

KEY SUCCESS FACTORS OF TOURIST MARKET SEGMENTATION

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**Statements and suggestions made in this dissertation
are those of the author and should not be regarded as
those of the Potchefstroom University for Christian
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***I would like to dedicate this dissertation to my
father who always inspired and motivated me
during my studies***

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SUMMARY

Descriptors: Marketing; market; market segmentation; tourist; tourism; promotion; promotional strategy; communication mix; promotional mix; destination marketing; competitiveness; competitive strategy; key success factors.

The primary goal of this study was to determine the key success factors of tourist market segmentation, especially for South Africa as a tourism destination. Four objectives were derived from the primary research goal.

The first objective was to analyse the key success factors of market segmentation by means of a literature study. This was achieved by developing a market segmentation process. In this regard it was found that market segmentation could be to the advantage of any destination and forms part of a long-term marketing strategy. Research plays an important role in market segmentation. It was also found that destinations need to consider different bases, methods and strategies to conduct the market segmentation process successfully.

The second objective was to identify methods of selecting the right promotional methods for the right target market. A process was developed that could be followed in order to select promotional methods effectively. The starting point of this process focuses on identifying the target market. In order to select the promotion method one needs to analyse the characteristics of each method. It was found that one needs to match the needs of the tourists and the above-mentioned characteristics in order to determine the appropriate promotion methods. The promotion schedule and creative elements are vital for successful implementation of the promotion process.

The third objective was to reflect the results of the empirical research and to determine the key success factors for market segmentation of South Africa as a tourist destination. It was achieved by identifying a study population (N=30) globally, namely the top 30 tourism destinations, as determined by the World

Tourism Organisation (WTO). It was found that market research, target marketing and the selection of adequate promotional tools as well as the forming of a positive image of the destination (positioning) are the key success factors for market segmentation.

The fourth objective was to make recommendations for effective market segmentation. From the results it was recommended that thorough research and market segmentation be done whereafter 2 to 3 primary markets and 4 to 5 secondary markets should be selected. Knowledge of these markets is important. With regard to promotion it is very important to have a proper budget in order to determine at what stage potential markets should be targeted properly. Marketers should know and understand the product lifecycle for each target market to avoid segmenting the same market every year. The research also indicated that although a proper budget is useful, the emphasis remains on selecting the right markets and to be focused in promoting your destination.

OPSOMMING

Sleutelwoorde: Bemarking; mark; marksegment; marksegmentering; toeris; promosie mengsel; bestemmingsbemarking; kompetisie; kompeterende voordeel; sleutel sukses faktore(ss'f's).

Die primêre doelwit van die studie was om die sleutelsuksesfaktore met betrekking tot toerisme marksegmentering te bepaal met die fokus op Suid-Afrika as 'n toeristebestemming. Vier doelwitte is bepaal vanuit die primêre navorsingsdoelwit.

Die eerste doelwit was om die sleutelsuksesfaktore van marksegmentering te ontleed deur 'n literatuurstudie. Dit is bereik deur die ontwikkeling van 'n marksegmenteringsproses. In die verband is bevind dat marksegmentering tot die voordeel van enige bestemming kan wees en deel is van 'n lang termyn bemarkingstrategie. Navorsing speel 'n belangrike rol in marksegmentering. Daar is ook bevind dat bestemmings verskillende basisse, metodes en strategieë benodig om effektiewe marksegmentering uit te voer.

Die tweede doelwit was om metodes te identifiseer vir die selektering van die promosiemetodes vir die regte mark. 'n Proses is geïdentifiseer vir die selektering van promosiemetodes en daar is bevind dat die begin punt van die proses die bepaling van die teikenmark is. 'n Analise van die karaktertrekke van elke promosiemetode is nodig om die regte metode te selekteer. Daar is bevind dat die karaktertrekke van die promosiemetodes met die behoeftes van die toeriste moet ooreenstem alvorens die promosiemetodes geselekteer kan word. Die promosieskedule en kreatiewe elemente is baie belangrik vir die suksesvolle implementering van die promosieproses.

Die derde doelwit was om die uitkomst van die empiriese ondersoek te weerspieël om die sleutelsuksesfaktore van marksegmentering vir Suid-Afrika as toeriste bestemming te kan vasstel. Hierdie doelwit is bereik deur die identifisering van 'n studiepopulasie (N=30) wêreldwyd, naamlik top 30

toeriste bestemmings, soos bepaal deur die Wêreld Toerisme Organisasie (WTO). Daar is bevind dat marknavorsing, teikenbemarking en selektering van promosiemetodes asook die vorming van 'n positiewe beeld van die bestemming die sleutelsuksesfaktore vir marksegmentering is.

Die vierde doelwit was om aanbevelings te maak vir effektiewe marksegmentering. Daar kan aanbeveel word dat Suid-Afrika deeglike navorsing en marksegmentering moet uitvoer waarna 2 tot 3 primêre markte en 4 tot 5 sekondêre markte geselekteer kan word. Deeglike kennis van die markte is baie belangrik. Met betrekking tot promosie is dit baie belangrik om 'n voldoende begroting te hê sodat bepaal kan word wanneer die tyd reg is om potensiële markte te teiken. Bemarkers moet die produklewenssiklus ken en verstaan om sodoende te verhoed dat dieselfde mark elke jaar geteiken word. Die navorsing het ook getoon dat alhoewel 'n begroting belangrik is, is die klem nog steeds op die selektering van die regte markte en om die bestemming te bemark.

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CHAPTER 1

PROBLEM STATEMENT, OBJECTIVES AND METHOD OF RESEARCH

'A voyage to a destination, wherever it may be, is also a voyage within oneself, even as a cyclone carries along with it the center in which it must ultimately rest'

L van der Post

1.1 INTRODUCTION

According to the WTTC (1999), tourism now is the world's largest industry and the world's largest generator of jobs. The tourism industry has proven that it is able to recover from recessions and natural disasters and continues to grow, withstanding world gross national product growth rates. It is an industry that has proven resilient to change in economies influenced by inflation and deflation. Competitive destinations recognise that tourism now is a global industry, symbiotically interrelated to transnational business, banking, telecommunications, technology and trade. International tourism continues to grow and tourism is making a major contribution to the economic viability of many countries today. Globalisation has a direct impact on the growth of the tourism industry (Hassan, 2000).

The globalisation process that dominates the end of this century is a complex and ambiguous phenomenon (Lettieri, 1996) and can be seen as the accelerated integration of economic activity across national or regional boundaries. Globalisation has become the catchword dominating economic and social policy discussion at the end of the 20th century (Evans, 1997). According to Keller (1996) globalisation is changing the nature of international tourism at a rapid rate and can be seen as a process of shrinking the world, increasing competition and stimulant innovations (Steel, 1996). South Africa is a new global competitor in the international tourism market and as a possible tourism destination marketing is increasingly becoming extremely important (Buhalis, 2000).

Hassan (2000) also indicated that the development of destinations must be guided by effective and efficient management with a focus on sustainable customer base. Destination management should focus on a systematic examination of unique comparative advantages that provide a special long-term appeal to the target segments. Sustaining the longevity of a destination becomes a function of responding to market demand and competitive challenges.

As South Africa moved into the era of democracy, the nation was captured by the promise and potential for tourism and the benefits it would bring to the people of South Africa. The arrivals did increase but not significantly enough. Tourists are well-read and know what they want and where they want to go (Poon, 1993). The attractiveness of a travel destination reflects the feelings, beliefs, and opinions that an individual has about a destination's perceived ability to provide satisfaction in relation to his or her special vacation needs.

NSP

A market segmentation process is important for a destination to target the right kind of visitor and to determine what their needs are in terms of tourism/vacation. Market segmentation has long been recognised as a useful technique in tourism marketing. It involves dividing the market into distinct and homogenous groups in terms of geographic, socio-demographic, psychographic, and/or behavioural characteristics. These are the current bases mentioned in literature to conduct market segmentation. Once defined, there follows a process of ascertaining each segment's attractiveness, selection of the target segment(s) and developing appropriate marketing mix variables to reach and influence potential tourists. The approach allows strategic marketers to efficiently allocate scarce resources towards attracting and retaining preferred tourist segments (Mykletun, Crotts & Mykletun, 2001).

As the future success of the South African tourism industry is closely related to the effective marketing of South Africa, this study will attempt to identify the key success factors pertaining to market segmentation and selection of promotion methods in South Africa as well as other countries of the world.

1.2 PROBLEM STATEMENT

Overseas arrivals in South Africa in 1996/1997 showed tremendous growth and targets for tourism arrivals as high as 15% growth per year for the period up to 2010 were expected. Although there was a growth in foreign arrivals it was only 8% for the period 1994-2000. After 1998 the compound annual growth rate dropped back to 0.4%. The growth rate in overall arrivals has been far below average growth rates experienced in other regions of the world, including the rest of Africa, and less than a quarter of the average of growth for the world. According to C. Carolus (CEO of South African Tourism - SAT) SAT has developed its tourism growth strategy for 2002 on the basis of narrowing its focus into a core set of markets, which together deliver the highest yield against the strategic objectives of South African Tourism (SAT (b), 2002).

Tourism in South Africa has to contribute to an increase in Gross National Product, create jobs and improve the redistribution and transformation of the economy and society. In order to do

this South African Tourism needs to increase foreign tourist arrivals, their spending, length of stay and regional distribution through the country and throughout the year (SAT (b), 2002).

To market effectively it is very important to do extensive research on the tourist and the destination. The more an individual believes a tourism region will satisfy his or her needs, the more attractive that region will be and the more likely it will be selected as a potential travel destination (Hu & Ritchie, 1993). The marketing of South Africa requires an understanding of what is important to guests and how the reality of their experience, or perception of that reality, measures up to expectations (Litvin & Ling, 2001).

As previously indicated the growth rate of foreign arrivals is not what was expected over the past few years. South Africa needs to improve its marketing methods in order to grow as a global tourist destination. This includes that products must be packaged, special interest marketing must become important and there must be a focus on South Africa's unique selling features (Swart & Saayman, 1998).

The measurement of the existing and potential tourist markets is becoming extremely important. The major reasons include the following:

- to select and target particular market segments
- to identify competitors and shares of the relevant markets
- the development of appropriate tourist products and infrastructure
- the efficient application of scarce marketing resources (Leibold, 1992).

This research focuses on selecting and targeting particular market segments. Market choices should be based on research. Today's tourism market cannot be characterized as homogeneous (Hassan, 2000). The technique of segmentation has been defined as the process of dividing a potential market into distinct groups of consumers and selecting one or more segments as a target to be reached with a distinct marketing mix. The problem that every country must deal with is that in many instances the "product" sought by tourists can be satisfied by a number of destinations, which makes the need to create an **overall competitive advantage for a destination and selecting the right target market important**. "Everyone needs to be very competitive in how they pitch their destination" said Robert Barrett, associate vice-president of cultural tourism in Los Angeles (Fellman, 1998).

Tourists are becoming highly involved in making travel decisions based on the expectation of experiencing quality tourism that maintains the environmental integrity of the destination. It is becoming critical for tourism destinations to correctly identify and thoroughly understand the changing motivations of the different segments. Destinations are winning competitive battles

through careful analysis and response to the core values and needs of the segmented travel marketplace (Hassan, 2000). Kotler, Bowen & Makens (1999) have supported this segment-based strategy as being critical for destinations that are seeking to become competitive in world markets.

Billions of dollars are spent each year on tourism marketing all over the globe (Saayman & Saayman, 2002). The magnitude of these expenditures necessitates researchers to help guide tourism marketing decisions (Spotts, 1997). Target market selection and the allocation of promotional efforts across alternative markets are key strategic concerns of a destination-marketing organisation (Perdue, 1996). South Africa has increased its tourism budget significantly since 1994. With an increased budget one would expect a rapid growth in tourism arrivals but this was, however, not the case.

In the past tourism data collection has been largely quantitative (how many, how much spent, when, where) designed to measure the volume of tourism traffic to different destinations, tourism expenditure en route, and at destinations and other characteristics such as length of stay and time of visit (Leibold, 1992). Quantitative data does not reveal (“why”) aspects of tourism therefore more attention needs to be given to qualitative research which involve techniques of motivation research (Middleton, 1997). This involves in-depth interviews and panel discussions to discover aspects such as how and when holidays are planned, why a particular destination, time and mode of travel are chosen, information on the profile and behaviour of tourists, and tourists’ evaluation of destinations and/or attractions (Leibold, 1992).

The following shows the typical information gathered by statistics and this is the kind of market intelligence information that South Africa must use to determine its target markets. Table 1.1 indicates the overseas arrivals in South Africa but excluding Africa. Table 1.2 focuses only on the arrivals from Africa, which is much higher than the overseas arrivals.

Table 1.1: Overseas arrivals in South Africa (excluding Africa) (SAT (a), 2002)

1994	1997	1999	2000
704,630	1, 379, 611	1,491,059	1,531,720
Growth % 1994 – 2000 is 5,5%			Growth % 1999 – 2000 is 2,7%

Table 1.2: Arrivals in South Africa from Africa (SAT (a), 2002)

1994	1999	2000
2,927,982	4,272,153	4,221,773
Growth % 1994 – 2000 is 44,2%		Growth % 1999 – 2000 is –1,2%

Table 1.3: Total arrivals in South Africa (SAT (a), 2002)

1994	1999	2000
3,668,956	5,890,507	5,872,248
Growth % 1994 – 2000 is 60,1%		Growth % 1999 – 2000 is –0,3%

From Tables 1.1, 1.2, 1.3 it is clear that the growth of arrivals is not what was expected. The expected growth was between 5 and 10%. The negative growth of –0,3% shown in Table 1.3 indicates the importance of a re-evaluation of the marketing strategy of South Africa. Target market segmentation should be based on this kind of research, for instance, in order to select the right markets for future marketing. The latest figures confirm the industry's fears. Where overseas tourism (Africa excluded) was expected to increase by 12% last year only 2,7% was realised (Table 1.1). That was way below on the 17,9% growth achieved in 1997. When looking at these figures the question arises, what about the future target markets? The product life cycle also influences the growth rate as well as the type of marketing necessary in each phase. South Africa as a destination is in different stages for different markets. This information is crucial for the success of market segmentation.

Table 1.4: Arrivals and growth rate of the world's top 5 destinations (SAT (a), 2002)

RANK	DESTINATION	1998	1999	2000	2001	EST. GROWTH RATE 2000/2001
1	France	70,000		75,600	76,5	1,2%
2	Spain	47,743		47,900	49,5	3,4%
3	United States	47,127		50,900	44,5	-12,6%
4	Italy	34,829		41,200	39,1	-5,0%
5	China	24,000		31,200	33,2	6,2%

From Table 1.4 it is clear that even the top destinations struggle to increase the growth percentage. The United States show a negative growth rate, which was influenced by the Twin Tower disaster. Although tourism did not grow as expected, South Africa moved from position

number 52 in 1988 to 25 in 2001 amongst the top tourist destinations over the world. Therefore there has to be potential for more visitors (WTO, 2001).

Table 1.5: Tourism expenditure (SAT (a), 2002)

TYPE	1999	2000	DROP/INCREASE
Domestic tourism expenditure	R 16,7 billion	R 13,4 billion	Drop of R 3,3 billion
Overseas tourism expenditure (excluding Africa)	R 12,4 billion	R14,8 billion	Increase of R 2,4 billion

Another variable that is extremely important is expenditure and contribution to revenue. From Table 1.5 one can clearly see that overseas arrivals (excluding Africa) is not high but their expenditure has increased with R 2.4 billion. SAT (b) (2002) has find that Africa arrivals are high their expenditure is small.

South Africa's top 21 Markets in terms of arrivals include the following: **Lesotho, Swaziland, Botswana, Zimbabwe, Mozambique**, United Kingdom, Germany, **Namibia**, USA, Netherlands, Zambia, France, **Malawi**, Australia, Italy, Belgium, Switzerland, Indian, Canada, **Angola and Japan** (WTO, 2000).

The above-mentioned figures together with intense consumer behaviour research are necessary to base target marketing on, especially for destination marketing in tourism. All bases have to be included for example: demographics, socio-economics, psychographics, geographics, reasons for travel, expenditure and length of stay. Certain bases need to be recognised and evaluated that will define the process of target marketing. For example Lesotho may account for 22% of South Africa's overseas visitors, but its contribution to revenue is only 7%. If these tourists do not spend much isn't it better to market in the UK which accounts for 6% of overseas visitors, but contributes 14% to revenue. Less people, higher income, less impact on the environment and its people (SAT (b), 2002).

According to Spotts & Mahoney (1991) designing promotional strategies specifically oriented to heavy users can be complicated by the fact that heavy users sometimes are indistinguishable from light users in terms of demographic and socio-economic characteristics and heterogeneous in terms of the benefits sought from a product. Tourism marketing is a complex phenomenon and includes research and planning in terms of the product, price, promotion and place. The potential tourist plays a significant role in strategic marketing planning which will require in-depth research. *Without tourists, tourism cannot happen.*

These methods mentioned could still be of great help, but financial resources have been exhausted due to the fact that the destination market is too wide and uses marketing methods that do not always apply to the market. There is a need to do more specific market segmentation and use methods to attract those markets that will contribute to the development of South Africa (Leibold, 1992).

More attention has to be given to the qualitative (why) aspects of tourism. This includes techniques of motivation research and will reveal behaviour of tourists, how and when holidays are planned and why a particular destination (Holloway & Plant, 1989; Middleton, 1988). The destination must not be left out of the whole process. Attractions have to be audited and it is important to select segments that might have an interest in these attractions (Kotler *et al.*, 1999).

Certain bases need to be developed that can bring together the qualitative and quantitative aspects of tourism to help destinations choose the right target market and to enable them to evaluate current markets and potential markets for future marketing. One must consider what type of tourists should be appropriate to attract in terms of the current tourist attractions, desired tourist expenditure and acceptability to local residents, which will also have the desired impact on the environment, society and economy. Based on the above this study attempts to address the following problem: ***What are the key success factors in market segmentation of South Africa as a tourist destination?***

1.3 GOAL AND OBJECTIVES OF THE STUDY

The following goal and objectives guided the study:

1.3.1 Main goal

The main goal was to determine the key success factors in market segmentation of South Africa as a tourist destination in order to provide South Africa with clear guidelines on how to improve market segmentation strategies.

1.3.2 Objectives

Objective 1

To analyse the key success factors of market segmentation by means of a literature study.

Objective 2

To identify methods of selecting the right promotional methods for the right target market.

Objective 3

To evaluate the use of different methods of market segmentation and selection of promotional tools by means of a questionnaire.

Objective 4

To make recommendations for effective market segmentation and promotion selection.

1.4 METHODOLOGY

A two-pronged approach was followed: a literature study and a survey.

1.4.1 Literature Study

A quantitative study was done based on specific keywords. This included journal articles, conference papers, theses and dissertations, other tourism-related literature as well as sources on market segmentation, marketing and tourism. Information searches were conducted mainly on library catalogues and indexes, as well as the Internet.

1.4.2 Survey

A questionnaire was compiled in co-operation with Prof M Saayman, from the Potchefstroom University for Christian Higher Education, who is the supervisor of this study. Aspects covered by the questionnaire included strategies of marketing segmentation, the budget allocation for marketing, the number of top markets targeted, the different target markets and the promotion methods used.

The survey was conducted in South Africa and overseas. The target market for the survey included the top 30 destinations as determined by the World Tourism Organisation in 2001 (WTO, 2001). These top destinations are determined according to the tourist arrivals. Since these countries are the top tourism earners in terms of number of visitors, one can learn from their approaches and methods used.

A pilot study was done on 5 countries, modifications were made to the final questionnaire. The questionnaire was e-mailed to the target population, specifically to their main tourism body and the head of their marketing division. The study commenced in 2000 and was completed in 2001. Problems which were experienced included: targeting the right person to complete the questionnaire, faulty e-mail addresses, availability of participants and also language difficulties. 24 of the 30 questionnaires were returned, which is a 80% response rate.

The Statistical Services at the Potchefstroom University processed the information. Descriptive statistics were used to gain insight into the research.

1.5 TERMINOLOGY

The following concepts are used regularly throughout the dissertation:

1.5.1 Market

The term market has acquired various meanings over the years. To a marketing strategist a market is the set of all actual and potential buyers of a product. Exactly how that market is defined is of crucial importance for the understanding of human behaviour (Holloway & Robinson, 1995). According to Evans and Berman (1992) a market consists of all possible tourists that use or will use a product or service. It can be subdivided through market segmentation. A market can also be defined as a group of people who can be identified by some common characteristic, interest, or problem; could use the product to their advantage, can afford to buy it and can be reached through some marketing medium (Russell & Lane, 1999). Youell (1996) defines a market as the total number of persons who buy (an existing market), or may buy (potential market) a product/offering or service. In conclusion and for the purpose of this study a market can be seen as a group of potential tourists with similar needs who are willing to exchange something of value with marketing strategists offering goods and/or services - ways of satisfying those needs (Perreault & McCarthy, 1999).

1.5.2 Tourist/s

Tourists are potential markets who purchase a number of diverse travel and tourism services. If destinations have a clearer understanding of why their products are in demand, it will not only be able to tailor the products more closely to the needs of their tourists, but also be able to select the advertising and sales messages used to inform and persuade those tourists to buy the products (Holloway *et al.*, 1995). According to Saayman (2000) a tourist is a person who voluntarily visits a place, away from his normal abode, contributes an economic input, for a period of at least 24 hours.

1.5.3 Market segmentation

To ensure continuity and growth, a destination is dependent on; *inter alia*, tourists and the satisfaction of their needs. Although total satisfaction of tourist needs is not the goal in itself, striving to achieve this enables the business to attain its own goals (Strydom, Cant & Jooste, 2000). To achieve maximum tourist satisfaction, marketing strategists therefore divide the heterogeneous market into fairly homogeneous subsets of tourists, a process that is referred to as market segmentation. It is a strategy by which a destination partitions a market into sub-markets or segments likely to manifest similar responses to marketing inputs. The aim is to identify the markets on which a destination can concentrate its resources and efforts so that maximum penetration of that market can be achieved, rather than aiming for perhaps a market-

spreading strategy where the aim is to achieve a presence, however small, in as many markets as possible (Doole & Lowe, 2001). Knowing profile characteristics of those groups can help marketing strategists tailor the product or service and promote the product or service more effectively. Each group can be targeted and reached with a distinct marketing mix (McDonald & Dunbar, 1995). Communication effects have a direct bearing on the consumer's decision to act. The prospective tourist decides whether or not to respond to the advertising by taking action (Pritchard, 1998). To be of use, therefore, markets need to be segmented by attributes that can relate to the product or service, distribution, price and media (Andereck & Caldwell, 1994). Successful segmentation is the product of a detailed understanding of your market and will therefore take time (Saayman, 2001; McDonald & Dunbar, 1995).

Segmentation studies have been based on numerous consumer characteristics, such as socio-demographics, geo-graphics, participation patterns, personality characteristics, seasonality and motives for participation. The dimensions used to segment a market depend on the research objectives. According to Pender (1999) it is by market segmentation that a tourism destination defines its market, matches products to it, and promotes in media that will most effectively reach the target consumer groups. In a strategic context, segmentation means the identification of customer groups that respond differently than other customer groups to competitive strategies. A segmentation strategy couples the identified segments with a programme to deliver a competitive offering to those segments. **Thus, the development of a successful segmentation strategy requires the conceptualisation, development and evaluation of a competitive offering** (Aaker, 1998; Wilson, Gilligan & Pearson, 1993).

In conclusion: segmentation means achieving greater efficiency in the supply of products to meet identified demand, and increased cost-effectiveness in the marketing process. In most cases tourism destinations will deal with several segments over a 12-month period but not necessarily simultaneously (Middleton, 1997). Market segmentation lays the groundwork for market targeting and positioning strategies. These skills and insights used in segmenting a product market give destinations important competitive advantages by identifying buyer groups that will respond favourably to the destinations' marketing efforts. Faulty segmentation reduces the effectiveness of targeting and positioning decisions (Cravens, 1994) (See Figure 1.1).

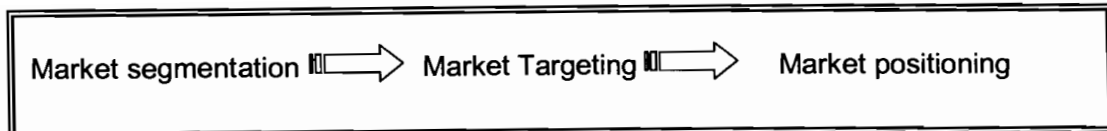


Figure 1.1: Elements of marketing (Green, Tull & Albaum, 1988)

1.5.4 Promotion/Promotional strategy

Promotion can be defined as communication by marketers that informs, persuades, and reminds potential buyers of a product/destination in order to influence an opinion or elicit a response (Lamb, Hair & McDaniel, 2002). Promotional strategy is a plan for the optimal use of elements of promotion: advertising, public relations, personal selling and sales promotion.

1.5.5 Communication mix/Promotional mix

Some writers refer to the marketing mix as the 'communication mix', others to the 'promotional mix' and others, for example Kotler (1988), use the communications mix and promotions mix to mean the same thing. Communication, embracing as it does the idea of conveying information, is the most helpful term in implying the need for a two-way process in international marketing. The traditional role of international marketing communications was largely concerned with providing a mechanism by which the features and benefits of the product or service could be promoted as inexpensively as possible to existing and potential customers in different countries using the promotion mix and the ultimate purpose of persuading tourists to buy specific products and services. International marketing communications have now become much more important within the marketing mix and the purposes for which marketing communications might be used externally in international markets are now more diverse. These include the need to communicate with a more diverse range of target groups and build higher levels of customer service through interactive or relationship marketing.

For the purpose of this study 'communication mix' and 'promotion mix' will mean the same thing which refers to the combination of varying amount of advertising, sales promotion, public relations, direct mail, exhibitions, sponsorship and the internet (McDonald & Keegan, 2002).

1.5.6 Destination marketing

Destination marketing is increasingly becoming extremely competitive world-wide. Destination marketing facilitates the achievement of tourism policy which should be co-ordinated with the regional development strategic plan. Marketing of destinations should also guide the tourism impacts optimisation and maximisation of benefits for the region. Destinations are amalgams of tourism products, offering an integrated experience to tourists. Destinations are considered to be a defined geographical region, which is understood by its visitors as a unique entity, with a

political and legislative framework for tourism marketing and planning. It is a combination of all products, services, and ultimately experiences provided locally (Buhalis, 2000).

Tourists perceive the destination as a brand comprising of a collection of suppliers and services. Before visiting tourists develop an image about destinations as well as a set of expectations based on previous experience, word of mouth, press reports, advertising and common beliefs. During their holiday, tourists “consume” destinations as a comprehensive experience, without often realising that each element of the product are produced and managed by individual players.

The objectives of destination marketing activities are often more complicated than those of private organisations because it is usually carried out by the public-sector. There are six objectives of destination marketing: information provision, portraying an image of the destinations, amenity provision for locals, increased pride, improved international ties, and promotion of attractions (George, 2001).

1.5.7 Competitiveness/Competitive strategy

Competitive strategy “is the search for a favourable competitive position in an industry”. This is a function of both the attractiveness for the industry and the relative position within that particular industry, as well as alternative activities that a destination can undertake. Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition (Porter, 1985). When referring to tourism destinations competitiveness should also include the sustainability of local resources for ensuring the maintenance of long-term success as well as the achievement of equitable returns-on-resources utilised to satisfy all stakeholders (Buhalis, 2000).

1.5.8 Key success factors (KSF's)

Key success factors in marketing have been defined by Aaker (1998) as the assets and skills that provide the bases for competing successfully. There are two types. First, there are the strategic necessities, which do not necessarily provide an advantage because others have them, but their absence will create a substantial weakness. Second, there are the strategic strengths, those at which a destination excels. The assets and skills that are superior to those of competitors and proved a base of advantage (Aaker, 1998). It is important not only to identify KSF's, but also to project them into the future and, in particular, identify emerging KSF's.

Key success factors for the purposes of this study can be seen as *those critical conditions that are important for obtaining, reaching and understanding the subject in order to achieve the planned results.*

1.6 CHAPTER CLASSIFICATION

The study comprises of five chapters. Chapter one includes the problem statement, aims, method of research and definition of terms. Chapter two reports on the key success factors of market segmentation as identified by the literature as well as the process of market segmentation. In Chapter three the different promotional tools are identified as well as methods for selecting the right promotional tools. The research methodology, the questionnaire and the analysis and interpretation of the data are addressed in Chapter four. Chapter five contains conclusions and recommendations.

CHAPTER 2

AN ANALYSIS OF

MARKET SEGMENTATION

'There are riches in niches'

R George

2.1 INTRODUCTION

Destination marketing has become increasingly competitive over the last decade (Buhalis, 2000). A rise in multiple, shorter vacations has led to greater rivalry for tourists with many destinations "re-packaging" and increasing the number of variety of destination products (Pritchard, 1998). The attractiveness of a travel destination reflects the feelings, beliefs, and opinions that an individual has about a destination's perceived ability to provide satisfaction in relation to his or her special vacation needs (Hu & Ritchie, 1993). Foreign tourism to South Africa has increased by more than 10% per annum since 1988 (Saayman, 2000), making South Africa one of the fastest growing tourism destinations world-wide (van der Merwe, 2000).

South Africa is a new role player in the global tourism market and it is essential for the country to work towards definite long-term goals and strategies to position South Africa as a tourist destination and attract even more visitors (SAT, 2002). Long-term strategies involving overseas market research and the production of an international advertising campaign designed for specific geographic markets are essential if the news media images of violence and crime are to be countered or replaced by a variety of unique South African experiences demanded by inbound tourists (Buhalis, 2000; Faulkner, 1998 & Waitt, 1996). *One of the best ways to secure long-term growth in international tourist arrivals is to understand each tourist market as an individual group of tourists and their distinct cultural make-up.* The cultural make-up provides a basis for the development and application of marketing strategies, which can effectively target the specific tourist markets (Reisinger & Turner, 1998).

In order to become one of the top 10 destinations, South Africa needs to revise its marketing strategy. The strategy needs to start with a broad look at the market – paying attention to tourist needs, the destination's objectives and resources as well as the competitors. The value of a comprehensive market segmentation effort is that it enhances performance across all phases of the marketing and promotional campaign (Semenik, 2002). Segmentation assists to pinpoint the target market in order to better understand their needs. It is crucial in assisting in determining the right marketing mix for the right market (Perreault & McCarthy, 1999). Specifically, market

segmentation enhances a destination's efforts related to precise specification of marketing objectives and a better understanding of the needs, desires, and motives of tourists. Through the process of segmentation the destination has the ability to identify more precisely the messages to use across promotional mix tools (Semenik, 2002). In Figure 2.1 the importance of a strategic marketing plan is outlined as well as the position of market segmentation and promotion (Perreault & McCarthy, 1999).

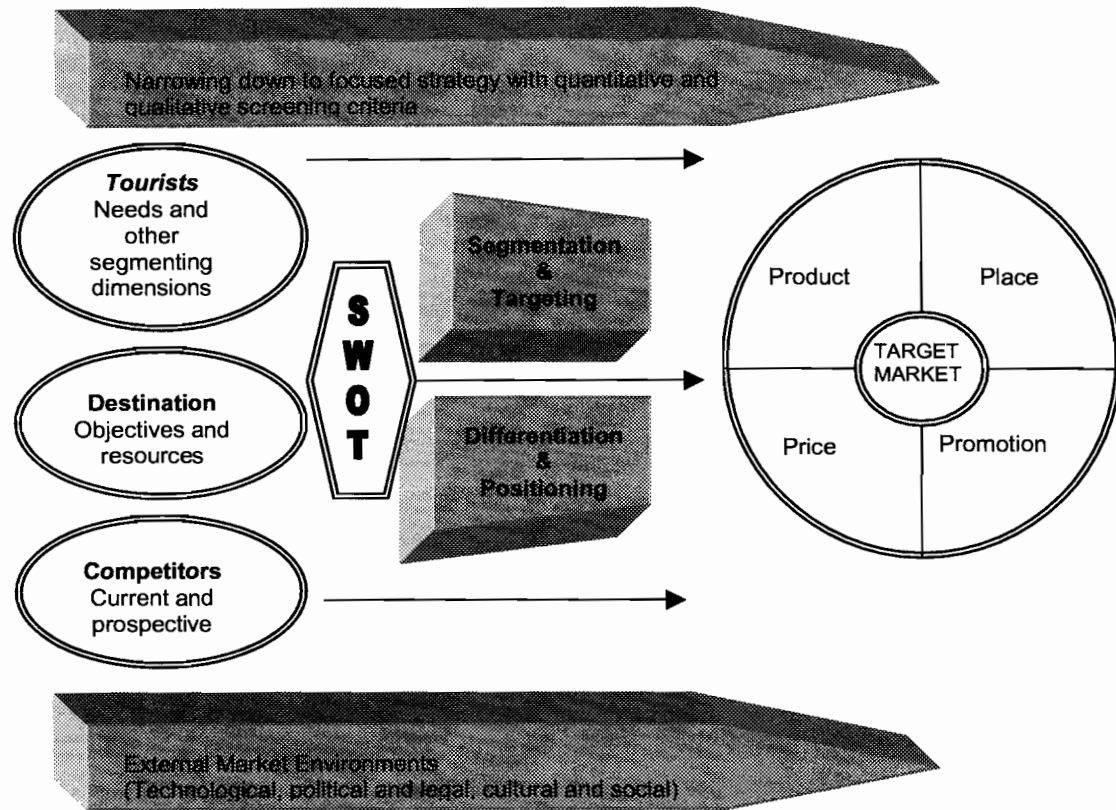


Figure 2.1: Strategic marketing strategy planning process (Perreault & McCarthy, 1999)

Market segmentation plays a key role in the marketing strategy. It can be seen as one of the key success factors of tourism marketing, of almost all successful destinations and is a powerful marketing tool for several reasons. Most importantly, nearly all markets include groups of people or destinations with different product needs and preferences (Buhalis, 2000). Decision-makers can more accurately define marketing objectives and better allocate resources. In turn, performance can be better evaluated when objectives are more precise (Dibb & Simkin, 2001).

Smith (1996) stated that a challenge in tourism analysis as in other realms of social science is to find some workable compromise between ignoring the great heterogeneity of the world and being overwhelmed by that same heterogeneity. One method of doing this is segmentation (Smith, 1996). *Market segmentation is one of the keys to developing a sustainable competitive advantage based on differentiation, low cost, or a focused strategy* (Aaker, 1998). The purpose

of market segmentation is to identify homogeneous groups of people with similar characteristics from among the heterogeneous population of tourists. Effective market segmentation can lead to an increase in tourist numbers and better use and management of scarce resources.

The aim of this chapter is to analyse market segmentation by stating the importance and benefits of segmentation, discussing the various bases, methods and strategies of segmentation and evaluate the process as it is implemented in tourism.

2.2 THE IMPORTANCE OF MARKET SEGMENTATION

Most research expenditure in the tourism industry tends to focus on what tourists buy, when they buy it, where they buy it and how they buy it, vital enough information, but these bare facts tell one little about why the tourist purchases the product (Leibold, 1992). Why for instance do certain tourists choose to go on a holiday to Australia rather than South Africa? This is a critical question in market segmentation because the answer will lead to more effective market segmentation bases, methods and marketing strategies.

Destinations, that sell to tourists, recognise that they cannot appeal to all potential tourists in those markets, or at least not to all in the same way. Potential tourists are too many, widely spread and differ in their needs and buying practices. Globalisation of market access has increased as the number of inaccessible markets has reduced following political changes that have opened up markets, for example China. Globalisation of market opportunities has increased over the past few years. Destinations focusing on 'new' target markets like China have difficulty in positioning their products at that destination. This can be due to the differences in social and business culture, but also the lack of infrastructure, a legal framework and standards of business practice (Doole & Lowe, 2001). To market effectively one needs to understand the destination and tourists completely.

By doing market segmentation the destination identifies market segments, selects one or more, and develops products and marketing mixes tailored to each selected segment. Sellers are better able to find better marketing opportunities and allows destinations to develop the right product for each target market. Destinations can adjust the process, distribution channels, and advertising media to reach each market efficiently. The general rule for 'market' definition is that it is the aggregation of all the products that appear to satisfy the same need (McDonald & Dunbar, 1995).

Segmentation isolates tourists with similar lifestyles, needs and wants, and increases the marketing strategist's knowledge of their specific requirements. Many destinations still organise marketing efforts principally around the products offered, thereby missing many opportunities for

creating a competitive advantage. The problem with segmenting markets based only on the products offered, or the technology type, is that in most markets many different types of tourists buy or use the same products. These different types of tourists, therefore, often get subsumed under one category (McDonald & Dunbar, 1995; Buhalis, 2000).

Market segmentation appears to be a hallmark of today's marketing research. Marketing research is used extensively by destination marketers to identify the types of tourists that can be attracted (active demand) as well as the prospective visitors (suppressed demand) who do not visit for a variety of reasons. Approaching the right target market and providing the most appropriate combination of local tourism products and services is the key in successful marketing of destinations (Buhalis, 2000).

As packaged products (group of products) are formulated ad-hoc to satisfy specific tourist requests, a dynamic marketing research process will enable destinations to provide unique products by initiating local partnerships between all suppliers to address the needs or demand. The effectiveness of promotional campaigns can be assessed so that the most cost-effective media is used to approach and persuade target markets to visit the destination (Buhalis, 2000). The effectiveness of marketing research in destinations will depend on their ability to co-ordinate the research activities undertaken by the entire range of local authorities and tourism organisations. It is, therefore, very important to co-ordinate all surveys and data in order to produce meaningful inferences to inform and guide tourism policy and marketing strategies. In the next section the benefits of market segmentation will be discussed.

2.3 THE BENEFITS OF SEGMENTATION

The benefits of segmentation can be summarised as follows:

- *Recognising tourist's differences* is the one of the keys to successful marketing, as it can lead to a closer matching of tourists needs with the destination's products and services. In a segmented market the marketing strategist can fully appreciate the differences in needs, and respond accordingly (Stanton, Etzel & Walker, 1991).
- Segmentation can lead to *niche marketing* where appropriate, where the destination can meet most or all of the needs of tourists in that niche segment.
- Segmentation can lead to *concentration of resources* in markets where the competitive advantage is greatest and returns are high (Strydom *et al.*, 2000).
- Segmentation can *gain competitive advantage* by considering the market in different ways from your competitors. One can more easily detect emerging trends, potential problems, and marketing opportunities by looking at segments rather than the entire market. In addition, one can see competitive moves clearly, watch how tourists react to rival products, and determine how the product and marketing compare to those of other

industry players (Nickels & Wood, 1997). With this in mind one can respond more quickly to changes in the external environment (Semenik, 2002; Perreault & McCarthy, 1999).

- By means of segmentation one can *market the destination as a specialist* in the chosen market segments, with a better understanding of tourists' needs, thus giving the products/services advantages over competitors' products (McDonald & Dunbar, 1995).
- A *long-term relationship* can be formed with a specific tourist group. By devoting the resources to doing a better job than any rivals in satisfying the needs of tourists in a desirable market segment, enables one to develop an enduring bond with those tourists. The more narrow the focus, the stronger the bond is likely to be (Nickels & Wood, 1997; Perreault & McCarthy, 1999).
- Improved *marketing efficiency* (Semenik, 2002).
- *Designing responsive products* to meet the needs of the marketplace.
- Developing *effective and cost-efficient promotional tactics & campaigns* (Semenik, 2002; George, 2001).
- Segmentation can help guide the *proper allocation and use of the marketing resources*. A large, growing market segment may be allocated a greater proportion of the marketing budget, while a shrinking one may be scaled down or eventually abandoned if it becomes unattractive (Strydom *et al.*, 2000; Semenik, 2002).
- *Gauging the destination's position* – how the destination is perceived by its tourists and potential tourists relative to the competition (SMART, 2000).
- Can lead to more *effective use of scarce resources*, for example finances, human resources (Semenik, 2002).

Although the benefits that segmentation offers are well documented, destinations continue to encounter barriers to implementation. One needs to review the key success factors for destinations to consider when implementing a segmentation approach (Dibb & Simkin, 2001).

Segmentation can help achieve goals and segmentation research can provide information on:

- the reasons different groups of people buy a product or visit a destination
- size of the groups
- spending patterns of tourists
- tourists' loyalty to brand names of destinations
- tourists' sensitivity to price
- how tourists respond to various advertising, pricing and distribution strategies
- how to design an advertising message or new product to generate sales in a specific market
- which advertising channel will most effectively reach the target market

- whether a new product should be introduced; or whether an existing product should be redesigned, re-positioned or discontinued (Holloway & Robinson, 1995; Smith, 1996).

2.4 PROCESS OF DEVELOPING A MARKET SEGMENTATION STRATEGY

Market focus has been identified by Horner and Swarbrooke (1996) as one of the key success factors of marketing. Market focus (market segmentation) has been successfully used by some tourist destinations to achieve a competitive advantage. The process of developing a market segmentation strategy is one of the keys to successful marketing. The market segmentation process consists of nine steps. The steps involved in the process can be seen in Figure 2.2.

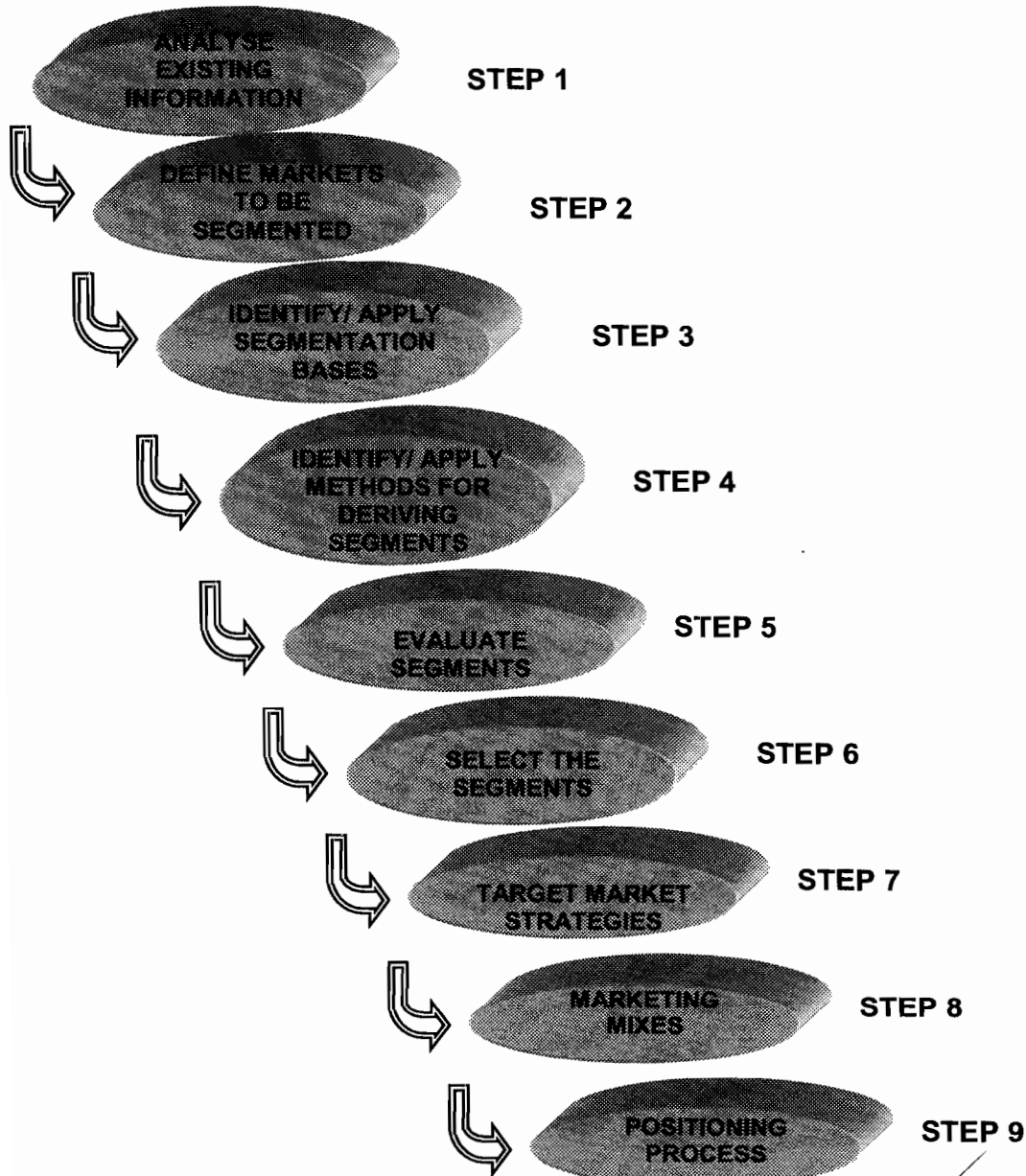


Figure 2.2: Market segmentation process (McDonald & Dunbar, 1995; Kotler *et al.*, 1999; Randall, 2001; Saayman, 2001; Lehmann & Winer, 1997).

2.4.1 STEP 1: Analyse the existing information

Before segmenting the market it is important to determine what information already exists in terms of the market and the product. When entering a new market, more research needs to be done on these two aspects. In a formal process, it is useful to start by summarising and agreeing to what is already known: what is believed about the market, what evidence is there for these beliefs, what trends are evident and what forces are driving changes (Randall, 2001). Therefore destinations need to analyse the market by conducting a market analysis and determining the factors that influence the tourists' behaviour.

There are three main types of information that are necessary:

- Market data: size, trends, structure, listing of products and brands.
- Tourists: who, what, when, where, how they use the product (behaviour).
- Segments: what segments currently exists (Lehmann & Winer, 1997).

2.4.1.1 Dimensions of a market analysis

According to Randall (2001) gathering information on many markets is necessarily more complex than for one – but it is even more important to gather information on foreign markets, since these markets will by definition be less known to the marketing strategist and more information will be required. It is for this reason that the dimensions of the market analysis are crucial to market segmentation. The development of such an analysis, through extensive research, can be seen as a key success factor for market segmentation. The nature and content of an analysis of a market and its relevant product markets will depend on context, but will often include the following dimensions (Randall, 2001):

a. Actual and potential market size

A basic starting point for the analysis of a market or sub-market is the total sales level. If it is reasonable to believe that a successful strategy can be developed to gain a 15% share, it is important to know the total market size. Knowledge of the sub-markets is often crucial. Estimates of the market size can be based on research sources. For example, sources provide a breakdown of tourists visiting South Africa, their spending patterns and duration of stay. A more expansive approach would be to survey tourists and project their usage to the total market. The most important requirement is that the market generates sales and covers the costs (Aaker, 1998; Evans & Berman, 1992; Randall, 2001).

b. Market growth

After the size of the market and its important sub-markets have been estimated, the focus turns to growth rate. What will the market's size be in the future? If all else remains constant, growth means more sales and profits even without increasing market share. It can also

mean less price pressure when demand increases faster than supply and destinations are not engaged in experience curve pricing, anticipating future lower costs. Conversely, declining market sales can mean reduced sales and often-increased price pressure for destinations to be able to hold their market share (Randall, 2001). South African Tourism (SAT) determines the growth rate of the different target markets to South Africa on an annual basis. This enables the marketing strategist to estimate the growth rate of arrivals for the following year and adapt the budget and marketing strategy according to that information. This information is important when determining the target markets for the following year (SAT, 2002).

c. Market profitability analysis

Economists have long studied why some industries or markets are profitable and others are not. Michael Porter (1985) applied his theories and findings to the business strategy problem of evaluating the investment value of an industry or market. The problem is to estimate how profitable the average destination will be. It is hoped, of course, that the destination will develop a strategy that will bring above-average profits. If the average profit level is low, however, the task of succeeding financially will be much more difficult than if the average profitability were high. The attractiveness of a target market lies in the promise of long-term profitability (Strydom *et al.*, 2000).

Porter's (1985) approach can be applied to any industry, but it can also be applied to a market or sub-market within an industry. The basic idea is that the attractiveness of an industry or market is measured by the long-term return on investment of the average destination and depends largely on five factors that influence profitability (See Figure 2.3). The weaker the five forces, the better the chances of success are. In spite of the collective strength of the five forces, marketing management still has the task of finding a position in the industry where the destination can best defend itself against these forces (Strydom *et al.*, 2000).

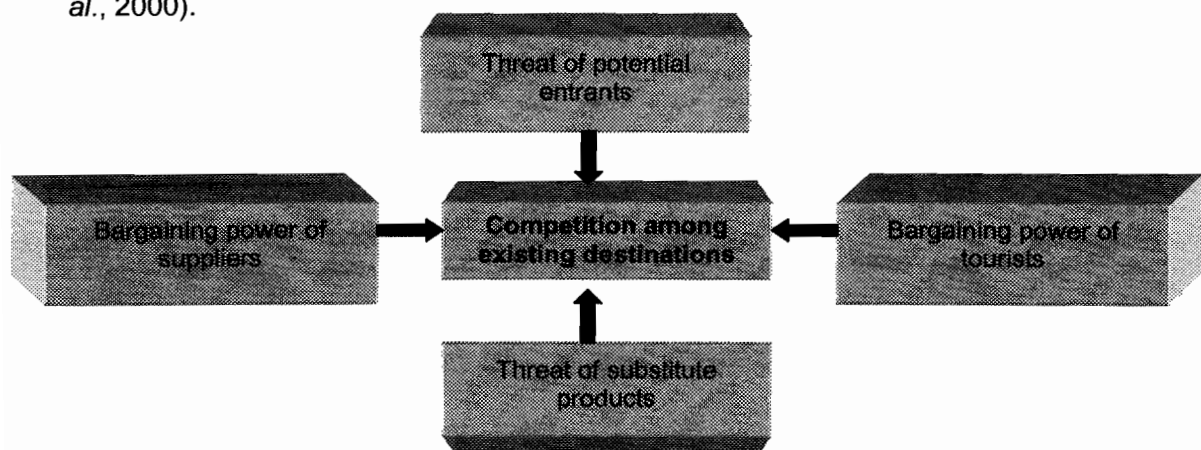


Figure 2.3: Porter's five-factor model of market profitability (Adapted from Aaker, 1998)

These forces include the following:

➤ Existing competitors

The intensity of competition from existing competitors will depend on several factors, including:

- the number of competitors
- the relative size
- whether their product offerings and strategies are similar
- the existence of high fixed costs
- the commitment of competitors
- the size and nature of exit barriers (Strydom *et al.*, 2000).

As a first approximation, the more competitors, the more competitive intensity as in the case of the tourism industry (Kotler *et al.*, 1999). However, the nature of the competitors can make a great deal of difference. The relative size of the competitors will, for example affect competitive intensity. It is particularly important in this analysis to understand the commitment of the competitors. To what extent will they be motivated to spend whatever is needed to maintain position? Another related consideration is exit barriers, such as specialised assets, long-term contracts, commitments to tourists and distributors, and relationships to other parts of the destination (Strydom *et al.*, 2000).

➤ Potential competitors

Whether potential competitors, identified or not, actually do enter depends in large part on the size and nature of barriers to entry. Thus, an analysis of barriers to entry is important in projecting likely competitive intensity and profitability levels in the future (Strydom *et al.*, 2000).

Entry barriers can include:

- capital investment required
 - economies of scale
 - distribution channels
 - product differentiation (Porter, 1985).
-
- Substitute products
- Substitute products compete with less intensity than do the primary competitors. They are still relevant, however. These products can influence the profitability of the market and can be a major threat or problem.

- **Buying power of tourists**

When tourists have relatively more power than sellers, they can force prices down or demand more services thereby affecting profitability. A tourist's power will be greater when its purchase size is a large proportion of the seller's business, when alternative products are available (Randall, 2001).

- **Supplier power**

When the supplier industry is concentrated and sells to a variety of tourists in diverse markets, it will have relative power that can be used to influence the process. Power will also be enhanced when the costs to tourists of switching destinations or tourism products are high (Aaker, 1998).

2.4.1.2 Factors influencing tourist behaviour and decision-making

The tourist does not make purchase decisions in isolation. The mix of cultural, social, personal, psychological factors and previous experiences, which influence behaviour, are largely non-controllable. Because of the influence exerted upon patterns of buying, it is essential that as much effort as possible is put into understanding how these factors interact and, ultimately how they influence decisions. For the marketing mix to be effective, it is essential that the marketing strategist therefore understands what the tourist wants.

a. The significance of culture

The most fundamental of the four influencing forces, and hence the logical starting point for any analysis of behaviour, is the tourist's set of cultural factors. Culture refers to the complexity of learned meanings, values, norms and customs shared by members of society (Belch & Belch, 1995) and is the essential character that distinguishes it from other cultural groups (Lamb *et al.*, 2002). Of these, it is the culture of the society itself, which typically proves to be the most fundamental and enduring influence on behaviour.

Human behaviour is largely the result of a learning process and as such individuals grow up learning a set of values, perceptions, preferences and behaviour patterns as the result of socialisation both within the family and as a series of other key institutions (Wilson *et al.*, 1993; Botha, 1998). Marketing strategists must be aware of the changes that may be occurring in a particular culture and the implications of these changes on advertising and promotional strategies and programmes (Belch & Belch, 1995; Semenik, 2002).

b. Social factors

An examination of the influence exerted by a series of social factors, includes reference groups, family, social role and status. Although influence groups have been defined in a variety of ways, one of the most useful definitions is that of '*all groups that have a direct or indirect influence on the person's attitudes or behaviour*'. The influence exerted by reference groups tends to vary considerably from one product and brand to another, as well as at different stages of the product life cycle. At the introductory stage, for example the question of whether to buy is heavily influenced by others, although the influence upon the choice of brand is not particularly significant. In the growth stage, the group influences both product and brand choice, while in the maturity phase it is the brand but not the product which is subject to this influence. The influence of reference groups in the decline stage is almost invariably weak in terms of both the product and brand choice (Belch & Belch, 1995; Strydom *et al.*, 2000).

The family is one of the most important primary groups to which the individual belongs (Botha, 1998). According to Blem, Brits & Reekie (1989) a family acts as an important mediating influence and it is through social learning of family interaction and other forms of socialisation that attitudes, perceptions, tastes and dispositions are formed.

The significance of the family as a determinant of buying behaviour has been recognised for a long time and for this reason it has been the subject of a considerable amount of research in order to identify the roles and relative influence exerted by different family members. Several general conclusions have emerged from research done which includes the following:

Husband and wife involvement in purchase decisions varies greatly from one product category to another, with women still playing the principal role in the purchasing of food and clothing. Joint husband and wife decision-making tends to be a characteristic of more expensive product choices where the opportunity cost of a 'wrong' decision is greater. Husband dominant: life insurance, cars and televisions. Wife dominant: washing machines, carpets, kitchenware and non-living room furniture. Equal: furniture, *holidays*, furnishings and entertainment (Wilson *et al.*, 1993).

c. Personal influences on behaviour

The third major category of influences upon behaviour is made up of the buyer's set of personal characteristics, including age, lifecycle stage, occupation, economic circumstances, life-style, and personality. Personal influence can also include the effect one

person has on the attitude or purchase probability of another (Strydom *et al.*, 2000). Individual characteristics are generally stable over the course of one's life (Lamb *et al.*, 2002).

d. Psychological influences

The four principal psychological factors include – motivation, perception, learning, beliefs and attitudes. Motivation is the most important to understand and the most complex to analyse. It refers to the drives, urges, wishes or desires that initiate the sequence of events known as behaviour (Russell & Lane, 1999). The starting point involves recognising the differences between biogenic needs that are physiological (hunger, thirst and discomfort) and psychogenic needs that are essentially psychological states of tension (need for esteem and desire for recognition or belonging). It's these needs which, when they become sufficiently intense, create a motivation to act in such a way that the tension of the need is reduced. This has led to a variety of theories of human motivation for example the theories of Freud (1915), Veblen (1977), Herzberg (1974) and Maslow (1943).

The marketing strategist needs to consider the influence of perception. This is the way in which motivated individuals perceive a given situation that determines precisely how they will behave. Botha (1998) states that perception is a process, which refers to an individual's ability to gather, organise and interpret information received from the environment in which he/she finds him/herself. Marketing strategists first have to identify the important attributes, such as price or quality, that the targeted tourists want in a product and then design signals to communicate these attributes (Lamb *et al.*, 2002). Because of selective attention, distortion and retention individuals can perceive the same object in very different ways. It is failure to recognise and take account of this that often leads to confusion, for example advertising messages.

Once individuals have responded to an advertisement, they go through a process of learning. Learning refers to those changes in behaviour relative to external stimulus conditions that occur over time (Russell & Lane, 1999). If the experience with the product is generally positive the likelihood of a repeat purchase is obviously increased. If, however, the experience is largely negative, not only is the likelihood of repeat purchase reduced, but also the negative attitude that developed is likely to be extended to other products from the same destination.

It is the set of beliefs and attitudes that emerge both from experiences and from experiences of individuals in the tourist's reference groups that build up a set of product and brand images. Attitudes can be seen as a tourist's overall evaluation of a destination (Botha,

1998). Attitudes lead to relative consistent behaviour (Wilson *et al.*, 1993). Neutral and/or negative beliefs need to be turned into positive ones. Changing beliefs about a service can be more difficult because service attributes are intangible (Lamb *et al.*, 2002). Because attitude is a predisposition, it can be assumed that it is most likely to motivate tourists towards selecting a particular destination (Botha, 1998).

Consumer (tourist) behaviour is an intricate process. An appreciation of consumer (tourist) behaviour and the factors that influence it will help one identify target markets and design effective marketing mixes (Lamb *et al.*, 2002). A study of consumer (tourist) behaviour can thus be seen as one of the key success factors of market segmentation.

It is crucial before segmenting the market to be aware of influences and trends and be able to apply that information to the process of segmentation.

2.4.2 STEP 2: Define the markets to be segmented

Before starting to segment one has to define in general terms the overall market. This helps to narrow down the market by eliminating inappropriate or unwanted groups. In broad terms decisions should be made as to whether marketing is going to be internationally or nationally, or within a smaller region (McDonald & Dunbar, 1995).

2.4.3 STEP 3: Identify and apply segmentation bases

The task of identifying a segment is difficult, in part, because there are various bases that can be used. Some of these bases include demographic-, psychographic-, geographic-, socio-economic- and/or benefit information. To avoid missing a useful way of defining segments, it is important to consider a wide range of bases. These bases need to be evaluated on the basis of the ability to identify segments for which different strategies are pursued (Aaker, 1998).

This step focuses on identifying and applying one or more base to segment the market. The people in each segment need to be similar to each other and at the same time, different from those in other segments. One base may be enough, although marketing strategists often use two or more, in sequence, to define segments as precisely as possible. Marketing research comes into play during this step, because without research one generally cannot tell which bases are best for the product and market (Nickels & Wood, 1997). This market research differs from the research done in step 1. Step 1 focuses on existing knowledge about the market and the product. Step three focuses on knowledge of potential markets and forming new segments.

A variety of methods are available for segmenting markets. Marketing strategists may use one of the segmentation bases or a combination of the following approaches to segment the market:

a. Geographic Segmentation

The traditional practice is to use a country-based classification system as a basis for classifying international markets (Doole & Lowe, 2001). Tourism planners are always interested in the geographic origins of their tourists. In international tourism, assessing the generating countries from which tourists arrive allows national tourist destinations to select their main target markets. In domestic and regional tourism, driving distance can be a major factor in the marketing of attractions.

Geographic segmentation is based on where people live. The premise is that people who live in similar types of residential districts have similar characteristics and hence similar behaviour patterns (Proctor, 1996). Among the undoubted attractions of geographic segmentation to the marketing strategist are its flexibility and its apparent simplicity. It is the combination of these, together with its broad applicability, that has led to its widespread use (Semenik, 2002). By using this method the market is divided into different geographic units, such as nations, states, regions, countries or cities. A destination decides to operate in one or a few geographical areas or to operate in all; paying attention to geographical differences in needs and wants (Kotler *et al.*, 1999).

This can be done by collecting data on the number of visitors, trips, or bednights generated from a particular place. All bases that can be used to form the base of geographic segmentation are summarised in Table 2.1.

Table 2.1: Geographic Segmentation (Nickels & Wood, 1997; Kotler *et al.*, 1999; Saayman, 2001)

GEOGRAPHIC SEGMENTATION
❖ Country
❖ Region
❖ State
❖ City
❖ Neighborhood/ Block
❖ Climate
❖ Transportation
❖ Government
❖ Mobility

According to geographical criteria markets can be classified in three categories:

Primary markets:

These markets indicate the best opportunities for long-term strategic development. Destinations may want to establish a permanent presence and so embark on a thorough research programme. The primary markets must be identified because they generate the major share of traffic to the destination. One cannot solely focus on these markets, new markets need to be developed (Doole & Lowe, 2001). Destinations can have between 3-5 primary markets. South Africa has a comparatively strong market presence in the United Kingdom, Germany and the Netherlands. These destinations are the primary markets of South Africa (SAT, 2002).

Secondary markets:

These are markets where opportunities are identified but political or economical risk is perceived as being too high to make long-term irrevocable commitments. These markets would be handled in a more pragmatic way due to potential risks identified. A comprehensive marketing information system would be needed (Doole & Lowe, 2001). Secondary markets are those, which generate good tourist traffic to the destination, but are less important in as much as they generate more traffic to alternative destinations, usually because the alternative destinations offer perceived benefits, which are unavailable. Destinations can have between 4-6 secondary markets. Germany is a good example of this. Germans are the biggest international travel group and Germany is an important market for Britain (WTO, 2001). Britain is, however, not an important destination for Germany. Britain receives less than two percent of German main holidays, very largely because the mass movements are in pursuit of the sun. This is one of the reasons why Germans are a big market for South Africa. Some of South Africa's secondary markets include the following: Lesotho, Swaziland, Botswana, Belgium, Switzerland and India (SAT, 2002).

Tertiary markets:

These are the catch-what-you-can markets. These markets will be perceived as high risk and so the allocation of resources will be minimal. Objectives in such countries are short term and opportunistic, destinations give no real commitment. No significant research is carried out (Doole & Lowe, 2001). Tertiary markets are those markets, which are not currently producing much traffic to the destination, but which offer future potential. These markets which offer opportunity for development also need to be researched, but there is a great deal of free information available, a great deal of market intelligence which can be obtained with little effort (Jefferson & Lickorish, 1991). Some of South Africa's tertiary markets currently include: Austria, Argentina, Brazil, Denmark and Finland (SAT, 2002).

b. Demographic Segmentation

This method of segmentation consists of dividing the market into groups based on demographic bases such as age, gender, family life cycle, income, occupation, education, religion, race and nationality (See Table 2.4). Demographic factors are the most popular basis for segmenting tourist groups. One reason is that consumer needs, wants, and usage rates often vary closely with demographic bases. Another is that demographic bases are easier to measure than most other types of bases (Kotler *et al.*, 1999; Proctor, 1996; Holloway & Robinson, 1995).

A benefit of demographic segmentation is that sizes based around demographics are normally large because they parcel the total population into a limited number of groups. Age provides the biggest range of options for defining a large number of groups, but realistically few destinations work with more than three or four categories of age. Some of the smallest groupings obtained by demographic classifications come from the family life cycle (Burke & Resnick, 2000).

The *family life cycle (FLC)* is intended to show the various stages through which households progress. The implication for providers of products and services is that linked to the different stages in the FLC there are different purchasing needs. The idea behind it is that consumption changes as people progress through different phases of the cycle and that tourists' tastes and choices will change too. Tourism can sometimes be a ritual purchase to celebrate a *rite of passage* as people pass from one phase of the life cycle to another (Pender, 1999).

There have been some critics of the usefulness of the family life cycle concept. Major weaknesses are the exclusion of those couples that never have children, undue emphasis on the age of children and the changing role of the father/husband, but not of the mother/wife (Proctor, 1996). The main criticism of the family life cycle over the last twenty years has related to its lack of universal applicability. Obviously, there are large portions of the travel and tourism market, such as business or sports-related travel, where the family group is completely irrelevant (See Table 2.2).

Defenders of the model, however, have argued that it is a summary demographic base that combines the effects of age, marital status, career status and the presence of children. This can then be used together with other bases to reflect reality (Wilson *et al.*, 1993; Lamb *et al.*, 2002).

Table 2.2: Stages in the family life cycle and associated buying preferences (Proctor, 1996; Pender, 1999; Wilson *et al.*, 1993; Horner & Swarbrooke, 1996)

STAGE IN FAMILY LIFE CYCLE	BUYING INTERESTS
1. Bachelor stage – young singles living at home	Few financial commitments. Fashion cloths, sport and leisure products, cars, music centers and records, holidays
2. Newly married or coupled persons without children	Better off financially than they are likely to be in the near future. High purchase rate of consumer desirables. Cars, consumer durables, holidays, furniture
3. Full nest 1 – couples with youngest child under 5	House buying is at a peak. Liquid assets are low. Dissatisfied with level of savings and financial position generally. Washers, driers, baby items, economy food
4. Full nest 2 – couples with youngest child 6 - 11	Financial position is improving. A higher proportion of wives are working. Children's toys, education products, domestic appliances, many foods
5. Full nest – older couples with dependent children 11 - 18	Financial position is improving yet further. Consumer durables, better furniture, hobby items
6. Empty nest 1 – older couples, no children at home, head of family still working	Home ownership is at a peak. The financial situation has improved and savings have increased. Travel, recreation, self-education, investments, luxuries
7. Empty nest 2 – older couples, no children at home, head of family retired	Substantial reduction in income. Cheaper holidays, value for money goods
8. Solitary survivors in labour force	Income still high but may sell home. Economy living
9. Solitary survivor retired	Medical needs. Substantial cut in

	income. Need for attention and security.
10. Single parents with children – includes both unmarried single parents as well as divorcees	
11. Same sex couples in gay relationships	

Social class is the single most used base for research purposes. Most destinations will segment the market by combining two or more demographic bases (Kotler & Armstrong, 2001). Tourist attractions are visited by different kinds of tourists, but two demographic bases – gender and age – coupled with geographic region can be useful in distinguishing users of one attraction from those of another. Marketing strategists will thus make use of multibase demographic segmentation.

One of the demographic categories includes gender. While this base has obvious applications for such products as clothes, cosmetics and magazines, ever-greater attention has been paid in recent years to the ways in which it can be used as a key element in the strategies to market a far wider range of products. In part, this has been brought about by a series of fundamental changes that are taking place within society, including a greater number of working women, and the generally higher levels of female independence. One result of this has been an increase in the number of marketing campaigns targeted specifically at women for example health spas (Wilson *et al.*, 1993; Kotler *et al.*, 1999).

Other important categories of demographic bases focus on *income and occupation*. The combination of the above resulted in the JICNARS (Joint industry committee for national readership surveys) approach (Table 2.3) to social classification. This classification proved to be popular, enduring and easily understood. It is, however, an imprecise method of segmenting a market since social class today is a far less accurate predictor of income and spending patterns than was once the case. It has also been argued that social class is unable to give any real insight into a household's level of disposable income, particularly where there are several wage earners (Horner & Swarbrooke, 1996).

Table 2.3: JICNARS Classification of social class (Horner & Swarbrooke, 1996; Russell & Lane, 1999)

GRADE	
A	Upper middle class: higher managerial administrative or professional

B	Middle class: middle to senior management, up and coming professionals
C1	Lower middle class: junior management, supervisory, secretarial, and clerical grades
C2	Skilled working class: manual trades
D	Working class: semi and unskilled workers
E	Pensioners and widows and those on the breadline, using social security and state benefits

A limitation of demographic segmentation is that it gives little or no explanation for differences in consumption patterns. Demographics say nothing regarding motivations and the value structures that guide tourists' behaviour but have little to do with causation. There is a continual need to monitor the use of demographic segments to insure that they still adequately reflect behaviour. Demographics are seldom sufficient on their own as a basis for understanding and targeting tourists. Age and income are two factors that are widely used, and they allow clearly identifiable groups to be pinpointed for example, young, high-income earners (Proctor, 1996).

Another aspect that has become a concern in recent years is heightened awareness of discrimination. Discrimination by gender, race, religion and more recently age, has been made illegal in many countries. Segmentation on these criteria by destinations may well not be discrimination, but as awareness of these issues develops, destinations must be careful to ensure that the application of marketing policies does not appear to resemble it. Table 2.4 provides a summary of all bases important in demographic segmentation.

Table 2.4: Demographic segmentation (Kotler *et al.*, 1999; Horner & Swarbrooke, 1996; Saayman, 2001)

DEMOGRAPHIC SEGMENTATION
❖ Age
❖ Gender
❖ Marital Status
❖ Family/Household size
❖ Income
❖ Occupation
❖ Education
❖ Religion
❖ Race
❖ Nationality

c. Psychographic Segmentation

This method of segmentation entails dividing buyers into different groups based on their social class, life style and/or personality characteristics. Life style and personality segmentation are growing in popularity. The method involves attempting to endow a product with characteristics that correspond to the target group of tourists' self-perceptions. It is maintained that these factors reflect people's values and opinions and thus enable researchers to ascertain why tourists prefer certain products and services to others (Proctor, 1996). By establishing groupings, one will achieve a better understanding of why people buy as they do, and thus be better prepared to respond to tourists' needs and buying patterns (Nickels & Wood, 1997).

While there is some disagreement as to whether personality is useful as a basis for segmentation, life style factors have been used effectively. Many consider lifestyles the most effective criterion for segmentation. These life styles are then correlated with the product, brand, and/or media usage (Belch & Belch, 1995). Life style has been defined in a variety of ways, but is in essence: "the person's pattern of living in the world as expressed in activities, interests and opinions" (Wilson *et al.*, 1993).

This method attempts to provide a detailed understanding of tourists in terms of their way of living. It takes into account how people spend their time, what they consider important, and their opinions and attitudes towards various types of holidays/vacations.

In order to compete successfully in the highly competitive international tourism marketplace, it is necessary to sharpen the research tools in an attempt to generate more accurate data for strategic tourism development and planning. Within this context, knowledge about relevant segments of tourists, their desires, motives, attitudes, and life styles, allows marketing strategists to become more focused and effective in their efforts.

Psychographic segmentation further provides a unique way of viewing the tourist. It starts with people and reveals how they feel about a variety of subjects. It provides detailed profiles that allow a marketing strategist virtually to visualise the people he/she is trying to reach. It seeks to determine why people travel, how they think, what their values and attitudes are, what types of destinations they want to visit, and what they want to do while staying in a destination.

One well-known combination approach, offered by the Stanford Research Institute International (SRI)(research organisation), is called VALS 2 (Version 2 of SRI's Values and Lifestyles program). VALS 2 categorises United States (US) consumers by their values, beliefs and life styles rather than by traditional demographic segmentation bases. Figure 2.4 shows that the

segments in VALS 2 are classified on two dimensions: vertically by their resources and horizontally by their self-orientation. Resources include education, income, self-confidence, health, eagerness to buy, intelligence and energy level. The resources dimension is a continuum ranging from minimal to abundant. Resources generally increase from adolescence through middle age and decrease with extreme age, depression, financial reverses, and physical or psychological impairment. In contrast, the self-orientation dimension classifies three different ways of buying: beliefs or principles, other people's actions and action orientated tourists (Parente, 2000). Table 2.5 gives an indication of the characteristics of each dimension (Lamb *et al.*, 2002).

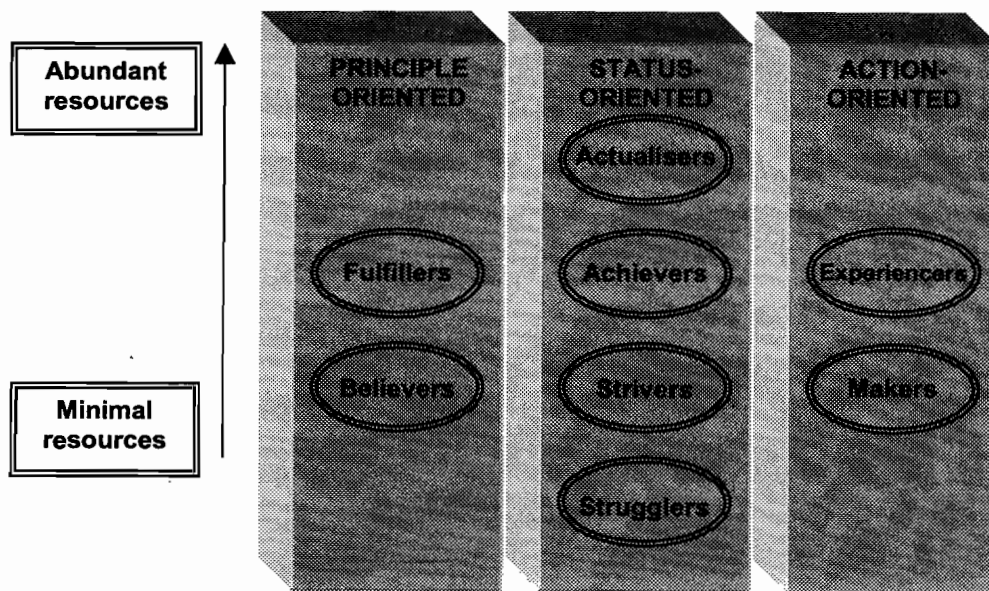


Figure 2.4: VALS 2 Dimensions (Russell & Lane, 1999)

Table 2.5: VALS Psychographic Segments (Lamb et al., 2002)

Actualisers	<p>Successful, sophisticated, active, “take charge”, people with high self-esteem and abundant resources.</p> <p>They are interested in growth and seek to develop, explore, and express themselves in a variety of ways.</p> <p>Their possessions and recreation choices reflect a cultivated taste for the finer things in life.</p>
Fulfillers	<p>Are mature, satisfied, comfortable, reflective people who value order, knowledge, and responsibility.</p> <p>Most are well-educated, well-informed about world events, and professionally employed.</p> <p>Fulfillers are conservative, practical consumers, they are concerned about value and durability in the products they buy.</p>
Believers	<p>They are conservative, conventional people with concrete beliefs and strong attachments to traditional institutions – family, church, community, and nation.</p> <p>As consumers they are conservative and predictable, favouring US products and established brands</p>
Achievers	<p>They are successful career- work oriented people who like to, and generally do, feel in control of their lives.</p> <p>Achievers live conventional lives, are politically conservative, and respect authority and the status quo.</p> <p>As consumers they favour established goods and services that demonstrate success to peers.</p>
Strivers	<p>They seek motivation, self-definition, and approval from the world around them.</p> <p>They are easily bored and impulsive.</p> <p>Money defines success for strivers, who lack enough of it.</p> <p>They emulate those who own more impressive possessions, but what they wish to obtain is generally beyond their reach.</p>
Experiencers	<p>They are young, vital, enthusiastic, and impulsive.</p> <p>They seek variety and excitement and combine and abstract disdain for conformity and authority with an outsider's awe of other's wealth, prestige, and power.</p> <p>Experiencers are avid consumers and spend much of</p>

	their income on clothing, fast food, music, movies and videos.
Makers	They are practical people who value self-sufficiency. They live within a traditional context of family, practical work and physical recreation and have little interest in what lies outside that context. They are unimpressed by material possessions other than those with a practical or functional purpose (for example, tools, pickup trucks or fishing equipment).
Strugglers	They have lives that are constricted – chronically poor, ill educated and low-skilled. They lack strong social bonds; they are focused on meeting the urgent needs of the present moment. Ageing strugglers are concerned about their health. Strugglers are cautious consumers who represent a very modest demand for most goods and services but are loyal to favourite brands.

The thinking that underpins the VALS framework is that individuals pass through a series of developmental stages, each of which influences attitudes, behaviour and psychological needs (Wilson *et al.*, 1993).

When looking at the attitudes of people they can be enthusiastic, positive, indifferent, negative, or hostile about a product (Doole & Lowe, 2001). Table 2.6 serves as a summary of the bases that can be used in psychographic segmentation.

Table 2.6: Psychographic segmentation (Kotler *et al.*, 1999; Russell & Lane, 1999)

PSYCHOGRAPHIC SEGMENTATION
❖ Attitudes
❖ Interests
❖ Opinions
❖ Life styles

d. Behavioural Segmentation

Behavioral segmentation is based on a series of behavioural measures including attitudes, knowledge, benefits sought by the buyer, a willingness to innovate, loyalty status, usage rates, and response to a product. This is based on the assumption that it is the benefits people are

seeking from a product that provide the most appropriate bases for dividing a market (Wilson *et al.*, 1993). For example segmentation may be based on product or brand usage, degree of use (heavy vs light) and/or brand loyalty. Many marketing strategists believe that the behaviour bases are the best starting point for building market segments.

Behavioural patterns can be differentiated by occasions, benefits, user status and usage rate. *Occasions* are situations where one can distinguish between buyers according to when they purchased or used a product or service. Some buyers use a product very regularly, whilst others may use it only on special occasions (Strydom *et al.*, 2000). Behavioural segmentation methods can be applied to products, which are purchased to celebrate an occasion. For example, holidays, weddings, birthdays or seasonal events such as Christmas or Easter (Proctor, 1996).

Benefit segmentation begins, therefore, by determining the principal benefits tourists are seeking in the product class, the kinds of people who look for each benefit, and the benefits delivered by each brand (Wilson *et al.*, 1993). For example a late entrant in the adventure tourism market can gain share by concentrating on two distinct benefit segments: those who were first time adventurers and those that have been involved in this type of tourism.

In many markets benefit segmentation results in the destination focus upon satisfying just one benefit group, with the benefit offered being the unique selling proposition. This is, however just one of four choices that exists:

- Single benefit positioning.
- Primary and secondary benefit positioning.
- Double benefit positioning.
- Triple benefit positioning (Wilson *et al.*, 1993).

As an alternative to benefit segmentation, markets can be subdivided on the basis of what is referred to as *user status*. Thus a number of segments can typically be identified including non-users, ex-users, potential users, first-time users and regular users. These two categories can then be subdivided further on the basis of usage rate (sometimes referred to as volume segmentation). For many destinations the marketing task is seen in terms of moving buyers and potential buyers along the buying continuum, thus non-users and potential users all need to be persuaded to try the product, whole first-time users need to be persuaded to become medium users, and medium users to become heavy users (Wilson *et al.*, 1993). While the regular users guaranteed survival in the medium term, potential users who can be enticed into becoming users represent future growth. Each segment would be approached differently as the marketing task would vary according to user status.

Usage rate is used to segment the market into light-, medium-, and heavy user groups. Issues for critical thinking can include the following:

- Are heavy users those who use the product the most? Heavy users are often a small percentage of the market, but account for a high percentage of total buying
- Are heavy users necessarily the best segment for you to go after?
- Do you think heavy users are the most likely to switch from their regular brand to another?
- What might cause them to switch?
- How can you as a marketing strategist take advantage of such switching opportunities? (Nickels & Wood, 1997).

A market can also be segmented by consumer loyalty. Buyers can be divided into groups according to their *degree of loyalty*. Some tourists are completely loyal – they visit the same attraction every year. Others are somewhat loyal – they favour one attraction but sometimes visit other attractions as well. Other tourists show no loyalty to any attraction. They want something different each time they go on vacation. Each attraction is made up of different numbers of each type of buyer.

Four categories are of importance here:

- Hard core loyals: consist of consumers who consistently visit the same attractions. Their buying patterns over time can therefore be represented as XXXXXXXX.
- Soft core loyals: those who willingly choose from a limited amount of attractions. Their buying pattern of XXYXXYY reflects their divided loyalty between X and Y.
- Shifting loyals: they shift their loyalty from one attraction to another. Their buying pattern is therefore likely to be XXXYYYZZZ.
- Switchers: they show no loyalty to any single attraction. Their buying pattern is typically determined either by the special offers available or by the search for variety. This is then reflected in a buying pattern of XYZYXZ (Wilson *et al.*, 1993).

The implications of loyalty are of course significant, since in the case of those in which high patterns of loyalty exist, the ability to persuade buyers to shift from one brand to another is likely to be limited, even in the face of high levels of marketing expenditure.

As a further development of occasion-related segmentation, the past few years have seen the emergence of what is usually referred to as *critical events* segmentation. This is based on the idea that major or critical events in an individual's life generate needs that can then be satisfied

by the provision of a collection of products and/or service. Typical examples of these critical events are marriage, the death of someone in the family and retirement (Wilson *et al.*, 1993).

A market consists of people in different stages of *readiness to buy* a product. Some people are unaware of the product, some are aware, some are informed, some are interested, some want the product and some intend to buy. The relative numbers at each stage make a huge difference in designing the marketing programme. If people are totally unaware of the attraction the initial marketing effort should employ high-awareness-building advertising and publicity that uses a simple message. If it is successful in building awareness the marketing programme should shift in order to move more people into the next readiness stage – say interest in the attraction by stressing the benefits of the attraction. Facilities should be ready for handling the large number of people who may be moved to visit the attraction. In general the marketing programme must be adjusted to the changing distribution of buyer readiness.

In purchasing tourism products or services, tourists are generally trying to satisfy specific needs and/or wants. These tourists are looking for specific benefits that products or services might provide in satisfying these needs. They perceive products as certain packages of benefits. Also tourists buy products that are consistent with their existing self-image or that they feel will allow them to improve their self-image (Anon, 2000).

This method of segmenting allows destinations to provide and promote in order to attract a specific market segment. With this the identification of tourist types is possible. Profiles of a destination's current market can be used to identify potential customers, clones of their present market. This type of information reduces waste in advertising and increases effectiveness (Kotler *et al.*, 1999). Table 2.7 provides a summary of all the bases that can possibly be used in behavioural segmentation.

Table 2.7: Behavioural segmentation (Kotler *et al.*, 1999; Lamb *et al.*, 2002)

BEHAVIOURAL SEGMENTATION
❖ Product Usage
❖ Product Loyalty
❖ Critical events

Certain circumstances will require certain bases of segmentation. In Table 2.8 Wilson *et al.* (1993) provides recommendations on which bases will suit which situation and/or purpose best.

Table 2.8: Recommendations for the bases of segmentation (Wilson *et al.*, 1993).

RECOMMENDATIONS FOR THE BASES OF SEGMENTATION	
For general understanding of a market	<ul style="list-style-type: none"> • Benefits sought • Product purchase and usage patterns • Needs • Brand loyalty • A hybrid of the bases above
For positioning studies	<ul style="list-style-type: none"> • Product usage • Product preference • Benefits sought • A hybrid of the bases above
For new product concepts	<ul style="list-style-type: none"> • Reaction to new concepts • Benefits sought
For pricing decisions	<ul style="list-style-type: none"> • Price sensitivity • Deal proneness • Usage patterns
For advertising decisions	<ul style="list-style-type: none"> • Benefits sought • Media usage • Life style • A hybrid of bases above
For distribution decisions	<ul style="list-style-type: none"> • Loyalty • Benefits sought

2.4.4 STEP 4: Methods for deriving segments

The above-mentioned information needs to be analysed in order for target markets to be successfully selected. There are a variety of methods that can be used to form the markets and includes the following:

a. Cluster Analysis

Cluster analysis is a technique very often used in tourist market segmentation. It leads to a typology of tourists (Witt & Moutinho, 1995). These methods begin with a data set of actual or potential tourists and then form groups (segments). Cluster analysis is a set of techniques that try to define clusters of objects that are like each other within each cluster (Randall, 2001). It examines several bases together rather than singly. One way of generating segments is to collect data from a sample of tourists on a series of bases and then form groups by using cluster

analysis. Basically these procedures group together tourists with similar profiles on the measured bases, and are thus totally dependent on the choice of those bases. This is sometimes called looking for natural clusters, which was the purpose of cluster analysis (Lehmann & Winer, 1997). This method is for those that are interested in a practical, cost-effective approach to market segmentation analysis (Arimond & Elfessi, 2001; Perreault & McCarthy, 1999).

Many methods are available for combining objects into clusters. In general, these methods fall into three groups: linkage methods, variance methods and centroid methods. All are based on a matrix of distances between pairs of objects. They differ in how they estimate distances between clusters at successive steps.

Hierarchical methods are the other fundamental method. Most of these methods work by identifying pairs of guests that closely match with each other based on the guests' selection of similar attribute categories. However, hierarchical methods only provide a starting point and do not consistently produce clusters that are clearly homogeneous and well balanced (Arimond & Elfessi, 2001).

A more recent alternative is a two-stage cluster analysis method. The hierarchical method is used first and then followed by the iterative partitioning method. It is the hierarchical process that forms the initial clusters. Then, the iterative partitioning process reassigns some cases to different clusters by means of a series of separate "passes". As it switches cases from one cluster to another, it improves the homogeneity of all clusters. This method produces tighter clusters. Sheppard (1996) believes cluster analysis followed by factor analysis is a good approach, but it provides less generalisable instrumentation.

Practical example:

A practical case study is the application of cluster analysis to the Belgian holiday market. The starting point is the significance given by the Belgian potential tourists to twenty-nine holiday aspects and/or benefits (attributes) of a holiday (for example looking for rest, cultural enrichment and beautiful landscape). These attributes must not be confused with holiday motivation.

In a second step the potential holiday-makers were combined into clusters based on the weight they gave to the above-mentioned twenty-nine possible holiday aspects or benefits. The algorithm used for determining cluster membership was based on nearest in which the distance between the case and the center of the cluster is the smallest.

The outcome of the analysis suggests that the Belgian holiday market can be segmented into seven groups, each of them interested in different holiday benefits:

- The active sea-lovers (5% of the potential holiday-makers). The respondents of this group stress sea and beach, to participate actively in sport and to enjoy entertainment (Cluster 1).
- Contact-oriented holiday-makers (10%). Important holiday aspects are hospitality, to make time for each other, to make contact with other people, to be in a pleasant group (Cluster 2).
- The nature lovers (12%). The respondents of this cluster underlined the importance of beautiful landscapes and scenery. This group has a rather passive attitude towards different holiday aspects (Cluster 3).
- The rest seekers (26%). In this large group one element dominates: seeking rest (Cluster 4).
- The discoverers (10%). These holiday-makers attach significance to elements such as contact with other people, cultural enrichment, to experience a lot (Cluster 5).
- Family-oriented sun- and sea-lovers (27%). Several elements seem to be of great importance such as beautiful landscape, scenery, to make time for each other, hospitable reception, good food and holiday attractions for children. (Cluster 6).
- The traditionals (10%). The respondents who belong to this group underline safety and no surprises, familiar surroundings, looking for rest and good food. (Cluster 7). Figure 2.5 shows the situation of the seven clusters within the market (Randall, 2001).

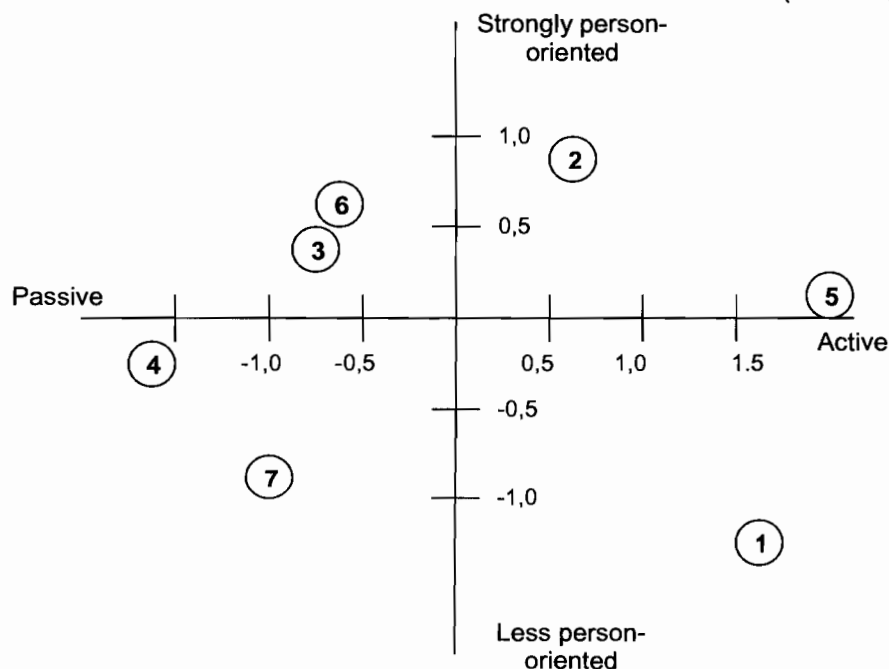


Figure 2.5: Situation of the seven clusters within the market of the potential holiday makers (Randall, 2001)

Of course these clusters can and should be related to, for instance, the respondents' demographic and socio-economic characteristics, as well as with their actual holiday and media behaviour. Considering the attractions and characteristics a tourist region can offer, an efficient segmentation can be implemented (Randall, 2001).

b. Regression analysis / Discriminant analysis

Rather than treat all the bases as equal as in cluster analysis, one can specify a key base (for example usage rate) and then attempt to find which other bases (for example income) are most highly related to it. This method tries to find people who are similar to each other, and different from others. The market is then segmented on the basis of these bases/discriminants. A good discriminant function will classify all individuals into groups, and show the relative importance of each predictor in the classification.

A variety of statistical procedures are available for such studies, including cross-tabulation and analysis of variance. At least for the first stages of such research, however, some form of regression analysis is frequently used and seen by classical statisticians as the most reliable of the multivariate methods (Lehmann & Winer, 1997; Randall, 2001).

c. Automatic Interaction Detector (AID) analysis

This method's purpose is to group respondents with similar characteristics. Similarity among respondents is determined by the value of a particular continuous dependent base for those respondents. AID successively splits up a sample of respondents in such a way that the variance of the dependent base is explained at a maximum. It does so by selecting the appropriate categories of the independent bases. It differs from cluster analysis in two respects. First, AID makes a distinction between one continuous dependent base and one or more nominal independent bases. All bases used in a cluster analysis are interval-scaled independent bases. Second, the grouping in AID is based on the value of a selected single dependent base. In cluster analysis all bases are simultaneously considered (Witt & Moutinho, 1995).

This method was developed to cope with the problem that, in marketing, bases are quite often correlated with each other, so that discriminant analysis cannot be used. AID splits the sample into groups in a succession of stages, at each stage trying to maximize the variance between groups. As each group is split further at each stage, the cells can become very small very quickly, and this may be a problem with sample survey data (Randall, 2001).

d. Latent class analysis

The two first methods begin with individual tourists and then aggregate them. Latent class methods, by contrast, begin with the market as a whole and then determine what segmentation pattern best trades off parsimony (few segments) and the ability to explain overall behaviour based on derived segments in which all tourists in a segment behave identically. This approach is intriguing but requires considerable sophistication, and is not yet widely employed. This method can be used to give a destination a competitive advantage (Lehmann & Winer, 1997). This method derives segment level probabilities and market shares.

e. Judgment based segmentation

There is a strong tendency to derive segments by examining data. Some of the most useful segmentation schemes are simply descriptors on bases selected by marketers such as usage rate or product preference. These are often more useful than so-called clusters because the segments are readily identifiable and reachable and obviously have responded differently to the product offering (Lehmann & Winer, 1997).

f. Factor and component analysis

These two are related techniques based on the correlation coefficients of the bases. The technique searches for the factors or components that explain the underlying patterns, usually, the first two or three explain most of the variance, and the results can be mapped. The most common use is, in practice, to reduce large numbers of bases to a more manageable size. These may be inputs to a discriminant analysis. The factors have to be interpreted, and are often rotated if no clear pattern emerges. Both involve subjective judgements (Randall, 2001).

g. Expenditure patterns

Segmenting travel markets on the basis of travel expenditures may be a useful alternative to the more common approach of segmenting on the basis of travel activity when some type of volume segmentation is desired. This is because travel-marketing strategists of course usually seek tourists who will spend money, and not just time, on the premises of their establishment. Travel expenditures for a given unit of travel activity obviously can vary significantly from one travel party to the next (Spotts & Mahoney, 1991).

Tourist spending at a destination reflects the value of tourism to an economy. Total visitor expenditure at a destination divided by the number of tourist days or nights gives the average expenditure per tourist (and per day), giving general indications of the type and quality of the traffic to a destination.

With inclusive tours especially, a substantial proportion of travel payments are made in the countries of residence. Furthermore, transactions by international destinations including carriers are often based on net payments. A reliable approach for information on tourist expenditures is sample surveys of departing tourists who seek expenditures during their visit, usually at their points of departure (Leibold, 1992). The technique's viability in the travel promotion efforts of establishments has not been systematically investigated but there were some studies done on this method of segmenting the market.

Spotts & Mahoney (1991) found that heavy spenders are more likely to have children in their travel party and on average have larger party sizes. Heavy spenders stay longer in a region and are more involved in recreation. This segment wants a wide range of recreation opportunities since they revealed significant cross-participation in recreation activities. Heavy spenders are more likely to have obtained information about the place they visit. There is thus more potential to visit other products and destinations as well. It is suggested that heavy users must be reached through direct mail to keep them up to date with new products and specials or discounts.

According to Saayman & Saayman (2002) high economic returns should be the main criteria used to determine marketing priorities, because more tourists imply certain costs to the host community. These costs include social costs, such as cultural exploitation, congestion and xenophobia as well as the impact on the environment including pollution, over-utilisation and damaging of sensitive resources.

h. Arrival figures

Statistics are collected by enumeration at point of arrival and departure, from accommodations recorded, and from special surveys of tourists at destinations or at home (Leibold, 1992). If South Africa follows this strategy Saayman & Saayman (2002) suggest that marketing efforts should be targeted at Germany and the United Kingdom, if the goal of marketing is to sustain current target markets. These two countries have traditionally been the primary tourist markets to South Africa, delivering approximately 35% of total international arrivals (excluding Africa).

Information needed:

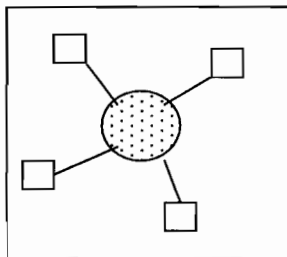
- number of tourists to a destination over a given period, for example a year, season or an event
- average length of stay (Leibold, 1992)
- number of tourists from different destinations to specific attractions.

i. Mode of travel as a segment descriptor

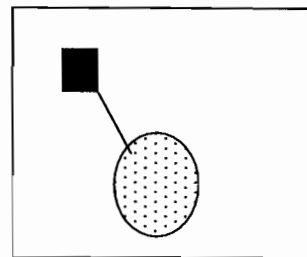
Mode or travel might help explain travel behaviour. Attractions fail to reach the number of visitors and the income suggested by consultants, because of a lack of serious segmentation efforts. The separation of visitors into different groups of tourists is very important. Segmentation by mode of travel is based on the Campbell model (see Figure 2.6):

- Day trips: trips starting and finishing at home during the same day.
- Resort trips: trips to a place where the major part of the stay is at the accommodation location.
- Base holiday trips: the prime trips are going from home to a single accommodation unit for a longer stay than three nights. These visitors do take some day trips out of the accommodation area, for example to visit attractions, in addition to using on site attractions.
- Tour operated round trips: mainly by coaches- where the tourist's are visiting new places every day and night. A few of those trips are based on using railroads and local bus routes.
- Round trips by private cars or camper vans: is in principle organised as the tour operated ones, but those driving in private cars have more freedom of individual choice during the trips (Flognfeldt, 1999).

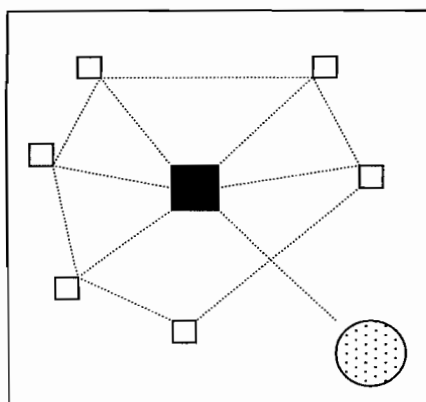
Day Trip



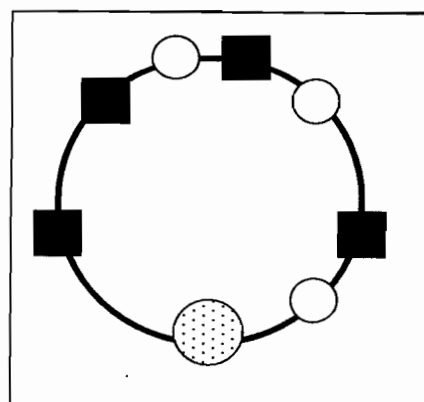
Resort trip



**Base
Holiday Trip**



Roundtrip



Key to the model

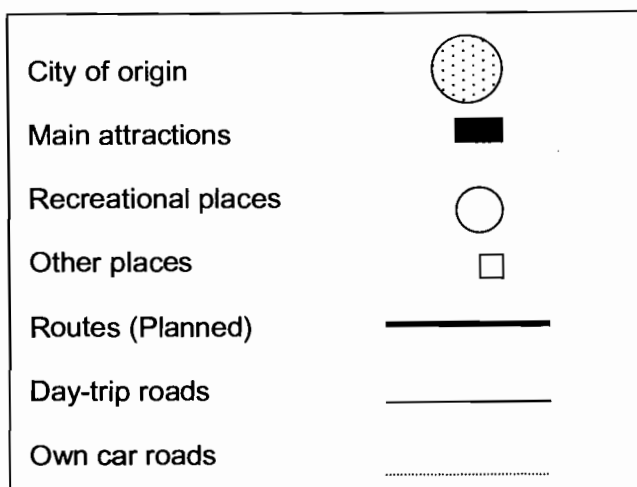


Figure 2.6: Modes of travel (Campbell model) (Flögenfeldt, 1999)

j. Travel motivation

All motivations are imprecise and evolving, but all are within the parameters of social and economic determinants such as affluence, demographics, holiday entitlements, fashion and speed of travel.

The motivations at work in the tourism and holiday-decision process are extremely complex. There are primary and secondary motivations and sometimes the secondary motivations can be a stronger influence than the primary, insofar as they can affect the choice of destination. There is also what one might call the parameters of possibility, which equally can override the primary motivation (Lamb *et al.*, 2002). Table 2.9 summarises the main motives for travel and tourism.

Table 2.9: Main motives for travel and tourism (Saayman, 2001; Kotler *et al.*, 1999; Holloway & Robinson, 1995)

PRIMARY MOTIVES FOR TRAVEL AND TOURISM	
BUSINESS AND WORK-RELATED	Pursuit of private and public sector business, conferences, meetings, short courses.
	Travel away from home for work-related purposes, including airline personnel.
PHYSICAL/PHYSIOLOGICAL MOTIVES	Participation in indoor sport and active outdoor recreation such as golfing, walking and skiing
	Undertaking activities in pursuit of health, fitness, recuperation

	Resting/Relaxing/Generally unwinding from stress of everyday life
	Finding warmth/sunshine/relaxation on a beach
CULTURAL/PERSONAL EDUCATION MOTIVES	Participation in festivals, theatre, music, museums, as spectator, player, or volunteer
	Participation in personal interests, including intellectual, craft and other leisure-time pursuits
	Visiting destinations for the sake of their cultural and or natural heritage (including ecotourism)
SOCIAL/INTERPERSONAL AND ETHNIC MOTIVES	Enjoying the company of friends and relatives
	Undertaking social duty occasions – from weddings to funerals
	Accompanying others travelling for other reasons, such as business or social duty.
	Visiting the place of one's birth
ENTERTAINMENT/AMUSEMENT/ PLEASURE/PASTIME MOTIVES	Watching sport/other spectator events
	Visiting theme parks/amusement parks
	Undertaking leisure shopping
RELIGIOUS MOTIVES	Participating in pilgrimages
	Undertaking retreats for meditation and study

k. Economic impact analysis

Economic impact analysis is used to measure the volume of income, employment, public sector revenue and imports generated in a holiday area by tourist-spending and to calculate the differential impacts made by tourists from various destinations (Archer, 1985). Economists have traditionally used input-output (IO) analysis to examine the impacts of tourism on the economy of a region. Input-output analysis is a general equilibrium approach to examining the structure of an economy, its dependencies and the economic impact of exogenous changes in final demand (Witt & Moutinho, 1995). Computable general equilibrium (CGE) can be used to fulfill the same function as IO. IO analysis deals with the empirical study of the interdependence among the various sectors of an economic area. It shows the uses of the output from each sector of

industry as an input to other industries/sectors in the economy (Zhou, Yanagida, Chakravorty & Leung, 1997). A major constraint in IO modelling is the availability of data.

CGE incorporates general equilibrium links between production structures, incomes of various groups, and demand patterns. This technique can better capture the intersectoral and macro-economic linkages (Zhou, 1997). Both of the above-mentioned techniques are tools for conducting comparative analysis.

The major segmentation bases can be classified into five groups: geographic, demographic, socio-economic, psychographic and buyer behaviour. In certain cases a more sophisticated approach may be required. Therefore, a number of methods can be applied such as cluster analysis, AID analysis and regression analysis (Witt & Moutinho, 1995).

2.4.5 STEP 5: Evaluate segments

Evaluation of the identified target markets is an important step in the market segmentation process. Depending on the market and the product the following criteria can be used:

- Market focus:
 - ❖ size
 - ❖ growth
 - ❖ predictability
 - ❖ price elasticity
 - ❖ bargaining power of tourists
 - ❖ seasonality and cyclicity of demand (Lehmann & Winer, 1997).

- Economic and technology factors:
 - ❖ barriers to entry
 - ❖ barriers to exit
 - ❖ bargaining power of suppliers
 - ❖ level of technology use
 - ❖ investment needed
 - ❖ margins attainable (Strydom *et al.*, 2000).

- Competitive factors:
 - ❖ competitive intensity
 - ❖ quality of competition
 - ❖ threat of substitution
 - ❖ degree of differentiation.

- Environmental factors:
 - ❖ exposure to economic fluctuations
 - ❖ degree of regulation
 - ❖ social acceptability, impact on the environment (Randall, 2001).

Nickels & Wood (1997) have identified the following factors as important for the evaluation of market segments:

- Potential sales and profits:

A segment that is likely to buy or use more of the products or services is more valuable than one with less potential for sales and profits.
- Potential for growth:

A segment that shows potential for future growth – leading to higher sales and profits – may be more valuable in the long-term than a segment that is shrinking or unstable.
- Potential for retention:

Segments in which you can build strong relationships and retain customers for an extended period are the most desirable. The ideal is to target customers who will collaborate with you to forge an enduring relationship.
- Potential marketing costs:

Estimate what might have to be spent to market for each segment. Some segments may be too costly (or difficult) to reach or service.
- Potential risks:

Weigh any competitive, environmental, political, technological, or legal and regulatory risks one might face in these segments. What is also important is how one can convert a risk – such as an environmental one – into a customer benefit by using recycled materials or another technique (Nickels & Wood, 1997).

The bases for segmentation should lead to segments that are:

- *Measurable/identifiable*: The base used should preferably lead to ease of identification in terms of who is in each segment. It should also be capable of measurement in terms of the potential customers in each segment. Segments that cannot be adequately measured on a regular basis cannot be properly targeted. If targeting is not precisely measurable, it will be difficult or impossible to evaluate the effectiveness of marketing activities over time (Middleton, 1997).
- *Accessible*: The base used should ideally lead to the company being able to reach selected target markets with their individual marketing efforts.

- *Meaningful*: The base used must lead to segments, which have different preferences or needs and show clear variations in market behaviour and response to individually designed marketing mixes.
- *Substantial*: If the marketing strategist is to justify the development of a segment the exercise must be cost-effective (Wilson *et al.*, 1993). The bases should lead to segments, which are sufficiently large to be economically, and practically worthwhile serving as discrete target markets with a distinctive marketing mix (Lancaster & Reynolds, 1998). The long-term projected revenue generated by a targeted segment exceeds the full cost of designing a marketing mix to achieve it, by a margin that meets the destination's objectives (Middleton, 1997). Stability thus means that the characteristics that define a segment must remain constant over a reasonable period of time, the tourists who constitute a segment tend to remain associated with that segment, and the size of the segment remains relatively constant. The most important one is the existence and character of segments.
- *Generalisability*: the generalisability of the results is important. Segmentation is not done simply to describe a sample but to provide information that may be generalisable to a larger population (Smith, 1996).
- *Unique*: in its response, so that it can be distinguished from other market segments.
- *Appropriate*: to the destination's objectives and resources (Wilson *et al.*, 1993).
- *Stable*: so that its behaviour in the future can be predicted with a sufficient degree of confidence (Lehmann & Winer, 1997; McDonald & Keegan, 2002).

2.4.6 STEP 6: Select segments

Once the segments are evaluated one can screen out those that contain no prospects and select those one wants to pursue. Since resources and time are available to market to every attractive segment, the segments must be put in priority order. One way to do this is to rate each segment on each of the evaluation criteria, then add up the scores. First market to the segment(s) with the best overall scores, then work down the list (Lamb *et al.*, 2002). It is a major decision that influences and often directly determines the destination's marketing mix.

Target markets are selected on the basis of sales forecasts and reflecting the anticipated response of a market to marketing efforts (Perdue, 1996).

2.4.7 STEP 7: Target marketing strategies

Target marketing decisions determine the number of segments to target and the plans for product, price, channel management, and integrated marketing communication to reach these segments. One can choose among four target marketing strategies: undifferentiated marketing, differentiated marketing, concentrated marketing and customised marketing (Nickels & Wood, 1997).

a. Mass Marketing or Undifferentiated Marketing



Figure 2.7: Mass marketing or undifferentiated marketing

As indicated by Figure 2.7 mass marketing is actually no segmentation strategy. It is designed to appeal to all customers, marketing to the world rather than to individual segments. It means making a single offering to the whole market (Randall, 2001). The goal is to maximise sales without diversifying the price, product or service, through a single marketing plan including a single product or service offering.

This approach assumes very similar characteristics and needs for all tourists rather than the differences. It relies on mass distribution and mass advertising and aims to give the product a superior image in tourists' minds (Lamb *et al.*, 2002). Such an approach requires a great amount of resources. It is a very costly approach. The obvious advantage of an undifferentiated strategy such as this is that it offers scope for enormous cost economies in production and distribution since the destination is dealing with a standardised product. At the same time it needs to be recognised that undifferentiated marketing is becoming increasingly rare, largely because of ever-greater degrees of competition and the markets (Wilson *et al.*, 1993). Differentiated marketing is successful when the competition is scarce or the product has mass appeal. ★

b. Concentrated Marketing/Niche marketing

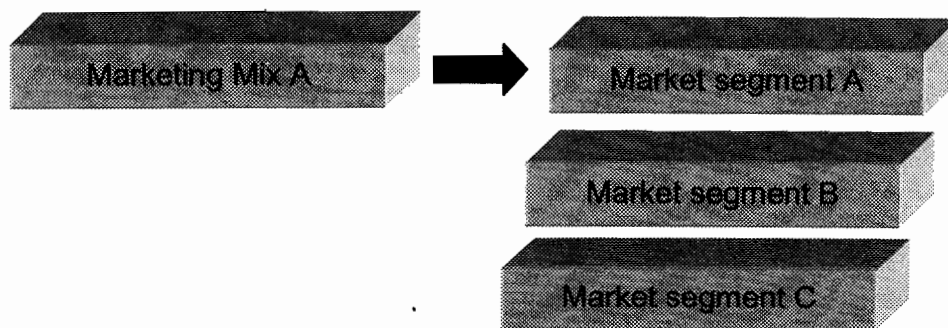


Figure 2.8: Concentrated marketing/Niche marketing

The destination's focus is on a narrow, single target market with a single marketing mix (only a part of the total market). (See Figure 2.8). This approach allows for focused effort. It allows

the marketing strategist to develop expertise. The goal here is to achieve a large share of a relatively small market. It is often called niche marketing (See Figure 2.9). Through concentrated marketing the destination achieves a strong market position in the segments it serves because of its greater knowledge of the segments' needs and the special reputation it acquires. The segment one chooses must have sufficient potential to make the efforts worthwhile. The obvious advantage of an approach such as this is that having identified a particular market, the destination can then control costs by advertising and distributing only to the market it views as its primary target (Wilson *et al.*, 1993; George, 2001).

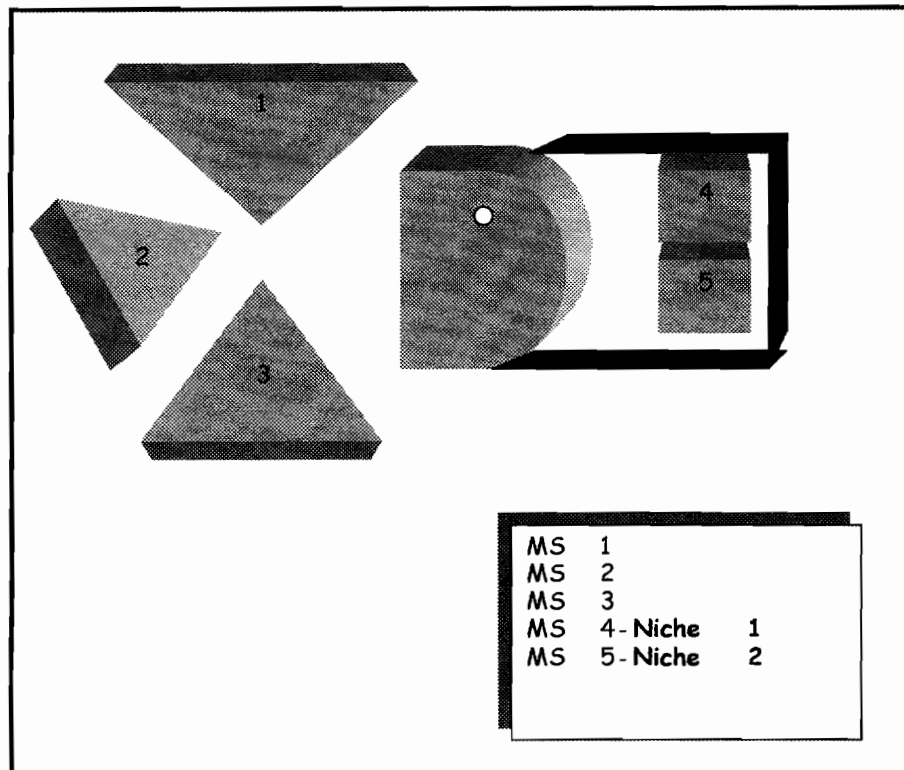


Figure 2.9: Niche Marketing (Nickels & Wood, 1997)

In Figure 2.9 it is clear that a marketing strategist can target one or many segments. In this situation there are four available segments, the marketing strategist decided to target only one market segment (4). Within that segment are two smaller niche markets that can also be targeted.

In so far as disadvantages exist with a strategy of concentration or niche marketing, they stem from the possibility of missed opportunities; it may be the case, for example, that significant opportunities exist elsewhere but the destination's single-minded approach to just one part of the market fails to recognise this. Equally, the destination can prove vulnerable either to a direct and sustained attack by a competitor or to a downturn in demand within the target market (Russell & Lane, 1999).

c. Differentiated Marketing

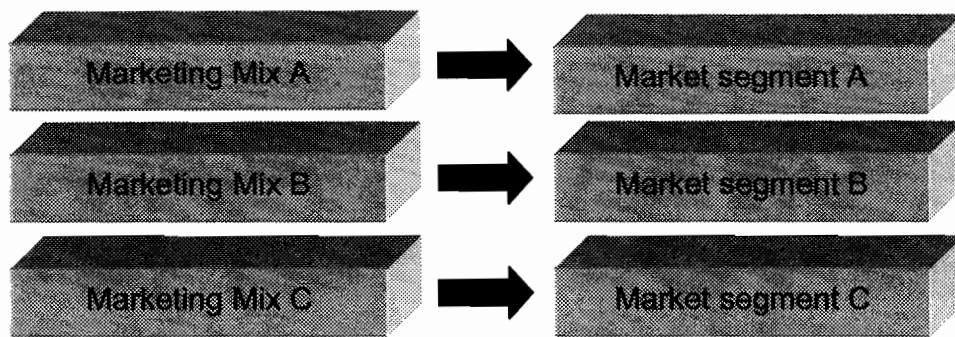


Figure 2.10: Differentiated marketing

The marketing strategist identifies more than one viable segment as a target market and develops a specific marketing mix for each (different things to different segments) (Randall, 2001). This is often described as a 'rifle' rather than a 'shotgun' approach. The marketing strategist appeals to two or more well defined groups through different plans (marketing mixes). In this way one can use marketing to support the unique positioning for each market. One needs to look carefully at the needs of each segment with a view to designing an appropriate marketing programme (Nickels & Wood, 1997). This requires larger resources split towards various segments (Anon, 2000). A tourist attraction like Lost City can fulfill different needs of different target groups and therefore market segmentation must be done on a differentiated method to present to the different markets the different benefits of Lost City. It is possible that the destination will be able to generate a higher total level of sales by making specific appeals to a variety of different target groups (Wilson *et al.*, 1993). (See Figure 2.10)

d. Customised marketing

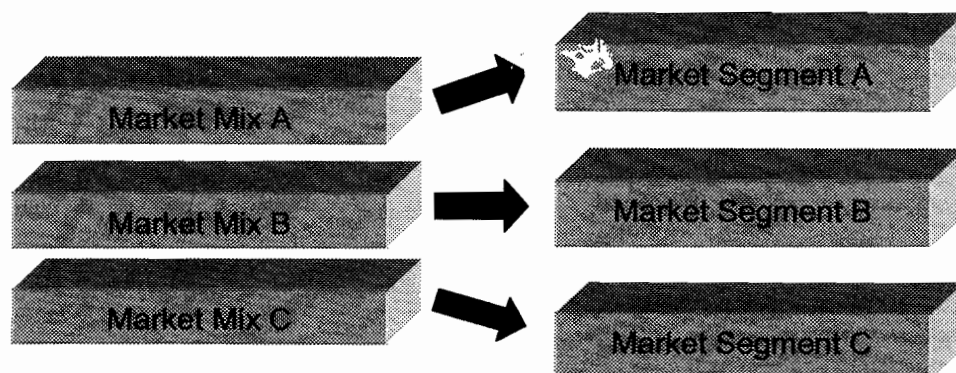


Figure 2.11: Customised marketing

From Figure 2.11 it is clear that with this method marketing programmes are tailored for each individual consumer or destination in the market. In customised marketing, also known as

individualised or one-to-one marketing, each customer or prospect is a market segment. One can adjust the product, pricing, channel management, and integrated marketing communication for each person targeted (Nickels & Wood, 1997). This implies high costs. Table 2.10 summarises the strategies by indicating the possible advantages and disadvantages of all the above-mentioned strategies.

Table 2.10: Advantages and disadvantages of target marketing strategies (Lamb *et al.*, 2002)

TARGET STRATEGY	ADVANTAGES	DISADVANTAGES
Undifferentiated targeting	Potential savings on production/marketing costs Destination more susceptible to competition	Unimaginative product offerings
Concentrated targeting/Niche marketing	Concentration of resources Can better meet the needs of a narrowly defined segment Allows some small destinations to better compete with larger destinations Strong positioning	Segments too small, or changing Large competitors may more effectively market to niche segment
Customised marketing	Greater financial success Economies of scale in production/marketing	High costs

2.4.8 STEP 8: Appropriate marketing mixes

The marketing mix components need to be placed into a coordinated set of actions designed to achieve the positioning objective(s) (Cravens, 1994). The marketing mix has been described as product, distribution, promotion and pricing strategies intended to bring about mutually satisfying exchange relationships with target markets (Lamb *et al.*, 2002; Russell & Lane, 1999). Providing or developing a product or a service and its associated marketing programme to fit a place in the tourist's mind (Green *et al.*, 1988). This may be accomplished by searching out unique marketing advantages, seeking new market segments that competitors are not cultivating, or developing new approaches to old problems. Every destination wants to position itself for a competitive advantage. (Chapter 3 will deal with the prerequisites for the development of the communication mix.)

2.4.9 STEP 9: The positioning process

The positioning strategy places the marketing mix components into a coordinated set of actions designed to achieve the positioning objective(s) (Cravens, 1994). Positioning is therefore the process of designing an image and value so that tourists within the target segment understand what the destination stands for in relation to its competitors (Wilson *et al.*, 1993). Carving out a niche market for the destination. The positioning should be based on a real (for example: lower cost, cost, superior quality) or intangible (for example: company reputation) competitive advantage (Anon, 2000).

a. The positioning process

The target market establishes the focus of the positioning process (See Figure 2.12) that entails the following sections. The *positioning concepts* management selects is the product meaning derived from the needs of the tourists in the market. Selecting the positioning concept requires an understanding of tourists' needs, wants and perceptions of competing brands. The *positioning strategy* is the combination of marketing actions used to portray the positioning concept to targeted tourists. This strategy includes the physical product, supporting services, distribution channels, price and promotion activities. The *position of the brand* is determined by the tourist's perceptions of the destination's positioning strategy. Positioning may focus on an entire brand, although positioning is often centered at the brand level. *Positioning effectiveness* considers how well management's positioning objectives are achieved in the target market (Cravens, 1994).

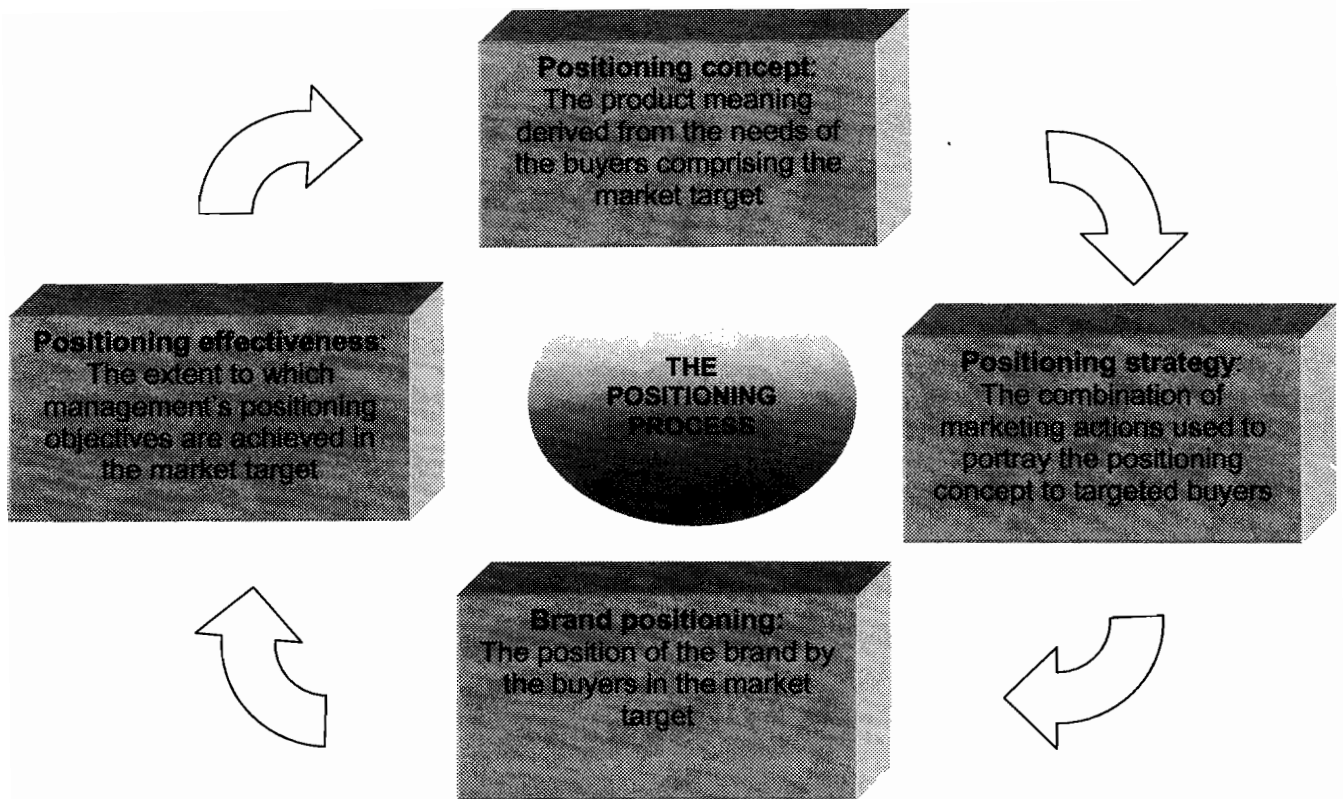


Figure 2.12: The positioning process (Cravens, 1994)

b. Positioning strategies:

Marketing strategists can follow several positioning strategies. Products can be positioned according to:

- Product attributes: One destination advertises its low price and the other their location.
- Benefits offered: Lost City advertises itself as a place for fun.
- Usage occasions: Some guesthouses market accommodation and wedding venues.
- Certain classes of users: A hotel advertising itself as a hotel for business people.
- Position directly against a competitor.
- Position away from competitors (Lamb *et al.*, 2002; Kotler *et al.*, 1999).

Destinations are not just concerned with satisfying the tourists' needs, but by doing so in ways which are recognised as unique or very strongly identified with a particular destination, which cannot be easily copied by any other competitor. The modern approach to positioning is that tourist destinations have images or perceptions with which they are identified in the minds of existing and potential tourists. Appropriate positions are also segment-related. For example, one

hotel may be identified as good for business travellers, another as good for families and another as a place to stay for the best food and wine (Middleton, 1997).

The positioning task consists of three steps: identifying a set of possible competitive advantages upon which to build a position, selecting the right competitive advantages and effectively communicating and delivering the chosen position to a carefully selected target market.

A destination must search for potential competitive advantages. Advantages must be chosen that will ensure a strong positioning strategy. Decisions must be taken on how many differences to promote and which ones. The problem faced by many destinations is not how to gain a competitive advantage, but how to sustain it for any length of time. Three possible approaches have been identified:

- advantages residing in the destination
- advantages stemming from specific functional areas
- advantages based on relationships with external entities.

Competitive advantage can be defined as something one achieves when doing better than competitors. If that something is important to tourists, or if a number of small advantages can be combined, one has an exploitable competitive advantage. One or more competitive advantages are usually necessary in order to develop a winning strategy, and this in turn should enable a destination to achieve above-average growth and profits (Buhalis, 2000).

The positioning concept management selects is guided by tourists needs. The characteristics and needs of the target market indicate the nature of the marketing programme necessary to gain a favourable response from the target market. For example, if the target market wants a high-quality product, then meeting their expectations requires a marketing mix that they perceive to be high quality. The selection of the target market must take into account the destination's resource capabilities for serving the target market (Buhalis, 2000; Lamb *et al.*, 2002). Although positioning is important in the process market segmentation it is not relevant for the purpose of this study. The positioning strategy can be further researched.

2.5 MARKET SEGMENTATION: IDENTIFYING AND TREATING THE BARRIERS

Destinations use market segmentation in their marketing and strategic planning. Many regard segmentation as vital to the success of the destination marketing, some suggesting it is the panacea (universal remedy) of modern marketing. Despite the attention that segmentation attracts and the resources that are invested in it, increasing evidence suggests that destinations have problems putting segmentation schemes into practice. The above mentioned segmentation process may fail if these barriers are not considered (Dibb & Simkin, 2001).

2.5.1 Infrastructure barriers

All aspects of segmentation can fail when a destination's infrastructure is inappropriate or too inflexible to deal with the process of market segmentation. These difficulties encompass anything to do with the destination's culture, structure or resources acting as a segmentation barrier. Commitment from senior managers and financial resources to collect the appropriate market data is crucial to ensure success. Individuals often lack the required skills and experience to carry out the segmentation process.

According to Doyle (1995) poor managerial understanding of segmentation principles is a major barrier to successful implementation, causing problems in a number of areas. First, some marketers fail to understand the need for segments that are meaningful to customers (tourists) rather than just the destination. Instead of focusing on homogeneous segmentation, destinations regard segmentation simply as a convenient way of dividing markets into more manageable pieces. The destination will find the operations simpler to manage but will be unable to enjoy the benefits associated with customer(tourist) – based segmentation.

For marketers who lack segmentation experience, there may be a tendency to overemphasize the minutia of the segmentation process at the expense of the underlying objectives. A related problem is that marketers may lack expertise in linking outputs from the segmentation process into the strategic plan. As a result, market segmentation may be viewed more as a tactical "trick" than as a vital component of the long-term strategy. Market segmentation must be implemented over a lengthy time period (McDonald & Dunbar, 1995; Doyle, 1995).

2.5.2 Segmentation process issues

Despite an extensive segmentation literature search there is surprisingly little practical help for those wishing to apply the market segmentation approach. Marketers are familiar with market segmentation but often express surprise about the shortage of simple, practical advice on how to proceed (Dibb, 1998).

The questions suggest that marketers need guidance before starting and throughout the entire segmentation process. At the beginning of the process, even before embarking on the segmentation stage one needs to understand which factors might contribute to a successful and implemental outcome. At the beginning of a segmentation project, some qualitative research has to consider factors that will contribute to segmentation success. This must be considered before undertaking the segmentation process. Research highlights the importance of *clear objectives, well-designed segmentation planning, commitment and involvement of senior managers, interfunctional coordination and existing market data, readiness to respond to market*

changes and creative thinking (Semenik, 2002; McDonald & Dunbar, 1995; Dibb & Simkin, 2001).

Academic researchers emphasise segmentation techniques, stressing the need for statistically robust segmentation schemes, marketers are more concerned with identifying segments for which clear marketing programmes can be developed and that will narrow the gap between the destination and targeted tourists (Dibb & Simkin, 2001).

2.5.3 Implementation barriers

It is not possible that new solutions can simply be substituted for existing segmentation schemes. Assuming that the necessary resources are available to carry out a segmentation project, planning and implementation of the process are constrained by a number of practical and operational concerns. Given the relatively scant attention devoted by the literature to these segmentation barriers it is no surprise that businesses (destinations) continue to report difficulties in implementing segmentation approaches. Constraints then lead to the adoption of arbitrary schemes based more on managerial judgement than on sound and systematic analysis (Dibb & Simkin, 2001; McDonald & Dunbar, 1995).

2.6 CONCLUSION

The aim of this chapter was to analyse market segmentation completely. This was realised by discussing and analysing the importance of market segmentation as well as the benefits of the market segmentation. From this discussion it was clear that market segmentation could be to the advantage of any destination.

The market segmentation process is part of a long-term marketing strategy. The selection of current information available on the target markets is crucial in the beginning of the process. Development of new markets cannot take place before thorough research has been done. There are different bases (demographic, socio-economic, psychographic, benefit and geographic segmentation), methods (cluster analysis, regression analysis, AID analysis, latent class analysis, factor analysis, judgement based, expenditure patterns, arrival figures, mode of travel) and strategies (undifferentiated, concentrated/niche, differentiated, customised) that can be selected to complete the segmentation process successfully.

The nature of each base, method and strategy was discussed and the implications for tourism were indicated. The importances of a promotion plan that will fit the profile of the markets selected were stressed as well as barriers to successful market segmentation.

In order to provide marketers with guidelines to determine the right media (promotion) for the selected markets aspects, pertaining to this issue are discussed in chapter 3.

CHAPTER 3 PLANNING FOR THE PROMOTION MIX

'Where no plan is laid, where the disposal of time is surrendered merely to the chance of incidence, chaos will soon reign.'

Victor Hugo

3.1 INTRODUCTION

The international tourist industry is becoming an increasingly competitive marketplace where only the best-managed destinations are likely to prosper (Buhalis, 2000). To be effective in this competitive environment, many of the strategic decisions that form marketing need to be based on an implicit understanding of how the tourist thinks (Pritchard, 1998). Once a marketing strategy has been decided destinations have to develop a marketing mix. The marketing mix consists of the following components: *product, price, place and promotion* (Saayman, 2001). The latter refers to the way in which tourism potential is introduced to the tourist by making use of different promotion methods (for example, newspapers, radio and outdoor advertising).

The promotion mix includes all the variables a destination can control in planning and implementing its marketing strategies (Burke & Resnick, 2000). According to Kotler *et al.* (1999); Horner & Swarbrooke (1996) and for the purpose of this study the promotion mix consists of a specific blend of advertising, sales promotion, public relations, personal selling and other methods to achieve marketing objectives. This enables the destination to approach each target market with a comprehensive range of offerings and to propose integrated solutions to tourist needs and wants. Developing a promotion mix for destinations will depend on each destination, the types of target markets and a whole range of issues of the external environment. Designing a cost-effective mix is difficult because of the diversity of tourism product/suppliers at destinations and the spread of tourists throughout the world (Buhalis, 2000). *After identifying the target market as accurately as possible the aim is to reach 100% of the target market with 0% wastage of resources, therefore it is important to know the target market and which promotional tools are available and can/should be used.*

Marketing communications are concerned with presenting and exchanging information with various tourists and destinations to achieve specific results. This means not only that the information must be understood accurately, but that often, elements of persuasion are also

required. In a domestic environment the process is difficult enough, but the management of international marketing communications is made particularly challenging by a number of factors including the complexity of different market conditions, differences in promotional availability, languages, cultural sensitivities, regulations controlling advertising and sales promotions, and the challenge of providing adequate resourcing levels (Strydom *et al.*, 2000). These are the aspects a tourist destination like South Africa has to consider when planning the promotion mix.

A variety of approaches have been developed to define and describe the promotion mix area, which is concerned with persuasive communications. Much has changed in the marketing landscape over the last decade and marketers have learned to adapt to this new environment. Tourists are much better able to evaluate the offers made to them, to decide more independently how to satisfy their requirements and to be more selective than they ever were (Strydom *et al.*, 2000). This has led to significant changes in the way marketers promote offerings to tourists. The era of integrated marketing communication is very much upon marketers. Marketing communications from each promotional mix method should be integrated, that is, the message reaching the tourist should be the same regardless of whether it is from an advertisement, a magazine article or a coupon (Lamb *et al.*, 2002). Integrated marketing communication is a cross-functional process for establishing and strengthening profitable relationships with tourists and destinations; all marketing messages are coordinated to create a unified image for the organisation and its products (Nickels & Wood, 1997).

The cost of the promotional mix has also increased throughout the 1990s. With this in mind it is not surprising that advertisers are giving increasing attention to the promotional planning function (Russell & Lane, 1999; Doole & Lowe, 2001).

Decisions that need to be taken in terms of the promotion mix include the following:

- why (objectives)
- who (target market)
- what (copy platform)
- where (promotional)
- how (creative platform)
- when (timing)
- how much (budget)
- schedule
- response
- evaluation (McDonald & Keegan, 2002; Parente, 2000).

The aim of this chapter is to provide insight in promotional planning which refers to the development of a promotional strategy, different methods that can be used in the compilation of the promotion mix and possible selection methods that can be used to match the target market with the promotional methods available.

3.2 PROMOTION PLANNING

Planning is a central task of marketing and always starts with the gathering of information (Strydom *et al.*, 2000). Promotional planning is the development of a specific and detailed process of reaching the right number of appropriate people, the right number of times, in the right environment at minimum cost, to achieve the advertised brand's marketing objectives (Koekemoer, 1998). It involves the process of designing a scheduling plan that shows how advertising time and space will contribute to the achievement of marketing objectives (Shimp, 2000). It is essentially a selection and scheduling exercise. Selection refers to the choice of promotion methods to carry the message on behalf of the advertiser. Scheduling refers to the number of occasions, timing and duration that a message is exposed, in the selected methods, to the target markets (Fill, 1999).

According to Russell & Lane (1999) marketing strategists are the coordinators of the overall strategy for the promotional function. Marketing strategists make the broad decisions about where advertising will be placed:

- Will magazines be used or will the television be the medium?
- What proportion of the advertising budget will be used in each of the promotional methods selected and each target market?
- Will one adopt a local or a national strategy?

The choice of promotion methods is in many respects, the most complicated of all marketing communications decisions due to the variety of decisions that must be made. For marketing strategists to make these recommendations, it is important to be able to *evaluate all potential promotion methods to determine the best environment for a destination's messages as well as the most efficient means of spending the budget.*

According to Randall (2001) the benefits of promotional planning include the following:

- co-ordination of the activities of many individuals whose actions are interrelated over time
- identification of expected developments
- preparedness to meet changes when they occur
- minimisation of non-rational responses to the unexpected
- better communication among human resources.

Optimal use of available research tools, analysing data, evaluating opportunities, quantifying strategies and provide accurate accounting are some of the key success factors in promotional planning (Russell & Lane 1999). In Figure 3.1 Koekemoer (1998) indicates some rules to adhere to when doing promotional planning.



Figure 3.1: Rules for promotional planning (adapted from Koekemoer, 1998)

3.3 PROCESS OF DEVELOPING A PROMOTIONAL STRATEGY

Promotion planning is the most direct extension of target marketing in the marketing process. It entails a series of decisions market planners make regarding the selection and use of promotion, allowing the marketing strategist to optimally and cost effectively communicate the message to the target market (Lamb *et al.*, 2002).

The true poser of a promotion plan lies in the promotional strategy. In order to choose the correct promotion methods, marketing strategists need to follow the process of developing a promotional strategy. The process involves the following steps:

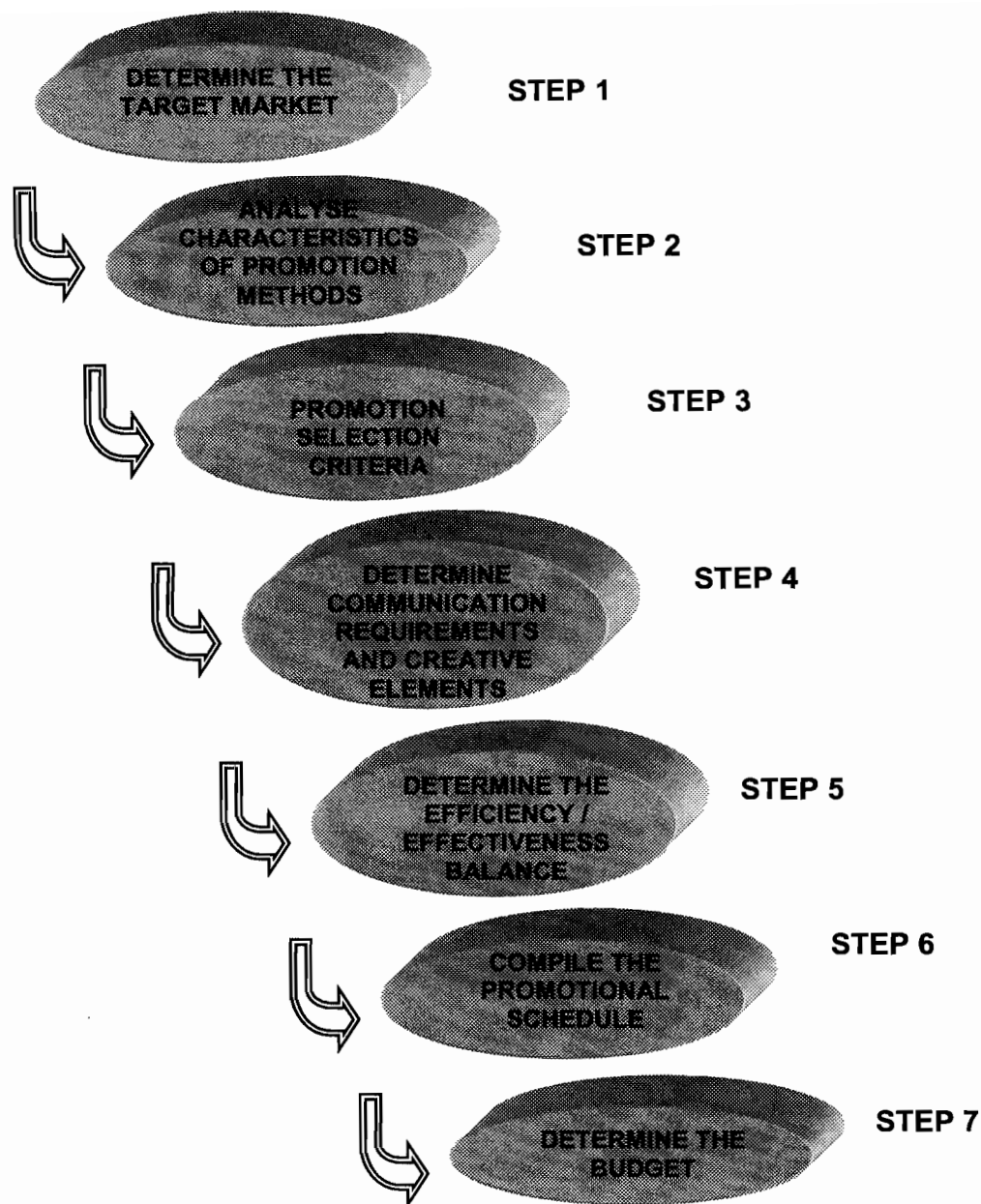


Figure 3.2: Process of developing a promotional strategy (adapted from Russell & Lane, 1999; Parente, 2000)

3.3.1 STEP 1: Determine the target market

The first and most important function of the marketing strategist is to identify the prime prospects of a particular destination (as indicated in chapter 2). The day of mass marketing is on the decline. Even the largest marketers re-examine their marketing policies. Customisation and individualisation of marketing are more effective. Marketers have to search for and implement promotional and marketing plans aimed at special selective markets (Russell & Lane, 1999). The emphasis on narrowly defined markets requires that promotional plans maximize delivery of prospects as opposed to people or households.

3.3.2 STEP 2: Analyse the characteristics of each promotional method

The marketing strategist must determine the methods (promotion) that will communicate the message of the advertiser (destination) at the most efficient cost. In order to do this, knowledge about the many positive and negative characteristics of each promotion method is crucial. Figure 3.3 indicates the selection of different types of promotion methods: above the line promotion refers to promotion where a specific space is bought for the message.

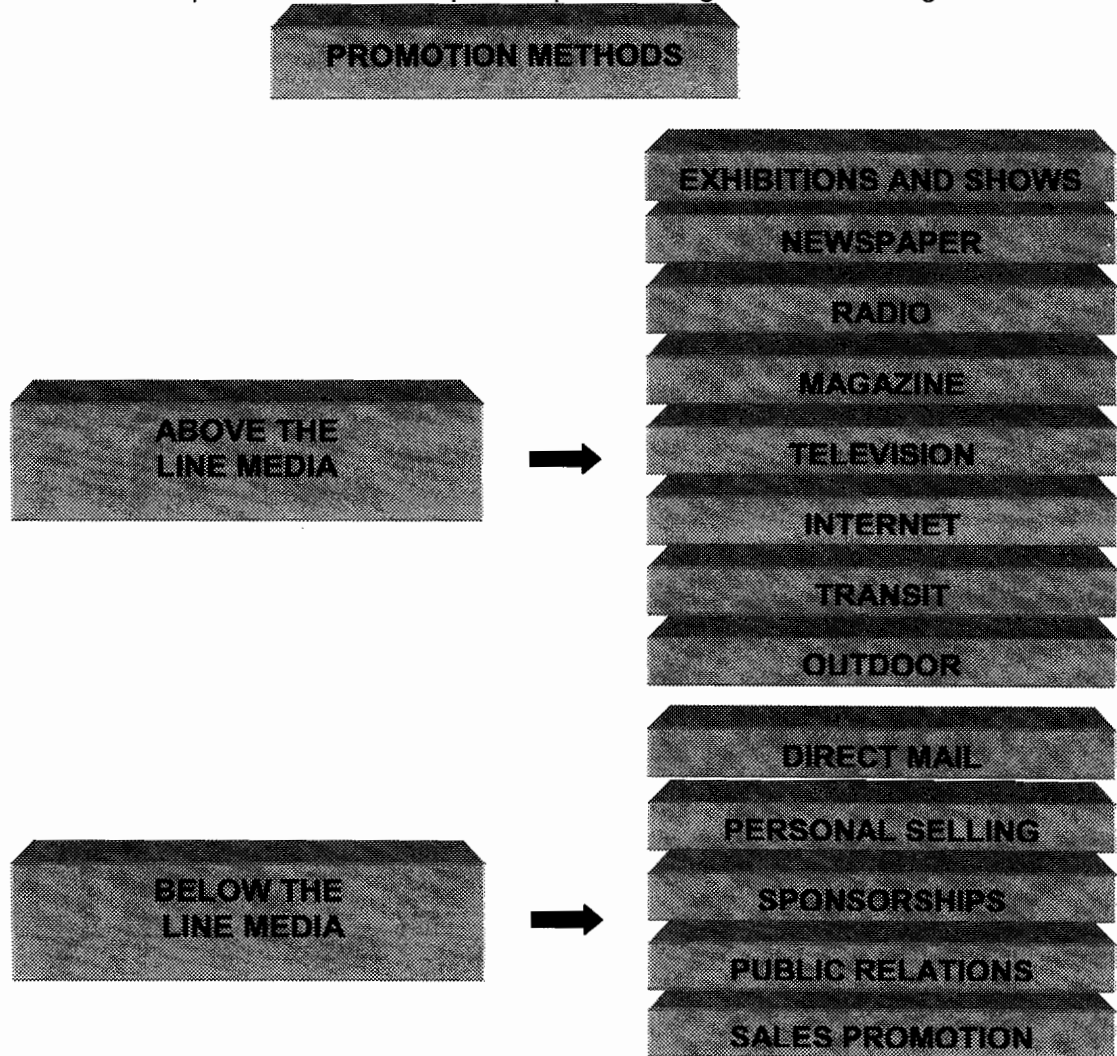


Figure 3.3: Types of promotion methods (Adapted from Saayman, 2001; Russell & Lane, 1999; Belch & Belch, 1995)

The following section deals with a short introduction to each method as well as indicating the advantages and disadvantages. Any of these methods can be used by destinations in promoting the destination.

a. Advertising

Advertising is one of the most visible forms of communication and is often the most important part of the whole strategy for products in countries with a well-developed media industry.

Advertising can be defined as any paid, impersonal transfer of a message; of a need-satisfying product, service or idea through an identifiable sponsor to a specific target market with the purpose of informing and/or reminding and/or persuading the target market to engage in a specific action (Strydom *et al.*, 2000). It has disadvantages because it is essentially a one-way method of communication and in international marketing it can be difficult to control in terms of its reach. The objective is to obtain maximum exposure of the product or brand to the largest possible target market.

The opportunities for precise targeting are limited in some promotional methods, especially television and this presents problems in international marketing in terms of targeting specific user segments or even specific countries (Lamb *et al.*, 2002). These methods of advertising are useful for reaching large target markets cost-effectively to stimulate a dialogue about needs and offerings (Nickels & Wood, 1997).

There are different types of advertising which include the following: television, newspapers, magazines, and radio advertisements.

➤ **Television advertising**

According to Lamb *et al.* (2002) it is an audiovisual medium and provides advertisers with many creative opportunities. Advertising time on television can be very expensive but a relatively new form of television advertising is the infomercial, a thirty-minute or longer advertisement. Infomercials are an attractive advertising method for many marketers because of the cheap airtime and relatively small production cost. Television reaches every demographic category (See chapter 2) and achieves creative impact with both colour and motion. The main influence on television advertising expenditure is the size of the economy in gross domestic product per capita, but the regulatory environment also affects spending, particularly television which tends to be more closely regulated than other medium (Doole & Lowe, 2001; Belch & Belch, 1995). In Table 3.1 the advantages and disadvantages of television are stated.

Table 3.1: Advantages and disadvantages of television as promotion method (Saayman, 2001; SBA, 1997; Fill, 1999; Belch & Belch, 1995)

ADVANTAGES	DISADVANTAGES
Extremely creative	Perishable and easily forgotten
Remains cost efficient	Audience is fragmented
Offers advertisers prestige	Too many messages
Offers sight, sound, motion, colour and special effects	Production fees on top of the cost of air time

Allows for target selection (geography, time of day, programme, network)	Television seems complicated to small advertisers
Certain prestige or glamour that enhances the message	Messages get 'zipped' as viewers click to other channels and 'zapped' as viewers mute them or turn them off
Engage the viewer's emotions and empathy	Commercial breaks in programming are becoming more "cluttered"
Most television is viewed at home	Buying time on television is fairly complicated

➤ Newspapers

Promotion availability and effectiveness are particularly important in deciding the nature of campaigns because they vary from country to country. In some countries adult literacy levels might restrict newspaper sales opportunities, but the make of mass circulation national titles might cause distribution difficulties too, as it is easier to distribute quickly in small compact countries than in larger countries. It is important that more local newspapers are to be introduced to the different markets. By their very nature they tend to be highly targeted at specific market segments and can be useful to niche marketers (Fill, 1999). Knowledge of the advantages and disadvantages of newspapers is essential for a marketing strategist (See Table 3.2).

Table 3.2: Advantages and disadvantages of newspapers as promotion method (Saayman, 2001; Russell & Lane, 1999; SBA, 1997; Fill, 1999)

ADVANTAGES	DISADVANTAGES
Dominant local medium	More competition for tourist's time
Daily delivery	Broadcasting speed
Technological changes	More technological improvements needed
Credibility with public	Readership declines
Traditional advertising pricing power	Functional illiteracy
Basic monopolies	Advertising pricing arrogance
Stiff barriers to daily entry	Niche marketing trends
Diversity of product within paper	Classified revenue volatility
Classified growth	Zoning – high costs
Data base potential	Dependent upon population growth
Circulation	Reluctance of publishers to raise circulation rates
Sunday newspaper growth	Distribution system

Strong cash flow	Susceptible to swings in newsprint costs
Colour and graphics – new trends	Potential threat of ad tax
Copy space is unlimited	Reproduction of photos
Readers are actively involved	Newspapers are static and two-dimensional
	Short life span

The future of newspapers will involve transitions and changing methods of doing business. The content and advertisements of newspapers must appeal to present readers and attempt to bring non-readers back to the medium.

➤ Magazines

Despite the recent tough times for magazines, they are positioned to be a major medium. With the ability of computers to track demographic and life style segments and new technology to reach them individually through selective binding, magazines can compete with both broad and narrowly defined methods (Russell & Lane, 1999).

Table 3.3: Advantages and disadvantages of magazines as promotion method (Belch & Belch, 1995; Saayman, 2001; Russell & Lane, 1999; Lamb *et al.*, 2002)

ADVANTAGES	DISADVANTAGES
Selective audience	High costs
Increased reach among selected audience segments	Certain deadlines for placing advertisements
Long life span	Advertising banking (Clustering advertisements at the back or front of the magazine)
Availability of demographic and geographic editions	Visual only
Credibility	
Layout flexibility	
Great colour and photo reproduction	
Multiple readers	

➤ Radio advertising

Radio has several strengths as an advertising medium. It is a personal medium that takes advantage of its many stations and formats to direct advertising to extremely well-defined target markets. Radio has high weekly coverage and station loyalty by the target market and still maintains the lowest cost of all major promotional methods (Russell & Lane, 1999; Lamb *et al.*, 2002). See Table 3.4 for the advantages and disadvantages of radio advertising.



Table 3.4: Advantages and disadvantages of radio as promotion method (SBA, 1997; Belch & Belch, 1995)

ADVANTAGES	DISADVANTAGES
Selective targeting (Geography, time of day and format)	No visual component
Mobile messages	Requires high frequency
Low production costs	Research is not always available
Immediate	Audience may be 'fragmented'
React quickly to changing market conditions	Air "clutter" is a problem
Intrusive medium	There is no hard copy
High frequency	Short message life
Radio is local in its appeal	
Radio advertisement has a voice	
Relative cost-efficient	
Advertisement is fairly simple	
Favourable image	

➤ **Internet marketing**

The World Wide Web and the Internet have undoubtedly changed the advertising world (Lamb *et al.*, 2002). The Internet is a global marketing method and predictions are that it will change marketing as television did in the 1950's in the United States (Keegan, 1999). The Internet was developed by a United States government-funded research agency – the Advanced Research Projects Agency (ARPA) – back in the 1960's. Advertising revenue was over \$6 billion in 2000 and is expected to increase to \$21 billion in 2004 which represents close to 8% of total promotional spending (Lamb *et al.*, 2002). The 'Internet' refers to the set of rules by which two computer networks can exchange information with one another (Armstrong, 2001). Today the Internet has developed into a network of computers linking private and business users around the world, allowing them to communicate and transfer data instantly and relatively inexpensively. Individual users gain access to the Internet from their computer through Internet Service Providers and use powerful search engines, such as Netscape, Ananzi, Google and Metacrawler to find the information and services needed.

The Internet has had a profound effect on the way that tourists and destinations communicate around the world. The Internet has contributed to globalisation in making the world smaller for tourists. Word, both stationary and moving, images, sound, and complex data can be transferred instantly to the most remote part of the world. The effect on the way that destinations carry out international trade has been dramatic. No longer is international

marketing limited by the physical boundaries of the media footprint or the salesperson's or distribution destinations territory. The provision of this virtual infrastructure for electronic communication has created huge business opportunities for organisations supplying information technology hardware and software, consultancy, business support services and telecommunications businesses, such as IBM (Doole & Lowe, 2001). According to Armstrong (2001) there are numerous ways to advertise on the world wide web which include the following: websites, banner advertising.

In Table 3.5 the advantages and disadvantages of the internet as a promotion method are tabulated.

Table 3.5: Advantages and disadvantages of internet marketing (Saayman, 2001; Lamb *et al.*, 2002; SBA, 1997; Strydom *et al.*, 2000)

ADVANTAGES	DISADVANTAGES
Relative cost-effective	Should be one component of a comprehensive marketing strategy
Target specific types of viewers	Difficult to gage the impact
Messages can be timely	Range of costs can vary greatly
Advertisements can be interactive	Exposure relies on 'click-through' from banner advertisements
Advertising banners can run with as much frequency as one chooses	Not all have access to the internet
Fastest growing medium	
No limit on advertising space	
Information access and retrieval are relatively fast and private	

➤ Transit advertising

Transit advertising is one of the most diverse categories of any medium. It encompasses everything from interior bus advertising to bus shelters and subway platforms. This method of advertising can be valuable when an advertiser wishes to target adults who live and work in major metropolitan areas. The medium reaches people when travelling to and from work, and because it taps into daily routines repeated week after week, transit advertising offers an excellent means for repetitive message exposure. Transit advertising works best for building or maintaining brand awareness; as with outdoor billboards, lengthy or complex messages simply cannot be worked into this medium (Lamb *et al.*, 2002). Table 3.6 provides a summary of the advantages and disadvantages of transit advertising.

Table 3.6: Advantages and disadvantages of transit advertising (Belch & Belch 1995; SBA, 1997)

ADVANTAGES	DISADVANTAGES
Exposure to one ad can be long	Design is usually limited
Frequency can be high if the viewer uses the same method of transport repeatedly	People in transit are often not in a receptive mood
Ads on the exterior of buses and cabs are seen by large and diverse audiences	Hard to target
Ad message can be timely	Surroundings may detract from your message
Geographically targeted	Waste coverage
Ads can be somewhat lifestyle targeted	
Method is quite inexpensive	

b. Sales promotion

Sales promotion has been described as a repertoire of techniques designed to move sales forward more rapidly than would otherwise occur. It is intended to produce results in the short term (Strydom *et al.*, 2000). Sales promotions can be used in a variety of ways to add value to the sales and are particularly effective if they are part of an integrated promotion mix. Sales promotions might include coupons or money-off vouchers, 'special offers' price reductions and competitions (Doole & Lowe, 2001). Sales promotion is action focused.

Sales promotions are usually used close to the purchase decision and have the objective of offering better value to the customer at the most influential moment in the purchase process. It is generally planned as a specific marketing event. In other words, it is a 'stand-alone' activity which, although incorporated into the marketing strategist's overall marketing communication strategy, is planned as a unique event of activity. A sales promotion often has a tangible component, or specific sales promotion materials. These can range from inexpensive 'give-aways' to in-store display materials to elaborate booths and displays at trade shows. Sales promotions can be targeted at specific audiences. Nickels & Wood (1997) state that sales promotion is useful for direct two-way exchange of information so communications and offering can be tailored to individuals.

Sales promotions also reinforce existing tourists and encourage them to maintain their relationship with the destination or product. A sales promotion may be designed specifically to benefit repeat tourists. It also strengthens the image or competitive position of a destination.

Sales promotion put the name and the product/destination in front of the tourist as many times as possible (Burke & Resnick, 2000).

Types of sales promotions:

- **Sampling:** This can be defined as any method used to deliver an actual- or trial-sized product to prospective tourists. The concept of a free sample is very easy for tourists to understand and this form of sales promotion is not only widely used but is considered to be the most effective in influencing trial purchase (Kotler *et al.*, 1999).
- **Coupons:** A coupon is a promotional device that provides a cash saving to tourists who redeem the coupon. The coupon will typically specify three things: the specific product that must be purchased, the value of the coupon and the expiry date of the coupon.
- **Price-offs:** a price-off promotion simply entails a reduction in the product's regular price. Although this type of promotion may seem to benefit only tourists, there are situations where it can be useful for strategic marketers.
- **Contests and sweepstakes:** A contest or a sweepstake offers tourists the opportunity to win cash, merchandise or travel prizes. The difference between the two is that in a contest entrants are required to exhibit at least some skill, no matter how elementary, such as solving a problem or completing a puzzle. A sweepstake, on the other hand, determines winners purely on the basis of chance, much like a lottery, and strategic marketers are usually obliged to specify that 'no purchase is necessary' in order to enter the sweepstake (Strydom *et al.*, 2000). To be able to use this method successfully in the promotion mix it is important to know the advantages and disadvantages (See Table 3.7).

Table 3.7: Advantages and disadvantages of sales promotions (George, 2001; Shimp, 2000)

ADVANTAGES	DISADVANTAGES
Increases sales volume quickly	No investment in long-term sales
Shows where the offering is in relation to the product life cycle	Provides little information about the target market
Can move slow-moving tourism offerings	If sale is run for too long, tourists expect a discount
Combats competition	Promotion and perceived quality may be lowered
Increases awareness of new offerings	May conceal management problems

c. Personal selling and word of mouth

Personal selling is the impersonal process of assisting and/or persuading a tourist to buy a product or service and to act favourably upon an idea that has commercial significance to the destination. It is also an art of persuading people to want what the destination has – in terms of products and services. It entails a person-to-person process through which the destination learns about the prospective tourists' wants and seeks to satisfy them by offering suitable products or services and making a sale. Personal selling is useful for building and sustaining long-term relationships based on personal two-way communication (Nickels & Wood, 1997).

As face-to-face communication personal selling allows an interactive relationship the salesperson makes a presentation to tourist and encourages the tourist to purchase the product. The tourism industry success is based on service, good service is often an important personal selling strategy. When tourists are pleased with the behaviour and attitude of employees, they are more likely to increase their spending and become return visitors (Burke & Resnick, 2000). See Table 3.8 for the advantages and disadvantages of personal selling.

Table 3.8: Advantages and disadvantages of personal selling (Perrault & McCarthy, 1999; Strydom *et al.*, 2000)

ADVANTAGES	DISADVANTAGES
Tourists feel obligated to pay attention	Communicate with a small number of people
Tailored messages	More costs involved
Immediate feedback	Telephone selling viewed as irritating and intrusive by consumers
Communicate a greater amount of complex information	
Demonstrations are possible	
Tourist education - make a number of calls on the same potential tourists	
Can be specifically directed at qualified tourists	
More effective in closing the sale. It is more persuasive	

d. Direct mail / response advertising

In the past direct marketing has usually taken the form of direct mail or telephone selling and these are still, perhaps, the main routes to the market but the Internet is becoming an important alternative method. The key elements of direct marketing are an accurate up-to-date database, the ability to purge the database of incorrect data and to merge the database with a destination's promotional message (Doole & Lowe, 2001). Direct marketing can be seen as one of the major growth areas in the coming years. Its advantages are selectivity, the ability to target selected groups with specifically chosen products and marketing mixes, and the facility to monitor existing tourists – generally to use accumulated knowledge of individual's behaviour to better meet the needs with products and services (Randall, 2001).

With direct-response advertising the advertisement can be with a coupon, in a newspaper, or a telephone solicitation. In Table 3.9 a summary of the advantages and disadvantages are given.

Table 3.9: Advantages and disadvantages of direct mailresponse advertising (SBA, 1997; Belch & Belch, 1995; Nickels & Wood, 1997)

ADVANTAGES	DISADVANTAGES
Narrow target marketing	High cost per inquiry
Direct response can combine advertising messages	Prospect lists must be constantly updated
Offers research opportunities	Image problem among tourists (junk mail)
With high target market focus it can be cost effective	Environmental impact
Can be personalised	Relatively expensive
One can evaluate the effectiveness	
Readers are actively involved	
Creative possibilities	

e. Outdoor advertising

Outdoor advertising is a flexible, low-cost medium that takes a variety of forms. Examples include billboards, skywriting, giant inflatables, minibillboards in malls and on bus-stop shelters and also signs in sports arenas (Lamb, *et al.*, 2002). The most common form of standardised outdoor advertising is the highway poster or billboard. The outdoor industry is composed of various types of signs. Poster sizes and buying methods are standardised throughout the industry. Most of the signs are located in or near metropolitan areas in districts zoned for business. Outdoor advertising is the smallest of the major advertising promotional methods,

accounting for less than 1% of all advertising expenditures. It is important to realise the advantages and disadvantages of outdoor advertising (Table 3.10).

Table 3.10: Advantages and disadvantages of outdoor advertising (Nickels & Wood, 1997; Shimp, 2000)

ADVANTAGES	DISADVANTAGES
High reach and frequency	Creative limitations and low attention levels
Local audience reach	Little audience selectivity
Low cost per thousand	Availability problems
Creative impact	Rising costs
Big splashy messages attract attention	Difficult to measure effectiveness
Location specific	Ad may become weathered or vandalised
	Short messages

f. Exhibitions and trade fairs

Exhibitions and trade fairs are commonly used by destination marketing strategists to promote the attractions to both the general public and the travel trade (George, 2001). Exhibitions and trade fairs are an effective method of meeting many existing and potential tourists from different countries. The costs of exhibiting at international trade fairs are very high, when the cost of the stand, space rental, sales staff time and travelling expenses are taken into account. It is for this reason that the selection of the most appropriate fairs for the industry is critical. Also, important is the creative work for the stand, preparation of sales literature and selection of suitable personnel for the stand bearing in mind the need for cultural and language empathy (Doole & Lowe, 2001).

A more sophisticated approach to the use of trade shows has made them one of the focus points of the total marketing communication programme. In recent years many destinations have begun to view trade shows as beneficial for objectives other than making sales. These non-selling functions include image enhancements, gathering competitive information and improving corporate morale (Russell & Lane, 1999). SAT has a stand that promotes South African destinations at the World Travel Market held annually in London (George, 2001). The advantages and disadvantages of exhibition and trade fairs are set out in Table 3.11.

Table 3.11: Advantages and disadvantages of exhibitions and trade fairs

ADVANTAGES	DISADVANTAGES
Visual display	High costs
Personal contact with the tourist	Human resources

Persuasion opportunity	No real business
Build image of the destination	

g. Sponsorship

Sponsorships involve a destination providing finance, resources or other support for an event, activity, person, product or service. In return the sponsor would expect to gain some advantage, such as the exposure of its brand, logo or advertising message (Kotler & Armstrong, 2001). Sponsorship has become a very important part of the integrated marketing communication mix and large amounts of money are invested in events, teams and individuals. Sponsorship offers the opportunity of brand building and the selling of the marketer's goods and services as an alternative to traditional advertising. Sponsorship has the ability to cut through the clutter, providing the unique opportunity to build a relationship with tourists by creating an emotional bond. See Table 3.12 for a summary of the advantages and disadvantages of sponsorships (Strydom *et al.*, 2000).

Table 3.12: Advantages and disadvantages of sponsorships (Semenik, 2002; Strydom *et al.*, 2000)

ADVANTAGES	DISADVANTAGES
Foster brand loyalty	Cannot function alone in communication mix – supportive method
Reach highly targeted markets	Expensive
Publicity	Not always effective
Image-building	Success is difficult to measure
Flexibility	Staff expertise
Brand equity	
Exposure (Less clutter)	
Cost-effectiveness	

h. Public relations

Public relations is concerned with communicating news stories about the destination, its people, products and services through the media without charge. This method is used to develop relationships, goodwill and mutual understanding between the destination and the stakeholders (Doole & Lowe, 2001; Strydom *et al.*, 2000). According to Skinner and von Essen (1995) public relations is everything that is calculated to improve mutual understanding between destination (product owners) and all with whom it comes into contact at the destination.

The purpose of public relations is as follows:

- Helping to foster the prestige and reputation of the destination through its public image.
- Raising awareness and creating interest in the destination's products.

- Dealing with social and environmental issues and opportunities.
- Improving goodwill with tourists through presenting useful information and dealing effectively with complaints.
- Promoting the sense of identification of employees with the destination through newsletters, social activities and recognition.
- Discovering and eliminating rumours and other sources of misunderstanding and misconceptions.
- Influencing the opinions of public officials and politicians especially in explaining the responsible operation of the business and the importance of its activities to the community.
- Attracting and keeping good employees (Doole & Lowe, 2001).

Table 3.13: Advantages and disadvantages of public relations (George, 2001; Nickels & Wood, 1997)

ADVANTAGES	DISADVANTAGES
Increases public awareness	No control on the message being used
Greater credibility than advertising	Bad news can supersede good news
May cost less than advertising and other promotional tools	Message not reaching the largest market
Inform and educate tourists	No guarantee that a story will be printed
	PR activities usually impartial

i. Brochures

The brochure is one of the main forms of promotion in tourism. The services which are on offer by the destinations are often depicted in a brochure to enable the potential tourist to choose the right product (Horner & Swarbrooke, 1996). Destination brochures are produced for both promotional and information purposes and might include information on attractions and accommodation, a map of the destination, climate statistics, activities and safety precautions (George, 2001). In a study done by Zhou *et al.* (1997) the results indicated that all recipients read the brochures they received and the majority who decided to visit consulted the brochure on-site during the visit, there is also a need to design a brochure that is user-friendly. A brochure should not only convey promotional messages, but also provide information such as maps, business hours, parking areas and regulations. Maps and other destination information should be included to enhance the visitors' on-site experience and thereby the probabilities of longer stay, repeat visits and more favourably recommendations of the destination to friends and relatives.

Brochures are increasingly being accompanied by video cassettes. These help the destination to show real images of the holiday and destination. The marketing strategist needs to consider

the importance of brochure distribution as a superb brochure is ineffective if it does not get into the hands of the right people at the right time (Horner & Swarbrooke, 1996).

Table 3.14: Advantages and disadvantages of brochures

ADVANTAGES	DISADVANTAGES
Provides information	Clutter
Tourist can take the brochure home	Junk Mail
Free	People are used to brochures

j. Other types of promotion methods

There are numerous other non-traditional ways to promote products. These methods can include the following:

➤ Advertising in movie theatres and videos

These two methods of delivering the message are rapidly increasing. Commercials shown before the film and previews have almost replaced cartoons. Consumer reaction to advertisements in movie theatres and on videos is mixed. Most people think advertisements on videos are annoying.

➤ Product placement in a video or movie

An increasingly common way to promote a product is by showing the actual product of an advertisement as part of a movie or television show. Product placement does not constitute a major segment of the advertising and promotions business, but it has proved to be effective.

➤ In-flight advertising (Important for tourism destinations)

Another rapidly growing medium is in-flight advertising. As the number of flying passengers increases, so too does the attractiveness of this medium. This can include in-flight magazines and in-flight videos.

➤ CD-ROMS

Marketing strategists have not yet utilized the CD-Rom software as a significant advertising medium, but the only thing holding back greater utilisation is the relative paucity of owners of multimedia computers – that is, computers capable of providing both video and audio presentations via CD-Rom drives. Imagine a tourist destination responding to prospective tourist's requests for information by mailing a CD that they could play in their home computers. This CD would contain sights of the destination and would present this information in a newsworthy and entertaining fashion (Shimp, 2000).

➤ **Yellow pages advertising**

Over 6000 localised Yellow Pages directories are distributed annually to hundreds of millions of consumers. There are currently more than 4000 headings for different product and service listings. National and international advertisers are increasingly using the yellow pages as advertising medium (Shimp, 2000).

- Alternative promotion methods include interactive kiosks in department stores, computer screen savers, back of till receipts.

There are various promotion methods that can be selected to be part of the promotion mix. There is no one right promotion mix for all situations. Each one has to be developed as part of the marketing mix – and should be designed to achieve the destination's promotion objectives in each marketing strategy (Perreault & McCarthy, 1999). All options are available, but will the options necessarily fit the needs of the target market? This question will be answered in step three.

3.3.3 STEP 3: Promotion selection criteria

Decisions about the choice of promotional methods are complex. While choosing a single one is reasonably straightforward, choosing promotion methods in combination and attempting to generate synergistic effects is far from easy. Advances in technology have made promotional planning a much faster, more accurate process, one which is now more flexible and capable of adjusting to fast-changing market conditions (Fill, 1999; Belch & Belch, 1995).

What determines the mix of communication tools in the marketing plan? Some destinations may decide to use a mix of three different communications tools and others may decide to use ten or even more. There are no right or wrong answers about such choices although guidelines can be helpful (Holloway & Robinson, 1995). The choice of promotion depends on the reason for advertising. Choosing the best promotion methods depends on the following factors:

a. Determining the objectives

What does the destination want to accomplish and by when? Knowing what one wants to accomplish is critical. The advertising objectives need to be clear and in writing. The objectives should be part of the promotion plan. Promotion objectives should be something that promotion can accomplish. Promotion can accomplish a shift in perception or create awareness, but aside from specific adaptations of promotion-promotion alone cannot create a sale (SBA, 1997).

The ultimate goal of any promotion mix is to get someone to buy the product or service. Promotion can perform one or more of three objectives: inform, persuade or remind the target market. Objectives have to be prioritised (Horner & Swarbrooke, 1996).

A classical model for reaching promotional goals is called the AIDA concept (See Figure 3.4). The acronym stands for attention, interest, desire and action –the stages of tourist involvement with a promotional message.

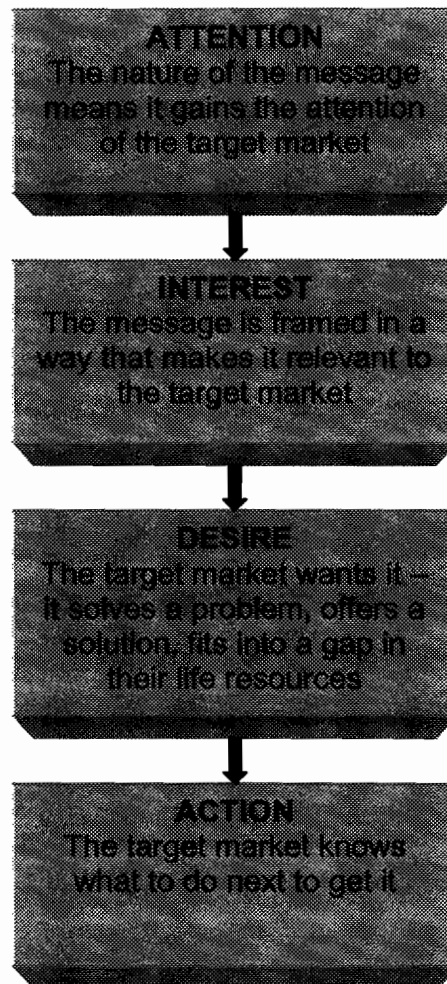


Figure 3.4: AIDA principle (Holloway & Robinson, 1995).

b. The target market

A marketing strategist typically will have to decide on different promotion methods based on the size and composition of the target market to which the promotional effort is directed. A single method might reach a narrow target market effectively, but an assortment of different promotion methods may be required to reach a diverse population. The marketing strategist and buyer will look at target market data to see how different promotion methods deliver specific messages to target markets (Parente, 2000). Who and where are the people that the message must reach? It

is important to carefully define the target market. Certain promotion methods will have stronger appeal to some groups than others. Narrowing down the target market will help make wise and cost-efficient promotional choices (SBA, 1997). A 'pull' strategy is designed to generate demand for the product, pulling tourists to the destination (Holloway & Robinson, 1995).

c. The message, frequency and reach

It is important to determine what must be said and how often. The promotion method chosen should carry the message effectively. Frequency is a measure of how many times the average person in the target market is exposed to the message (Kotler *et al.*, 1999). Target markets must be exposed to the promotion methods, but to say that a target market has seen an advertisement simply because they have been exposed to the method is incorrect. Frequency level in any promotional plan will always be greater than the advertisement exposure rate. As all campaigns are restricted by time and budget limitations, marketing strategists have to trade off reach against frequency. It is impossible to maximise both elements within a fixed budget and set period of time (Fill, 1999).

Reach refers to the percentage of the target audience who are exposed to the message at least once during the relevant time period. Where 80% of the target audience has been exposed to a message, the figure is expressed as an '80 reach'.

Building reach within a target market is relatively easy, as the planner needs to select a range of different promotion methods. This will enable different people in the target market to have an opportunity to see the promotion method. However, a point will be reached when it becomes more difficult to reach people who have not been exposed. As more methods are added, so repetition levels (the number of people who have seen the advertisement more than once) also increase (Fill, 1999).

d. The budget

The budget is probably the single most influential factor in the promotional plan (SBA, 1997; Holloway & Robinson, 1995). The budget determines how much can be spent to create and produce promotion materials and how much can be spent on promotional time and space (Nickels & Wood, 1997). Therefore, a trade-off is required between the need to reach as many members of the target audience as possible (create awareness) and the need to repeat the message to achieve effective learning in the target market. The decision about whether to emphasise reach or frequency is assisted by a consideration of costs involved in each proposed schedule or promotional plan (Holloway & Robinson, 1995).

The budget for the promotional campaign can be based on one or more of the following items:

- a percentage of predicted annual sales
- past budgets which have been used by the destinations
- the amount the destination can afford
- the level of budget which the objectives of the campaign dictate (Horner & Swarbrooke, 1996).

e. The external environment

In a highly competitive environment, a destination is under pressure to employ many of the same promotion techniques as its major competitors, to ensure that products are seen by the same tourists (Holloway & Robinson, 1995).

Table 3.15: Criteria for determining the promotion mix (Jain, 1996)

CRITERIA FOR DETERMINING THE PROMOTION MIX:	
Product factors:	Nature of the product Perceived risk Typical purchase amount
Market factors:	Position in its life cycle Market share Industry concentration Intensity of the competition Demand perspectives
Tourist factors:	Number of tourists Concentration of tourists
Budget factors:	Financial resources of the destination Traditional promotional perspectives
Marketing mix factors:	Relative price/relative quality Distribution strategy Brand life cycle Geographic scope of market

f. Timing of the message

The timing of placements is dependent upon a number of factors. One of the overriding constraints is the size of the promotional budget and the impact that certain placement patterns can bring to a destination's cash flow.

A great deal has been written in recent years about the importance of integrating the components of marketing communications (See 3.2) into a marketing communication mix. There are two models that can assist in this regard:

➤ A promotional-oriented approach

One approach to determining the promotion mix is to view each method as a means of delivering messages or impressions to tourists. Each promotional tool can then be evaluated in terms of its ability to efficiently generate exposure for the destination. Values can be assigned to the importance of traditional promotional criteria, such as cost efficiency, competitive share of voice, and optimal reach and frequencies, and an allocation model can be constructed.

➤ A Message-oriented approach

Promotional tools should be evaluated on the basis of the information they communicate. Therefore, each medium, or type of marketing communication, can be looked at in terms of its ability to effectively deliver certain types of information. For example brochures deliver specific information and radio reminds tourists to act.

Both the above-mentioned approaches require substantial amounts of judgment (Parente, 2000).

3.3.4 STEP 4: Determine the communication requirements and creative elements

Creative strategy consists of the guidelines for the thoughts, feelings and impressions that are communicated with promotion. Critical elements of a creative strategy will include a strategic focal point, a positioning statement and a big unifying idea.

Belch & Belch (1995) state that it is possible to significantly increase the success of a product through a strong creative campaign. What makes strategy creative is that it is both special and different. Simply being different does not make something creative. Leo Burnett was once reported to have said, "if all you want is to be different, you can come down in the morning with a sock in your mouth." For any promotion method to be creative, the tourist has to feel that the quality that makes something different is special in order to set creative promotion apart from an average one (Parente, 2000).

Effective advertising must differentiate exposure from communication. The marketing strategist must be constantly aware of the communication component of the promotional schedule. One is sometimes so concerned with the promotional cost analysis that one forgets that advertising must communicate to its listeners and readers.

The primary communication considerations that should be considered by the marketing strategist include:

- *Creative predispositions of the audience*: for example, adults are predisposed to radio in a different way than to print.
- *Qualitative environment for the message*: outdoor magazine reaches readers who are in the proper frame of mind for advertisements for adventure, holiday and relaxation.
- *The synergistic effect*: what combination of promotion methods results in a communicative effect that is greater than the sum of each medium? For example, outdoor might reinforce a brand name when used with other promotional method, but it may not be a good primary medium if used alone.
- *The creative approach*: does the need for product demonstration require television, even if other methods might be more cost efficient?

It is obvious that the most effective advertising is that which is directed to the best tourists. However, one also knows that the more selective the medium, the more expensive it becomes on a CPM basis (see earlier discussion). There are two basic strategies used to reach tourists:

- *The self-selection strategy*
By using self-selection the marketing strategist places advertisements in a high-circulation, high-cost, but efficient medium that reaches potential and non-potential tourists.
- *By using controlled-coverage*
The marketing strategist places advertisements in narrowly defined promotion methods that reach only tourists for the product, but at a relatively high CPM. The earlier example of outdoor advertising would be a controlled-coverage buy.

As a minimum, effective promotion must satisfy the following conditions:

- it must derive from a sound marketing strategy
- effective promotion must take the tourist's viewpoint – tourists buy benefits and attributes
- effective promotion is persuasive
- promotion must find a unique way to break through the surrounding clutter
- good promotion prevents the creative idea from overwhelming the strategy (Yeshin, 2001).

3.3.5 STEP 5: Determine the efficiency/effectiveness balance

The marketing strategist is moving into the specific tactics of the promotional schedule. The first step is consideration of audience reach, frequency, and continuity. Reach refers to the total

number of tourists to whom one delivers the message, frequency refers to the number of times it is delivered within a given period and continuity refers to the length of time a schedule runs. Destinations emphasise these three factors at once, and seek to spread the budget most efficiently.

Reach, frequency, and continuity must be balanced against the demands of a fixed budget. However, the marketing strategist must consider the balance between the least expensive method and those most able to communicate the message and reach the best potential tourists.

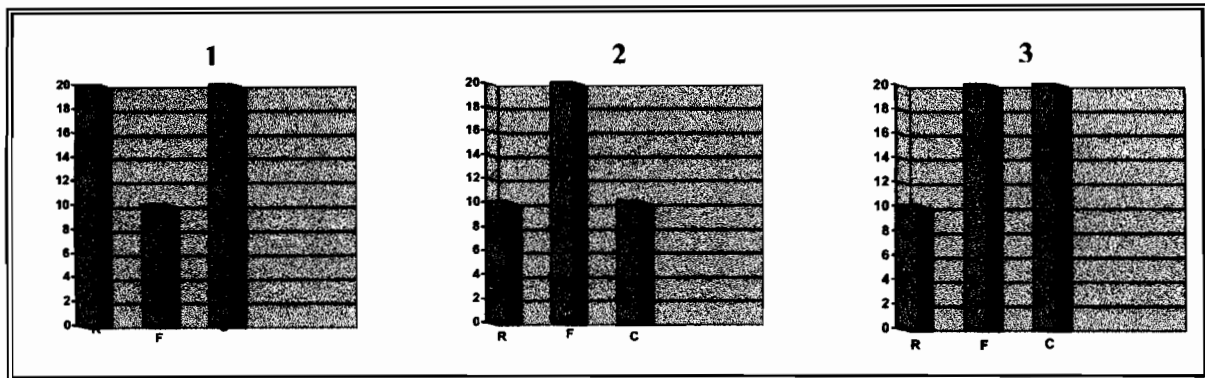


Figure 3.5: Reach (R), frequency (F) and continuity relationships (C) with a fixed budget

As indicate in Figure 3.5 the strategy for plan 1 is as follows: maximize reach for the duration of a year-long campaign and sacrifice frequency to expose level of tourists. The strategy for plan 2 indicates a short-term blitz campaign to reach a relative small number of tourists as many times as possible. The strategy for plan three indicates a continuing campaign to reach selected tourists many times.

Most marketing strategists start with frequency as the first building block. A determination is made as to the minimum exposures required to make an impact on the tourist during some buying cycle. One might look at the reach / frequency question in terms of total exposures that can be purchased with the budget. Marketing strategists are concerned with the quality of exposure – that is the communication component of the promotional plan. In order to measure communication versus exposures, marketing strategists have adopted the terms effective reach and effective frequency. One can measure the effectiveness of reach by determining the number of percentage of those in the audience who have some level of message recall. The goal of advertising is awareness of the product or service. It is not enough to expose the market once to the advertisement; one has to make them aware of it. Awareness is rarely achieved with one exposure. The average person sees 1200 advertising impressions daily.

The principle of effective reach is related to the concept of effective frequency. The latter seeks to determine the average number of times a person must be exposed to a message before awareness occurs. The marketing strategist wants to determine the number of times a person must see or hear a message to achieve minimal awareness, but not be exposed beyond the point that further exposures are wasted. A rough rule of thumb is that three exposures are necessary to pass some minimum threshold of communication. Generally, any exposure level over 10 is considered over-exposure.

3.3.6 STEP 6: The promotional schedule

Destinations would prefer advertising in front of tourists at all times, as a constant reminder of the destination (Belch & Belch, 1995). This is not possible, scheduling has to be implemented. Scheduling seeks to establish when the messages are transmitted in order that the promotional objectives are achieved at the lowest possible cost. The first consideration is the objectives themselves. If the advertising objectives are basically short-term, then the placements should be concentrated over a short period of time. Conversely, if awareness is to be built over a longer term, perhaps building a new brand, then the frequency of the placements need not be so intensive and can be spread over a period so that learning can occur incrementally. The second consideration is the purchasing cycle. The optimum number of exposures is thought to be between three and ten, and should occur within each purchasing cycle. The longer the cycle the less frequency is required (Fill, 1999).

The third consideration is the level of involvement. If the objective of the plan is to create awareness, then when there is high involvement few repetitions will be required compared with low-involvement decisions. This is because people who are highly involved actively seek information and need little assistance to digest relevant information. Likewise, where there is low involvement, attitudes develop from use of the product, so frequency is important to maintain awareness and to prompt trial (Fill, 1999).

Once the marketing strategist has determined the balance between reach and frequency, it is time to work on the question of when to schedule the advertising. There is no right answer, but some typical timing patterns might be constructive.

a. Seasonal programme

The tourism industry has seasonal fluctuations – holidays increase during summer in some destinations like South Africa, but increase during winter in Switzerland. For these destinations advertising is scheduled to reflect the seasonal peaks, appearing to concentrated dosages ahead of the tourist-buying season, when potential tourists might begin to think of planning the vacation (Lamb *et al.*, 2002).

b. Continuity

This pattern is continuous which may mean every day, every week or every month. The key is that a regular pattern is developed without gaps or no-advertising periods (Belch & Belch, 1995). Advertising can also be steadily maintained throughout the year. However, destinations choose to concentrate the advertising even when the influx is steady.

c. Flighting

One of the most used advertising scheduling techniques is flighting. This consists of relatively short bursts of advertising followed by periods of total or relative inactivity. The idea is to build audience awareness for the product so that the brand awareness carries over these periods of inactivity. Done correctly, the advertiser achieves the same brand awareness at a greatly reduced cost compared to a steady advertising schedule (Russell & Lane, 1999; Parente, 2000; Belch & Belch, 1995).

d. Pulsing

Pulsing is actually a combination of (b) and (c). In a pulsing strategy, continuity is maintained, but at certain times promotional efforts are stepped up (Belch & Belch, 1995). Advertising varies from period to period – but there is at least some promotion scheduled in each period. Figure 3.6 compares three methods discussed.

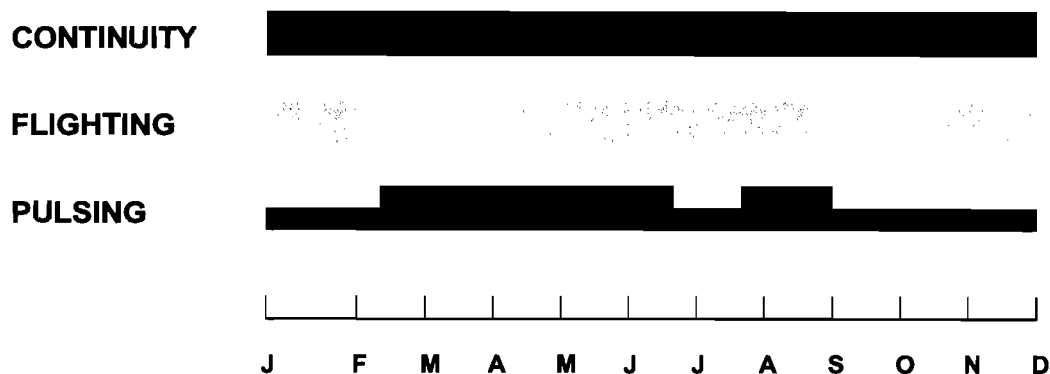


Figure 3.6: Three methods of promotional scheduling (Belch & Belch, 1995)

e. Other aspects to consider when planning the promotional schedule:

- **Budget constraints:** this factor influences scheduling in many ways. Is there sufficient money available to initiate a campaign at reach and frequency levels the planner deems necessary and still have enough left to sustain the campaign over an extended period of time?

- **Seasonality:** the sales of many products, especially tourism vary with the time of the year. During summer time and holidays the tourism products are fully booked. A promotional schedule will need to support sales efforts during these time periods.
- **Purchase-repurchase cycle:** ideally, advertisers want to advertise before tourists make purchase decisions. One will strive to schedule advertising as close as possible to the time the tourist makes a purchase/decision.
- **Stage of the product life cycle:** products in the introductory phase of the product life cycle generally require more advertising – more defined both in terms of exposure and rand expended. New brands generally require more exposure than mature ones to get a message across and accepted (Parente, 2000). When the product reaches the growth stage the life cycle promotion may change. Often a change is necessary because different types of potential tourists are targeted. The communications strategy is to emphasise the product's differential advantage over the competition (Lamb *et al.*, 2002).

At the maturity stage of the life cycle, competition becomes fiercer, and this persuasive and reminder advertising are more strongly emphasised. All promotion is reduced as the product enters the decline stage.

- **Competitive advertising patterns:** since strategy is competitive in nature, it's important to know when the competition is advertising in order to plan how to match the promotional efforts.
- **Promotional dominance:** this consideration is related to the previous one on competitive activity not only in its concern about whether to confront or avoid the competition, but also how to match them.

3.3.7 STEP 7: Budget

One of the most important decisions in the development of promotional strategy is cost estimating. The value of any strategy can be determined by how well it delivers the message to the target market, with the lowest cost and the lest amount of waste. A few factors have already been explored that will affect this decision: reach, frequency, and availability. The marketing strategist tries to arrive at optimal delivery by balancing cost with each of these.

There are two main types of cost. The first of these is the absolute cost. This is the cost of the space or time required for the message to be transmitted. Cash flow is affected by absolute costs. In order that an effective comparison be made between promotional plans the relative

costs of the schedules need to be understood. Relative costs are the costs incurred in making contact with each member of the target market.

a. Determining relative costs of promotion

To evaluate alternatives, marketing strategists must compare the relative costs of methods as well as methods within these methods. Unfortunately, the broadcast, print, and outdoor methods do not always provide the same cost breakdowns, nor necessarily do methods within the print methods. The following are the cost bases used:

➤ Cost per thousand (CPM)

For years the magazine industry has provided cost breakdowns on the basis of cost per thousand people reached. The formula for the computation is:

$$\text{CPM} = \frac{\text{Ad cost} \times 1000}{\text{Circulation}}$$

Business day has a circulation of 500 000 and a 4/colour page rate of R20 000. Therefore, its

$$\begin{aligned}\text{CPM} &= \frac{\text{R } 20\,000 \times 1000}{500\,000} \\ &= \text{R } 40\end{aligned}$$

Now, assume that one is only interested in reaching women. Business day has 200 000 readers in this category. Therefore:

$$\begin{aligned}\text{CPM} &= \frac{\text{R } 20\,000 \times 1000}{200\,000} \\ &= \text{R } 100\end{aligned}$$

The demographic CPM simply adjusts the circulation to include only that part of the target market of interest to a particular advertiser. In recent years, advertising research has developed extremely sophisticated techniques for identifying the target market. Most of these new techniques recognise that proper identification of the target market demands the use of several variables.

➤ Cost per ratings point (CPRP)

The broadcast methods provide a different comparative cost figure, referred to as cost per ratings point (or cost per point CPP), based on the following formula:

$$\text{CPRP} = \frac{\text{Cost of commercial time}}{\text{Programme rating}}$$

It is difficult to make comparisons across various promotional methods. In an attempt to standardise relative costing procedures, broadcast and newspapers have begun to provide costs per thousand, using the following formulas:

$$\text{Television} = \frac{\text{Cost of 1 unit of time} \times 1,000}{\text{Programme rating}}$$

$$\text{Newspapers} = \frac{\text{Cost of advertisements space} \times 1,000}{\text{Circulation}}$$

While the comparison of promotional methods on a cost per thousand basis is important, intermedia comparisons can be misleading. The ability of television to provide both sight and sound, the longevity of magazines, and other characteristics of each medium make it difficult to make direct comparisons. The marketing strategist should use the cost per thousand numbers but must also consider the specific characteristics of each medium and each promotion method in the decision (Belch & Belch, 1995; Fill, 1999).

3.4 CONCLUSION

The aim of this chapter was to provide insight in promotional planning. This was realised by discussing the importance of promotional planning. When undertaking promotional planning the focus is on the developing of a promotional plan strategy. The starting point for the process is to determine the target market. The importance of this step was already discussed in chapter two.

Literature indicated that before selecting the promotion method the marketing strategist has to analyse the characteristics of each method. This knowledge will enable the marketing strategist to match the needs and lifestyle of the target market with specific promotion methods. After analysing the different methods one can determine which methods to use for each target market. Decisions have to be made about the creative elements and promotional schedule. This leads to the effective implementation of the total promotional strategy.

CHAPTER 4

EMPIRICAL RESEARCH

'Change is inevitable but how we handle it determines where we will be tomorrow'

Anonymous

4.1 INTRODUCTION

The aim of this chapter is to reflect the results of the empirical research. This chapter focuses on the research design in which structured questionnaires have been selected as the research method for the collection of the data regarding the KSF's for market segmentation of South Africa as a tourist destination. The key success factors that have been identified include the following: target marketing and the selection of adequate promotional tools, reliable market research, and the forming of a positive image of the destination. The main reasons why destinations choose specific promotion methods for a specific target market include the following: reliable market research, knowledge of the destination, its regions and its products, proper market segmentation as well as a variety and volume of tourist numbers.

4.2 INTERPRETATION OF THE RESPONSE

4.2.1 LOCATION

Table 4.1: Location of participants

LOCATION OF PARTICIPANTS		
a. Portugal	b. France	c. Greece
d. Switzerland	e. Malaysia	f. Singapore
g. Belgium	h. Ireland	i. Netherlands
j. California (USA)	k. Spain	l. Italy
m. Poland	n. Canada	o. Germany
p. Hungary	q. Turkey	r. Thailand
s. Indonesia	t. Australia	u. Croatia
v. China	w. UK	x. Brazil

According to Table 4.1 25 destinations participated in this research. These destinations are the top tourism destinations in the world. One would expect to be able to learn from best practices and implement them in the South African situation. Although South Africa is currently number 25 on the list of top tourism destinations in the world it will always be important to improve this position in order to receive more tourists for the benefit of the country.

4.2.2 NUMBER OF INTERNATIONAL VISITORS IN 2000 AND 2001

Table 4.2: Number of international visitors

DESTINATION	2000	2001	% GROWTH OR DECLINE
a. Portugal	12,096,700	12,167,200	0,6%
b. France	75,500,000	76,500,000	1,32%
c. Greece	13,567,453	14,654,735	8,0%
d. Switzerland	11,400,000	13,700,000	29,18%
e. Malaysia	10,222,000	Not indicated	-
f. Singapore	Not indicated	7,518 584	-
g. Belgium	6,457,000	Not indicated	-
h. Ireland	6,720,000	6,081,000	-10,5%
i. Netherlands	10,100,00	Not indicated	-
j. California (USA)	10,000,000	Not indicated	-
k. Spain	48,201,000	49,500,000	2,69%
l. Italy	41,183,000	39,000,000	-5,60%
m. Poland	17,400,000	15,000,000	-16%
n. Canada	20,423,000	19,700,000	-3,67%
o. Germany	18,983,000	17,900,000	-6,05%
p. Hungary	15,571,000	15,300,000	-1,77%
q. Turkey	9,587,000	11,618,969	21%
r. Thailand	9,509,000	10,132,509	6,55%
s. Indonesia	5,064,000	5,153,620	1,77%
t. Australia	4,946,000	4,800,000	-3,04%
u. Croatia	5,831,000	6,544,217	12,23%
v. China	31,229,000	33,200,000	6,31%
w. UK	25,191,000	23,400,000	-7,6%
x. Brazil	5,313,000	4,772,575	11,32%

According to Table 4.2 all destinations showed an increase or decrease in tourist arrivals from

2000 to 2001. Ten of the destinations showed an increase in tourist arrivals and 9 destinations showed a decrease in tourist arrivals. Destinations that showed a decrease in tourist arrivals were most probably influenced by the September 11 attack on America.

4.2.3 MAIN MARKETS THAT VISITED EACH DESTINATION IN 2000 AND 2001

Table 4.3: Top three markets visiting each destination in 2000 and 2001

DESTINATION	YEAR	MARKET 1	MARKET 2	MARKET 3
a. Portugal	2000	Spain	UK	Germany
	2001	Spain	UK	Germany
b. France	2000	USA	Canada	Thailand
	2001	Spain	USA	Japan
c. Greece	2000	UK	Germany	Italy
	2001	UK	Germany	Italy
d. Switzerland	2000	Germany	USA	UK
	2001	Germany	USA	UK
e. Malaysia	2000	Singapore	Ireland	Australia
	2001	Singapore	Thailand	Indonesia
f. Singapore	2000	Indonesia	Japan	Malaysia
	2001	Indonesia	Japan	Malaysia
g. Belgium	2000	Netherlands	Great Britain	
	2001	Netherlands	Great Britain	
h. Ireland	2000	Britain	USA	Germany
	2001	Britain	Other Europe	USA
i. Netherlands	2000	Germany	UK	USA
	2001	UK	Germany	USA
j. California	2000	Mexico	Japan	Canada
	2001	Mexico	Japan	Canada
k. Spain	2000	Not indicated	Not indicated	Not indicated
	2001			
l. Italy	2000	Not indicated	Not indicated	Not indicated
	2001			
m. Poland	2000	Germany	Czech Rep	Ukraine
	2001	Germany	Czech Rep	Ukraine
n. Canada	2000	USA	UK	Japan
	2001	USA	UK	Japan

o. Germany	2000	Netherlands	USA	Britain
	2001	Netherlands	USA	Britain
p. Hungary	2000	Austria	Not indicated	Not indicated
	2001	Austria		
q. Turkey	2000	OECD		
	2001	Countries		
r. Thailand	2000	Japan	Malaysia	Taiwan
	2001	Japan	Malaysia	Taiwan
s. Indonesia	2000	Singapore	Japan	Malaysia
	2001	Singapore	Japan	Malaysia
t. Australia	2000	New Zealand	Japan	UK
	2001	New Zealand	Japan	UK
u. Croatia	2000	Germany	Italy	Slovenia
	2001	Italy	Germany	Slovenia
v. China	2000	Japan	South Korea	Russia
	2001	Japan	South Korea	Russia
w. UK	2000	USA	France	Germany
	2001	USA	France	Germany
x. Brazil	2000	Argentina	USA	Uruguay
	2001	Argentina	USA	Germany

According to Table 4.3 most of the destinations received their main visitors for 2000 and 2001 from the same destination. These markets (market 1, 2 and 3) indicate the best opportunities for long-term strategic development (c.f. 2.4.3(a)) and generate the major share of traffic to the destination (c.f. 2.4.3(a)).

From this table one can also see that Germany, the UK and the USA travel more than other markets. When analysing the importance of the latter it is crucial to ask the question as to whether countries must then only focus on the markets that travel more or are there other possible markets that can be developed? The eastern countries are also well represented in Table 4.3. and one can identify a trend towards more travelling from these markets. South Africa has a strong market presence in the UK, Germany and the Netherlands.

For some destinations the markets were totally different between 2000 and 2001. This can be the result of more intensive marketing programmes.

4.2.4 STRATEGIES USED IN TERMS OF TARGET MARKETING

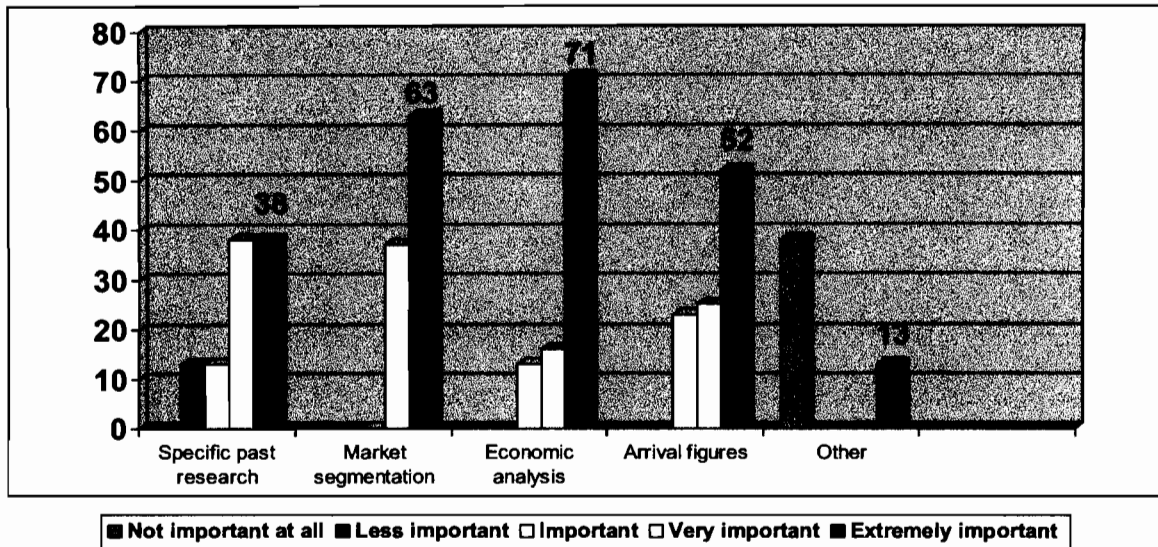


Figure 4.1: Target marketing strategies

According to Figure 4.1 economic analysis counts for 71% and is considered as extremely important. Literature also indicated the importance of an economic analysis especially for tourism since one needs to know the volume of visitors, the spending patterns and differential impact (c.f. 2.4.4 (k)). 63% consider market segmentation (for example demographics) as extremely important. This is the traditional methods of market segmentation and includes information concerning demographics, geographics, psychographics and behaviour). The majority of destinations still make use of the traditional methods of market segmentation because this information has proved to be useful through the process segmentation (c.f. 2.4.3).

38% of the destinations consider specific past research as extremely and very important. 52% indicated that arrival figures are an important target marketing strategy. 13% of the participants make use of other strategies, this refers to market distribution structures and purchase patterns.

Although these top destinations still make use of the traditional methods of market segmentation it is important to note from Figure 4.1 that there are also other methods (for example economic analysis and arrival figures) that provide valuable information when selecting the right target market for the tourism product. This kind of information is only applicable to the tourism industry and needs to be analysed and discussed in tourism marketing literature. There is currently a gap in tourism marketing literature concerning this issue. Effective market segmentation consists of a combined effort between different methods and strategies (c.f. 2.4.3/2.4.4).

4.2.5 BUDGET ALLOCATION

Only 16% of the destinations answered this question. This can be due to the fact that this information is considered as confidential. Those that did answer the question indicated the following:

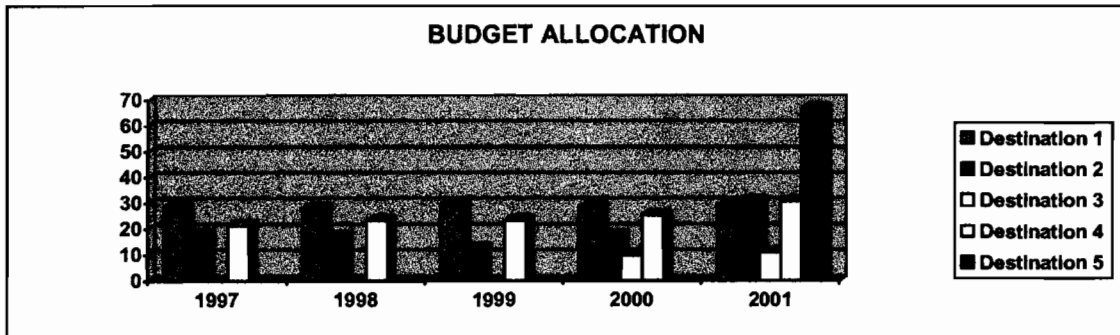


Figure 4.2: Budget allocation

Figure 4.2 indicates that the budgets vary every year and can be an indication of a lack of a strategic marketing plan and – budget. Budgets must be determined by the growth rates and growth potential of the markets over the long-term and therefore budget allocations will differ for different markets (c.f. 2.4.1.1(b)).

According to Figure 4.2 the budgets not only differ between destinations, but also between different years. All destinations in Figure 4.2 do not show an increase towards the next year. Some destinations, for example, destination 2's budget moved from \$17.500.000 in 2000 to \$31.000.000 in 2001. Destination 3 only indicated their budget for 2000 and 2001, which is below the others. Destination 5 indicated the budget for 2001, which was \$67.14 million. The average budget for 2001 was \$33.73 million and for 2000 \$20.20 million. South African Tourism had a budget of R 235,316,615 for 1999/2000 (Saayman & Saayman, 2002). This budget is far below the budgets of other destinations, but a comparison with other destinations is difficult due to the influence of the exchange rate and therefore the real marketing value. This can be seen as one of the drawbacks of South Africa to improve on its current position.

Destination 5 has 32 offices in 26 countries and 46% of the budget (\$67.14 million) comes from operating grants from the state. The other 54% comes from private sector. When considering this information the marketing budget for destination 5 is basically the same as the other destinations, which again emphasize that a substantial budget does not necessarily mean a significant increase in tourist numbers.

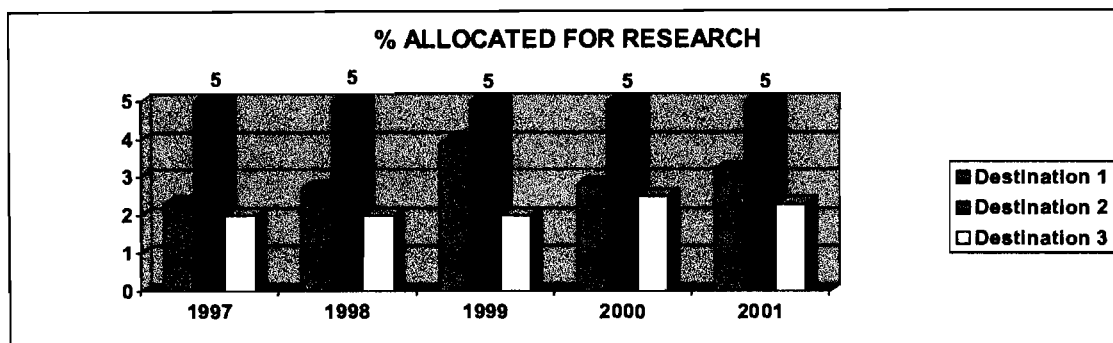


Figure 4.3: Percentage of budget allocated to research

According to Figure 4.3 it is clear that the destinations spend a small percentage of the budget on research. Destination 2 spends only 5% of the budget on marketing research. This information contradicts the literature which indicated that research is extremely important for marketing because it gives valuable information for market segmentation strategies and the bases for segmentation (c.f. 2.4.3). In order to compete successfully in the highly competitive international tourism marketplace, it is necessary to sharpen the research tools in an attempt to generate more accurate data for strategic tourism development and planning (c.f. 2.4.3 (c)). Destinations need to develop a thorough research programme in order to improve their current status as a tourism destination.

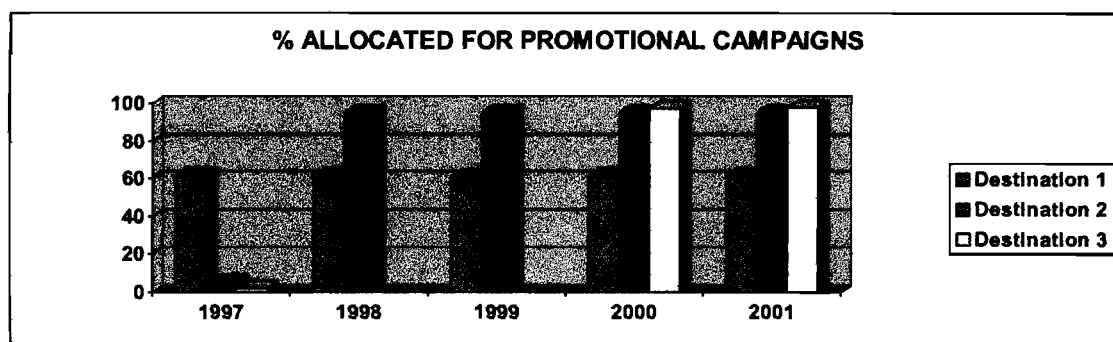


Figure 4.4: Percentage allocated for promotional campaigns

The budget is probably the single most influential factor in the promotional plan (c.f. 3.3.3). From Figure 4.4 it is clear that more than 60% of budgets are spent on promotional campaigns. One destination indicated that 95% of the budget is spent on promotional campaigns. Figure 4.4 states the importance of promotional campaigns. Literature also indicates that it is important to evaluate all potential promotion methods to determine the best environment for a destination's messages as well as the most efficient means of spending the budget (c.f. 3.2). Every destination has limitations in terms of the budget that stresses the importance of planning for every target market.

4.2.6 PRIMARY AND SECONDARY MARKETS

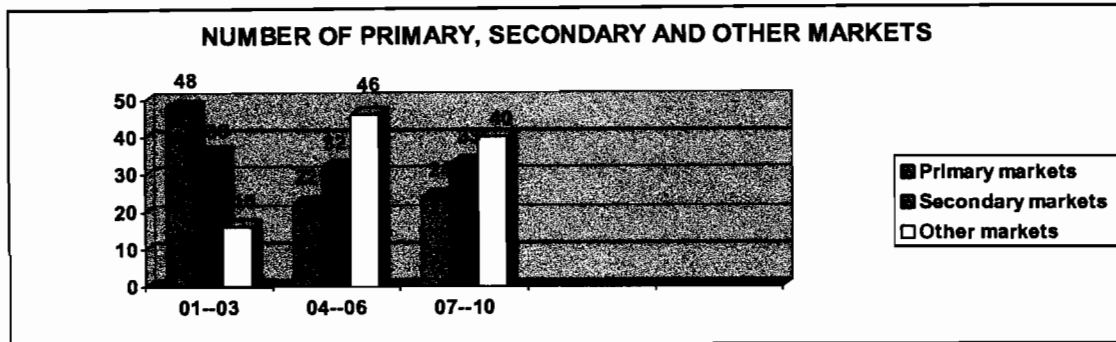


Figure 4.5: Number of primary, secondary and other markets

From Figure 4.5 it is clear that 48% of the respondents focus on between one and three primary markets, 36% focus on between one and three secondary markets and 16% on between one and three other markets (which refers to the upcoming and potential markets). 22% of the respondents have between four and six primary markets, 32% have between four and six secondary markets and 46% have between four and six other markets. 24% of the respondents have between seven and ten primary markets, 33% have between seven and ten secondary markets and 40% have between seven and ten secondary markets.

The number of primary, secondary and other markets vary extensively between the different destinations. Most of the destinations have between one and three primary markets. This is in line with literature that indicates that these markets generate the major share of tourist traffic to the destination. Long-term strategic development is one of the goals for the primary markets (c.f. 2.4.3 (a)).

Another factor that has already been discussed, but also influences the number of markets that a destination can target, is the budget. Most of the tourism organisations that promote the destination through marketing are state managed, therefore the internal and external environment of the country influences the budgets. These tourism organisations work with budgets determined by the state and have little or no influence over the amount approved. This can put constraints on the number of primary, secondary and upcoming markets selected.

The high percentage of secondary markets (between 1 and 3) can be due to the fact that a secondary market is perceived as a potential risk, but they generate good tourist traffic to the country and can, therefore not be excluded from the marketing programme (c.f. 2.4.3 (a)). Literature indicates destinations must have between 4 and 6 secondary markets (c.f. 2.4.3 (a)).

4.2.7 TARGETED MARKETS FOR 2000 AND 2001

Table 4.4: Targeted markets for 2000 and 2001

DESTINATION	YEAR	TARGET MARKET 1	TARGET MARKET 2	TARGET MARKET 3
a. Portugal	2000 2001	Germany Germany	UK UK	Spain Spain
b. France	2000 2001	Great Britain Great Britain	Netherlands Netherlands	Germany Germany
c. Greece	2000 2001	Germany Germany	UK UK	Rest of Europe Rest of Europe
d. Switzerland	2000 2001	Germany Germany	France France	UK UK
e. Malaysia	2000 2001	Germany Germany	Australia Australia	Singapore Singapore
f. Singapore	2000 2001	Not indicated	Not indicated	Not indicated
g. Belgium	2000 2001	Netherlands Netherlands	Great Britain Great Britain	Europe Europe
h. Ireland	2000 2001	Great Britain Great Britain	USA USA	Germany/France Germany
i. Netherlands	2000 2001	Germany Germany	UK UK	USA USA
j. California	2000 2001	Japan Japan	UK UK	Germany Germany
k. Spain	2000 2001	Not indicated	Not indicated	Not indicated
l. Italy	2000 2001	Not indicated	Not indicated	Not indicated
m. Poland	2000 2001	Germany Germany	UK UK	Czech Rep Czech Rep
n. Canada	2000 2001	UK UK	USA USA	Japan Japan
o. Germany	2000 2001	France France	Great Britain Great Britain	Netherlands Netherlands
p. Hungary	2000 2001	Austria Austria	Germany Germany	Not indicated

q. Turkey	2000 2001	Not indicated	Not indicated	Not indicated
r. Thailand	2000 2001	Japan Japan	Malaysia Malaysia	Taiwan Taiwan
s. Indonesia	2000 2001	Singapore Singapore	Japan Japan	Malaysia Malaysia
t. Australia	2000 2001	New Zealand New Zealand	UK Japan	Japan UK
u. Croatia	2000 2001	Germany Germany	Italy Italy	Slovenia Slovenia
v. China	2000 2001	Japan Japan	South Korea South Korea	Russia Russia
w. UK	2000 2001	USA USA	France France	Germany Germany
x. Brazil	2000 2001	USA USA	Argentina Argentina	Germany Germany

According to Table 4.4 most of the destinations targeted the same markets for 2000 and 2001. The favourite markets are Germany, the UK and France, especially Germany. Too much focus on the latter can lead to advertising clutter in these countries and the success of the marketing efforts is then questionable. If the top destinations focus on the same markets what happens to the other markets? Who focuses on them? This can be seen as an opportunity for South Africa to be able to focus on markets not developed yet.

Table 4.4 also indirectly highlights the importance of market segmentation again. If one takes the example of Germany, which is the number 1 market for seven destinations, it is true that not all Germans would like to visit South Africa. There are certain Germans that would like to visit other destinations, for example Australia. If SAT did the market segmentation of the German market to South Africa they will be able to know exactly who their market within Germany is. Direct promotion efforts are then possible at those niche markets which have proven to be more successful (c.f.: 2.4.7 (b)). This minimises the effect of clutter but improves the process of effective market segmentation.

4.2.8 PROMOTIONAL METHODS USED

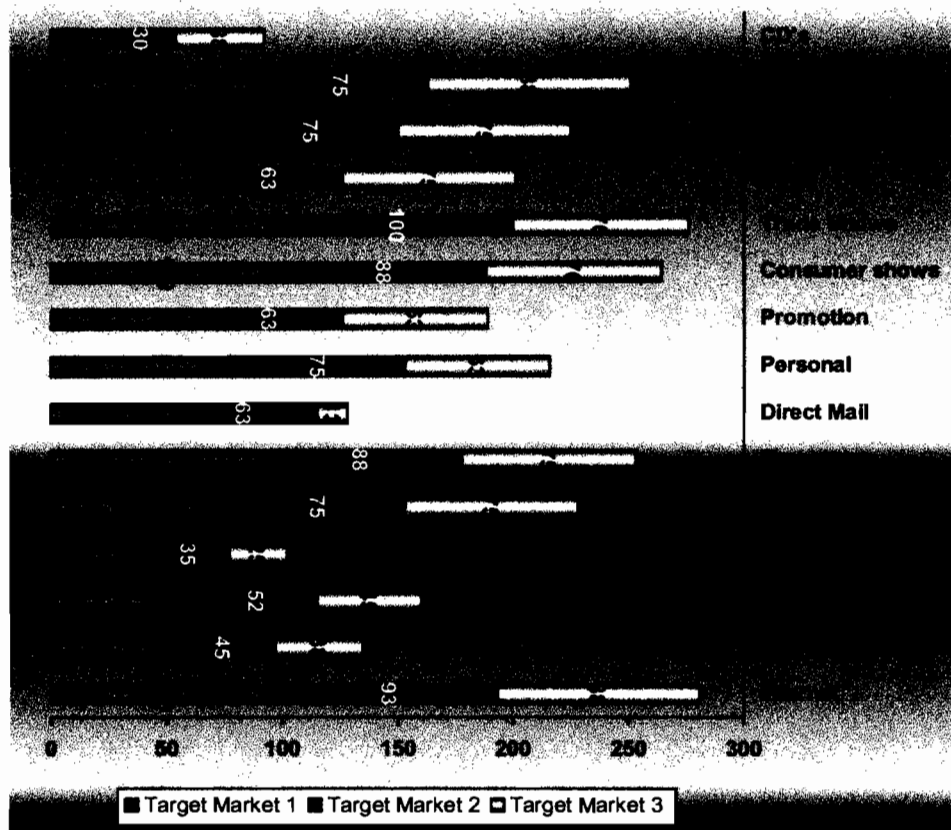


Figure 4.6: Promotional Methods used

Target Market 1: According to Figure 4.6 Internet (100%), consumer shows (100%), trade shows (100%) are the most important promotional methods used for their main international market.

Target Market 2: According to Figure 4.6 consumer shows (100%), Internet (93%), trade shows and brochures (88%) are used for target market 2.

Target Market 3: From Figure 4.6 it is clear that the Internet and Familiarisation Tours (88%), trade shows and consumer shows (76%) are the promotional methods used for target market 3. In 2000 France had 2132 promotional projects.

For all three markets, brochures and flyers still play an important role in promotion. CD's are a new promotional tool that can be used but it can be that destinations have not yet discovered the real value of this method and are thus still relying on the old methods. Although still in use, television and radio as promotional methods are on the decline. The influence of the Internet

caused this problem. More destinations and tourism products have shifted to the electronic media to advertise their product.

4.2.9 METHODS USED TO DIFFERENTIATE PROMOTIONAL MATERIAL BETWEEN DIFFERENT MARKETS

The main reasons why destinations choose specific promotion methods for a specific target market are listed below:

- Reliable market research (66%).
- Thorough knowledge of the destination, its regions and its products (60%).
- Proper market segmentation (40%).
- Variety and volume of tourist numbers (33%).

66% of the respondents that completed this question make use of reliable market research to choose which promotional method will be used for which market. Literature indicates that in order to choose the right promotion method, research will influence the decisions (c.f. 3.2). Respondents (60%) believe that knowledge of the destination will also influence these decisions. It is important to know each destination's cultural specialities and their decision-making behaviour, which correlates with market research. These destinations indicated that knowledge of the destination and its people are important. It can be an indication that these destinations change their marketing programmes according to the needs of the market. 40% indicated that market segmentation influences the decision-making process. The information collected through the economic analysis, demographics or arrival figures will therefore, play an important role in this regard. 33% of the destinations also make use of the number of tourists in the market and direct their promotion decisions according to that. For example if there are more tourists in one segment than another, more money can be spent on the bigger markets, but the decision can also be to focus on the smaller segment, but with an intense marketing strategy.

It was found that some destinations do not have a sound method that is used to decide which specific promotion methods to use. If decisions are not made by using specific methods it can be concluded that promotional methods are sometimes chosen ad hoc or destinations use methods that other countries are using. Each target market will differ and therefore the promotion method needs to fit the needs of the target market. Promotion planning entails a series of decisions market planners make regarding the selection and use of promotion, allowing the marketing strategist to optimally and cost-effectively communicate the message to the target market (c.f. 3.3).

4.2.10 INCREASE/GROWTH IN TOURIST ARRIVALS

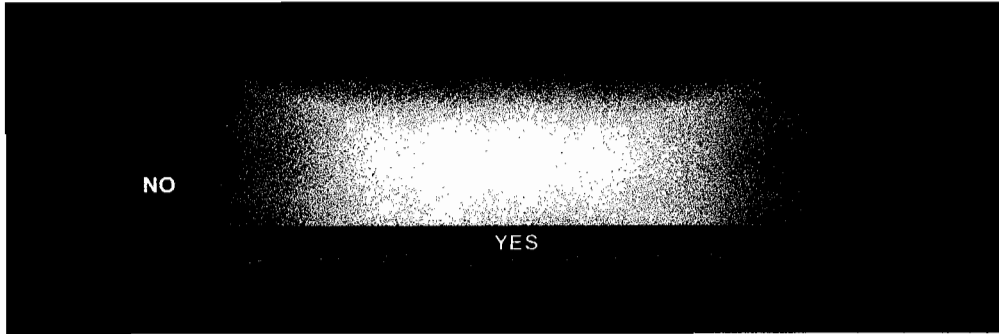


Figure 4.7: Increase/growth in tourist arrivals

According to Figure 4.7 all the destinations indicated that they believe the increase/growth in tourist arrivals was due to the marketing efforts. This is an indication of the importance of marketing for the tourism industry. Although all destinations indicated a growth in tourist arrivals Table 4.2 showed a decline for some destinations.

4.2.11 KEY SUCCESS FACTORS FOR SUCCESSFUL MARKETING

Participants consider the following to be key success factors for marketing:

- Target marketing and selection of adequate promotional tools (93%).
- Reliable market research (67%).
- Forming a positive image of the destination, therefore positioning (33%).

Participants strongly believed that an adequate promotion campaign is very important together with target marketing (93%). Reliable market research is seen as very important (67%). Participants feel that a positive image of the destination plays a crucial role and includes a good welcome at the destination and also focus on internal marketing (33%). Internal marketing refers to the promotion of the destination to the locals first because if the locals are positive about tourism they will handle the tourists in a total different way.

4.2.12 OTHER SUGGESTIONS

Other suggestions included the following:

- internet development is becoming more and more important
- constant change/new ideas/promotions/themes
- encourage repeat visits.

4.3 CONCLUSIONS

The aim of the chapter was to reflect the results of the empirical research in order to determine the KSF's for segmenting South Africa as a tourism destination. The KSF's in this chapter were concluded from a combination of all the questions in the questionnaire. These factors will enable South Africa to improve current target marketing and promotion strategies.

From the results it is clear that an increase in the number of visitors do not come effortlessly. Even the top tourism destinations need to develop a specific marketing focus in order to be successful. Visitors to these countries come mainly from Germany, the UK and the USA. These countries can be seen as those that travel a lot.

It was also found that economic analysis and market segmentation strategies are used in terms of target marketing. Arrival figures play an important role, this is especially important in the tourism industry. Budget allocations vary from destination to destination as well as the percentage allocated for research and promotion. It was found that the highest percentage of the marketing budget is allocated for promotion. The majority of the participants focus on the same markets, this can open opportunities in new markets, but will also imply niche marketing within those markets.

Participants agreed that the Internet, trade shows and consumer shows were the best promotion methods used for their most important markets. Some destinations do not have a specific method to choose promotion for a specific target market, but market segmentation and reliable market research is seen as the most important methods.

The key success factors for market segmentation includes the following:

- Target marketing and selection of adequate promotional tools.
- Reliable market research.
- Forming a positive image of the destination, therefore positioning.

The main reasons why destinations choose specific promotion methods for a specific target market include the following:

- Reliable market research.
- Thorough knowledge of the destination, its regions and its products.
- Proper market segmentation.
- Variety and volume of tourist numbers.

In chapter 5, conclusions are drawn from the study and recommendations regarding market segmentation, promotion selection criteria and further research are made.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

'If you don't take care of the customer somebody else will'

Anonymous

5.1 INTRODUCTION

In this chapter the research is concluded, therefore the aim of the chapter is to:

- provide conclusions of the research
- make recommendations concerning the research.

In chapter one the overview of this research was discussed. The introduction and problem statement were stated, namely what are the key success factors in market segmentation of South Africa as a tourist destination, as well as other objectives were determined. Research methods and basic concepts were explained and clarified.

Chapter two focused on analysing market segmentation, indicating the importance of market segmentation as well as the benefits. The process of developing a market segmentation strategy was described. The process consists of the following steps:

- Step 1: Analyse existing information.
- Step 2: Define markets to be segmented.
- Step 3: Identify/apply segmentation bases.
- Step 4: Identify/apply methods for deriving segments.
- Step 5: Evaluate the segments.
- Step 6: Select the segments.
- Step 7: Target market strategies.
- Step 8: Marketing mixes.
- Step 9: The positioning process.

The barriers to market segmentation was identified and solutions for these barriers were discussed. In this chapter the importance of following the process has been stressed.

In chapter three the planning of the promotion mix were discussed in order to enable destinations to choose the right promotional mix for the right market. The process of developing a promotional strategy was described.

The process consists of the following steps:

- Step 1: Determine the target market.
- Step 2: Analyse the characteristics of each promotional method.
- Step 3: Promotion selection criteria.
- Step 4: Determine the communication requirements and creative elements.
- Step 5: Determine the efficiency/effectiveness balance.
- Step 6: The promotional schedule.
- Step 7: The budget.

The steps were discussed and it was indicated how to apply each according to the product/destination.

In chapter four the results of the empirical research were reflected in order to determine KSF's for segmenting South Africa as a tourist destination. Responses to the questionnaires were interpreted and possible success factors regarded as important, were identified.

From the research various conclusions can be made regarding the research objectives. These conclusions are subsequently presented.

5.2 CONCLUSIONS

The following conclusions regarding the research can be drawn, namely:

- Conclusions with regard to market segmentation from the literature study.
- Conclusions with regard to promotion selection criteria.
- Conclusions with regard to the survey.

The above-mentioned are concluded next.

5.2.1 CONCLUSIONS WITH REGARD TO MARKET SEGMENTATION FROM THE LITERATURE STUDY

The following are regarded as the main conclusions with respect to research objective 1 (cf. 1.3.2):

- Market segmentation is part of the strategic marketing process that enables destinations to work towards definite long-term goals and strategies to position a destination as a tourist attraction (cf. 2.1).
- Because of globalisation, budget constraints and better educated tourists, market segmentation is becoming increasingly important (cf. 2.2).

- Two of the most important benefits of market segmentation are increased marketing efficiency and the gaining of a competitive advantage (cf. 2.3).
- Market focus (market segmentation) is one of the key success factors of marketing (cf. 2.4).
- The process of developing a market segmentation strategy is one of the keys to successful marketing (cf. 2.4).
- A market analysis is crucial to market segmentation and will consist of a detailed analysis in order to determine the needs of the tourists (cf. 2.4.1.1).
- The tourist does not make purchase decisions in isolation. The mix of cultural, social, personal, psychological factors and previous experiences, which influence behaviour, are largely uncontrollable (cf. 2.4.1.2).
- There are various bases that can be used in the market segmentation process, more than one base can be used to segment the market (cf. 2.4.3).
- A variety of methods are used by destinations to form the markets. These include the following: cluster analysis, regression analysis, automatic interaction detector, latent class analysis, judgement based segmentation, factor and component analysis, expenditure patterns, arrival figures, mode of travel, travel motivation and economic impact analysis (cf. 2.4.4).
- After segmenting the markets, target marketing strategies need to be chosen (cf. 2.4.7).
- Based on the selected market segments the appropriate marketing mixes need to be determined (cf. 2.4.8).

5.2.2 CONCLUSIONS WITH REGARD TO SELECTING THE RIGHT PROMOTIONAL METHODS FOR THE RIGHT TARGET MARKET FROM THE LITERATURE STUDY

The following are regarded as the main conclusions with respect to research objective 2 (cf. 1.3.2):

- The main reasons why destinations choose specific promotion methods for a specific target market include:
 - Reliable market research

If the marketing strategist does not have the knowledge concerning the demographics, psychographics, spending patterns, needs and wants of the target market it will be difficult to determine which promotional methods to use.
 - Thorough knowledge of the destination, its regions and its products

Knowledge of the destination and its products gives the marketing strategist insight into new trends in that specific market, which enable him/her to adapt marketing and

- promotion strategies.
- o Proper market segmentation.
When research concerning the target market is done properly, one is able to do more specific market segmentation which then refers to niche marketing. Niche marketing focuses on a smaller market, but the marketing done is more concentrated on a specific market. This situation allows the more effective selection of promotion methods.
 - o Variety and volume of tourist numbers.
Since destinations have to work with specific budgets it is important to reach 100% of the target market with 0% wastage of resources. One cannot focus a whole promotional campaign on a market with less potential or too little volume.
- The management of the international marketing communication environment is challenging due to the competitiveness between destinations and the number of competitors in the tourism industry (cf. 3.1).
 - Changing trends and needs of the tourists have led to a changing marketing environment (cf. 3.1).
 - The marketing strategist should focus on integrated marketing communication (cf. 3.1)
 - Promotional planning is a process of designing a scheduling plan that shows how advertising time and space will contribute to the achievement of marketing objectives (cf. 3.2).
 - The choice of promotion methods is in many respects the most complicated of all marketing communications decisions due to the variety of decisions that must be made (cf. 3.2).
 - Promotional planning is the most direct extension of target marketing in the marketing process (cf. 3.3).
 - The promotional strategy that was discussed in chapter 3 will lead to choosing the correct promotion methods (cf. 3.3).
 - Customisation and individualisation of marketing are more effective and should be reflected in the promotional plan (cf. 3.3.1).
 - Decisions about the choice of promotional methods are complex. Literature indicated the following aspects that influence these decisions: the objective, the target market, the message, frequency and reach, the budget, the influence of the external environment and the timing of the message (cf. 3.3.3).
 - The value of a promotional strategy can be determined by how well it delivers the message to the target market, with the lowest cost and the least amount of waste (cf. 3.3.7).

5.2.3 CONCLUSIONS WITH REGARD TO THE USE OF DIFFERENT METHODS OF MARKET SEGMENTATION AND SELECTION OF PROMOTIONAL METHODS FROM THE SURVEY

Regarding research objective 3 (cf. 1.3.2), it was primarily found that:

- Most of the destinations that participated in this survey targeted exactly the same markets for the year 2000 and 2001 which can lead to advertising clutter at these destinations. On the other hand it urges destinations to do more effective market segmentation, namely niche marketing (cf. 4.2.2).
- Economic analysis and arrival figures are some of the most important methods marketing strategists can use in order to do effective market segmentation. The problem that arises here is that tourism literature still focuses on the old methods of market segmentation and these sources need to include these strategies. (cf. 4.2.4).
- A high percentage of destinations still make use of the more traditional types of target marketing strategies for example demographic analysis (cf. 4.2.4).
- The average budget for 2001 was \$33.73 million (cf. 4.2.5).
- In general small percentages of the total budget were allocated to research (cf. 4.2.5).
- High percentages of the total budget are allocated to promotional campaigns (cf. 4.2.5). The question that can be asked is if a significant amount/budget is required if the market segmentation was properly done?
- Most destinations indicated a total number of between one and three primary markets, total of secondary markets also between one and three, but other markets range between seven and ten (cf. 4.2.6). The budget also influences the number of markets that can be targeted since budgets are determined by the state.
- Promotion methods frequently used are the internet, consumer shows and trade shows (cf. 4.2.8).
- The main reasons why destinations choose specific promotion methods for a specific target market include: reliable market research, knowledge of the destination, its regions and its products, market segmentation plays a role as well as market volume (c.f.: 4.2.9).
- All participants believed that the increase in arrivals is due to the marketing efforts (cf. 4.2.10).
- The key success factors for market segmentation include the following:
 - Target marketing and selection of adequate promotional tools.
 - Reliable market research.
 - Forming of a positive image, therefore positioning (cf. 4.2.11).
- The importance of Internet development and websites are stated again (cf. 4.2.12).

- A problem that was identified during the conduction of the study is that literature is vague about the practical elements of market segmentation. There are no clear guidelines (step-by-step) that can help destinations to do more effective market segmentation.

5.3 RECOMMENDATIONS

Recommendations regarding market segmentation, the selection of promotional methods as well as recommendations for further research can be made:

5.3.1 RECOMMENDATIONS REGARDING MARKET SEGMENTATION

The following recommendations can be made in order to do effective market segmentation:

- The key success factors that have been identified include the following:
 - Target marketing and selection of adequate promotional tools
Target marketing is important for it enables the marketing strategist to segment the market into different groups of tourists with the same needs and wants and therefore make the selection of promotion methods easier.
 - Reliable market research
In order to do market segmentation one needs information. Decisions have to be based on this research and not on an adhoc basis. Different bases are available to obtain the necessary information which include demographic, geographic, psychographic and behavioural information.
 - Forming a positive image, therefore positioning
The image of the destination in the mind of the tourists influences the holiday decisions tourists make in terms of destinations.
- An economic analysis of the market, the arrival figures and traditional methods of segmentation should be used in combination to ensure more successful target marketing.
- Destinations should know and understand the product lifecycle for each target market to avoid segmenting the same markets every year.
- Budgets need to be planned well. Maybe, more money spent on research can lead to more effective promotional methods selected. A substantial budget does not necessarily mean effective marketing, with a small budget, but effective market segmentation, a destination can be successful in the marketing strategy.
- Destinations should consider between one and three primary markets and the same with secondary markets. This will lead to market focus which in the long-term will prove to be more successful.

5.3.3 RECOMMENDATIONS REGARDING PROMOTIONAL METHODS

The following recommendations can be made to enable destinations to choose the right promotional methods:

- Adequate marketing research concerning the promotional methods and the target market is crucial.
- Destinations should improve their Internet websites and links in order for this promotional tool to be successful.
- Destinations should divide the promotional methods between the different markets in other words not always using the same methods for the different markets.
- When choosing the promotional methods the following should be considered: reliable market research, knowledge of the destination, its regions and its products, market segmentation plays a role as well as market volume.
- General recommendations include the following:
 - It is important that promotional material should be in the language of the target market
 - A good welcome and internal marketing is important
 - Give the consumer what he/she wants
 - Offer superior products and services
 - Have an adequate promotional campaign.

5.3.2 RECOMMENDATIONS REGARDING FURTHER RESEARCH

- The process to follow when conducting target marketing needs to be further researched and presented in such a manner that it is easily understood and implementable in the industry.
- A new classification of target marketing strategies needs to be developed for the tourism industry, since arrival figures, spending and previous experience influence the target market decisions.
- The process of promotion selection needs to be developed in more detail. A lot of today's marketing strategists use the same methods as the previous year without researching and implementing alternatives.
- A computer-based programme can be developed that integrates the behaviour of primary markets in each destination and links it to the promotion available in that destination in order to facilitate the right decisions.
- It is also recommended that after thorough research concerning the new methods used in market segmentation, specifically for the tourism industry, that this information should be included in literature concerning tourism marketing. It should be presented in a practical manner in order to implement it easily.

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