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## **Introduction**

This paper commences with an examination of a number of approaches to understanding the complex processes involved in the traveller destination decision process. The discussion leads to an evaluation of each of the components seen to influence destination choice between individual travellers. The means of effectively grouping these individuals into meaningful market segments emerges as a key issue in tourist destination marketing. A number of approaches to market segmentation are considered along with an evaluation of several segmentation studies which have been undertaken in the Australian domestic tourism industry. In addition, means of better implementing destination marketing strategies based on methods of achieving more effective segmentation is discussed. Finally, recommendations have been made relating to positioning destinations more effectively and communicating relevant information to target markets.

## **Leisure travel destination decision process**

Effective destination marketing management requires a detailed understanding of the complex processes involved in the traveller destination decision-making process. Much has been written in academic literature on the destination decision process resulting in a range of theoretical models (Chon, 1990; Woodside & Lysonski, 1989; Gunn, 1989; Clawson & Ketch, 1966). The following discussion examines the evolution of traveller decision-making models with a view to providing a comprehensive model from which this research will ensue.

It has been widely held among researches in the buyer behaviour field, that the consumer's decision to purchase is a multi-staged process (Chon, 1990; Woodside & Lysonski, 1989; Mayo & Jarvis, 1981; Hunt, 1975; Gunn, 1972; Clawson & Ketch, 1966). The classic decision making process, drawn from consumer behaviour literature, as outlined by Kotler (1998), identified that consumers transit the stages of:

1. need recognition
2. information search
3. evaluation of alternatives
4. choice of product or service and
5. post-purchase evaluation.

This model outlines the steps involved in purchases that are new and/or complex. It should be noted that not every purchase goes through each step of the model; in routine re-purchase situations such as purchasing low involvement household items, for

example milk, the consumer may go straight from need recognition to purchase. However, this model recognises that the buying decision process may start long before actual purchase and continue long after, signalling that marketers need to focus on the entire buying process rather than just on the purchase decision. (Kotler, 1998)

Need recognition is the first stage in the buyer decision process in which the consumer recognises a problem or a need. This need may be triggered by internal stimuli such as hunger or thirst or by external stimuli such as exposure to a new product or advertising message. Following on from need recognition, information search is the stage in the process where the consumer is aroused to search for more information. This state of arousal may encourage the consumer to go in active search of information or may heighten their attention to relevant information sources including advertising (Kotler, 1998). It is vital marketers understand the sources from which customers draw their information if they are to influence the decision process (Gartner, 1993).

Once sufficient information is gathered, the consumer moves into the evaluation of alternatives phase where they evaluate alternative solutions to their needs. The evaluation process is a complex one which varies depending on the buying situation. However, in general terms the consumer will examine the attributes of the product, assign different levels of importance to such attributes, determine the likely level of overall satisfaction with each alternative and derive an attitude toward the different solutions/brands (Kotler, 1998). Marketers need to understand how their customers evaluate alternatives so they may take steps to influence the outcome. For example, the marketing entity could alter the attributes of the product, or inform customers of the benefits of certain attributes or influence the importance rating of particular attributes of the product.

In the evaluation stage, consumers rank brands and form purchase intentions (Kotler, 1998). Generally the consumer's purchase decision will be to buy the preferred brand/solution but two factors can come between the purchase intention and the purchase decision. The first factor is the attitude of other people who influence the purchase decision, for example family members. Marketers must therefore be aware of those who influence the in a buying decision and may use targeted communication to influence their attitudes, as well as those of the purchaser. The second factor is unexpected situational factors such as out-of stock situations, or finding some element of the marketing mix which does not meet their expectation, such as discovering a price increase or finding the service at a distribution outlet unsatisfactory (Kotler, 1998).

The decision process is not complete when the sale has been made as the consumer will either be delighted, satisfied or unsatisfied with the outcome and will engage in post-purchase evaluation (Kotler, 1998). The relationship between consumer expectations and their perception of product performance will determine their satisfaction level. Creating delighted or at least, satisfied customers is essential as this both assists in customer retention and can lead to new business through satisfied customers becoming advocates for the product and promoting it via word-of-mouth. Marketers therefore must monitor both customer expectations and their satisfaction levels (Lovelock, Patterson & Walker, 2001).

Researchers in the tourism and recreation area concerned with the travel purchase decision have made similar observations to that of researchers investigating the consumption decision. The decision to travel has been recognised as multi-phased rather than a single step process (Chon, 1990; Gunn, 1989; Clawson & Ketch, 1966). Clawson and Ketch (1966) identified a five-phased process in their recreational behaviour model:

1. Anticipation: planning and thinking about the trip
2. Travel to the site: getting to the destination
3. On-site behaviour: behaviour at the site or destination region
4. Return travel: travelling home
5. Recollection: recall, reflection and memory of the trip.

The anticipation stage in this travel decision process incorporates the activities undertaken prior to travel, including need recognition and information search. Travelling to the site could involve a range of experiences and service encounters depending on the mode of transport. In some travel situations travel to and from the site may be a major part of the travel experience as in the case of long haul international travel or luxury train journeys. Behaviour on the site incorporates the actual travel experience and is influenced by a wide number of service providers including the accommodation facility, recreation outlets, retail services and interaction with other travellers. Recollection and recall of the trip includes the post-purchase evaluation phase of the decision model that will have a major impact on the next purchase decision (Clawson & Ketch, 1966).

The later work of Gunn (1989), identified a seven stage process in the leisure travel experience:

1. Accumulation of mental images about vacation experiences
2. Modification of those images by further information
3. Decision to take a vacation trip
4. Travel to the destination
5. Participation at the destination
6. Return travel
7. New accumulation of images based on the experience.

Gunn (1989) made explicit reference to changes in destination image as the consumer moves through the seven stages of the leisure travel experience. The process begins with the accumulation of destination images from a wide variety of sources that are then modified as a result of extended information search. These images are again altered during the post-purchase evaluation of the travel experience, implying the concept of continually evolving destination image. This observation supports the work of Hunt (1975) and Mayo and Jarvis (1981), who argue that a traveller's choice of destination is subjective and multi-faceted. While there are many factors involved in the decision making process, the most important is based on the image projected by a set of alternatives and the perceived ability of that image to most closely satisfy the travellers' needs (Mayo & Jarvis, 1981).

Notably, the consumer behaviour model and these two travel decision models, include some variation on the need recognition, information search and post-evaluation phases. The *anticipation* stage in Clawson and Ketch's (1966) model is related to the first three stages in Gunn's (1989) model, incorporating both the need recognition and information search phases. Post-purchase evaluation is captured as stages five and seven in the respective models. However, the fundamental differences between the consumer behaviour model (Kotler, 1998) and the travel process models (Gunn, 1989; Clawson & Ketch, 1966) are significant.

As the purchase and consumption of the tourism product is often separated by space and time (Litvin & Ling, 2000), potential first time visitors are unable to fully examine product attributes prior to purchase and therefore increase their reliance on image in destination choice (Chon, 1990). Fayeke and Crompton (1991) argued that the experiential nature of the tourism product, where consumers can only evaluate the service during and after consumption, increases reliance on promotion to build a brand image, stating that many destinations, despite their wide availability of attractions, fail to fulfil their tourism potential because their promotion is not themed or targeted effectively.

The travel process models reflect this reliance on experience to evaluate the tourism product by emphasising actual service consumption, including travel to and from the destination along with actual on-site behaviour, thus recognising the significant potential role of the service experience on post-purchase evaluation. Another key difference is that the travel process models omit the 'evaluation of alternatives phase' from their framework. Such an omission has the effect of reducing recognition of the importance of competition between tourism destinations for the consumer. As competition for tourism visitation between destinations increases it becomes more difficult for destinations to differentiate themselves in the market. Because of this it is argued that far more attention needs to be paid to the way in which potential visitors evaluate destination alternatives (Hankinson, 2001).

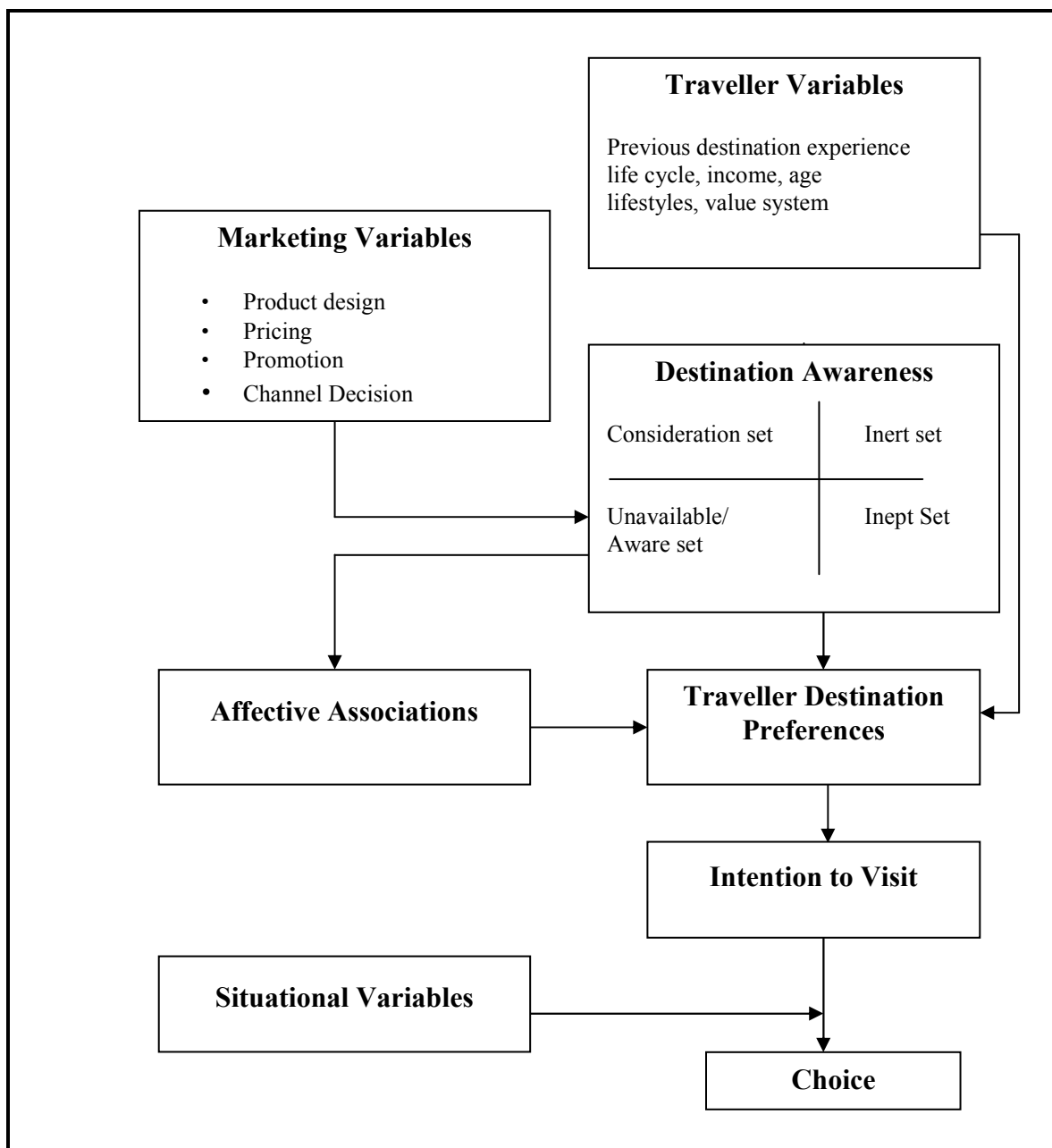
Adding to the body of knowledge on tourist destination decision-making, the work of Woodside and Lysonski (1989) provides a more complex model to explain the destination awareness and choice processes of leisure travellers. The model in Figure 1 depicts eight variables and nine relationships. Two exogenous variables, traveller characteristics and marketing variables are shown to influence destination awareness. Destination awareness includes four categories. These are 1) the consideration set, 2) the inert set, 3) the unavailable/aware set and 4) the inept set. Woodside and Lysonski (1989) argue that all destinations of which a consumer is aware will fall into one of these categories. Narayana and Marking (1975) defined the *inept set* or the reject set, as all destinations of which the consumer is aware but will not consider buying because they have a negative perception based on past experience or negative information. The *inert set* consists of those destinations of which the consumer is aware but has an ambivalent attitude toward, neither negative or positive. Often this is because the consumer does not have enough information about the destination to make a meaningful evaluation. The *unavailable/aware set* are those destinations of which the consumer is aware but is unable to purchase due to any number of constraints such as financial, geographic, legal or other limitations. The *consideration set* is the 'subset of brands that a consumer considers buying out of the set of brands that he or she is aware of in a given product class' (Howard, 1963, p.306). The consumer will consider purchasing these brands based on the likelihood that they believe the brand will satisfy their needs.

Figure 1 shows that the interaction between marketing variables and traveller variables will determine whether or not a brand is in the consumers' consideration set. Marketing variables are those elements of the product offering that the marketing entity can influence including product, price, promotion and distribution, and in the case of service industries, people, processes and physical evidence. Traveller variables relate to all the characteristics of individual travellers which may influence their travel preferences



including demographic, psychographic and behavioural characteristics. Therefore the aim of destination marketing organisations (DMOs) is to create a well designed marketing mix targeted at a clearly defined target market to move a destination into the consideration set of that specific market (Woodside & Lysonski, 1989). As such, only those destinations that offer an appropriate product, at an appropriate price, communicate these attributes effectively and sell the product through appropriate distribution channels will be considered for purchase. Different destinations will be attractive to different travellers based on how well the marketing variables meet the needs of individual travellers.

**Figure 1. General model of traveller leisure destination awareness and choice**



Source: Woodside and Lysonski, 1989

Affective associations in the model, are the specific feelings the consumer has toward the brands they are aware of, usually based on brand attributes such as: sunny, fun, culturally diverse, beautiful beaches, quality restaurants and so on. Woodside and Lysonski (1989) argued that affective associations with a destination are usually positive for a destination consumers would consider visiting and negative for those destinations they would not visit. They argue that travellers determine their preference for a destination based on destination awareness and affective associations, where *traveller destination preference* is defined as the ordering a consumer assigns to alternative destinations from most to least liked. *Intention to visit* is defined as the likelihood of visiting a destination within a specific time frame. Both Woodside and Carr (1988) and Muhlbacher and Woodside (1987) argue that intention to visit is strongly linked with traveller preference. In addition, the model shows actual destination choice to be directly influenced by situational variables and intention to visit.

However, some limitations are evident in this model of destination choice. First, the model omits the important marketing mix variables of process, physical evidence and people, associated with services marketing. The need to extend marketing mix variables from the traditional 4P's (product, place, promotion, and price) emerged from studies which aimed to identify characteristics which differentiate service marketing from the domain of tangible products. Service classification schemas have been developed including the tangibility continuum (Shostack, 1977) and the work of Zeithaml, Parasuraman and Berry (1985) which identified four key characteristics that differentiate services from goods, namely: intangibility, inseparability, heterogeneity and perishability. These characteristics describe inherent differences in the way consumers search for, experience and evaluate services.

Shostack (1977) developed the 'tangibility continuum' as a means of classifying services. Tangibility is defined as 'palpable' and 'material' while intangible is an antonym meaning 'impalpable' and 'not corporeal' (Shostack, 1977). Shostack (1977) reasoned that there were very few pure products or pure services but rather that market offerings tend to be dominated by either tangible or intangible elements, and as such all market offerings could be placed on a continuum according to their degree of tangibility. Her examples included teaching as a highly intangible offering at one end and salt as a highly tangible product at the other. Shostack's (1977) argument suggested that service marketers should attempt to increase the tangible evidence of a service, decreasing the level of abstraction, with the aim of aiding consumers in their decision making process. Therefore, the *physical evidence* of a service organisation becomes an integral part of marketing management, as consumer perceptions of a service can be influenced by managing the physical evidence of the servicescape. For example the foyer of a five

star hotel sets very different expectations from those created by the décor and layout encountered at a backpacker hostel.

Zeithaml, Parasuraman and Berry (1985) acknowledged the degree of tangibility as a means of identifying services and suggested an additional three key characteristic that differentiate services from goods, namely: *inseparability*, *heterogeneity* and *perishability*. Inseparability refers to service delivery, where production and consumption are often simultaneous and the consumer is intricately involved in the production process. With the marketing of physical goods, the product exists before the marketing process begins. The production outcome, rather than the process, is central to the consumer's evaluation of the product. In the service production process the consumer is often a participant and therefore the service *process* becomes a key means of differentiating the service offering (Gronroos, 2000). For example, a passenger on an international plane journey expects the service will deliver them to their destination. However, the customer's evaluation of the service will include every service encounter from telephone contact when making a reservation, the manner in which they are greeted at check-in, the efficiency of the baggage handling service and the in-flight service. The customer will be personally involved in many aspects of the service delivery rendering the service process vital to their satisfaction level.

Further, the inclusion of the customer in the service process also greatly increases the role of service employees in the marketing process, rendering effective *people* management as a crucial element of services marketing (McDonald, de Chernatony & Harris, 2001; Blankson & Kalafatis, 1999). The attitude, appearance, skill and professionalism of service staff is a vital element in effective service delivery. Therefore, the manner in which service industries recruit, train and manage their staff has a direct impact on customer satisfaction. The third defining characteristic of services as outlined by Zeithaml, Parasuraman and Berry (1985) is heterogeneity, or a lack of standardisation. As outlined above, the human element in the production and consumption of services prevents the service provider from standardising production outcomes as would be possible in a manufacturing environment. This lack of standardisation further increases the importance of service delivery processes and effective people management as integral elements of the marketing mix. The fourth feature of services is perishability, or the inability for service providers to hold goods in inventory as a means of balancing supply with demand. Being unable to balance fluctuations in demand using inventory control as would be possible with physical goods requires service organisations to develop yield management systems which aim where possible to smooth demand and minimise fixed costs. These defining characteristics of services rendered the 4P's inadequate as consumer satisfaction in a service

environment requires strategies which consider all seven elements of the extended marketing mix.

In addition to omitting the extended services marketing mix, the second limitation of Woodside and Lysonski's (1989) model is that other than previous destination experience, the model omits information sources beyond those controlled by the industry and DMOs. Thirdly it shows the relationship between affective associations and destination awareness to be a one-way relationship overlooking the impact of affective associations on destination categorisation in destination awareness. However, this model does contribute to an improved understanding of the relationship between marketing mix variables, the unique characteristic of individual travellers, affective associations and the final choice of a destination.

The purpose of this study is to examine the hypothesis that the profile of Australian's traveling to regional destinations has changed, particularly in relation to travel motivation and the benefits sought from the travel experience as put forward in the North Coast NSW Regional Tourism Plan 2004-2007 (ATS Group, 2004). Therefore, this study focuses on the characteristics of individual travellers and is concerned with developing a means of grouping these travellers together in meaningful clusters or strata to develop more informed and strategic approaches to destination marketing. However, it is recognised that findings of such a market segmentation study need to be closely integrated with other components of the destination decision model presented in Figure 1, to develop coherent and effective marketing strategies that will have the necessary capability to influence choice of destination.

Recognising that markets and those individuals who make up such markets are not homogenous (Alderson, 1983; Assael & Roscoe, 1976) implies that no one single market offering will satisfy all individuals. Therefore leisure travel destinations, which are comprised of multiple market offerings (Hankinson, 2001), need to group customers together into meaningful market segments so as to better match marketing variables with the unique characteristics of the various market segments. The next section discusses key approaches that have been used in an attempt to segment tourism destination markets.

## **Market segmentation approaches**

Market segmentation aims to divide markets comprised of individuals into groups whose characteristics are relatively homogeneous within each set or segment and heterogeneous between segments, based on an identified set of variables (Kara & Kaynak, 1997). Marketing academics and practitioners have adopted the concept of market segmentation enthusiastically since Smith introduced the notion in 1956. The benefits of market segmentation have been seen to include an ability to gain a fuller understanding of a particular market, improved techniques to predict consumer behaviour, and an improved ability to identify and exploit new market opportunities (Hoek, Gendall & Esslemont, 1996). An ability to divide markets into distinct groups of buyers, or prospective buyers, who respond differently to changes in marketing mix variables is likely to prove particularly beneficial to those attempting to influence consumer demand for a particular product or service.

Despite widespread acceptance of the concept of market segmentation in both practice and theory, there appears to be limited scrutiny of the techniques used to segment data sets and the associated problems of interpreting the solutions (Hoek, Gendall & Esslemont, 1996). In addition, while much is written on the links between segmentation and marketing strategy there has been limited attention paid to the practicalities of integrating findings into operational marketing tactics. To be valuable to marketing practitioners the process of segmentation needs to be able to identify different groups of consumers who have uniform and stable responses to a particular set of marketing variables. Such consumers can then be targeted through available promotional media and distribution outlets (Elrod & Winer, 1982).

As outlined by Kotler et. al. (1998), segmentation effectiveness depends on arriving at segments which are measurable, accessible, substantial, actionable and differentiable. Kotler (1998) refers to a measurable segment as one where the size of the segment and the related purchasing power can be quantified. For a segment to be accessible it must be able to be reached and served effectively by the marketing entity. Further, the segment must be substantial in that it is large and profitable enough to warrant the marketing entity to design marketing mix strategies that are differentiated from strategies that target other segments. The segment must also be actionable in that the marketing entity can design effective marketing strategies to attract and serve the segment and for the segments to be differentiable, they must respond differently to different marketing stimuli (Kotler, 1998).

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

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

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

Hoek, Gendall and Esslemont (1996) have argued that despite sophisticated approaches to market segmentation, the selection of variables on which such studies are based involves subjective judgements. For example, researchers using consumption benefits<sup>1</sup> as a segmentation basis must determine which benefits to measure and select appropriate means of assessing their relative importance to respondents. It needs to be recognised that this process may have a significant impact on the research outcome. Everitt (1974, p.48) argues that 'the initial choice of variables is itself a categorisation of the data which has no mathematical or statistical guidelines and which reflects the investigator's judgement of relevance for the purpose of the classification.'

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

### **The application of market segmentation approaches within tourism destination marketing**

Despite the limitations of market segmentation techniques, it is important tourism destinations attempt to gain an improved understanding of the origin of their visitors, their travel patterns and travel motivation. Based on such understanding, destination marketing organisations (DMO) can aim to alter marketing mix variables to influence decision-making. Dolnicar, (2004) offers a review of all tourism segmentation studies published in the Journal of Tourism Research over the last fifteen years and grouped them into the following four main conceptual approaches. Dolnicar (2004) estimates that 53% of these studies have adopted an *a-priori* approach, 36% were a combination of *a-priori* sub-groups divided into data driven or *post-hoc* segments, 11% were a combination of more than one *a-priori* segment and 5% of the studies were *post-hoc*.

Dolnicar (2004) identified studies using an *a-priori* approach, to include Baloglu and McCleary (1999), who investigated the differences between visitors and non-visitors with

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<sup>1</sup> A detailed explanation of this approach is provided in Section 2.5.2

regard to the image of the tourist region. Kashyap and Bojanic (2000) for example, explored differences between business and leisure tourists with respect to value, quality and prices perceptions, while Smith and MacKay (2001) studied age differences in pictorial memory performance resulting from advertising activities. Israeli (2002) profiled the perceptions of a destination from the perspective of disabled compared with non-disabled visitors and Klemm (2002) investigated an ethnic minority in the United Kingdom and described their vacation preferences and interests. Dolnicar (2004) identified that this type of *a priori* study represent more than half the segmentation articles published in the Journal of Travel Research in the last 15 years (see also Lethlean, 1996; Court & Lupton 1997; Meric & Hunt, 1998; McKercher, 2001).

Dolnicar (2004) identified only one example of a *post-hoc* approach in the articles reviewed. Bieger and Lasser (2002) constructed *post-hoc* segments among the Swiss population. The starting point for this study was the entire population of Switzerland and not a particular group within the population. A *post-hoc* approach was then used to segment the group based on different travel motivations. The third group identified by Dolnicar (2004) is a hybrid approach that begins with a form of *a-prior* segmentation and from this initial grouping further *post-hoc* segmentation is undertaken. Dolnicar (2004) argues that this approach is often incorrectly identified as *post-hoc* when in fact the study commences with some pre-determined sub-grouping of the tourist population. The danger posed by this approach according to Dolnicar (2004) is that parameters used for market stratification are restricted to a limited selection of the market, risking the possibility that new potential markets segments will be overlooked. Dolnicar (2004) provides examples of this approach from the literature including Silverberg, Backman and Backman (1996) who identify a group of nature-based tourists and then allocate these tourists into *post-hoc* segments according to the benefits sought from the travel experience. Dodd and Bogotte (1997) chose winery visitors and derived *post-hoc* segments based on demographic profiles. Formica and Uysal (1998) investigated visitors to a cultural-historic event in Italy as the starting point for their study. They then conducted a *post-hoc* study based on motivation. Kastenzholz, Davis and Paul (1999) concentrated their investigation on visitors to rural areas. On the basis of this subgroup, the authors then grouped travellers based on the benefits sought. Moscardo et al (2000) selected the *a priori* group of visitors of local friends and relatives as their initial starting point and then analysed their travel patterns in a *post-hoc* manner. Focusing on senior motor coach travellers as a starting point, Hsu and Lee (2002) grouped those traveller according to 55 motor coach selection attributes. Citing these studies Dolnicar (2004) argues that thirty two percent of the studies reviewed used an *a-priori* approach followed by a *post-hoc* study.



The fourth approach identified by Dolnicar (2004) was those studies where segments were derived by initially choosing an *a-priori* segment. A sub-set of this group was then identified based on another *a-priori* criterion. One such study by Field (1999), explores domestic versus foreign students within the segment of student travellers. Additionally, Horneman et. al. (2002) first segmented the market based on age, examining senior travellers. They then derived six segments based on destination choice. Dolnicar (2004) found this *a-prior/a-priori* approach accounted for eleven percent of studies reviewed.

Dolnicar (2004) argues that creative combinations of *a-priori* and *post-hoc* segmentation will lead to more original approaches to segmenting travel markets, producing solutions not yet exploited by competitor destinations. By considering a wider variety of possible approaches to market segmentation, DMOs can gain deeper insight to the market from a variety of perspectives. Figure 2 show Dolnicar's (2004) schematic of approaches to market segmentation based on possible combinations of *a-prior* and *post-hoc* segmentation. The schematic aims to provide a blueprint for deriving segments which have not previously been described.

**Figure 2: Systematics of segmentation**

<b>Which group is described first?</b>			
A subgroup of the total tourist population determined by an <i>a-priori</i> criterion.		A subgroup of the total tourist population determined by <i>post-hoc</i> segmentation on a multivariate basis	
CONCEPT 1 = <i>a-prior segmentation</i>		CONCEPT 2 = <i>post-hoc segmentation</i>	
<b>Which groups are explored next?</b>			
A subgroup of the total tourist population determined by an <i>a-priori</i> criterion		A subgroup of the total tourist population determined by <i>post-hoc</i> segmentation on multivariate basis	
CONCEPT 3 = <i>a-prior/a-priori</i> segmentation	CONCEPT 4 = <i>post-hoc/a-prior</i> segmentation	CONCEPT 5 = <i>a-prior/post-hoc</i> segmentation	CONCEPT 6 = <i>post-hoc/post-hoc</i> segmentation

Source: Dolnicar, 2004

An example provided by Dolnicar (2004) uses Concept 6 where two *post-hoc* segmentation studies were conducted sequentially. First the data-set of tourists visiting Austria between 1994 and 1997 was segmented on a psychographic basis using 22 binary statements about the motivation for taking this particular vacation. This study yielded nine identifiable segments one of which was sports interested tourists. This segment was further broken down using the same psychographic criteria, though Dolnicar (2004) argues any other segmentation basis could be used. This process revealed some distinct niche markets within the segment, whose prime interests were health and beauty issues and alternatively those whose primary motivation was fun. Other significant differences between these groups emerged included different ages, number of persons on the trip, number of nights spent in Austria and expenditure levels. Dolnicar (2004) argues that this sequential approach to segmentation yields different results compared with, for example, simply increasing the number of segments in the study. Concept 6 helped to detect two niche markets among sports tourists that have differentiated characteristics and therefore lend themselves to targeted marketing action.

Dolnicar (2004) concludes that creative approaches to market segmentation, in combination with a thorough analysis of the marketing environment allows destinations to gain a strategic competitive advantage depending on the ability of the destination to match their capabilities and potential with the needs and desires of particular market segments. However, Hankinson (2001) argues that matching service attributes with consumer demand presents specific challenges in destination marketing due to the wide range of service providers involved in delivering the destination experience. Hankinson (2001) discussed the likelihood of a destination being marketed for more than one purpose, creating the potential for conflict between various stakeholders. This, he argued, creates difficulties in managing destination marketing strategies due to the lack of control the marketing organisation has over many of the variables of the marketing mix such as product and price.

Responsibility for actual service creation and delivery often lies with a variety of service providers such as hotels, transport providers, restaurants, activity providers and retail outlets. It is, therefore, usual for the marketing entity to have little or no control over the visitor experience (Hankinson, 2001). As a result of this dilution of control, DMOs often tend to focus their activities on the communication element of the marketing mix, overlooking the importance of strategic destination management. DMOs need to move beyond such a limited promotional role and provide direction and leadership to the destination's tourism industry to encourage a focused approach to destination brand positioning and service delivery (Hankinson, 2001). It is only at this strategic level that destinations can develop a sustainable competitive advantage within identified target

markets. The value of Dolnicar's (2004) argument is that it recognises there is no one best approach to segmenting travel markets and incorporates the strategic imperative of developing a marketing strategy that focuses on the destination meeting the needs of a target market segment more effectively and efficiently than competitors.

In the Australian context numerous market segmentation studies have been undertaken, primarily under the auspices of State and Federal tourism bodies. These studies have developed from analyses conducted by Tourism NSW which yielded segments such as family holidays, short breaks (mainly couples), visiting friends and relatives (VFR) and special interest tourism such as business, conferences and sport. For a number of years these basic market segments formed the basis for much destination marketing in NSW. A more sophisticated segmentation study, quoted in the Colmar Brunton report (Colmar Brunton, 2000) was commissioned in the late 1980's by a consortium of industry and government tourism bodies and conducted by a market research company, Product Development International (PDI). While the methodological approach to this study has not been outlined in detail in the report, the findings indicated that three key dimensions were critical to the travel destination decision process. The first was labelled experience/acquisition, the second continuity/change and the third do-it-yourself (DIY) /done for you (DFY). The report appears to conceptualise these dimensions as three continuums with six bi-polar reference points (Colmar Brunton, 2000).

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

- They 'collected destinations (eg 'last year we did the US'; 'this year we will do China' or 'This is Tuesday, it must be Darwin' etc).
- The motivation was to *have* travelled rather than to be there.
- They didn't particularly enjoy the travel experience.
- They saw themselves as tourist rather than travellers.
- They were in the market for organised tours.
- They would rarely purchase an eco-tourism product.
- In Australia, their favoured destinations were the Gold Coast, Far North Queensland, capital cities and Uluru.

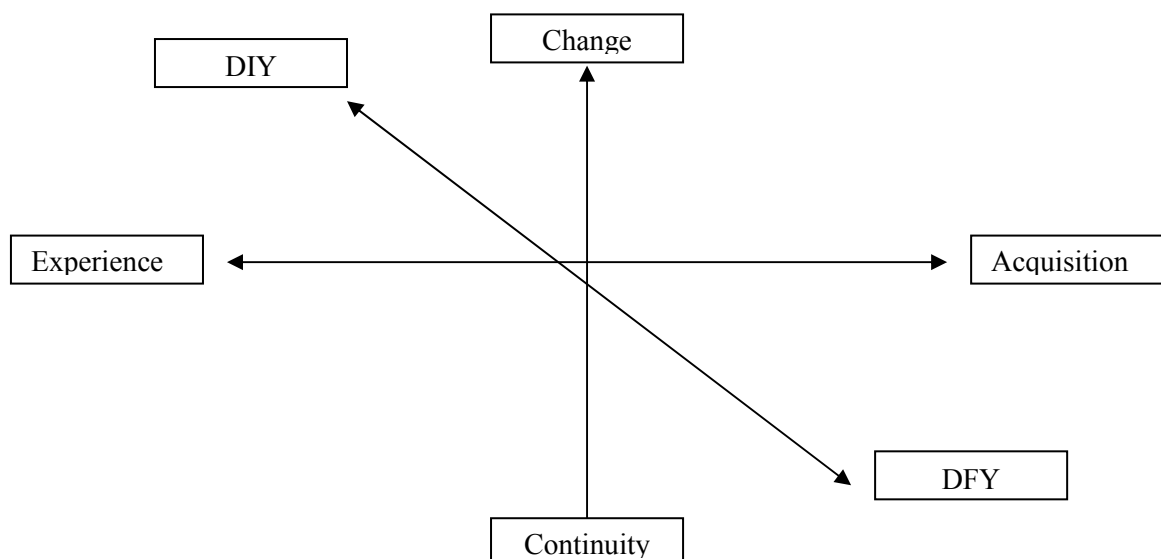
Those said to be at the *experience* end of the dimension were cited as having the following characteristics (Colmar Brunton, 2000, p. 8):

- They preferred single destinations rather than multiple destinations.

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

The second dimension the report identified was *continuity/change*. *Continuity* is said to represent a 'a taste for tradition, a willingness to follow rather than lead, a preference for touring in groups, a take-up of established brands, a preference for national carriers, insecurity in unfamiliar destinations and an avoidance of non-English speaking destinations' (Colmar Brunton, 2000, p. 9). Where as the descriptor *change* was said described those travellers with 'a taste for undiscovered destinations, for unconventional modes of transport, very little in the way or repeat purchase, a preference for consuming the food and drink of the destination, self-confidence in the face of difference and unfamiliarity' (Colmar Brunton, 2000, p. 9). The third dimension identified was *DIY/DFY*, either 'do-it-yourself (DIY) or 'have-it-done-for-you (DFY). Where DIY travellers like to plan and book their own travel experience, DFY travellers are those who use agents and other intermediaries (Colmar Brunton, 2000). The report then placed these three dimensions on a perceptual map shown in Figure 2.

**Figure 2: PBI travel segment perceptual map**

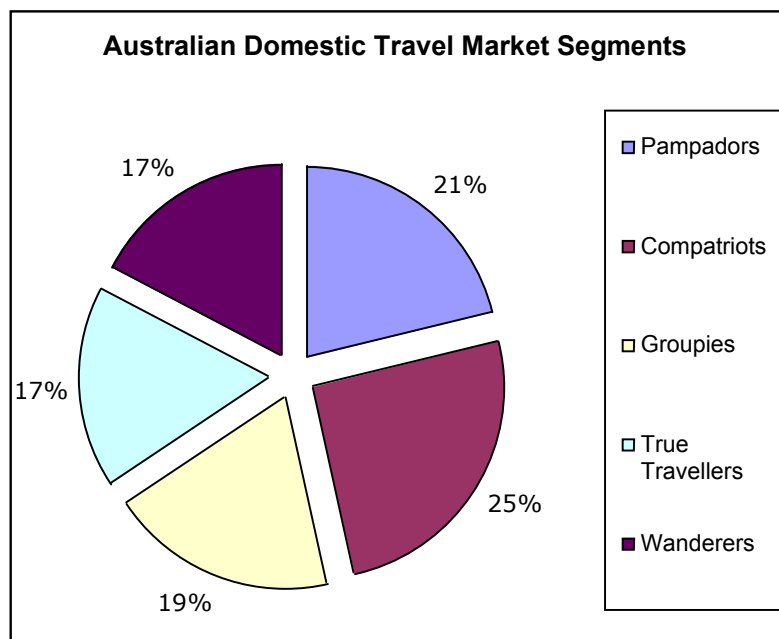


Source: Colmar Brunton, 2000

The report does not provide any insight into the methodology used to generate these segments or on how this study can be operationalised to develop marketing strategy. Further, the accuracy or effectiveness of these consumer descriptions has not been tested. Therefore, it is not known how well these three dimensions actually explain Australian domestic tourism purchase behaviour. The research was however, used as a starting point for further research into market segmentation in a study commissioned by Partnership Australia Domestic Ltd, (PADL), a consortium of State and Federal Tourism bodies and representatives of the Australian tourism industry (Colmar Brunton, 2000).

Colmar Brunton Research conducted this study with the aim of developing a 'practical and robust segmentation methodology tailored specifically to the domestic tourism market that incorporates travel motivation (eg benefits sought) and barriers to travel (eg lifestyle, disposable income, time)' (Colmar Brunton, 2000). The study identified five main segments as shown in Figure 3.

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



Source: Colmar Brunton, 2000

Figure 3 shows the market segments identified from this study along with the percentage of the Australian population who were identified with each category. A full description of each of these segments is provided in Appendix 1. Key features of the segments are presented in Table 2.

**Table 2: Summary of Australian Domestic Market Segments**

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

Source: Adapted from Colmar Brunton, 2003

\* *DIY Do it yourself, DFY Done for you*

Table 2 shows the key characteristics of the market segments drawn from the segmentation profile. The study has adopted an *a-priori* approach, primarily using demographic information based upon the family life-cycle, (age and family composition) and the motivation or benefits sought from the travel experience. In addition, the profiles provide a description of the media consumption decisions and characteristics such as frequency of holidays, preference for domestic or international travel and average length of stay, for example.

As discussed, Kotler (1998) defined the characteristics of effective market segmentation as those which deliver segments which are measurable, accessible, substantial, actionable and differentiable. The segments outlined in Table 2 meet the criteria of measurable and substantial as each of the five segments can be measured under the definitions proposed. They also represent a substantial proportion of the Australian population. The segments also meet the criteria of accessibility in that Australian communications and transport infrastructure for example, allows for communication with all segment members and provides transportation for all segment members to and from selected tourist destinations.

The questions of differentiability and actionability are as yet untested. Johar and Sirgy (1995 p. 2) define actionability as 'a segment which is likely to act, given that the marketing program can manipulate the right variables that lead to action'. Differentiability refers to the degree to which different market segments respond differently to changes in marketing stimuli (Kotler, 1991). For example, will the market segments react differently to different price points, product offerings and advertising and promotional messages. In

practice, these elements relate to the marketing entity's ability to interpret the results of segmentation studies and incorporate them into effective marketing strategies.

The most difficult aspect of any segmentation project is the translation of the study results into an effective marketing strategy (Wind, 1978). In addition to recognising the subjective elements inherent in segmentation studies, managers must also interpret and act on the information generated. The segmentation process in itself does not provide prescriptive solutions to marketing problems but merely offers a description of the market. It is possible that segments generated from a particular study may already be well served by competitors or uneconomical to reach for example. Managers must decide which, if any, segments to target and how to best manipulate the marketing mix to influence the behaviour of consumers in particular segments. Segmentation studies therefore, should not be considered in isolation but need to be developed with a sound understanding of the factors influencing consumer behaviour and the nature of the marketing environment (Dolnicar, 2004).

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

Wind (1978) provides some conclusions to assist in translating segmentation findings into strategy. Relevant users of segmentation studies such as DMOs, tourism operators and government agencies need to be involved in the research process. Segmentation data should be regarded as only one of many inputs into the marketing information system and the data needs to be re-evaluated on a continuous basis, with findings treated as starting points only. Further, marketers must test the predictive capability of segmentation solutions and the responsiveness of the segments to changes in

marketing mix variables. Findings can be used to test consumer response to changes in marketing mix variables and to evaluate consumer satisfaction with current products and services. Segmentation findings should also be used to evaluate marketing strategy (Wind, 1978).

### **Designing the segmentation model**

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

Table 3 details some of the major considerations involved in segmentation research studies. Wind (1978) argues that managerial objectives should drive the research process, where the basis for segmentation varies depending on the management issues in question. In the case of North Coast Tourism, management is defined as the body of relevant stakeholders including government and industry participants. An example of the types of managerial issues to be addressed would be the investigation of declining number of tourist visiting the region. It would appear important to examine the variables impacting on switching behaviour and the motivations driving such behaviour.



**Table 3: Considerations in segmentation studies**

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*1. Problem definition*

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

*2. Research design*

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

*3. Data collection*

- a. Primary vs secondary sources
- b. Conventional vs new procedures

*4. Data analysis*

- a. For determining the segments: classification
- b. For establishing the segments' profiles: discrimination
- c. For simultaneous classification and discrimination

*5. Data interpretation and implementation of results*

- a. Determining the number of segments and selection of target markets
  - b. Translating segmentation findings into strategy
- 

Source: Wind, 1978

## **Managerial Objectives**

The managerial objectives for this study stated in Section 1, are to evaluate the behaviour and motivation of travellers to the Coffs Coast region with the aim of developing an understanding of the forces influencing visitor numbers to the region. Such knowledge will also provide a platform from which new marketing strategies may ensue. Specific aims of this research are to identify:

1. Characteristics of tourism visitors to the Coffs Coast region
2. Reasons for visiting the region
3. Activities/experiences undertaken by these visitors.
4. An estimate of expenditure within the region by tourists
5. Determine the information sources from which visitors access information about the destination.

Many segmentation studies have been designed as large, single effort, and expensive baseline studies justified as a means of gaining an understanding of the market. However, such studies have often not linked well into the aims and objectives of marketing organisations or into the means of implementing marketing strategies actually undertaken by the organisation. Often organisations undertake concept or product testing without regard to the findings of segmentation studies (Wind, 1978). This is likely to be the result of segmentation studies not providing guidelines on how to operationalise findings. To fully capitalise on segmentation studies organisations need to ensure all studies are conducted at the segment rather than the general market level. For example the performance of advertising and promotional campaigns should be evaluated at the segment level rather than on overall sales performance. Furthermore, the organisation's performance in terms of profitability, market share and growth should also be measured according to each segment in order to determine performance in each market. Therefore, while baseline studies provide a useful starting point, ongoing studies need to be undertaken to ensure findings are continually monitored and up-date, so as they remain relevant (Wind, 1998).

## Segmentation basis variables

Developing an enhanced understanding of managerial marketing objectives requires improved information to evaluate the motivation and behaviour of both visitors and non-visitors to the region. It also requires an increased understanding of traveller characteristics with a view to developing marketing strategies able to influence the travel destination decisions of appropriate target markets. These objectives need to guide the process of selecting the appropriate basis on which the market may be segmented.

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

Table 4 presents a summary of the main basis for market segmentation within marketing and consumer behaviour literature. Wind (1978) divides these variables into two categories. The first of these categories describe general consumer characteristics such as demographic, geographic, socio-economic and psychographic information as well as attitudes toward various types of media and distribution outlets. The second consists of those which are situational specific characteristics such as product purchase patterns, benefits sought in a product category or particular responses to marketing mix variables.

**Table 4: Basis for segmenting markets.**

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

*Source: Adapted from Hoek et. al. 1996*

Wind (1978) argues that the selection of variables to form the basis of a segmentation model needs to relate to specific management objectives and be informed by the current state of knowledge concerning the relevance of marketing and consumer behaviour variables as bases for, and descriptors of, market segments. The selection of variables is a complex process due to the number of variables that may be included, the difficulties of measuring links between the bases for segmentation and the question of managements' ability to use the information (Wind, 1978). Wind (1978) suggests the solution to the lack of available criteria on which to select the descriptive variables is to formulate hypotheses on the relationships between consumer variables and a specific marketing response. Such hypotheses could be derived from current consumer

behaviour literature. Subsequent segmentation studies could then become the vehicle for testing these hypothesis.

While acknowledging the subjectivity involved in the selection of such variables, Wind (1978) puts forward a typology of 'preferred' approaches relating to a variety of management issues, drawn from existing literature.

**Table 5: Typology of management driven segmentation approaches**

Management Issues	Basis for segmentation
For general understanding of a market	<ul style="list-style-type: none"> <li>▪ Benefits sought</li> <li>▪ Product purchase and usage patterns</li> <li>▪ Needs</li> <li>▪ Brand loyalty</li> <li>▪ A hybrid of the above</li> </ul>
For positioning studies	<ul style="list-style-type: none"> <li>▪ Product usage</li> <li>▪ Product preference</li> <li>▪ Benefits sought</li> <li>▪ A hybrid of the above</li> </ul>
For new product concepts	<ul style="list-style-type: none"> <li>▪ Reaction to new concepts, intention to buy, brand preference</li> <li>▪ Benefits sought</li> </ul>
For pricing decisions	<ul style="list-style-type: none"> <li>▪ Price sensitivity</li> <li>▪ Deal proneness</li> <li>▪ Price sensitivity by purchase/usage patters</li> </ul>
For advertising decisions	<ul style="list-style-type: none"> <li>▪ Benefits sought</li> <li>▪ Media usage</li> <li>▪ Psychographic/lifestyle</li> <li>▪ A hybrid of the above</li> </ul>
For distributor decisions	<ul style="list-style-type: none"> <li>▪ Store loyalty and patronage</li> <li>▪ Benefits sought in distribution selection</li> </ul>

*Source: Wind, 1978*

Notably, Wind's (1978) typology shows a strong preference for the benefit sought approach which is supported in the literature particularly in relation to tourism studies (eg, Botschen, Thelen & Peiters, 1999; Johar & Sirgy, 1995). The primary advantage of the benefit sought approach is the causal rather than descriptive nature of the data, making this approach a more effective tool for developing marketing strategy (Young et al., 1978; Haley, 1968). Haley (1968) argues that true market segments are based on the causal relationship between the benefits sought from consumption and future purchasing behaviour. Haley (1968) argues that more traditional forms of segmentation including geographic, demographic and psychographic tools provide only descriptive data based on 'after the fact' characteristics of consumers. Such approaches are therefore not

necessarily successful predictors of consumer brand choice (Wind, 1978; Minhas & Jacobs, 1996; Botchsen, Thelen & Peiters, 1999).

The benefit segmentation approach is based upon the belief that it is possible to measure consumer value systems in detail, together with consumer thoughts about various brands in the product category of interest (Haley, 1968). Grouping customers based on the benefits sought from consumption will lead to multiple segments each with a number of benefits sought. Some benefits will appear in multiple segments. It is however, the total configuration of benefits sought which differentiates one segment from another (Haley, 1968). Indeed Haley (1968) argues it is likely all segments will seek multiple benefits. It is the relative importance each segment assigns to a particular benefit that is likely to show differentiation between segments.

The key advantage of using benefit segmentation is the actionability of the outcome, producing segments which will react differently to altered marketing mix variables. Botschen, Thelen, & Pieters (1999) argue that benefit segmentation has become the preferred technique for successful product positioning, new product introduction, pricing, advertising and distribution. It should be noted that benefit segmentation is not used instead of other segmentation criteria but rather as the first stage in the segmentation process. Other characteristics such as age, income, lifestyle and media habits must also be included in the process to enable marketers to develop strategies to reach and communicate effectively with each segment (Haley, 1968).

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

Means-end theory holds that a product, service or behaviour is stored in memory as a chain of hierarchically related elements. The chain commences with the product or service attribute and establishes a sequence of links with personal values through the perceived consequences or benefits produced by certain attributes of the product (Botschen, Thelen and Pieters 1999). Botschen, Thelen and Pieters (1999) describe the means-end chain as a four-step process:

Step 1: product specific attributes (great climate) leads to

Step 2: functional benefit (likely to be sunny when we visit) leads to

Step 3: practical benefit (the children will spend all their time at the beach) leads to

Step 4: emotional pay-off (the parents will have a relaxing and stress free holiday)

Product attributes are the means by which consumers satisfy the desired consequences of consumption. The premise of this argument, that consumers purchase goods and services to provide satisfaction to the consumer at both a functional and emotional level, is the basic premise of marketing (Kotler, 1998). Therefore, market segmentation strategies which group customers together based on the benefits they seek from consumption provides a powerful diagnostic tool whereby manipulation of elements of the marketing mix can influence consumer behaviour by better matching the market offering with the desired consumption outcome (Botschen, Thelen and Pieters 1999).

In practice, most commercial segmentation studies seek to classify respondents into segments using some form of cluster analysis (Hoek, Gendall & Esslemont, 1996). Clustering techniques can be divided into two major types; those which build up clusters, a *bottom-up* approach and those which break down a market into clusters, a *top-down* approach (Wind, 1978). Analysis based on cluster techniques often fails to make explicit the fact that different clustering techniques may produce different solutions. It is even possible that the same technique may produce a different result for the same set of data, if the technique requires subjective input from the researcher at various stages of the analysis (Esselmont & Ward, 1989). For example, in addition to deciding whether or not to transform or standardise the variables, analysts must select an algorithm and impose constraints on the extent of the data divisions. Given the large number of clustering and pattern recognition techniques available, there is little prescriptive literature as to the appropriateness of different approaches for a specific research requirement. This often results in researchers using the tools with which they are most familiar and which are cost effective, rather than selecting the tools most appropriate for a particular objective (Wind, 1978).

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

In order to improve the predictive powers of segmentation studies, Wind (1978) suggest alternate approaches to data analysis including *flexible* segmentation and *componential* segmentation, both of which provide consumer response simulations as part of the segmentation process. Wind (1978) argues that *flexible segmentation* may overcome some of the shortfalls associated with clustering and *a-priori* studies. This approach provides a dynamic solution where a large number of segments can be generated and examined simultaneously. The flexible segmentation approach is based on the integration of the results of a conjoint analysis study and a computer simulation of consumer choice behaviour. The flexible segmentation approach departs from traditional *a-priori* and cluster based approaches by offering flexibility in building up segments based on the consumers' responses to alternative product offerings under various competitive and environmental conditions (Wind, 1978).

The *componential segmentation* model described by Wind (1978) shifts the emphasis of the segmentation model from partitioning a market to a prediction of which type of person, described by a set of demographic and psychographic attributes, will be most responsive to what type of product feature. The componential segmentation model is an extension of conjoint analysis and orthogonal arrays that evaluate both product features and consumer variables. In componential segmentation the researcher is interested in developing, in addition to parameter values for the product stimuli, parameter values for various respondent characteristics such as product usage or demographics. The componential segmentation model offers an alternate conceptualisation for market segmentation because it focuses on the building blocks of segments and offers simultaneously an analysis of the market segment for given product offerings and an evaluation of the most desirable product offering or positioning. The concept and



algorithm of componential segmentation can be extended to cover not only two data sets but three or more data sets by adding for example the components of usage situations. Despite the apparent advantages of predictive models such as flexible and componential segmentation approaches, the resources required to undertake such studies may be prohibitive to many organisations.

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

### **Integrating segmentation studies into marketing strategy**

To be effective, marketing strategies must be driven by an overall strategic plan for the destination. A destination strategic plan is the process of developing and maintaining a strategic fit between the destinations 's goals and capabilities and its changing marketing opportunities (Kotler, 1998). The strategic plan relies on developing a clear mission, supporting objectives and coordinated functional strategies so as the destination may take advantage of opportunities in a constantly changing environment. This overall destination strategy is concerned with the economic value and financing requirements of the destination and the outcomes sought by various stakeholders.

The role of stakeholders in formulating and implementing a destination strategy cannot be underestimated. In this regard destinations clearly differ from other products in that they are not a single product but a composite of components including, but not limited to, accommodation, hospitality, attractions, arts, entertainment, culture, heritage, infrastructure and the natural environment (Morgan, Pritchard and Piggot, 2003; Buhalis, 2000). Destinations therefore have a range of stakeholders represented by a number of organisations including local, state and national governments and their agencies, environmental groups, chambers of commerce, trade associations, civic groups and the private sector. While DMOs have little control over activities of destination stakeholders, these entities can exert a major influence over the destination brand (Morgan, Pritchard and Piggot, 2003). As such, destinations face peculiar marketing and management challenges characterised by many stakeholders, little management control, and often, underdeveloped brand identities. Further, DMOs cannot create a brand for a destination,

or even re-brand a destination; at best they can manage an existing brand and gradually change perceptions and misconceptions of a place (Morgan, Pritchard and Piggot, 2003).

Indeed Morgan, Pritchard and Piggot (2003) argue that DMOs need not only contend with the amorphous nature of the 'product' itself, they must also be cognisant of the complex politics associated with tourism destination marketing. With regard to politics, Hankinson (2002) observed that multiple parties with competing interests may be involved in marketing the destination, increasing the opportunity for conflict between stakeholders. To overcome this potential conflict strong leadership is required to formulate a destination vision through a publicly driven process based on stakeholder values and consensus rather than an expert driven processes based solely on market forces (Morgan, Pritchard and Piggot, 2003).

Morgan, Pritchard and Piggot (2003) argue the greatest problems associated with destination marketing and branding are frequently internal rather than external. The ability for a destination to develop and maintain a competitive strategic advantage requires the destination to deliver a quality visitor experience; therefore obtaining commitment from destination stakeholders is essential if the visitor experience is to live up to the 'brand promise' (Morgan, Pritchard and Piggot, 2003). Morgan, Pritchard and Piggot (2003) cite the brand development campaign recently executed in New Zealand which resulted in the '100% Pure New Zealand' marketing campaign. This branding strategy was driven by Tourism New Zealand (TNZ) but involved all recognised stakeholders across the country's tourism industry. Consultation with, and involvement of, stakeholders was recognised as the key priority in developing the brand position. This strategy was executed through building commercial partnerships, engaging small business, utilising existing distribution networks and taking an inclusive approach with community and other government organisations. (Morgan, Pritchard and Piggot, 2003). The TNZ experience demonstrates that while eliciting stakeholder involvement is time consuming and requires extensive consultation, it is imperative if a destination is to build a strategy that will remain competitive in the long term and deliver a travel experience which enhances the brand image.

From the formulation of an overall destination management strategy, marketing objectives can be derived. The marketing process then becomes the means of achieving these objectives. The marketing process involves analysing marketing opportunities, selecting target markets, developing an appropriate marketing mix and managing the marketing effort (Kotler, 1998). Market segmentation is the first step in the process of identifying select target markets. Once homogenous groups within a heterogenous market are identified the marketing entity needs to evaluate each segment's

attractiveness and select one or more segments towards which marketing resources will be directed. Within each of these chosen segment(s) a market position needs to be formulated. Market positioning aims to position a destination to occupy a clear, distinctive and desirable place relative to competing destinations in the minds of target consumers (Kotler, 1998).

The selection of appropriate target market(s) requires the DMO to identify those segments in which they can generate the greatest customer value and sustain it over time (Kotler, 1998). To achieve this, the DMO is required to evaluate the relative attractiveness of each segment (Simkin & Dibb, 1998). Extant literature identifies a range of criteria considered appropriate for assessing segment attractiveness including; market growth potential, the level and structure of competition, the nature of customer needs relevant to the organisations resources and expertise and barriers to new organisations wishing to enter the market (Zhande, 1996; McDonald & Dunbar, 1995; Dibb, 1995; Abratt, 1993; Cooper, 1993).

Within each select target market, the destination must clearly identify a market position where the destination's attributes clearly meet the needs of the target market better than competitor destinations. For example, within the middle to high income Australian domestic family market, Queensland's Gold Coast has been positioned on the man-made family attractions it has to offer, specifically Dream World, Movie World and Sea World. Most of the Gold Coast's advertising to the family market features product packages that include passes to these theme parks. No other Australian holiday destination offers this variety of themed family tourist attractions and therefore they do not have other destinations competing head-to-head with them in this market. Similarly, Byron Bay targets international backpackers and is positioned as a party town, offering a laid-back, counter culture purported to be the antithesis of high-pressure city living. While surf beaches are a key feature of both these destinations the value added, 'cultural' aspects of the destination provide the point of differentiate that appeals to a particular segment of the market.

Once the destination has clearly identified the appropriate market position within a given target market, the marketing mix can then be formulated as the basis of the marketing strategy. Returning to the Gold Coast example, the marketing mix used to target middle to high-income families may include a product offering featuring appropriate family style accommodation, value-added inclusions such as passes to theme parks and possibly vouchers to visit family friendly dining outlets. The communication strategy may target multiple influencers within the family group such as the children, during children's television with a slightly different message targeted to the parents. The pricing strategy

needs to offer value, perhaps represented through family discounts and the distribution strategy is likely to encourage the buyer to book direct offering a toll-free telephone number for bookings. It should be noted that while market segmentation emphasises the benefits of developing a marketing mix targeted to individual market segments, the need for consistency and compatibility in destination brand messages under an *umbrella* brand is recognised. An umbrella brand is an identity that represents the underlying values of the destination from which the branding strategy for each segment ensues. It is imperative that marketing strategies across each segment are compatible with the overall destination position.

Consideration must also be given to compatibility between various market segments targeted by a destination. Services marketing literature (Lovelock, Patterson & Walker, 2001) identifies that when incompatible market segments share a servicescape the result is likely to be customer dissatisfaction. For example there is concern in the Byron Bay community that the influx of young backpackers who perceive the town as a 'party place' is having a negative impact on families wishing to holiday in the area. Therefore effective market segmentation requires the DMO to recognise that a destination cannot be all things to all people. Rather DMOs need to identify those market segments whose needs are compatible with the attributes and aspirations of the destination and formulate a strategy that ensures incompatible market segments are discouraged from dominating the servicescape. As argued in Section 2.4 the result of segmentation studies must be considered within the context of the overall destination marketing strategy, knowledge of the competitive environment and with a detailed understanding of consumer behaviour.

### **Summary and conclusion**

The aim of this research is to explore the role of market segmentation within the context of tourist destination marketing, particularly in relation to evaluating marketing strategies and programs within North Coast New South Wales. Discussion commenced with an examination of leisure travel destination decision processes. The destination decision process was recognised to be subjective and multi-phased (Chon, 1990; Gunn, 1989; Mayo & Jarvis, 1981; Hunt, 1975; Clawson & Knetch, 1966). The perceived ability of a destination's attributes to satisfy the needs of individual travellers, coupled with affective associations and situational variables are argued to influence the choice of destination (Woodside & Lysonski, 1989). The unique attributes of tourism destinations within a service environment are given particular consideration (McDonald, de Chernatony & Harris, 2001; Gronroos, 2000; Zeithaml, Parasuraman & Berry, 1985; Shostack 1977).

From the analysis of destination decision processes, market segmentation emerges as a key marketing imperative. It is recognised that markets and those individuals who make up such markets are not homogenous and therefore no single market offering will satisfy all individuals (Alderson, 1983; Assael & Roscoe, 1976). Therefore leisure travel destinations need to group customers together into meaningful market segments so as to better match marketing variables with the characteristics of various market segments. The merits and limitations of two key approaches to market segmentation, *a-priori* and *post-hoc* as discussed (Dolnicar, 2004; Dara & Kaynak, 1997; Wind, 1978) highlighting the number of subjective decisions inherent in typical studies (Hoek, Gendall & Esslemont, 1996; Everitt, 1974). It is argued subjective decisions influence the results of segmentation studies and must, therefore, be made explicit in any research findings.

In order to gain a competitive advantage Dolnicar (2004) urges tourist destinations to adopt creative combinations of *a-priori* and *post-hoc* approaches to produce original solutions not yet exploited by competitor destinations. Such approaches may yield niche markets within segments that other destinations are not pursuing. This argument has credence in the Australian context as State and Federal Government tourism bodies commission most segmentation studies and the ensuing results are made available to multiple destinations. As such, destinations within a given State may all be targeting the same market segments posing difficulties for individual destinations to effectively articulate a clear and attractive point of differentiation. Following Dolnicar's (2004) argument, destination specific segmentation studies driven by strategic destination imperatives may assist destination marketers to identify previously unidentified market segments. The destination may then target those consumers whose needs are most closely matched with the destination's attributes and capabilities. Destinations are then more able to manipulate marketing mix variables, within the confines of the destination's positive attributes, to produce marketing strategies which are highly appealing to individual market segments without competing head-to-head with competitor destinations.

One of the key decisions to be made within any segmentation study is the selection of criteria on which the market will be segmented. A number of approaches are discussed including geographic, demographic, psychographic, benefit, usage, loyalty, image, situation and behavioural. Benefit segmentation emerges from the literature as a preferred approach particularly in relation to tourism studies (Botschen, Thelen & Peiters, 1999; Johar & Sirgy, 1995, Young et. al. 1978; Haley, 1968). The superiority of benefit segmentation is primarily due to the causal rather than descriptive nature of the data. It is argued that true market segments are based on the causal relationship between the benefits sought from consumption and future purchasing behaviour (Haley, 1968).

Grouping travellers based on the benefits sought from the travel experience, along with more traditional segmentation basis such as geographic and demographic profiles is therefore more likely to yield segments that are more useful predictors of travel behaviour (Botschen, Thelen & Peiters, 1999; Wind, 1978; Haley, 1968). It is also noted that each approach, or combination of approaches may yield different segments and ultimately the determination of the appropriate approach should be driven by the objectives of the segmentation study and existing knowledge of the market and consumer behaviour (Wind, 1978).

Arguably, the most important element in the design of tourist destination segmentation studies is to establish a clear rationale for undertaking the study to ensure the results can be effectively integrated into operational marketing programs. The segments must meet the criteria outlined by Kotler, (1998) in that they are measurable, accessible, substantial, differentiable and actionable. Of these criteria, actionability emerges from the literature as a key difficulty in many segmentation studies. As argued by Johar and Sirgy (1995) an actionable segment is one which is likely to act given that the marketing organisation can manipulate the right variables that lead to action. In tourism destination marketing the manipulation of marketing mix variables is a highly complex process due to the number of service providers involved and the lack of control the marketing entity has over many aspects of the marketing mix. It is, therefore, imperative that the DMO has the support of tourism industry it represents and that destination stakeholders are committed to the destination marketing management strategy and support the brand vision. Gaining such commitment is difficult and time consuming requiring consultation with stakeholders throughout the process, however, the importance of stakeholder support cannot be under estimated.

In conclusion, effective tourism destination segmentation is recognised as a key tool in the destination marketing process. The marketing program must be linked to the strategic goals of the destination and driven by the imperatives and objectives of the destination's stakeholders. Subjective decisions within the segmentation model must be articulated recognising that different approaches to segmentation will yield different results and that the initial assumptions inherent in such decisions will impact on the marketing strategies that follow. The effectiveness of marketing strategies targeted to various segments must be monitored on an on-going basis and changes to markets and consumer behaviour need to be up-dated as a regular input to marketing information systems. Effective segmentation provides vital intelligence for the design of effective destination marketing strategies, however, the interpretation of this intelligence and the creativity and accuracy of the ensuring marketing strategies will determine the overall success of the destination's marketing management strategy.

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## Appendix 1

Colmar Brunton 2003 market segment descriptors:

### **Pampadours**

- Pampadours comprise 21% of the Australian population, are predominantly female with a peak in the 45-64 year age bracket who mainly travel in couples.
- Strictly DFY (Done For You), they desire five star hotels and 24 hour room service.
- 70% of Pampadours stayed in a hotel, resort, motel or motor inn for their last holiday, compared to the 51% national average.
- Pampadours desire holidays to recharge the batteries, relax and indulge.
- Spending more than \$172.20 per day, they have the highest average spend on their holiday of all five segments.
- Rarely will you see a Pampadour break into a sweat during their holiday – unless their chosen destination is humid. Pampadours enjoy passive, non-physical, low risk activities such as shopping. Evenings are spent being highly social, usually enjoying an up-market party.
- Pampadours choice of destination is driven by the factor of difference – they want new faces, a different culture, a different climate and different food.
- Pampadours are the most stressed segment and holidays are a necessity for them. They average 10.6 days per year on domestic holidays. Pampadours thoughts are predisposed to overseas holidays, however over 70% took their last holiday in Australia.
- Pampadours are the most likely segment to travel by air, 61%.
- Often being time-strapped, 46% of Pampadours use a travel agent or travel magazine to find information for their last holiday which is considerably higher than the total average of all segments of 29%. Pampadours are also 11% more likely to use transport packages than any other segment.

### **Compatriots**

- Predominantly ranging in age from 25 to 44 years 61% of compatriots are female.
- Compatriots are the largest of the five segments, comprising 25% of the populations.
- Compatriots are the most family orientated segment. Most have children under 15, and their holiday activities are primarily driven by their children's needs.

- Spending only \$110.73 per day, Compatriots have the lowest average daily spend.
- A large proportion, 88% of Compatriots took their last holiday in Australia and view domestic breaks as easier to organise and safer than travelling overseas.
- Compatriots prefer to bundle the family into the car and drive to their holiday destination. 56% used private vehicle as their primary mode of transport on their last break.
- They have taken fewer holidays in the past year than any other segment. Only 34% took a holiday in the past year, as opposed to the total average of all segments, 43%.
- Holidays are a necessity for Compatriots – a chance to relax and unwind. They holiday in single blocks to maximise the ‘recharge’ value. As they typically have young families, they need to coordinate holidays with school and work and take their budget into consideration.
- Their destination choice must have children’s activities in order for Mum and Dad to be able to rest and enjoy their holiday.
- Compatriots’ holiday destination is driven by the familiarity and affiliation with the destination; they mainly choose coastal destinations and like to return to the same place each holiday.
- They want a holiday that is DFI (Done For You), however as a family unit and due to the expense of DFY they compromise and usually stay in self-contained accommodation.
- Compatriots are less likely to book travel through travel agents, but are more likely to be reached through television.

### **Wonderful Wanderers**

- Wanderers have an older age skew, 54 – 75 years, with 45% of them retired and 83% have partners, who are usually their travelling companion.
- The Wanderers segment comprises 17% of the population with an average spend of \$132.13 per day.
- Wanderers are frequent holiday takers who prefer to travel domestically. Over the past 12 months they have taken an average of three holidays.
- They enjoy travelling by car, but do use all modes of transport.
- They prefer DIY and shy away from 5 star accommodations and don’t wish to be pampered. They do most things for themselves, thus choose self-contained apartments.

- The Wanderer is an unashamed tourist. They enjoy visiting different destinations each time they holiday and prefer to observe these destinations and check out the local attractions, rather than immerse themselves in the culture.
- Wanderers aim for holidays that are more observational than physical. They literally wander around as opposed to pursuing high physical adventure of vegging out.
- You won't often see the Wanderers holidaying during the school break period and they tend to steer clear of family holiday destinations. Only 10% went away during the last Christmas holiday period.
- Wanderers are reached through television, travel and holiday programs, and newspaper travel and holiday features.

### **True Traveller**

- True travellers are mostly under the age of 45, are unlikely to have children and are the segment most likely to travel by themselves.
- They enjoyed the most holidays of each segment over the last year, with 49% of them having taken a break.
- True Travellers make up 17% of the population and their average spend per day on a holiday is slight under the overall average at \$125.88.
- One week, that's not a holiday! True Travellers are more likely to take a holiday for three weeks or longer. 19% of them took their last holiday for three weeks or longer, against the average of 13%.
- 71% of them travelled domestically for their last holiday. 24% went overseas.
- Rock climbing, abseiling, white water rafting, the True Travellers seeks high-risk adventurous physical challenges on their holiday. Holidays are also about DIY.
- Tourist? No mate, we're travellers. True Travellers seek to immerse themselves in the culture of their holiday destination. The destination choice is strongly motivated by difference and they will choose a different destination every time they holiday.
- True travellers are internet savvy people and find most of their holiday information on the internet.

### **The Groupies**

- Watch out girls – Groupies are predominantly young, single males aged between 15 – 24 years and while on holiday they are out to party, party, party!
- Groupies make up 19% of the Australian population. One in three are students, meaning most of their holidays are taken during the peak school holiday period.



- One in three Groupies work part-time and their average spend per capita per day is \$122.82.
- Groupies are predisposed to visiting friends and relatives for a holiday, are the most likely segment to travel in groups and are not overly keen to cook for them.
- Groupies enjoy physical activity while holidaying, but are more likely to pick up their surfboard than a pair of hiking boots.
- 52% have taken a holiday over the past 12 months and 87% took their last holiday in Australia.
- The Groupies are very internet savvy and find a large amount of their travel information on the Net.