

Market Segmentation, Targeting and Positioning

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Abstract

Businesses may not be in a position to satisfy all of their customers, every time. It may prove difficult to meet the exact requirements of each individual customer. People do not have identical preferences, so rarely does one product completely satisfy everyone. Therefore, many companies may usually adopt a strategy that is known as target marketing. This strategy involves dividing the market into segments and developing products or services to these segments. A target marketing strategy is focused on the customers' needs and wants. Hence, a prerequisite for the development of this customer-centric strategy is the specification of the target markets that the companies will attempt to serve. The marketing managers who may consider using target marketing will usually break the market down into groups (segments). Then they target the most profitable ones. They may adapt their marketing mix elements, including; products, prices, channels, and promotional tactics to suit the requirements of individual groups of consumers. In sum, this chapter explains the three stages of target marketing, including; market segmentation (ii) market targeting and (iii) market positioning.

4.1 Introduction

Target marketing involves the identification of the most profitable market segments. Therefore, businesses may decide to focus on just one or a few of these segments. They may develop products or services to satisfy each selected segment. Such a target marketing strategy differs from mass marketing (where a company may decide to produce and distribute one product to all consumers) or from product differentiation (where a company offers a variety of products to a large market). Marketers have been moving away from mass marketing endeavours, as they are increasingly targeting smaller segments with customised marketing programmes. In

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this light, this chapter sheds light on the process of market segmentation. It clarifies how businesses could select the most profitable segments as they employ market coverage and positioning strategies to attract them.

4.2 The Market Segment

A market segment is a group of individuals, groups or organisations who may share the same interests, traits and characteristics. The consumer segments may have similar needs, wants and expectations. Therefore, businesses should ask themselves which segments should they serve? To answer this question, the businesses must determine the most appropriate ways to distinguish and to differentiate their segments. Once the segments have been identified they must customise their offerings to satisfy each and every one of them.

4.3 Market Segmentation

Market segmentation is the actual process of identifying segments of the market and the process of dividing a broad customer base into sub-groups of consumers consisting of existing and prospective customers. Market segmentation is a consumer-oriented process and can be applied to almost any type of market. In dividing or segmenting markets, researchers typically look for shared characteristics such as common needs, common interests, similar lifestyles or even similar demographic profiles. So, market segmentation assumes that different segments require different marketing programmes, as diverse customers are usually targeted through different offers, prices, promotions, distributions or some combination of marketing variables. For example, Southwest Airlines' single-minded focus on the short-haul, point-to-point, major-city routes, allowed them to prosper as their competitors floundered. The airline's focus on specific segments allowed them to do a better job of deciding what their target segment really valued (for example, convenience, low price, on-time departures and arrivals, among other things).

Once the customer segments have been identified and profiled, the marketer must decide which segment to target. Diverse customers will have different expectations. For instance, there may be customers who will value a differentiated, high quality service, whilst others may be more price-sensitive. Notwithstanding, not all firms have the resources to serve all customers in an adequate manner. Trying to serve the entire market could be a recipe for disaster. The overall aim of segmentation is to identify high-yield segments. These are likely to be the most profitable groups of customers, or may hold potential for growth. Hence, the most lucrative

segments will usually become target markets. In the tourism industry, the business traveller is usually considered as an attractive segment. However, there are different types of business travellers:

- The Hard Money Travellers (or the independent business travellers), these include the business individuals travelling at their own expense;
- The Soft Money Travellers (or corporate business travellers), these include business individuals travelling on an expense account;
- The Medium Money Travellers (or the conference or incentive business travellers), these include business individuals travelling within a group;
- The Interim Travellers, these include business travellers who are combining personal travel with a business trip;
- The Frequent Short Travellers, these include business travellers who consistently fly a short-haul route;
- The Periodic Travellers, these include sales persons who make a round of stops on a steady itinerary.

However, these six groups are said to be only part of some other travel groupings which have often been identified as principal sources of revenue for the tourism industry. Travel and tourism marketers must analyse these various segments. They must then select at least one segment and decide how to service them, in terms of fare prices, facilities, frequencies and special features.

4.3.1 The Benefits of Segmentation

By dividing the market into segments, marketing managers can acquire a better understanding of the needs and wants of customers. This enables them to customise or to 'tailor' the company's marketing activities more accurately and responsibly to the individual customers' likings. Segmentation marketing supports businesses in meeting and exceeding their customers' requirements. It may also allow them to evaluate the competitors' strengths and weaknesses. This way, they could discover business opportunities in markets which were not served well.

Customer segmentation enables marketers to adopt a more systematic approach when planning ahead for the future. This leads to better exploitation of marketing resources, resulting in the

development of a more finely-tuned marketing programme. For example, the businesses' integrated marketing communications can be better organised, as targeted advertising (for example native advertising) and promotional activities can be directed at individual customers. For example, the emergence of data-driven, digital technologies such as sensor analytics, geo-location and social data-capture could track the users' movements and other real-time phenomena. These disruptive technologies are increasingly being used by tourism businesses as they add value to customer-centric marketing endeavours (Schegg & Stangl, 2017; Camilleri, 2016).

4.4 Segmentation Variables

Having defined segmentation and discussed about its benefits, the next question to address is; how could businesses segment their markets? The traditional variables that may be used for market segmentation can be grouped into five main categories: (i) Demographic; (ii) Geographic (iii) Psychographic; (iv) Behavioural and / or (v) Product-Related Factors.

4.4.1 Demographic Segmentation

Demographic segmentation involves dividing the market into groups that are identifiable in terms of physical and factual data. The demographic variables may include; age, gender, income, occupation, marital status, family size, race, religion and nationality. These segmentation methods are a popular way of segmenting the customer markets, as the demographic variables are relatively easy to measure.

For example, the age range for business travellers may usually span from their late twenties to their mid-fifties. According to Skift (2017), younger employees are travelling for business purposes and their buying habits are completely different than their older counterparts. On average, millennials took 7.4 business trips in the last year, compared to 6.4 for Generation Xers and 6.3 for baby boomers. Younger travellers are less likely to book air travel based on loyalty programme perks. They are more likely to book their flight according to the airline service and the customer experience they offer. Moreover, young travellers are more likely to use room share services like Airbnb, than other segments (Skift, 2017). However, for the time being, major hotel brands are not under any serious threat.

At the same time, Uber and other ridesharing services are becoming mainstream across all age groups, as they may be cheaper than taxis (Pew Research, 2016). The age range in the leisure market is a very broad one and quite different to that in the business market. Children particularly can play an important role in leisure travel, as they travel abroad on holidays with their families. Young people in their early to mid-twenties too are prepared to spend their disposable income on travel before they take on the responsibilities of family life. At the other end of the scale, we have those who are retired from work, are in a relatively good health and in good financial position which allows them to travel.

In the past, middle-aged males dominated the business travel market. However, recently, the advertising and promotion of airline services have increasingly targeted female business travellers. This market controls 60% of U.S. wealth and influences 85% of purchasing decisions (Skift, 2014). The female gender is high-tech, connected, and social. They represent 58% of online sales (Skift, 2014). To get maintain their competitive edge, travel brands must start focusing their campaigns to better target women. The leisure travel market is far more balanced in terms of gender. In fact, in older categories of leisure travellers, that is over the age of sixty, women outnumber men due to their longer life expectancy (Boston Globe, 2016).

The ability to travel for leisure purposes greatly depends on an individual's income. Leisure travel is a luxury which may be foregone when times are financially difficult. Generally, as personal income rises, the demand for air travel increases. However, should there be a recession, money belts are tightened, and less leisure trips may be taken. This is an example of a concept known as income elasticity (this topic will be discussed in Chapter 8). Income elasticity can be defined as the relationship between changes in consumers' income level and the demand for a particular item.

4.4.2 Geographic Segmentation

Geographic segmentation involves selecting potential markets according to where they are located. This segmentation approach may consider variables such as climate, terrain, natural resources and population density, among other geographic variables. Markets can be divided into regions because one or more of these variables could differentiate customers from one region to the next. For example, those individuals who are living in wet and cold climates will favour warm, sunny destinations for their holidays. This issue could greatly affect competition among airlines for certain destinations, particularly during the peak holiday seasons.

The culture or country of origin of all travellers is also an important factor which must be taken into consideration, particularly when targeting corporate segments. Not all business travellers belong to the same stereotypical image of the sophisticated, affluent middle-aged business man hailing from specific regions such as the north-west of Europe, North America or Japan. Today, business travellers may include traders who are travelling to different locations in the world, including developing countries, where there are growth prospects. In this case, convenient schedules and inflight frills are relatively unimportant when compared to excess baggage policies and low fares.

4.4.3 Psychographic Segmentation

Psychographic segmentation could be used to segment markets according to personality traits, values, motives, interests and lifestyles. A psychographic dimension can be used by itself to segment a market, or it can be combined with other segmentation variables. The psychographic variables are used when purchasing behaviours correlate with the personality or lifestyles of consumers. Diverse consumers may respond differently to the businesses' marketing efforts. For example, affluent business travellers who are used to high standards of living will expect an airline's service to complement such a lifestyle (Swarbrooke, & Horner, 2001). The lifestyle one leads and expects to lead greatly depends on an individual's social status which is generally influenced by occupation. Social grades (grades in status) may be broken down as follows:

- A: Higher managerial, administrative or professional;
- B: Intermediate managerial, administrative or professional;
- C1: Supervisory, clerical and junior managerial, administrative or professional;
- C2: Skilled manual workers;
- D: Semi or unskilled manual workers;
- E: State pensioners or widows, casual or lowest grade workers.

Most business class passengers come from the A, B and C1 social grades. These people have high occupational status. They may earn high incomes and are usually accustomed to a good lifestyle. Therefore, they may demand a very high standard of service. Marketing managers must carefully consider additional facilities for these passengers, as they should ensure their comfort, at all times. Examples of additional facilities that could be provided to these individuals (particularly those who are in Class A) could include; separate cabin for business class, separate check-in desks, the use of private lounge, and so on. Air travel is no longer an

elitist luxury. Although members of the A and B social grades form a substantial number of leisure travellers, many airlines, particularly low-cost carriers are increasingly targeting lower social grades, namely, C2, D and E, as a means of exploiting the market.

4.4.4. Behavioural Segmentation

Behavioural segmentation is defined as the segmentation of the market according to individual purchase behaviours. Behaviour-based segmentation is conspicuous with the benefits sought from the product, with the identification of specific buying behaviours, in terms of shopping frequency and volumes of purchase, et cetera. For example, a customer relationship management system could include customer profiles of frequent-flyer travellers, and could reveal valuable information on their past transactions. The frequency with which individuals travel often depends on their occupation. The higher the standard of living of individuals will enable them to travel more frequently. These issues ought to be considered by the airlines' marketers. A poorly run airline could lose the return custom of its business travellers. Moreover, it may lose credibility among potential prospects who may have come in contact with disappointed travellers.

4.4.5 Product-related Segmentation

These variables depend on the product or service to be marketed. In the airline industry such variables include, journey purpose, the length of the journey, the passengers' country of origin, and the like. For instance, passengers could be travelling for business reasons, therefore they may need to book for their short itinerary in the last minute. When discussing about business travellers it is necessary to break them into segments, namely, corporate, independent, incentive or conference travellers. As mentioned earlier, there are quite a large number of market segments which provide good sources of revenue for the airline industry. However, the business passengers (as mentioned above), may differ from each other, in terms of their spending power.

The independent travellers are usually travelling on their own expense, so they would expect value for money. The corporate travellers are subsidised by their company, so they may be more interested in the standard of service, as well as on other frills being made available to them. The conference and incentive segments have other requirements. This latter segment consists of individuals who travel in groups. Their arrangements are usually made well in

advance by either corporate businesses or by specialised travel agencies. As a means of offering cheap group rates, airlines could possibly organise group travel at unsociable hours.

The length of the travel journeys may also dictate the customers' needs, wants and expectations. For example, the needs of the customers who are travelling on a long-haul flight from London to Singapore, would be different from those of other travellers on a short-haul flight from London to Paris. Long-haul travellers will need very comfortable seats, inflight entertainment, inflight meals and so on. On the other hand, the short-haul travellers may only require a drink and some literature (inflight magazine) to peruse. Then, there are other journeys which may be categorised as medium-haul flights. An example would be a flight from London to Rome. These passengers will have different requirements to those mentioned above. In this case, they may expect comfortable seating and a light snack. Other services such as priority boarding and a welcome drink may also be expected by business travellers.

4.5 The Requirements for Effective Segmentation

There are a number of ways of how a market can be segmented. However, not all market segmentations are effective. Market segments must mean something, they must have relevance to the product being marketed. The market segments must possess the following characteristics:

4.5.1 Measurability

It must be possible to measure the size and purchasing power of the segment. It must be possible to gather concrete information on the various characteristics of the market. For example, 42 % of passengers earn \$100,000 per annum. The businesses would be more effective in their marketing strategies and tactics if they hold accurate data, on their chosen segments.

4.5.2 Substantiality

This is the degree to which segments are profitable enough to be worth pursuing with 'tailored' marketing programmes. For example, it may not pay an airline to market its service to people who are in the grade E social strata.

4.5.3 Accessibility

This refers to the degree to which one may reach and serve segments. For example, there is no point in conducting a heavy television advertising campaign for the business class service during off-peak viewing times of the day.

4.5.4 Actionability

This relates to the degree to which effective programmes can be redesigned to attract and serve relevant segments. For instance, a small airline could identify different market segments, but its human and financial resources may limit its ability to adequately develop separate marketing programmes.

The four parameters, including measurability, substantiality, accessibility and actionability of market segments, can be explained through a simple example:

After much market research, an airline has decided to offer an additional service on a new direct route between two main cities. Previously, travellers had to fly indirectly to their destination, by connecting through an intermediate city. The segment which the airline proposes to target is the business class traveller. A market research has identified the business traveller segment as the main customers using this indirect route. As a result, the airline concluded that a new direct service would be welcomed by this group of travellers. Research has indicated that a substantial number of business travellers already travel this route although indirectly, and the size and purchasing power of this segment is considerable.

Accessibility does not pose a problem to the airline, as it proposes to promote the new route through corporate magazines and newspapers, online through digital media and in prime television and radio advertising. Moreover, the new service will be manageable for the airline, satisfying company objectives, resources and fleet size.

In summary, the problem is to identify a segment of the market which can be easily targeted. An airline may also use psychographic segmentation if it wants to establish the needs for several business traveller segments, such as those whose choice of airline is dominated by schedule convenience. At the same time, it could target leisure traveller segments, such as those who are nervous of travelling by air. However, although it may be possible to develop products to satisfy the needs of the business traveller segments, it will prove quite difficult for the airline

to identify the latter psychographic segment. For instance, those nervous of flying would not live in just one area, or they may not read the same magazines, et cetera.

4.6 Market Targeting

Once the market segmentation has been completed, the company should be aware of the needs and wants of its selected segments. It is in the interest of the business to identify any untapped needs in the marketplace, as there could be customers who may not be adequately served by competitors. It is then necessary to identify the most profitable segments and to decide which segments will be served. There are three market coverage alternatives which can be applied; undifferentiated marketing; differentiated marketing and concentrated marketing.

4.6.1 An Undifferentiated Marketing Strategy

An undifferentiated marketing strategy ignores any differences in the market. Therefore, this strategy involves approaching the customers with one market offer. In this day and age, discerned customers are increasingly becoming more demanding. It will prove difficult for the business to develop a product or a brand which will satisfy all consumers who may have different needs, wants and expectations.

4.6.2 A Differentiated Marketing Strategy

A differentiated marketing strategy will usually involve targeting a number of segments. This marketing coverage strategy entails developing an individual product or service offering, and creating a marketing plan for each and every segment. Hence, the company should carry out a thorough market research to learn about how it can satisfy its selected segments. This will translate to more costs than an undifferentiated strategy. Therefore, it is extremely important for the company to decide which services are of critical importance to its chosen segments. The marketing managers should determine whether there will be significant margins when opting for differentiated marketing. For example, the legacy airlines' provision of additional facilities, such as; separate check-in desks, airport lounge facilities, separate cabins with comfortable seating for first class or business class passengers, as well as superior inflight meals, will translate to greater costs for the airline.

4.6.3 Concentrated marketing

The companies with limited resources will usually target just one or a few sub-markets. If a segment is successfully chosen, there is a possibility that the firm may earn a high rate of return on its investment. However, this form of marketing could also involve a high-risk factor. If the selected segment fails, the company can experience hefty losses.

In sum, the appropriate market coverage strategy may be determined by a number of factors:

- The company's resources. If the resources are limited, concentrated marketing could be the most logical choice;
- The type of service which is to be offered. For example, airlines could offer chartered or scheduled service, low-cost or full-service, long-haul or short-haul services, business or leisure services, and so on;
- Diversities within the market. The companies need to understand their customers' requirements. For example, independent business travellers may have different needs and wants than those of the corporate business travellers who are sponsored by their employers;
- The competitors' market coverage strategies. For example, if competing airlines are successfully applying segmentation techniques; probably, it would not make good business sense to employ an undifferentiated marketing strategy.

Which segment should be selected? Businesses should only consider those market segments that are profitable. Therefore, they should target profitable customers within those segments and nurture a long-lasting relationship with them.

4.7 eTourism: Targeting Customers in the Digital Age

In classic marketing, customers are segmented into groups. However, in reality, individual customers have different needs and wants. This is the core aspect of personalised marketing. Today, the advances in technology have enabled many businesses to reach their potential customers by using digital and mobile applications.

A few companies have already reinvented how they target digital consumers to maximise value from them, individually. Google, Facebook, Ebay and Amazon among others are dominating digital marketing; and are pushing the entire field of advertising to other levels. The use of

personal info, web-browsing, search history, geographic location, apps and Google Play Store's transactions have gone mainstream. Google has begun using transaction records to prove that its ads are working, as they are pushing people to make more purchases. This allowed Google to determine the effectiveness of its digital ad campaigns and to verify their conversion rates.

All individuals leave a "digital trail" of data as they move about in the virtual and physical worlds. This phenomenon is called, "data exhaust". Initially, the "digital trail" was an interesting term that was used to describe how Amazon.com used predictive analytics in order to suggest items to its customers. Although, individuals tend to regularly repeat their habitual behaviours, predictive analytics cannot determine when and why they may decide to change their future preferences (Camilleri, 2016). Of course, every person is unique. The possibility of "one off" events must never be discounted. Yet, a firm with sufficient scarce resources could be in a position to exploit how consumers deviate from rational decision making, on a previously unimaginable scale. Big data and analytics are continuously being gathered in new, innovative ways that have changed and improved the businesses' operations. For example, Deloitte Consulting have developed a mobile app that enabled Delta Air Lines' executives to quickly query the airline's operations. For instance, when users touch an airport on a map, the system brings up additional data at their disposal. Executives could also drill further down to obtain granular information on staffing requirements. and customer service levels as they identify problems in their airline operations.

However, business intelligence and predictive analytics could raise a number of concerns. Many customers may be wary of giving their data due to privacy issues. The underlying question is; when does personalisation become an issue of consumer protection? Very often, advances in technology are faster than legislation, and its deployment. These issues could advance economic and privacy concerns that regulators will find themselves hard-pressed to ignore. Some academics argue that the digital market manipulation may be pushing the limits of consumer protection law. Evidently, society has built up a body of rules that are aimed to protect personal information. Another contentious issue is figuring out the value of data and its worth in monetary terms. In the past, companies could have struggled to determine the value of their business; including patents, trade secrets and other intellectual property.

4.8 Targeted Segmentation through Mobile Devices

The mobile is an effective channel to reach out to many users. Mobile devices, including smart phones and tablets could increase the productivities and efficiencies of organisations. For this reason, mobile applications (apps) are an “in demand” area for research and development. Gartner (2015) anticipated that mobile analytics was going to be one of the latest technologies that could disrupt business intelligence. In fact, the market for advertising on mobile is still escalating at a fast pace. Moreover, there are niche areas for professional growth, as more and more individuals are increasingly creating new applications for many purposes on mobile operating systems.

Recent advances in mobile communication and geo-positioning technologies have presented marketers with a new way how to target consumers based on their location (Camilleri, 2016). Location-targeted mobile advertising involves the provision of ad messages to mobile data subscribers. This digital technology allows marketers to deliver ads and coupons that are customised to individual consumers’ tastes, geographic location and the time of day. Given the ubiquity of mobile devices, location-targeted mobile advertising is increasingly offering tremendous marketing benefits.

In addition, many businesses are commonly utilising applications, including browser cookies that track consumers through their mobile devices as they move out and about. Very often, when users leave the sites they visited, the products or services they viewed will be shown to them again in advertisements, across different websites. Hence, many companies are using browsing session data combined with the consumers’ purchase history to deliver “suitable” items that consumers like. There are also tourism businesses that are personalising their offerings as they collect, classify and use large data volumes on the consumers’ behaviours. As more consumers carry smartphones with them, they may be easily targeted with compelling offers that instantaneously pop-up on their mobile devices.

For instance, consumers are continuously using social networks which are indicating their geo location, as they use mobile apps. This same data can be used to identify where people tend to gather — this information that could be very useful to marketers. This information is valuable to brands as they seek to improve their consumer engagement and marketing efforts. It may appear that businesses are using mobile devices and networks to capture important consumer data. For instance, smart phones and tablets that are wifi-enabled interact with networks and

convey information to network providers and ISPs. Hence, more businesses shall be using mobile devices and networks as a sort of sensor data – to acquire relevant information on their consumers’ digital behaviours and physical movements. These businesses have become increasingly interactive through the proliferation of near-field communication (NFC). Basically, embedded chips in the customers’ mobile phones are exchanging data with the retailers’ items possessing the NFC tags. The latest iPhone, Android and Microsoft smartphones have already included these NFC capabilities. This development has recently led to the use of mobile wallets. The growth of such data-driven, digital technologies is surely adding value to the customer-centric marketing. Therefore, analytics can enable businesses to provide a deeper personalisation of content and offers to specific customers.

The geo-based marketing message or offer is delivered at the right time, and at the right place. The brands that hold customer data can gain a competitive edge over their rivals. Of course, firms will need more than transaction history and loyalty schemes to be effective at this. They may require both socio-demographic and geo-data that new mobile technologies are capable of gathering.

For instance, many mobile service companies are partnering with local cinemas, in response to the location-targeted mobile advertising; as cinema-goers often inquire about movie information, and they may book tickets and select their seats through their mobile app. The consumers who are physically situated within a given geographic proximity of the participating cinemas could be receiving location-targeted mobile ads. The cinemas’ ads will inform prospects what movies they are playing and could explain how to purchase tickets through their phone. The consumers may also call the cinemas’ hotlines to get more information from a customer service representative. Besides location-targeted advertising, the mobile companies can also promote movie ticket sales via mobile ads that are directly targeted to individuals, according to their behaviour (not by location). Therefore, the companies may direct mobile-ad messages to those consumers who had previously responded to previous mobile ads (and to others who had already purchased movie tickets, in the past months). Moreover, the cinema companies could also promote movies via Facebook Messenger Ads - if they logged in the companies’ website, via their Facebook account. The mobile users might receive instant message ads via pop-up windows whenever they log into the corporate site of their service provider.

It is envisaged that such data points will only increase as the multi-billion dollar advertising monopolies are built on big data and analytics that can help businesses personalise immersive ads to target individual customers. The use of credit card transactions is also complementing geo-targeting and Google Maps, with ads; as the physical purchases are increasingly demanding personalisation, fulfillment and convenience. Consumers and employees alike are willing to give up their data for value. Therefore, the businesses need to reassure their customers through concise disclosures on how they will use personal data. They should clarify the purpose of maintaining consumer data, as they have to provide simple user controls to opt in and out of different levels of data sharing. This way, they could establish a trust-worthy relationship with customers and prospects.

Companies are already personalising their mobile shopping experience based on the user situation and history. Tomorrow's tourism businesses are expected to customise their user experiences of applications and web interfaces, according to the needs of each individual customer. Big data and analytics capabilities are increasingly allowing businesses to fully leverage their rich data from a range of new digital touchpoints and to turn this into high impact interactions. Those businesses that are able to reorient their marketing and product-development efforts around digital customer segments and behaviours will be in a position to tap into the hyper-growth that mobile, social media and the wearables market are currently experiencing.

4.9 Product Positioning

The final stage in target marketing is product positioning. Firms formalise “positioning statements” which specify the position they wish to occupy in their target customers’ minds, relative to other competitors’ products or services. Customers continuously compare products or services. Therefore, marketers must build their positioning strategies to improve the customers’ (and prospects’) perceptions of their products. Effective product positions have four important characteristics. Firstly, they are built around benefits for prospective customers. Secondly, they differentiate the specific firms’ products or service from those of key competitors. Thirdly, the respective firms need to possess relevant skills, resources, and the credibility to deliver on their implied statements and promises. Finally, an effective position is defensible, which means that an aggressive competitor cannot act quickly to neutralise or preempt another positioning strategy. For example, a full-service, national carrier could differentiate itself among other competitors as the only airline offering a superior service in its

Thai Inter
Airway

good
excellent food.

chosen markets. The tourism businesses should stand out from their rivals whether they decide to position themselves alongside competitors, or to position themselves in untapped niches. They may position themselves for their high standards of service, additional amenities and so on.

Alternatively, low-cost carriers like Southwest Airlines could position themselves as a punctual airline, as a no-frills airline, as a low-cost airline, as a safety-conscious airline, as a friendly airline, and as the airline serving the western part of the U.S. Recently, they used TV advertising to counter an unpleasant customer perception about the airline's 'free-for-all' seating policy. The rationale behind this spot was to build an image in their consumers' minds.

4.10 Questions

- What is market segmentation? 4.2.
- If your company is working with very limited resources. Which alternative would you recommend and why? 4.6.3.
- Define product positioning and briefly state its relevance to the airline industry. 4.9.
- Outline in your own words, the variable which you could use, when segmenting the business travel market in the airline industry. 4.3.

• Summarize 4.8 one page.

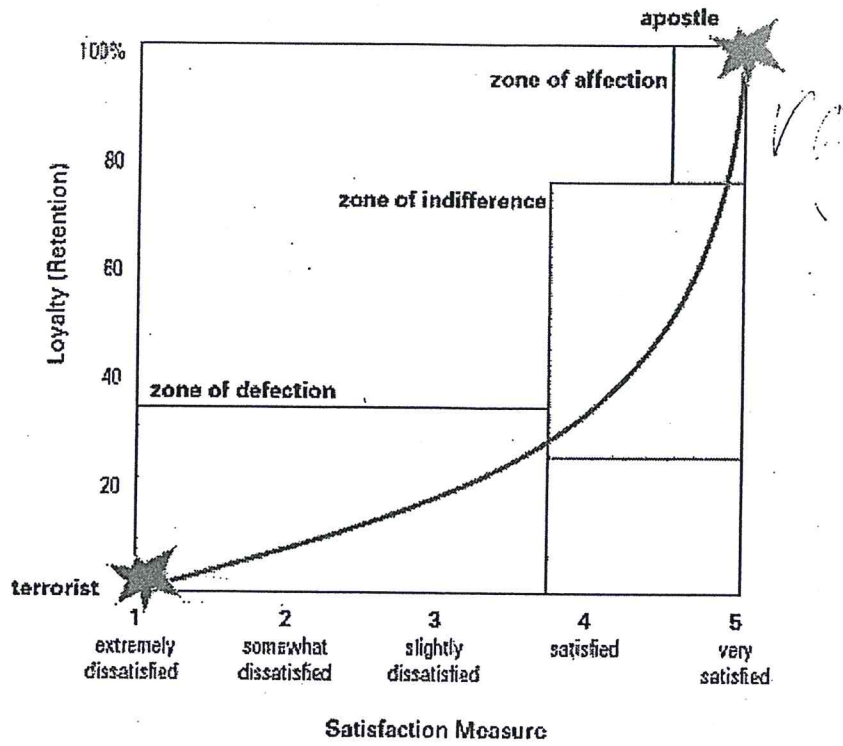
4.11 Summary

It is virtually impossible to satisfy all customers, so it is up to the company to select the specific parts of the market which they can best serve. Therefore, businesses could identify market segments, select a few profitable segments, and develop products and marketing mixes that are aimed at particular customers. Target marketing is made up of three stages: market segmentation, marketing targeting and product positioning.

Segmentation is the identification of customer groups who share similar characteristics. This process has a number of advantages, and enables a marketing manager to design an effective plan for each segment. Usually, tourism companies segment their market by using demographic, geographic, psychographic, behavioural and product-related variables. The chosen segments ought to be measurable, accessible, substantial and actionable.

Putting the Service-Profit Chain to Work

A Satisfied Customer Is Loyal



A Satisfied Customer Is Loyal

Table 1: Determinants of Service Quality

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1. **RELIABILITY:** consistency of performance and dependability, accuracy in billing, keeping records correctly, performing the service right at the designated time.

 2. **RESPONSIVENESS:** willingness or readiness of employees to provide service, timeliness of service such as mailing a transaction slip immediately, calling the customer back quickly, giving prompt service.

 3. **COMPETENCE:** possession of the required skills and knowledge to perform the service, knowledge and skill of the contact and support personnel, research capability of the organization.

 4. **ACCESS:** approachability and ease of contact, the service is easily accessible by telephone, waiting time to receive service is not extensive, convenient hours of operation, convenient location of service facility.

 5. **COURTESY:** politeness, respect, consideration, friendliness of contact personnel, consideration for the consumer's property, clean and neat appearance of public contact personnel.

 6. **COMMUNICATION:** keeping customers informed in language they can understand and listening to them, explaining the service itself and its cost, assuring the consumer that a problem will be handled.

 7. **CREDIBILITY:** trustworthiness, believability, honesty, company reputation, having the customer's best interests at heart, personal characteristics of the contact personnel.

 8. **SECURITY:** freedom from danger, risk, or doubt, physical safety, financial security, confidentiality.

 9. **UNDERSTANDING/KNOWING THE CUSTOMER:** understanding customer needs, learning the customer's specific requirements, providing individualized attention, recognizing the regular customer.

 10. **TANGIBLES:** physical evidence and representations of the service, other customers in service facility.
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Source: Parasuraman et al., 1985.