CHAPTER 3

STRATEGIC PLANNING ISSUES

3.1 INTRODUCTION

Tourism today is a major contributor to the world economy. By the close of the twentieth century, international tourism was generating well over $450 billion annually. The global tourism industry has been estimated to be worth some $3,5 trillion. It is estimated that 8,2 percent of the world's workforce is employed in the tourism industry, accounting for 207 million jobs worldwide in an industry responsible for 700 million international tourists. It is also expected that by 2020, international tourism will be generating up to $2 trillion a year (World Travel and Tourism Council, 2006).

The large cities need to take advantage of this tourism growth for economic benefits. According to Law, (1993:1), large cities across the world are the most important tourist destinations. Urban areas have the ability to attract visitors across the world with facilities such as museums, shops, theatres, sports, local communities complemented by high standards of resources, urban areas with sustainable tourism development and economic growth in general.

3.2 STRATEGIC PLANNING

Drummond and Ensor (2001:3) define strategic planning as specification of timing of the proper moment to apply strategy, selection of strategies necessary to achieve goals, the allocation of resources needed to make the strategy a success and sequencing of strategies required to achieve objectives.

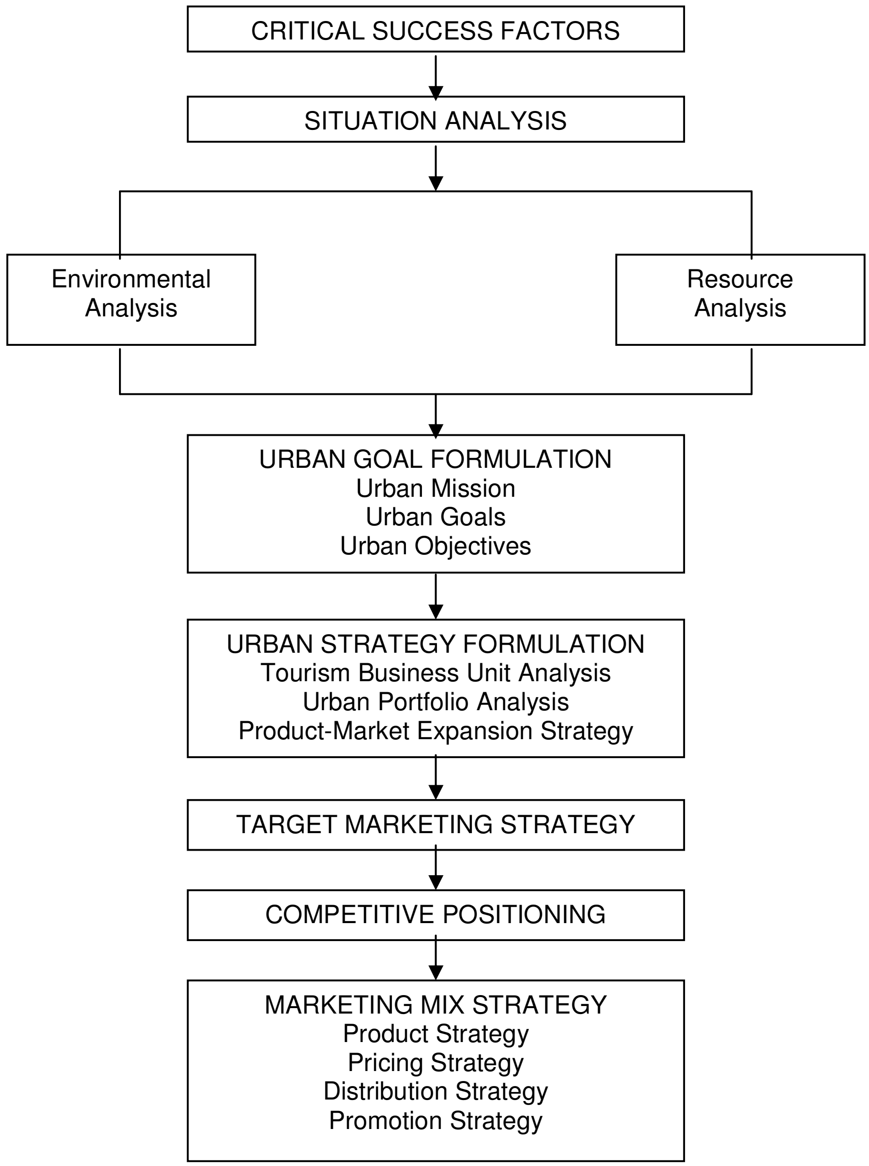
According to Jain (2000:9), strategy in an organisation is, “The pattern of major objectives, purposes, or goals and essential policies and plans for achieving those goals, stated in such a way as to define what businesses the company is in or wants to be in and the kind of company it is or is to be”. Strategy gives direction that all members of the organisation relate to. Strategy is about deployment of potential results and development of reaction capability to changing environments.

In essence, strategic planning is a tool that the organisation may use to organise the resources, operations, goals and objectives in a manner that they cooperate to achieve a common goal. Figure 3.1 indicates a conceptual framework for strategic marketing planning in tourism. This chapter will deal with strategic planning issues such as:

- critical success factors;
- situation analysis (Swot-analyses);
- mission and goal formulation;
- target marketing; and
- competitive positioning.

The marketing mix strategy, as indicated in figure 3.1, will be dealt with in chapter 4.

Figure 3.1: Conceptual Framework for strategic marketing planning in tourism.



Adapted from: Heath and Wall, (1992:1).

3.3 CRITICAL SUCCESS FACTORS

According to Johnson and Scholes, (1999:192), critical success factors can be defined as parts of the strategy where the organisation should be ahead of the competition. Parts of the strategy include factors like good funding, good services and location issues.

In essence, critical success factors are factors that are critical for the effective functioning and operation of an organisation. An organisation cannot function or do without the critical success factors. These factors result in an efficiency of operation and profitability within an organisation. The organisation that is ignorant of critical success factors might end up having to decide not to continue with its operations due to a lack of profitability and mismanagement.

The following steps may be followed as part of the process of determining critical success factors (Johnson and Scholes, 1999:193):

- critical success factors should be manageable (maximum of six factors). If the organisation has many critical success factors, it becomes impossible to achieve their productivity within a reasonable time frame;

- identify the core efficient foundation with the ability to win competitive advantage. The organisation should focus on aspects that will put them ahead of competition. The core efficiencies are the aspects that the organisation cannot do without, for example financial resources, infrastructure and human resources; and

- any move that the competitor makes, like introducing a new product into the market, may have an impact on the organisation. Therefore, the response mechanisms should always be in place.

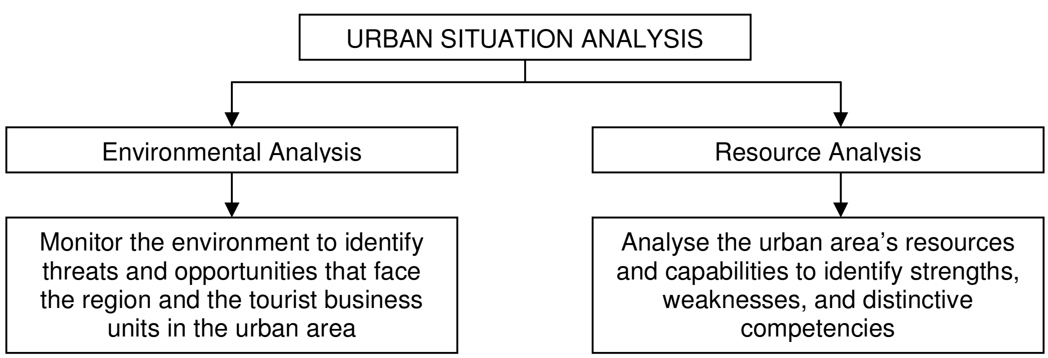
When the critical success factors are in place, the organisation may then focus on analysing the current situation in the business through the swot analysis technique.

3.4 SWOT ANALYSIS

SWOT is a business acronym standing for Strengths, Weaknesses, Opportunities and Threats. SWOT analysis is a technique used to identify and empower the organisation's opportunities and strengths and respond to weaknesses and threats to obtain a competitive edge and better profitability (Bennet, 2000:147 and McDonald and Payne, 1998:109-113). SWOT analysis also seeks to analyse current environments and future environments so as to identify threats, opportunities, weaknesses and strengths for the urban tourism area and tourism business units at large.

Changes in economic, political, technological, competitor and demand environments can have a major influence on the organisation. Therefore, the swot analyses become important in terms of anticipating the influence of environments. Figure 3.2 depicts a link between the environmental and resources analysis.

Figure 3.2: Urban Analysis



Adapted from: Heath and Wall, (1992:30)

As a guideline in completing a SWOT analysis, the organisation should identify internal and external business factors that are critical for success.

Below is an example of a SWOT analysis checklist that an organisation may use (table 3.1).

Table 3.1. Example of a SWOT analysis checklist/table

Strengths	**Weaknesses**
Competitive advantages Ability to innovate Distribution system Marketing skills Brand name recognition Cost advantages Financial strength Complete product line Reputation/image	Obsolete facilities Lack of management depth Low brand name image Weak marketing image Low research and development capabilities Below-average marketing skills Lack of financial muscle High operating costs Shaky reputation/image
Opportunities	**Threats**
Expand product line Enter new markets Diversify to broaden risk Improve buyer/supplier relationship Improve technology Improve regulatory/legal climate Favourable demographic changes	New competitors Slowing market growth Changing needs of customer Adverse demographic changes Weakening economy • Unfavourable • regulatory environment.

Adapted from: Bennet, (2000:147)

After an organisation has completed a SWOT checklist, it may target the external environments for analysis. This could be done through environmental scanning.

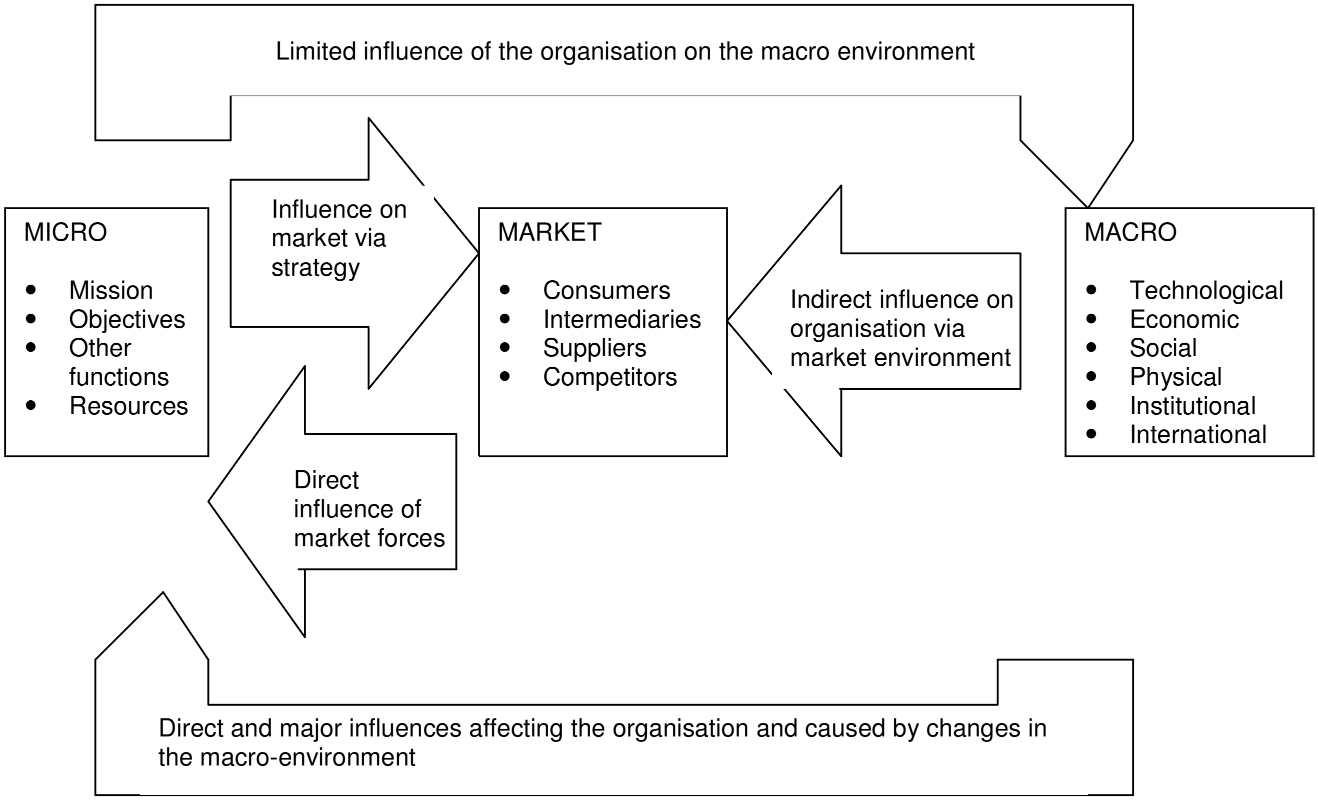
3.4.1. Environmental Scanning/analysis

According to Heath and Wall (1992:43), environmental scanning is an instrument used to analyse aspects influencing the organisation from outside such as the socio-cultural, political, technological and economic environments.

The environmental analysis also seeks to identify strengths, weaknesses, opportunities and threats in the organisation that includes key competitors and prominent future markets. The organisation that does not scan the environments runs a risk of becoming a victim of an unfavourable environment that will result in a waste of financial resources and opportunities.

According to Bennett, (2000:160) and Kotler, et. al. (2003:114), the business environment today can be classified into three components: the macro environment, which is the external environment, the market environment and the microenvironment, which is the internal environment. Figure 3.3 shows the relationship between the environments.

Figure 3.3: The Micro, Market and Macro environment relationship



Adapted from: Bennet, (2000:160)

The micro environment consists of factors which the organisation can control that include organisational resources like finance and staff, mission statement, objectives and management. The market environment on the other hand, is made up of factors that the organisation can partially control, like suppliers and markets. The macro environment consists of factors that influence the organisation from outside its boundaries and the organisation has no control over the macro environments. The following aspects make up the macro environment: military, technological, physical, social, economic, international, demographic, political and international environments (Bennet, 2000:161; Heath and Wall, 1992:51).

The different business environments will be discussed as follows:

3.4.1.1 The market environment

The following discussion will be based on the elements of market environment.

a) The market

The market is orientated around identifying means to satisfy customer needs. An organisation that fails to satisfy the customer needs will suffer a disaster. Urban tourism organisations need to know the needs of their market and their buying power and behaviour. Knowing the needs of the market will result in the organisation's ability to produce relevant products and quality services for the customers. By identifying specific needs of the market, an organisation will be able to develop relevant marketing messages to that market segment (Bennet, 2000:162; Drummond and Ensor, 2001:24-27).

b) Suppliers/Intermediaries

Urban tourism areas depend on different suppliers to satisfy tourist's needs. So, for instance, a holiday resort will be supplied by private sector businesses (butchery) with meat, and food. The municipality supply companies with electricity. Therefore, there must be communication with the suppliers to secure good quality products for the urban tourism areas (Drummond and Ensor, 2001:24).

c) Competitors

The competitor's actions may change from time to time. The product manager should have in place constructive evaluation criteria that must be implemented from time to time to monitor the competitor's actions (Drummond and Ensor, 2001:24).

3.4.1.2 The macroenvironment

The macro environment differs from the microenvironment in the way that it is difficult to predict changes from time to time. The following aspects constitute the nature of the macro environment (Palmer, 1994:35):

- The external environment is without boundaries and changes are taking place from time to time. A lack of sufficient finances in the organisation diminishes the chance of anticipating the macro environment. An organisation should prepare itself financially through investments that are directed to anticipating the external environment.

- The macroenvironment has weak environmental signs. It is difficult for the organisation to identify the impact of the changes in the macro environment at an early stage therefore, managers discover changes after they have occurred.

- External environments are uncontrollable in nature. Managers can do nothing to stop the impact of external environments but to adapt to them. Normally organisations do not posses full domination over environmental factors. Natural disasters like storms will have a negative impact on a nature resort and there is nothing a manager can do to control the damage caused but only to adapt to the situation (Aaker, 1998:24).

- The macroenvironments are divergent and require diversity of expertise. When the manager is faced with diverse macro environments that he has to deal with, he should get expertise to help anticipate the relevant environment. If the damage is in the product design, the manager should get product experts to handle the problem.

The following are external environments that may be a challenge to the organisation:

a) The demographic environment

Demography may be defined as "the study of human populations in terms of size, density, location, age, gender, race, occupation and other statistics" (Cooper and Boniface, 1994:24).

The following aspects greatly influence the South African population:

i) The race groups diversity

According to Statistics South Africa, (2007), there are four races: Blacks (38 079 900), Whites (4 352 100), Indians (1 173 700) and Coloureds (4 245 000) within the total population of 47, 9 million. Blacks are not yet developed in terms of tourism due to a lack of sufficient income and private transport. However, the situation is currently changing since many opportunities to travel and job opportunities with disposable income are being made available to Blacks. Tourism product marketers should do market research among Blacks to identify their preferences in terms of tourism products and send marketing messages to them (compare Cohen, 1995:19; George, 2001:36).

ii) The population age structure

According to Statistics South Africa, (2007), about 13 004 600 of the Black community are younger than 14 years old, with 1 617 400 above 65 years. A total of 1 099 700 of the white community was younger than 19 years and 575 300 of the white population was 65 years. It is expected that by the year 2010 there will be more than 2, 5 million people at the age of 65. People over the age of 65 and higher are able to travel since they have more money. The tourism product marketers should analyse the needs of the people in terms of travelling preferences and also treat senior citizens (65 years and older) as a unique market segment.

iii) Urbanisation and dispersion of the population into cities

According to George, (2001:38), most of the South Africa's population is concentrated in urban areas. The Gauteng province in South Africa has the largest number of people residing within its boundaries. The other neighbouring provinces should market their tourism destinations extensively so as to win tourists from the large Gauteng province if they have suitable products for this market.

iv) Size of the household

The household size has a role to play in market segmentation. The smaller households spend less money and have the ability to travel. When the product managers focus on small households as the target market this will bring more profit into the business because the smaller families have more money to travel. The bedroom facilities sold to the smaller households in South African accommodation facilities can form a market for the accommodation industry, more especially among the white families with disposable income, where there is a tendency to keep small households of four people so they will have more money to spend on travel.

This will result in less spending in the smaller families. The business manager should therefore determine the household sizes in the market segment and target those who have smaller households with disposable income and market with the goal of accumulating more profit (Cohen, 1995:25; George, 2001:39).

b) The cultural and social environment

According to Woodruffe, (1995:232), the cultural and social environment affects the way people live and behave. Amongst the values that they list in this environment are the languages people speak, the type of education they have, their religious beliefs and the type of food they eat.

This includes the society's style of housing, family sizes and beliefs about marriage (Drummond and Ensor, 2001:23; Pitt, 1998:30).

i) Cultural and religious differences

In every race group, various subgroups can be found, like Muslims, Hindus and Christians. Furthermore, in South Africa, there are eleven languages. The manager will have to decide on promotional activities and services offered that would suit everybody. The product manager must have a variety of food, for example for Muslims who do not eat pork, to have an alternative like vegetables (Cohen, 1995:19; George, 2001:43).

ii) Educational levels

According to Marx and Van der Walt (cited in Bennet, 2000:170), "the higher the educational levels, the higher the level of development". In South Africa, the minority groups enjoy adequate education whereas the majority still do not have good education. The better qualified the person, the better the income and that makes the educated people a better target market for taking holidays. The marketing manager should have in place tour packages that will also cater for the less well-educated, for instance additional cultural attractions may be used (Cohen, 1995:26).

iii) Changing roles of women in the society

In the past, women seldom had chances of employment. However, recently more women are climbing up the organisational ladder. Indications are that woman executives will represent a substantial market segment in future. The product manager should therefore have in place a product that will cater for the needs of women and include marketing messages that will be relevant to the women segment (George, 2001:43; Theobold, 1994:147).

c) The economic environment

The economic environment seeks to address issues that affect the economic progress of the industry at large, and to include factors such as exchange rates and income per capita (Palmer, 1994:36).

i) Exchange rates

The South African currency is weaker compared to developed countries like America. This is therefore advantageous for tourism since it becomes expensive for local people to travel overseas and becomes cheaper for overseas tourists to visit South Africa. So local people will tour through their own country and this brings economic growth (Cohen, 1995:28; George, 2001:40; Woodruffe, 1995:232).

ii) Inequalities in income and increase in per capita income

In South Africa, the minority groups earn larger salaries than the majority group. The product managers should have in place tour packages that will be affordable for those who earn an average income. Domestic travel will be a better option for the nationals since it is more affordable to travel within their country (Cohen, 1995:26; George, 2001:40).

d) The physical environment

South Africa has good tourism accommodation including, five star hotels, airport facilities, caravan parks, modern coaches and good road networks. The tourist manager should take these aspects into consideration and adapt to these environmental features through collective tour organising, for example in South Africa, South African Airways will have agreements with Holiday Inn and Thompson's Tours to offer packages to the tourists (Bennet, 2000:175).

e) The political government environment

There are several tourism acts passed by the South African parliament. These include the Tour Guides Act of 1978, Tourism Act of 1996, and Travel Agents and Travel Agency Acts. The manager should familiarise himself with these acts and legislations to be aware of precepts and prohibitions contained in these acts (Drummond and Ensor, 2001:23; Palmer, 1994:37).

f) The international environment

The current weak rand makes tourism affordable in South Africa to the international market and also enhances the success of large global scale conferences hosted by South Africa. The success of international events held in South Africa creates a good impression on visitors from international communities who visit our country. Product managers in the domestic tourism industry should adjust services to meet the international standards so as to satisfy the needs of the foreign tourists (Bennet, 2000:183).

g) Technological environment

Tourism has benefited greatly from technological inventions like motorcars and airplanes. The invention of computers also influences the tourism industry. Managers should also be aware of the disadvantages of technological innovations as it can mean retrenchment of employees since they will be replaced by technology. On the other hand, the manager should not be ignorant of opportunities that technology may present. The technological developments can mean an opportunity to innovate in terms of quality service delivery. In a hotel, the use of an electronic reservation system could maximise fast service to the customers. There will be no need for the long queues at hotel reservations (Cohen, 1995:28; Drummond and Ensor, 2001:23; George, 2001:40; Palmer, 1994:39).

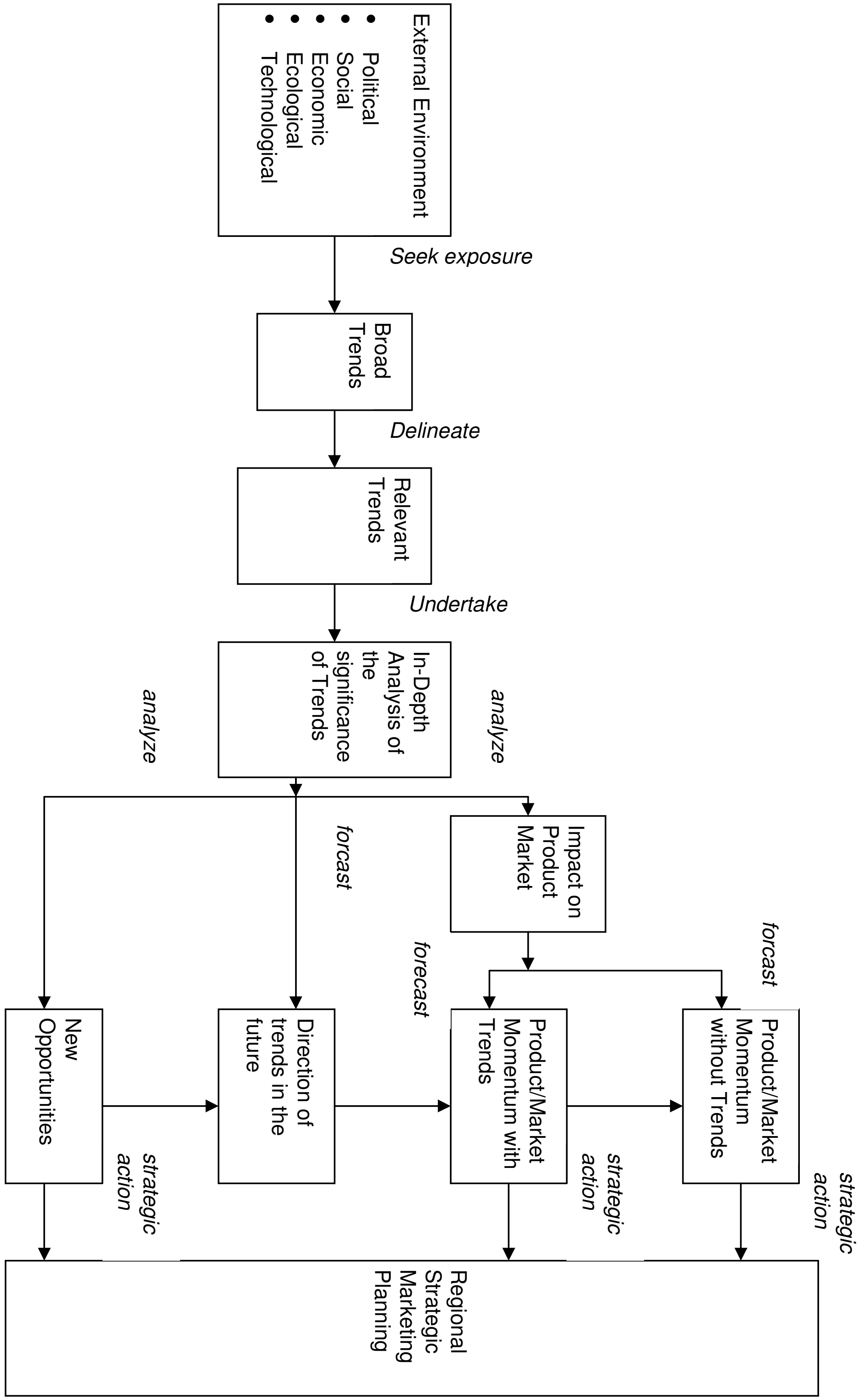
h) The military environment (safety and security)

The military and police environment in South Africa is highlighted by events such as the murder of two German tourists in Soweto, the murder of Chris Hani of the Communist party and senior members of the ANC in 1993, and the bombing of the Victoria and Alfred Water Front in Cape Town. Incidents such as these create a bad perception of the country, since the tourism industry is fragile. The tourism product managers should have strategies in place to adapt or respond to such occurrences (Cohen, 1995:28; George, 2001:44).

3.4.1.3 Urban environmental scanning procedure

The product manager can use the following process for scanning different environments:

Figure 3.4: Urban environmental scanning procedure



Adapted from Heath and Wall, (1992:44)

Figure 3.4 shows the steps to take in the environmental scanning process:

- The organisation should observe trends prevailing in the different environments.
- Environmental trends can either be an opportunity or threat to urban tourism. Thus, a thorough observation on trends should be done to determine the type of trend.
- Future focusing on environmental trends should be done and if the environmental trends seem to be important for the benefit of urban tourism offerings, it is vital to determine the course they will take.
- The product manager should analyse new opportunities prevailing from environmental trends that may not be relevant but present a new opportunity to the urban tourism offering, for example the developing markets that were not part of the tourism offering before.
- The urban strategic planning process can be related to the results or outcome of the environment as a trend. When the product manager has scanned the environment, the results thereof could be used to develop a suitable marketing plan (Heath and Wall, 1992:45).

The product managers may consider the following approaches to expose the external environments and changes facing the urban tourism organisation.

The first approach will be the irregular approach that could be done on an ad hoc basis to anticipate changes affecting the organisation. The second approach is the regular approach, which involves periodic surveys done within the business to identify external environmental changes. The periodic approach creates a proactive attitude in decision making for the urban tourism organisation. Thirdly, the continuous approach that includes regular monitoring of environmental factors provides good information for decision-making and strategy formulation. The continuous approach will be the best to analyse trends. Trends are unpredictable and therefore need regular evaluation so that the management is not caught by surprise.

The product managers should analyse in which way the trend is influencing the organisation (Jain, 2000:131-132). This will allow the product manager to know where to initiate the process of responding to the trends. When the organisation has undergone the process of scanning the environments then the product managers may look into possible opportunities and threats facing the organisation.

3.4.2 Opportunities and threats

Opportunities are those favourable conditions that the organisation should take advantage of to increase productivity. Opportunities take place outside the organisation. Threats are those unfavourable external conditions that affect the organisation. The organisation does not have control over the threats or the opportunities. The only solution to anticipate threats is for the organisation to follow an adaptation strategy. If the urban tourism organisation does not adapt to threats they may retard the operations of the organisation and eventually result in unwanted loss of finances (Heath and Wall, 1992:13, Johnson and Scholes, 1999:98).

When evaluating opportunities and threats facing the organisation, managers should consider changes in the environment resources, like finances and abilities of the organisation, because the organisation cannot respond effectively to opportunities and threats if it does not have proper skills and resources. To evaluate the level of impact and probability of occurrence of opportunities and threats, the probability of occurrence matrix diagram will be used. The matrix has eight factors that are critical for the organisation's success. If the organisation has more than eight critical success factors, the other critical success factors are left out because they do not have a high level of occurrence and have a low impact on the organisation. This is illustrated and explained further in figure 3.5.

Figure 3.5: Probability of occurrence matrix

		PROBABILITY OF OCCURRENCE	
		High	Low
LEVEL OF IMPACT	High	6 5 1	3
	Low	2	4

Adapted from: Bennet, (2000:168)

Figure 3.5 demonstrates environmental issues facing a hotel frequented by foreign visitors in January 1994 in South Africa:

1. South Africa first democratic elections causing a national stay away in 1994.
2. The general improvement in the South African economy.
3. The new airports development in major cities.
4. The South African Airways introduction of more overseas flights
5. The 1994 South African first democratic elections creating a decrease in foreign tourists visiting South Africa.
6. More casino resort to be opened in the South African neighbouring countries like Swaziland.

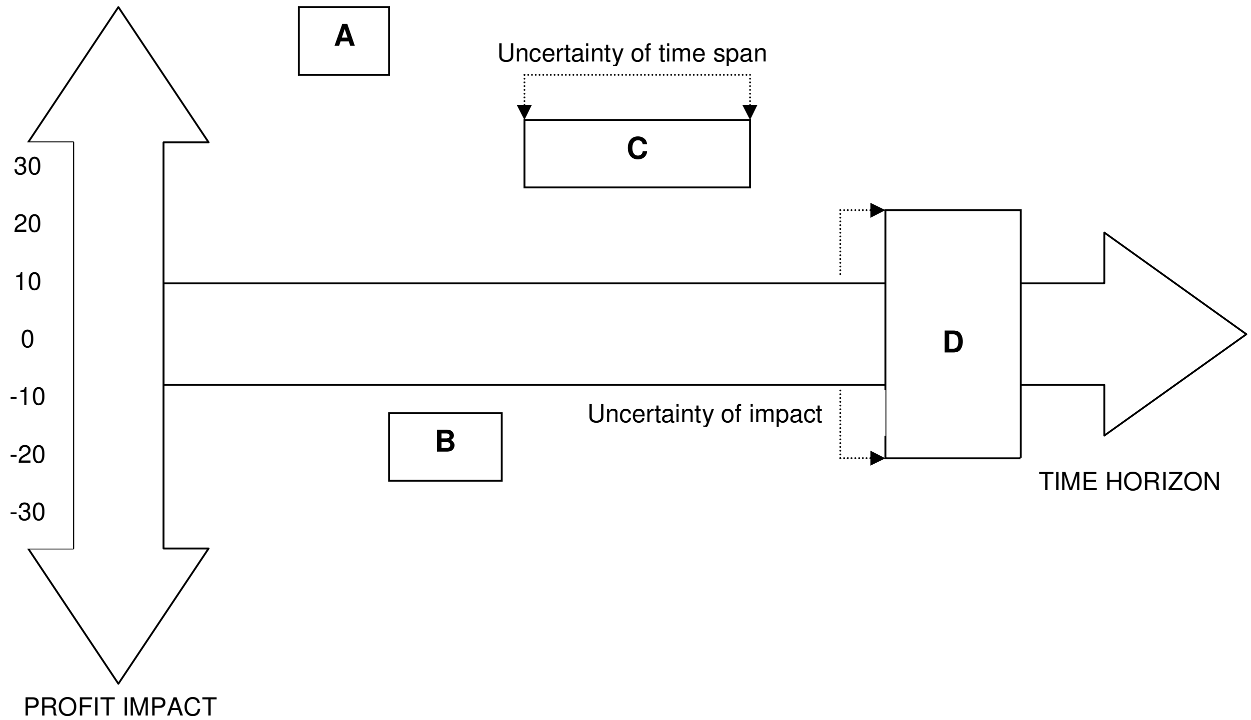
It should also be noticed that the above aspects are not necessarily critical success factors in all cases. This depends on the issues facing the organisation at the given time. According to figure 3.5, the eight factors as described from 1 to 6 shows that the hotel has a high level of occurrence and impact of critical success factors with regard to 1, 5 and 6. The matrix shows that there is a low level of occurrence of 3 and 4 and a low impact of occurrence of 2.

To measure the level of impact of opportunities and threats, the organisation should answer three questions (Bennet, 2000:168):

- does representation as critical success factor to the organisation pose an opportunity or threat? For instance, will the issue of national elections bring profitability to the organisation or not. This is needed to find out the measure in which the organisation will be affected by the national elections;
- when will the event occur? For example, if the petrol prices increase, will this happen in the low or high season of the organisation; and
- the product manager should find out which market areas will pose opportunities and threats to the organisation. Are there any threats and opportunities impacting on the services of the organisation's product?

The opportunity/threat profile will be used to answer the first three questions. The profile will demonstrate the possible profit impact and possible time of occurrence of the opportunities and threats issues on the organisation. This will be shown in figure 3.6.

Figure 3.6: Opportunity/threat profile



Adapted from: Bennet, (2000:189)

Figure 3.6 is explained as follows:

0 = measures an issue that an organisation does not have evidence of its impact on it.

10 to 30 = measures the evident impact on the organisation caused by the positive issue that is happening.

-10 to –30 = measures the evident impact on the organisation caused by the negative issue that is happening.

In figure 3.6, issue A is likely to happen in the near future with a positive impact on the organisation's profits. Issue C will also have a positive impact on the organisation but it is not clear when it will impact on the organisation. In the case of issue D, it is not clear whether it will occur and whether it will have a positive or negative impact on the organisation.

Issue B is likely to happen in the near future with a negative impact on the organisation's profits.

3.4.3 Internal analysis

According to Thompson and Strickland (cited in Bennet, 2000:167): "Assessment of the internal environment requires an analysis of an organisation's existing and accessible resources in order to determine its performance capabilities" (Aaker, 1998:18). An urban tourism area can do an internal analysis by asking themselves the following questions (compare Coyle, 2004:90-93):

- human resources: What is the number of employees, level of qualifications and experience? (Aaker, 1998:18);

- financial resources: The product manager may ask if the projects have to wait until adequate finances are available (Aaker, 1998:18, Reed, 1997:86);

- physical resources: The product manager may ask what the product is able to offer (Aaker, 1998:18; Reed, 1997:87); and

- operational administration may ask what type of members the organisation needs, what type of operational and administrative structures are needed. Strydom, (1992:128) as well as Reed, (1997:85-88) and Aaker, (1998:121-129), stipulate the following factors that the tourism organisation needs to consider for internal environmental analysis:

- quality and variety of attractions;
- availability of suitable accommodation;
- quality services availability;
- availability of entertainment;

- ability to buy company basic facilities; and
- availability of recreation and entertainment.

3.4.4 Strengths and weaknesses

Strengths are where the organisation is doing well in terms of service delivery and resources above its competitors. Strengths happen inside the organisation. The organisation should focus on developing continuously to stay ahead of its competitors. Strengths can be controlled (Cooper and Lane, 1997:66).

Weaknesses are the constraints the organisation experiences in terms of moving towards a certain direction. Weaknesses, like strengths, are internal of nature. The organisation should improve on its weaknesses to obtain a competitive edge.

Weaknesses can be improved on by finding out where the organisation is performing poorly and set up long- and short-term strategies to achieve better standards (Cooper and Lane, 1997:67 and Coyle, 2004:88-89).

The next step in the strategic planning process for a tourism business is the formulation of a competitor profile.

3.5 COMPETITOR ANALYSIS

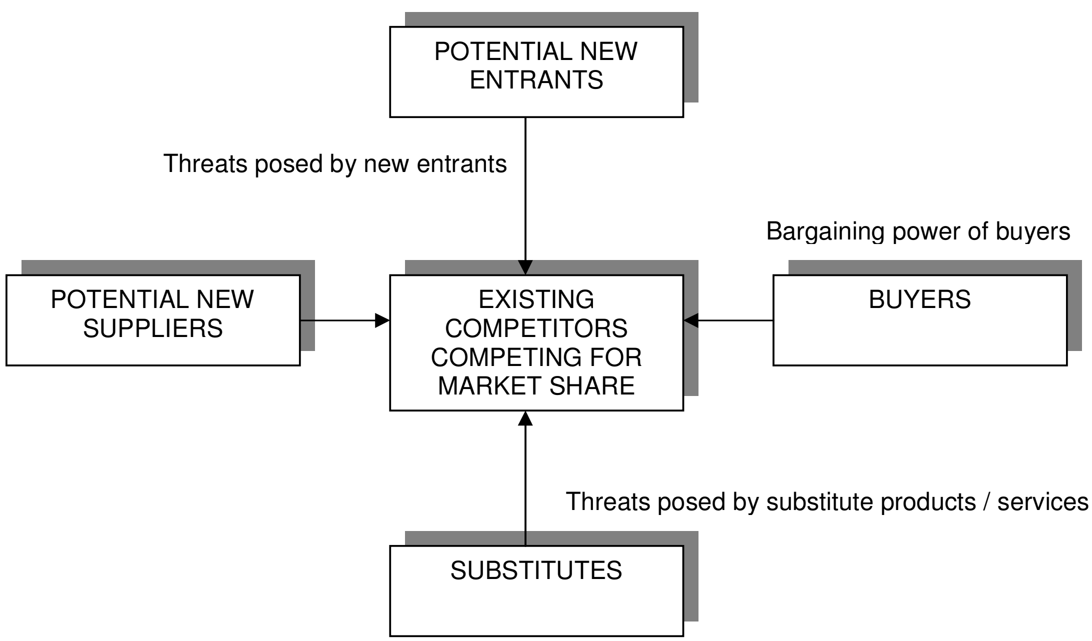
The competitor analysis is the process where the organisation assesses its services, products and sales against its competitor's business abilities with the aim of identifying whether the competitor is doing better. According to McDonald and Payne, (1998:248), competitors may be classified as follows:

- leadership. The competitive organisation is excellent in all aspects like services and managerial operations;

- strong. The strong competitor is able to maintain an independent strategy that does not put at risk their short-term position and the variety of strategies;
- favourable. The favourable competitor can be seen in a service market niche as exploiting a specific competitive strength with more opportunities to develop their position and having several strategies to their advantage; and
- tenable. The tenable competitor's continuation in business depends on their performance; they can either develop for the better or withdraw from the business.

When the organisation analysis is completed, the factors that affect competition should be taken into consideration (figure 3.7).

Figure 3.7: Forces that affect competition



Adapted from: Drummond and Ensor, (2001:25)

The forces that affect competition factors based on figure 3.7 are discussed as follows (Drummond and Ensor, 2001:25):

- existing competitors compete for the same tourist's money and free time. An example is that of a guesthouse competing with a hotel in the same town for the same customer. The customer may choose to stay in a guesthouse rather than staying in a hotel since a guesthouse is viewed as an alternative to a hotel (Bennet, 2000:162);

- potential competitors are all new hotels entering the market, thus adding new capacity to the industry. These competitors are eager to capture market share, thus creating more intense competition. In the hotel industry specifically, it is difficult for the new entrants to enter the market (George, 2008:44);

- substitute products pose a threat since they are alternative products performing the same function as far as the customer is concerned. For example, the prospective tourist may choose to stay at a guesthouse rather than at a hotel (Bennet, et. al. 2005:102);

- bargaining strength of suppliers is when a limited number of suppliers serve one industry. For example, in the restaurant industry South African Breweries as the main supplier of beer can constitute a large part of sales thus making SAB a powerful supplier. The supplier bargaining strength may make it impossible for the company to impose high price increases (George, 2008:44); and

- the bargaining strength of buyers is when the customers influence the company price and service delivery with their needs and wants. Customers are in need of best prices, quality services and improved products. For example, a tour group will always be on the look out for special services like specially prepared meals (Drummond and Ensor, 2001:25).

In analysing competition for tourism products, a competitor profile grid can be used. Here the organisation and its major competitors are evaluated according to factors important for similar organisations to be successful (critical success factors). These factors will have a specific weight given to them with regard to their order of importance and all of these weights must add up to one (1). The total scores will depict the competitive leader in those success factors, therefore depicting the competition.

Figure 3.8: Competitor Profile Grid

CRITICAL SUCCESS FACTORS	W	COMPETITOR A		COMPETITOR B		COMPETITOR C	
		E	**T**	**E**	**T**	**E**	**T**
1. Good Representation	0.2	4	0.8	4	0.8	3	0.6
2. Sufficient Funding	0.2	1	0.2	4	0.8	3	0.6
3. Research and Structured Information	0.2	2	0.4	3	0.6	3	0.6
4. Networking	0.1	3	0.3	3	0.3	2	0.2
5. Effective Marketing	0.3	3	0.9	3	0.9	2	0.6
TOTAL	**1.0**		**2.6**		**3.4**		**2.6**

W = weight, E = evaluation on the scale 1 – 5, T = weight x evaluation

Adapted from: McDonald and Payne, (1999:24)

According to figure 3.8, the competitor is evaluated as follows:

1 = very poor

2 = poor

3 = acceptable

4 = good

5 = very good

Each critical success factor is first weighted against the first competitor and then evaluated also against the second competitor and the weight multiplied by the evaluation resulting in the total. After compiling the competitor profile grid the organisation may ask the following questions as a guide to interpret results from the grid: Who is my major competitor? In which areas are they performing better?

In which areas am I performing poorly? Am I doing good? What must be done to improve my weak points? What must I do to strengthen my strong points and stay ahead?

The organisation will then have a direction to formulate strategies. The results of the competitors' profile should enable the organisation to identify factors that will need more serious attention. These factors are called priorities and give an indication in which areas the business should focus over the short to medium term.

The next step in strategic tourism planning is the formulation of a mission statement.

3.6 MISSION STATEMENT

The mission statement becomes important in the strategic planning process when the organisation needs to define where it is headed and how it is getting there.

McDonald and Payne, (1998:57) define a mission statement as "an enduring statement of purpose that provides an animated vision of the organisation's current and future business activities in service and market terms, together with its values and beliefs and its points of differentiation from competitors".

The mission statement objectives will be as follows (Drummond and Ensor, 2001:127-134; Harrison, 2003:122-124; Thompson, 2001:194.):

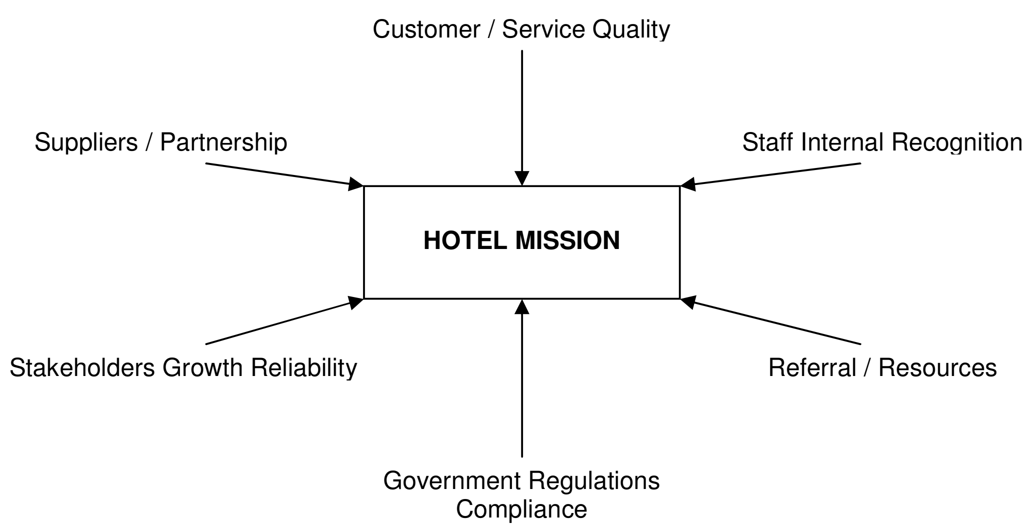
- to ensure cooperation and purpose within the organisation;
- to motivate the utilization of resources within the organisation;
- to create a coordinated and balanced organisational climate;
- to become a focal point to those who are focused on the business mission;
- to expose those who do not comply with the mission;

- to have in place a work structure originating from objectives and goals attached to tasks to be performed;
- to have time and performance assessed;
- to have in place a specific organisational purpose; and
- to translate purposes into goals that are achievable.

When the organisation develops the mission statement, the previous experiences of urban tourism should be taken into consideration.

Figure 3.9. depicts a hotel mission where customers receive a good quality service, staff's recognition, supplier partnership and shareholder growing in terms of shares, resources reliability and Government regulations compliance with high standards.

Figure 3.9: Stakeholders' mission statement for a Hotel



Adapted from: McDonald and Payne, (1998:59)

3.6.1 Criteria for developing mission statements

According to Heath and Wall, (1992:65-66), there are various aspects that need to be taken into account when developing urban tourism mission statements:

- the past tourism experiences, urban historical background and tourism industry stakeholders should be involved when developing the mission;
- the characteristics of the urban tourism environment. For example, if the safety of tourists is the major concern in the urban environment then it must be addressed in the mission statement;
- the lack of tourism resources can hinder the possibility of mission statements realisation. For example, the Free State Province in South Africa is unlikely to become the surfing mecca of South Africa;
- the urban tourism business stakeholders, tourism public, local government and community organisation preferences must be taken into consideration; and
- the mission statement should be based on the urban area of excellence. For example, if the urban tourism excels in coastal tourism, it must be emphasised in the mission statement.

The next step in the strategic marketing process in tourism is to formulate goals and objectives.

3.7 GOALS AND OBJECTIVES

It is necessary to bring clarity between two loosely used terms, goals and objectives in companies for the purpose of the marketing plan. A marketing objective is a statement that exposes and outlines what is to be achieved by the company's marketing activities and strategies. Goals are a means by which the organisation needs to achieve marketing objectives (Cambridge Training and Development Manual, 1996:137; McDonald and Payne, 1996:60).

To create marketing objectives and strategies, the swot analyses may be used to obtain the strengths, weaknesses, opportunities and threats. Objectives should be targeted towards the organisation. The objectives may have sub-objectives in support of the main objectives.

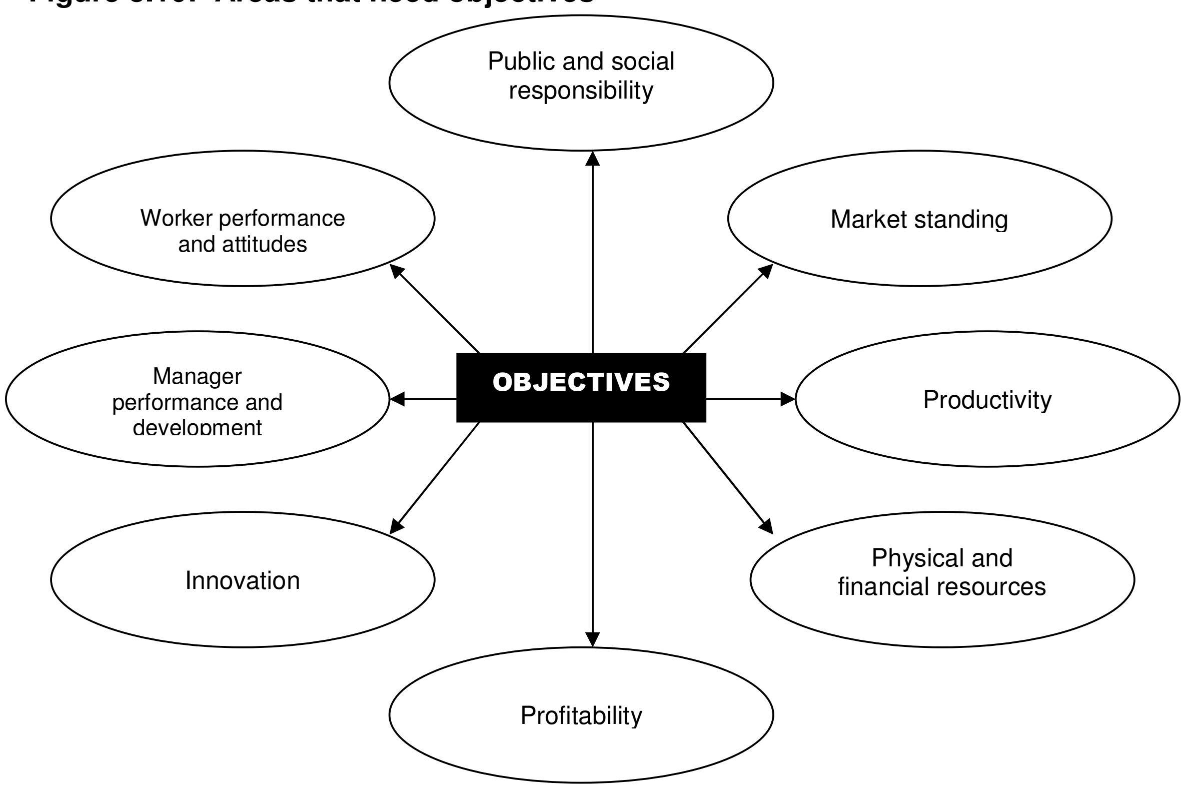
Long-term objectives should be relevant to the organisation's mission statement and should be clear and specific with an achievement time frame. The corporate objectives should be measurable and be specifically focused on the target market and services it wishes to serve and address (Heath and Wall, 1992:71-72). The objectives should be practical and able to integrate the organisation and staff members. Experts recommend the following four possible actions to develop marketing objectives:

- selling existing services to existing markets;
- extending existing services into new markets;
- developing new services for existing markets; and
- developing new services for new markets.

(Cooper and Shepherd, 1998:85; Lancaster and Massingham, 1996:29-30).

The following areas in a tourism business normally need objectives (Figure 3.10):

Figure 3.10: Areas that need objectives



Adapted from: Bennet, (2000:151).

Objectives and goals should be subdivided into short-term, meaning achievable within the next six or twelve months, and long-term objectives, which means they will be achieved after five years. For each objective, there should be a person responsible (Strydom, 1992:131).

When an organisation deals with objectives, it should avoid poor levels of credibility, motivation or feasibility, narrow information and ignoring different options. According to Bennet, (2000:150-151), there is a need for objectives in a business in the following areas:

3.7.1 Market Standing

The decision depends upon the business as to what products it wants to sell and markets it want to serve.

For example, a hotel may decide to extend their services with a restaurant as a short-term goal for the next year and in the long-term extend their service into a one-stop hotel (Drummond and Ensor, 2001:136).

3.7.2 Productivity

The productivity of the organisation will be determined by the total amount of input (e.g. cost) compared to the output (profit). The organisation may decide to use shareholders' finances for the first six months and build a profit base for the next five years (Drummond and Ensor, 2001:136).

3.7.3 Financial and physical resources

The organisation should strategise in terms of how the finances should be generated and utilised. The organisation in the short-term may obtain a loan from the bank to cover costs for the next six months and charge the customers service fees to build up a financial base (Drummond and Ensor, 2001:136).

3.7.4 Innovation

Innovation is necessary for the organisation to cope with changing customers' needs and wants. Products and services need to be upgraded with modern technology and information technology like Internet reservations in a hotel (Poon, 1993:266-282).

Management may decide to use the manual reservation system at the front desk for the first six months and upgrade to electronic reservation systems for the next five years.

3.7.5 Manager's performance and development

It is important that the managers should perform excellently since this will enhance productivity within the organisation. The organisation may decide to offer training to management in leadership for the first six months and extend the course to cover other topics like conflict management, and relationship marketing for the next five years (Baum, 1993:27).

3.7.6 Staff performance and attitudes

The better skilled the staff is, the better they will offer quality service. Management may decide to give staff members once a month training in customer care and extend to other training, e.g. problem solving for the next five years (Evans, et. al. 2003:72).

3.7.7 Social and public responsibility

The organisation may take social and public responsibility to retain the staff and customers and enhance its image. The public relations manager may organise the sponsorship of the local small business industries for the first six months and sponsor big sport events for the next five years (Holloway, 1998:331).

According to Pearce and Robinson, (1997:111), it will be a risk for the organisation to take one of these areas of objectives as overriding. For example, Protea Hotels concentrated more on competitive positioning objectives against its competitor, Sun International. This led to profitability decline until Protea Hotels corrected the situation by focusing on all areas that need objectives like public and social responsibility. Therefore, the organisation should equally satisfy all areas that need objectives.

3.7.8 Profitability

The satisfied staff is likely to keep the customer happy by delivering quality services. The happy customers will then become loyal to the organisation and this will positively impact the organisation profitability in the long run (Kotler, et. al. 2006:46).

When the organisation has formulated goals and objectives, then the product managers may start focusing on market segmentation.

3.8 MARKET SEGMENTATION

Market segmentation is a process of dividing a total perceived market into segments and in each market segment, group individual customers who have common characteristics, similar demands and needs for the products or services (Bull and Mike, 1993:11-25; Coltman, 1989:176-192; Fridgen, 1996:167-168; Johnson and Thomas, 1992:8-18).

Heath and Wall, (1992:93) suggest that market segmentation should be based on four assumptions:

- each market segments' members have unique preferences and needs;
- one product like skiing, will be favourable to specific segments rather than to other markets;

- potential tourists with similar characteristics can be grouped into segments; and
- specific product offerings can be developed to reach specific target markets by destination and tourism businesses.

According to Coltman, (1989:182-186), Heath and Wall, (1992:94) and Theobold, (1994:16) there are four categories of market segmentation which will be discussed in more detail.

3.8.1 Geographic Segmentation

The market is subdivided by location and the different needs and preferences of tourists are considered. Since these preferences and needs differ depending where tourists live, the following criteria may be used: climate, population density, local, national or international markets, size of city and urban or rural area. Strydom, (1992:45) suggests three practical implications to be taken into consideration, based on the above-mentioned variables:

- the distance of the tourist product from the tourists is important. Tourists need a convenient travelling distance to a destination;
- tourists' actual residences can influence the type of accommodation preferred. Tourists coming from urban areas will prefer different types of accommodation from traditional urban accommodation; and
- the financial resources requirements when focusing on promotions for international markets should also be considered. For example, the weak South African currency is making it expensive to market products to international markets.

3.8.2 Demographic segmentation

According to Cooper and Boniface, (1994:23-25), demographic segmentation focuses on the following aspects of the market:

- age;
- average family size;
- gender;
- income;
- level of education;
- vocation;
- race;
- religion; and
- nationality.

Demographic segmentation is a powerful tool that will make it easier for the organisation to penetrate the market because the organisation will be able to identify specific needs, wants and demands of the market it is targeting by means of different market categories, like: age, income, level of education, religion, nationality and vocation. This will allow the organisation to be exposed to the needs and wants of the market. When the organisation knows the needs and wants of the market, it can easily penetrate the market.

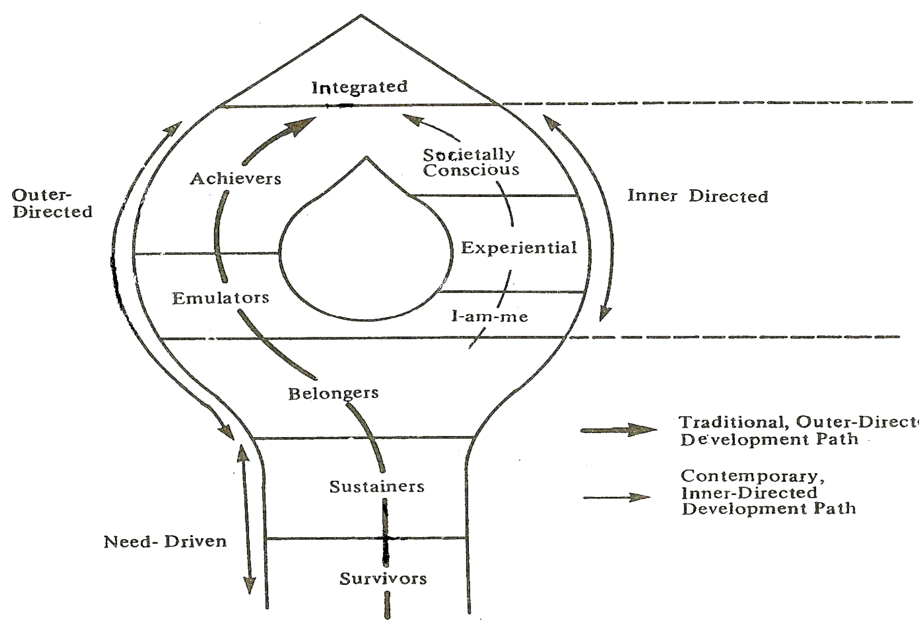
3.8.3 Psychographic segmentation

Psychographic segmentation focuses on segmenting the market with personality traits or lifestyle characteristics. This type of segmenting can expose reasons why tourists visit a specific destination. Mill and Marrison (Heath and Wall, 1992:96) suggest "Demographic data may be likened to the bones of a skeleton and psychographic data may be likened to the flesh.

The bones form the basis of structuring, but it's only by covering the forms with flesh that the features become recognisable. Information about a tourist's attitudes, interests and opinions can give a much closer picture of the segment being described."

The VALS (V=value; A=attitudes; LS=lifestyle) typology was developed in the eighties to extend psychographics segmentation (Heath and Wall 1992:97). Figure 3:11 illustrates the VALS topology.

Figure 3.11 The VALS typology



Adapted from: Heath and Wall, (1992:98)

Each of the nine lifestyles depicted in figure 3.11 are discussed as follows:

- survivors – old, poor, misfits;
- preservers – angry and resentful;
- belongers – aging, deeply stable;
- emulators – youthful, ambitious;
- achievers – middle-aged, prosperous;
- i-Am-Me – young, impulsive, dramatic;
- experiential – seek direct experience, artistic;

- societal conscious – mission orientated, successful; and
- integrated – tolerant and understanding.

The entire above-mentioned variables of the VALS typology can form a unique market segment. By a unique market segment, it means the tourism product manager may integrate all the markets into one market with a product offering that satisfies the needs and wants of the market.

3.8.4 Behavioural segmentation

Behavioural segmentation is developed from psychographic segmentation and focuses on the study of tourists' behaviour towards the product. The other side of behavioural segmentation is benefit segmentation, which focuses on the benefits tourists receive from product offerings. Benefit segmentation may include variety, prestige and accessibility. As a point of departure of market segmentation, benefit segmentation may be used complimented by psychographics, geographic and demographic data with an idea of having an in-depth profile result of each market (compare Kotler, et. al. 2006:272-276 and Heath and Wall,1992:100).

Traditionally, tourism product owners made use of either demographic segmentation or geographic segmentation or a combination thereof. For example, the guesthouse owner may decide to target high-income families (demographic) from Gauteng (geographic).

According to Heath and Wall, (1992:103), the following aspects are used as criteria for the determination of market segments:

- executability – The market segment strategy should be unique enough before promotion efforts take place;
- accessibility – The existing promotion campaigns and methods of distribution channels should have the ability to react to the market;

- measurability – How many active and potential tourists are there in a specific market that could be targeted;
- substantiality – Availability of sufficient number of tourists in the segment to support marketing efforts;
- defensibility – Do the characteristics of tourists in the segment match the marketing efforts directed to them;
- stability – In the event of environmental changes, the market should remain unique and stable; and
- feasibility – The aiming of different elements of the marketing mix to a single market segment should be able to draw that market's interest to the relevant marketing mix component.

After the organisation has the market segmentation in place, they can start developing positioning strategies.

3.9 COMPETITIVE POSITIONING

When the organisation has segmented its market successfully, then the organisation should position itself in the eyes of the consumers against the competitors.

According to Payne, (1993:95) positioning can be defined as a differentiated point where the organisation positions itself against the competitor as superior in the mind of its target market.

Positioning gives meaning to the product in terms of what it stands for, what is the benefit that can be derived from the product, and sets product evaluation criteria for customers (Fridgen, 1996:256; Bennet, et. al. 2005:223).

Drummond and Ensor, (2001:183-184) suggest the following range of approaches to positioning:

- positioning by attributes – this positioning approach is based on what the customer sees as benefit in association with a product, the product benefit is emphasised to attract the customer. For example, Heinz company products are positioned on the attributes of non-artificial preservative, flavour or colouring (George, 2008:160);
- positioning by price – this positioning approach is used when a high price is perceived as quality. For example, the Hilton Hotel positioned room rates high to reflect quality (Bennet, et. al. 2005:223);
- positioning associated with user – this positioning approach is used when the product application is associated with the user. For example, Ecover cleaning products are positioned as environmentally friendly products for the environment conscious customers (George, 2008:160);
- positioning by the product benefit – this positioning approach is used when a product is associated with the customer. For example, Volvo positions itself using the product benefits of durability and safety (George, 2008:160);
- product class positioning – this positioning approach is used when tourism is positioned as a way of life rather than luxury. For example, Kellogg's Nutrigrain bars are positioned as morning bars, a substitute for the traditional breakfast (Drummond and Ensor, 2001:183-184);
- competitor positioning – this positioning approach is when the slogan is used to position the company. For example, Avis used the slogan, "we are number two, so we try harder" to position itself in the market (George, 2008:161);
- position by symbol – this positioning approach is used when a symbol is used to position the company. For example, Esso Petrol Company has used the symbol of the tiger to position itself in the business environment (Drummond and Ensor, 2001:183-184);
- position by origin – this positioning approach is used when reputation is used to position the product. For example, Audi uses the German slogan "Vorsprung durch technik" hoping that the customer will link the product to the German reputation for quality engineering (Drummond and Ensor, 2001:183-184);

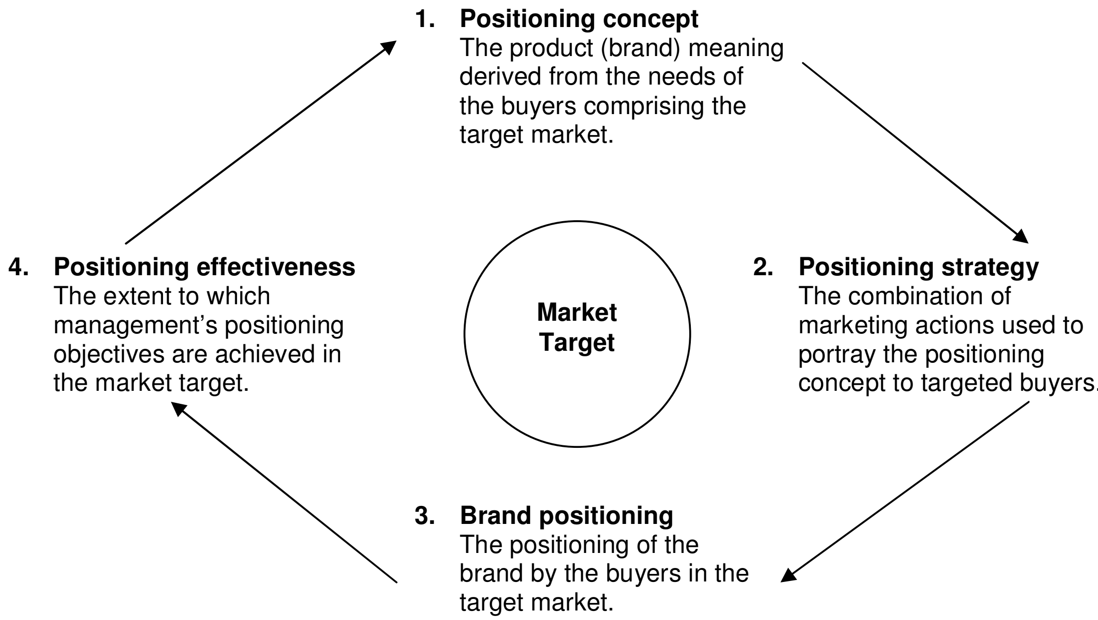
- positioning by personality – this positioning approach is used when a product is positioned by means of personality. For example, Harley Davidson motorbikes are positioned as a macho product (Bennet, 2000:206); and
- positioning by usage occasions – this positioning approach is used when the product is positioned by means of usage occasions. For an example, SPAR supermarkets are positioned for usage after normal hours near to the customer's homes (Bennet, et. al. 2005:223).

The positioning approaches are available for the company to decide which one will be the best to apply based on the business environment prevailing. Payne, (1993:114) suggests important factors for successful positioning:

- credence – the attributes exposed to the consumers must be believable. For example, a nuclear power generator cannot position itself as environmentally friendly;
- competitiveness – the product should be unique to the customers. For example, Herbal Essence was launched in the presence of the competitor Pantene in 1995; however in 1997, Herbal Essence ranked number two behind Pantene;
- consistency – the positioning message should be the same for a long time so as to establish a position against the competitors; and
- clarity – the product message should create a clear differentiated position in the minds of the consumers. A message of "finger licking good" differentiates KFC from competitors.

Figure 3:12 explains the positioning process.

Figure 3.12: The positioning process



Adapted from: Cravens, (1994:305)

Step 1: Selecting the positioning concept

According to Cravens, (1994:304), the positioning concept is, "The general meaning that is understood by customers of its relevance to their needs and preferences." The positioning concepts should therefore be intertwined with the customers' needs and wants. There are three forms the concept may have:

- functional concepts are consumption needs related products;
- symbolic concepts are linked to consumers' self enhancement needs; and
- experiential concepts relate to recreational products. (Cravens, 1994:306; Payne 1993:96).

Positioning approaches are as follows (Craven, 1994:307; Heath and Wall, 1992:120; Drummond and Ensor, 2001:183-184; Bennet, et. al. 2005:223):

- **Attribute, relating to product features**

The product manager should use product features to market the product. For example, Singapore Airlines impressive in flight features like the physical outlook of the interior of the airline, seats and staff may be projected to the public with a motive of stimulating desire and action from the customer side, in terms of using the product (George, 2008:160).

- **Price/quality**

Various prices linked to positioning objectives may be used. The product manager should use value based pricing to attract consumers. The manager of Kentucky Fried Chicken (KFC) should consider the costs (total amount paid for the product by the company) and the competitor (Nandos) current price for the same product and what the customer is willing to pay.

KFC should then price at least below the competitor's (Nandos) price and above their costs for profitability purposes and less than the amount customers are willing to pay (Cravens, 1994:307).

- **Use or application**

The brand is positioned in terms of how it works. The product manager must pass marketing messages that will convince the customer that the product meets his expectations. For example, Formula 1 Hotel marketed with attractive beds and competitors labelled with uncomfortable beds in their rooms (Bennet, et. al. 2005:223).

- **Product class**

The product is positioned with another brand with similar class. The product manager may use popular public figures to market the products. The Carousel Hotel marketed itself with the famous political leader Nelson Mandela as having used their accommodation (Bennet, 2000:206).

- **Competitor**

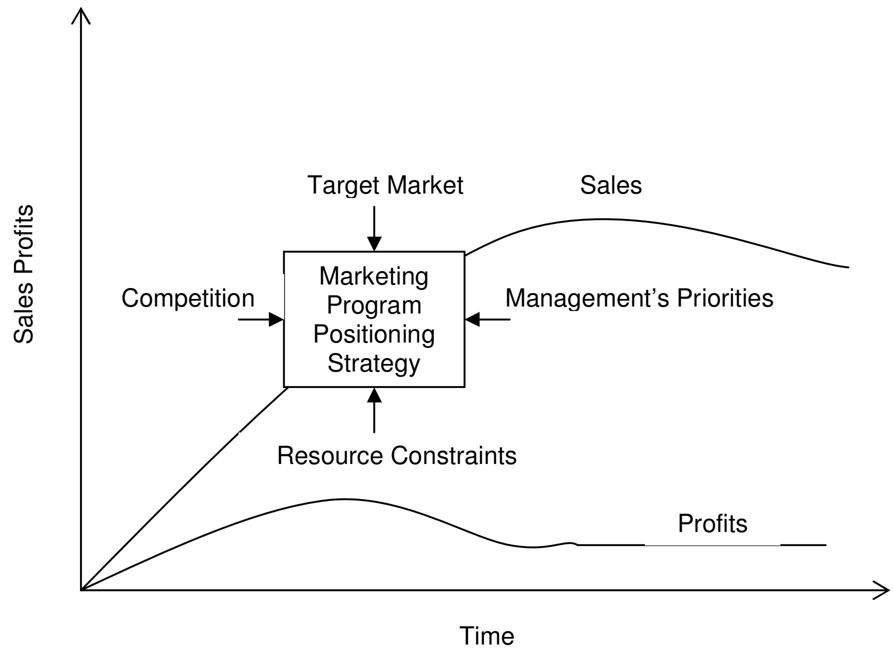
The brand goes against the competition in positioning. The product manager should have sufficient information about the competitor and develop strategies to gain a competitive edge. For example, Avis positioned itself as number two against the ‘giant’ Imperial car rental firm (Bennet, et. al. 2005:223).

Step 2: Choosing the positioning strategy

According to Cravens, (1997:204), the positioning strategy collects the total amount of resources to be used in a marketing programme and gives direction on how to use these resources amongst the marketing mix components (product, distribution, promotion and price). The implication is that there will be many alternatives depending on the deployment of resources.

The following are factors affecting the positioning strategy (figure 3.13):

Figure 3.13: Factors influencing the choice of a marketing positioning strategy.



Adapted from: Cravens, (1994:309)

The following issues are evident from figure 3:13:

- **The target market**

The target market's characteristics expose the nature of marketing messages that should be directed to them (Palmer, 1994:284-285).

- **Product life cycle stage**

The product life cycle stages will help in terms of the proper respond mechanisms needed by the organisation since these stages change from time to time (Bennet, 2000:211-213).

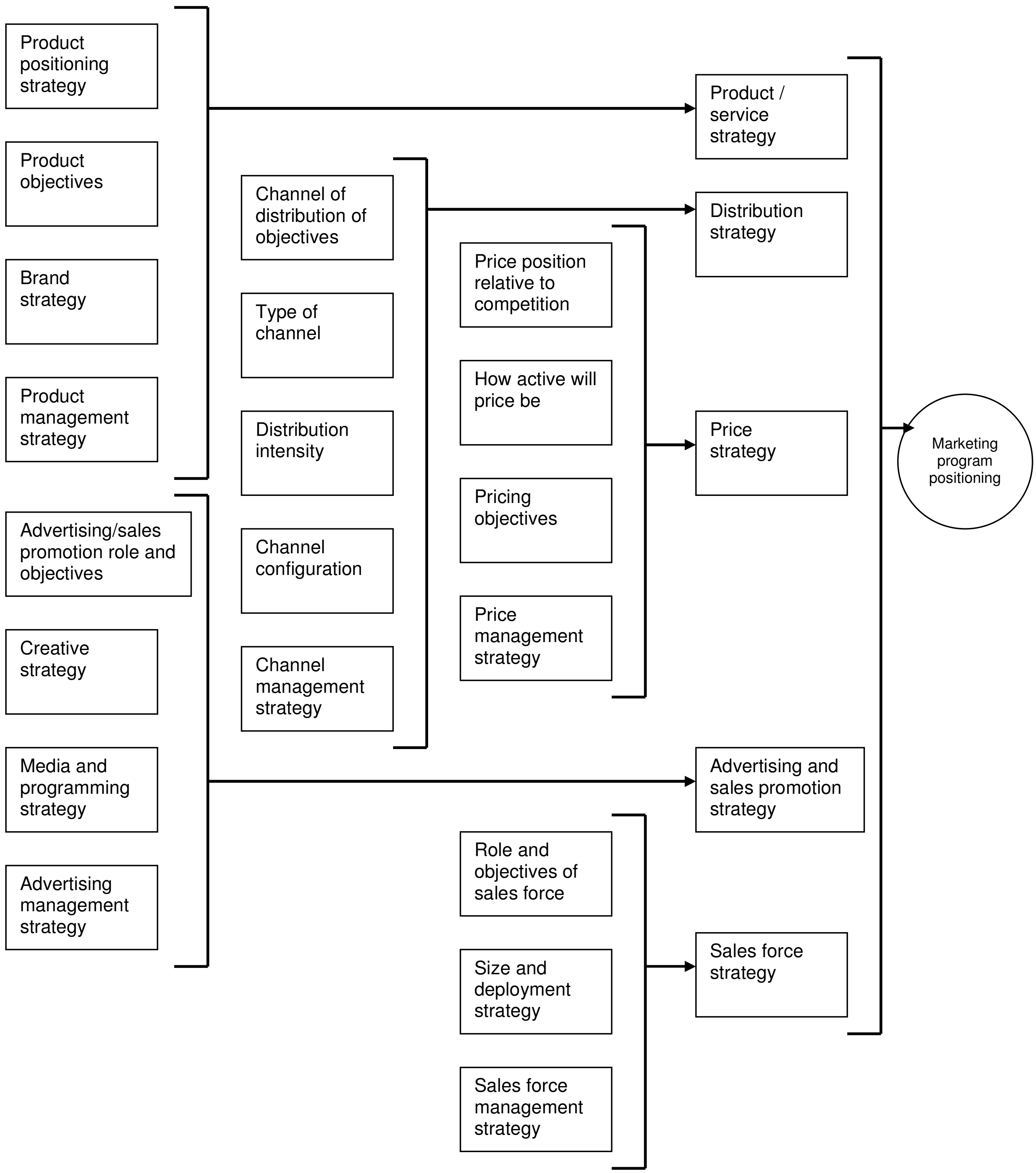
- **Management priorities**

Management priorities may be one-sided, focused and ignorant about most important aspects. For example, the focus may be on market share with an ignorance of product, promotion, distribution strategies, resource and competitive influences (Lazenby, et. al. 2004:10).

Step 3: Combining the positioning components

Figure 3.14 shows the major strategic guidelines in combining the positioning components.

Figure 3.14: Positioning strategy overview



Adapted from: Cravens, (1997:207)

In the explanation of figure 3.14, an illustration is used of company A in terms of how it combines marketing mix components into a coordinated strategy (compare Cravens, 1997:205-206; Bennet, 2000:206):

- **Product strategy**

A company may have product strategies aimed at positioning the company in the eyes of the customer against the competitor. The product strategy includes factors like unique restaurants, strategic location, outstanding customer service and modern technology systems.

- **Distribution strategy**

The distribution strategy is aimed at supplying products to company chain stores so as to make the product accessible to the customer. Product distribution may be a vertical marketing system, supplying global branches with centrally located management points. For example, distribution of products by using quick and easily accessed restaurants by customers.

- **Pricing strategy**

Price can be used to position the product in the eyes of the customer. The price emphasis will be on value and the uniqueness of the prices. For example, Hilton Hotel is highly priced and positioned as the high-class accommodation.

- **Promotion strategy**

The promotion strategy may be to position the company products against the competitor by means of promotional elements. For example, company A's strategy may use all promotional aspects, personal selling, advertising, publicity, and sales promotion to position its products in the market.

- **Competitive advantage**

The strategy may be to combine the uniqueness and value for service that is value based priced to customers. The product uniqueness and ability to satisfy the needs and wants of the customers offers a competitive advantage to a company against the competitor.

Step 4: Determining position feasibility

According to Cravens, (1997:212), positioning analysis is about identifying the competitors involved in a target market, how the market perceives, evaluates and positions them and what are the needs and wants of consumers. Several methods can be used to determine positioning:

Method 1: Customer and competitor research

The organisation may choose to use mathematical methods to analyse competitor and customer research results. The outcome of the research will then give the organisation a clear picture of its position against the competitors (compare George, 2008:161).

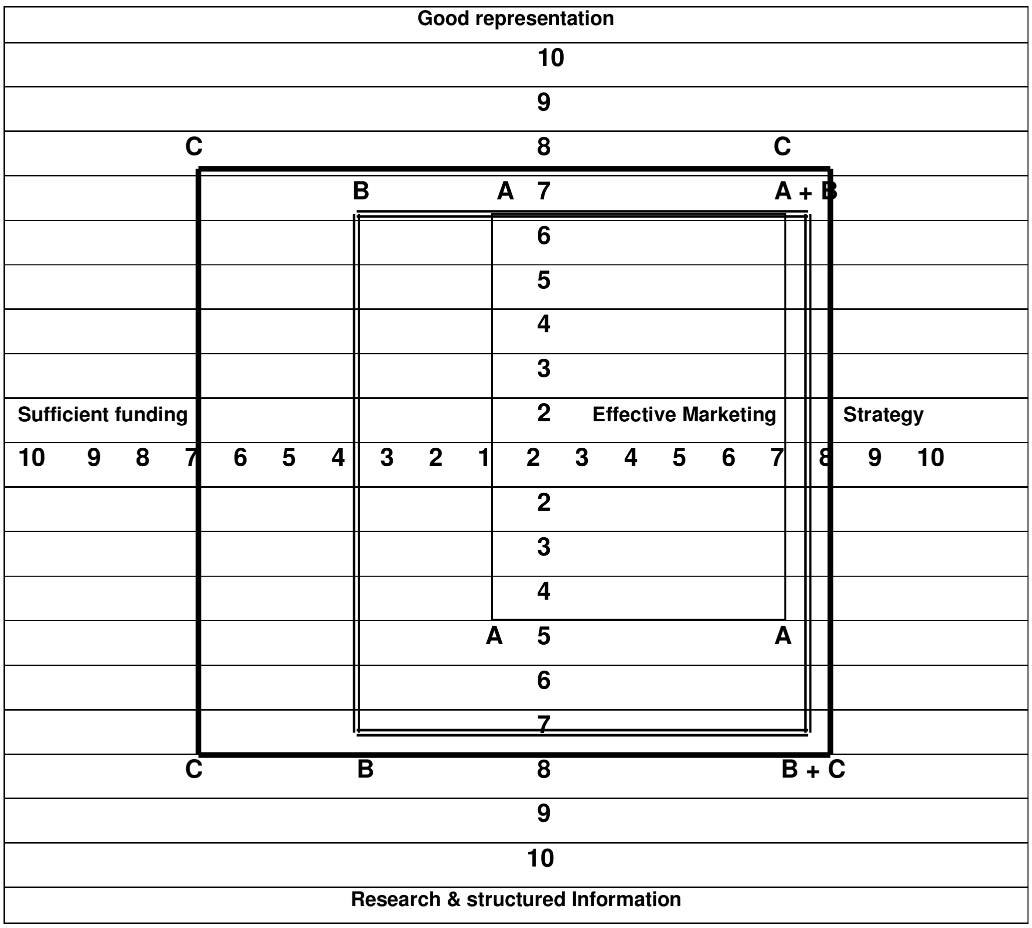
Method 2: Test marketing

Market testing is used to gather information about new product performances, as well as new positioning strategies for new products. The product managers may take decisions to test the product to find out the risk associated with investing in these markets. Secondly, to know how fast the new product will be accepted and the difference between marketing risks and cost versus the scale of the product launch (Guiltinan and Gordon, 1997:209).

Method 3: Positioning models

The positioning map may also be used as indicated in Figure 3.15 to position the organisation against the competitors.

Figure 3.15: Positioning Company A against its competitors on the positioning map



Adapted from: Kotler, et. al. (2003:292)

Figure 3.15 shows how company A is positioned against company B and company C. There are four factors that are positioned on the map, namely: good representation, sufficient funding, effective marketing strategy, research and structured information. The factors are positioned on the map in accordance with their order of importance.

The centre of the map is 0 followed by 1 up to 10 towards the corner of the map. Company A is therefore scored in terms of the value of its critical success factor against the competitors B and C towards the corner (10).

According to the positioning map on effective marketing, company A(8) is positioned at the same level with competitor B(8), competitor C(7) is positioned less than companies A(8) and B(8). The challenge will be for company C(7) to strategically improve its marketing and move towards the corner(10). In terms of sufficient funding on the positioning map competitor C(7) is positioned better than company A(1) and competitor B(4). Therefore, company A should develop strategies to improve its finances and build up towards the corner (10) to gain competitive edge against competitors B and C.

To position company A on the positioning map, company A should first score its critical success factors. The score should be between one and ten, followed by competitor B factors and then draw a line towards the centre of A and B. This will reveal the position of each competitor (compare Reed, 1997:258-261).

According to Kotler, et. al. (2003:288-289), the companies should guard against three major positioning mistakes. The first is under-positioning. In this instance, customers have a very little and limited perception of the company or are unaware of any distinguishing features. The second error is over-positioning or a narrow picture of the company. The third positioning mistake is confused positioning where buyers cannot clearly understand the company image.

3.10 CONCLUSION

This chapter has dealt with strategic planning issues. Theoretical information based on the elements of strategic planning was discussed from different sources. The elements of strategic planning that were discussed in the chapter are the critical success factors, SWOT analysis, competitor analyses; mission statement; goals and objectives; market segmentation and competitive positioning. The next chapter will focus on strategic marketing planning issues.