

TOURISM MARKETING

4^η Σειρά Διαλέξεων

MBA Tourism Management

Τμήμα Οργάνωσης και Διοίκησης Επιχειρήσεων

ΠΑΝΕΠΙΣΤΗΜΙΟ ΠΕΙΡΑΙΩΣ



Introduction

- Companies today recognize that they cannot appeal to all customers in the marketplace, or at least not all customers the same way.
 - customers are too numerous, too widely scattered, too varied in their needs & buying processes
- Companies themselves vary widely in their abilities to serve different segments of the market.
 - a company must identify the parts of the market that it can serve best and most profitably
 - it must design customer-driven marketing strategies that build the right relationships with the right customers

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Identification

- Most companies have moved away from mass marketing, toward target marketing.
 - identifying market segments, selecting one or more of them, and developing tailored products & programs

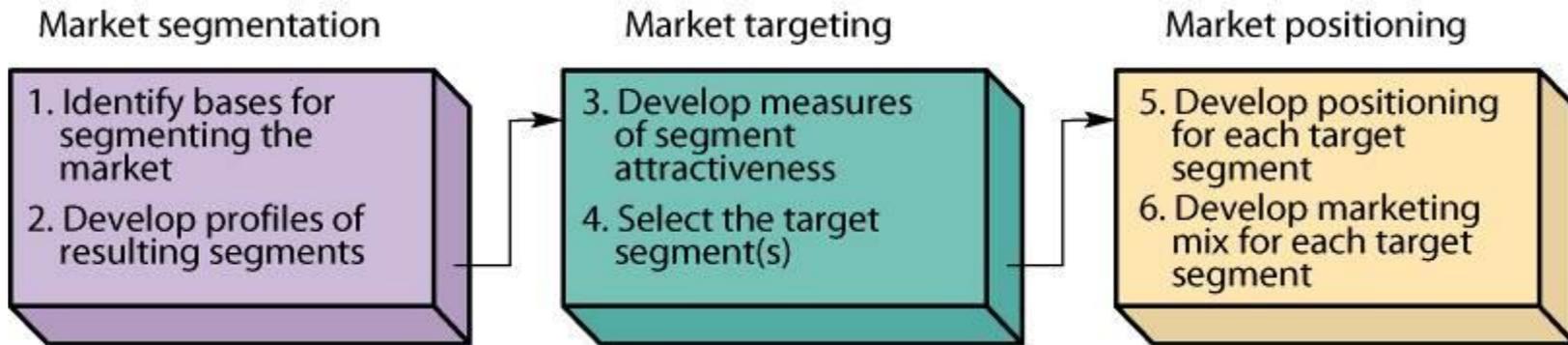


Figure 8-1 Steps in Segmentation, targeting and positioning.



Target Marketing

- There are three major steps in target marketing.
- The first is *market segmentation*, dividing a market into distinct groups who might require separate products and/or marketing mixes.
- The second step is *market targeting*, evaluating each segment's attractiveness and selecting one or more of the market segments.
- The third step is *market positioning*, developing competitive positioning for the product and an appropriate marketing mix.

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Introduction

- Markets consist of buyers who differ in their wants, resources, locations, buying attitudes & buying practices.
 - because buyers have unique needs & wants, each is potentially a separate market
- As most companies are unable to offer complete segmentation due costs, companies look for broad classes of buyers who differ in their product needs or buying responses.

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Variables

- The restaurant industry offers many examples of segmentation by a variety of variables.
 - because each customer group in a market may want a different product, a restaurant cannot serve all customers with equal effectiveness
- To gain an edge over its competition, a restaurant must examine market segments by identifying one or more subsets of customers within the total market and concentrate its efforts on meeting their needs.
 - the restaurant must distinguish the easily accessible consumer groups from the unresponsive ones

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Introduction

- Table 8–1 outlines major variables that might be used in segmenting consumer markets. Here we look at the geographic, demographic, psychographic, and behavioristic variables used in segmenting consumer markets.

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- There is no single way to segment a market. A marketer has to try different segmentation variables.
- Table 8–1 on page 200 outlines major variables that might be used in segmenting consumer markets.
 - geographic, demographic, psychographic & behavioristic

<i>Variable</i>	<i>Typical Breakdown</i>
Geographic	
World region or country	North America, Western Europe, Eastern Europe, Middle East, Pacific Rim, China, India, Canada, Mexico
Country region	Pacific, Mountain, West North Central, West South Central, East North Central, East South Central, South Atlantic, Middle Atlantic, New England
City or metro size	Under 5,000; 5,000–20,000; 20,000–50,000; 50,000–100,000; 100,000–250,000; 250,000–500,000; 500,000–1,000,000; 1,000,000–4,000,000; 4,000,000 or over
Density	Urban, suburban, ex-urban, rural
Climate	Northern, southern

Table 8-1a Major Segmentation Variables for Consumer Markets - *Geographic*.



Geographic

- Geographic segmentation is dividing the market into different geographic units, such as nations, states, regions, counties, cities, or neighborhoods.
 - paying attention to geographic differences in customer preferences
- Hospitality companies such as Starwood Hotels and Resorts make use of geographic information in their databases to develop highly targeted promotions, special packages & regional foods for guests.
 - absence of effective database use forces companies to use mass marketing tactics, often of no interest to a majority of recipients

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Geographic

- Knowledge of geographic customer preferences is particularly important in North America and Europe where immigration has created pockets of customers with very different product/service preferences.
 - growth of Muslim markets has created a need for prayer rug areas within some hotels
- The success of local and regional tourism depends on creative geographic segmentation.
 - a complaint is that all towns increasingly look alike with chain-based lodging, eating, shopping, and entertainment

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Demographic

- Demographic segmentation consists of dividing the marketing into groups based on demographic variables such as age, life cycle, gender, income, occupation, education, religion, race, and nationality.
 - the most common bases for segmenting customer groups
- One reason is that consumer preferences & use rates often vary closely with demographic variables.
 - another is that demographic variables are easy to measure
- Even when segments are first defined using other bases, demographic characteristics must be known to assess market size, and to reach it efficiently.

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Demographic

- Consumer preferences change with age and some companies offer different products or strategies to penetrate various age & life-cycle segments.
 - McDonald’s offers Happy Meals with include toys aimed at young children
 - American Express focuses on a mature market because this age segment accounts for 70% of tour industry bookings
- The “baby boomer” generation is large in several industrialized nations: Japan, the UK, Canada, others.
 - this market represents tremendous buying potential for tourism

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- Gender segmentation, long used to market clothing, hair, cosmetics & magazines is now used by the hospitality industry.
- Hotels now consider women when designing rooms
 - and are including more women executives in their ads
- Gender marketing is not simplistic, since a “typical” male or female does not exist, and many companies have erred trying to develop and market a product or service for such an individual
 - gender marketing is most effective when combined with lifestyle and demographic information



- Much used by marketers of products & services, the lodging industry is particularly effective in using income segmentation.
 - upper-income guests & corporations are targets for country clubs, boxes at sports stadiums, upscale hotels & resorts
- Lower-income segments are relatively easy to target by budget motels, interstate bus services, and others.
 - in designing and marketing by income, it is well to keep in mind an old proverb, “*Whoever sells to kings may dine with peasants, but whoever sells to peasants, may dine with kings.*”



- The middle-income consumer is by far the largest segment for the hospitality industry.
 - but can be difficult to attract and retain
- The term “middle income” encompasses a wide range of incomes and lifestyles, and an abundance of competitors serve this segment, and product service offerings are numerous
 - changing preferences, economic cycles, reaction to terrorism & violence by this segment complicate marketing
- Income does not always predict which customers will buy a given product or service.



- Income segmentation is commonly believed to be one a primary variable affecting pricing strategies.
 - price is not solely determined by income, but there is a close correlation
- Fractional ownership, partial property ownership, is clearly designed for the upscale income market.
 - marketing of fractional ownership (also called *residence clubs*) is essentially a high-end real estate function
- Some individuals have worried that fractional ownership will harm the upscale hotel market.



Psychographic - Social Class

- Psychographic segmentation divides buyers based on social class, lifestyle, and personality characteristics.
 - the same demographic group can have very different psychographic profiles
- Social class has a strong effect on preferences for cars, clothes, home furnishings, leisure activities, reading habits, and retailers.
 - afternoon tea at the Ritz-Carlton is aimed at the upper-middle & upper classes
 - a neighborhood pub near a factory targets the working class

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- Marketers are increasingly segmenting the markets by consumer lifestyles.
 - many bars/watering holes are designed for young singles wanting to meet other singles, and couples wanting to avoid the singles scene and enjoy each other's company



Psychographic - Personality

- Marketers use personality variables to segment markets, endowing their products and personalities.
- Wendy's had a great personality in the person of Dave Thomas, the founder.
 - unfortunately Dave passed away, and the company was left without a memorable personality
- This is a major reason why companies like McDonald's, Burger King, and Jack in the Box use fictional characters who never age and can adopt a personality.

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Behavioral - Occasion Segmentation

- For behavioral segmentation, buyers are divided into groups based on knowledge, attitude, and use or response to a product.
 - many marketers believe behavioral variables are the best starting point for building market segments
- Occasion segmentation helps firms build product use, as buyers can be grouped according to occasions when they make a purchase or use a product.
 - Mother's Day is promoted as a time to take your mother or wife out to eat; St. Patrick's Day as a night of celebration
 - Monday holidays, such as Labor Day and Memorial Day, have been promoted as times to enjoy a mini vacation

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Behavioral - Benefits Sought

- Buyers can also be grouped according to the product benefits they seek.
- Knowing the benefits sought by customers is useful in two ways.
 - managers can develop products with features that provide the benefits their customers are seeking
 - managers communicate more effectively with their customers if they know what benefits they seek

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Behavioral - Benefits Sought

- After studying patrons and nonpatrons of three types of restaurants, one researcher concluded there are five major appeal categories for restaurant customers.
 - patrons of family service restaurants sought convenience and menu
 - variety patrons of atmosphere restaurants ranked food quality and atmosphere as the top attributes
 - patrons of gourmet restaurants valued quality
- A benefit is a positive outcome received from a product feature.
 - product features with positive outcomes for guests create value, those with no positive outcomes have no value

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- Many markets can be segmented into nonusers, former users, potential users, first-time users, and regular users of a product.
- High-market-share companies such as major airlines are particularly interested in keeping regular users and attracting potential users.
 - potential users and regular users often require different marketing appeals



- Markets can be segmented into light-, medium-, and heavy-user groups.
 - heavy users are often a small percentage of the market but account for a high percentage of total buying
- One of the most controversial programs employed by the hospitality & travel industries to ensure heavy patronage by key customers is the frequent flyer or frequent guest program.
 - many experts question long-run value of these programs
 - they question the “competitive advantage” they create because most airlines have similar programs



- Though many hotel chains offer a frequent guest program, they realize that most look alike, thus reducing their effectiveness.
- Guests may indeed collect points to enjoy a free stay, but point accumulation may not build loyalty.
 - a study on this topic concluded, “...*loyalty is an emotional bond that cannot be bought by points or free stays.*”
- Marketers need to find ways to enhance emotional ties between the consumer and the hotel brands
 - an outcome of loyalty is increased usage of the product



- A market can be segmented by consumer loyalty.
- A study of hotel brand extensions showed that brand extensions are helpful in increasing customer loyalty and in promoting repeat buying.
 - customers who like a main-line, name-brand hotel are likely to patronize other hotels owned by that company
- In the hospitality and travel industries, marketers attempt to build brand loyalty through relationship marketing.
 - marketing strategies for resorts suggest the first, most basic strategy is *“to keep and expand the current market base”*



Behavioral - Buyer Readiness Stage

- At any given time, people are in different stages of readiness to buy a product, and the relative number in each stage makes a big difference in designing a marketing program.
 - some are unaware of the product; some aware
 - some are informed; some want the product
 - some intend to buy

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Requirements for Effective Segmentation

- Not all segmentation methods are equally effective, so to be useful, market segments must have the following characteristics:
 - **Measurability** - the degree to which the segment's size and purchasing power can be measured.
 - **Accessibility** - the degree to which segments can be assessed and served.
 - **Substantiality** - The degree to which segments are large or profitable enough to serve as markets.
 - **Actionability** - : The degree to which effective programs can be designed for attracting and serving segments.

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Evaluating Market Segments - Segment Size & Growth

- When evaluating different market segments, a firm must look at segment size & growth, segment structured attractiveness, company objectives & resources.
- A company must first collect and analyze data on current segment sales for segments with the right size and growth characteristics,
 - “*right size and growth*” is a relative matter
- The largest, fastest growing segments are not always the most attractive ones for every company.
 - at times smaller segments are potentially more profitable

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Segment Structural Analysis

- A segment might have desirable size & growth and still not offer attractive profits, so a company must examine several major structural factors that affect long-run segment attractiveness.
 - a segment is less attractive if it contains many strong & aggressive competitors, and existence of many actual or potential substitute products may limit prices and profits
- Relative power of buyers affects attractiveness.
 - if buyers possess strong bargaining power relative to sellers, they will force prices down, demand more quality services & set competitors against one another

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Company Objectives and Resources

- Some attractive segments can be dismissed because they do not mesh with long-run objectives.
 - although tempting, they might divert a company from its main goal
 - they might be a poor choice from an environmental, political, or social responsibility viewpoint
- If the company lacks the strengths needed to compete successfully in a segment and cannot readily obtain them, it should not enter the segment.
 - a company should enter segments only where it can gain sustainable advantages over competitors

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Selecting Market Segments

- After evaluating different segments, the company must decide which and how many segments to serve.
- A target market consists of a set of buyers who share common needs or characteristics that the company decides to serve.
- A firm can adopt one of three market-coverage strategies:
 - undifferentiated marketing
 - differentiated marketing
 - concentrated marketing.

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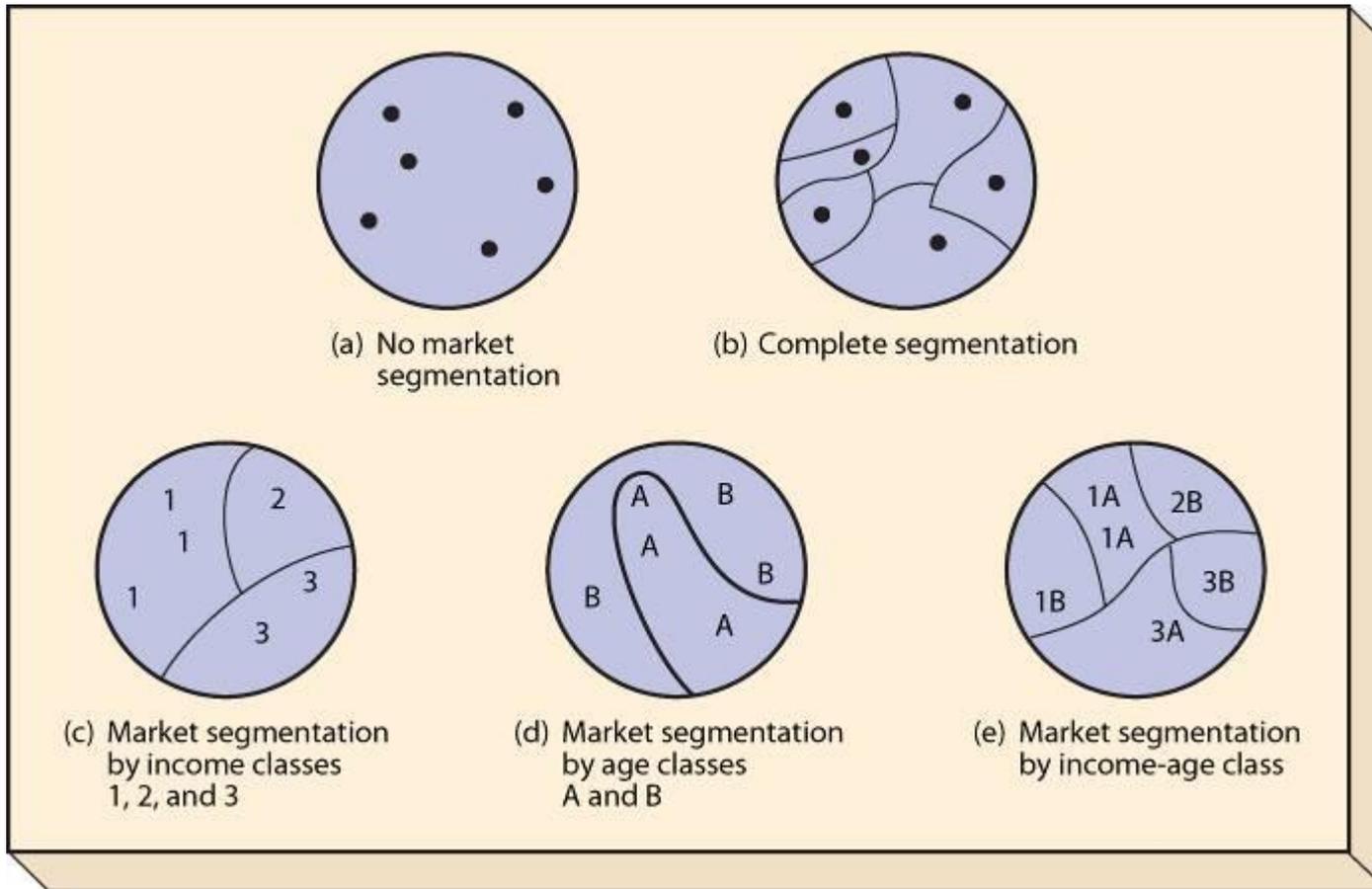


Figure 8-2 Three alternative market-coverage strategies.

Undifferentiated Marketing

- In an undifferentiated marketing strategy, a company ignores market segmentation differences and goes after the entire market with one market offer.
 - it focuses common needs of consumers
- It designs a marketing plan that will reach the greatest number of buyers.
 - mass distribution & advertising serve as the basic tools to create a superior image in consumers' minds
- An undifferentiated advertising program holds down advertising costs.
 - also marketing research & product development costs

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Undifferentiated Marketing

- Contemporary marketers have strong doubts about the strategy in today's competitive environment.
 - it is difficult to develop a product & brand to satisfy all or even most consumers
- When several competitors aim at the largest segments, the inevitable result is heavy competition.
 - small companies generally find it impossible to compete are forced to adopt market-niche strategies
- Larger segments may become less profitable because of heavy marketing costs, including the possibility of price cutting and price wars

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Bifurcated Marketing

- In many undeveloped nations such as parts of Asia, Africa, and Latin America and in developing nations such as China, the available guest mix is bifurcated.
 - high-end hotels exist for international visitors and as a location for social occasions for high-income locals
 - low-end hotels exist for locals and adventurous tourists.
- A bifurcated market (a market that contains two major market segments) sometimes frustrates foreign hotel owners wishing to enter the market.
 - absence or scarcity of middle-income guests means mid-market chains may find little or no success

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Differentiated Marketing

- Using differentiated marketing strategy, a company targets several market segments and designs separate offers for each.
- Accor Hotels, a French company, operates under twelve trade names and manages several brands & types of hotels
 - this segmentation has allowed Accor to become one of the world's foremost hotel groups
- Differentiated marketing typically produces more total sales than undifferentiated marketing.

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Concentrated Marketing

- A third strategy, concentrated marketing, is appealing to companies with limited resources.
 - instead of going for a small share of a large market, the firm pursues a large share of one or a few small markets
- Hospitality companies achieve a strong market position in the segments that they serve, thanks to their greater knowledge of those segments' needs.
 - if the segment is well chosen, the company can earn a high rate of return on investment
- Concentrated marketing involves higher than normal risks, as a particular market segment can turn sour.

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Choosing a Market-Coverage Strategy

- Companies need to consider several factors in choosing a market-coverage strategy.
 - the company's resources - when resources are limited, concentrated marketing makes the most sense
 - degree of product homogeneity - undifferentiated marketing is more suited for homogeneous products
 - products that vary in design, such as restaurants & hotels, are more suited to differentiation or concentration
- When introducing a new product, it may be practical to launch only one version, so undifferentiated or concentrated marketing makes the most sense.

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- Once market segments are chosen, a company must decide what positions to occupy in those segments.
- A product's position is the way the product is defined by consumers on important attributes.
 - the place the product occupies in consumers' minds relative to competing products
- Consumers are overloaded with information about products and services. They cannot reevaluate products every time they make a buying decision.
 - to simplify buying decisions, consumers “position” products & companies in their minds



- Marketers do not want to leave their products' positions to chance, so they plan positions to give their products the greatest advantage in selected target markets, then design the marketing mixes.
 - Wendy's promotes never-frozen meat, hot off the grill
 - Burger King is known for its flame-broiled food
 - Rally's uses low prices to position itself
- A hotel brand's position can be viewed from two perspectives—that of management & of the guests.
 - management must have a clear concept of the hotel's intended position



- Marketers can follow several positioning strategies, such as specific product attributes.
- Product attribute positioning can be dangerous.
 - consumer preferences change and competitors blunt the effort of specific product attributes
- Products can be positioned against another product class.
 - cruise ships have positioned themselves against other vacation alternatives such as destination resorts
 - B&Bs, as “home-like” alternatives to other lodging
 - conference centers have consistently positioned themselves against hotels with conference facilities



- When two or more firms pursue the same position, each must seek further differentiation.
 - such as “*a business hotel for a lower cost*” or “*a business hotel with a great location*”
- Each firm must build a unique bundle of advantages appealing to a substantial group within the segment.
 - this subpositioning is often called niche marketing
- Most cruise lines offer a multiday cruise experience with stops at several ports.
 - a few niche cruise lines have found it profitable to offer a one-day cruise with no ports of call



Choosing and Implementing a Positioning Strategy

- The positioning task consists of three steps:
 - identifying a set of possible competitive advantages on which to build a position
 - selecting the right competitive advantages
 - effectively communicating and delivering the chosen position to a carefully selected target market
- A company can gain competitive advantage by offering consumers lower prices for similar products or providing more benefits that justify higher prices.
 - a company must compare its prices and products to those of competitors & always look for possible improvements

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Choosing and Implementing a Positioning Strategy

- In some cases, unbundling of products has also worked as a positioning tactic.
- Until the early 70s, many resorts sold only a bundled product known as the American Plan (AP).
 - which included resort services such as food & beverage
- Resort managers observed changes in guest behavior, and began to differentiate their properties.
 - offering a modified American plan (MAP), in which lunch was not included
 - or a European plan, which did not include meals

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Product Differentiation - Physical

- A hospitality company or a visitor destination must differentiate its products/services from competitors.
 - by physical attributes, service, personnel, location, image
- Classic hotels such as the Waldorf-Astoria, Palmer House in Chicago, & Prestonfield House in Edinburgh differentiate themselves on past grandeur.
 - many hotels, restaurants, & airlines lack physical differentiation & price becomes the primary factor
- Differentiation that excites the consumer and offers something new can lead to excellent public relations opportunities, customer loyalty, and greater profits.

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Product Differentiation - Service

- By providing services that benefit its target market, a hospitality company can achieve differentiation for a period of time.
 - Red Lobster allows its customers to call to put their names on a wait list, reducing the time they wait at the restaurant
- *Unwanted* differentiation occurs when a company consistently provides a horrible level of guest service.
 - such a reputation often requires a change in management or ownership to correct

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Product Differentiation - Service

- The basics of good customer service are comparable to the Golden Rule: *“Do unto others as you would have them do unto you.”*
 - it is strange that so many members of service industries ignore good customer service
- Results of customer service studies usually reveal common sense yet valuable insight.
 - because so many companies overlook the importance of good service, those who truly emphasize service will achieve positive differentiation
- Companies gain a strong competitive advantage by hiring & retaining better people than competitors.

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- Personnel differentiation requires selecting customer-contact people carefully & training them well.
 - these personnel must be competent and must possess the required skills and knowledge
 - they need to be courteous, friendly, and respectful
 - they must serve customers with consistency & accuracy
 - they must make an effort to understand their customers, and communicate clearly with them
 - they must respond quickly to customer requests & problems



Location Differentiation

- Location can provide a strong competitive advantage.
 - hotels facing Central Park in New York City have a competitive advantage over hotels a block away
- Hospitality & travel firms should look for benefits created by their location, keeping in mind that this advantage is subject to chance.
 - factors such as a new highway bypass or criminal activity in a neighborhood can turn an advantage into a problem
- Hospitality companies are well advised to seriously consider what geographic factors may have created their success before expanding too widely.

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- Even when competing offers look the same, buyers may perceive a difference based on company or brand image.
- A company or visitor destination image should convey a singular or distinctive message that communicates the product's benefits & positioning.
- Developing a strong and distinctive image calls for creativity and hard work.
 - a positive image must be earned and must be supported by everything the company says & does



Selecting the Right Competitive Advantages

- A company is fortunate enough to discover several potential competitive advantages must choose the ones on which it will build its positioning strategy.
- Many marketers think companies should promote only one benefit to the target market, picking an attribute & touting itself as #1 on that attribute.
 - buyers tend to remember number one better, especially in an overcommunicated society
- Major number-one positions to promote are best quality, best service, lowest price, best value, and best location.

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Selecting the Right Competitive Advantages

- A company that hammers away at a position that is important to its target market & consistently delivers on it probably will become best known/remembered.
- Other marketers think that companies should position themselves on more than one differentiating factor.
 - a hotel may claim it offers the best value & location
- Because today's mass market is fragmenting into many small market segments, companies are trying to broaden strategies to appeal to more segments.
- As companies increase the number of claims for their brands, they risk disbelief & loss of clear positioning.

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How Many Differences?

- In general, a company needs to avoid three major positioning errors.
 - underpositioning, or failing to position the company at all
 - overpositioning, or giving buyers too narrow a picture of the company
 - confused positioning, leaving buyers with a confused image of a company
- Good positioning helps build brand loyalty, but for a hotel, it may not be enough to simply satisfy guests.
 - satisfied customers do not repurchase unless they are also attitudinally brand loyal

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Which Differences?

- Not all differences are meaningful or worthwhile, and not every difference makes a good differentiator.
 - each difference has the potential to create company costs as well as customer benefits
- Some competitive advantages may quickly be ruled out because they are too slight, too costly to develop, or too inconsistent with the company's profile.
 - the company needs a framework for selecting the one that makes the most sense to develop

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Which Differences?

- A difference is worth establishing to the extent that it satisfies the following criteria:
 - **Important** - delivers highly valued benefit to target buyers
 - **Distinctive** - competitors do not offer the difference, or the company can offer it in a more distinctive way
 - **Superior** - the difference is superior to other ways that customers might obtain the same benefit
 - **Communicable** - and visible to buyers
 - **Preemptive** - competitors can't easily copy the difference
 - **Affordable** - buyers can afford to pay for the difference
 - **Profitable** - the company can introduce the difference profitably

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Communicating and Delivering the Chosen Position

- Having chosen positioning characteristics and a positioning statement, companies must communicate their positions to targeted customers.
 - all of a company's marketing mix efforts must support its positioning strategy
- Building and maintaining a consistent positioning strategy isn't easy, as many counterforces are at work.
 - advertising agencies hired by the company may not like a selected position & may overtly or covertly work against it
 - new management may not understand the strategy
 - budgets may be cut for critical support programs

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Communicating and Delivering the Chosen Position

- Development of an effective position requires a consistent, long-run program with continuous support by management, employees & vendors.
- Companies normally develop a memorable statement to communicate their desired positions.
 - unfortunately, a new management team or ad agency may discard a good statement
- When selecting a positioning strategy, a company should review competitive strengths & weaknesses and select a position that places it in a superior position against its competitors.

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Positioning Measurement - Perceptual Mapping

- Perceptual mapping, a research tool, is sometimes used to measure a brand's position.
- Two-by-two perceptual maps provide an easy-to-read picture, but one must often study multiple maps plotting different attributes to obtain a good feel of the marketplace.

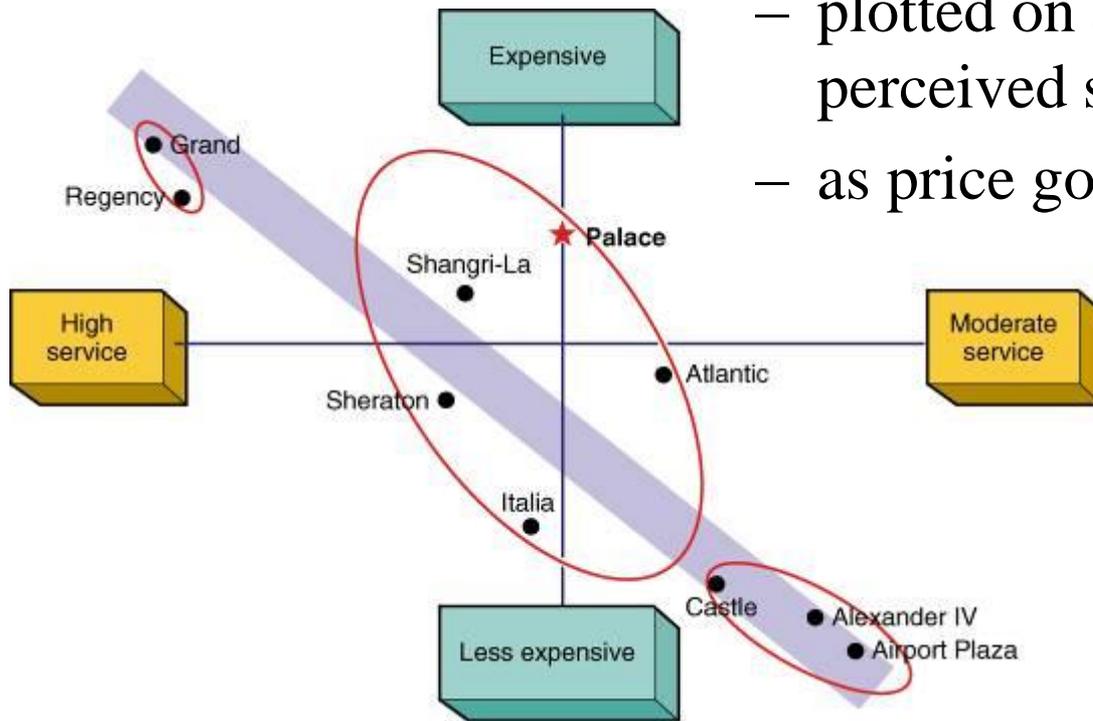
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Positioning Measurement - Perceptual Mapping

- On this map is a correlation between service & price.



– plotted on attributes of price & perceived service

– as price goes up, so does service

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Figure 8-3 Positioning map of service level versus price. From Christopher Lovelock, *Services Marketing*, 1996, p. 178 *Prentice Hall, Upper Saddle River, NJ. Used with permission.*

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Positioning Measurement - Perceptual Mapping

- Perceptual maps can be developed using consumer perceptions of a number of product attributes.
- Dev, Morgan, & Shoemaker developed a perceptual map based on ratings of eight attributes, using a technique known as probabilistic multidimensional scaling.
 - to derive the coordinates for the map in figure 8–4
- This technique is useful to identify competitive set and to open spaces that can represent an opportunity for repositioning away from the competition.

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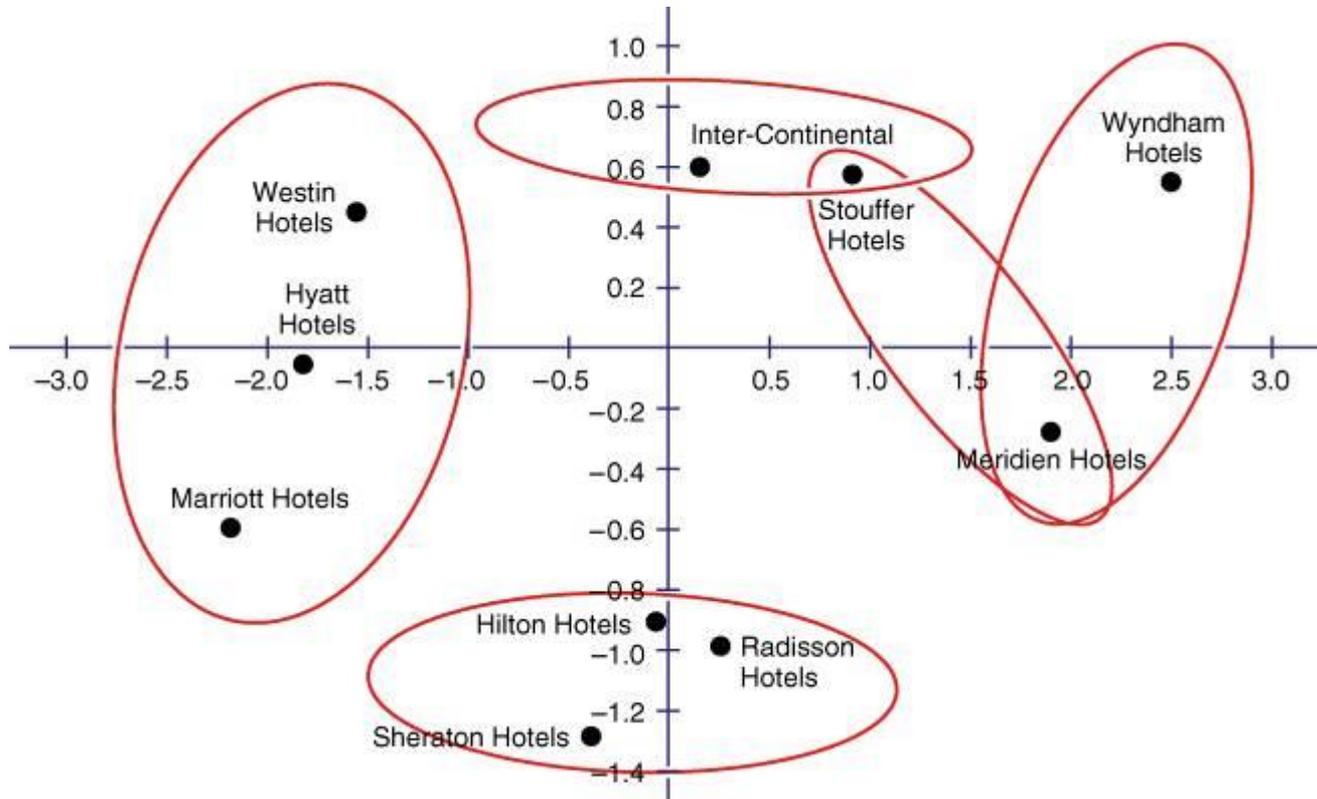


Figure 8-4 Positioning map using multiple attributes to position hotels. From Chekitan S. Dev, Michael S. Morgan, and Stowe Shoemaker, "A Positioning Analysis of Hotel Brands," *Cornell Hotel and Restaurant Administration Quarterly* 36 (December 1995): 48–55. *Courtesy of Cornell Hotel and Restaurant Administration Quarterly. Copyright Cornell University. Used by permission.*



Positioning Measurement - Perceptual Mapping

- The circles are drawn around clusters of the hotels not statistically significant distances from each other.
 - the hotels in the circles can be viewed by the consumer as being similar
- In this type of map the positions are essentially neutral; one spot on the map does not inherently have to be better or worse than another.
- Increased competition or an ineffective positioning strategy can make repositioning necessary.
 - perceptual maps provide data supporting the need for repositioning

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