



Countries, States, Cities and Regions that source a significant portion of their revenues from Tourism are constantly debating the right level of Advertising to develop their destination brand. As more and more accountability is required both in the Private and the Public sector, the pressure to generate as much impact out of advertising has never been greater. There are several ways to better understand and improve how advertising drives your Tourism revenues.

Analyze Your Source of Tourism Revenues

Although advertising and promotion may have a significant impact on Tourism, it is not the only driver. There are other 'baseline' factors like economy of the region, weather patterns in the recent past (e.g. frequency of storms and hurricanes), gas prices, airline fare inflation etc. Correlating advertising with Tourism demand without controlling for these factors would yield inflated and spurious results because advertising would take credit or be penalized for fluctuations in these baseline drivers-

Correlation is not Causation!

It is also important to identify the major sources of tourist traffic (origin location) and to evaluate economic conditions in these major sources. If you had a lot of tourist traffic from a particular city or region in the past, they become your best bet for traffic growth because of word-of-mouth and feedback advocacy effects from past visitors. Economic shocks or other events in these origin locations can have a bigger impact on your traffic than such shocks and events in other locations. In such cases, extra advertising and promotion support can be diverted to these locations to offset the weakness in the baseline demand for tourism to your region. Some pretty interesting analysis with regard to geographic visitor characteristics can be conducted at a granular level using data from the Bureau of Transportation Statistics. In addition to evaluating the geographic profile of your visitors, it is equally important to evaluate demographics. As advertising media starts become more and more fragmented, it becomes critical to understand your target market and their media consumption profile. Data for such analyses is a little more difficult to obtain but it is possible with a little bit effort. For instance you can use Census Bureau demographic data to understand if there are ethnic, cultural or educational commonalities in your visitor population across multiple origin locations. If individual level data including Household characteristics are available, then more advanced analysis including Consumer Segmentation and Direct Advertising response propensity analyses can be carried out. Segmentation would help you understand the major types of visitors to your region and propensity analysis would help you identify the visitors most likely to respond to direct advertising, which will help you improve the efficiency of your marketing efforts.

Determine Your Brand Positioning

Similar to other consumer products, destination brands can also be segmented into Premium, Value, Discount and Niche. Using consumer surveys and segmentation analysis, marketers can determine what their brand positioning is and how to leverage this in structuring better marketing communication.

Evaluate the ROI of Different Promotional & Advertising Media

Since tourism advertising is typically executed through public funds (typically state and/or city budgets), it is appropriate to measure ROI in terms of incremental Tax revenues resulting from advertising efforts.

The below formula provides a simple but straightforward calculation for ROI at the State-level:



$$\text{Tourism Advertising ROI} = \text{Total Tourist Spending} * (\text{State Sales Tax Rate})$$

This is a conservative ROI estimate as it excludes local taxes and employment growth as a result of Tourist activities. Internal tourist traffic (in-state travelers if evaluating at state-level) should be excluded if possible as it tends to inflate ROI, as these dollars may have been expended in the analyzed region in any case.

If there are major promotional or advertising tactics being employed like TV, Print, Radio, Direct Mail, Outdoor and Online, the ROI for each of these should be estimated separately. If possible, their impacts should also be separated by key visitor segments. There are two reasons for this:

- Different tactics have different ROI and advertising dollars should be distributed to maximize the cumulative ROI across all tactics
- Different tactics work differently with various demographics and the execution of each tactic should be optimized across multiple segments

Methodologies to Evaluate Advertising Performance

There are several methodologies that have been proposed over the past and there is no single best model.

Conversion Analysis

This is one of the most common approaches for tourism advertising effectiveness analysis and consists of measuring responses to a direct response advertising medium like Print or Broadcast Commercials. Respondents are then re-contacted to find out if they had made a trip to the destination on the basis of provided information.

Pros:

- Low cost implementation
- Provides a direct link to ROI if tourist spending information is available

Cons:

- Approach suffers from censored data bias as only direct advertising responder population of those exposed to promotional stimuli and traveled to the destination are included, not those that traveled but did not respond. This is not necessarily a significant bias though and results in a more conservative estimate.
- A bigger issue is that this approach attributes to advertising stimuli those travelers that had already decided to travel to the destination and were responding to the stimuli for additional information- this inflates the ROI
- This approach also doesn't account for external factors that influence destination choice, in addition to promotional stimuli. Increase/decrease in tourism growth due to factors like economic growth or weather may be wrongfully attributed to advertising stimuli

Controlled/Designed Experiments & Test Market Analysis (Pre-Post analysis)

This approach exposes a particular part of the target market to advertising or promotional, while another part of the target market is not exposed to this stimulus. The part that is exposed to the advertising is known as the Test group, while the part that is not exposed is known as the Control group. After the promotional or advertising period is over, the response rate (percentage of people traveling to the destination out of total people in the group) in the Test group is compared to that of the control group. The increase in response rate is attributed to the advertising or promotional stimuli



and ROI is calculated by estimating incremental trips due to advertising and applying average spend per trip.

Pros:

- Provides a direct link to ROI, similar to Response Analysis
- Minimizes bias due to the impact of external factors, since both Test and Control groups would be exposed to these factors

Cons:

- Results tend to vary significantly from event to event, which results in an inconsistent measure of ROI
- This is not a good approach to ongoing ROI evaluation because of the need to split the target market into Test and Control groups- the advertising cannot be executed for the entire market for any one event. This also results in a huge opportunity cost due to the exclusion of potential incremental revenue from the Control group.
- Test and Control groups need to be similar in every respect except one gets advertising the other does not- it is difficult to find two groups within your target market that is similar in every respect
- Slight differences in test and Control groups can yield spurious results, for instance if some event like job layoffs or bad weather caused a drop in travel originating from the Control group and this did not happen in the Test group, the response rate in the Test group would be inflated
- Precise execution of Controlled Experiments require proficiency in statistical techniques like ANOVA and ANCOVA
- Lacks any predictive power as it ignores the time dimension completely. Although this doesn't directly impact the ability to measure Marketing ROI, it doesn't equip decision makers to understand the impact of external factors like economy and weather, thus leaving them unable to set stakeholder expectations.
- Accuracy of this approach cannot be readily validated using standard metrics like model error or out of sample prediction performance.

Awareness Tracking

This is the least accurate measure as it evaluates the impact of advertising in driving awareness about the destination region/state/city as a tourist attraction by surveying a sample consumer panel out of the target market. In spite of this it has one significant advantage over all other approaches, it focuses on the perception of consumers about destination brand, helping destination marketers better structure marketing communication to ensure the right brand positioning.

Pros:

- Directly evaluates how advertising influences consumer perception of your destination brand.
- In the absence of publicly available or syndicated secondary data, this may be the closest proxy to behavioral data
- Longer term approach as it looks at optimizing longer term brand perception rather than short-term behavior (measures consumer equity even if the consumer may not necessarily be in the tourism market at the present moment)

Cons:

- Doesn't relate consumer perception and intent to actual behavior.
- Relies on survey sampling, which may not necessarily be fully representative of your target market and may suffer from sampling bias as sample may not be random. For instance if you are only sampling out of a pool of travel magazine subscribers, there is a higher likelihood that they may be very knowledgeable of your destination brand. The bias may be unintentional- in



- the above example, the survey research vendor may have purchased a mailing list from a house that specializes in travel related publications.
- The cost of execution vs. benefit of relativity to actual outcomes is not necessarily justifiable

Econometric Modeling Analysis

This approach simultaneously measures the impact of multiple drivers on tourist traffic by using statistical models. These models originate in fundamental demand and supply microeconomic principles and seek to represent the entire spectrum of the tourism demand function in a system of relationships using data recorded at regular intervals.

Pros:

- The impact of varying levels and frequency of advertising over several programs enables determination of the right level of advertising support. Over investing in any one market or time-period may lead to inefficiency as advertising dollars would reach the same consumers, leading to duplication. Only looking at multiple programs that vary in level of exposure, frequency and intensity will allow identifying the optimal combination of all three.
- Looking at advertising programs over time helps identify how long the impact of a program lasts, which helps determine the right frequency of advertising programs
- Since the model also incorporates all major drivers of tourism demand, it helps anticipate slowness in demand emanating from non-advertising factors and competitive marketing activities
- Since this is a statistical model, the predictive accuracy can be validated for using model fit metrics
- Sophisticated econometric models like Random Coefficients Model can effectively measure all programs executed over an extended period of time, while allowing the evaluation of single events separately, leading to more consistent results across multiple events
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Cons:

- Requires the availability of organized data
- Sophisticated, needs advanced statistical talent

There have been some arguments that have been raised about the efficacy of this approach in parsing out the impact of marketing tactics when these tactics are executed together and their impacts overlap. As in any statistical approach driven by data, be it primary or secondary, high correlation between marketing drivers is never helpful, but it is not the end of the world. A large enough sample size can provide enough variation to distinguish the impact of each marketing driver. Multiple industries including CPG, Retail, Telecom, Finance and Healthcare have been using this approach effectively for over two decades and provide ROI benchmarks across the same media vehicles and channels that Tourism relies on to reach consumers.

In conclusion, the optimal analysis model out of the above depends upon different parameters including:

- Availability of analytic talent
- Nature of data available for Analysis

The first one is not a major obstacle as there are several consultants that have focused expertise in this domain. The second one is more critical in determining the type of analysis that can be used.

Please Direct All Questions to info@enumerys.com