THE INFLUENCE OF MEDIA CHANNEL ON THE BOOKING BEHAVIOR OF HOTEL GUESTS

– Implications for a direct marketing optimization –

Michael Toedt

Doctorate student at the University of Latvia and FH Kufstein Forschungs GmbH
Managing Partner, Toedt, Dr. Selk & Coll. GmbH
Augustenstr. 79, 80333 Munich, Germany
Phone: ++49 89 189 35 690
E-mail: Michael.Toedt@TS-and-C.com

Keywords: Communication, media involvement, CRM, hotel

Table of Content

- Background of presenter
- Importance of Topic
- Situation in the Industry
- Theoretical Background
- Data analysis and Formulation of Marketing-CRM Model

Introduction

- **TS&C**
  - founded in 2005, headquartered in Munich, Germany
  - **70%** growth rate in sales per year
  - More than 400 hotel clients in **Europe**
  - Partner of:
    - IHA (German Hotel Association)
    - Cornell University
    - University of Eichstätt
    - University of Applied Sciences Munich
    - …
  - **Leader** for marketing oriented CRM in the hotel sector

- **Michael Toedt**
  - Since 2005 CEO at TS&C
  - Lecturer at the University of Applied Sciences Munich since 2006
  - Doctoral Student at the University of Latvia in cooperation with the University of Applied Sciences Kufstein since 2009

Why is this research of interest

- Hotel business is a business of practitioners
- Especially marketing has a “bad” reputation
  - Results hardly to measurable
  - More art than science
- Social media and/or email replaces traditional channels like post mail
  - …

- **The Approach:** Make communication measureable especially in the area of CRM!

SITUATION IN THE INDUSTRY

Market Situation

- **Strong competition** within the hotel industry
- Mix of chains and individual hotels
- Weak brands
- Small budgets

- **Special role of communication**

- **Advantage**: contact information are available through the booking

Marketing-Mix and CRM

- Advantage: **Customer data is available**

$$Small\ Budgets + Customer\ Data = Importance\ of\ Direct\ Marketing$$

- Direct Marketing is heavily used. Tools:
  - Loyalty (Card), Points Programs
  - Email
  - Post Mail
  - Social Web
  - SMS
  - Push Messages via Smart Phone App‘s
  - Fax
  - …

Focus today in Marketing Departments: Efficiency

- Rising pressure on marketing executives
- Cost cuttings
- ROI

- Situation led to a replacement strategy: **email replaces post mail; online replaces offline**

- **Q.: Is this correct? Does this make sense?**
  The generated outcome of a marketing campaign is obviously connected to the used channel.

- **Q.: How valuable are the different channels and what is the behavioral effect?**

THEORETICAL BACKGROUND

Theoretical Background: Communication

- Communication is the **exchange of information** between a sender and a receiver.
- In marketing in many cases communication is only a **one-way transfer of a message** from the sender to the receiver.
- Pepels explains communication as the proposed approach of influencing meanings through the usage of instruments with the intention to influence the meanings of the recipients towards the own goals.

- With respect of the topic of CRM I define communication as the efforts of a company to **transmit messages to known recipients** using non-verbal channels like mail and email in order **to influence the behavioral loyalty** of the recipients to finally increase sales.

Communication and CRM

- Communication has
  - a strong effect on consumer perception
  - communication leads to trust, satisfaction and **loyalty**
- **Role of communication**:
  - Remembering effects
  - create buying impulses
  - reduce the risk that customers migrate to competitors
- **Goals**
  - economical
  - Psychological

- Prerequisite for communication success: **the message has to be perceived** by the recipient

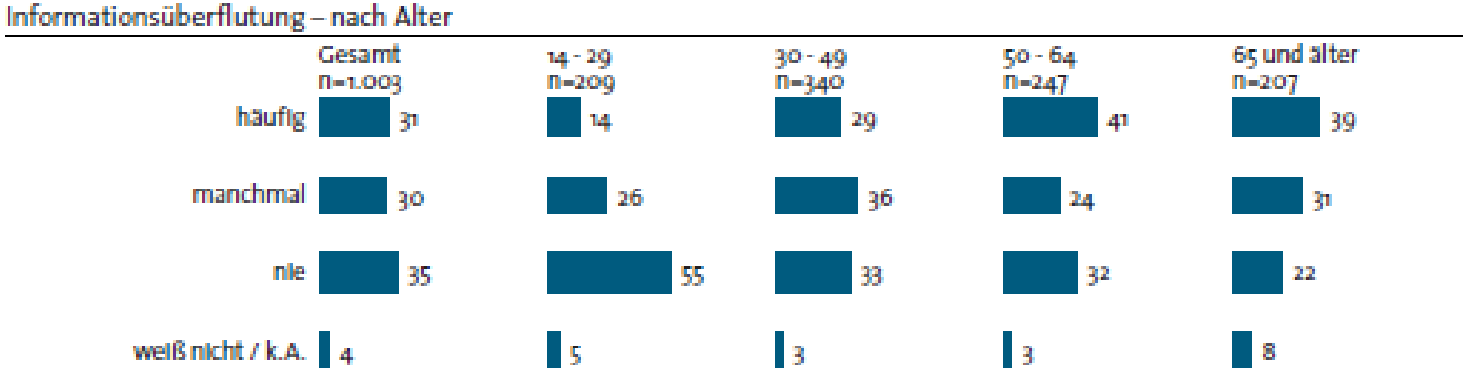
Today: Communication Overload exists

- **5.000** messages per day
- **65%** (age group 30-49) say that they suffer under an communication overload!

EXHIBIT 1

Getting tougher all the time

¹Estimated (2000 dollars).
Source: *Advertising Age*; Brand Names Educational Foundation; *Consumer Reports*; Morgan Stanley, *Yankelovich Monitor*



Communication Overload

- an immense amount of messages bombards the consumer in the industrialized world every single day. A communication overload exists.

- **Q.: How to get perceived** by the consumer in such an environment?

- **Q.: Which channel it how valuable**?

Media Involvement

- To evaluate the different channels I used the **involvement strategy** based on Krugman
- Determinants of involvement are based on the personal situation, the product, the media, the message involvement and the situation.

- **The more someone is involved** the higher is the chance for a message perception!

- **Media-Involvement:** Different media types have different functions in the daily routine and also different psychological effects. Summarized each channel has a specific quality as a message transmitter

Involvement for different channels

Media channel	Location of media consumption	Scheduled time to review	Chance of perception	Needed time to delete	Easiness to perceive message	Touched senses (hearing, sight, touch, smell, and taste)	Easiness to response
Email	Office, Home or everywhere through usage of s Smart Phone ++	Mainly unscheduled ++	Medium ++	Low ++	Medium ++	Sight +	Easy +++
Post Mail	Office or Home +++	Scheduled +++	High +++	Medium +++	High +++	Hearing, sight, touch, smell +++	Time consumption, media break +
Facebook (Postings)	Office, Home or everywhere through usage of s Smart Phone ++	Mainly unscheduled ++	Low +	Not necessary +	Medium ++	Sight +	Easy +++
Text Messages via mobile phone	Everywhere +	Unscheduled +	High +	Low ++	High +++	Sight +	Easy +++

The result of the channel quality evaluation is as follows: email 14 points, **post mail 19 points,** Facebook 12 points and text messages: 12 points

DATA ANALYSIS AND FORMULATION OF MARKETING-CRM MODELL

Analysis

- Evaluate the **influence of the Communication Channel on the Buying Frequency** of Hotel Guests

- **The Data:**
  - Collection of all direct marketing data for a period of 2 years
  - 4 *****Star Hotels in Germany
  - 239T Bookings
  - 139T Customers
  - 47T customers were included in the 198 marketing actions.
    - group A: 17T customers received only email messages
    - group B: 24T customers only post mail
    - group C: 5T received both email messages and post mail

The Data

Promotion Medium	Count	First Drop_Date	Last Drop_Date
Email	34	05. Feb 09	29. Nov 10
Mail	164	12. Jan 09	27. Dez 10
	198		

- **Limitations:**
  - no influence on the provided content
  - Frequency
  - Layout
  - target group
  - communication strategy

The Analysis with SPSS

- **Step 1: Very if a normal distribution exists**
  Using a non-parametrical test it was checked if a significant difference existed between the communication channel and the booking behavior

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of Number of bookings is the same across categories of Communication Channel.	Independent-Samples Kruskal-Wallis Test	.000	Reject the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

- Sig. below 0.05 --> means that the communication channel had a significant influence on the number of bookings

Descriptive Analysis

- **Step 2: Descriptive Analysis** to describe the findings
- A cross-tab-analysis **proved the correlation** between channel and booking frequency.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	454,051[a]	8	,000
Likelihood Ratio	491,473	8	,000
Linear-by-Linear Association	373,000	1	,000
N of Valid Cases	23909		

a. 0 cells (,0%) have expected count less than 5. The minimum expected count is 16,40.

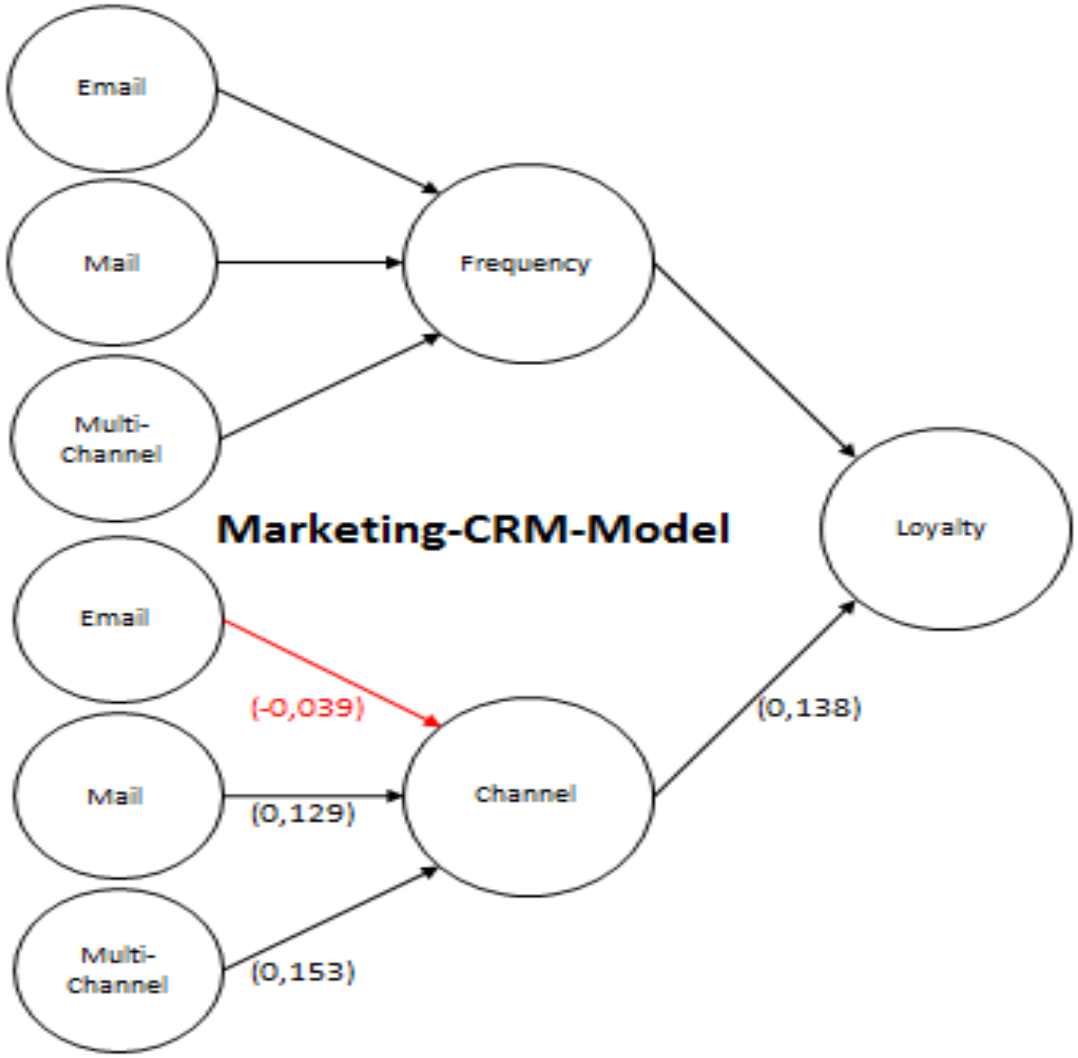
Significance < 0,05 = correlation between Number of Bookings and Communication Channel approved.

Correlation between Communication and Bookings

- **Step 3: Strength of correlation**
  The Phi Coefficient revealed a **correlation of 13.8%** between the variables “Number of Bookings” and “Communication Channel”.

- This number is relatively low. Only a coefficient of 30% or more indicates a strong correlation.

Result: Marketing-CRM Model



Findings

- **Qualitative differences** between marketing channels
- Replacement strategy is at least questionable
- Multi-Channel Strategy (highest penetration) shows the best result
- **Email needs a high frequency** to generate results
- **Expand test period** to at least three years because of the low buying frequency

- **Next steps:**
  - Evaluate the role of the variable frequency
  - Define formula using the linear optimization model to create a "Communication-Success-Formula for CRM"

Thank you!

Michael.Toedt@TS-and-C.com