

## SECTION 9. SEGMENTATION FRAMEWORK

### 9.1 BACKGROUND

Following the completion of the tourism portfolio analysis in **Section 8** we compiled a segmentation framework comprising three steps:

- A segment/ market attractiveness assessment;
- A SWOT analysis (Strengths, Weaknesses, Opportunities and Threats) for each product/ market;
- A segment prioritisation matrix and final selection of target segments.

The purpose of the analyses in this section is to fully understand:

- The strengths of the Buffalo City tourism **product** in attracting and meeting the needs of the various market segments,
- The strengths of the Buffalo City tourism **industry** in attracting and meeting the needs of the various market segments
- The benefits the segments will provide in terms of tourism development that will meet the objectives of developing tourism in Buffalo City.

The final output of the section will be a prioritisation of segments to address in the marketing of Buffalo City's tourism industry.

### 9.2 SEGMENT MARKET ATTRACTIVENESS

**Table 9.1** shows a matrix for the market segment attractiveness rating assessment. It summarises the available size information, spend and length of stay information and penetration levels for existing segments. This information is fairly limited and the exercise would be more accurate were more detailed information on markets by segment available.

Where information was unavailable or merely did not exist we utilised the information contained in **Section 2** to **8** of this report, as well as our tourism expertise and experience to make fair assumptions to base the analysis on.

The second part of the matrix is ratings of each segment based on:

- market size;
- market growth;
- Buffalo City's penetration into the markets;
- the profitability of the market for Buffalo City;
- the likely rise and strength of competitors in this market;
- the negotiating power of the Buffalo City tourism industry in reaching and dealing with the market;
- the threat of substitute products in these markets; and
- the overall attractiveness of the Buffalo City product for the market.

The ratings are based on the information obtained during our research and interviews and our general knowledge of markets and tourism trends. There was not sufficient specific information available to develop a totally scientific rating or ranking of each segment against each criterion, and therefore the ratings are of necessity somewhat subjective. However, we used the combined judgement of our tourism experts and reviewed the research thoroughly when deciding on the ratings.

Some of the ratings are out of 5, whilst others are out of 10. The effect of this is to weight the criterion which are scored out of 10 as being relatively twice as important as the other criterion.

**Table 9.2** shows the existing segments according to their overall rating for attractiveness and in order of attractiveness.

The ranking of the market segments should be seen against the criteria used in our analysis. Some markets may be less profitable but do to its market size becomes more attractive. Similarly some market segments may be very profitable but the lack of negotiating power and attractiveness of products in Buffalo City may make this market segment less attractive.

Page reserved for table 9.1: Market Segment Attractiveness

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Reserved for Table 9.2. Market Segment Attractiveness Ranking

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The most attractive segments are the centred around the UK, Germany and the Eastern Cape. The most attractive segments are UK FIT's and Eastern Cape Day Visitors followed by the German FIT's, the Black mid market weekend breaks and organised tours from the UK and Germany. Eastern Cape Holiday tourists are followed by UK VFR and Eastern Cape City Breaks.

The market segments for Backpackers, USA African Americans/ Scandinavia and Sport also rate high in attractiveness.

The difference in ratings between the segments is small increments, and a cut-off point at which segments are not attractive is hard to determine. The low rating of African holiday tourists from the Western Cape with low, medium and high income implies that these three market segments are least attractive and should be awarded low or limited attention in a marketing strategy.

### 9.3 KEY SUCCESS FACTORS AND COMPETITIVE POTENTIAL

The competitor analysis conducted in **Section 8** (see **Table 8.2.**) feeds into the competitive positioning of Buffalo City. **Table 9.3** shows a Strengths and Weaknesses analysis for Buffalo City for each product market match, with an overall ratings given out of 5.

Based on this analysis the following market segments are strong for Buffalo City:

- Backpacker market;
- UK FIT's;
- German FIT's;
- USA African American/ Scandinavian
- Foreign special interest; and
- Domestic special interest.

Page reserved for table 9.3: SWOT Analysis of Market Segments

Attached in excel spreadsheet

Taking all the foregoing analyses into account we compiled the competitive positioning matrix for Buffalo City in its various market segments as shown in **Table 9.4**.

**Table 9.4 Buffalo City Market Segment Competitive Positioning**

		Competitiveness		
		Low	Medium	High
Attractiveness	Low	<p>Cruises</p> <p><b>Do not consider</b></p>	<p>White Low Income, African Low Income, Conference/ Incentive, Foreign Special Interest, Domestic Special Interest</p> <p><b>Improve product, re-inforce competitiveness</b></p>	
	Medium	<p>White High Income</p> <p><b>Improve product and competitive position</b></p>	<p>Domestic VFR, White Medium Income, African High Income</p> <p><b>Improve product, re-inforce competitiveness</b></p>	
	High	<p>UK Organised Tours, German Organised Tours</p> <p><b>Develop Competitiveness</b></p>	<p>UK FIT's, German FIT's, Weekend Break (Black mid market), UK VFR, German VFR</p> <p><b>Increase competitiveness &amp; re-inforce</b></p>	<p>EC Day Visitors, EC City Break, Backpackers, USA African American/ Scandinavia, Sport</p> <p><b>Target</b></p>

On the basis of the above matrix, the cruise market segment should not be considered for serious targeted marketing. The following market segments should be priority target markets:

- Eastern Cape Day Visitors;
- Eastern Cape City Break;
- Backpackers;
- USA African American/ Scandinavia; and
- Sport tourists.

The analysis does not recommend that the other market segments should not be targeted but rather indicates the priority market segments.

#### 9.4 SEGMENT PRIORITISATION MATRIX

The final segment prioritisation matrix, considers the ability of those segments to deliver according to the objectives of tourism development for a destination. Again, the scarcity of data makes detailed analysis and scientific assessment against these objectives, and indeed, the breakdown of the objectives into sub-goals, difficult. The Matrix in **Table 9.5** shows our ratings and overall scores of the product market segment matches against the major environmental, social and economic criteria for developing sustainable tourism.

The ratings are given out of 5 against the following criteria:

- Profitability;
- Investment stimulation;
- Employment creation;
- Preservation of cultures; and
- Preservation of the environment.

The overall scores and rankings for the segments are shown in **Table 9.6** and indicate the segments that have the greater potential to deliver according to overall sustainable tourism development objectives. The analysis does not suggest that some segments should not be targeted but rather prioritise the segments that will meet the objectives of sustainable tourism development.

The priority market segments according to this analysis are:

- German organised tours;
- UK organised tours;
- USA African American/ Scandinavian tourists;
- Foreign special interests tourists;
- Domestic special interest tourists;
- German FIT's;
- UK Fit's;
- Conference/ Incentive tourists;
- German VFR;
- UK VFR;
- Backpackers;
- Weekend Break (Black mid market);
- High Income domestic holiday tourists from all provinces.

Page reserved for Table 9.5: Socio-Economic and Environment Scores

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Reserved for Table 9.6 Socio-Economic and Environment Scores & Rankings  
and Attractiveness Ranking

Attached in excel spreadsheet

## 9.5 CONCLUSION

Various analyses have been conducted on the identified tourism market segments. These analyses have been completed in order to prioritise the market segments and none of the analyses suggest that any of the market segments should not be targeted. However, the analyses are required to focus and optimise the marketing and branding campaign.

Based on our analyses the following market segments should be targeted as priority markets segments:

<b>Foreign</b>	<b>Domestic</b>
• German FIT's	• Eastern Cape Day Visitors
• UK FIT's	• Eastern Cape City Break
• German Organised Tours	• Sport tourists
• UK Organised Tours	• Domestic Special Interest
• Backpackers	• Weekend Break (Black mid market)
• USA African America/ Scandinavia	• Eastern Cape Holiday
• Foreign Special Interest	

The following market segments should be considered as medium priorities:

<b>Foreign</b>	<b>Domestic</b>
• Cruises	• Domestic VFR
• German VFR	• Conference/ Incentive
• UK VFR	• Western Cape Holiday High Income (African & White)
	• KwaZulu-Natal Holiday High Income (African & White)
	• Free State High Holiday Income (African & White)
	• Gauteng High Holiday Income (African & White)
	• Western Cape Holiday Medium Income (African & White)
	• KwaZulu-Natal Holiday Medium Income (African & White)
	• Free State Holiday Medium Income (African & White)
	• Gauteng Holiday Medium Income (African & White)

The following market segments should be considered as low priorities:

<b>Domestic</b>
• Western Cape Holiday Low Income (All races)
• KwaZulu-Natal Holiday Low Income (All races)
• Free State Holiday Low Income (All races)
• Gauteng Holiday Low Income (All races)
• Rest of SA Holiday Low Income (All races)
• Western Cape Holiday Low Income (All races)
• Rest of SA Holiday (All income & all races)