

CHAPTER 3 MARKET SEGMENTATION ANALYSIS



3.1 INTRODUCTION

Market segmentation plays one of the most important roles in the marketing strategy of successful tourism destinations. It is a core principle of marketing and a powerful marketing tool for many reasons. Market segmentation assists marketers in selecting target markets in order to understand their needs better. By defining customers' needs and wants more precisely, it is possible to assist decision-makers in defining marketing objectives more accurately (Lamb, Hair, McDaniel, Boshoff & Terblanche 2005:165). It is also crucial in assisting and determining the right marketing mix for the right market (Slabbert 2002:14). The basic reason for market segmentation is to appeal to all potential customers and specifically enhance an attraction or marketer's effort to identify groups of customers with similar needs and analyse the characteristics and buying behaviour of these groups.

Segmentation thus provides marketers with information to assist in designing a marketing mix, specifically matching with the characteristics and desires of one or more segment. It is also consistent with the marketing concept: satisfying customers' needs, wants, desires and motives while meeting the destination's objectives (Lamb *et al.* 2005:165). Through the process of segmentation the destination has the ability to identify more precisely the messages to use across the promotional mix. It plays a key role in the marketing strategy and can be seen as one of the key success factors and powerful marketing tools of tourism marketing.

The purpose of this chapter is to explore market segmentation, understanding the importance of segmentation, the benefits of market segmentation, as well as the process in developing market segmentation strategy. This will firstly be realised by contextualizing and defining the concept.

3.2 UNDERSTANDING MARKET SEGMENTATION

The essence of good marketing is to select those segments most interested in specific services and aim marketing programs at them (Morrison 2010:207; Slabbert 2002:15). Market segmentation is one of the key strategic decision areas for many attractions used in developing a sustainable competitive advantage based on differentiation, low costs or a focused strategy (Dibb & Simkin 2001a:610; Slabbert 2002:15; Park & Yoon 2009:100) The main underlying logic of market segmentation is to identify the homogeneous groups of people with similar characteristics from the heterogeneous tourists.

Therefore, according to Mok and Iverson (2000:300); Hudson (2008:88); Park, Yang, Lee, Jang and Stokowski (2002:56), market segmentation is used to develop a better understanding of distinct tourists' characteristics and to develop marketing strategies, based upon the idea that the market is composed of subgroups of people with different needs and wants. Hudson (2008:88) stated that segmentation can also be the way in which the industry identifies and categorises customers into definite groups with similar characteristics, needs and desires. As stated by Park and Yoon (2009:100), segmentation can be defined as the process of dividing a total market such as all visitors, or a market sector such as holiday travel, into subgroups of segments for marketing management purposes, promotion and delivery of purpose-designed products that satisfy the needs of target groups.

In other words, segmentation is justified on the grounds of achieving greater efficiency in supplying products to meet identified demand and increased cost effectiveness in the marketing process. Effective market segmentation can lead to an increase in tourist numbers and a better use and management of scarce resources (Slabbert 2002:16). It has also been shown that market segmentation did not only developed as a technique to segment markets and identify target markets, but could also be used to further assist marketing strategists to understand the relationship of a destination with its visitors (Bloom 2004:723).

3.3 THE IMPORTANCE OF MARKET SEGMENTATION

Market segmentation has become an element of considerable importance in the marketing strategy of many tourism destinations (Saayman & Slabbert 2004a:90). This

is due to the increasingly exact and segmented demand, as well as intensified competition. The need for many service industries to use their limited resources efficiently is also an important motivation for market segmentation. According to Van Schalkwyk and Saayman (2006:139), the purpose of market segmentation is to divide the heterogeneous market into homogeneous subgroups with regard to one or more variables by means of different statistical procedures. The basis of segmentation is that the industry first determines the market it will serve and then develop products to serve the needs of the market targeted (Holloway 2004:115). Van Schalkwyk and Saayman (2006:139) stated that effective market segmentation can lead to an increase in tourist numbers to a destination and better use and/or management of scarce resources.

Moreover the basic premise of segmentation, as noted by Reid and Bojanic (2010:128), is to allocate limited resources so that the return on investment can be maximized. Market segmentation, when done properly, can improve sales and profits because it allows the marketer to target specific segments that are more likely to patronize the tourism destination's facilities. This approach permits the destination to more effectively allocate scarce resources of its services.

Park *et al.* (2002:56) add that the aim of segmentation is to create opportunities and to improve its way of advertising by understanding consumers better. The main purpose of segmentation is to facilitate more cost-effective marketing through the formulation, promotion and delivery of products that satisfy the identified needs of the target market (Park & Yoon 2009:100).

At the same time, segments that hold little potential for using a destination product receive little or no attention. When a market is segmented, different product-service mixes can be promoted to meet the needs of the different segments. For example, a resort can be used to attract a variety of market segments by varying the type of entertainment and products offered. The core advantage of segmentation is that customers become more satisfied with the product designed with their needs in mind.

In tourism, market segmentation isolates tourists with similar lifestyles, needs and wants and increases the knowledge of what marketing strategists specifically require.

Tourists' social needs are also satisfied because they mix with tourists of their character and desires; thus avoiding incompatible types.

Slabbert (2002:16) adds that in the tourism industry most research expenditure tends to focus on what tourists buy, when they buy it, where they buy it and how they buy it. Why, for instance, do tourists choose to go on holiday to a certain destination rather than another one? Answers to this question leads to more effective market segmentation bases, methods and marketing strategies. George (2004:125) further emphasises the use of market segmentation as an important analytical tool that forms the basis of the internal analysis stage of the marketing planning process – the purpose being the selection of segments with the best buying potential and with the objective to develop offerings with promotional messages with a view to appeal to the segments it is seeking to serve. It also helps marketers to identify and satisfy the diverse needs of buyers. Each segment consists of consumers sharing one or more similar needs offering.

Market segmentation is used to select the most attractive customer segments. Segments should ideally have a good strategic fit with the resources and core competencies of the industry and external environment factors. It is used to discover the needs and preferences of target consumers and thereby to enable the industry to modify its marketing mix (products, promotions, price and distribution) (Morritt 2007:14). Furthermore, market segmentation is important for gaining and maintaining a competitive advantage. Tourism destinations should try to carve a smaller niche or segment of the market in which it can establish a competitive uniqueness; hence developing market segmentation (Reid & Bojanic 2010:127).

Dolnicar (2007:295) further explains market segmentation as a valuable technique to explore the characteristics of parts of the tourist market, forming the basis of evaluating market segments and selecting suitable target markets to cater for and communicate with. The main aim is to identify one or more consumer groups that are similar with respect to a predefined criterion, to learn much about them and if the segments are found to be managerially useful, marketers modify the entire marketing mix to best cater for the segments. It can also be defined as an explanatory technique used and aimed at

aiding managerial decision making. The result of successful market segmentation is the competitive advantage in the market place.

Once marketing strategists have identified specific segments, they can tailor their products or services and promote it more effectively. Park and Yoon (2002:56) add that the main aim of market segmentation is to identify product opportunities and improve its way to advertising by better understanding tourists. Each segment group can be targeted and reached with a distinct marketing mix (Saayman, Van der Merwe & Pienaar 2009:108,111; Jang, Morrison & O'Leary 2002:367).

Van Schalkwyk and Saayman (2006:139) stated that the marketing mix is intended to bring satisfying exchange relationships with target markets, developing or providing products or services fitting tourists' desires. A marketing strategy should be developed the moment the marketing mix is in place. A marketing strategy is primarily responsible for future sales revenue generation by specifying the segments, products and associated action programs required to achieve sales and market share against competitors and to deliver customer satisfaction. Söllner and Rese (2001:26) argue that if competitor orientation is neglected the assessment of segmentation criterion using largely acceptable requirements for market segmentation can lead to disappointing results – the reason being that it cannot be stated that a segment fulfils the requirements without the consideration of actual and potential competitors. Competitive behaviour has a significant effect on substantiality of segments.

Based upon the above definitions it is clear that market segmentation is used mainly to identify groups of people with similar characteristics from other groups. It is also suitable in evaluating market segments and the selection of the right target market to cater for and communicate with. As explained by George (2004:125), it is clear that market segmentation is an important analytical tool that forms the basis of the internal analysis stage of the marketing planning process – the purpose being the selection of segments with the best buying potential and with the objective to develop offerings with promotional messages so as to appeal to the segments it is seeking to serve. Park and Yoon (2009:100) further explain the purpose of segmentation is to facilitate more cost effective marketing through the formulation, promotion and delivery of products that

satisfy the identified needs of the target market (Park & Yoon 2009:100). This will especially assist Abrahamsrust Resort in their marketing efforts.

3.4 THE BENEFITS OF MARKET SEGMENTATION

Understanding market segmentation in tourism includes recognising tourists' differences as one of the key aspects for successful marketing. This can lead to a closer matching of tourists' needs with the destination's products and services.

Segmentation can also lead to the following outcomes:

- It can help marketers focus, define, and have a clear understanding of needs and wants more precisely.
- Because market segments differ in size and potential, segmentation helps decision makers define marketing objectives more accurately and increase the effective allocation of scarce resources to brands and market segments (Lamb *et al.* 2005:165).
- Proper segmentation can also assist in gauging a destination's market position and its image as a competitive destination (Saayman *et al.* 2009:109).
- It helps marketers to improve and develop an effective marketing mix and positioning (George 2004:135; Morrison 2010:208; Morritt 2007:8).
- It can design responsive products to meet the needs of the market place (Slabbert 2002:18).
- Segmentation can lead to niche marketing where the destination can meet most of the tourists' needs in that niche.
- A competitive advantage can be gained by considering a market differently from how competitors would do it. Emerging trends can be easily detected and problems and marketing opportunities identified by looking at segments rather than at the entire market. Competitive moves can also clearly be seen by watching how tourists react to rival products and determine how the product and its marketing compare to those of other industries (Nickels & Wood as cited by Saayman *et al.* 2009:109).
- Segmentation improves profitability by maximizing customer satisfaction and generating repeat and recommended sales (Bowie & Buttle 2004:64).
- Proper allocation and better use of marketing resources (Van Schalkwyk & Saayman 2006:139).

- The development of effective and cost-efficient promotional tactics and campaigns.
- A long-term relationship can be formed with specific tourist groups by devoting a desirable market segment; thus enabling marketers to develop an enduring bond with tourists (Slabbert 2002:18).
- It enables organisers to maximize their return on investment by targeting the most profitable attendees (Tkaczynski & Rundle-Thiele 2011:426).

3.5 THE PROCESS OF DEVELOPING MARKET SEGMENTATION

There is a logical sequence to be followed during the market segmentation process, as explained below.

3.5.1 Define the market to be segmented

The overall market should be researched, identified and clearly defined in general terms before starting the segmentation. This helps to shuffle or narrow the market by eliminating inappropriate groups as the main essence of good marketing is selecting segments interested in specific services and the aim marketing programs at them. Decisions should be made as to whether marketing will be international or national within a smaller region (Slabbert 2002:26; Bowie & Buttle 2004:64) such as the Vaal Region.

3.5.2 Identify segment bases

According to Dolnicar (2007:289), a wide range of personal characteristics can be used as a predefined criterion for market segmentation. However, Lamb *et al.* (2005:166) indicated that the choice of segmentation bases is crucial because an inappropriate segmentation strategy may lead to lost sales and missed opportunities. The main bases include; *demographics, psychographic, geographic* and *behavioural*, as shown in Table 4. These bases are used in an attempt to group customers in different ways and are needed to evaluate the ability to which different segment strategies are pursued (Tkaczynski & Rundle-Thiele 2011:426; Slabbert 2002:26). This step can utilise one or more segmentation base. People in each segment need to be similar to each other and different from those in other segments. In short, segmentation bases are a screen or filter allowing marketers to target the most appropriate or most desirable segments of its potential market.

Table 4: Bases of segmentation

BASE OF MARKET SEGMENTATION	UNDERSTANDING THE BASE	VARIABLES
Demographic	Dividing the market into groups based on demographic bases. Demographic is the most popular basis for segmentation.	Gender, income, age, family life cycle, occupation, education, religion, race and nationality.
Geographic	This is dividing the market into units such as cities, states and neighbourhoods.	Region, country, city, suburbs and climate
Psychographic	Dividing tourists into different groups based on their social class, life style and personality characteristics.	Personality type, lifestyle and social class.
Behavioural	Dividing tourists based on the reason for their actions.	Occasion, benefits, user status, loyalty, buyer readiness and attitude.

Sources: Saayman *et al.* (2009:110); George (2004:126); Kotler *et al.* (2006:264); Kotler & Keller (2005:264); Lamb *et al.* (2005:168)

(a) Geographic segmentation

This is one of the most widely used segmentation bases in the tourism industry. It is the base that segments customer groups into separate geographic locations. Areas can be very large (for example, several countries or even continents) or very small (for example, residential neighbourhoods). Geographic segmentation is based on where people live (Kotler & Armstrong 2004:239; Morrison 2010:213; Shimp 2010:106). George (2004:126) explains that geographic segmentation divides the market into different geographic variables such as *regions, countries, provinces, cities* and *neighbourhoods*. Markets can also be divided according to climate.

Morrison (2010:214) points out that geographic segmentation is an easy-to-use base. There are universally acceptable definitions of geographic areas. Geographic markets can be easily measured and there are numerous demographics and socio-economic information and statistics available about these markets. The introduction of Geographic

Information System (GIS) has made it more convenient to organise and geographically illustrates customer data by geographic area (Middleton, Fyall & Morgan 2009:113). Promotional messages can be aimed at target markets according to their geographical location.

(b) Demographic segmentation

Whereas geographic segmentation looks at where customers are, demographic segmentation looks at who customers are (Hsu & Powers 2002:69; Shimp 2010:107). Demographic segmentation is the division of market groups based on *gender, income, age, family life cycle, occupation, education, religion, race and nationality*. Demographic variables form the most popular method of segmentation which should not be overlooked in attempting to respond to and understand the market. Consumer needs and wants are often closely linked to demographic variables and are easier to measure. The benefit of this segmentation is that sizes based on demographics are normally large because they envelop the total population into a limited number of groups.

Moreover, demographic variables do not take tourists' attitudes and values into consideration, for example a wealthy individual may be able to stay at an expensive hotel when on a business trip, but may choose to visit a more economic property when on a family vacation, nor do demographics alone provide enough information for marketers to select the appropriate advertising context or buying appeal (Hsu & Powers 2002:73).

- **Gender**

Gender as demographic variable indicates differences between sexes, it shows the way in which females and males differ in their buying behaviour. It is often used by marketers to develop offerings for a wide variety of physical needs and self-image of males and females.

- **Income**

Income segmentation has also been long used by marketers and it is a major factor in demographic segmentation because income level influences consumers' wants and determines their buying power. Income allows or prevents the consumption of many tourism offerings. In tourism the major requirements for consuming holidays are time

and money. Income does not always predict which customers will buy a given offering; it is also believed to be one of the variables affecting their pricing strategy (Kotler *et al.* 2006:269).

- **Age**

Consumer needs and desires change with *age* (George 2004:128; Kotler & Armstrong 2004:240; Kotler *et al.* 2006:266). Many destinations provide different offerings and use different marketing strategies to target various age group segments. Tour operators, such as Thompsons Tours, target adventure type holidays aimed at consumers aged 25 to 35 years. In addition, they offer package tours for older tourist markets travelling internationally (George 2004:128).

- **Family life cycle**

The family life cycle (FLC) is intended to show the different stages through which households progress. Some industries provide different offerings and use different marketing strategies to target or penetrate various ages and life cycles. The implication for providers and services is that linked to the different stages in the FLC are different purchasing needs. The idea is the consumption changes as people progress through different phases of the cycle and that tourists' tastes and choices will also change, for example when couples have children their lifestyle changes, as well as their financial situation and interests, as indicated in Table 5. Tourism marketers can adapt their marketing plan to target specific markets in family lifecycle.

Table 5: The family lifecycle

STAGE	CHARACTERISTICS	BUYING BEHAVIOUR
Bachelor	Young, single tourists	Adventure-type overland holiday, fast-food restaurants, take-away foods
Newly married couple	Young, no children	Foreign holidays, dine out
Full nest 1	Young married couples	Family holiday, children or visiting family and friends, family restaurant meals
Full nest 2, independent from children	Older married couples	Upmarket holidays and restaurants
Empty nests	Older married couples with no children living in	More expensive long-haul holidays, upmarket dining and museums

	the home	
Retired	One person or both retired, income fixed, more leisure time	All-inclusive touring

Sources: George (2004:152); Slabbert (2002:30)

- **Occupation**

Occupation refers to the part of human condition, the doing of work, play or activities of human daily living within a temporal, physical socio-cultural context that characterises more of human behavior. Activities of daily life are the typical life tasks required for self-care and self-maintenance, such as cleaning the house. Play refers to activities undertaken for their own sake such as engaging in sport or game. Whereas, work is refers to all activities both income based and unpaid, that provide services or commodities to others such as ideas, knowledge, help and information (Kielhofner 2002:1). Market segmentation might differ for different occupations.

- **Education**

Education is closely linked to income and social class in the tourism industry. Education can be seen as an important determinant of travel. Higher levels of education are often associated with a greater amount of travelling. In most developing countries there is a trend for students to experience overseas travel as part of their education (George 2004:48).

- **Religion**

Religion can be defined as the fundamental set of beliefs and practices mostly agreed upon by a number of people. This is acquired through deep conviction of the validity of religious beliefs. Religion has been part of tourism and can also be considered as a motivation for travel. This type of tourism is unique as it is usually driven by a sense of obligation rather than leisure or pleasure (George 2004:158).

- **Race**

This is the classification system is used to categorise human into large and distinct populations or groups. South Africa, for example, is characterised by four main different race structures such as Africans, Whites, Indians and Coloureds (George 2004:46).

These different groups might have similar characteristics that enable a marketer to market according to their needs.

- ***Nationality***

This can be the status of belonging to a particular nation by origin, social group and subdivision of race or birth. It is based upon, citizenship, identity, common nature or cultural forms of a country (Speek 1926:240). Again nationality can serve as an indication of a group with similar characteristics that can be utilised in marketing strategies.

(c) Psychographic segmentation

Historically marketers based their targeting decisions almost exclusively on the demographic characteristics. However, psychographic characteristics provide a richer understanding of how best to influence consumers to respond favourably to marketing efforts (Shimp 2010:101). Based upon George's (2004:129) idea, tourism consumers can be divided into different groups based on psychological rather than physical dimensions. This includes dividing buyers into different groups based on *personality, lifestyle and social class* as shown in Table 6. The development of psychographic segments is based on lifestyle profiles, normally derived from survey responses to AIO (attitude, interest and opinion statements). The main reason for using psychological attributes for market segmentation is the belief that common values can be found among groups of consumers and that those values tend to determine their purchasing patterns.

Psychographic variables have the following characteristics (Reid & Bojanic 2010:136):

- It is viewed as the practical application of the behaviour and social sciences to marketing research.
- It makes use of research procedures that are indicated when demographics, socio-economic and users or nonusers are not sufficient to explain and predict consumer behaviour.
- Psychographic seeks to describe the human characteristics of consumers that may have bearing on their response to products, promotions and advertising. Such variables may range from self-concept and lifestyle to attitudes, interests and opinions as well as perceptions of product attributes.

Table 6: Psychographic variables

VARIABLES	EXAMPLES
Personality	Out-going, introverted, ambitious
Lifestyle	Conservative, liberal
Social class	Upper class, middle class, lower class

Source: George (2004:129)

- **Personality**

As specified by Lamb *et al.* (2005:171), *personality* reflects a person's traits, attitude and habits. However, according to George (2004:129), this type of segmentation is used to distinguish between different types of tourists. The possible groups tourists can be divided into are psychocentrics and allocentrics. Psychocentrics are organised and routined and prefer packaged holidays, mainly to popular destinations. Allocentric tourists, on the other hand, are more out-going and seek adventure. They like visiting unusual exotic and new, unspoiled destinations, are more likely to travel independently and their desire is to participate in thrilling activities such as bungee-jumping. This model is useful in helping tourism marketers to consider the facilities they should provide to meet different needs.

Personality reflects all things that make a person unique – the different ways every person thinks and acts (Morrison 2010:111). It refers to the unique psychological characteristics that lead to relatively consistent and lasting responses to one's own environment. It is usually described in terms of traits such as self-confidence, defensiveness, dominance and adaptability. Personality is useful in analysing consumer behaviour for making certain product choices (Kotler & Armstrong 2004:190).

Psychographics further provide a unique way of viewing tourists (Slabbert 2002:33). It starts with people and reveals their feelings on a variety of subjects. It provides detailed profiles that allow marketing strategists to visualize the market to be reached. It seeks to determine why people travel, how they think, what their values and attitudes are, what type of destination they wish to visit and what they want to do while staying at a destination.

Reid and Bojanic (2010:137) (See Figure 12) illustrate the framework of the VALS marketing and consulting tool developed by SRI-BI (Stanford Research Institution Consulting Business Intelligence). The VALS framework allows marketers to identify meaningful market segments based on tourists' personality traits and provide a means to predict purchasing behaviour.

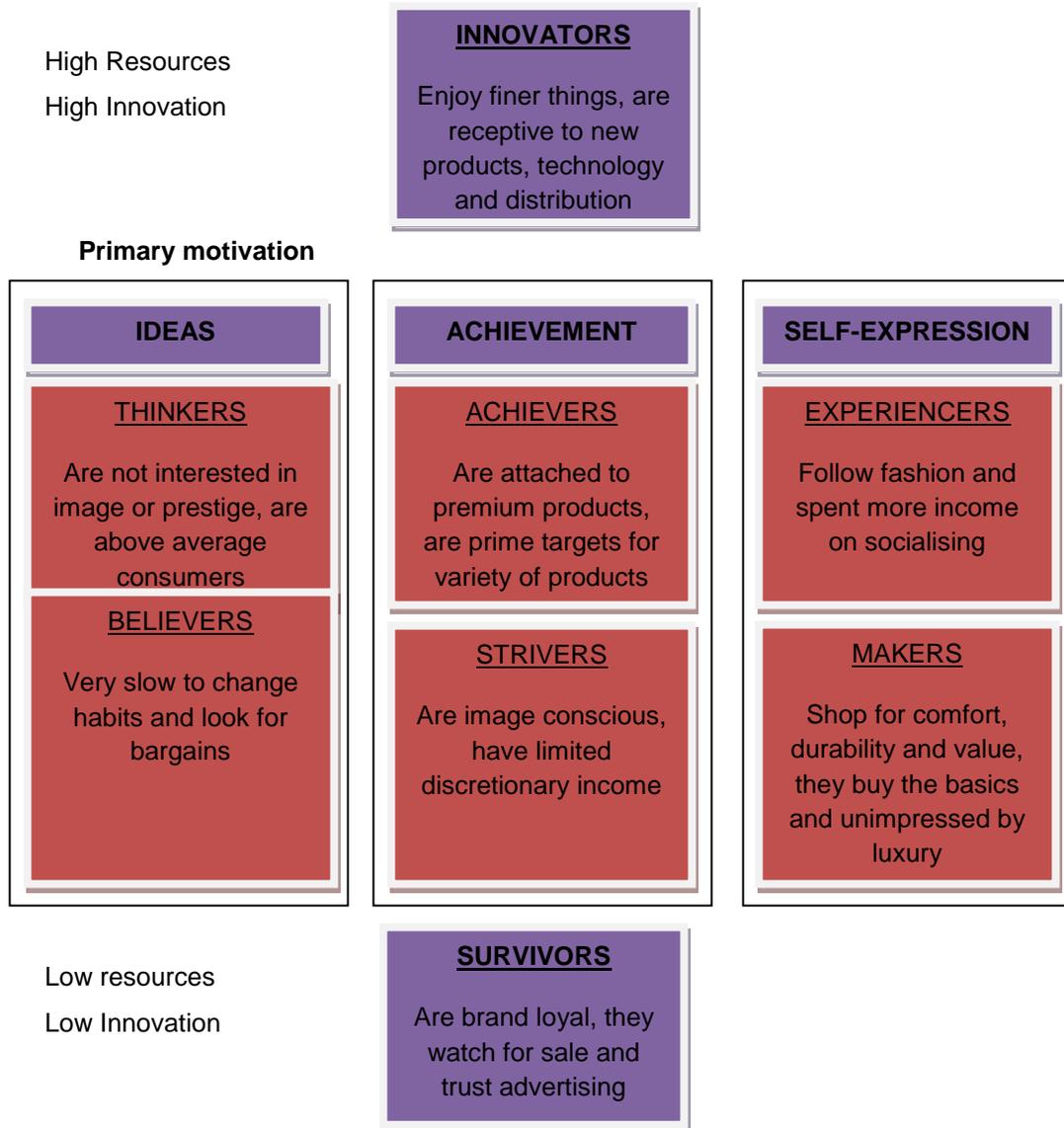


Figure 12: VALS Technique

Sources: Morrison (2010:112); Kotler & Armstrong (2004:189); Hudson (2008:51); Reid & Bojanic (2010:137)

It divides consumers into eight groups based on major dimensions: innovators, thinkers, achievers, experiencers, believers, strivers, makers and survivors, and uses two

dimensions of resources and the vertical (high to low) and the primary motivation on the horizontal dimensions; ideals and achievement. Members of each group have different psychological profiles and maintain different lifestyles (Hudson 2008:51). Each of the eight groups has composite profiles. SRIC-BI describes the innovators as successful, sophisticated, taking-charge people with high self-esteem. Because of their abundant resources, they exhibit all three primary motivations in varying degrees. They are change leaders and the most receptive to new ideas and technology. Innovators are very active consumers and their purchase reflects cultivated tastes for upscale, niche products and services. In contrast, survivors, once referred to as strugglers, are people with few resources to be included in any consumer orientation (Morrison 2010:112). The thinking that underpins the VALS framework is that individuals pass through a series of development stages, each of which influences attitudes, behaviour and psychological needs. The VALS tool can be used to help businesses to develop and execute more effective strategies (Shimp 2010:104-105).

- ***Lifestyle***

Lifestyle overlaps with personality characteristics. Lifestyle relates to consumer activities, interests and opinions. It has an impact on a wide range of everyday consumer behaviour such as choosing a vacation destination or activities and it is therefore considered a valuable basis for competition. Lifestyle segments differ in vacation style, the importance visitors place on a destination's attributes, their satisfaction, their loyalty, and word-of-mouth (Füller & Matzler 2008:118). It reflects how people spend their time and their beliefs in social, economic and political issues (George 2004:130). It again involves measures that tourists consider major (the AIOs) dimensions, activities (work, hobbies and social events), interests (family and recreation) and opinion (about the products themselves and social issues). Lifestyle profiles a person's entire pattern of acting and interacting in the world (Kotler & Armstrong 2004:188). Marketers feel that customer's lifestyle provides a more comprehensive picture of people's purchase behaviour than their demographics only (Morrison 2010:111) because it provides more information to understand tourists as consumers and design effective marketing programs (Füller & Matzeler 2008:118).

- **Social class**

The class to which consumers belong or aspire to belong also has a strong influence. *Social class* is usually determined by occupation, level of education and income. It is a powerful factor shaping demand and can place constraints on individual buying behaviour. Social class is widely used by marketers as a way of identifying the spending potential of customers. The class system is commonly used in South Africa to divide people into five socio-economic groups. These groups and their buying behaviour are indicated in Table 7.

Table 7: Socio-economic groups

GROUPS	EMPLOYMENT	EXAMPLE OF TOURISM BUYING BEHAVIOUR
Upper class	Corporate executives, owners of large businesses and professionals	Exclusive foreign holidays, dine at up-market restaurants
Upper-middle class	Professional people, owners of medium-size companies	Foreign holidays, frequently dine at upmarket restaurants
Lower-middle class	'White collar' workers, sales people, teachers and small business owners	All-inclusive holidays and dine out at least once a week
Upper-lower class	'Blue collar' workers, semi-skilled manual workers	Close to home holidays, dine at fast-food restaurants
Lower-lower class	Unskilled manual workers, unemployed	Dine at fast food restaurants

Source: George (2004:151)

(d) Behaviour segmentation

According to Morrison (2010:220), behaviour segmentation divides customers by use *benefits, attitude, loyalty, user status, buyer readiness and occasion*. That means it uses dimensions of customers' past, current or potential behaviour towards a specific product category. George (2004:130) adds this method of dividing group customers according to their relationship to a particular offering, as illustrated in Figure 13.

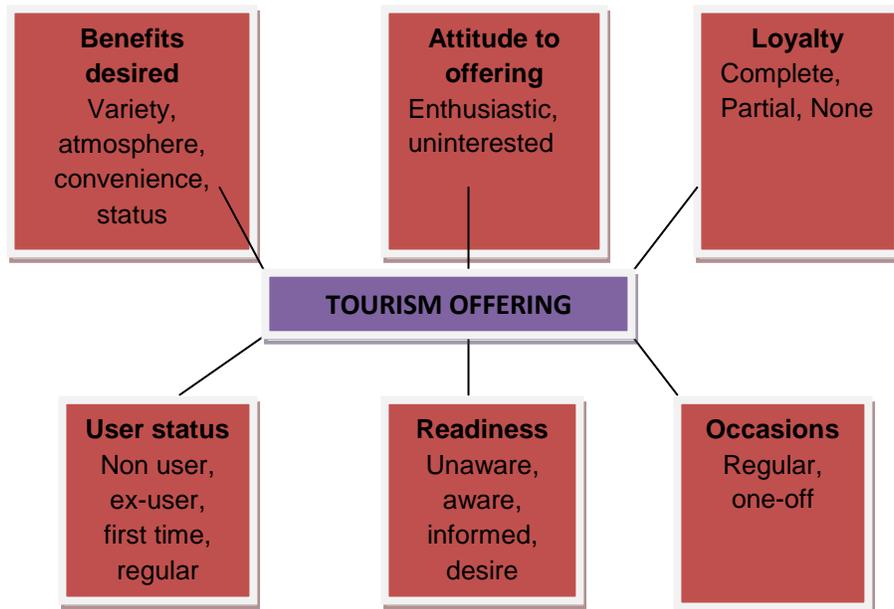


Figure 13: Different types of behavioural segmentation

Source: George (2004:131)

- *Desired benefits*

Benefits begin by determining the principal benefits tourists are seeking in a product class, the kinds of tourists for each benefit and the benefit delivered by each brand (Slabbert 2002:37). For example, some people visit a specific restaurant because it offers quality food, some because of its value for money, others because it has a menu offering a variety or because of its convenient location. In a hotel, for instance, people may stay for business purposes and others for a holiday (George 2004:130). Once a destination has determined the benefits sought by customers, it can use the information to design products or services to create promotional materials that focus on these benefits. Market research can be used to identify the benefits important to various types of tourists. This marketing information allows management to segment the market based on benefits sought. A car rental company, for example, carries several modes of cars and trucks in order to accommodate the needs of all types of travellers (Reid & Bojanic 2010:139).

Benefits are also thought to be powerful in the segmentation process because tourists do not just buy services but a package of benefits (Morrison 2010:225). Knowing the benefits sought by customers is useful in two ways. Firstly, marketers can develop

products with features that provide the benefit their customers are seeking. Secondly, managers communicate more effectively with their customers if they know the benefits they seek (Kotler, Bowen & Makens 2006:274). Benefit segmentation is different because it groups potential customers on the basis of needs and wants rather than some other characteristics such as age and gender (Lamb *et al.* 2005:175).

- *Attitude*

Buyers' attitude towards a brand is important because it influences behaviour. Attitudes are enduring systems of favourable or unfavourable evaluation of a product. They reflect the buyer's overall preferences for a service. It actually develops from personal experience, interaction with other customers or by marketing efforts such as advertising. Segmentation can be developed with a view to respond to established attitude or, instead, to attempt to change an attitude. In a certain situation, an attitude should be identified and measured to match with a brand (Cravens & Piercy 2006:106).

- *Loyalty*

Customers can be segmented by their *loyalty* to the brand. Buyers can be divided in accordance with their level of degree of loyalty. In the tourism industry some customers are completely loyal - they purchase tourist products or visit an attraction every year. Others are somewhat loyal - they are loyal to two or three attractions but sometimes visit other attractions as well. Other tourists show no loyalty at all to any attraction. They either want something different each time they travel or something on sale or cheaper (Kotler & Armstrong 2004:246). A study by Cornell Center for Hospitality Research (CCHR) divided post guests into four groups:

- *Satisfied switchers*: tourists satisfied by the product but patronized by competitors.
- *Dissatisfied switchers*: those tourists dissatisfied by services and disloyal to a tourist product.
- *Satisfied stayer*: those tourists who are satisfied and loyal to products and services offered.
- *Dissatisfied stayers*: those tourists showing loyalty to the offering but dissatisfied (Morrison 2010:223).

The ideal situation is to get satisfied stayers. According to Kotler *et al.* (2003:275), tourism marketers should build brand loyalty through relationship marketing. A first and basic review of marketing strategies for destinations should be to keep and expand the current market base. To encourage vital repeat, destinations and resorts should stay in contact with their former guests through direct mail that lets them know of special events, discount offered and new facilities.

- *User status and usage rate*

Customers or markets can be grouped according to their *usage status*. This approach includes splitting the market into for example non-users, former users, regular and potential users of an attraction (See Figure 14a). Another application is dividing customers by the number of times they have purchased a given service (Morrison 2010:223; Kotler & Armstrong 2004:246; Kotler *et al.* 2003:274). Hsu and Powers (2002:76) stated that when segmentation is done through *usage rate* (See Figure 14b), markets are segmented into light, medium as well as heavy user groups. Heavy users are often a small percentage of markets but account for a high percentage of total buying. This divides the market according to the number of times a given service is purchased (Morrison 2010:222).

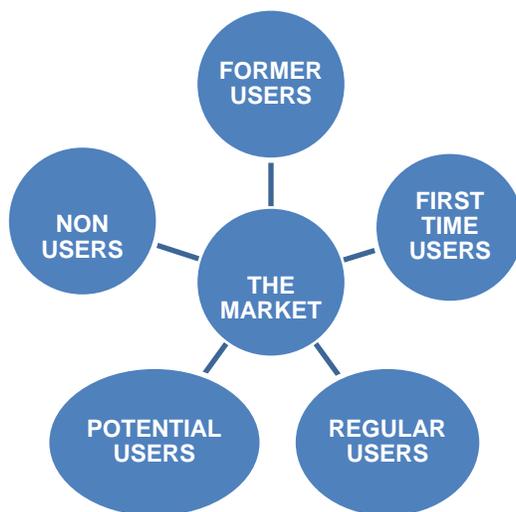


Figure 14a: Usage Status

Source: Osman (2001:41)

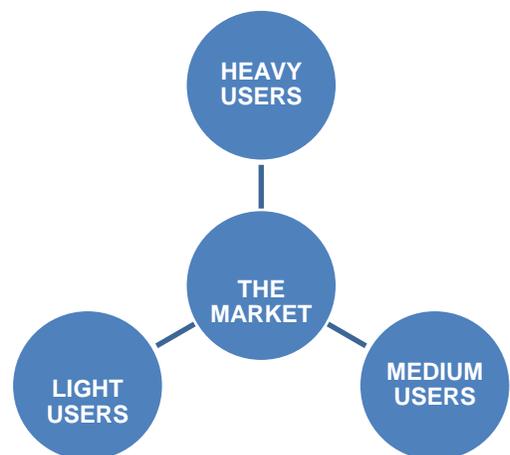


Figure 14b: Usage Rate

Marketing communication campaigns can be developed to target different user categories with a view to encourage the first-time user, regular patronage or repeat visits after lapsed patronage. Understanding the different usage patterns enables marketing communication campaigns to be designed to influence a specific category of user (Bowie & Buttle 2004:73).

- *Readiness to buy*

A market consists of people in different stages of *readiness* to buy a product; therefore they can be divided according to how ready they are to purchase. Some tourists may be completely unaware of the tourism offering, some aware and interested and some informed, while others may desire it, others are intending to buy it (George 2004:133; Kotler *et al.* 2003:275). Each stage makes a difference in designing the marketing plan. If tourists are totally unaware of the attraction, the initial marketing efforts should employ high awareness by building advertising and publicity using simple messages (Slabbert 2002:39).

- *Occasions*

Occasion segmentation assists destinations in building a product use. Buyers, as explained by Kotler, Bowen and Makens (2003:273), can be grouped according to the occasion when they get the idea, make a purchase, or use a product. Tourists can be grouped according to whether they are regular or once-off users (George 2004:131). When, how and why the consumer uses a product or service are distinctive and important factors in occasion segmentation. In a restaurant, for example, a meal occasion offers important insight into customers' needs and preferences. Another example of use occasion segments is the wedding market, where couples travel to a specific destination for a wedding or honeymoon (Morrison 2010:224).

3.5.3 Establishing effective market segmentation criteria

The key to successful segmentation is to identify the bases that will lead to or produce a market that is measurable, accessible, sustainable, defensible, competitive, compatible and homogenic and that will exhibit different response patterns to different marketing mixes (Lamb *et al.* 2005:116). Kotler *et al.* (2006:276), Tkaczynski and Rundle-Thiele (2010:1), Mok and Iverson (2000:300) add that for market segmentation to be more effective and managerially more useful, it should meet these four criteria.

The bases of segments can lead to segments that are:

Measurable: According to Reid and Bojanic (2010:129), measurability should be assessed from two perspectives, being the overall size of the target market segmentation and the projected total demand. It is the criteria whereby the segment size purchasing power can be measured. The marketer should be able to estimate the size of the segment and its potential buying power (George 2004:135). Segments that cannot be adequately measured on a regular basis cannot be properly targeted. If the segment is not measurable, it will be difficult or impossible to evaluate the effectiveness of marketing activities over time. If segments cannot be measured it is non-existent (Middleton & Clarke 2001:109).

Accessible: This is the criterion used to evaluate the effectiveness of market segmentation. It is the degree to which market segments or individual consumers are accessed through promotional activities and served. It ideally leads to the industry being able to reach selected target markets with their marketing efforts (Reid & Bojanic 2010:129).

Sustainability: It is the extent to which the market segments are large enough or profitable enough to serve as markets and warrant investment in the target market program. The selected segments must be stable so that its behaviour in the future can be predicted with a sufficient degree of confidence (Morrill 2007:5; Morrison 2010:211).

Defendability: Marketers must have proper knowledge that the destination's share of each market can be defended against competitors (George 2004:135).

Competitiveness: Marketers determine whether what is on offer provides quality and is distinct or unique to their customers. The service has to fit and meet the needs of a particular segment and be different from those of the competitor (Morrill 2007:5; Morrison 2010:211).

Compatibility: Marketers must ensure that the new market does not conflict with an already existing market or customer mix, but be compatible. Managers should be

careful not to target incompatible segments simultaneously (Morritt 2007:5; Morrison 2010:211).

Homogeneity: In dividing the whole market, marketers should ensure that the segments are as different from each other as possible. At the same time, there must be maintenance of similarity or homogeneity within the market.

Lee, Morrison and O'Leary (2006:578) argue that these criteria provide marketers with useful guidelines for targeting markets but do not incorporate the most important quality of segments, namely profitability.

3.5.4 Selecting the segments

Once the segments have been evaluated, marketers can screen out those containing no prospects and select those to pursue. The most important segments should be selected since resources or time may be limited to market every attractive segment (Slabbert 2002:51). The purpose of market segmentation is to identify marketing opportunities in both consumer and business markets (Lamb *et al.* 2005:176).

Morritt (2007:131) defines the selection of a target market as the most attractive segment for the product of service. A target market is the group of tourists to whom an attraction designs, implements and maintains a marketing mix intended to meet their needs, resulting in satisfying exchange (Lamb *et al.* 2005:178). The market must be evaluated before selecting the appropriate segments. Target market should be selected from a previously developed list of available bases. A target market should comprise tourists that are well defined, identifiable, and accessible and members should have the same characteristics. They should also have common needs and similar reasons for purchasing services (Hudson 2008:85).

3.5.4.1 Evaluating market segments

A tourism marketer should consider three factors when evaluating segments: the market size and growth, segment structural attractiveness and the tourist attraction objective and resources. The tourism product must first collect data and analyse it, based on the current segment sales growth rate, sales and expected profitability for various segments. Marketers will be interested in segments that have the right size and

growth characteristics. The largest and fast-growing segments are not always the most attractive ones for every tourism product. Smaller products such as resorts may lack the skills and resources needed to serve large segments or segments may be too competitive (Kotler & Armstrong 2004:251; Kotler *et al.* 2006:276).

A segment might have desirable size and growth but still not offer attractiveness; therefore a tourism product needs to examine the major structural factors affecting attractiveness, for example, the segment is less attractive if it already contains many strong and aggressive competitors. The existence of many actual and potential substitute products may limit price and profits that can be earned in segments. The relative powers of buyers also affect segment attractiveness. Buyers with strong bargaining powers relative to sellers will try to force prices down, demand more services and set competitors against one another, all at seller profitability. A segment may again not be attractive if it contains powerful suppliers who control price or reduce the quality or quantity of ordered tourist offerings. Some attractive segments can be dismissed quickly because they do not mesh with the product's long-run objectives. A tourism product should enter segments only where it can gain a sustainable advantage over competitors (Kotler & Armstrong 2004:251; Kotler *et al.* 2006:276).

3.5.4.2 Selecting market segment

After evaluating different segments, the product must decide which and how many segments to target. A target market consists of a set of buyers sharing common needs or characteristics the product decides to serve. Because buyers have unique needs and wants, a seller could view each buyer as a separate target market and ideally design a separate marketing program for each buyer. Target marketing can be carried out at different levels as displayed in Figure 15. A tourism product can marketed based on four target marketing strategies and can target broadly (Undifferentiated marketing), very narrowly (customised), or somewhere in between (differentiated or concentrated) marketing (Kotler & Armstrong 2004:252).

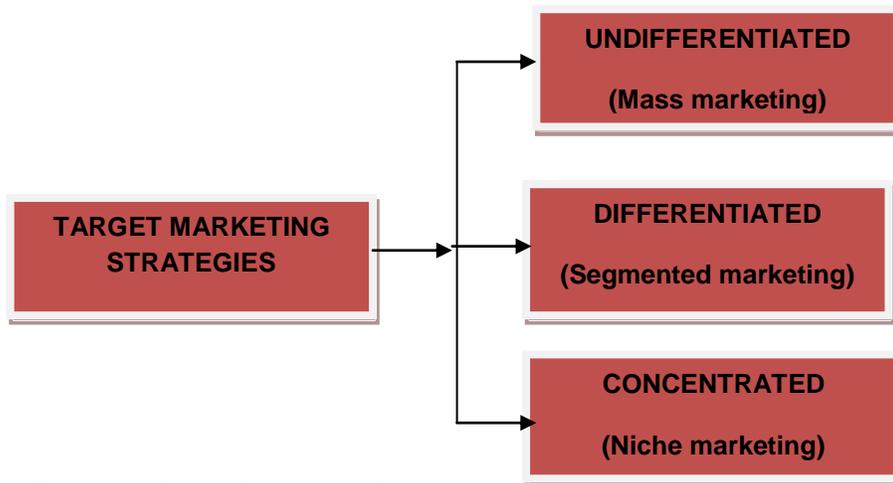


Figure 15: Targeting strategies

Source: Kotler & Armstrong (2004:252)

Undifferentiated or mass marketing

Mass marketing is actually a no segmentation strategy. It is designed to appeal to all customers, marketing to the whole world rather than to individual segments. It means presenting a single offering to the world. It actually overlooks segment differences and uses the same marketing mix (Morritt 2010:264). The goal is to maximize sales without diversifying the price, product or service through a single marketing plan for a single product or service offering (Slabbert 2002:52). Using an undifferentiated marketing strategy, a product ignores segmentation differences and advertises for the entire market with one market offer. It focuses on what is common in the needs of consumers rather than on differences. It designs a marketing plan that will reach the largest number of buyers. Mass distribution and mass advertising serve as the basic tool to create a superior image in tourists' minds (Kotler *et al.* 2006:278). Lamb *et al.* (2005:178) stated that the tourism industry is adapting to undifferentiated targeting strategies where one marketing mix is used for the entire market and assumes that all individual tourists have similar needs that can be met with a common marketing mix. Its advantage is the potential for saving a great deal of money on production and marketing costs. However, target markets that are not interested in the product or destination will be reached.

Differentiated marketing

Using a differentiated marketing strategy, a product that targets several markets and designs separate offers for each. Differentiated marketing produces more total sales

than undifferentiated across all segments (Kotler *et al.* 2006:279). This approach is often described as the *rifle* rather than the *shot-gun* approach (Slabbert 2002:54). Kotler and Armstrong (2004:253) say that differentiated marketing increases the costs for the product. The development of separate marketing plans for the separate segments requires extra marketing research, forecasting, sales analysis, promotion and planning and channel management. Trying to reach different marketing segments with different advertising also increases promotion costs.

Concentrated Marketing (Niche marketing)

With this marketing strategy the product is focused on a narrow, single target market with a single marketing mix. This approach allows marketers to develop expertise. The goal is to achieve a large share of a relatively small market (Slabbert 2002:53). Tourism products select a marketing niche for targeting its marketing efforts (Lamb *et al.* 2005:179). Niche marketing is actually appealing to a product with limited resources (Kotler *et al.* 2006:279). Through this approach the product achieves a strong market position because of its more extensive knowledge regarding tourists' needs, motives and satisfaction with the product. It can also market more efficiently, targeting its products, channels and communication programs towards only tourists it can serve best and more profitably. Some tourism marketers find that by concentrating resources and marketing the needs of narrowly defined market segments are more profitable than spreading them over several segments. Other marketers adopt a concentrated targeting strategy to compete with larger products. Some products on the other hand, use this approach to establish strong position in a desirable market segment (Lamb *et al.* 2005:179).

It is thus clear that each of these target marketing strategies holds certain advantages and disadvantages depending on the situation, the resources, the type of product, and the type of visitors. Table 8 indicates the most important advantages and disadvantages of target marketing strategies.

Table 8: Main characteristics, advantages and disadvantages of target marketing strategies

TARGET MARKET STRATEGIES	ADVANTAGES	DISADVANTAGES
Concentrated Targeting: Independent, not belonging to any organisation	- Concentration of resources can better meet the needs of a narrowly designed segment. - Allow smaller destinations to better meet the needs and compete with large destinations - Strong positioning	- Segments too small or changing - Large competitors may market more effectively
Differentiated Targeting: Destination sector leaders and challengers	Greater financial success Economic scale in production or marketing	- High costs - Cannibalisation
Undifferentiated Targeting: Destinations with products and services that have a very general appeal	Potential savings on production/ marketing costs	-Imaginative product offering -Destination more susceptible

Sources: Morritt (2010:265); Kotler & Armstrong (2004:254)

3.6 CONCLUSION

The purpose of this chapter was to explore market segmentation. It was found that market segmentation can be defined as the division of the overall market into groups of tourists with common characteristics and who react in a similar manner to a specific service or marketing plan. Segmentation not only assists in understanding what tourists want in a particular attraction, but also provides a good idea of the price they are willing to pay and where they specifically want to be served (Hsu & Powers 2002:66; Morrison 2010:207).

In addition, segmentation offers an opportunity to make more effective use of promotional media by identifying those that can reach the target market effectively.

Market segmentation, when done properly, can improve profits and sales of a product. This permits a product to more effectively allocate scarce marketing resources aimed at those segments with the highest profitability. Using market segmentation, tourism products can identify those segments that are heavy users and different product or service mixes can be promoted to meet the needs of different segments (Jang *et al.* 2002:367; Reid & Bojanic 2010:178).

From the review it was clear that either one or a combination of multiple segment bases can be used including demographic, geographic, psychographic and behavioural variables, in seeking to group tourists or attendees to the tourism product. These variables are used to provide a clearer insight into marketing strategy formulation. *Demographic* factors are useful in grouping tourists into key groups of age, gender, income, family life cycle, level of education and occupation. This basis is used especially in the case of smaller tourism products. *Geographic* factors segment tourists into regions, country and cities while *psychographic* factors segment tourists into personality type, life style and social class, whereas, *behavioural* factors segment tourists through their benefits sought, user status, user readiness as well as user rate. All these segmentation bases are used to guide key marketing decisions.

Basic criterion also exist that need to be considered for market segmentation. A good segment is said to be identifiable, accessible, measurable and actionable. From all above explanations it is clear that market segmentation plays a crucial role in marketing and communication strategy formulation of a tourism product. Segmentation variables were included in the questionnaire in order to segment visitors to the Abrahamsrust Resort.