

# Market segmentation in tourism

[Business](#), [Marketing](#)



Market Segmentation in Tourism Every tourist is different. Every tourist feels attracted by different tourist destinations, likes to engage in different activities while on vacation, makes use of different entertainment facilities and complains about different aspects of their vacation. While all tourists are different, some are more similar to each other than others: many people enjoy culture tourism, many tourists like to ski during their winter holiday and many tourists require entertainment facilities for children at the destination. Acknowledging that every tourist is different and that tourism industry cannot possibly cater for each individual separately forms the basis of market segmentation. Smith (1956) introduces the concept of market segmentation as a strategy. He states that " Market segmentation [...] consists of viewing a heterogeneous market (one characterized by divergent demand) as a number of smaller homogeneous markets". When segmenting a market, groups of individuals are developed which are similar with respect to some personal characteristic. The particular personal characteristic with respect to which similarity is explored is the segmentation criterion or segmentation base. Segmentation criteria / bases can be socio-demographics (for instance, old versus young tourists), behavioral variables (skiers versus sightseers) or psychographic variables (tourists motivated by rest and relation versus those motivated by action and challenges). Market segmentation can be applied by any unit operating in tourism industry: hotels, travel agencies, tourist attractions, restaurants, and local charities. A tourism destination is the entity for which market segmentation is conducted. The benefit of market segmentation lies in a tourist destination being able to specialize on the needs of a particular group and become the

best in catering for this group. In doing so the destination gains a competitive advantage because (1) competition can be reduced from the global market to tourism destinations specializing on the same segment (e. g., all ecotourism destinations), (2) efforts can be focused on improving the product in a specific way rather than trying to provide all things to people at high cost (e. g., a family destination is unlikely to need extensive nightlife options), (3) marketing efforts can be focused by developing the most effective message for the segment targeted (e. g., a sun and fun message for young tourists traveling with friends) and by communicating the message through the most effective communication channel for the segment (e. g., in national geographic or other nature magazines for ecotourists), and finally, (4) tourist experiencing a vacation at a destination that suits their special needs are likely to be more satisfied with their stay and, consequently, revisit and advertise the destination among like-minded friends. Or, as Smith stated in his seminal paper (1956): " market segmentation tends to produce depth of market position in the segments that are effectively defined and penetrated. The [organization that] employs market segmentation strived to secure one or more wedge-shaped pieced [of the market cake]." The examples above demonstrate that the expected outcome from market segmentation is competitive advantage. Consequently, the aim of the actual segmentation task is to Group tourists in the way that is of most managerial value. In order for a segment to be managerially useful a number of requirements should be fulfilled: 1. The segment should be distinct meaning that members of one segment should be as similar as possible to each other and as different as possible from other segments. 2. The segment should

match the strengths of the tourism destination. 3. The segment should be identifiable. While female travelers can be identified very easily, identification of those visitors who are motivated by rest and relaxation may not be as simple. 4. The segment should be reachable in order to enable destination management to communicate effectively. For instance, surf tourists are likely to read surf magazines which could be used to advertise the destination. 5. A segment should be suitable in size. This does not necessarily imply that a bigger segment is better. A tourism destination may choose to target a small niche segment that represents a large enough market for the particular destination and has the advantage of having very distinct requirements. The above criteria for the usefulness of segments have to be considered when one or more of many possible segments are chosen for active targeting. Market segments can be derived in many different ways. All segmentation approaches can be classified as being either a priori (commonsense) segmentation approaches (Dolnicar 2004a ; Mazanec 2000) or a posteriori (post hoc, data-driven) segmentation approaches (Dolnicar 2004a; Mazanec 2000; Myers and Tauber 1977). The names are indicative of the nature of these two approaches. In the first case destination management is aware of the segmentation criterion that will produce a potentially useful grouping (commonsense) in advance, before the analysis is undertaken (a priori). In the second case destination management relies on the analysis of the data (data-driven) to gain insight into the market structure and decides after the analysis (a posteriori, post hoc) which segmentation base or grouping is the most suitable one.