

# Destination Website Advertising Effectiveness: A Comparison Between Paid and Organic Search

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## **Destination Website Advertising Effectiveness: A Comparison Between Paid and Organic Search**

### **Introduction**

With the rapid development of e-commerce and social media, the use of the Internet for the promotion and sales of travel and tourism is a predominant trend. One evidence of this is that retail holiday e-commerce sales tripled from \$19.6 billion in 2005 to \$58.32 billion in 2015 (Statista, 2015). Additionally, U.S. online travel sales increased 163% between 2004 (\$52 billion) and 2013 (\$137 billion) (eMarketer 2007, 2014). Moreover, promotions and sales on the Internet are widely used by state travel and tourism offices in the United States.

Because of this, website advertising plays a pivotal role in the promotion of products and services in the travel and tourism industries, specifically in destination marketing organizations (DMOs) (Wöber & Fesenmaier, 2004). In a review of the travel and tourism literature, advertising effectiveness research has been aimed mostly at tourists' decisions and spending at a destination through direct influence of the destination's advertising (Park, Nicolau, & Fesenmaier, 2013). Evaluation of destination website advertising effectiveness is crucial because of the substantial costs involved including: the primary setup and maintenance of a website, excessive competition between other websites, and increasing advertising costs for potential website users. Interestingly, little research has examined the impacts of destination advertising on personal trip budgets and financial returns (e.g., return on investment: ROI, economic impact). Accordingly, this study aims to develop the understanding of how destination website advertising influences travelers' responses. Specifically, using the field data, a conversion study was performed to examine the effects of destination website advertising on tourists' actual visit, revisit intentions, and financial returns in accordance with their involvement on a website.

### **Literature Review**

Measuring advertising effectiveness is a challenge for tourism marketers because individuals perceive advertising differently through multiple sources (Min, Martin, & Jung, 2013). While a variety of approaches have been proposed to assess advertising effectiveness, conversion studies have been suggested to be the predominant approach in the tourism advertising literature (Woodside & Dubelaar, 2003).

### **Conversion Studies**

Conversion studies, pioneered by Woodside and Reid (1974), have been widely used as an essential assessment tool in the evaluation of tourism marketing (Woodside & Dubelaar, 2003). The main objective of conversion studies is to yield a "conversion rate" that is a percentage of individuals who actually visit a destination after being exposed to a marketing and advertising campaign (Burke & Gitelson, 1990). Conversion studies also estimate gross and net ratios of inquirers. According to Kaplanidou and Vogt (2003), gross conversion indicates inquirers that took a trip to a destination simply after asking for or seeing travel information, while net conversion refers to inquirers who traveled to a destination solely because of the

influence of travel information they received. Therefore, a distinction between gross and net conversion rates is whether an inquirer's travel decision was a direct result of the travel information. Further, this method determines the number of tourists who are directly influenced by advertising to visit and the amount of dollars they spend at the destination (Kim, Hwang, & Fesenmaier, 2007).

### **Impact of Websites Advertising**

Website advertising, with the use of presence sites, banner ads, interstitials, and pop-ups, can assist consumers in feeling a destination is more consumer-oriented, responsive, and sophisticated (Maddox & Mehta, 1997). Mills, Lee, and Douglas (2007) asserted that website advertising, compared to traditional advertising, allows tourism marketers/organizations to achieve major benefits such as: a) high quality through personalization of advertising message and products, b) high response rates from consumers, c) comprehension of services, d) immediate feedback, and e) better cross-cultural marketing communication. Since websites have advantages over traditional marketing, it was believed to be worthwhile to conduct a conversion study to examine the economic outcomes of website advertising for a destination.

### **Website Involvement and Elaboration Likelihood Model**

People tend to search for information to help decrease the feeling of uncertainty when making a decision for a destination (Fodness & Murray, 1997). This means, as a source of information, destination website advertising can also be an influential factor in people's destination decision making. For tourists' information search, which may link to a travel decision, involvement has been considered as a key variable (Cai, Feng, & Breiter, 2004). Involvement is defined as personal relevance of a product or an event, which is an unobservable state that only occurs at certain times or in certain situations based on the individual's interest and needs (Zaichkowsky, 1985). The concept of involvement carries significance in that it motivates consumers to process information and make the final purchase decision (Petty, Cacioppo, & Shumann, 1983).

The elaboration likelihood model (ELM) (Petty et al., 1983) offers a useful conceptual framework for this study. It posits that individuals automatically utilize a cognition process, which is a continuum of elaboration of stimuli, when the person comes upon a type of product (service) or communication. Further, it suggests that two information processing routes – central versus peripheral – exist depending on the individuals' level of involvement with the information and that the information source (i.e., travel website) can change their perceptions or behavior. Under high involvement, people take a central route so that they precisely perceive and seek available information. Contrarily, low involvement directs them to a peripheral thinking process, which means that they perform shallow thinking and attach to ancillary attributions of a product/service such as an endorser or a brand (Petty & Cacioppo, 1984). Consequently, consumers with high involvement are active information seekers whose decision is more predictable and reliable (Cacioppo, Petty, Kao, & Rodriguez, 1986).

Such distinct characteristics of consumer information search also correspond to with online behaviors. In general, search engine traffic to websites comes from two sources: organic (arrived at the website through means other than advertising) and paid (online display and search engine pay-per-click) (Yang, & Ghose, 2010). Paid consumers who deliberately click the website

or search related information through search engines can be considered as highly involved consumers whereas organic consumers who can accidentally arrive at a webpage can be considered less involved. Accordingly, paid consumers typically show significantly higher intentions to revisit the destination (Rutz, Trusov, & Bucklin, 2010).

Thus, review of the literature derived the following hypotheses:

**H<sub>1</sub>:** People who visited a destination website using paid search advertising have a higher rate of actual visit to the destination.

**H<sub>2</sub>:** People who visited a destination website using paid search advertising have a higher rate of intentions to revisit the destination.

**H<sub>3</sub>:** People who visited a destination website using paid search advertising generate higher financial returns at the destination.

## Methodology

This study was based on a conversion study project commissioned by eBrains, Inc., an Internet marketing firm in Virginia, U.S. The population for the study was a sampling of 50,000 inquiries to one city's website in both 2013 and 2014. Data was collected using two online surveys. An initial survey included questions and a consent to participate in a follow-up study (to determine conversion). The survey was posted on a major U.S. city' tourism website (hereafter named City ABC). The follow-up survey was distributed via an email invitation approximately four months after each inquiry to only those who provided a permission to do so. The initial questions of this survey asked respondents whether they had visited City ABC after inquiring. Depending on their answer, they were routed to either a "visitor" or a "non-visitor" set of questions. A total of 436 (n = 215 in 2013; n = 221 in 2014) questionnaires were completed and analyzable. Based on how they found the initial website, participants were categorized as either organic or paid visitors where organic visitors represented those who arrived at the website through other than advertising and paid visitors were those who intentionally and voluntarily searched or clicked online displays. Findings were reported using 1) univariate analysis through one-way tabulation; and 2) bivariate analysis through cross-tabulation with the chi-square test. The resultant sampling procedures implied a margin of error of 3% at a confidence level of 95%.

## Results

The focal goal of this study was achieved by comparing the effect of destination website advertising on the tourists' actual visit, revisit intentions, and financial returns on two groups: paid vs. organic. Findings indicated that people who had a high level of involvement (i.e., using paid search) showed significant higher rates. Thus, all hypotheses proposed were supported.

**Conversion rate (H<sub>1</sub>):** The resultant gross conversion rates for *2013 Paid* and *2014 Paid* were 69.0% and 83.9%, while, net conversion rates, were 31.0 and 22.6 percent respectively

(Table 1). The average rates for two years indicated that more than six out of ten paid consumers eventually visited the region after visiting the website. Consequently, the more personal search with the high level of involvement (i.e., paid search), the more return rates increased.

**Table 1.** Conversion Rate

Year	Leads	N	Gross (returned) *	Net (used) **
2013	Paid (High)	29	69.0%	31.0%
	Organic (Low)	186	64.0%	20.4%
2014	Paid (High)	31	83.9%	22.6%
	Organic (Low)	190	62.1%	17.4%
Total		436	65.0%	20.0%

\*Gross conversion rate = gross visitors/total sample of each leads

\*\*Net conversion rate = net visitors/total sample of each leads

: The rate was calculated by asking survey questions on if and when people booked a trip and the degree to which the advertising influenced their choice.

**Revisit intentions (H<sub>2</sub>):** Conversely, no significant differences were found between paid and organic consumers in both 2013 and 2014 for revisit intentions to a place within the next two years (Table 2). However, in 2014, the majority (78.6%) of paid search answered either “I definitely will” (36.4%) or “high probability” (42.4%), which was relatively higher than organic search (67.7%). These results allude to a conclusion that people with a high level of involvement who were influenced by paid online advertising may have higher intentions revisit the destination compared with those with a low level of involvement. Future research is necessary to determine the potential contributing variables.

**Table 2.** Analysis of Revisit Intentions

Intention to revisit destination	2013*		Total	2014**		Total
	Paid	Organic		Paid	Organic	
I definitely will not (0% chance)	3.6%	3.8%	3.8%	3.0%	3.2%	3.2%
Low probability	10.7%	4.9%	5.7%	0%	7.5%	6.4%
Unsure probability (approximately 50% chance)	14.3%	15.9%	15.7%	18.2%	21.5%	21.0%
High probability	35.7%	34.6%	34.8%	42.4%	30.1%	32.0%
I definitely will (100% chance)	35.7%	40.7%	40.0%	36.4%	37.6%	37.4%
Sample size	28	182	210	33	186	219

\* Chi-square = 1.617,  $df = 4$ ,  $p < .806$

\*\* Chi-square = 3.977,  $df = 4$ ,  $p < .409$

**Efficiency Ratios (H<sub>3</sub>):** To examine financial returns of the two types of visitors, cost per inquiry (CPI) and cost per visitation (CPV) were analyzed. The CPI indicates the cost per an inquiry raised by eBrain’s advertising efforts and the CPV signifies the cost of each website visitation. For organic visitors, advertising efforts meant the company’s consumer database

management and research costs while those for paid visitors inferred online advertising such as online display or search engine pay-per-click. Cai (1998) concluded that CPV is a more effective measure to advertising effectiveness because it uses the actual number of visits to the website. Following his argument, the advertising cost in Table 3 was calculated by multiplying the number of visitations by CPV. The weighted totals for CPI and CPV were \$2.01 and \$1.47 in 2013 and \$1.86 and \$1.30 in 2014, respectively (Table 3). As expected, both CPI and CPV of paid search consumers were lower than organic search for the two years examined. This means, people who arrived at the website through online displays and search engine pay-per-click were attracted to actually visit the destination with cheaper costs.

**Table 3.** Efficiency Ratios

Year	Leads	Ad Cost	# of Inquiries	CPI	# of Visitations	CPV
2013	Paid	\$3,459	25,000	\$0.14	3,459	\$1.00
	Organic	\$97,015	25,000	\$3.88	64,675	\$1.50
	Total	\$100,474	50,000	\$2.01	68,134	\$1.47
2014	Paid	\$27,914	25,000	\$1.12	27,914	\$1.00
	Organic	\$65,278	25,000	\$2.61	43,519	\$1.50
	Total	\$93,192	50,000	\$1.86	71,423	\$1.30

**Economic Ratios (H<sub>3</sub>):** The quality of participants' responses to the travel-behavioral questions related to trip expenditure and party size influence additional ratios such as revenue per visitation (RPV), CPV/RPV (or cost percent), and return on investment (ROI) (Cai, 1998). These items are used to measure direct economic impact (or financial returns) to communities (i.e., DMOs) as the outcomes of a specific marketing/advertising campaign (Cai, 1998). Hence, this study also included economic ratio analyses.

The RPV computation includes per-person spending and per-travel-party spending. The RPVs of paid search in 2013 and 2014 were \$1,357.50 and \$665.42, respectively, while the RPV of organic search in 2013 and 2014 were \$1,494.44 and \$794.35 (Table 4). The CPV/RPV ratio of paid search in 2013 was 0.10% and 0.19% in 2014 per visitor while those of organic search were 0.09% and 0.16% in 2013 and 2014 respectively. For example, the CPV/RPV of 0.0019 in 2013 indicates that the average cost to attract a consumer group who unintentionally visited the website is approximately 0.19 percent of the average revenue produced by the group. Differently stated, approximately \$1 in advertising cost generated \$282.80 (gross) and \$76.14 (net) of visitor's spending at the destination (i.e., their ROI).

**Table 4.** Economic Ratios

Year	2013		2014	
CPV	\$1.47		\$1.30	
	Paid	Organic	Paid	Organic
RPV	\$1,357.50	\$1,494.44	\$665.42	794.35
CPV/RPV (%)	0.10%	0.09%	0.19%	0.16%
ROI				
Gross	431.33	177.63	282.80	176.97
Net	194.10	56.77	76.14	49.49

## Discussion

This study demonstrates several significant differences between paid search and organic search consumers. The implications of the findings are multifaceted. First and foremost, tourism marketers need to realize the positive impacts of website advertising as a communication strategy. The results of this study offer a better understanding of the impacts of destination website advertising, in regards to consumers' involvement in advertising, on tourists' actual visit, revisit intentions, and financial returns.

Results revealed website visitors who highly involved in destination online advertising such as online display or banners were more likely to visit the destination and also provided a higher ROI than organic website visitors. From a practitioner's standpoint, it is meaningful in that these findings identify a potential target group who can contribute a larger economic benefit to the destination. Additionally, this study suggests that marketers should focus more on practicing paid search advertising to effectively reach prospective travelers.

The current study presents financial returns both in dollars and ROI, as the critical criteria of assessing advertising effectiveness. Such information is valuable for destination marketers since a destination tourism marketing budget faces challenges to compete against other businesses in the same community/region and other destination marketing activities.

Lastly, since a complex econometric model has still not been verified to be a plausible alternative to conducting conversion studies, utilizing this type of conversion study can provide a feasible approach to assess the impacts of marketing efforts through looking into both visitors' spending and conversion rates. Moreover, the methods of this study allow tourism marketers to collect comprehensive visitor profile data including travel attitudes and behaviors with a specific and converted percentage.

In conclusion, this study may help raise the awareness of the powerful value of destination websites (via high ROI's) and more specifically, the value of paid advertising. Practitioners in the tourism industry may strategically adopt website advertising, which is relatively easy to use, cost-efficient, and aids to maximize their inputs. Further, it may result in a higher conversion rate of visitors to a destination. In conclusion, although prior research has showed the importance of involvement as a determinant of advertising effectiveness, the current study revealed that website advertising involvement (paid vs. organic) is not only a critical variable for evaluating advertising effectiveness, but also an essential element affecting the tourists' decision making related to the destination.

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