

# The state of SA tourism: How's business?

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South Africa's tourism industry was among the hardest hit sectors by the onset of the Covid-19 pandemic. The introduction of strict lockdown regulations all but shut down thousands of small tourism businesses and brought the sector's value chain to a standstill. Now, recent reports indicate a gradual improvement, with tourism volumes and international arrivals showing a steady incline. Ahead of the busy end-of-year period, small businesses need to step up with strategies to leverage the opportunities that exist within the sector as local and international tourists prepare to make their way through our country.



René Botha of Business Partners Limited

## The state of the local tourism sector

Providing an overview of the sector and commenting on the greatest challenges to be overcome is René Botha, regional investment manager at Business Partners Limited, who explains that all signs point to an industry in a state of recovery. This recovery is not, however, characterised by a complete return to pre-pandemic levels.

According to Stats SA, the volume of tourist arrivals increased by over 150% from 2021 to 2022. Additionally, tourist arrivals between January and December 2022 also showed a gradual improvement, although numbers remain more than 44% below the pre-pandemic year of 2019.

## The biggest challenges

Botha attributes this slow recovery to the turbulence of the current socioeconomic challenges. Inflation and successive interest hikes have led to a global cost-of-living crisis. This has been exacerbated by the rising cost of diesel, which poses a threat to the ongoing operation of commercial fleets. These rising costs have also hindered the ability of many small businesses in operating diesel-powered generators to mitigate the effects of the ongoing energy crisis and rolling blackouts.

SMEs in the tourism sector also face regulatory-related challenges such as the slow pace of visa processing and the introduction of the digital nomad visa for freelancers and independent workers, who wish to work remotely from destinations within South Africa. While the introduction of this system was announced in President Ramaphosa's 2022 State of the Nation address, the public sector has yet been unable to navigate the complexities of the regulatory environment.

SMEs in the sector are also faced with several infrastructural disruptions caused by the poor state of the country's railways and freight systems as well as the operations of its ports. This has been worsened by the strike action of October 2022, which has placed these systems under additional pressure. With higher reliance on road transport to solve supply chain and logistical issues, the hands of many small business owners have been tied – faced with severe delays, even if demand were to return to normal levels, businesses may not have the logistical capacity to meet this demand.

## Hope on the horizon

As Botha says, the tourism sector is up against a barrage of roadblocks, on almost every level, from economic hardship to social unrest. The need, therefore, for more immediate state intervention when it comes to progress in terms of the ease of doing business and failing infrastructure is dire.

However, as she explains: "South African entrepreneurs are among the world's most resilient businesspeople. They have always demonstrated the ability to identify opportunities even against the most disconcerting odds. And there are – if you

look for them – key opportunities that can provide small businesses with much-needed lifelines that will tide them over under these difficult conditions.”

In a recent small business podcast aired on Moneyweb, a representative from the Federated Hospitality Association of South Africa referenced the Department of Tourism’s announcement that tour operators who are awaiting their license renewals would no longer be penalised for operating without those licenses. Going forward, this will go a long way in alleviating some of the pressures faced by new and emerging small tour operations and assist these tour operators in leveraging the influx of international tourists over the busy festive period.

The diversification of the market as well goods and services relating to tourism could also provide the fail safes that SMEs in the sector need within challenging economic times. To mitigate the impact of supply chain disruptions and infrastructural challenges, small businesses are encouraged to make the move from international markets to domestic or regional customers.

“Horizontal diversification,” Botha concludes, “also represents an opportunity to create a buffer against market volatility. SMEs along the tourism value chain have an opportunity to now add new products or services to their offering – both within and outside of the hospitality and tourism sectors. This will not only allow them to test the markets for the new additions, but also serve as a way to grow their ventures in the process.”

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