

Segmentation in tourism: a holistic approach for future research

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Abstract

This paper provides an overview of segmentation research issues in the field of tourism. Several gaps in tourism segmentation research are highlighted. Research in this area is usually limited to identification of market segments. Hence, it does not address questions about compatibility, financial issues, possible resources or the implementation of segments into marketing practice. To date, there is a lack of comparative analysis of segments in tourism, in terms of both different time periods and competing destinations. Following the identification of gaps in tourism segmentation research, a holistic approach to segmentation in tourism is presented as a tool for filling these gaps. The proposed approach is an ongoing, cyclical process that can be applied by tourism destinations and tourism suppliers.

Key words: segmentation, tourism, research

1 Introduction

Segmentation has been widely used by academics and practitioners in tourism marketing for decades. Although segmentation contributes to a better understanding of tourism consumers, the results and findings of segmentation studies are destination- or product-specific (Goller et al., 2002) and cannot be generalized (Frochot & Morrison, 2000). This lack of transferable findings has led to a profusion of studies. For example, there have been studies of the segments of visitors to national parks (Beh & Bruhere, 2007), specific resorts (Inbaharan & Jackson, 2005), casinos (Lee et al., 2006) and festivals (Lee et al., 2004).

Segmentation is a crucial tool for selecting target markets and for market (re)positioning (Kotler et al., 2010). Indeed, there is a large body of literature on segmentation in the tourism industry, including several pieces of research reviewing segmentation studies and emphasizing the importance of segmentation in tourism marketing. For example, Dolnicar and Gruen (2008) performed a review of 32 segmentation studies published between 2000 and 2005 in highly rated international tourism journals. Similarly, Tkaczynski and Rundle-Thiele (2011) reviewed 120 segmentation studies on tourism events published between 2002 and 2008. Even earlier, Frochot and Morrison (2000) reviewed writings that showed the benefit of segmentation studies in tourism.

This paper aims to present a comprehensive summary of the characteristics of tourism segmentation studies as well as to identify the gaps in tourism segmentation research and, further, to propose a holistic segmentation framework designed to yield recommendations for further tourism segmentation research. The limitation of this paper is that studies published only in highly ranked tourism journals were included in the research.

The paper is structured as follows. First, the types of tourism segmentation are described. Then the gaps in tourism segmentation research are investigated. Next, the holistic tourism segmentation framework is proposed. The paper concludes with recommendations for further tourism segmentation research.

2 Types of segmentation analysis in tourism marketing

Market segmentation divides heterogeneous consumers in the market into homogeneous segments (Middleton et al., 2009). According to Doyle (2002), segmentation helps to better meet the needs of consumers and thereby retain them, to enhance profits and opportunities for growth, to improve targeted communication and market share, and to stimulate innovation. Doyle argues that increasing profits through segmented marketing encourages innovation in the form of the introduction of new products into the market.

However, even homogeneous groups of visitors can be seen from different aspects. As Tkaczynski and Rundle-Thiele (2011, 426) state, "There is no one correct way to segment a market". A broad review of the literature shows that segmentation techniques are based predominantly on the viewpoint of consumers. Consequently, the perspectives of other stakeholders are neglected. Tkaczynski et al. (2009) and Tkaczynski et al. (2010) recommend including other stakeholders, such as tourism providers, investors, employees, industry experts and residents, who could provide additional understanding of consumers and their behavior. One of the few studies to focus on non-consumer stakeholders was published by Ravnikar and Planinc (2011), who investigated tourism suppliers.

Review of the literature shows that segmentation is usually destination- or product-specific. As such, there is an inherent limitation to its generalization (Goller et al., 2002; Dolnicar, 2004). In short, segments of visitors to a specific destination cannot be applied to other destinations. There must be a match between destination segments and segments of tourism suppliers (Dolnicar, 2004), but to date research has focused either on segments in a destination or on segments of tourism suppliers, neglecting the relationship between the two segments. Similarly, Shoemaker et al. (2007, 342) discuss the need for compatible segments to co-exist. Furthermore, research on compatibility between segments is crucial for successful innovation in and implementation of destination marketing (Križaj & Črnigoj, 2008).

Various consumer characteristics, such as geographic, demographic, psychographic, motivational, expenditure and activity, are used in segmentation research to divide the market (for example, Dolnicar & Leisch, 2003; Fernandez-Morales & Mayorga-Toledano, 2008; Diaz-Perez et al., 2005; Koc & Altinay, 2007; Nemeč Rudež et al., 2011). The choice of variables has an important impact on research results. Further, Tkaczynski et al. (2009) found that various combinations of consumer characteristics (demographic, behavioral, etc.) are typically used in tourism research. Frochot and Morrison (2005), however, show that some variables related to visitor motivation and behaviour are generally used in combination with other variables that are destination-specific.

Besides being based on various consumer characteristics, segmentation can be divided into *a posteriori* and *a priori*. The *a posteriori* or data-driven method of segmentation identifies the characteristics of segments after data are acquired. Motivation or activity segmentation is an example of *a posteriori* segmentation technique because the segments and their identifying characteristics are not known in advance. On the other hand, demographic and geographic segmentation are so-called *a priori* segmentation methods since these characteristics are known in advance (Yannopoulos & Rotenberg, 1999). Tkaczynski et al. (2009) argue that some characteristics of consumers yield more knowledge about segments than others. More specifically, motivation or activity segmentation using an *a posteriori* segmentation technique can predict consumer behavior and can play an important role in decision making for managers and destination policy makers, whereas demographic and geographic segmentation fail to predict consumer behavior and do not produce information that can be used in designing the product. Rather, demographic and geographic segmentation are important for choosing the marketing media and for media budget allocation. However, Johns and Gyimothy (2002) and Lehto et al. (2002) argue, respectively, that geographic and demographic segmentation have been overused and overestimated, because they are unable to predict the behaviour of customers.

Regarding comparison of segments between different time periods or among tourism destinations, Dolnicar (2004) warns that *a posteriori* segmentation is a complex and exploratory field, because the comparison of segmentation studies is complex and decreases reliability of results. Dolnicar reasons that, although segmentation comparison is based on the use of the same questionnaire and the same sampling method, the possibility of some distortions cannot be excluded. However, tracking segments in different periods of time is crucial for monitoring development and implementation of positioning strategy for tourism destinations and/or tourism suppliers. The season under investigation is also important when determining segments of tourism consumers. Calantone and Johar (1984), Gitelson and Kertsetter (1990), Bonn et al. (1992) and Diaz-Perez et al. (2005) found that segments of visitors differ between seasons. Just a few studies, however, have highlighted the importance of seasons in tourism segmentation. Dolnicar and Leisch (2003) identified segments of winter tourists. Similarly, Spencer and Holecek (2007) investigated the characteristics of autumn tourists. Comparison of segments between competing tourism destinations is also recommended, but only a few studies have focused on it. Prašnikar et al. (2006; 2007) compare segments of tourists to Portorož and its two close competitors, Grado in Italy and Opatija in Croatia, using segmentation by motives of tourists.

The literature review shows that the method most often used to study and identify market segments is factor-cluster analysis, but there are also other methods, such as neural networking (Bloom, 2005) and econometric methods (Figini & Vici, 2011). Factor-cluster analysis is the most widespread in the literature.

3 Gaps in tourism segmentation research

More than a decade ago, Yannopoulos and Rotenberg (1999, 43) stated that market segmentation research is increasing among tourism researchers and tourism organizations in order to make their marketing efforts more effective. Even so, Goller et al. (2002, 252) found that segmentation research efforts are focused

on “development of segmentation bases and models at the expense of a more strategic view” and that there are “gaps between theory and implementation and better recommendations to practitioners”. Indeed, strategic marketing should focus on implementation of segments into marketing strategies and monitoring. Review of the literature on tourism segmentation shows that segmentation research usually has some managerial implications, such as recommendations on marketing mix development, tourism supply differentiation and identification of market opportunities, but the recommendations tend to be rather general and therefore not that useful. For example, Tisotsou and Vasioti (2006, 71) provide common recommendations which can be applied to any other type of segmentation research in the field of tourism destination. Their study stated that segmentation results could “firstly, provide the base for target marketing, secondly, assist in developing more effective marketing mixes in order to satisfy the needs of specific visitor segments, thirdly, facilitate destination differentiation, and fourthly, provide easier identification of market opportunities and threats”. This example illustrates the weakness of segmentation studies, in that guidelines are often too general to result in implementation of successful marketing strategies.

Additionally, Frochot and Morrison (2000, 36) state that research in tourism segmentation should consider the profitability, accessibility and reachability of segments. The review of the literature shows that these concepts are neglected. Similarly, Shoemaker et al. (2009) define seven questions or tests to which each segment should be subjected. The questions are: Is it homogeneous? Can it be identified? Can it be measured? Can it be reached economically? Can a differential in competitive advantage be maximized and preserved? Is it compatible with other segments we may have at the same time? Are the segments large enough and/or profitable enough? Frochot and Morrison (2000) and Jang et al. (2002) state that marketing strategies should consider quantifiable profitability and risk evaluation criteria of segments. Loker and Perdue (1992) represent one of the few studies researching the profitability of segments. Going further, Doyle (2002, 76) urges that

suppliers “shift resources out of maturing market segments into the new emerging ones”, highlighting the issue of profitability of segments and the importance of their continued research.

It can be seen that studies on segmentation in tourism are concentrated in just a small set of areas, leaving a set of gaps that can be addressed by a holistic segmentation approach. Goller et al. (2002) developed an integrated segmentation framework to help overcome the gaps in segmentation research. It consists of four components which follow each other in sequence. These are (1) segmentation analysis, (2) evaluation of segmentation consisting of “segmentability” (homogenization of segments) and target market selection, (3) integration of findings into strategy and resource allocation and (4) monitoring of segmentation that includes review of the stability of segments and effectiveness of marketing strategies. It is a general model that does not consider the specifics of tourism destinations or the need for compatibility of segments for a given destination.

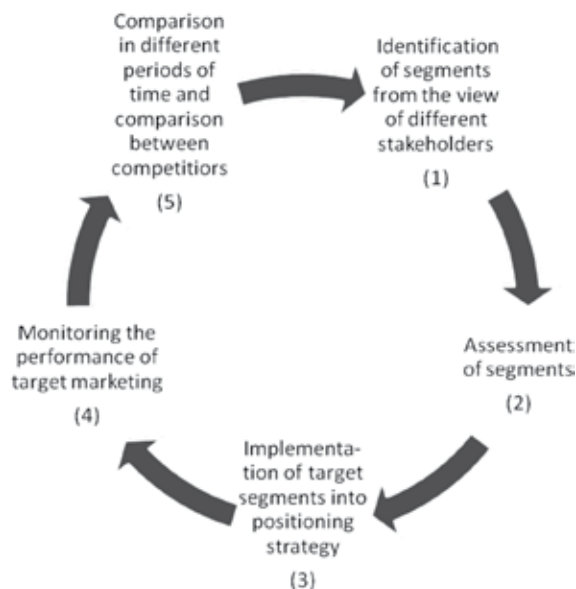
4 Holistic approach to segmentation in tourism

The proposed holistic approach to tourism segmentation offers a comprehensive framework for useful segmentation outputs and tangible results. It is proposed in the form of a cycle, which starts with the assessment of tourists by different stakeholders (Figure 1). At the first stage, the heterogeneous market is divided into more homogeneous groups of consumers, according to the view of the various stakeholders in tourism destination. At the second stage, when the distinct segments have been identified, their compatibility is assessed. At this stage, the segments should be analyzed as to whether they can be reached economically and whether it would be possible to develop a competitive advantage for the distinct segments. Segmentation research generally skips this step, focusing only on identification of market segments and some general recommendations for implementation.

As part of the third stage, target segments are implemented into a positioning strategy. Product develop-

ment and market communication should be targeted to distinct segments. At the fourth stage, implementation is monitored in order to provide feedback to researchers and other interested audiences. It is recommended that the process be repeated at different times (stage 5) to derive comparisons for the different seasons of the year. Altogether, the cycle forms an ongoing process for the continuous assessment of market evolution.

Fig. 1: Holistic tourism segmentation cycle



The most problematic point in the proposed approach is the implementation of research findings into practice since this requires allocation of available resources and investment. Although funding is not, as a rule, explicitly discussed in research studies, it is assumed that tourism segmentation research is not driven predominantly by investors and is not financed by them. This funding gap may largely account for the general lack of implementation of segmentation research results. Overall, the question arises as to whether investors and tourism suppliers are aware of the research findings and whether they are willing to implement the results into practice.

5 Conclusion

This paper presents a comprehensive synthesis of the various issues in tourism segmentation. Through a review of the literature, the paper identifies areas for further tourism segmentation research and provides an introduction to a holistic approach to segmentation in tourism. To address gaps in tourism segmentation, the holistic tourism segmentation approach is structured in the form of an ongoing cyclical process.

Several points are highlighted in regard to tourism segmentation research. First, segmentation studies are specific to a particular situation in a specific period of time. Second, the choice of basis and variables used in segmentation depends on the researcher and, therefore, the output is subjective and always subject to debate. Even so, the choice of variables determines the results. Third, tourism segmentation research should include profitability, reachability and compatibility of segments, as well as investigating the competitive advantages of segments. Fourth, the application of identified segments to other, even similar, destinations or tourism products is not recommended because of the uniqueness of each. This lack of transferability has resulted in the vast body of literature on tourism segmentation. Fifth, comparison of segments between destinations and between different time periods is recommended. There are only a few studies that compare segments between time periods or between destinations. The reason probably lies in the complexity of such comparisons. Sixth, research on segmentation in tourism is limited to the viewpoint of consumers, omitting the viewpoint of other stakeholders, such as investors, tourism suppliers and employees. The last and most important finding is that academic research in tourism segmentation seems to be isolated and ineffective, since it is not used to design and implement appropriate marketing mixes and positioning strategies. However, it is also true that recommendations made in tourism segmentation research are typically general in nature and lack consistent guidelines. In summary, the holistic tourism segmentation approach seeks to overcome the above-mentioned gaps and ensure a coherent and comprehensive framework of tourism segmentation. Thus, segmentation research in tourism must expand

to neglected areas (such as economic aspects and compatibility of segments) and offer guidelines to destination marketers and destination-policy decision makers. In other words, segmentation research must be effectively implemented. Putting segmentation research into practice, in turn, calls for investors able to implement and monitor products and promotion for distinct segments.

As the final word, researchers in the field of strategic marketing and (re)positioning strategies must take into account that identification of distinct segments is just the first step of the holistic segmentation process, that calls for follow-through application and cooperation with destination policy makers and tourism suppliers to achieve good marketing results in practice.

Segmentiranje v turizmu: celovit pristop za nadaljnje raziskovanje

Povzetek

Članek podaja pregled raziskav o segmentiranju trga na področju turizma. Poudarjene so različne vrzeli na področju segmentiranja turističnega trga. Raziskave tega področja so navadno omejene na identificiranje tržnih segmentov, in ne na področje združljivosti segmentov, finančnih vidikov, virov ali implementacije tržnih segmentov v trženjsko prakso. Dosedanje raziskave odražajo pomanjkanje primerjalne analize segmentov v turizmu tako s časovnega vidika kot z vidika primerjave med različnimi destinacijami. Skladno z identificiranjem vrzeli obstoječih raziskav na področju segmentiranja v turizmu je predstavljen celovit pristop segmentiranja turističnega trga kot orodje za odpravo teh vrzeli. Predstavljeni krožni, ponavljajoči se model lahko uporabljajo turistične destinacije in turistični ponudniki.

Ključne besede: segmentiranje, turizem, raziskovanje

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