



Responding to Social Media Reviews: The Benefits of Digital Customer Dialogue

Customer reviews aren't the last word.
They're the start of a conversation.



WHY THIS MATTERS

Many marketers believe that engaging with customers online is important for managing brand perceptions and shaping public opinion. Maintaining an ongoing dialogue with customers through digital channels is also important for achieving more operational objectives. These include rapidly responding to customer expectations, uncovering service problems and product deficiencies, and identifying novel ways to provide greater customer value. Ultimately, when companies maintain an active digital dialogue with their customers, they provide frontline employees with information needed to deliver a better customer experience, and they gain insights that help them adapt more quickly to changing markets.

KEY FINDINGS

In a study of 4,400 hotel properties, we found that properties that responded to social media reviews more frequently than their competitors outpaced those that didn't. Specifically, hotels that responded to 50 percent or more of their TripAdvisor reviews saw their Net Promoter Score increase significantly (by 1.4 points), while those that responded to less than 50 percent actually saw NPS decrease. Similarly, properties that responded to 50 percent or more of their online reviews grew their occupancy rates by 6.4 percentage points over a 12-month period and achieved subsequent TripAdvisor ratings that were, on average, 6 percent higher than those of their local competitors. When responding to online reviews becomes a regular habit, companies become more skillful at learning from their customers and more adept at using customer feedback to improve their operations.

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Most companies recognize that today's customers expect to engage with them online. What is often less apparent is just how much companies can gain from online engagement. In this report, we quantify the increases in customer satisfaction, social reputation, and revenue growth that occur when companies exceed specific thresholds of social media responsiveness. In addition, we show that regularly responding to online customer reviews is more than a reactive exercise in public relations or reputation management. Rather, it's a core operational function that plays a key role in satisfying and exceeding customer expectations. Equally important, responding to social reviews contributes to a company's strategic capabilities, enhancing its ability to learn, execute, and innovate.

“Most companies recognize that today's customers expect to engage with them online.”

Thinking Differently About the Benefits of Digital Dialogue

Imagine this: a hotel guest arrives in his room and can't log in to the Internet, so he calls the front desk for help. So after waiting several hours, he calls again. The next day, the guest asks house-keeping for extra towels. Again he waits, this time for over an hour. At checkout, he discovers an error on his bill. It takes the front desk manager more than 20 minutes to correct error, causing the guest to miss his airport shuttle.

“Global CEOs cite ‘sharpening their understanding of customer needs’ as their number one priority”

Even in the most inconsequential interactions, most employees understand the importance of responding quickly to customer requests, addressing complaints, and resolving problems to ensure that customers are happy with their experience. And while customer experience is the cornerstone of the hospitality industry, it's become critical to corporate success in many other industries as well. In 2014, the Conference Board's annual survey of global CEOs found that respondents viewed “improving customer relationships” as their single greatest challenge and “sharpening their understanding of customer needs” as their number one priority.¹ The 2016 Conference Board survey found that executives continued to see improving customer relationships as a top priority and that successful organizations “develop a culture in which everyone shares customer relationship responsibility.”² In short, corporate leaders worldwide recognize that every customer interaction provides an opportunity to demonstrate a company's commitment to delivering the value proposition promised by the brand.

Digital Customer Dialogue

In the same way that the hospitality industry was ahead of the curve in recognizing the importance of customer experience, the industry has also embraced social media. Word of mouth now spreads in ways that go well beyond direct face-to-face or voice-to-voice conversation. It proliferates through online platforms that enable people to relay and gather information about products and services from friends and strangers alike.

To monitor and influence online interactions, many industry brands now maintain a presence on Facebook, Twitter, Instagram, and other social media platforms. They post to these sites thousands of times a year to build brand awareness and influence consumer decision making through contests, discounts, travel tips, and direct engagement with customers and potential customers.

In large part, however, many companies (in the hotel industry and beyond) still view social media as just another venue for disseminating traditional marketing messages or PR damage control.

“Customer-centric properties view guest reviews as the beginning of a dialogue”

While they may actively embrace platforms like Facebook and Twitter to drive online search activity, they are missing some of the most powerful benefits of engaging with customers online—opportunities to better understand the customer experience, learn from that experience, and make improvements that attract more customers. In short, most companies aren’t yet fully capitalizing on all the ways that a digital dialogue can help them improve.

Quantifying the Value of Digital Customer Dialogue

Consider guest reviews that customers leave on third-party sites like TripAdvisor.com. The Medallia Institute recently conducted a study examining social media engagement by 4,400 global hotel properties. We found that the majority of hotels, a full 73 percent, responded to online guest reviews less than 30 percent of the time.

Interestingly, some hotels respond quite differently. Instead of viewing guest reviews as largely irrelevant or simply water under the bridge, more customer-centric properties view guest reviews as the beginning of a dialogue—a dialogue capable of generating valuable lessons for the hotel staff and of shaping the perceptions and purchase decisions of thousands of other consumers using social media.

The study found a direct relationship between responding to social media reviews and hotel occupancy rates. Hotels that responded to more than 50 percent of their social reviews grew their year-over-year occupancy rates by 6.4 percentage points over a 12-month period, more than twice the rate of properties that largely ignored social media reviews.³ These properties also outperformed the hospitality industry as a whole, in which occupancy rates grew at an average 4.3 percent over the same period.

In addition to increasing occupancy rates—and thus revenues—responding to social reviews also led to increases in customer satisfaction and social reputation. Properties that responded to over 50 percent of social reviews saw their Net Promoter Score (NPS) increase by an average of 1.4 points, while all other properties saw their scores decrease.⁴

Medallia found similar gains for social reputation: Hotels that responded to 50 percent or more of their TripAdvisor reviews saw social scores that were, on average, 6 percent higher than those of their local competitors.⁵



Online Reviews as a Source of Digital Customer Dialogue

What these findings suggest is that companies must engage in an ongoing dialogue with their customers wherever their customers choose to start the conversation, including online. If companies want to truly understand how customers perceive their products and services—and influence perceptions in the marketplace—then engaging with social media is a must.

Jennifer Holmes, the general manager of Best Western Plus Richmond Inn & Suites in Baton Rouge, says that engaging in social dialogue through online reviews is important for a couple of reasons. “Guests don’t always have the time, or don’t feel comfortable saying something in person,” says Holmes. “Through the Internet, they can do that. It’s a newer way to hear a real response from people.” Holmes adds, “We know we can improve or gain knowledge from using [the review], and if we have mistakes we can fix [them], and find out what our guests like as well.”

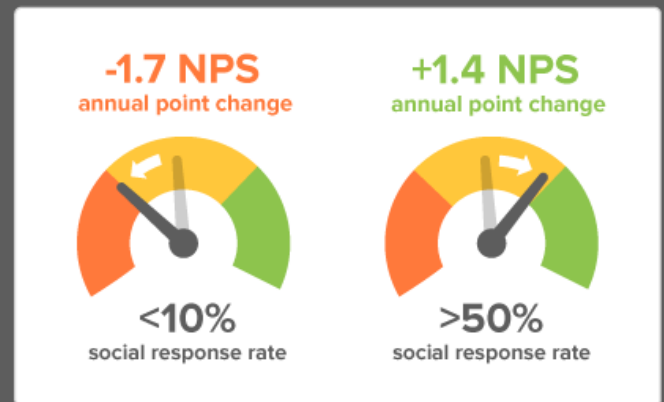
BEST PRACTICES



Monitor social media reviews regularly

In our study of 4,400 properties, we found that properties whose employees monitor customer feedback three times a day or more attain TripAdvisor ratings that are 5 percent higher, on average, than those of properties that monitor feedback less than once a week. Encouraging employees to make review monitoring a regular part of their day turns this practice into a habit and attunes them to the idea that customer reviews are a valuable source of actionable insight.

Hotels that respond to more social reviews see more satisfied customers over time



NPS = Net Promoter Score®

Net Promoter, NPS, and Net Promoter Score are trademarks of Satmetrix Systems Inc., Bain & Company, and Fred Reichheld

How a company responds to social reviews affects how consumers perceive its goods and services. Moreover, when customers post complaints on review sites or other social media, a company’s response—or lack thereof—is visible not only to the customer who wrote the review, but also thousands of others. In a December 2013 survey commissioned by TripAdvisor, 77 percent of respondents said that “seeing a hotel management response makes them believe that the hotel cares more about its guests.” And over 60 percent of respondents said that seeing a reply from management “makes them more likely to book” at the establishment.

How quickly management responds makes a difference as well. Our study found that properties responding to guest feedback in less than one day had, on average, occupancy rates 12.8 percentage points higher than those taking longer than two days to respond.⁶

A prompt response, we surmise, shows prospective guests that a hotel takes customer service seriously. Moreover, a quick response provides

BEST PRACTICES



Respond quickly to online reviews

In our study, properties that responded to feedback in less than a day had occupancy rates that were, on average, 12.8 percentage points higher than those of properties that took longer than two days to respond. Properties can reduce response times by simplifying the response process, automating tracking and reporting that would otherwise involve a lot of manual administration.

the property's perspective on the original review and allows future customers to observe how the hotel treats guests and addresses their concerns. "It is important to acknowledge [the reviews] because you want your guests to feel that they are recognized and we are grateful for them to be here," says Holmes. When a hotel continues to respond to reviews effectively over time, its overall reputation improves, which attracts more guests, thereby increasing occupancy rates.

"A prompt response ... allows future customers to observe how the hotel treats guests and addresses their concerns."

Engaging in dialogue with customers about their experience is even more important now than in years past. Why? As Stanford business school professor Itamar Simonson and Emanuel Rosen explain, we inhabit a world characterized by "nearly perfect information."⁷ In this world, consumers interested in a particular service or product can easily find out how previous customers experienced it.

With access to advanced search engines, online review sites, social media, expert blogs, pricing apps, and other technology, consumers can easily find the information they need to make informed decisions. They are no longer constrained by limited information and forced to rely on slick advertising and marketing tactics designed to convey an image that may or may not reflect a product's true value.

The Benefits of Digital Customer Dialogue

Companies that engage in regular dialogue with their customers enjoy several important advantages in this age of nearly perfect information.

GREATER EMPATHY

First, responsive companies develop an ability to see themselves as their customers do. While a hotel property manager might think in terms of operations and functions, guests invariably think in terms of outcomes such as comfort and convenience. When a guest never receives the extra towels she requested, she doesn't care what led to the failure. She just wants the towels. Her online review lets the hotel manager know how she experienced the hotel's service and the complications it created during her stay.

BEST PRACTICES



Respond directly to the content of a customer's review

Companies should avoid responding to online reviews with a generic message. Instead, the objective is to turn reviews into conversations, and that means responding in a way that directly addresses a customer's specific issues, questions, and overall experience.

GREATER LEARNING

Second, companies that routinely listen to their customers, both online and offline, will begin to routinely learn from them. Learning can occur at multiple levels. For example, in a large hospitality company, an individual property monitoring online reviews may discover that guests frequently struggle with the room temperature. After several complaints, the hotel manager may ask the facilities team to look into the problem, which leads the team to discover a malfunction in the heating system servicing an older part of the property.

By monitoring customer reviews, the hotel is able to identify and resolve a problem that dramatically improves the customer experience. When the hotel manager responds to customers who posted negative reviews about the room temperature, he lets other potential visitors know that the problem has been resolved.

GREATER UNDERSTANDING OF BRAND PERCEPTIONS

A third advantage happens at the enterprise level. At this level, learning occurs through monitoring reviews across properties. By monitoring reviews and aggregating to the brand level, corporate managers can identify trends or patterns that may be hurting perceptions of the brand overall. They may include services in need of improvement or systematic changes in customer preferences that make existing services less valuable. In either case, identifying common issues that come up in reviews across locations can help to identify the need for significant change to protect or enhance a given brand.

GREATER RESPONSIVENESS

Finally, companies should look at review sites as venues where they can provide customers with the same kind of prompt and engaging attention they promise to deliver in all their interactions, both online and in person. Engaging with social

BEST PRACTICES



Encourage customers to leave reviews

Research shows that most people have positive experiences in their interactions with companies and products. That means that as more customers submit more reviews, a company's overall average ratings will likely increase. Understanding this, customer-centric hospitality companies actively encourage guests to leave reviews, and they explicitly steer them to sites like TripAdvisor or HotelBrand.com. Sometimes they even offer guests incentives to leave reviews through contests and other means.

media reviews signals that a company cares about its customers and is responsive to their needs.

Using social media as a channel for customer service ultimately also serves to improve a company's marketing. In the hospitality industry, a response to a guest review is never read by—or even written for—only the guest who posted the review. It's available to thousands of other travelers making decisions about lodging decisions.

Review sites like TripAdvisor.com, in other words, are a key strategic place for influencing customers because in the age of social media, these sites are where potential guests are most actively searching and shopping.

“... companies should look at review sites as venues where they can provide customers with the same kind of prompt and engaging attention they promise to deliver in later transactions.”

Responding to Customer Reviews Can Yield Big Returns

A study by Keller Fay, a marketing research firm that focuses on word of mouth, found that a 10 percent increase in marketing spend increases online word of mouth by one to five percent.⁷ The Medallia Institute study revealed that responding to guest reviews can offer an even more cost-effective way to influence business results, including customer loyalty and occupancy rates. While specific results will vary by property, the study suggests that a small investment in responding to social reviews can yield significant returns.

Imagine, for example, a midsized hotel in a suburban area that inspires one new TripAdvisor review a day. Over the course of a year, that's 365 reviews. If the property budgets 10 minutes of employee time per response and aims to respond to a little over 50 percent of guest reviews, that equates to approximately 30 hours of employee time per year. At an average wage of \$20 per hour, that's an investment of only \$600. Even if it takes 20 minutes per response and the average wage is \$25 per hour, the investment still totals just over \$1,500 per year.

In return for that investment, our results suggest that a hotel could see its NPS go up by 1.4 percentage points over the year and its occupancy rates increase by 6.4 percentage points, on average, over the same period. Over the course of a year, assuming a base \$2M in annual revenue⁸ for a property with 75 rooms and an average daily rate of \$150, this translates to a revenue increase of \$260,000.

It's not just responding to social reviews that produces these results. It's discovering the root causes of problems that come to light through reviews and other feedback, then addressing them appropriately. Social reputation and occupancy rates would certainly not increase over time—in fact, they would undoubtedly suffer—if problems

persisted unresolved. But consistently responding to customer reviews naturally leads to valuable learning. It also promotes a more customer-centric culture, which lets employees know that they must answer for the feedback the organization generates on social media.

Together, greater learning and a more customer-centric culture produce a lot of other actions that collectively improve the customer experience.

BEST PRACTICES



Drive action at the local level

Because responses to online reviews are public, companies may be wary about giving employees the discretion and autonomy to respond on their own. While having templates on hand as a starting point can be useful, companies can achieve better results over time if they empower employees to respond to customers in ways that show they're actually listening to what a customer says and trying to provide appropriate remedies and solutions.

The Information Age Works for Everyone

Consumers aren't the only ones benefiting from the digital revolution; companies are also gaining value. In the past, it would have been virtually impossible for a company with thousands of locations to monitor and respond to all of the customer feedback it received. Today, processing different types of feedback is even more complicated given all the ways that customers can voice their opinions. But successful companies are using advanced technology platforms to take advantage of this valuable source of customer data. By collecting customer feedback across multiple channels, distributing it to

decision makers across the company, and reporting it in ways that are timely and tailored to the needs of specific roles, companies are developing a common, synchronized understanding of the customer experience across the entire enterprise. This enables employees at all levels and in all functions to take thousands of coordinated actions that collectively enhance the customer experience and position the company to respond rapidly to changes in the marketplace.

By using technology to collect, distribute, and interpret large amounts of customer data quickly, companies are developing capabilities that allow them to turn the complexities of scale to their advantage. They are capitalizing on the information that comes from serving larger, more diverse markets to develop more sophisticated insights about customer attitudes and behaviors and about how they are changing.

Armed with these insights, big companies are now able to adapt to changes in the marketplace even faster and more nimbly than their smaller competitors. After all, information works for everyone, and whoever leverages it most effectively wins.

BEST PRACTICES



Commit to action

Companies should be ready and willing to do more than just listen attentively. When a customer raises concerns that suggest action is necessary, company representatives should explain exactly what actions they plan to take. These exchanges should always be thought of as operational customer service, not public relations or reputation management.

“Companies that are able to collect, distribute, and interpret large amounts of customer data quickly develop capabilities that allow them to turn the complexities of scale to their advantage.”

ENDNOTES

- ¹ Charles Mitchell, Rebecca L. Ray, and Bart van Ark, “The Conference Board CEO Challenge 2014: People and Performance: Reconnecting With Customers and Reshaping the Culture of Work,” The Conference Board, Inc., Research Report R-1537-14-RR.
- ² Charles Mitchell, Rebecca L. Ray, and Bart van Ark, “The CEO Challenge 2016, Building Capability: Seeking Alignment, Agility, & Talent to Innovation (sic) and Grow,” Key Business Issue Briefing, January 26, 2016, The Conference Board, Inc.
- ³ Effects controlling for brand, number of rooms, starting occupancy rates, and distribution of guests according to gender, age, purpose of travel, and loyalty status. Sample, n=1,834 unique properties, p<.001.
- ⁴ Effects controlling for brand, number of rooms, geographic region, starting NPS, and and distribution of guests according to gender, age, purpose of travel, and loyalty status. Sample, n=2,451 unique properties, p<.001.
- ⁵ Effects controlling for brand, number of rooms, geographic region, starting NPS, and and distribution of guests according to gender, age, purpose of travel, and loyalty status. Sample, n=3,487 unique properties, p<.001.
- ⁶ In this case, feedback included both online reviews and guest surveys.
- ⁷ Itamar Simonson and Emanuel Rose, Absolute Value: What Really Influences Customers in the Age of (Nearly) Perfect Information.
- ⁸ MarketShare and Keller Fay Group, “Quantifying the Role of Social Voice in Marketing Effectiveness,” October 25, 2012.
- ⁹ Based on estimates provided in Zervos and Byers, The Rise of the Sharing Economy: Estimating the Impact of Airbnb on the Hotel Industry, 2014.



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About the Medallia Institute

The Medallia Institute provides quality research, insights, and education programs to equip business executives and customer experience professionals with the insights and know-how to lead their organizations to compete and win on customer experience. Medallia Institute findings are regularly published in respected business and academic journals.

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