Regional competitiveness: an emerging domestic market segment perspective

Berendien A. Lubbe Prof
University of Pretoria

Anneli Douglas
University of Pretoria

Felicite Fairer-Wessels
University of Pretoria

Elizabeth A. du Preez
University of Pretoria

Regional competitiveness: an emerging domestic market segment perspective

Abstract

Regional competitiveness and domestic tourism is increasingly important for a sustainable tourism economy at national level. The development of a competitive provincial index for the South African emerging domestic market is under scrutiny/investigation. Provincial competitiveness is a province's ability to optimize its attractiveness for domestic tourists by offering quality, innovative and attractive tourism services to gain domestic market share, while ensuring that available resources supporting tourism are used efficiently and in a sustainable way. Competitiveness at provincial level will ultimately result in national competitiveness as issues of supply are addressed (at local level). Factors and indicators relevant to selected regions/provinces/destinations are empirically identified through focus groups and a sample of 1065 emerging tourists in eight provinces of South Africa. A Tourism and Travel Market Indicators Index consisting of nine validated factors are proposed that can be used to compare the competitiveness of regions based on factors most relevant to the domestic market.

Introduction

The study aims to develop an index to assess regional/provincial competitiveness in South Africa. The study is conducted from an emerging domestic market viewpoint, based on appropriate sub-segments and on the premise that factors and indicators that are relevant to different regions must be identified, those relevant for any destination and those specific to particular destinations. Thomas (2005:38) specifically mentions the neglecting of domestic tourism research across Africa. Successful tourist destinations have very strong domestic tourism markets of roughly 70% and an international tourism market of 30%. South Africa, while improving, differs quite significantly with a 54% domestic tourism expenditure and a 46% international tourism expenditure (WTTC, 2015). The growth of domestic tourism could be stimulated by a growth in citizens' income; an increase of leisure time; structural adjustment of the national economy; and the involvement of local government policy making (Wang & Qu, 2004; Whu, Zhu & Xu, 2000:298). The rationale for the study is grounded in the increasing importance of regional competitiveness and domestic tourism as part of a sustainable tourism economy at national level.

The objectives include the defining of the emerging domestic tourism market; the identification of key factors of provincial competitiveness; the verification of the relevance of the factors within the provincial context; and the proposal of a provincial Tourism and Travel competitiveness index. Provincial tourism competitiveness is based on the premise that factors and indicators appropriate to regions must be identified, both those considered important by tourists and industry for a destination, and those specific to a particular destination. Factors and indicators are identified and validated empirically through focus groups and a sample of 1065 emerging tourists in all provinces in South Africa. Factor analysis is used to determine the dimensionality of factors under which the indicators can be grouped.

Literature Review

Regional tourism competitiveness is the ability of a region to optimize its attractiveness for domestic (and international) tourists, to deliver quality, innovative, and attractive tourism services and to gain market share on the domestic (and global) market places, while ensuring that the available resources supporting tourism are used efficiently and in a sustainable way. Regional and international competitiveness are not at odds with one another but should rather be seen as complementary. Since the 1990s international destination competitiveness has become a major topic of interest with researchers developing various theories, frameworks and models to provide clarity on the topic (Hassan 2000; Kozak and Rimmington 1999). Some of the most comprehensive frameworks/models have been presented by Ritchie and Crouch (2000, 2001, 2003). The quest to further develop a conceptual basis for approaching the issue of destination competitiveness has also been attempted by Heath (2002), Dwyer (et al 2004), Enright and Newton (2005), Mazanec (et al 2007), and countless more. Any study that considers the tourism competitiveness of a region, be it internationally or regionally, must consider models and indices that have been developed for this purpose, evaluating those that are deemed most appropriate to guide such a study. The most well-known global tourism competitiveness index is that of the World Economic Forum, the Travel and Tourism Competitiveness Index (TTCI). The TTCI measures tourism competitiveness based on numerous factors and indicators related to sub-indices such as the enabling environment within which tourism functions, travel and tourism policy and enabling conditions, infrastructure and natural and cultural resources. Other tourism competitiveness indices, both in academia and industry have been developed, and there is a continuing debate on what factors and indicators are appropriate for inclusion in such an index. In the study conducted by Lubbe, Douglas, Fairer-Wessels and Kruger (2015) in 2014 on the global competitiveness of South Africa as a tourist destination it was concluded that not all factors and indicators are appropriate to all countries and that provision should be made to include those factors and indicators that may better reflect the uniqueness of destinations and regions. This study focuses on provincial tourism competitiveness and is based on the premise that factors and indicators that are appropriate to regions must be identified, both those that are considered by tourists and industry to be important for any destination, as well as those that are specific to a particular destination.

Tourism at regional level is essential for development, economic growth and resilience (Hall, 2013; Bristow, 2010; Hassink, 2010; Martin, 2005; Pike, Dawley, & Tomaney, 2010; Potter & Watts, 2011); and competitiveness at this level is important for policy makers and professionals to inform decision making. Destinations worldwide are increasingly turning toward domestic tourism as contributor to a sustained tourism economy (Smeral, 2010). It is stated that a vibrant domestic tourism sector can "cushion the industry from fluctuations of the international tourism market and bring stability and predictability in the industry" (Okello *et al*, 2012:79). South Africa represents one of the few examples of a developing country where the national government has made domestic tourism an explicit priority (Rogerson & Lisa, 2005). South Africa's National Department of Tourism (NDT) has identified increasing domestic tourism's contribution as a percentage of the overall tourism contribution to GDP from 54.8% in 2009 to 60% by 2020. Strategies to achieve this include increasing domestic tourism expenditure, tourist volumes and enhancing a travel culture among South Africans (NDT, 2011b). The emerging

black[1] domestic market for leisure tourism presents a distinct opportunity to achieve these objectives, given the significant growth potential in terms of size and spending power displayed by this market segment (NDT, 2011a; Visagie & Posel, 2013). An emerging domestic tourist is an individual travelling for leisure purposes outside his/her province of residence who falls within a population group that is entering the market in increasing numbers as domestic tourists, especially those previously neglected (DEAT, 1996). For demand to be effective, tourists must be aware of a destination and its specific offerings. There must also be a "fit" between the types of experiences generated by these products and consumer expectations. However, previous research has indicated current mismatches between demand and supply within the different provinces of South Africa for specific domestic market segments (Lubbe *et al*., 2012). As destination choice of a region/province by tourists equates to more income, employment and tax revenue for the region and the identification of factors that favour or inhibit tourist-related activity becomes fundamental for the strategic planning of a region, this research attempts to identify appropriate indicators to measure regional competitiveness. Competitiveness at provincial/regional level will ultimately transpire into national competitiveness as issues of supply (quality, quantity, spread) are addressed at grassroots level.

Methodology

The outcome of the empirical research process was to identify the factors and indicators that would measure the tourism competitiveness of a province against other provinces, in other words to develop a set of factors and indicators (hereafter referred to as the Tourism and Travel Market Indicators) to measure the demand and supply side of tourism in a province. Demand and supply factors were identified and tourists' perceptions of these factors were measured. The process began with an overview of current tourism competitiveness models and literature focussing on regional competitiveness. From these sources seven factors with respective indicators were formed that could potentially be included in the so-called Tourism and Travel Market Indicators Index. These include: Mobility and infrastructure (MI), Personal wellbeing (PW), General maintenance (GM), Product offering (PO), Marketing (MA), Intangible experience (IE) and Social relevance (SR). Thereafter the indicators were verified through focus groups. The questionnaire was pilot-tested among individuals that fit the profile of the target population namely the emerging domestic market. Industry experts also provided input into the questionnaire as part of a pilot phase. Lastly academic experts were used to test the online version of the questionnaire created on Qualtrics. Adjustments were made according to appropriate comments and suggestions made by the respondents in the pilot phase.

The survey was administered between 17 August and 16 October 2015 in eight of the nine provinces by trained fieldworkers who accessed the survey via a hyperlink on tablets. Respondents included individuals from the lower middle class upwards and included Black, Indian and Coloured individuals. Local fieldworkers focused on finding respondents at suitable

[1] Generic term that means Africans, Coloureds and Indians (NDT, 2011). Note that no distinction is made between the various ethnic groups that exist within the black African population group.

shopping centres and suburbs and using their local expertise assisted in reaching the correct profile of respondents. Individuals were sampled through intercept surveys (convenience sampling).

Data analysis used the statistical software package SPSS. Demographics and trip behaviour were analysed in terms of descriptive statistics such as the mean, median, and frequencies. The rating of the importance of factors were analysed with descriptive statistics, but then followed up by further analyses including Principal Component Analysis to confirm the uni-dimensionality of the seven a priori factors. Cronbach's Alpha was used to test reliability of the factors.

Results

The final sample included 1065 individuals. The vast majority was from the Black racial group, with an almost equal gender representation and an average age of 34 (minimum 18 years, maximum 77 years). Majority was single and educated to the level of a national diploma/certificate and earned R20 000 (approximately $1235) and below per month.

Table 1. Demographic profile of respondents

Race	**Percentage**
Asian	1
Black	76
Coloured	16
Indian	4
Other	3
Gender	
Male	48
Female	52
Marital status	
Single	54
Married	38
Divorced	4
Widowed	2
Other	2
Level of education	
Secondary level Gr 9 or lower	2
Secondary level Gr 12	22
National Diploma/Certificate	32
Graduate level	28
Post-graduate	16
Monthly household income	
Less than R10 000 (approximately $620)	34
Between R10 000 and R20 000	35
Between R20 000 and R30 000	17
More than R30 000 (approximately $1855)	14

Respondents had to indicate the level of importance of various factors when choosing any holiday destination, on a scale from 1 to 10 where 1 = completely unimportant and 10 = extremely important. Table 2 shows the mean scores achieved by the various factors placed in descending order and indicates that factors related to Mobility and Infrastructure, Personal Wellbeing and General Maintenance formed the list of top 10 most important factors for the domestic market.

Table 2. Relative importance of factors

Factor	N	Mean	Std. Deviation
MI Water	1013	9.06	1.603
PW Safety and security	1012	9.02	1.631
MI Electricity	1021	8.98	1.661
PW Service quality	1015	8.92	1.615
GM Clean/hygienic environment	1026	8.91	1.692
PW Healthcare services	1004	8.85	1.752
PW Value for money/affordability	1012	8.77	1.766
MI Signage	1019	8.71	1.780
MI Transport infrastructure	1017	8.66	1.816
GM Upgrade of general infrastructure	1035	8.64	1.742
GM Upkeep attractions facilities	1034	8.62	1.785
PO Product variety	1012	8.59	1.756
GM Maintenance around tourist attractions	1034	8.53	1.743
PO Entertainment	1022	8.51	1.915
MKT Information on offering	1022	8.50	1.825
IE Attitude of local toward tourists	1029	8.47	1.926
IE Family friendly environment	1014	8.43	2.144
MI Internet	1007	8.43	2.054
MI Public transport	1013	8.37	2.060
PO Unique feature	1027	8.35	1.965
MI Alternative routes	1021	8.27	2.075
MKT Tourism brand and image	1018	8.18	1.980
IE Authentic products/services	1028	8.16	2.031
PO Beaches	1011	8.16	2.261
MI Car rental service	1019	8.13	2.204
PO Climate	1009	8.12	2.121
IE Cultural sensitive businesses	1021	8.11	2.120
MKT Marketing campaign for domestics	1019	8.11	2.017
MI Facilities for disabled	1000	8.08	2.420
PO Adventure activities	1018	8.06	2.194
SR Environmental responsibility	1020	8.01	2.116
MI Distance traveled	1010	8.00	2.193
SR Transformation	1017	7.96	2.216
PO Nature reserves/national parks	1019	7.89	2.250
PO World Heritage Sites	995	7.78	2.299

PO Recent history	1023	7.71	2.365
PO Wildlife	993	7.64	2.457
MKT Packaged tours	1018	7.60	2.458

Note: MI – Mobility and infrastructure; PW – Personal wellbeing; GM – General maintenance; PO – Product offering; MKT – Marketing; IE – Intangible experience; SR – Social relevance

To test the dimensionality of the scale, unrestricted Principal Component Analysis was undertaken on each of the a priori factors. The Kaiser-Mayer-Olkin Measure of Sampling Adequacy (minimum value of .500 after Dziuban and Shirkey, 1974) and Bartlett's Test of Sphericity ($p<.00$) indicated suitability of the data for all seven factors. It was decided to accept factor loadings of minimum 0.50 as acceptable (after Costello & Osborne, 2005 and Floyd & Widaman, 1995). Items that cross-loaded were considered for deletion (Costello & Osborne, 2005).

Table 4 indicates the components extracted and variance explained for each of the individual factors. Both 'Mobility and Infrastructure' as well as 'Product Offering' split into two components, while the remaining factors proved to be uni-dimensional. None of the items had to be deleted.

Table 4. Principal Component Analyses of the a priori factors

Mobility and Infrastructure (MI)			
Items	Rotated pattern matrix (2 components extracted)		Cumulative variance explained
Water	.869		62.1%
Electricity	.853		
Transport infrastructure	.747		
Signage	.736		
Internet	.523		
Facilities for disabled		.768	
Distance travelled		.753	
Car rental service		.661	
Public transport		.618	
Alternative routes		.559	
Personal Wellbeing (PW)			
Items	Component matrix (only 1 component extracted)		Cumulative variance explained
Safety and security	.912		77.4%
Healthcare services	.899		
Service quality	.879		
Value for money/affordability	.828		
General Maintenance (GM)			
Items	Component matrix (only 1 component extracted)		Cumulative variance explained

Upkeep attractions facilities	.878		68.5%
Maintenance around tourist attractions	.869		
Clean/hygienic environment	.795		
Upgrade of general infrastructure	.761		
Product offering (PO)			
Items	Rotated pattern matrix (2 components extracted)		Cumulative variance explained
Nature reserves/national parks	.819		60.2%
Wildlife	.818		
World Heritage Sites	.777		
Recent history	.743		
Unique feature	.549		
Entertainment		.825	
Beaches		.693	
Product variety		.659	
Adventure activities		.646	
Climate		.584	
Marketing (MKT)			
Items	Component matrix (only 1 component extracted)		Cumulative variance explained
Marketing campaign for domestics	.889		71.2%
Tourism brand and image	.865		
Information on offering	.845		
Packaged tours	.773		
Intangible Experience (IE)			
Items	Component matrix (only 1 component extracted)		Cumulative variance explained
Cultural sensitive businesses	.830		62.7%
Attitude of local toward tourists	.799		
Authentic products/services	.790		
Family friendly environment	.746		
Social Relevance (SR)			
Items	Component matrix (only 1 component extracted)		Cumulative variance explained
Environmental responsibility	.942		88.7%
Transformation	.942		

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

Table 5 displays the nine factors with their new labels where relevant. The new factor ‘basic infrastructure’ denotes the infrastructure that ensures that visitors are able to function in the destination. ‘Infrastructure enhancers’ are characteristics of the available basic infrastructure that provide visitors with alternatives when using the basic infrastructure. The factor ‘fixed products’ are products that are stable while ‘variable products’ are more flexible and allow more social

interaction or influences the visitor's chances of social interaction or expressing personal preferences.

The reliability of the factors was tested using Cronbach's Alpha. All of the factors achieved the desired level (Alpha > 0.70) and none of the items were deleted as deletion would not significantly increase the Alpha values.

Table 5. New factors – The Tourism and Travel Market Indicators Index

Factor	Cronbach's Alpha
New label: Basic infrastructure - Water - Electricity - Transport infrastructure - Signage - Internet	.866
New label: Infrastructure enhancers - Facilities for disabled - Distance travelled - Car rental service - Public transport - Alternative routes	.795
Personal wellbeing: - Safety and security - Healthcare services - Service quality - Value for money/affordability	.901
General maintenance: - Upkeep attractions facilities - Maintenance around tourist attractions - Clean/hygienic environment - Upgrade of general infrastructure	.846
New label: Fixed products - Nature reserves/national parks - Wildlife - World Heritage Sites - Recent history - Unique feature	.853
New label: Variable products - Entertainment - Beaches - Product variety - Adventure activities - Climate	.789

Marketing: - Marketing campaign for domestics - Tourism brand and image - Information on offering - Packaged tours	.856
Intangible experience: - Cultural sensitive businesses - Attitude of local toward tourists - Authentic products/services - Family friendly environment	.800
Social relevance: - Environmental responsibility - Transformation	.872

Conclusion and Discussion

The aim of this study was to identify the factors and indicators that would measure the tourism competitiveness of a province against other provinces. The target population of the study was the emerging domestic market. Respondents viewed water, safety and security, electricity, service quality and a clean/hygienic environment as the five most important indicators when choosing any domestic holiday destination. Safety and security was also viewed by the international market as having an extremely negative influence on South Africa's competitiveness (Lubbe, Douglas, Fairer-Wessels & Kruger, 2015). Safety and security is a critical factor determining the competitiveness of a country's travel and tourism industry, and according to this study also a province's. The five least important indicators were nature reserves/national parks, world heritage sites, recent history, wildlife and package tours. Interestingly, when measured on an international level, wildlife is the indicator that contributes the most to South Africa's competitiveness as a tourism destination (Lubbe et al., 2015)

Lubbe et al. (2015) argued that existing models which measure destination competitiveness should include a mechanism whereby the unique features of a destination are highlighted and should take into account that the competitiveness of destinations against their main competitors should be considered and a value placed on their strengths and weaknesses. The results from this study show that the same is true for a region's competitiveness. It also becomes clear that competitiveness is in the eye of the beholder, and for this reason, it is extremely important to take the needs of the market into consideration. The results showed that certain indicators might be very important from an international perspective, but not at all when domestic tourists are surveyed.

For demand to be effective, tourists must be aware of a destination and its specific offerings. There must also be a "fit" between the types of experiences generated by these products and consumer expectations. However, previous research has indicated current mismatches between

demand and supply within the different provinces of South Africa for specific domestic market segments (Lubbe et al., 2012). Despite promotional efforts which started some 20 years ago (Rogerson & Lisa, 2005), domestic trips have shown a decline and a call has been made to the industry to respond with product offerings that appeal to members across all market segments (NDT, 2011a). Such initiatives will arguably fail without sufficient market knowledge, as is the case in most developing markets (Ghimire, 2013). This study provides the much needed market knowledge by identifying the product offerings most appealing to the emerging market in South Africa, and should enable provinces to develop such offerings so as to match supply and demand.

The following limitations to the study need to be presented. First, a convenience sampling method was used in the application of the survey to potential, past and current visitors. This may affect the generalisation of the results to the populations under study. Second, racial classification is used to define the target groups so the results cannot be generalised to all population groups. Furthermore, data collection was conducted out of the peak season (although the September school holidays are within this period). The number of responses may have been affected by the low season data collection period. Finally, the current study is cross-sectional so the results will be valid for this study only, whereas the ultimate aim should be a longitudinal study where trends can be determined.

In this study the focus was on the emerging market and specifically from the tourist perspective. Future research could look at surveying industry professionals as well.

References

Bristow, G. (2010). Resilient regions: Re-'place'ing regional competitiveness. Cambridge Journal of Regions, Economy and Society, 3, 153–167.

Costello, A.B. & Osborne, J.W. (2005). Best practices in exploratory factor analysis: four recommendations for getting the most from your analysis. *Practical Assessment, Research & Evaluation*, 10(7):1-9.

Dwyer, L., Mellor, R., Livaic, Z., Edwards, D. & Kim, C. (2004). Attributes of destination competitiveness: a factor analysis. *Tourism Analysis*, 9:91-101.

Dziuban, C.D. & Shirkey, E.C. (1974). When is a correlation matrix appropriate for factor analysis? Some decision rules. *Psychological Bulletin*, 81(6):358-361.

Enright, M.J. & Newton, J. (2004). Tourism destination competitiveness: a quantitative approach. *Tourism Management*, 25(6):777-788.

Floyd, F.J. & Widaman, K.F. (1995). Factor analysis in the development and refinement of clinical assessment instruments. *Psychological Assessment*, 7(3):286-299.

Ghimire, K.B. (2013). *The native tourist: mass tourism within developing countries*. Earthscan Publications, Oxford.

Hall, CM (2013). A Review of "Competitiveness and tourism", Journal of Sustainable Tourism.

Hassan, S.S. (2000). Determinants of market competitiveness in an environmentally sustainable tourism industry. *Journal of Travel Research*, 38(3):239-245.

Hassink, R. (2010). Regional resilience: A promising concept to explain differences in regional economic adaptability? Cambridge Journal of Regions, Economy and Society, 3, 45–58.

Heath, E.T. (2002). Towards a model to enhance Africa's sustainable tourism competitiveness. *Journal of Public Administration,* 37(3.1):327–353.

Kozak, M. & Rimmington, M. (1999). Measuring tourist destination competitiveness: conceptual considerations and empirical findings. *Hospitality Management*, 18:273-283.

Lubbe, B.A., Fairer-Wessels, FA., Douglas, A. & Kruger, E.A. (2012). *Analysis of the Supply of Tourism Products for the Five Key Domestic Market Segments*. Department of Tourism Management, University of Pretoria.

Lubbe, B.A., Douglas, A., Fairer-Wessels, F. Kruger, E. (2015). A model to measure South Africa's tourism competitiveness. Paper presented at the international Travel and Tourism Research Association (TTRA) Conference in Portland, Oregon, USA, 15 - 17 June 2015.

Martin, R. (2005) Thinking about regional competitiveness: Critical issues. Background "Think-Piece" Paper Commissioned by the East Midlands Development Agency.

Mazanec, J.A., Wöber, K. & Zins, A.H. (2007). Tourism destination competitiveness: from definition to explanation? *Journal of Travel Research,* 46(1):86-95.

NDT, (2011a). *Domestic Tourism Growth Strategy* 2012-2020. Available online from http://www.tourism.gov.za/AboutNDT/Branches1/domestic/Documents/Domestic%20Tourism%20Growth%20Strategy%202012-%2020 20.pdf

NDT, (2011b). *National Tourism Sector Strategy*. Available online from: http://www.tourism.gov.za/AboutNDT/ Publications/National%20Tourism%20Sector%20Strategy%20Executive%20Summar.pdf

Okello, *et al*. (2012). *Where law meets reality: forging African transitional justice.* Cape Town: Pambuzuka Press.

Pike, A., Dawley, S., & Tomaney, J. (2010). Resilience, adaptation and adaptability. Cambridge Journal of Regions, Economy and Society, 3, 59–70.

Potter, A., & Watts, H. (2011). Evolutionary agglomeration theory: Increasing returns, diminishing returns, and the industry life cycle. Journal of Economic Geography, 11, 417–455.

Ritchie, J.R.B. & Crouch, G.I. (2000). The competitive destination: a sustainability perspective. *Tourism Management,* 21(1):1-7.

Ritchie, J.R.B. & Crouch, G.I. (2003). *The Competitive Destination: A Sustainable Tourism Perspective.* Wallingford, UK: CABI Publishing.

Ritchie, J.R.B., Crouch, G.I. & Hudson S. (2001). Developing operational measures for the components of a destination competitiveness/sustainability model: consumer versus

managerial perspectives. In: Mazanec, J.A., Crouch, G.I., Ritchie, J.R.B. & Woodside, A.G. (eds.) *Consumer Psychology of Tourism, Hospitality and Leisure.* New York, USA.

Rogerson, C, M & Lisa, Z, (2005). 'Sho't left: Changing Domestic Tourism in South Africa. *Urban Forum*, 16(2), 88-111.

Smeral, E. (2010). Impacts of the world recession and economic crisis on tourism: forecasts and potential risks. *Journal of Travel Research*, 49(1), 31-38.

Thomas, WH. (2005) "Second Economy" *Paths into South African Tourism Business, Research Report No. 1*, Centre for Tourism Research in Africa, Cape Peninsula. Cape Town University of Technology.

Visagie, J & Posel, D, (2013). A reconsideration of what and who is middle class in South Africa. *Development Southern Africa*, 30(2), 149-167.

Wang, S. & Qu, H. (2004). A comparison study of Chinese domestic tourism: China vs the USA. *International Journal of Contemporary Hospitality Management*. 16(2):108-115.

Whu, B., Zhu, H. & Xu, X. (2000). Trends in China's domestic tourism development at the turn of the century. *International Journal of* Contemporary Hospitality Management, 12(5):296-299.

WTTC. (2013). *Travel and Tourism Economic Impact 2013 – World*. WTTC, London. http://www.wttc.org/site_media/uploads/downloads/world2013_1.pdf (Accessed 28 April 2014)

WTTC. (2015). *Travel and Tourism Economic Impact 2015 – South Africa.* WTTC, London.