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

– Implications for a Direct Marketing Optimization –

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Abstract

Asking hotel managers, what is the most important factor for guest loyalty; the answers are mainly the hotel product itself or a card program. But what is the role of marketing and communication within the complex construct of CRM for Hotels? It is assumed that a direct correlation exists between the variables communication and booking frequency, but how strong is it?

Today, many practitioners still regard marketing as a kind of art and not a science. This paper is a scientific approach to evaluate the role of communication within CRM for hotels and should give both managers and researchers a base to count on.

Within customer relationship management (CRM) companies use different media channels such as email, mail, text messages or the social web to try to stay in touch with the customers. The goal of the communication is to embed the brand of the communicator in the head of the receiver and to keep the product experience alive.

Over the last years a growing number of marketers have begun respectively have already replaced classic paper mails with online channels like email or Facebook. But different media channels are characterized by different awareness and perception levels. The generated outcome of a marketing campaign is obviously connected to the used channel. The question is how valuable are the different channels and what is the behavioral effect? How do different channels stimulate the buying frequency of the consumer especially for an emotional product like a hotel?

This paper shows the effect of communication channel on the booking behavior of hotel guests. It shows how different media channels have stimulated hotel bookings over a period of two years.

1. Introduction

What is the role of communication within Relationship Marketing for hotels and which channel is the most valuable one? It sounds like a simple question but it is an extremely difficult one to answer. When reviewing the current strategies of the leading hotel companies no universal communication strategy exists. Some companies use the web2.0 extensively others rely on email and again others prefer post mail and finally multi-channel strategies with different channel allocations are in place. But what is right marketing mix for CRM? This paper should provide a fundamental help for marketers in order to implement an efficient customer relationship management and raise questions for further research.

New technologies, globalization and the abundant reservoir of choices to configure a business make managing an ever harder task. [1] Therefore the sustainable increase of customer loyalty is one of the main goals for executives all over the world. Especially in economically difficult times, loyal customers give companies a reliable base to count on.

But most of the businesses lose 15-20% of their customers annually, mostly without knowing it. Based on the research of Sasser and Reichheld (1990) this is critical particularly against the background that companies can boost profits by almost 100% by retaining just 5% more of their customers. [2]

But the question is how to increase loyalty? The most common approach of many hotel chains in the last 20 years was the introduction of a loyalty card program to keep and increase guest loyalty. Hilton Honors, Starwood Preferred Guest, Marriott Rewards or Radisson Goldpoints are some of them. But small and medium enterprises (SME) like individual hotels, which are not part of a larger hotel group, have to rely on direct marketing methods like direct mails or email newsletters to create booking impulses and keep guests loyal.

Communication is an integral part of CRM, but the question is which channels should be used and what is the right frequency in order to keep the brand alive in the head of the consumer, to stimulate buying impulses and increase sales but also not to endanger the relationship by an over-communication through the so called boomerang effect?

2. Theoretical Background: Communication and Relationship Marketing

2.1. Definition of Communication

The word communication is derived from the Latin word "communicare" and stands for connection. The Encyclopedia Britannica defines communication as the exchange of meanings between individuals through a common system of symbols. [3]

The way communication is defined relies on the area where communication is used. Each scientific area has several definitions in place. Communication between parents and children or between managers and employees or for instance between companies and its clients has always different aspects which are reflected in the definitions.

Following Guffey and Almonte communication is the transmission of information and meaning from one individual or group (the sender) to another (the receiver). Communication has as its central objective the transmission of meaning. The process of communication is

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successfully only when the receiver understands the intended idea of the sender. [4] For Köck and Ott communication is the exchange of information between two or more people. In their case messages can be verbal and or non-verbal. [5] The last sentence adds a further aspect to communication the aspect of the channel, the way how communication takes place. It is not only the verbal exchange of information communication could also contain signs and noises, can be touchable or non-touchable.

In the definitions above communication is always the exchange of information between a sender and a receiver. In the area of marketing this is slightly different as in many cases communication is only a one-way transfer of a message from the sender to the receiver. Therefore Seebohn describes communication as the exchange of information respectively all forms of information transmission. A sender (communicator) sends a message to a receiver (communicant). [6]

For the area of marketing communications 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. [7]

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.

2.2. Customer Relationship Marketing

Communication has a central role within Customer Relationship Management (CRM). Especially in the service industry such as the hotel business managers should recognize that well-structured and valuable communication has a strong effect on consumer perception. A qualitative valuable communication leads to trust, satisfaction and loyalty. [8]

A sub-subject of CRM is the so called Customer Relationship Marketing (also abbreviated with the letters "CRM") or Relationship Marketing (RM).The subject of Relationship Marketing aroused in the mid 1980's. It reflects the development from a classic inside-out oriented transaction marketing to a more outside-in oriented relationship marketing. Within relationship marketing not the 4P's are the starting point, the starting point is the relationship between company and customer. Many practitioners as well as in many publications Customer Relationship Management (CRM) and Customer Relationship Marketing (CRM) are used as a synonym for the subject of keeping customers loyal.

"An organization engaged in proactively creating, developing and maintaining committed, interactive and profitable exchanges with selected customers (partners) overtime is engaged in relationship marketing." [9]

2.3. The Role of Communication within CRM

Communication is a central aspect of relationship marketing in order to avoid that a customer forgets the product experiences he or she has made so far; communication therefore has important remembering effects [10] in order to obtain the relationship. This brings us to the conclusion that even regular customers need an ongoing penetration with marketing messages to create buying impulses and to reduce the risk of migrating to a competitor.

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The goal of communication within CRM is that the brand stays respectively becomes a part of the evoked set of the individual and the communication receiver takes the product into consideration during current or future the buying processes.

2.4. The Communication Process

The central element of communication is influencing. The goal of each communication is to influence meanings, attitudes, expectations or behaviors.

Basically the communication process in marketing covers the question who says what, to whom, over which channel, with what result [11]; or in other words who communicates what, under which conditions, through which communication channel to whom and what is the effect of communication after the decoding of the communication message? [12]

If a communication was successful and the receiver perceived and decoded the message following awareness levels are affected: cognitive level (thinking, learning, knowing), affective level (feeling, wishing, requiring) and conative level (selecting, deciding, doing). [12]

The intended result can be subdivided into economical and psychological goals. Economic aspects are for instance profit, revenue, market share; psychological goals are the reduction of buying barriers, the increase of acceptance of specific products, the creation of interest for a product, image transfer or the creation of buying impulses.

Solely the numeration of communication channels or the different goals explains why it is so difficult to define a universal communication mix for marketing.

2.5. Perception of Messages

In order to get results from a communication the message has to be perceived by the recipient. The perception of a message can happen consciously, unconsciously and selectively. [13]

Each day a person living in an industrialized country is exposed to several thousand advertisements. McKinsey used 2003 in its article "Better Branding" the number of 5,000 advertisement messages a US resident is exposed every single day. [14] Yankelovich (2007), a market research company, estimates that a person living in a city 30 years ago saw up to 2,000 ad messages a day, compared with up to 5,000 today. [15] AFNB a German based institute uses the number of 3,000 messages a day through the channels television, radio, internet, newspapers and magazines, billboards, shop windows etc. If 3,000 or 5,000 thousands the result is the same; an immense amount of messages bombards the consumer in the industrialized world every single day. A communication overload exists.

In 1985 18% of TV users stated that they remember TV commercials recently seen, 2002 the number dropped to 8%. Although advertising budgets increased by 175% between 1990 and 2000. [16]

More channels coming up and more and more advertisements compete for the attention of the consumer. Kroeber-Riel (1993) revealed an information overload through print advertisements of 95% which means only 5% of the messages finally reached the consumer. [17] Yankelovich found out that half of the 4,110 people they surveyed said that they thought marketing and advertising today was out of control and Gretchen Hofmann, executive vice

president of marketing and sales at Universal Orlando Resort says that the landscape is "overly saturated" as companies press harder to make their products stand out. [15]

The dilemma of marketing communication is that many messages on so many different channels try to reach the consumer. But only if the message is perceived by the recipient and the consciousness reflects the input, an output can occur. The output can either be nothing or potentially measurable in a way of an attitudinal change or by behavioral effects such as buying a product or active recommendation to others. The effects can be short, medium or long-lasting.

The consciousness is like a closed system. Impulses from the outside do first not invade the consciousness. Perception happens selective and only if needs are activated. This selection process avoids a communication overload.

Three different disturb signals exist: Selective perception is like a perception filter because of the information overload. The receiver perceives only such information for which the individual has a current need or part of its personality. A further disturb signal is called selective bias – a cut and dried opinion of the receiver of the message leads to the fact that only such information is perceived which fits to the existing opinion. The third disturb signal describes the fact that the receiver only remembers parts of the message. [18]

2.6. Involvement as a Factor of Communication Success

Krugman (1965) introduced the term involvement to the research of advertising effects. He found out that receivers learned marketing messages even if they are not actively searching for information. [19] This was contrary to the SR and SOR models used so far for explaining marketing effects.

Krugman disproved the image of the rational acting consumer, who actively reflects marketing messages. Contrary marketing messages are in many cases only incidentally perceived and only a few information stays in the mind of the receiver. [20]

Krugman stressed out that involvement is not a synonym for attention or interest. For the information process the relevance of the messages plays the significant role for the receiver [20] (see also Kroeber-Riel 1993, 98 p.). "The number of bridging experiences, connections or personal references per minute that the viewer makes between his own life and the stimulus." [21]

Summarized involvement can be regarded as the relevance and importance something has for the individual. This means not a product involves the consumer; it is the situation, the individual importance of a single product features within a specific situation. [22]

Determinants of involvement are based on the personal situation, the product, the media, the message involvement and the situation. [23]

2.6.1. Media Involvement

For this paper the focus within the involvement determinants is the media involvement for instance if a message is transmitted electronically or by post mail. One aspect why direct and marketing is getting increasingly important for today's marketers is the fact that mass communication is often not perceived by the target group which means channel-effectiveness is at least questionable.

Although unconscious perception exists as seen above (see Krugman), unconscious perception is characterized by a short-term recognition. The higher the attention respectively the perception level of the individual is the better are the learning and the communication effects. [24]

But what is the contact quality of the different communication channels? Messages on TV, radio, print advertisements, email, post mails or postings on Facebook to mention just a view have different functions in the daily routine and also different psychological effects. Summarized each channel has a specific quality as a message transmitter [25] for the specific purpose and the focused target group.

A hotel is a complex and emotional product and can be characterized as a product with a high involvement. In front of this background what is the role of the most common direct marketing channels e-mail and mail? Both media types touch different senses; get read at different times in the daily routine or different locations to mention a few differentiators. The following table aggregates the differences between the channels email, post mail, Facebook postings and text messages via mobile phones.

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 +++

Figure 1. Comparison of different direct marketing channels (own image)

To evaluate the channels a rating from one "+" sign (lower rating) to three "+++" (higher rating) signs was used; the more plus's the better. 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. Based on this rating the channel quality of post mail is regarded as having the highest quality followed by email. Therefore it can be assumed that post mail has the highest chance for perception and creating measurable results.

2.6.2. Involvement and Relationship Marketing (RM)

The focused target group within RM actions is the group of existing customers. Existing customers have some kind of experiences, feelings toward a brand and finally are more or less interested in the company and its products and services. This means existing customers are

involved and therefore more open to marketing messages as people who are not familiar with the product or even do not know the product at all.

The situation that messages are getting perceived even if the consumer is not actively searching for information underlines the role of communication for RM. This leads to the conclusion that for Relationship Marketing even non-actively perceived messages create remembering effects and influences attitudinal and behavioral loyalty in the long run.

Following the theory the perception of marketing messages of existing customers is higher than the perception level of people with no involvement.

3. Analysis of the Influence of the Communication Channel on the Buying Frequency of Hotel Guests

3.1. Hypothesis

Based on the theoretical research the following hypotheses for an ongoing guest communication as part of a customer relationship management strategy were made:
- Communication has a direct influence on the behavioral loyalty of hotel guests.
- Post mail has a higher quality and outcome as email.
- Email is no replacement of post mail.
- A multi-channel penetration is most effective.

Not part of this paper is the communication frequency. This is a subject for further research.

3.2. Data Collection through the CRM Software Dailypoint™

The data was collected through the CRM system dailypoint™. The software is developed and distributed by TS&C, a Munich based company (www.TS-and-C.com). TS&C is one of the leading providers of analytical and communicational CRM software within the hospitality industry and provides with dailypoint™ a software family for marketing experts. Clients are among others Maritim Hotels, InterContinental, Lindner Hotels and Hyatt.

Within dailypoint™ especially the complex topic of data cleansing and campaign management is highly sophisticated, subjects which are prerequisites for this research. Beside the software TS&C provide active support and consulting services in combination with the dailypoint™ software.

3.3. Description of the Research Data

For this paper the data of four first class hotels (one resort and three business hotels) in Germany was taken out of the campaign management of dailypoint™. The data contained the kind of the promotion, the drop date, the receiver of each promotion and the generated bookings. In total 239466 hotel bookings, 139954 customers and 198 marketing actions were included in the analysis. The data was collected between January 1st 2009 and December 31st 2010.

It is important to know that only existing hotel guests were included in this research. Therefore each person included in the several communication actions over the period of two

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years showed some kind of involvement with the hotel. The goal was to analyze the result of marketing messages to existing customers to explain the role of communication within CRM.

Within the surveyed period 47559 customers were included in the 198 marketing actions. The recipients were divided into three groups: group A with 17819 customers received only email messages, group B with 24906 customers only post mail and group C received both email messages and post mail included 4834 hotel guests. The 198 marketing promotions included 34 email campaigns and 164 post mail actions.

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			

Figure 2. Overview of communication actions

3.4. Limitations

There was no influence on the provided content, the frequency, the layout, the target group or anything else associated with the communication strategy, the setup or the distribution of the marketing actions.

3.5. The Analysis

The analysis was done with the SPSS base module during spring 2011. The first step was to investigate if a normal distribution exists. This could be denied. Through 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.

Figure 3. Hypothesis Test Summery

As seen above the significance level (Sig.) was .000 and therefore below the threshold level of .05. H0 was rejected that means that the communication channel had a significant influence on the number of bookings made by the recipients of marketing actions. During the further research the question to answer was which channel is the how effective?

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To describe the findings within the collected data descriptive statistics was used. The flowing table shows the average number of bookings for the different channels. The mean for group C (both) is with 4.6909 the highest followed by mail with 2.6230 and email with 1.4842. The mean indicates a qualitative difference between the channel post mail and email which approves the assumptions made in the theoretical part before.

Communication Channel ▾	Mean ▾	Std. Deviation ▾	Valid N (listwise) Unweighted ▾	Weighted ▾
Email	1,4842	2,11743	4990	4990
Mail	2,623	5,21413	15939	15939
Both	4,6909	10,24678	3225	3225
Total	2,6638	5,80678	24154	24154

Figure 1. Group Statistics

Further on through a cross-tab-analysis the correlation between channel and booking frequency was analyzed. With the Chi-Square Test analysis (see Figure: Chi Square Test) it was tested how strong the correlation between the variables "Number of bookings" and "Communication Channel" was.
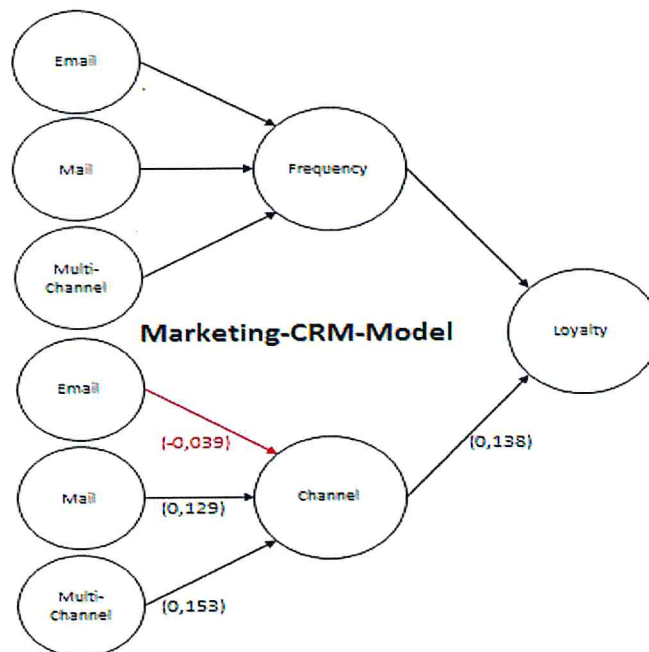

Figure 5. Marketing-CRM-Modell by M. Toedt

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

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30% or more indicates a strong correlation. But it can be assumed that this relatively moderate correlation goes up if the analyzed time period would be expanded from the current two to at least three or more years.

Based on the analyses a Marketing-CRM-Model could be developed which shows the strength of the correlation and the direction of the different channels. The strongest influence has a multi-channel strategy with 15.3%, followed by post mail with 12.9%. A surprise was that based on the data included in the research the channel email had no influence on the variable "Number of Bookings".

In order to verify this negative effect of the channel email further research is recommended. The hotels included in the sample data sent only a moderate number of 34 email campaigns over the tested period of 24 months compared to 164 offline mailings. This very low frequency in combination with the weaker channel quality of email should be the reason for this astonishing result.

3.6. For Further Research

For further researches it is recommendable to include only hotels of the same type, either resorts or business hotels. Additionally the data collection period should be expanded to at least 36 months because of the low booking frequency of a hotel product. People book only a few stays during a year in order to analyze the influence of communication on the behavioral loyalty of hotel guests a longer data range is therefore recommendable. Further on only hotels should be included who do more email communications as the hotels included in this research.

4. Conclusion

Since the hotel business is dominated by practitioners the role of communication is widely under-estimated and for many managers not tangible. Therefore one goal of the research was to measure the influence of marketing on the loyalty of hotel guests.

A second aspect of the research was to evaluate the quality of the mainly used media channels email and post mail within marketing. Especially of interest was if the replacement strategy of many companies in favor of email is correct or not.

The research measured correlation of 13.8% between the variables "Number of Bookings" and "Communication Channel". Although the revealed correlation is only moderate, it can be expected that the importance of communication is considerably higher if for instance the analyzed time period would be expended to three or more years. The reason is that the hotel business is characterized by a relatively low booking frequency compared to other products.

The strongest influence on the booking frequency had a multi-channel strategy with 15.3% followed by post mail with 12.9%. Based on the data included in the research the channel email had no influence on the variable "Number of Bookings".

This result compared with the relative low quantity of email campaigns the hotels sent during the test period leads to the conclusion that the channel email needs a much higher frequency to create measurable results compared to post mail. The data analysis also proved the assumption that email is not a replacement for post mail and the effects of communication are different for each channel.

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Further research should add the communication frequency in order to create a formula to optimize the communication budget allocation for hotels using a linear optimization model.

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