

# TOURISM MARKETING

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## Unit 4

Topics covered:

Market Segmentation

Targeting

Positioning and Branding

Pricing

# MARKET SEGMENTATION

- Market segmentation is the process by which a market is divided into distinct subsets of customers with similar needs and characteristics.
- The overall market is divided into distinct groups of buyers who are likely to respond favourably to different product / service offerings and market mixes.

For example:

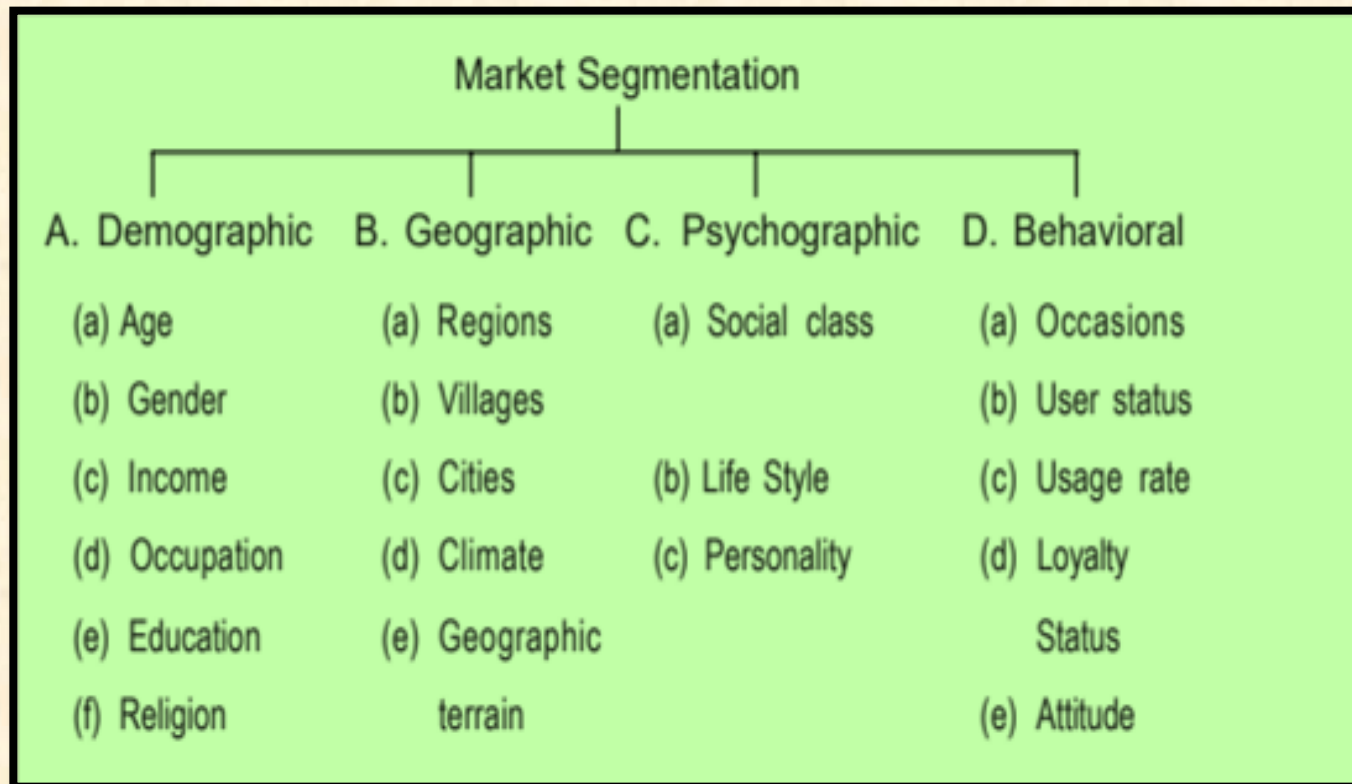
Short stay business travellers

Families with children

Young overseas tourists and so on.

- Market segmentation is the process that companies use to divide large heterogeneous markets into small markets that can be reached more efficiently and effectively with products and services that match their unique needs.

- **Market Segmentation**
- Segmenting consumer markets
- Segmenting business markets
- Segmenting international markets
- Requirements for effective segmentation.



# **BENEFITS OF MARKET SEGMENTATION**

- (a) It helps in satisfying consumers in a better way.
- (b) It provides various types of information that are useful in product development, marketing research, evaluation of marketing activities, etc.
- (c) It channelizes money and effort to the most potentially profitable segments.
- (d) It produces goods and provides services as per the demand of the customers.
- (e) It helps in preparation of effective and efficient marketing policy.
- (f) It helps to determine effective promotional activities for the concerned segment.
- (g) It helps the producers to determine and compare the marketing potentialities of the products and services.

## Example of market segmentation?

### Titan Watches

Arrives in three broad Segments

- The Rich
- The Middle
- The Lower

For the Gold lovers:



For Children Segment



For the youth /the outdoor lovers:



For Designer Segment





# TARGETING

- Market Targeting is a process of taking decision regarding the market segments to be served. The marketer distinguishes the major market segments, targets one or more of these segments and develops products and marketing programmes tailored to each selected segments.
- Market targeting refers to picking a specific group or small set of groups to which a business will advertise.
- It is based on the idea that, because it's not really possible to make or do something that will please everyone, a business has to specialize.
- Companies select an advertising group to strengthen their brands, as well as to get an idea of potential sales for production or financing purposes.
- They can use three main approaches for this: universal, selective or concentrated. It is common for an organization to reevaluate its target groups and related campaigns over time because markets are always somewhat flexible.

# POSITIONING & BRANDING

1. “Positioning is the act of designing the company’s offer and image so that it occupies a distinct and valued place in the target customers’ mind”. – Philip Kotler.
  2. “Positioning is the art of selecting out of a number of unique selling propositions, the one that will get you maximum sales”. – Rosser Reeves.
  3. “The most important decision you will ever make about your product is, ‘How should I position my product’. – David Ogilvy.
- “Positioning starts with a product, a piece of merchandise, a service, a company, an institution or even a person; but positioning is not what you do to a product. Positioning is what you do to the mind of the prospect. That is, position of the product in the mind of the prospect.”

# POSITIONING STRATEGIES

- 1. Positioning on Product Attributes :** The marketer can position its product on specific product attributes, for example Sony features technical and performance attributes.
- 2. Positioning on Benefits :** The marketer can also position its product on the basis of benefits it offers for example – Colgate reduces cavities, clinic shampoo-an all clear shampoo.
- 3. Positioning according to usage occasions :** The marketers can also position, their products on the basis of specific usage occasions, for example casual dresser, formal dresser or ornaments for specific occasion.
- 4. Positioning the product for certain classes of users :** There are certain movie or films for children and for adult only. Similarly, certain publishers are concentrating only on comic series publications to suit the needs of children.



**5. Positioning directly against a competitor :** In its “dare to compare campaign”, Texas Instruments asked its consumers to make side by-side comparisons of its personal computers with that of IBM’s. It attempted to position the product as easier to use and more versatile.

**6. Positioning away from competitions :** A product may also be positioned away from competitors. 7-up became the number three cold drink when it was positioned as the “UnCola”, the fresh and thirst alternative to Coke and Pepsi.

**7. Positioning as to different product classes :** The product can also be positioned with respect to different product classes, for example Mediker shampoo is positioned with “lice clear” means better performance compared to other brands of general shampoo.

✓ Positioning strategies generally apply one of the two approaches— one focusing on consumers and the other on the competitors.

# PRICING

Price is the value of the goods and services. According to Kotler, “Price is the amount of money charged for a good and service. A pricing mistake can lead to a business failure, even when all other elements of the business are sound.

Price is the perceived value that is exchanged for good and services. The perceived value is expressed in terms of money such as dollar, pound or rupees etc.

Setting pricing for tourism businesses is a strong mix of marketing strategy and financial analysis. Tourism products are very rarely identical, often because of location, but also because of the people and the components that make up the experience you provide a traveller. It can be incredibly diverse and pricing strategies can evolve as a tourism business develops its brand and market share. Even star ratings for accommodation only give a general guide for travellers on what the pricing will be – there are not set criteria.

## Determining the price of the product requires consideration of three key factors

- **Operating costs** – Operating costs include both fixed and variable costs. Fixed costs remain same regardless of the sales which involve building, insurance, and equipment costs. **Variable costs** include costs for wages, gas, electricity, cleaning, maintenance, repairing, materials used in production, office stationery, linen, food, petrol, machinery, uniforms, bank fees, marketing research expenses, and expenses for advertisements, promotions, brochures, and conducting consumer or trade events.
- **Profit Margins** – This is determined by comparing the competitors' offers and the own product offers. Profit margins are set without compromising the competitive advantage.
- **Commissions of Intermediaries** – Working with intermediaries incurs commissions. Commissions are the fees paid to the intermediaries to distribute and sell your product.





## Tourism Product Pricing Policies

- Commonly followed pricing policies include –

**Discount Pricing** – This strategy calls for reductions to a basic Price of product or services. It is a form of sales promotion which at times proves to be rewarding for the customers.

**Variable Pricing** – pricing varies with respect to the variation in features of a product.

**Loss Leader Pricing** – It is selling few products at prices lower than the actual prices. It helps to settle the loss by attracting customers to buy more number of products.

**Promotional Pricing** – It is selling a product for free with another product with the objective of promoting the free product. Customer interest is generated to use the free product thereby increasing the sale.

**THE END**