

UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS ADMINISTRATION

RE-SIT EXAMINATION PAPER

JULY, 2018

TITLE OF PAPER	:	TOURISM MARKETING
COURSE CODE	:	BA 433 F.T.
TIME ALLOWED	:	THREE (3) HOURS

INSTRUCTIONS:

1. TOTAL NUMBER OF QUESTIONS IN THIS PAPER (6)
2. SECTION A IS COMPULSORY
3. ANSWER ANY THREE (3) QUESTIONS IN SECTION B
4. THE MARKS TO BE AWARDED FOR EACH QUESTION ARE INDICATED ALONGSIDE THE QUESTION.

NOTE:

MARKS WILL BE AWARDED FOR GOOD COMMUNICATION IN ENGLISH, AND FOR ORDERLY AND NEAT PRESENTATION OF WORK. FURTHER MARKS WILL BE AWARDED FOR USE OF RELEVANT EXAMPLES.

SPECIAL REQUIREMENTS : NONE

THIS PAPER SHOULD NOT BE OPENED UNTIL PERMISSION TO DO SO HAS BEEN GRANTED BY THE INVIGILATOR.

HOW TO MAKE MONEY OFF AIRBnB

The online site has changed the tourism industry and helps anyone with a spare room to make extra cash.

If you need to make some extra money, industry experts suggest becoming part of Airbnb, which has turned the tourism industry on its head by enabling the average homeowner to become a small B&B owner or even hotelier.

It's a diverse online platform that offers people with the free space (a room, a granny flat, an apartment or even an entire house) to connect with tourists, visitors and business people who are looking to rent accommodation at an affordable rate. The platform generated an estimated R2.4 billion in total economic activity last year, which is the sum of guest spending and host income.

There's certainly demand for the platform and for homes to rent in South Africa as Airbnb hosts welcomed close to 400 000 guests into their homes last year. This has grown from 38 000 guest arrivals in 2014.

Occupancy is not only derived from tourists who come from abroad – local travellers also show strong demand for space. Last year, Airbnb recorded that 37% of guests were South Africa, with the majority coming from Johannesburg.

How much money can you make?

According to Airbnb, there are 16 000 hosts in South Africa who share their homes for an average of 16 days and earn an additional R18 000 a year. The platform says that a typical host is 45 and 40% of them are freelancers, entrepreneurs or are self-employed. Half of the hosts in South Africa use the income from hosting on Airbnb to help them pay for their own bond or rent requirements.

Christoff Schabort owns properties in DeWaterkant in Cape Town. He has used Airbnb since 2015, says the amount of money you can make depends on your type of accommodation and your location.

"We offer four-star accommodation and full-time service every day. Because of this, we can charge enough so that we can cover our bond and make a little profit. Obviously, it depends on how busy you are," he says.

Rochelle Blomeyer, who has started up a rental management services that uses Airbnb as a platform to advertise homes, successfully generates extra income, even though she only recently started using the platform.

She initially used the platform to advertise homes belonging to family members. "I used Airbnb previously as a traveller and found it safe and user-friendly, and have since registered as a host of three properties. I think the tools are really great," she says.

She had her reservations about starting out on Airbnb in May – the beginning of the winter season – but she gained some business by advertising on social-media platforms. "I had not

made a cent and thought I should put the plan in ice until the spring/summer season. In a moment of coffee-induced inspiration, I went on a social-media rampage, posting albums of each of my homes with witty tag lines. That same week, I received two bookings totalling close to R100 000", said Blomeyer. Airbnb makes its money by charging the hosts and lodgers for the booking. The platform says: "We charge hosts a service fee [including taxes, if applicable] every time a booking is completed. The amount of host service fee is generally 3% but may go up depending on the cancellation policy selected by the host. "The host services fee is calculated from the booking subtotal [before fees and taxes] and I automatically deducted from the pay-out to the host."

Airbnb charges guests when a reservation is confirmed. "We charge guests a services fee of between 5% and 15% of the reservation subtotal. Guests see this fee on the checkout page before they book a reservation," says Airbnb.

Despite Airbnb taking such a per cent of each booking, Blomeyer and Schabort believe the fees are fair. "It is fair. Without the platform; we wouldn't be able to generate an income at this rate anyway. We are big fans," says Schabort. Blomeyer adds: "I think [the fees] are fare. Airbnb has an incredible platform and I've never had an issue with it. As a host, I am constantly updated on the platform and get information about what is going on regarding homes in my areas, as well as pricing guidance and things like that, I feel it earns its tiny percentage charge."

NEW INNOVATIONS AND LOCAL COMPETITION

Last year, Airbnb launched a new service that allows users to book "immersive" travel experience, which includes city tours, peer reviews and recommendations. This offers hosts another opportunity to make money from tourism, especially if they have a special skill such as being a yoga instructor, or are able to take lodgers on a tour around the city.

According to some reports, Airbnb is going to launch a luxury service, which is targeted at travellers who are in need of more space. According to news service Bloomberg, the premium Airbnb tier will launch initially as a pilot, with inspectors perusing several hosts' homes to see how they fare against its new quality check list.

Host will have up the ante with more perfectionist touches such as matching bed linen, posh toiletries, fancy towels and kitchens that boast first-class appliances. It's expected that the launch of this service will take the hotel industry head-on and attract wealthier clientele. While Airbnb encroaches on the hotel industry's turf, there's a local competitor that could itself steal some of Airbnb market share depending on whether South Africans support the platform.

Wahi was launched last month and offers users the ability to book things such as parking and storage spaces, so if you have a parking bay in front of your house that you don't use or an empty garage that could store goods, you could advertise on Wahi to generate an extra income.

You can also use it in the same way as Airbnb and advertise any spare rooms, homes and apartments as the site welcomes commercial and residential hosts. According to Wahi's site, it charges a 17.5% service fee (15% payable by renters and 2.5% payable by hosts). So if the host is charging R100 for some space, it will charge the renter R115 and pay the host R97.50. Wahi says this covers its costs so that it can "create an active and safe marketplace with verified hosts and renters". It advertises your space to find the right renters for the right sites, maintains the software platform and provides sufficient customer service operations to service the market.

It's also set to offer insurance so that customers can protect their goods. The platform was founded by Michael Hodgson and Daniel Bailey. When asked if he wants to take on Airbnb, Hodgson says: "Absolutely. We feel our pricing is fair as we've done our research, but we will take market feedback on board."

SECTION A

- Q.1 What does AirBnB do? (5 marks)
- Q.2 How has Air BnB innovated / improved its total service (10 marks)
- Q.3 The boom has resulted in new entrants in this market. AirBnB market share is at risk. Who and how is the new entrant competing? (20 marks)
- Q.4 This is / not an opportunity for Swaziland home owners. Discuss. (5 marks)

SECTION B

- Q.1 Explain with examples the steps in developing new tourism products. (20 marks)
- Q.2 Discuss with examples the various pricing approaches available to the tourism Marketer (20 marks)
- Q.3 Direct marketing channels are increasingly becoming serious competition to the traditional intermediaries. Discuss with examples five (5) ways / methods of disintermediation. (20 marks)
- Q.4 Discuss with examples the major type of factors that influence the behaviour of individual tourism consumers. (20 marks)
- Q.5 Marketing planning has its rewards. Discuss these with relevant examples. (20 marks)

60 MARKS

TOTAL 100 MARKS