



Article Title

The Impact of Social Media on Lodging Performance

Citation

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Abstract

Social media has been touted as having an increasingly important role in many aspects of the hospitality industry, including guest satisfaction and process improvement. However, one of the more intriguing aspects of social media is their potential to move markets by driving consumers' purchasing patterns and influencing lodging performance. In the absence of a comprehensive attempt to quantify the impact of social media upon lodging performance as measured by bookings, occupancy, and revenue, this report uses the unique position of Cornell's Center for Hospitality Research to combine data from three CHR research partners (ReviewPro, STR, and Travelocity), and two other data providers (comScore and TripAdvisor) in a first attempt at determining ROI for social-media efforts. The analysis finds the following. First, the percentage of consumers consulting reviews at TripAdvisor prior to booking a hotel room has steadily increased over time, as has the number of reviews they are reading prior to making their hotel choice. Second, transactional data from Travelocity illustrate that if a hotel increases its review scores by 1 point on a 5-point scale (e.g., from 3.3 to 4.3), the hotel can increase its price by 11.2 percent and still maintain the same occupancy or market share. Third, to measure the impact of user reviews on hotel pricing power, consumer demand, and revenue performance the study uses matched-sample data from ReviewPRO and STR. By matching ReviewPRO's Global Review Index™ with STR's hotel sales and revenue data, a regression analysis finds that a 1-percent increase in a hotel's online reputation score leads up to a 0.89-percent increase in price as measured by the hotel's average daily rate (ADR). Similarly this 1-percent increase in reputation also leads to an occupancy increase of up to 0.54 percent. Finally, this 1-percent reputation improvement leads up to a 1.42-percent increase in revenue per available room (RevPAR).

Conclusion

Hotel operators have suspected that the effect of social media and user generated content on hotel performance has been strengthening. This paper provides a numerical confirmation and estimate of those effects. Reviews and review sites continue to be in the forefront when consumers are planning a hotel room purchase. Our comScore sample indicates that the percentage of consumers consulting online review sites prior to their purchase is increasing with time, and the number of visits per person also has grown noticeably. With regard to online reviews, TripAdvisor continues to play an increasing role in the eyes of consumers, and with its marketing options this site has the potential to affect hotel performance as it acts as a portal to brand sites. More generally, OTA reviews, their quality and numbers, lead to increased conversion rates and improved pricing power at the OTA, as evidenced by our investigation of transactions at Travelocity. Using logistic regression to model purchase incidence I estimate that a 1-point increase in user review score (on an OTA's 5-point scale) would allow a property to increase price by 11.2 percent and maintain the same purchase probability or market share. Last, the cumulative impact of user reviews across all channels shows a positive relationship with overall hotel performance. We see that improved online reputation, as measured by ReviewPRO's GRI, results in increased pricing power and occupancy for a hotel. The model estimates that a 1-percent increase in GRI leads to as much as a 0.89-percent increase in ADR, and a 0.54-percent increase in occupancy. Combining these effects, a 1-percent increase in GRI results in up to a 1.42-percent increase in RevPAR.