

# **Destination segmentation: A recommended two-step approach**

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## Abstract

Market segmentation has been identified in the tourism marketing literature as an effective tool that can be used by management to meet the needs of a market more efficiently and effectively. It has been widely used by researchers seeking to develop tourism segments. Historically, most segmentation studies have developed tourism profiles at a destination using 1) a visitor questionnaire survey developed from studies in the literature or 2) secondary data. Very little research has taken a stakeholder approach to destination segmentation, despite many authors arguing the importance of utilising a stakeholder approach for destination management and marketing purposes.

This research proposes a two-step approach to destination segmentation. It details this approach using one Australian destination. The two-step approach to segmentation begins with firstly understanding how tourism stakeholders at a destination segment their market before surveying tourists for the purposes of identifying segments. In contrast to previous tourist-focused segmentation studies, the two-step approach recommended and detailed in this study considers both tourism stakeholders and tourists. The segments devised from the proposed approach are then compared and contrasted with segments currently utilised by the destination marketing organisation (DMO).

Step one involved interviewing 14 tourism stakeholders to determine how they segment the market. Based on these findings, a questionnaire survey was developed and data was collected from 852 tourists. This represented step two of the approach. Three tourism segments were identified through cluster analysis. Only one of these three segments was comparable with the segments defined by the DMO. The other two were not considered in the DMO segmentation. These segments represented over half of all tourists in the sample. Based on the sample in this study, the DMO segments target less than a quarter of the types of tourists visiting the destination.

Contributions to theory and practice were identified. Firstly, it was recognised that different tourism stakeholders attract different tourists, not all stakeholders segment their market, and some stakeholders do not adhere to segments targeted by the DMO which may lead to an inconsistent message in the market. Secondly, the two-step approach is a new method incorporating a stakeholder view, which gives a more holistic view and a richer description for the segments obtained when compared with academic and practitioner segmentation approaches. The two-step approach can be utilised at other tourist destinations.

The two-step approach to segmentation is capable of assisting tourism marketers to target more of the tourists frequenting the destination. This study suggests that many dollars may be wasted targeting tourists that are not likely to travel to the destination and not targeting those who would. Future research should be conducted at alternative destinations to further the understanding of the recommended two-step approach to segmentation.

**Keywords:** market segmentation, stakeholder theory, TwoStep® cluster analysis, destination

## Certification of Thesis

I certify that the ideas, analysis, results and conclusions reported in this thesis are, to the best of my knowledge, accurate. All work is my own except where others' contributions are cited. I also certify that this work is original and has not been submitted for any previous degree or award.

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## **Publications arising during PhD candidature**

### **Journal (double blind reviewed)**

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Tkaczynski, A, Rundle-Thiele, SR & Beaumont N 2009 'Segmentation: A tourism stakeholder view', *Tourism Management*, vol. 30, no. 2, pp. 169-175.

Tkaczynski, A, Rundle-Thiele, SR & Beaumont, N 2008, 'Insights into how regional tourism stakeholders view their markets', *International Journal of Organizational Behaviour*, vol. 13, no. 1, pp. 16-27. Paper available online at: <http://www.usq.edu.au/business/research/ijob/articles.htm>.

### **Conference (double blind reviewed)**

Tkaczynski, A, Rundle-Thiele, SR & Beaumont, N 2008, 'Tourism community views on destination positioning: A case study', paper presented to 18<sup>th</sup> Annual Council for the Australian University Tourism and Hospitality Education (CAUTHE) Conference, Gold Coast, Queensland, Australia, 11-14 February.

Tkaczynski, A, Hastings, K & Beaumont, N 2006, 'Factors influencing repositioning of a tourism destination', paper presented to Australian and New Zealand Marketing Academy (ANZMAC) Conference 2006: Advancing Theory, Maintaining Relevance, Brisbane, Queensland, Australia, 4-6 December.