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Analyzing the Effects of Social Media on the Hospitality Industry

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PART ONE

Introduction

With the increase in the number of internet users the use of social media has grown over the past decade. And the usage has progressively grown from individuals to businesses. Many organizations today proactively use social media as a vehicle to reach out to millions of prospective and repeat customers. Businesses in the service industry, such as hospitality, that engage in constant communication with guests are drastically changing their marketing strategies by choosing this new age interactive media over traditional practices of marketing and public relations. This paper will take into account the changes from a consumer's perspective with respect to the various channels of social media that have impacted their purchasing decisions and brand loyalty.

Purpose

The purpose of this paper is to study the effects of social media on hospitality marketing strategies from the perspective of a consumer.

Statement of objective

The intent of this study is not to quantify how many hospitality businesses actively use social media, rather it is to explore the areas and functions these businesses use social media for, and understand how consumers perceive these new vehicles of communication. The study will bring out a consumer's perspective of the advantages of social media over traditional marketing methods.

Justification

The service industry today is relying heavily on social media to reach out to consumers. It is prudent for the hospitality industry to realize this fact and adapt quickly to these changes for their marketing and communication. With generation-Z becoming part of the work force and a growing consumer base, it is only reasonable to conclude that businesses that use social media to their advantage are the ones that will flourish in the near future.

Constraints

The main limitation of this study is that it is only from the perspective of a consumer and from secondary data analysis of the literature review. Since no primary data is collected from any of the hospitality businesses, this study may not be able to indicate any quantifiable or tangible gains that they enjoy from choosing social media over traditional marketing methods.

PART TWO

Introduction

Social Media has changed the way people around the globe communicate with one another. However social networking has existed right from the onset of humanity. The concept of social networking has evolved, much like other innovations, and is becoming increasingly sophisticated with advancements in technology (Edosomwan, Prakasan, Kouame, Watson, & Seymour, 2011). We cannot study social media without understanding social networking.

Putting it simply, social media is forms of electronic communication through which users create share information online through texts, pictures, audio and video. What started with transmitting and receiving messages over long distances in the 1700s using a device called the telegraph has developed into a phenomena where social networking and messaging tools such as Google Buzz enable users to share links, photos, videos, status messages and comments organized in “conversations” and visible in the user’s inbox (Ritholz, 2010). Hence social media can be regarded as a 21st century version of networking that uses internet as a medium to reach out. Since social media reaches huge numbers of people far and wide (Hartshorn, 2010) it has emerged as a very effective business tool to engage with consumers and thereby build a brand name by continuous and prompt correspondence.

Social media has become a preferred inexpensive marketing tool that encourages two-way communication between businesses and consumers, thus giving the latter a freedom like never before. With customers reacting and expressing their views on public domain, social media has become more than a mere marketing tool. It has become a channel that allows

interaction and gives companies an opportunity to address the problems and concerns of their customers, which if done effectively, contributes in building the brand (Carragher, Buchanan, & Puia, 2010). In the present economic times where many businesses are cutting their marketing budgets, most successful hotels are also shifting from traditional marketing to social media as a means to communicate with consumers, build their brand and generate higher ROI for every marketing dollar they spend. Unlike traditional channels of marketing social media gives updated real time facts about a business such as the number of Facebook fans and likes, Twitter followers and Youtube views. Hotels can track the number of conversations taking place over a new product or service offered by them and can immediately respond to reviews, comments and feedback. Most successful hotels are finding innovative ways to integrate social media with traditional marketing methods stay ahead in the race (Lanz, Fischhof, & Lee, 2010).

Glossary

Social media

Social media is a catch phrase that describes technology that facilitates interactive information, user-created content and collaboration (Elefant, 2011, p. 4). Examples of social networks include Wikipedia (for reference), Facebook (for social activity), YouTube (for video sharing), and TripAdvisor (for travel networks)

Peer-to-Peer (P-2-P)

A network where the participants share a part of their own resources and content offered by the network which are accessible by other peers directly, without passing intermediary entities (Schollmeier, 2001).

Social Media

By definition, social media is the combination of various internet tools that enable users to generate, exchange and modify content continuously (Noone, Mcguire, & Rohlfs, 2011). As of December 2011 the online social networking application Facebook had a total of 845 million active users, out of which 425 million used Facebook mobile products (Facebook, 2011). To put this number to perspective if all the Facebook users from around the world were to unite and form a country, it would be the third most populous country in the world, next to only China and India! At the same time 60 hours of video were uploaded every minute on the video-sharing website YouTube (Youtube, 2011). The average number of Tweets people sent per day on social networking and microblogging website Twitter during February 2011 was 140 million (Twittercounter, 2011). Twitter also reported a whopping 182% increase in number of mobile users over the previous year. If these figures are anything to go by it clearly means that social media is here to stay. Social media today is being embraced not only by teenagers but also members of generation X who will soon become the biggest chunk of the spending population, as well as by members of Generation Y who are on the brink of joining the workforce (Kaplan & Haenlein, 2010). Improving economic conditions in developing countries has led to a significant rise in the number of people with access to the internet, which results in an increased participation in social media sites (Violino, 2011).

A huge contributing factor is the growth of cell phone owners with instant and easy access to social media. It is thus only logical to believe that businesses today, irrespective of the industry, cannot ignore the huge potential of social media. Before the advent of social media consumers relied on companies for information, and marketing & PR managers of these

companies would selectively put forth only what they needed to publicize. Today with websites like Yelp, Urbanspoon and Tripadvisor more people follow what the customers say about a business. According to Pew Research more people are relying on sources they trust such as social media reviews made by their friends, family and colleagues rather than trusting commercially driven institutions such as news broadcasting agencies and advertisers. Hence, being truthful and genuine on platforms such as Facebook, Twitter, LinkedIn and Twitter can help a business build a huge base of loyal customers (Lanz et al., 2010).

Social Media vs. Traditional Media

The one point that differentiates social media from traditional media is user participation. Like traditional media social media serves as a vehicle to reach out to and inform consumers; however it is only social media that allows consumers to participate and propagate their views. According to the Forrester Research on social media approximately half of adults who go online take part in social networking. This number has a significant implication on businesses who want access to data rich information. Marketing companies use customized data mining software that enable them to keep a track of consumer behavior, spending pattern and satisfaction ratings. These findings are used to measure the effectiveness of marketing campaigns in terms of ROI and other performance indicators (Kasavana, 2008).

Social Media & Hospitality Industry

The parameters of social networking websites possess several unique implications for the hospitality industry including guests, staff, and management. These sites provide a platform for a rating system that can be used to generate, monitor, and evaluate reputation and image of the

business. Online consumer-generated content is perceived as highly credible and in fact, more so than information attributed to the hospitality entity (Starkov & Mechoso, 2008). Hospitality company participation in online social networking has been shown to be a cost-effective means for interaction and engagement with potential clients. Participation in these websites provides businesses with direct access to active users without the need to adding any additional hardware, or software. A social networking site that is easily accessible, straightforward, and appealing enables participants to become engaged in unique ways. It comes as no surprise that many hotels, restaurants and travel business have entered the social network space. Hospitality businesses are proactively interacting with their customers by coming up with innovative customized solutions and much responsive and prompt customer service (Kasavana, Nusair, & Teodosic, 2010). Online consumer reviews play a big part in the choice of hotel and travel consumers make today.

With a rise in the number of websites (like Yelp, TripAdvisor and social networking sites such as Facebook, MySpace, etc.) that give potential consumers an opportunity to look up reviews by other real consumers, the way information is perceived today has changed considerably. Making a unique social network that allows guests to create a profile and share opinions, feelings, stories, photos, etc. can be a source of competitive advantage or disadvantage. If a guest decides to participate in an online network, shares a testimonial or recounts an experience or downloads content, others in the network are likely to be affected by the opinion of the postings. More so than the content contained at a company specific or industry related web site (Green, 2009). Another networking and communication tool that has become popular is

blogging. The Travel and Tourism Industry today is faced with consequences that blogs have not only positive impacts but also negative ones, if not managed properly (Thevenot, 2007).

Any individual can upload content in the form of images, audio or video for others to respond and comment, which forms the basis of Web 2.0. Web 2.0 has given popularity to user generated content (UGC) where information is gathered from different online sources all of which collaborate to form the final source (Cox, Burgess, Sellitto, & Buultjens 2009). An effective means to benefit from this trend is to carefully follow the comments that are posted relating to your business. Research has proven that hotels that engage their customers via social media get their customers to spend more, have higher repeat clientele, and get more referrals from their guests. However good, bad, or ugly, it is vital that no comment goes unnoticed because for every benefit a hotel rakes in with positive feedback, suggestions and tracking consumers it can be on the receiving end of unfair criticism and negative publicity if it leaves important issues unaddressed (Kasavana, 2008).

Social Media & Marketing

In today's time any aspect of a business that deals with communicating with the consumers has social media as an integral part. Be it marketing, branding, PR, customer service or any other function of a business that requires you to reach out, social media plays a vital role. (Berkowitch, 2010). However before taking a plunge one of the key questions most businesses ask is how to measure the ROI of social media. According to Stelzner (2010), close 90% of marketers are using social media to market their businesses out of which 65% have just started or only a couple of months into it. Out of the ones who are currently using social media, almost more than half are on social media for more than 6 hours per week while 12.5% spend more than

twenty hours per week. Going by the trends companies that have just started using social media spend little time compared to ones who have been on it for a while. In terms of the benefits most businesses cite brand awareness and publicity as the highest return followed by an increase in foot traffic which was followed by finding new business partners, rise in search engine rankings and generating leads.

Mobile Social Media

Considering that nine out of every ten Americans today have mobile phones, out of which thirty three percent are smart phones it is only reasonable to acknowledge that most companies in U.S. are either already engaged or are planning to enter in mobile marketing (Kaplan, 2012). From 'Palm VII' - the first mobile device to offer location based service that came out in 1999 to the launch of the iphone in June 2007 that exploded the mobile marketing scene there has been tremendous growth in this sector. A new form of mobile marketing was coined known as *mobile social media*. With the iphone and droid giving users access to over 250,000 applications companies such as Foursquare, Gowalla, Google latitude, etc. that extensively use the 'checking-in' feature that notify other users and give businesses an opportunity to continuously track and market based on an individual's location. Companies use the unique characteristics of mobile social media in areas such as market research, communication, relationship development/ loyalty programs and sales & promotions.

The scenario in developing countries is very different from the US where ninety percent of the population has access to both devices. In the BRIC (Brazil, Russia, India & China) countries, mobile ownership exceeds PC ownership by as much as four times (Kaplan, 2012).

Even globally mobile connectivity has a much higher penetration. According to the Pew Research (2007), the primary mode for internet access worldwide by 2020 would be through mobile devices. The way technology is shaping up, we might see the mobile phone as a single utility device that integrates all our daily needs. It may not be possible to predict the future of mobile social media with utmost certainty but going by the numbers of one of the market leaders -Foursquare that was founded in 2009 and has a net worth between \$500 million and \$1 billion in just three years it is only rational to conclude that it will only move forward.

Conclusions

Although most hospitality businesses have embraced social media, or are in process of doing so, the whole idea of reaching out to your consumers via online social networks is relatively new to the hospitality business, and in fact to the marketing world as a whole (Kasavana et al., 2010). Hotels—big and small, luxury and economy, independent and chain—are coming to grips with the new age consumer. They are finding ways to reach out via newer ways and channels and they are—as all companies should be—listening to reviews, conversations, and mentions of their brand. It is almost impossible to make each one of your guests feel like a VIP. But it is easy to watch, listen, and pay close attention to what customers are saying (McKay, 2010). Technology has given businesses luxuries to do things that were never possible in the past. While the intent of these advancements is to give businesses and users a positive experience there are several risks associated with going online. Statistics keep indicating at the advantages of social media however the exact quantifiable costs and benefits yet remain uncertain.

PART THREE

Introduction

In the previous literature review section descriptions of various social media were made and the potential and current uses of these for marketing and brand management were illustrated. In this section of the paper information presented in the literature review are used to form an argument about and to draw conclusions upon, how customers perceive the use of social media by businesses.

Methodology

This research paper was compiled by comparing a variety of research from academic journal articles and other sources of research-intensive literature.

Social Media - the new age Word-Of-Mouth

According to Dichter (1996), word-of-mouth is one of the most powerful tools used by advertisers to market their brand. And social media, due to its inherent functionality, provides a great platform for consumer testimonials. The success of a message depends on the genuineness of the comment as perceived by the reader. If readers are convinced that the testimonial is by a real consumer- someone who has not been endorsed by the company for promotion, then they build a higher confidence in the brand and are more likely to form a stronger bond. The rise in the use of Internet as a medium for marketing has given birth to applications such as viral marketing whereby marketers reach out to buyers using peer-to-peer communication. P-2-P is similar to word-of-mouth however since it uses internet, information is propagated exponentially that reaches large numbers of buyers in a very short span of time, and hence is a preferred cost saving strategy used by marketers (Dobele, Toleman, and Beverland, 2005). Since content

sharing provides benefits to both the message senders and receivers, buyers encourage their friends to engage in the sharing process as well, thereby multiplying the total number of participants. According to Wilker (2007) 83% of travellers used the internet to research or book their travel in the past one year, out of which about 77% had referred to consumer reviews to arrive at their final decision. Thus social media serves as a powerful tool to spread word-of-mouth as a viral communication.

Conclusions

After a careful review of the literature on the use of social media among businesses an argument was made about how customers of these businesses perceive this approach to marketing and brand formulation and management. We learned, for instance that a majority of hotel bookings are made over the internet (38.6% in 2006), which exceeded the share of travel agents in 2005. This share reached approximately 45% in 2010. The number of reservations made via hotel owned websites has also increased briskly. Hotel branded websites went up from having 75% of Internet reservations in 2005 to 81% in 2006 (Intel International Group, 2007). According to Lanz, Fischhof, and Lee (2010) interactive marketing will comprise 21% of all marketing spending by 2014, and social media will represent 3% to 6% of the interactive marketing spend. If the above numbers are anything to go by, it is only logical to assume that social media will continue to grow as part of the hospitality industry landscape. According to Kasavana (2008) in order for better business outcomes companies need to continually use social media for monitoring, analyzing and evaluating customer reviews. In order to avoid inaccurate information and negative publicity businesses will have to come up with digital media policies to

safeguard them. Just like any other technology social media should be embraced with proper planning and rigorous guidelines for maximum success.

Since most goods and services offered by the hospitality industry are experiential in nature, it is hard to predict their quality before the purchase. This makes the role of consumer review even more important for first timers or potential customers (Crotts, 1999). Companies that promote satisfied customers to share their experiences on web-based, company approved social networking platforms are more likely to draw new customers (Hardin, and Kim 2010). Also companies that address negative reviews retain dissatisfied customers; promote a positive impact on the word-of-mouth and also improve their bottom line performance. According to Fornell and Wernfelt (1987) it is cheaper to retain existing customers satisfied than finding new ones. Since social media facilitates greater interaction between customers and company representatives, hospitality businesses today have more opportunities than ever before to respond promptly and effectively to customer complaints.

Recommendations for Future Research

There is a lot that is unknown about the impact on customers of social media used by businesses. This study likely is just a beginning. In addition, because this field changes so quickly, this paper is also immediately out of date! That is one of the problems with this field, ie. it won't stand still to be studied. As a result, there is a great deal of opportunity for research in this field. Researchers should study, for instance how hotels can counter the negative effects of consumer evaluation process. While hotels are reaping innumerable benefits with social media, all of it comes with a price- a loss of control. Companies may be subjected to negative publicity

if they are not always closely monitoring consumer activity on their social networking sites (Dwivedi, Shibu, and Venkatesh, 2007). In order to counter this problem a few hotels have put up full-time dedicated personnel just to monitor customer content to address and resolve issues brought up via all social networking sites (Elliot, 2006).

It is not just businesses that face challenges; even customers need to be aware of false reviews put up by companies. In many instances businesses have used their own employees or promoters to write good reviews for themselves, and negative reviews for their competitors (Pogue, 2009). A full proof means of establishing authenticity of reviews on social media websites will therefore be very beneficial for customers. For instance amazon.com requires users to have an account on Yahoo or Hotmail before they create a new Amazon.com account. Another suggestion to counter this problem was to register user accounts with their credit cards since it would make it difficult for a single user to hold two accounts (Monsonhaefel, 2003) however there still are recurring incidences with false reviews that need to be addressed in future research.

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