

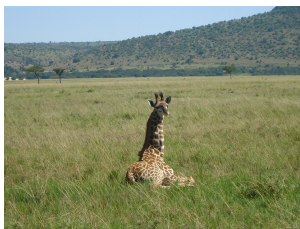
Learnings from and for Africa's Game-Lodge Industry

JULY 19, 2017

As tourist and investor interest grows in the game-lodge industry and wildlife destinations around the world, the article brings to light some peculiarities and challenges of the lodging industry and lists some lessons/best practices for developers.

Travel and tourism in Africa is quite often synonymous with wildlife safaris. As tourism in sub-Saharan Africa grows there is an increasing demand for wildlife safari experiences ranging from day trips to multi-week adventures; from self-catering lodges and moving camps to luxury tents with plunge pools. As tourist and investor interest grows in the sector, this article brings to light some peculiarities and challenges of the lodging industry and lists some lessons/best practices for developers.

Looking Back - Game Reserves & Sustainable Tourism



Most national parks in the late-19th to mid-20th centuries were established with the purpose of protecting wildlife and to preserve their natural habitat. Often it was the hunters who turned to conservation and led the way in establishing protective boundaries for depleting animal populations. As animal populations flourished there was an increasing interest from tourists to witness the wildlife in its natural habitat, which led to establishment of park rules and regulations. Game reserves found a way to sustain themselves while generating tourism revenue. While this seems straightforward, it is important to note that the right balance between tourism and conservation is the key for the successful national parks and is critical to sustainable tourism in the long run.

In South Africa, The South Africa National Parks (SANParks) is the body responsible for managing the national parks in of which Kruger is the most popular game reserve. A quick comparison of SANParks annual report from 2004/05 and 2015/16 points out a steady increase in tourism over the decade.

	Unit occupancy	Unit nights sold	Bed nights sold	Camping Person Nights sold	Visitation To Park	Operating Tourism Revenue (million ZAR)	Average Spend per Visitor (ZAR)
2015/16	73.4%	571,362	1,354,639	733,251	5,917,741	1,290	217.99
2004/05	64.7%	438,576	1,082,122	479,228	3,431,183	248	72.28
% Change (CAGR)	1.2%	2.4%	2.1%	3.9%	5.1%	16.2%	10.6%

Source: HVS Research, SANParks Annual reports

It is interesting to note that the annual increase in absolute visitation in room nights and units sold has increased steadily but not at an alarming pace. However, the tourism revenue has increased by more than 5 times (over 16% year-on-year increase) pointing out to an effective strategy that can be adopted by national parks and overall by the lodging industry. Visitation to national parks cannot be a volume driven approach and hence the rate strategy is very important.

The co-existence of Kruger National Park and the adjacent Greater Kruger National Park - GKNP (privately owned game reserves) offers a fitting example of a public-private association upholding the principles and values of conservation, sustainable land use and local community development. It simultaneously ensures free movement of animals across boundaries increasing grazing area, extending their natural habitat and by extension the potential gene pool. The private game reserves strictly governed by park entry rules offer exclusivity and uncrowded safaris, night drives, walking safaris and more luxurious accommodation setting it apart the experience in lodges in Kruger National Park (KNP). Together GKNP and KNP offer a wide range of choices, price points and experiences for travellers and wild life enthusiasts visiting from across the globe. Other key success elements are the number of domestic visitors and the amount of repeat guests that sustain year-round revenue inflows.



Parks Entry Traffic and Fees



The volume of visitors to game reserves has always been a topic of debate. Rules and regulations have only been made stricter in most cases to allow for conservation goals to precede tourism. A news headline maker was a law suit in India that provisionally banned all wildlife tourism in India in 2011. It was based on the claim that tourism was adversely impacting wildlife rendering many parks and lodges to suffer temporary closures. While it is necessary to maintain a balance, it is imperative to study the impact of tourism on wildlife before setting a ceiling or a blanket-ban. Tourism can actually contribute to the conservation, local community and long-term sustainability of the reserves. There is always a case to manage the visitation and still extract the highest yield from tourism activities. Kruger National

Park has amongst the highest tourist visitation to a game reserve in Africa with over 1.7 million tourists every year. This may well change in a few years if demand increases beyond the endurable levels. KNP may actually have to control day visits to park or allow for guests which contribute more (spend more) to the park revenues.

The entry fees to parks are also a major tool to control park visitation. Park fees across Africa can vary from US\$10 to US\$80 per day. Governments and park authorities must use park fees to effectively manage the visitation across peak and low months of the year to manage expected/target visitation. Government in Kenya for example aims to promote Masai Mara as a high-end tourist destination focussing on 'quality over quantity' and has to that effect increased park entrance fees every few years (currently at 80\$ for non-resident foreign tourists) to keep the quantum of tourists in check. Park entry fee for residents, however, is relatively low as US\$12.

Accessibility is Key

As travel patterns shift from one long holiday in a year towards multiple short trips, the accessibility of lodges (and the national park itself) from major cities or ports of entry is critical for the lodge industry. The availability of flights, maintenance of airstrips, national highways and motorable tracks within reserves are all crucial factors that impact seasonality in wild life destinations.



Managing peaks and troughs

Marketing the wildlife destinations as year-round destinations (where applicable) is essential to ensure a steady and sustainable operation. Seasonality trends have been reducing for most developing markets as accessibility improves, however, showcasing the best of all seasons and managing non-peak occupancy/income through engaging repeat guests and price sensitive markets is essential in sustaining operations financially.

Human Resources

Staffing in remote leisure locations without access to everyday city facilities is always a challenge. On site accommodation for a majority of the working staff is a very effective tool in retaining rangers and hospitality personnel. Additional facilities (recreational, canteen, creche) go a long way in ensuring low attrition. A 6-weeks on 2-weeks off policy for staff is the accepted norm at the better managed luxury wildlife lodges and ensuring work life balance is more than essential. From a development cost perspective, this means that in effect you are developing two hotels as the staff village is likely to accommodate an equal number of people as the guest accommodation, if not more, and will need access to resources such as a food store, water, electricity and recreational facilities of their own.

Do you Stand Out?



The experience is what drives the industry, it is not just the physical attributes of the accommodation/lodge; it is important to ensure a friendly yet non-intrusive service philosophy. The guest experience starts from and includes the interaction while booking, sense of arrival, quality of safari vehicles, number of guests per vehicle,



surprise elements, 'wow' factors and customised experiences. Similarly, rangers and naturalists need to know their trade and have the right skill set to tell the story and educate/engage the guests. The ultimate question is whether you can deliver an unforgettable guest experience and customise experiences for families, couples, wild life enthusiasts to earn their loyalty, keep them coming back for more and turn them into active conservationists.

Looking at the opportunity ahead

Travel trends are, to an increasing degree, not being carved by successful middle-aged or the retired wealthy but by the millennials who are looking for an 'Authentic Experience' not just comfort and luxury. Luxury travel is no longer about pampering and spoiling yourself at a hotel with a heated pool and Egyptian cotton sheets, it's about 'experiencing' the world and moments that are social media worthy. The African safari experience and the excitement of spotting something natural and unexpected is unique and not available on every continent. The popularity of tourism in the plains of Serengeti, or the dotted landscape of Mara, the vastness of Kruger, the deltas and deserts of Botswana are examples of this trend. We anticipate this momentum to grow as tourism and connectivity in African wildlife destinations continues, presenting a strong investment potential for passionate developers/wildlife conservationists especially in upcoming wildlife destinations in Africa (reserves of Botswana, Namibia, Rwanda and Zambia among others).



Bird's Eye View



Finding the optimum mix of facilities and accommodation types/numbers to maximise revenues while matching the available seats on safari vehicles for an "uncrowded" game drive experience is crucial for lodges especially at a higher positioning. Structuring the Concessions/land leases is a very important element and must be investigated as it can be an important factor in determining profitability and return on investment.

Factoring an incubation period is very important as these projects require strong funding and are usually not profitable in the initial years of operations.

Conclusion

Even as game reserves continue to fight the challenges of poaching and efforts are being made to ensure that tourism is secondary to conservation, it is important to educate and involve the travel community from across the globe into preserving the rich wildlife on the planet. Patronage from travellers can go a long way in ensuring the availability of resources for conservation, and hence, responsible tourism should be viewed as an important instrument in the preservation of wildlife reserves.

Conservation & Tourism

As per the WWF's Living Planet Report, the global populations of vertebrates have declined by 58% between 1970 and 2012 and without immediate intervention global wildlife populations could drop two-thirds by 2020. There are less than 98,000 giraffes left in the world (a 40% decline from the estimated 163,000 in 1985); the global rhino population is down to just 30,000 and the lion population is estimated to be less than 30,000 in Africa today. As per a recent study, the Cheetah population in the wild is down to just 7,100 from an estimated 14,000 in 1975 and a 100,000 a century ago. Most of these declines in populations have come about largely due to human activities and unless we invest into conservation we may well be the last generation to see some of this stunning wild life as it exists in the wild today.

Air connectivity to and within Africa is improving and more people are now travelling within their countries in Africa. The African game drives present a truly rewarding holiday and are likely to remain in high demand in future. With practical development costs and financial structures, you can help preserve some of the planets most valuable resources and build a high value asset with a return on your investment in the long run.

Lessons from Past Experiences

Get there early – Understanding the micro-climate and ecosystem, identifying and procuring rights for conservation and lodge development can give you a head start.

Collaborate – Including the local community as both a partner and a beneficiary will go a long way in the success of the project.

Conservation is important for sustainable growth – At no point should the importance of conservation be secondary as it is the very basis for the game lodge industry and its sustainability.

Accessibility is important – All-year access to the parks and lodges and easy connectivity can open avenues for tapping into global tourism.

Experience over product – Game lodges and wild life safari experiences are driven by the overall guest experience and not just the physical attributes/comforts.

Managing peaks and troughs – To sustain lodge operations financially one must adopt marketing strategies to manage low season.

Service philosophy – The guest interaction upon arrival, in a restaurant, stories with rangers can create a wow factor for the guests and keep them coming back.

Get the business plan right – Building the right facilities mix and structuring the investment to account for a gestation period is important.

Everyone is a conservationist – The safari experience leaves every guest enthralled and aware of the need to preserve our planet's wildlife. The lodging industry needs to act as a facilitator to engage the guests and turn them into conservationists contributing to the cause.

