

Evaluating Tourism Advertising With Cost-Comparison Methods

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A travel experience doesn't begin or end at the destination. Potential visitors anticipate the trip. During planning they use a variety of information sources to make travel decisions—recommendations from friends and relatives, newspaper articles, media advertisements, and information brochures. Travelers make choices enroute. The challenge for tourism businesses and promotion organizations is to influence the decision process in their favor.

In travel advertising, evaluation of this information collection and decision process is called "inquiry conversion." First, an interested party calls or writes to ask for more details after seeing an ad. Later, "conversion" figures can be calculated to indicate the portion of inquirers exposed to advertising who visit. How many prospects actually become guests; what does it cost to attract them?

Advertising evaluation allows you to make adjustments in your marketing program to spend advertising dollars where they are most cost effective. When you know what the dollar costs are to generate travel business and can compare costs among different forms of advertising, you can shift efforts to formats that show the greatest return. For example, the Minnesota Office of Tourism gets overnight reports on telephone inquiries generated by out-of-state television ads. They know in running ad campaigns when responses have peaked and are able to change strategies for maximum efficiency.

Use of cost-comparison methods reflects a view of advertising as an **investment**. In the long run, advertising must increase profit margins to more than offset advertising expenditures. Costs must be tied to results to avoid draining profits and reserves.

There is one caution: in tourism advertising, there often is a long lag time in building consumer awareness of and interest in going to a destination. Evaluation figures are not the absolute measure of success. If evaluation shows little consumer action, an ad program may still be building significant consumer awareness. It may be appropriate to take a long-term risk and maintain a consistent advertising campaign that looks toward future business. Watch cost-comparison figures, but use them as only one tool to measure progress toward accomplishing your marketing objectives.

The time lag in consumer response and the length of the inquiry-conversion process means that most businesses and destination areas use evaluation results to adjust advertising programs for the next season.

Unless you know from past experience the relationship between the level of inquiry and eventual bookings, it's difficult to make immediate adjustments in advertising schedules and formats.

To assess your advertising, it is important to spend some time on evaluation design and in learning the various cost-comparison methods.

Designing the Evaluation

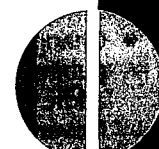
Before you make decisions about advertising design and how to "code" ads, some evaluation basics are in order:

- Establish evaluation procedures in advance. Evaluation is ongoing, not an end-of-the-season, last-minute task. The type of information collected and the format used should allow you to answer specific evaluation questions that are set ahead of time.
- Monitor and evaluate results at specified times.
- Keep good records. Update files regularly.
- Consider using a personal computer to organize the information. Investigate data analysis and word processing (for mailing and inquiry lists) software packages that can provide a simple structure to organize data.
- Compare the actual results from advertising with marketing objectives that can be measured, contain specific actions, and specify a time frame. Above all, be realistic.

Creating Ads to Encourage Response

The easiest way to begin to track the advertising impact is to record the responses you receive from each ad. Most businesses and communities use a variety of media, rather than a single source, to get their message out to the public. The advertising components that you choose—brochures, newspaper ads, direct mail, and radio—should work together for broad coverage of the target markets previously identified. The Minnesota Extension Service Tourism Center publication, "Tourism Advertising: Some Basics" outlines media selection and placement strategies. Contact your county extension agent for a copy.

The key to success is that people **must respond**.



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Once you have the name and address of an interested party, you can follow through on evaluation. Give potential visitors a reason and a way to contact you.

- Ads might feature the availability of a brochure, vacation planning packet or free information. For example, Minnesota's promotional campaign is based on distribution of the Minnesota Explorer newspaper as an information source that "sells" the state.
- Offer an incentive to act by providing discounts, coupons, promotional drawings and free gifts (for example, one day boat rental for mentioning your ad) that are redeemable at your business or in the community (make arrangements to get names and addresses from retail establishments that participate). The contest to guess the spring date the first ship will pass under the Aerial Lift Bridge in Duluth to open the shipping season uses this strategy.
- Toll-free numbers, self-mailers or addressed envelopes, though expensive, remove some time and cost barriers for potential visitors and make it easier for them to contact you.

The advantage of incentives is that they can convince new customers to try your attraction or service. With an evaluation program, you know the best sources of growth in your customer base.

Coding Advertisements

If you have more than one ad running at a time or are using media with a long shelf life, it is critical to know the exact source of inquiries. Which newspaper ad (in what edition?), radio spot (which station?) or television commercial (which channel?) brings response? This information is obtained by "coding" ads to distinguish them from each other:

- List telephone extensions that are unique to each publication or station, with the same basic phone number. An alternative is to have the person who answers your business phone ask each caller, "Where did you see our ad?," and record that information.
- Change the post office box number ending for each publication or station, but use the same basic address. To illustrate, P.O. Box 100W might be the November 11 ad in the Winnipeg newspaper, and Box 100F might refer to an ad placed the same date in the Fargo daily.
- Follow the same strategy with coupons, or place a special letter or numeric code in the corner of each coupon to be returned.
- If you purchase a list for direct mail, the printed material that goes out can also be phone-, address-, or coupon-coded so responses from each mailing list are unique.
- The same procedure also works for sports shows and directories: provide slightly different contact information for each. Then keep a list of what you sent where.

Setting up a Data Base

Too often there is little or no follow through in evaluation. It needs to be a business and organizational priority. Decide who has responsibility for recording and organizing inquiry and response information as the telephone calls or mail come in. Be sure this person is trained in the procedure as it requires close attention to detail. It's too easy to "lose" important customer information. Only when this information system is in place is it possible to calculate the cost per visitor inquiry and booking, conversion rates, and level of expenditures during a visit.

Cost per Inquiry

Cost per inquiry (CPI) provides a basic measure of the initial impact of advertising. How many people request information or otherwise respond to the ad, and how effective is this when cost factors are introduced? Private businesses as well as community organizations can use this decision tool.

Three pieces of information are needed to make cost per inquiry calculations: 1) total cost of production for the specific ad; 2) cost of inserting the ad; and 3) total number of inquiries generated by the ad. The following formula applies:

$$\text{Cost per visitor (CPV)} = \frac{\text{total ad production cost} + \text{ad insertion cost}}{\text{total number of visits}}$$

Here is a hypothetical example for a resort. Suppose you bought a small \$90 Sunday ad in the travel section of a metropolitan newspaper. The newspaper staff worked with you to prepare the ad at no extra charge. In the next ten days, you receive 12 mail and phone inquiries:

$$\text{Cost per inquiry (CPI)} = \frac{\$0 + \$90}{12} = \$7.50$$

If there had been 40 responses, the CPI would be \$2.25; with only 6 inquiries, the CPI increases to \$15. Make notes on variables beyond your control—weather, holidays, festivals, newspaper editorials or feature stories—that may increase or decrease the impact of your advertising. Knowledge of these outside events will help explain the results and trends you observe over time.

With this information make a list comparing CPIs for various publications and stations on specific advertising dates. There are no industry averages or "good" CPIs. You need to collect this information over an extended period of time to determine the typical range of figures for your business. Compare CPIs only for advertising your property or attraction; your neighbor's CPI figures are not relevant.

Consider each CPI and the advertising expenditure it represents in light of expected visits and the income that can be realized. CPI is one of the easiest evaluation measures to use, but inquiries are, after all, only one step toward visits. The acid test is whether or not the inquirer becomes a customer.

Conversion Rates and Cost per Visitor ■

How many dollars of advertising do you spend to get a living, breathing guest at your business or attraction? When potential customers contact you, only a portion actually follow through and visit. It is possible to track the eventual outcome of an interest in visiting. Cost per visitor (CPV) figures are based on following each inquiry to its conclusion—does a party visit or not, and what advertising influenced that decision? Cost per reservation (CPR) is a comparable measure used by lodging establishments.

In-house Evaluation

For lodging facilities and other businesses where customers leave a record (name and address), the information needed to calculate cost comparisons is readily available. If the number of inquiries is small enough it is possible, but time consuming, to determine how many of the initial inquiries actually resulted in visits. If the customer base is too large, take a sample as outlined in the next section.

One way to track bookings is to keep an alphabetical list of all written and phone inquiries, with a note on the specific advertising they mention. When customers make reservations, search the inquiry file to see if you have heard from them previously. Then at the end of the season or at some specific interval, calculate cost per reservation for each type of advertising. Sometimes they may be booking in response to an ad placed a year or two ago.

Alternatively, on the registration card ask guests how they heard about your business. The drawback is that customers often respond to multiple sources of advertising, and you will be unable to tell which ad initially created their interest in visiting. It is also difficult to obtain specific information this way. Guests might be able to tell you “from the newspaper” or “the radio ads,” but not about specific editions or stations.

Use of Evaluation Surveys

In-house evaluation is a problem for most tourism businesses and promotion groups. Most tourism facilities don't record names and addresses of who visited when. Data management simply becomes too complex for mid-size and larger businesses which do track visits, unless a personal computer is used. Local Chambers of Commerce or regional promotion groups face a similar problem as the initial inquiry comes through the Chamber office, but the actual reservations take place at private businesses in the area.

The only way for these organizations to get an estimate of inquiries that “convert” to actual visits is to conduct a visitor/guest survey. This could be simply a post card or single sheet questionnaire. Take a sample from the entire list of inquiries to an ad. Individuals selected randomly receive a mail or phone survey that asks whether or not they visited. Other questions commonly included are an evaluation of the ad and how it was used, and information on trip characteristics, if applicable. The Minnesota Office of Tourism uses this method seasonally to learn which advertising is most effective.

Work with professionals who are knowledgeable about survey research to assure a sample that is representative of all inquirers: industry trade groups, the Tourism Center,

Small Business Development Centers, and private consultants. They can help you with sample design, sample size, and writing survey questions. For example, a proportional sample may be necessary: this means that if Chicagoans account for 30 percent of inquiries, 30 percent of those sampled should be Chicago residents. The questionnaire return rate is also important; low rates can bias the results because visitors are more likely to respond to a questionnaire than people who didn't visit.

Calculating Conversion Rates and Cost per Visitor

Once you know the number of visits and the source of the initial inquiry, figure the “conversion rate” for each advertising component. What percent of people who inquire from a specific ad actually visit your establishment or area? Conversion rate is expressed as a percentage:

$$\text{Conversion rate} = \frac{\text{total number of visits/reservations generated by ad}}{\text{total number of inquiries generated by ad}} \times 100$$

Using previous figures, suppose 5 of the 12 inquiries generated by the newspaper ads resulted in a visit:

$$\text{Conversion rate} = \frac{5}{12} \times 100 = 41.7$$

Approximately 42 percent of inquiries are “converted” to actual visits.

Where it is important to count individual visitors—at attractions or in communities—calculate the cost per visitor by dividing the ad production costs by the actual number of visits:

$$\text{Cost per visitor (CPV)} = \frac{\text{total ad production cost} + \text{ad insert cost}}{\text{total number of visits}}$$

Where it is important to fill overnight lodging establishments—resorts, hotels, campgrounds—use the similar cost per reservation formula:

$$\text{Cost per reservation (CPR)} = \frac{\text{total ad production cost} + \text{ad insertion cost}}{\text{total number of reservations}}$$

Continuing the resort example:

$$\text{Cost per reservation (CPR)} = \frac{\$0 + \$90}{5} = \$18$$

It costs this resort \$18 in advertising to attract each travel party. Cost per reservation (or cost per visitor) will always be higher than cost per inquiry.

A high conversion rate means a lower cost per visitor and vice versa. In other words, if 40 percent of those who inquire actually visit, your costs to get each travel party there are lower than if only 30 percent of inquirers visit. If conversion rates are similar among advertisements, cost per visitor gives you another way to compare different media.

It is entirely possible for an ad to give you a low cost per inquiry, but also a very poor conversion rate. This means the ad generates a lot of initial interest, but few visits or reservations result. Cost per visitor will be high. The reverse can also hold true where cost per inquiry is

expensive, but most of those parties actually book accommodations or visit. Cost per inquiry, the conversion rate and cost per visitor **together**, give you an idea of advertising effectiveness and efficiency.

Return on Advertising Investment

You will also want to know your overall dollar return for each advertising dollar spent. While visiting your facility or in your area, how much does the travel party spend for lodging, food, rentals, bait and other services? Link these figures to the initial source of the inquiry:

$$\text{Return on Investment (ROI)} = \frac{\text{total expenditures by visitors generated by the ad}}{\text{total ad production cost} + \text{ad insertion cost}}$$

To illustrate ROI calculations using the same Sunday travel section ad, assume that the five travel parties brought in by the ad spent \$1,200, \$500, \$700, \$950 and \$450, respectively:

$$\text{Return on Investment (ROI)} = \frac{\$1,200 + 500 + 700 + 950 + 450}{\$90} = 42.2$$

This is interpreted to mean a return of over 40 times the ad investment.

You may find that total expenditures vary depending on the market segment initially responding to the ad. There may be “big-spenders” and “budget travelers.” Comparison of these ROI figures across media can help to further target your advertising dollars.

For lodging and other businesses that use registrations, in-house expenditures will be available from the guest’s final bill. Communities, attractions and other tourism enterprises need to conduct a visitor survey either on the property or with a mail-back form.

Some Cautions

The complexity of travel decisions makes a word of caution necessary on how to interpret evaluation results. Were customers who visited influenced by the advertising, or were they going to come anyway? Conversion rates in the travel industry generally tend to be overestimates because “gross” conversions are used. “Gross” conversions include everyone in the analysis; “net” conversions include only people who indicate that the ad (and information that it offered) influenced a final decision. Some visitor/guest surveys have included a question on whether and how the ad or information was used to determine the “real” advertising effect.

Ideally, you will want comparison figures for each advertising method you use. Remember that **exact** costs are impossible to track because many inquiries result from repeated exposure to several sources. For example, a potential visitor might see a newspaper ad, pick up a brochure in a travel information center, see a magazine ad—and *then* call for information. The inquiry would be attributed to the magazine ad alone in your records. However, the cost-comparison methods outlined are still the best way to get estimates about the efficiency of advertising investments.

These issues do point out the complexity of travel decisions. Information can be used in more ways than whether or not to visit: how long to stay, where to visit, what to do and see, where to stay, and routes to travel. Over time, visitor surveys conducted by the industry should provide more clues as to how travelers make use of information. Consider these factors as you make tradeoffs in your advertising program.

Your Evaluation Plan

Evaluation of advertising results is complex. Cost comparison methods to determine the financial return of each advertising component are only one type of evaluation. Evaluation can also measure general product awareness and consumer attitudes as they affect advertising content and placement. These findings can give you an edge in influencing consumer purchase decisions by providing feedback on how the public responds to your advertising.

Despite these competitive advantages, evaluation is probably the most overlooked step in marketing. Evaluation requires review of successes and failures as measured against marketing goals set for the business or community. Unfortunately, once the ad runs and the dollars are spent, it’s typical to move instead to other management activities.

The detail, time commitment, and procedural changes required for evaluation may mean that you can’t put these methods in place immediately. The strategies discussed here, however, represent a system you can “grow into” over time. Start with cost per inquiry calculations. When you see how those figures become valuable decision tools, move to conversion rates, cost per visitor, and return on investment. Don’t guess: spend your advertising dollars where your research shows they have an impact.

Be sure to put an evaluation mechanism in place. But don’t let it limit your creativity. Try some new strategies—take some risks, along with your proven successes—to keep current in the marketplace.

Resources

Tourism Center, Minnesota Extension Service, University of Minnesota, 240 Coffey Hall, 1420 Eckles Avenue, St. Paul, MN 55108.

-Contact for referral to a staff member who can review your evaluation plans. Offers educational programs and materials for the visitor industry on small business management and community tourism development. Publications are available from your local county extension agent.

Community Travel and Tourism Marketing (CD-FO-3272)

Tourism Advertising: Some Basics (CD-FO-3311)

Tourism Brochures to Boost Business (CD-FO-3273)

Managing Small Resorts for Profit (contains evaluation material)

Good Records Help Direct Advertising Programs (resort industry example of using guest records and coded ads), *Tourist Travel Notes* (Volume 20, Fall 1983).

Item	Advertising Program Component (e.g., specific ads, sport shows)						Total Program
1. Total ad costs =							
2. Total number of inquiries =							
3. Total number of reservations booked =							
4. Total revenues generated by travel party =							
5. Cost per inquiry (CPI) = $\frac{\#1}{\#2} =$							
6. Cost per reservation (CPB) = $\frac{\#1}{\#3} =$							
7. Return on advertising investment (ROI) = $\frac{\#4}{\#1} =$							

A worksheet like this can be used to evaluate and compare results from various advertising efforts. Cost per inquiry, cost per reservation, and return on advertising investment are objective measures of performance.

1987 PHONE SHEETS FOR MCGUIRE'S

For Week _____ to _____

SOURCE	SUNDAY		MONDAY		TUESDAY		WEDNESDAY		THURSDAY		FRIDAY		SATURDAY		TOTAL	
	INQ	RES	INQ	RES	INQ	RES	INQ	RES	INQ	RES	INQ	RES	INQ	RES	INQ	RES
Previous Guest																
Referral By Previous Guest																
Minneapolis Tribune																
St. Paul Pioneer Press																
Des Moines																
Brainerd Chamber of Commerce																
MN Resort Association																
Heartland Book																
Travel Show																
Brochure																
Other																
TOTAL																

This resort cross-references the inquiry or reservation source by date when organizing information about advertising outcomes. The front office staff keeps count in the boxes of each type of call. Using a personal computer, these phone sheets are analyzed weekly, and results are entered in an annual log. The advertising trends identified from these records suggest the best timing for ad placement and target markets that are responsive. A similar system is used for tracking mail inquiries and reservations.

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Credits

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