

Marketing performance measurement in hotels, travel agencies and tour operators: a study of current practices

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Agenda

- ▣ Introduction & purpose of the paper
- ▣ Literature review
- ▣ Methodology
- ▣ Results & Discussion
- ▣ Limitations

Introduction & purpose of the paper

- **Successful tourism firms** invest heavily on marketing to:
 - ✓ differentiate themselves from the competitor
 - ✓ resist to price pressures
 - ✓ communicate a clear brand image
 - ✓ increase their visibility
 - ✓ stimulate customer loyalty
 - ✓ enhance their performance
 - ✓ mitigate the impact of the current crisis
- (e.g., Becerra, Santaló, & Silva, 2013; Alonso-Almeida & Bremser, 2013)

Introduction & purpose of the paper

- Scarcity of resources + increasing number of available marketing tools

=> need of careful and detailed evaluations and choices

=> a well-designed dashboard of marketing metrics is fundamental

- There is still a lack of studies about measuring the overall performance of marketing activities of tourism firms

Introduction & purpose of the paper

■ The purpose of the paper is:

1) investigate **the most-adopted marketing metrics** within the tourism firms belonging to the hospitality, travel agencies and tour operator sectors;

2) study how these firms **use** such metrics **to enhance their marketing decision-making activity**

Literature review

- **Marketing metrics**: overlooked for a long time as they were classified as non-financial measures and, hence, not able to directly impact the firm performance (Atkinson & Brown, 2001)
=> focus on internal efficiency and effectiveness (output/input ratios) of tourism firms (Yu & Lee, 2009)
- **Marketing Performance Measurement Systems (MPMSs)** could provide tourism firms with significant benefits
=> high market dynamism and frequent changes of customer behavior (Homburg, et al., 2012).
(Tourism has this characteristics: Dwyer et al. 2009)

Literature review

- **Designing** a well-working MPMS requires to:
 - define **how to select** a small number of really important marketing metrics (Petersen, et al., 2009)
 - reflect possible cause and effect relationships
- **20-25 metrics may be enough**, otherwise managers will be overloaded by the information (Atkinson and Brown, 2001).

Literature review

Framework of the chain of marketing productivity (Rust, Ambler, Carpenter, Kumar, & Srivastava, 2004)

=> we study the diffusion and the use of marketing metrics at **three interconnected levels of marketing performance**:

- 1) the **customer level** (e.g. brand attitude, frequency of repurchasing);
- 2) the **market level** (e.g. market shares);
- 3) the **firm's financial level**, financial indicators (e.g. revenues and margins) and ratios, relating outputs and marketing investments (e.g. return on marketing investments)

Methodology

- Long interview method (Woodside, 2010)
- Semi-structured interviews with the marketing/sales director of Italian or of the Italian branch of **12 hotel chains, 8 travel agencies and 8 tour operators**
- Focus of the study on **cross-sector marketing metrics**, i.e. general marketing metrics that are used in all the three tourism sectors (hospitality, travel agencies, tours operators)

Firm	Interviewee's position in the firm	Years of experience in the tourism industry	Years of experience in the current firm
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Hotel chains

Accor	Marketing Manager Italy	14	2
Alpitour World Hotel & Resort	Sales and E-commerce Manager	20	1
Bestwestern	Head of Marketing	9	-
Choice Hotels	Marketing and Franchisee service Director	6	5
IGV - I Grandi Viaggi	Sales Director	24	12
IHG – Intercontinental Hotels Group	Marketing director South-East Europe	20	7
ITI Hotels	Head of Marketing	25	1
Marriot Park Hotel	Sales & Marketing manager	10	-
Melia Hotels International	Head of Marketing	21	3
Orovacanze	Head of Sales	10	10
UNA Hotels	Head of Sales & Marketing	17	10
NH Hotels	Marketing director	1	1

Travel Agencies			
BCD Travel	Product manager	5	4
Bravo-net	Marketing Management	10	3
Lastminute	Marketing Director Italy	3	3
Octopustravel	Country Manager Italia	20	5
Robintur	Head of Marketing	7	7
UvetAmex	Head of Marketing & Communication	30	11
Uvet-ITN	Marketing & Communication Manager	1	1
Welcome Travel Group	Head of Marketing & Communication	8	8
Tour operators			
Alpitour World	Marketing Analysis and Service Manager	15	15
Boscolo Tour	Head of sales Marketing b2b channel	6	6
Easy Market	Product Manager	1	1
Eden Viaggi	Marketing Manager	5	3
Hotelplan	Head of Marketing	16	16
Inviaggi	Head of Sales Marketing		
Kuoni	Marketing Manager	3	3
Veratour	Head of Sales	15	8

Results & Discussion

Level of analysis	Object being measured	Metric	#Travel agencies adopting the metric (n=8)	#Tour operators adopting the metric (n=8)	# Hotel Chains adopting the metric (n=12)	Total number of firms adopting the metric (n=30)
Customer Level	Attitude	Customer Satisfaction (Index)	7	7	12	26
		Brand awareness	5	7	11	23
		Brand image/reputation	6	6	11	23
	Behavior	Number of complaints	8	8	12	28
		Customer loyalty	8	7	10	25
		Web site unique visitors	6	6	12	24
		% of bookings through online/offline channels	4	7	12	23
		% of web site new visits	7	5	11	23
		Number of web site visitors through referring sites (links)	6	7	9	22
		Number of web site visitors from organic vs. paid listing on search engines	6	7	8	21
		Click through rate	5	6	8	19
		Geographical location of web site visitors	5	4	7	16

Results & Discussion

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Market level	Competitive performance	Market share (value)	7	8	11	26
		Market share (volume)	7	8	10	25
Firm financial Level	Output/Input ratios	Return on (online) marketing investments (ROMI)	6	8	10	24
		Cost per booking	6	8	10	24
		Cost of customer acquisition	3	5	10	18
	Financial indicators	Revenues	8	8	12	28
		Return on sales (avg. % of operating profit margin)	5	6	12	23
		Contribution margin	5	8	8	21
		Quality of customer portfolio (volume, solvency, etc.)	5	6	5	16

Results & Discussion

- On average, each firm: 32.67 metrics
- No significant difference in the level of the adoption of these metrics => such metrics are substantially **cross-sector**
- High number of **sector-specific metrics** =>
Each firm's marketing metrics dashboard contains on average from 50 to 60 indicators.

Results & Discussion

- Some recurrent themes about the use of such metrics for decision making emerged:

1. Marketing metrics are generally **useful** for decision making (e.g. gap analysis) **but the marketing dashboard perspective is not diffused**

“the market is changing so rapidly that we are trying to collect as many data as possible and as many indicators as possible” (tour operator).

“we hope that we will be able to improve our use of marketing metrics, by reducing their number, maybe adding new indicators [...] to make easier and quicker analysis” (hotel chain)”

Results & Discussion

2. **Not all the metrics have the same importance** in the decision-making activities

-data regarding customers' attitudes tend to be collected less frequently than others, while indicators related to revenues are updated daily or weekly.

*"The changes in our market are unpredictable and we must be ready at every moment to take marketing actions. Every week we analyze our revenues, and if we see a negative deviation we intervene"
(travel agency)"*

Results & Discussion

3. The composition of the dashboard reflects the priorities of each firm and is **changing in favor of online metrics**

-effectiveness of online marketing campaign is more easily measurable.

“In the last 5 years we have decided to invest in marketing activities that can be measured. We now invest more than 80% of our marketing budget online (Hotel Chain)”

Results & Discussion

4. The concept and the use of the marketing metrics dashboard have in many case **not be interiorized** within the organizations

“We have now this priority of building a set of marketing indicators [...] at least until a new CEO will change this priority”

Limitations

- Limited number of (only leading) firms involved in the study
- The results may not be extended to other firms
- Each sector/firm is unique