

Road to recovery: How hospitality sector SMEs can plan for the festive season

A wide spectrum of businesses make up the tourism and hospitality sector and their success is often intertwined with each playing a significant role in how locals and tourists, spend their downtime. Hospitality in particular is faced with challenges that make operating in a tight-margin industry difficult. Among these challenges are the rising costs of doing business, food inflation, and a tough economic climate that has consumers spending less.



Source: Supplied

Many SMEs are torn between needing to end a difficult year on the best possible note by making sure marketing messages hit the mark or investing in capex that will put them ahead of the pack when 2022 starts.

The crux of the matter is whether or not they have access to the required cash reserves to avoid making choices that will set them back in the new year. It is a reality that most South African SMEs cannot set aside funds to make provision for times of need, or when additional expenditure is required.

Payment holidays

One way in which to access cash cost-effectively is to consider a business funding option that offers a deferred payment option during the year's busiest times.

"We've seen the positive impact that relief measures can have on businesses in need of additional support during the Covid-19 pandemic. Deferred loan payments, commonly referred to as "payment holidays", are a way to give businesses support, flexibility, and stability," says Tom Stuart, chief marketing officer of SME services provider Lulalend.

Deferred payment periods typically cover the suspension of both principal and interest payments for a predetermined time. Lulalend's 2021/22 Payment Holiday covers the run-up to, and the festive season from mid-October 2021 to mid-January 2022, and over these months, no interest, monthly admin, or other charges will accrue.

Taking a payment holiday, under South African law, will not affect a business' credit score, as long as this "holiday" is logged on the provider's system so that it doesn't reflect as a non-payment.

"Lending responsibly is key to making a payment holiday work and SMEs who plan to take advantage of it should be in good standing which means being able to service current debt, have a solid credit record, and be up-to-date with other loans or credit payments," says Stuart.

Streamlining processes

It is also critical for a small business owner or entrepreneur to showcase continued growth in their business and how they are planning for it in the future. A plan that involves streamlining operations, improving efficiency and cost-effectiveness in the long-term; in addition to plans to increase revenue, will get a business the support it needs.

Phaedon Gourtsoyannis, founder of Cape Coffee Beans reflects on their experience with Lulalend. "What Lulalend has allowed us to do is invest properly in coffee equipment, which allows us to dispatch orders to customers more quickly and provide a better customer experience."

An accurate and up to date cash flow forecast means creating a rolling 12-month spreadsheet and a commitment to update it every month. In this way, businesses can anticipate cash flow shortages, and be able to plan for times when they'll have to rely on funders to provide temporary financial support.

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