MEASURING LONG-TERM ADVERTISING EFFECTS IN THE TOURISM AND HOSPITALITY INDUSTRY

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ABSTRACT

Due to the intangible characteristics of the service product, the tourism and hospitality industry relies heavily on advertising. This dissertation is composed of three interrelates studies, with the overall purpose to investigate advertising effectiveness within the tourism and hospitality industry from a firm-level perspective. Longitudinal and time-series models were employed to analyze firm-level accounting, finance, and marketing data. Overall, results provided support for the strategic value of advertising in the airline, hotel, restaurant firms. The first study’s findings indicate that the economic benefits from advertising expenditures, unlike other expenses, don’t expire in the current period. In addition, advertising expenditures are significant strategic investments in intangible assets, providing greater future economic benefits than other assets. There is no significant heterogeneity regarding the effectiveness of advertising expenditures across sub-sectors in the tourism and hospitality industry.

The second study’s results indicate that Hilton’s advertising has a long-term effect on firm market value, beyond the impact of advertising’s influence on sales. Therefore, the branding effect of Hilton’s advertising expenditures on firm value is suggested, which coexists with the advertising’s tangible effect through sales. The long-run positive impacts are significant for Hilton’s advertising through television and Internet, not through print and outdoor. The third study’s results suggest that there is a two-year lagged value of advertising as well as a cost of advertising in debt market on firm’s financial leverage. These results suggest the long-run impacts of advertising on firm value in the tourism and hospitality industry, providing support for advertising budget allocations.