Will hotel greed kill SA's tourism brand beyond 2010?

By Dr Nikolaus Eberl

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At last week's final LOC press conference for the Confederations Cup, LOC board member and SA minister of human settlement, Tokyo Sexwale, called upon the ‘Barcelona Effect' for maximising the tourism legacy beyond 2010, saying that “Brand South Africa aims to create a legacy that is similar to what Barcelona did in 1992, when the Olympics were organised in Barcelona. We want tourists to remember Brand South Africa long after the tournament.” [poll]

2010 cash cow or brand catalyst?

To achieve the much-vaunted ‘Barcelona Effect' of leveraging 2010 to build sustainable tourism growth for years to come, the benchmarks set by Barcelona post 1992 are truly remarkable:

- Barcelona's international tourism growth averaged nearly 20% for the three years following the Olympics;
- Accommodation occupancies rose from 54% to 82% within five years of hosting the event;
- Unemployment almost halved from 18.4% pre-Olympics to 9.6% post.
- Barcelona became a magnet for Europe's young professional elite, with more than 7 million visitors in 2007 alone, half of whom came for business rather than leisure.

Key to Barcelona's tourism success was turning the city and region into an attractive destination and making it more affordable for the global tourist market than the established European city brands such as London and Paris.

At the end, this is what the hotly contested 2010 pricing argument comes down to: Are we treating the 2010 FIFA World Cup as a 30-day cash cow, in order to maximise short-term profits, or are we using the event to build SA's tourism brand for decades to come?

‘Consumer greed turned into consumer fear'

The worst case tourism legacy beyond 2010 would be to see visitors grudgingly pay exorbitant prices for accommodation only to go home and brand South Africa as a beautiful but prohibitively expensive destination. History has shown many times that, no matter how great a destination, if visitors feel they have been ripped off, not only will they not return but their word of mouth is likely to affect another 150 consumers back home over the period of one year after the event.

In which case, destination SA would be locked out for many Generation Y consumers who have the need, the means and the inclination to travel long distance but are becoming increasingly adept at maximising their travel dollars to achieve optimal value for money.

This was recently borne out of a global travel survey conducted by travel research institute IPK, based on 500 000 travel interviews in 58 countries. In its conclusion, IPK CEO Rolf Freitag stated that "long-haul travel is falling sharply. And the most pain is felt in the business travel sector" (which is so critical to SA's tourism industry), concluding that "we are in a full global economic crisis, not a small recession. Consumer greed of the last few years has turned into consumer fear."

How Athens burnt its tourism brand

Only a few years ago did the 2004 host of the Olympic Games fall victim to exorbitant pricing demands by its local hotel industry, with dire repercussions for its tourism brand post the event. Warnings by the Greek National Tourism Organisation that overpricing for accommodation in Athens during the Olympics could kill the goose that lays the golden egg went unheeded by hoteliers, who in some cases raised room prices by a colossal 7 - 8 times in a bid to cash in on the expected tourism bonanza.

The result? Hotel occupancy in Athens plunged to 57% in the year following the Olympics, the lowest among 11 of Europe's biggest cities (and trailing a far cry to London's 77% over the same period), according to a study by JBR Hellas. The prohibitively expensive rates also deterred many tourists, who chose cheaper destinations instead.

"Greece was among the losers last year," said Anja Braun, a spokeswoman for TUI, Europe's largest tour operator. "People were put off by negative reporting about price hikes."

Who is behind the 2010 hotel greed?

A report in the *Saturday Star* quoted property agents claiming that "luxury seafront villas on offer for the 2010 World Cup will cost up to R75 000 a night", this price apparently being demanded for "a Llandudno beach villa which has six bedrooms, each with its own bathroom and private deck", only to mention at the very end that so far only one enquiry had been received from "a high profile client". This rate is almost a ten-fold (i.e. 10 times) premium over similar accommodation in Llandudno, which retails at R8000 a night at the peak time of the December holidays.

Lessons from Cape Town's film industry

Unfortunately, it was the very same destination that not long ago burnt its international brand when trying to capitalise on its new-found demand by international movie producers.

Recently, an industry insider pointed out that in 2001 Cape Town was identified by major international film production companies as offering excellent value for money and quickly became a preferred filming destination: "As Cape Town became an increasingly popular filming and production destination, demand for accommodation began to outweigh supply. Many local operators tried to capitalise on the situation and inflated their prices to such an extent that the production companies started pulling out of Cape Town in search of better value destinations.

"It has taken nearly five years to rebuild Cape Town's image as a destination which offers good value and excellent service. We should be careful not to make the same mistake twice."

2010 a time to win brand advocates?

Following the previous FIFA World Cup held in Germany, the host country was able to increase international leisure tourism by 33% year-on-year, and international business tourism by 47% in the hosting city of Berlin, by deliberately converting visitors to brand advocates for destination Germany and achieving a Net Promoter Score of 88% - that is, 88% of visitors stating that they will recommend destination Germany back home to their friends and colleagues.

With less than a year to go to the 2010 kickoff, destination South Africa is standing at the crossroads between short-term profiteering and long-term brand building - as Barcelona has evidenced ever since 1992, it is at this pivotal touch-point that Brand SA will determine her tourism fortunes for years, if not decades, to come.

Are we going to kill the golden goose called tourism or invest in her capacity to lay golden eggs long into the future?

For more:

- Poll: Will hotel greed kill SA's tourism brand beyond 2010? What's your opinion?

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