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Abstract

This study employs hotel property level data provided by Smith Travel Research (STR) to explore the effect of marketing expenditures on future financial performance. Four principal conclusions can be drawn based on our findings: 1) the marginal impact of marketing expense on hotel financial performance one year ahead is decreasing; 2) property level gross operating profit, net operating income, and revenue in the hotel industry are persistent, indicating these financial performance measures have high prediction power from one year to the following year; 3) decomposing gross operating profit, net operating income, and revenue into relevant individual components, respectively, provides incremental prediction power; and 4) other expenses have a negative impact on hotel profit, corroborating previous research findings.

Key words: Marketing expenditure, decreasing marginal effects, hotel industry.