2011 Travel Industry Benchmarking: Marketing ROI, Opportunities, and Challenges in Online and Social Media Channels for Destination and Marketing Firms

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Abstract
Senior lodging and destination marketing executives often make vendor and marketing channel decisions without sufficient time to investigate the ROI of alternative strategies or emerging media choices. An internet-based survey of 426 marketing executives, drawn from the TravelCom 2011 conference and Cornell Center for Hospitality Research database, with support from Vantage Strategy and iPerceptions, found a wide range of expenditures on online marketing, as well as considerable diversity in organizational structures. Two-thirds of the sample comprised accommodation marketers, with the remainder being destination marketers or those responsible for other types of marketing. Nearly three-quarters of the respondents reported spending less than $10,000 on mobile media in 2010, about two thirds spent less than $10,000 on all social media marketing. About 80 percent of the marketers said that they produced Twitter campaigns and social promotions in-house, but such functions as search engine optimization and pay-per-click advertising are largely outsourced. Accommodation firms are more likely to outsource all social media functions, including pay-per-call, Twitter campaigns, and pay-per-click management. Destination marketers, on the other hand, generally handle more functions in-house. Two-thirds of the entire sample said the 2010 e-commerce budgets had increased with respect to 2009. Sixty percent of accommodation marketers anticipated a further increase in 2011, and 71 percent of the destination marketers said their 2011 budgets would increase.

Keywords
hotels, on-line marketing, mobile media, social media

Disciplines
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by Rohit Verma, Ph.D., and Ken McGill
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Ken McGill is EVP of Research for Vantage Strategy (ken.mcgill@vantagestrategy.com). He directs Vantage’s Travel & Tourism Research division where he delivers insight and intelligence to DMOs and Travel & Tourism suppliers. Prior to Vantage, he was Executive Vice President for IHS Global Insight and head of its Travel & Tourism Practice. McGill directed both existing client relationships and spearheaded new development efforts, particularly in the functional areas of market research, economic impact assessment, and resource planning. In his 30 years in economic and strategic consulting, McGill has developed an expertise in research and planning methods that has been successfully applied to business problems in a variety of corporate and government settings. He is particularly known for his work in combining primary market research with traditional economic and industry analysis. A particular focus of McGill’s work has been in tourism economic impact assessment. Moreover, McGill’s expertise has often been called upon to estimate the economic impact of specific destinations, attractions, convention facilities, resort/hotel developments, events, and tourism policy decisions.

The authors gratefully acknowledge the support of the TravelCom Conference and Vantage Strategy in conducting this study.
As part of the planning for TravelCom 2011, conference organizers consulted the TravelCom advisory board members to identify their most pressing issues. These chief marketing officers and marketing executives identified the acceleration of online marketing forces as a common concern. The executives feel that they are being called on to make vendor and marketing channel decisions without sufficient time to investigate the ROI of alternative strategies or emerging media choices, as well as benchmarking what others are doing. Uncomfortable with ad hoc decision making, the executives requested a study that would establish benchmarks for organizational practices and decision making.
This study is the result of that expressed need. With the support of Vantage Strategy and iPerceptions, we developed a questionnaire that would allow us to assess the state of electronic marketing—establishing benchmarks and provide a comparison point for resources devoted to electronic marketing.

We divided the survey questions into three overarching themes:

1. Information that places a firm into a competitive set;
2. How dollars are spent in the online marketing space;
3. How resources are allocated.

We categorized the responses to the survey questions to assess different aspects of online marketing initiatives in the following areas:

- Budget and resource allocation,
- Marketing and promotion,
- International strategy development,
- Commerce and conversion,
- Loyalty and reputation,
- Analysis and research,
- Challenges and future opportunities.

We conducted the survey online during January and February 2011. Respondents were part of the CHR and TravelCom databases of travel industry marketing executives. A total of 426 industry respondents completed the survey, and they were assured that no private or identifying information would be shared. The purpose of the study was only to create a public benchmark and allow private comparisons of the participants’ firms with those benchmarks.

**Executive Profile**

Sixty-eight percent of the respondents worked in accommodation firms, 20 percent were destination marketers, and the rest worked in a variety of travel-related firms (see Exhibit 1).

The respondents reported a noticeable difference in average annual budgets for marketing and ecommerce. At $1.354 million, the average budget reported by marketers for accommodation firms was ten times the average for destination marketers, who reported an average of $136 thousand dollars. Both groups reported that the electronic marketing portion of those budgets was increasing year to year.

The two types of organization also reported different structures for deploying members of the online marketing services team and the ecommerce team (see Exhibit 2).
Three-quarters of the destination marketing organizations housed their online marketing team in the marketing department, but that was true of just 41 percent of the accommodation marketers. Instead, 17 percent of the online team was housed in the accommodation firms’ sales department, and another 9 percent in the ecommerce department.

A similar relationship occurred for the ecommerce team. Just over half of the destination marketing firms put the ecommerce team in the marketing department, while that was true in only one-third of the accommodation firms. Instead, 40 percent of the accommodation firms made their ecommerce teams part of the revenue management department, and another 17 percent were in the sales department.

Looking specifically at the people who determine strategy for online pricing and distribution, we again see that the marketing department is foremost for destination marketing firms, but that is not true of accommodation firms (see Exhibit 3).

Well over half of the accommodation firms (54%) put their pricing strategists in the revenue management department, with another 18 percent in sales. Just 10 percent of the accommodation firms had their pricing strategy function
in marketing. For the destination marketers, 25 percent of firms put pricing strategy in marketing, and just 12 percent in the revenue management department. For distribution strategy, well over half of the destination firms housed distribution strategy in their marketing department, but that was true of only 14 percent of accommodation firms.

In terms of budget allocations, marketing and promotion was by far the largest single online marketing and e-commerce category for both destination and accommodation firms (see Exhibit 4). Those expenditures were followed in order by commerce and conversion, loyalty and reputation, and analytics and research. The respondents reported similar percentage allocations of staff time (Exhibit 5). For the entire sample, the average number of staff members involved in online marketing and ecommerce was 3.25.

The range of budgeted online advertising expenditures was remarkable, with some firms reporting budgets of less than $10,000 and others over $1 million (Exhibit 6). The budgets skewed toward the lower end of the range, however, as the average online advertising budget for accommodation firms was approximately $60,000, while for destination marketers the average was about $80,000. In
terms of the percentage of the marketing budget, online media placement also varied widely (Exhibit 7).

Although the average online budget allocations represented an average of 40 percent of destination firms’ marketing budget, seven of the 87 destination firms and 20 of the 216 accommodation marketers reported online budget allocations of less than 10 percent of the marketing expenditures. Two-thirds of the firms reported that they spend less than $10,000 on social media, and three-quarters spend less than $10,000 on mobile media.

The breakdown of purchasing channels for advertising in online media is similar for destination and accommodation firms (see Exhibit 8). While substantial percentages of firms handle purchases internally, many also use multiple agencies. A relatively small percentage use just one agency for online media buys. Looking more specifically at how these firms
handle the many aspects of online marketing, we see that such matters as Twitter campaigns and social influence are largely handled in house (see Exhibit 9).

Indeed, destination marketing firms are, in general, more likely to handle all online marketing functions in-house. On the other hand, pay-per-click management, search engine management, and pay-per-call campaigns are quite frequently outsourced. Taking this issue from the other perspective, accommodation firms are far more likely than destination firms to retain specialized firms for online marketing campaigns (see Exhibit 10).

The difference in approaches shows up most noticeably in pay-per-call, branding, Twitter campaigns, and affiliate marketing programs. Destination firms reported outsourcing these functions only 25 percent of the time, while accommodation firms frequently outsource not only
those functions, but also ad placement and social influence campaigns.

The marketers were much more inclined to handle social media sites and corporate websites on their own than they were mobile apps and the mobile website, which were most typically outsourced (see Exhibit 11).

Again, destination marketers were slightly more likely than accommodation marketers to handle most of these functions on their own. The breakdown of sources for the content management system was similar for both destination marketers and accommodation firms: just under 30 percent were open source, not even 20 percent were enterprise systems, and over one-third were custom written (see Exhibit
For most firms, the development cycle on these systems typically occupied two or three years (see Exhibit 13).

The two types of companies took relatively similar approaches to social media policies and functionality, with one exception. Destination firms were overwhelmingly more likely to sell advertising space on their sites than the accommodation firms were. As a result, the destination firms were somewhat more likely to maintain an advertising management system.

On the other hand, the accommodation firms were more likely to provide online purchasing capabilities (see Exhibit 14). Responsibility for managing social media resided overwhelmingly in the marketing and sales department (58% of respondents), with a small percentage in public relations (15%), ecommerce (12%), or a smattering of other departments (15%). Asked which social media were most effective, the marketers rated Facebook at the top, followed by Twitter, YouTube, and LinkedIn (Exhibit 15, next page).

Accommodation firms were far more likely than destination marketers to report that they maintain blogs. Fifty-one percent of the accommodation firms reported blogging, compared to just 31 percent of destination firms. The person...
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Exhibit 15

Percentage of accommodation and destination firms providing a rating of “very effective” for social media sites

Exhibit 16

Factors cited as frustrations in online marketing by accommodation and destination marketers (percentages)

Exhibit 15

The marketers cited budget and resource limitations as their number-one issue. Other issues were the absence of a strategic plan, limited market knowledge, lack of implementation speed, unreliable vendors, and technology limitations. Budget limitations were cited as a frustration by 60% of accommodation firms and 70% of destination firms.

Exhibit 16

Exhibit 15 and Exhibit 16 show that the marketers who were responsible for managing the blog were almost never the CEO or president. Instead, blogging fell primarily to the director of marketing, the social media or public relations staff, or in some cases external partners.

Frustrations

As shown in Exhibit 16, the marketers cited budget and resource limitations as their number-one issue. Other issues were the absence of a strategic plan, limited market knowledge, lack of implementation speed, unreliable vendors, and technology limitations.
edge, and issues with implementation speed and technology limitations. A few mentioned unreliable vendors.

Discussion
This survey shows an industry still in transition with regard to online marketing and electronic commerce. Based on their budget expenditures, it’s clear that some firms have jumped wholeheartedly into online commerce, while others are still testing the waters with relatively small expenditures.

One note on the range of expenditures however, we did not normalize the budgets on a per-room basis, so it may be that a company that reported a relatively small budget expenditure in absolute dollars has actually committed a large percentage of funds in relation to its company size.

That said, we were surprised to find such tiny budget allocations for online media. A substantial number of accommodation firms reported under $50,000 in annual expenditures, and a relatively large percentage of destination firms had allocated under $25,000. In this context, it’s worth underscoring the fact that respondents cited budget and resource limitations as their chief frustration. Technology and vendors are not standing in the way of online marketing initiatives and strategies. Apparently, money is doing so. While it is true that much can be accomplished on the internet for “free,” it’s clear that several firms have determined that it makes sense to commit resources to develop a comprehensive electronic strategy, instead of a “bootstrap” approach.

Acknowledging the possibility of hurling money into the black void of the internet, it seems likely that the companies that have carefully committed resources will enjoy the rewards of a vibrant electronic distribution strategy.

Conclusion
Over time, we anticipate that both destination and accommodation marketing firms will focus specifically on where in their organization the online marketing services and strategy function will be housed. Part of that decision is a function of corporate culture, of course, but it may be that ecommerce will evolve to become a discipline of its own, as revenue management has done in the past few years.

The key factor is to ensure that electronic marketing and sales strategies are congruent with the organization’s overall marketing approaches. While online sales and commerce can only grow as time goes on, the fact remains that a substantial portion of the travel business is still sold via traditional distribution channels.

Perhaps the key test for accommodation and destination businesses is managing the transition from traditional channels to electronic channels, especially since there’s no guarantee of a gradual change from one to another. The history of the growth and development of social media has been one of discontinuity, and there’s no reason to think that we’ve seen an end to new and unexpected communication channels.
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