THE DEVELOPMENT OF TURNAROUND STRATEGIES
FOR THE CALITZDORP SPA TOURISM RESORT

BY

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Submitted in partial fulfilment of the requirements
for the degree of
Magister in Business Administration
at the Nelson Mandela Metropolitan University

PROMOTER : PROF J.A JONKER

DATE: NOVEMBER 2004
DECLARATION

I, Beatrix Holtzhausen hereby declare that:

- the work in this dissertation is my own original work;
- all sources used or referred to have been documented and recognised;
- this dissertation has not previously been submitted in full or partial fulfilment of the requirements of an equivalent or higher qualification at any other recognised educational institution; and
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The objective of this study was to develop turnaround strategies for the Calitzdorp Spa Tourism Resort (herein referred to as Calitzdorp Spa) to stop the performance decline and put it back on the road of recovery again.

The development of turnaround strategies are dependent on establishing the cause of the performance decline and to enable management to plan effective and optimal strategies for the tourism resort focused on the recovery response.

An analysis of various sources on strategic management models were undertaken to find a theoretical framework for the development of a strategic management model that could be applied to a tourism resort. The following model for the strategic management of a tourism resort was consequently developed and consists of the following main components:

- Mission, objectives and stakeholders;
- Strategic position;
- Strategic choice; and
- Strategic implementation.

A second model for the Turnaround Process of a tourism resort was proposed to assist management in guiding the resort to recovery, consisting of two main phases, namely:

- Turnaround situation; and the
- Turnaround response.

The research methodology followed included:

- a literature survey to define the important concepts of tourism, resorts, strategic management and turnaround strategies;
• a questionnaire survey to determine customer satisfaction at the Calitzdorp Spa;
• telephone interviews to determine the marketing and positioning strategies of the Calitzdorp Spa; and
• a focus group discussion session to determine the current situation at the resort and to plan future management strategies of the Calitzdorp Spa.

Specific conclusions were made and specific actions recommended based on the results obtained.
ACKNOWLEDGEMENTS

The successful completion of this research would have been impossible without the support, advice, assistance and encouragement of others.

I would like to record my sincere thanks and appreciation to the following:

− My promoter, Prof JA Jonker, who provided guidance, useful clarifications, support and constructive criticism during the course of my research efforts.
− Staff of the Eden District Municipality for their support and cooperation in conducting the research.
− Staff of the Nelson Mandela Metropolitan University Library in George for their efficient and friendly service.
− All the respondents and participants of the questionnaire, telephone interviews and group discussion session for their cooperation and assistance.
− My fellow MBA group members for their motivation and support.
− My mother whose sincere interest and encouragement had been a source of inspiration to me throughout the years.
− My husband, Theuns, daughter Bianca and son Theuns for their loving support and encouragement.
− Erica Brink for her contribution as language expert.
− To God be the glory.
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CHAPTER 1

PROBLEM STATEMENT AND DEFINITION OF CONCEPTS

1.1 INTRODUCTION

This study is about the strategic management of Calitzdorp Spa, a natural hot spring resort, situated in the rural areas of the Western Cape, and managed by a local authority, the Eden District Municipality. Tourism is central to the very existence and functioning of this resort, and for the purpose of this report, it is vital to acknowledge the trends in global tourism and how it impacts on South African tourism, and specifically on tourism in the Western Cape and the surrounding rural areas.

The World Travel and Tourism Organisation (1998: 32) states that global tourism contributed more than eleven per cent to the world’s gross domestic product (GDP) and eight per cent of total employment in 1999, an estimated 200 million people work in the industry, making it the world’s largest employer. Tourism will continue to create 5,5 million jobs per year until 2010. Tourism, unmistakeably, will continue to be a major growing economic factor in the world with real growth rates of up to five per cent per annum.

It is also important to note that the global tourism marketplace is becoming increasingly competitive. Moutinho (2000: 11) argues that the situation is due to a number of factors including a “shrinking” globe as a result of improved aviation technology and electronic information systems, the increasing awareness among business and government leaders of the economic significance of travel and tourism, and the restructuring of the global economy.

Poon (1998: 24) further states that travel and tourism organisations competing in the global arena, must develop new competitive strategies to strategically align themselves with the turbulent environment and select appropriate strategies to create defensible competitive positions. Successfully implementing these strategies will place tourist destinations firmly in the camp
of new tourism – a tourism that is sensitive to the environment and the people of the country; a tourism that is sustainable; a tourism that is able to transform tourism-dependent economies into viable entities.

In 1994, with the re-admittance of South Africa to the global arena, the country gained a considerable amount of international exposure. The peaceful climate in which the country transformed, coupled with its spectacular natural and cultural tourist attractions, contributed to its popularity as an international tourist destination.

According to Briedenham and Wickens (2004: 73) international tourism to South Africa, after a phenomenal initial growth of 52 per cent in 1995, had declined in 1998 to only 3.5. The Travel and Tourism Industry represented 2.4 per cent of the total employment and 2.6 per cent of total gross domestic product (GDP). Tourist markets which stagnated further between 1998 and 2001 have, since the calamitous events which precipitated widespread fears for tourist safety in more traditional destinations, shown an upturn but the influx of tourists has been, to a significant extent, confined to Cape Town and its environs, whilst desperately needed job creation and poverty alleviation in the country’s marginalised rural areas assumed ever-greater significant.

If one takes into account the unique properties of South Africa’s rich and diverse cultural resources, confidence in the future of the tourism industry is easily substantiated. The expectations of ‘modern’ tourists, avidly seeking the traditional indigenous cultures and natural beauty of less developed areas, could be surpassed in a country which is home to the world’s largest, tallest, fastest and smallest land mammals; the largest bird; and off the coast one of the world’s largest sea mammals. The vegetation is equally varied and unique; the Cape Fynbos is the richest, most varied, and concentrated area of vegetation on earth.

The country, a melting pot of African, European and Asian heritage, is today proudly African, with a dawning respect for each other’s culture and traditions. South Africa’s slogan ‘A World in One Country’ is justifying itself. This unique
diversity, combined with a superb climate and an undervalued currency, makes the country "good value for money".

For South Africa the reality is however unmistakable, with an expanding population, increasing unemployment, and a steady drop in the value of its mineral wealth, tourism presents one opportunity to turn the tide of unemployment through the generation of jobs and the creation of entrepreneurial opportunities. A World Travel and Tourism Organisation report (1998: 30) suggested that within a decade more than 170 thousand direct and 516 thousand indirect new jobs could be created across the broader South African economy by growth in travel and tourism industry.

The Western Cape in particular, is renowned as a premium world tourism area. Visitors from the Northern Hemisphere and the rest of South Africa flock to the province and tourism is growing at rates well above the national and international averages. Figures from the World Travel and tourism Organisation (1998: 28) shows that the Western Cape attracts the majority of overseas tourist nights compared to the rest of the country. Domestic tourism, however, remains the backbone of the Western Cape tourism industry and domestic expenditure in the Province is substantially larger than international expenditure. The Province prides itself in offering visitors a unique combination of nature, culture, entertainment and top class convention opportunities in a safe and hospitable setting. Tourism facilities and services are the highest quality and offer some of the best value for money in the world. Tourism also provides the bulk of new jobs and increasing numbers share directly and indirectly in the benefits derived from the industry.

The Calitzdorp Spa Resort situated in a remote area in the Klein Karoo area, offers the visitor a unique and unforgettable experience according to the brochure (Calitzdorp Spa resort, 2001: 2), compiled and distributed by the Eden District Municipality. The brochure provides a summary of the highlights of the “Spa experience” and includes the following information:
The Spa is surrounded by several scenic mountain passes and offers the visitor the beauty and tranquility of its magnificent surroundings. Visitors are invited to come and enjoy the “Klein Karoo experience” in a safe and relaxed environment. The Spa offers various options in terms of accommodation that includes well-equipped chalets and camping facilities. For the nature lover the resort offers an abundance of nature experiences including 72 bird species, game and a variety of unique plant succulents. Recreational facilities include cold and heated indoor as well as outdoor swimming pools, tennis courts and hiking trails. Close proximity to major tourist attractions like the Cango Caves, Ostrich Show Farms, Wildlife Ranch, National Tourist Route 62, and the port capital of South Africa (Calitzdorp), serve to enhance the experience of the visitor to the Spa.

Despite the unique attributes and offerings of the Spa as portrayed in the brochure (Calitzdorp Spa, 2001: 2), the growth of tourism nationally and in the Western Province, and the movement towards 'new tourism', the Spa could only achieve an average occupancy rate of 30 – 35 per cent in the last three financial years as published in the annual report of the Eden District Municipality (2003: 15), resulting in a steady and severe decline in overall performance of the Spa.

1.2 MAIN PROBLEM

The performance of the Calitzdorp Spa, as indicated in the previous section, in comparison to the growth in tourism enjoyed in the rest of the Province, has been unsatisfactory. In fact, although the required operational systems are in place, the Spa continues to show negative growth and an operating loss for the last three financial years. According to the financial status reports as further discussed in Chapter 2 of this study, the Calitzdorp Spa continued to show a major decline in performance to a point where it cannot meet its financial obligations, and thus entering into a state of financial distress.

Whitaker (1999: 16), defines entry into financial distress as the first year in which cash flows are less than current maturities’ long-term debt. He argues
that as long as cash flow exceeds current debt obligations, the firm has enough funds to pay its creditors. The key factor then in identifying organisations in financial distress is their inability to meet contractual debt obligations as will be clearly indicated in the summary of financial reports submitted for Calitzdorp Spa in Chapter 2.

Hofer (2002: 19), states that most organisations face a major decline in performance at some time in their existence. The response to such situations is almost always a major effort to “turn the company around.” The key questions that must be answered in all cases are: “Are turnaround efforts worthwhile?” Can they be successful?” and “What type of turnaround strategy has the best prospects for success?”. It is the opinion of Hofer (2002: 20) that what is needed most in a turnaround situation is some clear-cut strategy for guiding all organisational actions so that scarce resources are not used in unproductive ways. These strategies must be based on information gathered through the assessment of the current operating and strategic health of the organisation.

The primary contribution from the research studies done by of Schendel and Patton (1976: 620), were the recognition of a relationship between cause and response among turnaround organisations. They established the first turnaround model that stressed the importance of properly assessing the cause of the turnaround situation so that it could be the focus of the recovery response. They encouraged researchers to specify the magnitudes, time frames, patterns and severities of performance inadequacies and declines, to ensure selecting appropriate turnaround strategies.

According to Kaplan and Norton (1996: 12), it is very clear that relying only on financial measures to evaluate the success or failure of an organisation is inadequate and short sighted. Financial measures alone tell the story of past events and ignores investment in long-term capabilities and customer relationships that proves to be critical for success.
It is thus imperative for the survival and turnaround situation of Calitzdorp Spa to develop a strategic management model to enable the organisation to perform a systematic strategic review of performance inadequacies and declines that contributed to the poor performance of the resort over the last three financial years.

The aim of this study will be to develop suitable turnaround strategies for Calitzdorp Spa based on the information gathered by the strategic management model to successfully “turn the organisation around” and restructure itself back to a sound and healthy financial position.

In view of the many challenges facing the Calitzdorp Spa, the main problem is thus:

**What can turnaround strategies can be developed at the Calitzdorp Spa that will ensure future success for the resort?**

### 1.3 SUB-PROBLEMS

The main problem can be restated in terms of a number of sub-problems:

- **What does literature regard as an ideal strategic approach for managing a tourism resort?**

- **Where does the Calitzdorp Spa need to improve?**

- **How can the problems identified in sub-problem two be effectively addressed through turnaround strategies to ensure future success?**
1.4 DELIMITATION OF THE RESEARCH

The scope of the research will be limited to the Calitzdorp Spa holiday resort, one of five holiday resorts managed and owned by the Eden District Municipality with headquarters in George.

Calitzdorp Spa, approximately 30 kilometres from Calitzdorp in the Klein Karoo, is situated on the well-known Tourist Route, namely Route 62. The research will also explore similar facilities in the Western Cape region in relation to management approaches and strategic planning systems.

1.5 DEFINITION OF KEY CONCEPTS

For the purpose of this study the following key concepts must be defined and further explored:

1.5.1 Strategy and strategic management

Moutinho (2000: 259) states that before a tourism company can do business, before they can market their tourism product, before they can even plan their tourism product, they must first plan their strategy. Decisions regarding the type of business the firm desires to be in, the segments of the market they wish to pursue and the type of tourism products they wish to develop for their markets must all be carefully planned out in what is known as the strategic plan.

In the following section we will provide different definitions of strategy by various authors to determine the basic elements present in all strategies.

According to Johnson and Scholes (2002: 10) strategy can be defined as the direction and scope of an organisation over the long term, which achieves advantage for the organisation through its configuration of resources within a changing environment and to fulfil stakeholder expectations.
Chandler in Evans, Campbell and Stonehouse (2002: 11) supports the foregoing argument by defining strategy, as: “the determination of the basic long-term goals and objectives of an enterprise, and the adoption of course of action and the allocation of resources necessary for carrying out of these goals”.

Coulter (2002: 7) defines strategy as a “series of goal-directed decisions and actions that match an organisation’s skills and resources with the opportunities and threats in its environment”.

It is clear from the literature review that the three important contents of strategy portrayed in the abovementioned definitions are the following:

- the determination of the basic long-term goals;
- the adoption of courses of action refers to the actions taken to arrive at the objectives; and the
- allocation of resources refers to the fact that there is likely to be cost associated with the actions required in order to achieve the objective.

From the literature review various authors (Coulter, 2002: 8; Thompson, 1994: xiv; and Pierce & Robinson, 1995: 3; Johnson & Scholes, 2002: 16) define strategic management as the process of planning, directing, organising and controlling of a company’s strategy-related decisions and actions and comprises of the following nine critical tasks:

- formulate the company’s mission, including broad statements about its purpose, philosophy and goals;
- develop a company profile that reflects its internal conditions and capabilities;
- assess the company’s external environment, including both the competitive and general contextual factors;
- analyse the company’s options by matching its resources with the external environment;
• identify the most desirable options by evaluating each option in light of the company’s mission;
• select a set of long-term objectives and grand strategies that will achieve the most desirable options;
• develop annual objectives and short-term strategies;
• implement the strategic choices by means of budgeted resource allocation; and
• evaluate the success of the strategic process as an input for further decision making.

It is clear from the abovementioned tasks that strategic management is not only the process of managing strategic decision making, but includes understanding the strategic position of an organisation, making strategic choices for the future and finally turning strategy into action.

1.5.2 Tourism and tourist attractions

Bennett and Strydom (2000: 6) and George (2001: 17) define tourism as any activity concerned with the temporary short-term movement of people to destinations outside the places they normally live and work, and their activities during the stay at these destinations. It also includes the facilities created to cater for the needs of tourists and involves the following elements:

• activities concerned solely with aspects of daily life outside the normal routines of work and social commitments;
• travel and transportation to and from the destination;
• activities engaged in during the stay at the destination; and facilities provided to cater for the needs of tourists.

The facilities provided to cater for the needs of tourists, refer to all businesses responsible for providing both tangible products and services aimed at satisfying the needs of tourists. Businesses that cater for the needs of tourists are: tour operators, travel agencies, airlines and other surface transport suppliers, hotels and accommodation services, tourist attractions and also
specialised tourism services. Central to the definition of tourism is the concept of tourism product which includes the key components of attractions, facilities, accessibility, image and price.

Tourist attractions according to Bennett and Strydom. (2000: 105), form the very basis of tourism. Without these, people would have little motivation to visit a tourist destination. The real power remains the component ‘attractions”, which should be the first concern in any soundly organised effort for the rational development of tourism. Without attractions, tourism could not exist and there would be little need for hotels, transport facilities, and promotional strategies.

The needs of the tourist are characterised by the flight from everyday life, the need for a change of environment, the search for something different and the concept of the holiday as a contrast-experience. There are three categories of tourist attractions, namely natural attractions, man-made attractions and socio cultural attractions.

### 1.5.3 Destination Management

According to Jonker (2003: 113) destination management focuses on those management processes that can enhance the appeal and attractiveness of the core resources and attractors, strengthens the quality and effectiveness of the supporting factors and resources and best adapt to the constraints imposed by the qualifying determinants. They include resource stewardship, marketing, finance and venture capital, organisation, human resource development, information research, quality of service and visitor management.

Kelly and Nankervis (2001: 9) describes destination management according to four task areas:
1.5.4 Resorts and Resort Management

According to Mill (2001: 4) resorts can be defined as follows:
- recreational attractions that draw guests to the facility;
- housing, food and beverage services that cater for people away from home; and
- activities to occupy guests during their stay.

Mill (2001: 25) is of the opinion that a resort management differ from the management of traditional tourist facilities mainly in terms of:
- visitor market (getaway/family travellers, adventurous/educational travellers and fun travellers)
facilities (length of stay at resort is longer and it impacts on type of facilities offered);

• location (it is usually remote, and therefore must be self-contained with support services); and

• recreation (most resorts specialise in one or more recreational activities, needs enough space for entertainment facilities)

These four factors mentioned have a significant effect on the way resorts are managed and will be further discussed in Chapter 2, section 2.3.

1.5.4 Renewal strategies

From the literature review (Coulter 2002: 274; Wheelen & Hunger 1990: 214; Pierce & Robinson, 1995: 238) the authors agree that there are two main types of organisational renewal strategies: retrenchment and turnaround. Both are designed to halt the organisation’s declining performance and to return it to a more desirable performance levels.

a) Retrenchment

Thompson (1994: 559) states that the retrenchment strategy is a common short-run strategy designed to address organisational weaknesses that are leading to performance declines. Revenues and profits may be declining, but aren’t negative, and it needs to do something to reverse the slide or it soon may have significant performance declines leading to severe financial problems.

According to Coulter (2002: 275) the word retrenchment is a military term that describes situations when a military unit “goes back to the trenches” in order to stabilise, revitalise, and prepare for entering battle again. The organisation’s strategic managers must stabilise operations, replenish or revitalise organisational resources and capabilities, and prepare to compete once again. In the case where the organisation shows repeated losses and
performance results are significantly low, the situation calls for a more
dramatic strategic change.

b) **Turnaround**

This strategy is a renewal strategy that’s designed for situations in which the
organisation’s performance problems are more serious. This organisation has
to be “turned around” or its survival is in jeopardy.

According to Thompson (1993: 509) turnaround strategies involve the
adoption of a new strategic position for a product or service, and typically lead
on from retrenchment. Resources are reallocated from one strategic thrust to
another; particularly significant here is the reallocation of managerial talent
which can lead to an input of fresh ideas. Revenue-generating strategies,
such as product modification, advertising or lower prices designed to generate
sales, are often involved; and in addition products and services may well be
re-focused into niches which are thought to be most lucrative or defensible.

Hill and Jones (1995: 302) state that seven causes stand out in most cases of
corporate decline, poor management, over expansion, inadequate financial
controls, high costs, the emergence of powerful new competition, unforeseen
shifts in demand, and organisational inertia. They also argue that there is no
standard model of how a company should respond to a decline.

However, according to Hill and Jones (1995: 302) in most successful
turnaround situations, a number of common features are present. They
include changing leadership, redefining the company’s strategic focus,
divesting or closing unwanted assets, taking steps to improve the profitability
of remaining operations, and occasionally, making acquisitions to rebuild core
operations.

There is no guarantee that a turnaround strategy will accomplish the desired
results and make the organisation a strong competitor once again, but without
it the organisation is doomed to fail.
1.6 KEY ASSUMPTIONS

It is assumed that all travel and tourism organisations continually face changing situations, and to be able to cope with these uncertainties in the external and internal environments and achieve expected levels of performance, they need to implement strategic management or planning systems to determine the most appropriate decisions and actions. By systematically following the strategic management process there are certain universal turnaround strategies for all organisations, but particular for the travel and tourism industry. It is assumed that the key elements of the tourism product, namely attractions, facilities, image, accessibility and price will determine the choice of tourist destinations in the local, national and international markets.

1.7 SIGNIFICANCE OF THE RESEARCH

The results of the research may enable resorts like Calitzdorp Spa to realise and make decisions, based on scientific evidence, about:

- what strategic directions and methods of development are available to travel and tourism organisations, experiencing a performance decline;
- why some strategic directions and methods might be preferred over others; and
- why some strategic directions and methods might succeed better than others in turnaround situations.

According to Poon (1998: 31) the research can also explain the pressures that might shape strategic choices, namely:

- environmental-based motives – fitting new strategies to a changing business environment;
- resource-based motives – stretching and exploiting the competences of an organisation; and
expectation-based motives – meeting the expectations of all role players

The results of the research can enable Calitzdorp Spa to follow an approach that can turn the operating losses into profits by addressing all relevant aspects and functions of sound financial management through analysing all relevant issues, risks and management decision-making situations.

The development and the implementation of turnaround strategies can be considered to improve not only the overall performance of Calitzdorp Spa but also similar resorts in the Western Cape and elsewhere in South Africa.

1.8 RESEARCH METHODOLOGY

A literature review and an empirical study were undertaken in an attempt to solve the main and sub-problems. A detailed discussion of the methodology is provided in Chapter 5. A summary thereof is given below.

1.8.1 Literature survey

The purpose of the literature study was to undertake a comprehensive study of international as well as national literature in the following fields:

- Tourism and related terms;
- Strategy and strategic management;
- Destination Management; and
- Renewal strategies in Tourism

The literature study included basic books on strategic management and also specifically strategic management of travel and tourism organisations. Some relevant articles in tourism journals providing recent developments regarding trends in tourism and the Internet were also accessed to gain insight into strategic planning systems of similar resorts nationally and internationally.
The various methods and approaches for managing resorts and implementing of turnaround strategies were identified via a literature survey and the most appropriate method was selected for proposed implementation at the Calitzdorp Spa.

Data published by the Western Cape Tourism Board was consulted in order to determine the number of tourists visiting the area, with specific reference to surrounding areas of Calitzdorp Spa, and also other resorts offering similar product quality and service levels.

1.8.2 Research design

Non-experimental quantitative and qualitative research methods were followed to address the second and the third sub problems, namely:

- Where does the Calitzdorp Spa need to improve?
- How can the problems identified in sub problem two be effectively addressed through turnaround strategies to ensure future success?

For the qualitative research, telephone interviews were conducted with travel operators and travel agents testing their perceptions on the current marketing position and strategies of the Calitzdorp Spa resort. Focus group interviewing was used to analyse the current situation at the resort directed at the management team of Eden District Municipality and to gain possible suggestions and proposals to enhance the overall functioning of the resort. The quantitative research was conducted in the form of questionnaires distributed to customers to test customer satisfaction and experiences.

1.8.3 Data collection

Data were collected by means of the following methods:
a) Questionnaires:

A questionnaire was designed and distributed to all visitors to Calitzdorp Spa during the last year, for the period 1 August 2003 to 31 August 2004, requesting them to rate their overall experience according to certain criteria and asking for comments and suggestions. The questionnaire was completed at their departure from Calitzdorp Spa and handed to the resort manager or placed in special boxes designed specifically for that purpose.

b) Telephone Interviews:

Telephone interviews were conducted with local travel operators and travel agents to determine the current marketing position and strategies of the Calitzdorp Spa and to rate the present situation in terms of product quality, service levels, facilities, accessibility of the resort and concluding with general suggestions and comments about the resort.

c) Focus group interviewing

A focus group interviewing session was conducted with the management team of Eden District Municipality to evaluate the current situation at the Calitzdorp Spa resort and to plan future management strategies based on the analysis.

1.8.4 Sampling

All customers that visited the Calitzdorp Spa resort for the period 1 August 2003 to 31 August 2004 were requested to complete the questionnaire. A total of five travel operators and agents were interviewed by the researcher. Ten members of the management team of Eden took part in the focus group interviewing session.
1.8.5 Data analysis

Data collected during the empirical study, were processed and analysed using Microsoft spreadsheets and STATISTICA Version 6 software. A detailed analysis of the findings is set out in Chapter 5.

1.9 STRUCTURE OF THE RESEARCH REPORT

Chapter 1: Introduction, problem statement, delimitation of the research, key assumptions, significance of the research and an outline of the research approach.

Chapter 2: Development of a strategic management model for a tourism resort

Chapter 3: Research Methodology

Chapter 4: Findings and results of the empirical survey.

Chapter 5: Conclusions and recommendations

1.10 CONCLUSION

This chapter addressed the main and sub-problems that are applicable to the research. It has also discussed the importance of the research and defined certain concepts that are central to the approach adopted by the researcher. The significance of the research was pointed out, and was followed by an outline of the research approach and structure of the report.
CHAPTER 2

DEVELOPMENT OF A STRATEGIC MANAGEMENT MODEL FOR A TOURISM RESORT

2.1 INTRODUCTION

The purpose of this chapter is to develop a strategic management model for a tourism resort that can also be applied to Calitzdorp Spa to establish the cause of performance decline, setting a clear direction for the future by implementing strategies in order to ensure effective performance, and position the resort for changes in the environment.

Firstly, the author considers how the nature of travel and tourism products can impact on the development of a strategic model for a tourism resort. The discussion also focuses on the unique attributes and structures of resorts that must be incorporated in the planning process. Other factors that are briefly discussed include the impact of tourism on the environment, and the effects of external shocks on the organisation.

Various models of strategic management are explored, and finally a strategic management model for a tourist resort is proposed, followed by a discussion of the different components of the model.

2.2 TRAVEL AND TOURISM AS A SERVICE INDUSTRY

The unique nature of how travel and tourism products impact on the development of a strategic management model for a tourist resort will be discussed. These factors represent a key challenge to managers because of the nature of the products being sold and of the complexities of the environment in which the industry exists.
2.2.1 Service product characteristics

Travel and tourism products have a number of characteristics that are of relevance to the way in which they are managed. Whilst some of these features are common to all service products, some other characteristics are unique to travel and tourism products, and even more specific when it comes to the management of resorts.

According to Moutinho (2000: 217) there are fundamental differences between the manufacturing and the service sector and the underlying reasons for the differences are concerned with customer expectations and the resulting perception of value and quality. George (2001: 20) explains that managers of travel and tourism industries need to be concerned with four basic characteristics that make the management of service offerings different from managing of products. These factors are:

- intangibility;
- inseparability;
- perishability;
- heterogeneity; and
- ownership.

a) Intangibility

According to Bennett and Strydom (2001: 5), travel and tourism products are essentially intangible, unlike goods that can be touched and inspected before purchase. Customers cannot touch, smell or see a service before they purchase it and they may experience higher levels of perceived risk because they are unable to do so. A thorough evaluation of a service before buying it is therefore impossible and lead customers to use other cues to help them assess the service.
Evans, et al. (2003: 28) states that intangibility of services mean that the product is not a physical object therefore as an offering of ‘invisible’ services does create certain problems for organisations operating in the sector. To overcome this intangibility, managers sometimes attempt to create some form of tangible offering that potential customers can relate to. Travel brochures, especially for resorts can help to overcome the intangibility problem and this is why the design, effort, creativity and expense in producing a brochure is so important.

b) Inseparability

According to George (2001: 20), inseparability means that the production and consumption of services are inseparable. The implication is that consumers have direct experience of the production of the service. The task of satisfying customers for the provider of a service is in many ways much more difficult than it is for the manufacturer of a product. In service industries everything has to be right the first time, all the time and any mistake can prove very costly in terms of lost future custom. How service personnel conduct themselves in the customer’s presence, what they say, what they don’t say, how competent they are, how personable they are or how presentable they are, can determine whether the customer will come back again.

c) Perishability

Bennet and Strydom (2001: 6) explain that a service cannot be stored like most tangible products. Because services are produces and consumed at the same time, they are considered highly perishable. Services are instantly perishable if they have not been sold at the time of production. They are lost sales that can never be recovered (empty hotel rooms cannot be ‘stored’ for when demand increases).

Evans, et al (2003: 30) argues that the problem of perishability can be made even more acute by fluctuating demand but fixed supply. Demand can vary during the day, during the week or from season to season of the year.
Capacity may therefore be insufficient to meet demand at peak times, but in excess of what is required at slack times. Demand can fluctuate for all sorts of reasons, such as seasonal changes, changes due to the level of economic activity, and changes due to climate conditions. Changes in demand can also occur very suddenly and can have a dramatic impact on service suppliers. Supply, however, is much more difficult to alter, at least in the short term. The management challenge, therefore, is to make sure that the company is operating at full capacity for as much of the time as possible. To be successful, the company will need carefully designed strategies to stimulate demand, lengthen seasons, or to offer appropriate pricing levels to manage and keep occupancy levels.

d) Heterogeneous

From the literature review, authors (Bennett & Strydom, 2001: 6; and Evans et al. 2003: 31) argue that services, unlike mass-produced manufactured goods, are never identical, and that the human element and other factors in delivering services, ensure that services will be heterogeneous. Tourism products are ‘people orientated’ and the human factor plays a key role. This means that there is an uncontrollable element inherent in the production of the travel or tourism product which can lead to the holidaymaker being satisfied or disappointed with the holiday.

It is therefore important that as much information as possible is provided in advance to the potential customer, both by the tour operator and the travel agent. This will reduce the risk of the customer purchasing an unsuitable holiday at the outset. Special attention as also to be paid to the personnel who will deal with the client on a face to face basis to make certain that they have suitable personalities for dealing with the public.

e) Ownership

Lastly, when a consumer buys a service he or she does not usually receive ownership of anything tangible. Service buyers are therefore buying only
access to the use of something, which has important management implications. According to Bennet and Strydom (2001: 6) marketers must realise that the customers’ whole experience, from the time the customer makes a reservation until the customer returns home, forms part of the customer’s experience and that planning for travel and the tourism product must incorporate that. Travel and tourism are therefore high in experiential qualities.

2.2.2 Travel and tourism-specific characteristics of service

Evans et al (2003: 32) states that the five special characteristics of service mentioned in the preceding section change the emphasis of a manager’s task in strategy formulation and setting of objectives. Six further factors, however, might be added in the travel and tourism context, also relating to resorts in general and in particular the Calitzdorp Spa:

- High cost;
- Seasonality;
- Ease of entry/exit;
- Interdependence;
- Impact on society; and
- The effect of external shocks.

Whilst these factors are not unique to travel and tourism, they are certainly very important to any consideration of strategic management in a travel and tourism context, and specifically to resort management.

a) High cost

Travel and tourism products usually represent a relatively high cost purchase for the consumer, and therefore is important for managers when formulating strategy, especially with regard to marketing for tourism industries and resorts in particular. George (2001: 23) argues that tourism industries generally have high fixed costs of operation and relatively low variable costs. Fixed costs
includes items like facilities, staff, rent, heating and marketing expenditures. Variable costs are those which depend upon the number of consumers that the industry receives. According to Mill (2001: 26) the fixed costs relating to resorts are much higher in terms of the type of the facilities needed, the remote location of resorts in general and the variety and type of recreational facilities offered at the resorts.

b) Seasonality

According to Ritchie and Goeldner (1994: 338) management of travel and tourism organisations must include seasonality when undertaking strategic planning for the industry. It is imperative for the projection of sales and planning for employment needs to allow for seasonality, that could be done for a short-term period, or even to determine long-term trends by calculating the seasonal pattern in the data supplied by the industry.

A study conducted in the Western Cape by Bloom (1998: 44)) confirmed that there is a clear seasonal pattern in terms of tourism and the Western Cape market share reduces considerably during the winter season. Mill (2001:28) states that some resorts, by virtue of their location, experiences occupancy levels coupled to seasonal patterns. The Calitzdorp Spa, in particular as noted in the Eden District Municipality Annual report (2003), shows a remarkable decline in occupancy levels during the winter months of June to September.

George (2001: 22) states that seasonality has implications for the price and quantity of tourism products supplied between seasons. One way for management of these organisations and resorts in particular to respond to these problems of seasonality, is to develop or acquire counter-seasonal business, by developing other products from own resources or to purchase businesses that operate primarily at other times of the year.
c) Ease of entry/exit

Evans, et al (2003: 34) explain that in some areas of travel and tourism it is relatively easy to set up a business or to leave the business, in other words entry and exit costs are relatively low. The greatest initial cost is often in producing the brochures and marketing the holidays to travel agents and the public.

In case of resorts, Mill (2001: 29) states that the ease of entry is much more complicated due to the enormous financial outlay that a resort initially require, and also the cost of maintenance and operating of a resort. According to research done by Morgan (2000: 27) relating to resort management in Europe, it is clear that ageing accommodation stock presents a problem in terms of attracting customers, and resort regeneration is necessary from time to time to prevent performance decline, but this comes at a high cost. The ease of entry, pertaining to resorts can be considered as high in terms of the financial implications as indicated.

d) Interdependence

George (2001: 23) highlights the uniqueness of the travel and tourism industry that can be demonstrated by the interdependence of several components as listed:

- accommodation;
- attractions;
- transport
- travel organisers; and
- destination organisations.

Bennet and Strydom (2001: 104) state that the important point to note in this context, however, is that the sectors are still linked and depend upon one another. Many authors (Bennett & Strydom, 2001: 105; George, 2001: 291 and Kelly & Nankervis, 2001: 42) agree that attractions are the principal
components of any travel and tourism industry, and many other services owe their existence to the presence of attractions. They also argue that attractions entice visitors to a destination, and without it, tourism could not exist and there will be no need for accommodation, transport and promotional strategies. The accommodation sector again, for example, relies upon the transport sector to transport guests to and from the accommodation. Similarly, the transport and accommodation sectors both rely upon the travel organisers sector to provide them with customers.

Each of these abovementioned sectors can be further broken down into several sub-divisions as depicted in Figure 2.1.

Table 2.1 The sectors and sub-divisions of the travel and tourism industry

<table>
<thead>
<tr>
<th>Accommodation sector</th>
<th>Attractions sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotels</td>
<td>Theme parks</td>
</tr>
<tr>
<td>Guest houses/Lodges</td>
<td>Museums</td>
</tr>
<tr>
<td>Farmhouses</td>
<td>Wildlife parks</td>
</tr>
<tr>
<td>Apartments</td>
<td>Zoos</td>
</tr>
<tr>
<td>Villas</td>
<td>Gardens</td>
</tr>
<tr>
<td>Timeshares/Resorts</td>
<td>Heritage sites</td>
</tr>
<tr>
<td>Conference/exhibition centres</td>
<td>Art galleries</td>
</tr>
<tr>
<td>Caravan/camping</td>
<td></td>
</tr>
<tr>
<td>Marinas</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transport sector</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Airlines</td>
<td></td>
</tr>
<tr>
<td>Shipping lines</td>
<td></td>
</tr>
<tr>
<td>Railways</td>
<td></td>
</tr>
<tr>
<td>Bus/Coach operators</td>
<td></td>
</tr>
<tr>
<td>Airports</td>
<td></td>
</tr>
<tr>
<td>Ground handlers</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Travel organisers section</th>
<th>Destination organisation sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tour operators</td>
<td>National regional and local tourist offices</td>
</tr>
<tr>
<td>Tour wholesales/brokers</td>
<td></td>
</tr>
<tr>
<td>Retail travel agents</td>
<td>Tourist associations</td>
</tr>
<tr>
<td>Conference organisers</td>
<td></td>
</tr>
<tr>
<td>Incentive travel organisers</td>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted from Evans, Campbell and Stonehouse (2003: 35)
In the case of resorts, the interdependence of the various sectors are even more prominent as explained by Mill (2001: 26). Most resorts are located in remote areas and these properties must be self-contained. Recreational activities, entertainment, sport facilities, restaurant facilities and other support services needed for maintenance and service must be available. Transportation is also an important factor that must be well organised and managed because of the remoteness of most resorts and to encourage accessibility of resorts. The support of the travel organisers sector as well as the destination organisation sector is crucial for the successful management of resorts.

The uniqueness of the Calitzdorp Spa as described by Hanekom (1997: 1), is embedded in the remote location of the resort that offers the visitor the tranquillity and beauty of its peaceful surroundings. The interdependence of the various sectors as illustrated in Figure 2.1 are crucial to strategic management of this resort in particular, as will be demonstrated in the empirical investigation conducted in this study.

### e) Impact of tourism

According to Kelly and Nankervis (2001: 162) tourism and its supporting industry is dependent upon a given community’s stock of natural, constructed and socio-cultural attributes which lend themselves to the satisfaction of tourist needs. If sustainable development of these resources is to occur they must be managed in a way that allows the economic needs of industry and the experiential needs of tourists to be met while at the same time maintaining cultural integrity, preserving or enhancing biological diversity, and maintaining life support systems.

Evans (2003: 36) argues that perhaps the one area where tourism is unique is in its impact on society. It is probably fair to say that no other industrial sector comes close since tourism by definition involves the transportation of people to a destination area away from home. The impacts that tourism has are both wide-ranging and controversial. The focus of attention is usually upon host
destinations, as shown in Figure 2.2, but tourism can also have an impact on tourist generating areas.

Table 2.2 The basic impacts of tourism on destination areas

<table>
<thead>
<tr>
<th>Tourist’s needs</th>
<th>Travel, Accommodation, Attractions, Shopping, Recreational activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourist industry providers</td>
<td>Cars, Coaches, Road networks, Airlines, Airports, Hotel buildings, Shopping centres, Leisure facilities</td>
</tr>
<tr>
<td>Types of impacts</td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td>Social</td>
</tr>
<tr>
<td>Positive impacts</td>
<td>Visitor spending</td>
</tr>
<tr>
<td></td>
<td>Tourism related employment</td>
</tr>
<tr>
<td></td>
<td>Investment in infrastructure</td>
</tr>
<tr>
<td></td>
<td>New markets for local products</td>
</tr>
<tr>
<td>Negative impacts</td>
<td>Leakages of income from local economies</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted from Evans, Campbell and Stonehouse (2003: 37)

Mill (2001: 28) claims that the impact of a resort on the local community is substantial because many resorts are large and located in remote areas, and
therefore contribute to a large extent to the economy of the local community. The community may be totally dependent on the resort for its economic future and management must include the local community in working out a plan for sustainable development through consultation and consensus.

Calitzdorp Spa Resort situated in a rural community contributes considerably towards the growth of the local economy, as indicated in the Eden District Municipality Annual report 2003: 14). The resort employs 17 permanent staff members, all of whom are living with their families and dependents on the grounds of the resort. The report also indicates that part-time employees from the local community are contracted from time to time during the season and when special events take place.

Briedenhann and Wickens (2004: 71) have done a study regarding economic development in the rural areas of South Africa and it can well be related to the situation at Calitzdorp Spa. They have concluded that tourism is one of the few feasible options for development and addressing rural poverty, and if social and economic development means anything at all, it must mean an improvement in the conditions of life and livelihood of ordinary people.

f) The effect of external shocks

The travel and tourism industry is particularly prone to external shocks beyond the control of its managers according to Evans, et al (2003: 40). Wars, hurricanes, terrorist attacks, pollution, adverse publicity or accidents can have a dramatic and speedy affect upon levels of business. Examples of this can be found where the Gulf War 1990-91 led to a severe downturn in travel and tourism in the early 1990’s, whilst the terrorist attacks in New York and Washington on 11 September 2001 had a similar effect upon the industry. The recent tsunami disaster that occurred in South-East Asia in December 2004, demonstrated the effect of a disaster of such nature on tourism and the resulting devastating effects on local and regional economies. Managers need to be able to assess the risks that the business is prone to and have
contingency plans in place so that they are able to react quickly and effectively when necessary.

The Calitzdorp Spa Resort did not escape the effects of external shocks and was devastated by two floods that occurred in 1981 and 1996 as described by Hanekom (1997: 87). The resort suffered extensive damage to the infrastructure and recreational facilities during both floods and had to be restored. The resort suffered huge financial losses due to the fact that the resort was underinsured and had to be closed for renovations for long periods up to nine months at a time. Planning for such events will be addressed by the empirical investigation undertaken as described in Chapter 3, targeting the management team of the resort.

2.3 RESORT MANAGEMENT

In the previous section the impact of the nature of travel and tourism products on strategy formulation was discussed, and the tourism-specific characteristics of the service were highlighted. The following discussion will focus on the management of resorts in particular, and what distinguishes them from the rest of the organisations in the travel and tourism industry. Considering these factors it is important to develop a strategic model aimed at a tourism resort in particular.

Mill (2001: 25) is of the opinion that managing a resort is different from other facilities relating to the travel and tourism industry, and the following factors must be included in strategic planning systems for resorts:

Visitor market

All resorts seek to satisfy guests who have three fundamental needs:

- Desire for a change of pace, getting away from the familiar;
- Desire to satisfy recreational interests while being entertained and stimulated; and
- Desire to travel to interesting and attractive places.
2.3.1 Facilities

Because the average length of stay at a resort is longer, the facilities must accommodate this need. Large amounts of land are also required for recreational facilities. Guests are looking to participate in a variety of activities as part of their total resort experience.

2.3.2 Location

Guests are attracted to many resorts because of their remote location. Many guests travel considerable distances to “get away from it all” or to enjoy an area of natural beauty. This means that these properties must be self-contained. Support services, such as laundry and maintenance, must be provided, as well as transportation services.

2.3.3 Recreation

Most resorts specialise in one recreational type, but more and more resorts attempt to become year-round attractions to combat seasonality.

2.3.4 Seasonality

Seasonality places tremendous pressure on management to cover fixed costs for the year, variable costs for the season, and still make a profit.

2.3.5 Personal attitude

Resorts guests have extremely high expectations of service delivery during their stay and therefore increases the pressure on employees to perform at a high level.
2.3.6 Managers

While all managers need to know about the basic services on offer, resort managers must have additional knowledge of the natural resource on which the resort is based, and the guest activity programming.

2.3.7 Corporate/Employer responsibility

Many resorts are located in remote areas, they contribute to the local economy. Management takes on a certain responsibility to the community that goes beyond any other organisations in the same industry. The community may be totally dependent on the resort for its economic future.

2.3.8 Employee housing

The remote location of certain properties means that the resort may have to provide housing for its employees.

Labour skills

Employees of resorts need to be multi-skilled to combat seasonal patterns at the resorts.

2.3.9 Sources of revenue

Sales from retail-outlets at resorts are a valuable source of income as well as revenue generated from recreational activities.

2.3.10 Activity control

Accounting statements are more complex in a resort because every recreational activity and retail outlet is a potential profit centre, with separate profit and loss statements.
2.3.11 Balance sheet

Land and fixed asset investment is greater in a resort than in other travel and tourism facilities, which changes the look of the balance sheet. The large amount of land means the resort has few alternate commercial uses. The payback period – the number of years needed to repay the original investment – is longer for resorts because of the large investment in land and other fixed assets.

2.3.12 Resorts and traditions

Traditions are more important for resorts than for other types of industries in travel and tourism. Many resorts cater to retain guests and to ensure that they return.

2.4 THEORETICAL DISCUSSION OF STRATEGIC MANAGEMENT MODELS

Various models of the strategic management process already exist and, whilst there are differences between them, the majority of authors (Thompson, 1994:32; Pierce & Robinson, 1995: 18; Evans, et al, 2003: 4; and Coulter, 2002: 10), tend to follow a pattern based on the assumption that organisations can determine the directions that its future strategy should follow by a series of analysis and decisions. Each component as illustrated in Figure 2.1, constitutes a sequential step in strategic management. Each cycle of the process begins with a statement of the organisation’s mission, followed by a SWOT analysis and ending with the control and evaluation component.
Figure 2.1   Model of strategic management: Linear form

1.   Appraisal of current situation and current strategy (SWOT analysis)

2.   Determination of desirable changes to objectives and strategies

3.   Search for and choice of suitable courses of action

4.   Implementation of changes

5.   Monitoring progress

6.   

Source: Adapted from Thompson (1994: 32)

According to McNamara (2004: 1), there is no one perfect strategic management model for each organisation. Traditional models can vary depending on the type and complexity of the strategic planning processes of each organisation. Organisations end up developing their own nature and model of strategic planning, often by selecting a basic model and modifying it as they evolve in developing their own planning processes. These models represent variations of the traditional model starting with the very basic strategic model. Other models suggested by McNamara (2004: 3) are the goal-based model, the alignment model, scenario-planning model and the “organic” planning model.

Instead of the traditional approach outlined above, Johnson and Scholes (2003: 17) base their approach on three areas of decision: strategic analysis,
strategic choice and strategic implementation which should be seen as interrelated, and linked to a continuous monitoring and evaluation system.

They argue that one way of understanding a strategy better is to begin to implement it, so strategic choices and strategy into action may overlap. In other words, in many respects the manager is actually trying out something to see whether it works. He progresses in gradual steps, learning from experience. The strategic management model supported by abovementioned authors are demonstrated in Figure 2.2.

The balanced scorecard model on the other hand, introduced by Kaplan and Norton (1996: 10) is a framework for integrating measures derived from strategy. This model translates a business unit's mission and strategy into tangible objectives and measures. The measures represent a balance between external measures for shareholders and customers, internal measures of critical business processes, innovation, and learning and growth. The measures are balanced between the outcome measures – the results from the past efforts – and the measures that drive future performance.
Figure 2.2 Model of strategic management: Interlinked

Source: Johnson and Scholes (2003: 17)

The balanced scorecard is more than a tactical or an operational measurement system. Organisations can implement this model to be used as a strategic management system, to manage their strategy over the long run. Jonker (2003: 254) adapted the model and developed a generic balanced scorecard model that can be applied in travel and tourism organisations.

According to Hill and Jones (1995: 14), research evidence seems to indicate that formal strategic planning systems as demonstrated in the abovementioned models, do help companies make better decisions, but the evidence are disputed by many. In fourteen studies conducted by Lawrence
Rhyne, in Pierce & Robinson (1995: 236), eight found varying degrees of support for the hypothesis that strategic planning improves company performance, five found no support for the hypothesis, and one reported a negative relationship between planning and performance. The authors (Hill & Jones 1995: 16; and Thompson 1994: 32), argues that in recent years informed observers increasingly questioned the use of traditional management models as an aid to strategic decision making.

2.5 DEVELOPMENT OF A STRATEGIC MODEL FOR A TOURIST RESORT

Considering the traditional formal strategic management models supported by various authors as discussed above, and taking into account the elements of travel and tourism products and particularly the unique characteristics of resorts, the aim of this section is to develop a model that can be used for the strategic management of a tourism resort.

Although the elements of the basic strategic management model remained the same, the interrelationship between the different elements have changed, and all the elements are linked to a continuous monitoring and evaluation system to align the different elements with the mission and strategic objectives of the organisation as demonstrated in Figure 2.3:
The proposed model for a tourism resort comprises of the following components:

- Mission, objectives and stakeholders;
- Strategic position;
- Strategic choices; and
- Strategic implementation.

The model for a tourism resort is constructed in such a way to incorporate the ever-changing situation and uncertainty elements of the tourism and travel industry. Central to this model is the mission, objectives and stakeholders of the tourism resort, with linkages to strategic position, strategic choices and strategic implementation, and serves to demonstrate the importance of this
component. Although this component can be regarded as the starting point in strategic management process, it serves to constantly evaluate, measure and realign the other components in the model.

It is important to understand why the model has been drawn in this particular way. It could have shown the three aspects of strategic management in a linear form – understanding the strategic position preceding strategic choices, which in turn precede strategy into action. However, in terms of a tourism resort it is hypothesised that the elements of strategic management do not take a linear form, but are interlinked and are constantly changing depending on conditions in the internal and external environment. Strategic choices and strategy into action may overlap at times and an understanding of strategic position may be built up from experience of strategies in action.

The construction of this model for a tourism resort with its two-way linkages between the components, have been designed to incorporate the different aspects of travel and tourism industry, namely the characteristics of service products and other tourism-specific factors as discussed in the sections 2.2.1 and 2.2.2. The impact of tourism on the environment and the effects of external shocks on the tourism resort can quite effectively be accommodated in this model. Finally, the model takes into account the special characteristics of a tourism resort that is unique to this type of industry.

Support from the literature review for the proposed model for a tourism resort can be explained as follows:

The difference according to Hill and Jones (1995: 17), between the traditional models of strategic management and the new approach can be explained in terms of strategic fit versus strategic intent. According to a series of influential articles published by Prahalad from Univeristy of Michigan and Gary Hamel of London Business School in (Pierce and Robinson 1995: 237), management focuses too much on the degree of fit between the existing resources of a company and current environmental opportunities, and not enough upon
building new resources and capabilities to create and exploit future opportunities.

Strategic intent, on the other hand, argues that strategy formulation should involve setting ambitious goals, which stretch a company, and then finding ways to build the resources and capabilities necessary to attain those goals. Hill and Jones (1995: 18) emphasize the fact that the two processes of strategic fit and intent are not mutually exclusive. All the components of the strategic management process should still be considered when following the process of strategic intent. Managers still have to analyse the company’s resources and capabilities to identify opportunities and threats. They do have to analyse the company’s resource capabilities to identify strengths and weaknesses and need to be familiar with the range of functional-level, business-level and corporate-level strategies available to them. Then, throughout the process the emphasis should be on finding ways (strategies) to develop new goals, rather than exploiting existing strengths to take advantage of existing opportunities.

This model further supports the view of Mintzberg in Hill and Jones (1995: 5) that strategies can emerge from within the organisation without any formal plan. Mintzberg’s argument is that emergent strategies are often successful and may be more appropriate than intended strategies. In practice it means that strategies of most organisations are probably a combination of the intended and the emergent. The message for management is that successful strategies can emerge from within an organisation without prior planning and needs to recognised and managed properly. The elements in the strategic model are not static and are constantly subjected to changes taking place in the environment of the organisation and the industry itself.

2.6 DISCUSSION OF THE DIFFERENT COMPONENTS OF THE MODEL

The following discussion will focus on the different components of the proposed strategic model for a tourism resort, namely:
2.6.1 Strategic position

Understanding the strategic position of tourism resort and in particular the current position of Calitzdorp Spa, is central to the planning of future strategies for the resort. Studies conducted by Schendel (1993: 620) supports the recognition of a relationship between cause and response in turnaround firms, and encourages researchers to specify the patterns and severities of performance inadequacies and decline.

A discussion of the strategic position of the resort in the following section comprises of the following elements, namely, conducting a situation assessment, undertaking a situational analysis and an identification sources of competitive advantage for the resort.

Firstly, according to Thompson (1994: 35) it is therefore essential in this particular case to conduct a situation assessment to determine the current strategic direction of the resort that includes an evaluation of the current strategies, objectives and mission statement of the resort. The situation assessment also includes specifically an evaluation of the financial performance of the resort.

According to Thompson (1994: 159) an analysis of the financial status of a resort is useful for a number of reasons:

- it enables a study of trends and progresses over a number of years to be made;
- comparisons with competitors and with general industry trends are possible;
- it points the way towards possible or necessary improvements – necessary if the resort is not performing well and useful if new opportunities are spotted;
- it can reveal lost profit and growth potential; and
- it can emphasise possible dangers – for example increased staff expenses, lack of effective stock control measures, or any other factors impacting of the financial performance of the resort.

For the purpose of this study the financial performance of the Calitzdorp Spa is relevant to the development of turnaround strategies as depicted in Table 2.3:

Table 2.3 Summary of income/expense statements of Calitzdorp Spa: 2001 - 2004

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total income</td>
<td>R 1 087 803.96</td>
<td>R 1 146 214.06</td>
<td>R 1 103 940.81</td>
</tr>
<tr>
<td>Total expenses</td>
<td>R 1 818 405.58</td>
<td>R 3 036 494.68</td>
<td>R 3 012 578.07</td>
</tr>
<tr>
<td>Stock on hand</td>
<td>R 70 000.00</td>
<td>R 72 093.56</td>
<td>R 55449.87</td>
</tr>
<tr>
<td>Profit/Loss</td>
<td>(R 660 601.62)</td>
<td>(R 1 818 187.06)</td>
<td>(R 1 853 187.39)</td>
</tr>
<tr>
<td>Percentage change</td>
<td>+175.23</td>
<td>+1.92</td>
<td></td>
</tr>
</tbody>
</table>


An analysis of the figures shown in the abovementioned table concerning Calitzdorp Spa, clearly indicates that the financial performance of the resort has deteriorated in the last three financial years and shows signs of financial distress. According to the literature review, most authors (Hofer, 2002: 20;
Sudarsanam & Lai, 2001: 187; Pierce & Robinson, 1993: 621; and Hambrick & Schecter, 1993: 232) agree that companies finding themselves in financial distress require immediate action that involve an emergency plan to ‘stop the bleeding’, and then a second phase of following a return-to-growth or recovery strategy.

Formulating turnaround strategies for the resort will further be discussed and demonstrated by a model in the following section, Figure 2.5 of strategic choices, sub-section ii], that is concerned with the strategic direction of the resort.

A situational analysis according to Moutinho (2000: 264) and supported by the proposed model, involves an examination of the organisation’s internal environment and external environment, consisting of two layers, the macro-environment and the micro-environment. The situational analysis of an organisation presents the manager with a vast amount of information, but as Lynch (2000: 109) has pointed out that each analysis must be guided by what is relevant for that particular organisation, and in this case, for Calitzdorp Spa.

According to Coulter (2002: 122) internal analysis is concerned with providing the management of a resort with a detailed understanding of the organisation in terms of how effective current strategies are and how effectively resources have been deployed in support of chosen strategies. The formulation of future strategies for the resort is dependent on the internal analysis for a number of reasons:

- to identify resources, competences and core competences to be developed and exploited;
- to evaluate how effectively value added activities are organised;
- to identify areas of weaknesses to be addressed by the formulation of future strategies and their successful implementation;
- to evaluate the performance of products;
• to evaluate investment potential if finance is being sought from external sources after financial performance of resort has been established;
• to assess the performance and future requirements for human resources; and
• to provide the analytical underpinning for the ‘strengths’ and ‘weaknesses’ section of the SWOT analysis (strengths, weaknesses, opportunities and threats).

According to Evans, et al (2003: 54) analysing the type of resources available is important but also the identification and evaluation of the current effectiveness in the utilisation of the resort’s resources is essential to plan future strategies. The resources of the resort can include: physical, financial, human, marketing, research and development, operations and intangible resources. Kelly and Nankervis (2001: 97) are of the opinion that ‘stocktake’ of tourism-related facilities and offerings has the advantage of pointing up imbalances that may affect the tourism experience at the resort.

The next step in the process is identifying sources of competitive advantage and disadvantage in the main product-market segments of the resort. According to Coulter (2002: 141), we want to know why customers choose our products instead of those of the competitors. This assessment would involve the customers’ experience of the attractions offered at the resort, the facilities available, the accessibility of the resort, and the image or perception that the prospective customer might have of the resort. When customers purchase a product, they’re actually purchasing a bundle of attributes that they believe will satisfy their needs. An assessment of customer satisfaction at the resort was conducted through an empirical investigation in the form of a questionnaire to be discussed in Chapter 3 of the study.

From the literature review (Bennett & Strydom, 2001: 40; George, 2001: 36; Pierce and Robinson, 1995: 90; Johnson & Scholes, 2002: 99), it is generally accepted that the analysis of the macro-environment of the resort can be explained in terms of five main areas of influence – socio-demographic,
political, economic, environmental, technological and ecological influences. According to Evans (2003: 4) it follows that a single organisation is usually unable to affect the factors in the macro-environment – successful strategy usually involves learning to cope and adapt to changes.

Kelly and Nankervis (2001: 87) are of the opinion that changes in the macro-environment can be of immense importance to an organisation, and especially to the management of resorts. They can bring about gradual decline in the financial performance of an industry as will be indicated in the case of Calitzdorp Spa by the empirical investigation undertaken, and supported by the financial statements supplied. It is therefore essential that managers are alert to actual and potential changes in the macro-environment and that they anticipate the potential impacts on their industry and markets.

All travel and tourism organisations in South Africa, and in particular the Calitzdorp Spa according to George (2001: 33) operate within a business environment consisting of many factors that should be evaluated and considered by managers when future strategies are formulated. The micro-environment consists of those factors that are within the immediate business environment of the resort as shown in Figure 2.4:

**Figure 2.4  Major factors in a resort’s micro-environment**

![Diagram of resort's micro-environment](image)

Source: Adapted from George (2001: 33)
According to Hill and Jones (1995: 428) the SWOT should be based on a thorough, wide-ranging and detailed audit and assessment of an organisation and its environment so that points presented are evidence based and thus can be fully justified. The SWOT should be seen primarily as representing the end point of analysis in which findings can be presented in a clear, concise manner.

A SWOT analysis provides a summary of the strengths, weaknesses, opportunities and threats in the external and internal environment, and of the strategy that best represents the best match between them. Pierce and Robinson (1995: 175) argue that an effective strategy maximises a firm’s strengths and opportunities and minimises its weaknesses and threats. The SWOT represents a position statement, stating where the organisation is at the time of the analysis in relation to its environment. It provides the resort, and in this case Calitzdorp Spa with a firm platform for planning future strategies.

An evaluation of the situation assessment, situation analysis, SWOT analysis and resource analysis was concluded through an empirical investigation involving the management team of the Calitzdorp Spa Resort and Eden District Municipality and local tour operators in the Klein Karoo area, using personal interviews, as will be further discussed in Chapter 3.

Consideration of the abovementioned factors according to Johnson and Scholes (2001: 19) provide a basis for understanding the strategic position of an organisation and in particular the Calitzdorp Spa Resort. It is unlikely that there will be a complete match between current strategy and the picture which will emerges from analysing the answers provided through the personal interviews and questionnaires in the empirical investigation conducted in this study. It may be that the mismatch is marginal, or it may be that there is a need for a fundamental realignment of strategy for the resort in future. Assessing the magnitude of required strategic changes and the ability of the resort to make those changes is another important aspect of the organisation’s strategic position.
2.6.2 Strategic choices

Coulter (2002: 162) states that after completing the SWOT analysis, management are now armed with information about the positive and negative aspects of both the external and internal environments and points to the strategic issues that need to be addressed.

Strategic choices are the next step according to the proposed model for a tourist resort and according to Johnson and Scholes (2002: 264) involve understanding the underlying bases for future strategy at both the corporate and business unit levels and the options for developing strategy in terms of both the directions and methods of development.

For the purpose of this study the author will focus on the strategic choices made at the business level and the strategy at this level is concerned with how to compete successfully in certain markets. The concerns at this level of strategy according to Evans et al (2002: 206) include:

- How can advantage over competitors be achieved?
- Which products or services should be developed in which markets? and
- What methods can be used to achieve competitive advantage and to develop products and services?

The three aspects of business level strategy pertaining to a tourism resort, can be summarised according to Johnson and Scholes (2002: 20) as follows:

a) Competitive strategy

This requires an identification of bases of competitive advantage arising from understanding of both markets and customers, and special competences that the organisation, and in particular a resort has. Poon (1993: 239) conscious of the limitations of approaches to competitive strategy concerning travel and tourism organisations, developed a rather different approach, which she
argued, takes into the account the realities of the industry. Planning of competitive strategies for a resort according to the model proposed, should include the following key realities:

- the service orientation of the industry;
- the increasing sophistication of travel, leisure and resort consumers;
- the industry-wide diffusion of information technology;
- the radical transformation of the industry, which requires continuous innovation to ensure competitive success.

Poon (1998: 240) postulates that travel, tourism and resort industries need to apply the following four principles in developing their competitive strategies:

- put consumers first;
- be a leader in quality;
- develop radical innovations; and
- strengthen the resort’s strategic position within the industry’s value chain.

b) Strategic direction

According to Coulter (2002: 252) there are three possible strategic directions, that include (1) moving the organisation ahead, (2) keeping the organisation where it is, and (3) reversing the organisation’s decline. Reversing an organisation’s decline describes situations where the organisation has minor or major problems and may be seeing a weakening in one or more performance areas.

For the purpose of this study and taking into account the financial performance of the Calitzdorp Spa Resort, as indicated in the financial status report, the general direction of strategy would be to reverse the resort’s decline through turnaround strategies.
Coulter (2002: 274) states that a turnaround strategy is designed for situations in which the organisation’s performance problems are serious, like in the case of Calitzdorp Spa, and the organisation need to be ‘turned around” or its very survival is in jeopardy.

Research in strategic management provided evidence that firms which have used a turnaround strategy have successfully confronted decline. Although Hill and Jones (1995: 304) argue that there is no standard model of how a company should respond to decline in that every situation is unique, they identified a number of common features in all situations of decline. This include changing leadership, redefining the company’s strategic focus, divesting or closing unwanted assets, taking steps to improve the profitability of remaining operations, and occasionally, making acquisitions or embark on public private partnerships.

The model based on research findings as shown in Pearce and Robinson (1995: 240) implies that the following two steps can be employed singly or in combination to bring about a turnaround situation, namely:

- Cost reduction. Examples include decreasing the work force through employee attrition, leasing rather than purchasing equipment, extending the life of machinery, eliminating elaborate promotional activities, laying off employees, dropping items from a production line and discounting low-margin customers.
- Asset reduction. Examples include the sale or lease of land and buildings, and equipment not essential to the basic activity of the firm.

A model for the Turnaround Process is demonstrated in Figure 2.5.
Figure 2.5  A Model of the Turnaround Process

<table>
<thead>
<tr>
<th>Turnaround situation</th>
<th>Turnaround response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cause</td>
<td>Severity</td>
</tr>
<tr>
<td>Internal factors</td>
<td>Declining Sales or margins</td>
</tr>
<tr>
<td>External factors</td>
<td>High Imminent bankruptcy</td>
</tr>
<tr>
<td></td>
<td>Cost Reduction</td>
</tr>
<tr>
<td></td>
<td>Asset reduction</td>
</tr>
<tr>
<td></td>
<td>Efficiency Maintenance</td>
</tr>
<tr>
<td></td>
<td>Recovery</td>
</tr>
</tbody>
</table>

The model begins with a depiction of external and internal factors as causes of a firm’s performance downturn. When these factors continue to detrimentally impact the firm, its financial health is threatened. Unchecked decline places the firm in a turnaround situation. The proposed model for strategic management of a resort Figure 2.3, can be used to determine the external and internal factors impacting on the decline of the resort. The financial report of the Calitzdorp Spa can serve as additional evidence to confirm the performance decline.

Turnaround situations according to Pearce and Robinson (1995: 237) may be the result of gradual slowdown or months of sharp decline. The recovery phase of the turnaround process is likely to be more successful in accomplishing turnaround when it is preceded by planned retrenchment that results in the achievement of near-term financial stabilisation. No evidence could be found in the annual financial reports of the Eden District Municipality (2001 – 2004: 15-20), of any planned retrenchment strategies to stop the declining performance. In this situation, stabilising operations and restoring profitability almost always entail strict cost reduction followed by a shrinking back to those segments of the business that have the best prospects of attractive profit margins.

Severity, as indicated in the model of Pierce and Robinson (1995: 240), is the governing factor in estimating the speed with which the retrenchment response will be formulated and activated. When severity is low, a firm has some financial cushion. Stability may be achieved through cost retrenchment alone. When turnaround severity is high, a firm must immediately stabilise the decline or bankruptcy is imminent. Cost reduction must be supplemented with more drastic asset reduction measures. Assets targeted for divesture are those determined to be underproductive. In contrast, more productive resources are protected from cuts and represent critical elements of the future core business plan of the company.
Turnaround responses among successful firms typically include two stages of strategic activities: retrenchment and the recovery response. Retrenchment consists of cost cutting and asset reducing activities. The primary objective of the retrenchment phase according to Coulter (2002: 275) is to stabilise operations, replenish or revitalise organisational resources and capabilities, and prepare to compete once again. Situation severity has been associated with retrenchment responses among successful turnaround firms. The severity of the situation at the Calitzdorp Spa can be established by the financial reports and also through the empirical investigation conducted involving the management team of the Spa.

Firms in danger of bankruptcy or failure attempt to halt decline through cost and asset reductions. Firms in less severe situations have achieved stability merely through cost retrenchment. However, in either case, for firms facing declining financial performance, the key to successful turnaround rests in the effective and efficient management of the retrenchment process.

The primary causes of the turnaround situation have been associated with the second phase of the turnaround process, the recovery response. For firms that declined primarily as a result of external problems, turnaround most often has been achieved through creative new entrepreneurial strategies. For firms that declined primarily as a result of internal problems, turnaround has been most frequently achieved through efficiency strategies. Recovery, according to Pierce and Robinson (1995: 239) is achieved when economic measures indicate that the firm has regained its pre-downturn levels of performance. The recovery phase in the turnaround situation will be addressed in the next section of strategic methods when various options will be briefly mentioned.

c) Strategic methods

The literature review indicates the various options and opportunities that exist regarding recovery strategies, as well as the different methods that can be employed in turnaround situations, relating to travel and tourism organisations and in particular to resorts.
Hambrick and Schecter (1993: 620) described recovery strategies and methods that can be classified as entrepreneurial (revenue-generating, product/market refocusing) or efficiency (cost cutting and asset reduction).

O’Neill (1986: 621), on the other hand, identified four primary methods of turnaround strategies that include:

- management (new head executive, new definition of business, new top management team, morale building among employees);
- cutback (cost cutting, financial and expense controls, replacing losing subsidiaries);
- growth (new product promotion methods, entering new product areas, acquisitions, add markets); and
- restructuring (change in organisational structure, new manufacturing methods).

According to Johnson and Scholes (2002: 363), recovery of organisations can be achieved through:

- building on current position through consolidation and market penetration;
- product development;
- market development; and
- diversification.

Functional methods that can contribute towards recovery include: development of human resources, operations management, financial management, technological management and, marketing management.

Evans, et al (2003: 244), identified possible external mechanisms of growth in the recovery phase of turnaround situations as the following:

- mergers and acquisitions;
- joint developments;
- strategic alliances;
- public-private partnerships;
- management contracts; and
- franchising.

According to Evans, et al (2002:246), most of the abovementioned mechanisms of growth have been successfully implemented in travel and tourism organisations and produced positive results.

The implementation of the various methods of growth strategies as described in the abovementioned section provide possible solutions and options for growth relating to resorts in general and in particular the Calitzdorp Spa Resort. The specific methods of growth relating to Calitzdorp Spa was identified through the empirical investigation conducted with specific reference to the management team of the Spa.

### 2.6.3 Mission and objectives and stakeholders

Central to the strategic management model proposed for a tourist resort in Figure 2.3, is the mission statement of the organisation. According to this model the mission statement provides a generalised statement of the overriding purpose of the organisation, but is also closely interlinked with the other components of strategic position, strategic choice and strategic implementation, as illustrated in the model. The mission can be seen as the starting point for the entire planning processes of the organisation, but serves to constantly evaluate and align the different components with the strategic intent of the organisation.

The majority of research on this topic agrees that a mission statement can be thought of as an expression of its *raison d’etre*. In other words according to Hill and Jones (1995:35); Thompson (1994: 126); Pearce and Robinson (1995: 31) and Johnson and Scholes (2002: 239), the mission statement
defines the organisation’s business, states its vision and goals, and articulates its main philosophical values.

Many critics regard them as bland and wide-ranging but Johnson and Scholes (2002: 239) argue that it is essential to have a mission to which most, if not all stakeholders can subscribe with the emphasis on common ground amongst stakeholders and not the differences. Evans, et al (2003:15) state that defining the purpose and mission of the business is difficult, painful and risky, but it alone enables a business to be managed for performance.

From the literature review most authors agree that a mission statement contains broadly outlined or implied objectives and strategies rather than specific directives. Characteristically, it is a statement, not of measurable targets but of attitude, outlook and orientation.

Johnson and Scholes (2002: 239) and Thompson (1994: 126), are of the opinion that mission statements usually attempt to address some of the following issues:

- a vision that is likely to persist for a significant period of time as a beacon;
- provide clarity on the main intentions and aspirations of an organisation, namely the strategic intent;
- describe the organisation’s main activities and the position it wishes to attain;
- statement of the key values of the organisation;
- differentiate the company from its competitors;
- relevant to all the stakeholders in the organisation; and
- a mission statement should be exciting and inspiring.

Evans, et al (2003: 15) warn that whilst the mission statement itself is important, it is also important for managers to instil a ‘sense of mission’ in employees. The success of the mission requires the behaviour of employees
to match the values of the company, but such harmony can only be achieved when the mission becomes embedded in the culture of the organisation.

According to Bennett and Strydom (2001: 27) organisations in the travel and tourism industry simply cannot survive if they do not know where they are going and what products or services they offer. A mission defines the organisation’s fundamental, unique purpose and identifies its products or services and customers, and is therefore there ‘reason for being’. An organisation’s mission is defined by a customer’s satisfaction with its products and/or services. Defining an organisation’s mission starts with a clear description of its customers. Questions that need to be answered when formulating a mission for travel and tourism organisations are the following:

- Who is the customer?
- What does the customer buy? /What services do they need?
- Where is the customer located?
- How does the customer buy?
- How can the customer be reached?
- What does the customer regard as value for money?

Evans, et al (2003: 16) claim that in practice the mission statements of travel and tourism organisations and in particular resorts, usually contain one or more of the following:

- Some indication of the industry that the organisation is concerned with;
- An indication of the realistic market share or market position;
- A brief summary of the values and beliefs of the organisation in relating to key stakeholder groups;
- An indication of the ownership or control of the organisation
- A summary of the geographical location or scope of organisational activities; and
- Specific and highly context-dependent objectives.
The importance of mission statements for travel and tourism organisations, and the specific contents of such statements have been discussed. Moutinho (2000: 263) supports the previous authors in that a mission statement should provide boundaries and direction for growth. Thus, he warns that a mission statement should be neither too broad nor to narrow. On the one hand, by maintaining too narrow a focus a tourism firm may experience significant opportunity costs by bypassing investments that they should entertain. On the other hand if it is too broad, the tourism firm may invest in too many peripheral activities that could detract from its focus. The mission statement must therefore focus the activities of the tourism organisation and at the same time provide opportunities to expand.

Finally, he states that it is better for tourism firms to define themselves by the needs that they satisfy rather than the tourist product they develop. A statement must be developed that can weather a changing environment to a certain degree. Change cannot be stunted, so a mission statement must be flexible enough to accept changes and still be applicable.

Thompson (1994: 127) defines objectives as desired states or results, linked to particular time scales, and concerning things as size or type of organisation, the nature and variety of the areas of interest, and the levels of success. Objectives then become measurable points which indicate how the organisation is making definite progress towards its broad purpose or mission.

Many authors have argued that objectives are not helpful unless they are capable of being measured and achieved, and Johnson and Scholes (2002: 242) are of the opinion that some objectives which are important, are difficult to quantify or express in measurable terms. However, there are times when specific objectives are required. These are likely to be when urgent action is needed, such as a crisis or at times of major transition, and it becomes essential for management to focus attention on a limited number of priority requirements. In the case of a turnaround situation, like Calitzdorp Spa, where the choice is between going out of business and surviving, there is no room for latitude through vaguely stated requirements and control.
The definition of objectives as discussed before, also implies that there are different kinds of objectives encountered on different levels of the business, such as business or long-term objectives, annual and functional, or short-term objectives.

Bennett and Strydom (2001: 39) state that long-term objectives serve as a standard or norm according to which the actual achievement or performance of the business can be measured, and there are eight major areas in which business should set objectives, namely:

- market standing;
- productivity;
- innovation;
- physical and financial resources;
- profitability;
- manager performance and development;
- worker performance and attitudes; and
- public and social responsibility.

The second group of objectives are the annual objectives and the functional objectives which are the medium or short-term objectives. According to Pearce and Robinson (1995: 304), short-term objectives provide key mechanisms to aid managers in guiding activities toward the accomplishment of the firm’s long-term objectives.

Firstly, annual objectives are specific, measurable statements of what the organisation units are expected to contribute to the accomplishment of the firm’s grand strategy in a particular year. Each annual objective must be clearly linked to one or more long-term objectives of the firm’s grand strategy. The link according to Pierce and Robinson (1995: 305), between short-term and long-term objectives should resemble cascades through the firm from basic long-term objectives to specific annual objectives in key operation areas.
Secondly, functional strategies, on the other hand, are the short-term activities that each functional area within a firm must undertake in order to implement the grand strategy. Such strategies must be developed in the key areas of marketing, finance, operations, research and development and human resources. They must be consistent with the long-term objectives and the grand strategy. They help implement the grand strategy by organising and activating specific units of the firm (marketing, finance, operations, human resources and research and development) to pursue that strategy into daily activities. Functional objectives in travel and tourism organisations can include some or all of the following:

- profit (return on assets – ROA);
- customer orientation;
- survival and growth;
- increase in sales and market; and
- the efficiency motive.

Finally, the mission and objectives of an organisation are influenced by a range of different groups, which have an interest in the organisation. Thompson (1994: 129) defines stakeholders as any group or individual who can affect, or is affected by, the performance of the organisation.

According to the model proposed for a tourist resort, the stakeholders form the central part of this model and must be consulted, informed and given feedback about all the strategic decisions to be taken. The model further demonstrates the linkages between the stakeholders, strategic position, strategic choice and strategic implementation, allowing for changes to be accommodated.

Johnson and Scholes (2002: 206) states that stakeholders are those individuals or groups who depend on the organisation to fulfil their own goals and on whom, in turn, the organisation depends. They argue that few individuals have sufficient power to determine unilaterally the strategy of an organisation. Influence is likely to occur only because individuals share
expectations with others by being a part of a stakeholder group. Individuals tend to identify themselves with departments, geographical locations, and possibly with different levels in the hierarchy of an organisation. Also important are external stakeholders of the organisation, typically financial institutions, customers, suppliers, shareholders and unions. They may seek to influence company strategy through their links with the internal stakeholders.

The inputs to the development of a company mission, strategy and objectives, will be demonstrated in Figure 2.6.

**Figure 2.6 Inputs by stakeholders on mission, strategy and objectives**

*Source:* Pierce and Robinson (1995: 49)

### 2.6.4 Strategic implementation

According to the model developed for a tourist resort in Figure 2.3, strategic implementation is the last component of the model to be discussed, but not necessarily in that order for all the components are linked and can take place simultaneously or in different order of execution.

Strategic implementation according to Johnson and Scholes (2002: 420) is concerned with the issues, which are considered to be necessary for the successful execution of strategy. In order to carry out a strategy successfully, an organisation must consider several key areas. Firstly, it must establish how the strategy will be resourced. Secondly, it should ask itself how well its current culture, structure and internal systems are able to meet the challenges
of the strategy. Finally, most strategies necessitate some degree of internal change and this process of change will need to be managed.

Evans, et al (2003: 288) is of the opinion that strategic implementation would only be carried out only after an organisation has gathered sufficient information on its internal and external environments, and after it has undertaken the process of choosing strategic options.

For the purpose of this study, a model for strategic management of a tourist resort was developed as demonstrated in Figure 2.3 to gather information of its internal and external environment to enable management to choose strategic options for the tourist resort. This information will be composed following the empirical investigation conducted as further explained in Chapter 3.

Wheelen and Hunger (1990: 244), consider strategic implementation as the sum total of the activities and choices required for execution of a plan. It is the process by which strategies and policies are put into action through the development of programs, budgets, and procedures. To begin the implementation process, strategy makers must consider three questions:

- Who are the people who will carry out the strategic plan?
- What must be done? and
- How are they going to do what is needed?

Thompson (!994: 618) argues that there is no right answers to either strategy formulation or strategy implementation, the two must be consistent if the organisation is to be effective. How the organisation does things, and manages both strategy and change, is more important than the actual strategy or change proposed.

Strategy implementation for the Calitzdorp Spa relies on the pre-supposition that the resort has carried out a meaningful strategic analysis and is consequently aware of its internal strengths and weaknesses and its external
opportunities and threats. Finally, the aim of this study is to develop turnaround strategies for Calitzdorp Spa, and the successful implementation as such strategies will depend on efficient resources, effective structures, appropriate culture and internal systems, and how the process of change will be managed in the resort.

2.7 SUMMARY

The special characteristics of service products and tourism-specific features of the travel and tourism industry in relation to the strategic management of a resort. The unique features of resort management were highlighted and how it impacts on the development of a proposed model for a tourist resort.

A broad overview of several models of strategic management were presented and the differences highlighted. After considering various perspectives, a model for the strategic management of a tourist resort was proposed and the different components discussed. It was concluded that the proposed model can be used to analyse the current situation at the Calitzdorp Spa with special reference to the financial situation, and enable the organisation to develop and formulate suitable turnaround strategies to halt performance decline and plan for the recovery phase. The proposed model also stressed the importance of properly assessing the cause of the turnaround situation so that it can focus more effectively on the recovery response.
CHAPTER 3

RESEARCH METHODOLOGY

3.1 INTRODUCTION

In Chapter 2, a literature study was conducted exploring different models of strategic management. A model for the strategic management for a tourism resort was proposed with the aim of analysing the current position of the Calitzdorp Spa Resort according to the different components of mission/objectives/stakeholders, strategic position, strategic choice, and strategic implementation.

The purpose of the model is to gather information regarding the current situation at the Calitzdorp Spa that will enable management to develop the appropriate turnaround strategies for the Spa. The process of gathering the information needed in a systematic way will be discussed in the following section. The challenge remains to organise the information in such a way that it is rational and meaningful so that it can contribute towards the development of turnaround strategies for the Spa.

The aim of this chapter is then to document the process used during the empirical survey and the following key aspects will be addressed:

- Firstly, the research approach will be outlined in order to explain the objectives and application of the empirical investigation;
- Secondly, the differences between quantitative and qualitative research will be briefly discussed, and the application to this study;
- Thirdly, the methods of research planning of the empirical survey will be described: focusing on the questionnaire design, personal and telephone interviews; and
- Finally, a brief description will be given of population and sample size, as well as validity and reliability.
3.2 THE RESEARCH APPROACH

According to Goeldner and Ritchie (2003: 500), travel research assists managers in travel and tourism organisations to plan, operate, and control more efficiently when they have the facts. Thus research, which reduces the risk in decision making, can have a great impact on the success or failure of a tourism enterprise. The authors identified six important functions of research in travel and tourism organisations:

- to delineate significant problems;
- to keep an organisation in touch with its markets;
- to reduce waste;
- to develop new sources of profit;
- to aid in sales promotion; and
- to create goodwill.

All of these abovementioned functions are applicable to all travel and tourism organisations in general, but specifically on the current situation at Calitzdorp Spa.

This study in particular, attempts to develop management strategies to solve problems that currently exist at the Calitzdorp Spa. In the case of this study, the problem posed by the researcher is:

“How can turnaround strategies be developed at the Calitzdorp Spa that will ensure future success for the resort?”

In addressing the problem, the objectives of the empirical investigation were:

- to identify the problems that currently exist at the Calitzdorp Spa;
- to investigate possible solutions for the problems encountered to achieve competitiveness for the destination; and
- to formulate specific strategic recommendations for Calitzdorp Spa based on the empirical findings.
3.3 PLANNING OF RESEARCH DESIGN

Planning of the research comprised of the following data sources:

3.3.1 Primary and secondary data

George (2001: 78) states that reviewing of all existing sources of information – both internally and externally are important – to find out what, if anything, is already known about the problem under investigation. This allows the researcher to determine whether field research (primary data collection) is required or not. A large amount of relevant information might be found in the company’s existing records or may be carried out by a competitor. These sources of information are known as internal sources. External sources of data range from free or inexpensive information to expensive reports and publications.

According to Goeldner and Ritchie (2003: 507) both primary and secondary data can be used in research investigation, and when secondary data sources are available it can save a considerable amount of time and costs for the organisation. Collection of primary data should only take place after exhausting all reasonable secondary sources of information.

In the case of Calitzdorp Spa no research of this kind has ever been undertaken and no records could be located of such research undertaken at similar resorts elsewhere in South Africa. Although secondary data, as financial statements, customer complaints, invoices and reservation records of Calitzdorp Spa were available, it was insufficient to address the research problem.

A suitable method has to be chosen for collecting primary data needed for the empirical investigation.
3.3.2 Quantitative and qualitative research methods

For the purpose of this study both quantitative and qualitative approaches had been used to explore the main and sub problems.

According to Leedy and Ormrod (2001: 101) quantitative research is used to answer questions about relationships among measured variables with the purpose of explaining, predicting and controlling phenomena. In contrast, qualitative research is typically used to answer questions about the complex nature of phenomena, often with the purpose of describing and understanding the phenomena from the participants’ point of view.

Both approaches involve similar processes, yet these processes are often combined and carried out in different ways, leading to distinctly different research methods, and answering different kind of questions. In a way qualitative and quantitative approaches, represent complementary components of the research process. Leedy and Ormrod (2001: 101) is of the opinion that using both approaches in research can only lead to a better understanding of the problem under investigation.

3.4 RESEARCH DESIGN

The following research tools were used for the gathering of data:

3.4.1 Surveys

According to Goeldner and Ritchie (2003: 508) a survey method is most frequently used for collecting travel research data. The survey method gathers information by using a questionnaire. This is a series of questions which will be put to respondents designed to help provide answers to the problems the researcher is investigating. The survey method includes factual surveys, opinion surveys, or interpretative surveys, all of which can be conducted by personal interviews, mail, or telephone techniques.
In the case of Calitzdorp Spa the survey method had been used to collect all the relevant data to address the research problem. The survey was conducted in three ways:

- in-house surveys for customers to complete when they are still on the premises of the Spa in the form of questionnaires; and
- undertaking personal interviews with the management of the Calitzdorp Spa, using the focus group interviewing approach, and
- telephone interviews with local tour operators and travel agents.

### 3.4.2 The questionnaire

According to Leedy and Ormrod (2001: 202), questionnaires seem so simple, yet they can be tricky to construct and administer, and one false step can lead to uninterpretable data that is of no use to the researcher. George (2001: 85) argues that one of the keys getting quality research information is a well-designed questionnaire. Those being questioned are more likely to co-operate if they feel that the questionnaire is interesting, important, and easy to complete.

Leedy and Ormrod (2001: 202) suggest twelve guidelines for designing a questionnaire that encourages people to be cooperative and yields responses you can use and interpret:

- Keep it short;
- Use simple, clear, unambiguous language;
- Check for unwarranted assumptions implicit in your questions;
- Word your questions in ways that do not give clues about preferred or more desirable responses;
- Check your consistency;
- Determine in advance how you will code the responses;
- Keep the respondent’s task simple;
- Provide clear instructions;
- Give a rationale for any items whose purpose may be unclear;
- Make the questionnaire attractive and professional looking;
- Conduct a pilot test; and
- Scrutinise the almost-final product carefully to make sure it addresses your needs.

All of the above principles were followed in designing the questionnaire, and a draft questionnaire was tested in a pilot study. The questionnaire measuring customer satisfaction at the Calitzdorp Spa can be regarded as part of the situational analysis required, as proposed in the strategic management model for a tourism resort, Figure 2.3.

In designing the questionnaire, measuring customer satisfaction, a five point Lickert-type scale was used to determine the view of the respondent on a scale of one to five as follows:

- 1 - Very dissatisfied
- 2 - Dissatisfied
- 3 - Neutral
- 4 - Satisfied
- 5 - Very satisfied

3.4.3 The layout and contents of the questionnaire

The questions in the survey were presented with detailed instructions to the respondents on the actions required from them to complete the questionnaire. The questions were grouped into the following sections:

**Section A** required general detail about the respondents. The questions reflected important socio-demographic, geographic and behavioural characteristics regarding the customer as identified in the literature survey in Chapter 2, section 2.6.1, as part of the situational assessment conducted to determine the strategic position of the resort.
**Section B** measured the attractiveness of the destination to the customer. The list of attractions in a travel and tourism industry, and specifically a resort, have been discussed in Chapter 2, sections 2.2.2. and 2.3. Additional indicators listed, were acquired from the brochure (Calitzdorp Spa, 2001: 2), pertaining specifically to the attractions offered at the Calitzdorp Spa.

**Section C** evaluated the facilities available at the destination. The indicators in this section were derived from the literature study, Chapter 2, where resource allocation, deployment and utilisation of resources were discussed as part of the situational analysis with the aim to establish the current strategic position of the Calitzdorp Spa. The importance of facilities at resorts were also highlighted in section 2.3 pertaining to resort management in particular.

**Section D** tested the accessibility of the resort for the customer. The accessibility of the resort comprises of several factors as indicated in the literature study in Chapter 2, section 2.2.2 and as demonstrated in Figure 2.1.

**Section E** represented the image of the resort. The image of the resort comprises of a combination of factors, some already listed in the previous sections and the rest derived from the literature review in Chapter 2, section 2.3, dealing with the special features of resorts and section 2.6.1, focusing on the situational analysis. Some of the intangible features of the Spa as listed in Section E had been mentioned in Chapter 1 as indicated in the brochure of Calitzdorp Spa (2001: 2).

**Section F** contains general comments and suggestions. This section comprises of general comments and suggestions made by the respondents after completion of the questionnaire regarding the different sections covered by the questionnaire and also additional information pertaining to their overall experience at the Calitzdorp Spa.
3.4.4 Distribution of the questionnaire

The questionnaire was accompanied by an introductory letter handed to all the visitors to Calitzdorp Spa for the period 1 August 2003 till 31 August 2004 explaining the purpose of the research. The customers were encouraged by the staff to complete the questionnaire before checking out and it could be dropped at reception or at the gate before leaving the resort, or could be filled in at the check-out point. A total amount of 107 questionnaires were returned of which 100 could be used for the purpose of the study.

3.4.5 Telephone interviews

This method was used to interview five local tour operators and travel agents mainly about the current marketing position and strategies of Calitzdorp Spa. The interview also included questions regarding service delivery, product offerings, accessibility of resort, facilities and concluded with general suggestions and comments. The questions were derived from the literature review in Chapter 2, section 2.6.1 relating to the analysis of the micro-environment of the resort, and also based on the analysis and findings of the customer survey conducted in Section 4.2 of this study.

The purpose of choosing this method was to gain a great amount of information in a short period of time and to allow for exchange of ideas and suggestions. This method allowed for explaining any uncertainties regarding the questions posed, clarifying ambiguous answers and obtaining follow-up information where needed.

Goeldner and Ritchie (1994: 371) support the abovementioned view by stating that telephone interviews are considerably less costly, produce results more quickly, provide for direct supervision of interviewers, and offer respondent anonymity, that may improve response rates.

The main findings of the customer survey were briefly mentioned to the travel operators and agents at the start of their interview to give them feedback from
the customers’ perspective relating to their overall experience at the Calitzdorp Spa.

3.4.6 Personal Interviews

For the purpose of this study, the focus group interviewing technique was used. This technique was applied to the management team of Eden District Municipality and the Calitzdorp Spa.

The questionnaire was sent to the management team well in advance of the discussion session planned, to give them an opportunity to prepare. The researcher then met with ten members of the management team on an agreed date at the Calitzdorp Spa and explained to them the proceedings of the session.

The session started with feedback on the main findings of both the customer survey, measuring customer satisfaction, and the telephone interviews conducted with travel operators and travel agents, relating to the current marketing position and strategies of Calitzdorp Spa resort.

The researcher acted as the facilitator of the discussion session and used the relevant questionnaire asking open-ended questions to prompt the participants to discuss the questions freely. The researcher then asked follow-up questions in order to probe attitudes towards a particular question asked. The purpose of choosing this method was to gain a considerable amount of information from the management team and to encourage an informal exchange of ideas.

The questions used in the focus group interviewing session were derived from the literature review in Chapter 2, section 2.5 and 2.6 as demonstrated in Figures 2.3 and 2.4.

The questions are mainly based on the proposed model for a tourism resort in Figure 2.4 comprising of the different components of mission, objectives
and stakeholders; strategic position; strategic choices and strategic implementation. The discussion session focused on all these components mentioned, including the findings of the customer survey and the telephone interviews conducted, covering the following sections:

- **Section A** contained general information about the participants, including aspects like the position of the participant, the time period in that particular position, and his/her direct or indirect involvement in the management of the Calitzdorp Spa;
- **Section B** comprised of a situation assessment of the resort;
- **Section C** represented the situational analysis;
- **Section D** concentrated on the SWOT analysis;
- **Section E** dealt with strategic choices and strategic alternatives;
- **Section F** focused on the strategic implementation process; and
- **Section G** allowed for general comments and suggestions from participants.

According to Leedy and Ormrod (2001: 200), there are several guidelines that should be followed when conducting personal interviews:

- Make sure your interviewers are representative of the group;
- Find a suitable location;
- Take a few minutes to establish rapport;
- Get written permission;
- Focus on the actual rather than the abstract;
- Don’t put words in people’s mouths;
- Record responses verbatim;
- Keep your reactions to yourself; and
- Remember that you are not necessarily getting the facts.

The focus group interviewing technique as used for the management team of Eden and Calitzdorp Spa, adhered to the guidelines as stipulated by Leedy (2001: 200), and in addition the discussion session was recorded so that it
could be studied and explored in more detail by the researcher, and also served to observe the individual participants’ contribution to the discussion.

3.5 POPULATION

The population of this study can be described as all the stakeholders, including the guests, that are affected by the achievement of the objectives of the Calitzdorp Spa resort. All the stakeholders just mentioned have a legitimate interest in the organisation’s activities and thus the power to affect the resort’s performance or has a stake in the firm’s performance.

3.6 SAMPLE SIZE

Only 100 of 107 of the in-house questionnaires of the customers visiting Calitzdorp Spa for the period 1 August 2003 to 31 August 2004 were usable in conducting the research. Ten members of the management team of Eden/Calitzdorp Spa and five local operators took part in the personal interviews conducted by the researcher.

3.7 VALIDITY OF THE MEASURING INSTRUMENT

According to Leedy and Ormrod (2001:31) the validity of a measure instrument is the extent to which the instrument measures what it is supposed to measure. The authors continue by stating that validity takes different forms, each of which is important in different situations:

- Face validity is the extent to which, an instrument is measuring a particular characteristic;
- Content validity is the extent to which a measurement instrument is a representative sample of the content area being measured;
- Criterion validity is the extent to which the results of an assessment instrument correlate with another, presumably related measure; and
Construct validity is the extent to which an instrument measures a characteristic that cannot be directly observed but must instead be inferred from patterns in people’s behaviour.

In this study, face validity, content validity, construct validity and criterion validity were applied and confirmed by the pilot study undertaken prior to conducting the research.

3.8 RELIABILITY OF THE MEASURING INSTRUMENT

According to Leedy and Ormrod (2001:31) reliability is the consistency with which a measuring instrument yields a certain result when the entity being measured hasn’t changed. In other words, in the case of the questionnaires and personal interviews conducted for the purpose of this research, do they measure what they are supposed to measure?

Straits and Straits (1993) in Jonker (2003:307) states that reliability may be improved through conducting exploratory studies in the area of interest, or by conducting pre-test on an small sample of persons similar in characteristics to the target group. A literature study was conducted in Chapter 2 and 3, covering relevant aspects, and a pilot study was undertaken testing that all questions were relevant and understandable before continuing with the research.

3.9 SUMMARY

This chapter has discussed the research planning process as well as the survey methods used. The important factors in compiling a questionnaire and conducting a personal interview were highlighted to ensure the success of the research undertaken for the purpose of this study. Concepts as population, sample size, validity and reliability were also briefly discussed. In Chapter four the results of the empirical study will be presented and analysed.
CHAPTER 4

RESULTS AND ANALYSIS OF THE SURVEY

4.1 INTRODUCTION

The key objective of this study was to determine suitable turnaround strategies for Calitzdorp Spa based on the proposed model for strategic management of a resort as depicted in Figure 2.3.

The preceding chapter set out the methodology that was followed to arrive at solutions to the main and sub-problems. This included the research approach, research design, the questionnaire, personal interviews, telephone interviews, population and sample size. The concepts of reliability and validity were also briefly discussed.

The chapter will discuss the results obtained through the questionnaires, the personal interviews and telephone interviews conducted with the main objective of developing the appropriate turnaround strategies to ensure successful future management of the Calitzdorp Spa.

The results of the customer survey will be discussed first, followed by the results of the telephone interviews conducted with the travel operators/travel agents, and lastly the results of the focus group interviewing with the management team of Eden and Calitzdorp Spa.

4.2 SURVEY – CUSTOMER SATISFACTION

The results of the questionnaire will be discussed under the five main headings:
4.2.1 Section A: General Information

The importance of socio-demographic, geographic and behavioural information of respondents are that, to plan strategically and manage a resort proactively in times of constant change, a manager should have a clear understanding of the existing and potential markets of the resort.

Section A of the questionnaire required respondents to complete general information that included sex, age, language preference, family life cycle, race, income group, province/country of origin and number of visits to the Spa. Other factors also included are the type of accommodation requested and identifying the sources of information about the Spa.

The results of the questions posed in Section A are shown in Tables 4.1 – 4.10.

### Table 4.1 Sex of respondents

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>MALE</td>
<td>43,00</td>
</tr>
<tr>
<td>FEMALE</td>
<td>57,00</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100,00</td>
</tr>
</tbody>
</table>

Table 4.1 shows that more than 55 per cent (57 per cent) of the respondents who completed the questionnaire were female, while 43 per cent were male respondents.

### Table 4.2 Age of respondents

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 YEARS AND YOUNGER</td>
<td>5,00</td>
</tr>
<tr>
<td>21 - 30</td>
<td>9,00</td>
</tr>
<tr>
<td>31 – 40</td>
<td>14,00</td>
</tr>
<tr>
<td>41 – 50</td>
<td>22,00</td>
</tr>
<tr>
<td>51 – 60</td>
<td>29,00</td>
</tr>
</tbody>
</table>
Table 4.2 shows that the age group between 51 – 60 years represented 29 per cent of the respondents, followed by the age group 41 – 50 years with 22 per cent and the age group of 61 – 70 years representing 15 per cent of the respondents. The age group of 40 years and younger represented only 28 per cent of the total respondents in this study.

Table 4.3 Family life cycle

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>SINGLE</td>
<td>6,00</td>
</tr>
<tr>
<td>COUPLE</td>
<td>18,00</td>
</tr>
<tr>
<td>COUPLE WITH CHILDREN</td>
<td>67,00</td>
</tr>
<tr>
<td>SINGLE PARENT WITH CHILDREN</td>
<td>9,00</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100,00</td>
</tr>
</tbody>
</table>

Table 4.3 shows that 67 per cent of the respondents were classified as a couple with children, 18 per cent as a couple without children and followed by single parent with children at 9 per cent. This table clearly indicates that families made up the majority of the respondents.

Table 4.4 Language preference

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFRIKAANS</td>
<td>82,00</td>
</tr>
<tr>
<td>ENGLISH</td>
<td>13,00</td>
</tr>
<tr>
<td>XHOSA</td>
<td>0</td>
</tr>
<tr>
<td>OTHER</td>
<td>5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100,00</td>
</tr>
</tbody>
</table>
Table 4.4 shows that the majority, 82 per cent of the respondents that visited Calitzdorp Spa in the specified period of August 2003 till August 2004 were Afrikaans speaking, and 13 per cent English speaking. The category “other” were represented by foreign languages from international visitors that made up five per cent of the total respondents that took part in the study.

Table 4.5  Race

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>WHITE</td>
<td>87,00</td>
</tr>
<tr>
<td>BLACK</td>
<td>0</td>
</tr>
<tr>
<td>COLOURED</td>
<td>11,00</td>
</tr>
<tr>
<td>ASIAN</td>
<td>2,00</td>
</tr>
<tr>
<td>OTHER</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100,00</td>
</tr>
</tbody>
</table>

Table 4.5 indicates that the majority (87 per cent) of the respondents in the survey were classified as “White”, followed by “Coloured” of 11 per cent, and only two per cent “Asian”.

Table 4.6  Province of origin/Country

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAUTENG</td>
<td>0</td>
</tr>
<tr>
<td>NORTH-WEST</td>
<td>0</td>
</tr>
<tr>
<td>WESTERN CAPE</td>
<td>90,00</td>
</tr>
<tr>
<td>KWAZULU-NATAL</td>
<td>0</td>
</tr>
<tr>
<td>EASTERN CAPE</td>
<td>5,00</td>
</tr>
<tr>
<td>MPUMALANGA</td>
<td>0</td>
</tr>
<tr>
<td>FREE STATE</td>
<td>0</td>
</tr>
<tr>
<td>NORTHERN PROVINCE</td>
<td>0</td>
</tr>
<tr>
<td>NORTHERN CAPE</td>
<td>0</td>
</tr>
<tr>
<td>OTHER COUNTRY</td>
<td>5,00</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100,00</td>
</tr>
</tbody>
</table>
Table 4.6 shows that 90 per cent of the respondents were from the Western Province, five per cent from the Eastern Cape, and five per cent from foreign countries.

**Table 4.7 Income/per month**

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - R 5000</td>
<td>2,00</td>
</tr>
<tr>
<td>R 5000 - R10 000</td>
<td>26,00</td>
</tr>
<tr>
<td>R10 000 - R20 000</td>
<td>44,00</td>
</tr>
<tr>
<td>R20 000 - R30 000</td>
<td>19,00</td>
</tr>
<tr>
<td>R30 000 AND MORE</td>
<td>9,00</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100,00</td>
</tr>
</tbody>
</table>

Table 4.7 shows that 44 per cent of the respondents earned between R10 000 and R20 000, followed by 26 per cent between R5 000 and R10 000 and 19 per cent earned between R20 000 and R30 000. The R30 000 and more category represented only nine per cent of the total respondents.

**Table 4.8 Number of visits to the Spa**

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>FIRST VISIT</td>
<td>24,00</td>
</tr>
<tr>
<td>OTHER</td>
<td>76,00</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100,00</td>
</tr>
</tbody>
</table>

Table 4.8 indicates that the majority (76 per cent) of the respondents had visited the Spa more than once, and 24 per cent of the respondents represented a first visit to the Spa.

**Table 4.9 Type of accommodation required**

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>CARAVAN/CAMPING</td>
<td>22,00</td>
</tr>
<tr>
<td>CHALETS</td>
<td>78,00</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100,00</td>
</tr>
</tbody>
</table>
Table 4.9 shows that 78 per cent of the respondents indicated that they required chalets and 22 per cent represented the caravan and camping sites.

Table 4.10 Sources of information about the Spa

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;WORD OF MOUTH&quot;</td>
<td>30,00</td>
</tr>
<tr>
<td>BROCHURE OF THE SPA</td>
<td>2,00</td>
</tr>
<tr>
<td>INTERNET</td>
<td>28,00</td>
</tr>
<tr>
<td>TRAVELOPERATORS/ TRAVELAGENTS</td>
<td>2,00</td>
</tr>
<tr>
<td>ADVERTS IN TRAVEL MAGAZINES</td>
<td>26,00</td>
</tr>
<tr>
<td>TOURISM BUREAU</td>
<td>8,00</td>
</tr>
<tr>
<td>ARTICLES PUBLISHED</td>
<td>4,00</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100,00</td>
</tr>
</tbody>
</table>

Table 4.10 indicates that the majority (30 per cent) of respondents were represented by the category of "word of mouth", followed by 28 per cent that got their information from the Internet, and 26 per cent identified adverts in travel magazines as their source of information regarding the Spa.

4.2.2 Section B: The attractiveness of the resort

A tourist destination or resort exists when it is recognised as containing an attraction that people travel to see, use or enjoy in some other way. Attractions clearly serve to entice visitors to a particular destination, and in this case to the Calitzdorp Spa.

In Section B of the questionnaire, the respondents were presented with ten attributes relating to the attractiveness of Calitzdorp Spa and were asked to indicate their opinion of the ten listed attributes, ranging from very dissatisfied to very satisfied.
The attractiveness of Calitzdorp Spa to international and local tourists as perceived by the respondents are shown in Table 4.11.

**Table 4.11 Measuring the attractiveness of Calitzdorp Spa to international and local tourists**

<table>
<thead>
<tr>
<th>INDICATORS OF CUSTOMER SATISFACTION</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>B. 1 THE NATURAL HOT SPRING</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>4</td>
<td>6</td>
<td>77*</td>
<td>8</td>
</tr>
<tr>
<td><strong>B. 2 SCENIC BEAUTY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>2</td>
<td>9</td>
<td>74*</td>
<td>11</td>
</tr>
<tr>
<td><strong>B. 3 CLIMATE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>7</td>
<td>12</td>
<td>65*</td>
<td>12</td>
</tr>
<tr>
<td><strong>B. 4 RECREATIONAL FACILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>28</td>
<td>43*</td>
<td>13</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td><strong>B. 5 SPORTS FACILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>19</td>
<td>42*</td>
<td>30</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td><strong>B. 6 ENTERTAINMENT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>32</td>
<td>41*</td>
<td>15</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td><strong>B. 7 WILDLIFE EXPERIENCES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>2</td>
<td>10</td>
<td>68*</td>
<td>18</td>
</tr>
<tr>
<td><strong>B. 8 ACCOMMODATION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>16</td>
<td>44*</td>
<td>29</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td><strong>B. 9 CLOSE PROXIMITY TO MAJOR TOURIST ATTRACTIONS IN AREA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>5</td>
<td>9</td>
<td>64*</td>
<td>18</td>
</tr>
<tr>
<td><strong>B. 10 SAFETY AND SECURITY AT RESORT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>5</td>
<td>10</td>
<td>62*</td>
<td>18</td>
</tr>
</tbody>
</table>

* Highest response percentage
The most critical attributes or attractions of Calitzdorp Spa identified by the respondents in order of importance are:

- The natural hot spring;
- Scenic beauty;
- Wildlife experiences;
- Climate;
- Close proximity to major tourist attractions in area; and
- Safety and security at resort.

The natural hot spring was considered the most important attraction of Calitzdorp Spa by the respondents, supported by the brochure on Calitzdorp Spa (2001: 2) illustrating this attribute to be the main attraction of the resort.

In research that was done among international tourists visiting South Africa (SATOUR, 1999: 51), scenic beauty, wild life experiences and climate were listed as the three most important attributes attracting international tourists. Although according to the findings in Section A of this study, only five per cent of the respondents were international tourists, as indicated in Table 4.6, the three attributes as listed were also considered important by local tourists in the case of Calitzdorp Spa.

Close proximity to major tourist attractions in the immediate area of the Calitzdorp Spa were regarded as important and satisfactory to the respondents and therefore add to the overall attractiveness of the resort to local and international tourists. The brochure on Calitzdorp Spa (2001: 2) clearly indicates all the major tourist attractions in close proximity of the resort with the intention of providing more activities and features for tourists mainly to increase their length of stay at the resort and to enhance the attractiveness of the resort to the potential visitor.
The current safety and security situation at the Calitzdorp Spa resort was considered satisfactory by the respondents, but in view of the existing safety and security problems in South Africa, and the increased awareness of local and international tourists regarding these issues, this remains a huge challenge to future management strategies planned for the resort.

According to the information provided by Table 4.11 the respondents clearly expressed their dissatisfaction with the current accommodation facilities, recreational and sports facilities, and also the entertainment available at the Calitzdorp Spa. Accommodation was the worst affected, followed by recreational and sports facilities and entertainment. It was indicated by the literature review in Chapter 2, section 2.3, that these specific attributes can enhance the attractiveness and uniqueness of resorts in general resulting in higher occupancy levels and increased revenue.

4.2.3 Section C: Facilities available at resort

Facilities at resorts have the purpose of enhancing the attraction, but the absence of such facilities or a significant deterioration in the general condition of facilities can discourage potential tourists from visiting a particular destination resulting in loss of income and low occupancy levels.

Section C requested the respondents to evaluate the current facilities at the Calitzdorp Spa and their response in terms of satisfaction are shown in Table 4.12.

In general the respondents were of the opinion that the current facilities at the Calitzdorp Spa were not serving their needs very well and were mostly dissatisfied to very dissatisfied with most of the facilities and amenities at the resort. This situation most likely contributed to the low occupancy levels of 30 to 35 per cent indicated in the annual financial report of Calitzdorp Spa (2001: 15) referred to in Chapter 1 of this report.
Table 4.12 Evaluation of facilities available at the Calitzdorp Spa

<table>
<thead>
<tr>
<th>INDICATORS OF CUSTOMER SATISFACTION</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>VERY DISSATISFIED</td>
<td>DISSATISFIED</td>
<td>NEUTRAL</td>
<td>SATISFIED</td>
<td>VERY SATISFIED</td>
</tr>
<tr>
<td>C. 1 LAYOUT AND DESIGN OF RESORT</td>
<td>27*</td>
<td>26</td>
<td>16</td>
<td>18</td>
<td>5</td>
</tr>
<tr>
<td>C. 2 RANGE OF ACCOMMODATION OPTIONS AVAILABLE</td>
<td>25</td>
<td>27*</td>
<td>19</td>
<td>14</td>
<td>7</td>
</tr>
<tr>
<td>C. 3 BOOKING SERVICES/ RESERVATIONS</td>
<td>6</td>
<td>13</td>
<td>26</td>
<td>38*</td>
<td>15</td>
</tr>
<tr>
<td>C. 4 QUALITY AND GENERAL CONDITION OF ACCOMMODATION:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ CHALETS</td>
<td>41*</td>
<td>38</td>
<td>13</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>▪ CAMPING FACILITIES/CARAVAN</td>
<td>38*</td>
<td>36</td>
<td>12</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>▪ ABLUTION FACILITIES</td>
<td>36*</td>
<td>34</td>
<td>17</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>C. 5 SWIMMING POOLS:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ HEATED POOLS</td>
<td>37*</td>
<td>37*</td>
<td>13</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>▪ COLD WATER POOLS</td>
<td>39*</td>
<td>37</td>
<td>14</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>C. 6 RESTAURANT FACILITIES</td>
<td>35*</td>
<td>33</td>
<td>15</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>C. 7 RETAIL OUTLETS</td>
<td>33*</td>
<td>32</td>
<td>12</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>C. 8 RECREATIONAL FACILITIES</td>
<td>31</td>
<td>32*</td>
<td>15</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>C. 9 ENTERTAINMENT/ACTIVITY PROGRAMS</td>
<td>34*</td>
<td>31</td>
<td>14</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>C. 10 SUPPORT SERVICES: HOUSEKEEPING AND GENERAL MAINTENANCE</td>
<td>39*</td>
<td>38</td>
<td>12</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>C. 11 RECEPTION/CHECK-OUT SERVICES</td>
<td>4</td>
<td>15</td>
<td>31</td>
<td>35*</td>
<td>7</td>
</tr>
<tr>
<td>C. 12 CONFERENCE FACILITIES</td>
<td>28*</td>
<td>24</td>
<td>18</td>
<td>9</td>
<td>4</td>
</tr>
</tbody>
</table>

* Highest response percentage
Most of the facilities at the Spa were considered “very dissatisfied” and “dissatisfied” by the respondents, and are summarised in the Table 4.13 in following order of importance:

Table 4.13 Classification of facilities at Calitzdorp Spa

<table>
<thead>
<tr>
<th>Very dissatisfied</th>
<th>Dissatisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality and condition of chalets</td>
<td>Quality and condition of chalets</td>
</tr>
<tr>
<td>Cold water pools</td>
<td>Support services: housekeeping and maintenance</td>
</tr>
<tr>
<td>Support services: housekeeping and maintenance</td>
<td>Cold water pools</td>
</tr>
<tr>
<td>Camping facilities/Caravan</td>
<td>Heated pools</td>
</tr>
<tr>
<td>Heated pools</td>
<td>Camping facilities/Caravan</td>
</tr>
<tr>
<td>Ablution facilities</td>
<td>Ablution facilities</td>
</tr>
<tr>
<td>Restaurant facilities</td>
<td>Restaurant facilities</td>
</tr>
<tr>
<td>Entertainment/Activity programs</td>
<td>Recreational facilities</td>
</tr>
<tr>
<td>Retail outlets</td>
<td>Retail outlets</td>
</tr>
<tr>
<td>Recreational facilities</td>
<td>Entertainment/Activity programs</td>
</tr>
</tbody>
</table>

Other factors evaluated by the respondents and considered "dissatisfied" were:

- the existing conference facilities at the resort;
- the layout and design of the facilities; and
- the range of accommodation options available.

The overall negative response received from the respondents as listed in the abovementioned table clearly indicates the seriousness of the situation at the Calitzdorp Spa in terms of type and quality of facilities offered to tourists and consequently needs immediate intervention from management.
In spite of the above “satisfactory” and placed them in the following order of importance:

- Reception/Check-out services; and
- Booking services/Reservations.

4.2.4 Section D: Accessibility of resort

In the case of Calitzdorp Spa accessibility refers to all those elements that effect the cost, speed and convenience with which the resort can be reached.

The respondents were requested in Section D to evaluate the accessibility of the resort according to the indicators provided in Table 4.14.

Most of the indicators listed in Table 4.14 were regarded by the respondents as “very dissatisfied” and “dissatisfied”. The accessibility of the Calitzdorp Spa resort for international and local tourist received the highest response rate of 63 per cent and was regarded as” very dissatisfied” by the respondents.
### Table 4.14  Testing the accessibility of the Calitzdorp Spa resort

<table>
<thead>
<tr>
<th>INDICATORS OF CUSTOMER SATISFACTION</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>D. 1  ACCESSIBILITY OF RESORT FOR LOCAL AND INTERNATIONAL VISITORS</strong></td>
<td><strong>63</strong>&lt;sup&gt;*&lt;/sup&gt;</td>
<td>31</td>
<td>3</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td><strong>D. 2  CONDITION AND SAFETY OF MAIN ROAD LEADING TO RESORT</strong></td>
<td><strong>48</strong>&lt;sup&gt;*&lt;/sup&gt;</td>
<td>30</td>
<td>12</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td><strong>D. 3  AVAILABILITY OF VARIOUS TRANSPORT OPTIONS TO AND FROM RESORT</strong></td>
<td><strong>62</strong>&lt;sup&gt;*&lt;/sup&gt;</td>
<td>31</td>
<td>5</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>D. 4  AVAILABILITY OF CAR RENTAL SERVICES AT RESORT OR CLOSEST TOWN</strong></td>
<td><strong>61</strong>&lt;sup&gt;*&lt;/sup&gt;</td>
<td>29</td>
<td>5</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td><strong>D. 5  PRESENCE OF CLEAR ROAD SIGNS INDICATING THE WAY TO CALITZDORP SPA</strong></td>
<td>4</td>
<td>7</td>
<td>21</td>
<td><strong>38</strong>&lt;sup&gt;*&lt;/sup&gt;</td>
<td>25</td>
</tr>
<tr>
<td><strong>D. 6  TRANSPORT AVAILABLE TO MAJOR TOURIST ATTRACTIONS IN AREA</strong></td>
<td><strong>59</strong>&lt;sup&gt;*&lt;/sup&gt;</td>
<td>32</td>
<td>3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>D. 7  GENERAL CONDITION OF INTERNAL ROAD NETWORK AT THE RESORT</strong></td>
<td><strong>58</strong>&lt;sup&gt;*&lt;/sup&gt;</td>
<td>30</td>
<td>7</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

* Highest response percentage
Other indicators that received similar negative ratings are listed below in order of their respective ratings:

- Availability of various transport options to and from resort;
- Availability of car rental services at resort or closest town;
- Transport available to major tourist attractions in area;
- General condition of internal road network at the resort; and
- Condition and safety of main road leading to resort.

The findings of the respondents in Section C clearly contradicts the importance of accessibility of a tourism resort confirmed by the literature review that was conducted. In Chapter 2 section 2.3, the importance of effective transportation systems for resorts were highlighted and in section 2.2.2, the interdependence of the different sectors of the tourism industry were discussed. In other words, the lack of efficient transportation systems and infrastructure not only affects the accessibility of the tourist to the resort, but has a negative impact on accommodation, attractions, the travel organisers section and destination organisations.

Considering the remoteness of the Calitzdorp Spa together with the total lack of transportation options and related infrastructure as indicated by the respondents, can have serious implications for the survival of the resort and need to be urgently addressed.

4.2.5 Section E: Image of the resort

The image of a resort is the perception that prospective tourists have of a particular destination. Calitzdorp Spa is more than its physical, tourist related features as evaluated in the previous sections by the respondents. It also includes intangible features that are difficult to quantify.

The results of the evaluation of the image of Calitzdorp Spa in Section E are shown in Table 4.15.
Table 4.15: Evaluation of the image of the Calitzdorp Spa

<table>
<thead>
<tr>
<th>INDICATORS OF CUSTOMER SATISFACTION</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>E. 1 WELCOME ON ARRIVAL/RECEPTION</td>
<td>6</td>
<td>9</td>
<td>19</td>
<td>43*</td>
<td>15</td>
</tr>
<tr>
<td>E. 2 FRIENDLINESS AND POLITENESS OF STAFF</td>
<td>2</td>
<td>4</td>
<td>17</td>
<td>47*</td>
<td>22</td>
</tr>
<tr>
<td>E. 3 FLEXIBLE OFFICE HOURS TO ACCOMMODATE VISITORS</td>
<td>2</td>
<td>11</td>
<td>13</td>
<td>45*</td>
<td>24</td>
</tr>
<tr>
<td>E. 4 UNDERSTANDING OF SPECIFIC NEEDS OF VISITORS</td>
<td>32</td>
<td>48*</td>
<td>9</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>E. 5 PRECISE KNOWLEDGE OF PRODUCTS AND SERVICES AVAILABLE</td>
<td>33</td>
<td>49*</td>
<td>7</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>E. 6 STAFF PROVIDE FAST AND FLEXIBLE SERVICE</td>
<td>30</td>
<td>47*</td>
<td>7</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>E. 7 GOOD VALUE FOR MONEY</td>
<td>29</td>
<td>42*</td>
<td>18</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>E. 8 BEAUTIFUL SCENERY AND NATURAL ATTRACTIONS</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>74</td>
<td>15</td>
</tr>
<tr>
<td>E. 9 COMFORTABLE AND ATTRACTIVE SURROUNDINGS</td>
<td>31</td>
<td>46*</td>
<td>12</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>E. 10 INTERESTING LOCAL CULTURAL ATTRACTIONS</td>
<td>32</td>
<td>48*</td>
<td>8</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>E. 11 UNPOLLUTED AND UNSPOILED ENVIRONMENT</td>
<td>2</td>
<td>3</td>
<td>6</td>
<td>73*</td>
<td>12</td>
</tr>
<tr>
<td>E. 12 APPEALING LOCAL FOOD/WINE</td>
<td>1</td>
<td>2</td>
<td>9</td>
<td>70*</td>
<td>14</td>
</tr>
<tr>
<td>E. 13 INTERESTING AND FRIENDLY LOCAL PEOPLE</td>
<td>2</td>
<td>4</td>
<td>12</td>
<td>67*</td>
<td>11</td>
</tr>
<tr>
<td>E. 14 SUITABLE ACCOMMODATION</td>
<td>37</td>
<td>48*</td>
<td>9</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>E. 15 ATTRACTIVE MARKETING AND PROMOTIONAL MATERIALS</td>
<td>31</td>
<td>44*</td>
<td>15</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

* Highest response percentage
The respondents were clearly attracted to the beautiful scenery and natural attractions and also the unpolluted and unspoiled environment of the Calitzdorp Spa. These two indicators received the highest ratings of 74 per cent and 73 per cent respectively. The local food and wine available in the surrounding areas of Calitzdorp Spa together with the interesting and friendly local people seemed quite popular with the respondents adding to the positive image of the Spa.

Other factors contributing towards the image of the Calitzdorp Spa are the friendliness of the staff, the flexible office hours available to assist tourists, and the arrival and reception procedures currently existing at the Spa. These factors serve to emphasise the importance of service delivery to tourists at the resort.

The respondents also identified certain indicators as “dissatisfied” and the following list will focus on the most important factors that can impact negatively on the image of the Calitzdorp Spa resort. The indicators that mainly represent the components of service delivery, facilities at the resort and marketing and promotional strategies:

- Precise knowledge of products and services available;
- Suitable accommodation;
- Interesting local cultural attractions;
- Understanding of specific needs of tourists;
- Staff provide fast and flexible service;
- Comfortable and attractive surroundings;
- Attractive marketing and promotional materials; and
- Good value for money.

4.2.6 Section F: General comments and suggestions

This section comprises a summary of all the comments and suggestions relating to the indicators that were covered in Sections B to E of the
questionnaire, and was perceived as important by the respondents relating to their overall experience at the Calitzdorp Spa resort. The indicators will be presented as enhancing the experience of the respondents at the resort, and on the other hand impacting negatively on their experience at the resort as presented in Table 4.16.

Table 4.16: Summary of the suggestions and general comments of respondents

<table>
<thead>
<tr>
<th>Indicators enhancing the experience of the respondents</th>
<th>Indicators impacting negatively on the experience of the respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attraction and image</td>
<td>Facilities</td>
</tr>
<tr>
<td>• natural hot spring</td>
<td>• quality and condition of accommodation</td>
</tr>
<tr>
<td>• scenic beauty</td>
<td>• lack of sport facilities</td>
</tr>
<tr>
<td>• unspoiled and unpolluted environment</td>
<td>• lack of recreational activities</td>
</tr>
<tr>
<td>• climate enjoyable</td>
<td>• lack of entertainment</td>
</tr>
<tr>
<td>• wild life experiences</td>
<td>• restaurant facilities can improve</td>
</tr>
<tr>
<td>• safety and security</td>
<td>• lack of retail outlets</td>
</tr>
<tr>
<td>• close proximity to major tourist attractions</td>
<td>• condition of ablution facilities</td>
</tr>
<tr>
<td>• interesting local people</td>
<td>• condition of camping/caravan facilities</td>
</tr>
<tr>
<td>• appealing local food and wine</td>
<td>• quality of conference facilities</td>
</tr>
<tr>
<td>• friendliness and politeness of staff</td>
<td>• condition of cold water and heated pools</td>
</tr>
<tr>
<td>• good reception and check-out services</td>
<td></td>
</tr>
</tbody>
</table>

4.3 SURVEY – MARKETING POSITION AND STRATEGIES

The views and opinions of the travel operators and travel agents regarding the different aspects of the questions posed to them, will be discussed:
4.3.1 Segmentation of markets

Segmentation of markets by the Calitzdorp Spa resort are found to be non-existent and the current strategy followed by management are a “wait and see” approach according to the participants, resulting in delivering a range of offerings without focusing on the diverse needs of customers.

It is further stated that the product offering of the resort cannot attempt to appeal to an entire market, and therefore effective segmentation can result in selecting a segment with the best buying potential based on a range of criteria. Other advantages of segmentation mentioned by the operators are increasing the satisfaction of customers, promoting new product ideas and developing an effective marketing mix.

4.3.2 Market position of the resort

It is the view of most of the travel operators and agents that the Calitzdorp Spa must take definite steps to establish themselves in the market by selecting unique attributes and attractions that can create a distinctive competitive advantage for the resort. The unique attributes already identified by the respondents in the previous section, for example the natural hot spring, the scenic beauty, wild life experiences, close proximity to major tourist attractions, and many more as listed, can be effectively employed to strongly position the Calitzdorp Spa as a destination of choice.

4.3.3 Positioning of resort against competitors

The participants regarded the current positioning of the resort in relation to competitors as “under-positioned” for the reasons that customers do not sense anything special about the product offerings of the Calitzdorp Spa and prefer the tourism offerings and services of competitors in the immediate vicinity of the resort as the Cango Caves, Ostrich farms, and the Wildlife ranch, or other resorts elsewhere in the Western Cape Province offering similar and better benefits to the customers.
4.3.4 Prices of products and services

According to the travel operators and agents the price charged for products and services must reflect the value of the offering and therefore it is crucial that the quality of the offering must meet the expectations that the price has generated in the mind of the customer. They argue that it is therefore logical that a product that offers greater benefits and has the ability to satisfy consumer needs more effectively than a competitive product, can command a higher price. In the case of Calitzdorp Spa as also indicated by findings of the customer survey in the previous section, the quality of the facilities, the level of service delivery, accessibility of the resort and lack of marketing strategies have a profound effect on the pricing strategies of the resort.

Another aspect mentioned, is the fact the product offering of the Calitzdorp Spa has no distinctive features currently, and can therefore not demand a higher price for its product.

4.3.5 Product quality

The quality of the product offered by the Calitzdorp Spa resort not only includes the facilities, equipment, fixtures, and materials used, but also the quality of services provided and other elements relating to the image and unique attributes of the resort. The quality of the complete product offering of the Calitzdorp Spa had been rated as not favourable overall by the participants in this survey and supported by the findings of the customer survey in the previous section.

4.3.6 Effectiveness of service

The participants agreed that service delivery at the Calitzdorp Spa resort included services delivered at all levels, starting at the booking and reservations section and ending at the check-out point where the customer finally leaves the resort. The overall opinions of the participants were that service delivery at the Spa is considered not satisfactory and should be
addressed in several ways to improve customer satisfaction. The focus was mainly directed towards the empowerment of front-line workers in dealing with customer needs and complaints and delivering a fast and flexible service to the customers.

4.3.7 Advertising strategy

According to the travel operators and agents the current advertising strategy of the Calitzdorp Spa is not well planned, has limited funding available, and takes place on a ad hoc basis resulting in no real impact on the target market.

4.3.8 Accessibility of resort

It is the opinion of the participants that in order to promote the Calitzdorp Spa resort to international tourists in particular, the accessibility of the resort must be addressed to increase access to and from international and local airports and also from the main tourist routes. The availability of transport options must be negotiated with transport companies to increase access to the resort.

4.3.9 Calitzdorp Spa – evaluation of different sectors

- Service delivery must be addressed at all levels;
- Condition and quality of facilities must improve quite significantly;
- Promotional and publicity activities must be well planned and executed;
- Development of recreational and sports facilities needs attention;

4.3.10 Strengths and opportunities of the Calitzdorp Spa

The strengths of the Calitzdorp Spa are embedded in the unique attributes that the resort has to offer, but need to be developed, managed and promoted through effective marketing strategies.

The opportunities facing Calitzdorp Spa resort are the following:
- changing demographics of the population leading to new challenges;
changing interests of customers relating to the environment, culture, eco-tourism and adventure-tourism;
- close proximity to major tourist attractions that can be exploited; and
- innovative technology information systems that can impact positively on tourism practices at the resort.

4.3.11 Weaknesses and threats facing the Calitzdorp Spa

The main weaknesses identified are mainly the general condition of facilities and the surrounding areas, the lack of sport and recreational activities, accessibility problems, lack of effective marketing strategies, lack of empowerment of front line staff and the level and quality of service delivery. These same aspects have identified by the customer survey in the previous section 4.2.

The threats facing the resort are the following:
- safety and security of tourists in future;
- effects of external events, like nature disasters, political intervention and economic factors; and
- competitors increasing their market share impacting negatively on the resort.

4.3.12 Where can Calitzdorp Spa resort improve?

The most important issues identified by the participants were:

- Upgrading and renovation of all existing facilities; and
- Innovative and effective marketing strategies;
- Improvement of service delivery; and
- Education and empowerment of staff.

4.3.13 General comments and suggestions

- Organising of special events and meetings at the Resort;
• Developing and marketing of the conference facilities at the Resort;
• Forming public-private partnerships to enhance the operations of the resort;
• Developing of sports and recreational facilities to meet to needs of specific customers (quad bike and mountain bike trails, 4 x 4 routes);
• Encouraging school and youth groups on educational tours;
• Organising special activities like bird watching, fossil viewing and wildlife education;
• Investing in the development of eco-tourism and adventure tourism facilities; and
• Family entertainment during the season time at the resort.

4.4 SURVEY – MANAGEMENT STRATEGIES

The results of the survey conducted with management team will be discussed.

4.4.1 Section A – General information

Section A required the participants to complete general information that is shown in Table 4.17.
Table 4.17 Analysis of participants

<table>
<thead>
<tr>
<th>POSITION</th>
<th>YEARS IN POSITION</th>
<th>DIRECTLY INVOLVED</th>
<th>INDIRECTLY INVOLVED</th>
<th>NUMBER OF PARTICIPANTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXECUTIVE MUNICIPAL MANAGER</td>
<td>4 YEARS</td>
<td>X</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>CHIEF FINANCIAL OFFICER</td>
<td>8 MONTHS</td>
<td>X</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>MANAGER CORPORATE SERVICES</td>
<td>9 MONTHS</td>
<td>X</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>MANAGER HUMAN RESOURCES</td>
<td>1 YEAR</td>
<td>X</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>MARKETING MANAGER</td>
<td>8 YEARS</td>
<td>X</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>PROJECT MANAGERS</td>
<td>15 YEARS &amp; 10 YEARS</td>
<td>X</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>MANAGER COMMUNITY SERVICES</td>
<td>3 MONTHS</td>
<td>X</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>MANAGER RESORTS</td>
<td>8 YEARS</td>
<td>X</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>MANAGER CALITZDORP SPA</td>
<td>1 YEAR</td>
<td>X</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>8</td>
<td>2</td>
<td>10</td>
</tr>
</tbody>
</table>

It is clear from the information provided in Table 4.17 that 50 per cent of the members of the management team have only recently joined the Eden District Municipality due to major restructuring processes taken place in the local government sphere.

It is important to mention that one of the project managers had been involved in tourism for the last 15 years, serving on provincial and local tourism bodies in the Western Province. His practical experience and knowledge of tourism, together with the inputs of the marketing manager, hugely contributed to the
comprehensive and detailed information gathered from the discussion session on the Calitzdorp Spa.

4.4.2 Section B – Situation Assessment

Section B comprised of a situation assessment of the Calitzdorp Spa and the main factors discussed were as follows:

- **Mission:**
  It was agreed by all the participants that there are currently no existing mission statement for the Calitzdorp Spa resulting in questions about its existence, nature of business and stakeholders involved.

- **Strategies and objectives:**
  In view of the absence of a mission statement and clear strategies for the resort, the objectives are limited to short-term decisions and actions of the organisation’s various functional departments.

- **Stakeholders:**
  The role and contribution of the various stakeholders including employees, suppliers, customers, local communities, general public, unions and competitors had not been recognised in the management strategies of the resort.

- **Financial status:**
  The financial performance of the resort had been discussed, based on the financial statements of the last three financial years and the views of the members could be summarised as follows:

  After studying the financial statements (Eden financial report 2003: 15-20), that indicated a significant financial loss in the last three financial years of R660 601.62 (2001/2002), R1 818 187.06 (2002/2003) and R1 853 187.39 (2003/2004) respectively, the participants expressed their concern about the gradual increase annually, and the notable increase
in financial loss between 2001/2002 and 2002/2003 due to a sharp increase in expenses for the last year mentioned.

It was anonymously agreed by all participants that the Calitzdorp Spa is in serious trouble and management has to implement drastic strategies that will reverse the resort’s decline and put it back on a road of recovery.

4.4.3 Section C - Situation analysis

a) Macro-environment: The information gathered from the interviews with the management team relating to the macro-environment impacting on the Calitzdorp Spa Resort is shown in Table 4.18. The management team also referred to Bennett and Strydom (2001: 5-32) and George (2001:3-40) to compile the table.

Table 4.18: Analysis of macro-environment

<table>
<thead>
<tr>
<th>Factors</th>
<th>International/Regional trends</th>
<th>National/Local trends</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Socio-demographic forces</td>
<td>WTO (1999:35) predicted well-defined groups of travellers:</td>
<td>• Black people are becoming increasingly mobile and disposable income increasing</td>
</tr>
<tr>
<td></td>
<td>• Youth (18- 34 year olds) travel most</td>
<td>• Aging white population with more free time and more disposable income</td>
</tr>
<tr>
<td></td>
<td>• Retiree travellers increase</td>
<td>• High degree of urbanisation in Northern province, Gauteng and Western Cape makes rural areas</td>
</tr>
<tr>
<td></td>
<td>• Family market become more visible</td>
<td>ideal for marketers of nature-based attractions</td>
</tr>
<tr>
<td></td>
<td>Changing demographic profile of the world’s population and also nationally</td>
<td>• Higher education levels amongst Black South Africans</td>
</tr>
<tr>
<td></td>
<td>WTO (1999:35) predicted well-defined groups of travellers:</td>
<td>lead to higher disposable incomes which impacts on</td>
</tr>
<tr>
<td></td>
<td>• Youth (18- 34 year olds) travel most</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Retiree travellers increase</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Family market become more visible</td>
<td></td>
</tr>
<tr>
<td>Factors</td>
<td>International/Regional trends</td>
<td>National/Local trends</td>
</tr>
<tr>
<td>---------</td>
<td>-------------------------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td>tourism products and services</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Changing role of women in SA society in general with special focus on their decision making capabilities regarding holiday and travel should be considered</td>
</tr>
</tbody>
</table>

2. Technological influences

Technology has affected companies at all levels, locally to globally. Technology has contributed to the world becoming a “global village”

- Emergence of Internet and World Wide Web
- Services provided by airline computerised reservation systems, telephone and cable companies, combined with the growth of electronic highways and on-line services are dramatically altering the way travel products are marketed and distributed worldwide
- Transportation technology improved and modern aeroplanes have long-range capabilities and can link any two destinations in the world
- Consumers in SA are increasingly booking airline seats, hotel rooms and rental cars via the Internet
- CD-ROMS provide consumers access to three-dimensional images of tourism and hospitality offerings
- Database marketing in SA are becoming an important marketing tool
- Many small scale travel and tourism establishments, including guesthouses, lodges, caravan parks and attractions have taken advantage of Internet as a promotion and distribution tool
- More sophisticated cars, including recreational vehicles and 4x4 vehicles have changed the shape of tourism in SA
- The use of sophisticated central reservation systems in SA have improved the marketer’s ability to manage demand in travel and tourism industry
<table>
<thead>
<tr>
<th>Factors</th>
<th>International/Regional trends</th>
<th>National/Local trends</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Economic influences</td>
<td>Changes in regional and international economic environments can have a direct influence on the travel and tourism industry worldwide, especially within the major world markets, the USA, Japan and Europe</td>
<td>• Distribution of wealth in SA up till recently, very uneven, with a small sector of the population in possession of most of the country’s wealth. Increase in disposable income of Blacks population, but still huge differences exist.</td>
</tr>
<tr>
<td></td>
<td>Changes in regional and international economic environments can have a direct influence on the travel and tourism industry worldwide, especially within the major world markets, the USA, Japan and Europe</td>
<td>• Inflation: With rise in inflation consumers become more price conscious and they tend to compare prices more often</td>
</tr>
<tr>
<td></td>
<td>Changes in regional and international economic environments can have a direct influence on the travel and tourism industry worldwide, especially within the major world markets, the USA, Japan and Europe</td>
<td>• Escalating petrol and diesel prices result in consumers cutting back on holidays and take shorter trips</td>
</tr>
<tr>
<td></td>
<td>Changes in regional and international economic environments can have a direct influence on the travel and tourism industry worldwide, especially within the major world markets, the USA, Japan and Europe</td>
<td>• Exchange rates: A stronger rand makes it more expensive for foreign visitors to SA. A strong local currency acts as a stimulant for domestic travel.</td>
</tr>
<tr>
<td></td>
<td>Changes in regional and international economic environments can have a direct influence on the travel and tourism industry worldwide, especially within the major world markets, the USA, Japan and Europe</td>
<td>• High unemployment figures in SA affects tourism demand negatively</td>
</tr>
<tr>
<td>4. Environmental influences</td>
<td>The WTO, WTTC and Pacific Asia Travel Association are committed to develop policies, codes and guidelines regarding conservation and protection of natural resources worldwide</td>
<td>• Legislation have become stricter in SA to regulate the following:</td>
</tr>
<tr>
<td></td>
<td>The WTO, WTTC and Pacific Asia Travel Association are committed to develop policies, codes and guidelines regarding conservation and protection of natural resources worldwide</td>
<td>- waste management</td>
</tr>
<tr>
<td></td>
<td>The WTO, WTTC and Pacific Asia Travel Association are committed to develop policies, codes and guidelines regarding conservation and protection of natural resources worldwide</td>
<td>- pollution control</td>
</tr>
<tr>
<td></td>
<td>The WTO, WTTC and Pacific Asia Travel Association are committed to develop policies, codes and guidelines regarding conservation and protection of natural resources worldwide</td>
<td>- protection of natural water resources</td>
</tr>
<tr>
<td></td>
<td>The WTO, WTTC and Pacific Asia Travel Association are committed to develop policies, codes and guidelines regarding conservation and protection of natural resources worldwide</td>
<td>- water pollution</td>
</tr>
<tr>
<td></td>
<td>The WTO, WTTC and Pacific Asia Travel Association are committed to develop policies, codes and guidelines regarding conservation and protection of natural resources worldwide</td>
<td>• Efforts by public as well as private entities to:</td>
</tr>
<tr>
<td></td>
<td>The WTO, WTTC and Pacific Asia Travel Association are committed to develop policies, codes and guidelines regarding conservation and protection of natural resources worldwide</td>
<td>- Protect extinction of scare animal and plant species</td>
</tr>
<tr>
<td></td>
<td>The WTO, WTTC and Pacific Asia Travel Association are committed to develop policies, codes and guidelines regarding conservation and protection of natural resources worldwide</td>
<td>- Protection of natural</td>
</tr>
</tbody>
</table>

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101
<table>
<thead>
<tr>
<th>Factors</th>
<th>International/Regional trends</th>
<th>National/Local trends</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>environment increased through awareness campaigns in schools, national media - Education and involvement of local communities in conservation programs - Driven by demands of economic growth and job creation, ad hoc and random development still take place without regard to the conservation of the environment</td>
</tr>
</tbody>
</table>

5. Safety and Health
Health and safety concerns are of major interest to tourists worldwide and becoming more prominent

- Events like the September 11 attacks on New York, terrorist activities and political unrest has a major affect on tourism worldwide
- Visitors from the developed countries are becoming increasingly concerned about sanitation standards applied to food, water en medical supplies
- Calitzdorp Spa was hit by two floods in 1981 and 1996 that caused major damages to infrastructure and surroundings
- Safety concerns for international and local tourist still remains potential risks not properly addressed
- The Calitzdorp Spa has experienced an increase in crime in the last couple of years

6. Political influences
Political considerations impacts on the travel and tourism industry at different levels, namely local, regional and global level.

- With the collapse of communism, Eastern Europe has opened its doors to non-Europeans
- Countries like Japan and China have changed their attitudes towards tourism and joined the potential growth-generating markets
- National level: Affected by legislation and regulations:
  - Tourism Board Act(1993)
  - Value-Added Tax Act(1991)
  - Labour Relations Act (1995)
  - Basic Conditions of Employment (1997)
  - Employment Equity Act (1998)
  - Skills Development Act
Factors | International/Regional trends | National/Local trends
--- | --- | ---
• Broad-based political movements, in which the populations of many countries are attempting to establish more participatory forms of government are impacting on tourism  
• Unresolved political and social problems in neighbouring countries, such as Zimbabwe affects tourism activity in South Africa | (1998)  
• South African Revenue Service Act (1997)  
Since democratic elections of 1994 opportunities for tourism escalate dramatically.

b) **Micro-environment:** In the case of Calitzdorp Spa the following aspects in the micro-environment of the resort provided by the management team will now be presented as follows:

**The Company**

• The Eden District Municipality (a local authority) is responsible for the management of the Calitzdorp Spa;
• The management team concluded that the integration of departments at local authority level delivering a service to the Calitzdorp Spa is not satisfactory and currently very fragmented and uncoordinated (finance, human resources, marketing, operational);
• Corporate culture according to the management team of Eden District Municipality is very bureaucratic. Decision making processes are complicated and delays are frequent occurrences that affects implementation of plans and impacts negatively on reaching objectives;
• The Calitzdorp Spa is totally funded by Eden District Municipality which mainly focuses on other priorities of service delivery and are not geared towards turning resorts into profitable business units; and
- The management team agreed that Eden District Municipality does not currently realise the importance of its role in the successful development of tourism locally and the associated benefits in terms of job creation, economic and social development of the local communities and the long-term interest of tourism industry itself.

The suppliers

- Calitzdorp Spa relies on the local authority to provide support services like finance, human resource, marketing and operational services at a very high cost;
- Private sector businesses supply the following:
  - Linen service for chalets
  - Beverages for convenience store and bar
  - Foodstuffs for restaurant and store
  - Cleaning materials for chalets and other buildings
  - Pool cleaning accessories
  - General maintenance equipment

- Ordering and purchasing procedures are inadequate and not well planned. No proper systems exist for effective inventory control.

Market intermediaries

- Calitzdorp Spa does not currently employ any independent companies which promote their product offerings to consumers, or act as an intermediate between them and its suppliers; and
- The lack of distribution channels can be regarded as a major drawback in the successful marketing of the resort;

Transportation systems

- Visitors to Calitzdorp must make their own travel arrangements. No other systems of transport are currently in operation;
• The Spa is situated about 22 km from Calitzdorp that forms part of the National Tourist Route 62. No systems in place to re-route visitors from Route 62 to the Spa;
• Accessibility for international tourist that arrive in Cape Town by air is complex and inadequate; and
• Transportation cost of suppliers to the Spa is costly due to unplanned and ineffective purchasing procedures.

Public sector

• The Council and Top Management of Eden District Municipality are acting as the only decision making body for Calitzdorp Spa with little input from employees at middle management and other employees; and
• Exclusion of other important stakeholders (internal and external) in the decision making process has far reaching implications for the future success of the resort.

Marketing services agencies

• No marketing service agencies are involved in the promotion and marketing of the Calitzdorp Spa;
• No market research has been undertaken so possibly take advantage of marketing opportunities or to solve specific marketing problems up till now; and
• Advertising is limited to the website and brochures that are not well distributed.

Competitors

The position of the Calitzdorp Spa in relation to its competitors is considered very negatively by the members of the discussion group due to the factors already mentioned in the previous sections. The market share of the resort is currently very limited, due to the absence of a specific and recognised
competitive advantage, and no particular appeal to selected segments of the market.

c) Resource analysis

The resource analysis done by the participants included tangible and intangible resources, and is as follows:

Financial management:

It is the opinion of the participants that the absence of long term strategic planning and objectives for the resort, complicated sufficient allocation of funding from the local authority to the resort. Furthermore, funding is limited to one source only, and competition for available funds are stiff in view of the fact that the local authority struggles to wipe out backlogs in providing basic services like water and sanitation to the surrounding urban and rural communities.

Eden District Municipality’s current financial system is totally inappropriate for effective financial management of the Calitzdorp Spa. The current financial statements of the resort are not reflective of the actual performance of the resort. There exists the need for a financial program that includes an effective accounting system linked to inventory control, and incorporating the reservation and booking systems for effective control and management. Purchasing systems for stock takes place on an ad hoc basis and are not well planned and executed, resulting in unnecessary expenses.

The labour laws of South Africa recently introduced, with reference to the payment of minimum wages, have impacted negatively on the budget allocation for human resources in that excessive salaries are paid to low skilled workers contributing towards the operating losses reflected in the financial statements.
Eden District Municipality currently charges an exceptional high administrative fee for the delivering of support services in terms of finance, human resource, administrative and auditing services, that impacts negatively on the balance sheet of the resort, and can possibly be obtained elsewhere for a better price.

It was further stated that the financial performance of Calitzdorp Spa is currently considered as the only measure of performance for the resort resulting in a short term approach, totally ignoring long term planning and strategy formulation for future performance.

Human resources

As mentioned previously, labour regulations complicates the recruiting and remuneration of employees resulting in low skilled and unproductive employees. The need of the Spa is in the following areas:

- development of creative recruitment and personnel management practices;
- investing in education and training; and
- the motivation, involvement and innovative rewarding systems of employees.

Intangible resources

The list of intangible resources presented in the summary of Table 4.16, page 91, as identified by the customer survey, can be considered as unique attributes that can be further developed to become core competences of the resort. The value of these unique attributes have not been explored up till now, leaving the resort with offerings currently, that can be matched by any other resort, or similar organisation in the travel and tourism industry.

Physical resources
The overall appearance and condition of the buildings and grounds, caravan sites, ablution facilities, swimming pools and vehicles are not considered satisfactory. No capital funding has been allocated for the upgrading of the abovementioned infrastructure for the last four financial years, resulting in deterioration of resources. The current management of the physical resources are limited to small maintenance operations with no long term planning for upgrading of existing facilities. The financial performance of the resort in the last three financial years impacted negatively on the local authority’s commitment to allocate additional funding towards upgrading and improvements at the resort.

The general condition of the resort overall, has a serious impact on the effective marketability and promotion of the resort as a choice of holiday destination.

**Operations management**

General maintenance programs of the facilities and surrounding areas needed attention; and the booking and reservation systems of the resort needs to be upgraded.

**Competitive advantage**

It was the view of the management team that the performance of Calitzdorp Spa is well below average, and subsequently does not possess exceptional core competences or distinctive capabilities at this point in time to create a competitive advantage. Competence building in this case will be crucial to enable the Spa to build new core competences based on its existing resources and competences. The development of the existing intangible resources together with the existing competences posses the capabilities to produce superior performance that customers will value more highly than those of the competitors.
4.4.4 Section D – SWOT Analysis

The outcome of the SWOT Analysis conducted by the participants is be presented in Table 4.19.

Table 4.19 SWOT Analysis

<table>
<thead>
<tr>
<th>INTERNAL ANALYSIS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strengths</strong></td>
<td><strong>Weaknesses</strong></td>
</tr>
<tr>
<td>▪ Valuable assets in terms of buildings, land and other natural resources</td>
<td>▪ Low on key skills, few core strengths</td>
</tr>
<tr>
<td>▪ Natural hot spring</td>
<td>▪ Weak finances and poor cash flow</td>
</tr>
<tr>
<td>▪ “Klein Karoo” experience</td>
<td>▪ Management and leadership lacking</td>
</tr>
<tr>
<td>▪ Close proximity to major tourist attractions</td>
<td>▪ No vision or mission</td>
</tr>
<tr>
<td>▪ Surrounded by scenic mountain passes</td>
<td>▪ No long term strategic objectives</td>
</tr>
<tr>
<td>▪ Situated close to National Tourist Route 62</td>
<td>▪ Products not differentiated</td>
</tr>
<tr>
<td>▪ Variety of wildlife and bird species</td>
<td>▪ Poor organisational structure</td>
</tr>
<tr>
<td>▪ Presence of fossils in surrounding mountains</td>
<td>▪ Physical resources need upgrading</td>
</tr>
<tr>
<td>▪ Presence of rare succulent species</td>
<td>▪ Transportation systems lacking</td>
</tr>
<tr>
<td>▪ Existing facilities for hiking trails</td>
<td>▪ No commitment to sustainable growth</td>
</tr>
<tr>
<td>▪ Outdoor recreational facilities</td>
<td>▪ Financial system inadequate</td>
</tr>
<tr>
<td>▪ Close to wine routes and wine cellars</td>
<td>▪ Inventory management poor</td>
</tr>
<tr>
<td>▪ Current basic systems in place:</td>
<td>▪ Operational procedures not streamlined</td>
</tr>
<tr>
<td>- Financial system</td>
<td></td>
</tr>
<tr>
<td>- Human Resource system</td>
<td></td>
</tr>
<tr>
<td>- Operations systems</td>
<td></td>
</tr>
<tr>
<td>- Purchasing systems</td>
<td></td>
</tr>
<tr>
<td>- Marketing system</td>
<td></td>
</tr>
<tr>
<td>▪ Website facilities</td>
<td></td>
</tr>
<tr>
<td>▪ Low skilled, low productivity</td>
<td></td>
</tr>
<tr>
<td>▪ Limited training opportunities</td>
<td></td>
</tr>
<tr>
<td>▪ No incentive schemes</td>
<td></td>
</tr>
<tr>
<td>Strengths</td>
<td>Weaknesses</td>
</tr>
<tr>
<td>----------</td>
<td>------------</td>
</tr>
<tr>
<td></td>
<td>- Labour Laws impact negatively on HR management</td>
</tr>
<tr>
<td></td>
<td>▪ Customer focus lacking in terms of:</td>
</tr>
<tr>
<td></td>
<td>- Customer acquisition</td>
</tr>
<tr>
<td></td>
<td>- Customer retention</td>
</tr>
<tr>
<td></td>
<td>- Customer satisfaction</td>
</tr>
<tr>
<td></td>
<td>▪ Absence of all stakeholders in decision making processes</td>
</tr>
<tr>
<td></td>
<td>▪ Safety concerns of consumers</td>
</tr>
<tr>
<td></td>
<td>▪ Lack of demand forecasting</td>
</tr>
<tr>
<td></td>
<td>▪ Absence of market research</td>
</tr>
</tbody>
</table>

### EXTERNAL ANALYSIS

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 Diversification opportunities</td>
<td>19 Change in political and economic environment</td>
</tr>
<tr>
<td>6 Market growth</td>
<td>20 Technological threats</td>
</tr>
<tr>
<td>7 Partnership opportunities</td>
<td>21 Increased pressure from customers and suppliers</td>
</tr>
<tr>
<td>8 Economic upturn</td>
<td>22 Environmental impacts of activities</td>
</tr>
<tr>
<td>9 International growth</td>
<td>23 New destinations</td>
</tr>
<tr>
<td>10 New markets and segments</td>
<td>24 Increased competition in market</td>
</tr>
<tr>
<td>11 New products</td>
<td>25 Economic cycle downturn</td>
</tr>
<tr>
<td>12 Demographic and social change</td>
<td>26 Security and safety concerns</td>
</tr>
<tr>
<td>13 Social and economic development of rural communities</td>
<td>27 Seasonal market and perceived inhospitable winter climate</td>
</tr>
<tr>
<td>14 Promoting and expanding our cultural assets and experiences</td>
<td>28 Limited funding opportunities</td>
</tr>
<tr>
<td>15 Developing our conservation assets to the advantage of tourism</td>
<td>29 Substitutes</td>
</tr>
<tr>
<td>16 Greater involvement of other (supportive) sectors of the economy</td>
<td>30 Low market growth</td>
</tr>
<tr>
<td>17 Sustainable environmental practices</td>
<td></td>
</tr>
<tr>
<td>18 Increase market share</td>
<td></td>
</tr>
</tbody>
</table>

4.4.5 Section E – Strategic Choices/Strategic Alternatives

The participants agreed that there is a definite need for identifying the appropriate strategic alternatives based on a comprehensive strategic
analysis of the resort to enable management to make the right strategic choices as follows:

a) Various opportunities for change exist in the internal and external environment of the resort as identified in the previous sections;
b) Ineffective and unproductive product offerings and services must be addressed through clear objectives and strategic direction;
c) In the case of Calitzdorp Spa, resources, skills and organisational processes need to be developed first to attain a sustainable competitive advantage;
d) Considering the current financial situation of the Spa, a combination of retrenchment and turnaround strategies are needed to successfully address the performance decline of the resort;
e) Cost-reduction strategies can also be implemented in various areas to cut expenditure:

- implementing of an appropriate financial system.
- tightening of financial controls.
- effective inventory control.
- changing of price structures relating to season and off-season times.
- control of labour costs, possible downsizing of staff.
- increase productivity of staff.
- training of staff and establishing incentive schemes to reward performance.
- streamlining operational procedures (housekeeping and maintenance).
- introduce recreational activities that can generate revenue;

f) Asset-reduction in terms of divestment should be considered in terms of certain sections of the resort, namely the restaurant and also the possible sale of agriculture land adjacent to the resort;
g) Internal growth strategies proposed are:

- market development as part of the growth strategies, can be used successfully by the resort by adding channels of distribution to existing products and improving advertising and promotional activities;
product development also present a challenge for the resort by changing the existing products and creating new products based on the changing needs of the customers;

building on current products through consolidation and market penetration; and

diversification of products

h) External growth strategies that can be implemented in the case of Calitzdorp, is the forming of public-private partnerships (concerning transportation options, retail and entertainment facilities) management contracts; and leasing of sections of the resort on a long-term basis;

i ) Profitability of the resort can be increased through:

changing price structures (season and off-season).

re-focusing: (product differentiation, segmentation of markets, creating competitive advantage through innovation)

new product development.

effective marketing and promotional activities; and

the group emphasised the involvement all stakeholders in the planning and implementation of any changes planned for the resort.

4.4.6 Section F: Strategic implementation

Strategic implementation is the final component of the strategic management process and according to the participants involves the following important issues:

a) The suggestion of the group is that the resort should be managed as a project, based on sound project management principles taking into account the unique character of the resort and also including the fast changing environment of the industry;

b) The personality and charisma of the manager and his/her ability to sell the new ideas to the employees, will affect the timing and speed of changes to be implemented;
c) Communication of new definitions, roles and responsibilities to staff in a planned manner is important for success;

d) The management team must create a climate of change throughout the resort where change is regarded positively;

e) Change must be preceded by honest and meaningful communication to employees and sound decision making practices;

f) Aligning of resources, processes and people must take place to ensure successful implementation of change;

g) Culture and structure of resort must be addressed for changes to take place; and

h) Establish appropriate control systems to measure performance at all levels of the resort on a constant basis in relation to objectives set.

4.4.7 Section G: General comments and suggestions

The participants agreed that all relevant information of the Calitzdorp Spa were covered in the previous sections.

4.5 SUMMARY

The purpose of this chapter was to discuss the results obtained from the questionnaire, telephone interviews and focus group interviewing to enable the researcher to develop suitable turnaround strategies for Calitzdorp Spa based on the results.

The questionnaire was aimed at measuring customer satisfaction at the Calitzdorp Spa, and secondly the telephone interviews conducted with travel operators and travel agents, focused on the current marketing position and strategies of the resort. Lastly, the management team of Eden District Municipality were requested to conduct a analysis of the management practices of the Calitzdorp Spa using focus group interviewing.
Although a vast amount of information was obtained through employing various methods and targeting different groups, many similarities were found in analysing the relevant information.

The information gained by the empirical investigation will be used in the following chapter to develop appropriate turnaround strategies for Calitzdorp Spa resort, based on the proposed model for the strategic management of a tourism resort.
CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

This chapter will provide an overview of the conclusions of the study in relation to the main problem and sub-problems posed. Recommendations based on these conclusions will be proposed that could result in improving the overall performance of Calitzdorp Spa in particular, but could also be applied to other resorts managed by the Eden District Municipality or similar resorts in the Western Province and elsewhere in South Africa.

Suggestions will finally be made for future research that can contribute towards enhancing the competitiveness of the Calitzdorp Spa, other resorts of Eden and similar resorts to firmly establish themselves as a destination of choice to local and international tourists.

5.2 CHAPTER SUMMARIES

Chapter 1 introduced the background to the study and highlighted the importance of research, namely that the performance decline of the Calitzdorp Spa needed to be “turned around” or its very survival is in jeopardy. The main problem, that is, the development of turnaround strategies for the Calitzdorp Spa resort was presented and core definitions were identified in order to ensure clarity and consistency throughout the research paper.

Chapter 2 discussed the special characteristics of service products and tourism-specific features of the travel and tourism industry in relation to the strategic management of a resort. The unique features of resort management were highlighted and how it impacts on the development of a proposed strategic model for a tourism resort.
Several models of strategic management were explored and the differences highlighted. Finally a proposed model for the strategic management of a tourism resort was proposed and the different components discussed.

Chapter 3 detailed the research methodology followed in order to solve the sub-problems. The methodology included a questionnaire distributed to customers at the Calitzdorp Spa to measure customer satisfaction, telephone interviews with travel operators and travel agents to establish the current marketing position and strategies of the resort, and focus group interviewing to evaluate the management strategies of the resort.

Chapter 4 reported and analysed the data obtained from the questionnaire, telephone interviews and the focus group interviewing. The findings were presented in various forms, namely tables (Tables 4.1 to 4.19), summaries and discussions.

5.3 ADDRESSING THE RESEARCH PROBLEM

The purpose of the study was to address the following main problem:

*How can turnaround strategies be developed at the Calitzdorp Spa resort that will ensure future success for the resort?*

In attempting to solve the above problem, the following sub-problems were posed:

5.3.1 What does the literature regard as an ideal approach for managing a tourism resort?

From the literature review it was clear that there is no one perfect strategic planning model for a specific organisation. Each organisation ends up developing its own nature and model of strategic planning, often by selecting a model and modifying it as they go along in developing their own planning process.
It can be argued that in recent years informed observers increasingly challenged the use of traditional management models as an aid to strategic decision making, and questioned their overall effectiveness in a fast changing environment and whether they contribute towards establishing a competitive advantage for the organisation in the long-term.

The inappropriateness of the traditional management model for the tourism industry and specifically for resorts, is that the model fails to explain all that happens in practice. In the tourism industry emergent strategies can sometimes be more successful than intended strategies and should be recognised and managed properly. Traditional models of management do not allow for incorporating emergent strategies successfully.

The tourism industry is undergoing rapid and radical change, mainly because of factors like new technology, more experienced consumers, global economic restructuring and environmental limits to growth.

Taking into consideration the radical and rapid changes taking place in the tourism industry itself, the special nature and features of travel and tourism products and the unique characteristics of resorts, the following strategic management model for a tourism resort was proposed as depicted in Figure 5.1.
The model comprises of the following components and are described as follows:

1] Mission, objectives and stakeholders:

The mission, according to this model is considered the starting point for the planning process of the resort and enables the resort to set objectives, to develop strategies and to concentrate its resources involving all the relevant internal and external stakeholders. The mission sets out why the resort exists and what it should be doing. The objectives specify what the resort hopes to fulfil in the medium to long term.
2] Strategic position

This component is based on the fact that if the resort understands the nature of its market and it is generally aware of, and responsive to, changes in the environment as a whole, it can be a successful competitor and achieve profit and growth. Therefore, the current strategies should be assessed, and future targets determined through the processes of situation assessment, situational and SWOT analysis.

3] Strategic choice

Strategic choice in this model is concerned with establishing what course of strategic actions are available to the resort based on the information gathered from the strategic analysis in the previous component. This involves determining the strategic direction of the resort, implementing strategic methods, and increasing market share by identifying competitive strategies. This model also allows for the fact that whilst strategic choice decisions are important for determining future courses of action, other strategic changes may emerge from a more gradual process of trial and error.

4] Strategic implementation

According to this model a strategy is only useful when it has been implemented, and therefore the resort must have an appropriate structure, clear and contributory functional strategies and systems which will ensure future success. Strategic implementation also involves changes and this component focuses on how the resort manages these change processes and determines appropriate control and evaluation systems.

The model regards the strategic management process as a dynamic system. In terms of a tourism resort, the components of strategic management are interlinked and are constantly changing depending on the condition in the internal and external environment.
The construction of this model for a tourism resort with its two-way linkages between the components, have been designed to incorporate the different aspects of travel and tourism industry, namely the characteristics of service products and other tourism-specific factors as discussed in the sections 2.2.1 and 2.2.2. The impact of tourism on the environment and the effects of external shocks on the tourism resort can quite effectively be accommodated in this model. The model also allows for the special characteristics of a tourism resort that is unique to this type of industry.

Although the elements of the basic strategic management model remained the same, the interrelationship between the different elements has changed. All the arrows in the model point two ways, suggesting that the flow of information usually is reciprocal, meaning that a change in one component of the model can affect other components and visa versa. It is important to notice that all the components in the model are linked to a continuous monitoring and evaluation system to constantly align the different components with the mission and strategic objectives of the organisation as demonstrated in Figure 5.1.

Finally the proposed model for the strategic management of a tourism resort is hopefully not only applicable to the Calitzdorp Spa resort, but can be successfully applied to strategically manage other resorts of the Eden District Municipality and also other resorts in the Province and elsewhere in the country.

5.3.2 Where does the Calitzdorp Spa need to improve?

In this section the findings and research conclusions will be discussed using the proposed strategic model for a tourism resort as demonstrated in Figure 5.1, covering the components of mission, objectives and stakeholders and the strategic position of the resort.
1] Mission, objectives and stakeholders

Although the literature review stressed the importance of establishing a mission statement, setting of objectives and involving all relevant stakeholders, the empirical investigation conducted with the management team of Eden clearly revealed the lack of a mission statement and long term objectives for the Calitzdorp Spa. The team also expressed their concern for the lack of involvement of all relevant stakeholders in strategic decision making processes, treating planning as an exclusive top management function, ignoring the contribution of any other parties concerned.

2] Strategic position

According to the literature review, determining the strategic position of the resort involved the examination of the internal and external environment with the purpose of gathering relevant and adequate information to ensure the successful implementation of future strategies for the resort.

The major weaknesses and threats facing the resort were highlighted by the empirical investigation conducted and will be discussed in the following section.

Most of the respondents and participants identified the lack of strategic direction and clear objectives, quality and availability of product offerings, lack of competence identification, poor financial performance, lack of sufficient resources together with the ineffective utilisation of resources as critical for future performance of the resort.

The customer survey regarded the following factors as impacting negatively on customer satisfaction:

- the lack of adequate facilities;
- the quality and level of service delivery;
- the lack of transport opportunities and infrastructure; and
the absence of effective marketing and promotional activities.

The telephone interviews with travel operators and agents supported the previous findings and also indicated the following factors impacting on the strategic positioning of the resort:

- segmentation of markets and market positioning ineffective;
- prices of products don’t meet expectations of customers;
- weak positioning of resort against competitors;
- product quality not acceptable;
- concerns about safety and security of tourists; and
- distribution channels limited.

The findings of the focus group interviewing session with the management team mainly identified the poor financial performance as a major threat to the future existence of the resort and adding the following:

- lack of strategic direction and clear objectives;
- lack of sufficient funding;
- current financial system inappropriate for effective control;
- human resources low-skilled and unproductive; and
- operational procedures and systems need attention.

The management team also identified important factors in the macro-, and micro-environment of the resort that can enhance future planning and implementation of strategies.

- socio-demographic changes in population locally and internationally;
- using new technological advances to enhance the competitiveness of the resort;
- fluctuations in economic conditions to be monitored carefully;
- increased awareness of environmental impact of tourism worldwide;
- safety and health concerns;
- take notice of political changes and influences locally, regionally and globally; and
- the inability of the local authority to accept their responsibility in promoting local tourism.

All the participants and respondents agreed that the unique attributes of the Calitzdorp Spa could be regarded as major strengths and present opportunities for the design of successful future strategies for the resort.

An evaluation of the findings of the empirical investigation, however, indicated that the mere existence of unique attributes were not enough to produce a satisfying holiday experience. All the components of the destination mix, namely attractions, accessibility, facilities and image must be present to provide customer satisfaction. The interdependence of these four components were supported by the literature review conducted in this study by stating that an attraction can rely heavily on accessibility, its image as well as the facilities that support it.

The unique attributes of Calitzdorp Spa as identified by the empirical investigation, comprised mainly of natural attractions that included the natural hot spring, scenic beauty, wild life experiences and climate. Although these attributes were identified as the most important attractions of the resort, they need to be further developed to enable the resort to perform at a level required for success.

5.3.3 How can the problems identified in sub-problem two be effectively addressed through turnaround strategies to ensure future success?

The findings and research conclusions in the following section are based on the proposed model for a tourism resort concerning mainly the components of strategic choices and strategic implementation.
Strategic choice

The findings of the empirical investigation indicated that remedial action was required in the case of Calitzdorp Spa to stop the performance decline. It was agreed that in such circumstances efforts should be concentrated on those activities and areas in which the company have distinctive competences. The assumption adopted by the management team was that the resort could survive.

An evaluation of the findings of the empirical investigation based on the situation assessment, situational analysis and financial statements indicated that in order to improve efficiency of the Calitzdorp Spa, three aspects are involved, either individually or in combination:

- cost reduction;
- asset reduction; and
- revenue-generating strategies.

The aim of the abovementioned strategies according to the findings was to reduce the scale of operations to a position where the resort has a solid, consolidated and competitive base. The key issue in the case of the resort concerned how much reduction is needed, whether it is minor or drastic, and how quickly management must act to ensure survival of the resort.

The proposed model for the Turnaround process of a tourism resort could be used to effectively address the performance decline of Calitzdorp Spa through implementing turnaround strategies as demonstrated in Figure 5.2.

The findings of the empirical investigation regarded the severity situation of the resort as high based on the financial statements, the situation assessment and situational analysis conducted by the management team of the Eden, and immediate action is thus needed.
The primary objective of the retrenchment phase as indicated in the Figure 5.2, and supported by the literature review, is to stabilise operations, replenish or revitalise organisational resources and capabilities, and prepare the resort to compete once again.
Figure 5.2  A Model of the Turnaround Process

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<thead>
<tr>
<th>Turnaround situation</th>
<th>Turnaround response</th>
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<td><strong>Cause</strong></td>
<td><strong>Severity</strong></td>
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<td>Internal factors</td>
<td>Declining Sales or margins</td>
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<td>Low</td>
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<td>High</td>
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<td>Imminent bankruptcy</td>
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<td>Cost Reduction</td>
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<td>Stability</td>
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<td>Efficiency Maintenance</td>
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<td>Recovery</td>
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</table>

The empirical investigation further indicated that the key to successful turnaround strategies for the Calitzdorp Spa resort are based on the effective and efficient management of the retrenchment process. The retrenchment process mainly comprises of three strategies, namely:

1] Cost-reduction strategies suggested for the Calitzdorp Spa includes:

- implementing of an appropriate financial system.
- tightening of financial controls.
- effective inventory control.
- ordering and purchasing procedures from suppliers need to be addressed.
- control of labour costs, possible downsizing of staff.
- increased productivity of staff to be addressed;
- empowering of frontline staff and establishing incentive schemes to reward performance.
- streamlining operational procedures (housekeeping and maintenance).

2] Asset-reduction in terms of divestment should be considered in terms of certain sections of the resort, namely the restaurant and also the possible sale of agriculture land adjacent to the resort; and

3] Revenue-generating strategies can be introduced by implementing the following:

- changing price structures (season and off-season);
- re-focusing: (product differentiation, segmentation of markets, creating competitive advantage through innovation);
- introduction of new product offerings; and
- implementation of effective marketing and promotional activities.

The turnaround situation of the Calitzdorp Spa are mainly been associated with the second phase of the turnaround process, the recovery response.
According to the literature review, firms that declined primarily as a result of external problems, turnaround most often has been achieved through creative new entrepreneurial strategies. For firms that declined primarily as a result of internal problems, turnaround has been most frequently achieved through efficiency strategies.

In the case of Calitzdorp Spa, as indicated by the empirical investigation, a combination of both entrepreneurial and efficiency strategies seems necessary:

i] Efficiency strategies (internal growth) can include the following:

- market development as part of the growth strategies, can be used successfully by the resort by adding channels of distribution to existing products and improving advertising and promotional activities;
- product development also present a challenge for the resort by changing the existing products and creating new products based on the changing needs of the customers;
- building on current products through consolidation and market penetration; and
- diversification of products.

ii] Entrepreneurial strategies (external growth) suggested by the management team are as follows:

- the forming of public-private partnerships (concerning transportation options, retail and entertainment facilities)
- considering to manage certain less profitable sections by management contracts; and.
- leasing of sections of the resort on a long-term basis to private investors.
Strategic implementation

In terms of strategic implementation of the new turnaround strategies, the following aspects had been highlighted by the management team and supported by the literature review:

- Communication of new definitions, roles and responsibilities to staff in a planned manner is important for success;
- The management team must create a climate of change throughout the resort where change is regarded positively;
- Change must be preceded by honest and meaningful communication to employees and sound decision making practices;
- Aligning of resources, processes and people must take place to ensure successful implementation of change;
- Culture and structure of resort must be addressed for changes to take place; and
- Establish appropriate control systems to measure performance at all levels of the resort on a constant basis in relation to objectives set.

5.4 RECOMMENDATIONS

Based on the information obtained in the literature study and the results of the empirical survey, certain recommendations can be made to the Eden District Municipality regarding turnaround strategies for Calitzdorp Spa to stop the performance decline and put it back firmly on the road of recovery.

Recommendations will be based on the model for the Turnaround process of a tourism resort depicted in Figure 5.2.

The turnaround model for a tourism resort emphasises the importance of establishing the cause of performance decline. In the case of Calitzdorp Spa resort, the empirical investigation identified various factors that contributed towards the performance decline of the resort as portrayed in the findings of the customer survey, telephone interviews and the focus group interviewing.
The importance of properly assessing the cause of the turnaround situation at Calitzdorp Spa resort for management was to focus on recovery strategies based on the information gained.

It is quite eminent from the abovementioned information supplied, that the performance decline of the resort is the result of years of gradual slowdown as proved by the financial statements presented in this case.

It is clear that the situation at the Calitzdorp Spa resort presented a declining performance of sufficient magnitude to warrant explicit turnaround actions.

The severity of the situation as proved by the empirical investigation and the financial statements, should in this case govern the speed with which the retrenchment response should be formulated and activated. The first stage then should involve an emergency plan to halt the resort’s financial haemorrhaging and a stabilisation plan to streamline and improve core operations.

In the case of Calitzdorp Spa resort the severity of the situation can be regarded as high and cost-reduction must be supplemented by drastic asset-reduction measures or bankruptcy is imminent. Various strategic options for cost-reduction and asset-reduction had been discussed in the previous sections.

Management should be cautious in planning cost-reduction strategies for the resort, and should avoid severely cutting costs in those critical areas the resort feels it needs in order to retain or exploit a competitive advantage.

Cost-cutting should be approached from the angle of across-the-board cuts and implemented in all areas of the resort, and especially in a turnaround situation, the cuts should be more extensive and comprehensive – that is, wide and deep.
It is important for management to evaluate the resort in terms of waste, redundancies, or inefficiencies in work tasks and activities that could be eliminated. They will also have to identify certain resources that could be eliminated or used more efficiently.

Part of the cost cutting efforts at the resort might involve labour costs because of the huge financial implications it has on the performance of the resort. Although downsizing can be a quick way to pare costs, simply cutting the number of employees without some type of strategic analysis of where employee cuts might be most beneficial, is dangerous. In order to maintain strategic competitiveness for the eventual emergence of the resort from turnaround, it is important that downsizing be done for the right reasons.

In the case of Calitzdorp Spa opportunities exist to reduce labour costs and improve productivity, but if the reductions are too harsh there can be a real threat to the quality of both the product and the overall service offered to the customer. Opportunities recommended in the case of Calitzdorp Spa would be to examine working patterns and attempt to manage overtime, part-time arrangements and extra shifts both to meet demand and contain costs, and to cut on non-essential staff.

In terms of asset-reduction, management should explore various options to improve cash flow and stabilise the financial situation of the resort. Closing the restaurant could produce considerable savings and prevent further losses as statements indicated that it was not a profitable unit.

In the case of external divestment, the sale of agricultural land adjacent to the resort that is not essential to the core activities of the resort, should be further investigated. The purpose is mainly to generate the needed funds to upgrade the existing facilities and infrastructure of the resort as indicated by the findings of the empirical investigation.

The recovery phase forms the last part of the Model for the Turnaround process of a tourism resort. It must be emphasised that the recovery phase of
the turnaround process is likely to be more successful in accomplishing turnaround when it is preceded by planned retrenchment that results in the achievement of near-term financial stabilisation.

The performance decline of Calitzdorp Spa had been the result of both external and internal problems identified and the recovery phase should include a combination of creative new entrepreneurial and efficiency strategies, discussed in the previous section. Management must realise that strategic actions typically aren't used one at a time and by themselves. Instead, it is often necessary for the organisation to use some combination of these alternatives as it struggles to regain or develop sustainable competitive advantage.

In terms of planning and implementation of efficiency strategies the management of Calitzdorp Spa should strive to put customers first and increase customer satisfaction; to retain existing customers, and to acquire and attract new customers from competition.

Increasing customer satisfaction can be achieved by recognising the valuable inputs of customers through regular customer surveys, benchmarking of practices and systems against competitors, and considering the implementation of suggestions from customers regarding improvements and enhancement of their overall experience at the resort. Retaining of existing customers can be increased through price incentives for increased use, extending current product offerings, and improving the quality and level of service delivery. New customers can be attracted through increased promotional efforts, initiating price cuts, establishing sharper brand differentiation and advertising new uses for existing products or adding new product offerings.

Market development of the Calitzdorp Spa can be addressed through effective strategies that can result in the opening of additional geographic markets through regional, national and international expansion and marketing efforts.
Attracting new market segments should be considered a priority for the management of the Calitzdorp Spa resort, and this can be achieved through the development of product versions that will appeal to other segments of the population, entering into other channels of distribution and more focused advertising activities and campaigns.

Product development is crucial for the enhancement of the overall performance of the Calitzdorp Spa resort. Existing product offerings needed to be adapted and changed to appeal to the target markets. New products need to be developed and additional products added.

The most important trends of “new tourism” impacting on the Calitzdorp Spa are mainly new consumers, new types of offerings and new technology. The new consumers are looking for a total tourism experience – to have new experiences, interact with the community and learn about the destination. Following the needs of new tourists are new offerings that include eco-tourism, cultural and adventure tourism that need to be incorporated in new product offerings of the resort. The resort cannot escape the impacts of new developments in technology and will have to make the necessary adjustments to survive.

In terms of diversification of product offerings, adding of a “spa” component with a health and beauty focus is an innovative option that can present the resort with valuable opportunities for market growth, increased revenue generation and gaining competitive advantage.

External growth or entrepreneurial activities can include forming public-private partnerships pertaining to the improvement of transport options, car hire services and the upgrading of the internal infrastructure at the resort.

The recreational, entertainment and sport facilities can be managed as joint ventures by private investors in conjunction with the resort to improve the quality and availability of the facilities offered to the customers. This can
include for example activities like mountain biking, quad biking, horse riding, walking trails and adventure activities, and a mashy golf course.

The restaurant can also be offered to private enterprise on the basis of a management contract for a medium to long-term period, thereby ensuring that all the needs of the customers are met and enhancing the overall experience of the customer at the resort.

Innovative ideas and strategies that can be considered by management to improve the overall performance of the resort, include the promotion of Calitzdorp Spa resort as a venue of choice for conferences, meetings and special events. Events can include sports meetings, festivals, business and community events, as well as political meetings and occasions. This can not only promote income generation of the resort, but can act as a powerful marketing strategy to attract customers to the resort.

Lastly, in terms of external growth options and income generation, certain sections of the resort, including a section of the chalets, recreational facilities and day visitors area, could be leased to interested private investors for periods ten to fifteen years. In this case the assets remain the property of the Calitzdorp Spa resort and the advantages gained through this option, is the upgrading of existing facilities, income generation and improvement of the general appearance and condition of facilities and infrastructure overall.

In conclusion, it is important to notice that the public sector, and in this case the local authority, has a key role to play in the successful development of tourism in a particular locality. Public sector intervention is necessary to ensure that the associated benefits of tourism are maximised and any potential problems are minimised for the benefit of the economy, society and environment, as well as for the long-term interest of the tourism industry itself.

Time in the case of Calitzdorp Spa is limited, and proposed changes will have to be implemented quickly. It is important to realise for change to be effective, the support and co-operation of managers and other employees will be
essential, and therefore the changes need to be managed properly to ensure the recovery of the Calitzdorp Spa resort.

5.5 SUGGESTIONS FOR FUTURE RESEARCH

Based on the results of this study, the following suggestions are put forward for consideration regarding future research relating to travel and tourism organisations and resorts in particular:

- The need for consistency in terminology regarding turnaround strategies.
- An investigation regarding the need for more specific and objective operationalizations of turnaround situations and turnaround success.
- The need to empirically assess the presumption that the cause of the downturn should determine the turnaround response.
- A critical analysis of the stages in the turnaround process.

5.6 CONCLUDING COMMENTS

The Calitzdorp Spa is currently in a situation of financial distress and needs to be “turned around” or its very survival is in jeopardy. To be able to plan turnaround strategies for the resort it was essential to establish the cause of the turnaround situation.

A model for the development of strategic management of a tourism resort had been proposed to establish the cause of the performance decline of the resort. This study has identified several causes of performance decline of the resort by means of a literature survey and an empirical investigation by means of a questionnaire, telephone interviews and focus group interviewing.

A model for the Turnaround Process of a tourism resort was used to guide the strategies planned for the successful turnaround and recovery of the resort.
Both these models can possibly be applied successfully to other resorts managed by the Eden District Municipality and also similar resorts in the Western Province and elsewhere in South Africa.
REFERENCE LIST


ANNEXURE A

SURVEY ON CUSTOMER SATISFACTION AT CALITZDORP SPA

The Management of the Calitzdorp Spa is currently conducting a study with the following objectives:

- to analyse the current situation at the Calitzdorp Spa relating to customer satisfaction and overall experience;
- to identify the specific areas where the customer experience needs to be improved; and
- to develop strategies to effectively address the problem areas and increase customer satisfaction and enhance the overall experience of the customer at the resort.

As a visitor to the Calitzdorp Spa we need your assistance in completing the questionnaire that will enable us to improve the overall customer experience. The success of this project lies in the degree of cooperation by all the visitors to the Spa, and you are encouraged to take part.

The questionnaire is very easy to understand and will take you approximately 10 minutes to complete. After the completion of the questionnaire it can be placed in the box called “Calitzdorp survey” at the reception desk or at the gate before leaving.

Should you have any queries concerning the above, or want to make additional comments, please feel free to contact the researcher or any staff at the Calitzdorp Spa.

Thanking you for your cooperation.

Researcher: Trix Holtzhausen
Phone/ Cell: 044 803 1525/ 0836335815
E-mail: trix@edendm.co.za

B HOLTZHAUSEN
ANNEXURE B

CUSTOMER SURVEY – CALITZDORP SPA

INSTRUCTIONS: PLEASE MARK THE APPROPRIATE BLOCK WITH X

SECTION A: GENERAL INFORMATION

1. Sex

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2. Age

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3. Family life cycle

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<td>COUPLE WITH CHILDREN</td>
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<td>SINGLE PARENT WITH CHILDREN</td>
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4. Language Preference:

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5. Race

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6. Province of origin/Country

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<td>FREE STATE</td>
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<td>NORTHERN CAPE</td>
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7. Income group/per month

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<td>R 5 000 - R 10 000</td>
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<td>R 10 000 - R 20 000</td>
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<td>R 20 000 - R 30 000</td>
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<td>R 30 000 AND MORE</td>
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8. Number of visits to the Spa

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9. Type of accommodation requested

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<tr>
<td>CARAVAN/CAMPING</td>
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<td>CHALETS</td>
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10. Sources of information about the Spa

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<th>Source of Information</th>
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<tr>
<td>&quot;WORD OF MOUTH&quot;</td>
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<tr>
<td>BROCHURE OF CALITZDORP SPA</td>
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<tr>
<td>INTERNET</td>
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<td>TRAVEL OPERATORS/TRAVEL AGENTS</td>
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<td>ADVERTS (TRAVEL MAGAZINES)</td>
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<td>TOURISM BUREAU</td>
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<tr>
<td>ARTICLES PUBLISHED</td>
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IN YOUR OPINION, HOW DID YOU EXPERIENCE THE FOLLOWING?

SECTION B: THE ATTRACTIVENESS OF THE RESORT

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<tr>
<th>INDICATORS OF CUSTOMER SATISFACTION</th>
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<td>B. 1 THE NATURAL HOT SPRING</td>
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<td>B. 2 SCENIC BEAUTY</td>
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<td>B. 4 RECREATIONAL FACILITIES</td>
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<td>B. 6 ENTERTAINMENT</td>
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<td>B. 7 WILDLIFE EXPERIENCES</td>
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<td>B. 8 ACCOMMODATION</td>
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<td>B. 9 CLOSE PROXIMITY TO MAJOR TOURIST ATTRACTIONS IN AREA</td>
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<td>B. 10 SAFETY AND SECURITY AT RESORT</td>
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## SECTION C: FACILITIES AVAILABLE AT RESORT

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<tr>
<td><strong>C. 1  LAYOUT AND DESIGN OF RESORT</strong></td>
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<td><strong>C. 2  RANGE OF ACCOMMODATION OPTIONS AVAILABLE</strong></td>
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<td><strong>C. 3  BOOKING SERVICES/ RESERVATIONS</strong></td>
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<td><strong>C. 4  QUALITY AND GENERAL CONDITION OF ACCOMMODATION:</strong></td>
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<td>▪ CHALETS</td>
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<td>▪ CAMPING FACILITIES/CARAVAN</td>
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<td>▪ ABLUTION FACILITIES</td>
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<td><strong>C. 5  SWIMMING POOLS:</strong></td>
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<td>▪ HEATED POOLS</td>
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<td>▪ COLD WATER POOLS</td>
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<td><strong>C. 6  RESTAURANT FACILITIES</strong></td>
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<td><strong>C. 7  RETAIL OUTLETS</strong></td>
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<td><strong>C. 8  RECREATIONAL FACILITIES</strong></td>
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<td><strong>C. 9  ENTERTAINMENT/ACTIVITY PROGRAMS</strong></td>
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<td><strong>C. 10  SUPPORT SERVICES: HOUSEKEEPING AND GENERAL MAINTENANCE</strong></td>
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<td><strong>C. 11  RECEPTION/CHECK-OUT SERVICES</strong></td>
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<td><strong>C. 12  CONFERENCE FACILITIES</strong></td>
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SECTION D: ACCESSIBILITY OF RESORT

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<td>D. 1 ACCESSIBILITY OF RESORT FOR LOCAL AND INTERNATIONAL VISITORS</td>
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### SECTION E: IMAGE OF THE RESORT

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<td><strong>E. 2</strong> FRIENDLINESS AND POLITENESS OF STAFF</td>
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<td><strong>E. 9</strong> COMFORTABLE AND ATTRACTION SURROUNDINGS</td>
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<td><strong>E. 15</strong> ATTRACTIVE MARKETING AND PROMOTIONAL MATERIALS</td>
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SURVEY TO IDENTIFY AND ANALISE THE CURRENT SITUATION AT CALITZDORP SPA THAT WILL DETERMINE FUTURE MANAGEMENT STRATEGIES FOR THE SPA

The Calitzdorp Spa Resort is currently conducting a study with the following objectives:

- to analyse the current situation at the Calitzdorp Spa, with special reference to the financial performance of the resort;
- to identify the specific areas that need improvement; and to
- develop appropriate management strategies for future implementation, to effectively address the existing problems at the resort.

As a member of the management team of Eden District Municipality, your valuable insights can assist in achieving the study objectives. We would greatly appreciate if you could spend some time answering the questions and take part in the discussion session scheduled to find possible solutions and to suggest strategic options for Calitzdorp Spa, based on the information gathered from the questionnaire, financial statements, and incorporating the findings from the customer survey.

The discussion session will take place at the Calitzdorp Spa on a date agreed by all members. The group will consist of the researcher who will facilitate the session and members of the management team of Eden. The session will last for approximately three hours and active participation of all members is encouraged. The survey will be distributed to the different members well in advance of the planned session to enable them to prepare for the discussion.

The advantage of this research lies in the fact that not only can the results be used to develop strategies for effective management of Calitzdorp Spa, but can be applied to the other resorts being managed by the Eden District Municipality.
A copy of the final report will be sent to all the participants of the management team of Eden with our grateful acknowledgement.

Should you have any queries concerning the above, please feel free to contact the writer of this letter.

RESEARCHER: Trix Holtzhausen
Phone: 044 803 1525
Cell: 083 633 5815
Fax no: 044 871 0041
E-Mail: trix@edendm.co.za

Thanking you for your cooperation

Trix Holtzhausen
ANNEXURE D

MANAGEMENT SURVEY AND DISCUSSION SESSION ON CURRENT
SITUATION AT CALITZDORP SPA RELATING TO FUTURE
MANAGEMENT STRATEGIES

SECTION A: GENERAL INFORMATION

1. Position of participant at Eden ...........................................

2. How long have you been in the current position?......................

3. Are you directly or indirectly involved in the management of the
   Calitzdorp Spa?..................................................................

SECTION B: SITUATION ASSESSMENT

WHERE ARE WE GOING?

- What strategies are we pursuing?
- What objectives are we seeking to achieve?
- What is our fundamental mission as a resort?
- Are all the relevant stakeholders involved?

HOW ARE WE DOING?

- Are we implementing the strategies we decided to pursue?
- If so, what are we learning?
- If not, why not?
- How successful is the implementation?
- Where are we experiencing difficulties?
- What are our levels of success?
- How do these compare with our targets and objectives?
- What are our financial results?
• How do these compare:
  o with our budgets?
  o with the last few years of performance?
  o with our competitors?
  o with our industry average?
• Do we need to change?
• What will happen if we carry on as before?

SECTION C: SITUATION ANALYSIS

WHERE AND WHY ARE WE DOING WELL OR BADLY?

• What is the nature of our industry?
• How good a competitor are we?
• What are our key success factors?
• What are our competitors doing? Planning?
• What is happening on our supply side?
• Should we change any of our suppliers?
• What is happening in our distribution channels?
• Do any general political, social, economical, technological and ecological changes provide us with new opportunities, threats?
• Are we properly aware of the changes in our environment?
• Are we doing enough about it?
• Do we really appreciate the nature of competition in our markets?

DO OUR RESOURCES MATCH UP WELL?

• Financial management
• Operations Management
• Research and development
• Human resources management
• Marketing management
• Management of intangible resources
• Information management
WHERE IS OUR COMPETITIVE ADVANTAGE?

- Is it sustainable, and appropriate for the future?
- If not, what should we be doing about it?

SECTION D: SWOT ANALYSIS

- What are our opportunities and threats?
- What are our strengths and weaknesses?

GIVEN THE SWOT ANALYSIS, WHERE DO WE WANT TO GO?

- What type of organisation/resort do we want to be?
- How fast do we want to change things?
- How big a gap exists between where we are and where we want to go?
- Do we face any constraints?

SECTION E: STRATEGIC CHOICE/STRATEGIC ALTERNATIVES

WHAT ALTERNATIVES ARE AVAILABLE, AND HOW DO WE CHOOSE?

- What opportunities for change exist?
- With current products/services?
- With new products/services?
- How can the organisation best achieve competitive advantage?
  - cost leadership?
  - or focus?
  - or differentiation?
    - Considering the financial performance of the resort, what renewal strategies should be followed?
    - retrenchment?
    - turnaround or both? or
a combination of the two?
- Should we implement cost-reduction measures, and where?
- Could we consider asset-reduction strategies?
- Should we divest any of the sections of the resort?
- Can we consider the following growth strategies?
  - market penetration;
  - market development;
  - product development and diversification.
- How can we increase the profitability of the resort?
  - What strategic methods can be employed?
    - joint development;
    - strategic alliances;
    - public-private partnerships; and
    - management contracts
- How risky are our opportunities?
- How do our choices affect processes and people?
- What constitutes a good choice?
- What can we do? What must we consider?
  - ability;
  - opportunity;
  - risk;
  - acceptability to decision makers; and
  - appropriateness (resources, competition, time-scales)

**SECTION F: STRATEGIC IMPLEMENTATION**

**HOW DO WE MAKE THE STRATEGY WORK?**

- What would be an appropriate structure for the resort?
- What functional strategies do we need to implement our corporate and competitive strategies?
- What do we need to do to ensure that we employ all the necessary resources?
• How do we ensure commitment and support from all our managers?
• Is the culture of the resort suitable to implement change?
• How are we going to manage change?
• What measurement and control systems do we need?

SECTION G: GENERAL COMMENTS AND SUGGESTIONS

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ANNEXURE E

SURVEY TO EVALUATE THE CURRENT MARKETING STRATEGIES OF THE CALITZDORP SPA

The Calitzdorp Spa is currently conducting a study with the following objectives:

- to analyse the current situation at the Calitzdorp Spa with special reference to the marketing strategies employed;
- to identify the specific areas that need improvement; and
- to develop and implement effective marketing strategies to address the existing problems.

As established tour operators/travel agents in the Western Cape and immediate vicinity of the Calitzdorp Spa, we need your inputs regarding the current marketing position and strategies of the resort.

The management of the Calitzdorp Spa appreciate your contribution to this study by answering the following questions and making additional comments and suggestions.

The telephonic interview will take approximately ten to fifteen minutes of your time and if you need more information, to contact the researcher.

RESEARCHER: Trix Holtzhausen
Phone No: 044 803 1525
Cell No: 0836335815
Fax No: 044 871 0041
E-Mail: trix@edendm.co.za
SURVEY ON CURRENT MARKETING POSITION AND STRATEGIES OF CALITZDORP SPA

IN YOUR OPINION, HOW DO YOU VIEW THE FOLLOWING:

1. Does the resort segment markets effectively?

2. What is the resort’s market position or rank?

3. How well does the resort position itself against its competitors?

4. Has the resort priced its products and services appropriately?

5. How is product quality, and how does it compare to that of competitors?

6. Is customer service effective, and how does it compare to competitors?

7. Is the advertising strategy effective?

8. How accessible is the resort to local and international visitors?

9. How do you rate Calitzdorp Spa in terms of the following:
   - variety of services
   - appeal of services
   - quality of services
   - consistency of services
   - use of new technology
   - service speed
   - service friendliness
   - condition and cleanliness of facilities
   - promotional and publicity activities
- visibility
- image
- atmosphere
- accommodation
- recreational facilities
- sport activities
- unique attributes

10. What is the strengths and opportunities facing the Calitzdorp Spa?

11. What is the weaknesses and threats facing the Calitzdorp Spa?

12. How and where can the Calitzdorp Spa improve?

13. General comments and suggestions.

Thanking you for your valuable time and cooperation.

Trix Holzhausen