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An instinct for growth™

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In the public eye

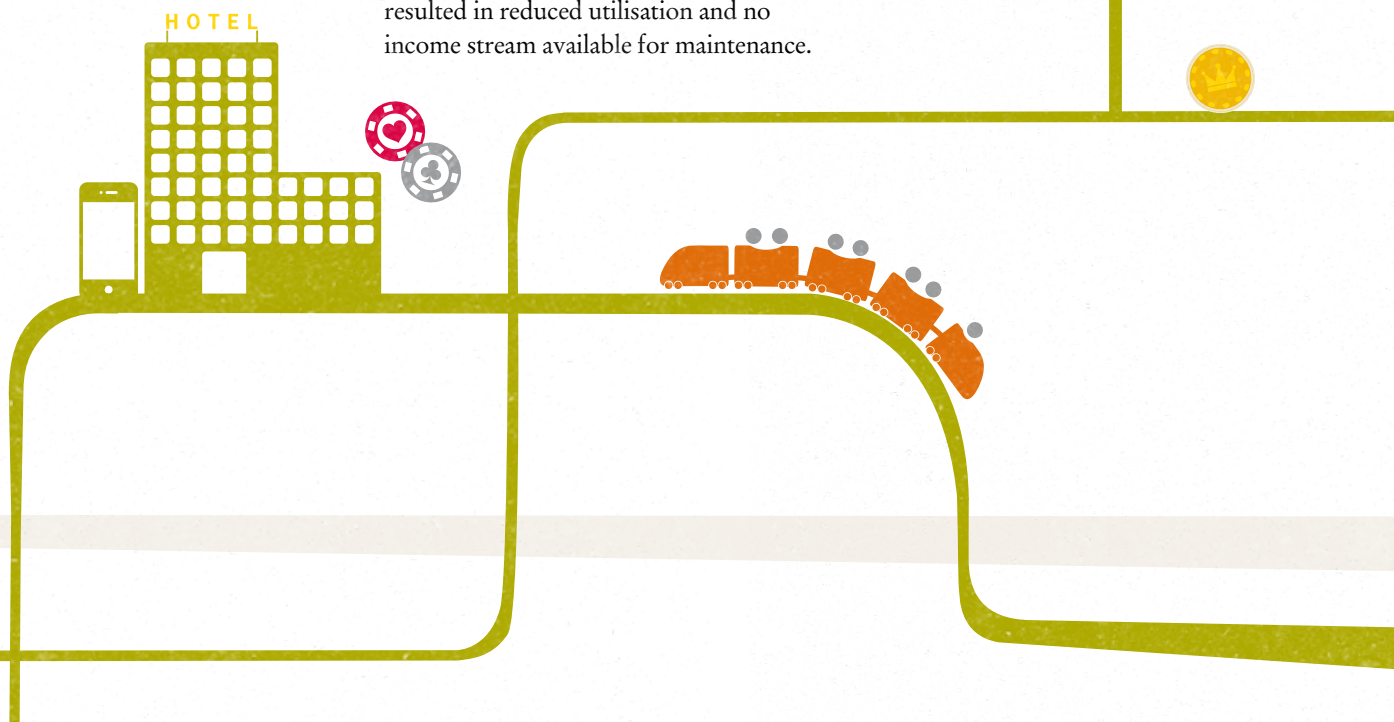
Municipal resorts: we have them, let's manage them better

The National Tourism Sector Strategy addresses the need for affordable resorts to stimulate domestic tourism. Given the cost of developing new resorts, existing municipal resorts provide a viable option to meet this need.

South Africa's unique history has resulted in many local municipalities owning and thus having to manage holiday resorts even though this is not their core competency. These resorts were built to provide leisure facilities for local residents and tourists. Some local municipalities have more than one resort originally built to cater to different racial groups.

Over time other priorities - such as housing and infrastructure development - have taken priority over leisure facilities and many of these resorts have deteriorated due to a lack of maintenance. They have become a burden to the municipalities, with a lack of maintenance leading to a downward spiral which has resulted in reduced utilisation and no income stream available for maintenance.

Even so, local municipalities need to provide affordable leisure facilities to their residents so these resorts cannot simply be sold off to be developed for other uses. Some local municipalities have tried to lease their resorts to private managers. Unfortunately this approach has not always resulted in the resort being managed successfully or the municipality's financial burden being reduced. Too often, bad management has led to an exacerbation of the problem.



Do your research first

These challenges highlight the need for independent feasibility studies to understand the market and financial performance the resorts could achieve. Research conducted by Grant Thornton has shown that municipal resorts could appeal to a broader range of markets rather than just domestic leisure.

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For example, many resorts have a variety of facilities that could cater for events such as conferences, parties and team building. They are usually in scenic locations and close to public transport, making them appealing to the international backpacker market. Large school and church groups are also looking for basic, clean and affordable facilities.

The research identified a lack of marketing as one of the main reasons for the lack of utilisation of resorts. Many of them do not have basic municipal marketing materials and can only be booked through telephone numbers that are not always answered – or only answered during office hours and not after hours when many people have the time to enquire or book. Municipal resorts also do not feature in accommodation searches on the internet resulting in word of mouth being the main source of marketing.

Grant Thornton's research has shown that many resorts already have the basic facilities required to attract a variety of foreign and domestic users. However the service offering could be improved by expanding the range of activities, which doesn't necessarily require the building of additional facilities. For example, the development of a trail for hiking or biking does not require a large capital outlay, and the utilisation of an existing hall would not necessarily require additional capital outlay. The service offering could be further enhanced by linking municipal resorts with other publicly owned attractions such as reserves, botanical gardens, lakes and museums. This would increase the utilisation of both the resort and attractions.

An independent feasibility study would address the challenges faced by the municipalities. It would test the viability of the resort in question, identify the relevant markets to target including the marketing methods, and recommend the appropriate rates and utilisation that could be achieved.

Consider professional resort management

It is acknowledged that it is not the core competency of local municipalities to manage resorts. Service providers could be appointed to manage resorts on behalf of each municipality, but care should be taken to appoint suitable and qualified service providers.

Resort operators should have relevant experience with the required distribution and marketing channels in order to properly market the resort. Management of the resort requires more than just regular maintenance and onsite bookkeeping. The resort operator should have dedicated sales representatives on board to constantly market the resort and ensure that market related utilisation and rates are achieved.

The contract with the resort operator should also ensure that risk and reward is shared between the operator and the municipality. The remuneration of the operator can be linked to the performance of the resort, incentivising the operator to achieve the set targets. A successfully operated resort should also be able to generate sufficient income to conduct required ongoing repairs and maintenance.

One resort could support another

Not every resort, however, will be able to sustain itself. An independent feasibility study should indicate clearly whether a resort will be beneficial, sustainable or viable in market and financial terms. In some instances cross subsidisation strategies could be formulated given that some local municipalities have more than one resort within their boundaries. The cross subsidisation strategy could ensure that the commercially viable resorts provide enough income to sustain other resorts. These subsidised resorts could be utilised to fulfil the mandate of providing affordable accommodation to all residents.

Local municipalities with more than one resort could investigate the economies of scale of packaging a number of resorts with a single resort operator. This approach would allow the resort operator to reduce costs through collective marketing and bulk buying of goods, while the municipality ensures that all its resorts are professionally managed.

Operating a commercial resort with an experienced resort operator does not have to be in conflict with providing affordable resort facilities for local residents. The advantages of professional management by experienced operators are clear: the financial burden on the municipality is reduced, while the resort is utilised and maintained. Through cross subsidisation strategies, municipalities could ensure that affordable resort facilities are provided to all its residents.



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