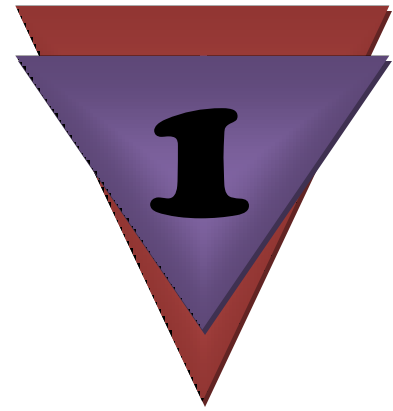


# **CHAPTER 1**

## **INTRODUCTION AND PROBLEM STATEMENT**



### **1.1 INTRODUCTION AND BACKGROUND TO THE STUDY**

Tourism is one of the most important industries in the global economy (Trunfio, Petruzzellis & Nigro 2006:426), growing at a substantial rate (Page, Brunt, Busby & Connell 2001:1; Ninemeier & Perdue 2008:4). However, tourism demand is influenced by uncontrollable factors which are difficult to measure; therefore to maintain the growth rate in tourism, marketing strategies need to be implemented and improved in South Africa (Van Schalkwyk & Saayman 2006:137). This will encourage more people to travel.

One way of improving the success of marketing is by means of market segmentation. The latter refers to the identification of one or more consumer groups with similar respect to predefined criteria and if found to be managerially useful, modifications need to be made to the marketing mix to cater for the segments (Dolnicar 2007:289). Segmentation is therefore mainly the division of the market into groups of customers sharing similar characteristics causing them to have similar needs; thus enabling marketers to offer satisfaction to their needs (George 2004:124). Effective segmentation allows for the selection of a specific group of people, thereby focusing the positioning of the organisation to effectively service the needs of customers. Segmentation bases include tourists' characteristics such as demographic, psychographic, geographical location and behavioural characteristics such as purchase behaviour, attitude and preference for attractions coupled with experiences and services (Bloom 2004:724; Xia, Evans, Spilsbury, Ciesielski, Arrowsmith & Wright 2010:465).

Segmentation can assist tourism organisations in maximising return on investment by targeting the most profitable tourists, and each segment needs to be measurable, actionable and accessible (Slabbert 2002:3). Hence the careful planning and careful

analysis of data and information obtained leads to successful marketing as well as segmenting of a proper market. The ability to identify and serve tourists and communicate with them is necessary for the management of the industry and tourist relationships as an essential part of attracting tourists with a specific profile to the destination. This may lead to retention, loyalty and sustaining of profitable tourist growth (Bloom 2004:94). Without the identification of the right segments it is difficult to develop suitable products and services (Inbakaran & Jackson 2005:53).

Local tourists can be considered a market segment and Taylor (2006:2) noted that domestic tourism is an important part of the industry since it assists in maintaining a healthy infrastructure. According to Van Wyk (1986:1), the white tourist market has established itself in South Africa. However, the black tourist market is relatively new and little information is available regarding the motivation and demands of this group (Taylor 2006:2-3). South African Tourism (2005) has developed a growth strategy to encourage more locals to travel and during 2005, 50 percent of the South African population travelled. However, market segmentation can be utilized as one of the key aspects in the development of a sustainable competitive advantage (Slabbert 2002:15). Effective market segmentation can lead to an increase in visitor numbers and additionally, to better use and management of scarce resources. Therefore if tourism product owners know the characteristics and preferences of the black travelling market, it will improve planning, development and marketing efforts.

## **1.2 PROBLEM STATEMENT**

South Africa is internationally recognised by product and service providers trading in it to satisfy people living in the country. However, in the past South Africa was viewed as a place where the white market dominated consumer spending, especially in tourism. The black market, which includes Coloured and Asian markets were not considered and recognised at all in this growing industry. However, the way in which South African markets were defined changed after the end of apartheid in the early 1990s and the re-admission of the country to the world stage (George 2004:124; Taylor 2006:2). The limited amount of information available concerning the black market creates challenges in developing and marketing tourism products (Taylor 2006:2).

Various studies have been undertaken focusing on market segmentation (Xia *et al.* 2010; Tkaczynski, Rundle-Thiele & Beaumont 2009; Dolnicar 2007; Trunfio *et al.* 2006; Bloom 2005; Bloom 2004; Law, Cheung & Lo 2004; Saayman & Slabbert 2004a; Saayman & Slabbert 2004b). Limited studies have been conducted at resorts and published on resort visitors (Inbakaran & Jackson 2005:53). Although the studies have been undertaken at other tourism products, it has not been done in the Vaal Region or applied to Abrahamsrust Resort. This type of research has also not been done for black visitors. Since this resort has the potential of developing and adding economic value to the region, this study can improve the current status of the resort and region. This urges the importance of segmenting the black tourist market, as little attention has been directed towards this market.

As a result, this research will contribute to the literature by exploring the black market and their travelling behaviour. The information obtained will also help the municipality and marketers to formulate marketing policies and strategies in order to use the marketing budget effectively and obtain a competitive advantage.

### 1.3 STUDY OBJECTIVES

The **primary objective** of this study was to explore the various market segments (demographic, geographic, psychographic and behavioural characteristics) of black visitors to Abrahamsrust Resort to improve product planning and marketing strategies. This information is ultimately aimed at improving the profitability of the product.

The **secondary objectives** were:

- To analyse marketing and the role of the consumer therein by means of a literature review.
- To analyse market segmentation variables by means of a literature review.
- To determine the demographic, psychographic, socio-economic, behavioural and geographical characteristics of black visitors by means of a cluster analysis.
- To draw conclusions and to make recommendations with regard to the market segmentation of black visitors to Abrahamsrust Resort.

## **1.4 IMPORTANCE OF THE STUDY**

The study will be of importance in respect of the following:

- It will assist management in understanding the needs and preferences of the visitors, thereby ensuring that the products reach the right target market.
- It will lead to improved marketing efforts reaching the right target market.
- It will improve product planning to meet the needs of the black market.
- It will add value to the development of the tourism industry in the Vaal Region by providing an understanding of the current markets.

## **1.5 DEMARCATION OF THE FIELD OF STUDY**

The study was conducted at Abrahamsrust Resort in Vaal Park in the Vaal Region. This resort offers a variety of recreation activities as well as camping and caravanning facilities. The focus of this study will be on the black visitors to the resort.

## **1.6 RESEARCH METHODOLOGY**

An analytical survey method will be used for this study, based on a two-pronged approach – a literature review and a quantitative study.

### **1.6.1 Literature review**

A study of the literature involves tracing, identifying and analysing documents containing information relating to the research problem (Struwig & Stead 2004:38). The literature review is important as theory serves to be useful in many ways: it narrows the range of facts, suggests which research approach to follow, summarizes what is known about an object of study and can be used to predict further facts that can be found (Blumberg, Cooper & Schindler 2008:44).

A literature study was thus undertaken based on the following concepts and keywords: market segmentation, profiling, black tourists, tourism and marketing. During this study, research sources such as books, annual reports, journals, theses, textbooks and other tourism-related literature were used to gather the necessary information. The World Wide Web served as an important source for the purpose of this study. The following search-engines were used: Google Scholar and international databases such as

Science Direct, EBSCO HOST and Emerald. Related journal articles on research were also consulted for the purpose of the study.

### **1.6.2 Quantitative study**

Quantitative research is a form of conclusive research involving large representative samples and fairly structured data collection procedures. It examines constructs (variables) which are based on the information derived from a theoretical scheme (Struwig & Stead 2004:4).

#### **1.6.2.1 Sampling and description of sampling**

The basic idea of sampling is that by selecting some of the elements in a population, one may draw conclusions about the entire population. Sampling is done to lower cost, improve accuracy of results, improve the speed of data-collection and due to the availability of the whole population (Blumberg *et al.* 2008:228). A variety of sampling techniques are available and the one selected depends on the requirements of the research project, the objectives and the funds available.

In the case of this research a non-probability sampling method, namely availability sampling was used to collect the data from the respondents. Information was gathered by means of a questionnaire that was distributed by fieldworkers among the visitors during March and September 2011 (mostly during the weekends). Since this is about the characteristics of individuals, all people in the family (above 18 years and black) were allowed to complete the questionnaire. Sampling was therefore based on availability and willingness to participate in the survey.

The sampling procedure was based on the guidelines set by Krejcie and Morgan (1970:608) for general research activities, which recommend a sample size ( $n$ ) of 384 for a population ( $N$ ) of 1 000 000. Since the number of visitors to the resort was unknown it was decided to have 400 questionnaires completed during the selected period. During that time 318 questionnaires were completed in full and used in the analyses. The field workers were recruited from among MTech students from Vaal University of Technology.

#### **1.6.2.2 Pilot study**

A pilot study was conducted at the same resort since this is one of the few places visited by black visitors. This was done one month prior to the formal survey. Twenty respondents were selected to participate in the study. Corrections were made before printing the final questionnaire. The results from the pilot study were not included in the main survey.

#### **1.6.2.3 Data collection method**

A market segmentation measuring instrument (questionnaire) was developed by the Institute for Tourism and Leisure Studies (North-West University) and was used in this study. The instrument has been used and tested in other studies but was, however, slightly adjusted according to the needs of this study. Open-, close-ended and Likert scale questions were used to measure the demographic, psychographic, geographic, socio-economic and behavioural characteristics of the market as well as their travel preferences.

#### **1.6.2.4 Statistical analysis**

Once the collection of the data was completed it was captured by the researcher, processed by the Statistical Services of the North-West University and interpreted by the researcher. Descriptive statistics, namely frequency tables and figures and exploratory statistics, namely a cluster analysis, was performed to determine the different market segments.

### **1.7 OUTCOMES OF THE STUDY**

The following outcomes were achieved:

- Knowledge will be added to the current literature base of the characteristics of black tourists to this Region.
- Viable market/s were identified based on current demand. These markets can be grown in future.
- Recommendations have been made regarding segmenting the black market (profile, preferences, spending patterns, travel motivations and their behaviour) and the implementation and use thereof.

- The study can be used to assist managers and marketing strategists in designing and formulating products in accordance with the needs of these tourists. This could ultimately lead to the improvement of the tourism industry in the Vaal Region.

## **1.8 CHAPTER LAYOUT**

### **Chapter 1: Introduction and problem statement**

Chapter 1 provides an overview of how the research of the study is organised and the problem statement, objectives of the study and method of research. This chapter provides information on the structured research plan that was followed during the study.

### **Chapter 2: Analysing marketing and the role of the consumer therein**

Chapter 2 reveals that a literature review was undertaken to understand market and marketing analysis. Factors such as understanding marketing, its importance and evaluation, as well as marketing theory were covered and marketing processes are also discussed.

### **Chapter 3: Market segmentation analysis**

Chapter 3 comprises a thorough presentation of market segmentation through a literature review, concentrating on conceptualising the term, especially the various bases of market segmentation as well as the methods used for market segmentation.

### **Chapter 4: Research methodology**

The focus of chapter 4 is on the empirical study selected to address the research problem. The quantitative research method followed is discussed, followed by a description of the research design, the data collection method and the data analysis process.

### **Chapter 5: Empirical results**

This chapter reveals the results of the empirical analyses conducted. Information concerning the research response are presented by means of graphs and tables, followed by a discussion of respondents' demographic, psychographic, geographic and socio-economic characteristics represented in clusters.

## **Chapter 6: Conclusions and recommendations**

The main findings are reported and summarised and the shortcomings of the study highlighted in this chapter. Recommendations are made regarding the segmentation of the visitors to Abrahamsrust Resort in the Vaal Region.

### **1.9 DEFINITION OF CONCEPTS**

The main concepts forming part of this study are presented below:

#### **1.9.1 Market segmentation**

According to George (2004:141), market segmentation is a technique used by tourism organisations to divide a market into smaller, more clearly defined groups that share similar needs, wants and characteristics. Lamb, Hair, McDaniel, Boshoff and Terblanche (2004:165) support this definition by stating that market segmentation is the process of dividing a market into meaningful, relatively similar and identifiable segments or groups. It is important for any tourism business to familiarise itself with the composition of its market enabling it to provide services and products that meet visitors' needs (Mehmetoglu 2006:48).

#### **1.9.2 Visitor and Tourist**

Lubbe (2003:104) defines a visitor as a person who travels to an attraction for less than 24 hours and who does not stay overnight. This person is also known as an excursionist. A tourist however is a person who contributes an economic input with regard to any area other than that in which he/she generally lives and works and also overnight at this area (Saayman 2007:5). For the purpose of this study day visitors will be analysed according to the market of the resort therefore referring to people that contributes an economic input but does not overnight at the resort.

#### **1.9.3 Tourism**

Tourism can be viewed as a resource-based industry. It depends mainly on the interaction between different communities of interest, such as tourists, job providers, government systems and local communities. This interaction takes place when tourists are attracted, entertained, transported and given accommodation; the entire process leading to a total experience (Saayman 2007:3; Decrop 2006:67).



#### **1.9.4 Resort**

A resort can be seen as a place that attracts large numbers of tourists and that tourism is endowed with special characteristics so that revenue produced by tourism plays an important role in its existence (Cooper, Fletcher, Gilbert, Shepherd & Wanhill 1999:105). It is often referred to as a place where provision of accommodation and substantial other services are made at one location (Page & Connell 2009:241).