SOCIAL MEDIA TOOLS IN INTEGRATED MARKETING STRATEGY:
TEST CASE – HOTEL/RESORT DESTINATION FACEBOOK UTILIZATION

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Augusta, Georgia, hotelier Bryan Lawrence used to say that if you give guests courteous service in a comfortable place they will come back.
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ABSTRACT

Social media tools are those Internet based applications spawned from the advent of Web 2.0. Social network sites (SNS) are one example of a social media tool. Facebook.com is the largest SNS worldwide in terms of active users with over 500 million. Organizations and private individuals make use of the services provided by Facebook as just another means of connecting with people. Hotels, like any other business, should be able to account for marketing initiatives such as Facebook pages. The Facebook followers of a luxury hotel were compared to non-Facebook following guests of the same hotel. Analysis yielded three key findings: (1) hotel Facebook pages have a better conversion rate than more traditional marketing techniques and (2) hotel guests who follow the hotel on Facebook spend more on average in terms of total revenue per night than non-Facebook following guests.
ACKNOWLEDGEMENTS

I would like to thank Dr. Nancy D. Albers-Miller who started my love for research as an undergraduate. Thank you to Dr. Rebecca Porterfield and Dr. William Clark for their inspirational guidance and patience throughout this project. I am indebted to all the people at the hotel for their enthusiastic willingness to provide me with the information that made this analysis possible. Lastly, but certainly not least, I need to thank my friends and family for the constant support and encouragement that has followed me around the world. And, to Patton Murray, who started all this nonsense with some pears on a salad. You are all the best!!!
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INTRODUCTION

Purpose

Quantification of the economic value of social media seems to be the “Holy Grail” in the marketing community right now. The internet is crawling with an overwhelming number of people and businesses who claim to have the answer. Answers like social media is a great feedback mechanism, sales promotion return on investment tracking, and everybody uses social media, are common threads. Ultimately, managers must account for marketing expenditures in terms of revenue the initiative generated for the business. This thesis seeks to give hotel managers a practical way to calculate and analyze the revenue Facebook friends generate for their business.

Inspiration

Inspiration for this thesis came from an internship supervisor who wanted to know the return on investment of social media, the current status of the hotel industry, and several meetings with hoteliers from all over the United States who expressed a need for a more accurate way to judge the monetary effectiveness of social media. While interning in Park City, Utah, this past summer one supervisor asked to know the return on investment of social media and another said that it is free advertising. These statements led to a desire to apply the questions to an industry hit hard by the global economic crisis: the hotel industry. Hotels, like any other business, need to be smart with their marketing dollars by ensuring they provide real measurable economic results. Due to the need expressed by hoteliers to monetize the effect of social media, this paper provides a theory based action oriented approach to meet the need.
RELEVANT LITERATURE

Marketing Theory

If guests are not told about a hotel how can they figure out where to find that courteous service in a comfortable setting. Marketing theory provides a basis for showing how to go about thinking about getting the message to perspective hotel guests.

Dr. E. Jerome McCarthy (1960, in Armstrong & Kotler, 2003) first laid out the “4 Ps of Marketing”: Product, Price, Place, and Promotion. They would eventually become foundational academic marketing concepts applicable to almost all studies of the subject. Product is the combination of both goods and services that become the end result purchased by a consumer like hotel rooms and associated services. Price is what consumers must pay to obtain a product such as the cost of a one-night stay at a hotel. Place is how and where a company gets a product to market, i.e. the location of a hotel. Promotion is the process and means by which a company communicates the functions and value of a particular product for a consumer. An example might be when a company uses social media and an implementation strategy together to broadcast their message via that particular platform. Companies can use the 4 Ps of Marketing to provide a conceptual framework to help determine marketing objectives and strategies (Armstrong & Kotler, 2003). One may view the 4 Ps of Marketing as being slanted towards the seller’s point of view, so a reference for the buyer’s perspective is found in the 4 Cs of Marketing.

The 4Cs of Marketing, or Lauterborn’s Four C’s, are Consumer wants and needs, consumer’s Cost to satisfy, Convenience to buy, and Communication (Lauterborn, 1990). Customers are going to buy what they want to buy because they have a perception they want or need the good or service in question. Cost to Satisfy is what the customer is willing to pay for the good or service versus other comparable alternatives to get the satisfaction or value they are seeking. Purchases of goods or services can take place anywhere at any time, so sellers need to
be able to provide the ease of purchase, or convenience, customers desire. Telling customers about goods or services for sale involves a dialogue where buyer sees offerings based on their input or ability to fulfill perceived wants and needs (Lauterborn, 1990).

Wild alphabetic shifts in the design of marketing campaigns without consideration of all parties involved in the process, including third parties, is destructive behavior for buyers and sellers. Goods or services provide solutions for customers at a cost or price they are willing to pay. Payment is made and accepted at a convenient place for both buyer and seller. Customers are willing to meet at the particular place paying the agreed upon price because a provider placed a message designed with customers in mind somewhere they could use at least one of their five senses to process it. Armstrong and Kotler (2003, p. 64) used the following chart to combine the 4Ps and 4Cs of Marketing:

<table>
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<tr>
<td>Product</td>
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**Exchange Theory**

Basically, buyers and sellers are engaging in an exchange. Marketing’s job is to help that exchange take place. One entity gives up something in order that they might obtain something for what they have given up. Hastings and Saren (2003) summarize into five key prerequisites what Kotler (2000) says has to be in place before exchange can occur:

1. Two parties,
2. They must have something of value for the other,
3. The ability to communicate and deliver effectively,

4. Freedom for acceptance or rejection,

5. Respective exchange participants think interacting with the other participant is worth while (p. 309)

Exchanges need to have more than one party, which could be an individual or organization, interested in engaging in the action. These parties must have offerings of perceived value to make the process as mutually beneficial as possible. Both parties need to be able to effectively verbalize in speech and/or writing their role in the exchange, the value the exchange offers, and how the exchange will take place. Having acceptance or rejection options fulfill the basic prerequisite and create more scenarios for the exchange to happen. Exchanges are more beneficial for all parties involved when those engaging in the exchange find utility in working with each other (Hastings and Saren, 2003).

Relationship Marketing

One of the key aspects of the exchange is that a relationship of some kind be present between two parties. This foundation of exchange theory is now considered another branch of marketing theory known as relationship marketing (RM). RM theory has taken two routes to get to its’ present state. First, the slow but sure realization of theorists that relationships were integral to the success of a business. And, second, organizations began to see the value of relationships they have with consumers, buyers, suppliers, etc. What came to be was “an emphasis on service, close customer contact, and a holistic view of the parties and processes involved in marketing and business (Aijo, 1996, p.8).”

Kucukkancabas, Aykol, and Ataman (2006), listed the six key components or attributes of RM Sin, Tse, Yau, Lee, & Chow (2002), found in their research:
1. Trust

2. Bonding

3. Communication

4. Shared Value

5. Empathy

6. Reciprocity (p. 442)

Trust is permeated by a feeling of honesty, integrity, and reliance on the expertise between two parties. Parties are those people or organizations engaging in a relationship. There should be reliance of one on the other that obligations will be met now and in the future. Without trust the long-term viability of any relationship stands to be in jeopardy because there is no assurance short-term inequities will be corrected to ensure long-term mutual benefit (Morgan & Hunt, 1994 & Callaghan, McPhail, & Yau, 1995, in Kucukkancabas, Aykol, & Ataman, 2006). Those two parties engaging in the relationship act in a unified manner that moves them toward an agreed upon goal.

Communication is at the core of any good mutually beneficial relationship. It is the “formal as well as informal exchanging and sharing of meaningful and timely information between buyers and sellers (Sin et al., 2002, in Kucukkancabas, Aykol, & Ataman, 2006, p. 443).” This quotation is applicable to a good relationship because information that adds no value to the relationship is frequently needed and used in relational discourse. Communication is used to express the values held by both parties engaged in the relationship.

Shared values are those values parties have in common about how to interact with each other, what they are working for, and how they are going to achieve what they want. This establishes the spoken and unspoken behavior that is to be considered right and wrong in the
relationship. Organizational culture is a great expression of this concept of shared values. It defines what is considered correct and important behaviors and attitudes of a given organization. Those organizations that have a customer-oriented culture are more apt to have better long-term relations with customers (Luo, Griffith, Liu, & Shi, 2004). When one party seeks to understand or better understand the goals and desires of their relationship partner are seen as being empathetic.

Reciprocity means either party provides favors or makes concessions for another having the expectation similar favors or concessions will be given them then or at a later date. Thankfulness in many forms is a strong expression of reciprocity. Gratitude aids relationship management performance “in three main ways: (1) customers engage in positive gratitude-based behaviors to satisfy their feelings of obligation in response to RM-induced feelings of gratitude, (2) increased levels of customer trust due to gratitude increase customer commitment and thus enhance relational performance, and (3) gratitude promotes the development of relationships by initiating cycles of reciprocation, which may have long-term positive effects on customer behaviors (Palmatier, Jarvis, Beckhoff, & Kardes, 2009, p. 13).” Rewards programs are examples of gratitude inducing activities offered to customers for using a certain product or service like frequent flyer programs for passengers or hotel reward programs for guests (Aijo, 1996). These programs are one successful example of one form of RM.

Morgan and Hunt (1994) documented “ten discrete forms of relationship marketing:

1. the partnering involved in relational exchanges between manufacturers and their goods' suppliers, as in "just-in-time" procurement and "total quality management" (Frazier, Spekman, & O'Neal, 1988; O'Neal 1989);
2. relational exchanges involving service providers, as between advertising or marketing
research agencies and their respective clients (Beltramini & Pitta, 1991; Moorman, Zaltman, & Deshpande, 1992);

3. strategic alliances between firms and their competitors, as in technology alliances (Nueno & Oosterveld, 1988); co-marketing alliances (Bucklin & Sengupta, 1993); and global strategic alliances (Ohmae, 1989);

4. alliances between a firm and nonprofit organizations, as in public purpose partnerships (Steckel & Simons, 1992);

5. partnerships for joint research and development, as between firms and local, state, or national governments (Comer, O’Keefe, & Chilenskas, 1980);

6. long-term exchanges between firms and ultimate customers, as particularly recommended in the services marketing area (Berry, 1983);

7. relational exchanges of working partnerships, as in channels of distribution (Anderson & Narus, 1990);

8. exchanges involving functional departments (Ruekert & Walker, 1987);

9. exchanges between a firm and its employees, as in internal marketing (Arndt, 1983; Berry & Parasuraman, 1991); and

10. within-firm relational exchanges involving such business units as subsidiaries, divisions, or strategic business units (Porter, 1987) (p. 21).”

Services Marketing

Hotels are like many products today in the developed world that combine elements of services with a physical product to create an item and experience customers can purchase. Inherent differences between goods and services make the marketing of a combined good/service product offering unique. “Objects, devices, or things (Hoffman & Bateson, 2001, p. 4),” are
known as goods because they are tangible things consumers can buy. Tangible means customers must use at least one of their five senses (sight, taste, touch, hearing, or smell) to interact with goods. Goods do provide other intangible qualities for consumers beyond the physical characteristics. This in fact is how some differentiate themselves from the competition. A good example of this are the brands companies spend a lot of money to create. Luxury branded hotels do more than just give people a place to rest. They know the customers name before they check-in, anticipate unexpressed wishes, and can act as status symbols. There is a continuum that exists between goods and services where lines blur, and the combination of the two is used as a means of adding more value for customers. The following diagram illustrates this point well:
Pure services are “deeds, efforts, or performances (Hoffman & Bateson, 2001, p. 4).” There is an intangible nature characterizing services because there is not necessarily a physical product consumers are buying. While advertisements may argue a service provider is offering a product, intangibility of the product is the distinguishing characteristic. Being a service provider means some sort of action is required for there to be effective fulfillment of the exchange. This is somewhat in contrast to goods because for goods value is not necessarily in the fulfillment of action by the company but the physical attributes of the good. In some industries like the hospitality industry, the services provided by a company are the competitive advantage. “Every product is a package of problem-solving services (Kotler, Bowen, & Makens, 1996, p. 274).”

Hotels

Hotels provide problem-solving services to customers around the world every day. At their core, hotels give weary travelers a place to rest sleepy heads. Lodging is the core product hotels offer consumers. Rooms for the night are complimented by facilitating products to make the total experience. Facilitating products do as the definition suggests: they make the experience more or less easy to interact with depending on the level of facilitating products. “A
first-class corporate hotel must have check-in and check-out services, telephones, a restaurant, and valet service, for instance. In a limited-service economy hotel, facilitating services might be no more than check-in and check-out service and public phones on the property (Kotler, Bowen, & Makens, 1996, p. 274).” Supporting products are like a business center or a full-service health spa because they add to the service offering of a given hotel. They give the customer more to interact with or take advantage of while they stay at the hotel. Also, facilitating and supporting products can be additional sources of revenue for the hotel, as well as highlights to be used in marketing efforts. Facilitating products for one hotel or market segment may actually be supporting products for another hotel or market segment, and all the entire product offering of a hotel is helped by things such as location, atmospherics, and customer interactions with staff (Kotler, Bowen, & Makens, 1996).

Market segmentation within the hotel industries is broken down into seven categories:

1. Luxury: includes such brands as Four Seasons and Ritz-Carlton
2. Upper upscale: includes such brands as Hyatt and Westin
3. Upscale: includes such brands as Courtyard by Marriott and Radisson
4. Midscale – full service: includes such brands as Holiday Inn and Ramada Inn
5. Midscale – limited service: includes such brands as Hampton Inns and Fairfield Inns
6. Economy: includes such brands as Motel 6 and Super 8
7. Independents: includes hotels not affiliated with a major hotel company or brand

(Smith Travel Research in O’Neill, Hanson, & Mattila, 2008, p. 357-358)

Each of these segments provides beds for customers to sleep in, but the type of bed and associated facilitating/supporting products vary greatly amongst the different segments. However, all hotels, regardless of segment, still have to report income to the proper authorities.
Hotel Financial Performance Metrics

“In the hotel and catering industry income basically comprises:

(a) Restaurant sales
(b) Banqueting sales
(c) Hotel visitor sales
(d) Other income (Harris & Hazzard, 1979, p. 61)”

This income generating activities are revenue streams for a hotel that vary depending on the combined good/service offering and categorization of a hotel. Other income could be for example revenue generated from spa services or niche services like ski locker rental. All the revenue streams combine to make up total revenue for a hotel.

Regardless of the form, if hotels want to generate revenues they must incur some cost for the gain attained. Anderson and Raun (1978) highlight two definitions of what cost is and is not:

(a) “‘Cost means economic sacrifice measured in terms of the standard monetary unit incurred, or potentially to be incurred, as a consequence of business decision.’
(b) ‘Cost is a general term for a measured amount of value purposefully released or to be released in the acquisition or creation of economic resources, either tangible or intangible.’ (p. 6)”

Basically, cost is money, time, or effort, a company must spend to generate revenue. Hotels can represent many things as costs such as utilities, payroll, marketing efforts, special projects, etc. “Management requires different cost information to meet different needs in different situations. […] There are four distinct business needs, in the managerial sense, i.e.:

1. Income measurement
2. Cost control
3. Profit planning

4. Special situations requiring special decisions (Anderson & Raun, 1978, pp. 6-7)”

In the efforts to evaluate the financial performance of a hotel managers use measures of occupancy, revenue, and hotel rate, daily in the evaluation of the business performance of their establishment (Singh & Schmidgall, 2001). “The primary industry operation measures (gross operating profit is a financial measure) are REVPAR (revenue per available room), Occupancy, and ADR (average daily rate).

- REVPAR is actually calculated by dividing net rooms by total number of available rooms for a given period of time. This measure is the interaction of both occupancy (productivity) and ADR (profitability).

- Occupancy is calculated by dividing the number of paid occupied rooms (not including complimentary occupied rooms) by the total number of available rooms for a given time period. For example, in 2001, the national average occupancy percentage in full-service hotels was 63.4% of the average 281 available rooms (Smith Travel Research, 2001).

- ADR is calculated by dividing total net rooms revenue by total paid occupied rooms. Full-service hotels’ ADR in 2001 was $123.21 (Smith Travel Research, 2001). (Brody, Lane, & Steed, 2004, pp. 325-326)”

These terms are the standard for the lodging industry around the world. They came from the first Uniform System of Accounts for the Lodging Industry published in 1926, where the lodging industry in America established their own jargon and measures derived from commonly accepted business practices and terminology such as revenue, price, and cost (Hospitality Net, 2010). Hotel managers around the world use these measures to evaluate their properties everyday.
Current Status of the Hotel Industry

Colliers PKF Consulting USA recently published their annual *Trends in the Hotel Industry USA Edition – 2010*, in which they give an analysis of the US hotel industry as seen in the over 6500 Profit and Loss statements submitted to the company from hotels around the United States. The 2010 edition of the publication is a synthesis of the year over year changes the US hotel industry experienced from 2008 to 2009. The following graph shows the losses amongst the different hotel segments across the United States:

![2009 U.S. Hotel Operating Performance](chart)

Colliers PKF Hospitality Research, 2010

Most of the industry had decreases in every major econometric because there was a significant decline in the average daily rate (ADR) charged for a hotel room or suite that in turn led to a significant decline in revenue for most properties. Almost 95% of all hotels surveyed
experienced a decline of some level in total revenue and rooms revenue. Total revenue can include items such as spas, restaurants, room service, etc. Full service, convention hotels, and resorts, experienced the greatest declines in overall net operating income from 2008 to 2009. Overall, the hotel industry saw a 35.4% decline in net operating income year over year. In down economies, such as the recent economic downturn between 2008 to present, hoteliers try to reduce expenses to offset the loss in revenue and reduce the overall impact of the tough economy. Graphical representation of this trend can be seen in the historical dataset provided below:

International travel to the United States is also down from having 58 million in 2008 to 54.9 million in 2009. And, those coming from overseas decreased by roughly 6% to 23.8 million. The top ten countries that international visitors to the US come from represent 80% of
the total international visitors. Those countries in order of contribution are Canada, Mexico, The
United Kingdom, Japan, Germany, France, Brazil, Italy, South Korea, and Australia (Hotel
Resource, 2010).

Social Networks

Traditionally, a social network is a “set of relationships between a group of
‘actors’…who usually have similar interests (Liebowitz, 2007, p. 7).” Networks are either
positive, negative, or a combination of positive and negative (Liebowitz, 2007). Relationships
the actors have with the other actors within the group create these feelings about a network.
Relationships are known as “ties” between various “nodes” (actors) that vary in strength of
connection. This connection strength “can range from strong primary to weak secondary, which
is determined by the importance attached to the social relation, the frequency of social contact
and the type of social relation (Murphy & Holzgreve, 2009, para. 7).” University of Virginia
professor Rob Cross developed generic classifications from an organizational perspective for
people as they relate to social networks: central connectors, boundary spanners, peripheral
specialists, and information brokers.

• “Central Connectors” – display a high degree of power or centrality to the network
• “Boundary Spanners” – work with various groups or departments within an
  organization by crossing borders to get answers or information they need
• “Peripheral Specialists” – isolated people who work and live on the edge of a network
• “Information Brokers” – are people that have knowledge to share with others,
  probably specific, but stick within a given department rarely crossing borders
  (Liebowitz, 2007, pp. 9-10)
Information gets shared across these various networks, thus creating knowledge networks that allow people to exchange information. People share information stored in their heads that is called “Tacit” knowledge and then it becomes “Explicit” knowledge once codified (Liebowitz, 2007, p. 5). Knowledge networks come in “three primary forms:

1. A line network, which takes the form A-B-C-D, with A, B, C, and D representing different individuals. In this network, individual B would have a direct link to A and C and an indirect link to D.
2. A circle or ring network, which is circular and forms a closed loop.
3. A star network, wherein branches that connect people emanate from the various individuals in the network (Liebowitz, 2007, p. 4).”

Organizations and consumers are connecting online to share information with each other. This is just one example of one reason and one type of online relationships making up a “social web” (Weber, 2007) or “online social graph” (Shih, 2009), which are illustrations of respective connections. “Knowledge-sharing behaviors can be studied by applying the theory of reasoned action, wherein attitudes are predicted by evaluating an individual’s intention to perform certain behaviors and the available subjective norms (Liebowitz, 2007, p. 15).”

Social network analysis can be broken down into six steps:

1. Identify a strategically important group
2. Assess meaningful and actionable relationships
3. Visually analyze the results
4. Quantitatively analyze the results
5. Create meaningful feedback sessions
Following these steps should allow for an individual or company to get a grasp on whatever social network they have a desire to know about, provided they have an ability to gather the information. These steps could potentially be applied to personal and professional social networks whether online or offline. Spending time online helps people maintain social connections, and “the more time people spend online the more social contact they have (Cole & Robinson, 2002; Hampton, Sessions, Her, & Rainie, 2009; Howard, Rainie, & Jones, 2002; Kraut, Kiesler, Boneva, Cummings, Helgeson, & Crawford, 2002; Quan-Haase & Wellman (with Witte & Hampton), 2002; Shklovski, Kiesler, & Kraut, 2006; Shklovski, Kraut, & Rainie, 2004, in Wang & Wellman, 2010, p. 1151).”

Web 2.0

Sharing information is something humans have been doing since communication evolved from grunts to more sophisticated grunts. The more sophisticated grunts, or words, are used to express deep emotion, to entertain, to inspire change, or to just talk with those around us. While most messages like love, major events, and simple hellos are timeless, some of the tools we use to send messages to each other are new.

Blythe J. McGarvie, Chief Executive Officer of Leadership for International Finance (LIF Group), summarizes Web 2.0 in her book *Shaking the Globe*: “Simply defined, Web 2.0 is the evolution of the Internet from a one-way broadcast mechanism to a sophisticated platform for collaboration (p. 96).” Web 2.0 applications are tools like blogs, microblogs like Twitter, wikis, file sharing, social networking sites, e-mail, instant messaging, virtual social worlds like Second Life, and virtual game worlds like World of Warcraft (Segbers, 2010; Lavenda, 2008; Gershon, 2008; Alkhateeb, Clauson, Khanfar, & Latif, 2008; Marken, 2007; Kaplan & Haenlein, 2009a).
Four important Web 2.0 features for businesses are reputation aggregators, blogs, e-communities, and social networks.

• “Reputation aggregators are search engines such as Google, Yahoo, Ask, and Microsoft’s new Live. They aggregate sites with the best product or service to offer and usually put things in order of reputation.

• Blogs (a contraction of web logs) are online journals where people can post ideas, images, and links to other web pages or sites.

• E-communities are generally advertising supported although some are free; they focus on professional media such as trade magazines.

• Social networks are places where people with a common interest or concern come together to meet people with similar interests, express themselves, and vent (Weber, 2007, p. 4).”

In each of these tools considered to be part of Web 2.0 exists new ways to connect and disconnect with people around the world (Gershon, 2008). People are creating and sharing all types of information, and Web 2.0 tools helping to do this are put together under the umbrella term of “Social Media” (Information Management, 2009; Grimmelmann, 2010; Podger, 2009; Kaplan & Haenlein, 2009b; Rettberg, 2009; Correa, Hinsley, de Zúñiga, 2010; Gallon, 2010).

Social Media have sparked an information sharing revolution in how people communicate with each other, in how information gets disseminated to the masses, and in how fast information travels around the globe. Before the mid-1990s most men and women in search of that special person or significant other were bound by geography and face-to-face interaction. Match.com and eHarmony.com are two dating websites that changed the way people pursue romantic communication and relationships (http://www.eHarmony.com/, 2010;
http://www.Match.com/, 2010). In January 2001, Apple® changed how recorded music gets legally distributed by launching the premier digital media software known as iTunes (Apple, 2001). The Islamic Republic of Iran held “elections” in 2009 that caused major protests around the country because Mahmoud Ahmadinejad “defeated” all other challengers. Peaceful and not-so-peaceful protestors were met with extreme violence from the Iranian government for merely expressing their opinions in the streets and on the Internet. This situation was interesting because the news of the protests and retaliation by the Iranian government first broke on websites like Facebook, Twitter, and YouTube, well before traditional media like television stations and newspapers covered the story (Palser, 2009). Depending on a user’s internet connection speed, they can view potential partners after a simple keyword search, download songs in seconds, and view news stories from their friends or favorite traditional news sources almost instantly after they are posted. Social network sites (SNSs) and user-generated content (UGC) are the quintessence of all that Web 2.0 has come to be (Hjorth, 2009), and are far more specific than the blanket term Social Media which has come to describe Web 2.0 applications.

SNSs are just one aspect of Web 2.0, but are the focus of this paper. Specifically, Facebook will be highlighted for a number of reasons to be listed later. In the literature, Facebook is represented by such names as: computer mediated communication (Lewis & West, 2009), digital media (Abroms & Craig Lefebvre, 2009), friendship network (Seder & Oishi, 2009), Internet community sites (Maher, 2007), Internet social network sites (Sledgianowski & Kulviwat, 2009), networking web sites (Podger, 2009; Billington & Davidson, 2010), new social technology (Gershon, 2008), online communication tool (Orr, E. S., Sisic, Ross, Simmering, Arseneault, & Orr, R. R., 2009), online social network (Cheung & Lee, 2010; Lavenda, 2008; Marken, 2007), online social network sites (Tufekci, 2008), online social networking (Weisbuch,
Ivcevic, & Ambady, 2009), online social networking website (Palser, 2009; Wilson, 2008), site with blogging capabilities (Hyuk Jun Cheong & Morrison, 2008), social media (Information Management, 2009; Grimmelmann, 2010; Podger, 2009; Kaplan & Haenlein, 2009b; Rettberg, 2009; Correa, Hinsley, de Zúñiga, 2010; Gallon, 2010), social media sites (Hawkins & Steinman, 2010; Roberts, 2010; Alter, 2009), social media networks (Buttell, 2010), social network (Peluchette & Karl, 2009; Poynter, 2008; Hoy & Milne, 2010), social network service (Kwon & Wen, 2010), social network site (Muis, Christofides, & Desmarais, 2009; Walthier, Van Der Heide, Kim, Westerman, & Tong, 2008; Boyd & Ellison, 2007), social networking (Bortree & Seltzer, 2009; Strategic Direction, 2008; Schulte, 2009), social networking site (Cheung & Lee, 2010; Computer Fraud & Security, 2009; Gangadharbatla, 2008; Madge, Meek, Wellens, & Hooley, 2009; Selwyn, 2009; Flint, 2009; Nursing Standard, 2009; Abroms & Craig Lefebvre, 2009; Orr, E. S., Sisic, Ross, Simmering, Arseneault, & Orr, R. R., 2009; Page, 2010; Livingstone, 2008; Kaplan & Haenlein, 2009a; Elzweig & Peeples, 2009; Hjorth, 2009; Correa, Hinsley, de Zúñiga, 2010; Fisher, 2009), social networking web sites (Kluemper & Rosen, 2009; Gleason, 2009; Dutta & Fraser, 2009; Goodman, 2009), web sites devoted to user-generated content (Latham, Butzer, & Brown, 2008), and web-based social media (Hawn, 2009).

However, for this paper the term “social network site” (SNS) is going to be used as a generic label for websites like Facebook. “SNS are web-based services that allow individuals to:

1. Construct a public or semi-public profile within a bounded system
2. Articulate a list of other users with whom they share a connection, and
3. View and traverse their list of connections and those made by others within the system” (Boyd & Ellison, 2007, para. 4)
SNSs allow users, who can be either individuals or organizations, to structure their personal data / information to give a representation of themselves to other constituents in their respective online communities (Rettberg, 2009). Key features of the Internet like persistence, searchability, and cross-indexing, are present on SNSs allowing easy access, storage, and retrieval, of user data (Tufecki, 2008, p. 20). The reasons users connect over SNSs can include, but are not limited to: “shared interests, political views, activities, common language, shared social identity, sexual identity, religious identity, and nationality-based identities (Boyd & Ellison, 2007, para. 1).”

One of the guiding characteristics of any SNS is that information is to be freely shared amongst users at their discretion with little to no selling of products or services (Dutta & Fraser, 2009). However, some virtual currencies bought with real legal tender are necessary to use the particular service provided by the SNS like in the cases of virtual social worlds and virtual game worlds (Kaplan & Haenlein, 2009a). Facebook has its’ own currency known as “Facebook Credits” that allow a user the ability to buy certain items within Facebook which may help with games or just be virtual gifts users can display on their profiles (Facebook.com, 2010b). Despite the ability to purchase these virtual currencies, business transactions on these websites are not usual. Businesses still find SNSs of great interest because they promote themselves given the viral nature of users telling other people about a given website like Facebook (Hawkins & Steinman, 2010). Websites like Facebook combine traditional social network characteristics with the Internet.

User-Generated Content (UGC)

Web 2.0 has roots in the 1982 Time “Person of the Year” because the magazine named The Computer the “Machine of the Year” (Rosenblatt, 1983, in Murphy & Holzgreve, 2009).
However it is the people sharing the information that make up Web 2.0. The use of online spaces is why *Time Magazine* named their “Person of the Year” for 2006 “You” (Grossman, 2006).

“[…] It's a story about community and collaboration on a scale never seen before. It's about the cosmic compendium of knowledge Wikipedia and the million-channel people's network YouTube and the online metropolis MySpace. It's about the many wrestling power from the few and helping one another for nothing and how that will not only change the world, but also change the way the world changes (Grossman, 2006, para. 2).”

SNSs’ putting these people together creates “social web[s]” (Weber, 2007) or “online social graph[s]” (Shih, 2009) that are essentially pictorial representations of the interconnections people have to share or create information with each other online. User-generated content (UGC) refers to that content which is created uniquely by an individual versus the producer-generated content (PGC) made by organizations. Examples of this are videos on YouTube, writing on blogs, Tweets, and the multitude of information on a Facebook profile. But, once this information begins getting shared all over the Internet that action is no longer considered UGC rather electronic word-of-mouth (eWOM) (Hyuk Jun Cheong & Morrison, 2008, p. 6). Whether choosing new or old products or services, word-of-mouth is helpful to consumers, and the online version, eWOM, is best found on third-party websites versus those operated by organizations (Sussan, Gould, & Weisfeld-Spolter 2006 in Hyuk Jun Cheong & Morrison, 2008, p. 6).

People consult PGC, UGC, and eWOM, before purchasing whatever new product or services they want for eight reasons:

1. Reduce risk
2. Because others do it
3. To secure lower prices
4. Access easy information
5. Accidental / unplanned
6. Because it is cool
7. Stimulation by offline inputs, such as TV
8. To get pre-purchase information (Goldsmith and Horowitz, 2006, in Hyuk Jun Cheong & Morrison, 2008, p. 9)

Hyuk Jun Cheong & Morrison (2008) note “blogs, particularly those found on social networking sites, are not memorable to consumers in terms of the product information they might convey (p. 20).” However, Facebook had not yet reached even 100 million active users yet at the time of their publication (Facebook.com, 2010a). And, hotel SNS users value the comments their “Friends” make via SNS, actively use SNS for purchase decisions, and use SNS for post-purchase commenting that other hotel SNS users value (Murphy & Holzgreve, 2009).

Like anything else, SNS has some issues that seem to be inherent. Privacy issues seem to be the biggest issue surrounding SNS (Steeves, 2008; Flint, 2009; Latham, Butzer, & Brown, 2008; Thomas, 2010). Governments are enacting laws to ensure citizens’ privacy rights remain as intact as possible in this digital age. The United Kingdom has had the Data Protection Action since 1984, but required major revision in 1998 to reflect the changing dynamics of personal information and the Internet (Flint, 2009). The U.S. CAN-SPAM Act is an example from the United States government, that deals with the measures marketers must take when using e-mail to market to reduce unwanted e-mail messages in inboxes (Thomas, 2010). Some governments block access to popular SNSs or even hiring people to monitor the actions of their people on the internet just to keep control over their citizens (Tufecki, 2008; Kuo, 2009). For-profit and not-
for-profit business use SNSs to make hiring decisions (Kluemper & Rosen, 2009; Elzweig & Peeples, 2009) and manage reputations (Nursing Standard, 2009; Professional Safety, 2010; Information Management, 2009; Elliott, 2006), all the while trying to keep employees off SNSs like Facebook (Computer Fraud & Security, 2009; Lavenda, 2008) and calculate their Return on Investment (ROI) for using the medium (Fisher, 2009). While some professors may not like SNS in the classroom (Selwyn, 2009), bigger issues like its’ use for bullying and harassment are making headlines all over the globe (Latham, Butzer, & Brown, 2008; Geach & Haralambous, 2009). Thanks to information found on SNSs about lovers hearts are finding new ways of being broken (Gershon, 2008) and reasons for being jealous (Muise, Christofides, & Desmarais, 2009). Clinical psychologists have even classified “Facebook Addiction” (Karaiskos, Tzavellas, Balta, & Paparrigopoulos, 2010, p. 855) as the newest subset of psychological Internet addictions, which results in mild anxiety and sleep disturbances due to over usage of Facebook.com. Collegiate sports associations across the United States are cracking down on the usage of Facebook by coaches, players, and fans (Jacques, 2009; Maher, 2007).

Facebook

Some SNS, like Facebook.com, combine multiple Web 2.0 features to create even more sophisticated collaboration platforms with which users can better share information. Mark Zuckerberg launched Facebook from his Harvard dorm room in February of 2004. And, a little over six years later on Friday, October 1, 2010, a movie entitled The Social Network debuted to American audiences. “You don’t get 500 million friends without making a few enemies (Spacey & Fincher, 2010)” is the tagline of the film based on the meteoric rise of Mark Zuckerberg and the SNS Facebook. Whatever truth that is or is not accurately portrayed by Hollywood, the facts remain Mr. Zuckerberg and Facebook have reached mythic proportions of success. Forbes.com
ranks him the youngest billionaire in history and the 212th richest person in the world having an estimated net worth of $4.0 billion (Kroll & Miller, 2010). And, Facebook has become by far the most popular social media website in the world with a staggering 500 million users worldwide (Zuckerberg, 2010). The sheer number of users on Facebook, make it a potentially great medium for businesses to target potential customers with their marketing, in addition to traditional efforts.

Individuals, for-profit, and not-for-profit organizations, can now become members (users) of Facebook. They do this by creating a profile constructed of information (i.e., age, location, interests, etc.) from filled out forms and uploaded multimedia content (Waters, Burnett, Lamm, & Lucas, 2009; Sledgianowski & Kulviwat, 2009). Organizations do not request friends like personal profile users do (Lewis & West, 2009), instead they gain followers or friends by users clicking a “become a fan” or “like” icon on the organizations fan page (Groat & Jacobsen, 2009). People start following various organizations or causes, specifically by using the groups function on Facebook, for four reasons: socializing, entertainment, self-status seeking, and information. Socializing is when people are interested in meeting and greeting on Facebook looking for “support or a sense of community (Park, Kee, & Valenzuela, 2009, p. 731).” People using Facebook groups for entertainment needs seek amusing content. Self-status seeking involves keeping their online Friends updated about the current happenings of their life. Information related usage means that people want factual data related to things like dates and times of given events from a Facebook Group (Park, Kee, & Valenzuela, 2009). According to the Facebook help center, “Groups and Pages serve different purposes on Facebook. Groups are meant to foster group discussion around a particular topic area while Pages allow entities such as public figures and organizations to broadcast information to their fans. Only the authorized representative of the entity can run a Page (Facebook.com, 2010c).”
Once someone has become a follower of an organization they will begin to get “status updates,” which can be considered a microblog capability, in their respective News Feed. Like their personal Facebook page counterparts, organizations should update their fans regularly in the present tense (Page, 2010). Some organizations think having and using an SNS takes a lot of time and resources (Kuo, 2009), while some see it as inexpensive and a great add-on to more traditional methods of market research (Poynter, 2008). Consumers and organizations are actors on SNSs, and consumers are having an effect on various products and services (Marken, 2007). While consumers and business are engaging each other on SNSs it is important to note “sharing rather than selling is the guiding principal behind social networking…” (Dutta & Fraser, 2009, p. 16). And, tools like SNSs were never constructed to let organizations control content, even though some marketing managers think contrary and some business have created their own blogs to try to control their image online (Marken, 2007). Organizations can use the interactions between fans, information on their fans’ profiles, and information from demographic data provided by Facebook known as Facebook Insights, as another form of Customer Relationship Management (CRM) because “Facebook…is CRM (Shih, 2009, p. 2).” And, being as hotels use CRM for guest retention Facebook could help their efforts to create value for the customer while opening up new avenues to track performance of guest contact departments (Lo, Stalcup, & Lee, 2010).

Theory of Reasoned Action

The theory of reasoned action (TRA) as formulated by Fishbein and Ajzen in the mid-1970s and early-1980s is a widely studied and utilized methodology for explaining intended behaviors of humans and those factors leading to the exercising of said behavior. Behavioral intention (BI) to go through with the behavior in question is determined by an individual’s
attitude (A) and subjective norm (SN). An individual’s attitude (A) is the positive or negative beliefs they have about carrying out any particular action (Davis, Bagozzi, & Warshaw, 1989). Fishbein and Ajzen (1975) said that subjective norm (SN) is “the person’s perception that most people who are important to him think he should or should not perform the behavior in question (p. 302, in Davis, Bagozzi, & Warshaw, 1989, p. 984).” This makes “an individual’s intention to perform a specific act, with respect to a given stimulus object, in a given situation is a function of the following:

1. The individual’s beliefs, $B_i$, about the consequences of performing a particular behaviour (in a given situation), that is, the probability that the behavior will lead to some consequences $y_i$.

2. The individual’s evaluations ($a_i$) of those beliefs ($B_i$), that is the person’s evaluation of multiple consequences $y_i$.

3. Normative belief (NB), that is, what the person believes others think he should do in this situation.

4. The individual’s motivation to comply (MC) with what others think should be done (Buttle & Bungkwon Bok, 1996, p. 5).”

Taking these statements into account, behavioral intention is a combination of attitude (A) and subjective norm (SN). The following diagram shows an illustration of how beliefs and evaluations come together with normative beliefs and motivation to comply, so that actual behaviors / decision making processes can be better understood:

Figure 4. Theory of Reasoned Action (TRA)
TRAI provides the foundation for behavioral studies in a multitude of disciplines spawning numerous adaptations of the work. One of the most widely used adaptations is known as the Technology Acceptance Model (TAM).

Technology Acceptance Model

TAM was introduced to describe people’s behavior in the usage of computers (Davis, Bagozzi, & Warshaw, 1989). Not in the physical typing of keys, clicking of mice, or putting a floppy disk into an external periphery, but in the psychological aspects of why they may decide to start using a personal computer. TAM seeks to outline a small number of variables that affect the individual user’s intention to use a computer. Perceived usefulness and perceived ease of use are the variables considered particularly important to TAM. “Perceived usefulness (U) is defined as the prospective user’s subjective probability that using a specific application system will increase his or her job performance within an organizational context. Perceived ease of use (EOU) refers to the degree to which the prospective user expects the target system to be free of effort (Davis, Bagozzi, & Warshaw, 1989, p. 985).” An individual user’s behavioral intention is equal to their attitude toward using (A), just like in TRA, plus the perceived usefulness (U).
“Bagozzi, et. Al., found that for information technology used in a utilitarian context, perceived usefulness is the strongest determinant of intention to use (Sledgianowski & Kulviwat, 2009, p. 75).”

TAM was expounded upon in the Unified Theory of Acceptance and Use of Technology (UTAUT) to combine missing variables and introduce new factors affecting technology acceptance. It provides more factors that affect an individual’s usage of an information technology: performance expectancy, effort expectancy, social influence, and facilitating conditions. Performance expectancy includes perceived ease of usefulness. Effort expectancy is representative of perceived ease of use. TRA variable subjective norms is known as social influence in UTAUT. Facilitating conditions represents the organizational and technical help given to users of a given information system (Davis, Bagozzi, & Warshaw, 1989). These models have been applied time and time again in different niche scenarios to come up with different variables to explain a whole plethora of situations and how technology might aid or be used.

Social Network Site Adoption Model

One model based on TAM is known as the Social Network Site Adoption (SNSA) model, which was designed to explain from a hedonic perspective why people choose to use SNSs. Sledgianowski & Kulviwat (2009) examined playfulness, critical mass, trust, normative pressure, perceived ease of use and usefulness, and adoption intention and usage, as possible variables. Playfulness deals with whether or not the SNS will bring a user enjoyment and pleasure. Critical mass addresses the amount of people who have adopted a given technology, or if the technology reached an adoption tipping point. Trust is the variable that accounts for the faith users place in SNSs to keep their information safe and private. And, users place high importance on trust and intention to use because of some of security issues. Social pressure and peer influence to join
SNSs is normative pressure. Perceived ease of use and usefulness is just like in TAM, where people perceived usefulness is how much a user believes a given technology will increase job performance. Perceived ease of use refers to the degree a person thinks use of a given technology to be free of effort. Adoption is when a person continues to use once they have signed up for an SNS. Behavioral intention is the same as TAM meaning as it comes right before actual usage of an SNS (Sledgianowski & Kulviwat, 2009). According to SNSA, “…the strongest indicators of intent to use SNS, considered in a hedonic context in our study, were perceived playfulness and perceived critical mass (Sledgianowski & Kulviwat, 2009, p. 79).” This model explains why people decide to use sites like Facebook, but is limited by two critical factors: test subject age and it only looked at SNS usage from a hedonic perspective.

Summary
Since it first began back in 2004, Facebook has reached mythic and rumor-filled proportions with one undeniable fact being some 500 million people over the past six years have given the social network site a try (Zuckerberg, 2010). Growth of the SNS over the past six years is quintessentially viral. It seems as though “everyone” is using it to interact with friends, family, and businesses, these days. This assumption “everyone” is on it has sparked a lot of research on the social media phenomenon. The literature review of this paper outlined many aspects of the research on marketing, hotels, what Facebook is, and why people adopt such technology. There is a wide array of actions that lead to adoption of a hotel’s Facebook page, and an equally long list of perceived benefits consumers get from choosing to “Like” the page.

Given the explosion of the social network site Facebook in terms of overall users it seems like an avenue for potential customers. Customer relationships do provide positive financial impact to a firm. But, it is the stronger customer relationships in a business’s network that
provide the greatest potential for financial gain (Luo, Griffith, Liu, & Shi, 2004). The more people use the internet, the more social contact they have with their friends (Wang & Wellman, 2010) and in the business arena can lead to more revenue.

All of the information gathered from the literature leads to the central research question of this paper: Do Facebook Friends who are customers spend more money on average in terms of total revenue per night than average hotel guests?

METHODOLOGY

Hypotheses

For the purposes of trying to find an answer the proposed research question a Facebook Friend Customer is considered to be an individual who follows the hotel on Facebook, has spent money at the hotel, spent at least one night at the hotel, has never been an employee of the hotel, and has a comprehensible Facebook username. Following the hotel on Facebook means an individual has clicked the “Like” icon for the company, and will thereafter get updates and notifications from the hotel. The individual needs to have spent money and a night at the hotel because the comparison value for the average hotel guest is in terms of total revenue spent per night stayed at the hotel. Employees, past and present, have been taken out of the sample as they receive special discounts such as free lodging that could possibly skew the data. A comprehensible username is one that needed to have Standard English characters and not been a business. This allows for more uniform and easier data gathering in the hotel’s existing customer database. Given the two types of customers mentioned, those who follow the hotel on Facebook and those who do not, the following proposition and hypothesis were formulated:
\( P1: \) The conversion rate for a hotel’s Facebook Friends to Facebook Friend Customers is higher than other forms of marketing.

\( H1: \) Facebook Friend Customers spend more on average in total revenue per night than does the average hotel customer who does not follow the hotel on Facebook.

Data Collection & Sample

To test the proposed hypotheses a luxury hotel, as classified by Smith Travel Research, provided customer data from January 1, 2010, to October 31, 2010. A convenience sample of the hotel’s 1571 followers on Facebook was cross-referenced with their internal customer database. Once the Facebook Friends were looked up in the hotel’s database and purged according to the inclusion characteristics mentioned in the hypothesis section, a final sample of 119 Facebook Friend Customers was established for analysis.

Mathematical Model

The final sample of 119 Facebook Friend Customers was statistically analyzed in relation to the average hotel customer in terms of total revenue per night instead of average daily rate (ADR). ADR is different than total revenue per night because it does not account for all the money a person spends at the hotel in a given stay. ADR does not account for revenue generated by areas of the hotel such as the spa, restaurant, etc. Therefore, each group is compared to each other in terms of the average total revenue per night, which is calculated by the following formula:

\[
\text{Average Total Revenue per Night} = \frac{\sum (\text{Total Revenue} / \text{Nights Stayed})}{N}
\]

Total revenue is the cumulative amount of US dollars spent by an individual at the hotel during the specified time period. Nights stayed is the total amount of nights an individual stayed
overnight at the hotel. Divided total revenue by nights stayed for an individual gives the average total revenue per night for an individual. Adding all the individual averages together and dividing by the sample size, “N,” gives the average total revenue per night for the sample. This number is an average for the sample that can be statistically compared to the average hotel guest for the same time period.
Evaluation of the means of the two groups was done using statistical hypothesis testing procedures. The following null and alternative hypotheses were developed to represent the hypothesis:

\[ H_0: \mu \leq \mu_0 \]
\[ H_a: \mu > \mu_0 \]

The average total revenue per night of the sample is represented by the Greek letter “\( \mu \).” Average total revenue per night of a regular hotel guest is represented by the “\( \mu_0 \).” In order to test the listed hypotheses, both a critical value approach and a \( p \)-value approach were taken.

For both the critical value approach and the \( p \)-value approach, a level of significance of 99% was chosen. The critical value for the samples was calculated according to the following formula because the standard deviation of the population is unknown:

\[ t = (\mu - \mu_0) \div (s/\sqrt{n}) \]

“\( \mu \)” represents the average total revenue spent per night of Facebook Friend Customers. “\( \mu_0 \)” is the average total revenue spent per night spent by hotel guests who do not follow the hotel on Facebook, which is $195 per night. Standard deviation of the sample is the “\( s \)” in the formula and the sample size is indicated by “\( n \).” All calculations, including the \( p \)-value, are done by Microsoft Excel to ensure multiple decimal point accuracy. If the test statistic, \( t \), is greater than or equal to the test statistic of a 99% level of significance then the null hypothesis will be rejected. Similarly, if the \( p \)-value calculated by Microsoft Excel is less than or equal to the level of significance of 1% then the null hypothesis will be rejected.
The conversion rate of Facebook Friend to Facebook Friend Customers is mathematically expressed by the following equation:

Facebook Conversion Rate = \frac{\text{Facebook Friend Customers}}{\text{Total Facebook Friends}}

The Facebook Conversion Rate shows the percentage of Facebook Friends who regularly see ads meet the aforementioned Facebook Friend Customer requirements. Responses to the hotel’s Facebook page initiatives are in terms of nights stayed and total revenue spent versus other metrics like page interaction, brand awareness, etc.
RESULTS

Profile and Statistics of Respondents

At the time a list of the hotel’s Facebook Friends was compiled, 1571 profiles were following the hotel. Of these 1571 profiles, 56% were female and 44% were male, with the following table showing the age specific representations:

<table>
<thead>
<tr>
<th>Age</th>
<th>Female</th>
<th>Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>13 – 17</td>
<td>0.64%</td>
<td>0.45%</td>
</tr>
<tr>
<td>18 – 24</td>
<td>6.4%</td>
<td>6.5%</td>
</tr>
<tr>
<td>25 – 34</td>
<td>26%</td>
<td>17%</td>
</tr>
<tr>
<td>35 – 44</td>
<td>18%</td>
<td>14%</td>
</tr>
<tr>
<td>45 – 54</td>
<td>3.5%</td>
<td>3.7%</td>
</tr>
<tr>
<td>55+</td>
<td>2.1%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Most of the Facebook Friends of the hotel come from the United States, Canada, Turkey, Brazil, and Vietnam, with the United States accounting for 92%. And, almost 50% of the hotel’s Facebook Friends come from the state in which the hotel is located. The primary language spoken by the average Facebook friend is English, as 96% of them register English as their language of choice for Facebook.

The total group of 1571 Facebook friends generated $63,290 in total revenue for the hotel from January 1, 2010, to October 31, 2010. Cost of goods sold for the hotel is 47% of the total revenue, making the dollar amount for cost of goods sold $29,746. Net income, or revenue minus cost, for this group of people was $33,544. When all the Facebook Friends are analyzed
in terms of average total revenue per night they only spend $18 per night. However, the average total revenue per night of this group is greatly affected by a large number of individuals who spent no money at the hotel. Therefore, with such a distorted average total revenue per night, an accurate comparison of Facebook Friend Customers to a regular hotel guest is only possible when looking at a sample based upon criteria stated in section 2.2 of this document.

Proposition Testing on $P1$

Of the 1571 Facebook Friends of the hotel, only 119 met the necessary criteria to be included in the sample. This means only 7.57% of the Facebook Friends spent money at the hotel, stayed there at least one night, were not an employee of any kind, and had a comprehensible name. Facebook Friend Customers spent $62,144 in total revenue and stayed 271 nights from January 1, 2010, to October 31, 2010. The average total revenue per Facebook Friend Customer is $522 for the given time period, and they stay an average of 2.28 nights. The cost of goods sold for the hotel is 47% of the total revenue generated while the cost of goods sold for the Facebook Friend Customers is $29,207. The hotel spends an estimated $16,000 annually to operate their Facebook page.

A Facebook page is one of many marketing tools such as e-mail correspondence, outbound telemarketing, paid search engine optimization, Internet display advertisements, and direct mail, that are helpful for businesses. E-mail correspondence had a conversion rate of 1.73% (Direct Marketing Association, 2010, para. 6). Outbound telemarketing produced a conversion rate of 6.16% for companies using this technique (Direct Marketing Association, 2010, para. 9). Paid search yielded a conversion rate of 3.81%, and there is an after click conversion rate of 4.43% for Internet display advertisements (Direct Marketing Association, 2010, para. 10). Direct mail’s conversion rate was 3.42% when companies mailed to their own
contact list (Direct Marketing Association, 2010, para. 7). While it may not be considered an effective tool and countries have enacted laws against it, SPAM for services like online pharmacies do provide a way to reach customers with a conversion rate of 0.0000081% (Kanich, Kreibich, Levchenko, Enright, Voelker, Paxson, & Savage, 2009, p. 103).

Proposition P1 is not rejected because the calculated Facebook Conversion Rate of 7.57% is greater than any of the above mentioned conversion rates. However, it must be noted the results of this portion are intriguing and present a possible tool for management, but generalization of the methods used herein is not necessarily possible without proper statistical testing and hotel specific data. Traditional conversion rates imply a stimulus then reaction scenario, and this may not be entirely the case with the Facebook Conversion Rate. Proof of stimulus-induced responses requires further research.

Hypothesis Testing on H1

Facebook Friend customers were shown to spend an average of $227 in total revenue per night. Regular hotel customers were reported to spend $195 in total revenue per night. These two numbers written in terms of the null and alternative hypotheses listed in section 2.4 of this document look as follows:

\[ H_0: \$227.96 \leq \$195 \]

\[ H_a: \$227.96 > \$195 \]

At first glance it may seem as though it is obvious that $227.96 is greater than $195, but the use of statistical analysis was necessary to see if these two means were statistically different enough. The test statistic for the hypothesis test was 2.780, which is greater than or equal to the test statistic for a 99% confidence level of 2.326. And, the \( p \)-value calculated by Microsoft Excel of
0.000000084954 is drastically less than the $\alpha$ of .01. Given both of these facts, the null hypothesis can be rejected.

Therefore, Hypothesis $H1$ is not rejected because Facebook Friend Customers spend more on average in total revenue per night than do their regular hotel guest counterparts.
CONCLUSIONS

Discussion

Facebook is considered a free way to reach out to customers because a company does not have to pay Facebook to create their own page. It provides companies a way to potentially create more meaningful relationships with their customers. But, like any other marketing tool, Facebook should provide meaningful results for hotels. This study provides two meaningful indicators that Facebook produces benefit for hotels. One, the conversion rate of Facebook Friends is much higher than other marketing methods a hotel may utilize. Two, Facebook Friend Customers could be a potential lucrative group as they spend $32 more on average in total revenue per night than do regular hotel guests.

While a hotel must decide the cost benefit relationship between Facebook and revenue generated, the relationship shown in this paper reveals a scenario of some positive financial benefit from the use of Facebook in integrated marketing efforts. Stronger relationships with customers provide greater economic results for companies, and all forms of marketing should help build the relationship (Luo, Griffith, Liu, & Shi, 2004). Facebook cannot be taken as a separate marketing mechanism, it needs to be a part of an overall integrated marketing strategy. The information found within this study provides valuable recommendations for managers and researchers even with the limitations of the study.

Managerial Implications

This study provides a practical approach for managers to assess their Facebook marketing efforts. If a company keeps a customer database, then they can follow the steps taken by this study.

1. Create a list of all the Facebook Friends
2. Cross-reference those names against existing company database to gather pertinent data such as total revenue, cost of goods sold, etc.

3. Analyze data to provide metrics such as conversion rate and total revenue per night to better help justify Facebook expenditures

The numbers generated from this process could provide a manager with valuable information to evaluate their Facebook efforts. They could see the total revenue their Facebook Friends generate for the hotel, the percentage of Facebook Friends who actually spend money at the hotel, and how many nights Facebook Friends stay at the hotel.

If the hotel was looking to enhance the guest’s experience, they could target the Facebook Friend customers with special offers or amenities catered to interests found in their personal profiles. The hotel could introduce their Facebook Friends to other hotels within their brand or company if the guest is traveling to another city. Facebook Friend musical preferences could be playing in the room when they get there. These are just a few examples of how a hotel manager could use the information gathered from that particular group of people. While this study is a first step towards quantifying the benefits of Facebook, the hotel manager could use the numbers generated by these techniques to judge the financial benefit of their Facebook efforts, integrate the Facebook efforts into traditional marketing metrics, and provide enhanced experiences for customers based on the targeted information they could gather on Facebook Friend Customers profiles. Hotel managers have to ask if the revenue generated by Facebook Friends is worth the time and money it takes to operate a page and if that revenue would be generated without Facebook?
Limitations and Further Research

Social media research is one of the hottest topics in the field of marketing research today. This study adds to the general body of knowledge on the subject by providing a process to analyze the social network site Facebook. Also, it is the first to show that Facebook Friend Customers spend more money on average in terms of total revenue per night than average hotel guests.

The overall results are limited by the small sample size inherent with working with a single property and the type of hotel chosen. Research found in this paper does not take into account the monetary implications of the positive word of mouth generated by the Facebook Friends and other people on other social media outlets. Assumptions made by this paper are limiting because the proportion of the revenue generated by Facebook pages could be more accurately qualified if surveys were filled out by hotel patrons. Also, the cause effect relationship of the Facebook Conversion Rate could be better qualified through a more in-depth look into the efforts of a company’s Facebook initiatives ability to trigger desired responses and the order the relationship takes place. These limitations provide some valuable areas for further research.

Further research could include a more in-depth quantification of the revenue generated by Facebook through surveying of actual hotel customers at the particular hotel or brand. This would create a better multiplier for the financial benefit equation. Categorization of the activity on Facebook could be of use to the research community because it could show if regular followers spend more money than those people who interact with the hotel’s Facebook page. Extending the research to other Smith Travel Research category hotels would aid in increasing the sample size to provide more concrete analysis of the effectiveness of Facebook as an
integrated marketing tool. This extension may show different patterns among the different
groups that could help hotel managers make decisions about whether to have Facebook pages at
the individual hotel level or just at the corporate brand level.

Summary Comments

In conclusion, while Facebook is by far the largest social network site on the Internet
with some 500 million active users it needs to be considered as part of an integrated social media
strategy by both managers and researchers. Furthermore, all social media need to be considered
as to their contribution to the overall marketing strategy of a hotel or any company. Any
marketing effort should be held accountable for the income it generates or relationships it builds.
This research is a valuable first step in providing managers financial metrics with which they can
gauge activities in conjunction with an overall integrated marketing strategy.


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