

## hotels

# Problem? What problem?

**A few months ago it looked as though Kenya's tourism industry had "had it". But Trevor Ward discovers it has come back from the brink in style**

**A**fter several years of stagnation, Kenya's tourism industry was on a veritable bull-run. One million visitors in 2002 increased to an estimated two million in 2007, accompanied by an increase in the length of stay from 8.5 nights to 12.1 nights (2006). That all meant a tripling in earnings, vitally important to the country's goal of eliminating poverty.

In the late 1980s and early 2000s, Kenya had been bevelled by external shocks – the US Embassy bombing in 1998, the effects of the September 2001 attacks in the USA, and the attacks in Mombasa in late 2002. The country and to a large degree the private sector, did what it could to minimise the effect on the tourism industry, but it was not as effective as it could have been. The boom between 2004 and 2007 saw government increase its contribution to promoting the country's tourism product.

Then, in late 2007, Kenya's international image – and by direct association its tourism industry – was severely damaged. This time it was an internal shock; the civil unrest that followed the December elections. Tourist numbers and receipts dropped one third in the first half of 2008, resorts closed down, staff were laid off.

## Government strength

The government led the reprise attack, perhaps learning from the experiences of Egypt, which has so often been affected both by internal and external shocks, and just as often bounced back with a vengeance. The Kenyan government has made massive efforts to assure the world the country is safe to visit. A US travel advisory warning tourists not to travel to Kenya was lifted in mid-2008, and the industry is expecting recovery to commence in earnest with this year's winter season. Tourists have, thankfully, short memories. They are receptive to marketing messages extolling the virtues of a destination, even when that destination has been portrayed negatively by the same media as now push its benefits.

Kenya has just spent more than US \$2 million on an advertising campaign on CNN – always the first into trouble such as that which occurred in Kenya. The government has invested much more than that in promoting the country, however, with a reported spend of more than \$10m from government funds. The EU has come up with a further \$10m, for marketing alone.

**Everyone lost money in the first half of the year in Kenya. But tourism is a long-term investment**

## Investors still keen

The local and global hospitality investment industry is also expressing that confidence that the government is seeking to engender, by announcing new deals in the country – Kingdom is investing in the refurbishment of their five hotels, Radisson SAS will manage a new luxury hotel under construction in Nairobi, owned by Elgon Investments, and Kempinski and Accor are eyeing up the market.

Investors rely not only on tourists' short-term memory but also economic stability. Throughout all the problems of the early part of the year, Kenyan authorities were able to maintain the economic

stability that is so important to investors – the probable recession that so many forecasters foretold has not landed, and forecasts of economic growth for 2008 range between 4% and 7% – not bad for a country with a 1% decline in the first quarter of the year.

Investors are also encouraged by the realisation that Kenya has a large and growing domestic tourism industry, which is not susceptible to the threats that can so easily damage international tourism. Kenyans are the largest users of hotels in the country by far, and also one of the fastest growing markets, increasing from 800,000 bednights in 2000 to almost 1.4 million in 2006. While international tourists bring much-needed foreign currency, a domestic tourist creates the same number of jobs from his or her overnight stay, and the demand is less seasonal. This strong foundation of domestic tourism can significantly reduce investor's risk.

Everyone lost money in the first half of the year in Kenya. But tourism is a long-term investment, and challenging times are often good for the industry, forcing a reappraisal of product and marketing strategies, and producing a leaner, fitter set of players, ready for the next race. **A**

**Trevor Ward is Managing Director of W Hospitality Group ([www.w-hospitality-group.com](http://www.w-hospitality-group.com))**

