

Marketing research and relationship marketing

Key concepts

The main concepts covered in the chapter are:

- The difference between market research and marketing research
- Different types of market research
- Problems with the collection and interpretation of data
- The lack of knowledge about why consumers behave in particular ways and how they make decisions
- Prerequisites for successful marketing research.

Introduction

In the era of the so-called consumer-led marketing, marketing research must, by definition, be a key topical issue. Marketing research is a particularly crucial current issue in leisure because in these three areas it is a relatively underdeveloped activity. We still know little about why consumers in leisure behave in the way they do.

This chapter is not intended to provide a guide to how to undertake marketing research in leisure. There are a number

of texts which perform this task admirably, including those by Ryan and Veal, for example. Instead, it is designed to simply highlight some of the problems and topical issues involved in marketing research in our three fields. To do this it will cover the following areas:

- an outline of the rationale for marketing research and the different types of research;
- a hypothetical case study that illustrates the problems involved in the collection and interpretation of data in leisure;
- a short examination of five major current challenges in marketing research in leisure;
- a brief discussion of the factors that assist the development of effective marketing research.

Given the title and content of this book, it is appropriate that this chapter is about marketing research rather than market research. The difference between the two may seem pedantic but it is important. Marketing research is a precise, focused activity with the single aim of providing data which will be useful to help improve the effectiveness of an organisation's marketing activities. On the other hand, market research is a broader, less-focused activity, where the main aim is to gather information about a market. The former is a more applied form of research than the latter.

However, marketing people will also find market research valuable, as background information. It can often help them to frame the objectives and content of their own marketing research projects.

Marketing research is designed to allow organisations to evaluate their current performance, identify opportunities and develop products and messages to allow them to exploit these opportunities. In other words, marketing research is about improving the efficiency of the organisation's marketing activities.

In terms of what they need to know, organisations need to know about their markets, both existing and potential, and that is the main function of marketing research. Hence it is largely concerned with numerical data about its market together with the behaviour, opinions and perceptions of consumers. These issues will be explored in more detail shortly through a hypothetical example of a Mediterranean Island and the organisation responsible for marketing it. While this example is about a public-sector agency, the points are equally relevant to private-sector organisations.

However, a major distinction between marketing research and market research is that the former is not merely concerned with the consumer. It is interested in all research which might be of assistance to the marketing function. This might include information on the following:

- the activities and plans of competitors;
- changes in the macroenvironment such as new legislation, technological innovations and changes in the economic climate;
- the opinions of marketing intermediaries such as travel agents, who deal directly with the organisation's clients.

Marketing research tends to be of two types, namely:

- (i) *Quantitative* research – in other words, facts and figures. This can include factual information on characteristics of the market, together with statistics on the performance of the organisation, including sales figures and market share.
- (ii) *Qualitative* research, which is largely concerned with the perceptions, opinions and attitudes of consumers, about organisations, their products and their competitors.

Traditionally, it has been easier and cheaper to collect quantitative statistics than to gather qualitative data. Easier because it is simpler to count the number of times someone buys a product than it is to discover why they buy the product. Cheaper because qualitative research requires long in-depth interviews with skilled interviewers, while quantitative data can usually be gathered through short, simple questionnaires that can be undertaken by less-skilled staff.

Research data is generally compiled from two major sources as follows:

- (i) Original primary research to gather new information which is not available elsewhere. This may be used, for example, by an organisation which wants to test consumer attitudes towards their own products, such as a hotel chain or an airline.
- (ii) The interpretation of existing secondary research data which has been produced previously and is available to an organisation. Thus, the would-be developer of a potential new visitor attraction might use secondary data to establish whether a viable market existed for the potential attraction.

Several hypothetical examples will serve to demonstrate some of the *main potential applications of the types of marketing research*, in leisure, including:

- (i) Endeavouring to discover how customers perceive a hotel in relation to its competitors in terms of a range of criteria, including its location, facilities and price. This would include where the hotel operator is needed to concentrate with its marketing, in other words, on the product or the price, for example.
- (ii) A tour operator seeking to see how satisfied their customers are with the product they purchased from the operator, to identify gaps which might affect the customers' satisfaction. Research could help the operator construct a gap analysis, for a specific destination. This gap analysis would help the tour operator decide if it needed to remove the destination from its programme or use its brochure to modify customer expectations of the destination.
- (iii) Research by a health club to see how customers would respond to a proposed new service.
- (iv) A major restaurant chain investigating the likely impact of potential prices on its existing customers. It will need to establish how many of its customers will stop using the restaurant after a price rise.

Clearly the latter two types of research are more difficult to carry out than the former two, as they involve hypothetical events rather than real ones which have been, or are, taking place, during the research period.

Problems with the collection and interpretation of data in leisure

Most leisure managers would probably agree with the statement that marketing research is inadequate in the area. We know neither enough facts and figures about our markets nor sufficient data about the attitudes and perceptions of our consumers. However, there are some good reasons why this is the case, particularly in the tourism area.

Perhaps these can be best illustrated if we imagine a small Mediterranean Island, which is becoming a popular tourist destination. The island government now wants to develop a marketing strategy and to this end, it requires reliable, up-to-date marketing research.

It has decided to undertake a survey of visitors to find out both quantitative and qualitative information. We will shortly look at the problems they might experience in carrying out such a survey, but first let us look at this island in a little more detail.

It is about 100 square kilometres in area and has an airport and a small port which is visited by both cruise liners and a ferry from the mainland. There are also several marinas which attract pleasure craft and some isolated inlets which provide safe anchorage for such craft. The accommodation stock ranges from luxury hotels in the two well-developed resorts to farmhouses which are available for rent, campsites and even the beach where some people sleep illegally. There are many restaurants and bars, particularly in the two main resorts. In addition, the island has five beaches and several major tourist attractions including a museum, a water-based theme park and some nice old villages. There is also a small convention centre and spa, and the north of the island has a reputation for its wildlife. Finally, we should note that the island is within the European Union.

We will now look at what information the island government feels it might need to produce a marketing strategy and the difficulties it might experience in trying to collect and interpret such data.

Given the constraints of space, we will keep it simple by limiting questions to finding out the answers to just ten questions. These are as follows:

1. How many tourists does the island receive?
2. What is the purpose of their visit?
3. When do they visit the island?
4. Where do they come from?
5. How much do they spend?
6. Who are these visitors?
7. What do they do when they are on the island?
8. What do they think about the island as a destination?
9. How do they believe the island compares to its competitors?
10. Will they make a return trip to the island?

Before we look at each question in detail, it is important to start by talking briefly about methodology and particularly sampling. To gain useful answers to these questions, what percentage of the island's visitors would have to be surveyed and how would they be chosen? The island receives three million visitors a year and the cost of interviewing all of them would exceed £30 million sterling, which is ten times the island's tourism marketing budget!

For financial and logistical reasons the survey would probably have to be small, perhaps 5 per cent, but we must recognise that if we decide to interview less than 100 per cent of all tourists, we can never have the full picture.

The number of tourists

The first problem is to separate the island residents from tourists. After that it is a matter of how best to measure the tourist flows. The traditional way is through immigration controls, for example, requiring all nonresidents to complete an immigration form which is then collected on arrival in the country. However, as the island is in the European Union, it would not be normal practice any more to issue such cards to tourists who come from other European Union countries. As people from such countries represent the bulk of the island's tourist market, such a method would be ineffective.

Another method might be to use the passenger lists of the ferry and airline operators who serve the island. However, the ferries that visit such islands may only rarely have such lists and there is always the problem of separating residents from tourists. There is a further difficulty in that these people who arrive on private yachts will be excluded from such a count.

Finally, the numbers may be established by using the receipts of accommodation establishments. This is a totally flawed method for four main reasons, as follows:

- (i) Many people may not stay in officially recognised accommodation. This might include sleeping on the beach and rooms in private houses. These people would thus be excluded from such a count.
- (ii) Those staying with friends and relatives which in some places might constitute a significant volume of tourists. This is particularly likely to be the case on an island where there are a number of second homes owned by foreigners.
- (iii) Day trippers would be excluded from the count and if the island is relatively close to the mainland, the ferries could bring significant numbers of such visitors to the island.
- (iv) Some accommodation establishments may falsify and underestimate the number of tourists they accommodate to reduce their tax bills.

So far we have assumed that all the tourists are foreign, but it may well be that the island has a substantial number of domestic tourists. Measuring domestic tourism is particularly difficult because of the following characteristics of such tourists:

- they cross no national boundaries;
- they are likely to travel by private car rather than ferry or bus;
- they will not use commercial accommodation but rather the home of a friend or relative, or their own second home.

The purpose of the visit

The reasons for people visiting could be interesting in terms of helping the island government to segment its market so that it can design appropriate products. Some reasons might include business, leisure travel, whether package holidays or independent, health, study or attending special events, for example. In general, such information can only be gathered through costly face-to-face interviews.

Furthermore, these purposes are not always mutually exclusive. For instance, business people may use package holidays as an inexpensive way of travelling to the island so that they can carry out their business. We have also noted earlier in the book that there is not always a clear dividing line between business and leisure travel. Business travellers become leisure travellers when the working day is over and many business travellers take partners with them who are leisure travellers for the whole of their stay.

When tourists come to the island?

Tourism tends to have clearly defined patterns of seasonality which means that any survey designed to give an accurate overview of the island's existing market must cover the whole year. For example, most business travel will normally take place outside the summer months but most leisure travel will usually occur in these very same months. Different national markets may visit the island at different times during the summer, reflecting national differences in school holiday dates. There may also be particular times of the year when groups visit the island for specific reasons, which might include watching birds which migrate to the island in December, or attending an arts festival in February.

Where the tourists come from?

This is clearly linked to the last question to some degree as it is in general a relatively straightforward issue. However, it can be a little more complex than it might at first appear. People may make a trip to the island from a location which is not of their normal place of residence. They may be staying with friends or relatives, for example. This is important from a marketing point of view because the island government needs to know in what geographical areas to concentrate its promotional activities so that its message reaches its target markets.

Tourist expenditure

What the island government may want to know is how much money do tourists spend on the island and where do they spend it. However, it is often very difficult to differentiate money spent on the island from that spent off the island. If a tourist buys a 1500 Euro trip to the island from a German tour operator, a significant portion of this money will never leave Germany. For example, it will be used to pay for the seat on a German charter airline on which the tourist will travel.

However, if we simply focus on the money tourists spend once they have arrived on the island, there are still some problems as follows:

- Some people will claim to spend more than they do in fact spend to appear more wealthy than they are in reality.
- Other tourists say they have spent less than they have because they want to be seen as good bargainers.
- Certain tourists may simply not know how much they have spent on holiday.

However, if the island government is keen to estimate tourism impact on their economy, there are two, difficult to quantify, sets of data they need to identify namely:

- what proportion of tourist spending on the island leaves the island to pay for imports or as profits to foreign companies;
- the multiplier effect of tourist spending on the island.

A profile of the tourists

If one is trying to establish factual profiles of tourists, there are difficulties that may be encountered. Some people may lie about their age or income, for instance. There may also be problems in applying the measures of social class used on the island to visitors from other countries, where the concept of class may be different.

Products based on family life cycle can also be stereotypical and can lead to the idea that all families, for example, will require certain things which may well not be the case.

The activities of the tourists

It is usually not possible to discover tourists' activities through observation as it is very expensive. Normally, therefore, one relies on what tourists tell interviewers undertaking surveys or through self-completion questionnaires. However, tourists may not tell the truth, in other words:

- They may say they have not done certain things when they have in reality because they feel they are seen as not socially acceptable, such as indulging in casual sex or drinking heavily.

- Alternatively, they may claim to have done things which are more acceptable, such as visiting historic sites, when they have in fact done no such thing.
- Some may give totally wrong information because they have been involved in illegal activities such as hunting or child sex.

Finally, some tourists may not even remember all or even most of the things they did on holiday!

Tourist opinions of the island as a destination

Some tourists will give an unrealistically positive opinion of the island because they feel it is what those conducting the survey want to hear. Others may give a negative view not because they do not like the island, but rather because they are generally unhappy about their relationships or their life in general, for example. Generalised opinions can also mask views on specific aspects of the island which could be very useful to those responsible for marketing the island.

For example, someone who says they like the island overall may actually have been very unhappy about some aspect of the holiday such as their hotel or a particular beach. On the other hand, a tourist who in general appears to have a negative view of the island may have really enjoyed a particular leisure activity or a specific beach.

How does the island compare to its competitors?

This is difficult to ascertain for several reasons, as follows:

- (i) The tourist may not have visited any of the places the island has identified as its competitors.
- (ii) Identifying the competitors can be a difficult task for they will be different for each different market segment, such as business travellers, hedonists and sightseers, for instance.
- (iii) Tourists' views of competitor destinations may be based on experiences which are a number of years old and are therefore out-of-date.

The likelihood of repeat visits

The response to this question may be distorted by the fact that people may, at the end of their holiday, say they are likely, or even certain, to return because they are filled with nostalgic feelings for the holiday they have just experienced. However, when they are home, and memories have faded and other destinations have targeted the same tourists with their promotional messages, the likelihood of a repeat visit in the near future is usually much reduced.

Even concentrating on just ten questions, we have seen how difficult marketing research is in the field of tourist destinations. However, it would be wrong to say that it is as difficult in all sectors of leisure. It is particularly difficult in relation to destinations because of their complexity and the fact that they are not in single ownership. In hospitality, for example, conducting research on the market is relatively easy for individual corporations such as hotel chains and fast-food outlet operators. Nevertheless, it can still be

difficult to gain accurate information on these markets as a whole. Again, consumers may give misleading answers, for instance, diners may claim to eat healthier dishes than they do because such behaviour is more socially acceptable.

In spite of the advances made in marketing research in recent years, there are still *five fundamental challenges in leisure marketing research*. These are as follows:

1. *The lack of reliable research on why consumers do what they do and how they make purchasing decisions.* There is relatively little empirical research to show, for example:

- Why people choose to visit particular visitor attractions?
- How tourists select hotels?
- The reasons why people choose to use one travel agent rather than another.

The data that does exist on these issues tend to be based on small samples in one country or region, so that it is difficult to draw any general conclusions.

In the absence of readily available, reliable such research, managers are left with only their experience and judgement on which to base their marketing decisions. Such judgements can often be inaccurate due to personal bias.

There have also been very few comparative studies, designed to identify national differences and similarities in consumer behaviour in our field. This has made it difficult for organisations to evaluate whether or not their product may sell well in another country. At a time when many organisations in leisure are seeking to expand internationally, this gap in marketing research is a particularly topical concern.

2. *The difficult and high cost of finding out about nonusers* to discover why they are not purchasing the services provided by an organisation. This is important as most leisure organisations need to attract new customers if they are to thrive, or even to survive.

There are several sectors where this is a major issue, namely:

- (i) Subsidised theatres where only a minority of the local population usually makes use of the theatre. Attracting more people from the local area to visit the theatre is crucial to the management of the theatre because it must be seen to be serving the whole community in order to justify the subsidy it receives.
- (ii) Seaside resorts in the UK where many British people do not visit the resort and yet little is known about why they do not make use of the resort.

While research on nonusers is difficult, it is vital for marketers. It can help them identify different types of nonusers for whom different marketing messages need to be developed and transmitted, including:

- Ex-users who need to be tempted back, either by being told about new features of the product or by being reassured that it has not changed.
- Those who are aware of the product but have not yet been persuaded to buy it. They require a 'hard sell' message or perhaps a 'first-time user's special promotional offer'.
- Those who are not aware of the product's existence, who need to be informed about the product.

3. *Problems with the identification of trends because of the lack of longitudinal studies* carried out over a lengthy period of time using a common methodology.

This is unfortunate as trend extrapolation can be a valuable, if far from infallible, way of forecasting short-term future trends. If we cannot make such forecasts with any confidence, then our ability to undertake effective marketing planning is significantly reduced. While progress has been made on longitudinal studies in recent years, there are still too few of them, partly because of the high cost of mounting such studies.

4. *Our lack of knowledge of the behaviour of individuals.* We still tend to treat tourists and hotel users, for example, as homogenous groups who will behave in a particular way. Yet we know, from our own experience as tourists or hotel users that our individual behaviour changes over time and varies depending on circumstances. However, there is still little reliable research in leisure on the behaviour of individual consumers. The lack of such data clearly limits our ability to realistically segment markets.

It also makes us develop stereotypes that may not reflect true behaviour. For example, we assume that some people prefer package holidays while others prefer independent travel, and that some prefer the coast while others have a preference for the countryside. Yet we have not yet proved that these people are different people.

It may be that they are the same people doing different things at different times in response to changes in their circumstances or the 'determinants' which affect them.

We also know relatively little about how the behaviour of individual tourists or hotel customers, for example, changes over time. For instance, many commentators say one of the problems of the previously mentioned seaside resorts in the UK is that those who visited them in previous decades are now holidaying abroad. We all tend to accept this view as a truism, yet where is the empirical evidence?

We have to learn that markets are the result of the behaviour of individuals who are all different and who behave differently at different times. It is logical, therefore, that our research should start with the behaviour of individual consumers, rather than with markets as a whole, for the overall picture includes major variations in individual behaviour which are very important from a marketing point of view.

5. The fact that *inadequate budgets* are still devoted to marketing research in most leisure organisations. The many small operators and public-sector bodies in this field often cannot afford research while many large organisations see it as a relatively low priority, which is one of the first areas that can be cut in times when resources are severely limited. This appears to be somewhat more of a problem in some countries such as the UK, where a lack of commitment to market research in the private sector is compounded by a lack of resources for marketing research in the public sector. Thus, potential developers and marketing people find it difficult to find reliable, up-to-date, comparative data, collected and made available by the public sector, than would be the case in France, for instance. This undoubtedly is an obstacle to both the development of new products and the effective marketing of existing ones.

Marketing research is, increasingly, an expensive activity, but one which organisations need in order to optimise their marketing. Who pays for it – individual organisations or the public sector – is a major debate but it has to be paid for somehow, or the quality of leisure marketing will suffer.

For marketing research to be successful, in other words, effective and useful for marketers, a number of prerequisites are required as follows:

- (i) having clear objectives as to what it is hoped will be gained from the research;
- (ii) selecting the appropriate methodology to achieve these objectives;
- (iii) only collecting data which has implications for marketing action;
- (iv) being able to carry out research on an ongoing basis rather than as a one-off 'snapshot' only;
- (v) adequately briefing all staff involved in the research project;
- (vi) providing enough resources to allow the research to be conducted professionally;

- (vii) having the mechanisms to analyse all the results quickly before the research becomes outdated;
- (viii) having staff with the ability to accurately interpret the results;
- (ix) presenting the results in a user-friendly form for those who need to use them.

While the principles of marketing research are largely the same in leisure across the world, there have been national differences in emphasis. In countries where inbound tourism is vitally important, such as Spain and Greece, it is vital that data is gathered on the relevant foreign national markets. In countries like the UK where both inbound and outbound tourism are important, data on both types of markets are important.

There are certainly major differences in terms of the level of development and competitiveness of public-sector marketing research. As one of the case studies illustrates, France, for example, has a highly developed system compared to other states such as the UK and Portugal, for example.

One problem, however, which all states tend to experience is the difficulty of measuring domestic tourism flows. This is a serious problem in those countries where such tourism is on a particularly large scale such as the states of Eastern Europe and many Asian and African countries.

In relation to the fashionable concept of relationship marketing, the effective use of qualitative marketing research, coupled with the use of sophisticated customer databases and Internet technologies, has allowed organisations to develop relationships with their existing customers. These are in their early stages of development and include the loyalty programmes that have been developed by the airlines and major hotel groups.

The increasing emphasis on the research of customer satisfaction and purchase behaviour patterns will allow organisations to develop much more meaningful relationships with consumers in the future.

Conclusion

Marketing research is in some ways relatively underdeveloped in leisure, in comparison with some industries. This might reflect the fact that while it is modern, at least it has become a major, recognised industry in recent years. Or it may be a function of the tradition of entrepreneurship, based on hunches and judgements. However, it is more likely that it is because marketing research in our three fields is by nature very complex as we have seen in this chapter. In such a situation it is tempting to rely on judgement when data is either nonexistent or of dubious quality. However, at a time when markets are becoming evermore fragmented, consumers more sophisticated and business environments more complex, marketing research will become increasingly important. It may well be that the development of marketing research to a higher level may be the sign that leisure has at least become a mature industry.

Discussion points and essay questions

1. Discuss the different types of marketing research and identify which ones are the most difficult to undertake.
2. Evaluate the main difficulties involved in collecting and interpreting qualitative data on tourists' behaviour, perceptions and attitudes.
3. Examine what you consider to be the most important prerequisite for successful marketing research.

Exercise

Your group has been retained as consultants by a destination-marketing agency. The brief you have been given is twofold, namely:

- (i) to discover the perceptions of their destination which are held by people who live in your local area;
- (ii) to identify which of these people have never been to their destination and to ascertain what the destination could do to persuade these people to visit.

You should choose a destination that is reasonably well known to people in your local area.

There are four stages to the project as follows:

- (i) Deciding how you will go about handling this brief and deciding what survey or surveys you need to conduct;
- (ii) Designing questionnaires for your survey or surveys;
- (iii) Carrying out the survey with an appropriate sample of the population in your local area;
- (iv) Presenting the results to your client through a presentation and a report.