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SOCIAL MEDIA MARKETING IN THE HOSPITALITY INDUSTRY: IS IT WORTH THE EFFORT?

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ABSTRACT

This paper explores the impact of hotel social media activity on potential reservations and revenue generation. It does this by firstly exploring the perceptions of senior hotel executives towards the ROI of hotel social media activity. Secondly by data mining hotel reservation data to examine the extent of social media engagement being undertaken by guests with a hotel prior to and post a reservation being made. Thirdly through an experiment using social media advertising to examine its impact on the behaviour of fans and non-fans. The research suggests that social media engagement and advertising do have a positive impact on hotel reservations and revenue generation.

KEYWORDS

Hotel, Social Media, Metrics,Advertising,Engagement

INTRODUCTION

As more and more hotels have embraced social media as a marketing tool, the attention on its effectiveness is rising, and the inevitable question arises – what is the value? Many hotels are finding it challenging to measure the impact of social media and are still searching for the best practices and metrics so they can understand where to invest and target their social media activities. This paper aims to examine the value of social media marketing in the hotel sector. The research involved a qualitative phase with senior hotel executives to understand the challenges that they face in measuring return on investment for their social media activity. This was followed by a data mining phase aimed at identifying the level of social media engagement that guests have with a hotel prior to and after making a reservation. A major hotel in Miami was used for data mining and also for the final phase of the research which explored through experimentation whether a hotel's Facebook fans in comparison to general Facebook members are more likely to respond to online offers, share these offers with friends and make a reservation.

SOCIAL MEDIA

Social media has grown to be a cornerstone in the majority of hospitality businesses marketing plans, however, social media can mean different things to different people (Al-Deen and Hendricks, 2011). For example, Levinson and Gibson (2010), define social media as a set of tools and websites that are free or nearly free and allow marketers and the community to create content and meaningful conversations online. They include blogs, photo-sharing sites, video-sharing sites, social networks, audio podcasts, and internet radio shows as well as a wide selection of mobile social sharing and communication tools. Similarly, Ryan and Jones (2009) see social media as an umbrella term for web-based software and services that allow users to come together online and exchange, discuss, communicate and participate in any form of social interaction. They also explain that interaction can encompass text, audio, images, video and other media, individually or in any combination. Furthermore, the interactions might involve the generation of new content; the recommendation of and sharing of existing content; reviewing and rating products, services and brands; pursuing hobbies and interests; sharing experience and expertise (Ryan & Jones, 2009). In general, social media has two main concepts: Web 2.0 and user generated content. Web 2.0 applications support the creation of informal users' networks facilitating the flow of ideas and knowledge by allowing the efficient generation, dissemination, sharing and editing of informational content (Constantinides & Fountain, 2008). User generated content can be defined as information that users provide or share on a website. The information might be a photo, video, blog or discussion forum post, poll response or comment made through a social media web site (Rouse, 2013).
While social media is a generic term covering different online platforms with various attributes, communication formats, and sociability functions, there are certain characteristics that all social applications fundamentally share. Mayfield (2008) identified five specific characteristics that he believes underline the operations of all social media: 1) participation: anyone can create and give feedback on content; 2) openness, most social media permits people to post content and feedback 3) conversation: it facilitates two-way interaction; 4) communities: groups with similar interests can form quickly; and 5) connectedness: there is a heavy use of links to other content.

SOCIAL MEDIA ENGAGEMENT

Social media allows engagement, which Hausmann (2013) defines as the ability to reach out to and get a response from a company (as a consumer) or an audience (as a company). In the literature, it is widely

reported that engagement generates value for companies and may even be the most valuable attribute of social media (Morrissey, 2010; Carter, 2013;Syncapse 2013). Carter (2013) performed a comprehensive analysis of engagement on social media and reported several benefits with the phenomena. First, he found that as more consumers "like" Facebook sites, the cost of acquiring new fans decreases. He further points out that as the number of likes a post receive increases, the more visibility and loyalty a company receives from each Facebook fan, which in turn leads to the cost per impression decreasing and the cost per customer acquisition decreasing, whilst the lifetime value of the customer increases. This can be because a consumer "approves" the post and increases the potential for friends to also trust the company (Morrissey, 2010). Carter (2013) using research data from an e-consultancy firm, argued that Facebook engagement not only increases a consumer's motivation to buy a product or service but also increases the percentage of potential customers who actually buy. Moreover, the literature suggests that engaging consumers frequently through "status updates" can create loyalty (Carter, 2013; Syncapse, 2012; Fodor et. al, 2010; Carson, 2012).

SOCIAL MEDIA ADVERTISING

In terms of advertising on social media, Bernoff (2009) found that almost 4 out of 5 marketing professionals believe that social media advertising is likely to become more effective than traditional advertising using print and other media. The development of social advertising allows corporations to personalize their advertisement to their target market (Anderson, 2013). Just as Google is the leading company in advertising within search engine platforms, Facebook dominates among the social platforms (Anderson, 2013; Carter 2013; Blanchard 2012). Through Facebook, advertisers can define their consumer base by segmenting them by demographics (i.e. gender), category (i.e. education), and vertical audiences (i.e. frequent travellers), and the consumers can view the firm's advertisement on either their newsfeed, smartphone, or tablet (Anderson, 2013). What makes social media advertising unique is that it does not necessarily have to be broadcast by the business to all potential customers, as consumers are likely to share the advertising throughout their network of friends and contacts. This phenomenon is called the momentum effect (Leung et al, 2013).
In addition to being able to target specific groups of customers, social media advertising is also cheaper than traditional advertising. However, existing research about the effectiveness of social advertising is limited. Nelson-Field et al.(2012) in their study of grocery products questioned the value of social media advertising in building brand share and simply

saw social media as a medium for insight and better understanding current heavy users. In contrast, Tucker (2013) conducted an experiment, comparing regular web based advertising with social media advertising using Facebook. The Facebook advertising received a much higher click through rate than the regular ads. Consumers, she argued, tend to be more attracted to social advertising because they tend to be drawn to interests that are shared with friends who may already be a fan of the promoted product (Tucker, 2013). She concluded that the social advertising is indeed effective since her study found that social advertising works well for both targeted and untargeted populations, which may mean that social advertising is a particularly useful technique when advertising to consumers outside the product's natural or obvious market segment where it may be difficult to identify potential customers in these settings (Tucker, 2031). Similarly, Naidoo (2011) suggests that social advertising is likely to be more effective as the endorsement of a friend is persuasive. Another explanation is that social media advertising better targets consumers who are more likely to be interested in the product because they are often Facebook fans of the product (Naidoo, 2011). However, these studies have only measured click through rates and have not measured actual purchases being made as a result of social media advertising.

Blanchard (2011) encourages organizations not to settle for basic social media metrics such as followers and number of likes, but states instead that metrics need to link back to organizational objectives. Organisations tend to measure return on investment (ROI) by using metrics such as page views, unique visitors and TAT, which stands for "talking about this" which measures conversations on a topic. The growing demand for Facebook marketing has also stimulated companies to write software to measure ROI. For example, Wendlant (2012) highlights a scoring system called "Edgerank", which is an algorithm that assesses the information that appears on users' newsfeeds. The scoring system is based on affinity (frequency of interaction between the organisations and the users), edge weight (number of comments, likes, and shares), and time decay (the age of the post). However, even if Facebook connects the advertiser and consumer based on demographic factors and interests this does not necessarily mean the recipient is going to be interested in actually buying the advertised product.

METHOD

The research consisted of three phases with phase one being a programme of qualitative interviews undertaken with eight hotel executives (typically Directors of Sales and Marketing or General

Managers) in order to obtain insights into how they were currently evaluating social media success.

Phase two focused on monitoring customer engagement on social media at a large branded Miami hotel. The hotel has over 640 rooms and competes against a wide range of other high-end branded hotels and boutique hotels in the Miami area. The hotel had been actively engaged in social media for over 24 months and had a fan base in excess of 20,000. The research involved matching data from guests who stayed at the hotel over an 18 month period (January 2012 to June 2013) with social media tracking of any guest who, prior to their stay, liked, commented or posted on the hotel's Facebook page or retweeted/ mentioned or followed the hotel on twitter. The metrics that were tracked are set out in Table 1.

Table 1: Engagement Metrics

Raw Data Reservations	All reservations made at Hotel X during the time period
Raw Data Individuals	All individuals who made a reservation during the time period
Unique Individual	An individual who made at least one reservation during the time period and provided an e-mail address
A social individual	A unique individual that can be linked to a social profile through their e-mail address
An engaged individual	A social individual who had social media interaction with the hotel prior to, during or post-stay
An engaged individual offering up-selling opportunities	A social individual who had social media interaction prior making reservation

Phase three of the study used an experimentation approach to consider the impact of social media advertising. It involved running two separate, highly targeted Facebook offers for the Miami hotel (hotel x) aimed at two test audiences (240,000 fans and fans of friends and 240,000 non fans). The Facebook offer ran with a special rate for the hotel of $139 (a 20per cent discount off the published leisure rate) if guests booked within a one week booking-period for a stay within a three month window. Almost 500,000 people were targeted for the campaign in order to ensure an adequate amount of users were exposed to the offer in equal proportions. The demographics in terms of age and residential location were matched over both samples. The non-fans also had to be interested

in travel as well as being fans of at least one major hotel chain. The metrics that were measured in the experiment included per cent of audience exposed to advertising during the booking period; clicked on offer for more information; posted comments, likes or shared the offer; claimed the offer; clicked from the offer to the hotel website; made a reservation; number of room nights booked; revenue generated; and additional one-on-one sales leads.

FINDINGS - QUALITATIVE RESEARCH

All of the hotel executives interviewed used social media platforms frequently and consider the media as being important for both engagement and advertising. This is reflected in the statement of one executive who said:

"Social media increases engagement with hotel guests allowing us to learn more about their wants and also to find new guests or leads using a very targeted approach"

The most pressing challenge however related to the measurement of the effectiveness of social media and the resulting difficulty of justifying the time and money spent on it.

"One of our biggest challenges is not being able to measure how effective our social media efforts are, both on specific platforms and ideally overall, and whether all of this is worth the effort"

"At this time, measurement remains complicated, elusive and our biggest issue with social media"

Most of the measurements used by the respondents relate to click through, numbers of fans and level of user engagement, less than half felt that they could partially link the social media activity to reservations or sales leads. Even those who had such data lacked confidence in the data they held. Evidence would suggest that this is mainly due to the fact that some hotel brands do not allow the integration of information from the hotel's vanity website to the third party reservation engine that's on the branded hotel group website.

"Measuring ROI for our social media investments is difficult because we cannot see, at the property level what reservations we receive through social media"

Overall, the qualitative research identified that social media is seen as important in the industry but the measurement of the effectiveness of the

medium for sales growth is very limited and in many cases it is non-existent.

FINDINGS – SOCIAL MEDIA ENGAGEMENT

In order to explore measures of effectiveness, Table 2 sets out the data gathered from the data mining exercise for Hotel X. Of the 38,244 individuals who made reservations within the time period, e-mail details were obtained from only 5,894 individuals. Of these, thirty four percent of these e-mail addresses could be matched with a social profile, giving a sample of 1,996 individuals who could be identified as having a social media account and also having made a reservation.

However, of these 1,996 individuals, 26 per cent interacted on social media with or about the hotel before, during or after they stayed at the hotel and 7per cent interacted with the hotel on social media before making a reservation. These figures only relate to individuals from whom an e-mail was obtained and where a social media account could be matched to that e-mail account and these figures could be even more significant if complete data was available.

Table 2: Engagement Data

Category	Description	Number
Raw Data Reservations	All reservations made at Hotel X during the time period	49,253
Raw Data Individuals	All individuals who made a reservation during the time period	38,244
Unique Individual	An individual who made at least one reservation during the time period and provided an e-mail address	5,894
A social individual	A unique individual that can be linked to a social profile through their e-mail address	1,996
An engaged individual	A social individual who had social media interaction with the hotel prior to, during or post-stay	512
An engaged individual offering up-selling opportunities	A social individual who had social media interaction prior to making reservation	141

FINDINGS - SOCIAL MEDIA ADVERTISING

Two separate, highly targeted offers were run for the two test audiences (fans and their affiliated networks vs. non fans).   As shown in Table 3, only 14per cent of fans and 23per cent of non-fans were exposed to the advertising as a result of some of the recipients not accessing their social media accounts during the booking period. Of these, the proportion of fans clicking on the offer was four times that of non-fans. They were also more likely to post comments, likes and share the offer with others. Although the numbers are small, they were also twice as likely to click through to the hotel website and make a reservation. In terms of revenue the fans generated more income in total but less per reservation, they did, however, provide further sales outside the offer period.

Table 3: Response to Social Media Advertising

Category	Fans	Non-Fans
Audience Targeted	240,000	240,000
Audience exposed to advertising during the booking period	33,345	56,448
Clicked on offer for more information (per cent of exposed audience)	1,310 (4%)	659 (1%)
Posted comments	32	12
Posted likes	361	224
Shared the offer	54	14
Claimed the offer(per cent of exposed audience)	494 (1.5%)	387 (0.7%)
Clicked from offer to the hotel website	143	76
Made a reservation	8	3
Number of room nights booked	9	8
Revenue generated	$1,251	$1,112
Additional one-on-one sales leads	14	3

DISCUSSION

Within the hospitality sector, there is clearly a major challenge in measuring the value and ROI of social media and the efforts involved in managing engagement on social media platforms. The hotel executives in this study consider social media to be commercially important but have difficulty in evaluating its true impact. This study therefore looked at the extent of engagement with hotels among those who have social media accounts. The research identified that a significant proportion of guests interact with and about the hotel before, during and after their stay. This suggests that with individuals who interact at any stage, there is the

opportunity to build a dialogue and create loyalty to the hotel and hotel brand. With guests who interact before making a reservation, there is a significant opportunity to upsell room packages, spa packages and restaurant bookings in addition to a standard room booking. Managing and interacting with this engagement would seem to be very valuable activity for a hotel.

Most hospitality social media experts suggest that engagement on social media improves customer service and brand awareness, but they cannot validate if it influences buying behaviour. Does it lead to more reservations and increased revenue? To further explore the impact of engagement, an offer was advertised on Facebook to a group of fans and non-fans of a particular hotel. It was found that uptake of the offer and the number of reservations was greater among fans and their friends. Fans also showed a greater propensity to share content with their networks. In addition the advertised offer distributed to Facebook fans generated almost five times the number of sales leads and conversions with users outside of the offer dates. Although the numbers are small, the research does suggest that fans have a greater propensity to purchase, share and engage when they are targeted with marketing offers on social media.

The research is based on one specific hotel with a very effective marketing team that constantly engages guests in a market that has high visitor demand. A test like this should be expanded and evaluated by a brand or entire group of owned hotels to gain data over a longer time period. In particular, it would be interesting to determine whether social media engagement can lead to more bookings on hotel websites countering the growth of the online travel agents (OTAs).

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