

## Segmentation of Market, Its Methods and Market Environment

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### Abstract

*In general terms, marketing is the sum of all decisions and activities undertaken by sellers to convince buyers to believe that a particular product or service will best fit their needs, out of the broad range of available products and services on the market. It involves finding out what customers want, offering the product that meets their needs, identifying the best locations for products selling, informing potential customers for the availability of the product, the actual sale, and the evaluation of customers' satisfaction from using the purchased product.*

*Marketing of tourist products and services is a crucial element in meeting the needs and desires of tourists and visitors. Establishing tourism development and a marketing plan is the first rule for a successful tourism. The plan should include: development of tourism products, improvements and evaluations, brand repositioning, attractions and events, hosting and tourist services, marketing and public relations, public and private partnerships, recruitment and engagement and marketing specialists to provide new ideas. Developing a good tourism marketing plan requires good*

*understanding of the market environment, identification of the different market segments and addressing their particular needs, interests and desires. There are several methods to conduct market segmentation, as an essential step in designing a travel package that accommodates the individual needs and interests of modern tourists.*

**Key words:** Tourism, marketing, tourism marketing, promotion, market environment, market segmentation

## **INTRODUCTION**

In many countries across the world, tourism is among the priority sectors and with great importance in the economy. The World Travel and Tourism Council (WTTC) forecasts that the income from tourism will amount to 7.6 trillion USD worldwide in 2017, contributing with over 10 percent of the world's gross-domestic product. The tourism industry employs every tenth employee in the world, or a total of app. 292 million workers throughout the world<sup>1</sup>. In Albania, tourism contributes with 13 percent of the overall gross domestic product and is one of the most important aspects of the country's economy. Tourism and its satellite economies provide about 233,000 jobs.

However, despite the importance of tourism for the overall economic and social living, the process of professionalization of the industry, in particular in relation to management and marketing, remains pretty low. Inefficient techniques of tourism marketing result in poor tourism marketing at national, regional or corporate level.

Tourism marketing is often performed by non-professionals, who not only affect the effectiveness of marketing techniques, but also reduce the income, lack connections with foreign companies, etc. On the other hand, due to the lack of professional capability, tour operators are not able to put adequate pressure on the government to improve tourism marketing level. This is clearly an urgent task, especially if one takes into account the "aggressive" tourism promotion campaigns conducted by regional countries, as well as the need to tackle the Albania's negative image that often arises from the

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<sup>1</sup>World Travel and Tourism Council (2017), Travel and Tourism Global Economic Impact and Issues 2017

political or economic developments in the country. The lack of effective marketing techniques at all levels leads directly to lesser income from missing tourists, either at national or at level of individual tourism businesses that may even risk their bankruptcy as a result of the failure to attract tourists and customers.

Thus, the role of marketing in tourism is very important, and its inappropriate functioning prevents the sale of tourist products. Having wonderful coast and other natural beauties, ancient historic and cultural sites is simply not enough. It is the organization, marketing plans and strategies, which help develop effective tourism and bring income and profit not only to businesses, but also to the country as a whole.

### ***Objective of the Research***

The main goal of this research is to identify and analyze the marketing techniques used by operators of the tourist industry and state agencies, as the basis for provision of tourist package offers that attract various groups of the population. It is expected that conducting improved tourism marketing as per the proposed methods, it will be possible to create a unique tourist product that is easily identifiable and that is a solid basis for attracting and maintaining loyal customers.

The specific goals are:

- to identify which of the main four marketing “P-s” play a crucial role in enhancing the effectiveness of the marketing techniques used, and
- to propose solutions for harmonized model of marketing policies by tour businesses.

Methodologically, the research has been conducting by analyzing existing secondary sources of information related to tourism marketing and its practice in Albania.

## **1. Tourism Marketing**

A product may be an idea, product or service. Tourism is an industry mainly based on services, with the main product that is provided by the tourism business being a relaxing and welcoming experience. These are intangible products and selling intangible products can be very difficult. The nature of the inviolability of services (i.e. the

overall tourist product) makes quality control difficult, yet crucial. The inviolability makes potential customers have difficulties in evaluating and comparing supply of services. This stems from one of the main characteristics of tourism products delivery: instead of the product going to the customer, it is the customer who goes to the product. Moving towards the product takes time and cost by the customer. Tourism associated with holidays and experience is an important factor in people's decisions to visit a country<sup>2</sup>. In the context of an industry, tourism involves many elements of travel experiences. Together with transport, it includes accommodation, food and beverage services, opportunities for shopping, entertainment, aesthetic and special events.

It is a priority for a tourism business operator to provide a variety of activities and facilities that travelers need and can fulfill their desires. This reinforces the difficulty to maintain and control the quality experiences of the main product of tourism industry. To overcome this obstacle, tourist businesses, agencies, and auxiliary organizations of this industry must cooperate to provide tourism opportunities, and also to guarantee the quality of products and services.

### **1.1. Marketing Planning**

One of the most important steps tourist businesses should take in order to improve the effectiveness and efficiency of their marketing efforts is to develop a marketing plan. Marketing planning will lead marketing decisions and will help tourist businesses in the allocation of marketing resources, such as money and staff time. It is important that the marketing plan responds to the following questions, the answers of which are of essential importance for each business:

- **Definition of business objectives**—clearly present what do you intend to achieve. What are your and your business's objectives? Make sure your objectives are precise, clear, realistic and time-bounded.

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<sup>2</sup>Crotty, M. (1998). *The Foundations of Social Research*, Sydney; Babbie, E. & Moutour, J. 2001: *The practice of social research*, Oxford, Oxford University Press; Malhotra, R.K. (2005). *Tourism Planning and Management*. Anmol Publications Pvt. Ltd. New Delhi. p333

- **Identify your market environment**– which factors can help you achieve your objectives? Which factor may hinder your marketing efforts? Focus on the external factors and circumstances that may positively or negatively impact your business.

The marketing plan is the right document to create your company's business profile, i.e. to connect the resources that are available to you with your intended objectives. This could be done by answering the following questions:

- **Market identification and segmentation**–identify the specific groups or clients who are more interested in the product offered. What is it that they are particularly interested in, what are their needs that you might accommodate?
- **Marketing strategies (mix) for different targeted markets**– the best combination of the 4P-s(product, price, distribution, promotion) for each segment. Include measures to implementation of the plan – how to make plan function?
- **Marketing budget**–how much should be spent in order the plan to be effective? What are the needed resources to make you plan work and your objectives achievable? Include a method for evaluation and making changes to your products, as per the received customers' feedback.

### ***1.2. Objectives of Tourism Marketing***

Businesses, agencies and unions can develop new general objectives and regularly monitor their progress. Objectives can provide directions for all decisions including finance, personnel and marketing. The targets set must be measurable and quantitative in order to achieve what tourist business seeks to achieve at a specified time. The objectives of tourism businesses in many cases are expressed in terms of sales, revenues, market share, or other terms in relation to the growth of number of tourists, development and change of their image, developing mitigation activities, cooperation among tourist businesses, increase the length of stay and increase tourist

spending in the country<sup>3</sup>. It is important that the objectives are reasonable, determined by the market conditions and tourist business sources. Setting confusing and unnecessary objectives for a long period of time can be disastrous. This can happen for those new businesses that do not have experience in tourism and marketing. It is worth noting that, in theory, it is easier to gauge small markets that are not served or are not fully served and then target larger segments served by competitors.

The tourism marketing objectives must contribute to the achievement of the general objectives of the tourism operator, including, among other<sup>4</sup>:

- Information on marketing budget distribution in targeted markets;
- Criteria to effectively fulfill mix marketing of tourism (setting standards);
- A structure for harmonizing mix marketing with overall marketing planning.

### ***1.3. Marketing Strategy***

Many businesses constantly increase their efforts to sell themselves as a tourist destination, but without taking into account information about important issues such as that of the image and how much they are able to meet the expectations of potential customers. Without these information, it is difficult to get other decisions in the planning process in tourism marketing strategies. These businesses should be cautious about these services and tourist products such as: recreational and entertainment elements, visits to cultural and historical sites, accommodation, restaurants, shopping opportunities, special activities, qualified staff and tourist transportation. Every element of this new list should be assessed in terms of quality and availability of tourist businesses (i.e. competition).

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<sup>3</sup>“A Service -Oriented Approach to Marketing of Services”, Christian Gronroos. European journal of marketing, vol. 12, no. 8

<sup>4</sup>“A Service -Oriented Approach to Marketing of Services”, Christian Gronroos. European journal of marketing, vol. 12, no. 8

### ***1.4. Mix Strategies of Tourism Marketing***

Mix strategies of tourism marketing can be seen as a tool that supports decision-making to attract and serve tourists. Tourism businesses can develop simultaneously mix marketing (internal and external) for different markets.

#### *External mix marketing of tourism*

External mix marketing includes: products and services, price, distribution and promotion.

#### *Product*

The main products of tourism businesses are recreational experiences and hospitality. Factors that create value in recreational experiences vary among people. A good experience for a skier can be a steep slope, for someone else it may be a good restaurant. Decisions about what kind of activities, programs and services to offer should be based on the needs and desires of targeted tourist market. They should not necessarily be based on the preferences of the owners and managers or what the businesses offer. Tourism experiences include five elements:

1. Traveling plan and tourist reception;
2. Traveling to the destination;
3. Experiences on site;
4. Home return; and
5. Memories.

Tourism businesses should establish ways to increase the overall quality of experiences at all stages of travel. This can be achieved by offering tour packages that include maps, attractions during the trip and on site, information on accommodation and food quality. Tourist businesses should consider the products and services in general terms. Thinking in this manner for products and services helps pay more attention to the experience desired by the customer and also the facilities, programs and services that will provide these experiences. E.g. camps are entertainment business operators that are suitable for people who want to move to various areas, marinas can provide sailing and yachting, etc.

### *Destination and Entry Opportunities in the Country*

Many tourist businesses fail to organize their roles in the improvement of travel to and from their countries. Their attention is placed on customer services when it comes to destination. A bad experience in or moving away from the tourist areas can affect individual travel experience. Such negative experiences can be prevented through the following measures:

1. Provide instructions and maps;
2. Provide information on traveling hours and distances in different countries;
3. Recommendations for direct lines;
4. Identification of attractions and sports incentives for different travel tools; and
5. Inform potential customers for alternative journey to the destination as air travel or train;

### *Price*

Price is one of the most important and visible elements of mix tourism marketing. When setting the price, the following should be taken into account:

- Business objectives and targeted market;
- The total costs of production, distribution, and promotion of the tourist product;
- Willingness of the market to pay for a product or resort service;
- Prices of competitors who offer similar service or product in the same market;
- Prices of products or substituent tourist services (camps, motels, beds and food that are substituted by rent rooms);
- Opportunities to stimulate higher income from products and services (boats) offering additional services (repair) with the same cost or lower cost; and
- When setting the price, tourist businesses should pay attention to strategic prices that can promote sales outside the season and non-peak periods, long stays and sales of packages (combination of rooms, food, opportunities for recreation), etc.

### *Promotion*



Promotion offers need to be made to targeted and in a timely manner, to help the customers take the decision to visit your tourist business. In your promotions, provide information that are important, usable and accurate not only for actual visitors, but also for potential visitors. Distortion often leads to antipathy from customers. In this sense, one should refrain from making statements or promises which could not be met.

Developing a promotional campaign is not a science with strict laws. Decision making is primarily linked with the promotional tool or combination of tools that should be used - sales promotion, personal selling, publicity or public relations. Whatever tool a business opts for, it is also necessary to take decisions regarding:

- Targeted audience – determine which group are you going to address;
- Image – what kind of image is your business trying to achieve or reinforce;
- Objectives – should be in line with the objectives of the promotional campaign;
- Time – when and how often should the promotion appear;
- Media – what method (TV, radio, newspaper, magazine, internet and social media) can be effective and efficient to transmit the message to the targeted audience; and
- Evaluation – how to measure the effectiveness of the undertaken promotional campaign.

### *Personal sales in tourism*

Due to the unique characteristic of the main tourism product – the particularly elusive and unstable nature of travel, an important role in selling tourist products is dedicated for personal sales. We know that a plane flight, staying in hotel or a weekend break cannot be exposed in an exhibition or presented in a shelf store. Potential buyers should rely on and trust sellers' expertise when purchasing travel products and services.

Almost all sales in tourism result from personal sales process. The process is defined as "sales resulting from personal contacts between buyers and sellers, facing each other or through phone and other means until the final sale is done".

Defining personal sales to buyers, the successful sellers follow a structure that is provided to encourage the process toward a buyout. This structure consists of a minimum of three steps:

1. Gathering information from the customer;
2. Making recommendations; and
3. The closure of purchase.

#### *Internal Mix Marketing of Tourism*

Tourism marketing services differ from marketing products. Tourism businesses should pay particular attention to customers marketing on site as much as they pay attention to their withdrawal. In this sense, the internal marketing is important because customers' dissatisfaction cannot effectively make a successful marketing strategy. Internal marketing success depends on creating an atmosphere in which employees decide to perform better and to sell services to business visitors.

Creating the atmosphere takes four important elements:

1. Hospitality and friendly relations - tourism businesses emphasize hospitality and friendly relations with tourists;
2. Quality Control – this program is focused on increasing technical quality (standards related to what customers expect) and functional quality (standards associated with how customers receive services). All employees who are in contact with tourists must have training in hospitality;
3. Sales Force –train the staff that will deal with business sales. This includes various rewards for their efforts. Being informed about the marketing objectives and their role in the realization of these objectives they can help increase sales; and
4. Employees moral– incentive programs and aspirations to keep the moral of the employees. Incentives could be monetary and non-monetary, such as training and professional development, delegation of responsibilities, movement up the business hierarchy, etc.

## **2. MARKETING ENVIRONMENT**

### **2.1. Market**

Market concept is complex. It refers to a group of people with similar needs and desires, who possess the money to meet these needs. The overall market for travel products consists of two broad two large categories: business travelers and vacation travelers. Some groups are often disaggregated by characteristics such as: age, sex, geographic location, income, and lifestyles or habits. Using these factors, individually or together, marketing professionals can determine their behavior on the market in general.

Travel market can be flexible and adaptive, by offering products that promote the concept of health and wellbeing for frequent travelers, whilst at the same time offering cheaper prices to students, for example. However, in Albania the concept is inverted: Trips organized by various agencies for youth are more expensive, as they offer parties, discos and fun. At the same time, the ones who spend less on trips are the elderly; therefore, the available products for them are at a lower price. In general, this is as a result of the market adaptation to the circumstances – most seniors are accustomed to the principle of saving the income that they have.

### **2.2. Methods of Market Segmentation of Travel and Tourism**

None of the methods, according to general opinion, is right or wrong, and often different methods of segmentation are combined. For market segmentation of travel mainly are used four important methods:

- **Demographic segmentation:** This method summarizes a statistical study of population. It groups people according to objective criteria. Measurable characteristics such as age, income, work, family, life cycle measures and education, etc. are among the main measures of demographic segmentation.
- **Age:** Age has the largest influence on customer behavior. Marketing experts, based on age, have grouped these categories:
  - below 6 years old (preschool);
  - 6-11 years old (children);
  - 12-19 years old (adolescents);
  - 20-34 years old (young);
  - 35-49 years old (middle age adults);

- 50-64 (mature age adults); and
- 64 and older (senior ladies and gentlemen).
- **Income:** Customers' classification with regards to traveling is usually related to how much they earn. Those who earn more travel more. The more the income increases, the more travel marketing needs to focus on that population group. However, this does not mean that people with low incomes cannot comprise a potential segment for the company.
- **Employment:** Although income and employment are connected, still there is a division based on the type of employment a person is engaged in. This results from the fact that different types of employment influence one's education, lifestyle, cultural habits and needs, in addition to directly impacting income.
- **Family:** Family status connects age, marital status with the number and age of children.
- **Education:** Educational status is an important factor that determines the kind of behavior clients and potential clients display. Generally, the main principle that connects education and travel is that the more educated persons tend to value traveling more. In this sense, there are four main categories of clients with regards to education:
  - clients with elementary school education or less;
  - clients with secondary school education;
  - clients with a few years of college; and
  - clients who are university graduates or have higher education.

Other demographic variables that may be used as criteria for market segmentation are: religious denomination, race, ethnicity, nationality, and social classes. What is important from the perspective of marketing is that an individual person simultaneously belongs to several different groups (market segments) with various travel and tourism preferences. Thus, marketing experts often use more than one demographic factor when designing a package to offer to potential travelers, with an aim to target the specific needs of a clearly defined market segment. It is important to note that the offered package needs to be flexible enough to accommodate individual preferences within the addressed market segment.

Another method of market segmentation is the **geographic segmentation**. This method teaches that one needs to examine the locations where people travel and reside, including their climate, natural and social conditions and circumstances.

The method of **psychographic segmentation** divides the population on the basis of their psychology, values, habits, interests, activities and personalities. The starting point is that lifestyle is an individual (personal) characteristic and so are their values and interests when it comes to travel and tourism. This method suggests that people differ on the basis of how they spend their time (i.e. how do they want to spend their free time) and what are their personal values and beliefs that they want to nurture during travel and leisure. Based on this, we can classify the following groups among the clients and the potential clients:

1. Survival – mainly consists of older and clients with poor income;
2. Support – persons who are on the verge of poverty;
3. Members –conventional, stable clients;
4. Ambitious – young, dreamers, trying to become great;
5. Accumulators – middle-aged persons with perspective, self-confident and materialists;
6. I am myself – young, impulsive, individualistic, single, in the state of transition (in life);
7. Experienced – young people, artists, persons led by feelings;
8. Socially conscious – mature, successful, a group that fits based to circumstances; and
9. Integrated – psychologically mature, comprehensive, owns a great perspective.

Finally, the **market segmentation** can also be done **based on behavior**. Market shares are determined by preference groups, individual habits and purchasing behavior. Thus, the market can be segmented according to behavior of purchasers, including:

1. Travel habits and preferences. A good illustration of such segmentation are airline companies that provide rewards for those who fly regularly, but at the same time they provide some awards and bonuses to non-frequent fliers, in order to expand the market.

2. Travel purpose. While there are many possible travel purposes, the basic division is between business related and non-business related travels.
3. The benefits obtained. A benefit is something that satisfies the needs or makes you feel better; for example, first class ticket. For a segment where there is an important role, service providers provide some extras, from free champagne to the hotel and limousine. The cost is not a factor to this market.

## CONCLUSIONS

Marketing of tourist products and services is a crucial element in meeting the needs and desires of tourists and visitors. However, the difficulties and misconceptions that exist in the field of tourism marketing, decreases the effectiveness of its use.

The lack of genuine marketing plans in order to set general and specific marketing objectives leads to tourist products and services offered being used (purchased) less frequently, thus decreasing the income for tourism operators and from tourism in general.

Establishing a tourism development and marketing plan is the first rule for successful tourism. The plan should include more details, such as: development of tourism products, improvements and evaluations, brand repositioning, attractions and events, hosting and tourist services, marketing and public relations, public and private partnerships, recruitment and engagement and marketing specialists to provide new ideas. This plan must harmonize the existing plan with the country's economic development.

To keep tourists in tourist businesses, international experts have proposed the existence of several retail centers, restaurants and bars with music not far where tourists reside therefore tourists can walk there. This is a strategy that can be jointly understood and implemented by several businesses that are located in the tourist area.

The general tourism strategy establishes the overall framework for tourism centered by nature and culture. Tourism development has evolved from a regional focus, concentrated around the main cities and their surrounding areas. A continuation of this evolution is natural and desirable.

With the development of these tourism products, a good opportunity is given to tourism marketing, as well to enable continuous success of these tourism products. Planning new tourist products should include marketing objectives planning.

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