

INVESTMENTS WITH PROMOTION. INFLUENCES IN TOURISM 2019-2021

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Abstract: *Investments, those expenditures made at an early stage, in order to obtain subsequent effects, have been a point of interest of economists, who seek to reproduce more and more aspects and links of cause and effect between investments made in various fields and their effects. The present paper is meant to analyze the investments with the promotion made by the states in the field of tourism. We chose 2019 and 2021 as reference years because these were the years that determined sudden changes in what represents the G.D.P of a country and the global G.D.P as well as its way of accomplishment. This article represents a review of existing studies on this topic and outlines and validates a number of objectives. The existing statistical data on the promotional budgets of the states are analyzed from a quantitative point of view and a small case study on Germany was carried out.*

Keywords: *investments with promotion; tourism; review of existing studies; the effects of the pandemic*

JEL Classification: *E22; Z32*

1. Investments. General framework.

The field of tourism and the effects of investments in this area have attracted the attention of specialists. Numerous specialized works reproduce a series of stages of investments in tourism, appealing to the establishment of the company's development strategy. This article is the result of a close review of specialized studies. This is the key research method. Regarding the objectives of the paper, they were set as follows: O1: Achieving a conceptual framework and identifying different points of view on investments with promotion; O2: Analysis of the economic landscape in the field of promotional investments determined by the COVID pandemic19, O3: Analysis and representation of the evolution of investment budgets in different countries taken as a benchmark, O4: Carrying out a small case study and analysis of Germany as a reference country. Therefore, the two major chapters will try to point out the elements taken into account in terms of objectives.

Any development strategy of the company must contain three key moments, namely: the determination of objectives, the diagnostic analysis of the enterprise and the

evaluation of the economic environment. Hospitality marks as main activity, the need to constantly adapt to the trends of the target market and implicitly the development of an appropriate program for the development of the products offered and communication of value. Starting from these trends and activities, we can distinguish a separate area of investments in the tourism sphere, namely, investments with promotion.

Part of the promotion activity, the determination of the investments in this area imposed in the first instance, the determination of the marketing budgets related to the enterprises. P. Kotler (1997) presents the ways of setting budgets, depending on the possibilities of the company: establishing a percentage of sales that will later be invested in marketing, establishing competition as a benchmark for determining the budget or based on goals set by the company. At the same time, J. Einser (1991) also mentions four basic elements in the activity of setting the budget, namely: planning, setting the products offered, the demand for them, the price and how to communicate with the audience.

The way in which investments are made and the budgets for promotional activities are set, differs from one sector to another, depending on the size of the companies and their location.

2. Studies carried out in the field of establishing budgets related to promotion activities

J. Bigne (1995) conducts a study aimed at understanding the behavior of companies in the allocation of promotional budgets in North American and European companies in various industries, finding that the most commonly used technique is the allocation of a certain percentage of sales. M. Fischer et al. (2011) aimed at researching the analysis of how to establish the promotional budget, in correlation with the size of the company, thus concluding that the budget allocated to promotion must be proportional to the size business and at the same time with the effectiveness of the marketing activity and implicitly, the growth potential of the product. Also, the budgets allocated to traditional marketing versus digital marketing have been a topic of interest to researchers. Y. Huang (2012) reveals from his research that at that time, most of the budget went to the promotional activity in the media, followed by the percentage dedicated to digital promotion. Factors influencing the decision to allocate budgets can also range from unit sales to marketing efficiency and contribution to unit profit (Y. Peers et al, 2017). T. Kim et al. (2019) complete the set of studies dedicated to this topic. They conducted a review of the literature aimed at identifying key implications in the field (the E.R.C tool for measuring profitability on the information it provides on current performance), concluding that those tourism companies that have achieved increased performance, were the companies that spent larger amounts in the field of advertising, immediately after a global financial crisis.

Moreover, the tourist sphere has a series of peculiarities but also common to the services. Tourist services are also characterized by perishability. Thus, an increased

interest will be manifested in the sale of all products and services on time. These are impossible to store for subsequent sales, which implies an increased focus on tourism activities and investments in this direction. Over time, companies in this field have become increasingly concerned about the efficiency of investments in advertising and promotional expenses are associated with sales performance in the hotel industry (Assaf et al.2017).

The efficiency of investments in promotion, in the tourism industry, was, as previously mentioned, a topic of interest for research in the field. K. Park and S. Jang conducted a study in 2012 on the relationship between promotional investment and sales, noting a positive short-term effect of increased restaurant sales as a result of the acceleration of promotional activity, Herrington and C. Bosworth (2016), share the same opinion, namely that there is a strong connection between them. S. Kamal and G. Wilcox (2014) do not agree with the same conclusions, drawing their own study and highlighting the fact that there is a relationship with a low impact between promotional expenses and sales of fast food restaurants. A. Assaf (2017) makes new contributions in this regard, noting a positive impact of long-term investment in the hotel industry. Moreover, there is a significant heterogeneity in the efficiency of promotion in the various subsectors of the tourism and hospitality industry, as evidenced by R.Qui (2014) whose study examines the effects of promotion and investment in tourism business. At the same time, it highlights the future benefits of these investments, which are much greater than in other areas. R.Qi et al. (2018) partially contradict the above conclusion, emphasizing that the effects of investment vary in the tourism and hospitality industry compared to other industries, but they do not vary between subsectors in this industry.

As a result, there are sets of contradictory conclusions. This issue of massive differences in research results was explained by E. Landes, A. Rosenfield (1994). According to them, the potential problem that would bring significant differences in the models and results obtained are the specific factors of the companies that implicitly significantly influence the results.

Thus, although many studies focus on the analysis of the cause-effect relationship, few studies talk about the actual investments in promotion and their approach in a value expression.

3. Changes brought by the years 2019-2020 in the economic landscape. Influences on promotion.

Analyzing statistically the advertising expenses, respectively the establishment of the promotional budgets, we find that they were strongly influenced by the changes of the economic landscape due to the pandemic. Thus, in recent years, new trends and trends have been cemented, with industries registering different levels of this global decline. 2020 was the least successful year, financially, according to Eurostat.

Analyses of the gross domestic product, illustrate its impressive decreases, both in general, according to Figure 1 and in the tourism industry, as shown in Figure 2.

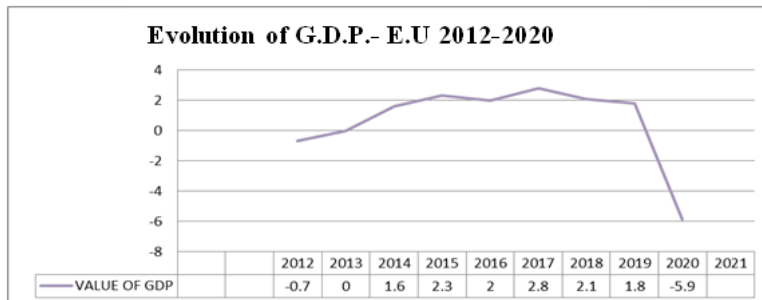


Figure 1: Evolution of G.D.P in E.U (2012-2020) expressed in percentage increases
 Source: Adapted by author, Eurostat, 2021, Real GDP growth rate – volume

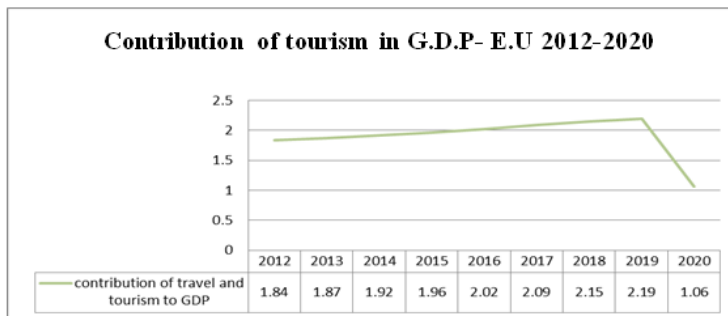


Figure 2: The contribution of the tourism industry to the global P.I.B expressed in billions of dollars
 Source: Adapted by the author, Statista, 2021 Total contribution of travel and tourism to GDP in Europe from 2012 to 2020

Moreover, these trends have led to collapses in the promotional budgets of companies in the market. However, experts predict significant percentage recoveries and improvements (Business Intelligence, 2020). Although there are relatively few statistics available, there are a number of research reports that highlight the evolution of promotional investments in the key period 2019-2020. One such report belongs to Business Intelligence and aims to highlight the colossal impact of the pandemic that was felt at the level of 12 key industries in a number of 13 countries that were sampled, as follows: Australia, Canada, China , France, Germany, India, Italy, Poland, Russia, Spain, Switzerland, United Kingdom, United States of America, countries which together account for a total of 74% of the total expenses with global promotion. Thus, the way in which the investments in the field of promotion have evolved is shown in Figure3.

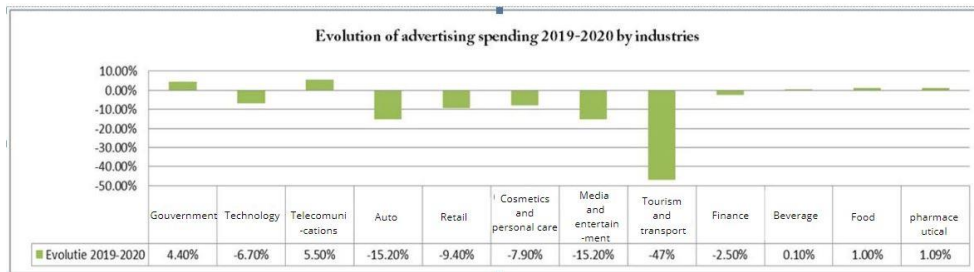


Figure 3: Evolution of advertising spending 2019-2020 by industry

Source: Adapted by the author, DENTSU, Global Ad Spend Forecast, 2021

As expected, the trend of investment in promotion shows declines in half of the industries, respectively maintaining the trend or even small increases in industries such as pharmaceuticals (10.9%), telecommunications (5.5%), government (4.4%) and food (5%). At the same time, it can be seen that the industry most severely affected was tourism and transport. Promotional budgets allocated to companies in the field decreased by 47%. Due to the uncertainties caused by the pandemic, restrictions and restrictions on free movement, the activity of many tourism companies has been limited or even stopped, which has implicitly led to lower investment in promotion.

Based on this information, the overall trend of promotional investments was analyzed and calculated, using the simple arithmetic mean, it was found that in the countries analyzed, the general trend was a percentage decrease of 7.65%. Using the formula of the relative size of the structure as a derived indicator, we will relate the value recorded by tourism and transport (aggregate value of the characteristic) to the total value of the characteristic and the sum of the percentages that mark the evolution of advertising expenditures by industries. Thus, we find that the proportion of tourism and transport compared to the reporting indicator (the sum of the percentages that mark the evolution of advertising spending by industry) is 40.52%.

Although the amounts available for promotional activities have decreased considerably, it is interesting to analyze how the available budget has been divided, thus, according to Zenith (Business Intelligence, 2020), there is a significant share of digital promotion, occupying a percentage of 58, 4% of the budget allocated to promotion. Moreover, in the case of tourism organizations, there are even higher values, the investment in digital promotion representing 62% of the total budget. This type of promotion registers the highest percentage in the tourism industry, precisely due to the characteristics of this field, among which, a leading place is presented by intangibility, the aim being to capture the consumer, from the research stage.

According to previous studies, it has been found that at European level, the United Kingdom and Germany can be considered as benchmarks of digital promotion and due to the amounts they dedicate to promotional budgets. Thus, in the following, we will analyze the case of Germany and the evolution of digital promotion in this country. As can be seen in Table 1, the budgets for tourism promotion increased

from year to year in the period 2016-2018. Thus, the percentages were calculated, the increases, the average increase being 11.15%.

Table 1: Evolution of the budget for digital promotion in Germany 2016-2018

Evolution of the budget for digital promotion in Germany 2016-2018			
Period	2016	2017	2018
Promotional budget (Euro billion) - Absolute frequency	0.53	0.61	0.69
Promotion budget (%) - Relative frequency		15.09%	13.11%

Source: Adapted by the author, eMarketer, 2020, Germany Ad Spend

At the same time, the second table, respectively Table 2: The evolution of the budget for digital promotion in Germany 2019-2021 summarizes the results of the statistical data regarding the increases of investments in promotion in the period 2019-2021.

Table 2: Evolution of the budget for digital promotion in Germany 2019-2021

Evolution of the budget for digital promotion in Germany 2019-2021			
Period	2019	2020	2021
Promotion budget (%) - Relative frequency	8.40%	42.70%	26.40%

Source: Adapted by author, eMarketer, 2021, Germany Digital Ad Spending by Industry, 2021

Thus, the effect of the pandemic in 2020 in the tourism industry in Germany can be observed. Based on this, one can see the picture of the evolution of investments with the promotion in tourism. Taking as a benchmark the value of investments in 2016, there is a trend of steady and significant growth of investments until 2019.

Starting with 2019, due to the situation imposed by the pandemic, the value of investments in the field of promotion decreases suddenly to a minimum of 2020, a year that canceled all the increases from previous years. The next step tends to be a comeback, so in 2021 there is already an accelerated increase in the budgets allocated to promotion. This trend tends to be copied by other European countries.

5. In conclusion

Although many studies address these issues, few studies address the issue of investment for promotion, from a value approach. In this sense, the expenditure on advertising, respectively the promotional budgets at the level of enterprises and implicitly of the tourism enterprises in the last years were analyzed and interpreted statistically, focusing mainly on the effects caused by the pandemic.

Although the statistical data are relatively few, as expected, it was found that the trend of investment with promotion in all industries was a decrease, by 7.65%. The

largest decrease was recorded in the tourism and transport industry, 47%. By using the relative size of the structure, it was determined that the share of tourism in the respective decrease is one of 40.62%. Moreover, within this budget, 62% belongs to digital promotion.

At the level of the European Union, England and Germany are the countries taken as a standard in terms of promotion and investment. Analyzing the situation in Germany, it was found that in the period 2016-2019, investments in tourism promotion showed a steady growth trend, but this growth changed its exchange rate, in the year of pandemic restrictions, the year 2020, cancelling all increases previous. However, the return is already noticeable, in 2021 there will be an increase in promotional budgets in the field of tourism and this trend tends to be copied by other developed countries in the European Union.

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