

"Develop competitive tourism destinations and ecosystems."

Thinking beyond

"Support individual tourism businesses"

Presentation to

SBI SME Indaba 2026

Randall Carolissen (PhD)

23 September 202

Systemic and Encompassing Approach to Development of Tourism Entrepreneurs

International evidence increasingly points away from
"entrepreneurship = give people training and a grant".

To a more effective model that is encompassing and include:

**Capability + incubation + finance + digitalisation + networks +
market access + destination development**

Tourism Value Chain Approach

Tourism Value Chain Transcends Accommodation



South Africa has Enviably Attractors – Provide Nexus for Value Chain Approach

- National parks;
- Cultural heritage sites;
- Rural attractions;
- Coastal areas;
- Game reserves;
- Medical Tourism
- Township and township-adjacent tourism
- Event Management - International Sport and Entertainment

Eg. Northern Cape tourism ecosystem

- Heritage + astronomy + accommodation + restaurants + transport + guides + crafts + adventure + events + digital platforms.

Case Study: Event Management as Catalyst

South Africa is leading conference destination in Africa and Middle East. Boosting visitor arrivals, creating jobs, and stimulating local economy.

Economic Boost and Job Creation

- **Major revenue generation:** Business events e.g. [Mining Indaba](#) generate opportunities for local hospitality, transport, and catering.
- **Job opportunities:** Planning and executing festivals, conferences, and mega-sport events (e.g. 2010 FIFA World Cup) create direct employment and benefit local entrepreneurs and SMME's.
- **Off-peak tourism:** Events scheduled during slower summer or winter months help fill hotels and stabilize tourism revenue year-round.
- **Cultural and music events** promote local arts, heritage tourism, knowledge share.

Industry Challenges and Modern Trends

- **Infrastructure and logistics:** Sector faces hurdles like safety concerns, venue costs, and slow visa processing, though digital solutions are being introduced to streamline travel.
- **Sustainability:** Organizers increasingly focus on green initiatives, local sourcing, and circular economy principles, especially in regions like the Western Cape.

Market Trends

South Africa Substantial Tourism Market Potential

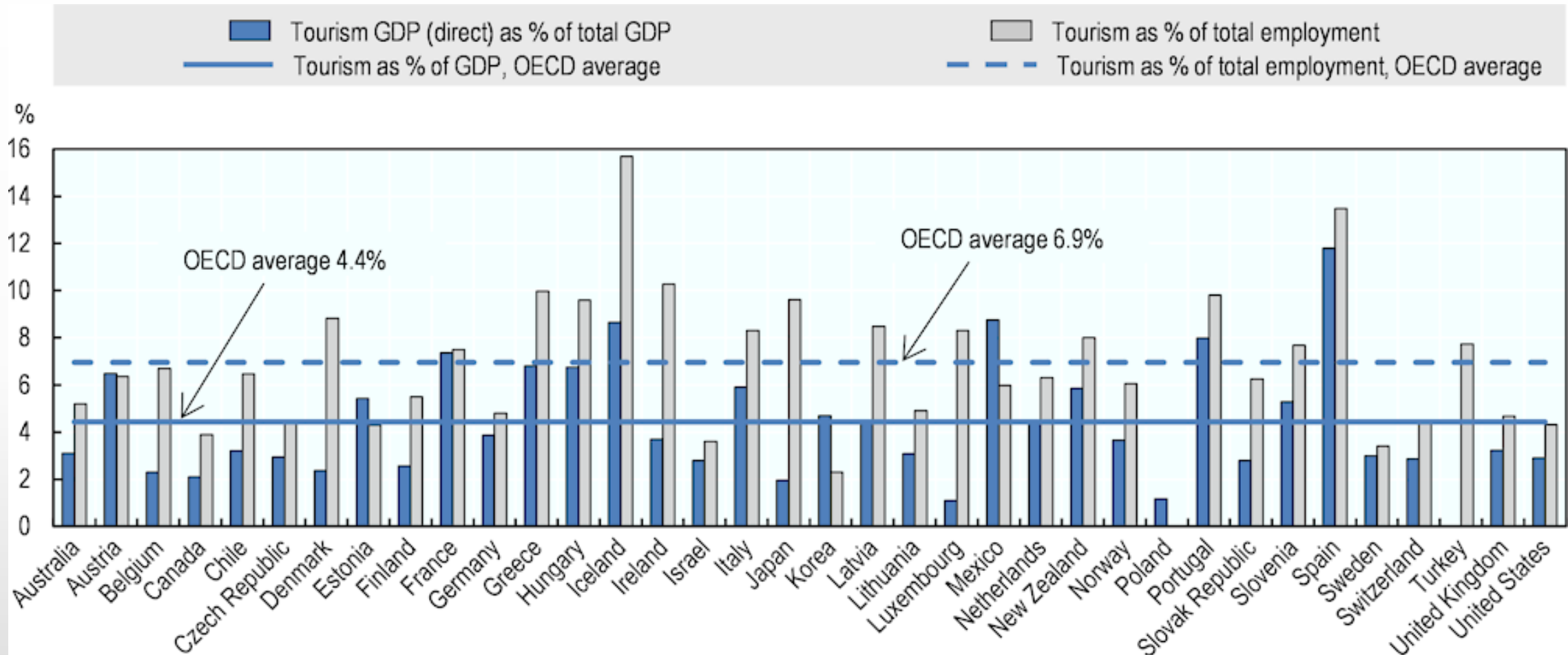
- Combines large domestic market (85% of all tourists), rapidly recovering international demand post Covid, exceptional natural and cultural assets, and a relatively developed tourism infrastructure.
- Tourism entrepreneurship strategy include opportunity to not only attract more tourists; it is in increasing tourist spend, length of stay, geographic dispersion and participation of SMMEs in the tourism value chain.
- Tourism's domestic more significant. Domestic tourism expenditure R665.3 bn, compared with R113.9 bn from inbound tourism (2024), with the latter income, about half come from outside African continent.
- Tourism in SA contributed 5.7% of total employment, 1 in every 18 workers.

African tourists dominate in volume, but relatively low in expenditure per visitor

- SA received 10.5 million international tourists in 2025, up 17.7% from 2024 (2.6% above 2019 Covid level). **About 75% of international tourists in 2025 from SADC, Zimbabwe, Mozambique and Lesotho dominating by far.**
- 60.5% were visiting friends and relatives and 83.2% stayed with them, with average stay 12.7 nights.
- Reason for visiting South Africa a combination of Family + shopping + entertainment + business + medical/education + leisure, rather than a conventional packaged holiday - only 8.9% classified as holiday visitors,
- African tourists generated R41.9 billion in tourism expenditure, about 45.7% of total tourist spending, despite accounting for about three-quarters of arrivals. Average spend was approximately R6,500 per tourist.
- In comparison the 25% of non-African visitors spent R23,200 per day, contributing almost R50 billion to the SA economy.

International Trends

Direct Contribution of Tourism to OECD Countries



OECD's 2026 tourism entrepreneurship review - Highlights better coordination, stronger industry linkages, continuous support and improved monitoring and evaluation for tourism incubators and accelerators.

Contribution of Tourism to GDP in BRICS

BRICS country	2024 tourism contribution to GDP	Approx. contribution
China	US\$1.644 trillion	~11–12% of GDP
India	US\$249.3 billion	~7% of GDP
Brazil	~US\$167 billion	~7.7% of GDP
South Africa	~US\$34.4 billion (R618.7 billion)	~8.0% of GDP
Russia	—	WTTC comparable 2024 figure not readily reported in the sources retrieved

SA Tourism SMME Landscape

Entrepreneurship in SA driven increasingly by employment scarcity.

The 2025 GEM South Africa results show that 15% of adults were starting or running a new business, while only **4% owned an established business**. The most common endorsed motivation among new entrepreneurs was

- **earning a living because jobs are scarce**, followed closely by
- the desire to build substantial wealth or income.

SA has disproportional number of survivor entrepreneurs, with poor prognosis for success.

SMME Poor Sustainability in SA

Between 70% and 80% of SMME's in South Africa fail within first five years of operation - Tourism-specific small businesses facing similarly high attrition rates due to seasonal cash flow, country reputational risk and extreme vulnerability to market shocks.

- **First-Year Vulnerability:** 40% of new small businesses fail within year one.
- **Two-Year Mark:** Failure rates climb to roughly 60% by end of second year.
- **Five-to-Ten Year Horizon:** Up to 90% of rural or township-based tourism and micro-enterprises dissolve or remain entirely informal and stagnant over a ten-year window

Reasons for High Tourism SMME Failure

- **Access to Finance:** Strict lending criteria, high collateral requirements, and reliance on personal savings make it difficult to survive low-demand seasons.
- **Managerial and Financial Skills:** Lack of formal training in cash flow management, record-keeping, and digital marketing leaves businesses vulnerable to market fluctuations.
- **External Pressures:** High operational costs such as transport, energy, and paired with localized infrastructure challenges and crime, shrink profit margins.
- **Vulnerability to Utility Outages (Power, water and WiFi)** and the Associating Mitigating costs
- **Regulatory Compliance** – High barriers for SMME's in general and Tourism in particular, whether that be Safety and Health, Tax and Municipal red tape

International Lessons

International examples relevant to South Africa

Country	What they have done
Portugal	Developed Tourism 4.0, including the NEST Tourism Innovation Centre , incubation, acceleration, training and support for new tourism business models. Portugal has also encouraged micro-enterprises to collaborate through networks and clusters .
New Zealand	Uses Regional Tourism Organisations to coordinate government, businesses, Māori/iwi and communities around destination development . Regional funding supports marketing, capability and dispersal of visitors.
Rwanda	Links nature-based tourism with local economic development . A revenue-sharing policy directs 10% of tourism park revenues to community development, with another 5% directed to human-wildlife-conflict compensation.
Peru	The Turismo Emprende approach provides co-financing for innovation and improvement projects among micro and small tourism businesses.
Finland	Visit Finland's Digital Hub provides tourism SMEs with digitalisation training, tools, boot camps and opportunities to experiment with technologies such as AI .
Iceland	Tourism and innovation organisations have used incubation to improve the digital capabilities of tourism businesses and connect tourism companies with technology firms.

Evolution of Business Incubators – Beyond Just Resource Allocation

Generation	Dominant model	Main Outcome	Entrepreneurial Objective
1st	Real estate	Physical space	Survival
2nd	Business support	Management expertise	Business development
3rd	Network/innovation	Knowledge and networks	Innovation
4th	Accelerator/ecosystem	Capital and networks	Rapid growth
5th	Smart/digital/impact	Data, AI & global ecosystems	Scalable, sustainable & inclusive impact

Portugal: Strong Tourism Incubator Model

Portugal's **Tourism 4.0** foster tourism innovation and entrepreneurship. Its **Mission** promote technology adoption, experimentation, and business capacity building across tourism value chain.

Main Priorities & Focus Areas

- **Tourist Experience:** Enhancing traveler journeys through digital tools.
- **Sustainability:** Developing green and long-term ecological solutions for destinations.
- **Big Data:** Utilizing data analytics to manage capacities and market trends.
- **Digital Hub:** Coordinates the INNOVTOURISM DIH (European Digital Innovation Hub) network. [[1](#), [2](#), [3](#)]

China 2026-30 SME Quality Development Plan/1

SMMEs account for **60% of China's GDP, 70% of technological innovation, and 80% of urban employment**,. Chinese government views SMME's critical structures rather than just social safety nets.

1. The "Little Giants" and Graduated Cultivation Program

- A tiered, data-driven "Enterprise Cultivation" framework overseen by [Ministry of Industry and Information Technology \(MIIT\)](#) has **proactive discovery mechanism** using data metrics (intellectual property, supply chain roles, and R&D spend) to identify high-potential firms.
- **SRDI SMEs:** Specialized, Refined, Differential, and Innovative firms focusing on core tech.
- **"Little Giant" Firms:** Niche market leaders tackling hardware bottlenecks, AI, quantum tech, and commercial aerospace intended to double nationally recognized "Little Giants" to **22,000 firms by 2030**.

2. Monetary Policy and Targeted Financial Relief

- The [People's Bank of China \(PBOC\)](#) has structural monetary tools that mandate state banks to outpace baseline loan growth for SMME's.
- **Subsidized Lending:** A massive fiscal package that supports new lending, specifically providing interest rate subsidies for SMME's.
- **National SME Development Fund:** State-backed venture vehicle directly injects equity into seed-stage, innovative startups.
- **Credit Guarantees:** Inclusive start-up loans, credit enhancement, and asset-light borrowing schemes to mitigate collateral requirements.

China 2026-30 SME Quality Development Plan/2

SMMEs account for **60% of China's GDP, 70% of technological innovation, and 80% of urban employment**,. Chinese government views SMME's critical structures rather than just social safety nets.

3. Digital, Intelligent, and Green Transformation

- **Reducing Computing Costs:** State-subsidized frameworks to reduce cloud and computing costs for SMMEs leveraging AI and digital tools.
- **Industrial Upgrading:** Subsidies and standard playbooks for flexible manufacturing, robotics, and full-lifecycle green production models.
- **Incubators & Platforms:** High-standard technology business incubators and national platforms tailored for AI-centric SMMEs.

4. Legal Protections and Supply Chain Security

- Regulatory updates prioritize shielding smaller operators against larger corporations and state-owned entities.
- **Payment Arrears Defenses:** Strict enforcement of *Regulations on Ensuring Payments to SMEs* to legally penalize government bodies and large enterprises that intentionally delay payments to smaller vendors.
- **Supply Chain Integration:** Forcing state-owned enterprises (SOEs) and industry to build collaborative ecosystems with SMMEs, securing inclusion in domestic supply chains for critical components.

Key Take Aways - Inclusive Tourism Ecosystems

- Move from isolated SMMEs to tourism innovation hubs and clusters.
- Establish strong local tourism ecosystems, rather than relying entirely on national tourism marketing.
- Establish Tourism Business incubators, moving beyond first generation Resources allocation Model.
- Make communities economic participants and owners/beneficiaries, not merely tourism labour.
- Combine finance + innovation + business development, rather than providing finance alone.
- Create digital tourism incubators that help small operators sell and operate digitally.
- Connect traditional tourism businesses with technology entrepreneurs.

The Capability Approach

SA Tourism Growth Partnership Plan 2025–2029

Government's intended growth trajectory:

- **International arrivals:** 8.9 million → **15 million**
- **International tourism spend:** R92 billion → **R115 billion**
- **Direct tourism employment:** 750,000 → **1 million**
- **Total tourism employment:** → **2.3 million**
- **Domestic trips:** about 40 million → **45 million annually**

Government's planning identifies improved air connectivity, visa facilitation, tourism-product diversification, infrastructure, skills, technology and service quality for unlocking growth.

It is argued herein that resource allocation as the primary focus will not achieve desired intent and SMME vulnerability will continue. Similar, if not more must be done to prepare the budding entrepreneur given the divides that persist post democracy in South Africa.

Amartya Sen's Capability Approach

Conceptual basis for evaluating whether tourism programmes are **empowering entrepreneurs**, rather than merely distributing training or financial resources.

Resources

→ finance, infrastructure, technology, tourism assets

- **Conversion factors**

→ skills, institutions, networks, digital access, location, social capital

- **Capabilities**

→ ability to identify opportunities, innovate, manage and access markets

- **Entrepreneurial agency**

→ ability to make decisions and pursue business opportunities

- **Functionings**

→ viable tourism enterprise, income, employment, business growth and community value

This Capability Approach calls for repurposing of incentive design to incorporate individual preparedness and expand entrepreneurs' **real capabilities to create and sustain enterprises**.

Government Funding and Relief Incentives

National and provincial government bodies offer targeted capital mechanisms to lower barriers to entry and fund infrastructure upgrades:

- **Tourism Growth Fund (TGF):** Active **R7 million** [Western Cape Tourism Growth Fund](#) for 2026/27 cycle provides grant co-funding to improve visitor infrastructure, build new tourism experiences, and support business development for SMMEs. Applications handled on a rolling basis.
- **Tourism Transformation Fund (TTF):** Managed by Department of Tourism with National Empowerment Fund. TTF focuses on black-owned, youth-owned, and women-owned travel enterprises - offer blend of **debt financing and grant equity** to transition concepts into active operations.
- **Industrial Development Corporation Tourism SBU:** Provides larger-scale funding for game lodges, guest houses, expansions, and destination management companies looking to refurbish or purchase property.
- **Green Tourism Incentive Programme (GTIP):** A national initiative designed to grant-subsidize energy and water efficiency audits and technology installations. This directly limits the high operational utility costs that threaten SMME survival.

Corporate and Public-Private Partnerships

Corporate relief and market inclusion are driven through supply chain integration and Enterprise and Supplier Development (ESD) funds:

- **Banking Sector ESD & Bridging Finance:** Financial institutions collaborate directly with [Tourism Enterprise Development Programme](#) to provide specialized SMME lending products, financial literacy coaching, and formal record-keeping tools.
- **Tourism Infrastructure Investment Pipeline:** Private investment groups align with state at events like annual **Tourism Infrastructure Investment Summit**. This mechanism evaluates high-potential private/public projects to secure capital backing from institutional investors.
- **Corporate Market Access Programs:** Leading international and local corporate travel groups offer structured business development assistance, tech incubation, and digital portal integration to give micro-enterprises immediate exposure to global booking platforms.

General Compliance Checklist for SMME's to Qualify

To access these relief funds or corporate programs, an SMME must typically demonstrate standard regulatory compliance:

- **CIPC Registration:** Proof of valid corporate registration.
- **SARS Tax Compliance:** A clean tax clearance certificate or active PIN.
- **Financial History:** Signed financial statements (often a minimum of 2 years of operation is required for grants).
- **B-BBEE Verification:** Valid affidavit or certificate matching sector codes.
- **Health and Safety Compliance:** e.g. Food security, Pest control, Security

Recommendations

Reduce Regulatory Complexity

SA Tourism Entrepreneurs face inordinate numbers and multiple permits, licences, registration requirements and government agencies. Research has specifically identified regulatory and administrative barriers as constraints on tourism growth.

A practical solution would be a **Tourism One-Stop Enterprise Portal** to;

- **Register business → licences → permits → grading → funding → tax information → training → market opportunities**
- **Assist distressed businesses**
- Manage barriers to entry in the tourism ecosystem

The entrepreneur should not have to navigate multiple institutions seamlessly

Recommendations for tourism SMME success/1

- **Identify a clear niche**
 - Focus on a specific market such as cultural tourism, adventure activities, eco-tourism, food experiences, wellness, or accessible tourism.
 - Offer something distinctive rather than competing only on price.
- **Understand your target customers**
 - Research visitor needs, spending patterns, preferred activities, and booking habits.
 - Develop packages for different groups, such as families, international tourists, business travellers, and local visitors.
- **Build a strong online presence**
 - Use a professional, mobile-friendly website and active social-media profiles.
 - Include clear prices, contact details, location, opening hours, booking options, customer reviews, and quality photographs.
 - List the business on relevant travel and map platforms.
- **Prioritise service quality**
 - Train employees in customer care, communication, safety, local knowledge, and handling complaints.
 - Deliver consistently clean, reliable, safe, and welcoming experiences, eg SABS HACCP.
- **Use digital marketing effectively**
 - Share short videos, customer stories, local attractions, promotions, and behind-the-scenes content.
 - Encourage satisfied visitors to leave reviews.
 - Respond promptly and professionally to online questions and complaints.
- **Create partnerships**
 - Work with accommodation providers, tour operators, restaurants, transport companies, attractions, community groups, and local authorities.
 - Offer combined packages and referral commissions to increase bookings.

Recommendations for tourism SMME success/2

- **Manage finances carefully**
 - Keep accurate records of income, expenses, taxes, stock, and cash flow, remain SARS compliant.
 - Separate personal and business finances.
 - Control costs without reducing service quality, and maintain an emergency reserve.
- **Provide convenient booking and payment options**
 - Accept cards and trusted digital-payment methods where possible.
 - Make the booking process simple and provide quick confirmation.
 - Clearly communicate cancellation, refund, and rescheduling policies.
- **Promote responsible and sustainable tourism**
 - Reduce waste, conserve water and energy, support local suppliers, and respect cultural and environmental resources.
 - Sustainability can reduce operating costs and attract environmentally conscious visitors.
 - Business Continuity like wifi, power and water
- **Employ and support local people**
 - Recruit locally, develop staff skills, and involve local communities in tourism activities.
 - Authentic local experiences can improve visitor satisfaction and spread economic benefits.
- **Measure performance**
 - Track bookings, occupancy or capacity utilisation, average customer spend, marketing results, repeat visitors, reviews, and profit margins.
 - Use this information to improve products and pricing.
- **Prepare for risk and seasonality**
 - Develop off-season promotions and products for local customers.
 - Have contingency plans for bad weather, cancellations, health emergencies, security issues, and equipment failures.
 - Ensure appropriate licences, insurance, permits, and safety procedures are in place

END