Market Segmentation Approaches: Do They Benefit Destination Marketers?

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Introduction

Market segmentation aims to divide markets comprised of individuals into groups whose characteristics are relatively homogeneous within each set or segment and heterogeneous between segments, based on an identified set of variables (Kara and Kaynak, 1997). Marketing academics and practitioners have adopted the concept of market segmentation enthusiastically. The benefits have been seen to include an ability to gain a fuller understanding of a particular market, improved techniques to predict consumer behaviour, and an improved ability to identify and exploit new market opportunities for commercial benefit (Heok, Gendall and Esslemont, 1996). A capacity to divide markets into distinct groups of buyers, or prospective buyers, who respond differently to changes in marketing mix variables is likely to prove particularly beneficial to those attempting to influence consumer demand for a particular product or service.

Despite widespread acceptance of the concept of market segmentation in both practice and theory, there appears to be limited scrutiny of the techniques used to segment data sets and the associated problems of interpreting the solutions. In addition, while much has been written on the links between segmentation and marketing strategy there has been limited attention paid to the practicalities of integrating findings into operational marketing tactics, particularly relating to tourism destination decision making. To be valuable to marketing practitioners the process of segmentation needs to be able to identify different groups of consumers who have uniform and stable responses to a particular set of marketing variables. Such consumers can then be targeted through available promotional media and distribution outlets (Elrod and Winer, 1982). This paper commences with a discussion of approaches to market segmentation. The following sections examine the application and effectiveness of market segmentation approaches within tourism destination marketing. Proposed means of designing and integrating segmentation models into management decision making to better aid effective destination marketing are then discussed. Finally, the implications of segmentation studies for destination marketing and as predictors of travel behaviour, are examined.

Segmenting Markets

As outlined by Kotler, Brown, Adam, and Armstrong (2001), segmentation effectiveness depends on arriving at segments which are measurable, accessible, substantial, actionable and differentiable. Kotler et al. refers to a measurable segment as one where the size of the segment and the related purchasing power can be quantified. For a segment to be accessible it must be able to be reached and served effectively by the marketing entity. Further, the segment must be substantial in that it is large and
profitable enough to warrant the marketing entity to design marketing mix strategies that are differentiated from strategies that target other segments. The segment must also be actionable in that the marketing entity can design effective marketing strategies to attract and serve the segment and for the segments to be differentiable, they must respond differently to different marketing stimuli.

Hoek, Gendall and Esslemont (1996) have argued that at an intuitive level, market segmentation appears worthwhile in terms of increasing sales and revenue. For example, vendors of yacht fittings would appear to increase their chances of making sales if they target yacht owners rather than a broad market that has not been segmented. However, market segmentation strategies go beyond such clearly rational judgements aiming to gain a competitive advantage by identifying and serving the needs of customers more effectively than competitors. Complex segmentation exercises use a wide number of consumer variables as the basis for segmenting markets and then adopt sophisticated statistical analysis to group customers together based on these variables. The dilemma facing such segmentation studies is how to actually segment the market from a myriad of possible approaches and how to choose the statistical technique likely to prove most suitable in providing the information required to aid market segmentation.

The literature discusses two principal approaches to segmentation. They are a-priori and post-hoc or data driven (Dolnicar, S., 2004; Kara and Kaynak, 1997, Wind, 1978). A-priori segmentation requires the researcher to first choose variables of interest and then classify buyers according to that designation (Wind, 1978). While an a-priori approach may guarantee within segment similarity by ensuring, for example, that all segment members come from similar geographic regions and income ranges, this does not necessarily mean that all segment members will respond in the same way to marketing stimuli (Hoek, Gendall and Esslemont, 1996). For example, consumers with similar demographic characteristics may respond in a similar way to a change in pricing strategy but may have very different reactions to a promotional theme. Further, the selection of variables in an a-priori study, to some degree, reflect underlying assumptions concerning the market and about which variables are most likely to respond to marketing stimuli. Such assumptions are likely to influence the findings and marketing strategies that ensue.

The second approach is to segment markets on a post-hoc basis where the researcher chooses a range of interrelated variables and then clusters buyers into groups whose average within-group similarity is high and whose between group similarity is low (Wind, 1978). This approach may result in segments that are not necessarily internally consistent. Even if researchers can identify groups with similar attitudes or usage habits,
members often possess different demographic characteristics making marketing decisions such as media buying, difficult to action (Hoek, Gendall and Esslemont, 1996). Indeed Young et.al (1978), suggest that a common reason segmentation studies fail in the implementation stage is that marketing research is too preoccupied with the methods and techniques of segmentation, and fails to consider the competitive structure of the market and general marketing environment.

Hoek, Gendall and Esslemont (1996) have argued that despite sophisticated approaches to market segmentation, the selection of variables on which such studies are based involves subjective judgements. For example, researchers using consumption benefits as a segmentation basis, must determine which benefits to measure and select appropriate means of assessing their relative importance to respondents. It needs to be recognised that this process may have a significant impact on the research outcome. Everitt (1974: 48) argues that ‘the initial choice of variables is itself a categorisation of the data which has no mathematical or statistical guidelines and which reflects the investigator’s judgement of relevance for the purpose of the classification.’

However, the subjective decisions and assumptions inherent in segmentation studies do not preclude the studies from being potentially useful to gaining an improved understanding of the key factors influencing the choice of a tourism destination. However, such assumptions need to be made explicit and transparent so that users of the models understand the limitations of any findings. While numerous segmentation studies have been undertaken within the realm of tourism destination marketing, few of these studies make clear the subjective elements of the research design.

The application of market segmentation approaches within tourism destination marketing

Despite the limitations of market segmentation techniques, it is important for those associated with the planning, management and marketing of tourism destinations that they attempt to gain an improved understanding of the origin of their visitors, their travel patterns and travel motivations. Based on such understandings, destination marketing organisations (DMO) can aim to alter marketing mix variables to influence decision-making. Dolnicar (2004) offers a review of tourism segmentation studies published in the Journal of Tourism Research over the last fifteen years and groups them into four main conceptual approaches. Dolnicar estimates that 53% of these studies have adopted an a-priori approach, 36% were a combination of a-priori sub-groups divided into data driven or post-hoc segments, 11% were a combination of more than one a-priori segment and 5% of the studies were post-hoc.
Dolnicar argues that creative combinations of \textit{a-priori} and \textit{post-hoc} segmentation will lead to more original approaches to segmenting travel markets, producing solutions not yet exploited by competitor destinations. By considering a wider variety of possible approaches to market segmentation, DMOs can gain deeper insight to the market from a variety of perspectives. Figure 1 presents Dolnicar’s schematic of approaches to market segmentation based on possible combinations of \textit{a-prior} and \textit{post-hoc} segmentation. The schematic aims to provide a blueprint for deriving segments which have not previously been described.

**Figure 1: Systematics of segmentation**

<table>
<thead>
<tr>
<th>Which group is described first?</th>
</tr>
</thead>
<tbody>
<tr>
<td>A subgroup of the total tourist population determined by an \textit{a-priori} criterion.</td>
</tr>
<tr>
<td>\textbf{CONCEPT 1} = \textit{a-prior} segmentation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Which groups are explored next?</th>
</tr>
</thead>
<tbody>
<tr>
<td>A subgroup of the total tourist population determined by an \textit{a-priori} criterion</td>
</tr>
<tr>
<td>\textbf{CONCEPT 3} = \textit{a-prior}/\textit{a-prior} segmentation</td>
</tr>
<tr>
<td>\textbf{CONCEPT 5} = \textit{a-prior}/\textit{post-hoc} segmentation</td>
</tr>
</tbody>
</table>

\textit{Source: Dolnicar, 2004}

Dolnicar concludes that creative approaches to market segmentation, in combination with a thorough analysis of the marketing environment allows destinations to gain a strategic competitive advantage depending on the ability of the destination to match their capabilities and potential with the needs and desires of particular market segments. However, Hankinson (2001) argues that matching service attributes with consumer demand presents specific challenges in destination marketing due to the wide range of
service providers involved in delivering the destination experience. Hankinson discusses the likelihood of a destination being marketed for more than one purpose, creating the potential for conflict between various stakeholders. This can create difficulties in managing destination marketing strategies due to the lack of control the marketing organisation has over a range of the variables in the marketing mix, such as product and price.

Within the Australian context, market segmentation studies have been undertaken, primarily under the auspices of State and Federal tourism bodies. For example, a segmentation approach that has been widely applied by DMOs within Australia, (Colmar Brunton, 2000) was commissioned in the late 1980’s by a consortium of industry and government tourism bodies and conducted by a market research company, Product Development International (PBI). According to this approach, three key dimensions were critical to the travel destination decision process. The first was labelled experience/acquisition, the second continuity/change and the third do-it-yourself (DIY) /done for you (DFY). These dimensions are conceptualised as three continuums with six bi-polar reference points (Colmar Brunton, 2000).

The first continuum, experience/acquisition, attempts to differentiate between those travellers for whom the key travel motivation is to immerse themselves in the actual travel experience and those who apparently ‘collected’ destinations. The report states that consumers at the ‘acquisition’ end of the dimension have the following characteristics (Colmar Brunton, 2000: 8):

- They ‘collected destinations’ (e.g. ‘last year we did the US’; ‘this year we will do China’ or ‘This is Tuesday, is must be Darwin’).
- The motivation was to have travelled rather than to be there.
- They didn’t particularly enjoy the travel experience.
- They saw themselves as tourist rather than travellers.
- They were in the market for organised tours.
- They would rarely purchase an eco-tourism product.
- In Australia, their favoured destinations were the Gold Coast, Far North Queensland, capital cities and Uluru.
Those said to be at the *experience* end of the dimension were cited as having the following characteristics (Colmar Brunton, 2000: 8):

- They preferred single destinations rather than multiple destinations.
- They sought to immerse themselves in the culture of the destination.
- They favoured eco-tourism, trekking, wilderness products.
- They saw themselves as travellers rather than tourist.
- They enjoyed the travel experience as part of the whole (i.e., not solely destination oriented).
- They were opinion leaders, adventurous, experimental.
- They were individualistic.
- In Australia their favoured experience/destinations were Kakadu, Arnhem land, the Olgas, the Kimberleys, Noosa, Port Douglas and the Flinders Ranges.

The second dimension the report identified was *continuity/change*. *Continuity* is said to represent a ‘a taste for tradition, a willingness to follow rather than lead, a preference for touring in groups, a take-up of established brands, a preference for national carriers, insecurity in unfamiliar destinations and an avoidance of non-English speaking destinations’ (Colmar Brunton, 2000: 9). Where as the descriptor *change* was said described those travellers with ‘a taste for undiscovered destinations, for unconventional modes of transport, very little in the way or repeat purchase, a preference for consuming the food and drink of the destination, self-confidence in the face of difference and unfamiliarity’ (Colmar Brunton, 2000: 9). The third dimension identified was *DIY/DFY*, either ‘do-it-yourself (DIY) or ‘have-it-done-for-you (DFY). Where DIY travellers like to plan and book their own travel experience, DFY travellers are those who use agents and other intermediaries (Colmar Brunton, 2000). The report then placed these three dimensions on a perceptual map shown in Figure 2.
This perceptual arrangement was utilised as a commencement point for further research into market segmentation in a study commissioned by Partnership Australia Domestic Ltd, (PADL), a consortium of State and Federal Tourism bodies and representatives of the Australian tourism industry (Colmar Brunton, 2000). Colmar Brunton Research conducted this study with the aim of developing a ‘practical and robust segmentation methodology tailored specifically to the domestic tourism market that incorporates travel motivation (eg benefits sought) and barriers to travel (eg lifestyle, disposable income, time)’. The study identified five main segments as shown in Figure 3.

**Figure 3: Domestic travel market segments as percentage of population**

Source: Colmar Brunton, 2000
Figure 3 shows the market segments identified from this study along with the percentage of the Australian population who were identified with each category. Key features of the segments are presented in Table 1.

Table 1: Summary of Australian Domestic Market Segments

<table>
<thead>
<tr>
<th>Segment</th>
<th>Age (yrs)</th>
<th>Travel group</th>
<th>Daily expenditure</th>
<th>Key Motivation</th>
<th>DIY/DFY*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pampadour</td>
<td>45-61</td>
<td>Couples</td>
<td>$172.20</td>
<td>Pampering/rejuvenation</td>
<td>DFY</td>
</tr>
<tr>
<td>Compatriots</td>
<td>25-44</td>
<td>Families</td>
<td>$110.73</td>
<td>Relax and unwind/children their priority</td>
<td>Desire/DFY/Limited by resources</td>
</tr>
<tr>
<td>Wanderers</td>
<td>54-75</td>
<td>Couples</td>
<td>$132.13</td>
<td>Observational</td>
<td>DIY</td>
</tr>
<tr>
<td>True Travellers</td>
<td>Under 45</td>
<td>No children, may travel alone</td>
<td>$125.88</td>
<td>Adventure/cultural immersion</td>
<td>DIY</td>
</tr>
<tr>
<td>Groupies</td>
<td>15-24 Males</td>
<td>Groups</td>
<td>$122.82</td>
<td>Fun, parties, surf</td>
<td>DIY</td>
</tr>
</tbody>
</table>

* Source: Adapted from Colmar Brunton, 2003

Table 1 shows the key characteristics of the market segments drawn from the segmentation profile. The study has adopted a *post-hoc* approach, primarily using demographic information based upon the family life-cycle, (age and family composition) and the motivation or benefits sought from the travel experience.

**Effective Market Segmentation**

As discussed, Kotler et al. (2001) defines the characteristics of effective market segmentation as those which deliver segments which are measurable, accessible, substantial, actionable and differentiable. The segments outlined in Table 1 meet the criteria of measurable and substantial as each of the five segments can be measured under the definitions proposed. They also represent a substantial proportion of the Australian population. The segments also meet the criteria of accessibility in that Australian communications and transport infrastructure for example, allows for communication with all segment members and provides transportation for all segment members to and from selected tourist destinations.
The questions of differentiability and actionability are as yet untested. Johar and Sirgy (1995: 2) define actionability as ‘a segment which is likely to act, given that the marketing program can manipulate the right variables that lead to action’. Differentiability refers to the degree to which different market segments respond differently to changes in marketing stimuli (Kotler, 1991). For example, will the market segments react differently to different price points, product offerings and advertising and promotional messages. In practice, these elements relate to the marketing entity’s ability to interpret the results of segmentation studies and incorporate them into effective marketing strategies.

The most difficult aspect of any segmentation project is the translation of the study results into an effective marketing strategy. In addition to recognising the subjective elements inherent in segmentation studies, managers must also interpret and act on the information generated. The segmentation process in itself does not provide prescriptive solutions to marketing problems but merely offers a description of the market. It is possible that segments generated from a particular study may already be well served by competitors or uneconomical to reach, for example. Managers must decide which, if any, segments to target and how to best manipulate the marketing mix to influence the behaviour of consumers in particular segments. Segmentation studies therefore, should not be considered in isolation but need to be developed with a sound understanding of the factors influencing consumer behaviour and the nature of the marketing environment (Dolnicar, 2004).

However, if this can be achieved, creative and original approaches to segmenting travel markets will allow destinations to develop product solutions not yet exploited by competitors (Dolnicar, 2004). In the Australian domestic travel context many destinations have similar attributes. For example, many towns and villages on the east-coast of Australia offer similar product attributes such as beautiful beaches, comfortable climate and a relaxed lifestyle. If these destinations are all using the same segmentation study on which to base their marketing strategies, they will tend to compete head-to-head with each other, targeting similar segments, rather than developing unique approaches to segmenting their travel markets. Individualised approaches to market segmentation provide destinations or regions the opportunity to describe emerging niche markets in which a destination may develop a strategic competitive advantage (Dolnicar, 2004). As such, destinations need to develop segmentation studies driven by the attributes of the destination as well as the vision and managerial objectives of the DMO and their stakeholders. Any such marketing plan should be developed within the context of a destination strategic plan and driven by the objectives identified in that strategic plan.
Designing the Segmentation Model to Aid Effective Destination Marketing

Developing an appropriate segmentation model requires the researcher to make a series of subjective judgements based on a sound knowledge of the destination’s marketing environment (Young et.al, 1978). Despite the ongoing proliferation of new variables on which markets may be segmented, there are few guidelines as to which approach is the most appropriate in a given market context. It is generally recognised that there is no one best solution, as each approach has certain merits and limitations depending on the product(s) and market(s) being considered and the managerial objectives sought (Wind, 1978; Kara and Kaynak, 1997). Effective market segmentation is therefore context specific and allows for creative approaches that should be determined through correct analysis of the research problem. In order to assist researchers to define the parameters of such a study, Wind (1978) provides a suggested decision framework from which segmentation studies may ensue.
Table 2: Considerations in segmentation studies

1. Problem definition
   a. Managerial requirements
   b. Baseline vs ongoing segmentation
   c. The segmentation model
      1. Selecting the variables for the model
      2. Traditional a-priori and clustering-based designs vs the new flexible and componential segmentation designs.

2. Research design
   a. The unit of analysis
   b. Operational definitions
   c. Sample design
   d. Data reliability
   e. Segment stability
   f. Segment homogeneity
   g. Segmentability of the market
   h. Validation cost considerations

3. Data collection
   a. Primary vs secondary sources
   b. Conventional vs new procedures

4. Data analysis
   a. For determining the segments: classification
   b. For establishing the segments’ profiles: discrimination
   c. For simultaneous classification and discrimination

5. Data interpretation and implementation of results
   a. Determining the number of segments and selection of target markets
   b. Translating segmentation findings into strategy

Source: Wind, 1978

Table 2 details some of the major considerations involved in segmentation research studies. Wind argues that managerial objectives should drive the research process, where the basis for segmentation varies depending on the management issues in question. Developing an enhanced understanding of managerial marketing objectives requires improved information to evaluate the motivation and behaviour of both visitors and non-visitors to the region. It also requires an increased understanding of traveller characteristics with a view to developing marketing strategies able to influence the travel
destination decisions of appropriate target markets. These objectives need to guide the process of selecting the appropriate basis on which the market may be segmented.

The range of *a priori* approaches used to segment markets has received significant attention within the marketing literature (Sirgy, 1982; Blattberg et al., 1976; Myers, 1976; Alpert, 1972). Early approaches to segmentation included the use of demographic, geographic and behavioural characteristics of consumers (Blattberg et al., 1976). However, there is evidence of changing consumer behaviour within contemporary affluent societies, including an increased emphasis on the personalisation of consumer behaviour patterns, which are not well explained by socio-demographic and economic criteria (Gonzalez and Bello, 2002). There has therefore, been a growing emphasis in marketing on the human behavioural sciences which has led to segmentation approaches seeking to measure less tangible consumer characteristics such as lifestyle, personality, image and benefits (e.g. Sirgy, 1982; Myers, 1976; Alpert, 1972).

Table 3 presents a summary of the main approaches to market segmentation within marketing and consumer behaviour literature.
Table 3: Basis for segmenting markets.

<table>
<thead>
<tr>
<th>Basis</th>
<th>Description</th>
<th>Authors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geographic</td>
<td>Dividing a market into different geographical units such as nation, states,</td>
<td>Kotler et al., 1991</td>
</tr>
<tr>
<td></td>
<td>regions, cities or neighbourhoods.</td>
<td>Kelly and Nankervis, 2001</td>
</tr>
<tr>
<td>Demographic</td>
<td>Dividing a market based on demographic variables such as age, gender, family</td>
<td>Blattberg et al. 1976</td>
</tr>
<tr>
<td></td>
<td>size, family life-cycle, income, occupation, education, religion or nationality.</td>
<td></td>
</tr>
<tr>
<td>Psychographic</td>
<td>Dividing markets based on consumer values, attitudes, interests, opinions.</td>
<td>Alpert, 1972</td>
</tr>
<tr>
<td>/lifestyle</td>
<td></td>
<td>Frank et al. 1972</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pessemier et. al, 1967</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Lazer, 1963</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Plummer, 1974</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Yankelovich, 1964</td>
</tr>
<tr>
<td>Benefits</td>
<td>Dividing the market into groups according to the different benefits that</td>
<td>Haley, 1968</td>
</tr>
<tr>
<td></td>
<td>consumers seek from the product or service.</td>
<td>Myers, 1976</td>
</tr>
<tr>
<td>Usage</td>
<td>Dividing markets based on usage patterns such as non-user, ex-user, potential</td>
<td>Twedt, 1964</td>
</tr>
<tr>
<td></td>
<td>user, first-time user, regular user, high volume user.</td>
<td>Young et.al, 1978</td>
</tr>
<tr>
<td>Loyalty</td>
<td>Dividing markets based on brand loyalty, store loyalty, or purchase situation</td>
<td>Grover and Srinivasan, 1989</td>
</tr>
<tr>
<td></td>
<td>loyalty.</td>
<td></td>
</tr>
<tr>
<td>Image</td>
<td>Dividing markets based on the affective associations relating to brand image.</td>
<td>Evans, 1959</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sirgy, 1982</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Leisen, 2001</td>
</tr>
<tr>
<td>Situation</td>
<td>Related to usage segmentation, situation segmentation divides markets on the</td>
<td>Dickson, 1982</td>
</tr>
<tr>
<td></td>
<td>basis of the consumption or purchase situation of consumers. The beer</td>
<td></td>
</tr>
<tr>
<td></td>
<td>market is segmented in this way some consumers will drink different brands</td>
<td></td>
</tr>
<tr>
<td></td>
<td>depending on where and with whom they are drinking.</td>
<td></td>
</tr>
<tr>
<td>Behavioural</td>
<td>Dividing markets based on consumer’s knowledge of, attitude toward, uses for</td>
<td>Kotler et.al. 1991</td>
</tr>
<tr>
<td></td>
<td>and responses to a product.</td>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted from Hoek et al. 1996

The earlier work of Wind (1978) argued that the selection of variables to form the basis of a segmentation model needs to relate to specific management objectives and be informed by the current state of knowledge concerning the relevance of marketing and consumer behaviour variables as bases for, and descriptors of, market segments.
Wind’s typology shows a strong preference for what has become known as ‘the benefit sought approach’. The benefit segmentation approach is based upon the belief that it is possible to measure consumer value systems in detail, together with consumer thoughts about various brands in the product category of interest (Haley, 1968). Grouping customers based on the benefits sought from consumption will lead to multiple segments each with a number of benefits sought. Some benefits will appear in multiple segments. It is however, the total configuration of benefits sought which differentiates one segment from another. Indeed Haley (1968) argues it is likely all segments will seek multiple benefits. It is the relative importance each segment assigns to a particular benefit that is likely to show differentiation between segments.

This approach is supported in the literature particularly in relation to tourism studies (eg, Botschen, Thelen and Peiters, 1999; Johar and Sirgy, 1995). The primary advantage of the benefit sought approach is the causal rather than descriptive nature of the data, making this approach a more effective tool for developing marketing strategy (Young et.al, 1978; Haley, 1968). Haley (1968) for example, argues that true market segments are based on the causal relationship between the benefits sought from consumption and future purchasing behaviour. Forms of segmentation including geographic, demographic and psychographic tools provide only descriptive data based on ‘after the fact’ characteristics of consumers. Such approaches are therefore not necessarily seen to be successful predictors of consumer choice (Wind, 1978; Minhas and Jacobs, 1996; Botschen, Thelen and Peiters, 1999).

A key advantage of using benefit segmentation is seen to arise from the fact that outcomes can then be acted upon, producing segments which will react differently to altered marketing mix variables. Botschen, Thelen, and Pieters (1999) argue that benefit segmentation has become the preferred technique for successful product positioning, new product introduction, pricing, and advertising. It should be noted that benefit segmentation is seen as the first stage in the segmentation process. Characteristics such as age, income, lifestyle and media habits are then included in the process to enable marketers to develop strategies to reach and communicate effectively with each segment.

Botschen, Thelen and Pieters describe the typical benefit segmentation study as adopting a common approach, commencing with the analysis of secondary data and/or conducting in-depth interviews and focus groups to identify relevant attributes and benefits sought. From this initial data a measure of the importance of attributes /benefits is developed and pre-tested prior to the data collection. Generally, responses are given on a scale representing low to high importance and/or variability. The data is then
analysed using factor and cluster analysis to identify benefit segments. However, while Botschen, Thelen and Pieters acknowledge that benefit segmentation is a powerful tool for predicting consumer preference and behaviour, they also point out that many of the empirical studies undertaken in this area have not differentiated adequately between product attributes and the benefits sought by consumers. They argue that the means-end chain theory of cognitive structures holds that consumer behaviour is driven by the true benefits sought which in turn drives the desire or preference for certain attributes. If the focus of a segmentation study is on the level of preferred attributes the underlying benefits sought by customers will not be clearly identified (Botschen, Thelen and Pieters, 1999).

Means-end theory holds that a product, service or behaviour is stored in memory as a chain of hierarchically related elements. The chain commences with the product or service attribute and establishes a sequence of links with personal values through the perceived consequences or benefits produced by certain attributes of the product. The means-end chain is seen as a four-step process:

Step 1: product specific attributes (great climate) leads to
Step 2: functional benefit (likely to be sunny when we visit) leads to
Step 3: practical benefit (the children will spend all their time at the beach) leads to
Step 4: emotional pay-off (the parents will have a relaxing and stress free holiday).

Product attributes are the means by which consumers satisfy the desired consequences of consumption. The argument, that consumers purchase goods and services to provide satisfaction to the consumer at both a functional and emotional level, is a basic premise of marketing (Kotler et.al, 2001). Therefore, market segmentation strategies which group customers together based on the benefits they seek from consumption provides a powerful diagnostic tool whereby manipulation of elements of the marketing mix can influence consumer behaviour by better matching the market offering with the desired consumption outcome (Botschen, Thelen and Pieters 1999).

In practice, most commercial segmentation studies seek to classify respondents into segments using some form of cluster analysis (Hoek, Gendall and Esslemont, 1996). Clustering techniques can be divided into two major types; those which build up clusters, a bottom-up approach and those which break down a market into clusters, a top-down approach. Analysis based on cluster techniques often fails to make explicit the fact that different clustering techniques may produce different solutions. It is even possible that the same technique may produce a different result for the same set of data, if the technique requires subjective input from the researcher at various stages of the analysis.
(Esselmont and Ward, 1989). For example, in addition to deciding whether or not to transform or standardise the variables, analysts must select an algorithm and impose constraints on the extent of the data divisions. Given the large number of clustering and pattern recognition techniques available, there is little prescriptive literature as to the appropriateness of different approaches for a specific research requirement. This often results in researchers using the tools with which they are most familiar and which are cost effective, rather than selecting the tools most appropriate for a particular objective.

Additional subjective decisions imbedded in the segmentation process include the number and composition of the segments. With the objective of increasing cluster homogeneity as well as creating viable, accessible clusters, researchers seek solutions that give compact but widely separated segments. It is unlikely that segments fall neatly into these patterns and therefore researchers must make decisions on the number of clusters to include (Hoek, Gendall and Esslemont, 1996). In making such decisions researchers implicitly decide how to allocate cases to segments, particularly in regard to outliers which may fit equally into more than one segment. The continuous segmentation approach developed by Rust (1990) goes someway to addressing this problem by producing a density map rather than discrete segments, thereby acknowledging that segments may merge and eliminating the need to categorise outliers. This method implicitly assumes that the areas of greatest density are similar to discrete segments, though they have fuzzy boundaries.

Approaches to market segmentation each have merit depending on the objectives of the study and the resources available. Regardless of the approach a number of subjective decisions are implicit in the process. Such subjectivity is likely to influence the results of a segmentation study and must be clearly stated in research findings. The next section examines the relationship between destination management, marketing strategy and segmentation studies with an emphasis on integrating the findings of segmentation studies into marketing programs.

3. Integrating segmentation studies into destination marketing strategies

To be effective, marketing strategies need to be derived as part of an overall strategic plan for the destination. A destination strategic plan is the process of developing and maintaining a strategic fit between the destinations’s goals and capabilities and its changing marketing opportunities (Kotler et.al., 2001). The strategic plan relies on developing a clear mission, supporting objectives and coordinated functional strategies so that the destination may take advantage of emerging opportunities in a dynamic environment.
The role of stakeholders in formulating and implementing a destination strategy cannot be underestimated. Destinations clearly differ from other products in that they are not a single product but a composite of components including but not limited to, accommodation, hospitality, attractions, arts, entertainment, culture, heritage, infrastructure and the natural environment (Morgan, Pritchard and Piggot, 2003; Buhalis, 2000). Destinations therefore have a range of stakeholders represented by a number of organisations including local, state and national governments and their agencies, environmental groups, chambers of commerce, trade associations, civic groups and the private sector. While DMOs have little control over activities of destination stakeholders, these entities can exert a major influence over the destination brand (Morgan, Pritchard and Piggot, 2003). As such, destinations face peculiar marketing and management challenges characterised by many stakeholders, little management control, and often, underdeveloped brand identities.

Morgan, Pritchard and Piggot (2003) argue that DMOs need not only contend with the amorphous nature of the ‘product’ itself but two additional and significant potential constraints need to be considered, - those of politics and paucity. With regard to politics, Hankinson (2001) observed that multiple parties with possible competing interests might be involved in marketing the one destination, increasing the opportunity for conflict between stakeholders. To overcome this potential conflict strong leadership is required to formulate a destination vision through a publicly driven process based on stakeholder values and consensus rather than expert driven processes (Morgan, Pritchard and Piggot, 2003).

Morgan, Pritchard and Piggot point out that significant problems associated with destination marketing and branding are frequently internal rather than external. The ability for a destination to develop and maintain a competitive strategic advantage requires the destination to deliver a quality visitor experience (Morgan, Pritchard and Piggot, 2003). Therefore, obtaining commitment from destination stakeholders is essential if the visitor experience is to live up to the ‘brand promise’. Eliciting stakeholder involvement is time consuming and requires extensive consultation. However, it is imperative if a destination is to build a strategy that will remain competitive in the long term and deliver a travel experience which enhances the brand image.

The formulation of overall destination management objectives and strategies assists the development and refinement of more specific marketing objectives. The marketing process then becomes the means of achieving these marketing objectives. The marketing process involves analysing marketing opportunities, selecting target markets, developing an appropriate marketing mix and managing the marketing effort. Market
segmentation may be utilised and an important step in the process of identifying target markets. Once homogenous groups within a heterogenous market are identified, the marketing entity needs to evaluate each segment’s attractiveness and select one or more segments towards which marketing resources will be directed (Kotler et. al, 2001). Within each of these chosen segment(s) a market position needs to be formulated. Market positioning aims to place a destination in a clear, unambiguous, distinctive and desirable position in the minds of target consumers, relative to competing destinations, thereby formulating an enhanced competitive position for a destination (Kotler et.al, 2001, 1998).

Summary and conclusion

Responsibility for service creation and delivery within a destination often lies with a variety of service providers including hotels, transport providers, restaurants, activity providers and retail outlets. It is therefore, usual for the marketing entity to have little or no control over the visitor experience (Hankinson, 2001). As a result of this dilution of control, DMOs often tend to focus activities on the communication element of the marketing mix, overlooking the importance of strategic destination management. It is a central argument of this paper that DMOs need to move beyond a limited promotional role and provide direction and leadership to the destination’s tourism industry to encourage a strategic management approach to destination brand positioning and service delivery (Hankinson, 2001).

Thus, it is only at this strategic level that destinations can develop a sustainable competitive advantage within identified target markets. The concept of strategic planning provides an important framework for assisting these processes. Goodstein, Nolan and Pfeiffer (1993) regard strategic planning as a process by which the guiding members of a community or group, envision its future and develop the necessary procedures to achieve that future. This involves more than simply extrapolating current trends or predicting and anticipating the future. It represents a process through which members of a community or organisation attempt to create their future, with regard to the realities of their external environment and internal capabilities. This process involves the planners in close and ongoing consultation with key community decision-makers in the areas of cultural, social, human, environmental and economic and commercial development. Such an analysis allows an appraisal of the current situation of a potential tourism destination internally and externally, and to its advantage and disadvantage. It allows an interpretation of the destination’s current strategic status by the planning process participants by aiming to bring together a complex mix of political, economic, social, cultural and community factors. It attempts to then juxtapose these factors as a basis for
planning and marketing in a manner that enables the construction of a vision as well as objectives that are grounded in a clearer appreciation of both opportunities and constraints that confront the destination (Wheelen and Hunger, 2000).

From the analysis of destination decision processes, market segmentation emerges as a key marketing imperative. It is recognised that markets and those individuals who make up such markets are not homogenous and therefore no single market offering will satisfy all individuals (Alderson, 1983; Assael and Roscoe, 1976). Therefore, leisure travel destinations need to group customers together into meaningful market segments so as to better match marketing variables with the characteristics of various market segments. The merits and limitations of two key approaches to market segmentation, a-priori and post-hoc methods highlight the subjective decision making inherent in many segmentation studies. Such subjective decisions need to be made clear and transparent in any research findings.

One of the key decisions to be made within any segmentation study is the selection of the criteria on which the market will be segmented. A number of approaches have been discussed in this paper, including geographic, demographic, psychographic, benefit, usage, loyalty, image, situation and behavioural criteria. Benefit segmentation emerges from the literature as a preferred approach particularly in relation to tourism studies (Botschen, Thelen and Peiters, 1999; Johar and Sirgy, 1995, Young et.al, 1978; Haley, 1968). This is primarily due to the causal rather than descriptive nature of the data. Grouping travellers based on the benefits sought from the travel experience, supplemented by more traditional segmentation criteria such as geographic and demographic profiles has been found in this paper as more likely to yield segments that are valuable predictors of travel behaviour and destination choice (Botschen, Thelen and Peiters, 1999; Wind, 1978; Haley, 1968).
References


Colmar Brunton, 2000 Australian Domestic Tourism Survey, prepared for Partnership Australia Domestic Ltd (PADL), unpublished.


