

## **SA Hospitality Industry faces the double-edged sword of online platforms**

Online booking platforms offer the traditional, formal hospitality sectors multiple opportunities to market their inventory and secure bookings. With today's rising consumer preference to research, identify and transact for what they want online, preferably using their phones, most hotel chains, resorts and guesthouses recognize the value of being present and accessible on tech-driven sites such as Booking.com, Hotels.com, Expedia and Hotwire which feature on the 'best deals for consumers.

However, marketing through these channels, which mostly operate outside of any local regulatory environment, can come at a cost, warns Tshifhiwa Tshivhengwa, the Chief Executive Officer of FEDHASA, the Federated Hospitality Association of South Africa. FEDHASA is a national body recognised as the official unified voice of the hospitality industry by all decision and policy makers in government and industry.

At this time, there is much debate about the actual impact of new generation peer-to-peer sharing sites such as Airbnb on the formal hospitality industry. South Africa is a high-growth Airbnb market. It is currently their top performing country on the African continent, with Cape Town as their premium African city destination. Cape Town's Airbnb renters do not only include individuals with space to share informally, but also guesthouses and B&Bs well within the country's regulatory framework.

"The issue is," says Tshifhiwa, "that those who fall properly within the regulatory framework of the country are not competing on a level playing field with renters leasing rooms and offering services that do not comply with the laws of the country in order to be listed on the platform. For instance, Airbnb does not verify compliance with the South African Liquor Act, leaving it open for an informal renter to supply a complementary bottle of wine, which slight as it may seem, can unfairly tip the scales in their favour. This is just one example of a myriad of ways that the formal sector can be disadvantaged by those operating outside of the regulations."

When it comes to other global accommodation booking where major SA hospitality players regularly list their inventory, the disadvantages can be more subtle.

"The major issue here is VAT," explains Tshifhiwa, "The global site, numb to local conditions, and outside of the local tax regulatory environment, sets a certain commission which the hospitality vendor agrees to. The booking price they offer is all-inclusive, which means they effectively 'swallow' the portion that would have been a normal VAT rebate for the vendor. These are the kind of losses that when they add up threaten the viability of a sound hospitality business and all the employment it offers."

Tshifhiwa is keen to emphasise FEDHASA'S embrace of the tech-savvy innovations that do effectively draw consumers and bona fide hospitality providers together for mutual benefit. "What is important," he says, "is that everyone adheres to the regulatory environment which is what creates the fair and level playing field. No one should be exempt from the law."

**Editor about FEDHASA Cape:**

FEDHASA Cape is recognised and respected by government and all industry role players since 1949 as the prime representative and voice for the South African Hospitality Industry. The association aims to ensure a sustainable and profitable business environment for the Hospitality Industry in the Western Cape and Northern Cape provinces as a private business sector voice.

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