

Improving business performance of budget hotels through social media

Aprimorando o desempenho econômico hoteleiro por meio de redes sociais

Roberto Falcão¹

Andrea Castro²

Estefanie Nascimento³

Tania Barboza⁴

Jorge Ferreira⁵

Este artigo foi recebido em 18 de OUTUBRO de 2017 e aprovado em 12 de MARÇO de 2018

Abstract: The article aims at understanding how a hostel takes advantage of guests' opinions on digital social networks to improve their business performance. The budget-hospitality sector attracts younger and connected individuals that use social media as a decision-making tool for choosing their accommodation. On the other hand, some hotels already take advantage of customers' feedbacks to improve service quality. The research is based on an exploratory single case study of a hostel chain in Brazil. Among the main findings, evidences point to how the hostel chain takes advantage of both eWOM and customer satisfaction surveys to improve its marketing performance and services, obtaining competitive advantages. In addition, social media is used as an important input for HR management, determining bonus criteria and team focus.

Key words: Hostel; Digital Marketing; Social Media; eWOM; UGC

¹Informações do autor:

Formação/curso: Professor of the Department of Entrepreneurship and Management. **Instituição:** FEDERAL UNIVERSITY FLUMINENSE (UFF), Niterói – RJ, Brasil. **E-mail:** robertopqfalcao@gmail.com

²Informações do autor:

Formação/curso: PhD student in Management and Consumer Behaviour. **Instituição:** PONTIFICAL UNIVERSITY OF RIO DE JANEIRO (PUC - RIO), Rio de Janeiro – RJ, Brasil. **E-mail:** andrearc.castro@gmail.com

³Informações do autor:

Formação/curso: Master degree in Business Administration. **Instituição:** PONTIFICAL UNIVERSITY OF RIO DE JANEIRO (PUC - RIO), Rio de Janeiro – RJ, Brasil. **E-mail:** estefanie.nascimento@yahoo.com.br

⁴Informações do autor:

Formação/curso: PhD student in Management and Consumer Behaviour. **Instituição:** PONTIFICAL UNIVERSITY OF RIO DE JANEIRO (PUC - RIO), Rio de Janeiro – RJ, Brasil. **E-mail:** tania_barboza@yahoo.com.br

⁵ **Formação/curso:** Assistant professor in Marketing. **Instituição:** PONTIFICAL UNIVERSITY OF RIO DE JANEIRO (PUC - RIO), Rio de Janeiro – RJ, Brasil. **E-mail:** jorge.brantes@gmail.com

Resumo: Por meio do artigo, visa-se entender como um hostel aproveita as opiniões de hóspedes postados em redes sociais digitais para melhorar o desempenho de negócios. A indústria de hospedagem econômica atrai jovens conectados que usam as redes sociais como uma ferramenta de decisão para escolher a acomodação. Por outro lado, em alguns hotéis, já se aproveitam as opiniões dos clientes para melhorar a qualidade do serviço. A pesquisa baseia-se em um estudo exploratório de um único caso de uma cadeia de hostels no Brasil. Entre as principais descobertas, as evidências apontam que a cadeia de hostels alavanca as pesquisas de eWOM e a satisfação do cliente para aprimorar serviços de desempenho e marketing, ganhando vantagens competitivas. Além disso, as mídias sociais são usadas como um insumo importante para o gerenciamento de recursos humanos, determinando critérios de bônus e gerenciamento de equipe.

Palavras chave: hostel; marketing digital; mídia social; eWOM; UGC

1. Introduction

According to data from the World Travel and Tourism Council (WTTC), presented by the Brazilian Ministry of Tourism — EMBRATUR (2015), the tourism sector represents 9.2% of World GDP. Furthermore, the tourism industry in Brazil is ranked sixth in the world in the percentage of its GDP. Independent low-cost tourists and backpackers, in particular, are a group of travelers that continue to be ignored in terms of research, especially in Brazil and South America (OLIVEIRA, 2008). Most studies about this cohort have been conducted in Europe, Southeast Asia and Australia — areas where the positive influence and economic impact of independent tourists is already recognized (LLOYD, 2003; MOHSIN; RYAN, 2003; NEULANDS, 2004; RICHARDS; WILSON, 2004).

Despite the broader use of the internet in the tourism industry, little is known about its impact on marketing and management practices (SIGALA, 2002). In fact, it is observed that tourists have increasingly been exposed to many different sources of referral information on-line, mainly acquired through contacts and conversations established within digital social networks. This kind of information is frequently used in their purchasing decisions, now known as “electronic word-of-mouth” or “eWOM” (LEUNG; LAW; VAN HOOFF; BUHALIS, 2013; LIU; PARK, 2015). For travelers, websites such as TripAdvisor, Hostelworld and Booking.com function as sources of information and are substitutes for traditional travel agents. Through them, it is possible to obtain information about service quality, make contacts with tourism-related suppliers and even make reservations.

Extant literature explores the impacts of eWOM on tourism and hospitality, including aspects that motivate consumers to share their opinions regarding travel businesses (HENNIG-THURAU; GWINNER; WALSH; GREMLER, 2004; GODES; MAYZLIN, 2004, LIU; PARK, 2015). The effect of eWOM on

purchase decisions was also studied by several authors (PARK; LEE; HAN, 2007; LAW, 2009; LEE; LEE, 2009; MAURI; MINAZZI, 2013). Additionally, Xiang and Gretzel (2010) enlightened the process of travel-information search involving eWOM. Malthouse, Haenlein, Skiera, Wege; and Zhang (2013) also studied how to manage customer relationship through eWOM. Furthermore, Munar and Jacobsen (2013) and Baka (2016) researched trust and travel reputation.

Furthermore, a few systematic literature reviews were conducted by Leung, Law, van Hoof and Buhalis (2013) including the analysis of social media in tourism and hospitality, and eWOM in hospitality and tourism management (CHEN; LAW, 2016; BORE; RUTHERFORD; GLASGOW; TAHERI; ANTONY, 2017).

Another systematic review of literature regarding social media, conducted by Sotiriadis and Sotiriadis (2017) suggests a set of strategies for tourism businesses to seize opportunities. The authors scrutinized academic research published between 2009 and 2016, regarding the changes in tourism consumer behavior through the use of social media (SM). They identified three main research themes which were investigated by scholars, namely the antecedents (factors motivating and influencing tourists); the influence of on-line reviews on consumer behavior; and finally the impact of these reviews on tourism businesses (providers' perspective). Other recent studies explored other aspects such as: (i) how website recognized expert reviews influence travelers' on-line rating behavior (ZHANG; ZHANG; YANG, 2016); (ii) the effect of negative on-line reviews (BRADLEY; SPARKS; WEBER, 2016); (iii) the effect of eWOM on accommodation internal reference price (NIETO-GARCÍA; MUÑOZ-GALLEGO; GONZÁLEZ-BENITO, 2017); (iv) the impact of eWOM on travelers' shopping patterns (LEVER; MULVEY; ELLIOT, 2017); (v) corporate e-reputation (KHAN; DIGOUT, 2017) and (vi) guests' reactions to solicited reviews (MAGNO; CASSIA; BRUNI, 2017).

Additionally, electronic consumer reviews can be very useful for marketing managers of service-related businesses. In fact, the rapid growth of user-generated content [UCG] in travel and hospitality industries has spurred enterprises to include on-line reputation management in organizations' agendas (BAKA, 2016). Therefore, this article focuses on how managers take advantage of customers' opinions to improve the performance of hostel-type lodging services. Despite the recognition of digital social media as a critical marketing management tool (DEV; BUSCHMAN; BROWN, 2010), few tourism companies take advantage of available on-line information to actively improve their performance (SIGALA, 2011; SANLIÖZ ÖZGEN; KOZAK, 2015). In addition, a study on the use of electronically generated data as a tool in both marketing and service management, can contribute to a deeper understanding of the phenomenon. Notwithstanding, this research aims to answer the following question: "How can a hostel take advantage of guests' opinions on digital social networks to improve their performance?"

The reason for choosing a hostel chain as the case to be analyzed in this study lies on the rise of the so-called independent tourists. These customers generally use on-line sources of information from third

parties to organize their trip. Mobile ubiquity and Wi-Fi availability has also contributed to enhance this trend (UKPABI; KARJALUOTO, 2016). In this context, the contemporary backpacker is an important and growing element of international tourism that, despite his more modest daily expenses, ends up contributing to local commerce because he ends up staying longer in his chosen destination (OLIVEIRA, 2008). It is worth noting that the budget hotel sector, represented mainly by hostels, has a significant share of the lodging sector of the city of Rio de Janeiro. According to the official market-survey conducted by Rio's local government (PREFEITURA DO RIO DE JANEIRO, 2015), that segment of hospitality accounted for 241 units.

2. Theoretical framework and literature review

In order to answer the proposed research question, the theoretical basis and conceptual considerations adopted in this study are presented as follows. First, the authors relate studies on the “service dominant logic” model for marketing (VARGO; LUSCH, 2004). Second, they discuss recent research regarding the influence of electronic word of mouth (BAKA, 2016) and performance management based on information generated in tourism social media (CHEUNG; LEE, 2012; MAURI; MINAZZI, 2013).

2.1 Marketing management and provision of hotel services

The Service Dominant Logic (SDL) model of Vargo and Lusch (2004; 2008) is an alternative to the traditional Goods Dominant Logic (GDL) model. According to this theory, the focus of market actions should not be the good or output generated by it, but rather its process of generation and transactions. While in the traditional model (GDL) services are designed as outputs, in SDL services are recognized as part of the process and developed by the two stakeholders in a collaborative and dynamic manner. Therefore, goods would only be vehicles for the delivery of services. The Service Dominant Logic (SDL) model contains ten key assumptions for service-oriented guidance (VARGO; LUSCH, 2008). These assumptions are presented on Table 1.

Shaw, Bailey and Williams (2011) used the conceptual model of Vargo and Lusch in order to understand the phenomenon of co-creation in the United Kingdom's hotel industry. Table 2 lists the propositions suggested by Shaw, Bailey and Williams (2011).

The authors state that co-creation is particularly relevant to the management of the tourism industry. Therefore, they conclude that:

[...] Consumer experiences are at the very heart of the tourism industry and S-D Logic provides a conceptual framework for understanding how the consumer is becoming central to the development and marketing of tourism products through a process of co-creation with the producer (SHAW; BAILEY; WILLIAMS, 2011, p. 213).

Although the assumptions presented in the Vargo and Lusch (2008) model are not new to marketing theory, the model was conceived as a facilitator for understanding and developing collaborative and creative relationships between consumers and producers (BAGOZZI; MACLARAN; SAREN; STERN; TADAJEWSKI, 2010).

2.2 The influence of "word of mouth" on service marketing

The study by Jalilvand, Esfahani and Samiei (2011) points out that word-of-mouth (WOM) is recognized as one of the most influential forms of information transmission. Research has shown that personal conversations and exchange of information between acquaintances not only influence consumer choices and purchasing decisions, but also generate other effects such as shaping their expectations (ANDERSON; SALISBURY, 2003) and pre-use attitudes (HERR; KARDES; KIM, 1991), or even their post-use perceptions of a product or service (BONE, 1995). However, conventional WOM communication is only effective within the limits of social contact.

The Internet has enabled the design of new communication platforms that have strengthened the relationship between suppliers and consumers. Advances in information technology and the emergence of on-line social networks have shifted traditional "word-of-mouth", making it transcend its original limitations (CHEUNG; LEE, 2012).

In this way, the use of social media occurs both between companies and consumers, as well as directly between consumers. Electronic word-of-mouth (eWOM) refers to any positive or negative statement, made by potential current or former customers, about a product or service. The difference of eWOM to WOM relates to the availability of the information to many people and institutions, only possible with Internet mediation (HENNIG-THURAU; GWINNER; WALSH; GREMLER, 2004).

Park and Kim (2008) pointed out that eWOM is of electronic nature, meaning that there is no face-to-face communication between individuals and assessments are usually "unsolicited", sent to recipients who are not looking for information and not necessarily willing to pay attention to them. Cheung and Lee (2012) pointed out advantages of eWOM in relation to conventional WOM: comprehensiveness, diffusion velocity, communication accessibility, record persistence and measurement scales.

Nevertheless, it should be noted that the different types of digital social media have different weights in consumer opinions. Bachleda and Berrada-Fathi (2016) concluded that tourism-service evaluation sites, such as TripAdvisor, are more relevant than Facebook, for instance.

A unique aspect of the interrelation between WOM and marketing is its positive and synergistic feedback mechanism regarding products sale. This means that WOM has the potential to leverage sales of products and services, which in turn generate more WOM and consequently more product sales (GODES; MAYZLIN, 2004). The authors also state that eWOM overcomes the limitation of the exchange of

information merely through private conversations, by observation or direct experience in the purchase of the product or service, also quoted by Cheung and Lee (2012). Nevertheless, as discussed by Bachleda and Barrada-Fathi (2016), traditional or personal WOM have a stronger power of influence over consumer as compared to eWOM. This is because the first is based on stronger bond between the parties. The latter is most of the times based either on anonymous or on unacquainted interlocutor comments. Moreover, the identification between the interlocutors also strengthens their opinion. Information generated and transmitted between consumers is useful in making purchasing decisions, as they offer indirect consumption experiences to future customers (PARK; LEE; HAN, 2007). Therefore, on-line consumer assessments can be considered as social influence routes, which play the roles of both “informants” and “advisors” (PARK; LEE; HAN, 2007). In order to build an effective marketing strategy, managers should be aware of eWOM effects. They should pay attention to its effects not only as a source of information, but also due the valence of the messages — either positive or negative (PARK; LEE, 2009). According to these authors, negative eWOM has a considerably greater impact than positive eWOM in the purchase decision

2.3 Using social media as a tool for service management

Marketing managers are faced, nowadays, with a dynamic and interconnected environment. In this context, managers should not ignore the opportunities and threats that are generated by social media (BERTHON; PITT; PLANGGER; SHAPIRO, 2012). In the particular case of hotel services, the development of information and communication technologies (ICTs) has had a considerable impact on the sector (LAW, 2009; INVERSINI; MASIERO, 2014). The managers of this segment have been adopting, as a growing trend, several ICTs to improve the marketing management of their businesses (INVERSINI; MASIERO, 2014). Baka (2016), in studying the use of user-generated content (UGC), indicated that the management of such content is crucial to the reputation of businesses in the travel industry. The hotel business comprises large, medium and small companies. However, according to Burgess, Sellito, Cox and Buultjens (2015), only a lesser portion of small and medium-sized tourism companies use UGC-type data. In addition, Baka (2016) elaborated a conceptual model based on the study by Fombrun (2007), contemplating processes that the managers of the tourist sector must be attentive to in order to maintain a good reputation (Table 3).

3. Methodological approach

This article is an exploratory, qualitative and descriptive study that seeks to portray how a certain phenomenon occurs (DENZIN; LINCOLN, 2011). To answer the proposed research question ("How does a hostel leverage guests' opinions on digital social networks to improve its performance?"), the case study method proposed by Yin (2013) is used as an ideal design to elucidate a current situation in a complex environment. It should be emphasized that the authors opted for the single case study as a starting point,

considering that this research seeks to elaborate a conceptual model that makes feasible the future construction of hypotheses or reformulation of the problem.

In addition, a documentary research was carried out, a technique based on the analysis of documents about the phenomenon of interest (BAILEY, 1994). According to Ahmed (2010), this method, in some cases, may be even more appropriate than in-depth interviews or participant observation. However, for the present study, this method was used to complement in-depth interviews and to triangulate with the information obtained from the conducted interviews and the evaluations obtained on the site.

For the collection of evidence and information, two sources were used: in-depth exploratory interviews with the hostel owner and his manager and some guest ratings posted on Hostelworld, Booking.com and TripAdvisor pages. The positive and negative evaluations observed at these sites provide users with transparent and credible information regarding possible purchase options (FRIEDLANDER, 2012).

4. Unit of analysis

The researchers chose as the unit of analysis a hostel-chain, in particular one of its premises located within the Copacabana neighborhood, in the city of Rio de Janeiro, which we will call hostel. This hostel is part of a large Latin American chain that has 26 units. The headquarters of the hostel is located in Argentina. The choice of this unit of analysis took into account two factors. First, the fact that this chain of hostels adopts on-line guest reviews either from digital satisfaction surveys or from on-line reviews of eWOM-type guests. Additionally, the hostel also uses its customers' posts on Hostelworld and Booking.com webpages to monitor the quality of services and to determine marketing actions. The second factor was the accessibility to data, considering that one of the researchers had close contact with the owner of the chosen unit, a condition that facilitated the availability of information. Finally, the owner of the Copacabana unit is also one of the hostel-chain shareholder partners.

4. Data collection

For data collection, three visits were made to the Copacabana unit of the hostel-chain, in Rio de Janeiro, on March 10th, 13th and 27th, 2016, during which in-depth interviews were conducted with one of the unit's owners and their manager. The first contact was an exploratory visit, where the objectives were: getting to know the unit, understanding its operations and conducting an interview with the owner. In the second meeting, a new in-depth interview was held with the owner and then another interview was conducted with the manager of the unit. In the third meeting, an interview was held together with the owner and the manager, aiming to perform a triangulation of the information, after analyzing customer evaluations of the

hostel on Booking.com and Hostelworld. All the interviews followed a semi-structured script, elaborated by the authors with relevant questions regarding the topic of interest.

In addition, websites such as Booking.com and Hostelworld were used as secondary data sources, where the researchers sought comments and user evaluations, as well as the ratings awarded for the quality of services related to the analyzed hostel. Figure 1 displays an example of comments and scores found in those websites.

5. Results

5.1 Description of the case

The researched hostel group is one of the leading hostel chains in Latin America. Founded by two brothers in Mar del Plata, Argentina, the network expanded, initially to Rio de Janeiro, Brazil, where the second unit was opened. Since then, it has expanded its operations through franchises in other countries, such as Uruguay, Chile and Peru, remaining in control of the company in Argentina. Currently the group holds 26 units under its flag.

In Brazil, the network was established in the South, Southeast and Northeast regions, totaling 16 units. The brand offers two products: hostels and suites, the main difference being that the “hostels” (consisting essentially of dormitories) are installed on larger properties, while the “suites” (double rooms) occupy smaller properties.

The company's office, where the accounting and financial areas operate, is located in Mar del Plata, but the marketing department is based in Buenos Aires. The firm kept an office in Brazil for a certain period, but decided to close it in order to reduce operating costs.

To monitor service quality, the company uses eWOM and posts on online booking platforms. The ratings are obtained through reviews posted on booking sites, such as Booking.com (www.booking.com) and Hostelworld (www.hostelworld.com). Other reviews are obtained on TripAdvisor website (www.tripadvisor.com) and extracted from responses to online survey questionnaires, invites to which are sent automatically, via email, to all customers after checkout. This practice and constant comparison with its competitors' services underpins the group's pricing policy, which is highly influenced by the satisfaction score obtained on booking sites. Furthermore, on-line ratings and evaluations are also used to calculate variable salary bonuses for teams at each property. This part of their salaries represents around 40% of employees' earnings. Because of this, the management of each unit constantly monitors and promotes customer feedback. From these data, managerial reports are generated to accompany the units and franchises performance, regarding service delivery.

Both the chain's own units and the franchisees monitor their guests' ratings directly through surveys submitted after their check-out or through the ratings collected from booking sites. The maintenance of the franchise concession by franchisees is intimately linked to these performance checks. In addition, franchisees

who perform poorly consistently — obtaining negative or below the chain’s average ratings — are penalized with de-accreditation.

5.2. Evaluation and performance

The management of the each property depends on guests evaluation about the services provided, and so does the continuation of the franchises. Guest ratings are taken into account, as well as the general rating on Booking.com, Hostelworld and TripAdvisor, as stated by one of the partners of the hostel unit in Copacabana:

[...] Here we work a lot on service quality [...] A good share of the employees' salary is related to the customer satisfaction rating. We are really focused on that. In the past, we used to worry only about the meeting of financial goals, but the partners realized this would be problematic in the long run. In that period, we were profiting, but around 30% of the guests said in surveys that they would not recommend our chain of hostels. Top management felt that this was a serious problem and that we had to change this situation (PARTNER STATEMENT, April 13, 2016).

The growth of guest dissatisfaction was the main reason for adopting service quality monitoring based on ratings and reviews. In addition, the ratings refer to a percentage of guests’ recommendations. As mentioned in the partner’s statement, the dissatisfaction of guests could jeopardize the future of the hostel chain, especially considering the fact that the level of non-recommendation for a future stay had reached 30%. According to the partner’s statement, an acceptable rate of dissatisfaction (or not recommending the hotel for a future stay) is below 10%. The interviewed manager also stressed that the most important thing in evaluating guests’ feedback is to analyze their opinion concerning their recommendation of the hostel for future stays.

The other element monitored by the hostel chain, extracted from the Booking.com website, is their review score (ranging from 1 to 10), as stated by the partner and verified in the report provided by the manager.

[...] The review score on Booking.com’s website is another important item to be monitored. If a hostel, for example, gets below 8.0, the chance of getting reservations is much lower than one that has a review score of 8.5 or 9.0. It has a direct relationship with the occupancy rate. We work here in order to stay always above 8.5 on Booking.com. Just to give you an example, when I travel, I only book a hostel that is above 8.5, I don’t even consider those below (PARTNER STATEMENT, April 13, 2016).

The partner states that, by 2010, the group was focused on selling room reservations, additional services and tours. Thus, the entire network was focused on achieving the financial goals corresponding to the amount of stays sold and additional services. The partner reports that although the company was always able to maintain high occupancy rates, the group's rating on booking sites was poor:

[...]And that, in the long run, would ruin our business. Therefore we changed our philosophy, putting more effort on the rating [...] if the rating is good, the financial target will consequently be reached.” [The current recommendation-rating goal stands at 95%] (PARTNER STATEMENT, April 13, 2016).

The following section explains how the calculation of the internal hostel rating is done, as well as the sources of information that are taken into account for this calculation.

5.3 Guests opinion sources

The hostel obtains customer evaluations from five sources:

- Comments posted on Booking.com (www.booking.com).
- Comments posted on Hostelworld (www.hostelworld.com).
- In addition to comments, both sites automatically forward a questionnaire to the guest for evaluation.
- Comments published on the travel information site TripAdvisor.
- Poll sent, automatically via email to customers after their check-out. The manager of the unit forwards the email message to the guest the day after the check-out in order to encourage the response of the survey. The manager explains how this submission works by stating:

[...] there are cases when a guest responds to our email, but does not respond to the poll, but it is more common for them to respond to the poll. In general, the response rate is 30 out of 450 guests per month (Statement of the Unit Manager, April 13, 2016).

5.4 Consolidation of evaluations

Every month, property managers meet, either in person or through Skype, with the marketing director in Argentina to evaluate the comments of the selected websites. At this point, the amount of positive and negative comments is checked. The following ratio is acceptable to the chain goals: one negative comment for every twenty positive comments, considering all sources of research. This meeting is

also where each the individual unit is checked against the 95% recommendation-rating goal. According to the partner of the Copacabana property, 40% of employee earnings are variable and tied to the rating.

The prices charged for accommodation take into account the ratings from Booking.com and Hostelworld, the constant monitoring of competitors' prices, as well as fluctuations in the regional occupation rate: high or low season. They also take into account, for instance, some major event or Summer vs. Winter. In Rio de Janeiro the main seasonal events are Carnival and Rock in Rio music festival. Still on the rating, the manager highlights:

[...] The low rating influences price too much. In the high season, it does not influence as much, because the hostel is full, but in the low season, this rating can cause dramatic price changes. There is no way you can raise the price with low ratings. On the other hand, with the high rating, you can raise the price and achieve a demand that would not reach if the rating was low (STATEMENT OF THE UNIT MANAGER, April 13, 2016).

Regarding the competition, both the manager and the partner of the hostel are emphatic in saying that they do not know if any other hostels adopt this strategy of checking the rating or reviews on reservation websites as means for improving their management and marketing practices.

6. Discussions

For a clearer discussion of results, this section is subdivided into three sections. In the first one, we evaluate the evidences regarding the application of the service dominant logic (SDL) in quality assessment. In the second, we discuss the influence of word-of-mouth in the marketing of hospitality services, their practices and implications. Finally, we debate the use of digital social media as a tool for performance management in hotel services.

6.1 Evidences on the application of the service dominant logic (SDL) in quality assessment

Table 4 presents the attributes of the service dominant logic and the findings of the study related to each of them. It helps to understand the role of the consumer in the phenomenon of co-creation for the hotel industry.

6.2 Evidences regarding the influence of word-of-mouth on service marketing

According to the results presented, service evaluations available at Booking.com, Hostelworld and TripAdvisor websites are crucial elements for the dissemination of eWOM in the hospitality industry. The evidences found in the case are in line with Cheung and Lee's (2012) statements, verifying that the Internet allowed the design of new communication platforms, which strengthen the relationship between suppliers and customers, with this new interaction channel being particularly relevant for tourism.

In the case of hostel customers, online evaluations of other guests also configure social influence routes, as pointed out by Park, Lee and Han (2007). The analyzed case clearly showed how big of an impact eWOM could have in defining effective marketing strategies and practices (PARK; LEE, 2009). The managers of the hostel-chain also indicated that they were aware of the fact that negative eWOM had a greater impact on the purchase decision, seeking to adopt a business strategy that minimized this.

To conclude the analysis of this part of the theoretical framework, according to the theories regarding eWOM (PARK; LEE; HAN, 2007), information generated by customers influence other future customers in their consumption decisions, but can also impact managerial practices, even those related to the variable remuneration of employees.

6.3 Use of digital social media as a tool for performance management in hotel services

Based on Baka's (2016) study on UGC specifically within the TripAdvisor website, Table 5 presents the processes raised by Baka and the evidences spotted in this study related to them.

According to Baka (2016), the proliferation of informal online tools, such as TripAdvisor, has redefined the way companies manage their reputation, turning it into a much more dynamic process. However, few hotel chains monitor UGCs regarding their businesses. Fewer still use such content as a management tool (BAKA, 2016).

7. Final Remarks

The purpose of this study was to answer the following research question: How can a hostel take advantage of online guest reviews to improve its performance? Throughout the study, it was possible to understand how hostels can use customer online reviews in the process of managing and improving their service quality. Customers collaborate with hostel management through their reviews and feedbacks, generating continuous improvement in guests' experience. The variable earnings of employees depends the results of monthly reports, including customers' feedbacks and reviews. Employees are seen as an important operant resource for the hostel. They are the ones who deliver both service-quality and co-create value on the hospitality environment.

Although the analysis of a single case study presents methodological limitations and generalization is unlikely, the researchers highlight the importance of such exploratory studies. The application of this research in other hostels or hotel chains would allow for a more thorough examination of the subject. However, the evidences of this exploratory study are in agreement with extant literature and the conceptual issues that base this article. Moreover, contributions of both theoretical and managerial nature can be drawn from the discussed results.

First, in terms of theoretical contributions, the study verifies that monitoring guests' opinions through eWOM is a marketing management tool for identifying problems and/or failures in service delivery, and therefore provides support for actions aimed at improving performance. Furthermore, it seems that digital social media and online booking tools are the main forms of information dissemination for budget hotel services. Messages and ratings present on such eWOM define how customers make purchase decisions about tourism-related products and services.

With regard to its managerial implications, the study serves as a warning for other hotel chains to make use of the theories of eWOM and think about incorporating consumer ratings and reviews into their quality management practices. This process could also be used for other services besides hotels and accommodation in general, such as restaurants, bars and beauty parlors, among others.

14. References

- AHMED, J. U. (2010). Documentary research method: new dimensions. **Indus Journal of Management & Social Sciences**, vol. 4, n.º 1, p. 1-14.
- ANDERSON, E. W.; SALISBURY, L. C. The formation of market-level expectations and its covariates. **Journal of Consumer Research**, vol. 30, n.º 1, p. 115-124, 2003.
- BACHLEDA, C.; BERRADA-FATHI, B. Is negative eWOM more influential than negative pWOM?. **Journal of Service Theory and Practice**, vol. 26, n.º 1, p.109-132, 2016.
- BAGOZZI, R. P.; MACLARAN, P.; SAREN, M.; STERN, B.; TADAJEWSKI, M. (Eds.). Consumer agency and action. **The sage handbook of marketing theory**, p.316-331, 2010.
- BAILEY, K. **Methods of social research**. New York: The Free Press, 1994.
- BAKA, V. The becoming of user-generated reviews: looking at the past to understand the future of managing reputation in the travel sector. **Tourism Management**, vol. 53, p.148-162, 2016.
- BERMAN, B. Referral marketing: harnessing the power of your customers. **Business Horizons**, vol. 59, n.º 1, p.19-28, 2016.

**IMPROVING BUSINESS PERFORMANCE OF
BUDGET HOTELS THROUGH SOCIAL MEDIA**

Roberto Pessoa de Queiroz Falcão
Andrea Ribeiro Carvalho de Castro
Estefanie Silva do Nascimento
Tania da Silva Barboza
Jorge Brantes Ferreira

- BERTHON, P. R.; PITT, L. F.; PLANGGER, K.; SHAPIRO, D. Marketing meets Web 2.0, social media, and creative consumers: implications for international marketing strategy. **Business Horizons**, vol. 55, n.º 3, p. 261-271., 2012.
- BONE, P. F. Word-of-mouth effects on short-term and long-term product judgments. **Journal of Business Research**, vol. 32, p. 213-223, 1995.
- BORE, I.; RUTHERFORD, C.; GLASGOW, S.; TAHERI, B.; ANTONY, J. A systematic literature review on eWOM in the hotel industry: current trends and suggestions for future research. **Hospitality & Society**, vol. 7, n.º 1, p. 63-85, 2017.
- BRADLEY, G. L.; SPARKS, B. A.; WEBER, K. Perceived prevalence and personal impact of negative on-line reviews. **Journal of Service Management**, vol. 27, n.º 4, p. 507-533, 2016.
- BURGESS, S.; SELBITTO, C.; COX, C.; BUULTJENS, J. Strategies for adopting consumer generated media in small-sized to medium-sized tourism enterprises. **International Journal of Tourism Research**, vol.17, n.º 5, p. 432-441, 2015.
- CHEN, Y. F.; LAW, R. A review of research on electronic word-of-mouth in hospitality and tourism management. **International Journal of Hospitality & Tourism Administration**, vol. 17, n.º 4, p. 347-372, 2016.
- CHEUNG, C. M. K.; LEE, M. K. O. What drives consumers to spread electronic word of mouth in on-line consumer-opinion platforms?. **Decision Support Systems**, vol. 53, n.º 1, p. 218-225, 2012.
- DENZIN, N. K.; LINCOLN, Y. S. (Eds.). The sage handbook of qualitative research. Sage Handbooks, 2011.
- DEV, C. S.; BUSCHMAN, J. D.; BROWN, J. T. (2010). Hospitality marketing: a retrospective analysis (1960-2010) and predictions (2010-2020). **Cornell Hospitality Quarterly**, vol. 51, n.º 4, p. 459-469, 2010.
- EMBRATUR. Turismo contribui com 9% do PIB mundial. Disponível em: [http://www.embratur.gov.br/piembratur/new/opencms/salaImprensa/artigos/arquivos/Turismo contribui com 9 do PIB mundial.html](http://www.embratur.gov.br/piembratur/new/opencms/salaImprensa/artigos/arquivos/Turismo%20contribui%20com%209%20do%20PIB%20mundial.html). Acesso em: dia/mês/2015.
- FOMBRUN, C. J. List of lists: a compilation of international corporate reputation ratings. **Corporate Reputation Review**, vol. 10, n.º 2, p. 144-153, 2007.
- FRIEDLANDER, R. J. Tendencias en la gestión de la reputación y las opiniones on-line de hoteles. **Hosteltur**. Disponível em: http://www.hosteltur.com/185350_tendencias-gestion-reputacion-opiniones-online-hoteles.html. Acesso em: 22 maio 2012.
- GODES, D.; MAYZLIN, D. Using on-line conversations to study word of mouth communication. **Marketing Science**, vol. 23, n.º 4, p. 545-560, 2004.
- HENNIG-THURAU, T.; GWINNER, K. P.; WALSH, G.; GREMLER, D.D. Electronic word-of-mouth via consumer-opinion platforms: what motivates consumers to articulate themselves on the Internet?. **Journal of Interactive Marketing**, vol. 18, n.º 1, p. 38-52, 2004.

**IMPROVING BUSINESS PERFORMANCE OF
BUDGET HOTELS THROUGH SOCIAL MEDIA**

Roberto Pessoa de Queiroz Falcão
Andrea Ribeiro Carvalho de Castro
Estefanie Silva do Nascimento
Tania da Silva Barboza
Jorge Brantes Ferreira

- HERR, P. M.; KARDES, F. R.; KIM, J. Effects of word-of-mouth and product attribute information on persuasion: an accessibility-diagnostics perspective. **Journal of Consumer Research**, vol. 17, n.º 4, p. 454-462. 1001.
- INVERSINI, A.; MASIERO, L. Selling rooms on-line: the use of social media and on-line travel agents. **International Journal of Contemporary Hospitality Management**, vol. 26, n.º 2, p. 272-292, 2014.
- JACOBSEN, J. K. S.; MUNAR, A. M. Tourist information search and destination choice in a digital age. **Tourism Management Perspectives**, vol. 1, p. 39-47, 2012.
- JALILVAND, M. R.; ESFAHANI, S. S.; SAMIEI, N. Electronic word-of-mouth: challenges and opportunities. **Procedia Computer Science**, vol. 3, p. 42-46, 2011.
- KANG, M.; SCHUETT, M. A. Determinants of sharing travel experiences in social media. **Journal of Travel and Tourism Marketing**, vol. 30, n.ºs 1-2, p. 93-107, 2013.
- KHAN, S.; DIGOUT, J. A synthetic literature review and prognosis of corporate e-reputation. **Indian Journal of Computer Science**, vol. 2, n.º 2, p. 7-27, 2017.
- KRISTENSEN, A. E. Travel and social media in china: from transit hubs to stardom. **Tourism Planning and Development**, vol. 10, n.º 2, p. 169-177, 2013.
- LAW, R. Disintermediation of hotel reservations: the perception of different groups of on-line buyers in Hong Kong. **International Journal of Contemporary Hospitality Management**, vol. 21, n.º 6, p. 766-772, 2009.
- LEE, J.; LEE, J. N. Understanding the product information inference process in electronic word-of-mouth: an objectivity-subjectivity dichotomy perspective. **Journal of Information & Management**, vol. 46, p. 302-311, 2009.
- LEUNG, D.; LAW, R.; VAN HOOFF, H.; BUHALIS, D. Social media in tourism and hospitality: a literature review. **Journal of Travel and Tourism Marketing**, vol. 30, n.ºs 1-2, p. 3-22. 2013.
- LEVER, M. W.; MULVEY, M. S.; ELLIOT, S. **From hashtags to shopping bags: measuring the rise of eWOM through social media and its impact on travelers' shopping patterns**, 2017.
- LIU, Z.; PARK, S. What makes a useful on-line review? Implication for travel product websites. **Tourism Management**, vol. 47, p. 140-151. 2015.
- LLOYD, K. Contesting control in transitional Vietnam: the development and regulation of traveller cafes in Hanoi and Ho Chi Minh City. **Tourism Geographies**, vol. 5, p. 350-66. 2003.
- MAGNO, F.; CASSIA, F.; BRUNI, A. "Please write a (great) on-line review for my hotel!" Guests' reactions to solicited reviews. **Journal of Vacation Marketing**, 2017.
- MALTHOUSE, E. C.; HAENLEIN, M.; SKIERA, B.; WEGE, E.; Zhang, M. Managing customer relationships in the social media era: introducing the social CRM house. **Journal of Interactive Marketing**, vol. 27, n.º 4, p. 270-280, 2013.

**IMPROVING BUSINESS PERFORMANCE OF
BUDGET HOTELS THROUGH SOCIAL MEDIA**

Roberto Pessoa de Queiroz Falcão
Andrea Ribeiro Carvalho de Castro
Estefanie Silva do Nascimento
Tania da Silva Barboza
Jorge Brantes Ferreira

- MAURI, A. G.; MINAZZI, R. Web reviews influence on expectations and purchasing intentions of hotel potential customers. **International Journal of Hospitality Management**, vol. 34, p. 99-107, 2013.
- MINISTÉRIO DO TURISMO. Brasília, DF. **Economia do turismo cresce no Brasil**. Disponível em: http://www.turismo.gov.br/turismo/noticias/todas_noticias/20140417-1.html. Acesso em: 28 abr. 2016.
- MOHSIN, A.; RYAN, C. Backpackers in the Northern Territory of Australia: motives, behaviours and satisfactions. **International Journal of Tourism Research**, vol. 5, p.113-131, 2003.
- MUNAR, A. M.; JACOBSEN, J. K. S. Trust and involvement in tourism social media and web-based travel information sources. **Scandinavian Journal of Hospitality and Tourism**, vol 13, n.º 1, p. 1-19, 2013.
- NEWLANDS, K. Setting out on the road less travelled: a study of backpacker travel in New Zealand. **Clevedon: Channel View**, p. 217-236, 2004.
- NIETO-GARCÍA, M.; MUÑOZ-GALLEGO, P. A.; GONZÁLEZ-BENITO, Ó. Tourists' willingness to pay for an accommodation: the effect of eWOM and internal reference price. **International Journal of Hospitality Management**, vol. 62, p. 67-77, 2017.
- NONAKA, I. (1994). A dynamic theory of knowledge creation. **Organization Science**, vol. 5, n.º 1, p.14-37, 1994.
- OLIVEIRA, J. R. Turismo backpacker: estudo dos viajantes internacionais no Brasil. **Cultur — Revista de Cultura e Turismo**, vol. 2, n.º 1, p. 88-104, 2008.
- PARK, C.; LEE, T. M. Information direction, website reputation and eWOM effect: a moderating role of product type. **Journal of Business Research**, vol. 62, n.º 1, p. 61-67, 2009.
- PARK, D. H.; KIM, S. The effects of consumer knowledge on message processing of electronic word-of-mouth via on-line consumer reviews. **Electronic Commerce Research and Applications**, vol. 7, p. 399-410, 2008.
- PARK, D. H.; LEE, J.; HAN, I. The effects of on-line consumer reviews on consumer purchasing intention: the moderating role of involvement. **International Journal of Electronic Commerce**, vol.11, n.º 4, p. 125-148, 2007.
- PÉREZ ARANDA, J.; ANAYA-SANCHEZ, R.; RUIZALBA, J. Predictors of review sites usage in hotels. **Tourism & Management Studies**, vol. 13, n.º 2, p. 52-59, 2017.
- PETTY, R. E.; CACIOPPO, J. T. **Communication and persuasion: central and peripheral routes to attitude change**. New York, NY: Springer-Verlag, 1986.
- PREFEITURA DO RIO DE JANEIRO (2015). **Estudo da Oferta de Albergues da Cidade do Rio de Janeiro: Riocepetur**. Disponível em: < <http://www.riocepetur.com.br/site/>>. Acesso em: 28 abr. 2015.
- RICHARDS, G.; WILSON, J. Drifting towards the global nomad. In: _____; _____. (Eds.). **The global nomad: backpacker travel in theory and practice**. Clevedon: Channel View, 2004, p. 3-13.

- SANLIÖZ ÖZGEN, H. K.; KOZAK M. Social media practices applied by city hotels: a comparative case study from Turkey. **Worldwide Hospitality and Tourism Themes**, vol. 7, n.º 3, p. 229-241, 2015.
- SHAW, G.; BAILEY, A.; Williams, A. Aspects of service-dominant logic and its implications for tourism management: examples from the hotel industry. **Tourism Management**, vol. 32, n.º 2, p. 207-214, 2011.
- SIGALA, M. Modelling e-marketing strategies: Internet presence and exploitation of Greek hotels. **Journal of Travel & Tourism Marketing**, vol. 11, n.ºs 2-3, p. 83-103, 2002.
- _____. Special issue on Web 2.0 in travel and tourism: empowering and changing the role of travelers. **Computers in Human Behavior**, vol. 27, n.º 2, p. 607-608, 2011.
- SOTIRIADIS, M. D. Sharing tourism experiences in social media: a literature review and a set of suggested business strategies. **International Journal of Contemporary Hospitality Management**, vol. 29, n.º 1, p. 179-225, 2017.
- SPARKS, B. A.; BROWNING, V. The impact of on-line reviews on hotel booking intentions and perception of trust. **Tourism Management**, vol. 32, n.º 6, p. 1.310-1.323, 2011.
- UKPABI, D. C.; KARJALUOTO, H. Consumers' acceptance of information and communications technology in tourism: a review. **Telematics and Informatics**, 2016.
- VARGO, S. L.; LUSCH, R. F. Evolving to a new dominant logic for marketing. **Journal of Marketing**, vol. 68, n.º 1, p. 1-17, 2004.
- _____; _____. Service-dominant logic: continuing the evolution. **Journal of the Academy of Marketing Science**, vol. 36, n.º 1, p. 1-10, 2008.
- WANG, Ping. The role of eWOM in customer engagement in travel service organizations: an affordance perspective. **WHICEB 2017 Proceedings**, 4.
- XIANG, Z.; GRETZEL, U. Role of social media in on-line travel information search. **Tourism Management**, vol. 31, n.º 2, p. 179-188, 2010.
- YIN, R. K. **Case study research: design and methods**. Sage publications. 2013.
- ZHANG, Z.; ZHANG, Z. ; YANG, Y. The power of expert identity: how website-recognized expert reviews influence travelers' on-line rating behavior. **Tourism Management**, vol. 55, p. 15-24, 2016.

15. Tables

Table 1. The fundamental premises of sdl

Assumptions of the Service Dominant Logic	
1	Service is the fundamental basis of exchange.
2	Indirect exchange masks the fundamental basis of exchange.

**IMPROVING BUSINESS PERFORMANCE OF
 BUDGET HOTELS THROUGH SOCIAL MEDIA**

3	Goods are a distribution mechanism for service provision.
4	Operant resources are the fundamental source of competitive advantage.
5	All economies are service economies.
6	The customer is always a co-creator of value.
7	The enterprise cannot deliver value, but only offer value propositions.
8	A service-centered view is inherently customer oriented and relational.
9	All social and economic actors are resource integrators.
10	The beneficiary always uniquely and “phenomenologically” determines value.

Source: Adapted from Vargo and Lusch (2008).

Table 2- service dominant logic — key propositions

-
- 1: Competitive advantage relates to how a firm applies its operant resources to cater for the consumers compared with how other firms use such a resource.
-
- 2: Collaborative competence is a main determinant of a firm’s knowledge acquisition for competitive advantage.
-
- 3: The increasing importance of IT provides opportunities for firms to gain competitive advantage through collaborative innovation.
-
- 4: Firms can obtain competitive advantage through engaging customers and value network partners in co-creation and co-production.
-
- 5: Competitive advantage through innovation can be gained by an understanding of how the customer integrates and experiences service-related resources.
-
- 6: Provision of service co-creation opportunities and resources consistent with customer levels of involvement enhances experiences leading to improved competitive advantage.
-
- 7: Firms can compete effectively by the adaption of collaboratively developed and risk-based pricing value propositions.
-
- 8a: The value network member firm is the prime integrator is in a stronger competitive position.
-
- 8b: The retailer (e.g. hotel) is generally in the best position to become the prime integrator.
-
- 9: Firms that use their employees as operant resources are able to develop more innovative knowledge and skills increasing their competitive advantage.
-

Source: Adapted from Shaw, Bailey and Williams (2011).

Table 3 - conceptual model

Process	Examples of evidences (BAKA, 2016).
Identify the reputation landscape	Interviews with senior executives of TripAdvisor. Use of web analytics programs and tools — for example Google Analytics; Simple statistics (frequency, average etc.).
Compare against to industry competitors	Through TripAdvisor's Owner platform, the hotel manager can make comparisons of their hotel ratings with others.
Review & contrast ranking methodologies	Use TripAdvisor's fraud detection algorithms.
Increase reputational scores	Exceed user expectations so that it increases the chances of sharing experience.
Advertising of services Ascertain publication reach & readership	Encourage user and guest comments on TripAdvisor's website as well as encourage hotel chains to participate through tools provided by the site itself.
After-sales follow-up Assess Changes over time	There is a routine for checking the comments in the social media and handling the individual responses.

Source: Adapted from Baka (2016).

Table 4 - Attributes of the service dominant logic and findings

Evidences of adopting the key-propositions of Service Dominant Logic	
Attributes	Evidences
1: Competitive advantage relates to how a firm applies its operant resources to cater for the consumers compared with how other firms use such a resource.	The hostel adopts the rating of the reviews of Hostelworld, Tripadvisor and Booking.com.
2: Collaborative competence is a main determinant of a firm's knowledge acquisition for competitive advantage,	According to the declarations of the interviewees, about 40% of the employees' earnings come from the assessment of customer evaluations. This practice promotes the collaborative skills of the hostel staff, in order to maximize evaluation scores, creating a virtuous circle of services.
3: The increasing importance of IT provides opportunities for firms to gain competitive advantage through collaborative innovation.	With the continued growth of ICT and the reduction in communication costs, a two-way relationship channel is created with customers. Guests read reviews and decide which hostel to book based on reviews posted in on-line booking tools (Booking.com and Hostelworld). TripAdvisor reviews also act as an additional referral channel for guest's

**IMPROVING BUSINESS PERFORMANCE OF
BUDGET HOTELS THROUGH SOCIAL MEDIA**

Roberto Pessoa de Queiroz Falcão
 Andrea Ribeiro Carvalho de Castro
 Estefanie Silva do Nascimento
 Tania da Silva Barboza
 Jorge Brantes Ferreira

<p>4: Firms can obtain competitive advantage through engaging customers and value network partners in co-creation and co-production.</p>	<p>networks. Through email, satisfaction survey questionnaires are sent to customers and their responses forwarded to the Hostel.</p>
<p>5: Competitive advantage through innovation is achieved by an understanding of how the customer integrates and experiences service-related resources.</p>	<p>Hostel service innovation or adjustments are based on customer input reviews, bringing competitive advantages over competitors who do not use customer feedback as a source during the co-creation process.</p>
<p>6: Provision of service co-creation opportunities and resources consistent with customer levels of involvement enhances experiences leading to improved competitive advantage.</p>	<p>Customers' collaboration (and co-production of services), through their reviews and posts, feeds back the cycle of improvements in service quality, consequently generating a continuous improvement in the experience of new or returning guests. Moreover, as verified in the analyzed unit, a bad rating can impel a managerial action of quality improvement. This action can solve the problem that was pointed out in the evaluation of the service posted in sites or stated in the response of the survey questionnaire.</p>
<p>7: Firms can compete effectively by the adaption of collaboratively developed and risk-based pricing value propositions.</p>	
<p>8a: The value network member firm is the prime integrator in a stronger competitive position.</p>	<p>On-line booking tools, represented by the websites of Booking.com and Hostelworld, can characterize the integrating member in the case. The ratings and comments present on those sites play a decisive role in the generation of competitive advantages for the Hostel, affecting the improvement of their quality of services and influencing the pricing of the daily rates.</p>
<p>9: Firms that use their employees as operant resources are able to develop more innovative knowledge and skills increasing their competitive advantage.</p>	<p>The employees of the Hostels are seen as important operant resources for the organization. They are the ones who deliver the services' quality and co-create the value of hosting and services. The chain holds meetings with its franchisees to listen to their ideas and to understand and monitor the market situation in Brazil. When necessary, the chain conducts quality service improvement training with the franchise teams. Good practices are shared from one franchise to another in the group.</p>

Table 5 - Evidences of ugc in this study

Process	Evidences of the research
Identify the reputation landscape	Managers monitor daily reputation through the sites Booking, Hostelworld and TripAdvisor.
Compare to industry competitors	The Hostel staff regularly checks the prices of the nearest competitors geographically and their rating on the sales channels
Review & contrast ranking methods	Practical use of algorithms of Booking.com, Hostelworld and TripAdvisor.
Increase reputational scores	The team checks the negative comments and evaluates the possibility of implementing improvements to remedy or minimize negative feedback. There are meetings with franchisees to discuss together practices to raise reputation.
Advertising of services Ascertain publication reach & readership	Through Facebook and the Hostel's website, the company post pictures and publicize services. Efforts are made to stimulate users to share their experiences with the world.
After-sales follow-up Assess Changes over time	It is part of the Hostel routine to keep track of survey responses and opinions posted on review or evaluation websites. The answer is not individual. The remuneration of employees depends on the outcome of this monitoring practice.

Figure 1: Example of hostel reviews and ratings booking.com



Source: Hostel reviews extracted from Booking.com (2016).