

REGIONAL TRADE MARKET ANALYSIS:

RESORT MARKETING APPROACHES

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This paper examines the value of geographic segmentation for a regional ski resort in New England. Customers from different user groups were surveyed along with a list of inquiries and a purchased list, and grouped according to their area of origin. An ANOVA was performed to determine if there were differences in attitudes and trip behaviors between the segments. It was concluded that geographic segmentation offers good insight into market potential and service design.

Keywords: marketing, segmentation, resorts, geographic segmentation, skiing, regional market analysis.

Introduction

There are many public and private resorts throughout the world that compete on regional, national and international levels. It is important for these resorts to determine their respective trading areas so they can identify the competition and determine the proper marketing strategies. For example, a resort in New England should know whether it is competing only with the other resorts in the area or with resorts throughout the country, or even the world. Many family resorts find themselves competing with DisneyWorld in Orlando, Florida no matter where they are located. Identifying a resort's trading area includes the identification of the target market profile and information on trip behavior. These additional characteristics will enable the resort to determine the mobility of the target market, and the likelihood that members of that market would travel outside the region.

The proper identification of a resort's trading area would also provide the firm with the ability to enlarge its market by tapping some of the areas that show potential. That is, the resort may notice that there is a segment of customers that visit from a geographic region that is not a major focus of its marketing program. As a result, more resources could be used to target that market in the event that other, perhaps closer, markets are becoming saturated. However, marketing research is necessary in order to determine the particular wants and needs of the travelers in these untapped markets. It could be a big mistake to use the same marketing program to attract all market segments.

Background

Market segmentation is an important element of marketing strategy. Segmentation is the process of dividing large heterogeneous populations into smaller homogeneous subsets. This strategy allows a firm to choose the subsets, or target markets, that best fit the organization's goals and products/services by developing an appropriate marketing mix for each segment. Certain criteria must be met in order for segmentation to be an effective strategy (Mason and Ezell 1993):

- 1) differential response - segments should respond differently to some aspect(s) of the marketing strategy,
- 2) substantiality - the size of the segment must be large enough to warrant special attention,

- 3) measurability - segments must be identifiable and measurable in numbers and in purchasing power,
- 4) accessibility - it must be possible to reach the segments with the promotion mix, and
- 5) reliability - segments should exhibit adequate stability over time.

If any of these criteria are not met, then it is not advisable for the firm to use a segmentation strategy .

Segmentation strategies are particularly helpful in the travel industry (Bojanic 1992; Javalgi, Thomas & Rao 1992; Showmaker 1994). There are five basic methods that can be used by marketing managers to segment consumer markets (Reid 1989). These methods can be categorized as geographic, demographic, psychographic, behavioral, and benefit segmentation. However, there is some debate as to whether hotels are putting too much emphasis on market segmentation rather than using a mass marketing approach (Del Rosso 1992). It is argued that segmentation is a less efficient and, in some cases, less effective approach to marketing. However, ski resorts still rely heavily on market segmentation as a means to optimize the use of resources and maximize sales and revenues (Waldrop 1991).

Geographic segmentation is very popular and efficient in the tourism and hospitality industries because geographic submarkets exist in most countries (Garreau 1981; VanHove 1989). The most popular forms of geographic segmentation are: regions; population size of cities, counties or states; population density; and climate. It is very common in tourism and travel to concentrate marketing efforts in a few geographical markets rather than to spread resources into many countries and/or regions. According to VanHove (1989), the two most important variables for geographic segmentation are the regional breakdown and the city size or degree of urbanization of a population.

Regional marketing focuses not only on the shifting of consumers geographically, but also on the differences in their product preferences based on where they live. The goal is to develop marketing plans to reflect specific area differences in taste preferences, perceived needs, or interests. For example, segmenting a hotel's market based on zip code origin of the guests is a very useful way to identify those areas that deserve the heaviest concentration of marketing resources. The geographic segmentation, or trading area analysis, could be coupled with a survey of attitudes, interests and opinions of the consumers so that a marketing program can be developed for each target market.

Ski resorts tend to have two basic markets: day use guests and overnight guests. It is important for the resort to manage the customer mix so that it can benefit from the daily frequency of day use guests as well as the greater profit potential from overnight guests. Day use guests will tend to be the local market and the overnight guests come from regional and national/international markets. New England ski resorts seem to draw most of their market share for overnight guests from regional markets (Anonymous 1992; Beilinson 1993).

Purpose of the Study

The purpose of this study is to utilize this approach for a resort to determine its ability to effectively segment the market. First, consumers will be segmented into geographic regions based on the state and/or country of origin. Zip codes would provide more detailed information that would be useful in targeting promotions but the size of the sample requires aggregation for analysis purposes. The next step is to evaluate consumer differences between regions based on demographics, psychographics and attitudes/preferences. As a result, the resort can consider various growth strategies and evaluate them on their merits.

Methods

The firm used in this study is a ski resort in New England. The resort is known for its exceptional family programs. The sample for the study consisted of three major groups: 1) past guests of the resort, 2) people who inquired about the resort, and 3) names obtained from a purchased list of potential ski enthusiasts. The sampling frame used for the study was the resort's entire database of customers, inquiries for the past three years, and names on a purchase list of potential skiers acquired from a regional direct mail dealer. This resulted in a total of approximately 23,000 households from throughout the United States and Canada. The entire population was included in the survey and had the opportunity to respond.

The respondents were mailed a self-administered questionnaire that covered current programs and tested ideas and concepts for new programs. In addition, the questionnaire had a detailed section for gathering information on the demographics of the sample. The geographic segmentation was done by state where there was adequate density, and then by U. S. regions (other New England, Mid-Atlantic and other U.S.) and a segment for Canadians. The states that were worthy of separate treatment were: Connecticut, Massachusetts, New Jersey and New York. This resulted in eight separate geographic regions. The breakdown by region is presented in Figure 1.

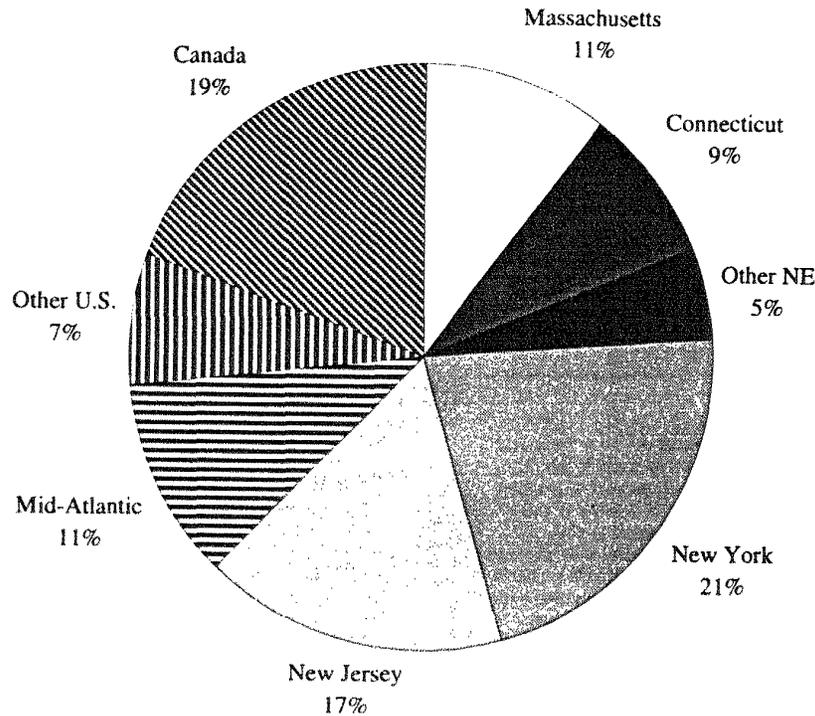


Figure 1. Sample distribution by region.

The overall response rate for the survey was approximately 20%, however, it varied by segment from the mid-teens for the purchase list to the upper twenties for the past guests. The analysis by geographic region included the 2,981 respondents out of the 4,400 total respondents who provided addresses (which were optional but necessary for the drawing for a free weekend incentive). The profiles of the respondents based on demographics and geographic region were compared with the records maintained by the resort and it was concluded that they were not significantly different. Therefore, nonresponse bias should not be a major problem.

Results

The results of the survey can be grouped into four major categories: 1) basic programs and activities, 2) fitness and exercise facilities, 3) lodging facilities, and 4) skiing activities and facilities. Mean ratings of preferences for programs, amenities and services were obtained for each of the geographic regions and then tested for statistical significance using analysis of variance (ANOVA). The ANOVA results were further analyzed using the Duncan mean separation test to determine which means were significantly different from which other means. All of the results for the study appear in Table 1.

Basic Programs and Activities

One of the significant findings in this section was that respondents from the "Other U.S." region tended to rate the children's programs lower than the other regions but rated the other activities relatively high. The respondents from the "New England" region rated dining options and shopping relatively low compared with other regions. The "Canada" region tended to rate nonski activities lower than most other regions. Overall, the most distinguishing attributes in this section were children's programs and dining options.

Fitness and Exercise Facilities

The most important attributes in this section were pool facilities and hot tub/spa. In fact, the pool and hot tub facilities rated third and fourth, respectively, in terms of overall importance. The "Canada" region rated the pool and tennis facilities higher than most of the other regions. Respondents from the "Other U.S." region tended to rate most of these activities low. This would seem to indicate that they are most concerned about skiing rather than nonskiing activities when vacationing in the winter.

Table 1. Ratings by region of resort attributes.

Attribute	Massachusetts	Connecticut	Other NE	New York	New Jersey	Mid-Atlantic	Other U.S.	Canada	F
Children's Programs	5.21	5.20	5.06	5.13	5.30	4.93	4.62	4.90	2.74*
Dining Options	5.07	4.99	4.94	5.31	5.27	5.19	5.25	5.21	2.60*
Night life	4.16	4.16	4.12	4.33	4.22	4.14	4.35	4.18	0.94
Nonski Activities	4.60	4.39	4.43	4.51	4.53	4.29	4.52	4.23	2.93*
Shopping	3.66	3.59	3.44	3.82	3.73	3.68	4.15	3.96	4.15*
Spa/Hot Tub	5.46	5.49	5.52	5.54	5.50	5.50	5.47	5.40	0.39
Ice Skating	4.87	4.96	4.89	4.66	4.88	4.53	4.25	4.29	8.79*
Pool	6.03	5.97	6.20	5.99	5.88	5.70	5.36	6.01	8.87*
Tennis	3.49	3.50	3.39	3.70	3.61	3.26	2.96	3.59	4.10*
Fitness	4.24	4.21	4.25	4.39	4.38	4.12	4.08	3.93	3.35*
Maid	4.79	5.10	4.78	5.33	5.21	4.94	5.19	4.93	5.11*
Dormitories	2.05	2.16	1.94	2.22	2.08	2.10	2.24	2.24	1.21
Hotel	4.55	4.55	4.34	4.95	4.62	4.58	4.77	4.49	3.96*
Condominiums	6.40	6.37	6.46	6.23	6.42	6.26	6.23	6.25	2.41*
Motel	3.73	3.69	3.57	3.86	3.42	3.69	3.73	3.80	2.61*
Access to Slopes	4.68	4.75	4.70	4.81	4.95	5.12	5.34	5.09	5.61*
Evening Skiing	4.31	4.68	4.33	4.42	4.36	4.58	4.87	4.81	4.86*
Quality Ski Conditions	6.49	6.49	6.55	6.42	6.51	6.50	6.20	6.54	3.38*
Adult Lessons	4.33	4.42	4.09	4.58	4.65	4.22	4.39	4.85	5.01*
Children's Lessons	5.26	5.09	4.90	5.19	5.25	4.83	4.54	5.04	3.41*
Total Budget	\$1,530	\$1,700	\$1,545	\$1,825	\$1,935	\$1,945	\$2,185	\$1,915	7.44*
Number of Vacations	2.15	2.08	2.33	2.28	2.22	2.13	1.98	2.15	0.85
Number of Children	1.85	1.95	1.94	1.73	1.89	1.73	1.45	1.71	4.77*
Sample Size	314	256	146	647	492	334	213	579	2,981

scale: 7="extremely appealing" to 1="not at all appealing"
 * significant at the .05 level.

Lodging Facilities

Condominiums were rated as the most important type of lodging facility for the overall sample, and it was rated as the second highest of all the attributes in terms of importance. The least preferred type of lodging was the dormitory style. The "Canada" region and most of the New England regions rate maid service and hotels relatively low. In contrast, the "New York" and "Other U.S." region tend to rate hotels and motels higher than the rest of the sample.

Skiing Activities and Facilities

This is the most important section of attributes because the main purpose of the vacation destination choice is to ski. The most important skiing attribute was having quality skiing conditions. In

fact, this attribute was rated as having the most importance in choosing a vacation destination. The "Massachusetts" and "New Jersey" regions rate the children's ski lessons higher in importance than the other regions. The "Massachusetts" and "Other New England" regions also rate adult ski lessons, access to slopes, and evening skiing relatively lower than the other regions. This is probably due to the fact that most of the respondents in these regions ski with some regularity and are not as concerned about attributes relating to extra ski time and improving adult skiing ability. For example, the "Other U.S." region rates access to slopes and evening skiing relatively high, and lessons and quality of skiing conditions relatively low. Finally, the "Mid-Atlantic" region rates adult and children's

lessons lower than the other regions and tends to rate the other attributes in this section higher than the other regions.

Trip Behavior

The number of ski vacations in a year for the different regions ranged from 1.98 to 2.33. The regions that take ski vacations with the highest frequency are: "other New England" (2.33), "New York" (2.28), and "New Jersey" (2.22). Those regions with the lowest frequency are: "other U.S." (1.98) and "Connecticut"

(2.08). The average number of children per region ranged from 1.45 to 1.95. The regions with the highest averages are "Connecticut" (1.95) and "other New England" (1.94). The regions with the lowest averages are "other U.S." (1.45), "Canada" (1.71) and "Mid-Atlantic" (1.73). Finally, Figure 2 illustrates the differences in trip budgets between the regions. Those regions further away tend to have higher budgets for skiing vacations, primarily due to transportation costs and length of stay.

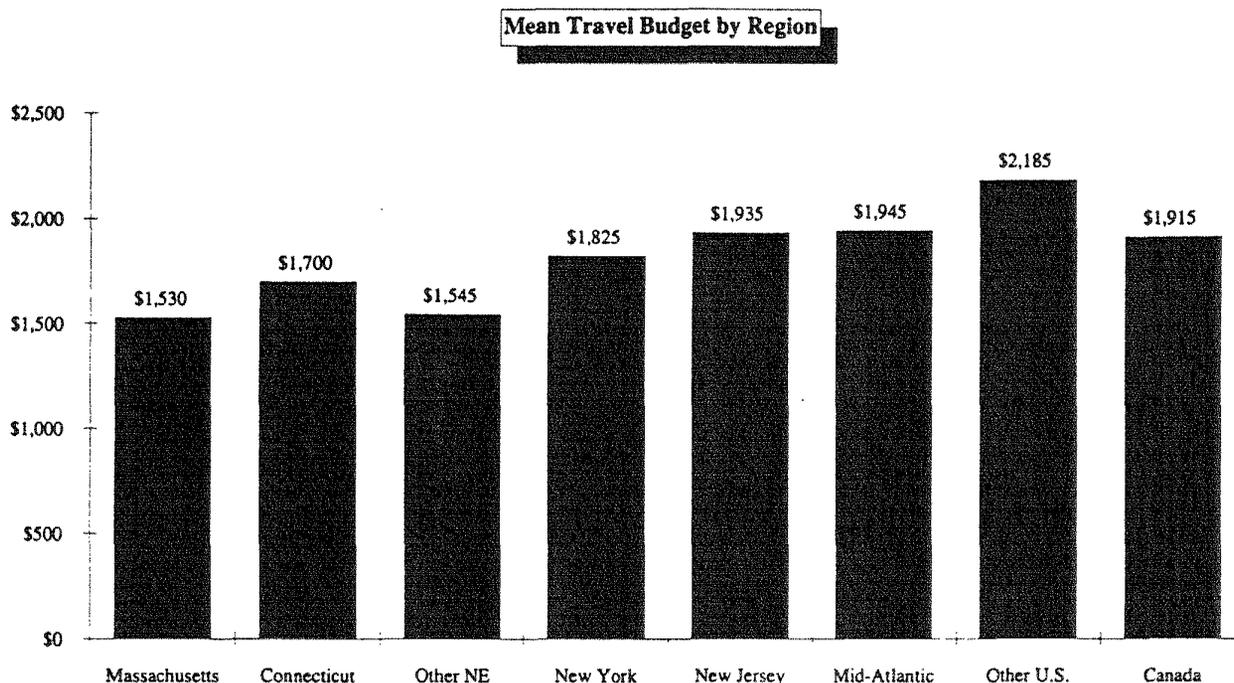


Figure 2. Mean travel budget by region.

Conclusions

Linking the survey attributes with the geographic regions provided some new insights into the marketing of a resort. The resort has done an excellent job of studying current trends in its markets and predicting future trends. The resort is seen as an innovator in family ski vacations but the other resorts in New England are attempting to copy the successful elements of its programs. Therefore, it is incumbent upon the management of the resort to stay abreast of major trends and changes, and to continually seek to be their first to develop new programs and new markets. Examining new market segmentation approaches and strategies are necessary in order to pursue new markets or refine old market strategies. Linking survey preference information with different geographic markets does show promise.

The findings of the study suggest some areas for future development. The closer markets, or regions, seem to have placed a greater emphasis on the family atmosphere and children's programs. Furthermore, a resort which heavily targets families with young children may find a restrictive geographic market. Families probably prefer to travel only so far with children in

low. Although not reported here, the households' most popular competitive winter vacation options were most highly represented from ski resorts within New England. Conversely, the more distant markets were most concerned about the skiing conditions and the basic accommodations. The resort could "unbundle" its all inclusive package to allow more "a la carte" selections. The major reasons for people not visiting the resort are price and location/distance. Travelers that place less value on family programming can find a more suitable package to fit their needs. However, management must be willing to depart from the current theme of the resort and be prepared to support this decision throughout the long term.

The Canadian market offers strong opportunities for this resort in the future. In general, they are basic skiers looking for a good value. At the present time they are pleased with the package but they must be monitored so that any necessary changes can be implemented in a timely fashion. This would also suggest that the resort develop some type of strategy to "unbundle" the package components at some future date. Many of the other New England resorts are not as familiar with the Canadian market and do not

cater to them the same way as this resort. In some respects, the Canadian market can act as a hedge against adverse economic conditions in the United States.

The trading area for this resort is definitely regional at this point (the Canadian visitors are within a 300-mile radius). That is not to say it will not change in the future, either out of necessity or design. It is important for the resort to decide if it wants to maintain the smaller family atmosphere or "commercialize" like other ski resorts in New England. The resort needs to decide if it can maintain this status with the present offering and the present markets. If growth is a goal of the firm, then it must decide among four major strategies: market penetration, product development, market development and/or diversification. The results of this study are useful in evaluating the first three strategies, especially market development.

In this study only the preferences for programs, amenities and services were addressed by geographic regions. However, additional insights can be gained as suggested by Mason and Ezell (1993) by examining/monitoring: a) the willingness to visit the area or the resort (a measure of likely responsiveness); b) the changing sizes of these different regional markets over time (a measure of sustainability); c) the demographic attributes -- income, education and professional status (a measure of measurability); d) the media preferences or how individuals learned about the attraction or resort (the accessibility measure); and e) the stability of the geographic market segments over time (the reliability measure). Furthermore, a measure of efficiency may be useful by determining the return on investment of geographic segmentation.

There are some limitations associated with this study. As with any sample, there are questions involving response bias and nonresponse bias. However, in this study the sampling frame included a large portion of the overall population and there was a substantially large response pool. These two factors should help to minimize these biases, which were analyzed to some extent by comparing the characteristics of the sample with the characteristics of the population. Nonsampling error could also have occurred as it relates to mail surveys. Respondents were asked to interpret the questionnaire and complete it in an uncontrolled environment. The questionnaire was pretested in order to minimize reliability and validity problems. Finally, the generalizability of a survey can always be questioned. The researchers intended this study to be an example of a procedure that could be used by any firm. The results are only applicable to this particular resort, and to some extent to other ski resorts in New England.

Finally, the linking of other dimensions to geographic segments does show promise here. These dimensions should be helpful to recreation and park resource managers, both public and private, as we enter into a more competitive tourism marketplace. When an agency seeks to expand its market beyond its current regional trade area, it is worthwhile to examine the preferences and differences of more distant markets. Implementation of this approach and careful monitoring over time will help to determine the success of such approaches.

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