

CHAPTER 5

INTERNATIONAL COMPETITIVE ASSESSMENT

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CHAPTER 5

INTERNATIONAL COMPETITIVE ASSESSMENT

5.1 INTRODUCTION

The Strategic Management Model developed in Chapter 4 consists of three main components: international competitive assessment, destination strategic direction and positioning and critical success factor identification and integration. The purpose of this chapter is to examine the international competitive assessment component of the model.

One of the goals of tourism planning is to create more valuable tourism products and services for existing and potential target markets so that destinations and their communities receive social and economic benefits [Yoon, 2002: 28]. However, it has been suggested that there is a need for a clearer understanding of the ability of the tourism destination to compete effectively in the international market [Evan *et al.*, 1995; Ritchie & Crouch, 2000]. A number of studies have introduced and applied the concept of competitiveness in the area of tourism destination planning [Bordas, 1994, Crouch & Ritchie, 1999; Buhalis, 2000 and Kozak, 2001].

The notion of destination competitiveness must however also be consistent with the notion of international competitiveness in international economics and business literature. The literature on international competitiveness will therefore be critically reviewed in the first part of this chapter with a view to developing a framework for assessing of international competitiveness of the destination.

The components of this proposed competitiveness assessment framework will then be critically analysed and discussed in the rest of the chapter. The first component that will be examined is international resource and factor analysis, where the emphasis is placed on the national resources and factors of the destination compared with the resources of international competitors and/or world standards.

The next part of the chapter critically discusses the international market analysis so as to analyse existing and potential international market segments and to identify critical success factors within these segments. Current international demand for South Africa as a tourism destination will be analysed, followed by an outline of market segmentation methodology that can be used to identify market segments and critical success factors within these segments.

The discussion on the international market analysis is followed by the identification of international destination success factors for the tourism industry. These factors are the generic factors that will be important success pointers for all the international tourism destinations.

In the last part of this chapter attention is focused on the competitor analysis so as to identify and evaluate the competitive strengths of the destination in comparison with rival international destinations.

5.2 NATURE AND FRAMEWORK OF DESTINATION COMPETITIVENESS

5.2.1 Perspectives on competitiveness

The literature reveals various approaches in defining, understanding and measuring competitiveness. Perspectives in various disciplines reveal that competitiveness is a multi-faceted concept. Dwyer [2001: 44] regards the notion of competitiveness as associated with four major groups of thought. These are:

- A comparative advantage and/or price competitiveness perspective;
- a broad scheme and empirical studies;
- a strategy and management perspective;
- a historical and socio-cultural perspective.

While economists have placed emphasis on price and the country-specific economic characteristics of competitiveness, the management and strategy authors have focused

on the firm-specific characteristics, while the focus of sociologists and political theorists has been on various social, political and cultural characteristics underlying the notion of competitiveness. Moreover, each group has suggested different indicators to explain or measure competitiveness [Dwyer, 2001: 45].

The definitions offered in the literature provide both a micro and a macro connotation for the term competitiveness [Dwyer, 2001: 45]. From a macro perspective, competitiveness is a national concern and its ultimate goal is to improve the real income of its citizens. It is a very broad construct encompassing all social, cultural and economic variables affecting the performance of a nation in international markets [Dwyer, 2001: 45; and Yoon, 2002: 32].

On the other hand, from a micro perspective it is seen as an organisation level phenomenon; organisation-specific behaviours determine competitiveness. To be competitive any organisation must provide products and services for which customers or clients are willing to pay a fair return or price. In the long run, in a free enterprise system competitiveness is measured by the ability of the organisation to stay in business and to protect the organisation's investments, to earn a return on those investments, and to ensure jobs for the future [Porter, 1980: 113, and Dwyer, 2001: 45].

There seems to be no generally accepted definition of competitiveness. Crouch and Ritchie [1999: 140] developed a competitiveness framework that summarises the different perspectives on competitiveness [shown in Table 5.1].

Table 5.1 Elements and levels of competition

Elements of Competition	Level of Competition		
	Companies and Products	National Industries	National Economies
The structure	industry competitors substitutes potential entrants suppliers buyers [see Porter, 1980]	factor conditions demand conditions related and supporting industries firm strategy, structure, and rivalry chance government [see Porter, 1990]	science and technology people government management infrastructure finance internationalisation domestic economic strength [see <i>The World Competitiveness Report</i> , 1994]
The territory	target markets	resources global markets	jobs foreign investment trade
The stakes	marketshare profitability survival	favourable public policies respect industrial strength, growth, and prosperity international dominance	economic prosperity quality of life
The tools	goods and services corporate strategy market research competitor analysis	political lobbyists industry associations strategic alliances marketing authorities industrial policy cartels joint promotions	international trade policies and free trade agreements innovation and entrepreneurship education and training productivity improvement investment economic policy national culture

Source: Crouch and Ritchie [1999: 141]

This table summarises and contrasts the levels of competition, namely, companies and products, national industries, and national economies in terms of the principle elements of competition, that is, the structure, territory stakes and tools.

Porter's [1980] familiar "five forces of competition" model identifies the basic sources of competition at the organisation and product level. The five forces – industry competitors, substitutes, potential entrants, suppliers, and buyers – lie within the domain of the company's competitive micro environment.

Porter's [1990] national "diamond" addresses competition in terms of the determinants of national advantage in particular industries or industry segments. Whereas the five forces model could be applied at the level of the organisation in the tourism industry, the national diamond model suggests the fundamental structure of competition among national tourism industries; that is, the nation as a tourist destination. The four points that are the cornerstones of the comparative advantage of countries are factor conditions, related and supporting industries, demand conditions and industry strategy, structure and rivalry.

The structure of competition between national economies bears some resemblance to the determinants of Porter's diamond but is more generic and less industry specific. The factors listed in the table have been used for a number of years now in measuring the competitiveness of national economies [The World Competitiveness Report, 1994: 51]. According to various authors, for example, Crouch and Ritchie [1999: 141] and Grant [1995: 340], Porter's diamond model is the best model for evaluating competitive advantage at a national level and will therefore be used in this study.

5.2.2 Comparative and competitive advantages in tourism

The discussion of competitiveness in the general literature has tended to stress competitive advantage [resulting from value-added activities by firms and organisations], while de-emphasizing comparative advantage as a source of international competitiveness [Dwyer, 2001: 48]. For a tourism destination, comparative advantage would relate to inherited or endowed sources such as climate,

scenery, flora and fauna while competitive advantage would relate to a destination's ability to use these resources over the long-term such as quality of management, skills of workers, service levels, and government policy [Crouch & Ritchie, 1999: 142]. The importance of these two pillars of international destination competitiveness will now be shortly discussed.

a] Comparative advantages

Comparative advantages concern a destination's factor endowments, both naturally occurring as well as created. Porter [1990: 20], Crouch and Ritchie, [1999: 42], and Hill, [2000: 130] identify five broad categories of endowment: human resources, physical resources, knowledge resources, capital resources and infrastructure. In a tourism context it seems appropriate to add historical and cultural resources as an additional resource strategy and to expand the infrastructure category to include tourism superstructure [Crouch & Ritchie, 1999: 142].

The World Competitiveness Report [1992: 12] makes an important point concerning the role of resources in a nation's competitiveness. The report argues that under the traditional theory a comparative advantage can be based on having an abundance of natural resources in a country, for example, oil, whereas competitive advantage can only be based on an entrepreneur's ability to add value to the available resources, for example, by refining the crude oil. By merely selling its natural richness, a country does not become better off in the long-term. For this reason, The World Competitiveness Report model focuses on value added and ignores inherited factors.

Crouch and Ritchie [1999: 143] reason that these arguments concerning the relevance of natural resources do not apply to the tourism sector. They argue that a country's natural resources are an important source of comparative advantage in tourism. This view is supported by Grant [1995: 338], Crouch and Ritchie [1999: 143 and Fabricius [2001: 30]. Although a country's natural resources are an important source of competitive advantage in tourism, tourists do not return home with any significant physical elements from the "exporting" country [other than the odd artefact or photograph]. Consequently, these resources are not depleted, despite the fact that people have paid for their use. From the preceding exposition it can therefore be

argued that the tourism phenomenon represents a fundamentally different form of economic exchange than does the sale of physical resources. It can be further argued that natural and other resources are a critically important source of comparative advantage for tourism destinations.

b) Competitive advantages

Where comparative advantages constitute resources available to a destination, competitive advantages relate to a destination's ability to use these resources effectively over the long-term [Hamel and Prahalad, 1993: 56; Thompson, 1997: 23 and Crouch & Ritchie, 1999: 143;].

A destination endowed with a wealth of resources may not be as competitive as a destination lacking in resources because the latter is utilising the little it has much more effectively. A destination that has a tourism vision, shares this vision among all stakeholders, understands both its strengths and weaknesses, develops a positioning strategy and implements it successfully may be more competitive because of its effective strategic approach.

The main goal of strategic management is to produce sustainable competitive advantage for the destination [Campbell *et al*, 2003: 184]. Competitive advantage is not easy to achieve and is difficult to sustain. According to Campbell *et al* [2003: 154], competitive advantage can be built and sustained through continuous organisational learning in a constant process of strategy development and improvement of the destination.

Although there is no formula that can guarantee sustained competitive advantage, Campbell *et al* [2003: 156] identify certain behaviours that have shown to make success more likely:

- Constantly stretching the destinations' limits;
- Continuously improving products, attractions, services and destination management processes;

- Doing things differently from competitors – finding those critical success factors for the destination that will make it unique and better than the competitors;
- Being customer orientated – always seeking to make the destination attractive to the customer and satisfying the customer’s needs;
- Building knowledge-based competences and distinctive capabilities;
- Developing clear and consistent strategies that are understood by all the tourism stakeholders;
- Being aware of the factors in the environment - potential international and national changes and their implications for the destination;
- Collaborating with other destinations.

Developing strategy and competitive advantage will inevitably draw upon the destination analysis, its objectives, resources, competences, activities and competitive environment [Hitt *et al*, 2003: 6].

5.2.3 Destination competitiveness

The most detailed work undertaken by tourism researchers on overall tourism competitiveness is that by Crouch and Ritchie [1994, 1999, 2000, 2001]. Crouch and Ritchie claim that in absolute terms the most competitive destination is one that brings about the greatest success, that is, the most well-being for its residents on a sustainable basis. Crouch and Ritchie [2000] state that competitiveness is illusory without sustainability. Thus the most competitive destination is one that most effectively creates sustainable well-being for its residents. This view is supported by Hassen [2000: 113] who defines destination competitiveness as “the destination’s ability to create and integrate value added products that sustain its resources while maintaining market position relative to its competitors”.

The systematic model of destination competitiveness proposed by Crouch and Ritchie [1999] points out that it is necessary to investigate and understand the relationships of interplay among the determinants of competitiveness. Furthermore, it has been

suggested that a systematic analysis of the comparative and competitive advantages contributing to destination competitiveness is done.

The national competitiveness model and its four determinants [proposed by Porter, 1990] can be used as a fundamental source for explaining the determinants of destination competitiveness [Ritchie & Crouch, 1993]. These determinants are factor condition [e.g. skilled labour, infrastructures], demand condition [e.g. basic tourism services], related and supporting industries, and firm strategy, structure and competition. It has been said that these determinants do not operate independently, but are mutually dependent [Porter, 1990].

Competitiveness has often incorporated the concept of marketing assessment and planning [Bordas, 1994; Poon, 1994; Buhalis 2000 and Kozak 2001]. Particularly Bordas [1994; 78] argues that in a conceptual scheme of competitive marketing, once the strongest of the tourism resources [clusters] are identified, the most attractive markets/segments for each resource [cluster] should also be determined.

Similarly Pearce [1997: 139] describes destination competitiveness as destination evaluation techniques and methods that can systematically analyse and compare the diverse attributes of competing destinations within a planning context. Such a systematic evaluation and comparison of major tourism components among competitors can provide a better appreciation of the competitive advantages of these competing destinations.

Against the background of the preceding exposition, the philosophy underlying the concept of international competitive assessment for tourism destinations could be summarised as follows:

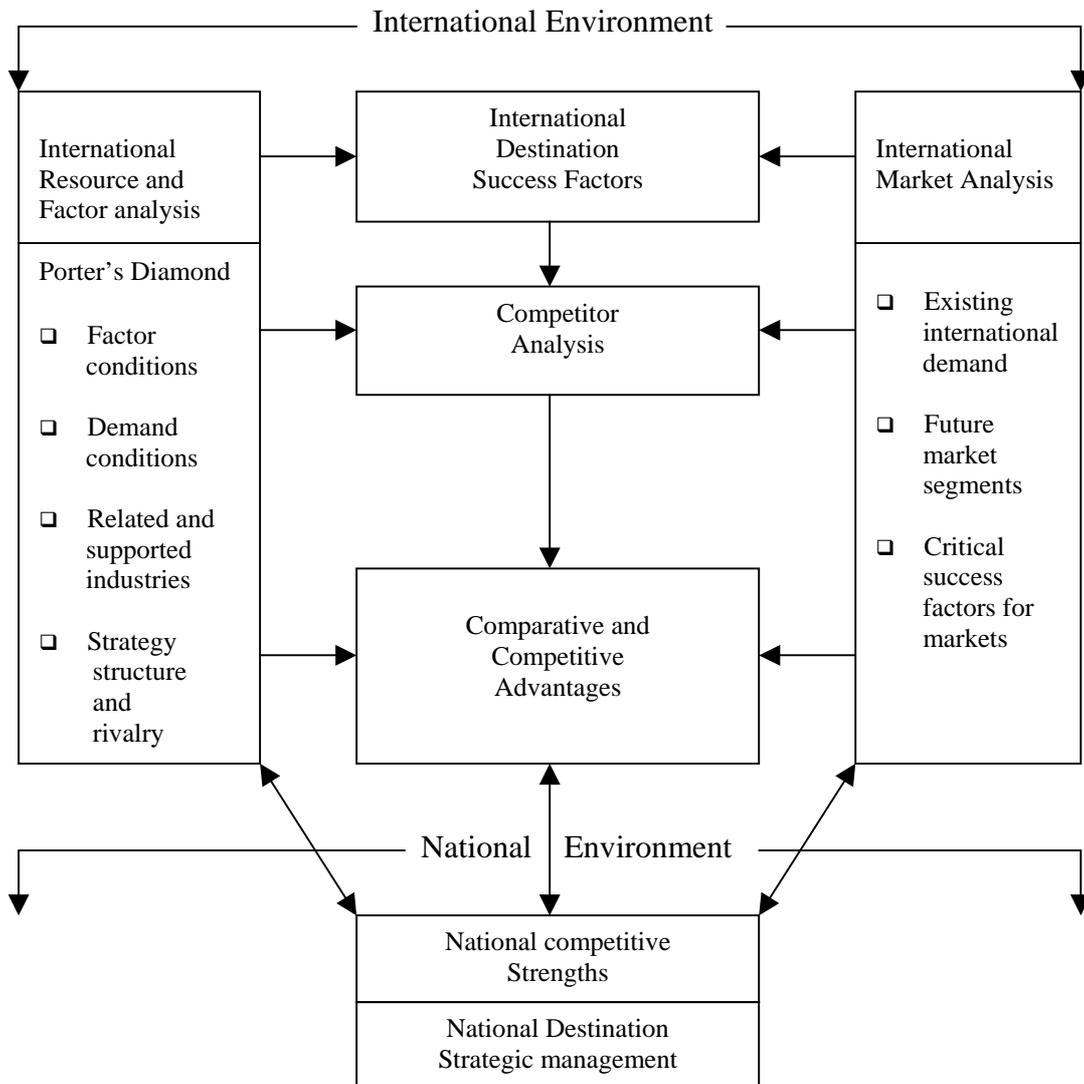
- An international resource and factor analysis can enable the destination to determine comparative and competitive advantages;
- Once the strongest of the tourism resources are identified, the most attractive market segments for these resources can be determined;
- International destination success factors can provide benchmarks against which a national destination's success can be measured. Crouch and Ritchie

[1999: 149] call these success factors “situational qualifiers”. These success factors will, to a great extent be determined by the needs of the international market, international competitive forces and critical international resources and skills;

- Finally, all the above elements can be used to do a full comparison, analysis and assessment of competitive destinations.

This background provides a base for a possible framework for the assessment of the international competitiveness of a tourism destination. The proposed framework is shown in figure 5.1.

Figure 5.1 International destination competitiveness framework



Source: Researcher’s own construction

The different elements of the framework will now be critically discussed.

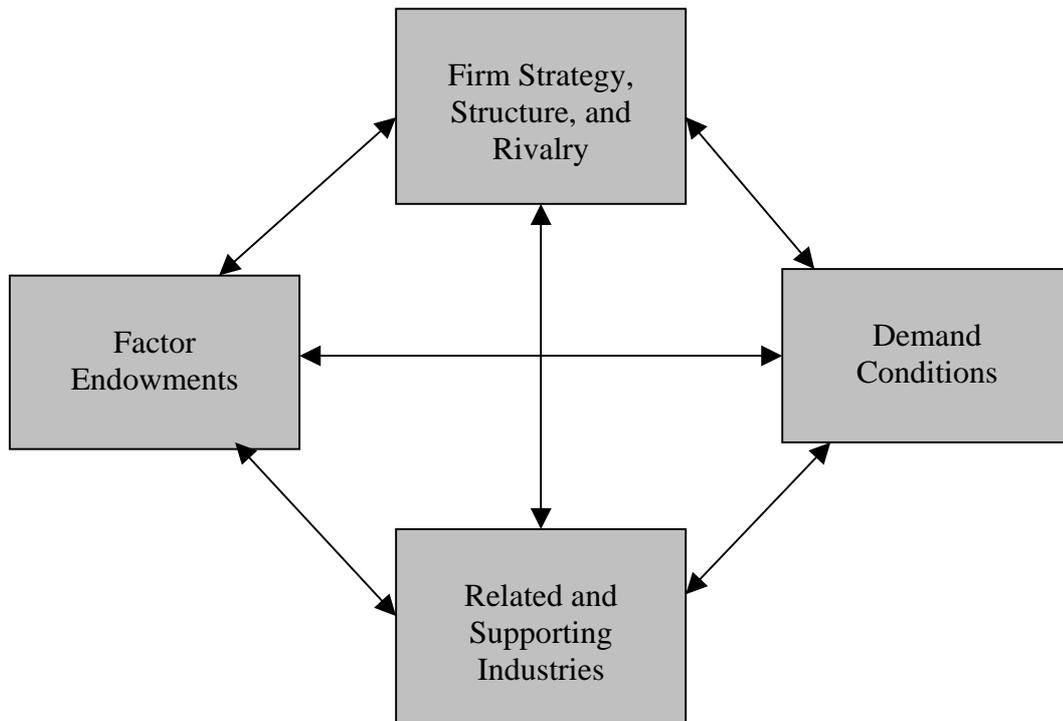
5.3 INTERNATIONAL RESOURCE AND FACTOR ANALYSIS

The purpose of the resource and factor analysis is to identify and analyse the resources, factors and attributes of a destination that can promote or impede the creation of competitive advantage.

Various contemporary works on international strategy, particularly those of Hill [2000: 139], Hough and Neuland [2000: 34], Stonehouse *et al* [2000: 107] and Daniels and Radebaugh [2001: 182], indicate that national resources and factors are important in determining competitive advantage, and identify Porter's [1990] Diamond Analysis as one of the best techniques to analyse these resources and factors. Crouch and Ritchie [1999: 141] also propose Porter's diamond as the best framework for analysing the international competitiveness of national tourism destinations as indicated in section 5.2.1.

In 1990 Michael Porter published the results of research that attempted to determine why some nations succeed and others fail in globally competitive situations. His conclusion was that the following four attributes [see Figure 5.2] of a nation shape the environment in which industries compete, and that they either promote or inhibit the creation of competitive advantage.

Figure 5.2 Determinants of national competitive advantage: Porter's Diamond



Source: Porter [1990: 77]

These attributes are:

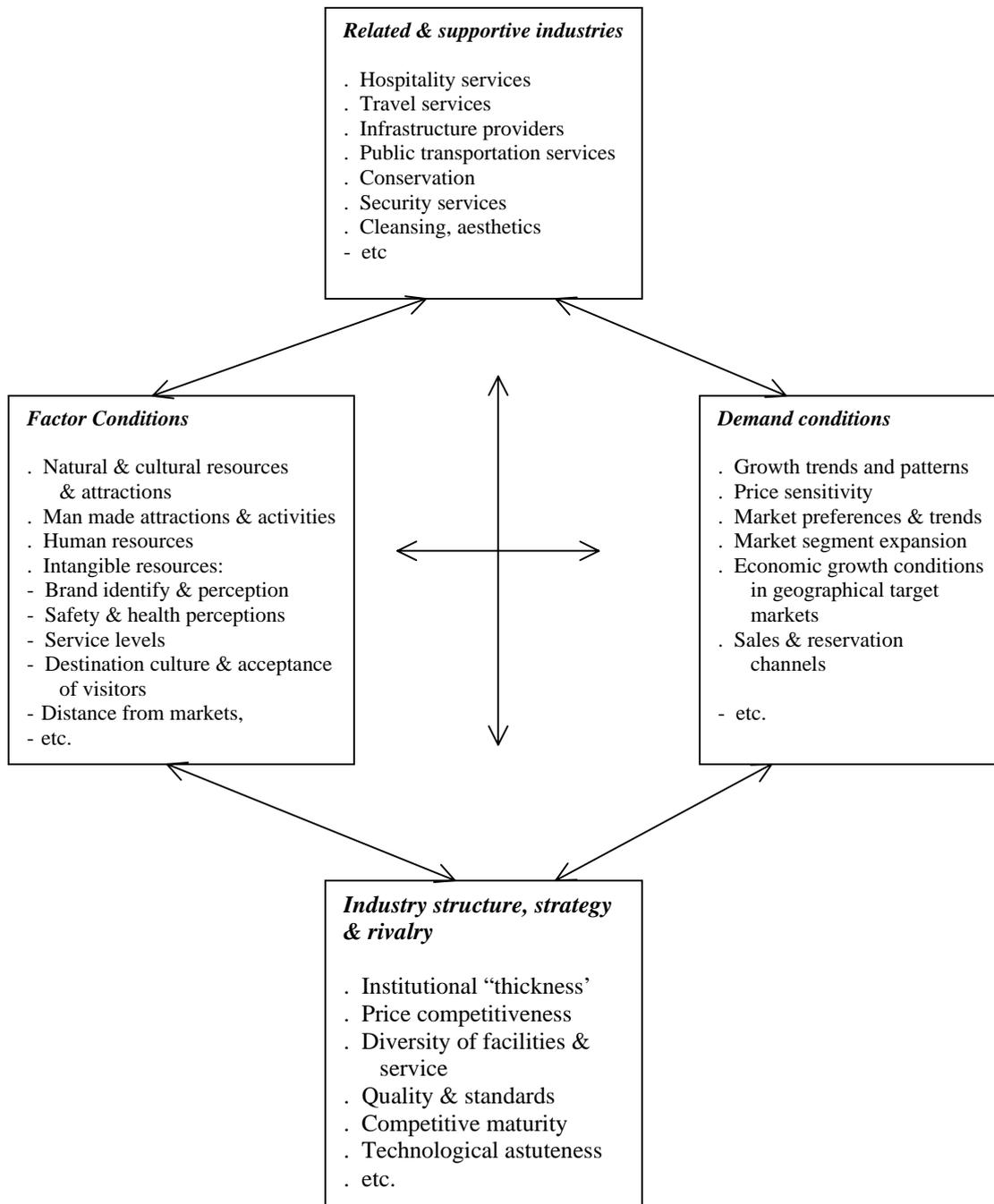
- Factor endowments – a nation's position in factors of production such as skilled labour or the infrastructure necessary to compete in a given industry;
- Demand conditions – the nature of home demand for the industry's product or service;
- Relating and supporting industries – the presence or absence in a nation of supplier industries and related industries that are internationally competitive;

- Firm strategy, structure and rivalry – the conditions in the nation governing how companies are created, organised and managed and the nature of domestic rivalry.

Porter [1990: 78] speaks of four attributes as constituting the diamond. He argues that firms are most likely to succeed in industries or industry segments where the diamond is most favourable. He also argues that the diamond is a mutually reinforcing system and that the effect of one attribute is contingent on the state of others.

Fabricius [2001: 30] applied Porter's diamond to a tourism destination [see figure 5.3].

Figure 5.3 Porter’s national diamond framework applied to a tourism destination



Source: Fabricius [2001: 30]

Fabricius [2001: 30-31] argues that various important qualities of the tourism industry need to be considered when applying Porter's diamond to tourism destinations. These are:

- The primary tourism product is an experience rather than a tangible product or service. Tourists travel to destinations to enjoy experiences and tourism is therefore highly driven by the discretion, tastes and attitudes of the consumers;
- The product cannot be delivered to the market. Rather the market is confronted with a "virtual" proposal often in the form of pictures, descriptions and perceptions based on media exposure and personal interactions;
- The tourism experience is not delivered to the consumer as a finished product. The consumer purchases various components of the experience, which are delivered at the destination as the experience unfolds. The comparative advantages of tourism are therefore mainly located in its factor conditions, i.e. its inherent attractiveness to specific market segments.

The components of Porter's Diamond will now be used to analyse and discuss the international competitiveness of South Africa as a tourism destination.

5.3.1 Factor conditions

Factor conditions are a nation's position in factors of production necessary to compete in a given industry [Porter, 1990: 80]. Porter recognises hierarchies among factors, and distinguishes between basic factors [e.g. natural resources, climate, location and demographics] and advanced factors [e.g. communication, infrastructure, sophisticated and skilled labour, research facilities and technological know-how]. Porter argues that advanced factors are the most significant for competitive advantage. Unlike basic factors [which are naturally endowed], advanced factors are a product of investment by individuals, companies and governments. Thus, government investment in basic and higher education, by improving the general skills and knowledge of the population and by stimulating advanced research at higher education institutions, can upgrade a nation's advanced factors.

Crouch and Ritchie [1999: 140] and Fabricius [2001: 29] argue that factor conditions [both basic and advanced] are a particularly important source of competitiveness to tourist destinations. Natural, historical, cultural and recreational resources often represent primary travel motivations. Other attributes include the sustainable use of these resources, the availability of human resources, infrastructure and basic services, and access to modern technology and capital resources.

Fabricius [2001: 30] emphasises that the comparative advantages of a tourism destination are mainly located in its factor conditions. Crouch and Ritchie [1999: 140] support this argument and point out that the wise stewardship of resources is critical to the long-term competitiveness of a tourism destination. Critical success factors that flow from this can therefore be the education and training of human resources; the protection and care of physical resources; the expansion and domestication of knowledge resources; the investment and growth of capital resources; the construction and maintenance of infrastructure and tourism superstructure, and the preservation and fostering of historical and cultural resources.

In pursuance of the objectives of this component of the study, it is essential to analyse the resource and factor attributes of South Africa and compare them with that of competitors or world-class conditions. An example of a comparison is shown in Table 5.2. The purpose of such an analysis is to identify the strategic gaps as well as the comparative advantages of the destination.

Table 5.2 Factor conditions: A comparison between South Africa and World Class Conditions

World Class Conditions	South Africa's Conditions
Unique climatic, geographic, cultural or historical attributes	South Africa is World Class: <ul style="list-style-type: none"> . Unique scenery, environment & ecosystems . Unique culture and history . World heritage sites . World famous landmarks
Access by large, and/or wealthy populations	South Africa is potentially World Class <ul style="list-style-type: none"> . Strong international transportation and gateways . Distance a current barrier to long-hauls
Smooth physical access to attractions and good communications and finance infrastructure	South Africa is inadequate for some segments <ul style="list-style-type: none"> . Poor access via roads and air [closed skies] and roads not well maintained . Poor communication outside major urban areas . Difficult financial rules e.g. petrol cards

Source: The Cluster Consortium [1999: 217]

5.3.2 Demand conditions

Porter [1990] emphasises the role home demand plays in providing the impetus for upgrading competitive advantage. Destinations are typically most sensitive to the needs of their closest customers. Porter argues that a destination can gain competitive advantage if its domestic customers are sophisticated and demanding.

Demand conditions, particularly domestic demand and its internationalisation to foreign markets, establish the “proving grounds” for the destination. A high domestic demand confers static efficiencies and encourages improvement and innovation. Most national tourism destinations depend upon domestic demand for the majority of their

business. Foreign demand thrives more readily when domestic tourism is well established [Crouch & Ritchie, 1999: 141].

The Cluster Consortium [1999: 5] identifies the characteristics of destination demand as “Volume and seasonal conditions, socio-economic and demographic characteristics, markets of origin, tourist motivation and behaviour, level of satisfaction demanded, previous knowledge of destination and image of destination among tourists”.

According to the Cluster Consortium [1999: 17], the overall demand for South African tourism is growing and remains strong, particularly from traditional European markets [like Germany]. Tourists are demanding higher service levels. According to the report South Africa has captured less than 2% of world demand for tourism, hence, there is significant latent demand in European, North American, Asian and South American markets yet to be tapped. The report proposes that in order to maintain an increase in long-haul tourists, South Africa must focus its promotion target on specific niches, contend with tough foreign competition and increase the quality of its own tourism products and services. A comparison between South Africa’s and World Class demand conditions is given in table 5.3.

Table 5.3 A comparison between South Africa’s and World Class demand conditions

World Class Conditions	South Africa’s Conditions
<p>Impulse, coordination and analysis of investigation of the tourist demand captured by destination:</p> <ul style="list-style-type: none"> . Volume, . Seasonal conditions, . Origin, . Motivation, behaviour . Characteristics, satisfaction . Knowledge of the destination, . Image of the destination and its tourist products, etc. 	<p>South Africa needs a comprehensive system for permanent market research as well as ongoing basic statistics collection and analysis</p> <p>South Africa has to develop a clear market focus with integrated tourism products</p> <p>South Africa does not understand target segments. Needs based research is required.</p>
<p>World class destinations have a clear market focus</p>	<p>South Africa has been one of the tourism success stories of the late 1990s</p>
<p>World class destinations supply changing market preferences</p>	<p>Visitors to South Africa for holiday purposes have driven growth</p> <p>European market [holidays] have reached a plateau</p> <p>Countries preferred as destinations change over time influenced by fashion, perceptions of safety, promotion, marketing</p>
<p>Facilitation of tourist information to the tourists at destination, including the different products and services favouring its use and compatibility</p>	<p>South Africa needs a comprehensive system for tourism information</p>

Source: The Cluster Consortium [1999: 218]

5.3.3 Related and supporting industries

The third broad attribute of national advantage in an industry is the presence of internationally competitive suppliers or related industries. Related and supporting industries that pose their own advantages can stimulate an industry. For example, leisure and recreation, and retailing and entertainment industries share activities that complement the tourism industry. Supplier industries [accommodation, transportation, food services etc] that are either unique or cost efficient, confer advantages to the tourism industry.

The Cluster Consortium [1999: 21] made the following conclusions based on their analysis of the related and supporting industries of tourism in South Africa:

- The analysis reveals that the country possesses a sufficiently strong array of interrelated key and supporting businesses to build future success and development of the tourism industry. However, the tourism distribution system [travel agents and tour operators] and component providers [accommodation, attractions, transportation, etc.] require further development and integration to achieve either satisfactory or optimal levels, particularly as they relate to product development, delivery and marketing;
- The analysis also shows that tourism growth is threatened by fundamental weaknesses in the country's economic foundations including human resources, safety and security, and inadequate marketing of the South African tourism product. Public spending is currently increasing at a moderate pace at best and offers only gradual, incremental improvements;
- One of the keys to tapping South Africa's tourism potential is to develop more effective linkages and synergies within the industry and invest in critically needed infrastructure. A critical factor for success is to align all elements of the cluster to strategic tourist product offerings.

A comparison between South Africa and World Class Conditions regarding related and supporting industries is given in Table 5.4.

Table 5.4 Related and supporting industries: A comparison between South Africa and World Class Conditions

World Class Conditions	South Africa's Conditions
<p>A critical mass of interrelated supporting industries:</p> <ul style="list-style-type: none"> . Accommodation . Transportation . Restaurants . Entertainment . Travel Agencies and Tour Operators . Cleaning, Service and Repair Industries . Management and Development Services . Security, banking, communications and postal services . Other supplier industries 	<p><i>South Africa is expanding:</i></p> <ul style="list-style-type: none"> . 10,341 new beds—38% growth since 1993 . Declining occupancy rates . 300 private game lodges . Guesthouses, B&B, Hostels and self catering holiday resorts are growing . Deregulation of airlines has lowered prices . Competition in car hire has risen the standard of service . Coach service is increasing in importance for new destinations and emerging markets . 460 tour operators. Need for specialisation . High degree of competition in Travel Agents . Linkages between leading and supporting firms are generally inadequate . Packaging of tourism components are greatly lacking . South Africa lags behind in service excellence
<p>Excellent basic services and infrastructure</p>	<p><i>South Africa is Challenged:</i></p> <p>Services limited to high-end travellers Lack of Supporting service culture Five star services compare unfavourably with world standard Strong but regionally limited infrastructure Development and maintenance</p>
<p>Ease of arrival and movement within the country</p>	<p><i>South Africa is Challenged:</i></p> <p>Competitive car-hires attaining higher service levels, but taxi service and other public and private transportation services still substandard. Closed skies restricts growth</p>

Source: The Cluster Consortium [1999: 220]

5.3.4 Strategy, structure and rivalry

The fourth broad attribute of national competitive advantage in Porter's model [1990] is the strategy, structure and rivalry of firms within a nation. Porter makes two important points here. His first is that nations are characterised by different "management ideologies", which either help or do not help them to build national competitive advantage.

Porter's second point is that there is a strong association between vigorous domestic rivalry and the creation and persistence of competitive advantage in an industry. Domestic rivalry creates pressure to innovate, to improve quality, to reduce costs, and to invest in upgrading advanced factors. Supporting industries to the South African tourism industry are recorded by the Cluster Consortium [1999: 218] to require further development and integration to achieve satisfactory or optimal levels, particularly as they relate to product development, delivery and marketing. According to the Cluster Consortium report [1999:219], South Africa's tourism industry experiences varied but escalating levels of rivalry in key sectors [e.g. generally high in accommodation, transportation, and travel agency sectors, low among tour operators, etc].

A comparison between South Africa's and the World Class Conditions on strategy structure and rivalry is given in Table 5.5.

Table 5.5 Strategy structure and rivalry: A comparison between South Africa and World Class Conditions

World Class Conditions	South Africa's Conditions
High levels of rivalry among competing service providers leading to:	Varying degrees of rivalry depending on type of industry
<ul style="list-style-type: none"> • Growing numbers of experienced firms • Increasingly sophisticated market segmentation • Continuous upgrading of service provision 	<ul style="list-style-type: none"> • Limited competition in some key Industries [e.g. luxury hotels, car hire] due to the industry's concentration in a few large companies. • Higher rivalry and competition among rapidly-growing B&B's, game lodges, tour operators and the gaming industry. <p>Resulting in: limited entry of new firms in hotels, car hire, transportation, entertainment sectors, slow upgrading in service provision, and limited diversification in new product/market segmentation</p>

Source: The Cluster Consortium [1999: 219]

An important aspect that was not included in the analysis of the cluster consortium is the “management ideologies” of the different stakeholders in the process. The influence of these stakeholder perceptions and ideologies will be discussed in the next chapter.

5.4 INTERNATIONAL MARKET ANALYSIS

The purpose of the international market analysis is to identify and analyse the trends and changes in the needs and perceptions of the destination's existing and potential market segments and identify critical success factors within these segments. A major step in undertaking a market analysis for a particular destination should involve, among others, a description of existing tourism demand utilising readily available sources of information.

5.4.1 International arrivals

In the five years from 1996 to 2000, international visitor arrivals to South Africa have grown from 4,9 million to 5,9 million, registering a moderate growth of 5,5 percent per annum [Table 5.6].

Table 5.6 International visitor arrivals from 1996-2000 by major source regions [thousands]

	1996	1997	1998	1999	2000	Average Annual Growth [%]
Grand total	4,944 [10.2%]	4,976 [6.5%]	5,732 [15.2%]	5,891 [2.8%]	5,872 [-0.4%]	5.5%
Overseas	1,172 [9.3%]	1,274 [8.7%]	1,428 [12.1%]	1,491 [4.4%]	1,532 [2.7%]	7.4%
Europe	771 [10.5%]	846 [9.7%]	950 [12.2%]	998 [5.1%]	1,023 [2.5%]	7.9%
N. America	137 [10.5%]	156 [15.3%]	194 [22.8%]	193 [-0.5%]	202 [4.7%]	10.3%
Australia	62 [3.3%]	63 [1.6%]	69 [9.5%]	69 [0.0%]	70 [1.5%]	3.1%
Asia [1]	118 [2.6%]	111 [-6.0%]	109 [-1.9%]	122 [11.9%]	122 [0.0%]	1.2%
India/Ocean [2]	27 [8.0%]	31 [14.8%]	34 [9.7%]	38 [11.8%]	40 [5.3%]	9.9%
Africa	3,607 [9.6%]	3,527 [-2.2%]	4,184 [18.6%]	4,272 [2.1%]	4,222 [-1.2%]	5.1%
Others [3]	221 [26.3%]	241 [9.0%]	192 [-20.4%]	198 [2.1%]	193 [-2.5%]	2.0%

1] Excludes India

2] India/Indian Ocean Islands

3] Central/S. America, M/East and Unspecified

Source: SA Tourism [2001: 2-18]

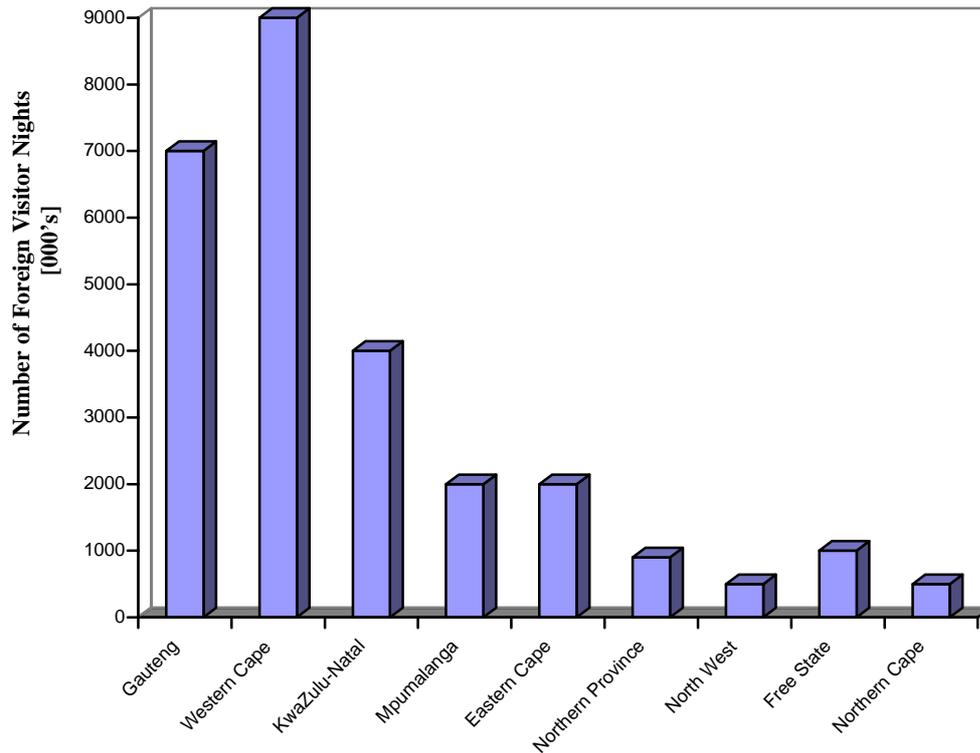
The majority of arrivals are intra-African arrivals averaging a share of 71% [1997] to 73% [1996 and 1998].

Overseas arrivals, as defined by SA Tourism to exclude African arrivals, has registered a growth of 7,4% per annum for the same period, expanding from 1,2 million to 1,5 million.

Europe has been and will continue to be the major generating source of visitors to South Africa because of its relative geographical proximity and post socio-political relations. Europe holds an average share of 66-67% of the total overseas arrivals. European arrivals expanded from 0,8 million to 1 million registering a very steady growth of 7,9% per annum. North America [USA and Canada] and India/Indian Ocean Islands are the two other source regions recording a notable annual growth rate of 10.3% and 9.9% respectively.

Figure 5.4 shows the number of overseas visitor nights spent in each province. It is clear from the table that the most overseas visitor nights are spent in the Western Cape, Gauteng and Kwa Zulu Natal.

Figure 5.4 Number of overseas visitor nights spent in each province



Source: Fabricious [2001: 21]

5.4.2 Market segmentation

Kay [1993: 10] points out that it is only when core competences or distinctive capabilities are applied in the context of one or more markets, that they become sources of competitive advantage. Fabricious [2001: 44] postulates that this is also true for tourism destinations and highlights the fact that a competitive strategy should identify the potential market segments and match these with the resources and capabilities of the destination to determine the basis on which it will compete in the marketplace.

A market segmentation analysis seeks to identify the largest and most profitable customers to group them according to shared characteristics. Such shared characteristics will result in specific customer groups to have different needs and to act and behave differently to other customer groups [Stonehouse, *et al*, 2000: 91]. Fundamentally, segmentation therefore means subdividing a market into customer

sub-groupings, each with their own distinctive attributes and needs. Customer groups are commonly segmented according to factors like age, sex, occupation, socio-economic grouping, race, lifestyle, buying habits and geography. Each segment is then analysed for its size and potential profitability, for customer needs and potential demand based on ability and willingness to buy [Stonehouse, *et al*, 2000: 91].

Heath [2000: 94] postulates that tourism destination markets can be analysed or subdivided according to various criteria, including choice of destination, travel method, demographic characteristics, purpose of trip and benefits sought. According to Heath the above criteria can be divided into four broad categories, namely, geographic, socio-economic and demographic, psychographic and behavioural categories. Table 5.7 provides examples of a breakdown of these variables that can be used as bases for tourism market segmentation.

Table 5.7 Tourism market segmentation bases and characteristics

SEGMENTATION	CHARACTERISTICS
Demographic and socio-economic	Age, education, gender, income, family size, social class, occupation, etc.
Geographic	Country, region, market area, urban/rural, city size, postal code, neighbourhood, etc.
Purpose of trip	Regular business travel, conferences, incentive travel, visiting friends and relatives, outdoors vacation, resort vacation, visit to theme park, exhibition or travel event.
Behavioural	Benefits sought, use occasions, activity participation patterns, length of stay, experience preferences, transportation modes used, etc.
Psychographic	Lifestyle, attitudes/interests/opinions, values.

Source: Heath [2000: 94]

Fabricius [2001: 49] adds an additional criterion for destination market segmentation, namely, “activity based segmentation”. This type of segmentation is based on the primary tourism activity types performed by the global tourism market. By identifying the activity groupings in the market, it is possible to clearly match the destination’s resources, capabilities and competences with the activities sought and to determine the destination’s competitive strengths in relation to each segment. Fabricius argues that this segmentation would also provide a solid basis for the application of other

segmentation variables, be they geographic, demographic, psychological or behavioural.

The Western Cape Tourism Board provides an example of an activity-based segmentation approach in defining its potential target markets. They maintain that since customers are primarily in search of experiences, these experiences are applied as a point of departure for segmentation [Western Cape Tourism Board, 2000]. They identify the five “E’s” as potential activity segments, namely: experiences, explorers, entertainers, engagers and eventers. These segments are defined in Table 5.8.

5.4.3 Identifying critical success factors in market segments

Differences in competitive structures and customer preferences between segments implies differences in the basis of competitive advantage. This means that an examination of differences between market segment purchase criteria and the way in which destinations compete in the market place could reveal specific critical success factors for each target market [Grant, 1995: 95; Fabricius, 2001: 66]. Fabricius [2001: 66] reasons that these principles could also be applied to the tourism market segments. Table 5.8 provides an example of critical success factors identified by Fabricius pertaining to the “Five E” activity segments identified in the previous section.

Table 5.8 Examples of critical success factors for the “Five E” tourism market segments

<i>SEGMENT</i>	<i>CRITICAL SUCCESS FACTORS</i>
<p><i>Experiencers:</i> Tourists who want an introductory overview and fairly superficial experience of the destination highlights and its main attractions within a limited time period. Specific activities include visiting the tourism “icons” or “must see” attractions, general sightseeing, general sport participation (e.g. golf, surfing, gyming, cycling, etc.), socializing with the local population, general eco-tourism.</p>	<ul style="list-style-type: none"> • Ease of access (adequate airline capacity) • Emigration procedures capable of handling large numbers • Quality airport facilities to accommodate volume flows • Adequate tourist and first class hotel capacity • Adequate number of high quality tour coaches • Tourist attractions geared to handling substantial numbers • Well established wholesale and retail travel sales channels • Aggressive and focused marketing of major tourism attractions and highlights, mainly to the travel trade • Flexible, cost competitive and creative tour packaging • Excellent perceptions of safety and security • Excellent service levels • High quality tour guiding skills • Excellent visitor recreation facilities • Sustained environmental quality and high carrying capacity
<p><i>Explorers:</i> Tourists who want to have an intensive experience, travel to lesser-known areas, risk more, “rough it up”, get “behind the scenes”. Specific activities include self-drive exploration, backpacking, hiking-, biking-, horse- and 4x4 trails, adventure tourism activities, delving into the heritage and culture of the destination and special interest activities such as birding, botanical tourism, hunting,.</p>	<ul style="list-style-type: none"> • Ease of access [adequate airline capacity] • Range of tourist class hotel capacity • Adequate public transportation and independent travel modes, e.g. car rental, taxis, train system, bus service • Good internet and other communication capabilities • Good quality market research and very targeted marketing aimed at special interest groups • Flexible and creative travel routes and themes • Adequate perceptions of safety and security • Excellent environmental and cultural management • Access to a variety of off the beaten track attractions
<p><i>Entertainers:</i> Tourists who want to relax in a limited action, entertaining environment. Activities include “sun & surfer” beach activities, shopping, enjoying food and wine, attending music and theatre, romantic break-aways, nightlife activities/-partying.</p>	<ul style="list-style-type: none"> • Ease of access [adequate airline capacity and access roads] • Quality airport facilities to accommodate volume flows • Adequate variety of tourist and self catering accommodation • Basic public transportation • High quality and variety of recreational and entertainment facilities • Recreational facilities geared to handling substantial numbers • Affordable accommodation, restaurants and facilities • Excellent beach facilities

<p>Engagers: Those who travel to a destination to meet a particular parties to build relationships, exchange common ideas and conduct business. Activities include business meetings, attending political meetings or gatherings and attending academic meetings or lectures. While these are the main reasons for visiting the destination they could also engage in various other activities</p>	<ul style="list-style-type: none"> • Ease of access [regular air links] • Quality airport facilities • Adequate tourist and first class hotel capacity • Well established wholesale and retail travel sales channels • Excellent service levels • Excellent visitor and restaurant facilities
<p>Eventers: Travellers who visit a destination to partake in an organised event. Such activities may include participation in sports or cultural events, attending festivals, attending conventions and conferences or participating in a company incentive.</p>	<ul style="list-style-type: none"> • Ease and regularity of access [adequate airline capacity] • Emigration procedures capable of handling large numbers • Quality airport facilities to accommodate volume flows • Adequate tourist and first class hotel capacity • Adequate number of high quality tour coaches • Main tourist attractions geared to handling substantial numbers • High quality meeting and convention facilities • Well established convention sales channels • Aggressive and focused marketing as a convention destination and bidding for conventions • Flexible pre and post tours • Excellent perceptions of safety and security • Excellent service levels • Excellent visitor recreation facilities • Sustained environmental quality

Source: Fabricius [2001: 67]

There are a range of broad critical success factors that are crucial to the overall success of the destination. The more targeted the segmentation becomes, the more specific will the critical success factors be that will be added to the general list. While various critical success factors will be generalizable, specific critical success factors will be applicable to specific target markets. The result is a “pyramid” of critical success factors.

The basis of the pyramid consists of those critical success factors that are common to a wide spectrum of market segments and that are therefore fundamental to the overall success of the destination. There are a number of such fundamental critical success factors evident from Table 5.8. These include ease of air access, perceptions of safety and security, excellent service levels, environmental sustainability.

5.5 THE IDENTIFICATION OF INTERNATIONAL DESTINATION SUCCESS FACTORS

This study has made a clear distinction between international success factors and destination success factors. International success factors could be used to direct the national destination's efforts in developing strategic plans and to evaluate international competitiveness. The advantage of a focus on the essential issues provided by the critical success factors makes it a useful tool for the development of a competitive strategy [Ohmae, 1982: 42].

An international destination success factor survey was undertaken in this study to determine international critical success factors as perceived by national tourism organisations in different countries. This was done by means of a Delphi Survey.

The survey asked the respondents to identify the critical success factors as well as the main strategic issues of concern for international destinations. Twenty-one respondents representing a broad range of international countries took part in two rounds of the survey. The survey was done by means of an open questionnaire that was e-mailed to a random sample of 100 prominent national tourism organisations, government departments and research institutes out of a population of 840 that could be identified in Canada, the United States of America, the European countries, the Scandinavian countries, New Zealand, Australia, Israel, Japan, Taiwan, Hong Kong and selected countries of Africa and South America.

The six most important critical success factors, as well as the six most important strategic issues identified by the respondents, are shown in Table 5.9.

Table 5.9 Results of International Delphi Survey: The identification of international critical success factors and future issues of concern

International success factors	Future strategic issues
1. Safety/stability/security of the destination	1. Easy access to major destinations
2. Unique and diverse attractions	2. Creating a safe and secure destination
3. Accessibility of destination and attractions	3. Decreasing cost
4. Quality of tourism experience	4. Providing an up-to-date product offering
5. Effective and collective marketing effort	5. Distributing effective information
6. Destination image and reputation	6. Achieving sustainable tourism development

- **Safety/Stability/Security** was identified as the most important international critical success factor. Creating a safe and secure environment was also identified as one of the main issues of concern for the future success of destinations. In a similar survey by Crouch and Ritchie [1999: 149], safety was also identified as one of four important critical success factors. It is clear that if tourists are gravely concerned about crime, violence, political unrest, natural disasters, or the quality of medical services, other competitive strengths may account for very little in their minds.

- **Image of the destination** Various works on tourism, particularly those of Fakey and Crompton [1991: 12] and Kim [1998: 341] indicate that the primary goal in promoting a destination is to project a positive image to potential tourists so that the product becomes desirable to them. The Delphi survey confirms that destination image is critical for success. The attributes of the destination, unique and diverse attractions and accessibility could be included under image. The latter two factors were also identified as issues of concern by the respondents. In conclusion it can therefore be said that the image of the

destination will be critical particularly in terms of the unique and diverse attractions that it offers as well as the accessibility [Davidoff & Davidoff, 1994: 10; and Kim, 1998: 341].

- **Quality of tourism experience** is also critical according to the respondents. According to Otto and Ritchie [1996: 168], quality of experience refers to the internal experience satisfaction of the visitor. The quality of the tourism experience plays an important role in the international tourist's sense of customer satisfaction.

- **Effective and collective marketing effort** was identified as critical and can therefore be considered as one of the most important destination management processes. A tourism destination will only succeed if it completely understands its markets. Crouch and Ritchie [1999: 49] point out that this includes attention to product packaging, promotion, branding and effective distribution channels and sales. Destination marketing is almost always the key responsibility of government agencies such as national destination marketing organisations [DMOs] and their provincial, regional and community counterparts, a fact that reinforces the key role of destination governments within the overall tourism system. Two strategic issues identified that link with the marketing effort of DMOs are providing an up-to-date product offering and effective information distribution. According to Poon [1993: 243], marketing should be linked with product development to ensure that the product reflects as closely as possible the needs of the people who will make use of it. DMOs are also responsible for information distribution, especially on market research, sales and marketing functions.

- **Achieving sustainable tourism development** was identified as a strategic issue of concern for the future. Sustainable tourism development connects tourists and providers of tourist facilities and services at tourist destinations with advocates of environmental protection and community leaders who desire a better quality of life. The sustainable growth of the destination is therefore dependent upon its economic success, balanced with the continued well-being of the physical and social environment on which it is based. To achieve this

goal successfully, sustainability seems to be an issue of concern for international stakeholders [Brookfield, 1988; and Butler, 1991].

5.6 INTERNATIONAL COMPETITOR ANALYSIS

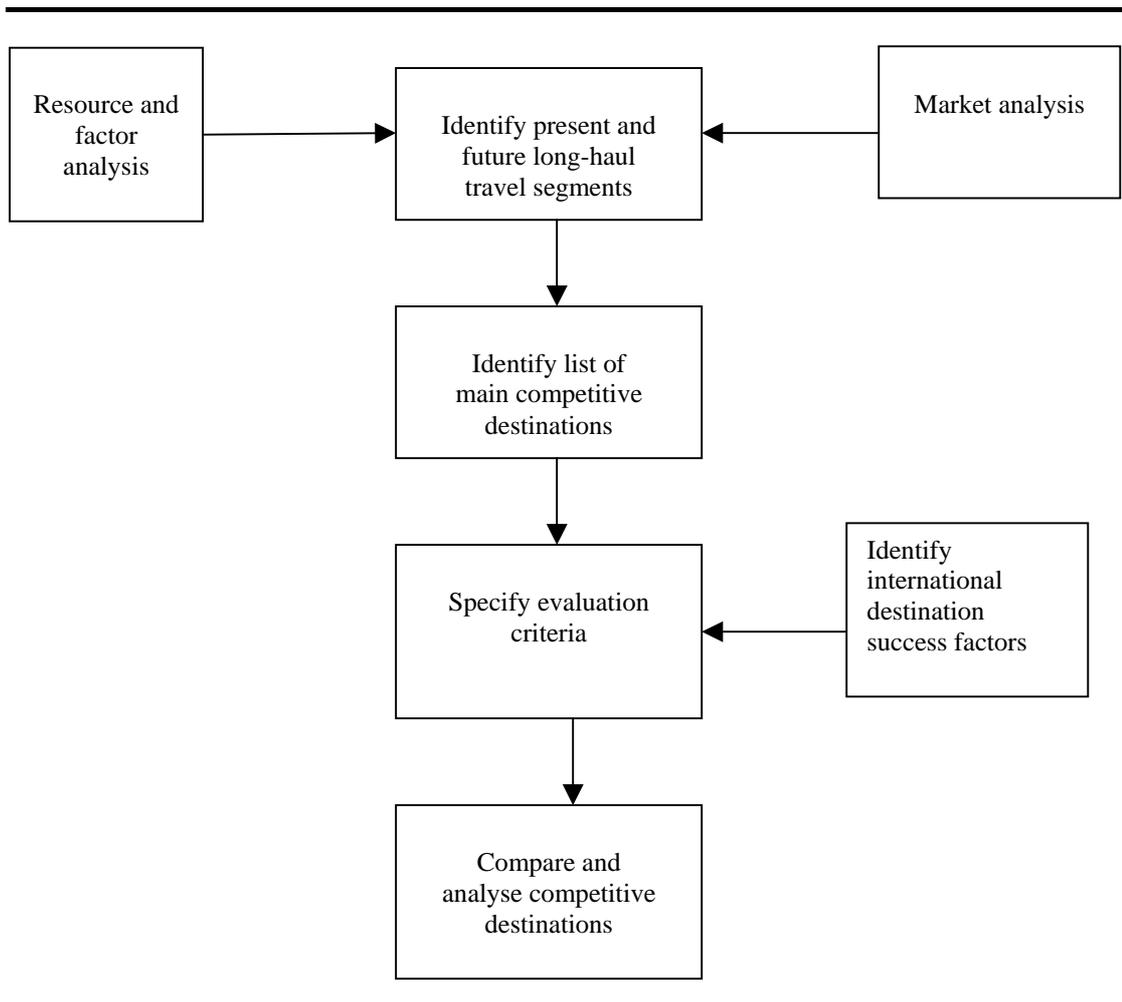
The actions and attributes of competitors are widely recognised factors that should be taken into account when preparing tourism destination plans and programmes [Middleton, 1988; Cullen, 1989; and Morrison, 1989]. Competitors are seen to be a significant part of the “external environment” [Morrison, 1989: 103] and a “powerful external factor” [Middleton, 1988: 71] over which destination management may have some influence but no control.

Pearce [1997: 16] argues that the systematic appraisal and comparison of key tourism elements, resources and success factors can constitute a more objective basis for evaluating the strengths and weaknesses of a destination and provide a better appreciation of its competitive advantage. Three basic questions need to be addressed during a competitor analysis [Pearce, 1997: 17]:

- What destinations are to be compared?
- What are the criteria that will be used for evaluation?
- How can the destinations be analysed and compared?

This process could be graphically illustrated as shown in Figure 5.5.

Figure 5.5 Destination competitor analysis



Source: Researcher’s own construction

The first step is to define the key competitors of the host destination. Key competitors could be identified based on the requirements of the present and future long-haul travel segments identified earlier in the study. The list could be narrowed down to a list of main rivals by further highlighting the main characteristics of each competitor destination and synchronising these with those of the home destination.

The next step is to identify the criteria that could be used for evaluation. The comparative criteria identified by this study are resource and factor conditions and international critical success factors. The final step is to analyse and compare the

different competitive destinations by using the evaluation criteria. A hypothetical example of how this analysis and comparison could be done is given in table 5.10.

Table 5.10 A destination comparison evaluation sheet

Competitive destination evaluation criteria	Weight	Rating			Weighted Score		
		Destinations			Destinations		
		A	B	C	A	B	C
<u>Resource and factor conditions</u>							
<u>Basic factors</u>	0,20	4	5	3	0,80	1,00	0,60
- Physical resources							
- Historical and cultural resources							
- Climate							
- Location							
<u>Advanced factors</u>	0,20	3	4	5	0,60	0,80	2,00
- Human resources							
- Knowledge resources							
- Capital resources							
- Infrastructure							
<u>Demand conditions</u>	0,10	3	4	2	0,30	0,40	0,20
<u>Related industry factors</u>	0,10	3	4	3	0,30	0,40	0,30
<u>Strategy and rivalry factors</u>	0,10	3	4	3	0,30	0,40	0,30
<u>Other destination success factors</u>							
- Safety	0,10	1	2	3	0,10	0,20	0,30
- Destination image	0,05	3	1	4	0,15	0,05	0,20
- Accessibility	0,05	2	1	4	0,10	0,05	0,20
- Effective marketing	0,05	3	4	3	0,15	0,20	0,15
- Quality of tourism experience	0,05	2	5	4	0,10	0,25	0,20
	1,00*				2,90	3,75	3,45

* The total weights must always equal 1

* The rating scale suggested is as follows:

5 = very strong competitive position, 4 = strong, 3 = average, 2 = weak, 1 = very weak

Source: Researcher's own construction

Once appropriate criteria have been selected, they are weighted to reflect their importance to a destination's success. The competitor is then rated on the criteria according to a rating scale as shown in table 5.10. The ratings are multiplied by the weight and the weighted scores are summed to yield a numerical profile of the competitor [as shown in the example for destinations A, B and C]. The process could also be further refined by attaching individual weights to the basic and advanced factors in the analysis.

5.7 SUMMARY

This chapter focused on the development of an international competitive assessment framework for tourism destinations that comprises the following elements:

- the comparison of resource and factor conditions of the destination with that of the main rivals and/or world class conditions to identify comparative and competitive advantages;
- the analysis of existing and future international market segments and the identification of critical success factors within these market segments;
- the identification of international destination success factors;
- the determination of the competitive strengths of the home destination in comparison with rival destinations.

The international resource and factor analysis has four major components: factor conditions, demand conditions, relating and supporting industries and strategy, structure and rivalry. Factor conditions consist of basic factors like natural, historical, cultural and recreational resources and advanced factors like human resources, knowledge resources, capital resources and infrastructure. Demand conditions emphasize that there is a direct relationship between domestic demand and international competitiveness. Related and supporting industries that possess their own advantage can stimulate an industry. One of the keys for tapping South Africa's tourism potential is to develop more effective linkages and synergies between the related and supporting industries. The fourth point concerns strategy structure and rivalry. A climate of competition stimulates improvement and discourages stagnation. High levels of rivalry among domestic tourism industries will therefore enhance international competitiveness.

The international market analysis requires an analysis of present and future international market segments and the identification of critical success factors within these market segments. This analysis could include current market trends but should also identify future market segments. Market segmentation is an important step in this process and markets should be identified based on relevant segmentation criteria.

Each market segment will have unique characteristics, needs and critical success factors. Characteristics and critical success factors that are shared by all the target markets can also be identified and will be important indicators for future strategic development.

One of the objectives of this study was to identify international destination success factors on an international level. A Delphi survey was used to identify critical success factors considered to be important by international experts.

The six most important critical success factors identified by respondents in a Delphi survey were: Safety/Stability/Security of the destination, unique and diverse attractions, accessibility of the destination and attractions, quality of tourism experience, effective and collective marketing effort and destination image and reputation. The six most important strategic issues of concern for future success identified in the same study are: providing easy access to major destinations and attractions, creating a safe and secure destination, decreasing costs, providing up-to-date product offering, distributing effective information and achieving sustainable tourism development.

The last part of the chapter examined the execution of a competitive analysis where the rival competitive destinations were analysed and compared with the home destination by using the criteria identified in the previous sections. The outcomes of this analysis were to identify competitive strengths and advantages of the destination in comparison with other rival destinations.

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