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Poverty Reduction through Tourism
Training Program



MODULE 4
TOURISM MARKET



Module 4 Learning Objectives

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1. Understand the need and purpose of market research in tourism with basic definitions
2. Differentiate the steps and procedures to conduct a market research exercise
3. recognize the profile of potential consumers and their motivations
4. analyze competition and competitiveness

Individuals or companies that have decided to start a tourism business, as well as those already operating, need to know in some detail the main features and trends in the global market demand to be able to plan the services to be offered according to the needs and preferences of the type of tourists they want to attract and capture. The purpose of this module is to learn about the ways to get a better understanding of the tourism market.

Then go through the learning objectives on the slide.



Go through the items on the slide and explain the following:

Tourism is subject to global market developments, both international and local economic laws of supply and demand. The 1st unit goes over this briefly while the 2nd and 3rd units talk about market intelligence needs and how to go about getting them.

Headings for each unit in the module are shown on the slide. The following is the detailed content under each heading that can be used to describe the module.

The market:

- Key concepts and definitions
- Stakeholders in the tourism market
- Competitive advantage and competitiveness
- Cooperation as a means to increase competitive

Market research:

- Key concepts and definitions
- How to perform a market research exercise

Identifying a market niche:

- General guidelines
- Research plan and resources
- Profile of potential consumers

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Module 4 Unit 1
The Market

The Market

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Tourism is an economic activity that links places and countries that send tourists (source markets) to places and countries that host tourists (host markets), thus creating a flow of tourists.

The tourism market is made up of:

- Supply: providers of tourism services
- Demand: buyers of tourism services

Tourism is an economic activity that links places and countries that send tourists (source markets) to places and countries that host tourists (host markets), thus creating a flow of tourists.

Supply of tourism services includes attractions, activities, amenities, transportation, food and beverages and accommodation that are available for tourists to use.

Demand for tourism services depends on the total number of people who travel, how long they stay for, and what services they require while away from their normal work and residence.

Stakeholders

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Type	Definitions and functions
1. Tourists	Consume or use tourism services (including local and foreign people).
2. End suppliers	Provide accommodation, meals, transportation and other services.
3. Retailers	Act as an extension of the suppliers, promoting or distributing their services (travel agencies and online reservations).
4. Service organizers	Perform functions as mediators between suppliers and consumers, organizing trips that combine different services in the form of packages (tour operators).

The tourism market consists of all persons and businesses that buy and sell tourism services and products called **stakeholders**

Go over the types of stakeholders on the slide.

Competitive Advantage and Competitiveness

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A competitive advantage is an advantage over competitors gained by offering consumers **greater value**.

Competitiveness is the capacity of a business or a business group to **create, strengthen and increase** over time the competitive advantages that position it favorably in a market.

Sources of **competitiveness**:

- a) cost leadership
- b) flexible specialization
- c) differentiation in terms of quality, innovation, technology and brand image.

A competitive advantage is an advantage over competitors gained by offering consumers greater value, either by means of lower prices and value for money or by providing greater benefits and service that justifies higher prices.

Competitiveness is the capacity of a business or a business group to create, strengthen and increase over time the competitive advantages that position it favourably in a market.

The most frequent sources of competitiveness:

- a) **cost leadership;**
- b) **flexible specialization and**
- c) **differentiation in terms of quality, innovation, technology and brand image**

More detailed explanation of the 3 strategies is below :

- Cost leadership: minimizing the cost to the organization of delivering products and services. The cost or price paid by the consumer is a separate issue!
- Flexible specialization: the capacity to adjust very quickly to a fast changing marketplace and business environment.
- Differentiation: making your products or services different from those of your competitors and more attractive

Cooperation to Increase Competitive Advantage

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- Expand knowledge base
- Cost reduction with economies of scale
- Access to professional services
- Expand market reach and marketing strength
- Beneficial business arrangements
- Increased negotiation power
- Access to public goods

Give a copy of slide 8 as handout to each participant and go over each point with them. This handout will be used for the Exercise on the next slide. More detailed explanation is below. Use examples from real life to illustrate each point. E.g. The Pearl River Delta Tourism Promotion initiative by HK, Macau and Guangdong tourism authorities to leverage marketing database, knowhow and promotional platform of the HK Tourism Board. Macau hotels joined together to form a working group to purchase food products from China to break the monopoly of suppliers in a limited market.

- Exchange of information, **knowledge** and experiences that generate collective learning processes.
- Implementation of efficient production structures, taking advantage of **economies of scale** and reducing production **costs**.
- Common **access to** development **services**, purchase of inputs, market information, training, administration and business management.
- Expansion of domestic and foreign **markets** through **marketing** strategies that enhance the functions of promotion, distribution and marketing of goods and services, including the creation of collective brands.
- Subscription to **beneficial business arrangements** for members, with either suppliers or corporate and institutional clients.
- Increased capacity of representation and **negotiation** of business partners on their behalf with different economic and institutional actors.
- **Access to public goods**: infrastructure and basic services.

An example from the Toolkit is Gambia where the Association of Small Scale Enterprises in Tourism (ASSET) was established in April 2000 in order to bring together, advocate for and promote a large number of small enterprises that were active in the tourism industry in the Gambia. These businesses include craft market vendors, tourist taxi drivers, official tourist guides, juice pressers and fruit sellers as well as a number of small hotels, guest houses and ground tour operators. Achievements include:

Exercise 1 Cooperating to Increase Competitive Advantage

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In groups of 3-4, reflect on why cooperation could be of particular importance in enhancing your – present or future – tourism business.

List key actors/businesses you would be interested in cooperating with and identify:

- what kind of cooperation you would propose;
- what you would expect to obtain with each cooperation linkage in terms of increasing your competitiveness
- what the partners could expect to gain in competitiveness from cooperating with you

In groups of 3-4, ask the participants to reflect on why cooperation could be of particular importance in enhancing your – present or future – tourism business.

Ask them to list key actors/businesses they would be interested in cooperating with and identify:

- *what kind of cooperation they are proposing*
- *what they would expect to obtain with each cooperation linkage in terms of increasing competitiveness*
- *what the partners could expect to gain in competitiveness from cooperating with them*

In case the subject of cooperation between MNCs and businesses in developing countries is brought up, the following is an example.

Worldwide large companies traditionally buy from established suppliers and service providers, and target middle- and high-income consumers. As a result, poor people find many essential goods and services too expensive and, as producers, struggle to sell enough to make a living.

“Inclusive Business” refers to an entrepreneurial initiative that contributes towards poverty alleviation by including low-income communities within the value chain of a company, while not losing sight of the ultimate goal of business, namely generating profit.

The concept was developed through an alliance between SNV and the World Business Council for Sustainable Development (WBCSD) to create win-win situations for both company and low income communities. This strategic association facilitates the development of specific Inclusive Business opportunities, which are not only attractive investment options, but also benefit

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Module 4 Unit 2
Market Research

Objectives of Market Research

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- to identify consumer needs
- to learn about consumer attitudes and values
- to help develop products and services that meet identified needs
- to discover sales trends
- to find out about competitors' activities
- to measure the effectiveness of promotional activity
- to classify consumer into groups or types

The basis of any strategy for tourism development is market research.

Go through the points on the slide. Explain that:

The tourism market is one of the most competitive markets with limited resource inside each business. Thus it is imperative for tourism businesses to have information with which to analyze the market and identify the right target segments to create the right products to maximize business potential

Key Focus of Market Research

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- Potential demand
- Current supply
- Competition

Key focus of market research:

- **potential demand** – Who are the consumers? What do they care about? Which are their motivations? Which services do they request? What do they dislike?
- **current supply** – What services, activities, routes and tours are currently offered in the community, surrounding areas and region?
- **competition** – What similar, complementary and/or alternative tourist products are offered by other businesses in the area?

Types of Research

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Primary research: unique research that uses surveys, interviews and questionnaires to find out about markets

Secondary research: makes use of existing information such as internal or external records and statistics to learn more about markets

Go through the definitions in the slide

Conducting a Market Research Exercise

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3 stage approach:

- **First:** review the most relevant secondary sources, such as magazines and journals, business publications, statistics, tourism guidelines, web sites.
- **Second:** collect primary information through interviews and small surveys of tourists, tour operators, leading travel agencies and operators, tour guides and other key informants like tourism authorities and research institutes.
- **Third:** organize and process the collected data, analyze and draw conclusions for business planning.

Go through the stages in the slide

Quick tips for conducting research:

- Use existing knowledge to define what needs to be asked
- Listen carefully ... the obvious is not always the most important
- Analyze “between the lines” and establish links between pieces of information
- Try to find out cause–effect relations

Quick tips about sources of information:

Some of the best sources of valuable marketing information are current consumers. Reasons given by regular customers for coming back and factors that may deter them from returning are useful information.

It can also be very useful to ask for the opinion of the tour operators about their consumers or partners (tourists and service providers) with whom they keep regular contact. They can provide substantive information and updates about their customers’ activities and demands for services, the size of the groups and their travel habits in order to be able to respond appropriately to their tastes and preferences.

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Module 4 Unit 3
Identifying a Market Niche

Market Segmentation

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The process of defining a large, homogenous market and subdividing it into clearly identifiable segments having similar needs.

Four factors that affect market segmentation

1. clear identification of the segment
2. measurability of its effective size
3. its accessibility through promotional efforts
4. its appropriateness to the policies and resources of the segment

The process of defining a large, homogenous market and subdividing it into clearly identifiable segments having similar needs. It *helps business operators to identify and focus on the most potential parts of the business for them so as to design a marketing mix with the right combination of product, place, price, promotion and people that will serve the needs of the product's clients – that precisely matches the expectations of consumers in the targeted segment.*

Four factors that affect market segmentation

1. **clear identification of the segment**
2. **measurability of its effective size**
3. **its accessibility through promotional efforts**
4. **its appropriateness to the policies and resources of the segment**

Market Niche (or Niche Market)

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A small but profitable segment of a market suitable for **focused attention** by a marketer.

Market niches do not exist by themselves, but are created by **identifying needs or wants** that are not being addressed by competitors, and by offering products that satisfy them.

Go over the descriptions in the slide.

Creating a Market Niche

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- A unique product or service
- A marketable product or service
- Choose a niche market that's available
- Market, market, market

Few mistakes are as serious as launching a business without fully knowing the market and, consequently, identifying your market niche, which is a common path to success for many small businesses. Because no matter how hard they try, no large business can be all things to all people, there are always going to be segments of the population whose needs for particular products and/or services are going unmet, leaving room for the small business. A small business can capitalize on these unmet needs, and find and dominate its own niche market, by paying attention to these four criteria:

a) A unique product or service is needed to master a niche market. Ideally, there should be no one else selling that product.

b) A marketable product or service means that someone somewhere has to want to buy the product. There's no point to create wonderful and useful products and/or services that no one wants.

c) Choose a niche market that's available because niche markets tend to be smaller so there's only room for so many players. Don't try to jump on a bandwagon only to fall off the back.

d) Market, market, market. Marketing is perhaps more important for niche market businesses than for any other kind, because the niche market business is, by definition, unknown and succeeds or fails on making the connection with exactly the right kind of consumer/client.

Motivations of Tourists	
Basic Motivations	Specific Motivations
<ul style="list-style-type: none"> • Rest and Recreation • Health • Religion • Business & professional motivations • Visits to family and friends 	<ul style="list-style-type: none"> • Meet and interact with other cultures • Appreciate historic sites and artifacts • Attend shows and events • Take part in special activities

In tourism, the motivation is the reason why a person decides to travel. The travel motivations of tourists are complex and are related to a set of internal and external factors:

- the internal (endogenous) that are unique to the individual and relate to his/her age, sex, origin, social status, education level and income, travel experience and psychological profile; and
- the external (exogenous) that do not depend on the traveller but on the political and economic stability of a country, its social and cultural characteristics, transportation and communication, etc.

Motivations guide decisions and are thus a key element to consider in market analysis. In general, motivations can be subdivided in two groups, while most trips tend to be “mixed” and relate to more than one motivation.

Go over the points in the slide.

Profile of Potential Consumers

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Information on the market segment that the tourism product will target in order to define the degree of specialization.

- Who are these persons or groups with specific interests?
- What are their social and demographic characteristics?
- Where are they from?
- What preferences do they have for services and activities in the destination?

Knowledge of the tourists visiting a community or region is crucial to determine whether the attractions have enough potential to attract new visitors with a similar profile, or to attract others with different characteristics. In new tourist destinations, emerging and remote, this task becomes more difficult, so it will be necessary to refer to studies on destinations with similar characteristics, or visit them directly.

In any case, it is imperative to have **information** to analyse **the market segment that the tourism product will target, and to define the degree of specialization** – in other words, **persons or groups with specific interests, social and demographic characteristics, origin and preferences for services and activities in the destination.**

This information should be used to shape the development of tourism businesses, creation of tourism products and the 5Ps of marketing.

International Profile of the New Tourist

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International profile of the new tourist		
1.	Is a multiple consumer	Looks for cultural experiences, sports, religion, nature, or a combination.
2.	Is more cultured than the average tourist	Is informed and willing to learn and address new topics.
3.	Fragments a holiday	Prefers to make several vacation trips at different times of year.
4.	Searches for multiple options	Compares the different offers and selects the one that best fits his/her needs.
5.	Likes to discover alternative destinations	Enjoys the vacation destinations that may be close and familiar, but also remote and exotic ones.
6.	Consumes without wasting	Is willing to learn about new products and destinations, paying attention to the price.
7.	Wants facts and not promises	Is very demanding about what is offered and wishes to have experiences that match the information provided.
8.	Is active and enterprising	Shows much interest in participating in activities at the sites.
9.	Is interested in social and environmental issues	Has a social and environmental awareness more developed than the average tourist.
10.	Seeks to establish a new sociability	Seeks to engage with other cultures from the perspective of enriching the vision of his/ her own environment.

Handout a copy of the chart entitled International Profile of the New Tourist. Participants can use this as a tool to ensure that they are asking all the relevant questions when they are doing market research on potential customers.

This will be used for the exercise afterwards.

Identifying Potential Consumers

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Identifying my potential consumers	
Demand characteristics	Your tourist profile
1. Source of tourists: domestic tourism, neighboring countries, international tourism	
2. Main travel motivations	
3. Predominant age groups	
4. Gender: female, male or mixed	
5. Travelling alone, with family and/or friends	
6. Educational attainment and occupation	
7. Average family income	
8. Times of year when there is a greater influx of visitors	
9. Average length of stay of each holiday period	
10. Expected average spending per tourist	
11. Favourite tourist activities	
12. Most valued services	
13. Concern/sensitivity regarding decent work and responsible tourism	
14. Expected growth trends in this market segment	
15. Other important characteristics (complete)	

Handout a copy of this chart entitled Identifying Potential Consumers and go over the points. This will be used for the exercise afterwards.

Tourism in the Community / Region

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To design or adapt a tourism product, need to

- identify and analyze the characteristics and dynamics of existing tourism products and services
- better understand the flow of tourists
- understand the key market segments or niches already being satisfied
- identify potential niches that have not yet been exploited

To **design or adapt a tourism product**, it is important to **identify and analyze the characteristics and dynamics of existing tourism products and services, to better understand the flow of tourists, key market segments or niches already being satisfied and identify those niches with growth potential that have not yet been exploited**

Available Tourism Products and Services

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Available tourism products and services	
Key questions	Characteristics
1. Which attractions generate greater visitor flows to the region: nature, culture, their combination?	
2. Which events organized in the area attract more visitors each year?	
3. What basic tourist services does the community/region provide to the visitor?	
4. Are these services sufficient? Is there still unmet demand?	
5. What do users think about the value for money of these services?	
6. Does the region have a tourist information centre?	
7. Is signage of sufficient quality and quantity?	
8. At which level is the community/region being promoted (regional, national, international)?	
9. Which marketing channels are used most frequently?	
10. What promotional materials and media are available and used?	
11. Other relevant questions (complete)	

Handout a copy of the chart entitled Available Tourism Products and Services. This will help the participants inventorize what is available in their destination.

The Competition

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Profile analysis of the competition is useful when developing and implementing a business to achieve competitive advantage. Knowing the competition will:

- allow a better definition of the market niche
- Help to identify key competitiveness factors that will “make the difference”

It is important and valuable to know more about the competition. When choosing a specific **market niche** for which there is a value dimension, but greater flexibility, more consistent with the small size of a business and when applying the **key factors for market differentiation**, such as product design, quality of service, technology, innovation, branding and distribution channels

Knowing the Competition

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Knowing the profile of my competitors			
Competitors' characteristics	Competitor A	Competitor B	Competitor C
1. Name of business			
2. Location			
3. Origin of tourists			
4. Similar or different from my tourists			
5. Type of tourism offered			
6. Services and activities			
7. Wages and work conditions			
8. Quality of service			
9. Prices they charge			
10. Distribution channels for their services			
11. Means of promotion			
12. Point out the strengths of your competitors			
13. Point out the weaknesses of your competitors			
14. Other relevant characteristics (complete)			

Handout a copy of the chart entitled Knowing the Profiles of my Competitors. Ask participants to think of their biggest competitor and see how much they know about that competitor for the items on the list.

Exercise 2 Research Plan and Resources

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For your business, identify existing knowledge and data sources – primary and secondary – and specify the key issues and questions that need further clarification through either primary or secondary research.

AREAS OF INTEREST	TYPE OF INFORMATION	SOURCES (DOCUMENTS) AND KEY INFORMANTS TO BE INTERVIEWED	KEY ISSUES AND KEY QUESTIONS TO ASK
CONSUMERS (PROFILE)	Primary		
	Secondary		
EXISTING SUPPLY	Primary		
	Secondary		
COMPETITORS	Primary		
	Secondary		

Handout a copy of the table to each participant and ask them to fill it in for their own business. This is an individual exercise.

Ask participants to work out a research plan for their own business. They need to identify existing knowledge and data sources and specify the key issues and questions that need further clarification using the format provided.

They should use the 4 handouts from the previous 3 slides to help them focus on their needs. The result of their research should help them find the information to complete the following tables:

1. *Identifying Potential Consumers – Toolkit Chapter 4 page 13*
2. *Available Tourism Products and Services – Toolkit Chapter 4 page 14*
3. *Knowing the Profiles of Competitors – Toolkit Chapter 4 page 15*

After they have worked out their plan, ask for volunteers to share their plan.

A Summary

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- Tourism is an economic activity subject to global market developments, namely the laws supply and demand.
- The tourism market consists of all persons and businesses that buy and sell tourism services and products.
- Identifying your market niche is crucial for developing your tourism business.
- Market research is an important tool for business development.
- Undertaking research, knowing your competitors, the dynamics of your region and the profile of potential customers are the necessary steps for making your tourism business successful.

Go over the points in the slide.

Relevant Market Research Topics

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- Identification of research issues and information sources
- Profiles of potential consumers
- Available tourism products and services in the destination
- Profiles of competitors

Go over the topics on the slide. These are the relevant research topics that have been covered in this module.

For More Information

<http://www.ilo.org/public/english/dialogue/sector/sectors/tourism.htm>

or

www.ilo.org/sector

Thank you !!



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For more information on this, please consult the sectoral webpage at the address given on the slide.

Thank you very much for your attention.