

The Implications of Social Media on Brand Management in the Luxury Hotel Industry

Randal Rosman Kurt Stahura Karl Mayer
William F. Harrah College of Hotel Administration
University of Nevada Las Vegas

Introduction

With the emergence of social media and the advent of Web 2.0, consumers now have more control over how information is generated, created, organized and shared (Trackeray et al. as cited in Zhang, Mattila, & Cranage). Web 2.0 is generally affiliated with the online community that encourages interactive information sharing, interoperability, user-centered design and collaboration on the World Wide Web (O'Reilly). Consumers use new media to participate in social networks, which enables them to create and share content, communicate with one another, and build relationships with other consumers (Hennig-Thurau et al., 2010, p 312).

While travel consumers in the past relied heavily on travel journalism and traditional media to help guide them to the best places to go and the most exciting things to do, the Internet has now taken over that role as information provider (O'Connor, 2008). According to the US Travel Association, the Internet was used by approximately 90 million American adults to plan travel during 2008 with 76% of those people using it for planning leisure trips (USTA, 2009). A 2010 study published by Deloitte titled 'Hospitality 2015' states that social media and new technology trends will play the key role over the next five years towards the growth in the hospitality industry; the study further points out that with millions of consumers having internet access around the globe, that the study's numbers are expected to increase by 50% in 2015 (as cited in Lim, 2010, p 7).

Given the potential impact of social media on online tourism, knowledge about the role of social media in travel information search is important in order to better inform tourism marketing practices (Fesenmaier, 2007; Gretzel, 2006; Xiang & Gretzel, 2010, p 181). Social Media is changing the ways that business are going about marketing themselves to their consumers, as it forces a rethink of traditional marketing methods. This new style of marketing can be described as the act of using social networks, online communities, blogs or any other Internet form of media for marketing (Lim, 2010, p. 6). As it is, 81% of surveyed executives expect to increase investment on social media projects and reduce traditional marketing (Value of Social Media, 2010 as cited in Zhang et al., 2011).

Literature Review

The Impact of Social Media on Marketing

As more and more people move to the Internet for information searches and away from traditional media, the hotel industry has had to adapt their marketing plans to keep up with their

consumers. According to Buhalis and Law, the internet has fundamentally reshaped the way tourism-related information is distributed and the way people plan for and consume travel (as cited in Xiang & Gretzel, 2010, p. 179). Traditional marketing tools such as print advertisement, direct mail, and even email blast may be losing their effectiveness since consumers are going online before making a purchase (Green, 2009 as cited in Lim, 2010, p. 19). As Xiang and Gretzel (2010) put it, “understanding the structure and representation of the online tourism domain is important for a better organization of travel-related information...and for implementing successful marketing campaigns (p. 181).

Social Media is a new way for hotels to reach out and connect with their past, current, and future consumers. Social Media is defined as a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of User Generated Content (Kaplan & Haenlein, 2010). Social media includes online or word-of-mouth forums, such as blogs, discussion boards, chat rooms, e-mails between consumers, product or service review websites and forums, moblogs, and social networking websites according to Mangold & Faulds (as cited in Terrel & Kwok, 2011, p. 2). Social Media allows hotels to hold two-way communication with their customers through participation in online events, sharing of experiences, or collaboration, instead of just one-way advertising or marketing (Kaplan & Haenlein, 2010, p. 65). This

Kierzkowski, McQuade, Waitman, and Zeisser (1996) also point out that Social Media could be used to test new product concepts, obtain feedback for proposed marketing programs, observe the visitors' preference, and listen to the opinions that the customers voluntarily voice out on the web (p. 18). Kierzkowski et al., created a framework for the digital marketer, which was built around five elements that they considered essential factors for success; they are:

Attract users, engage users' interest and participation, retain users and ensure they return to an application, learn about their preferences, relate back to them to provide the sort of customized interaction that represent the true “value bubble” of digital marketing (Kierzkowski et al., 1996, p. 13).

This is important as it has been shown that customers for the most part do not trust advertising, and will avoid it when possible (Zhang, Mattila, & Cranage, 2011, p. 5).

Chan and Guillet (2011) also point out that Social Media can be used as a tool to perform service recovery, develop a relationship with customers, and build brand loyalty within the community (p. 346). This is important in a business sense, because the general consensus within the business community is that a repeat customer is better than a new customer, as you have to spend less to get them “through the door”. Woodcock, Green, and Starkey (2011) comment that when it comes to consumers, “commitment is extremely difficult to achieve. Consumers are frugal with their ‘loyalty’ ... [and] this loyalty has to be earned, and rarely it is earned through price or sales promotion” (p. 56).

One of the fastest growing components of Social Media is that of consumer generated media (CGM). Consumer generated media is distinct from business media because it is recognized as a collection of online media that contain customer-created information and that are made available to other online users via interactive technology applications (Starkov & Price, as cited in Jeong & Jeon, 2008, p. 124-125). Smith, Menon, and Sivakumar point out that:

Many of these consumer-generated entries and media are travel-related and are believed to greatly impact travel and tourism marketing due to their search engine friendliness and, thus, great accessibility for other consumers, as well as their increased credibility and experiential properties as they are written by consumers who have experienced the product and have no commercial interest in promoting or discrediting a tourism product (as cited in Gretzel, Kang, & Lee, 2008, p. 100).

The ease of access is very important to marketers and consumers alike, although for different reasons. For the marketer, it means that they have the ability to see who the “opinion leaders” are for their service or product, and therefore give them the opportunity to try and work out something with those leaders in terms of product or service marketing. Three studies back up the claim that CGM is becoming a very important part of social media, and that it is being used in service and product background checks. The first, a Compete (2006) report, showed that over 50 percent of online travel purchasers consulted CGM in the process of buying travel-related products (Gretzel et al., p 100); the second, a survey by Opinion Research Corporation in 2008, found that over 60% of respondents checked with some form of CGM before buying a new product or service, and that over 80% of those who said that they consulted CGM prior to purchase said that the CGM had some influence over their decision on whether or not to purchase the product or service (O’Connor, 2010, p. 758). Finally, There is a a study by Alexa, a web information company, that showed that Facebook, MySpace, YouTube, Wikipedia, and Twitter were all listed among the Top 15 websites, accounting for more than 11 percent of global internet traffic, as of April 2010 (Hennig-Thurau et al., 2010, p. 311). This information will hopefully help business to understand the power and persuasiveness of CGM and Social Media, especially when it comes to consumers, who for the most part are easily led by what others think of them.

There are many different websites on the Internet that host or deal with CGM, but the one thing that they all have in common is that they deal in word-of-mouth (WOM). Word-of-mouth advertising has existed for years, ever since the free-market economy system has been around. But now, with the advent of the Internet and the ease of communication, electronic word-of-mouth (EWOM) has the ability to reach more than just who ever you talk to, it can be read by as many people who choose to view it. According to a report by Nielsen, the internet has amplified and turbo-charged WOM into a mass communications medium; be it with a predefined group of friends or with thousands of online-but-connected strangers in an online community (as cited in O’Connor, 2010, p. 756). EWOM is also important because according to R. Smith (1993), EWOM is perceived to be more vivid, easier to use, and more trustworthy than marketer-provided information (O’Connor, 2010, p. 756). Most people would agree that they are more likely to take the word of an acquaintance over the word of a marketer, but with the spread of social networking, almost anyone can now be an acquaintance. This is corroborated by O’Connor (2008) who states that consumers, when confronted with too much information, actively seek out the opinions of others as a means to manage risk.

As mentioned above, SM makes it much easier for people to get information about a product or service that they are thinking about purchasing, and because of this ease, consumers are forming virtual communities that can revolve around a certain topic, service, or product. These virtual communities can be an important source of information for marketers, as Kaplan and Haenlein conducted interviews with Second Life users and concluded that said users consider Second Life not as a mere computer game, but as an extension of their real life (as cited

in Hennig-Thurau et al., 2010, pg. 314). Therefore what is being said and done within Second Life can be extrapolated as to what those users would possibly do, or where they would go to in real life. This is also important because virtual communities are gradually becoming incredibly influential in tourism as consumers increasingly trust better their peers, rather than marketing messages (Buhalis & Law, 2008, p. 612). However the grouping of people on SM can also create a headache for marketers, because one bad experience can now be shared almost instantaneously with tens, hundreds, or thousands of other people.

From a marketing perspective, since more and more travelers seem to tap into this "collective intelligence" available on the Web (Litvin, Goldsmith, & Pan, 2008), this will challenge the established marketing practices of many tourism businesses and destinations (Xiang & Gretzel, 2010, p. 180).

The Impact of Social Media on Brand/Image Management

An important aspect of marketing is that of brand or image management, as it deals entirely with consumer perception of your service or product. Brand Management is defined as "the process of maintaining, improving, and upholding a brand so that the name is associated with positive results" ("Brand Management," n.d.). Proper brand management can lead to improved sales for a company, as consumers are more likely to buy something they associate with positively. Impression management is the study of how people attempt to manage or control the perceptions others form of them or their product or service (Drory & Zaidman as cited in Terrell & Kwok, 2011, p. 1). The goal of impression management is to steer others' opinion or impression with the use of controlling information in either a personal or social situation (Drory & Zaidman as cited in Terrell & Kwok, 2011, p. 1).

Brand and image management is important today because of the amount of information available to the consumer during the process of buying a new product or service. If you do not manage to control or at least guide what is being said about your brand, you leave your brand wide open to attack from outsiders, some of who might not be unbiased in their assessment. Ergo, reputation management is an important component of online activity for organizations with plenty of internet users (Lim, 2010, p. 7).

Brand marketing is also becoming less about pushing messages out to consumers within a static relationship, and now more about the brand being part of a lively conversation, helping brands to earn the trust of consumers (Woodcock et al., 2011, p 51). This was not always the case, as historically companies were able to control the information available about them through strategically placed press announcements and good public relations managers (Kaplan & Haenlein, 2010, p 60). But with the advent of the Internet, and the opening up of communication channels, companies nowadays put out an image of what they would like people to think about their brand, and then try and control or shape the image that grows in the public domain. As Deighton and Kornfeld put it, "marketers have lost control over their brands, but now participate in a "conversation" about the brand (as cited in Hennig-Thurau et al., 2010, p 313).

Social media should play a large role in a companies' brand management strategies, as almost all online reviews or discussions about services or products take place within the social media sphere. The two main places that these conversations take place are within social

networks or content communities. Social networks are sites which are applications that enable users to connect by creating personal information profiles, inviting friends and colleagues to have access to those profiles, and sending e-mails and instant messages between each other (Kaplan & Haenlein, 2010, p. 63). These personal profiles can include any time of information that the author chooses to publish, and can include photos, videos, audio files, and links to outside websites. Content communities are very similar to social networks in that users can share content with one another in many forms, but they differ in that one does not need a personal profile to be able to participate by accessing or posting on said community (Kaplan & Haenlein, 2010, p. 63).

The thought that social media should play a large role in a companies' brand management strategy is supported by Walden, Carlsson, and Papageorgiou who found in their study that social media cannot be ignored nor controlled by industry players (2011, p 10). The good news for the tourism industry though is that it appears that current marketing practices focus attention on utilizing social media to create positive image and word-of-mouth for tourist destinations and businesses (Xiang & Gretzel, 2010, p 181). However, since companies seem to use more than one social media site or platforms, it is important that they manage their presence frequently, and make sure that all of their sites agree with one another on content. This is important because it can lead to confusion, and in some cases, disappointment for the consumer, which can lead them to choosing another product, service, or location.

As social media is the platform for communications and engagement between brands and consumers, it is important for brands to be involved on those platforms. The electronic forum allows management to demonstrate reassurance to potential visitors and guests, as well as to their own employees in certain cases (Litvin et al., 2008, p 464). Social media also provides a great platform for companies to communicate with their target consumers by promoting products or services, learning new ideas, and improving customer service (Terrell & Kwok, 2011, p 2). These interactions can lead to increased brand recognition and brand engagement, which in turn lead to a more positive brand image. An interesting point that is broached by Kaplan and Haenlein is that brands, when dealing with social media, should try and blend in with other users and not be afraid to make mistakes, because, as they point out, social media users are people like you, who understand that things do not always go the way you plan (2010, p 67).

The explosion of CGM over the last couple of years means consumers' reliance on word-of-mouth in the decision-making process has increased significantly (The Nielsen Company as cited in Lim, 2010, p 28-29). This, as we've seen, can easily affect what people think or understand about a product. This is important for marketers because CGM can easily undermine branding efforts, and steer consumers away from their brand's website(s) (Gretzel et al., 2008, p 100-101). Within the travel and tourism industry, this is important because it appears that user-generated content is rapidly gaining traction among consumers according to O'Connor (2010, p 768).

As mentioned earlier, word-of-mouth can have a large impact on consumers' thoughts and behavior when it comes to the purchase of a product or service. Research has shown that EWOM recommendations strongly influence purchasing decisions as well as consumer perceptions of quality (Anderson, 1998; Gretzel, 2006; Sansoni, 1999; Tax, Chandrashekar, &

Christiansen, 1993; Vansal, & Voyer, 2000 as cited in Stringam & Gerdes Jr, 2010, p 774). As so many people shop and research online these days, it is crucial that marketers and brands keep track of the “buzz” surrounding them. Research done by Cannizzaro et al., has shown, almost half of travelers who shop online say that travel reviews from other consumers influence their purchase decision (as cited in Stringam & Gerdes Jr, 2010, p 774). That is an astounding number of people when you consider just how many people have the ability to shop online these days, and should reinforce just how important the control or shaping of EWOM has become (Huang, Basu, and Hsu, 2010).

There are many different types of social media that businesses need to be aware of when tracking their online image; examples of these social media include blogs, Facebook, YouTube, Flickr, and Second Life. Buhalis and Law have shown that travel organizations can increase their brand awareness and strengthen brand awareness through the assistance of virtual travel communities (2008, p 612). Virtual worlds have also been shown to help companies with their brand awareness and brand marketing efforts through their interaction with users. Haenlein and Kaplan (2009) analyzed the effect of virtual flagship brand stores on Second Life and found such stores to positively influence consumers’ brand attitudes and real-life purchase intentions (as cited in Henning-Thurau et al., 2010, p 314, 317).

Corporate blogs or normal blogs can also affect a brand’s image, but they are seen as giving a personal touch to a brand, making it more persuasive. According to Lim (2010, p 17), a lot of small companies, especially web-based ones, are using blogs as a combination of customer support, public relations/media announcements, and generally as a way to get messages through to the targeted audience in a practical manner. Also, working with bloggers who are not associated with the brand can foster positive results for the brand. Not only are they considered unbiased, but they will usually have followers who are influenced by what the blogger writes. A 2006 report by Y-Partnership National Leisure Travel Monitor showed that more than a quarter of consumers seeking travel information on the Internet visited a blog about a destination or travel service provider (O’Connor, 2008).

Facebook is also a major player in the social media game. According to Zhang et al., a fan page on Facebook is more effective for a brand than a Facebook group or an ad due to its media richness (2011, p 1). Zhang et al., also point out that customers tend to have a positive attitude towards fan pages that serve as a tool for accommodating their needs and interests rather than a channel for promoting products; in addition, interactivity suggests that companies are willing to communicate with the customers (2011, p 4). On the whole, how “rich” and interactive your fan page is can determine whether or not people will continue to be promoters and advocates for your brand.

In marketing and managing a brand, it is important to provide accurate and updated content to the consumer, as failing to do so may lead to unrealized promises and even damaged relations if the company fails to perform according to what they have stated (Chan & Guillet, 2011, p 362). Furthermore, companies need to actively monitor what is being said about them, both to allow them to stay abreast of public opinion about their brand(s), and also to allow them to make sure that incorrect information is not being circulated (whether deliberately or by accident) (O’Connor, 2008). In conclusion, if used effectively, social media has the ability to help companies and brands to manage their public image on the Internet.

Implications, Limitations, and Future Research

The present study builds on the work of Chan and Guillet (2011), but this study has a different scope. Chan and Guillet looked into how the hotel industry as a whole in Hong Kong is utilizing social media marketing, whereas my study looks specifically at luxury, i.e. 4 and 5 diamond rated hotels.

While the study has not yet been completed, from looking at the literature, it can be extrapolated that hotels in general are not using social media to its full potential, and in many cases are using it incorrectly. It can be inferred that hotels need to change their marketing strategy in order to take advantage of social media and all the benefits that it may contain. From the literature we can also see that online word-of-mouth (EWOM) has a large influence on users of Internet travel review sites, whether it is on TripAdvisor or on Facebook.

This study is very limited in its scope as it only looks at luxury hotels, and should not be generalized for the industry as a whole. This study specifically looks at four and five diamond hotels, and as is the case in most places, they are not the dominant supplier of rooms within the hotel industry. This study is also limited in that it uses second hand data in compiling its information, and that it can only get data for a certain period of time, and therefore will be limited in its contents.

Future research might want to look at other parts of the hotel industry and its use of social media marketing as well as major metropolitan areas in the United States as few studies seem to have explored this area leaving a gap in the literature that needs to be filled. Alternatively, researchers may choose to replicate this study and see if hotels have improved or regressed in their use of social media over time.

References

- Alexa. (2011). Flickr.com Site Info. Retrieved from: <http://www.alex.com/siteinfo/Flickr.com>
- Brand Management. (n.d.). In *Business Dictionary*. Retrieved from: <http://www.businessdictionary.com/definition/brand-management.html>
- Buhalis, D., Law, R. (2008). Progress in information technology and tourism management: 20 years on and 10 years after the Internet – The state of eTourism research. *Tourism Management*, 29, 609-623. doi: 10.1016/j.tourman.2008.01.005
- Chan, N. L., & Guillet, B. D. (2011). Investigation of Social Media Marketing: How Does the Hotel Industry in Hong Kong Perform in Marketing on Social Media Websites?, *Journal of Travel & Tourism Marketing*, 28(4), 345-368. doi: 10.1080/10548408.2011.571571
- Gretzel, U., Kang, M., & Lee, W. (2008). Differences in Consumer-Generated Media Adoption and Use: A Cross-National Perspective. *Journal of Hospitality & Leisure Marketing*, 17(1-2), 99-120. doi: 10.1080/10507050801978240
- Hennig-Thurau, T., Malhotra, E. C., Frieger, C., Gensler, S., Lobschat, L., Rangaswamy, A., & Skiera, B. (2010). The Impact of New Media on Customer Relationships. *Journal of Service Research*, 13, 311-329. doi: 10.1177/1094670510375460
- Huang, Y., Basu, C., & Hsu, M. (2010). Exploring Motivations of Travel Knowledge Sharing on Social Network Sites: An Empirical Investigation of U.S. College Students. *Journal*

- of Hospitality Marketing & Management*, 19(7), 717-734. doi: 10.1080/19368623.2010.508002
- Jeong, M., Jeon, M. M. (2008). Customer Reviews of Hotel Experiences through Consumer Generated Media (CGM). *Journal of Hospitality & Leisure Marketing*, 17(1-2), 121-138. doi: 10.1080/10507050801978265
- Kaplan, A. M., Haenlein, M. (2010). Users of the world, unite! The challenges and opportunities of Social Media. *Business Horizons*, 53, 59-68.
- Kierzkowski, A., McQuade, S., Waitman, R., & Zeisser, M. (1996). Marketing to the Digital Consumer. *The McKinsey Quarterly*, 1996 (number 3), 5-21.
- Lim, W. (2010). The Effects of social media networks in the hospitality industry. (Professional Paper). Retrieved from Digital Commons. (693)
- Litvin, S. W., Goldsmith, R. E., & Pan, B. (2008). Electronic word-of-mouth in hospitality and tourism management. *Tourism Management*, 29, 458-468. doi: 10.1016/j.tourman.2007.05.011
- Myron, D. (2010). What is CRM?. Retrieved from: <http://www.destinationcrm.com/Articles/CRM-News/Daily-News/What-Is-CRM-46033.aspx>
- O'Connor, Peter. (2008, September). Online Social Media and Travel – International. Retrieved from: [http://academic.mintel.com.ezproxy.library.unlv.edu/sinatra/oxygen_academic/search_results/show&/display/id=387948/display/id=387948/display/id=387948/display/id=387948](http://academic.mintel.com.ezproxy.library.unlv.edu/sinatra/oxygen_academic/search_results/show&/display/id=387948/display/id=387948/display/id=387948/display/id=387948/display/id=387948)
- O'Connor, P. (2010). Managing a Hotel's Image on TripAdvisor. *Journal of Hospitality Marketing & Management*, 19(7), 754-772. doi: 10.1080/19368623.2010.508007
- O'Reilly, T. (2005, September 30). *What is Web 2.0*. Retrieved from <http://oreilly.com/web2/archive/what-is-web-20.html>
- Pan, B., Xiang, Z., Law, R., & Fesenmaier, D. R. (2011). The Dynamics of Search Engine Marketing for Tourist Destinations. *Journal of Travel Research*, 50, 365-377. doi: 10.1177/0047287510369558
- Stringham, B.B., Gerdes Jr., J. (2010). An Analysis of Word-of-Mouse Ratings and Guest Comments of Online Hotel Distribution Sites. *Journal of Hospitality Marketing & Management*, 19(7), 773-796. doi: 10.1080/19368623.2010.508009
- Terrell, K., & Kwok, L. (2011). Proceedings from 2011 Graduate Students Research Conference: *Organizational Impression Management Behaviors in Social Media: A Perspective of a Social Networking Site*. Amherst, MA: ScholarWorks.
- TripAdvisor. (2011). About TripAdvisor. Retrieved from: http://www.tripadvisor.com/pages/about_us.html
- Unknown. (2011). Facebook. Retrieved from: <http://www.facebook.com/facebook?sk=info>
- U.S. Travel Association. (2009). Travel Facts and Statistics. Retrieved from: <http://www.ustravel.org/news/press-kit/travel-facts-and-statistics>
- Walden, P., Carlsson, C., & Papageorgiou, A. (2011). Proceedings from 44th Hawaii International Conference on System Sciences: *Travel Information Search – The Presence of Social Media*. Manoa, HI: IEEE.
- Woodcock, N., Green, A., Starkey, M. (2011). Social CRM as a business strategy. *Journal of Database Marketing & Customer Strategy Management*, 18, 50-64. doi: 10.1057/dbm.2011.7

- Xiang, Z., & Gretzel, U. (2010). Role of social media in online travel information search. *Tourism Management, 31*, 179-188. doi: 10.1016/j.tourman.2009.02.016
- Zhang, L., Mattila, A.S., & Cranage, D. A. (2011). Proceeding from 2011 Graduate Student Research Conference: *Become a Fan: A Conceptual Model for Social Media Marketing*. Amherst, MA: ScholarWorks.