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## Corporate Marketing Strategy Using Social Media: A Case Study of the Ritz-Carlton Seoul\*

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### Abstract

With the increasing trend of popularity of websites and social networking sites, it is quite evident that companies need to take cautionary measures in protecting the reputations with respect to company and brands. In this process, every company should indulge in enhancing their company and brand image through websites and social networking sites that fortify the bonding nature among them. The always-on nature of websites and social networking sites has contributed to their phenomenal marketing power and altered the balance of power between consumers and firms. Websites and social networks are used by hundreds of millions of people to communicate about a huge range of topics, including personal interests, activities, social events and even public issues. The paper explores a case study of the Ritz-Carlton hotel for their marketing strategy and organizational use of their website and social media in communicating with their customers. Even for the normal luxury traveler who would not have previously used the Internet to research a hotel or make a reservation, ritzcarlton.com is making it possible for them to do so in a sense of the luxury and typical Ritz-Carlton style. It seems to be a staple of the company for years to come.

**Keywords:** Social Networking Sites; Websites; Online Marketing; Marketing Promotion; Ritz-Carlton Hotel.

**JEL Classification Code:** L83, M15, M31.

### 1. Introduction

With the increasing trend of popularity of Internet websites and online social communities, it is quite evident that companies need to take cautionary measures in protecting the reputations with respect to company and brands. In this process, every company should indulge in enhancing their company and brand image through Internet websites and social networking sites that fortify the bonding nature among them. The always-on nature of Internet websites and social

networks has contributed to their phenomenal marketing power and altered the balance of power between consumers and firms. Internet websites and social networks are used by hundreds of millions of people to communicate about a huge range of topics, including personal interests, activities, social events and even public issues (Becker, Lee, & Nobre, 2010). Searching for any topic on Twitter leads to new contacts, networks and information. One resulting change is that consumers can communicate instantly and directly with companies, bypassing the traditional media filter (Becker, Lee, & Nobre, 2010; Lee, 2011).

While the Internet and social networks have become an important means of interpersonal communication, they have also, because of the ability to rapidly connect consumers, developed into a major threat. One threat to the equilibrium of image not being adequately addressed by firms relates to the new Internet social media, which include such platforms as Facebook, Twitter, blogs as well as online reviews and rating websites. It is clear that in less than a decade advanced technologies have redefined social interaction. Previously complaints spread by a consumer's word of mouth activities were conveniently isolated to a few close contacts making these lone singular voices ineffective. With the aid of Internet websites and social networks, however,

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these voices now have the ability to quickly garner the attention of millions. Internet websites and social media have not only ended the age of one-way communication but also put extreme pressure on businesses to engage constituents in unprecedented ways. One thing is clear that the Internet and social media has changed the balance of power in the consumer's favor and this change has come about quickly. In this regard, as the popularity of Internet websites and social media increases the need for companies to take ever increasing cautionary measures in protecting reputations and brands becomes essential. Through this new group of consumers, an incidence of bad service can be echoed around Internet websites and social networks reaching thousands of other consumers within minutes.

In summary, the success of using Internet websites and social media by companies would depend not only on organizational expectations but also on their behavioral intention of using them. Understanding the use of Internet websites and social media by a luxury hospitality service company will facilitate in understanding the theoretical underpinnings of an organization's Internet website and social media strategy. In contrast with the present research in the field of Internet websites and social media, this paper attempts to investigate a best practice of the Ritz-Carlon hotel in using the Internet website and social media for their marketing activity.

## **2. Marketing Strategy and Use of Internet Websites and Social Media**

The addition of Internet websites and social media into the traditional perspective has significantly altered marketing's focus and strategy. Deighton and Kornfeld (2009) noted that the flow of information about a brand has become multidirectional, interconnected and difficult to predict. They state that marketers have lost control over their brands and now participate in a conversation about the brand. While Internet websites and social media facilitate companies to conversant with their customers, in a nontraditional sense, further more they enable customers to natter directly to one another. The control, timing and frequency of Internet websites and social media-based conversations occurring between consumers and outside managers' through that managers can influence the buying decision of consumers.

Hennig-Thurau et al. (2010) provided a model of consumer interaction that depicted the relationship between company brand, the consumer's attitude towards the brand-

company and the influence of consumer through Internet websites and social media. The model depicts many factors of the new media that serve to place much of the aspects of consumer-company relationships beyond the company's control. Internet websites and social networks obtain their power much in the same manner that interconnected networks do through the value of each additional member to that network. Kozinets, de Valck, Wojnicki and Wilner (2010) called attention to that conversations among buyers were more important than marketing communication in adoption. One might argue that in spite of this observation, companies have done little to alter their communication patterns with consumers. Companies traditionally have had a one way communication monologue channel to their consumers, however, these one way communication directed towards consumers are becoming increasingly ineffective. Therefore, companies must move to establish interactive dialogue communication with many Internet and social platforms consumers use to exchange ideas, cooperate and even to seek advice from consumers in what is considered as social casting (Jones, Temperley, & Lima, 2009).

The use of Internet websites and social media with some types of business end portends several different objectives for corporate user verses individual user usage. Individuals use Internet websites and social media for networking opportunities, business research, business knowledge, contacts and product knowledge. Businesses are theorized to use Internet websites and social media for increasing exposure or awareness, client contacts, as a funnel to sales and revenues, access to a potential employee pool and public relations (Wander, 2007; Kaplin & Haenli, 2010, 2012). In particular, using Internet websites and social media, as a part of an organization's Internet and social media strategy is likewise foreseen to enhance these underpinning goals.

One would assume that large companies, by virtue of their resources, would be ahead of curve compared to smaller ones. Becker, Kanabar and Nobre (2011) reported that while many companies had Internet websites and social media websites the number of firms actually monitoring activities on those Internet websites and social media remained mite. Becker and Lee (2012) reported that for firms in the United States and Europe the average time to reply for the large firms was 7.14 hours while the small firms replied in 5.35 hours. It is interesting that when small firms responded they did so more quickly than large firms did. Without providing for consumer interaction one could question if most company Internet website and social media are not merely extensions of the firm's static web pages. It seems that while many large firms have recognized the need to establish Internet websites and social media most, however, do not know what to do with them. Mangold and

Faulds (2009) noted that the Internet website and social media communication paradigm now requires many important changes in company attitudes and assumptions about how to manage marketing strategy as consumers are responding to the Internet website and social media in ways that directly influence all aspects of consumer behavior, from information acquisition to post-purchase expressions of satisfaction and dissatisfaction.

Over the past decade, the Internet and social media has become a prevalent source of information changing the way businesses and consumers connect and communicate. Businesses are beginning to realize that they need to become engaged in Internet websites and social media where their consumers are interacting and change their strategies of marketing (Smith, 2009). As businesses recognize the advantages of using Internet websites and social media as a marketing tool, key benefits arise such as brand awareness, engagement, consumption and loyalty. Businesses can build community around their brand through the Internet website and social media and by engaging discussion on the Internet website and social media. According to Murugesan and Ebrary (2010), with the Internet and social media services the web 2.0 has opened the digital realm to user-generated content, allowing everyday people to connect, express their identity, share opinions and influence consumer behavior. This new form of social interaction is reshaping the way businesses and consumers communicate and access information.

Internet websites and social media are becoming an alternative, preferred resource to seek information and make purchasing decisions and are considered a more trustworthy source than traditional corporate-sponsored advertising (Mangold & Faulds, 2009). Learning to listen to the conversations that are taking place, responding to feedback and requests directly and providing a venue for storytelling and social interaction are just some ways businesses have learnt to engage customers.

Kozinets, de Valck, Wojnicki and Wilner (2010) recognized the attempts of one consumer to influence another's attitude towards a product or service without direct prompting, influence or measurement by marketers. Fogel and Nehmad (2009) found that the continual monitoring of today's highly interactive Internet and social media environment now must be added to the list of threats to a firm's image. Managing the Internet and social media environment is essential to staying relevant and building a loyal fan base. Those firms that have designed systems to react to the Internet and social media threats have found that often their brand image and consumer relationships have strengthened (Becker, Kanabar, & Nobre, 2011; Becker & Lee, 2012).

### **3. The Ritz-Carlton and Ritz-Carlton.com**

#### **3.1. Introduction of the Ritz-Carlton Hotel**

The Ritz-Carlton Hotel Company is a hospitality management company that committed to being a worldwide leader of providing luxury experiences for their guests. The first Ritz-Carlton was founded in 1927 in Boston, Massachusetts. Since then, the company has built a reputation as a worldwide leader in the hospitality industry. This is evident in the fact that it is the only company to win the Malcom Baldrige National Quality Award of Excellence two different times (1992 and 1999). The current Ritz-Carlton Hotel Company and its existing corporate structure have been in operation since 1983. Since 1983 the company has expanded from the 1 hotel in Boston to 85 hotels in 32 countries around the world. Their commitment to excellence is further emphasized by the fact that 22 of their 38 domestic hotels have been able to achieve AAA's highest honor of the AAA Five Diamond rating (Ritz-Carlton, 2014).

The company continues to grow and has another 11 hotels scheduled to open in various locations around the world in the coming years. Currently, the Ritz-Carlton is owned by Marriott International. Marriott purchased the Ritz-Carlton property in Boston in 1998 for \$100 million dollars. Later that same year Marriott purchased the Ritz-Carlton Hotel Company and the rights to the name for \$290 million (Ritz-Carlton, 2014). The Ritz-Carlton has been operating as a subsidiary of Marriott International since 1998. The Ritz-Carlton has been able to capitalize on the global reach and expertise of Marriott International. There are many aspects of this marriage that benefit the Ritz-Carlton. One of the most beneficial is the ability to tap into the Marriott's online presence. Although [marriott.com](http://marriott.com) and [ritzcarlton.com](http://ritzcarlton.com) operate as separate entities [ritzcarlton.com](http://ritzcarlton.com) has been able to utilize the infrastructure of [marriott.com](http://marriott.com) to streamline its online presence and increase its exposure. This paper will discuss the many aspects of [ritzcarlton.com](http://ritzcarlton.com) and how this Internet website is positioning the company for the future.

#### **3.2. Business Description of the Ritz-Carlton Hotel**

The Ritz-Carlton's mission statement is to "provide genuine care and exceptional products and services resulting in profit leadership" (Ritz-Carlton, 2014). This statement combined with their vision statement of "the Ritz-Carlton inspires life's most meaningful journeys" is the basis of the company (Ritz-Carlton, 2014). The Ritz-Carlton no longer owns the physical hotels that it operates. The company has evolved into a hospitality management company that focuses providing exceptional experiences to

its guests while realizing profits for the owners of the hotels. The hospitality industry is an extremely competitive business which has many comparable choices in just about every location around the world. Operating as a true luxury hotel company, the Ritz-Carlton has been able to set itself apart from many other hotels.

Building on the company's foundation of exclusivity, they have been able to retain and expand a loyal customer base that is willing to pay a premium for their services and facilities around the world. A large part of the Ritz-Carlton's business objective is managing the assets of the hotel's owners while operating the hotel at the highest level. The management team of a particular hotel is in the business of providing a world class luxury experience to every guest that enters the hotel. They are able to accomplish this by adhering to a culture of excellence in which every employee is committed to ensuring that the needs of their guests and each other are met. The company's motto of "we are ladies and gentlemen, serving ladies and gentlemen" shows how this commitment is brought to life (Ritz-Carlton, 2014). Through the current company's thirty years of operations, they have been able to build a reputation of quality that its guests have come to trust and rely on.

### **3.3. Value Proposition of Ritz-Carlton.com**

The Ritz-Carlton caters to the rich and affluent members of society. The typical guest of the Ritz-Carlton is financially stable, knows what they want and is not concerned with how much it costs. Many of the hotel's guests have more money than available time to spend it. They choose the Ritz-Carlton because they trust that the hotel will be able provide a memorable experience where their needs and desires are not only met, they are anticipated before they even recognize that they have them. Their guests place a value on the quality of service and knowing that they are going to receive the same level of service in every interaction at every location around the world. The quality of service that their guest expects goes beyond the average expectations of an ordinary hotel guest. The Ritz-Carlton guest is looking for more than just a clean room, with clean sheets and a working TV. The Ritz-Carlton guest expects to receive a more personalized experience from the moment they walk through the front doors. One of the key aspects of this experience is the fact that every guest's preferences are tracked and acted upon at every Ritz-Carlton around the world. These preferences can be anything from the fact that the guest likes to sleep on the right side of the bed, to allergies to a certain food, to the guest's birthday or even the fact their favorite baseball team is the Boston Red Sox. This is the level of service and refinement that the typical Ritz-Carlton guest has come to know and expect.

The value proposition of the Ritz-Carlton is that their hotels become an oasis from the normal hustle and bustle of the everyday world. When you stay at a Ritz-Carlton you are the focus of every employee and they do everything to ensure that your stay is a truly memorable one. Since the Ritz-Carlton Hotel Company is a leading provider of hotel experiences and needs to anticipate the needs and desires of their guests, they have invested a great amount of resources on how their guests access their hotels prior to arrival. The Internet has become the main vessel for just about everyone to conduct business and research. The Ritz-Carlton has done an outstanding job in the development of their Internet website: [ritzcarlton.com](http://ritzcarlton.com).

At [ritzcarlton.com](http://ritzcarlton.com) guests can do all of the following:

- research features of hotels around the world
- make reservations at any one of their hotels around the world
- buy items from their virtual gift shop including: robes, bath products and gift cards
- research and make spa appointments
- plan your corporate or social event
- enroll into their customer loyalty program, Ritz-Carlton Rewards
- purchase a new condo or vacation property at the Ritz-Carlton Residences or Club

[Ritzcarlton.com](http://Ritzcarlton.com) has become the one stop shop for all things Ritz-Carlton. The main function of the Internet website is a reservation system. It allows guests to search rates and availability of hotels around the world in real time. The system is directly linked to each hotel's inventory and pricing availability. When a guest searches for a room rate on [ritzcarlton.com](http://ritzcarlton.com), they will receive the same rate that the hotel will provide over the phone and the same rate that many Internet intermediary websites like [priceline.com](http://priceline.com) or [travelocity.com](http://travelocity.com) will have. This has provided a great value for the guests and hotels. The guest is able to explore all aspects of the hotel before deciding to stay. These include: the room and suite features, food and beverage outlets, recreational activities, the surrounding area and nightly room rates. This allows them to plan their stay accordingly and to make the most educated decision on where to stay and what to do during their visit. The individual hotels have the added value of being able to communicate directly with its guests and provide them with the most accurate information about the hotel.

The hotel is able to promote and sell the many amenities and experiences that they provide directly to their guests without any middleman; reducing costs and miscommunication. The hotel saves money by not having to



pay a travel intermediary a commission or having to staff a reservations department to answer phone calls. It reduces miscommunication by ensuring that the information is accurate and not coming from a third party that may or may not be familiar with the hotel. When combined with their customer loyalty program, Ritz-Carlton Rewards, ritzcarlton.com is able to provide guests with the highest level of service that they have come to expect from the Ritz-Carlton. Once a guest has a registered Ritz-Carlton Rewards account, they will only need to enter in their rewards information when making their future travel reservations on ritzcarlton.com. Their account will pre-populate their name, address, phone number, email address, credit card information and all of their preferences into their reservation.

Additionally, this allows the guest to receive points or miles for their stay that will accumulate towards free hotel stays or flights in the future. This feature provides great added value for the guests and individual hotels. The guests are able to save time by not entering their personal information into their reservation, because all of their information is tied to their rewards account. The hotels have the added value of being part of a global guest loyalty program which many guests place a high value on.

### 3.4. SWOT Analysis for Ritz-Carlton.com

#### 3.4.1. Strengths

*Convenience and ease of use* – The ritzcarlton.com website provides convenience to anyone looking to reserve a night at one of their hotels. Navigating the website is simple and self-explanatory. Clearly labeled sections and features make it easily accessible for anyone, even those who have limited computer skills. Potential guests will be prompted through a simple reservation process where they are able to enter in all of the necessary information.

*Ability to access hotels around the world* – The website provides information about all of their hotels and products from around the world. Uniform information pages are listed for each hotel around the world. Each hotel has detailed information about their policies, procedures, outlets, area attractions and rooms.

*Diversified offerings* – Ritzcarlton.com is much more than just a hotel booking website. They offer the ability to book a meeting or social event, purchase a new residence, purchase a yearly vacation rental, enroll in their loyalty program, purchase gift cards, and purchase many items from their gift shop including candles, shampoo, lotion, robes, towels sheets, pillowcases and even beds.

*Market leader* – Known around the world as the leader in the hospitality industry. They have built a reputation as the

best of the best. This is a strength that cannot be undervalued. They have worked hard to achieve their status as a market leader and will continue to reap the rewards of the past performance of providing service that is second to none.

*Backed by Marriott.com* – Since being purchased by Marriott in 1998, Ritz-Carlton has enjoyed the backing of one of the largest hotel chains in the world. Marriott has infused their technology into ritzcarlton.com. In addition to the technological expertise guests are directed directly from marriott.com to the ritzcarlton.com website which greatly increases their exposure to new potential customers.

*B2B and B2C offerings* – Although ritzcarlton.com is typically known as a B2C website, providing resources to their guests, it also has a section set up to accommodate business requests for meetings and buying rooms in bulk.

#### 3.4.2. Weaknesses

*Limited interaction/less personal* – Since it is a website the hotel does not have as much interaction with the guest as they would if they spoke with them during the reservation process. Websites by nature are less personal and provide the guest with the ability to anonymously complete their reservation at their leisure.

*Less ability to overcome price sensitivity* – Potential guests will search rates and availability at various hotels through the website and be able to reject the rate without the hotel being able to counter their objections. During a normal reservations call the agent is able to list benefits that may justify the added cost or try to find a discounted rate that they qualify for.

*Contradicts luxury experience* – The typical luxury experience involves someone taking care of the various aspects of their experience. This website goes against that and actually has the guest making their own reservations. When you think of a luxury experience a guest should not be physically making their own reservation, carrying their own bags or cleaning their own room.

*Exposure to new customers* – Since the website relies on guests searching it out to access it, it can limit in the amount of new customers that it attracts. Normal guests would not be directed to ritzcarlton.com unless they did an open search for them.

#### 3.4.3. Opportunities

*Leverage rewards program to increase utilization* – They have a great opportunity gain exposure and additional usage by utilizing their rewards program to drive additional traffic to the website. Promotions and sales information can be directly linked the website and sent through the rewards collateral.

*Utilize mobile applications* – The website is able to take advantage of a growing mobile computing market. They have an underutilized mobile application that needs to be perfected before they will be able to realize the true benefits of the market. Once it is perfected, they will be able to anticipate guests changing preference of booking reservations and drive more traffic to the mobile application.

*Society's increased use of the Internet and mobile applications* – Society as a whole is becoming more high tech and linked into computer and mobile devices. With the added usage of the Internet and people becoming more familiar and comfortable with making their own reservations online, they should certainly see an increase in usage and traffic on the website.

*Improved economy and increase in the amount of luxury travelers* – Many of the world's economies are doing better than they have in recent years. Since the global recession of 2008/09, the world's economies have been steadily improving. This is an opportunity for the website and company, since the people that they serve need to have the resources to spend on the expensive rooms and products that they offer.

*Increased exposure through search engines* – They will be able to increase their exposure by working with various search engines (google, yahoo etc.) to ensure that when people search certain keywords they are directed to their website.

#### 3.4.4. Threats

*Competition from other hotels* – The biggest threat to any business is its competition. There are many choices for luxury accommodations out there and they always have the threat of their guests going to one of the competitors. This is especially true on the Internet, since they can research and price shop the competition from the comfort of their own home.

*Competition from online travel intermediaries* – People are able to use online travel intermediaries that offer competitive rates and are able to combine hotel, airfare and car rental services in one location. This is a threat since they not only they provide additional services; the hotel pays a commission to the intermediary when a guest books a room through them.

*Achieving direct exposure to client base* – Since many luxury travelers do not book their own reservations, the website will face the challenge of getting their true clients to use the website. As the Internet and mobile computing become more popular for every segment of our society they will be challenged to find a way to make sure their true customers are utilizing their website.

*Limited market for premium services* – Even though economies are doing well, not everyone is interested in spending their hard earned money on luxury experiences and items. There is a limited market for who is willing to spend the high prices for the products and services.

*Luxury perception objections* – During the recession of 2008/09 there were many companies that received a lot of negative publicity for having their employees stay at luxury hotels for business and incentive trips and taking from the bottom line of the company. This is OK for private companies, but when the companies are publicly traded, they run the risk of facing the negative implications of how this can be perceived, especially if the company is struggling.

*Internet price shoppers* – The Internet is a limitless marketplace that allows customers search rates and features of all of the competition from the comfort of the home. This threat will remain for as long as the Internet is utilized when making reservations. If they are not the best priced and have the best features, they will run the risk of losing their potential customers.

### 3.5. Management Issues from Ritz-Carlton.com

The Ritz-Carlton has become one of the world wide leaders in luxury accommodations and experiences. One of the challenges that they are now faced with is converting that same luxury experience into an e-commerce strategy for not just one hotel, but every hotel that is listed on their website. The company has created and maintains a premier website that has detailed information of every hotel within its portfolio. Since the corporate office does not maintain the information of the individual hotels, each hotel is challenged with ensuring that the information that they have listed is accurate and within the corporate standards. This can be easier said than done. With a high rate of turnover in the hospitality industry, many of the people at the hotel level may not be proficient in the systems that feed into the website and may not be knowledgeable about the information that they are inputting into the system. To combat the Corp office will need to conduct tutorials and training sessions to ensure that every hotel is fully trained in the proper policies and procedures.

Another challenge facing the Ritz-Carlton is maximizing the exposure of their website and reaching their target audience. In a perfect world the hotel would have all of their guests make their reservations through them, either on the phone or through their website. Each individual hotel pays out large amounts of money to online travel intermediaries, travel agencies and even search engines to ensure that they attract as many guests as possible. They pay a premium commission to online travel intermediaries (sometimes as

high as 15%) and travel agencies a commission of 10%. This is based off of the nightly room rate for commissionable rates. These numbers may not seem high, but when the nightly room rate varies from \$500 to \$5,000, the fees can add up quickly. This fee varies anywhere from \$50 to \$500 per night.

Lastly, they pay money to google and other search engines to ensure that when a person searches certain key words like "Boston hotel", that person searching will be directed to ritzcarlton.com as opposed to fourseasons.com. This is a major challenge of every hotel and one that continues to be a focus of the Ritz-Carlton. The company has addressed this issue the best possible. The introduction and linking of their customer loyalty program to their website was a great step toward addressing this issue. As more guests become familiar with ritzcarlton.com through the rewards program the more guests will be making their reservations directly through ritzcarlton.com.

### 3.6. Recommendations for Ritz-Carlton.com

In conclusion, the Ritz-Carlton Hotel Company's website ritzcarlton.com has given the company an online presence that will maximize its e-commerce opportunities for years to come. They have built the website in the theme of their longstanding tradition of service excellence, while infusing it with strategic offerings that will ensure that it will be relevant for years to come. The fact the website is linked with their customer loyalty program and their parent company's website (Marriott.com) will ensure that they are servicing their existing customers and attracting new ones for the future. Since the Internet is continuing to grow and expand into new markets and demographics every day, they will certainly be set up for success for the future. Even for the normal luxury traveler who would not have previously used the Internet to research a hotel or make a reservation,

ritzcarlton.com is making it possible for them to do so in the a true sense of luxury and in typical Ritz-Carlton style. The website has many options and features that will attract new guests from many diverse backgrounds in the future. The Ritz-Carlton website will certainly be a staple of the company for years to come. Potential guests do not need to visit a travel agent or request information to be mailed to them about the hotel, with the new age of technology, they now only need to access ritzcarlton.com to research and reserve all of their luxury accommodations.

## 4. Conclusions

This study reveals that social expectations and organizational expectations exert an imperative influence on their behavioral intention to use Internet websites and social media. Although the number of companies of using Internet websites and social media is increasing, they often refuse to use Internet websites and social media for their marketing and communication with their customers and sharing business information because they seem to have the tendency that Internet websites and social media have lack of confidence and trust of their marketing activity. However, social expectations are the external surrounding and conditions in which something anxiety or pressure on organizations. Social expectations toward organizations' use of Internet websites and social media affect its service evaluation by customers and their future behavior of using the service. Because of the direct and significant impact of the two, social and organizational expectations, organizations of using Internet websites and social media for their marketing activity should develop a lucrative and congenial environment for better delivering the service and for better communicating with their customers.

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