

CHAPTER 5

BARRIERS AND CONSTRAINTS TO ENTREPRENEURSHIP IN TOURISM

5.1 INTRODUCTION

Rogerson (2000:1) argues that the neglect of SMME's in tourism studies is surprising in view of the emphasis that is placed in the White Paper on the Development and Promotion of Tourism in South Africa (1996) (DEAT, 1996c:16) upon the "entrepreneurial opportunities" that are associated with "responsible tourism" in South Africa.

SMME's are not only essential to South Africa's growing economy but also increasingly important providers of employment and essential players in the upliftment of poorer communities. However, small tourism businesses struggle to effectively penetrate the market (Viljoen, 2002b:4).

This chapter investigates the problems, barriers and constraints to tourism entrepreneurs. The problems, barriers and constraints are discussed and analysed under various headings where the researcher interprets it suitable to fit best.

5.2 ECONOMIC RELATED CONSTRAINTS

5.2.1 The economic climate in South Africa

Not all the foreign exchange earnings that are generated by tourism remains in a country (Bennett, 2000:362). When goods and services are imported to serve tourist needs, leakage occurs. Forms of leakage that occur include:

- The cost of goods and services that have to be imported to satisfy tourist needs;

- Importation of goods and materials for the infrastructure and buildings required for tourism development;
- Payment of interest, rent or profit on foreign capital invested in the country's tourism plant;
- Direct expenditure on promotion, publicity and other services purchased when promoting the country abroad;
- Transfer pricing, particularly in the case of multinational firms where payments are recorded in the country of tourist origin rather than in the destination country, thereby reducing profits and taxes in the destination country; and
- Exemption of duties or taxes by the host Government on foreign-owned firms or promotion of financial inducements to attract foreign investment.

Rogerson (2000:7) argues that the relative neglect of the informal tourism economy often leads to tourism planners to view the informal sector as a nuisance. Lessons from international experience are that informal tourism activities should not be seen as "aberrant activities" that will disappear with modernisation.

If considered from a political economy perspective, it is suggested that across the developing world the majority of local people will participate in tourism either "through wage employment or small, petty, retail and artisan enterprises" (Britton, 1982:355). Although this group of tourism SMME's would be highly differentiated, they would share on common attribute, namely that their growth potential is seen as severely limited (Rogerson, 2000:5).

Tourists are affected by the price of foreign currency. If a currency devalues in a foreign country, international tourism becomes "less expensive" and results in increased travel flows to that country. Conversely, an increase in the value of a country's currency will make international tourism "more expensive" and may

cause decreased travel to that country. Therefore, exchange rates have a significant effect on the extent of international travel (Uysal, 1998:89).

Moodie (2002:7) states that rising food, transport, housing and education costs are squeezing discretionary spending. Statistics South Africa's figures show that inflation rose in March 2002 for the fifth consecutive month. As Peter Bacon, Managing Director of Sun International supports: "I think the tourism industry is without any doubt feeling the effects of inflationary pressures".

However, only a few studies have been done on the contribution to economic activity and the job creation function of SMME's. A problem with many of the studies is that findings are based on official Government data as supplied by Statistics South Africa, while very little is known about the composition of SMME's in villages, townships and cities (Peter, Mallane and Frankel, 2001:2).

5.2.2 The status of employment in South Africa

Employment opportunities in general

The latest figures from Statistics South Africa show that there are roughly 7,7 million people unemployed in the country. It is therefore estimated that 2,5 million people are unemployed in Gauteng only. The Gauteng province relies on the 11 "Blue IQ" projects to create employment. However, it is estimated that only 25 000 new employment opportunities per year will be created by these projects (Van der Kooy, 2002:48).

Driver, *et al* (2001:5) argue that a small proportion of entrepreneurs accounts for most of the job creation by new firms. Only 5 percent of new firm entrepreneurs intend to create more than 20 jobs over the next 5 years, and will account for half of the job creation by new firm entrepreneurs. Necessity entrepreneurship tends to be a response to poverty. While it is important as a means of survival, it is unlikely to relieve poverty on the scale required in South Africa or to act as a driving force in the economy.

Employment opportunities in tourism

Lea (1997:169) argues that the effect of tourist expenditure on employment generation is widely discussed in the economic literature, but is limited to answer questions such as:

- The skills required, and the returns and benefits expected;
- The geographical distribution of employment;
- The overall contribution to national, regional and local economies; and
- The future significance of the travel industry as an employment generator.

Three types of employment are generally recognised namely:

- Direct employment from expenditure on tourism facilities like hotels;
- Indirect employment in businesses affected by tourism in a secondary way like local transport and handicraft; and
- Induced employment arising from the spending of money by local residents from their tourist incomes.

Among the Southern African Development Community (SADC) countries, Tanzania is the largest producer of travel and tourism employment at 818 000 jobs. Second is Mozambique with 678 000 jobs and third is South Africa with 648 000 jobs (WTTC, 1999:18).

As Nkosi (Dampier, 2002a:69) states: "The tourism industry has failed to live up to expectations, mainly due to the focus on upmarket international tourists to the exclusion of domestic tourism initiatives. This has resulted in limited job creation restricted to attractive tourist destinations like the Kruger National Park and the Victoria and Alfred Waterfront. There has also been limited empowerment participation in these developments. The reduction of

international tourist arrivals after the 11 September 2001 attacks (USA) highlights the vulnerability of tourism income if based on international tourists".

5.3 CONSTRAINTS RELATED TO THE GOVERNMENT

5.3.1 Perceptions about South and Southern Africa

In his Address to the Joint Sitting of the National Assembly and the National Council of Provinces on the New Partnership for Africa's Development (NEPAD), President Thabo Mbeki pointed out that one of the challenges we need to address is the negative perception amongst investors who perceives "Africa as a high-risk area" (Sibuyi, 2002:5).

Sikhakhane (2002:10) claims that the situation in Zimbabwe affects the stability of the entire Southern African region. "It requires attention for if not confined to better tactics and strategies, it has the potential to blemish the legacy of anti-colonial struggles and the credibility and capacity of the post-colonial state to govern without turmoil". Mamoepa (2002:11) supports it by stating: "The deteriorating situation in Zimbabwe is having a negative effect on the region and on South Africa in particular".

Mfuno (Muller, 2002:12) argues that foreigners often have limited geographical knowledge. If foreigners (especially North Americans) hear about political conflict in Zimbabwe or war in the Democratic Republic of the Congo, they tend to rather avoid the complete Southern African region.

The main drawback is that for all its relative stability, South Africa can suffer fallout by association with problems elsewhere on the African continent.

5.3.2 Government policies

South African Government policies

Driver, *et al* (2001:46) identify a number of Government policies as an inhibitor of entrepreneurial activity in South Africa, which are:

- The administrative burden of compliance is high for small firms;
- Labour legislation is particularly difficult for small firms;
- The immigration policy is too restrictive; and
- Affirmative procurement.

Problems with Government programmes include:

- Objectives are too broad and over-ambitious;
- Government programmes are difficult to implement; and
- Programmes are poorly marketed.

Tourism related policies

Hall (2000:19) states that tourism is difficult to define because of its particular service and structural characteristics. Tourism is consequently beset by problems of analysis, monitoring, co-ordination and policy-making. Moreover, analysis of tourism public policy and planning (Hall and Jenkins, 1995) has been a low priority, with the tourism industry and Governments at all levels more often concerned with promotion and short-term returns than strategic investment and sustainability. The major proportion of tourism industry and even Government tourism agency research focus on understanding the market and the means by which potential consumers can be persuaded to buy tourism products. According to Hall and Jenkins (1998) an understanding of the following are minimal:

- **Policy** The dynamics of the tourism destination system in terms of the most appropriate set of supply-side linkages to maximize the returns from visitor expenditure;
- **Urban** The long-term effects of tourism on the socio-cultural and physical environment; and
- **Jobs** The relationship of tourism to other industries.

The complex nature of the tourism industry and the often poorly defined linkages between its components are major barriers to the integrative strategic planning which is a prerequisite for sustainable development. Tourism development is often fragmented and poorly coordinated (Hall and Jenkins, 1995). The poor record of synchronization of policy and practice therefore appears to be one of the major impediments to attainment of sustainable development objectives (Hall, 2000:34).

5.3.3 The Government and Infrastructure

The National Environmental Management Act (NEMA) (No. 107 of 1998) as a framework piece of legislation in South Africa does not provide a detailed regulatory framework for the management of the country's biological diversity and management of coastal resources. It also does not provide any legal framework for waste and pollution management, or air quality protection (DEAT, 2002a:66).

NEMA requires Government departments that have an environmental impact or function to prepare EMP's, EIP's, or both. The same applies to the provinces. The purpose of these plans is to coordinate the environmental policies, programmes, functions and decisions of departments and provinces. During the past year, the CEC has evaluated the EMP's and EIP's of all national departments, as well as those of all provinces. Numerous gaps have been identified relating to the roles, responsibilities, processes, structures and mechanisms to facilitate co-operative governance within certain sectors (DEAT, 2002a:65).

Pillay (Dicey, 2002b:78) states: "A policy document was submitted towards the end of 2001 and was adopted by the Cabinet with time frames and targets.

Accordingly, 35 percent of Government budget in 2002 must be spend on black businesses, with that figure rising to 50 percent in 2003". He claims:

"Ultimately, our aim is to have a database of black businesses that Government can refer to. The initial database has 350 entries within the transport, catering, conference and accommodation sectors. The database will be updated on a quarterly basis".

According to Pillay, there are a number of other initiatives in the pipeline: "One is an audit of black-owned businesses in order to identify opportunities for investors as well as to identify areas where Government should concentrate its efforts". Government expenditure will also be measured to ascertain whether or not Government is meeting expectations in terms of utilizing these black businesses sufficiently.

5.3.3 The Government and infrastructure

The WTTC (1998:32) mentions that infrastructure remains a critical component in travel and tourism development in South Africa if the full potential of employment generation, export earnings and regional development effects are to be realised. Quality infrastructure is also essential in order to diversify the product base, remove bottlenecks, ensure good service and distribute benefits of tourism flows around the economy. Patterns of flow should not affect the natural or built heritage, nor run counter to local interests. The WTTC also believes that there is a need to conduct an in-depth investigation of infrastructure needs/resources, and attaches particular importance to air transport infrastructure.

5.3.4 The Government and the diversity of the tourism industry

Because of the diversity of the tourism industry and its complexity, it adds to a difficulty that Government faces. Part of the complexity is the intermingling and overlapping of the private and public sectors. In tourism,

the mixture of the two sectors and their interdependence is strongly pronounced. Managers move freely between the public and the private sector and this can make managers' values, objectives and behaviour complex.

The nature of the industry - its environment of competition, market, public and Government demand implicates that it is always in a state of change. It is always under pressure to respond to the market as countries, regions or types of tourism rise and fall in popularity. There can also be considerable volatility and flux in the industry (Elliott, 1997:185).

5.4 LEGISLATION, REGULATION AND STANDARDS

5.4.1 Legislation

Government has stated its commitment to promote small business. However, the administrative burden placed on small firms by the requirements of legislation is high. Labour legislation is seen as onerous for small firms (Driver, *et al* 2001:4).

The introduction of (new) labour legislation has a profound impact on the South African labour market, notably the Basic Conditions of Employment Act (BCEA) (No. 75 of 1997), the Labour Relations Act (LRA) (No. 66 of 1995), the Labour Relations Amendment Act (No. 12 of 2002), the Employment Equity Act (No. 55 of 1998) and the Skills Development Act (No. 97 of 1998). An oversupply of unskilled workers and a shortage of skilled ones characterize the South African labour market. High population growth constantly exceeds the growth in employment demands. This is already compounded by the consistent loss of jobs in the formal sector (ISA, 2001:112).

Big News (2002a:1) claims that pressure is mounting, together with more and more money that thousands of small businesses pay in Skills Development Levies, for the skills development system to give something back to the small business community. At the same time, frustration is mounting among small business owners who are unable to benefit from one of the most generous tax

incentives from the Minister of Finance (Mr Trevor Manuel). A small business can get more out of the system than it pays in Skills Development Levies, but only 221 learnerships have been registered in South Africa. Most of these learnerships are so specialised that very few businesses can benefit from putting an employee through one.

South Africa's skills development system is still new, but because it does not pay small businesses to claim back their Skills Development Levy, the unclaimed money is heaping up in the growing beurocracy of the country's 25 Setas. People inside the Seta-system claim that Standard Generating Bodies (SGB's) are pushing their own interests and agendas. This is leading to:

- Drawn-out debates and fights about the standards to be set;
- The interest of training institutions - who want their own courses "recognised", being placed before skills development in general; and
- Registration of very specialised learnerships before general ones because of narrow industry representation on the SGB's.

Tourism related legislation

At present there is no co-ordinate development on tourism legislation. However, the DEAT appointed the University of Port Elizabeth on 1 July 2001 to conduct a study on Tourism Law Reform. There are issues that require changes in legislation, for example the Grading Council and the compulsory registration of tourism facilities (DEAT, 2002a:21).

Hospitality establishments in particular are affected by the amendments (1999) to the Tobacco Products Control Act (No. 83 of 1993). The Act prohibits smoking in public places such as restaurants, bars and coffee shops but allows the establishment to designate no more than 25 percent as a smoking section. The Federated Hospitality Association of South Africa

(FEDHASA) believes that the Act will be difficult to implement from a logistical point of view (Dicey, 2001b:44).

5.4.2 Regulation and co-ordination

Ioannides (1998:155) argues that a major concern is the increasing consolidation of the tour-operating industry with the large wholesalers that control an enormous proportion of the tourism market. Tourism principals conduct product segmentation, create flexible and specialised travel packages and cater to a multitude of markets. Tour operators regard this trend as a threat to their businesses. While they have to compete with numerous other specialists offering variations of similar products to a similar range of destinations, they also worry about the large conglomerates that enter specialised niche markets. This leads to a situation where they have to "constantly reinvent the wheel by searching for new products in the same destinations".

Rogerson (2000:4) argues that the mainstream model of tourism development is one that is dominated by large capitalist enterprises that operate according to the dictates of market competition and technological efficiency. From this perspective, small locally owned tourism enterprises are essentially "left to scratch around for any crumbs" that might fall from the table and is dominated by large enterprises (Harrison, 1994:242).

McCann (Dicey, 2001c:87) argues: "There is no national ruling with regard to tourism transport permits and each province is allowed to write its own policy. Departmental employees are also not up to speed with current legislation with the result that operators are driving around illegally. The implications, should a disaster occurs, are horrific. There are tourism transport operators who have been waiting more than 3 years for a permit".

According to Pheiffer (Dampier, 2002b:34), the lack of industry regulation means that "anyone with a contact or a combi" can offer tours. Edgecomb (Dampier, 2002b:34) states: "There is no real law against anyone giving tours.

After all, in South Africa, anyone has the freedom to trade. The only stipulation is that the vehicle must be roadworthy and the driver's license must be valid". Edgecomb believes that a stricter policing system may be the solution. "I applied for a transfer permit 4 years ago and, although it has not yet been granted, no one has asked to see it. The lack of uniformity in the industry is shocking - doesn't this promote illegal operators"?

5.4.3 Tourism standards

Although accommodation owners support the concept of a star grading system, some still seem unsure of what it means for their establishment. Issues such as whether they are able to erect plaques denoting their status and how the information can be used for marketing purposes clearly still need to be addressed.

Roberts (Witepski, 2002:57) claims: "I am very happy that there is a body promoting star grading, and I feel that it is important that there is a single grading system in place that is recognised by the Government. However, there has been little communication to date. I am fast losing faith in the scheme. The Grading Council should concentrate on making sure their present members are happy before recruiting new ones". Donald (Witepski, 2002:57) mentions that she is uncertain of how the scheme works: "Although my establishment has been graded, I was not told how I could improve my ranking, or even how I can use it".

5.5 TOURISM DEVELOPMENT

5.5.1 Tourism development and growth

The DEAT (1996c:5) states that a number of factors limit the effectiveness of the tourism industry to play a more meaningful role. The key constraints are the following:

- Tourism is inadequately resourced and funded;

- A myopic private sector;
- Limited integration of local communities and previously neglected groups into tourism;
- Inadequate tourism education, training and awareness;
- Inadequate protection of the environment;
- Poor service;
- Lack of infrastructure, particularly in rural areas;
- A ground transportation sector not geared to service tourists; and
- A lack of inclusive, effective National, Provincial and Local structures for the development, management and promotion of the tourism sector.

5.5.2 Ownership of the tourism product

Abrahamse (2001:14) claims: "Unfortunately, the tourism industry reflects the racist character of our society and economy. The facts are that whites own almost all of the tourism pie and almost all of tourism is experienced and enjoyed by whites. When we think of tourism and its growth we think of increased numbers of arrivals of white European and American tourists to the country. The facts are also that whites occupy the skilled employment levels in the industry and that when there is a slump in the industry, black unskilled workers are the first to be dismissed".

The tourism industry is in a major state of change, although it appears that it may be changing from the top down much more quickly than from the bottom up. Industry leaders will always argue that this is the way it has to happen. They are after all, leaders and cannot help to look at things from their perspective at the top of the heap. But it is clear too, that the frustration that the Minister of Environmental Affairs and Tourism feels when he says that "the status quo - where tourism is still largely white-owned and controlled, is unacceptable", is also felt by many people on the ground (Hatchuel, 2001:27).

However, Fabricius (Hatchuel, 2001:27) cautions that the industry is faced with a unique situation. Unlike industries such as mining that is made up of a few major corporations, "tourism has a small group of major players and many

medium and small players. Engaging with many smaller firms is far more of a process than with a few larger ones".

5.5.3 Community participation in tourism

While the community approach may be an effective way to develop and promote tourism, creating the necessary inter-community co-operation and collaboration is a complex and difficult process. Businesses are asked to share resources while simultaneously competing. Local Governments may see collaborating to develop tourism as risky, or they may be worried about losing control over local decision-making (Huang and Steward, 1996:26; Jamal and Getz, 1995:186) (Wilson, *et al* 2001:132).

Goulden (Witepski, 2001b:74) says: "If we are to impress international visitors with our uniqueness, community tourism should be a top priority". Despite the obvious benefits of developing this sector, little progress has been made. The reason for this might be that communities have little understanding of how international tourists want to spend their money and as such, have not developed so-called "tourist traps".

Seif (Smart, 2002:74) comments: "Internationally, a lot of emphasis has been placed on community tourism in developing countries, where the potential is large but relatively untapped. However, disadvantaged communities and other local destination stakeholders are far from receiving a fair share of tourism revenues and other benefits due to unequal and at times exploitative circumstances in global and native tourism markets. Indeed, it is a disturbing fact that a high percentage of tourism fees return to the country of origin in the form of commissions. As a result, far from being enriched by increased tourism traffic, many local communities are impoverished".

5.5.4 Environmental impacts

The DEAT (2002a:64) claims that the most dominant environmental matter is access to clean water, with a cumulative 62 percent of the population

choosing this as a priority. Clean air and prevention of air pollution were the second most important, with the third most important issue overall being the protection of land. Adding to these, the National Botanical Institute found that 25 percent of South Africa's land is almost beyond repair from overcropping and overgrazing (DEAT, 2002a:32).

The year 2005 is set to mark a milestone in the history of humankind. It is estimated that at some point during this year, there will be more people living in cities than in rural areas. Historically, the South African Government allocated resources unequally. This had a serious impact on local urban environments. It negatively affects the quality of life of inhabitants and threatens the ability of the environment to sustain itself (Cape Metropolitan Council, 2000:74).

5.6 TOURISM DEMAND

5.6.1 Tourism flow patterns

It is argued that industrialised countries generate tourist demand for most developing countries, and the large foreign firms from generating countries dominate the flow patterns (Jenkins, 1994). Particularly, in the absence of unique attractions, tourist demand is largely externally determined (Jenkins, 1980). It implicates that significant decisions as to which destination regions are to be favoured with tourism development, are frequently exercised by travel intermediaries which is based not in destination regions, but in the tourist generating countries (Tosun, 2001:298).

Bennett (2000:361) argues that when a new destination area is developed, there is often a lack of expertise to develop and manage tourism. In such cases expertise (referred to as expatriate labour) is brought into the area, resulting in an outflow of currency through remittance payments. Because it is mainly the better-paid managerial and administrative jobs that draw expatriate labour, it is clear that the leakage in the form of expatriate earnings can be substantial. Owing to the lack of local managerial skills, many of the hotel managers in Southern Africa are foreigners and this results in some leakage of income.

The World Trade Organisation (DEAT, 2002a:24) estimates that as much as 50 percent of the tourism revenue that enters the developing world ultimately "leaks" back out in the form of profits earned by foreign-owned businesses, promotional spending abroad or payments for imported goods and labour. According to one estimate, if both the hotel and airline are foreign-owned, as much as 80 percent of a traveller's spending is lost to the host country.

5.6.2 Seasonality and tourism

A striking feature of tourism in many countries is the way in which the level of activity fluctuates throughout the year. The seasonality of tourism is reflected in:

- Employment (casual/seasonal staff);
- Investment (low annual returns on capital); and
- Pricing policies (discounted off-season prices).

A business that is subject to seasonal fluctuations in demand for its output is faced with a dilemma. If it purchases sufficient resources to meet the peak load demand, then it will have to carry spare productive capacity for the remainder of the year. If it gauges its resources according to the average level of demand, it will spend part of the year carrying spare capacity and be unable to meet the peak load demand level. Alternatively, it can take on variable resources (staff) to meet the peak load demand and then shed these variable factors of resources during the off-season. However, this option does not improve employer/employee relations (Fletcher, 2000:205).

5.6.3 E-commerce and technology

The Regional Tourism Organisation of Southern Africa (RETOSA) (2002:24) argues that the realisation that e-commerce is a far more convenient and flexible mode of business, has caused a major shift in patterns of consumption. The tourism industry is no longer restricted to the level of service offered at a travel agent's premises. Therefore, the Internet's popularity has an impact on

the traditional structure of the tourism industry. In particular, a number of smaller industry-related service providers who have not made the necessary technological adjustments, have had to shut their doors. The major players remain those who had the foresight to secure their positions by purchasing the latest technology.

The Internet has an adverse effect especially on business travel. In the so-called "wired-world", business travel may actually decline. A global infrastructure of low orbit satellites, asymmetric digital subscriber lines (ADSL) and other new technologies will enable business people to interact, rather than just communicate in real time, thereby negating the need physically to travel. It can be argued that the technologies that make it unnecessary for the business person to travel, will also enable the leisure traveller to stay at home as virtual reality offers a high degree of stimulation (Butler, *et al* 2001:303).

5.6.4 Prices of tourism products and services

The depreciation of the Rand over the last few years against the currencies of all the major source countries for overseas visitors, has highlighted the awareness that for seemingly unfathomable reasons, South Africa remains one of the most expensive destinations in the world. A programme was conducted in the UK, indicated that long-haul holidays start at £499. Of 20 long-haul destinations, South Africa is the most expensive at £1 092. Even Mauritius as a high-end beach destination, is only £699 (Marsh, 2002:12).

Carolus (Weaver, 2002a:36) claims: "South Africa has been marketed as a relatively expensive destination, certainly as regards the high end products. Tour operators in places like the UK and the USA set their package prices once a year and as a result, they are unable to take advantage of the swings in the Rand to dollar or pound exchange rates, which locals are able to do".

Carolus says that South Africa had to "play smarter and as economically as possible in what is an increasingly competitive global tourism arena. We are constantly bombarded by negative media reports that South Africans are

'ripping off' foreign tourists because of the exchange rates. To an extent, foreign travel agents have only got themselves to blame". Perhaps what South Africa is battling with is not extravagant prices and pricing ourselves out of the market, but rather an unintentional misinformation campaign internationally based on thumb-suck figures. It is those kinds of figures, conjured out of nowhere, that could easily be scaring off foreign tourists.

5.6.5 The airline industry

South African Airways

SAA's virtual control of the South African skies and over code-sharing routes and bilateral agreements, is a source of ongoing anger among its competitors. SAA has an unfair advantage by virtue of it being both a Government-owned body, and a *de facto* private enterprise unit competing unfairly in the market. Bac (Weaver, 2002b:27) claims: "SAA has an unfair competitive advantage, and that is not good for our tourism industry. SAA should fly those routes that are good for our tourism industry, and not just those that are profitable".

Flight and seat availability

The Japanese International Co-operation Agency (JICA) (2002:39) identifies the following major barriers regarding airlines to South Africa:

- Too little seat capacity to South Africa and too infrequent flights;
- No direct SAA flights and inconvenience of connection; and
- Lack of co-operation perceived between airlines and SAT.

Aminzadeh (Muller, 2001:59) is of the opinion that marketing efforts are without effect as long as there is a shortage of flights to South Africa. A shortage of seats on planes from abroad is the biggest factor that keeps tourists out of South Africa. Since January 2001 there were 4 500 seats less per week to South Africa with the withdrawal of four European airlines namely: Sabena (Belgium), Alitalia, Austrian Airways and Turkish Airways.

The overbooking on certain flights is a common practice with airlines generally because of the "no-show" problem where seats are held but passengers do not arrive. Across the industry in South Africa, the average for "no-shows" is 10 percent to 15 percent. Economy-class airfares generally have more rules than first or business class, such as advance purchase, minimum-stay requirements and cancellation fees. During high season, airlines generally charge more where loads are good to compensate for the low times where seats are often impossible to fill. Yield-management systems monitor seasonal and market conditions, which means airfares can change daily in cases where a supplier is facing stiff competition and has a need to fill a flight (Marx, 2002:6).

Airfare conditions and structures

Spann (Cochrane, 2002:3) argues: "While passengers perceive airfare structures as being too complex and unfair, it is the fare conditions that airlines should consider streamlining. The higher the demand, the supply of lower-fare seats decreases; the cheaper the fare, fewer and limited seats are released for sales. Airlines' revenue management policies apply to most service industries. For example, in the entertainment industry, consumers pay different ticket prices for different seats, time of day or day of the week".

One can open just about any newspaper and in the leisure section there is bound to be air fares and holiday packages for low prices. The problem is that while these fares and rates may be legitimate, they apply only to a limited number of travellers. Stoltzing (Sunday Times Business Times, 2002:17) says: "That leaves a bad taste in the mouth when people want to book a holiday and find they can only do so at regular fares. They need to bear in mind that many of the prices quoted in advertisements will apply only to the first people to book and that conditions are likely to apply".

Commission structures

The cost of getting products into the market is high, with most airlines' distribution costs roughly 25 percent of the average ticket price. These costs

comprise agency commissions of 7 percent, agent and supplier override commissions, travel consultant incentives and global distribution system (GDS) costs which stand at US\$4 per sector (Marx, 2002:6).

Lessing (Dicey, 2002a:91) claims: "Travel agents can no longer survive on a base commission of 7 percent commission without earning substantial overrides for volume business. This has resulted in major travel groupings all fighting for a share of an ever-diminishing pie. I don't believe the airline industry will be able to sustain the current override commission levels. The problem is that many businesses have built their business plans around certain expectations of this system". Thereafter, SAA announced their intention to further reduce domestic commissions from 7 percent to 5 percent. However, SAA committed to no changes to the current standard commission of 7 percent until 31 March 2003.

5.7 SOCIAL CONSTRAINTS

5.7.1 Social impacts at the workplace

Starting and operating one's own business typically demands hard work, long hours and much emotional energy. Entrepreneurs experience the unpleasantness of personal stress as well as the need to invest much of their own time and labour. Many of them describe their careers as exciting but very demanding, while the possibility of business failure is a constant threat to entrepreneurs (Longenecker, *et al* 2000:8).

A culture exist of entrepreneurship that is not broadly understand and celebrated, or supported as a career choice. Negative individual mindsets are widespread. There is a lack of initiative, creativity and confidence. South Africans tend to look to others for solutions to their problems. Levels of trust in personal and business relationships are also often low (Driver, *et al* 2001:4). The legacy of mistrust of business in South Africa and of its perceived association with political repression, along with all-too-frequent revelations in the media of business malpractice, readily leads to suspicion in

many quarters of the ethics and integrity of entrepreneurs (Driver, *et al* 2001:7). South African entrepreneurs with unsuccessful ventures in particular, also face a social stigma associated with failure, as well as the personal distress of letting down investors, employees and clients (Driver, *et al* 2001:8).

Locals that work in the tourism industry often remain in low-paid, low-key jobs, while outsiders fill the more demanding and better-paying jobs. This might have social repercussions as it could lead to conflict in the workplace and locals could be made to believe that they are inferior to foreign cultures or people. The negative effect of a perception like this on the social values of the local community is self-evident. This phenomenon often surfaces especially in Southern Africa where many of the hotel and other managers working in the tourism (and hospitality) industry are foreigners. Some of these managers are not familiar with the South African "setup", including the values and traditions of the numerous African sub-cultures and it could lead to unnecessary conflict in the tourism industry (Leisure Training Publications, 2001a:58).

5.7.2 Safety and security

Consumer interest should be maintained in a climate where safety and security of travellers is secured. In today's world of discerning customers and competing destinations' reputations have to be carefully and creatively built, but with instant global communications they can be quickly lost. This is a high priority challenge if South Africa's tourism potential is to be realised (WTTC, 1998:25). The safety and security of visitors remains a fundamental condition for all tourism destinations. However, it is particularly important for South Africa, where the otherwise exceptional reputation is being shadowed by the actual and perceived level of crime (WTTC, 1998:31).

Bennett (2000:185) supports this argument by stating that incidence of violent crime in South Africa such as armed robbery, rape, murder and politically motivated attacks is among the highest in the world. This creates the

impression that South Africa is a dangerous destination, which has a negative effect on the region's tourism potential.

However, Saayman (Pretorius, Jubasi and Horner, 2002:1) says the South African tourism industry could do more to dispel the perception that South Africa is unsafe. "Tourists who visit South Africa only have to be better informed about dangers, in particular in some cities".

5.7.3 HIV/Aids and the labour force

HIV/Aids is expected to have an increasing impact on the South African labour market, with a direct influence on the active labour force, labour productivity and employer costs. Current labour legislation prohibits discrimination against someone with HIV/Aids, as well as HIV testing as a condition of employment. Over 3 million South Africans live with HIV/Aids and around 80 000 economically active people die each year as a result. The financial impact on the country's labour force and profitability will be severe, especially as employers bear the brunt of many of the costs (ISA, 2001:113).

5.8 TOURISM MARKETING

5.8.1 The marketing of South Africa's products and services

There are numerous initiatives that try to project various images and perceptions about South Africa. In addition to SAT, there are parallel initiatives from the various provinces and commercial tourism product owners and operators. Arguably there is some duplication and wastage as the Gauteng province for example, tries to sell itself to America rather than let SAT market the province's icons (Bannister, 2001a:15).

Fabricius (Smart, 2001b:47) is of the opinion that there is confusion as to whether SAT should be actively marketing the tourism industry, or simply to create an awareness of it. Added to this is the fact that SAT needs to refocus its priorities. At the moment, "international marketing" is the buzzword and

with limited resources, domestic marketing is bound to attract less than its fair share of attention.

The JICA (2002:39) identifies the following major tourism marketing barriers, namely:

Consumers/media exposure:

- Very little market/media exposure in all East Asian markets;
- In general, a negative image due to crime, tourist mugging - in many instances a misperception due to a lack of knowledge; and
- Very little awareness of South Africa as a country and as a tourist destination.

Operators and agents in the source market:

- Passive due to a low demand, low interest, and little awareness of consumers; and
- High risk of selling South African tours.

South African Tourism:

- Danger of falling into supplier logic;
- Insufficient understanding of conditions in the source market and demand-side logic;
- Non-presence of a representative office (excluding Japan); and
- Low promotion budget.

5.8.2 Influences and perceptions

Most visitors learn about tours through word-of-mouth or through international marketing initiatives, although many tour operators rely on hotels' front desk staff to pass along business. However, this practice may inadvertently be harming the industry. According to Christensen (Dampier, 2002b:34): "Many

concierges who act independently of hotels, pocket exorbitant commission fees. Although hotel management would frown upon this practice, operators feel they cannot complain as they rely on the concierge's recommendation to new clients".

The meetings and incentive industry needs greater clarity and harmonisation if it is to achieve more universal recognition for its major contribution to business. "The industry has many challenges ahead and one of those is to be able to communicate clearly about exactly what its role and function is world-wide" according to Nutley (Industry Coalition Group, 2002:7). "Currently there are mixed messages and much confusion. The industry is **not part of tourism**. But at the same time, we are not saying with one voice what and who we are, and why the industry is crucial to many fundamental aspects of society and business. We are the fastest growing sector in the world, yet we do not communicate it to major influencing organisations such as Governments".

Bac (2002:11) argues that leisure time is the only time that one has to undertake a day trip. There is a wide range of day visitor facilities and things to do in South Africa. However, it appears that the local market doesn't know about it and/or use these facilities at the level that is anticipated by the developers/promoters of the facility. Typically, day trips (trips that do not include an overnight stay away from home) **are not included** in the definition of a holiday and are therefore excluded from South Africa's tourism statistics.

However, these trips are very important to national and provincial travel and expenditure patterns. According to research undertaken by the DEAT (2001) in conjunction with the 9 provinces, some 56 percent of South Africa's population undertook day trips and spent a total of R2,3 billion in the national economy between May 2000 and April 2001. The day trip spent amounted to 12 percent of the total amount spent on all domestic travel and tourism in the one-year period (Bac, 2002:11).

5.9 FINANCIAL CONSTRAINTS

Financial institutions are often not able to interact effectively with entrepreneurs, and vice versa. Conventional financing mechanisms do not allow for cost-effective provision of finance to large numbers of entrepreneurs who seek small quantities of finance. Poverty and lack of assets mean that many people do not have the collateral needed to access formal loan finance (Driver, *et al* 2001:4).

Driver, *et al* (2001:44) identify the following problems with financial support namely:

- Conflicting views on access to finance;
- Financial institutions are not able to interact effectively with entrepreneurs;
- Entrepreneurs are not able to interact effectively with financial institutions;
- Poverty and lack of income;
- Micro-enterprise finance is lacking;
- Community finance mechanisms (such as village banks and stokvels) which risks are managed through personal community linkages and local reputations; and
- Young venture capital industry in South Africa where risk is spread over few deals making it more difficult to take a risk on any one particular product.

Black entrepreneurs are not interested to invest in South Africa's tourism industry, states a report commissioned by the TBC. Thompson (Graham, 2002b:6) who worked on the report, says black entrepreneurs that come into the industry face huge start-up costs before they can even begin to offer a product. Access to finance remains the single biggest constraint on increased black ownership in the tourism industry. Shongwe (Graham, 2002b:6) supports: "The biggest constraint to develop a greater range of products for domestic tourism is perceived to be limited spending power".

5.10 EDUCATION AND TRAINING

The proportion of South African adults who believe that they have the skills required to start a new business is below the international average, as is the proportion who believe there are good business opportunities in the area they live (Driver, *et al* 2001:3). General basic education is poor for a large proportion of the population. South Africans lack basic skills including a high level of technical skills (Driver, *et al* 2001:4).

Driver, *et al* (2001:39) establish a number of problems related to education and training as an inhibitor of entrepreneurial activity in South Africa. They include:

- Legacy of apartheid education - lack of basic skills;
- Legacy of apartheid education - lack of confidence, initiative, creative thinking;
- Integrating business and management skills into education from primary school level upwards;
- Shortage of high level technical skills - science, maths, engineering, technology;
- Lack of informal learning opportunities; and
- Lack of work experience.

Shevel (2002:6) says travel industry sources caution that many tourism projects are implemented without adequate assessment for their viability and maintenance. There are now 358 schools offering travel and tourism as a matric subject in South Africa, with 40 000 students studying the subject, thought to be more than in any other country in the world.

Makhetha (Sake Beeld, 2002:10), Chairperson of THETA, expressed his concern already in April 2001 about students who cannot find employment after studying travel and tourism. There are also many education providers that do not comply with certain standards.

Customer service plays an important role in tourism as the industry has more points of customer contact than any other industry. It transcends cultures and disciplines and requires a higher degree of professionalism and service than other sectors. With competition for jobs growing from other parts of the economy, travel and tourism needs to create conditions to attract and retain a high caliber labour force. The predominance of small operators and high labour mobility make the industry particularly prone to market failure because trained staff becomes an industry-wide rather than a business resource (WTTC, 1999:35).

5.11 CONCLUSION

It is the responsibility of the Government to create and maintain a framework for a viable and sustainable economy in which tourism can take place. The Government is also responsible for tourism policies, legislation, regulation and standards regarding tourism that may influence tourism entrepreneurs.

Entrepreneurs should keep in mind that social impacts influence the tourism industry such as HIV/Aids and the perceptions associated with it. Safety and security remain a major constraint to the South African tourism industry.

Tourism is not always properly planned and developed in South Africa. More local people need to be stakeholders of the South African tourism industry, while local communities should benefit from it.

Tourism flow patterns, seasonality, technology and prices of tourism products and services affect tourism demand. The availability of flights and seats regarding the airline industry, and airfares and commission structures are more areas of concern to tourism entrepreneurs.

Clear guidelines are necessary to define the tourism industry. Various misleading perceptions exist and it leads to confusion and a lack of co-ordination between the various role players in the tourism industry. It applies to

the growth possibilities of tourism, the employment opportunities in tourism and forecasts for the industry.

RESEARCH DESIGN AND METHODOLOGY

It is essential for entrants to the South African tourism industry to be aware of the problems, barriers and constraints as analysed in this chapter as it could guide and assist them even before venturing into the industry.

A research design is a master plan specifying the methods and procedures for

In the next chapter the emphasis falls on the empirical perspectives of the study and will include descriptive research, reliability tests, item analysis as well as factor analysis.

Hussey (1997: 24) states that research methodology refers to the overall approach to the research process, from the way in which the researcher undertakes the research to the way in which the data are analysed.

Qualitative research is a research approach in which the researcher seeks to understand the meaning and experiences of individuals in a particular context. The researcher typically uses a variety of methods, including interviews, focus groups, and observations, to gather data. The data are then analysed to identify themes and patterns. Qualitative research is often used to explore complex issues and to generate hypotheses for further research.

Quantitative research is a research approach in which the researcher seeks to measure and test hypotheses. The researcher typically uses a large number of cases and measures to test the hypotheses. The data are then analysed using statistical methods to determine if the hypotheses are supported or not. Quantitative research is often used to test hypotheses and to measure the relationship between variables.

Most researchers use a mixture of qualitative and quantitative methods. Qualitative methods are used to explore the phenomenon and to generate hypotheses, while quantitative methods are used to test the hypotheses and to measure the relationship between variables. For example, a researcher might use interviews to explore the experiences of individuals and then use a questionnaire to test the relationship between the experiences and a specific variable.