ASSESSING ADVERTISING IN A HIERARCHICAL DECISION MODEL

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Abstract: Many destination marketing organizations in the United States and elsewhere are facing budget retrenchment for tourism marketing, especially for advertising. This study evaluates a three-stage model using Random Coefficient Logit (RCL) approach which controls for correlations between different non-independent alternatives and considers heterogeneity within individual's responses to advertising. The results of this study indicate that the proposed RCL model results in a significantly better fit as compared to traditional logit models, and indicates that tourism advertising significantly influences tourist decisions with several variables (age, income, distance and Internet access) moderating these decisions differently depending on decision stage and product type. These findings suggest that this approach provides a better foundation for assessing, and in turn, designing more effective advertising campaigns. **Keywords:** tourism advertising, hierarchical tourist decision making, random coefficient logit (RCL) model, destination marketing organization. © 2012 Elsevier Ltd. All rights reserved.

INTRODUCTION

Tourism advertising is regarded as one of the most influential information sources for prospective and current visitors (Burke & Gitelson, 1990; Gretzel, Yuan, & Fesenmaier, 2000; Kim, Hwang, & Fesenmaier, 2005; USTA, 2011). Recently, many tourism destination organizations (DMOs) in the United States and elsewhere have been challenged by state budget cuts which have led to strong pressure to defend funding for destination-specific tourism advertising (Papatheodorou, Rossello, & Xio, 2010; Ritchie, Molinar, & Frechtling, 2010; Spring, 2010; USTA, 2011). Indeed, USTA (2009, 2011) reported that the average state tourism office budget in the United States for 2009 is $353 million, which

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represents a 3.5 percent decrease as compared to the previous fiscal year, and is the first time in the past five years that the growth of the annual tourism budget has declined. Kim McClelland, Chairman of the Utah Board of Tourism, in discussing the challenges facing tourism promotion said: ''I think what will happen is we'll have to spend the money even smarter than we have in the past…I think all the states across the country, I just have to believe, are dealing with similar budget challenges'' (Gainesville.com, 2008). This economic situation facing travel agencies clearly demonstrates that the estimation of advertising effects on tourist behavior remains a crucial research challenge for tourism researchers (Shields, 2006; USTA, 2011).

A number of approaches have been proposed to assess the effectiveness of advertising including conversion analysis (Burke & Gitelson, 1990; Hunt & Dalton, 1983), advertising tracking (Siegel & Ziff-Levine, 1990), true- and quasi-experimental design (Mok, 1990; Woodside, 1990), econometric modeling (Butterfield, Deal, and Kubursi, 1998; Wöber & Fesenmaier, 2004) and aggregated buyer-purchase modeling (Kulendran & Dwyer, 2009). Each of these approaches has been shown to have their own strengths and weaknesses. Importantly, most of these advertising evaluation strategies focus attention on a single type of tourist decision, destination choice. It is argued in this study that tourist decision making and therefore advertising evaluation is much more complex in that it entails a number of sub-decisions (i.e., facets) besides destination including accommodations, length of trip, travel party, attractions, and activities (Eymann & Ronning, 1992; Fesenmaier & Jeng, 2000). Further, it is argued that tourist decision making is a hierarchical process in that the sub-decisions in the hierarchy are contingent on other facets which comprise the overall trip (Dellaert, Borgers, & Timmermans, 1996; Fesenmaier & Jeng, 2000). Therefore, even though some tourists might skip some stages in their decision process depending on their experience (Petrick, Li, & Park, 2007), it is generally agreed that the choice of destination plays the role of conditioning later decisions (e.g., accommodation, shopping, activities and attractions). Finally, the tourism literature indicates that the different tourist decisions have different levels of complexity (Fesenmaier & Jeng, 2000; Nysveen, 2003) depending on the products or services concerned which, in turn, leads to different information search strategies. Thus, this research suggests that studies evaluating the effectiveness of destination advertising should reflect the hierarchical decision making process and that the factors effecting advertising response (i.e., decisions regarding the purchase of tourism products and services) will differ according to the product type (i.e., destination, hotel, restaurant).

Based upon this literature, this study examines the effects of print and online advertising requested and read/or viewed by individuals, whereby it is first assumed that the tourist decision is a sequential process and that the decision to visit a particular destination provides the foundation for all other tourist-related decisions. After making the destination decision, it is further assumed that he/she may or may not consider tourist-related products promoted in the respective advertising such as accommodations, restaurants, and activities at the