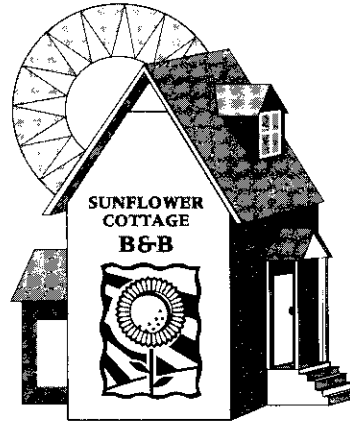


# Section 4:

## Case Studies

### 4.1 Accommodation Supplier

Mrs Adams retired from her primary school teaching post in 1996 and decided to invest in **opening up a B&B**. She made **alterations to her house** located in Hout Bay, Cape Town. She offers **four double bedrooms with en-suite bathrooms and sea facing balconies**. She also serves breakfasts in a communal dining area. Her main market segments include **foreign independent travellers** and **domestic tourists** from outside the Western Cape.



#### 4.1.1 Product

Before planning any alterations Mrs Adams **contacted the Guesthouse Association** of South Africa to determine what a B&B establishment should offer. She also **visited many guest houses and B&Bs** in Cape Town to get a feel of the market in terms of the following aspects: **size; style, décor and furnishings; location; type and level of service being offered; occupancy levels and average length of stay** for the high and low season and prices being charged and details of discounts being offered. After gathering this information **Mrs Adams was able to establish the requirements for starting a B&B**. She was also **able to calculate the potential income** of her B&B and went ahead with **drawing up plans for the alterations** to her house.

#### 4.1.2 Pricing

The **rack rate is slightly higher than the average B&B rates** being charged in the market. The **sea facing balconies**, the attraction of the village of Hout Bay and **relatively high demand** for accommodation, **justifies the higher rates**. She **advertises her 'rack rate' (standard rate)** in her brochure but **offer varying discounts**, depending on the state of business, to people booking stays of over three nights. She **offers tour operators**, who could provide her with a substantial volume of tourists, **discounts** that were also negotiated. Mrs Adams has established a **good relationship with two tour operators** who supply her with roughly 40% of her bednights. Mrs Adams **increases her annual 'rack rates'** from season to season according to related running costs such as her municipal rates, electricity and utilities, food prices and **general inflation levels**.

#### 4.1.3 Promotion

Initially, **Mrs Adams thought that a full colour brochure and an advert in a national weekend newspaper for the month of November would generate enough interest** from upcountry tourists. After **receiving quotes for the costs** of such an advertising exercise she soon **realised that she would not be able to afford it**. Given her cost constraint she limited her promotional activities to **creating a three colour brochure** and **visiting the local tourism bureaux** and talking with the consultants when she dropped these brochures off with them. Mrs Adams makes sure that, on leaving, **all guests are given a brochure** to give to their friends or family.

Mrs Adams has established a good relationship with the Cherry Lodge B&B in Knysna. Cherry Lodge recommends that their guests use Mrs Adams' B&B when they visit Cape Town while Mrs Adams does the same for her guests. Details of **Mrs Adams' B&B were included in a House & Leisure magazine** feature on tourism in Cape Town. The local tourism organisation **approached Mrs Adams to host the journalist**. In return for the accommodation **Mrs Adams' B&B was included in the story**.

#### 4.1.4 Distribution

**Bookings are taken by telephone at the B&B**. Mrs Adams ensures that the local **tourism offices always have her brochures** at hand. She often pops into the Cape Town Tourism Information Centre to **make sure that her brochure is visible**. Mrs Adams also has an arrangement with a couple of **travel agents: she offers them a commission** of roughly 15% **on all bookings** made through their offices by tourists.



## 4.2 Conference Venue

John and Eileen Peterson own a **50-hectare farm** nestled against the Helderberg between Somerset West and Stellenbosch. They have run a **successful agricultural business** selling various grape varietals to the local co-operative wine producer. **The couple decided to develop a small conference facility using existing farm buildings**, located 5 minutes drive from the R44.



### 4.2.1 Product

They **built a main conference hall** accommodating 80 people in cinema-styled seating. Attached to the main room are **three smaller 'breakaway' rooms** for smaller groups. All **rooms are air-conditioned**. The facility also has a **terrace and outside bar with breathtaking views** of the mountain and the vineyards of Stellenbosch.

They take **bookings for office functions and weddings** and offer **full catering facilities** which are outsourced. A comprehensive range of **audio-visual equipment** is available. A typical conference **package includes three tea/coffee breaks and a three course buffet lunch**, as well as **post-conference bar facilities**. Ample **accommodation facilities are available in the area** for overnight stays. Their main market segments include **corporate meetings, planning sessions and client functions** as well as **office parties and weddings**.

### 4.2.2 Pricing

John and Eileen **price on a per head basis when catering is included** and on a **standard venue hire fee if no catering** is required. As they are fairly new in the market they have decided to **price more competitively than similar conference venues** in the Stellenbosch area, so that they can **capture a share of the market**. They also intend to **increase prices in relation to other venues** in the Cape Town area in the future, which is an **example of competitor based pricing**. They have an agreement with various accommodation establishments to offer **pre- and post-conference nights at a slightly discounted rate** to encourage increased length of stay.

### 4.2.3 Promotion

The conference venue is a **member of the South African Association for the Conference Industry (SAACI)**. They are **listed on SAACI's database** and they have their **own web site linked to that of SAACI's**. However, they have learnt that the **best form of promotion** for their business is that of **word-of-mouth-advertising**. Good word-of-mouth is generated as a **result of delivering a consistently high quality of service** to clients.

The local Stellenbosch wine route guide offers good rates for advertisers. A **small ad promoting the facilities** with breathtaking views of the area **is affordable** for the owners. A **sign on the R44** also directs customers to the conference venue.

### 4.2.4 Distribution

Eileen used to work for a major insurer and has **extensive experience in dealing with clients**. She makes **sales calls to human resources and marketing departments of firms**, in and around Cape Town. Personal selling is **the most effective form of distribution** for them. They also make use of a **telesales exercise every year** in September and they **mail information packs to firms** outside of the Cape Town area.

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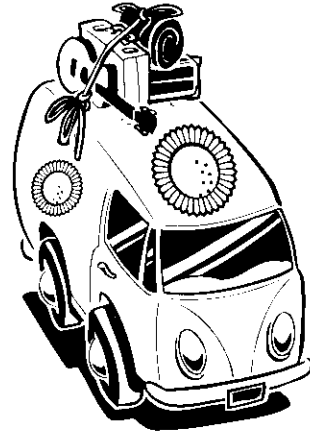
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### 4.3 Tour Guide

David **studied tourism** at the Sivuyile Technical College. As a student he worked as a driver for a small company that operated an airport shuttle business. During this time **he spoke with international tourists** and gained a good understanding of their needs in terms of tourism activities while in Cape Town. **After he graduated he decided to start his own township tour company** focussing on 'Gugs'. **His main target segments include international backpackers and international organised groups.**



#### 4.3.1 Product

From his contact with foreign tourists David knew that they would be **interested in half-day tours in the township**. He offers a **mini-bus tour** with the following format:

- **hotel pick-up** after breakfast at 9 am.
- a **drive through** the heart of 'Gugs' in an **air-conditioned mini-bus** with **commentary** by himself.
- a **visit to the home of a local family** to gain experience of township living followed by a **trip to a local market** where tourists could purchase items of interest to them.
- a **visit to a local tavern or shebeen** to enjoy a traditional **home cooked lunch** with a performance by a **marimba band**, before taking the tourists back to their hotels.

#### 4.3.2 Pricing

David has **priced his township tour in line with other cultural tourism offerings** in Cape Town. He **charges a standard per person rate, inclusive of the meal cost**. He does **offer discounts** on an informal basis **to parties of four or more**, depending on how busy the business is at the time. Some **tour operators use his services** and he **charges out to them at a reduced rate of up to 30% per person**. David's **price increases depend on the price of fuel for his mini-bus and the cost of the lunch** that he offers.

#### 4.3.3 Promotion

David had **very little to spend on promotional activities** and has produced his own **small, two colour pamphlet** which he **leaves at local accommodation facilities and tourist information centres**, such as Cape Town Tourism and Tygerberg Tourism **of which he is a member**. He often **visits more established tour operators** to **promote his business** in the hope that they will include his half-day tour on their itinerary.

David has **taken part in the "One City Festival"** and often **includes tour operators in his tours** so that he can **show them what he offers**. Due to the fact that **David's operation is recognised as a high quality tour**, visiting **dignitaries often book tours** with David. He makes sure that **this fact is mentioned in his brochure**.

#### 4.3.4 Distribution

As David **receives a lot of trade from the backpacker market** he has arranged that **tickets can be booked at certain backpacker centres** in the city. David **gives a commission to the backpacking hostels** for doing this. **Alternatively all bookings are made through his home-based office** where his mother acts as an assistant.



## 4.4 Tour Operator

George Selborne started Hamba Tours in 1998. He has **expanded from running one inbound tour group** in his first year of business **to running 15 in 2000**. George based his business on **experience and market knowledge** gained as a game warden at Umfolozi Game Reserve.

### 4.4.1 Product

George designs tailor made **week- or two-week long holidays for Germans** visiting South Africa. **He specialises in eco-tourism products** and contracts some 30 suppliers of tourism services, e.g. **accommodation, attractions, eco-tourism guides**, etc. The packages are **sold to eco-tourism interest groups**.

### 4.4.2 Pricing

George uses a **focused or niche marketing strategy**, and **charges a premium for his tours**. He is one of a few specialists in this area and can **comfortably charge high rates**.

## 4.5 Tourism Merchandiser

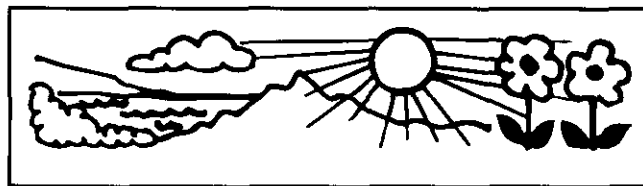
Thandi Mputle is an **artist and traditional art retailer**. She has been running a **small stall at Green Market Square** for three years. She **started selling her own work at Cape Town station** but soon realised that the passing **pedestrian traffic does not represent her target market**. She then **set up shop at Green Market Square** in order to **target international visitors** to the city.

### 4.5.1 Product

She **makes and sells her own, and other people's, rock and wooden sculptures** of various sizes, **traditional jewellery** and **watercolour paintings** of township settings.

### 4.5.2 Pricing

Thandi's curios are **priced in line** with the many other similar stall holders at the market and **are cost-plus based**. She negotiates prices with some flexibility in order to secure business.



### 4.4.3 Promotion

George **visits Germany twice a year** to meet with his **major distributors (travel agents)** and establish new contacts. **The full colour glossy brochure is updated annually and sent to the German agents**. Mainstream advertising is not used, as it is unlikely to reach the target market. Much of his business is achieved through **word-of-mouth promotion**.

### 4.4.4 Distribution

Mr Selborne has **four official agents in Germany** who **promote his tour**. **The agents are specialists in world eco-tourism holidays**, and he enjoys a mutually beneficial relationship with them. **He is also establishing links with agents in France and England**.



### 4.5.3 Promotion

Thandi **does not undertake any promotional activities**, as the **market itself is a drawcard** for the tourists in Cape Town.

### 4.5.4 Distribution

Thandi's retail **stall at Green Market Square is her only distribution point** at the moment, but she **hopes to set up another stall** at another high volume tourist area in the Peninsula in the near future.



