



Differentiated effect of advertising: Joint vs. separate consumption



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HIGHLIGHTS

- Advertising has a differential effect on distinct stages of purchase decisions.
- Advertising shows different effects on the choice of a combination of products.
- Cooperative advertising can be enhanced through detection of the right combination.

ARTICLE INFO

Article history:

Received 10 January 2014

Accepted 20 September 2014

Available online 8 October 2014

Keywords:

Destination advertising

Cooperative advertising

Hierarchical decision making

Destination choice

Random coefficient logit model

ABSTRACT

In a context of intense competition, cooperative advertising between firms is critical. Accordingly, the objective of this article is to analyze the potential differentiated effect of advertising on two basic consumption patterns: individual products (i.e. hotel, restaurant) vs. bundle (i.e. hotel + restaurant). This research adds to the extant literature in that, for the first time, this potential differentiated effect is examined through a hierarchical modelling framework that reflects the way people make their decisions: first, they decide whether to visit or not a region; second, whether to purchase an advertised product in that region; and third, whether to buy products together or separately at the region. The empirical analysis, applied to a sample of 11,288 individuals, shows that the influence of advertising is positive for the decisions to visit and to purchase; however, when it comes to the joint or separate consumption, advertising has a differentiated effect: its impact is much greater on the joint alternative (“hotel + restaurant”) than the separate options (“hotel” and “restaurant”). Also, the variable distance moderates the advertising effect.

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1. Introduction

Cooperative advertising has proven to be a central topic in the literature (Ahmadi-Javid & Hoseinpour, 2012; Aust & Buscher, 2012, 2014; Yang, Xie, Deng, & Xiong, 2012). Certainly, today's territorial competition to attract visitors is so fierce that marketing activities play a critical role in regional policies (Barr, 2013; Hamoudi & Risueno, 2012). With the bottom-up approach, in which specific places within countries develop their own strategies to accomplish their own goals and implement their own promotional actions rather than the countries themselves under the top-down approach (Chien & Gordon, 2008), it is justified the existing plethora of entities, both public and private, conducting myriads of actions in order to enhance their competitiveness. These actions

can encompass a variety of activities, from the creation of leading-edge knowledge to gain competitiveness (Lambregts, 2008) to garner as much hype as possible through well thought-through promotional strategies (Wöber & Fesenmaier, 2004).

In this line, cooperative advertising shows collusive profit-maximizing decisions regarding advertising expenditures that might be found between different levels of the distribution system (e.g. hotels and tour operators) and within the same level (e.g. between hotels or between hotels and restaurants) (Aust & Buscher, 2014). According to these authors, the former represents a vertical cooperative advertising strategy through which manufacturers and retailers share the advertising expenditures (beyond the obvious franchisor–franchisee example, this strategy has appeared in different contexts when the need to share costs is prevalent today); and the latter shows a horizontal cooperative advertising strategy in which competitors might join forces to promote specific categories of products rather than particular brands. Evidently, a manager eventually expects customers to opt

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for the firm's products, but the first step is to make them choose the category to which the product belongs. As explained latter, the results of this paper present relevant managerial implications for the horizontal cooperative advertising strategy. Note that in those regions where tourism-led development has become a central objective in their agenda, joint advertising emerges as a way to look for synergies (Biagi & Detotto, 2012): not only do regional decision-makers want to know the regional economic impacts of tourism (Zhang, Madsen, & Jensen-Butler, 2007) but also how to make people come to their destinations. Through promotional campaigns, regions attempt to become more appealing to potential visitors. However, with the economic recession, tourism demand, spending and employment have largely declined, which have made it challenging to get public funding for tourism advertising (Ritchie, Molinar, & Frechtling, 2010; Sheldon & Dwyer, 2010). This situation certainly calls for a more efficient use of advertising budgets (Cambra, Meleró, & Sesé, 2014).

In this regard, it is important to note that most advertising studies that analyze the effect of regional promotional campaigns only consider a single type of travel decision, mainly destination choice, without considering the diverse products consumed at the destination (e.g., hotel, restaurants, rent cars and so on) (Wöber & Fesenmaier, 2004), thereby discarding other decisions that can be relevant to the region.

More importantly, according to Polenske's (2004) analyses of cooperation and collaboration in a context of regional competition, destinations should not only try to compete against other destinations (through advertising campaigns, for example) but consider how their actions lead people to behave (their consumption patterns, for example) at the destinations themselves, which can shed light on potential collaborations regarding promotional activities among private firms at the destination. Note that, in line with the results of Beltran-Royo, Zhang, Blanco, and Almagro (2013), a destination can be seen as "a firm with several products", where cross elasticities help optimize the advertising investment.

Along these lines, the objective of this article is to analyze the potential differentiated effect of regional advertising on two basic consumption patterns: individual products (i.e. hotel, restaurant) vs. bundle (i.e. hotel + restaurant). The travel consumption phenomenon is in line with the argument of multi-category decision making behaviour suggested by Russell et al. (1997) and Russell and Kamakura (1997). The multi-category decision making suggests that a single category choice behaviour predicts only a partial model of consumer behaviour and overlooks possible dependencies between the consumer's purchase outcomes across product categories. In a context of regional rivalry where investments in promotion are made, this article goes a step further and looks into the way these advertising investments have an influence on visitors' spending patterns. To this aim, and based on Jeng and Fesenmaier's (2002) contingent travel behaviour that tourism consumers have to make a variety of travel decisions (e.g., destination, accommodation, transportation, catering etc), and that the decisions made earlier condition the ones made in later stages, a hierarchical decision process is used so that the different impacts of destination advertising can be observed.

2. Literature review

2.1. Multiple-category decision making

The advent of technology enables marketing researchers to obtain basket data that contain a wealth of information about consumer behaviour for product/service providers. This evolution allowed the researchers to develop choice models to explain purchasing results including store choice, incidence, brand choice, and

quantity (Seetharaman et al., 2005). Based upon these research streams, a series of research articles have been published with entitling *Multi-Category Decision Making*; for example, Boztuğ and Hildebrandt (2008), Russell and Petersen (2000), Russell and Kamakura (1997), Russell et al. (1999), Seetharaman et al. (2005). The multi-category decision making suggests that in various settings, consumer choice involves the selection of a collection of products from different categories. As such, a consumer decision model that focuses on a single category choice behaviour provides the limited aspect of consumer behaviour in that the lack of concerning possible buying combinations between the consumer's purchase outcomes across product categories may cause a biased understanding of the determinants of consumer choices in the product category (Russell et al., 1997). In contrary, a multi-category model aims to specify a full model of consumer behaviour, which offers a better understanding of consumer choices (Seetharaman et al., 2005).

Russell et al. (1997) defined that multiple category choice as the selection of a collection of category choices for a given set of category alternatives. They proposed key characteristics of multiple category choice: (1) no substitution between elements of the collection and (2) interdependent utility of choices in other categories. More specifically, in a variety of settings, consumers are confronted with a situation where they can pick up any choices including alternatives from a subset of available categories which indicates limited substitution between elements. Also, since utility of product consumption depends on an appropriate match between other related products, the utility associated with one part of the bundle may be influenced by the utility of another part of bundle. This study argues that these two features of multiple category choice are consistent with the characteristics of tourism product, in terms of a multistage hierarchical trip decision net model proposed by Fesenmaier and Jeng (2000), Jeng and Fesenmaier (2002), and Nicolau and Más (2008). The decision net model implies that travellers (i.e., consumers in tourism) need to make a variety of decisions (e.g., destinations, hotels, restaurants, shopping, activities etc.) which may be purchased in different decision making stage (i.e., no substitution between elements of collection). Importantly, the model indicates that these travel decisions are interrelated by which the decisions made in previous stage influence ones of later stage (i.e., interdependent utility of choices) (Park, Wang, & Fesenmaier, 2011).

Many marketing studies about multiple category choice modelling have been conducted within four different aspects of consumer purchasing decisions, such as incidence, store choice, brand choice, and quantity (Seetharaman et al., 2005). Of them, this study mainly emphasizes the incidence aspect and in particular, models for 'Whether to Buy' (e.g., hotel and restaurant separately or simultaneously). A consumer's incidence decisions are associated across the features of products as the product characteristics serve as complements or substitutes in addressing the consumer's consumption needs as well as product categories challenge each other in attracting the consumer's limited spending budget. A number of consumer behaviour researchers have used various methods to better understand the purchasing behaviour. For example, Manchanda, Ansari, and Gupta (1999) and Chib, Seetharaman, and Strijnev (2002) conducted the multivariate probit model with the panel data to analyze household-level contemporaneous incidence outcomes in multi-product categories. Following them, Ma and Seetharaman (2004) employed multivariate logit model that considers six products, in order to estimate households' incidence outcomes. They indicated the suitability of the multivariate logit model whereby it shows an intrinsic propensity for any pair of product categories to co-occur within a household's shopping basket (Russell & Petersen, 2000). More recently, Boztuğ and

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