

# **The Economic Contribution of the Tourism Accommodation Sector in the Karoo**

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## ABSTRACT

Tourism is not only the world's largest traded commodity in which many countries have gained economic advantage and stability, it is also a phenomenon of great economic and social significance. Tourism's contribution, especially within developing countries and within emerging markets like South Africa, has become increasingly significant as it has created major economic growth and has highlighted areas of potential new sustainable development. The ultimate goal of achieving an increase in GDP and the creation of new employment opportunities is enhanced through the development of tourism. Considering the importance of the above and because the impact of tourism development in small towns is of significant economic benefit, research into this field is of value. This is the core of this study.

As a result of tourism demand continually changing in small towns, mostly due to globalisation, demographic changes and agricultural changes, the need to continually update tourism data to ensure that tourism products remain highly rated is vital. This requires identifying tourists' needs and supplying exactly what tourists demand. More specifically, evaluating tourist satisfaction and dissatisfaction will give accurate indications of a destination's ability to satisfy its tourists, which is what will encourage repeat visits.

The first objective of this dissertation was to **qualitatively** evaluate, through determining 27 product owners' and 206 tourists', opinions/perceptions of the tourism product offering in the Karoo. This study examined the accommodation sector of the tourism industry within 13 small towns in the Karoo. This is a fast growing and maturing industry. The study revealed that product owners and tourists expressed a positive attitude towards the growth of tourism in the Karoo, which they said was due to its heritage and authenticity, climate, desert tourism, natural beauty, ecotourism, remoteness, peace and quiet and acting as a refuge in an unspoilt natural environment.

Amongst other recommendations, this result highlighted the importance of keeping closed the 'gap' between the expected product/level of service and the customer's perception of the actual product/service received, by paying special attention to each of the identified tourist benefits. Most importantly, product owners, local tourism organisations (LTOs), municipalities, the government and all tourism stakeholders need to ensure that they work efficiently and effectively through transparent and collaborative relationships to ensure that they generate the highest possible returns from tourism investment through strategies that take cognisance of the above.

The second objective of this dissertation was to **quantitatively** evaluate the economic impact of tourism through gathering and calculating 107 tourists' spending data and 15 product owners' expenditure data over a six month period between December 2010 and May 2011 in Graaff-Reinet. It was found that there was an increase over time in tourist spending, which led to an increase in direct income (net injection of visitor spending) and thus there was an increase in indirect income (affecting the level of product owners' income) in the Graaff-Reinet economy. The key calculations in this study reflected a high multiplier of 1.2 and a small amount of leakage (21%); and the final tourism economic impact of the accommodation sector in Graaff-Reinet was R8 940 982.00. This implies a positive economic contribution to this town. A focus on growing the tourist market is therefore a goal worth pursuing.

This study provides up-to-date, statistically valid numerical/quantitative data as well as current qualitative data. However, gathering data for a longitudinal study would be highly beneficial to determine trends of how the tourism market in small towns is developing. This field has been given minimal attention, specifically within small towns. This dissertation was thus an attempt to initiate and motivate further ongoing efforts with regards to gathering, specifically economic, tourism data. Showing the positive economic contribution, and the multiple ripple effects that attracting tourists to an area can have, and the ultimate measurable economic benefit created through having a strong multiplier effect, will hopefully encourage all stakeholders to be confident and take the tourism industry more seriously.

This highlights the need to recognise the economic impact potential of the tourism sector and to use the positive results identified in this study as a tool to lobby for tourism investment, which is unfortunately not reflected currently in many governmental programmes.

Developing greater co-operation and co-ordination between the private and public sectors is needed: the most appropriate development model for the tourism industry being government led, private sector driven, community based and labour conscious in order for it to reap the benefits reflected in this tourism study.

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I acknowledge that all references are accurately recorded and that, unless otherwise stated, all work herein is my own. I certify that this thesis has not been submitted for a degree at any other university.

## TABLE OF CONTENTS

ABSTRACT.....	ii
ACKNOWLEDGEMENTS.....	v
TABLE OF CONTENTS.....	vi
LIST OF FIGURES .....	x
LIST OF TABLES .....	x
CHAPTER 1: CONTEXT, AIMS AND OUTLINE.....	1
1.1 Introduction.....	1
1.2 Background to the Study.....	1
1.3 The Economic Impact of Tourism .....	2
1.3.1 Tourism from a Global Perspective.....	4
1.3.2 Tourism from a Local Perspective.....	5
1.3.3 Tourism Growth and Development in Small Towns .....	5
1.4 Overview of the Study.....	6
1.5 Key Issues / Statement of Problem.....	7
1.6 Objectives of this Study .....	8
1.7 The Value of this Study.....	8
1.8 Hypotheses.....	9
1.9 Proposed Methods, Procedures and Techniques .....	9
1.10 Limitations.....	10
1.12 Outline of the Thesis.....	11
CHAPTER 2: LITERATURE REVIEW .....	13
2.1 Introduction.....	13
2.2 The Economic Impact of Tourism .....	13
2.2.1 International Perspective .....	13
2.2.2 The Role of Tourism in Developing Countries .....	18
2.2.3 Tourism in South Africa.....	19
2.3 Tourism Policy .....	22
2.3.1 What Tourism Policy is Meant to Achieve - Theory and Global Practice	22
2.3.2 Tourism Policy Development in South Africa .....	24
2.3.3 The South African Tourism Industry's Key Constraints.....	25
2.3.4 Tourism Policy Development Evolution in South Africa since 1994 .....	26
2.3.4.1 Tourism in GEAR (1998).....	27
2.3.4.3 Tourism Programmes in South Africa .....	30
2.3.4.4 Policy Development in a Local Context: Views on Small Town Policy Development.....	31
2.3.5 Criticisms of the South African Tourism Policy Formation .....	34

2.4 Tourism in Small Towns.....	35
2.4.1 Small Towns in the International Context.....	35
2.4.2 South African Small Towns.....	36
2.4.3 Small Town Growth and Decline.....	39
2.4.4 Strategic Considerations for Economic Growth in Small Towns .....	41
2.4.5 New Economic Geography .....	42
2.4.6 Local Economic Development in Small Towns .....	42
2.5 The Tourism System.....	44
2.5.1 Introduction .....	44
2.5.2 Tourism Demand .....	44
2.5.3 Tourism Supply.....	45
2.5.4 The Gaps Model .....	47
2.5.5 Product Marketing Strategy for Tourism .....	47
2.5.6 Tourist Market Segments.....	48
2.5.6.1 Business Market Segment.....	48
2.5.6.2 In-Route Market Segment (Route Tourism).....	49
2.5.6.3 Cultural Heritage Route Tourism.....	50
2.5.6.4 Niche Market Segment .....	50
2.6 Karoo Tourism .....	51
2.6.1 Introduction .....	52
2.6.2 Tourism in the Little Karoo .....	54
2.6.3 Strategic Initiatives for Tourism Growth in the Karoo .....	54
2.6.4.1 The Arid Areas Programme .....	54
2.6.4.2 Cross- Border Development .....	55
2.7 The Tourism Accommodation Sector.....	55
2.7.1 Introduction .....	55
2.7.2 Tourism Accommodation and its Role in the Tourism Industry .....	56
2.7.3 Accommodation as a Tourism Product .....	57
2.7.4 South African Accommodation Sector .....	58
2.7.5 The Accommodation Sector in the Karoo .....	59
2.7.6 Challenges Facing the Small Scale Accommodation Sector .....	59
2.8 Graaff-Reinet - The Case Study Town.....	60
2.8.1 Introduction .....	60
2.8.2 A Overview of Graaff-Reinet / Camdeboo Region .....	61
2.8.5 Graaff-Reinet as a Tourism Product .....	69
2.8.6 The Accommodation Industry in Graaff-Reinet.....	70
2.9 Conclusion .....	71
CHAPTER 3 RESEARCH METHODOLOGY.....	72
3.1 Introduction.....	72
3.2 Data Collection Process.....	72
3.2.1 First Phase.....	73

3.2.2 Second Phase .....	74
3.3 Statistical Analysis Methods used to Measure the Economic Impacts of Tourism.....	76
3.3.1 Tourism Satellite Accounting .....	77
3.3.2 Input-Output Model (I-O model).....	77
3.4 Multiplier Analysis .....	78
3.4.1 Calculating the Economic Impact of Tourism .....	82
3.5 Experiences of Methods in Past Studies.....	84
3.6 Qualitative Methodology .....	86
3.7 Quantitative Methodology .....	86
3.8 Triangulation .....	87
3.9 Questionnaires.....	88
3.10 Coding .....	90
3.11 The Sample Design .....	91
3.11.1 Sampling Method .....	91
3.11.2 The Population.....	91
3.11.2.1 First Phase - The 13 Geographical Towns in the Karoo .....	92
3.11.2.2 The Karoo Accommodation Establishments .....	93
3.11.2.3 The Tourists in the 13 Karoo Towns .....	95
3.11.3 Second Phase - Graaff-Reinet- The Case Study Town .....	95
3.11.3.1 Fifteen Accommodation Establishments (Product Owners) in Graaff-Reinet .....	97
3.12 Ethical Considerations .....	99
3.12.1 Voluntary Participation .....	98
3.12.2 No Violation of Privacy and Confidentiality .....	98
3.12.3 Justice.....	98
3.13 Conclusion .....	99
 CHAPTER 4: KAROO TOURISM SERVICE PROVIDERS.....	 100
 4.2 Profile of Interviewees.....	 103
4.3 Product Owners' Perspectives on Local Tourism .....	104
4.3.1 Perceptions of Local Tourist Attractions and Potential.....	104
4.3.2 Prospects for Tourism Growth in Certain Localities .....	106
4.3.3 Reasons for Expected Growth or Decline of Tourism in the Karoo.....	107
4.3.4 Relationships between Service Providers.....	108
4.4 Future Tourism Markets in the Karoo.....	109
4.4.1 Growing New Markets.....	111
4.4.2 Product Diversification .....	112
4.4.3 Additional Infrastructure .....	113
4.5 Product Owners' Facilities .....	114
4.5.1 Age of Establishments .....	115
4.5.2 Size of Establishments.....	116
4.5.3 Establishment Attractions .....	118
4.5.4 Domestic and Foreign Tourist Arrivals .....	120
4.5.5 Different Tourist Groups.....	121
4.5.6 Age of Tourists.....	122
4.5.7 Main Reasons for Travel.....	123
4.5.8 Percentage of Pre Booked versus Walk-in Clients .....	124
4.5.9 Length of Stay.....	125

4.5.10 Peak Business Times in the Year .....	126
4.5.11 Mode of Transport.....	127
4.5.12 Tourist Activities.....	128
4.5.13 Has the Number of Tourists Increased over the Past Two Years? .....	129
4.5.14 The Marketing of Tourism Increases Tourist Numbers .....	130
4.5.15 Collaborative Relationships among Tourism Stakeholders.....	131
4.5.16 Karoo Crafts and Products.....	131
4.5.17 Tourism Marketing Methods .....	133
4.5.18 Secondary Income .....	134
4.6 Local Tourism Organisation's (LTOs) .....	135
4.6.1 Do They belong to the Local Tourism Authority? .....	136
4.6.2 Tourism Business Assistance .....	139
CHAPTER 5: KAROO TOURIST SURVEY .....	140
5.1 Introduction .....	140
5.2 Characteristics of Karoo Tourists.....	141
5.2.1 Number of Adults/Children Visiting the Karoo.....	141
5.2.2 Length of Stay in the Karoo.....	142
5.2.3 Country of Origin.....	143
5.2.4 Age Profile of Karoo Tourists .....	145
5.2.5 Education Levels.....	146
5.2.6 Income Levels.....	147
5.3 Karoo Towns that Tourists Visited and Planned to Visit.....	148
5.4 Tourists' Experiences of the Karoo .....	151
5.4.1 Reasons why Tourists Visit the Karoo .....	152
5.4.2 Purpose of Travel.....	153
5.4.3 Activities in the Karoo .....	155
5.4.4 Attractions of the Karoo .....	156
5.4.5 Karoo Tourism Services and Infrastructure.....	158
5.4.6 The Karoo as a Future Travel Destination .....	160
CHAPTER 6: TOURIST SPENDING DATA.....	162
6.1 Introduction.....	162
6.2 Methodology, brief overview .....	162
6.3 Total Tourist Spending.....	163
6.4 Amount Spent on Accommodation.....	165
6.5 Further Income Generated from Tourist Expenditures.....	167
6.6 Amount Spent on Transport.....	169
6.7 Amount Spent on Shopping .....	170
6.8 Summary of Tourist Spending in Graaff-Reinet .....	171
6.9 Perspectives on Graaff-Reinet as a Value For Money Destination .....	175
CHAPTER 7: PRODUCT OWNERS' EXPENDITURE.....	177
7.1 Introduction.....	177
7.2 Tourism Establishment Employment.....	178
7.2.1 Full Time Employment .....	178
7.2.2 Part Time Employment .....	180
7.3 Total Average "In Town" Monthly Expenses in Graaff-Reinet.....	180
7.4 Total Monthly Expenses "Out of Town".....	190

CHAPTER 8: TOTAL ECONOMIC IMPACT OF THE ACCOMMODATION SECTOR IN GRAAFF-RENIET .....	201
8.1 Introduction .....	201
CHAPTER 9: CONCLUSION AND RECOMMENDATIONS .....	205
Introduction .....	205
Final Overall Conclusion .....	216
REFERENCES .....	218
APPENDICES A to J.....	241

## LIST OF FIGURES

FIGURE 2.1 Total Global Contribution of Tourism to GDP .....	14
FIGURE 2.2 The Evolution of the Contribution of Travel and Tourism to Senegal, Mozambique, Maldives, Lao and Brazils GDP.....	15
FIGURE 2.3 Total Contribution of Tourism to Employment .....	17
FIGURE 2.4 Worldwide Tourist Arrivals.....	17
FIGURE 2.5 South African International Tourist Arrivals (in billions) .....	20
FIGURE 2.6 Travel and Tourism Economy GDP (real growth,%)......	21
FIGURE 2.7 Travel and Tourism Economy Employment (real growth, %)......	21
FIGURE 2.8 Satellite Geographical Location of The Karoo.....	52
FIGURE 2.9 Satellite Geographical Location of Graaff-Reinet.....	61
FIGURE 2.10 Graaff-Reinet: Enterprise turnover between 2006/07 and 2010/2011 .....	68

## LIST OF TABLES

TABLE 2.1: The Population by Race of Graaff-Reinet.....	62
TABLE 2.2: The Overall Age Profile of the Population of Graaff-Reinet .....	62
TABLE 2.3: The Education Levels of the Population of the Camdeboo Region .....	62
TABLE 2.4:The Employment Status of Employable Age (15 to 65) in the Camdeboo Municipality, 2007 .....	66
TABLE 2.5:For the 36% who were Economically Active, the Spread Activities was in the Following Areas .....	66
TABLE 2.6: The Type od Businesses in Graaff-Reinet, 1970 and 2008	67
TABLE 4.1: Provinces in Which the 13 Towns Were Situated and the Number of Establishments Interviewed in Each Town.....	101
TABLE 4.2: Type of Towns Surveyed and their Main Characteristics.....	102
TABLE 4.3 Profile of Interviewees .....	103

TABLE 4.4: Awareness of Local Attractions .....	105
TABLE 4.5: Perspectives on Prospects for Tourism Growth in Their Localities .....	106
TABLE 4.6: Reasons for Expected Growth or Decline of Tourism In The Karoo .....	107
TABLE 4.7: Relationship With Other Product Owners .....	109
TABLE 4.8: What Tourism Markets Would Product Owners Like to Explore in the Future? .....	110
TABLE 4.9: How do the Product Owners Intend to Access These Markets?.	112
TABLE 4.10: Would Product Owners Like to Diversity their Tourism Product? .....	113
TABLE 4.11: What Additional Infrastructure/Staff would be Required for Those who want to Diversify? .....	114
TABLE 4.12: How Long have the Product Owners' Establishments been in Existence? .....	116
TABLE 4.13: Numbers of Rooms.....	117
TABLE 4.14: How many Beds do the Product Owners have? .....	117
TABLE 4.15: What Other Attractions do the Product Owners have to Offer in their Establishments?.....	118
TABLE 4.16: Specific South African and Foreign Localities of Tourists .....	120
and these Localities Consolidated: .....	120
TABLE 4.17: The Different Groups of Tourists Include: .....	122
TABLE 4.18: Age of the Different Tourists .....	122
TABLE 4.19: The Main Reasons for Travel as Noted by Product Owners.....	123
TABLE 4.20: Are They Walk-In or Booked Clients?.....	124
TABLE 4.21: The Type of Booking .....	125
TABLE 4.22: How Long Do Tourists Typically Stay For?.....	125
TABLE 4.23: Product Owners' Peak Business Times in the Year .....	126
TABLE 4.24: Mode of transport used by Tourists in the Karoo .....	127
TABLE 4.25: What do Tourists Mainly Like To Do?.....	128
TABLE 4.26: The Reasons for Change in Number of Tourists .....	130
TABLE 4.27: Do Tourists Visit Nearby Towns? .....	131
TABLE 4.28: Do Visitors Purchase Karoo Crafts and Products? .....	132
TABLE 4.29: How do you Market your Business? .....	133
TABLE 4.30: Do they have Other Business or Employment? .....	134
TABLE 4.31 Karoo Towns Local Tourism Organisations .....	137
TABLE 4.32: How Effective is the LTO? .....	138
TABLE 4.33: What Assistance does their Business Need? .....	139
TABLE 5.1: How Many Adults and Children (Under 18) are there in Your Party? .....	142
TABLE 5.2: How Many Nights do you Plan to Spend in the Karoo on This Trip? .....	143
TABLE 5.3: Country Of Origin.....	144
TABLE 5.4: Age Groups of the Tourists .....	145
TABLE 5.5: Highest Level of Education .....	146
TABLE 5.6: Current Income Level .....	147
TABLE 5.7: On this Trip and During Previous Visits, in which Karoo Towns/Districts/Places of Accommodation do you Plan to Stay Overnight and in Which Towns have you Stayed Overnight? .....	149
TABLE 5.8: Reasons for Tourists Visiting the Karoo .....	152

TABLE 5.9: What is your Purpose for Travelling in the Karoo on THIS Trip?	154
TABLE 5.10: What Activities are you Planning to Undertake in the Karoo?...	155
TABLE 5.11: What do you Enjoy Most About the Karoo?.....	157
TABLE 5.12: How would you like to see Karoo Tourism Services or Infrastructure Improved?.....	159
TABLE 5.13: On Future Trips, would you Consider the Karoo as a DESTINATION OF CHOICE (as opposed to just driving through)?.....	161
TABLE 6.1: Approximate Amount Spent in Total .....	164
TABLE 6.2: Amount Spent on Accommodation Per Party Per Visit in Graaff- Reinet .....	166
TABLE 6.3: Other Expenses at Current Accommodation Establishment.....	167
TABLE 6.4: Total Spending on Restaurant and Beverages (purchased in Graff Reinet) .....	168
TABLE 6.5: Total Recreation Expenses (e.g.: Tourist Attractions) .....	168
TABLE 6.6: Amount spent on Transport by Tourists in Graaff-Reinet .....	169
TABLE 6.7: Amount Spent on Shopping by Tourists in Graaff-Reinet .....	170
TABLE 6.8: Summary of Tourist Spending Results per day in Graaff-Reinet	171
TABLE 6.9: Six Monthly and Annualised Figures for Local and Foreign Tourists Visiting Graaff-Reinet in 2010/2011 .....	171
TABLE 6.10: Perspectives of Tourists on Graaff-Reinet as a Value-For-Money Destination.....	176
TABLE 7.1: How Many Full Time People Do They Employ? .....	179
TABLE 7.2: How Many Part Time Employees do Accommodation Establishments in Graaff-Reinet Employ? .....	180
TABLE 7.3: Total Monthly Expenses in Town.....	181
TABLE 7.4: Capital Improvements within Graaff-Reinet .....	182
TABLE 7.5: Administration Costs within Graaff-Reinet .....	183
TABLE 7.6: Monthly spend on Groceries by Graaff-Reinet Product Owners.	183
TABLE 7.7: Insurance Cost to Graaff-Reinet Accommodation Establishments .....	184
TABLE 7.8: Building Maintenance Costs Of Graaff-Reinet Accommodation Establishments .....	185
TABLE 7.9: Appliances Cost to Product Owners Within Graaff-Reinet.....	185
TABLE 7.10: Garden Maintenance Costs of Product Owners within Graaff- Reinet .....	186
TABLE 7.11: Rates, Water and Lights Costs to Product Owners within Graaff- Reinet .....	187
TABLE 7.12: Salaries and Wages Costs to Product Owners within Graaff- Reinet .....	187
TABLE 7.13: Vehicle Maintenance Costs of Product Owners within Graaff- Reinet .....	188
TABLE 7.14: Advertising Cost to Product Owners within Graaff-Reinet .....	189
TABLE 7.15: Sundry Cost to Product Owners within Graaff-Reinet.....	189
TABLE 7.29 Mean or Median Values of “In Town” and “Out Of Town” Expenses of Accommodation Establishments in Graaff-Reinet on a monthly basis: .....	193
TABLE 7.30 Leakages in Graaff-Reinet of Each Accommodation Expense Category: .....	195
TABLE 8.1: Number of Tourists Visiting 15 Graaff-Reinet Accommodation Establishments over a Six Month Period from December 2010 to May 2011:	203

# **CHAPTER 1: CONTEXT, AIMS AND OUTLINE**

## **1.1 Introduction**

In order to clearly depict the terms of reference and scope of this study, this chapter covers a brief introduction and background to the study which includes issues related to the economic impact of tourism. An overview of this study is then briefly provided and the key issues/statements of the problem are noted from which the research statement, objectives, value of this study and hypotheses are identified. The proposed methods used and procedures and techniques followed are described and finally the delimitations are noted.

It is important to note that much material that is briefly recorded in Chapter 1 is covered in more comprehensive detail in the remaining eight chapters of this study. This is explained at the end of this chapter in section 1.12 Outline of the Thesis.

## **1.2 Background to the Study**

The significant economic and social impact of tourism is revealed in numerous studies. This study aims to give insight into this impact in small towns, primarily from an economic point of view. It will analyse this from the demand and supply sides both qualitatively and quantitatively. In order to broaden the perspective, this study looks first at broad tourism economic impact issues. It then looks at the impact of tourism from a global perspective and from a local perspective. It gives insight into tourism growth and development in small towns. Thereafter, and more specifically, this study investigates tourism in small towns in the Karoo and, because of its importance as noted below, focuses on the tourism accommodation sector. It then covers the growth and development of tourism locally. Finally, from the data collected in this study, the economic impact of tourism in the small Karoo town of Graaff-Reinet is presented.

### **1.3 The Economic Impact of Tourism**

According to Jones (2010:682), “although accounting for the economic contribution of tourism does not rely on any particular economic theory, it is not straightforward”. She notes that tourism does not correspond to a unique production activity: it is characterised rather by an amalgamation of commodity purchases from a range of domestic production sectors and imports. Therefore the production of tourism offerings requires a coordinated, well-managed community effort. The diverse input necessary requires creative initiatives, proactive collaboration and intelligent strategic input from all community stakeholders for the economic impact of tourism to be significant (Jones, 2010).

Measuring the effect of tourism is probably one of the most important contributions that economics has made to the field (Pingsun and Mac, 2006). According to Cornelissen (2005), this impact is usually measured using direct and indirect effects or demand side and supply side data. There are various models used to measure the economic impact of tourism which include: The Tourism Satellite Accounting model and The Input/Output Model. A brief overview of these methods is discussed in Chapter 3. The models measure the contribution of tourism to a region’s economy by measuring money flows resulting from market transactions (Stynes, 1997). For example, the economic impact of the tourism economy to the Camdeboo Local Municipality has been calculated over the forecast period 2007 to 2016 using the international simulated Tourism Satellite Accounting (TSA) system. It was found that the total projected direct expenditure by tourists was expected to grow from R27 million in 2007 to R57 million in 2016 and the total contribution to GDP from R69 million in 2007 to R146 million in 2016 (Myles, 2009:81).

According to Stynes (1997), the most important information for estimating tourism impacts is a good estimate of the number of tourists. He also found that focusing on the direct effects (for example, accommodation) of tourism, usually tourist spending, is key. Zhang, Madsen, Jensen-Butler (2007) looked at the economic impact of tourism in Denmark. Although they found that tourism is more important in rural

regional economies, their results show that in general multipliers are greater in urban areas than in rural areas.

Fleming and Toepper (1990) and Wang (1997) have pointed out that while measurements of economic impact need to be accurate, excessive accuracy will require sophisticated research design and high cost. Previous small town studies – for example, Reynolds (2008) in the Eastern Cape Midlands; Prideaux and Crosswell (2006) in Norfolk Island, Australia; Buccellato, Webber and White (2010) in the United Kingdom; Ritchie *et al.* (2004) in Washington; Jones (2010) in Mozambique; Pio (2008); and Courtney and Errington (2000) in the Karoo – show that accurately determining a town's economic potential is hampered by limited resources, inadequate statistics and lack of co-operation, as well as the difficulty of measuring the various economic growth indicators.

This study's economic impact measurement focuses on the accommodation sector. Accommodation has a direct impact which makes it easier to quantify (Pan African Research & Investment Services, 2010). According to Cornelissen (2008), tourism accommodation (such as B&Bs, guest houses and hotels) is known as the most discernible component of tourism that benefits from agglomeration effects. He also found that accommodation statistics are the most widely used source of information when it comes to assessing spatial variations in tourism. It is also said to constitute the most visible and ready measure of tourism indicators in a local economy. The core finding of a study in Limpopo completed by Nelwamondo (2009) is that the accommodation sector is at the centre of Limpopo's tourism industry. Similarly, Atkinson (2010a) states that this sector has been the main driver of tourism in the Karoo. This originated with overnight stays of travellers between the main cities (Johannesburg, Bloemfontein, Cape Town and Port Elizabeth). Gradually, the accommodation sector has positioned itself to become more sophisticated, to attract a more sophisticated clientele, to offer better services, and to encourage tourists to stay longer than one night, with sufficient activities to keep tourists busy for at least one day. This further increases the economic benefit incurred by the area (Atkinson, 2010a).

Atkinson (2011) acknowledges that tourism's contribution in small towns has made an impact on local economies. For example, the tourism and hospitality industry's economic activity in Graaff-Reinet grew from 5% in 1970 to 16.4% in 2008. (Atkinson, 2011:18). This reveals a positive outlook on Graaff-Reinet's growing status as a tourism destination. She notes that tourism impacts small towns positively through the generation of new capital, innovative ideas and spending power. Fleischer and Felsenstein (2000) state that small town tourism impact is small scale, although even minimal support can yield substantial economic and social returns.

### **1.3.1 Tourism from a Global Perspective**

According to Franklin (2003), Ferreira (2007) and Jones (2010), tourism has the potential to contribute significantly to global economic and employment growth as well as to social development. The potential of tourism can be analysed and evaluated from the income generated from tourists that contributes to GDP, creation of employment, the generation of foreign exchange earnings, and the promotion of infrastructure development. Its assistance in reducing income and employment disparities, its ability to strengthen linkages between various sectors of the national economy and, importantly for developing countries, to alleviate poverty, is well recognised (ESCAP Tourism Review, 2001). Globally tourism is the world's number one employer, represents more than 10% of global spending and provides more than 194 million jobs worldwide (Bon, Joseph and Dai, 2005). The World Travel and Tourism Council (WTTC) forecasts that global tourism will grow by 4.3% per year (WTTC, 2010). The sector's performance was relatively resilient in 2008 despite a deteriorating global economy. In addition, the number of global tourists is forecast to rise from 880 million in 2009 to about 1.6 billion in 2020 (Van Schalkwyk, 2010).

Accommodation plays a crucial role in the tourism industry. According to Callon, Miles and Muniesa (2007:21 in Nelwamondo 2009:1), "the accommodation sector is one of the most important sectors of the tourism industry".

### **1.3.2 Tourism from a Local Perspective**

Jones (2010) argues that tourism is increasingly recognized as a valuable source of long term growth for developing countries, but the realization of this potential is dependent on government policy at a local level. He also emphasizes that understanding the structure of tourism and its linkages with the domestic economy is crucial to being able to inform and develop policy. According to a study by Fayissa, Nsiah and Tadasse (2007), economic growth performance can be enhanced by improving government's management of the tourism sector. This includes creating opportunities for small entrepreneurs, promoting awareness and understanding among different cultures, creating a unique informal sector, safeguarding the environment, creating economic linkages with agriculture, light manufacturing and curios, creating linkages with the services sector and providing dignified employment opportunities (Government of South Africa, 1996). According to Rogerson (2000:402), "tourism is a key development strategy which can be an anchor for growing local economies which is critical in South Africa's smaller urban centres". Fayissa *et al.* (2007) argue that small towns can strategically strengthen South Africa's tourism industries, which enhances the short-run economic growth of local communities. This is explained in more detail below.

### **1.3.3 Tourism Growth and Development in Small Towns**

Global and regional economic, political, social and technological developments have drastically changed the potential impact of tourism, especially in rural areas (Keyser, 2009). This is evident in a study completed by Goh, Law and Mok (2008), who found that non-economic factors such as climate, leisure time, natural environment and safety had a stronger impact on tourist arrivals than numerical economic factors. This emphasizes the importance of incorporating qualitative non-economic factors in demand analysis studies and encourages further research to incorporate these factors. Tourism product development requires an accurate identification of specific market segments (Myles, 2009). Prideaux and Crosswell (2006) found that there is scope to develop new visitor segments. One of the best possible strategies to explain these specific market segments, noted by Nelwamondo (2009), is done through niche marketing. According to Snowball and Courtney (2010), route tourism

is an example of niche tourism which brings together places and activities in a particular geographical area under a specific marketing theme. Route tourism offers many opportunities for goods and service delivery such as accommodation, and fits in well with local economic development (LED) philosophies (Lourens, 2007). The promising combination of tourism and LED strategies has increased route tourism in developing countries (Snowball *et al.*, 2010, Lourens, 2007, Rogerson, 2007, Briedenhann and Wickens, 2003).

Growth and development of tourism is not always successful, as indicated by Reynolds (2008) who found that municipal LED strategies in the Eastern Cape Midlands, with the exception of Somerset East, have been a dismal failure. The implication is that the development of strategic plans and their effective implementation play an important role in the result achieved in towns that attempt to attract tourism resources.

#### **1.4 Overview of the Study**

The impact of tourism in small towns in the Karoo is the focus of this study. This study investigates in two ways whether tourism has the potential to make a significant contribution to local economies: firstly, qualitatively, through determining the product owners and tourists opinions/perceptions on the tourism product offering, (effect on leadership, quality of life and other services); and secondly, quantitatively, through determining the number of tourists visiting Graaff-Reinet, and gathering their spending data (direct effect) and the spending patterns of product owners (indirect effect) to measure leakage.

This study calculates the economic impact of tourism with specific focus on the accommodation sector in Graaff-Reinet, which is one of the more active, influential small towns in the Karoo. Atkinson (2011) argues that Graaff-Reinet is a notable centre of heritage and architecture that has recently benefited from a major revival in the South African and international tourism trade. The accommodation sector has been selected as the main focus as it is considered one of the most important economic sectors of the tourism industry, as noted by Callon, Miles and Muniesa (2007) in Nelwamondo (2009:1) and Cornelissen (2008) and Goldman *et al.* (1994).

## 1.5 Key Issues / Statement of Problem

Reynolds (2008), Pio (2008) and Rogerson (2005) illustrate that there has been a significant decline in small town economic activity in South Africa. According to Pio (2008), one of the biggest contradictions and challenges that small towns face is population growth alongside a declining or stagnant economy that cannot employ the growing number of people. Pio (2008) and Rogerson (2005) identify three main reasons for small town decline. These include globalisation, agricultural changes and demographic changes, particularly with regards to the significant increase in population. For example, Atkinson (2011) found that in Graaff-Reinet the urban population increased from 24 931 in 1970 to 32 461 in 2001. Collits (2000) confirms that small town developmental challenges have been a common trend. However, according to Kenyon and Black (2001), Krakover (2004), Atkinson (2011), Pio (2008) and Halseth and Meiklejohn (2009), over the past few decades small towns have experienced an increase in tourism growth due to economic restructuring. A key issue noted by Atkinson (2011) is the fact that small towns which have attracted tourism resources have flourished. According to Halseth *et al.* (2009:293), “as small towns experience economic and social restructuring, many are pursuing tourism opportunities as one component of a more diversified local economic strategy”. They note the importance of policy and planning support to assist in mobilizing tourism potential, seizing opportunities and ameliorating negative externalities. The implication here is a key issue in that the identification, development and implementation of tourism opportunities in small towns would then promote their sustainability.

Nel (2005) notes another problem in that a limited amount of small town research exists within South Africa. This demonstrates the necessity to engage in further small town research studies. However, it is known that small town trends in South Africa follow international patterns in terms of varying economic conditions. One of the main theoretical perspectives known as new economic geography explains uneven development, which is recognised as a key feature of the spatial economy (Nel, 2005 and Courtney *et al.* 2000). Wilkinson (2008) and Parhanse (2007) found that the potential of tourism as a development strategy for small towns has been recognised

as a viable avenue for local economic development, which in turn has the potential to reverse economic decline in small towns. According to Reynolds (2008), communities can revitalize their economies themselves through promoting the view that decline is not inevitable and can be turned around through local community action.

## **1.6 Objectives of this Study**

The main objectives of this study are:

1. To identify the opinions/perceptions of both product owners and tourists regarding tourism in small towns in the Karoo.
2. To measure the economic impact of the tourism industry as reflected by the accommodation sector, specifically in Graaff-Reinet.

## **1.7 The Value of this Study**

The fact that Reynolds (2008), Pio (2008) and Rogerson (2005) have noted a significant decline in small town economic activity and that Atkinson (2011) has identified that small towns which have drawn tourism resources have flourished, makes research into this phenomenon valuable. Wilkinson (2008), Parhanse (2007) and Reynolds (2008) also found that the contribution of tourism to the economy in small towns enhanced their sustainability. The limited amount of small town research in South Africa, as identified by Nel (2005), magnifies the necessity to engage in further small town research studies in the field of tourism related economic impact studies.

The value in this study lies in its findings on the economic contribution of the small town tourism accommodation sector. These findings may contribute to local tourism strategies and local development plans to build tourism in small towns. An identified significant positive impact for the sector may motivate key role players to be more actively focused on the enhancement of tourism and on further research that would guide strategic planning effectively.

Further value could be found in the key factors that are identified in this study that contribute to sustainability within Graaff-Reinet through effective application of tourism resources that have been identified and developed in the town and could be used to generate models for similar small towns.

## **1.8 Hypotheses**

The following hypothesis was made from a qualitative perspective:

1. The opinions/perceptions of product owners and tourists in small towns regarding tourism growth in the Karoo are positive.

The following hypotheses were made from a quantitative perspective:

1. The economic impact of the accommodation sector of the tourism industry in Graaff-Reinet is significant and can make a valuable contribution to local sustainable development.
2. The multiplier for Graaff-Reinet is large and the amount of leakage is small.

## **1.9 Proposed Methods, Procedures and Techniques**

Positivism has been adopted as the paradigm for this study. This paradigm was chosen as this study makes use of quantitative data and sees reality as a concrete process (Hughes, 1997).

This study will investigate tourism from both the supply and demand sides and the economic impact of the accommodation sector will therefore be analysed in two ways. Firstly, a qualitative approach will be employed using semi-structured interviews with product owners and tourist questionnaires in 13 Karoo towns. The small towns selected in the Karoo include Cradock, Middelburg, Nieu Bethesda, Graaff-Reinet, Aberdeen, Beaufort West, Sutherland, Hanover, Laingsburg, Britstown, Victoria West, Prince Albert, Oudtshoorn.

The results of the questionnaires and interviews will be subjected to descriptive analysis to give an overview of the current state of tourism in small Karoo towns. A broad quantitative reflection of tourists' views as well as subjective opinions and perceptions of the product owners in each town will be established. Secondly, a quantitative approach will be employed to measure the economic impact of tourism in Graaff-Reinet. This will be undertaken by gathering the tourist spending figures to determine the direct economic effects (net cash injection) and the product owner's monthly expenditure to determine the indirect economic effect within the accommodation sector. The number of tourists visiting these accommodation establishments over a six month period will also be calculated. The direct effects, indirect effects and the number of tourists are the three essential pieces of information needed to generate an accurate assessment of the final economic impact of tourism in the accommodation sector in Graaff-Reinet.

### **1.10 Limitations**

1. The accommodation establishments interviewed in the 13 towns in the Karoo were only those that were willing to participate.
2. Most of the tourists who completed the questionnaires in the 13 Karoo towns were staying in Nieu Bethesda, which made it a large share of the sample. The owners of the guest houses were also very conscientious in administering the questionnaires.
3. Gathering spending data and visitor numbers in Graaff-Reinet was a time consuming task as some people were reluctant to provide the kind of information required. Although the final sample size did not pose a problem, out of the original 25 people approached, 10 declined to participate. This made it necessary to point out possible bias in the results.
4. Seasonality has an effect on the results obtained in this study: for example, in the holiday months more holiday/leisure tourists are likely to visit the Karoo.
5. The categories created in the tourist spending analysis are possibly too large. It would have been more accurate if the final distribution had reflected more of a normal distribution representation. Although, these categories were created in order to eliminate possible inaccuracies in the collected spending data as the tourists, in reflecting their spending, may not have given accurate

amounts. In further studies it would be better to make use of smaller spending categories: for example, the category (R0–R500) should rather be two categories (R0-R250 and R251–R500).

## **1.11 Outline of the Thesis**

**Chapter 1:** Context, Aims and Outline – The motivation and reasons for the stated main goals of the study. This chapter also briefly looked at how this was to be achieved and some possible results expected.

**Chapter 2:** Literature Review – A comprehensive review of all the related literature on the economic impact of tourism, primarily in small towns.

**Chapter 3:** Research Methodology – A detailed explanation of the methods, procedures and techniques used to achieve the stated objectives of the study. This also explains the analysis applied to the results determined from the fieldwork done.

**Chapter 4:** Karoo Tourism Service Providers – Product owner’s opinions and perceptions of the current status of tourism in each town; the level of tourist activity and facilities, as well as their experience regarding the tourist market, and the involvement of these establishments in local tourism organisations and their perception of the value of such involvement.

**Chapter Five:** Karoo Tourist Survey – Identifies the contribution of tourism in small towns from the point of view of the tourists (demand side) of the Karoo tourism industry.

**Chapter Six:** Tourist Spending Data – This chapter looks primarily at the direct effects (first round spending) of tourism in Graaff-Reinet. This spending data is one of the key inputs in an economic impact study.

**Chapter Seven:** Product Owners' Expenditure – A specific look at the indirect effects of tourism as a result of direct spending by tourists. The chapter generates the amount of leakage as well as the multiplier (value added) of the accommodation sector, which was used as the main indicator. The indirect effects and the value of the multiplier are also key inputs in an economic impact study.

**Chapter Eight:** Total Economic Impact of The Accommodation Sector in Graaff-Reinet – This chapter highlights the importance of gathering accurate tourist numbers in an economic impact study, as this is the most vital piece of information in this type of study.

**Chapter Nine:** Conclusion and Recommendations

## **CHAPTER 2: LITERATURE REVIEW**

### **2.1 Introduction**

This section will highlight current economic considerations and questions of social structure and will look at potential growth prospects of small towns. The tourism system is examined through the demand and supply of tourism. Existing tourist target markets which are present in the Karoo are discussed, including the niche tourism market otherwise known as 'desert tourism'.

Tourism accommodation is examined from an international, South African and Karoo perspective. Growth in this accommodation sector is identified and Graaff-Reinet is examined in terms of the town's importance as a tourism product. Statistical information and economic data relating to other economic impact studies is presented in the data analysis chapters, which provide detailed logical coherent structure supporting the results found and arguments generated.

Tourism has no single definition, although different disciplines define and portray tourism from specific intellectual and conceptual frameworks (Keyser, 2009). Tourism is ultimately an inter-related system of supply and demand factors (the tourism market), and a broad range of societal/environmental influences. Together these comprise the tourism system (Myles, 2009). It is a demand driven phenomenon (Ecorys, 2009) but it is essential, from a macro-economic point of view, to observe how the match between demand and supply operates (Stats South Africa, 2009).

### **2.2 The Economic Impact Of Tourism**

#### **2.2.1 International Perspective**

The travel and tourism industry is one the largest and most dynamic industries in today's global economy and constitutes one of the most significant global trade flows

(Shier, 2001 and Lickorish and Jenkins, 1997). Roe and Khanya (2001) found that tourism generates an estimated 11% of global Gross Domestic Product (GDP), employing 200 million people, and Keyser (2008) notes that there were nearly 902 million global international travellers in 2007. The number of international travellers is expected to double between 2000 and 2020 (Roe and Khanya, 2001).

According to the World Tourism Organization (WTO) (2004), Rogerson (2004) and Shier (2001), tourism is one of the biggest contributors to global economic and employment growth. Thornton and Feinstein (2010) state that tourism is the fastest growing economic sector globally, growing at 9% per year over the past 10 years and valued at US\$10 trillion in 2010.

The global contribution of tourism to GDP is illustrated in Figure 2.1 below.



(Source: WTTC, 2011:3)

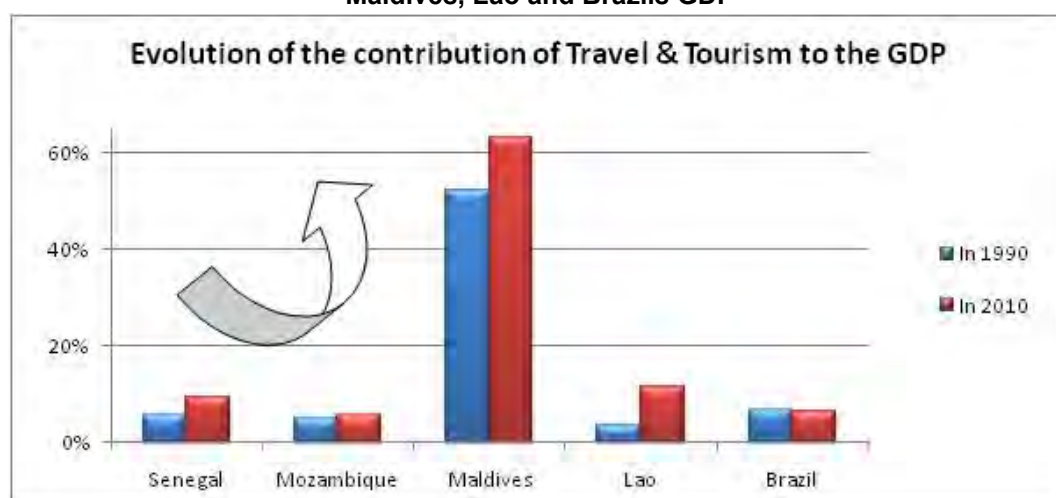
Figure 2.1 includes the wider impacts (i.e. the induced and indirect impacts) as well as the direct impact of tourism within the global economy. The direct contribution is the main focus of many studies and projections in which, generally, tourism is expected to grow by 4.3% per annum (WTTC, 2011). The direct contribution of travel and tourism was expected to be 2.8% of GDP in 2011. The total contribution of

tourism is, however, three times greater than the direct contribution. The direct contribution of tourism is the primary focus according to the UN Statistics Division-Approved Tourism Satellite Accounting Methodology. It is the primary focus as it generates the other effects through internal spending on travel and tourism by residents and non-residents for business or leisure purposes – as well as governments’ individual spending on travel and tourism services directly linked to visitors: for example, cultural or recreational activities. It primarily reflects the economic activity generated by industries such as accommodation, travel agents and airlines (WTTC, 2011).

A number of tourism studies have illustrated a significant tourism contribution for individual countries. Tourism is one of the top five exports for 83% of countries and the main source of foreign currency for at least 38% of countries (Roe and Khanya, 2001). The Caribbean is the most tourism dependent region in the world (25% average GDP) and the Maldives is the most dependent country (55% of GDP) (Roe and Khanya, 2001 and Miller, 2009). Rodgers (2010) notes that in the Bahamas, tourism accounts for about one-third of GDP, in Barbados 15% of GDP and in Jamaica 13.4 % of GDP.

Figure 2.2 demonstrates the increased contribution of travel and tourism to GDP for several countries.

**FIGURE 2.2 The Evolution of the Contribution of Travel and Tourism to Senegal, Mozambique, Maldives, Lao and Brazil's GDP**



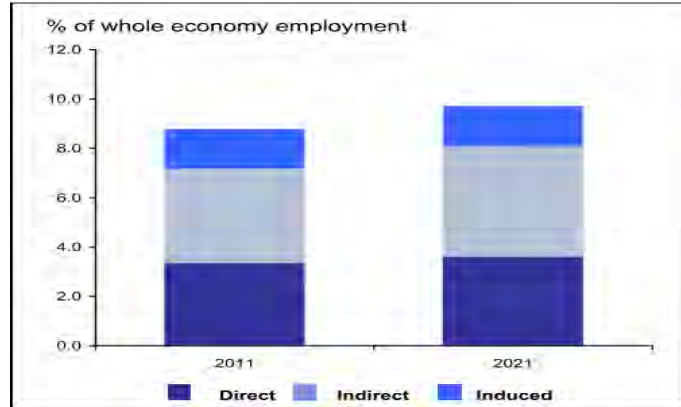
(Source: International Trade Centre, 2011:1)

Figure 2.2 shows the evolution of the contribution of travel and tourism between 1990 and 2010. In some of the countries where the Tourism-Led Poverty Reduction Programme (TPRP) was implemented, the contribution has increased substantially (as in the cases of Lao, albeit from a much lower base, and the Maldives) or remained constant, which confirms the growing importance of tourism for the economies of those countries (International Trade Centre, 2011).

Travel and tourism's contribution in Trinidad is expected to show a very positive upward trend over the next ten years with growth forecast at 5.3% per annum until 2015 (WTTC, 2005). Australia is one of the tourism success stories (Hohl and Tisdell, 1995). According to Olsen (2003), tourism is becoming an increasingly important economic sector in Australia. He notes that tourism's direct and indirect contribution to GDP amounted to \$71.1 billion in 2009-2010 (5.6% of total GDP). Total employment was 876 400 persons (7.9% of total employment) (Australian Government, 2011). In India between 2002 and 2003 international tourist arrivals increased by 20% and growth in foreign exchange earnings increased by 25% (Selvanathan, Viswanathan and Selvanathan, 2009). Tourism growth amplifies the positive effects of globalization as production increases and welfare improves (Sugiyarto, Blake and Sinclair, 1998). According to Roe and Khanya (2001) the most important contributions of the tourism sector are the generation of income, employment and foreign exchange earnings.

Figure 2.3 below indicates the global contribution and projected future contribution of tourism to employment. Employment opportunities are clearly a key part of tourism's growing economic contribution globally (WTTC, 2011). Tourism's ability to generate employment in the formal and informal sectors has been cited as one of the key advantages supporting economic growth in developing countries (Sinclair, 1998).

**FIGURE 2.3 Total Contribution of Tourism to Employment**

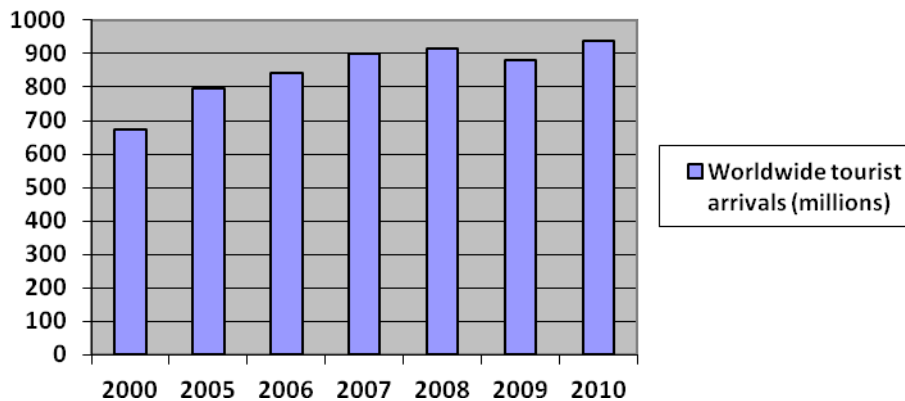


(Source: WTTC, 2011:5)

Figure 2.3 includes the wider effects (i.e. the induced and indirect impacts) as well as the direct impact of tourism's contribution to global employment. As has been noted above, this contribution is expected to grow. Tourism is forecast to support 323 826 000 jobs (9.7% of total employment) by 2021, an increase of 2.5% per annum from current levels (WTTC, 2010).

Figure 2.4 indicates growth in worldwide tourist arrivals from 2000 to 2010.

**FIGURE 2.4 Worldwide Tourist Arrivals**



(Source: UNWTO, 2011: 4)

According to the United Nations' World Tourism Organization (UNWTO, 2011), international tourist arrivals worldwide have shown positive, steady growth of between 4% and 5% per annum in all regions except in the Middle East between

2000 and 2010. According to Keyser (2009), globally international arrivals grew from 436 million in 1999 to 902 million in 2007.

### **2.2.2 The Role of Tourism in Developing Countries**

International tourism is an important way through which developing countries have managed to increase their participation in the global economy (Croes and Venegas, 2008 and Sinclair, 1998). According to the Organization for Economic Cooperation Development (OECD), the Environment Directorate notes that international tourism has a redistributive role in the world economy in that developed countries via tourism transfer income to less developed countries (Keyser, 2009). Jones (2010) states that tourism's contribution to the economics of developing countries is controversial and frequently not measured thoroughly. Within developing countries, key reasons for promoting and sustaining tourism is the expected economic growth through foreign exchange earnings, employment and GDP (Camelia, 2010, Jones, 2010 and Roe and Khanya, 2001). This is evident as Roe and Khanya (2001) found that tourism's contribution to GDP in developing countries has grown by an average of 9,5% per year since 1990 as opposed to a 4.5% growth worldwide. According to Sireyjol, (2011) tourism contributes significantly to aggregate economic development in developing areas such as Vietnam, Thailand, Cambodia, Morocco and Egypt, which accounts for 12% of GDP and total employment. This creates economic and social upliftment, and thus addresses poverty alleviation. It increases the quality of life of a country's people and enhances the visibility of a country within the international scene. This visibility, if used to project positive marketing merits of the country, generates positive potential for tourism growth.

A study completed by Jones (2010) in Mozambique established that tourism contributes significantly to aggregate economic development, employment creation and intersectional linkages. She notes that physical accommodation capacity rose by over 50% per annum from 2000 to 2005, although understanding the dynamics of the tourism sector in Mozambique is difficult due to limited and inconsistent data. Tourism makes a sizable contribution to various developing economies such as Vietnam, Thailand, Cambodia, Morocco and Egypt which accounts for 12% of GDP

and total employment (Sireyjol, 2011). Tourism also contributes to the alleviation of poverty: a study compiled in Tanzania by Muganda, Sahli and Smith (2010) found that macro level benefits from tourism development trickle down to alleviate poverty at the micro level.

Tourism's major role in economic and social upliftment in developing countries is recognized. This redistributive effect also impacts within countries on a regional level, with the result that tourism influences regional economic development (Keyser, 2009). For example, in Nelwamondo (2009), this is seen to be achieved through the New Partnership for Africa's Development's (NEPAD) Tourism Action Plan. This plan recognizes tourism as a sector which contributes heavily to economic regeneration. This will be achieved through increased diversification of African economies and through foreign exchange earnings provided by tourism (Nyama, 2008).

Tourism is also seen as a significant force which homogenises the world, and encourages the restoration, preservation and fictional recreation of cultural attributes (Van Rekom, 2006). Many people travel to gain a deeper understanding of the culture or heritage of a destination (Ivanovic, 2008). Annually 240 million international journeys involve some element of cultural tourism (McKercher and du Cros, 2002). More generally, tourism development enhances the visibility of a country internationally (Sireyjol, 2011). Whether tourism is motivated by cultural, recreational or business demand, this visibility allows exposure to potential economic opportunities between countries as well as the identification of further tourism development.

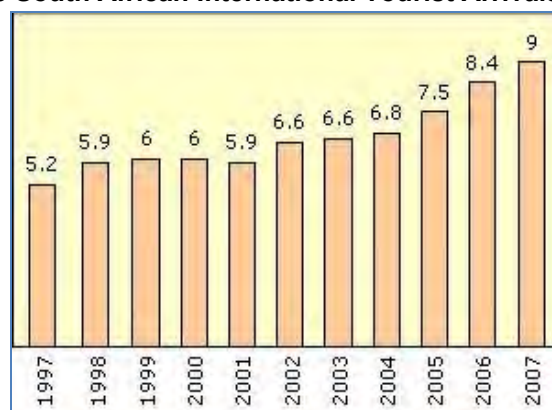
### **2.2.3 Tourism in South Africa**

Tourism's total contribution was R64.5 billion of South African GDP in 2009 and could reach R125 billion by 2015 (South African Government, 2011). There were 8.1 million tourist arrivals in 2010, the year of the FIFA World Cup, a 15.1% increase on 2009 and more than double the global growth of 6.7% (South African Tourism, 2011:1). Tourism's contribution to GDP and employment as well as the increasing

number of tourist arrivals indicate steady growth in South African tourism. This growth is illustrated in Figures 2.5, 2.6 and 2.7.

South Africa is a major participant in the rapid growth of global tourism (Rogerson, 2004). This is indicated in Figure 2.4. In 1994 at the end of apartheid, only 3.9 million visitors arrived in the country as opposed to 9 million tourists in 2007. The increase in the number of international tourists has allowed South Africa to become the most popular tourist destination in Africa (Nyama, 2008:22).

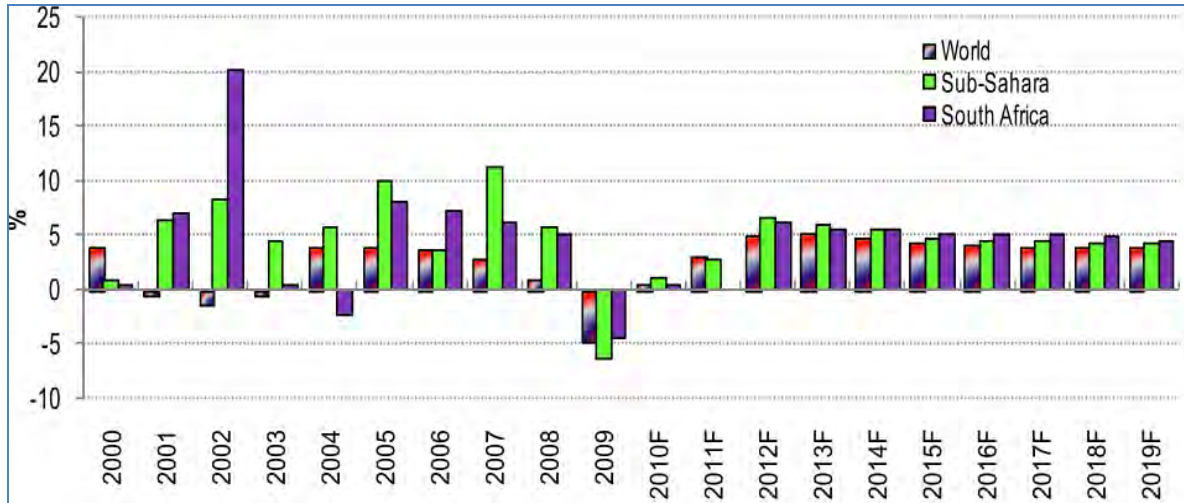
**FIGURE 2.5 South African International Tourist Arrivals (in billions)**



(Source: South Africa info, 2008:1)

According to South African Tourism (2009), domestic and foreign direct spending figures amounted to R83.1 billion in 2006, R80.1 billion in 2007 and R100.1 billion in 2008. This shows a slight decrease in 2007 but a major increase in 2008 in the amount that tourists spent in South Africa. Domestic tourism is the bedrock of the South African tourism sector. Domestic trips account for 70-80% of total tourism volumes and about a quarter of the total value of tourism to South Africa in monetary terms (South African Tourism, 2009). Approximately 14.6 million South Africans undertook about 30 million domestic trips in 2009, with a total annual spend of more than R22 billion. In 2009, 75% of all tourist volume was derived from domestic trips (Klopper, 2007:1).

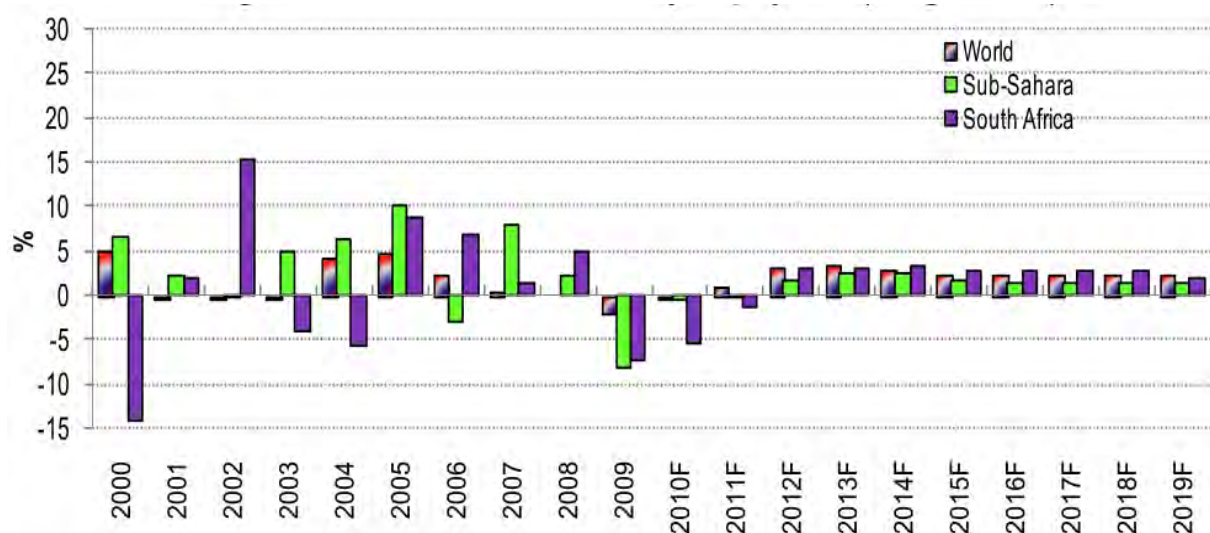
**FIGURE 2.6 Travel and Tourism Economy GDP (real growth, %)**



(Source: Pan African Research and Investment Services, 2010:5)

Figure 2.6 illustrates historical and projected growth in tourism’s contribution to South African GDP. It suggests that there are positive prospects for tourism’s contribution to GDP in South Africa (WTTC, 2009).

**FIGURE 2.7 Travel and Tourism Economy Employment (real growth, %)**



(Source: Pan African Research and Investment Services, 2010:5)

Figure 2.7 illustrates annual changes in travel and tourism employment in South Africa. Tourism contributes both directly and indirectly towards employment in South Africa. It was calculated that employment in tourism stood at 5% of total employment in 1994 and rose to 7.4% in 2008 (Jaco, 1997). Nuntsu, Tassiopoulos and Haydam

(2004:515) found that in South African tourism employment increased from 470 000 in 1994 to 820 325 in 2000. While this fell during the 2008/09 global financial crisis, the WTTC (2009) predicts future growth of South African tourism employment of 2-3% per annum. This is important in a country where unemployment is a major problem. According to Stats SA (2012), 25% (4.4 million) of people are unemployed in South Africa. According to South African Tourism (2009), total employment in tourism was 946 300 in 2007, 1 041 700 in 2008 and there was a 10% increase to 1 145 870 in 2009. Thus this contradicts the WTTC prediction of employment contraction in 2009 and 2010 and is possibly more accurate given the benefits of the 2010 World Cup referred to previously.

South African Tourism (2011) is the national agency responsible for marketing South Africa as a destination internationally and domestically. It promotes South Africa's scenic beauty, diverse wildlife, ecotourism and variety of cultures and heritage while also promoting South Africa as a major global lifestyle destination. The country's rich natural resources are a key asset with significant further tourism and development potential (Williams, 1998). According to Baumgarten and Prosser (2002), South Africa has the potential of becoming one of the world's great new tourism destinations. Tourism has accordingly been earmarked by the government as one of the fastest growing economic sectors in South Africa (South African Government, 2011). Tourism employment creation has as a consequence become the first of five crosscutting national priorities in South Africa (Turok, 2010). In 2010 South African Tourism was recognised as Africa's Leading Tourist Board for the fourth consecutive year at the World Travel Awards (Van Schalkwyk, 2010).

## **2.3 Tourism Policy**

### **2.3.1 What Tourism Policy is Meant to Achieve – Theory and Global Practice**

According to Stevenson, Airey and Miller (2008), policy making is a social process which involves interaction, negotiation and collaboration between people. Policy

measures are designed to ensure that accurate guidelines are followed. According to Tourism for Nature and Development (2010), policies refer to institutional setups that allow governance of tourism development.

According to Dieke (2003), it has been realized that tourism is a “political” phenomenon. There needs to be clear tourism development objectives, integration of these into national plans, local involvement and control, regional co-operation and tourism entrepreneurship (Dieke, 2003).

Tourism brings financial resources into an area, (either as capital investment or as the spending power of tourists), it encourages governments to provide infrastructure in the form of roads, transport systems, water provision and electricity (Telfer, 2002). According to Ademola (2006) and Nel and Goldman (2006), an integrated development plan aims to bring infrastructure related services to the poor and reduce the enormous prevailing infrastructure backlog, with the aim of increasing community participation, improving service delivery and promoting the upliftment of the lives of poor people.

Many sustainable tourism projects fail due to lack of marketing experience and lack of market access. Ultimately, the private sector is the engine for tourism growth, as it contains the experience and the supply chain contacts which allows products to be sold in a sustainable manner within the market place (Tourism for Nature and Development, 2010).

Dumont and Teller (2005) focused on the development of a strategic urban governance framework for the sustainable management of cultural tourism within small and medium-sized European towns. This framework was geared to benchmark tourism policies at the local level and to maximize tourism benefits which enhance heritage diversity and quality of life in order to improve strategies, plans and policies. This shows the importance of producing policies and strategies for tourism development specifically designed for small and medium sized towns.

### 2.3.2 Tourism Policy Development in South Africa

Tourism has been widely acknowledged as a means of stimulating economic growth and development in South Africa (Nuntsu *et al.* 2004). The vision of the Department of Environmental Affairs and Tourism (DEAT) (1996) is to manage tourism in a sustainable manner in such a way that it contributes to the improvement of the quality of life of all South Africans. This is achieved through integrating tourism growth with sound environmental management strategies and by linking job creation, rural development and poverty alleviation (Spenceley and Seif, 2003).

According to White (2004), poverty in South Africa has been realized as a major concern by the institutional and governmental bodies due to the seriousness of the situation. This is illustrated in the section on South African tourism's key constraints in 2.3.3 below. This has resulted in government's development of tourism policy to refocus initiatives in South Africa towards the promotion of pro-poor development, which targets low-income communities, including small towns outside the metropolitan areas (Rogerson and Rogerson, 2010 and Croes *et al.* 2008). Keyser (2009) identified three fundamental objectives of development in South Africa to which tourism can contribute. These include: increasing the availability and distribution of basic life sustaining goods, raising the standard of living and expanding the range of economic and social choices available to individuals.

In July 2010, The South African Department of Tourism (SAT), together with South African Tourism (SATOUR) and the Tourism Business Council of South Africa, launched a National Tourism Sector Strategy (NTSS) (South African Government, 2011). This is a sector wide plan which includes deliverables for all major role players in the tourism sector. The core objectives of this strategy were to:

- Grow tourism's contribution to GDP
- Balance economic imbalances along racial lines through BEE
- Provide people with development and decent jobs
- Promote a culture of travel among South Africans (South African Government, 2011).

An International Tourism Growth Strategy was introduced in South Africa in June 2003. One of the main strategic objectives was to improve the geographical spread of tourism between the country's nine provinces. Another key objective is to market South Africa more effectively in the increasingly competitive global tourism market (South African Tourism, 2010).

According to Nelwamondo (2010), there is no doubt that tourism has become one of the most important focal points for policies to achieve more rapid growth and development in South Africa. The provincial authorities in South Africa are placing a high policy premium on expanding the tourism sector and utilizing tourism as a pathway to development, empowerment and social transformation (Cornelissen, 2008). The South African government has introduced policy measures that assist historically disadvantaged individuals (HDIs) in the industry. According to Spenceley *et al.* (2003) in the post-apartheid period pro-poor tourism policy and programmes have been developed which are geared towards eliminating the legacies of discrimination based on race. According to Rogerson (2004) economic transformation of the South African economy allowed an expansion of ownership by the black majority. This has resulted in South Africa being an international leader in developing practices that support pro-poor tourism (Nyama, 2008).

Tourism must be developed as a strategic industry. The White Paper (1996) emphasizes that unless tourism is viewed and developed as a strategically important industry, the greatest engine of growth for the South African economy and the true wealth-creating potential of the tourism sector will not be realized.

### **2.3.3 The South African Tourism Industry's Key Constraints**

Impediments to further tourism growth and development include unemployment and poverty, economic dependence on the advanced countries and processes that are viewed by the rest of the world as 'underdeveloped' (Rogerson, 1999). Large urban areas have problems with poverty, but the situation is far worse in small towns in the rural areas. White (2004), found "that 68.3% of rural people and 56.9% of rural households were in poverty" in 1995. They also state that in the former homelands

70% of the population is living in poverty. In Nuntsu (2004:22), the Statistical South Africa Rural Survey (1997) found that the Eastern Cape is currently one of the poorest provinces in South Africa as 70% of its 6.2 million people are classified as poor. It also states that the Eastern Cape has the highest unemployment rate at 48.5%.

According to the 1996 White Paper on tourism, the key constraints that face the tourism industry are as follows:

- Tourism has been inadequately resourced and funded
- Limited integration of local communities
- Inadequate tourism education, training and awareness
- Inadequate protection of the environment
- Poor service
- Lack of infrastructure, particularly in rural areas
- Lack of a sound transportation sector that is geared to service tourists
- Lack of inclusive, effective national, provincial and local structures for the development, management and promotion of the tourism sector (White Paper, 1996).

The White Paper (1996) argues that unless such constraints are addressed, tourism development will be a missed opportunity for the vast majority of South Africans.

### **2.3.4 Tourism Policy Development Evolution in South Africa since 1994**

Tourism has been identified as a potential key economic driver for post apartheid SA in several investigations (Rogerson, 2005, WTTC, 2002). According to the Department of Trade and Industry (DTI) and the National Tourism Sector Strategy (2011), tourism is one of South Africa's priority economic sectors. A recent analysis during the period 1998-2002 found that tourism was the only sector which showed positive economic growth in employment and GDP contributions (South African Tourism, 2004). It is therefore important to study the implications of these changes, especially with regards to the social wellbeing of the communities affected by these tourism developments (Nyama, 2008).

The Eastern Cape Tourism Master Plan (2008-2011:99) states that tourism development needs to be economically viable, environmentally sustainable and socially responsible. It states that it is vital to establish tourism as a provincial priority: for example, developing and linking the key tourism offerings in the six Eastern Cape districts into a cohesive and unified provincial strategy in order to generate cooperation and cohesion. Opportunities lie in upgrading existing tourist attractions, investing in core new attractions and marketing the numerous tourist attractions within this province under three or four strong themes or brands. The most important key to success is ensuring strong relationships between provincial and local spheres of government and to ensure a more inclusive tourism private sector (Eastern Cape Tourism Master Plan, 2008-2011).

#### **2.3.4.1 Tourism in GEAR (1998)**

A significant policy development in South Africa was the release of Tourism in GEAR by DEAT in 1998 (Shier, 2001). Tourism in GEAR placed the development of tourism within the Growth, Employment and Redistribution (GEAR) macroeconomic strategy adopted by government in 1996. It emphasized that tourism should be government led, private sector driven, community based and labour conscious (Goodwin *et al.* 2011). One of the major objectives was defining which market the country should target to ensure that tourism was executed correctly (market segmentation is discussed in more detail in section 2.5.6). Tourism in GEAR selected the market segments of high yield international tourists and the emerging domestic market (Shier, 2001). Customer relations was the main focus of this important policy document.

For the tourism sector in South Africa to respond to changing realities in the international tourism market, strategic development is paramount. Recently policy initiatives have focused on three main areas: the development of the national tourism strategy, the development of an international tourism marketing plan for South African Tourism (SATOUR) and the DEAT Law Reform Programme (DLRP) (Shier, 2001).

### **2.3.4.2 National Tourism Sector Strategy (NTSS) (2011)**

According to the National Tourism Sector Strategy, “tourism is one of the areas expected to contribute to the development of, among others, rural areas and culture (craft) by growing the economy and creating jobs” (National Tourism Sector Strategy, 2011:1-2). Tourism is able to strategically strengthen international relations by building socio-economic and political networks. The key tourism investment areas to ensure economic growth are niche tourism development, tourism export development and promotion and airline pricing structure investigation. These areas are targeted primarily for the needs of the youth, women, workers, the rural poor, the elderly and people with disabilities. It is important that South Africa implements this National Tourism Strategy to “ensure that the country’s investment in the 2010 World Cup is fully leveraged to deliver ongoing tourism benefits” (National Tourism Sector Strategy, 2011:3).

There are many issues which this strategy aims to address. Firstly, research information and knowledge management: there is still no national research framework which guides tourism-related research and the lack of a proper database of tourism businesses operating in South Africa. Such a framework would allow clear understanding of the industry’s capacity and demand levels and enable intelligent investment decisions. To address this issue the capacity of the research and knowledge unit to guide and coordinate tourism related research should be enhanced. A database of all tourism assets, electronic and other means to track visitor movements, electronic visitor satisfaction forms for quality assurance and a tourism index to monitor overall performance on an ongoing basis should be developed.

Secondly, the Strategy notes that the 1996 Tourism White Paper objectives have not been properly monitored; they have been misaligned; and tourism is poorly integrated with the development of other sectoral policies. Actions to address these issues includes the creation of a legislative and regulatory environment for tourism development and the promotion and development of measures to ensure tourism resilience and crises management.

Responsible and sustainable tourism are two key aspects which are recognized and promoted in the 1996 White Paper as the most appropriate concepts for tourism development. The DEAT (2002) has identified the importance of prioritizing opportunities for local communities to support the fundamental premise that communities should be involved and benefit from tourism (DEAT, 1996). There are three main guidelines which urge the private sector to carry out the following:

- Develop partnerships and joint ventures in which communities have a significant stake and, with appropriate capacity building, a substantial role in management.
- Purchase locally produced goods and use local services from locally owned businesses wherever quality, quantity and consistency permits. Monitor the proportion of goods and services the enterprise sources from businesses within 50 km and set a 20 per cent target for improvement over three years.
- Recruit and employ staff in an equitable and transparent manner and maximize the proportion of staff employed from the local community (DEAT, 2002:9).

Thirdly, the Strategy notes that there is a lack of collaboration and communication among all tourism stakeholders: for example, between tourism development agencies and non-governmental organisations (NGOs) and between the provincial and local sectors. Actions to address these issues include formalising collaborative and interactive structures between the public and private sectors at national and provincial government levels; developing a framework which clearly stipulates roles and responsibilities for all tiers of government; and encouraging private sector communication forums/associations which facilitate communication between sub-sectors of the tourism industry.

Fourthly, there are irregular budget allocations and no clear understanding within Parliament of tourism impact at national government level. The actions to address this issue are to raise the profile of the tourism industry within Parliament and Cabinet and to engage all other ministries which have an impact on tourism.

### 2.3.4.3 Tourism Programmes in South Africa

Since the publication of the Tourism White Paper in 1996, government and parastatals have promoted tourism which involves the poor and HDIs in tourism development through a number of other programmes. These include:

- The 2010 Cultural Industries Programme: This programme aims to develop cultural production activities which are linked to tourism opportunities in the underdeveloped areas. Supporting and developing festivals such as the National Arts Festival and supporting and developing heritage tourism (Eastern Cape Tourism Master Plan, 2008-2011:111).
- Small Enterprise Development Agency (SEDA): SEDA is the department of Trade and Industry's new agency developed in 2004. It is mandated to implement small business strategy, design and implement a standard and common national delivery network for small enterprise development and integrate government-funded small enterprise support agencies across all tiers of government. (SEDA, 2011).
- Poverty Relief Programme: Administered by the DEAT, this programme aims to administer and manage poverty relief proposals. It focuses on infrastructure investment and new product development, channelled towards emerging tourism growth points and corridors. It aims to create long-term sustainable work opportunities through the support and encouragement of service providers to provide better services either directly to tourists or to tourism business (Spenceley *et al.* 2003).
- Tourism Enterprise Programme (TEP): TEP provides advice and expertise to new entrants into the tourism commercial sector. TEP is funded by the Business Trust which has made R66 million available over four years to facilitate the development of small and medium sized tourism businesses (Spenceley *et al.* 2003).
- Responsible Tourism: DEAT financed the production of the Responsible Tourism Manual. Specific to South Africa, and in line with current international best practice, the manual provides a range of practical and cost effective responsible actions available to tourism businesses and tourism associations (Spenceley *et al.* 2003).

- The Integrated Sustainable Rural Development Programme (ISRDP): The ISRDP Programme highlights a number of valuable proposals for the future development of small towns in which the local government plays a key role. These ideas include: a strong focus on economic development, the integration of sectoral programmes, the need to promote local economic multipliers, the diversification of the local economy and the need for partnerships between public and private spending (Government of South Africa, 2000).
- The New Growth Path (2010) identifies tourism as one of six core pillars of growth.

#### **2.3.4.4 Policy Development in a Local Context: Views on Small Town Policy Development**

Small towns function in a complex web of social, political and institutional dynamics all impacting on their economic development. In small towns, economic and social development includes three main forces: local entrepreneurial initiatives, initiatives from municipal management and supportive intergovernmental relations (Atkinson, 2011). Under the post-apartheid frameworks, local government in South Africa is required to be innovative in promoting economic and social development of localities as well as implementing initiatives which would have a positive impact on poverty alleviation (Rogerson, 1999).

The Centre for Development and Enterprise (CDE) (1996) states that one of the ways of addressing rural poverty is through the optimal use of existing infrastructure and investments found in these smaller settlement areas. However, according to Rogerson (1999), often the rules and regulations prescribe high social and physical infrastructure with standards which are unable to be met by certain areas as a result of resource constraints. Thus, improved policies are needed to enable the majority of the local community to take advantage of opportunities created by tourism development (Muganda *et al.* 2010).

According to Thomas (2000), there has been specific focus on small tourism firms, as opposed to small business enterprises as a whole. Thomas (2000) argues that

within the developing world context, common economic objectives such as increased earnings, foreign exchange, investment, job opportunities and minimizing adverse social and cultural effects may be best achieved through small tourism firms rather than large enterprises. The economic impact of tourism on rural livelihoods has not been adequately researched in South Africa (Reynolds, 2008). Nevertheless, the DEAT has managed a large number of projects which have sought to tackle poverty through tourism development (Goodwin *et al.* 2011). However, according to Atkinson (2010a:14) many government programmes do not penetrate rural areas. In particular, local economic development programmes and poverty alleviation projects such as the Apex Fund (SAMAF), Khula Enterprise Finance, the National Empowerment Fund (NEF), the Tourism Enterprise Programme (TEP), and even SEDA, mandated to implement small business development through government funded support agencies, have had little effect in the rural areas.

According to Rogerson (2005), support for the development of small, medium and micro-enterprises (SMMEs) has been an unremitting theme in national government policy planning in South Africa since 1994. This supports one of the main goals of the ST-EP foundation, as well as the strategic urban governance framework set out by Dumont and Teller (2005) and the 1996 Tourism White Paper.

Government's objective to promote economic development in outlying areas to date is reflected in the Integrated Sustainable Rural Development Strategy (ISRDS). This programme highlights the significance of small towns in that it argues: "Rural towns are critical to the development opportunities of their hinterlands. Provision of key services in rural towns increases the multiplier for incremental incomes, since rural people can spend more of it closer to home" (Government of South Africa 2000: 25).

National policy has not recognized small towns as unique entities requiring special attention. Atkinson and Zingel (2004) state that government schemes are essentially supply side driven policies, which have undermined smaller centres. Examples identified by Reynolds (2008) include:

- Provincial development plans have failed to define and prioritize support for a spatially balanced hierarchy of towns.

- Integrated development plans (IDPs) focus on municipalities and neglect the spatial roles, needs and realities of the towns within them.

However, it is not only the government that has ignored these areas of need. Besides Reynolds (2008), who argues that both research and urban policy have favoured the larger centres, according to Nell and Hill (1997) the field of small town research is an unexplored topic within South African literature. This type of research is important to national and local governments as it provides additional information which, at present, does not gain prominence within government. According to Rogerson (1999), unfortunately research literature rarely touches on the role of municipalities with regard to sustainable informal and micro-enterprises activities. These are the enterprises which constitute the majority of entities within small towns.

According to a study by Skisazana (2011), the tension which exists between private tourism associations, publicity associations, local tourism organizations and local government poses a major challenge within the Karoo. Pre-1994, 98% of the tourism sector was in the hands of white South Africans. Skisazana states that this has resulted in a lack of cooperation between the private and public sectors, particularly at the lowest levels of government (municipalities), creating frustration and leading to the withdrawal and isolation of the latter. Interestingly, 30% of the municipalities that were interviewed did not have any tourism plan/framework/strategy. The threat of the withdrawal of private participation in tourism related marketing activities becomes a reality which increasingly diminishes its development (Skisazana, 2011).

South African Tourism (2010) has emphasized the importance of promoting international tourists to relatively unknown (often rural) destinations. However, there are many difficulties when promoting rural tourism. These include the lack of sufficient skills, finance, entrepreneurship, marketing expertise and reliable market information within local areas (Briedenhann and Wickens, 2004). Rogerson (1999) notes that the international record points to the need for regulatory reform in just about all sectors of municipal responsibilities which impact upon the poor. The required trajectory of regulatory reform is aimed towards less prescription and more flexibility; and simplicity as well as increased transparency regarding enforcement matters.

### **2.3.5 Criticisms of the South African Tourism Policy Formation**

The criticisms of the tourism policy formation in South Africa are emphasized below to highlight key deficiencies in tourism policy development at a local rural level in small towns.

Rogerson (2005) notes that South African government tourism strategies have been put in place but that there are many problematic performance gaps that need serious attention. A study by Goodwin *et al.* (2011) found that government had not converted the principles of the White Paper into a formal system that could monitor sustainable tourism practices. A major constraint exists in that the large enterprises contain power and competitive dominance (Rogerson, 2005). According to a study completed by Cornelissen (2005), the attempt of government in South Africa to spread tourism's benefits have not been as successful as expected, due to institutional and capacity deficiencies.

Seif (2011) found that the benefits have flowed largely to more established, mostly white-owned tourism products and big business. Muganda *et al.* (2010) note that current policies fail to address a number of constraints, such as poverty, lack of education, migration and lack of start-up capital, which affects tourism in small towns and makes it difficult for people to take advantage of the opportunities created by tourism development. Atkinson (2011) argued that many government programmes do not penetrate the rural areas. There are local government capacity problems as well as an over concentration on government expenditure in certain localities.

The above constraints highlight the fact that implementation, especially in rural areas, of tourism related development is not easy. Proof of this is the fact that there has been policy in place for nearly seven years which is primarily focused on such development and yet there is little evidence of this development taking place (Seif, 2011 and Cornelissen, 2005).

## **2.4 Tourism In Small Towns**

### **2.4.1 Small Towns in the International Context**

International literature suggests that there has been a significant decline in small town economic activity and their populations (Reynolds, 2008). According to Pio (2008) and Rogerson (2005), small towns worldwide have experienced economic stagnation/slow growth. They identify three main reasons for small town decline, namely, globalization, demographic changes and agricultural changes in 2.4.3 below. Mattson (1997) also notes that changes in transport technology, competitive pressures from globalization, shifts in the locus of economic activity and the attraction of the city to the young, have profoundly affected the economic viability of many small towns. Small town economic decline has been experienced in many countries across the globe and has been examined through New Economic Geography (explained in 2.4.5) which explains the role that location plays in economic life (Brakman, Garretson and Marrewijk, 2001, Nel, 2005 and Courtney *et al.* 2000).

Collits (2000) indicates that small town population decline is evident in Australia as Brown and Bellamy (2006:58) state that 40% of small towns in New South Wales are in decline. Erickcek and Mckinney (2004), show that this decline is apparent in the United States. A study by NCED (2002) found that small towns in North Carolina in the United States confirm that between 1970 and 2000 all towns with a population below 10 000 experienced population declines. This is creating disparities between small towns and larger urban centres. Small town developmental challenges have therefore been a common trend. This is compounded as people move towards the larger centres in search of employment (Collits, 2000).

According to Kenyon and Black (2001), despite the economic and demographic decline in small towns in Australia, a few towns have shown remarkable economic persistence, stable populations and even growth. But these are exceptions. According to a study in Israel by Krakover (2004), peripheral areas are gaining a higher share of tourism than their counterparts in the central areas. This is due to

increased spatial disparity, also known as trends of divergence. However, the peripheral and central areas shared about equally in tourism income and tourism jobs, although the peripheral areas' share in population is less than 30% (Krakover, 2004:108). According to a further study completed in Israel by Fleischer and Felsenstein (2000:1008), small town tourism impact is small scale and even minimal support can yield substantial economic and social returns. In the rural sector, 82% of all establishments in Israel employ fewer than six people and in the accommodation subsector, 95% employ fewer than three workers. The total value of its output is estimated at \$35 million, which is only 1% of the total tourism output in Israel (Fleischer *et al.* 2000:1008).

Hampton (2005) completed a study in Indonesia, which argues that tourism no longer operates within a top-down approach and is more participatory, benefiting small towns and their local communities.

#### **2.4.2 South African Small Towns**

In South Africa there are approximately five million people living in the five hundred small towns (Atkinson and Zingel, 2004). Approximately 75% of the country's poor live in rural areas, often the hinterlands surrounding small urban centres (CDE, 1996:1). Small towns therefore play a major role in the social wellbeing of the nation. Research into the relationship between small towns, their rural areas and larger towns is important to national and local governments as it provides additional information regarding issues faced by small towns such as poor infrastructure, limited employment opportunities, skills and capital (Nel and Hill, 1998 and Rogerson, 2005).

Contrary to international trends there is a growing appreciation of small towns in South Africa (Atkinson and Zingel, 2004). According to a study on 37 small towns in the Eastern Cape by Nel *et al.* (1997), populations were found to be growing in all of these towns. For example, Aliwal North's population increased from 13 075 to 21 903 between 1970 and 1991. A similar increase occurred in Clarens. However, balanced against demographic growth is the fact that the majority of small towns

were faced with declining economies as a consequence of negative trends in the agricultural and urban economies (Nel *et al.*, 1997). This finding supports the international view on economic decline in small towns. However, the CDE (1996) found Eastern Cape small town economic growth was not all negative; growth was noted in Grahamstown, Kenton-on-Sea and Alexandria. Some small towns thrive as a result of their ability to attract business investment, tourism, recreation and retirement (Reynolds, 2008). The CDE (1996) notes, however, that statistics regarding economic growth in small towns is fairly dated and current GDP data sets are not available at that level. Only once this data becomes available can a definite comparative analysis of economic trends be made.

South African small towns have experienced rapid transformation over the past two decades. Atkinson (2010a) notes that the economic characteristics of small economies include: rapid in-migration of poor people (e.g. farm workers), in-migration of urbanites (e.g. from big cities in South Africa) and out-migration of skilled people. There is a significant dependence on infrastructure expenditure by government, local household expenditure (consumption), social grants and on some peri-urban agriculture. Other characteristics include the spread of local spazas (small home-based shops).

Small town characteristics which pose concerns include: competition for jobs by foreigners which create leakages through sending their income home to their families, leakage of purchasing power to larger centres, weak municipalities (demonstrated in small town policy above), few training service providers and poorly organized business sectors (Atkinson, 2010a). Kenyon *et al.* (2001) found that quality of small town life is unattractive for some members of the community due to factors such as: rapid technology changes, changing lifestyle options and consumer habits, low income and rising debt levels, decline in education and health services, national policy competition and practices (policy not accepted or implemented), deteriorating infrastructure and high family and business costs (Kenyon *et al.* 2001). Although improved technology usually makes a small town more attractive to live in, it is the rural, laid back, slow pace atmosphere which becomes infringed when such technology is introduced and implemented. There is therefore a risk of encountering community resistance to change which can also be reflected in negative attitudes

towards tourism (Davis and Morals, 2004). The problem of poverty in small towns places a major hindrance on social and economic development that is exacerbated by limited basic services, limited employment opportunities and inadequate infrastructure (Pio, 2008).

Atkinson (2010a) notes the advantages in South African small towns. These include: 'sunk' capital (housing, clinics, schools), relatively low crime, good postal and telephone systems, adequate infrastructure (water, etc.), in many cases good road connections, low transport costs, relatively cheap property, peri-urban agriculture, social capital, quality of life and reverse migration (new *creative class*) (Atkinson, 2010a). Reynolds (2008) identified four main reasons as to why small towns are important within the South African context:

- They are situated in areas with the greatest needs
- They can assist with rural development, as they have existing infrastructure
- Facilities need to be utilized to their full potential within these towns
- Development within small towns provides employment to residents

According to Courtney and Errington (2000) and Atkinson and Zingel (2004), socio-economic restructuring has been seen in most South African small towns over the past few years. Courtney *et al.* (2000) found that these changes have undermined the traditional functions of small rural towns. Changes affecting the basic functioning of small towns (Atkinson and Zingel, 2004) include:

- Radical changes in mining techniques and the price of minerals affecting wealthy mining towns
- Many rural rail lines have been closed, affecting rail junctions and mining towns
- Movement towards larger economies of scale due to the shift in agriculture to mechanisation, agri-businesses and the introduction of game farming and conservation
- Change in transport technologies and retail shifts have changed the role of small towns as agricultural service centres in favour of larger cities

Some of these changes are in line with the international small town literature in 2.4.1 and have resulted in clear negative economic impacts. For example, Reynolds

(2008:47) found that employment in manufacturing in Albany, Cradock, Bedford, Somerset East and Pearston decreased between 33 and 50% from 1980-1991. Pearston and Bedford experienced a decline in employment in the agricultural sector of between 34 and 77%. This is primarily the case for small towns that depend on one major industry, such as farming or mining (Reynolds, 2008:47).

This demonstrates the urgency to search for innovative ways in which to participate within a refined global economic context. Examining the current economic status and potential growth prospects of small towns allows the critical identification of the essential growth drivers within small town economies (Reynolds, 2008). According to Halseth *et al.* (2009:293), “as small towns experience economic and social restructuring, many are pursuing tourism opportunities as one component of a more diversified local economic strategy”. A popular example is the tourism-orientated economy in the small town of Clarens. Clarens experienced a total population growth of 127% between 1996 and 2007. Most of this growth is captured in the low-income population category but population growth in the medium and high-income categories was 557% and 1,566%. The estimated annual number of tourists in Clarens is 20 000 per annum and estimated tourism expenditure was R200 million in 2010 (Halseth *et al.* 2000:299).

### **2.4.3 Small Town Growth and Decline**

Rogerson (2005) notes that cycles of growth and decline within small towns are seen as temporary fluctuations. This might explain why some small town localities appear to suffer from economic decline while others continue to grow. Development of a small town's economy depends on a multifaceted set of mechanisms exerting pressure from both the local and the macro level.

According to Rogerson (2005), the three main indicators which have been recognized as causing small town economic decline include globalization, demographic changes and agricultural changes. The globalization of economic activities, increased mobility of the population, new information and communication technology have, to some extent, had a negative impact on small towns. People from

the hinterland are accessing services elsewhere, which is known as “out-shopping” and this causes a decline in local business support. Demographic changes and out-migration of skilled labour due to population decline in many small towns has heightened localized business failure and presents unprecedented challenges for the future of small towns (Nel, 2005). Agricultural changes, including commercial farm consolidation, increasing economies of scale, technological advancements and altered agricultural foci have had a major impact on small towns. Changed environmental conditions and precarious agricultural yields have decreased agricultural production to fewer and larger farms (Courtney *et al.*, 2000). The reduced interdependence between farming and their small service centres has resulted in an increasing concern of the viability of small service centres as the larger, better resourced centres become more favourable (Pio, 2008).

According to Pio (2008), three main indicators creating small town growth are advanced communication and transport technologies, non-economic preferences and business investments in Sponge Localities. The term Sponge Localities relates to the absorption of positive attributes and the release of negative effects. Advanced communication and transport technologies have allowed people and business flexibility to locate to small towns. They have reduced the major problem of distance which has been a limiting factor for many businesses, institutions and people. Non-economic preferences have arisen due to natural urban-push factors which steer people away from the stresses and hazards of city life. Business investments in Sponge Localities occur as a result of people moving into small towns, which creates the need for facilities and businesses to service these people. A snowball effect is created as business attracts business. Some small towns therefore have certain economic advantages compared with the national setting. They may also possess cheap labour, cheap land and infrastructure capacity (Pio, 2008).

#### **2.4.4 Strategic Considerations for Economic Growth in Small Towns**

Donaldson and Marais (2012) recommend a number of strategies to promote the growth of small town economies. These include:

- The investigation of local and regional advantages and the attempt to promote local and regional synergies amongst towns so as to form clusters.
- The creation of public institutions that can help the local economy grow.
- The attraction of private investors from the cities through the creation of attractive marketing strategies in order to sell the area/small town as a 'product'.
- Forming networks between formal and informal enterprises through incentive offerings and the creation, also, of an inclusive economy.
- The provision of effective business support to all local formal and informal enterprises.
- The encouragement of diversification of agriculturalists into the rural non-farming economy, the promotion of local, labour, capital and product markets as well as rural agro processing and industrialization.

The small town potential strength of local integration is of extreme importance when it comes to the development of existing economic structure (Courtney and Errington, 2000). It is important to note that there are no one size fits all recommendations for small towns (Atkinson, 2010a).

### **2.4.5 New Economic Geography**

New Economic Geography (NEG) has been pioneered by three authors, namely, Fujita (1988), Krugman (1991) and Venables (1996). This concept provides an integrated approach to spatial economics. It has allowed already existing ideas (such as safe and cheap ways to ship raw materials) to become more amenable to empirical scrutiny and policy analysis. It focuses on creating clusters or an agglomeration effect in order to generate an even distribution of economic activity and income across space. Clustering refers to the coming together of various businesses within a specific industry (e.g. clothing). This allows companies to be associated with one another, generate knowledge and learn from one another while at the same time forming co-operative relationships. Clustering creates positive externalities and increases returns to scale (Smallbone, Labrianidis, Vesenaar, Welter and Zashav, 2007). It encourages economic interaction between different geographical areas. It also responds to exogenous shocks, such as technological change and policy measures. It generates positive externalities such as knowledge spillovers, market access benefits or inter-firm linkages and increased skills of workers. Other coordinating activities, such as connecting several parts in less developed areas, creates strong linkages, benefits from competitive advantages and production processes (Jones and Kierzkowski, 2003). NEG relates to the discussion on cross border development in 2.6.4.2. Should careful cognisance of NEG be taken and actively applied within the tourism sector, taking full advantage of for example clustering, cross border linkages and promoting co-operation relationships, the possibility for economic growth would be enhanced.

### **2.4.6 Local Economic Development in Small Towns**

According to Nel (2004), Local Economic Development (LED) is a bottom-up type of approach which generally encapsulates micro-economic measures. He notes that LED is based upon “endeavours, innovations and entrepreneurship of local agents who seek to achieve meaningful and sustained economic and social betterment of their local areas” (Nel, 2004:265). Nel (2005) notes that LED in small towns incorporates pro-poor and pro-growth strategies. If small towns are to grow, it is

essential that they engage in place marketing and offer incentives for new growth sectors. Small town LED should support small businesses to encourage economic development and stimulate economic investment by competing and co-operating with other local territories to build a competitive advantage. LED generates an increase in employment, poverty alleviation and the upliftment of previously excluded communities (Nel, 2005).

It is important that there is a strong base on which LED strategies can be built, as LED may not be suitable for the poorest and remotest areas. The National Spatial Development Perspective (NSDP) (2003:6) states that “in localities with low development potential, government spending should focus on providing social transfers, human resource development and labour market intelligence that would enable people to become more mobile and migrate to localities that are more likely to provide sustainable employment or other economic opportunities”. For LED to succeed there needs to be some form of organizational network or networks of relationships that build the social capital necessary for a vibrant society (Pio, 2008). According to Parhanse (2007), LED has the potential to reverse economic decline in small towns, although unfortunately there are still many challenges with regard to implementing some form of LED strategy in South Africa. Pio (2008) states that one of the major challenges with LED is that there is a lack of basic understanding of local economic dynamics. It is also difficult to conceptualize and involves aspects across the spectrum, from large scale investment to basic needs. She argues that this highlights the need for further research and in-depth studies of localised small town economic dynamics.

According to Nell and Goldman (2006), LED strategies in South Africa do not generate significant economic returns. Sustainable long run returns are not always achieved, are usually driven by the private sector and exclude poor local economies. Small centres do not have the resources, skills and experience to provide the levels of services and infrastructure needed to implement effective LED projects (Snowball and Courtney, 2010). Involvement of the local community is very important, such as in small scale LED projects, which allow local people to have a more active say in strategy implementation and design (Rodriguez-Pose and Tijmstra, 2005). According to Dewar (1995:5), “small town development and increased agricultural productivity

are fundamentally integrated: neither can occur in a sustained way without the other". For instance, a town would provide the farming hinterland with farming mechanical equipment and in return the farming hinterland would provide produce and raw materials (White, 2004).

## **2.5 The Tourism System**

### **2.5.1 Introduction**

The two main drivers of tourism are the creation of products and services by suppliers based on the demand derived from tourists for these products and services. How well the supply side matches the demand side is the key to reaching a sound tourism development strategy (Gunn and Var, 2002). Therefore the tourism product cannot be considered as an individual good or service (Rutherford, 2001).

It is thus important to determine whether the expectations of the tourists are matched by the products and services offered by the product owners and whether or not the perceptions of product owners match the needs of the tourists (Prideaux and Crosswell, 2006). This demonstrates the necessity for regular surveying of visitors to an area to develop an accurate data set which may at a later stage be investigated to identify current common trends (Prideaux and Crosswell, 2006).

### **2.5.2 Tourism Demand**

Demand is generally seen as a broad and imprecise term which demonstrates the importance of examining the nature of demand from the tourists' point of view (Rutherford, 2001). Tourists generate demand for certain tourism destinations. The scale and magnitude of this demand changes over time as tourists wish to experience something new as well as expect high quality services and value for their money (Nelwamondo, 2009). According to Lohmann (2004), the consumer is continually confronted with a tourism industry that is changing. Technological innovations, demographic changes and a powerful consumer have to be considered

in policies, planning and marketing. As a result, it is extremely important for destinations to recognize the local and international competition they face and to ensure that their product is highly rated by the consumer (Lohmann, 2004).

Tourism demand is determined by the many factors which motivate people to travel. Demand is often highly seasonal. Every purpose for travel comes with a specific demand, but the most common demand is for accommodation (Nelwamondo, 2009). The change in various categories, which has a major impact on tourism demand, include the economy (e.g. perceived risk of losing one's job, level of prosperity and affordability of travel), politics (e.g. increasing taxation), crises and threats (e.g. terrorism, epidemic diseases and earthquakes), demographic change and technology, globalization of the tourism industry and the drive to offer high quality products and services (Lohmann, 2004). That demand will continue to grow globally and will become increasingly differentiated through greater market specialization. Segmentation is increasingly recognized as a significant factor in tourism demand (Nelwamondo, 2009, Lazarevski and Dolnicar, 2008). It diversifies the scope of tourism demand and has brought about specialization among tourists.

The main tourist market in South Africa is the business travel market. This contribution was R2.3 billion in 2005 (Klopper, 2007:1). Other main travel motives include leisure, recreation and holidays, visiting friends and relatives, professional engagements, health treatments, religious and other pilgrimages and other more personal motives (Nelwamondo, 2009). These travel motives and their identification for a particular area enable tourism establishments to identify particular target markets to which their product and service offerings can be accurately tailored to satisfy tourist demand.

### **2.5.3 Tourism Supply**

Sinclair and Stabler (1997) found that an adequate explanation of the determinants of the supply of tourism is a significant gap in the economics of tourism. Tourism is a composite product consisting of many elements that are necessary for tourism supply, namely, telecommunications, accommodation and transportation. Cooper,

Fletcher, Gilbert and Wanhill, (1993) perceive the supply of tourism to be an amalgam of attractions and support facilities intended to meet the needs of the tourist. The accommodation sector forms the core of the tourism supply chain and is the largest and most common subsector within the tourism industry (Nelwamondo, 2009). This demonstrates the importance of bed nights as a component of tourism supply (Rutherford, 2001).

Destinations need to ensure that they appeal to the tourist through their available products and services. The 'tourism supply chain' demonstrates how different businesses enter into contractual relationships in order to supply services, products and goods and how these goods are arranged into packages/products at the different points along the supply chain. The 'distribution system' allows the supply of tourism to be available and accessible to meet the demands of tourists. The distribution system consists of four components, namely, suppliers of tourism services, distributors of information, travel intermediaries and consumers (tourists) (Nelwamondo, 2009).

Gunn and Var (2002) have identified another four main elements of supply, namely, natural, human, technological and cultural resources. The natural and environmental elements are landforms, flora, fauna, water bodies and air quality. The human element is the built or man-made resources such as infrastructure. These include underground and surface developments, such as water supply systems, sewage disposal, power lines, roads, communication networks and other recreational and commercial facilities. Facilities which support tourist visitation include airports, parking lots, hotels and other entertainment facilities. Transportation such as airplanes, trains, buses and any other modes of transportation are a vital part of the supply chain. Cultural resources and hospitality are further essential elements of tourism supply as it is the people and the cultural wealth within an area that motivates tourism to take place (Rutherford, 2001).

Each of the above large number of influential factors that affect the possible demand and supply of tourism needs to be carefully evaluated and addressed in terms of its importance to the tourist offering and expected demand thereof by the tourist market.

#### **2.5.4 The Gaps Model**

Decisions, actions and strategic input into the development of services (the supply), which increase demand are key factors in generating repeat customers in the tourist market. According to Bennett *et al.* (2003:82), the Gaps Model is “a diagnostic model that helps identify gaps between expectations and perceptions of management, employees and customers”. This model views service quality as the gap between the expected level of service and the customer’s perception of the actual service received. The larger the gap between customer expectations and performance is, the lower the level of perceived service quality. Therefore it is essential that the gap is closed between customer expectations and perceptions of the actual service received. Managers need to ensure that they understand what customers expect from the service experience. They need to identify the barriers which prevent the satisfying of customer needs. This enables the long term relationships to be developed. Customer satisfaction is a prime goal of all service related products as it is linked directly to profitability and tolerance to price elasticity, and makes customers less attentive to competition.

According to Hernandez-Maestro, Munoz- Gallego and Santos-Requejo (2009), the implementation of training programmes is excellent practice. Knowledge is the most important resource in terms of businesses gaining a competitive advantage, particularly in the tourism industry as personal know-how is a key factor of tourism business success. Training has been positively linked to product quality, such as objective quality, customer satisfaction and business image.

A close look at the marketing implications of tourism as a product, from a strategic point of view, is necessary.

#### **2.5.5 Product Marketing Strategy for Tourism**

Tourism destinations need to ensure that they are continuously performing product, process and market innovation. Growth in tourism relies on the basis of fitting the product offerings with the market segment profiles. Furthermore, it requires ensuring

that these customer segments are the target of specific marketing campaigns (Beritelli, Bieger and Laesser, 2007).

A tourist destination needs to create a demand. This is evolved through the creation of a destination personality which is said to have three dimensions: sincerity, excitement and conviviality (Ekinci and Hosany, 2006). Marketing communication decisions which are measurable, like revenue, market share and costs, should be carefully assessed. This enables the marketing communication to be accurately tailored to suit the particular customer segment of choice as per their needs.

### **2.5.6 Tourist Market Segments**

The tourism industry has become increasingly divided into distinct market segments. Different market segments diversified the scope of tourism demand and introduced specialization among tourists (Nelwamondo, 2009). Market segmentation is one of the most popular strategic marketing tools in the tourism industry (Lazarevski and Dolnicar, 2008). Markets can be categorized into groups which have similar preferences. The most popular segments are known as 'target markets'. Strategies which are designed to promote tourism aim to satisfy the special needs, desires and behaviour of these target markets (Mahoney and Gary, 1987). Three main tourism market segments are expanded below, namely, the business market, in-route markets and tourism niche markets.

#### **2.5.6.1 Business Market Segment**

According to Purnell (2004), business tourism is a major source of global tourism growth. "There is great potential for future expansion in business tourism, bringing in significant numbers of high spending tourists who sustain the upper end of the accommodation sector and businesses in conferencing and exhibits" (Purnell, 2004:1). Purnell (2004:1) found that business tourism is worth over 20 billion pounds in terms of its wider economic impact (through associated delegate's expenditures on travel, entertainment, shopping and conference tours). He also found that business transacted at trade events is estimated to generate in excess of 100 billion

pounds per annum. Lee, Reynolds and Kennon (2008) found that an increasing number of establishments have renovated their operations to accommodate business travellers and conference groups. Kulendran and Will (2003) note that international business travel is a very important component of international travel, predominantly in value terms, and has increased along with international trade. This market creates quality, year round employment opportunities, accounting for some 530 000 jobs directly and indirectly (Purnell, 2004:1).

According to Klopper (2007) South Africa approved a comprehensive new Business Tourism Growth Strategy in 2007. The strategy is the result of extensive consultation between the business tourism industry and government, designed to ensure efforts are aligned in respect of the growth of this industry. On average business travellers spend three times more than leisure travellers and up to 40% return to a destination within five years – which supports Purnell’s finding above. Business tourism makes up 5% of South Africa’s total tourism market, with a contribution of R2.3 billion in 2005, and is expected to increase (Klopper, 2007:1).

#### **2.5.6.2 In-Route Market Segment (Route Tourism)**

Route tourism brings together lesser known places, attractions and activities in a particular geographical area (often rural) in order to market them more effectively under a specific marketing theme and improve management and conservation of heritage assets (Snowball and Courtney, 2010). These routes allow visitor spending to be dispersed from developed centres to less developed areas by increasing the appeal of sites in such areas through collective marketing, increased spending and length of stay. This also increases sustainable tourism development by preserving heritage resources for future generations (Meyer, 2004 and Rogerson, 2009). Some global examples of successful tourism routes include: The Queensland Heritage Trails Network in Australia, Santiago de Compostela Pilgrims Way in Europe, Route 66 in USA and Heritage Trails in the Czech Republic (Snowball and Courtney, 2010).

Route tourism has the ability to assist with local economic development (LED) in small towns, create employment opportunities, and allow poverty alleviation and the

social and economic inclusion of previously excluded communities (Snowball and Courtney, 2010). Well known routes in South Africa include: The Midlands Meander in KwaZulu-Natal, the Magaliesberg Meander in Gauteng, the wine routes in the Western Cape, the Zulu Heritage and Cultural Trail in KwaZulu-Natal and Route 62 in the Little Karoo (Rogerson, 2007, Hall, 1998 and Snowball and Courtney, 2010).

### **2.5.6.3 Cultural Heritage Route Tourism**

The National Heritage Resources Act (Act 25 of 1999) and the Provincial Heritage Authorities Act state that heritage resources and their management are expected to be included in economic development strategies (Snowball and Courtney, 2010).

McKercher and Du Cros (2002) note that today, arguably, cultural tourism has overtaken ecotourism as a “trendy” tourism term. They note that between 35 and 70% of international tourists are now considered cultural tourists. The growth of cultural tourism has emerged as a result of the emergence of a broader society, and wider appreciation of the need to protect and preserve cultural and heritage assets. According to Bowitz and Ibenholt (2009), there has been an increased political focus on cultural heritage. This is due to a higher public interest in the ability of heritage tourism to stimulate economic activity within regions where economic activity is low. Snowball and Courtney (2010) found that the promising combination of tourism and LED has increased heritage tourism within developing countries.

### **2.5.6.4 Niche Market Segment**

Novelli, Hose and Hall (2005) argue that niche tourism is largely borrowed from the term niche marketing. He notes that the term ‘niche’ refers to an optimum theme, which an organism can exploit according to its resources in the presence of its competitors. A study by Lohmann (2004) suggests that with increased globalization a growing number of tourists seek high quality experiences where they prefer to engage with and be involved in what the destination has to offer. Novelli *et al.* (2005) found that tourists have become increasingly interested in focusing upon specific

activities such as discovering, experiencing, participating in, learning about and being intimately included in the everyday life of the destination.

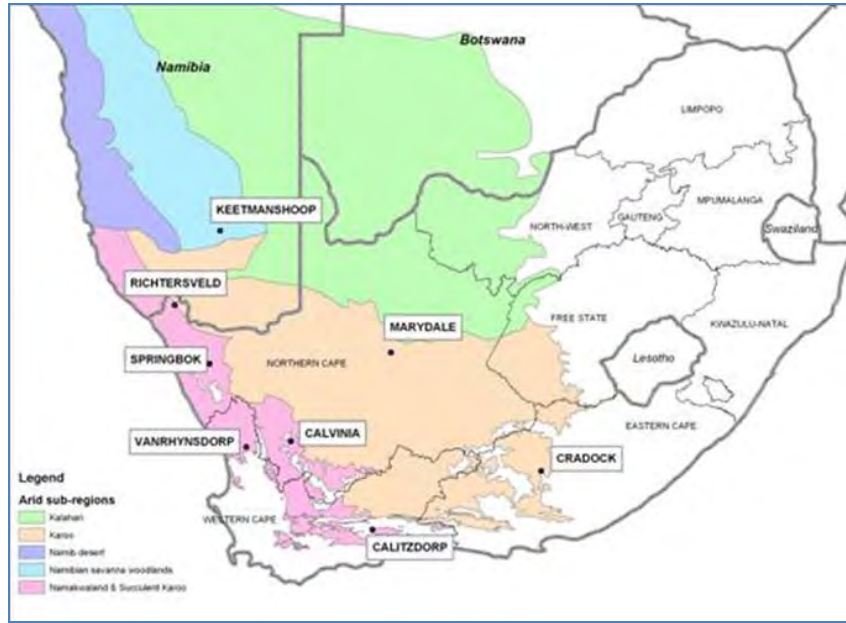
There is also a geographic dimension for locations that have highly specific features, for example, the Australian Outback which is famous for its desert tourism. From an international perspective, “the supply of desert tourism products has visibly increased and been offered to a wider market over the last decade or so. The appeal of deserts can largely be explained by the travellers’ quest for simplicity and well-being” (United Nations Environment Programme, 2006:6). When destination managers and planners seek to use tourism for potential economic development, this niche tourism approach offers great advantages and opportunities.

Niche tourism can be seen as a refashioning of modernity or a move towards post-Fordist Economies (Novelli *et al.* 2005). There has been an economic and social shift in the way in which tourism is being consumed and produced. People are becoming more discerning in their choices of destinations (Burger, Dohnal, Kathrada and Law, 2000). According to a study completed in Clarens by Venter, Campbell, Gouveia, Myburgh and Marais (2010), an increasing number of city dwellers want to experience remote areas such as the Karoo which have increasingly positioned themselves to fulfil this demand.

## **2.6 Karoo Tourism**

The Karoo comprises 35% of South Africa’s landscape, which is displayed in Figure 2.8 below.

FIGURE 2.8 Satellite Geographical Location of The Karoo



(Atkinson, 2010:2)

The shaded areas represent the arid sub regions, with the Karoo covering parts of four provinces: the Western Cape, Eastern Cape, Northern Cape and the Free State.

### 2.6.1 Introduction

The Karoo is a semi-desert plain which is about 500 by 500 kilometres in size with, according to Atkinson (2010), immense development potential. This potential includes ecotourism, game farming, hunting, development of nature reserves, an increased focus on cultural heritage (rock art) and fossils, the development of astro-tourism, artists and mining (uranium), the recognition of its vast area and the fact that it offers the advantage of solitude through silence. Recent studies have demonstrated that tourists seek this unique experience that the Karoo has to offer, which their everyday lives cannot offer. According to Nel *et al.* (2008) this unique experience refers to the geographic marginality which is most evident in the geometric and environmental uniqueness of the extensive arid and semi-arid areas of the world, such as the South African Karoo. Greater promotion of attractions, improved facilities, coordination and cooperation between the product owners and the development of unique community-based products and services will result in greater benefits for local communities in this region (Atkinson, 2010).

According to a study by Skisazana (2011:8), 90% of municipalities in the Karoo regard tourism as a key factor in development. Skisazana also states that municipalities in the Karoo indicated that the tourism attractions in the Karoo include: national parks, tourist towns, national monuments, heritage sites, geographical attractions and historical attractions. Nilsson (2002) states that the magnetism of the countryside lies in what urban life cannot offer. Throughout the world, open spaces are now commanded as a premium. The Karoo's emptiness and semi-desert characteristics have become a significant attraction.

Ingle (2010) suggests that South Africa's Arid Karoo has been transformed in the public eye from a perceived liability into a tourist asset. A number of enterprising niche tourism operators have allowed themselves to profit from this phenomenon (Ingle, 2010). There is a growing phenomenon called 'reverse migration', where middle class city dwellers have decided to move to the rural areas. This had a ripple effect in that it brings new sources of capital, expertise and developmental initiative (Ingle, 2010).

The distinctive environment of the Karoo is visited by many ecologists, geologists, botanists, archaeologists, palaeontologists and holidaymakers from across the globe to study and discover this distinctive environment (Deal, 2002). The Karoo has earned its reputation as the world's only biodiversity hotspot which is entirely arid (Braun, 2009). It is important to realize that non-ordinary experiences are the essence of this type of tourism (Van Rekom, 2006).

The Karoo's old industries such as wool, mutton and mohair are still viable and thriving today. New industries include: tourism, game farming, astronomy, desert crops (olives, pomegranates, figs, agave) and indigenous plants (hoodia, buchu). These generate both capital and revenue which further enhances the economic benefits of the region (Atkinson, 2010).

## **2.6.2 Tourism in the Little Karoo**

There are no accurate figures regarding tourism and there is a limited amount of literature on this region's emerging tourism market. However, according to Gelderblom (2006), over the past five years there has been a large expansion in the number of tourists that have visited the Little Karoo. There has been a major growth in tourism establishments as well as a significant increase in property prices. For example, ten years ago only two places provided accommodation in Calizdorp, while in 2006 there were 44 members of the local tourism bureau. However, Gelderblom (2006) notes that there has to date been very little marketing of this emerging tourism market. This is despite the fact that agriculture is becoming more difficult and so tourism is increasingly seen as the key development strategy in this region.

## **2.6.3 Strategic Initiatives for Tourism Growth in the Karoo**

Strategic initiatives for tourism growth in the Karoo are currently addressed through, amongst others, the following two strategies: The Arid Areas Programme and Cross-Border Collaboration Development. Each of these initiatives provides options of strategic input for the development and growth of tourism in the Karoo.

### **2.6.3.1 The Arid Areas Programme**

According to Atkinson (2009), this programme is focused on the socio-economic development in all arid areas including the Karoo. The hinterland in South Africa is considered underdeveloped when compared with that of the Australian Outback. It is evident that economic modernization has largely passed by these vast areas. Unfortunately these areas are now facing major developmental challenges that involve rapid urbanization, migrations from the east to the west into more populous areas of the Karoo, restructuring of agriculture and the profile and functioning of towns, economic marginalization and structural poverty. Research into resultant social, economic and political issues has been neglected. Scientists have recognised the urgency to link ecological research with social and economic research,

predominantly in the light of changes in land use by commercial and emergent farmers (Atkinson, 2009).

### **2.6.3.2 Cross- Border Development**

According to Donaldson and Marais (2012), a major missing link in South African developmental planning is a lack of cross-border communications and interaction. Provincial boundaries have often led to turf battles and therefore prevented the identification of common goals and new development solutions. One of the main concerns is to secure a level of balanced development amongst advanced and backward regions. This would allow the assistance of regional policies to develop economic opportunities and balance national development outcomes (Atkinson, 2010d).

Regional development requires measures that will stimulate growth poles. This would in turn generate spread effects through investment, leading to cumulative growth. The point of departure for policy makers would be to identify the possible developmental strategies per type of region. This would allow informal boundaries to receive a degree of popular recognition (Pezzini, 2001).

## **2.7 The Tourism Accommodation Sector**

### **2.7.1 Introduction**

Sharpley (2000) notes that the quantitative and qualitative nature of the supply of accommodation has a direct influence on the overall success and development of tourist destinations. This is confirmed by Nelwamondo (2009:1) and Callon, Miles and Muniesa (2007:21) who note that the “accommodation sector is one of the most important sectors of the tourism industry”.

Accommodation is the base from which tourists can engage in their stay at a particular destination. It is the largest and most distinctive sub-sector within the tourism industry (Rogerson, 2005). Sharpley (2000) notes from the experience of

Cyprus, that failure to plan and control the accommodation sector was a key factor in official objectives for tourism development not being achieved.

### **2.7.2 Tourism Accommodation and its Role in the Tourism Industry**

According to an economic impact study of visitor spending in Scotland by Stabler (2000), the benefits that tourism generates in terms of income and employment accrue primarily to the accommodation sector. Accommodation typically accounts for one-third of total trip expenditure (Sharpley, 2000:275 and Nelwamando, 2009:40).

Small town accommodation studies have shown growth for tourist accommodation. For example, a study in Israel by Krackover (2004:106) found that the income generated from accommodation in the peripheral areas grew from \$488 million in 1991 to \$587 million in 2000. He also found that total demand for accommodation bed nights in peripheral areas increased from 49% of total demand (6.6 million bed nights) in 1991 to 59% of total demand (9.4 million bed nights) in 2000 (Krackover, 2004:102). The total number of jobs provided by the accommodation sector has also increased in total from 10 884 in 1995 to 11 492 in 2000 (Krackover, 2004:108). A study in Cyprus by Sharpley (2000) also found a major increase in the number of beds from 3 976 in 1975 to 84 368 in 1997. A study in US by Emerick and Emerick (1994:24) found that B&Bs had a 25% repeat rate and an overall occupancy rate of 45%.

This growth implies that the socio-economic impacts of the tourism accommodation sector to employment and income are widely spread within smaller communities (Krackover, 2000). A study compiled in Perth by Alonso (2009) emphasizes the critical value of collaborative relationships between accommodation establishments. This was supported by Smallbone, Labrianidis, Vesenaar, Welter and Zashav, (2007) in their discussion on clustering, where companies are encouraged to be associated with one another, thereby taking advantage of positive externalities and their resultant increases in returns to scale. This ensuing “cross-border” linkage generates synergistic benefits and thus enhances and generates long-term successes. It enhances a destination’s image, which builds an attractive reputation through positive word of mouth and this in turn ultimately increases returns.

A study by Beaver (2002) found that the growth of small tourism accommodation is often affected by the supremacy of the large enterprise (hotels), which remains the dominant sector within all tourism enterprises. As the tourism sector has grown over the past few decades, the emergence of the 'new tourist' has led to new types of demand dynamics. These new demand dynamics (e.g. niche markets) mean that smaller accommodation establishments have become more sought after than the large establishments (Shier, 2001).

Nelwamondo (2009) notes that tourists today prefer different types of accommodation facilities, including B&Bs, guest houses, resorts, caravan parks and lodges. He states that these facilities offer different experiences, which have become extremely popular for those tourists seeking something new. These operations are usually small family owned businesses. A study in the USA by Emerick and Emerick (1994) found that B&Bs are a fast growing and maturing industry. According to Popova (2006), the great value for money, comfortable and homely atmosphere and personalised service offered by B&Bs and guest houses generate positive perceptions and promote positive word of mouth exposure for small accommodation establishments. Lee *et al.* (2008) found that the two main marketing strategies for B&B operations were word of mouth (98.9%) and brochures (89.7%).

Nelwamondo (2009) found that 82% of tourist respondents used small accommodation establishments. This highlights the urgency to apply special attention in terms of strategic development and promotion of small establishments.

### **2.7.3 Accommodation as a Tourism Product**

It is generally not the accommodation provided in a location that attracts the tourists, although these establishments provide support services that are the core element of the tourism industry. The wider tourism product is what the tourist desires to experience. The accommodation product needs to be well positioned or located (Nelwamondo, 2009). It needs to be accessible in terms of transport, information technology and infrastructure, providing maximum access to attractions, facilities, entertainment and recreational opportunities. Although the standard of the

accommodation establishments and the services delivered by them need to meet the requirements of the tourists, it is important to be aware that the attractiveness of the product attracting the tourists is of paramount importance (Nelwamondo, 2009).

#### **2.7.4 South African Accommodation Sector**

A special feature of the South African Tourism economy, since the end of apartheid, is the overwhelming increase in the number of tourism enterprises (Rogerson, 2004). In Nuntsu *et al.* (2004:516), Woodgate (1998) states that there are no exact statistics that show the extent of their growth as many of these establishments are not formally registered, although the number of B&Bs is said to have increased from approximately 4 000 to 5 000, even up to a more optimistic figure of 8 000. Nuntsu *et al.* (2004) note that the number of B&Bs was expected to grow, particularly in the rural areas. According to the National Tourism Sector Strategy (2011), due to the significant growth in tourists since 1994, the number of hotels in key locations such as Johannesburg, Cape Town, Durban and Pretoria has increased. They accommodate a growing number of tourists and the growth in occupancy rates has been robust. The list of types of accommodation that tourists can choose from is extensive. It includes hotels, motels, B&Bs, guest houses, lodges, caravan parks, resorts, time share accommodation, accommodation for back packers (Popova, 2006). South Africa competes on an international level in order to keep up with international standards. South Africa has some of the best hotels in the world, although they are also among the most expensive (Nelwamondo, 2009).

Prior to 2004, foreign travellers perceived South Africa as a value-for-money destination. This was as a result of the weaker rand which made it possible for tourists to enjoy cheap high-class holidays. According to Popova (2006) the stronger rand in recent years has resulted in overseas tourists as well as locals staying at B&B type establishments that are reasonably priced.

### **2.7.5 The Accommodation Sector in the Karoo**

The accommodation sector has been the main driver of tourism in the Karoo. According to Atkinson (2010), this originated with overnight stays of travellers between the main cities (Johannesburg, Bloemfontein, Cape Town and Port Elizabeth). According to Gelderblom (2006), the number of tourism establishments in the Little Karoo has grown in recent years. Gradually, the accommodation sector has positioned itself to become more sophisticated, to attract a more sophisticated clientele, to offer better services, and to encourage tourists to stay longer than one night, with sufficient activities to keep tourists busy for at least one day. However, there appears to be a greater increase in accommodation availability as opposed to diversification of activities (Gelderblom, 2006). Some towns, such as Colesberg, Cradock, Graaff-Reinet and Beaufort West already have more than 1 000 beds available. According to Myles (2008) the total number of tourist bed nights sold per annum over 2006/2007 in the Inxuba Yethemba area, which is part of the Chris Hani District in the Karoo, is calculated to be 95 840. While this is only 0.52% of the total Eastern Cape bed nights and 0.044% of the total SA bed nights it is an important economic benefit for the area. Although small on a national level, it could be the start of something more significant if it allows the towns to eventually become destinations in their own right (Atkinson, 2010).

### **2.7.6 Challenges Facing the Small Scale Accommodation Sector**

According to Buhalis, (1998:324), “despite the numerical dominance of tourism economies in most parts of the world, small tourism accommodations lack a lobbying voice within the matrix of stakeholders as the destination”. Nelwamondo (2009) notes that niche marketing has been identified as one of the best possible strategies to meet the new tourism demand. She also notes that these small establishments lose out to stronger voices of large enterprises which are more organised, connected and are claimed to be competitively priced. This creates an extremely competitive environment where establishments don’t work together, but instead often threaten each other’s viability and survival. Thus the South African DEAT (2004) states that while there are economic tourism successes, these entrenched inequalities between large and small centres seem to constantly characterise the South African economy.

## **2.8 Graaff-Reinet – The Case Study Town**

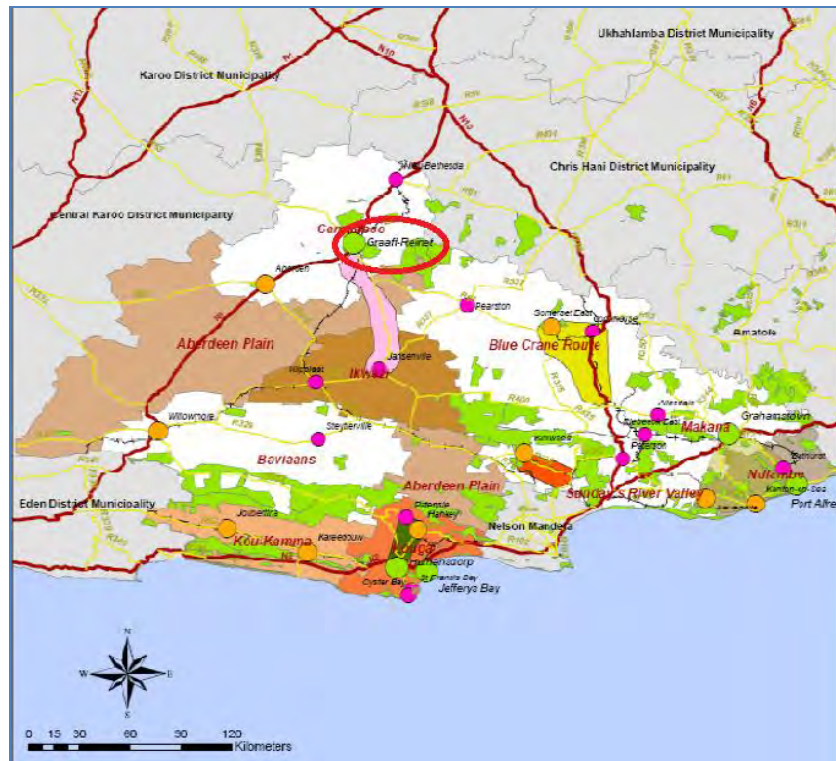
### **2.8.1 Introduction**

According to Atkinson (2011), Graaff-Reinet, like many other small towns in South Africa, is quietly booming. She found that after decades of decline, it has increasingly built up its economic momentum based on a range of competitive advantages such as its geographic location, cultural history and variation of heritage sites, thus making it a town well worth researching, monitoring and evaluating. What can be learned and applied in other similar small towns?

Graaff-Reinet, being one of the key focus areas of this study, is described in detail in the sections below. In order to ensure a comprehensive explanation is given, these sections will not only give a financial and statistical economic perspective and detail business profiles and trends, but will also provide an historical overview. They will outline descriptive information of the town from a tourist perspective which identifies Graaff-Reinet as a tourism product with all its related tourist product offerings. Finally, they will give attention to the sector from which the data was gathered – the accommodation sector.

## 2.8.2 A Overview of Graaff-Reinet / Camdeboo Region

Figure 2.9 Satellite Geographical Location of Graaff-Reinet



(Camdeboo SDF Review 2012:14)

Graaff-Reinet is situated in the geographic centre of the Camdeboo area which is illustrated in Figure 2.8.2.1 above. The town lies in a horse-shoe bend of the Sundays River and is surrounded by the Camdeboo National Park, which extends for 19 405 hectares.

According to the Camdeboo Municipality IDP (2007/08-2011/12), its location is favourable and Graaff-Reinet is acting as a “sponge locality” as it is playing a progressively more important central function to other nearby towns. For example, according to Pio (2008), Graaff-Reinet offers a wide range of goods and services at often more competitive prices. These are all characteristics which bode well for encouraging an enthusiastic competitive environment, which is good for economic growth.

The socio-demographic status of the Camdeboo area, within which Graaff-Reinet falls, is thus significant to the town. This data is derived from the 2001 Census (Stats SA), 2007 Community Survey (Stats SA) or the 2005 Household Survey. A brief breakdown of the statistics is as follows:

**TABLE 2.1: The Population by Race of Graaff-Reinet**

<b>Race</b>	<b>Percentage (%)</b>
Indian/Asian	0.01%
White	9.55%
African	22.12%
Coloured	68.31%

**TABLE 2.2: The Overall Age Profile of the Population of Graaff-Reinet**

<b>Age</b>	<b>Percentage (%)</b>
Youth	32%
Children	32%
Elderly	8%
Middle Age	28%

**TABLE 2.3: The Education Levels of the Population of the Camdeboo Region**

<b>Education</b>	<b>Percentage (%)</b>
No schooling	6.00%
Some primary	18.62%
Completed primary	6.84%
Some secondary	56.31%
Grade 12	9.61%
Certificate with Grade 12	0.36%
Diploma with Grade 12	0.65%
Post matric in total	1.61%
Bachelor's degree	0.72%
Bachelor's degree & diploma	0.12%
Honours degree	0.64%
Higher degree	0.13%

(Myles, 2008:165 – Source: Stats SA, 2007 Community Survey).

The population increased from approximately 25 000 in 1970 to almost 35 000 in 2004 (Atkinson, 2011:7) and to nearly 63 000 in 2010. Minnaar (1987) in Atkinson (2001) drew attention to the rapid change in the farming population which almost halved from 8 273 in 1970 to 4 579 in 2001.

Atkinson (2011) found that Graaff-Reinet has recently experienced a major revival in South African and international tourism. As Davis and Morales (2004) mentioned earlier, all small towns are trying to obtain a share of the global tourism industry as towns drawing resources such as tourism have flourished.

The town is very well known for its heritage and architecture and has more proclaimed national monuments than any other small South African town (monuments listed below). Graaff-Reinet is the fourth oldest town in South Africa (Integrated Development Plan, 2010:5), which would account for the heritage and cultural, historical credits.

### **2.8.3 Economic History of Graaff-Reinet**

During the apartheid years, Graaff-Reinet was a typical white-controlled town which consisted of a white business district and white suburbs with a black township called Masizakhe and a coloured suburb called Kroonvale. Only whites were allowed to own businesses, which made the white population a crucial factor in determining the local economic dynamism. In Atkinson (2011:4) Cook (1972:52) found that the white population fell from 30% of the population in 1960 to 15% in 2001. This was mainly due to rapid in-migration of coloured and black people. This resulted in a very narrow economic base left to support an escalating local population. Nonetheless, Graaff-Reinet was one of the few small towns which were able to hold their own as a service centre, unlike most other rural and hinterland areas in South Africa.

However, according to Global Insight (2006) in Atkinson (2011:9) and Pio (2008), the proportion of people living in poverty in the area increased from 29% in 1996 to 36% in 2001. Pio (2008:99) found that the unemployment rate in Graaff-Reinet increased from about 29% in 1996 to about 38% in 2004. 63.7% of individuals of employable

age (15 to 65) are either not economically active (46.9%) or unemployed (16.7%). Global Insight (2006) also found that the gini co-efficient, which measures the inequality among values of a frequency distribution (e.g. levels of income), increased from 0.59 in 1996 to 0.61 in 2001.

Even though Graaff-Reinet is suffering from increased inequality and poverty levels it is simultaneously experiencing local market growth. Pio (2008) states that Graaff-Reinet's poverty statistics are considerably lower than other surrounding small towns as well as when compared with the nation average, which illustrates that the town is relatively healthy economically. According to Pio (2008), there has been a significant in-migration of middle and upper income earning people into the town. This has resulted in increased buying power, increased economic stability and property value increases. The influx of people results in an increase in demand for accommodation.

Even though there has been an influx of poor people as well as an increase in wealthy people leading to a widening of inequality, according to Atkinson (2011:9), Graaff-Reinet's Human Development Index (HDI) increased from 0.53 to 0.56 between 1996 and 2001 HDI measures basic life expectancy, literacy and income. This result proves that the general standard of living in Graaff-Reinet has improved.

#### **2.8.4 Business Profile of Graaff-Reinet**

According to Atkinson's 2006 business survey, Graaff-Reinet has recently experienced steady growth in the number of businesses. This survey found that there were 42 business owners and managers who had lived in Graaff-Reinet for less than five years. This result suggests an extensive recent in-migration. The economy in Graaff-Reinet has experienced steady growth with an increase in enterprises from about 200 in 1970 to about 300 in 2006 (Atkinson, 2011:11). According to Toerien (in Atkinson, 2001:12), by 2008 the number of businesses in Graaff-Reinet had increased to about 329. Pio (2008) found that these results show a significant and sustained increase of about 50% in the number of businesses over the past 38 years.

The business survey compiled in 2006 by Atkinson (2011:12) found that 60% of the businesses maintained that their client base had increased. This was due to increased local purchasing power and demand (26%), improved customer services (21%), improved publicity (14%) and an increase in tourism (8%).

The main problems identified in this survey which prevented an increase in the number of clients were an intense increase in competition (18%) and a lack of demand (11%). Other problems included crime (7%), too little capital (7%), lack of publicity (6%), cost of supplies (4%), government regulation (3%), inadequate training (3%), poor quality of labour (3%) and the remoteness of the town (2%). These results show that Graaff-Reinet faces a number of structural difficulties which hinder its economic growth potential. However an increase in competition can be regarded as a positive consequence of business growth. Pio (2008) also found that Graaff-Reinet's inability to attract further economic investment is strongly related to the shortage of water and the position of the town relative to larger markets, harbours and airports.

**TABLE 2.4: The Employment Status of Employable Age (15 to 65) in the Camdeboo Municipality, 2007**

<b>Employment Status</b>	<b>Percentage (%)</b>
Not Economically Active	46.9%
Unemployed	16.7%
Employed	36.3%
Total	100%

**TABLE 2.5: For the 36.3% who were Economically Active, the Spread of Activities was in the Following Areas:**

<b>Activities</b>	<b>Percentage (%)</b>
Wholesale and retail trade	17.98%
Community	14.68%
Manufacturing	7.18%
Construction	6.98%
Financial, insurance, real estate and business services	5.15%
Transport, storage and communication	2.32%
Agriculture, hunting; forestry and fishing	2.18%
Other and not adequately defined	10.63%
Unspecified	32.38%

(Myles, 2008:165 – Source: Stats SA, 2007 Community Survey).

Further detail indicating the types of businesses in Graaff-Reinet as well as the turnover of each of the sectors studied is shown in the following tables.

**TABLE 2.6 The Types of Businesses in Graaff-Reinet, 1970 and 2008**

**Types of businesses in Graaff-Reinet, 1970 and 2008**

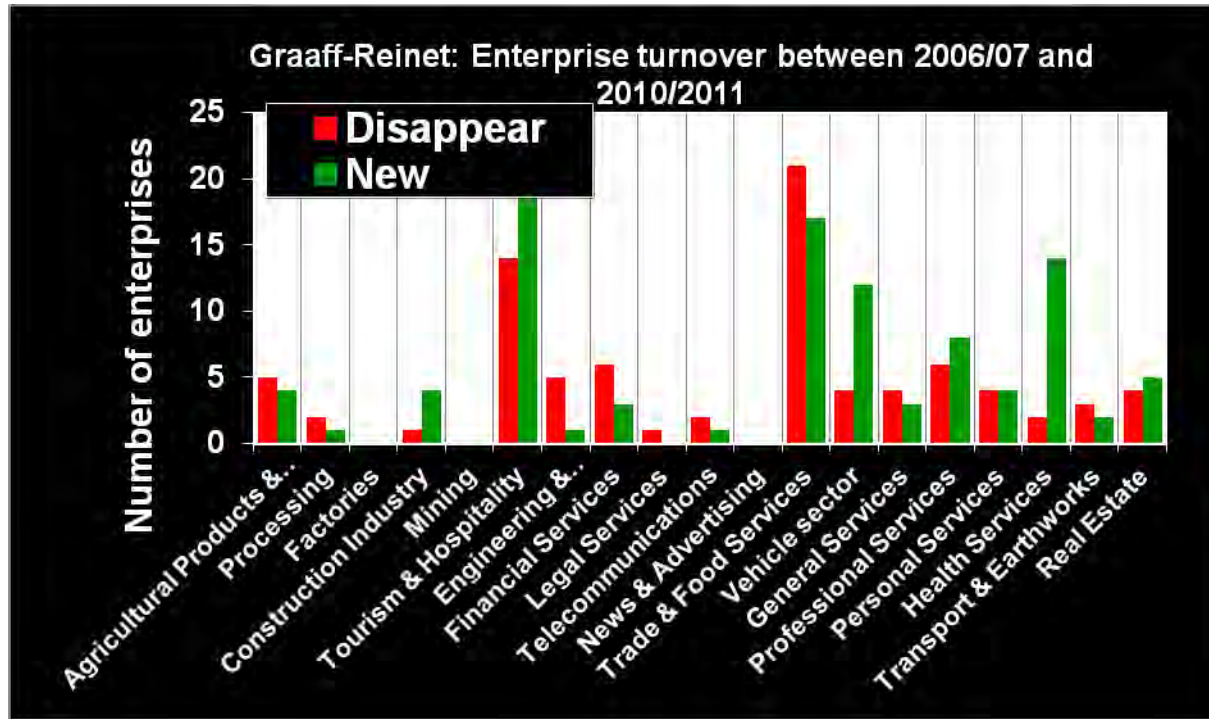
	1970 Number of businesses	1970 Percentages	2008 Number of businesses <sup>6</sup>	2008 <sup>7</sup> Percentages	Trend, in terms of economic share
Agric prod's & Services	1	0.5	20	6.1	Increase
Processing Plants	3	1.3	8	2.4	Static
Factories			1	0.3	Static
Construction	11	5	15	4.6	Static
Tourism & Hospitality	11	5	54	16.4	Large increase
Eng. & Tech Services	4	1.8	11	3.3	Increase
Financial Services – banking and insurance	42	19	21	6.4	Decline
Legal Services	4	1.8	4	1.2	Static
Telecommunications	-		3	0.9	Increase
News & Advertising	-		2	0.6	?
Trade	80	36.6	76	23.1	Decline
Vehicle industry	7	3.2	28	8.5	Increase
General Services	30	13.7	19	5.8	Decline
Professional Services	9	4.1	13	4.0	Static
Personal Services			18	5.5	?
Health Services	11	5	17	5.2	Static
Transport & Earthworks	1	0.5	10	3.0	Increase
Real Estate	4	1.8	9	2.7	Increase
<b>TOTAL</b>	<b>214</b>	<b>99.3</b>	<b>329</b>	<b>100</b>	

(Atkinson 2011:18)

Table 2.6 reveals that nearly all business sectors in Graaff-Reinet have shown growth in the absolute number of businesses, which indicates an increase in the size of the local economy. Tourism and hospitality establishments have grown significantly, which reflects positively on Graaff-Reinet's growing status as a tourism destination. This industry grew from 5% of the number of businesses in 1970 to 16.4% in 2008. This corresponds with Minnaar (1987:71) in Atkinson's (2011:19) paper which states that: "Besides the attempt to establish industry in Graaff-Reinet, the only really successful industry has been the growth – especially in the 1980's – of the tourist industry upon which much of Graaff-Reinet's posterity has become dependent."

The Camdeboo SDF Review (2012:77) stated that Graaff-Reinet stands out as a rural town that is successfully developing its tourism potential. It states that “investment should target areas where the economic opportunities and returns are greatest, i.e. Graaff-Reinet”.

Figure 2.7 Graaff-Reinet: Enterprise Turnover between 2006/07 and 2010/2011



(Toerien and Seaman, 2012:7)

The graph above has been used with the permission of DF Toerien (see Acknowledgements). It shows the enterprise turnover in Graaff-Reinet between 2006 and 2011. The number of disappearances and new enterprises was in good balance. The turnover rate of 27.9% was the highest compared with the other 11 towns that were looked at in the Karoo, which reflects a very competitive environment. It shows that the most dominant entrance of new enterprises is within the tourism and hospitality industry. The vehicle sector, professional services and health services have also experienced a large number of new enterprises. For agricultural products, engineering and financial services, and trade and food services the number of enterprises that have disappeared exceeds the number of new enterprises. The lack of growth in advertising is surprising as one could assume that this sector would have played a role in the significant growth of the tourism market. According to Lee *et al.* (2008), advertising and marketing is one of the most crucial tasks. However, it

is frequently neglected. He notes that many accommodation establishments become frustrated with advertising due to the lack of immediate impact. He also states that one of the most effective forms of advertising is word of mouth. If small businesses had moved to using online advertising or national advertising independently, this may account for the above statistic.

The growth in tourism and the economic implications thereof for Graaff-Reinet make it worth looking at Graaff-Reinet as a tourism product in more detail.

### **2.8.5 Graaff-Reinet as a Tourism Product**

Pio (2008), Minnaar (1987), Atkinson (2011) and The Camdeboo SDF (2012) all state that Graaff-Reinet possesses major tourism potential.

The top five niche tourism markets identified by Myles (2009) in the Camdeboo region include heritage tourism, ecotourism, events tourism, agri-tourism and adventure tourism. The main tourism product elements which have been identified include: nature based tourism, historical / cultural tourism product elements. These tourism product elements form the resource base for natural, built, cultural and social attractions that comprise a destination mix.

The nature based tourism elements in Graaff-Reinet include: The Valley of Desolation, The Camdeboo Park and the Eerstefontein Day Hiking Trail. The heritage/cultural tourism product elements include: The Anglo Boer War Memorial, the Huguenot Monument, the Drostdy Hotel, Kruithuis, the Dutch Reform Church, Ganora Farm and palaeontology excursions, the Jan Rupert Theatre, the Union Monument, the Town Hall, St James Church, Old Mission Church, Rynevald Square, the Reinet Museum, Ossewa Trek, the Old Residency and the Jewish Cemetery.

Specific objectives, projects and programmes have been put in place to drive local economic development in tourism. These projects include: The Khiosan Heritage Route (and cultural village), Royal Block Heritage Centre and cultural tours. Rail based tourism, infrastructure, arts and crafts, ecotourism and hiking trails, accommodation and eating establishments, the built environment, the natural

environment and development of the LTO have all responded to and contributed to the increased demand for tourist related products. Thus, the growth in the tourism sector of the economy became evident.

This momentum encouraged further development and growth with the Southern African College of Tourism being situated in Graaff-Reinet. This college offers an excellent resource for the development of tourism skills as well as a considerable base for the presentation of tourism training and courses (Myles, 2009). According to Yusof (2007), the presence of universities and colleges in towns and cities contributes greatly to the attractiveness of such regions as sites for investment.

### **2.8.6 The Accommodation Industry in Graaff-Reinet**

According to Developmental Partners (2009), Graaff-Reinet has a range of tourist accommodation available that includes town based guest houses and B&Bs, guest farms and lodges. There is a total of 78 establishments and a total number of 1 172 beds. According to Will (Head of the Tourism Office in Graaff-Reinet) in Pio's (2008) study, Graaff-Reinet has experienced an increase in tourist numbers which has resulted in an increase in the number of accommodation establishments. Pio (2008) noted that the profile of tourist visits that were identified was: 24% business tourist and 77% holiday tourists; of these only 8% were group tourists and 92% independent tourists; 30% of tourists were international and 70% local.

However, there has been a significant change in the nature of accommodation establishments. In 2008 B&Bs declined from 87% of the total establishments to 35%, while guest houses and self-catering establishments increased from 2% and 10% to 19% and 34% respectively. This increase in demand for self-catering could imply that the local tourist market either prefers the self-catering options or alternatively it could relate to cost issues in that self-catering is more cost effective. Further research however would be needed to confirm these possible hypotheses as it is also known that the accommodation establishments are more personally and conveniently run by owners if the catering element is not offered. Thus the question could be asked as to whether established concerns opted out of offering catering services, which would then have opened opportunities for the establishment of

independent restaurants. It could also be argued that tourists preferred to eat out in an attempt to experience more of the area.

## **2.9 Conclusion**

Globally tourism is one of the largest and fastest growing economic sectors. This is evident in the significant growth of tourism's contribution in countries such as the Caribbean, Maldives, Bahamas, Jamaica, Trinidad, India and Australia. The role tourism plays in the developing world is vital and constitutes a prominent focus within this study. Tourism in South Africa specifically, illustrates positive prospects for future growth in GDP (WTTC, 2009).

Tourism has been widely recognised for its potential as a means of stimulating economic growth and development in South Africa (Nuntsu *et al.* 2004). It is evident that small tourism firms have gained importance with regard to their numerical component of the South African tourism economy and thus merit close research attention. The significance of the small tourism enterprises is heightened by the national government's dedication to black economic empowerment, which aims to transform the structure of ownership of the tourism industry to the historically disadvantaged communities (Rogerson, 2004).

The scale of the development crisis in small towns is a major concern. Research into the needs of individual small towns and the multiplier effects of investment in tourism should not be ignored.

Accordingly, the impact of tourism on Graaff-Reinet has been chosen as the main focus area of this study. The results of surveys carried out in Graaff-Reinet and 12 other small Karoo towns are the subject of the chapters which follow.

## **CHAPTER 3 RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter explains the procedure adopted and applied in the data collection process of this study. The objective is to define the basis for a clear research methodology which addresses the expressed aims of this study and ensures that the desired goals are attained. This chapter therefore evaluates and identifies the methods used to measure the economic impact of tourism; it explains the rationale for adopting quantitative and qualitative research methodologies; it gives a description of the questionnaire design and coding and describes the sample design in detail. In order to gain a good theoretical understanding of the economic impact of tourism in small towns, a thorough study was conducted and a substantial spread of secondary data and descriptive information was gathered from the related literature. A synopsis of the selected related literature is covered in detail in Chapter 2.

This study obtained primary data from questionnaires which were distributed to tourists and accommodation establishment owners. Semi-structured interviews were also conducted with product owners in the Karoo region.

### **3.2 Data Collection Process**

According to Bragge (2010:73) “economic impact studies are notoriously difficult to coordinate and carry out, as there are many pitfalls which may be encountered along the way”. These are elaborated on below. He also states that the introduction of bias during this phase may cause possible error. For example, tourists could have underestimated spending figures.

The two main methodological techniques adopted were quantitative and qualitative research methods. The data collection process was carried out in two phases (first phase and second phase).

### 3.2.1 First Phase

This phase aims to achieve the first objective of this study which is to identify the economic contribution of tourism in small towns in the Karoo. This phase analyses the supply side and the demand side of the Karoo tourism industry. A survey of 27 guest houses and of 207 tourists in 13 Karoo towns was conducted. It included a three week trip collecting data in the Karoo, visiting 13 different towns from 7-21 May 2010.

There were two main questionnaires:

Firstly, owners and managers of guest houses were interviewed by means of a semi-structured questionnaire (See Appendix A). This process assessed their views on the tourism industry of the region.

The product owner semi-structured questionnaire dealt with the following issues:

- Section A questioned the product owner's opinions/perceptions of the current status of tourism in each town.
- Section B established the level of tourist activity and facilities, as well as the product owners' experience regarding the tourist market.
- Section C questioned the involvement of their establishments in local tourism organisations and their perception of the value of such involvement.

Secondly, a questionnaire was completed by tourists in the same 13 towns in the Karoo (See Appendix B). The tourist questionnaire investigated a broad quantitative data set and gave a reflection of tourists' views/perceptions of their experience in the Karoo. It determined their motivation for selecting the Karoo as a tourist destination and gathered basic demographic information about the tourists. A clear understanding of the tourists' perception of tourism in the Karoo was sought.

It needs to be noted that this survey may be biased, as only guest houses willing to participate were surveyed. On the other hand, this covered the better guest houses and the more enthusiastic guest house owners. Hence, this may have led to more

considered and thus more accurate responses. This aspect is analysed in more detail in section 3.10 which describes the sample design applied.

### **3.2.2 Second Phase**

The accommodation sector in Graaff-Reinet was used as the main indicator to quantify the impact of tourism in this Karoo town. This phase aims to achieve the second objective of this study which is to measure the economic impact of tourism as reflected by the accommodation sector, specifically in Graaff-Reinet. The economic impact of the accommodation sector was measured from the supply and demand sides. This data collection phase involved three questionnaires:

1. Tourists/guests (demand side) completed a spending data questionnaire (Appendix C).
2. Product owners (supply side) completed a questionnaire to track their expenses (Appendix D).
3. Product owners were given a tracking sheet to track the number of South African and international tourists and the number of nights they stayed for, over a period of six months (December 2010 until May 2011) (Appendix E).

The reason for collecting this data is that tourism accommodation in guest houses, bed and breakfasts and hotels has been identified by Cornelissen (2008) as the most discernible economic component of tourism and accommodation statistics. They are the most widely used source of information when it comes to assessing spatial variations in tourism. He notes that accommodation constitutes a ready and visible measure of tourism in a local economy.

Tourism is an expenditure-driven economic activity. Tourists' spending is at the centre of the economic measurement of tourism (Frechtling, 2006). It is the foundation of the economic impact on an economy. Calculating visitor expenditure is essential for producing comprehensive estimates of tourism's economic benefits to an area. The income generated by tourist expenditure encourages and helps marketers and planners to achieve many more objectives. This would motivate them to identify key tourist benefits and determine tourist demand. To boost tourist

spending further, they would spend time educating tourism related employees and be attentive to evaluating their marketing activities. This activity and additional income into a local tourism market assists in generating more effective marketing decisions and helps with the development of national laws and policies (Frechtling, 2006).

The data collection process in this phase included four visits to Graaff-Reinet during the period of November 2010 until August 2011. The first visit involved an introductory trip where probable respondents among the product owners were approached and given a brief overview of the study and the type of information that would be acquired from them. All the product owners that indicated they were willing to take part in the survey formed the sample for the study. The selection of the sample used is discussed below in section 3.10.1.5.

The second visit involved the distribution of the product owners' questionnaires, the tourist questionnaires and tourist tracking sheets to each product owner. The types of questions asked in these questionnaires are elaborated on below in section 3.8. The product owners were asked to encourage their visitors to participate in the survey. The tourist questionnaires were given out to their visitors over the December/January period as this was a busy period for them.

The product owners were also required to fill out the visitor tracking sheet over a six month period (December 2010 to May 2011). This sheet tracked numbers of South African and foreign visitors and the number of nights these visitors stayed. The product owners were sent a number of e-mails to follow up on their progress and to determine if there were any queries.

The third visit involved the collection of the tourist and product owner questionnaires. The tracking sheets needed to be completed over a period of six months; therefore they were returned via e-mail or fax.

A fourth visit involved a meeting held by an interest group consisting of two tourism stakeholders in the town, three professors who have conducted research on tourism in the Karoo and two interested students. This meeting gave good insight and added

great value to the discussion and analysis of the results done by the group on the data gathered.

### **3.3 Statistical Analysis Methods used to Measure the Economic Impacts of Tourism**

Measuring the effect of tourism is probably one of the most researched topics in tourism literature and is certainly the most important contribution that economics has made to the field (Pingsun and Mac, 2006). According to Stynes (1997), there are a variety of methods, ranging from pure guesswork to complex mathematical models, used to estimate the economic impact of tourism. A study completed in Washington by Ritchie, Charles and Goeldner (1994) found that economic impact studies have employed a variety of economic models. Complex models consist of clearly defined relationships in the form of equations. Simple models lack comprehensive arguments of relationships and are judgemental; they reflect the researchers' views regarding travel magnitudes. Partial models estimate only one element of an economic impact model, such as the direct effect of tourism, which includes for example traveller expenditures. Careful consideration was needed to determine the most appropriate model to be used in this study.

Some of the complex models which were considered include: 1. The Tourism Satellite Accounting model and 2. The Input/Output model. These models measure the contribution of tourism to a region's economy by measuring money flows resulting from market transactions (Stynes, 2006). The methods are complex and problematic when there is limited availability of resources and statistical data, as is the case at a small town level in South Africa. It is therefore difficult to measure the economic impact of tourism in small towns in this manner. A brief overview of these two methods is discussed below in support of the decisions taken for the method used in this study to measure economic impact.

### **3.3.1 Tourism Satellite Accounting**

Tourism is not a well-defined industry as it does not occur within the framework of a single commonly acknowledged industrial sector (Fletcher, 1989 and Saayman and Saayman, 2006). Tourism Satellite Accounting (TSA) is a procedure that measures the size of economic sectors which, like tourism, are not included in the national accounts. This process has added complexities to national accounts (NA) due to the creation of a 'satellite' which has created what is known as the SNA (satellite national accounts) – hence the development of the Tourism Satellite Accounting (TSA) model. This has led to the development of the set of tables which comprise the TSA. "The full set of ten tables includes inbound and outbound tourism consumption, tourism development employments, tourism capital expenditure, and common (public sector) expenditure on tourism (e.g. through direct purchases or grants)" (Jones *et al.* 2004:9). Therefore, tourism needs to be contextualised and visible within the accounting frameworks of the area in question. TSA identifies tourism as a separate activity and seeks to give policy makers an insight into the role of tourism in terms of employment and its contribution to GDP (Keyser, 2009). According to two studies in the United Kingdom by Buccellato, Webber and White (2010) and Jones (2004), as well as a study by Camelia (2010), the construction of the TSA is very complex as it requires several data sources which are usually unavailable or largely out of date. They are also costly and carried out over several years (Jones, 2004).

Given the fact that this study is not a longitudinal study and the additional data needed is not available for Graaff-Reinet, this method was not deemed appropriate.

### **3.3.2 Input-Output Model (I-O model)**

Input-output models are mathematical models which demonstrate flows of money between sectors within a region's economy. These flows are predicted by knowing what each industry must purchase from other industries to produce a certain level of output. Multipliers can be estimated from I-O models based on the estimated re-circulation of spending within a specific region (Holub and Schnabl, 1994 and

Diezenbacher and Lager, 1998). This method is a descriptive framework of a country's economic structure. It demonstrates the interrelationships between sectors in a transaction table, which is core to this analysis. It describes how various sectors are related, what the linkages are and the effects of these linkages. It tracks the flow of goods and services in an economy through a chain of suppliers, producers and intermediaries (Camelia, 2010).

There are various limitations to this approach: these include the extreme scarcity of data in the tourism industry, especially expenditure information. There are also limitations in the detail of expenditure data available which is detail required for this model (Saayman and Saayman 2006, Keyser, 2009 and Mottiar, 2006). Fletcher (1989) also states that conducting this type of analysis is an expensive exercise in terms of costs and time. The complexities and expense of this method and the absence of required data make its use unsuitable in this study.

Therefore, in this study the direct effects (net injection) of tourist expenditure and the secondary effects of this spending by the accommodation owners (product owners) were measured. The importance of considering the product owners' expenses, which are the indirect effects, is to determine the amount of leakage and most importantly to determine the multiplier for the tourism industry in Graaff-Reinet. This will ultimately enable the economic impact of tourism in this town to be ascertained from the data. According to Jacobson *et al.* (2003:25), who compiled a guide to assessing the economic impact of tourism in regions, the consideration of leakages is considered to be an integral component of successful multiplier studies. Thus an in-depth discussion on multiplier analysis is covered below and its application in this study is explained.

### **3.4 Multiplier Analysis**

This concept was introduced by Kahn and popularised by Keynes (Stoeckl, 2007:918). Multiplier analysis is a powerful and valuable tool for analyzing the tourism impacts within a local economy (Fletcher, 1989). Tourism multipliers and leakages are seen as the two key mechanisms that drive and determine the extent of

the economic impact of tourism on destination economies (Keyser, 2009). Multiplier analysis is based on the recirculation of income. Similarly, it demonstrates the process whereby expenditure by tourists filters through the different layers of the economy (Keyser, 2009). Leakages refer to money being removed from a particular area before it is able to affect the economy in any way (Bragge, 2010). An example of this would be if product owners purchase their goods outside Graaff-Reinet.

Stynes (2001) recognises that multiplier effects make use of direct effects as well as indirect and induced effects and are not very important in most cases, as their use in tourism would suggest. They tend to introduce complexities that most users of the results do not fully understand. The direct contribution of tourism is the most important contribution, according to the United Nations Statistics Division's approved Tourism Satellite Accounting methodology (WTTC, 2011). Dwyer, Forsyth and Spurr (2005:352) also state that the key input for an economic impact analysis is the direct expenditure amount, as it is from this figure that all secondary effects on the economy are derived. Therefore, the estimated average spending (by individual visitor, or by visitor group) and the estimated visitor numbers cannot be overemphasized in terms of their collective importance for an economic impact study.

The direct and secondary effects of tourism, in simple terms, can be thought of as the path that money takes as it leaves the tourists' pockets. This is known as ancillary spending (Bowitz and Ibenholt, 2009). For example, a hotel receives money in return for accommodation. The effect of this expenditure is direct. The most direct effects occur within the primary tourism sectors such as accommodation, restaurants, transportation, amusements, and retail trade (Stynes, 2001). This money is then used to purchase hotel supplies, to pay salaries, taxes and savings. These are the secondary economic effects. As expenditures progress, a decreasing marginal impact occurs. This is due to money being spent outside the host region (leakages) which will therefore stop circulating in the economy. It is important that these leakages are minimised for tourism's impact to be maximised.

Multipliers represent the economic interdependencies between sectors within a particular region's economy. They vary considerably from region to region and sector

to sector. The more a region is self-sufficient and purchases goods and services from within the region, the higher the multipliers will be for the region (Stynes, 2001).

According to Bragge (2010) and Stynes (1997) there are three types of multipliers which are commonly used in economic impact studies. These include sales, income, and employment multipliers. The sales multipliers measure the effect of an extra unit of the visitor's spending on the local economy; the income multiplier measures the effect of an extra unit of visitor's spending on the level of household incomes in a specific region. Therefore, an income multiplier intuitively can be said to have more relevance to the overall effect on the region's communities' wellbeing as a result of the visitor spending. Fletcher (1989) also states that the income multiplier is the most popular and most often quoted type of multiplier. Employment multipliers measure the effect of an extra unit of visitor spending on the employment in a specific region. Crompton (1995) and Jones (2010) suggest that the sales multipliers are typically substantially higher than household income multipliers, and that they are likely to be risky. This type of multiplier is therefore not very useful for the purpose of economic impact studies. They also state that the employment multiplier is the most unreliable. This conclusion was drawn as it assumes that current employees are fully occupied and that increased visitor spending will result in new job creation.

Fletcher (1989) found that these multipliers can either be partial or complete. The Type 1 income multiplier in this case is partial as it refers to an individual sector (accommodation) as well as being limited to a small sample of sectors that generate economic activity. The complete multipliers include the ability of various sectors of final demand to generate economic activity.

Baaijens, Nijkamp and van Montfort (1997:841) also noted that apart from making use of the normal multiplier, ratio multiplier can also be calculated. The ratio income multiplier of type 1 indicates the ratio of income generated indirectly to the income generated directly. Van Heerden (2003) found that using an income multiplier is regarded as the most appropriate multiplier for assessing the short term economic impacts of visitor expenditure. Thus, this study chose to use the income multiplier. This multiplier is calculated as follows, indicated by Stynes (1997:16):

$$\textit{Type 1 income multiplier} = \frac{\text{direct income} + \text{indirect income}}{\text{direct income}}$$

$$\textit{Type 2 income multiplier} = \frac{\text{direct income} + \text{indirect income} + \text{induced income}}{\text{direct income}}$$

This study chose to calculate the Type 1 income multiplier as it accounts for the direct and indirect impacts. The Type 2 income multiplier includes the induced effects which were not included in this study and therefore not within the scope of this study. From the derivation of the Type 1 multiplier the economic impact of tourists can be measured. However, it is important to note that these multipliers are known ratio type multipliers as they measure the ratio of a total impact measure to the corresponding direct impact. The final result of this type of multiplier is an inflated estimate of tourism as tourism spending is not exactly the same as the direct effects in the multiplier formula (Stynes, 1997).

A second option, which a number of studies indicate, such as those compiled by Stoeckl (2007), Snowball and Antrobus (2005), Myles (2009), Stynes (1999), Bragge (2010), Snowball (2000), Fretchtling and Horvath (1999) and Van Heerden (2003), is to adjust tourism multipliers from a similar region, otherwise referred to as 'borrowing' a multiplier from another study. According to Stynes (2001) and Van Heerden (2003), in many cases multipliers are borrowed and/or adjusted from published multipliers from other studies. Bragge (2010) also found that economic impact studies tend to estimate the multiplier based on figures and situational characteristics of similar economic impact studies. It is imperative that the multiplier which has been borrowed is from a region or town with a similar economic structure and size. According to Snowball and Antrobus (2005), calculating a multiplier is expensive and time consuming and thus many studies tend to use multipliers from other economic impact studies which have similar situational characteristics.

Van Heerden (2003) found that the 'borrowing' of multipliers poses problems as they are often based on unfounded assumptions. Therefore, these multiplier impacts may lack reliability. The results are only as valid as their assumptions and therefore if no real justification for these assumptions can be provided, the validity of the results is

deemed questionable. This demonstrates that it is advisable for all studies to generate their own multipliers. This is supported by Crompton (1995:29), who stated that “It is not desirable to take the results of an economic impact assessment from similar studies in other communities and apply it, because the combinations of business interrelationships in communities are structured differently so linkages and leakages will be different”.

### **3.4.1 Calculating the Economic Impact of Tourism**

Once the multiplier is calculated, the economic impact of tourism can then be measured. The economic impacts of tourism are typically estimated by some variation of the following simple formula by Stynes (2001:8):

$$\textbf{Economic Impact of Tourism = Number of Tourists x Average Spending per Visitor x Multiplier}$$

The above equation suggests three distinctive steps:

- Firstly; estimating the change in the number of tourists to a specific region. This step is usually considered the weakest link in most tourism impact studies as only a few regions have accurate counts of their tourist numbers, despite having good models in place which predict changes in tourism activity.
- Secondly, estimating the average levels of tourist spending in a local area. These spending averages come from sample surveys or are sometimes borrowed from other studies. Spending usually varies across different kinds of tourists. For example, spending could vary between local and foreign tourists, or between day and overnight tourists. The use and spending estimates are the two most important parts of an economic impact analysis. When they are combined they capture the amount of money brought into a specific region by tourists. As Stynes and White, (2006:8) indicate: Spending averages can be estimated which are then applied to the volume of travel activity to facilitate the calculation of total direct (or first round) spending.
- Thirdly, calculating the multiplier, which is needed to measure the secondary effects of tourist spending, (Stynes, 2001). These secondary effects according to

Cai *et al.* (2006) are as a result of tourist spending flowing back into the economy as it works its way from one supplier to the next. This refers to the industries supplying the accommodation industry. The magnitude of these effects depends fundamentally on expenditure/income leakages from the local economy (Zhang *et al.* 2007).

In this case, the number of South African and foreign tourists was generated over a six month period from December 2010 to May 2011 in Graaff Reinet. The average tourist spending was calculated and the income multiplier was calculated to determine the economic impact of tourism in Graaff-Reinet.

Multipliers are usually higher for larger regions with more diversified economies and lower for smaller regions with more limited economic development (Stynes, 2010). They are also positively related to both the population size and the physical area of a region (Baaijens *et al.* 2000). Generally speaking, Baaijens and Nijkamp (2000:844) and Gerty (1981:13) found that the greater the size of the sample area and the greater the amount of trading within a specific region, the fewer leakages should occur, and as a result, there will be a larger multiplier effect and hence higher benefit to the local economy. Van Heerden (2003:34) found that in South Africa a normal multiplier is about 1.5 depending on the initial injection, direction of spending and factors such as the tax regime. Other economic impact studies, for example the National Arts Festival in Grahamstown in 1996, calculated a multiplier of 0.18 (Antrobus, Webb and Mather, 1997). This was a small multiplier as Grahamstown has a small manufacturing base, imports a large percentage of locally consumed goods and services and exports little to other regions. Stoeckl (2007:929) compiled a study in the remote areas in Northern Australia and found that more than half of the regions sampled had average business-level multipliers of between 1 and 1.5, with 80% being less than 2.

Snowball (2000:40) also found that accurately calculating the size of a multiplier can be a problem. Baaijens *et al.* (2000) completed 11 economic impact studies from different countries. It was found that a small region (less than 500 square kilometres) with a population of between 20 000 and 150 000 is likely to have a multiplier of less than 0.5. Thus the multiplier for this study could be small as Graaff-Reinet is a small

town, with a population of 32 461 people according to the Camdeboo Municipality Local Economic Development Plan (2009:91).

### **3.5 Experiences of Methods in Past Studies**

There are a large number of different inputs and therefore income from many different industries which makes it difficult to calculate the total value of the tourism impact on the economy (Keyser, 2009). Past small town studies – for example in the Eastern Cape Midlands (Reynolds, 2008), Norfolk Island, Australia (Prideaux and Crosswell, 2006), in the United Kingdom (Buccellato *et al.* 2010), in Mozambique (Jones, 2010) and in Washington (Ritchie *et al.* 2004) – found that most of these models are complex and that accurately determining a town's economic potential is hampered by limited resources, statistics and lack of data. Nell (1994) supports the above by noting that very few studies have been undertaken on small towns, thus making other sources of information very scarce. Another problem is that it is very difficult to monitor the number of visitors entering a destination (demand) (Nelwamondo, 2009 and George, 2008). According to Jacobson, Carson, Sharma and Macbeth (2003:43), who compiled a guide to assessing the economic impact of tourism in regions, it may seem necessary to implement the most complex approach because of its theoretical strength in analysing economic structure. However, the more complex approaches are of little real value to many regions (especially small ones). Therefore they advise that smaller regions make use of simple economic analysis.

Problems identified in using multiplier analysis in previous studies include the fact that additional survey costs increase exponentially as more and more data is required within the multiplier process (West, Morison and Jenson, 1984 and Jacobson *et al.* (2003). According to Vaughan, Farr and Slee (2000), the cost of the data collection imposes constraints on the type of model chosen and the analysis itself. Hughes (1994) found that the quality of the data is paramount when determining the validity of the results, and this becomes questionable when dealing with impact studies. Richie (1984) found that although the measures relating to

economic impact studies are fairly simple, the accuracy of the actual collection process can affect the final impacts.

A study completed by Rodgers (2010) in the Caribbean found that the lack of reliable statistical data hampers identification of the mechanisms by which tourism generates growth and its potential for development. The multiplier almost entirely ignores the cost of tourism development (Stabler, 2000). Therefore this type of analysis does not represent the full picture of the tourism impacts and does not claim to do so (Stabler, 2000). Rodgers (2010) however also notes that in instances where research and analysis has been carried out, it has enabled improved planning and long term programmes for the development of tourism. A study completed in the Kruger National Park by Saayman and Saayman (2006) found that tourist spending is an important economic stimulator in a region and, if wisely managed, financial support for tourism would create viable sustainable investments. It is from this perspective that this study is undertaken in that tourist numbers and patterns in spending data are gathered.

Other than the market effect such as income and employment, the cultural, environmental and social impacts of tourism also need to be considered (Sinclair 1998 and Jacobson *et al.* (2003). These environmental economic indicators as well as the market effects are capable of providing a more comprehensive understanding of the impact of tourism development (Stabler, 2000). The local community needs to be aware of the tourists' needs as tourism allows them the opportunity to sell goods and services that favour tourism expenditure (Nyama, 2008). Although this study does not include any analysis of these environmental and social impact indicators, it accepts that an evaluation of them would add value to determining a more complete impact of tourism in a particular area. In order to take cognisance of this value, this study does gather information regarding the perceptions and opinions of both the visitors and product owners of tourism in the Karoo, which covers more qualitative aspects as above. This is elaborated on below.

### **3.6 Qualitative Methodology**

Qualitative methodology was mainly utilised in the first data collection phase. Qualitative researchers attempt to accurately describe, decode and interpret meanings of phenomena which occur in their normal social contexts (Fryer, 2004). Qualitative methods were deployed in this research in the application of semi-structured questionnaires with product owners to allow a deeper understanding of personal points of view which numerical data cannot generate or expose. It allows the interviewee to interact with the respondents in their own locality on their own terms. The importance of this approach lies in the fact that the researcher wanted to understand and identify what the contribution of tourism was in small Karoo towns. A semi-structured interview with the product owners was the primary method used to collect this necessary information.

According to Zorn (2011), semi-structured interviews are the most useful interview format for conducting qualitative research. This type of interview is not highly structured and data is gathered through open ended questions. It offers topics and questions to the interviewee, and is carefully designed to elicit the interviewees' independent opinions and ideas on the topic of interest. There are two main principles which need to be applied. Firstly, strive to avoid leading the interviewee and secondly, strive to create a relaxed, comfortable atmosphere to encourage open, transparent discussion which exposes the respondent's true opinions and perceptions. The semi-structured interview in this study consisted of three main sections (Section A, Section B and Section C, described below) which took cognisance of these principles such that implementation was effective in achieving the objectives of this study.

### **3.7 Quantitative Methodology**

Transparency is the essence of this research communication in that all information is presented for reader evaluation. Norusis (2000, in Nelwamondo, 2009) demonstrates that the positivist paradigm which guides this type of research is based on the assumption that social reality has an objective structure where individuals respond to

this objective environment. The main assumption behind this paradigm is that an objective truth exists in a world that can be measured and explained scientifically. This paradigm also sees reality as a concrete process. This paradigm, chosen as quantitative research, is predominantly focused on gathering statistics or numerical information. It is focused on identifying general patterns or trends within the gathered statistics or information from the population studied.

The research techniques include questionnaires, surveys and the collection of statistics from a certain percentage of a population (Kitchin and Tate, 2000). This was the method utilised in this study during the second phase of data collection. Questionnaires were given to tourists as well as product owners. This phase then gathered the tourists' spending figures and the product owners' expenditure within and out of town. This included completing tracking sheets which tracked the number of nights which South African and international tourists stayed for during a selected six month period. This study looked at more than one viewpoint and thus the concept of triangulation was applied.

### **3.8 Triangulation**

Triangulation means mixing approaches to get two or more viewpoints on what is being studied (Olsen, 2004). Montour (2001) says that the use of triangulation achieves objectivity, reliability and validity in quantitative and qualitative research. According to studies completed by Wheeler, Shaw and Barr (2004) and Patton (1990), triangulation is used as methodology integration where qualitative and quantitative research methods are used. Olsen (2004) states that using both survey data and interviews is a more profound form of triangulation. Cresswell (2003) states that diversity cannot be captured if only one data collection method is used. This approach supports the reasons for making use of both quantitative and qualitative methodologies; and triangulation was considered the best way to achieve reliability and credibility of data collection in this study. Questionnaires were used to gather the required data.

### 3.9 Questionnaires

Two cover letters (Appendix F and G) introducing the questionnaires, stating the purpose of this study and confidentiality of participation in the first and second phases were attached to each individual questionnaire. The research questions were used as a frame of reference to achieve the objectives set out in this study.

Four questionnaires were completed. The first was a semi-structured questionnaire conducted in an interview setting as part of the qualitative methodology application for the gathering of data in order to accurately describe, decode and interpret meanings of phenomena as they relate to the opinions and perceptions of product owners on the tourist market and on tourism related issues. The detail and spectrum of the questions used were both broad and numerous. Over thirty questions were asked and to avoid duplication in this report, a copy of this questionnaire can be found in Appendix A. Some examples of the questions asked were:

- Do you believe tourism will grow in this district and if so, on what will it be based?
- What tourism markets would you like to explore in the future?
- Would you like to diversify your tourism product? If so, in what direction?
- What are the main tourist attractions of your town?

The responses to the questionnaires were coded, graphically displayed and analysed, and are presented and discussed in Chapter 4.

As part of the application of the quantitative methodology in this study, three structured questionnaires were used to gather the following information:

The second questionnaire (Appendix B) provided a broad quantitative reflection of tourists' views: The main questions that were asked included issues covering:

- their main reason for travelling to the Karoo
- demographic information
- number of nights and where they stayed
- the main activities undertaken and what they enjoyed most about the Karoo

- what tourism infrastructure and services they would like to see improved, and
- whether they would consider visiting the Karoo as a destination and not simply as a drive through?

The third questionnaire (Appendix C) examined tourist spending. Tourists were asked:

- their country of origin
- their main reason for travelling
- how many members were in their party
- how many nights they stayed for, and
- their approximate spending in Graaff-Reinet for each day on: accommodation, other expenses at the current establishment, restaurant and beverages, recreation (e.g. tourist attractions), transport (fuel and oil) and shopping. They were also asked to what extent their time spent in Graaff-Reinet was considered to be value for money.

Crompton *et al.* (2001) suggests that group spending figures are likely to be more accurate than individual spending, especially for accommodation. This is the case applied in this study as tourists were asked how many members were in their party. He also found that it was easier for tourists to add up their spending for each day individually. Limiting the number of spending categories is important as having too many categories can lead to fatigue and the possible overestimation of total spending by the tourist due to rounding up and imperfect recall. Six spending categories were used in this study.

The fourth questionnaire (Appendix D) predominantly looked at product owner expenses. The questions asked:

- how long their establishment had been in operation
- how many part time and full time people they employed
- what the establishment's monthly expenditures were in terms of: capital improvements, admin costs, groceries, insurance, maintenance, appliances, garden maintenance, rates, water and light, salaries and wages, vehicle costs, marketing/advertising and sundry expenses. To determine the extent of

leakages, these were analysed in terms of how much they spent within the town of Graaff-Reinet and how much they purchased out of town

- whether they thought tourism had increased over the past two years
- if so, why had it increased and on what was it based
- whether they were planning to upgrade their facilities in the next year or expand the size of their business

The specification of data which was required from both the tourists and the product owners raised particular difficulties due to the confidential nature of some information. These sensitivity issues were mainly related to the disclosure of financial data. Every effort was made to assure owners that this information would be completely confidential and secure and used only for research purposes. In order to alleviate the bias or inaccuracy referred to by Bragge (2010), the spending questionnaires were collected straight after spending had taken place.

### **3.10 Coding**

Coding was used in the four questionnaires in this study. The coding sheets for each questionnaire can be found in the appendices labelled, A1, B1, C1 and D1. Coding is the process which assigns a code or symbol, preferably a number, to each possible answer within each individual question. This allows the respondents' answers in each survey to be transformed into codes (Cant, 2003). Coding was used for the transformation of data or when the reduction of data was undertaken. This is an analytic process where data is conceptualised, fractured and integrated to form better understandings (Straus and Corbin, 1998:3) in (Goede, 2005). The main idea of coding is to develop and relate the concepts which form the building blocks of the theory.

There are three types of coding: open coding, axial coding and selective coding (Goede, 2005). This study made use of open coding. This type of coding identifies concepts (labelled phenomena) through opening up the responses and identifying the meanings contained therein. The different concepts are viewed as the important interactions which were considered significant in the data. These concepts are

placed in categories. Each category in this study was numbered, grouped and named, especially for those questions which were open ended. Categories allow the data to be compared in a logical, clear manner (Straus and Corbin, 1998) in (Goede, 2005:38-39). Once all the responses to each question in each questionnaire had been coded (given a number), these numbers were entered into an electronic format and frequencies were derived and then analysed.

### **3.11 The Sample Design**

A sample is a finite part of a statistical population whose properties are studied to gain information about the whole. When dealing with people, it can be defined as a set of respondents (people) selected from a larger population for the purpose of a survey (Webster, 1985). The sampling method is discussed to show how each sample was derived.

The sample design, taken from the defined population of this study, is then described in detail below.

#### **3.11.1 Sampling Method**

A convenience sampling method was used in this study. This method implies that respondents were selected on the basis of convenience or availability. The assumptions are that the target population is homogeneous and that the respondents are similar to the overall defined target population with regard to the characteristics being studied. In reality, there is no way to accurately assess the representativeness of the sample (Hair *et al.* 2003). There are various reasons as to why some respondents like to engage or take part in research and why some do not. For example, respondents may be more interested in the research being undertaken or they may have more time at their disposal.

#### **3.11.2 The Population**

Bless and Higson-Smith (1995) indicate that good sampling implies a well defined population, an adequately chosen sample and an estimate of how representative the sample is of the population. This study cannot profess accurate statistical

representation as the populations and samples were not scientifically determined and calculated, making the relationship between the sample and the population not statistically determinable. However, this study rests on the fact that the extent of the probability of the sample being representative is argued to be acceptable. This is in line with Bless and Higson-Smith (1995), who state that the major criterion to use when deciding on the sample is the extent to which the sample is representative of the population which can be expressed in terms of probability. There are many factors which support this opinion, explained in the sections below, covering issues relating to population and sample size relationships and significance of sample respondents selected. In this study the two different phases used required four different populations to be defined:

### **3.11.2.1 First Phase – The 13 Geographical Towns in the Karoo**

In the first phase the population was derived from the geographical area of 13 towns in the Karoo covering the Eastern Cape, Western Cape and Northern Cape provinces. According to a study done by Toerien and Seaman (2012), it was determined that the Karoo is home to approximately 75 towns.

This study used the following 13 Karoo towns: Cradock, Middelburg, Nieu Bethesda, Graaff-Reinet, Aberdeen, Beaufort West, Sutherland, Hanover, Britstown, Victoria West, Prince Albert, Oudtshoorn and Laingsburg. These 13 towns were selected on the grounds that they were identified as a selection of key tourism towns, based on their reputation of being active in the tourism market. The selection was also influenced by logistical factors, in terms of the time frame and cost involved. The sample attempted to include towns from each of the three Karoo provinces (Northern Cape, Eastern Cape and Western Cape), as well as a selection of larger and smaller towns. Also included were towns that have particular iconic tourism features – for example The Owl House in Nieu-Bethesda – or towns that have a strong source of heritage (such as Graaff-Reinet), often reflected in magnificent church buildings. Besides the fact that these towns were strategically selected, 17.3% of towns were selected (13 out of 75 towns). This is more than 5% of the population, which is the percentage that is statistically acceptable to Bless and Higson-Smith (1995:96), where the probability of the sample being representative is good, based on the

nature/diversity of the population. It is the opinion of the researcher that these factors validated the probability of the sample being adequately representative of the population.

### **3.11.2.2 The Karoo Accommodation Establishments**

The population for the supply side of this study is defined as the accommodation establishments (product owners) in the 13 selected Karoo towns. Toerien (2010), in a study of Karoo towns, determined the number of formal accommodation establishments in each town, i.e. establishments listed in the telephone directory. The number determined in each of the 13 towns used in this study was recorded as follows: Cradock (18), Middelburg (16), Nieu Bethesda (11), Graaff-Reinet (44), Aberdeen (5), Beaufort West (31), Sutherland (9), Hanover (6), Britstown (5), Victoria West (9), Prince Albert (18), Oudtshoorn (75) and Laingsburg (10).

Taking Toerien's study, the total number of accommodation establishments in the 13 Karoo towns was 257. This study covered 27 of these accommodation establishments, which is 10,5% of the population. This then also achieved a sample size above the 5% minimum deemed statistically acceptable, besides covering a reasonable spread of accommodation establishments from each town. The above data has been used with the permission of DF Toerien (see acknowledgements).

The 27 product owners in this study were selected as follows:

A list of establishments was obtained from the local tourism organisation (LTO) in each town, and the respondents (product owners) were selected from this list. The respondents were selected on the basis of their availability during the visit to the town. This demonstrates the use of the 'convenient' sampling method discussed above. Where it was difficult to obtain access, the advice of the LTO was relied upon about guest house owners who may have been amenable to being interviewed. The researcher attempted to obtain as many interviews as possible, within the given time and cost constraints.

Besides the fact that this sample size can be regarded as being acceptable as it represents more than 5% of the population as deemed necessary for a valid sample size, one could also check this by considering the nature/diversity of the respondents. If the results of the respondents had shown that the group was heterogeneous, the sample size would have needed to be larger (Bless and Higson-Smith, 1995). However, the fact that the respondents' results showed significant similarities between towns, (illustrated in Chapters 4 and 5) meant that the sample was homogeneous. Thus, the size of the sample did not need to be large. The "rule of thumb" for choosing a homogeneous sample size indicated by Bless and Higson-Smith (1995:96) is 5% of the population (which in this case is the accommodation establishments in the 13 chosen towns in the Karoo). As indicated above, this sample represents 10.5%, which is substantially bigger than the 5% and is thus deemed sufficient. In the opinion of the researcher the number of factors supporting the opinion that the probability of the sample being representative was substantial. The sample was accepted as being adequately representative of the population and deemed valid.

Furthermore, it was decided that mailing questionnaires to a larger number of establishments would affect the reliability of the results. Therefore the researcher decided to visit the product owners in person and conduct semi-structured interviews face-to-face in order to obtain a set of results which would be more reliable. This approach is supported by Bragge (2010) who argues that face-to-face interviews reduce potential bias.

It is accepted that this study does not represent a statistically reliable representation of the population, or that it may be argued that it is a small-scale indicative study. The arguments presented above relating to the reliability of the results based on the grounds of probability cannot be ignored.

The motivation for the relevance of this study can also be compared to a published study compiled in Perth by Alonso (2009). Perth is home to 467 accommodation establishments of which 33 were approached in that study and only 21 were used as the final sample of establishments. This study also made use of face to face semi-

structured interviews using the same argument motivated in this study to improve the reliability of the study.

### **3.11.2.3 The Tourists in the 13 Karoo Towns**

On the demand side, (the tourists), the population (total group of people being studied) represents all visitors to the identified establishments in the 13 towns over a sixth month period, whether local tourists or tourists from abroad. Although the study identified which were local tourists and which were from abroad, no distinction was made between them as this would have required yet another population to be defined. For the sake of this study the tourists were seen as one population. There was little indication from any previous study as to the size of this population. The goal of the study was thus to simply get as big a sample as possible in order to make the result of the study significant. This also indicates the use of a convenient sampling method. This was achieved from two perspectives in that firstly, the size of the sample attained was seen as relatively large (209 respondents). Stynes (1997:8) who specialises in research and planning methods with an emphasis on quantitative techniques, found that tourist segments should be based on samples of at least 50-100 visitors. Secondly, the sample respondents' responses were again significantly similar which indicated homogeneity, which according to Bless and Higson-Smith (1995) reduces the need for sample sizes to be large. It is accepted that the scarcity of other studies done to track the number of tourists visiting the Karoo could support the argument that this study is a small scale indicative study.

### **3.11.3 Second Phase – Graaff-Reinet: The Case Study Town**

Conducting a study that covered all the towns in the Karoo in order to determine tourist numbers, product owner expenses and tourist spending would make the scope of this study unacceptably large. Thus it was decided to conduct a study on only one town in the Karoo. Graaff-Reinet was chosen as the case study town as the community and business sector has relied heavily on the tourist industry over the past few decades, as it appears to be the fastest growing industry in the town (Myles, 2009). Graaff-Reinet also is the major economic node of its district, is well known for its heritage and boasts more proclaimed national monuments than any other small South African town. Its diversity of tourist attractions and its unique

location make the town a strong tourist drawcard. The accommodation sector and the attractions sector currently offer the main products (Myles, 2009).

From the results of this phase, one could determine the necessity of broadening the scope of this study. This phase could thus be seen as a pilot study pointing to the way forward for further research in other Karoo towns. The findings of this phase would determine the economic significance of tourism in a Karoo town. If this is in fact economically significant it would highlight the need for further studies in other towns in order to generate programmes that would enhance the growth of tourism in Karoo towns generally.

Two questionnaires were implemented in the second phase. Thus, there are two populations from which two samples were drawn. The first population was the accommodation establishments (product owners) in the Karoo town of Graaff-Reinet. According to the local Graaff-Reinet tourism office, this represented 44 registered accommodation establishments within the town. This study used 15 accommodation establishments selected in the manner explained below.

The second population was the tourists visiting Graaff-Reinet. The Camdeboo Municipality is the only available source, which calculated the number of tourists to be 100 551 in 2009 (29 233 were foreign and 71 318 were domestic). This study has a response rate of 107 tourists. This response rate could be deemed acceptable from the perspective that, as already mentioned, the responses were significantly similar. This indicated homogeneity, which made sample sizes less reliant on the need to be large, as deemed acceptable by Bless and Higson-Smith (1995). Due to the lack of research carried out in small South African towns, this study will add value to this particular body of knowledge. According to Stynes (1997:8), economic impact estimates rely heavily on a good estimate on the numbers and types of visitors. He also states that this is usually the weakest link, as few regions have accurate counts of tourists.

### **3.11.3.1 Fifteen Accommodation Establishments (Product Owners) in Graaff-Reinet**

The 15 product owners in this study were selected as follows:

A list of product owners was obtained from the local tourism office. This list included the registered accommodation establishments in Graaff-Reinet. A selection of establishments was chosen from the list according to their size (number of rooms). Twenty four establishments were grouped into categories of 0-9 rooms, 10-20 rooms and 21 rooms and above. The 24 identified product owners in Graaff-Reinet were approached, told what information would be required from them, and given background information about the study. A final number of 15 agreed to take part in this study: 9 accommodation establishments in the 0-9 room category, 3 in the 10-20 room category and 3 in the 21 rooms and above category. This showed that there was a substantial portion of the establishments who were approached that were unwilling to take part in this study. This again illustrates the use of a convenient sampling method, as those who were willing to take part formed the sample for this study.

A study compiled in the Caribbean by (Miller, 2009) found that a large number of participants are unwilling to contribute to surveys and participate in information gathering exercises in the tourism industry. According to the local tourism organisation in Graaff-Reinet, there are 44 establishments within the town (excluding out of town establishments). The 15 interviewed product owners comprise 34% of the total population, which represents a relatively large percentage. For this reason, this sample was accepted as being valid.

### **3.12 Ethical Considerations**

Research ethics attempt to determine general, as well as specific issues that occur in the conduct of research (Peach, 1995). The goal of research ethics is to establish norms and standards that are practical and which should be adhered to when conducting research (Peach, 1995). As stated by Babbie (2008), any person

involved in research, has to be aware of the universal accord about what is suitable and unacceptable in scientific research.

The basic ethical considerations taken into account in this research study include the following:

### **3.12.1 Voluntary Participation**

According to Babbie (2008), research may cause a disruption in a subject's everyday life; it may require personal information or information which may have been kept private from associates and friends. Babbie (2008:67) also states that no one should be obliged to partake in the study. Therefore, in this study, all subjects were provided with the opportunity to voluntarily participate or to refuse participation. They were provided with a cover letter (Appendices G and F) which explained what the research entailed.

### **3.12.2 No Violation of Privacy and Confidentiality**

A research study assures confidentiality when the researcher can identify a subject's responses without exposing it to the public (Babbie, 2008:70). Every researcher is obliged to maintain the highest possible level of confidentiality regarding their research subject's personal information (Fink, 2005). Therefore, all subjects had a right to privacy and no collected data was able to be traced back to individuals. This was done by *only* using the answers in the questionnaire throughout data collection as well as throughout the final research report.

### **3.12.3 Justice**

According to McCarthy (1998), justice has several definitions of which the following is of value to this study: all subjects had equal chances of participating in this study, all were treated the same and any misinformation and risks were avoided. By applying this statement, justice was ensured in this study. the results were of significance and value for future use.

### **3.13 Conclusion**

This chapter highlighted the important steps taken in the research procedure. In spite of the advantages of a number of techniques, the unavailability of economic data at a small town level in South Africa poses a major problem when it comes to adopting economic impact methods.

As a result, both qualitative and quantitative techniques were used to attain valid information which would contribute to the integrity of the research. Statistics on their own cannot convey the specific emotions and feelings of real world experiences and perceptions, leading to findings that may be inconclusive (Leedy and Ormrod, 2001). The next chapter provides the presentation of the findings from the first phase of data collection, which discusses and analyses the results from the Karoo tourism service providers' semi structured interviews.

## **CHAPTER 4: KAROO TOURISM SERVICE PROVIDERS**

### **4.1 Introduction**

The focus of Chapter 4 is on the product owners. This chapter aims to achieve the first objective of this study which is to identify the contribution of tourism in small Karoo towns from the point of view of the product owners (supply side). Chapter 5 will identify the point of view of the tourists (demand side).

The following themes will be covered:

- The product owners' opinions and perceptions of the current status of tourism in each town
- The product owners' opinions of the level of tourist activity and tourist facilities available
- The product owners' opinions of the tourists' experiences of the tourist market in the Karoo
- The involvement of the tourist establishments (product owners) in local tourism organisations
- The product owners' perceptions of the value of such involvement.

This chapter shows that Karoo tourism service providers are overwhelmingly positive about the future growth prospects of tourism. The perceptions of tourism service providers about the main characteristics of their clients are described and the collected data is analysed according to qualitative and quantitative methods. The tables and graphs presented below demonstrate the frequency distribution patterns from which statistical inferences were made and analysis carried out.

The representative sample of small Karoo towns is illustrated below. The method of selection of the towns was described in the previous chapter.

**TABLE 4.1: Provinces in Which the 13 Towns Were Situated and the Number of Establishments Interviewed in Each Town**

Province	Towns included in the survey	Number of establishments interviewed (n=27)	Percentage of sample
Eastern Cape	Aberdeen	1	4
	Cradock	3	11
	Middelburg	2	7
	Graaff-Reinet	4	15
	Nieu Bethesda	2	7
Northern Cape	Britstown	1	4
	Vanderkloof	1	4
	Sutherland	3	11
	Hanover	1	4
Western Cape	Prince Albert	2	7
	Beaufort West	5	19
	Oudtshoorn	1	4
	Laingsburg	1	4
	Total	27	100

The survey included larger numbers of guest houses in the larger towns, such as Beaufort West and Graaff-Reinet. 12 of the 27 respondents (44%) were situated in the Eastern Cape, 9 in the Western Cape (33%) and 6 in the Northern Cape (22%), reflecting the Karoo's spread across the three provinces.

The interviewees were selected on the basis of their availability during the researcher's visit to the town in May 2010. A list of establishments was obtained from the LTO in each town, and the interviewees were selected on the basis of a convenient sampling method. Where it was difficult to obtain access, we relied on the advice of the LTO about guest house owners who might be amenable to being interviewed. The researcher attempted to conduct as many interviews as possible, given the time constraints. Typically one day was spent per town covered. The selection of interviewees was somewhat biased, as only the guest houses who were willing to participate were included. This may have been the better guest houses and the more enthusiastic guest house owners, hence it may have led to more positive responses about Karoo tourism.

The responses provided by the interviewees tended to be fairly homogeneous across provinces, which support the argument that the Karoo provinces need a shared tourism management strategy. On the other hand, perspectives of the guest house owners may differ on the basis of *other* criteria: for example, a study

completed in the Karoo by Toerien and Seaman (2010) argued that towns should be seen in terms of “clusters” around different business ecosystems. Their study focused on two main concepts, namely, companies as ‘living’ entities and ‘company ecology’. This simulated the hypothesis that towns are ‘enterprise ecosystems’. ‘Enterprise ecosystems’ is a concept which illustrates that economic wealth and biological wealth are the same sort of phenomena. These are both forms of fit order and the fitness of an economy is essentially linked to the fitness of the biological world – the replication of genes. Each individual organism and each individual enterprise is in constant competition for survival and only the fittest survive. This study came up with six different clusters of towns which are statistically different based on different ecosystems. It was concluded that enterprise ecology is a valid concept and towns are ‘ecosystems’ that also cluster together. The towns used in this study fall under Toerien and Seaman’s (2010) clusters three, five and six.

**TABLE 4.2: Type of Towns Surveyed and their Main Characteristics**

Type of town	Towns surveyed	Main characteristics, according to Toerien and Seaman (2010)
	<b>Cluster 3:</b>	Strong trade sector, medium strength agricultural products and services and a medium tourism and hospitality sector. Average number of enterprises is 141 per town. This suggests reasonably strong flows of money into or circulating within the towns.
Early administrative town	Cradock	
Old church town	Oudtshoorn	
Early administration town	Beaufort West	
Old church town	Aberdeen	
Old church town	Middelburg	
	<b>Cluster 5:</b>	Strong tourism and hospitality sector, a weaker trade sector and weak agricultural products and services sector and some strength in the services sector. Average number of enterprises per town is 109. This suggests a reasonably large amount of money must be circulating or flowing into towns
Old administration town	Graaff-Reinet	
Old church town	Britstown	
Old church town	Laingsburg	
	<b>Cluster 6:</b>	Very strong tourism and hospitality sector and a reasonably strong agricultural products and services sector and a weak trade sector. Average number of enterprises per town is 39. This suggests the inflow or circulation of money is limited.
Old church town	Hanover	
Old church town	Nieu Bethesda	
Old church town	Sutherland	
Old church town	Prince Albert	

(Toerien and Seaman 2010:4-8)

In Table 4.2, the towns in this study fall into two main categories: old administration towns and old church towns. This suggests that the majority of small Karoo towns contain a strong source of heritage which is often reflected in magnificent church buildings as well as private homes surrounding the original church. The main characteristics of these towns differ. However, there are only three distinct sectors found: the trade sector, agricultural products and services, and the tourism and hospitality sector. Table 4.2 also shows that according to Toerien and Seaman (2010) the smaller towns (Hanover, Nieu Bethesda, Sutherland and Prince Albert) have limited circulation or inflow of money and the bigger towns (Cradock Oudtshoorn, Beaufort West, Aberdeen, Middelburg, Graaff-Reinet, Britstown and Laingsburg) have a reasonably large amount of money circulating or flowing in. This could be as a result of the large number of enterprises in each of these towns indicated by Toerien and Seaman (2010).

#### 4.2 Profile of Interviewees

According to Hernandez-Maestro *et al.* (2009), owners/managers strongly define a firm's performance. According to a small town business study completed in Canada by Amboise (1991), people who own or manage small businesses have recently acquired greater status in society as a new entrepreneurial state of mind has emerged. A study in America by Emerick and Emerick (1994:20) found that most of their B&B establishments were owner-occupied. They also found that B&Bs seem to be a small town phenomenon. The profile of owners/managers reflects the nature of tourism businesses in the Karoo. They are typically small enterprises, owner-managed, not professionally trained in hospitality, and are extensions of the personality and personal taste of local residents who create a new livelihood for themselves in the tourist sector (Van Rooyen, 2011).

**TABLE 4.3 Profile of Interviewees**

<b>Owner or manager interviewed</b>	<b>Number of responses</b>	<b>Percentage of sample</b>
Owner	21	78
Manager	6	22
Total	27	100

Of the 27 respondents in this survey, 21 were owners (78%) and 6 were managers (22%). This is a large majority of owners running their own businesses which

supports the result noted by Van Rooyen (2011), who found that the B&Bs in the Karoo were typically run by owners. One can surmise that the owners of a business tend to be a more reliable source of information as they are likely to be more interested in the growth of their business. They are also likely to be more optimistic as they have invested their own money in the tourism facility. This then also gives support to the validity of the results of this survey as the majority of the respondents were likely to have been open, honest and committed to giving an accurate record of their opinions, possibly more so than managers.

### **4.3 Product Owners' Perspectives on Local Tourism**

A study in Israel by Krakover (2004) found that there has been a growing demand for bed nights by tourists. A study compiled in Gauteng by Darkey and Horn (2009) and Nuntsu *et al.* (2004) stated that the B&B industry is increasingly recognised as one of the fastest growing small-enterprise sectors in South Africa. This section illustrates that the product owners believe that the tourism industry in the Karoo is growing.

#### **4.3.1 Perceptions of Local Tourist Attractions and Potential**

Open-ended questions were used to gather the required information. These are unstructured questions in which possible answers are not suggested. The respondents were required to use their own knowledge and feelings about each specific question.

Tourist attractions are the most important demand-pull factors which the product owners believe attract tourists to a particular area (Oh, Fiore and Jeoung, 2007). A study compiled in Nigeria by Awaritefe (2004) found that abstract factors, such as tourists needs, motivations and tangible factors, which are the destination's attributes, explain why a tourist has chosen a specific destination. Individuals seek to satisfy their needs, whether for escape or new experiences, whether personal or interpersonal. Personal motivations include learning about other cultures, and the search for prestige or relaxation; interpersonal motivations include social interactions. Ecotourism is the fastest growing tourism sector globally. It involves pristine natural areas and is responsible for 20% of the world's tourism expenditure (ESCAP Tourism Review 2001). 80% of nature conservation in South Africa is taking

place on privately owned land, which includes game farms and forms part of ecotourism. These farms make a significant economic contribution (Merwe *et al*, 2003). A survey completed in Beaufort West by Van Staden and Marais (2005) showed that the tourists had a high response rate for ecotourism as an activity. This finding indicates that the product owners have identified a similar response, illustrated in the table below.

**TABLE 4.4: Awareness of Local Attractions**

Type of attraction mentioned by guest house owners (n=27)	Number of responses (open-ended)	Percentage
Star-gazing, astronomy	20	25
Extreme climate (e.g. cold weather)	3	4
Local food and produce (e.g. cheese farm, brewery)	1	1
Crafts (e.g. mohair, ostrich eggs) and collectibles (old furniture, books, artifacts)	3	4
Location (e.g centrally, near a mountain, detour off main road, off the beaten track)	3	4
Pleasant environment (beautiful surrounds, atmosphere, tranquility, uplifting, peace)	7	9
Architecture and heritage (e.g. oldest town in the Karoo, rich history, German settlers), museums and iconic man-made attractions	14	19
National parks, game drives, game farms, ecotourism, iconic natural features, hunting, birding	20	26
Township tours (donkey cart rides)	2	3
Qualified tour guides	1	1
Convenience – nice stopover	3	4
Local artists (musicians)	1	1
Useful institutions (Grootfontein College)	1	1
Missing	32	29
Total	79	100

In Table 4.4, the main attractions (key reasons for visiting) were identified by guest house owners. 26% said the main attraction was the national parks, game drives, game farms, ecotourism, and iconic natural features, hunting and birding. 25% said star gazing (astronomy) was one of the main attractions 19% said architecture and heritage (e.g. oldest town in the Karoo, rich history, and German settlers), museums and iconic man-made attractions.

The above result shows that tourism providers believe that there is a wide variety of attractions offered in the Karoo.

Interestingly, the tourism providers do not place much emphasis on their local foods and products such as their Karoo lamb. Karoo lamb is seen as a desirable commodity as according to Atkinson (2010d:22), the four Karoo provinces are collaborating to form a special “Karoo lamb brand”. This possibly reveals that the product owners are poorly aware of some of their key tourism assets. This may be due to various factors. For example, they may not be experienced in tourism themselves. Many of them may have grown up in the area, and therefore may see local cuisine as normal and not exotic.

#### 4.3.2 Prospects for Tourism Growth in Certain Localities

Rogerson (2004) highlights that the SMME tourism economy in South Africa is growing continually. In Van Rooyen (2011:12), the annual growth trend in GDP in the Central Karoo is generally positive. A study compiled in Beaufort West found that there has been a growth rate of 3% between 1995 and 2004. This has had a positive influence on business confidence (Van Rooyen, 2011:12). There is a linear relationship between Gross Domestic Product (GDP) rates and confidence indicators. As GDP increases, a country’s confidence increases. (Van Rooyen (2011) found that business confidence is described as the degree of sentiment towards risk taking by business. It creates an increase in private investment in fixed capital goods which will eventually reflect economic growth. Van Rooyen (2011) found that the confidence levels of all countries rose consistently into 2010 at a steady rate. Business confidence is measured using simple and rapid interviews with business people.

**TABLE 4.5: Perspectives on Prospects for Tourism Growth in Their Localities**

<b>Do the product owners believe that tourism will grow in their district?</b>	<b>Number of responses</b>	<b>Percentages</b>
Yes	25	93
Maybe	2	7
Total	27	100

In table 4.5, of the 27 respondents, 93% said that tourism would grow in their district and 7% said that tourism might grow. The fact that the product owners are confident that tourism in the Karoo will grow is a very positive outcome. The suppliers of the tourism product, in this case accommodation services, have evidently seen an increase in the number of tourists visiting the Karoo. They perceive a positive return on their capital expenditure which bodes well for the motivation to develop further tourist products. This confidence is necessary for development to become a reality.

### 4.3.3 Reasons for Expected Growth or Decline of Tourism in the Karoo

Globally there has been a major increase in the focus of heritage tourism. It has also received increased political focus due to its ability to stimulate economic activity (Bowitz and Ibenholt, 2009). According to the Tourism White Paper (1996), South Africa is a global leader in ecotourism.

**TABLE 4.6: Reasons for Expected Growth or Decline of Tourism In The Karoo**

<b>Positive responses by product owners:</b>	<b>Number of responses (open-ended)</b>	<b>Percentage</b>
Uniqueness, niche markets (hidden treasures)	3	8
Heritage and authenticity	9	23
Climate, desert tourism, natural beauty and ecotourism	7	18
Remoteness, peace and quiet, refuge, unspoilt	5	13
Cheap to visit	1	3
Rural tourism	2	5
Turnkey investments (SALT, biggest painting in the world, airport)	3	8
Physical safety	2	5
High economic activity	1	3
Reverse migration	1	3
Holiday destination	1	3
Improved accommodation sector, famous Karoo hospitality	2	5
<b>Negative responses by product owners</b>		
Low economic activity	1	3
Inappropriate local industries & development (sugar-beet)	1	3
Climate change (global warming makes the area drier)	1	3
<b>Total</b>	<b>40</b>	<b>100</b>

In Table 4.6, the majority of the responses were positive with regard to tourism's expected growth in the Karoo. 23% of the product owners said the reasons for growth in tourism in the Karoo were a result of heritage and authenticity. 18% believed that climate, desert tourism, natural beauty and ecotourism would promote growth in tourism. 13% believed that remoteness, peace, quiet, refuge, unspoilt nature would promote growth in tourism. 8% said turnkey investments such as the Square Kilometre Array (SKA) telescope project in Sutherland, the 'biggest painting in the world' and the airport in Beaufort West would promote increased tourism. 8% believed the uniqueness of this area and niche markets (hidden treasures) were important.

Key to establishing the validity of these results would be to compare them with the results of the tourists' responses to ensure that the expectations of tourists are being accurately catered for. This would also imply a need to evaluate the marketing programmes of the product owners to confirm that these assets/benefits are what they are marketing to tourists. Either way, the positive response and large variety of possible attributes in the area which could promote tourism growth raises a great deal of confidence for growth and development in this region.

#### **4.3.4 Relationships between Service Providers**

A key theme that has been identified involves the positive effects of networking and cooperation among local enterprises and the strengthening of the collective efficiency of small firm clusters (Rogerson, 1999). Studies of B&B operations in Texas by Lee *et al.* (2008:41) in 2000 found that 24% of guests were referrals. This type of loyalty fosters stability in the tourism accommodation industry. A study compiled in Perth by Alonso (2009) found that accommodation establishments need to work collaboratively as this stimulates growth of commercial opportunities among participating operations. The Colesberg Hospitality Association (AHA) began in 2007 has instituted a referral system, whereby guest houses share information on vacant rooms which boosts local occupancy rates (Atkinson, 2010c).

According to Buhalis (1998:324), "Despite the numerical dominance of tourism economies in most parts of the world, small tourism accommodations lack a lobbying

voice within the matrix of stakeholders at the destination”. In other words, these small establishments lose out to stronger voices of large enterprises which are more organised and connected. This creates an extremely competitive environment where establishments do not work together, but they threaten each other’s viability and survival. The results attained in this survey, illustrated below, are typical of small towns (small town syndrome).

**TABLE 4.7: Relationship With Other Product Owners**

<b>Type of relationship with other product owners</b>	<b>Number of responses (open-ended)</b>	<b>Percentage</b>
Good, mutual referrals, work together	20	37
Some local rivalry, selective co-operation	3	6
Little interaction, low-level co-operation	1	2
Local factionalism	1	2
Did not answer	29	54
Total	25	100

In Table 4.7 it needs to be noted that only 46% of respondents answered this question. However, the results revealed that only 37% of the total respondents have good relationships with other product owners, practise mutual referrals and work together to enable an enhanced benefit. 6% said some local rivalry and selective co-operation existed. Only 4% gave a negative response of little interaction and local factionalism.

A relatively large portion of the respondents were unsure of or hesitant to answer this question, which may reveal that they do not have a good relationship with other product owners. It can be assumed that if they did, they would not hesitate to answer this question. This may show some degree of mistrust that needs to be addressed as they are missing out on the positive benefits gained from collaborating and working together.

#### **4.4 Future Tourism Markets in the Karoo**

A study compiled in the Caribbean by Miller (2009) states that current global economic problems have highlighted the dangers of focusing on a single market and conversely, the need to diversify a region’s visitor markets is important. It is

important to utilise present research and knowledge that can influence potential consequences of current decisions to pursue the path for desirable futures. This encourages people to develop their system's thinking abilities (Benckendorf *et al.* 2009). A study compiled in Canada by Hudson *et al.* (2006) states that there are low barriers to entry in the tourism market. This ease of entry into the market reduces or even eliminates the need for in-depth research into the market, which supports a study in Beaufort West by Van Staden *et al.* (2005) which found that tourist industries are not fully aware of their customer profile.

**TABLE 4.8: What Tourism Markets Would Product Owners Like to Explore in the Future?**

Types of tourism markets the product owners would like to explore in the future	Number of responses (open-ended)	Percentage
Foreign/international	12	18
Corporate	1	1
Local/South African/national	6	9
Tour buses	2	3
No specific idea	8	12
Astro-tourism	1	1
Extended stays and holidays	2	3
Organic food production	1	1
Adventure tourism	1	1
Aviation tourism	1	1
Heritage tourism	1	1
Did not answer	31	46
Total	67	100

In Table 4.8, 18% of the respondents said that they would like to explore the foreign/international market in the future. 12% said they do not have any specific idea which market they would like to explore. 9% said that they would like to explore the local/South African/national market.

The above responses show that the foreign/international market was the most popular market which the respondents would like to explore. This would require the respondents to explore what type of tourism products the international tourist market requires or desires. This suggests there is scope for further foreign/international tourism studies which focus on this market to determine exactly what benefits it

would be seeking. It also suggests that there is significant scope for expansion, which may well increase future impacts on tourism and local economic development.

There was a surprisingly high response where respondents were not sure which markets they would like to explore in the future and a very high percentage did not answer this question (46%). This is a further indication of the possible lack of research done by the product owners and supports the notion that because entry is easy, many product owners are in the market without having done the necessary research and self-preparation to exploit possible opportunities. The current market, as it exists, is obviously sufficiently large and the demand for their products high enough for them to survive with little extra marketing effort. Their need to be competitive is thus not that strong. This also shows that they possibly do not know how to market their business as they do not know which potential markets exist. As indicated above, the exploration of future tourism markets is crucial.

#### **4.4.1 Growing New Markets**

New tourism markets are generated through the competition and cooperation of service providers. Competition between destinations is increasingly a matter of innovation. Innovation leads to incremental growth and thus becomes an investment process (Keller, 2004). A study completed in Korea by Kim (2004) found that e-tourism is an innovative approach for small and medium-sized tourism enterprises. The benefits of e-tourism are that it helps create new markets, improves customer services, establishes interactive relationships with customers and reduces operating costs. Hudson and Gilbert (2006) identify the underlying success factors in utilizing the internet as a marketing tool in the tourism sector. They recognise the use of the internet as a low cost method of advertising and there are low risks associated with adopting this new technology. A study by Lee *et al.* (2008:12) in Texas found that 64%, which represents a relatively high percentage of product owners, make use of websites as a marketing strategy. A study compiled in the USA by Emerick and Emerick (1994:20) established that supplying general information about accommodation establishments to the travellers and travel agents is highly beneficial. This highlights the importance of marketing tourism establishments

through the various methods mentioned below, with websites being the most popular method.

**TABLE 4.9: How do the Product Owners Intend to Access These Markets?**

How the product owners intend to access the tourist markets	Number of responses (open-ended)	Percentages
Brochures and booklets	2	8
Websites	12	48
Word of mouth	2	8
Advertising and marketing	5	20
Partnerships with tour operators	1	4
Promoting local projects	1	4
Promoting routes	1	4
Indabas and expos	1	4
Total	25	100

In Table 4.9, 48% of respondents said that they would make use of creating websites to advertise their business. 20% said that they would make use of advertising and marketing techniques. 8% said that they would rely on word of mouth and 8% said they would make use of brochures and booklets.

The above results reveal that creating websites was the most popular response. This corresponds with the response of the foreign/international market as being the most popular market. Accessing this market would be highly beneficial through advertisements on the internet: it breaks through geographical barriers as anyone from any country in the world is a potential customer.

The other responses are all techniques which may help to promote their businesses. However, the most convenient and effective solution is to make use of websites in order to efficiently reach a broad base of probable clients and for the various benefits mentioned above.

#### **4.4.2 Product Diversification**

Economists expect to see a positive relationship between diversification and economic performance. According to a study by Jones and Tate (2009), Jamaicans are diversifying their tourism offerings through niche market development and

promotion. This increases visitor satisfaction and attracts additional revenue, which creates a snowball effect in growing this market. New capital investments will cause additional local expenditures and multipliers. However, according to a study completed in Clarens by Venter *et al.* (2010), small areas such as the Karoo towns should be careful, as increased development might jeopardise a rural town's attractiveness as a tourist destination. Sinclair (1998) mentions that tourism expansion may deplete a country's natural resource base.

**TABLE 4.10: Would Product Owners like to Diversify their Tourism Product?**

Would the product owners like to diversify their tourism product?	Number of responses (open-ended)	Percentages
Yes	14	52
No	13	48
Total	27	100

In Table 4.10, 52% of the product owners said that they would like to diversify their tourism product and 48% said they would not.

This indicates that there is an almost even split between those who want to diversify and those who do not. Respondents were not asked what type of diversification they would like to see, which makes it difficult to analyse this result further. The fact that at least half of the product owners would like to diversify shows that they would like to invest more into their businesses. This shows a positive outlook within the tourism industry.

This question needs further investigation to determine the reasons for the opinions of the product owners as their answers may not relate to the rural atmosphere of their small town.

#### **4.4.3 Additional Infrastructure**

It is important to determine the opinions of product owners in South Africa regarding infrastructure development. Atkinson (2010c) found that there has been an increase in the level of investment in tourism infrastructure in the Karoo towns.

**TABLE 4.11: What Additional Infrastructure/Staff would be Required for Those who want to Diversify?**

Additional infrastructure/staff required	Number of responses (open-ended)	Percentages
Buildings (new buildings or renovations)	5	46
Staff	2	18
Chapel	1	9
Airport	1	9
Develop nearby features as attractions (e.g. mountain, volcano)	1	9
Road maintenance	1	9
Total	11	100

In Table 4.11, the response from the product owners was limited. Only 11 of the 14 who indicated in Table 4.10 their desire to diversify responded to this question. 46% of those who responded said that they would require additional buildings and renovations. 18% said that they would need additional staff. Other respondents said that they needed a chapel (9%), airport (9%), road maintenance (9%) and development of nearby features as attractions (9%).

These results reveal that product owners responding to this question who wished to diversify were either uncertain about the additional infrastructure required or felt it was not needed. However, of those who did respond, nearly half of them selected building and renovations as their prime infrastructure need. These product owners thus perceive the potential for growth and believe that there would be sufficient demand for the increased infrastructure. Alternatively, the need may be generated from their experience for a demand for an improvement or an upgrade of the product owners' existing facilities in order to meet the needs of a more sophisticated tourism market. This highlights the need for further research from tourists to determine their opinions of the standard or quality of accommodation infrastructure they want.

#### **4.5 Product Owners' Facilities**

Up-to-date information is an essential management tool for understanding trends and for determining how a market is developing (Nuntsu *et al.* 2004). According to Andrew (2005), statistics are essential in that they help with policy formation, analysis and research. They help with business planning, informing citizens about

performance and the evaluation of any type of activity. They facilitate comparisons across countries and regions and they help with benchmarking. The key tourism statistics include quantitative data from, for example, visitor arrival figures, tourism expenditure and Tourism Satellite Account (TSA) generated data. Qualitative statistics, information generated from accommodation and tourism establishment surveys on motivations and satisfactions of tourists are also used. Identifying trends and figures allows product owners to decide what level of tourist investment they should employ. Krakover (2004) found that tourism data guided the pattern of change revealed for investment in tourism facilities.

The next section of the questionnaire established the level of tourism investment by product owners and tourist statistics relevant to their establishments.

#### **4.5.1 Age of Establishments**

A study in the USA by Emerick and Emerick (1994:23) found that the biggest challenge in the tourism industry is the entry of new players. They established that there were typically a large number of newcomers into the B&B industry. A study in Gauteng by Lee, *et al.* (2008) also found many small accommodation establishments emerging. This increases competitive intensity in the tourism sector. Emerick and Emerick (1994:20) found that seven years is the average number of years that accommodation establishments have been in operation. Unfortunately in South Africa about 80% of micro enterprises and about 60% of small businesses will cease to operate within 5 years of operation (Dube 2001). This is due to under capitalization, difficulty in accessing capital, higher market access cost and less skilled labour (Rogerson, 1998). According to a study completed in Buffalo City by Nuntsu *et al.* (2004), the average number of years that B&Bs had been in existence was 3.6 years. The accommodation sector has been the main driver of tourism in the Karoo (Atkinson, 2010b). The table below shows that there have been new entrants into the Karoo accommodation sector which would thus create an increase in competition in this industry.

**TABLE 4.12: How Long have the Product Owners' Establishments Been in Existence?**

<b>Number of years that the product owners have been in existence for (n=27)</b>	<b>Number of responses</b>	<b>Percentages</b>
0-2 years	1	4
3-5 years	8	30
6-10 years	8	30
11-20 years	8	30
21 years and more	2	7
Total	27	100

In Table 4.12, 30% have been in existence for between 3 and 5 years, 30% for between 6 and 10 years and 30% for between 11 and 20 years.

The above results show that two-thirds of establishments are older than 5 years. The average age of establishments is therefore greater than previous South African studies suggested would be the case but is in line with Emerick and Emerick's (1994) finding for the US. The fact that there are a few new establishments proves that there is still positive sentiment towards participating in the industry.

#### **4.5.2 Size of Establishments**

Emerick and Emerick (1994:20) stated that the typical American B&B is located in a small town and has six or seven rooms. According to Nelwamondo (2009), 82% of the B&Bs in Limpopo were small establishments. Hudson and Gilbert (2006) found that small accommodation establishments have started to overcome their disadvantage of limited budget size by marketing internationally through the internet. This has allowed them to reach consumers beyond their borders in the international marketplace. This highlights the urgency to pay special attention to having small establishments keep up to date with the use of modern technology. This will facilitate their strategic development and the promotion of small establishments (Nelwamondo, 2009).

Many tourists today prefer different types of accommodation and opt for small to medium sized accommodation establishments rather than the bigger hotels.

Nelwamondo (2009) concurs with the fact that smaller accommodation establishments have become more sought after than the bigger establishments.

**TABLE 4.13: Numbers of Rooms**

Number of rooms in each establishment (n=27)	Number of responses	Percentages
1-5 rooms	7	26
6-10 rooms	4	15
11-15 rooms	7	26
16-20 rooms	3	11
21-30 rooms	4	15
31 and more	2	7
Total	27	100

In Table 4.13, 26% of establishments have 1-5 rooms and 26% have 11-15 rooms.

If one uses Emerick and Emerick (1994) as a benchmark for the size of the establishments, then 1 to 7 rooms would be regarded as small, 8 to 14 rooms could be said to be medium and more than 15 rooms would be said to be large.

The above result shows that 67% of establishments have 1-15 rooms. This reveals that the majority of these establishments are small to medium in size. However, a significant number of establishments deemed to be large with 33% having more than 15 rooms. This may suggest that there is a relatively good spread of small, medium and large accommodation establishments in small towns in the Karoo.

**TABLE 4.14: How many Beds do the Product Owners Have?**

Number of beds in each establishment (n=27)	Number of responses	Percentages
6-10 beds	4	15
11-15 beds	5	19
16-20 beds	2	7
21-30 beds	6	22
31-50 beds	6	22
51-75 beds	3	11
151-200 beds	1	4
Total	27	100

In Table 4.14 above, 22% of establishments had 21-30 beds and 63% had fewer than 30 beds.

This result supports those in Table 4.13 where the sizes of the establishments can be categorised in terms of small, medium and large. The simple fact that the size is not restricted to “small” (as found by Emerick and Emerick (1994) to be the case in the average B&B in America) denotes that there has been significant investment and growth in the accommodation sector of small towns in the Karoo. This suggests a significant demand for their products and services and along with the relatively young age of establishments (Table 4.12) suggests that demand is growing.

### 4.5.3 Establishment Attractions

Gradually, the accommodation sector in small towns has positioned itself to become more sophisticated, to attract a more sophisticated clientele, to offer better services (Atkinson, 2010a). Establishments need to ensure that they match this new sophisticated demand by providing the necessary facilities and attractions. The result illustrated below shows that these establishments had a wide range of facilities to offer. This implies that a wide range of investments have been made in order to generate this wide offering of facilities. The table below gives an indication of the extent of the attractions the establishments have to offer.

**TABLE 4.15: What other Attractions do the Product Owners have to Offer in their Establishments?**

<b>What other attractions do the product owners have to offer in their establishments?</b>	<b>Number of responses (open ended)</b>	<b>Percentages</b>
Swimming pool	10	13
DStv	6	8
Internet	7	9
Air conditioner	1	1
Qualitative aspects: Views, peace, tranquillity, hospitality, large garden	5	6
Conference room	5	6
Heritage appeal	3	4
Restaurant	12	15
Under-floor heating	1	1

Mountain biking	3	4
Hiking and guided walks	6	8
4x4 trails and game drives	6	8
Air strip	2	3
Birdlife	3	4
Rock art and fossils	1	1
Botanic walk	1	1
Curio and craft shop	1	1
Laundry service	2	3
Garden entrances for rooms	1	1
Star-gazing	2	3
Weddings and functions	1	1
Total	79	100

In Table 4.15, of the responses received, the establishments had the following attractions: 15% had a restaurant, 13% had a swimming pool, 9% had internet facilities, 8% had DSTV, 8% had hiking and guided walks, and 8% had 4x4 trails and game drives.

From the above result it is evident that accommodation establishments in the Karoo have a wide range of facilities on offer. The most prominent facilities included a restaurant and a swimming pool. Other facilities which gained a fair response included internet, DSTV; outdoor activities such as hiking trails, guided walks, 4x4 trails, game drives; the qualitative aspects (views, peace, tranquillity, hospitality and large gardens); and conference facilities. The Karoo consists of a vast number of small remote towns which people from the cities want to “escape to” and experience the rural atmosphere. It is important for the accommodation establishments to offer facilities which will attract tourists and ultimately for them to regard the Karoo as a future destination of choice. The restaurant and swimming pool facilities add value in that they generate a pleasing atmosphere. The outdoor activities and tranquil scenery present a definite drawcard for many tourists as it is this unique, explorative experience that the Karoo has to offer and that is ultimately what the tourists today are attracted to. This suggests that the accommodation establishments in the Karoo have the upper hand in that their surroundings generate a facility in its own right that can be perceived as a touristic asset.

#### 4.5.4 Domestic and Foreign Tourist Arrivals

A study completed in India by Selvanthan *et al.* (2009:3131) found significant growth rates in both the foreign and domestic tourist arrivals over the December/January period. They also found that the growth rates for both foreign and domestic tourists were positive over this time. A study by Gelderblom (2006:7) found that over January 2006, the tourists' profile was 89% South African tourists and 17% foreign tourists. According to a study in five Karoo towns by Poi (2005), South African tourists made up 74%, European tourists made up 20% and Australasia and Asia made up 2%. These results show that tourism is highly affected by seasonality. This result shows that both domestic and foreign tourist arrivals are apparent.

**TABLE 4.16: Specific South African and Foreign Localities of Tourists and these Localities Consolidated:**

<b>Specific South African and foreign localities:</b>	<b>Number of responses (open ended)</b>	<b>Percentage</b>
Local	14	19
Eastern Cape	3	4
Gauteng	9	13
Cape Town	8	11
Western Cape	3	4
Bloemfontein	3	4
Pretoria	1	1
Free State	2	3
Specific foreign localities:		
Netherlands	8	11
UK	5	7
Europe	2	3
Foreign	4	6
Germany	10	14
Total	72	100
<b>South African localities consolidated:</b>		
Local	14	19
Eastern Cape	3	4
Gauteng, Pretoria	10	14
Cape Town, Western Cape	11	15
Bloemfontein, Free State	5	7
Total	43	59

<b>Foreign localities consolidated:</b>		
Netherlands, Europe, Germany	20	28
UK	5	7
Foreign	4	6
Total	29	41

In Table 4.16, of the responses received, the product owners said that 19% of their clients were locals (from the Karoo), 28% were from the Netherlands, Europe and Germany, 14% were from Gauteng and Pretoria, 15% were from the Western Cape and Cape Town. Those below 10% were from the UK, Free State, Bloemfontein and the Eastern Cape.

The results reveal that both domestic and foreign tourists visit the Karoo. Overall 59% were South Africans and 41% were foreign tourists. This shows that there were a few more domestic tourists than foreigners. This was a relatively high percentage of foreign tourists, which bodes well for a possible future influx of foreign tourists. The fact that one has repeat business from tourists that have visited the area would mean that their experience was positive. This would have led to the positive word of mouth generating further support from returning tourists. If one compares this with the increasing numbers of tourists in other small towns in other areas – e.g. in Clarens there was an increase of 130 000 to 180 000 overnight tourists noted by Venter *et al.* (2010:1) – it is clear to see that this Karoo region has a future which bodes well for the growth of foreign tourists. It needs to be noted that these levels of tourist inflow are the perceived levels assumed by product owners.

#### **4.5.5 Different Tourist Groups**

According to a study completed in Norfolk by Prideaux and Crosswell (2006:366), the majority of their visitors travelled in pairs (61.4%), followed by groups of four (12.3%), indicating that couples were a significant market segment. A study compiled in the United States by Lee *et al.* (2008:46) established that 85% of their product owners targeted couples as their marketing strategy.

**TABLE 4.17: The Different Groups of Tourists Include:**

Type of tourists	Number of responses (open ended)	Percentage
Individuals, Single businessmen, salesmen	3	4
Self-drive groups	2	4
Bus tour groups	7	15
Families	14	29
Couples	18	38
Wide diversity	3	6
School and university groups	1	2
Total	48	100

In Table 4.17, of the responses received, the product owners said that 38% of their visitors were couples, 29% were families and 15% were bus tour groups.

Product owners in the Karoo receive mainly couples and families as their clients. This should influence the preparation of the facilities offered by product owners to be more suited to couples and families. This kind of planning is both cost saving and effective for tourists if accurately assumed by product owners. This creates the need to generate segment attractiveness criteria which targets these markets.

#### 4.5.6 Age of Tourists

According to Lohmann (2004), an older society has developed in richer countries due to rising life expectancy and a declining number of births. A study compiled in the United States of America by Lee *et al.* (2008:38) found that people with an average age of 44 generally have the desire to travel and have the means to do so. A study in Gauteng by Popova (2006) also found that the majority of their customers were middle aged.

**TABLE 4.18: Age of the Different Tourists**

Age of the different tourists	Number of responses (open ended)	Percentage
Young	3	8
Middle-aged	16	44
Elderly	6	17
Diverse range of ages	11	31
Total	36	100

In Table 4.18, of the responses received, the product owners revealed that 61% of all ages were middle aged or elderly, 31% were of all ages and 8% of tourists were young.

This highlights the importance of catering for the older age groups and ensuring that the benefits sought predominantly by this group are the ones being highlighted in their marketing effort and that they are targeting this specific market.

#### 4.5.7 Main Reasons for Travel

Different tourism market sectors see tourism as a tool for different objectives and each sector needs to focus on the consumer. Their perception of reality is important. A study completed in Nigeria by Awaritefe (2004) identifies three main purposes of travel – leisure, business and visiting friends and relatives – as the motivation for travel. According to a study compiled in the Eastern Cape by Pio (2008), the profile of tourist visits includes 77% holiday tourists and 23% business tourists. Lee *et al.* (2008) also found that leisure tourists and business tourists made up the majority of the tourist profile. Lee *et al.* (2008) found that an increasing number of establishments have renovated their operations to accommodate business travels and conference groups.

**TABLE 4.19: The Main Reasons for Travel as Noted by Product Owners**

What type of visitors do the product owners obtain?	Number of responses (open ended)	Percentage
Leisure	25	54
Business	20	44
Visiting friends and relatives	1	2
Total	46	100

In Table 4.19, of the responses received, the product owners said that the reasons for travel were seen as being 54% leisure tourists, 44% business tourists and 2% were visiting relatives and friends. The share of business travellers is somewhat larger than expected, which suggests that many travellers are stopovers by business people passing through the Karoo.

This result is also affected by seasonal fluctuations as during the holiday period there are more leisure tourists than business tourists. The result shows that it would be important for both the leisure and business tourist markets to be targeted and catered for.

#### 4.5.8 Percentage of Pre Booked versus Walk-in Clients

Kotler and Armstrong (1990) explain the marketing mix and its four groups of variables known as the four Ps: product, price, promotion and place. The degree of ease of access to each establishment is reflected by the volume of pre booked clients. This gives an indication of the effectiveness of the fourth P, place, in the publicized material in the marketing mix. Walk-ins would reflect the effectiveness of the physical position (place) of the establishment itself.

**TABLE 4.20: Are They Walk-In or Booked Clients?**

<b>What percentage of their clients are booked</b>	<b>Number of responses</b>	<b>Percentages</b>
Booked: 1-30% (booked visitors are a small minority of guests)	1	4
Booked: 31-50% (booked visitors are a large minority of guests)	4	15
Booked: 51-70% (booked visitors are a small majority of guests)	3	11
Booked: 71-100% (booked visitors are a large majority of guests)	19	70
Walk-Ins	0	0
Total	27	100

In Table 4.20, 70% of the product owners said that 71-100% of their clients were booked clients. 15% said 31%-50% of their clients were booked and 11% said 51%-70% of their clients were booked. None of the product owners had walk-in clients.

This is a positive result as it is easier to manage and to be prepared when clients book as opposed to when they are walk-in clients. This shows that tourists are familiar with these establishments – either through guidance from their LTO, effective implementation of the marketing mix elements, well run websites, or positive word of mouth from clients who appreciate their facilities and services.

**TABLE 4.21: The Type of Booking**

The method in which clients are booked	Number of responses (open ended)	Percentages
Direct booking	22	49
Travel agents	16	36
Tour operators	6	13
Total	45	100

In Table 4.21, of the responses received, 49% of the product owners said their clients were booked via direct bookings, 36% were booked through travel agents and 13% were booked through tour operators.

The fact that only a minor percentage booked through tour operators could be as a result of the tour operators being unaware of what the Karoo has to offer. This lack of knowledge was experienced by the author in enquiries at the Tourism Indaba in Durban in 2010.

#### 4.5.9 Length of Stay

According to Barros and Machado (2010), length of stay is determined by the socio-demographic profile of the tourist and moderated by the perceived characteristics of a particular destination. Due to the new emerging tourist market, there has been a declining average length of stay (Barros *et al*, 2010). A study compiled in Clarens by Venter *et al*. (2010:8) found that 84.5% of their respondents stay for two to four nights and the average number of nights was calculated as 2.86 nights per visit. A study by Nuntsu *et al*. (2004:517) found that the average number of nights tourists stay for in Buffalo City is 2.35.

**TABLE 4.22: How Long Do Tourists Typically Stay For?**

The number of nights that the tourists typically stay for	Number of responses (open ended)	Percentages
1 night	18	53
2-3 nights	13	38
4-5 nights	0	0
6-8 nights	2	6
9-14 nights	1	3
Total	34	100

In Table 4.22, of the responses received, the product owners said that 53% of their visitors typically stay for one night and 38% stay for 2-3 nights.

The above result reveals that the Karoo is typically a stopover and currently may not be regarded as a destination of choice. This poses a number of questions as to the reasons for this. It has been shown that there are many attractions. Are these attractions not known about by the tourists? Are product owners and LTOs not marketing the attractions sufficiently to get the tourists to stay for longer periods? What needs to be done to encourage tourists to experience the attractions of the area and therefore stay longer? It is believed that once the Karoo is discovered, the demand for the area as a destination of choice will result in an influx of tourists and the ripple effect this may have will cause major growth in development in this region.

#### 4.5.10 Peak Business Times in the Year

Tourism is subject to seasonal fluctuations which makes it an unstable source of income and employment (Cornelissen, 2008). Pio (2008) found that tourism is seasonal in many small Karoo towns. Venter *et al.* (2010) also notes that one of problems associated within the tourism industry is its seasonality.

**TABLE 4.23: Product Owners' Peak Business Times in the Year**

Their peak business times of the year	Number of responses (open ended)	Percentages
School holidays (April/March, June/July, Sep/Oct, Dec/Jan)	11	31
Spring (August to mid-October)	4	11
Summer (mid-October to mid-February)	13	37
Autumn (mid-February to April)	2	6
Winter (May to July)	5	14
Total	35	100

The above result shows that the majority of respondents' clients visit during the summer season (37%) and during the school holidays (31%). Only 14% visit in the winter months (May-August), 11% visit during Spring (August to mid-October) and 6% visit during Autumn (mid-February to April). This result reveals that the Karoo product owners are faced with a highly seasonal demand for their products and

services. This implies that with this knowledge, careful planning can be done in advance for both busy and quiet periods. This also lends itself to dealing with an unstable income and employment environment evident in the tourism sector as noted by Cornelissen, (2008), Pio (2008) and Venter *et al.* (2010) above in that advance warning to employees can be given in order for them to be able to plan according to this fluctuating demand for their labour.

#### 4.5.11 Mode of Transport

A study completed in Queensland by Olsen (2003:332) states that the drive market accounts for 70% of all trips taken in Australia by both domestic and international travellers. A well known example in South Africa is the development of wine routes: for example, the Stellenbosch wine routes, which have shown a strong and growing interest (Rogerson, 2007). Rogerson (2007) also found that regarding the development of tourism routes within the Succulent and Hantam Karoo, one of the main market segments being targeted is the local and international self-drive market. Other markets, according to the Open Africa Report (2010), include organised tour groups, responsible travellers, hunting parties and photographers.

According to Rogerson (2007) tourism routes have emerged as an essential element for the promotion of tourism in small towns. Ultimately, route tourism encourages the growth of the self-drive market where tourists are encouraged to increase spending and length of stay (Meyer, 2004 and Rogerson, 2009).

**TABLE 4.24: Mode of Transport used by Tourists in the Karoo**

Mode of transport used	Number of responses (open ended)	Percentages
Own cars	27	82
Rented cars	1	3
Buses	4	12
Train	1	3
Total	33	100

The above result shows that personally owned vehicles were the key mode of transport (82%). The route tourism concept becomes a valuable concept to implement as self-drive tourists, having realized that self-drive holidays are an option

for consideration, are on the look out for safe, entertaining routes to follow that would cater for their needs.

As the spread of tourists between local and foreign tourists was found to be 59% local and 41% foreign tourists in Table 4.16 above, it is unlikely that foreign tourists would be using their own cars. This implies that the percentage indicated for the car rental category would in fact be higher than the product owners realise.

#### 4.5.12 Tourist Activities

Each destination possesses stocks of resources that offer different appeals to people such that a tourist will most likely travel with varying motivations on different occasions (Awaritefe, 2004). According to Cornelissen (2008), the fact that tourism is subject to seasonal fluctuations and high elasticities of demand, influences which attractions are popular during a certain period of the year. For example, hunting and extreme climatic conditions during the winter months could be an attraction to hunters and outdoor adventure seekers. According to Bowitz and Ibenholt (2009), there has been an increased political focus on cultural heritage. They note that this is due to a higher public interest in heritage which is able to stimulate economic activity within regions where economic activity is low. The Karoo offers what the majority of the product owners believe their visitors enjoy doing. This will lure them back to this region for repeat visits. However, Lee *et al.* (2008) established that mature travellers generally enjoy spending time shopping.

**TABLE 4.25: What do Tourists Mainly Like to Do?**

The main activities that the product owners believe the tourists like to do	Number of responses (open ended)	Percentages
Walking/hiking	4	9
Exploring, roaming around, window shopping, excursions, town tours	11	25
Relax, enjoy the peace and quiet	5	11
Visit local tourist sites – purposive visits (e.g. observatory, museums)	14	32
Hunting	2	5
Conduct business	1	2
Game drives	1	2

Horse riding	2	5
Weddings	1	2
Conferences	1	2
Simply stay over	1	2
Total	44	100

In Figure 4.25, of the responses received, the product owners said that 32% of tourists visit the local tourist sites: this is a purposive visit. 25% enjoy exploring, roaming around, window-shopping, excursions and experiencing the different town tours. 11% enjoys relaxing and taking advantage of the peace and quiet of the natural environment. Less than 10% enjoy hiking, walking, hunting, horse riding, conducting business, game drives and weddings.

The above result reveals that tourists enjoy seeing what the town has to offer in terms of sites as well as taking advantage of the peace and tranquillity and the remote rural atmosphere of the Karoo. This environment needs to be protected, where possible enhanced, for example by improving access through clearly marked hiking trails or drive-through scenic routes. By improving signage and simply creating well chosen outlook points, the view and tranquillity can be enjoyed. The above results reflect the perceptions of the product owners and these must be compared with the actual benefits sought by the tourists themselves to ensure that the service delivery (supply) and demand are accurately matched.

#### **4.5.13 Has the Number of Tourists Increased over the Past Two Years?**

A study by Lee *et al.* (2008) found that B&B operations have become increasingly popular as the majority of travellers do not want to stay in conventional hotels. The study also notes that B&B establishments have attained a more prominent role within the hospitality industry. A study compiled in Taiwan by Lin (2010) found that the popularity of B&Bs has increased as they provide travellers with a comfortable and homely atmosphere. In South Africa Atkinson (2010c:4) found that there has been a steady increase in the number of tourists visiting Beaufort West in the Karoo. She found that Colesberg, Beaufort West, Graaff-Reinet and Cradock have more than 1 000 beds. Van Staden and Marais (2005: 240) found that the number of beds in Beaufort West increased from 720 in 2001 to 1 500 in 2012. Atkinson (2010c) also

states that there has been an increase in the level of investment in tourism infrastructure in the Karoo towns. These increases imply an overall increase in economic activity as a result of increased tourist numbers, which is evident in the results generated by this study.

The finding in this study was that nearly all of the product owners said that the number of tourists had increased over the past two years. Only two mentioned that the number of tourists was unchanged or not increased.

This increase creates a multiplier effect within the Karoo region as the increased number of tourists results in an increase in spending. If this spending is re-spent within the same economy it creates larger multiplier effects. This would likely also result in increased employment if the existing staff were unable to cope with the increase in tourist numbers. The extent of this multiplier is investigated later in this study.

#### 4.5.14 The Marketing of Tourism Increases Tourist Numbers

Marketing plays a vital role in reaching potential visitors (Indian Tourism Report, 2011). Lee *et al.* (2008) found that the two main marketing strategies for B&B operations were word of mouth (98.9%) and brochures (89.7%).

**TABLE 4.26: The Reasons for Change in Number of Tourists**

Key reasons why their number of tourists has increased or decreased	Number of responses (open ended)	Percentages
Increased: Word of mouth	12	46
Increased: Marketing, advertising	10	39
Increased: Improved roads	1	4
Increased: Traffic on highways is increasing	1	4
Increased: Improve service	1	4
Decreased: Recession	1	4
Total	26	100

In Figure 4.26, 46% of the product owners attributed the increase in their tourist numbers to word of mouth. 49% said that it was due to their improved marketing and advertising techniques.

The above results emphasize how important it is for the product owners to retain a positive image within their own businesses and within the town. A large percentage of the product owners mention that tourist numbers have increased due to word of mouth, which stresses the importance of their tourists' experiences being positive as this is what the tourists will portray to others and inevitably will result in repeat visits.

#### **4.5.15 Collaborative Relationships among Tourism Stakeholders**

According to a study in Perth by Alonso (2009), it was found that the respondents emphasised the critical value of collaborative relationships. These relationships are vital when dealing with referral of business and mutually beneficial exchanges with other establishments. The Karoo Development Foundation aims to promote collaborations amongst stakeholders in the Karoo, as noted by Atkinson (2009). The result below illustrates that it is imperative that all towns work together as a team as they could all benefit from each other by referring their visitors on to other towns.

**TABLE 4.27: Do Tourists Visit Nearby Towns?**

<b>Do tourists visit nearby towns?</b>	<b>Number of responses</b>	<b>Percentages</b>
Yes	26	96
No	1	4
Total	27	100

In Table 4.27, the product owners said that 96% do visit nearby towns and 4% do not. Referring tourists from one town to the next makes it important for all product owners to do the necessary collaboration building exercises to ensure that they are not excluded from these referrals.

#### **4.5.16 Karoo Crafts and Products**

According to Myles (2008), The Karoo Development Foundation is currently undertaking research on Karoo crafts and products. They state that the Karoo has many talented and creative people as many skilled craftspeople have moved from the cities to the Karoo. These people have been given the opportunity to be trained and employed. This has encouraged many poor people to develop their own crafts in order to generate income. For example, in Cradock and Middelburg there are a

number of model windmill manufacturers who make use of scrap metal. Unfortunately, problems have been experienced with finding markets for these products. Most of these products are sold in their local towns which depend on seasonal and unreliable tourist traffic. This results in difficulties as they are unable to produce at scale and therefore remain very poor and underemployed. As Venter *et al.* (2010:34) noted, the arts and crafts sector in the small town of Clarens has employed the lowest level of skilled and unskilled workers per business and the employment figures remained unchanged between 2007 and 2009. Only 43% of the arts and crafts businesses have experienced growth over the past year (2010).

**TABLE 4.28: Do Visitors Purchase Karoo Crafts and Products?**

Do visitors purchase Karoo crafts and products?	Number of responses	Percentages
Yes	17	63
No	5	19
Uncertain	5	19
Total	27	100

In Table 4.28, 63% of product owners said that tourists do purchase Karoo crafts, 19% say they do not purchase crafts and 19% are uncertain as to whether they purchase crafts or not. This reveals that the majority of these product owners believe that tourists do purchase Karoo crafts and products. This provides good opportunities for opening these markets and creating growth and employment for them. Collaboration and cooperative action among residents of these areas is what is needed to effectively capitalize on these opportunities. This action in fact has the capacity to extend and involve a broadened social group of the community into the economic entrepreneurial sector through locally handmade arts and crafts, thereby improving the socio economic spread of the community in the economy. This can be achieved through the promotion of tourism and crafts (the creative industry) as a joint product with the creation of a “Karoo Crafts” brand. As Atkinson (2009) states, this will promote and multiply the linkages between the ‘first’ and ‘second’ economy: the first economy being the tourists and other tourism stakeholders and the second economy being the craftspeople.

#### 4.5.17 Tourism Marketing Methods

Lee *et al.* (2008:47) found that 69% of their respondents from Texas focus on targeting their marketing efforts. He also established that the two main marketing strategies for B&B operations were word of mouth (98.9%), brochures (89.7%), websites (64.2%) and newspaper or magazines (61.3%). He notes that word of mouth advertising is the most effective marketing strategy. Venter *et al.* (2010:38-39) also found that 82% of their respondents market their tourism businesses, particularly for the accommodation and restaurant business sectors. This study found that the main marketing methods were websites (20.5%), magazines (17.4%), booking/information centres (16.3%), pamphlets or brochures (15.8%).

**TABLE 4.29: How do you Market your Business?**

The various methods that the product owners use to market their business	Number of responses (open ended)	Percentages
Brochures, newsletters, guides (e.g. Your Travel Companion, Portfolio, Greenwood Guide)	12	24
Website	24	47
Word of mouth	4	8
Magazine, newspapers	6	12
Local info office (LTO)	1	2
Travel agents, tour operators	3	6
Hosting journalists, PR	1	2
Total	51	100

In Table 4.29, of the responses received, 47% of the establishments said that they make use of websites to market their business, 24% said that they make use of brochures, newsletters and guides, such as Your Travel Companion, Portfolio and Greenwood and 12% make use of magazines and newspapers.

It is significant that the product owners in the Karoo do not recognise the use of word of mouth as marketing. This is noted above to be one of the most effective, valuable and most used forms of marketing. This is noted in studies, also indicated above, to be one of the most effective, valuable and most used form of marketing and 46% of

product owners attributed the increase in their tourist numbers to word of mouth (Table 4.26).

The low value placed on the use of their LTOs is also of significance as it has been clearly established that collaboration within areas, towns and product owners is of good value. Similarly, they may not be aware of the referral of tourists to their establishments by the LTOs. This awareness may give a more accurate indication of the extent of the value of the LTO work.

#### 4.5.18 Secondary Income

Emerick and Emerick (1994:20) found that the majority of B&Bs constitute a secondary income for their owners. Rogerson (2004) also found that the majority of small tourism enterprises do not aspire to grow as they are motivated by non-financial considerations. He notes that due to many B&B operations being family homes they are examples of marginal small businesses which are mostly in addition to a main income stream. Gelderblom (2006:5) also noted that many service providers make use of additional income from their tourism establishment as a supplement rather than their primary source of income.

**TABLE 4.30: Do they have Other Business or Employment?**

Do they have other business or employment?	Number of responses	Percentages
Yes	21	78
No	6	22
Total	27	100

In Table 4.30, 78% of the product owners said that they do have other businesses or employment and 22% said that they do not.

The implications of this are that the ability to be competitive from a pricing point of view is increased. Tourists are attracted to the cost effective price of B&B accommodation as opposed to hotels which are more expensive. Tourists, although quality conscious, are also price sensitive. Competition generates improved supply standards (better quality) which in the long term increases demand. This is generally developed from the use of an existing asset (their homes), which is sometimes not

only redesigned but also enlarged to create the B&B facility. This is not as difficult to set up as if one were establishing this from scratch, which supports the ease of entry into the market noted above.

#### **4.6 Local Tourism Organisations (LTOs)**

This section looks at the involvement of the product owners' tourism establishments in LTOs and their perception of the value of such involvement.

According to Goodwin *et al.* (2011), tourism should be government led, private sector driven, community based and labour conscious. It is essential that a town has an effective tourism organisation which promotes marketing and product development in order to be a successful tourism town. LTOs and connections with local commercial tourism entrepreneurs is one of the main priorities in the 2003 Eastern Cape Tourism Strategy (Atkinson, 2010c). Due to institutional instability among tourism stakeholders, this has been poorly developed. Most tourism organisations do not have an adequate budget to function effectively. This results in decreased motivation, instability and the disintegration of tourism infrastructure. However, there are a few examples of private LTOs which have produced encouraging results. For example, Beaufort West has a strong private LTO which has a large number of private tourism establishment members. Its role is to promote and market the town's tourism establishments through websites and to support tourism projects, such as the Karoo Gateway Airport. In Cradock the formal government tourism organisation is not organised; however the private tourism sector is very active and Cradock is well networked. The Karoo Heartland Marketing Association is the most effective form of tourism marketing and it includes Cradock, Middelburg, Graaff-Reinet, Somerset East and surrounding towns and farms. Skisasana (2011:6) also found that 75% of municipalities of small towns in the Karoo have formalised tourism structures which in most cases are run by civil society or private individuals. For example, a private initiative and formulated marketing material called "Discover Sutherland" was created which markets the town's image, services, attractions and accommodation.

Opinions regarding the effectiveness of LTOs were generated from two different perspectives. Firstly, each LTO was asked telephonically to indicate the activities they were involved in, in order to generate an opinion as to how effective they were; and secondly, the product owners were asked to indicate their opinions as to the effectiveness of the LTOs.

#### **4.6.1 Do They belong to the Local Tourism Authority?**

78% of the product owners said that they did belong to their local LTO and 22% said that they did not.

One could assume that it would be in everyone's interest to belong to the LTOs but many of those who do not belong said they saw the LTOs as poorly managed and ineffective. This is an area needing attention as the cost involved of setting up and running the LTO offices, staff, equipment and vehicle components is economically unjustifiable.

LTOs have the responsibility of marketing a tourist destination and they have to run a main tourism information office. They have to assist tourists with any queries they have about tourism in a town. However, many private tourism organisations/forums have formed which provide input to the tourism marketing plan, they help develop tourism products and services and act as satellite information centres (Cambeboo Municipality, 2009).

**TABLE 4.31 Karoo Towns' Local Tourism Organisations**

Province	Name of Town	Do they have a Local Tourism Organisation?	Effectiveness of LTOs
Eastern Cape	Aberdeen	No	
	Cradock	Private tourism association and two tourism offices	There was a Cradock Publicity Association and a Cradock Hospitality Forum; both of them collapsed due to lack of cooperation amongst members. There is no formal tourism structure. There are irregular meetings between the municipality and the private tourism association, doubts about their effectiveness.
	Middelburg	Private tourism association and one tourism information office	A private tourism association (Middelburg Tourism Association) does tourism promotion and marketing in Middelburg.
	Graaff-Reinet	Private tourism association and a tourism office	A broad LTO Forum was established in 2009. However, tourism support services and information are provided by a number of private sector tourism associations and forums.
	Nieu Bethesda	No	
Northern Cape	Britstown	No	
	Vanderkloof	No	
	Sutherland	Private tourism association and tourism office	Discover Sutherland is a private initiative aimed at marketing Sutherland as a tourist destination. This initiative is funded by Open Africa whose aim is to use tourism as an economic platform to create and sustain jobs. Doubts about tourism office effectiveness.
	Hanover	No	
Western Cape	Prince Albert	Yes	The LTO is currently performing duties in terms of tourism development and destination marketing. The LTO is member driven and receives a budget allocation from the municipality. It organizes members' meetings 2-3 times a year.
	Beaufort West	Strong private LTO	Interactions with the tourism forum are of a good standard and meetings are periodically attended.
	Oudtshoorn	Yes	
	Laingsburg	The local tourism committee / Bureau functions as a LTO.	No private tourism forum. Interactions with the private sector mainly take place at tourism committee level; meetings take place monthly and once a year with all local businesses.

From Table 4.31, only 8 out of the 13 towns have a tourism office, although the majority of them are privately managed and unfortunately product owners are all doubtful about their LTO's effectiveness.

Cradock, Middelburg, Graaff-Reinet, Sutherland, Prince Albert, Beaufort West, Oudshroon and Laingsburg have well-functioning private local tourism associations or forums.

This result indicates that there is tension and an unsystematic environment between private tourism associations, publicity associations, LTOs and government. There is an urgent need to create cooperation amongst these tourism stakeholders as this would lead to increased tourism economic growth.

**TABLE 4.32: How Effective is the LTO?**

<b>How the product owners view the effectiveness of their LTO</b>	<b>Number of responses</b>	<b>Percentages</b>
Very good and effective	10	38
Very ineffective and poor	7	27
Don't know	4	15
Somewhat effective	5	19
Total	26	100

In Table 4.32, 38% said that their LTO is very good and effective, 27% said that their LTO is very ineffective and poor, 19% said that their LTO is somewhat effective and 15% said that they don't know.

This result demonstrates that there is a fair number of functioning and non-functioning LTOs within the Karoo region. From discussions with product owners it was evident that some LTOs were very effective as they worked hand in hand with efficient private tourism NGOs. Those LTO offices which worked independently of this NGO assistance were seen to be ineffective. The result indicates a relatively high degree of effectiveness (38%) which correlates with the private involvement in LTOs of NGOs. With as much as 34% indicating that they either did not know (15%) or feeling that they may be "somewhat effective" (19%), a relatively high level of apathy among product owners towards LTOs is implied. This is unfortunate because of the collaboration needed, supported by Keyser (2009), to encourage growth.

The economic implications of the possible, perceived ineffectiveness of LTOs working alone and the perceived effectiveness of those working with private NGOs is

an area that needs deeper research in order to further examine these very strong perceptions.

#### 4.6.2 Tourism Business Assistance

There are various constraints highlighted by Rogerson (2005), with the most significant concern related to the volume and quality of tourism marketing. Concerns involve the lack of professionalism, lack of organisation and the lack of imagination.

**TABLE 4.33: What Assistance does their Business Need?**

<b>What additional assistance do the product owners feel that they need?</b>	<b>Number of responses (open ended)</b>	<b>Percentages</b>
Funding, loans, small business finance	2	4
Tax assistance by local government (e.g. reduced rates)	1	2
Karoo marketed as a regional destination, Karoo Development Foundation Marketing, tourism strategy	12	22
International marketing, need overseas tour groups	2	4
Own business marketing	2	4
Collaborative approach (e.g. marketing), improved tourism info office	6	11
Improved technology	1	2
Improved business climate in the town	1	2
Training	4	7
Airport	1	2
Missing	22	41
Total	54	100

The above result reveals that the majority of the product owners believe that the Karoo needs additional marketing support and a collaborative marketing approach. 22% of the product owners said they could benefit from the Karoo being marketed as a destination, KDF Marketing and applying a tourism strategy. 11% said that they could benefit through a collaborative approach and an improved tourism office.

## **CHAPTER 5: KAROO TOURIST SURVEY**

### **5.1 Introduction**

This chapter aims to achieve the first objective of this study which is to identify the contribution of tourism in small towns from the point of view of the tourists, the demand side of the Karoo tourism industry. It explains the methodology used and then describes the characteristics of the Karoo tourists, the Karoo towns visited and those that tourists planned to visit, and finally covers the experiences of the tourists of the Karoo.

Lohmann (2004) found that there is an urgent need to focus on the consumer. Consumer research is a necessary base, not only for determining projections in the future but in order to determine a starting point, to have an orientation to formulate objectives or visions and plans how to reach them. A deep understanding of the consumer as well as the changing structure of tourism demand is a prerequisite for successful planning. A study by Caton and Santos (2007) on heritage tourism emphasizes the great importance of considering tourists' interpretations of their experience when generating theory relating to tourism phenomena.

This chapter covers broad quantitative and qualitative reflections of tourists' views of their experiences while travelling through the Karoo. According to Stynes (2001), it is important to capture the tourists' motivation for travel when looking at the economic impact of tourism. This chapter determines their motivation for selecting the Karoo as a tourist destination and basic demographic information about the tourists. A clear understanding of the tourists' perception of tourism in the Karoo was sought.

This study was conducted during the Soccer World Cup and thus Appendix G contains an interesting viewpoint on the economic implications felt by the accommodation owners.

Final conclusions are reached which show that the majority of the tourists would in fact consider the Karoo as a destination of choice in future trips. It highlights their experiences and notes the activities and tourist attractions that they enjoyed in the Karoo.

## **5.2 Characteristics of Karoo Tourists**

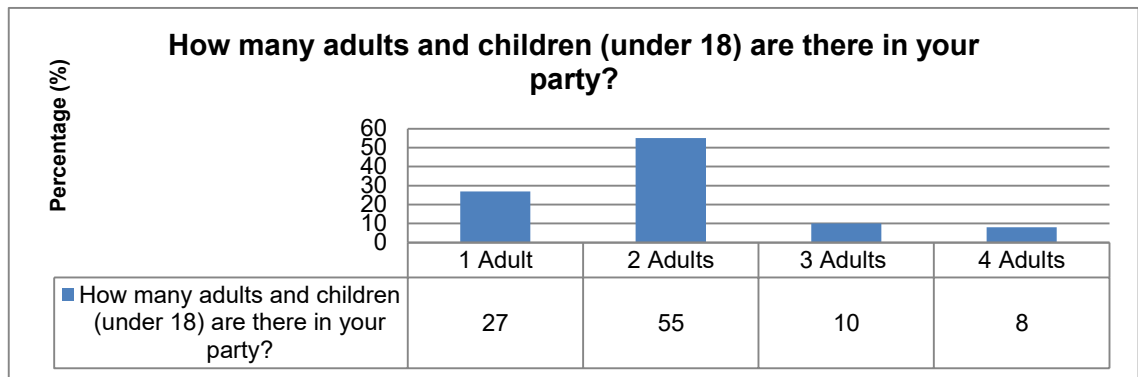
The characteristics of the Karoo tourists were covered by gathering data from the tourists which described them in terms of the number of adults and children in their group, their length of stay in the Karoo, their country of origin, their age profile, their education and their level of income.

### **5.2.1 Number of Adults/Children Visiting the Karoo**

According to a study completed in Norfolk Island by Prideaux and Crosswell (2006:364), 61% of their respondents travelled in a party of two persons. This finding mirrors the result in this study illustrated below which indicates that couples were a significant market segment. This finding may be similar due to the remote geographic locations of both the Karoo and Norfolk Island which attracted couples rather than singles or large groups.

Another similarity attracting couples to the Norfolk Island and the Karoo is that these two areas are rich in heritage. Prideaux and Crosswell (2006) state that the colonial legacy has left Norfolk Island with a unique heritage precinct that has become the focus of tourism interests. Myles (2009) and Yusof (2007) identify the Karoo's heritage assets as an essential niche marketing asset. The above findings are supported in Table 5.8 which indicates that 40% of tourists visit the Karoo for its art/heritage attractiveness. Heritage is usually regarded as more of an adult interest which could influence the decisions for not taking children along on the trip.

**TABLE 5.1: How Many Adults and Children (Under 18) are there in Your Party?**



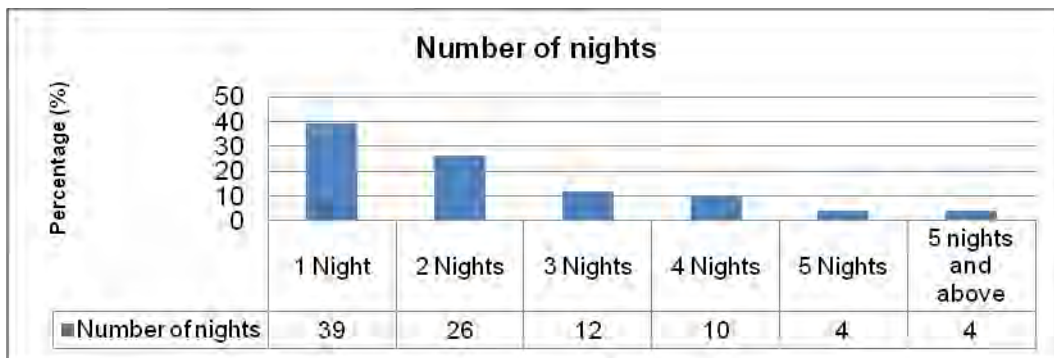
In Table 5.1, 55% of the tourists had 2 adults in their party, 27% had 1 adult, 10% had 3 adults, 8% had 4 adults and there were no children.

This result confirms the Karoo tourism service provider’s findings as they proposed that couples form one of the main types of tourist groups in the Karoo. Triangulation, which has been explained above, is used to confirm these findings. Couples are undoubtedly attracted to what the Karoo has to offer. The fact that 72% of tourists in the Karoo are over the age of 36 years old (shown in Table 5.4 below) also supports the results. Avcikurt (2011) notes that it is the older travellers that prefer the cultural and heritage experiences. This also supports the rationale behind the lack of children in the touring parties in the Karoo.

### 5.2.2 Length of Stay in the Karoo

According to Myles (2009:169), “there is only one true measurement of tourism performance and that is the number of bed nights spent at a place.” Barros and Machado (2010) explain that a tourist’s length of stay is determined by two main factors, as mentioned earlier: firstly by the socio-demographic profile of the tourist and secondly by the perceived characteristics of a particular destination. As mentioned earlier, Venter *et al.* (2010:8) found the average length of stay was 2.86 nights per visit in Clarens, which is a small town in the Free State near the Karoo region. Nuntsu *et al.* (2004:517), who conducted a study in Buffalo City, found the average length of stay was 2.34 days.

**TABLE 5.2: How Many Nights do you Plan to Spend in the Karoo on This Trip?**



In Table 5.2, of the 209 respondents, 39% stayed for 1 night, 26% stayed for two nights, 12% stayed for 3 nights, 10% stayed for 4 nights, 4% stayed for 5 nights and 4% stayed for 5 nights or more. The average number of nights =  $1(0.39) + 2(0.26) + 3(0.12) + 4(0.10) + 5(0.04) = 2.6$  nights.

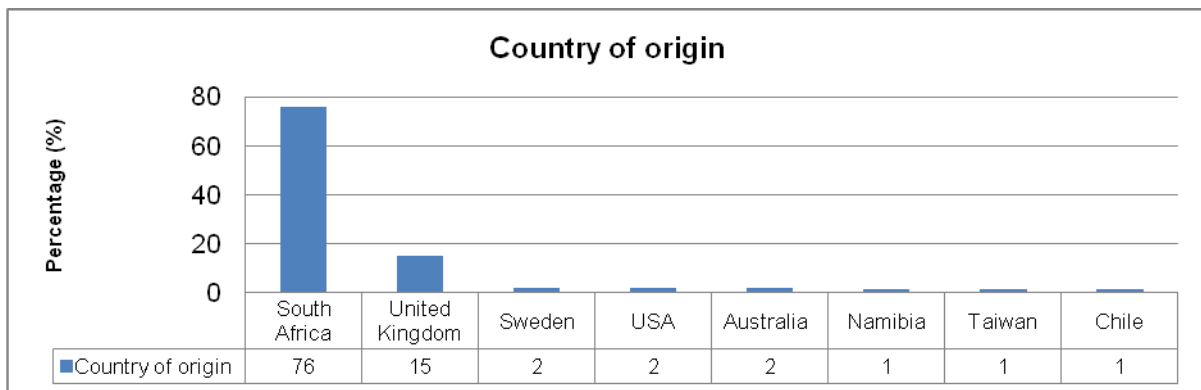
This result confirms the accommodation provider's findings that the Karoo is predominantly a one to three night stopover and currently not a destination. This suggests that people are primarily staying over en route to somewhere else or that they are simply unaware of what the Karoo has to offer. However, a quarter of respondents said that they stay for two nights which is promising and suggests some people like to spend time in this location and may spend more time in the future. Triangulation has again been used to confirm these findings.

### 5.2.3 Country of Origin

Shantha (2008) states that in both the developed and developing world more economic contribution is from domestic tourism rather than from international tourism. He also states that the domestic market is given less attention. Pio (2008) found that South African tourists made up 74% of the tourist profile, European tourists made up 20% and Australasian and Asian tourists made up 2%. Myles (2008:70) found that the country of origin for visitors in the Camdeboo Region was 30% international and 70% local tourists. Wilkinson (2008) conducted a study in a small town called Parys in the Free State and found that the domestic tourism market is a large contributor to the tourism industry. He also states that domestic

tourism has the potential to generate earnings in areas that are less well known to foreigners and can play an important role in rural development.

**TABLE 5.3: Country of Origin**



In Table 5.3, 76% of the respondents in this study were from South Africa, 15% were from the United Kingdom.

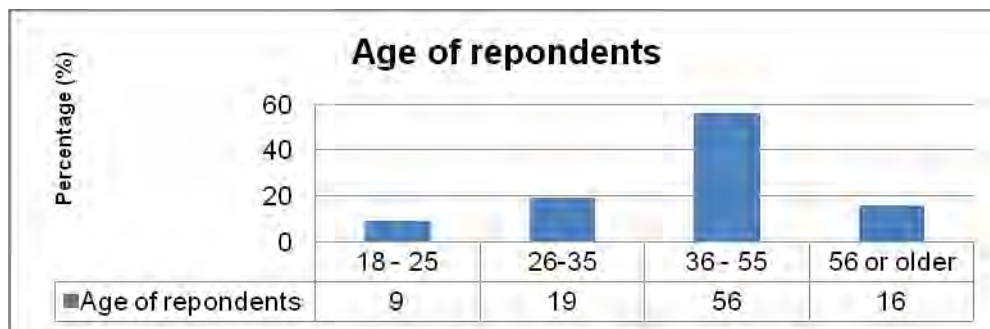
It needs to be noted that there was a disparity in these figures. The product owners believed that 41% of their tourist visitors were foreign, whereas asking the visitors themselves resulted in 24% of the tourists identifying themselves as foreigners. This disparity could be explained by the fact that foreign tourists are far more demanding of a product owner's time and attention, and this would influence the owners' perception of how many foreign tourists had visited them.

This result demonstrates that there is scope to target the foreign/international tourist market. This result also ties in with the findings in Chapter 4 that the foreign/international market was the most popular market product owners would like to explore in the future. Wilkinson (2008) and Shantha (2008) also found that even though the domestic tourism market generates a greater local income than the foreign market, it usually receives less attention than the international market. Wilkinson (2008) also states that governments of developing countries are inclined to give less attention to the domestic market.

## 5.2.4 Age Profile of Karoo Tourists

Likorish *et al.* (1997:59) found that in many European countries, especially those which supply tourists to the international market, there are declining birth rates. This results in population stagnation or decline which creates an aging population. This market has gained importance as people who have largely discharged family responsibilities have fairly high disposable income and have the ability and time to travel. Lee *et al.* (2008) found that this was the case with mature travellers in Texas, around the age of 44. Popova (2006) also found that most of his respondents from Gauteng were middle-aged. Van Pletzen-Vos (2009:17) in a study of the Little Karoo found that the profile of cultural/heritage tourists was generally in the older age categories. Thus the most prevalent age group which travels is the mature/elderly age group.

**TABLE 5.4: Age Groups of the Tourists**



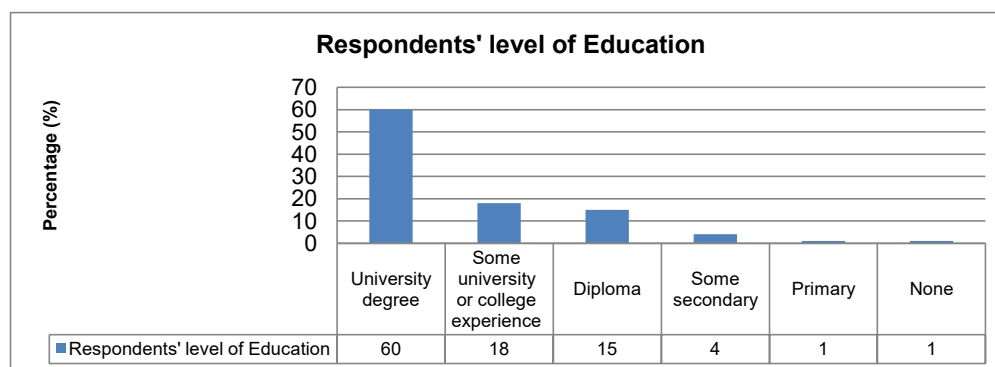
In Table 5.4, this study found that 56% of the tourists were 36-55 years of age, 19% were 26-35 years of age, 16% were 56 and older and 9% were 18-25 years of age.

This result shows that the majority of the respondents were middle-aged to elderly, (72%) and, according to Lee *et al.* (2008), are regarded as mature travellers. This result confirms the tourism provider's findings that the predominant age of their tourists was middle-aged. This could be as a result of the fact that the more mature travellers prefer the peace, quiet and tranquillity of the Karoo and may explain the absence of children. Triangulation is present in this case.

## 5.2.5 Education Levels

Lohmann (2004) found that there has been a rising educational level in developed countries. One of the reasons for this rise could be attributed to the changing role of women in society. Their status has greatly improved as they are working up to important positions which were previously held mainly by men and they are offered a fair opportunity in the job market. A study by Venter *et al.* (2010:6) found that the majority of the tourists visiting Clarens in the Free State were well educated as 85% either had a tertiary or postgraduate degree. Van Heerden (2003:84), who compiled an economic impact study in Potchefstroom, found that 69% of his respondents were graduates. Horn (2009) compiled a study on B&Bs in Gauteng and found that almost 80% of the respondents had some tertiary education. This demonstrates that the majority of people who like to stay in B&Bs tend to be highly educated. Van Pletzen-Vos (2009:17) found that the profile of cultural/heritage tourists was noted as being generally better educated. Looking more generally at the relationship between education levels and the desire to travel, Reece (2004:13-14) found that college graduates are more likely to travel. He also found that education levels have a positive effect on the probability of leisure travel.

**TABLE 5.5: Highest Level of Education**



In Table 5.5 , 60% of the respondents in this study had university degrees, 18% had some university or college experience and 15% had a diploma.

This shows that the tourists are well educated. People who prefer to stay in B&Bs enjoy the personal attention and the homely atmosphere. Educated individuals will likely seek the most cost effective, value for money accommodation options. Their affluence and ability to seek tourist experiences is generally supported by their understanding of the need to monitor both income and expense streams when generating economic growth.

### 5.2.6 Income Levels

Understanding the income level profile of respondents is essential for future product and service development (Prideaux and Crosswell 2006:366). Venter *et al.* (2010:6) found that tourists visiting Clarens were high income tourists as the average household income was around R628 000 per annum. However, almost half of the respondents' household incomes were between R200 001 and R400 000. Gelderblom (2006:20) found that there was no relationship between income brackets and tourism expenditure. However, this result is contradicted by a study done by Reece (2004:14) who found that increasing income levels positively affect the probability of leisure travel. Vaugeios (2000) also found that tourists with high household incomes may spend more, but they may also require substantial investment in infrastructure and facilities. International travellers are mostly price elastic and income elastic, or else they are sensitive to changes in price and income levels (Vaugeois, 2000).

**TABLE 5.6: Current Income Level**

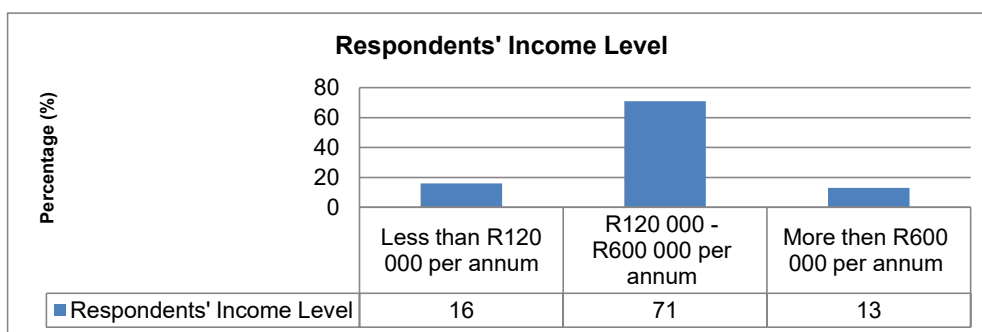


Table 5.6 reveals that the majority of the respondents earn between R120 000 and R600 000 per year.

This shows that the majority of the tourists who visit the Karoo are relatively affluent. This result would have been more meaningful if the categories defined had been smaller. In an attempt to cater for the sensitive nature of questions relating to income, a broad result was generated. The fact that the majority of tourists were local (76%) implies that the rand value is relative to the financial context within which we are working. Essentially, the effort to increase the positive experience of the more affluent tourist in the Karoo will have a positive effect on the area's ability to attract this segment. This higher income segment would add value to and have an increased economic impact on the area.

### **5.3 Karoo Towns that Tourists Visited and Planned to Visit**

There are many small towns in the Karoo of which the majority are indicated in Table 5.7 below. A few of these towns, Nieu Bethesda, Graaff-Reinet, Beaufort West and Colesberg featured prominently in the results.

**Nieu Bethesda:** According to SA-Venues (2011), the small Karoo town of Nieu Bethesda has been set firmly on the map in recent years, largely due to the Owl House and Helen Martin's unique art work and the public's interest in her story and heritage. It has allowed this sleepy hollow to be transformed into a tourist attraction with various other complementary enterprises being established. Besides the growth in the accommodation and B&B sector, a brewery, cheese factory, various arts and craft venues and numerous restaurants have been developed (SA-Venues, 2011).

**Graaff-Reinet:** Yusof (2007) states that Graaff-Reinet is very well known for its heritage and boasts more proclaimed national monuments than any other small South African town. This makes Graaff-Reinet a tourist drawcard (Myles, 2009). These two towns gained prominence as is illustrated in the table below. According to a study by Toerien and Seaman (2010), Graaff-Reinet and Beaufort West are two of the biggest towns with regard to their number of enterprises (Graaff-Reinet, 2009).

**Beaufort West:** Beaufort West is the biggest town in the district and it is the economic, political and administrative heart ("capital city") of the Central Karoo

(Wyeth and Webb, 2002) and Atkinson (2010c). It is an historic town with a busy retail centre and its strategic geographical location on the main Cape to Gauteng highway and railway line makes for the opportunity to attract traveller stopovers. It is the birthplace of Chris Barnard, with a museum in honour of him. It has a privately owned airport which is regarded as the best managed and marketed airport in the Karoo (Atkinson, 2010c). “The biggest painting in the world” is an unusual initiative which is currently underway. This painting will host a display of thousands of African art works in an outdoor display (Donaldson and Marais, 2012).

**Colesberg:** According to SA-Venues (2011), Colesberg is a bustling town strategically located at the convergence of the N1, N9 and N10 highways. It is also strategically situated close to the Gariep Dam, and the Lake Gariep initiative has long been a priority for Northern Cape Tourism. It is an ideal overnight stop between Gauteng and the coastal cities. Colesberg has authentic Karoo architecture, as well as several attractions: The Kemper museum, the Dutch Reformed Church which dates from 1850 and the Anglican Church which was built in 1854 (SA-Venues, 2011). Atkinson (2010c) states that Colesberg benefited significantly from a provincial grant which allowed this town to develop a tourist map and brochure. The evidence above indicates that Graaff-Reinet, Beaufort West and Coleberg are all key towns in the Karoo, which ties in well with the results presented below.

**TABLE 5.7: On this Trip and During Previous Visits, in which Karoo Towns/Districts/Places of Accommodation do you Plan to Stay Overnight and in Which Towns have you Stayed Overnight?**

Towns in which tourists plan to stay overnight on this trip	Number of responses (open-ended)	Percentages	Towns visited during previous visits to the Karoo	Number of responses (open-ended)	Percentages
Nieu Bethesda	78	30	New Bethesda	11	5
Graaff-Reinet	19	7	Graaff-Reinet	28	13
Carnarvon	15	6	Carnarvon	7	3
Beaufort West	9	3	Beaufort West	26	12
Colesberg	2	1	Colesberg	21	10
Sutherland	13	5	Sutherland	2	1
Middelburg	16	6	Middelburg	11	5
Aberdeen	9	3	Aberdeen	2	1
Victoria West	15	6	Victoria West	5	2
Oudtshoorn	5	2	Oudtshoorn	12	5
Prince Albert	3	1	Prince Albert	7	3
Willowmore	2	1	Willowmore	1	
Cradock	9	3	Cradock	11	5
Gariep Dam	3	1	Gariep Dam	4	2
Barrydale	2	1	Barrydale	9	4
Matjiesfontein	3	1	Matjiesfontein	2	1
De Aar	4	2	De Aar	8	4

Calitzdorp	1		Calitzdorp	3	1
Cookhouse	3	1	Cookhouse	2	1
Fraserburg	1		Fraserburg	3	1
Upington	1		Upington	1	
Hanover	6	2	Hanover	2	1
Fauresmith	1		Fauresmith	1	
Montagu	1		Montagu	2	1
Richmond	1		Richmond	1	
Uniondale	1		Uniondale	1	
Loxton	1		Loxton	1	
Springbok	1		Springbok	3	1
Murraysburg	1		Murraysburg	1	
Calvinia	3	1	Calvinia	2	1
Noupoort	3	1	Noupoort	2	1
Three Sisters	1		Three Sisters	4	2
Hopetown	1		Hopetown	1	
Phillipstown	8	3	Douglas	2	1
Vanderkloof	6	2	Ladismith	1	
Kirkwood	2	1	Trompsburg	1	
Somerset East	1		Philippolis	1	
Grahamstown	1		Keimoes	1	
Addo	1		Laingsburg	1	
Baviaans	1		Sutherland	4	2
Adelaide	1		Leeu-Gamka	1	
Douglas	1		Hofmeyer	2	1
Bedford	1		Klipplaat	1	
Merweville	1		Loeriesfontein	1	
			Williston	5	2
			Brandvlei	2	1
			Prieska	1	
Total	259	100	Total	221	100

Table 5.7 shows 221 mentions of towns which have been visited previously and 259 mentions of towns which are planned to be visited during the tourists' current visit. This implies that there are repeat visits. It is unclear whether this is positive because they enjoyed their previous visit, or whether it confirms that the Karoo was simply a convenient stopover.

A total of 206 responses was generated from tourists who have visited 39 towns in the Karoo. The largest number of responses (67) was found in the Eastern Karoo towns.

The result above indicated that tourists have visited and wish to visit a large number of towns in the Karoo region. This is supported in Chapter 4, Table 4.27, as 96% of the product owners said that tourists visit nearby towns.

The results above suggest that a significantly large number of tourists plan to spend a night in Nieu Bethesda. This result is somewhat surprising, since it is a very small town. Clearly, the attractions of Nieu Bethesda are becoming so iconic that many people believe that they should make a stop in that town. Other significant towns include: Graaff-Reinet, Carnarvon, Middelburg, Victoria West and Sutherland. It is also evident from the above results that the three main towns in which respondents have previously stayed overnight include Graaff-Reinet, Beaufort West and Colesberg. These towns have been elaborated on above. This result also shows that a very large number of towns in the Karoo are regarded as suitable overnight stops and as popular overnight stays in the future.

The possible bias in the sample, noted in the delimitations of the study, arises from the fact that most of the tourists were already staying in Nieu Bethesda, which made it a large share of our sample, and because the owners of the guest houses in that town were very conscientious in administering the questionnaires. It may therefore not be an accurate reflection of tourism in the Karoo *per se*. It is a reflection more of where the questionnaires were filled in. Nevertheless, it does suggest that some towns in the Karoo are more likely to be visited than others.

It is worth noting that a large percentage of the tourists were local (76%), which could mean that these tourists may have visited these towns in the past over a number of years and this would not then relate to any necessary planning to visit the town, as a foreign tourist may do, but they would have stayed there as an opportune, convenient stopover.

#### **5.4 Tourists' Experiences of the Karoo**

Gathering information on the experiences of tourists who have travelled through the Karoo will give a good insight into those aspects of their visit that were found to be either positive or negative. Knowing what tourists find attractive in the Karoo would enable tourism stakeholders and tourism strategic planners to accurately inform tourists, through their marketing efforts, what the Karoo has to offer. This would be highly effective in increasing the demand of tourists visiting the Karoo.

### 5.4.1 Reasons why Tourists Visit the Karoo

The Karoo has experienced an increase in overnight stays of travellers between the main cities (Johannesburg, Bloemfontein, Cape Town and Port Elizabeth). It is well located geographically to capitalise on the opportune need for tourists to stop over when travelling long distances from one location to another (Atkinson, 2010c).

“A convenient stopover” may not be the only motivation to visit the Karoo. According to Bowitz and Ibenholt (2009), there has been an increased political focus on cultural heritage in Norway. This is due to a higher public interest in which heritage is able to stimulate economic activity within regions where economic activity is low. They also found that natural heritage is being utilised for economic purposes through ecotourism.

**TABLE 5.8: Reasons for Tourists Visiting the Karoo**

Reasons for visiting the Karoo	Number of Tourists' Responses (open-ended)	Percentages
Natural environment	15	6
Sight-seeing, curiosity	20	8
History, heritage sites	34	14
Word of mouth, reputation	12	5
Visiting friends and family	13	5
Learnt about it from media guide books or the internet	9	4
Nice, quaint town	13	5
Good clean accommodation	14	6
Previous visits	12	5
Good geographic position, halfway stop, just passing through	34	14
Photography	1	
Work or business	16	6
Holiday, relaxing	8	3
Climate, dry, warm	4	2
Psychological experiences	15	6
Agri-tourism	2	1
Art	2	1
Cuisine	2	1
Affordable	2	1
Activities	8	3
Health and wellness	1	
Hunting	8	3
Research	1	
Sport	1	
Total	248	100

In Table 5.8 above, the various reasons for visiting the Karoo were put into the following five categories:

1. **Nature based attractions:** hunting (3%), agri-tourism (1%), and physiological experiences (6%). Total: 10%
2. **Art/heritage and attractiveness:** history and heritage sites (14%), art (1%), sight-seeing and curiosity (8%), natural environment (6%), good clean accommodation (6%), nice, quaint town (5%). Total: 40%
3. **Location advantage:** good geographic position, halfway stop, just passing through (14%), climate, dry, warm (2%). Total: 16%
4. **Purposive visit:** work or business (6%), visiting family and friends (5%), holiday and relaxing (3%), visiting due to previous visits (5%), research, health, cuisine and sport (2%), activities (3%). Total: 24%
5. **Marketable reasons:** word of mouth and reputation (5%), learnt about it from media guide books or the internet (4%). Total: 9%

The above results illustrate that the largest proportion of tourists (40%) visit the Karoo for its art/heritage and attractiveness, 24% visit the Karoo for a purposive visit, 16% visit due to its location advantage, 10% of tourists enjoy the Karoo's nature based attractions and 9% visit the Karoo for its word of mouth reputation, motivation from the media and tourist guide books or from the internet (marketable reasons).

This result is important information for all tourist stakeholders as it is for these reasons that a demand from tourists exists in the Karoo. Heritage sites are one of the main reasons, hence a focus is needed on the restoration, preservation, promotion and maintenance. Collaboration in this regard would ensure the most appropriate and effective tourist offering and the development of targeted promotion thereof.

#### **5.4.2 Purpose of Travel**

The main purposes for travel, as indicated by Awaritefe (2004), include leisure, business and visiting friends and relatives. Empirical studies which support the findings in the table below include Pio (2008), who found that 77% were holiday

tourists and 23% were business tourists. Lee *et al.* (2008) found that business and leisure tourists make up the majority of the tourist profile. The Inxuba Yethemba Local Municipality (IYLM) found that the agricultural, retail and governmental activities in the small town of Cradock in the Karoo brings significant business tourism (approximately 43%). Atkinson (2010c:12) found that tourism in Beaufort West is largely made up of overnighters (about 86%) travelling through the town.

**TABLE 5.9: What is your Purpose for Travelling in the Karoo on THIS Trip?**

<b>Purpose of travelling to the Karoo</b>	<b>Number of tourist responses (open-ended)</b>	<b>Percentages</b>
En route to a city outside the Karoo	50	28
Holiday in the Karoo	53	30
Motoring/camping holiday around South Africa	13	7
Motoring/camping around Southern Africa	3	2
Business	31	17
Tourism related to FIFA	11	6
Other	17	10
Total	178	100

In Table 5.9, 30% of the tourists are on holiday in the Karoo, 28% are en route to a city outside the Karoo, 17% are travelling for business, 7% are on a motoring/camping holiday around South Africa, 6% is tourism related to FIFA.

A large portion of travellers noted that they were en route to a city outside the Karoo. This illustrates that many Karoo towns are being used as a one night convenient stopover, as in Beaufort West. This supports the result in Table 5.7 above in which Beaufort West was not a popular town that was planned to be visited, although it had been visited previously. This is a different market from the holiday market and reaching this segment will possibly require promotion in more than holiday guide related material.

Business travellers also made up a fair percentage of the responses. Although the bias in this case results from seasonality: for example, during the holiday months more holiday/leisure tourists are likely to visit the Karoo. This survey was undertaken

during the summer, December/January period, which is in a holiday period. This could justify the larger number (30%) of the responses being leisure tourists. This result confirms the tourism providers' responses in Chapter 4, Table 4.19, in that the majority of their tourists travel to the Karoo for a leisurely holiday experience, while business tourists also make up a fair majority. Triangulation is once again used to support these conclusions.

### 5.4.3 Activities in the Karoo

Deal (2002) states that the Karoo is visited by many ecologists, geologists, botanists, archeologists, paleontologists and holidaymakers from across the globe to study and discover. This indicates that the Karoo offers a vast number of activities which stimulates local multipliers, as mentioned by Atkinson (2010c). Lee *et al.* (2008) found that mature travellers generally enjoy spending time shopping. This is relevant in that the majority of the tourists who travel in the Karoo are mature travellers, as indicated in Chapter 4 where 44% were noted as being middle-aged. Gelderblom (2006) found that a number of the accommodation establishments interviewed had restaurants as an additional business. Popova (2006) mentioned that one of the services offered at accommodation establishments is to make reservations at restaurants for their clients.

**TABLE 5.10: What Activities are you Planning to Undertake in the Karoo?**



Table 5.10 shows that 28% of the tourists said that they planned to eat out at restaurants, 23% planned to visit heritage sites and museums, 14% said they

planned to shop, 11% planned to visit friends and relatives, 10% planned to visit public game parks and 9% planned to visit private game parks.

This result indicates that the main activity tourists to the Karoo planned on enjoying was eating out at restaurants. The empirical above indicates that there is awareness of the demand for this type of service. Besides the convenience factor, tourists generally enjoy the social aspect, like being served and want to experience the various cuisines and hospitality that different areas offer. Most of the tourists (76%) to the Karoo area are local, as noted in Table 5.3, so tastes would not differ greatly. Either way, local South African cuisine is generally well accepted and appreciated due to the country's multicultural identity which creates a significant "eating out" culture.

Tourists enjoy visiting museums and heritage sites, which represents positive feedback as the Karoo is known for its heritage assets and thus highlights the fact that tourists have recognised these attributes.

Shopping was also noted as being a fairly popular activity. Tourists may enjoy purchasing souvenirs/gifts to take back home as memorabilia. Tourists also generally have the time to shop while on holiday. This result confirms the tourism providers' comments that tourists enjoy seeing what the Karoo towns have to offer in terms of sites and recreational activities. Shopping is one activity that can, if exploited, create a positive economic impact in an area by broadening the base of income generating products and services.

#### **5.4.4 Attractions of the Karoo**

According to Atkinson (2009), the Karoo's emptiness and semi-desert characteristics have become an extremely significant attraction. Desert tourism products have visibly increased and have been offered to a wider market over the past decade (Atkinson, 2009). Throughout the world open spaces are now appreciated as special places to visit (Ousby, 2002). A study in Spain by Alegre *et al.* (2010) found that 78% of tourists are content with peace and quiet.

Van Pletzen-Vos (2009) found that tourists enjoy the Karoo's scenery, followed by its nature. Wilkinson (2008) also found that the natural scenery was regarded as the main tourism product. Gelderblom (2006) found that it was the undeveloped nature of the Karoo region, peace and quiet and the genuinely hospitable people that the tourists found appealing. These findings support the results found in this study in the table below. Interestingly, Gelderblom (2006) also found that there appears to be a greater increase in accommodation availability as opposed to diversification of activities in the Karoo. This evidence supports the low response of 2% for the category created for activities from Table 5.11 below.

**TABLE 5.11: What do you Enjoy Most About the Karoo?**

<b>What do the tourists enjoy most about the Karoo?</b>	<b>Number of tourist responses (open-ended)</b>	<b>Percentages</b>
Openness	42	10
Cleanness and fresh air	35	8
Peace, tranquillity, silence, solitude and remoteness, ambience, relaxing	88	20
Unspoilt, quaintness, authenticity	13	3
Heritage	17	4
Wildlife and parks and birdlife	10	2
Dam	2	
Veld	2	
Hospitality, friendly people	62	15
Night skies, stars, sunsets	16	4
Beauty	12	3
Nature, scenery, landscape, desert	61	14
Safety	5	1
Restaurants, food, wine, Karoo lamb and local products	27	6
Climate	15	4
Good management	2	
New experiences	1	
Political struggle	1	
Dust roads	2	
Good roads	1	
Small towns	2	
Activities, hunting	2	
Fossils	1	
Total	420	100

From Table 5.11 the following four categories were devised:

- 1. Remoteness (20%):** Peace, tranquillity, silence, solitude and remoteness, ambience, relaxing (20%), small towns.
- 2. Scenery (42%):** Unspoilt, quaintness, authenticity (3%), openness (10%), heritage (4%), night skies, stars, sunsets (4%), beauty (3%), nature, scenery, landscape, desert (14%), climate (4%), dust roads, good roads.

3. **Activities (2%):** Wildlife and parks and birdlife (2%), activities, hunting, fossils, new experiences.
4. **The people (15%):** Hospitality, friendly people (15%), good management, political struggle.
5. **Karoo products (6%):** Restaurants, food, wine, Karoo lamb and local products (6%).

The results suggest that the key reasons for tourists visiting the Karoo were the scenery (42%) and the remoteness (20%). This means that 62% of visitors to the Karoo are there to experience a set of natural assets which the area already has and are not something which people in the area have had to generate, although these natural assets do need regular sustainable preservation. Pollution and destruction through mineral mining, for example the threat of fracking, pose a threat to keeping the area clean and tranquil.

A surprisingly low result of 2% was recorded for tourists who were seeking to experience activities which were somewhat unexpected as the Karoo offers a wide range of activities. The fact that the Karoo is remote and has a rural atmosphere enables it to offer a range of activities not easily offered in urban areas, for example hunting. The results of this survey may differ if done when more foreign tourists are visiting or possibly during hunting season. The 2% recorded could also be due to the lack of performance and coordination of LTOs in promoting tourist activities.

A fairly large group of tourists (15%) noticed the good hospitality, friendly people and good management of the Karoo. This is an aspect which has dominated many countries that are very successful in their tourism endeavours, for example Thailand, where tourists appreciate the high levels of excellent hospitality offered.

#### **5.4.5 Karoo Tourism Services and Infrastructure**

As indicated by Ecorys (2009) tourism is a demand-driven phenomenon and this highlights the need to clearly determine the benefits (demand) sought by tourists. Identifying what tourists would like to see improved allows the supplier of tourism products to match the tourists' demand in order to attract more tourists to this region

(Rutherford, 2001). It improves the chances of obtaining improved visitor satisfaction. This will enable tourism destination marketers to fully understand how tourist dimensions are perceived (George, 2008). A study compiled in the Karoo by Myles (2009) found that developing tourism marketing and promotional material such as tourism maps and tourism brochures is important in order to create a tourism brand. The goal of any tourism region is to increase the number of tourists visiting a certain area. Alegre *et al.* (2010) found that gathering information regarding the explicit dissatisfaction-based evaluations gives accurate results regarding a destination's ability to satisfy its tourists and encourage repeat visits. He also found that dissatisfaction evaluations have a greater bearing on the intention to return than on overall satisfaction. These empirical findings support the objectives of the table below which highlights what tourists would like to see improved in the Karoo.

**TABLE 5.12: How would You Like to See Karoo Tourism Services or Infrastructure Improved?**

<b>In what ways would you like to see tourism services and infrastructure improved?</b>	<b>Number of tourist responses (open-ended)</b>	<b>Percentages</b>
Keep it as it is - no changes	30	22
Promote farm stalls, local produce	3	2
Promote craft sales	2	1
Maintain heritage and old architecture and promote indigenous heritage	7	5
Improve or tar the roads	21	15
Improve signage	8	6
Provide or improve picnic spots	1	1
Keep the dirt roads - don't tar them	4	3
Improve marketing and brochures	16	12
Don't over-commercialise	6	4
Provide social programmes for the poor	3	2
Promote ecotourism & sustainable environment	1	1
Upgrade resorts	2	1
Promote farm stays	1	1
Provide caravan sites	1	1
Make the Karoo affordable	4	3
Improve public transport	1	1
Improve cleanliness and maintenance	6	4
Reduce government interference in tourism	3	2
Improve ATM and credit card facilities	2	1
Provide emergency medical facilities	1	1
Improve town planning	1	1
Provide more recreational activities	3	2
Improve schools	1	1
Make the Karoo more hospitable	1	1
Upgrade telecommunications	1	1
Provide more restaurants	2	1
Provide more youth facilities	1	1
Improve security	1	1
Provide more information at garages	1	1
Reduce heavy truck traffic	2	1
Total	138 (multiple mentions)	100

In Table 5.12 the more prominent results were put into the following categories:

1. **No changes (29%):** 22% of the tourists believe that things should be kept as they are and no changes should be made: 3% said keep the dirt roads – don't tar them, 4% said don't over-commercialise.
2. **Physical changes (25%):** 15% said the roads need to be improved or tarred, 6% said signage needs to be improved, and 4% said improve cleanliness and maintenance.
3. **Marketing (12%):** 12% said marketing and brochures need to be improved.
4. **Heritage (5%):** 5% said maintain heritage and old architecture and promote indigenous heritage.

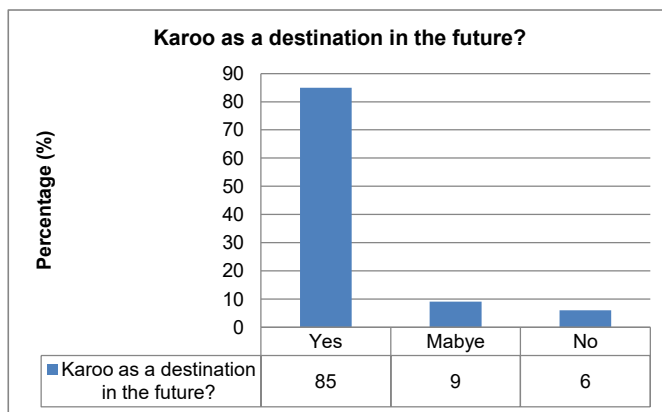
The results suggest that the majority of the tourists believe that the Karoo should be kept as it is and no changes need to be made. This indicates that minimal changes need to be made. This also implies that only small amounts of additional infrastructure are required. However, a fair percentage said that the roads need to be improved or tarred and that the Karoo's marketing and brochures need to be improved. Improving tourism marketing is also crucial as it creates a tourism brand. The stronger the brand, the stronger the competitive advantage. These results enable product owners and other tourism stakeholders to focus on what it is that the tourists want to see improved in order to develop visitor satisfaction – which would inevitably attract more tourists to this region.

#### **5.4.6 The Karoo as a Future Travel Destination**

According to the Development Partners (2009) and Nell *et al.* (2008:1), the Karoo's population and the economies of its largest service centres are growing and they show particular increasing support towards the tourism industry. For example, as mentioned earlier, Atkinson (2011:7) found that the population in Graaff-Reinet, which is one of the largest service centres, has increased from approximately 25 000 in 1970 to almost 35 000 in 2004. She also found that nearly all businesses in Graaff-Reinet have grown in absolute numbers with specific prominent increases in the tourism and hospitality sector, which grew from 5% in 1970 to 16.4% in 2008. Atkinson (2009) also found that the accommodation sector has gradually positioned

itself to become more sophisticated, to attract a more sophisticated clientele, to offer better services, and to encourage tourists to stay longer than one night, with sufficient activities to keep tourists busy for at least one day. This further increases the economic benefit incurred in the area and eventually allows towns to become destinations in their own right (Atkinson, 2009). This proves that there is major scope for the Karoo becoming a destination of choice in the future.

**TABLE 5.13: On Future Trips, would you Consider the Karoo as a DESTINATION OF CHOICE (as opposed to just driving through)?**



In Table 5.13, 76% of the tourists said that they would consider the Karoo as a destination of choice in the future. This result is encouraging as it suggests that the tourists have a positive, attractive, encouraging outlook with regard to the Karoo as a destination of choice. This is a goal that any tourist focused area strives to achieve and this bodes well for the future growth and economic impact of tourism in the Karoo. Members of the tourism industry in the Karoo need to take cognisance of this fact in that their actions, attractions, facilities, hospitality, natural environment etc. are appreciated by tourists to the extent that they are willing to make the Karoo a destination of choice.

## **CHAPTER 6: TOURIST SPENDING DATA**

### **6.1 Introduction**

This chapter, together with Chapters 7 and 8, aims to meet the second objective in this study which is to measure the economic impact of tourism as reflected by the accommodation sector, specifically in Graaff-Reinet. In order to quantify the economic impact of tourism, the accommodation sector will be used as the main indicator. This chapter looks specifically at the direct effects (first round spending) of tourism which according to Dwyer *et al.* (2005) and Stynes (2001) is the key input in an economic impact study. Goldman *et al.* (1994) also state that the accommodation sector is the sector with the highest percentage of goods and services supplied locally, and the highest potential for generating local revenue.

The collected data was analysed according to quantitative methodologies. The graphs and diagrams presented below demonstrate the frequency distribution patterns from which statistical inference was made.

### **6.2 Methodology, brief overview**

According to Ritchie *et al.* (1994), a number of studies have attempted to calculate travel spending in an area through the use of direct surveys given to travellers. There has been no attempt to track these spending effects on other areas such as employment, income or any other economic variables, as this becomes too complex. He states that the key issue is whether tourist expenditure leads to meaningful local multipliers, i.e. that it is circulated within local areas and thereby contributes to increased growth. This will be investigated in Chapter 7.

The tourist spending data focused on what the tourists spent on a daily basis while they were in Graaff-Reinet.

The scarcity of other studies done to track the number of tourists visiting the Karoo could support the argument that this study is a small scale indicative study and can be used to generate hypotheses for future tourism studies in the Karoo.

Three measures of central tendency were considered (these are the ones most commonly used when making comparisons). They include the mode, which is the most frequently occurring value in an ordered series of data; the medium, which is the middle value of the data set; and the mean which is the sum of all the values of the series, divided by the number of values (Martins, Loubser and van Wyk, 1996:310-311). Of these only the mean was deemed the most accurate for this chapter. This will assist in generating the direct effects (new cash injections) which will ultimately assist in calculating the economic impact of the accommodation sector of the tourism industry in Graaff-Reinet.

Appendix H contains analysis of data which wasn't considered vital to add to this chapter. However the average number of nights (1.3) and the average number of people (2.3) were used in the calculations to calculate the amount spent per day per person.

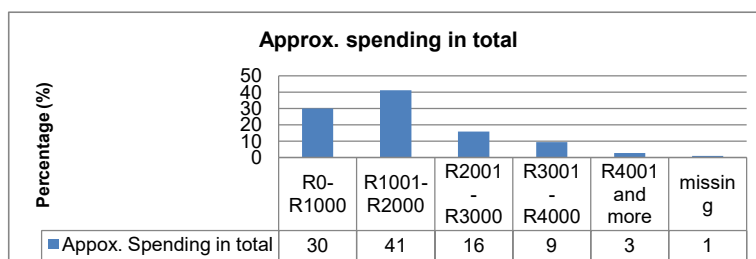
### **6.3 Total Tourist Spending**

Stynes and White (2006) and Stynes (1997) state that estimating the economic impacts of tourism activity generally begins with focusing on visitor spending data obtained through the use of visitor surveys. Visitor spending data can be used to estimate multiplier effects. They found that guidance for gathering and analysing this type of data is limited. Accurate measures of spending are found to be one of the most important inputs to an economic impacts analysis. However, analysis of spending data incurs many difficulties as the number and detail of spending categories varies widely, which poses problems when having to compare results

across different studies. Thus it is difficult to make methodical comparisons with spending data acquired in this study.

According to Mottiar (2006) expenditure of tourists is the clearest indication of the economic benefits of tourism accrued to a particular area. Goldman *et al.* (1994) also found that the benefits from tourist spending are recognised most readily. The more money each tourist contributes to an area, and the greater the number of tourists who visit, the greater the increase in local incomes. Stynes (1997) indicates that tourism industries are labour and income intensive. Therefore increased sales increases income and more jobs are created. The Camdeboo Municipality's LED Plan estimated that the total direct expenditure by tourists has increased from R94 913 per annum in 2004 to R147 900 in 2009. The daily expenditure per tourist was R264 in 2004 and R411 in 2009. According to a study by Myles (2009:79-80) who carried out an economic tourism impact study for the Camdeboo Local Municipality, the average tourist spending was calculated (domestic and foreign) to be R338 per day. Taking an approximate CPI (Consumer Price Index), calculated to be 7% per annum from Stats SA into account, this would make the average daily expenditure per tourist in today's terms:  $R338 + 7\% = R362$  in 2010 and  $R362 + 7\% = R387$  in 2011. Their spending generates increased employment and household incomes. Lew and Ng (2012) found that tourists' length of stay affects spending positively as the longer the length of stay the more money is spent. This can be compared with the result shown below of the approximate amount spent in total by tourists in Graaff-Reinet.

**TABLE 6.1: Approximate Amount Spent in Total**



In Table 6.1, 41% of respondents said that they spent R1 001 – R2 000 during their stay, while 30% spent less than R1 000. 16% said that they spent R2 001 – R3 000 and only a few respondents spent more than R4 001.

The mean (average) and expected value =  $0.30 (500) + 0.41 (1500) + 0.16 (2500) + 0.09 (3500) = R1\ 480$  per party.

Due to the presence of an open ended category (R4 001 and more) this was excluded from the above average calculation in that it does not reflect an absolute value. Either way its impact is not regarded as significant with only 3% of the respondents falling into this category.

An alternative to this method was considered using the median value of total spending in Table 6.1 Using the median value would alleviate the lack of an absolute value as a result of the open ended category. Using the median, this worked out to be R1 500, as opposed to the average value of R1 480. The difference is insignificant.

Therefore, the final average spending per tourist group used was R1 480 per day. It was established in Appendix H that the average number of people per party was 2.6 persons and the average length of stay was 1.3 nights. Therefore,  $R1\ 480/2.6/1.3 = R438$  was spent per visitor per day. The above empirical results tie in with this in that the average spent has increased.

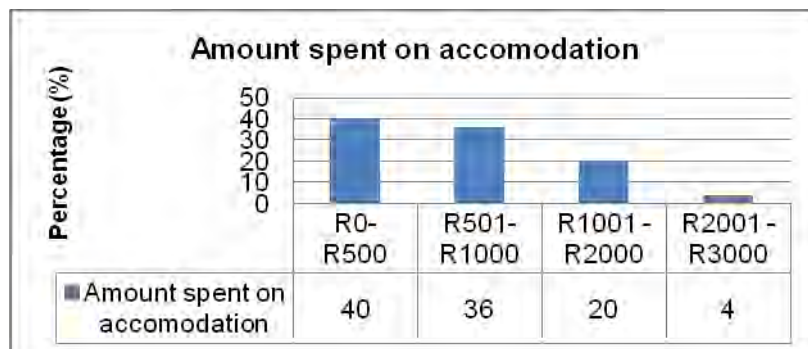
#### **6.4 Amount Spent on Accommodation**

According to Sharpley (2000), the quantitative characteristics of the supply of accommodation have a direct positive influence on the overall success and development of a town. Cooper, Fletcher, Gilbert, Shepherd and Wanhill (1998:13) found that accommodation is “the largest and most ubiquitous subsector within the tourism economy”, accounting for approximately one third of total trip expenditure. Gerty (1981:1), who compiled a study on tourism multipliers, also found that accommodation is of particular importance as it accounts for a high proportion of

tourist spending. Saayman and Saayman (2006:74) completed a study in the Kruger National Park (KNP) which estimated the economic contribution of visitor spending in the KNP to the economy of the Mpumalanga Province in South Africa. They found that accommodation was the greatest item of expenditure (50% of the total spending) by tourists staying overnight. Saayman *et al.* (2009:5) completed a study in the Karoo National Park which also found that the largest amount spent was on accommodation. Tourist spending on accommodation results in positive economic impacts which also then impact positively on its surrounding areas. For example, the Karoo National Park has a positive impact on the Beaufort West community.

Calculating the amount of income generated from accommodation in a town provides valuable economic indicators which can be used in strategic planning for the benefit of the town. Hence the author's decision to determine the amount spent on accommodation in Graaff-Reinet.

**TABLE 6.2: Amount Spent on Accommodation Per Party Per Visit in Graaff-Reinet**



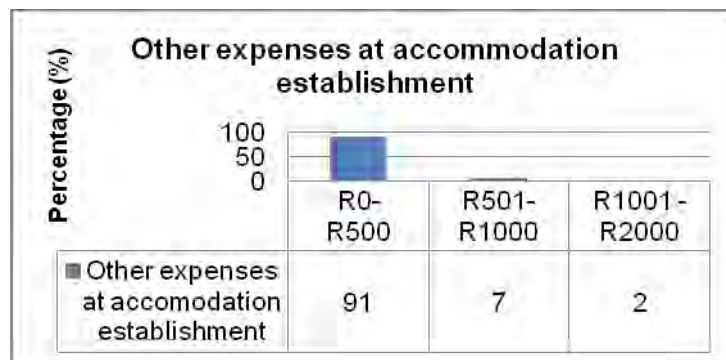
In Table 6.2, 40% of respondents said that they spent R0 – R500 during their stay. 36% said that they spent R500 – R1 000. 20% said that they spent R1 001 – R2 000 and 4% spent R2 001 – R3 000.

The mean (average) and expected value =  $0.40 (250) + 0.36 (750) + 0.20 (1500) + 0.04 (2500) = R770/2.6/1.3 = R228$  per person per day.

## 6.5 Further Income Generated from Tourist Expenditures

Having tourists staying in a town creates the opportunity to develop further reasons to encourage them to increase the turnover for the town through expenditures for other commodities, services or recreational activities. The accommodation establishments are well positioned to gather information from the tourists to determine further benefits they would be willing to spend money on.

**TABLE 6.3: Other Expenses at Current Accommodation Establishment**



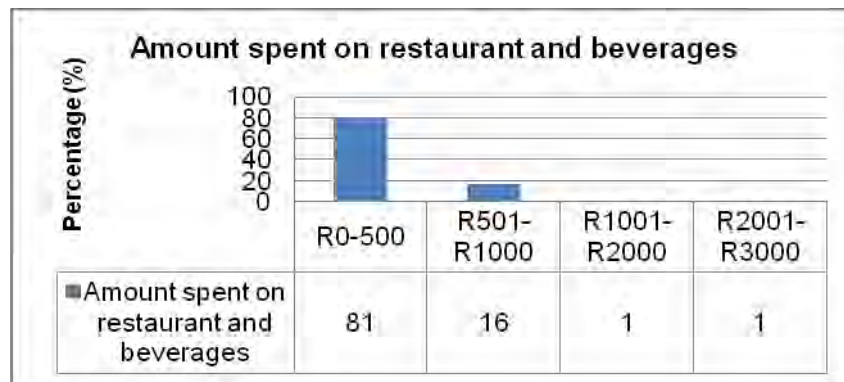
In Table 6.3, 91% of the respondents spent R0 – R500 on other expenses at accommodation establishments in Graaff-Reinet. The mean (average) and expected value =  $0.91 (250) + 0.07 (750) + 0.02 (1500) = R311/2.6/1.3 = R92$  per person per day.

It is worth noting that the categories for this section were possibly incorrectly sized (e.g. R0 to R500) and thus, with such a large percentage represented in one category, it is difficult to accurately calculate the daily spend of each tourist. The R92 calculated would be much less had the majority of the tourists actually fallen into a category closer to the R0 category limit. Alternatively it would be much higher if they had fallen closer to the R500 limit. Similarly, it would have been more accurate if the final distribution had reflected more of a normal distribution representation. These categories were created in order to eliminate possible inaccuracies in the collected spending data, as the tourists, in reflecting their spending, may not have given accurate amounts.

It may be wise to use this result as a broad indication of the tourist spend on other expenses at current accommodation establishments based on the logic above on the possibly incorrect sizing of the categories. Also worth considering is that out of the 15 establishments surveyed, 7 had restaurants or offered meals on site, which would have increased the value reflected in this category.

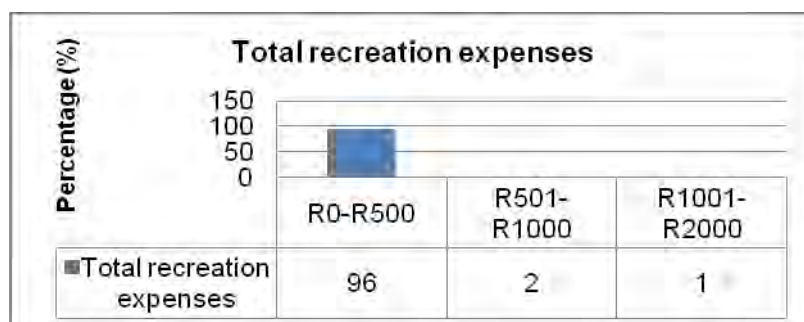
The above question was asked before the following question in order to distinguish between expenditure of tourists on-site at the accommodation establishments and expenditure off-site away from the accommodation establishments.

**TABLE 6.4: Total Spending on Restaurant and Beverages (purchased in Graff Reinet)**



In Table 6.4, 81% of the respondents said that they spent R0 – R500 on restaurants and beverages in Graaff-Reinet. The mean (average) and expected value =  $0.81 (250) + 0.16 (750) + 0.01 (1500) + 0.01 (2500) = R363/2.6/1.3 = R107$  per person per day.

**TABLE 6.5: Total Recreation Expenses (e.g. Tourist Attractions)**



In Table 6.5, 96% of the respondents said that they spent R0 – R500 during their stay. Only in rare cases did tourists spend R501 – R1 000 and R1 001 – R2 000 on

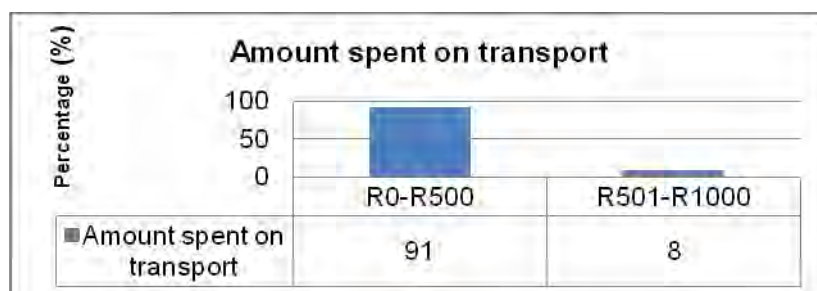
recreational expenses. The mean (average) and expected value =  $0.96 (250) + 0.02 (750) + 0.01 (1500) = R270/2.6/1.3 = R80$  per person per day.

The recreation expenses included, for example, visiting tourist attractions, museums, heritage sites and The Valley of Desolation. This result implies that tourists do engage in the recreational experience that Graaff-Reinet has to offer. As indicated in Chapter 5 by Yusof (2007), Graaff-Reinet boasts more national monuments than any other small town in South Africa and four extraordinary museums. This result could also be due to the findings in Table 5.9, which indicates that the majority of tourists are holiday tourists. Holiday tourists are more likely to engage in recreational experiences than business tourists.

### 6.6 Amount Spent on Transport

Tourists need to get from one place to another and this would involve a transport cost which in some cases could be a significant portion of their budgets. The Karoo covers a vast area and as has been noted, Graaff-Reinet is well positioned as a stopover town and thus potentially this could imply a fuel stop as well.

**TABLE 6.6: Amount Spent on Transport by Tourists in Graaff-Reinet**



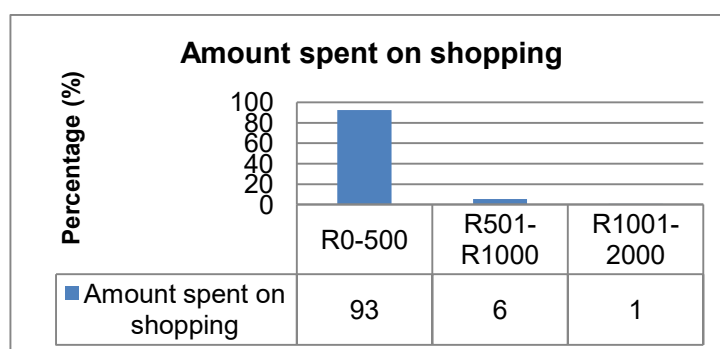
In Table 6.6, 91% percent of the respondents spent R0 – R500 and 8% spent R501 – R1 000 on transport. The mean (average) and expected value =  $0.91 (250) + 0.08 (750) = R288/2.6/1.3 = R85$  per person per day.

These amounts included, for example, fuel and oil purchased in Graaff-Reinet. This result implies that many tourists are filling up at petrol stations in Graaff-Reinet which is a further source of revenue for this town from tourist activity.

## 6.7 Amount Spent on Shopping

Shopping is a tourist activity that many tourists generally enjoy doing as indicated in Chapter 5 by Lee *et al.* (2008). This is one of the economic spin-offs from the growth of a tourist industry. It results in increased employment through the needs generated by the establishment of enterprises created to satisfy those tourist demands identified by product owners.

**TABLE 6.7: Amount Spent on Shopping by Tourists in Graaff-Reinet**



In Table 6.7, 93% of the respondents said that they spent R0 – R500 and 6% spent R501 – R1 000 on shopping in Graaff-Reinet. Spending above R1 000 was very rare. The mean (average) and expected value =  $0.93 (250) + 0.06 (750) + 0.01 (1500) = R293/2.6/1.3 = R87$  person per day.

The amounts spent on shopping by definition from the questionnaire included retail trade products such as groceries, clothing and souvenirs. This result shows that there is further income generated from tourist shopping in Graaff-Reinet. The same logic applies to the use of this data in that careful note needs to be taken of the size of the categories created, resulting in a large majority of the respondents being placed in one category, which could influence the application of these results in the final economic impact analysis.

## 6.8 Summary of Tourist Spending in Graaff-Reinet

The above tables of discrete tourist expenditure are followed by a combined summary of tourist spending in Graaff-Reinet.

**TABLE 6.8: Summary of Tourist Spending Results per day in Graaff-Reinet**

<b>Industry Classification of demand-side expenditure in descending order</b>	<b>Average Spending per party (in ZAR)</b>	<b>Average Spending per person per day (in ZAR)</b>
Accommodation	R770	R228
Restaurant and beverages	R363	R107
Other expenses at accommodation establishment	R311	R92
Shopping	R293	R87
Transport	R288	R85
Recreation	R270	R80
TOTAL	R2 295	R679

Table 6.8 shows that accommodation was the highest expense category and expenditure on recreation was the lowest. Empirical studies supporting this finding include, as previously noted, those by Sinclair (1998), Saayman and Saayman (2006), Gerty (1981) and Cooper, Fletcher, Gilbert, Shepherd and Wanhill (1998). These studies conclude that accommodation is the category that attracts the largest or highest proportion of tourist spending

**TABLE 6.9: Six Monthly and Annualised Figures for Local and Foreign Tourists Visiting Graaff-Reinet in 2010/2011**

<b>Industry classification of demand-side expenditure in descending order</b>	<b>Local tourists' spending amounts (in ZAR)</b>	<b>Foreign tourists' spending amounts (in ZAR)</b>	<b>TOTAL amounts spent on a 6 month basis (in ZAR)</b>	<b>TOTAL amounts spent on an annualised basis (in ZAR)</b>
Accommodation	3 178 776	699 732	3 878 508	7 757 016
Other expenses at accommodation establishment	1 282 664	282 348	1 565 012	3 130 024
Shopping	1 212 954	267 003	1 238 957	2 477 914
Transport	1 185 070	260 865	1 445 935	2 891 870
Recreation	1 115 360	245 520	1 360 880	2 721 760
Restaurant and beverages	1 491 794	328 383	1 524 177	3 048 354
<b>TOTAL</b>	<b>6 606 618</b>	<b>2 083 851</b>	<b>12 459 404</b>	<b>19 416 938</b>

Table 6.9 made use of the number of tourists calculated in Chapter 8, Table 8.1. There were 13 942 local tourists, 3 069 foreign tourists and a total number of 17 011 tourists. The total amount spent was R19 416 938 on an annualised basis in Graaff-Reinet.

As Stynes and White (2006) and Stynes (1997) stated earlier, it is extremely difficult to find empirical studies to support the tourist spending data above as there are various indicators affecting these amounts. For example, this study only looked at six spending categories and combined the data collected from both foreign and domestic tourists as opposed to separating these to determine each of their different inputs.

The key issue from these results is that Graaff-Reinet is generating tourist spending and that the value of this spending has increased. This increase can be seen from comparing the result of this study with information generated from statistics noted in two studies compiled in the Karoo region by Myles (2009:79-80) and Gelderblom (2006:22). The total average spending per party in this study was R2 295 and the

average spending per person per day was R679. Myles (2009:79-80) found that the calculated average spending of foreign and domestic tourists in the Camdeboo area, which Graaff-Reinet falls within, was R387 in 2011 (taking an approximate CPI into account) as indicated above, per tourist per day.

The amount recorded as being spent per tourist per day in this study is relative to the fact that the average length of stay was 1.3 nights. In this case, one night does not allow travellers a great amount of time to make a sizable contribution to the Graaff-Reinet economy. However, the results imply that people are spending a fair amount during their short stay and that they may spend even more in the future, especially if they could be encouraged to increase the length of their stay.

This type of economic impact analysis, specifically generating tourism spending data, has not been undertaken previously in Graaff-Reinet and thus the results of this study are an indication of possible spending patterns. The results need to be interpreted with caution due to the lack of sufficient ongoing annual quantitative numerical economic data in this region. This said, making comparisons with previous spending data in this town would be valuable in that it would indicate increases or decreases in tourist spending, which would generate economic trends and show the significance of any possible tourism economic impact. This highlights that this study is tapping into a new source of knowledge and this generates scope for further longitudinal research studies of tourist spending to generate trends within this tourism industry.

In further support of the above, the results and previous literature confirm that there are positive prospects for tourism growth in Graaff-Reinet, which will contribute significantly to the economy. The following Graaff-Reinet tourism industry empirical findings recorded in the literature review in Chapter 2 support the results presented above: Atkinson (2011:18) found that the tourism and hospitality industry grew from 5% in 1970 to 16.4% in 2008. Toerien and Seaman (2012:7) found that in Graaff-Reinet the most dominant entrance of new enterprises between 2006-2011 was within the tourism and hospitality industry. Minnaar (1987:71) states that “besides the attempt to establish industry in Graaff-Reinet, the only really successful industry has been the growth – especially in the 1980’s – of the tourist industry upon which much

of Graaff-Reinet's prosperity has become dependent". The Camdeboo Local Municipality (2009) found that Graaff-Reinet has a competitive advantage due to its unique resources (historic heritage), which has led to the strong tourism growth. Myles (2009) states that Graaff-Reinet is a strong tourism drawcard. Pio (2008) found that Graaff-Reinet's community and business sector has relied heavily on the tourist industry over the past few decades as it appears to be the fastest growing industry in the town. The Camdeboo SDF Review (2012) also found that Graaff-Reinet is successfully developing its tourism potential.

These positive prospects indicate that the possible increase in the number of tourists staying overnight would directly increase room sales. These additional sales and associated changes in accommodation payments for wages, salaries, taxes, suppliers and services are direct effects from the tourists' spending. Its assistance in reducing income and employment disparities, its ability to strengthen linkages between various sectors of the national economy and, importantly for developing countries, to alleviate poverty is well recognised. Sinclair (1998) notes that tourism in developing countries has become a major economic activity which often contributes more foreign currency than primary commodity exports. It also generates an overall positive outlook on the possible usage of tourism as a developmental strategy or source of growth and prosperity. Sinclair (1998:38) states that "the development of the tourism sector is, a priori, a no less rational choice, economically speaking, than any other". He also notes that the implication of instability is not considered a problem with tourism earnings. This implies that the tourism industry is a stable, low risk industry in which Graaff Reinet should invest further efforts.

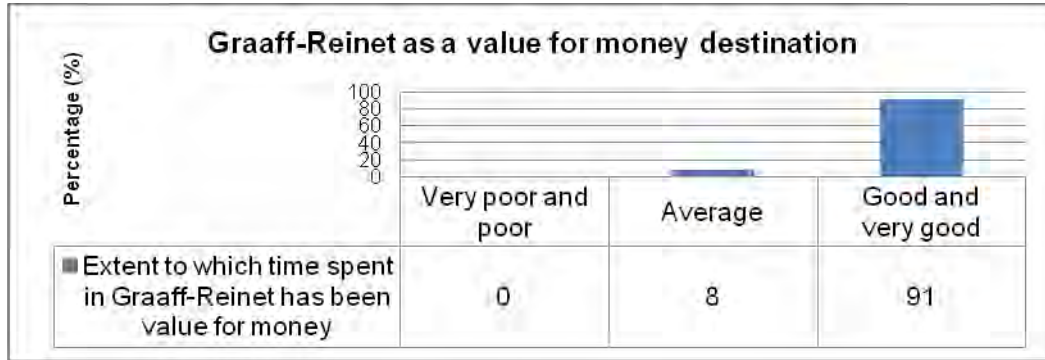
Sinclair (1998) notes that the main emphasis is to focus on estimating tourism demand and income generation via the multiplier process. Calculating only the direct effects/impacts of tourist spending produces an underestimate of the tourism economic impact as it fails to account for the multiplier effects. The positive results attained above, according to Stynes (1997:12) indicate positive multiplier effects. This demonstrates the need to calculate the secondary effects, otherwise known as the indirect effects of the tourism industry. Goldman *et al.* (1994) note that the "chain of spending" is a multiplier process whereby money spent locally is multiplied to give the total impact of the new money spent in the community. As Stynes (1997) notes, a

change in tourist spending can affect practically every sector of the economy by means of indirect and induced effects. Indirect effects are the effects created when industries supply products and services to the accommodation establishments as a result of increased tourist spending. Induced effects are the changes in household spending of income earned directly or indirectly as a result of tourist spending. The magnitude of these secondary effects is directly related to the propensity of local businesses and households to obtain goods from local suppliers. In this case it is vital that the accommodation establishments minimise their leakages by encouraging all the purchasing of all their goods within Graaff-Reinet. This issue is explored in Chapter 7, which analyses the product owners' expenses (indirect effects) in Graaff-Reinet.

## **6.9 Perspectives on Graaff-Reinet as a Value For Money Destination**

Lohmann (2004) found that with globalization of the tourism industry and the need to offer high quality products and services, the standardization of tourism products is essential. This implies that Graaff-Reinet needs to ensure their tourism product is delivered to their clients in a standardised manner according to the specific benefits they require. According to Nelwamondo (2009), the scale and magnitude of tourism demand changes over time as tourists wish to experience something new as well as obtain high quality services and value for their money. This suggests that Graaff-Reinet needs to ensure that their tourism product is what tourists are looking for and that they adjust their product offering accordingly. According to Keyser (2009), currency exchange (which affects price competitiveness) and pricing (providing value for money) are two of the key challenges facing any tourism destination. For example, a study by Popova (2006:34) on customer satisfaction in guesthouses in Gauteng found that, in general, guest houses are more cost effective for tourists than hotels. With regard to currency exchange, she found that the stronger rand is advantageous for small establishments like guest houses as tourists prefer not to stay in hotels. This indicates the importance of providing goods and services which are value for money.

**TABLE 6.10: Perspectives of Tourists on Graaff-Reinet as a Value For Money Destination**



In Table 6.10 it is clear that the vast majority of tourists believe that their stay in Graaff-Reinet was a value for money experience. This suggests positive future prospects for Graaff-Reinet as tourists are getting what they need. This indicates the importance of providing goods and services which are value for money. This will encourage repeat visits and enhance positive word of mouth promotion, which most products strive to achieve as it is the most effective form of promotion. The buyer is satisfied with the price that the seller is offering which creates a win-win transaction (a value for value exchange between two willing parties) that enhances economic prosperity.

## **CHAPTER 7: PRODUCT OWNERS' EXPENDITURE**

### **7.1 Introduction**

This chapter also forms part of the data collected which aims to meet the second objective in this study, which is to measure the economic impact of tourism as reflected by the accommodation sector, specifically in Graaff-Reinet. It looks specifically at the indirect effects of tourism as a result of direct spending by tourists. It calculates the amount of leakages as well as the multiplier (value added) of the accommodation sector, which was used as the main indicator. The collected data was analysed according to quantitative methodologies. The graphs and diagrams presented below demonstrate the frequency distribution patterns from which statistical inference was made.

Money spent outside the town is regarded as a leakage as it does not circulate within the town and would then have no local impact from its production. There are three alternative ways in which money leaks from an economy. For example, a hotel which is owned by non-residents who send their income back home could also have foreign employees who send part of their earning home and the business could be serviced by imported goods and services which would require further income to be taken out of the local economy. This "contribution" of income from a wealth generating perspective is virtually non-existent. Minimising the amount of leakages from income generated is key to increasing the multiplier effect of this income in a town as this ultimately results in an enhanced economic impact in this area.

In order to calculate a monthly average of each of the 12 different product owner expenses collected one would need to utilise measures of central tendency of each expense. Measuring the central tendency of each product owner expense to generate final conclusions in this chapter faced complications in that there are expenses which have open ended categories. Those open ended categories in which the contribution was substantial (above 10%) could not be disregarded. In

these cases, the median was deemed appropriate to calculate the central tendency. However, those open ended categories which contribute a minimal amount (below 10%) and which would show a minimal difference to the calculation of the average, were excluded. In this case the mean (average) values were used, as was the case for all those without an open ended category. This assisted in generating the secondary effects (second round of spending) in the accommodation sector, which would ultimately assist in calculating the economic impact of the accommodation sector of the tourism industry in Graaff- Reinet.

It needs to be noted that most of the responses did not fall into every available category, for example, a certain percentage of responses fell into the R0 – R500 category and then at times there were no responses that fell into the R501 – R1 000 category. Those categories which received zero frequencies were excluded from the tables below.

## **7.2 Tourism Establishment Employment**

According to Gerty (1981:1), serviced accommodation is labour intensive, which results in significant direct and induced secondary and tertiary benefits to the local economy. He states that this is fundamental to the motivation behind encouraging investment in tourist facilities. Myles (2008:65) found that, on average, 80% of employees in the tourism industry were employed in the hospitality sector in South Africa in 2000. This result indicates the possible opportunity for the creation of jobs through investment in the hospitality sector.

### **7.2.1 Full Time Employment**

Emerick and Emerick *et al.* (1994) found that the majority of accommodation establishments in the US hire one or two full time employees. According to a study completed in Buffalo City on the bed and breakfast market by Nuntsu *et al.* (2004), the average number of part time and full time employees from outside the household which help the operation of the business was two people.

**TABLE 7.1: How Many Full Time People Do They Employ?**

<b>Number of full time employees</b>	<b>Number</b>	<b>Percentage (%)</b>
0 people	1	7
1-2 people	7	47
3-5 people	2	13
6-10 people	3	20
11 people or more	2	13
Total	15	100

Table 7.1 supports Atkinson (2011), who found that the majority of businesses in Graaff-Reinet were small and that the economy as a whole primarily consisted of very small companies. It was found that 67% of the accommodation establishments in Graaff-Reinet in this study are also seen to be small, with the number of full time employees being five or fewer people, (7% no employees, 47% 1-2 and 13% 3-5 people).

Most of the employed workers live in the area, which is encouraging as employment opportunities are being created within Graaff-Reinet which, as mentioned earlier, suffers from high unemployment and income inequality. This also implies that the amount of leakages is reduced, noted by Zhang *et al.* (2007), as the wage income generated from tourism remains within Graaff-Reinet. The noted growth in the accommodation establishments in Appendix J implies a resulting growth in employment. An indication of the extent of this growth can be calculated by evaluating a comparative analysis between the number of accommodation establishments and their growth and the number of employees they employ. Employment growth is the end result of positive economic impacts, which is the prime goal of each struggling economy in many South African small towns indicated by Rogerson (1999). He also states that, historically, employment generation has been one of the main strategies used for poverty alleviation in developing countries.

From this it is evident that full time employment growth is of prime value. Should this not be freely available, then part time employment is better than no employment. The accommodation sector, in its coping with tourism seasonality and varying degrees of demand, creates the opportunity for possible part time employment. The levels of

part time employment created by the accommodation establishments in Graaff-Reinet are shown below.

### 7.2.2 Part Time Employment

According to a study completed in London by Sinclair (1998), the majority of the labour force in the accommodation sector are employed on a seasonal or part time basis. Emerick and Emerick (1994) also found that the majority of American accommodation establishments have 2 part time employees.

**TABLE 7.2: How Many Part Time Employees do Accommodation Establishments in Graaff- Reinet Employ?**

Number of part time employees	Number	Percentage
0 people	4	27
1-2 people	11	73
Total	15	100

In Table 7.2, 73% of the product owners employed one or two people on a part time basis and 27% did not have any part time employees.

With such a relatively large percentage of the product owners employing people on a part time basis, it gives weight to the value of this contribution being relatively substantial. This result gives an indication of the degree to which employment is created and is prevalent in the accommodation sector of the tourism market and shows that both full time and part time employment were evident in this sector in Graaff-Reinet. This result mirrors the findings in the empirical evidence above.

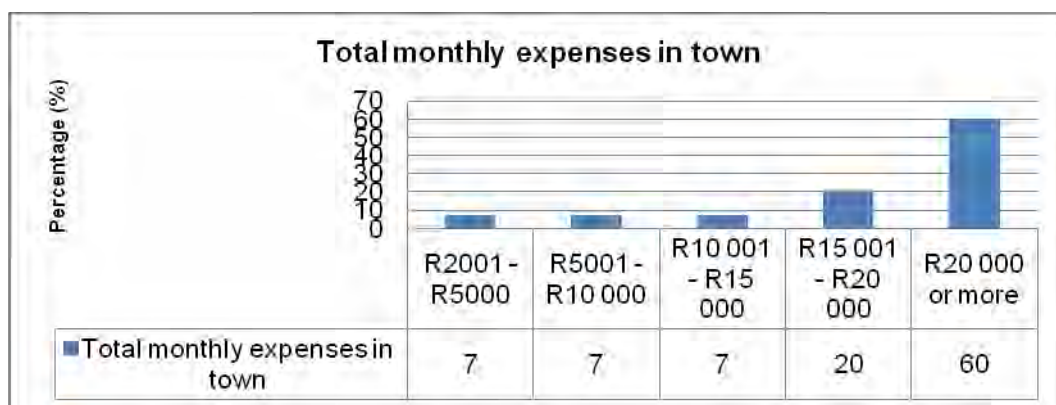
### 7.3 Total Average “In Town” Monthly Expenses in Graaff-Reinet

Product owner expenditure was broken down into “in town” and “out of town” average monthly amounts. The importance of this is to calculate the amount of leakages from the local economy. A study conducted by Fletcher (1989:517) found that a major reason for tourism’s efficient performance in Korea is due to its relatively low import content (leakages). He notes that any money that leaks out of an

economy is no longer able to further increase income, employment or government revenues. According to Stynes (1997:17), 60-70% of tourist expenditure is attributed to local final demand. The Local Economic Development Plan for the Camdeboo Municipality (2009:17) found that approximately 20% of all households in this region buy goods and/or services in other towns. Ultimately, as Stynes (2001) and Stabler (2000) note, the more a region is self-sufficient and purchases goods and services from within the region, the greater the economic benefits and consequently the higher the multipliers for the region will be. Pio (2008), Atkinson (2011), the Camdeboo Local Economic Development Plan (2009), the Camdeboo SDF Review (2012) and Cook (1971) all state that Graaff-Reinet has increasingly become self-sufficient. This supports Stynes' (2001) and Stabler's (2000) findings, in that greater economic benefits and a higher multiplier is expected to be achieved from the increased tourist spending in this town. Expenses of product owners which are made "in town" are costs covered from income generated from "out of town" tourists which would have a positive economic impact on the economy of the area. Further analysis of this implication is presented towards the end of this chapter.

Table 7.3 shows the "in town" expenses of the 15 product owners. This was calculated by adding the average total monthly expenditures made up of the 12 expense categories listed below.

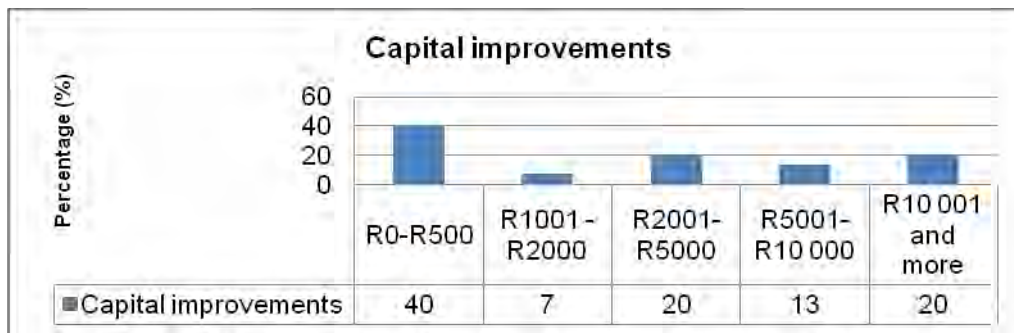
**TABLE 7.3: Total Monthly Expenses in Town**



In Table 7.3, 60% of the product owners spent R20 001 or more on total expenses in town per month and 20% spent R15 001 – R20 000. The median = R20 000 or more. The mean (average) value could not be calculated as the open ended category was

too large to eliminate. As indicated above, the median values (the middle value of the data set) will be used if this open ended category makes a sizeable contribution (above 10%).

**TABLE 7.4: Capital Improvements within Graaff-Reinet**



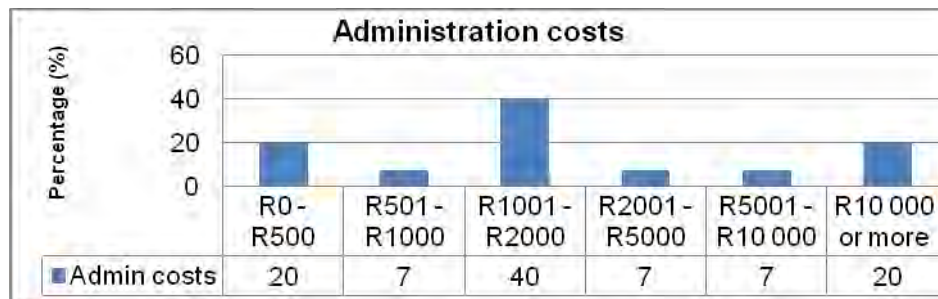
In Table 7.4, 40% of the product owners spent R0 – R500, 20% spend R2 001 – R5 000, 20% spent R10 001 or more and 13% spent R5 001 – R10 000 on capital improvements per month. The median = R3 500 per month.

Once again, the open ended category of R10 001 and more could not be disregarded and the median value was used. It is evident that these categories (e.g. R0 – R500), differ from those in Table 7.3. This is due to the product owner responses indicating smaller amounts of money attributed to each of the individual categories than the total average amount spent on a monthly basis.

This result shows that capital improvements were one of the major expenses. It needs to be noted that this category did not include property purchases (clearly indicated in the questionnaire in Appendix D). This result shows that Graaff-Reinet is capable of supplying the products which enable capital improvements. These improvements add value to an accommodation establishment in the hope of improving its facilities for its visitors as well as hopefully attracting more tourists in future. It also indicates that product owners are spending money on upgrading or improving their facility, which could be as a result of an increase in demand for their products and services. It is positive to see that product owners are willing to make additional investments in capital improvements, concentrating on making additional sales in order to generate more revenue and good returns on investment.

This is important as the accommodation sector is highly competitive and product owners need to differentiate their product from their competitors while at the same time ensuring that they have collaborative relationships with one another. Variations in supply by the product owners would facilitate this needed collaboration.

**TABLE 7.5: Administration Costs within Graaff-Reinet**



In Table 7.5, 40% of the product owners spent R1001 – R2000, 20% spent R0 – R500 and 20% spent R10 001 or more on administration costs per month. The median = R1 500 per month.

This shows that these establishments spend a fair amount on administration costs. As this is not seen to be excessive, these costs could possibly be related to the size of the establishments. Product owners are able to provide detailed expenditure data as recorded in this survey, which also implies that they have effective administration.

The more active the establishment is in capitalising on the sale of food – for example setting up a restaurant on-site – the more groceries they will purchase.

**TABLE 7.6: Monthly Spend on Groceries by Graaff-Reinet Product Owners**

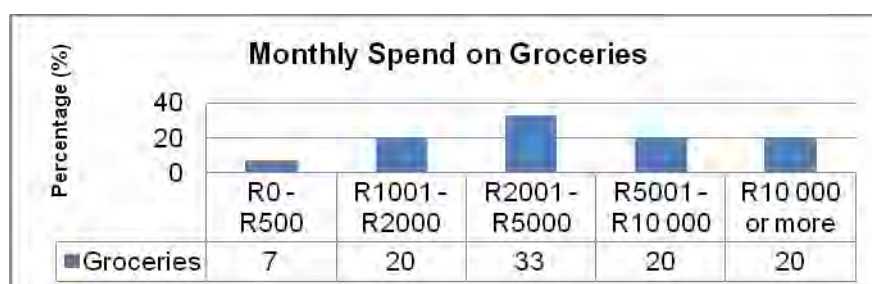


Table 7.6 shows that all product owners have a groceries cost. The major group, (33%) of the product owners spent R2 001 – R5 000, 20% spent R1 001 – R2 000, 20% spend R5 001 – R10 000 and 20% spend R10 001 or more on groceries per month. The median = R3 500 per month.

Comparing this result to the other expenditures shows that groceries are one of the larger expenses. This may be due to the number of accommodation establishments having restaurants, offering meals and beverages (7 out of 15) to their guests on a daily basis.

The capital cost of setting up an accommodation establishment is high and for most product owners this high cost would make the risk of being uninsured too high.

**TABLE 7.7: Insurance Cost to Graaff-Reinet Accommodation Establishments**

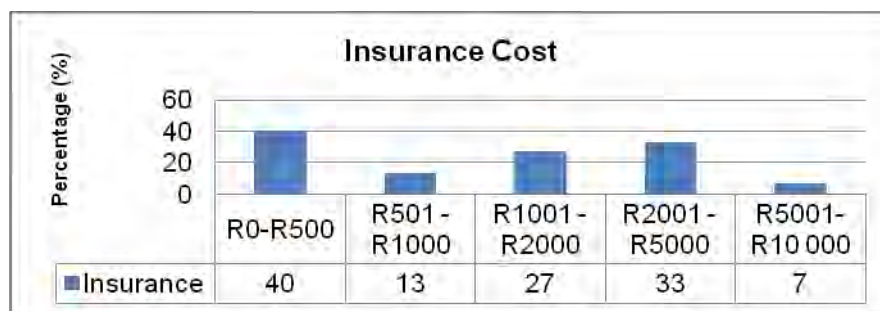
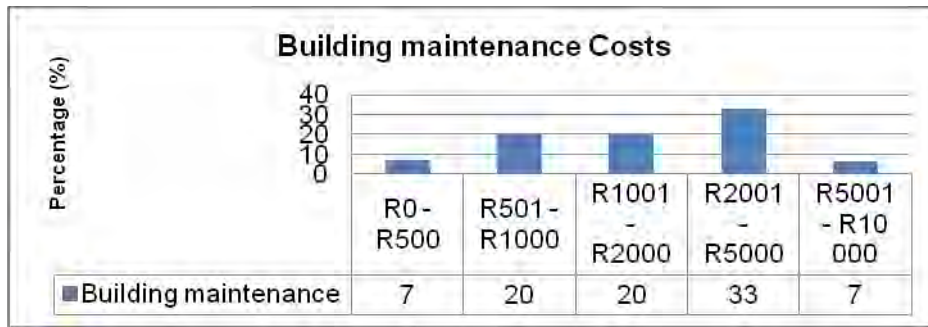


Table 7.7 shows that 40% of the product owners spend R0 – R500, 27% spend R1 001 – R2 000, 13% spend R501 – R1 000 and 13% spend R2 001 – R5 000 on insurance per month.

The mean (average) =  $0.40 (250) + 0.13 (750) + 0.27 (1500) + 0.13 (3500) + 0.07 (7500) = R1\ 583$ . Therefore, the average amount spent on insurance was R1 583 in town per month.

Short term insurance is usually covered by large national corporations such as Old Mutual and Sanlam who in turn are underwritten by multinational corporations. Thus this income is unlikely to be income into the Graaff-Reinet economy.

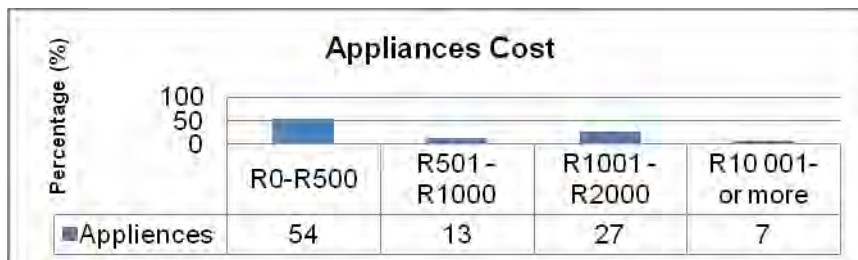
**TABLE 7.8: Building Maintenance Costs of Graaff-Reinet Accommodation Establishments**



In Table 7.8, 33% of the product owners spent R2 001 – R5 000, 20% spent R501 – R1 000, 20% spent R1 001 – R2 000 and 13% spent R10 001 or more on building maintenance per month. The median = R3 500 per month.

This result shows that a spending on building maintenance constitutes one of the higher amounts spent. This result also shows that Graaff-Reinet is capable of supplying these types of products. This result ties in with the result obtained in Table 7.4 which indicated that capital improvement was one of the highest expenditures. Thus, the accommodation establishments in this instance could also have wanted to expand, improving and upgrading their businesses. This ultimately suggests an increase in confidence levels and optimism within this sector, created by a possible increase in tourism demand. This increase in tourism demand is supported by Atkinson (2011) and Torien *et al.* (2012) who note that there has been an increase in tourism within Graaff-Reinet, which creates further multiplier and economic benefits.

**TABLE 7.9: Appliances Cost to Product Owners within Graaff-Reinet**



In Table 7.9, 54% of the product owners spent R0 – R500 and 27% spent R1 001 – R2 000 on appliances per month. The mean (average) = 0.54 (250) + 0.13 (750) + 0.27 (1500) = R638 per month.

This result shows that this is a minor expense when compared with other spending categories: the establishments are small scale and would usually not require many appliances. Overall, this is a positive result as it shows that product owners are at least purchasing some appliances within their town, which further enhances the local economic benefits.

**TABLE 7.10: Garden Maintenance Costs of Product Owners within Graaff-Reinet**

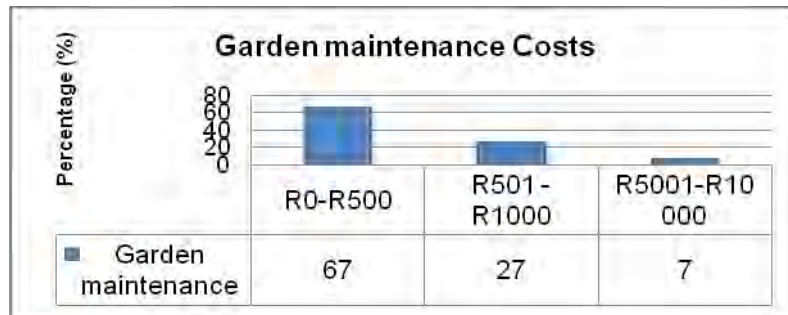
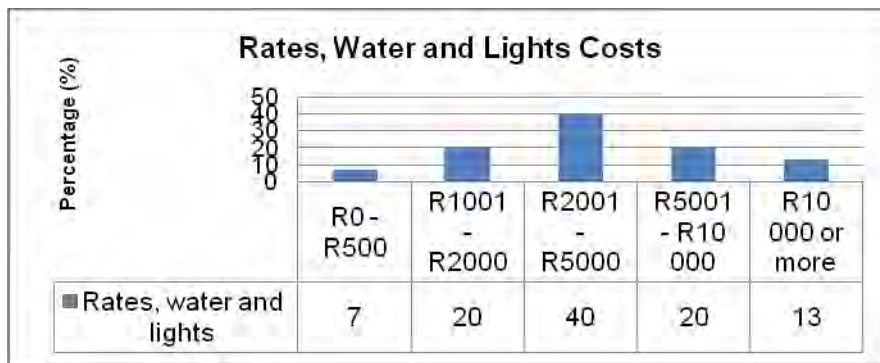


Table 7.10 shows that 67% of the product owners spent R0 – R500 on garden maintenance. The mean (average) =  $0.67 (250) + 0.27 (750) + 0.07 (7500) = R896$  per month.

This result indicates that this expense was a minor expense when compared with the other expenses within accommodation establishments in Graaff-Reinet. From observation, the gardens of the establishments looked in very good condition. It needs to be noted that most tourists visit the Karoo region, which includes Graaff-Reinet, for its scenery and natural beauty and therefore it would be in the product owners’ best interests to ensure that they maintain their gardens’ attractiveness. Keeping a garden well maintained requires not only gardening material but good labour. Thus the opportunity for employment generation is created through this need and local employment creation supports a positive multiplier effect.

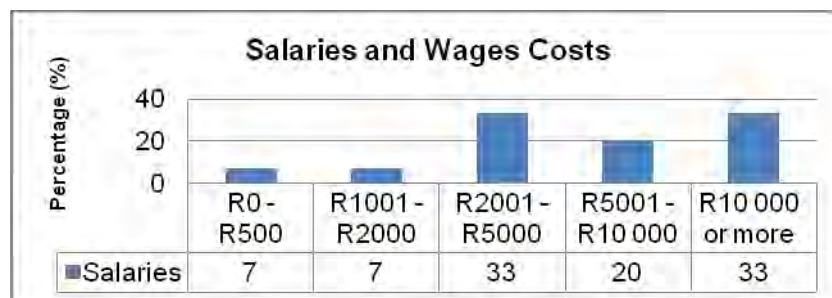
**TABLE 7.11: Rates, Water and Lights Costs to Product Owners within Graaff-Reinet**



In Table 7.11, 40% of product owners spent R2 001 – R5 000, 20% spent R1 001 – R2 000 and 20% spent R5 001 – R10 000 on rates, water and lights per month. The median = R3 500 per month.

This result illustrates that rates, water and lights are also one of the major expenses for accommodation establishments. Ensuring the efficient use of these funds by the local authorities would add value to economic development and growth within the local economy.

**TABLE 7.12: Salaries and Wages Costs to Product Owners within Graaff-Reinet**



In Table 7.12, 33% of the product owners spent R2 001 – R5 000, 33% spent R10 001 or more and 20% spent R5 001 – R10 000 on salaries per month. The median = R 7 500 per month.

This result shows that salaries are a significant expense for accommodation establishments in Graaff-Reinet. Salaries and wages are an expense which are generally regular and support families and in many cases extended families. The ripple effects of this income into an economy through the purchase of supplies

needed by these people compounds their benefit. This relates to the induced effect of this spending. Due to the employment of residents in Graaff-Reinet there is a decreasing effect on the leakage of wages and salaries out of the economy. The impact of this on the general standard of living in this town could be enhanced. The positive multiplier effect in this case would be one of the more positive impacts experienced within the local community.

**TABLE 7.13: Vehicle Maintenance Costs of Product Owners within Graaff-Reinet**

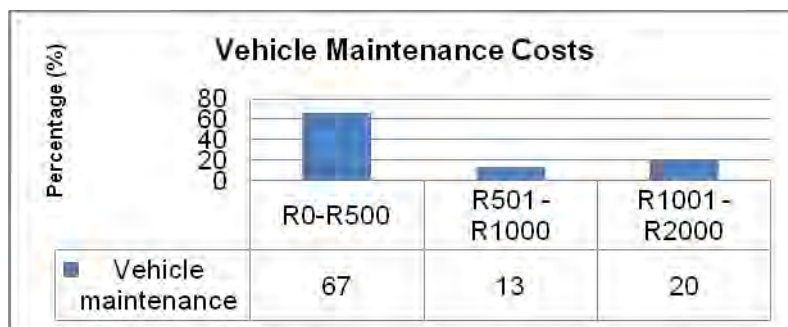


Table 7.13 shows that 67% of the product owners spent R0 – R500, 20% spent R1 001 – R2 000 and 13% spent R501 – R1 000 on vehicle maintenance per month. The mean (average) =  $0.67 (250) + 0.20 (1500) + 0.13 (750) = R566$  per month.

This result shows that this was the lowest monthly amount spent on a category of expense when compared with the other product owner expenses. This could be attributed to the fact that Graaff-Reinet is a small town and product owners do not have to drive far distances, causing wear and tear damage to their vehicles. Alternatively the vehicles they use are possibly not old, which would reduce the maintenance need and thus costs.

There is generally a strong correlation between the amount of effective advertising an enterprise does and its competitive success. Advertising is a relatively expensive exercise and thus getting an indication of the advertising spend of product owners in Graaff-Reinet is pertinent to this study.

**TABLE 7.14: Advertising Cost to Product Owners within Graaff-Reinet**



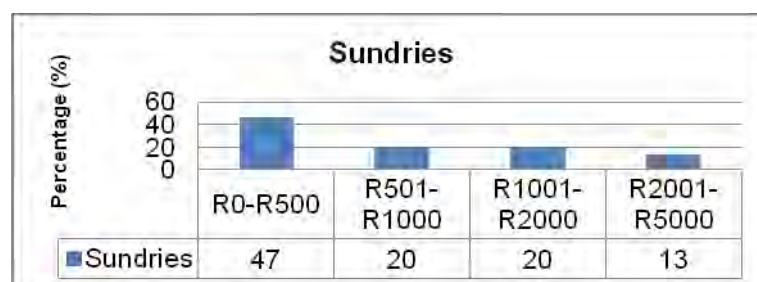
Table 7.14 shows that 60% of the product owners spent R0 – R500, 20% spent R500 – R1 000 and 13% spent R1 001 – R2 000 on advertising per month. The mean (average) =  $0.60 (250) + 0.20 (750) + 0.13 (1500) + 0.07 (7500) = R1\ 020$  per month.

This result shows that product owners allocate a fair amount of money towards marketing their establishments. This is a positive result in that it indicates that money has been spend on this category, which is considered an essential expense to ensure the growth of tourism, noted by Nel (2005). Lee *et al.* (2008) also suggests that marketing is a very important expense for small businesses like B&Bs.

Atkinson (2011) found that 92% of companies make use of advertising in Graaff-Reinet. This once again promotes positive prospects as it indicates that this town is largely self-sufficient in supplying advertising services, which further enhances the multiplier effect as a result of this expenditure in the town.

In order to ensure that all expenditures were covered, a category for sundries was included. This related to covering total costs where product owners felt that they were spending more “in town” but could not allocate it to a specific item.

**TABLE 7.15: Sundry Cost to Product Owners within Graaff-Reinet**



In Table 7.15, 47% of the product owners spent R0 – R500, 20% spent R500 – R1 000, 20% spent R1 001 – R2 000 and 13% spent R2 001 – R5 000 on sundries per month. The mean (average) =  $0.47 (250) + 0.20 (750) + 0.20 (1500) + 0.13 (3500) = R1\ 023$  per month.

This result indicates an additional amount of “in town” income without being able to identify and allocate it to a specific source. The amount is similar to the amount spent on advertising and admin costs and is more than the amounts spent on appliances, garden and vehicle maintenance, which indicates that it is relatively significant.

#### **7.4 Total Monthly Expenses “Out of Town”**

Gerty (1981:5) found that “leakages” from the economy is the most fundamental concept within multiplier analysis. He states that leakages result in diminishing income and employment, identified in Keynesian models. Stabler (2000) refers to leakages as a cost as they represent lost benefits to an economy. The leakages referred in this study relate to accommodation establishments purchasing goods outside Graaff-Reinet. According to Saayman and Saayman (2006), it is important to limit the amount of leakages and establish linkages within a particular area. This increases the economic benefits accruing to that area. Leakages generated in this instance are demonstrated below and more accurately in Tables 7.29 and 7.30.

Appendix J includes all the “out of town” tables which are described and analysed below.

Table 7.16 shows that 60% of the product owners spent R0 – R2 000, 20% spent R5 001 – R10 000 and 13% spent R20 001 or more on expenses “out of town” per month. The median = R 1 000 per month.

Table 7.17 shows that 73% of the product owners spent R0 – R500 on capital improvement expenses “out of town” per month. The mean (average) =  $0.73 (R250) + 0.13 (R1500) + 0.07 (R7500) = R903$  per month.

Table 7.18 shows that 100% of the product owners spent R0 – R500 on admin cost expenses “out of town” per month. The mean (average) = R250 was spent on admin costs “out of town” per month. This result shows that a minimal amount was spent on administration costs “out of town”.

Table 7.19 shows that 87% of the product owners spent R0 – R500 on groceries “out of town” per month. The mean (average) =  $0.87 (250) + 0.07 (1500) + 0.07 (7500) = R848$  per month.

Table 7.20 shows that 80% of the product owners spent R0 – R500 on insurance “out of town” per month. The mean (average) =  $0.80 (250) + 0.07 (750) + 0.07 (3500) = R498$  per month. The open ended category was also excluded from this value.

Table 7.21 shows that 100% of the product owners spent R0 – R500 on building maintenance “out of town” per month. The mean (average) = R250 per month.

Table 7.22 shows that 73% of the product owners spent R0 – R500 on appliances “out of town” per month. The mean (average) =  $0.73 (250) + 0.07 (750) + 0.07 (1500) + 0.07 (3500) = R586$  per month.

Table 7.23 shows that 100% of the product owners spent R0 – R500 on garden maintenance “out of town” per month. The mean (average) = R250 per month.

Table 7.24 shows that 100% of the product owners spent R0 – R500 on rates, water and lights “out of town” per month. The mean (average) = R250 per month.

In Table 7.25 above it shows that 100% of the product owners spent R0 – R500 on salaries “out of town” per month. The mean (average) = R250 per month.

Table 7.26 shows that 93% of the product owners spent R0 – R500 on vehicle maintenance “out of town” per month. The mean (average) =  $0.93 (250) + 0.07 (750)$  = R286 per month.

Table 7.27 shows that 73% of the product owners spent R0 – R500 on advertising “out of town” per month. The mean (average) =  $0.73 (250) + 0.13 (750) + 0.07 (1500) + 0.07 (3500)$  = R631 per month.

Table 7.28 above it shows that 100% of the product owners spent R0 – R500 on sundries “out of town” per month. The mean (average) = R250 per month.

These results indicate that a small amount was spent “out of town”, resulting in a small amount of leakages. This implies positive prospects for Graaff-Reinet as this indicates that it is capable of adequately supplying goods to the accommodation establishments. Knowing exactly where the leakages take place would be of value for entrepreneurs to evaluate and determine the viability of establishing their supply within Graaff-Reinet. Identifying these opportunities would possibly facilitate the convenience of supply to product owners, increase the economic benefits from tourism and reduce the amount of leakages even further.

Capital improvement is the largest amount for the “out of town” categories. It also indicates that people are spending “out of town”, which creates a certain amount of leakage. Groceries represents the second highest amount spent “out of town”. It indicates that product owners find it necessary to purchase certain groceries “out of town”. This may be due to cheaper prices and/or through bulk purchasing from bigger towns.

A summary of the individual “in-town” and “out of town” categories is provided below.

**TABLE 7.29 Mean or Median Values of “In Town” and “Out Of Town” Expenses of Accommodation Establishments in Graaff-Reinet on a monthly basis:**

<b>Average Monthly Expenditure categorised</b>	<b>Median values “in Town”: (in Rands)</b>	<b>Mean (average) values “in town”: (in Rands)</b>	<b>Median values “out of town”: (in Rands)</b>	<b>Mean (average) values “out of town”: (in Rands)</b>
Capital improvements	R3 500			R903
Admin costs	R1 500			R250
Groceries	R3 500			R848
Insurance		R1 583		R498
Building Maintenance	R3 500			R250
Appliances		R638		R586
Garden maintenance		R896		R250
Rates, water and lights	R3 500			R250
Salaries	R7 500			R250
Vehicle maintenance		R566		R286
Advertising		R1 020		R631
Sundries		R1 023		R250
<b>TOTAL</b>	<b>R19 500</b>	<b>R5 726</b>		<b>R5 252</b>
<b>Total</b>	<b>R25 226</b>			

Table 7.29 shows that when the mean or median values were added together to determine the total monthly amount spent on accommodation expenses within the town of Graaff-Reinet, this total was R25 226. If compared to the “in town” total average monthly expenses amount indicated by product owners, illustrated in Table 7.3 above, this was determined to be “R20 000 and more”, which was similar to the result obtained by adding each of the individual expenses together. Thus the mean value (R25 226) was used to calculate the economic impact of the accommodation sector in the Graaff-Reinet tourism industry. The mean value was chosen as it represented an absolute value or a calculated value as opposed to using a value determined from an open ended category which lies in between a set of values. The average annual amount spent by individual product owners in Graaff-Reinet was  $R25\,226 \times 12 = R302\,712$  per annum.

In the “out of town” categories there were no median values; only mean (average) values were calculated. Consequently, as shown in Table 7.29, R5 252 was spent “out of town”, which ultimately represents the amount of leakage (this will be explained further below). The “out of town” result can be compared with the median value of R1 000 shown in Table 7.16 above. Thus the median and mean “out of town” values indicate a discrepancy which justifies the use of the more accurate absolute value, the mean, R5 252. As explained above, the median values were only calculated for those expense categories where more than 10% of the product owners fell within the open ended categories, which made these categories significant. In this case 13% of the respondents fell into the “R20 000 or more” category. The mean (average) values were calculated for the open ended categories where a minimal contribution (less than 10%), was shown. The mean (average) values were also used for those classifications without an open ended category. This justified the rationale behind the inclusion or exclusion of the mean or median values. The final “out of town” result of R5 252 is the sum of the 12 expense categories which individually contribute to the amount of leakage in the accommodation sector in Graaff-Reinet.

Jacobson *et al.* (2003:25) found that the consideration of leakages is considered to be an integral component of successful multiplier studies. This explains the importance of calculating the amount of leakage in the accommodation sector in this study. As noted above, being aware of the extent of the leakages in an economy is valuable, but knowing exactly where the leakages take place would be of more value in that it would identify possible opportunities for entrepreneurs to satisfy these needs from within the town and thereby create more exchanges within the economy, increasing the economic impact.

**TABLE 7.30 Leakages in Graaff-Reinet of Each Accommodation Expense Category:**

<b>Average Monthly Expenditure categorised</b>	<b>Percentage (%)</b>
Capital improvements	17%
Admin costs	5%
Groceries	16%
Insurance	9%
Building Maintenance	5%
Appliances	11%
Garden maintenance	5%
Rates, water and lights	5%
Salaries	5%
Vehicle maintenance	5%
Advertising	12%
Sundries	5%

Table 7.30 indicates the relative importance of the R5 252 of leakages per product owner which have taken place as a result of an outflow of money through the purchasing of products from outside of the Graaff-Reinet economy and are regarded as a lost opportunity. Capital improvements, groceries, advertising and appliances were calculated to show the most leakage (56%) and insurance, administration costs, building maintenance, garden maintenance, vehicle maintenance, rates, water and lights, salaries and sundries showed lower amounts of leakage (44%). This result indicates that possible entrepreneurial opportunities could be sought within the capital improvements, groceries, advertising and appliances sectors of the Graaff-Reinet economy. The viability of these opportunities would need careful scrutiny as the total amount of leakage was relatively low.

Fletcher (1989:517) found that a major reason for tourism's efficiency was due to its relatively low import content (leakages), as supported in this study. As mentioned above by Stynes (1997:17), 60 – 70% of tourist expenditure is attributed to local final demand and the Camdeboo Municipality (2009:17) found that approximately 20% of all households in this region buy goods and/or services in another town. These results collaborate with the results found in this study as overall 79% of the total expenditure is ascribed to local expenditure and 21% is ascribed to leakages, otherwise known as the marginal propensity to withdraw. Cook (1971:31) in Atkinson (2011:22) found that Graaff-Reinet companies mainly purchase their requirements locally. For example, 92% of companies make use of advertising in Graaff-Reinet, which mirrors the result found in this study as 88% of the accommodation

establishments make use of advertising in Graaff-Reinet. He also states that 92% of companies make use of auditing and legal services. This also mirrors the result found in this study as 95% of the accommodation establishments make use of administration services in Graaff-Reinet. The small amount of leakages (21%) found in this study imply positive economic prospects for the tourism industry in Graaff-Reinet in that the majority of products which this industry requires is catered for locally. Thus the quantitative hypothesis stating that there was a small amount of leakage was supported. This result implies that the direct contribution of the additional tourism earnings is mostly kept within the town, which enhances the economic impact of this sector of tourism in Graaff-Reinet through the creation of employment and increased household income.

The direct impact (tourist spending) was calculated in Chapter 6 and the indirect impact (accommodation expenses) was calculated in this chapter. The Type 1 Income Multiplier was calculated as indicated below. Stabler (2000) suggests that the value of the multiplier is an important aspect in any economic impact study. It is also interesting to note that Bragge (2010) suggests that failure to recognise the multiplier effects in an economic impact analysis fundamentally constitutes a severe underestimation of the overall economic impact which the direct inflow of money sets in motion.

### **Calculating the Type 1 Income Multiplier for the accommodation industry in Graaff-Reinet:**

The direct expenditure calculated in Chapter 6 was R438 per person per day and the indirect expenditure was R25 226 per month. The following conversion is necessary to ensure that both amounts are indicated in the same measure. Therefore,  $17\ 011 \text{ tourists}/6 = 2835 \times R438 = R1\ 241\ 730$  per month.

The Type 1 Income Multiplier can now be calculated using the following formula:  
Stynes (1997:16)

$$\begin{aligned}
 \textit{Type 1 Income Multiplier} &= \frac{\text{direct income} + \text{indirect income}}{\text{direct income}} \\
 \text{Therefore, Income Multiplier} &= \frac{\text{R1 241 730} + \text{R302 712}}{\text{R1 241 730}} \\
 &= \mathbf{1.2}
 \end{aligned}$$

From the above equation it is evident that the multiplier for the accommodation establishments in Graaff-Reinet was 1.2. Thus the quantitative hypothesis stating that the multiplier for Graaff-Reinet was large was supported. It is important to note, as mentioned earlier by Stynes (1997), that the above multiplier is known as a ratio type multiplier as it measures the ratio of a total impact (total impact: corresponding direct impact). It is also important to remember, as indicated earlier by Fletcher (1989), that the Type 1 Income Multiplier in this case was partial as it refers to an individual sector (accommodation) to generate economic activity. This result (1.2) was thus an inflated estimate as tourist spending is not exactly the same as the direct effects in the normal multiplier formula, which calculates the economic impact of all sectors of an economy (total value added). This inflated estimate is highlighted further as the average sectoral GDP multiplier for catering and accommodation in South Africa in 2010 was also 1.2.

Empirical studies which support this finding include: Stoeckl (2007:929), who compiled a study in the remote areas in Northern Australia and found that more than half of the regions sampled had average business-level multipliers of between 1 and 1.5, with 80% being less than 2. Miller (1914) found that multipliers usually range between 1.0 and 3.0 and vary according to the amount of economic activity and industry interaction within an area. The size of the different multipliers, otherwise known by Crompton (1995) as the magnitude of indirect spending, generates particular meanings from which concurring conclusions can be drawn. Just as Miller (1914), Van Heerden (2003), Stynes (1997), Bragge (2010), Snowball (2000), Zhang *et al.* (2007) and Greenburg *et al.* (2002) all state that the higher the multiplier, the greater the effect will be on the local economy and the smaller the amount of

leakages. Similarly, Baaijens *et al.* (1998) found that high income multipliers are associated with relatively large benefits for the local population. Consequently, they state that in general multipliers are higher in urban regions and lower in rural areas. Zhang *et al.* (2007) found that in relative terms, tourism is more important to the rural region economies than the urban economic regions. The size of multiplier also depends on the amount of leakages as the smaller the amount of leakages, the greater the value added from the direct expenditure. This evidence supports the results found in this study as there was a high multiplier (1.2), with a small amount of leakages (21%).

Crompton (1995) states that, ideally, every study should calculate its own multiplier as within each town/city the interrelationships between businesses and the combinations of these interrelationships are structured differently. Sinclair (1998:28) notes that the estimated multiplier values are not directly comparable between different developing regions due to differences in time periods and the different categories of income measured. Fletcher (1989:526) states that as a result of the number of different multipliers which can be calculated, caution should be exercised when comparing multipliers from other studies. Other multipliers could also have been the result of the inappropriate or inexperienced application of multiplier analysis. Therefore the multiplier generated in this study cannot be directly compared with all or any other multipliers specifically. Empirical studies which support the result found in this dissertation and indicate a clear analysis as to why a small town like Graaff-Reinet generated a large multiplier and a small amount of leakages in the accommodation sector is presented in detail below.

As mentioned by Pio (2008) in the literature review, Graaff-Reinet is acting as a “sponge locality” as it is playing a progressively more important central function in relation to other nearby towns. Pio (2008) and the Camdeboo SDF Review (2012) state that Graaff-Reinet is known as the major economic node of the district. This is attributed to it being characterised as having high and low order retail and service requirements as well as associated agglomeration effects. Graaff-Reinet offers a wide range of goods and services, often at more competitive prices.

In Atkinson's 2006 survey of 170 businesses in Graaff-Reinet, she found that 75% (120) of businesses had their head offices based in the town. This result showed that a large number of national and regional companies have established branches in Graaff-Reinet, resulting in an important retail centre. This has consequently led to an increase in purchasing power from surrounding towns and improved the local economy (Atkinson, 2011:26).

Pio (2008) and Atkinson (2011) also found that the increased consumer mobility and partial economic erosion of a number of the surrounding small towns has made an immense contribution to the increased economy in Graff-Reinet. Surrounding towns like Aberdeen and Pearston have no industries at all, which encourages them to purchase certain goods and services "out of town". Pio's study found a distinct trend whereby wealthier urban inhabitants and white farmers in Pearston participate in "out-shopping" particularly in Graaff-Reinet, Somerset East and Port Elizabeth. The Camdeboo Local Economic Development Plan (2009) also found that Graaff-Reinet and Port Elizabeth supply the widest variety of businesses. According to a study by Cook (1971) in Atkinson (2011), Graaff-Reinet's largest nearby shopping centres are Cradock which is 150 km away and Port Elizabeth which is 250 km away. This indicates that Graaff-Reinet has a reasonably unchallenged status of supply for the majority of goods and services. However, this result poses an exception of sophisticated goods and services such as medical specialists.

According to Stynes (2001) and Stabler (2000), the more a region is self-sufficient and purchases goods and services from within the region, the greater the economic benefits and consequently the higher the multipliers for the region and the greater the impact per unit of receipts from tourism. Stabler (2000) refers to this as the 'knock on' effect.

As Stynes (1997) notes in Chapter 6, the magnitude of the secondary multiplier effects are directly related to the propensity of local businesses to obtain goods from local suppliers. Similarly, Baaijens and Nijkamp (2000:844) and Gerty (1981:13) found that the greater the amount of trading within a specific region, the fewer leakages should occur, and as a result, there will be a larger multiplier effect and hence higher benefit to the local economy.

Stoeckl (2007) also states that the magnitude of the multiplier depends on the spatial distribution of a particular industry and its economic linkages. She states that there is no relationship between the size of a region and the size of its multiplier. However, a host of multiplier studies such as Baaijens *et al.* (1998), Zhang *et al.* (2007), Snowball (2000), Stynes (2001), Greenberg *et al.* (2002), Zhang, Madsen, Jensen-Butler (2007), and the Edinburgh Festival study (1996) in Snowball (2000) contradict the findings in this dissertation as they indicate that the smaller the size of the population, the larger the amount of leakages.

In contrast to the latter and in conjunction with Stynes (1997), Baaijens and Nijkamp (2000:844), Gerty (1981:13) and Stoeckl (2007), even though Graaff-Reinet is considered a small town, it is self sufficient and independent, which results in a higher multiplier than, say, another small town of the same size which is less self sufficient. The smaller the size of the population, the larger the amount of leakages. This study shows that the size of an economy does not determine the amount of leakages but rather how independent and self-sufficient an economy is and the strength and breadth of its local economic linkages and thus not having to rely on suppliers from external economies.

## **CHAPTER 8: TOTAL ECONOMIC IMPACT OF THE ACCOMMODATION SECTOR IN GRAAFF-REINET**

### **8.1 Introduction**

The number of visitors to an area plays a significant role in the economic effect to that area. This chapter forms a key part in achieving the second objective in this study, which was to measure the economic impact of tourism (illustrated below) as reflected by the accommodation sector, specifically in Graaff-Reinet. Being able to generate an accurate account of the tourist numbers to the area was vital.

According to Stynes (1997), the most significant piece of information required when calculating economic impacts of tourism is a reliable and accurate estimate of visitor numbers. According to Crompton (1995), one of the most problematic parts of any economic impact study is the calculation of visitor numbers as it is time consuming and requires following up to ensure that the data is continuously being collected. Stynes (2001) also suggests that this step is usually considered the weakest link in most tourism impact studies as only a few regions have accurate counts of their tourist numbers, in spite of having good models in place which predict changes in tourism activity.

Bragge (2012) made comparisons between two separate economic impact studies, both conducted at the National Arts Festival in 2004 by Antrobus and Snowball and in 2006 by Saayman and Saayman. He found that the significant difference of approximately R20 million in the calculated advertised economic impacts was most likely due to the miscalculation in visitor numbers. This result highlights the importance of gathering accurate tourist numbers as they significantly influence the outcome of the economic impact calculation. The importance of gathering this information accurately was because the average spending per visitor was multiplied by the number of visitors in order to determine the first round of spending (direct spending) and ultimately to determine the economic impact of tourism. Finally, the equation below shows three distinctive steps involved in the calculation of the

economic impact of tourism: the number of tourists (illustrated in Table 8.1), multiplied by the average spending per tourist, found in Chapter 6, multiplied by the multiplier, calculated in Chapter 7.

According to Jones (2010:690-691), who completed an economic impact study in Mozambique, on average foreign visitors spend less than domestic tourists, therefore they contribute smaller multiplier effects. Similarly, Jones (2010:686) found that foreign tourists accounted for 28% of the respondents and 72% were domestic tourists. This could explain the reasoning behind the foreign visitors spending less in total. The Camdeboo Municipality (2009:131) calculated the number of tourists in Graaff-Reinet in 2009. They found that there were 29 233 foreign tourists, 71 318 domestic tourists and 100 551 was the total number of tourists. Pio (2008) also found that the number of tourists in Graaff-Reinet had increased. She found that there was an approximate increase of 50% in the number of tourism related enquiries in the past ten years at the tourism office. She also found that there had been a substantial number of magazine and newspaper articles published on Graaff-Reinet in about the previous two years. Myles (2008:63) found that the total number of tourist bed nights (domestic and foreign) sold over 2006/2007 in the Inxuba Yethemba area, which is sparsely populated and forms part of the Chris Hani District in the Karoo, is calculated to be 95 840 per annum. While this was only 0.52% of the total Eastern Cape bed nights and 0.044% of the total SA bed nights it was found to have an important and a significant economic impact in the area. Although this is small on a national level, it could be the start of something even more significant if it enables the towns to eventually become destinations of choice in their own right (Atkinson, 2010).

Accommodation occupancy rates are also an important factor to consider when determining the value of the economic impact of tourism. The Kyle Business Project (2007:32) found that the tourism occupancy rate in the Inxuba Yethemba area in 2006/7 was only 17% and was 29% in the Lukhanji area in 2003/4. They also found, in Stats SA December 2006 Accommodation Occupancy Statistics, that the average room occupancy rates in South Africa calculated over a 13 month period from December 2005 to December 2006 was 46%. This result provided a benchmark with

which the result in Table 8.1 below could be compared (Kyle Business Project, 2007:65).

All of the above empirical evidence can be compared to the results found in the study below.

**TABLE 8.1: Number of Tourists Visiting 15 Graaff-Reinet Accommodation Establishments over a Six Month Period from December 2010 to May 2011:**

Per Month	South Africans	International	TOTAL	No of nights with guests	No of guest parties staying more than 1 night
DEC 2010	4 181	386	4 567	384	102
JAN 2011	2 065	627	2 692	326	110
FEB 2011	1 355	790	2 145	415	105
MAR 2011	1 887	503	2 390	343	114
APRIL 2011	2 974	438	3 412	383	149
MAY 2011	1 480	325	1 805	325	100
<b>TOTAL:</b>	<b>13 942</b>	<b>3 069</b>	<b>17 011</b>	<b>2 176</b>	<b>680</b>

Table 8.1 shows that the number of South African tourists was 13 942, the foreign tourists numbered 3 069 and the total number of tourists was 17 011 visiting Graaff-Reinet over a six month period from December 2010 until May 2011. It is important to note that these results only reflect a portion of the total economic impact within the accommodation sector as 15 establishments made up the sample of this study. The number of nights with guests was 2 176 nights which was 53% of the total number of nights within the six month period. This indicated that the average occupancy rate was 53% in the tourist accommodation sector in Graaff-Reinet. Thus 53% is considered marginally above average when compared with the average South African result of 43% above. It is important to maintain sustainable occupancy levels. The number of guest parties staying more than one night was 680, which was only 17% of the total number of tourists.

This shows that on average Graaff-Reinet was not regarded as a destination of choice, however, considering the positive tourism growth prospects for this town from empirical findings in Pio (2008), Toerien and Seaman (2012), Atkinson (2011), Minnaar 1987) and the Camdeboo SDF (2012), who all found that Graaff-Reinet possesses major tourism potential and has relied heavily on the tourist industry over

the past few decades as it has been the fastest growing industry in the town. From the results in this study in Chapters 6 and 7, it is certainly worth investing in this industry in the anticipation of making Graaff-Reinet a destination of choice in future.

Finally, the economic impact of tourism in the accommodation industry in Graaff-Reinet was calculated as shown below:

$$\text{Economic Impact of Tourism} = \text{Number of Tourists} * \text{Average Spending per Visitor} * \text{Multiplier} \quad (\text{Stynes, 2001:8})$$

From Table 8.1 the

$$\text{Economic Impact of Tourism} = 17\,011 \times R438 \times 1.2 = R\,8\,940\,982.00$$

The above results show that the economic impact of the tourist accommodation industry was R 8 940 982 for a six month period in Graaff-Reinet. More specifically, this result represents the value added as a result of the multiplier process. This explains the difference between the direct effect and the indirect effect. The indirect effect will be larger than the direct effect as it takes the multiplier effects into account. The magnitude of the indirect effects is directly related to the propensity of accommodation establishments, in this case, to purchase from local suppliers (Stynes, 1997). As Bragge (2010) indicated earlier, that failure to recognise the multiplier effects in an economic impact analysis fundamentally constitutes a severe underestimation of the overall economic impact which the direct inflow of money sets in motion. This result only reflects the sample of 15 accommodation establishments: considering that there are 44 accommodation establishments in town, the total economic impact would be  $R8\,940\,982.00 \times 44/15 = R26\,226\,881.00$ .

## **CHAPTER 9: CONCLUSION AND RECOMMENDATIONS**

### **Introduction**

The two main objectives of this dissertation were to investigate the opinions/perceptions of product owners and tourists regarding their experiences of tourism in small towns in the Karoo and to measure the economic impact of tourism as reflected by the accommodation sector, specifically in Graaff-Reinet. These objectives could expose important findings so as to fast-track economic growth in key developing areas like the Karoo. Much needed support could be attracted through well negotiated and strongly motivated application of this scientific evidence, especially if shown to give good reason for and to substantiate the motivations used to lobby for this support.

Collaboration between existing product owners, aspirant entrepreneurs, other community members and leaders, ratepayers associations and all tourism stakeholders is essential to appeal for increased support from the private sector and more importantly, the much needed support from local and national authorities, for private and public funding. Funding is needed in order to implement measures which would generate growth in tourism within each focused geographical area, in this case the Karoo.

Showing the positive contribution, and the multiple ripple effects which attracting tourists to an area can have, and the ultimate measurable economic benefit created through having a strong multiplier effect, could be exactly what is needed to encourage all stakeholders to take the tourism industry seriously. As noted by Goodwin (2011), tourism should be government led, private sector driven, community based and labour conscious.

The accommodation sector in Graaff-Reinet was regarded as the most significant tourist related product/service, which at this stage generates the highest monetary value. Although these findings relate directly to this focus area, they could be used,

related and applied to similar sets of circumstances in the greater economic environment.

**The first objective** determining the opinions/perceptions of product owners and tourists regarding their experiences of tourism in small towns in the Karoo was an exercise gathering qualitative data. Gathering qualitative data presents a more thorough look at the complex, differentiated social realities such as a town's history (Cilliers, 1998). Oh *et al.* (2007) found that further research is needed to understand the experiential aspects of B&B accommodation, which is what this study discovered.

Understanding tourists' positive and negative experiences are vital as it enables one to enrich the value of a destination. The process provides feedback on how to improve a destination's management and performance. The smaller the gap between the quality of the perceived supply and the customers' expected demand, the greater the likelihood of increased customer satisfaction. This would result in accurate investment decisions creating increased returns (income), economic growth and then ultimately an increase in the economic impact of tourism in the Karoo.

From the findings, the first aspect worth noting is that overall there was a large degree of homogeneity between the responses given by the product owners and those given by the tourists. This suggested a definite form/sense of triangulation amongst the two questionnaires. The homogeneity also suggests that the product owners are to a certain extent aware of what the tourists' demands are. Homogeneity did not exist in two cases. Firstly, in the case where the product owners believed that 59% of tourists were South Africans and 41% were foreign tourists, although in the tourist questionnaire there were 76% South African and 24% foreign tourists. Past studies in the Karoo which support the tourist results include Gelderblom (2006:7), Pio (2008) and Myles (2008:70). Shantha (2008) and Wilkinson (2008) also noted that domestic tourist contribution is higher in both developed and developing countries. Secondly, homogeneity did not exist in the case where product owners found that 44% of tourists visit for business purposes and 54% visit for leisure purposes; as opposed to 11% for business purposes and 30% for leisure purposes which was the result recorded from the tourists

themselves. This result provides a window of opportunity for product owners to become more accurately aware of the tourist market segments that they are receiving. It is suggested that if further research is undertaken it would be advisable to gather and analyse the results of the foreign and domestic tourists separately. These are two separate market segments which need to be focused on independently as the criteria relating to these two markets can be distinctly different. For example, comparing the amount and types of infrastructure needed to attract high spending tourists within the two main market segments.

Specific focus on identifying the explicit dissatisfaction-based evaluations, regarded as more important by Alegre *et al.* (2010), allows the product owners to work at eliminating those aspects which the tourists are unhappy about. Among those issues noted to need attention could be those gleaned from the results, which showed that 15% of the tourists said that the roads needed to be improved, 12% said marketing and brochures needed to be improved and 6% said that signage needed to be improved. Although these percentages are not high and although 29% of the respondents ultimately felt that no changes needed to be made, when it comes to issues deemed negative, they need to be dealt with as a matter of priority as they seriously influence tourists' decisions to return and their word of mouth exposure. The general tendency to focus on the negative in this market is strong. Attentively seeing to negative issues will result in increased visitor satisfaction, according to Rutherford (2001), and hopefully result in increased visitor numbers.

An important finding was that 22% of the product owners said the Karoo needs to be marketed as a destination with the help of the Karoo Development Foundation and through the development of a Karoo tourism strategy. 11% said they needed a collaborative approach and improved functioning of tourism information offices. The most concerning findings were that the product owners do not have a good working relationship with each other (this is expanded on below) or work in collaboration with the LTOs in the Karoo. A large percentage of 78% of product owners do not even belong to an LTO and only 8 out of the 13 towns have an LTO in their town. The two main reasons for this were seen as being due to the LTOs' poor management and their ineffective and inefficient performance. The lack of input from the LTOs is of great concern as they should be the driving force and should be playing a strong

supporting role in all tourism efforts. From this it can be recommended that all the LTOs in the Karoo ensure that they are clearly aware of the marketing and management tasks that they are required to fulfil. It is also important that they adequately and transparently allocate their budget, as this is where most of these organisations fall short. Most importantly, the private tourism associations, publicity associations, LTOs and government need to form collaborative relationships where they can form networks, knowledge hubs and share their expertise. The idea of collaboration is of imperative value and according to Keyser (2009) it relates to the idea of economies of scale.

Identifying the need to improve marketing was an important result and implies that the Karoo urgently needs to create a brand based on its identified strengths such as heritage and its natural rural atmosphere, as this would lead to an increase in its competitive advantage and result in enhanced tourism economic impacts. The ultimate goal is to maximise positive tourism impacts and mitigate negative impacts in a sustainable manner. In this way understanding the tourist market and adjusting to its dynamics is imperative.

Overall the product owners and tourists expressed a positive attitude towards the contribution of tourism in the Karoo. This conclusion ties in with the conclusion for the second objective below as the main finding was that the amount spent by tourists in Graaff-Reinet was increasing. Thus the qualitative hypothesis which stated that the opinions/perceptions of product owners and tourists in small towns regarding tourism growth in the Karoo are positive, was supported. The prospects for positive economic growth through tourism are encouraging. This is supported by the findings in this dissertation that the product owners in the Karoo believe that the number of tourists has increased over the past two years; and that 93% of product owners believe that tourism will grow in their district. From the tourists' perspective, 76% of them visiting the Karoo said they would consider the Karoo as a destination of choice in the future. Past studies support these findings in that there has been a growing demand for small accommodation establishments by tourists noted by Lee *et al.* (2008), Darkey and Horn (2009) and Nuntsu *et al.* (2004), Atkinson (2010c), Van Staden and Marais (2005), Rogerson (2004) in South Africa and Lin (2010) and Krakover (2004) internationally. Van Rooyen (2011) Santero and Westerlund (1996)

and Mourougane and Roma (2003), found that there is a linear relationship between business confidence levels and GDP. Therefore, the positive tourism contribution in the Karoo results in an increase in business confidence as well as an increase in GDP. These are all factors which could support and encourage decisions relating to development in the tourism sector of this market. Optimism and confidence are both positive elements to have within any market.

Further results supporting the increased tourism contribution in the Karoo can be attributed to the fact that 52% of the product owners wanted to diversify their tourism product. Although product owners were mostly unsure as to what additional infrastructure/staff they would need, those who did respond (46%) selected buildings and renovations as their most important infrastructure need. This result suggests that product owners are not averse to expanding, which supports the increase in tourism demand as they are confident in investing in this industry. It was found that there were new entrants into the tourism accommodation industry, which further supports the increase in tourism demand and is a positive sign for tourism economic growth in these small Karoo towns. These positive prospects create motivation and confidence to develop further tourist products, which in turn creates an increase in private investment and ultimately results in increased economic growth. Emerick and Emerick (1994), Lee *et al.* (2008) (Atkinson, 2010b), Nelwamondo (2009) all support this increase in growth of the tourism accommodation industry.

Tourism growth was perceived by the product owners to be attributed to the Karoo's assets/attractions as they believe that there are wide varieties offered in the Karoo. These mainly included national parks, game drives, game farms, ecotourism, iconic natural features, hunting, birding (26%), stargazing/astronomy (25%) and architecture and heritage (e.g. oldest town in the Karoo, rich history, German settlers), museums and iconic man-made attractions (19%). They believe the main reasons for expected tourism growth in the Karoo was due to its heritage and authenticity (23%), climate, desert tourism, natural beauty and ecotourism (18%) and remoteness, peace and quiet, refuge and the fact that it is unspoilt (13%). This result ties in with the tourists' responses, which show that the tourists visit the Karoo for its remoteness (20%) and scenery (42%). Past studies by Merwe *et al.* (2003), Van Staden and Marais (2005), Tourism White Paper (1996) and ESCAP Tourism Review

(2001) noted that game farms and ecotourism make a significant economic contribution in South Africa. Thus it is justified that the accommodation establishments in the Karoo capitalise mainly on promoting their key niche tourism advantages, such as their natural surroundings. These can be perceived as touristic assets in their own right that should be used to increase the tourism economic impact in the Karoo.

The tourists stated that they predominantly visit the Karoo as it is well located geographically as a stopover (en route to a city outside the Karoo) (28%) and for a holiday (30%); and the product owners found that 54% of tourists visit the Karoo for a leisure holiday and 44% visit for business purposes. Following up on this result, it is important to ensure that the business and stopover markets are not ignored as they can also generate significant economic impacts. One may argue that the idea of promoting the Karoo for a stopover may contradict the goal of making the Karoo a destination of choice where one would prefer to encourage longer stays. However it was found that this was a significant market and therefore should not be ignored.

Marketing is a key action influencing the economic implications of any industry, sector or product with 48% of product owners indicating that they market their business through websites and 24% make use of brochures, newsletters and guides, such as Your Travel Companion, Portfolio and Greenwood. However, Atkinson (2010c) states that the main tourism attractions in the Karoo have no coherent marketing strategy. The Arid Areas Programme and the Karoo Tourism Strategy Programme are both initiatives which provide options of strategic input for the development and growth of tourism in the Karoo noted by Atkinson (2009). Pezzini (2001) supports the Cross Border Collaboration idea as he states that it would generate and spread ripple effects through investment, leading to cumulative growth. Policy makers would need to identify the possible developmental strategies per type of region. This would allow informal boundaries to receive a degree of popular recognition. It would also require each region to identify precisely the chief assets and resources they can capitalise on in order to generate collaborative benefits as a region functioning under a single strategy and aiming to develop a single brand. This concept is clearly emphasized as a key area of focus for tourism stakeholders. It

needs urgent attention and action implemented by authentic and capable, transparent management.

The relationships between stakeholders were seen to be an important element in the creation of growth in the tourist market. In this study it was found that 54% of the product owners did not provide an answer when they were asked what type of relationship they had with other product owners. This reveals that in general they do not have a good relationship with each another and are missing out on the positive benefits gained from collaborating and working together. They need to realise that they are threatening each other's viability and survival (Buhalis, 1998:324). Findings by Alonso (2009), (Rogerson, 1999) and Atkinson (2010c) strongly suggest that product owners' collaborative relationships are vital if the establishments desire to achieve the highest possible economic gains. It was found that dependability fosters stability in the tourism accommodation industry and needs to be part of a strategy which will enhance tourism growth in the Karoo. Although a competitive environment encourages increased standards, this must not be approached in a destructive manner that would threaten the existence and/or viability of the product owners.

Achieving increased tourism growth can be achieved through the diversification of tourism markets. It was unfortunate to find that 46% of the product owners did not know what tourism markets they would like to explore in the future. The product owners' findings show that only 18% would like to explore the foreign/international market. Sharpley (2000) states that the peripheral developing areas would benefit greatly from foreign capital and international tourists. Thus giving attention to these markets is important, as noted by Miller (2009), who highlights that diversifying a region's visitor markets is fundamental. Economists expect to see a positive relationship between diversification and economic performance.

Diversification of tourism markets does not only involve domestic and foreign tourists, it should also consider the different groups of tourists and their main reasons for travel. It was found that the product owners receive mainly couples (38%) and families (29%), and they stated that 44% of tourists were middle-aged. The tourist questionnaire similarly revealed that the average age of the tourists visiting the Karoo was middle-aged to elderly (72%), as shown in Table 5.4. This

result ties in with the main attractions in the Karoo found to be heritage, authenticity, remoteness and scenery, in that these attractions generally appeal to the more mature travellers. Myles (2009), Yusof (2007), Prideaux and Crosswell (2006) and Avcikurt (2011) stated that couples are attracted to the heritage assets within an area. This possibly explains the lack of children visiting the Karoo. It is important to note that Bowitz and Ibenholt (2009) record that higher public interest in heritage is able to stimulate economic activity within regions where economic activity is low. This has gained increased political focus, which demonstrates the importance of the Karoo making use of its crucial heritage tourism assets to foster its economic growth.

The most important aspect within the tourism accommodation market is to ensure that tourists stay for longer periods and to generate repeat visits. The product owners stated that the average length of stay was a 1 to 3 night stopover and the tourists said that their average length of stay was 2.6 nights. It was encouraging that the tourists are at least, on average, staying for more than one night. However, they urgently need to be encouraged to stay for longer periods. It was found that there have been repeat visits as 221 towns were visited previously and 259 towns were planned to be visited in their current trip. The idea of creating the Karoo as a destination of choice where lengths of stay would be extended is of prime importance in order to encourage economic growth in this industry.

The first objective above covered the qualitative tourism data of this research. Below is the second objective which covered the quantitative data of this research.

**The second objective** measured the economic impact of tourism as reflected by the accommodation sector in Graaff-Reinet.

This study found that the average total amount of spending per tourist per day in Graaff-Reinet was R438. It was difficult to make methodological comparisons of spending data acquired in this study as the time period, number and detail of spending categories could vary, which poses problems when having to compare results across different studies (Stynes and White, 2006 and Synes, 1997). If compared with the R387 per person per day, found in a study in the Camdeboo

region (Myles, 2009:79-80), it could be assumed that there had been an increase in the amount of tourist spending (direct effect) in Graaff-Reinet.

Overall, accommodation was the highest tourist expenditure category – R228 (33%), which was also found to be the case in previous studies by Sinclair (1998), Saayman and Saayman (2006), Saayman *et al.* (2009), Gerty (1981) and Cooper, Fletcher, Gilbert, Shepherd and Wanhill (1998).

The main finding concluded that the amount spent by tourists in Graaff-Reinet was increasing. A large majority of the tourists (91%) indicated that Graaff-Reinet was a value for money destination which provided a win-win transaction. The average number of tourists per party was 2.6 and the average length of stay was 1.3 nights, according to 76% of the tourists. Because the average size of the tourist parties was relatively small and the length of stay relatively short, this did not allow the tourists a great amount of time to make sizable economic contributions. Therefore the ultimate recommendation would be to try to increase the number of tourists visiting Graaff-Reinet and to increase their length of stay, which would increase their daily expenditure and the economic impact of tourism. Luring more tourists to this town would require effective strategic management strategies. This opinion was supported by Myles (2009).

Nuntsu *et al.* (2004) and Andrew (2005) indicate the importance of gathering up to date tourism statistics to generate and understand economic trends. This information helps product owners decide what level of tourist investment they should employ. It helps them formulate effective policy and guides their business planning. This data helps facilitate the ability to make more accurate comparisons across different regions and also with other countries. This provides benchmarks for measuring how our product owners compare with others in a global context and for evaluating the effectiveness and efficiency of all observable strategic inputs. The ultimate goal is to develop the most viable, sustainable productive plans of action for the area.

This study found that product owners are spending the majority of their income (generated as a result of the tourist spending) within the town of Graaff-Reinet. The results show that only 21% of tourist expenditure income resulted in leakages; the

income multiplier was calculated to be 1.2; and the final economic impact was R8 940 982.00 for a six month period in the accommodation sector of the tourism industry in Graaff-Reinet. These results support the hypothesis which stated that the economic impact of the accommodation sector of the tourism industry in Graaff-Reinet is significant and can make a valuable contribution to local sustainable development. The small amount of leakage and large multiplier found in this study was also found to be the case in studies by Baaijens and Nijkamp (2000) and Gerty (1981), which imply positive economic prospects supported by Stynes (2001) and Stabler (2000). This result was also supported by a number of past studies by Pio (2008), Goldman *et al.* (1994), Atkinson (2011), The Camdeboo Local Economic Development Plan (2009) and the Camdeboo SDF Review (2012) who, from the perspective of small leakages and a large multiplier, both found that Graaff-Reinet was self sufficient in that a high percentage of goods and services were supplied locally. This result supports the quantitative hypothesis which stated that the multiplier for Graaff-Reinet was large and the amount of leakage was small.

It is important to note that there is empirical evidence which contradicts the findings in this study by Baaijens *et al.* (1998), Zhang *et al.* (2007), Snowball (2000), Stynes (2001), Greenberg *et al.* (2002), Zhang, Madsen, Jensen-Butler (2007), the Edinburgh Festival study (1996) in Snowball (2000), all of whom stated that the smaller the size of the population, the larger the amount of leakages. This study shows that the size of an economy does not determine the amount of leakages but the deciding factor is rather how independent and self-sufficient an economy is. The strength and breadth of its local economic linkages determine how much it has to rely on suppliers from external economies.

The fact that the direct (net injection of visitor spending) and indirect (affects the level of product owners' income) increase in income in the economy, with 73% of the product owners noting that tourism had increased over the past two years, 80% planning to upgrade and 40% planning to expand their establishments, it can be concluded that this optimism could prompt LTOs, municipalities, policy-makers and all other key tourism stakeholders to pay attention to the development of the tourism market.

An interesting finding, which ties in with the results found by the product owners in the Karoo, was that 47% of the product owners in Graaff-Reinet were unsure about the reasons for expected tourism growth and 53% were unsure about what tourism was based on. Of those who felt they had an idea as to the reasons for the increase in tourist visits, 47% said that the increase was based on Graaff-Reinet's heritage assets. It is recommended that all tourism stakeholders are encouraged to become aware of the reasons why tourists are motivated to visit Graaff-Reinet. This study draws attention to heritage assets as being an important drawcard and this result is supported by the Integrated Development Plan (2010).

The economic benefits derived from increased tourist spending and the existing dire need for further growth in the economy make the goal of increasing tourism a goal worth pursuing. This is supported by Pio (2008), Minnaar (1987), Atkinson (2011) and The Camdeboo SDF (2012), who state that Graaff-Reinet possesses major tourism potential and that it has been the fastest growing industry in the town. Most importantly it has a competitive advantage due to its unique resources (historic heritage), which has led to the strong tourism growth noted by The Camdeboo Local Municipality (2009). The fact that Graaff-Reinet was awarded "South Africa's 2011 Town of the Year" award (Graaff-Reinet Tourism, 2011) bodes well for the town to use this and its other noted assets to encourage tourists to make Graaff-Reinet a destination of choice.

The growth in tourism and the economic implications thereof make it worth looking at Graaff-Reinet as a tourism product in more detail. This would require ongoing longitudinal studies gathering tourism statistics to identify trends, growth and decline within this industry.

Economic impact analysis, specifically generating tourism spending data, has not been undertaken in Graaff-Reinet in previous years and thus this result needs to be interpreted with caution as there is no accurate statistical quantitative numerical data with which to make economic comparative analyses. This study is tapping into a new source of knowledge and this generates scope for further longitudinal research studies of tourist spending to generate trends within this sector of the tourism

industry. Being able to make comparisons with previous spending data in this town would be valuable in that it would indicate economic trends in tourist spending and show the significance of possible economic impact/s. This would increase confidence and improve economic investment decisions based on the predictability of the economic climate into which these decisions would be effected.

## **Final Overall Conclusion**

There is a dominant pattern which was depicted in this study demonstrating the necessity to form clusters in order to take advantage of collective efficiency, whether it be between product owners within accommodation establishments, between small towns' enterprises, between municipalities in the Karoo region or international cluster formation between countries. The need for greater co-operation and co-ordination between the private and public sectors is of concern. According to Dumont *et al.* (2005), meeting one's objectives requires effective horizontal and vertical integration of plans, projects and decision making. As noted by Atkinson (2008), the primacy of political boundaries, predominantly at the provincial level, remains the single most important factor obstructing the development of Karoo towns.

As Wilkinson (2008) and Parhans (2007) state, the potential of tourism as a development strategy for small towns has been recognised as a viable avenue for local economic development in small towns. It can be concluded that the Karoo, specifically Graaff-Reinet in this case, most certainly has the touristic assets which could create a viable economic opportunity for this South African region.

Finally, coherent, basic tourism statistics are not readily available in Graaff-Reinet and in the majority of small towns in the Karoo on a regular basis. Therefore trying to form any evidence-based policy-making conclusions is difficult. Rogerson (2005) and George (2008) note that the tourism sector in South Africa is well known for the limited and poor quality of available official economic tourism data relating to its operations. Most tourism planners and decision makers will agree that, over the past decade, the quantum of research output has been inadequate given the dynamism and increasing complexity of issues confronting the sector (Miller, 2009). Both the

quality and quantity of data collected and analyzed in this study go a long way towards correcting the lack of available tourism related data. This dissertation further initiates the momentum for ongoing efforts with regard to gathering, specifically economic, statistical tourism data. It is imperative that the structure and performance of this sector is closely monitored. Ultimately this dissertation has shown that tourism in the Karoo has significant potential but needs to be carefully monitored to ensure that its full potential is reached. According to Jacobsen (2003:44), “the contribution of economics research to regional tourism growth would be greatly enhanced by the capacity to replicate assessments over time”. In sum, tourism shows much promise in the Karoo, although it needs proactive input from entrepreneurs, supported by a coordinated collaborative effort from national and local government in order to make good use of the economic opportunities clearly evident.

From all of the above, this type of research is of value to national and local governments as it provides additional tourism information encouraging increasing investments in productive tourism-enhancing actions/activities which, at present, do not have adequate prominence or effective implementation within government. According to a study by Skisazana (2011) in the Karoo, the tension which exists between private tourism associations, publicity associations, LTOs and local government poses a major challenge within the Karoo. Most tourism organizations have not fully employed new technologies and strategies in their operations and are struggling to determine the impact of tourism in their town. This could very well be a national issue which needs to be researched and addressed.

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