



Tourism Industry Survey of South Africa: COVID-19

Impact, Mitigation and the Future

APRIL 2020: SURVEY 1



tourism

Department:
Tourism
REPUBLIC OF SOUTH AFRICA



TBCSA
TOURISM BUSINESS COUNCIL OF SOUTH AFRICA



IFC

**International
Finance Corporation**
WORLD BANK GROUP

Foreword

Tourism is one of South Africa’s most important sectors. Last year we received 10.4 million international tourism trips and tourism saw a total injection of R273.2 billion into the South African economy in 2018.¹ Tourism supports 740,000 direct jobs and over 1.5 million jobs across the economy. The sector is the lifeblood for many micro and small enterprises, often the only economic activity in rural and remote areas, and creates employment opportunities for men, women and youth across the country. We are going through an unprecedented crisis, and there is urgent need to support our existing industry and plan for longer-term recovery.

This survey is a collaboration between IFC, Department of Tourism, and TBCSA and all its member associations. It aims to quantify the extent of the impact of COVID-19, how effective the support has been, and what kind of help is still required. We will survey the industry three times in total over the next 12 months to track progress.

The key findings have been published on the partner’s platforms and shared widely with key decision-makers in government, financial institutions and development partners. We hope these insights can inform the effective design of policy and support to your business.

Thank you to the 1610 respondents who took the time to complete the survey, your contribution to the recovery of our sector is much appreciated.

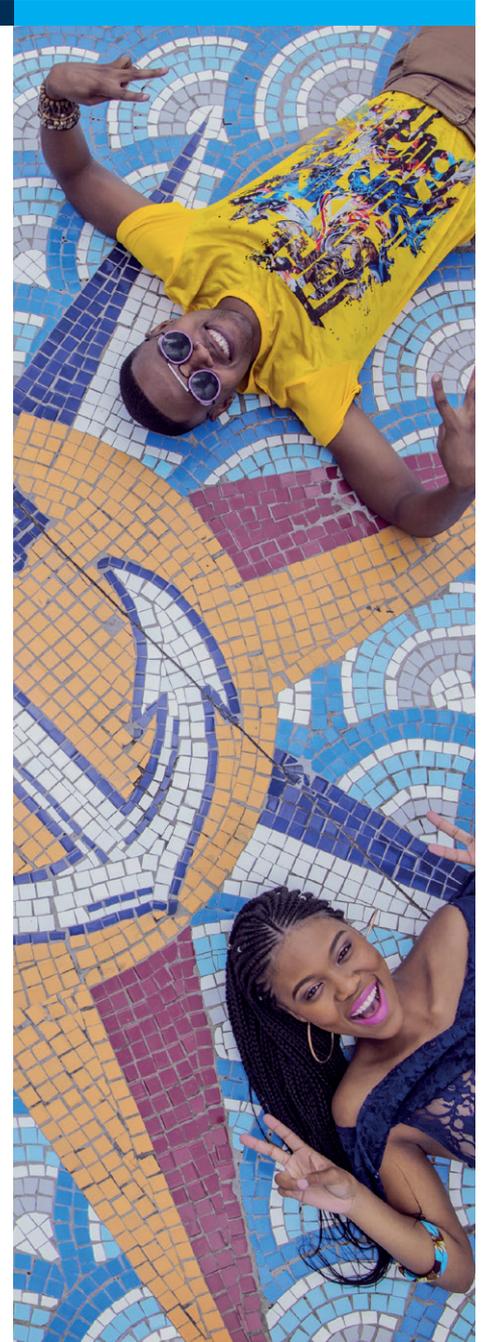


Blacky Komani
Board Chairman, TBCSA

¹ StatsSA Tourism Satellite Account 2019.

Highlights

- 99% of responding firms are affected by COVID-19.
- 64% feel neutral or positively believe their business will survive to take part in the recovery.
- 83% of firms report revenues in March 2020 are down more than 50% compared to March 2019, and 34% of firms say revenues are 100% less.
- 58% of firms were unable to service their debts and 54% of firms were unable to cover fixed costs in March 2020.
- Firms so far report having managed their workforce in different ways, with most favoring reduced wages over furlough or redundancies. 50% of firms have reduced wages for more than 50% of staff, and 36% of firms have reduced wages for all staff. 11% of firms have made more than 50% of their workforce redundant, and 53% have not made any redundancies.
- A greater proportion (75%) of medium businesses have reduced wages than small businesses, and a greater proportion (31%) of small businesses have applied redundancies.
- The most commonly applied mitigation measures by businesses are temporary closure at 69%, supporting deferment instead of cancellation at 60%, and significant downscaling at 58%.
- All businesses prioritized the need for financial support for cashflow, financial support for recovery, and tax relief.
- Micro firms claim cashflow is their first priority, small firms prioritize financial support for recovery, and both medium and large firms prioritized tax relief.
- The support facilities with the most respondent awareness are the UIF scheme and the Tourism Relief Fund of the Department of Tourism. There has been strong uptake for all facilities, but success rates in these early days are uniformly low.



Respondent Profile Summary

- 1610 total respondents.
- 50% operate in the Western Cape, the remainder across the country.
- 66% are micro with 1 - 10 employees.
- 52% have annual turnover of R0 - 3m.
- 46% are accommodation providers, 20% are tour operators, and the rest split between activity providers, Meetings, Incentives, Conventions and Exhibitions (MICE), conservancy-related, community-based, transport and other.
- 62% of firms are 10 years or older.

Results

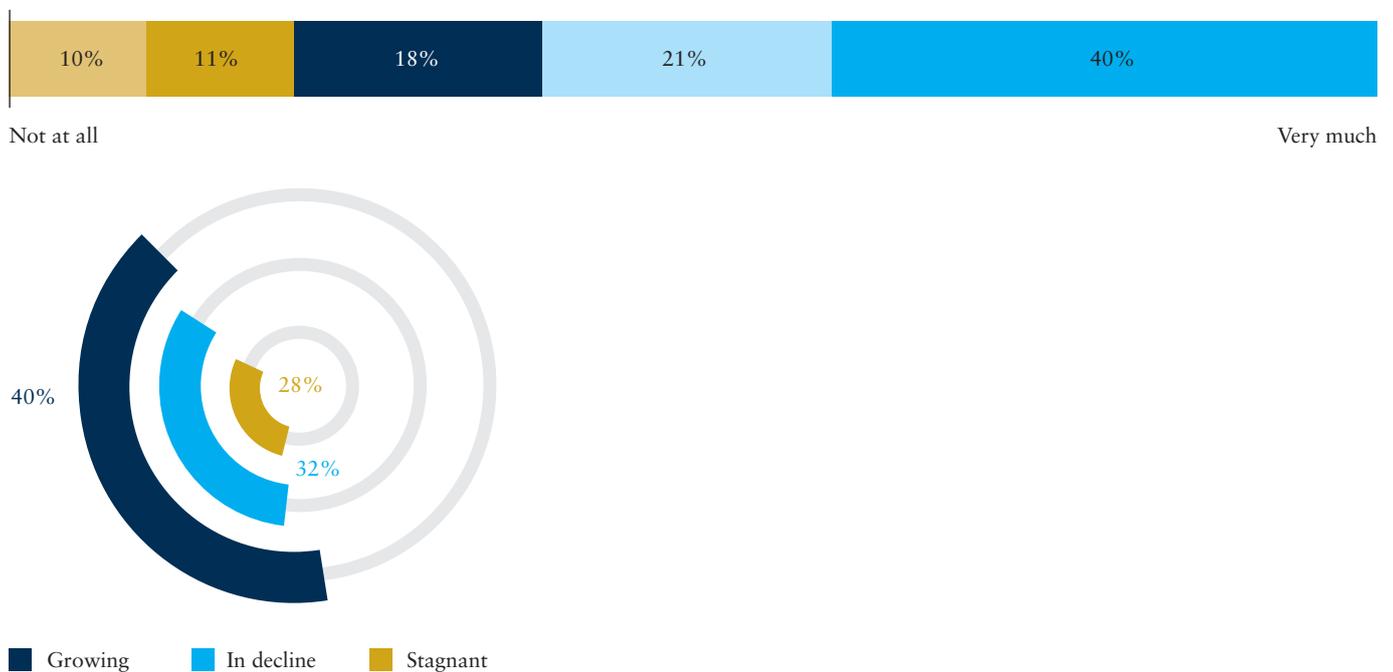
Overview

Before COVID-19, in February 2020, the performance and optimism around the South African tourism economy was relatively positive. 40% of responding firms claim they were growing, with a further 32% performing at a constant level. Most firms felt either neutral or positive about the future of their business and tourism in South Africa.

After the first 6 weeks of feeling the impact of COVID-19, 99% of firms claim to be affected by the pandemic. Only 23% feel neutral or optimistic about the future.

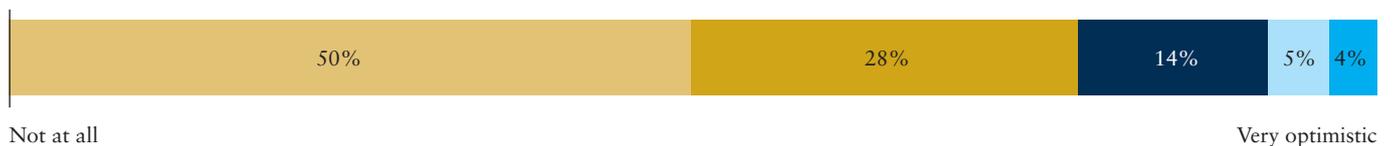
BEFORE COVID-19

79% felt neutral or optimistic about their business and the future of tourism in SA.



NOW IN APRIL 2020

23% feel neutral or optimistic about their business and the future of tourism in SA.



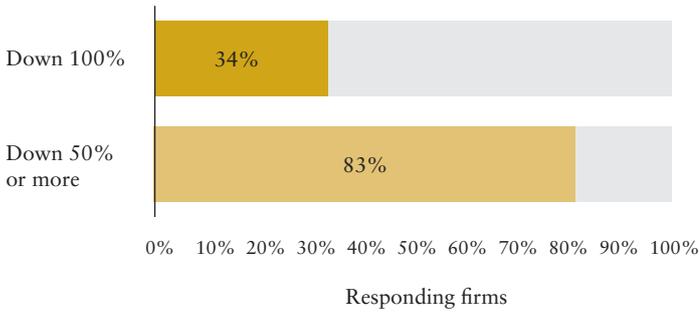
64% feel neutral or positively believe their business will survive to take part in the recovery.



Business impact of COVID-19

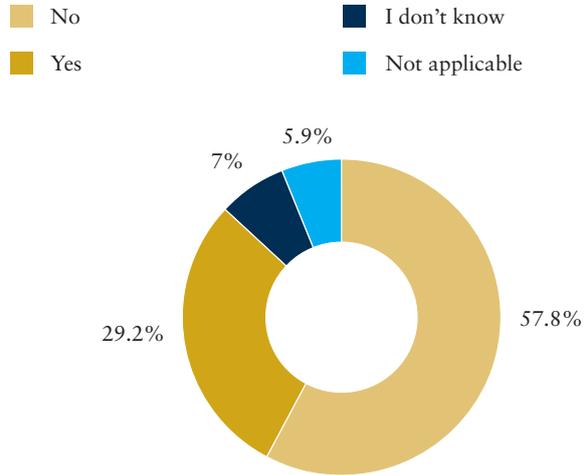
REVENUE

83% of firms report revenues in March 2020 are down more than 50% compared to March 2019, and 34% of firms say revenues are 100% less.



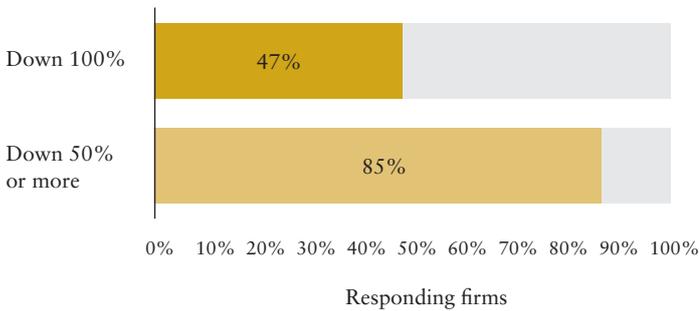
DEBT SERVICE

58% of firms were unable to service their debts in March 2020.



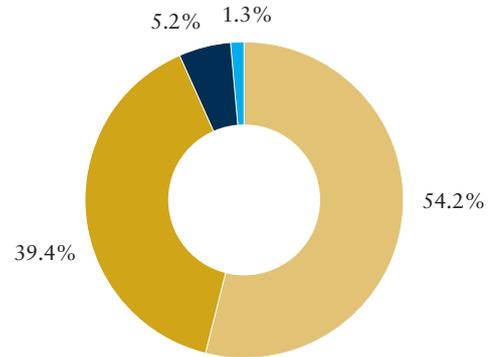
OCCUPANCY/CUSTOMER USE

85% of firms state occupancy in March 2020 is down more than 50% compared to March 2019, and 47% say occupancies are 100% less.



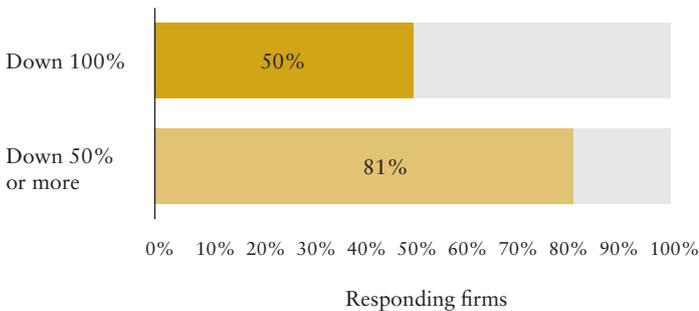
FIXED COSTS

54% of firms were unable to cover fixed costs in March 2020.



FORWARD BOOKINGS

81% of firms report forward bookings held in March 2020 are at least 50% less than bookings held in March 2019, and 36% hold 100% fewer bookings.



Business impact: Insights

SIZE OF FIRM

Micro and small firms are slightly more affected in terms of loss of revenue, but all sizes are suffering.

| | Micro | Small | Medium | Large | Total |
|---|-------|-------|--------|-------|-------|
| % of firms with more than 50% revenue decline | 83% | 83% | 76% | 80% | 83% |
| Average (mean) percentage revenue decline in March 2019, compared to March 2020 | -72% | -70% | -63% | -62% | -71% |

SUB-SECTOR

Enterprises in conservancies, MICE and activity providers have seen the most dramatic loss in revenue, with the accommodation sector seeing the least decline. Conservancies are the worst affected in holding any forward bookings, followed by transport, and accommodation. Tour operators have so far held the most of their forward bookings.

| | Accommodation | Activity/ experience | Community- based | Conservancy/ protected area | MICE | Tour operator | Transport | Other | Total |
|---|---------------|-------------------------|---------------------|--------------------------------|------|------------------|-----------|-------|-------|
| Average (mean) percentage revenue decline March 2019, compared to March 2020 | -66% | -80% | -76% | -87% | -83% | -74% | -69% | -73% | -71% |
| Average (mean) forward bookings decline in March 2019, compared to March 2020 | -72% | -71% | -83% | -73% | -70% | -66% | -73% | -69% | -70% |

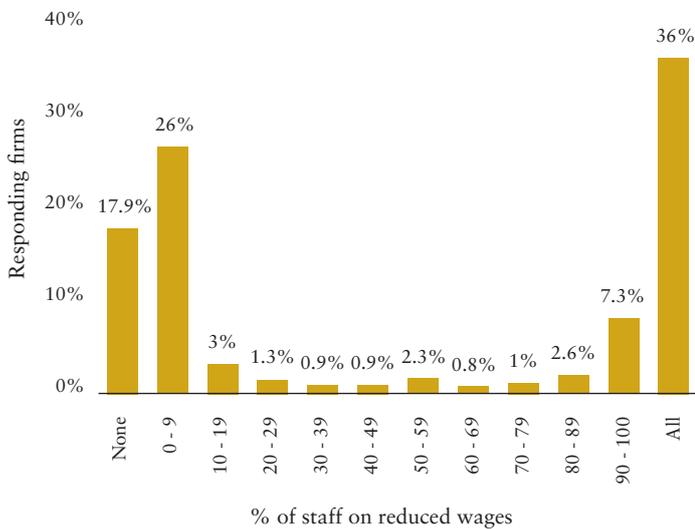
Mitigation measures

Employment measures

Firms so far report having managed their workforce in different ways, with most favoring reduced wages over furlough or redundancies. Most firms have directed their attentions to either 'all' or just ten percent of the workforce.

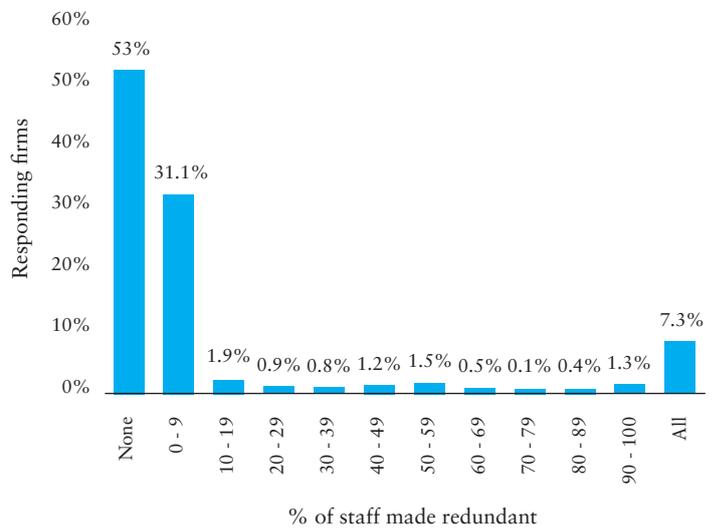
REDUCED WAGES

50% of firms have reduced wages for more than 50% of staff, and 36% of firms have reduced wages for all staff. 18%, however, have not reduced wages at all.



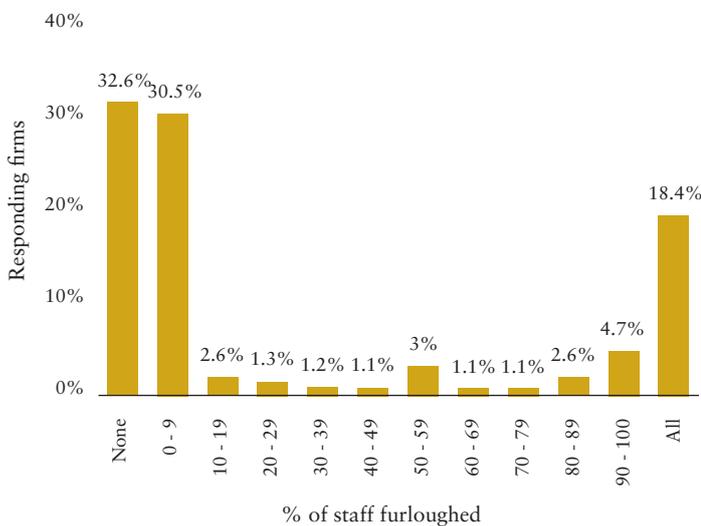
REDUNDANCIES

11% of firms have made more than 50% of staff redundant, and 7% of firms made all staff redundant. 53%, however, have not made any redundancies.



FURLOUGHED STAFF

32% of firms have furloughed more than 50% of staff, and 18% of firms have furloughed all staff. 33% have not put any staff on furlough.



Mitigation measures: Employment measures insights

SIZE OF FIRM

The table below shows the percentage of each size of firm that has introduced these measures to more than 50% of staff. Proportionally, the workforce of small and medium business has been more impacted by these measures than the workforces of micro and large. A greater proportion of medium businesses have reduced wages than small businesses, and a greater proportion of small businesses have applied redundancies.

| | Micro | Small | Medium | Large | Total |
|------------------|-------|-------|--------|-------|-------|
| Reduced wages | 42% | 64% | 75% | 61% | 50% |
| Furloughed staff | 27% | 38% | 38% | 26% | 32% |
| Redundancies | 11% | 31% | 12% | 4% | 11% |

SUB-SECTOR

The table below shows the percentage of each type of firm that has introduced these measures to more than 50% of staff. Proportionally, the MICE and conservancy sub-sectors have been most active in reducing staff wages, tour operators and transport are the sub-sectors that have put proportionally more of their staff on furlough, and activity/experience providers and community-based enterprises are the leading sub-sectors in terms of making more than half their staff redundant.

| | Accommodation | Activity/ experience | Community- based | Conservancy/ protected area | MICE | Tour operator | Transport | Other | Total |
|------------------|---------------|-------------------------|---------------------|--------------------------------|------|------------------|-----------|-------|-------|
| Reduced wages | 52% | 37% | 13% | 77% | 57% | 52% | 47% | 50% | 50% |
| Furloughed staff | 34% | 25% | 25% | 27% | 27% | 36% | 36% | 25% | 32% |
| Redundancies | 9% | 17% | 50% | 14% | 9% | 15% | 9% | 10% | 11% |

Mitigation measures: Other measures

Firms have put in place a variety of measures to help mitigate against the impacts on their business. The most commonly applied measures are temporary closure at 69%, supporting deferment of bookings instead of cancellation at 60%, and significant downscaling at 58%. 54% of respondents have awarded refunds, affecting revenues, and 51% have canceled planned investments or upgrades which will have consequences for other areas of the economy. On the more positive side, only 28% have lowered prices, 25% have already borrowed capital, and 17% are investing in upskilling staff. 53% of responding firms are not, so far, considering permanent closure.

| | Already done | Considering | Not considering | Not applicable | I don't know |
|---|--------------|-------------|-----------------|----------------|--------------|
| Introduced vouchers | 18% | 23% | 18% | 33% | 8% |
| Introduced alternative products | 13% | 29% | 11% | 42% | 5% |
| Amended cancellations/ refund policies | 53% | 18% | 8% | 19% | 2% |
| Supported deferment instead of cancellation | 60% | 16% | 5% | 16% | 3% |
| Provided refunds | 54% | 13% | 11% | 19% | 3% |
| Offered lower prices | 28% | 29% | 19% | 21% | 2% |
| Adjusted marketing strategies | 36% | 45% | 5% | 12% | 3% |
| Borrowed capital from bank, family/friends, other | 25% | 36% | 24% | 12% | 3% |
| Upskilling staff through online courses and webinars | 17% | 23% | 22% | 36% | 2% |
| Investing in renovations, upgrades or business improvements | 13% | 19% | 46% | 21% | 1% |
| Canceled planned upgrades, expansions or improvements | 51% | 15% | 11% | 22% | 1% |
| Significant downscaling | 58% | 17% | 8% | 15% | 2% |
| Temporary closure | 69% | 10% | 14% | 6% | 2% |
| Permanent closure | 2% | 26% | 53% | 9% | 9% |

Mitigation measures: ‘Other measures’ insights

SIZE OF FIRM

Large and medium sized firms have been proportionally more active in amending refund and cancellation policies, supporting deferred travel and upskilling staff. Smaller firms have managed to more effectively maintain prices than larger firms, have downscaled less, and are investing proportionally more in business upgrades or improvements. Smaller businesses also report fewer temporary and permanent closures than larger businesses. 65% of larger firms have canceled planned investments or upgrades, much more so than other sizes of firm, and have proportionally closed more of their operations permanently

| | Micro | Small | Medium | Large | Total |
|---|-------|-------|--------|-------|-------|
| Introduced vouchers | 14% | 23% | 31% | 33% | 18% |
| Introduced alternative products | 10% | 19% | 17% | 26% | 13% |
| Amended cancellations/ refund policies | 48% | 61% | 67% | 86% | 53% |
| Supported deferment instead of cancellation | 54% | 71% | 73% | 82% | 60% |
| Provided refunds | 51% | 58% | 60% | 67% | 54% |
| Offered lower prices | 24% | 29% | 44% | 56% | 28% |
| Adjusted marketing strategies | 30% | 42% | 58% | 60% | 36% |
| Borrowed capital from bank, family/friends, other | 24% | 30% | 19% | 26% | 25% |
| Upskilling staff through online courses and webinars | 15% | 16% | 27% | 30% | 17% |
| Investing in renovations, upgrades or business improvements | 15% | 10% | 9% | 11% | 13% |
| Canceled planned upgrades, expansions or improvements | 47% | 58% | 61% | 65% | 51% |
| Significant downscaling | 53% | 70% | 73% | 75% | 59% |
| Temporary closure | 65% | 75% | 77% | 79% | 69% |
| Permanent closure | 2% | 2% | 2% | 5% | 2% |

SUB-SECTOR

- The accommodation sub-sector is the group to have issued the most refunds at 64% and lowered prices the most at 36%. It is also the sub-segment with the most temporary closures at 82% compared to all firms at 69%.
- Activity and experience providers have seen the largest amount of permanent closures at 4%, with a further 24% considering it.
- Community-based enterprises have implemented proportionally the fewest measures across the board, and they are also the lowest in terms of temporary closures (at only 38%), possibly reflecting their lower market dependence and debt exposure. At 13% they have borrowed the least capital.
- Conservancies, reserves or enterprises in protected areas are the largest sub-sector to have borrowed at 36% and are the largest group to have canceled planned upgrades at 77%.
- The MICE sector has most strongly supported deferment instead of cancellation at 73% and invested the most in upskilling staff at 38%.
- Just 20% of tour operators have borrowed capital (compared to all firms at 25%), and 35% are considering it.
- Transport is proportionally the largest sub-sector to have downscaled (66% of the sub-sector) and lowered prices – at 36%.



| | Accommodation | Activity/ experience | Community- based | Conservancy/ protected area | MICE | Tour operator | Transport | Other | Total |
|--|---------------|-------------------------|---------------------|--------------------------------|------|------------------|-----------|-------|-------|
| Introduced vouchers | 20% | 12% | 0% | 14% | 5% | 22% | 19% | 15% | 18% |
| Introduced alternative products | 9% | 10% | 13% | 27% | 31% | 13% | 23% | 17% | 13% |
| Amended cancellations/ refund policies | 61% | 40% | 38% | 41% | 51% | 57% | 56% | 35% | 53% |
| Supported deferment instead of cancellation | 64% | 48% | 0% | 55% | 73% | 68% | 54% | 45% | 60% |
| Provided refunds | 64% | 37% | 25% | 50% | 45% | 56% | 51% | 35% | 54% |
| Offered lower prices | 36% | 19% | 0% | 18% | 29% | 21% | 36% | 16% | 28% |
| Adjusted marketing strategies | 37% | 29% | 25% | 50% | 53% | 29% | 37% | 37% | 36% |
| Borrowed capital from bank, family/friends, other | 29% | 29% | 13% | 36% | 23% | 20% | 26% | 16% | 25% |
| Upskilling staff through online courses and webinars | 9% | 17% | 13% | 18% | 38% | 23% | 17% | 28% | 17% |
| Investing in renovations, upgrades or business improvements | 18% | 13% | 0% | 5% | 7% | 9% | 6% | 9% | 13% |
| Canceled planned upgrades, expansions or improvements | 56% | 47% | 13% | 77% | 55% | 45% | 43% | 45% | 51% |
| Significant downscaling | 65% | 52% | 25% | 64% | 52% | 54% | 66% | 50% | 59% |
| Temporary closure | 82% | 63% | 38% | 64% | 64% | 54% | 54% | 56% | 69% |
| Permanent closure | 2% | 4% | 0% | 0% | 1% | 2% | 1% | 2% | 2% |

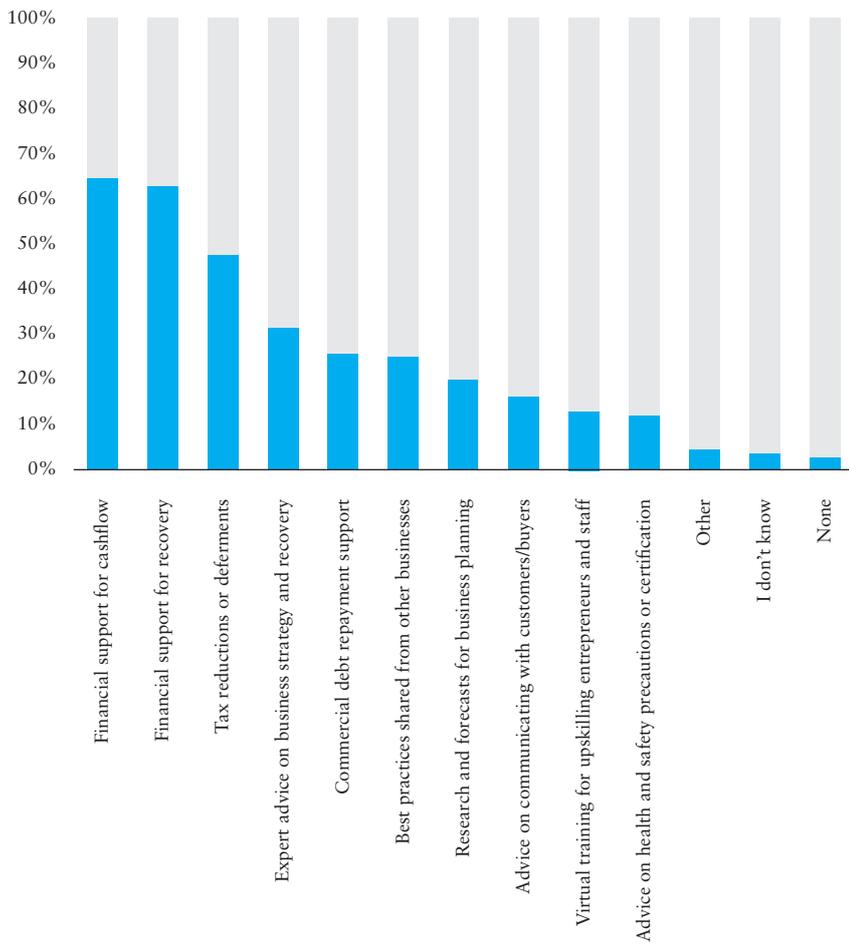
Support measures

Responding firms indicated their awareness and uptake of the following supporting mechanisms. The facilities with the most awareness are the UIF scheme and the Tourism Relief Fund of the Department of Tourism. Known eligibility is highest for the UIF scheme and the SARS tax subsidy, and there has been strong uptake for all facilities, with IDC and SARS having the least applications. Success rates in these early days are uniformly low.

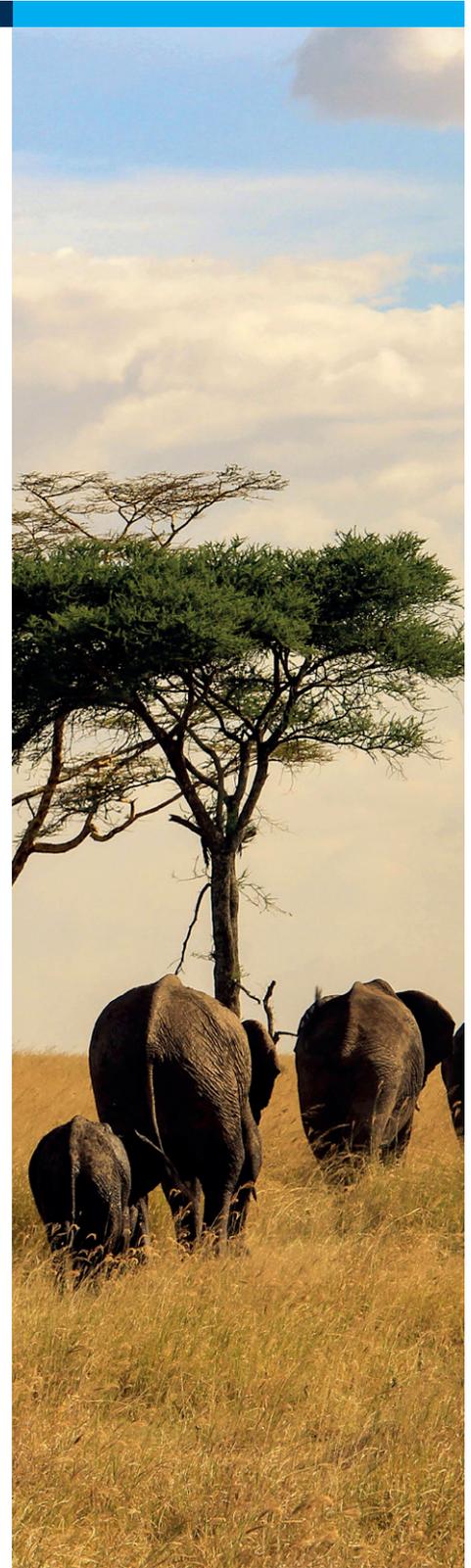
| | Aware | Of those aware, know eligible | Of those know eligible, applied | Of those applied, successful | Of those applied, perceive value |
|-----------------------------------|-------|-------------------------------|---------------------------------|------------------------------|----------------------------------|
| SMME Relief Fund | 30% | 53% | 68% | 1% | 1% |
| IDC Corporate Plan | 19% | 19% | 37% | 9% | 6% |
| Department of Tourism Relief Fund | 84% | 39% | 60% | 2% | 2% |
| UIF scheme | 96% | 67% | 69% | 5% | 3% |
| SARS tax subsidy | 63% | 49% | 35% | 12% | 7% |
| Solidarity fund | 69% | 23% | 48% | 1% | 1% |
| SA Future Trust | 20% | 42% | 55% | 14% | 8% |

Needs

Firms selected their top five outstanding needs. The five most repeated needs from all firms in April 2020 are: liquidity (cashflow), financial support for recovery, tax relief, expert advice on business recovery, and support in debt repayments.



‘Other requests’² for support include: ‘more customers’, ‘support for freelance guides’, ‘national marketing to support recovery’, ‘permits for animal culling to support sales of meat as alternative revenue’, ‘terminate lock down and open the borders’, ‘equality throughout, not schemes that only privilege certain groups’, ‘solutions that do not encourage business to take out debt’, ‘better service and value for money in South African tourism’.



² These are not verbatim to protect identities of respondents.

Needs: Insights

SIZE OF FIRM

The graphic below shows the percentage of each size of firm that identified a particular need. For example, 18% of all micro firms require advice on communicating with customers. Results show that all sizes of firm prioritize financial support for cash-flow and recovery and tax relief. Micro firms claim cashflow is their first priority, small firms prioritize financial support for recovery, and both medium and large firms prioritized tax relief. Out of all the firms, small firms were the highest supporters of the need for financial assistance in all forms. Medium sized firms were the highest supporters of research for business planning and best practices from other businesses, indicating that they are starting to look forward and lack the tools to do so.

| | Micro | Small | Medium | Large | Total |
|--|-------|-------|--------|-------|-------|
| Advice on communicating with customers | 18% | 15% | 17% | 12% | 17% |
| Advice on health and safety | 12% | 10% | 13% | 25% | 13% |
| Financial support for cashflow | 64% | 69% | 67% | 54% | 66% |
| Financial support for recovery | 62% | 72% | 52% | 44% | 63% |
| Tax relief | 42% | 57% | 64% | 54% | 47% |
| Commercial debt repayment support | 22% | 34% | 27% | 32% | 25% |
| Research/forecasts for business planning | 20% | 18% | 27% | 23% | 20% |
| Best practices from other business | 22% | 27% | 37% | 26% | 25% |
| Expert advice on business recovery | 33% | 32% | 29% | 19% | 32% |
| Virtual training for upskilling | 14% | 12% | 12% | 11% | 13% |

SUB-SECTOR

The graphic below shows the percentage of firm-type that identified a particular need. For example, 16% of all accommodation firms require advice on communicating with customers. All sub-segments follow similar patterns to each other, indicating that there are few specific needs relevant to specific sub-sectors. All require financial support as first priority – particularly the community-based enterprises and businesses in conservancies. Community-based enterprises have also indicated a higher than average need for advice on communicating with customers, and health and safety.

| | Accommodation | Activity/ experience | Community- based | Conservancy/ protected area | MICE | Tour operator | Transport | Other | Total |
|---|---------------|-------------------------|---------------------|--------------------------------|------|------------------|-----------|-------|-------|
| Advice on communicating with customers | 16% | 19% | 38% | 14% | 13% | 18% | 14% | 18% | 17% |
| Advice on health and safety | 19% | 7% | 38% | 9% | 10% | 5% | 9% | 6% | 13% |
| Financial support for cashflow | 67% | 64% | 75% | 72% | 66% | 63% | 60% | 61% | 66% |
| Financial support for recovery | 63% | 68% | 75% | 59% | 62% | 63% | 63% | 57% | 63% |
| Tax relief | 46% | 52% | 0% | 50% | 45% | 48% | 60% | 43% | 47% |
| Commercial debt repayment support | 25% | 23% | 0% | 50% | 22% | 29% | 37% | 17% | 25% |
| Research/ forecasts for business planning | 18% | 28% | 25% | 18% | 25% | 22% | 23% | 22% | 20% |
| Best practices from other business | 24% | 18% | 0% | 23% | 27% | 29% | 26% | 22% | 25% |
| Expert advice on business recovery | 34% | 29% | 38% | 18% | 31% | 33% | 31% | 28% | 32% |
| Virtual training for upskilling | 12% | 15% | 13% | 14% | 18% | 14% | 13% | 16% | 13% |

Survey details

Methodology

Our survey sample is made up of a wide spectrum of tourism businesses across South Africa. The survey was distributed through the networks of the Department of Tourism, and the Tourism Business Council of South Africa and all its member associations.

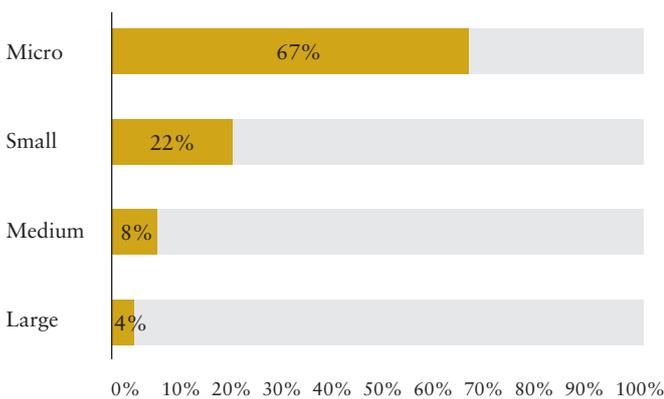
The questionnaire was sent out on Saturday, 11th April 2020 and closed on Thursday, 16th April 2020. The questionnaire was distributed electronically by email. It had five sections: general profile questions (which provide a breakdown of the type of responding businesses); questions on the business impact of COVID-19; questions on the business's response; the support measures available; and outstanding needs of the businesses.

Profile of responding businesses

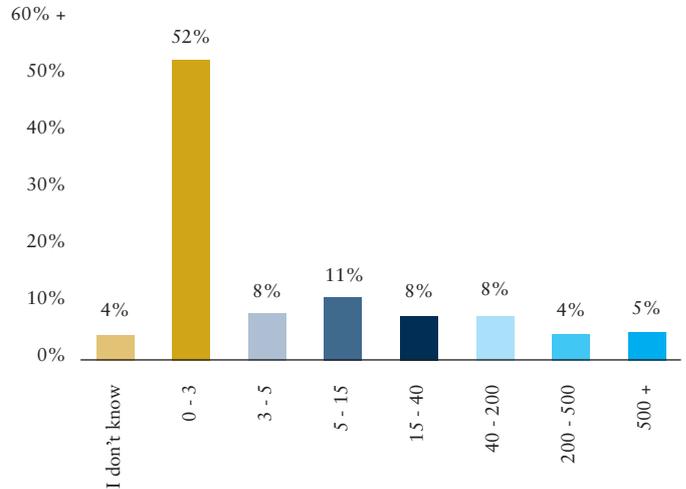
The survey yielded 1610 responses. 20 were discounted from the analysis, those who did not indicate their number of employees (10 micro businesses) and those who responded 'no' to whether they were affected by COVID-19 (10 MICE businesses).

The profile of respondents can be seen below:

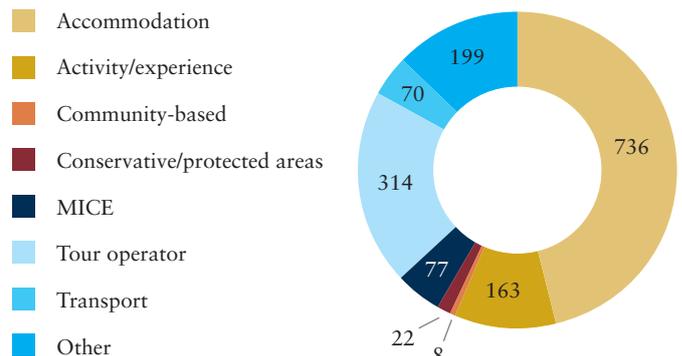
SIZE OF FIRM BY NUMBER OF EMPLOYEES³



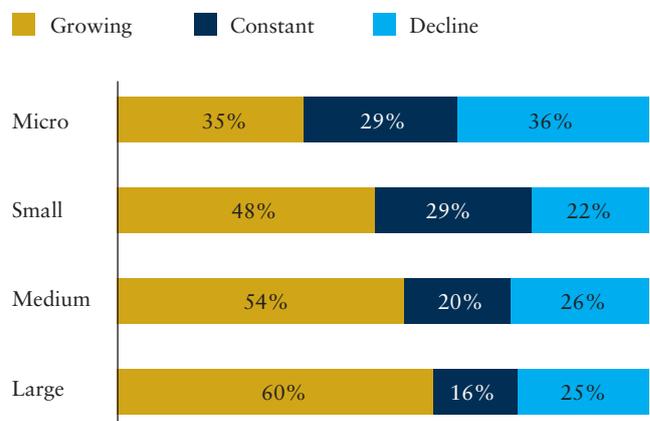
TURNOVER IN RANDS (MN)



TYPE OF FIRM

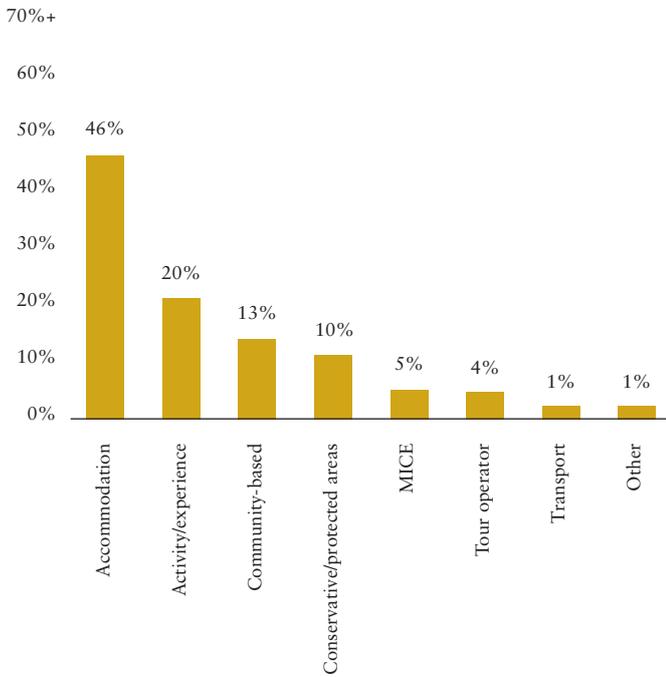


PERFORMANCE OF FIRM BY SIZE (FEBRUARY 2020)

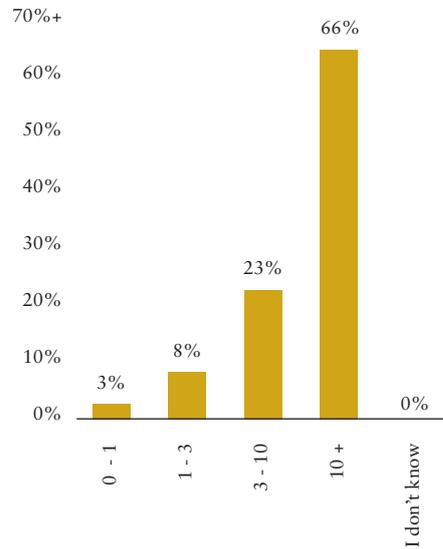


³ Size has been determined by number of employees. 1 - 10 = micro; 11 - 50 = small; 51 - 250 = medium; 251 + = large.

FIRM TYPE BY PRIMARY PRODUCT OR SERVICE

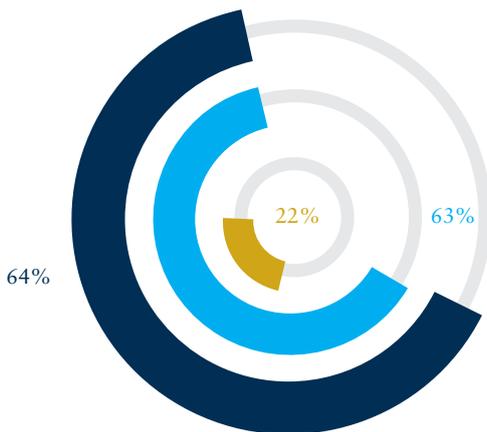


AGE OF BUSINESS IN FEBRUARY 2020



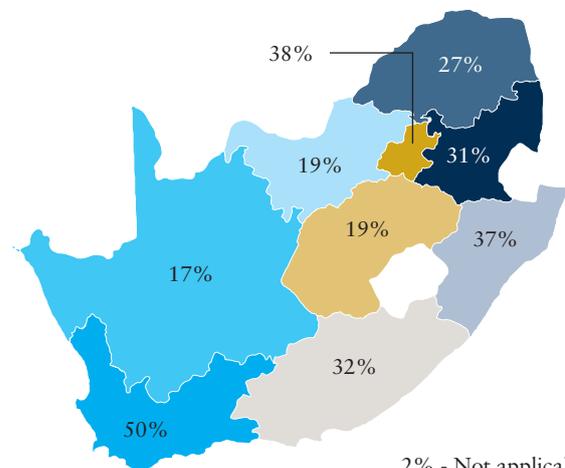
PRIMARY MARKET

■ International
 ■ Domestic
 ■ Africa region



PROVINCE(S) OF OPERATIONS

■ Eastern Cape
 ■ Mpumalanga
■ Free State
 ■ North West
■ Gauteng
 ■ Northern Cape
■ KwaZulu-Natal
 ■ Western Cape
■ Limpopo



2% - Not applicable



tourism

Department:
Tourism
REPUBLIC OF SOUTH AFRICA

