

How are SA restaurants weathering the storm?

Travel and tourism contributed R402bn or 9.3% of South Africa's GDP - this is anticipated to grow to R412.2bn (9.4%) in 2017. Restaurants play a significant role in how tourists experience South Africa, but hospitality is faced with challenges that make operating in a tight-margin industry particularly difficult.



Chef Glen Foxcroft-Williams. Photo: Claire Gunn

Challenging "business as usual"

Among these challenges are the rising costs of doing business, with food inflation chief among these. In 2016, food inflation peaked at 11.7%, but even now that it has dropped to below 6%, the effects of last year's spikes are still being felt. Even more worrying is that the contributing drought hasn't even taken full effect yet in key agricultural regions in the Eastern and Western Cape.

The drought has a more direct impact in terms of water consumption as well. Water usage is restricted, and usage penalties have been implemented in some areas. This means that restaurants, which use water to maintain standards of hygiene and to cook the food that they prepare, aren't operating within the usual structures of "business as usual" while trying to make their contribution to the economy of South Africa.

"In addition, there are the typical concerns that face the industry including high staff turnover and skills shortages, bad debts and cash-flow constraints, and the need to constantly adapt to consumer needs and expectations," says Karl Westvig, the CEO of Retail Capital, providers of flexible and convenient business finance.

Challenges hard felt by new restaurant owners

These challenges are particularly hard felt by new restaurant owners, who are attempting to make a name for themselves in a competitive industry. "The challenges in opening a restaurant cover a broad spectrum, from establishing brand identity, finding your market and forging an ethos for your team," says Glen Foxcroft-Williams, chef-proprietor of Foxcroft Restaurant, the Constantia restaurant that last year won the Eat Out Retail Capital New Restaurant of the Year Award.

Behind the Kirton at Foxcroft Restaurant

Eugene Yiga 9 Mar 2017





He says that as Foxcroft was his first foray into running a kitchen – never mind a restaurant as a whole – the learning curve has been steep. “However, with the incredible support and mentorship from my business partners, it’s been greatly rewarding.”

Winning the Eat Out Retail Capital New Restaurant of the Year Award has proven to be another huge reward for the young restaurant. “Winning the award was a huge morale boost for my team who had worked so hard in getting the restaurant up and running,” says Foxcroft-Williams. “It served as a validation of our hard work up until that point, and let us know that we were on the right path. It also made a noticeable change to our reservations, increasing our waiting lists by at least 50%.”

How restaurants can weather the storm

A large number of Retail Capital’s clients are in the restaurant business, and from the vantage point of supporting them through their financial challenges, Westvig says there are key areas that those in the hospitality industry need to focus on to ensure their businesses weather the storm.

“These include keeping up with innovation in the industry such as the role of technology. From a day-to-day perspective, making themselves aware of hidden costs is critical but so too is the staff complement. Training staff well and consistently over time, incentivising their staff, and providing excellent levels of service and convenience and that little something extra for their customers – these all need to be taken into account,” he says.

There is some good news ahead, as summer is the busy season, and in 2017, there is cause for optimism across the whole industry. “South Africa’s weaker rand keeps the country’s tourism experience affordable, therefore, we’re anticipating an increase in international tourists visiting SA during the festive season,” says Westvig.

He adds: “This also leads to less South Africans being able to afford overseas holidays, with the result that South Africans will spend more locally, which suggests a positive outlook for the hospitality industry over the coming festive season.”

The Eat Out Retail Capital New Restaurant of the Year Award winners will be announced at the annual [Eat Out Mercedes-Benz Restaurant Awards](#) on Sunday 19 November 2017.