Social Media Marketing in the Hotel Industry: Trends and Opportunities in 2017

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As social media platforms gain traction in usage rates and become ubiquitous in day-to-day life through the proliferation of mobile devices, they are proving to be valuable marketing channels, especially when targeting younger consumers. Although several prominent hotel brands have begun to scratch the surface of utilizing these social media channels for marketing and bookings, the state of this practice in North America is in its infancy. Other technology giants around the world have already capitalized on this opportunity with their social-media, mobile-adept user base. Nonetheless, the mass adoption of digital payment in North America is likely to take place in the near future given that technology companies are actively working out the technological and legislative challenges. The advent of digital payment has the potential to create new challenges for the North American hotel industry, but with these challenges comes opportunities for those who have done their groundwork.

Hoteliers should embrace the new ways people are communicating and be ready for the changes in consumer behavior and expectations that are on the horizon. By being up to date with social media marketing trends and developing a dynamic online presence, hotel companies can quickly adapt to the disruption and achieve an early adopter advantage when attracting business from tech-savvy millennials.

Summary

Mobile phone proliferation and the rise in social media users is poised to present unique opportunities for hotel companies. How are hotels currently utilizing social media marketing and are they ready for the future?

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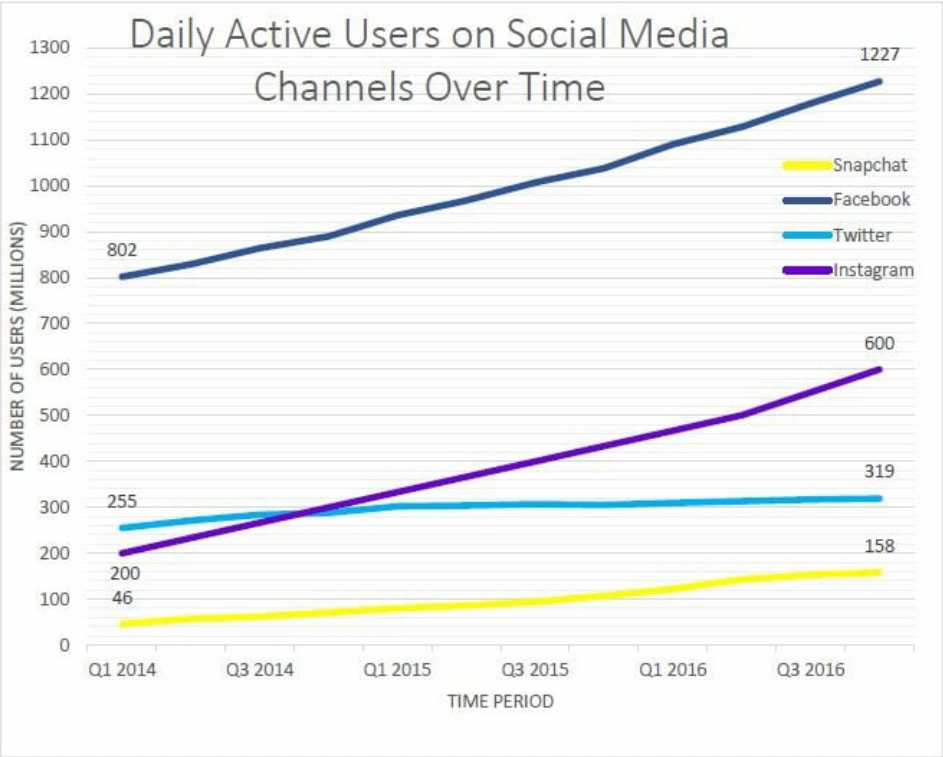
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Mobile Device & Social Media Growth

Globally, the number of mobile device subscriptions has seen exponential growth over the past decade. At the end of 2016, there were 4.8 billion unique mobile subscribers—65% of the world's population. By 2020, it is estimated that there will be 5.7 billion mobile subscribers, representing a **mobile phone penetration rate of 73%.** The growth in mobile device usage has transformed the travel and tourism industry; travel bookings are increasingly occurring through mobile devices. Consumer engagement has begun to shift towards mobile platforms, and rightfully so; the vast reach and worldwide interconnectivity of mobile devices make them a suitable platform for commerce. As mobile device penetration rates strengthen globally, consumer engagement through this platform is only expected to strengthen.

Social media usage is likewise on the rise. Today, digital consumers are spending more time on social networks and messaging platforms than ever before. It is thus important for hotels to have a brand presence and a marketing effort on social media channels, especially since social media marketing has been proven to be more effective than traditional marketing (when utilized correctly). Social media marketing allows for two-way communication between consumers and customers; this interactive element helps companies cement a long-term consumer following. Additionally, social media marketing supports the real-time promotion of new products and services, all while yielding measurable consumer data that can be further leveraged to target, engage, and grow a base of consumers.

Popular social media networks—Facebook, Instagram, Twitter, and Snapchat—are steadily growing on a global scale. The following chart shows the number of active users over time on each of these social media networks. Most of these social media networks have achieved stellar year-over-year growth in daily active users; the only exception is Twitter, whose user-growth trajectory seems to have plateaued. With the rapid growth in these social media channels, the pool of potential consumers that they provide access to is also growing in tandem. Significantly, all of these potential consumers are directly accessible through marketing on these channels.



(Source: Facebook Inc., Instagram Inc., Twitter Inc., Snap Inc., 2017)

New Opportunities from the Rise of Consumer Sharing

Digital media is ever moving towards greater consumer empowerment and content creation given the ease with which digital media (particularly photos and videos) can be transmitted through mobile platforms and the internet. As part of sharing their own content and experiences through pictures and videos, users are also spreading digital word-of-mouth about a brand, a product, or an experience to their personal networks, which can reach a substantial audience. Geo-locational tags and brand hashtags allow user posts to be found via metadata searches, thereby increasing the reach of such posts.

Hotels can capitalize on this trend by motivating consumers to use branded hashtags or specific hashtags that are relevant to a current promotion or event. For example, Starwood hotels launched a campaign in 2016 to encourage the #SPGLife branded hashtag on Instagram. Posts with this hashtag feed into the Starwood website's guest gallery of user-generated content, where visitors can also book a hotel room directly via a link. A simple hashtag is effective because it allows users to easily discover related content through a search filter.

Influencer Marketing

In influencer marketing, an individual's expertise, popularity, or reputation is used to sway someone's thoughts and purchasing behavior. Although this method of marketing has been used for decades, the rise of social media platforms that allow for user-generated content has empowered more people from all walks of life to become influencers. Additionally, social media platforms have an added a layer of measurability to influencer marketing that go beyond mere conversions/sales, such as cost per thousand impressions (CPM), inbound links, and lead growth (number of followers, social mentions, etc.). With these added metrics, businesses can more accurately

identify their return on investment against marketing dollars spent.

Major companies and brands are regularly engaging in influencer marketing campaigns. It is commonplace to pay popular social media stars and bloggers for endorsing a product on their social media platforms. These endorsements garner a greater response since (1) these influencers are perceived as being authentic and trustworthy by their followers and (2) an influencer's followers are likely to share similar psychographic and demographic traits. In other words, influencer marketing can be more effective than traditional forms of online advertisements because these endorsements are perceived to be more meaningful and are better targeted. The effectiveness of influencer marketing is an accepted fact in the marketing world. According to research that **Linqia conducted in 2016**, 48% of US marketers plan to increase their influencer marketing budgets in 2017.

Leveraging Snapchat

Major hotel companies have made successful forays into marketing through Snapchat, a social-media messaging application that allows users to send photos and videos to friends or publish them onto "My Story" where the users' followers can view them. The increasing popularity of Snapchat comes from the fact that photos and videos are ephemeral; they disappear after a certain amount of time once they have been viewed. This platform has a strong appeal among millennials who value experiences, for whom seeing events unfold from a first-person perspective has an aura of authenticity.

In 2015, **Starwood Hotels experimented with Snapchat geofilters** at some of its W Hotels to see how guests would use them. Geofilters allow users of Snapchat to add a sponsor-created geolocational tag to their photo or video message (coined "Snap") that can only be used when sending a Snap within a sponsor-defined geographical area (e.g., within a 10-metre radius of the hotel). The usage rates and number of views for the geofilters were well above what Starwood had anticipated, indicating that Snapchat may be a viable option for future brand marketing initiatives.



Source: Digiday, Starwood Preferred Guests

Marriott Hotels recently launched a Snapchat campaign that features **social influencers who created organic content** on the brand's Snapchat account to showcase the brand's loyalty program and several hotels around the world. The social influencers also used their own Snapchat accounts to broadcast their experience to their followers, hoping to create brand awareness among millennial travellers in the process.

Opportunities for Personalization

Within the hospitality industry, improved personalization is coterminous with a higher level of service. As such, hotel companies are attempting to personalize communications by interacting with consumers through their mobile device. Mobile phones are often perceived as an extension of an individual, or as an intimate partner that accompanies a person into almost every aspect of daily life. Reaching an individual through their mobile phone

thus has the benefit of seeming like a personal interaction. To capture this opportunity for more personalized interaction, hotel companies must become phone-friendly and create the infrastructure necessary to allow guests to interact with the hotel easily and meaningfully through their mobile device.

Personalization through the mobile phone ecosystem and social media platforms is constantly evolving. Personalization can occur on a broad level, such as an interaction between a brand's social media channel and a consumer account, or on a more granular level, such as communication between a hotel guest and the hotel's guest services team through a messaging application. From an advertising standpoint, several social media platforms have launched dynamic advertising whereby a consumer's recent travel searches will trigger personalized advertisements, which present a touchpoint for possible consumer conversion (by a direct hotel booking, for example). This represents a critical opportunity for hotel companies, particularly since the use of online travel agents (OTAs) diminishes the profitability of a hotel. In 2016, IHG began using **Dynamic Ads on Facebook to target "high-potential"** customers with personalized advertisements—and live pricing—based on searches, which yielded an increase in the brand's ability to reach relevant travellers and a lower cost per booking. In the big picture, social media channels are beneficial to hotel companies because they offer an opportunity to create personalized interactions with consumers, which can be leveraged to yield more direct online bookings.

Digital Payment Platforms: A New Opportunity

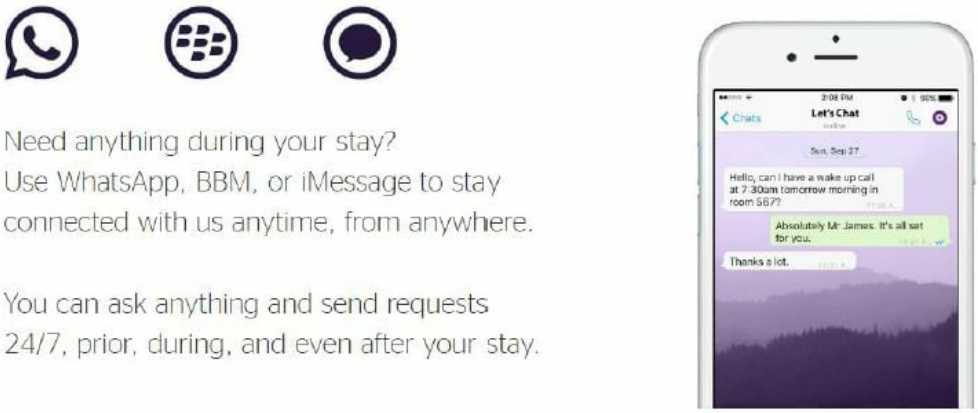
With the proliferation of mobile devices and internet access around the world, the use of digital payment has seen accelerated growth. According to **Allied Market Research**, "the global mobile payments market is estimated to reach $3,388 billion by 2022, representing a compounded annual growth rate of 33.4% from 2016 to 2022," with the Asia–Pacific region accounting for most of this growth. The North American market, although far from mass adoption, is amenable to digital payment. Based on the 2016 **North American Consumer Digital Payments Survey**, consumers are becoming increasingly aware of digital payment options, and American consumers responded that they foresee being more likely to use mobile payment apps and mobile wallet apps in 2020 than in 2016.

For the North American hotel industry, the projected adoption of digital payment, along with the growth of social media users, is an opportunity for direct booking and quicker conversions directly through mobile devices. In China, for example, mobile payment has already become part of daily life—the country is advanced in this area relative to North America. The two major digital payment platforms in use there, WeChat Wallet and Alipay Wallet, have enabled digital payment through mobile devices and have had incredible success in adoption; this form of payment is accepted at almost all vendors in major cities. Notably, WeChat has evolved from a person-to-person messaging application to an all-in-one social-media, messaging, and digital-wallet application. The integration of a mobile digital wallet into the social media and messaging application has allowed users to send money to each other and/or make purchases entirely through the WeChat ecosystem. Through the account feed of a vendor, users can pay for not only restaurants and retail purchases but also such things as utility bills and public services, all through their mobile wallet. Through WeChat, vendors are able to offer discounts or reward loyalty points, thereby further incentivizing the use of the channel. For example, the **Kempinski Hotel in Chengdu** has launched a function that allows direct bookings through its official WeChat account and also provides a discount or an amenity to those using this channel. In the case of WeChat, hoteliers were able to directly tap into a pool of daily active consumers and generate conversions through the social media messaging platform.

In North America, digital wallets such as Apple Pay, Samsung Pay, Android Pay, and PayPal exist; however, mobile users lag in adoption. Traditional forms of payment, such as cards, are not yet seen as "broken," so many consumers don't see a need for change. As digital payment adoption is expected to grow in future years, it is important for hotel brands to keep up with consumer expectations. Given that the evolution of messaging applications into mobile-purchasing ecosystems has already started, hotel companies need to be in a position to provide digital payment options in anticipation of the change in consumer behavior, especially since this will be key to protecting the online reputation of the company. In Canada, a **2016 study into mobile wallet usage by the Nielsen Company** found that 76% of respondents would switch to a mobile wallet as their primary mode of payment if all reward programs would honour mobile transactions, 75% would make such a change if more

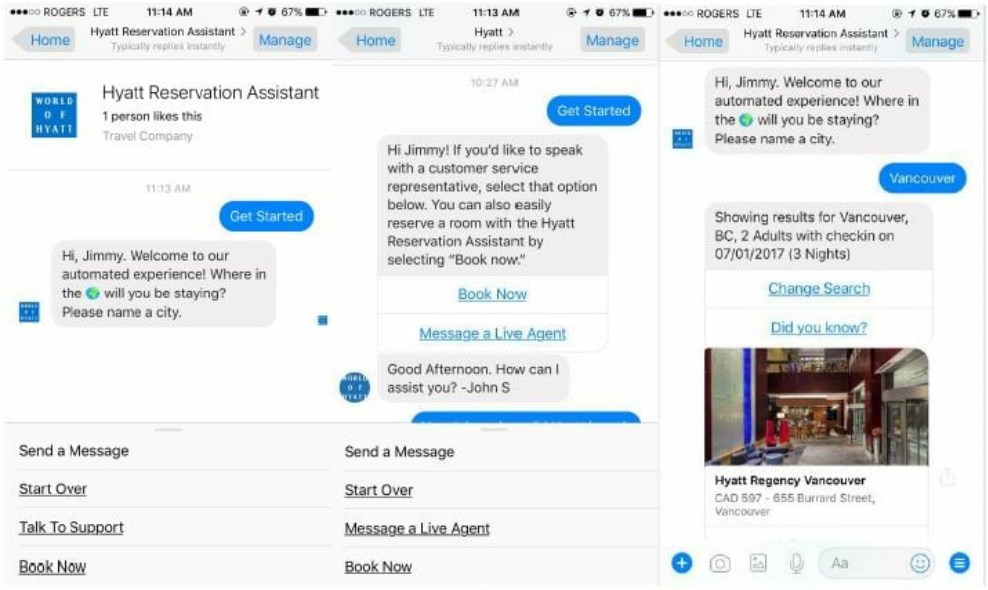
merchants accepted mobile transactions, and 74% would do so if rewards programs and mobile wallets could be integrated to redeem rewards instantly. Therefore, an opportunity may exist for hotel companies to integrate their rewards programs with digital payment.

In North America, hotels are slow in the adoption of mobile payment platforms that take the form of a digital wallet. Nonetheless, several hotel brands have implemented the use of messaging platforms that allow guests to interact with customer service agents and even property-specific guest service agents, and also book directly (but without digital wallet capabilities). Through brand-specific native applications, third-party applications, and established messaging applications such as WhatsApp and Facebook Messenger, hotel brands are experimenting with personalized guest communication, which will likely lead to a more seamless adoption of mobile payment at a later date. In 2014, for example, Starwood Hotels launched "Let's Chat," which allows guests to communicate with the company's guest service team at more than 150 properties worldwide through WhatsApp, BlackBerry Messenger, or iMessage at any time, from anywhere.



Source: Starwood Preferred Guest Promotions

Moreover, Hyatt hotels was the first to provide customer service through the Facebook Messenger platform following the launch of Facebook's Businesses on Messenger in 2015. Through the platform, Hyatt customer-service agents can help with bookings worldwide, and also respond to guest requests.



Source: Facebook Messenger

Hotel brands clearly see an opportunity in tapping into the vast user base among these messaging platforms, and they are beginning to implement these platforms as a means of communicating with guests. The personal experience of messaging builds loyalty and guest engagement even as the messaging platform serves as another

vehicle for direct bookings; however, the mobile ecosystem in North America has not gained as much traction as other markets internationally. Nonetheless, the continued growth of mobile devices and social media users is expected to align with digital payment in the near future, thereby connecting a pool of potential consumers with seamless mobile purchasing platforms once digital payments become mainstream.

Conclusion

The tactics and tools employed in social media marketing within the hotel industry are constantly evolving. Companies that are early adopters of new social media marketing tools hope to gain an edge over the competition; being first to the plate can yield success, but it is not without risk, both of failure and of squandered resources. For hoteliers to remain relevant in this dynamic field, it is essential to understand the pulse of current technology trends within the hotel industry, and be prepared for changes in consumer behaviour. A positive outlook remains for the hotel industry as companies continue to expand their scope of social media marketing. Meanwhile, the mass market is inexorably moving towards the adoption of digital payment; its anticipated convergence with social media and messaging platforms will generate new opportunities for personalization, engagement, and conversion.