Identifying Market Profiles

by

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There's been quite a bit of discussion this morning about the importance of overseas tourists and whether or not they are as important as some of us might feel. Nowhere has anyone looked at the flip side of Australians travelling overseas and the impact that the cheap fares and tremendous promotional attacks can have. Over a long period of time the tourist industry in Australia has had a running battle with the Government over various issues and with the Union movement over weekend penalty rates. It is always comforting to bleed a lot and say how badly done by we are and how a lot of the problems we face are imposed on us by external factors, by unsympathetic, uncaring bureaucrats, by difficult unions who don't really understand the problems of free enterprise.

There's certainly truth in all those complaints, but the thing that none of us really want to accept is that one of the major problems we face is our own incompetence, stupidity, and lack of planning in the management, development and marketing of tourism in this country. And that is, I think, true for all of us in this room to one degree or another.

The topic on which I have been asked to speak is the "Identification of Market Profiles", and this subject is set within the overall session topic "Selling the Great Barrier Reef". We will be covering this topic by looking at the theory of market segmentation and then taking some specific case studies to illustrate how P&O used these principles to position their four island resorts.

A DIGRESSION

However, before getting on to that, I think we should examine the title of this workshop session. I believe that a more appropriate title would have been "Marketing the Great Barrier Reef" rather than "Selling the Great Barrier Reef". The difference is not mere semantics. In my view the different concepts which flow from these two words are significant and the difference in orientation which results may help us to understand some of the weaknesses of our managerial and marketing approaches in this industry.

Few of us would disagree that selling is primarily concerned with, and oriented towards, increased sales of a particular product. To this end, I would suggest, a selling organisation is one which is concerned with stimulating demand for existing products. In the tourist industry this means more money spent on advertising, on brochures and on visiting travel agents, or having them visit your resort, motel or facility. In other words, the solution to insufficient sales is seen to lie in merchandising and promotion in a battle to increase sales at the expense of one's competitors. In times of difficult trading, such as the tourist industry has, and will continue to experience, this combative approach is likely to be further accelerated as operators strive to survive. I am not suggesting that such activities are of no use. However, I would suggest that such approaches are only a partial solution. What then should we be doing?

I would suggest that we, as operators, tour wholesalers and travel agents in this industry, should redirect our emphasis away from selling, and more towards marketing. In other words, we should change the emphasis from trying to sell our existing products to tailoring products to the needs of our customers.

In this way we can ensure that we do not end up with a product which does not fit the needs of our clients. As well, such an approach would enable the entire market to be expanded so providing a bigger cake to go round.

At the moment we're really competing with each other, trying very hard to increase our sales at the expense of someone else, without really understanding, that we're all in the one pot together. The sooner we increase the total market, the more chance we've got of making a go of this industry.

It is important to realise that product in this sense does not just mean the physical buildings, etc., but encompasses service standards, activities and the overall ambience of the facility.

Thus the marketing concept can be seen as focusing on customer needs by means of an integrated marketing approach with the object of generating customer satisfaction, not sales volume. The latter will flow from such customer satisfaction.

I would now like to look briefly at the factors involved in the implementation of such an approach.

To develop a marketing orientation within our organisation, we must firstly engender an attitude which focuses on the needs of our customers.

To do this we must:-

(i) Clearly define what business we are in. A resort is not merely a place which provides accommodation and meals. It provides a total holiday experience and fulfills individual dreams.

This morning we had a speaker who began his career as an illusionist (Paul Strangleman-Duc). It seems to me that is in fact, one of the businesses we're in, we're in the business of illusion and we have to maintain that illusion for people. A visit to most of the Pacific areas will convince you that illusion works wonders in environments which in many cases are inferior to our own.

Therefore, each activity or entertainment on the resort has to be handled with that in mind. Employees must also have that impressed upon them. For a guest the whole experience must be relaxing and pleasant. After all, he's paying for it.

(ii) Recognise that we cannot be all things to all men. This is most difficult to accept. Yet clearly, no resort can hope to satisfy all the diverse needs of all possible guests. Thus it is important to target our operations (i.e., our product) to the needs of one segment of the population. In other words, we have to position our product somewhere in the market place. This does not mean we will not have visitors from outside this segment. It merely means that in everything we do we will be catering primarily to the needs of the one group of people whom we have accepted as our target market. How we might select this group is looked at further on in this paper.

(iii) Tailor our promotional messages and selection of media to our primary target market.

(iv) Accept that our own views of the world may not be consistent with those of our customers. Therefore, in arriving at an understanding of the consumers' needs we should research our market. This does not have to be expensive but it still may be beyond the resources

Thus, someone starting off in this industry can examine the needs of each segment and compare these with products and services currently being offered. This analysis will show where any gaps are in the market. Once established, continued analysis of the needs of the prime target market enables both product service and advertising to be fine-tuned. Finally, the response from various market segments can be used as a means of optimising the allocation of your marketing budget.

Let's now look at how markets are normally segmented. There are essentially four broad classes of variables. These are: geographic variables, demographic variables, psychographic variables, and buyer-behaviour variables. Some of these variables are shown below.

A SELECTION OF SEGMENTATION VARIABLES

GEOGRAPHIC VARIABLES
- State
- City (by size)
- Population Density (urban, suburban, rural)
- Climate

DEMOGRAPHIC VARIABLES
- Age
- Sex
- Marital Status
- Family Size
- Family Size Cycle (single, married with children, married without children, etc.)
- Income
- Occupation
- Education
- Religion
- Social Class

PSYCHOGRAPHIC VARIABLES
- Ambitiousness (high achiever; low achiever)
- Leadership (leader; follower)
- Authoritarianism (authoritarian; democratic)
- Conservatism (conservative; liberal; radical)
- Autonomy (dependent; independent)
- Gregariousness (extrovert; introvert)

BUYER BEHAVIOUR

Usage Rate (heavy user; medium user; non-user)
Readiness State (unaware; aware; interested; trier; regular buyer)
Sensitivity to - Price
Quality
Service
Advertising
Sales promotion

With geographic segmentation, buyers are distinguished on the basis of where they live. For marketing the Great Barrier Reef, the primary emphasis in Australia would be on people living along the east coast, and in particular those living in major cities, as this gives access to a majority of the population. There is little prospect of attracting visitors from Western Australia because of the cost and the attractiveness of nearby Asian alternatives.

With demographic segmentation, buyers are distinguished on the basis of demographic variables such as age, sex, marital status, family size, family life cycle, income and social class. Unlike the remaining two bases of segmentation, these variables are relatively easy to measure and hence have tended to be used most often as a basis of segmentation. However, it has been found that buyers' needs may be better differentiated along life style or personality lines.

This leads to psychographic segmentation which seeks to distinguish buyers on the basis of personality differences. If the market for a particular product can be segmented on this basis, the product and advertising appeal are then directed towards these characteristics.

Buyer-behaviour segmentation can be considered in terms of:

(i) The various benefits buyers seek from a particular product, e.g., are holiday-makers seeking rest and recreation or are they seeking specific interests such as scuba diving or light tackle fishing?

(ii) The characteristics of heavy, light, and non-users of a product, to determine whether there are any specific characteristics of frequent users which differ from the characteristics of light users or non-users.

(iii) Marketing factors such as price, quality, service, advertising. In other words is a significant segment of the target market sensitive to changes in these factors?

One of the problems of psychographic and buyer-behaviour segmentation is that of reaching these particular segments in a media sense.

MARKET SEGMENTATION IN PRACTICE

Intuition, supported by research, has confirmed that types of holidays can be segmented into three broad categories. These are: localised Australian holidays; non-localised Australian holidays and overseas holidays. The key factors in each of these are:

(i) Localised Australian holidays are characterised by convenience, lower cost than alternatives and are perceived as being non-sophisticated. They are generally of short term duration which, when combined with the lower cost, means they are a more regular holiday form for the majority of Australians. In fact, a trip to the Gold Coast from Brisbane would come into that category.

(ii) Non-Localised Australian holidays are generally less regular than the localised holiday; are more expensive, better planned, more sophisticated, and longer than a L.A.H. As a consequence the holiday maker expects far more value for money and is looking for many different features. In general it can be said that in the case of the over 30 age group, the non-localised Australian holiday is intended to provide "rest and recreation" rather than the hustle, bustle and excitement which is associated with an overseas holiday.

(iii) Overseas holidays are perceived as offering better value for money than domestic holidays, particularly in terms of quality of accommodation, service standards and generally lower costs. Our research, completed in 1977, indicated that the all-round value of such holidays precludes many people from seriously considering a non-localised domestic holiday. The recently introduced cheaper airfares will have further consolidated this view. In particular, overseas holidays are seen as offering glamour, excitement, different lifestyles, different cultures, and the bargains of duty free shopping.

It is also clear that the market for holidays can be segmented in a number of ways. On the basis of family life cycle, for example, P&O arrived at the following six categories for market segmentation research:

- Single females
- Single males
- Young couples, no children
- Young couples, children
- Older couples, no children
- Older couples, children

P&O then obtained a considerable amount of data on each of these target markets, including their ranking of various features of the ideal holiday destination. In simple terms, we determined what the demand characteristics of various people in the Australian community were, and we had a look at just what was being done to satisfy those needs within the market place. We found that within each group were "active" and "passive" holiday-makers. An "active" holiday-maker emphasises places and experiences, whereas a "passive" holiday-maker emphasises rest, recreation and people contact. Most overseas holiday-makers are "active".

We then examined what was being done in the market place: our assessment was that with the exception of Great Keppel, none of the Queensland island resorts had effectively positioned itself. Hayman was the undisputed premier resort because of the professionalism with which it had been developed, managed, and the strength of the Ansett organisation in the market place. Notwithstanding this, we did not consider that Hayman had been clearly positioned. Simply, it had not been seriously challenged. There was considerable scope for resorts to obtain a "franchise" on segments of the market.

Before briefly describing what was done with the P&O resorts I would like to refer you back to Great Keppel. In 1976 when TAA purchased it, it was a little known, underdeveloped resort. Its image was indistinguishable from most other resorts on the islands off the Queensland coast. The decision was made by TAA to home in on the "young" market whose major interest is in meeting people of their own age. They consider the activities, entertainment and amenities which are available. From that point onwards, all product development, activities and promotional efforts were directed towards the satisfaction of the needs of this market segment. The outcome was a substantial increase in bed occupancy and a clear recognition by the market place that Keppel was a "young-minded" resort.

At Lindeman Island, the decision was made to position the resort clearly into the family market. The "two-children free" concept was developed and launched, and all subsequent promotional activity reinforced this positioning. Prior to the involvement of P&O, Lindeman had been a relatively small (36 room) resort. Today there are 90 rooms on the Island. Activities are geared to amuse and entertain children and to provide their parents some respite from the continual demands of their offspring. Lindeman resort has employed experienced staff expressly to look after the children who visit the resort. The decision to position Lindeman in this way was taken after a thorough analysis of the market and an appraisal of the resort's resources.

Dunk Island, in which P&O no longer has an interest, was almost entirely rebuilt and launched into the upper end of the tourist market, in direct competition with overseas resorts, and of course, other island resorts. Its target market was married couples without children, between 35 and 54. From research carried out, these people were the principal targets for such a product, and their needs were not being served by an existing Australian resort. The marketing campaign that accompanied this re-launch, emphasised the quality and service available on the resort by comparing it with various well-known near-Pacific resorts. Once again, we have an example of a resort which was positioned following a detailed market analysis which highlighted an opportunity.

The final resort which I would like to mention is Heron Island. As you would be aware, it is a coral cay as is Green Island. On its own this provides Heron with some major advantages. In the past three years the market positioning that could have been assumed would naturally accrue to it (i.e., as an unspoiled, secluded resort) has been realised. Year round interpretive programs of both the marine life and the terrestrial life have been introduced, fishing activities have been strengthened, and special interest programs such as the Heron Island Bird School and the Marine Plants and Animals School have been successfully run. More programs are being planned. The resort has worked closely with the Heron Island Research Station Board, the Great Barrier Reef Marine Park Authority, and Queensland's Fisheries and National Parks and Wildlife Services. It's not just a question of dropping on to the edge of the Reef and snorkelling around (although that's a fantastic experience); it's a question of understanding what the Reef is about and caring enough to be able to put aside short run profits to try and make sure firstly that your guests are well looked after, and secondly that they come back.

We are also after the Australian market. We're trying to show Australians a piece of their country which is unique, and give them an opportunity to experience and understand it.

In adopting this positioning, it can be seen that Heron used a different basis for segmenting the tourist market than did the other resorts. Its appeal cuts across demographic bases and lies in the areas of psychographics and buyer-benefit analysis. Heron, because of its positioning, is also uniquely able to satisfy the needs of overseas visitors who wish to see the Barrier Reef. In 1978, approximately 40% of Heron's visitors were from overseas.

Before I finish, I'd like to raise one point. You've each got the brochure that was given out by the Queensland Government Tourist Bureau. Before I say any more, I'd like to say that this is not meant as a specific criticism of the Tourist Bureau. What it does is highlight just what we are doing wrong with marketing tourism. If you turn to the inside cover you'll see a beautiful shot of what is undeniably a coral cay set inside a lagoon at the reef edge. That's a beautiful shot. The copy would seem to suggest that's what the "enchanting islands of Queensland" are all about. It's a lot of rubbish. That's what some islands are about. There are other islands which are beautiful, more stunning than coral cays, but the image that is being sought to be created, is one of the Barrier Reef again. We have that ubiquitous non-product rising up. That brochure by the way is probably about a one thousand percent improvement on the previous one from the Tourist Bureau, but it exacerbates the problem, or image that we've talked about this morning. Every page of the brochure in fact should be looked at closely and the copy read, because I think that what you'll find when you get to the end is that the products have been broken up and described in terms of how far north or south they are from some lines running across the Australian continent. It seems to me far more realistic to have said "let's try and describe these resorts in terms of what they really are, so that when some person comes in and gets this brochure from our Tourist Organisation in this State or in some other State, they can read it and have a pretty clear idea about the differences". Now all of us here could read it and not be mistaken because we all know the products but I really question whether a lot of other people in the general community really know the product as well as we think we do.

Thus, in conclusion, I would urge you to look at your own marketing programs and consider how you might better tailor your operations that you run and you sell to the needs of the market. The historical reliance on the attractions of the Great Barrier Reef will not be enough to enable any of us to survive in today's market. Travellers are becoming more experienced, and more demanding. Overseas holidays are becoming still better value. It's up to us to persuade Australians, and overseas tourists to come to Australia. We have to convince Australians that their own country has what they need, and then to deliver what we promise. Frankly, I don't think we have any alternative but to do it.