



TOURISTIC SMES

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REACTIVATE THEIR OPERATIONS...
NONETHELESS, THEY ARE
IMPROVING STEADILY

QUARTERLY REPORT

MARCH 2021



TOURISTIC SMEs ARE STILL HAVING PROBLEMS TO REACTIVATE THEIR OPERATIONS... Nonetheless, they are improving steadily.

1. Introduction.

11 months after the COVID19 health emergency, small Tourism businesses continue to struggle to survive.

This study contains the results of the research carried out by the SME Observatory which was done at the beginning of February 2021. It included the following touristic segments: Travel Agencies and Touristic Operators, Recreation Centres, Hotels, Restaurants, and Night Clubs.

The results allow us to identify some of the main impacts that the Sector has suffered because of the pandemic, and which it continues to carry. Some of them are: a) An evaluation of the losses caused by the sanitary emergency to the SMEs Touristic Segment; b) The main economic obligations that affect the sector's capacity to operate; c) The incentives that help guarantee the businesses' future survival and d) identification of possible strategies to reactivate the sector and face the health and economic crisis.

Below, we mention the main findings of the study:

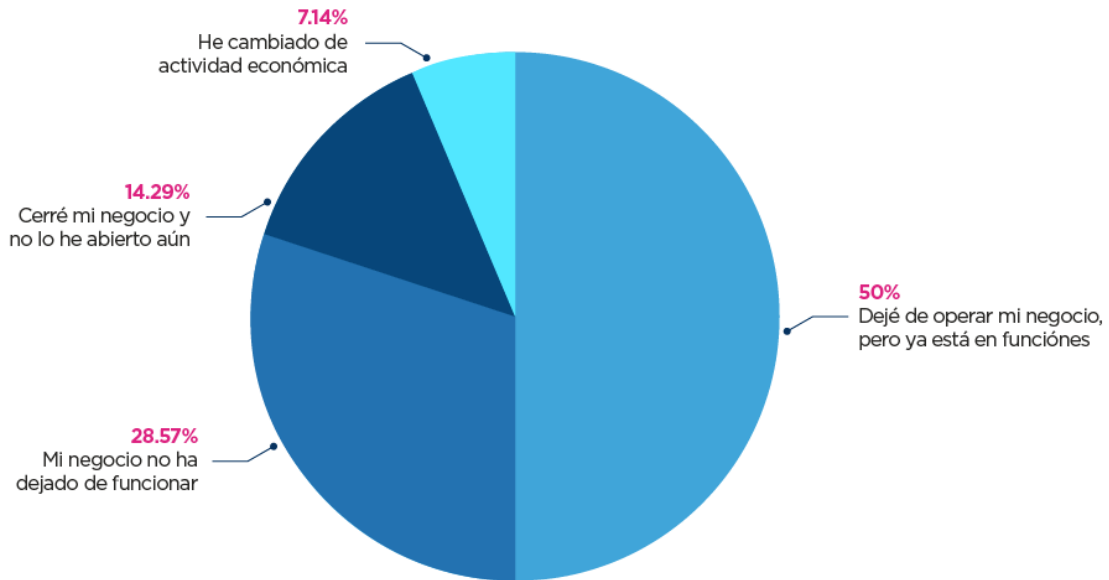
2. How SMEs were affected by the health emergency

Interference in operations

The confinement measures that the population had to follow between march and august 2020, caused 50% of SME business owners to stop operations of their companies for a period of approximately 7 months. Therefore, they started to reactivate operations between September and October of 2020.

Figura 1

OPERACIÓN DE NEGOCIOS ANTE EMERGENCIA SANITARIA

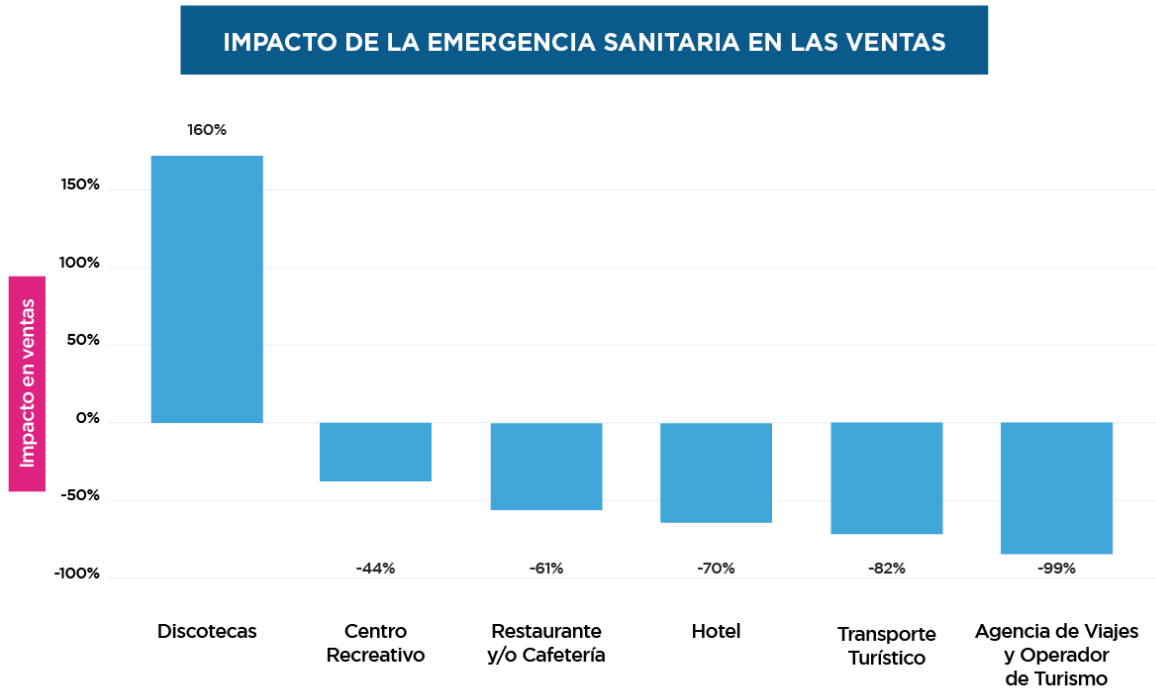


28.6% said that they have continued to operate uninterrupted, 14.3% closed their business and they remain inactive, 7.1% have changed their economic activity; of that percentage, 50% are now working as drivers, and the rest has undertaken freight transportation business.

Sales and Business

Regarding monthly invoicing, and in comparison to the monthly income that businesses had before the health emergency, there has been a reduction of more than 53% per month. By analyzing each company type, we found out that traveling agencies and touristic operators are the ones that have suffered the biggest losses; they've gone through a 99% decline in their sales. On the contrary, sectors like Night Clubs have seen their sales improve by 160% during the last few months.

Figura 2



These results were obtained with business owners' estimations regarding the number of clients they have served per month, and the median billed amount they had charged them before the health emergency, and the amount they are charging them now.

As a consequence of the economic detriment that business owners have had, the loss of employment in Micro and Small enterprises that work in the tourism segment is now more than 51%.

3. Operational and Management impact suffered SMEs

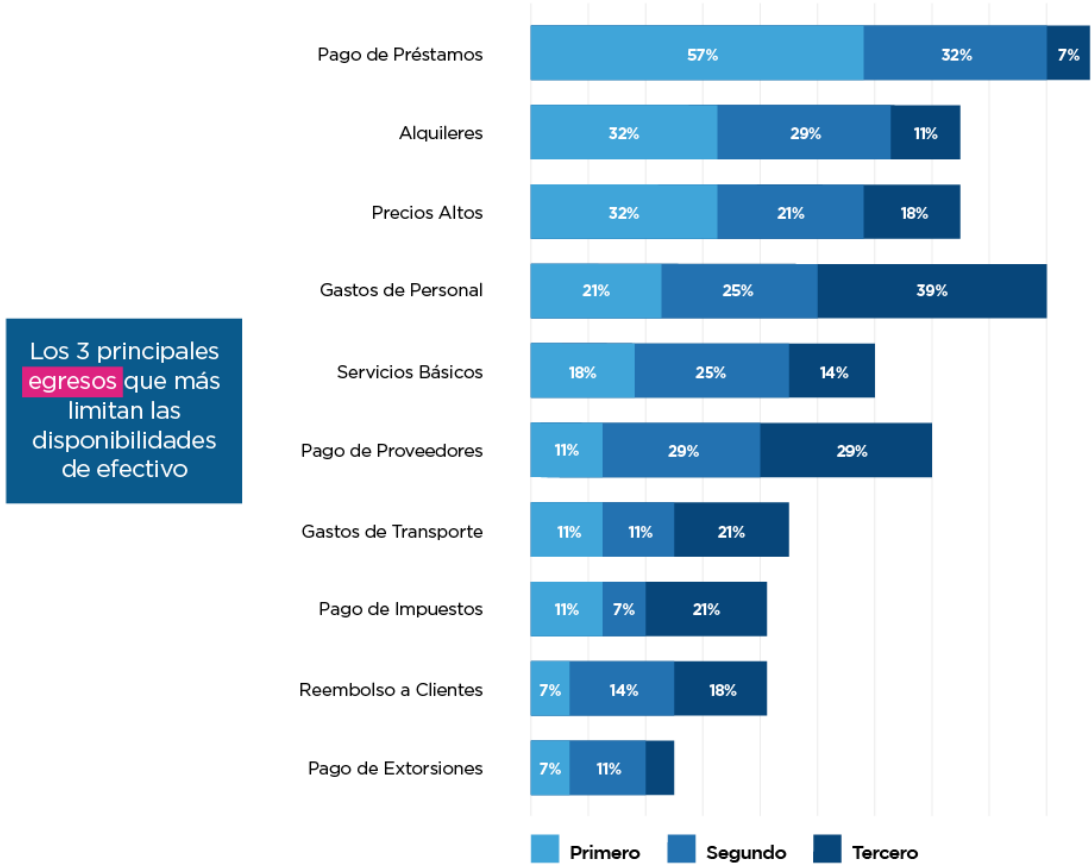
As was mentioned beforehand, among the aspects that were identified, we can mention the main economic obligation that limits businesses' capacity to have operating cash to keep their operations going optimally.

Below, we showcase the results related to expenses that are affecting the most the stability and financial liquidity of the diverse touristic establishments of the country.

Business owners were instructed to choose 3 answer choices and to rank them in an order of importance. The gathered results show that past-due loans, the payment of rent, and the increase of product prices have been the main costs that businesses have had to face.

Figura 3

OBLIGACIONES ECONÓMICAS QUE LIMITAN LA DISPONIBILIDAD DE EFECTIVO DE LAS MYPES



Based on the previous graph, we can see that other expenses have also limited the operability of businesses, they suppress their capacity to maneuver and develop. As a result, business owners have to lower costs so they take measures like letting go of personnel, changing their geographical location, or refinancing their existing debts with financial entities and providers. On top of that, sometimes they are forced to acquire products of lower quality.

Business owners were also asked about their future expectations regarding the first quarter of 2021, regarding the employment stability of the personnel. Of the total, 12% manifested that they would reduce their number of employed staff by 12%.

4. Assessment of key incentives to reactivate and develop the business activity of touristic SMEs.

Another aspect that we obtained from the study was the assessment that business owners did concerning the incentives they identified as key aspects to reactivate their touristic companies. To get this information, entrepreneurs were asked to select the 2 main incentives that they considered to be the most relevant.

Figura 4



The frequency by which each incentive is being chosen can be seen in the previous graph. The answers were mainly directed to financial support (financial aid), and creditworthiness. These results showcase how urgently SME business owners need to have access to credits that are granted under flexible conditions. Also, their responses reflect the existing need for refinancing of existing debts.

5. Possible Reactivation Strategies of the SMEs Touristic Segment

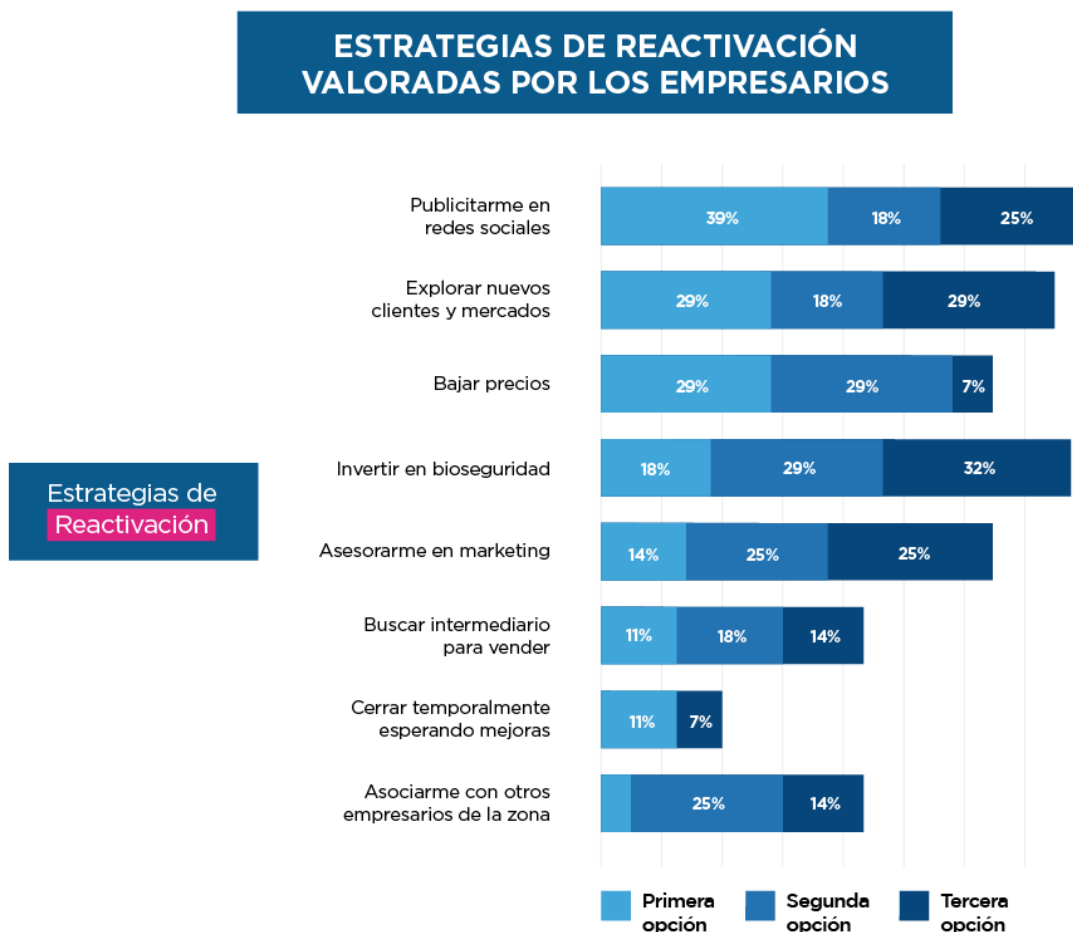
Business owners that participated in the study selected the 3 main strategies that they have taken or could take. Also, they gave their recommendations on different alternatives they had come up with themselves.

In an order to the most important to the least, the strategies they mentioned were: 1) Advertisement through social media, 2) Looking for new clients and unexplored markets, 3) Lowering of prices to increase competitiveness.

The investment in biosecurity equipment has basically become a mandatory norm for the operability and success of business establishments. That's because this aspect is very well valued by customers. About this topic, almost all participants of the study confirm the positive effect of incorporating these health measures.

The initiatives that business owners consider to be the most profitable ones are: changing to a different business sector, designing new products, improving the quality and taste of existing products, improving the infrastructure of the establishment, broadening of the products' diversity, implementation of service delivery.

Figura 5



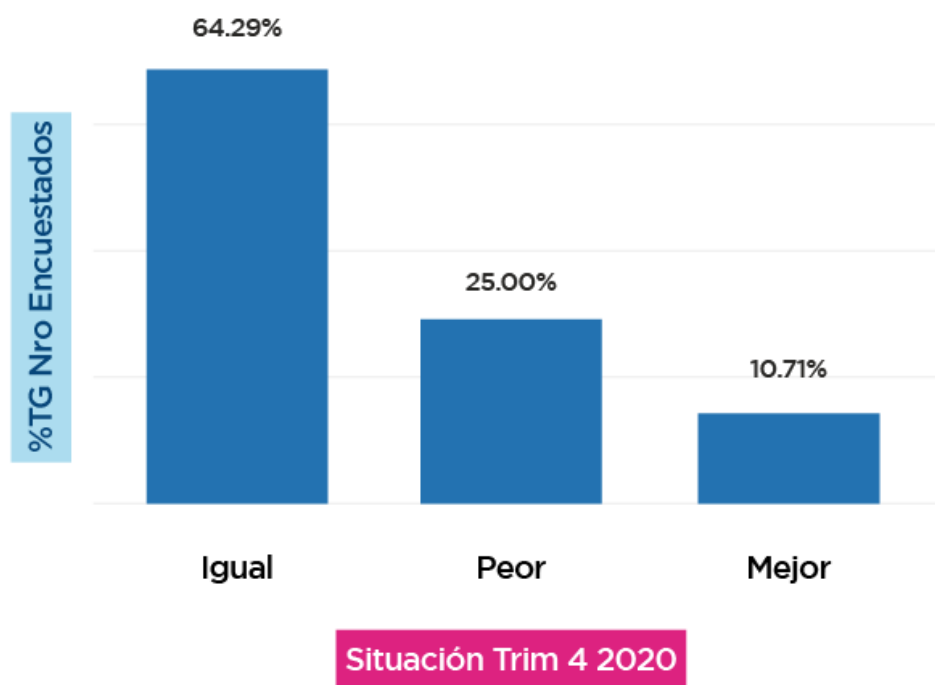
6. Current Situation and Expectations

Only 11% of entrepreneurs said that they had seen an improvement during the last quarter of 2020, concerning the overall business climate.

Moreover, 25% feels like the situation went from more to less, and 64% considers that the situation remained the same during the last quarter of 2020-

Figura 6

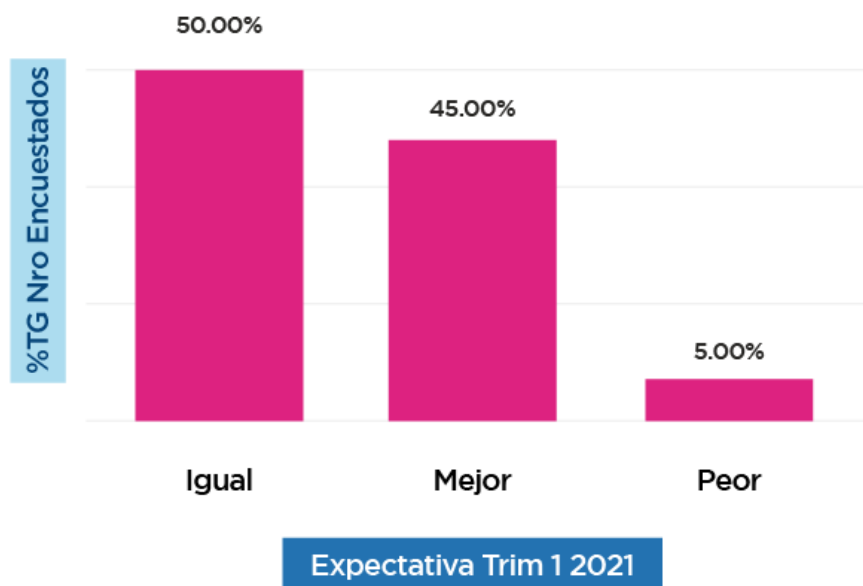
SITUACIÓN ECONÓMICA DE LOS ESTABLECIMIENTOS AL CIERRE DEL AÑO 2020



Finally, when entrepreneurs were asked about their expectations for the first quarter of 2021, 45% consider that the businesses' climate in their companies will improve. Nonetheless, 50% don't expect a different situation, and 5% think it will get worse.

Figura 7

EXPECTATIVA ECONÓMICA DE LOS EMPRESARIOS PARA EL PRIMER TRIMESTRE 2021




7. Conclusion

The situation and future expectations of the sector continue to be in a very critical place, and, although a big percentage of people expect it to get better, there's still a 55% majority that expects it to continue unchanged or to get worse.

Among business owners who expect it to improve, their hopes are placed on the strategies previously mentioned; also, they are waiting for the government to formalize and make the incentives they are granting more concrete. According to entrepreneurs, this aid could be what they need in order to survive, overcome the crisis, and guarantee the existence of their companies.

Also, we were able to precisely identify the main difficulties that business owners are facing to keep their operations going. Among them, some of the most important ones are technical support from organisms that provide assistance, and from financial entities.

Their ability to recover 51% of the lost employment will depend in a big measure on the time it takes them to recover the 53% of lost income that they don't count with anymore.



After almost a year from the onset of the health crisis, and even with all the impact that they have suffered, most business owners maintain their activities afloat, which shows the big amount of resilience from entrepreneurs that belong to this sector have. According to the SME Observatory, 86% of business owners from Touristic SMEs keep operating, even with all the difficulties they are facing.