

Untapped tourism sector an opportunity for entrepreneurs

The local tourism industry continues to thrive while many other sectors of the South African economy are struggling. According to Anton Roelofse, regional general manager at Business Partners Limited, recent figures show the tourism sector to be one of the country's best performing and consistently stable industries - growing faster than the local economy.



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Despite tough economic conditions, the sector highlights the opportunities that exist for ambitious, determined entrepreneurs. The local tourism industry is producing a sizeable, positive contribution to South Africa's GDP – forecast to grow from 9.5% contribution to national GDP in 2015 to 10.5% of national GDP by 2025.

Stable conditions for small businesses

Roelofse says that tourism is similar to an export company as it largely operates with foreign currencies. “The weakened rand is favourable for local businesses within the tourism sector as it makes South Africa even more attractive holiday destination for those with foreign currency. Similarly, the weaker rand also means more South Africans are opting to travel locally as international holidays become increasingly more expensive.”

“Despite the ups and downs that the local economy has experienced over the years, the tourism sector continues to offer stable business conditions for small business, especially now, as tourism figures continue to increase year-on-year.” Roelofse points to PwC's Study in [Hotels outlook for 2016-2020](#) which reports that international visitor numbers were up by 16% for the period January – April 2016.

He explains that in South Africa, the local tourism industry offers a vast array of micro-sectors – from large scale tour operators, to smaller guest houses, adventure-sports, nature and conservation, to student and medical tourism. “There's an opportunity for just about any idea within the industry, coupled with the advantage of not being affected by an over-saturation of similar-type businesses, when compared to other sectors.

Huge growth potential for entrepreneurs but funding a challenge

“Not only does this market offer huge growth potential for entrepreneurs, but also for job creation which is the country’s vital need. Statistics SA reports that in 2014, 4.5% of the total workforce of South Africa was directly involved in the tourism industry.”

While opportunities exist, Roelofse says it can be challenging for entrepreneurs to enter the market as the industry can be infrastructure intensive, depending on the business, and this can put strain on cash flow given a 50% own contribution is required for such financing. “Access to funding is a challenge as a tourism business could require a specialised type of funding. Red tape in local Government with regards to permit and licencing, for example, can also be a hindrance in starting and growing a business in the sector.

“Whilst there may be some barriers to entry for entrepreneurs looking to venture into this particular sector, entrepreneurs should not shy away from the opportunity given the expected growth potential.”

Roelofse concludes: “It is crucial that businesses operating within the sector do not become complacent given the expected surge in travellers to the country. Business owners should continue to maintain excellent levels of customer service and experience, which, in the tourism business, must match up to the highest international standards.”

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