

Tourism and travel - Africans are doing it for themselves

 By [Tim Smith](#)

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Australians call it 'walkabout', northern Europeans go looking for the sun, others go looking for business, whatever the reason, for many once they have left home for the first time they want to continue to travel. This curiosity, combined with economic growth is driving the demand for hotels in Africa. Where once demand was dependent on international travellers Africans are now doing it for themselves, and as a consequence creating a much more robust and sustainable industry.



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Nairobi leading the way

One example is the MICE segment in Nairobi which has fundamentally changed over recent years. It was originally dependent on international conferences and consequently generated significant room-nights - over the past 10 years, the number of domestic delegates has doubled, which has forced hoteliers to adapt to the new demand. Whereas previously hotels enjoyed room sales along with the conference, now most delegates live locally and do not need accommodation. Hotels are, therefore, having to review their business mix.

Although this example may not be good news for hoteliers, it is illustrative of the changing trend within African hotels generally - less reliance on European, Middle Eastern and American guests and more demand from local and regional customers. Overall, domestic tourism in Kenya grew from 37% of total bed-nights in 2011 to 54% in 2015.

In the short-term revenues may be affected, with more local conferences, tighter budgets and more local guests without a hard currency in their pocket. However, it is in fact great news. With the whole continent requiring hotel accommodation, the pool from which to draw your customers has just got 1.25 billion larger.

Not only is the number of potential guests much larger, the majority of these guests are better informed of the real risks of travel across the continent, so are less likely to be swayed by 24-hour news channels. They are also likely to reduce the seasonality of your business. Leisure guests will be able to travel throughout the year for short-breaks and commercial travellers will be able to make quick overnight stops, rather than planning (and delaying) longer trips.

“ Imagine the level of occupancy when those able and willing to travel throughout their own country finally pack their bags and go walkabout. ”

Mid-market is the way forward

Most Africans appreciate value for money and will not be prepared to pay inflated prices for average accommodation, but equally many will not demand large leisure facilities and multiple restaurants. They are more comfortable trying local restaurants and exploring the destination than their international counterparts.

Mid-market hotels are ideal to meet the demand in the most cost-effective way. This means, from a development perspective, the cost of developing the hotels for this new market will be reduced, the operational costs will also be reduced, so the overall profitability will be improved compared to an upper upscale hotel targeted at the international traveller.

Michael Collini of Hilton highlights the benefits, explaining the gross floor area for a full-service Hilton hotel is around 85m² per room whereas their mid-market, Garden Inn by Hilton is only 47m².

And South Africa?

As one of the largest and most developed economies in Africa, South Africa is a key driver of this trend. In their 2016 trend report, STR show an occupancy across the whole of South Africa of 65.1%, up slightly year-on-year. Up until 20 years ago 80% of the population were unable to travel easily, let alone had the economic means to do so.

It will take time, but as the culture continues to change and more people travel for work and curiosity, the demand for hotel accommodation will grow. Imagine the level of occupancy when those able and willing to travel throughout their own country finally pack their bags and go walkabout.

Join the revolution

The potential is already huge and the demand is growing. The trend is definitely established, but the market needs to adapt and deliver what is needed. This is where mid-market hotels come in - efficient to develop and operate, providing the hotel-keeping basics of a comfortable bed, powerful shower and good breakfast, all delivered at a reasonable price in a safe, clean and secure environment. Because they are efficient to build they need smaller sites and with land costs spiraling this too saves the developer money. They can also be developed as part of mixed-use schemes to further enhance returns and use a minimal plot.

Be part of the revolution, build and operate hotels for the local population, the development costs are lower and demand is high so the returns should be impressive, and you'll be promoting the local economy which in turn will help underpin the

demand for your business. You will also use local suppliers, when their business grows they will need hotel rooms, again underpinning your business. All this and a limited reliance on things you can't control, such as foreign government advisories as to whether a country is safe or not.

ABOUT TIM SMITH

Tim Smith is the managing partner of HVS Cape Town, a consulting firm specialising in providing services to the hospitality industry. He is responsible for work carried out throughout Africa. He is involved with feasibility studies, valuations, general consultancy work, operator search and selection and executive search throughout the African continent.

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