Toward Social CRM in Travel & Hospitality

Executive Summary
Social media has changed the way organizations interact with their customers. The communication has become bi-directional — customers are using these new media to talk about their preferences, while organizations are leveraging these channels to interface with their customers like never before.

Corporate users of social media have already shown significant return on investment. According to a study by Altimeter Group, in 2009, organizations with dedicated social media activity boosted sales by 18%, while those with minimal or no presence saw a decrease of 6%. In this white paper, we explore the millennial influence driving social media usage, how the travel and hospitality industry is responding, and the business case and performance metrics that inform a solid social CRM strategy.

Social CRM in Travel & Hospitality
The top travel and hospitality (T&H) organizations have been leveraging social media to their benefit for some time. With 68% of influencers and 42% of the overall public turning to word of mouth for travel purchase decisions, social media has started playing a very important role in impacting the sales of these T&H organizations.

To tap this potential, hospitality organizations like InterContinental Hotels Group have successfully adopted social media to boost sales. Their message to the rest of the industry: “Don’t ignore social media.”

There are other instances, as well:
- Delta passengers buying tickets on Facebook.
- Southwest Airlines employing three staffers for monitoring and responding to queries made through social media channels.
- Hyatt and Hilton launching Twitter accounts.

Source: The Global Social Media Check-up—Insights from the Burson-Marsteller Evidence-Based Communications Group, 2010.

Figure 1
Figure 2 illuminates the attitude of T&H marketers toward social media. These marketing professionals understand that capturing the information on the social Web followed by analysis will help equip their T&H organizations with deeper understanding of their customers.

The Millennial Impact on the Social Web

Born roughly in the 1980s and 1990s, millennials have come of age to impact the T&H sector in a big way. Howe and Strauss (2003) listed seven traits of the millennial generation that were not shared by the preceding three generations.

1. **Special:** Since the early 1980s, there has been a great concern about youth issues; the media pays a lot of attention to matters relating to the younger generations, and millennials perceive this global concern about them.

2. **Sheltered:** This is the first generation of “baby on board” signs and special baby car seats.

According to Howe & Strauss, millennials are less influenced by race, gender or ethnicity but seem to be increasingly prone to form social bonds based on economic class.

In their paper titled, “Targeting the Millennial Generation,” Luís Simões and Luís Borges Gouveia state that this generation not only feels comfortable using the Internet but also has not known a world where using this medium was not an option. They also point out that with the emergence of Web 2.0 tools, the psychological traits of millennials described above (like feeling “special,” being team-oriented and being achievers) have transformed customers into producers. This means that consumers have started to create, reinvent, share, rate and label products/services. The ease of use of the new software tools enables practically anyone who desires it to publish his/her points-of-view (POVs) online.

Drew Guiteras, a Strategic Planner at Wieden+ Kennedy, concluded at the recent Marketing Outlook Forum that:

- Organizations should use a multitude of channels to “push” information rather than consumers pulling it. This means consumers should be armed with instant information (e.g., Twitter and Mosio) before they start searching for it. This is because once the consumer takes charge of information gathering, organizations are no longer in control of the message that is delivered.

- Millennials like the idea of the “open go” (i.e., getting on a plane, landing at the destination and having the vacation fall into place). They want everything on the spot. So, travel organizations should be able to empower travelers to make quick decisions on their own. Travel

### T&H Marketers’ Media Usage Plan 2010

![Media Usage Chart](image)

**Source:** Center for Media Research, 2010 Media Planning Intelligence Study

Figure 2
organizations should also be able to incorporate voluntourism\(^2\) in their service packages.

- Travel organizations should not think in terms of itineraries; rather they should think of providing a travel platform that can act as an “idea starter” (such as Oregon 365 [http://www.traveloregon.com/365/]).
- Organizations should help consumers broadcast the show—provide tools for consumers to brag about their experiences.

### Social CRM Business Entities

Social CRM (SCRM) is a way of leveraging social networking through existing and new CRM tools for understanding one’s customers/non-customers and responding back to them. SCRM across T&H comprises three major business entities: Enterprise, customer and non-customer. Identifying customers is relatively easy. It is the non-customers that are harder to locate. SCRM, by its nature, can be more easily unleashed than controlled. As an industry, T&H has a unique dependency on word-of-mouth (WoM). In the context of SCRM, this can be called eWoM (electronic word-of-mouth).

In their paper titled “Electronic Word-Of-Mouth in Hospitality and Tourism Management,” Stephen W. Litvin, Ronald E. Goldsmith and Bing Pan pointed out that eWoM has created new possibilities, such as low cost of information and broader scale of operation. They also pointed out challenges associated with eWoM, such as:

- Increased anonymity of communicators.
- Enhanced possibility of information being accessed, linked and searched.

### Exploring the Tiers

First Tier: “Soon-to-be” non-customers who are on the edge of your market waiting to jump ship.

Second Tier: “Refusing” non-customers who consciously choose against your market.

Third Tier: “Unexplored” non-customers who are in markets distant from yours.

In T&H, a negative WoM has a more detrimental effect than the benefit accrued via positive WoM. Non-customers contribute a lot more to negative eWoM than customers do, in general. Considering SCRM to be a blue ocean\(^3\) for the T&H industry, non-customers can be classified as shown in Figure 3.

### Understanding SCRM Business Entities

T&H netizens (customers and non-customers on the T&H social Web) fall broadly into five types, namely:

- **Sharers** get joy from sharing their experiences, irrespective of whether they are good or bad. They are not much bothered by how others react to their experiences.
- **Ranters’** main aim is to crib from others. Ranters are carping by nature.
- **Suggesters** write with the sole aim of providing a solution. More often than not, they exist in unison with ranters.
- **Influencers** are very critical to brand building. Either a ranter or a suggester may turn out to be an influencer.
- **Followers** simply follow the above four and try to maximize their gains by listening to the right netizen. Followers are the real executers and hence are critical to boosting sales.

Based on the different aspects discussed, the T&H social Web can be broadly classified into the following three categories, namely:

- **Service/Product:** This is the type where the netizens talk about basic services and/or products offered by T&H organizations. They mostly critique T&H offerings.
- **Technology:** This mostly deals with different technology enablers in the T&H space to enhance the customer experience, such as mobility, RFID and Wi-Fi.
- **Operations:** This type of site is generally for the B2B segment, where different organizations discuss how to streamline their operations to enable faster inventory management, stock-out avoidance, etc.

Figure 4 summarizes the presence of different types of T&H business entities, usage propensities of different forms of social channels, different types of social interactions, and the popularity of

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**Source:** Blue Ocean Strategy

Figure 3
It reveals how ranters, suggesters and influencers, within the organization’s customer/non-customer base, are the ones who exchange the maximum information about the organization’s products/services and technology. The social channels of choice are blogs, microblogs and forums. Regarding the ownership of social Web platforms, the ones promoted by third-party social media organizations, such as Facebook, Twitter and MySpace, are more popular than properties owned by T&H organizations.

**SCRM Business Drivers**

SCRM initiatives are aimed at strategic results. Simões and Gouveia, in “Targeting the Millennial Generation,” point out that organizations consider eWoM to meet two broad purposes (i.e., information sharing and revenue generation). To achieve them, organizations should be able to accomplish the following tactical goals:

- Enhancing customer experience.
- Achieving optimum reach for promotion effectiveness or awareness building.
- Monitoring informal branding.

Organizations generally spend 50% of their marketing expenses on enhancing customer experiences either through promotions or via loyalty programs. However, results from these may not always be significantly beneficial. With a constant focus on cutting costs, every business organization is trying to get more out of every dollar spent. SCRM provides an efficient approach to achieve this with its greater and targeted reach. SCRM also allows organizations to delve into customer minds to capture their true perceptions. A close look at the tactical goals reveals that they are centered on three major business entities: brand, channel and customers/non-customers.

**SCRM KPIs**

Measurement of SCRM effectiveness is a challenge in itself considering the sheer volume of customer mindshare that is generated on T&H topics on the Internet. With so much information available, it can be difficult to judge the relevance.
Among blogs, microblogs and forums, the last is the safest place to start. Moreover, opinions in a forum are usually critiqued by other members, thereby reducing the chance of any bias creeping in. Figure 5 shows the usage of different social media features.

We have created relevant KPIs centered on customer/non-customer, channel and brand. Figure 6 shows the various KPIs and the key elements for each.

**Adoption Strategy**

Before discussing the adoption strategy, it is imperative to understand that SCRM is not a standalone concept. Rather, it is the extension of an organization’s traditional CRM. So, the logical conclusion is that in order to have a robust SCRM strategy, T&H organizations should make sure their existing CRM interfaces with their SCRM systems. To further describe the taxonomy here, SCRM represents the outer circle, with traditional CRM subsumed inside — both forms of CRM are enclosed within a box called social media. SCRM is an extension of traditional CRM that strives to better understand the consumer mindset, their likes and dislikes. This understanding (data) can be passed back to traditional CRM, where it can be sliced and diced for more sophisticated understanding.

The existing CRM and new SCRM should merge to create a seamless flow and analysis of data. It is to be noted that this enterprise approach is not fundamentally incorrect. However, the question that needs to be asked at this juncture is — is it the right time for such an adoption?

Considering that the SCRM market is at its inception (Y0), we examine the T&H SCRM landscape over the next three years in Figure 7 (see below). This three-year period can be broadly classified into three phases, namely:

- Phase I: Familiarization
- Phase II: Experimentation
- Phase III: Metric Definition

This information graphic illustrates two strategy parameters (i.e., sector maturity and service market share). With a low sector maturity over the first three quarters, T&H organizations are not sure what exactly SCRM is. Under such circumstances, adopting an enterprise approach may lead to over-investment with a negative ROI. T&H organizations should focus on understanding the basic SCRM metrics, thereby building an
SCRM consciousness across the organization. Organizations will likely need analyst counsel to help them navigate this stage.

During the second phase, sector maturity is expected to grow steadily over the next five quarters. Organizations will focus on advanced SCRM metrics, with the need for analyst coaching gradually tapering off.

Finally, during the third phase, the sector is expected to reach maturity, with enterprises gaining enough expertise to define their own SCRM metrics tailored to their specific needs. There will be minimal consumption of the analyst services. Organizations will be mature enough to analyze and interpret their own data. It is during this time that they might shift to an enterprise approach to reap maximum ROI.

Among the major adoption challenges that T&H enterprises may face include:

- Deciding on the right gestation period for SCRM to flourish.
- Deciding on the right social channel to tap.
- Handling the exponential scale of SCRM transaction over time.
- Tuning existing customer-facing systems to receive and apply social media inputs.

**Solution Spectrum**

The SCRM space is crowded with an array of solutions. Such solutions can be categorized under two broad parameters, namely:

- Ability to predict the market (i.e., based on its metric definition, analysis, interpretation) and make a recommendation.
- Ability to respond to the market, as in the capability of that solution to address various incidents (e.g., flight rescheduling due to overbooking or technical snag, longer wait times at restaurants, cases of lost baggage, etc.) and respond back to the market.

The solution categorizations include:

- **Plug-ins:** Tools available on the social networks that can integrate SCRM data back to the existing CRM systems.
- **Monitoring Solutions:** Such solutions score high on analysis. They are capable of reading social networks based on a set of predefined KPIs and perform analysis on the same for a predictive outcome.
- **Social Media Integration Solutions:** Such solutions respond to targeted customers/non-customers based on the recommendations of the existing CRM system. These solutions are highly interactive.
- **Community Listening Solutions:** Such solutions are based on the premise that listening to the communities equips companies with enough relevant data to make the right predictions, which in turn helps in responding to the right set of stakeholders.

Figure 8 reveals where the various solution categories sit on the SCRM Solution Matrix.

**Cognizant’s Community Listening Solution**

The following are components of our Community Listening Solution:

- **Sentiment Analysis:** Listening to customer discussions, followed by sentiment analysis and categorization.
- **Community Database Management:** Filtration of sentiments fit to be fed to the existing CRM system.
- **Sales Management:** Extraction of relevant data from the community database to conduct further sales processing.
- **Analytics:** Analysis of the filtered sentiments for brand perception, customer experience and promotional effectiveness.
- **Reporting:** Scheduled and on-demand reports rich with analytics and dashboards features to facilitate on-the-spot sensitivity analysis.

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<thead>
<tr>
<th>Social CRM Solution Matrix</th>
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<tbody>
<tr>
<td><strong>Ability to Predict</strong></td>
</tr>
<tr>
<td>Low</td>
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<tr>
<td><strong>Ability to Respond</strong></td>
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**Monitoring Solutions**

(e.g. Alterian, Radian 6, BizX, etc.)

**Community Listening Solutions**

(e.g. Lithium, Jive, etc.)

**Plug-ins**

(e.g. Appirio, SocialCRMTools, etc.)

**Social Media Integration Solutions**

(e.g. Microsoft Dynamics, SAP CRM, NetSuite, Salesforce, etc.)

Figure 8
**Response Management**: Targeted response (automated or manual) through a secured workflow with the client organization.

The solution should be able to provide the services over the cloud without compromising the security of the client’s sensitive data. It should be able to operate with a minimum of 75% accuracy. Considering the high rate of information generation via social media, the solution should be able to process at least 85% to 90% of the generated data without any duplication. The solution can be configured to listen to any social channel that has its RSS feeds enabled and can be interfaced with the organization’s existing CRM system.

Our Community Listening Solution is industry agnostic. However, several of its components are based on metrics that are highly T&H specific, especially analytics and reporting.

Prior to the implementation of the solution, an assessment study should be conducted to determine the readiness and appropriateness of the organization to adopt SCRM.

**Conclusion**

The future of travel and hospitality lies in social media. In an effort to get closer to customers, more and more organizations are turning to social networks. However, successful utilization of social media to boost revenue and gain competitive advantage lies in listening to customers on those platforms where they are talking, followed by precision targeting of such customers, as well as the non-customers. However, companies should not be looking at SCRM solutions as a one-time investment since SCRM is an evolving concept in itself. Looking at the current scenario, it is clear that T&H organizations will face additional challenges as millennials get exposed to newer forms of social media.
References
Keller Fay Group, http://www.kellerfay.com/
Brian Solis blog, http://www.briansolis.com
Cloud Ave blog, http://www.cloudave.com

Footnotes
1 Influencers are defined as the consumers who significantly influence yet-to-be consumers in converting their purchase intent into a purchase decision. Influencers often act as opinion leaders among their peers and can significantly impact the image of a brand within his/her peer group.
2 For the purposes of this paper, voluntourism is defined as that form of tourism where the traveler is empowered to decide on tour itinerary, rates, car rentals, hotels, etc. on the spot.
3 A business concept that is yet to be explored or less explored and for which the ROI is yet to be determined or unknown is, generally, referred to as Blue Ocean.

About the Author
Somnath Chatterjee is an Associate Consultant within Cognizant Business Consulting focused on the travel and hospitality domain. He holds an MBA in Marketing & Systems and is expert in the business impact of emerging technologies and platforms on travel and hospitality companies. His other areas of interests are loyalty management, franchisee management and supply chain management across the travel and hospitality sector. He can be reached at Somnath.Chatterjee@cognizant.com.

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