a localised level.

Analysis of the available literature suggests that the impact of tourism on economies is well documented and that the methodology for calculating the economic contribution of tourism to an economy is well established. There seems to be consensus that existing models need to be adapted to local situations and based on the available data.

To gain insight into the local impacts it is essential to collect local information. This information can then be fed into a model that will provide estimates of economic impact.

Whilst the economic impact of tourism and its effect on employment is an important dimension of tourism it is equally important to understand that tourism also has social and environmental implications which should not be neglected in favour of economic importance.
CHAPTER 2
An evaluation of the context and environment

2.1 THE ECONOMICS OF TOURISM

2.1.1 What is tourism?

To begin with, it is important to attempt to define tourism. According to the United Nations World Tourism Organization (UNWTO) tourism can be defined as “the activities of travellers taking a trip to a main destination outside his / her usual environment, for less than a year, for any main purposes (business, leisure, or other personal purpose) other than to be employed by a resident in the country or place visited” (Keyser, 2009: 5).

Tourists can be visitors that visit the region for a variety of reasons. These may include business, holiday or to visit friends and family (Keyser, 2009: 5). They may visit an area for a couple of hours or for several days or weeks (Keyser, 2009: 5). For the purposes of this study the term visitors and tourists will be used interchangeably.

According to Cornelissen (2005: 678), “As an activity of consumption, tourism is distinct in that the consumer has to travel some distance to a destination in order to consume what they have paid for. The tourist product is diverse. It is made up of both tangible elements (e.g. transport, accommodation), and intangible components”.

Three types of tourism can be identified, namely domestic, outbound and inbound (Keyser, 2009: 69).

Domestic tourism is defined as “the tourism activities of residents of the country, within that country” (Keyser, 2009; 69). In contrast, inbound tourism deals with the “activities of non-resident visitors within a country, i.e. international tourists” (Keyser, 2009: 70). The activities of both domestic and inbound tourists form part of this study.

Outbound tourism deals with “activities of a resident visitor outside the country of reference” and as such does not form part of this study (Keyser, 2009: 70).

Saayman and Saayman (2006: 71) perceive the tourism industry as consisting of “a number of different but interlinked service industries, particularly accommodation and catering, food processing and beverages, transport, as well as entertainment and other support services such as retail”.
For tourism to be viable in the long term it also has to be sustainable. The World Tourism Organization defines sustainable tourism as “Tourism development that meets the needs of present tourists and host regions while protecting and enhancing opportunities for the future … leading to management of all resources in such a way that economic, social and aesthetic needs can be fulfilled while maintaining cultural integrity, essential ecological processes, biological diversity and life support systems” (Keyser, 2009: 32).

While this study predominantly focuses on the economic impact of tourism it is important not to neglect the importance of these factors.

The White Paper on the development and promotion of tourism in South Africa outlines several responsible tourism objectives. These include economic, social and environmental objectives. Among its economic objectives the following are highlighted (Keyser, 2009: 41):

- Assessing economic impacts as a prerequisite to developing tourism
- Maximising local economic benefits - increasing linkages
- Ensure communities are involved and benefit from tourism
- Access to markets and fair and representative product development
- Equitable business.

2.1.2 What is the tourism destination (destination management)?

The idea of destination management is important for the concept of tourism. According to the Practical Guide (1998: 2) a local tourist destination is a physical space with physical and administrative boundaries. It has tourism products such as attractions, services and tourist resources. Its physical location and its tourist appeal play a role in defining its competitiveness in the market. Local destinations also include stakeholders and host communities (Keyser, 2009: 6).

All tourism destinations have certain elements or basic conditions in place. Practical Guide (1998: 4) states that the appeal of an area from a tourism perspective is shaped by the following:

**Attractions**: These represent the focal areas of attention for the visitor. These can be natural, cultural or man-made. These attractions may be privately or publicly owned. Beyond these tangible factors there may also be intangible factors such as history or emotion (Practical Guide, 1998: 4).
**Amenities**: These refer to the range of services and facilities that support visitors during their stay. These include accommodation, transportation, road provision, shopping, information for visitors and opportunities for recreation (Practical Guide, 1998: 4).

**Accessibility**: This refers to the ease in which a destination can be accessed. It includes road, rail and air accessibility as well as administrative accessibility such as visa requirements (Practical Guide, 1998: 4).

**Image**: “The image of the destination includes uniqueness, sights, scenes, environmental quality, safety, service levels, and the friendliness of people” (Practical Guide, 1998: 4). The correct image is of utmost importance to attract visitors to a tourist destination. Image must be marketed, communicated and must have substance.

**Price**: Pricing plays an important role in terms of competition with other destinations. Pricing relates to the cost of getting to the destination and the cost of services and accommodation at the destination (Practical Guide, 1998: 4).

**Human resources**: “Tourism is labour intensive and interaction with local communities is an important aspect of the tourism experience” (Practical Guide, 1998: 4). Trained staff members are therefore essential to provide good service and to put into motion the destination strategy.

The level of development and synergy between the above-mentioned elements determines how successful a destination will be (Practical Guide, 1998: 5).

“Maintaining and projecting an attractive tourism destination is largely dependent on three factors: positive destination image and experience, safety and security, and, fundamentally, the overall environmental quality” (Clark, 2006: 7).

All of these factors affect tourism in the study area. Some of these are better developed while some lag behind. It is essential that tourism organisers and local government take cognisance of these and make a concerted effort to improve them. “On this basis, the role of local government can have a profound influence on the success of its local tourism industry, and plays a part in conserving the very asset on which it’s future depends” (Clark, 2006: 7).

The relevance to the economic impact of tourism is that image, branding and competitiveness (shaped by the factors above) determine the level of demand for the destination, while the level of demand directly influences the magnitude of the economic impact of tourism (Occasional Paper 65, 2006: 14).
2.1.3 Economics of tourism

Tourism is an important industry in the district of Underberg (IDP, 2007: 6). Growth in this industry and the equitable spread of benefits will have an effect on the standard of living and the level of investment in the region. “Economic benefits and costs of tourism reach virtually everyone in the region in one way or another” (Stynes, 1998: 1).

Before determining the economic impact of tourism in the district it is essential to gain insight into the relationship between tourism and the economy in general.

There is considerable evidence which suggests a positive correlation between tourism growth and economic development as “… tourism has a crucial role in developing countries. It helps to lower deficits in the Balance of Payments, increase levels of economic growth and raise job opportunities” (Loutfi et al., 2000: 2).

How does tourism impact the economy on a practical level? “Tourism has a variety of economic impacts. Tourists contribute to sales, profits, jobs, tax revenues, and income in an area. The most direct effects occur within the primary tourism sectors - lodging, restaurants, transportation, amusements, and retail trade” (Stynes, 1998: 4).

From an economic perspective tourism is an “activity that is defined by consumers at the point of consumption” (Nedelea et al., 2008: 250). This means that any money spent for any reason by tourists in a specific location will make a contribution to the economy of that specific location (Nedelea et al., 2008: 250).

Tourist spending takes place across all sectors of the economy and is not only limited to those parts of the economy with “identifiable tourism characteristics sectors such as transport, hotels and recreation”. Spending may include purchases of groceries, fuel and other items not normally seen as part of the “tourism economy” (Nedelea et al., 2008: 250).

“Clearly then the initial expenditure by visitors can have significant additional effects throughout the rest of the economy, resulting in increased income and expenditure by a wide range of household groups not necessarily directly connected with tourism” (Pao, 2005: 70).

As a result, analysis of the economic contribution of tourism becomes a complex task. The complexity has been subject to considerable debate. “Resolving this debate requires reliable and rigorous information on the precise nature of tourism spending and its impact on different sectors of the economy” (Nedelea et al., 2008: 246).

Tourism impacts can be categorised as direct, indirect or induced (Keyser, 2009: 307).
The gross direct impact of tourism results from the total amounts spent by tourists in an area. It refers to any business that receives payment directly from the tourist (Guidance Tourism, 1998: 8). An example of this is payment to an accommodation establishment (Keyser, 2009: 307).

Economic activity spurred on by subsequent rounds of expenditure is termed the indirect impact of tourism. Some parts of this economic injection remains in the region while other parts of it go to elsewhere in the region or country (Guidance Tourism, 1998: 8). An example of indirect impact is a hotel’s expenditure on suppliers to that hotel (Keyser, 2009: 307).

Induced effects occur when locals who earned money through tourism spend their income on goods and services, thereby stimulating the local economy (Guidance Tourism, 1998: 8).

In order to calculate a realistic estimate of the economic impact of tourism it is essential that all three impacts listed above are quantified and added together. “The true impact of tourism is not the actual expenditure by tourists, it is the final impact that this expenditure has on the economy” (Nedelea et al., 2008: 241).

The indirect and induced impacts are often calculated by multiplying the direct impacts with a multiplier factor. This concept is elaborated on in Section 2.1.5.

![Figure 2.1: Calculating the economic impact of tourism](http://web4.canr.msu.edu/mgm2/econ/miteim/censtatesTSA.pdf)

Beyond these impacts, there is also a body of evidence that suggests “tourism may also encourage entrepreneurship and the development of new small businesses, particularly among groups who might not have easy access to formal labour markets” (Nedelea et al., 2008: 242). Tourism can thus act as a catalyst in the local economy.

For governments and authorities the benefits of a functioning tourism economy include the generation of taxes. These taxes have various origins, firstly from taxable business earnings as
result of tourism, secondly from tourists paying taxes on goods and services bought while on holiday, and lastly from specific taxes levied at the tourism sector (CSD, 1999: 5). All three of these sources of tax are evident in South Africa, with the last source presented as a tax on all bed-nights utilised by tourists (Van den Berg, 2011).

Often, some of the money generated by tourism is lost for the local economy. Typically, this takes place through, for example, taxes, savings or paying for goods and services outside the region where the tourist revenue was generated (Guidance Tourism, 1998). Some authors go as far as to include salaries of executives that are not resident in the area of the local economy (Crompton et al., 2006: 81).

“These losses from the system are generally referred to as leakages” (Pao, 2005: 70). The more local economies are dependent on a large number of imports the larger leakages will be (Krause, 2005: 11). Leakages are obviously a lost opportunity for the area where the money was generated and negatively affects the impact on the local economy.

However, leakages can be minimised by a local economy. According to Krause (2005, 11), “By maximising local economic linkages through e.g. buying local produce and employing local people, the leakage can be decreased and the benefits of tourism to the locality increased”. Saayman and Saayman (2006: 73) advocate a similar expansion of local economic linkages to prevent losses through leakage.

Lastly, to understand the economic impact of tourism consideration must also be given to the vast investments made by governments and private capital to develop tourism infrastructure and destinations. These actions in themselves have a massive impact on economies in that they require the procurement of goods, services and labour (Stynes, 1998: 3).

2.1.4 Other impacts of tourism

The economic impacts of tourism are mostly presented in a positive way. While this is widely accepted, it is also true that even in cases where economies are positively influenced by tourism they are often accompanied by negative effects. These may include economic, social and environmental consequences.

On the economic front, negative effects are often borne by the local population living in the tourism district. These effects include the following:

- **An unstable source of income and employment**: “Tourism has several negative externalities attached to it: it is subject to seasonal fluctuations and high elasticities of
demand and can therefore be an unstable source of income and employment” (Cornelissen, 2005: 163).

- **Increased property prices**: “The changes in land-use patterns from an agricultural society to the tourism industry introduce modified land-use patterns as tourism increases land prices as a result of competition and thus encourages sales (Krause 2005: 32). This could lead to locals finding it difficult to buy property as prices remain too high in relation to rural salaries.

- **Loss of non-tourism industries**: The agricultural productivity of an area may be lost due to the utilisation of land for tourism. As such, tourism could potentially displace other sectors of the local economy (McAlister, 2011).

- **Increased prices of goods**: As result of tourism demand the prices of goods may be inflated to the detriment of local residents and may contribute to inflation (Krause 2005: 32).

In addition, economies in which tourism plays a significant role are often quite vulnerable as revenues from tourism activities may fluctuate as a result of factors such as seasonality, economic recession, terrorism, extreme weather or the occurrence of natural disasters. Such fluctuations may pose challenges to local businesses and may reduce overall efficiency in the utilisation of resources and labour (Nedelea et al., 2008: 243).

A seldom recognised fact is that when municipalities or private capital invest in destinations for the purposes of developing tourism it presents an opportunity cost. The same resources could have been injected into the development or expansion of other industries. Therefore, what needs to be researched before investments are made are “the relative economic benefits of investing in tourism as opposed to investing in another industry” (Krause, 2005: 30).

Earlier reference has been made to the negative social and environmental effects of tourism. If not addressed, these can have serious consequences for the tourism destination. Keyser (2009: 351) maintains that tourism cannot exist without the environment. Yet, as an activity, tourism has the capacity to destroy this foundation.

While it is possible to harness tourism to empower communities and to develop tourism products that are environmentally sustainable these are difficult to achieve in practice (Cornelissen, 2005: 183).

Social and physical impacts are more difficult to determine than economic impacts of tourism. The former often consists of intangibles or features that cannot be compared to another reference while the latter can be analysed numerically (Krause, 2005: 22).
From a social perspective it should be borne in mind that incomes generated through tourism activities are seldom shared equally by the local population (CSD, 1999: 5).

While systems like the Fair Trade concept have been introduced to ensure a more equitable spread of benefits it has been found in a study conducted by Krause (2005: 31) that even where attempts are consciously made to spread income equitably the result is often still not satisfactory.

South African research has demonstrated that community-focused tourism projects are often compromised by the shortage of capital, skills and other resources (Cornelissen, 2005: 183).

Keyser (2009: 353) lists several environmental impacts of tourism and tourism activities, which include:

- The depletion of environmental resources
- Pollution of air, water or soil
- Physical damage to environmental resources
- Loss of biodiversity
- Loss of aesthetic qualities.

More recently, there has been a growing recognition of the economic value of the services that ecosystems render. Any damage to such systems which affect such services invariably also impact on the sustainability of the economy as a whole (Brummer, 2010).

### 2.1.5 Multiplier effect

The direct expenditure of tourists is only part of the total economic impact of tourist activities. The notion that every Rand of tourist spending in the area has a re-occurring impact on the economy of an area is known as the multiplier effect (Nedelea et al., 2008: 283). Essentially, the multiplier is a factor that is applied to any estimation of the direct economic impact of tourism in an area. The multiplier makes it possible to estimate the impact of indirect and induced impacts of tourism.

Saayman and Saayman (2006: 71) indicate that multipliers are often used to quantify the total impact of tourism.

Large multipliers (greater than 1) indicate a greater impact of each unit of visitor spending on the local economy (Pao, 2005: 70). Low multipliers, on the other hand, are indicative of leakages out of the economy (Krause, 2005: 28).
“The value of the multiplier increases when interrelationships are high and decreases when outflows increase. There is no doubt that multiplier values correlate with several variables. The most important of these is the number and quality of tourists, tourist facilities, domestic expenditure and future trends in these variables” (Loutfi et al., 2000: 2).

Stynes (1998: 13) maintains that multipliers can be calculated from input-output models, borrowed from an economic base or derived from similar studies.

Stynes (1998: 16) recommends the use of multipliers between 1 and 1.5 to estimate local impacts. Where one has no idea of the size of the multiplier a figure of 1 should be used. The effect of this is to re-focus on the direct effects of tourism spending (Stynes, 1998: 16).

This author further recommends “focus most of your efforts on estimating the direct effects of tourism usually as tourist spending in the area. Multiplier effects are not nearly as important in most cases as their use would suggest and multipliers tend to introduce complexities that most users of the results do not fully understand” (Stynes, 1998: 16).

An important finding is that the overall multiplier effect of domestic tourism is not significantly different from that of international tourism” (Saayman et al., 2000).

There are, however, opinions advising against the use of multipliers. The argument is that multipliers may tend to overstate the impact of an activity such as tourism.

“From this review of the theory it is proposed that tourist multipliers will tend to significantly overestimate the impact of tourism on an economy” (Egan & Nield, 2003: 1).

Reference to and discussions on an employment multiplier can be found in Section 5.3.

2.1.6 A local multiplier

Despite an extraordinary amount of information on the multiplier effect, an exhaustive online search for information on an applicable local or provincial multiplier for the purposes of this study proved difficult.

Stynes (1998: 18) cautions that care must be taken not to borrow multipliers from economies that are different in composition or to apply state-wide multipliers.

The literature search delivered relatively few comparable multiplier figures for South Africa at a national level with the South African Foundation View Point (Rutherford, 2006: 53) identifying a general “tourism multiplier” of 1.82.
According to Saayman et al. (2000: 9), “both international and domestic tourism has a positive impact on economic development in South Africa, with multipliers of 1.9 and higher”.


For the purposes of this study a multiplier of 1.42 will be applied to estimates of direct tourism expenditure. This multiplier will be utilised to ensure consistency with previous provincial approaches as described in the previous paragraph and in line with recommendation by Stynes (1998: 13) that multipliers may be borrowed from similar studies.

2.1.7 Models for measuring economic impacts

Measuring the economic impacts of tourism is important for a number of reasons:

Frechtling (2006: 26) indicates that the measurement of the economic benefits along with related costs of tourism can help marketers, planners, and others with an interest in visitor activities to reach a variety of objectives:

- 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 rationally choose whether to encourage or resist additional tourism marketing or development.

Attempts to measure the economic impact of tourism often results in policies or decisions that are favourable for tourism development (Pao, 2005: 7).

They also state that results are often used to legitimise a position and as such their scientific correctness is often suspect (Egan & Nield, 2003: 3).

Egan and Nield (2003: 3) believe that “economic impact analysis is a best guess rather than being inviolably accurate”.

2.1.8 Tourism impact

“Broadly, tourism impact can be defined in terms of the number of tourists who visit a specific area, the amount of money that they spend, and the employment and income that is generated in the area as a consequence” (Cornelissen, 2005: 167).

Measuring “income generated” requires techniques to model the economic impact of tourism, and this varies from basic estimations to “complex mathematical equations” (Surugiu, 2009: 2).

Stynes (1998: 5) further notes that “the methods used to gather this information include: visitor spending surveys; analyses of secondary data from government economic statistics; economic base models; input-output models; and multipliers”.

Nedelea et al. (2008: 243) states that any attempt to measure the economic impact of tourism will “require detailed information relating to tourist expenditures, prices, tax revenues, expenditures by other sectors of the economy, prices for tourism and non-tourism products, patterns of arrivals and so on”.

Frechtling (2006: 26) states that the majority of models that attempt to quantify the economic impact of tourism start with an estimation of spending of visitor in a defined spatial area.

“The usual approach is to estimate spending averages that can be applied to the volume of travel activity to compute total spending, which in turn can be applied to an economic impact model or set of multipliers” (Stynes, 2006: 8).

According to Stynes (1998:1), most impact models for tourism are variations of the following equation:

**Simple visits x spending x multiplier equation**

Stynes (1998: 1) further clarifies that “total spending by visitors is estimated by multiplying measures of tourist volume for a region” by the “average spending per unit of visitation”.

Such tourist spending estimates may further be subjected to economic ratios, multipliers or input-output models to gain an appreciation of the secondary effects of tourism on the economy” (Stynes, 1998: 1).

Before detail is provided for the methodology employed by this study it is worthwhile to reflect on other popular models that are frequently used.

According to Keyser (2009: 335), three types of models are generally used to access the economic impact of tourism. These are described below.
Input-output analysis

Saayman and Saayman (2006: 72) maintain that the input-output model remains a popular method for calculating the total economic impact of visitor spending. According to Tyrelle (2001: 94) the input-output analysis is applied to estimate the indirect or induced impacts of tourism spending.

“The input-output analysis makes use of matrix algebra to estimate the amount of income, employment and production that is necessary to satisfy a certain level of tourism demand” (Saayman & Saayman, 2006: 72).

The core of the model is the input-output table. This is a “summarized version of all of the transactions that take place among the main economic sectors in a particular year” (Keyser, 2009: 337). An input-output model uses tables and also “requires detailed information on tourist expenditure” and data on sectoral transactions (Nedelea et al., 2005: 254).

The methodology used in this type of model includes surveys and an estimation of the indirect impact using input-output modelling. This method is regarded as very “trustworthy” (Saayman & Saayman, 2006: 77).

However, according to Saayman et al. (2000), input-output models have some disadvantages:

- They deal with the aggregates of an industry rather than with a set of firms
- Results are not easily translated into applied recommendations
- The feasibility of using the model at local government level is questionable
- The rigidity of input substitution in the model.

Egan and Nield (2003: 11) state that data requirements for input-output models may be so large that they become impractical to use.

According to Saayman and Saayman (2006: 78), there are no “regional input-output models or more detailed firm data available in South Africa”. As a result this model, while applicable, will not be utilised for this study as the required information for the construction of an input-output table is not freely available.

Pao (2005: 74) suggests that where there is a lack of available data or resources, the researcher should therefore construct hybrid models which focus on tourism-related sectors. These will allow for a more flexible approach in utilising the available data for estimating economic impact (Pao, 2005: 74).

For the purposes of this study a hybrid model will be employed.
Cost-benefit analysis

Cost-benefit analysis can be very comprehensive and utilises complex economic modelling (Keyser, 2009: 337). The technique “balances costs against benefits to demonstrate the effect of plans, strategy or projects” (Keyser, 2009: 337).

Stynes (1998: 6) relates that cost-benefit analysis “identifies the most efficient policies” in terms of monetary and non-monetary perspectives. Due to the nature and aim of this study this model will not be relevant.

Tourism Satellite Accounting (TSA)

Tourism Satellite Accounts focus primarily at a national level and are among the more recent tools for estimation (Stynes, 1998: 1).

Keyser (2009: 337) states that TSA’s represent the “most advanced methodology available” to estimate tourism’s contribution to the economy.

Interestingly, tourism as an activity and important contributor to the economy is not included in the traditional accounting system. As has been discussed, tourism impacts are spread across all sectors. In South Africa, tourism contribution is spread between nine sectors of the National Accounts. In 2008, TSA was first used in South Africa by Statistics SA (PanAfrican Investment, 2008: 8).

“TSA’s typically concentrate on measuring the direct impact of tourism expenditure, and often do not directly address the issues of the indirect and induced effects” (Nedelea et al., 2008: 254).

Since these studies focus at a national level they are not appropriate at a local level.

2.2 AREA OF STUDY

2.2.1 History

The Southern Drakensberg region was first explored by Dutch explorers in 1834, and later by British forces in 1835, although the area was undoubtedly inhabited by Khoi San people prior to this time (Pearce, 2006: 67). The name Drakensberg was derived from the Dutch word for dragon, so named by early Dutch settlers who thought that the mountain’s rugged skyline resembled the spine of a dragon (Sycholt, 2002: 8). In the Zulu language the mountain range is called Ukhaklamba, which means “barrier of spears” (Sycholt, 2002: 8).
The town of Underberg was established in the late 1890’s as farmers began to settle the area (Champkins, 2003: 15). A fort, police station and hotel were established on government property not far from the town. Later on, this new village was named Himeville after Sir Albert Hime (Champkins, 2003: 15). Today these towns are more like suburbs of Underberg and fall under the Kwasani Local Municipality (IDP, 2007: 3).

2.2.2 Geology and topography

The district lies at the foothills of the Drakensberg, which dominates the landscape, beyond which lies Lesotho, approximately 20 km from the town of Underberg (IDP, 2007).

The Drakensberg constitutes the highest mountain range in the country, rising up to 3 300 metres above sea level and serves as catchment to significant KwaZulu-Natal rivers such as the Umzimkhulu and Umkomaas (Sycholt, 2002: 12).

Geologically, the mountain range consists of sandstone and shale that are overlaid with basaltic lava (Sycholt, 2002: 10). Locally the high, hard basaltic layers are referred to as the “berg” while the softer sandstone, found at lower altitudes, is referred to as the “little berg” (Sycholt, 2002: 10).

The area experiences wet, hot summers and dry, cold winters (Sycholt, 2002: 12). Rainfall varies between 800 and 1 200 mm while snowfalls and frost are experienced in winter (Sycholt, 2002: 12).

The area is classified as falling within the afro-montane and afro-alpine floral region, and vegetation is dominated by grasslands (Sycholt, 2002: 13). Forests and wetlands are found within these grasslands where climatic conditions permit (Sycholt, 2002: 14).

Within the district, all mountainous foothills adjoining the Lesotho border are formally protected as nature reserves. These provide protection to numerous species of mammals and birds, including the rare Bearded Vulture, and are an important tourist asset to the region (Brummer, 2011). Many of the rock paintings painted by the early Khoi San People can also be found here (Brummer, 2011).
Figure 2.2: Location map for the Underberg district


2.2.3 Demographics

Underberg is situated in the KwaSani Local Municipality which in turn is “situated within the Sisonke District Municipality” (KwaSani IDP, 2007: 3). The study area focuses only on the local municipal area of KwaSani.

A substantial part of the district is demarcated as protected area under the management of Ezemvelo Wildlife, the parasternal agency tasked with conservation management in KZN (KwaSani IDP, 2007: 3).

The district comprises two urban areas and several rural communities (KwaSani IDP, 2007: 4). The estimated population is approximately 17 000 and the region covers 1 180 square km (KwaSani IDP, 2007: 4).
Demographically, the population can be broken down into the following groupings:

### Table 2.1: Demographics of the population in the district

<table>
<thead>
<tr>
<th>By race</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Black</td>
<td>91.1%</td>
</tr>
<tr>
<td>Coloured</td>
<td>1.1%</td>
</tr>
<tr>
<td>Asian / Indian</td>
<td>0.3%</td>
</tr>
<tr>
<td>White</td>
<td>6.7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>By age</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Age: 0 – 14</td>
<td>34.9%</td>
</tr>
<tr>
<td>Age: 15 – 64</td>
<td>60%</td>
</tr>
<tr>
<td>Age: 65+</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: IDP 2007: 27.

#### 2.2.4 Economy

The district has two main economic drivers, namely agriculture and tourism (KwaSani IDP, 2007: 4).

The economic analysis indicates that Sisonke ranks as the second-smallest district economy in the province in terms of GDP, although it ranks fifth out of ten in terms of GDP per capita, with a year-on-year average growth of 4 per cent over the past five years from 2000 to 2005 (Clacey et al., 2008: 10).

The IDP did not make any attempt to estimate the size of the economy of the district or the contribution of tourism to the economy in 2007 or 2010.

#### 2.2.5 Employment

According to the IDP (2010: 23), “Employment figures in the tourism sector are not reflected separately by Statistics South Africa, as this is usually included in the figures for the wholesale and retail trade. This sector makes a contribution of 15 per cent to employment”.

The district has a workforce of 8 985 people of whom 37 per cent are employed in the formal sector (IDP, 2010: 22).
The low levels of employment are compounded by the relatively low incomes earned. At least 70 per cent of the working population in the district earns less than R1 600 per month (IDP 2010: 17).

According to Clacey et al. (2008: 10), “the KwaSani local economy has shown a significant growth of 40 per cent employment in the Wholesale, Retail, Catering & Accommodation sector between 1995 and 2005, and a significant component of this is directly attributable to tourism”.

### 2.2.6 Tourism – current status

According to the IDP (KwaSani IDP, 2007: 23), the area’s tourism reputation is based on the following features:

- Excellent scenery and protected areas
- Excellent fly fishing sites
- The popularity of Sani Pass as a drive outing
- Increasing number of events for sports people
- High number of quality accommodation establishments
- Birding tourism.

A number of events also contribute to enticing visitors to the area (KwaSani IDP, 2007: 24). These are:

- Splashy Fen Music Festival
- The Drakensberg Canoe Challenge
• The Sani to Sea Mountain Bike Race
• Polo competitions
• Equestrian events
• Open gardens show
• Drakensberg 250 off-road rally.

Table 2.2: Tourist attractions in the district

<table>
<thead>
<tr>
<th>Primary attractions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ukhahlamba Drakensberg World Heritage Site as an iconic tourism attraction</td>
</tr>
<tr>
<td>Sani Pass</td>
</tr>
<tr>
<td>Drakensberg scenery</td>
</tr>
<tr>
<td>Outdoor pursuits and activities (fly fishing)</td>
</tr>
<tr>
<td>Wildlife and conservation properties</td>
</tr>
<tr>
<td>Cultural heritage - San art sites/local cultures</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Secondary attractions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rail tourism (Eshayamos Express)</td>
</tr>
<tr>
<td>Arts and crafts outlets</td>
</tr>
<tr>
<td>Farm stays</td>
</tr>
<tr>
<td>Special events (outdoor, sports and cultural)</td>
</tr>
<tr>
<td>Reichenau Mission</td>
</tr>
<tr>
<td>Himeville Museum</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tourist facilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resort hotels and accommodation establishments</td>
</tr>
<tr>
<td>Tourist information outlet</td>
</tr>
<tr>
<td>Restaurants and retail enterprises (predominantly at Himeville and</td>
</tr>
<tr>
<td>Underberg and along key access corridors)</td>
</tr>
</tbody>
</table>

Source: IDP 2010: 30.

The municipality is bordered by protected areas (declared World Heritage sites) in the north. These protected areas play a role in the town’s popularity as a tourism destination (IDP, 2010: 30).

The Tourism Specialization and Economic Report (2009: 5) states that the proximity of a destination to a protected area or World Heritage Site also increases an area’s attractiveness from a tourism perspective. The report goes further to state that the presence of such areas and biodiversity conservation zones could also have positive effects on the economy (Tourism Specialization and Economic Report, 2009: 9).

The IDP (2010: 42) also identifies the equal spread of tourism benefits as a challenge in the district.
2.2.7 Underberg as a tourism destination

In order to understand the destination it is insightful to evaluate the district according to the essential elements of a tourism destination.

- **Public and private attractions**: The IDP (2010: 29) recommends the adequate control of land use in the district. To some extent this is aimed at managing development so that it does not detract from the scenery and inherent quality of the district. A comprehensive Spatial Development Framework has been developed by the municipality that will steer future development (McAlister, 2011). Most of the attractions in the district consist of natural phenomena, i.e. mountains, lakes, rivers and scenery. Van den Berg (2011) is convinced the district has abundant attractions for the nature tourist.

- **Amenities**: In many ways, the district is still regarded as a slightly “out of the way” destination. Thus depending on the type of visitor, different perceptions will be held on the appropriateness and acceptability of amenities. One of the biggest issues is that amenities and services are unable to cope with the volumes over peak visitor periods (Van den Berg: 2011). The inability to accommodate the needs of visitors in peak times must be addressed in order to avoid a situation where visitors’ expectations are continuously not met. Medical services are one such crucial amenity that the region does not have (Van der Berg, 2011).

- **Accessibility**: The IDP (2010: 30) mentions improved access to the district as a strategic goal for improving tourism. The document (IDP 2010: 46) further recommends a direct road link between Nottingham Road and Underberg, which will make access from the interior parts along the N3 easier (McAlister, 2011). McAlister (2011) and Van der Berg (2011) believe this will lead to a dramatic increase in tourism. The R617 between Underberg and Pietermaritzburg is also poorly maintained and dangerous (Van Den Berg, 2011).

- **Human resources**: Watt (2011) believes the district battles to source and retain quality staff for the tourism industry. The IDP (2010) indicates that education levels in the district are low with less than 23 per cent of the population being in possession of Grade 12 or a higher qualification. According to McAlister (2011), the municipality is trying to rectify this situation through various capacity-building programmes.

- **Image and character**: The IDP (2010: 30) mentions that an effort should be made to improve products and define the tourist markets more clearly. The district’s image is poorly defined and promoted (Watt, 2011).

- **Price**: It appears from the results of this study that the vast majority of people felt that the district represented good value for money.
2.3 SUMMARY

Tourists are defined as non resident visitors who visit an area for a variety of reasons excluding residence or for the purposes of employment. The concept of tourism is however meaningless without the idea of a destination. Destinations are what attract tourists. Essentially destinations are made up of various elements, the synergy between elements, as well as the state of their development, determines the attractiveness of destinations.

The effect of tourism on the economy goes beyond the mere spending by tourists in a specific location. It is important to realise that tourism spending has secondary effects on the economy thereby increasing the value of each Rand spent by a tourist. These effects can be simulated by introducing a multiplier into estimations of tourism’s economic impact.

Different models are used to estimate the economic impact of tourism on the economy. The best known models include the Input-Output model, the Cost-Benefit Model and Tourism Satellite Accounting. Of these, the most popular method for localised studies is the Input-Output model. Many authors (Pao, 2005; Stynes, 1998) are however of the opinion that this model can be adapted to suit the available information.

It is clear that Underberg is a small town that has much to offer tourists as a destination. It has significant scenic attributes coupled with a fair amount of activities entertaining to tourists. Undoubtedly the major hindrance to tourism development is a lack of adequate infrastructure and coupled with the inaccessibility of the district. Due to the high levels of unemployment and low education levels a significant opportunity exists to leverage tourism even further to deliver benefits to the community.
CHAPTER 3
Methods, models and limitations

3.1 METHODS

3.1.1 Constructing the model for estimating economic impacts in the district

“Although tourism has become a conspicuously large and fast-growing industry, pertinent economic analyses have been somewhat limited, possibly because it is not a single industry but rather comprises businesses from numerous industrial classifications” (Pao, 2005: 68).

It is essential to check whether local data is available on visitor expenditure before one collects new information (Guidance Tourism, 1998: 3).

During the course and scope of this research, virtually no information that would have been of assistance in constructing an appropriate economic model was uncovered. Some studies, predominantly by Tourism KwaZulu-Natal (Machelisen & Kohler, 2009), briefly looked at tourism-related economic issues in the Drakensberg region.

The information in these studies is limited and generalised, and it referred to the Drakensberg region (a considerable area) which stretches from Bergville in the north to Underberg in the south.

The information dealt mostly with average spending per visitor per day, average length of stay and reasons for visit. However, the information not cover economic impacts on a district level, and results may be subject to distortions due to the popularity and proximity of Northern Drakensberg resorts to Gauteng (Van den Berg, 2011).

Arguably the most popular contemporary model, namely the input-output model, is also difficult to apply in this instance as the author was unable to obtain any meaningful transactional information on the supply side. The core of this model is the input-output table. This is a “summarized version of all of the transactions that take place among the main economic sectors in a particular year” (Keyser, 2009: 337).

Furthermore, both Tourism Satellite Accounting and cost-benefit analysis as techniques are inappropriate for localised studies where the economic impact of tourism has to be determined. “Tourism Satellite Accounts (TSA) is a more recent development, focusing primarily at the national level” (Stynes, 2001: 3).
Keyser (2009: 363) states that the cost-benefit analysis is commonly used where alternative approaches are compared.

To find the answer to the question “What is the economic impact of tourism in the district of Underberg?” one has to go back to the basics of tourism expenditure to determine the direct impact of tourism in the district.

It is furthermore important to separate the economic contributions of visitors from that of residents (Wilton & Polovitz Nickerson, 2006: 18) in order to exclude their contributions to the local economy.

According to Wells (1997: 11), “The economic impact of tourism is usually measured in terms of a tourist’s overall spending on accommodation, food, travel, souvenirs, and other expenditures. Assembling the data usually requires estimation of the total number of visitor days as well as the average tourist spending per day”.

Arguably, Stynes (2001: 3) presents a classical but simplified approach. According to Stynes, the economic impact is typically measured by a variation of a simple formula namely:

\[
\text{Economic impact of tourism} = \text{number of tourists} \times \text{average spending of tourists} \times \text{multiplier}
\]

For the purposes of this study, the primary aim is to estimate firstly the direct impact of tourism spending in the district and, secondly, to add a known multiplier to gain an understanding of the secondary impacts.

This study has managed to gain insight into the average spending of visitors and the relevant multiplier. What is not known is the total population of tourists visiting the district in a given timeframe.

Santini (2011) states that no estimates of visitor numbers are available for the district and past attempts to gather such information have been problematic. To solve the problem of estimation of the visitor population, a hybrid of the above model will be developed.

The visitor surveys that were conducted (Survey 1) provide insight into visitor expenditure and spending patterns. “In many cases, the tourism activity and visitor spending data needed for an economic impact analysis can be gathered in a general visitor survey or market study” (Stynes, 1997: 28).

This data will be analysed and arranged to establish spending categories that reflect different spending among VFR (visiting friends and relatives), day visitors, two-day visitors, three-day
visitors and visitors that stay longer than four days. “A better picture of visitor spending is obtained by sorting out the distinct distributions and estimating the percentage of visitors in each group. This is an important role of visitor segments” (Stynes, 2006: 11).

The percentage of day visitors and VFR in the sample will be adjusted pro rata with that of the overnight visitors in each respective occupancy scenario.

These spending categories will be adjusted to reflect the influence of certain factors and will then be multiplied with varying levels of occupancy in the district to calculate direct expenditure by tourists. The class midpoint for each of the spending classes in Question 7 will be utilised (refer to Section 4.1.1.1).

A multiplier of 1.42 obtained from regional literature will be applied to provide insight into the secondary effects of tourist expenditure in the district and will be applied to calculations (refer to Section 2.1.6).

The missing information in the above-mentioned equation is the estimated total population of visitors to the district in any given period. Since there are no accurate estimates of the total tourist population in the district (Van den Berg, 2011), another method must be found to adequately satisfy the first part of the equation.

After careful consideration, the only viable solution to this dilemma is to estimate the total number of visitors to the district by using occupancy rates across all establishments in the district. Since the approximate number of beds (2 500) available in the district is known (Van den Berg, 2011; Santini, 2011), it is possible to make projections that simulate economic impact at varying levels of occupancy. The number of beds available per night will be converted to the number available per month and per year respectively, i.e. 30 per cent occupancy for a month in the district equals 75 000 bed-nights per month and approximately 900 000 per year in the district.

Current information from the CTO indicates that occupancy in the district is approximately 30 per cent (Van Den Berg, 2011). The other figures (20% and 50%) were selected as occupancy that are appropriate to the study and that will provide meaningful information. Their appropriateness was confirmed by several of the individuals interviewed (Van den Berg, 2011; Santini, 2011). This, then, will provide the basis for the estimation of the economic impact of tourists.

Next, these theoretical scenarios will be projected against actual business trends as reported on in Question 4 of the establishment surveys (Survey 2) to gain an understanding into the spread
of the economic contribution at different occupancy levels over the year. This should provide a
more realistic scenario, but will of course be subject to the validity of the reported trends. See
4.1.11 and Figure 4.16.

Scenarios will reflect a monthly contribution and a yearly contribution.

To summarise, scenarios will have the following characteristics:

- Providing a theoretical estimate of direct expenditure by modelling visitor spending at
different levels of occupancy.
- Providing an estimated spread of business over a year for each scenario
- Allowing for a regional multiplier to estimate secondary effects.

“In considering the aggregate impact of tourism expenditure, we will assume that spare capacity
exists in an economy – i.e. that the economy has the capacity to expand employment and
output in response to demand from tourists” (Nedelea et al., 2008: 240).

Once this has been done, a separate calculation will be done according to the Stynes equation
above.

This study should be regarded as a tool for better understanding the economic impacts of
tourism in the district. As with all economic impact studies, the level of accuracy can never be
exact.

“Economic impact analysis is an inexact process, and output numbers should be regarded as a
‘best guess’ rather than as being inviolably accurate. Indeed, if a study were undertaken by five
different experts, it is probable that there would be five different results” (Crompton et al., 2001:
80).

3.1.2 Analysis

The research conducted represents an exploratory study rather than thorough statistical
analysis.

To estimate the economic impact of tourism requires the collection of data. What needs to be
established is what a typical visitor to the district would spend per day while visiting the area.

There are a variety of ways to do this but the most common approach is through the use of
visitor surveys (Wilton & Polovitz Nickerson, 2006: 17).

This study employed two surveys. Survey 1 is aimed at visitors to the region and Survey 2 is
aimed at accommodation establishments in the district.
In order to establish some degree of representation, the gathered survey forms (Survey 1) were subjected to systematic sampling. In this study \( K = 2 \), which means that every second survey form was selected. While the value for \( K \) is normally higher, the selected approach was used due to the difficulties experienced in visitors returning forms.

“The benefit of systematic sampling is that it is easier to conduct than random sampling. The downside is the danger of selecting a biased sample if there is a pattern in the population that is consistent with the value of \( K \)” (Donnelly, 2004: 160).

All the information on each of the selected forms was captured into an Excel spread sheet which enabled further comparisons across questions.

A number of basic statistical techniques were applied to each question. These ranged from simple visual representations in the form of pie charts to simple statistical analysis such as descriptive statistics.

While all of the questions were deemed to be relevant at the time of drawing up the questionnaire, some questions were ultimately discarded for the purposes of this study. The reasons for this may include issues of comprehension on the part of the respondent, answers that no longer seemed relevant and questions that were on average poorly answered.

The establishment information contained in Survey 2 will be applied to complement or elaborate on the findings of Survey 1.

3.1.3 **Distribution of questionnaires**

Survey 1 and Survey 2 were emailed to all establishments asking them to acknowledge the email and indicate their willingness to participate. Identification of these operators and establishments was done in the following way:

- Analysing the district phone directory for operators and accommodation establishments.
- Consulting with the chairman of the Community Tourism Organisation.
- Cross-referencing all available marketing material found at the Municipal Tourism Office in Underberg.

Due to the relatively low response rate the author proceeded to telephonically call establishments and proceeded to visit those who were willing to assist. In total 33 establishments were visited.
Survey 1 aimed at visitors / tourists was distributed and collected by operators and establishments and the author with varying degrees of success. Establishments were requested to survey every second person where possible so that systematic sampling took place.

The author also approached some visitors and tourist directly on an *ad hoc* basis. Tourists were also canvassed to complete forms by emailing the surveys to them. Here, too, an email was sent to every second person. In total 311 email addresses were obtained in this manner by consulting the visitor's book in the Municipal Tourism Office and the local museum.

Despite the comprehensive nature of the exercise the author concedes that there may be operators or accommodation establishments which have been inadvertently been left out or cases where operators and establishments chose not to participate.

3.1.4 Record-keeping

Records were kept of all establishments surveyed in Survey 2 (n =33) and in respect of Survey 1 (n = 150). Where surveys were emailed, records were kept of all visitors emailed and the percentage that returned emails (emailed 311, returned 33).

3.1.5 Collection of questionnaires

Three methods for the return of the questionnaires were devised. These included:

- Questionnaires could be left at or faxed to the point of origin, i.e. at the guest house or the operator where they were handed to the tourist.
- They could be left at a well-known outdoor shop in town.
- They could be emailed to the author.

3.1.6 Surveys

The design of the survey questions followed on an analysis of what was required to meet the objectives of the study.

Several similar forms in studies conducted elsewhere in the country were reviewed, which assisted in the drafting of the questions. The questions drafted for this study were reviewed by Prof Eon Smith of the University of Stellenbosch Business School and by Dr Kosie De Villiers of Stellenbosch University. Finally, the questions were also sent to the chairperson of the local CTO, Mr K. van den Berg, for input.
The survey forms were designed to be user-friendly and not time-consuming to complete. The questions were proofread by two fellow MBA students to ensure that the meaning and intention of questions were clear and not ambiguous to the man in the street.

Survey 1 was aimed at the collection of information from visitors / tourists to the Underberg district. The information gathered in this way would allow the author to form an understanding of visitor behaviour, spending patterns and other variables useful for the estimation of the economic impact of tourism. In order to boost return rates of Survey 1, all completed forms qualified the visitor to be entered in a lucky draw with a cash prize of R 500. The survey form can be found in Appendix 1.

Information gathered from Survey 2 will assist the author to form an understanding of the impact of tourism from the perspective of hotels, bed-and-breakfasts and backpackers. The information can also be used to interpret information from Survey 1. The Survey 2 form can be found in Appendix 2.

However, surveys are not without bias. Some of the possible forms of bias that could affect this study include:

- “Time lapse between the trip and completing the survey” (Wilton & Polovitz Nickerson, 2006: 18)
- “Tendencies to overstate expenditure” (Wilton & Polovitz Nickerson, 2006: 18)
- Spending under estimation (Wilton & Polovitz Nickerson, 2006: 18)
- “Failure to observe factors that influence the expenditure” (Wilton & Polovitz Nickerson, 2006: 18)
- Misinterpretation of the questions
- Misleading answers.

Biases in terms of Survey 1 were mitigated by having the questions reviewed by various parties. Observations of respondents while completing forms led to the conclusion that the questions were easily understood and unambiguous.

Most of the questionnaires (127 of 150) were completed while the visitor was in the district. This mitigated against time-lapse bias.

Lastly, questions were structured so that people could consider all the factors that could affect their daily spend before the question on daily spend was asked.
Bias in terms of Survey 2 was mitigated by the majority (29 out of 32) being completed in the presence of the author who could assist should issues arose.

3.1.7. Success rates

The sample for Survey 1 consisted of 186 surveys of which 36 were incomplete and discarded. While a large proportion of forms were completed and returned via email the return rate for email was low with 33 returns out of 311 prompts (10.5%).

The district has 110 accommodation establishments. To facilitate the study only establishments with email addresses were approached. Of the 76 requests directed to establishments only 33 returned information despite numerous requests by the author. While this is a fairly low return rate the collective accommodation capacity of the 33 respondents is almost 50 per cent of the total available in the district.

The majority of these returned forms came from emailed returns and coffee shops with many operators reporting that they experienced difficulties in getting tourists to complete forms. Most of these operators reported that tourists did not want to be “hassled” by filling in forms while on holiday (Pile, 2011; Van Den Berg, 2011).

![Figure 3.1: Establishments returning completed Survey 1 forms](source: Survey 1.)
Figure 3.2: Origin of respondents

Source: Survey 1.

Figure 3.1 above indicates how establishments fared in returning completed visitor surveys (Survey 1). Figure 3.2 indicates where respondents were staying when they completed the forms.

The differences between these two Figures reveal that hotels did not provide great assistance in ensuring the completion and return of Survey 1 (returning only 1 per cent of the 150 collected forms). However, 30 per cent of the respondents (see Figure 3.2) were staying in hotels at the time of completing the form (these guests completed theirs at one of the local coffee shops). Thus, while Figure 3.1 may prompt the question of adequate representation, one can see the hotel sector is adequately represented in this study. In total, 11 per cent of the respondents indicated that they were from outside the district. These individuals were typically day visitors and business people.

In conclusion, while many establishments did not take part in Survey 2, the results of Survey 1 show that many of their clients formed part of the study.

3.1.8 Limitations of the study

According to Stynes (2006: 8), “Spending measured in visitor surveys is subject to all of the errors inherent in survey designs, including measurement, sampling, non-response, and analysis errors”. All attempts were made to reduce different interpretations and to ensure that questions were clear and unambiguous.
The following limitations can be identified in this study which will impact on the accuracy of its findings:

- The fact that the study was not conducted over a full year. The sample period started in May 2010 and ended in November 2010. This implies that data cannot be extrapolated for the full year and as such variations across season may not be clearly understood.
- The number of collected surveys may not be adequate to provide a statistically robust result. Saayman and Saayman (2006: 71) suggest “400 questionnaires are normally viewed as sufficient for results that are statistically significant on a 95 per cent level for large population”.
- Not all accommodation and tourism operators participated in the study.
- Some accommodation establishments returned more visitor forms than others which may influence the results or introduce bias.
- 2010 may be regarded as an unusual year for tourism due the hosting of the 2010 FIFA Soccer World Cup which may skew results obtained.
- The study focused on guesthouses, hotels and self-catering establishments. This implies that the study focused on the formal tourism sector and as such negates the impact of rural visitors from other districts and nationals from Lesotho who visit the district to do shopping and other business in town.

Nonetheless, despite the above-mentioned potential impacts, the author was unable to come across any similar study for the district and as such even under these circumstances the study will provide some substantiated answers where previously there were none.

3.2 SUMMARY

In order to make estimations, it is essential to gain localised information on the impact of tourism. For the purposes of this study such information will be gained by utilising two different surveys and by conducting interviews with knowledgeable individuals in the tourism industry. The study does not purport to be a statistical work but rather an exploratory study.

In total 150 usable surveys were returned by visitors to the district while 33 establishments in the district participated in the study.

This information will be used in a model specifically adapted to estimate the economic impact of tourism in the district of Underberg. This model is based on a generic model proposed by
Stynes (1998). To overcome the problems experienced with estimating the total number of visitors visiting the district, the model uses different occupancy scenarios upon which estimations are based. These different occupancy scenarios also form the basis for estimating the number of people visiting friends & family and day visitors.

The study is subject to several limitations, the most significant of which is that the study does not span a full year; coupled with the fact that the study focuses on the formal tourism sector thereby neglecting the possible impacts of rural people who visit the district to visit relatives or to do shopping.
CHAPTER 4
Discussion and results of surveys

4.1 VISITOR AND ESTABLISHMENT SURVEYS

Survey 1, the visitor survey, was employed to gain more insight into tourism/visitor behaviour and the demand side of tourism. Survey 1 forms the basis for estimating expenditure by tourists.

Survey 2, the survey for accommodation establishments, was aimed at developing a better understanding of the supply side of tourism in the district.

The findings of Survey 1 and Survey 2 will be discussed below under the same headings where relevant. However, the findings will not follow the same chronology as the questions in Survey 1 and Survey 2 (which was done for ease of understanding by those surveyed).

Finally, the results below represent different scenarios and do not attempt to provide absolute answers. They are also dependent on the particular parameter under discussion. While some of the differences in spending figures below may seem insignificant, their multiplication with estimated visitor volumes may bring about meaningful differences.

According to Santini (2011), the accuracy of the information is not as important as understanding the trends and dynamics of tourism in the district while the study also represents an important first step in analysing tourism impact in the district.

4.1.1 Spending by visitors

Spending by visitors visiting the district forms the basis of this study and of subsequent observations made. These figures should, however, not be taken at face value only. Spending per person per day (spending level) is strongly influenced by factors such as frequency of visits, length of stay and number of people per group (Occasional Paper 71, 2009: 3).

For the discussion below it is important to define three different concepts that assist in analysing the results.

**Spending level:** This is the amount that an individual respondent has indicated on the survey and is measured as Rand per person per day.

**Spending category:** This represents spending levels that have been categorised (and for which a mean has been calculated) for a specific parameter under discussion.
Adjusted spending: This represents spending categories for which a mean has been calculated by factoring in other variables which have an effect on the economic contribution, such as length of stay, group size and frequency of visits to the district.

The mean for the visitor sample, calculated from the respective class midpoints of each spending level, equals R493 per person per day.

Spending categories are displayed in Figure 4.1 below and indicate in percentages the number of visitors for each spending level.

According to Macheilsen and Kohler (2009: 16), the average spend per person per trip in KwaZulu-Natal amounted to R444 for domestic tourists and R5 000 for foreign visitors.

The findings of this study indicate that domestic tourists visiting the district spend about R1 936 per trip while foreign visitors spend about R1 608 per trip when visiting the district.

A possible answer for this discrepancy may lie in the fact that Macheilsen and Kohler (2009: 19) found that 71 per cent of visits to the province were visits to friends and family. This study, in contrast, found that 77 per cent of visitors to the district come on holiday. Studies have found that visiting friends and relatives (VFR) contribute significantly less to the economy than other forms of tourism (Visser & Kotze, 2006: 90). The figures quoted by Macheilsen and Kohler represent a provincial average figure which may be influenced by the large proportion of VFR groups.

![Figure 4.1: Spending categories for visitors to the region](source.png)

Source: Survey 1.
According to Santini (2011), the <R200 and R201 to R401 spending categories may represent people who are “invested” in the district in some way while the remaining categories represent the holiday-making tourist. Such investment may be property, family, timeshare or other intangible factors.

4.1.1.1 Adjusted spending

To calculate the economic impact of tourism, it is recommended by Stynes (1997: 18) that categories are created. This will enable accurate estimations of economic impact and acknowledge the effect of differences that may exist between groups.

“Estimates of tourist spending will generally be more accurate if distinct spending profiles and user estimates are made for key tourism segments” Stynes (1997: 19).

Stynes (1997: 18) indicates that the length of stay may be one such category. To accomplish this, the author has introduced the concept of adjusted spending means. These represent spending categories based on different lengths of stay that is “weighted” by multiplying individual visitor days with the spending level of each respondent.

Visitor days in turn are calculated by multiplying the frequency of visits, the length of stay and the group size of each entry. This allows for the calculation of a mean for the entire spending category and visitor days. To calculate a daily spend mean, the mean of the spending category is divided by the mean visitor days for that spending category. The result is average spending per person per day according to each category.

In addition, calculations require an adjusted spending mean only for VFR. The reason for this is that VFR groups have different spending behaviour due to the fact that they are staying with relatives.

According to Van den Berg (2011), the big difference between day visitors and those staying two or more days can be partially explained by the effect of paying for accommodation.

The concept of adjusted spending will be utilised in Chapter 5.

Spending levels and spending categories will be discussed for different parameters that follow in this chapter.
The adjusted spending values can be found below:

Table 4.1: Adjusted spending according to length of stay

<table>
<thead>
<tr>
<th>VFR</th>
<th>Day visitor ppd</th>
<th>2 days ppd</th>
<th>3 days ppd</th>
<th>Four or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>R363</td>
<td>R342</td>
<td>R457</td>
<td>R474</td>
<td>R534</td>
</tr>
</tbody>
</table>

Source: Survey 1.

4.1.2 Breakdown of expenditure

The mean spending of the sample is R493 per person per day. Figure 4.3 below represents the percentages of money spent on various goods and services on average per visitor.

The major expense of visitors to the district is accommodation, followed by eating out and shopping for groceries. This result is to be expected (Van den Berg, 2011; Watt, 2011). Van den Berg (2011) also points out that a relationship exists between self-catering visitors and eating out and buying groceries.

Of interest is the relatively small proportion taken up by services. According to Santini (2011), an opportunity exists to introduce or improve the marketing of services in the district.
4.1.3 Frequency of visits

The frequencies of visits to the district are important in terms of economic impact and to establish the value of a specific individual or group to the tourism economy (Santini, 2011).

It can also be taken as a measure of how much return business the district generates.

In total, 52 per cent of the respondents indicated that their visit was once-off. In many cases, this meant the first and only foreseeable visit to the area, while for others it meant once per annum. No analysis was done to further distinguish these groups as the result is unlikely to influence the calculations in this paper.

Visitors who visit the district more than three times per annum may have some form of “investment” in the district. This could be timeshare, property ownership or friends and family or some other intangible motive (Santini, 2011).

An analysis of the frequency and its corresponding spending mean reveals that spending per person per day marginally increases with frequency. The deduction is that frequent visitors not only spend more by virtue of multiplication of daily expenditure but also that their daily spending increases.
Once-off visitors spend the most in this spending category. The explanation may be that people who visit the area once off make use of more services in the district. These services include laundry, equipment rental and tour operators (Santini, 2011). People who visit the area more than once may be better prepared, bringing their own equipment like off-road vehicles (Santini, 2011).

Van den Berg (2011) believes the high spending levels of once-off visitors may be because this class of visitor is less constrained by budgets. These visitors are on holiday and they want to have a good time. As such, they spend money on whatever they want to do.

Those visitors who visit twice per annum are familiar with the region and probably stay at the best value-for-money accommodation (Van den Berg, 2011; McAlister, 2011).
The gradual increase in spending could also be explained as frequent visitors servicing their “investment” which may include maintenance, entertainment and other social activities (Santini, 2011; Van den Berg, 2011).

4.1.4 Size of party

The aim of this parameter is to gain insight into group size and its related spending category.

In total, 51 per cent of the surveyed sample consisted of two or less people. To Santini (2011), this high proportion of groups with less than three may be as a result of numerous sporting events and weddings that are hosted in the district; it does not detract from the area as a family destination. According to Van Den Berg (2011), the fact that groups of two and four are the biggest categories is supported by experiences in the accommodation industry.

Figure 4.5 below provides a breakdown of group size of visitors that visit the area.

![Figure 4.5: Group size of visitors to the district](image)

The results may be skewed as result of the fact that the study did not operate during the two most popular holidays, namely Easter and the Christmas season. The results of Survey 2 demonstrated that these periods represent a busy period for the district.

Relationships between spending levels and group size demonstrate that groups of two to three spend on average R535 per person per day while groups of four and five spend R437 per
person per day. This indicates a drop in average spending levels with an increase in group size. Santini (2011) indicates that this is to be expected. According to Watt (2011), this drop is due to the price of accommodation decreasing as group size increases. Van Den Berg (2011) concurs with this finding.

Watt (2011) maintains that group size may also be influenced by school holidays.

It is important to note that the number of people per group has an effect on the economic impact of tourism as the total spending per group generally increases with size (Van den Berg, 2011).

4.1.5 Length of stay

Length of stay is an important factor to consider as it has a multiplying effect on the economic impact of tourism. The longer the stay, the greater the contribution to the economy (Watt, 2011).

The mean length of stay per visit in the district is 3.71 days while the provincial average is 4.1 nights. The popularity of the district as a weekend destination may explain the difference.

There has been an overall decrease in the length of stay for both domestic and foreign visitors over the past few years (Occasional Paper, 2009, 71: 6). Due to the recent economic crisis, tourists have changed their travel patterns and tend to take shorter but more frequent holiday trips (Occasional Paper, 2009 71: 6).

Figure 4.6: Length of stay for visitors to the district

Source: Survey 2.
On average, foreigners stay for three days while domestic tourists stay for four days. Watt (2011) supports this figure as representative of the situation. The following results are obtained comparing length of stay to spending categories:

<table>
<thead>
<tr>
<th>Day visitor</th>
<th>Two days</th>
<th>Three days</th>
<th>Four or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>R427</td>
<td>R499</td>
<td>R517</td>
<td>R541</td>
</tr>
</tbody>
</table>

Source: Survey 1.

This illustrates a gradual increase in the spending per person per day the longer the stay. Santini (2011) believes this may be due to the fact that these visitors are involved in more activities in the district.

According to Geerdink (2010: 2), two different variables influence the length of stay. First are “variables associated with personal and family characteristics” and, secondly, “levels of income and price of the holiday”.

Santini (2011) contends that the proportion of day visitors to the area may be slightly higher than the results suggest since many day visitors join tour operators up Sani Pass and may not stay over or be involved in any other activity in town. These individuals would have been omitted by the study as tour operators felt these clients did not want to complete survey forms (Watt, 2011).

Santini (2011) is also of the opinion that the fairly large proportion of visitors that stay for periods of longer than five days may be due to the influence of timeshare.

Van Den Berg (2011) agrees that length of stay, especially five days or longer, points to some kind of investment in the district.

McAlister (2011) indicated that the local municipality’s tourism strategy aims to influence the length of stay in the hope that this will allow people to make use of tourism services in the rural areas.

4.1.6 Purpose of visit

According to Occasional Paper 71 (2009: 7), the majority of domestic visits to KZN are for the purposes of VFR, followed by holiday trips. For foreigners, the number one reason for visiting the province is for holidays (Occasional Paper 71, 2009: 7).
Results show that Underberg is overwhelmingly a holiday destination. Underberg differs from most destinations in South Africa where most domestic trips made are to visit friends and family (Visser & Kotze, 2006: 90). Also, the distance to Underberg effectively reduces non-essential business travel (Van den Berg, 2011).

![Pie chart showing the purpose of visit to the district](image)

**Figure 4.7: Purpose of visit to the district**

Source: Survey 1.

Alarmingly, very few of visits are made for private-sector business or public-sector business. This is problematic as there is evidence to suggest that business tourism represents one of the most lucrative tourism segments (Visser & Kotze, 2006: 89).

Santini (2011) is of the opinion that the absence of business tourism and conferencing is of great concern and represents an opportunity for the district. Van den Berg (2011) believes the main problem of the district from a business perspective is the distance and duration of travel to the district. Most government business consists of day visitors (McAlister, 2011).

VFR constitutes the next biggest category. Visser and Kotze (2006: 90) found that this group of visitors has a much smaller per person impact on the economy than holidaymakers. The calculated mean (n =19) for VFR was R379 per person per day, while holidaymakers spent R512.19 per person per day. This result is supported by Santini (2011).

Some visitors to the district own property or timeshare. Their impact will be discussed in Section 5.2.2.
4.1.7 Activities in the district

The results below are not valid statistically since they overlap to an extent. Figure 14.8 below does, however, provide insight into the activities people engage in when visiting the district. Santini (2011) believes the results below provide a fair indication of visitor interests.

![Figure 4.8: Popularity of activities in the district](image)

**Figure 4.8: Popularity of activities in the district**

Source: Survey 1.

It is clear that the most popular class of activities is nature based (30%) which includes birding, fly-fishing, camping, hiking and adventure activities (mountain biking, paddling, etc.), and sightseeing (15%). This is an important consideration as these attributes form part of the destination's competitiveness and image.

The next most popular activities are eating out and visiting coffee shops (17%). These activities are not necessarily the sole reason why people visit the area; they simply indicate how people occupied themselves during their visit.

When applying spending categories to each respective activity the following emerges:
Table 4.4: Spending categories for different activities

<table>
<thead>
<tr>
<th>4x4 tours / driving</th>
<th>Entry into Lesotho</th>
<th>Arts &amp; crafts</th>
<th>Photography</th>
<th>Adventure activities</th>
<th>Birding &amp; hiking</th>
</tr>
</thead>
<tbody>
<tr>
<td>R567</td>
<td>R558</td>
<td>R529</td>
<td>R528</td>
<td>R481</td>
<td>R464</td>
</tr>
</tbody>
</table>

Source: Survey 1.

Van den Berg (2011) confirms the above findings as very plausible. Eating out was left out due to the fact that the answer may not be as insightful as the others above while festivals and sports are discussed in Section 5.2.2.

The results show that those who visit the district to participate in off-road activities and entry into Lesotho have the highest spending categories while those involved in adventure activities and nature-based activities have lower spending categories. Watt (2011) agrees with these findings as many people involved in off-road driving, 4x4 and entry into Lesotho will spend more on food, equipment, repairs and fuel.

According to Occasional Paper 71 (2009: 8), the activities people participate in while on holiday are one of the most useful indicators of tourism. Information on these activities indicates demand and can possibly identify gaps “in the market in terms of facilities and amenities” as well as crucial marketing information (Occasional Paper 71, 2009: 8).

According to Santini (2011), many visitors who visit the district employ the services of tour operators from outside the district which leads to leakage from the economy.

One activity, fly-fishing (5%), is said to contribute about R6 million per month to the KwaSani economy (Occasional Paper 46, 2006: 5). While Survey 2 confirms the importance of this activity (most accommodation facilities offer fly fishing), these figures are not substantiated in literature and it is unclear how they were calculated (Santini, 2011).

What is clear, however, is that each of these activities has an economic value that contributes to the overall tourism impact in the district.

Another example of the value of activities is camping and hiking as nine per cent of all visitors surveyed participated in these activities. Financial data provided by Ezemvelo KwaZulu-Natal Wildlife for Cobham Reserve showed that camping fees amounted to R233 269 while hiking fees amounted to R33 569 for the period November 2009 to October 2010 (Brummer, 2010).

While activities can bring in significant levels of income it must be noted that levels of participation in these activities change over time, that visitors’ spending on these activities may
change over time, and that the needs of domestic and foreign visitors may differ (Occasional Paper, 2009: 8).

Events and festivals held in the district will be discussed in a subsequent section under 5.2.2.

4.1.8 Origin of visitors

It is significant that the highest proportion of visitors, 52 per cent, comes from KwaZulu-Natal. In addition, 31 per cent of the total sample originated from Durban. This is in line with the observation of Visser and Kotze (2006: 90) that domestic tourists in general travel mostly within their own province.

Results also show that, after KwaZulu-Natal, Gauteng and the Western Cape are the predominant domestic tourism source areas for the district. In total, 81 per cent of visitors to the district are from South Africa.

The origin of foreign visitors in the sample does not correlate exactly with the findings of Macheilsen and Kohler (2006: 12) which rank the top foreign visitor markets for the province in the following order of importance: United Kingdom, USA and Canada, Germany, Africa, France, Netherlands and Australia. A possible explanation for this discrepancy may be the hosting of the
2010 FIFA Soccer World Cup which may have distorted the normal foreign visitor profile (Santini, 2011).

Watt (2011) is of the opinion that the above results do not accurately reflect the situation in terms of foreign visitors. He argues that the biggest component of foreign visitors originates from Germany (Watt, 2011). Van den Berg (2011), on the other hand, suggests that the obtained results are close to the actual situation experienced by his establishment.

An analysis of spending levels determined by origin reveals that foreign visitors on average spend R521 per person per day, domestic South African visitors spend R484 per person per day and provincial visitors (KZN) spend R450 per person per day. It is clear that an increase in particularly foreign visitors can have a positive influence on the economy of the district.

Visser and Kotze (2006: 90) believe the total contribution of domestic tourism is comparable to the international market and should not be neglected in favour of the international market.

Santini (2011) is also of the opinion that while provincial visitors represent the lowest spending category they possibly may be the heaviest invested in the district and as such their importance to the tourism economy of the district should not be underestimated. Watt (2011) agrees.

Van den Berg (2011) indicated that KZN visitors may also visit the area more frequently and in bigger groups. As such, KZN visitors may be more important to the economy than could appear at first glance.

![Figure 4.10: Ratio of foreign to domestic visitors to the district](source: Survey 2.)
The sample from Survey 2 demonstrates how accommodation establishments reported on the ratio of foreign to domestic visitors. Figure 4.9 and 4.10 can unfortunately not be compared due to the fact that Figure 4.9 does not represent data for a full year.

4.1.9 Marketing of the district

Marketing has a direct effect on the economic impact of a destination. Effective marketing can increase visitors to an area while poor marketing can erode the number of visitors visiting an area.

![Figure 4.11: How tourists became aware of the district](image)

Source: Survey 1.

Figure 4.11 above demonstrates the three most significant marketing avenues: word of mouth, internet and the printed media. According to Santini (2011), word of mouth is a very important marketing avenue (Watt, 2010). Notably, the direct contribution of the provincial tourism body is minuscule.

Comparing spending categories for word of mouth and the internet reveals a spending mean of R466 and R574 per person per day respectively, indicating that internet marketing methods may bring a higher-spending tourist to the district. According to Watt (2011), those who visit the area as a result of word of mouth have “inside information of friends and family” which brings their spending down. This notion is echoed by McAlister (2011).
The results of marketing efforts (Survey 2) of accommodation establishments are displayed below in Figure 4.12.

Figure 4.12: Marketing avenues employed by establishments

Source: Survey 2.

Watt (2011) also confirms the rising importance of the internet as a marketing medium, while Van den Berg (2011) is of the opinion that for certain businesses in the tourism industry it makes no sense to continue printing brochures and flyers.

4.1.10 Value perception

While not directly related to the economic impact of tourism, the perception of value for money among visitors may have an influence on their return to the district. This, in turn, may affect future economic impacts.

The perception of Underberg as a good value-for-money destination was observed by 66 per cent of the sample.

The mean for the spending categories Good and Excellent is R500 and R511 per person per day respectively. In other words, on average people spending more were more inclined to perceive the district as excellent value for money.

Geerdink (2010: 1) maintains that if all other factors remain equal, a rise in the price of a holiday will lead to a fall in demand. This reasoning can also be applied to the perception of visitors. If
the value perceptions of visitors change from good to poor, it can be argued that the price-to-
value ratio has risen and consequently visitor numbers may decline.

![Pie chart showing value perceptions of visitors to the district]

**Figure 4.13: Value perception of visitors to the district**

Source: Survey 1.

From the results it is clear that 98 per cent of the people think the district is good or excellent
value for money, which bodes well for the district’s destination image. Satini (2011) believes this
result to be very positive for the district and provides a good basis from which to increase the
flow of tourism.

Van den Berg (2011) and Watt (2011) maintain that Underberg is probably underpriced
compared to its competitors in the Central Drakensberg.

The Practical Guide (1998: 4) states that price and the perception of price play an important role
in the competitiveness of a destination.

The results of Survey 2 show high rates of return business. Higher return rates may be
associated with timeshare and positive perceptions of visitors (Pile: 2011).
4.1.11 Seasonality

Seasonality affects the economic impact of tourism due to the fact that it affects the distribution of the income over the year.
The result of this investigation into seasonality is subject to a significant bias as the majority of surveys were collected in the period between May and July. This is highlighted by the fact that Figure 4.15 above demonstrates that only six per cent of the respondents chose November to January as their favourite time, while establishments and operators report this as their busiest period. As a result, no meaningful analysis can be conducted.

Figure 4.16 below is populated with information on establishments and demonstrates the volume of business over the course of the year. This distribution of business is supported by Van den Berg (Van den Berg, 2011). This information will be utilised in Chapter 5 to simulate the distribution of tourist income. According to Van den Berg, the category May to July and August to October may be artificially raised by timeshare visitors who have to use their allocated weeks (Van den Berg, 2011). Please note that the categories May to July is marginally bigger than August to October (21.6% vs 20.8%).

Visser and Kotze (2006: 90) indicate that the South African market is characterised by high levels of seasonality in the domestic tourism sector. Most trips are undertaken in school holidays and there is a marked reduction in trips taken from August until November (Visser & Kotze, 2006: 90).

---

**Figure 4.16: Flow of business volume over the year**

Source: Survey 2.
According to Santini (2011), seasonality in the district is not as much affected by the distinct seasons in Underberg but rather by school holidays and the seasonality of people’s interests. An example of the latter includes trout fishing which has its most desirable periods towards the end of autumn and the beginning of spring.

However, the findings above are revealing in the sense that a large proportion of visitors have selected the answer “unsure or anytime”. This may be the result of incorrect marketing of the district or, alternatively, it could point to opportunistic visitors who visit when conditions suit them, for example on a public holiday or during unexpected snowfalls in the mountains (which attract tourists) (Santini, 2011). Watt (2010) agrees that “anytime” visitors are largely opportunistic.

4.1.12 Accommodation in the district

There are more than 100 accommodation establishments in the district. Survey 2 was used to survey a portion of these. Accommodation is one of the best tourism indicators according to Cornelissen (2005: 163). It is worthwhile to get a better idea of dynamics of the accommodation sector.

Figure 4.17: Representation of the type of accommodation offered by sample

Source: Survey 2.
There has been a marked increase in tourism accommodation since the Himeville Arms opened its doors in 1906. During the late 1990s, a steep rise in the number of accommodation establishments was experienced in the district (Van den Berg, 2011).

The establishments surveyed offered the types of accommodation depicted in Figure 4.17 below.

Please note that some establishments offer more than one type of accommodation. The graph clearly shows that bed-and-breakfasts and self-catering are the most popular categories. The result of comparing these two categories above with Figure 4.18 shows that more than 11 of the 21 establishments have been in business for less than seven years. In contrast, all of the hotels in the sample (4) have been in business for longer than nine years. This points to the rapid expansion of the bed-and-breakfasts and self-catering categories (Watt, 2011).

![Figure 4.18: Years of operation for accommodation establishments](image)

Source: Survey 2.

All accommodation establishments have to be part of the local CTO. Respondents were asked to rate the CTO and municipality. Of the sample, 70 per cent felt that the municipality was not adequately contributing to tourism in the district. The CTO was rated better with only 15 per cent of respondents feeling that the CTO was not fulfilling its mandate. The real reason for these perceptions may lie in the fact that very little meaningful cooperation is taking place between the two bodies (Santini, 2011).
The price of accommodation is an important measure of competitiveness in this sector (Watt, 2011). Of the establishments sampled in terms of the price charged per person per night, 55% fell in the category R201 to R400.

This large proportion of prices in the R201 to R400 category indicates fierce competition among establishments (Watt, 2011). According to Van den Berg (2011), while it may appear that this situation leads to competition, many establishments have their own unique selling points and competition is not such a big issue.

![Figure 4.19: Price of accommodation in the district](source: Survey 2)

4.1.13 Other tourism services

Accommodation establishments may take the lion’s share of tourist expenditure in the district, but are by no means the only beneficiaries. Tour operators, coffee shops and gift shops all target the tourist market while other retailers, aimed mostly at the residents, also benefit from the flow of tourists. Most of the accommodation establishments offer some kind of service to their guests. Figure 4.19 below provides a breakdown of the services offered by the sampled accommodation establishments. (some establishments however, offer more than one activity).

If one single tourist activity has to be singled out it is Sani Pass. In total, 17% of the respondents in Survey 1 singled out Sani Pass as the activity they most enjoyed while visiting the district.
The two-hour drive is only accessible in an off-road vehicle and is offered as a day trip by no less than four tour operators (Watt, 2011). The average charge is R460 per person per day. Collectively, these tour operators can take up to 300 visitors up the pass in a day. Watt (2011) has reported phenomenal growth in this specific product over the past decade.

![Figure 4.20: Tourist activities offered by accommodation establishments](image)

Other tour services offered in the district include canoeing and tubing on the river, birding tours, fly fishing, abseiling, mountain biking and guided walks. However, many of these activities are weather dependent. Van der Berg (2011) is of the opinion that the erratic demand for these activities (very busy periods followed by very quiet periods) impedes their growth as it is difficult to make them financially viable to operators. Yet, if these challenges can be overcome, these activities may still reach their potential in contributing meaningfully to the economy.

The district also boasts a number of stores that are dependent on tourism for a significant amount of their turnover. Of the 20 stores interviewed by the author, 75 per cent reported that more than 50 per cent of their business came from domestic and foreign visitors. The average sale (combined results of 10 shops) shows that the average purchase by locals amounts to R105 for a resident, R149 for a domestic visitor and R141 for an international tourist. Watt
(2011) believes that the reason behind the lower spending figure for foreign visitors at retailers is due to the fact that they cannot transport bulky items.

4.2 SUMMARY

The results of the surveys shed some light on both visitors to the area and tourism establishments alike. To understand the economic contribution of tourism better, attempts are made to understand the per day spending per person for different parameters. These parameters include amongst others: length of stay, frequency of visits, group size.

Most significantly the results indicate that there is an escalation in the amount spent by visitors who visit more frequently or who stay longer.

The study indicates that the province of KZN represents the largest market for the district and confirms provincial trends whereby foreign visitors stay longer and spend more per person per day than domestic visitors.

There are also clear differences in spending to be observed between those who visit for the day and those who visit friends and relatives.

The results also raise the idea of “investment” which demonstrates that certain of the parameters show that some groups of visitors have tangible or intangible investments in the district that affect their spending patterns.

It is clear from both establishments and visitors that the internet plays a significant role in making people aware of the district as a tourism destination. Word of mouth however is crucial in persuading potential visitors to come to the district. Interestingly enough a significant difference exists in the daily amount spent per person per day for those who decide to visit the area lured by the internet as opposed to those decide to visit the area as result of word of mouth.

The fact that the majority of visitors surveyed rate the district as providing value for money plays a role in enhancing the image and appeal of the destination.

Establishments surveyed indicate that 55% of respondents compete in the same charge bracket possibly indicating strong competition amongst participants.

Nature based tourism is a considerable draw card and a large proportion of the economic impact of tourism can be attributed to nature and outdoor activities.
It is also significant to note that the majority of retail businesses questioned by the author felt that a significant proportion of their income was derived from tourists.

It is important that these differences between groups and differences observed under different parameters are clearly understood even when differences appear to be small. Such an understanding will enable stakeholders and authorities to better understand the economic value of different types of visitors and will allow for informed decision making.
CHAPTER 5  
Analysing economic impact of tourism

5.1  ESTIMATION OF THE ECONOMIC IMPACT OF TOURISM IN THE DISTRICT

To calculate the economic impact of tourism different simulations will be carried out to illustrate varying levels of impact according to varying levels of occupancy in the district. This will provide a glimpse of the probable levels of economic impact.

The adjusted spending means determined in Section 4.1.1.1 will be utilised, while a simulated occupancy rate will be used as basis for determining the volume of visitors. The available beds in the district are approximately 2 500.

Three estimate scenarios will be presented:
- At 20 per cent occupancy
- At 30 per cent occupancy
- At 50 per cent occupancy.

In addition, to account for day visitors and VFR, estimates will be calculated separately by linking them to the occupancy rate. Care is taken to ensure that proportions between day visitors, VFR and visitors who stay longer are maintained. These volumes will then allow calculations of the economic impact.

The above information will enable the use of Stynes' (1998) basic formula:

\[
\text{Economic impact of tourism} = \text{number of tourists} \times \text{average spending of tourists} \times \text{multiplier}
\]

The calculations will be done per month and then converted to a value per annum.
### Scenario 1: 20% occupancy in district in a month

Table 5.1: Estimated economic impact of tourism at 20% occupancy levels

<table>
<thead>
<tr>
<th>Spending category</th>
<th>Adjusted spending ppd</th>
<th>Estimated visitors</th>
<th>Direct economic impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-day visitors</td>
<td>457</td>
<td>4248</td>
<td>R1,941,238.94</td>
</tr>
<tr>
<td>3-day visitors</td>
<td>474</td>
<td>4381</td>
<td>R2,076,371.68</td>
</tr>
<tr>
<td>4 or more</td>
<td>534</td>
<td>6372</td>
<td>R3,402,477.88</td>
</tr>
<tr>
<td>Day visitor</td>
<td>342</td>
<td>1650</td>
<td>R564,300.00</td>
</tr>
<tr>
<td>VFR</td>
<td>363</td>
<td>1950</td>
<td>R707,850.00</td>
</tr>
<tr>
<td><strong>Projected impact at 20%</strong></td>
<td></td>
<td></td>
<td><strong>R8,692,238.50</strong></td>
</tr>
<tr>
<td><strong>Projected impact inclusive of multiplier (1.42)</strong></td>
<td></td>
<td></td>
<td><strong>R12,342,978.66</strong></td>
</tr>
</tbody>
</table>

### Scenario 2: 30% occupancy in district in a month

Table 5.2: Estimated economic impact of tourism at 30% occupancy levels

<table>
<thead>
<tr>
<th>Spending category</th>
<th>Adjusted spending ppd</th>
<th>Estimated visitors</th>
<th>Direct economic impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-day visitors</td>
<td>457</td>
<td>6372</td>
<td>R2,911,858.41</td>
</tr>
<tr>
<td>3-day visitors</td>
<td>474</td>
<td>6571</td>
<td>R3,114,557.52</td>
</tr>
<tr>
<td>4 or more</td>
<td>534</td>
<td>9558</td>
<td>R5,103,716.81</td>
</tr>
<tr>
<td>Day visitor</td>
<td>342</td>
<td>2475</td>
<td>R846,450.00</td>
</tr>
<tr>
<td>VFR</td>
<td>363</td>
<td>2925</td>
<td>R1,061,775.00</td>
</tr>
<tr>
<td><strong>Projected impact at 30%</strong></td>
<td></td>
<td></td>
<td><strong>R13,038,357.74</strong></td>
</tr>
<tr>
<td><strong>Projected impact inclusive of multiplier (1.42)</strong></td>
<td></td>
<td></td>
<td><strong>R18,514,468.00</strong></td>
</tr>
</tbody>
</table>
Scenario 3: 50% occupancy in district in a month

Table 5.3: Estimated economic impact of tourism at 50% occupancy levels

<table>
<thead>
<tr>
<th>Spending category</th>
<th>Adjusted spending ppd</th>
<th>Estimated visitors</th>
<th>Direct economic impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-day visitors</td>
<td>457</td>
<td>10619</td>
<td>R 4,853,097.35</td>
</tr>
<tr>
<td>3-day visitors</td>
<td>474</td>
<td>10951</td>
<td>R 5,190,929.20</td>
</tr>
<tr>
<td>4 or more</td>
<td>534</td>
<td>15929</td>
<td>R 8,506,194.69</td>
</tr>
<tr>
<td>Day visitor</td>
<td>342</td>
<td>4125</td>
<td>R 1,410,750.00</td>
</tr>
<tr>
<td>VFR</td>
<td>363</td>
<td>4875</td>
<td>R 1,769,625.00</td>
</tr>
</tbody>
</table>

Projected impact at 30%: R 18,550,221.24
Projected impact inclusive of multiplier (1.42): R 26,341,314.16

Information gained from establishments on the flow of business (Survey 2) will be applied to the results of the above scenarios demonstrating the spread of tourism income over a year (see 4.1.11 and Fig. 4.16).

The scenarios below reflect this spread.

Scenario 1: 20% per year

Table 5.4: Spread of economic impact over a year at 20% occupancy

<table>
<thead>
<tr>
<th></th>
<th>Nov – Jan</th>
<th>Feb – Apr</th>
<th>May – Jul</th>
<th>Aug – Nov</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct visitor</td>
<td>R33,091,352</td>
<td>R27,569,607</td>
<td>R21,969,633</td>
<td>R21,676,270</td>
<td>R104,306,862</td>
</tr>
<tr>
<td>spending</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Scenario 1: 30% per year

Table 5.5: Spread of economic impact over a year at 30% occupancy

<table>
<thead>
<tr>
<th></th>
<th>Nov – Jan</th>
<th>Feb – Apr</th>
<th>May – Jul</th>
<th>Aug – Nov</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct visitor</td>
<td>R49,637,028</td>
<td>R41,354,411</td>
<td>R32,954,449</td>
<td>R32,514,405</td>
<td>R156,460,293</td>
</tr>
<tr>
<td>spending</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secondary</td>
<td>R70,484,580</td>
<td>R58,723,264</td>
<td>R46,795,318</td>
<td>R46,170,455</td>
<td>R222,173,616</td>
</tr>
<tr>
<td>impact (1.42)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Scenario 1: 50% per year

Table 5.6: Spread of economic impact over a year at 50% occupancy

<table>
<thead>
<tr>
<th></th>
<th>Nov – Jan</th>
<th>Feb – Apr</th>
<th>May – Jul</th>
<th>Aug – Nov</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct visitor</td>
<td>R 70,620,692</td>
<td>R 58,836,664</td>
<td>R 46,885,684</td>
<td>R 46,259,614</td>
<td>R 222,602,655</td>
</tr>
<tr>
<td>spending</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secondary</td>
<td>R100,281,383</td>
<td>R 83,548,063</td>
<td>R 66,577,672</td>
<td>R 65,688,652</td>
<td>R 316,095,770</td>
</tr>
<tr>
<td>impact (1.42)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5.2  ISSUES REQUIRING SEPARATE ANALYSIS

5.2.1  Ownership of holiday property

From the information obtained it is clear that a percentage of visitors to the district own property or timeshare in the district. The adjusted spending mean for this group was R448 per person per day. While this is low compared to the spending averages in Table 3, the average visitor days in this group is 35, which is much higher than any of the other categories. This suggests that the economic impact of this group may be more significant than their daily expenditure suggests (Santini, 2011). In addition, their contributions may also include the payment of rates and taxes, levies, employment of staff and the use of other services such as security (McAlister, 2011).

5.2.2  The impact of events in the district

Events can also play an important role in the tourism industry of the district (Carlos, 2011). According to Clacey et al. (2008: 12), “A key opportunity exists for the Sisonke district to address seasonal lows in May and June using special events”. Underberg hosts several events that increase the volume of tourist visiting the district (Van den Berg, 2010).

Some of the main events are listed in Table 5.7 below:
Table 5.7: Annual events hosted in the district and their attendance

<table>
<thead>
<tr>
<th>Name</th>
<th>Type</th>
<th>Estimated attendance</th>
<th>Estimated supporters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Splashy Fen</td>
<td>Music festival</td>
<td>10 000</td>
<td>-</td>
</tr>
<tr>
<td>Sani Stagger</td>
<td>Marathon</td>
<td>750</td>
<td>1 500</td>
</tr>
<tr>
<td>Drak 250</td>
<td>Off-road race</td>
<td>65</td>
<td>70</td>
</tr>
<tr>
<td>Drak Challenge</td>
<td>Canoe race</td>
<td>1 000</td>
<td>1 500</td>
</tr>
<tr>
<td>Sani2C</td>
<td>Mountain bike race</td>
<td>370</td>
<td>1 500</td>
</tr>
<tr>
<td>Show jumping</td>
<td></td>
<td>125</td>
<td>250</td>
</tr>
<tr>
<td>Model Aircraft</td>
<td>Model aircraft</td>
<td>50</td>
<td>150</td>
</tr>
<tr>
<td>Total event</td>
<td></td>
<td>13 860</td>
<td>4 970</td>
</tr>
<tr>
<td>participants</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact (direct)</td>
<td>R5 876 640</td>
<td>R2 107 280</td>
<td></td>
</tr>
<tr>
<td>Total impact</td>
<td>(direct)</td>
<td>R7 983 920</td>
<td></td>
</tr>
<tr>
<td>Multiplier</td>
<td></td>
<td></td>
<td>R11 337 166</td>
</tr>
</tbody>
</table>

Applying an adjusted spending mean of R424 per person per day for people attending events results in an estimated direct economic impact of R7 983 920. This figure could be a conservative estimate (Santini, 2011).

Events can have a pronounced effect on occupancy. Accommodation in the district is virtually full during Splashy Fen and the Sani Stagger (Carlos, 2011; Crawley, 2011).

Berry (2010: 6) estimates that R1 738 500 was spent by participants and spectators of the Drak Challenge canoe race in 2010. It is not clear how this figure was calculated.

The problem with many events is that participants participate in the event and leave very soon afterwards (Santini, 2011). Events are often also arranged by organisations based outside the region which may lead to the leakage of economic benefits out of the district (Santini, 2011).

Berry (2010: 7) predicts that the Drak Challenge will grow by 15 per cent in 2010 which is indicative of the potential of events to supplement the district’s tourism income.
5.2.3 Employment created by tourism

One of the obvious impacts of tourism is the resultant increase in employment in the area that is visited.

Saayman and Saayman (2006: 10) state that “in terms of tourism's impact on employment it is mostly accommodation, catering, services, agriculture, communications and manufacturing that benefit”.

“In reality the total number of actual jobs supported by tourism activity will be higher when part-time and seasonal working is taken into account” (Tourism South East, 2008: 16).

According to Crompton et al. (2001: 81), estimates of employment impact should include “both full-time and part-time employment and one should not distinguish between them”.

The findings of Survey 2 showed that those establishments surveyed had a combined capacity of 1 145 bed-nights, while a total of 357 permanent and part-time employees were reported to be in their employment. This information allows the calculation of a ratio between beds available and employees. It demonstrates that for every 3.2 bed nights available, one person is employed.

![Figure 5.1: Nature of employment in the tourism accommodation industry](image)

Source: Survey 2.
An important factor to keep in mind is that not all employees in the tourism industry are sourced locally. Some positions are filled by individuals from outside the community and this may contribute to leakages (Crompton et al., 2001: 82).

According to Crompton et al. (2001: 81), “An employment multiplier measures the effect of an extra unit of visitor spending on employment”.

Kruger (2002: 19) suggests a multiplier, “Where tourism is well integrated into the tourism economy, the job creation prospects are good” and “…it is estimated that that every job in the tourism industry is responsible for a further 1.1 jobs in other industries”.

Using this multiplier in conjunction with a projected employment figure of 800 direct tourism jobs in the district (based on the ratio between beds and employees), it follows that the secondary employment impact approximates 880 jobs. This brings the total of direct jobs and indirect jobs to 1 680. Since 3 324 people in the district are formally employed in the local economy it implies that the amount of people supported by the tourism industry may vary between 40 % and 50 % of all employed people in the district.

5.3 SUMMARY

It is clear from the estimations above that tourism in the district of Underberg represents a significant economic activity. Besides ordinary visitors to the district owners of homes and timeshare also have an impact on the economy and employment. Many events are currently hosted in the district which also have a positive economic impact.

Theoretically it is possible to increase the occupancy rates to exceed 50% which will result in an even greater contribution to the economy. The model used here makes it possible to estimate the economic impact of tourism at any occupancy level and as such provides a useful tool to estimate changes in impact as a result of different tourism strategies or interventions.

Beyond the estimated monetary values it is perhaps most revealing that a significant proportion of employed people in Underberg are directly or indirectly connected to the tourism industry. Given that this proportion is quite large it provides a renewed impetus to revisit regional economic strategy and the potential that tourism has for the district (McAlister, 2011).
CHAPTER 6
Recommendations and Conclusion

6.1 GROWING TOURISM’S ECONOMIC IMPACT IN THE DISTRICT

From the results of this study it is apparent that in order to increase the economic impact of tourism in the district one or more of the following needs to be achieved:

- An increase in the volume of tourists
- An increase in the length of stay
- An increase in group size
- An increase in the daily spending levels of visitors
- An increase in those visitors that participate in activities which occupy higher spending levels
- Marketing to groups in higher spending categories
- Reducing leakages
- Offering more services in the district.

These views are supported by Watt (2011) and Van Den Berg (2011).

The municipality is clear in that its strategy involves improving local infrastructure, increasing the length of stay and stimulating tourism in the poor rural areas (McAlister, 2011).

The results of this study highlight certain trends that can be taken advantage of:

- More frequent and longer stays result in increasing and escalating daily spending. Strategies such as district specials on accommodation during certain periods of the year can take advantage of these factors. In addition, the development of more diverse tourism products will encourage an increase in the length of stay. This is currently a strategic focus for the Municipality (McAlister, 2011).

- Interventions are required in the rural communities in tourism activities which will result in the sale of a greater variety of goods and services to stimulate spending by visitors. McAlister (2011) and Muradzikwa et al., (2004: 2) supports this view.

- Foreign visitors spend more than local visitors, but their stay is shorter. Packages must be developed that will increase their stay in the area.
Domestic and KZN tourists can be encouraged to visit more often by offering some kind of loyalty scheme for the district.

Underberg can develop its business tourism opportunities by improving access to the district.

The flow of business needs to be spread more evenly in order for support services to grow sustainably and meet the demands of visitors and locals. Currently, the peaks over the festive season and Easter see the district unable to properly service its visitors due to capacity constraints (Van den Berg, 2011).

Investment in infrastructure such as roads, maintenance and cleaning is an essential foundation that needs to be laid to facilitate an increase in tourism. Van Den Berg (2011) supports this view.

The district must ensure that information and tourism statistics are comprehensive and up-to-date, and are utilised effectively to guide policy and marketing.

Conduct further investigation into market segments and marketing avenues.

The district must initiate tourism awareness programmes for local inhabitants. Greater tourism awareness will lead to greater tourism involvement and more equitable spread of benefits. Santini (2011) believes that this is essential to change attitudes towards tourism.

The district must reduce leakages by encouraging tourism operators and establishments to procure as many as possible of their services locally and by training and employing local people.

Aggressively market the unique selling points such as clean rivers, clean air, the highest pass in Africa, gateway to Lesotho, protected areas and develop an image and brand that promotes the district in terms of outdoor pursuits and nature tourism. According to Survey 1 these are the activities that most appeal to people and is a strength that should be expanded upon.

Encourage events with an adventure and outdoor focus in the district. It has been demonstrated that events have a significant impact on the economy of the district.

These events need to be multi-day events as opposed to one or two day events since shorter events have people leaving very soon after the completion of the event according to Santini (2011).

Package products in such a way as to draw new visitors and to increase the length of stay.

Encourage other events that focus on farming and country living.
Foster cooperation between all parties involved in tourism in the district. It is common cause amongst those interviewed that the necessary cooperation between stakeholders is lacking.

Put pressure on provincial government to tar the gravel road linking Nottingham Road near the N3 to the district and upgrade the R617 from Howick to Underberg. This will greatly increase access which will lead to increased tourism volumes. Most of the individuals interviewed believe that this will increase tourism in the district.

Provide and upgrade infrastructure, clean water resources and effluent treatment in the district. According to Kruger Cloete (2001: 33) this type of infrastructure is an important determinant in developing tourism.

Ensure adequate protection of environmental resources so that the natural beauty and environmental integrity are not eroded to the detriment of tourism.

Marthinus Van Schalkwyk, Minister of Tourism (Finweek, 2007: 68), states, "The core of any strategy to yield growth from tourism is the ability to maximise opportunities for spending by visitors. The development of new and more diverse product offerings, in pursuit of this goal, has to be supported by a system that can connect visitors to products and attractions efficiently and effectively".

6.2 CONCLUSION

Understanding the dynamics of tourism and tourism’s impact on the economy of a district enables better planning, informed investment and a better understanding of opportunity costs.

Essentially, an increase in the volume of tourism will increase its economic impact. Increases in visitor volumes can be achieved subject to having the elements of destination management in place.

Once this has been achieved, strategies devised to increase the frequency of visits, increase group size, increase the length of stay or encourage people to spend more will start to bear fruit.

The local municipality seems to understand this dynamic but has not made sufficient resources available to address these needs as it has been heavily investing in basic services over the past two decades (McAlister, 2011). In order to ensure that Underberg remains a competitive destination it is imperative that the investment focus now shifts to industries, such as tourism, that represent growth potential.
It is clear from the estimations that tourism in the district is a very important industry. With more than 800 people directly employed by tourism activities and direct income of between R150 million and R250 million per annum there is merit in investing considerable municipal and private capital for expansion of the industry.

Such investment can play a significant role in reducing poverty and unemployment in the district by providing employment and stimulating entrepreneurship. Destination marketing management, infrastructure development and training seem to be the most pressing needs.

In addition to the investments that are required it is also essential that all role players start to cooperate meaningfully in the interest of tourism in the district. Remarkably, every person interviewed in this study commented on the lack of cooperation and the lack of a common vision among the role players in the tourism industry. There can be no attempt at proper destination management unless the tourism community starts to do and manage things differently (Santini, 2011).

Without proper destination management marketing efforts will become compromised exercises. Watt (2011) believes the district is currently poorly marketed.

A tourism destination needs to be competitive in relation to other destinations. According to Occasional Paper 63 (2006: 14), this study has shown that the district is perceived as being a value-for-money destination. Unfortunately, this attribute alone is not enough to make the destination competitive. Competitive destinations offer key experiences that are underpinned by the essential elements for enabling tourism.

Together, these experiences and elements assist the destination to develop a brand and an image. A destination’s image is a “unique combination of a destination’s tangible and intangible characteristics and values” (Occasional Paper 63, 2006: 1). The district seems to have all the necessary ingredients to develop a very competitive brand and image but there is little agreement amongst role players as to exactly how the brand and image should be communicated.

The need for tourism awareness within the communities of the district has also been raised. The stark differences between affluent visitors and impoverished communities can lead to resentment if people do not understand tourism's role or if the benefits of tourism are not fairly distributed. Role players will have to address this aspect and the fair distribution of benefits from tourism amongst a broad cross section of the community.
The study has also demonstrated that nature-based and outdoor activities are the main attractions to the district. The challenge for the district will be to manage tourism growth in such a way that it provides maximum benefits to the community without significant negative effects on the natural environment or communities.

It is essential that Underberg starts to capitalise on its situation next to the protected World Heritage sites and expand on its possibilities as a major gateway to Lesotho. Significant room for growth exists together with the potential to create new nature / outdoor based products. These wilderness areas are under utilised by both domestic and international tourists and with correct marketing can draw many more visitors.

The district of Underberg has exceptional potential as a nature destination and tourism has steadily been growing over the past few years. With its abundance of scenery, opportunities for adventure and relatively crime-free environment it would seem almost wasteful not to make the most of tourism.
LIST OF SOURCES


APPENDIX A
Survey 1 for visitors

Tourism Questionnaire: Economic impact of tourism in Underberg

Dear Visitor

Please mark applicable box with an X or provide an answer where required. Upon completion you may return the questionnaire by 20 August 2010 to any of the following:

- surveyund@gmail.com
- Your guesthouse / Hotel / Operator
- the Highlander shop
- fax to your guesthouse / Operator

1. How often do you come to Underberg per year?

<table>
<thead>
<tr>
<th>Once off</th>
<th>Twice per annum</th>
<th>Three times per annum</th>
<th>Four times per annum</th>
<th>Five or more times per annum (please insert number)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. When you visit what is the size of your party on average (Friends & Family)?

<table>
<thead>
<tr>
<th>Just me</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5 or more (please insert number)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. When you visit how many days do you stay at a time?

<table>
<thead>
<tr>
<th>1 day (for the day only – day visitor).</th>
<th>2 days</th>
<th>3 days</th>
<th>4 days</th>
<th>Longer than 4 days – state number</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4. I visit Underberg ….

<table>
<thead>
<tr>
<th>For business</th>
<th>For holiday</th>
<th>To visit friends or family</th>
<th>On government business</th>
<th>Other, please state reason</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
5. If you visit the area as a tourist, what is the purpose? (you may tick more than one box)

<table>
<thead>
<tr>
<th>Birding</th>
<th>Rafting &amp; Canoeing</th>
<th>4x4 tours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hunting</td>
<td>Photography</td>
<td>Flying / gliding</td>
</tr>
<tr>
<td>Camping &amp; Hiking</td>
<td>Motor biking</td>
<td>Fly fishing</td>
</tr>
<tr>
<td>Abseiling</td>
<td>Mountain Biking</td>
<td>Coffee Shop &amp; Curio</td>
</tr>
<tr>
<td>Entry To Lesotho</td>
<td>Visit Friends &amp; Family</td>
<td>Horse Riding</td>
</tr>
<tr>
<td>Sightseeing</td>
<td>Arts and crafts</td>
<td>Festivals / Social events</td>
</tr>
<tr>
<td>Teambuilding &amp; Training</td>
<td>Restaurant / Eating out</td>
<td>Other (please specify)</td>
</tr>
<tr>
<td>Sports event - participant</td>
<td>Sports event - spectator</td>
<td></td>
</tr>
</tbody>
</table>

6. My favourite season to visit Underberg is:

|-----------|-----------|-----------|-----------|---------|--------|

7. When visiting Underberg I / we spend an average of ___ Rands per person per day (all costs included also accommodation).

<table>
<thead>
<tr>
<th>Less than R 200 per person</th>
<th>R 201 to R 400</th>
<th>R401 to R 600</th>
<th>R 601 to R 800</th>
<th>R 801 to ….</th>
</tr>
</thead>
</table>

8. Please provide a break down on services that you spend your money on (percentage of above figure – your percentages should not total more than 100%).

<table>
<thead>
<tr>
<th>Groceries</th>
<th>Accommodation</th>
<th>Tourist Booking</th>
<th>Fuel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eating out / Coffee</td>
<td>Gifts &amp; Curios</td>
<td>Repairs</td>
<td>Transport</td>
</tr>
<tr>
<td>Tour Operators</td>
<td>Books &amp; magazines</td>
<td>Entrance fees</td>
<td>Other</td>
</tr>
</tbody>
</table>

9. I am from (name your Home Town and Country)

..............................................................................................................................
10. Which tourism activities / facilities / attractions did you find most appealing in Underberg?

11. What activities / facilities / attractions would you like to see that are not currently available in Underberg?

12. When I visited Underberg I stayed at (name of Hotel of B&B or other) & date of stay?

13. What form of marketing / marketing material played a role in encouraging me to visit Underberg?

14. As a tourist destination Underberg is…

<table>
<thead>
<tr>
<th>Poor value for money</th>
<th>Good value for money</th>
<th>Excellent value of money</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Thank you for your time and input. Please contact Cobus Theron for more information on 033 7011323 / 0718653826, surveyund@gmail.com. The lucky draw will take place on 1 November 2010.

Yes, I want to be considered for the lucky draw. Your contact details – name, telephone number:

...
Appendix B
Survey 2 for Establishments

Tourism Questionnaire for Accommodation Establishments & Service Providers

Please assist me in completing this questionnaire about your business. Your contribution to this study is important. All participants will receive a copy of the Research Report on completion. The report will not be made available to outsiders or marketers.

Mark the answer you choose with an X or provide answer where applicable. Should you be unwilling to answer some of the questions or if a question is not relevant, please cross it out. All individual information will be keep confidential and only consolidated data will be made available.

1. What kind of an establishment do you operate?

<table>
<thead>
<tr>
<th>Hotel</th>
<th>Self-catering accommodation</th>
<th>Other (please specify)</th>
</tr>
</thead>
<tbody>
<tr>
<td>B&amp;B</td>
<td>Camping</td>
<td></td>
</tr>
<tr>
<td>Backpackers</td>
<td>School accommodation</td>
<td>Restaurant</td>
</tr>
<tr>
<td>Guest farm</td>
<td>Church accommodation</td>
<td>Coffee shop</td>
</tr>
</tbody>
</table>

2. If you are an operator or service provider what kind of services do you offer?

<table>
<thead>
<tr>
<th>Birding</th>
<th>Rafting and canoeing</th>
<th>4x4 tours / overlanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hunting</td>
<td>Photography</td>
<td>Flying / gliding</td>
</tr>
<tr>
<td>Camping and hiking</td>
<td>Horses</td>
<td>Fly fishing</td>
</tr>
<tr>
<td>Rock-climbing</td>
<td>Mountain biking</td>
<td>Coffee shop and curio</td>
</tr>
<tr>
<td>Horse riding</td>
<td>Restaurant</td>
<td>Cultural tours</td>
</tr>
<tr>
<td>Teambuilding and training</td>
<td>Other (please specify)</td>
<td>Goods</td>
</tr>
</tbody>
</table>
3. How long have you been in this business?

<table>
<thead>
<tr>
<th>Less than 3 years</th>
<th>More than 3 years but less than 5 years</th>
<th>More than 5 years but less than 7 years</th>
<th>More than 7 years but less than 9 years</th>
<th>9 years or longer, please specify number</th>
</tr>
</thead>
</table>

4. What was your occupancy rate for 2008, 2009 (numbers preferable but you may use percentages – please indicate if using latter (% sign)).

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>= 100%</td>
</tr>
</tbody>
</table>

5. What do you charge on average per person per day? (If you have different charges you may break them down into percentages.)

<table>
<thead>
<tr>
<th>Percentage of business</th>
<th>Less than R200</th>
<th>R201 to R400</th>
<th>R401 to R600</th>
<th>R601 to R800</th>
<th>R801 - more</th>
</tr>
</thead>
</table>

6. If you are an accommodation establishment - how many rooms and how many beds do you offer (bed-nights).

<table>
<thead>
<tr>
<th>Rooms</th>
<th>Beds</th>
</tr>
</thead>
</table>

7. What type of marketing do you do & what percentage of your marketing budget do you spend on?

<table>
<thead>
<tr>
<th>Marketing</th>
<th>Percentage</th>
<th>Marketing</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet</td>
<td></td>
<td>Signage</td>
<td></td>
</tr>
<tr>
<td>Pamphlets</td>
<td></td>
<td>Newspapers</td>
<td></td>
</tr>
<tr>
<td>Radio</td>
<td></td>
<td>Magazines</td>
<td></td>
</tr>
<tr>
<td>Directories</td>
<td></td>
<td>Other</td>
<td></td>
</tr>
</tbody>
</table>
8. Rate on a scale the contribution of your local CTO to tourism in Underberg

<table>
<thead>
<tr>
<th>Poor</th>
<th>Not good</th>
<th>Average</th>
<th>Good</th>
<th>Excellent</th>
</tr>
</thead>
</table>

9. Rate on a scale the how you perceive support from the municipality for tourism in Underberg.

<table>
<thead>
<tr>
<th>Poor</th>
<th>Not good</th>
<th>Average</th>
<th>Good</th>
<th>Excellent</th>
</tr>
</thead>
</table>

10. Are you a member of the local Community Tourism Organisation?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>CTO (name of)</th>
</tr>
</thead>
</table>

11. Name of your establishment / operation (optional)


12. What or who do you perceive to be the fastest growing segment of your business?


13. How many people do you employ?

<table>
<thead>
<tr>
<th>Permanent</th>
<th>Part-time</th>
</tr>
</thead>
</table>

14. Please provide a breakdown of:

<table>
<thead>
<tr>
<th>Percentage of visitors that are foreign</th>
<th>Percentage of visitors that from SA</th>
</tr>
</thead>
</table>

15. Percentage of business that is from repeat customers

<table>
<thead>
<tr>
<th>0 -20%</th>
<th>21% - 40%</th>
<th>41% to 60%</th>
<th>61% to 80%</th>
<th>81% to 100%</th>
</tr>
</thead>
</table>

Thank you for your participation and time. Please return to surveyund@gmail.com by 20 June 2010. Contact Cobus Theron on 0337011323 / 0718653826 or hand in at the Highlander Shop, Underberg.