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

Attilio Bruni (corresponding author)
Sapienza Università di Roma
Department of Communication and Social Research
Via Salaria 113, 00198 Roma
ITALY
e-mail: attilio.bruni@uniroma1.it
tel: 0039 06 49918325

Fabio Cassia
University of Verona,
Department of Business Administration
via dell'Artigliere 19, 37129 Verona
ITALY
e-mail: fabio.cassia@univr.it
tel: 0039 045 8028689

Francesca Magno
University of Bergamo
Department of Management, Economics and Quantitative Methods
Via dei Caniana 2, 24127 Bergamo
ITALY
e-mail: francesca.magno@unibg.it
tel.: 0039 035 2052691

1

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

Abstract

As successful tourism firms invest heavily in marketing to defend or improve their competitive position, they increasingly need to measure their marketing performance. Previous studies related to tourism have largely focused on financial and operational performance, but the marketing perspective has been largely overlooked.

Drawing on an in-depth investigation involving 12 hotel chains, 8 travel agencies and 8 tour operators, this study provides an overview of the state-of-the-art marketing performance measurements among some of the leading tourism firms in Italy. Several issues and unanswered questions are also identified.

Keywords: marketing performance measurement, performance, metrics, travel agencies, hotels, tour operators

2

Introduction

To differentiate themselves from competitors and to resist price pressure, successful hotels (Becerra, Santaló, & Silva, 2013), travel agencies (Huang, 2013) and tour operators (Mak, 2011) are increasingly investing in marketing. Such investments are made by these firms to build a strong brand image, to increase the visibility of their offerings, to stimulate customer loyalty and, in general, to enhance their performance (Mintz & Currim, 2013; Park & Jang, 2012). Moreover, by increasing their marketing expenditures, tourism companies may be able to reinforce their competitive position and may be better equipped to handle the impact of the current crisis (Alonso-Almeida & Bremser, 2013).

While there is no doubt regarding the importance of marketing investments for tourism firms, allocating marketing resources efficiently and effectively among a wide range of programs is a complex issue (Lovett & MacDonald, 2005). In addition, the complexity of this decision is affected by marketing budget constraints (Williams, 2006) and by the shift of a significant share of marketing investments from offline to online (Michopoulou & Buhalis, 2008). Thus, firms must carefully evaluate their marketing performance and how marketing contributes to reaching the firm's goals with the support of a well-designed dashboard of marketing metrics (Pauwels, et al., 2009).

Unfortunately, this issue has been largely ignored by previous tourism studies. The issue of measuring performance in tourism firms is not new (Yilmaz & Bititci, 2006). Nonetheless, tourism firms are still striving to develop appropriate measurement systems, balancing financial and non-financial performance indicators. In this effort, even the introduction of Kaplan and Norton's Balanced Scorecard in tourism firms has not been sufficient to support the comprehensive measurement of marketing performance (Sainaghi, 2010).

The available studies reflect this perspective, as they mainly address the measurement of either financial performance (e.g., Atkinson & Brown, 2001) or operational performance in specific tourism sectors, such as in hotels (e.g., Ashrafi, Seow, Lee, & Lee, 2013). In particular, financial performance pertains to bottom-line profitability (Sainaghi, Phillips, & Corti, 2013) and its improvement through two basic approaches (Kaplan & Norton, 2001): revenue growth and productivity. Operational performance—identified as "nonfinancial performance" in the seminal work by Venkatraman and Ramanujam (1986)—embraces both the customer perspective (e.g., customer satisfaction, customer acquisition) and the internal business perspective (e.g., efficiency scores, occupancy rates) (Sainaghi, 2010; Sainaghi, et al., 2013). Some other studies focus only on e-metrics (Michopoulou & Buhalis, 2008). To

our knowledge, few studies have addressed measuring the overall performance of tourism firms' marketing activities.

Leading tourism firms are currently making strong efforts to design Marketing Performance Measurement Systems (MPMSs) that can provide them with timely feedback on marketing strategy implementation (Homburg, Artz, & Wieseke, 2012). In particular, MPMSs are useful for firms operating under high market dynamism (Homburg, et al., 2012), as is the case of tourism firms (Dwyer, Edwards, Mistilis, Roman, & Scott, 2009).

Designing an MPMS that works well is a complex task (Pauwels, et al., 2009). Each firm should create a simple dashboard with a small set of appropriate metrics (Homburg, et al., 2012) that register the perceptual, behavioural and financial aspects of marketing performance (Michopoulou & Buhalis, 2008). According to Atkinson and Brown (2001), 20-25 metrics may be sufficient to prevent managers from being overloaded by data. Selecting a small number of meaningful metrics may be even more difficult for tourism firms, as many industry-specific metrics (e.g., Revpar) are available to firms in addition to cross-industry marketing metrics (e.g., Brown & Dev, 1999; Sainaghi, 2011).

The purpose of this study is to investigate the most-adopted marketing metrics within some of the leading tourism firms in the hospitality, travel agency and tour operator sectors and to understand the current issues with the adoption and use of such MPMSs.

Method

This study adopted the long interview method (McCracken, 1988; Woodside, 2010), which has been previously used in other tourism studies (e.g., Volo, 2011). "The long interview is designed to give the investigator a highly efficient, productive, 'stream-lined' instrument of inquiry […] to reach certain descriptive and analytic purposes […] within a manageable methodological context" (McCracken, 1988, pp. 7-11). The long interview process can be organised in a sequence of four steps. The first step begins with an exhaustive review of the literature, with the purpose of defining problems and establishing an inventory of the categories to be investigated. The second step is a review of cultural categories and engages the investigator in the processes of familiarisation and defamiliarisation (i.e., setting a distance from the cultural assumptions). The third step concerns the construction of the questionnaire, with questions phrased in a general and nondirective manner. In particular, for this study, a few "grand-tour" questions about respondents' experience with marketing performance measurement were prepared. In addition, we created a comprehensive list of marketing metrics to be used as "planned prompts" (McCracken, 1988) to solicit the

4

interviewee to talk about categories identified in the literature review, though not spontaneously elicited during the interview. The focus of the planned prompts was on cross-sector marketing metrics, i.e., general marketing metrics that are used in all three tourism sectors (hospitality, travel agencies, and tours operators) included in the study. Information about the adoption of industry-specific metrics was also collected for the purpose of comprehensiveness. The third step ends with the selection of respondents. In this study, we selected 28 marketing/sales directors from Italian firms or from the Italian branches of 12 hotel chains, 8 travel agencies and 8 tour operators that were the leaders or among the major players in their respective sectors in the Italian market. The list of firms that participated in this study and the profiles of the respondents are shown in table 1. The number of respondents was larger than that suggested by McCracken (1988) because we wanted to compare the findings from the three tourism sectors involved in the study (i.e., hotels, travel agencies and tour operators). The fourth step of the long interview is the analysis process, which moves from the particular to the general. In this study, the interviews were recorded and transcribed, and three expert scholars coded the contents independently. The three separate analyses were then compared, revealing a level of inter-coder reliability of 93%, computed by dividing the number of agreements by the sum of the number of agreements and disagreements.

The analysis was divided into two parts. First, to provide a descriptive, cross-sectional overview of current marketing dashboards within the participating firms, we counted the frequencies of adoption of each metric. We found that, in some cases, respondents attached different meanings to the same marketing metric label. Sometimes, metrics with different labels that measured the same performance aspect were aggregated under a unique label, and other times, the opposite process was necessary.

Following the marketing productivity chain framework (Rust, Ambler, Carpenter, Kumar, & Srivastava, 2004), metrics were organised into three different groups to measure marketing performance at the following levels:

-the customer level, i.e., attitudinal and behavioural measures, registering the impact of marketing activities on customers;

- the market level, measuring performance related to the firm's competitive position;

-the firm's financial level, which registers the efficiency and the effectiveness (Rust, et al., 2004) of marketing investments, including financial indicators and ratios relating marketing investments to outputs.

More precisely, while the customer level and the market level include metrics of operational performance (in particular, they measure what Kaplan and Norton's Balanced Scorecard

5

Model defines as the "customer perspective"), the firm-level metrics concern financial performance.

In addition, content analysis was conducted to identify current issues with the adoption and use of such MPMSs by tourism firms.

[Table 1 near here]

Results

The analysis of the frequency of cross-sector marketing metrics adoption revealed that each firm adopted an average of 32.67 metrics. Table 2 shows the list of metrics that were adopted by more than 50% of the firms. No significant difference in the adoption levels of these metrics was found among the three sectors (hotels, travel agencies and tour operators). In addition, each firm reported using a large number of industry-specific metrics. As a result, the average marketing dashboard contains, on average, 50 to 60 metrics. From further content analysis of the collected information, the following recurrent themes were identified.

1) Marketing metrics are useful for decision-making, *but the marketing dashboard perspective is not diffused*

A comprehensive view of the marketing dashboard is lacking in the majority of the firms. One manager from the tour operator sector argued, "the market is changing so rapidly that we are trying to collect as much data as possible and to use as many indicators as possible". Several interviewees reported that they are unsure about how to select the metrics to include in their dashboard. Additionally, we frequently found that the concept and use of the marketing metrics dashboard had not been interiorised within the organisations. A lack of competencies and adequate internal processes were mentioned as significant obstacles.

2) Tourism firms are looking for 'objective' marketing performance measurement

The vast majority of the interviewees reported that the adoption of MPMSs was motivated by the hope to be able to measure 'objective' performance. Some participants feel a strong sense of frustration, as they believe 'objective' performance measurement is only an illusion and that collected data can be interpreted in many ways and misused by individuals to gain power within the firm.

3) The composition of the dashboard is rapidly changing in favour of online metrics

All firms reported that they are moving a substantial portion of their marketing budget to online marketing activities. One of the main reasons for this decision is that managers believe that it is easier to measure the performance of online marketing campaigns. Many online marketing metrics are already included in the firms' dashboards (table 2). As one major hotel chain highlighted, "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."

4) Not all the metrics have the same importance in decision-making activities

Not all metrics are updated with the same frequency and have the same importance in decision-making activities. For example, data regarding customers' attitudes tend to be collected less frequently than others, whereas indicators related to revenues are updated daily or weekly: "Every week, we analyse our revenues, and if we see a negative deviation, we intervene" according to a travel agency. In addition, several of the metrics are sometimes not used at all to make choices.

[Table 2 near here]

Conclusion

Regarding the issue of marketing performance measurement in tourism firms, current practices appear to indicate a significant need for scientific research. Thus, it is not surprising that during data collection, several interviewees urged us to share the results of future new studies on this issue with them. While caution is needed before generalising the results, many research opportunities in this area can be identified. In particular, it may be interesting to evaluate marketing performance measurements along the entire e-commerce pipeline. As many tourism firms are moving their investments from offline to online, it is necessary to understand whether good performance in terms of customer attitude (registered by the number of site visits, the click-through rate, etc.) is also related to a successful sales performance. In addition, it would be fruitful to adopt a longitudinal perspective to deeply understand the long-term effects of adopting marketing performance measurements within the firm.

7

References

Alonso-Almeida, M. M., & Bremser, K. (2013). Strategic responses of the Spanish hospitality sector to the financial crisis. *International Journal of Hospitality Management, 32*(1), 141-148.

Ashrafi, A., Seow, H. V., Lee, L. S., & Lee, C. G. (2013). The efficiency of the hotel industry in Singapore. *Tourism Management, 37*, 31-34.

Atkinson, H., & Brown, J. B. (2001). Rethinking performance measures: assessing progress in UK hotels. *International Journal of Contemporary Hospitality Management, 13*(3), 128-136.

Becerra, M., Santaló, J., & Silva, R. (2013). Being better vs. being different: Differentiation, competition, and pricing strategies in the Spanish hotel industry. *Tourism Management, 34*, 71-79.

Brown, J. R., & Dev, C. S. (1999). Looking beyond RevPAR: productivity consequences of hotel strategies. *Cornell Hotel and Restaurant Administration Quarterly, 40*(2), 23-33.

Dwyer, L., Edwards, D., Mistilis, N., Roman, C., & Scott, N. (2009). Destination and enterprise management for a tourism future. *Tourism Management, 30*(1), 63-74.

Homburg, C., Artz, M., & Wieseke, J. (2012). Marketing Performance Measurement Systems: Does Comprehensiveness Really Improve Performance? *Journal of Marketing, 76*(3), 56-77.

Huang, L. (2013). Building a barrier-to-imitation strategy model in the travel agency industry. *Current Issues in Tourism, 16*(4), 313-326.

Kaplan, R. S., & Norton, D. P. (2001). Transforming the balanced scorecard from performance measurement to strategic management: Part I. *Accounting horizons, 15*(1), 87-104.

Lovett, M. J., & MacDonald, J. B. (2005). How does financial performance affect marketing? Studying the marketing-finance relationship from a dynamic perspective. *Journal of the Academy of Marketing Science, 33*(4), 476-485.

Mak, B. L. (2011). ISO certification in the tour operator sector. *International Journal of Contemporary Hospitality Management, 23*(1), 115-130.

McCracken, G. (1988). *The long interview* (Vol. 13 - Qualitative research methods series). Newbury Park, CA: Sage.

Michopoulou, E., & Buhalis, D. (2008). Performance measures of net-enabled hypercompetitive industries: The case of tourism. *International Journal of Information Management, 28*(3), 168-180.

Mintz, O., & Currim, I. S. (2013). What Drives Managerial Use of Marketing and Financial Metrics and Does Metric Use Affect Performance of Marketing-Mix Activities? *Journal of Marketing, 77*(2), 17-40.

Park, J.-Y., & Jang, S. S. (2012). Confused by too many choices? Choice overload in tourism. *Tourism Management, 35*, 1-12.

Pauwels, K., Ambler, T., Clark, B. H., LaPointe, P., Reibstein, D., Skiera, B., et al. (2009). Dashboards as a Service Why, What, How, and What Research Is Needed? *Journal of Service Research, 12*(2), 175-189.

Rust, R. T., Ambler, T., Carpenter, G. S., Kumar, V., & Srivastava, R. K. (2004). Measuring marketing productivity: current knowledge and future directions. *Journal of Marketing, 68*(4), 76-89.

Sainaghi, R. (2010). Hotel performance: state of the art. *International Journal of Contemporary Hospitality Management, 22*(7), 920-952.

Sainaghi, R. (2011). RevPAR determinants of individual hotels: evidences from Milan. *International Journal of Contemporary Hospitality Management, 23*(3), 297-311.

Sainaghi, R., Phillips, P., & Corti, V. (2013). Measuring hotel performance: Using a balanced scorecard perspectives' approach. *International Journal of Hospitality Management, 34*, 150-159.

Venkatraman, N., & Ramanujam, V. (1986). Measurement of business performance in strategy research: a comparison of approaches. *Academy of Management Review, 11*(4), 801-814.

Volo, S. (2011). Comity or Conflict? A Qualitative Study on Host-Guest Relationship in Second Home Tourism. *Tourism Analysis, 16*(4), 443-460.

Williams, A. (2006). Tourism and hospitality marketing: fantasy, feeling and fun. *International Journal of Contemporary Hospitality Management, 18*(6), 482-495.

Woodside, A. G. (2010). *Case study research: Theory, methods, practice*. Bingley, UK: Emerald Group Publishing.

Yilmaz, Y., & Bititci, U. (2006). Performance measurement in the value chain: manufacturing v. tourism. *International Journal of Productivity and Performance Management, 55*(5), 371-389.

Table 1: Firms participating in the study.

Firm	Interviewee's position in the firm	Years of experience in the tourism industry	Years of experience in the current firm
Hotel chains			
Accor	Marketing Manager Italy	14	2
Alpitour World Hotel &Resort	Sales and E-commerce Manager	20	1
Best Western	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	10	7
Kuoni	Marketing Manager	3	3
Veratour	Head of Sales	15	8

Table 2: List of cross-sector marketing metrics adopted by more than 50% of firms.

Level of analysis	Object being measured	Metric	# Hotel Chains adopting the metric (n=12)	# Tour operators adopting the metric (n=8)	# Travel agencies adopting the metric (n=8)	Total number of firms adopting the metric (n=28)
Customer Level	**Attitude**	Customer Satisfaction (Index)	12	7	7	26
		Brand awareness	11	7	5	23
		Brand image/reputation	11	6	6	23
	Behaviour	Number of complaints	12	8	8	28
		Customer loyalty	10	7	8	25
		Web site unique visitors	12	6	6	24
		% of bookings through online/offline channels	12	7	4	23
		% of web site new visits	11	5	7	23
		Number of web site visitors through referring sites (links)	9	7	6	22
		Number of web site visitors from organic vs. paid listing on search engines	8	7	6	21
		Click through rate	8	6	5	19
		Geographical location of web site visitors	7	4	5	16
Market level	**Competitive performance**	Market share (value)	11	8	7	26
		Market share (volume)	10	8	7	25
Firm financial level	**Output/Input ratios**	Return on (online) marketing investments (ROMI)	10	8	6	24
		Cost per booking	10	8	6	24
		Cost of customer acquisition	10	5	3	18
	Financial indicators	Revenues	12	8	8	28
		Return on sales (avg. % of operating profit margin)	12	6	5	23
		Contribution margin	8	8	5	21
		Quality of customer portfolio (solvency, etc.)	5	6	5	16