



Cape Peninsula
University of Technology

**TOURISM AND THE DEVELOPMENT OF SMALL-SCALE ACCOMMODATION
BUSINESSES IN THE CAPE TOWN CENTRAL BUSINESS DISTRICT**

by

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Date

ABSTRACT

For many years, tourism has been one of the most discussed topics worldwide. The tourism industry is one of the fastest-growing segments of the local economy and presents an excellent opportunity for profit-driven entrepreneurs in South Africa. The accommodation sector is among the possibilities and opportunities that the tourist industry needs to explore and exploit. However, the tourism market, and especially small-scale accommodation, face challenges that impact the sector's growth.

This study aimed to analyse how tourism influences the development of small-scale accommodation businesses in Cape Town's central business district (CBD). The researcher used a quantitative approach for this project. This included the distribution of over 100 questionnaires to respondents from small accommodation establishments in and around the city centre of Cape Town. Data collected from respondents were analysed using IBM® SPSS® Statistics software as an appropriate means of treating quantitative information. The results are presented in tabular format, by cross-tabulation and/or graphs.

As an essential sector in the tourism market in Cape Town, small accommodation establishments face the threat of high levels of competition and lack of financial assistance, and eventually are impacted by various macro-environmental factors such as political, technological, legal, environmental, economic, and social forces. Based on the findings, it is recommended that government should engage more in supporting small businesses to access financial help to grow, implement better strategies to reduce the levels of crime in the Cape Town central business district (CBD) that impact the tourism market, and devise more favourable regulations for visitors and tourism-operating activities. Additionally, there is a need for small-sized accommodation to build business partnerships with large hotels to enhance the development of the sector.

Keywords: *tourism, development, accommodation, small business.*

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DEDICATION

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GLOSSARY

Acronyms

- ATTA:** African Travel & Tourism Association
CBD: Cape Town central Business District
CPUT: Cape peninsula university of technology
DEAT: Department of Environmental Affairs and Tourism
GDP: Gross Domestic Product
HDC: Higher Degrees Committee
SAB: Small Accommodation Business
SME: Small Enterprise
SSAB: Small-scale Accommodation Business
UN: United Nations
WTO: World Tourism Organization

Definition/Explanation

Accommodation: This briefly describes a place to stay; it can be a room, a house, etc.

Development: The term 'development' in this context refers to a process of growth, expansion, or the rise of specific business ventures in the industry.

Small Businesses: Small businesses are generally defined as firms that have less revenue and operate with a limited number of employees, generally from 10 to 50 in total. However, in South Africa, micro-sized businesses are those with a maximum of 10 employees and a very low turnover, while small businesses have up to 50 employees with a better annual profit. Companies or businesses with over 50 employees are considered medium, with a turnover or profit much greater than those the other two categories (South Africa, 2003).

Tourism: This refers to the set of service facilities for transport, leisure, accommodation, and all other aspects of the travel process for people on holiday. Another definition defines tourism as the various activities of people travelling outside their home country for a specific period (UN & WTO, 1994:5).

CHAPTER 1

1.1 Introduction and background to the study

Entrepreneurship is a topic of continuing interest for further research. The discipline possibly is so popular owing to its broad scope and the fact that it is believed to be the solution to most problems (Mukwarami, 2017:24). According to Mazur (2016), entrepreneurs and small businesses drive development because they help achieve economic growth in most countries. The characteristics of entrepreneurship as an economic force, a job creator and solution for society's needs provide a focus for research in many important industries, including tourism. The tourism sector in South Africa is significant. In fact, tourism is one of the industries that is faring well and expanding faster than local businesses in several countries, such as in South Africa (DEAT, 2003:7; Lordkipanidze et al., 2005:788).

As released by South African Statistics, the South African tourism sector employs over 4.5 percent of the country's workforce (Dimmer, 2018). According to Statista (2021a) online data, the tourism and travel sector contributed over 10% to the total global gross domestic product (GDP) in 2019. With these positive aspects of the industry, more entrepreneurs and new businesses enter the industry and consequently have the opportunity to help developing the tourism market (Lordkipanidze et al., 2005:788, 791).

Although the tourism market can be profitable, it also has its risks. According to some authors, like Lamont and Ferreira (2015:3), tourism in South Africa is facing difficulties due to the changing nature of the industry. For instance, Sheikh (2015) contends that the current lack of capital for many entrepreneurs makes it difficult for them to invest in this industry. Rogerson (2008) stresses that an evaluation should be done of the challenges faced by small tourism businesses throughout Southern Africa. Furthermore, Sheikh (2015) contends that tourism businesses face different challenges, depending on which type of tourism business the entrepreneur chooses.

According to the online magazine Bizcommunity (2016a), the tourism industry's intensive infrastructure and structure can challenge entry entrepreneurs and small businesses. Steyn and Wood (2018) contend that industries such as the hospitality sector have problems related to the entry of business models like Airbnb and face the threat of a water crisis in Cape Town.

1.2 Statement of the research problem

For several decades, entrepreneurship has been conceptualised in many sectors of the economy, such as real estate, technology, and tourism. According to Lordkipanidze et al.,

(2005:788), the tourism industry is one of the fastest-growing segments of the local economy and is performing well. The sector consists of various sectors like tour operators, travel agencies, and accommodation facilities. Thus, the tourism industry presents an excellent opportunity for profit-driven entrepreneurs in South Africa.

Some of the possibilities and opportunities that the tourist industry needs to explore and exploit are tour operators and the accommodation sector (Matsiliza, 2017:3). Cities like Cape Town offer a range of business opportunities for local and migrant entrepreneurs with ideas for innovative and creative businesses in these fields. However, in 2015, when Sheikh researched tourism companies, he discovered unique issues specific to the type of tourism business chosen by entrepreneurs. According to Steyn and Wood (2018), issues like water scarcity in Cape Town and competition from Airbnb could impact tourism in South Africa, especially for hospitality and accommodation establishments like hotels, bed and breakfasts, and backpackers.

According to Ramukumba and Ferreira (2016:4), attempts to develop the tourism industry should focus on small-sized businesses (like accommodation) as a pillar of the industry strategic plan. This call to research motivated the study on the opportunities and challenges of small tourism and accommodation in Cape Town, especially in the CBD.

1.3 Research objectives and questions

1.3.1 Research objectives

Main Objective: To ascertain the influence of tourism on the development of small-scale accommodation businesses in the Cape Town central business district.

Sub-objectives:

- To identify the factors influencing the development of small-scale accommodation businesses in the Cape Town central business district.
- To assess the opportunities for small-scale accommodation businesses in the Cape Town central business district.
- To investigate the factors impeding the development of small-scale accommodation businesses in the Cape Town central business district.

1.3.2 Research questions

Main Question: How does tourism influence the development of small-scale accommodation businesses in the Cape Town central business district?

Sub-questions:

- What factors influence the development of small-scale accommodation businesses in the Cape Town central business district?
- What opportunities are there for small-scale accommodation businesses in the Cape Town central business district?
- What factors impede the development of small-scale accommodation businesses in the Cape Town central business district?

1.4 Research methodology and design

1.4.1 Methodology

The researcher used the quantitative method to conduct this research. The quantitative approach is related to collecting data that works with numbers and answering the “how many or how much” questions in the research project.

The use of quantitative methods is advised when the researcher tends to compile data about a broad hypothesis or general approach. This can be an easier way of supporting the global point of view disclosed by numbers. However, this involves the collection of original data specific to the problem through interviews or questionnaires. Since this study is based on small accommodation businesses, a number of existing accommodation establishments in the Cape Town city centre, especially in the District Six area, were assessed to conduct the research project. For this study, the researcher used a sample size of 100 small accommodation business owners and/or managers who were interviewed and answered a questionnaire.

The secondary data-collection approach constitutes a literature review of published and unpublished materials. These include journals, magazines, books, internet sources and dissertations/theses related to the tourism industry, especially regarding the hospitality industry. Other relevant sources of information, like the Southern Africa Tourism Services Association, South African Department of Tourism, and the Western Cape Tourism Board, were also consulted.

1.4.2 Sampling technique

Sampling methods are generally classified into two types, probability sampling and non-probability sampling. The probability sampling technique involves giving everyone in the

targeted population the same opportunity to be part of the sample (Taherdoost, 2016:20). In contrast, non-probability sampling is related to selecting specific participants easily accessible to the researcher when starting the study project (Showkat & Parveen, 2017).

For this research study on small accommodation businesses in the Cape Town CBD, the snowball sampling technique was used. It is a non-probability technique of sampling that allows the researcher to reach a small, difficult population or target a specific group. It is described as a technique through which the researcher starts with a small number of known participants who then provide contacts of potential participants (Showkat & Parveen, 2017). Therefore, this increases the sample size until the expected number of participants for the research study is met.

Owing to the inherent problems in conducting studies of this sort, which are worsened by a lack of credible projections of the size of the target audience, a study sample of 100 enterprises was constructed using sample sizes utilised in earlier studies of this kind. According to researchers such as Krejcie and Morgan (1970), samples of this size are sufficiently large to generalise a research study's results to the full target population.

1.4.3 Delineation of study

This research was done in the city centre of Cape Town, especially in Cape Town's District Six. It includes small accommodation enterprises in the area, such as backpackers, hostels, guesthouses, holiday houses, bed & breakfasts, and other small types of accommodation that fall into the small business sector of the accommodation field in the tourism industry. The number of participants is discussed in Chapter 3 of the thesis.

1.5 Significance and contribution of the study

The researcher believes that this research project will contribute to the socio-economic development of many countries, as the tourism industry is considered an economic generator globally. However, there are some aspects of the industry that need to be assessed and constantly explored. For example, even though considerable research has been done on tourism for entrepreneurs and small business, there is still some areas of the accommodation field that can be unclear in the city of Cape Town.

The researcher believes that there is a real need to investigate the possibilities, challenges, and factors influencing the growth of ventures and what measures can be implemented to help and promote the development of small-scale accommodation businesses in Cape Town city centre.

1.6 Thesis overview

The thesis is divided into five chapters to better outline each area of concern.

Chapter 1:

The introductory chapter of the thesis outlined the background to the research problem and provided an overview of the thesis. It also stated the purpose and, in brief, the current situation of tourism entrepreneurship in Cape Town, especially in respect of accommodation. It also briefly highlighted the importance of the tourism industry in the development of small business.

Chapter 2:

This chapter reviews and discusses in depth every sub-question in Section 1.3.2, relying on various literature sources relevant to the topic. It provides data related to the factors that influence the growth and development of small accommodation businesses in the Cape Town CDB, the opportunities in tourism and accommodation, and the barriers to the development of such a sector in the Cape Town CBD.

Chapter 3:

In this chapter, the method used throughout the project is detailed, and each step is described to facilitate the audience's understanding. The researcher explains the techniques, design, and data-collection instruments, as well as elements like the sampling method and sampling size employed in this research study.

Chapter 4:

Chapter 4 links the collected data to the stated research questions. It also provides an analysis of the data and presents the results related to the research objectives.

Chapter 5:

Chapter 5 concludes the study and is based on the findings. In this chapter, recommendations to address the problems are also made.

1.7 Summary

Chapter 1 served as the introductory chapter to the thesis. It provided an overview of the study. In this chapter, the background to the problem which gave rise to the research problem statement was noted. This was followed by the purpose of the research, with pertinent questions and sub-questions. The chapter also briefly indicated the research method, the sampling technique, and a clear delineation of the various chapters that comprise this report. The next chapter focuses on the literature review.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

As an introductory chapter, the previous chapter provided the background to the research problem, the statement of the research problem, and research questions and objectives of the study. The current chapter focuses on the existing literature related to the study topic. According to Denney and Tewksbury (2013:1-2), the literature review is a set of available previous information that inform the reader about the chosen study topic. This allows the researcher to familiarise him- or herself with the concept or issue to be discussed in the research project. The importance of the literature review is that it informs the researcher about the pertinence of the topic and helps to strengthen the writing (Denney & Tewksbury, 2013:2). Therefore, the researcher has used existing sources to reach the objectives stated in Chapter 1.

According to Exner (2009:8), the tourism industry is an attractive industry because of its expected growth in business opportunities in Cape Town. Javan (2018) also contends that the tourism industry has plenty of opportunities for small businesses. However, Sheikh (2015:38) notes that the tourism industry involves challenges specific to the form of business entrepreneurs decide to operate in. In an industry that includes various actors and activities, both direct and indirect, some, like the accommodation sector, are very critical to the development of the market (Ramukumba & Ferreira, 2016:4). Thus, the increased importance of this sector has prompted the current research study.

Using the available literature to better investigate the areas of concern, the researcher decided to divide the content of the literature into three main areas with different sub-headings. The first area seeks to ascertain the factors influencing the development of small-scale accommodation enterprises in the Cape Town central business district (CBD); the second part explores the opportunities available for small-scale accommodation businesses in the Cape Town CBD, and, the third discusses the challenges or difficulties encountered by small enterprises in the accommodation sector in the Cape Town CBD.

The division of this chapter is as follows:

The first section discussing the factors that influence the development of small-scale accommodation businesses comprises the following sub-headings:

- Definition of small business
- Small business in the local economy
- Tourism industry in South Africa

The implications for small accommodation businesses in the tourism industry, in South Africa, and in Cape Town, are also discussed here.

The second section outlines the opportunities for small-scale accommodation businesses, and includes the following sub-sections:

- Business opportunity
- Entrepreneurial opportunity and recognition
- Opportunities in the tourism industry

It also outlines the opportunities for small tourism companies in South Africa, for small accommodation businesses in South Africa, and for small accommodation businesses in Cape Town.

The third section regarding the challenges faced by small accommodation businesses in Cape Town CBD, comprises the following sub-headings:

- Challenges for small business in South Africa
- Challenges for accommodation businesses in Cape Town

2.2 Factors that influence the development of small-scale accommodation businesses

2.2.1 Definition of small business

Small businesses have been studied in many research projects. There is no unique definition of small business. Still, characteristics of the term and its attributes are common to diverse existing definitions of the concept and vary from one country to another. Companies can be classified into different categories based on their size. The most common classification of businesses is small, medium and micro-sized businesses, but in this study, the researcher focuses on small business.

A small business, according to Justino (2015:12), is a structure or place for commercial activity, while Wiener (2020) defines it as a firm with a maximum of 100 employees or fewer. Ayandibu and Houghton (2017:134) contend that small and medium businesses are firms with no more than 250 employees and with a smaller revenue than big companies or corporates.

However, from the South African point of view, the *National Small Business Amendment Act, No, 26 of 2003*, cites micro or very small businesses as having a maximum of ten employees and a very low turnover, while small businesses have up to 50 employees with a better annual profit. Companies or businesses with over 50 employees are considered medium, with a

turnover or profit much higher than the other two categories (South Africa, 2003). De Wet (2019) states that the South African definition of small business has been reviewed and no longer mentions the micro-size business category. In fact, this business classification has been removed in South Africa. The new South African meaning of small business has been established as follows:

The size or class category 'very small enterprise' collapsed into the 'micro enterprise' category. Many users found this size or class category unhelpful and inconsistent with international practice. [...] "Small enterprise" means a separate and distinct business entity, together with its branches or subsidiaries, if any, including cooperative enterprises, managed by one owner or more predominantly carried on in any sector or subsector of the economy mentioned in column 1 of the Schedule and classified as a micro, a small or a medium enterprise (South Africa, 2019).

Table 2.1: The new National Small Enterprise Act thresholds for defining enterprise size classes by sector, using two proxies

| Column 1 | Column 2 | Column 3 | Column 4 |
|--|-----------------------------|--|-----------------------|
| Sectors or sub-sectors in accordance with the Standard Industrial Classification | Size or class of enterprise | Total full-time equivalent of paid employees | Total annual turnover |
| Agriculture | Medium | 51–250 | ≤ 35,0 million |
| | Small | 11–50 | ≤ 17,0 million |
| | Micro | 0–10 | ≤ 7,0 million |
| Mining and Quarrying | Medium | 51–250 | ≤ 210,0 million |
| | Small | 11–50 | ≤ 50,0 million |
| | Micro | 0–10 | ≤ 15,0 million |
| Manufacturing | Medium | 51–250 | ≤ 170,0 million |
| | Small | 11–50 | ≤ 50,0 million |
| | Micro | 0–10 | ≤ 10,0 million |
| Electricity, Gas and Water | Medium | 51–250 | ≤ 180,0 million |
| | Small | 11–50 | ≤ 60,0 million |
| | Micro | 0–10 | ≤ 10,0 million |
| Construction | Medium | 51–250 | ≤ 170,0 million |
| | Small | 11–50 | ≤ 75,0 million |
| | Micro | 0–10 | ≤ 10,0 million |

| | | | |
|---|--------|--------|-----------------|
| Retail, Motor trade and Repair services | Medium | 51–250 | ≤ 80,0 million |
| | Small | 11–50 | ≤ 25,0 million |
| | Micro | 0–10 | ≤ 7,5 million |
| Wholesale | Medium | 51–250 | ≤ 220,0 million |
| | Small | 11–50 | ≤ 80,0 million |
| | Micro | 0–10 | ≤ 20,0 million |
| Catering, Accommodation and other trades | Medium | 51–250 | ≤ 40,0 million |
| | Small | 11–50 | ≤ 15,0 million |
| | Micro | 0–10 | ≤ 5,0 million |
| Transport, Storage and Communications | Medium | 51–250 | ≤ 140,0 million |
| | Small | 11–50 | ≤ 45,0 million |
| | Micro | 0–10 | ≤ 7,5 million |
| Finance and Business services | Medium | 51–250 | ≤ 85,0 million |
| | Small | 11–50 | ≤ 35,0 million |
| | Micro | 0–10 | ≤ 7,5 million |
| Community, Social and Personal services | Medium | 51–250 | ≤ 70,0 million |
| | Small | 11–50 | ≤ 22,0 million |
| | Micro | 0–10 | ≤ 5,0 million |

Source: South Africa (2019),

Therefore, the researcher concludes that a small business or small-scale enterprise can briefly be defined as a company owned by an individual or several people, comprising more than 10 but no more than 50 employees in general, with a limited annual turnover, compared with more extensive or medium businesses. It is an organisation involved in multiple activities to obtain profit or money. However, based on the above revised definition, especially in South Africa, which combines micro, small, and medium-sized companies under the same umbrella of 'small enterprise', it can be stated as any firm with several employees fewer than 250.

2.2.2 Small businesses in South Africa

Small businesses and entrepreneurs have been identified and recognised as pillars of economic development globally and in countries in particular (Exner, 2009:11-12; Gasiorowski-Denis et al., 2015:8; Elimam 2017:120; Ribeiro-Soriano, 2017:1). Indeed, it has been noted

that the strength of the economy worldwide comes from the high number of small businesses (Arnold, 2019) that are part of countries' economic prospects.

As small businesses play an essential role in the economic development of countries (Gasiorowski-Denis et al., 2015:8; Mazur, 2016), South Africa is no exception to the rule. Mukwarami (2017:24) believes that small businesses serve as a tool in the fight against poverty and other socio-economic problems in South Africa. In addition, they may contribute to a wide range of new employment opportunities in a country (Kirby, 2017).

After the end of apartheid in the 1990s, South Africa fostered small business access to the market previously denied to entrepreneurs, thus allowing anyone in the country to contribute to the local economy, address poverty, and enjoy expansion (Agupusi, 2007:2-5). According to Susman (2017), small and medium-sized companies in South Africa have shaped the country's economy. Elimam (2017:120) contends that besides their role in innovation and job creation, small businesses provide specific stability in the local community in South Africa. Their specificity and ability to benefit the country have prompted the government to support this important sector by providing strategic support for their growth.

2.2.3 Tourism industry in South Africa

The tourism industry is the sector that deals with the accommodation and length of stay of people from outside the destination country. In South Africa, where tourism contributes about 7.4% of the national GDP according to the Department of Environmental Affairs and Tourism (DEAT, 2010:10), the industry has been an area of concern for the country's development for the last few years. Tourism involves the various activities of people travelling outside their home country for a specific period (UN & WTO, 1994). According to Camilleri (2018:2-3), tourism refers to the actions of people visiting a destination through the process of travelling from their residential area or country to another place for business or leisure purposes. The author divided the industry into four distinct sectors with their roles and sub-sectors as follows:

Table 2.2: Proposed classification of tourism main sectors

| Main Sectors | Role | Types |
|----------------|--|--|
| Transportation | Transportation refers to all transportation facilities available for tourists to move from one point to another. | <ul style="list-style-type: none"> • Air: international and domestic flights • Water: ocean liners, ferries and hovercrafts, passenger cargo ships, riverboats, houseboats and yacht charters. • Land – cars, campervans, and buses. |
| Accommodation | This refers to all types of hospitality service facilities available at the destination. | <ul style="list-style-type: none"> • Service accommodation: hotels, bed and breakfasts (B&Bs), inns, and similar. • Self-catering accommodation: campsites, caravans and holiday rentals of villas, apartments chalets, etc. |

| | | |
|------------------------|---|---|
| Ancillary Services | Those responsible for information, entertainment, amusement, and other necessary service facilities for visitors. | <ul style="list-style-type: none"> ● Information centre: tourism offices and online information facilities platforms. ● Infrastructure: roads, electricity and water supplies, communications facilities, sewage and waste disposal, policing and security, medical services and hygiene. ● Financial services: foreign exchange offices, insurance and banks. ● Food and beverages: restaurants, bars, liquor stores. ● Entertainment: cinemas, nightclubs, theatres. ● Retail facilities: shopping malls, shops, etc. |
| Sales and Distribution | Responsible for the provision of support service facilities. | <p>Travel agency operations:</p> <ul style="list-style-type: none"> ● Travel advice on the various options available. ● A booking service to secure reservations for various aspects of the product, such as transport, accommodation, sightseeing, etc. ● Support with travel formalities. This may include the procurement of travel documents, including passports and visas. ● The issue of tickets, vouchers and itineraries for all travel arrangements. |

Source: Camilleri (2018:6-21)

Tourism is an industry filled with possibilities through its capacity to create relationships among various sectors, enhance collaboration among sectors, and generate employment opportunities for individuals and entrepreneurs (DEAT, 1996:4).

2.2.3.1 Accommodation in the tourism industry

From tour operators, travel, and transportation agencies, to accommodation services, the tourism industry is a market with various actors, mostly dependent on one another. Tourism is divided into sub-sectors, among which hospitality is regarded as one of the most critical like stated in table 2.2, because it is the main sector directly related to the travelling experience of visitors. It includes all the basic service providers responding to the specific needs of people visiting the region or country, and some of the most critical ones are accommodation providers.

Horner and Swarbrooke (1996:34) note that hospitality involves all services providers: hotels, restaurants, and various recreational activities, for guests as well as for local residents. According to Nyoike et al. (2014:62-63), food and hospitality firms are big role players in the small business sector of the tourism industry. Hospitality is one of the best developed sectors in the South African tourism market and is experiencing a remarkable growth (Gala, 2017:1). However, the most important among all these elements is the accommodation sector, and this is perhaps because tourism depends so much on the accommodation sector (Ramukumba & Ferreira, 2016:4) and the reverse is also true. As such, the quality and quantity of available

accommodation can be a determinant of the growth of the industry. In support, many authors have noted that the accommodation sector is critical to the development of the tourism market (Khan, 2005:202; Poudel, 2013:13-15; Greenberg & Rogerson, 2018:93).

Accommodation includes all accommodation services for visitors to countries: traditional hotels, bed & breakfasts, guesthouses, backpackers, etc. (Ye et al., 2019:29). With the advancement of technology and the expansion of the business market, people are moving from one point to another for different reasons more frequently than previously. Accommodation facilities are among the attracting factors to destinations for tourists worldwide (Poudel, 2013:13). As people are travelling to various countries for business, medical treatment, study, or for leisure, they need accommodation for that particular period. Accommodation thus is important for the competitiveness of a country in term of the tourism industry on a global scale (Magombo et al., 2017:88).

- *Definition of accommodation business*

According to Glen (2017:27-28), “small accommodation business” does not have a specific definition as this may vary from one place to another or from one person’s perspective to another; however, based on the initial definition of ‘small business’ in South Africa, a small accommodation business can be defined as a firm or company with a number of employees below or equal to a maximum of 50, and that offers a place to stay in the form of a house, room or apartment, in exchange for money. According to Mhlongo (2018:24), small accommodation enterprises often employ a maximum of 20 people, compared with medium and large businesses that employ from 20 to 100, depending of the number of rooms available and positions needed to carry out the business activity. Camilleri (2018:12) defines accommodation as places where people can stay for long or short periods of time, available in diverse types, and chosen by visitors depending on their needs. Accommodation facilities thus can be considered available places to stay for visitors to the destination.

It is customary for accommodation businesses to be incorporated into one sub-sector of tourism; however, Rodgers (2001:23-24) notes that accommodation can be divided into two groups: serviced accommodation and self-catering accommodation. Camilleri (2018:12-14) cites hotels, bed and breakfasts, and guesthouses as some examples of serviced accommodation, and apartments, studios or camping, as self-catering accommodation.

- *Some common types of accommodation businesses*

According to Ye et al. (2019:29), the tourism and hospitality industry includes an important number of small accommodation business like guesthouses, B&Bs, or home stays.

Bed and breakfast (B&B)

As the name suggests, bed and breakfast accommodation can be defined as the type that offers rooms, including breakfast, in the package; both come together. The Western Cape Government (2014) defines B&B as a type of accommodation with a maximum of three bedrooms in the establishment with the principal characteristic of including breakfast for guests (Western Cape Government, 2014). In other words, B&Bs are characterised by available rooms for overnight stays, accompanied by breakfast in the guest package. They usually do not provide any other types of meals. According to Hes (2018), B&Bs provide less formal accommodation, limited service, bathroom facilities, and breakfast. Beyond the maximum of three bedrooms, the establishment is considered a guesthouse, not a B&B.

Hotel

The hotel is the most common and traditional type of accommodation globally. According to Fridgen (1996:187), the hotel has been the most dominant form of accommodation worldwide for many years. The Professional Connector website defines hotel as a form of accommodation establishment that offers a large number of rooms with more facilities, such as bathrooms en suite, telephones in rooms, shuttle services, and restaurants on the premises (Professional Connector, n.d.).

While hotels provide guests with a place to stay, and offer services and rooms to diverse budgets catering to individual as well as family needs, Bunda (2014:6) provides a concise definition: a hotel can be defined simply as a business that offers lodging for a short or specific period of time.

Hostel

Hostels are characterised by shared room options, shared and bathroom en suite facilities, and common kitchen and lounge area for guests. According to Bunda (2014:9), a hostel constitutes budget accommodation, ideal for travellers with limited funds, and characterised by sharing most of the facilities with other guests. This can be suitable for people with limited budget who are willing to share with strangers.

Backpackers

Backpackers are sometimes grouped under hostel-type accommodation as they are quite similar in their characteristics. Ivanovic (2008:76) describes backpackers as a cheap type of accommodation, generally designed for young travellers with small budgets. They offer either dormitories for people willing to share rooms, or private rooms for more intimacy.

Motel

Motels are less common in South Africa, and are mostly found in Europe and the USA. Khan (2005:213) defines motel as a place designed for local motorists travelling by road who require transit accommodation, and providing facilities like parking, garaging and public catering on site. It is a type of accommodation suitable for people travelling huge distances via road and in need of an overnight break during the road trip.

Guesthouse

A guesthouse can look like a small hotel. According to Ndebele (2019:29), guesthouses are generally houses renovated or transformed into a commercial place to stay overnight. They are separated from the owner's house, but are fully furnished for the convenience of guests, who are responsible for their own belongings during their stay.

Holiday house

As the name suggests, it is a house for holidays or for a short period of time, for travellers who want to feel at home. It refers to accommodation that offers those appliances available in a traditional home, so people do not need to go out for meals, as they can cook in the kitchen and bath and shower as in their own homes (Ivanovic, 2008:76). This type of accommodation is suitable for families and groups of people travelling together, and wishing to save money.

2.2.3.2 Accommodation businesses in South Africa

Accommodation has been a recurrent area of research in South Africa and in other sub-Saharan regions of late (Rogerson & Rogerson, 2014:3). As part of the hospitality sector responsible for welcoming visitors, accommodation is one of the main areas concerned with the period tourists spend in the country and their experience. Attracting visitors to the country has been a major aspect of South African tourism industry development, under the aegis of the hospitality sector (Gala, 2017:20). Therefore, interest for the accommodation field cannot be disregarded. According to Khan (2005:202), one of the most important requirements to encourage tourism development in countries is to offer good and suitable accommodation facilities.

From travel agencies and tour operators, to accommodation facilities, the tourism industry is one of the few activities performing well and experiencing growth faster than the economy in South Africa (DEAT, 2003:7). Wherever people travel, they need a place to stay, thus the value of accommodation in tourism has been noted by various governments worldwide (Khan, 2005:203). According to Mitchell (2017), the accommodation sector has been crucial to the national economy. It fosters foreign exchange growth and job creation, especially for women and young people in South Africa. Even though cost is a determinant of the choice of type of visitor accommodation (Poudel, 2013:4), it is believed that the experience during this specific

period and the fact that visitors get a reasonable place to stay will encourage them to return at least once to the country with the expectation of experiencing the same atmosphere or even a better experience than the previous one.

2.2.3.3 Small Accommodation businesses in Cape Town

Situated in the Western Cape province of South Africa, According to Galal (2021b), statistics show that Cape Town is among the largest cities in South Africa in term of population, with over three million of inhabitants. Visser and Rogerson (2004:210), acknowledged that Cape Town is the most visited city in the country. The city has seen a visible increase in the number of international arrivals, tourism spending and the growth of various attraction offerings for visitors (Exner, 2009:25). Furthermore, Cape Town is recognised to be a tourism destination favourite. As noted by Greenberg and Rogerson (2018:88), Cape Town is considered one of the most attractive destinations in the country, for leisure as well as for business purposes. The city has been named one of the 20 most beautiful cities in the world in 2014 (News24, 2014), which furnishes another reason for tourists and investors' interest, while simultaneously impacting the tourism and accommodation markets. Cape Town thus is a magnet for large, small and medium-sized companies.

Cape Town is the most famous and visited city in the country and in the Western Cape province (PwC, 2017:17), with over five million visitors from July 2017 to June 2018 recorded at Cape Town International Airport (Cape Town Tourism, 2018:4). This might be because Cape Town has prolific tourist attractions (City of Cape Town, 2019:11). From this perspective, Gala (2017: 77) notes that tourism is a major actor in the economy in the Western Cape province of South Africa. The industry represents over R25 billion of the economy in the Western Cape (South Africa, 2019). As a pioneer in the economic development of South Africa, and being the most popular tourist destination in the country, Cape Town plays a vital role in the growth of the tourism market (Nyilika, 2013:2).

Listed among the 20 most beautiful cities globally in 2014 (News24, 2014); this city's status can serve as a starting point for generating business ideas for entrepreneurs or a holiday destination for tourists. Greenberg and Rogerson (2018:88) also note that Cape Town is considered one of the most attractive tourist destinations in the country, whether for business or leisure. This means the city, through its attractions, presents real potential for not only consumers/customers, but also for entrepreneurs in the tourism market. Moreover, the city, with its capacity for many leisure offerings, can be an exciting place to visit and spend valuable time. According to the City of Cape Town (2017:51), the accommodation sector in Cape Town is shared between "hotels, motels, self-catering apartments and houses, bed & breakfasts (B&Bs), lodges, guesthouses and backpackers of varying star ratings".

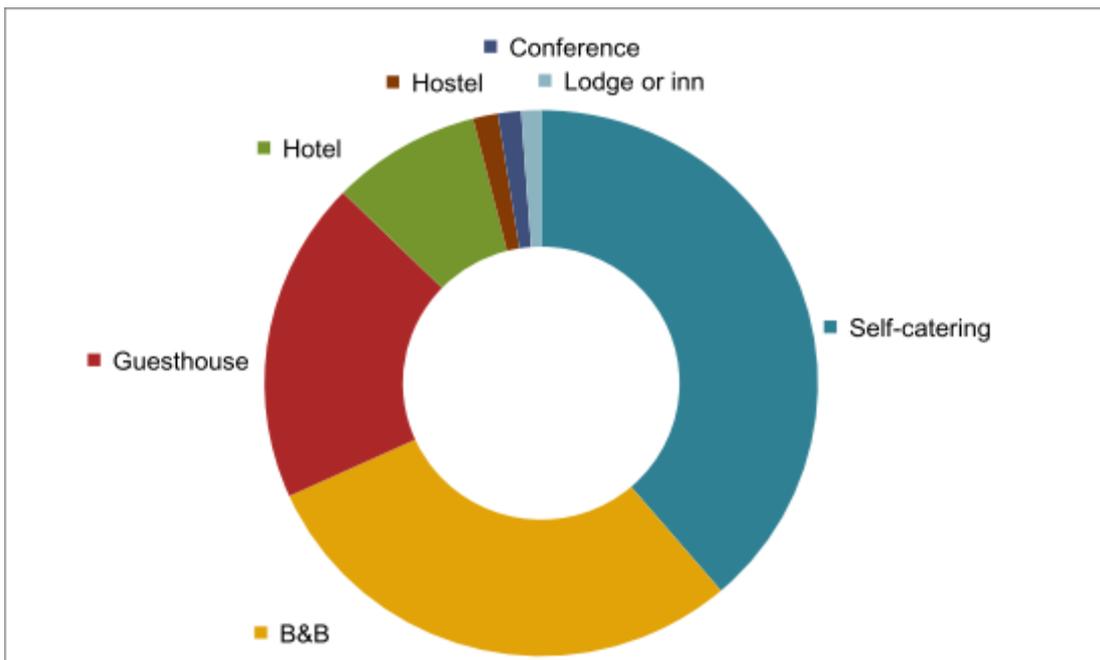


Figure 2.1: Accommodation mix in Cape Town

Source: City of Cape Town (2017:53)

The 2010 FIFA World Cup™ gave a major boost to the tourism and especially accommodation sector in Cape Town (Mbatha, 2018). The landscape of the city is one of its most important selling points. This generates various opportunities for visitors, but also for entrepreneurs trying to start up a venture by satisfying specific needs in the market. According to Mbatha (2018), a business model like Airbnb has been an accelerator in the accommodation sector, generating around ZAR2.4 billion in 2016, with about 25% of visitors in Cape Town using this online reservation facility. South Africa recorded a total of 4 423 165 tourists from January to May in 2018, which is slightly more than the 4 308 358 tourists that visited South Africa during the same period in 2017. They visited for diverse reasons, and increased the need for accommodation (*Tourism Tattler*, 2018).

2.3 Opportunities for small-scale accommodation businesses

2.3.1 Business opportunity

An opportunity is often regarded as an occasion to realise or implement something. Nieman and Nieuwenhuizen (2014:15) define it as an open space “left by those who currently serve” the market. In other words, an opportunity is the chance to do something at a time when you

can do something, such as implementing a new business idea based on the gap or the weakness in the market.

Turning to business opportunity, Marquis (2019) defines it as a situation or condition under which a business can be developed or implemented with a new or existing product or service approach. Therefore, a business opportunity can be defined in business terms as a set of positive circumstances or situations that entrepreneurs notice and turn into a viable business that will satisfy specific needs in society. It is a need for a particular product or service for customers that an individual or a company exploits to conduct business activities.

Opportunities are localised in the environment. According to Vaghely and Julien (2010:76), an opportunity is directly linked to the information in the environment around the entrepreneur or individual. They are found by entrepreneurs with open minds and skills in environmental scanning. Environmental scanning refers to the process of analysing, generating, assessing and evaluating information reflected by the environment which entrepreneurs or companies take into consideration to set business strategies or undertake projects (Babatunde & Adebisi, 2012:26). They are part of the environment, and elements that contribute to many business decisions and objectives.

The creation of a business certainly goes through a process of need recognition and the development of the idea by individuals or entrepreneurs. Therefore, the needs or gaps present in the environment furnish ideas which are then converted into potential and viable businesses to serve the community. However, not all ideas are good business opportunities. In fact, an idea may contribute to the business's realisation, but this does not necessarily make it a business opportunity (Jamali et al., 2018:445).

2.3.2 Entrepreneurial opportunity and recognition

2.3.2.1 Entrepreneurship and entrepreneurial opportunity

The meaning of the term 'entrepreneurship' varies from one person to another (Exner, 2009:10). According to Hitt et al. (2001:480-481), entrepreneurship is defined as identifying and exploiting previously unexploited opportunities or gaps. Another definition by Nsengimana (2017:11) states that the word 'entrepreneurship' derives from the French word, *entreprendre*, meaning "to undertake" or "to take on". Entrepreneurship can also be described as new business ideas or improving the activities and operations of an existing venture (Justino, 2015:11). For Mukwarami (2017:12), entrepreneurship involves setting up and running a business with the individual's capability to apply creativity and innovation in the chosen market.

The point of departure is to explore a business opportunity or gap presented to the entrepreneur (Toli, 2017:25), which means that any business or entrepreneurial activity comes from the ability of the individual to explore and exploit the opportunity identified in the environment. Opportunity and the individual entrepreneur are the main components, and what makes entrepreneurship possible. As it is shown in the figure 2.2 below, one is the actor of the concept (entrepreneur), the second is the tool or instrument (opportunity) for the realisation of the practice (entrepreneurship).

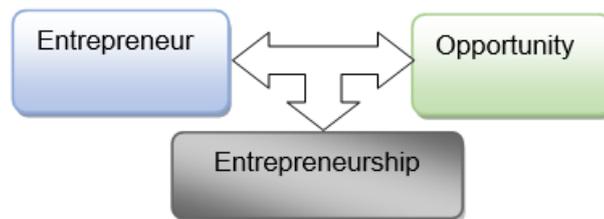


Figure 2.2: Realisation of entrepreneurship through the merger of entrepreneur and opportunity

Like entrepreneurs, opportunity makes entrepreneurship possible (Short et al., 2010:40). According to Lim and Xavier (2015:107), recognition of opportunity involves certain elements that individuals need to consider. They note entrepreneurial alertness, prior knowledge, social networks, and business performance as factors critical to the recognition of opportunity like in the figure 2.3.

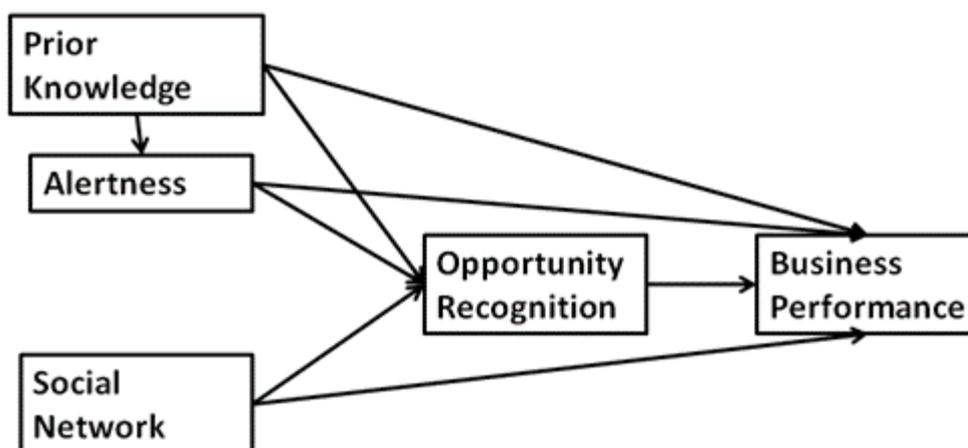


Figure 2.3: Framework of opportunity recognition

Source: Lim and Xavier (2015:109)

- *Alertness:*

According to Foss and Klein (2010:11), alertness refers to the discovery of new products or services, or new uses of resources. Entrepreneurial alertness can simply be described as the ability of the individual to be aware of something as a possibility. Alertness to a business opportunity involves the capacity to capture the presence of a particular opportunity to enhance a business.

- *Prior knowledge:*

Prior knowledge in the opportunity recognition process refers to the current information or knowledge that the entrepreneur possesses about the area of concern or the industry, and environment of interest. This prior knowledge has the capacity to influence the way entrepreneurs become aware of particular opportunities and how they respond to these (Arentz et al., 2013:463). Prior knowledge enhances entrepreneurs' perceptions of the industry and the viability of an opportunity.

- *Social network:*

A social network is a tool that enables individuals or entrepreneurs to link the available resources or information acquired from the environment in the process of opportunity identification. It determines the kind of information entrepreneurs can access (Ma et al., 2011:1183-1184). This includes business support from peers, friends, or family regarding the business opportunity in the market. Entrepreneurs with a large network of relationships in business and in their personal lives are more likely to recognise opportunities or specific needs in the market (Lim & Xavier, 2015).

- *Business performance:*

Business performance is actually the target of effective entrepreneurial opportunity. It reveals how information gathered and analysed has been exploited by those entrepreneurs who identify the opportunity or the need in the market for that potential product or service. Business performance is influenced by the merger of alertness, prior knowledge and opportunity recognition (Lim & Xavier, 2015).

2.3.3 Opportunities in the tourism industry

2.3.3.1 Opportunities for small tourism companies in South Africa

In many countries, sectors like mining, retail or technology used to be the ones driving the economy, but of late, governments have noted the importance of the tourism industry. By 1994, the South African government had realised the importance of the tourism sector in the economic development of the country and the necessity to promote this sector of activity (Nyilika, 2013:2).

The end of apartheid in South Africa in 1994 stimulated the growth of its tourism sector (DEAT, 1996:1). In South Africa, entrepreneurship and small businesses have been recognised for their important role in various industries like tourism. Tourism is believed to be one of the leading sectors in South Africa that presents a real instrument for the government to galvanise the local economy and address various social issues in regional and rural areas (Rogerson & Rogerson, 2014:2). According to Lordkipanidze et al. (2005:791), small firms in tourism potentially are able to strengthen the local community by converting local assets into tourism products or services. The tourism industry is regarded as a niche for starting small firms (Wang et al., 2019:78). It has a diversity of offerings that makes it a potential platform for business ideas. According to Sheikh (2015:6), entrepreneurs can play an important role in the tourism industry as they have the capacity for innovation and transformation. This is encouraging for the creation of many small firms that contribute to the development of the country and increase employment opportunities for local people.

As mentioned by Ferreira (2007:194), the tourism and hospitality industries constitute a set of services and products. They do not only refer to travel and accommodation facilities, but to all the various stakeholders in the industry. Tourism comprises a wide range of business activities from which entrepreneurs can choose (Rogerson, 2008:23). It is an industry more attuned to service than to physical products (Sheikh, 2015:20). Tourism constitutes all the business products and service providers that contribute to the experiences of visitors to the country (Rogerson, 2008:24). These may include certain businesses like dry cleaners or restaurants that chiefly serve the needs of visitors; tour operators and travel agencies; and adventure agencies responsible for the leisure experiences of tourists within the destination. All actors involved in the trip experience of the individual should be regarded as tourism businesses, whether directly or indirectly involved in the industry.

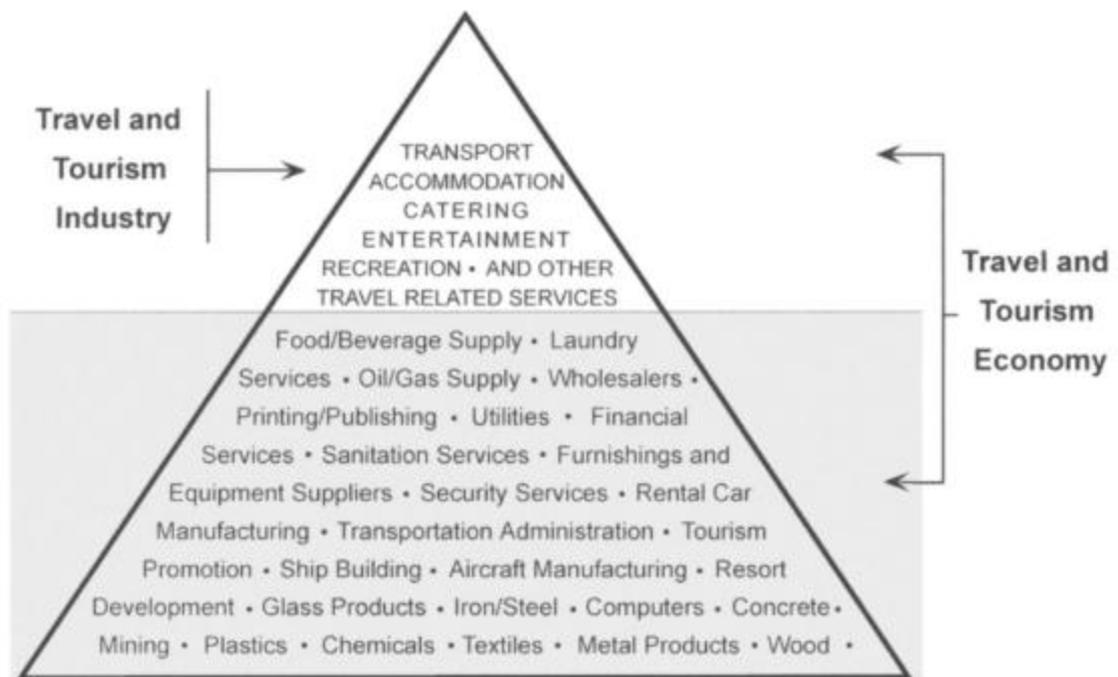


Figure 2.4: Different boundaries of the tourism economy

Source: Rogerson (2008:24)

Rogerson (2008:24) in Figure 2.4, presents tourism as an iceberg industry, with main actors at the top, including “transport, accommodation, catering, entertainment, recreation, and other travel-related services” while the bottom or unseen part includes major suppliers and contributors to the industry. This might be the reason why Nongsiej and Shimray (2017:1425-1426) contend the tourism sector has the ability to provide employment for a large number of people. The figure above gives an understanding of the tourism industry as a multifunctional market within a country. With such a wide range of sectors and indirect contributors, tourism clearly is a vast industry with the potential for business development.

According to Henama and Sifolo (2015:118), the South African tourism market provides many opportunities for people with business dreams. Yet, the country is one of the few in the world that allows full foreign ownership of tourism companies (Henama & Sifolo, 2015:118). The tourism market has the ability to grow rapidly and attract more entrepreneurs and new businesses start-ups as it presents potential extension opportunities (Lordkipanidze et al., 2005; Solvoll et al., 2015:120). The tourism market in South Africa is also one of the sectors with fewer barriers for businesses and offers more opportunities than some other industries (South Africa. Department of Tourism, 2018:10). Additionally, tourism is responsible for about 700 000 direct jobs in South Africa, thereby reducing unemployment in the country (South African Tourism, 2018:4).

2.3.3.2 Opportunities for accommodation businesses in South Africa

South Africa has long ignored the opportunities that the tourism industry presents for its economic development (DEAT, 1996:3). According to Matsiliza (2017:3), there are possibilities and opportunities that need to be explored and exploited by entrepreneurs in the tourism market, especially in fields like tour operators and accommodation.

Africa is becoming an attractive continent to investors, leading to an obvious growth in the demand for accommodation and hospitality facilities, especially in the southern region (Saddy, 2017). Saayman (2002:6) notes a need for accommodation in South Africa as the number of tourists increases each year. This statement is supported by Smith (2018), who affirms there is a major opportunity for Africa in the hospitality industry. With globalisation, visitor numbers increase, whether for study, business conferences or holidays. Gala (2017:1) states that the hospitality industry is a real niche for job seekers and business opportunities for entrepreneurs and small businesses owners. Indeed, the industry offers various sectors from which individuals can choose to operate, such as accommodation, which is the one most cited by researchers. Trade and accommodation have the highest share of small businesses in South Africa and in all provinces as displayed in Tables 2.3 and 2.4 below. These sectors presented a percentage of 39% of the total number of small businesses in South Africa at the end of the first quarter in 2018 (SEDA, 2018:18) compared with the third quarter of the same year when the sector reached 40%.

Table 2.3: Number of SSMEs by province in 2018Q1

Table 8: SMMEs by province and industry in 2018Q1

| | Western Cape | Eastern Cape | Northern Cape | Free State | KwaZulu-Natal | North West | Gauteng | Mpumalanga | Limpopo | Total |
|----------------------|----------------|----------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| Agriculture | 6 196 | 8 672 | 5 021 | 4 077 | 9 541 | 5 592 | 6 861 | 5 061 | 8 950 | 59 969 |
| Mining | 0 | 0 | 0 | 0 | 0 | 928 | 1 859 | 0 | 0 | 2 787 |
| Manufacturing | 30 216 | 14 714 | 3 996 | 11 324 | 37 223 | 7 988 | 64 308 | 11 847 | 34 024 | 215 639 |
| Elec, gas & water | 0 | 0 | 565 | 0 | 846 | 0 | 0 | 0 | 0 | 1 411 |
| Construction | 29 750 | 39 066 | 1 215 | 8 172 | 49 263 | 10 634 | 115 141 | 27 937 | 52 165 | 333 344 |
| Trade & accom. | 68 586 | 87 247 | 5 305 | 56 850 | 138 344 | 47 287 | 304 325 | 109 010 | 142 326 | 959 280 |
| Transp & commu. | 22 482 | 19 306 | 1 812 | 8 536 | 11 017 | 12 021 | 64 433 | 6 478 | 21 436 | 167 521 |
| Fin. & bus. services | 63 717 | 18 148 | 2 806 | 8 661 | 35 954 | 15 677 | 137 213 | 18 603 | 24 342 | 325 119 |
| Community | 47 275 | 24 026 | 3 184 | 16 965 | 48 122 | 25 408 | 150 553 | 22 512 | 29 807 | 367 851 |
| Other | 1 035 | 1 113 | 0 | 0 | 3 153 | 0 | 2 636 | 475 | 1 830 | 10 242 |
| Total | 269 256 | 212 292 | 23 904 | 114 584 | 333 461 | 125 535 | 847 329 | 201 922 | 314 880 | 2 443 163 |

Source: SEDA (2018:18)

Table 2.4: Repartition of number of SSMEs by province in 2018Q3

Table 8: SMMs by province and industry in 2018Q3

| | Western Cape | Eastern Cape | Northern Cape | Free State | KwaZulu-Natal | North West | Gauteng | Mpumalanga | Limpopo | Total |
|----------------------|----------------|----------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| Agriculture | 10 198 | 5 821 | 3 647 | 2 352 | 10 800 | 5 892 | 2 881 | 5 694 | 8 646 | 55 931 |
| Mining | 0 | 0 | 432 | 0 | 0 | 0 | 5 220 | 0 | 0 | 5 651 |
| Manufacturing | 21 223 | 18 266 | 606 | 7 466 | 37 298 | 6 943 | 72 800 | 13 665 | 33 267 | 211 535 |
| Elec, gas & water | 802 | 0 | 0 | 0 | 0 | 0 | 0 | 930 | 0 | 1 732 |
| Construction | 28 571 | 35 845 | 3 074 | 18 242 | 60 480 | 8 435 | 128 225 | 32 625 | 60 149 | 375 646 |
| Trade & accom. | 80 922 | 89 443 | 8 577 | 45 409 | 170 924 | 55 390 | 312 788 | 116 648 | 151 961 | 1 032 063 |
| Transp & commu. | 24 285 | 22 017 | 2 429 | 6 702 | 21 390 | 11 573 | 58 376 | 12 487 | 14 091 | 173 351 |
| Fin. & bus. services | 45 130 | 19 053 | 4 198 | 6 921 | 42 286 | 10 767 | 173 465 | 17 448 | 19 844 | 339 113 |
| Community | 49 307 | 17 142 | 4 798 | 14 615 | 55 295 | 26 047 | 130 289 | 26 079 | 27 675 | 351 247 |
| Other | 0 | 3 398 | 0 | 0 | 2 495 | 0 | 4 076 | 655 | 0 | 10 624 |
| Total | 260 439 | 210 986 | 27 760 | 101 709 | 400 967 | 125 046 | 888 120 | 226 230 | 315 634 | 2 556 891 |

Source: SEDA (2019:19)

According to the statistics shown in Figure 2.7, a total of 16.44 million tourists were recorded for 2018 in South Africa (Galal, 2021a), with the possibility of seeing the number increase in the following years up to 2023¹.

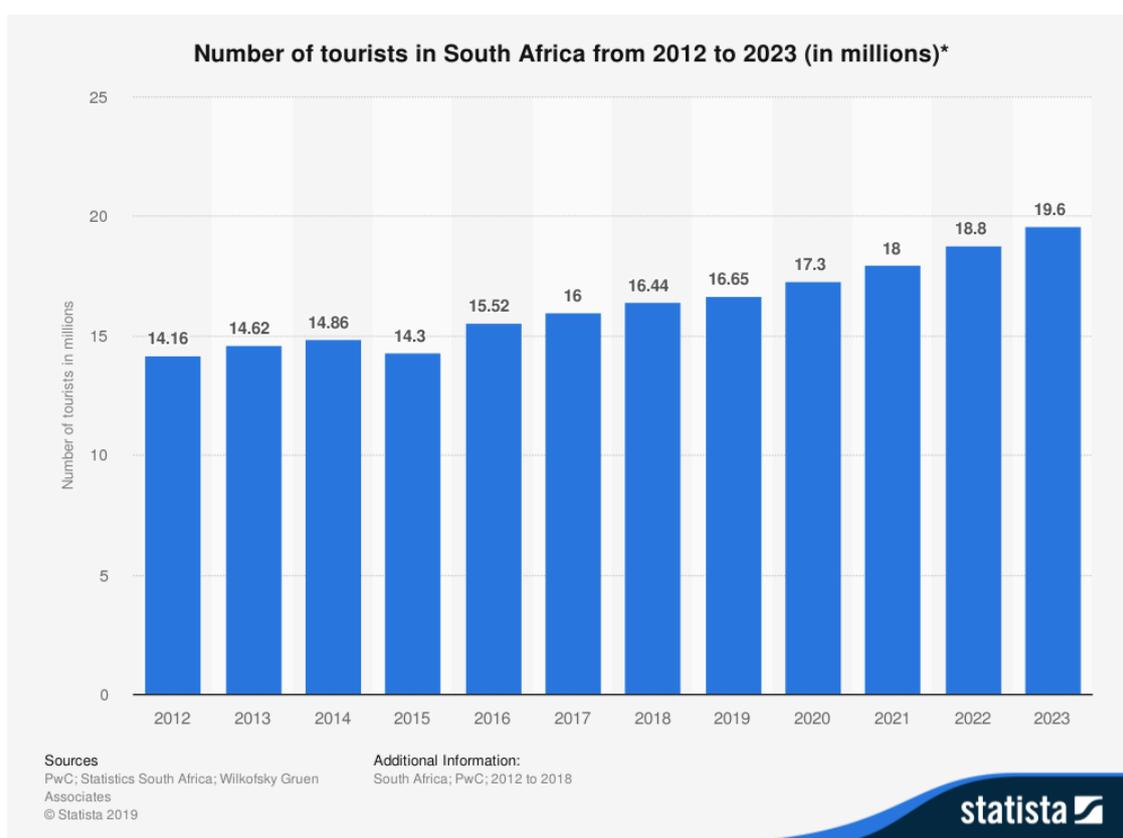


Figure 2.5: Number Of tourists in South Africa between 2012 and 2023 in millions

Source: PwC; Statistics South Africa. 2019

¹ According to various sources, number of visitors was supposed to increase over the years, but due to covid-19 pandemic, it is believed figures instead decreased.

The envisioned number of visitors to South Africa may result in the belief that the opportunities for doing business in the tourism sector are also growing, as where there is a demand for a specific product or service, there is a gap for a business idea. This means in that particular circumstance, high number of tourists also implies a high demand for accommodation. Therefore, the creation of accommodation enterprises can be the first idea entrepreneurs would consider investing in.

Growth In the tourism industry can be stimulated if the economic, political and social atmosphere in a country is good (Sheikh, 2015:7). While various sources note a decline in the value of the local South African currency, the current weakness of the rand could be an opportunity for the tourism industry (Bizcommunity, 2019b). A weak destination currency makes a place more attractive to visitors, as tourists see the positive impact that visiting South Africa can have on their pocket. Even with the knowledge that some tourism companies trying to survive in the current market tend to increase their rates, tourists might easily accept paying a specific amount during this low state of the rand, because it does not necessarily mean that the visitor is losing, as the destination is still valuable in other aspects of the tourism experience. According to Smith (2018), the South African Tourism CEO stated that South Africa should not be presented, seen or marketed at the international level as a low-cost or cheap destination, but as value for money. It could be a win-win situation for both companies and customers if prices are strategically planned. With some packages and promotions, companies could attract more customers/clients to their businesses and still survive by making some profit, while customers are satisfied by the good value obtained from their spending.

2.3.3.3 Opportunities for small accommodation businesses in Cape Town

As previously stated, Cape Town has been listed among the best cities recorded in the world in year 2014 (News24, 2014). This might be one reason why people tend to come more and more to explore the city. Cape Town is recorded as the principal area for tourism in the Western Cape province (City of Cape Town, 2017:16) and therefore could stimulate tourism in the country and contribute to growth in the tourism industry.

Since the 2010 FIFA World Cup™, Cape Town has experienced considerable growth in its tourism and hospitality industry figures with regard to accommodation (Mbatha, 2018). Location is one of the prime factors that determine business decisions and can be linked to opportunities for entrepreneurs to start a business. According to the City of Cape Town (2017:37), there is an increasing demand for low-cost accommodation such as backpackers or B&Bs in Cape Town compared with more traditional accommodation providers like hotels. In 2018, approximately 2 000 new rooms to accommodate visitors in the city were recorded and added to the existing 11 000 (CCID, 2019:26). According to Nguyen (2017), Cape Town

is an excellent location for entrepreneurs to run a business. For the first quarter of 2019 compared with 2018 (Githahu, 2019), 37% of tourism businesses in Cape Town had a better performance, while other cities in the country struggled.

As one of the most visited cities in South Africa, Cape Town is considered to have excellent business potential. The city is an essential pivot of growth development for business in South Africa (City of Cape Town, 2015:12). One of the areas considered a hub for business is the central business district (CBD) (Greenberg & Rogerson, 2018:90), also called the city centre or 'downtown'.

According to Pirie (2007:126), over the years the Cape Town city centre has become ideal, as massive changes have been made, transforming the city centre into a more modern place with various work and leisure spaces. The CBD hosted over 25% of the metropole's economy and 30% of the employed people in 2016 (Bizcommunity, 2016a). The city centre comprises about 3 090 formal businesses established and recorded, including accommodation establishments and travel agencies, bars and restaurants, and many leisure facilities to suit visitors' needs (CCID, 2019:7). Because tourists enjoy being close to facilities such as clubs, bars, restaurants, and money exchanges, the CBD could be a tourist hub. This might be why the city centre welcomed 883 000 visitors in 2015 (Bizcommunity, 2016b).

According to Githahu (2019), compared with other cities' 10% decline in tourist figures, Cape Town is experiencing either an improvement or a constant position in the sector². In 2016, it recorded the highest number of visitors ever in the Western Cape, as revealed by Cape Town International airport data showing a total of about 10 million people (ATTA, 2017). Such a high number of visitors would certainly mean a greater demand for accommodation. This would be a reason for an entrepreneur to take advantage of the situation and consider opening an accommodation establishment to meet this growing demand. According to Pirie (2007:130), the estimated number of hotels and guesthouses in the CBD in 2007 was 58, but the author did not mention any other types of accommodation. In 2018, about 60 accommodation establishments, including budget establishments and backpackers, were estimated to be in the CBD based on the State of Central City report of 2019 (CCID, 2019:26). However, this figure did not include all the types of accommodation in the area and did not indicate the portion of each type, which makes one believe the number could be higher and might well have increased over the years.

² While tourism flourished in Cape Town in the early twenty-first century, the onslaught of the global COVID-19 pandemic in 2020 and 2021 has impacted tourism and travel severely. This means that the reality today talking about tourism in the city has changed and might not necessarily be as good as it seemed years before the pandemic.

The tourism industry is one that depends on the international influence. Even though the South Africa currency is weak, the tourism sector could take advantage of this weakness in the economy as this can be attractive for foreign visitors. Because the sector deals with people from outside the country, the local currency's weakness can be favourable for small tourism companies to see growth. The weak currency may cause a significant increase in visitors when they evaluate the cost of coming to South Africa or coming to Cape Town. This could occur when the high number of arrivals affect the demand for accommodation. As people need accommodation, they may be willing to use any available place during that period. It could be an opportunity for small businesses to face competition and position themselves by offering good accommodation and great service while making money.

2.4 Factors impeding the development of small-scale accommodation businesses

2.4.1 Challenges for small business in the South African tourism industry

Tourism is an industry that requires intense entrepreneurship support (Lordkipanidze et al., 2005). According to Rogerson (2008:26), it is essential that challenges faced by small tourism businesses in Southern Africa are reviewed. According to Sheikh (2015:38), tourism companies are experiencing some difficulties that are often unique to the type of tourism business chosen by the entrepreneur.

Various issues may weaken the attractiveness of the tourism market, whether for customers and clients, or for entrepreneurs wanting to operate in the industry (Nieman et al., 2008:284). As in the general overview stating that small businesses in South Africa face various difficulties, there is no exception for small businesses in the tourism market. Indeed, it has been mentioned that small businesses in tourism encounter additional constraints unique to the nature of the business (Sheikh, 2015:38). Tourism is an industry certain to face difficulties in South Africa because of its changing character (Lamont & Ferreira, 2015:3).

2.4.1.1 Access to finance

Financial aspects and access to funding are critical to the development of small businesses in South Africa. Among numerous challenges assessed by researchers on tourism and small business development, the financing of the business remains one of the most common, as it is in general for business ventures. According to Rogerson (2008:27), as small tourism companies are largely seasonal, they have difficulty in accessing financial support and loans from banks. They are regarded as doubtful creditors, as they do not have constant performance, which reduces the lender's level of trust. Lack of finance for entrepreneurs in

tourism compromises the possibility of growth and expansion for businesses (Nieman et al., 2008:284). Companies need funding for their marketing and operation. It might be difficult and almost impossible for companies to operate, grow or survive without financial support. However, it seems that financial institutions like banks are more willing to assist large companies than small enterprises (South Africa. Department of Small Business Development, 2017:10).

2.4.1.2 Weak currency

As with any other factors in the business environment, economic factors describe the economic situation of the local destination or region, especially the state of local currency. According to Morello (n.d.), any travel business is subject to local currency fluctuation. However, the recent weak currency shares responsibility for the decline in the accommodation market in South Africa (News24, 2019). It is important for tourism companies in South Africa to be aware of their pricing and rates, because there is a possibility that the performance of the tourism market can be influenced by these (Bizcommunity, 2019b).

2.4.1.3 Facing competition on the market

All firms that offer services or products to fulfil a specific need on the market constitute competition for one another (Asoba, 2014:27). Competition can be considered an important barrier to the growth of small tourism companies (Sheikh, 2015:40). As previously mentioned as a positive factor in the South African tourism market, barriers to enter the tourism industry are low and encourage entrepreneurs to invest in the industry; however, this can also be challenging, because low entry barriers increase the possibility of competition for small existing tourism companies, that have in addition the presence of well-established and bigger size businesses on the market. Yet, they might also face their potential rival that flourish in the industry around them. According to Mokoena (2016:32), many entrepreneurs decide to start a tourism venture without necessarily having the requisite skills to start such a business. They lack prior knowledge of the industry and many other aspects related to the tourism market. This may considerably affect their capability to compete and grow in a large market like tourism, as they are vulnerable to the threat of competition.

2.4.1.4 Safety and security

Residents in the host country who live in potential tourism areas may feel uncomfortable with the development of the tourism market and can act in ways that have a negative impact on the industry (Fridgen, 1996:46). However, the rate of insecurity in South Africa could be another critical factor affecting its tourism market and especially small businesses that need special attention (Nieman et al., 2008:284). Safety and security in the travel destination is really important and the growth of the tourism industry depends on the frequency of visitors in the country. As safety and security issues arise from the external environment and cannot be

controlled by small enterprises, the South African government should put in place appropriate measures, as small businesses cannot implement suitable strategies to combat crime (Nieman et al., 2008:284). South Africa has been tagged as a high-crime area, forcing some countries to warn their citizens travelling to South Africa about safety and security when on trips (South African Tourism, 2018:30). It will not be surprising if the number of tourists to South Africa continue to drop and tourism businesses experience cancellations of previous bookings. According to Henema (2019), the recent xenophobia-related violence can negatively impact the South Africa tourism market, since the destination image has been tainted. As this threat has been reported globally, foreign tourists may hesitate to consider South Africa as a possible destination. Nobody wishes to visit a country where serious attacks against foreigners have been reported.

2.4.1.5 Visa regulations

Visa regulations considered as a legal factor in the business environment can be part of the issues faced by the tourism industry in South Africa. According to Magwaza (2014), new immigration requirements negatively affect the tourism market. In 2014, the South African government decided to implement immigration measures involving the requirement to carry detailed birth certificates for people travelling with children in South Africa, and also required that visitors from countries like China, India and Russia must request their permits in person (Cohen, 2016). According to Tshivhengwa (2019), the requirement of an unabridged birth certificate portrayed South Africa as a hostile place for family travel. Visitors could feel unwelcome in the country and be unwilling to spend time in South Africa. This could impact the number of visitors, as many might decide to change their destination and go to a friendlier and more accessible place for their holiday. According to Smith (2015), the devaluation of the local currency could have benefited the tourism industry in South Africa if visa regulations had been more flexible. This means that if the requirements to enter South Africa were easier, the number of visitors would increase, as tourists could get more of the proverbial 'bang for their buck', with favourable exchange rates. The tourism sector could benefit from this situation, thereby keeping the hospitality industry on an upward trajectory. South Africa should also rapidly implement the digital visa to accelerate the number of visitors, since delays and limited capability in providing visas to visitors have negatively influenced lucrative tourism markets like Nigeria and China (South African Tourism, 2018:30).

Other

An additional challenge that needs to be addressed could be the lack of foreign language agents in the market. The South African tourism industry is known for its variety of clients, as people come from to South Africa from all over the world (South African Tourism, 2018:30). However, the absence of foreign language speakers in their service offerings can restrain the

development of the industry and stunt the growth of small tourism companies. It will be advantageous for small companies to invest in this, to add value to their firms' offerings.

2.4.2 Challenges for accommodation businesses in Cape Town

Tourism in the Western Cape could be more effective and efficient if the sector were well managed (Nxopo & Iwu, 2015:58). The dearth of accommodation reported in Cape Town has been a concern for the growth of tourism in South Africa (South African Tourism, 2018:30). It discouraged people from visiting as it increased prices. In February 2019, *Fin24* online magazine revealed that in 2018, the accommodation sector total income dropped by 2.9% compared with the previous year (Fin24, 2019).

2.4.2.1 Competition issues in Cape Town

As a recognised tourist destination, Cape Town is also known for its variety of accommodation, from traditional hotels to smaller establishments catering to tourists' demands. While large accommodation providers such as big hotels have a better understanding of and response to market trends, small businesses have to fight to stay and grow in the market. Between 2017 and 2018, more than ten new hotels from well-known chains, opened in Cape Town, increasing accommodation capacity (PwC, 2019) and simultaneously raised the level of competition in the market. This put additional pressure on small establishments, as small firms have to compete with established hotel chains with an international presence and customer recognition.

As stated by Steyn and Wood (2018), companies in the hospitality sector are facing problems, especially in the accommodation sector. There is the threat of new entries to the market like Airbnb and other online travel providers. Airbnb is categorised as a market disruptor, as it increases competition for traditional accommodation providers. The water crisis of 2018 created further problems (South African Tourism, 2018:30). Unlike traditional accommodation establishments, Airbnb is a model not subject to the usual regulations.

2.4.2.2 Impact of water crisis on small accommodation establishments in Cape Town

In 2018, 'Day Zero' became a familiar expression in the Western Cape province (Ziervogel, 2019:9). This was a nightmare for the city's population and for the authorities, as it heralded a critical shortage of water in Cape Town. 'Day Zero' became the catch phrase denoting that all dams supplying water to Cape Town had run dry. The situation affected not only citizens in the province and in Cape Town, but was a major issue in the business sector as well in general, and to the tourism industry in particular, especially the accommodation sector. In September 2017, Cape Town dam levels decreased to 27.8% and the council asked businesses to reduce their water consumption by 20% (Visser, 2018:3). Cape Town, which receives about two million

visitors per year, was in the grip of the worst water crisis in living memory. Tourists and the hospitality industry were urged to save water (Diallo, 2018). Despite the campaign to present South Africa as an open market for leisure and business travel, the issue of the water crisis in the Western Cape province affected reservations during the peak season (South African Tourism, 2018:30). The drought and the dread of 'Day Zero' severely impacted the growth of foreign tourism (PwC, 2019:14). Visitors' awareness of the crisis was a restricting factor in their decision making. According to Roelf (2018), hotels requested their guests to limit their showers and refrain from bathing, as this could result in excess water consumption, exceeding their commercial property water allowance. This dissuaded visitors, as they felt their presence might exacerbate the crisis and detract from their vacation experience. Accommodation providers thus saw occupancy rates decline.

2.4.2.3 Lack of safety in Cape Town

Another noted factor impacting accommodation is the level of crime in Cape Town; this is a social concern. Despite the good reputation of the city as a desirable tourist destination, Cape Town, like many other destinations in the world, also experiences threats to the safety and security of its residents as well as visitors. According to Asoba (2014:30), the high rate of crime forces entrepreneurs and companies to be more focused on the safety and security of their business activities and clients, than on competitive strategy. Crime has forced small businesses to spend more on security, and this increases the cost of running a business (South Africa. Department of Small Business Development, 2017:11). It is important for tourism operators to ensure they operate in a safe environment and that their customers/clients are protected within their establishments. According to Ishmail (2019), the director of the South African branch of Crime Stoppers International, Yusuf Abramjee, believes the negative image of the country due to crime can influence the tourism industry, and especially the arrival of foreign visitors. Safety and security issues could discourage entrepreneurs from entering the industry, as they might not have the financial resources to implement the requisite measures to ensure the safety of their clients, thus discouraging potential clients from visiting. However, the number of crimes in Cape Town has continued to grow (Urban Safety Reference Group, 2019:12). Security issues in Cape Town are alarming, and sometimes limit the number of places tourists can visit without the fear of being robbed. According to Mabuza (2019), citing the 2018/19 State of Urban Safety in South Africa Report, Cape Town is the top city in terms of violent crime like murder, robbery, and attacks on property, out of nine listed cities in South Africa. As displayed in figure 2.8 below, in 2019, Cape Town central city was listed as one of the most affected areas (Crime Stats SA, 2019).

Total Crimes: Worst ten precincts in 2019

| Precinct | Province | Num Crimes |
|----------------------|---------------|---------------|
| Cape Town Central | Western Cape | 16246 |
| Mitchells Plain | Western Cape | 15205 |
| Durban Central | Kwazulu-Natal | 14436 |
| Johannesburg Central | Gauteng | 14058 |
| Park Road | Free State | 11370 |
| Honeydew | Gauteng | 11180 |
| Kraaifontein | Western Cape | 11071 |
| Pretoria Central | Gauteng | 10791 |
| Delft | Western Cape | 10221 |
| Witbank | Mpumalanga | 9526 |
| Total | | 124104 |

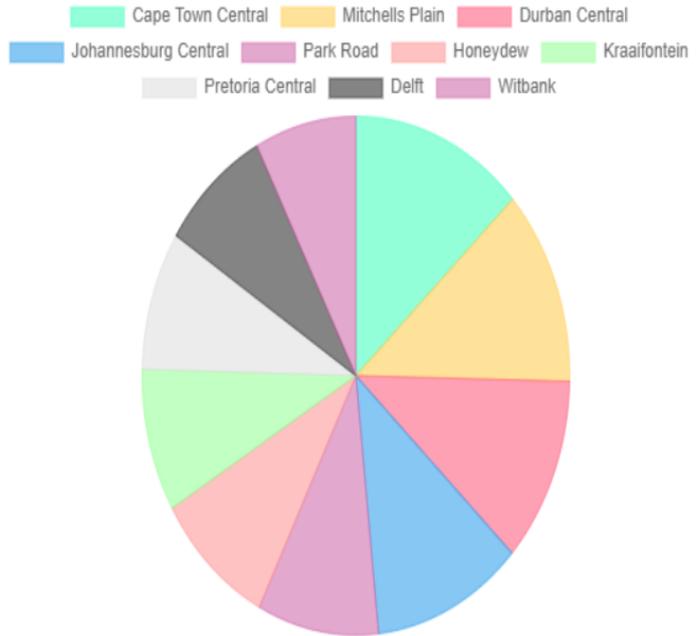


Figure 2.6: Worst ten precincts: largest number of reported crimes

Source: Crime Stats SA (2019)

2.4.2.4 Load shedding impacting small-sized accommodation in Cape Town

Load shedding is also mentioned among the various difficulties encountered by the industry and primarily by small businesses in Cape Town. In an interview conducted by Fin24 magazine, Jeremy Lang, the regional general manager at Business Partners, stated that the most impacted business sectors during power shortages are manufacturing, retail and hospitality (Fin24, 2019). According to FEDHASA (2015), small accommodation businesses in Cape Town face load shedding, which impacts their revenue and productivity. Indeed, even if there are options like LED solar lights and generators, some small firms cannot afford the cost of such contingency plans to survive in the long term. For instance, during load shedding, activities such as online bookings and check-ins may be disrupted. They cannot upload occupancy data or respond to online queries.

2.5 Summary

Various sources were consulted in completion of this chapter. It discussed in depth the factors that can affect the growth of small accommodation businesses, considered as one of the most critical fields in the tourism market. It explored the concept of opportunity in general for business, from the entrepreneurial point of view, and also in the tourism industry regarding small-sized accommodation in South Africa, especially in Cape Town. This was followed by difficulties impeding the development of small-sized accommodation businesses in Cape Town’s CBD.

It has been reiterated that small businesses, especially accommodation establishments, have an essential role in developing the tourism market, as their availability and quantity can impact the industry's dynamic. Internal and external forces in the environment can influence the growth of small accommodation establishments, as in any other small business. However, the viability of small accommodation establishments depends on many factors that need to be considered when deciding to invest in the tourism industry.

It has also been noted that entrepreneurship positively impacts the tourism industry (Sheikh, 2015:7). The mobility and diversity of the industry encourage individuals to become entrepreneurs and invest in the industry. This also contributes to the economic development of the country, as it helps to fight several societal issues such as high unemployment.

Tourism is an industry offering many possibilities through its capacity to create relationships among various sectors of activities, enhance collaboration between multiple sectors, and raise employment opportunities for individuals and entrepreneurs (DEAT, 1996:3). The tourism industry is responsible for welcoming visitors to the country and providing all necessary products and services for travellers' experiences. This means all stakeholders should consider accommodation establishments in the industry to ensure market development, as they are critical to the industry's growth. Their availability, quality, and number influence the attractiveness of the destination for visitors to the country. From travel agencies to all other stakeholders, the tourism market is a major contributor to the country's economy, and to potential entrepreneurs operating in Cape Town.

The researcher also established that small tourism companies, especially accommodation establishments, are susceptible to critical situations like the water crisis, safety and security concerns and their concomitant costs, and load shedding. Owing to their limited resources, small accommodation businesses find it difficult to develop strategies to ward off such business threats, compared with more prominent and established firms in the market. Significant issues that small tourism companies face are lack of financial support, competition, poor skills and business knowledge, and problematic legal issues such as visa requirements for their customers.

The next chapter presents the research methodology used in the study.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

The previous chapter focused on a review of the literature. Chapter 3 discusses the methodology employed to achieve the aim of this study. It indicates the problem statement, the method, the type of data collected, and the way information has been analysed.

It also outlines the various questions and objectives set at the beginning of the study, the sampling technique, sampling size, and data analysis used in the research.

3.2 A summation of the research objectives

The main objective of this project was to ascertain the influence of tourism on the development of small-scale accommodation businesses in the Cape Town central business district (CBD). Therefore, the researcher divided the areas of study into four sub-objectives to expand the investigation.

Sub-objectives:

1. To identify the factors influencing the development of small-scale accommodation businesses in the Cape Town central business district.
2. To assess the opportunities for small-scale accommodation businesses in the Cape Town central business district.
3. To investigate the factors impeding the development of small-scale accommodation businesses in the Cape Town central business district.

3.3 Research methodology

The researcher used the quantitative method to conduct this research. This method involves data that are quantifiable (Nkem, 2017:41). In other words, the quantitative method is regarded as a method that works with numbers and answers the “how many or how much” questions in the research project as it furnishes numerical results.

Therefore, the researcher proceeded with two approaches in the collection of data. The first was the primary approach. This involved the collection of original data specific to the problem, through interviews or questionnaires. Since this study was based on small accommodation businesses, a specific number of existing accommodation establishments in the Cape Town city centre, especially in the area showed in the figure 3.1, were selected to conduct the

research project. For this study, the researcher employed a sample size of 100 small accommodation business owners and/or managers who participated in a personal interview and answered a questionnaire regarding their companies.

The secondary data-collection approach comprised a literature review from available published and unpublished materials. These included journals, magazines, books, internet sources and dissertations and theses related to the tourism industry, especially regarding the hospitality sector. Other relevant sources of information like the Southern Africa Tourism Services Association, South African Department of Tourism, and the Western Cape Tourism Board, also were consulted.

3.4 Target population and sampling method

3.4.1 Target population

In research, the population is described as the people targeted in conducting a research study. According to Taherdoost (2016:20), the action of selecting a group of people from a larger population or a total number of individuals as participants, is called 'sampling'.

The population of this study constituted general managers and owners of small accommodation businesses in the Cape Town CBD. The researcher did not differentiate between formal and informal businesses during the project.

According to Pirie (2007:130), there were approximately 58 hotels and guesthouses in the CBD in 2007, while the 2019 State of the City Centre report indicated a new estimated number of 60 hotels and backpackers in the city centre (CCID, 2019:5-26). Again, those sources do not distinguish between the various types of accommodation, neither do they indicate numbers per category, but simply give the estimated number of guesthouses and backpackers.

3.4.2 Sampling method

Sampling methods are usually classified into two types, probability sampling and non-probability sampling methods. The probability sampling technique involves giving everyone in the targeted population the same opportunity to be part of the sample (Taherdoost, 2016:20), while non-probability sampling is related to the selection of particular participants easily accessible to the researcher when starting the study project (Showkat & Parveen, 2017).

Because of the lack of available data on the actual number of small accommodation businesses in the Cape Town CBD, the researcher decided to use a non-probability technique. In a situation where the exact number of the population is difficult to identify, the snowball method can be used to determine the sample (Tengeh, 2011:169). It is a non-probability

technique of sampling that allows the researcher to reach a small, difficult population, and where research respondents identify other people as potential participants. According to Justino (2015:7), the snowball technique can be described as a method of making up the study sample size, starting with one suitable participant who will recommend another one and so on until the expected number is reached. This means that actual participants are required to identify others that meet the stated criteria (Alshboul, 2016:94).

For this study, the researcher listed main criteria like the type of accommodation (BnB, hostel, backpackers, guesthouses, mentioned in Chapter 2 as small accommodation establishments); participants (owner or manager); and location (Cape Town CBD perimeter).

3.4.3 Location of the research

The research project was conducted in the city centre of Cape Town, also called 'downtown' or the central business district (CBD). The study did not cover areas outside the selected perimeter spotted in Figure 3.1 below. The reason for this location was that the area is frequented by many tourists visiting the city, therefore it was easy to find a considerable number of tourism establishments.

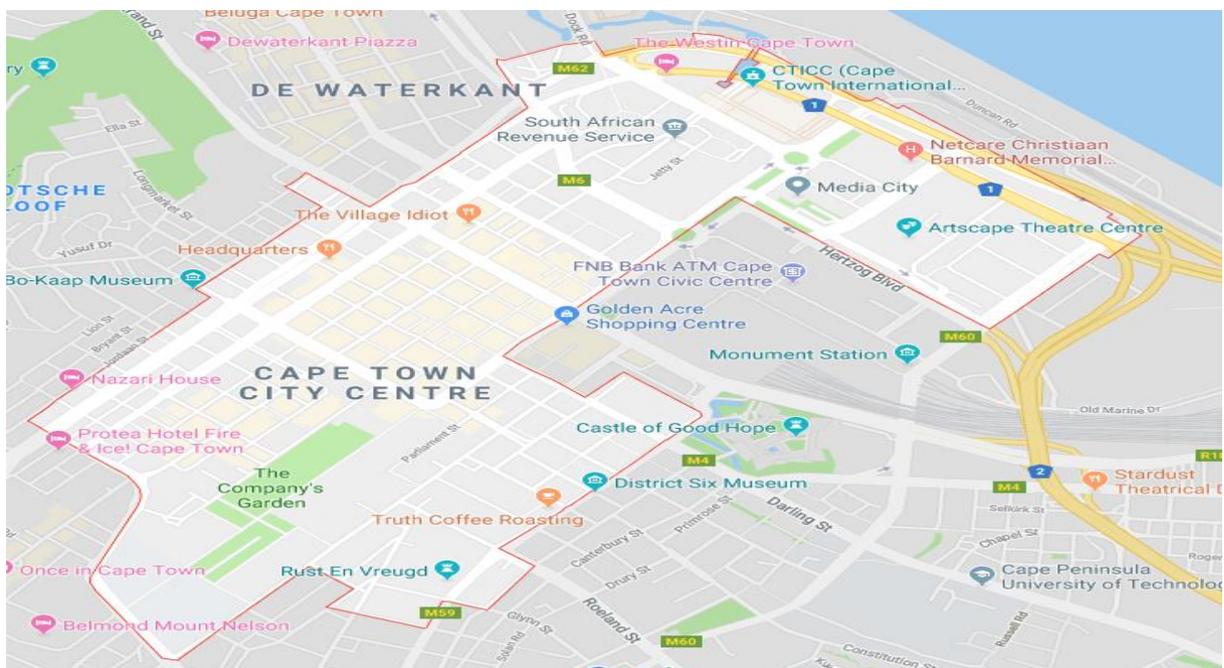


Figure 3.1: Map of Cape Town CBD

Source: Google Maps (2019)

The CBD is home to a variety of businesses and is the transport hub (road, rail, bus) in the Western Cape province. It is bordered by the V&A Waterfront in the northeast, one of the most famous places in the city; the Atlantic Seaboard in the northwest; with its residential character;

the City Bowl in the west and the south; and in the southeast is bordered by District Six and Woodstock (Businessstech, 2017).

3.4.4 Sample size

When the sample population is difficult to obtain, determining sample size for a study is often challenging (Tengeh, 2011:20). While it is important to establish the relevant number of participants from the total population before starting the survey, the researcher encountered a lack of relevant data sources regarding the ideal number of the targeted population, resulting in difficulty in selecting the sample size for quantitative data acquisition. In order to address the problem, the researcher decided to take factors such as time, cost of transportation, location of participants, and so on, into consideration.

Given the inherent difficulties in conducting such research, accentuated by a lack of reliable estimates of the desired population's size, a research sample of 100 enterprises was selected, based on sample sizes from previous studies of this type. According to researchers such as Krejcie and Morgan (1970), samples of this size are sufficiently large to generalise a research study's results to the full target population.

3.4.5 pilot test

Before the official data collection, the researcher used a pilot test to verify the pertinence and efficacy of the questionnaire. It was also used to evaluate potential mistakes or barriers to the completion of the questionnaire. Additionally, it served to assess the level of understanding and relevance of each question. Ten questionnaires were distributed to small accommodation owners and/or managers in the CBD to achieve this.

From this test, the researcher ascertained that many of the target respondents were not in the city or the country at the time. The second observation was respondents' lack of time, as they asked the researcher to complete the questionnaire for them. They responded orally while busy with their daily tasks. The repetition of some questions in another format was noticed, which sometimes caused a delay in the completion, as it was a waste of time to repeat the same or similar answers. Last and not least was the length of the questionnaire, which respondents found too long and time-consuming.

From this experience, some questions were modified and/or deleted for a clearer understanding, and the survey also was condensed to be more convenient and less time-consuming.

3.5 Data-collection procedure and methods

A purposely designed questionnaire was used to collect data in the Cape Town CBD. This instrument served to obtain quantitative and qualitative information from the targeted population.

The questionnaire comprised various questions with potential answers from which the respondents could choose. This kind of instrument is often used to save time in the generation of information. It is much easier if participants do not feel time is wasted while completing a questionnaire.

The questionnaire schedule was 31 questions in length and included open-ended, closed-ended, and multiple-choice questions at the testing stage. After the pilot test, the questionnaire was condensed to 21 questions. It was divided into four sections, which covered the factors that influence the development of small-scale accommodation businesses in the Cape Town CBD in the first section; opportunities for small-scale accommodation businesses in the Cape Town CBD in the second section; factors impeding the development of small-scale accommodation businesses in the Cape Town CBD in the third section; and a set of statements regarding external factors gleaned from respondents' own opinions of the industry in the fourth section.

The questionnaire was provided to participants physically in hard copy format, and for most of the time the researcher was present during completion. This method was used to minimise the loss of hard copies of the questionnaire by respondents and to ensure the questions were understood. Owing to time constraints, restrictions due to the pandemic, and at the request of participants, the survey was also emailed to some difficult-to-reach participants. They therefore were able to complete it online.

Although initially planned to be a hard copy self-administered questionnaire, the challenges imposed by the rapid spread of Covid-19 necessitated the adoption of the online component.

3.6 Reliability and validity

It is believed that in a research project, the reliability and validity of the study can be evaluated from the methodology used by the researcher. According to Toli (2017:30), in aiming to provide good enough results on which the researcher can rely, it is necessary to test the instrument's validity and reliability. These two measurements are important, as they contribute to the scoring and the value of the research on the topic.

Reliability

According to Asoba (2014:9), reliability refers to the truthfulness and consistency of the measurement instrument. A reliable study in research has to be evaluable so that any researcher wishing to follow the same method should reach the same results (Justino, 2015:56). In other words, since reliability in research is associated with the instrument's consistency, the instrument is reliable only through its capability to generate similar results when in use in the same circumstances of the study by other researchers in the area (Mukwarami, 2017:7).

For this study on the factors influencing the development of small accommodation businesses in the Cape Town CBD, the researcher conducted a prior evaluation of the questionnaire, also known as a pilot test. This included distribution of 10 draft questionnaires to the targeted population of small accommodation establishment owners and/or managers in the CBD willing to complete the survey. This helped the researcher review the questionnaire after this testing phase and make it more reliable for the study.

Validity

While reliability addresses the capability of the particular tool or instrument to provide the same results in several trials, validity refers to the potential of the questionnaire, for instance, or of the research instrument, to evaluate what needs to be assessed in the study (Toli, 2017:30). Therefore, in order to assess the validity of the questionnaire for this specific research project, the draft was first sent to the researcher's supervisor, who, with his expertise in the industry, was able to advise, gauge the quality of the questions and identify if it was suitable to achieve the stated objectives of the study.

3.7 Data analysis

The results were based on 101 sets of responses from participants. Data from hard copies were transformed into digital form and grouped into one file, combined with the online survey data already in digital format. IBM® SPSS® 26 Statistics software was used to capture all the data and to analyse the results.

3.8 Administration of the questionnaire

At the beginning of the data-collection process, the questionnaires were administered at respondents' businesses for their convenience. They were mostly completed on the spot, to avoid loss of the paper-based questionnaires. However, when needed, the researcher had to make an appointment at the participants' convenience to ensure they understood each

question and responded accordingly. Also, most respondents, because of their busy work schedules, did not have the necessary time or opportunity to complete the questionnaires, so the researcher had to write down the answers for them while they responded orally.

As data collection started just a few weeks before the national lockdown of South Africa caused by the global COVID-19 pandemic, the researcher had difficulty in reaching and meeting with respondents as planned. Therefore, the initial paper-based questionnaire was transformed into an online/digital survey with the same questions as in the original format. This was done to avoid physical contact and respect the social distancing protocol. The link to the Google form containing the survey was sent to the participants via email or WhatsApp, and Facebook Messenger, to facilitate access to the survey and collect results more comfortably and faster. Once the expected number of responses was reached, the data were captured in a single file, and the analysis commenced.

3.9 Ethical considerations

Participants in this research project were informed that their input was strictly anonymous. Furthermore, they were told that they could withdraw from the project at any time, and that the researcher would use the information collected with integrity and confidentiality.

The researcher also addressed a participation request letter to the respondents prior to obtaining their consent. Furthermore, to comply with university requirements, consent was obtained from the City of Cape Town, granting permission to conduct the research in the city. In addition, consent from the Research Ethics Committee of the Faculty of Business and Management Sciences, ratified by the Higher Degrees Committee (HDC) of the Cape Peninsula University of Technology (CPUT) was acquired to prove that the research was legitimate and legal, and respected by each party.

3.10 Summary

This chapter reviewed the research methodology used in this project. The chapter comprised the methods, sampling, type of instruments used, and how information collected was managed and reported. The appropriate research methods for this study were discussed, and the data-collection instruments were described, as well as the objectives to be achieved by the end of the project. In conclusion, the requisite ethics compliance was outlined.

The next chapter focuses on the presentation and discussion of the findings of the study.

CHAPTER 4: PRESENTATION AND DISCUSSION OF RESULTS

4.1 Introduction

While the previous chapter described the methodology used to conduct this research project, this chapter focuses on the presentation of the results gathered from the fieldwork. The study aimed to measure tourism's influence on the development of small-scale accommodation businesses in Cape Town's central business district (CBD). The study specifically sought to provide answers to three related questions on tourism and small-scale accommodation business development. These include:

- What factors influence the development of small-scale accommodation businesses in the CBD?
- What opportunities are there for small-scale accommodation businesses in the CBD?
- What factors impede the development of small-scale accommodation businesses in the CBD?

The first part of the report contains the respondents' demographic distribution, and an explanation of the control variables deriving from the respondents' positions in the organisations. The questionnaire administration channel was either online or paper; the administration period categorised as before the COVID-19 pandemic or during the pandemic; years of operation of small-scale accommodation company; business type; level of competition; and number of employees in the organisation.

The second part attempts to answer the research questions, with cross-tabulation tables showing the participants' responses to all challenges of small-scale accommodation businesses as related to tourism development. This is followed by the bar charts generated from the cross-tabulation tables. The next set of tables are the chi-square tables designed to test the independent hypothesis in order to answer the research question of association/relationship among variables under consideration. The degree of the effect was tested using Phi and Cramer's V.

4.2 Demographic analysis and background information

The demographics present background information about the respondents and the companies they work for. This is crucial in any research that uses questionnaires as data-collection instruments, as the understanding of risks facing the business may differ across business types and respondents' positions in the company. (The researcher minimised the bias in the responses by only including owners and managers as the respondents in the study. Their leadership positions in the organisation gave them a better understanding of the business and its modus operandi.)

4.2.1 Channel of administration

The questionnaire was administered through two channels: print and online Google form, with the same content. The analysis revealed that only 36% was administered through physical interaction and a printed questionnaire, while the remaining 63.37% completed the online Google form.

4.2.2 Pandemic

The administration of the questionnaires spanned the period before and during the COVID-19 lockdown. The mode distribution revealed during the national lockdown has a frequency of 71 relative to before the pandemic with 29.7% of the respondents.

4.2.3 Years of company operation

The mode of the category revealed 61.39% of the companies to be established for a short time, between 1 and 5 years, followed by 6 and 10 years in 34.65%.

4.2.4 Number of employees

Column 4 in Table 4.1 presents the number of employees in the small-scale accommodation companies based on questionnaire data. Table 4.1 shows that 45.55% had 1–5 employees, 34.65% had 6–10 employees, and 12.87% had 11–15 employees. Considering various classification of business in term of size, the number of employees stated by the respondents confirms that the majority of the companies surveyed were operating small-scale accommodation businesses. This establishes the scope of the research is well situated among small-scale accommodation enterprises in the CBD.

4.2.5 Business type

Column 5 in Table 4.1 indicates the different types of small-scale accommodation businesses operating in the CBD: Hostel/Backpacker covers 31.68% of the respondent companies, followed by Guesthouse with 28.71%, 13.86% represents Lodge and Holiday house stands also at 13.86%, while the remaining 11.88% were into Bed and Breakfast.

4.2.6 Level of competition

Column 6 in Table 4.1 indicates the rating of levels of competition in the small-scale accommodation industry. The mode indicated 47 of the respondents contended that the competition in the industry is very high, thus the industry is highly competitive. The distribution of the industry competition ranking revealed that 88% of the respondents indicated between high and very high competition. The remaining 2% and 10% indicated low and moderate competition. Therefore, we can infer that the small-scale accommodation industry is highly competitive in the CBD.

Table 4.1: Demographics of the respondents

| Variable | NoB | Mode | Mode freq | Categories | Freq per cat | Rel. freq (%) ³ |
|----------------------------|-----|-----------------------|-----------|-----------------------|--------------|----------------------------|
| Paper | 101 | Online | 64 | Paper | 37 | 36.63 |
| | | | | Online | 64 | 63.37 |
| Pandemic | 101 | During | 71 | Before | 30 | 29.70 |
| | | | | During | 71 | 70.30 |
| Years of company operation | 101 | 1–5 years | 62 | 1–5 years | 62 | 61.39 |
| | | | | 6–10 years | 24 | 23.76 |
| | | | | Longer than 10years | 15 | 14.85 |
| Number of employees | 101 | 1–5 employees | 46 | 1–5 employees | 46 | 45.55 |
| | | | | 6–10 employees | 35 | 34.65 |
| | | | | 11–15 employees | 13 | 12.87 |
| | | | | 16–20 employees | 5 | 4.95 |
| | | | | 21–25 employees | 1 | 0.99 |
| | | | | 26–30 employees | 1 | 0.99 |
| Business type | 101 | Hostel/ Backpacker | 32 | Bed and Breakfast | 12 | 11.88 |
| | | | | Guesthouse | 29 | 28.71 |
| | | | | Holiday House | 14 | 13.86 |
| | | | | Hostel/ Backpacker | 32 | 31.68 |
| | | | | Lodge | 14 | 13.86 |
| Level of competition | 101 | Very high | 47 | High | 42 | 41.58 |
| | | | | Low | 2 | 1.98 |
| | | | | Middle | 10 | 9.90 |
| | | | | Very high | 47 | 46.54 |

4.2.7 Marketing of product/service

A question was posed that sought to determine how the respondents marketed their product/service to potential customers.

How do you market your product/service offering to your customers?

Table 4.2 shows that the respondents indicated social media such as Facebook and WhatsApp as the main channels in reaching their customers. More than 91% of respondents indicated social media as a major marketing strategy. These results are aligned with Lau's (2020:499) findings that revealed social media to be an economical way for accommodation businesses to communicate with customers and promote their offerings. Word of mouth followed social media, with 58 respondents indicating 'yes', while less than 33% drop flyers. Lastly, more than 87% indicated 'no' for 'conference and show attendance' and other forms of advertising respectively.

³ **Nob**: number of observation; **Rel. freq**: Relative frequency; **Freq**: Frequency; **Freq per cat**: Frequency per category;

Table 4.2: Marketing strategies and channels offering to customers

| Variable | NoB | Mode | Mode freq | Categories | Freq per cat | Perc (%) |
|---|-----|------|-----------|------------|--------------|----------|
| Social media (e.g., Facebook, WhatsApp etc) | 101 | Yes | 92 | No | 9 | 8.91 |
| | | | | Yes | 92 | 91.09 |
| Word of mouth | 101 | Yes | 58 | No | 43 | 42.57 |
| | | | | Yes | 58 | 57.43 |
| Flyers | 101 | No | 68 | No | 68 | 67.33 |
| | | | | Yes | 33 | 32.67 |
| Conference and show attendance | 101 | No | 88 | No | 88 | 87.13 |
| | | | | Yes | 13 | 12.87 |
| Other | 101 | No | 88 | No | 88 | 87.13 |
| | | | | Yes | 13. | 12.87 |

4.3 Answers to research questions

Main Question: How does tourism influence the development of small-scale accommodation businesses in the Cape Town central business district?

Sub-questions:

- What factors influence the development of small-scale accommodation businesses in the Cape Town central business district?
- What opportunities are there for small-scale accommodation businesses in the Cape Town central business district?
- What factors impede the development of small-scale accommodation businesses in the Cape Town central business district?

4.3.1 Analysis of research questions

This sub-section presents the analysis of the research questions raised in the course of this study after a review of background information of the respondents. It is now imperative to further provide empirical answers to the research questions. The presentation of the information collected through the questionnaire follows a sequential order. The contingency table presents the distribution of the responses to each item in the research questions. This is followed by the chi-square test of association and a proper check of the assumptions. The chi-square interpretation follows. The presentation of the information is concluded by establishing the degree of the effect with the Cramer's V result.

4.3.2 Chi-square test for independence

The chi-square independence test was designed to examine the relationship between two categorical variables with or without control variable. Each of the involved categorical variables has two or more categories. This test compares the observed frequencies or proportions of cases that occur in each of the categories with the values that will be expected if there is no

association between the two variables being measured. It is based on cross-tabulation, with cases classified according to the categories in each variable.

4.3.3 Interpretation of output from chi-square for independence

The main value of chi-square tests is of the major interest from the output which is presented in the chi-square tests table. The column is labelled 'Asymptotic Significant' (Asymp. Sig. (2-sided)). For the test to be significant, the value must be 0.05 or smaller, which is explained as a 5% significant level or 95% confidence interval of not committing type 1 error.

Effect size: There are several effect size statistics available in the Crosstabs procedure. For 2 by 2 tables, the most commonly used one is the Phi coefficient, which is a correlation coefficient and can range from 0 to 1, with higher values indicating a stronger association between the two variables. Cohen's (1988) criteria stressed: .10 for small effect, .30 for medium effect and .50 for large effect. For tables larger than 2 by 2, the value to report is Cramer's V, which accounts for the degrees of freedom. Slightly different criteria are recommended for judging the size of the effect for larger tables. The standard rule of thumb adopted by authors in determining which criteria to use is: first subtract 1 from the number of categories in your row variable ($R-1$), and then subtract 1 from the number of categories in your column variable ($C-1$). Pick whichever of these values is smaller. For $R-1$ or $C-1$ equal to 1 (two categories): small=.01, medium=.30, large=.50. For either $R-1$ or $C-1$ equal to 2 (three categories): small=.07, medium=.21, large=.35. For either $R-1$ or $C-1$ equal to 3 (four categories): small=.06, medium=.17, large=.29 (Gravetter & Wallnau, 2004; Pallant, 2011).

4.3.4 What factors influence the development of small-scale accommodation businesses in the Cape town central business district?

The items in the questionnaire involved six distinct factors informed by the literature and theoretical framework of factors that can influence the development of business in an emerging economy like South Africa. As displayed in the figure 4.1, the identified factors are identified as political, social, legal, environmental, economic, and technological factors. The researcher explores the use of the non-parametric Pearson chi-square test of association. The techniques will establish if there is a statistically significant influence or relationship between theoretically identified factors and small-scale accommodation business development (SSSAB).

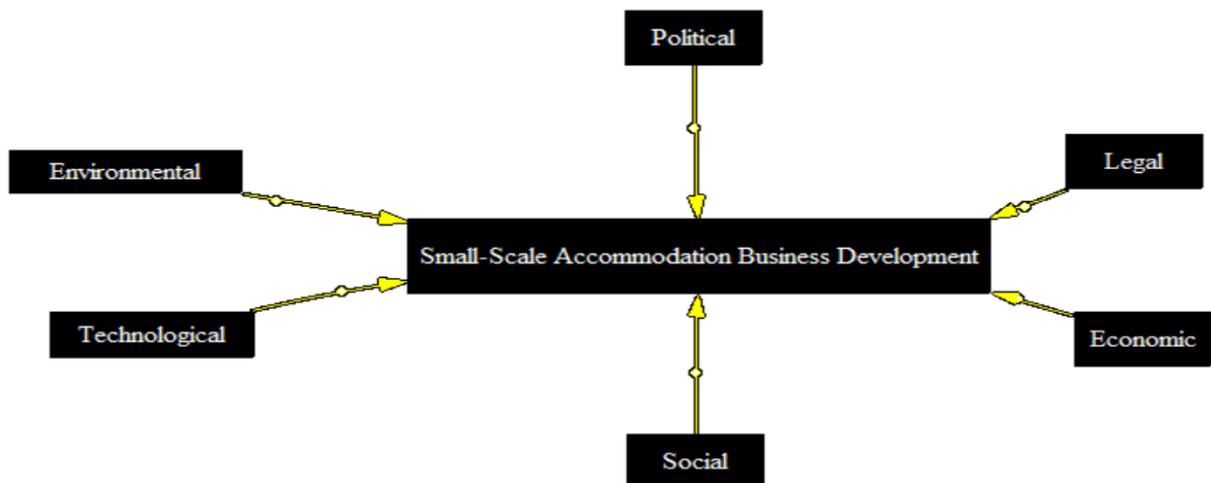


Figure 4.1: Theoretical framework for factors influencing the development of small-scale accommodation business development

4.3.5.1 Association between political factors and small-scale accommodation business performance

To assess the effect of this factor on SSAB in the Cape Town CBD, the researcher used two items, presented in the cross-tabulation below:

a) “Does the current political situation of the country favour hospitality firms?”

The majority, representing a total of over 50% of respondents, rejected this statement, with 24.8% disagreeing and 26.7% strongly disagreeing. Only 10.9% respondents agreed or strongly agreed with this statement, and 37.6% were neutral.

This finding aligns with that of Sheikh (2015:7), who noted that the growth of the tourism industry can be ameliorated if there is a favourable political environment for this market in the country. In view of the rate of rejection from respondents in this research project that the current political situation favours the hospitality sector, this could be a sign that the SSAB sectors need more attention from the South African local authorities to enhance the development of the field.

b) “Politics in South Africa encourages tourists to visit the country.”

Again, most of the respondents, representing 40.6%, disagreed or strongly disagreed that politics in South Africa encourages tourists to visit the country; this was followed by 35.6% with a neutral opinion, and the small number of 23.8% that agreed or strongly agreed.

These figures seem to inform the researcher that the development of SSAB could be encouraged by a better implication of the politic in South Africa towards tourism policies to encourage visitors to the country. While these figures can be considered as relevant, the researcher believes that the rate of agreement or disagreement has also been accentuated by

the pandemic era, which has dissuaded government from making beneficial decisions on tourism business activities.

Table 4.3: Cross-tabulation of responses to political factors and small-scale accommodation business performance

| | PFR | | | | | Total |
|--|-------------------|-------------|-------------|-------------|----------------|---------------|
| | Strongly disagree | Disagree | Neutral | Agree | Strongly agree | |
| The current political situation in the country favours hospitality firms | 27 26.7% | 25 24.8% | 38 37.6% | 9 8.9% | 2 2.0% | 101 100.0% |
| Politics in South Africa encourages tourists to visit the country | 21 20.8% | 20 19.8% | 36 35.6% | 22 21.8% | 2 2.0% | 101 100.0% |
| Total | 48 23.8% | 45 22.3% | 74 36.6% | 31 15.3% | 4 2.0% | 202 100.0% |

Table 4.3 addresses the extent of association between political factors and SSAB. The items used for the construct of political factors include: “The current situation of the country favours hospitality firms. Politics in South Africa encourages tourists to visit the country.”

Table 4.4: Association between political factors and SSAB

Do political factors statistically significantly influence small-scale accommodation business performance?

| PFR \ SSAB | Decreased | Highly decreased | Highly increased | Increased | Stable/Average | Total |
|-------------------|-----------|------------------|------------------|-----------|----------------|-------|
| Agree | 0.035 | 0.025 | 0.000 | 0.035 | 0.129 | 0.223 |
| Disagree | 0.030 | 0.000 | 0.005 | 0.069 | 0.050 | 0.153 |
| Neutral | 0.015 | 0.010 | 0.005 | 0.104 | 0.233 | 0.366 |
| Strongly disagree | 0.000 | 0.000 | 0.000 | 0.000 | 0.020 | 0.020 |
| Strongly agree | 0.069 | 0.005 | 0.000 | 0.079 | 0.084 | 0.238 |
| Total | 0.149 | 0.040 | 0.010 | 0.287 | 0.515 | 1.000 |

Test of independence between the rows and the columns (Chi-square):

| | |
|-----------------------------|--------|
| Chi-square (observed value) | 40.036 |
| Chi-square (critical value) | 26.296 |
| DF | 16 |
| p-value | 0.001 |
| Alpha | 0.05 |

| Association Coefficient | Value |
|-------------------------|-------|
| Pearson's Phi | 0.445 |
| Contingency coefficient | 0.407 |
| Cramer's V | 0.223 |

Test interpretation:

H0: The rows (political factor) and the columns (SSAB) of the table are independent.

Ha: There is a link between the rows and the columns of the table.

As the computed p -value is lower than the significance level $\alpha=0.05$, one should reject the null hypothesis H_0 , and accept (conclude) the alternative hypothesis H_a . The result revealed that there is a statistically significant association/relationship between the political factor and SSAB. The association coefficient (Cramer's V) affirmed the extent of degree of association to be moderate effect.

Summary: Table 4.4 presented above shows that the chi-square value is 40.036, which shows a statistically significant influence of political factors on small-scale accommodation business performance in Cape Town. This implies that the role of political factors on the performance and development of small-scale accommodation businesses is very significant, and favourable conditions increase the survival rate of business and the development of the tourism sector. The chi-square value: $\chi^2(16, n = 203) = 40.036, p = 0.000, \text{Cramer's } V = 0.223$. The Cramer's V result in the table above as recommended by Gravetter and Wallnau (2004) and Pallant (2011) confirmed a moderate effect of political factors on small-scale accommodation business in the Cape Town CBD.

4.3.5.2 Association between legal factors and small-scale accommodation business performance

Findings related to the influence of legal factors on the development of small-scale accommodation as indicated in the cross-tabulation have been made using four items in the research questionnaire.

a) *“Legal regulations from government encourage the development of small accommodation business in South Africa.”*

Only 19.8% of respondents agreed and 1% strongly agreed with the statement, while more than 45% remained neutral, 28.7% disagreed and 5% strongly disagreed. This finding corroborates that of Magwaza (2014), who stated that new visa regulations were negatively impacting the tourism market. This means that government's visa policies have not necessarily been designed to facilitate access to the country for visitors, therefore tourism firms are the most impacted as visitors are their business target market; if they are dissuaded from visiting, the industry will decline.

b) *“Legal regulations help small tourism companies to access loans.”*

For the next item in the cross-tabulation, 0% strongly agreed with the statement, and 49.5% of respondents were neutral, while over 26% disagreed, and 7.9% strongly disagreed. As any start-up or small business requires financing to operate and grow, the results here indicate that the development of the sector could improve if access to loans were better regulated by the government. As indicated in Rogerson's (2008:27) findings, the fact that tourism is seasonal can be a barrier to accessing loans from financial institutions, because there is a degree of doubt about the constancy of their income to pay back what they borrowed. From the results

of the research project, only 15.8% of respondents agreed that local legal regulations help small tourism companies to access loans.

c) “Business policies in South Africa are a challenge for the growth of small accommodation businesses.”

Moving to the third item, the majority of respondents were neutral, represented by about 45%; 31.7% agreed, and only 3% strongly agreed, while 13.9% disagreed and 5% strongly disagreed. This could be an indication to the researcher whether there is a lack of understanding of market policies by small-size accommodation owners, or whether they need more flexible regulations established by local authorities to see effective growth. These findings align with previous results in ‘a’ and ‘b’ regarding legal factors and support needed from the South African government for the tourism market.

d) “Regulations in South Africa encourage competition for small accommodation businesses.”

Just over 34% agreed or strongly agreed with this statement, while the majority (50.5%) of respondents were neutral, followed by 11.9% and 3% who disagreed and strongly disagreed with this statement. Considering that more than 50% of respondents are neutral about this statement, the researcher could deduce that competition in the SSAB sector in this area is not necessarily influenced by regulation, but by some other factors in the market.

Table 4.5: Legal factors * LFR cross-tabulation

| | LFR | | | | | Total |
|--|-------------------|----------|---------|-------|----------------|--------|
| | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree | |
| Legal regulations from government encourage the development of small accommodation business in South Africa. | 5 | 29 | 46 | 20 | 1 | 101 |
| | 5.0 | 28.7 | 45.5 | 19.8 | 1.0 | 100.0% |
| Legal regulations help small tourism companies to access loans. | 8 | 27 | 50 | 16 | 0 | 101 |
| | 7.9 | 26.7 | 49.5 | 15.8 | 0.0 | 100.0% |
| Business policies in South Africa are a challenge for small accommodation businesses to grow. | 6 | 14 | 46 | 32 | 3 | 101 |
| | 5.9 | 13.9 | 45.5 | 31.7 | 3.0 | 100.0% |
| Regulations in South Africa encourage competition for small accommodation businesses. | 3 | 12 | 51 | 31 | 4 | 101 |
| | 3.0 | 11.9 | 50.5 | 30.7 | 4.0 | 100.0% |
| Total | 22 | 82 | 193 | 99 | 8 | 404 |
| | 5.4 | 20.3 | 47.8 | 24.5 | 2.0 | 100.0% |

Table 4.6 presents the results of the data analysis captured from the field on the research questions of factors that influence SSAB in Cape Town. The table specifically addresses the extent of association between legal factors and SSAB. The items used from the questionnaire for the construct of the legal factor variable include the combination of all the ones stated in the cross-tabulation Table 4.5.

Table 4.6: Association between legal factors and SSAB***Do legal factors statistically significantly influence small-scale accommodation business performance?***

| Legal Factor\ SSAB | Decreased | Highly decreased | Highly increased | Increased | Stable | Total |
|--------------------|-----------|------------------|------------------|-----------|--------|-------|
| Agree | 0.042 | 0.005 | 0.000 | 0.064 | 0.092 | 0.203 |
| Disagree | 0.047 | 0.007 | 0.000 | 0.067 | 0.124 | 0.245 |
| Neutral | 0.050 | 0.012 | 0.010 | 0.134 | 0.272 | 0.478 |
| Strongly disagree | 0.002 | 0.000 | 0.000 | 0.007 | 0.010 | 0.020 |
| Strongly agree | 0.007 | 0.015 | 0.000 | 0.015 | 0.017 | 0.054 |
| Total | 0.149 | 0.040 | 0.010 | 0.287 | 0.515 | 1.000 |

Test of independence between the legal factor and the SSAB (chi-square):

| | |
|-----------------------------|----------|
| Chi-square (observed value) | 46.376 |
| Chi-square (critical value) | 26.296 |
| DF | 16 |
| <i>p</i> -value | < 0.0001 |
| Alpha | 0.05 |

| Association Coefficient | Value |
|-------------------------|-------|
| Pearson's Phi | 0.339 |
| Contingency coefficient | 0.321 |
| Cramer's V | 0.169 |

Test interpretation:

H₀: The legal factor (row) and the SSAB (column) of the table are independent.

H_a: There is a link between the legal factor and the SSAB of the table.

As the computed *p*-value is lower than the significance level alpha=0.05, one should reject the null hypothesis H₀, and accept (conclude) the alternative hypothesis H_a. The result revealed that there is a statistically significant association/relationship between the legal factor and SSAB. The association coefficient (Cramer's V) affirmed the extent of degree of association to be moderate effect.

Summary: Table 4.6 presented above, shows that the chi-square value is 46.376, which shows a statistically significant influence of legal factors on small-scale accommodation business performance in Cape Town. This implies the role of government regulation and legislation, and specifically its regulation of small-scale accommodation businesses, is of major significance in the development of the sector. The chi-square value: $\chi^2(16, n = 404) = 46.376$, $p = 0.000$, Cramer's V = 0.169. The Cramer's V result in the table above, as recommended by Gravetter and Wallnau (2004) and Pallant (2011), again, confirmed a very moderate effect of legal factors on small-scale accommodation businesses in Cape Town. This is followed by the chi-square test table and symmetric measures.

4.3.5.3 Association between economic factors and small-scale accommodation business performance

Findings for economic factors influencing the development of small-scale accommodation businesses in the Cape Town CBD were extracted from the following question and gave the results stated in the cross-tabulation Table 4.7:

a) “The current situation of the rand has a good impact on small accommodation businesses.”

The cross-tabulation indicates that 12.9% strongly agreed with the statement, 20.8% agreed, while 29% of respondents were neutral. This result supports the finding of Smith (2015) that the 2015 devaluation of the local currency could have benefited the tourism industry in South Africa. This can be an indication that the weak rand can be advantageous for small-scale accommodations. While 24.8% disagreed and 11.9% strongly disagreed regarding the current situation, it can be an indicator that the real impact cannot be observed unless the situation were better.

b) “A low local currency encourages tourists to come in South Africa.”

It was recorded that 30.7% strongly agreed with this statement, 41.6% agreed, while 10.9% were neutral; however, 11.9% disagreed and only 5% strongly disagreed. Regarding these figures, where the majority of respondents agreed with the statement, these findings suggest that the weaker the local currency is in South Africa, the greater the number of visitors will be, which is aligned with item ‘a’, the current situation of the rand. This appears to indicate that tourists like value-for-money places, and justifies the high rate of agreement with this statement by the respondents.

c) “An increase in the cost of accommodation benefits companies only.”

Only 5.9% strongly agreed with this, 34.7% agreed, 36.6% were neutral, while 15.8% indicated they disagreed and 6.9% strongly disagreed. Based on these results, it appears that customers will not really benefit from the strategy of increasing the price of small-scale accommodation. Indeed, while this could be profitable for the company (Kimes, 2010:511), it can be risky, as the number of customers might drop. This might be the reason why the author suggested that in the pricing-decision process of accommodation businesses, it is important for the company to take into consideration the real effect of this pricing on customers.

d) “An increase in the tariff can benefit customers.”

Findings indicate that 2% strongly agreed, 7.9% agreed, and 23.8% were neutral, contrasting with 36.6% who disagreed and 29.7% who strongly disagreed. Based on these figures, it was assumed by the researcher that customers in the accommodation sector will not necessarily be attracted by expensive places and they will prioritise places with lower prices. This is

supported by Camilleri (2018:13) who contends that travellers, especially tourists, can be sensitive to accommodation tariffs, as they may have a limited budget for their vacation; thus, pricing can present a barrier to or determinant of their decision to visit a place.

e) “The current tax rate for small companies in tourism has a good impact on the industry.”

Of the respondents, 51.5% were neutral, while 2% strongly agreed, and 10.9% agreed. In contrast, 24.8% disagreed and 10.9% strongly agreed. This indicates that the development of SSAB suffers slightly from the current tax rate on small business in South Africa. From the result, there is a possibility also that the majority, represented by over 50 out of 101 respondents of small accommodation businesses in the city centre, do not really feel or measure the influence of tax rates on their activities or are unfamiliar with the industry tax rates.

f) “The accommodation rates influence customers in choosing their place to stay.”

According to the results presented in Table 4.7, 30.7% of respondents strongly agreed, 41.6% agreed, 16.8% remained neutral, while only 4% disagreed and 6.9% strongly disagreed. This can be interpreted as an appreciation for price and quality by customers in the sector. This means that tourists in the small accommodation sector are driven not only by price, or the size of the establishment, but also by the relationship price–quality of the establishment.

Table 4.7: Economic Factors * EFR cross-tabulation

| | EFR | | | | | Total |
|--|-------------------|--------------|--------------|--------------|----------------|---------------|
| | Strongly Disagree | Disagree | Neutral | Agree | Strongly agree | |
| The current situation of the rand has a good impact on small accommodation businesses. | 12 11.9% | 25 24.8% | 30 29.7% | 21 20.8% | 13 12.9% | 101 100.0% |
| A low local currency encourages tourists to come to South Africa. | 5 5.0% | 12 11.9% | 11 10.9% | 42 41.6% | 31 30.7% | 101 100.0% |
| An increase in the cost of accommodation can benefit companies only. | 7 6.9% | 16 15.8% | 37 36.6% | 35 34.7% | 6 5.9% | 101 100.0% |
| An increase in tariffs can benefit customers. | 30 29.7% | 37 36.6% | 24 23.8% | 8 7.9% | 2 2.0% | 101 100.0% |
| The current tax rate for small companies in tourism has a good impact on the industry. | 11 10.9% | 25 24.8% | 52 51.5% | 11 10.9% | 2 2.0% | 101 100.0% |
| The rate of the accommodation influences customers in choosing their place to stay. | 7 6.9% | 4 4.0% | 17 16.8% | 42 41.6% | 31 30.7% | 101 100.0% |
| Total | 72 11.9% | 119 19.6% | 171 28.2% | 159 26.2% | 85 14.0% | 606 100.0% |

Table 4.7 addresses the extent of association between economic factors and SSAB. The items used for the construct of economic factors are the same as those used above in the cross-tabulation: “The current situation of the rand has a good impact on small accommodation businesses”. “A low local currency encourages tourists to come to South Africa.” “An increase in the cost of accommodation benefits companies only.” “An increase in tariffs can benefit customers.” “The current tax rate for small companies in tourism has a good impact on the industry.” “The rate of the accommodation influences customers in choosing their accommodation.”

Table 4.8: Association between economic factors and SSAB

Do economic factors statistically significantly influence small-scale accommodation business performance?

| EFR \ SSAB | Decreased | Highly decreased | Highly increased | Increased | Stable/Average | Total |
|-------------------|-----------|------------------|------------------|-----------|----------------|-------|
| Agree | 0.030 | 0.003 | 0.000 | 0.068 | 0.096 | 0.196 |
| Disagree | 0.058 | 0.017 | 0.000 | 0.068 | 0.120 | 0.262 |
| Neutral | 0.021 | 0.007 | 0.008 | 0.087 | 0.158 | 0.282 |
| Strongly disagree | 0.023 | 0.007 | 0.000 | 0.035 | 0.076 | 0.140 |
| Strongly agree | 0.017 | 0.007 | 0.002 | 0.030 | 0.064 | 0.119 |
| Total | 0.149 | 0.040 | 0.010 | 0.287 | 0.515 | 1.000 |

Test of independence between the rows and the columns (chi-square):

| | |
|-----------------------------|--------|
| Chi-square (observed value) | 32.406 |
| Chi-square (critical value) | 26.296 |
| DF | 16 |
| <i>p</i> -value | 0.009 |
| Alpha | 0.05 |

| Association Coefficient | Value |
|-------------------------|-------|
| Pearson's Phi | 0.231 |
| Contingency coefficient | 0.225 |
| Cramer's V | 0.116 |

Test interpretation:

H0: The economic factor (rows) and the SSAB (columns) of the table are independent.

Ha: There is a link between the rows and the columns of the table.

As the computed *p*-value is lower than the significance level alpha=0.05, one should reject the null hypothesis H0, and accept (conclude) the alternative hypothesis Ha. The result revealed that there is a statistically significant association/relationship between the economic factor and SSAB. The association coefficient (Cramer's V) affirmed the extent of degree of the association to be moderate effect.

Table 4.8 shows that the chi-square value is 32.406, which shows a statistically significant influence of economic factors on small-scale accommodation business performance in Cape Town. This implies that the role of economic stability on the performance of small-scale

accommodation businesses is of major significance in the development of the sector. The chi-square value: $(16, n = 606) = 32.406, p = 0.009, \text{Cramer's } V = 0.116$. The Cramer's V result in the above table as recommended by Gravetter & Wallnau (2004) and Pallant (2011) confirmed very moderate effects of economic factors on small-scale accommodation businesses in Cape Town. The graph below illustrates the statistical influence of economic factors on small-scale accommodation business performance.

4.3.5.4 Association between social factors and small-scale accommodation business performance

To determine the influence of social factors on the development of SSAB, from the questionnaire, the researcher extracted results using two items in the cross-tabulation

a) “Security in the city of Cape Town is a real concern for the tourism industry.”

Over 75% of respondents agreed or strongly agreed that security in Cape Town is a real concern for the tourism industry. These findings corroborate those mentioned by Mabuza (2019), indicating Cape Town to be the most violent in South Africa, with crimes like murder, robbery, and attacks on property. In view of the minority of 10.9% that disagreed or strongly disagreed, with the statement, with only 13.9% remaining neutral, it can be concluded that almost all respondents confirmed a need for action regarding security to help the industry.

b) “The level of crime in Cape Town discourages visitors to Cape Town.”

As in the previous statement regarding security, 65.3% of respondents shared this opinion, with 35.6% agreeing and 29.7% strongly agreeing that the level of crime in the city discourages visitors from vacationing in Cape Town. With 22.8% remaining neutral, and only 11.8% disagreeing or strongly disagreeing, the researcher believes security as social factor could influence the number of customers for SSAB in Cape Town’s CBD. Indeed, Yusuf Abramjee, the director at the South African branch of Crime Stoppers International, cited in Ishmail’s (2019) *Cape Argus* article, indicated that Cape Town’s negative image with regard to the high rate of crime can discourage foreign tourists to come to South Africa, and especially to Cape Town. This affirmation is aligned with the findings when the number of agreements with the guiltiness of high-rate crime in the city, discouraging visitors to come, outweigh the reversal opinion by over 65%. The cross-tabulation overleaf clearly shows a cumulative number of about 69% of respondents that believe security to be a barrier to the development of small accommodation enterprises, as tourists might avoid Cape Town.

Table 4.9: Social Factors * SFR cross-tabulation

| | | SFR | | | |
|-------------------|----------------|----------|---------|----------------|-------|
| | | Disagree | Neutral | Strongly agree | Total |
| Strongly Disagree | Disagree | | | | |
| | Strongly agree | | | | |

| | | | | | | |
|---|------|------|-------|-------|-------|--------|
| Security in the city of Cape Town is a real concern to the tourism industry. | 8 | 3 | 14 | 40 | 36 | 101 |
| | 7.9% | 3.0% | 13.9% | 39.6% | 35.6% | 100.0% |
| The level of crime in Cape Town discourages visitors from visiting Cape Town. | 6 | 6 | 23 | 36 | 30 | 101 |
| | 5.9% | 5.9% | 22.8% | 35.6% | 29.7% | 100.0% |
| Total | 14 | 9 | 37 | 76 | 66 | 202 |
| | 6.9% | 4.5% | 18.3% | 37.6% | 32.7% | 100.0% |

Table 4.10 addresses the extent of association between social factors and SSSAB. The items used for the construct of social factors include the above two cited earlier in the cross-tabulation.

Table 4.10: Association between social factors and small-scale accommodation business performance

Do social factors statistically significantly influence small-scale accommodation business development?

| SFR \ SSSAB | Decreased | Highly decreased | Highly increased | Increased | Stable/Average | Total |
|-------------------|-----------|------------------|------------------|-----------|----------------|-------|
| Agree | 0.000 | 0.000 | 0.005 | 0.015 | 0.025 | 0.045 |
| Disagree | 0.104 | 0.010 | 0.000 | 0.040 | 0.223 | 0.376 |
| Neutral | 0.005 | 0.010 | 0.005 | 0.069 | 0.094 | 0.183 |
| Strongly disagree | 0.030 | 0.020 | 0.000 | 0.114 | 0.163 | 0.327 |
| Strongly agree | 0.010 | 0.000 | 0.000 | 0.050 | 0.010 | 0.069 |
| Total | 0.149 | 0.040 | 0.010 | 0.287 | 0.515 | 1.000 |

Test of independence between the rows and the columns (chi-square):

| | |
|-----------------------------|----------|
| Chi-square (observed value) | 53.339 |
| Chi-square (critical value) | 26.296 |
| DF | 16 |
| <i>p</i> -value | < 0.0001 |
| Alpha | 0.05 |

| Association Coefficient | Value |
|-------------------------|-------|
| Pearson's Phi | 0.514 |
| Contingency coefficient | 0.457 |
| Cramer's V | 0.257 |

Test interpretation:

H₀: The rows (social factors) and the columns (SSSAB) of the table are independent.

H_a: There is a link between the rows and the columns of the table.

As the computed *p*-value is lower than the significance level alpha=0.05, one should reject the null hypothesis H₀, and accept (conclude) the alternative hypothesis H_a. The result revealed that there is a statistically significant association/relationship between the social factor as it relates to safety/security and SSAB. The association coefficient (Cramer's V) affirmed the extent of degree of the association to be moderate effect.

Table 4.10 shows that the chi-square value is 53.339, which shows a statistically significant influence of this social factor on small-scale accommodation business performance in Cape Town. This implies that the role of social factors on the performance and development of small-

scale accommodation businesses is very significant, and safety and security issues reduce the performance of small-scale accommodation business in Cape Town. Improved safety and security could increase the survival rate of businesses and the development of the tourism sector. The chi-square value: $\chi^2(16, n = 203) = 53.339, p = 0.000$, Cramer's $V = 0.259$. The Cramer's V result in the above table as recommended by Gravetter and Wallnau (2004) and Pallant (2011) confirmed the strong effect of this social factor on small-scale accommodation business in Cape Town.

4.3.5.5 Association between environmental factors and small-scale accommodation business performance

Do environmental factors statistically significantly influence small-scale accommodation business development?

Review of questions used in the cross-tabulation and Table 4.11 to assess the environmental factors:

- a) ***“The area in which the accommodation is located has a good impact on the business.”***

Regarding the first item, the majority of respondents, representing over 46%, agreed with this, followed by 33.7% that strongly agreed. Of the respondents, 12.9% remained neutral, and only 5.9% and 5% disagreed and strongly disagreed with the statement. The high rate of agreement with this statement could indicate that Cape Town's CBD is a favourable location for small accommodation businesses to grow, and that the location influences business development. This is supported by Nguyen (2017), who portrays Cape Town as an ideal location for entrepreneurs. Additionally, these percentages of agreement corroborate the findings of Githahu (2019) citing Cape Town Tourism statistics, which indicated that compared with other cities in South Africa, Cape Town has performed well in the first quarter of 2019, in terms of tourism.

- b) ***“The facilities in the vicinity of the accommodation are very important in choice of accommodation.”***

More than 42% of respondents strongly agreed with this statement, 32.7% agreed, while 13.9% decided to remain neutral, and only 7.9% and 3% disagreed and strongly disagreed. The total of over 75% representing the majority of respondents that supported this statement can be interpreted as the importance of facilities in the vicinity with regard to the attraction of the establishment, and therefore the development of the firm. This is supported by the CCID (2019:7) report which stated that the city centre of Cape Town has more than 3 000 formal businesses, among others, bars and restaurants. This shows how important the vicinity of the business is. Camilleri (2018:16) affirmed that tourists on holiday want to have fun; therefore,

accommodation they are likely to choose would be close to attractions as well as utilities – shopping centres, banks, restaurants, Wi-Fi areas, etc.

c) ***“The vicinity of the accommodation defines the tariff.”***

Respectively 44.6% and 26.7% agreed and strongly agreed with the fact that vicinity of the accommodation influences the tariff of the respondents, 17.8% were neutral, while 5% disagreed and 5.9% strongly disagreed with this statement. These findings could suggest that the price of accommodation is impacted by the charm of the location.

d) ***“The landscape of Cape Town is among the opportunity factors to open an accommodation business.”***

The last item regarding the influence of the environment, considered here as the landscape of Cape Town being a motivation to open such a business, has ratings of 35.6% and 15.8% agreeing and strongly agreeing. Of the respondents, 34.7% were neutral, while 8.9% disagreed and 5% strongly disagreed with the affirmation. Again, the majority of respondents were positive. Regarding the considerable percentage of agreement with this statement, the interpretation would be that entrepreneurs and SSAB are encouraged by the landscape of Cape Town to invest in the industry.

Table 4.11: Environmental Factors * EVFR cross-tabulation

| | EVFR | | | | | Total |
|--|-------------------|------------|-------------|--------------|----------------|---------------|
| | Strongly Disagree | Disagree | Neutral | Agree | Strongly agree | |
| The area in which the accommodation is located has a good impact on the business. | 5 5.0% | 6 5.9% | 13 12.9% | 43 42.6% | 34 33.7% | 101 100.0% |
| The facilities surrounding the area of the accommodation are very important for the choice of accommodation. | 8 7.9% | 3 3.0% | 14 13.9% | 33 32.7% | 43 42.6% | 101 100.0% |
| The landscape around the accommodation defines the tariff. | 6 5.9% | 5 5.0% | 18 17.8% | 45 44.6% | 27 26.7% | 101 100.0% |
| The landscape of Cape Town is among opportunity factors to open an accommodation business. | 5 5.0% | 9 8.9% | 35 34.7% | 36 35.6% | 16 15.8% | 101 100.0% |
| Total | 24 5.9% | 23 5.7% | 80 19.8% | 157 38.9% | 120 29.7% | 404 100.0% |

According to the cross-tabulation Table 4.11, an average of 38.9% for all the items confirmed that environmental factors influence the development of small-scale accommodation in Cape Town’s CBD, whether in the business decision, the location of the firm, or the price.

Table 4.12 specifically addresses the extent of association between environmental factors and SSAB. The items used for the construct of environmental factor include all the ones used in the cross-tabulation.

Table 4.12: Association between Environmental Factors and Small-Scale Accommodation Business Performance

| Environmental Factor\ SSAB | Decreased | Highly decreased | Highly increased | Increased | Stable | Total |
|----------------------------|--------------|------------------|------------------|--------------|--------------|--------------|
| Agree | 0.005 | 0.000 | 0.000 | 0.022 | 0.030 | 0.057 |
| Disagree | 0.084 | 0.035 | 0.007 | 0.097 | 0.166 | 0.389 |
| Neutral | 0.017 | 0.005 | 0.002 | 0.045 | 0.129 | 0.198 |
| Strongly disagree | 0.040 | 0.000 | 0.000 | 0.082 | 0.176 | 0.297 |
| Strongly agree | 0.002 | 0.000 | 0.000 | 0.042 | 0.015 | 0.059 |
| Total | 0.149 | 0.040 | 0.010 | 0.287 | 0.515 | 1.000 |

Test of independence between the rows and the columns (chi-square):

| | |
|-----------------------------|----------|
| Chi-square (observed value) | 56.863 |
| Chi-square (critical value) | 26.296 |
| DF | 16 |
| <i>p</i> -value | < 0.0001 |
| Alpha | 0.05 |

| Association Coefficient | Value |
|-------------------------|-------|
| Pearson's Phi | 0.375 |
| Contingency coefficient | 0.351 |
| Cramer's V | 0.188 |

H0: The environmental factor (rows) and the SSAB (columns) of the table are independent.

Ha: There is a link between the rows and the columns of the table.

As the computed *p*-value is lower than the significance level alpha=0.05, one should reject the null hypothesis H0, and accept (conclude) the alternative hypothesis Ha. The result revealed that there is a statistically significant association/relationship between the environmental factor and SSAB. The association coefficient (Cramer's V) affirmed the extent of degree of the association to be moderate effect.

Summary: Table 4.12 shows that the chi-square value is 56.863, which shows a statistically significant influence of environmental factors on small-scale accommodation business performance in Cape Town. The chi-square value: $\chi^2(16, n = 404) = 46.376, p = 0.000$, Cramer's V = 0.169. The Cramer's V result in the above table as recommended by Gravetter and Wallnau (2004) and Pallant (2011) confirmed very moderate effects of environmental factors on small-scale accommodation businesses in Cape Town.

4.3.5.6 Association between technological factors and small-scale accommodation business performance

The cross-tabulation overleaf indicates the extent to which respondents agreed with the following statements from the questionnaire regarding the technological factors influencing the development of SSAB in the Cape Town CBD.

a) *“Technology tools are necessary for accommodation businesses.”*

As shown in Table 4.13, a considerable majority of 71.3% of respondents indicated that technology tools are necessary for accommodation business, with 41.6% agreeing and 29.7% strongly agreeing. This supports the Lau (2020:498) statement saying that technology is recognised as an instrument that simplifies business transactions. Camilleri’s (2018:16) findings indicate the Internet as a technology that can influence the attraction of a accommodation establishment. In contrast, a small portion of 12.8% disagreed or strongly disagreed, while the remaining 15.8% were neutral.

b) *“Technology is a threat to small accommodation businesses.”*

Of the respondents, 39.6% either disagreed or strongly disagreed that technology is a threat to small accommodation business, while a small portion of 25.8% of the respondents support this statement, with only 1% strongly agreeing and 24.8% agreeing. However, 34.7% were neutral. This seems to accord with the previous statement of technology as a necessary tool for accommodation business. As the majority of respondents previously supported the necessity of technology, there is a sense that technology is not really perceived as a real threat to the sector.

c) *“Access to the Internet is one of the primary facilities that characterise a good accommodation establishment.”*

Of the participants, 69.3% were positive, with 35.6% agreeing and 33.7% strongly agreeing. This informed the researcher that internet facilities can be beneficial to a small accommodation establishment. This could be supported by the number of neutral respondents to the question only representing 17.8% of the total and the remaining portion of only 12.9% disagreed or strongly disagreed with the influence of providing internet access for customers in SSAB.

d) *“Technology can also be a threat to small accommodation establishments”.*

While 23.8% of respondents indicated their neutrality in response to this statement, 42.6% agreed or strongly agreed that technology can be a potential threat for SSAB. On the other hand, 33.7% were against the statement, with 19.8% disagreeing and 13.9% strongly disagreeing. This is supported by Lau (2020:502), who states that technology has both advantages and disadvantages. This might be the reason why almost a quarter of respondents

decided to remain neutral about whether technology is a threat or not for small accommodation businesses.

e) “The use of online accommodation booking facilitates operations for small companies.”

A high percentage of 73.3% supported the statement that the use of online accommodation booking facilitates operation for small companies, with 40.6% agreeing and 32.7% strongly agreeing. In contrast, only 6.9% disagreed, 5.9% strongly disagreed, and a small number (13.9%) were neutral. This was interpreted by the researcher as a confirmation of the considerable impact of technology and online facilities on daily operations in SSAB.

f) “Online facilities allow the company to reduce the number of employees.”

Comparing the numbers in the cross-tabulation overleaf, close to 45% of respondents strongly agreed or agreed with the statement, with 28.7% disagreeing or strongly disagreeing. This could be an indication that SSAB, firms with a limited number of employees as mentioned in the literature, through online facilities, spend less on labour by reducing the number of employees, but at the same time reach target operations and make better sales and profits.

Table 4.13: Technological factors * TFR cross-tabulation

| | TFR | | | | | Total |
|---|-------------------|-------------|--------------|--------------|----------------|---------------|
| | Strongly Disagree | Disagree | Neutral | Agree | Strongly agree | |
| Technology tools are necessary for accommodation establishments | 7 6.9% | 6 5.9% | 16 15.8% | 42 41.6% | 30 29.7% | 101 100.0% |
| Technology is a threat to small accommodation businesses. | 12 11.9% | 28 27.7% | 35 34.7% | 25 24.8% | 1 1.0% | 101 100.0% |
| The access to the Internet is one of the primary facilities that characterise a good accommodation establishment. | 5 5.0% | 8 7.9% | 18 17.8% | 36 35.6% | 34 33.7% | 101 100.0% |
| Technology can also be a threat to small accommodation establishments. | 14 13.9% | 20 19.8% | 24 23.8% | 33 32.7% | 10 9.9% | 101 100.0% |
| The use of online accommodation booking facilitates operations for small companies. | 6 5.9% | 7 6.9% | 14 13.9% | 41 40.6% | 33 32.7% | 101 100.0% |
| Online facilities allow the company to reduce the number of employees. | 11 10.9% | 18 17.8% | 26 25.7% | 26 25.7% | 20 19.8% | 101 100.0% |
| Total | 55 9.1% | 87 14.4% | 133 21.9% | 203 33.5% | 128 21.1% | 606 100.0% |

Table 4.14 addresses the extent of association between technological factors and SSAB. The items used for the construct of technological factors include: technology tools are necessary for accommodation businesses; technology is a threat to small accommodation businesses;

access to the Internet is one of the primary facilities that characterise a good accommodation establishment; technology can also be a threat to small accommodation enterprises; the use of online accommodation booking facilitates operations for small companies; online facilities allow the company to reduce the number of employees.

Table 4.14: Association between technological factors and small-scale accommodation business performance

Do technological factors statistically significantly influence small-scale accommodation business performance?

| TFR \ SSAB | Decreased | Highly decreased | Highly increased | Increased | Stable | Total |
|-------------------|-----------|------------------|------------------|-----------|--------|-------|
| Agree | 0.012 | 0.005 | 0.000 | 0.058 | 0.069 | 0.144 |
| Disagree | 0.064 | 0.018 | 0.007 | 0.094 | 0.152 | 0.335 |
| Neutral | 0.025 | 0.008 | 0.000 | 0.036 | 0.150 | 0.219 |
| Strongly disagree | 0.036 | 0.008 | 0.000 | 0.058 | 0.109 | 0.211 |
| Strongly agree | 0.012 | 0.000 | 0.003 | 0.041 | 0.035 | 0.091 |
| Total | 0.149 | 0.040 | 0.010 | 0.287 | 0.515 | 1.000 |

Test of independence between the rows and the columns (chi-square):

| | |
|-----------------------------|----------|
| Chi-square (observed value) | 47.074 |
| Chi-square (critical value) | 26.296 |
| DF | 16 |
| <i>p</i> -value | < 0.0001 |
| Alpha | 0.05 |

| Association Coefficient | Value |
|-------------------------|-------|
| Pearson's Phi | 0.279 |
| Contingency coefficient | 0.268 |
| Cramer's V | 0.139 |

Test interpretation:

H0: The rows (technological factor) and the columns (SSAB) of the table are independent.

Ha: There is a link between the rows and the columns of the table.

As the computed *p*-value is lower than the significance level $\alpha=0.05$, one should reject the null hypothesis H0, and accept (conclude) the alternative hypothesis Ha. The result revealed that there is a statistically significant association/relationship between the technological factor and SSAB. The association coefficient (Cramer's V) affirmed the extent of degree of the association to be moderate effect.

Table 4.14 shows that the chi-square value is 47.074, which shows a statistically significant influence of technological factors on small-scale accommodation business performance in Cape Town. This implies that the role of technology and the development of Web 2.0 in marketing strategies has a great influence on the performance of small-scale accommodation businesses and is of major significance to the development of the sector. The chi-square value: $(16, n = 606) = 47.074, p = 0.000$, Cramer's V = 0.139. The Cramer's V result in the above table as recommended by Gravetter and Wallnau (2004) and Pallant (2011), confirmed a very

moderate effect of technological factors on small-scale accommodation establishments in Cape Town.

Conclusion: Research Question 1

The result of non-parametric cross-tabulation Pearson chi-square results confirmed all six identified factors statistically and significantly influence the development of small-scale accommodation businesses in the Cape Town central business district. The association coefficient effect revealed that all the factors have a statistically significant moderate effect on the development of small businesses in the sector.

Based on the above results, the researcher understood that the development of small tourism accommodation establishments is therefore influenced by political regulation; the economic situation of the country in which they operate; social aspects of the environment, including crime; the location of the firm; and all related aspects present in the external environment. Through the results, there is the possibility of observing the importance and role of each factor in the development of SSAB.

4.4 What opportunities are there for small-scale accommodation businesses in the Cape Town central business district?

This research question provides answers to the relationship between Cape Town tourism development and small-scale accommodation business development in the Cape Town CBD. Various sub-questions were extracted from the research questionnaire to address this question and obtain more information. The work in this section is divided into two parts: the first part includes the reasons that attracted businesses and owners to this industry, and the second part is a set of personal opinions about opportunities for small companies in the tourism industry.

4.4.1 Reasons for engaging in the accommodation business

“What are your main reasons for establishing an accommodation business?”

As Table 4.15 below shows, the respondents did not indicate ‘sales guaranteed’ as a major decision for engaging in the small-scale accommodation sector. The mode frequency revealed that only 14 out of 101 respondents (13.86%) indicated ‘sales guaranteed’ as the main reason; 47 out of 101 indicated ‘personal accomplishment’ as the main reason for establishing a small-scale accommodation establishment; 90 out of 101 respondents did not indicate ‘favourable business regulations’ as their major reason; 70 out of 101 also did not indicate ‘easy opportunities’; and 57 out of 101 respondents indicated ‘open market’ as the major reason for establishing small-scale accommodation establishments. Finally, less than 5% indicated ‘other’. The most plausible reason identified is the open market, which corroborates the

findings of competition in the industry as shown in Table 4.1 that tourism accommodation is a highly competitive industry. As an open market encourages competition because entry barriers are not high.

Table 4.15: Reasons for engaging in accommodation business

| Variable | NoB | Mode | Mode freq | Categorie | Freq per cat | Percentage (%) |
|---------------------------------|-----|------|-----------|-----------|--------------|----------------|
| Sales guaranteed | 101 | No | 87 | No | 87.000 | 86.139 |
| | | | | Yes | 14.000 | 13.861 |
| Personal accomplishment | 101 | No | 54 | No | 54.000 | 53.465 |
| | | | | Yes | 47.000 | 46.535 |
| Favourable business regulations | 101 | No | 90 | No | 90.000 | 89.109 |
| | | | | Yes | 11.000 | 10.891 |
| Open market | 101 | Yes | 57 | No | 44.000 | 43.564 |
| | | | | Yes | 57.000 | 56.436 |
| Easy opportunities | 101 | No | 70 | No | 70.000 | 69.307 |
| | | | | Yes | 31.000 | 30.693 |
| Other(s) | 101 | No | 96 | No | 96.000 | 95.050 |
| | | | | Yes | 5.000 | 4.950 |

The results indicate the openness of the tourism market as the most common driver decision. This result implies that the tourism market is still open and does not necessarily have high entry barriers. However, while it is believed based on figure in Table 4.1, that the level of competition can be high owing to easy access to the sector, especially for accommodation establishments, it can represent a certain constraint for SME growth. Justino (2015:102) states that low levels of competition in a market can cause negligence in businesses; firms can offer low-quality services/products at unreasonably high prices. Therefore, competition seems to play a dual role in business development.

From Table 4.15, associated with Table 4.16, the researcher elicited that the main drivers in this industry are the openness of the market, followed by personal accomplishment and easy opportunities. These are the main reasons furnished by respondents for entering the sector.

**Table 4.16: What are your main reasons for establishing an accommodation business? *
RABR cross-tabulation**

| | RABR | | |
|---------------------------------|-------|-------|--------|
| | No | Yes | Total |
| Sales guaranteed | 87 | 14 | 101 |
| | 86.1% | 13.9% | 100.0% |
| Personal accomplishment | 54 | 47 | 101 |
| | 53.5% | 46.5% | 100.0% |
| Favourable business regulations | 90 | 11 | 101 |

| | | | | | |
|--------------------|-----|-----|-------|-------|--------|
| | | | 89.1% | 10.9% | 100.0% |
| Open market | 44 | 57 | 101 | | |
| | | | 43.6% | 56.4% | 100.0% |
| Easy opportunities | 70 | 31 | 101 | | |
| | | | 69.3% | 30.7% | 100.0% |
| Other(s) | 96 | 5 | 101 | | |
| | | | 95.0% | 5.0% | 100.0% |
| Total | 441 | 165 | 606 | | |
| | | | 72.8% | 27.2% | 100.0% |

4.4.2 Opportunities for small-sized firms in tourism industry

To investigate the opportunities in the tourism market for small-sized firms, a set of seven statements was drawn up. Based on the variables below and figures indicated in the cross-tabulation, findings indicate an overall agreement on the availability of business opportunities in the tourism industry for small companies. Over 47% of respondents agreed and 28.3% strongly agreed. This means more than 75% of respondents considered tourism as a niche for business opportunities and therefore attractive for start-up and small enterprises. This is supported by Wang et al. (2019:78), who present the tourism industry as a slot for new small ventures. With regard to the local market, Henama and Sifolo (2015:118), state that the South African tourism market provides numerous opportunities for people wishing to realise their business dreams. Considering these observations, the results could indicate to the researcher that tourism provides plenty of opportunities for SSAB and could be ideal for the development of the sector.

Table 4.17: Opportunities for small-sized firms in tourism industry * TRDR cross-tabulation

As an owner/manager, to what extent do you agree with the following statements?

| | TRDR | | | | | Total |
|---|-------------------|-------------|-------------|-------------|----------------|---------------|
| | Strongly disagree | Disagree | Neutral | Agree | Strongly agree | |
| Tourism industry is a perfect industry for small businesses | 0 0.0% | 5 5.0% | 11 11.0% | 68 68.0% | 16 16.0% | 100 100.0% |
| Tourism industry promotes entrepreneurship | 0 0.0% | 1 1.0% | 21 21.0% | 62 62.0% | 16 16.0% | 100 100.0% |
| Tourism industry is a good opportunity for young entrepreneurs | 0 0.0% | 7 7.0% | 24 24.0% | 49 49.0% | 20 20.0% | 100 100.0% |
| Tourism industry in South Africa is a great niche for business opportunity | 1 1.0% | 2 2.0% | 16 16.0% | 46 46.0% | 35 35.0% | 100 100.0% |
| Tourism industry has a wide range of fields to satisfy many tourists' needs | 1 1.0% | 0 0.0% | 4 4.0% | 56 56.0% | 39 39.0% | 100 100.0% |
| Tourism industry is the industry with fewer challenges for start-up | 17 17.0% | 26 26.0% | 27 27.0% | 22 22.0% | 8 8.0% | 100 100.0% |
| Tourism industry contributes to the local economy | 1 | 1 | 7 | 27 | 64 | 100 |

| | | | | | | |
|--------------|-------------|-------------|--------------|--------------|--------------|---------------|
| | 1.0% | 1.0% | 7.0% | 27.0% | 64.0% | 100.0% |
| Total | 20 | 42 | 110 | 330 | 198 | 700 |
| | 2.9% | 6.0% | 15.7% | 47.1% | 28.3% | 100.0% |

Table 4.18 addresses two aspects of the relationship between tourism development and SSAB. The first is a non-parametric chi-square analysis test to establish if there is a statistically significant relationship/association between tourism development and small-scale accommodation businesses in the Cape Town CBD. The analysis then proceeds to explore the extent/degree of the association, using three different tests of association coefficients. The analysis interpreted Cramer's V result, since all the test agree on the moderate effect of tourism on small-scale accommodation business development.

Table 4.18: How does tourism influence small-scale accommodation businesses development?

| TDR \ SSAB | Decreased | Highly decreased | Highly increased | Increased | Stable/Average | Total |
|-------------------|--------------|------------------|------------------|--------------|----------------|--------------|
| Agree | 0.066 | 0.027 | 0.006 | 0.160 | 0.213 | 0.471 |
| Disagree | 0.013 | 0.006 | 0.000 | 0.011 | 0.030 | 0.060 |
| Neutral | 0.020 | 0.003 | 0.004 | 0.029 | 0.101 | 0.157 |
| Strongly disagree | 0.009 | 0.000 | 0.000 | 0.006 | 0.014 | 0.029 |
| Strongly agree | 0.043 | 0.004 | 0.000 | 0.084 | 0.151 | 0.283 |
| Total | 0.150 | 0.040 | 0.010 | 0.290 | 0.510 | 1.000 |

Test of independence between the rows and the columns (chi-square):

| | |
|-----------------------------|--------|
| Chi-square (observed value) | 37.419 |
| Chi-square (critical value) | 26.296 |
| DF | 16 |
| <i>p</i> -value | 0.002 |
| Alpha | 0.05 |

| Association Coefficient | Value |
|-------------------------|-------|
| Pearson's Phi | 0.231 |
| Contingency coefficient | 0.225 |
| Cramer's V | 0.116 |

Test interpretation:

H0: The rows and the columns of the table are independent.

Ha: There is a link between the rows and the columns of the table.

As the computed *p*-value is lower than the significance level alpha=0.05, one should reject the null hypothesis H0, and accept (conclude) the alternative hypothesis Ha. The result revealed that there is a statistically significant association/relationship between tourism development and small-scale accommodation business performance. The association coefficient (Cramer's V) affirmed the extent of degree of the association to be moderate effect

Table 4.18 shows that the chi-square value is 53.339, which shows a statistically significant influence of tourism on small-scale accommodation business performance in Cape Town. This

implies that the development of the tourism sector is a pivot to the development of small-scale accommodation businesses in Cape Town. It explains the bidirectional causality between tourism and small-scale businesses as established in the literature. Therefore, an increase in tourism development will positively increase small-scale business accommodation performance and therefore stimulate the development of the sector. The chi-square value: $\chi^2(16, n = 203) = 37.419, p = 0.002$, Cramer's V = 0.116. The Cramer's V result in the above table as recommended by Gravetter and Wallnau (2004) and Pallant (2011), confirmed a very strong moderate effect of tourism development on small-scale accommodation businesses in the Cape Town city centre. The chi-square and symmetric measure, illustrates the statistical influence of the tourism industry on small-scale accommodation businesses regarding the extent of the opportunities available in this market.

Conclusion: Research Question 2

The results of the non-parametric cross-tabulation Pearson chi-square result confirmed that there are possibilities in tourism for small firms. Most respondents indicated the openness of the market as the main driver for their entering the industry. The association co-efficient effect shows that tourism is an attractive industry regarding opportunities for small-scale accommodation establishments in this area, beside the fact that it is a highly competitive market.

4.4.3 What factors impede the development of small-scale accommodation businesses in the CBD?

This section, which starts with cross-tabulation tables showing the responses to all challenges of small-scale accommodation businesses as related to tourism development, is divided into four sub-sections. The first part addresses possible challenges faced by SSAB when they started; the next part indicates the channel of business financing, followed by an examination of the performance of SSAB over the last two years; the last part is a brief exploration of some external factors possibly impeding the development of SSAB. The items used include: *What were the main challenges you faced to open an accommodation business in the Cape Town city centre? How did you get funding to start your business? What do you think about the performance of your company over the last two years?*

4.4.3.1 The main challenges you faced in opening an accommodation business in the Cape Town city centre

“What were the main challenges you faced in opening an accommodation business in the Cape Town city centre?”

Table 4.19 indicates ‘finding a good location’ as the most common challenge respondents faced when started their business project. More than 57% of respondents selected it among the challenges faced at the beginning. This could be that Cape Town CBD, as a hub for business ventures (Greenberg & Rogerson, 2018:90), is coveted by tourism firms also, hence, obtaining the best location for an accommodation establishment can be difficult. The next major issue selected by respondents was ‘understanding the market’; it was indicated by more than 49% of respondents. Indeed, Mokoena (2016:32) indicates that many entrepreneurs in tourism start the venture without the necessary skills. This is important in assessing the industry and therefore understanding the market in which they want to operate. This high rating can be an indication that there is a lack of market information for start-ups in the accommodation sector, associated with a lack of small-business support. This might be why Justino (2015:101) recommends that business owners should first obtain business skills, whether through work experience in the targeted field or from relatives, before engaging in a business venture. ‘Obtaining finance’ was also identified by more than 36% of respondents. This result suggested finance is not that much an issue in starting a small-size accommodation establishment, but still is among the main challenges owners face in the industry. This result concurs with Asoba’s (2014:28,114) findings of finance being among the most recurrent difficulties that impact growth of small businesses. Another barrier selected was ‘government regulations’, indicated by about 35%; however, it does not seem to be as major a constraint as the previous three. Other problems such as ‘getting equipment’ and ‘teambuilding’ can be considered secondary challenges, as they were indicated by less than 30% of respondents. This means they are present, but do not impact accommodation as much as other difficulties.

Table 4.19: Main challenges in opening an accommodation business

| Variable | NoB | Mode | Mode frequency | Cat | Freq | Perc (%) |
|--------------------------------------|-----|------|----------------|-----|--------|----------|
| Obtaining finance (start-up capital) | 101 | No | 64 | No | 64.000 | 63.366 |
| | | | | Yes | 37.000 | 36.634 |
| Obtaining equipment | 101 | No | 72 | No | 72.000 | 71.287 |
| | | | | Yes | 29.000 | 28.713 |
| Teambuilding | 101 | No | 83 | No | 83.000 | 82.178 |
| | | | | Yes | 18.000 | 17.822 |
| Finding a good location | 101 | Yes | 58 | No | 43.000 | 42.574 |
| | | | | Yes | 58.000 | 57.426 |
| Understanding the market | 101 | No | 51 | No | 51.000 | 50.495 |
| | | | | Yes | 50.000 | 49.505 |
| Government regulations | 101 | No | 65 | No | 65.000 | 64.356 |
| | | | | Yes | 36.000 | 35.644 |

4.4.3.2 Channels of funding to start SSAB in the Cape Town CBD

The next part, on channels of financing for SSAB in the CBD, used three items to assess the question: ***“How did you obtain funding to start your business?”***

Table 4.20 indicates that ‘personal savings’ is the most prevalent channel of financing used by respondents. Out of 101 respondents, 79, representing over 78%, indicated that they used ‘personal savings’ as one of their funding options to start their accommodation venture. This result may suggest that small accommodation businesses do not have easy access to financial assistance. Mukwarami (2017:83) notes that lack of proper financial resources impedes the growth of the business. This is followed by ‘family and friends’ contribution’, selected by about 48% of respondents. ‘Bank loan’ was indicated by only 16 out of 101 respondents, giving a low percentage of 15.8%. The results indicate that financial institutions do not necessarily assist SSAB at the start. Mostly they rely on their income or support from friends and relatives. This is supported by Asoba (2014:28), highlighting that this can be the main element that influences growth and the ability to survive for small companies. Therefore, if financial institutions and authorities assisted SSAB initially, this would enhance the development of the sector, encourage business investment and reduce the risk of failure. These findings corroborate the financing challenges identified in Table 4.19 among the significant difficulties encountered by SSAB.

Table 4.20: How did you obtain funding to start your business? * SBFR cross-tabulation

| | SBFR | | Total |
|------------------------------|-------|-------|--------|
| | No | Yes | |
| Bank loan | 85 | 16 | 101 |
| | 84.2% | 15.8% | 100.0% |
| Family/friends’ contribution | 52 | 49 | 101 |
| | 51.5% | 48.5% | 100.0% |
| Personal savings | 22 | 79 | 101 |
| | 21.8% | 78.2% | 100.0% |
| Other, please specify | 100 | 1 | 101 |
| | 99.0% | 1.0% | 100.0% |
| Total | 259 | 145 | 404 |
| | 64.1% | 35.9% | 100.0% |

4.4.3.3 Business performance

“What do you think about the performance of your company for the last two years?”

The business development measures rating used Likert scales, with 5 points representing best performance, and 1 point representing worst performance. Better performance rated 4 points, while 3 points represented average performance, indicating business growth stagnancy. The

result revealed that profit stagnancy has the biggest mode of the distribution. However, the next most frequent response indicates poor profit performance of the firm with exact frequency of stagnant growth. This implies small-scale accommodation establishments face serious business developmental issues related to improvement in profits. The next is company sales with a similar ranking, with profit improved shown in Table 4.21. The sales revenue result shows that most respondents indicated a second worst rating, described as poor sales revenue, followed by stagnant/average sales revenue. No respondents indicated 'best', but 11 respondents indicated worst performance. The number of employees was also rated 'poor', followed by 'stagnant', with similar patterns as the two previous business development indicators. The remaining business development indicators include number of customers and marketing efforts. The marketing efforts on average indicated stagnancy, while the number of customers was indicated as poor. Therefore, there is a need to look into channels of marketing to ascertain the marketing of small-scale accommodation establishments in the CBD.

Table 4.21: Business performance over the last two years (which of the following statements is true with regard to the development of your business in the last two years?)

| Variable | NoB | Mode | Mode freq | Cat | Freq per cat | Perc (%) |
|---|-----|----------|-----------|----------|--------------|----------|
| Profits have improved | 101 | Stagnant | 37 | Better | 15.000 | 14.851 |
| | | | | Poor | 37.000 | 36.634 |
| | | | | Stagnant | 37.000 | 36.634 |
| | | | | Worse | 12.000 | 11.881 |
| Sales revenue has improved | 101 | Poor | 42 | Better | 20.000 | 19.802 |
| | | | | Poor | 42.000 | 41.584 |
| | | | | Stagnant | 28.000 | 27.723 |
| | | | | Worse | 11.000 | 10.891 |
| Number employed has increased | 101 | Poor | 42 | Better | 10.000 | 9.901 |
| | | | | Poor | 42.000 | 41.584 |
| | | | | Stagnant | 26.000 | 25.743 |
| | | | | Worse | 23.000 | 22.772 |
| Number of customers has increased | 101 | Poor | 34 | Best | 2.000 | 1.980 |
| | | | | Better | 23.000 | 22.772 |
| | | | | Poor | 34.000 | 33.663 |
| | | | | Stagnant | 31.000 | 30.693 |
| | | | | Worse | 11.000 | 10.891 |
| Marketing of the company has been implemented | 101 | Stagnant | 35 | Best | 4.000 | 3.960 |
| | | | | Better | 23.000 | 22.772 |
| | | | | Poor | 29.000 | 28.713 |
| | | | | Stagnant | 35.000 | 34.653 |
| | | | | Worse | 10.000 | 9.901 |

Table 4.22 addresses two aspects of the relationship among challenges facing tourism development and SSAB. The first is a non-parametric chi-square analysis test to establish if

there is a statistically significant relationship/association between tourism development challenges and small-scale accommodation business performance in the Cape Town CBD. The analysis explores the extent/degree of the association, using three different tests of association coefficient. The analysis interpreted Cramer's V result, since all the tests agree on the high moderate effect of the challenges facing tourism development on small-scale accommodation business performance.

Table 4.22: How do challenges facing tourism influence small-scale accommodation businesses?

| CFTD \ SSAB | Decreased | Highly decreased | Highly increased | Increased | Stable/Average | Total |
|-------------------|-----------|------------------|------------------|-----------|----------------|-------|
| Agree | 0.080 | 0.017 | 0.001 | 0.155 | 0.203 | 0.457 |
| Disagree | 0.004 | 0.000 | 0.000 | 0.016 | 0.010 | 0.030 |
| Neutral | 0.015 | 0.005 | 0.007 | 0.035 | 0.109 | 0.171 |
| Strongly disagree | 0.002 | 0.000 | 0.001 | 0.002 | 0.004 | 0.010 |
| Strongly agree | 0.047 | 0.017 | 0.000 | 0.079 | 0.189 | 0.333 |
| Total | 0.149 | 0.040 | 0.010 | 0.287 | 0.515 | 1.000 |

Test of independence between the rows and the columns (chi-square):

| | |
|-----------------------------|----------|
| Chi-square (observed value) | 65.655 |
| Chi-square (critical value) | 26.296 |
| DF | 16 |
| <i>p</i> -value | < 0.0001 |
| Alpha | 0.05 |

| Association Coefficient | Value |
|-------------------------|-------|
| Pearson's Phi | 0.285 |
| Contingency coefficient | 0.274 |
| Cramer's V | 0.143 |

Test interpretation:

H₀: The rows and the columns of the table are independent.

H_a: There is a link between the rows and the columns of the table.

As the computed *p*-value is lower than the significance level alpha=0.05, one should reject the null hypothesis H₀, and accept (conclude) the alternative hypothesis H_a. The result revealed that there is a statistically significant association/relationship between the challenges facing tourism development and small-scale accommodation business performance. The association coefficient (Cramer's V) affirmed the extent of degree of the association to be moderate effect.

Table 4.22 shows that the chi-square value is 65.655, indicating a statistically significant influence of challenges facing tourism in small-scale accommodation business performance in the Cape Town CBD. This implies there is a direct link between developmental challenges facing the tourism sector and small-scale accommodation business performance in Cape Town. The chi-square value: $\chi^2(16, n = 203) = 65.655, p = 0.000$, Cramer's V = 0.143. The Cramer's V result in the above table as recommended by Gravetter and Wallnau (2004) and Pallant (2011), confirmed a very strong moderate effect of tourism development challenges in small-scale accommodation businesses in the Cape Town city centre.

4.4.3.4 Threats from external factors on SSAB development

As in Section 4.2.1 on factors influencing the development of SSAB, some information was extracted from the research questionnaire to assess possible negative effects on or threats to the SSAB market. A set of one or two items in the cross-tabulation table below has been used and grouped into specific categories such as social factors, technological factors and economic factors to give a summary of their extent. Environmental factors were assessed separately, since items were extracted from two separate questions in the research questionnaire, Questions 1.6 and 3.3.

❖ Environmental factors:

“The water crisis has affected the profit of many small accommodation businesses.”

As stated in the literature review (Chapter 2), Cape Town dam levels decreased to 27.8% and the city council asked businesses to reduce their water consumption by 20% (Visser, 2018:3). The statement was to address the impact of this environmental or natural factor on SSAB in the Cape Town CBD and establish if it was a challenge. Results indicate that a total of 76.2% of respondents confirmed their business had been negatively affected by the water shortage in the city. Camilleri (2018:17) lists water and electricity among facilities that need to be considered for a tourism destination, therefore, deficiencies in water and electricity supplies are problematic. Of the respondents, 20% were neutral, while 3% did not indicate the water crisis as problematic.

“The weather in Cape Town impacts my business activities during the year.” “What is the best financial period for your company?”

Table 4.26 presents two distinct items in the questionnaire: ‘The weather in Cape Town impacts my business activities during the year’, and ‘What is the best financial period for your company?’, on the influence of the weather on SSAB. Most respondents confirmed that the weather in Cape Town impacts their business activities during the year. Over 49% agreed and 17.82% strongly agreed with this statement. This corroborates the 93% of respondents who agreed that their best financial period is summer. This can indicate that other seasons of the year are not that favourable for SSAB, as there might be fewer visitors to Cape Town, and thus fewer customers, resulting in a low profit. According to the respondents, summer is the most viable season.

Table 4.23: Adaptive table for threats of environmental factors to SSAB in the Cape Town CBD

| Variable | NoB | NoC | Mode | MF | Cat | Freq | Freq perc(%) |
|----------|-----|-----|------|----|-----|------|--------------|
|----------|-----|-----|------|----|-----|------|--------------|

| | | | | | | | |
|--|-----|---|--------|----|-------------------|----|--------|
| As an owner/manager, what is the best financial period for your company? | 101 | 4 | Summer | 94 | Autumn | 2 | 1.980 |
| | | | | | Spring | 1 | 0.990 |
| | | | | | Summer | 94 | 93.069 |
| | | | | | Winter | 4 | 3.960 |
| The weather in Cape Town impacts my business activities during the year | 101 | 5 | Agree | 50 | Agree | 50 | 49.505 |
| | | | | | Disagree | 8 | 7.921 |
| | | | | | Neutral | 22 | 21.782 |
| | | | | | Strongly Agree | 18 | 17.822 |
| | | | | | Strongly disagree | 3 | 2.970 |
| | | | | | | | |

The other items are discussed from the cross-tabulation below. These include social, technological, economic and political factors to observe how they can be threats to the development of SSAB.

❖ Social factors:

“Crime is a real threat to people visiting the country.”

Of the respondents, 1% disagreed or strongly disagreed with the statement, and 9.9% were neutral. In contrast, 89% of respondents agreed or strongly agreed that crime is a threat to people visiting Cape Town. These findings accord with those indicated in the social factors cross-tabulation of Section 4.2.1.4 regarding the influence of social factors and addressing safety and security concerns. Hence, the findings concur with those of Bryden (2020), that besides all other difficulties, safety is a major concern.

“Security in the city centre must be improved.”

Aligned with the previous statement, 89% of respondents agreed or strongly agreed that security in the city centre should be improved. This is supported by Asoba (2014:94), who notes that crime forces establishments to fight the issue by concentrating on operational strategies rather than on competition in the market. This seems to confirm that security in this area is important to sustain the tourism sector and develop SSAB, as a secure location is often checked by visitors.

❖ Technological factors:

“My company lost a lot of money during the load shedding period.”

As noted in Section 4.2.1.6, technology can be an important tool for SSAB, but also a facilitator of business operations, especially for reservations. Indeed, according to Lau (2020:502), technology has both advantages and disadvantage. As mentioned in the literature review, load shedding affected the city during the last two years, with considerable impacts on business.

This statement was to identify if SSAB performance was impacted by this situation. Close to 73% of respondents agreed that they lost lot of money during load shedding, a moderate percentage of 24.8% were unsure, and only 3% disagreed or strongly disagreed they lost revenue. This can be an indication that SSABs do not necessarily have proper contingency technology plans or enough financing for this, thus they are badly affected.

❖ Economic factors:

“The cost of running an accommodation business in the central business district is very high.”

87.1% of respondents agreed or strongly agreed that the cost of running an SSAB in the Cape Town CBD is very high, 11.9% were neutral, and 1% disagreed. This challenge can be a consequence of the high level of competition identified in Table 4.1. Indeed, it could be indicated that the greater the competition, the greater the marketing strategy and business development should be. This is expensive on such limited budgets. Competition in this area might require extra efforts for SSABs to survive.

❖ Legal/Political factors:

“Government regulation is one of the main challenges restricting entrepreneurs from operating in the city centre.”

While 10.9% of respondents disagreed and strongly disagreed, 23.8% were neutral with regard to the above statement. However, a very high rate of over 65% agreed and strongly agreed government regulations were among the barriers constraining entrepreneurs from running a business in the city centre. The city centre is an important zone, and government should have special and stricter business policies with regard to the operation of commercial activities like accommodation. Some owners or entrepreneurs could have difficulty in complying with such regulations and might prefer to invest elsewhere.

Table 4.24: Threats from external factors on SSAB development
As an owner/manager, to what extent do you agree with the following statements regarded as threats? * CFABR cross-tabulation

| | CFABR | | | | | Total |
|---|-------------------|-----------|-------------|-------------|----------------|---------------|
| | Strongly disagree | Disagree | Neutral | Agree | Strongly agree | |
| Crime is a real threat to visitors | 1 1.0% | 0 0.0% | 10 9.9% | 41 40.6% | 49 48.5% | 101 100.0% |
| Security in the city centre must be improved | 0 0.0% | 0 0.0% | 11 10.9% | 52 51.5% | 38 37.6% | 101 100.0% |
| Poverty is one of the factors affecting security in the city | 1 1.0% | 1 1.0% | 13 12.9% | 38 37.6% | 48 47.5% | 101 100.0% |
| The water crisis has affected the profit of many small accommodation businesses | 1 1.0% | 2 2.0% | 21 20.8% | 50 49.5% | 27 26.7% | 101 100.0% |

| | | | | | | |
|---|------|------|-------|-------|-------|--------|
| The weather in Cape Town impacts my business activities during the year | 3 | 8 | 22 | 50 | 18 | 101 |
| | 3.0% | 7.9% | 21.8% | 49.5% | 17.8% | 100.0% |
| My company lost a lot of money during load shedding | 1 | 2 | 25 | 46 | 27 | 101 |
| | 1.0% | 2.0% | 24.8% | 45.5% | 26.7% | 100.0% |
| The cost of running an accommodation business in the central business district is very high | 0 | 1 | 12 | 48 | 40 | 101 |
| | 0.0% | 1.0% | 11.9% | 47.5% | 39.6% | 100.0% |
| Government regulation is one of the main challenges restricting entrepreneurs from operating in the city centre | 1 | 10 | 24 | 44 | 22 | 101 |
| | 1.0% | 9.9% | 23.8% | 43.6% | 21.8% | 100.0% |
| Total | 8 | 24 | 138 | 369 | 269 | 808 |
| | 1.0% | 3.0% | 17.1% | 45.7% | 33.3% | 100.0% |

4.5 Summary

This chapter was dedicated to presenting and discussing the results collected from the research questionnaire. The results were analysed. The findings were presented in the form of tables, cross-tabulation tables, and bar charts when possible. In addition, the results were grouped and arranged according to the research questions and supported or confirmed prior researchers' findings mentioned in the literature review when there were similarities or differences.

The next chapter presents the conclusions derived and are based on the findings discussed in Chapter 4. Some recommendations in relation to them are also given.

CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The previous chapter explained the results of this study and revealed findings related to the area of concern: “Tourism and the development of small-scale accommodation businesses in the Cape Town Central Business District (CBD)”. Three sub-questions were stated to address the topic, particularly the factors that influence the development of small-scale accommodation businesses in Cape Town’s CBD, the opportunities in this area regarding this size of establishment, and the factors that impede the development of this sector of the industry in the CBD of Cape Town. This chapter summarises the previous chapters in the thesis, presents conclusions based on findings presented in Chapter 4 concerning the objectives of this research project, and proposes ways of enhancing the development of the tourism industry in South Africa.

5.2 Overview of the structure of the thesis

5.2.1 Chapter 1

This chapter was an introductory chapter, and the first step in the research project. As a starting point for the thesis, this chapter began with an introduction and the background to the research topic, before establishing a proper statement of the research problem. This was followed by the main research questions, sub-questions, and objectives to help in the assessment of the research and guide the researcher during the process. The chapter also provided a brief narration of the research methodology to be used, including sampling and analysis; the significance of this research study; and lastly a short overview of subsequent chapters.

5.2.2 Chapter 2

This chapter, the literature review, was a combination of available information sources supporting the relevant research questions. It reviewed previous research on the factors that affect the development of SSAB, the opportunities for SSAB in the Cape Town CBD, and challenges that influence their development. For a clear and better understanding of each element, the chapter was divided into five main sections, including an introduction, followed by the three respective sub-questions as distinct headings. The last section was a conclusion to the chapter.

5.2.3 Chapter 3

Chapter 3 presented the methodology used for the collection of data and analysis. It discussed the research methodology, including target population, sampling technique, size and method, the administration of the research instruments, and ethics required for this type of research.

5.2.4 Chapter 4

This chapter presented findings linked to the set questions and objectives formulated in Chapter 1 of the thesis. It also analysed the findings elicited from the questionnaire. Results were visually presented in the form of tables, cross-tabulation, graphs and bar charts.

5.2.5 Chapter 5

Chapter 5 is devoted to the conclusion of the overall thesis, based on the findings, and suggests some appropriate recommendations. The next section discusses these findings in view of the objectives formulated for this research study.

5.3 Recommendations

The main objective of this research project was to ascertain the influence of tourism on the development of small-scale accommodation businesses in Cape Town's CBD. Based on the findings in Chapter 4, the following recommendations are made:

5.3.1 Regulation and business policies

Knowing that the tourism industry is a market with many opportunities and contributes considerably to the national economy, the South African government and City of Cape Town should develop more encouraging regulations, ease business policies for small-sized accommodation enterprises, and develop business tourism market training. In this way, entrepreneurs and SSAB can be encouraged to invest in the industry and might no longer be that much restricted to know business growth. They will have a prior understanding of the market before starting their venture to better apprehend the running of such a business in such a big industry as tourism.

5.3.2 Financial support

An emphasis on tourism development can support the development of the small-scale accommodation sector. This involves a better implication of local government to help small-scale enterprises in this sector of tourism. Moreover, for an extension of the market, entrepreneurs and small-size accommodation businesses should get adequate financial support from financial institutions. This can be done if government and banks create a unique financial support programme destined for small tourism companies, especially in the accommodation sector.

5.3.3 Security plan

The city centre of Cape Town needs security implementation. This would encourage visitors to the area and create a safer environment for tourists. Therefore, the researcher suggests the government develop an exceptional security service with an increased number of security

agents in the more concentrated tourist areas. This can be done by using unemployed young people, living in poverty, who can have specific security training and who are willing to work for daily remuneration instead of loitering in the city.

5.3.4 Power shortage contingency plan

Regarding load shedding issues affecting operations, the researcher suggests installing solar panels in the city centre and charging a small and reasonable amount to businesses in need in the area. In this way, SSAB will keep operating effectively even during load shedding.

5.3.5 Business and market development

Small-sized accommodation business owners can benefit by working with big hotels and corporates to implement their business activities and presence in the market. If they can develop a partnership that allows a big hotel to use SSAB as an alternative to their services, for example, if a family books a hotel room, knowing they will need more space at a reduced price, the big hotel partnering with the SSAB can send their guests to a guesthouse in the area. Or, in the case of a group of students visiting the country, instead of their staying at a hotel, the hotel can place them in a backpackers or B&B. This can be advantageous to small firms and regarded as a business support exchange.

5.4 Conclusion

In conclusion to this study, the main objective of this research project, ascertaining the influence of tourism on the development of small-scale accommodation businesses in Cape Town's CBD, was achieved. This included the factors influencing the development of SSAB, opportunities for them in Cape Town city centre and some difficulties they can encounter on the market. It has been revealed during the conduct of the project that, small-scale accommodation businesses in Cape Town's CBD can be influenced by various elements like:

- The political situation in the country.
- Legal factors such as regulations and business policies from the South African government with regard to the industry.
- Economic factors like local currency fluctuation.
- Environmental factors such as the weather (depending on season in the year).
- Social factors, which include safety and security.
- Technological factors.

When it comes to the opportunities for small-scale accommodation businesses in the Cape Town central business district, the researcher discovered that although the tourism market is a very competitive one, the industry offers a wide range of opportunities for small-scale

enterprises, among which the accommodation sector. Most of the respondents agreed on the importance of Cape Town's landscape to their business operations and decisions, and this could be used as an opportunity to open an accommodation establishment. They also indicated that the openness of the market is a driver of small-scale accommodation business opportunities and entrepreneurs.

Although the tourism seems to be a great market with various business opportunities for small ventures, especially accommodation sector in the city centre, it has been noted that the development of SSAB can be restrained by factors like the seeking of a good business location; obtaining financing to start a business as most businesses have been funded by owners without proper external assistance from banks, government financial institutions or programmes. Other aspects such as the high cost of operating small-scale accommodation businesses in the CBD of Cape Town, the problematic of safety and security in the city, especially in a busy area like the city centre which result in to high rates of crime in Cape Town, can also constitute a barrier to visitors in the city, therefore influence the health of such small enterprises. Lastly but not the least, lack of favourable business policies and regulation of SSAB from government as well as the lack of understanding the market in which the level of competition is known as high, can be added to the list of challenges in this industry. Based on the recent state of world, it is not to exclude that External factors, such as the global pandemic of COVID-19, can have a real impact on the development of the tourism (and accommodation) market, as noted by Lau (2020:499).

Some recommendations based on the interpretation of the findings from the investigation were made by the researcher to enhance the development of the small-scale accommodation business sector, one of the essential sectors of the tourism industry, and a potential niche business opportunity for entrepreneurs, with economic benefits not only for Cape Town but also for South Africa. Furthermore, this research project can be inspirational to explore more surrounding areas of the tourism accommodation field, especially in the current pandemic era the world is facing. This can be about the survival of small tourism accommodations business during covid-19 pandemic.

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APPENDICES

APPENDIX A: CPUT ethical clearance



P.O. Box 1906 • Bellville 7535 South Africa. Tel: +27 21 4603291 Email: fbmsethics@cput.ac.za Symphony Road Bellville 7535

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| Office of the Chairperson Research Ethics Committee | Faculty: BUSINESS AND MANAGEMENT SCIENCES |
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The Faculty's Research Ethics Committee (FREC) on **12 September 2019**, ethics Approval was granted to **Miria C E Okouwadela (214050521)** for research activities **M Tech: Business Administration in Entrepreneurship** at Cape Peninsula University of Technology.

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| Title of dissertation/thesis/project: | TOURISM AND THE DEVELOPMENT OF SMALLSCALE ACCOMMODATION BUSINESSES IN THE CAPE TOWN CENTRAL BUSINESS DISTRICT Lead Supervisor (s): Prof R Tengeh |
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Comments:

Decision: Approved

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|  <hr/> Signed: Chairperson: Research Ethics Committee | <hr/> 12 September 2019 <hr/> Date |
|---|---------------------------------------|

APPENDIX B: Permission letter from municipality: City of Cape Town



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

ENTERPRISE & INVESTMENT

Pauline van der Spuy

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E: Pauline.vanderspuy@capetown.gov.za

1 July 2019

To Whom It May Concern

The City of Cape Town supports research undertaken by master's degree students at the Cape Peninsula University of Technology.

Miria Claude Eulalie Okouwadela would like to conduct research on tourism accommodation in Cape town and the title of her master thesis is "Tourism and the development of small-scale accommodation businesses in the Cape Town Central Business District". A letter from the Cape Peninsula University of Technology is attached to confirm that she is a master's student.

It would be appreciated if you can assist her in her research.

Kind regards

A handwritten signature in black ink, appearing to read 'Pauline van der Spuy', written over a horizontal line.

Pauline van der Spuy

Head: Strategic Tourism Infrastructure Development
Enterprise and Investment

APPENDIX C: Letter requesting participation in the questionnaire



May 2019

Dear Sir/Madam

REQUEST FOR PARTICIPATION IN A QUESTIONNAIRE SURVEY

I am a master's student at the Cape Peninsula University of Technology (CPUT) in the Department of Entrepreneurship and Business Management. I am conducting research study under the supervision of Prof Robertson Khan Tengeh. My research title is "**Tourism and the development of small-scale accommodation businesses in the Cape Town Central Business District**".

The main objective of this research project is to analyse how the influence of tourism on the development of small-scale accommodation businesses in the Cape Town Central Business District. Therefore, I would appreciate if you can assist me by completing the following voluntary questionnaire.

Participation in this research is voluntary and anonymity is guaranteed. Participant are also assured that all information provided will be kept confidential.

Thank you

Yours sincerely

Prof R.K Tengeh

Supervisor

Miss M.C.E Okouwadela

Researcher

APPENDIX D: Declaration of editing

ELIZABETH S VAN ASWEGEN

BA (Bibl), BA Hons (English language & literature), MA (English), DLitt (English),
FSAILIS

Language and technical editing I bibliographic citation
DECLARATION OF EDITING

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[za](#)

The MTech: Business Administration in Entrepreneurship thesis by candidate Miria Claude Eulalie Okouwadela (student number 214050521) titled 'Tourism and the Development of Small-Scale Accommodation Businesses in the Cape Town Central Business District' has been edited, the references have been checked for correctness and compliance with the CPUT Harvard bibliographic referencing style requirements, all items in the references have been cross-checked against the text, and all in-text citations have been checked against the references. The candidate has been advised to make the recommended changes.



Dr ES van Aswegen

28 August 2021

APPENDIX E: Research questionnaire

TOURISM AND THE DEVELOPMENT OF SMALL-SCALE ACCOMMODATION BUSINESS IN CAPE TOWN CENTRAL BUSINESS DISTRICT

By filling this questionnaire, you agree to the following statements:

| |
|--|
| <input type="checkbox"/> I agree to provide information to the researchers under the conditions of confidentiality. |
| <input type="checkbox"/> I consent to the information collected for the purposes of this research study, once anonymized (so that I cannot be identified), to be used for any other research purposes. |

QUESTIONNAIRE

SECTION 1: Factors influence the development of small-scale accommodation businesses in the Cape Town Central Business District

1.1- For how long has your company been operating in the tourism industry?

1-5 years

6 -10 years

over 10 years

1.2 How many employees do you have in your company? Write an “X” in the square to state your answer please.

| | | | | | |
|---|-----------------|--|---|-------------------|--|
| 1 | 1-5 employees | | 4 | 16-20 employees | |
| 2 | 6-10 employees | | 5 | Over 20 employees | |
| 3 | 11-15 employees | | | | |

1.3- What are your main reasons for establishing an accommodation business? Please Write an “X” in the square to state your answer please.

| | | | | | |
|---|------------------|--|---|-------------|--|
| 1 | Sales guaranteed | | 4 | Open market | |
|---|------------------|--|---|-------------|--|

| | | | | | |
|---|--------------------------------|--|---|--------------------|--|
| 2 | Personal accomplishment | | 5 | Easy opportunities | |
| 3 | Favorable business regulations | | 6 | Other(s): | |

1.4- Under which type falls your business? Please Write an “X” in the square to state your answer please.

| | | | | | |
|---|-------------------|--|---|---------------|--|
| 1 | Hostel | | 4 | Guest house | |
| 2 | Lodge | | 5 | Holiday House | |
| 3 | Bed and Breakfast | | 6 | Backpacker | |

1.5- What determined the choice of your business location?

- Easy access for customers
- Better business visibility
- Surrounding facilities (E.g: shopping malls, museums, clubs, beach, attractive landscape...)
- Fair competition

1.6- For you, what are the benefits of running this type of business in this area?

- Lot of visitors (tourists) come to this area
- Increasing the chance of making sales
- Increasing marketing exposure

1.7- As an owner/manager, what is the best financial period for your company? Write a “X” in the square to state your answer please.

Winter Autumn Summer Spring

1.8. What do you think about the performance of your company for the last two years? Write an “X” in the square to state your answer please.

Highly increased Increased Average/Stable Decreased Highly decreased

| Rate the following statements with regard to the development of your business in the last 2 years | 1 (Worst) | 2 (Bad) | 3 (Average) | 4 (Good) | 5 (Best) |
|--|----------------------|--------------------|------------------------|---------------------|---------------------|
| Profits have improved | | | | | |
| Sales revenue has improved | | | | | |
| Number employed has increased | | | | | |
| The number of customers has increased | | | | | |
| The marketing of the company has been implemented | | | | | |

SECTION 2: Opportunities for small-scale accommodation businesses in the Cape Town Central Business District

2.1- How would you describe the level of competition in your sector of activity?

Very High High Middle Low Very Low

2.2- How do you market your product/service offering to your customers? Write a “X” in the square to state your answer please. (You can select more than one answer)

Social Media (eg: Facebook, WhatsApp etc...)

Words of mouth

Flyers drop

Conference and show attendance

Other, If other, please specify

2.3- Do you have any support programs in the industry to run accommodation business?

| | | |
|---|-----|--|
| 1 | Yes | |
| 2 | No | |

| | | |
|---|-----------------------|--|
| 3 | I am not aware of any | |
|---|-----------------------|--|

2.4- As an owner/manager, to what extent do you agree with the following statements? Mark an “X” in the column that suit your answer.

| | Strongly agree | Agree | Neutral | Disagree | Strongly disagree | I don't know |
|---|----------------|-------|---------|----------|-------------------|--------------|
| 1. Tourism industry is a perfect industry for small businesses. | | | | | | |
| 2. The tourism industry promote entrepreneurship | | | | | | |
| 3. Tourism industry is a good opportunity for young entrepreneurs | | | | | | |
| 4. Tourism industry in South Africa is a great niche for business opportunity | | | | | | |
| 5. Tourism industry has a wide range of field to satisfy many tourists needs | | | | | | |
| 6. Tourism industry is the industry with less challenges for start-up | | | | | | |
| 7. Tourism industry contributes to the local economy | | | | | | |

SECTION 3: Factors impede on the development of small-scale accommodation businesses in the CBD

3.1- How did you get funding to start your business?

- Bank loan
- Family/Friends contribution
- Personal savings
- Other, please specify _____

3.2- What were the main challenges you faced in opening an accommodation business in the Cape

Town city center?

- Getting finances (start-up capital)
- Getting equipments
- Teambuilding
- Finding a good location
- Understanding the market
- Government regulations

3.3. As an owner/manager, to what extent do you agree to the following statements regarded as threats? Mark an “X” in the column that suit your answer.

1= Strongly agree 2 = Agree 3 = Neutral 4 = Disagree 5 = Strongly disagree

| | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Crime is a real threat for people to visit the country | | | | | |
| The security service around the city center must be improved | | | | | |
| Poverty is one of the factors favorizing the security issue around the city | | | | | |
| Water crisis has affected the profit of lot of small accommodation businesses | | | | | |
| My company lost a lot of money during load shedding period | | | | | |
| The cost of running an accommodation business in the central business district is very high | | | | | |

| | | | | | |
|---|--|--|--|--|--|
| Government regulation is one of the main challenges restricting entrepreneurs to operate in the city center | | | | | |
|---|--|--|--|--|--|

SECTION 4: Personal observation

Rate from 1 to 5 your agreement to the following statements please. Write a “X” in the column that suit your answer

| | 1 Strongly agree | 2 Agree | 3 Neutral | 4 Disagree | 5 Strongly disagree |
|---|------------------------|------------|--------------|---------------|---------------------------|
| Political factors | | | | | |
| The current situation of the country favorize hospitality firms | | | | | |
| Politics in South Africa encourage tourists to visit the country | | | | | |
| Legal factors | | | | | |
| Legal regulations from government encourage the development of small accommodation business in South Africa | | | | | |
| Legal regulations help small tourism companies to access loan | | | | | |
| Business policies in South Africa is a challenge for small accommodation businesses to grow bigger | | | | | |
| Regulation in South Africa encourage competition for small accommodation businesses | | | | | |
| Economic Factors | | | | | |

| | | | | | |
|--|--|--|--|--|--|
| The current situation of the Rand has a good impact on small accommodation businesses | | | | | |
| A low local currency encourages tourist to come in South Africa | | | | | |
| An increase in the renting price of place to stay benefit companies only | | | | | |
| An increase in the renting rate can benefit customers | | | | | |
| The current tax rate for small companies in tourism has a good impact on the industry | | | | | |
| The rate of the accommodation influence customers in choosing their place to stay | | | | | |
| Social Factors | | | | | |
| The security in the city of Cape Town is a real concern for tourism industry | | | | | |
| The level of crime in Cape Town restrain visitors in Cape Town | | | | | |
| Environmental Factors | | | | | |
| The area in which the accommodation is located has a good impact for the business. | | | | | |
| The facilities surrounding the area of the accommodation are very important for the choice of accommodation. | | | | | |
| The landscape around the accommodation defines the price of renting. | | | | | |

| | | | | | |
|---|--|--|--|--|--|
| The landscape of Cape Town is among the opportunity factors to open an accommodation business. | | | | | |
| Technological Factors | | | | | |
| Technology tools are necessary for accommodation business | | | | | |
| Technology is a threat to small accommodation businesses | | | | | |
| Access to the internet is one of the primary facilities that characterize a good accommodation establishment. | | | | | |
| Technology can also be a threat to small accommodation establishments. | | | | | |
| The use of online accommodation booking facilitates operation for small companies | | | | | |
| Online facilities allow the company to reduce the number of employees. | | | | | |

Thank you for your participation.