

*A new series of Marketing and Research papers  
to better inform Michigan's tourism industry*

*Paper # 1: Conversion Studies*

*Next issue: Word-of-Mouth*

**Prepared by:**

**Kiki Kaplanidou, PhD student and  
Dr. Christine Vogt, Assistant Professor  
Department of Park, Recreation and Tourism Resources  
Michigan State University  
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This paper is a result of the collaboration between Travel Michigan and the Department of Park, Recreation and Tourism Resources at Michigan State University

What is covered in this paper...

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## Conversion studies and their role in accountability research

Learn what conversion studies are all about...

Destination promotional campaigns are typically evaluated by conversion studies or by advertisement tracking studies. The research efforts of conversion studies consist of surveying a sample of people who request travel literature through one of advertisement mechanisms (e.g. clip a coupon, call an 1-800 number, mail back a postcard, tear out a magazine tip-in card /business reply card). Typically, these studies collect demographic, tripographic and expenditure information from the respondents who traveled to a destination. In other words, advertising conversion research measures the number of inquiries that are "converted" into actual visitation.

Conversion studies estimate gross and net proportion of inquirers. Gross conversion rate involves the inquirers that took a trip to the destination after requesting travel information, while the net conversion rate involves the inquirers who traveled to the destination as a direct result of the travel information they received. Researchers and marketers use conversion studies to compare the effectiveness of advertising placements.

Conversion studies are part of accountability research in tourism marketing. According to Perdue and Pitegoff (1990) there are four overall guidelines for accountability research:

- Focus on changes in target markets,
- Market segmentation is an essential component for the evaluation of tourism marketing,
- Measures of success exist other than economic return on investment (focus on information dissemination on both potential and actual customers, visitor satisfaction), and
- Accountability research must be designed to adequately measure the projected change. Perdue and Pitegoff note that accountability research may not be sensitive to small changes that take place as a result of the advertising campaign.

## Advantages, disadvantages, assumptions and improvements in conversion studies

### *Advantages*

The literature has been controversial regarding the use and effectiveness of conversion studies. The main advantages this research tool has are listed below:

- Precise visitation and expenditure estimates can be achieved
- Low costs of collecting data
- Determine whether the advertisement reaches its market (bull's eye)
- Assessment of the quality and quantity of the travel information packet-"helpfulness"

Learn the plus, minus and improvements in conversion studies

### *Disadvantages*

However, there are some disadvantages in the use of conversion studies. Disadvantages are:

- Problems with recalling expenditures
- Problems of non-response bias (those who do not respond because they are not travelers or the travelers/high spenders)
- Problems in measurement without consideration of the stage in the travel decision process (AIDA-Attention-Interest-Awareness-Action)
- Failure to consider impact of competitors' advertising
- Problems with sample frame and size
- Poor sampling procedures and design flaws
- Not capturing those who observe the initial advertisement but do not request further information ("passive" consumers)

*Assumptions related to conducting conversion studies*

- Individuals request the information packages to help them choose a destination for a discretionary trip to that destination. There are, however, other reasons for requesting information packages from destinations like business trips, potential long-range visit, free in cost, updating destination information, parents seeking information for their children's homework, acquiring state maps and retirement plans.
- The economic impact associated with individuals visiting a state after receiving an information package is attributed solely to the state's advertising efforts. This, however, does not mean that it is the only source of information. Requesting the opinion of friends and relatives as well as previous experiences are some sources of information besides the advertising source. Nevertheless, there are studies, which show that awareness when prompted by advertising plays a key role in consumer decisions and their choice of alternatives (Woodside and Lysonski, 1989). Overtime, conversion studies have used better techniques for the evaluation of marketing programs.

*Improvements*

Several improvements regarding conversion studies have been identified through research studies:

- Do not identify the destination that is sponsoring the study to avoid bias toward the destination
- Incorporate methods such as incentives, easy ways to respond in order to achieve response rates above 60% or 70% (to reduce the non-response bias)
- Create a model of advertising impact (determine how the Destination Marketing Organizations (DMOs) want the advertisement to affect their target markets in order for the conversion studies to better assess its effects (e.g. choose an advertising theme that may affect skiing and snowmobiling target segments)
- Improve the time frame of collecting information –"waves for seasons", for example, a winter advertising campaign should be performed from March till June, while a summer advertising campaign should be performed from September through November.

*Some considerations...*

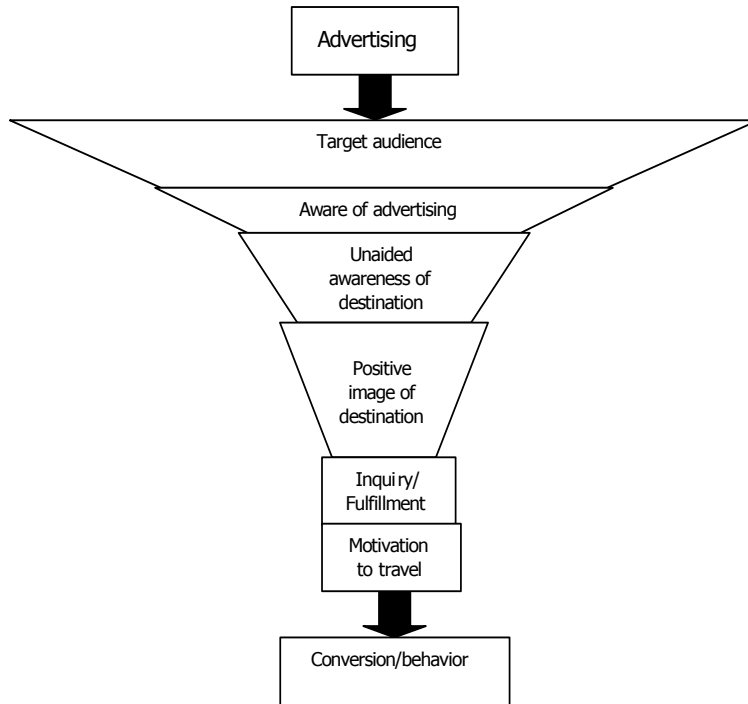
- Some travelers may not convert during the allowed time frame of the conversion study period
- In order to convert potential travelers or non travelers to travelers, they will probably have to be exposed to repeat promotional campaigns
- The barriers that promotional campaigns have to overcome are sometimes too large for promotions to pull visitors on a vacation (e.g. time constraints, family issues like health problems, safety matters and money constraints)
- New marketing techniques to capture target markets may be more or less effective than previous marketing programs.

**Alternatives to conversion processes methodology**

There are other ways to conduct research

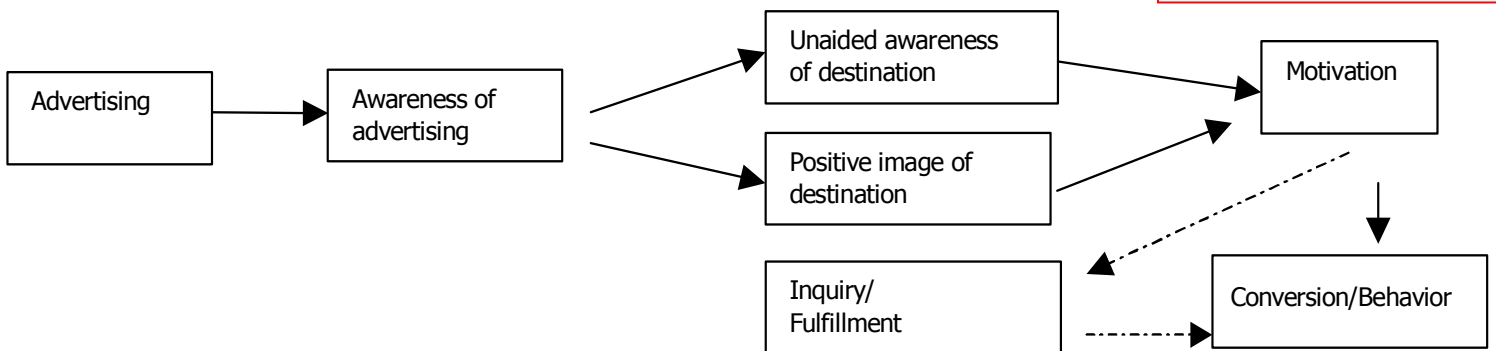
Accountability research in tourism advertising includes several models to assess advertising impacts. The conversion model and the advertising tracking model are mostly used when evaluating advertising impacts. The following figures were cited in Siegel and Ziff-Levine, (1990).

*Conversion Model*



The **Conversion Model** shows that conversion/behavior derives after a sequence of stages over time and that motivation to travel comes after inquiring for information and eventually leads to conversion.

*Advertising Tracking Model*



The **Advertising Tracking Model** shows that advertising generates awareness, which can create two market categories: those who consider choosing the destination among other destinations (consideration set of choices) and those who are influenced positively about it. Both these markets are motivated to travel. However, where this model differs from the conversion model is that inquiry fulfillment may facilitate conversion but it is not a necessary condition and that consumers may be converted solely by advertising based on awareness and image building impacts.

When to use the two models!

	<b>Conversion Model</b>	<b>Advertising Tracking Model</b>
<b>Goals of the campaign</b>	<ul style="list-style-type: none"> <li>• Generate inquiries</li> <li>• Focus purely on direct response</li> <li>• Provide diagnostic measure of advertising effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>• Build awareness of the destination</li> <li>• Build positive imagery of the destination</li> <li>• Provide diagnostic measure of advertising effectiveness</li> </ul>

Beyond these two models there are other alternatives to evaluating advertising effectiveness. Perdue and Pitegoff (1990) distinguish evaluation of promotional efforts among three stages for accountability research. These are:

- a) Influencing the consumer prior to leaving,
- b) While enroute to the destination area, and
- c) After arriving in the destination area.

Other research methods

Phase	Marketing program	Description	Focus	Accountability research method
<b>Prior to leaving</b>	Media Advertising	Magazines, newspapers, etc	Trade or consumer	Inquiry conversion research
	Familiarization Tours/Sales Blitzes and Trade Missions	Promotional effort within intermediary travel buyers such as travel agents, corporate booking agents	Trade	Measure the number of additional bookings generated by the attendees
	Travel Writer Tours	Complementary tours of the destination area to travel writers which encourage publicity for the destination	Trade	The traditional measure of success is the number of resulting articles
	Consumer Shows	Exhibiting at travel and similar exhibitions in target market regions	Consumer	Measure the distribution and monitoring of redemption rates for individualized coupons for special services or rate reductions at properties in the destination area
	Direct Mail Promotions	Direct mail promotion of attractions and facilities focusing on tour packages/operators	Trade or consumer	Monitor the number of group bookings in the destination area while monitoring changes in other significant external variables
	<b>While en route</b>	Interstate Welcome Centers	Distribution of information to visitors as they enter the state	Consumer
Outdoor advertising		Outdoor signs, displays	Consumer	Cover the signs at random dates and observe changes in business levels
<b>After arriving at the destination area</b>	Visitor centers	Distribution of information at the destination	Consumer	User surveys and disguising the researcher as a visitor
	Media programs	TV programs produced by DMOs for accommodation TVs	Consumer	Offer the programs at random dates and monitor changes, if any, in attraction visitation
	Hospitality training	Train industry employees to offer quality services	Consumer	Evaluate staff performance by disguising the research team as visitors otherwise called Mystery Shopper
<b>Post Trip</b>	Advertising campaigns that aim to reinforce the destination image	Contact inquirers to acquire travel behavior information	Consumer	Conversion studies

These techniques may help State Tourism Organizations or Conventions and Visitor Bureaus (CVBs) to identify use of their promotional efforts and eventually derive information to further estimate the return on investment (ROI).

### ***Types of advertising communications***

Mass, Direct  
and Internet  
advertising

Various forms of advertising seem to dominate the tourism industry promotional process. Advertising mainly incorporates mass and direct advertising. Mass advertising involves communication via newspapers, magazines, radio and other media. Direct advertising, otherwise called database marketing, is pinpointed to each business-to-business customer or the ultimate consumer. Data base marketing has experienced an increase in use mainly because of the effectiveness of targeted communications and the computer technology that made it possible. Another medium in tourism advertising is the Internet. The Internet in the tourism industry has been widely used in information search and travel bookings. As a result many tourism organizations focus on this marketing tool for dissemination of information, as well as evaluation of communication effectiveness in tourism decision-making.

### ***Inquiry fulfillment vs Inquiry/purchase behavior***

Differences  
between  
inquirers and  
purchasers

Tourism advertisement research seems to distinguish between two effects when measuring the advertisement impact: advertising that leads to inquiry/fulfillment and advertising that leads to inquiry/purchase. Inquiry/fulfillment involves the customers' response to acquire information. Inquiry/purchase involves the customers who inquire for information and purchased the product. Unfortunately, there has not been much research on the motivations behind these two consumer behaviors. One study by Pritchard (1998) showed that behind the motivation to inquire or purchase lie functional and experiential benefits and that functional motives were more related with the inquiry/purchase consumer decision making process. It is interesting that both types of response commence the travel experience but only purchasers move to the stage of traveling to the destination. However, the conversion model assumes that all advertising-driven visitations depend upon the inquiry fulfillment process. Unlike the conversion model, the advertising tracking model shows a dotted line between motivation, inquiry/fulfillment and inquiry purchase behavior which means that motivation can lead to conversion/behavior without inquiring first for information, simply affected by the advertising.

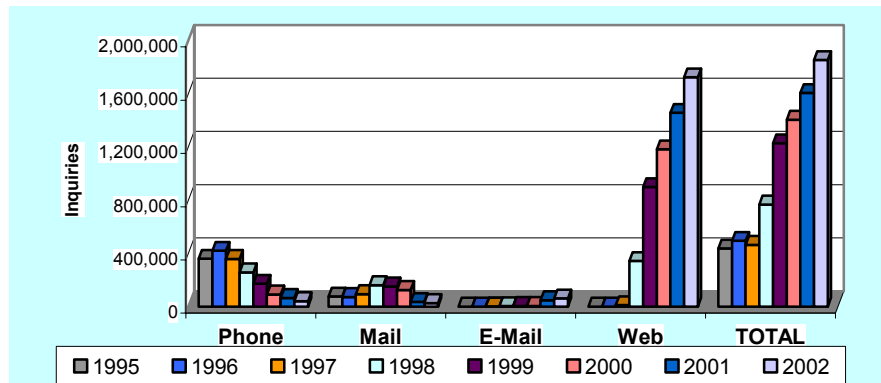
### ***Travel Michigan and the role of conversion studies***

How Travel  
Michigan  
uses  
conversion  
studies

Travel Michigan has commissioned conversion study programs on travel advertising and fulfillment material for its selected market segments. Conversion studies have been performed on travel advertising and travel informational materials like the organization's website, e-newsletter, Travel Ideas magazine, general inquirers (those who sought information from Travel Michigan's available sources) and its welcome centers to determine how effective different types of communication are in inducing prospective travelers to Michigan. These studies base their estimates on gross, net and length of stay conversion rates. These rates provide information about the effectiveness of promotional material. The gross estimate refers to the amount of people inquiring for information and traveling to Michigan after receiving the information, while the net estimate is about the direct influence of Travel Michigan's information on the decision to travel to the State of Michigan. The length of stay conversion rate is about people that prolonged their stay in Michigan because of an idea they saw or read in the promotional and informational material.

What is interesting in these studies is that a significant percentage of the sample had already decided to travel before receiving the information. These people are part of the gross estimate. A more telling figure is the net estimate because it indicates the actual influence of advertising and travel information on a traveler's decision to take the trip. Furthermore, the importance of TM's website as a communication tool has been identified through these studies as well. The following chart depicts the increase in the Travel Michigan web site usage among inquirers over the years.

**Modes of travel information request (1995 through 2002)**



Travel Michigan’s Manager for Research and Web Services, Mr. David Morris, commented on the role of conversion services underlying their usefulness in estimating the return on investment regarding tourism promotional campaigns. He specifically said:

*"The objective of Travel Michigan is to recover the cost of the whole marketing campaign. This can be measured through conversion studies". He further stated: "We are not just spending money so the people can have fun, this is truly economic development, tourism is truly an industry that deserves some attention and there is a benefit of payback. We also look at tax revenue generated as a result of the new travel expenditure."*

Mr. Morris commented on the use of the Michigan Economic Impact Model (MITEIM) in estimating traveler spending as a more accurate method of measuring spending since travelers have problems recalling how much they spent on their trip. Conversion studies can influence strategic promotion decision-making. Mr. Morris said that conversion studies affect these decisions and he brought as an example the conversion study performed on *Travel Ideas* magazine. He indicated the study guided Travel Michigan towards differentiating targeting consumers that had higher potential of traveling to Michigan. In addition he said that this differentiation contributed towards saving approximately \$1 million for Travel Michigan without missing out on any market segments. Furthermore, Mr. David Morris referred to the role of e-newsletters as a tourism communication and marketing tool and their cost effective role. He noted:

*"You don't have to achieve very high conversion rates in order for the e-newsletter program to pay for itself. There is no marginal increase in cost by adding a new subscriber, so the more new subscribers you can capture the more revenue you are generating in new travel because of the low cost. E-newsletters are cost-effective and contribute towards achieving relationship marketing objectives."*

Travel Michigan conducted a number of conversion studies. In the following table you will find all the gross, net, length of stay and return on investment (ROI) estimates deriving from these studies.

**Benchmarks - Travel Michigan conversion rates**

Study	Period of Study	Gross Conversion	Net Conversion	Length of Stay Conversion	ROI (based on cumulative number of net, length of stay, specific and likely plans to travel conversion rates)
<b>Travel Ideas Conversion (Direct Mail)</b>	February 2002*	19%	4%	2%	9:1
<b>E-Newsletter Conversion (subscribers)</b>	November 2000 to November 2001	67%	17%	4%	8:1
<b>Website Conversion</b>	Winter 2000-2001	55%	14%	6%	N/A
	Summer 2001	77%	14%	17%	N/A
	Fall 2001	67%	16%	13%	N/A
	Winter 2002	55%	15%	8%	N/A
<b>General Conversion</b>	Winter 1998-1999	38%	9%	N/A	N/A
	Summer 1999	66%	17%	10%	2.4:1
	Fall 1999	61%	11%	11%	2.8:1
	Winter 1999-2000	43%	9%	9%	9.5:1
	Summer 2000	69%	19%	15%	1.4:1**
	Fall 2000	62%	15%	13%	0.8:1
	Winter 2000-2001	39%	9%	6%	1.1:1
	Summer 2001	65%	13%	13%	0.54:1
	Fall 2001	53%	11%	11%	3.8:1
Winter 2001-2002***	49%	10%	11%	N/A	
<b>Welcome Center Conversion</b>	Summer 2001	N/A	N/A	18%	4.6:1****

\* ----- Data were collected after 12 months while the sample did not request the information; they received it along with a subscription to another magazine.  
 \*\* ----- A new more conservative ROI model was employed from this study onwards  
 \*\*\* ----- Data were collected later than the appropriate research timeframe due to transition of Travel Michigan's call center operations  
 \*\*\*\* ----- Summer months exhibit the highest Welcome Center Traffic

**Some specifications on the table:**

- General conversion study sample was drawn from all the inquirers that asked for travel information from Travel Michigan through any means (Toll-Free number, website, post card, magazine card.)
- Website conversion study sample was drawn from Travel Michigan Website visitors.
- Welcome Center conversion study sample was drawn from the people who visited the 13 Michigan Welcome Centers.

**Marketing implications for Destination Marketing Organizations (DMO's)**

Measure effectively...  
Marketing Implications

Conversion studies are useful to destination marketers since they can provide information regarding return on investment in promotional campaigns. Conversion studies can be used to:

- Justify promotional budgets and marketing actions
- Indicate whether the applied promotional strategy achieves its objectives or should employ different ones based on the results
- Identify which travel decisions were actually influenced from the promotional campaigns
- Estimate the net conversion rate since it is the most useful rate for managers and marketers because it provides information about the actual influence of the promotional campaign on customers to travel

*Tips when conducting conversion studies (Burke and Gitelson, 1990)*

- There should be understanding that the travel decision process is an information search that is influenced by many factors
- The limitations of conversion studies should be identified in order to minimize misuse and misinterpretation
- There should be understanding that by accomplishing increasing “return business” the net conversion rate will be reduced
- Select unbiased, proportionally representative and randomly selected samples
- Determine sampling precision based on appropriate margin of error, cost factors and the level and required accuracy of management decisions
- Address non-response bias issues by determining whether respondents are representative of all inquirers
- Differentiate between those that were influenced by a campaign to visit (“net” conversion) and those who had already decided to visit the destination and were not influenced by the promotional campaign
- Define the destination area specifically so that visitor numbers and economic impact are correctly measured
- Identify which portion of a visitor’s economic spending produces economic benefit for the destination
- Include all costs (not just advertising production and placements) in determining the return on investment of a promotional campaign
- Resources that an organization can use to track an advertisement or specific placement are mailing addresses, phone numbers, e-mails, subscriptions and coupons (redemption rates).

*Marketing tips*

- Research the reasons people take a trip to a destination and identify the information sources that actually influenced them to take the trip to the specific destination,
- Consider the passive receivers of promotional information (people who were exposed to the advertisement, took a trip to the destination but did not ask for information in the first place) and active receivers of promotional information (those who asked for information) and how to capture the former target market,
- Perform research occasionally on a large random sample of target markets that were potentially exposed to advertising information, in order to reveal any other impacts of the employed promotional campaigns, and
- Consider that media schedules and vehicles should reflect behavior patterns and media choices of the involvement segments. Low involvement segments usually have shorter planning horizons, where radio and outdoor advertising may have significant impact on this segment, where frequent repetition is an important element. At the opposite end, high involvement segments are likely to respond to information based advertisements, testimonials and offers of more information. Media schedules directed to this group should coincide with their longer planning horizons (McWilliams and Crompton, 1997).

*Internet tips*

Another aspect to consider is the use of Internet in affecting consumer behaviors. Destination marketers should consider the following:

- Cater to personal requests and create information products customized to the needs of electronic newsletter subscribers,
- Increase the effectiveness of communication e-newsletter with subscribers, by developing more effective relationship marketing that adjusts to customer’s needs (travel preferences, e.g. travel always with friends or family, like sport activities, prefer natural environmental surroundings etc.), and
- Consider the timing that potential travelers search for information so as to provide them with the appropriate information. For example, in the winter 2001-2002 Travel Michigan

Website conversion study, findings indicate that fall and summer inquirers were more likely to be inquiring for immediate travel, while winter inquirers were more likely to be planning for future spring or summer travel when inquiring.

*Sample survey tools from Travel Michigan*

If you want to see a sample of the survey tools Travel Michigan used in one of their surveys, click on the following URL:

<http://www.prr.msu.edu/economicimpacts/pdf/otherpdf/conversionsurvey.pdf>

Don't forget...Keep you customers happy by facilitating information contact, catering for their needs and following trends in the travel market in order to broaden your customer base!!

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