

SECTION 2. COMPETITIVE STRATEGY

2.1 INTRODUCTION

In order to compile a Marketing Plan for Buffalo City we follow a process of defining a competitive strategy for Buffalo City, translating that into a marketing strategy and then finally adding the details in the marketing plan.

In this section we define the competitive strategy for Buffalo City by first recommending the basis of competition that Buffalo City should be following for its targeted market segments. We then evaluate the market segments based on their value offered versus the efforts involved and then explain the consumer purchase behaviour of the market segments to inform the marketing strategy.

The Marketing Strategy and Marketing Plan follows in the next two sections of this report.

2.2 BASIS OF COMPETITION

Table 2.1 below indicates the basis of competition that Buffalo City should employ in its marketing strategy for each target market segment. These market segments have been identified and prioritised in **Phase 5: Market Segments**.

Table 2.1 should be read in conjunction with **Table 8.1: Segment: Product Matrix for Buffalo City** contained in **Section 8 of Phase 5: Tourism Markets**. **Table 8.1** is included in **Annexure B** for ease of reference.

Buffalo City is not seen as leader in any of the market segments i.e. other destinations are first choice for these market segments. Buffalo City is defined as a challenger in all the market segments and needs to become a leading, first choice destination for at least some of these market segments.

Page reserved for Table 2.1: Competitive Strategy

For the German and UK Organised tours, Buffalo City needs to emphasise its prime location as the centre of the Wild Coast, Friendly N6 and Sunshine Coast. Buffalo City should also differentiate itself in these market segments by positioning itself as undiscovered and unexplored but with the conveniences close by i.e. the tourist can walk on a secluded beach in the morning and shop in a world-class shopping mall in the afternoon. This emphasis should be marketed to tour operators who decide which locations are included in their packages.

For the German and UK FIT's and VFR as well as the backpackers and foreign special interest market segments, Buffalo City should compete on the basis of differentiation. Buffalo City should be positioned as undiscovered and unexplored but with the conveniences close by.

For the cruise market segment, Buffalo City should differentiate itself from Cape Town, Port Elizabeth and Durban by offering the personal touch i.e. a cruise liner is welcomed with much fanfair and the red carpet is literally rolled out for cruise tourists. This is currently being done for the limited number of cruise liners that visit Buffalo City and should continue and be expanded.

Buffalo City has the potential to become a market leader for the USA African American/ Scandinavian market segment i.e. the first choice destination if the rich heritage and political history can be developed and marketed effectively. By developing heritage and political tourism products, such as a Struggle Route, and linking with heritage and political tourism products in the rest of the Eastern Cape, Buffalo City can position itself as the premier destination for this market segment.

Buffalo City needs to differentiate itself for tourists from within the Eastern Cape. The differentiation needs to be on the basis of the range of activities including the pristine beaches, unique wildlife experiences as well as top class shopping and entertainment. The combination of leisure, shopping and entertainment should be highlighted in particular for the day visitors and the city break visitors.

This type of differentiation could also be applied to the Weekend Break (Black mid market) segment and the domestic VFR segment.

Buffalo City should differentiate itself for the holiday market segments from the Western Cape, KwaZulu-Natal, Free State and Gauteng by positioning itself as a destination with secluded, uncrowded, pristine beaches and unique wildlife experiences that are combined with top class shopping and entertainment facilities.

Buffalo City should position itself as the only alternative to crowded beaches and entertainment facilities in the rest of South Africa.

This differentiation could also be applied to holiday visitors from Limpopo, Mpumalanga, North West and Northern Cape, as well as the domestic special interest tourists.

The conference/ incentive market segment could be attracted by Buffalo City positioning itself as a value for money destination. For conference delegates the logistical set-up of the conference venue is their first decision criteria, followed by the price. If Buffalo City can address the high cost of airfares to the city it could position itself as value for money with affordable accommodation and leisure activities.

Buffalo City could become the market leader in the sport tourist market segment. The city could be positioned as the first choice sports destination with world class sporting facilities combined with a range of affordable accommodation options.

2.3 VALUE VS EFFORT

Table 2.2 below shows a summary of the effort value and price elements for the Buffalo City market segments.

In general, Buffalo City's effort rating depends on how well known it is in a particular market segment, its geographical location relevant to the market segment and the means of transport used.

The value of Buffalo City is generally high due to the combination of affordable attractions and activities that are secluded and uncrowded.

The price rating of Buffalo City depends heavily on whether the particular market segment needs to fly into Buffalo City, with airfares being high in relation to other destinations. In general, Buffalo City offers affordable accommodations, activities and entertainment.

Page reserved for Table 2.2: Value Effort Assessment.

Buffalo City is a high effort destination for foreign market segments due to the high cost of airfares, it is a relative unknown destination and it is not included in the majority of tour packages offered to foreign tourists. Buffalo City does offer medium to high value for foreign market segments as it combines secluded, uncrowded attractions with a range of activities and facilities. Buffalo City is a medium to high price destination for foreign market segments that are dependant on air travel. The high cost of airfares to Buffalo City has been highlighted in previous reports. For foreign market segments who are less dependant on air travel and utilise roads more, Buffalo City is a medium price destination due to the distance that needs to be travelled to reach it.

Buffalo City is a low effort destination for the Eastern Cape market segments due to the proximity of these market segments to the destination. The value for these market segments is high due to combination of secluded, uncrowded attractions with a range of affordable activities and attractions. Buffalo City is a low price destination for these market segments due to the low price of travelling and the range of affordable accommodation, activities and facilities.

For the Weekend Break (Black mid market) travelling by air, Buffalo City is a high effort destination due to the high cost of airfares and Buffalo City competing with market leaders such as Cape Town and Durban. Buffalo City is a high value destination for this market segment with its range of offerings and the city is a medium price destination due to the travelling cost, despite affordable accommodation and activities.

For the holiday market segments from the Western Cape, KwaZulu-Natal, Free State and Gauteng, Buffalo City is a medium effort destination due to its being relevantly unknown in these markets i.e. the market segments would need to go to some effort to find out what it has to offer. The destination offers high value to these market segments due to the combination of attractions and activities, which are secluded and uncrowded. The destination is low in price as most of these market segments will travel by car and utilise the range of affordable accommodation, activity and facility options.

For the holiday market segments from Limpopo, Mpumalanga, North West and the Northern Cape, Buffalo City is a high effort destinations due to it being relatively unknown in these market segments and combining with the distances that the market segments from these provinces would need to travel, makes the destination a medium price destination. The value for these market segments is high due to the combination of offerings.

Buffalo City is a high effort destination for the conference/incentive market segment due to the high cost of airfares and it being relatively unknown as a conference destination for “out of town” conferences (Current conference facilities cater for a number of local conferences, mostly provincial or local government related). Buffalo City is a medium value destination, as the current conference facilities are not rated as amongst the best in the country. Buffalo City is a high price destination for this market segment if they need to fly to Buffalo City and the rates for conference venues are not particularly lower than at any other conference destination.

Buffalo City is a medium effort destination for the sport market segment, as it is known amongst some sporting codes as a sporting destination, but not amongst others. The destination is of high value to this market segment as world class sporting facilities can be offered combined with a range of accommodation options. However, Buffalo City is a medium price destination if this market segment needs to fly into the city.

2.4 CONSUMER PURCHASE BEHAVIOUR

Table 2.3 indicates the consumer purchase behaviour of the identified market segments.

There is some variation between the various foreign market segments in terms of their purchase behaviour. German and UK organised tours purchase their complete tour packages from either a travel agent or tour operator. This purchase is motivated by information obtained from the travel agent, Internet, magazines and word of mouth (“WOM”). The cruise market segment has similar purchase behaviour.

The German and UK FIT’s are less dependant on travel agents and tour operators as they are usually repeat visitors to South Africa. They base their purchase on the same information sources as the organised tours. The USA African American/ Scandinavian and Foreign Special Interest market segments have similar purchase behaviour.

Page reserved for Table 2.3: Summary of Consumer Purchase Behaviour

The domestic market segments very rarely utilise the services of a travel agent or tour operator to make purchases. Direct bookings are usually utilised based on information obtained from WOM, magazines, adverts, special offers and the Internet.

The only variation on this purchase behaviour is the conference/ incentive and sport market segments. The conference/ incentive market segment purchases from professional conference organisers (“PCO’s”) as well as making direct bookings. The sport market segment obtains information through their clubs or sporting associations.