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PolyU Study Finds Understanding Market Segments Key to Boosting Repeat Visits

A better understanding of tourist market segmentation in Hong Kong is the key to boosting repeat visits according to Professor Cathy Hsu of the School of Hotel and Tourism Management of The Hong Kong Polytechnic University and her collaborator Soo Kang. In a study recently published by the *Journal of Travel Research*, the pair identified six distinct market segments for inbound tourists in Hong Kong, each with its own travel characteristics and post-trip perceptions that can be targeted by marketers.

The tourism industry is increasingly reliant on direct and database marketing to generate repeat visits, but there is no real precision in the way customers are targeted. An awareness of market segments can help to overcome this problem. Segmentation, the researchers note, involves dividing a market into groups of people who purchase services in similar ways. This is crucial because it allows “the identification of diverse customer groups who should be treated differently”.

The more popular methods of segmentation take into account country of residence, the purpose of a trip and whether the visitor has been to the destination before. A tourist’s country of residence is a particularly useful criterion, claim the researchers, because it can identify a broad range of consistencies in behaviour based on geography, language and even religion. But individual characteristics are also important, with the pair pointing to the significance of gender, age, income level and education in adequately defining a market segment.

With these considerations in mind, the researchers sought to “identify and profile market segments amongst international travellers to Hong Kong”.

Collecting information at the Hong Kong International Airport over a month, the researchers targeted tourists who were returning to major cities in Mainland China, Taiwan, Singapore, Malaysia, Australia, the United States and Western Europe. A total of 1,303 travellers were asked about their country of residence, main reason for the visit, whether the visit was the first to Hong Kong, gender, age, income and education. Focusing on the visit itself, the travellers were asked for information on their length of stay, size of travel party if any and expenditure while in Hong Kong, excluding accommodation fees.

The pair also gathered information on perceptions of service quality, and the perceived value, attractiveness, and satisfaction that a stay in Hong Kong could offer. Then they asked the crucial question of how likely the tourists were to return.

Slightly over half of the interviewees were male between 26 and 45 years old, with a fairly even distribution of middle income earners. The average stay was 4.7 nights, with a mean expenditure of US\$955. More than half of the interviewees indicated they were likely to return, so this was an important group of people to study.

From these people, the researchers identified six distinct market segments: pleasure travellers 55 years or younger, first time mature pleasure travellers aged over 55, repeat mature pleasure travellers, business travellers with annual incomes of less than US\$50,000, business travellers with incomes of US\$50,000 or more and travellers who were visiting friends or relatives in Hong Kong.

The final segment was the largest, with the longest average stay and the greatest likelihood of return. Clearly, marketers need not target those who intend to visit friends or relatives with some sort of regularity. However, they should target the younger leisure travellers, who also had a high likelihood of return but travelled in groups and spent much more during visits. This segment could be targeted with programmes to increase the frequency of visits, and with 'bring a friend' schemes to increase group sizes.

At the opposite end of the spectrum, the first-time mature traveller segment deserves attention because it registered the shortest visits and the lowest expenditure. Even though these travellers had the most favourable perceptions of Hong Kong, they were far less likely to return than the others. Marketing efforts for this segment should heed an important warning: post-trip perceptions gathered from customers might not always be accurate in predicting future demand.

The remaining segments would provide marketers with more clearly defined targets, but the behavioural patterns are not always straightforward. Business visitors for instance, had independent itineraries and high disposable incomes, but those earning more than US\$50,000 per year were less likely to return than those earning under US\$50,000. This is a missed opportunity for high-spending return leisure visits, with the researchers noting that "marketers need to do a better job of communicating with business travellers about the variety of products and services Hong Kong can offer across various price ranges".

The smallest segment, repeat mature leisure travellers, holds the most promise because it registered the highest expenditure, usually on yearly visits. Although only 4.5% of the sample, it could be grown by successfully targeting young leisure travellers and higher earning business travellers as they enter their mature years.

While it is clear that segmentation allows the targeting of specific consumer groups, the study finds that the largest segment of inbound travellers comprises those visiting friends and relatives and the other segments, particularly business travellers, deserve more marketing attention to encourage future leisure visits. Marketers should be aware, however, that positive perceptions do not always guarantee return visits. The researchers further claim that studies are needed to identify the exact reasons behind the way in which the tourists in the six segments behave, to further hone the effectiveness of marketing and increase the overall number of repeat visits.

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