

# **Towards South Africa's post-COVID-19 travel and tourism industry recovery plan**

**Input by Seeza Tourism SME Network  
to SA Tourism's Tourism Recovery Plan.**

## **Introduction**

Over the past couple of weeks South African Tourism (SAT) conducted a highly successful series of webinars aimed at consulting with industry stakeholders on a possible recovery plan for the country's travel and tourism industry in response to the devastating impact of COVID-19. The webinars, focusing on both leisure tourism and the MICE industry, drew participation from a wide range of industry stakeholders.

The initiative is a salutary move on the part of SAT, demonstrating visionary and strategic leadership in a time of crisis. The webinars brought to the fore with clarity what is already widely known, namely that the pandemic has had a crippling effect on the industry worldwide and is likely to continue on this destructive trajectory for some time to come.

A commonly held view that emerged from the conversations is that a rebound in the industry after the pandemic is most likely to be led by domestic travel and tourism, followed by regional and lastly international travel. The MICE industry, having been the first to be negatively affected as countries barred large gatherings, will most likely be the last to recover as countries seek to prevent a rebound of the virus. None of the panellists was willing to venture an opinion, wisely so, as to when the rebound is likely to set in. No one can predict this pandemic and its destructive path.

Our view at Seeza Tourism SME Network is that a meaningful travel and tourism sector recovery plan will need to be approached with clear strategies and action plans at three levels – government, travel and tourism industry ecosystem, and individual operators, as represented in the graphic below.

The discussions during the webinars focused mainly at the government and individual operator levels and useful insights were offered. While general statements were made about the need for the industry as a whole to work together to chart the way forward, few, if any, concrete ideas were advanced. In this article we offer a few thoughts on what actions we believe should be taken at each of the three levels referred to above.

## 1. Government action

By government we refer to the departments of tourism nationally and provincially and tourism promotion agencies such as SAT and Convention Bureaus. We also include other national departments whose actions have a direct bearing on travel and tourism, such as home affairs and transport.

**First** and foremost, as was repeatedly pointed out long before the onset of the pandemic, the government bears absolute and urgent responsibility to ensure policy clarity and consistency in areas such as a friendly visa regime, safety and security, resolving the unabridged birth certificate issue, and dealing with ongoing vehicle licensing frustrations.

These are all important areas of intervention, which are already being acted upon, to varying degrees. It is generally acknowledged that a positive resolution of these issues will have significant impact in unleashing the potential of travel and tourism in the country.

**Secondly**, the government and its agencies need to play a lead role in developing and diversifying the country's international markets and promoting the destination both domestically and internationally. Importantly, while focus will understandably continue to be on the country's traditional source markets, it is necessary to broaden the attention to the cultivation of non-traditional markets as well.

This is an area where small businesses, in particular, could be assisted to firmly position themselves as international players. Inbound traffic from these new markets may not be large, certainly in the short term, but could be sufficient to sustain a large number of SME operators, thereby reducing the impact of direct competition from larger players that are well-entrenched in traditional markets.

This, of course, is not a call to exclude SMEs from participating in traditional markets, but rather a plea to assist them to forge new niche markets wherein they can enjoy a stronger competitive advantage vis-à-vis their larger counterparts.

**Thirdly**, government can enhance its international market access facilitation activities on behalf of SMEs by deploying a powerful and hitherto under-utilised instrument. Convention bureaus play a key role in supporting bidding for inbound international events of various types, through providing bid funding.

This presents them with a potent instrument to channel increased business flows to SMEs by making it mandatory for recipients of such bid support to procure, to the extent possible, their supplies for the events in question from SMEs. This requirement should apply to all bid funding recipients, regardless of size, in order to encourage business sharing with SMEs. This measure will go a long way in fostering a more SME-inclusive future business events and general travel and tourism industry in the country.

**Fourthly**, and related to the above point, government should take the lead in fostering pro-SME procurement practices by ensuring that it (a) eradicates any policies and practices that directly or indirectly disadvantage SMEs and (b) adopts practices that increase the chances of SMEs to participate in public procurement opportunities related to travel and tourism. For instance, SMEs tend to be excluded by default from bidding for large projects due to limitations in delivery capacity.

Proactive, positive action to rectify this deficiency could entail encouraging SMEs to bid jointly and, if necessary, providing support via an SME development agency to ensure successful project execution. Bid specifications that call for ridiculously lengthy experience on the part of bidders discriminate against SMEs and should be done away with. SME growth cannot be realised in an environment where government is averse to taking any meaningful risk in terms of awarding business to SMEs. Small enterprises cannot be expected to possess capacity to undertake large projects without being afforded an opportunity ad trusted to do so.

Instead, appropriate risk mitigation measures should be developed and implemented in order to open up space for SMEs to participate in larger public procurement projects. By setting a positive example in this area, government can also encourage large companies to similarly adopt SME-affirming procurement practices.

**Lastly**, a fundamental role for government that is critical to driving the inclusion of SMEs but often escapes scrutiny is the provision of business development support to these enterprises. Crucial and appreciated as current support initiatives are, they have one major weakness, namely that they have tended to adopt a one-size-fits-all approach and as a result are not sufficiently flexible and adequately responsive to the competitiveness and capacity enhancement needs of SMEs.

What is sorely lacking and urgently needed is a support regime that allows SMEs to pick elements of available support and package them in ways that respond to each enterprise's unique needs. A competitiveness fund-type programme, perhaps one operating on matching grant principles, would be more responsive to the support needs of SMEs than what is currently on offer. Unchanged, current support measures won't be of much benefit to SMEs, well-intended as they are.

This proposed approach is premised on the principle that support that is packaged by SMEs themselves, drawing and mixing various components from a menu of available services based on their understanding of their own requirements, responds much better to the unique support needs of these enterprises, compared to one based on a one-solution-for-all approach.

As an example, South Africa's approach to facilitating international market access for tourism SMEs is to take them to international shows such as IBTM, IMEX, ITB, WTM, etc. There is certainly merit to this. However, an SME may decide that it needs something completely different to participating in a pre-selected overseas show in order to enhance its global competitiveness. Under current arrangements such an SME is less likely to receive support – (see box below for an example. This could very well have been an individual tourism SME deciding to embark on an international learning experience in order to turn itself into a world-class operator. Responsive support should enable various approaches).

### **Tourism SME Network learns from award-winning DMC**

Shortly after its establishment in 2017, Seeza Tourism SME Network decided that in order to effectively support the growth of its SME members, it needed to gain first-hand knowledge and experience of how a DMC operates. Through research, it identified ASIA DMC, a multi award-winning DMC headquartered in Hanoi, Vietnam, and with offices in several countries within the region. Asia DMC was considered large enough to provide a breadth of lessons but also small enough to reflect the realities of a tourism SME. The director of the network approached ASIA DMC and requested an opportunity to spend time at the DMC's headquarters in Vietnam for learning purposes, which the DMC enthusiastically accepted.

The first learning experience took place at World Travel Market London in November 2017, where the network director met with ASIA DMC's MD and other senior staff and observed them first-hand interacting with international clients at their very professionally presented exhibition stand. Subsequent to this, in March 2018, the director went on a self-sponsored learning visit to ASIA DMC's headquarters in Hanoi, Vietnam, and spent a full week meeting different divisional managers, staff and the MD, and received 360 degree exposure to the DMC's operations both in the office and on the field. This was highly valuable experience for a new network, with many important lessons learnt within a short space of time, which were subsequently incorporated into the network's own business strategy. What's more, the relationship between the two entities endures to this day.

All in all, while government actions are likely to be fewer in number, they are more likely to have the highest level of impact in terms of creating an operating environment that supports a rapid recovery of the industry and underpins its future growth, competitiveness and inclusiveness (see graphic).



## 2. Action by the travel and tourism ecosystem players

Like any other industry, travel and tourism operates within a broader ecosystem that encompasses a variety of players, including government and public sector agencies (various tourism promotion agencies, convention bureaus, publicly-funded skills development agencies, namely SETAs), industry associations, specialised industry support entities (e.g. Jurni), academic and other training institutions, and enterprises.

An approach that mobilises the entire travel and tourism ecosystem into forging collaborative relationships will prove much more successful in terms of fostering a globally competitive industry going forward, compared to one based on individual enterprise action.

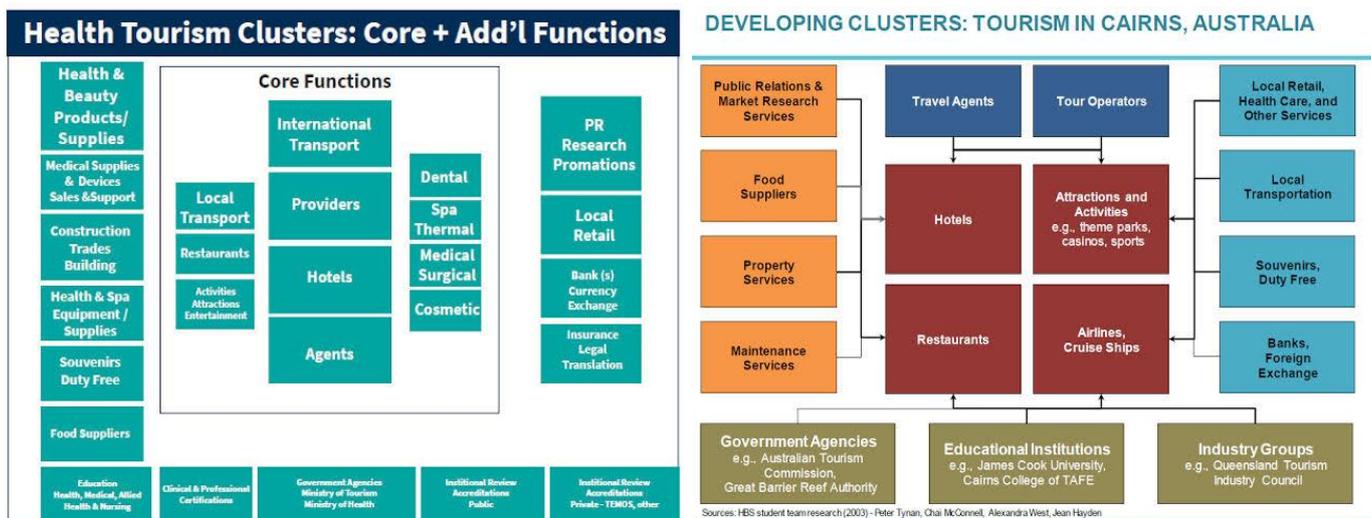
While following the usual individually focused business models might hold strong appeal as enterprises place priority on their individual recovery, such an approach will almost certainly result in a missed opportunity in terms of building a more globally competitive industry that simultaneously affirms its smaller players.

Internationally, such a collaborative approach is typically achieved through fostering industry clusters that bring together various industry players to collectively envision, craft and execute collaborative competitiveness-enhancement and growth-spurring strategies.

In the tourism industry, this approach has been followed successfully by several countries such as Australia, Colombia, Laos, Philippines, and Spain (see two examples of tourism cluster maps in the graphic below). To pick one country example, the Philippines National Tourism Development Plan (NTDP) 2016-2022 states:

In the pursuit of sustainable tourism development, the NTDP continues to adopt the cluster approach to support the development of the identified 20 tourism clusters comprising 49 Tourism Development Areas (TDAs).

### Examples of tourism clusters



(a) Health tourism cluster

(b) General cluster in Australia

<https://destinationhealthmag.co.uk/health-travel-clusters-aligning-objectives-and-measures-of-success>;  
[https://queenslandeconomywatch.files.wordpress.com/2013/09/cairns\\_cluster.png](https://queenslandeconomywatch.files.wordpress.com/2013/09/cairns_cluster.png), accessed 21 April 2020.

An added advantage of the cluster development approach, especially where SMEs are concerned, is that in bringing large and small enterprises into the same cluster, the natural distance between these players is eliminated, thereby providing an opportunity for them to get to know one another better and build trust relationships that ultimately release business follows between large and small operators.

Furthermore, in a closer relationship like this larger operators become more aware of the capacity development and other support needs of their smaller counterparts and can therefore respond by extending the needed support in a manner that enables them to closely monitor the impact of their support. Such actions can translate into much better targetted enterprise and supplier development initiatives.

In South Africa, clustering is active in various industries, including automotive, chemicals, plastics, textile and clothing, tooling, and winemaking, to name some examples. These clusters present powerful home-grown examples for the travel and tourism industry to learn from. A dedicated travel and tourism industry cluster initiative is well worth considering and, in Seeza's view, long overdue.

### **3. Action by enterprises / operators**

It stands to reason that the bulk of the actions needed to respond to the realities of the current business climate will be driven by enterprises and operators themselves, as they review their business models and seek new ways to strategically position themselves to operate in a post-coronavirus world. In this part of the discussion, we focus only on SME-oriented actions.

We have already discussed the critical importance of enterprises, large and small, adopting more collaborative rather than individualistic operating approaches going forward. Without this change in approach the law of the jungle, the survival of the fittest, will be the order of the day. In such an environment, we are likely to see a significant reversal of any gains made hitherto in terms of SME development. Concerns about the welfare of SMEs aside, continuation of individual action hereafter would be a singular demonstration of strategic myopia on the part of both the industry as a whole and individual operators therein.

This call for increased collaboration applies as much to SMEs as it does to larger industry players. This is the very ethos of a network such as Seeza. That said, here we focus on three key strategic issues facing travel and tourism SMEs, specifically.

#### **3.1 Review of pricing strategies**

In working with tourism SMEs under the banner of Seeza Tourism SME Network we have often been left with questions as to how competitive SMEs are in terms of their pricing. To be clear at the outset, we do not subscribe to and advocate the notion that SMEs must always be cheaper simply because they are SMEs.

Like all enterprises, SMEs need to be profitable if they are to enjoy growth and long-term sustainability.

However, it is also true that SMEs can strengthen their competitive edge against their larger counterparts, which are often encumbered by higher overheads that drive up their prices, by taking advantage of their relatively lower overhead burdens and pricing themselves more competitively. We have often wondered whether by pricing their offerings at similar levels as larger players SMEs aren't disadvantaging themselves and unnecessarily forgoing valuable business opportunities they could readily access.

As mentioned earlier, a general view was held by panellists in the SAT webinars that domestic travel and tourism will lead the recovery in the industry. The challenge is that South Africa's travel and tourism industry as a whole is rather too oriented towards inbound travel, to the detriment of domestic tourism.

A view has long been held by many that because of this, local offerings are priced beyond affordability for the local market, thereby dampening appetite for domestic travel. This situation lends itself perfectly to SMEs that can sharpen their pencils, so to speak, and offer affordable, demand-stimulating packages to the domestic market. The success of budget airlines offers a perfect example in this regard.

Following this approach, SMEs would make money from higher traveller volumes rather than high profit margins. This, in the network's view, remains an important question for SMEs themselves to ponder.

### **3.2 Enhanced market visibility**

Both during and after COVID-19 market visibility is a key issue for SMEs. In this area too, individual action is not likely to measure up to what is required to ensure success. Joint action is key.

SMEs need to be imaginative in devising ways and means to pool their resources and mount effective market visibility initiatives that position them front of mind in traveller decision-making. Through such a move, SMEs can position themselves smartly and beneficially within the domestic market, in particular.

This means positioning themselves to take the lead in the recovery of the domestic travel and tourism market cannot be based on a single action by SMEs, for example,

price adjustment as discussed above, but on a combination of smart and imaginative strategies, brilliantly executed. This is the approach Seeza seeks to encourage.

Enhancing the market visibility of SMEs, both domestically and internationally, is an area where we at Seeza Tourism SME Network believe an entity such as Jurni ([www.jurni.co.za](http://www.jurni.co.za)) could make the biggest contribution towards travel and tourism SME growth in South Africa. Our previous interactions with this entity have given us hope that at last SMEs will be assisted to enjoy enhanced market visibility in a consistent and sustainable manner, as a result of its operations.

While programmes that give SMEs an opportunity to exhibit at international shows, for instance, play an important role and should continue, but certainly with certain tweaks and adjustments, their drawback is that they tend to give SMEs only brief exposure to a particular market. This is not sufficient to enable SMEs to register a strong presence and sense of longevity in the minds of buyers, who may be left wondering about the SMEs' staying power if they are seen once or twice and gone thereafter. Jurni will hopefully alter this by giving SMEs ongoing market visibility.

Seeza Tourism SME Network applauds the establishment of Jurni and implores the entity to take deliberate and decisive steps to ensure enhanced and sustained market visibility for travel and tourism SMEs. However, additional visibility-enhancing initiatives are urgently needed.

### **3.3 Product development**

One of the most critical success factors for the industry beyond COVID-19 will be increased focus on product development, whether by individual operators or, preferably, through collaborative action. In the recent past South Africa has not seen much in terms of new products (packages and experiences) being brought to the market.

At Seeza Tourism SME Network we believe this is a critical gap that needs to be closed as a matter of urgency. As an SME-based network we believe that new product development presents strong opportunities for SMEs to effectively differentiate themselves from their larger counterparts and thereby significantly increase their market competitiveness both domestically and internationally.

For this reason, the network has focused sharply on developing new, SME-led tourism offerings and was very much looking forward to launching its recently developed

**DemocraSee™** packages at the 2020 WTM Africa in Cape Town. Alas, COVID-19 put paid to that! The network will continue its work in this area while at the same time pursuing various other business acquisition and sharing opportunities for the benefit of its SME members.

Furthermore, our network believes that for the country to witness any meaningful participation, particularly by black professionals, in the growing business events industry specifically, there is an urgent need for convention bureaus to broaden their focus beyond a narrow pursuit of offshore events. Local capacity to create and grow new business events needs to be nurtured. What matters is that the supported locally-developed event draws significant cross-border participation, thereby drawing much-needed business travel into the country, rather than that it originates from abroad.

In the context of a pursuit of recovery, we cannot afford to focus exclusively on bidding for offshore business events and neglect the development of homegrown ones that can, on the one hand, attract significant numbers of international participants and have the potential to become rotating regional events over time and, on the other hand, open up an entry opportunity for new black operators, in particular.

## **Conclusion**

Seeza Tourism SME Network hopes that the thinking and action around the envisaged industry recovery plan will take a hard look at how industry SMEs can be afforded a much better deal than before, building on all past efforts. Seeza believes that the proposals expounded in this article could go a long way in supporting the much-needed post-COVID-19 rebound in South Africa's travel and tourism industry, to the benefit of SMEs. We stand ready to partner and collaborate with all who share our quest for a more SME-inclusive travel and tourism industry in South Africa.

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