

# Handbook on Tourism Market Segmentation

Maximising Marketing Effectiveness

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**Handbook on Tourism Market Segmentation – Maximising Marketing Effectiveness**

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## Foreword

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This handbook is the second in a series of joint collaborations between the European Travel Commission (ETC) and the World Tourism Organization (UNWTO) in the area of methodological manuals. The first handbook “Evaluating NTO Marketing Activities” has been very well received by the international tourism industry and we hope that this handbook will be equally well received. We are very pleased, once again, to have secured the services of the University of Bedfordshire (United Kingdom) to work with us on this project.

We expect this handbook to help fill a gap identified by many National Tourism Organizations (NTOs). ETC and UNWTO have been often asked to provide advice and guidance on current market segmentation techniques and best practices. There is, therefore, clearly a general desire among NTOs and Destination Marketing Organizations (DMOs) to improve the effectiveness of their marketing so that it is more focused on meeting objectives and targets.

We believe that the segmentation of customers and markets is an essential ingredient of marketing effectiveness. Segmentation is not new and it need not be complex. We are confident that this handbook will help the tourism industry, and in particular NTOs, to demystify what segmentation is and how it can be done.

We recognise that there are significant differences in the budgets of NTOs and that this affects their ability to devote resources to the marketing cause. This, in turn, impacts upon the degree to which NTOs can undertake segmentation-related research to support marketing activities. Nonetheless, we believe that segmentation techniques can be applied, to a greater or lesser extent, by all NTOs if they desire – regardless of budget. It is therefore our intention that this handbook can be utilised by all NTOs, to some degree, as a tool for helping to optimise the return from their marketing spend. We also consider this handbook to be of great value to all tourism organizations, regardless of whether they operate in international or domestic tourism markets.

Leslie Vella (*Chairman of the ETC Market Intelligence Group*)  
and John Kester (*Chief, Marketing Intelligence and Promotion Department, UNWTO*)



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The report, which forms part of ETC's ongoing Market Intelligence Programme, was carried out under the supervision of Mr Christian Ørsted Brandt, Analyst at VisitDenmark, on behalf of ETC's Market Intelligence Group, and by UNWTO Market Intelligence and Promotion Department.

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# Introduction

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In the year 2000, there were only 11.5 international trips per 100 population. While this figure has increased from 4.5 in 1970, it is anticipated to be still at 21 international trips generated by 100 population by 2020.

## Worldwide participation in tourism

	1970	2000	2020
World population (million)	3,708	6,080	7,608
International tourist arrivals generated worldwide (million)	166	700	1,600
International tourist arrivals generated per 100 population	4.5	11.5	21.0

Source data: UNWTO and US Census Bureau

In essence, this means that a still significant percentage of the world's population is unlikely to be in the market for international tourism (because of cost, time, inclination, visa restrictions etc.) in any one year; and are therefore extremely unlikely to respond to marketing messages aimed at coaxing them to visit a destination outside of their home country. Indeed, even within this figure there will be a large proportion of independent business and visiting friends and relatives (VFR) travellers for whom an international trip is non-discretionary i.e. they need to travel to where the work or to where their friend/relative is based.

With only a small percentage of the world's population actively in the 'market' for an international trip at any one time, and open to persuasion on which destination to visit, the amount of competition for this business from the 200 or so NTOs around the world is intense. NTO marketing resource – usually Government aided – is finite and therefore needs to be focused where it will achieve the desired results. Segmentation is about focussing resources on those potential customers who are most likely to be persuaded to visit the destination and who fit the profile of the 'type' of customer the destinations wants to attract.

There is little point in spending significant marketing resource on those who have no opportunity to visit the destination in the short to medium term (2 to 5 years). Doubtless there may be a case for spending some resource, for example on building your destination brand in some markets, if the longer-term outlook looks favourable. However, taking a long-term view of markets (5 years or more), and investing heavily, is a risky business given the volatility of international relations/politics and the impact that this can have on the flow of international tourism. A sensible balance needs to be struck between the amount of NTO resource spent on stimulating business 'now' and that spent on developing business for the future.

Segmentation has a role to play in developing both short and longer term marketing strategies. For example, an NTO in its core markets may have decided to focus on 'high spenders' or 'off-peak' travel segments – or others that will help fulfil its specific tourism objectives. In developing new markets, an NTO may wish to identify 'trail-blazers' who might come to its destination in advance of others. Identifying who these people are, what products they are seeking and how best to persuade them to come to the destination, rather than to a competitor destination, is all part of the segmentation process.

It is not our intention that this handbook should be 'definitive'. There are numerous ways in which NTOs can (and do) segment their customers; and new and innovative ways in segmenting markets are