Social Media Marketing & TripAdvisor: An Evaluation of Qualitative Reviews and their Impact

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October 2014
Executive Summary

On each day, more than 3 million photos are uploaded to Flickr, 5 million tweets, and a million new blog entries are posted on Twitter and other blog sites (Bodnar, 2010). These statistics distinctly demonstrate the prevalence of social media in our lives. Apparently, the “user democracy” culture and the ability to share information by means of social media have made substantial changes in information asymmetry and the bargaining power of consumers (Leung, Law, Hoof, Buhalis, 2013, p. 4).

Social media has brought transparency to the guest experience within the hospitality industry. In an instant, guest reviews can be posted and shared with a global audience. The growth of social media has affected both the consumer and the hospitality industry. Consumers no longer see star or diamond ratings and price as the end-all-be-all when deciding which venue to visit. Today’s consumer demands qualitative information in addition to the traditional quantitative data that has long been considered standard.

There are no shortages of ways for consumers to share their experiences via social media: from booking agent sites such as Expedia to social networks such as Facebook and Google+. This report aims to explore, by way of literature review, the trend that is the increased use and growing importance of social media, specifically TripAdvisor, as an avenue for consumers to gain qualitative knowledge about their destinations prior to booking, as well as the cause and effects of this trend on the hospitality and tourism industry. This report will go on to discuss the practical implications of this trend and suggest recommendations on how TripAdvisor and the hospitality industry should respond to it.
Description of Issue or Trend

TripAdvisor is the largest social media travel and tourism review site on the web. Since its founding in 2000, the site has grown to encompass over 3.1 million businesses (Wiens, 2013, p. 6). Of those, about 1.2 million are restaurants and attractions (Medros, 2013, p. 8). Another 1.1 million are hotels and accommodations (Wiens, 2013, p. 6). TripAdvisor’s five-year growth has been incredible, considering there were only 212,000 hotels and 74,000 attractions in about 30,000 locales worldwide in 2008 (Miguens, Baggio, Costa, 2008, p. 2). In the same year, TripAdvisor had “10 million travel reviews and opinions...written by 5 million registered members...” (Miguens, Baggio, Costa, 2008 p. 2).

Since then, the numbers have increased dramatically. As of 2013, TripAdvisor has approximately 62 million unique monthly visitors (Wiens, 2013, p. 9). It is a global platform with users in Europe (23.5 million), North America (18.1 million), Asia (11 million), Latin America (4.8 million), and the Middle East and Africa (2.7 million). TripAdvisor spans 30 countries, is available in 21 languages, and 75% of its online traffic is international (Medros, 2013, p. 6-7). According to Google Analytics, there are over 80 user contributions to TripAdvisor every minute. Users have posted over 17 million candid photos. These numbers account for a total of over 125 million reviews and opinions. As of 2013, TripAdvisor has approximately 48 million total users (Wiens, 2013, p. 6-11). TripAdvisor has its own brand loyalty and following. Slightly over half of those surveyed (51%) by PhoCusWright indicated that they wrote TripAdvisor reviews because they felt an obligation to a larger online traveler community (Wiens, 2013, p. 12).
In addition to its unique monthly visitors, approximately 300 million people view TripAdvisor content on sites other than its own platform each month (Medros, 2013, p. 27). These include hotel and restaurant websites, online booking portals, travel agent websites, and other review aggregators. 75,000 unique domains integrate the TripAdvisor widget (Wiens 2013). 35% of new TripAdvisor reviews come from Facebook-connected users. TripAdvisor’s integration on other social networking websites expands its reach and makes it the primary travel review site and platform consumers can turn to, even without a membership on their website.

The travel widget allows users to show where they have traveled and a travel bucket list. Additionally, users can add photos of their trip to share with their friends on social networks like Facebook and Twitter, in addition to other TripAdvisor users on their primary platform.

According to the PhoCusWright study, 75% of travelers use TripAdvisor before booking a hotel, and just over half utilize the site prior to visiting a restaurant (Perkins 2014). 93% of travelers said that online reviews impact their booking decisions (Wiens, 2013, p. 15). Furthermore, 75% of travelers surveyed said that they are more likely to visit a business with a TripAdvisor endorsement (Medros, 2013, p. 38). In the same PhoCusWright study, only 5% of travelers indicated that they are actively seeking negative reviews of hotels on TripAdvisor (Wiens, 2013, p. 20). This illustrates how most travelers visit TripAdvisor with a positive outlook, but are sometimes discouraged by what they find. Consumers are not hesitant to act on negative reviews by passing up on a restaurant or a hotel.

Nonetheless, the vast majority of reviews are positive, with an average rating of 4.08 out of 5.00 (Wiens, 2013, p. 19). As of December 2012, nearly half, (48%) of all ratings were 5.00/5.00, with another 41% accounting for 4.00 and 3.00 ratings (Wiens, 2013, p. 19). Only 12% were negative, which is either a 1.00 or 2.00 rating (Wiens, 2013, p. 19). An active page
can help combat negative reviews. 78% of PhoCusWright’s survey respondents said that a response from hotel management to a review makes them believe that a company cares more about its guests. Additionally, responding to negative reviews is very important to consumer perception. 84% of respondents said a prompt and appropriate response to a negative review increased their overall impression of a hotel (Wiens, 2013, p. 34).

When traveling, consumers trust travel review websites more than any other source, including friends, family, travel operator websites, online travel agencies, and store-front travel agents (Medros, 2003, p. 21). TripAdvisor is so widely used by consumers that hospitality industry gurus have begun speaking about the “TripAdvisor Effect:” a few weak or negative reviews damaging a business (Shuster, Gassenheimer, 2012) by decreasing occupancy and thus negatively affecting revenue. According to The Center for Hospitality Research at Cornell University, estimates indicate that online user reviews can impact a hotel’s bottom line by as much as 11.2% (Wiens, 2013, p. 6).

The “TripAdvisor Effect” is compounded by the increasing reliability of posted reviews. Despite TripAdvisor’s decision to not utilize an independent third-party to confirm the identity of their users, in addition to critiques from Beat of Hawaii and Arthur Frommer, TripAdvisor has managed to assure the masses of the site’s credibility. Company Spokeswoman April Robb stated that the authenticity of TripAdvisor’s reviews is ensured via a combination of a quality-assurance team, proprietary automated equipment, and their 25 million monthly visitors (O’Neill 2009).

TripAdvisor reviews directly affect many travelers’ decisions. According to a global study conducted in early 2013, 90% of travelers claim that online reviews impact their booking decisions (Medros, 2013, p. 22). A 2007 survey revealed that 80% of United Kingdom travelers
research online prior to booking and 50% of those travelers have refrained from booking a specific hotel because of a negative review (Miguens, Baggio, Costa, 2008 p. 2). Moreover, 96% of hotels conclude that reviews are important for bookings (Medros, 2013, p. 22).

TripAdvisor’s impressive statistics and successful assurances of credible reviews demonstrate how the international travel site has become a trend in the hospitality industry. In addition, TripAdvisor’s revenue has grown as well. In the current fiscal year, revenue has grown 31% ($323 million) in the second quarter alone (Options Calling, 2014). These various statistics demonstrate how an idea to allow public posting of guest experiences, reviews, and ratings has become a trend with enough force to change an entire industry. All of these aspects underscore the trend that is TripAdvisor.

**Cause of the Issue or Trend**

TripAdvisor is an example of a platform that relies on electronic word of mouth (eWOM). eWOM is defined as “*any positive or negative statement made by potential, actual, or former customers about a product or company, which is made available to a multitude of people and institutions via the internet*” (Hennig-Thurau et al., 2004, p. 39). Due to the fact that more and more countries have access to modern technology and the Internet, eWOM has become very influential in consumer decision-making. As of 2014, 39% of the world’s population has Internet access. While this may seem like a small fraction of the people on earth (~3.6 million out of 7.2 billion people), the exponential growth of access between 2000 and 2014 is astounding. In less-developed regions of Africa, Asia, and the Middle East, Internet access grew by 1,000% to 5,000%, compared to 45% to 70% growth in developed regions (Internet World Stats, 2013).

Increased global access to the Internet has facilitated the development and growth of eWom. When used correctly, eWom can directly affect the number of bookings at a hotel (Ye,
The primary reason why eWOM affects hotel occupancy is because of consumer confidence that it represents a more trustworthy and persuasive source of information than traditional advertising. In addition, “consumers [frequently] lack sufficient product information even after consulting with offline friends. They may access online communities to search for relevant information to reduce uncertainty and avoid incongruities between expected and actual product performance (Huang, Hsiao, Chen, 2012). Thus, eWOM communications are expected to “strongly influence attitude and purchase intent when consumers confront unfamiliar products” (Solomon, 2004). In summary, the growth of the Internet laid a foundation for the introduction and growth of eWOM. This has resulted in a niche eWOM market for the hospitality and tourism industry and TripAdvisor is a leading force within this niche.

Predictions and Practical Implications: TripAdvisor

Between the years 2000 and 2014 internet access expanded across the globe. This researcher predicts that internet access will continue to expand globally at an incredible rate and, as a result, electronic communications will become increasingly prevalent. In addition, as other technology is conceived, developed and implemented e-communication will continue to grow as a form of reliable and persuasive source of qualitative information. This researcher also predicts that consumers will continue to demand technology that is capable of providing this information in a social environment that is compatible with their on-the-go lives, i.e. mobile applications.

The practical implications of TripAdvisor are numerous. TripAdvisor’s current purpose is to provide user-generated content via reviews that allow other users to evaluate the qualitative aspects of a destination. However, TripAdvisor as a company is poised to head in several potentially valuable directions. One such direction is a quasi-social review and booking engine. TripAdvisor’s website and purpose could be modified relatively easily to allow groups of people
to plan a vacation together from anywhere in the world by focusing on the social aspects of selecting, planning, and booking events and vacations. For example, a family would be able to plan a reunion by participating in the group’s private message boards, reviews, and bookings. This would be similar to how Google Docs operates. A second direction, which could possibly develop in congruence with a quasi-social review site, is expanded app-based access and technology that would build on TripAdvisor's current mobile app for iOS and Android devices (69 million downloads) (Wiens, 2013, p. 9) by offering a more social TripAdvisor setting and including access to those operating Windows 8 and above.

TripAdvisor is currently sitting on a precipice. The company’s next move will define the future of TripAdvisor and determine its usefulness to the consumer moving forward. During this defining time, TripAdvisor must be aware of the potentially negative implications its decisions have on the human experience as it pertains to the hospitality and tourism industry. As consumers turn to technology for answers to their qualitative inquiries, the review and booking processes begin to lose the human element. Deep human (relationship-building) interaction--interaction without the medium of the internet--is sacrificed in exchange for easily accessible information from a vast number of independent sources. What is the cost of this information to the consumer? How much of the system can be automated before the consumer no longer condones such decisions? More importantly, how much of the system can be automated before humanity is no longer served by that system? In conclusion, TripAdvisor’s future direction has the potential to negatively impact the human experience by stunting interpersonal relationships and denying a generation of potentially self-defining exchanges.

**Recommendations: TripAdvisor**
In the near future TripAdvisor decision makers will navigate a company-defining minefield. During this process, executives will need to consider TripAdvisor’s purpose, the growth and reach of technology and the positive and negative implications of their potential decisions.

It is this researcher’s recommendation that TripAdvisor aim to become a quasi-social review site and booking engine while simultaneously mitigating the dehumanizing aspects of the internet and technology. The researcher recommends that the company achieve this by including video conference, instant message/texting, voice message, and notification technology within a social media setting. These additional technologies will enhance the experience consumers receive while using the product.

This researcher also recommends that TripAdvisor expand its current app-based technology to be compatible with machines running Windows 8. The primary purpose of this app update would be to bring the new quasi-social TripAdvisor to the mobile world. In addition, the updated app should continue to provide mobile, downloadable, content for traveling consumers who do not always have access to the Internet. For example, TripAdvisor has 80 city guides that are available offline (Wiens, 2013, p. 9). It should continue to expand its offline content by including selected reviews or ratings of nearby attractions and resorts, while leaving larger content like photos for online viewing. Secondarily, the app will promote fun and instant interactions with fellow travelers. Today’s consumer expects everything to be at the touch of their fingertips and apps are one way to ensure that the TripAdvisor name and product remain at the tip of the consumers’ thoughts and reach.
Predictions and Practical Implications: Hospitality Industry

As Internet access continues to expand, this researcher predicts that the hospitality industry will struggle to keep up. Technology is constantly changing and advancing and the cost of implementing technology as it is developed is very high. For example the cost of implementing Opentable consists of about $1300 US in start-up fees and an additional $199/month in on-going maintenance costs (Restaurant Insider, 2005). A restaurant would spend about $3,700 the first year on Opentable and an additional $2,400 each consecutive year. Over a ten-year period, $32,000 would be spent on this technology alone. And, that does not include the per-a-reservation fees the restaurant is responsible for that total about $10.40/4-top reserved. In addition, the other technologies that are necessary for operating a restaurant such as management computers, ticket printers, finance and accounting technology etc. would be an additional technology expense for the restaurant.

As a result, the hospitality industry will be best served by getting ahead of the ball and implementing technology as early as possible so that the industry can reap the benefits of being “high-tech” for a few years before the technology has to be updated again. However, this cannot be accomplished without a large upfront cost that may take a year or longer to be financially beneficial. In this researcher’s own experience, companies are not willing to take this long-term investment in the current economic climate in which the focus is still very much on short-term survival despite the growth of the industry in recent years.

Fortunately, implementing and managing TripAdvisor is relatively low cost. “Annual and monthly subscriptions are capped at a fixed amount and are tiered according to the number of rooms and location of your property. Prices start from $40 a month...” (TripAdvisor, 2014). In addition, most properties, especially larger and resort-type properties, already have policies and
personnel that manage other social media such as Facebook. As a result, the framework for implementing and managing TripAdvisor is already in place. The same individual that manages the company’s other social media outlets can manage TripAdvisor reviews by responding in a timely manner to both positive and negative comments.

The positive implications of TripAdvisor for the hospitality industry include the far reach the review site has within the travel community. Resort properties can communicate with a large customer base from a single platform. As discussed throughout this report, TripAdvisor’s statistics prove again and again that they have a vast and captive audience. The hospitality and tourism industry can take advantage of that captive audience with little effort to maximize communication with previous, current and potential guests.

On the other hand, while most properties have the proper personnel and at least some sort of social media policy, adding TripAdvisor increases the workload for these employees. In addition, unlike more antiquated review sites where your response is emailed directly and privately to the individual reviewing your property, TripAdvisor requires public responses in order to provide the best results for each property. While, this ensures that guests see that service extends beyond the hotel infrastructure, this requirement would put pressure on executives to amend current social media policies and require greater trust in employees who handle these reviews to provide appropriate feedback and guest recovery solutions.

**Recommendations: Hospitality Industry**

In the coming years it is going to be difficult for the hospitality industry to keep up with swiftly changing technology. This researcher recommends that properties begin planning for the future: implementing low cost technology today and saving for costly technology implementation projects that are still a few to several years out, hiring new-age Information
Techs, and younger, tech-savvy managers and directors, as well as implementing ways to mitigate costs.

This researcher recommends that larger, established properties open and actively manage a TripAdvisor Business Listing. TripAdvisor is one recommendation of a low cost technology that can be easily implemented into a standing social media policy and managed by existing personnel. Furthermore, if the property in question can afford the higher price, this researcher recommends that these properties choose the upgraded business listing offer. While owning an upgraded TripAdvisor account costs the property $5000/year, it won’t incur any additional payroll for most established properties. In summary, the basic TripAdvisor listing option would only cost most properties about $40/month; A very valid advertising option for properties operating on minimal capital. Larger and more established properties will benefit from the upgraded listing:

1. First, you get a link to your website. This is the real value. At the end of the day, you want to direct prospective guests away from the overly competitive and chaotic TripAdvisor.com website to your website to try to score a direct booking.

2. Second, TA let’s you advertise a special offer. This offer displays in on your TripAdvisor listing page and also in a block called Special Offers, which appears in the search results on TA. Basically, it means your TA page will get more exposure, especially if you’re sitting pretty as a top-ranked hotel in your neck of the woods.

3. Third, you can add other direct contact methods to your listing such as phone number, etc. Lastly, your mobile listing is enhanced. This is great, particularly if your website is equipped to easily service mobile users (De Luca, 2014).
Decision makers already recognize the value of a TripAdvisor account to the hospitality industry and particularly within the hotel sector. A survey of nearly 20,000 hotels spanning 26 countries and 7 regions indicated that 51% of hotels actively seek guest feedback on TripAdvisor through e-mail (Wiens 2013). Dorothy Dowling, Best Western’s Senior Vice President for Sales and Marketing stated, “We recognize that a growing number of guests turn to social communities and online reviews for research before they book a hotel stay” (Medros, 2013, p. 28).

In addition to a TripAdvisor account, this researcher recommends that properties take advantage of the TripAdvisor widget, which can be integrated on any number of booking engines and brand websites. A spokesperson for Wyndham International stated, “Making ratings and reviews readily available on our own brand sites ensures consumers don’t have to leave our site to get that information and ultimately book [directly through] us” (Medros, 2013, p. 29). Easy access to reviews actually increases conversion rate. A representative from Accor Hotels validates this online consumer trend: “We see them staying longer on our site. We have also seen that customers visiting Expedia and other travel agency sites end up booking with us [because of the TripAdvisor widget]” (Medros, 2013, p. 29). Wyndham’s representative cited a growth in business, stating, “We saw an approximate 30% increase in bookings during the pilot period…” (Medros, 2013, p. 29). Thus, Wyndham is very interested in maintaining its relationship with TripAdvisor, concluding, “We expect our affiliation with TripAdvisor to drive conversions, as well as support brand quality” (Medros, 2013, p. 29).

Next, this researcher recommends that properties mitigate costs and increase savings by investing in technology that reduces payroll by speeding up processes such as check in, check out and room service; increases energy savings by controlling how much electricity, air conditioning/heat and water the property and the guests use; or reducing, reusing, recycling, and
sharing supplies between departments to cut down on capital spent on office supplies. Suggestions like this will allow for excess capital previously being spent in these areas to be saved for reinvestment on more expensive technology projects down the road. “Hotels normally reserve at least 4% of gross revenue for new furniture, fixture and equipment, technology upgrades and new mechanical systems. Nevertheless, the 4% reserve is not enough to meet the true capital requirements over a longer-term basis and each hotel should reserve approximately 8-9% of revenue each year for capital expenditures and repair & maintenance costs combined (Simon, 2009). (Kapiki, 2013).”

Also, this researcher strongly recommends that properties focus on hiring Information Techs that are comfortable with emerging technologies and tech-savvy managers and directors. A IT team that is focused on future technology, but still has the skills to maintain current technology allows for smoother transitions from current to new technology and ensures that the property has the proper support when implementing emerging technology. In addition, a management team that is comfortable using current technology and is willing and excited to try new technology will be more comfortable making decisions to save capital with the intent of reinvesting it on emerging technology. Also, the management team will have a better understanding and relationship with their IT team, which will allow these two departments to work more cohesively.

For smaller properties, this researcher recommends focusing on easy-to-implement, cost-saving technology (TripAdvisor Business Listing: Standard) that can be maintained with minimal time and capital investment. Secondly, smaller properties should hire employees that fill more than one need; i.e. a property manager that can fill the roles of financial manager, guest
service manager and housekeeping manager, a maintenance tech that can also double as a housekeeper, or a front desk agent that is very tech savvy.

These recommendations encourage properties to constantly innovate and upgrade their technology--specifically their use of social media--in an effort to recognize, define and successfully respond to the TripAdvisor trend.
References


