

# SOUTHERN AFRICA TOURISM SERVICES ASSOCIATION



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## STARTING A TOURISM BUSINESS

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### SATSA FOR THE ENTREPRENEUR

The Tourism Industry in Southern Africa is thriving and presents many opportunities for start up enterprises.

Although SATSA is not a business consultancy, we are committed to promoting SMME growth and dedicated to providing as much information to entrepreneurs wishing to start up in the tourism industry. SATSA membership is highly recommended for companies within the tourism industry, once operational.

This section is aimed at providing references and links to suitable resources FOR Entrepreneurs. Click [here](#) to read more about why some businesses fail and for tips to ensure that your business will succeed.

#### THE THREE REASONS WHY MOST BUSINESSES FAIL

"80% of new businesses fail within the first two years". This is largely due to:

1. Lack of adequate planning and preparation especially in **predicting market demand**.
2. Inadequate **management skills**.
3. **Insufficient capital** to launch the business and carry it through the development phase.

#### TIPS TO ENSURE THAT YOUR BUSINESS WILL SUCCEED

- Talk to all the local authorities under whose jurisdiction your business will operate. Many regulations need to be complied with. Ignorance of the law is no defence and heavy penalties may apply.
- Contact one or more of the trade associations. Their criterion for membership is usually a summary of all legal requirements. In addition it will list other necessary criteria for the establishment of a successful business as experienced by their members over many years.
- Set up a proper legal trading entity such as a Limited Liability Company ([Pty] Ltd) or a Close Corporation (CC). This will protect you and your partners in your private capacities.
- Set up meetings with an accountant, a lawyer, a road transport specialist, bank manager, the Receiver of Revenue etc.
- Funds to start up your business have to be secured through **commercial lending channels** such as banks and financing companies. Remember that any tourism related business might take up to three years before it develops a market share and becomes financially viable.
- Do much preliminary work and research, and develop a good knowledge of your proposed business. There are many books available in local bookstores and libraries e.g. How to form a Close Corporation, How to Start a Guest House etc.
- Have a well-planned and properly researched presentation of your concept. This will allow advisors and financiers time to read and absorb it before giving you misguided advice due to bad communication
- To achieve the best results you will need to commit time and money to the planning stage. The amount of effort you invest initially will significantly enhance your chances of success. If you don't have the time, confidence, or the skills to do the work, then it is best to employ a qualified consultant or professional.

## STARTING A TOURISM BUSINESS

Tourism is a growth industry in South Africa and is considered an excellent potential source of income and employment. This can indeed be the case provided that one has the personality, determination and knowledge to succeed.

However, starting a tourism-related business is perhaps not as easy as one would think. There are numerous regulations and requirements governing the sector. Prospective business-owners should make sure that they are informed before opening a business.

The international tourism industry (which is where many potential clients come from) is extremely wary of “fly-by-night” operators who open their businesses only to disappear within a year or so. It is important to establish a reputation as being reliable. It must be clearly understood by anyone wishing to enter the tourism industry that **VERY HARD WORK** is essential in order to succeed. International clients need and expect service at almost any time of the day or night. For a tourism business trying to establish itself, there is **NO SUCH THING AS NORMAL WORKING HOURS 9-5**. Anyone wanting to work fixed office hours should not even consider being in the tourism industry.

Some of the questions an entrepreneur should ask include (each of the following questions should be hyperlinks):

### **WHAT TYPE OF TOURISM BUSINESS SHOULD I START?**

Click [here](#) to read about the SATSA categories, and the definitions of each type of tourism business. Click on the links below if you interested in that type of business.

[Tourist Guide](#)

[Tour Operator or Destination Management Company](#)

[Accommodation establishment](#)

[Attraction](#)

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#### **Box 1: BECOMING A TOURIST GUIDE**

If you give a **commentary** to **paying** clients (i.e. you guide tourists) you will need to register as a tourist guide with the Department of Environmental Affairs and Tourism.

1. First try to establish whether tourist guiding will suit you. Have you got a likeable and sociable personality? Are you prepared to work very long hours and public holidays? Are you a good host? Are you comfortable talking to people? Have you got a good general knowledge of the area in which you wish to work?
2. Contact the Registrar of Tourist Guides at DEAT for detailed information and requirements.
3. A person applying must be fluent in English. Note however that the more international languages you speak the more work you will get.
4. Attend the required courses with a training institution approved by DEAT. In time try to become accredited for as many regions (provinces) as possible. To become a "national" guide you will need to be accredited in all nine provinces. Examples:
  - Module 1.** General introduction to tourist guiding.
  - Module 2.** Theoretical and practical knowledge relating to tourist guiding in a specific area within a region.
  - Module 3.** General introduction to tourist guiding for specialised tourist guides \*\*\*.
  - Module 4.** Theoretical and practical knowledge relating to tourist guiding in a specific region.

\*\*\* Specialised tourist guiding includes field guiding e.g. walking trails and open 4X4 vehicles at lodges and in the Kruger Park. In this case contact FGASA for their requirements and a list of accredited trainers.

5. You will need a First Aid Certificate. Enquire at your local Fire Department or the Red Cross.

6. If you are driving a vehicle with "paying" passengers (driver or driver/guide) you will need a PDP (public drivers permit) which is obtainable from your local licensing authority. Also ensure that you have the correct driver's license code applicable to the vehicle concerned.
  7. It is recommended that you work as a Close Corporation (CC) or Limited Liability Company ([Pty] Ltd). There are numerous tax advantages. Discuss this with your accountant.
  8. Start collecting the necessary equipment e.g. neat, conservative clothing (khakis if you work in the bush), reference books, maps, alarm clock, torch, binoculars, vehicle cleaning equipment etc.
  9. Contact as many tour operators as possible and let them know that you are available. Try to meet them personally and leave your contact details with them. Be honest about your experience, language ability etc.
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### **Box 2: DEVELOPING A TOUR OR WHEELS OPERATION**

1. Check on the licences and other legal requirements required to start your tour operation:
    - If you are driving or guiding do you comply with the necessary laws and regulations (see tourist guides box)?
    - Will your full time and freelance staff have the necessary experience and do they meet all the legal requirements (see tourist guides box)?
    - Your vehicles must have clearance or roadworthy certificates to transport fare-paying passengers. These are available at your local licensing authority.
    - Do your vehicles have Public Road Carrier Permits to transport fare-paying passengers? These may be obtained at your Provincial Department of Transport.
    - Do your vehicles cross country borders (Swaziland, Mozambique, Zimbabwe etc)? You will then need cross-border transport permits available from the Cross-border Road Transport Agency in Pretoria.
    - Do you carry appropriate insurance – both General Public Liability and Passenger Liability?
  2. Prepare a business plan to prove the feasibility and viability of your concept
  3. Determine the position that your product will occupy in the marketplace. Will it be up-market, budget or somewhere in between?
  4. Identify your competitors and determine if your product can compete with theirs. In particular try to identify the unique selling point (USP) or product difference that will provide you with a competitive edge.
  5. Ensure that your business is structured to maximise management and operational efficiency while minimising expenses. Look carefully at the personal liability aspects. Select an accountant and lawyer who can assist you in achieving your goal.
  6. Investigate insurance. Cover will be needed to protect the business, staff and shareholders against the eventuality of claims. Ensure that you take out adequate cover.
  7. Plan where you want to be in a few years, the type of clients you will have, where they come from, and any expansion that you envisage. Commit these plans to paper giving yearly targets that must be measurable. Adjustments to these plans should be made when and where necessary to achieve your short and long-term goals.
  8. Determine those marketing strategies and actions that need to be taken to reach your customers and achieve targets. This will include selecting and servicing distribution channels as well as advertising and promotional activities.
  9. Regularly monitor results and always remain customer driven (not product driven). If your customers' tastes and needs change then your product may also need to be changed. A tired and outdated product will fail.
  10. Keep your product fresh and consider ways to encourage loyalty, which will generate repeat business.
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### **Box 3: DEVELOPING AN ACCOMMODATION ESTABLISHMENT**

1. Accommodation establishments can include a variety of styles from traditional in-house homestay and grand country house, to self-contained, private suites, apartments and heritage cottages. Topics such as government regulations, local council by-laws, research, business plans, finance, competition, pricing and marketing will need to be explored when establishing an accommodation property.
  2. Talk to the council in whose region your business is located or will operate. You will need to know about the many building, health and other regulations that need to be complied with. Do you need a liquor license? Even if you wish to let out rooms in your house on a bed-and-breakfast basis this will constitute a change of use for the property and council approval is required. Ignorance or failure to find out about the regulations that apply is no defence, and heavy penalties may apply.
  3. There are various publications that have been produced on establishing bed-and-breakfast accommodation. Check at your local tourism authority.
  4. Remember your General Public Liability insurance.
  5. If you are transporting your guests as well – remember that your vehicles and drivers must have the appropriate licences, insurances and permits as per Tour Operators.
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### **Box 4: DEVELOPING AN ATTRACTION**

1. Test your idea. Does it meet the needs and desires of the market? Draw on existing studies of consumer motivational research or do your own. Are there similar attractions in other provinces or areas, how popular are they, how long have they been operating.
  2. Determine the best available location. Don't assume that the market will come to your site no matter where it is. Too often attractions are located on a site that was cheap to buy rather than being in the right spot.
  3. Undertake a feasibility study and business plan to determine the size of the market needed to support your attraction. This study would need to include development and operational costs as well as projected incomes.
  4. Check with your local or district council. Will the development be given council planning approvals?
  5. Consider the potential trend. Will the attraction remain fresh or is it likely to have a fad appeal? Could the attraction be modified or changed to meet the changing moods of the markets?
  6. Consider the potential of additional value-added services. Admission fees alone don't financially support an attraction. What value-added services could be included to generate the yields needed? These would include merchandising, curios and souvenirs, film, refreshments, meals and other impulse offers which may appeal to visitors.
  7. Assess whether your attraction could generate repeat visits. How would you achieve this?
  8. Consider very carefully your choice of site. Locating your attraction where there are already a variety of established competitors or other tourism products may be a good move. It is easier to be successful in a location that has known tourist appeal and established visitation instead of an untried, unknown area. Beware of pioneering.
  9. Regularly monitor results and always remain customer driven - not product driven. If your customers' tastes and needs change then your product may also need to be changed. A tired and outdated product will fail.
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### **HOW DO I REGISTER THE BUSINESS LEGALLY, AND WHY SHOULD THIS BE DONE?**

It is normal business practice to register with the Registrar of Companies in Pretoria as either a private company (Pty) Ltd or a Close Corporation (cc). Forms are obtainable from stationery shops such as CNA, or one can use a business consultant. Registration has the advantage of limiting personal liability in the event that the business fails – i.e.: the business owner cannot be held

liable, unlike in the instance of the business being a sole proprietor.

A company or close corporation will require a bank account and must be registered with the Receiver of Revenue and various local authorities (consult your local Chamber of Commerce, Small Business Development Corporation or similar organisation). It is also important to have a VAT number so that a certain portion of your VAT can be claimed back.

### **WHAT ABOUT BUSINESS PLANS?**

A business plan is the framework that sets out your ideas. It provides a detailed plan of action that will generate immediate tourism business. A business plan will establish a clear **goal** for your operation and chart how your business should progress. It will address the **financial, marketing** and **operational** aspects of the business. A well-documented plan will organise your thoughts and allow others to understand your business. It is absolutely necessary if you wish to secure finance (overdraft, vehicle leases etc).

The tourism business plan should be:

- consumer focused
- strategically driven
- research-based (it should reflect an understanding of the consumer market);
- focused, with clear direction
- a co-ordinating instrument
- actionable and capable of evaluation
- an effective communication tool (it should provide a clear description of the business concept)
- directed to maximising profits and minimising risk

Before starting to write your business plan, examine relevant resource material and market studies as well as material and brochures from existing and potential competitors, as well as Government and provincial tourism agencies e.g.: Statistics SA, SA Tourism and the DTI. Remember to research your idea and market thoroughly.

Click [here](#) to read about the key elements of a business plan.

<b>WHAT ARE THE BASIC ELEMENTS OF A BUSINESS PLAN?</b>	
<b>OVERVIEW / DESCRIPTION</b>	Business Definition (Description) Mission Statement
<b>SITUATION ANALYSIS</b>	Goals and Business Objectives External and internal trends Competition SWOT (Strengths, Weaknesses, Opportunities and Threats) Target Market
<b>MARKETING PLAN</b>	Positioning Statement Consumer Profile Product or Service Marketing Mix (Product, price, promotion, place etc) Packaging Placement or Distribution Promotion and Selling Price Partnerships Programming
<b>OPERATIONAL PLAN</b>	Monitoring (Controls and Reviewing Performance) Managing People Managing Resources
<b>FINANCIAL PLAN</b>	Costing and pricing of goods and services Projected budgets and cash flow forecast Funding requirements

## **WHAT ELSE IS GOOD BUSINESS PRACTICE?**

Internationally the tourism industry is busy 24 hours per day, 365 days per year. Many of your clients will be in different time zones and will try to contact you while you are sleeping. The industry has become "hi-tech" and your clients will want to communicate via email. Also the tourism industry has a complicated system of up-front staggered payments, deposits and payment guarantees (vouchers). **The trade is extremely wary of "fly-by-night" operators and you will need to build credibility.** Some of the following suggestions may help:

1. **Office.** Have a dedicated office for all your equipment and paperwork. In order to provide extended hours of service and to be on standby in case of emergencies and breakdowns many small operators work from their homes.
2. **Equipment.** Make sure that you have modern office equipment. These will include a telephone (possibly with an answering machine), a permanently connected fax (facsimile), computer with a modem for email and the necessary software (email and word processing). If you are out of the office a lot consider a cellular phone. Most game viewing operations also use two-way radios.
3. **Bank Account.** A current or cheque account is essential. Most industry payments will be made directly into your bank account.
4. **Address.** Make sure that you have a postal address (P O Box) and a physical address where clients can meet with you easily.
5. **Paperwork.** Keep proper financial records and stay up to date (bookkeeping). Track all payments received (these may be in the form of several payments e.g. deposit and final payment). Keep detailed records of your expenses (where there are no slips make your own petty cash vouchers e.g. tips paid or car wash). Have professional looking documentation e.g. letterhead, invoice, booking or confirmation sheet.
6. **Terms and Conditions.** To avoid "cash flow" problems be specific about your payment terms and conditions. You will be paying out many deposits and expenses "up-front". Make sure you are paid in similar fashion.
7. **Associations.** After you have become established and acquired all the necessary licenses, permits and insurance and have traded for a period, it is recommended that you apply for membership of one of the appropriate trade associations. Membership of an association will improve your business credibility in all your dealings within the industry (refer SATSA below).

## **WHY MUST THE BUSINESS OWN A TRADE NAME AND HOW?**

It is extremely important for your business to trade under a name that your business owns. This is to protect you from someone else registering a trade name the same as yours and then damaging your good name. Coca Cola, for example, owns the trademark that is so familiar to all of us in every single country in which Coca Cola is sold.

In the case of tourism companies operating on a local or national level, it is only necessary to either:

- register a company with a name the same as the name you want to trade as; OR
- register a Trade Mark.

It is recommended that all businesses should own a trademark even if their company is registered in that trade name (due to the fact that the trademarks and company names are on separate registers with CIPRO). However, because this can be a costly and lengthy process (approx R3000 and may take a few years), SATSA only requires one or the other.

Click [here](#) for more information about trademarks

## Box: TRADEMARKS

The offices of the close corporation registrar ('the CC Registrar'), company registrar ('the CO Registrar') and the trademark registrar ('the TM Registrar') do not 'talk each other' and, believe it or not, are not linked electronically! This means that when you apply for the registration of any of the three i.e. a close corporation, company or trademark, the other two offices are 'not aware' of your application and 'conflicting' applications could therefore be approved independently. So a close corporation application could be approved when it clearly 'clashes' with a registered trademark or company name (and vice versa)! If you (or your lawyer) don't read the Government Gazette when the trademark or close corporation or company application is advertised and object within the period allowed, you've 'missed the boat' and either party will 'have to live with' the conflict (or attempt to change it at great expense).

It is therefore required and imperative that when you register a close corporation, you also do a search in the companies and trademark's office and vice versa. AND, whichever of the two you ultimately choose as your 'vehicle', you MUST also register a defensive name in the office in which you do not register e.g. if you register a close corporation, you must register a defensive name in the Companies office to avoid another party registering a company with the same or similar name as your close corporation. AND you must also register a trademark (see below).

- A trademark is anything that distinguishes your product or service.
- It could be a name, a logo, or whatever, provided it is distinctive and is capable of visual representation.
- You identify and warn other parties about your trademark by using the letters 'tm' initially and, once the trademark is registered, the letter '®' – *Note that it is illegal to use the latter until the trademark is in fact registered.*
- It is imperative that you conduct a search in the office of the TM Registrar *before* you embark on registration: The reason for that is twofold – (a) it will give you an indication of whether you can go ahead with registration or not, or how you may have to adapt your trademark. (b) It is cheaper (by about 60%) than simply going ahead with an application and then being told by the TM Registrar that you 'cannot have it'.
- Once registered, your trademark is protected for 10 years and can thereafter be renewed for a nominal amount for 10 years every 10 years indefinitely.
- Note that you do not have to register a trademark to have protection – use of a name, logo, etc. will result in such name, logo, etc. acquiring distinctiveness and therefore common law rights. You may also use the letters 'tm' with such a name, logo, etc.
- However the benefits of a registered trademark are *inter alia* ease of proof (i.e. simply produce trademark certificate) and enhancing the value of your brand for upon sale of business.

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### Useful Contact: Morrison Forster Incorporated (SATSA member no. 1258)

Patent and Trademark Attorneys Copyright, Designs, Licensing

Contact: Rowan Forster

Tel: (031) 502-1863

Fax: (031) 502-3619

[rowan@morrisonforster.co.za](mailto:rowan@morrisonforster.co.za)

[www.morrisonforster.co.za](http://www.morrisonforster.co.za)

## **HOW DO I REGISTER A DOMAIN OR WEBSITE NAME?**

The purpose of a domain name is to identify your website. *Note that a domain name is NOT a trademark, although court decisions may 'narrow the divide' in due course.* If you are doing business internationally, it is recommended that you register '.co.za' or '.net' as well as '.com.'

Disputes can be conducted locally. But there is provision for arbitration via WIPO (World Intellectual Property Organization) in terms of its Uniform Dispute Resolution Policy ('UDRP'). As suggested above, domain name registration is *imperative* and goes hand in hand with trademark and entity registration.

### **Internet Domain Check**

.co.za

[co.za/whois.shtml](http://co.za/whois.shtml)

.com

Check with your internet service provider

## **WHY DO I NEED INSURANCE AND WHERE CAN I OBTAIN IT?**

Insurance is essential for any tourism business. Speak to your broker, or specialist tourism insurance brokers, SATIB. Besides insuring the property owned by the business (i.e.: vehicles, office contents, etc), there are three main types of tourism insurance:

### ***General Public Liability Insurance:***

Covers your liability against potential injury inflicted on other persons, including your guests, or damage to their property while in your care or on your premises as a result of your proven negligence. (e.g.: someone falls and breaks their leg in your office because the floor was wet; or someone on your tour gets food poisoning from a restaurant that you took them to.)

### ***Passenger Liability Insurance:***

This covers your liability against potential injury in the event of an accident when you are transporting passengers (applicable to land, seas and air transport). The amount of cover usually depends on the size of the vehicle, and can include road-side assistance, hire of another vehicle, etc.

### ***Professional Indemnity Insurance:***

Indemnifies the Insured against all sums which the insured may become legally liable to pay arising from any claims made by a customer as a result of neglect, error or omission and /or breach of contract in the conduct of the Insured's business and to include costs and expenses in the investigation, defence or settlement of any claim. (e.g.: your or one of your staff members books clients into a hotel for two nights instead of three – the client has the right to be compensated if they can prove your negligence)

## **Useful Contact: Safari & Tourism Insurance Brokers (SATIB)**

Insurance Requirements

Gauteng (011) 453-0969

KwaZulu Natal (031) 562-1880/3/4

Eastern Cape (046) 622-8581

[www.satib.co.za](http://www.satib.co.za)

## **HOW AND WHY SHOULD THE BUSINESS BE GRADED?**

Grading is not compulsory, but it is recommended (particularly for accommodation establishments). Restaurants can also be graded, and there is a plan for Tour Operator's vehicles to be graded. Grading is done by a physical inspection of your facilities yearly, which must be conducted by an accredited grading assessor.

The Tourism Grading Council of South Africa (TGCSA)

[www.tourismgrading.co.za](http://www.tourismgrading.co.za)

[enquiry@tourismgrading.co.za](mailto:enquiry@tourismgrading.co.za)

## **HOW DO I COST MY PRODUCT?**

In order to work out selling prices you will need to calculate the "actual" cost of your product. Many businesses fail because management has not done the costing properly. There are several factors to take into account:

1. Fixed Costs or Overheads. These will include audit fees, bank charges, consumables, education, insurance's, staff medical, bank interest, marketing costs, maintenance, printing, stationery, equipment leases, RSC levies, rent, salaries and wages, telephone/fax, annual licenses and permits, water and lights and many more. Don't leave any out. The total of the above figures will give you your total monthly fixed costs.
2. In addition to the above figure you should add:
  - a Allowance for discounts and commissions
  - b Allowance for purchase of new equipment (expansion) and replacement of old equipment, vehicles, refurbishment, unforeseen events (a "rainy day" account).
  - c Profit (Why are you in business?).
3. Using the above figures you should be able to calculate a fairly accurate "overhead recovery rate" on which to base your selling price e.g. per bed per night, or per bus per day, or even per kilometre travelled. Add to this your variable or tour costs like entrance fees, road tolls, petrol, passenger meals, guide expenses and accommodation etc to get the total cost of your product or tour.
4. A major complication is calculating or "guestimating" utilisation of your product. A minibus running with two passengers will result in a much higher per person cost than the same bus running with six passengers. Similarly a hotel with 45% bed night occupancy will need to charge more per bed per night than a hotel with a 65% occupancy. The tourism industry is very seasonal and there may be major "hiccups" that are beyond your control. Research historical market trends. Be conservative when calculating occupancy rates. Allow for a lot of "idle time"
5. Budget. Work out a budget and continually compare your budget predictions with the actual figures. Rather increase your prices than go insolvent.

## **HOW DO I OBTAIN FUNDING ASSISTANCE?**

Various Government departments (such as the DTI and the provincial tourism departments) have funding available for small or start-up businesses. Some other contacts are:

### **Tourism Enterprise Programme (TEP)**

TEP aims to facilitate the growth and expansion of small and medium size enterprises in the tourism economy, resulting in job creation and income generation opportunities.

TEP:	Head-Office:	011 804 5750	<a href="http://www.tep.co.za">www.tep.co.za</a>
W-Cape:	Shareen Parker	021 461 5735	<a href="mailto:shareen@iafrica.com">shareen@iafrica.com</a>

KZN:	Brian Avnit	032 525 6660	<a href="mailto:goldenspot@wol.co.za">goldenspot@wol.co.za</a>
FS & NC:	Ben Cederstroom	051 444 0070	<a href="mailto:ben@cederinvestments.co.za">ben@cederinvestments.co.za</a>
E-Cape:	Sibongile Tabata	043 727 0480	<a href="mailto:sibongile.tabata@eciafrica.com">sibongile.tabata@eciafrica.com</a>
	Diane Joshua	041 582 2150	<a href="mailto:diane.joshua@eciafrica.com">diane.joshua@eciafrica.com</a>
Mpumalanga:	Gay Mokoena	013 752 2300	<a href="mailto:gaymokoena@icon.co.za">gaymokoena@icon.co.za</a>
Limpopo:	Norman Molomo	015 295 7287	<a href="mailto:norman.molomo@eciafrica.com">norman.molomo@eciafrica.com</a>

### **Industrial Development Corporation (IDC)**

(Tourism Sectoral Focus)

The IDC is a self-financing state-owned development finance institution whose primary objectives are to contribute to the generation of balanced sustainable economic growth in Southern Africa  
[www.idc.co.za](http://www.idc.co.za)

### **HOW DO I OBTAIN TRAINING?**

Various kinds of training are available, as are various brochures and pamphlets about starting your own tourism business. It is best to contact your local tourism authority as they usually have booklets available. Booklets are also available from the Department of Environmental Affairs and Tourism.

### **Tourist Guide Training Enquiries can be addresses to:**

**Gold Reef Guides (Gauteng) Tel (011) 496-1400**

Email [Jenny.Briscoe@goldreefguides.co.za](mailto:Jenny.Briscoe@goldreefguides.co.za)

Website [www.goldreefguides.com](http://www.goldreefguides.com)

**Drum Beat Safaris (Pretoria) Tel (012) 341-2463/4**

Email [info@drumbeatacademy.co.za](mailto:info@drumbeatacademy.co.za)

Website [www.drumbeatacademy.co.za](http://www.drumbeatacademy.co.za)

**Energy Guides cc (Gauteng) Tel (011) 787-3807**

Email [las@energyguides.co.za](mailto:las@energyguides.co.za)

**Sakabula Safaris and Tours (Pretoria) Tel (012) 460-5251**

Email [neil@sakabula.com](mailto:neil@sakabula.com)

Website [www.sakabula.com](http://www.sakabula.com)

### **Field Guides Association of Southern Africa**

**FGASA (Gauteng) Tel (011) 782-8296**

Email [fgasa@iafrica.com](mailto:fgasa@iafrica.com)

Website [www.fgasa.org.za](http://www.fgasa.org.za)

## **HOW DO I MARKET MY PRODUCT?**

Click here to improve your marketing skills, or click on the headings below to find out more about marketing to a specific segment.

[Local / Domestic Marketing](#)

[African and neighbouring states marketing](#)

[International marketing](#)

### **Box: Improving your marketing skills**

1. Know your market. Ask yourself: who wants to buy what I have to offer? Modify your product or service to match the needs, expectations and motivations of your potential customers.
2. Give labels to the different groups of customers with which you want to deal. Describe them according to the various segments or categories they represent - for example, age, family status, place of origin, frequency of visit, benefits sought, special interests.
3. Don't try to present yourself in the same way to all people. Just as importantly, don't try to promote to all the market segments that you've identified. Determine some priorities regarding the markets you want to address based on their size, profit, yield, growth potential and ease of reach.
4. Develop very clear ideas about what you want to say to each of your target market segments and tailor your messages so that you develop a rapport with them.
5. Identify the mix of advertising, publicity and promotional activities that will most effectively convey the messages you want to get across.
6. Consider the sales and distribution system that will work best for your business. Make sure that you understand the opportunities offered by retail agents, wholesalers, tour operators and tourist offices as intermediaries in selling and promoting your business.
7. Put your top-level sales and communication strategies and all your proposed marketing activities in an annual marketing plan. All subsequent marketing projects should be consistent with the plan. Don't continually change the plan - it may take time to work. Only modify the plan if circumstances change or new opportunities arise during the course of the year.
8. Ensure that all those responsible for the implementation of your marketing plan are aware of and committed to its principles and how its individual components are related to their work programs.
9. Produce as many measurable targets as you can. These may be expressed in a variety of ways e.g. sales results, occupancy rates, telephone enquiries, market share, product awareness etc.
10. Monitor your marketing performances and evaluate their strengths and weaknesses. Continue to refine your marketing strategies and plan to improve your effectiveness in the future.

### ***Local / Domestic Marketing***

The local market is bigger and closer than you realise (87% of total market). There are a number of issues that you must consider when entering the domestic market with your tourism product, including the identification of market trends and groups, the selection of possible potential market segments, national distribution networks and commission structures.

### **DOMESTIC WHOLESALERS**

Wholesalers are companies that will promote and sell your-product through established retail distribution channels on your behalf e.g. travel agents, magazines and newspapers. They also select individual product elements and link them to form packages. Through a wholesale program you have the opportunity to reach potential customers who would not otherwise hear about your product. These are then brochured and distributed through the travel agency network.

For this service they expect to be paid a commission (usually 20%). The wholesaler in turn pays a commission (normally 10%) to the retailer who is selling the product to the consumer. The wholesaler may ask you to contribute towards set-up costs e.g. brochure printing. The wholesaler will make the final selection on the content of their brochure.

Packaging your product with other compatible products makes your product more attractive, much easier for the consumer to buy, and widens your distribution system.

### COMMISSIONS

The travel sector of the tourism industry is made up of a range of distribution channels, including travel agents, wholesalers and inbound operators. All of these people provide a service and for that service they expect to receive a commission for promoting and selling your product. These commissions range from 10% to 30% depending on their contribution and costs. These commissions are only payable on the sale of your product, so the risk factor is normally with the travel agent or wholesaler.

### STANDARDS

- **Commitment.** Once you have decided on a pricing structure for your product (usually for 12 months) it is important that the prices are maintained. Do not "chop and change" pricing unless absolutely necessary. When you are dealing with wholesalers, prices quoted must be valid for the shelf life of the brochure (e.g. for the 12 months ending 31 September).
- **Communication.** Clients must be able to contact you and get a prompt answer to their enquiries and bookings (remember that the tourist trade works 365 days of the year). Some of the following equipment may be essential: telephone (with more than one line if you use it for outgoing calls as well), answering machine, fax and e-mail (possibly with a dedicated phone line) and a mobile phone (if you are out of the office a lot).

### LOW SEASON SPECIALS

Many product owners use the domestic market to gain maximum utilisation of their products and services during low season or "valley periods" e.g. pensioners travel out of school holidays.

### DISTRIBUTION NETWORKS

Depending on your product and the format for its presentation (for example retail or wholesale) there are a number of distribution channels that may be available to you to get your message into the national marketplace. These include:

- Travel Agents
- Via wholesalers to travel agents
- Consumer travel shows e.g. Getaway Travel Show.
- Tourist Information Centres.
- Direct-mail campaigns (postal, fax and e-mail).

### ADVERTISING

Most of your advertising should be targeted at your identified market segments:

There are many different advertising media:

- National and local newspapers
- Tourism trade newspapers, newsletters, publications e.g. Travel News Weekly, Inside Travel
- Consumer special-interest publications and magazines e.g. Getaway Magazine
- Trade & industry magazines and publications e.g. company airline, car rental magazines
- Tourism guidebooks and directories
- Television and radio.
- The Internet
- Editorials are an excellent form of free advertising (you may have to take advertising space).

### PROFIT FROM THESE TIPS

- The context and style of your advertisement must be designed to match the objectives of the advertising and the media that you are using.
- While most advertising is aimed at the consumer (immediate and direct sale) there is a place for brand awareness advertising through the appropriate publications (long term).
- It is important to carefully plan your advertising to avoid wasteful expenditure.

### ***Africa and neighbouring states marketing***

Nearly 4 million or 74% of South Africa's "international" tourists come from Africa. There is much debate about whether these are "genuine" tourists i.e. visiting attractions or whether they are just shopping, on business or visiting friends and relations (VFR). There is no doubt, however, that they do have a major impact on our local economy, fill our hotels etc.

Mozambique, Swaziland, Zimbabwe, Lesotho, Namibia and Botswana are closely linked to South Africa and many of their citizens' holiday or shop in South Africa. Possibly they should be regarded as a part of the domestic market because many of them work or have worked in South Africa, have family living or working here, attend and participate in our trade shows and share many of our publications. Neighbouring states are considered high yield.

### ***International marketing***

International tourists come from Europe, Asia and the Middle East, North America, Australasia and Central and South America.

#### **FIVE KEY POINTS ABOUT THE INTERNATIONAL DISTRIBUTION CHAIN**

1. Product can be many different things - an attraction, hotel, game lodge, guest house, airline, car rental, transport company, taxi or transfer service, in fact anything that delivers a tourism service or experience that clients are looking for.
2. Commissions are structured in a "pecking order" with each role-player taking a percentage of the total commission and passing the rest on down the order. Prices may also be quoted at a Nett (STO or Standard Tour Operator) rate, in which case the operators and wholesalers will add on their own commission requirements. **Total commissions** for the various role-players are usually about 30%.
3. **Inbound or incoming tour operators** co-ordinate travel arrangements in South Africa on behalf of overseas wholesalers and retail trail agents. This usually involves planning the complete South African itinerary, costing the various components (airfares, transfers, accommodation and sightseeing), negotiating prices and arranging payment for the product (gross price or rack rate less commissions). Tour operators usually take approximately 10% of the total commission structure (out of 30%) for their services.
4. **Overseas wholesalers** are the next link in the distribution chain from product to customer. They are located in the markets (country of origin). With the product packages supplied to them by the inbound tour operators they prepare the brochures (in various languages) which are distributed to customers through travel agents. They also arrange national advertising of the product. Their share of the commission for their work and involvement is usually also about 10% (out of 30%).
5. **Travel agents** are the front-line sales people. They sell the packages in the brochures to customers. They usually have their own agencies in strategic areas like shopping centres, airline reservation offices, banks or department stores. Their share of the total commission is usually also 10%.

#### **HOW IT WORKS**

A customer (tourist) goes into a travel agent in Germany because they want to travel to South Africa. The agent gives them a brochure (which a wholesaler has packaged and produced).

The customer then books the product and pays the travel agent - lets say its R1,000.00. The travel agent takes the R1,000.00 and makes the booking (reservation) with the overseas wholesaler. The agent keeps 10% (R100.00) and passes R900.00 to the overseas wholesaler.

The wholesaler contacts the inbound tour operator in South Africa, confirms the booking and forwards the money less 10% (R90.00) or R810.00 to the inbound tour operator.

The inbound tour operator contacts all the businesses (products) involved, confirms the bookings and pays them. The inbound tour operator keeps another 10% (R81.00) of the total for their services.

**This means that the product owner or business will only receive R729 out of the Gross.**

#### TIPS TO HELP YOU TAP INTO THE INTERNATIONAL MARKET

1. Target different links in the distribution chain
  - The inbound tour operator - based in South Africa;
  - The wholesaler - based overseas;
  - The tourist direct - via the Internet, magazine advertising or similar.
2. Identify the international markets most appropriate for your product.
3. Prepare your product to meet the needs of the international market by:
  - adopting a high level of service;
  - understanding and endorsing the appropriate commission structure;
  - always promptly answering and responding to your phone, fax and e-mail enquiries;
  - employing staff who speak languages other than English - if possible.
4. Arrange meetings with inbound tour operators (most of them are situated in the large cities like Johannesburg, Pretoria, Cape Town and Durban). Make your own appointments or attend the annual Indaba trade show organised by Satour.
5. Travel overseas and make your own appointments. Satour via their international offices can help you with contact lists and appointments. This can be very expensive and often disappointing for new product owners.
6. Attend the Indaba trade show organised by Satour to meet international wholesalers. The Indaba is held in May every year in Durban. You must be registered on its database to receive a prospectus for this show. The show allows you to find out what the wholesaler or retail buyer's main interest is and also to give them a sales pitch about your business. The Department of Environmental Affairs and Tourism have subsidies available for new entrants.
7. Attend trade shows to meet the international wholesalers. Satour organises floor space for South African product owners at various international travel shows e.g. the ITB in Berlin and the WTM in London. Attending these shows is also very expensive and often disappointing for new product owners.
8. Participate in familiarisation programs. Satour as well as various provincial tourism agencies, local authorities and large product owners regularly bring journalists and travel trade representatives to South Africa to show them the country and the variety of products on offer (Sometimes called educationals, inspections, fam trips etc.). By offering cheap rates or "freebies" your business could benefit from them.
9. Work with other operators who are already tapping into the international market by creating packages or including your product in their package. They will in turn promote your product if it is part of theirs.

## **WHAT SHOULD I THINK ABOUT WHEN PRODUCING A BROCHURE?**

The brochure is one of the simplest and most useful promotion tools. It can be relatively inexpensive yet very effective in telling people about your activities. The purpose of the brochure should be to arouse interest, stimulate demand, provide information, give customers confidence and make the booking process easy. It will cost you nothing to do your own research by looking at a selection of other brochures.

### **BE CLEAR ABOUT YOUR BUSINESS OBJECTIVES**

Before design work begins you should think very carefully about your business objectives. A brochure is primarily being produced to bring you more business.

However brochures can have different purposes. A brochure could:

- highlight a new feature;
- sell packages;
- counter an adverse image or competitive shortcoming;
- fill idle capacity in a quiet period;
- tap into a new market segment;
- feature a special offer in co-operation with another product owner.

The objective of the brochure needs to be clearly understood. Also consider the target market segments - the customers who will be reading the brochure. What are their special interests? If you are trying to get business from honeymooners text which appeals to fisherman will not be appropriate.

### **THINK CUSTOMER**

**Remember that clients want safe, fun-filled holidays in interesting places where they get value for their money.** Successful brochures show empathy for clients' needs. They concentrate on providing information which clients will find attractive and so help the client make a decision. Too often operators are more concerned about what they want to say and not what the customer wants to hear.

### **CONSIDER WORDS THAT MOTIVATE**

Customers of tourism products and services are usually seeking an experience of some kind such as enjoyment, excitement, relaxation, adventure, romance and comfort. Text should demonstrate an understanding of your customers' desires and needs. The text needs to be emotive wherever possible. Claims about the product must be believable and valid.

### **HIGHLIGHT THE UNIQUE SELLING FEATURES**

Before designing any brochure the unique selling feature or features (USF) of your business should be determined (based on customer needs) and prioritised. The USF is a feature or features that your competition cannot or will not match. It may be that your business is at a site that is the best in the region to meet tourism needs. It may offer the best view, have more products that tourists want, and so on. Other features also should be highlighted. However, remember that too much detail can be counter-productive.

### **THINK CAREFULLY ABOUT THE BROCHURES FORMAT AND DESIGN**

No matter whether the brochure is a one-page leaflet or multiple pages, certain fundamentals need to be followed for success. The information needs to be presented in an order consistent with the principles of AIDA:

- A Attention**
- I Interest**
- D Desire**
- A Action**

Information should be shown in such a way that travel consultants and customers can scan it quickly.

## Consider these elements

- **Size.** Be practical about the size. Brochures often have to sit in racks alongside every other tourism business brochure, so it is to your advantage if they are of the standard sizes 100 mm X 210 mm. This can be folded into four or six panels. Try to determine where your brochure is going to be distributed and find out what the distribution outlets require.
- **Graphics.** Photographs can work well, but should be of a high standard. Line drawings can be as effective and easier to reproduce. Satour has a visuals library which may have appropriate images for you to use.
- **Colour.** Colour is eye-catching - especially when your brochure is competing in a crowded rack.
- **Maps.** A good map showing location and access routes should be included wherever possible, and remember that if you are marketing to overseas tourists they may not know where Mpumalanga is, so do not expect them to know the location of your town.
- **Type Style.** Your aim should be to make your brochure readable, so make the type style large enough to be comfortably read by older eyes (especially if the retired domestic market is appropriate to your business).

## A CHECKLIST FOR PREPARING A WRITTEN BRIEF FOR A BROCHURE

- What is the key product or service?
- Who will be the target audience?
- Who will be your business competitors?
- What is the image that you wish to convey?
- What will the product benefit to your customer be?
- Should there be mandatory inclusions?
- What should the best tone and manner be (text and images)?
- What are your expected outcomes?
- What is your budget?

## HOW DO I PACKAGE MY PRODUCT?

To develop successful tourism packages you will need to think creatively, consider your target market and approach businesses in your area that have compatible products. Then you must work together to create and promote attractive packages that will benefit everyone involved. Here are some ideas on different packages that you might develop for your customers.

- **Attractions, entertainment and accommodation.** Accommodation establishments can design packages that include accommodation and meals, along with a sightseeing trip, or a visit to a local attraction or entertainment facility.
- **Accommodation and services.** Packaged products including special discounts on local facilities and services, for example car rental, restaurants and wine purchases. Please keep in mind that consumers have to spend money in order to obtain these types of package inclusions.
- **Off-peak specials.** You can offer special packages that are only applicable during off-peak days, hours, weeks or seasons. Alternately, you can offer high and low season rates.
- **One major component.** A package often develops around one major component with other components being added to enhance the appeal of the major component. This way you create a more saleable product. The major component could be your business or you can build a package around a game reserve, outside event or attraction.

## PRINCIPLES TO CONSIDER WHEN DEVELOPING A PACKAGE

- **Include demand generators.** A demand generator is a service, attraction, event or program that gives the customers their primary reason to buy the package. These demand generators

may be outside your direct control e.g. the natural beauty of the surrounding area, climate, a unique culture etc. Make sure you include at least one demand generator.

- **Offer a distinctive consumer benefit.** Wherever possible offer your customers a benefit that they would not receive if they purchased the components of the package separately. This might be a cost saving or the inclusion of some "free" or special element.
- **Be well planned and co-ordinated.** Plan your package well in advance to make sure that no important elements are overlooked and that it is properly matched to meet the needs of your target markets.
- **Provide consistent quality and compatibility among elements.** Make sure that your package components are of similar quality or standard. Consumers will judge the entire package on the quality of a poor or inconsistent element.
- **Cover all the details.** In many cases it's simple to throw any old package together. It's the attention to detail that make excellent packages stand out.
- **Make sure the package is profitable.** It is very important that you earn a profit that is large enough to make your efforts worthwhile.

#### PRODUCT ANALYSIS

- Determine the "theme" of your proposed package e.g. luxury game viewing, soft adventure, ecotourism, African culture, food and wine.
- Determine the target market that will best suit your package e.g. senior citizens, backpacker, special interest like birders, golfers etc.
- Determine whether you will have daily departures or scheduled departures e.g. every Monday. Also the time period during which your package will be available e.g. low season.
- Determine the sectors of the industry that can be incorporated in your package e.g. attractions, accommodation, tours.
- Draft a number of activities using the combination of industry sectors identified that will best provide the experience offered to the market chosen.
- Create a package using these resources. Ask yourself if the package is attractive, feasible, profitable, and sustainable.

#### PRICING

Determine a pricing structure incorporating the various commission levels associated with the international and domestic market-distribution systems.

#### PROMOTIONAL PLAN

Determine a name for your package that will convey the type of experience you are offering to the consumer. Devise a cost effective marketing plan for your package.

## GLOSSARY OF INDUSTRY TERMINOLOGY

**Commissions.** An agreed amount paid to an agency (e.g. travel agent, wholesaler, inbound operator) for selling your particular tourism product. This is usually a percentage of the Gross Selling Price or RACK rate

**Competitive advantage.** An advantage which differentiates you from other competitors. It can be gained by offering consumers greater perceived value (e.g. better service, superior product, cheaper prices etc).

**Consumer benefit.** An advantage that a consumer perceives they are receiving by purchasing your product.

**Customer driven.** A strategy or action that is undertaken as a result of customer demand.

**Distribution channels.** A group of intermediaries involved in ensuring a product or service reaches the consumer (e.g. travel agents or a wholesaler network).

**Demand generators.** The motivation behind the human wants that are backed up by buying power. In other words the thought processes behind the desire that make people purchase (motivation).

**Inbound operator.** Co-ordinates travel arrangements in South Africa on behalf of overseas wholesalers and retail travel agents. This usually involves planning the South African itinerary, costing the various components (transfers, accommodation, sightseeing etc), negotiating prices, and arranging payments. Commission levels can be up to 30%.

**Gross Selling Price or RACK rates.** The price at which products are sold to the consumer or "man in the street". This is the retail price used by retail agents or for direct sales to the consumer. Commissions, discounts or seasonal specials may still be deducted from this price.

**G S A or General Sales Agent.** This agent has sole rights for the distribution of particular products, goods or services in a region or country.

**Marketing Mix.** The set of factors such as product, price, promotion and place that the individual company blends to produce the response it wants in the target markets.

**Marketing strategies.** The marketing logic by which the business unit hopes to achieve its marketing objectives. A marketing strategy consists of specific initiatives used for targeting appropriate markets by adjusting aspects of the marketing mix.

**Market trends.** Patterns in the market place that are dictated by consumer behaviour (e.g. the German market travels to South Africa in our summer).

**Market segments/sector.** A specific group of consumers who share common characteristics (e.g. age, sex, wealth, interests).

**Nett Price or S T O Rates (Standard Tour Operator Rates).** The cost to you of your product including all fixed costs (overheads), consumable and marketing costs plus a profit margin. Additional allowance for a commission structure should still be added on top of this figure.

**Package.** The combination of two or more components, which is sold at a price more competitive than if a consumer bought the components separately. It may include airfares, accommodation, road transfers, touring attractions, restaurants, entrance fees etc).

**Product.** Anything that a tourist may utilise while travelling that delivers the requirement or experience that they are looking for.

**Tourist.** A person who travels away from home, staying away for at least one night. A **Domestic tourist** is from South Africa. A **Regional tourist** is from Africa including neighbouring states. An **International or Overseas tourist** is from other parts of the world. They have markedly different travel and expenditure patterns from the first two.

**Tourist Guide.** A suitably qualified and licensed person who is paid to conduct tours, help tourists with their travel arrangements, provide a commentary and explain numerous points and items of interest. It implies an intimate knowledge of the area, conditions, routes, flora and fauna, difficulties, dangers and all the many aspects pertaining to travelling and touring in a given region.

**Travel Agent or Retailer.** An intermediary that sells products to consumers for agreed commissions. These commissions are a minimum of 10% of the Gross, RACK or retail price.

**Value Added Services.** Services that are added to the selling price at no extra cost to the buyer, but there is a perceived extra benefit in the cost (e.g. free breakfast included with overnight accommodation).

**Wholesalers.** Operators that package products together and sell it through retail travel agency outlets for agreed commission levels. These commissions are generally a minimum of 20%.

## **SUMMARY AND CONCLUSION**

Tourism is an interesting and extremely stimulating industry. It is first and foremost a service industry, so new entrants must be prepared to go the extra mile in providing top-level service. We are in the “people business” and if you are to succeed you must ...

- enjoy working with people;
- be prepared to put in very long hours, often with little reward.
- be determined and not give up.

Our commitment at SATSA is to see tourism grow. We therefore encourage newcomers to the industry. It is in the best interests of tourism for new entrants to create new markets by attracting tourists who would otherwise not have come to South Africa, rather than competing with existing operators for the same clients. This growth can be created either with new product(s) or by attempting to develop a client base in foreign markets which do not send many tourists to our country.

**SATSA** wishes you success and good business!