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## Rethinking Market Segmentation

Market Segmentation has always been one of the most powerful tools to identify which client groups to target during which periods. By understanding which segments have the most impact on your result, strategic decisions can be made in when, where and how to target your customer groups.

Traditionally, segmentation is chosen by:

- Type of clients, for instance corporate- and leisure individuals or corporate- and leisure groups
- Type of Rate Products, for instance negotiated-, consortia, public-, meeting-, spa- or campaign rates
- Type of Channel, for instance Merchant, Retail, GDS, Brand Website
- Extra Revenue, for instance meetings, F&B, Spa, Minibar
- Origin, which country or region
- Booking pace, when do these customers book and where

In an individualised world, adapting your communication as well as your offers and products towards your individual customer is more vital than it ever has been. As all individual guests have individual needs, hotels see themselves forced to rethink the way they set up their segmentation and go over to Customer Segmentation, which not only diverts type of customer but places them in groups depending on their needs.

## Customer Segmentation in Action!

Applying customer segmentation means that you will have to start understanding the needs of customers and what makes them decide between one offer and another. When you know this, you can start to form groups of customers who share the same or very similar values. This enables your property to determine which groups of customers are best suited for which product and service.

Traditionally your corporate customers like efficiency. Furthermore, they care about their expense bill but quite often would like to compensate themselves for spending a night away from home for business purposes. The offers they might like to see from you can include

- Highspeed breakfast
- Highspeed internet
- Highspeed check-in and check-out
- Dining credits, drink vouchers

Your leisure guests however might appreciate anything that makes their stay more memorable. They could be interested in:

- Early checkin and late checkout
- Tickets to attractions
- Tourist information

At it's turn, each market segmentation consists of different groups that have different needs and different booking patterns. Why keep them within one group? For instance; leisure individuals can consist of both couples and families, though their needs and booking pace is completely different. Furthermore, you would need to keep in mind that corporate customers might come back to your property for leisure purposes and your leisure guests might partly be using their leisure trip working. This means that different offers might apply on different occasions and a specific guest might fall into several segments.

This is not a new way of segmenting your business. It can be seen as a sign to what is happening within the business at the moment; a much closer internal communication where departments work more closely together. Social Media has from the beginning been seen as a "Thing for the Marketing Department" but has an increasing influence on Revenue Management as positive ratings can influence our pricing when potential guests might be willing to pay a bit more if they see that we outperform our competitors. What is written on Social Media mostly relates to the operational departments. This means that these departments have an increasing influence on pricing. This means that we no longer can look at our business consisting of different departments working together on their individual goals. I will write more on the changes in the organisational schedule in my next blog.

## Rethinking in Practice

Your customers are already telling you what they would like you to offer. Social Media is a source of information.

- List all the comments your guests have regarding your facilities and services. This does include the services and facilities they are lacking
- Involve your guests. Ask them what they are interested in and how they would like to see your property in the future. What services and facilities do they appreciate?
- Determine which services/facilities you might want to add or change and group the different services/facilities.
- Now group the customers that share the same interests and values. Adapt your marketing communication to their needs.

Most likely you will find that you would need to divide your segmentation in different segment groups and you will need to look into the handling of your guest profiles. As more detailed information per customer is stored on your profiles and this information is used for marketing purposes, duplicate profiles can cause even more challenges in the future.

## Need help?

External help always makes it easier to Think Outside The Box (don't you also hate that expression?) as they have a possibility to view your property from the outside in they can offer you a new level of looking at your own business. Taktikon, as a number of other experts in Revenue Management, does offer a number of services that might help you increase your result. If you would like to contact me, you can do so by tel: +46 (0)73 9044 222 or +31 (0)6 55 81 00 86, or send me an email at: [annemarie.gubanski@taktikon.com](mailto:annemarie.gubanski@taktikon.com) and tell me what you would need help with. I would gladly like to see if I could help you. When in doubt, you can always visit my website for more information: [www.taktikon.com](http://www.taktikon.com)