Market Segmentation in Tourism and Hotel Industry

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ABSTRACT

The hospitality and tourism industries have been of no small concern, not only in the past but in the future, even though the fact that they are now being hampered by the epidemic, these two industries also still have great potential for growth due to the general trend of globalization and economic development. The two industries are closely linked and influence each other and due to increasingly fierce competition, the traditional hospitality and the tourism industry are no longer competitive, with a single and lack of updated products and services, needing to adapt to the market. In addition, as the increase of living standards of people and consumption levels, consumer demand will change, as a result, unchanging marketing and products will not satisfy the public. Market segmentation helps companies to identify the needs of different types of consumers in the market and improve their competitiveness, and in this paper, it will analyze the market segmentation of the hospitality and tourism industries through a comparative approach using two specific cases to explore the main process and variables adopted by the two industries for market segmentation, including five variables: geographic, demographic, psychographic, behavioral, and benefits sought. Each of these variables could be applied in a more flexible manner, and future developments in the hospitality and tourism industries will be discussed.

Keywords: Market segmentation, hotel industry, tourism, main variables, case study

1. INTRODUCTION

The previous study has predicted that in the 21st century, people may have more time and money to travel due to the increase of the economic power of the country, the rise of living standards, and the development of globalization. Both the tourism and hotel industry will become very important and promising industries in the future [1]. Despite the fact that both the tourism and hotel industry has been hit by the epidemic, the potential of both industries still might not be underestimated in the long run due to globalization and the general trend of economic development. According to Zhang et al. (2020), the tourism and hotel industry are closely related, and the hotel industry has an important role as part of the tourism product [2]. The development and progress of these two industries have great significance for each other, and as the industry continues to expand, both industries may face increasing competition and the need to improve their competitive edge. Market segmentation is to position and divide the heterogeneous market with different needs and preferences into many small homogeneous markets to meet the needs of different customer groups more precisely, in order to improve the competitive advantage of enterprises [3]. This essay will compare and contrast the hotel industry and tourism through two specific cases in sample subjects, research instruments, main steps, and main methods, exploring the variables that both industries took, the measure they used, and the further development.

2. LITERATURE REVIEW

In this essay, the literature basically includes content and examples of market segmentation in these two industries.

2.1. Market segmentation

Market segmentation is a helpful tool to divide the market into different groups in terms of some similar characteristics, attitudes, and needs for products or services. For example, as the picture is shown below (figure 1), a segmentation of US travellers for tourism. For the tourism and hotel industry, there are some mutual methods used to generate market segmentation: demographic, behavioural, and psychographic approaches. According to Dolnicar, Grün, and Leisch, (2018), in the demographic approach, there are some elements such as age, gender, education, and sexual

orientation [4]. For example, organizations and companies can identify easily different groups, provide suitable tour packages for older consumers or offer a larger room for a family. In the perspective of behavioural variables, it often involves something about the actions in the process, like the purpose of travel, frequency of shopping, and usage. For instance, the frequency of choosing a kind of product or service, or just the frequency of travel. For the psychographic approach, it can include personality, interests, and lifestyle, and it might bring benefits to companies for marketing, as there are some relations between the personality and the choice of a product or service. Since some consumers might choose products or services with their personal characteristics and self-identity in mind.

2.2. Tourism

In terms of Harrison (2001), as a characteristic and a cause of globalization, tourism includes various elements and needs to be associated with a wider environment and be considered with some particular contexts.[5] Numerous research in the geographic level, which focus on the impact of tourism has established a link between the increasing tourist and the development of infrastructure of transportation. Besides, this industry also involves a sustainable development issue.
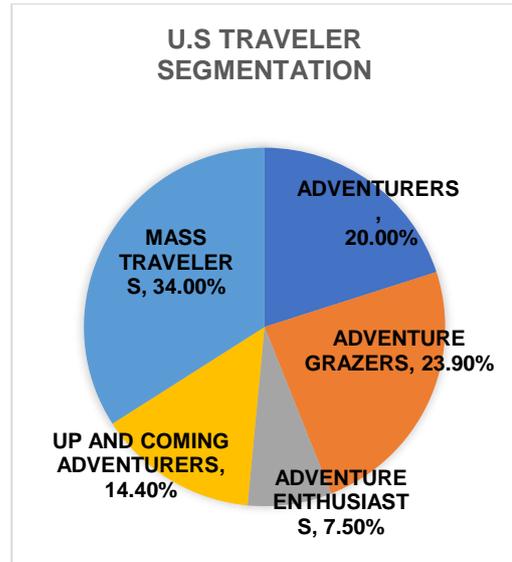

Figure 1 Segmentation of US travellers

2.3. Main cases

This essay will mainly focus on two specific cases, which are respectively related to the hotel industry and tourism: Alhassan and Fatawu (2014) indicated the criteria used by hotels (in Tamale Metropolis) in their market segmentation and which consumer characteristics hotels analyze to gain a competitive advantage [6]. Qu, Qu, and Chen (2018) researched the inbound tourism of China. It indicated a range of market segments for the target market outside of China, particularly for leisure visitors from the US, and found that the importance of leverage effect and market segmentation [7]. The methods and results used in the market segmentation of the two cases provided many different insights.

3. ANALYSIS

Table 1 Different parts of the contrast

Cases Type	Sample Subjects	Data Collection	Data Size	Data Analysis
Case A: Hotel industry	The stuff and consumers of four hotels	Questionnaire	Small: 160	Analyzing data available from questionnaire directly with visible figures
Case B: Tourism industry	American leisure tourists		Large: 2400	Analyzing systematically data by using multiple methods such as K-Means

For the side of the applications of different methods in the analysis process, both two cases used questionnaires as a tool in order to collect the original data. Case B provided a more systematic analysis of data by using methods such as K-Means to cluster visitors into 4 groups and explore how different types of visitors engage with different activities. It presented the large data

in a visual and clear way. In contrast, Case A made extensive use of questionnaires, simply sorting out and listing the results of the questionnaire. Although it is also presented in a visual format such as a table, the significant difference in methodology might be contributed by the size of the raw data between the two cases. Samples for Case A was targeted at 4 popular hotels in Tamale

Metropolis and had a specific headcount requirement (160 respondents in total), Case B was a sample of leisure travelers from the United States who had spent two nights or more in mainland China while waiting for their flights in the waiting rooms of seven major international airports in mainland China over a six-week period, and 2400 questionnaires were delivered. When the amount of data collected is small it is possible to present the results of the questionnaire visually through a table. However, when the size of the data is large it may be more scientifically valid to use methods, such as clustering and decision trees.

In case A, the final part demonstrated the age, distribution, gender weighting, continent of origin, the religion of hotel consumers, and the influence of cuisine and location on their choice of hotel, respectively. In addition, this case also investigated the use of various hotel facilities. The analysis might provide beneficial information for the future operation of hotels in the area, for example in respecting the dietary habits of different religious faiths in terms of food and beverage provision, as well as helping hotels to adapt and innovate in providing more specific, personal services and products. Case B combined Plog's personality-based psychographic model to cluster consumers into four groups. The results showed that the two segments 'leisure and entertainment seekers' and 'culture seekers' had the greatest potential to become the focus of development. The relevant industries might improve and add to their services and products according to the needs and preferences of these consumers. The findings on the participation of the four types of tourists in different activities probably would help the tourism industry to improve the setting of various activities and enhance the experience of the activities.

Additionally, in terms of Hu and Yu (2007), a study of tourism segmentation clustered tourists into 3 groups according to shopping behaviors and standards of choosing craft [8]. This segmentation focused on the role of shopping and craft selection in the tourism market and mainly analyzed behavioral variables, as well as combined other variables such as demographic variables. Shopping and choosing crafts are both high-frequency consumer behaviors in the tourism industry, generating profits for the industry and marketers. Among the three groups, "shopping enthusiasts" are clearly the most attractive target market. Besides, Rogerson (2013) makes segmentation by tracing the history of hotels in South Africa and comparing the number of hotels and rooms from 1990 to 2010, as well as the geographical distribution of hotels [9]. Similarly, the number of hotels in China has grown from 2019, as shown in figure 2 for luxury hotels. The importance of the hotel industry to the development of the South African economy and the birth of a new type of budget hotel is revealed. Yüksel and Yüksel (2002) carried out for the catering sector of the tourism industry, dividing visitors into five groups [10].

It indicated the different requirements that tourists will consider when choosing a restaurant, such as the quality of service and cuisine, the atmosphere, whether it is healthy or not, and whether the environment is clean. In addition, it also applied demographic variables like country origins.

Generally, as Dolnicar (2007) mentioned in the study of tourism market segmentation that the basis for segmentation could be socio-demographic, behavioral, or psychological variables [11].
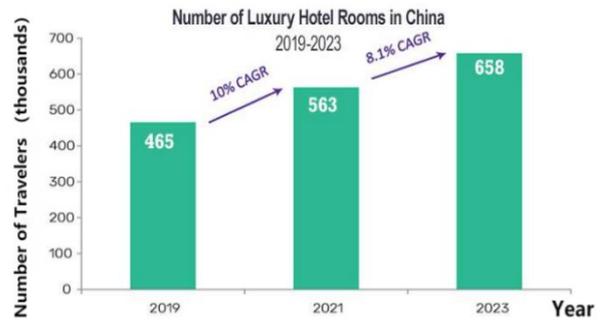
Figure 2 Number of Luxury Hotel Rooms in China

4. DISCUSSION

The people that questionnaires were distributed to could reflect that the tourism and hotel industry have overlapping markets, but each also has its own market. For example, especially in China, travelers who are geographically close and whose destinations are more homogeneous in terms of the landscape may not need to stay in hotels and only make short trips of one day. While for travelers who are only for work and business reasons, they may stay in the hotel and not have time for sightseeing.

Tourism could be considered in different units. When developing tourism on a country basis, it is possible to segment different markets, both within and outside the country, considering different tour operations (like figure 3) to provide a more international and diversified range of tourism products and services.
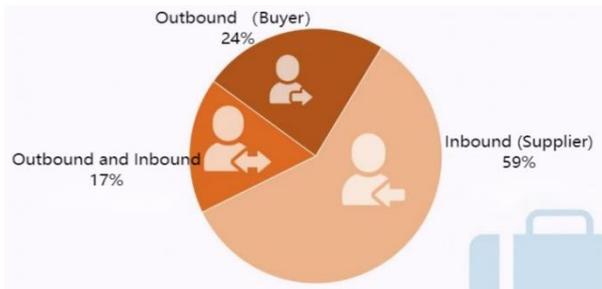

Figure 3 2017 Tour Operation Type

In addition, as an individual tour company, considering working with a hotel probably will be a great approach, and like an advertisement for a tour package shown below (figure 4). Besides, potential consumers could also be expanded by researching the preferences of

individual travelers, who prefer to travel alone without buying any tourism products, segmenting this market, and offering a more personalized service.

Figure 4 An example of collaboration between a hotel and a tourism product

For the hotel industry, customer value measurement may also contribute to improved marketing strategies for hotels, measuring the value of individual visitors and travel agent visitors. Working with a third party could lead to clearer and more specific sales volumes. According to Du et al. (2016), hotels reserve some rooms at lower rates by working with travel agencies [12]. However, the hotel probably also loses some travelers who prefer a more convenient and cost-effective travel package. Hotels should cultivate customer loyalty, and the most fundamental strategy for the travel industry is not to compete on price to attract consumers but to offer more innovative and valuable travel experiences and more effective promotions.

5. CONCLUSION

The types of species variables for market segmentation: geographic, psychographic, demographic, behavioral and benefits sought [13] are involved in the plenty of studies mentioned above, and the most common and obvious variables used in the tourism and hotel industry might be psychographic, demographic, and behavioral. Generally, market segments are analyzed in combination with two or more variables to obtain more comprehensive and detailed results. For the limitations, this paper mainly examined two specific cases by analyzing and comparing them, as well as the methods of market segmentation are not representative of all hospitality and tourism market segments.

ACKNOWLEDGMENT

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