# Advertisement as a means of reducing the information asymmetry for tourism enterprises

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Abstract. The article deals with the essence and role the asymmetry of information on the tourism market, reasons for its objectivity and subjectivity, the need to reduce (liquidation) for development of the tourism market. It is proposed to use the information signals as a means for reducing the asymmetry of information. Advertisement is studied as one of the most common information signals for reducing the asymmetry of information. The model for formation of complex advertising products is proposed. Its use for advertisement creation will reduce the asymmetry of information to a minimum and, hence, will increase the number of customers and sales volumes of tourism products. The methodical approach for assessing the usefulness (quality) of advertising for reduction of the information asymmetry depending on cost efficiency for the creation and distribution of advertising means.

**Keywords:** asymmetry of information, advertisement, tourism market, tourism enterprise, business.

**Tytuł:** Reklama jako sposób na zmniejszenie asymetrii informacji dla firm turystycznych **Streszczenie.** W artykule istoty i roli asymetrii informacji na rynku turystycznym, przyczyny jego obiektywności i subiektywności, konieczność zmniejszenia (likwidacja) dla jego rozwoju. Proponuje się, aby wykorzystać sygnały informacyjne, środek do zmniejszenia o asymetrii. Studiował reklamy - jeden z najczęstszych sygnałów danych w celu zmniejszenia asymetrii informacyjnej ... modelu tworzenia złożonych środków reklamowych, których stosowanie jest stworzenie reklamy, aby zminimalizować assimmtriyu informacji, a tym samym zwiększy liczbę klientów oraz wielkość sprzedaży produktów turystycznych. Metodyczne podejście do oceny przydatności (jakość) reklamy w celu zmniejszenia asymetrii informacyjnej, w zależności od wydatków efektivnosti na tworzeniu i dystrybucji narzędzi promocyjnych.

**Słowa kluczowe:** asymetria informacji, reklamy, rynku turystycznego, przedsiębiorstw turystycznych, biznesowych.

**Название:** Реклама как средство снижения асимметрии информации для субъектов туристического бизнеса.

Резюме. В статье рассмотрена суть и роль асимметрии информации на туристическом рынке, причины ее объективности и субъективности, необходимость снижения (ликвидации) для его развития. Предложено использовать информационные сигналы как средства для снижения асимметрии информации. Исследована реклама — один из наиболее распространенных информационных сигналов для уменьшения асимметрии информации. Предложена модель формирования комплекса рекламных средств, использование которой для создания рекламы позволит свести к минимуму асимметрию информации, и, следовательно, будет способствовать увеличению количества клиентов и объемов реализации туристических продуктов. Предложен методический подход для оценки полезности (качества) рекламы для уменьшения асимметрии информации в зависимости от эффективности расходов на создание и распространение рекламных средств.

**Ключевые слова:** ассиметрия информации, реклама, туристический рынок, туристические предприятия, бизнес.

#### Introduction

Tourism business is developing very dynamically. According to the World Tourism Organization the total number of international tourist arrivals grew by 3.9% and attained 1.235 million in 2016. Last year the number of international tourists has increased by about 46 million people in comparison with 2015<sup>1</sup>.

Tourism business promotes to social and economic development of two ways. First, it is directly GDP growth and jobs, strengthening cultural traditions and customs, stimulating the development of infrastructure, increasing innovation activity etc. Secondly, it is the formation of the country's image in the world that promotes to increase tourist flows, establishment and development business partnerships in business, science, education, culture and sport.

Ukraine has enough resources and opportunities to the development of tourism business and increase competitiveness on the international tourism market, but it lags behind in this process.

<sup>&</sup>lt;sup>1</sup> Sustained growth in international tourism despite challenges http://mkt.unwto.org/ru/barometer

Improving this situation requires to activate of the subjects of tourism business, in particularly the improving the work with information to attract more customers, intensify the promotion of tourism products in the domestic and international tourism markets.

#### **Purpose of article**

The main purpose of the article is the research of information asymmetry on the tourism market and a means to reduce it.

### The role of information in the economy

Regarding the economy information is a specific resource, the result of that utilization depends on not only on the amount of the consumed information, but on its combination with human capital to gain knowledge and to enable their use in the future. It - qualitative and meaningful content of any product, including tourism. Information is qualitative and semantic fulfillment of any product, in particularly, tourism product.

Trend of redistribution countries depends on the use of information and knowledge. According to this, states that are the most active in this area, are the leaders in the development of economic and social processes.

Information - the foundation and driving force of all processes of society, a special product of its activity, the result of the use of which is increase of the product through the process of circular transformation: information - knowledge - information. In particular, the markets exist because of information and information flows, because the interactions and relationships arise and are carry out through the formation, transfer and sharing of information.

#### Asymmetry of information on the tourism market

The asymmetry of information, or rather «asymmetry of information exchange» is the result of uneven information support of the subjects of market relations. As a result, one of them received and has better information than the other relative to the object, process, etc.

Subjects of tourism business must distinctly understand the essence of «information support» for the formation of their own attitude to the phenomenon of «asymmetry of information», the definition of an information strategy for it for building effective market relationships with consumers. Their main goal is the maximum satisfaction of the needs of consumers in the tourism products. Tourism enterprises should consider information support in two ways:

- information support is the process of organization providing of information, which
  provides for the organization of its delivery and the creation of conditions for access to it
  in order to satisfy informational needs of, in particular, economic entities and individuals;
- information support is documented information (documents), which as a result of the
  selection and preparation process form the knowledge base of the subject of tourism
  business, which is used to meet the information needs of consumers (economic entities,
  individuals), that is, in this aspect, information support considered as a resource or a
  informative component.

Asymmetry of information in the tourism market has its own features of occurrence, use and consequences. This is connected with features of activity of tourism enterprises and their cooperation with suppliers of tourism services and features of the tourism product as an information.

Asymmetry of information is an objective phenomenon at the time of its occurrence. The objective causes of the asymmetry of information, in particular, is the variability of the environment, such as the market situation that does not allow having complete information for all market participants (time of changes in demand when a buyer knows more about their preferences for every moment or a period of time), objective "obsolescence" of information and the unreliability of its sources, inability to have all existing information through large quantities and respectively to process it for further use.

The process of using asymmetry of information is a subjective phenomenon whose effects depend on a human as a personality and appropriate intentions, i.e., a person can eliminate, minimize, or increase the asymmetry of information at certain point in time.

Therefore, the presence of asymmetry of information (R) in the tourism market regarding process of purchase-sale of tourism package (services) is defined as

$$R = \begin{cases} 0, & if & X_{sp}(t) = X_{qp}(t) = X_{vp}(t), \\ 1, & if & X_{sp}(t) \prec X_{qp}(t) \prec X_{vp}(t), \\ 1, & if & (X_{sp}(t) = X_{qp}(t)) \prec X_{vp}(t), \\ 1, & if & X_{vp}(t+k) \neq X_{vp}(t). \end{cases}$$
(1)

where  $X_{sp}(t)$  is an aggregate of information owing by a buyer at the moment of purchase of the tourism product,  $X_{qp}(t)$  is a aggregate of information held by a tourism enterprise at the moment

of sale of the tourism product,  $X_{vp}(t)$  is an aggregate of information held by a producer of tourism services at the moment of implementation of the tourism product of a tourism enterprise, k is a period of time, at the moment of the direct obtaining tourism services by the buyer, the level of its information awareness can be changed<sup>2</sup>.

The subjects of tourism business are planning to work for a long time, interested in decrease or complete elimination of asymmetry of information.

The desire to reduce the asymmetry of information in the market contributes to the positive in the relationship between its participants, and the use to abuse, that is, the distortion of the situation (fraud), a negative impact on market relations and the functioning of the market as a whole. Specificity of the essence of the tourism product, which covers vital to human health and life conditions of transportation, accommodation and meals, increases the risk in the activity of the subjects of tourism business, exacerbating the problem of reducing (liquidation) the asymmetry of information on the tourism market.

Unscrupulous participants of the tourism market deliberately deepened the asymmetry of information, not realizing the fallacy of such actions, choosing the priority short-term goals (speed of enrichment at any cost to themselves and the consumer) over the long-term strategic one (the formation of stable competitive position on the market).

There are cases when asymmetry of information is not enough reduced due to inefficient use of available information by the seller for precise and complete knowledge of the customer with the products and the conditions of its use because of insufficient competence of personnel

If tourism enterprises and producers of tourism services strive to reduce (eliminate) the asymmetry of information on tourism services with each other and tourism enterprises provides the customer all the information about the tourism product (service), then for the last asymmetry is absent or negligible.

## Information signals as a means of reducing the asymmetry of information

Information (market) signals are an effective tool to reduce or eliminate the asymmetry of information.

<sup>&</sup>lt;sup>2</sup> Ivanova V. V., *Asymmetry of information and its features in the tourist market*, «Маркетинг і менеджмент інновацій», N. 2, 2016, с. 31–38.

Information signals as external information flows and the activation of signaling information provide information communication between consumers and tourism enterprise for the following:

- attracting customers and stimulate demand for products and services of a particular enterprise, and accordingly, ensuring it a sustainable competitive position on the market;
- promotion research and demand making, because consumers can more accurately describe their needs (preferences) and get their corresponding product if they are the most informed about the possibilities of tourism enterprise and the components of the tourism product.

The use of individual information signals will not allow the tourism enterprises to provide all the above discussion. Information signals should be used as a complex, namely: advertising; the quality of the tourism product; standardization; the price of the tourism product; flexible pricing policy; guarantees; level of service; good location and interior of the office; availability of modern equipment; providing tourists with the necessary information in the places of residence; on-line booking; organization of on-line communication with consumers; newsletters to those who signed up; sending advertising e-mail to regular customers; the availability of the site; the qualitative characteristics of the site; the availability of pages on social networks; the presence of the feedback; customer comments; providing the opportunity to post comments, interest in customer reviews; additional information about the success of the enterprise; brand; reputation.<sup>3</sup> This will assist ensuring the competitive position of tourism enterprises on the market.

## Advertising as information signal

Advertisement - one of the most common information signals inherent in any market and is widely used in business. Advertising as a signal has been considered in the writings of P. Nelson, R. Kihlstrom and M. Riordan.

A priori advertising usage does not affect the asymmetry information. The information content of advertising products (informative content) should be of qualitative (useful), methods of their distribution should be effective to influence results of activity of subjects of tourism business,, in particular number of customers, sales volumes, etc.

<sup>&</sup>lt;sup>3</sup> Іванова О. М., *Комплексний підхід до організації зовнішніх інформаційних потоків туристичних підприємств*, «Маркетинг і менеджмент інновацій», N 4, 2015, c. 69-75.

Increasing the number of clients and sales volumes of tourism products to existing and new clients through advertising (advertising information) will be evidence of the high quality of the informative content advertising products (qualitative advertising products).

Quality of advertising products will be considered in the plane of «quality information content of advertising products - benefit from them». So, the quality of advertising products is proposed to associate with their utility.

Advertising products will be useful in that case if their growth provides a reduction of the asymmetry of information and, accordingly, a growth in sales volumes of tourism products as a result to attract new customers and stability or activation of demand existing:

$$\frac{\Delta S}{S} = \frac{\Delta A}{A} \tag{2}$$

where S - sales volumes of tourism products, A - advertising products.

Tourism enterprises should form a complex of advertising products (A<sub>i</sub>) based on the integration of information from different sources and then generalization and adaptation to the tourism product and their own activities. This complex can consist of the following elements: business card, logotype for portal, design covers of printed products (booklets, leaflets, catalogs), banner advertising on the site, page (group) in social networks and websites.

The site requires special attention, because tourism enterprises should not only form its information content based on common methodological, technical and organizational approaches, but also provide easy and clear navigation for self-use site by users.

Creating and using complex qualitative advertising products allow tourism enterprise significantly reduce the asymmetry of information on tourism products and satisfy the information needs of consumers to provide their loyalty to him.

If a tourism enterprise creates extremely qualitative advertising products, that encourage consumers to become its clients and existing actively to make purchases, then, given the financial possibilities for their creation or acquisition, a complex of advertising products (A<sub>i</sub>), which will assist to reduce the asymmetry of information, represented as

$$\sum_{i=1}^{I} a_i k_i \to max$$

$$\sum_{i=1}^{I} p_i k_i \le D,$$

$$A_i = a_i$$
(3)

where  $a_i$  - qualitative advertising products,  $k_i$  - the number of qualitative advertising products,  $p_i$  - the cost of creation (acquisition) qualitative advertising products, D - tourism enterprise financial possibilities.

If the advertising product decided to consider the quality (useful), when it assists increase the number of customers and sales volumes of tourism products as a result of reducing the asymmetry of information, according to the formula (2), the proposed model for formation of complex advertising products will look like:

$$\sum_{i=1}^{I} a_i k_i \to max$$

$$\sum_{i=1}^{I} p_i k_i \le D,$$

$$A_i = a_i$$

$$\frac{\Delta S}{S} = \frac{\Delta A}{A}$$

$$a_i > 0; k_z > 0; p_i > 0; D \ge 0; S > 0; i = \overline{1, I}.$$

$$(4)$$

The complex of advertising products which is proposed to form on this model, will allow reduce to a minimum the asymmetry of information and, subject to the development and use of effective methods of distribution of advertising products, give its owners a significant competitive advantage on the tourism market.

Useful (quality) advertising can be measured based on a determination the volume of advertising costs, which consist of costs for creation of advertising products and costs of their distribution (Fig. 1).

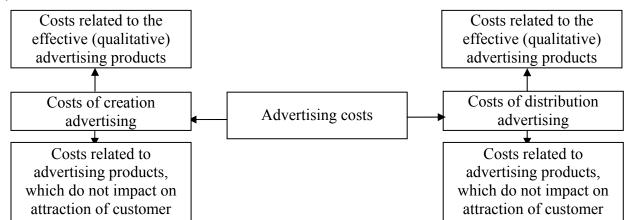


Fig. 1. Structure of advertising costs

The total amount of advertising costs (for the creation and distribution) is

$$I = IK + IP, (5)$$

where IK - costs of creation of advertising products, IP - costs of distribution of advertising products.

Assume that part of the advertising costs may not produce the desired results for the reduction of the asymmetry of information and increase of sales volumes. The cost of creation and distribution of such advertising products will be considered ineffective:

$$IK = IK_e + IK_0 \tag{6}$$

$$IP = IP_e + IP_0, (7)$$

where  $IK_e$  - costs of creation qualitative advertising products,  $IK_0$  - costs of creation advertising products that do not impact on customer attraction and sales volumes,  $IP_e$  - costs of distribution of qualitative advertising products,  $IP_0$  - costs of distribution of advertising products that do not impact on attraction of customer and sales volumes.

In this case, the total costs is equal

$$I = IK_e + IK_0 + IP_e + IP_0. (8)$$

Assuming no advertising products that do not impact on attraction of customers and sales volumes, i.e  $IK_0 = 0$ ;  $IP_0 = 0$ , all costs related to creation and distribution of advertising products equal costs of qualitative advertising products, their total amount equals

$$I = IK_e + IP_e. (9)$$

So, if all the advertising products that have been created and distributed influenced the increase the number of customers of tourism enterprises and sales volumes of tourism products, the advertising costs can be considered effective, and hence the ratio of costs of creation and distribution of qualitative advertising material to total amount advertising equal

$$\frac{IK_e + IP_e}{I} = 1. ag{10}$$

In this case, the effectiveness of costs is a maximum large amount, the information of all advertising products is a useful (effective) and organization of work of its receipt - rational.

If part of the advertising products was not effective, did not produce the expected results to reduce the asymmetry of information for providing of promotion of tourism products, ie  $IK_0 \neq 0$ ;  $IP_0 \neq 0$ .

$$IK_0 < IK_e$$
;  $IP_0 < IP_e$ 

or

$$IK_e - IK_0 \rightarrow max$$
,  
 $IP_e - IP_0 \rightarrow max$ ,

the cost of advertising can also be considered effective or at least as not worsened overall overall results of activity of the tourism enterprise.

Advertising products are qualitative (useful) and the cost of advertising are effective, if they assists to reduce the asymmetry of information, resulting in an increase in the number of customers of tourism enterprise and sales volumes of tourism products.

As already noted, tourism enterprises is not enough to use a single information signals. For example, qualitatively designed booklet with attractive proposition, but proposed in casually decorated office worried the customer regarding the reliability of information about the quality of the tourism product and reliability of the subject of tourism business.

#### **Conclusions**

The development of the tourism market substantially depends on the existence and fullness of information flows generated by its participants, particularly between sellers and buyers of tourism products (services). The asymmetry of information exists on the tourism market for objective and subjective reasons, but the attitude to it is very subjective. Tourism enterprises, who want to have a

stable position on the market, should be an interested in maximum reduction of the asymmetry of information (liquidation it), what it is expedient to use complex information signals.

Advertising as information signal will be an effective means to reduce the asymmetry of information, if the proposed model for formation of complex advertising products used for its implementation

 $n_i k_i < D_i$  fulness (quality) advertising can be assessed on the basis of the proposed cost approach,

The asymmetry of information and attitude of the subjects of tourism business to it significantly influences the organization and carrying out their activities, the operation and development of the tourism market.

Kihlstrom, Richard E. and Michael H. Riordan (1984), "Advertising as a Signal," Journal of Political Economy,92 (3), 427–50

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