A decade of data and decisions: Visitor spending as a marketing strategy

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Destinations worldwide, big and small have one thing in common – using tourism as an economic engine within a community, a region, or an entire country. While the consumer is traveling to learn, relax, explore, or check off a box on their 'bucket list,' the destination's goal is to make money by providing for the traveler. The purpose of this paper is to explore how a destination has used visitor spending data as their tool in tourism segmentation and marketing. In other words, this paper shows how a destination takes theory and data and turns it into marketing practices.

Segmenting visitors for marketing purposes is a necessary tool for destinations to both differentiate themselves from competitors and to market to the type of visitor they desire in their destination (Beken & Simmons, 2008; Lundie et al., 2007). Identifying and finding the "ideal visitor types" based on unique attributes of the traveler can enhance the economic, environmental and social viability of tourism in a destination (Northcote & Macbeth, 2006). Lundie et al. (2007, p. 503) write that "different types of tourists generate different economic, social and environmental impacts on destinations." Moeller et al. (2011) found there were two segments representing 40 percent of the total market showing higher tourism expenditures along with lower environmental footprints. These segments varied in tourists' expenditures, activities chosen within the destination, demographics, and their environmental and social impacts within the destination. In another study, Dixon et Al. (2012) segmented sport tourists attending a Professional Golf Association tournament by total per day expenditures and found that a significant difference existed between low, medium, and high expenditure-based segments of sport tourists in terms of spending patterns, trip characteristics, and trip preferences.

While many researchers have been segmenting travelers by spending for decades (Aguiló & Juaneda, 2000; Chhabra et al., 2002; Frechtling, 2006 pg. 26; Kalber, 1980; Lima et Al., 2012; McGehee, 2007; Mok & Iverson, 2000; Way & Robertson, 2013; Wilton & Nickerson, 2006), the question remains: How are marketers using this spending segmentation in their destination, and how successful is it?

Methods

This paper is a compilation of numerous visitor spending studies conducted in one western US state over the past 10 years. The methods in each individual project differed depending on the question(s) being asked, however, the common theme was always to understand expenditures by travelers in the destination.

Travelers in all but one study assessed/compiled for this paper were intercepted on site. Five of the intercept studies (quarterly spending, spending based on purpose of trip, spending by country of residence, spending by attractive attributes to the state, and spending by geotravelers) asked about spending within the previous 24 hours with additional data obtained to allow for an estimate of spending to the entire visitor population. Three of the intercept studies provided the visitor with a mail-back questionnaire to complete after the trip (spending by visitors who took guided trips, spending by visitors on a national scenic byway, and resident travel spending). One intercept study looked at spending by alpine skiers and asked the skier to complete the questionnaire on site. Finally, the bicycle tourism study used an online format with email addresses obtained from a national bicycle organization of individuals who had cycled in the state over the past 3 years.

Findings and their application

Findings from ten different visitor spending segmentations are presented, followed by marketing strategy(s) used and their implications toward success.

Quarterly spending. Tourism, by its nature, is a seasonal activity (Baum & Lundtorp, 2001), and these findings corroborate that issue. This seasonality, due to weather and school system calendars, is also one of the most difficult issues to address when trying to increase tourism. Comparing today's quarterly spending to that of 10 years ago within the state showed the following: Q1 spending was 13 percent of total in 2005 and 11 percent in 2014; Q2 spending was 25 percent in 2005 and 23 percent in 2014; Q3 spending was 48 percent in 2005 and 49 percent in 2014; Q4 spending was 14 percent in 2005 and 17 percent in 2014. For the past five years, the state has organized a winter marketing campaign geared at attracting more nonresident skiers and snowmobilers. This should have increased spending in quarter one but does not appear to have done so. In fact, one could say, the opposite has been observed. However, spending in quarter four did increase by three percent of total over the past ten years. Marketing campaigns initiated by convention and visitor bureaus, resorts and hotels to holiday shoppers in populations north of the state does appear to have produced a slight spending increase in quarter four.

Purpose of trip. Spending by purpose of trip showed that shoppers contribute the highest daily expenditures ($292.74) to the state, followed by vacationers, business travelers, those visiting friends and relatives, and finally those simply passing through the state. Increasing the shopper spending (as discussed above) has worked in some areas of the state. However, shoppers spend the shortest amount of time in the state and only represent two percent of all visitors, thereby questioning the strategy of marketing to shoppers. Vacationers, on the other hand, represent 33 percent of all visitors and spend twice as many nights in the state compared to shoppers. Marketing to vacationers continues to be the main strategy of the office of tourism, the travel regions, and CVB's. Their marketing strategy, while related to spending, also includes those segments who spend more based on type of vacationers as well as an activity segment. These are discussed later.

Domestic vs international. The findings on spending separated by domestic travelers, Canadian travelers, and overseas travelers show that, by far, domestic travelers are the market to pursue. Domestic visitors contribute 88 percent of all nonresident spending but only represent 83 percent of all visitors. The Canadian market, however, represents 15 percent of all visitors and only eight percent of all spending. The overseas market is only two percent of spending and is such an expensive market to pursue, that the office of tourism has only minimally budgeted for international markets. Our data show that not overly pursing the overseas market is a wise strategy, along with not marketing to the Canadian traveler at the statewide level. It would be wise for the communities and regions of the state to assess the contribution of Canadian spending in their area before investing more marketing dollars in that market.

Attractions to the state. In the nonresident travel survey, visitors were asked to identify what attracted them to the state and what was the primary attraction. Through a cluster analysis, six main attraction groups were identified and compared by trip spending. The activity cluster (hiking, biking, camping, fishing, hunting, etc.) spent the most amount of time in the state and represented the highest spending (36% of total). That activity cluster was followed by visiting family/friends (17%), landscape (17%), national park visitors (14%), special events (10%), and history (6%). The marketing campaigns of the state have primarily been to lure travelers to the national parks as these icons seem to be why people visit. However, the data would indicate that activity marketing may be a better choice as these active travelers spend more than the other market clusters. This is one area in which the office of tourism may need to readjust their strategy since attracting the high value visitor is important to the state. On the other hand, promoting activities within the parks may be their best option.

Geotravelers. Pursuing the geotraveler market segment has been a strategic plan for the state since 2008 based on the idea that bringing in sustainable travelers who have values similar to residents of the state should help the state maintain its character, increase its tax base by virtue of spending, and help preserve the places important to both visitors and residents. Various studies identifying geotravelers in the state have shown that there are geotourism hotspots around the national parks, but that geotravelers do spend time throughout the state as well. Visitors were segmented into minimal, moderate, and strong geotravelers based on their geotraveler tendencies. Data showed that strong geotravelers spent about 24 percent more per day than the minimal geotraveler, indicating a good market to pursue for the state. The problem with marketing to this segment is being able to identify how to reach them. The main advertising technique has been to promote environmental preservation, cultural understanding, and local people and products. It is unclear if the technique has been working, but it is clearly evident that 'inviting' visitors with the same value system as residents will generate positive feelings between host and guests.

Outfitting and guiding. Another niche market studied in the state was that of guided trips and spending by the clients of these trips. Guided trips are generally conducted by local entrepreneurs with a passion for their activity such as fishing, rafting or hunting. It provides outside money directly into the pocketbook of local residents with very little leakage of money outside the state. The data showed that hunting and fishing trips produced the largest economic impact (76% of all guided trip revenues), which is problematic for marketing since wildlife and fish are finite resources. Therefore the office of tourism has chosen to only list guided trips on their web page and not specifically market guided trips through advertising campaigns. This has caused some contention in the tourism industry.

Resident travel. A resident travel study was conducted to understand the impacts generated regionally by in-state travel and found that $833 million was distributed around the state by residents creating nearly 12,000 jobs. Because of these findings and because of the recent recession with high fuel prices, the state decided to conduct an in-state campaign in 2010. The success of the first years of that in-state campaign has encouraged the state to continue with marketing inward, creating something not expected…more pride and ownership in the state by residents. This, in turn, has generated campaigns to educate locals about 'off the beaten path' areas to visit. Additionally, the state department responsible for economic development has been able to use the campaigns to lure new business to the state.

National Scenic Byways. In the United States, highways nationally designated for their scenic appeal, and, in some instances, their cultural and recreational appeal (All-American Byways) have been promoted as a way to generate income in rural areas. A study was conducted to assess the economic impact of an All-American Road in the state and to determine if national designation was important to that economic impact. Results of the study showed that $53 million was distributed to three small gateway communities of the roadway and, more importantly, that 69 percent of all visitors traveled the highway because of its designation as a scenic byway, rather than using the byway as a means to go somewhere else. The information provided marketers with the confidence of promoting the scenic byway, itself, as a destination rather than a travel route. The findings allowed communities to put pressure on the highway department to plow the road as early as possible in the spring to create more opportunities for income generation in the gateway communities.

Alpine skiers. Data collected on spending by alpine skiers was differentiated between nonresident and resident spending. On average, nonresidents spent over $1,200 per trip on skiing while residents spent $140. Spending also fluctuated as much as $1,200 based on the resort nonresidents visited. This huge gap in spending differences encouraged the state office of tourism to work with the ski resorts on a winter campaign to out-of-state skiers resulting in steady growth of skier numbers. This, however, has not necessarily improved the overall contribution of nonresident spending in quarter one as discussed earlier. A re-visit of the winter campaign is needed.

Bicycle tourism. This market niche had never even been considered a segment to pursue by the tourism industry in the state until data showed that cycling tourists spent more money per day and more days in the state than the average vacationer. Since the study results were revealed, the office of tourism and a bike/walk association have been meeting regularly with the state department of transportation to assess and fix the paths and highway shoulders for cyclists. This niche may be small in numbers currently, but the potential for a travel segment which has little impact on the environment but a significant positive impact to the state, economically, is a promising direction for the state.

Conclusions

Identifying market segments by spending contribution can allow for better targeting by the tourism promotional organizations, direct advertising to new markets, assist in policy decisions, and encourage the review of marketing strategies. Spending patterns and the resultant economic impact are strong and defendable indicators of a viable tourism industry.

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