



Article Title

An analysis on the concentration–advertising relationship in the hospitality industry.

Citation

By: Chen, Chiang-Ming; Lin, Yu-Chen. Current Issues in Tourism, Mar2015, Vol. 18 Issue 3, p291-298, 8p. Publisher: Taylor & Francis Ltd., Database

Abstract

This paper empirically investigates the non-linear relationship between advertising and concentration in the hotel industry. Using data collected from the Taiwanese hotel industry, this paper finds that (1) the influence of concentration on advertising intensity is inverted U-shaped in the room service market and (2) concentration in the food and beverage markets has no significant effect on advertising intensity

Summary

This paper empirically investigates the relationship between market structure and advertising intensity using international tourist hotel data collected from the Taiwanese hotel industry. After correcting the endogeneity bias, the empirical results indicate that the effect of market concentration on advertising intensity is inverted U-shaped in the room service market. However, the inverted U-shaped relationship is not significant in the F&B service markets. The contributions of this paper are two-fold. First, the estimation results support a non-linear rather than a linear relationship between concentration and advertising for the hotel industry in Taiwan. To the best of our knowledge, the current research paper is the first to empirically examine this relationship in the Taiwanese hotel industry.

Second, the findings of this paper provide useful reference for policy-makers as the estimation results indicate that the effect of market concentration on hotel advertising can be nonmonotonic. Moreover, hotels in a more concentrated market environment are more prone to collusive behaviors than hotels in a relatively competitive environment. This may also arise as hotels have tie-ups or co-branding (i.e. share the same brand name) with their close competitors and hence the necessity for allocating resources on advertising efforts is reduced.

Such a combination between social media, advertising and e-commerce, all together mixed in a single application, could be a real booster for the future of the tourism.