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Market Segmentation and Senor Motorcoach Travelers: Theory Versus Practice

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MARKET SEGMENTATION AND SENIOR MOTORCOACH TRAVELERS: THEORY VERSUS PRACTICE

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ABSTRACT

This article examines whether motorcoach tour operators have adapted tochanges occurring in the senior market by providing tours designed to suit segments within this traveler group. Data provided by National Tour Association tour operator members is used to illustrate the points under investigation. The paper highlights the need to further segment senior travelers and draws several implications for motorcoach tour operators aiming to serve this growing market.

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INTRODUCTION

The widespread growth in the senior maraket for travel and tourism is well documented (11, 19, 24). A recent study conducted jointly by the U.S. Travel Data Center, a Discover America task force and the Travel Industry Association of America predicts travel in the 55 and older age group will increase by 11.5 percent by the year 2000 and 27 percent by the year 2010 (17). The study also predicts that group travel and package tours will continue to be popular with the mature market (7). The importance of this large market is underlined by the fact that they are the fastest growing group of individuals with the leisure time, education and disposable income for consumption of travel services and products (1, 14, 27).

Along with the predicted growth in this travel market, the need to segment "seniors" has also been noted. For example, Shoemaker (24) distinguishes three senior segments by reason for travel, types and levels of activities desired on a trip. The need for segmentation of this group is also emphasized by Vincent and Los Santos (25) who profile differences in older winter travelers to Texas.

Since seniors represent a large and growing market, these travelers present numerous opportunities to be segmented and profitably targeted for specific marketing programs. While the need to segment senior markets is embraced among researchers, whether firms in the travel industry are actually availing themselves of such opportunities is questionable. Consequently, it is necessary to examine how this market is treated in practice by evaluating how changes occurring in the market place are responded to and managed by firms in the travel sector. This paper investigates the application of market segmentation in the senior market by motorcoach tour operators to identify whether these firms are responding to growth in the senior market(s).

BACKGROUND

There is very little documented research on North American motorcoach tour operators, even though in 1988 the industry sold two million packages, with a total direct economic impact of $7.9 billion (8). Socio-demographically, seniors represent the primary motorcoach group travel market (6, 12, 18).

Unfortunately, little research exists on the senior market (Shoemaker, 1989). Although some scholars (21, 22) indicate that older travelers appear to place greater value on convenience when choosing package tours, make the greatest use of travel agents in their travel decisions (14) and are searching for increasing specialized tours (12, 16, 23), most information tends to lump seniors into a homogeneous market. This approach ignores major differences in the characteristics and travel buying behavior of seniors. It is the effectiveness with which differences in this market are identified and considered by tour operators that influences the level of initial and repeat customer patronage secured and ostensibly produces growth for firms.

The need for market segmentation is widely acknowledged by both marketing (9, 10, 13, 26) and travel and tourism researchers (2, 3, 4, 15, 20, 28) in order to identify specific segments when numbers justify closer examination. In order for a market to warrant segmentation, it must fulfill several criteria (3, 5, 15). The market must be identifiable, accessible, measurable and large enough to be profitable for delivery of a specific marketing program. When these criteria are fulfilled, various market segmentation techniques can be applied, such as geographic, demographic, customer-type, psychographic, benefit and customer volume, among others.

Although there is widespread acknowledgement among theorists of the benefits of market segmentation, the reality of conducting business on a day-to-day basis often precludes implementation of this approach by firms in the travel industry. Tour operators are no exception. Narrow operating margins often mean few monetary reserves exist for reinvestment into market research. Tour planning, organizing and scheduling tasks take precedence over research that appears to have little immediate pay-off. Consequently, although seniors represent the major tour market served, few motorcoach tour operators grasp demographic or other nuances of these travelers.

Moreover, day-to-day affairs also render such enterprises unable to structurally adapt to changes occurring in the market place. The inability to adapt to trends represents a concern when firms are unable to adopt strategies relevant to the specific customer groups they serve. As a result, many motorcoach tour operators tend to base current travel programs on offerings that have worked well in the past. Such tours are often instituted on an ad hoc basis or shot in the dark approach, based on yesterday's successes. When a shot finds its mark, a buyer is generated.

In light of the issues identified above, the question then becomes, to what extent do motorcoach tour operators structurally adapt and segment this fast-growing market in order to provide their major customer group with the "best" and most suitable tour products available.

METHODS

Data for this paper were gathered during the summer of 1989 using a mail questionnaire sent to tour operator members of the National Tour Association (NTA). From a total of 533 questionnaires mailed, 155 useable surveys were received, providing a response rate of 29.1 percent. Non-respondents were also profiled along several dimensions to ensure that the data were representative of the population under investigation.

Questions elicited responses regarding tour operator firm characteristics, tour products offered and customer markets served. Seniors were defined as retired individuals over the age of 55. The survey also requested information on tour operator financial performance, conceived as the annual relative percent increase/decrease in: (1) sales, (2) profits, and (3) assets over the previous year. Since variables were measured at ratio and interval levels, the coefficients presented were obtained using Pearson's Product Moment correlation. Although tour operator characteristics and tour products aimed at senior travelers are the principal focus of this paper, data for the working adult market are also presented for comparison purposes.

RESULTS AND DISCUSSION

CUSTOMER MARKETS AND PERFORMANCE

Overall, respondents show annual percentage increases in 1988 sales (11.2%), profits (7.1%) and assets (9.3%) over the previous year (Table 1). It appears that motorcoach tour operators reinvested into their businesses at rates higher than their growth in profits in 1988. This type of behavior suggests the existence of an attractive industry environment and general anticipation by tour operators of continued growth and new market opportunities.

Retired seniors represent the principal market served, with a mean of 68.1 percent of all customers (Table 1). Working adults constitute a secondary market (x=20.6%). Motorcoach operators show a high level of repeat patronage (x=55.3%), indicating that operators concentrate on targeting their existing customer base to sustain business activity levels.

Those motorcoach tour operators that serve retired seniors do so almost to the exclusion of working adults (Table 2). Members of the latter market represent relatively new customers, as indicated by the negative correlation of the percent of working adults and the percent of repeat customers served. This finding suggests that market growth for motorcoach tour operators is found within the working adult market--not seniors.

Repeat customers tend to be predominantly found in the retired senior category. However, the high dependence on senior customers does not yield the increases in financial performance one might expect in a growing market. Sale, profits and asset growth are negatively associated with the percent of senior customers served. Repeat patrons are typically easier to target than altogether new customers but operators appear to be concentrating on existing senior customers to achieve growth, in spite of the findings to the contrary. The results suggest that motorcoach tour operators are adopting strategies that are not tapping into the growth potential and opportunities existing in the senior market.

FIRM CHARACTERISTICS AND SENIORS

The majority of motorcoach tour operators are relatively small enterprises with average annual sales of less than $1.75 million (Figure 1). More than three-quarters of the tour operators fall into this sales category. Additional firm characteristics are presented in Table 3. Although there are a few long established enterprises, a majority have been formed in the last decade; the mean age of motorcoach tour operators is 16.2 years.

Since the firm size data show a great deal of variation, the median presents a more accurate picture of typical tour operator size. Most operators have approximately four full-time employees. In terms of volume of passengers served, the median numbers of tour departures and customers served annually are 81 and 2490, respectively. These figures reflect that tour operators handle a substantial number of transactions, particularly in relation to the relative number of full-time employees in a typical tour operation. Most tour operators can be said to serve regional markets since the majority of customers live less than 125 miles away from the enterprise.

The focus on geographically distant working adults implies that smaller firms are structurally inhibited from pursuing these markets due to their limited internal resources and/or lack of ties with travel agents who are in a better position to provide access to these markets. As dependence on distant markets increases, firms must have a corresponding increase in the structural characteristics, strategies and operations required to serve such markets. It is likely that only larger operators with substantial resources and established links with travel agents can employ this approach. However, opportunities may exist to expand regional senior market segments within a broader mile radius (e.g. church groups, YMCA's, retired teachers, committees on aging and other community groups within a 25 mile radius).

TOUR PRODUCT CHARACTERISTICS AND SENIORS

The majority of motorcoach tours are preformed/scheduled (pre-packaged, then sold to patrons), with a mean of 57.2% falling into this category (Table 4). Most tours are also multiple destination in character (x=57.2%), typically land-based (x=77.4%), with a sightseeing focus (x=51.6%). Approximately 33.2 percent of tours are conducted during the fall, with summer and spring, (with means of 26.7 percent respectively) constituting equally popular seasons.

The product features emphasized are not surprising since preformed/scheduled tours have historically dominated the motorcoach tour market. Sightseeing tours also represent a traditional focus of motorcoach tour operators, many of who, for example, offer fall foliage sightseeing tours. However, the findings suggest that tour operators generally feature tour products that have appealed to customers in the past. While this orientation may be broadly applicable, it ignores additional product and market opportunities. The use of land as the major transportation mode is not unexpected since motorcoach tours are the main focal point for NTA tour operators, although firms appear to be incorporating more intermodal tours that include air. The predominant offering of fall tours may be explained by the fact that the major market served (seniors) has the leisure time to take tours during off-peak seasons. However, tour operators do not appear to be taking advantage of spring or winter, additional off-peak times.

Although there is some evidence of product development into new areas (e.g. tours that are customized, geared to special interests and incorporate alternate transport modes), this approach appears to be linked more with general industry trends than an implied focus on product features aimed at special senior market segments.

As Table 5 illustrates, seniors tend to take preformed/scheduled tours that are multi-destination and sightseeing in character, using a motorcoach-only transport mode. These findings are consistent with the general offerings stressed by tour operators, as outlined in Table 5. Seniors also tend to take such tours during the fall, and to a lesser extent, summer. As might be expected, working adults tend to take incentive business tours using land/air transport modes. Geographic orientation, specialization and/or season tend not to be factors associated with the degree of working adults served.

A multiple destination orientation for seniors ties in with the concentration on sightseeing tours which are typically multi-destination in character. However, some seniors may prefer tours that offer more activities at a single destination, as Shoemaker (24) suggests.

The negative relationship between the percent of senior customers served and percent of customized tours underscores that motorcoach tour operators are not recognizing special segments within the senior motorcoach market. It may be that some seniors desire customized tours suited specifically to their needs but are either unaware that tour operators can provide such tours or are unable to access tours that can be modified accordingly. Tour operators can cater to special senior segments by informing groups of an operator's ability to create and modify tours and services tailored to the specific needs of a particular senior group.

There is a systematic bias toward sightseeing tours offered to seniors. Although researchers (14, 24, 25) state this market is not a passive one, the data suggest that seniors are still being treated as such, given the predominant focus on sightseeing tours to the exclusion of tours with a special focus. This sort of treatment may represent one reason why motorcoach operators are not obtaining financial growth from this market.

The idea that tour operators are not customizing tours designed for specific segments is highlighted by the lack of any significant relationship between the percent of seniors served and percent of tours offered within both special interest/theme and/or special events/festivals categories. These findings do not necessarily mean that seniors do not desire these different tour types. Alternatively, the results suggest that tour operators are not offering tours in these categories that may appeal to senior segments.

Indeed, Sheldon (22) and Lippincott (12) state that many tour operators are becoming specialized in the type of tour packages they develop and sell. Some operators cater to individual segment groups by developing special interest tours such as adventure, gourmet, archaeological and/or historic tours. Unfortunately, these trends do not appear to be reflected in motorcoach tours offered to the senior market.

The absence of a relationship with the percent of senior customers targeted and study/continuing education tours also deserves attention. The trend toward more specialized tours may be increasing, but this orientation is not surfacing in the NTA data. Tour operators seem to simply be offering what has worked in the past, consistent with the repeat customer focus on seniors. This ad-hoc approach implies that new product and market opportunities are not being exploited in the senior market. As indicated above, regionally expanded markets may offer opportunities for smaller firms that currently serve seniors living less than five miles away.

Tour operators also show a bias in targeting seniors with a single mode of travel during two seasons (fall and summer). These firms tend to concentrate on land packages, even though some authors suggest that seniors are seeking more intermodal tours (12, 16). Such an approach ignores opportunities to incorporate other transport modes for seniors who may desire intermodal tours using air, rail and/or sea, in conjunction with motorcoach. In addition, the findings suggest that operators are not offering tours to seniors during the spring, a time when these individuals can travel. Spreading tours across seasons permits additional off-peak revenues which can aid in defraying fixed costs which must be carried thoughout the year.

LIMITATIONS

Two limitations affect the scope of this study. First, although the findings are limited to tour operator members of the National Tour

Association, they have implications that may be relevant to other tour operators who cater to senior markets. In addition, the mediating influences of extraneous variables must be further explored to establish their impact on the relationships presented.

IMPLICATIONS AND CONCLUSIONS

Seniors are still viewed as a relatively homogeneous group by motorcoach tour operators. The stereotype of the senior market as a group who desires similar travel products seems evident in the motorcoach tour industry. Seniors tend to be offered sightseeing tours to multi-destinations during the fall, using a single transportation mode. The inaccurate view of seniors as passively accepting such tours as standard fare is dangerous from a managerial point of view since it ignores changes and differences occurring in the senior market. This view is also detrimental in that, in practice, it appears to affect the financial performance of the enterprise.

The results suggest that motorcoach tour operators are adopting strategies that are not tapping into the growth potential and opportunities existing in the senior market.

There is a need for tour operators to assess the differences in individual senior groups, more finely segment these seniors and target these groups accordingly. There is no reason to assume people are the same, simply based on their age and/or stage in the family life cycle. The findings underline that demographic shifts occurring among senior travelers do not correspond with tour operator product strategies. Tour operators appear to be relatively slow in responding to the changing needs of senior markets.

The gap between market segmentation in theory and its application in the motorcoach tour industry is evident. However, this gap offers several opportunities for innovators who develop products specifically tailored to suit the needs of specialized senior segments. Until market research on senior customers is incorporated into tour price structures, senior markets will not be served to the best ability of the tour operator. It seems clear that entrepreneurial vendors who consider differences in the desires and characteristics of the senior market will be those who can take full advantage of changes occurring in this group and ultimately succeed in the decade ahead.

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Table 1

OVERALL TOUR OPERATOR PERFORMANCE AND CUSTOMER MARKETS SERVED

Variable	Range	Mean	Median
Performance:			
% Increase in 1988 Sales (N=135)	-45 to 81%	11.2%	10%
% Increase in 1988 Profits (N=131)	-64 to 73	7.1	6
% Increase in 1988 Assets (N=116)	-20 to 50	9.3	10
Customer Markets Served:			
% Retired Seniors (N=154)	0 to 100	68.1	75
% Working Adults (N=154)	0 to 100	20.6	15.5
% Repeat Customers (N=144)	0 to 98	55.3	60

Table 2

CORRELATIONS OF PERFORMANCE AND CUSTOMER MARKETS*
(N=103)

Variable	% Working Adults	% Repeat Customers	% Increase in Sales	% Increase in Profits	% Increase in Assets
% Retired Seniors	-.6886a	.2435d	-.2327d	-.2190d	-.3212c
% Working Adults		-.2946c	.0912	.1952	.1898
% Repeat Customers			-.1959	-.2026	-.2021
% Increase in Sales				.7129a	.6111a
% Increase in Profits					.5399a

*a: p<.0001; b: p<.001; c: p<.01; d: p<.05

Table 3

TOUR OPERATION PROFILE

Operator Characteristics	Range	Mean	Median
- Age of Tour Operation (N=147)	1-101	16.2	10
Number of ...			
- Full-time Employees (N=147)	0-227	9.8	4
- Tour Departures (N=142)	3-10,021	327.9	81
- Total Customers (N=154)	50-100,000	8,025.4	2490
- Customers per Tour (N=154)	20-121	36.7	35
Percent Customers Living ...			
- 5 Miles of Less Away from Firm (N=146)	0-80	18.8	10
- 6-24 Miles Away from Firm (N=146)	0-100	31.4	25
- 25-124 Miles Away from Firm (N=145)	0-100	26.7	20
- 125-624 Miles Away from Firm (N=144)	0- 90	11.8	5
- 625 Miles or More Away from Firm (N=143)	0-100	11.6	0

Table 4

TOUR OPERATOR PRODUCT PROFILE

Category (Percent of Tours Offered)	Range	Mean	Median
Specialization (N=154)			
- Preformed/Scheduled	0-100%	57.2%	60%
- Customized	0-100	44.5	40
Geographic Orientation (N=150)			
- Multiple Destinations	0-100	57.2	60
- Single Desintation	0-100	42.5	40
Tour Focus (N=150)			
- Sightseeing	0-100	51.6	65
- Special Interest/Theme	0-100	21.7	10
- Special Events/Festivals	0-100	16.5	10
- Incentive/Business	0- 80	5.6	0
- Study/Continuing Education	0-100	5.1	0
Transportation Mode (N=149)			
- Land	0-100	77.4	87
- Land/Air	0-100	11.8	5
Season (N=153)			
- Fall	0- 75	33.2	35
- Summer	0- 90	26.7	25
- Spring	0- 80	26.7	25
- Winter	0-100	12.9	10

Table 5

CORRELATIONS OF TOUR PRODUCT OFFERINGS AND CUSTOMER MARKETS*
(N=135)

Category (Percent of Tours Offered)	% of Retired Seniors	% of Working Adults
Geographic Orientation		
Multiple Destination	-.1876d	-.0835
Single Destination	-.1788d	.0614
Specialization		
Preformed/Scheduled	.1917d	-.1209
Customized	-.2063d	.1266
Tour Focus		
Sightseeing	.3509a	-.1715d
Special Interest/Theme	-.0276	.0830
Special Events/Festivals	-.0645	.0414
Incentive/Business	-.3037a	.4425a
Study/Continuing Education	-.5079a	-.0773
Transportation Mode		
Land	.1791d	-.3306d
Land/Air	-.2294c	.2251c
Season		
Fall	.3325a	-.0247
Summer	-.1833d	.0240
Spring	-.3937a	-.0958
Winter	-.1661	.1076

*a: $p \leq .0001$; b: $p \leq .001$; c: $p \leq .01$; d: $p \leq .05$

Figure 1: Tour Operator Size in Sales
(N=151)