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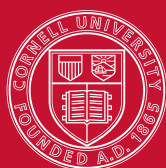


How Travelers Use Online and Social Media Channels to Make Hotel-choice Decisions

Cornell Hospitality Report

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by Laura McCarthy, Debra Stock, and Rohit Verma, Ph.D.



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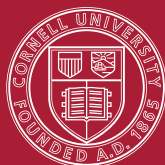
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by Laura McCarthy, Debra Stock, Rohit Verma

ABOUT THE AUTHORS

Laura McCarthy holds a Bachelor of Science degree from the Cornell University School of Hotel Administration, and a minor in Spanish from the College of Arts and Sciences. She currently works on a web marketing team at TIG Global, a hotel internet marketing company based near Washington, D.C. She has work experience with Octagon, a sports and entertainment marketing firm, and she worked in London, England, on the sales and marketing team at the Grosvenor House, A JW Marriott Hotel. At Cornell, Laura was heavily involved with serving the local Ithaca community for three years as she participated in a mentorship program for children in partnership with Big Brothers Big Sisters of America.



Debra Stock is a market manager for Expedia, Inc., in Washington, D.C. and a recent graduate from the Cornell University School of Hotel Administration. She has experience in front office operations at the Fairmont Copley



Plaza Hotel in Boston, and in sales and marketing as a manager for Hotel le Bleu and Hotel le Jolie in New York City. During her time at Cornell, Debra was actively involved on campus as a guest speaker on distribution systems for HSMAI and in her role as a Hotel School Ambassador, hosting speakers and visiting companies, giving tours of the Hotel School to prospective students and alumni, and mentoring freshmen. She is still actively involved as an alumna and is currently chair of the events committee for the Cornell Hotel Society Washington DC/Baltimore chapter.

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EXECUTIVE SUMMARY

The phenomenal rise of social media as a factor in travel plans is a Janus-like development for operators of hotels, restaurants, and other travel industry businesses. On one hand, social media have created a new distribution channel and opened a deep well for marketing research. On the other, however, social media have changed the way travelers determine where they will stay—particularly leisure travelers. Hospitality firms need to understand consumers' attitudes toward social media, and find ways to use the depth of information available on social media sites. For example, hotels can interact with their customers on such websites as Facebook, Flickr, Twitter, and YouTube, by sharing information, watching for service failures to correct, and to refine their brand.

The study presented here takes a snapshot of the rapidly changing field of how consumers gather information and make their decisions regarding travel purchases, based on responses of 2,830 recent travelers. With regard to gathering information for a hotel stay, the principal dividing line occurs between business travelers and leisure travelers. Business travelers often use the hotel recommended by their company, although many of them use search engines or online travel agents for their hotel search. Recommendations of friends and colleagues are less important to business travelers than they are to leisure travelers, who cited personal recommendations from friends and families as far and away the chief source of information, followed by travel related websites, search engines, and OTAs. Once the information is gathered, however, travelers of all kinds turn more to such sources as the brand website, OTAs, and TripAdvisor. Late in the decision process, the respondents tended to land on the brand websites or go to an OTA, where they can book their room.

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The year 2010 may be remembered for many of its events, including a U.S. tax revolt, unprecedented leaks of international diplomatic secrets, and an epic mine rescue. But when *Time* magazine made its annual choice for person of the year, it was not the Tea Party, Julian Assange, or the Chilean miners—although they were all candidates. Instead, 2010 was the year of social media, and *Time* announced Facebook creator Mark Zuckerberg as the person of the year.¹

¹ See: http://www.time.com/time/specials/packages/article/0,28804,2036683_2037181,00.html.

The power of social media that is represented by this announcement is no surprise to the hospitality and gaming industry, or to its related service businesses. Given the industry's continuing interaction with social media and other online media, the advisory board of the Center for Hospitality Research (CHR) strongly recommended a research goal of exploring different facets of the internet and social media as they evolve. This report, which examines hotel customers' use of and attitudes toward social media, is part of that research effort.

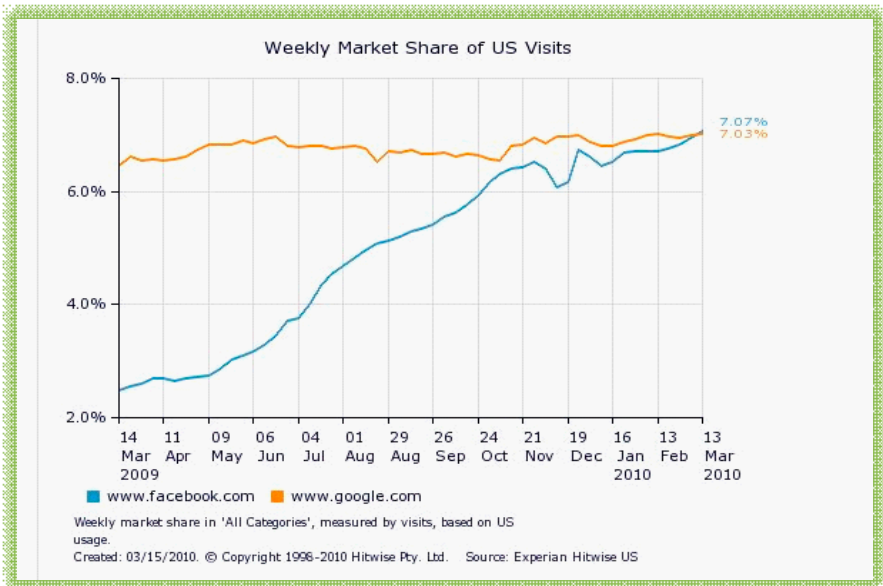
Social Media at CHR Roundtables

CHR has also organized roundtables and conference presentations to explore and exchange ideas and research that are related to social media and other online information sources for hotels. We began our exploration of social media early in 2010 by organizing an Industry Roundtable in Singapore (co-sponsored by Cornell Nanyang Institute for Hospitality Management) on the topic of "Ratings and Rankings" to explore the evolving relationships between formal online rating services (e.g., Forbes Travel Guide) and social media sources (e.g., Trip Advisor).² The roundtable participants believed that hospitality operators are caught between their effort to meet the standards of international rating organizations and the need to respond to comments on social media websites, which are impossible to anticipate. At the same time, the roundtable participants reflected on the importance of maintaining standards set by international rating services, such as AAA, Forbes, and Michelin. Although ratings and rankings (both formal and informal) can be a benefit to hotels and restaurants when they are positive, they also present complications—particularly when comments are unexpectedly negative. To make matters even more challenging, hotels and restaurants have no way of knowing the basis of comments posted on social websites, unlike the ratings from established agencies. Some websites, such as TripAdvisor, limit comments to those who have actually used the service, but that may not be true of other sites. While recognizing the complexities and ambiguities surrounding social media ratings, the roundtable

² See: Rohit Verma and Russell Arthur Smith, "The Quest for Consistent Rankings," *Cornell Hospitality Roundtable Proceedings*, Vol. 2, No. 2 (2010); <http://www.hotelschool.cornell.edu/research/chr/events/roundtables/rankings.html>.

EXHIBIT 1

Comparison of visitors to Facebook and Google



participants concluded that the most powerful promotional tool is word of mouth from a friend, and social media are an extension of this.

In May 2010, the social media dialogue resumed during the CHR's Marketing Roundtable in Ithaca. By this time, Facebook had famously overtaken Google as the website with maximum number of unique visitors per week (Exhibit 1).³ At the same time, the hospitality industry continued to grapple with the effects of social media—both in terms of how customers use these media and how hospitality organizations can interact with their customers. Roundtable participants agreed that hospitality operators should carefully listen to their customers and adapt their offerings and messages accordingly.⁴ Cornell senior lecturer Jan Katz pointed to the opportunity that hotel and restaurant operators now have to respond to potential customers' preferences, as expressed on social media sites. Even though hotels and restaurants have many issues in common relating to social media, roundtable chair Lisa Klein Pearo observed that the social media strategies for hotels and restaurants must be treated separately, because the consumer decision processes are different for hotels and restaurants. Initial findings from the research presented in this report were presented at this roundtable. We found that hospitality guests place more weight on consumer reviews than they do ratings from the established organizations.

³ Hitwise.com, March 15, 2010).

⁴ See: <http://www.hotelschool.cornell.edu/research/chr/events/roundtables/marketing.html>.



⁵ See: <http://chrs.hotelschool.cornell.edu>.

For YouTube, Aggarwal reminded hotels to embed videos in their websites. Not only does this make the page

interesting but it increases the video's popularity on search engine pages. He suggested that hotels build video and page content according to would-be customers' most frequent search topics.

Advertising has no place on a Flickr page, in Aggarwal's view. Instead, this is the location for informational images that accurately depict the property, without undue promotion. Finally, for hotels' Twitter accounts, Aggarwal proposes creating a customer backdrop and sending out daily messages. Above all, these efforts should be integrated.

Intelligent listening. One current best practice for social media is for companies to analyze trends in the social media universe. The well known consumer research firm J.D. Power and Associates does this by using tools that put consumer comments into context. Stuart Greif, vice president and general manager of global travel and hospitality practice, explained that his firm conducts three types of analysis: consumer demographics, market and trend analysis, and innovation analysis. As Greif points out, the internet constitutes a focus group of millions of people who provide information without being prompted.

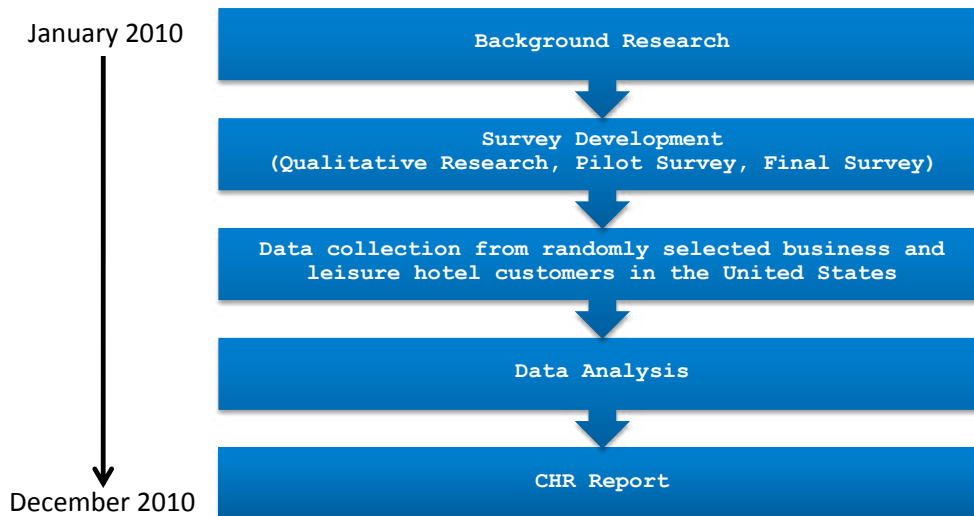
Customer relationship management is a major aspect of social media, according to Michael Wooden, senior vice president, business process solutions at ACS (a Xerox company). In his view, social media create a golden opportunity to improve customer service at a modest cost. As one example, he pointed out that instead of focusing on marketing, hospitality firms can watch for and respond to customer complaints as early as possible to allow for speedy service recovery.

Legal issues. Perhaps the greatest legal concern for corporations is maintaining control of employees' use of social media sites. David Sherwyn, associate professor of law at the Cornell School of Hotel Administration, pointed out one of the great pitfalls in creating a social media policy—it must be one that legal counsel recommends. Needless to say, inappropriate postings can cause considerable damage, so Gregg Gilman, of Davis and Gilbert, recommends the following best practices: social networking on company time and with company equipment should be regulated, with proper use specified; and employees should be reminded that there is no such thing as privacy on the internet, so it is no place for confidential information.

Next Gen. Hospitality firms such as *Forbes Hotel Guide*, Hilton Worldwide, and McDonald's are all developing new strategies that intersect with customers' use of social media, as explained in the CHRS session on next generation social media. Hilton, for example, has developed mobile apps for its brands, all of which are on Facebook, according to Kevin Jacobs, senior vice president, corporate strategy. Over 80 percent of Hilton's guests are traveling with a mobile device, and more than 40 percent use their mobile to search

Social media constitute a focus group of millions of people who provide information without being prompted.
—Stuart Greif, J.D. Power and Associates

Research timeline



for travel accommodations. Those travelers also use their smart phone to check in—or would do so if possible. Jacobs explained that Hilton's social media strategy includes a website based on best practices, comprehensive monitoring, promoting the mobile app for all brands, and distribution of iPads to all hotel owners.

For McDonald's, social media provide another window into customers' wants and needs. As explained by Steve Levigne, vice president, U.S. strategies and insights, McDonald's does not lack for material, since someone is posting or talking about the firm every seven seconds on average. The challenge is to filter those many conversations to identify key threads. The firm's "insight portal" has allowed it to assess new product introductions from internet comments, including sweet chili sauce and frappes and smoothies. Additionally, social media create a buzz for the McDonald's brand and its products.

As pointed out in the Ratings and Rankings Roundtable, the one great disadvantage of comments on social media sites is that users do not know what criteria are being applied to commentaries relating to any particular hotel or restaurant visit—or, indeed, whether the poster ever visited the place. *Forbes Travel Guide* is developing a new approach, which it calls the 3.0 Travel Platform, to address this issue. As presented by Shane O'Flaherty, president and CEO, the website will combine expert assessments of restaurants and hotels with customer comments, to provide a more complete and reliable picture of each property.

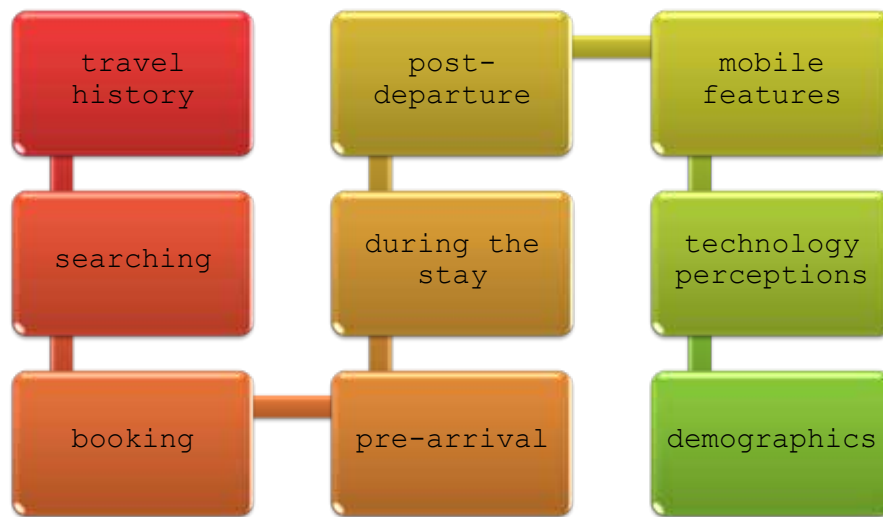
Engagement. Keynote speaker Adam Goldstein, CEO of Royal Caribbean International, outlined a sophisticated approach to social media that is informed by the term engagement. In addition to monitoring comments about its ships on social media sites, RCI's Goldstein writes his own blog, and responds personally to comments sent to him, as appropriate. RCI has also created YouTube "webisodes" regarding its flagship *Oasis of the Seas*, which had received 700,000 hits as of his speech in October 2010. The company's goal in customer engagement is to "co-create" the RCI brand, by incorporating customers' suggestions—sometimes on the spot. As an example, Goldstein explained that guests' suggestions from post-cruise surveys for RCI ships that dock in South Florida can be implemented on the next departure.

Intersection: Social Media and Hospitality

Recognizing the ambiguities and anxiety surrounding social media, CHR commissioned a research project to explore how the proliferation of social media has changed customer preferences in the hospitality industry. We were also interested in studying how customers' choices for hotels are being influenced by information (both negative and positive) presented through internet search engines, hospitality rating websites, and social media websites. The second objective of the study was to explore evolving customer preferences for the hospitality-related innovations due to mobile communications technologies. In this first part of the two-part series report, we describe the results related to social media portion of the research.

EXHIBIT 4

Research question flow



Research Approach

We started this research by first reviewing past research related to how customers search for and choose hotels online; the relationships between customers' demographics and their travel behavior; the similarities and differences between business and leisure travelers; and the relationship between travel preferences and individuals' willingness to adopt new technologies.⁶ Next, we conducted in-depth interviews with a small number of industry and academic experts to further expand the ideas identified during the earlier literature review. We then developed a pilot survey that we administered to nearly 500 randomly selected business and leisure customers. The results from the survey were analyzed to refine the questionnaire further. We eliminated ambiguous and repetitive statements from the survey and also reduced its length so that the survey could be completed in approximately fifteen minutes. The major stages of the research project are summarized in Exhibit 3.

The final survey instrument consisted of nine parts. The first part of the survey included questions about an individual's past travel behavior during the past one year. The questions asked them to indicate the number of nights they have stayed at different types of hotels (from budget to luxury hotels) and percentage of business trips they took

compared to their leisure travel. The second section of the survey asked the respondents to indicate how they search for information related to hotels when they travel for business or leisure. Specifically, we asked them to indicate what methods (both online and offline) they commonly use to search for information during the early, middle, and late stages of their shopping process. We also asked them to indicate the customer review or social media sites they visit and to rate the relative importance of various features of the hotels' websites (e.g., photos, videos, map, reviews by past guests) when searching online. The remainder of the survey asked more specific questions related to the booking, pre-arrival, stay and post-stay experience during their most recent trip; questions related to mobile innovations that can be potentially offered by hotels; and questions representing the abbreviated technology readiness scale and demographics. The flow of questions within the survey instrument are described in Exhibit 4.

After the survey instrument was finalized, we conducted a nationwide online survey of a balanced sample of 4,000 business and leisure hotel customers within the United States. A well respected sampling company provided us with the sample, which was designed to represent the U.S. population based on multiple demographic criteria. We only wanted responses from people who had recently stayed in a hotel. Therefore, an early question disqualified those who had not stayed in a hotel at least once during the prior six months. We received a total of 2,830 usable responses, from a group that had slightly more men (55.1%) than women. The sample was well representative of different regions of the country and various demographics categories.

⁶ Rohit Verma, Liana Victorino, Kate Karniouchina, and Julie Feickert, "Segmenting Hotel Customers Based on the Technology Readiness Index," *Cornell Hospitality Report*, Vol. 7, No. 13 (2007); Rohit Verma, "Unlocking the Secrets of Customer Choices," *Cornell Hospitality Report*, Vol. 7, No. 2 (2007); and Chris K. Anderson, "The Billboard Effect: Online Travel Agent Impact on Non-OTA Reservation Volume," *Cornell Hospitality Report*, Vol. 9 No. 16 (2009). www.chr.cornell.edu.

EXHIBIT 5

Hotel information sources for business travelers

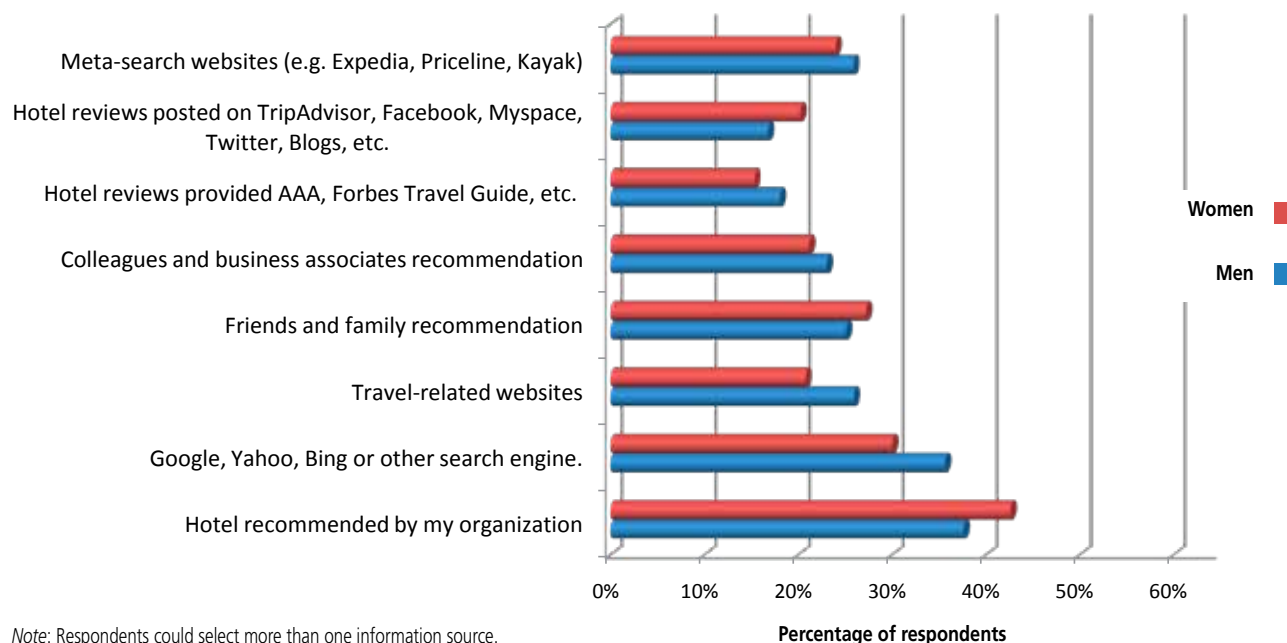
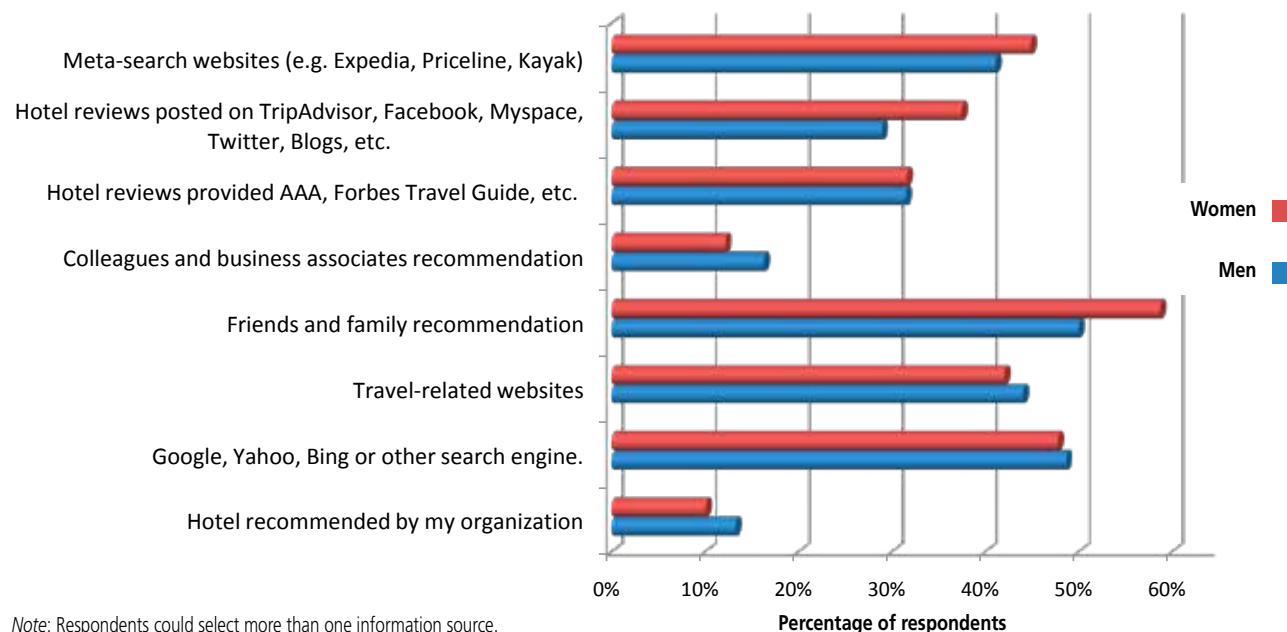
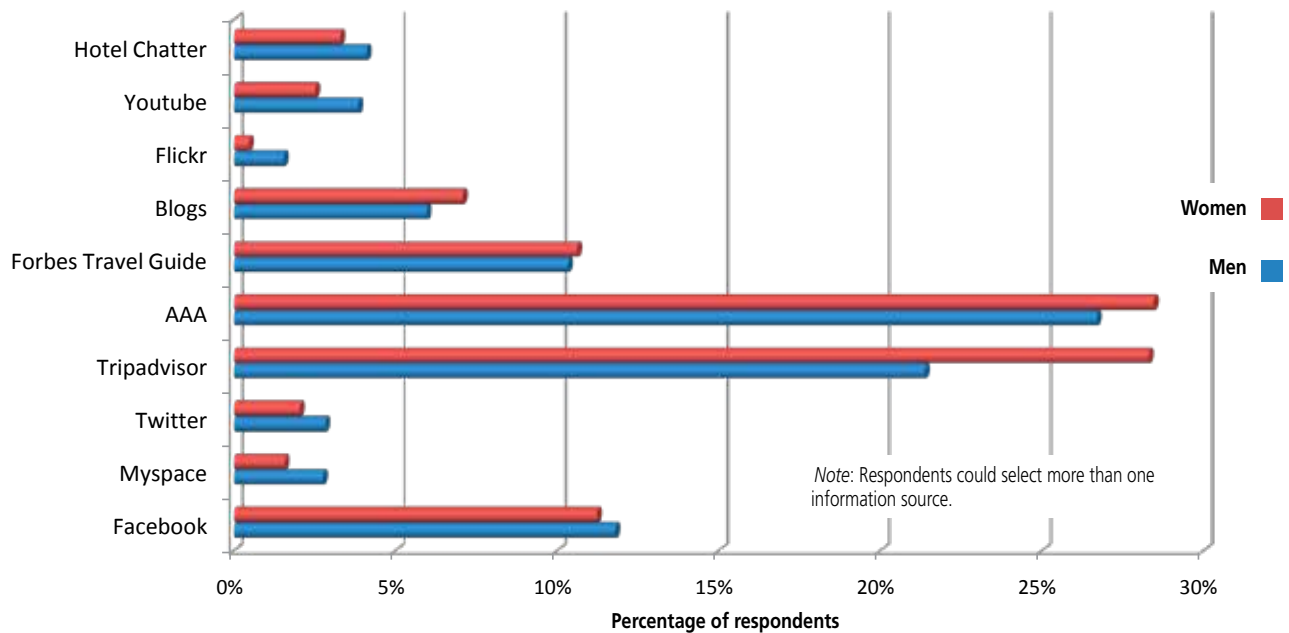


EXHIBIT 6

Hotel information sources for leisure travelers



Most frequently consulted social media and customer review sites



Results

Because our purpose in this report is to explore the impact of social media on evolving customer preferences within the hospitality industry, we present selected results that are related to social media (both pre-purchase and post-stay), and how customers search for information related to hotels during their shopping experience. A subsequent report will cover the remaining issues regarding desired hospitality innovations.

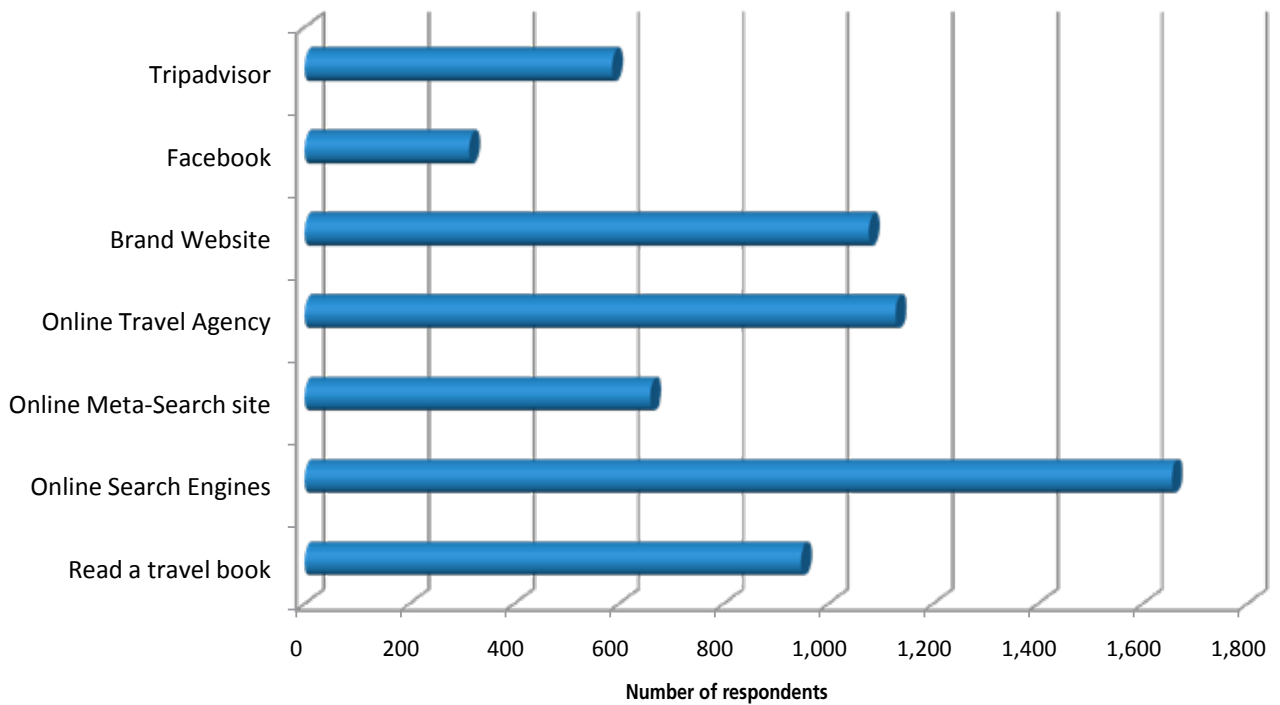
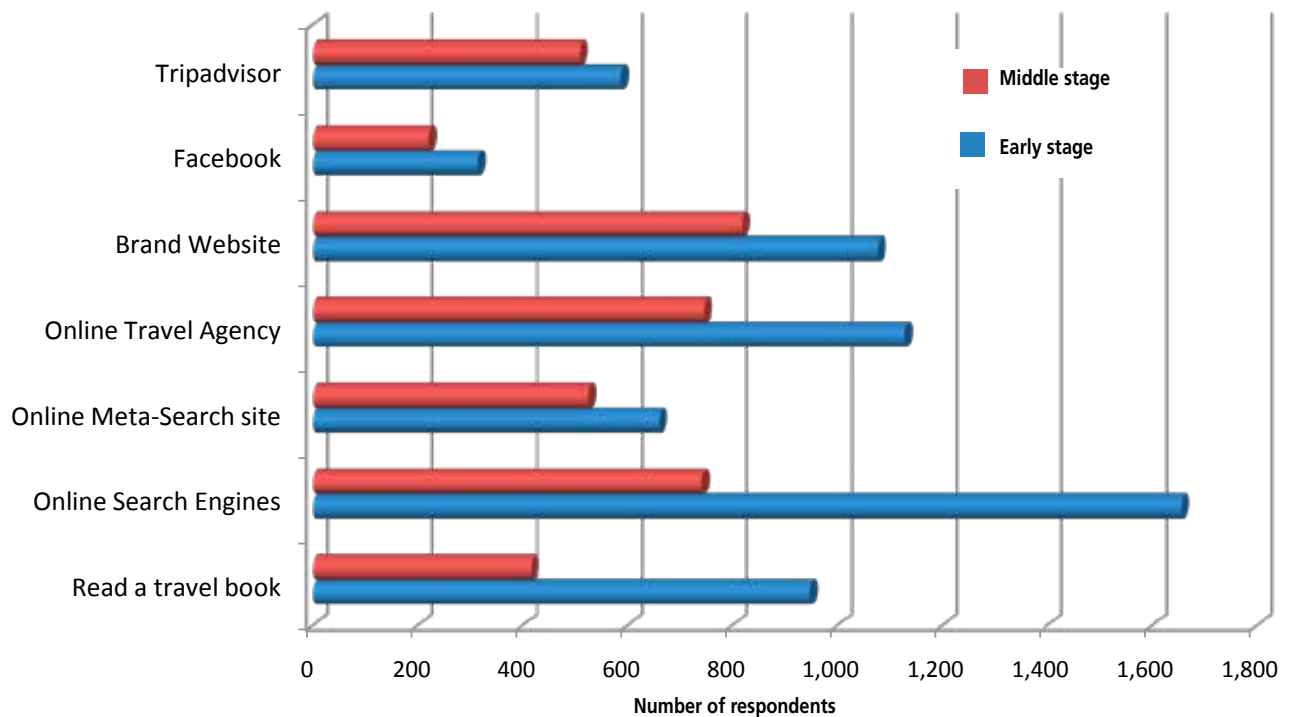
Information-search differences. The literature review and qualitative research had indicated that individuals use different information sources when planning travel for business and leisure purposes. In particular, researchers had indicated that when planning for a leisure travel, a consumer is more likely to consult their friends and family (*i.e.*, word-of-mouth) compared to when the trip is for business. As shown in Exhibits 5 and 6, we found that the differences between leisure and business travel are indeed considerable.

Business travelers clearly rely first on their company's recommendations (perhaps because they are required to do so), although many check with search engines (Exhibit 5). Analyzing the results for business travel, it is clear that there are minimal differences due to gender when searching for information. Furthermore, it appears that approximately 40 percent of travelers select the hotels recommended by their organizations. While there are slight differences between the

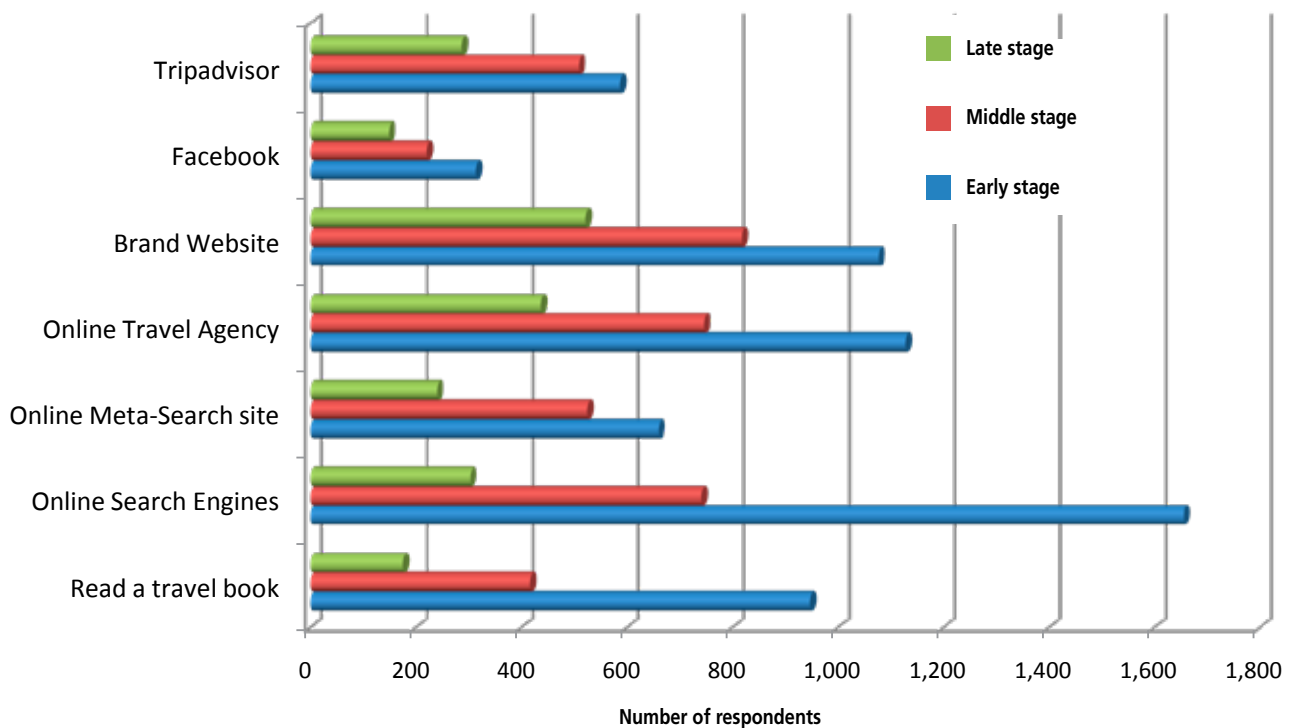
relative attractiveness of other sources, there is no other clear preferred source for business travel information search.

By contrast, leisure travelers cast a much wider net in determining where they will stay (Exhibit 6). As suggested above, they look first to recommendations from friends and family as the most used information source, especially for female travelers. Compared to business travel, a significantly higher number of respondents employ search engines (notably, Google, Yahoo, and Bing), travel related websites, and meta-search web-sites (such as Expedia, Priceline, and Kayak) as possible information sources. In general, with the exception of hotels recommended by their organizations, and recommendations by business colleagues, a leisure traveler more frequently consults all other sources. These results indicate that a leisure traveler typically uses many more sources for hotel information than do business travelers.

Women's due diligence. As a follow-up to the previous questions, the respondents were asked to indicate which social media or customer review sites they consult when searching for information about hotels. As shown in Exhibit 7, women are significantly more likely to read a review on TripAdvisor compared to men. While women are equally likely to read both professional reviews (*e.g.*, AAA) and customer reviews (*e.g.*, TripAdvisor), men are more likely to rely on the professional reviews. It is also interesting to note that *Forbes Travel Guide*, a well established professional review

EXHIBIT 8**Information sources consulted in the early phase of a hotel purchase decision****EXHIBIT 9****Information sources consulted in the beginning and middle phases of a hotel purchase decision**

Information sources consulted in the all three phases of a hotel purchase decision



site, is only consulted by 10 percent of the respondents. We must note, however, that although this rating service has been in existence for many decades, its name is relatively new and may have been unfamiliar to respondents.

Information-search continuum. Research in decision modeling has shown that a decision maker initially considers many alternatives; eliminates some of the unlikely choices; and develops a final choice set from which the would-be customer makes a final selection.⁷ Extrapolating the same conceptualization to information search about hotels, we can expect that a larger number of customers will use multiple sources during the early stages of a shopping process. As they gather more information and as their preferences are more defined, they will gravitate towards a more tightly defined set of channels where they are more likely to make their final choice and book their room.

We found that to be the case. Exhibit 8 shows that during the early stages a majority of customers begin their search with an online search engine. Furthermore, a substantial number (about one-third of respondents) indicated that they visit brand websites, online travel agencies (*e.g.*, Expedia, Travelocity) and read travel books during the early stages of information search.

⁷ Verma, "Customer Choice," *op.cit.*

Narrowing the search. Exhibit 9 superimposes the results for the middle information-gathering stages onto early stage search results. First, we notice that a slightly smaller number of respondents choose various search alternatives. Furthermore, we notice that during the middle stage, online search engines are no longer the dominant media, although they are still consulted. At this point, hotel brand websites and online travel agencies become more prominent. During this stage customer reviews posted at Tripadvisor and meta-search sites are also used in relatively high proportions.

Decision time. Exhibit 10 adds the results during the late stages of information search. By this time the customers have most likely eliminated several alternatives from consideration and are looking for possible channels to confirm their decision regarding a hotel, and they will want to make a reservation. Therefore, a considerably smaller number of respondents use information search during the late stage compared to middle and early stages. Furthermore, we notice that hotel brand websites and online travel agencies are more preferred during later stages, probably because they allow customers to finalize their booking.

The Impact of Customer Reviews

We have already alluded to the phenomenal increase in travelers using customer reviews on social media websites

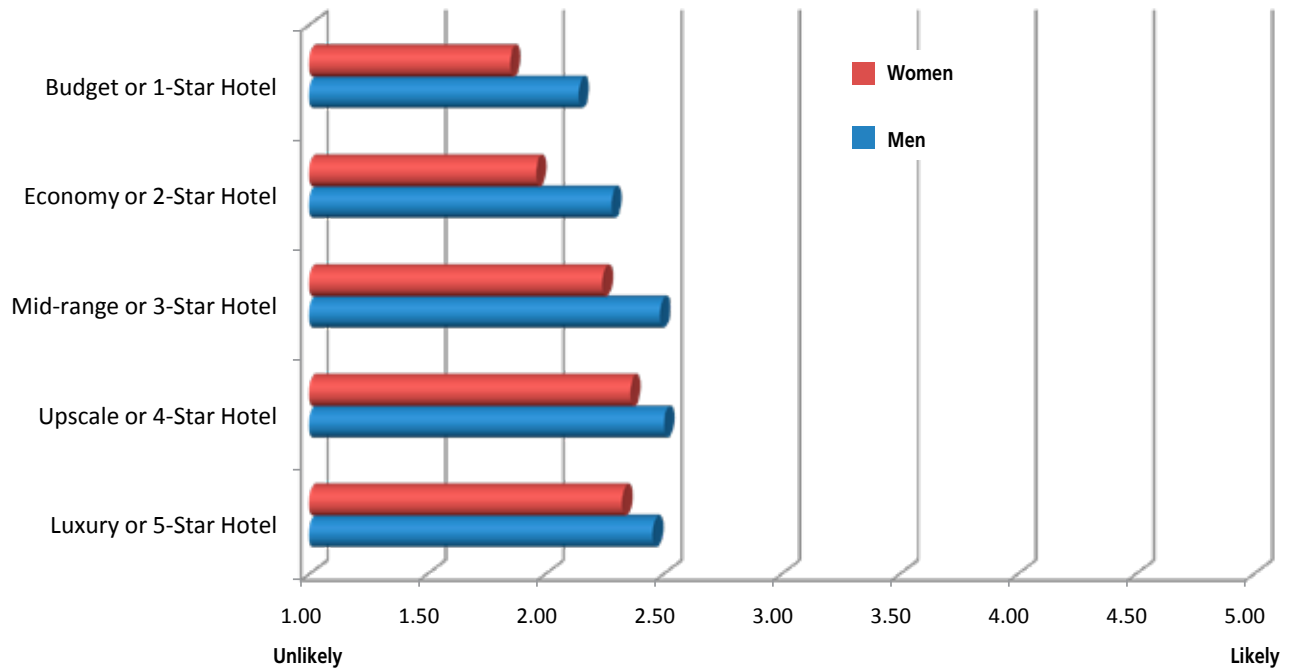
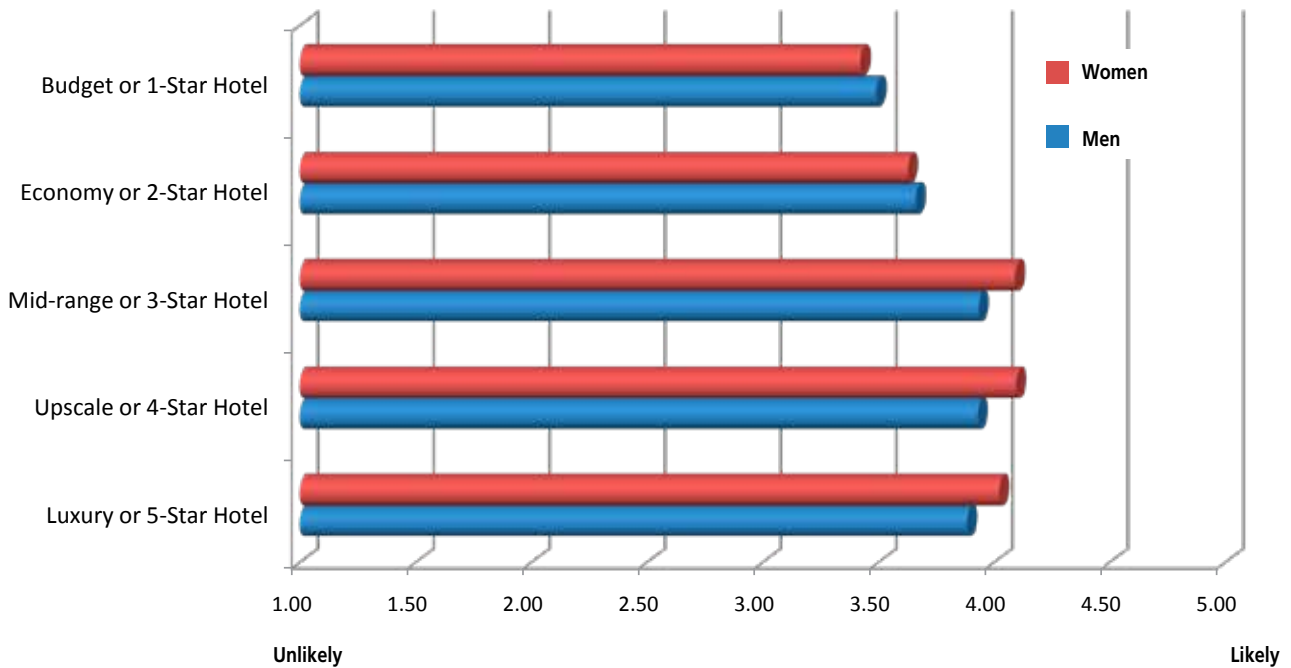
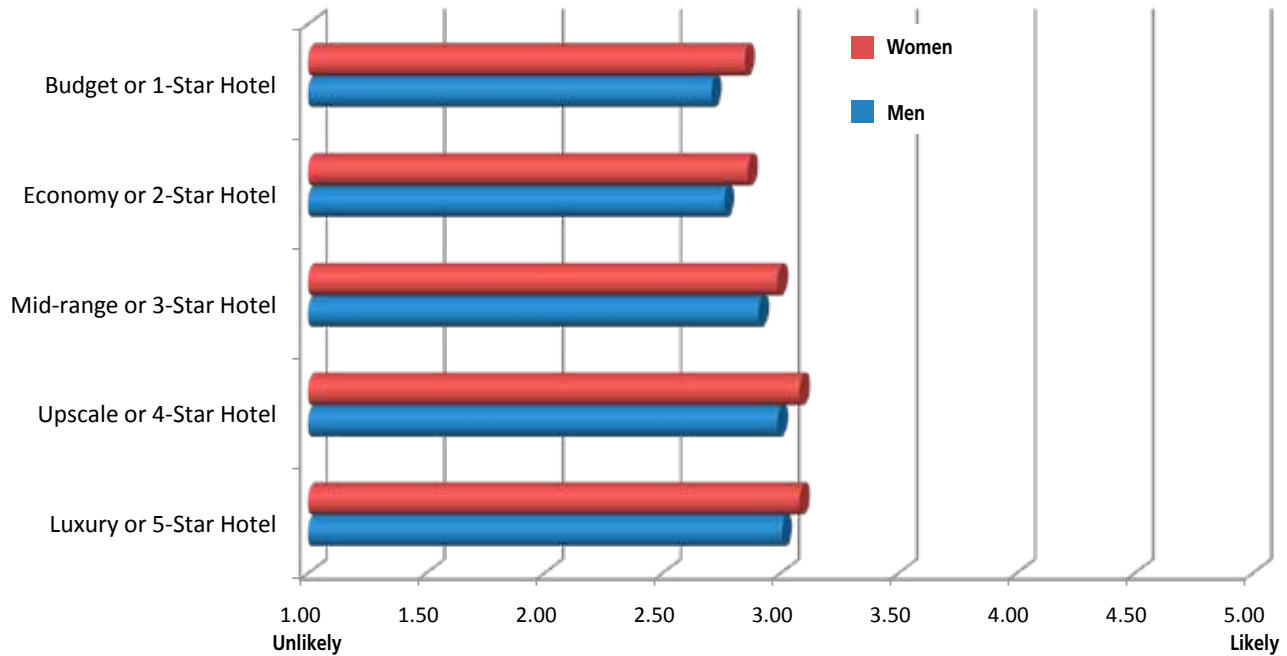
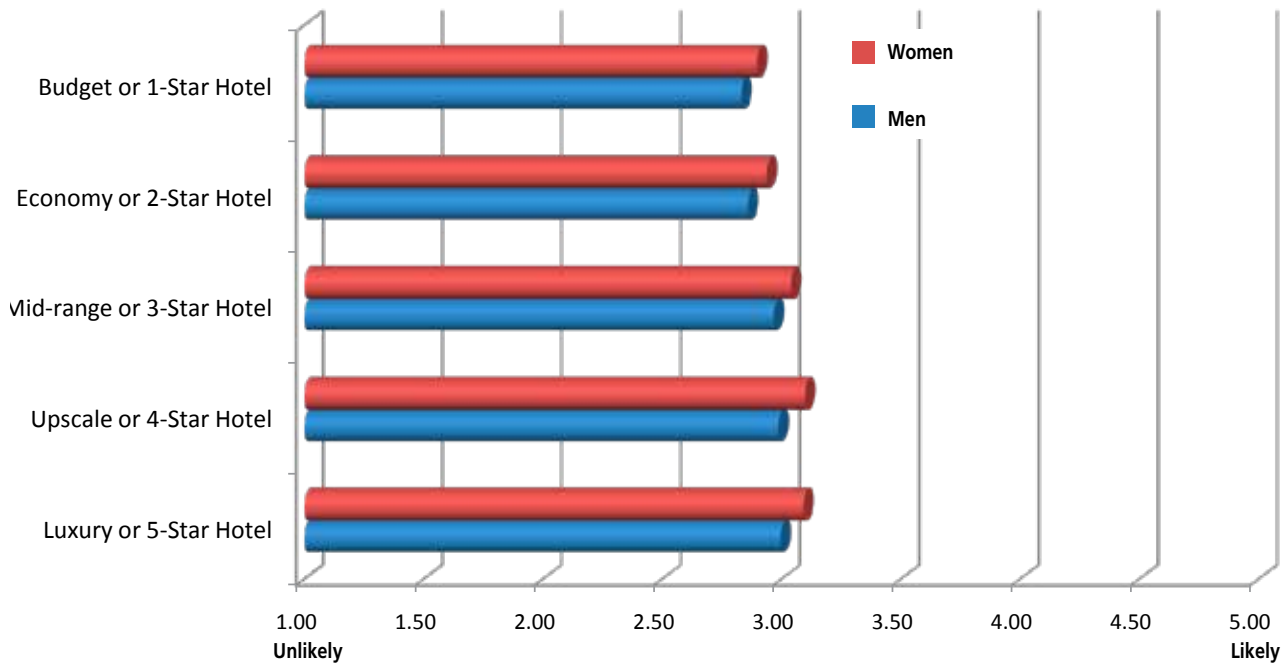
EXHIBIT 11**Likelihood of booking a hotel that has negative reviews****EXHIBIT 12****Likelihood of booking a hotel that has positive reviews**

EXHIBIT 13**Likelihood of posting a hotel review after a negative experience****EXHIBIT 14****Likelihood of posting a hotel review after a positive experience**

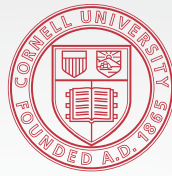
such as Tripadvisor in their search for information about hotels. We wanted to explore the impact of customer reviews on hotel bookings. To explore this question we asked our respondents to rate their likelihood of choosing a hotel if they see either a negative or a positive comment about the hotel within their category of interest (using the STR chain scales, ranging from budget to luxury). It turned out that chain scale made no difference in the results (Exhibits 11 and 12, previous page). We found a surprisingly similar trend for all categories of hotels and for both male and female respondents. In short, men and women are equally likely to stay away from a hotel with negative comments and equally likely to choose a hotel if they see positive comments. That is true regardless of the hotel's market segment.

You've probably heard the often-repeated factoid that unhappy guests will tell more people about their experience than will satisfied guests. We tested that concept for the internet and found that it did not hold. We asked the respondents to rate how likely they themselves were to post a negative customer review on a social media website after they had a negative experience during their stay, or to post a positive comment after a positive experience. As shown in Exhibits 13 and 14, also on the previous page, the results are neutral, and it appears that customers are equally likely to post either negative and positive comments as appropriate. There are no observable significant differences due to hotel category or gender. These results are somewhat counter-intuitive and require further exploration. If the original word-of-mouth statistic is correct, it could be that talking with your friends constitutes a different type of activity than one in which you are posting a comment for all to see, including people whom you do not know.

Rapidly Changing Landscape

The purpose of this article was to explore how customer preferences for information search sources for hotels are evolving due to introduction of social media and customer review websites. The results of our study demonstrate that due to rapidly changing landscape of online information sources, there are no hard and fast answers. We are confident that the significant differences identified between business and leisure travel patterns with regard to internet search will remain true for the foreseeable future, and it's clear that social media and customer reviews are an essential part of many travelers' information gathering process. We also noticed that individuals use different sources of information during early, middle, and late stages of their travel decision making, and the range of media consulted shrinks during that process. Furthermore, the results show that many commonly believed differences (e.g. due to gender, demographics, or hotel category) do not seem to apply to many information search categories.

We realize that our research does not answer many questions that were raised throughout the year during various academic-industry events. However, our results do provide a descriptive snapshot of current state of customer preferences information sources for selection of hotels. They clearly depict the increasing strength of social media. Our exploratory research presented in this report should provide some baseline data for developing and testing specific hypotheses in follow-up research. We're certain of one thing only, next year the results will be different, even if we cannot predict them. ■



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