MARKET SEGMENTATION IN TOURISM: A TARGETED MARKETING STRATEGY TO IDENTIFY LEEDS' POPULATION WITH HIGHER POTENTIALITY TO TRAVEL TO THE CANARY ISLANDS

by

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1   INTRODUCTION

This study has been ordered by Canary Trip, a travel agency specialised in the Canary Islands (Spain), which has just opened an office in Leeds (UK). The purpose of the study is to carry out a targeted marketing strategy to: 1) identify the segment of the Leeds population with higher potentiality to travel to the Canary Islands, and 2) give some recommendations to design a tailored marketing campaign. It is expected that with this strategic approach, the firm will operate more efficiently and effectively (Tsiotsou and Goldsmith, 2012 p. 13).

2   DATA AND METHODS

To undertake the targeted marketing strategy, a 'synthetic' population has been produced through spatial microsimulation, with 320,596 records (one per each Leeds household (HH)) and eight information variables.

After an analysis of the variables with an Excel Pilot table, three of them have been selected to identify the potential customers:

- Output Area Classification (OAC) - a geodemographic classification related to HH location in which the interview is conducted[1].

- AGE - related to the HH Reference Person.

- INCOME - related to the HH Reference Person.

To map the residence of the potential customers accurately, a derived variable called Customer Potentiality Indicator (CPI) has been created.

The recommendations for the design of the tailored market campaign are based on the insights from the data analysis and academic literature.

The whole process of the target market strategy, from the creation of the synthetic population to the design of the tailored marketing campaigns, is illustrated in Figure 1.

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[1] To make the process easier and more comprehensible, the least detailed classification (supergroup) has been chosen instead of the detailed one (group).
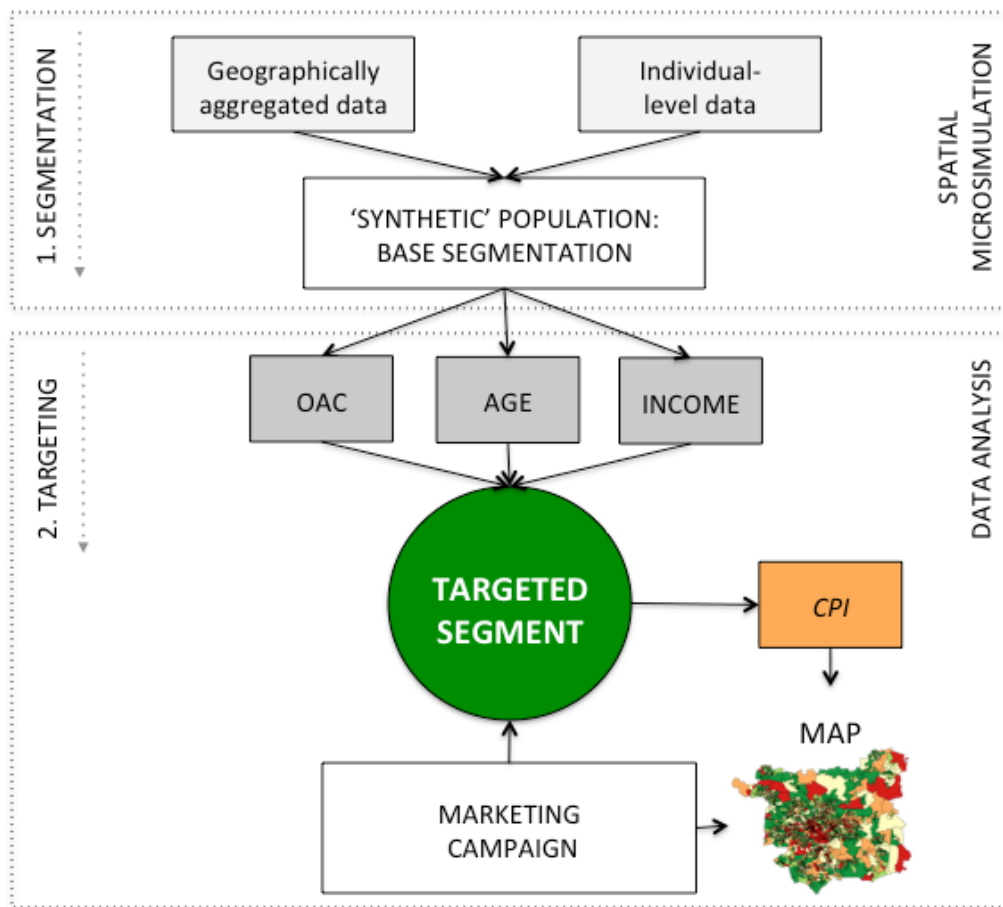
Figure 1 Targeted market strategy process

3 RESULTS AND ANALYSIS

3.1 Key variables

The variables selected to identify the targeted segment (OAC, AGE, INCOME) are those in which greater particularities have been detected with respect to the entire population of Leeds.

OAC

Almost half of the travellers to the Canary Islands (48.4%) are Suburbanites and Urbanites (42.6% in all Leeds). The results are very similar in all the Canarian destinations (Lanzarote, Gran Canaria, Fuerteventura and Tenerife), except in La Palma, where the Suburbanites are 10% less present than in the Canarian average, while the Urbanites are 14% more.

AGE

The population over 50 years represents the 55.5% of the travellers to the Canary Islands, an 8.4% more than the average in all Leeds. La Palma and Tenerife stand out among the Canarian destinations for having the oldest visitors. 77% of tourists who travelled to La Palma and 66% to Tenerife were over 50 years old.

INCOME

Almost half of the Canary Islands' visitors (43.3%) have an income of less than 25,000 pounds per year (35.3% in all Leeds). Once again, La Palma differs from other Canarian destinations, in this case by having visitors with generally higher incomes: only 9% of them have an income under 25,000.

In this graph, the values of each of the three key variables can be observed for the Canary Islands visitors, for the population of all of Leeds, as well as the variation between them. Framed in a red dashed box the variable's attributes that define the chosen segment can be seen.

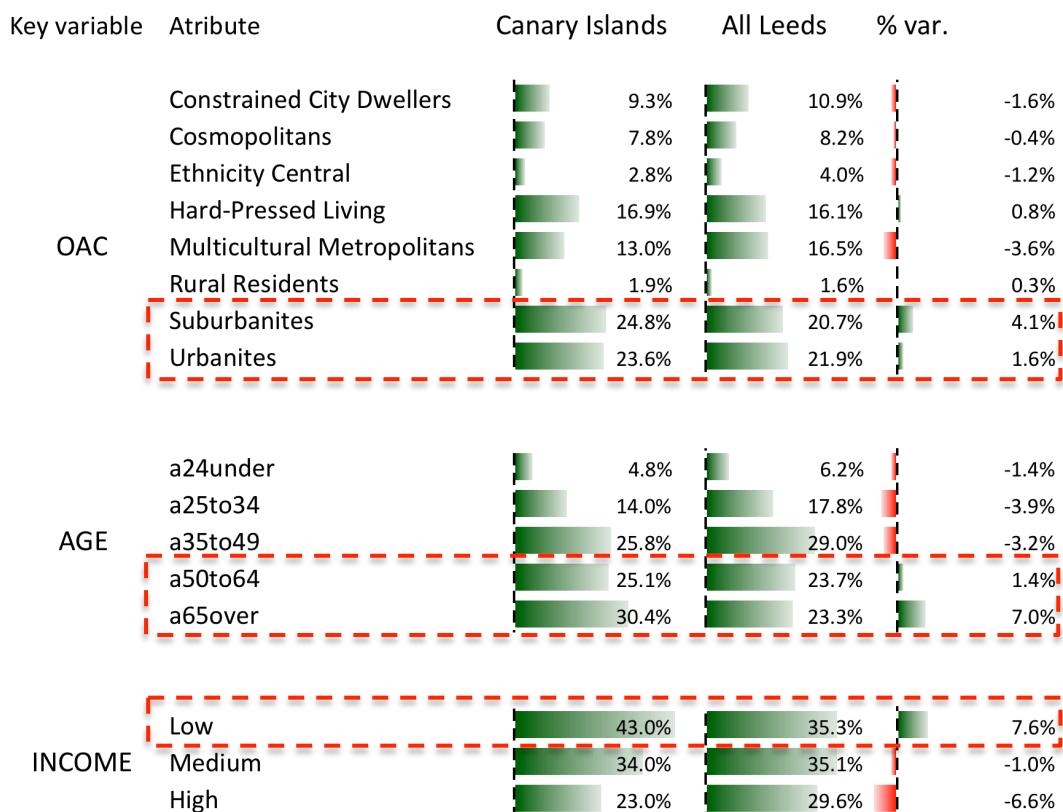| Key variable	Atribute	Canary Islands	All Leeds	% var.
OAC	Constrained City Dwellers	9.3%	10.9%	-1.6%
	Cosmopolitans	7.8%	8.2%	-0.4%
	Ethnicity Central	2.8%	4.0%	-1.2%
	Hard-Pressed Living	16.9%	16.1%	0.8%
	Multicultural Metropolitans	13.0%	16.5%	-3.6%
	Rural Residents	1.9%	1.6%	0.3%
	Suburbanites	24.8%	20.7%	4.1%
	Urbanites	23.6%	21.9%	1.6%
AGE	a24under	4.8%	6.2%	-1.4%
	a25to34	14.0%	17.8%	-3.9%
	a35to49	25.8%	29.0%	-3.2%
	a50to64	25.1%	23.7%	1.4%
	a65over	30.4%	23.3%	7.0%
INCOME	Low	43.0%	35.3%	7.6%
	Medium	34.0%	35.1%	-1.0%
	High	23.0%	29.6%	-6.6%

Figure 2 Values key variables

In conclusion, Canary Trip agency should focus its marketing efforts on:

- Suburbanites or Urbanites individuals (**48.4%** of all Canary islands visitors);

- over 50 years (**55.5%**) and,

- with low income (**43.0%**).

3.2   Mapping potential customers

To map the potential of customers for each Leeds Output Area (OA), an indicator called Customer Potential (CPI) has been created. The CPI is calculated adding in each of the OA the number of times a HH has one, two or three of the key variables (using a vlookup in Excel) and giving them different weight. The weight is based on the proportion of population that each of the variables' attributes chosen for the definition of target market represent (in bold in the previous section).

The formula used for its calculation is the following:

$$CPI = OAC * wf1 + AGE * wf2 + INC * wf3$$

Where,
CPI, Customer Potential in each OA
OAC, number of HH qualified as
AGE, number of HH with age over 50
INC, number of HH with income under 25 K
wf1 OAC corrector factor (0.48)
wf2 AGE corrector factor (0.56)
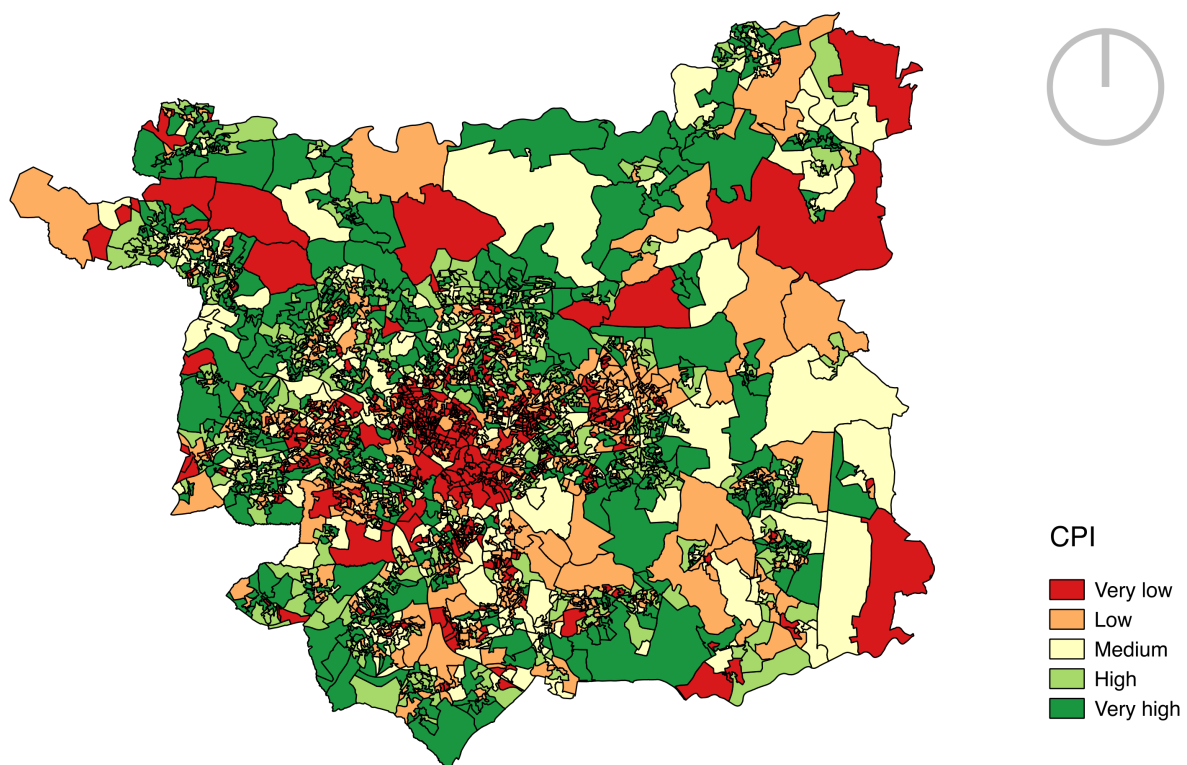*wf3 INCOME corrector factor (0.43)*

Figure 3 Potential customers per OA based on the CPI indicator

As can be seen, the OAs with the greatest potentiality (greens) are scattered throughout the map. Even so, a certain pattern can be identified: lower potential in the town centre and more remote areas, but higher in the immediate surroundings of the urban centre.

4   RECOMMENDATIONS

Once identified the segment of population who are more likely to travel to the Canary Islands, marketing campaigns and products specifically designed for the preferred market segment identified can be developed. Communicating a "perfectly customized product at the right price using the right communication channels with the right advertising message to the chosen target segment" is crucial to increase the probability of the segment targeted visiting the destination (Dolnicar, 2014 pp. 197–198).

Some particular recommendations in this sense are:

- The products or services to sell such as accommodation, food, transport within the islands, should be affordable considering that the targeted market has low income (La Palmas is an exception).

- Sun, beach, good weather, health, security, tranquillity, entertainment and other qualities that older people appreciate should be the assets to sell.

- The communication channels used for the campaign should be traditional (mail, television, radio, etc.), rather than online advertising, as the targeted marked is people over 50 years old. To send mail shots or house selling the *CIP* map should be used. Television and radio advertisements must be done during programs or shows that are watched by the identified potential customers.

- Finally, for La Palma, a specific marked targeted could be used, due to the differences observed in the analysis. As Bethencourt et al. (2002 p. 12) suggest, this island has singularities that make it different from the rest of the Canarian destinations.

5   REFERENCES

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