

TOURISM INPUTS ON INTERVENTIONS TO ACCELERATE SMALL BUSINESS DEVELOPMENT

1. TOURISM ENTERPRISE DEVELOPMENT PILLARS

The current tourism enterprise development initiative is based on the following pillars –

- Tourism enterprise skills development.
- Tourism enterprise product development for sustainability and increased competitiveness.
- Tourism enterprise market access.
- Tourism business management advice.
- Tourism business compliance.
- Assistance and support to access relief funding during lockdown and pandemic.

2. TOURISM BUSINESS DEVELOPMENT AND INDUSTRY TRANSFORMATION

The DEDAT financial support for product development is only available to black-owned tourism enterprises.

Before the COVID-19 pandemic budget cuts an amount of R2 million per annum was budgeted for this purpose.

The product development grant roughly supported 10 black-owned tourism enterprises of which 5 were youth-owned.

The grant is specifically designed to improve product quality, market offering and to enhance competitiveness and business sustainability.

The grant targets a critical shortcoming in a respective tourism enterprise which the owner can't fund from own resources. (A critical shortcoming is a product dilemma that will impact adversely on bookability of property, reputation, sustainability, market maintenance and business growth.)

More than 60 black-owned tourism enterprises benefitted from the tourism product development grant scheme in the past five years.

3. TOURISM ENTERPRISE DEVELOPMENT AND NATIONAL LOCKDOWN

The key challenge during the sudden development of the COVID-19 pandemic resulting in a hard lockdown lasting for months was to ensure tourism enterprise survival at first and later their recovery.

3.1 FINANCIAL RELIEF

For this DEDAT relied on the national department of tourism to provide financial relief to tourism businesses and freelancers (tourist guides) as a result of severe budget cuts affected by national Treasury.

The DEDAT Tourism programme and NCTA collaborated to respond to tourism enterprise needs for information on the various relief incentive programmes and to provide assistance to submit applications.

This required the following activities to be completed –

- Cooperating with municipalities and organised tourism structures to provide information on the various enterprise relief incentive programmes.
- Provide advice to tourism enterprises on developing and submitting applications.
- Provide advice to tourism enterprises on how best to overcome snags that developed during the application process.

Some 124 tourism enterprises (from 222 applications / 56% success) qualified for financial support from the national Tourism Relief Fund, collectively receiving R6 200 000 to aid survival.

Furthermore, 220 tourist guides received financial relief from the national department of Tourism to the total amount of R990 000.

3.2 OTHER ASSISTANCE PROVIDED TO TOURISM ENTERPRISES

The DEDAT Tourism programme and NCTA collaborated to respond to tourism enterprise needs for information and encouragement other than on the various relief incentive programmes.

This required the following activities to be completed –

- Provided advice and assistance to a number of accommodation establishments to register as essential service providers to provide accommodation.
- Provided advice on matters such as staff retrenchment and furloughs.
- Provided advice on business crisis management.
- Provided advice on health and safety measures to be applied as a business.
- Provided information on and motivation to join the many webinars on a recovery strategy for the South African tourism industry.
- Provided encouragement to tourism enterprise owners to guide them through the shock of having to shut down their businesses, lose income and having to retrench staff.

3.3 IMPACT OF COVID-19 DISRUPTION ON TOURISM ENTERPRISES AND ITS IMPLICATION FOR SUPPORT (FINANCIAL AND NON-FINANCIAL)

SECTOR	COVID-19 BUSINESS DISRUPTION	SPECIFIC MEASURES TAKEN AND OR RECOMMENDED	IMMEDIATE / SHORT	MEDIUM	LONG TERM
Tourism	<ul style="list-style-type: none"> ▪ Cash and access to credit (e.g. overdraft & credit card) 	MEASURES TAKEN <ul style="list-style-type: none"> ▪ Communicated information 	<ul style="list-style-type: none"> ▪ Get cash into the hands of business – small grants, 	<ul style="list-style-type: none"> ▪ Open up the industry for tourism enterprises to trade 	<ul style="list-style-type: none"> ▪ Increase government procurement of

	<p>severely to wholly depleted.</p> <ul style="list-style-type: none"> ▪ Can't pay salaries. ▪ Can't pay municipal accounts. ▪ Can't make loan repayments. ▪ Can't make insurance payments. ▪ Significant number of cancelled forward reservations with clients demanding their deposits back. ▪ Creditors don't pay tourism enterprises. ▪ Postpone infrastructure maintenance. ▪ Postpone planned business expansions. ▪ Can't continue marketing business. ▪ Some decided to leave tourism industry and rather convert accommodation establishment 	<p>on all available relief incentives available.</p> <ul style="list-style-type: none"> ▪ Assisted with relief incentive criteria compliance. ▪ Provided advice for application development. ▪ Assisted with registration as essential service providers. ▪ Followed up applications on behalf of clients. ▪ Assisted with refinement of marketing platforms. ▪ Encouraged tourism entrepreneurs to participate in the many webinars on how to survive the impact of the pandemic. <p>MEASURES RECOMMENDED</p> <ul style="list-style-type: none"> ▪ Get cash in the hands of business – 	<p>payroll support, etc.</p> <ul style="list-style-type: none"> ▪ Provide tourism enterprises with PPE, gels and gel dispensers, as well as masks to support them in implementing health and safety protocols. ▪ Support tourism enterprises with skills development programmes to refine product and service quality in an effort to increase market competitiveness. ▪ Retrain and re-purpose workers that were retrenched in the tourism industry and support them to set up new businesses. ▪ Provide assistance to refine tourism enterprise website and 	<p>themselves from their difficult position.</p> <ul style="list-style-type: none"> ▪ Increase government procurement of tourism services, especially with black-owned tourism enterprises. ▪ Grant support. ▪ Promote BBBEE Codes compliance and provide advice. ▪ Promote increased compliance with general business legislation, regulations and standards. ▪ Continue to provide support for tourism enterprises to improve quality assurance, e.g. quality assurance workshops, grading of establishments, etc. 	<p>tourism services.</p> <ul style="list-style-type: none"> ▪ Continue with same interventions flagged for the medium term.
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	<p>s in long stay accommodation.</p> <ul style="list-style-type: none"> ▪ Can't access relief incentive programmes due to non-compliance with criteria. ▪ Can't fully fund implementation of health and safety protocols. 	<p>small grants, payroll support, etc.</p> <ul style="list-style-type: none"> ▪ Open up the industry for tourism enterprises to trade themselves from their difficult position. 	<p>social media platforms.</p> <ul style="list-style-type: none"> ▪ Provide route marketing support – websites, social media platforms – to attract more visitors to routes to support small tourism enterprises. ▪ Route marketing and capacity building. ▪ Provide workshops to support tourism enterprise renewal, product enhancement and compliance with health and safety protocols. ▪ Increase communication with the provincial tourism industry. 	<ul style="list-style-type: none"> ▪ Continue to provide support to enhance product attractiveness. ▪ Continue to provide support to skills and capacity development. ▪ Digitalise conference centres. <p>Promote destination to grow arrival numbers in support of increased trading by tourism enterprises -</p> <ul style="list-style-type: none"> ▪ Maintain destination interest. ▪ Maintain awareness of tourism offering (leisure & business). ▪ Refine website and social media platforms. ▪ Online content created – video clips, visual, blogs. 	
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				<ul style="list-style-type: none"> ▪ Route marketing support – websites, social media platforms. ▪ Tourism enterprise clustering for local experience development. ▪ Tourism enterprise support – websites, social media platform refinement. ▪ Route marketing and capacity building. ▪ Re-connect and wellness packaging. ▪ Bucket list experience packaging. ▪ Summer experiences packaging. ▪ Virtual tour experiences. ▪ VIC management. ▪ Industry affiliations. 	
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3.4 SURVEY ON IMPACT OF PANDEMIC ON SMMEs

The DEDAT Tourism Programme and NCTA cooperated to conduct a tourism enterprise survey during lockdown. Here follows a summary of the results -

- The predicted loss of income for this group of 138 respondents to the Provincial Survey conducted by the NCTA, is R48, 464,896.00
- 83.2% of businesses are unable to pay their staff
- While the majority of businesses are only able to pay their staff for 1 month, many are unable to pay their staff at all.
- While 85.9% of jobs are currently still secure, 14% of business have needed to retrench staff members.
- 36% of respondents only expect tourism to pick-up again in 2021, however more than half are hopeful that it might pick up this year still, 25,4% by December 2020, 16,7% by September 2020, 13% by June 2020 and 8,7% by May 2020.
- Tourism businesses face a higher threat of going out of business the longer the current crisis continues, although many may not survive another three (3) months.
- 74.3% of businesses will need to retrench staff should the tourism sector not recover.
- 73.9% of respondents are aware of relief packages and 57.2% of all respondents have applied for them.
- The majority of MICE respondents have had to cancel between 0 and 10 meetings or conferences. 13% have had to cancel more than 60 events.
- 45.2% of conferences are from government.
- 90% of respondents are aware of the benefits of technology. 80% of respondents use it for online booking 74% use it for Wi-Fi for their business and guests while 24% use it for e-commerce. Majority of respondents have intermittent to high connectivity and the lack of connectivity is mostly due to a lack of infrastructure (70.4%).

3.5 GENERAL LESSONS LEARNT DURING ENGAGEMENTS WITH TOURISM ENTERPRISES

Lessons learnt during engagements with our local, district municipalities and provincial tourism enterprises are the following thus far –

- Local Government - It became evident once again that critical intervention is required at local municipal level. The following refers (1) tourism products is not registered or re-zoned for business as per the municipal bylaws which severely hampered their chances for grant assistances and registration for essential services, (2) improve operation of Visitor Information Centre's sphere of operation to include their technological infrastructure to services to both the visitors and the tourism community virtually and digitally, (3) database of tourism services and products are outdated and inaccurate limited. Databases of tourism product owners require much more frequent updates to ensure accuracy and usefulness.
- Main pandemic related financial pressures generally are related to (1) loan repayments, (2) staff wages and (3) municipal accounts and the situation is made worse as their clients are not in a position to settle their accounts with them.
- Widespread occurrence of non-compliance with small tourism enterprises which makes pandemic relief assistance near impossible.
- Lack of rich data on tourism enterprises makes responding to a crises and developing of an evidence-based recovery plan more challenging.

- Tourism industry not well organised and this makes communication during emergency situations cumbersome.
- Tourism enterprises generally not sufficiently digitally competent and equipped which make accessing benefits from pandemic relief programme incentives and providing impact feedback difficult.
- DEDAT tourism staff at the lower levels needs to be equipped to provide digital / virtual support to clients. We had to rely on them to utilise their private handsets, modems, airtime and data to assist with pandemic related tasks.

Lessons learnt during our participation in webinars related to tourism enterprise survival and recovery were communicated to clients.

These lessons were as follows and will also impact on the design of the post COVID-19 pandemic revised Annual Performance Plan for 2020/21 -

- To build a competitive advantage through collaborating and organising themselves in clusters to allow better networking and support for each other.
- To take advantage of local opportunities to facilitate reconnection of and physical conversation between family and friends in a safe and secure manner, e.g. bonfire evenings.
- To take advantage of opportunities in local travel from a supplier perspective, e.g. farm produce used for local cooking.
- Reach out to content creators to keep alive the desire for travel but refrain from hard sell during the crises of the pandemic.
- Tourism entity boards and industry associations must be very practical in their support and encouragement of small tourism enterprises to succeed with survival / recovery / thrive model.
- Government advised to not apply a “one size fits all” solution to tourism enterprise support but tailor made according to critical needs of individual businesses.

4. BUSINESS SUPPORT STRATEGY (FINANCIAL AND NON-FINANCIAL) ADAPTATION TO ADDRESS IMMEDIATE BUSINESS NEEDS (INCLUDING NEW WAYS OF SUPPORTING BUSINESSES TO ENSURE GROWTH AND SUSTAINABILITY) POST COVID-19?

4.1 BUSINESS SUPPORT STRATEGY BEFORE PANDEMIC

The tourism enterprise strategy that applied before the pandemic relied on the following pillars –

- Tourism enterprise skills development (financial & non-financial support).
- Tourism enterprise product development (financial support).
- Tourism enterprise quality assurance (in partnership with the Tourism Grading Council of South Africa).
- Tourism market access improvement (in partnership with the provincial destination marketing public entity).
- Mier Tourism Enterprise Incubator (in partnership with South African National Parks).
- Strongly promote the tourist routes in the province to attract more visitors which in turn contribute to tourism enterprise sustainability.

The above strategy is still relevant to provide support and guidance during the pandemic and lockdown period.

4.2 BUSINESS SUPPORT STRATEGY ADAPTATION

The following adaptations had to be made to fine-tune the strategy –

- To place greater emphasis on collection of data from tourism enterprises (surveys and other research).
- To increase communication with tourism enterprises to ensure transparent and up to date valuable information is provided.
- To provide closer support to tourism enterprises to refine their marketing message and platforms, e.g. website and social media look and feel.
- To provide guidance and support to adapt to industry requirements of greater use of digital streaming of events and conducting business in a virtual world.
- To place much greater emphasis on enterprise compliance with legislation, regulations and generally accepted business standards.
- To provide support on ensuring that tourism entrepreneurs understand the health and safety protocols to be applied to their businesses.

5. MIER TOURISM ENTERPRISE INCUBATOR

5.1 BACKGROUND

The DEDAT Tourism Programme and national department of Tourism partnered to launch and operate the Mier Tourism Enterprise Incubator.

The Tourism Incubation Programme is a project under the Enterprise Development Programme of the Department of Tourism (NDT).

The Tourism Incubator will be a vehicle used to facilitate the provision of business support interventions to tourism enterprises clustered along a thriving tourism node in the country.

This incubator model will enable selected tourism enterprises to obtain all business support services offered without being located in the incubator.

The Tourism Incubator is a tool that will be used to provide business development support and training services to SMMEs in and around that destination area.

The Mier tourism node in the Mier area of the Northern Cape Province has been identified for the establishment of a tourism incubator in 2017/18 financial year.

The Mier Tourism Incubator was launched on 20 March 2018 in Upington, Northern Cape Province.

The incubator enrolled and supports 50 SMMEs from different sub-sectors of tourism in Mier and the surrounding areas.

The incubation programme will run for three years.

5.2 FINDINGS FROM TOURISM BUSINESS INCUBATOR COVID-19 SURVEY ADMINISTERED

The final questionnaire was loaded to SurveyMonkey™ and submitted on the 20th of May 2020 via an online link to 46 incubatees (using email and WhatsApp, respectively).

A deadline date for completion of the 25th of May 2020. An incentive of 1GB of free data was offered to each participant for completion of the survey questionnaire.

R™ analysis software was used in the analysis of data.

Overall key findings of the survey had shown the following -

A response rate of 52% was obtained, i.e. 24/46 of the respondents completed the Questionnaire

Business/ Owner Demographics were -

- a. Most of the respondent businesses were spread out over Mier, Kakamas and Riemvasmaak, respectively.
- b. Majority of the respondents were Black African female and were the owners of the company.
- c. Coloured group of respondents comprised the majority of the population that responded and also had the lowest mean age of approximately 47 years (compared to the Black and White participants which had approximately 49 years and 51 years, respectively).
- d. Most of the respondents offered accommodation services (33%), followed by Food and Beverage sectors (29%) and then tour operator services (approximately 17%).

Impact of COVID-19 and the lockdown –

- a. Approximately 96% of the participants (offering various services) were affected by the lockdown.
- b. Of the 96%, approximately 38% indicated they could not operate as they were not classified as essential services providers. Approximately 33% indicated lack of tourism activities owing to the lockdown restrictions.
- c. Approximately 58% of the respondents indicated that their businesses are currently not operating.
- d. Business operations of, business owners, aged above 50 years are the most affected, followed by those aged below 30.

e. Approximately 88% of the respondents indicated they are currently not able to offer their services online or virtually. Of those remaining participants that are able to offer their services online, they are based in Upington and a few in Kakamas, and are in the accommodation, tour operating and arts & craft sectors. The services promoted include transport, training, and meals, respectively.

f. Majority of the businesses experienced a huge drop in income during lockdown, with many of them to date recording no sales at all. The average monthly income across all businesses before lockdown was approximately R72,233 and during lockdown dropped to approximately R3,379.

g. The analysis of the respondents' staff complement indicated that in total 79 workers were retrenched and at least 20 placed on short-time as a result of the lockdown.

h. Approximately 54% of the respondents have no other sources of funds to absorb the impact of the lockdown (all Black and Coloured-owned enterprises).

i. Majority (approximately 54%) of the firms indicated a high probability of discontinuing their business operations due to the COVID-19 impact, with approximately 29% of these enterprises aged below 6 years.

4. Relief Fund Support: Majority (approximately 58%) of the firms applied for the DT Tourism Relief Fund. Analysis by location shows that all Upington-based firms together with majority of those located in Mier managed to apply. Whilst majority of those based in Kakamas did not apply for the relief funding followed by those based in Riemvasmaak. Most that applied indicated the following as the top challenge with the application process - Poor communication (approximately 17%).

5. Potential New Products for Business: Half of the participants identified additional new products, as a result of the lockdown impact on their businesses. Online sales were identified as the leading alternative (approximately 13%) to curb future-related crises like this pandemic.

6. Required Support from the Incubator: The leading form of support required through the incubator programme is funding support at 46%.

7. Lessons Learnt: Majority of the businesses cited the importance of risk management, financial planning, diversified investments, and avert the adverse impact of Covid-19.

5.3 FINDINGS FROM ENGAGEMENT (AND ASSISTING) INCUBATEES FOR THE PERIOD COVERING COVID-19

As mentioned previously, this incubator had not commenced local operations in Mier, as the original program roll-out plan was approved just prior to the lockdown. However, during the pandemic we provided some limited remote support by –

1. Providing incubatees information on funding mechanisms that were available to their businesses , together with other industry information.
2. Telephonic engagement, reminding and tracking of the incubatees progress on the application to the Tourism Relief Fund.
3. Assisting incubatees on funding applications, such as SAFT and the Tourism Relief Fund.
4. Currently drafting a business plan for Crazy Monkey Events Based on the limited start-up of the incubator, as well as engaging with incubatees, the following were identified as challenges:
 - Accessing information relating to various funding structures.
 - The burden of compliance required in completing of COVID-19 funding assistance; and
 - The ability to work virtually with incubatees was possible (in some cases we had to provide data to assist them).

5.4 PROPOSED FOCUS OF INTERVENTIONS POST COVID-19

The following are Proposed focus of Interventions post COVID-19 –

- Raise Non-financial support for incubatees (in kind donations only).
- Raise financial support for incubates.
- Facilitation and/or completion of business plan and individual enterprise funding proposals.
- Financial training webinars.
- Bookkeeping/ Management accounts completion.
- Business coaching including system review, business management and recommendations.
- Assist with improvement of compliance (both financial and operational).
- Improvement of ICT capability.
- Improve access to market to improve future sales (includes related training).
- Improve knowledge of industry and sector.

5.5 OTHER OPERATIONAL CONSIDERATIONS IN RECOVERY PERIOD

Based on the findings of the survey, our experience obtaining in working in the current window of the COVID-19 pandemic, as well as the proposed interventions, the following key items will be infused on the operation model that is in existence:

1. The planned local business development staff will work remotely , as opposed to the rental off offices space as envisaged. This will assist in reallocating overhead resourcing to interventions.
2. We will prioritize our ability to work virtually (as done during the lockdown). Hence, we will continue the strengthening of the virtual capability of the incubator by increased use of virtual platforms such as Skype, Zoom, MS Teams, Virtual servers.

3. The increased use of remote based staff to complete interventions remotely (whilst supported by staff on the ground).

4. The use of the incubator (short term/ immediate) to provide industry member platform , for policy advocacy and queries. This will be done with the local tourism association. This will require strengthening of the existing local tourism network, strengthening capacity, and developing and implementing an operation plan , such that they are able to continue to operate post the current period of the incubator.

5. Financial and non-financial business compliance will be elevated in the selection of new incubatees. In addition, support for existing incubatees will prioritise meeting of compliance requirements. Existing incubatees will be requested to report financial compliance periodically and undergo financial literacy training/ mentorship (this will become mandatory).

6. Focussing on key success factors that are required in implementing the above. These include but not limited to:

a. The continued provision of data support to incubatees (based on a needs) which would allow for stronger ability to implement interventions virtually.

b. Engagement and working with industry partners.

5.6 MEASUREMENT OF IMPACT

Traditionally the impact of business development interventions has a delayed impacted on the business depending on a variety of factors which include (but not limited) –

1. The type and size of business.

2. The maturity of the business.

3. The speed and adoption and use of the development intervention.

4. The local training condition (including economic cycle).

The impact of interventions will be both direct and indirect and often would not be measured quantitatively. Accordingly, we propose the following toolkit of measurement for both activity and impact:

1. Using completion of deliverable as the primary measure such as (but not limited to) –

a. Units of deliverable complete (e.g. business plan, effective linkages)

b. Number of events

c. Headcount trained

d. Rand value

2. Quarterly reporting (post intervention) to include both a quantitative (base-line) and qualitative measurements.

3. The above measurement will be complemented by various qualitative other measures such as (but not limited to):

- a. Case studies
- b. Commentary on business performance
- c. Letters of reference
- d. Securing of future benefits like linkages, sales, etc

6. CHALLENGES

Key challenges that constrain the acceleration of current tourism enterprise development initiatives are as follows –

- Severe budget cuts limit the DEDAT Tourism Programme ability to provide relief funding in aid of business survival and recovery.
- Internal skills deficit of employees in the Tourism Development Unit limits the degree to which tourism enterprises can be offered technical support, skills development support, mentorship and market access support.
- Lack of IT infrastructure and access to data streaming in rural areas limit degree of engagement with provincial tourism enterprises and their contact with the market.
- How best to provide support to tourism enterprises, especially those operating in the conference and events sector, to adapt to the post-pandemic normal where there is a much greater reliance on digital infrastructure to conduct business.