

THE MARKETING CONTRIBUTION INDEX (MHI) AS A TOOL FOR EVIDENCE-BASED ALLOCATION OF HOTEL MARKETING RESOURCES

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Abstract. The paper presents the Marketing Contribution Index (MHI) proposed in the dissertation as a managerial instrument for allocating hotel marketing resources according to their estimated contribution to brand equity rather than according to residual or purely subjective budgeting principles. The index is derived directly from the structural coefficients of the MS-HBE model. After tracing the indirect paths from four strategy types to hotel brand equity, the normalized weights are 0.32 for service-quality strategy, 0.23 for digital marketing, 0.23 for experiential marketing, and 0.22 for relationship marketing. The index is designed to be applied in a four-step cycle: measure the current state, calculate the index, identify the largest growth reserve, and remeasure results after intervention. Scenario calculations in the dissertation estimate MHI growth of 21-24 percent under the baseline scenario and 34-36 percent under the intensive scenario. The paper discusses how MHI can connect marketing analytics, service operations, and budget planning while avoiding the common mistake of evaluating marketing only by visibility or advertising expenditure.

Keywords: Marketing Contribution Index, MHI, hotel marketing, resource allocation, brand equity, service quality, digital marketing, experiential marketing, relationship marketing, performance monitoring.

Introduction

Hotel marketing budgets are frequently formed through historical precedent, managerial intuition, or a residual principle: operational costs are planned first and whatever remains is assigned to promotion. This practice creates two problems. First, marketing expenditure becomes pro-cyclical and is often reduced precisely when demand weakens and brand support is most needed. Second, budget categories are usually organized by channel rather than by their contribution to brand development, making it difficult to compare a training program, an online reputation initiative, an experiential redesign, and a digital advertising campaign on a common basis.

The dissertation develops the Marketing Contribution Index (MHI) to address this problem. The index translates structural-model coefficients into normalized weights for four strategic directions: service quality, digital marketing, experiential marketing, and relationship marketing. In this way, the theoretical model becomes an operational budgeting tool. The purpose is not to claim that a single fixed percentage should be mechanically applied by every hotel, but to create an evidence-based starting point for diagnosing where marketing resources are likely to create the greatest contribution to hotel brand equity. The purpose of this paper is to explain the logic of the MHI, its calculation, its use in resource-allocation decisions, and its connection with scenario planning and continuous monitoring. Particular attention is given to the distinction between measured contribution and mere marketing activity.

Literature Review

Traditional brand-management research emphasizes the need to invest in awareness, associations, perceived quality, and loyalty. Aaker provides a component-based structure, while Keller explains brand equity through differential consumer response. In services, however, the allocation problem is more complicated because marketing and operations jointly create brand outcomes. Berry's service-brand logic makes clear that the customer experience can be more important than externally communicated promises, and hospitality research similarly links hotel brand equity with service experience and firm performance. Digital-marketing research adds another challenge: a hotel now operates across search engines, online travel agencies, direct websites, social networks, review platforms, customer databases, and automated communication systems. Kannan and Li describe digital marketing as a network of customer touchpoints rather than a single advertising channel. De Pelsmacker, Van Tilburg, and Holthof demonstrate that digital strategies and online reviews are connected with hotel performance, but the managerial problem remains how much resource should be assigned to each direction when the effects are partly indirect.

The MS-HBE model developed in the dissertation addresses this problem by estimating how four strategic directions shape three mediators - brand experience, brand image, and trust/satisfaction - and how these mediators form hotel brand equity. Because the coefficients represent different functional routes, they can be used to calculate the relative contribution of each strategy. MHI is therefore not an expert-weighted index; its weights are derived from the estimated model.

This logic also corresponds to a broader movement toward evidence-based marketing. Instead of equating expenditure with performance, managers evaluate the causal chain between actions, intermediate consumer responses, accumulated brand value, and market behavior. For hotels, such an approach is particularly relevant because the return on brand investment may appear with a time lag and through several pathways rather than through immediate bookings.

Research Methodology

The index is based on the coefficients of the MS-HBE model estimated through PLS-SEM on 312 observations. Four strategy constructs are used: service-quality strategy (XSS in the dissertation notation), digital marketing strategy (RMS), experiential strategy (TJS), and relationship strategy (MNS). The mediators are brand experience, brand image, and trust/satisfaction, which in turn affect hotel brand equity. The contribution of each strategy is calculated by multiplying the strategy-to-mediator coefficient by the mediator-to-brand-equity coefficient and summing the relevant paths. For service quality, the calculated contribution is 0.253; for digital marketing, 0.179; for relationship marketing, 0.175; and for experiential marketing, 0.172. After normalization to a total weight of one, the dissertation assigns weights of 0.32, 0.23, 0.22, and 0.23 respectively. In the dissertation's notation, the resulting index is: $MHI = 0.32 \cdot I(XSS) + 0.23 \cdot I(RMS) + 0.23 \cdot I(TJS) + 0.22 \cdot I(MNS)$. Each subindex is normalized on a 0-100 scale according to performance against the target level.

The practical procedure consists of four steps. First, the current level of each strategy subindex is measured. Second, the overall MHI score is calculated. Third, the largest growth reserve is identified by combining the gap to the target with the strategy weight. Fourth, the intervention is implemented and the indicators are remeasured. This turns the index from a static score into a feedback mechanism.

The dissertation also develops scenario calculations rather than presenting future improvements as guaranteed outcomes. The scenarios compare inertial, baseline, and intensive changes in strategy subindices and estimate the corresponding changes in MHI, trust, brand equity, and market results. The scenario nature of these figures is essential for correct interpretation.

Strategy	Calculated contribution	Normalized MHI weight	Primary managerial meaning
Service quality (XSS)	0.253	0.32	Creates trust and supports reliable brand delivery
Digital marketing (RMS)	0.179	0.23	Builds visibility and image; supports direct-channel migration
Experiential marketing (TJS)	0.172	0.23	Creates memorable guest experience and differentiation
Relationship marketing (MNS)	0.175	0.22	Strengthens trust, retention, and use of guest data

Source: compiled by the author on the basis of the dissertation research.

Analysis and Discussion of Results

The largest normalized MHI weight is assigned to service quality: 0.32. This result is strategically important because service standards and staff development are often among the first items reduced when managers attempt to cut costs. The structural model suggests the opposite priority. Trust and satisfaction have the strongest path to hotel brand equity, and service quality has the strongest effect on trust. Therefore, underinvestment in service delivery may weaken the very mechanism through which promotion is converted into durable brand value.

Digital marketing and experiential marketing each receive a weight of 0.23. Their similar weights do not imply identical functions. Digital strategy works primarily through visibility, image, online reputation, and the ability to shift repeat guests from intermediary platforms toward direct channels. Experiential strategy works by shaping what the guest actually remembers from the stay. Because these strategies affect

different mediators, one cannot simply substitute for the other. A hotel that spends only on visibility may attract attention without creating a distinctive stay, while a hotel that creates an excellent experience but remains digitally invisible may fail to reach sufficient demand.

Relationship marketing receives a weight of 0.22. Its contribution becomes particularly important after a guest database has been accumulated. Personalized communication, recognition of returning guests, targeted offers, and post-stay contact can convert a one-time transaction into a repeat relationship. The close size of the four weights supports an important managerial principle from the dissertation: the strategy portfolio is complementary rather than interchangeable. Cutting one direction entirely cannot be fully compensated by spending more on another because the strategies act on different intermediate constructs. The value of MHI lies not only in ranking strategies but in identifying growth reserves. Suppose a hotel's digital subindex is relatively high but service quality remains far below the target. Increasing advertising would produce a smaller marginal contribution than improving the service-quality subindex because the latter combines a larger structural weight with a larger performance gap. Conversely, a new property with strong operations but very low recognition may need a temporary emphasis on digital visibility. The index therefore supports conditional rather than mechanical budgeting.

The dissertation illustrates this logic through a four-step company-level application. In the worked example, the starting MHI score is 27.85 points, and the largest reserve is identified in service quality, at 22.4 points. The important point is methodological: a manager does not begin by deciding which channel should receive more money. The process begins by measuring the current state, calculating the weighted index, identifying the largest reserve, selecting the intervention, and then remeasuring the outcome.

Scenario analysis provides a second use of the index. Under the inertial scenario, estimated MHI growth is only 4-6 percent. Under the baseline scenario, the calculated increase is 21-24 percent, and under the intensive scenario it is 34-36 percent. The baseline scenario also corresponds to an estimated increase in trust of 0.21 standard deviations and in brand equity of 0.17 standard deviations, while the intensive scenario estimates 0.33 and 0.28 standard deviations respectively. These are scenario calculations, not realized performance figures, and should be used for planning and comparison rather than as promises of future results.

Another important implication is the interaction with service standardization. The dissertation finds that the same increase in brand equity translates into somewhat stronger market outcomes under high standardization than under low standardization. This means that MHI-based budget allocation should not be isolated from operational capability. If a hotel increases communication and experience initiatives while core service delivery remains unstable, the market return on accumulated brand equity may be weaker.

MHI can also support a more disciplined direct-booking strategy. The dissertation's broader recommendations do not propose abandoning online travel agencies. Instead, platforms are treated as acquisition channels, while the hotel attempts to convert a first-time guest into a direct customer through reliable service, data capture, relationship marketing, and a convenient direct booking process. In this logic, digital marketing expenditure is evaluated partly by its contribution to lower intermediary dependence over time.

The index should be integrated with a monitoring system rather than calculated once a year. A hotel can track service-quality indicators, digital reach and direct traffic, experiential scores, guest-database activity, trust and satisfaction, brand-equity measures, and market outcomes. When a subindex improves without the expected change in the mediator or brand equity, the underlying assumptions should be reviewed. This creates a feedback loop and prevents the index from becoming a formal reporting exercise.

The MHI approach also helps bridge the organizational divide between marketing and operations. Traditional budgeting often treats employee training, complaint resolution, service standards, content production, online reputation, and customer relationship management as costs belonging to different departments. The structural model shows that they jointly form brand equity. An evidence-based budget should therefore be coordinated across departments around the customer pathway rather than fragmented by administrative boundaries.

Conclusions and Recommendations

The Marketing Contribution Index provides a practical method for translating the MS-HBE model into a resource-allocation instrument. Its principal contribution is the shift from subjective or residual budgeting toward allocation based on measured pathways to hotel brand equity. The 0.32 weight for service quality, 0.23 for digital marketing, 0.23 for experiential marketing, and 0.22 for relationship marketing reflects the estimated structural contribution of the four strategy types in the dissertation model.

Several recommendations follow. First, hotels should calculate strategy subindices on a common 0-100 scale and update them periodically. Second, the budget should be directed not simply toward the highest weight but toward the combination of weight and growth gap. Third, MHI should be used together with operational indicators and service-standardization measures so that marketing investment is supported by execution capability. Fourth, scenario analysis should be conducted before major reallocations, and predicted changes should be clearly labeled as estimates rather than achieved results. Fifth, the index should be embedded in a closed feedback cycle in which results are remeasured after intervention and weights or targets are reviewed when the observed response differs from expectations.

In conclusion, MHI turns brand strategy into a more measurable management process. It does not eliminate managerial judgment, but it disciplines that judgment by connecting resource decisions with empirically estimated mechanisms of brand-equity formation. For hotel companies operating in a rapidly expanding and competitive market, this provides a basis for investing not where marketing is most visible, but where it is most likely to create durable brand value.

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