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Cross-border tourism and shopping: Consumer segmentation

With growing globalization, consumers' cross-border tourism shopping is increasing. This paper use levels of tourism and shopping to identify four consumer segments: *Cross-Border Tourism Shopper, Traditional Tourists, Traditional Outshopper, and Inactive Tourist/Shoppers*. When compared with the traditional hospitality and leisure service tourist, the cross-border tourism shopper is highly engaged in experiential consumption of fashion goods, as well as entertainment. The traditional outshopper is characterized by more favorable attitude toward large city retail environment than the inactive tourist/shopper. There are implications for marketing to use differentiated strategies appealing to a specific market segment and capture the synergy between tourism and retailing consumption.

Keywords: cross-border shopping, tourism, consumer segmentation

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Growing globalization affects all aspects of life, from lifestyle to the market environment and consumption. The patterns of change in global tourism are influenced by an increase in worldwide levels of affluence, resulting in expenditures on travel. Cross-border travel and tourism, both influenced by lifestyle, are widely considered to be one of the fastest growing global industries (Riege and Perry, 2000). While structural changes in travel agencies will cause a decrease in the number of firms due to commission cuts from airlines and tour operators, cross-border tourism is increased (Kragh & Djursaa, 2001; Piron, 2001; Timothy & Butler, 1995). Therefore, variations of the retail and tourism experience, particularly those where there is geographic proximity should be examined in terms of market segmentation to better understand and meet consumer demand. Developing differentiated strategies with combination of tourism and shopping mix can help increase sales potential in tourism related industry sectors.

Ambivalence of cross-border tourism and shopping

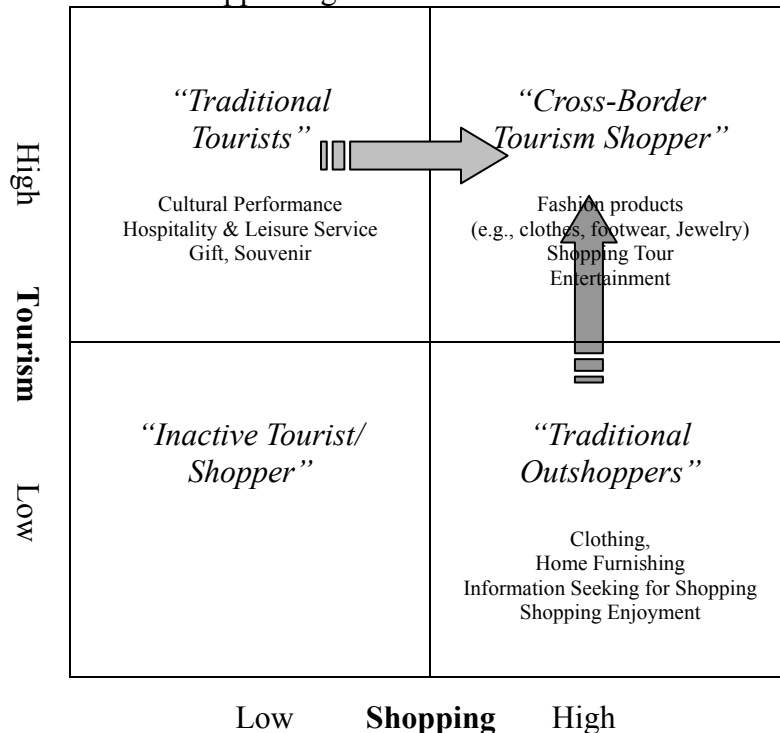
Cross-border tourism and shopping patterns are influenced by government policy and economic factors, such as sales taxes, inflation, and exchange rates. For instance, tax policy in the form of the General Service Tax (GST) in 1991 modified an invisible manufacturers' tax into a visible sales tax, thus encouraging Canadian consumers to cross-border travel to shop in the US where the tax rate was lower (Richard, 1996). Approximately 63% of travelers in the year 2000 included shopping during their trips, and one in five of these shoppers spent \$500 or more on purchases (Gentry, 2001).

Although tourism related to retail destinations is documented, subtle nuances of how much money is spent, what is purchased and who is doing the shopping are a surprising. One example of the phenomenon of cross-border tourism is that Canadians visit the United States primarily to shop and their behavior is viewed in highly central consumption context (Kragh & Diursaa, 2001). According to the Association for Canadian Studies in the United States Report (2001), American tourists concentrate their activities in Canada on shopping (69%), sightseeing (62%), cultural performances (51%), museum and other related attractions (44%) and on festivals and fairs (23%). The time spent on tourism shopping activities is greater than more traditional recreational and cultural activities (Richard, 1996). Obviously, cross-border tourism shopping plays an important role in making a substantive monetary contribution to both tourism and retailing industry sector.

Consumer segmentation for tourism retailing

With growing cross-border tourism and shopping, consumers can be segmented based on tourism and shopping, which is characterized by demographic characteristics and psychographics (lifestyle and shopping orientations) reflecting a particular emphasis on certain activities or shopping motivations driven from specific needs (Lumpkin et al., 1986; Woodside & Dubelaar, 2002). Tourism consumers shown in Figure 1 are classified into four types: cross-border tourism shopper, traditional tourist, traditional outshopper, and inactive tourist/shopper.

Figure 1. Tourism Shopper Segmentation



The *Cross-Border Tourism Shopper* has higher levels of tourism and shopping enjoyment. This “new type shopper” refers to consumers who simultaneously value both hedonic and utilitarian (i.e., lower cost) characteristics of a retail outlet (Boedeker, 1995). This segment engages in leisure-time shopping, is fashion conscious or innovative, and seeks experiential benefits from shopping and cultural tourism (Lumpkin et al, 1986; Papadopoulos, 1980). Cross tourism shoppers appear to most spend money on experiential goods such as clothes, shoes, or jewelry rather than souvenirs or gifts, and novelty (Gentry, 2001).

To target cross-tourism shoppers, marketers should recognize consumers’ need for traditional cultural tourism in conjunction with their expenditures on retail products. Retailers should focus on the fun of shopping in an “exotic” location (i.e., atmospheric stimulus that some retailers attempt to generate in their own stores), and the excitement of being in a foreign environment. Shopping festivals with point-of-purchase (POP) for tourists can be effective in capturing more tourism shoppers as well as increasing tourism revenues.

The *Traditional Tourists* are recreational/cultural tourists involved in selection of destinations, transportation modes, travel routes, accommodations visiting attraction, restaurants and foods, and local area destinations (Woodside & Dubelaar, 2002). The traditional tourists are more likely to purchase goods such as: Gift, Novelty, and Souvenir Shops; Hotel, Rooming, Houses Camps and other Lodging; and Amusement and Recreation Services. The places that provide services other than shopping are likely to continue to experience some continued growth. Examples of growth area include gasoline sales, small retail (souvenir/gift) sales, lodging sales, and recreational and cultural sales. For specific destinations and industries (e.g., hospitality, car rental, and retail stores), learning the details that influence visits and consumption of goods and or services may be useful.

The *Traditional Outshopper* is a consumer who purchases goods outside their local shopping area. This shopper exhibits high levels of shopping enjoyment, but low levels of

tourism enjoyment. This consumer engages in the store choice decision. Their shopping activities focus on retail products, which are directly related to their evaluation of their local shopping offer (Jarratt, 2000). This segment is characterized by high social motivations with more favorable attitudes toward large-city shopping in general merchandise stores, such as department stores, variety stores, outlets, and malls (Miller & Kean, 1997). Moreover, the retailing environment, along with competitive prices and merchandise assortments appear to motivate this type of outshopper (Piron, 2001; Rotenberg & Yannopolous, 1997; Smith, 1999; Sullivan & Kang, 1997; Thompson, 1971). Similar to cross-border tourism shoppers, outshoppers tend to be relatively active, recreation, and sensation seekers (Burn et al., 1999; Hawes & Lumpkin, 1984). They have higher expenditures for “clothing” (78%) and “home furnishings” (62%) than in-town shoppers (Miller & Kean, 1997).

Retailers should focus on variety of fashion products or brands with competitive prices in sales promotion to attract this segment. Also, store layout and trading area atmosphere (Jarratt, 2000; LaForge, 1984) may attract consumers who value shopping enjoyment or browsing for positive feeling (fun and exciting).

The *Inactive tourist/shoppers* are less likely than other groups to prefer outdoor and recreational activity and shopping (Polonsky & Jarratt, 1991). Inactive shoppers are loyal to local merchants and express favorable attitudes toward social and economic reasons to shop locally (Miller & Kean, 1997). This segment is more concerned with the momentary cost (e.g., traveling expense and custom taxation) of purchases than other segments, which discourages travel or outshopping.

To enhance the retail environment, communities should include the local market system (Etzioni, 1988), which allows community members to fulfill both roles of retailer supplies and consumers. Community members can be partners in social exchanges (e.g., special cultural events, museum, friendly relaxing) as well as in the marketplace (antique shopping, local hospitality) and thus satisfy public as well as private needs.

Conclusions and implications

This paper classifies consumers into four segments based on the level of tourism and shopping: *Cross-border Tourism Shopper*, *Traditional Tourists*, *Traditional Outshopper*, and *Inactive Tourist/Shopper*. The consumer segmentation provides insight into establishing an synergy between retailing and tourism revenues. Tourism and retailing strategies for destination marketers and retailers can focus on the trip or shopping activities actually done by each segment. Use of product-market strategies to satisfy targeted specific consumer needs is an effectual way to reduce marketing costs. In particular, retailers can design unique tourism products and experiences for each of three segments, tourism shoppers, traditional tourists, and traditional outshoppers. Further, understanding tourism shoppers’ propensity for and response to retailing and hospitality environments will help sharply segment the market and convert tourism benefits into congruent unique retail images in tourism retailing.

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