Kenya: Tourism Proves Resilient in Times of Trouble

Marketers of Kenya's tourism have their work cut out for them in 2009; last year the sector witnessed its worst performance in four years following the post-election violence that scared off visitors, causing the once-thriving industry to fall on hard times. The industry is bouncing back, with the country slowly managing to rehabilitate its image as a travel destination. But now it's a double whammy with the bearish run expected to continue on the effects of the global financial crisis.

The Kenya Tourist Board (KTB) estimates for tourist arrivals between January and October 2008 dropped by 34.7%, from 873,000 to 565,000 due to the unrest that jolted the country in the first quarter, and a weakened global economy. Current data from the Kenya Bureau of Statistics shows the tourism sector declined 34.7% over most of last year.

But to dismiss this sector's importance, and indeed its potential, would be ill-advised. Kenya is now stable and international tourism is turning around, thanks to the fact that the country has always been one of the most popular destinations in Africa, drawing 2 million international arrivals in 2007.

Big Earner

The sector was growing at historical highs prior to the turmoil – in 2007 revenue was US$1 billion. It accounted for 10% of Gross Domestic Product (GDP), making it the third largest contributor to GDP after agriculture and manufacturing, and the third largest foreign exchange earner after tea and horticulture. This exceptional performance has been attributed to flurried growth in business and conference tourism as the country reclaimed its position as a leading hub in East and Central Africa.

The government's strategy to market the country as a safe tourist and investment destination has been crucial in reviving the sector. Tourism minister Najib Balala, while marketing Kenya in the US at the sidelines of President Barrack Obama's inauguration in February, expressed confidence the industry will be firmly on its feet soon.

As the country stepped up its campaign to ride on the wave of publicity as the heritage of President Obama, prominent American personalities were endorsing Kenya as the next attraction for American tourists. In June America's Delta Airlines will make its inaugural direct flight to Kenya from the US, providing an awesome opportunity for Kenya to the American tourism market.

Balala and the team at KTB – a public body charged with marketing Kenya as a destination – prioritized on getting repeat visitors to come back and confirm to the world the country is still a preferred tourist destination. This strategy bore positive results right from the start even at a time when international media was declaring Kenya a no-go war zone.

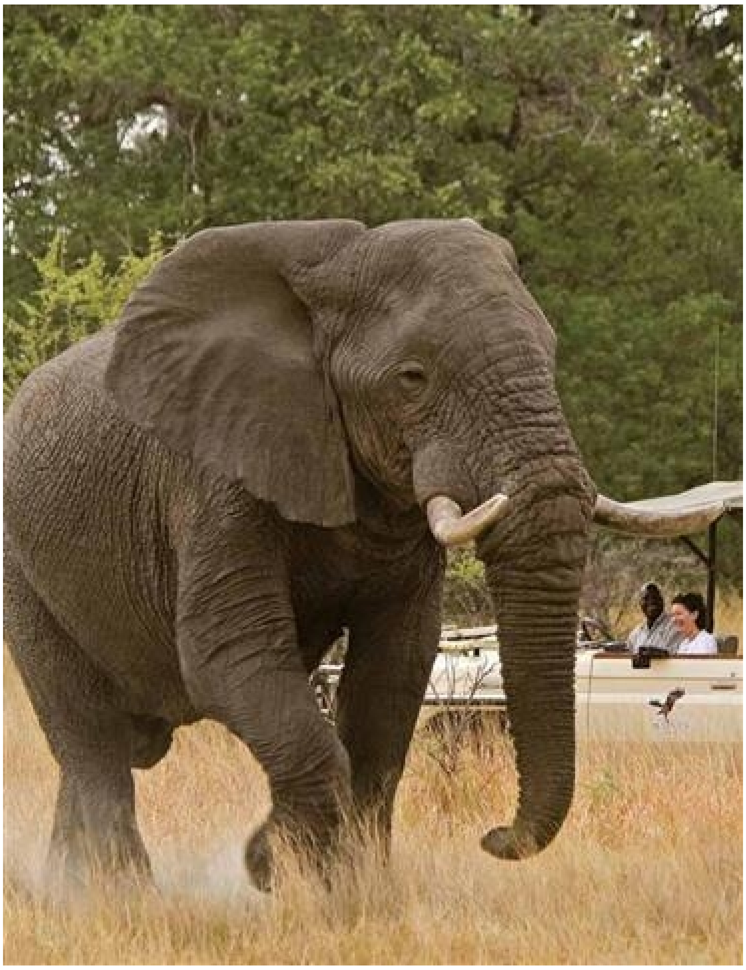
Early in 2008, British couple Tina and Craig Washbrook was planning their wedding in Kenya, at a time when many tourists were canceling their holidays. After the ceremony held in picturesque Ngong Hills, 41 year old Tina, who had previously visited the country, told reporters: "I have come to Kenya because it is a country that I really love…the impression we got from the media is that everything has come to a standstill…now we know this is not true." Repeat visitors like Tina make up 40% of tourists to Kenya and formed the bulk of the 710,804 who visited the country throughout 2008.

The Kenya Association of Tour Operators (KATO) says these numbers are a reflection of tourists regaining their confidence in Kenya as a destination. Members of KATO – an association which represents the interests of over 250 tour operators – were severely affected by the crisis.

The operators however had remarkably improved business during the Christmas season, largely due to domestic tourism. Kenya has a large and growing middle income group that is increasingly travelling. TembeaKenya Initiative – a public/private initiative aimed at promoting domestic tourism – is bearing fruits but needs some push to get to a level where it can effectively cushion the industry when foreign tourists are scarce.

KATO is agitating for a level playing field with neighboring competitors as a measure to protect members from global misfortunes. For starters, tax waivers on tourist vans would remove that financial obligation for the operators during global downturns.

As the KTB data rolled in, players in the industry were still optimistic about implementing planned key projects. Mohammed Hersi, the general manager at Sarova Whitesands hotel says the negative publicity has waned and there is more interest in Kenya. Charters from the UK, Kenya's most important source of tourists, have resumed though slowly as finding passengers has been a huge challenge.



In 2007 when the industry was booming there were over 40 tourist charters destined to hotels including the Whitesands. That number reduced to less than 3 per week at the height of the violence. "We spent a good part of the second half of 2008 working to re-position the destination through various fairs including the World Travel Market in London. In March we were at ITB, the largest fair in Berlin," says Hersi.

The task for the government now lies in identifying a sustainable source of funding for tourism development and marketing, to propel the recovery efforts began last year. "The investment made in marketing is proportionate to the rise in tourist arrivals and earnings so a figure of not less than 10% of what the sector earns should be ploughed back in to marketing and promotion to make the country more competitive," says Hersi, who is also the chairman of the Kenya Association of Hotelkeepers and Caterers, Coast branch.

Regional Picture

From the boom in tourism expected in South Africa due to the 2010 World Cup to the growing popularity of ecotourism, Sub- Saharan Africa has emerged as a popular destination for visitors and investors alike. Travel and tourism capital investment for the region was estimated at US$20.4 billion in 2008, and by 2018 should reach US$42.6 billion, with the UN World Tourism Organization declaring the sector a promising source of development.

Tourism which has grown rapidly over the past couple of years slowed down in 2008 in response to the economic crisis. But the estimates for the future look promising with travel and tourism expected to contribute over 9% to the region's GDP over the next decade, a very positive outlook according to the World Travel and Tourism Council.

Efforts to promote tourism in the region have given rise to many investment opportunities in developing new hotels and recreational properties, expanding existing facilities and upgrading infrastructure.

Major hotel groups who have been expanding their operations in the region for years each have their own development strategy. Since each country has its own unique challenges, the emphasis is on governments in sub-Saharan Africa to find ways of encouraging international hospitality investment by removing barriers to entry and offering incentives and long-term support to projects.

Call to Invest

Kenya's Tourism Strategic Plan includes raising tourism earnings to Ksh.200 billion (US $2.5 billion), increasing international tourist arrivals to three million and hotel bed capacity to 65,000, by 2012. Investment experts, however, say heavy investment in supportive sectors commensurate to these projections must be put in place, otherwise the country will miss the target.

Investing in Kenya's tourism would be a good move for investors wishing to enter the East African Community (EAC). Nairobi is reclaiming its position as the leading hub for business and conference tourism in east and central Africa. Integration of Rwanda and Burundi into the EAC is also making Kenya a prime location as most of the flights pass through the Jomo Kenyatta International Airport in Nairobi.

The Kenya Investment Authority (KIA) – the agency tasked with marketing Kenya as an investment destination – emphasizes on adding value to tourism destinations and investing heavily across all sectors to make figures in the Strategic Plan achievable.

425 new hotels across the country would be needed to achieve the proposed 65,000 increase in bed capacity. Other supportive infrastructure such as roads and adequate supply of energy will be needed to reduce the cost of doing business in the country. KIA estimates the cost of constructing roads leading to important tourist destinations at Ksh.65.9 billion (US$840m).

Many of Kenya's direct competitors lack conference facilities yet such an investment would give the country an upper hand. KIA is looking for a strategic partner to invest in such a facility, preferably in Mombasa.

Bright Future?

A report by the United Nations World Tourism Organization (UNWTO) in January contained bleak foreign travel numbers in 2008 due to the global economic slowdown which threatened to reverse historic four-year gains. The tourism body forecasted continued stagnation this year and beyond, though noting that the high degree of economic uncertainty makes predictions of international travel difficult. The downturn is already affecting international tourism. In Kenya, proven resilience in the tourism industry could dictate growth does not come to a halt.

Sudden Drop in Tourist Numbers

Revenue from tourism in 2008 fell by 54 percent compared with 2007 which had seen a record number of up to 1.8 million tourists coming to holiday in an apparently politically stable and fast-growing country. Inter Press Service

Not a Single Tourist Hurt

After many years of a smooth political transition, having passed peacefully through a contentious constitutional referendum in 2005, and estimated economic growth of six to eight percent Kenya suddenly plunged into a two-month long fit of organized ethnic killings. Over a thousand people were left dead and 350,000 displaced. Not a single tourist was hurt. Most tourists booked for that period did not arrive or diverted to some other destination. Those already in the country left. Thanks to former United Nations chief Kofi Annan's intervention, political rivals decided to mend fences soon and by the middle of 2008 the industry had recovered slightly. But it was still down by 32 percent against the same period in 2007. Hundreds of lodges and hotels remain closed. Many more Kenyans have lost their jobs. Inter Press Service

By Nelly Nyagah

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