

# **The Impact of Marketing Expenditures on Outlet Performance in Franchised Channels**

## **Abstract**

This study contributes to a greater understanding of marketing expenditures in the context of franchising by empirically examining the effects of different types of advertising expenditures, largely categorized as national or local expenditures, on unit level profitability. Our unique dataset allows us to examine the impact of advertising fee structure at the unit level with line items from the profit and loss statements of over 4,500 franchised hotel properties in the U.S between 2007 to 2013. We consider the effects of investing in varied marketing activities including loyalty programs, local salesforce, and e-commerce. Our findings confirm prior work related to the direct positive effect of national and the direct negative effect of localized advertising expenditures on unit performance. We also find differential effects of advertising at different types of outlets. More specifically, when compared to traditional units, outlets that are more destination-focused benefit less from national advertising given their idiosyncratic nature. In addition, we explore the differences between traditional properties and outlets which attract more price-sensitive consumers.

**Key words:** Local Advertising, National Advertising, Unit Performance, Advertising Allocation