MICE TOURISM

Meetings, Incentives, Conferences and Exhibitions

MICE tourism in fundamentally different from general business tourism as it has everything to do with tourism industry infrastructure, marketing and perception and several crucial levers exist within the City's control to be able to expand demand in this sub sector. Whereas it is hard to imagine a strategic intervention, which would effectively grow general business tourism in Johannesburg, it is very easy to document strategic interventions, which would expand the MICE, sub sector. MICE tourism is the new buzzword in international tourism markets and relates to various forms of business tourism related to groups of business individuals rather than individual business travellers. MICE stand for: meetings, incentives, conferences and exhibitions.

> MICE tourism is the new buzzword in international tourism markets and relates to various forms of business tourism related to groups of business individuals …

A meeting is defined as an event designed to bring people together for the purpose of exchanging information, either from within one company or organization or from a broader spectrum of people: cocktail functions, product launches, lunch dinner and breakfast meetings, as well as special occasions such as weddings would constitute a meeting as defined by the WTO.

Incentives are the second category of this market segment and include travel to a foreign country or domestically as part of a motivational incentive scheme to increase or reward employee effort. Travel incentive schemes are not part of South Africa's corporate culture, and the market is predominated by the US market. This element of MICE will not be investigated further in this document.

The definition of conferences is highly contentious but is generally accepted as being a multi day event having at least 100 delegates attending the event for the purpose of exchanging information. Such a conference is termed to be an international conference if 40% of the delegates originate from outside of South Africa. Conferences are thus differentiated from meetings by both the duration of the event and the number of people attending.

Finally exhibitions involve the bringing together of people for the purposes of viewing products and services.

The attraction of the MICE industry is based predominantly on the fact that it is the fastest growing segment of the tourism market. Internationally MICE tourism accounted for $90billion in 1997 and the industry is growing at between 8 and 10 percent per annum.

The opportunity for a small country like South Africa to participate in this market arises from the fact that 53% of world meetings and conferences rotate world wide, with the remaining 47% being rotated around specific regions such as Europe (27%) and Asia (4%). As such in principal Johannesburg can ascribe to capturing some percentage of the

$47,7billion spent on internationally rotating MICE activities.

A detailed survey of the demand drivers for MICE events was conducted by MPI (2000). In the first table we see the Top 10 reasons for hosting a meeting or conference and in the second table the Top 10 factors influencing venue selection.

We will be revisiting this list of influencing factors when we deal with Johannesburg's strategy, but at this time it is worth noting that the most important factors are infrastructure relating to the venue, it position and how it is run. The next two items deal with marketing. As such the top five factors are all 'highly controllable' in terms of being able to tailor interventions so as to achieve demonstrable outcomes.

TOP 10 REASONS FOR HOSTING A MEETING/CONFERENCE

- Education
- Training
- Decision Making
- Information Exchange
- Research
- Sales
- Strategic Planning
- Team building
- Product Launch
- Problem solving

TOP 10 FACTORS INFLUENCING VENUE SELECTION

- Facility availability
- Reputation for high quality service
- Travel distances for attendees
- Promotional qualities
- Image of venue
- Price
- Value for money
- Weather
- Activities offered
- Accessibility

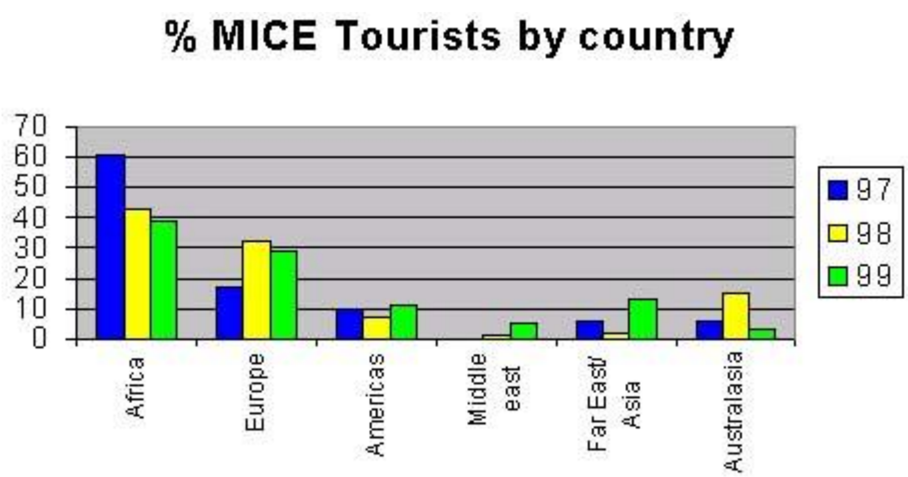
Africa hosted a mere 3% of international meetings and conferences in 1998; in actual terms 77 of the surveyed 2648 international meetings, which took, place that year. Of these 77 South Africa hosted 45 of them, placing South Africa as the dominant conference player in Africa and placing it 21st internationally as a destination for MICE events. Despite these low absolute numbers, in terms of growth rates, the number of MICE tourists visiting South Africa increased from 14000 in 1993 to 95000 in 1998 representing a substantial 46% compounded annual growth rate.

The meetings and conferences hosted by South Africa were also marked by the fact that only smaller events appeared to come to South Africa with the average participation number of delegates being 482, compared to the USA average of 1266 or the Indian average of 1176. However, meetings and conferences in South Africa had on average the longest duration of any other country averaging 6.1 days compared to the international average of 4,7 days.

The origin of MICE tourists to South Africa appears to be highly volatile as seen in figure 12.

This makes it difficult to analyse the most important markets on the basis of origin. The only definite trends over the past three years is that MICE tourism from Africa has continually declined, but that tourism from the Middle East and Asia has increased. Trends from other nations reported exhibit no demonstrable trend.

Figure 12: % MICE tourists to South Africa



This lack of a definite geographic trend may suggest that when looking to expand its MICE market the strategy should be more focused on sectoral and purposes of conferences rather than country's of origin, but also that access to international databases of conference convenors is crucial.

Looking at the frequency of MICE tourists one sees that 60% are first time visitors to South Africa, but that at least 25% return for a second or third visit. When asked in a Kessel Feinstein survey in 1998 whether a delegate would return to South Africa, 93% responded in the affirmative suggesting that their experiences were good ones.

In a representative survey of MICE venues across the country, conducted by Kessel Feinstein (2000) two very interesting facts emerged as seen in figures 13 and 14.

Figure 13: International MICE events

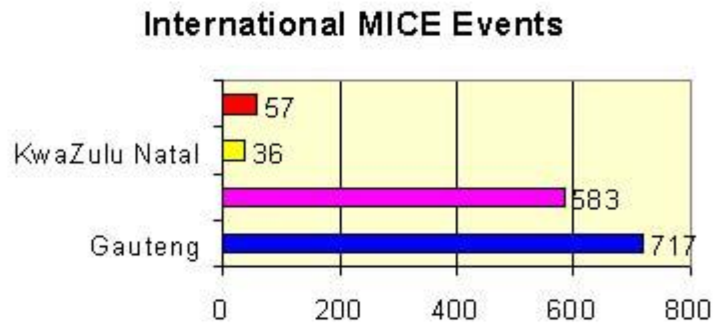
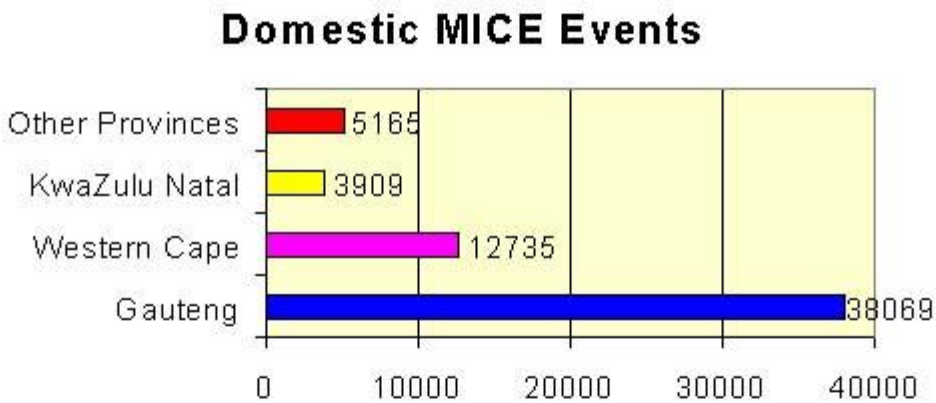


Figure 14: Domestic MICE events



Firstly the domestic MICE market is substantial in terms of numbers of events and Gauteng is by far the leading destination for such events capturing 64% of the market. Second with respect to international events of all kinds, Gauteng again is the dominant destination, but is far more closely followed by Cape Town, having only 51% of the market in comparison to Cape Towns 41%.

Further research suggests that Cape Town's attractiveness as an international MICE venue is growing at the expense of Johannesburg, a trend, which some industry players believe, is likely to be exacerbated and accelerated once the International Conference Center in Cape Town is completed. As such while Johannesburg's role in the domestic MICE market is quite secure, it's role in the international MICE market is somewhat threatened.

Before the above statement of the threat of Cape Town is taken as fact, it is interesting to note that 65% of international events and 70% of domestic events have between 1 and 99 delegates with larger events being far rarer, as shown below. As such a new conference center in Cape Town should in principal be a threat to existing trends only with respect to larger events, which as seen are not the bread and butter of the industry.

An interesting point to note, however, is that the larger the event the longer it's time duration, with events of greater than 2000 delegates lasting on average 3.1 days and events of 1-99 delegates lasting just 1.3 days. The size and duration of events will be important in strategizing which markets in this sub sector to prioritise.

Table 10: International versus Domestic event sizes

Size of Event	International %	Domestic %
0-99	66.5	69.8
100-199	19.1	19
200-399	9	7.7
400-699	2.7	3.1
700-999	1.4	0.1
1000-1499	0.5	0.1
1500-1999	0.9	0
>2000	0	0.1

In the exhibitions market, Gauteng remains the dominant venue, hosting 73% of all exhibitions in 1998, broken down into 67% of international exhibitions, 69% of national exhibitions and 76% of local exhibitions. This dominance is largely ascribed to the size and power and breadth of the Johannesburg economy, the profile of Johannesburg firms and the purchasing power of its population.

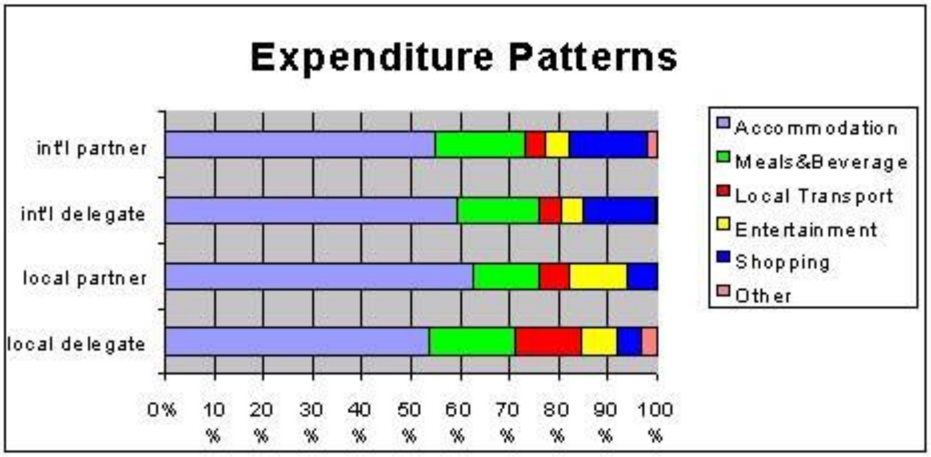
Turning to consumption expenditure, and calculating the value of MICE tourism, the aggregate figure show that international MICE tourists spend an average of R730 per day excluding registration fees and airline tickets. Domestic Mice tourists spend only R574 per day, showing that an international MICE delegate spend 30% more than a domestic visitor. Added to this 20% of International MICE delegates travel with a partner where as only 10% of local MICE delegates are accompanied by another person. The partners of international delegates spend on average R573 a day versus their local counterparts of R412 per day - a 40% differential.

> …the domestic MICE market is substantial in terms of numbers of events and Gauteng is by far the leading destination …

As such, given the probability of travelling with a partner, a foreign MICE tourist is more valuable in terms of expenditure by 48% than a domestic MICE delegate. Table 11 shows expenditure of local and domestic delegates and their partners, and begins to suggest the impact of MICE tourism not only on the industry but also on the tourism economy as a whole.

As can be seen accommodation accounts for at least 55% of all expenditure, being consumption directly attributable to the tourism industry. Local transport expenditure is highest amongst local delegates suggesting that they often do not stay at the venue and that they travel in the evenings after the event. International delegates appear to stay closer to their venues and do not travel substantially.

Figure 15: Delegate expenditure patterns



Local partners partake in entertainment more frequently than their international partners, but international delegates and their partners spend considerably more on shopping.

Kessel Feinstein in attempting to value the MICE industry in South Africa made the following calculations to which we have taken a 60% share for Gauteng based on the percentage of events held in the province. Of this figure we have taken an 85% share for Johannesburg based on venue utilization in Pretoria and other venues outside of Johannesburg's city boundaries. Given that the Gauteng Tourism Authority states the Provincial Tourism industry to contribute R12,1 billion to GDP in 1999, we can see that the Johannesburg MICE industry contributes at least 58% of such expenditure.

Table 11: Total MICE-related expenditure

Expenditure	Rmillion (1999)
Expenditure by international delegates	190
Expenditure by international partners	28
Expenditure by domestic delegates	3036
Expenditure by domestic partners	117
Expenditure by international delegates (pre/post event)	129
Expenditure by international partners (pre/post event)	36
Expenditure by domestic delegates (pre/post event)	1700
Expenditure by domestic partners (pre/post event)	265
Registration fees	2100
Venue rental	2200
Other venue charges	1500
Total direct expenditure	11301
Taxes	181
Salaries to industry employees	298
Total economic value	11780
Gauteng share	7,421,400,000
Johannesburg share	**6,679,260,000**

As such the MICE industry is a crucial element for Johannesburg's tourism strategy in the future. The sub sector is the most lucrative of all sub sectors, it is a sub sector in which the City already exhibits a leading role both domestically and internationally, it is a sub sector in which the City has all the necessary infrastructure and massive under utilization of capacity, and best of all it is a sector which is growing sustainable on an international level. These factor together make MICE tourism the potential jewel in the Johannesburg tourism market.

RETAIL TOURISM

The last business related sub sector to consider is that of what has been termed the "tourist shopper," "retail tourist" or "cross border shopper." Retail tourism pertains to visitors from other country's who enter South Africa for the express purpose of purchasing goods and services to take home with them. This is a sector which is not well recognized or surveyed and information is sketchy and largely anecdotal, however, in 1999 Chris Rogerson (2000) estimated that this sub sector in Johannesburg was valued at R1,4 billion, and as such is worthy of considerable investigation by the Council.

The main retail tourists in Johannesburg originate from Africa and hence the use of the term cross border shoppers

Looking at the purposes of visits and the expenditure patterns of overseas visitors it is apparent that as a group they by and large do not come to South Africa to shop. The main retail tourists in Johannesburg originate from Africa and hence the use of the term cross border shoppers. It is this point, which highlights the importance of the statistical anomalies of African tourists mentioned in Chapter 2.

…most retail shoppers purchase in South Africa not for personal consumption but to resell these goods in the home countries.

This phenomenon is not common internationally bar circumstances of tax differential in certain European countries (usually sin taxes on cigarettes and alcohol) and certain cross border shopping between former Eastern European countries and their Western neighbours. The most similar international case, which has been found, has been the phenomenon experienced in San Diego, California with visitors from Mexico entering the USA for the sole purpose of retail shopping.

Estimates suggest that the majority of cross border shoppers originate from SADC countries but that over the past three years retail tourism from countries further north has increased. SADC cross border shoppers usually spend one or two days shopping in Johannesburg and bring their funds with them.

Retail tourists from further North such as Ghana, Nigeria and Cameroon tend to come to South Africa in possession of cultural artefacts which they then sell as informal traders in Johannesburg and hence earn their funds with which they then purchase local goods to be returned home. These visitors tend to stay two to three months.

Rogerson (2000) and Medani (1999) identify the importance of the mode of travel of retail tourists to their purchase decisions.

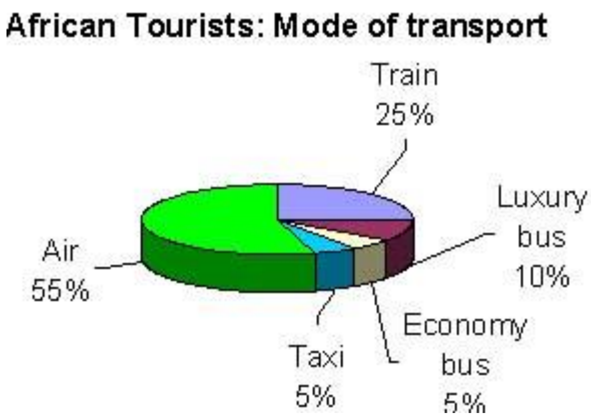
Rogerson and Medani explain that retail tourists arriving by air tend to purchase big-ticket items including: cars, industrial items, computers and chemicals. The majority of these purchases appear to be for corporate use and hence one could classify these retail tourists as input buyers, ie individuals purchasing prouction inputs from South Africa.

Retail tourists travelling by rail tend to purchase groceries, plastics and clothing; while road users purchase the same basket of goods but in addition purchase other household appliances.

It appears that rail and road users make frequent trips to South Africa and are motivated predominantly by access to goods and services which are not available in their home country's. A very small research sample suggests that most retail shoppers purchase in South Africa not for personal consumption but to resell these goods in the home countries.

On the question of constraints faced by retail tourists, transport and the safe storage of their purchases while in Johannesburg was rated as the most common constraint, followed by transporting goods back across the border, accommodation and xenophobia.

Figure 16: Mode of transport used by African tourists



Traditionally most cross border shopping has been based in the CBD but incidents of violence, civilian and police harassment and general xenophobia appears to have displaced shoppers from the CBD towards Fordsburg and the East Rand Mall.

Strategically it appears important to more fully understand this phenomenon in terms of demand and supply and to contemplate measures which could address the constraints mentioned and look at what would need to be undertaken to grow this previously ignored sub sector. The impact of this sub sector of Johannesburg tourism has massive possibilities for the tourism economy, more so than the tourist industry itself. Given the importance of retail and whole sale trade in the Johannesburg's GGP it makes sense for cross border shopping to be taken into account both with respect to the Council's tourism strategy but also with respect to the broader economic strategy of the City as a whole.

LEISURE TOURISM

Domestic and leisure tourism remain important contributors to Johannes-burg's tourism economy, but are not areas of competitive or comparative advantage.

International holiday tourists, on average spend only 2 or 3 night of a 17-day stay in Johannesburg. Given that 47% of these tourists come to South Africa for "scenic beauty" and 29% to see wildlife it is unsurprising that Johannesburg usually accounts for only 14% of foreign leisure tourist's stays. While in Johannesburg 9% of foreign tourists visit Soweto, 11% visit Gold Reef City, 10% visit Sandton City or Rosebank Mall and 3% visited Museum Africa. Only 0,6% went on a tour of Johannesburg and only 0,4% went to a cultural event at a theatre or to a nightclub. It appears as though foreign leisure tourists do not participate in many activities while in Johannesburg and by inference one could contend that they are either visiting friends or relatives or recuperating from their journey and organizing the rest of their holiday.

No information was found regarding the activities of local leisure tourists. It is possible to suggest some minor strategic interventions regarding this sub sector but in the absence of a greater understanding of these leisure tourists it would be difficult to view the sub sector as a major growth sector for the City.

CONCLUSION

In closing the priority sub sectors for Johannesburg's Tourism initiative, based on the criteria of sectors with demonstrable competitive and comparative advantage, and sub sectors which do and will in the future contribute the greatest percentage of GGP growth to the city are in order of importance: MICE, general business tourism, cross border shopping and leisure tourism. In terms of areas where it is feasible to intervene and strategically make a positive contribution, the priority sub sectors in order of importance are:

The final chapter of this document will suggest the strategies required to grow these priority sectors and suggest concrete projects and interventions, which can be undertaken by the Johannesburg City Council both in the short and long term.

Read more: http://www.joburg.org.za/index.php?option=com_content&id=1116&Itemid=114&limitstart=3#ixzz4BQodygqN