

**A NEW TOURISM STRATEGY TO MAKE THE DURBAN
METROPOLITAN AREA (DMA) A “MUST-SEE”
DESTINATION IN AFRICA**

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CONFIDENTIALITY CLAUSE

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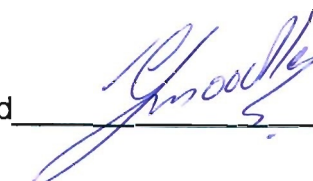
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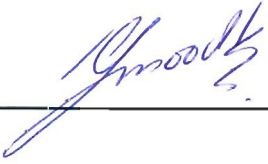
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DECLARATION

This research has not been previously accepted for any degree and is not being currently submitted in candidature for any degree.

Signed  _____

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Date June 2003

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DEDICATION

This dissertation is dedicated to:

- To my loving wife Gonum and two beautiful daughters Darsini and Thanisa for being my greatest supporters and source of inspiration. I really appreciate the sacrifice you made during my years of study and I love you very much.
- To my mother Devi Moodley and late dad Logan Moodley for being my guiding light and source of inspiration.
- To my father-in-law Jack Moodley and late mother-in-law Mummy Moodley for being my guiding light and source of inspiration.

ABSTRACT

This tourism strategy provides an overview of the DMA tourism product, an analysis of the strategic influences affecting the region and recommendations to achieve our vision 2010, of making the DMA a “must-see” destination in Africa. It provides a cohesive framework for the development of tourism in the region, bringing together key players including local tourism agencies, the city council, hotels, visitor attractions, retailers and transport providers. The regions strengths, weaknesses, opportunities and threats were evaluated and this led to identification of the key issues that will affect the future success of tourism in the DMA. The impact of tourism is much wider than the purely economic. Tourism initiatives also support local businesses, culture and craft. The need to maintain attractive, high quality visitor destinations has meant that tourism contributes to the protection and upkeep of the regions built and natural environments. There are a number of key issues and challenges that face the tourism sector of the DMA. These were addressed with recommendations in order to achieve our Vision 2010:

- Market segmentation
- Image and branding
- Developing market intelligence
- Communication and information technology
- Partnership and co-ordination
- Competing through quality
- Business support
- Development of “Must-Sees”
- Major sporting events
- Monitoring and Evaluation

An aggressive competitive strategy to outsmart our competitors and make the DMA a “must-see” destination in Africa has been clearly outlined. There is a need for strategic leadership to bring all the relevant parties together to drive the strategy to success. The DMA is on the threshold of becoming one of the major tourism destinations in the world and it is up to every resident in our region to make this dream come true.

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Chapter One

INTRODUCTION

1.1 Introduction

Tourism is one of the world's largest industries that, when applied locally or regionally to an area, can be considered as an 'export economy', through the utilisation of locally built, natural, heritage and/or cultural assets in an environmentally sustainable manner, brings the market (tourists) to the product (tourist attractions/facilities) and contributes to the local economy (tourism revenue) with the resultant benefit of socio-economic prosperity and the resultant increase in job creation for the area (Deloitte & Touche Consortium, June 2002).

The "Tourist" is a visitor from outside of the local area who visits for a period greater than 24 hours and the reason for visiting could be for business, recreation, leisure, education, sport, events, or visiting family and relatives (VFR).

Tourists are firstly attracted to a place by the "primary visitor attraction" which is then supported by the "secondary visitor attraction" and "visitor facilities". The primary visitor attraction will create the incentive to visit with the secondary visitor attractions and facilities providing the tourist the reason for maximising the length of stay. This concept called "clustering" is a key driver for developing the focus area into a "tourism destination" that is a "must-see".

The economic measure of success in tourism is obtained by monitoring the number of tourists together with the length of stay. Tourists are generally classified as being "Domestic" or "Foreign". According to the WTO, the key benefits of tourism are:

Export Earnings

International tourism is the world's largest export earner and an important factor in the balance of payments of many countries. Foreign currency receipts from international tourism reached US\$476 billion in 2000, outstripping exports of petroleum products, motor vehicles, telecommunications equipment, textiles or any other product or service.

Employment

Travel and tourism is an important job creator, employing an estimated 100 million people around the world. The vast majority of tourism jobs are in small or medium-sized, family-owned enterprises. Research shows that job creation in tourism is growing 1 1/2 times faster than any other industrial sector.

Rural Opportunities

Tourism jobs and businesses are usually created in the most underdeveloped regions of a country, helping to equalize economic opportunities throughout a nation and providing an incentive for residents to remain in rural areas rather than move to overcrowded cities.

Infrastructure Investment

Travel and tourism stimulates enormous investments in new infrastructure, most of which helps to improve the living conditions of local residents as well as tourists. Tourism development projects often include airports, roads, marinas, sewage systems, water treatment plants, and restoration of cultural monuments, museums and nature interpretation centres.

Tax Revenues

The tourism industry provides governments with hundreds of millions of dollars in tax revenues each year through accommodation and restaurant taxes, airport users' fees, sales taxes, park entrance fees, employee

income tax and many other fiscal measures.

Gross Domestic Product (GDP)

International and domestic tourism combined generate up to 10 per cent of the world's Gross Domestic Product (GDP) and a considerably higher share in many small nations and developing countries.

1.2 Literature Review

That together we build a tourism industry and sector that grows, thrives and is sustainable for the benefit of all South Africans, now and in the future (Dr Tanya Abramhamse, TBCSA, 2001).

1.2.1 Government's Tourism Policy

The government has identified sectors of the economy that require special attention because of their potential to contribute towards the objectives of higher growth rates and job creation. These include agriculture, tourism, certain export products, cultural industries and the information and communication sector (Mbeki, 2001). Government is encouraging the involvement of previously disadvantaged people in the tourism sector. The Business Trust are involved in funding and developing 3000 new learnerships in tourism. The Ministry of Environmental Affairs and Tourism have created the Tourism Enterprise Program (TEP), which is a partnership between the department of Environmental Affairs and Tourism (DEAT) and the Business Trust designed to increase the economic participation of the previously disadvantaged persons and communities within the tourism sector (DEAT, 2000).

1.2.2. International Tourism Industry

The average annual growth in global tourists arrivals was 4.3 % with 1999 seeing a peak of 625 million tourist arrivals. Global tourism receipts are expected to exceed US\$ 2000 billion in 2002 making this industry one of the largest and fastest growing worldwide. (World Travel & Tourism Council, 2002). International Tourism is currently going through a number of changes as a result of the emergence of different travel trends due to:

- More flexible and market driven working patterns
- Preference for shorter, more frequent breaks as compared to longer holidays
- Demands maximum value from a tourism purchase
- Affinity for Adventure and cultural tourism

1.2.3 South African Tourism Industry

Following South Africa's democratic first democratic elections in 1994, the number of foreign arrivals grew by 60% between 1994 and 2000. South Africa was the most popular destination in terms of arrivals in 2000. However, the total foreign arrivals dropped by 0.3% between 1999 and 2000, down from the 3% growth that was experienced between 1998 and 1999. This drop was due to a decrease in the number of arrivals from Africa in 2000, South Africa's largest source market. Overseas arrivals to South Africa (i.e.: from outside of Africa) grew in 2000 by 2,7% (Comparative Tourism Overview, Horwath, 2001). South Africa is currently ranked 25th among the top 40 destinations of the world and it is striving to position itself as a world leader in tourism.

South African serves a variety of market segments – affluent, middle-income and low-income, tourists on holiday, visiting family and friends. Tourists are coming in increasing numbers from Europe, the USA, Asia and other parts of Africa as well as domestically. Europe is the dominant origin market for South Africa. In its key European markets like the UK and Germany, South Africa is capturing 2.5% of the long haul travel

volumes. Historical, business, cultural and family ties ensure that South Africa has a high awareness as a destination in the minds of many potential long haul travellers. The primary component for growth in visitors has been the holiday segment. In South Africa's largest market, the UK, the holiday-goers segment has grown from 61% in 1994 to 78% of the total visitors in 1997, in absolute terms a doubling in holiday visitors. In addition, increasing awareness of Africa in the US market is having a substantial impact on visitation to South Africa. South Africa remains the #1 destination in Africa for US travellers to the continent, a position it has held since the end of the apartheid era. While penetration of the North American market is still below 1%, the growth in visitors to South Africa is encouraging (The South African Tourism Cluster, 1999). A well-developed and maintained physical infrastructure like air & surface transport, seaports, telecommunication, tourist information centres, signage, institutional facilities and amenities are crucial to the development of the tourism industry. The decline in the maintenance of the road network is of great concern as this is an uncomfortable situation for an industry that intends growing and competing with the best tourist destinations in the world. The recent upgrade of the international airports is inadequate due to its limited capacity to handle large international and domestic traffic flow in the medium to long-term. South Africa's tourism is at risk if the country's safety and security issues are not handled quickly and effectively. It has been claimed that violence and crime can, more than any other factor, derail the best case scenario for creating jobs in South Africa. If the murder of only one foreign tourist results in 200 people not coming to the country, the loss of revenue to South Africa is about R3.5 million (SATOUR, 2001). A limited skills base of tourism management personnel, as well as a shortage of well-trained tourism friendly workers currently marks the South African tourism industry. This is a critical gap that the industry faces in the short and medium term.

1.2.4 KwaZulu-Natal (KZN) Tourism Industry

KZN has the dominant share of the domestic tourism market in South Africa with approximately 6.4 million tourists from outside or within the province travelling to one or more destinations within KZN (Tourism KZN, 2001). The core external source market is visitors from Gauteng who spend the majority of their holiday in coastal resorts. On the international front, 20-25% of all foreign tourists visiting South Africa visited KZN. This is a decline from 33% in 1997. Over 54% of these tourists visited for holiday, 17% visited family and friends and 16% came on business (Tourism KZN, 2001). The Durban beachfront is the most popular attraction in KZN. Cultural tourism is also becoming a major attraction in KZN and this is proven by the popularity of the Zulu village called "Shakaland". This village is situated outside Eshowe in Zululand. It is a living museum where Zulu folk show visitors some of their traditions like traditional beer brewing, appear making, pottery, weaving and beadwork as well as traditional dress and social structures. The potential of using this attraction as a catalyst to grow the cultural tourism market in KZN prompted one of the largest tourism companies in South Africa to take a majority shareholding in the business. In keeping with the spirit of the "Kingdom of the Zulu" brand which leverages on the rich heritage of the Zulu Nation, Tourism KwaZulu-Natal has also used branding to encompass all the heritages of our province, from the majestic mountains of Ukhahlamba-Drakensberg (berg), the rich natural heritage (bush), the pristine marine reserves and warm swimming area's (beach), rich heritage of past struggles (battlefields) and the reflection of modern life, business, adventure and infrastructure that characterises our cities and smaller towns (buzz). Collectively these elements that contribute to making our province a value for money destination: hence of pay-off line "Always More" (Gareth Coleman, CEO Tourism KZN)

1.2.5 Durban Metropolitan Area (DMA) Tourism Industry

The DMA is situated within the province of KwaZulu-Natal ('Kingdom of the Zulu') and has within it Durban, the largest port city on the African continent. It is a natural gateway to southern Africa given its strategic location, port facility, international airport and excellent road network. It is a "World in one City" having a dynamic ethnic mix of different social groups with their own traditions and cultures. The influence of the eastern, western and African cultures is evident in the cuisine, architecture, music and fashion. The cultural mix of the city has ensured that it is a shoppers paradise where one could buy goods from the sophisticated malls like "Gateway" to the flea markets on the streets of Durban. Durban's beachfront "Golden Mile" offers all-year round bathing and watersports as the warm waters of the Indian Ocean rarely fall below 17 degrees Celsius in this subtropical climate. DMA is also home to some of Africa's most popular sporting events like the Comrades marathon and the Dusi Canoe marathon.

With all this on offer, why are DMA's tourist levels on both the domestic and international level dropping?

In 2000 only 3.5 million domestic tourists visited DMA compared to 4.4 million in 1998 (S.A.Tourism, 2001). The number of foreign tourists visiting Durban has also dropped from approximately 475000 (1997) to 315000 (2001)(S.A.Tourism, 2001). According to the South African Tourism Survey of South Africa's foreign visitor market (January 2000), 55% of foreign tourists are uneasy about their personal safety. According to the KwaZulu-Natal Tourism authority survey (2000) only 39% of the foreign visitors perceived their personal safety to be good and only 44% perceived cleanliness to be good. The same survey also indicated that only 55% of domestic tourists rated personal safety and cleanliness as good. This negative perception about personal safety, and poor cleanliness is regarded as key factors that continue to undermine the development of the tourist industry in KwaZulu-Natal and in particular, DMA.

The DMA has the infrastructure that is more suitable to domestic tourists than the foreign tourists. There are 66 hotels in the DMA ranging from 2 star to 5 star accommodation. The average number of rooms per hotel is 110 and an average occupancy rate of 62%. (Horwath, National Tourism and Statistical Agencies, 2001).

The current strategy for tourism in KwaZulu- Natal and DMA together with literature on business strategy will form the theoretical framework of this study. Secondary data used in this study will be obtained from the KZN Tourism authority, South African Tourism, Durban Africa, The department of Environmental Affairs and Tourism, Tourism Business Council of SA and Statistics SA.

The theory of the business strategy models selected will be applied to the findings and a new strategy developed. The strategic management process of Strategic Analysis, Strategic Choice and Strategic Implementation will be used in this study (G.Johnson & K. Scholes, 1999) A detailed strategic plan with recommendations will be presented at the end of the study.

1.3 Motivation

One of the key drivers for economic prosperity in South Africa is the development of our tourist industry. This growth will create employment for both the skilled and unskilled workers in South Africa.

Closer to home, the development of DMA's tourist potential is key to the long-term sustainable growth of the city. The DMA has all the makings of a "must-see" destination and yet it has declining tourist levels. Surely something is wrong? My study will identify the pitfalls and develop a new strategy that will turn DMA around and make it the destination of choice for both domestic and international tourists.

1.4 Benefits of the Study

The study will have the following benefits:

- A new tourism strategy that will make DMA a “must-see” destination in Africa for both domestic and international tourists.
- Increased tourism value based on strategies to increase visitor spend, increase length of stay and increase use of meetings, incentives, conferences and exhibitions (MICE).
- Identify the alignment or lack of alignment among key tourism authorities involved in tourism promotion in DMA.

1.5 Problem Statement

Durban has the potential to be a “must –see” destination in Africa for both domestic and international tourists and yet tourist numbers are falling. Why?

How will a new tourism strategy for DMA achieve our goal of making it a “must-see” destination in Africa?

1.6 Objectives

- To develop a new tourism strategy to make DMA a “must-see” destination in Africa for both domestic and foreign tourists.
- To identify strategies to increase tourism value based on visitor spend, length of stay and use of meetings, incentives, conferences and exhibitions (MICE).
- To create an integrated strategy that will streamline and align the current tourism authorities in the DMA and get them to work together in making the DMA a “must-see” destination.

1.7 Research Methodology

This is a qualitative study that will focus on the development of a tourism strategy. The current strategy for tourism in KwaZulu- Natal and DMA together with literature on business strategy will form the theoretical framework of this study. Secondary data used in this study will be obtained from the KZN Tourism authority, South African Tourism, Durban Africa, The department of Environmental Affairs and Tourism, Tourism Business Council of SA and Statistics SA. Personal interviews with key tourism personnel in Durban will be to obtain information during the strategy formulation. Extensive literature searches will also be conducted in libraries and on the Internet.

1.8 Limitations of the Study

The study will be geographically limited to the KwaZulu-Natal region with special focus on tourism in the Durban Metropolitan Area. The release of tourism statistics timeously by the authorities is a problem and this will negatively impact on the study.

1.9 Conclusion

South Africa was the most popular African destination in terms of arrivals in 2000. However there has been a steady decline in both domestic and foreign tourists. There has also been a shift in tourists from the Durban Metropolitan Area (DMA) to other cities within South Africa like Cape Town. (Comparative Tourism Overview, Horwath, 2001). This study will focus on the evaluation of the current status of tourism in the DMA based on data available from tourism authorities, interviews with key tourism officials and other secondary data available via the Internet and libraries. Theoretical business models will be used to evaluate the findings and a new strategy developed for tourism in DMA. The study will focus on the strategic analysis, strategic choice and strategy implementation. The study will be subjected to certain limitations as outlined in the proposal.

The final document will outline a new tourism strategy that will make the DMA a “must-see” destination in Africa for both domestic and international tourists.

Chapter Two

STRATEGIC FRAMEWORK IN TOURISM

2.1 Introduction

DMA needs to devise a vibrant, unified and dynamic vision for tourism to ensure it becomes the destination of choice in Africa.” The honeymoon is over” is a phrase highly applicable to the DMA tourism industry. Gone are the post-1994 days of creaming the global tourism market with a supply-driven, somewhat naive attitude that says: “We’re the Rainbow Nation, you know — let’s see how much you owe!” The Rainbow era has faded, as is evident from our foreign arrival statistics for 1999 and 2000 — seriously disappointing growth figures of 4.4 percent and 2.7 percent respectively (Dr Fabricius, August 2001). This at a time when government and business have been boosting international marketing budgets by up to 500 percent, and when the government has been increasingly recognising tourism as a potential economic and employment “star”. These figures represent the lowest growth in overseas arrivals recorded since 1986 and fall below the overall economic growth figures of the country. While tourism has been recognised as a sector in which we have a clear comparative advantage, indications are that it is currently not living up to expectations. We need to recognise that it is not good enough just to be among the list of choices — we have to fight and fight hard for our rightful share of the market. We have to devise a winning strategic game plan before we go out and attempt to make the DMA the destination of choice in Africa.

2.2 Building a Winning Tourism Industry

The tourism industry has not been effective in making the transition to the highly competitive global arena. The DMA tourism team has been playing against some strong local and global competitors without an effective competitive strategy.

The following could serve as key pointers towards building a winning tourism industry.

2.2.1 Developing a Vibrant, Unified and Dynamic Vision

A vibrant, unified and dynamic vision sits at the centre of our approach towards tourism and general economic growth. It is vital that DMA's tourism vision should reflect a long-term dream of offering a destination driven by its inherent uniqueness and pride. This vision should paint a desirable picture of our DMA 20 years into the future. It should form the foundation of our hope and passion for the future. Our vision should reflect our belief in a winning future and should underpin every strategic decision we make. The essence of this shared vision should then be communicated to everyone through effective advertising media. Unless the tourism leadership of the DMA collectively aspires to a clearly defined strategy, looking towards a brighter future for tourism, we will find it increasingly difficult, if not impossible, to persuade our potential markets to view us as an appealing destination.

2.2.2 Understanding a Changing Marketplace

The world is a dynamic marketplace where tastes, fashions and values are continuously changing as consumers are influenced by social, economic, psychological and technological developments. What's in fashion today may not be as appealing tomorrow. In areas where expenditure discretion is high, such as travel and tourism, consumer preferences change even more frequently. The World Tourism Organisation have identified the following range of mega-trends that are shaping the global tourism industry:

- The demand for flexibility in travel choices
- The increased focus on spirituality and nourishment
- The usage of new forms of "green" transport (walking, cycling etc)
- Tourism as a growing catalyst for peace and tolerance
- A major focus among travellers on protecting, conserving and sustaining natural resources.
- Customers calling the shots through technology
- The shrinking-world syndrome, that is consumers searching for "off the beaten track" experiences
- Tourism destinations increasingly being seen as a "fashion accessory"
- The need for good information, creativity and experiential learning

We need to capitalise on these trends and therefore need to have an intimate knowledge of the needs of our potential clients. Our industry, however, has done little to capitalise on these trends. Very limited work has been done to effectively segment the marketplace identifying and targeting market clusters in terms of their motivations, preferences and experiences sought. We seem to be following a "generalist" marketing approach, based on geographical target markets such as the United

Kingdom, Germany, United States and other countries. As a result we are unable to focus our resources and efforts on market segments that display large scope for growth, the best potential return on investment and where the perception of our destination as attractive is highest. We may well have missed out on some extremely lucrative niche markets, which the DMA tourism experience may fit like a glove and where the probability of outperforming our competitors is the greatest. Our knowledge and understanding of segments such as ecotourism, adventure tourism, cruise liner market, the backpacker market and the golf tourism market is limited. Tourism authorities must be critically aware that they must constantly analyse, explore and evaluate the marketplace to ensure that we exploit the most lucrative, sustainable segments of the market and that our focus remains on target.

2.2.3 Matching Resources to Markets

Only when we have identified and profiled appropriate market segments will we be in a position to highlight those attractions that would appeal to the relevant markets, and thus set ourselves apart from our competitors. We simply cannot offer everything to everyone. We need to offer our target markets those special, preferably unique experiences that would make it worthwhile for tourists to travel long distances to DMA rather than an alternative destination. We need to identify those experiences, or combination of experiences, which we could prefix with “the only”, “the best/rated among the best”, “the highest/tallest/oldest”, “different to anywhere else”, and so on, and market these to the matching, most lucrative market segments. Some of these Unique Selling Points (USPs) may appeal to almost all market segments, for example our beautiful, sunny beaches and rich cultural mix which should form the foundation of our DMA's generic positioning and branding. Others may be segment-specific and should be presented as part of the marketing mix for that

particular target. In doing so, we will ensure that our markets get exposed to the full spectrum of experiences offered throughout our wonderful city. Linked to the vision and product-market match, the positioning of our destination relative to our competitors remains a major challenge. We need to establish those positive “triggers”, which would result in an instant recognition and positive association with DMA when exposed to our potential clientèle. An example maybe linking globally renowned “peacemaker”, Nelson Mandela. The beauty of Nelson Mandela (Madiba) is that he is not only associated with a particular time in our country’s history, but that he will remain an everlasting and global symbol of peace, successful leadership, hope and integrity .He had a positive influence on South Africa’s tourism growth during the mid-nineties and this had a positive spin-off on tourism in the DMA. The Mandela symbolism should be used as part of our brand positioning strategy. We are also fortunate to have our own King Goodwill Zwelthini, King of the Zulus, who could also be a magnetic symbol for tourism in the DMA. We are in desperate need of symbols that will have both local and global appeal that will set us apart from our competitors. Without such branding and the benefit of a focused communication campaign to get the message across to our markets, we may consistently fail to make a serious mark on the local and global travel map.

2.2.4 Developing our Competitive Capabilities

Tourism is a multifaceted experience that requires many diverse factors to merge in order to deliver a successful product. Whereas manufacturing exports are produced in a controlled environment and are then sold as complete goods in the international marketplace, the tourism consumer travels to the source of “raw materials” and the various components of the tourism experience are produced over a number of days at a range of locations, in an uncontrolled environment. The tourism “factory” is indeed

society at large — providers of commercial services, public infrastructure, a safe environment and many other components that need to work together properly in order to deliver an enjoyable experience. While tourists are generally understanding and flexible enough to accommodate a non-perfect delivery system, certain aspects could be considered critical and non-negotiable to delivering an enjoyable and affordable experience. The most achievable way of identifying such critical capabilities is to check them against the destination value chain. By analysing the value chain, the critical capabilities of servicing our target markets could be clearly demonstrated. Some of the most glaring blockages in the value chain, such as inadequate flight capacities, visa difficulties, public transportation limitations may be applicable across all market segments, while others may be segment-specific. The value-chain requirements of the group tour market, for example, will differ substantially from those of the independent traveller, where road infrastructure, signage, information networks are of crucial importance. Various niche markets will clearly require specific capabilities. Delivering on these capability requirements no doubt requires a highly coordinated effort and true partnership between public, private and community stakeholders. However, the success of our tourism industry may well be dependent upon some tough and urgent decision-making by both partners relating to aviation policy, continuous business-funding contributions, international branding, visa requirements, safety and security delivery, and various other critical value-chain deliverables. Given the ever-changing nature of global competition and our limited financial resources, the DMA tourism sector will flourish only within the context of a smart, aggressive and competitive strategy. The lack of a unified vision and strategy could have disastrous effects. What we need is clear thinking, cool heads and an aggressive competitive strategy to outsmart our competitors. We no doubt have been blessed with superior tourism assets. It's now up to us to develop and apply a winning strategic plan.

2.3 The Strategic Management Process

According to Pearce & Robinson (Strategic Management, 2000), Strategic Management is defined as the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives. It comprises nine critical tasks:

1. Formulate the company's mission, including broad statements about its purpose, philosophy, and goals.
2. Conduct an analysis that reflects the company's internal conditions and capabilities.
3. Assess the company's external environment, including both the competitive and general contextual factors.
4. Analyse the company's options by matching its resources with the external environment.
5. Identify the most desirable options by evaluating each option in light of the company's mission.
6. Select a set of long-term objectives and grand strategies that will achieve the most desirable options.
7. Develop annual objectives and short-term strategies that are compatible with the selected set of long-term objectives and grand strategies.
8. Implement the strategic choices by means of budgeted resource allocations in which the matching tasks, people, structures, technologies and reward systems is emphasized.
9. Evaluate the success of the strategic process as an input for future decision-making.

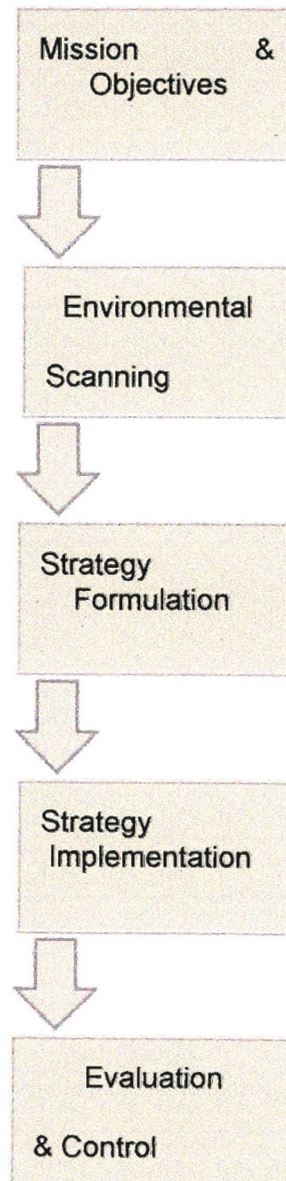
The firm must engage in the strategic management process that clearly defines objectives and assesses both the internal and external

situation to formulate strategy, implement the strategy, evaluate the progress, and make adjustments as necessary to stay on track.

The following diagram shows a simplified view of the strategic management process:

Figure 2.3

The Strategic Management Process



Source: Bradford, R. W., Duncan, P. J., Tarcy, B Simplified Strategic Planning

2.3.1 The Business Vision and Company Mission Statement

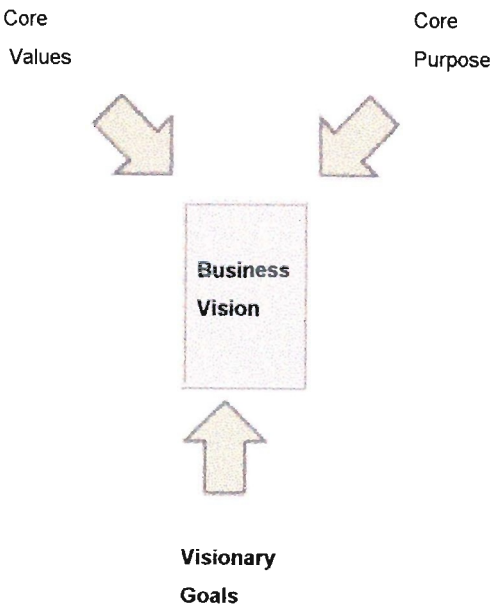
While a business must continually adapt to its competitive environment, there are certain core ideals that remain relatively steady and provide guidance in the process of strategic decision-making. These unchanging ideals form the business vision and are expressed in the company mission statement. James Collins and Jerry Porras (Building Your Company's Vision, 1996) provided a framework for understanding business vision and articulating it in a mission statement.

The mission statement communicates the firm's core ideology and visionary goals, generally consisting of the following three components:

- 1. Core values to which the firm is committed
- 2. Core purpose of the firm
- 3. Visionary goals the firm will pursue to fulfil its mission

The three components of the business vision can be portrayed as follows:

Figure 2.3.1



Source: Jeffrey A, The Mission Statement Book

Core Values

The core values are a few values (no more than five or so) that are central to the firm. Core values reflect the deeply held values of the organization and are independent of the current industry environment and management fads. One way to determine whether a value is a core value is to ask whether it would continue to be supported if circumstances changed and caused it to be seen as a liability. If the answer is that it would be kept, then it is a core value. Another way to determine which values are core is to imagine the firm moving into a totally different industry. The values that would be carried with it into the new industry are the core values of the firm. Core values will not change even if the industry in which the company operates changes. If the industry changes such that the core values are not appreciated, then the firm should seek new markets where its core values are viewed as an asset.

The following are a few examples of values that some firms have chosen to be in their core:

- Excellent customer service
- Pioneering technology
- Creativity
- Integrity
- Social responsibility

Core Purpose

The core purpose is the reason that the firm exists. This core purpose is expressed in a carefully formulated mission statement. Like the core values, the core purpose is relatively unchanging and for many firms

endures for decades or even centuries. This purpose sets the firm apart from other firms in its industry and sets the direction in which the firm will proceed. The core purpose is an idealistic reason for being. Initial attempts at stating a core purpose often result in too specific of a statement that focuses on a product or service. To isolate the core purpose, it is useful to ask "why" in response to first-pass, product-oriented mission statements. For example, if a market research firm initially states that its purpose is to provide market research data to its customers, asking "why" leads to the fact that the data is to help customers better understand their markets. Continuing to ask "why" may lead to the revelation that the firm's core purpose is to assist its clients in reaching their objectives by helping them to better understand their markets. The core purpose and values of the firm are not selected - they are discovered. The stated ideology should not be a goal or aspiration but rather, it should portray the firm as it really is.

Visionary Goals

The visionary goals are the lofty objectives that the firm's management decides to pursue. This vision describes some milestone that the firm will reach in the future and may require a decade or more to achieve. In contrast to the core ideology that the firm discovers, visionary goals are selected. These visionary goals are longer term and more challenging than strategic or tactical goals. There may be only a 50% chance of realizing the vision, but the firm must believe that it can do so. Collins and Porras describe these lofty objectives as "Big, Hairy, Audacious Goals." These goals should be challenging enough so that people nearly gasp when they learn of them and realize the effort that will be required to reach them.

Most visionary goals fall into one of the following categories:

- Target - quantitative or qualitative goals such as a sales target.
- Common enemy - centered on overtaking a specific firm.
- Role model - to become like another firm in a different industry or market.
- Internal transformation - especially appropriate for very large corporations. For example, GE set the goal of becoming number one or number two in every market it serves.

While visionary goals may require significant stretching to achieve, many visionary companies have succeeded in reaching them. Once such a goal is reached, it needs to be replaced; otherwise, it is unlikely that the organization will continue to be successful.

2.3.2 Environmental Scan

The environmental scan includes the following components:

- Internal analysis of the firm
- Analysis of the firm's industry (task environment)
- External macro-environment (PEST analysis)

The internal analysis can identify the firm's strengths and weaknesses and the external analysis reveals opportunities and threats. A profile of the strengths, weaknesses, opportunities, and threats is generated by means of a SWOT Analysis. An industry analysis can be performed using a framework developed by Michael Porter known as Porters Five Forces Model. This framework evaluates entry barriers, suppliers, customers, substitute products, and industry rivalry.

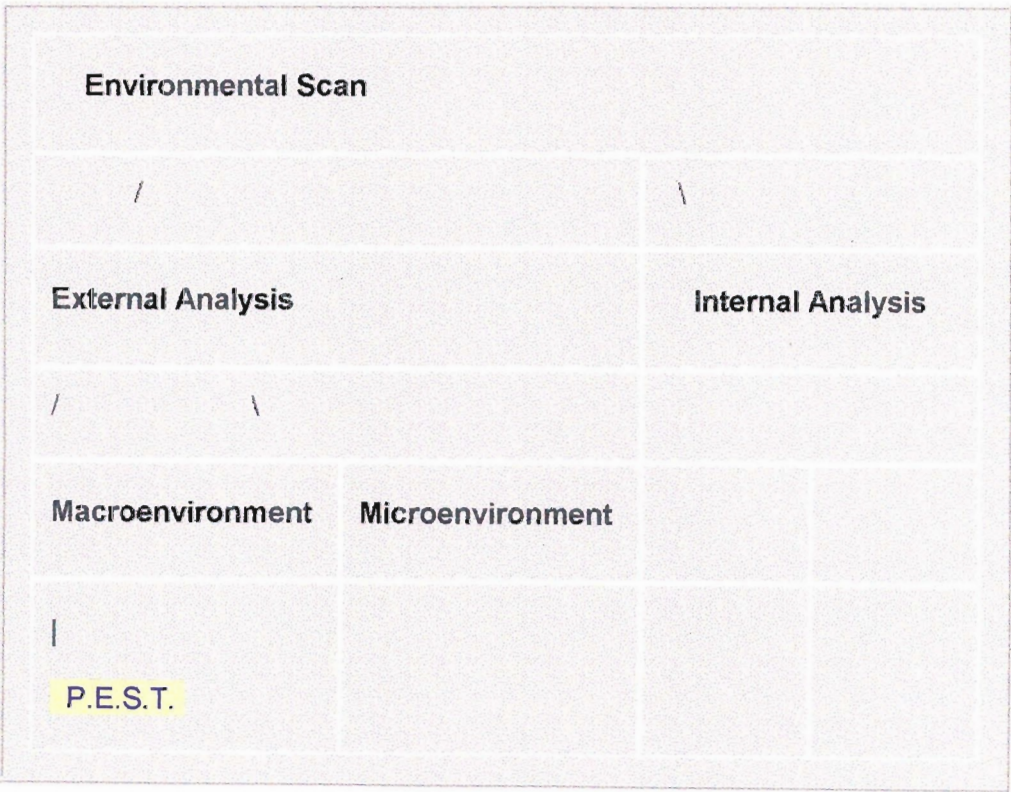
2.3.2.1 PEST Analysis

A scan of the external macro-environment in which the firm operates can be expressed in terms of the following factors:

- Political
- Economic
- Social
- Technological

The acronym PEST is used to describe a framework for the analysis of these macro-environmental factors. A PEST analysis fits into an overall environmental scan as shown in the following diagram:

Figure 2.3.2.1



Source: Bradford, R. W., Duncan, P. J., Tarcy, B Simplified Strategic Planning

Political Factors

Political factors include government regulations and legal issues and define both formal and informal rules under which the firm must operate. Some examples include:

- Tax policy
- Employment laws
- Environmental regulations
- Trade restrictions and tariffs
- Political stability

Economic Factors

Economic factors affect the purchasing power of potential customers and the firm's cost of capital. The following are examples of factors in the macroeconomy:

- Economic growth
- Interest rates
- Exchange rates
- Inflation rate

Social Factors

Social factors include the demographic and cultural aspects of the external macroenvironment. These factors affect customer needs and the size of potential markets. Some social factors include:

- Health consciousness
- Population growth rate
- Age distribution
- Career attitudes
- Emphasis on safety

Technological Factors

Technological factors can lower barriers to entry, reduce minimum efficient production levels, and influence outsourcing decisions. Some technological factors include:

- R&D activity
- Automation
- Technology incentives
- Rate of technological change

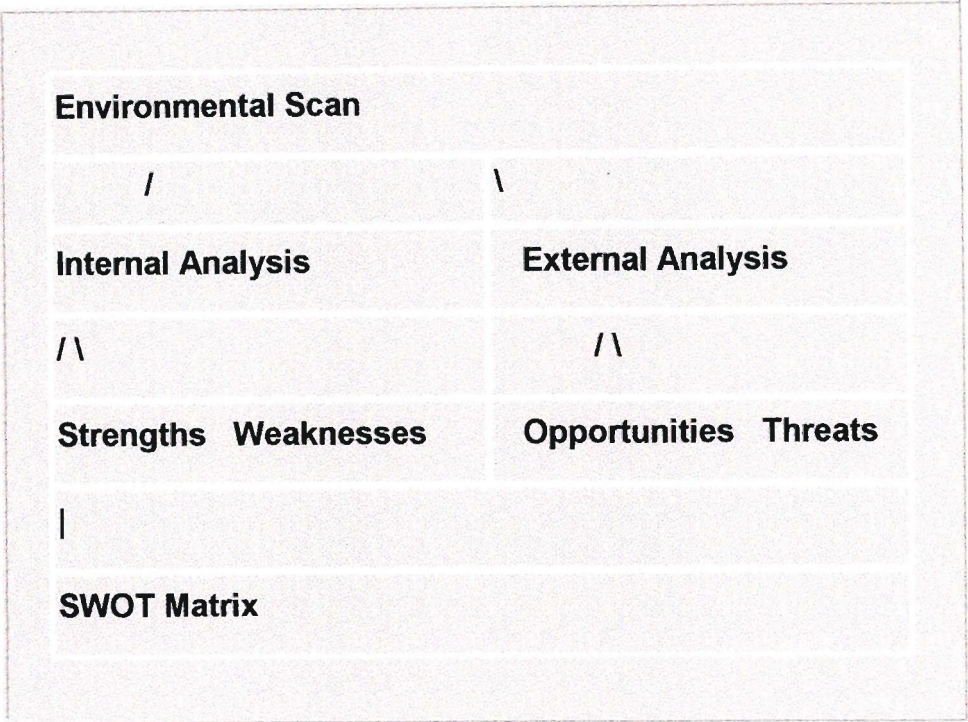
2.3.2.2 SWOT Analysis

A scan of the internal and external environment is an important part of the strategic planning process. Environmental factors internal to the firm usually can be classified as strengths (S) or weaknesses (W), and those external to the firm can be classified as opportunities (O) or threats (T). Such an analysis of the strategic environment is referred to as a SWOT analysis. The SWOT analysis provides information that is helpful in matching the firm's resources and capabilities to the competitive environment in which it operates. As such, it is instrumental in strategy

formulation and selection. The following diagram shows how a SWOT analysis fits into an environmental scan:

Figure 2.3.2.2

SWOT Analysis Framework



Source: Bradford, R. W., Duncan, P. J., Tarcy, B Simplified Strategic Planning

Strengths

A firm's strengths are its resources and capabilities that can be used as a basis for developing a competitive advantage. Examples of such strengths include:

- Patents
- Strong brand names
- Good reputation among customers

- Cost advantages from proprietary know-how
- Exclusive access to high grade natural resources
- Favourable access to distribution networks

Weaknesses

The absence of certain strengths may be viewed as a weakness. For example, each of the following may be considered weaknesses:

- Lack of patent protection
- A weak brand name
- Poor reputation among customers
- High cost structure
- Lack of access to the best natural resources
- Lack of access to key distribution channels

Opportunities

The external environmental analysis may reveal certain new opportunities for profit and growth. Some examples of such opportunities include:

- An unfulfilled customer need
- Arrival of new technologies
- Loosening of regulations
- Removal of international trade barriers

Threats

Changes in the external environmental also may present threats to the firm. Some examples of such threats include:

- Shifts in consumer tastes away from the firm's products
- Emergence of substitute products
- New regulations
- Increased trade barriers

The SWOT Matrix

A firm should not necessarily pursue the more lucrative opportunities. Rather, it may have a better chance at developing a competitive advantage by identifying a fit between the firm's strengths and upcoming opportunities. In some cases, the firm can overcome a weakness in order to prepare it to pursue a compelling opportunity.

To develop strategies that take into account the SWOT profile, the Ambrosini Swot Analysis Model can be used. According to Veronique Ambrosini the aim of SWOT analysis is to match likely external environmental changes with internal capabilities, to test these out and challenge how an organisation can capitalise on new opportunities, or defend itself against future threats. The exercise, therefore, seeks to challenge the robustness of an organisation's current strategy and highlight arrears that might need to change in order to sustain or develop its competitive position. (Ambrosini,V. Exploring Techniques of Analysis and Evaluation In Strategic Management, 1998,p123). The identified strengths, weaknesses, opportunities and threats are collated into a

matrix. A scoring mechanism is also used as an aid to provide clarity to the analysis and as a means of getting one to assess:

- The most critical environmental changes
- The internal strengths that will remain as strengths or become weaknesses in the changing environment
- The internal element that is most influenced by each external change
- A positive (+) score denotes that a strength that a company possesses would help it take advantage of, or counteract, a problem arising from an environmental change or a weakness that would be offset by the environmental change
- A negative (-) score denotes that strength would be reduced by the environmental change or a weakness would prevent the organisation from overcoming the problems associated with an environmental change or be accentuated by the change.
- A zero (0) score indicates that current strength or weakness would not be affected by the environmental change. (Ambrosini.V 1998).

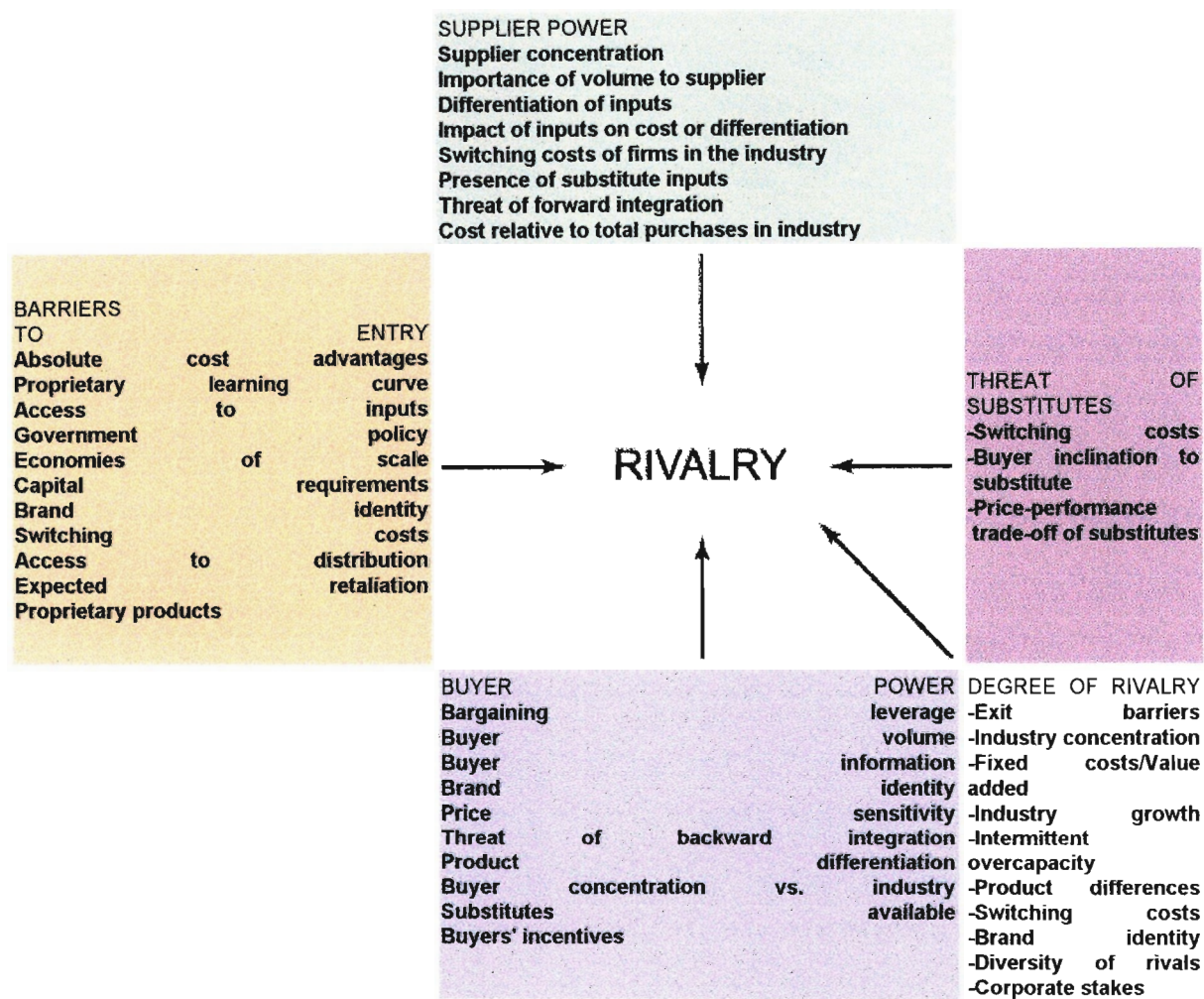
The environmental impact score shows an overall indication of the company's position.

2.3.2.3 Porter's Five Forces

Michael Porter(1990) provided a framework that models an industry as being influenced by five forces. The strategic business manager seeking to develop an edge over rival firms can use this model to better understand the industry context in which the firm operates.

Figure 2.3.2.3

Diagram of Porter's 5 Forces



Source: Porter, M.E., Competitive Strategy: Techniques for Analysing Industries and Competitors

Rivalry

In the traditional economic model, competition among rival firms drives profits to zero. But competition is not perfect and firms are not unsophisticated passive price takers. Rather, firms strive for a competitive advantage over their rivals. The intensity of rivalry among firms varies across industries, and strategic analysts are interested in these differences. Economists measure rivalry by indicators of industry concentration. Concentration Ratio (CR) is one such measure. A high concentration ratio indicates that the largest firms hold a high concentration of market share - the industry is concentrated. With only a few firms holding a large market share, the competitive landscape is less competitive (closer to a monopoly). A low concentration ratio indicates that the industry is characterized by many rivals, none of which has a significant market share. These fragmented markets are said to be competitive. The concentration ratio is not the only available measure; the trend is to define industries in terms that convey more information than distribution of market share. If rivalry among firms in an industry is low, the industry is considered to be disciplined. This discipline may result from the industry's history of competition, the role of a leading firm, or informal compliance with a generally understood code of conduct. Explicit collusion generally is illegal and not an option; in low-rivalry industries competitive moves must be constrained informally. However, a maverick firm seeking a competitive advantage can displace the otherwise disciplined market. When a rival acts in a way that elicits a counter-response by other firms, rivalry intensifies. The intensity of rivalry commonly is referred to as being cutthroat, intense, moderate, or weak, based on the firms' aggressiveness in attempting to gain an advantage.

In pursuing an advantage over its rivals, a firm can choose from several competitive moves:

- Changing prices - raising or lowering prices to gain a temporary advantage.
- Improving product differentiation - improving features, implementing innovations in the manufacturing process and in the product itself.
- Creatively using channels of distribution – using vertical integration or using a distribution channel that is novel to the industry. The intensity of rivalry is influenced by the following industry characteristics:
 1. A larger number of firms increase rivalry because more firms must compete for the same customers and resources. The rivalry intensifies if the firms have similar market share, leading to a struggle for market leadership.
 2. Slow market growth causes firms to fight for market share. In a growing market, firms are able to improve revenues simply because of the expanding market.
 3. High fixed costs result in an economy of scale effect that increases rivalry. When total costs are mostly fixed costs, the firm must produce near capacity to attain the lowest unit costs. Since the firm must sell this large quantity of product, high levels of production lead to a fight for market share and results in increased rivalry.
 4. High storage costs or highly perishable products cause a producer to sell goods as soon as possible. If other producers are attempting to unload at the same time, competition for customers intensifies.
 5. Low switching costs increases rivalry. When a customer can freely switch from one product to another there is a greater struggle to capture customers.

6. Low levels of product differentiation are associated with higher levels of rivalry. Brand identification, on the other hand, tends to constrain rivalry.
7. Strategic stakes are high when a firm is losing market position or has potential for great gains. This intensifies rivalry.
8. High exit barriers place a high cost on abandoning the product. The firm must compete. High exit barriers cause a firm to remain in an industry, even when the venture is not profitable
9. A diversity of rivals with different cultures, histories, and philosophies make an industry unstable. There is greater possibility for mavericks and for misjudging rival's moves. Rivalry is volatile and can be intense.
10. Industry Shakeout. A growing market and the potential for high profits induces new firms to enter a market and incumbent firms to increase production. A point is reached where the industry becomes crowded with competitors, and demand cannot support the new entrants and the resulting increased supply. The industry may become crowded if its growth rate slows and the market becomes saturated, creating a situation of excess capacity with too many goods chasing too few buyers. A shakeout ensues, with intense competition, price wars, and company failures.

BCG founder Bruce Henderson generalized this observation as the Rule of Three and Four: a stable market will not have more than three significant competitors, and the largest competitor will have no more than four times the market share of the smallest. If this rule is true, it implies that:

- If there is a larger number of competitors, a shakeout is inevitable
- Surviving rivals will have to grow faster than the market

- Eventual losers will have a negative cash flow if they attempt to grow
- All except the two largest rivals will be losers
- The definition of what constitutes the "market" is strategically important.

Whatever the merits of this rule for stable markets, it is clear that market stability and changes in supply and demand affect rivalry. Cyclical demand tends to create cutthroat competition.

Threat Of Substitutes

In Porter's model, substitute products refer to products in other industries. To the economist, a threat of substitutes exists when a product's demand is affected by the price change of a substitute product. Substitute products affect a product's price elasticity - as more substitutes become available, the demand becomes more elastic since customers have more alternatives. A close substitute product constrains the ability of firms in an industry to raise prices. The competition engendered by a Threat of Substitute comes from products outside the industry. While the treat of substitutes typically impacts an industry through price competition, there can be other concerns in assessing the threat of substitutes.

Buyer Power

The power of buyers is the impact that customers have on a producing industry. In general, when buyer power is strong, the relationship to the producing industry is near to what an economist terms a monopsony - a market in which there are many suppliers and one buyer. Under such

market conditions, the buyer sets the price. In reality few pure monopsonies exist, but frequently there is some asymmetry between a producing industry and buyers.

Supplier Power

A producing industry requires raw materials - labour, components, and other supplies. This requirement leads to buyer-supplier relationships between the industry and the firms that provide it the raw materials used to create products. Suppliers, if powerful, can exert an influence on the producing industry, such as selling raw materials at a high price to capture some of the industry's profits.

Barriers to Entry / Threat of Entry

It is not only incumbent rivals that pose a threat to firms in an industry; the possibility that new firms may enter the industry also affects competition. In theory, any firm should be able to enter and exit a market, and if free entry and exit exists, then profits always should be nominal. In reality, however, industries possess characteristics that protect the high profit levels of firms in the market and inhibit additional rivals from entering the market. These are barriers to entry. Barriers to entry are more than the normal equilibrium adjustments that markets typically make. For example, when industry profits increase, we would expect additional firms to enter the market to take advantage of the high profit levels, over time driving down profits for all firms in the industry. When profits decrease, we would expect some firms to exit the market thus restoring market equilibrium. Falling prices, or the expectation that future prices will fall, deters rivals from entering a market. Firms also may be reluctant to enter markets that are extremely uncertain, especially if entering involves expensive start-up costs. These are normal

accommodations to market conditions. But if firms individually (collective action would be illegal collusion) keep prices artificially low as a strategy to prevent potential entrants from entering the market, such entry-detering pricing establishes a barrier.

Barriers to entry are unique industry characteristics that define the industry. Barriers reduce the rate of entry of new firms, thus maintaining a level of profits for those already in the industry. From a strategic perspective, barriers can be created or exploited to enhance a firm's competitive advantage. Barriers to entry arise from several sources:

1. Government creates barriers. Although the principal role of the government in a market is to preserve competition through anti-trust actions, government also restricts competition through the granting of monopolies and through regulation. Industries such as utilities are considered natural monopolies because it has been more efficient to have one electric company provide power to a locality than to permit many electric companies to compete in a local market. To restrain utilities from exploiting this advantage, government permits a monopoly, but regulates the industry. Illustrative of this kind of barrier to entry is the local cable company.
2. Patents and proprietary knowledge serve to restrict entry into an industry. Ideas and knowledge that provide competitive advantages are treated as private property when patented, preventing others from using the knowledge and thus creating a barrier to entry
3. Asset specificity inhibits entry into an industry. Asset specificity is the extent to which the firm's assets can be utilized to produce a different product. When an industry requires highly specialized technology or plants and equipment, potential entrants are reluctant to commit to acquiring specialized assets that cannot be sold or converted into other uses if the venture fails. Asset specificity provides a barrier to entry for two reasons: First, when

firms already hold specialized assets they fiercely resist efforts by others from taking their market share. New entrants can anticipate aggressive rivalry. These assets are both large and industry specific. The second reason is that potential entrants are reluctant to make investments in highly specialized assets.

4. Organizational (Internal) Economies of Scale. The most cost efficient level of production is termed Minimum Efficient Scale (MES). This is the point at which unit costs for production are at minimum - i.e., the most cost efficient level of production. If MES for firms in an industry is known, then we can determine the amount of market share necessary for low cost entry or cost parity with rivals.

The existence of such an economy of scale creates a barrier to entry. The greater the difference between industry MES and entry unit costs, the greater the barrier to entry. So industries with high MES deter entry of small, start-up businesses. To operate at less than MES there must be a consideration that permits the firm to sell at a premium price - such as product differentiation or local monopoly.

Barriers to exit work similarly to barriers to entry. Exit barriers limit the ability of a firm to leave the market and can exacerbate rivalry - unable to leave the industry, a firm must compete.

Dynamic Nature of Industry Rivalry

Our descriptive and analytic models of industry tend to examine the industry at a given state. The nature and fascination of business is that it is not static. While we are prone to generalize, for example, list GM, Ford, and Chrysler as the "Big 3" and assume their dominance, we also have seen the automobile industry change. Currently, the entertainment and communications industries are in flux. Phone companies, computer firms,

and entertainment are merging and forming strategic alliances that re-map the information terrain. Schumpeter and, more recently, Porter have attempted to move the understanding of industry competition from a static economic or industry organization model to an emphasis on the interdependence of forces as dynamic, or punctuated equilibrium, as Porter terms it.

2.3.3 Strategy Formulation

Given the information from the environmental scan, the firm should match its strengths to the opportunities that it has identified, while addressing its weaknesses and external threats.

To attain superior profitability, the firm seeks to develop a competitive advantage over its rivals. A competitive advantage can be based on cost or differentiation. Michael Porter identified three industry-independent generic strategies from which the firm can choose.

2.3.3.1 What is a Competitive Advantage?

The goal of much of business strategy is to achieve a sustainable competitive advantage.

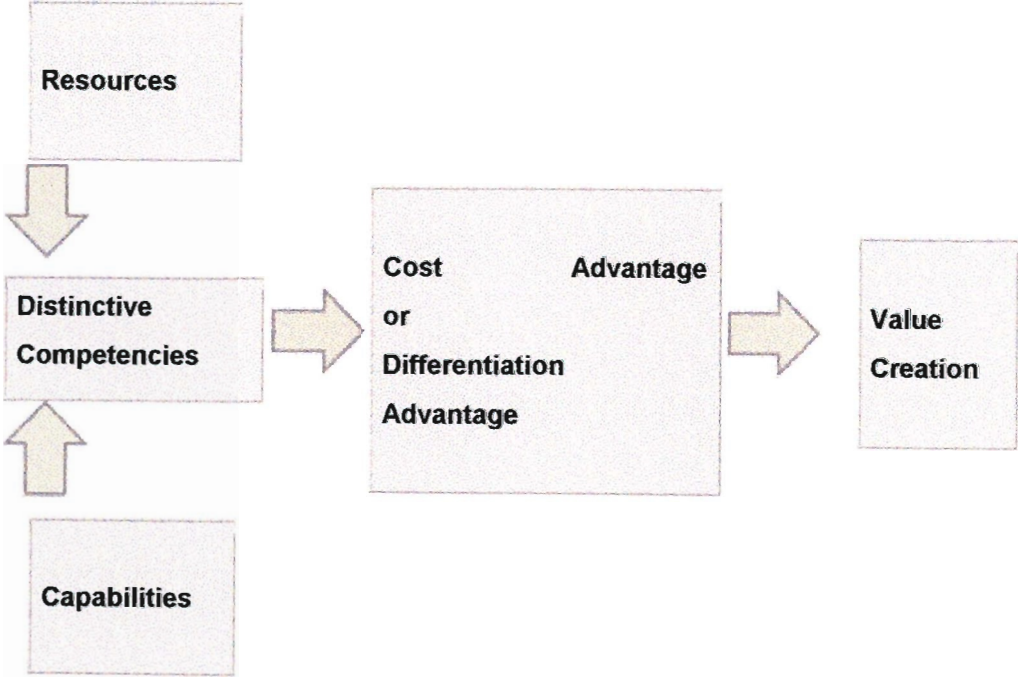
Michael Porter identified two basic types of competitive advantage:

- Cost advantage
- Differentiation advantage

A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation

advantage). Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself. Cost and differentiation advantages are known as positional advantages since they describe the firm's position in the industry as a leader in either cost or differentiation. A resource-based view emphasizes that a firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation. The following diagram combines the resource-based and positioning views to illustrate the concept of competitive advantage:

Figure 2.3.3.1
A Model of Competitive Advantage



Source: Porter, M.E., *Competitive Advantage: Creating and Sustaining Superior Performance*

Resources and Capabilities

According to the resource-based view, in order to develop a competitive advantage the firm must have resources and capabilities that are superior to those of its competitors. Without this superiority, the competitors simply could replicate what the firm was doing and any advantage quickly would disappear. Resources are the firm-specific assets useful for creating a cost or differentiation advantage and that few competitors can acquire easily. The following are some examples of such resources:

- Patents and trademarks
- Proprietary know-how
- Installed customer base
- Reputation of the firm
- Brand equity

Capabilities refer to the firm's ability to utilize its resources effectively. An example of a capability is the ability to bring a product to market faster than competitors. Such capabilities are embedded in the routines of the organization and are not easily documented as procedures and thus are difficult for competitors to replicate. The firm's resources and capabilities together form its distinctive competencies. These competencies enable innovation, efficiency, quality, and customer responsiveness, all of which can be leveraged to create a cost advantage or a differentiation advantage.

Cost Advantage and Differentiation Advantage

Using resources and capabilities to achieve either a lower cost structure or a differentiated product creates competitive advantage. A firm positions itself in its industry through its choice of low cost or differentiation. This

decision is a central component of the firm's competitive strategy. Another important decision is how broad or narrow a market segment to target. Porter formed a matrix using cost advantage, differentiation advantage, and a broad or narrow focus to identify a set of generic strategies that the firm can pursue to create and sustain a competitive advantage.

Value Creation

The firm creates value by performing a series of activities that Porter identified as the value chain. In addition to the firm's own value-creating activities, the firm operates in a value system of vertical activities including those of upstream suppliers and downstream channel members. To achieve a competitive advantage, the firm must perform one or more value creating activities in a way that creates more overall value than do competitors. Superior value is created through lower costs or superior benefits to the consumer (differentiation).

Porter's Generic Strategies

If the primary determinant of a firm's profitability is the attractiveness of the industry in which it operates, an important secondary determinant is its position within that industry. Even though an industry may have below-average profitability, a firm that is optimally positioned can generate superior returns. A firm positions itself by leveraging its strengths. Michael Porter has argued that a firm's strengths ultimately fall into one of two headings: cost advantage and differentiation. By applying these strengths in either a broad or narrow scope, three generic strategies result: cost leadership, differentiation, and focus. These strategies are applied at the business unit level. They are called generic strategies because they are not firm or industry dependent. The following table illustrates Porter's Generic Strategies.

Porter's Generic Strategies Figure 2.3.3.2

Target Scope	Advantage	
	Low Cost	Product Uniqueness
Broad (Industry Wide)	Cost Leadership Strategy	Differentiation Strategy
Narrow (Market Segment)	Focus Strategy (low cost)	Focus Strategy (differentiation)

Source: Porter, M.E., Competitive Strategy: Techniques for Analysing Industries and Competitors

Cost Leadership Strategy

This generic strategy calls for being the low cost producer in an industry for a given level of quality. The firm sells its products either at average industry prices to earn a profit higher than that of rivals, or below the average industry prices to gain market share. In the event of a price war, the firm can maintain some profitability while the competition suffers losses. Even without a price war, as the industry matures and prices

decline, the firms that can produce more cheaply will remain profitable for a longer period of time. The cost leadership strategy usually targets a broad market. Firms that succeed in cost leadership often have the following internal strengths:

- Access to the capital required to make a significant investment in production assets; this investment represents a barrier to entry that many firms may not overcome.
- Skill in designing products for efficient manufacturing, for example, having a small component count to shorten the assembly process.
- High level of expertise in manufacturing process engineering.
- Efficient distribution channels.

Each generic strategy has its risks, including the low-cost strategy. For example, other firms may be able to lower their costs as well. As technology improves, the competition may be able to leapfrog the production capabilities, thus eliminating the competitive advantage. Additionally, several firms following a focus strategy and targeting various narrow markets may be able to achieve an even lower cost within their segments and as a group gain significant market share.

Differentiation Strategy

A differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition. The value added by the uniqueness of the product may allow the firm to charge a premium price for it. The firm hopes that the higher price will more than cover the extra costs incurred in offering the unique product. Because of the product's unique attributes, if suppliers increase their prices the firm may be able to pass along the costs to its customers

who cannot find substitute products easily. Firms that succeed in a differentiation strategy often have the following internal strengths:

- Access to leading scientific research.
- Highly skilled and creative product development team.
- Strong sales team with the ability to successfully communicate the perceived strengths of the product.
- Corporate reputation for quality and innovation.

The risks associated with a differentiation strategy include imitation by competitors and changes in customer tastes. Additionally, various firms pursuing focus strategies may be able to achieve even greater differentiation in their market segments.

Focus Strategy

The focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. The premise is that the needs of the group can be better serviced by focusing entirely on it. A firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly. Because of their narrow market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers. However, firms pursuing a differentiation-focused strategy may be able to pass higher costs on to customers since close substitute products do not exist. Firms that succeed in a focus strategy are able to tailor a broad range of product development strengths to a relatively narrow market segment that they know very well. Some risks of focus strategies include imitation and changes in the target segments. Furthermore, it may be fairly easy for a broad-market cost leader to adapt its product in order to compete directly.

Finally, other focusers may be able to carve out sub-segments that they can serve even better.

Generic Strategies and Industry Forces

These generic strategies each have attributes that can serve to defend against competitive forces. The following table compares some characteristics of the generic strategies in the context of the Porters Five Forces.

Figure 2.3.3.3

Generic Strategies and Industry Forces

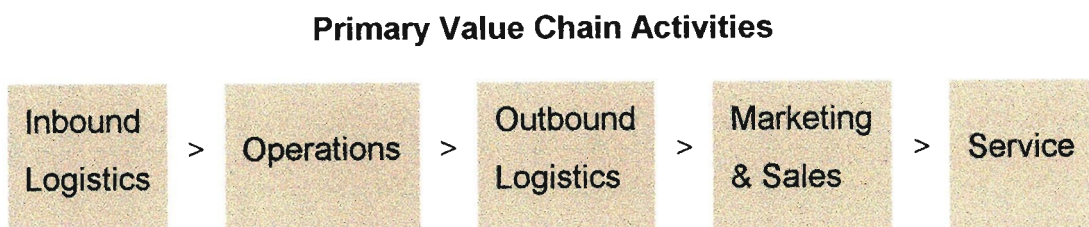
Industry Force	Generic Strategies		
	Cost Leadership	Differentiation	Focus
Entry Barriers	Ability to cut price in retaliation deters potential entrants.	Customer loyalty can discourage potential entrants.	Focusing develops core competencies that can act as an entry barrier.
Buyer Power	Ability to offer lower price to powerful buyers.	Large buyers have less power to negotiate because of few close alternatives.	Large buyers have less power to negotiate because of few alternatives.
Supplier Power	Better insulated from powerful suppliers.	Better able to pass on supplier price increases to customers.	Suppliers have power because of low volumes, but a differentiation-focused firm is better able to pass on supplier price increases.
Threat of Substitutes	Can use low price to defend against substitutes.	Customer's become attached to differentiating attributes, reducing threat of substitutes.	Specialized products & core competency protect against substitutes.
Rivalry	Better able to compete on price.	Brand loyalty to keep customers from rivals.	Rivals cannot meet differentiation-focused customer needs.

Source: Porter, M.E.,Competitive Strategy: Techniques for Analysing Industries and Competitors

The Value Chain

To analyse the specific activities through which firms can create a competitive advantage, it is useful to model the firm as a chain of value-creating activities. Michael Porter identified a set of interrelated generic activities common to a wide range of firms. The resulting model is known as the value chain and is depicted below:

Figure 2.3.3.4



Source: Porter, M.E., Competitive Advantage: Creating and Sustaining Superior Performance

The goal of these activities is to create value that exceeds the cost of providing the product or service, thus generating a profit margin.

- Inbound logistics include the receiving, warehousing, and inventory control of input materials.
- Operations are the value-creating activities that transform the inputs into the final product.
- Outbound logistics are the activities required to get the finished product to the customer, including warehousing, order fulfilment, etc.
- Marketing & Sales are those activities associated with getting buyers to purchase the product, including channel selection, advertising, pricing, etc.
- Service activities are those that maintain and enhance the product's value including customer support, repair services, etc.

Any or all of these primary activities may be vital in developing a competitive advantage. For example, logistics activities are critical for a provider of distribution services, and service activities may be the key focus for a firm offering on-site maintenance contracts for office equipment. These five categories are generic and portrayed here in a general manner. Each generic activity includes specific activities that vary by industry.

Support Activities

The primary value chain activities described above are facilitated by support activities. Porter identified four generic categories of support activities, the details of which are industry-specific.

- Procurement - the function of purchasing the raw materials and other inputs used in the value-creating activities.
- Technology Development - includes research and development, process automation, and other technology development used to support the value-chain activities.
- Human Resource Management - the activities associated with recruiting, development, and compensation of employees.
- Firm Infrastructure - includes activities such as finance, legal, quality management, etc.

Support activities often are viewed as "overhead", but some firms successfully have used them to develop a competitive advantage, for example, to develop a cost advantage through innovative management of information systems.

Value Chain Analysis

In order to better understand the activities leading to a competitive advantage, one can begin with the generic value chain and then identify the relevant firm-specific activities. Process flows can be mapped, and these flows used to isolate the individual value-creating activities. Once the discrete activities are defined, linkages between activities should be identified. A linkage exists if the performance or cost of one activity affects that of another. Optimising and coordinating linked activities may obtain competitive advantage. The value chain also is useful in outsourcing decisions. Understanding the linkages between activities can lead to more optimal make-or-buy decisions that can result in either a cost advantage or a differentiation advantage.

The Value System

The firm's value chain links to the value chains of upstream suppliers and downstream buyers. The result is a larger stream of activities known as the value system. The development of a competitive advantage depends not only on the firm-specific value chain, but also on the value system of which the firm is a part. The ultimate objective is to build a value package which customers perceive to be better than those offered by competitors. It is vital when designing such a package that the firm relates the costs of activities to the customer's perception of the value created by them (M.Partridge, L. Perren, 1994).

Strategy Implementation

The selected strategy is implemented by means of programs, budgets, and procedures. Implementation involves organization of the firm's resources and motivation of the staff to achieve objectives.

The way in which the strategy is implemented can have a significant impact on whether it will be successful. In a large company, those who implement the strategy likely will be different people from those who formulated it. For this reason, care must be taken to communicate the strategy and the reasoning behind it. Otherwise, the implementation might not succeed if the strategy is misunderstood or if lower-level managers resist its implementation because they do not understand why the particular strategy was selected(Porter M.E,1990)

Evaluation & Control

The implementation of the strategy must be monitored and adjustments made as needed.

Evaluation and control consists of the following steps:

1. Define parameters to be measured
2. Define target values for those parameters
3. Perform measurements
4. Compare measured results to the pre-defined standard
5. Make necessary changes

Johnson & Scholes (1999) said that there are three types of evaluation criteria that can be used when assessing strategies, namely:

- Suitability is a broad assessment of whether the strategy addresses the circumstances in which the organisation is operating. The extent to which new strategies would fit with the future trends and changes in the environment or how strategy might exploit the core competences of the organisation.
- Acceptability is concerned with the expected performance outcomes, such as return or risk, if the strategy were

implemented, and the extent to which these would be in line with the expectations of stakeholders.

- Feasibility is concerned with whether the strategy could be made to work in practice. Assessing the feasibility of a strategy requires an emphasis on quantitative assessment of the practicalities of resourcing and strategic capabilities.

2.4 Conclusion

The key to growth, even survival, is to stake out a position that is less vulnerable to attack from head-to-head opponents, whether established or new, and less vulnerable to erosion from the direction of buyers, suppliers, and substitute goods. Establishing such a position can take many forms – solidifying relationships with favourable customers, differentiating the product either substantially or psychologically through marketing, integrating forward or backward or establishing technological leadership (Porter M.E , 1979).The development of a new strategy for tourism in the DMA is of paramount importance to our future. This new strategy will position the DMA as a globally competitive tourist destination and the destination of choice in Africa. The above strategic management theory will be used as the basis on which this new strategy will be formulated. The strategy draws on the general strategic management framework. The strategy represents our commitment to the people of DMA that tourism will play a leading role in the economic development of our region.

Chapter Three

THE CURRENT STATUS OF TOURISM

3.1 Introduction

Tourism development in South Africa has largely been a missed opportunity. Had its history been different, South Africa would probably have been one of the most visited places in the world. The tourism industry in South Africa has been woefully protected - protected from foreign competition (limited international investment in tourism facilities), protected from demanding, long-stay tourists (limited flow of international visitors) and protected from itself (suppliers cater to a largely homogeneous and predictable clientele, i.e. the easily identifiable needs of the privileged class). As such, the potential of the tourism industry to spawn entrepreneurship, to create new services (e.g. local entertainment, handicrafts, etc.), to "drive" other sectors of the economy, to strengthen rural communities, to generate foreign exchange and to create employment, has not been realised. Tourism creates opportunities for the small entrepreneur; promotes awareness and understanding among different cultures; breeds a unique informal sector; helps to save the environment; creates economic linkages with agriculture, light manufacturing and curios (art, craft, souvenirs); creates linkages with the services sector (health and beauty, entertainment, banking and insurance); and provides dignified employment opportunities. Tourism can also play a strategic role in dynamising other sectors of the economy - the agriculture sector that benefits from the tourism industry (increased demand for new agricultural products and services such as organic agriculture, farm tourism); the manufacturing sector (the supply of furniture and fittings, construction, linens, pots, pans, etc.) as well as crafts (wood-working, curios, fine art) (Tourism White Paper, May 1996). Tourism however, has a much wider impact than the purely economic, tourism led initiatives can also support local businesses, culture and

crafts. The need to maintain attractive, high quality visitor destinations has meant that tourism contributes to the protection and upkeep of built and natural environments.

In addition to holidays, tourism refers to people travelling to a destination from their homes for a variety of reasons. It encompasses, among others, business, conferences, exhibitions, meetings, socialising, culture, sightseeing, entertainment, sports, concerts and film tourism, shopping, health treatments and education.

3.2 Analysis of the Tourism Industry

An appraisal of the current status of tourism in South Africa with special focus on KwaZulu-Natal and DMA will be the basis on which a new tourism strategy for the DMA will be formulated. The role of the people of DMA should not be under-estimated. It is crucial that they understand the benefits of tourism and sees themselves as ambassadors for the City, keen to support tourism and welcome visitors.

3.2.1 South African Tourism Industry

According to the WTTC survey 2002 , South Africa has an extremely diverse range of tourist attractions, including its unparalleled scenic beauty, its African wildlife, unspoilt wilderness areas, diverse cultures and attractive climate. In addition, tourists are drawn by the country's contemporary political and social history – the change from apartheid to a non-racial democracy – as well as by the fact that it offers good value for money, and there is minimal time change from major European generating markets. South Africa has a wide range of good sporting facilities and is a premier sporting destination on the African continent. It also offers excellent retail shopping. Important for the business market is South Africa's first-world infrastructure, including excellent communications and wide range of convention and conference facilities

and support services. It is a sophisticated financial market and is the diplomatic hub of southern, and to some extent, all of Africa. South Africa has a diverse economic base. It is a world leader in some primary economic sectors, such as mining, and has well-developed secondary and tertiary sectors compared with the rest of Africa, so it is an ideal export base for the continent. In addition to South Africa's diverse attractions, a few specific strengths underpin growth and potential for the domestic holiday market. There is growing affluence among sectors of the black population coupled with significant, if unquantified, unexplored holiday demand from these sectors. There is an increasing desire within the black community to see and understand different aspects of the country. The main attraction for the domestic market is still sun, sea and sand and South Africa has good beach products. The weak Rand also encourages the domestic market to stay at home as opposed to taking holidays abroad. Domestic business tourism is a very important component of the tourism industry, although it is largely driven by local economic growth and not dependent on any specific strengths of the country. The conference and incentive sector is the only exception to this, and South Africa has a very good conference venue infrastructure largely aimed at

the domestic market and is developing a good base of incentive products. The weak Rand is again a strength for the domestic conference and incentive industry as it discourages local associations and companies from taking incentives and conferences to foreign destinations.

3.2.1.1 International Tourism Trends

According to the WTTC report (2002) the scenic beauty and wildlife remain the main attractions for international air travellers to South Africa – cited by 44 per cent and 27 per cent respectively. Seeing South Africa after the political change seems to be declining in importance as a drawcard, although it is still cited as a

main reason for visiting by 15 per cent of travellers to South Africa. Eight of South Africa's top ten attractions are located in the Western Cape. The most popular tourist attraction for foreign air tourists is the V&A Waterfront in the Western Cape, attracting some 42 per cent of all foreign arrivals to South Africa in 2000, followed by Table Mountain (34 per cent) and Cape Point (33 per cent). Some 13 per cent visited the Kruger National Park. Robben Island was the only one of the top ten attractions that saw an increased share of foreign visitors in 2000 – up from 12 per cent in 1999 to 13 percent. The dramatic increase in foreign tourist arrivals between 1993 and 1998, there is a strong correlation between South Africa's international tourism and its political stability. Following the peaceful elections in 1994, South Africa's international arrivals increased significantly – from 3.1 million in 1993 (2.5 million from Africa and 690,000 from overseas) to 5.7 million in 1998 (4.3 million African and 1.4 million overseas). This represented an annual average growth of 17 per cent in international tourists and 27 per cent in overseas tourists over the six years. Since then, tourism growth has been depressed. In 2001, preliminary figures suggest that South Africa attracted 5.8 million foreign visitors – marginally higher than the number recorded in 1998 but down on 1999 and 2000. Among the overseas arrivals, Europe has been and will continue to be the major source of visitors to South Africa because of its relative geographic proximity and past socio-political relations with the country. Europe accounts for about a 66-67 per cent share of total overseas arrivals. European arrivals grew from 0.8 million in 1996 to over one million in 2000 – a steady growth of eight per cent per annum. North America (USA and Canada) and India/Indian Ocean Islands are the two other source regions recording significant annual average growth of 10.3 per cent and 9.9 per cent, respectively, between 1996 and 2000. Hotels are still the most popular form of accommodation, used by 63 per cent of international air tourists to South Africa in 2000. The homes of friends and relatives are the second most popular, with a 31 per cent share, followed by game lodges – down from 23 per cent in 1999 to 21 percent in 2000. Bed & breakfast accommodation, guesthouses and self-catering

attract around 18 per cent, 17 per cent and 14 per cent respectively. Backpacker hostels and caravan/camp sites were included in the 2000 survey for the first time. Around nine per cent of foreign air arrivals made use of backpacker hostels and eight per cent stayed in caravan/camp sites. The UK dominates European arrivals with a share of some 32-34 per cent, a testimony to its past and continuing strong socio-political relations. Germany ranks second with an average share of 21-25 per cent, followed by the Netherlands and France with 8-9 per cent each. As highlighted in the following table, visits to friends and/or relations (VFR) and business combined account for a higher share than leisure for the UK and Australia, reflecting their past close socio-political associations under the British Commonwealth. Leisure is generally dominant in other Western markets – Germany, Netherlands and the USA. Twice a year, in January and August, South African Tourism undertakes a survey of foreign tourists departing by air from Johannesburg, Cape Town and Durban International Airports. The survey only applies to overseas and African tourists to South Africa who travel by air, i.e. 1.8 million tourists in 2000 – 1.5 million from overseas and 280,000 African air arrivals. In 2000, 41 per cent of air travellers, or around 742,000, visited South Africa for holidays. A further 28 per cent visited the country for business and 21 per cent for VFR. Interestingly, although the Western Cape is perceived as South Africa's 'tourism capital', the province attracts slightly fewer foreign air arrivals per annum than Gauteng – a 51 per cent share as against Gauteng's 59 per cent. However, average length of stay is longer in the Western Cape – 11 days versus nine in Gauteng. KwaZulu-Natal is the third most popular destination region in the country, attracting a quarter of all foreign air arrivals in 2000. The trend towards shorter stays in South Africa is evident. In 1996 foreign air arrivals stayed an average of 18.2 days in South Africa but, by 2000, average length of stay in the country had fallen to 15.4 days. This can be attributed to a decline in the proportion of VFR visitors and an increase in real holidaymakers. In 2000, average expenditure per foreign air arrival in South Africa was R14,801 (at around R10 to US\$1) – covering accommodation, food, drink,

shopping, transport and recreation (including pre-paid expenses). If airfares are included, average trip spend was R24,500

3.2.1.2 Domestic Tourism Trends

In 2001 South African Tourism commissioned a South African Domestic Tourism Survey – the largest of its type ever undertaken in the country, which included interviews with 9,527 respondents, detailing their day and overnight trips taken from May 2000 to April 2001. The study found that, in the 12-month period, domestic tourists took 33.5 million overnight trips and 57 million day trips. VFR was the main purpose of travel accounting for a 59 per cent share of total trips. Some 21 per cent were for holidays, 14 per cent for religious purposes and four per cent for business. Gauteng province attracted the highest number of business trips and is the most popular destination for overnight trips overall – largely due to a high predominance of VFR travel – followed closely by KwaZulu-Natal. KwaZulu-Natal attracts the highest proportion of domestic holiday trips, followed by the Western Cape. Gauteng is only the fourth most popular destination for overnight holiday trips. Average expenditure per capita per trip for all types of overnight domestic travel is R437, of which R182 (42 per cent) is spent on transport, R97 (22 per cent) on accommodation, R105 (24 per cent) on food, R34 (eight per cent) on entertainment and R20 (five per cent) on gifts. The Western Cape has the highest average expenditure per domestic tourist of all the provinces. The South African Domestic Tourism Survey found that, from May 2000 to April 2001, domestic tourists took 57 million day trips. Same-day travellers, or excursionists, originated from the Eastern Cape (22 per cent), Gauteng (20 per cent), Northern Province (14 per cent) and the Western Cape (13 per cent). Central Gauteng, the Wild Coast and Cape Metropole were the most popular destinations for same-day travellers. Day visitors to the Western Cape have the highest average expenditure per person per trip, followed by KwaZulu-Natal and the Free State. According to Statistics South Africa, 78 per cent of the 1.8 million air travellers to South Africa in

2000 entered the country via Johannesburg International Airport, 20 per cent via Cape Town International Airport and fewer than two per cent through Durban and other international airports combined. Statistics released by the Airports Company South Africa (ACSA), meanwhile, indicate that 2.7 million passengers departed from South Africa for international destinations between April 2000 and March 2001. These passengers included both South Africans travelling abroad (41 per cent) as well as foreign visitors returning home (59 per cent). Some 6.8 million domestic passengers also passed through ACSA airports. Due to the re-acceptance of South Africa into the global community, the liberalization of international air routes and a healthy growth in demand for air travel, the number of international airlines serving South Africa increased significantly in the 1990s – from 21 in 1991 to over 60 in 1999. There are currently around 40 international airlines serving South Africa. Although the number of airlines has decreased, the number of frequencies and seat capacity to South Africa have increased significantly since the September 11 2001 terrorist attacks. This is the result of international airlines redeploying aircraft from less favourable routes to South Africa. The country is considered to be reasonably well served with international services to most continents. South African Airways (SAA), the national carrier, is the dominant international airline. As yet there are no large charter flight operations bringing foreign tourists to South Africa. There are seven major domestic airlines operating regional routes – SAA, British Airways/Comair, Kulula.com, Nationwide, SA Airlink, SA Express and Sun Air. Of these SAA is by far the largest. In addition to having a good airport infrastructure, South Africa's road and rail transport systems are well developed. There are a significant number of specialized tourist train services catering to the high end of the market, including the world-famous Blue Train. Since there is no compulsory registration of tourist accommodation facilities required, the actual number of tourist accommodation establishments in South Africa is not known. However, estimates put the number of establishments at just over 11,000 and the total number of units in all types of accommodation at 168,700. An

estimated 30 per cent of hotel establishments and 60 per cent of hotel rooms in South Africa are in hotels that have an affiliation to a chain or group. The major hotel groups in South Africa are locally owned groups, such as Sun International (which includes the limited service brand City Lodge and serviced apartment brand, Courtyard), Protea and Southern Sun (which includes the Holiday Inn and Formule 1 brands). Although several international brands have established hotels in South Africa in recent years - ie Hilton, Sheraton and Hyatt – these hotels have struggled to penetrate the South African market. The main reason for this is said to be an underestimation of loyalty to local brands. A new national grading system was recently developed by the Tourism Grading Council of South Africa, a council commissioned by the Minister of Tourism in late 2000. The accommodation component of the grading system was launched in November 2001. Hotel trading statistics are collected and compiled by Statistics South Africa on behalf of the industry. Since many hotels are not graded, the statistics are only meaningful if analysed on a national or area basis. Hotel performance has been poor, with occupancy levels consistently lower than international norms. Although 2001 occupancies were higher than those achieved from 1990 to 1994 – when they dropped below 50 per cent – the 53 per cent average for the country cannot be viewed as good. Average room rates have seen consistent growth over the last decade but, in the last four years, they have declined in real terms. The pressure on rates and occupancies is mainly the result of increased supply. Between 1994 and 2000, South Africa saw significant capacity increases, which outstripped the growth in demand. In fact lower demand growth has been experienced in the last two years than would have been predicted when the new hotels were being planned and built. This is particularly true for Cape Town, which achieved good occupancy levels from 1995 to 1997, but which also received most of the additional room supply coming on stream from 1998. Occupancies and rates are not expected to improve significantly until demand growth is sufficient to absorb the current room oversupply in South Africa.

3.2.1.3 The Meetings,Incentives,Conferences and Exhibition Market **(MICE)**

According to the WTTC report (2002) South Africa boasts a large number of conference venues and the sophistication of these venues has improved significantly in the last decade. In total, there are 1,500 venues that can host events in South Africa. Together, the Western Cape, Gauteng and KwaZulu-Natal provide 72 per cent of the country's conference facilities. Some 65 per cent of South Africa's conference venues are located within accommodation establishments. Only a small percentage is purpose built, specialized centres located outside accommodation establishments. However, South Africa now offers two international convention centres (in Durban and Sandton, Johannesburg) and a third is being constructed in Cape Town. It is estimated that venues in South Africa have a capacity for 1.4 million conference room days and 100 million delegate days per year. The South African Tourism Conference Industry Study carried out in 1999/2000 established that South Africa hosted just over 101,000 events in 1999. These represented 11.1 million delegates and 14.8 million delegate days. The bulk of conference demand emanates from the domestic market. According to the results of the study, the conference room utilization rate is 9.3 per cent and the delegate seat utilization rate 14.8 per cent (Dutch utilization rates were 28 per cent for rooms and 16 per cent for seats in 1991). This utilization rate is calculated over all venues in South Africa. If only the venues that account for the majority of the meetings, incentives, conferences and exhibition (MICE) business in South Africa are included – ie the most popular and frequently used – conference room utilization rises to 44.3 per cent and delegate day utilization to 25 per cent. The South African MICE industry is estimated to have grown at around five per cent per annum over the last few of years. Demand is expected to continue to grow but, given the ongoing increase in capacity supply,

utilization levels will remain much the same, possibly even declining slightly with the advent of new and larger venues.

3.2.2 KwaZulu-Natal Tourism Trends

KZN still has the dominant share of South Africa's domestic urban tourism market. However, there has been a general decline in domestic tourism here and in all provinces in SA. The reasons for this decline could be ascribed to the state of the South African economy and its impact on disposable income. The petrol price hikes have, in particular, lead to less frequent domestic tourism trip being undertaken. Approximately 6.4 million urban domestic tourists from outside or within this province travel to one or more destinations within KwaZulu-Natal, on an annual basis. The primary reason that domestic tourists visit destinations in KZN is to visit family and friends. KwaZulu-Natal's core tourism market is derived from within its borders. Gauteng is the core external source market as has historically been the case. The key destinations visited by domestic tourists are the Durban Central area the South Coast, the Midlands and the North Coast. With the average adult domestic tourist spending in the order of R616 a trip, this implies that KZN's domestic tourism market is worth approximately R4 billion per annum, in terms of consumer expenditure. In 2001, 450 000 international tourists or approximately 20-25% of all foreigners who visited South Africa visited KZN (down from 30-33% in 1997). These tourists originated from the following markets. United Kingdom 17% , USA & Canada 15% , Germany 12% , Africa 9%, Australia 6% , The Netherlands 5%, France 4%

They visited KwaZulu-Natal primarily for holiday purposes (54%). Approximately 17% did so to visit family and friends and 16% came to the province on business. The core destinations visited by foreign tourists were: .Central Durban areas (69%) ,Drakensberg(3.1%) ,Zululand (30%) .Pietermaritzburg and the Midlands (27%) ,The North Coast (25%) Key attractions were: .Durban Beachfront (57%) ,Drakensberg (31%) ,muhluwe-Umfolozi (23%), Valley of 1000 Hills (21%), Seaworld (15%),

Zulu Village (12%). It is evident from the above that the DMA was the most visited destination in the province. Foreign tourists spend an average of R5936.00 per person during their stay. Based on this information, KZN'S foreign tourism consumer expenditure is worth approx.R3.7 billion per annum. Consumer expenditure related to the tourism industry in this province amounted to approx. R8billion in 2001.It's contribution to the GDP of this province is estimated to be in the region of 10%. The industry employs approx.110000 people directly or indirectly.

3.2.3 Overview of the DMA

DMA is Africa's coastal playground. Cosmopolitan and sophisticated, this idyllic outdoor lifestyle in offers you that much more. Africa's largest, busiest port and economic powerhouse of our Zulu Kingdom, we boast magnificent investment opportunities. DMA is gateway to two World Heritage Sites among majestic Drakensberg peaks and vast Game Reserves of the Zululand Bush, plus history-drenched Battlefields, fascination- filled Midlands and a resort-dotted coastline that stretches seemingly forever in both directions. Durban seafront has exerted a magnetic pull since time immemorial. Merely a few paces from an enticing selection of international-class, ultra-modern and meticulously maintained colonial-style tourist accommodation, clean golden sands and warm Indian Ocean beckon with irresistible allure. Protected year round by shark nets and expert lifeguards, our sea is perfect for surfing and body-boarding 'aquabatics'.

Designated areas keep bathers and surfboard riders a safe distance apart, so there's no chance of being speared by an errant piece of sporting equipment! If you re new to surfing or board-sailing, sheltered Addington Beach has ideally-small waves for learning. Further added dimensions to the beachfront's surf, sand and sun are daily dolphin shows and fascinating marine life at Sea World, thrilling spray-filled rides at Water World, the spine- chilling inhabitants of our Snake Park and

scaled-down perspective of Mini Town. Salt-water paddling ponds and olympic-size swimming pool ensure we cater for water-babies of all ages and exercise- regimes! Among all these attractions are cinemas, restaurants and taverns, fast-food outlets, amusement arcades, flea-markets and the opportunity to watch traditional Zulu arts and crafts in the making. For a low-flying bird's-eye view, survey the scene from our cable-car route...or stroll the long, water's-edge promenade for a more orthodox panorama. North of the Golden Mile, Country Club Beach, Tekwini Beach and Laguna Beach are away from hotels and self-catering holiday apartments overlooked...instead by two golf courses and major sporting complexes. At the wide Umgeni River mouth, Blue Lagoon Beach is Durban's most popular fishing locale...while beyond the river, La Lucia and Beachwood Mangroves Nature Reserve offer long, tranquil walks along empty sands. Shark-net and lifeguard protection resume at the satellite- resort and capital of our northern boundary Sugar Coast - Umhlanga. On the southside, meanwhile, suburban residents of The Bluff - a gigantic headland that forms the southeastern 'arm' of Durban Harbour - enjoy a string of safe and protected beaches that make a pleasant change from their 'city cousins' . Brighton Beach, Cave Rock Beach, Anstey's Beach and Garvies Beach are all highly popular, with interesting walks through coastal bush that ends almost at the water's edge. This stretch of shoreline continues beyond industrial areas and Durban International Airport to become seaside playground of The South and its 'capital' - Amanzimtoti. Hotels, resort complexes, self-catering establishments and caravan parks follow the beaches at Doonside, Warner Beach, Winkelspruit and Illovo leading to Metro Durban's southern boundary at the Mkomazi River. Named the Place of Whales by King Shaka after marvelling at the giant creatures basking in the river mouth, the broad Mkomazi River's southern bank is crowned by the spectacularly-sited town of Umkomaas. Now within Durban Metro limits, but also regarded as the first destination of our South Coast region (Tourism KZN,2000)

3.2.3.1 DMA'S Tourism Trends

TKZN survey (2000) reveals that 3.5mn (or 52%) of the 6.5mn domestic tourists to KZN visited Durban. This was substantially lower than the estimated figure of 4.4mn for 1998. Also, the value of this market for 2000 was R2- R2,25bn as opposed to R2,5-R3bn in 1998. The surveys clearly reveal that the Durban Metro's main source markets for domestic tourists are Gauteng and Kwa Zulu-Natal. Durban's most important domestic tourist market in terms of age is the 25 -34 segment. All three areas (Durban, South Coast, North Coast) are visited by significant numbers of visitors within the LSM 8 category. However, the Durban Central areas are also visited by large numbers of tourists who fall in LSM categories 5-7. Proportionally more VFR domestic tourists tend to visit the central areas of Durban as opposed to the southern and northern coastal areas which tend to have a more "holidaymaker" profile. Also, the most frequent length of stay or mode for these areas, was as follows: .Durban 1 night, .North Coast 7 nights, .South Coast 9+ nights .Approximately 32% of all domestic tourists that visited KwaZulu-Natal in 2000, in a typical four month period, visited the Durban Beachfront. Other core attractions were Seaworld (8%) and the Valley of a 1000 Hills (3%). While the majority of domestic tourists that visited the Durban Beachfront, Seaworld and the Valley of a 1000 Hills, were impressed with these attractions, perceptions of the Durban Beachfront and Seaworld appear to be declining while that of the Valley of a 1000 Hills is improving. It is also important to note that holidaymakers and business tourists tend to have poorer perceptions of the beachfront than VFR and 'other' domestic tourists. In 2000, international visitors mostly stayed in the area for 2 nights and spent in excess of R1bn. Durban Metro's foreign tourists tend to emanate from the United Kingdom, Germany, the USA, France and the Netherlands. A smaller proportion of Durban's foreign market emanate from the 'Youth' segment. This could be regarded as an important opportunity, as the 'youth' segment is increasingly becoming an important source market for long haul tourists. Durban's foreign tourists tend to be holidaymakers and

first time visitors. Once again the Beachfront was the most visited attraction. However, foreign tourists who have visited Durban on a number of occasions tend to have the worst perceptions of the Durban Beachfront. Also, foreign tourists appear to have less favourable perceptions of the Durban central areas, as opposed to the northern and southern coastal areas of the Metro. From the above sketch, it can be seen that tourism in Durban is not achieving its potential. Length of stay in Durban is relatively low and so too is extent of tourism spend. This can in part be attributed to the nature, diversity and packaging of tourism products in Durban. Also, Durban's anchor attraction of the beachfront appears to be declining in the attraction stakes. The ICC (International Convention Centre) has placed the DMA on the international top conference destination. In order to ensure that quality conferences continue to be held in Durban, the city will have to improve the current set-up. Conference organizers and international associations consider a number of criteria when selecting a conference destination. Entertainment, accessibility, accommodation, safety and security etc. all have a primary role to play in maximizing the experience of a conference delegate. Durban has a lot to offer in this regard, however obstacles to growth still exist. Addressing such obstacles is critical if Durban is further developing as an international convention destination. Durban has a diverse product portfolio, which includes primary attractions such as sun and sand, culture, shopping and entertainment, sports and events, trade and investment, cruising and MICE. We are also in the fortunate position of being located in KwaZulu-Natal, the Kingdom of the Zulu, richly endowed with opportunities for ecotourism, culture, adventure tourism, and beautiful unspoilt beaches. The higher the awareness of a destination the greater is the chance of increasing the number of tourists and thereby improves the economic conditions of the area. The positioning of DMA as a tourism destination of choice is critical. At present, the level of awareness among our target markets is poor and we need to improve this situation if we want to achieve our goals. The DMA does not have direct access to international tourists and this disadvantages the area when implementing plans to

attract the international tourist. Strong internal flight connections between Johannesburg, Cape Town and Durban is a strength when attracting tourists from these regions, however, high toll fees along the N2 route increasingly discourages road travel to the DMA. According to Durban Africa, the current supply of hotel accommodation is inadequate, particularly if one plans to host conferences with thousands of delegates and at the same time encourage tourism. There are currently 12 budget hotels, 16 standard hotels and 10 luxury hotels. A further two, the Sun Coast Casino hotel and the Sibaya Casino hotel is scheduled for completion in 2004/5.

At present, there seems to be no real integration of the entertainment complexes and tourist complexes. There seems to be insufficient confidence by developers to commit funds for major project developments. The Point development is critical to the success of tourism in this area. This can become the focal tourist point in DMA following the success of the Cape Town Waterfront development. The Sun Coast Casino opened in December 2002. Its instant success with the locals and tourists gives us confidence that future projects like this will drive the success of our tourism plans. The final phases of the project, an entertainment world and hotel, will add value to and enhance the product portfolio of the City. The future of the beachfront is strongly linked to the success of the Sun Coast and Point developments. These projects can stimulate greater levels of investment. The beachfront area is not in the best state and the linkages CBD, ICC, Sun Coast Casino and Victoria Embankment is lacking. The Central Business District (CBD) is deteriorating and something needs to be done urgently to arrest the deterioration. It is the focal point of any tourist and must therefore be maintained to world-class standards. The Durban Exhibition Centre (DEC) and the International Convention Centre (ICC) play a key role in attracting conference delegates to the region. Organisations like Business Against Crime are actively working to stop the spread of crime and there must be co-ordinated effort together with the Ethekweni police and the South African Police (SAP). Durban can offer value for money tourist destinations. And this provides Durban with

a considerable advantage in terms of attracting domestic and international tourists. This must be sustained in the future in order to remain competitive both within South Africa and abroad. There must be a commitment from the tourist attractions that they will remain competitive on prices and not change prices according to seasonal fluctuations in visitor arrivals. In addition, such price hikes can influence local residents to perceive a continued rise in the cost of living due to a tendency for business to offer prices catering to the international market. Durban is advantaged in terms of its sub-tropical climate. Summers are hot and humid whilst winters are mild. The pleasant climate of the DMA enhances its position as a tourist destination creating opportunities to attract international visitors from Europe and North America seeking to escape from the cold winters.

3.2.4 Tourism Roles and Responsibilities

The South African Government's tourism responsibility is structured at three levels – national, provincial and local. At national level, the Department of Environmental Affairs and Tourism (DEAT) leads and directs tourism policy formulation and implementation towards national tourism growth in partnership with South African Tourism (SAT) – formerly Satour – the provincial and local governments, the provincial and local tourism authorities, the tourism industry and other relevant stakeholders. SAT is the official international marketing agency of tourism in South Africa with the primary goal of marketing South Africa internationally as a preferred tourism destination. It has undergone many transformations over the years and has recently been restructured under the latest legislation of 1996, according to which the organization is responsible for spearheading international marketing, research and information management. The chief executive officer of SAT has changed many times over the past few years with the latest taking up the position in October 2001. Provincial governments have, according to the national constitution, a concurrent role in the development and promotion of the

tourism industry in South Africa. The provincial governments, through provincial tourism organizations, have responsibility for developing, marketing and promoting their destinations. Provincial governments also have the responsibility of marketing their provinces to the domestic market in competition with other provinces. In general, the success of tourism marketing, promotion and development varies significantly between the nine provinces. This is largely due to ineffectiveness driven by poor budgets, lack of policy and lack of – and changes in – appropriate structure/strategy. Local government has specific tourism functions including local policy implementation, environmental planning and land use, product development, marketing and promotions. Due to the recent redefinition of boundaries for local government, these entities are still in a state of flux. Tourism at this level is still in the planning rather than the implementation phase. Communities are also expected to play a vital role in the development of tourism. Many communities and previously neglected groups – particularly those in rural areas – have not actively participated in the tourism industry, yet have significant tourism resources.

The Tourism Business Council of South Africa is an umbrella body representing all private sector aspects of tourism. Its aim is to ensure that the business sector is comprehensively, cohesively and effectively represented at national and provincial levels. There are many different the business sector is comprehensively, cohesively and effectively represented at national and provincial levels. There are many different private sector associations representing different players in South Africa's tourism industry. Many of these associations are linked to the Tourism Business Council, which acts as one voice for the industry.

3.3 Conclusion

The DMA has the potential to be the destination of choice in Africa and yet we continue to see a downward trend in tourism in this area. Investment in the tourism landscape of the City is therefore critical in order to ensure that demand as a destination of choice. However in an increasingly competitive environment much more is needed. DMA's future is strategically linked to its the ability to provide a quality, international experience. Delivering greater accommodation capacity, upgrading, developing and linking key tourist nodes and a pro-active and planned approach to deliver what the tourist wants will be the key to the success of DMA.

Chapter Four

EVALUATION

4.1 Introduction

To realise our vision of being the destination of choice in Africa by 2010, we need to evaluate internal strengths and weaknesses and external opportunities and threats. This will highlight our direction forward toward achieving our vision. According to Ambrosini(1998) the aim of a SWOT analysis is to match likely external environmental changes with internal capabilities, to test these out and challenge how an organisation can capitalise on new opportunities, or defend itself against future threats. It therefore seeks to challenge the robustness of an organisation's current strategy and highlight areas that might need to change in order to sustain or develop a competitive position.

4.2 Ambrosini SWOT Analysis and Score Tabulation

Ambrosini (1998) collates into a matrix all the strengths, weaknesses, opportunities and strengths. A scoring mechanism is used as an aid to assess the following:

- The environmental changes that are most critical
- The internal strengths that will remain strengths or become weaknesses in the changing environment
- A positive (+) score indicates that a strength that a company possesses would help it take advantage of, or counteract, a problem arising from an environmental change or weakness that would be offset by the environmental change
- A negative score (-) indicates that a strength would be reduced by the environmental change or a weakness would prevent the organisation from overcoming the problems associated with an environmental change

- A zero (o) score indicates that the current strength or weakness would not be affected by the environmental change

STRENGTHS	WEAKNESSES
<p>1.Top shopping destination</p> <p>2.Manufacturing and Financial center and the base for some leading companies in South Africa</p> <p>3. Staying visits equally split in value between leisure & business</p> <p>4.The location of an international convention center (ICC) and the Exhibition Centre for national and international conferences</p> <p>5. Large student population - significant VFR and study trips</p> <p>6. Diverse attractions, including beautiful warm Indian ocean and the Sun Coast Casino</p> <p>7. A compact city center with abundant park land</p> <p>8. Good transportation links via bus in the city center</p> <p>9.Convenient access to surrounding countryside</p> <p>10. Growth in quality bars, café/bars, clubs and restaurants</p>	<p>1.Absence of international airlines arriving at Durban International airport</p> <p>2. Lack of international exposure to local tourism staff resulting in poor quality applicants</p> <p>3.No clear image nationally and internationally</p> <p>4.Perceptions of theft, vandalism and vagrancy in the city</p> <p>5.No 'Park and Ride' facility</p> <p>6. Poor availability and cleanliness of toilets</p> <p>7.Not perceived as family-friendly / poor family facilities</p> <p>8. Limited parking availability, ease and cost of parking</p> <p>9.Inadequate signage to leisure attractions</p> <p>10.Limited range, amount and quality of accommodation</p> <p>11.Perceptions of overcrowding</p>

<p>11. Sporting Attractions like the Comrades Marathon</p> <p>12. Image as 'happening' and 'cosmopolitan destination'</p> <p>13. Association with international TV series "Shaka Zulu"</p> <p>14. Beautiful warm climate all year round</p> <p>15. First world infrastructure</p>	<p>12. Poor air transportation for international tourists and poor rail links for local tourists.</p> <p>13. Poor 'Clubbing Breaks' Packages</p> <p>14. Poor group visitor packages</p> <p>15. High level of crime in the city</p> <p>16. Non-user friendly rail transport system</p> <p>17. High prices of good and services during holiday season</p> <p>18. Restricted coach parking/dropping-off points</p> <p>19. Poor receiving terminal for cruise ship tourists</p> <p>20. "Laid-back" service culture</p>
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OPPORTUNITIES	THREATS
<p>1. Growing popularity of coastal cities as tourism destinations</p> <p>2. Business tourism is on the rise due to stronger economy in South</p> <p>3. Sporting Links and sports</p> <p>4. Growth of short break markets (1-3 day vacations)</p> <p>4. Shopping opportunities</p> <p>5. South African Government commitment to tourism development</p> <p>6. Performance of the local economy as a whole, which will effect the level of business meetings and activity</p> <p>7. Continuing investment in the tourism product</p> <p>8. VFR market potential linked to the student population, particularly 'out of season' and strong family vacations habit among South Africans</p>	<p>1. Growth in competitor cities like Cape Town and Gauteng</p> <p>2. High quality of facilities and services for group visits / coach in competing cities like Cape Town</p> <p>3. Good national road network provides easy access to competing cities</p> <p>4. Dependence on the local economy as a whole, which will affect the level of business meetings and activity.</p> <p>5. Growth in short-break packages by cities like Cape Town</p> <p>6. Lack of investment by the public sector in improving the infrastructure</p> <p>7. Negative perceptions due to past history of South Africa</p>

<p>9. IT revolution – access to web-enabled technology resulting in increasing number of online bookings</p> <p>10. Proximity of DMA to the Drakensburg mountains and the local game parks.</p> <p>11. The changing requirements of tourists</p> <p>12. Increasing popularity of cruise holidays</p> <p>13. Durban's Harbour and Water front developments</p> <p>14. Weakness of the Rand against major foreign currencies makes foreign travel costly for locals and cost effective for foreigners.</p> <p>15. No terrorist activity expected compared to America and Europe</p>	
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FIGURE 4.2
Ambrosini SWOT Analysis

Opportunities & Threats	Government Commitment to tourism Development	Good Performance of local Economy	Weakness of rand against Major currencies	Growth in Competitor Cities like Cape Town & Gauteng	Negative Perceptions of South Africa	Lack of Investment in Tourist & Public facilities		
Strengths								
Diverse attractions Including Warm ocean and sunny weather All year round	+3	+2	+3	-2	-2	-1	+8	-5
Image as a cosmopolitan and “happening” city	+1	+1	+2	-1	-1	-1	+5	-3
First world infrastructure	+2	+2	+2	0	-1	-1	+6	-2
International convention and exhibition centre	+3	+2	+2	+2	+2	+1	+12	0
Weaknesses								
“Laid-back” service culture	-1	-1	0	-2	-1	0	0	-5
Absence of direct international Airline arrivals	-3	-3	-2	-2	-1	-2	0	-13
Limited range, amount and quality of accommodation	-2	-1	-2	-3	-2	-2	0	-12
High level of crime in the city	-2	-2	-2	-2	-3	-1	0	-12
Environmental Impact	+9	+8	+9	+2	+2	+1		
Scores	-8	-7	-6	-12	-11	-8		

Overall Environmental Impact Score = - 22

4.3 Analysis of SWOT

The key strengths, weakness, opportunities and threats were identified and used as the basis for the Ambrosini SWOT analysis. It is important that we understand the background to these parameters in order to obtain an accurate environmental impact score.

4.3.1 Strengths

The DMA's Sun coast casino and Botanical Gardens are just a few of the diverse attractions that impress visitors. The warm Indian Ocean and the beautiful beaches along our coastline are some of our most precious assets and a key attraction for our visitors. The large blend of different ethnic groups like Indian, white and Zulus add great diversity to the region in terms of food, traditions and rituals. The beautiful weather and beaches creates the right atmosphere for the city to be known as the "happening" city. Our first world infrastructure in a third world continent makes a great first impression on our visitors. This sophisticated infrastructure gives one the ability to provide first world telecommunications, transport, road and accommodation for our visitors. The International Convention Centre (ICC) and the Durban Exhibition Centre are world- class facilities that gives us a great competitive edge allowing us to win some major international conferences to the region in recent times.

4.3.2 Weaknesses

The "laid-back" service levels are not in keeping with what the international or local tourist wants or expects. This type of service culture drives tourists way from you rather than towards you. One of the key reasons is that many of our tourism staff have never been tourists themselves and therefore do not understand why high levels of service is important. This will have to be addressed with intensive training and

exposure to travel. The stopping of international flight arrivals at Durban International Airport has created a huge stumbling block to our plans to encourage tourism. It has created doubts in the minds of our foreign tourists as to the attractiveness of our region. It also increases the cost of travel due to the additional flight into Durban. The many international conferences that have taken place at the ICC have highlighted the major accommodation problem that exists. There is not enough quality accommodation for both locals and foreigners. The range of accommodation is also limited in that it does not cater for all types of visitors with varying affordability profiles. The high level of crime in the city centre has led to a slow deterioration of the area. The local law enforcement authorities will have to put into place new strategies to reduce crime in the area. The type of crimes range from hijackings and murder to petty crime like bag-snatching.

4.3.3 Opportunities

Government views tourism as one of the key growth industries in South Africa. They continue to make large amounts of funds available for development of this industry especially among the previously disadvantaged population groups. This creates great opportunities for people of the DMA to take advantage of these opportunities. The good monetary and fiscal policies implemented by government have paid off handsomely in terms of strong economic growth. This strong growth will provides opportunities for infrastructure development of the country and we hope to see the benefits flow to the DMA region. The weakness of the Rand against many major foreign currencies like the US Dollar and the Euro has made travel to South Africa very attractive for holders of these currencies. We must capitalise on this opportunity and try and attract as many tourists to our region.

4.3.4 Threats

The tourism growth in cities like Cape Town and Gauteng is a threat to the development of tourism in our region. Major infrastructure development and resources are being channelled into tourism develop in the hope of capturing a larger slice of the local and foreign tourists. Negative perceptions about South Africa continue to dampen our plans to develop the tourism market. AIDS, Crime and malaria are some of the key factors that create these negative perceptions about the region. These negative perceptions also impact on the confidence levels of developers wanting to build large tourist hotels and entertainment complexes. We need these facilities to be able to compete with the best in other parts of South Africa and the rest of the world.

4.3.5 Outcome of the SWOT Analysis

The scores on the horizontal axis indicates the impact of the opportunities and threats on the strength and weaknesses. Despite the negative implications of the weaknesses, the strengths have remained as strengths and will therefore assist the DMA in overcoming some of the environmental changes. The strong negatives on the weaknesses indicates that they have remained weaknesses. New strategies will have to be implemented in order to overcome these strong weaknesses. The overall environmental impact score gives one an indication of the overall position of tourism in DMA. The score of –22, which is strongly negative, indicates that tourism in the DMA needs to make some radical strategic changes in order to have sustainable growth in the future. The current strengths are likely to be offset by the weaknesses unless urgent action is taken.

4.4 Conclusion

The above SWOT analysis has clearly outlined the challenges that tourism in the DMA faces in the short-term and long-term. New strategies must be formulated with detailed action plans in order to ensure that this industry will have sustainable growth in the future. The challenge now is to formulate these strategies and action plans.

Chapter Five

RECOMMENDATIONS

5.1 Introduction

In the words of our Minister of Environmental Affairs and Tourism, Mr Valli Moosa, “One of the key pillars of economic regeneration of our continent is the effective use of tourism as an economic driver”. The same can be said for the economic prospects for the DMA. It is therefore critical that we devise strategies to achieve our Vision 2010. The benefits of this vision are to bring economic development to the community in a sustainable manner that also works towards improving the quality of life.

5.2 Vision 2010

By 2010 the DMA will become known nationally and internationally as a dynamic, friendly and cosmopolitan African city. Already firmly established as a premier business and shopping destination, the DMA will become a 24-hour city, characterised by a vibrant nightlife, and so much to see and do that a return visit will be a must.

The core values of the DMA as a tourism destination are as follows:

- Cosmopolitan – sophisticated, cultured, modern in outlook and multicultural
- Friendly – a warm welcome, open, customer focused tourist businesses, characterised by a high participation in quality assurance schemes and training, as well as higher than average ratings for friendliness in national tourism surveys
- Premier business and shopping destination – consistently among the top cities for shopping and business visits
A 24-hour city characterised by a vibrant nightlife
- Late night and Sunday opening for shops, restaurants and supermarkets

- Integrated 24 hour transport
- 24 hour restaurants
- Late night shopping, especially on weekdays
- Dynamic – lively and busy
- Safe taxi services
- Street safety – patrols throughout the night
- Late night cinemas and other entertainment in the city centre
- 24 hour Information points for visitors
- Improved night time lighting in key areas, especially in areas where nightlife culture thrives
- Pedestrianisation of important social areas – to facilitate expansion of a cosmopolitan street café culture
- So much to see and do – implies a diversity of attractions, catering for all pockets, as well as a wide range of interests and ages, both young and old. In particular, attractions likely to appeal to families.

In order to realise the 2010 Vision, we must plan to achieve the following:

1. To use icons like “Nelson Mandela “ and “King Shaka Zulu” to promote tourism to our region
2. To promote the great sporting events in the DMA like the “Comrades Marathon” to the rest of the world
3. To make resources available to assist with winning the bid for the world soccer cup 2010. This is the worlds greatest sporting event and will be a great motivator to achieve our plans and bring considerable wealth and success to our region
4. To create “Must See” attractions in our region
5. Targeting proven and new markets that will produce the greatest return on investment

6. To address the overall image of the city and its brand position in relation to target audiences.
7. To use market intelligence to improve tourism performance and retain a competitive edge
8. To ensure that DMA develops and maintains efficient communication channels
9. To work in partnership with key players in and outside the city to co-ordinate tourism activity and providing a joined up approach in differentiating the city from other tourist destinations
10. To continue to enhance the quality of the visitor experience in the DMA
11. To improve sustainable visitor management by developing an integrated transport system.
12. To be a “green and attractive city, committed to continuous environmental improvement”.
13. To improve the performance of tourism businesses through better knowledge, expertise and customer care.

5.3 Key Issues and Challenges

There are a number of key issues and challenges that face the tourism sector of the DMA. These must be addressed in order to achieve our Vision 2010:

- Market segmentation
- Image and branding

- Developing market intelligence
- Communication and information technology
- Partnership and co-ordination
- Competing through quality
- Business support
- Development of “Must-Sees”
- Major sporting events
- Monitoring and Evaluation

5.3.1 Market Segmentation

5.3.1.1 Business and Conference Market

DMA is currently active in two market sectors, the tourism leisure market and business and conference market, with a fairly even split in terms of value to the City. Compared to other staying visitors, including visitors to friends and relatives, holidaymakers and other visitors, business visitors spend on average one and a half times more (S.A. Tourism 2001). The DMA is characterised by a high proportion of overseas conference delegates visitors than on average nationally. This reflects its growing status as a conference centre of international renown. The ICC Durban was one of the first international convention centres to be constructed in South Africa. It was developed in 1997 as a response to the perceived decline in the profile of Durban as a destination for tourism and commerce. The ICC has attracted over 700 000 people since its inception. Successful hosting of such events has assisted South Africa on the international MICE map. The operating environment in which the ICC operates is changing. The Sandton Convention Centre and the soon to be opened Cape Town Convention Centre will place considerable pressures on maintaining the ICC Durban’s leading conference position. New strategies are needed to defend its market share and grow. The location of a major university within the city is significant in terms of

drawing academic conferences and gaining a reputation for research and development. The business market provides the mainstay of midweek (Monday to Thursday) hotel businesses for DMA. The two new hotels planned for the city will result in over 400 additional hotel bedrooms by 2006. Durban Africa play a key role in servicing, promoting conferences at the ICC and other major exhibitions. A recent development has been a computerised venue finding and booking service. This enables more enquiries to be dealt with more speedily and efficiently and user satisfaction is extremely high. The city has limited infrastructure in terms of the range of accommodation to satisfy the needs of a greater number of residential conference delegates, and this needs to be addressed. In order for the conference market to grow and increase its share of the conference market, the marketing effort should continue to be focused and proactive. Targeted promotion to market segments, including overseas business, and the expansion of the ICC will drive new business into the city centre and surrounding hotels.

Recommendations:

- Expand the ICC to cater for bigger and better international conferences. Explore feasibility of a major upgrade by undertaking a feasibility study and preparing a development proposal for presentation to the Ethekeweni Council as well as potential investors. Carry out a full analysis of the current conference and meetings business, including competitor spending and activity on conference promotion, and reaffirm core market segments.
- Continue to promote DMA as a conference destination through national and regional networks and through marketing campaigns. Undertake a promotional campaign targeting DMA based organisations and others within Southern Africa. Ensure

infrastructure can meet demand through planned development and expansion of the ICC and exhibition centre.

- Foster greater involvement and participation between local operators and key agencies. Establish regular contact between representatives of the tourism sector and the other business development agencies that have extensive contact with the business market.
- Continue to raise DMA's profile as the economic and cultural capital of the region and a key centre for innovative manufacturing industries. Place advertorial features in regional, national and international business publications. Organise a poster campaign at Durban International Airport. Sponsor publications targeting business travellers using air and other transport systems. Undertake a pro-active approach with the business press to gain maximum exposure.
- Develop overseas trade links and promote international business opportunities for local businesses in order to increase the level of business meetings in DMA. Organise a range of overseas trade missions.

5.3.1.2 Leisure Market

According to Tourism KZN, over 3.5million domestic tourists visited the DMA in 2000. This was lower than the estimated figure of 4.4mn for 1998. Also, the value of this market for 2000 was R2- R2,25bn as opposed to R2,5-R3bn in 1998. Durban Metro's main source markets for domestic leisure tourists are Gauteng and Kwa Zulu-Natal. Durban's most important domestic tourist market in terms of age is the 25 -34 segment. All three areas (Durban, South Coast, North Coast) are visited by significant numbers of visitors within the LSM 8 category. However, the

Durban Central areas are also visited by large numbers of tourists who fall in LSM categories 5- 7. Proportionally more VFR domestic tourists tend to visit the central areas of Durban as opposed to the southern and northern coastal areas which tend to have a more "holidaymaker" profile. The DMA is becoming known for its great bargain shopping. Several factors are likely to reverse the downward trend in visitor numbers: they include continuing developments such as the cinema, retail and leisure and casino complexes. At present marketing is fragmented, with Durban Africa and Tourism KZN playing key roles. The Council now publishes a combined 'Where to Stay' and ' Whats happening in Durban" guide. It is recommended that additional marketing activity should be undertaken with the emphasis on motivating people to take a day trip. The use of profiling software can help to identify key targets within a suitable drive time. In addition, commercially published guides are sold at local bookshops and a city centre map is distributed through airport and tourist Shops. It is recommended that additional, co-ordinated marketing should be undertaken with the emphasis on motivating people to take a day trip. The effectiveness of major events in attracting significant visitor spend in the city is proven. However, the DMA needs more major annual events like the Comrades Marathon and Festival of Lights to help to raise the profile of the City. We need more street entertainment so that we are not labeled as being "not family friendly". There is a lack of facilities for families. In particular, there were criticisms about the lack of public conveniences, as well as comments that those available are not very clean, or suitable for disabled people.

Recommendations

- Double the number of day visitors within the next five years. Use geo-demographic profiling software to identify key targets within a suitable drive time and post code areas which have the best match for the target audience. Undertake additional co-ordinated marketing activity with the emphasis on motivating people to take a day trip. Undertake targeted promotional campaigns and continue

to work with transport providers to develop themed day trip packages

- Develop the family market segment and additional revenue by addressing a perception that the DMA is not family friendly. Set up appropriate focus group to address access issues in connection with facilities such as doorways, ramps, toilets. Continue to promote a diverse range of high profile events to families in a co-ordinated manner. Further develop family events in the city centre, especially on Sunday. Co-ordinate events programme with key attractions, accommodation providers etc to attract new markets through major events. Develop public conveniences in the city center.
- Explore the possibility of developing additional city centre attractions. Up-grade City Museums and parks to provide a state-of-the-art and entertaining tourist attraction with popular national appeal. Explore demand for a major family attraction.
- Maintain the VFR market. Develop a local ambassador scheme. Develop VFR market associated with students – explore the feasibility of developing a graduation package.

5.3.1.3 Short-Breaks

Staying visitors for business and leisure purposes are a major economic contributor to the DMA's coffers. Emerging trends indicate the growing dominance of cities as tourism destinations. In addition, short breaks, of one to three nights in length, constitute a major growth area, particularly within the domestic leisure market. An opportunity now exists to convert day visitors to staying visitors, using a programme of city-related leisure activities to encourage longer stays. Shopping is likely to be the key motivation for day visitors to the City, promotional work could encourage

some conversion to overnight stays through initiatives such as the short-break Durban specials and incentive schemes operated by independent companies. This scheme offers discounts to members at a selection of restaurants and cafes, visitor attractions, entertainment venues, shops and leisure centres. Existing marketing targets the 'dual-income-nokids' (DINKS) population, aged between 25 to 45, is a key market segment to offer these specials and incentive schemes. There is potential to develop, package and promote specialist weekend breaks associated with distinctive aspects of DMA to boost overall occupancy levels. General marketing activity focuses on the publication and distribution of a 'Short Breaks and Where To Stay' guide, advertising including the web-site, and direct marketing. The visiting friends and relatives market is also a lucrative market to maintain and grow.

Recommendations:

- Increase market penetration of the 25-45 'Dual Income No Kids' market through niche products in order to fill gaps in hotel trough periods. Package a programme of city-related leisure and cultural activities. Promote DMA card incentives to tourists in the short term and investigate feasibility of packaging activities through a 'passport' offering discounts
- Convert a proportion of day visitors (particularly shoppers) to staying visitors. Install a Customer Relationship Management system at Durban Africa to provide a central database to profile customers and improve targeting. Identify troughs in hotel occupancies and maintain close working links between tourism agencies and hoteliers
- Continue successful packaging and promotion of specialist weekend breaks and develop the short break market for 2+ nights. Explore the feasibility of developing a youth hostel close to the

city centre to encourage younger visitors (16 to 24). Investigate the feasibility of establishing a live music venue close on the beach front. Promote existing breaks and convert a greater proportion of one night stays into 2+ nights

- Research the potential for sporting and other themed breaks to tie in with hotel trough periods. Undertake research and promote new packages
- Increase the number of short break visits among ex-students. Durban Africa and the University to organise a joint promotional campaign to encourage alumni to visit the DMA. Enhance museums, arts and cultural activities for visiting friends and relatives market.

5.3.1.3 Overseas & African Market

Principal markets for the DMA are Britain, Germany, Australia, East and West Africa. The majority of these visitors travel by air with a limited number using cruise liners and rail. Tourism companies should focus on the young foreign professional with no kids as a lucrative target market and also the seniors market. Other market segments of particular importance also include Australians looking for cultural and sporting events and visiting friends and family. The city's overseas marketing programme is undertaken in partnership with a range of agencies including Tourism SA as it enables the DMA to target markets which would be inaccessible if working in isolation. Joint familiarisation visits for overseas media and other agencies are also organized by the national and local tourism agencies.

Recommendation:

- Continue partnership activity that forms the core of the city's overseas marketing programme. Continue to target the main overseas segment of young professionals and the seniors market.
- Devise marketing programmes to attract the wealthy east and West Africans to the DMA. This can also be done in partnership with airlines like SAA and tour operators.

5.3.1.4 Groups Market

The groups market offers significant potential for the DMA. This market is not fully exploited. The tourism authorities must introduce familiarisation visits for coach drivers and provide relevant literature for group tours. However there is currently a gap in the provision for coach parking. There is no sizeable coach park in the city and the ones that are available lacks a rest room, facilities to clean and wash coaches and disposal units. As there may be difficulties establishing a coach facility in the city centre, a co-ordinated approach is advised in order to investigate opportunities for establishing such a facility close by. Customer care is key to ensuring successful group visits and a dedicated resource within should be nominated to service this market. Targeted information is essential to advise group organisers on which facilities cater for groups. An opportunity exists to work with operators around the city to develop a range of themed group visit itineraries, which will capture the imagination of group organisers.

Recommendations:

- Develop market share of group visits. Continue to target information to group organizers. Explore potential of developing links between group organizers and hotels on the outskirts of the city centre.

- Develop a public coach parking facility. Identify, undertake feasibility study, secure funding and establish a coach park in partnership with the local council and private developers.
- Develop additional drop off points for coaches. Identify additional drop-off points.
- Improve customer care to ensure successful group visits. Gather intelligence, identify resources to develop themed itineraries.

5.3.2 Image and Branding

The DMA needs to convey to the target market the values and image of the region as well as be able to implement plans on a national and international level. Branding the DMA is more complex than branding a product or person. In branding the DMA the objectives are to: Set and foster common themes and values; Establish a sense of direction; Allow for interpretation and individualism within a framework; Prevent mixed messages; Use the branding process as a vehicle to change national and international perceptions. Without a blueprint mixed marketing messages have been sent to the world and there has been no direction in the marketing effort. Even the essence of the rainbow nation has been poorly conveyed. For example, whilst people outside of South Africa may be aware that there are various cultures here, a few cultures have been promoted. The building of customer based brand equity has not taken place, as the main tools and objectives i.e. choosing brand elements, developing marketing programs and leveraging secondary associations have not been implemented. This has led to a lack of brand awareness and brand associations in terms of the DMA, which in turn has led to misperceptions on the part of potential consumers. In addition, the DMA is not then “top of mind” when consumers are thinking of where to visit as a tourist destination. Members of the group interact regularly with international visitors and many of these visitors are surprised that there

aren't animals roaming in the streets and that the infrastructure is modern, expecting most people to live in huts. The DMA has a rich heritage comprising many cultures and languages unique to the region. From a climatic point of view the DMA enjoys sunny, warm weather, and even in winter the average temperatures are still warmer than many of those experienced in Northern Europe in summer. When examining Africa as a continent South Africa and especially the DMA stands out in the continent, with a well-established infrastructure and extensive communication networks, equal to those of first world countries. The infrastructure includes top class conference and sports facilities and world-class accommodation. The economy has remained stable since 1994. The politics and economy of the region is stable. The DMA has become a strong export base for products such as motor vehicles, which are exported to the East and Europe, as labour is cheap and generally skilled. It is evident that the DMA has a unique mix of attributes to offer potential consumers and so has a unique competitive advantage. Knowledge about DMA by the rest of the world is woefully lacking, with people generally remembering only the negative aspects of the region, such as crime.

Recommendations:

- DMA should make full use of the brand elements it has available to it, such as the distinguishable South African flag. The flag is memorable and can be used as a symbol to assist with packaging the country and the DMA.
- Positioning. DMA needs to be positioned as an affordable destination, no matter what your pocket or how much you are looking to invest, which offers a unique combination of experiences, not found anywhere else in the world.

- Marketing programmes should be developed to support the brand key. As is seen potential consumers to DMA need to be educated on the country and the region itself as a starting point to obviate the many misconceptions that there are in the market place. The marketing programmes must support the positioning of DMA so that knowledge structures and brand associations are effectively established in consumers' minds. Whichever target market the programmes are developed for they have to be relevant and must be consistent across the board. For example, your backpacker of today will become your baby boomer or investor of tomorrow and so on, so it is important that the brand essence is adhered to throughout.
- In developing the marketing programmes the emphasis must be on the discriminator "value for money", whilst also highlighting the intrinsic and extrinsic benefits of South Africa to the consumer. Information must also be given regarding how one can get to South Africa and the DMA.
- Through the marketing programmes favourable brand associations must be developed, which also highlight the uniqueness of the DMA and South Africa as a country. In turn they must also develop strong brand awareness.
- DMA is in a position to effectively market itself in the future and has a totally unique combination of attributes on which it can build. Whilst the brand key focuses on the positive aspects of DMA, any marketing programmes must also seek to minimise and change perceptions about the negative aspects of our region and country, such as: levels of crime.

5.3.3 Benchmarking DMA against competing local destinations

A comparison of facilities in the DMA with Cape Town and Gauteng revealed that on most aspects of the visitor experience, including range and quality of shops, restaurants and places to visit, ambience, bus and train services and cleanliness, DMA scored in line, with, or above the average. The main areas of weakness related to perceived lack of public conveniences like ablution facilities and parking and also a lack of “must-see” attractions. Other areas of improvement related to signage and maps (road signs, pedestrian signs and maps, perception of safety (CCTV / more police / security presence / greater control of beggars and street vendors) and disappointment with accommodation and its cost. Competition is becoming extremely fierce for both leisure and business tourism within the South Africa especially among these three main regions. Continuous competitor analysis and subsequent product development is necessary to ensure that the DMA maintains its competitive edge. The challenge for DMA is to identify how the city can differentiate itself from and outperform competitor destinations, and then communicate that consistently to the target markets.

Customer Profiling

DMA currently has a number of disparate customer databases of varying quality and depth, housed at various tourism agencies like Tourism KZN, Durban including the larger hotels and visitor attractions. This is common across the country and the need to provide information for customers and businesses has been picked up as a priority in the government’s national tourism strategy leading to commitment to develop new computerised booking and information systems. In order to communicate effectively and efficiently with both prospective and existing customers, and in order to really understand the customer profile, it is vital to consolidate much of this data into a central point of intelligence. This system needs to form an integral part of the booking system. As far as market segmentation is concerned there is still much work to be done in analysing existing visitor

information and pulling together the data into a customer relationship management system to ensure an effective and efficient return on marketing activity. Further analysis is essential in order to refine existing segmentation.

Recommendations:

- Undertake market research to increase the size of existing target markets and develop new segments. Continue research, profiling and trend analyses. Collect information relating to different transport modes used by tourists to access different facilities. Consolidate disparate customer databases into a central point of intelligence in order to understand customer profiles. Regular sampling of tourists at museums, arts venues and other major tourist attractions like the casinos.
- Share findings among key agencies, working together to improve results. Develop appropriate communications channels between key partners and other identified stakeholders
- Continue to monitor the effectiveness of marketing campaigns through research. Analyse and report back to stakeholders on effectiveness of marketing campaigns.
- Monitor economic impact of tourism and performance of DMA as a tourism destination. Participate in research studies conducted by independent tourism consultants and the universities.

5.3.4 Communication and Information Technology

A great deal of information is required to manage, develop and market DMA as a tourism destination and to produce a quality information service. Managing this information is key to providing a quality service,

reducing duplication of effort and evaluating all activities. A number of destination management systems are now available that provide the solutions to the above and include computerised booking system, stock control systems, electronic distribution of information.

The World Wide Web

The World Wide Web offers significant potential for reaching new markets and extending the distribution of the product. At present tourism forms an element of the main Ethekeweni council web site and has a presence on a partnership websites including Tourism KZN and Tourism SA. The web sites for the leisure, and business tourism markets should be wholly customer orientated, and that on occasion this can be constrained by organisational concerns, such as the need for the presentation of information within the framework of a council structure. A Destination web-site can supersede an organisational website in that it can play a key role in brand building for the city, linking tourism opportunities with others such as those offered by the major sporting institutions and agencies across the city, which also have a national and international profile – such as, the Comrades Marathon website. Such sites also play a vital role in communicating information on accommodation, attractions and events within the city, as well as providing real time on-line booking. On this basis, it is recommended that the efficiency and effectiveness of DMA's presence on the internet should be extensively reviewed, and good practice elsewhere considered.

Recommendations:

- Communicate effectively and efficiently with both prospective and existing customers and tourism related businesses. Consolidate disparate customer databases into a central point of intelligence via a destination management system. This will integrate

databases, offer online booking, events and attractions details. Develop new communication channels such as an electronic newsletter for key partners within the tourism industry.

- Increase the value of tourism to DMA by developing the website and implementing interactive features. Review and develop a website, that is customer orientated, offering real time on-line booking, linked to a destination management system.
- Improve the quality of visitor information services on a continuous basis. Benchmark visitor information services against other providers. Develop a range of services to meet customers' changing needs, including development of box office facilities. Ensure tourist information is available when and where it is needed for target audiences

5.3.5 Partnership and Co-ordination

Tourism crosses boundaries, including geographic and administrative (e.g. local authority) and sector (e.g. retail, accommodation, visitor attractions). In this respect tourism plays a part in every single sub strategy and therefore cannot be considered in isolation. The need for better co-ordination across the entire tourism sector is acknowledged in both national and regional tourism strategies. Nationally this is reflected in a commitment to undertake a more integrated promotion of our wonderful cultural, heritage and seaside attractions, more central government support for the regions, and enhancing industry coordination on training. Regionally it is expressed in a commitment to undertake an integrated approach to tourism development, planning and management that delivers a quality visitor experience, and to strengthen partnerships at a local level. In DMA it is clear that closer co-operation could be developed in a number of areas. There is an opportunity for greater liaison within the Council, between Durban Africa, Tourism KZN and

Tourism SA. Closer working between private sector operators and the public sector would also help to bring all agencies 'on-side' and provide valuable market intelligence through customer feedback. In particular, it might provide support to smaller and medium sized enterprises such as the guesthouses and bed & breakfasts providing them with a voice. A Tourism network that is wider than at present would link up representatives from each of the sectors on a regular basis including nightclubs, retailers, attractions, hotels, Bed and Breakfast establishments, transport providers, conference venues and event organizers. Looking outwards, DMA could benefit from working more closely with national and regional partners.

Recommendations:

Develop closer co-operation in a number of areas:

- bring a greater cohesion to the marketing and branding of DMA. Develop a co-ordinated branding strategy.
- bring all private sector operators and the public sector agencies 'on-side' and provide valuable market intelligence. Maintain and improve links between City Council and DMA Hoteliers Association. Establish a network of tourism related agencies. This will bring together representatives from each of the sectors including nightclubs, retailers, attractions, hotels, Bed and Breakfast establishments, transport providers, conference venues, event organisers and hospitality industry. In addition to developing product knowledge this forum will enable networking and the exchange of ideas and information. Greater liaison within the Council to exchange information and co-ordinate marketing activity, exploiting synergies. Investigate the opportunity of developing joint partnership groups in specific areas. Establish a

'third party' arrangement to collect information about the tourism industry in a non-specific, commercially sensitive way

- Work more closely with other national and regional partners and neighbouring attractions. Work more closely with regional partners and neighbouring attractions – e.g. Suncoast Casino. Explore feasibility of pairing facilities within and outside the city.

5.3.6 Competing through Quality

In line with changing consumer expectations and market demands, the tourism industry in DMA must offer quality and value for money, if it is to encourage repeat business and compete effectively in the future. Tourists and residents generally complain about the poor cleanliness and availability of public conveniences in the city centre, perceptions of overcrowding in the city centre, fear of theft, confusing road signs, cost and availability of parking in the city centre, poor air quality and pollution, lack of an integrated transport system to safely move within the DMA and high prices during the holiday season.

Quality Assurance Schemes

At present only a certain percentage of the formally registered accommodation establishments are inspected and graded by the Tourism grading council. Only inspected and graded accommodation is promoted by DMA tourism agencies. The Tourism council has launched a quality assurance scheme aimed at accommodation establishments and tourist attractions. This process will ensure that standards maintained are world class and therefore make the tourist experience a pleasure.

Human Resource Development

Tourism is a 'people industry'. Developing the skills base of the DMA's workforce to adjust to changing requirements of tourists will be critical to maintaining a strong, economic growth and to providing good



employment prospects for DMA's residents. More work is still needed to convince employers at both the national and local levels of the importance of investing in skills to their survival and success. Fewer than half of DMA employers have a structured training plan or budget. It is also important that high standards of visitor experience and customer care are developed, delivered and maintained by all relevant service providers. The hotel sector is already experiencing problems in the recruitment and retention of suitably skilled staff. The type of training requested by tourism businesses tends to include customer care, customer service, front desk and IT skills. Key priorities for training assistance in DMA include:

- advice to managers of tourism businesses on the most appropriate training
- an identifiable person who can advise on tourism training provision;
- subsidised training, as businesses tend to invest money into product development first and skills second.

Recommendations:

- Ensure the 'tourism product' is up to-date and well maintained. Increase percentage of inspected properties to widen quality assurance and inspire customer confidence. Increase membership of quality assurance agency among tourism businesses. Support Sunday opening and later night opening of shops and encourage tourist facilities to extend opening hours. Explore possibility of walkways and cable ways to encourage visits to the Wilson's waterfront and Point waterfront. Link City Centre attractions using integrated transport system.
- Investigate feasibility of developing a major event on the scale of the Rand Easter Show in the longer term.

- Alter visitor perceptions of overcrowding and public conveniences. Develop city centre open spaces. Promote parks and squares. Promote Sunday shopping.
- Further enhance community and visitor safety. Draw up divisional community safety plan.
- Improve transport infrastructure. Develop visitor signing strategy. Address tourism related issues in the Transport Plan. Review pedestrian signs and integrate with traffic signs, maps & information boards at stations, car parks and throughout the city centre. Review car park provision, security, costs and signing and identify sites suitable for major car parks.
- Make DMA an accessible region with a high quality transport system. Evaluate the feasibility of introducing cable ways and overhead rail cars that circle the city.
- Alleviate traffic-related problems. Introduce and promote park & ride facilities.
- Demonstrate commitment to continuous environmental improvement. Promote the city's and region's green assets. Continue with the DMA's Floral Initiative in refreshing first visual experience for every visitor entering the City's boundary. Involve businesses in reducing levels of waste, to ensure more waste materials are re-used and recycled.
- Balance the needs of local communities with the needs of visitors to ensure tourism in the DMA is socially sustainable. Publicise tourism benefits to residents. Develop a local 'ambassador'

scheme. Introduce a standard environmental audit for tourism businesses.

5.3.7 Business Support

One has to assess the impact of economic, social, environmental and technological changes on longer term skills needs. In recent years an increasing number of hotels have sprung up in the city centre. Planning permission has also been granted to a number of hotel developments in DMA and if these projects all come to fruition, over 1000 additional new hotel bedrooms will be available. In particular, the rapid growth of budget-style accommodation is likely to adversely impact on smaller, family-run establishments rather than the larger, city centre hotels. Their relatively limited access to and knowledge undermines their ability to reach their target market effectively. Tourism is supported in a variety of ways through public and private agencies. There is a general awareness that the type of training requested by tourism businesses tends to include customer care, customer service, front desk and Information Technology skills. Barriers to training tend to be cost-related and, for some smaller operations, time out of the business is also an issue. A series of courses for retailers to improve customer care and standards of service has been planned and presented by national newspaper like the Sunday Times "How to Run a Bed and Breakfast" course".

Recommendations:

- Develop required skills for employees in the tourism industry in DMA in order that the city may achieve the status of a "must see" destination in Africa. Undertake training needs audit of tourism providers. Continue to develop good practice by encouraging membership of the tourism grading council.

- Increase business survival, efficiency, networking and profitability of leisure and tourism businesses within DMA. Nominate an advisor to work with individual businesses over a period of time to organise training or funding for additional marketing activities. Provide improved market intelligence – such as benchmarking surveys, shared best practice and a central point for information on trends in tourist activity to tourism businesses so they can target their marketing more effectively.

5.3.8 Development of “Must-See” Attractions

The development of “must-see” attractions is one of the most important tourism strategies for the DMA. Once the tourist arrives drawn by the attraction of the “must-see” , other initiatives discussed previously must be put into action. The DMA currently has the beautiful warm beaches as significant “ must-see” attraction. This is insufficient if one wants to compete with Cape Town and other similar regions around the world.

UShaka Island

According to the Ethekeweni Council(2003) this “must-see” attraction, uShaka Island is a world-class marine-based theme park at the Point and is set to become a primary catalyst to urban regeneration and renewal in this area and the theme park will become a vibrant focal point for visitors to Durban and South Africa. The park is essentially a tourist and leisure destination and, as such, has to be highly themed so as to create a facility focussed on providing affordable family entertainment, as well as a fun place to visit in terms of both activity and visual imagery. The design and theme make use of indigenous African imagery, lush vegetation, water and natural materials. The concept combines an oceanarium, comprising a saltwater aquarium with outdoor displays and exhibits, with a freshwater water park recreational facility and a designated retail mall with small shops selling food and beverages, arts, crafts and goods and

services. These principal components combine into one attraction to create a world-class theme park. The four primary components - an oceanarium, a water park, a retail component and the linkages with the beachfront - are to be operated separately, but under the guidance of one management authority. It is intended that the various components of the park provide an interactive experience for visitors, allowing them to participate in activities unique to the park and in keeping with a 'must see' attraction. In keeping with the 'total entertainment concept' visitors will always be in proximity to some form of action, be it leaping dolphins, the lazy river ride, beach-based activities or street performances. An abundance of food outlets and restaurants will encourage visitors to stay in the park for 3 to 5 hours. The design of the park incorporates strong local themes, bringing a multicultural Durban flavour to the park while also providing cost saving opportunities against more international and hi-tech themes. The overall design theme is indigenous and multicultural in its use of colour, building materials, layout and aesthetics. The superstructure of a contemporary shipwreck dominates the design aesthetic, creating a landmark that, if effectively marketed, could become symbolic of a visit to Durban. The park is laid out in open-plan so that visitors seldom lose sight of sea or sky and are able to enjoy the very best of Durban's sub-tropical climate. The Oceanarium has been designed to conform to (and even exceed) international benchmark aquarium standards and facilities. It will offer visitors a 3-5 hour experience and will showcase the rich marine heritage of the Indian Ocean, which is a unique opportunity, as no other aquarium of this nature exists on the Indian Ocean littoral. Situated adjacent to the Oceanarium, and enjoying integrated access to some of the main swim-thru and water ride facilities, the Water Park is intended to attract families to enjoy a day's outing in a safe, exciting and entertaining environment. The Marine Park will include 12 000m² of retail space for restaurants, bars and vendors of tourism-related goods and products. The mall will have an indigenous, multi-cultural theme reflecting the various different

cultural facets of Durban's community (to include Zulu, Eastern and Western design influences).

King Shaka Statue

King Shaka is an icon among the people of Kwa- Zulu Natal and it is fitting that a statue the size and stature of America's "Statue of Liberty" be constructed at the entrance of the Durban Harbour. According to the Statue of Liberty handbook (2002) visitors climb 354 steps to reach the crown or 192 steps in order to reach the top of the pedestal. There are 25 windows in the crown that symbolize gemstones found on the earth and the heaven's rays shining over the world. The total weight of copper in the Statue is 31 tons and the total weight of steel in the Statue is 125 tons. Total weight of the Statue's concrete foundation is 27,000 tons. The King Shaka Statue must be as large as the Statue of Liberty in order for it to be a "must-see" attraction. Tourists must be able to walk up to the head or spear and look over the Durban Harbour.

Recommendations:

- Undertake feasibility study on the construction of the "King Shaka Statue". Investigate funding mechanisms and public/private partnerships

Harbour Cable Way

This cable way must be able to transport visitors over the harbour allowing them to view the harbour and visit the Point waterfront and the

Wilson's waterfront. It must operate 24 hours a day and must be built with the most modern and safe technology.

Recommendations:

- Undertake feasibility study on the construction of the "King Shaka Statue" and the "Harbour Cable Way". Investigate funding mechanisms and public/private partnerships.

Sardine Fever

Every year, between June and September, huge numbers of silvery sardines travel north from the cold southern oceans off Cape Point, moving inshore up the Transkei and KZN coastlines in what is commonly known as the annual sardine run - resulting ultimately in 'Sardine Fever'. This incredible natural phenomenon of millions of fish brings with it a huge influx of marine activity including sharks, whales and dolphins as well as a number of other fish. The winter "Sardine Fever", starting in June, more often than not, is a spectacular display of large migrating pilchard known locally as sardine that swim north in gigantic shoals. They are followed by a frenzy of game fish, dolphins, sharks, birds and excited anglers. On occasion millions of these small fish are beached by the incoming tides and that is when "Sardine Fever" grips the local fisherman and visitors alike as they scramble to catch a bucketful, providing an unexpected harvest of food for the local communities, or bait for the hook with a bigger catch in mind. This is a unique phenomenon that seldom occurs elsewhere in the world. We must capitalise on the uniqueness of this phenomenon and marketing strategies must be devised to attract tourists to our region during this period.

Recommendations:

- Develop a marketing strategy to attract both local and international tourists to our region during this period.

5.3.9 Major Sporting Events

World-class sporting events are major tourist attractions and the DMA must capitalise on our beautiful weather to attract the great sporting events of the world.

Soccer World Cup 2010

The Soccer World Cup is the largest sporting event in the world. South Africa will be bidding for this sporting event to come to our shores. The people of the DMA are great soccer fans and are fully committed and support the bid. Should South Africa win this bid, it will bring billions of rands into the South African economy with positive spin-off for our region in terms of increased tourist numbers and job creation. Tourism agencies and the city council must make available funds to gear up the region for inspection by soccer officials during the bidding process. We must win the bid for South Africa and in particular DMA.

Recommendations:

- Set-up a team of DMA tourism officials whose main focus will be to prepare the region for the soccer world cup bid and assist with formulating plans should we win the bid.

Durban Grand Prix

Following on the success of the Monte Carlo Grand Prix, it is proposed that Durban has its own through the streets of the city. According to 1 French-Riviera (2003), one of the world's greatest and most challenging motor-racing events, the Monaco Grand Prix is the last 'street course' remaining in the Formula One calendar. Staged around the narrow, winding streets of Monte Carlo, the attraction of the Monaco Grand Prix is the proximity of the speeding Formula One cars to the race spectators. The twisting 78-lap circuit offers countless opportunities over the 263-kilometre race to witness the thrill of screaming engines, smoking tyres and the genius of the drivers on a course that allows no margin for error. It is this spirit of excitement we want to bring to the streets of Durban and the thousands of tourists that will arrive on our shores to watch this race.

Recommendations:

- Conduct a feasibility study on staging the “Durban Grand Prix”. The study must focus on additional infrastructure development required as well as funding for the race. Environmental impact Assessment must also be conducted.

Durban Cycling Tour

Cycling is one of the fastest growing sports in the world. The DMA has all the attributes to make a world class cycling destination. The weather, scenery and challenging regions offer perfect training grounds to take on the rest of the world. Road cyclists can enjoy meandering roads through scenic areas. Climatic conditions will vary from cool to very hot, depending on region and season. The “Durban Cycling Tour” must be

staged on the level of the Tour de France. It must carry attractive prize money to attract the best talent in the world.

Recommendations:

- Conduct a feasibility study on staging the “Durban Cycling Tour”. The study must focus on additional infrastructure development required as well as funding and sponsorship for the race.

Comrades Marathon

On the 16th June every year, the cockerel will crow in the early hours of the morning signalling the start of the ultimate human race - the 89 km Comrades Marathon. It is a truly South African sporting event and the icon of road running and a way of life for most participants and their families. The economic impact on the DMA is significant. An estimated 45 000 people (runners, relatives, friends) descend on the region and most stay for a few days. Estimates are that the race brings between R40 to R50 million of ‘outside’ money into the local economy over the period of the race, with the accommodation and food and beverage industries taking the lion’s share. From an economic point of view, the race is the single most important revenue generating sporting event for the Pietermaritzburg-DMA region. The social impact of the race on runners, their families, communities, local residents, charities and the like is immeasurable. The tourism authorities need to now market this race more aggressively internationally. After all, it is the most gruelling ultra distance marathon in the world. Let’s use an established sporting event to attract thousands of additional tourists into our region.

Recommendation:

Develop an aggressive international marketing strategy to take the Comrades Marathon to the rest of the world. The strategy must focus on major sponsorships in US Dollars in order to attract the best talent in the world.

5.3.10 Cruise Liner Tourism

Cruise tourism is one of the fastest growing sectors worldwide and a key area for development within the DMA region. Though there's been no concerted marketing campaign to promote the region as a cruising destination, more than 3 000 foreign tourists visited the province as a result of luxury liners docking at Durban and Richards Bay in 2002 - either arriving on the vessels or being flown in by charter companies to join the cruises at one of their ports of call. The great warm weather and warm hospitality of our people is the basis on which this industry will grow. One greatest weakness is lack of a proper cruise tourism strategy and the poor condition of the arrival terminal in Durban.

Recommendations:

- Investigate the present status of the cruise tourism industry, including the number of liners and passengers that arrive annually in Durban.
- Examine the economic implications of the cruise liner sector in terms of income, job creation, economic impacts of the region and develop a list of programmes that can be implemented.

- Evaluate the feasibility of building a world-class arrival and departure terminal at the Durban Harbour.

5.3.11 Monitoring and Evaluation

Progress in achieving many of the recommendations set out in this report must be monitored and evaluated through a number of review, surveys and demand forecasts undertaken by the City Council, in partnership with other tourism agencies. In addition, a partnership between the range of stakeholders in the tourism business will provide formal and informal feedback on the effectiveness of agenda for action. Finally, the tourism industry has constantly to adapt to change, as it is dependent on a number of interrelated factors, often outside its control. This was typified by the SARS and foot and mouth crisis. Such changes affect the economy and consumer trends. As a result, they should be monitored and the agenda for action regularly reviewed and adapted to meet changing circumstances. Tourism SA, Tourism KZN and Durban Africa must undertake annual tourism surveys as part of the monitoring and evaluation plan.

The surveys must provide the following information:

- Visitor expenditure
- Tourism related jobs (direct and indirect)
- Performance of tourist information centres
- Percentage of accommodation inspected
- Tourist attitudes to the DMA
- Rating on performance of the Tourism agencies
- Tourist numbers
- Most popular attractions
- Perceptions of the city centre
- Hotel Occupancy and standard of accommodation
- Tourism Development Monitor

5.4 Conclusion

“There is a sense that the Travel & Tourism industry in South Africa is standing at the threshold of significant growth and that the key players are determined to seize the opportunity and pull together” (Jean-Claude Baumgarten, President of WTTC-2002). Tourism offers enormous potential as a catalyst for future economic and social development across South Africa and in particular for the DMA region. Government’s commitment to the development of tourism in a responsible manner augurs well for the sustainable development of this industry achieving a good balance between business objectives, the protection of the environment and the well being of local communities. Responsible tourism is about enabling local communities to enjoy a better quality of life, through increased socio-economic benefits and an improved environment. It is also about providing better holiday experiences for guests and good business opportunities for tourism enterprises. Given the ever-sharpening nature of global competition and our limited financial resources, the South African tourism sector and in particular the DMA region will only flourish within the context of a smart, aggressive, competitive strategy. The lack of a unified vision and strategy could have disastrous effects. The absence of a competitive framework is already jeopardising this goal and, should the industry fail to meet expectations, it could result in irresponsible and ill-considered policy decisions and a loss of interest in tourism as a sector. We need an aggressive competitive strategy to outsmart our competitors. In line with this, a new strategy to make the DMA a “must-see” destination in Africa has been clearly outlined above. What we need now is the strategic leadership to bring all the relevant parties together to drive the strategy to success. We need decisive implementation of the strategy and a commitment to see it through to reality. We no doubt have been blessed with superior tourism assets — it is up to all of us to apply the winning formula.

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