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AN EXAMINATION OF INTERNET USAGE PATTERNS BY MATURE TRAVELLERS

A thesis submitted in fulfilment of the requirements for the degree of

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by

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Abstract

The tourism industry has been identified as the industry with the most potential to create jobs and contribute largely to economic growth. In order to live up to this potential, tourism businesses need to create tourism products for potential tourists which need to be promoted successfully through a number of mediums. The use of the Internet as a medium for promoting and selling tourism products is increasing, however, in order for tourism businesses to successfully promote the tourism product through the Internet, they have to understand the needs and wants of their current and potential target markets.

One segment of the tourism market that has come under increasing attention is the mature traveller market. This market is defined as travellers who are 50 years of age and older.

Generally, the mature traveller market is viewed as a small homogenous group of old consumers with little or no spending power. However, evidence suggests that this market is comprised of an increasing number of diverse people, who use the Internet and like to spend on tourism products.

Therefore, this research will examine differences between Internet users and Internet non-users in the mature traveller market. Specific attention will be paid to investigate differences in demographic, socioeconomic, Internet use and travel-related characteristics. The identification of these characteristics will enable a profile to be developed for each group, which can be used by tourism businesses to effectively promote tourism products over the Internet to the mature market

In order to collect data from potential respondents, a questionnaire which was used in a similar study conducted in the US was used. Data was collected using a convenience sample of Internet users and Internet non-users from the Eastern Cape and Gauteng provinces of South Africa. Cronbach alpha and factor analysis were used to assess the reliability and validity of the research instrument and measurement scales. In order to test whether differences did exist between the two groups the Chi-square and t-test statistics were used. Finally in order to examine which factors were influential in differentiating between Internet users and Internet non-users discriminant analysis was employed.

The findings in the present study suggest that there are significant differences in demographics, socioeconomic, Internet use and travel-related characteristics between Internet users and Internet non-users in the mature market. By understanding the differences between Internet users and Internet non-users, tourism businesses can identify marketing strategies that appeal to mature

travellers who use the Internet and to those do not, by utilising information gathered from Internet users and Internet non-users demographic, socio-economic and travel-related characteristics.

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List of Abbreviations

BMDP	Bio Medical Processing package
CRM	Customer Relationship Marketing
e-business	Electronic business
e-commerce	Electronic commerce
e-mail	Electronic mail
e-marketing	Electronic marketing
GDP	Gross domestic product
HTTP	Hypertext Transfer Protocol
IP	Internet Protocol
IMS	Internet Market Segmentation
LSM	Living Standards Measurement
MAE	Metropolitan Area Exchange
NAP	Network Access Points
NSP	Network Service Provider
POP	Point of Presence
TCP	Transmission Control Protocol
UK	United Kingdom
URL	Uniform Resource Locator
US	United States of America
WTO	World Tourism Organisation
WWW	World Wide Web
X ²	Chi-Square

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Chapter 1

Introduction

1.1 Background to Research Problem

Tourism products have emerged as a leading category to be promoted and distributed to consumer markets through the Internet (Palmer & McCole, 2000), as these products possess characteristics that are well-suited to the electronic environment (Smith, 2004). Travel is regarded as an integral part of the tourism product, and as recently as 2001 travel represented the largest portion of online sales, accounting for 30 percent of all Internet purchases (Smith, 2002). Consequently, in 2003 approximately \$15 billion was spent on Internet advertising and promotional campaigns (Jones, Scherer & Scheufele, 2003). However, in order to promote tourism products through the Internet, tourism businesses have to effectively identify and understand the various segments of the market that use the Internet for such purposes.

Market segmentation and its benefits for planning an effective marketing strategy have been well documented (Dibb, Simkin & Bradley, 1996; Kotler & Armstrong, 1999; Pearson & Proctor, 1994; Timmerman, 1999; Zinkham & Pereira, 1994). One segment of the travel market whose economic potential is starting to be realised is the mature market (Shoemaker, 2000). According to the South African Government (2002), there are approximately 5.7 million people who fit into the category of the mature market. This comprises 15 percent of the total population and it is estimated that it will grow by five percent by the time the next census is conducted (South African Government, 2002).

1.2 Research Problem

Currently the mature market is seen as a homogenous group of consumers when, in fact, evidence suggests that it is comprised of a very diverse group of individuals (Leventhal, 1999; Potter, 1996; Silvers, 1997; Szmigin & Carrigan, 2000). Travel is a product category known to be attractive to the better off older consumer with more leisure time to spare (Morgan & Levy, 1996; Szmigin & Carrigan, 2000).

Rasmusson and Cohen (2000) state that the mature traveller market has enjoyed an upsurge in demand as the “baby boomer” generation enters this age bracket. This generation has been

identified as being of significant size and economic power and consequently, the mature consumer spends more, travels more often, stays away longer, and travels greater distances than any other consumer (Henderson, 1998). Consequently, tourism businesses cannot continue to ignore the potential of this segment of the market and tourism businesses need to evaluate it in greater depth.

The growth in size of this market is not the only benefit which accrues in an economic sense. Mature consumers have generally made investments in their homes as well as in their family's. Therefore, mature consumers have money at their disposal and are willing to spend more (Rasmusson & Cohen, 2000). According to the South African Government (2002), this segment of the market holds the most buying power and earns the greater portion of the country's disposable income. Furthermore, mature consumers are becoming more adept in the use of the Internet and are, in fact, the fastest growing group of Internet users (Szmigin & Carrigan, 2000).

In light of the above, there is a need to further segment the mature market on the basis of Internet use. Internet users and Internet non-users have different characteristics in terms of demographics, spending patterns and travel-related characteristics. Therefore, it is the objective of this study to investigate and empirically test these differences, in order to develop a profile of Internet users in the mature market. This profile can be used by tourism businesses to increase travel activity and participation of the mature market by developing and promoting the appropriate tourism products that appeal to consumers in this market segment.

1.3 Hypothesis

Given the available literature on the mature market, and examining previous studies conducted, the following hypotheses were formulated to test the factors that are influential in differentiating between mature Internet users and mature Internet non-users.

Table 1.1 List of Hypotheses

H ⁰¹ :	There is no difference in age between Internet users and Internet non-users.
H ⁰² :	There is no difference in the level of education between Internet users and Internet non-users.
H ⁰³ :	There is no difference in the level of household income between Internet users and Internet non-users.
H ⁰⁴ :	There is no difference in gender between Internet users and Internet non-users.

H ⁰⁵ :	There is no difference in occupation between Internet users and Internet non-users.
H ⁰⁶ :	There is no difference in the type of trips taken between Internet users and Internet non-users
H ⁰⁷ :	There is no difference in the activities performed while on holiday between Internet users and Internet non-users
H ⁰⁸ :	There is no difference in the length of stay between Internet users and Internet non-users.
H ⁰⁹ :	There is no difference in travel-related expenditure between Internet users and Internet non-users
H ¹⁰ :	There is no difference in the type of establishment stayed in between Internet users and Internet non-users
H ¹¹ :	There is no difference in the type of transportation used between Internet users and Internet non-users
H ¹² :	There is no difference in the number of people travelling together between Internet users and Internet non-users

1.4 Justification for this research

This study proposes to add to the body of knowledge by identifying factors that influence the purchase and marketing of tourism products over the Internet to consumers in the mature market. Searches done through nexus and dissertation abstracts have confirmed that no study of this nature has been or is currently being done in South Africa.

The results gathered from this study should provide information to tourism businesses as they try to discover new ways of stimulating travel activity within the mature traveller market. Therefore, this information will enable the process of marketing planning by tourism businesses to be performed more effectively. Additionally, the study should assist marketers in the tourism industry in the development of effective strategies when using the Internet to convey information about and to market their tourism products.

1.5 Methodology

Based on the research problem set out in Section 1.2, this research comprises a secondary study and primary study that attempts to address the issues raised. These are briefly discussed below.

1.5.1 Secondary Study

A comprehensive literature search was done in order to identify factors that are influential in differentiating between mature Internet users and mature Internet non-users with regard to obtaining information on and/or purchasing various tourism products over the Internet. The main focus of this research is on segmenting Internet consumers in the tourism industry and, although the body of literature on market segmentation is comprehensive, research into Internet market segmentation has not developed as quickly.

In a review of current research into Internet market segmentation most of the methods were based on discriminating consumers according to their price sensitivity (Lin, Luarn & Lo, 2004). However, current research (Brynjolfsson & Smith, 2000) indicates that while price discrimination was acceptable with early use of the Internet, consumers are now evaluating several other factors when purchasing online.

Research into the mature consumer segment has been done extensively in the United States of America. This research has focused mainly on the size and economic potential of this segment with a focus on how the mature consumer chooses to spend their leisure time. As a result, mature consumers have been identified as a large and wealthy segment that enjoy travelling and are using the Internet to purchase tourism products.

Methods of segmenting the mature market are predominately based on demographic data, in particular age, as it is a relatively new consumer segment (Szmigin & Carrigan, 2000). However, this method of segmentation has been criticised for the lack of data it provides as mature consumers are in fact a very diverse group of consumers (Moschis, Lee & Mathur, 1997).

Accordingly, other segmentation variables need to be assessed in conjunction with age to ascertain what kind of tourism products to promote to different segments within the mature market (Medina & Migliaccio, 2000). Following the literature review, research instruments were designed to test the hypotheses.

1.5.2 Primary Sources

1.5.2.1 Sample

The sample of Internet users for this research was obtained from a mailing list provider, who has segmented their Internet market according to age and supplied a list of 1500 potential e-mail addresses of users aged 50 years and older. A Web-based questionnaire was set up that allowed

Internet users to complete the questionnaire online. An e-mail was sent to the 1500 potential Internet users explaining the purpose of the research along with the Web address of the questionnaire (Appendix).

The sample of Internet non-users was obtained by the researcher in the Grahamstown, Port Elizabeth and at Johannesburg International Airport areas. In order to gather data from Internet non-users the paper-based version of the online questionnaire was used by the researcher to interview potential respondents at the locations stated above. During this process, potential respondents were asked two qualifying questions which assessed their eligibility to participate in the study.

1.5.2.2 Measuring Instrument

The research instrument was developed and adapted to fit the South African environment from previous research done using similar concepts. The original instrument was developed to measure demographic, socioeconomic, Internet use and travel-related characteristics that can be used in differentiating Internet users from Internet non-users in the mature market.

In order to make the instrument applicable to the South African environment, the wording and currency measures of some questions were changed as they were set to American standards. A pilot study was then undertaken to identify any possible problems, questions, or issues of ambiguity before sending out the questionnaire to the intended recipients. The validity of the original instrument was assessed by conducting a factor analysis. The reliability of the instrument was assessed by calculating the Cronbach alpha score for each of the factors identified in the factor analysis.

1.6 Definitions of Concepts

1.6.1 Tourism

A distinction can be made between the narrow 'travel and tourism industry' and the broader 'travel and tourism economy'. In this research, a narrow view of tourism is taken and it is seen as comprising transport, accommodation, catering, entertainment and related activities rather than its broader impact on the construction and services industries. In addition, the terms 'tourism' and 'travel and tourism' are used interchangeably and are defined as the activities of persons travelling to and staying in places outside of their usual environment for not more than one consecutive year for leisure, business and/or other purposes. This definition is developed from the literature and justified in Section 2.2.

1.6.2 The Internet

The Internet can be defined as a collection of worldwide communication networks based on the Transmission Control Protocol/Internet Protocol (TCP/IP) connecting numerous public and private networks and users. This definition is developed from the literature and justified in Section 3.2.

1.6.3 Internet Marketing

There are alternative views of the Internet based on its technological origin, economic and social impact. Consequently, numerous definitions of Internet marketing exist in the literature depending on which view is taken, however, for the purposes of this research, Internet marketing is defined as the use of the Internet to achieve or support the achievement of marketing objectives. Section 3.4 distinguishes between Internet marketing, electronic business (e-business) and electronic commerce (e-commerce). The main Internet tools available to achieve Internet marketing objectives are electronic mail (e-mail), newsgroups and the World Wide Web (WWW).

1.6.4 Market Segmentation

Market segmentation represents the shift in the mass marketing approach, where all consumers were viewed as equal, to a more personalised form of marketing, where consumers are viewed as individuals. Market segmentation helps organisations to understand the needs of these smaller groups of consumers in order to develop bespoke tourism products to suit these needs.

Market segmentation also helps organisations understand which elements in the marketing and promotional mixes to use in order to inform their consumer segments of various tourism products available. Accordingly, market segmentation is defined as the process of dividing a market into distinct subsets of consumers with common needs or characteristics and selecting one or more segments to target with a distinct marketing mix. This definition is developed from the literature and justified in Section 4.2.

1.6.5 Mature Market

The mature market is a segment of the population that has become very popular with businesses in the tourism industry. This market is the fastest growing group of consumers in terms of size and economic potential. This market also uses most of its discretionary income to purchase tourism products as they have more leisure time available compared to traditional younger consumers. Furthermore, they are the fastest growing group of Internet users. As this is a relatively new segment of consumers, the definition is based on age, and a mature traveller is

defined as a consumer who is 50 years of age and older. This definition is developed from the literature and justified in Section 5.2.

1.6.6 Internet users

In this study, an Internet user is defined as a mature traveller that has travelled for at least one night for holiday purposes, although this may be combined with business travel, in the last year and has used their computer to obtain information on and/or pay for tourism products through the Internet. This definition is developed from the literature and justified in Section 6.5.1.

1.6.7 Internet non-users

Internet non-users are defined as mature travellers that have travelled for at least one night for holiday purposes, although this may also be combined with business travel, and did not use the Internet to obtain information on or pay for tourism products. This definition takes into account the fact that mature Internet non-users may have a computer and an Internet connection, although they may use these for other purposes. This definition is developed from the literature and justified in Section 6.5.1.

1.7 Structure of Thesis

This thesis has eight chapters. Chapter 1 serves as an introduction to the study and sets out its background and relevance. The research problem is defined and the objectives and purpose are set out. The chapter then discusses the sources of data, methods of analysis and defines the most important terms. Finally an overview of the thesis is given.

Chapter 2 examines the nature and importance of tourism. A definition of tourism and how it relates to the services industry is given. A discussion on the special characteristics that tourism products contain is followed by an examination of which elements of the marketing and promotional mixes are most suited to market tourism products.

The issues regarding the marketing of tourism products over the Internet are discussed in Chapter 3. This chapter examines the conceptual issues with regard to the Internet and this is followed by a discussion on how the Internet has altered the nature of communication and value creation in the tourism industry. The impact of the Internet on marketing and, in particular, the marketing objectives that the Internet can support or achieve is examined.

Chapter 4 examines the issues regarding marketing segmentation. This chapter discusses the theory behind market segmentation and shows the importance of market segmentation in

achieving marketing objectives. The segmentation process and methods of segmentation are discussed. This is followed by a discussion on Internet Market Segmentation, which examines how the Internet and its supporting technologies have altered the traditional segmentation process. The chapter concludes with an examination of current methods available to segment Internet consumers.

The mature traveller market, which is the segment this research is examining, is introduced in Chapter 5. This chapter describes the nature and importance of this segment of the traveller market. This is followed by an examination on the factors that influence how this market uses the Internet to obtain information on and purchase tourism products.

The research design and methodology are discussed in Chapter 6, as well as the measuring instruments used to collect the data. An overview of the statistical methods used to analyse the data is provided.

Chapter 7 provides the empirical results of the study. Answers are supplied to the research questions raised and to the testing of the various hypotheses developed. The final chapter interprets the results of the study, and examines the contributions to theory and practice. The chapter concludes with a discussion on the limitations and implications for future research.

NOTE:

In this study, to avoid the monotonous repetition of 'his/her' or 'him/her', reference will be made to the male sex. Unless the context indicates otherwise, the use of 'his' will be deemed to include both sexes.

Spelling follows Microsoft's Word's Tools/language/English (UK) format. In terms of this protocol, both the Internet and Web are spelt with capitals 'I' and 'W'.

CHAPTER 2

TOURISM

2.1 Introduction

The previous chapter presented a brief overview of this research. This chapter considers the marketing of the tourism product by defining tourism, and the importance of this industry on the South African economy is examined.

The tourism product is predominately a service offering, therefore, the issues surrounding services marketing are applicable (Goeldner, 2000). Consequently, a discussion of the distinction between goods and services is followed by an examination of the special characteristics which affect the marketing of service products.

The unique characteristics of the tourism product affect how consumers evaluate various tourism products, and this in turn impacts the marketing of the tourism product. These factors are discussed and specific attention is paid to the promotional element of the marketing mix. There are, however, certain extraneous factors which might influence the demand for tourism products and this chapter concludes with a discussion on these factors.

2.2 Tourism – A Definition

The tourism sector is not formally classified in terms of the International Standard Industrial Classification which has lead to ambiguity surrounding the precise boundaries of the tourism economy (Thomas, 2004) and consequently, there are difficulties in measuring the impact that tourism has on the economy and its contribution to GDP or employment (Elliott, 2005). More importantly, there is no generally accepted definition of what is meant by tourism or a tourist (Bennett, 2000; Cooper, Fletcher, Gilbert & Wanhill, 1998; George, 2001; Kotler, Bowen & Makens, 1999; World Tourism Organisation, 2002) and definitions differ from country to country (Goeldner, 2000).

There has also been debate on whether it is appropriate to refer to the tourism market or the tourism industry (Theobald, 1994; Wilson, 1998). Wilson (1998: 812) defines a market as “an institution, or institutional arrangement, within which firms attempt to sell products (or services)

with similar characteristics” and conversely, an industry as “a grouping of firms which operate similar processes and could produce technically identical products (or services) within a given planning horizon”. Middleton and Clarke (2001) and Wilson (1998) argue that the tourism sector is not an industry as it does not follow similar processes to produce technically similar products. On the other hand, Papadopoulos (1989) argues that it is difficult to classify the tourism sector as a market because firstly, there is no single product and secondly, many suppliers to the tourism industry or market do not supply goods or services exclusively to tourists and may be suppliers to other segments of the economy. However, the terms “tourism industry” and “tourism market” are used frequently and interchangeably in the literature (Goeldner, 2000; Kotler *et al*, 1999) and this approach will be adopted in this research.

In most literature on tourism, the terms ‘tourism’ and ‘travel and tourism’ are used interchangeably, and this has led to confusion regarding whether the two terms define the same concept. Middleton and Clarke (2001) argue that a definition of tourism includes the activity of travel and that “travel and tourism” is used to describe “tourism” because it is convenient and widely understood. For the purpose of this research the two terms will be used interchangeably (Cooper *et al*, 1998).

The system of Tourism Satellite Accounting which follows the international standards used by the World Tourism Organisation (WTO) has influenced definitions of tourism in South Africa. This system makes a distinction between the narrow ‘travel and tourism industry’ and the broader ‘travel and tourism economy’ in order to measure the economic impact of tourism (Elliott, 2005). Consequently, regarding the tourism industry as consisting of transport, accommodation, catering, entertainment and related activities results in a misconceived conception of the true impact of the tourism sector as this disregards the broader impact of the associated manufacturing, construction and services industries (Elliott, 2005). However, given that the focus of this research is on the marketing of the tourism product, the narrow view of tourism will be taken.

The WTO’s definition of tourism is “... the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes.” (WTO 1992, in Middleton & Clarke, 2001:9). Tourists can be divided into two categories. The first category is made up of international visitors (Goeldner, 2000) who are defined as “people who travel to and stay in countries other than their normal residence for less than a year” (Middleton & Clarke, 2001:5). The second category is domestic

visitors, and these are defined as “people who travel and stay overnight within the boundaries of their own country” (Middleton & Clarke, 2001:7). Domestic tourists form a substantial part of the tourism industry spending R47 billion compared to the R53.9 billion spent by foreign tourists (Rogerson, 2004).

Middleton and Clarke (2001) argue that the tourism industry can be divided into five main component sectors comprised of the accommodation, attraction, transport, travel organisers and destination organisation sectors. Furthermore, Middleton and Clarke (2001) argue that tourism is a service and therefore the services marketing approach should be used. The marketing of tourism services is dealt with in Section 2.5 below, however, in order to appreciate the importance of this sector, a discussion on the economic impact of the tourism industry follows.

2.3 The Economic Impact of Tourism

Tourism is arguably the world’s largest industry, export earner and job creator with the potential to contribute to 10 percent of South Africa’s gross domestic product (GDP) (Roodt, 1999). According to statistics published by the World Travel and Tourism Council (WTTC), the travel and tourism industry was expected to contribute 2.9 percent to GDP in 2003, rising to 3.6 percent by 2013. The travel and tourism economy was expected to contribute to 7.3 percent of GDP in 2003, increasing to 8.8 percent in 2013. In 2003, however, the travel and tourism industry accounted for 491,741 jobs or 2.9 percent of total employment and it is estimated that this figure will increase to 751,100 jobs or 3.7 percent of total employment by 2013. In the travel and tourism economy the percentage of total employment was 6.6 percent or a total of 1,118,530 jobs and it is estimated this will increase to 8.2 percent or a total of 1,650,140 jobs by the year 2013 (WTTC, 2003).

2.4 The Tourism Product

Products are developed by organisations in order to satisfy customers’ wants and needs (Palmer, 1998) and a product may be a combination of services supplemented with a small amount of tangible goods, an equal mixture of physical goods and services or a tangible offering supplemented with a small amount of intangible services (Kotler *et al*, 1999). Therefore, for the purposes of this research, a product is defined as: “... a good, service, or idea consisting of a bundle of tangible and intangible attributes that satisfies consumers and is received in exchange for money or some other benefit” (Berkowitz, Kerin, Hartley & Rudelius, 2000: 286).

Tourism products are unique in that they cannot be viewed in isolation from their competing and complimentary products (Middleton & Clarke, 2001) and therefore, the complete tourism product, viewed from the tourist's perspective, is a combination of components from each of the accommodation, attraction, transport, travel organisers and destination organisation sectors (Bennett, 2000; Goeldner, 2000). The National Economic Labour and Development Council (NEDLAC) (1999) supports this argument by stating that another way to view the tourism product, in South Africa, is in terms of clusters.

Clusters are "geographic concentrations of interconnected companies and institutions in a particular field" (Porter, 2001: 78). A tourism cluster is comprised of all the stakeholders, such as tourism businesses, government institutions, financial institutions and educational institutions involved in making the tourism cluster competitive (NEDLAC, 1999). However, the marketing and product decisions involved in assembling the complete tourism product are made independently by individual businesses in the tourism cluster (Middleton & Clarke, 2001).

As discussed above, the tourism industry is part of the services sector, and while tourism produces physical goods, such as arts and crafts and clothing, the tourism product is principally a service offering (Bennett 2000; Goeldner, 2000; Kotler *et al*, 1999; Palmer 1998). Therefore, the focus of this research will be on the marketing of services rather than on the marketing of goods. There are differences in the marketing of services when compared to the marketing of goods, and these are dealt with below.

2.4.1 Differences between goods and services

There has been no consistent definition of what constitutes a service (Palmer, 1998) but the essential difference between goods and services, as noted by Rathmell (1974, in Middleton and Clarke, 2001) is that goods are produced and services are performed. The initiative to group services into a different category is based on the argument that services contain unique characteristics, such as intangibility, variability, inseparability, perishability and ownership that make the marketing of services unique (see Section 2.5 below for a full discussion) (Palmer, 1998).

However, the services sector is not homogenous, and depending on the nature of the service offered, it will contain varying levels of these characteristics (Gabbott & Hogg, 2000). Moreover, Shostack (1977) states that there are a small number of pure goods or pure services and that most service products fall in a continuum between the two. Similarly, Levitt (1972) argues that it is too

simplistic to divide the economy into goods and services sectors, but emphasises the fact that there are unique marketing challenges in respect of products consisting mainly of a service component such as the tourism product (Elliott, 2005; Goeldner, 2000; Palmer, 1998; Zeithmal & Bitner, 2000).

In light of the above, references to 'tourism products' and 'tourism services' or 'tourism products and services' refer to the complete service offering and the terms are used frequently and interchangeably in the literature (Baker, 1996; Brassington & Pettit, 2000; Palmer, 1998) and this approach is taken in this research. The marketing of services is influenced by the unique characteristics of service products and these are dealt with below.

2.4.2 Characteristics of the Service Product

As discussed above, the tourism industry is part of the services sector, and therefore shares characteristics, in varying degrees (Goeldner 2000; Theobald, 1994), with other service products (George, 2001; Kotler *et al*, 1999; Palmer, 1998).

The predominant characteristic of services is their intangibility and this implies that pure services are difficult to convey conceptually, as they do not contain any physical properties to allow the consumer to evaluate the product before purchase (Goeldner, 2000; Palmer, 1998; Theobald, 1994). Services differ from goods in that they cannot be stored until there is demand for them (Gabbott & Hogg, 2000; Palmer, 1998; Zeithmal & Bitner, 2000). This characteristic is known as perishability and results in the control of supply and demand being a significant marketing issue for service providers (see Section 2.6 below) (Gabbott & Hogg, 2000; Palmer, 1998; Zeithmal & Bitner, 2000).

Inseparability is a characteristic unique to service products and this means that the production and consumption of the service is simultaneous both in terms of time and geography (Gabbott & Hogg, 2000; Gilmore, 2003; Palmer, 1998). However, Goeldner (2000) states that the level of this characteristic may vary depending on whether the service is delivered through equipment or people. With some services, intermediaries can be used to distribute the service but, with most tourism products, production is very inflexible with regard to location, resulting in the consumer having to travel to the production location (Gabbott & Hogg, 2000; Zeithmal & Bitner, 2000).

Stemming from this concept is the issue of variability of services (Gilmore, 2003; Palmer, 1998), which means that it is difficult to ensure consistent service delivery as people are involved in the

delivery of the service and therefore, every service performed is unique to each customer (Gilmore, 2003; Palmer, 1998; Zeithmal & Bitner, 2000). This is especially true for the tourism product which is comprised of a series of service encounters over time; therefore, ensuring consistent service delivery to consumers is difficult (Goeldner, 2000).

The final characteristic of services is the lack of ownership of the service. This is related to services' intangibility and perishability and should be distinguished from the benefits accruing to the consumer because of the service being performed (George, 2001). This has implications for the marketing distribution channels of the service (Zeithmal & Bitner, 2000).

The characteristics described above apply to all service industries in varying degrees; however, given the nature of the tourism product (refer to Section 2.4) there are a number of additional characteristics that are unique to the marketing of tourism services, and these are discussed below (Middleton & Clarke, 2001).

2.4.2.1 Seasonality and other variations in the pattern of demand

Demand for tourism products is greatly influenced by seasonal, weekly and daily fluctuations. Tourism businesses dealing with holiday markets find that demand for their products fluctuates between 90 to 100 percent of capacity utilisation for 16 weeks in one year and then demand falls to about 30 percent or less for 20 weeks in a year (Goeldner, 2000). This variation in demand, coupled with the fact that services are perishable, means that suppliers of tourism products have to stimulate demand during the low seasons. This is done by manipulating certain elements of the marketing and promotional mix (see Section 2.5 below) (Brassington & Pettit 2000; Middleton & Clarke, 2001; Theobald, 1994).

2.4.2.2 High fixed costs of service operations

In general most businesses in the tourism industry have high fixed costs and relatively low variable costs. A fixed cost is one that has to be paid for in advance, in order for a tourism business to operate and receive customers, whereas a variable cost is one that is incurred in relation to the number of customers received at any given time (Baker, 1996). Fixed costs, for example mortgage payments, have to be committed ahead, usually over a 12 month period, and have to be paid regardless of the number of customers that the business has on any given day (Brassington & Pettit, 2000). This combination of high fixed costs with seasonality fluctuations results in an increased pressure on tourism businesses to stimulate demand during low seasons (Middleton & Clarke, 2001).

The unique properties of services discussed above have implications for the way in which consumers evaluate the tourism product and consequently, how it should be marketed.

2.4.3 Consumer's Evaluation Criteria

The purpose of both services and goods is to meet the needs and wants of the consumer; however, consumers use different criteria to evaluate goods and services (Kotler & Armstrong, 1999). Depending on the type of product, consumers evaluate two types of qualities with regard to purchasing the product. Search qualities are the characteristics of a product that the buyer is able to determine before purchase, that is, the tangible aspects, whereas experience qualities refer to the characteristics of the product that can only be established during or after consumption (Schiffman & Kanuk, 2004). A further element of a product is that of credence qualities, which implies that consumers will be unable to evaluate the product either before, during or after consumption (Darby & Karni, 1973).

Physical goods are high in search qualities, whereas services are high in experience qualities (Zeithmal & Bitner, 2000). This implies that while consumers will be able to evaluate goods prior to their purchase, they will only be able to evaluate services during or after the consumption process. The tourism product, however, is high in experience qualities rather than search or credence qualities (Zeithmal & Bitner, 2000).

Although consumers evaluate goods and services in dissimilar ways, their perception of risk has generally been accepted as a basis for understanding consumer behaviour in respect of all products, and research (Palmer, 1998) has shown that a decrease in information about a product is positively correlated with an increase in perceived risk. For that reason, services are perceived to be riskier purchases when compared to goods (Chaffy *et al*, 2000) due to their intangible, variability and deficiency in search qualities (Zeithmal & Bitner, 2000).

Information about products can be obtained from either personal or non-personal sources (Zeithmal & Bitner, 2000). However, experience qualities are difficult to convey using the traditional print media. As a result, personal sources such as word-of-mouth (see Section 3.8.5) have become important for purchase decisions in respect of services (Palmer, 1998; Zeithmal & Bitner, 2000). In the case of services, given the prevalence of intangibles, promotional activities about the attributes are difficult, and consequently most advertising is indirect.

Consequently, the marketing of services is more difficult compared to the marketing of goods because services have high experience qualities and are perceived to be more risky as there a large number of services available and there are usually no warranties in respect of services (Chaffy *et al*, 2000; Elliott, 2005; Zeithmal & Bitner, 2000) This results in significant issues with regard to the marketing of service products and these are examined in the next section.

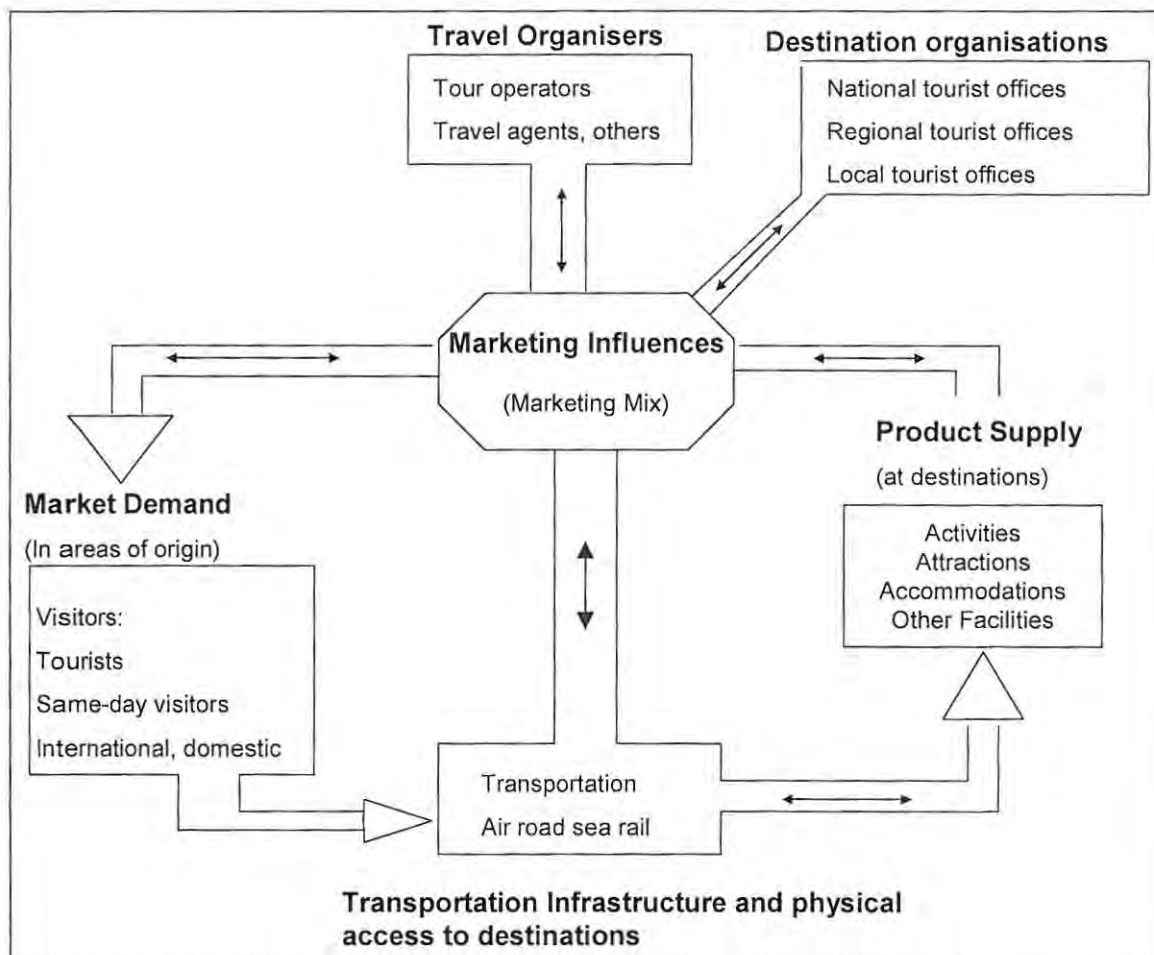
2.5 Marketing – A Definition

Marketing is defined as “the process of planning and exacting the conception, pricing, promotion and distribution of ideas, goods and services to create exchange and satisfy organisational objectives” (American Marketing Association 1985: 1). The focus of this research is on tourism and, as discussed above, the tourism product is predominantly a service offering. What is meant by a service was discussed in Section 2.4, and according to the definition, services contain unique characteristics which were discussed in Section 2.4.2. Therefore, for the purposes of this research, marketing is defined as the conception, pricing, promotion and distribution of tourism products.

It has been argued (Middleton and Clarke, 2001) that marketing plays a key role in managing the supply and demand of tourism products. Marketing is concerned with understanding the needs and wants of the consumers in order to provide service products to suit these needs (Chaffey *et al*, 2000; Coupey, 2001), and these are established by undertaking market research.

Market research is “the systematic and objective identification, collection, analysis, dissemination and use of information for the purpose of assisting management in decision making” (Malhorta, 1999: 11). Information is obtained from primary data, which is specially commissioned research, or from secondary data, which is data collected from secondary sources which may include internal sources (Kotler & Armstrong, 1999; Longenecker, Moore & Petty, 2000). Compared to primary data, secondary data is generally inexpensive to obtain and relatively easy to access (Kotler & Armstrong, 1999). However, where no secondary data exists, primary data must be collected utilising techniques such as home interviews, small experiments, focus groups, telephone surveys and email surveys (Kotler & Armstrong, 1999; Gilmore, 2003). Having identified consumers’ needs, businesses in the tourism industry can create marketing objectives which are comprised of brand, communication and promotion decisions. The importance that the marketing function plays in the tourism industry in matching demand and supply for tourism products is illustrated in Figure 2.1 below.

Figure 2.1 Linkage between Tourism Demand and Supply



Source: Middleton and Clarke (2001:12)

Figure 2.1 illustrates the main sectors of the tourism industry. Market demand is comprised of tourists who make up the demand for tourism services. The transport and infrastructure sectors provide the means for tourists to access the supply of tourism products. Travel organisers and destination organisations act as a proxy between tourists (demand) and supply by providing information to tourists regarding destinations available.

The marketing function facilitates this process by enabling communication to take place between all the parties involved (information flows are represented by the two way arrows in Figure 2.1) (Palmer, 1998; Gilmore, 2003; Kotler & Armstrong, 1999; Simkin, 2000). While this could be seen as simply a communications issue, all the elements of the marketing mix are applicable in achieving this objective and these are dealt with below (Elliott, 2005).

2.5.1 The Marketing Mix

The marketing mix is defined as “the mixture of controllable marketing variables that the firm uses to pursue the sought level of sales in the target market” (Kotler, 1991: 68). These variables, according to Kotler and Armstrong (1999) and Palmer (1998), are comprised of: *Product*, *Price*, *Promotion* and *Place*. Collectively, these variables developed by McCarthy (1981) are known as the “four Ps” and each variable has its own mix of ingredients.

Due to the unique characteristics of services (intangibility, perishability, variability and inseparability) the original “4 Ps” model needed to be adapted for services marketing and a further “3 Ps” comprising of *People*, *Process* and *Physical evidence* were added to the existing marketing mix (Gilmore, 2003; Simkin, 2002). Furthermore, in addition to the three additional variables of the services marketing mix, a further variable, *customer service*, has been contemplated (Palmer, 1998).

Research (Kotler & Armstrong, 1999; Palmer, 1998; Simkin, 2002; Zeithmal & Bitner, 2000) has acknowledged the need for a unique services marketing mix. However, Elliott (2005) argues that it is the aggregate nature of the product, rather than whether it is a good or a service, that determines the appropriate approach. In implementing the marketing mix, it is important that all the variables compliment each other so that a consistent message is communicated to the consumer (Kotler & Armstrong, 1999), but the importance of each variable will vary depending on the precise nature of the service offered (Palmer, 1998; Zeithmal & Bitner, 2000; Simkin, 2002).

Given the unique characteristics of services and that services are high in experience qualities, research (Bennett, 2000; Cooper *et al*, 1998; Elliott, 2005; George, 2001) has identified relationship marketing, branding, customer service and promotion as the most significant tools to be dealt with in respect of marketing the tourism product, and this approach is adopted in this research.

2.5.2 Relationship Marketing

Relationship marketing is a relatively new approach to marketing and consequently there is no single definition of the concept (Gummesson, 2003; Little & Marandi, 2003). Harker (1999) examined 26 random definitions of relationship marketing, however, for the purpose of this research, relationship marketing is “to establish, maintain and enhance relationships with

customers and other partners, at a profit so that the objectives of the parties involved are met” (Gronroos, 1997: 327).

The advantage of relationship marketing is that once tourism organisations acquire customers, it is more profitable to the organisation to retain and develop long term relationships with their current customers (Little & Marandi, 2003). The advantage to the customer is that there is a decrease in search and transaction costs (Gummesson, 2003). Furthermore, tourism is a service that is personally important, variable in quality and complex (Heung, 2003; Phau & Poon, 2000). Therefore, customers are more likely to form relationships with tourism organisations as the tourism product is difficult to evaluate before purchase and contains a high degree of perceived risk, and consequently, these factors can be reduced by forming a long term relationship with an organisation. In addition, once customers have formed relationships (albeit positive or negative ones) with an organisation, they will generally inform other consumers about their interactions with the organisation. This type of promotion is known as word-of-mouth marketing and is dealt with in Section 3.4.5 in detail (Gilmore, 2003; Turban & King, 2003).

2.5.3 Branding

Given the unique characteristics of services, branding provides the core attributes of a statement of ownership and of a means of differentiation, and provides a symbol or shorthand device to which expectations of quality can be attached (Lovelock & Wright, 2002). Branding allows consumers to differentiate between competing products and to conceptualise an intangible product and, in doing so to lower the perceived risk (Lovelock & Wright, 2002). Essentially, branding is “a name, symbol, design or some combination which identifies the ‘product’ of a particular organisation as having a sustainable differential advantage” (Doyle 1989, in Middleton & Clarke, 2001: 132).

As the complete tourism product is a chain of service encounters spread over a period of time, branding reduces the risk to the consumer at the point of purchase by providing a guarantee regarding quality and performance of the service on offer (Middleton & Clarke, 2001). In addition, branding facilitates accurate market segmentation (see Chapter 4) by attracting some and repelling other consumer segments (Goeldner, 2000).

2.5.4 Customer Service

This concept is equally important for manufactured goods and service organisations (Palmer, 1998). However, within most organisations this concept is not well defined and in service organisations the implementation of this concept is left up to a customer service department

whereas it should be seen as an organisation wide responsibility (Kotler & Armstrong 1999). Customer service is offered in support of the organisation's core product and it can make up whole or part of the product occurring during a personal or remote interaction (Palmer, 1998).

2.5.5 Promotion

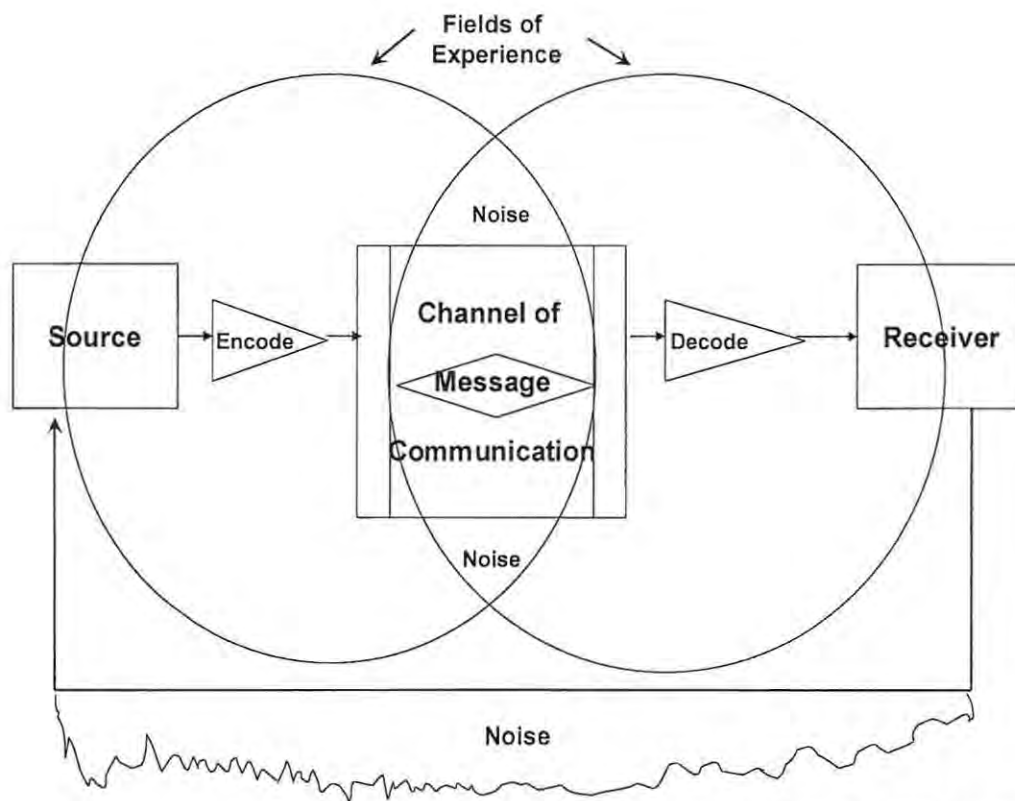
Promotion is the most visible of all the tools, as it is used by organisations to communicate their product offerings to their customers (Gilmore, 2003) and the promotion of services is similar to that of goods (Elliott, 2005). The promotional mix is the process by which organisations mix various channels of communication in order to achieve the promotional objectives of the marketing mix (Palmer, 1998). These channels consist of advertising, sales promotion, personal selling, direct marketing, public relations, people and sponsorship (Smith, 1995).

The communication process is illustrated in Figure 2.2 below and involves a source, a message, a communication channel, an audience, the process of encoding and decoding and noise (Berkowitz *et al*, 2000). The source is a sender who wishes to communicate certain material. The message is the information to be transmitted and the audience, who for the purpose of this research, is defined as the mature traveller market (see Chapter 5), are the receivers of the message.

The sender encodes (transforms an abstract idea into a set of symbols) the message into an acceptable form for the audience to decode (transforms the same set of symbols back into an abstract idea) and understand. To communicate the message effectively requires a common field of experience between the sender and the receiver, which will allow the receiver to understand the message in the way it was meant by the sender. Between the stages of encoding and decoding there is likely to be some sort of outside interference which is known as noise, which includes technical as well as perceptual barriers to communication (Berkowitz *et al*, 2000). Due to the characteristic of intangibility, noise is usually greater for services than for manufactured goods (Palmer, 1998).

As a result, a technique for promoting services is to highlight the tangible aspects of the service, whereas with goods the opposite approach is usually appropriate (Kotler & Armstrong, 1999; Palmer, 1998; Smith, 1995). Feedback completes the communication process and refers to the audiences' response to the message (Fill, 1995). The response to the message will vary and, although it is beyond the scope of this research, a number of models have been developed to explain this process (for example, the Innovation-Adoption model, the Hierarchy of Effects model and the Aida model) (Palmer, 1998).

Figure 2.2 The Communication Process



Source: Berkowitz *et al*, (2000:492)

The Internet has also had an affect on the communication process in a number of ways and this is dealt with in Sections 3.4 and 3.8.7. The various elements of the promotional mix available to organisations to achieve their promotional objectives are dealt with below.

2.5.5.1 Advertising

Advertising is “mass, paid communication which is used to transmit information, develop attitudes and induce some form of response on the part of the audience” (Palmer, 1998: 274). The four main functions of advertising are to inform, to persuade, to attract attention and to remind (Elliott, 2005). Information is communicated to audiences in a number of formats, utilising a variety of media, such as newspapers, magazines/journals, outdoor advertising, TV, cinema, radio and the Internet (Smith, 1995). The advantages of using advertising are that organisations have greater control over when the message is communicated, to whom it addressed and what is said in the message (Fill, 1995). Conversely, the disadvantages are the cost of developing an advertising campaign and the lack of direct feedback (Fill, 1995).

Services are intangible and consumers find the tourism product difficult to conceptualise (Palmer, 1998; Turban & King, 2003), therefore advertising can overcome this difficulty by highlighting the tangible features of the product, by using clear and unambiguous language and symbols to describe the service and by building on word-of-mouth communication (George & Berry, 1981; Palmer, 1998).

2.5.5.2 Sales Promotion

Sale promotions are short-term activities that are used as incentives to create interest, desire and to bring about a transaction (Smith, 1995). If used effectively, a sales promotion will bring about a transaction. However, if the sales promotion is terminated, the transaction will not develop into a significant business relationship (Elliott, 2005) and given the unique characteristic of perishability, sales promotion for services is much more limited when compared to goods (Palmer, 1998).

2.5.5.3 Personal Selling

Personal selling is a two-way form of communication which allows an interactive relationship to be developed between a buyer and a seller, where the seller can modify the information presented in response to the needs of the buyer (Fill, 1995). Consequently, the presentation to the buyer is very flexible and the information presented is well suited to the individual. However, the disadvantages of this technique are that it is expensive to implement and, given the variability of services, the message conveyed to various buyers is not consistent (Smith, 1993; Fill, 1995).

2.5.5.4 Direct Marketing

Direct marketing is an interactive system of marketing making use of one or more types of media to get a response from the consumer (Palmer, 1998), which allows organisations to accurately target their messages based on the needs of the consumer. However, to do this effectively requires extensive use of databases (which are costly to maintain) to keep consumer information which, in turn, raises ethical issues surrounding the collection of personal information (Chaffy *et al*, 2000).

2.5.5.5 Public Relations

Public relations are "... the deliberate, planned and sustained effort to establish and maintain mutual understanding between and organization and its publics" (Palmer, 1998: 287). The objective of public relations is to positively influence the beliefs and attitudes of people regarding the organisation and this represents a direct cost to the organisation (Coupey, 2001).

Alternatively, the objective of publicity is to create a mutual understanding between an organisation and the media (Palmer, 1998). The advantage of publicity is that it is inexpensive and can reach large audience with a high degree of credibility. A disadvantage is the lack of control over the appearance, timing and content of the message (Palmer, 1998).

2.5.5.6 Sponsorship

Sponsorship involves an investment in events or causes so that an organisation can achieve certain objectives such as increased awareness levels and enhanced reputation (Coupey, 2001; Palmer, 1998).

As discussed above, all of the above elements of the promotions and marketing mix are used in varying degrees, depending on the requirements of their consumers. However, in order to identify consumers' requirements organisations have to examine the determinants of demand. Having identified the determinants, the organisation can look at developing the marketing and promotions mix to suit their consumers' requirements. The determinants of demand for tourism services are dealt with below.

2.6 Main Determinants of Demand

There are a number of factors that influence the demand for tourism products (Cooper *et al*, 1998). These factors are used to measure certain characteristics within a market segment that are not controllable by firms, so that tourism service providers can tailor the marketing and promotions mix in order to appeal to their target consumers (Kotler *et al*, 1999). The following categories are relevant to the current research and are discussed in detail below.

2.6.1 Economic Factors and Comparative prices

The state of a country's economy has a direct correlation with the amount of demand generated for tourism products while changes in the economy are quickly felt by the tourism industry (Baker, 1994). The main reason for this is because it influences the amount of disposable income available to international and domestic consumers to spend on these leisure goods. The state of the economy also influences the exchange rates and therefore the choice of destinations available to the tourism consumer (Brassington & Pettit, 2000).

2.6.2 Demographic Factors

According to Cooper *et al*, (1998), this term is used to describe the main population characteristics that influence demand for tourism products and services. These characteristics are age, social class, household income, household size, marital status and education.

2.6.3 Socio-Cultural Attitudes

This factor examines the perceptions of the consumer toward holiday travel and how travel compares to other leisure goods competing for their disposable income (Goeldner, 2000; Kotler *et al*, 1999) by identifying what the attitude of the consumer is in terms of destinations and activities performed while on holiday.

This is important as different cultures have disparate views on what activities and destinations constitute a holiday, therefore, in order for promotional activities to be effective, tourism service providers will have to market the right kind of holiday packages to consumers (Middleton & Clarke, 2001). For example, in South Africa, the main purpose of holidays is to visit friends and relatives, and with this knowledge tourism service providers can promote family packages that exclude visits to exotic resorts (WTTC, 2004).

2.6.4 Mass-media communications

Television and especially the Internet have influenced the demand for tourism products (Middleton & Clarke, 2001). Before the use of the Internet, consumers spent hours in front of the television and were influenced by what they saw (Cooper *et al*, 1998), however consumers are now spending more time using the Internet instead of watching television (Strauss & Frost, 2001) because the Internet is seen as more interactive when compared to the television (Chaffy *et al*, 2000). Therefore, the Internet will increase the promotion and distribution of tourism products, by allowing tourism service providers to develop bespoke products for targeted customers.

2.7 Conclusion

This chapter examined the importance of tourism and defined what is meant by tourism for the purposes of this research. A discussion on the tourism product followed, by examining the special characteristics that services contain.

What is meant by a product was defined for the purposes of this research. The tourism product differs from other services in that it is predominantly hedonistic, and therefore, the focus of the marketing effort is on the process rather than a functional component. A definition of marketing apposite to this research was given, and a discussion on the importance of the marketing mix in matching demand and supply for tourism products followed. Given the nature of the tourism product, the marketing mix tools of promotion, relationship marketing customer service and branding were identified as being relevant to this research.

The tourism product is unique in that tourism businesses have to compete for consumer's disposable income. In order to do this effectively, the components of demand were examined and explained. The next chapter examines the influence of the Internet on the marketing of tourism products while utilising this medium.

CHAPTER 3

THE INTERNET

3.1 Introduction

Chapter 2 examined the issues surrounding marketing in the tourism industry. This chapter deals with how the Internet can be used to achieve and facilitate the marketing objectives, which were identified in Chapter 2 as relationship marketing, customer service, promotion and branding of businesses in the tourism industry.

The use of the Internet has grown tremendously since its inception. Approximately 300 million people use the Internet to access information and purchase services from their homes, organisations, and institutions (Webber & Reohl, 1999). The Internet represents a \$300 billion market, with over 300 million companies and households worldwide using the Internet as a communications link through e-mail, interactive advertisements, bulletin boards, research and online discussion groups (Pallab, 1996). The number of online users in South Africa is growing every year (South African Government, 2002).

As a result, businesses are now looking at marketing and selling their tourism products through the Internet, which has caused confusion regarding the terminology of doing business and marketing over the Internet. Accordingly, the chapter begins with a discussion of the technical aspects of the Internet focusing on the tools available to tourism businesses that will support them in achieving their marketing objectives.

A major use of computers these days is to use the Internet for e-commerce. After defining e-commerce its impact on tourism businesses is discussed. More importantly, the Internet has changed the fundamental nature of how business is done, and a discussion on how the Internet has affected the traditional communication process is followed by an examination of the how the Internet has influenced value creation and the value chain activities in the tourism industry.

The chapter concludes with a definition of Internet marketing and examines how the Internet can be used to supplement the activities performed in the marketing and promotional mixes, focusing on the specific aspects of the tourism product that make it suitable for Internet marketing.

3.2 Technical Aspects of the Internet

The Internet, in its simplest form, is a large group of computers connected together via networks (Napier, Judd, Rivers & Wagner, 2001) and therefore, users of the Internet potentially have access to information stored on all these computers (Turner, 2000). Information that is to be transmitted over the Internet is broken down into packets and sent to other computers by means of routers (which are computers that decide on the best route to send the information). Each computer connected to the Internet has a unique address consisting of a maximum of 12 numbers, called the IP address (Napier *et al*, 2001). To make these numbers easier to remember a naming convention known as the Uniform Resource Locator (URL) is used which consists of the protocol used to access a resource and the location of the resource (Ahuja, 1997).

The networks that link the various computers together are known as Network Service Providers (NSP) and they communicate with each other by exchanging packet traffic. Each NSP has to connect to at least three network access points (NAP) to allow packet traffic to move between different NSPs. NSPs also interconnect at Metropolitan Area Exchanges (MAE), which serve the same purpose as NAPs but are privately owned (Ahuja, 1997).

Data is sent via the Internet by utilising the Internet Protocol (IP) and the Transmission Control Protocol (TCP), however, these terms are normally used together in the format TCP/IP or IP/TCP (Schneider, 2002). IP refers to how the computer sending the data should encrypt the information and TCP refers to how the computer receiving the information should decrypt the information (Turner, 2000). File Transfer Protocol (FTP) allows users to exchange files between TCP/IP connected computers in both directions (Napier *et al*, 2001).

The Internet has a number of parts and many components, such as electronic mail (e-mail), Internet Relay Chat (IRC), and newsgroups (Coupey, 2001). Email is used to send messages, files, pictures and/or documents to other people and is a common use of the Internet. Newsgroups are where people post messages and comments on a wide variety of topics. IRC is an upgrade of this and allows people to communicate in real time by sending messages to each other, and there are many chat rooms available (Lawrence, Newton, Corbitt, Braithwaite & Porker, 2002).

The World Wide Web (WWW) is also part of the Internet and consists of a network of computers that support the hypertext function. This function allows people to create a number of individual Web pages that contain text or graphics or both. Web pages can be linked to each other and are

normally put on WWW by businesses or people (Chaffy *et al*, 2000; Coupey, 2001; Lawrence *et al*, 2002) and are collectively known as a Web site. Through these pages, email, newsgroups, IRC, audio and video can be accessed (Turner, 2000).

A major use of computers these days is to use the Internet to access the WWW (Schneider, 2002) and, this has led to confusion regarding the two terms. Many people think that the Internet and WWW are the same when, in fact, they are not. The WWW is used to display and access Web sites and is accessed through the Internet (Napier *et al*, 2001; Schneider, 2002).

The most common method of transmitting and displaying Web pages is the Hypertext Transfer Protocol (HTTP). This protocol is used when a user's Web browser sends a message to a remote server which responds back by sending back an appropriate message that results in a Web page being displayed on the user's computer (Ahuja, 1997).

Users of the Internet access information which is kept on servers (Lawrence *et al*, 2002). A Web server is used to store web pages and produce them to clients on request, whereas a database and file server are used to store files and databases (Ahuja, 1997). E-mail, on the other hand, is usually sent to a dedicated computer known as the mail server, and retrieved by using Simple Mail Transfer Protocol (SMTP) or the Post Office Protocol (POP). Servers may have one primary function or be a combination of any of the above (Lawrence *et al*, 2002).

3.3 E-commerce, E-business, E-marketing

The terms 'e-business' and 'e-commerce' are often used interchangeably (Mutinda & Thelejane, 1999) and this has led to confusion regarding whether the terms 'e-commerce' and 'e-business' define the same concept (Turban & King, 2003). While it is generally understood that e-commerce involves doing business over the Internet there is no agreement on a precise definition (Coupey, 2001; Jamal, 2000; Palmer & McCole, 2000; Turban, Lee, King & Chung, 2000).

E-business is the application of information technologies to transform business processes and internal operations (Bartels, 2000; Turban & King, 2003). It includes all transactions and communications through the Internet with all stakeholders including customers, suppliers, financial institutions, employees and the general public to facilitate business (Turban & King, 2003). E-commerce, on the other hand, is a narrower view of e-business, and involves conducting transactions over the Internet with external stakeholders such as customers, partners and suppliers (Bartels, 2000; Turban & King, 2003).

The impact of e-commerce is twofold. Firstly, it is restructuring the traditional boundaries between industry sectors, redefining how business is conducted. Secondly, it is leading to the demise of job categories and intermediaries while at the same time leading to the creation of new infomediaries and new forms of employment.

Palmer and McCole (2000) state that there are several advantages when using the Internet to conduct e-commerce. E-commerce offers great flexibility for businesses operating in volatile markets, by allowing promotional messages to be changed quicker when compared to print media (Palmer & McCole, 2000). More importantly, e-commerce is good at diminishing perishable capacity (see Section 2.4.2), by allowing for last minute sales and managing yields effectively (Palmer & McCole 2000). Consequently, customers benefit from e-commerce by gaining immediate gratification of their requests, greater choice and up to date information via an easy-to-use interface (Bakos, 1991). More importantly, the cost of obtaining information is reduced for customers and businesses as a wide diversity of information can be represented in one place, which in turn further reduces the consumer's information search costs (see Section 2.4.4) (Pollock, 1996).

There are a number of disadvantages when using the Internet for e-commerce however. Security and privacy were the two most important concerns raised by business and consumers (Maddox, 1998; Mutinda & Thelejane, 1999). Nevertheless, Mutinda & Thelejane (1999) point out that both these concerns are gradually being put to rest with more use and exposure by consumers to the Internet and to e-commerce.

3.4 Internet Communication

Not only is the Internet regarded as a new method of communication, it also influences the nature of the communication (Coupey, 2001). Traditional methods of communication used by organisations to reach their target segments have been implemented in the form of one-to-many communications, which allows for little or no feedback on the part of the consumer (Chaffey *et al*, 2000). The Internet has altered this model of communication allowing for a unique form of interactivity (Hoffman & Novak, 1996).

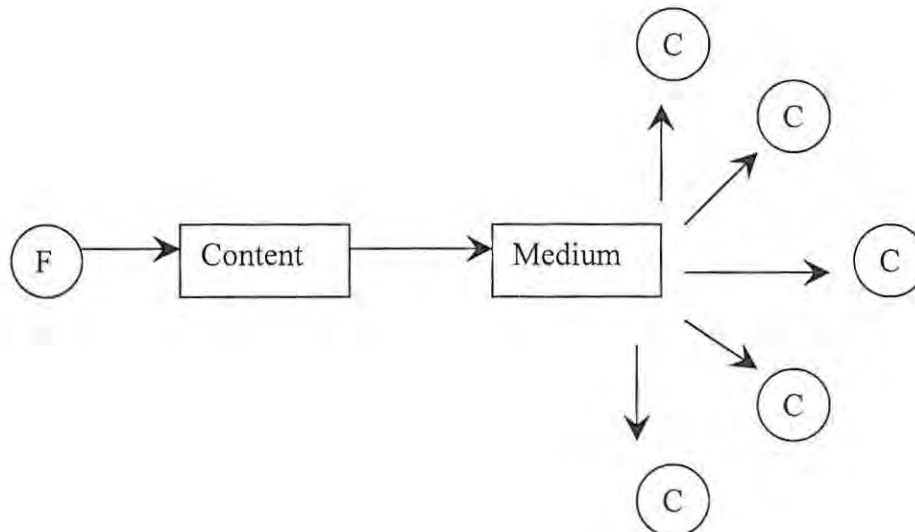
There are several definitions of interactivity in the literature. Generally interactivity is used to describe continuous, immediate and contingent relationships. Some researchers argue that it requires physical action or reaction, whereas others argue that the required condition is being able

to influence the content of the computer mediated experience (Hoffman & Novak, 1996). When viewed from a physical point of view interactivity can take one of two forms. Interactivity can be unmediated interactivity, whereby two people communicate directly with each other; or it can be mediated communication, whereby communication between people is made possible by a technological device (Hoffman & Novak, 1996). The various forms of communication and interactivity are dealt with below.

3.4.1 The Traditional Marketing Communication Process

The traditional communication process, modelled on the mass marketing approach shown in Figure 3.1 below, did not allow for interaction between the business and its customers. Using this model, the firm (F) sends content through a medium to consumers (C) and this type of communication is referred to as the one-to-many communication model. Content transmitted to the consumer can be static, which can consist of text, images and/or graphics, or dynamic, which may contain audio, video or full motion animation (Hoffman & Novak, 1996).

Figure 3.1 Traditional Communications Model



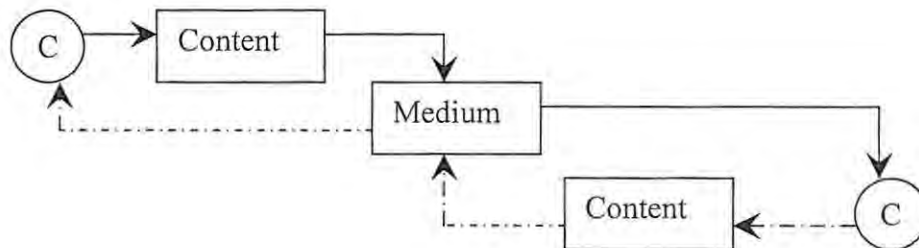
Source: Hoffman & Novak (1996:52)

3.4.2 Traditional Interactive Media

Figure 3.2 below represents a simplified one-to-one model of interpersonal communication for two individuals which can easily be adapted to represent a many-to-many model, such as teleconferences or online chat rooms. Interactivity is represented by the lines which indicate

communication flows through a medium for two consumers (C) and this is the key difference between Figure 3.1 and Figure 3.2 (Hoffman & Novak, 1996).

Figure 3.2 Interactive Media



Source: Hoffman & Novak (1996:52)

Consumers interact through the medium, while the media used is viewed merely as a channel to send and receive messages. The importance of the media is then reduced to how effective or ineffective it is in assisting the communication process between the individuals involved (Hoffman & Novak, 1996).

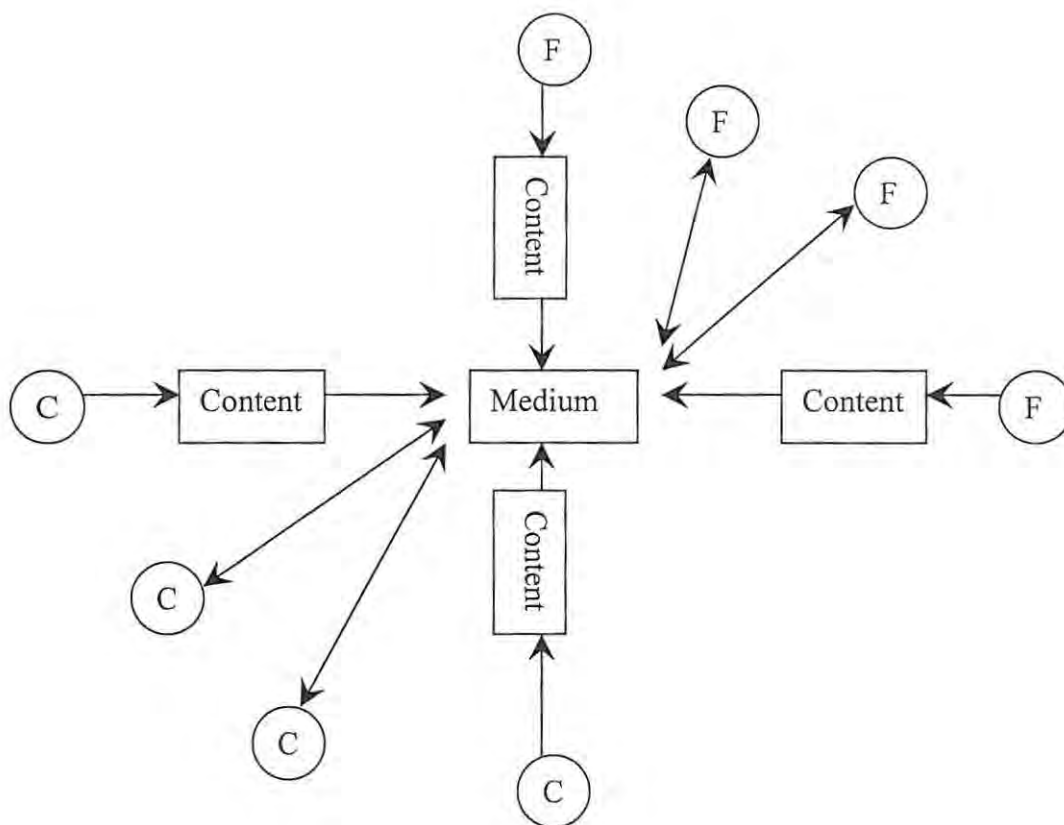
3.4.3 Computer Mediated Environments

Compared to traditional media, such as television, print and centrally controlled interactive multimedia systems (for example, home shopping on TV), the Internet offers consumers a wide variety of choice and control over the media they receive and interact with (Hoffman & Novak, 1996). Figure 3.3 illustrates a many-to-many communications model such as the Internet.

The content referred to in Figure 3.3 is the environment experienced via the computer and the medium refers to the distributed computer networks used to access the Internet. The main difference in interactivity between the traditional model (Figure 3.2) and the Internet model (Figure 3.3) is that in Figure 3.3 interaction can take place through the medium as well as with the medium (Hoffman & Novak, 1996).

Interactivity, with regard to the Internet, refers to the user's ability to change the content in the computer-mediated environment and is consistent with Varadarajan and Yadav (2001:6) who define interactivity in the marketplace as "the degree to which computer-mediated communication between entities comprising the marketplace is (a) bi-directional, (b) timely, (c) mutually controllable, and (d) responsive".

Figure 3.3 Internet Communications Model



Source: Hoffman & Novak (1996:53)

Figure 3.3 illustrates how the Internet allows for one-way (simplex), two-way (duplex) and many-way (multiplex) types of communication relationships to take place at the same time (Hoffman & Novak, 1996). For example, placing an advert on a Web site, similar to placing one in traditional media, would allow for little or no interaction and, as such, would be a simplex communication relationship. An example of a duplex communication relationship would be if the same advert were improved to allow comments or queries to be sent to the advertiser. A multiplex communication relationship would be where consumers, businesses or any other interested party could initiate discussions on topics through a chat room or virtual community (Section 3.4.8) (Elliott, 2005).

In addition to interacting with and providing content to the medium, businesses (F) and consumers (C) can use the Internet for computer mediated communication through the medium thereby enabling the use of the traditional one-to-many communication process. Computer mediated communication, therefore, allows relationships to develop between businesses and consumers which were not possible before the advent of the Internet (Hoffman & Novak, 1996).

While the Internet has changed the fundamental nature of communication and the way business is done, it has also changed the way in which value is created and added to tourism products.

3.5 The Internet, Value Creation and the Value Chain

The Internet affects how economic value is created by enabling information about a product to be separated from the product itself (Rayport & Sviokla, 1994), which results in the distribution of information becoming a key issue for businesses. The Internet allows the information to be distributed at a very low marginal cost which makes it moderately easy for a business to satisfy an almost unlimited demand for information (Elliott, 2005). The Internet allows information to be accessed and absorbed more easily and products can be arranged and priced in different ways. In some cases information about a product can become as important to a company's financial objectives as the actual product or service itself (Benjamin & Wigand, 1995; Rayport & Sviokla, 1994; Reedy, Schullo & Zimmermann, 2000)

The Internet has created virtual markets, which are "settings in which business transactions are conducted via open networks based on the fixed and wireless Internet infrastructure" (Amit & Zott, 2001:5). These virtual markets are more commonly referred to as the "marketspace". While the use of the marketspace by businesses and customers allows for greater convenience, lower costs and the potential market of every Internet user it does not replace the traditional marketplace, and in most cases, the two exist simultaneously (Rayport & Sviokla, 1994). Porter (2001) argues that companies should see the Internet as an enabling technology that can be used in almost any industry. He (Porter, 2001) argues that companies that succeed through using Internet technology are the ones that use the Internet to compliment the traditional methods of operations, rather than using the technology to completely replace their current operations.

The division of the market into the marketplace and marketspace has three consequences. Firstly, information is traded in the marketspace and can function as an independent source of competitive advantage. Secondly, the marketspace allows further customer value to be added through simultaneous use of the marketplace and marketspace, as information can form the basis of an additional utility over and above the physical offer in the marketplace. Lastly, the information available in the marketspace will increase the actual efficiency of the product (Benjamin & Wigand, 1995).

Nevertheless, the use of the Internet has consequences for the whole value proposition process. Rayport and Sviokla (1995) define the value proposition of a company as a combination of

content (what companies are offering), context (how they are offering it) and infrastructure (what enables the transaction to occur). In the traditional marketplace value is created and managed by controlling content, context and infrastructure through the traditional marketing mix. Once this value proposition has been formulated it has limited flexibility as its elements are largely inseparable. In the marketspace, however, content, context and infrastructure are easily separated and can be reformulated into new ways of creating value.

Rayport and Sviokla (1994) argue that the traditional value proposition of the marketplace has been disaggregated by the Internet. Firstly, the content of the transaction is different in that information about the physical product replaces the product itself. Secondly, the context in which the transaction occurs is different as an electronic onscreen transaction replaces face-to-face transactions. Lastly, the infrastructure that enables the transaction to occur is different; computer and communication lines replace the traditional shop floor or other premises.

The marketspace serves the same function of the marketplace and that is to bring buyers and sellers together, to facilitate transactions and to provide an institutional infrastructure (Turban *et al*, 2000). However, in the marketspace the physical distances between parties is eliminated and intermediaries may disappear out of the value chain (although new intermediaries are appearing) (Turban *et al*, 2000). The effects of the Internet on the tourism value chain are dealt with below.

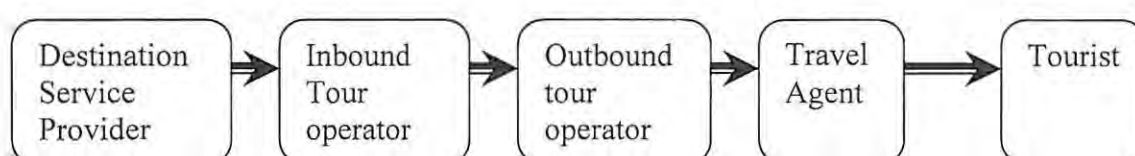
3.5.1 The Tourism Value Chain

The tourism industry is characterised by producers that supply large quantities of relatively small tourism products, while customers require small quantities of a large assortment of tourism products, therefore intermediaries arrange, accumulate, distribute and divide the information on tourism products (Walters & Lancaster, 1999). The value chain is the process by which a tourism product is moved along from production to consumption through a number of intermediaries while each intermediary adds additional value to the tourism product (Palmer, 1998).

Intermediaries reduce the distribution costs by standardising and automating certain transactions in order to make the exchange between buyer and seller more effective and efficient (Palmer & McCole, 1999). Furthermore, intermediaries facilitate the search process of buyers and sellers by structuring the information essential to both parties, thereby providing a place for both parties to meet and reduce uncertainty in that producers are not sure about customers' needs and customers are not sure that their needs can be satisfied (Palmer & McCole, 1999).

Essentially, the tourism industry is defined by large numbers of small suppliers that are globally dispersed (Palmer & McCole, 1999; Walters & Lancaster, 1999). Tourists vary in numbers and come from a variety of locations. It is therefore difficult for each supplier to keep detailed information on each customer (tourist). However, it is possible for intermediaries to build up long term relationships with their regular customers and, consequently, it is for this reason that the tourism industry has developed a complex value chain utilising the services of several intermediaries (Wynne, Berthon, Pitt, Ewing & Napoli, 2001). The value chain is illustrated in Figure 3.4 below.

Figure 3.4 Value chain members in the Tourism Industry



Source: Wynne *et al*, (2001:427)

In its simplest form, the value chain members consist of the destination service provider, the inbound tour operator (IBTO), the outbound tour operator (OBTO), the local travel agent and the tourist. The arrows in Figure 3.4 indicate how each intermediary in the chain adds value to the tourism product before it is made available to the tourist.

The destination service providers are the suppliers and producers of tourism products and services. These are typically characterised by small and medium enterprises with little technological infrastructure, financial power or marketing experience who generally cater to only a few of the needs of tourists, and until the introduction of the Internet they had little ability to directly contact the customer (Wynne *et al*, 2001).

IBTOs constitute the first intermediary in the value chain and generally specialise in a particular segment of the tourism industry. They are generally based in regions with specific cultural or historical attractions and add value to the industry through their expert knowledge of local destinations, customs and culture thereby reducing the search costs for other members in the value chain by packing many activities into a single tour (Wynne *et al*, 2001).

OBTos make up the second intermediary in the value chain and will offer packaged tours to many destination countries. They are generally scattered throughout major cities and have a strong marketing department. OBTos are the main source of promotional information for visitors as they publish brochures on all their destinations. They add value by organising different types of tours all over the world working through several IBTOs.

The last intermediary in the value chain is travel agents, who add value in several ways. Firstly, they are geographically close to the tourist and assist the customer by doing much of the searching on their behalf, thereby catering to the individual requirements of each tourist regardless of the type of tourist, for example business travellers, holidaymakers or tour groups. Secondly, travel agents are aggregators of tourism products and will stock many brochures from a wide variety of OBTos so that the customer can choose from a wide range of holiday offerings. Lastly, as the intermediary closest to the customer, they are in the best position to build relationships with customers (Wynne *et al*, 2001).

It is argued (Carr, 2000) that the Internet will make intermediaries in the value chain redundant and directly link the destination service providers with the tourist, thereby causing mass disintermediation in the value chain. However, Wynne *et al* (2001) argue that even in the “virtual world” consumers will not want to deal with the problems of contacting multiple suppliers to compare various tourism products. Most consumers will be prepared to pay for the level of service that comes with an intermediary (Bloch & Segev, 1996) therefore, in reality, disintermediation is highly unlikely and instead new virtual intermediaries will develop (Quelch & Klein, 1996).

3.6 Internet and the Travel Industry

As discussed above, the tourism industry has been identified as the industry most likely to be affected by the advance of the Internet in terms of advertising and selling tourism products through this medium (Webber & Reohl, 1999). Furthermore, travel is one of the world’s largest industries and has generally been an early adopter of new technologies (Wynne *et al*, 2001). According to Smith (2004) more than one in four users has used the Internet to make travel plans or reservations online. The growing amount of resources available on the Internet makes it possible for travellers to plan their holiday and business trips online (Vasudavan & Standing, 1999).

Tourism products are suited to online selling because they possess characteristics suited to the electronic environment (Vasudavan & Standing, 1999). According to Peterson *et al.*, (1997) there are three main characteristics that services contain which are most likely to influence Internet usage in terms of information gathering and making online purchases. These are cost and frequency of purchase, value proposition, and degree of differentiation (Buhalis & Licata, 2002; Christian, 2001; Heung, 2003; Poon, 2001).

Tourism products (see Section 2.4), require a higher level of involvement, are highly intangible, and require a high level of differentiation when compared to other service products and, therefore, are more easily sold through the Internet (Bonn *et al.*, 1998; Heung, 2003; Phau & Poon, 2000; Weber & Roehl, 1999). In addition, Olmeda and Sheldon (2001) point out that the hypertext feature of the Internet has been specifically designed for the tourism industry because tourism products are comprised mostly of an intangible component which is easily describable online.

The Internet has provided a single and sustainable electronic infrastructure which allows for information gathering and sharing while at the same time automating many business transactions (Law, Leung & Wong, 2004). The structure of the tourism industry has become more decentralised, giving each seller direct access to each buyer and making the use of the Internet for conducting transactions more appealing (Heung, 2003).

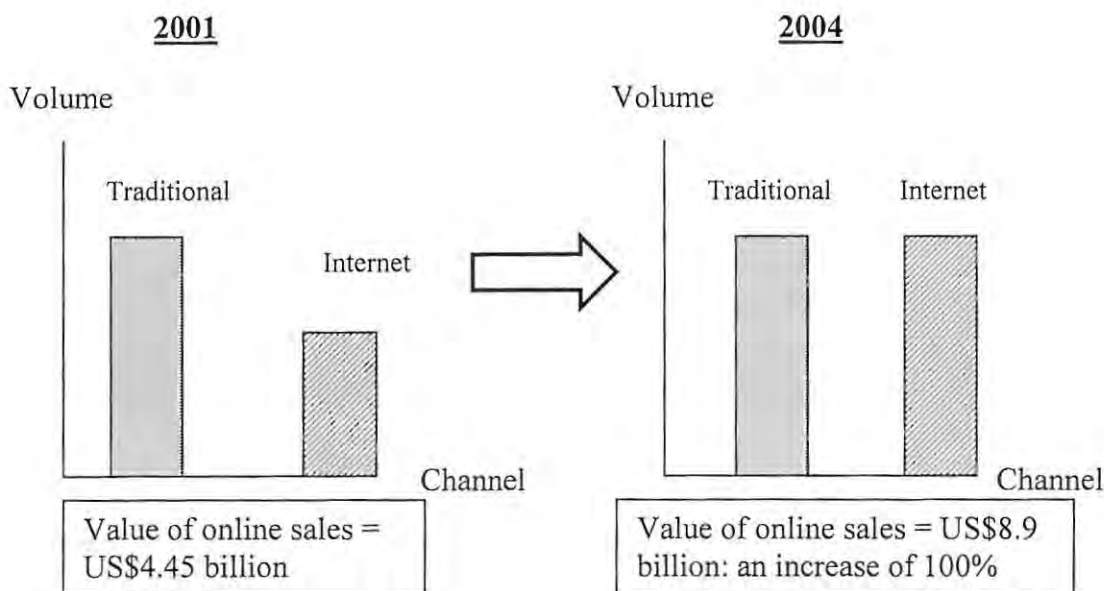
Consequently, the Internet ranked in the top ten forms of media used. Moreover, the information on travel Web sites was perceived by travellers to be up to date, less expensive to obtain and more comfortable to use (Bhatnager, 2000). Similarly, Walle (1996) indicates that approximately one-half of consumers who travel use some kind of print media (for example, reading brochures on holiday destinations) to plan their holidays. The provision of information, the arranging of reservations and searching for destinations are all activities that can be done more efficiently over the Internet than through printed brochures (Wynne *et al.*, 2001).

Research (Tierney, 2000) showed that in the year 2000, 21 million US residents purchased tourism products online. Similarly, Law *et al.*, (2004) conducted a study to show that the use of the Internet for travel reservations has grown, and is continuing to grow rapidly. The results are illustrated in Figure 3.5 below, which compares the volume of sales using traditional channels and the Internet.

Figure 3.5 indicates that in 2001 consumers favoured traditional methods such as visiting travel agents, to purchase tourism products when compared to purchasing them online, with total online sales for 2001 amounting to US\$4.45 billion. The same study was repeated with the same group of consumers three years later and the results indicate that online purchases grew to US\$8.9 billion, an increase of approximately 100 percent. More importantly, the volume of sales for the two channels, that is, the Internet and traditional sales channels, were equal, and projections based on these results suggest that online sales for tourism products will outgrow traditional channels in the future (Law *et al*, 2004).

Along with growth in the number of Internet users, there has been a growth in online revenues for tourism businesses. According to Poon (2001), online tourism revenues including air travel, hotel accommodation, car rental, travel packages, and online advertising from tourism Web sites was estimated to be \$276 million in 1999. It is estimated that this figure will double by 2002 (Poon, 2001). According to Smith (2004), the tourism industry will account for more than 50 percent of all online sales by the turn of the 21st century.

Figure 3.5 Comparison of the Volume of Travel Reservations



Source: Law *et al*, (2004:105)

The Internet therefore will become a critical distribution channel for many companies (Williams, Bascombe, Brenner, & Green, 1996). However, there are a number of barriers hindering the use of the Internet in the tourism industry and these are discussed below.

3.6.1 Barriers to using the Internet for the Travel and Tourism Industry

Despite the fact that there are many advantages to using the Internet for purchasing tourism products, many customers still use traditional methods to purchase them. Traditional methods of purchase offer the consumer reassuring social contact and involve building a relationship of trust between the consumer and vendor (Lewis & Semeijn, 1998).

Research (Jarvenpaa & Todd, 1998) has identified several factors deterring Internet use. Firstly, consumers found that navigating the Internet is difficult as there is a plethora of information available. Secondly, many Web sites had limited offerings and users had to visit at least two to get what they needed. Finally, when it came to paying for the tourism product, consumers found the payment process confusing and had high concerns regarding security. However, this concern is slowly decreasing as more consumers become increasingly familiar with the Internet and fraud incidents decrease due to an increase in encryption technologies (Mutinda & Thelejane, 1999).

In South Africa, the main three factors were identified that deter Internet use. The first factor was that Internet penetration is less than 50 percent of all households (Mutinda & Thelejane, 1999), however, this figure is increasing with technology becoming cheaper and the advent of new technologies, such as wireless devices to ensure greater flexibility with regard to Internet access in remote areas (Mutinda & Thelejane, 1999). The second factor was security, which rated as a premium concern for Internet users (Mutinda & Thelejane, 1999; Maddox, 1998). However, security concerns will gradually decrease as consumers get used to the Internet and security technologies increase.

Lastly, other concerns raised were infrastructure development, ease of navigation and the newness of the Internet. However, these are all likely to improve in the next five years as more consumers go online, infrastructure will be developed and improved to cope with this demand (Mutinda & Thelejane, 1999). These factors have implications for the marketing of the tourism product over the Internet and these are discussed below.

3.7 Marketing and the Internet

The Internet's potential as a marketing tool has been well documented in the literature (Camp & Sirbu, 1997; Peterson, Balasubramanian & Bronnenberg, 1997) and the Internet allows businesses to target their marketing efforts at specific consumers (Bhatnager, 2000). The Internet can be integrated into an organisation's marketing activities, since it can be used to support the full range of organisational functions and processes that deliver tourism products to customers

(Chaffey *et al*, 2000; Coupey 2001). More importantly, the Internet facilitates information management which is now recognised as a critical marketing support function, thus allowing tourism service providers to have up to date, timely and accessible information about the industry and its chosen market segments (Coupey, 2001) by enabling marketing research to be conducted online.

3.7.1 Marketing research

As discussed above, the Internet provides a large variety of resources that support marketing research by facilitating the seamless detection, compilation, analysis and distribution of marketing research (Elliott, 2005; Malhorta, 1999; Turban *et al*, 2000). The Internet allows market research to be done quickly and cost effectively and therefore, information is more up to date when compared to the traditional means of collecting data (Turban & King, 2003).

Marketing research can be categorised into either conclusive or exploratory research (Malhorta, 1999), and each category can be conducted using the Internet. Conclusive research requires that the researcher gather primary or secondary data to support given hypotheses. The data can be collected utilising the Internet to conduct surveys, experiments and observations (Turban & King, 2003). In addition, the number of times a page is visited, the time spent on any particular page and the use of different links can be studied by researchers thereby allowing conclusions to be drawn about a particular target market segment (Malhorta, 1999; Turban & King, 2003). However, careful attention to issues such as goals, instrument design and methodology are as important for market research done in the virtual world as they are for studies done in the real world (Malhorta, 1999).

When conducting exploratory research, forums, chat rooms and newsgroups can be utilised for discussion with participants regarding a particular idea or issue (Turban & King, 2003), and these could also be used to set up more formal research forums such as online focus groups with certain participants in the target segment (Malhorta, 1999). This method of research has a wider reach when compared to the traditional means of research and there are no time or geographic constraints (Malhorta, 1999; Turban & King, 2003).

There are, however, a number of limitations when using the Internet to perform market research. Marketing research performed over the Internet may only be practical in respect of certain product types, such as products high in search rather than experience qualities (see Section 2.4.4). This is related to the product's intangibility and means that products high in search qualities are

easily describable online when compared to products that have high experience qualities (Zeithmal & Bitner, 2000).

Moreover, users of the Internet do not represent a cross section of the population, therefore, data gathered may not be a true representation of the population (Malhorta, 1999), and the anonymity of the respondents may in some cases cause the data to be unreliable (Turban & King, 2003). Even so, the Internet is still an important source of marketing intelligence, especially when it comes to relationship marketing, which requires a high volume of information regarding customers.

3.7.2 Relationship Marketing

The Internet has enabled the effective implementation of relationship marketing by allowing organisations to acquire detailed information regarding customer's personal preferences and characteristics which would not otherwise have been possible (Palmer & McCole, 2000). While the Internet has changed many fundamental aspects of organisations, the basis of relationship marketing has not changed and electronic relationships still require a long term view, with support from people and processes (Gummesson, 2003; Little & Marandi, 2003). As a result factors such as trust, reputation, positive word-of-mouth and being customer-orientated are all important drivers of relationship marketing (Gummesson, 2003).

Relationship marketing is more expensive than traditional marketing, and in respect of certain market segments and products the cost of implementing a relationship marketing strategy may be unreasonable in terms of financial objectives. However, advances in technology have decreased the costs of implementing relationship marketing (Berry, 2000) but substantial capital investments of information technology hardware and software are still required (Turban *et al*, 2000).

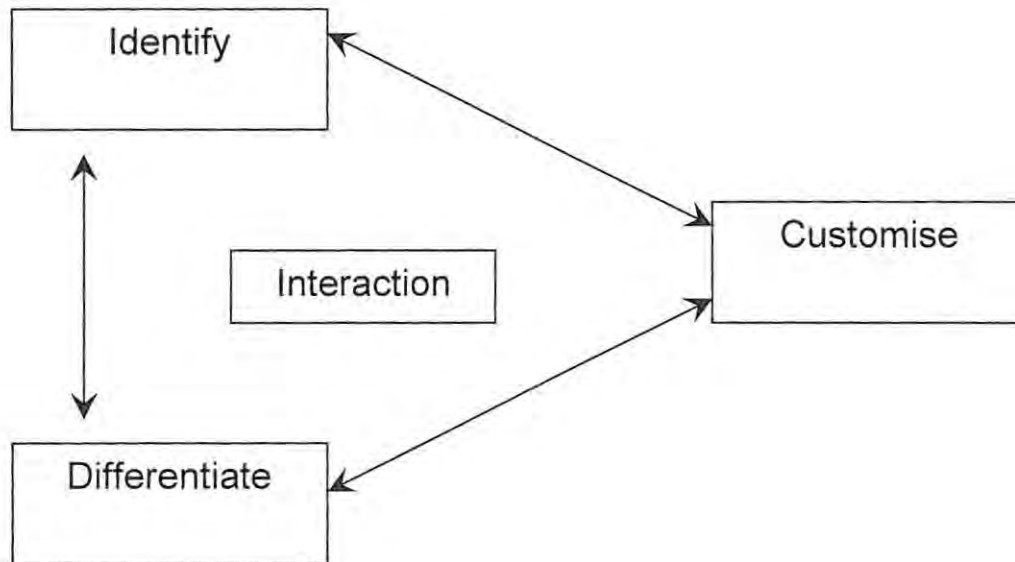
In light of the above, relationship marketing is much more than the application of technology although it can be used a tool to support this objective. However, the terms "customer relationship marketing" (CRM) or "database marketing" are often used interchangeably with relationship marketing. The two are distinct concepts and CRM is dealt with below.

3.7.2.1 Customer Relationship Marketing

The first step in CRM requires companies to conduct market research and gather information about potential and existing customers, utilising online and offline resources. Information regarding customers can be obtained with or without their consent, although there are certain

legal restrictions in South Africa (Elliott, 2005; Strauss & Frost, 2001). The second step is to use the information obtained to differentiate among individual customers. Finally companies customise the marketing mix offerings to suit the needs of the individual customers. Customisation occurs throughout the marketing mix and not just in the product offering (Strauss & Frost, 2001). This process is illustrated in Figure 3.6 below.

Figure 3.6 Customer Relationship Management Process



Source: Strauss & Frost (2001:287)

The main objective of CRM is to personalise the service encounter for each customer. In doing so, the nature of the product is altered for each customer and can take the form of choice assistance and/or customisation which happens in real time, thereby moving the parties from being transaction-based to relationship-based (Strauss & Frost, 2001).

In order for CRM to be effective there must be interaction between the organisation and the consumer. This can be direct, where the consumer and the organisation interact or, indirect, where the organisation observes the behaviour of the consumer (Hanson, 2000). However, in order to have positive feedback, the organisation is required to have certain software such as database retrieval, dynamic Web page generation and systems of acquiring user's choices in place before interaction can occur (Hanson, 2000).

The main benefit of CRM is that it allows companies to follow trends in consumer behaviour, personalise customer's experiences and evaluate the effectiveness of their online presence (Schiffman & Kanuk, 2004). Companies are therefore, able to increase the effectiveness of their marketing efforts while at the same time increasing customer satisfaction (Strauss & Frost, 2001). However, CRM alone may not be sufficient to attract and retain customers, and in order for companies to increase the effectiveness of their marketing campaigns, especially with regard to services marketing, branding is used.

3.7.3 Branding

Brands are seen as a source of information and in the marketing of services they are seen as a means of overcoming consumers' concerns regarding quality with well-established brands having a higher degree of customer loyalty (Elliott, 2005; Lovelock & Wright, 2002). Concerns regarding quality in the marketplace increase as physical cues about the quality of the product are replaced by information about the product (Coupey, 2001) and, therefore, consumers use brands as a surrogate source of information regarding quality (Lovelock & Wright, 2002; Chaffy *et al*, 2000). However, Coupey (2001) points out that the ready availability of the information on the Internet may diminish customer loyalty by making comparison across brands quick, easy and relatively cost free, thereby making branding in the marketplace less effective.

To increase the effectiveness of branding in the marketplace, organisations enter into partnerships and co-brand their service products (Goeldner, 2000). From the customers' point of view, co-branding creates the perception that the brands are linked (Coupey, 2001) and in doing so creates service quality expectations (Gilmore, 2003). In fact, Lindstrom & Andersen (1999) argue that in order to build a successful brand image, which in turn creates service quality expectations in the marketplace, businesses must enter into partnerships and co-brand their service products.

Despite the accessibility of information over the Internet, inexperienced users may still incur substantial transaction costs when acquiring information about products. They would be more likely to use brands as a substitute for product information, and accordingly a branding strategy directed ts experienced users of the Internet is less likely to be effective than one directed at inexperienced users (Lindstrom & Andersen, 1999).

3.7.4 Customer service

Customer service supplied over the Internet is referred to as e-service (Turban & King, 2003). The Internet facilitates e-service in a number of ways by providing tools such as help desks, call

centres, personalised Web pages, frequently asked questions (FAQ), chat rooms, automated responses and e-mail that help in building relationships with customers and improving sales and bookings (Plant, 2000).

The Internet removes time limitations by providing access to these tools 24 hours a day and customers are able to serve themselves (Plant, 2000). However, Turban & King (2003) argue that although this feature is convenient and cost effective it may not increase service quality in respect of customers who prefer face-to-face contact. Therefore, e-service may still be used to achieve marketing goals but, should be used with care (Elliott, 2005).

3.7.5 Word-of-Mouth Marketing

Word-of-mouth marketing is considered to be the most effective method of promotion because the information (either positive or negative) originates from other consumers (Kotler & Armstrong, 1999) and in the case of high risk service products, such as the tourism product, word-of-mouth helps to reduce the perceived risk (Pickton & Broderick, 2001). Consumers will rely on the experience and advice of others with regard to service products, such as the tourism product, that cannot easily be objectively judged and are complex and highly visible (Schiffmann & Kanuk, 2004). Therefore, the main benefit of word-of-mouth is its credibility (Pickton & Broderick, 2001) although it is very difficult to control (Hanson, 2000; Coupey, 2001).

Word-of-mouth marketing done over the Internet is known as viral marketing and refers to the informal interactions between consumers about a firm, its services and/or Web site (Turban & King, 2003). The Internet has a variety of tools such as chat rooms, bulleting boards, e-mail and newsgroups that make viral marketing a powerful promotional tool (Gilmore, 2001). The main advantage of viral marketing is that the Internet enhances the speed and reach at which the information is exchanged between consumers (Coupey, 2001).

Companies will normally initiate the viral campaign by providing an incentive for consumers to forward promotional e-mail(s) to their associates (Turban & King, 2003). Conversely, by utilising the tools available, consumers are able discuss a firm's service product or Web site with or without the firm's consent. However, the Internet allows companies to observe chat room conduct and manipulate virtual conversations although there could be ethical issues with respect to this type of behaviour (Chaffey *et al*, 2000).

3.7.6 E-mail

E-mail can be used as a medium with which to market services, thereby providing useful and up to date information to customers (Hanson, 2000). E-mail messages may be combined with brief audio and video clips promoting a service product with on-screen links that users can click on to make a purchase (Turban & King, 2003)

Companies can also promote their Web sites using email, electronic magazines and electronic newsletters (Jamal, 2000). E-mail addresses of current and potential customers may be obtained from an internal or purchased database although there may be certain ethical issues regarding privacy (Turban & King, 2003). The advantage of using e-mail is that it has a low marginal cost. However, organisations should be cautious when using this tool as the overuse of it may be perceived by customers as spam (junk e-mail) (Coupey, 2001) and its effectiveness is then reduced. Strauss and Frost (2001) argue that using e-mail for promotional purposes should only be used where prior permission has been obtained. This is known as permission marketing and is discussed below.

3.7.6.1 Permission Marketing

Permission marketing is an effective method of making sure that e-mail is not perceived by consumers as spam or lost in the large amount of information contained on the Internet. By obtaining the customers' approval beforehand, permission marketing is useful for maintaining relationships and directing promotional material of interest to specific consumers (Hanson, 2000), whereas spam is normally focused at acquiring new customers (Strauss & Frost, 2001) and can be seen as a controversial marketing tool (Turban & King, 2003)

3.7.7 Virtual/Online Communities

Online communities are unique to the Internet and are formed around almost any interest, with the anonymity of the community member guaranteed regardless of geographic location (Jamal, 2000). Members communicate with each other through online chatting and certain communities have Web sites which may be used by organisations to market tourism products (Turban & King, 2003).

Community Web sites may offer a wide variety of tools such as message boards, newsgroups, chat rooms, and member activities. Communities are useful to organisations as they bring people of similar interests and demographics together and these can be used by organisations to conduct

marketing research (Section 3.7.1) in order to market specific tourism products to a particular segment of the population (Turban & King, 2003).

Organisations can use communities to build long term relationships with customers by supporting existing Web sites or creating their own communities (Hanson, 2000). This will encourage users to form personal relationships, which will encourage them to come back to the site, and will in turn provide the business with an opportunity to sell their services (Turban & King, 2003). The main advantage of using communities to market service products is that of low cost. However, users often resent commercial intrusion and so firms would have to advertise in subtle ways that provide real value to participants (Kotler & Armstrong, 1999). Online communities can also add to the value of a brand although there is a danger of loss of control (Hanson, 2000).

3.7.8 Web sites

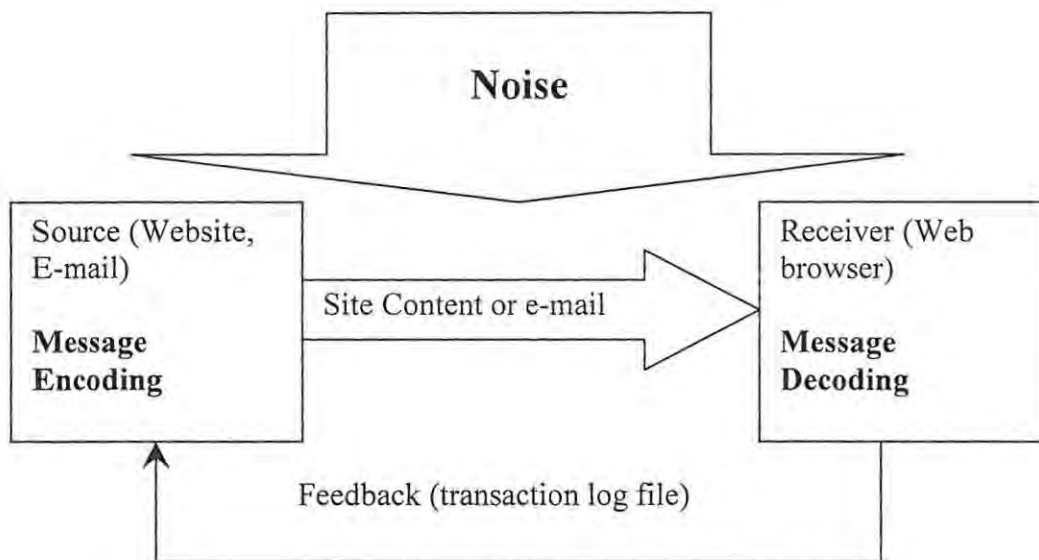
Web sites are the most important marketing tools in the marketspace as they convey information, build brand, create and maintain an image (Strauss & Frost, 2001). Organisations can implement a number of marketing tools such as e-mail, chat rooms, newsgroups, bulletin boards, audio and video through various pages on their Web site (Napier *et al*, 2001).

3.7.9 Promotion

The Internet may still be used for traditional advertising although the nature of the communication is different in that the parties involved interact with the medium rather than each other (Chaffy *et al*, 2000). However, when examining the nature of the communication, the model developed by Schramm (1965), discussed in Section 2.5.5, can be adapted to explain communication over the Internet (Hoffman & Novak, 1996) and is illustrated below in Figure 3.7.

Chaffy *et al*, (2000) argue that there are three processes involved in communicating over the Internet. The first step is to encode the message by designing a Web site (Section 3.7.8) or composing an e-mail and this is dependent on understanding the target audience. The second step is to transmit the message to the target audience and this can be affected by noise, which in the context of the Internet can be slow download times, the use of incorrect plug-ins and trying to convey too much information. Message decoding is the process by which the user interprets the message and this is dependent on their cognitive ability which is affected by the level of experience that the user has in using the Internet. Feedback is obtained from the transaction log file which contains information on Web site usage

Figure 3.7 Model of the Process of Internet Communication



Source: Chaffy *et al*, (2000:36)

Web sites (Section 3.7.8) are a tool utilised by organisations to convey a specific message to a target audience and it can be argued that each Web site is in itself an advertisement since it can inform, persuade and remind customers about a company and its service products (Coupey, 2001). However, advertising on the Internet is commonly known to take place when an advertiser pays to place advertising content on another Web site (Chaffy *et al*, 2000). Nonetheless, the two are important aspects of promotion and are discussed in detail below along with the other promotional mix elements discussed in Section 2.5.5

3.7.9.1 Advertising

Internet advertising differs from traditional advertising in a number of key areas. The distribution cost of advertising is decreased as organisations only pay for the technology, so reaching many customers costs the same as reaching one. In addition, the Internet allows consumers access to the advertisement without any spatial or time constraints (Turban & King, 2003). However, there are some doubts about the link between the effectiveness of this medium and profitability (Goeldner, 2000), and although the results of advertising are measurable, the lack of standards has raised questions in respect of their reliability (Turban & King, 2003).

Advertising on the Internet is not limited to a company's personal Web site. Advertisements can be placed on other Web sites through the use of banners. Banners may be static or animated and are normally rectangular advertisements and consumers can click on them to access the

advertiser's Web site (Coupey, 2001). Organisations can also use e-mail, splash screens and/or classified advertisements to further attract consumers to their Web sites (Chaffey *et al*, 2000). In addition to using the Internet tools discussed above, a number of offline methods can also be used to attract consumers to a Web site.

These methods normally involve using the traditional advertising media to inform customers of the Web site by displaying the URL on the printed media and firm stationery thereby encouraging them to visit the Web site (Turban & King, 2003). More importantly, word-of-mouth (viral marketing) (see Section 3.8.5) has also been identified as an important means for informing users about Web sites (Chaffy *et al*, 2000).

3.7.9.2 Other promotional mix elements

The marketing objectives discussed above are easily transferred from the marketplace to the marketspace. Given that the fundamental nature of the Internet is to communicate with consumers, the greatest impact in terms of marketing implications has been on advertising and word-of-mouth. The purpose of this section is to examine the impact that the Internet has on the remainder of the tools available in the promotional mix.

The Internet may be used by organisations to perform public relations by sponsoring or hosting a Web site (Plant, 2000). The main benefit is that the sponsor gets the opportunity to advertise on the Web site and customers are able to access the site for free (Gilmore, 2003). By doing so, organisations are better able to integrate their advertisement message with the Web site than when using banners. Furthermore, organisations can add chat rooms to their site in order to gather feedback and answer questions from their customers (Jamal, 2000).

The main type of media used in direct marketing are catalogues (O'Malley, Patterson & Evans, 1999). Catalogues are easily transferable from the marketplace to the marketspace, providing descriptions of the products offered accompanied by visual images of the product. Generally online catalogues are linked to order taking and payment systems which possess a product database, directory and search capabilities.

Catalogues normally come in one of two forms: a ready made catalogue, which is the same for every customer, or a personalised catalogue, which is customised according to specific customer profiles (Turban & King, 2003). Compared to traditional catalogues, online catalogues can be modified quickly and efficiently thereby reducing printing and distribution costs. Furthermore,

human resource costs are decreased as there is no need for dedicated employees to take orders from customers (Jamal, 2000). The interactive characteristics of the Internet make it suitable for personal selling (Plant, 2000). Personal selling normally goes through several unique steps and the Internet may be used to support these steps (Pickton & Broderick, 2001). More specifically, the interactive component of the Internet should be used to support personal communication (Jamal, 2000).

3.8 Conclusion

The importance of the Internet was discussed by examining figures representing the growth in the use and economic value of the Internet. The main use of computers these days is to use the Internet for e-commerce. E-commerce was defined and the benefits to consumers and organisation were presented.

The Internet has changed the communication process and the way in which value is created allowing for businesses and consumers to communicate on a one-to-one, one-to-many or many-to-many basis. An analysis of the tourism product concluded that it is one of the products better suited to the Internet for e-commerce.

Tourism products possess certain qualities that make them attractive to selling over the Internet and, therefore, the Internet has changed the basic structure of the tourism industry. This change in the structure of the tourism industry has led to the revision of the tourism value chain which, in turn, has created the virtual value chain. However, fears of disintermediation have not been realised as the creation of a virtual value chain creates new infomediaries.

A discussion on the marketing function and how the Internet complements this process followed. Although the Internet adds value to the marketing process it is not a universal solution and marketing research, relationship marketing, database marketing, customer service and branding are marketing objectives that are easily transplanted from the marketplace to the market space. With regard to the elements of the promotions mix, advertising has been used extensively on the Internet. The use of personal selling, sales promotions, sponsorship, public relations and direct marketing are less prominent.

The chapter concluded by examining the marketing tools that the Internet has made possible. E-mail, Web sites, newsgroups, customer relationship marketing and virtual communities are all

potential tools that the Internet has made available. The Internet has also made word-of-mouth marketing, permission marketing and relationship marketing more feasible.

CHAPTER 4

MARKET SEGMENTATION

4.1 Introduction

What is meant by the Internet and Internet marketing was discussed in the previous chapter. This chapter examines how organisations divide their customer base into groups that share similar characteristics.

This process is known as market segmentation and the theory behind this approach is discussed. A definition of market segmentation that is relevant to this research is given. A discussion on how market segmentation is carried out is followed by an examination of the benefits available to organisations and consumers of market segmentation. Specific attention is paid to examining how market segmentation can aid in achieving the marketing objectives of businesses in the tourism industry.

However, in order for customers to qualify as a market segment there are certain measures of validity which have to be assessed. These measures are discussed and this is followed by an examination of the traditional methods available to organisations with which to segment their customer base.

As the focus of this research is on Internet marketing, Internet Market Segmentation is defined and a discussion on how the Internet has affected the traditional segmentation process follows. Furthermore, Web-based technologies have been developed that make extensive use of the Internet. The impact and advantages of these technologies on market segmentation is discussed. The chapter concludes with an examination of current methods of segmenting Internet consumers.



4.2 Market Segmentation Theory

Few organisations are able to configure their service offering to uniquely meet the needs of individual consumers and, instead, they target identifiable market segments that share broadly similar needs. This process is known as market segmentation and has become a fundamental principle of marketing (see Section 2.5) (Dibb, Simkin, Pride & Farrell, 2001) and, its advantages are well documented (Palmer, 1998).

The development of segmentation and target marketing reflects the shift from a mass marketing approach, where all consumers are viewed as one homogenous group, to a more targeted approach, where consumers are grouped according to collective characteristics (Pickton & Broderick, 2001). The underlying logic for segmenting consumers according to certain variables is that consumers who share similar characteristics will share similar wants, needs and attitudes toward marketing stimuli directed at their target group (Ahmad, 2003; Dibb & Simkin, 2001). Segmentation studies are carried out to identify “gaps” in the market and fill the “gaps” with the necessary service product(s) (Johns & Gyomothy, 2002). Segmentation aids in understanding customers (Albert, 2003), the allocation of resources (Freytag & Clarke, 2001), the adaptation of the service product mix, and the development and evaluation of new approaches with respect to tourism products and markets (LaPlaca, 1997).

Although market segmentation is used in most industries, it has been used extensively in the services sector, with the tourism industry having developed well-defined approaches to market segmentation (Tonks & Farr, 2001). The need for well-defined segmentation strategies is particularly profound for tourism businesses as they will typically focus on small, profitable, segments of the tourist market instead of the whole tourist market (Middleton & Clarke, 2001). Similarly, tourists have particular expectations with regard to tourism products, and tourism businesses have to meet or exceed these expectations (Gilmore, 2003; Middleton & Clarke, 2001). Therefore, to deliver this level of satisfaction, it is essential that tourism businesses segment their markets.

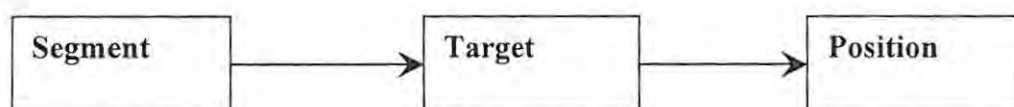
In order to formulate a service product offering to a market segment, the expectations and motivations of that particular segment must be understood (Gilmore, 2003). Middleton and Clarke (2001) argue that often tourism businesses have a misconception of the expectations and motivations of their target markets, thereby promoting the wrong benefits to the target market.

Furthermore, given that the role of tourism businesses is to influence demand for tourism products (see Section 2.5.6) a thorough knowledge of customer expectations and behaviours is required (Gilmore, 2003). Tourism products (Section 2.4) are perceived by consumers to be a luxury high risk purchase (see Section 2.4.4) (Schiffman & Kanuk, 2000), therefore they will demand a higher level of quality, information and value for their money (Christian, 2001; Dibb *et al*, 2001; Samenfink, 1999).

In light of the above, there are numerous definitions of market segmentation in the literature, however, the definition developed by Schiffman and Kanuk (2000:13), who define market segmentation as “the process of dividing a market into distinct subsets of consumers with common needs or characteristics and selecting one or more segments to target with a distinct marketing mix”, is apposite for this research.

The process of market segmentation, illustrated in Figure 4.1 below, is well established and is usually described as the STP (Segmenting, Targeting and Positioning) process of market segmentation (Kotler, 1994).

Figure 4.1 Traditional Market Segmentation Process



Source: Bowen (1998:294)

As indicated by Figure 4.1, the three stages are separate and are executed in a sequential or linear fashion (Bowen, 1998). During the first stage (Segmenting), customers are grouped by applying one or more base variables (see Section 4.3 below). This stage aims to group customers into segments with similar needs and buying behaviour. In the second stage (Targeting), a number of measures of validity (see Section 4.2.2 below) are applied to the chosen segment, and decisions are made regarding the potential of each of the segments in order to determine which of these segments will be most beneficial to service within the context of brand, promotional and emotional appeal. The final stage (Positioning), focuses on developing a customised marketing and promotional mix to match the requirements of the target segment (Dibb *et al*, 2001).

There are several benefits associated with adopting a marketing segmentation approach (Johns & Gyomothy, 2002). This approach allows the business to understand customer and competitor behaviour, which leads to a better understanding of customers' needs and wants, allowing greater responsiveness in terms of the service offer (Dibb & Simkin, 2001).

A clearer appreciation of the competitive environment also helps tourism businesses make informed targeting and positioning decisions. Furthermore, a segmentation approach can add clarity to the process of marketing planning by highlighting the marketing program requirements of particular customer groups (McDonald & Dunbar, 1995). Having identified the marketing requirements of a segment, tourism businesses can use this data to set out goals in order to achieve their marketing objectives.

4.2.1 Segmentation and Marketing Objectives

Information drives the communication strategy in terms of who to target, what to offer them and how to communicate with them. By analysing and understanding the preferences and buying habits of customers, tourism businesses can determine which segments have the most potential. They can then create communication programmes targeted at specific consumers.

Market segmentation allows businesses to spot similarities and differences between buyer groups which results in businesses being able to maximise cross-selling opportunities among existing customers. Furthermore, segmentation allows businesses to identify new target markets previously undiscovered, while at the same time evaluating the risk of the likelihood of future financial loss when targeting new customers (Pickton & Broderick, 2001).

Segmentation allows businesses to find the best fit between their target profile locations and media catchment areas to optimise spending on TV, radio, press and posters. This allows businesses to select the most effective advertising media which, in turn, results in more pertinent advertisements and promotions targeted at the correct type of individuals. Additionally, segmentation allows businesses to choose the most appealing prizes and incentives for promotions activities (Pickton & Broderick, 2001).

In order for a group of customers to qualify as a market segment, it must satisfy basic qualifying criteria or measures of validity if it is to prove effective in the organisation's marketing campaign (Ahmad, 2003; Kotler, 1994; Pickton & Broderick, 2001; Strauss & Frost, 2001). Based on

research by previous authors, Middleton and Clarke (2001) identify the following measures of validity, specific to the tourism industry, which a market segment has to qualify in order for it to be profitable.

Each segment must be *discrete*. This implies that the selected subgroup must be separately identifiable by criteria such as purpose of visit, income, location or motivation. The market segment identified must be *measurable*, which means that the criteria distinguishing the subgroup must be measurable by available marketing data or new data must be obtained at an acceptable cost. This criterion is important as new research is normally expensive and must fall within accepted budgets. More importantly, the selected subgroup must be able to be measured on a constant basis in order to provide meaningful data to organisations (Middleton & Clarke, 2001).

The chosen market segment is then assessed for its *viability*. This measure assesses whether or not the chosen subgroup is able to produce projected revenues that exceed the cost of designing and implementing a new marketing mix in order to satisfy the subgroup. The *appropriateness* of a consumer segment is a measure that refers to the inseparability of the tourism product (see Section 2.4.2), and this implies that if an organisation has multiple consumer segments, the production and consumption of various tourism products for each market segment must be mutually compatible, thereby not alienating one segment at the expense of another (Schiffman & Kanuk, 2004).

Lastly, the segment is assessed to examine if it is *sustainable*. Within the context of the tourism industry, this implies that organisations have to assess the extent to which segments impact, positively or negatively, on the environmental mission of the organisation (Middleton & Clarke, 2001). Based on the criteria above a number of methods exist in the literature, through which target groups may be identified and measured. The traditional methods of segmenting markets are examined. This is followed by a discussion on adaptations of these methods created to measure certain consumer segments in the tourism industry.

4.3 Traditional Bases for Market Segmentation

Deciding the grounds on which to segment a market is the first step in the market segmentation process. Nine major categories of consumer characteristics provide the most widely used basis for segmentation, and these include geographic, demographic, psychological, psychographic, socio-cultural, use-related and use-situation factors (Schiffman & Kanuk, 2004). Furthermore, there are forms of hybrid segmentation which combine certain variables from each of the aforementioned

categories to create comprehensive profiles of consumer segments, for example, geo-demographic segmentation which combines geographic and demographic segmenting variables to create a new basis of segmentation (Lin *et al*, 2004).

4.3.1 Demographic Segmentation

Demographic segmentation is “the division of markets according to the Boolean differences of vital and quantifiable statistics within the consumer market” (Schiffman & Kanuk, 2004:55). The underlying assumption of this approach is that people will share the same mindsets and opinions with others that fall into the same generic categories as themselves. This type of segmentation is often used when an organisation is targeting a new market segment, or where there is no previous information on customers within the segment (Bowen, 1998). This allows the organisation to build up a consumer profile for the target market that defines the consumer market on the basis of age, sex, marital status, occupation, income, education and location (Ahmad, 2003). More importantly, the results of this type of segmentation will indicate to organisations which methods of promotion and advertising to use (Tonks & Farr, 2001).

However, Reedy *et al* (2000) describe single-attribute segmentation as superficial and too shallow a basis to use as a determinant in any sort of marketing strategy. To overcome this, marketers often combine demographic variables in an effort to obtain more detailed information regarding their consumers and this is referred to as socioeconomic segmentation (Pickton & Broderick, 2000).

Socioeconomic segmentation is largely determined and strongly influenced by the consumer's income, which is regarded as one of the most important segmenting variables (Schiffman & Kanuk, 2004). However, income is also largely dependent on other demographic attributes such as education and occupation and can be combined with these variables to gauge the social standing of the target market.

This practice of combining demographic variables has given rise to Living Standards Measurement (LSM) theory, which ranks target markets by means of a classification index of social class, regardless of culture. However, the LSM classification index tends to be racially biased (Reedy *et al*, 2000). Nevertheless, the LSM framework overcomes the failings of traditional demographic segmentation and provides marketers with several benefits.

The variables in question are easy to access, measure, record and combine if necessary (Ahmad, 2003), and the data can be accessed, gathered or reproduced quite cost-effectively (Bowen, 1998). However, the LSM technique is restricted in its ability to provide insights as it measures service product categories, but it ignores the brand categories these generic service products form part of (Reedy *et al*, 2000).

Middleton and Clarke (2001) argue that while the above methods of demographic segmentation are still useful, it is more advantageous to examine consumer profiles on the basis of life-cycle analysis. This is a composite, sociodemographic variable that incorporates age, marital status and family size, thereby including the likely changes that an individual will experience throughout his lifetime (Pickton & Broderick, 2000). It is argued (Moschis, 2003) that life-cycle analysis is a major predictor of consumer needs while, at the same time, indicating when a consumer will be attracted to a particular service product (Bowen, 1998).

4.3.2 Geographic Segmentation

Geographic segmentation is the division of markets according to the physical locations in which these segments are situated (Albert, 2003). These segments can be as large as countries or as focused as neighbourhoods, depending on how discriminating the consumers within these segments are or on the needs of the organisation. This approach assumes that people living within the same areas are likely to share similar needs, wants, beliefs, attitudes and culture with their neighbours and that they will not share the same needs and wants with people living in different regions or countries (Pickton & Broderick, 2001).

It has been argued (Ahmad, 2003; Dibb & Simkin, 2001; Lin *et al*, 2004; Palmer & Miller, 2003; Schiffman & Kanuk, 2004; Wedel & Kamakura, 2002) that direct-mail, national toll free numbers, satellite television and the Internet have erased traditional regional boundaries thereby causing this type of this segmentation technique to become redundant. Accordingly, geographical segmentation is usually not performed in isolation but rather in tandem with demographic segmentation (Section 4.3.1) giving rise to a practice known as geodemographic segmentation.

4.3.2.1 Geodemographic Segmentation

Geodemographic segmentation is the segmenting of markets according to location, while simultaneously segmenting those markets according to the demographic variables of consumers found within those segments (Louvrieris & Driver, 2001). When using this approach, deviations in regional service product consumption are taken into account when tourism businesses account for

the cultural, environmental and economic influences prevalent within that community (Strauss & Frost, 2001). Geodemographic segmentation is often criticised for its underlying assumption that everyone living in the same area is homogenous (Perter *et al*, 1999) even though contrary evidence is often found. However, the greatest criticism of geo-demographic data is that, like demographic data, it fails to provide any insights into consumer buying patterns and subsequent research is often required before a marketing plan can be assembled.

Nevertheless, geo-demographic segmentation is useful as this technique allows for specific media channels (such as newspapers, local radio stations and TV) to cater their service offering based on the information obtained from this type of segmentation and thus, has a limited wide distribution appeal (Pickton & Broderick, 2000).

4.3.3 Use-Related Segmentation

Use-related segmentation is a widely used type of segmentation which categorises consumers in terms of product, service or brand usage characteristics, such as level of usage, level of awareness and degree of brand loyalty (Schiffman & Kanuk, 2004).

When segmenting a consumer market according to the level of usage, distinction can be as simple as users versus non-users or as complex as users who use seven units a week compared to those who use 11 (Freytag & Clarke, 2001). The idea behind this technique is that a relatively small group of consumers may account for a relatively large percentage of sales. If this is the case, then the organisation must closely monitor and develop relationships with these consumers (Section 2.5.2) so that they remain loyal to the marketing efforts of the organisation (Sollner & Rese, 2001).

Consumer markets may also be segmented according to brand loyalty. Here organisations try to identify the characteristics of their brand loyal consumers so that they can direct their promotional efforts to people with similar characteristics in the larger population (Schiffman & Kanuk, 2004). Indeed, as current theory suggests, it is easier to keep an existing customer than to attract a new one, therefore organisations should focus on their heavy users to improve the level of service offered thus ensuring repeat business with these customers (Albert, 2003).

Conversely, organisations can target those consumers who have little or no brand loyalty with the organisation's service product in the hopes of attracting new consumers (Reedy *et al*, 2000). This will allow the organisation to offer consumers the same service product without having to invest

extensive resources in creating and maintaining brand loyalty, thereby providing the same service product at a lower cost. The main advantage of using this type of segmentation is the ease with which it can be implemented due to the availability of data on service product and media consumption (Tonks & Farr, 2001). Businesses will therefore be able to classify users according to their patterns of consumption and determine which type of media to use when directing marketing communications material at the target group.

However, use-related segmentation does not provide a clear picture to businesses regarding the consumers' influences and motivations that lead to the purchase of the service product. More importantly, this type of segmentation has been criticised because of the lack of information it provides to the organisation; as the acquisition of new customers distorts and voids all the current data the organisation has (Wedel & Kamakura, 2002). Consequently, strategies must be flexible and constantly reviewed in an effort to keep track of consumers' tastes.

4.3.4 Psychographic Segmentation

Psychographic segmentation groups consumers together by finding common characteristics among personality and attitudinal measures. Consumers' psychographic profiles are normally a composite of consumers' measured activities, interests and opinions (AIOs) (Pickton & Broderick, 2000). The development of consumer profiles based on their AIOs will identify relevant aspects of their personality, buying motives, attitudes, beliefs and values (Schiffman & Kanuk, 2004). The logic behind this technique, which is largely based on consumer behaviour, is that a consumer's personality will determine the service products they choose (Reedy *et al*, 2000), therefore consumers will buy service products they perceive to "agree" with themselves, both in terms of the person they are and the image they wish to project (Schiffman & Kanuk, 2004).

Businesses in the service sector, for example the tourism industry, tend to rely heavily on the data generated by this type of research because they will normally invest heavily in the image of their services and attempt to manipulate the consumer's perceptions of their brand(s). Branding is especially important in the marketing of services, as it provides information to the customer regarding the quality of the service, and well-established brands have a higher degree of customer loyalty (Lovelock & Wright, 2002).

The main advantage of this type of segmentation is that it provides businesses with richer information regarding their current and prospective customers. This information allows

businesses to understand their consumer markets which in turn results in the identification of potential new service(s) and the most effective methods of advertising, promoting and positioning them (Tonks & Farr, 2001).

However, it is argued (Reedy *et al*, 2000) that a weakness of this approach is that current measures are not specific enough, which, will result in businesses failing to take advantage of new opportunities provided by psychographic segmentation.

4.3.5 Socio-Cultural Segmentation

Socio-cultural segmentation provides a further basis for segmenting consumer markets along sociological and anthropological lines; for example, consumer markets are subdivided into segments on the basis of stages in the family life cycle, social class, core cultural values, sub-cultural memberships and cross-cultural affiliation (Schiffman & Kanuk, 2004).

This method of segmentation is based on the premise that people are inclined to act in a manner consistent with other members of their group or culture, and tend to have similar beliefs, customs and practices (Strauss & Frost, 2001). The main advantage of this technique is that information concerning cultural groups is widely available and easily quantifiable, thereby providing businesses with a number of methods with which to manipulate consumers (Schiffman & Kanuk, 2004). However, this practice is often criticised because, in some cases, it fails to take into account the ethical considerations of the consumer (Bowen, 1998).

4.3.6 Use-Situation Segmentation

In many cases, the occasion or situation will often determine what consumers will purchase or consume. Therefore, businesses may focus on the usage situation as a segmenting variable (Albert, 2003). Depending on what day of the week it is, the time frame and the occasion, the same consumer might make different purchase or consumption choices. Consequently, many service products are promoted for special usage occasions (Lin *et al*, 2004).

4.3.7 Segmentation by Purpose of Travel

Clearly, before any tourism service provider decides to segment a tourism market the purpose for which its segment is travelling must be decided. Generally travel may be broken up into the categories of business and holiday travel (Middleton & Clarke, 2001). This in turn will affect the type of tourism product offered and the promotional techniques and methods used in making the target market aware of the service provider's offering (Middleton & Clarke, 2001). However, it is recognised that, in some instances, those consumers on holiday may also take the opportunity to

do business (Goeldner, 2000). Consequently, this research will be examining consumers that travel primarily for holiday although this may be combined with business travel.

4.4 Internet Market Segmentation

With rapid advances in the Internet and its associated technologies, organisations are not only able to procure smaller niche markets (Vellido, Lisboa & Vuaghan, 1999), but are also able to focus on individual customers by providing personalised marketing (Kotler, 1994). By using the Internet to segment consumer markets, businesses can satisfy the requirements of individuals (Kara & Kaynak, 1997), increase customer loyalty (Peppers & Rogers, 1997), and maximise production surpluses (Gopalkrishnan, Anthony, Dhruv & Giordano, 2002). Conversely, failure of businesses to segment their Internet consumer markets can cause customer perplexity because of the quantity of information available (Yelkur & DaCosta, 2001).

Accordingly, market segmentation is crucial for an Internet marketing strategy (O'Connor & O'Keefe, 1997) and therefore, an important, even essential, part of e-commerce (see Section 3.4) (Chang, 1998). Strategies to segment Internet customers are still in their infancy and the body of literature on Internet Market Segmentation (IMS) is not of significant size (Lin *et al*, 2004). Consequently, no clear definition of electronic market segmentation exists.

Chaffey *et al*, (2000) argue that consumers' basic needs and aspirations will not change as a result of the Internet environment, and therefore current marketing theories should still be applicable to the Internet environment. Therefore, IMS is a combination of present market segmentation methods (Section 4.3) discussed above, that have been integrated to make use of the unique advantages the Internet provides.

The majority of studies on IMS are primarily concerned with identifying market segmentation variables and establishing market segmentation models. Examples of these are Gordon and Lima-Turner (1997) and Vellido *et al*, (1999) in the use of neural network technology to discover the segmentation variables of the online market. McDonald and Dunbar (1995) used a motivation framework to develop applications for trans-national market segmentation. Louvieris and Driver (2001) investigated segmentation variables such as sex, education level, income, frequency of Internet use, and circumstances of the Internet.

In practice, however, most businesses have relied on price as an important segmentation variable in their Internet marketing mix, manipulating it to be as competitive as possible and offering

incentives that are predominately price-based (Bakos, 1997). Indeed, the one very significant impact of the Internet on marketing has been the prominence of price as a competitive strategy as prices are easily changed through this medium and, as the Internet is a relatively new technology, competing on the basis of price is an easy and effective initial marketing strategy (Lin *et al*, 2004).

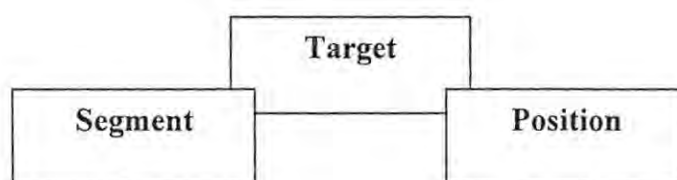
However, several empirical studies reported in Brynjolfsson and Smith (2000) suggest that online consumers may not be influenced by price alone, but are also seeking other benefits from purchasing service products over the Internet. Other factors taken into consideration by consumers when purchasing over the Internet are service product variety, service product information, brand names, privacy, security, delivery and customer service (see Section 3.8.4) (Degeratu, Rangaswamy & Wu, 2000; Donthu & Garcia, 1999; Keeney, 1999).

In light of the above, researchers are now using Internet technologies to identify factors other than price, which are useful in segmenting Internet consumers. More importantly, the Internet and its associated technologies have affected the traditional segmentation process and a discussion on how these technologies aid in the traditional STP process of segmentation follows.

4.5.1 Effects of Internet Technologies on the Segmentation Process

The shift from the marketplace to the marketspace has altered the traditional STP process of segmentation (Bowen, 1998). Originally, the three steps of market segmentation (see Section 4.2) were separate. First researchers segmented a market, then identified those markets of value and finally positioned themselves in their chosen markets. However, with the increase in database marketing (see Section 3.8.2) and data analysis techniques, organisations are able to identify more valuable segments as they segment the market, therefore there is an overlapping or blurring of these functions as illustrated in Figure 4.2 below.

Figure 4.2 Effects of the Internet on the Segmentation Process



Source: Bowen (1998:294)

The tools provided to marketers by the Internet and database technologies, for example data mining, are not bound by the traditional ways people think of segmenting a market, or by people's imagination, therefore these tools can show the value of segments they identify based on segmentation criteria. This results in the segmenting and targeting functions overlapping (Bowen, 1998).

More importantly, Internet-based technologies allow for smaller segment sizes. Traditional segmentation theory states that a segment should be sufficiently large in terms of size and/or profit potential in order to be targeted (Pickton & Broderick, 2000) as the cost of customising a marketing mix is prohibitive (Schiffman & Kanuk, 2004). However, the low costs involved in installing, administering and information processing of Internet-based technologies allows the pursuit of smaller segment sizes, which in turn results in the provision of specific information and service products to the individual consumer (Gopalkrishnan *et al*, 2002).

Businesses are able to customise their marketing mix for smaller segments as much of their core presentations are based on digital information and, therefore, changes to the marketing mix are made more cost-effectively when compared to traditional segmentation methods (Dolan & Moon, 2000).

Positioning techniques are useful in choosing target markets, and computer-based segmentation techniques (see Section 4.5.2 below) are able to identify several profitable segments based on the segmentation criteria supplied, thereby causing the targeting and positioning functions to overlap (Bowen, 1998). The main advantage is that organisations are now better able to observe, and react to, changes in consumers' preferences and tastes, when compared to the traditional segmentation process, where organisations could not observe and react to shifts in consumer behaviour as effectively (Souza & Seungoo, 1997). Therefore, Internet-based technologies have made the identification of current and potential customers more efficient.

4.5.1.1 Customer Identification

Internet-based technologies such as cookies and online profiling, along with strategies requiring user registration and memberships, allow businesses to identify prospective and current customers more effectively (Baker, Marn & Zawada, 2001). Through the use of these technologies, businesses can track and identify who visits their Web site, measure performance in terms of unique visitors, identify which prospective customers have been converted to buyers and

categorise repeat buyers. By tracking customers, businesses can use the information obtained to form market segments for specific targeting (Gopalkrishnan *et al*, 2002).

Therefore, Internet-based identification technologies afford businesses more precision in targeting, advertising and promotions when compared to traditional mass-media advertising and sales promotions, where businesses target on the basis of broad criteria, such as geographic location. Such customised targeting may be either real-time and directly targeted to users or enabled through Internet-based communities (see Section 3.4.8).

4.5.1.2 Real-Time Application of Segmentation Criteria

Internet-based customer identification techniques allow personalisation of content and other tactical elements of a Web site through various real-time suggestions, queries and links. One important form of personalisation used by various businesses is collaborative filtering.

Collaborative filtering uses real-time information on a user's Web activities and profile information to match with other relevant information in the firm's database (Turban *et al*, 2000). Essentially, any segmentation criteria available on users, as well as tracking their Internet activities, could be used to suggest relevant service products and information that the consumer may be interested in. Collaborative filtering is easy to implement and its real-time capability provides the business with a low cost customisation option (Baker *et al*, 2001).

Using the information obtained from collaborative filtering and from profiling users on the Internet, businesses can provide consumers with promotional and discount offers (see Section 2.5.5) that may be of interest to them. Additionally, profile information may be used to offer supplementary services and support for specific service products in use by the consumer.

Furthermore, data filled out by consumers as forms or questionnaires could be used to obtain a quick, real-time demographic segmentation (see Section 4.3.1), since such forms may contain information on location and other buyer characteristics, businesses use a unique identification number from cookies to extract this information and match it to other profiles or specific segmentation rules. Thus, a more precise demographic targeting is achieved online through the use of more detailed information contained in the forms (Gopalkrishnan *et al*, 2002); which results in businesses being able to perform a more detailed segmentation analysis of their consumer markets.

4.5.1.3 Detailed Segmentation Analysis

Beyond real-time analysis and applications, data collected over the Internet could be subjected to a more in-depth analysis. The Internet provides businesses with several sources of marketing research data (see Section 3.4.1) which could be used to obtain information on consumer preferences.

Information obtained through click-stream data as well as from registration and forms is used in customer identification (see Section 4.5.1.1) to help identify potential Internet consumers' preferences and habits; for example, once the visitor has become a customer then businesses have information on past buying habits. Moreover, information is also obtained through specific e-mails to the firm's customer service (see Section 3.8.4) or technical support department. The results of personalisation attempts such as discounts, promotional offers and collaborative filtering could also be collected as a measure of customer responsiveness to these attempts (Baker *et al*, 2001).

Besides data obtained over the Internet, the firm could also use various other sources of customer data in an attempt to create a comprehensive consumer database. This may include information from the firm's records prior to the transition to the marketspace or from data collected by sales representatives. While there may be some legal and ethical issues regarding the combination of these various data sources, behavioural and demographic measure devoid of specific identifiers could be used to obtain a rich database for segmentation, targeting and analysis (Baker *et al*, 2001).

The data collected from the Internet and other sources could then be subjected to various statistical and commercial methods of analysis, for example, businesses can combine past sales and customer behaviour data to link various buyer characteristics and user navigation elements to predict user/buyer behaviour. In addition, various forms of online analytical processing (OLAP) tools are available commercially to help organisations answer specific questions regarding their customers (Louvieris & Driver, 2001). However, as with traditional statistics, the assumptions about and knowledge of the user matter greatly in asking the right questions and developing inferences (Mena, 1999).

Data mining techniques including generic algorithms, and the use of neural networks are often used to make predictions about future behaviours (Mena, 1999). The three basic characteristics of data mining include pattern recognition, profile formation and trend identification. By using data

mining techniques, organisations could find answers to questions such as what segments could be formed, who is likely to purchase new tourism products online, Internet visitor trends and profiles of loyal clients (Mena, 1999). Through the use of these Internet-based technologies a number of methods of segmenting Internet consumers have been developed that not only take into account the price sensitivity of consumers, but examine a host of other factors. These methods of IMS are dealt with below.

4.5.2 Bases of Internet Market Segmentation

Segmented pricing relies on the ability to separate the market into different segments based on consumer characteristics, and provide multiple service/price offerings based on the acceptability and willingness to pay for each segment (Dolan & Moon, 2000). Additionally, it is assumed that consumers have different search costs (see Section 2.4.4) when they buy from a Web site.

The process of segmenting Internet consumers discussed above could then be used to identify segments with different reservation prices as well as the specific constituents of each segment. These segments are then reached through different pricing tactics based on the segmentation criteria used (Gopalkrishnan *et al*, 2002). The application of pricing tactics based on buyer identification, purchase timing, purchase quantity and service product usage are discussed below with a focus on the advantages of Internet-based segmentation.

4.5.2.1 Buyer Identification

Segmentation strategies based on buyer identification require that consumers take up membership in a specific group in order to take advantage of the financial incentives on offer, for example price-sensitive consumers, such as students and senior citizens, are often given discounts on various service products upon production of a valid identity card (Nagle & Holden, 1995). Traditionally, salespeople attempt to evaluate consumers' price-sensitivity through their expertise, intuition and assessments of buyer responses to selected questions. However, these traditional forms of buyer identification can only point to whether a consumer is price-sensitive, and a complete range of price preferences or price segments cannot be determined by traditional methods (Gopalkrishnan *et al*, 2002).

Internet-based consumer identification tools (Section 4.5.1.1) go beyond the traditional and imperfect methods based on salespeople's observations of and questions about purchase timing. Moreover, no additional questions are asked from prospective consumers. Thus, by using Internet-based segmentation pricing methods, the identification of consumers, formation of

various price-based segments, and the implementation of a segment-based pricing tactic are all based on the consumers' actual behaviours of search and choice (Baker *et al*, 2001)

4.5.2.2 Purchase timing

Traditional segmentation strategies used two pricing methods based on purchase timing: peak load pricing and yield management (Nagle & Holden, 1995). For example, the tourism industry often uses peak load pricing to offer different prices to consumers based on their time of purchase. This price differentiation is justified by the fact that services cannot be inventoried (see Section 2.4.2) and that the firm incurs different costs to service its customers at different times (Middleton & Clarke, 2001).

Yield management techniques involve the allocation of fixed capacity to different price segments in order to maximise revenue while managing capacity (Nagle & Holden, 1995). For example, in the airline industry, early buyers are assumed to be price sensitive and are offered discounted fares with heavy restrictions and penalties for changes in the service, whereas late buyers are willing to pay higher prices.

Both peak load and yield management pricing strategies have been extended successfully to the Internet especially for organisations in the tourism industry as order placement details are more accurately registered over the Internet, thereby ensuring fairness in pricing which results in no unfavourable effects on consumers' willingness to purchase tourism products (Coulter, 1999).

4.5.2.3 Purchase Quantity

Many organisations offer discounts based on purchase volume. The rationale for offering discounts is explained by the fact that sellers may experience cost savings from any one or combination of the following: lower sales costs, lower costs of raw material procurement in higher volumes, time value of money in terms of higher revenues available for a longer period, and longer production runs without a concurrent increase in holding costs (Gopalkrishnan *et al*, 2002).

4.5.2.4 Usage Based

Since consumers place different values to the use of an asset, segment identification based on asset/usage enables marketers to offer prices based primarily on usage. In some cases the seller can offer one service product at a very low price and even for free. Internet segmentation could identify consumers on the basis of their use of an asset and help monitor the type and extent of use in order to set the price (Dolan & Moon, 2000).

4.6 Conclusion

Market segmentation is a fundamental process that affects all other marketing activities within organisations, as it is used to understand the needs of consumers so that the organisation can manipulate the various elements of the marketing mix in order to develop service products to satisfy them.

Market segmentation is used in all industries, however the tourism industry uses market segmentation extensively as organisations in this industry will typically focus on small profitable consumer segments and not on the complete tourist market. In order to identify consumer segments there are a number of segmentation variables available and these were examined. The methods used in this research will be a combination of demographic, socioeconomic and use-related segmentation variables. A criticism of the traditional segmentation process is that it is a linear process and therefore does not take into account the changing tastes and behaviours of consumers. However, the Internet and supporting technologies have altered this paradigm.

An examination of how the Internet integrates the segmentation process and makes the identification, targeting and positioning of segments easier and quicker followed. With the use of technologies such as cookies, data mining and online analytical processing, new segments are identified as they are targeted. Moreover, as technologies on the Internet are relatively easy to implement at a low cost, the measures of validity that segments have to pass in order to be profitable are less stringent.

Most methods of IMS are based on price, however research indicates that consumers are taking into account other factors as the use of the Internet grows among consumers. Factors like branding, product information, privacy and customer service play more important roles in purchase behaviour than previously thought. As a result, the IMS methods of buyer identification, purchase quantity, and usage were examined and it was shown how Internet-based technologies help identify factors other than price, that may be useful in segmenting Internet consumers.

This chapter concluded that market segmentation is an important concept especially in terms of Internet consumers, as it is easy for customers to become overwhelmed with the large amount of information available regarding tourism products. The next chapter deals with a segment of the tourism market known as the mature market. It examines the factors that influence the purchase of tourism products online by this market.

CHAPTER 5

THE MATURE MARKET

5.1 Introduction

The previous chapter examined the importance of the process of market segmentation within the context of the tourism industry. Specific attention was paid to highlight how the Internet and its associated technologies have affected this process. This chapter deals with a consumer segment of the tourism industry commonly referred to as the mature market.

This chapter begins by highlighting the issues surrounding the difficulty of defining the mature market, and a definition of the mature market apposite for this research is specified. The importance and relevance of the mature market is explained by examining the growth in size and economic value of this consumer segment. Accordingly, the growth of the mature market has implications for the marketing of tourism products and these are discussed.

Specifically, the growth in the mature market has implications on how to segment this market, and therefore a discussion on the methods available to segment the mature market is followed by an examination of the travel behaviour of this segment. Certain segments of consumers in the mature market have been identified that require specialised tourism products, therefore specific attention is paid to identify various characteristics of the tourism product that influence the evaluation and purchase of different tourism products by various segments in the mature market.

Bearing these characteristics in mind, this chapter concludes with a discussion on what characteristics of the tourism product are important in differentiating between Internet users and Internet non-users in the mature market.

5.2 The Mature Market – A Definition

There appears to be no consensus on the characteristics that define one as an “older” person (Moschis, 2003) and this has led to debate defining when maturity begins (Nielson & Curry, 1997; Moschis *et al*, 1997). The majority of the literature on the mature market uses age as a distinguishing criterion with which to define the mature market; however, age is not a very good

criterion to use to define a market because there is a great deal of variability in what is understood by aging (Moschis, 2003; Schiffman & Kanuk, 2004). Since aging is multidimensional, that is, people gradually grow old biologically, psychologically and socially, any age boundary used is not likely to produce a meaningful definition (Moschis, 2003). In other words, people do not often look or act their age (Leventhal, 1999), therefore it often becomes necessary to use an arbitrary age, and even chronological definitions need to be placed in proper perspective. For example, marketers of nursing homes may use a higher age boundary when compared to marketers of tourism products which is the focus of this research (Moschis, 2003).

Nevertheless, in the majority of the literature, the mature consumer is defined as a person who is 50 years of age or older (Dychtwald, 1997; Leventhal, 2000; Shoemaker, 2000; Szmigin & Carrigan, 2000) and this approach is adopted in this research. The argument in favour of defining mature consumers as those aged 50 years and older is based upon the minimum age to be considered for retirement (Moschis, 2003). It is argued (Shoemaker, 2000) that retirement is seen as marking the entry into a new stage of life following youth and career, and that people aged 50 years or older go through more life changing events than any other age group (Dychtwald, 1997; Shoemaker, 2000).

This implies that as mature consumers go through these changes, their needs for service products are likely to change, and so do their perceptions of and responses to marketing communications (Moschis, 2003). Businesses need to re-evaluate their marketing intelligence on the current mature market because it is growing rapidly and the purchase behaviour of consumers entering into this segment is different from the established purchase behaviours of the traditional elderly (Szmigin & Carrigan, 2000). The reasons for and implications of this growth are dealt with below.

5.2.1 Growth in the Mature Market

The mature market has come under focus as population trends indicate that the traditional youth market is shrinking, while the population aged 50 and over is increasing (Beck, 1996; Burt & Gabot, 1995; Carrigan, 1998; Kang & Ridgway, 1996; Mitchell, 1996; Moschis, 2003; Semon, 1995). Currently, there are approximately 600 million people over the age of 50 living all over the world and it is estimated that by the year 2050 this figure will quadruple to two more than billion (Moschis, 2003). According to the South African Government (2002), there are approximately 5.7 million people that fit into the category of the mature market. This comprises 15 percent of the total population and it is estimated that it will grow by five percent by the time the next census is conducted (South African Government, 2002).

This growth in the ageing population is likely to affect businesses in a number of ways, and consequently companies will have to understand the needs of older people and how the older market responds to various marketing activities of the firm. The increasing number of older adults puts more economic power in the hands of these consumers who are likely to demand service products suitable to their needs and, as a result, businesses have already begun to respond to the needs of the aged population by developing new service products or modifying existing ones (Moschis *et al*, 1997).

Contrary to popular belief, the mature market is not homogenous and consists of older people who exhibit a great deal of variability with respect to the way they look, think and act (Moschis *et al*, 1997). However, many organisations see the mature market as a group of “vulnerable old people” (Moschis *et al*, 1997). Leventhal (2000) investigated the perceptions of a sample of workers in the tourism industry regarding consumers in the mature market and identified that 46 percent of the respondents felt most older people could not adapt to change; 50 percent said they thought that most older people lived below the poverty line; more than 65 percent agreed with the statement that older people are lonely and 75 percent agreed that at least one in 10 older people lived in an old age home.

However, recent studies (Mathur, Sherman & Schiffman, 2000; Moschis, 2003) suggest that many older people do not fit this negative and stereotypical image of the elderly person, for example, weak, poor and isolated (Scherman & Schiffman, 1991). Within the mature population there are growing numbers of consumers with different values, attitudes and behaviours from the traditional elderly person. Similarly, Mathur *et al*, (2000) state that mature consumers perceived themselves as younger in age (irrespective of their chronological age), are more in control of their lives and more self-confident.

More importantly, mature consumers are willing to accept change, and this is reflected in their willingness to accept new service products. Furthermore, they are skilful and knowledgeable consumers who seek new experiences and creative personal challenges (Carrigan & Szmigin, 1999; Crespo, Keteyian, Heath & Sempos, 1996; Mathur *et al*, 2000). Consequently, businesses cannot rely on the experience of consumer behaviour by past older generations as a measure of the behaviour of older generations today and in the future, therefore a new approach to the mature market is needed (Carrigan, 1998).

In light of the above, there exists a need to further segment (see Chapter 4) the mature market, and the existing methods of segmenting this market are discussed below.

5.3 Segmentation of the Mature Market

The available marketing segmentation literature related to the mature market is predominately US research based, although a few UK studies have been undertaken realising similar findings across this broad consumer category. The consensus is that the mature market is an under-researched market, with most studies concerned with buyer behaviour linked to retail shopping activities.

The lack of research activity translates into a lack of marketing information on this consumer group, compounding the preoccupation of businesses with more familiar “younger” consumer groups (Carrigan, 1999). However, research (Szmigin & Carrigan, 2000) has identified several meaningful characteristics related to the behaviour of the mature market which indicate that these consumers are marketing-literate, value-conscious and demand high levels of service.

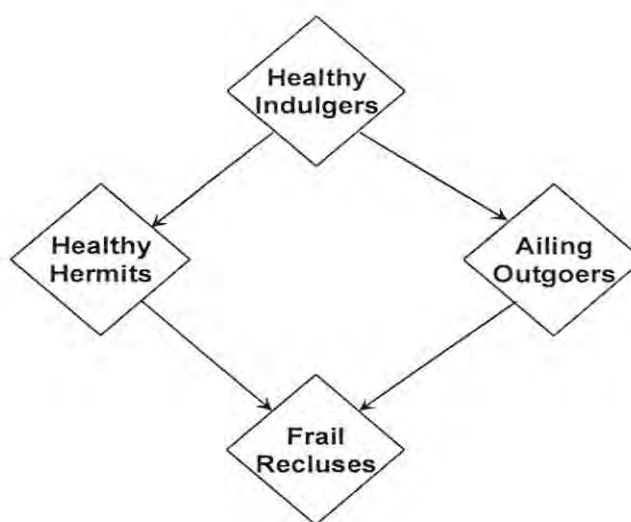
Early research (Morgan & Levy, 1996; Potter, 1996; Silvers, 1997; Timmermann, 1999) on segmenting the mature market did so according to age. By doing so the mature market is broken down into the following sub-groups. The “young-old” are defined as those mature consumers who are between the ages of 50 and 64, the “middle-old” are those who are between 65 and 74 years old, the “aged” are between 75 and 84 years old, and finally the “very-old” who are 85 years old and above. However, it is argued (Balazs, 2000; Moschis, 2003; Sonnenberg, 2000) that segmenting the mature market solely based on age does not provide businesses with meaningful information on this market because, as discussed above, consumer behaviour does not share a positive relationship with age.

Instead, Moschis *et al* (1997) argue that consumer behaviour in the mature market is more sensitive to their needs and lifestyles, which are in turn influenced by the life-changing events and circumstances they experience. As a result, Moschis (2003) developed a method of segmentation called Gerontographics which takes into account the consumers’ ageing process and life experiences.

Gerontographics breaks up the mature market into four segments of consumers who are at different stages in life, and these are illustrated in Figure 5.1 below. The first group is comprised of *healthy indulgers*. Mature consumers in this group are closest to the stage at which most baby-boomers are found. The major difference between mature people who experience this stage and

baby-boomers is that the former group is better-off financially and settled career-wise, with their main focus on enjoying life rather than trying to “make it in life”. This group of mature consumers do not see themselves as being old and are the group closest to the traditional younger market.

Figure 5.1 Life-stage Segments of the Mature Market



Source: Moschis *et al* (1997:287)

Opposite to this stage is the life-stage occupied by *frail recluses*. Consumers in this stage of life usually suffer from chronic ailments and usually live in isolation and see themselves as old. At an earlier point in time, they may have experienced the same stage healthy indulgers presently do, although stages are age-irrelevant (Moschis, 2003).

Many of the frail recluses may have gone through the intermediate life-stages experienced by *healthy hermits* and *ailing outgoers*. The former group is relatively more socially withdrawn and healthy but secluded, while the latter is still active and likely to maintain high self-esteem despite adverse life conditions. Furthermore, healthy hermits are concerned with day-to-day tasks and are likely to deny their “old age” status, while ailing outgoers have internalised many of their frailties and are preoccupied with their physical and financial independence. These four segments of mature consumers respond differently to marketing communications, justifying the development of different marketing strategies and service products to reach each segment (Moschis, 2003).

People in late life can move from one life-stage to another, which is represented by the arrows in Figure 5.1. Specific arrows indicate that people may move to the next stage in life due to physiological, psychological and social aging. Arrows pointing to the left denote psychosocial aging, whereas arrows pointing to the right denote biophysical aging. Clearly, a need exists for additional research to better understand the needs and wants of this group, in order to effectively market tourism products (see Section 2.4) to the mature market.

5.4 Travel Behaviour

The travel behaviour of the mature market has rapidly become an increasing area of interest among tourism businesses (Shoemaker, 2000). Travel is a product category which is known to be attractive to the better off, older consumer with more leisure time to spare, and it is also an area where services are consistently being developed and increasingly segmentation is taking place (Law *et al*, 2004). Trends towards early retirement, increased number of leisure years and the increased wealth of the elderly promote their attractiveness as a market segment for these services (Mathur *et al*, 2000; Szmigin & Carrigan, 2000).

Worldwide, interest in the mature market as a major strength in world tourism has increased and, in May 1998, the first forum on tourism for the senior citizen was held by the WTO (WTTC, 2002). This forum examined the importance of this group and found it a highly viable and growing market (World Tourism Organisation, 2002). Besides increasing numbers and growing discretionary incomes, mature consumers can travel outside peak seasons and holiday for longer (Moschis, 2003) which implies that the characteristic of perishable capacity (Section 2.4.2) of the tourism product has the potential to be reduced for tourism businesses who target this segment.

The recognition of the mature market's potential has led to research comparing the differences and similarities between the mature market and the traditional, younger market's travel habits. This research (Anderson & Langyemer, 1994; Balazs, 2000; Hawes, 1990; Lawson, 1991; Schifflet, 1999; Shoemaker, 2000; Zimmer *et al*, 1995) states that mature consumers have become free of their children's dependency, have made their financial and time investments in home and family, hold a large share of all discretionary income, spend more, travel more often, stay away longer, and travel greater distances, and therefore, these factors will, in varying degrees, influence the type of tourism product that these consumers purchase.

Similar studies examining the similarities and differences between the over-50 and under-50 markets found significant differences in demographic characteristics (see Section 4.3.1) and

travel-related characteristics, for example activities performed while on holiday, trip types, and expenditure patterns between the two groups (Anderson & Langmeyer, 1994; Javalgi, Thomas & Rao, 1992; Shoemaker, 2000).

Similarly, Schifflet (1999) identified specific differences in travel patterns between the over-50 and under-50 markets and found that the mature traveller is a frequent leisure traveller, often stops over *en route*, and travels more abroad than other age groups. Other studies (Javalgi *et al*, 1992; Lieux, Weaver & McCleary, 1994; Morgan & Levy, 1996) document that both domestic and international travel are popular activities of the elderly and, according to one empirical study (Moschis, 2003), nearly one-fifth of women and more than one-sixth of men between the 50 and 59 years of age have taken an international trip in the last three years. Additionally, more than one in six women and men from the same group had a domestic trip in the last year.

These studies (Javalgi *et al*, 1992; Moschis, 2003; Shoemaker, 2000) indicate that becoming older does not hamper the desire to travel and the mature market shows a great deal of diversity with respect to their travel behaviour. Morgan and Levy (1996) identified characteristics that distinguish various mature travel segments based on their attitudes, motivations and needs. They (Morgan & Levy, 1996) distinguish between 'highway wanderers' who prefer to drive their own cars, the 'pampered relaxers' who enjoy cruises, the 'global explorers' who seek new experiences, the 'independent adventurers' who like including several family generations on their trips and the 'anxious travellers' who focus on cost and safety, arguing that each group requires a specific tourism product to be developed for their specific needs.

Other studies (Balazs, 2000; Blazey, 1992; Leventhal, 2000) have examined large groups of mature travellers and identified the major reasons for travel. From this research the main reasons for travel were for rest and relaxation, to visit relatives, and to see historic sites (Anderson & Langmeyer, 1994; Shoemaker, 2000; Zimmer *et al*, 1995). Furthermore, Zimmer *et al*, (1995) identified that exposure to novel situations, escape from the routine of daily life, and opportunities for socialisation were major motivational factors for the mature traveller.

A review of the literature on the travel behaviour of the mature market has suggested that there might be changes in "mindsets" between the current mature market and the previous one. Shoemaker (2000) compared the results of two studies conducted on the reasons for mature travel. The first study was done in 1986 and the follow-up in 1996. He (Shoemaker, 2000), concluded that while the reasons for travel remained constant over the 10 year period, the most

important reason for travel in the current mature market was to visit new places whereas the main reason for travel in the study conducted in 1986 was to visit friends and relatives. Furthermore, Shoemaker (2000) found that there was an increase in the number of pleasure trips taken when compared to the study done in 1986.

While travel may be popular among some sub-segments of the elderly, the characteristics that distinguish them from others in their age group need to be explored. A factor which has not been studied is how mature consumers use the Internet to obtain information on and pay from tourism products. The mature online population is discussed below.

5.5 Mature online population

Previous research indicates that age, education, gender, income, occupation, and race are key factors that influence Internet use (Bonn *et al*, 1998). This research (Lin *et al*, 2004) has shown that people who are most likely to use the Internet are more educated, male, are younger, hold higher levels of income, spend more money each day while travelling, and stay longer in commercial establishments (Bonn *et al*, 1999; Henderson, 1998; Lewis & Semeijn, 1998; Walle, 1996; Webber & Roehl, 1999; William *et al*, 1996).

Early research on the use of the Internet showed that men were the early adopters (Walle, 1996). However, Lieux *et al*, (2000) show that women are now becoming a powerful buying force on the Internet accounting for roughly 51 percent of Internet users; similarly, Webber and Roehl (1999) found that women are the primary decision makers in the household and handle most of the family's finances and these factors have implications with regard to the marketing of the tourism product as women respond differently to marketing stimuli when compared to men (Schiffman & Kanuk, 2004).

In the tourism sector, Lewis and Semeijn (1998) state that demographic shifts, a greater focus on time saving and an increase in product information are likely to contribute to the increase in acceptance of electronic commerce. Similarly, Bonn *et al*, (1998) identified travellers who request information electronically, and their results indicate that most respondents in each demographic category use the Internet to obtain travel-related information.

Current research on the adoption of technology by mature consumers has shown that they are receptive to new technologies, and that mature consumers hold more positive views regarding computers and technology than was previously thought (Hawes, 1990; Leventhal, 2000; Szmigin

& Carrigan, 2000). According to Hawes (1990) and Moschis (2003), mature consumers are the fastest growing group of Internet users today, and Campbell (1998) states that there are more Internet users over the age of 50 than under 20, with 19 percent of all Internet users aged 50 or older.

Trocchia and Janda (2000) argue that the mature have yet to form strong emotions (either positive or negative) regarding computer use. Similarly, in a study which measured the attitudes of the mature regarding their experience with computers, Rasmusson & Cohen (2000) found that in general, overall anxiety levels toward computer use are low, and that the mature recognise the value of computers and the Internet in their lives. Consequently, older people view technology developments such as the Internet as a route to education and leisure pursuits (Silvers, 1997; Szmigin & Carrigan, 2000).

Studies (Rasmusson & Cohen, 2000; Trocchia & Janda, 2000; Zimmer *et al*, 1995) conducted to examine the demographic characteristics of mature Internet users found that users were in general male, more experienced in computer use, younger adults, and had higher levels of education and income. Similarly, a study conducted by Law *et al* (2004) to examine Internet usage by mature travellers, found that majority of mature users who used the Internet to obtain information on tourism products were those aged between 50 and 60 years old.

However, research on mature travellers who use the Internet has been confined primarily to research on buying habits with respect to physical goods rather than services, therefore this study will attempt to identify differences between mature travellers who use the Internet and those who do not with regard to the purchase of tourism products.

This research will segment the mature market into Internet users and Internet non-users seeing that this market is currently the largest growing group of Internet users (Shoemaker, 2000). Following this, attention will be paid to identify demographic, socioeconomic and travel-related characteristics which may be used to differentiate between the two groups. Furthermore, having developed a profile of mature South African Internet users, comparisons can then be made to the literature presented above, which is predominately US research based, regarding the general profile of mature Internet users.

5.6 Conclusion

This chapter defined the mature market on the basis of age. The age of 50 was chosen as research states that consumers aged 50 years old and over go through many life-changing events which, in turn, will influence the types of service products they purchase. The increased attention to this consumer market stems from the fact that the youth population is shrinking while the older population is growing, and that the current older population is wealthy.

Due to the increase in size and diversity of the mature market a number of methods of segmenting this market were discussed. Most of the methods discussed above to segment the mature market used age as a key segmentation variable and this approach was adopted in this research. However, as discussed above, using age alone does not provide information on the motivations which led to the purchase, therefore in order to obtain a 'richer' profile of mature consumers, this research identified certain travel-related, demographic and socioeconomic characteristics that would be combined with age, to assess which aspects of the tourism product are important in differentiating between Internet users and Internet non-users.

Furthermore, it was identified that the number of mature consumers who use the Internet is growing yearly, and it was shown that this segment was the fastest growing group of Internet users. Therefore, this implies that tourism businesses need to understand the motivations and constraints of this market when using the Internet. The chapter concluded with an explanation of the key factors which differentiate between Internet users and Internet non-users in the mature market. The next chapter presents the research methodology.

Chapter 6

Research Methodology

6.1 Introduction

Chapter 5 examined factors that affect the marketing of tourism products over the Internet to consumers in the mature market. This chapter presents the research process and the approach taken in the empirical study.

The chapter begins by discussing various characteristics of the mature market that will be measured. These characteristics form the basis of the research questions to be answered. The research questions are further broken down into specific research hypotheses that will be empirically tested.

The research design is discussed and specific attention is paid to the research population, sample and design of the survey instrument. A discussion on the measures of validity and reliability used to assess the survey instrument follows. The chapter concludes with a discussion on the methods of data collection used and the statistical techniques that will be used to test the research hypotheses developed earlier.

6.2 Research Outline

This study differentiates between mature travellers who use the Internet (Internet users), and those who do not (Internet non-users) (Section 6.5.1) in order to examine whether significant differences exist between the two groups in terms of their demographic, socioeconomic and travel-related (Section 6.3) characteristics, with regard to the use of the Internet to obtain information on, and therefore evaluate various tourism products (Zinkmund, 2000).

There appears to be consensus when it comes to the general profile of Internet users. Previous research (Aggarwal, Kehoe, Pitkow, Rogers & Sutton, 1999; Phau & Poon, 2000) suggests that age, gender, education, income, race, and occupation influence Internet use in varying degrees. Consequently, Internet users are male, quite highly educated, married, trained professionals who have a high socioeconomic status, and are white. Although the body of literature pertaining to

understanding the differences between Internet users and Internet non-users is of significant size, little research has been conducted to identify and understand the differences between mature Internet users and mature Internet non-users who use the Internet for the purposes of evaluating various tourism products (Chura, 2002; Henderson, 1998; Rasmusson & Cohen, 2000).

Current research (Rasmusson & Cohen, 2000; Szmigin & Carrigan, 2000) into the mature market indicates that it is the mature consumer who is becoming increasingly knowledgeable about using the Internet and e-mail services. Statistics indicate that the mature consumer spends twice as much time online compared to the 14 to 20 year old group and that mature consumers view technology developments such as the Internet, as a route to education and leisure pursuits (Trocchia & Janda, 2000). However, this research has been criticised (Moschis, 2003) as it has focused mainly on demographic variables, such as age, to highlight differences in mature consumers.

As a result, this study combines a number of variables from usage-related, demographic, gerontographics and socioeconomic segmentation (see Sections 4.3.3 and 5.3) in order to differentiate between mature Internet users and mature Internet non-users (Schiffman & Kanuk, 2004). These differences will form the basis of the research questions to be addressed.

6.3 Research Questions

This study will attempt to answer three research questions, and these are illustrated generally in Figure 6.1. Figure 6.1 illustrates how consumers in the mature market are, for the purposes of this study, divided into two groups comprised of Internet users and Internets non-users. Based on the literature presented above and in the preceding chapters, each of these groups has different demographic, socio-economic and travel-related characteristics. Therefore, the first broad aim of the study is to highlight differences in demographic and socio-economic characteristics by answering the following research question:

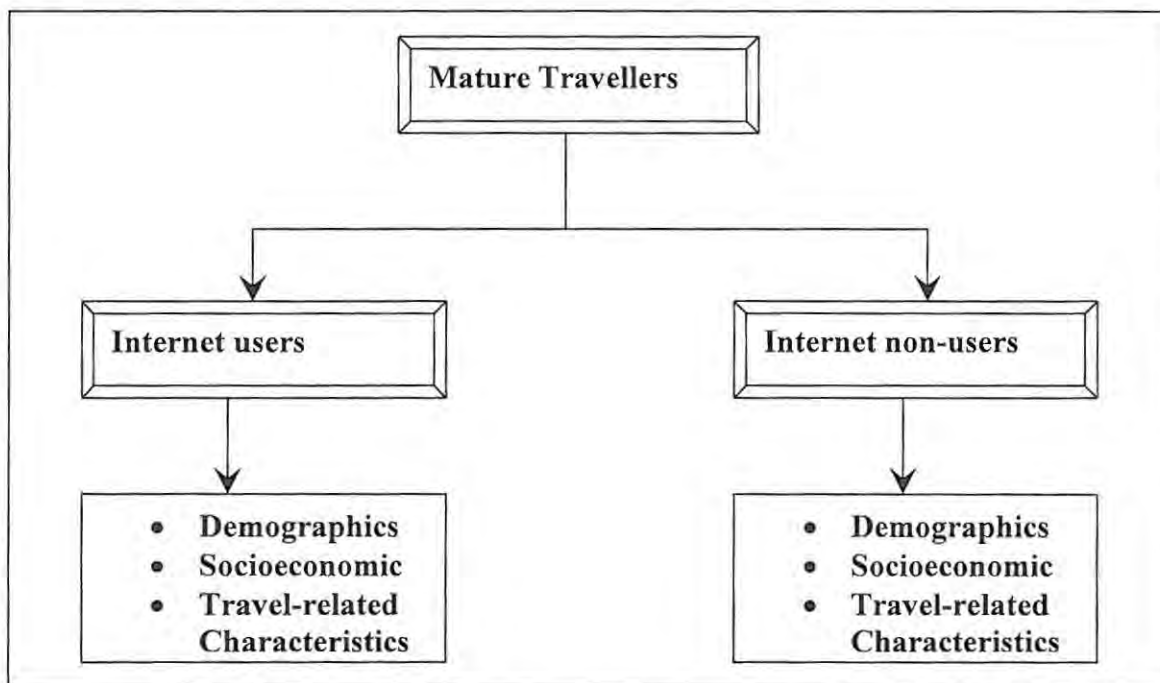
What differences in demographic and socio-economic characteristics exist between Internet users and Internet non-users in the mature market?

The second research question will highlight differences between the two groups with regard to travel-related characteristics. Travel-related characteristics are comprised of the following categories: type of holiday taken, activities participated in while on holiday, length of stay, travel-related expenditures, type of lodging, type of transportation, number in travel party and type of

travel party (Campbell, 1998; Phau & Poon, 2000; Seongming, 2002; Szmigin & Carrigan, 2000), and therefore the second aim of the study is to highlight differences that exist between the two groups in each of the above categories by answering the following question:

What differences in travel-related characteristics exist between Internet users and Internet non-users in the mature market?

Figure 6.1 **Model of the Study**



Source: Researcher's own construction

The first two research questions will highlight differences in categories that influence the evaluation and purchase of various tourism products over the Internet by mature consumers. The third research question will examine which of the categories are most effective in differentiating between Internet users and Internet non-users by answering the following question.

What characteristics among demographic/economic and travel-related and Internet related characteristics are most effective in differentiating Internet users from Internet non-users?

6.4 Research Hypotheses

Various hypotheses are formulated in order to answer the research questions set out in Section 6.3 and these are presented in Table 6.1. The first five hypotheses, number H^{01} to H^{05} , were devised to examine whether there are significant differences in demographic and socioeconomic characteristics between Internet users and Internet non-users. The remainder of the hypotheses, numbered H^{06} to H^{12} , were devised to test whether there are significant differences in travel-related characteristics between Internet users and Internet non-users.

Table 6.1 Research Hypotheses

H^{01} :	There is no difference in age between Internet users and Internet non-users.
H^{02} :	There is no difference in the level of education between Internet users and Internet non-users.
H^{03} :	There is no difference in the level of household income between Internet users and Internet non-users.
H^{04} :	There is no difference in gender between Internet users and Internet non-users.
H^{05} :	There is no difference in occupation between Internet users and Internet non-users.
H^{06} :	There is no difference in the type of trips taken between Internet users and Internet non-users
H^{07} :	There is no difference in the activities performed while on holiday between Internet users and Internet non-users
H^{08} :	There is no difference in the length of stay between Internet users and Internet non-users.
H^{09} :	There is no difference in travel-related expenditure between Internet users and Internet non-users
H^{10} :	There is no difference in the type of establishment stayed in between Internet users and Internet non-users
H^{11} :	There is no difference in the type of transportation used between Internet users and Internet non-users
H^{12} :	There is no difference in the number of people travelling together between Internet users and Internet non-users

6.5 Research Design

This section will focus on the population, sample design, survey instrument, method of data collection and variables that are going to be tested. According to Adams and Schvaneveldt (1985: 103) “research design refers to a plan, blueprint, or guide for data collection and interpretation – a set of rules that enable the investigator to conceptualise and observe the problem under study.”

As is evident from the hypotheses, this research study is of a quantitative nature. In describing the research design the first area to be examined is the research population and sample.

6.5.1 Research Population and Sample.

A population is considered to be any group of people who share a common set of traits that are of interest to the researcher (Malhorta, 1999). The participants for this study will consist of consumers in the mature market (see Section 5.2). Secondly, participants will have had to have travelled for at least one night for primarily for pleasure purposes (international and/or domestic travel), although this could be combined with business travel.

A sample is a representation of the elements of the target population (Malhorta, 1999). A convenience sampling method was used as this is the least expensive and time-consuming method (Malhorta, 1999). In this study, the sample is comprised of Internet users and Internet non-users.

An Internet user is defined as a mature consumer who uses their computer to connect to the Internet to obtain information on and purchase tourism products (Szmigin & Carrigan, 2000). Conversely, an Internet non-user is defined as a mature consumer that does not make use of the Internet to obtain information on and purchase tourism products (Carrigan & Szmigin, 1999). The e-mail addresses of approximately 1500 respondents were obtained from a mailing list provider who has segmented their Internet market according to age. In order to acquire data from Internet non-users respondents were chosen by the researcher from the Eastern Cape and Gauteng provinces.

6.5.2 Survey Instrument

The survey instrument was developed to investigate factors influential in Internet use and to measure determinants affected by Internet users and Internet non-users. The original survey instrument was initially developed by a researcher who conducted a similar survey in the United States (Seongming, 2002). In order to make the survey applicable to the South African environment, the survey instrument was reviewed and changes were made to the wording of

questions, and symbols used to suit South African respondents as they were set at American standards. A copy of the instrument is attached in the Appendix. An electronic version and a paper based version of the survey instrument were designed to test the hypotheses developed above (Seongming, 2002). The two forms of the questionnaire do not differ in the number and type of questions asked (Phau & Poon, 2000).

6.5.2.1 Validity and Reliability of the Survey Instrument

Validity and reliability are two of the most vital aspects to be considered when formulating or evaluating a particular instrument. Reliability is concerned with the consistency, accuracy, and predictability of the instrument. An instrument is said to have high reliability if it can be trusted to give an accurate and consistent measurement of an unchanging value (Kinnear & James, 1996).

In order to test the reliability of the original survey instrument, the test-retest method of assessing reliability was adopted. Firstly, the survey questionnaire was distributed to several faculty members and graduate students in the Department of Hospitality and Tourism Management at Virginia Polytechnic Institute and State University (Virginia Tech) in the USA. Each participant was asked to provide comments after completing the questionnaire regarding the layout, wording, and ease of understanding of the measurement items (Zinkmund, 2000). The feedback was then taken into account in the revision of the questionnaire. The revised questionnaire was then tested through a group of convenience samples consisting of mature residents in Southwest Virginia collected from a series of on-site interviews. Comments from second revision were received and incorporated into the final revision of the survey instrument.

The results from this convenience sample were used to conduct a factor analysis to assess the validity of the instrument. Following this, the reliability of the instrument was assessed by calculating the Cronbach alpha scores for each of the factors, identified by the factor analysis, that influence Internet use. The reported scores for factors measuring travel-related characteristics was 0.838 and for factors measuring Internet usage characteristics, the instrument scored 0.895. Therefore, according to the results, the instrument is valid and reliable.

Once the questionnaire was reworded, as questions were structured according to American English, and the currency symbols changed to fit the South African context a pilot study was initiated. A pilot study involves the pre-testing of instruments in an attempt to identify unforeseen problems of administration, coding, and analysis (Kinnear & James, 1996). In this research, a

pilot study was conducted in order to identify any possible problems, questions, or issues of ambiguity before sending out the questionnaire to the intended recipients. The pilot study was conducted by sending the questionnaire to a group of 20 voluntary participants. The problems that arose from the study were as follows:

- 1) There was some ambiguity in the wording of four questions, and therefore these were reworded to make the questions clearer.
- 2) Some participants complained that they could not see the writing so the font size had to be increased.
- 3) Some categories in the questionnaire had to be removed as they were not applicable to the South African context, for example the level of education was set to American standards and included categories such as 'college'.

Having revised the questionnaire according to the comments gained it was sent out to the same group of participants and no further problems were reported.

6.5.3 Ethical Considerations

The main consideration was the anonymity of the respondents, and according to Kinnear and James (1996) respondents are more likely to participate in a survey and speak honestly and frankly if they believe that they will remain anonymous and will not be called to account for their expressed opinions or stated behaviours. To protect the anonymity of the respondents, personal questions regarding their names and addresses were excluded from the survey instrument. Furthermore, with regard to sensitive information regarding salaries, and amounts spent on holidays, the respondents were assured complete anonymity in the cover letter preceding the survey instrument (Appendix).

6.5.4 Data Collection

According to Kinnear and James (1996), there are three major methods of data collection: observation, interviews, and questionnaires. For the purposes of this research, the "mail questionnaire" and "personal interviews" were used in order to gather the necessary information. The former is a non-personal technique of data collection due to the fact that the respondents complete the questionnaires without the interviewer being present. Such questionnaires are known as *self-administered questionnaires* (Bless & Higson-Smith, 1995). This technique of data collection was used in order to overcome issues of cost, time, and geographical constraints. Personal interviews, however, are a more personal form of data collection.

The personal interview method was used to gain data from Internet non-users in the Grahamstown and surrounding areas, and at Johannesburg International airport. The two methods of data collection were chosen due the nature of the research being conducted, because only Internet users would be able to answer the questionnaire using the e-mail method (Kinnear & James, 1996).

The data was collected utilising an e-mail survey (Malhorta, 1999). The e-mail questionnaire was sent to mature consumers whose e-mail addresses were obtained through a mailing list provider. An e-mail stating the nature of research being conducted was sent to the participants, and the participants then clicked on a link which took them to a Web site that contained the questionnaire. In order to ensure a good response rate the mailing list provider included a statement that ensured participants that the research being conducted was genuine, and respondents were given the opportunity to contact the researcher (Malhorta, 1999). In order to collect data from Internet non-users the personal interview method was employed by using the convenience sampling method (Phau & Poon, 2000). Perspective participants were then asked two qualifying questions to see if they were eligible to participate in the survey. These were

- 1) *Are you at least 50 years of age?*
- 2) *Have you travelled on holiday during the last year?*

If respondents answered “yes” to both questions they were guided by the researcher through the paper based version of the questionnaire. The questionnaire collected data from both sets of respondents in order to measure certain variables, which are discussed below.

6.5.5. Variables

This section will outline the variables and questions used to collect the data in order to measure the factors that influence the purchase of tourism products over the Internet by mature travellers.

6.5.5.1 Demographic

The demographic variables used in the testing of the hypothesis were age, gender, household income, education, occupation, race, and marital status (Mathur *et al*, 2000; Seongming, 2002). These variables were chosen because they will highlight the difference in characteristics between Internet users and Internet non-users based on the literature.

6.5.5.2 Travel Behaviour

Participants' travel behaviour was measured by asking them to mark a category that best describes their trip (Seongming, 2002). If participants chose the 'other' category they would have to fill in their own words what type of trip they recently went on. Table 6.2 shows the categories available. The definitions for each of the categories were adapted from previous studies (Papadopolous, 1989; Pearce & Elliott, 1983; Pearce, 1992) conducted in the tourism industry.

Table 6.2 **Travel Categories**

Type of Trip	Description
City Trip	Trips to a city where you may shop, enjoy entertainment, dine, visit museums, attend theatre, and/or enjoy the city.
Touring Holiday	A holiday by car, bus, or train through scenic areas.
Cruise	A trip on a cruise ship where you enjoy all on-board activities and there are planned stops at points of interest.
Resort Holiday	A trip to a resort or resort area where a wide variety of activities such as beaches, skiing, tennis, golfing are available either on the premises or close by
Theme Park	A holiday taken primarily for the purpose of visiting a major theme park.
Outdoor Holiday	A holiday in a natural area where you may engage in activities such as camping, hiking, hunting, rafting, fishing, etc.
Eco-Tourism	A trip that consist of travelling to relatively undisturbed or uncontaminated natural areas with the specific objective of studying, admiring, and enjoying the scenery and its wild plants and animals as well as any existing cultural manifestations found in these areas.
Visiting Friends and Relatives	A holiday which involves visiting family and friends.

Mature travellers were asked to specify what kind of holiday they had recently been on by choosing one of the above eight categories. Each category was then assigned a coded value depending on whether or not the respondent filled in the category. For example, if a respondent

answered that they last went on a holiday to the beach, then the beach variable was assigned a value of 1 (yes) in the type of trip category. To differentiate between Internet users and Internet non-users, respondents were simply asked to check the Internet use question, which was also assigned a code, for example, 1 (yes) 0 (no). These two questions were then used to examine whether significant differences exist between Internet users and Internet non-users in the type of trip they took.

Furthermore participants were asked what type of activities they took part in while on holiday. These activities were grouped into 22 categories. These categories were based on previous studies reported by Johns and Gyomothy (2002) and McIntosh, Goeldner and Ritchie (1995), which included: adventure travel, camping, cruise, cultural/historical/heritage, cycling, eco-tourism/nature, festival events, fishing, fly/drive, food, gaming/casinos, golf, hiking, visiting relatives/friends, mountains, and other. If the 'other' category was chosen, a written description was required, from the respondent, of the activities participated in during their holiday, and respondents could have participated in more than one activity.

The length of stay is usually defined as the amount of time travellers spend at a destination and is frequently measured in the number of days or nights the tourist spends at the site (Pearce & Elliott 1983; Uysal, McDonald & O Leary 1988). It was measured by asking the open-ended question:

As a whole, how many nights did you stay on this trip?

Travel-related expenditures were measured by asking:

How much would you estimate you spent on this trip?

In addition, respondents were asked to indicate their spending on other categories, such as lodging, entertainment, shopping, transportation, food, and others.

A discussion of these variables as it relates to Internet user/non-user groups has been included here because it highlights the economic impact differences between the Internet user and Internet non-user groups. According to the research (Balazs, 2000), the average spending by frequent on-line bookers is much larger than by those who book less frequently on-line.

6.5.5.3 Internet Use

For this variable, participants were simply asked whether or not they had a connection to the Internet and if they did whether they used the Internet to obtain information on and/or pay for tourism products (Seongming, 2002). Those respondents that answered yes to both question were classified as Internet users and those that answered no to both questions were classified as Internet non-users.

Internet users were first asked to document their usage behaviour followed by their level of satisfaction with various service attributes (Balazs, 2000). Non-users were asked as to the reasons for their refraining from use (for example, access to computers and the cost of the service). Both users and non-users were jointly asked questions regarding their attitudes to the Internet and their socio-demographic traits (Mathur *et al*, 2000). Except for the usage behaviour and demographic traits all answers were rated according to the Goldsmith-Hofacker scale (Goldsmith & Hofacker, 1991).

The Goldsmith-Hofacker scale is a six-item, valid, reliable Likert scale which focuses on the consumer, and how the consumer behaves, rather than on the product. This scale has been evaluated for dimensionality, reliability, convergent and discriminant validity, nomological validity, criterion validity, predictive validity and freedom from social desirability and acquiescence using multiple samples of college students and adults across a variety of product categories (Szmigin & Carrigan, 2000). The scale rates respondent's answers according to how strongly the respondent either agrees or disagrees with a question or statement (Goldsmith & Hofacker, 1991), and therefore all answers are rated in a closed form.

6.6 Data Analysis

This section describes the various statistical techniques used to analyse the data collected from the respondents who completed the questionnaires.

6.6.1 Validity of the Research Instrument

Validity is the extent to which a construct measures what it is supposed to measure (Hair, Babin, Money & Samouel, 2003; Welman & Kruger, 1999). A scale will have high construct validity if it has convergent validity and discriminant validity. Construct validity assesses the extent to which a scale measures the intended construct rather than other irrelevant variables or measurement error (Welman & Kruger, 1999). Convergent validity is the extent to which the construct is positively correlated with other measures of the same construct. Discriminant validity

is the extent to which the construct does not correlate with other measures of the same construct (Hair *et al*, 2003; Welman & Kruger, 1999).

In order to test the validity of an instrument, an exploratory factor analysis is conducted. A factor analysis simply observes whether the actual repetition of a particular phenomenon corresponds to the repetition that should be recorded, or is expected to be recorded (Bless & Kathuria, 1993). A factor analysis determines the repetition of similar items and consequent factors, in order to compare observed factors against the factors identified by theory (Bless & Kathuria, 1993).

According to Hair *et al*, (2003) there should be a minimum of 5 respondents for each item in order to test the construct validity of a research instrument when using factor analysis. In order to conduct the factor analysis the Bio Medical Data Processing computer package (BMDP-4M) (Frane, Jenrich & Sampson, 1992) was used. The factor analysis was conducted using an oblique rotation to allow for inter-correlation between the factors (Hair *et al*, 2003). No restriction on the number of factors was originally specified and Kaiser's rule of eigenvalues greater than one in combination with the scree test was used to determine the number of factors. Items were excluded from the exploratory factor analysis if they either loaded on significantly (0.35 or greater) on more than one factor or the greatest loading on any factor was less than 0.35.

6.6.2 Reliability of the Research Instrument

Reliability is concerned with the consistency of the research findings (Hair *et al*., 2003). In other words, a survey instrument is considered reliable if its repeated application results in consistent scores. One method of assessing reliability is to calculate the Cronbach alpha coefficient. This reliability coefficient is based on the average correlation of items within a test and typically equated with internal consistency (Hair *et al*, 2003).

The Cronbach alpha is interpreted as a coefficient alpha and its values range from 0 to 1 (Coakes & Steed, 1997; Hair *et al*, 2003). When calculating Cronbach's reliability coefficient values of less 0.6 are considered poor indicators of reliability, reliabilities in the 0.7 range are considered acceptable and reliabilities over 0.8 are considered good (Coakes & Steed, 1997; Hair *et al*, 2003). However, what is considered acceptable will vary depending on the nature of the research, and in exploratory studies such as, this one, the value may be reduced to 0.6 (Hair *et al*, 2003).

6.6.3 Quantitative Testing

The data collected was used to test the hypotheses using the statistical package Statistica. At the $p < 0.05$ level of probability or better the results were considered to be statistically significant.

Firstly descriptive statistics were used to obtain the measures of central tendency, namely mean, median, and modal values, the frequencies, and the ranges of the data collected (Malhorta, 1999).

To test the non-continuous variables the Chi-square statistic was used. This technique was chosen as it can accurately show if there are any significant differences, between a set of observed frequencies and a set of expected frequencies (Malhorta, 1999). The Chi-square test is a nonparametric test of significance used when data is in the form of frequency counts, percentages, or proportions that can be converted to frequencies occurring in two or more mutually exclusive categories (Kinnear & James, 1996). Therefore, Chi-square is appropriate when the data represents a nominal scale, and the categories may be true categories, for example male versus female, or artificial categories, for example tall versus short (Kinnear & James, 1996). A Chi-square test compares proportions actually observed in a study with proportions expected, to see if they are significantly different. Expected proportions are usually the frequencies which would be expected if the groups were equal, although they may be based on past data (Kitchens, 1998).

To test continuous data, for example travel-related expenditure, t-tests were used (Kitchens, 1998). This technique was applied as it tests the hypothesis that the mean score on an interval scaled variable will be significantly different for two independent groups, namely Internet users and Internet non-users (Malhotra 1999).

In order to assess which variables among the demographic, travel related, socioeconomic, computer related and Internet use characteristics were most effective in discriminating between Internet users and Internet non-users discriminant analysis was employed. The objective of discriminant analysis is to understand group differences and to predict the likelihood that an entity (individual or object) will belong to a particular class or group based on several predictor variables (Kitchens, 1998).

Thus discriminant analysis is a tool that develops linear combinations of the independent, or predictor, variables to predict group membership as defined by the dependant variable (Kitchens, 1998). This statistical technique was employed as it is the appropriate technique for testing the

null hypothesis that the means of the independent variables of two or more groups are the same (Hair *et al*, 2003). This technique uses several metric independent variables, for example demographic (Section 6.5.5.1) and travel behaviour (Section 6.5.5.2), to predict a single non-metric dependant variable, that is Internet use (6.5.5.3).

6.7 Conclusion

This chapter has described the research procedure followed in this research. The hypotheses of the research were presented based on the research questions and objectives of the study. Definitions have been given for all the variables and the physical administration of the research was described. This was followed by a review of the statistical techniques used to ensure validity and reliability as well as test hypotheses. The next chapter describes the application of these statistical techniques to the data collected.

Chapter 7

Empirical Results

7.1 Introduction

The previous chapter (Chapter 6) discussed the research methodology used to collect and analyse the data in order to test the hypotheses developed. This chapter presents the analysis of the data using the statistical techniques described in Chapter 6.

The chapter begins with a discussion on the response rate and various demographic and socioeconomic characteristics of the respondents, and this is followed by the results of the tests to assess the validity and reliability of the survey instrument. The results of the hypothesis tests are presented, and each hypothesis is repeated for ease of readability. The chapter concludes with the results of the discriminant analysis employed to ascertain which variables were the best discriminators in distinguishing between Internet users and Internet non-users.

7.2 Data Collection

Overall 1810 potential respondents were contacted and 400 questionnaires were returned for analysis. Upon receipt of the questionnaires they were inspected, and of the 400 returned, 21 were excluded from coding because they were unusable or contained missing data. The researcher was unable to contact respondents to obtain the missing data as the anonymity of the respondents was crucial to the completion of the survey (Kinnear & James, 1996) and, therefore, personal identification questions were omitted from the survey.

This left a total of 379 usable questionnaires giving a response rate of 20.94 percent. There is no minimum response rate (Fowler, 2002), although Malhorta (1999) argues that response rates of lower than 15 percent can occur where no prior contact has been made and only then are they problematic. The 379 usable questionnaires represent a sample size that is adequate for the intended statistical analyses (Zinkmund, 2000).

7.2 Demographic Analysis of Respondents

In order to provide a descriptive profile of the respondents the following demographic characteristics were examined. The results for each demographic category are discussed below and summarised in Table 7.1 below.

7.2.1 Age

Respondents were asked their age in an open-ended question and the results are summarised in Table 7.1. The highest category of respondents, that is, 26.38 percent belonged to the 55-59 year old category. The second highest category was the 50-54 year old group which comprised 21.37 percent of the sample. Following this was the 60-64 year old category, which accounted for 17.41 percent of the sample. The 65-69 year old category came fourth accounting for 13.19 percent of the sample. The last two categories were the 70-74 year old group which accounted for 11.87 percent of the sample, and the over 75 year old group which accounted for 9.76 percent of the sample. The average age of the respondents in this study was 60.22 years old.

Table 7.1 Breakdown of Respondent's Age

Age	Frequency	Percent
50-54	81	21.37
55-59	100	26.38
60-64	66	17.41
65-69	50	13.19
70-74	45	11.87
Over 75	37	9.76
Total	379	100.00

7.2.2 Gender

According to Table 7.2, 56.46 percent or 217 respondents identified themselves as male while 42.7 percent or 162 respondents identified themselves as female.

Table 7.2 Breakdown of Respondent's Gender

Gender	Frequency	Percent
Male	217	56.46
Female	162	42.7
Total	379	100.00

7.2.3 Marital Status

The majority of the respondents, 75.73 percent, were married, while 7.12 percent of the respondents identified themselves as divorced. Approximately six percent identified themselves

as widowed, while 8.44 percent were single and only 2.37 percent or 9 respondents identified themselves as separated.

Table 7.3 Breakdown of Respondent's Marital Status

Marital Status	Frequency	Percent
Divorced	27	7.12
Married	287	75.73
Single	32	8.44
Separated	9	2.37
Widowed	24	6.33
Total	379	100.00

7.2.4 Education

Respondents were asked to provide information regarding the level of education they had completed by marking one of the following choices: Matric, Diploma, University graduate, Masters Degree, Doctoral degree and a Professional degree (for example, an MBA or a CA). As indicated by Table 7.4, the majority of the respondents, 84.7 percent, indicated that they held a diploma or had a higher level of education.

Table 7.4 Breakdown of Respondent's Education

Education	Frequency	Percent
Matric	58	15.30
Diploma	72	19.0
University Graduate	112	29.55
Masters Degree	67	17.68
Doctoral Degree (PhD)	20	5.28
Professional Degree (MBA, CA, Law)	50	13.19
Total	379	100.00

7.2.5 Income

Respondents were asked to provide information regarding their annual household income before taxes and the results are summarised in Table 7.5 below. The highest reported income fell into the earnings category of R100,000 to R124,999. The second highest reported income category which was over R200,000 accounted for 24.8 percent of the respondents. This category accounted for 29.82 percent of the respondents. Finally 15.3 percent of the respondents reported earnings between R125,000 and R199,000. The remainder of the respondents were spread evenly over the other income categories. See Table 7.1 below for a full breakdown of respondent's incomes.

Table 7.5 Breakdown of Respondent's Income

Income	Frequency	Percent
Under R60,000	12	3.17
R60,000 - R69,999	11	2.90
R70,000 - R79,999	31	8.18
R80,000 - R89,999	30	7.92
R90,000 - R99,999	30	7.92
R100,000 - R124,999	113	29.82
R125,000 - R199,000	58	15.30
Over R200,000	94	24.80
Total	379	100.00

7.2.6 Ethnic Origin

Table 7.6 indicates that the majority of respondents identified themselves as White (61.21 percent), followed by Black with 21.90 percent, and lastly Indian (16.89 percent).

Table 7.6 Breakdown of Respondent's Ethnicity

Ethnicity	Frequency	Percent
White	232	61.21
Black	83	21.90
Indian	64	16.89
Total	379	100.00

7.2.7 Occupation

Given the nature of the study, it is not surprising that the majority of the respondents identified themselves as retired (52.24 percent). The second highest category was respondents who were in the education sector, and this comprised 13.19 percent of the respondents. The remainder of the respondents were spread fairly evenly over the remainder of the occupational categories. See Table 7.7 for a full breakdown regarding respondents' occupations.

Table 7.7 Breakdown of Respondent's Occupation

Occupation	Frequency	Percent
Retired	198	52.24
Unemployed	16	4.22
Education	50	13.19
Home-maker	9	2.37
Government and Public Administration	3	0.79
Hotel and Food services	10	2.64
Finance and Insurance	7	1.85

Retail	9	2.37
Publishing	5	1.32
Manufacturing	2	0.53
Utilities	4	1.05
Computers and Electronics	5	1.32
Transport and Housing	10	2.64
Health Care	18	4.75
Scientific or Technical	7	1.85
Construction	4	1.05
Wholesale	6	1.58
Agriculture, Forestry, Fishing and Hunting	5	1.32
Information Services	8	2.11
Legal	3	0.79
Total	379	100.00

7.2.8 Residence

Respondents in this study were asked to classify whether they lived in one of the following categories: urban or rural. Table 7.8 indicates that 96.31 percent of the respondents live in urban areas, while the remaining 3.2 percent of the respondents classify themselves as living in rural areas.

Table 7.8 Breakdown of Respondent's Residence

Residence	Frequency	Percent
Urban	365	96.31
Rural	14	3.20
Total	379	100.00

The demographic data obtained from part three of the questionnaire is discussed in this section. A statistical analysis of the data collected in parts one and two of the questionnaire follows in the rest of the chapter.

7.3 Validity of Measuring Instrument

The first step in the data analysis was to assess the validity of the survey instrument, and this was done using the multivariate technique of factor analysis. Factor analysis assesses which of the variables measure the same concept by first identifying the separate dimensions of the structure and thereafter determining the extent to which each dimension is explained by the variable.

The factor analysis was conducted using the BMDP 4M computer program (Frane, Jenrich & Sampson, 1992). The maximum likelihood was used as the method of factor extraction and a direct quartimin oblique rotation was specified (Hair *et al*, 2003). In view of the items and

observations ratios the matrix of responses was grouped into one category which influenced Internet use in the mature market, and the maximum likelihood factor analysis (common factor analysis) was used to identify the latent dimensions measured by the variables. This is achieved by extracting the combinations of variables explaining the greatest amount of variance and thereafter the factors explaining the lesser amounts of variance. Although the number of factors was not initially specified, the eigenvalues in combination with the scree test indicated that, three variables would be appropriate. These factors were identified by an iterative process, deleting variables that either did not load higher 0.35 on any factor or alternatively loaded more than 0.35 on two or more factors. This was achieved by five iterations and the results are set out in Table 7.9.

Table 7.9 Rotated Factor Loadings

Item	Factor 1 Internet Use	Factor 2 Travel-Related characteristics	Factor 3 Socioeconomic characteristics	Factor 4 Trip characteristics
IU1	0.923	0.109	0.150	-0.065
IU2	0.845	0.056	0.070	0.076
IU3	0.756	0.114	0.147	0.187
IU4	0.713	-0.063	-0.075	0.089
IU5	0.708	0.090	0.017	0.033
IU6	0.689	-0.072	0.134	-0.093
IU9	0.613	0.116	0.143	0.250
IU8	0.564	0.089	0.063	0.012
IU7	0.513	-0.222	0.005	0.064
TR6	0.002	0.876	-0.015	-0.001
TR1	0.123	0.754	0.048	0.002
TR2	0.456	0.678	0.025	0.111
TR4	-0.213	0.578	0.170	0.021
TR3	0.060	0.456	0.000	-0.009
TR5	0.021	0.392	0.111	0.069
SC3	0.001	0.025	0.720	0.132
SC1	0.344	0.041	0.675	0.098
SC2	-0.019	0.132	0.432	-0.076
TC2	-0.016	-0.018	-0.145	0.889
TC1	0.018	0.000	0.209	0.715
TC3	0.021	0.067	-0.290	0.608
TC6	0.072	0.025	0.007	0.593
TC5	0.057	-0.172	0.013	0.406
TC4	0.003	0.085	0.099	0.386
Eigen- Values	8.789	1.100	0.987	0.687

Table 7.9 indicates that a total of 25 variables were grouped into four factors, explaining a total of 64 percent of the variance in the data. The four factors are named Internet-use, travel-related

characteristics, Socioeconomic characteristics and Trip characteristics. These are discussed in detail in Section 7.5.1.

7.4 Reliability of Measuring Instrument

The reliability of a scale refers to the consistency of a scale. In this thesis the Cronbach alpha coefficient was used to assess the reliability of all the factors identified in the exploratory factor analysis. The generally accepted lower limit for the Cronbach alpha coefficient is 0.7 (Hair *et al*, 2003). All the factors scored in excess of 0.7 and are therefore considered to be reliable. The results are discussed below in conjunction with the factors identified during exploratory factor analysis.

7.5 Factors Identified by Factor Analysis

As mentioned in Section 7.3 four factors were identified which influenced Internet use in the mature market, and these are discussed individually under the heading of Internet use factors. In addition to the Cronbach alpha coefficient values, the eigenvalue, factor loading and item to total correlation are shown in the tables in respect of each measure.

7.5.1 Internet Use Factors

The factor analysis revealed four factors. The importance of these factors based on the literature presented, in influencing Internet use among mature consumers is as expected.

7.5.1.1 Internet use

The original instrument used nine items (IU1, IU2, IU3, IU4, IU5, IU6, IU7, IU8 and IU9) to measure Internet use. All the items loaded on a single factor. It is apparent from Table 7.10 that this factor has a Cronbach alpha coefficient of 0.912 and is therefore considered a reliable measuring instrument for Internet use.

Table 7.10 Internet use Factor

Eigenvalue: 8.789		Cronbach alpha: 0.912	
Item	Question	Factor Loading	Item-Total Correl.
IU1	Do you have a computer in your house?	0.923	0.512
IU2	How long have you used the computer?	0.845	0.512
IU3	Is the computer connected to the Internet?	0.756	0.512
IU4	How long have you been using the Internet?	0.713	0.512

IU5	On your most recent holiday trip, did you purchase tourism products through the Internet? (For example booking or paying for something like an airline ticket, hotel room, rental car or package tour)	0.708	0.512
IU6	Thinking of the most recent time you used the Internet to gather or purchase tourism products, were you satisfied with the experience?	0.689	0.512
IU9	How satisfied are you with your current skills in using the Internet?	0.613	0.512
IU8	In general, how satisfied are you with using computers?	0.564	0.512
IU7	For your next holiday trip, how likely are you to use the Internet to gather information on and/or purchase tourism products?	0.513	0.512

7.5.1.2 Travel-Related Characteristics

The original instrument used six items (TR1, TR2, TR3, TR4, TR5 and TR6) to measure travel-related characteristics and all the items loaded on a single factor.

Table 7.11 Travel Related Characteristics Factor

Eigenvalue: 1.100		Cronbach alpha: 0.786	
Item	Question	Factor Loading	Item- Total Correl.
TR6	How many nights did you stay on this trip?	0.876	0.681
TR1	On your most recent holiday trip, did you use the Internet to gather information on tourism products for example, getting information on destinations or checking prices and schedules on the Internet?	0.754	0.681
TR2	On your most recent holiday trip, how much of your travel planning did you do through the Internet?	0.678	0.681
TR4	On your most recent holiday trip, how many of your reservations were made through the Internet?	0.578	0.681
TR3	If you did not do all or any of your travel planning over the Internet, what other sources for information about destinations, prices and schedules did you use for planning your holiday?	0.456	0.681
TR5	Why did you not purchase tourism products through the Internet?	0.392	0.681

Table 7.11 indicates that the Cronbach alpha coefficient is 0.786, and is therefore considered a reliable measuring instrument to measure travel-related characteristics.

7.5.1.3 Socioeconomic Characteristics

Three items (SC1, SC2 and SC3) were included in the original instrument to measure socioeconomic factors of which all six items loaded on a single factor. It is apparent from Table 7.12 that this factor has a reliability coefficient of 0.872 and is therefore considered a reliable measuring instrument for socioeconomic characteristics.

Table 7.12 Socioeconomic Factor

Eigenvalue: 0.987		Cronbach alpha: 0.872	
Item	Question	Factor Loading	Item- Total Correl.
SC3	How much would you estimate you spent on this trip?	0.720	0.667
SC2	How much would you estimate you spent on the following categories?	0.675	0.667
SC1	On your most recent holiday trip, what was the amount of money you paid for tourism products over the Internet?	0.432	0.667

7.5.1.4 Trip Characteristics

Six items (TC1, TC2, TC3, TC4, TC5 and TC6), from the original instrument were used to measure trip characteristics. All six items loaded on a single factor.

Table 7.13 Trip Factor

Eigenvalue: 0.687		Cronbach alpha: 0.819	
Item	Question	Factor Loading	Item- Total Correl.
TC2	Please identify the all activities that you participated in during your last vacation trip?	0.889	0.738
TC1	Please identify what kind of holiday you most recently went on	0.715	0.738
TC3	Which of the following best describes the members in your group?	0.608	0.738
TC6	Which of the following best describes where you stayed overnight?	0.593	0.738
TC5	Which of the following best describes your primary mode of transportation?	0.406	0.738
TC4	Including yourself how many members were there in total in your group?	0.386	0.738

It is apparent from Table 7.13 that this factor has a Cronbach alpha coefficient of 0.819 and is therefore considered a reliable measuring instrument for alliances. The reliability and validity tests indicated that no latent variables be removed, and therefore the original hypotheses (Section 6.4 and Table 6.1) could be tested. The results of the various hypothesis tests are discussed below.

7.6 Hypotheses Testing

The goal of this study was to identify Internet usage patterns by mature travellers. Specifically, the intention was to examine the demographic and socioeconomic characteristics of mature travellers who use the Internet compared to those who do not.

Furthermore, the study examined whether or not significant differences exist between Internet users and Internet non-users with respect to their travel-related characteristics (Section 7.5.1.2). Attention was paid to investigate the types of trip selected, the preferred activities participated in during the travel, the length of stay, travel-related expenditures, the type of lodging, the type of transportation, the number in the travel party, and the type of travel party in explaining the differences between Internet users and Internet non-users.

Earlier chapters presented the research methods that guided this study, as well as three research questions and twelve main hypotheses. Each hypothesis is stated below, and the statistical analysis for each hypothesis is presented.

Since the first research question and the first five hypotheses are devised to deal with the difference between Internet users and Internet non-users in demographic characteristics such as age, gender, education, household income, and occupation, either the t-test or Chi-square test is employed.

7.6.1 Analysis of Hypothesis 1

H^0 : There is no significant difference in age between Internet users and Internet non-users.

H^1 : There is a significant difference in age between Internet users and Internet non-users.

Participants were asked their age in an open ended question, and asked to check whether or not they used the Internet. From these answers all the participants were then grouped into two categories, the first being Internet users and the second being Internet non-users. According to the

data received 305 (80.4 percent) participants identified themselves as Internet users, and 74 (19.5 percent) participants identified themselves as Internet non-users. Table 7.14 indicates that there was a significant difference ($p < 0.05$) between the ages of Internet users and Internet non-users.

Table 7.14 Results of Test on Age

	Do you use the Internet?	N	Mean	SD	t-value	d.f.	Sig.
Age	Internet users	305	59.02	7.97	-7.134	431	.003
	Internet non-users	74	69.77	8.93			

The average age of Internet users was 59.02 years old while the average age among Internet non-users was 69.77 years old. This shows that in general Internet users in the mature traveller market are generally younger than Internet non-users. This result is consistent with previous research (Anderson & Langmeyer, 1992; Beck, 1996; Moschis, 2003) which states that Internet users are younger than Internet non-users.

7.6.2 Analysis of Hypothesis 2

H^0 : There is no significant difference in the level of education between Internet users and Internet non-users.

H^1 : There is a significant difference in the level of education between Internet users and Internet non-users.

Participants were asked to state their level of education by choosing one of six categories. In order to perform statistical analysis on these categories it was necessary to condense them into four general categories: lower education (Matric), middle education (Diploma), high education (University graduate) and higher education (Masters Degree, PhD, MBA, CA and Law). This was necessary so as not to violate the assumption that the expected frequencies for each category should be at least one and that no more than 20 percent of the categories should have expected frequencies of less than five (Kitchens, 1998).

Table 7.15 below shows that there was a significant ($p < 0.05$) difference in education between Internet users and Internet non-users.

Table 7.15 Results of Chi-square Test on Education

	Education				Total
	Lower education	Middle education	High education	Higher education	
Internet users	30 (9.8%)	40 (13.1%)	82 (26.9%)	153 (50.1%)	305 (80.5%)
Internet non-users	18 (24.3%)	18 (24.3%)	19 (25.7%)	19 (25.7%)	74 (24.3%)
Total	48 (12.7%)	58 (15.3%)	101 (26.7%)	172 (45.4%)	379 (100%)
Pearson $\chi^2 = 15.32$ (d.f. = 3) Significance = .000					

Table 7.15 also indicates that the majority of respondents (24.3 percent) in the lower education category were classified as Internet non-users. Conversely, approximately 50 percent of Internet users were classified in the higher education category. This result is consistent with previous research (Rasmusson & Cohen, 2000; Trocchia & Janda, 2000; Zimmer *et al*, 1995) which states that Internet users have higher levels of education compared to Internet non-users.

7.6.3 Analysis of Hypothesis 3

H^0 : There is no significant difference in the level of household income between Internet users and Internet non-users.

H^1 : There is a significant difference in the level of household income between Internet users and Internet non-users.

In order to validate the assumptions (see Section 7.3.2) required for the Chi-square test the eight income categories in the questionnaire were condensed into six categories. Therefore, income was categorised as less than R79 999, R80 000–R89 999, R90 000–R99 000, R100 000–R124 999, R125 000–R199 000 and over R200 000.

The results indicate that there is a significant difference ($p < 0.05$) in income between Internet users and Internet non-users. Table 7.16 also indicates that approximately 52 percent of respondents who earned less than R100 000 were classified as Internet non-users while approximately 20 percent of Internet users stated that they earned less than R100 000.

Table 7.16 Results of Chi-square Test on Level of Income

	Income						Total
	< R79,999	R80,000- R89,999	R90,000- R99,999	R100,000- R124,999	R125,000- R199,999	> R200, 000	
Internet users	15 (4.9%)	23 (6.1%)	33 (8.7%)	80 (21.1%)	42 (11.1%)	112 (29.6%)	305 (80.4%)
Internet non-users	22 (29.9%)	9 (12.2%)	11 (14.9%)	18 (24.3%)	6 (8.1%)	8 (10.8%)	74 (19.5%)
Total	37 (9.8%)	32 (8.4%)	44 (11.6%)	98 (25.9%)	48 (12.7%)	120 (31.7%)	379 (100%)
Pearson $\chi^2 = 19.023$ (d.f. = 5) Significance = 0.000							

On the other hand, 61.8 percent of Internet users stated that they earned more than R100 000 compared to 43.2 percent of Internet non-users. This result is consistent with the literature presented in earlier chapters (Leventhal, 2000; Timmermann, 1999; Webber & Roehl, 1999; Zimmer *et al*, 1995) which states that Internet users earn more than Internet non-users.

7.6.4 Analysis of Hypothesis 4

H^0 : There is no significant difference in gender between Internet users and Internet non-users.

H^1 : There is a significant difference in gender between Internet users and Internet non-users.

The Chi-square test was used to assess if there were any differences between the two groups regarding gender. The results, shown in Table 7.17, indicate that there are no significant differences ($p > 0.05$) in gender between the two groups for this sample.

Table 7.17 Result of Chi-square Test on Gender

Gender			Total
	Male	Female	
Internet users	177 (58.0%)	128 (41.2%)	305 (80.4%)
Internet non-users	54 (72.9%)	20 (27.0%)	74 (19.5%)
Total	231 (60.9%)	148 (39.0%)	379 (100%)
Pearson $\chi^2 = .675$ (d.f. = 1) Significance = .349			

This result is inconsistent with previous research (Bellman, Johnson & Lohse, 1999; Bonn *et al*, 1999; Fram & Grady 1997; Hoffman, Kalsbeek & Novak, 1996; Kennedy 1997; Webber & Roehl 1999) which states that Internet users are predominately male.

7.6.5 Analysis of Hypothesis 5

H^0 : There is no significant difference in occupation between Internet users and Internet non-users.

H^1 : There is a significant difference in occupation between Internet users and Internet non-users.

This hypothesis was tested by using Chi-square test. The 20 occupation categories were condensed into two categories which comprised of retired and working, in order to meet with the assumption of the Chi-square test (Kitchens, 1998).

Table 7.18 Results of Chi-square Test on Occupation

Occupation	Retired	Working	Total
Internet users	145 (47.5%)	160 (52.5%)	305 (80.4%)
Internet non-users	61 (84.4%)	13 (17.6%)	74 (20.3%)
Total	207 (54.6%)	173 (45.6%)	379 (100%)
Pearson $\chi^2 = 20.534$ (d.f. = 1) Significance = 0.001			

The results indicate that there is a significant difference ($p < 0.05$) between the two groups. The results of this test, shown in Table 7.18, indicate that 84.4 percent of retired mature travellers were classified as Internet non-users while 47.5 percent of retired mature travellers were classified as Internet users. Conversely, 52.5 percent of working mature travellers identified themselves as Internet users while 17.6 percent of working mature travellers did not use the Internet. This result is consistent with the literature presented in previous chapters (Szmigin & Carrigan, 2000; Trocchia & Janda, 2000).

7.6.6 Analysis of Hypothesis 6

H^0 : There is no significant difference in the types of trips taken between Internet users and Internet non-users.

H^1 : There is a significant difference in the types of trips taken between Internet users and Internet non-users.

Table 7.19 indicates that the majority of Internet users have used the Internet to go on holidays to resort destinations, followed by a touring holiday and thirdly to visit family and friends. Internet non-users went on holiday mostly to visit family and friends, followed jointly by a touring holiday and a resort holiday.

Table 7.19 Results of Test on Types of Trip booked through the Internet

Type of Trip	Do you use the Internet?		Total
	Yes	No	
City Trip	21 (6.9%)	7 (9.5%)	28 (7.4%)
Cruise	19 (6.2%)	7 (9.5%)	26 (6.9%)
Theme park	7 (2.3%)	1 (1.3%)	8 (2.1%)
Eco-tourism	4 (1.3%)	3 (4.1%)	7 (1.8%)
Touring Holiday	81 (26.6%)	9 (12.1%)	90 (23.7%)
Resort Holiday	94 (30.8%)	9 (12.1%)	103 (27.1%)
Outdoors Holiday	19 (6.2%)	8 (10.8%)	27 (7.1%)
Visiting friends and relatives	46 (15.1%)	29 (40.2%)	75 (19.8%)
Beach	14 (4.6%)	1 (1.3%)	15 (4.0%)
Total	305 (100%)	74 (100%)	379 (100%)
Pearson $\chi^2 = 15.312$			
(d.f. = 8)			
Significance = .213			

However, the results of the test indicate that there is no significant difference ($p > 0.05$) between Internet users and Internet non-users in the types of trips while on holiday. This result is inconsistent with previous research (Henderson, 1998; Javalgi *et al*, 1992; Leventhal, 2000) which states that Internet users will go on different types of holidays compared to Internet non-users.

7.6.7 Analysis of Hypothesis 7

H^0 : There is no significant difference in the activities performed while on holiday between Internet users and Internet non-users.

H^1 : There is a significant difference in the activities performed while on holiday between Internet users and Internet non-users.

The Chi-square statistic was applied and the results indicate that there were significant differences in the following activities between the two groups: cycling ($p < 0.05$), festival events ($p < 0.05$), shopping ($p < 0.05$), cultural/history/heritage ($p < 0.05$) and eco-tourism ($p < 0.05$). These results are illustrated in Table 7.20 below.

Table 7.20 Activities taken part in during last holiday

Activities	Internet users	Internet non-users	Total	Pearson ²	d.f.	p
Adventure Travel	19 (6.2%)	10 (13.5%)	29	0.376	1	0.501
Beach	43 (14.1%)	10 (13.5%)	53	1.98	1	0.118
Camping	41 (13.4%)	6 (8.1%)	37	1.195	1	0.192
Cruise	65 (21.3%)	9 (12.1%)	74	0.035	1	0.793
Cultural/ History/ Heritage	168 (55.1%)	20 (27.0%)	188	7.678	1	0.005
Cycling	19 (6.2%)	9 (12.1%)	21	7.152	1	0.000
Eco-Tourism/ Nature	101 (33.1%)	14 (18.9%)	115	7.721	1	0.021
Festival Events	89 (29.1%)	12 (16.2%)	101	4.012	1	0.049
Fishing	52 (17.0%)	19 (25.7%)	71	3.298	1	0.893
Fly/Drive	67 (21.9%)	20 (27.0%)	87	0.498	1	0.402
Food	200 (65.5%)	45 (60.8%)	245	0.122	1	0.897
Gaming/Casinos	112 (36.7%)	34 (45.9%)	146	4.292	1	0.067
Golf	67 (21.9%)	6 (8.1%)	73	0.176	1	0.876
Hiking	35 (11.5%)	6 (8.1%)	41	1.765	1	0.315
Mountains	98 (31.1%)	15 (20.3%)	113	0.020	1	0.915
Museum/Theatre/Concerts	123 (40.8%)	32 (43.2%)	157	0.413	1	0.567
Shopping	270 (88.5%)	40 (55.0%)	310	5.023	1	0.011
Sightseeing	265 (86.9%)	33 (44.6%)	298	0.564	1	0.456
Sports	29 (9.5%)	5 (6.8%)	34	0.013	1	0.788
Theme Parks	70 (22.9%)	10 (13.5%)	33	1.231	1	0.212
Visiting family/relatives	134 (43.9%)	34 (45.9%)	164	0.234	1	0.122

The most popular category for both groups was shopping, followed by sightseeing. The food category was followed by visiting friends and relatives and seeing cultural/heritage/historical sites. For a full list refer to Table 7.20. Approximately 6 percent of Internet users participated in the cycling category compared to 12.1 percent of Internet non-users. 29.1 percent of Internet users participated in the festival events compared to 16.2 percent of Internet non-users.

The shopping category contained the largest difference between the two groups, with Internet users accounting for 88.5 percent and Internet non-users totalling 55 percent. The cultural/history/heritage category showed a big difference between the two groups with Internet users accounting for 55.1 percent and Internet non-users accounting for 27 percent.

The Eco-tourism category, however, showed a small difference between Internet users and Internet non-users, the former comprising 33.1 percent and the latter 18.9 percent. This result agrees with the literature presented in the previous chapters (Balazs, 2000; Beck, 1996; Blazey,

1992) which states that Internet users will perform different activities while on holiday compared to Internet non-users.

7.6.8 Analysis of Hypothesis 8

H^0 : There is no significant difference in length of stay in the destination between Internet users and Internet non-users.

H^1 : There is a significant difference in length of stay in the destination between Internet users and Internet non-users.

Table 7.21 Results of Test on the Length of stay

		N	Mean	SD	t-value	d.f.	Sig.
Length of Stay	Internet users	305	9.45	7.01	2.134	398	0.001
	Internet non-users	74	13.02	10.99			

Table 7.21 indicates a significant difference ($p < 0.05$) between Internet users and Internet non-users in the length of stay. The average stay for Internet users was approximately 13 nights and Internet non-users stayed an average of 9.45 nights. This result agrees with the literature presented in earlier chapters (Dychtwald, 1999; Henderson, 1998; Rasmusson & Cohen, 2000; Szmigin & Carrigan, 2000) which states that Internet users will stay longer on holiday.

7.6.9 Analysis of Hypothesis 9

H^0 : There is no significant difference in travel-related expenditures between Internet users and Internet non-users.

H^1 : There is a significant difference in travel-related expenditures between Internet users and Internet non-users.

In order to examine whether there were significant differences between Internet users and Internet non-users in travel related expenditure, respondents were asked to list how much money they had spent on travel-related expenditure. In order to test this hypothesis the t-test was employed.

Table 7.22 indicates a significant difference ($p < 0.05$) between the mean total expenditures of Internet users and Internet non-users.

Table 7.22 Results of Test on Travel-related expenditure

Expenditure		N	Mean	SD	t-value	Sig
Total	Internet users	305	R 14,027.88	R 12,674.88	2.123	0.001
	Internet non-users	74	R 10,433.82	R 11,208.18		

The average total expenditure of Internet users was R14 027.88 while Internet non-users spent an average of R10 433.82. Consequently, Internet users spend more while on holiday when compared to Internet non-users and this result is consistent with research done by previous authors (Carrigan & Szmigin, 1999; Leventhal, 2000; Szmigin & Carrigan, 2000).

7.6.10 Analysis of Hypothesis 10

H^0 : There is no significant difference in the type of establishment stayed in between Internet users and Internet non-users.

H^1 : There is a significant difference in the type of establishment stayed in between Internet users and Internet non-users.

The Chi-square test indicates that there is a significant difference ($p < 0.05$) in the type of establishment stayed in between Internet users and Internet non-users.

Table 7.23 Breakdown of Types of Accommodation Chosen

Accommodation	Internet Users	Internet non-users	Total
Cabin	10 (3.3%)	3 (4.1%)	13 (3.4%)
Camping	17 (5.5%)	7 (9.5%)	24 (6.3%)
Friends/Relatives home	49 (12.9%)	35 (47.2%)	84 (22.2%)
Hotel/B&B	172 (56.3%)	12 (16.9%)	184 (48.5%)
Ship	27 (8.9%)	8 (10.8%)	35 (9.2%)
Time share	30 (9.8%)	9 (12.2%)	39 (10.3%)
Total	305 (100%)	74 (100%)	379 (100%)
Pearson $\chi^2 = 18.012$ (d.f. = 5) Significance = 0.000			

Table 7.18 indicates that the largest difference between the two groups was in the Hotel/B&B and Friends/Relatives categories. The majority of Internet users, 56.3 percent, chose the Hotel/B7B category as their primary accommodation compared to 16.9 percent of Internet non-users. On the other hand, 47.2 percent of Internet non-users preferred to stay with friends or relatives compared to 12.9 percent of Internet users. This result is consistent with research presented in previous chapters (Crespo *et al*, 1996; Donthu & Garcia, 1999) which states that Internet users will stay in hotels and Internet non-users will stay with friends and relatives.

7.6.11 Analysis of Hypothesis 11

H^0 : There is no significant difference in the type of transportation used between Internet users and Internet non-users.

H^1 : There is a significant difference in the type of transportation used between Internet users and Internet non-users.

In testing the hypothesis above, significant differences ($p < 0.05$) were found between the two groups. Table 7.24 shows a breakdown of the different types of transportation categories chosen by the two groups.

Table 7.24 Breakdown of Transportation Categories Chosen

Transportation	Internet users	Internet non-users	Total
Aeroplane	98 (32.1%)	9 (12.2%)	117 (30.9%)
Bus	9 (3.0%)	17 (23.0%)	26 (6.9%)
Caravan	9 (3.0%)	2 (2.7%)	11 (2.9%)
Own	137 (44.9%)	25 (33.7%)	162 (42.7%)
Rental Car	32 (10.5%)	12 (16.2%)	44 (11.6%)
Ship/Boat	20 (6.6%)	9 (12.2%)	29 (7.7%)
Total	305 (100%)	74 (100%)	379 (100%)
Pearson $\chi^2 = 19.944$ (d.f. = 5) Significance = 0.000			

The major difference in modes of transportation was in the aeroplane and bus categories. The airplane category accounted for 32.1 percent of Internet users compared to 12.2 percent of Internet non-users. Conversely, the bus category accounted for 23 percent of Internet non-users compared to three percent of Internet users.

This result is consistent with previous research (Balazs, 2000; Burt & Gabot, 1995; Chura, 2002) presented in earlier chapters which states that Internet users will travel by aeroplane whereas Internet non-users will use more affordable modes of transportation.

7.6.12 Analysis of Hypothesis 12

H^0 : There is no significant difference in the number of people travelling together between Internet users and Internet non-users.

H^1 : There is a significant difference in the number of people travelling together between Internet users and Internet non-users.

Table 7.25 indicates a significant difference ($p < 0.05$) in the number of people travelling together between the two groups.

Table 7.25 Results of Test on the Number of people travelling together

		N	Mean	SD	t-value	d.f.	Sig.
Number of Travel Party	Internet users	305	3.01	5.89	1.987	80	0.046
	Internet non-users	74	6.42	8.77			

The average number of people travelling together among Internet users was approximately three while the number travelling together among Internet non-users came to approximately six. This result is consistent with previous research (Javalgi *et al*, 1992; Johns & Gyomothy, 2002; Kennedy, 1997; Leventhal, 2000) which states that Internet users will travel in smaller groups compared to Internet non-users.

7.6.13 Discriminant Analysis Results

The final goal of the study was to identify variables that are important in distinguishing between the Internet users and Internet non-users. In order to achieve this, discriminant analysis (Section 6.6.3) was employed.

The first step is to select the cases and the dependent and the independent variables, to be included in the computations. Discriminant analysis is sensitive to the ratio between the sample size and the independent variables with the minimum ratio being 5:1 or five observations per independent sample (Hair *et al*, 2003).

This research examined 23 independent variables, listed in Table 7.26 below, that affected Internet use. The sample size of 180 observations which comprised of 106 Internet users and 74 Internet non-users adhered to the minimum five-to-one ratio. A reduced sample size was taken by randomly sampling from the larger group of Internet users (305) in order to favourably compare the two groups of Internet users. According to Kitchens (1998) if the groups vary widely in size, this may impact on the discriminant function and the classification of observations.

Having identified the variables and number of observations for selection the means and standard deviations for each of the 23 independent variables (Step Two of the process) were calculated. These are summarised in Table 7.26.

Table 7.26 Group Means and Standard Deviations for the Independent Variables

Dependent Variable	Independent Variable	Mean	Standard Deviation
Internet Users	Adventure travel	2.051	0.401
	Age	59.021	7.778
	Cruise	1.213	0.487
	Cultural/History/Heritage	1.861	0.347
	Do you have a computer in your home?	2.009	0.571
	Eco-tourism/Nature	1.321	0.391
	Education	4.321	1.102
	Festival events	1.701	0.401
	Food	2.011	0.601
	Hiking	1.576	0.430
	How long have you used the computer?	7.301	4.913
	Income	4.231	1.013
	Length of stay	13.163	8.973
	Marital status	1.321	0.421
	Number in travel party	3.136	4.714
	Outdoor holiday	1.776	0.424
	Resort holiday	1.861	0.434
	Retired/Working	1.009	0.096
	Shopping	1.833	0.374
	Sightseeing	1.787	0.411

	Total expenditure	R15 097.20	R14 227.22
	Travel guides/Books/Magazines	3.38	5.043
	Visiting family/relatives	1.176	0.383
Internet non-users	Adventure travel	1.685	0.467
	Age	69.770	9.121
	Cruise	1.315	0.467
	Cultural/History/Heritage	1.556	0.499
	Do you have a computer in your home?	1.343	0.374
	Eco-tourism/Nature	1.822	0.387
	Education	5.134	1.983
	Festival events	1.333	0.477
	Food	1.822	0.387
	Hiking	1.511	0.506
	How long have you used the computer?	1.911	1.506
	Income	4.778	1.757
	Length of stay	9.451	7.423
	Marital status	1.586	0.499
	Number of travel party	6.134	10.131
	Outdoor holiday	1.933	0.467
	Resort holiday	1.511	0.506
	Retired/Working	1.911	0.288
	Shopping	1.333	0.477
	Sightseeing	1.667	0.471
	Total expenditure	R10 539.95	R9 794.66
	Travel guides/Books/Magazines	1.844	0.367
	Visiting family/relatives	1.889	0.318

The third step of the discriminant analysis process requires the assessment of the significance between the means of the independent variables for the two groups. This involves the calculation of Wilks' lambda and Univariate F ratio statistics. The former statistic indicates whether or not there exist strong group differences. The values range from zero to one with smaller values indicating stronger group differences and larger values, that is, values closer to one, indicate no group differences.

The latter statistic, that is Univariate F ratio, indicates the discriminatory power of the independent variable being analysed. Therefore, the larger the F value, the stronger the variable is at discriminating between the two groups. Table 7.27 indicates that a total of 13 independent variables show significant Univariate differences between the two groups. These are illustrated below as having a significance level of ($p < 0.05$).

Table 7.27 Results of Univariate F Ratio and Wilks Lambda Tests

Independent Variables	Wilks' Lambda	Univariate F ratio	Significance Level
Adventure travel	0.983	1.107	0.432
Age	0.812	56.232	0.021
Cruise	0.983	2.123	0.321
Cultural/History/Heritage	0.912	15.132	0.000
Do you have a computer in your home?	0.321	192.520	0.000
Eco-tourism/Nature	0.898	5.232	0.012
Education	0.954	8.897	0.021
Festival events	0.976	3.917	0.064
Food	0.976	0.543	0.765
Hiking	0.983	1.943	0.123
How long have you used the computer?	0.654	89.213	0.000
Income	0.921	44.123	0.000
Length of stay	0.923	4.002	0.054
Marital status	0.876	4.632	0.011
Number of travel party	0.998	4.234	0.009
Outdoor vacation	0.997	0.000	0.234
Resort vacation	0.898	0.987	0.432
Retire/Working	0.865	30.121	0.000
Shopping	0.878	4.654	0.017
Sightseeing	1.000	0.112	0.765
Total expenditure	0.998	10.432	0.003
Travel guides/Books/Magazines	0.897	4.976	0.043
Visiting family/relatives	0.890	3.342	0.212

It is apparent from Table 7.27 that only 13 out of the 23 variables have a high discriminatory power, therefore, the last step of the analysis is to apply the forward selection procedure including only the 13 variables identified above. The forward selection procedure was chosen

because the objective was to analyse which variables are most efficient in discriminating between two groups namely, Internet users and Internet non-users.

Furthermore, in order to determine which of the 13 variables had the greatest discriminatory power the Mahalanobis d^2 statistic was calculated. The results of the forward selection procedure are shown in Table 7.28 indicates that seven out of the 13 variables included in the procedure were significant in discriminating between the two groups.

Table 7.28 Discriminant Analysis Results

		Wilks' Lambda		Mahalanobis D^2	
		Value	Significance	Value	Significance
1	Do you have a computer in your home?	0.489	5.875	0.347	0.000
2	Age	0.405	5.998	0.325	0.000
3	Shopping	0.396	6.765	0.315	0.000
4	How long have you used the computer?	0.383	7.123	0.312	0.000
5	Cultural/History/Heritage	0.354	7.987	0.309	0.000
6	Travel guides/Books/Magazines	0.349	8.345	0.306	0.000
7	Festival events	0.339	9.021	0.301	0.000

The multivariate aspects of the discriminant analysis were examined by calculating the canonical correlation of the discriminant function. The canonical correlation is 0.834 which means that 69.5 percent of the variance in the dependant variable is accounted for by the seven variables identified in Table 7.28 above. However, in order to make sure that each variable being assessed contributed equally to the overall discrimination analysis, each independent variable was standardised to take into account the differences in units of measurement for each variable.

Table 7.29 shows the unstandardised and standardised coefficients of the seven variables being used in the discriminant function. The coefficients represent the strength of each variable on the discriminant function and therefore, the variables with high coefficients (the negative sign is ignored) contribute more to the discriminant function than those with lower coefficients.

Table 7.29 Standardised Coefficients

Independent Variables	Standardised	Unstandardised
Age	0.535	0.089
Cultural/History/Heritage	0.192	0.398
Do you have a computer in your home?	0.957	2.987
Festival events	0.157	0.350
How long have you used the computer?	-0.353	-0.018
Shopping	0.321	0.511
Travel guides/Books/Magazines	-0.213	-0.312
(Constant)		-8.214

In order to assess the variance that each independent variable shares with the discriminant function, the structure correlation or discriminant loading, is shown in Table 7.30 below.

Structure correlations measure the linear correlation between each independent variable and the discriminant *Z* score of the function. The independent variables listed in the table are ranked from the greatest discriminators to the lowest discriminators, and therefore the independent variables of whether the participant had a computer in their home, how long they have used the computer, their age and income predominately contribute to the function's discriminatory power.

Table 7.30 Discriminant Function Loadings

Independent Variable	Discriminant Function Loadings:
Do you have a computer in your home?	0.951
How long have you used the computer?	-0.523
Age	0.476
Income	-0.324
Education	-0.298
Cultural/History/Heritage	0.223
Total expenditure	-0.204
Retired/Working	-0.197
Travel guides/Books/Magazines	0.189
Shopping	0.179
Festival events	0.143
Eco-tourism/Nature	0.123
Number of travel party	0.101
Adventure travel	0.981
Sightseeing	-0.651
Food	0.241
Hiking	0.191

Marital status	0.08
Outdoor holiday	0.05
Length of stay	-0.012
Resort holiday	-0.015
Visiting family/relatives	-0.001
Cruise	0.000

Having calculated the coefficients of the discriminant loadings using the standardised weights the independent variables that are mostly likely to influence Internet use may be identified. The discriminant loadings were used as they are more reliable (Hair *et al*, 2003) than the standardised weights and the results, of the process are summarised in Table 7.26 below. The variables that were not excluded from the stepwise procedure, that is step four of the discriminant analysis process, are marked not included (NI) under the standardised weights.

Furthermore, all independent variables are ranked according to their discriminant loading value. The variables with the strongest influence between the two groups are ranked first, and the variables with the least influence are ranked last. Congruent with the results presented above, the five strongest discriminating variables were:

1. Do you have a computer in your home?
2. How long have you used the computer?
3. Age
4. Income
5. Education

Therefore, according to the results, mature Internet users are more likely to have a computer in their home, to have used the computer much longer, and were much younger, and have a higher income than mature Internet non-users.

Table 7.31 Summary of Interpretative Measures

Independent Variables	Standardised Weights	Discriminant Loading		Univariate F Ratio	
	Value	Value	Rank	Value	Rank
Do you have a computer in your home?	0.957	0.925	1	192.520	1
How long have you used the computer?	-0.353	-0.523	2	89.213	2
Age	0.535	0.476	3	56.232	3
Income	NI	-0.324	4	44.123	4
Education	NI	-0.298	5	8.897	8
Cultural/History/Heritage	0.192	0.223	6	15.132	6
Total expenditure	NI	-0.204	7	10.432	7
Retired/Working	NI	-0.197	8	30.121	5
Travel guides/Books/Magazines	-0.213	0.189	9	4.976	10
Shopping	0.321	0.179	10	4.654	12
Festival events	0.157	0.143	11	3.917	15
Eco-Tourism/Nature	NI	0.123	12	5.232	9
Number of travel party	NI	0.101	13	4.234	13
Adventure travel	NI	0.980	14	1.101	19
Sightseeing	NI	-0.658	15	0.112	22
Food	NI	0.243	16	0.543	21
Hiking	NI	0.192	17	1.943	18
Marital status	NI	0.084	18	4.897	11
Outdoors holiday	NI	0.055	19	0.000	23
Length of stay	NI	-0.012	20	4.002	14
Resort holiday	NI	-0.015	21	0.987	20
Visiting family/relatives	NI	-0.001	22	3.342	16
Cruise	NI	0.000	23	2.123	17
NI: Not Included in Stepwise Solution					

7.4 Conclusion

This chapter presented the results of the data analysis. After analysing the respondents in term of their demographic characteristics the results of the hypothesis testing were presented. In order to answer the final research question discriminant analysis was employed. The results of this test indicated, as expected, that Internet users are more likely to have a computer in their home, to have used the computer much longer, and were much younger, and have higher income than mature Internet non-users.

In the next chapter the findings will be interpreted and the implications for the marketing of tourism products through the Internet to mature travellers in South Africa are discussed.

Chapter 8

Discussion, Conclusions and Recommendations

8.1 Introduction

The previous chapter presented the empirical results. This chapter discusses the interpretation of the empirical results and conclusions drawn from these interpretations. These will be evaluated in terms of the implications for using the Internet to market tourism products to the mature market by tourism businesses in South Africa. The chapter concludes with a discussion on the limitations and implications for future research of this study.

8.2 Synopsis of Research

The majority of articles and studies related to the segmentation of mature market with regards to online travel behaviour are predominantly based in the United States of America although a few studies conducted in the United Kingdom have realised similar findings (Szmigin & Carrigan, 2000). Currently, no studies exist examining the requirements of this consumer group in South Africa, therefore this study is directed toward developing a profile of Internet users and Internet non-users in the mature market, which can be used by businesses in the tourism industry to market tourism products, to this market, through the Internet. The development of a profile allows for marketing professionals and service providers to assemble goods and services in a manner best suited to specific consumer groups' characteristics (Zinkmund, 2000).

Factors measuring certain demographic, socioeconomic, and travel-related characteristics related to the use of the Internet by the mature market were identified and incorporated into a measuring instrument in a study conducted in the United States. The instrument used the Goldsmith-Hofacker scale (Section 6.5.5.3) to evaluate respondent's answers and this scale has been extensively test for all types of validity, dimensionality, freedom from social desirability, acquiescence and reliability.

The instrument was adapted to fit the South African environment and this entailed changing units of measurement to suit the metric system, and re-wording certain categories, for example the level of education was set at American standards and included categories such a 'college'. Following this, a pilot study was undertaken which included 20 voluntary mature participants. The participants were asked to read through the questionnaire and highlight any difficulties which

they encountered. These issues were noted and changes to the questionnaire were made. The same participants were asked to review instrument again, and no further issues were raised. Respondents were identified using a mailing list containing the e-mail addresses of mature consumers and the questionnaire was predominately distributed using a Web-based questionnaire. In total 379 usable questionnaires were received and used as data for the statistical analysis.

To ensure the validity of the data, an exploratory factor analysis was conducted which grouped 25 variables into four factors that influence Internet use in the mature market. The next phase in the statistical analysis was to confirm the reliability of the measuring instruments. The Cronbach alpha scores were calculated for all the factors identified by the factor analysis, and all the factors scored in excess of 0.7. Therefore according to the results the instrument is valid and reliable.

To test the proposed hypotheses either the Chi-square test or t-test were employed depending on the type of variable being assessed. Furthermore, in order to examine which variables strongly discriminated between Internet users and Internet non-users discriminant analysis was employed. All relationships were considered to be significant at the 0.05 or better level. The discussion and interpretation of the results of the hypothesis testing and discriminant analysis are dealt with below.

8.3 Interpretation of the Results and Recommendations

Previous research presented in the literature review indicates that gender, age, education, income, occupation, race and ethnicity influence Internet use. Specifically the research states that Internet users, in general, are younger, white, more educated, and male, hold higher levels of income, spend more money each day while travelling, and stay longer in commercial establishments compared to Internet non-users. Based on this research, this study examined if these factors were applicable to the mature market.

This led to the development of three research questions, which were designed to highlight differences in demographic, socioeconomic, Internet use and travel-related characteristics between Internet users and Internet non-users. A discussion on the interpretation of the results for the factors measuring the demographic, socioeconomic Internet usage and travel-related characteristics are dealt with in next section.

8.3.1 Demographic and Socioeconomic Factors

As discussed above, the first research question and five hypotheses, numbered H^{01} to H^{05} , were devised to test whether there were significant differences in selected demographic and socio-economic characteristics between Internet users and Internet non-users. Specifically, hypotheses were developed to test differences in age, gender, income and education between the two groups. A summary on the results of the various tests are presented in Table 8.1 below.

Table 8.1 Summary of Tests on Demographic and Socioeconomic Relationships

Number	Hypothesis	Result
H^{01} :	There no difference in age between Internet users and Internet non-users.	Rejected
H^{02} :	There no difference in the level of education between Internet users and Internet non-users.	Rejected
H^{03} :	There no difference in the level of household income between Internet users and Internet non-users.	Rejected
H^{04} :	There is no difference in gender between Internet users and Internet non-users.	Not Rejected
H^{05} :	There is no difference in occupation between Internet users and Internet non-users.	Rejected

As indicated by Table 8.1 all of the hypotheses except for hypothesis H^{04} were rejected by the various tests which implies that there were significant differences in age, household income, education and occupation between the two groups.

As a whole, the results revealed that mature Internet users were younger, had higher annual household incomes and had higher levels of education than Internet non-users. These results are consistent with the previous research discussed in the literature review (Rasmusson & Cohen, 2000; Trocchia & Janda, 2000; Zimmer *et al*, 1995).

In general, younger adults with higher income and educational levels (Szmigin & Carrigan, 2000) hold significantly more positive views of the Internet when compared to their counterparts. Also, the results indicated that mature travellers who are still working are more likely to use the Internet than those who are not working. The implications for the marketing of tourism products is that businesses in the tourism industry should treat mature Internet users in the same manner as they would their traditional 'younger' travel markets and not see them as a group of 'vulnerable

old people'. However, when marketing tourism products to Internet users, tourism businesses have to be cautious regarding the type of message they communicate to these consumers as research (Trocchia & Janda, 2000), indicates that the mature are not influenced by promotional offers that are price-based and instead they focus on the overall quality of the tourism product being promoted. However, the test regarding the association between the two groups (Internet users and Internet non-users) and gender indicated no significant differences. It is argued (Fram & Grady, 1997) that there has been a steady inflow of women entering the workforce over the years, and this could be a reason why this test failed, although this conclusion is not based on the results obtained in this research.

However, the steady influx of women into the workforce has implications for the marketing of tourism products over the Internet, because generally women respond differently to marketing communications compared to men (Fram & Grady, 1997; Hawes, 1990). The demographic characteristics discussed above, describe the general profile of mature users in South Africa. However, to understand the differences that will directly influence the marketing and purchase of tourism products over the Internet the travel-related characteristics were examined and these are dealt with below.

8.3.2 Travel-Related and Trip Characteristic Factors

Six items (Section 7.5.1.2) were included in the questionnaire to measure certain travel-related characteristics in the mature market. A further six items (Section 7.5.1.4) were also included in the questionnaire to measure certain trip characteristics in the mature market. The hypotheses, numbered H^{06} to H^{12} , were devised to test for significant differences between Internet users and Internet non-users in their travel-related and trip characteristics. A summary of the results of the various tests are shown in Table 8.2 below.

Table 8.2 Summary of Hypotheses tests on Travel-related relationships

Number	Hypothesis	Result
H^{06} :	There is no difference in the types of trips taken between Internet users and Internet non-users	Not Rejected
H^{07} :	There is no difference in the activities performed while on holiday between Internet users and Internet non-users	Rejected
H^{08} :	There is no difference in the length of stay between Internet users and Internet non-users.	Rejected
H^{09} :	There is no difference in travel-related expenditure between Internet	Rejected

	users and Internet non-users	
H ¹⁰ :	There is no difference in the type of establishment stayed in between Internet users and Internet non-users	Rejected
H ¹¹ :	There is no difference in the type of transportation used between Internet users and Internet non-users	Rejected
H ¹² :	There is no difference in the number of people travelling together between Internet users and Internet non-users	Rejected

Hypothesis H⁰⁶ examined what types of trips Internet users take compared to Internet non-users. However, this hypothesis was not rejected, which was surprising, as previous research (Chura, 2002; Crespo *et al*, 1996; Donthu & Garcia, 1999; Moschis, 2003) states that Internet users will generally go on holiday to a resort destination, whereas Internet non-users will go on holiday to visit friends and relatives.

Hypothesis H⁰⁷ examined the activities that Internet users and Internet non-users participated in during their holidays. This hypothesis was rejected, and from a total of 21 categories examined five showed significant differences between the two groups. Internet users preferred to participate in the following categories when compared Internet non-users, festival events, shopping, cultural/history/heritage, and eco-tourism/nature. These results are consistent with the previous research (Szmigin & Carrigan, 2000) which states that the 'younger' mature consumer has a different mindset to the 'traditional' elderly consumers and participates in these activities. Therefore, this group of Internet users, which is comprised mostly of 'baby boomers', use their leisure time to travel and see new places while at the same time increasing their knowledge about the world. In addition, it was found that mature Internet users participated in more physically exerting activities when compared to their counterparts. This intuitively makes sense as they are younger and more health-orientated than the older mature consumer who does not use the Internet. The business implications of this are dealt with in detail in Section 8.3 below.

The testing of hypothesis H⁰⁸ through H¹² indicated that there were significant differences in the length of stay, travel-related expenditures, the type of lodging, the type of transportation and in the number of people travelling together between Internet users and non-users of the mature market.

In examining the length of stay, Internet users stayed longer at their destinations when compared to Internet non-users. In total the Internet users in this study stayed away for approximately 13

nights whereas Internet non-users stayed away an average 9.45 nights. As a result, the next hypothesis showed significant differences in travel related expenditure. As a whole, Internet users spent an average of R14 027.88 compared to Internet users who spent an average of R10 433.82.

One reason for this difference in expenditure is explained by hypothesis H¹⁰ which examined the differences in lodging between the two groups. Internet users preferred to stay in a hotel or bed and breakfast while Internet non-users generally stayed over with friends and relatives. Furthermore, approximately 13 percent of Internet users stayed in a time share compared to 4.5 percent of Internet non-users which results in the Internet spending more while on holiday.

Hypothesis H¹¹ and H¹² showed significant difference in the number of people travelling together and the type of transportation used by the two groups. Internet users generally preferred to travel by airplane with fewer people compared to Internet non-users who preferred to travel with larger groups and by more affordable means of transport such as a bus. These results are consistent with previous research (Moschis, 2003) presented in the literature review.

All the factors identified above, contribute to this result as Internet users are younger, have higher incomes and want to explore new locations whereas Internet non-users are content on spending time with family regardless of location. The final stage of this study examined which variables were the best discriminators between the two groups, and this is dealt with below.

8.3.3 Internet Usage Factors

Nine items (Section 7.5.1.1) measured the attitudes of mature consumers toward the Internet according to the Goldsmith-Hofacker (Section 6.5.1.1) scale. Generally, Internet users felt comfortable using the Internet to source information and purchase tourism products by using the facilities and technologies available on tourism Web sites. Internet users specified that were very satisfied with the ease of use of the Internet to get information on travel and tourism products.

Compared to Internet users, non-users generally were older and showed an aversion to computers and technology. This aversion can be attributed to the misperceptions regarding the Internet's ease of use and potential benefits (Carrigan & Szmigin, 2002). Marketing communications should, therefore, focus on clarifying these misperceptions and re-iterating the Internet's user friendliness and functionality. To demonstrate the ease of use and to alleviate the misperceptions about the Internet, communications should focus on point-and-click features and menu driven options.

In order to promote functionality, advertisements should highlight the Internet's potential in communicating inexpensively and unobtrusively with significant others, for example, geographically dispersed friends and relatives. Non-users preferred to get their information regarding tourism products from travel agents and brochures however, Internet non-users specified that most of their information regarding tourism products was obtained through their friends and relatives (word-of-mouth).

When it came to actually purchasing tourism products online approximately one third of Internet users and all the Internet non-users raised concerns regarding the security of conducting transactions over the Internet. More importantly, both groups required some form of social contact with people in order to assure them of purchase. This stems from the fact that the tourism product is predominately based on hedonism and the process, as opposed to the end result, is the core reason why consumers would buy the service.

Consequently, it is argued that the focus of any marketing effort should be on aspects that are of consequence to customers in making their decision. In this regard, the Internet is suitable to convey relevant and up-to-date information about the people involved in the business and physical attributes of the service. It is relatively easy to display photographs and information about the physical destinations and attractions. Video clips and graphics about the destinations could also be used to communicate the product. These results have certain business implications for tourism planners and these are dealt with in Section 8.4.

8.3.4 Discriminant Factors

The last phase of the statistical analysis was to identify variables out of demographic, socio-economic and travel-related characteristics that are most important in differentiating between the two groups of Internet users. This was done using discriminant analysis. The results indicate that the following five variables ranked in order of importance, accounted for approximately 64 percent of the variance in the data.

- I. Do you have a computer in your home?
- II. How long have you used the computer?
- III. Age
- IV. Income
- V. Education

The first two variables intuitively make sense as mature consumers must have access to a computer and use it to connect to the Internet to be able to obtain information on and purchase tourism products. The remainder of the variables agree with the literature in discriminating between Internet users. Essentially the interpretation of these results implies that mature Internet users must own a computer to begin with, have higher levels of income, be younger than their counterparts, have attained higher levels of education and have used their computers for longer.

However, the results of the discriminant analysis indicate that gender does not play a significant role in differentiating between Internet users and Internet non-users. This result, combined with the fact that the hypothesis H^{04} (Section 8.3.1), testing the association between gender and Internet use did not produce a significant result, is inconsistent with previous research which states that Internet users are predominately male. For a complete list of all the variables tested please refer to Table 7.27 in the previous chapter. The business implications of the results of the factors discussed above are dealt with in the next section.

8.4 Business Implications

As the literature suggests, the mature market is one of the fastest growing group of Internet users, therefore the results and knowledge gathered from this study will be of importance to travel planners, developers and marketers of tourism products who target mature travellers as their primary customers. By understanding and focusing on mature travellers and promoting tourism products that are in the interest of mature travellers, businesses in tourism industry can have a greater competitive advantage over their competitors.

A tourism company can better identify marketing strategies that appeal to mature travellers who use the Internet and to those do not by utilising information gathered from this study, for example with the knowledge that Internet users are more likely to take a resort vacation, travel with fewer people, stay for longer periods of time, and participate in such activities as shopping, festival events, and nature-oriented trips, a tourism company can develop specific tourism products that will cater to these types of travellers. Such packages could be effectively marketed through Internet advertisements. This type of advertisement has the ability to offer customised travel-related information to specific consumers within the mature market. Consequently, this will result in the development of relationships with customers ensuring repeated purchases from them.

Similarly, with information that Internet non-users are more likely to travel with at least six people in a group (Section 7.3.12), a tourism company can promote group tours for mature

travellers who do not use the Internet and advertise through traditional distribution channels, such as brochures and travel magazines. Furthermore, with the information that both groups raised concerns regarding the online payment (Section 8.3.3) for the tourism product, tourism businesses that offer this feature on their Web site could look at also offering other forms of payment such as over the phone payments, thereby giving the consumer more than one choice. Consequently, this study will help lay the foundation for a variety of marketing strategies aimed at the mature market. In particular, travel destinations employing marketing strategies that utilise the Internet as a promotional medium for tourism will profit from this valuable information. The results of this study, and the conclusions that can be drawn from it, will be of importance to those marketers and planners who are looking to gain an advantage over the competition.

8.5 Limitations and Implications for future research

This study has made a contribution to the understanding of the mature market in South Africa by highlighting factors that marketers of tourism products need to take into account when targeting this group of consumers. However, there are certain limitations and particular areas that need to be explored in future research. These aspects are dealt with below.

Previous research efforts identified that mature travellers and other age groups, such as college students and baby boomers differ in travel behaviour. In the same context, research investigating travel characteristics of different generations who use the Internet should be considered.

A convenience sample was used in the study with all Internet non-users drawn from the Eastern Cape and Gauteng provinces and consequently the findings of the study cannot be generalised. Future studies should look at drawing a more comprehensive sample from a wider geographical range. Furthermore, the sample sizes for the two groups was unfavourably balanced toward Internet users, therefore future studies should look at acquiring a larger sample of Internet non-users so examine if the same results and conclusions can be drawn.

The study was limited to the marketing of tourism products over the Internet. Future research could examine different service or product categories that could be of interest to consumers in the mature market segment.

The study only differentiated between Internet users and Internet non-users and did not consider the level of Internet usage. Indeed, research suggests the level of Internet usage is directly related to the characteristics examined in this study. Therefore, future research should look at

incorporating a measure to identify the level of usage among Internet users for example, classify users as light, moderate or heavy (Bonn *et al*, 1999).

Future research should address possible cultural differences in perceiving Internet use. In this time of globalisation, anyone can access and search for information which they want, and consequently, it is quite possible that each culture has a different perception about Internet use. Further research investigating the perception of Internet use from different cultures needs to be conducted.

8.6 Epilogue

The tourism sector has been identified as the industry most likely to be affected by the Internet. The Internet has enabled businesses in the industry to access new market at relatively lower costs. The Internet has enabled this because of new technologies which enable the identification of customers and provide business with the ability to monitor and develop relationships with these customers.

The mature market was identified as a new market segment in South Africa. Research done in the United States has shown the importance of this market. A major factor that contributed to the increase in attention by business on this market is the fact that baby boomers are now entering the ages to be classified into this market. Baby boomers are important as firstly they hold the majority of the wealth, and secondly they hold very different views on aging while at the same time not being adverse to the use of new technologies.

The purpose of this study was to identify factors that influence the use of the Internet among mature consumers, and bearing these factors in mind, proposed ways in which tourism products may be marketed to these two groups of consumers. The conclusion is that while most factors were consistent with the literature presented, in terms of Internet usage characteristics, specific travel-related characteristics were identified such as activities performed and types of establishments stayed in, that will allow specific holiday packages to be developed by businesses in this industry for this consumer segment.

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APPENDIX 1

QUESTIONNAIRE

Rhodes University
Department of Management



Dear Respondent,

The following questionnaire is part of my Master's research on mature consumer's use of the Internet to get information on and/or purchase tourism products, for example holiday packages. It would be greatly appreciated if you could follow the link at the bottom of this email which will take you to an online questionnaire. Could you fill in the questionnaire, and when you have finished, please click on the **SUBMIT** button and the results will be sent directly to the researcher.

All the information will be treated as **Strictly Confidential** and will only be used for academic purposes. If you have any queries regarding the questionnaire or the authenticity of this e-mail please do not hesitate to contact the researcher.

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Survey of Mature Travellers Use of the Internet

This questionnaire is about your last holiday. This questionnaire consists of three parts. The first part includes questions regarding your last holiday. The second part assesses your Internet/World Wide Web Usage. And the third part is related to your demographics.

Part I — Trip Characteristics

1. Please identify what kind of holiday you most recently went on. (Tick one)

- ☐ City Trip
- ☐ Touring holiday (a holiday taken primarily by car or bus visiting a number of cities or towns)
- ☐ Cruise ☐ Resort holiday
- ☐ Theme Park ☐ Outdoors holiday (e.g. Camping)
- ☐ Eco-tourism ☐ Visiting Friends and Relatives
- ☐ Beach ☐ Others (Specify _____)

2. Please identify the **all** activities that you participated in during your last vacation trip. (Tick all that apply)

- ☐ Adventure travel ☐ Camping ☐ Cruise
- ☐ Cultural/history/heritage ☐ Cycling ☐ Eco-tourism/nature
- ☐ Festival events ☐ Fishing ☐ Beach
- ☐ Food ☐ Gaming/casinos ☐ Golf
- ☐ Hiking ☐ Mountains ☐ Visiting family/relatives
- ☐ Museum/theatre/concert ☐ Shopping ☐ Sightseeing
- ☐ Skiing ☐ Sports ☐ Theme parks
- ☐ Others (Specify _____)

3. How many nights did you stay on this trip? _____

4. How much would you estimate you spent on this trip? R_____

5. How much would you estimate you spent on the following categories?

R_____ Lodging

R_____ Transportation

R_____ Entertainment

R_____ Food

R_____ Shopping

6. Which of the following best describes the type of accommodation you stayed in? (Tick one)

☐ Hotel/motel/B&B

☐ Friends/relatives homes

☐ Time share

☐ Ship

☐ Others (Specify _____)

7. Which of the following best describes your primary mode of transportation? (Tick one)

☐ Own car

☐ Airplane

☐ Rental car

☐ Bus

☐ Caravan

☐ Train

☐ Ship/boat

☐ Others (Specify _____)

8. Including yourself, how many members were there in total in your group? ____

9. Which of the following best describes the relationship between the members in your group? (Tick one)

☐ Alone

☐ A couple

☐ Family members

☐ Friends and relatives

☐ Group tour

☐ Others (Specify _____)

Part II: Internet Usage Characteristics

1. Do you have a computer in your house? ☐Yes ☐No

(If you answered yes continue otherwise skip to Q. 13)

2. How long have you used the computer? _____

3. Do you currently have, and make use of a connection to the Internet/World Wide Web?

☐Yes ☐No

(If you answered yes continue otherwise skip to Q. 13)

4. How long have you been using the Internet/World Wide Web? (Tick one)

☐Less than 6 months

☐3 to 4 years

☐6 months to less than 1 year

☐5 to 6 years

☐1 to 2 years

☐More than 6 years

5. On your most recent holiday trip, did you use the Internet to gather information on tourism products for example, getting information on destinations or checking prices and schedules on the Internet?

☐Yes

☐No

6. On your most recent holiday trip, how much of your travel planning did you do through the Internet? (Tick one)

☐All of 100% of your travel planning was done on the Internet.

☐Most or 75%

☐Some or 25% or less

☐About half or 50%

☐None or 0%

7. If you did not do all or any of your travel planning over the Internet, what other sources for information about destinations, prices and schedules did you use for planning your holiday?

(Tick all that apply)

☐Get information calling or visiting to travel agent/agency

☐Get information calling or visiting direct to airline, hotel, or other travel company

☐Get information calling or visiting to a city, state, or country tourism office

☐Get information from travel guides, books or magazines

☐Get information from TV, radio or newspaper

☐ Get information from friends, family or co-workers

8. On your most recent holiday trip, did you purchase tourism products through the Internet? (For example booking or paying for something like an airline ticket, hotel room, rental car or package tour)

☐ Yes ☐ No

(If you answered yes, continue, otherwise skip to Q. 13.)

9. On your most recent holiday trip, what was the amount of money you paid for tourism products over the Internet? (Tick one)

☐ Less than R 1000 ☐ R 1,000 to less than R 2,500

☐ R 2,500 to less than R 5,000 ☐ R 5000 to less than R 7000

☐ R 7,000 to less than R 10,000 ☐ R 10,000 or more

10. Why did you gather and/or purchase tourism products through the Internet? **(Tick all that apply)**

☐ Variety of choices

☐ Saving time

☐ Quality of information about purchase choices

☐ Convenience

☐ Have access to the opinions of other customers

☐ Lowest price

☐ Easy handling of returns or refunds

☐ Ease of placing orders

☐ Ease of cancelling orders

☐ No pressure from sales people

☐ Security of sensitive information

☐ Easy payment procedures

☐ Others (Specify _____)

11. On your most recent holiday trip, how many of your reservations were made through the Internet for example, booking or paying for something like an airline ticket, hotel room, rental car or package tour? (Tick one)

☐ All of 100% of your travel reservations were made on the Internet.

☐ Most or 75%

☐ Some or 25% or less

☐ About half or 50%

☐ None or 0%

12. Thinking of the most recent time you used the Internet for gathering or purchasing tourism products, how satisfied were you with the experience?

- ☐ Very satisfied, I can do everything that I want to do.
- ☐ Somewhat satisfied, I can do most things I want to do.
- ☐ Neither satisfied nor unsatisfied.
- ☐ Somewhat unsatisfied, I can't do many things I would like to do.
- ☐ Very unsatisfied, I can't do most things I would like to do.

13. Why did you not purchase tourism products through the Internet? (Tick all that apply.)

- ☐ Never tried it
- ☐ Too complicated to place order
- ☐ Faster/easier to purchase locally
- ☐ Not familiar with vendor
- ☐ Do not trust that my credit card number would be secure
- ☐ No receipt/documentation
- ☐ Difficult to judge the quality of a product/service
- ☐ Not enough information to make a decision
- ☐ Generally uncomfortable with the idea
- ☐ Heard it is not a reliable/secure trustworthy way to make purchase
- ☐ Had a bad experience in the past
- ☐ Do not trust that my personal information would be kept private
- ☐ Do not have a credit card
- ☐ Prefer to deal with people
- ☐ Difficult to find appropriate Web sites
- ☐ Site did not offer the option to purchase
- ☐ Others (Specify _____)

14. For your next holiday, how likely are you to use the Internet to gather information on and/or purchase tourism products?

- ☐ Very likely
- ☐ Somewhat likely
- ☐ Neither likely nor unlikely
- ☐ Somewhat unlikely
- ☐ Very unlikely

15. Generally, how satisfied are you with using computers?

- ☐ Very satisfied
- ☐ Somewhat satisfied
- ☐ Neither satisfies nor unsatisfied
- ☐ Somewhat unsatisfied
- ☐ Very unsatisfied

16. How comfortable do you feel using the Internet?

- ☐ Very comfortable
- ☐ Somewhat comfortable
- ☐ Neither comfortable nor uncomfortable
- ☐ Somewhat uncomfortable
- ☐ Very uncomfortable

17. How satisfied are you with your current skills for using the Internet?

- ☐ Very satisfied, I can do everything that I want to do.
- ☐ Somewhat satisfied, I can do most things I want to do.
- ☐ Neither satisfied nor unsatisfied.
- ☐ Somewhat unsatisfied, I can't do many things I would like to do.
- ☐ Very unsatisfied, I can't do most things I would like to do.

Part III — Biographical Information

1. What is your age? _____
2. What is your sex? ☐ Male ☐ Female
3. What is your current marital status? (Tick one)
☐ Divorced ☐ Living with another
☐ Married ☐ Separated
☐ Single ☐ Widowed
☐ Never Married
4. Including yourself, how many adults, aged 18 and over, live in your household at the present time? _____
5. How many children, under age 18, live in your household at the present time? _____
6. What is the highest level of education you have completed? (Tick one)
☐ Matric ☐ Diploma
☐ University Graduate ☐ Masters Degree
☐ Doctoral Degree ☐ Professional Degree (MBA, CA, Law)
7. What is your annual household income before taxes? (Tick one)
☐ Under R10,000 ☐ R 10,000 - R 19,999
☐ R 20,000 - R 29,999 ☐ R 30,000 - R 39,999
☐ R 40,000 - R 49,999 ☐ R50,000 - R 74,999
☐ R75,000 - R 99,999 ☐ Over R100,000
8. How would you classify yourself?
☐ White ☐ Black ☐ Indian

9. Which of the following categories best describes the industry you primarily work in? (Tick one)

(Tick here if you are ☐ Retired or ☐ Unemployed)

- ☐ Agriculture, Forestry, Fishing and Hunting
- ☐ Mining
- ☐ Utilities
- ☐ Construction
- ☐ Computer and Electronics Manufacturing
- ☐ Other Manufacturing
- ☐ Wholesale
- ☐ Retail
- ☐ Transportation and Warehousing
- ☐ Publishing
- ☐ Software
- ☐ Telecommunication
- ☐ Broadcasting
- ☐ Information Services
- ☐ Other Information Industry
- ☐ Finance and Insurance
- ☐ Real Estate, Rental and Leasing
- ☐ Primary/Secondary Education
- ☐ Other Education Industry
- ☐ Health Care
- ☐ Arts, Entertainment, and Recreation
- ☐ Hotel and Food Services
- ☐ Government and Public Administration
- ☐ Legal Services
- ☐ Scientific or Technical Services
- ☐ Homemaker
- ☐ Military
- ☐ Religious
- ☐ Others (Specify _____)

10. Which of the following best describes the area you live in?

☐ Urban

☐ Rural

Thank you for completing this questionnaire. Your time is appreciated.

If you would like a copy of the research findings please provide your email address below

