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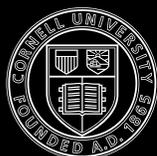
Connecting Customer Value to Social Media Strategies: Focus on India

Cornell Hospitality Proceedings

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by Rohit Verma, Ph.D., Ramit Gupta, and Jon Denison

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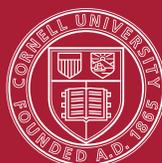
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Connecting Customer Value to Social Media Strategies: Focus on India

by Rohit Verma, Ramit Gupta, and Jon Denison

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EXECUTIVE SUMMARY

Although the internet has yet to make substantial inroads into hotel distribution in India, that time is soon coming. Thus, Indian hoteliers and academics met for the first Cornell Center for Hospitality Research Roundtable in India to discuss ways in which operators there can make the best use of online travel agents and electronic and social media as those channels grow in importance to India's industry. Participants observed that reviews and comments made by customers on social media can become an adjunct to management's quality control efforts, since managers can quickly respond to problems that have been posted. Operators will have to become attuned to potential guests' search processes, which vary according to market segment. Although appropriate pricing is essential, a strong focus on the brand is an essential counterbalance to the disintermediation and commodization that can be side effects of internet transparency. Existing models for the use of social media that have become common in America and Europe may not apply in India, which already has its own culture of communication that is based on informal networks. One approach that hoteliers can use to maintain an effective customer value proposition is to analyze the data that customers supply on their numerous internet postings. Although those data are not structured, it is possible to use specific analytical techniques to determine what customers want and how to incorporate value into the hotel brand.

Connecting Customer Value to Social Media Strategies:

Focus on India

by Rohit Verma, Ramit Gupta, and Jon Denison

Hospitality brand managers are well aware that creating customer value is a key aspect of brand management. For hotel operators in India, the internet and social media are newly emerging issues that are inextricably related to creating customer value. All hoteliers seek to solve the intricate puzzle of customer loyalty as it relates to customer value and brand management. In the first Cornell Industry Roundtable held in India, the discussion focused on how to create and measure customer value in the electronic era. Given fast-evolving technological advances (e.g., mobile apps and other innovations, social media, opaque pricing) and rapid hospitality industry growth in India and other emerging markets, the topic of customer value is particularly timely. Thus, this roundtable discussion began with issues surrounding customer value, and then continued into the realm of social media, as that topic relates to brand management and value creation.

Incorporating customer values, preferences, and choices into day-to-day managerial decisions is extremely important for hotels, resorts and other hospitality businesses due to competitive forces and also because of the immediacy of the business. The hospitality industry has steadily

improved its understanding and analysis of the drivers of customer choice, but the range of those drivers remains dazzling, if only because customers evaluate hospitality firms on multiple criteria, which all may have different weights at different times. In that context, the motivation underlying



The first CHR Roundtable held in India was hosted by the Taj Mahal Palace, Mumbai.

a customer's final choice remains inscrutable in many cases, especially since the decision set undergoes continual change until the purchase is made. One reason this change occurs is the influence of inputs from social media and other internet sources. Restaurant diners may consider any combination of cost, service quality, food quality, menu variety, or speed of delivery. Similarly, guests might choose a hotel based on its location, brand name, amenities, price, or loyalty program—or perhaps because it's the host hotel for a conference or meeting. And it may be that none of those factors drove the final choice, but instead the purchase was based on recommendations posted on the web by perfect strangers.

Given resource constraints, it is virtually impossible for any hospitality service operator to excel in all aspects of service delivery simultaneously (i.e., to provide the highest quality, fastest delivery, and most variety at the lowest price). Therefore firms must make trade-offs in features and price on the basis of what they do best, what their competitors are offering, and what criteria they think matter most to their customers. Realistically speaking, however, managers often struggle to determine the “best” configuration of the plethora of increasingly complex service offerings that will appeal to their chosen target markets.

More than ever, firms that lack a clear understanding of customer value will struggle to present the best components of their service offerings in terms of customer value (e.g., price, amenities, loyalty program, brand, and hotel type). Any of these can have several variants, and a manager may



Raymond Bickson, Taj Hotels Resorts and Palaces, welcomed the roundtable participants.

use experience, benchmarking analysis, or simply gut feel to decide what might or might not be of interest to the customers. On the one hand such “informed guessing” can lead to new and innovative ideas; but on the other hand it might also lead to depleted profits and operational chaos.

The situation we just outlined is not particularly new to the industry, but what is new is that hospitality customers' choices are increasingly based on information gleaned from the internet and social media. Fortunately, the internet gives the hospitality industry a similar opportunity to ferret out customers' wishes. Unfortunately, that information is buried in the midst of piles of web postings, which we can treat as unstructured data. Even as hotel firms assemble the clues to solve the customer value mystery, hotel bookings have migrated to electronic media, giving rise to online travel agents (OTAs) and other distribution



Anil Aggarwal, Milestone Internet Marketing, explained research on social media



Brian Ferguson, Expedia, presented issues surrounding OTAs



Deepa Misra Harris, The Taj Group

mechanisms. This adds a new layer of complexity in the value equation. The hotels' own sites, which have come to be called "Brand.com" are part of this new value equation.

Perhaps more than other electronic channels, the birth of OTAs laid the foundation for considerable change in the distribution channel management for the hotels. Although traditional avenues such as travel agents and tour operators have not disappeared entirely—and they remain particularly strong in India and other emerging markets—hotels now have a more complex network of intermediaries to deal with. Moreover, the mix of online sales to traditional distribution varies from country to country. Although no hard and fast rule applies globally, it is clear that the trend is rapidly moving toward electronic distribution in several channels. To ensure maximum ROI and higher profitability, it is of prime importance that hotels manage their inventory distribution in an optimal way. This discussion presents a detailed analysis of the evolving trends in hospitality distribution and what those trends mean for hospitality firms in terms of creating customer value.

Modern-day Hospitality Distribution

Even with the rise of Brand.com, the OTAs, notably Expedia and Travelocity, play a key role in a hotel brand's distribution. The OTAs distribute rooms for some 150,000 hotels around the world. Adding to the distribution complexity are the presence of meta-search and online bidding business models on sites such as Kayak and Priceline, along with mobile apps and social media. Looking first at the role of OTAs, approximately 95 percent of all Expedia bookings in Europe come from the hotel listings found on the first page of search results, and an astonishing 47 percent of the booking transactions on Expedia take place from the first five

hotels on listed on that first page. These statistics echo those reported for Google searches, where users rarely scroll down the first page of search results and almost never click to the second page.¹ Given the importance of a top position on the OTA or search engine listing, the strategic relationship that the hotel shares with the OTAs goes a long way in determining its market share. With almost 25 million daily price updates at Expedia, maintaining price parity on Brand.com is essential, particularly since most brands are guaranteeing that parity. But this is particularly the case online, given customers' price elasticity and the fact that those who are using OTAs and other internet sites to search for a hotel are usually price conscious.

Those internet searchers are almost certain to check on travelers' posted reviews. With social media gaining momentum, managing word of mouth has become a priority for hospitality marketers—and a key issue relating to distribution. According to PhoCusWright, 87 percent of travelers found traveler-generated reviews from people they didn't know to be influential in deciding where they would purchase their leisure travel. Brian Ferguson, VP of supply strategy and analysis for Expedia, pointed to a study by Hotels.com which revealed that "Two times as many people strongly agreed that they took recommendations from total strangers on travel advice websites over and above those made by family and friends." He added: "It turns out that the reviews are extremely powerful to drive conversion and bookings. The good reviews of 4.0 or 5.0 generate more than double conversion rates than a review of 1.0 to 2.9."

¹ See, for example: Greg Bodenlos, Victor Bogert, Dan Gordon, Carter Hearne, and Chris Anderson, "Best Practices in Search Engine Marketing and Optimization: The Case of the St. James Hotel," *Cornell Hospitality Report*, Vol. 10, No. 16 (Cornell Center for Hospitality Research).



Rajiv Kaul, The Leela Palaces, Hotels, and Resorts

This phenomenon of consumers' placing such an emphasis on peer-to-peer evaluations of a hotel stay stands in contrast to the past practice of relying on experts' opinions in the form of travel guides and magazines. Without a doubt, the travel guides will continue to be influential, but it seems logical that hotels' marketing strategies must embrace electronic channels. The question for the hospitality industry is how to connect appropriately with guests, since for many people the notion of experience management and connecting emotionally to the consumers has taken the center stage. Those who post their hotel experiences on Tripadvisor, for instance, have essentially been invited to do so, but experiences are also shared unsolicited on Facebook, which adds to their weight. With regard to Facebook, the amount of time spent by people on Facebook exceeded that of Google in March 2010. Today, an average consumer spends 400 minutes each month surfing on Facebook as compared to 275 minutes on Google. Thus it is that word of mouth has taken the center stage on the web as it long ago did in real life. Most important, people's purchase behaviors are increasingly being affected by reviews and opinions generated by people that they don't know.

With mobile applications, guests have an even more convenient and personal option of booking a hotel room, often in real time. Websites such as HotelTonight offer last-minute bookings at deeply discounted prices. Moreover, Priceline's "shake your phone" app points to hotels in the vicinity—making brand promotion and marketing efforts even more tenuous, or perhaps more critical. While it's true that spot discounting on mobile apps does fill unsold inventory, it also creates considerable market volatility, and it may interfere with a hotel's revenue management strategy.



Lulu Raghavan, Landor Associates

The entry of Google into the travel space, with innovative features such as location-based services, voice search, and visual search, promises to create new approaches in channel management. Considering the OTAs' commissions, Google's entry can be seen as a relief for hotel distributors. At the same time, giving Google too much power can have its own negative effects. Hotels are also diversifying themselves by communicating the sustainability efforts such as "Go Green" initiatives through various channels such as OTAs and Brand.com.

How Hotels Can Influence Purchase Behavior

Given the dynamic nature of these continuing challenges, the nature of hospitality distribution is of key strategic importance. Expedia's Ferguson explained the division in the market between customers who are familiar with hotel brands and those who are not. Uninformed travelers, who had no prior knowledge of the destination, constituted a majority of the consumers visiting Expedia. These consumers were attempting to learn about the available hotels in the region. They pay maximum attention to the name of the hotel, guest rating, price, and listed reviews. On the other hand, many loyal customers who have searched for a hotel on an OTA typically then switch to Brand.com to book their reservations directly. These observations were especially true for leisure travelers purchasing weekend accommodations. The behavior of those travelers with no prior knowledge makes the nature of online reviews critical. Fortunately, Ferguson sees a trend toward balanced reviews: "There is an increase in the number of shared positive reviews as against traditional negative reviews provided by consumers," he said. "More and more people also write about the wonderful experiences of exceptional services they had during the stay."



Neera Chanani, Caesars Entertainment Group (left), and Amruda Nair, The Leela Group



Sanjay Rai, Oberoi Hotels and Resorts

Instead of focusing on the negatives, hotels should attempt to focus emphasis on the positive comments and try to draw higher revenue from them.”²

Given the many price updates each day, Ferguson pointed out that promotions make a big difference and people do give a second look to packages and promotions. A well chosen promotion may change a potential guest’s choice from the time that person starts searching and the time the purchase is made. Even with the focus on price, it’s important to remember that location remains a major factor in hotel guests’ property selection.

Expedia’s research on consumer reviews shows the effect of increases in user review scores. Ferguson said that a one-point increase in review score has been known to increase ADR by 9 percent. A two-point increase in the review score is equivalent to a half-star rating plus a mile closer to the city center, in terms of the advantage in pricing. One practice that does not survive internet scrutiny, however, is overstating a hotel’s quality level. Rating inflation of particular hotels (which occurs when governments want to promote their home-grown hotels) can backfire when disappointed guests post comments saying that hotels have failed to deliver on the promised experience.

Social Media in India

In India, most business is still channeled through the global distribution systems (GDS). Seeing that this will soon change and the web will grow rapidly in India, one participant pointed out that now is the time for India’s hoteliers to determine how to gain return on investment from social me-

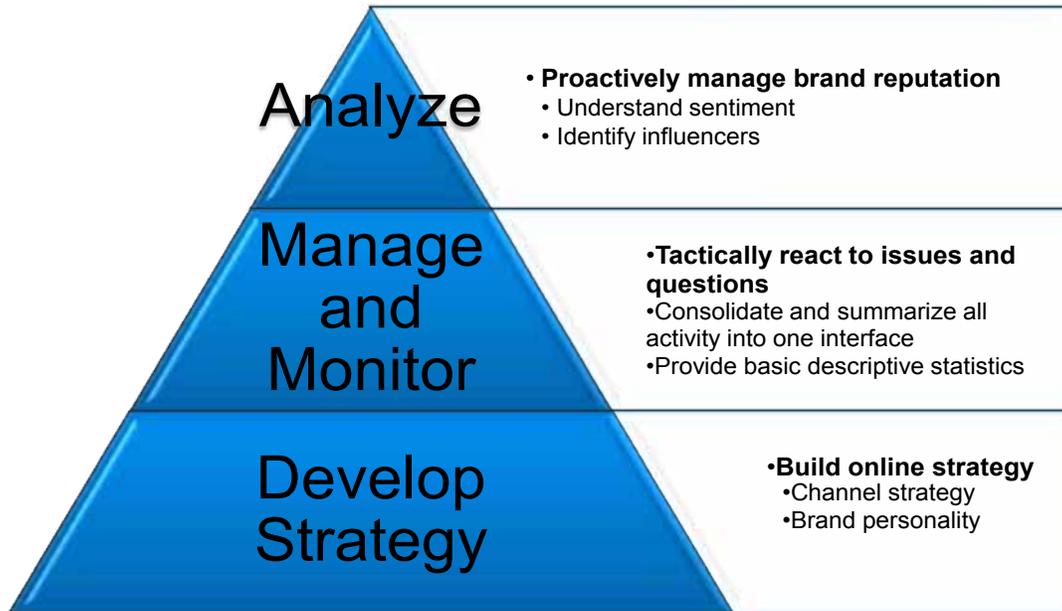
² A similar result was found in: Ioannis S. Pantelidis, “Electronic Meal Experience: A Content Analysis of Online Restaurant Comments,” *Cornell Hospitality Quarterly*, Vol. 51, No. 4 (November 2010), pp. 483-491.

dia—that is, before the wave breaks. At the moment, little direct information is available on that matter, and thus it may be too soon to place too much importance and resources into social media at this time. An industry has grown up to assist hospitality companies in addressing the information and analytical needs created by internet and social media. These companies provide support through web analytics and social media management. Such firms as Ideas/SAS can help revenue managers to keep track of their prices over a period of time, record how they fare against the competition, and determine what should be an optimum price level for a particular day. Such firms as newBrand Analytics assist with tracking and managing social media. Perhaps one of the most valuable applications of social media is to make sure that comments get back to appropriate managers so that they can rectify errors or gain appropriate credit for a job well done. Another participant pointed out that because of the internet a huge source of information now exists in the form of customers’ comments, and the industry’s way forward now involves incorporating customers’ views into operations.

Using Business Rules Engines (BRE) revenue managers can set up pricing scenarios to assess different pricing levels based on “what-if” variables, which can be changed as required. BRE analysis allows pricing based on various criteria, such as weekday versus weekend travel, or single traveler versus a family. This analysis enables revenue managers to develop a more segmented pricing strategy leading to higher profits.

Expedia has established a strategic approach to the sort factors for hotels, based on such factors as price, quality, and location.

Comprehensive social media program



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sas THE POWER TO KNOW.

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Social Media and Tech-based Innovations

No sooner than companies have come to grips with the internet and websites, they now must determine how to interact with consumers via social media and mobile devices. To realize the full potential of those platforms, firms need to strategically formulate effective policies and procedures. As Kelly McGuire, executive director, hospitality and travel global practice, SAS Institute, put it, “Marketing no longer dictates the path to purchase. Being relevant and engaging is the key.” She added that an effective social media strategy contributes to building and measuring customer loyalty. This can be stronger than formal loyalty programs, which are effectively becoming a commodity, since people are getting almost the same points and similar rewards from everyone. With social media one can gain more sophisticated measurement for measuring “real loyalty” of a guest towards a hotel.

An effective social media strategy should include the main steps shown in Exhibit 1, starting with developing strategy and then continuing with managing and monitoring postings and, finally, analyzing the social media content.

By strategically monitoring and analyzing customer behavior analytics hoteliers can track each consumer’s buying

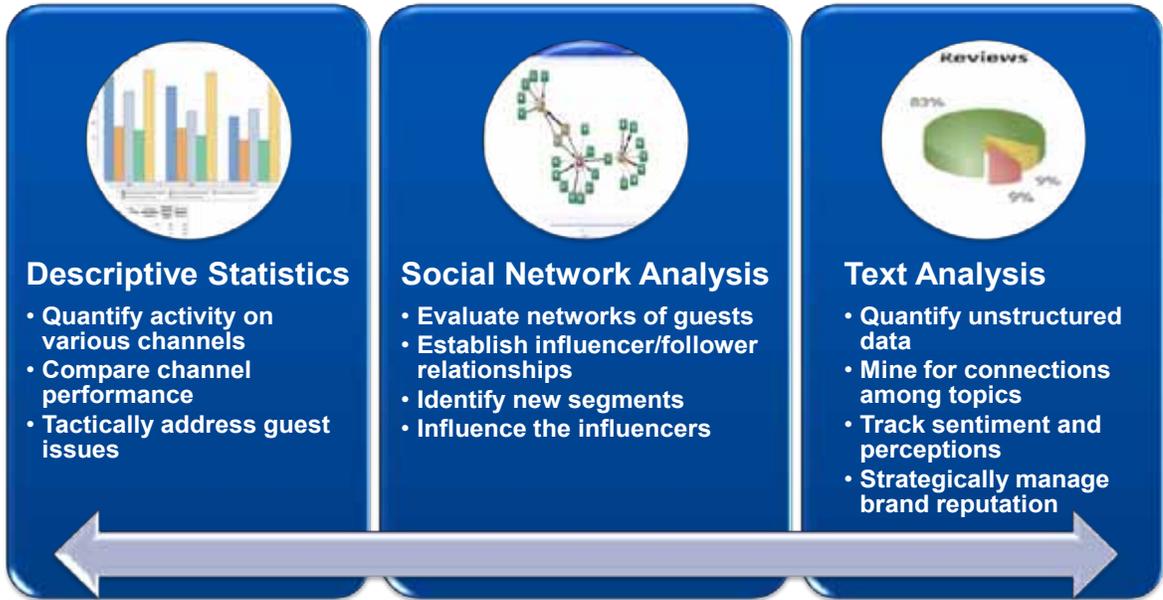
activities. Understanding each individual’s needs and preferences is of prime importance as each individual has her own way of communicating and each person portrays specific buying behavior. Thus, one person might research a trip using the internet or a mobile device, but that person may then abandon the potential itinerary thus developed—an outcome that is surprisingly frequent. By contrast, another customer may always contact the call center when she needs to book a trip. A company needs to understand the needs of these diverse customers and thus optimally market its products and services using the correct media and distribution channels.

With the growing inclination to use social media as a means to market services, the key thing to remember is that social media do not replace traditional media outlets. Rather, social media constitute a tool to customize the kind of business problem being addressed.

On balance, social media create a large pool of data, in the form of unstructured text data, images, audio, aggregate ratings, demographics, connections, and various impacts on consumers. The challenge inherent in this pool of data lies in framing a definitive structure for this highly unstructured data. Moreover, brands should try to determine how social media can support their brand strategy and pricing strategy.

EXHIBIT 2

Social media analytics categories



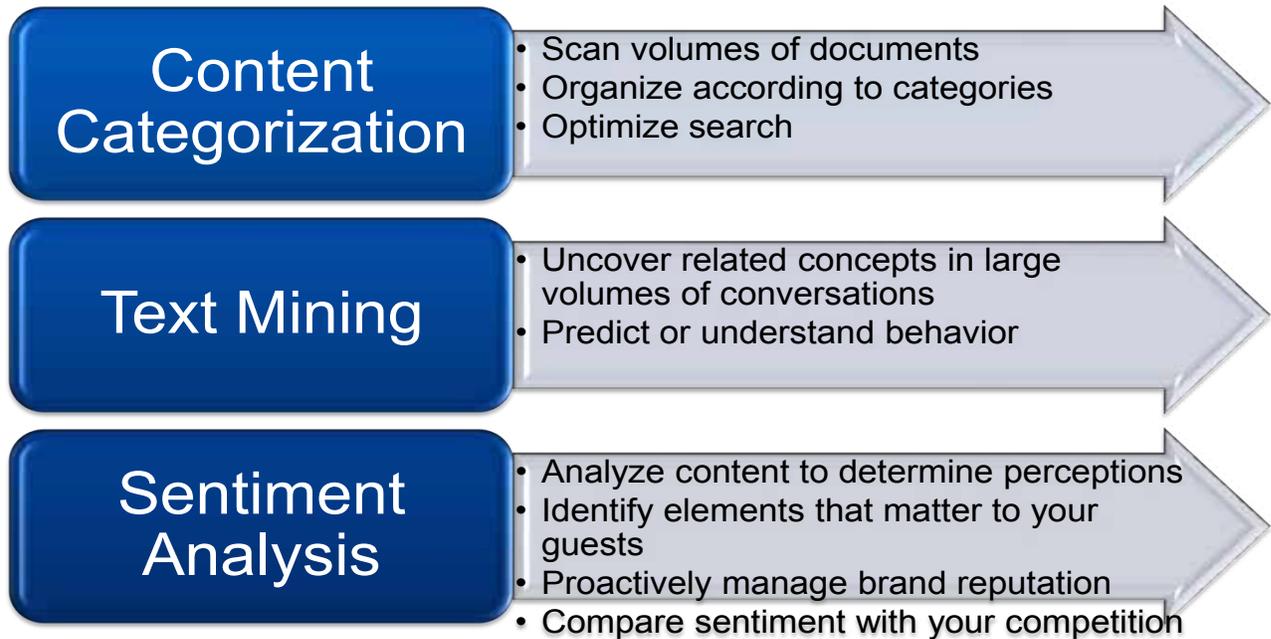
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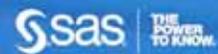
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EXHIBIT 3

Text analytics framework



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Social media analysis strategy

TIME ORIENTATION			
INFORMATION FLOW	SHORT TERM		LONG TERM
	INBOUND Customer-generated content	<u>Inform promotional and pricing decisions</u>	<u>Inform strategy development</u>
		1. Configuration and pricing of promotions and packages	1. Pricing 2. Customer relationship development 3. Distribution channel management
OUTBOUND Firm-generated content	<u>Drive demand creation and build brand awareness</u>	<u>Drive customer development and retention</u>	
	1. Execution of push strategies: rooms and ancillary revenue streams	1. Development of micro-sites targeted at specific customer groups 2. Engagement in social blogging	



Based on: Breffni M Noone, Kelly A McGuire, and Kristin V Rohlf, "Social Media Meets Hotel Revenue Management: Opportunities, Issues and Unanswered Questions," *Journal of Revenue and Pricing Management*, Vol. 10 (2011), pp. 293–305. Copyright 2012, SAS. Used by permission.

Instead of focusing on only having a social media strategy, they should be using social media as a tool in conjunction with the overall company strategies.

Social Media Analytics

Defining and measuring the effects of social media are crucial to the success of a business. For this purpose, SAS has developed and divided social media analytics into the three categories outlined in Exhibit 2, namely, descriptive statistics, social network analysis, and text analysis.

Text Analytics

A thorough analysis of user generated data is vital in order to understand the market place and understand the needs of the consumers. SAS helps to categorize the process as shown in Exhibit 3.

McGuire pointed out that SAS has found that companies are still lumping all social media aspects into a single

strategy—basically addressing all social media as a single category or class. However, a more productive approach is to focus on a specific business problem and to use social media analysis to address that problem. Moreover, social media do not exist in a vacuum, and thus must be considered in conjunction with other, “traditional” media activities.

The numbers of reviews are still comparatively low on social media channels. Hoteliers can take every possible opportunity to increase the number of reviews through this channel. For example, there are only about 100 to 200 reviews in a year for each of Lemon Tree’s hotels. This points to a significant need to develop a framework for evaluating opportunities in connection with social media. McGuire explained that SAS helps to draw that framework by establishing a relationship between information flow and the time duration, as shown in Exhibit 4.

Anil Aggarwal, CEO of Milestone Internet Marketing, expanded on McGuire’s analysis of social media. He recom-



Kelly McGuire, Executive Director, Hospitality and Travel Global Practice, SAS Institute, presented strategic elements of social media analysis.

mends that hotels create a social media marketing plan. Included in such a plan would be information on what's happening in the hotel's destination area, as well as allowing customers to become aware of the product. Because of Google's model as both a search engine and an advertising medium, Aggarwal believes that Google is the lowest cost marketing company available. Using Google analytics, marketers can learn about the needs and wants of the consumers and determine ways to optimize their websites and other postings.

Aggarwal emphasizes the fact that a consumer can connect digitally with a company in three different ways. The future of marketing on the web and through social media can be described in a strategy he calls "SoLoMo," standing for social, local, mobile.

The local aspect of the strategy involves communication about the locality shared through established internet channels, such as the web, images, maps, reviews, videos, news, and blogs. These web-based activities require a company to set up an effective Brand.com site but also to conduct daily analysis of reviews posted on websites such as Tripadvisor, Yelp, and similar sites.

The social communication aspect of the strategy involves consumers more intimately, as they share their opinions through social platforms such as Twitter, Facebook, and Google+. At minimum, companies should maintain

an active twitter profile, a well-established, active Facebook page, and photo sharing accounts on Flickr, Panoramic, and Picasa.

Tremendous growth and change characterize the mobile aspect of the strategy, where the consumer is in motion or perhaps traveling when she uses applications such as Google places, Yelp check in, or Tripadvisor from a mobile device, often for immediate confirmation of new or changed travel plans. A presence via mobile apps is critical, and companies can address this channel with such applications as Four-square business page, Yelp business with deals, Bing, and Google Places.

Aggarwal stressed that a social media marketing plan should include analysis relating to tangible results (essentially, computing ROI) and competitive analysis, as well as keeping track of a content calendar, type of content, and how content was disseminated, including which channels and tools are used. The key idea is to develop an understanding of the social media strategy for the managers to effectively implement it in the hotel operations. Rather than just setting up a Facebook page as a general marketing tool (and because everyone else did so), hospitality marketers need to understand the penetration factor for each of the social media tools and apply accordingly. Roundtable speakers cautioned against exclusively applying Western interpreta-



Professor Rohit Verma (left) with Vikram Oberoi, Oberoi Hotels and Resorts



K.S. Srinivastan, The Taj Group

tions for the role of social media. Given the differences in Asia's societies, they see a likelihood that the role of social media will take a different form in India, especially given the informal community of interaction that one finds in the Indian community.

Participants pointed to social media ROI as a critical point. They see the main question as being whether there's a way to achieve ROI on social media. Despite all the hype surrounding social media, the record to date shows hardly any tangible output. With this observation comes a warning against according too much importance to social media, which would waste company resources. Part of the issue for India's hotels is that the web is not yet as dominant in India as it is in other locations, and hotel rooms are currently distributed mostly via GDS. That is soon due to change, participants believe.

The web's immaturity in India creates an opportunity for the nation's hoteliers. Some participants see social media as important to establishing and maintaining competitive advantage, since it is part of the service co-creation process. Consumers' insights can be a key factor in delivering the brand promise. Because the web is just now taking hold in India, the questions of how to use social media effectively are now coming to the fore. Product and service differentiation must be a key focus, since technology cannot drive business home. Ultimately, it's the product sold which helps in getting the revenue for the company.

Another participant suggested that social media will promote the industry's long-term goal of being directly in touch with the customers to get credible feedback. Social media constitute the closest and the best outlet available to get that feedback. This is occurring against a backdrop of brand commoditization. Even good service may not be the

differentiating factor it has traditionally been, since good service is expected and taken for granted by consumers. Price remains a top consideration for business travelers, but price is not the only factor that travelers consider.

Consequently, a key for brands is to determine what they can do in the current situation to differentiate themselves and drive home their competitive advantage. Thus, each brand has to determine its differentiating factor and then decide how to communicate that to the guest, particularly with a goal of charging a premium price for the service rendered. Brands must determine what can be done beyond the service to bring in business.

Another speaker underscored the importance of developing a brand, in the context of hotel firms generally and luxury brands in particular. The brand carries about 80 percent of the weight when customers are considering whether to buy luxury goods, as compared to about 10 percent when the purchase involves a commodity-type product. Thus, the brand plays a key role in consumers' purchasing patterns. Beyond that, customers' reviews are typically based on the brand experience, which means that delivery of the promised brand experience is critical. Ultimately, this effort affects hotels' ADR.

One participant's prescription for overcoming hotel commoditization is creating emotional customer value. The brand must create an ethos as part of its lifetime connection with the customer. This element of brand management helps to move the customers' purchase decision beyond price and helps in charging premium prices. Hoteliers should not overthink the concept of excellent service. Customers will appreciate service that is simple but incredibly prompt and appropriate, as occurs with Indigo Airlines, for instance. Although location remains a consideration, an effective motto



Vijay Vigaratnam, Sathguru Management Consultants



Patrick Andres, Sabre Hospitality Solutions, with Suborno Bose, Indismart Group

might be destination, destination, destination, rather than the more familiar location, location, location.

India's market is due for additional change. Traditionally, India's hotel industry was dominated by two or three big hospitality companies. Now the landscape is changing as international chains have arrived and started awarding franchises.

Many participants see considerable potential in social media, under the idea that social media provide an effective set of tools and adequate platform for companies to gain competitive advantage. Hotel operators can, for instance, publish blogs on the Brand.com site that will help attract customers. Also, links to other webpages such as Tripadvisor can help create credibility about the firm among consumers. Social media can be a management tool, and GMs must be aware of the consumers' comments and complaints that appear on the social media outlets. One of the biggest potential sources of information comes from the customers. Hence, incorporating what customers want is the way forward for hotel operators and managers. One critical issue is whether the GM can rectify problems that are reported on social media sites. Furthermore, guest comments from various sites should be included in management evaluation, such in Balanced Scorecards.

Participants agreed that attempts to compete on price are destructive, especially since the internet has made access to information on prices for airlines and hotels easy to find and convenient to compare. Two possible strategies are to develop a solid brand and to increase loyalty. As an example, airlines encourage loyalty by providing extra services for the

amount of loyalty shown by a guest in the form of subsequent ticket purchases in a given time period.

Social Media Strategies for Consumer Value

To sum up, a comprehensive social media program for a hotel needs to be more than a Facebook page or an established twitter account, although those are essential. As explained by McGuire, developing a social media program involves a rigorous process that can be summarized in three steps:

- (1) *Develop strategy.* The first task is to build an online strategy by creating specific channel strategies. This is unlike setting a general strategy common for all the channels. Hotels should focus on building brand personality on web and communicating that same personality to the targeted audiences.
- (2) *Manage and monitor.* Inevitably, one must tactically react to issues and questions raised by the consumers via the web and social media. Further, consolidating and summarizing all activity into one interface helps in providing basic descriptive statistics.
- (3) *Analyze.* Proactively managing brand reputation, understanding sentiments of the consumers, and identifying influencers to promote your product form the key features in this step.

Finally, given the vast applicability and implications on consumer profiling, the scope of social media is not limited to marketing only. It can be applied across the business and used by HR for employee policies and procedures, operations, and revenue management decisions. ■



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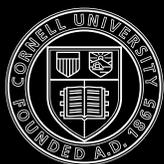
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