

SA's hospitality industry: is owning a restaurant still a viable business idea?

Issued by [Business Partners Limited](#)

11 Mar 2024

Almost two years after the lifting of lockdown regulations, the local hospitality industry is still reeling from the losses incurred during the Covid-19 pandemic. Slowly but surely, glimmers of hope are starting to appear on the horizon. Overall, research and SME sentiment on the future of the industry is decidedly optimistic. As such, now might be the perfect time for aspiring restaurant business owners to plant the seeds for future success.



Kevan Govender

A turnaround for African hospitality

According to data published by the United Nations World Tourism Organisation, Africa's tourism industry is well on its way to post-pandemic recovery and is poised for a significant rebound. Research found that Africa was amongst the top performing intercontinental regions, coming second only to the Middle East, based on its tourism performance during the first nine months of 2023.

These findings align with projections from Statista, which predict an average annual growth rate of at least 8.68% for the sector over the next five years. Hotel market revenue on the continent is also predicted to reach almost \$14bn by 2027.

Commenting on this topic is Durban-based Kevan Govender, Regional Investment Manager at Business Partners Limited, who says that South Africa's hospitality sector is facing fierce competition, with businesses vying for the attention of the public. "The next few years will see established businesses iterating or even pivoting, to align with new trends in travel and consumer behaviour.

There is no question about the fact that many of the country's leading tourism, travel-related and hospitality businesses are up against some tough circumstances. But businesses that can succeed at repositioning themselves to meet the demands of an evolving market, are set to reap significant rewards and ultimately, build stronger, more resilient businesses," he adds.

Culinary capitals lead the way

Certain regions within South Africa are poised for success and represent unmissable opportunities for avid entrepreneurs

to take up the challenge. Cape Town, for example was recently dubbed the second-best city in the world to live in and visit, according to Time Out's survey of 50 cities worldwide.

In regions such as Cape Town, certain hospitality sub-sectors always seem to come out on top. Data collated by the Cape Chamber of Commerce, found that the city's restaurant industry is currently one of the largest contributors to the overall state of the local hospitality industry, having earned a reputation for world-class food services. It is not only culinary capitals that will reap the rewards as there is space for traditional South African food spaces, ranging from Vilakazi Street in Soweto to Durban's Florida Road, to succeed.

Tips for restaurant entrepreneurs on how to get ahead

Offering his tips for aspiring and existing restaurateurs, Govender says that "In a price-sensitive market, customers are constantly seeking the best bang for their buck. However, this doesn't mean that they are willing to compromise on quality. As such, it's essential for entrepreneurs and business owners in the industry to offer value-driven menus featuring fresh, locally sourced ingredients and flavourful dishes that resonate with their target audience. Providing generous portion sizes and affordable meal options can also enhance perceived value, reputation and overall value."

Furthermore, in Govender's opinion, positive customer experiences are fast becoming a non-negotiable for restaurants that hope to see long-term success. It's therefore high time for business owners to deliver exceptional and uncompromising customer service, in order to retain existing customers and attract new ones.

This aligns with the findings of the 2023 Hotel and Hospitality Industry Confidence Index, which concluded that customer engagement is now considered critical to growth. The report also found that in Africa, the sector has renewed its focus on finding new ways to build connections with customers, in the interests of boosting both customer acquisitions and retentions in the years to come.

In line with this, restaurant staff need to receive adequate training on how to provide a consistently excellent, personalised level of service by anticipating customer needs and resolving issues promptly and professionally. Feedback should also be encouraged by actively engaging with customers through social media, surveys, and loyalty programmes to demonstrate that their opinions are valued and taken into consideration.

As Govender concludes: "The tide of digitalisation is having a significant impact on the restaurant industry in South Africa. The most recent South African restaurant industry report found that telephone bookings have declined significantly, while online bookings almost doubled in 2022.

It's now more important than ever, to focus on the digital capabilities of new and existing establishments, and build user interfaces that are easy to use, highly efficient and built to last for the long haul. Restaurants that have robust digital booking systems will undoubtedly reap positive results in an era where more and more customers are prioritising aspects like convenience and accessibility."

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