CIM **DIPLOMA** **CASE STUDY**

Analysis and Decision

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MAURITIUS

Candidate's Brief

Mauritius – small island in Indian Ocean but has been successful overcoming problems caused by weather (cyclones) (DID NOT GET HIT BY THE TSUNAMI – however some tourists may still associate the island with the natural disaster so there is a strong need to spell it out)

Lot of potential for its many different sectors within its economy, each with lots of potential. Key members of the Government and business leaders (STRATEGIC) have formed a Board called 21st Century Mauritius. (Forward thinking, proactive think tank)

You are Jonathon Kelly – worked with Ad. Agencies in Europe (Does he (DO YOU) have cultural awareness of the Far East?) Also worked in FMCG – positioning major brands. (Clear steer about branding and positioning)

You have been asked to present an overview of current developments in the many sectors in Mauritius. You have already gathered secondary information and primary through interviewing leaders in a range of sectors, such as education and port logistics.

You have been asked to look for distinctive features that would enable Mauritius to become a well known **brand** for **business** and **tourism.** Contemporary marketing issues need to be taken in to account e.g. C.R.M., Destination marketing, destination branding, senior tourism etc.

Introduction

Historical antecedents – Dutch/French/British 1810 -1960 – British ruled Mauritius.1835 – abolition of slavery. Sugar planters brought in indentured labourers (under contract) from India to work in the sugar cane fields. Chinese traders arrived on the scene. Cultivation of sugar flourished , especially with the export of sugar to England. Gained independence in 1968.Population – 1.2 million. Largest segment Indian descent but also a mix of European, Africans and Chinese. Most Mauritians are bilingual in English and French. Hindu, Mandarin and Creole also spoken. Standards of living for Mauritians are quite good. Mauritius has done well but not as well as Hong Kong and Singapore. Sugar and textiles did well between 82 -98 – favourable quotas via E.C. Both these areas are under THREAT with favourable quotas likely to be stopped in the very near future. Textile trade – increase in competition from China, India and Sri Lanka. Tourism is increasingly competitive, so Mauritius needs to target different consumer segments globally.

7 pillars for growth – encouraged by Government.

1) Tourism

2) I.T. outsourcing

3) Textiles

4) Agriculture

5) Knowledge and Education

6) Offshore investments

7) Offshore logistics and processing

The first 3 areas will be explored for the purposes of this Case, BUT WILL THE OTHER 4 FEATURE?

Tourism

2000 – number of tourists = 600,000+ and $465m contribution to economy.

Tourism share of economy has grown from 7% to 20.5%.

2002 – number of tourists = 700,000+ and $500m to the economy.

Superb location – maritime subtropical climate. Mauritius Tourism Promotion Authority (MTPA) works hard with tour operators in Germany/France/U.K.

Germany – 3 point strategy.

1) **Consumers –** Emotional connection using tour operators and websites. Special offers in low season.(VFM- value equity). MPTA uses CRM prog. – 5,000 initial mailouts (why not use emarketing techniques?) *Opportunity. How effective is this method? Special offers – honeymoon/low season/flights/hotels are advertised and can be directly booked with Tour Operators and travel agencies in Germany. Mailouts include tea/sugar as give aways (Will this really make a difference?)

Figure 2 – Psychographic positions of destinations –reconfigure. Mauritius would be placed at allocentric/near allocentric end of the spectrum.

2) Travel trade

Srategy is to position Mauritius so that ‘top of mind’ awareness is generated among the trade. Special multi media shows used – competition between destination centres is very intense e.g. Seychelles, Maldives (partially affected by Tsunami- 82 people killed)

3) Media.

Website hits average around 6,000 per month in Germany. What is the rate of conversion from 6,000 hits to x visitors? (*check) Green tourism initiative, eco tourism initiative – fully supported by the Govt. ’Sophisticated traveller’- mixes holiday with education. (target market opportunity). Mauritius faces stiff competition from Indian Ocean destinations such as Seychelles and Maldives. Also for European customers stiff competition from Red Sea resorts, Spain, and North Africa (Tunisia/Morocco). Mega tour operators in Germany – able to offer complete packages – low cost airlines, excellent distribution networks, can package everything together- hotels, transport and destination tours/services. Low cost holidays in Europe – last minute bookings becoming very popular .These operators are looking for year round destinations, such as Balearic Islands, (Majorca, Minorca, Ibiza), Canaries, Dominican Republic, North Africa, Spain and the Red Sea.- all increasingly popular and flying times shorter than Mauritius.(* Has to be a specially interesting place at a value for money price to endure a 8 hour flight or a 2 week break – price/ comfort variable)

Good opportunity to target wealthy sections of the Indian and Chinese populations. India and China – growth economies of the future – may provide Mauritius with a very profitable source of tourists (VFM market – scope?) Question – How does Mauritius tap in to and win this potentially lucrative market?

The Tourism industry is currently geared to Europe. Accessibility by air – Air France, Air Mauritius, and British Airways only. Govt. does not have an ‘open skies’ policy and this restricts therefore the number of flights to the island. This needs to be changed by the government in line with rebranding and an effective promotional strategy . They need to have an integrated strategy. *****

Customer service standards are not universally high.ISO9000 for hotel sector. Lack of staff empathy, poor communication highlighted. High food and beverage prices and limited choice of food. Customer retention and repeat visits will suffer accordingly.

Questions – how many tourists come back again and again/how many are put off by poor service?

Opportunity to retrain hotel staff in customer service skills, communication skills etc.

Branding

Need to conduct marketing research. Branding has to create and build a personality for Mauritius. Creating the right image and personality is key to branding it successfully. Question *There are good beaches and hotels everywhere so how do you differentiate your brand successfully?

4 typologies – should be targeting the individual mass tourist/explorer types!!

ICT

Table 1 – despite 100% of Schools having PC's very few are connected to the internet (18.7%)Government needs to improve this now!

Table 2 – Mauritius – performs reasonably well but clearly they are a smaller country so stats can be skewed. Room for improvement. Good initiative – SAFE. South Africa – far east fibre optic submarine cable – global digital economy – provides large bandwidths. Mauritius plans to become an information society and a 'cyber' island !

Figure 3

Mauritius – long way to go before it catches up with Malaysia for example.

Figures 3 and 4 can be used as a benchmark when positioning themselves as a 'cyber' culture. At the moment, they can only say that they are expanding and will do it cheaply. (India – Norwich Union Direct call centre based in Delhi .Eventually the Chinese are expected to take this business away from India and do it more cheaply).

Cyber City – loan of $30m from Indian Govt. 13 storey Cyber Tower – has latest technical facilities constructed. In 2007, Cyber City will have a housing complex, hotel and shops. 20,000 people will be employed including 5-7,000 computer professionals. ICT – great potential but they need to be trained. Could become another India and in fact they receive training from the Indians currently. Mauritius is highly dependent on India for expertise and growth. Bilingual workforce – English and French but faces stiff competition from around the world – Taiwan/Morocco/Senegal- offer outsourcing facilities in French.

Mauritius needs to invest in ICT infrastructure and training of workforce in outsourcing and information technology.

Appendix 3

Worldwide industry recession (IT) so is the Mauritian Government strategy well founded? How can they attract foreign investment when this industry is in recession? (opportunity/threat). Still worth maybe outsourcing for some Indian companies e.g Norwich union outsourcing contract – use Mauritius rather than China.

Textile Sector

M economy – is very much dependent on foreign trade and tourism. Diversification is a prime strategic goal. Sugar was sole export until 1970's when textiles took over. Exports dominated by 3 countries – USA -30%, France-26%,UK – 23% (79%)

Difficult to sustain growth in future years – WTO are sweeping away preferential tariffs on textile exports. This will favour China/India/Pakistan. India and China will grab about 80% of the world market. 20% will have to be shared out by all the other countries so what is left for M?
In the 1970s M shifted in to textiles sector rather than have an economy based solely on sugar production. Lots of textile factories have closed down in the past 2 years. 10,000+ people have lost their jobs – unemployment rate is 10%. Lots of women are likely to lose their livelihood. Socio-economic impact – children are being asked to work to supplement the family income rather than stay on at school (POSSIBLE CSR* QUESTION).

M textile bosses complain that US and European companies insist on good standards within factories (no sweat shops) in M. yet it is not a level playing field – lax in China and India. This impacts on costs.(CSR)

75,000 /549,000 total working population work in clothing sector - !4%
Measures to be taken – redeployment/retraining from textiles to tourism and other sectors, such as BPO.
How will this be put in to effect, who will carry out the training, how much will it cost, what is the likely ROI , is it achievable, how many years to achieve success?

M has managed to achieve its current exporting strength in textiles due to 2 factors:-
1 – the duty free and quota free access to the EU
2 – the low cost of labour in the years following the establishment of the EPZ

They no longer hold a competitive advantage. Move away from lower value segment. China has much cheaper cost of labour so it is virtually impossible for M to compete. Therefore, M companies have to use innovative ways of developing existing and new markets. They have to specialise in niche markets by manufacturing differentiated, high value garments (move to quality – premium product, premium price). Style and design – very important when creating differentiated products. Sophisticated branding is required.
How can Mauritius consolidate and reposition its textile industry to create a niche for the future?

No well known designers or local brands in M and differentiation in global markets is difficult. Currently manufacturers in M supply well known brands and also well known brand retailers in Europe and USA. This means that vertical integration in terms of design/manufacture/branding/retailing are not within reach of most manufacturers.
Is there scope for M garment industry to make a deal with several leading retailers in Europe/USA/South Africa/Australia to deliver quality garments at a sensible ROI?

Styles and demands change very quickly. As female celebrities attend gala functions their top designs are copied within hours and produced, manufactured and within stores within a couple of weeks. M needs to be able to adapt quickly to changing consumer trends. Suppliers have to be fast and flexible. M is far from its market – air freight is very costly. Algeria, Spain, Turkey, Morocco can be much quicker to react to retailer demands in the apparel market. KPMG report (2002) - creating customer loyalty by means of branding is becoming even more important for companies' survival in all price ranges of the fashion business. Equally important for retailers and producers.

Figure 5 – Only strong brands are able to' light up customers' bulbs' which in turn creates value and an increase in sales and profitability.

Agriculture
Sugar is still one of the main components of the M economy. 7% share of GNP down from 52% in 1974. Sugar represents 25% of gross export earnings-STILL WORTH HAVING. Sugar industry provides 12% of all employment ranking third behind industrial sector (36%) and

government (27%). Sugar industry is facing severe challenges. Sugar plantations take up 45% of the land. Biomass from sugar production is used to power electricity power stations – related diversification.

Could more of the land be used to cultivate vegetables and crops to feed the tourists to reduce costs of supplying food which is imported and costly? Home grown is a cheaper and fresher option. It will take several years to grow organic vegetables because the land will need to be prepared for organic use.

Review list of alternative strategies outlined in the case.

Offshore centre

2001 M introduced the concept of 'Qualified Global Business'. Figs 6/7/8 show areas of business and extent of countries involved, with percentage breakdowns. India is very prevalent – long association with India over the years.

Tax incentives are good in m for companies and individuals. Residency plan is designed to attract investors/entrepreneurs. Good growth potential, especially from Indian entrepreneurs (financial services/BPO)

Other sectors

Education – world class universities on the island. Demand from India and Africa could be high. **Tie up with British universities**.

Opportunities -Developing nurses for global health services and technicians for planes and ships. Logistics hub. Tuna processing centre.

SUMMARY

The various sectors have their own problems and opportunities.

Textiles – AGOA 2 agreement is favourable to M and it needs to grab this opportunity to update, rebrand and develop a unique presence in the world's markets. Premium product, high fashion, premium price.

Tourism – has an enviable position as a tourist destination but faces intense competition from existing and new competitors. Reliant on imported food (need to grow more of their own) which puts prices up. Quality of service has not matched high prices. Mismatch. Can M keep its premier position – only if it improves its quality image by giving outstanding service.

IT outsourcing – M has to embrace the ICT revolution. Has to develop skills base of workforce and negotiate with potential buyers of outsourcing services such as france and U.K Branding and positioning are key.

Figure 9

Main branding issue to be considered – brand equity. The 3 different sectors face different problems and opportunities. M has to develop sensible strategies taking in to account the strengths and opportunities offered by all the sectors. M needs to send a holistic (consistent) message to its current and potential customers.

Appendix 1

37% drop in sugar price expected – reduced trade preferences EU. $672 - $418 per tonne. The industry is $200million in debt. By 2008 only 7 or 8 big factories will remain on the island. **M need to develop new income streams from the innovative use of by products of sugar cane.** Exploring the use of by products of the sugar industry such as electricity and ethanol production. Also producing sugar cane plastic from sugar cane fibre.

Economic growth is driven by textile exports and revenue from sugar and tourism. 2 out of the 3 are facing extreme difficulties whilst the third has stagnant growth.

World bank has made available a $16m loan for universities and polytechnic institutes to increase the number of grads in science, engineering and management and improve links with employers.

(How would you use this money to nurture a commercially/technically oriented cluster of managers who could lead future developments in the 3 key areas?)

Will the NEA be successful? Will call centres plug the gap? There is a pressing need for M to create new industries which will provide jobs and sustain improvements in workers' living standards.

Possible Questions

1. What branding strategy should Mauritius adopt to maximise sales and profitability from the Tourism Industry.?

2. What branding and positioning strategy should Mauritius adopt to improve its appeal to apparel importers?

3. Devise a marketing plan to make Mauritius a leading player in the BPO market.

4. Prepare a relationship marketing campaign which will effectively increase Tourists' customer loyalty and their life time value to Mauritius.

5. Mauritius is at the crossroads in its development and growth. Prepare a strategic marketing plan which will ensure increased revenue from Tourism and negate the marketing strategies of international predators in the apparel and BPO business.

6. Prepare a communications plan which will increase sales and profitability of Mauritius' 3 key areas – Tourism, I.T outsourcing and textiles.

7. Prepare a corporate social responsibility charter for the government of Mauritius in the light of recent redundancies in core industries.