

THE ROLE OF SOCIAL MEDIA MARKETING IN BUILDING CUSTOMER EQUITY- SPECIAL REFERENCE TO TRAVEL AND TOURISM INDUSTRY IN SRI LANKA

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ABSTRACT

Due to its dynamic and emergent nature, the effectiveness of social media as a marketing communication channel has presented many challenges for marketers and more consumers are using them as a source of information about products, services and brands. On the other hand, the value a customer brings to a firm is not limited to the profit from each transaction but is the total profit the customer may provide over the duration of the relationship with the firm. Thus, customer equity has been considered as the most determinant of the long-term values of the firm. Based on that this study examined the research problem of whether the social media marketing (SMM) impacts on customer equity in Travel and Tourism Industry (TTI) in Sri Lanka. The objective of this study is to identify the impact of SMM on customer equity in Sri Lankan TTI. Furthermore, the conceptual model has been developed to link SMM and customer equity. Entertainment, interaction, trendiness, customization and word of mouth are considered as the dimensions of SMM. Similarly, value equity, brand equity and relationship equity are the dimensions of customer equity which were extracted from literature. Questionnaire was used to collect data. Fifteen, tourist hotels have been selected in Colombo District based on non-probability sampling method (quota sampling method). Multiple regression analysis has been used for the analysis. Findings revealed that there is a positive impact of SMM on customer equity in Sri Lankan Travel and Tourism Industry.

Keywords: *customer equity, social media marketing and travel and tourism industry in Sri Lanka*

INTRODUCTION

The popularity of social media has generated a drastic change in the business world. It has changed the landscape of brand management and forces business firms to use a new interactive way to deal with their customers (Bruhn & Schfer, 2012 & Vries, Gensler & Leeflang, 2012). In customers' perspective also, social media becomes more trusted source competing with the traditional mass media such as television, radio, and newspapers (Bruhn *et al.*, 2012). In this new media, the speed and level of interaction are considered as the main advantage (Kim & Ko, 2010). Further, studies prove that customers are preferred to the brands available in social media and provide sufficient contents for users (Kavisekera & Abeysekera, 2016).

The meteoric growth of community websites, such as Twitter, Facebook and LinkedIn, have usher the world into a new era of social media. Social media marketing is more open in its communication with the consumers, trying to show what the brand is rather than trying to control its image. Consequently, more and more brands are incorporating social media marketing (SMM) into their marketing strategies to reap the benefits of the digital wave. Defined as the process that empowers promotion of websites, products and services via online social channels (Weinberg, 2009), SMM is related to relationship building and making connections with the consumers – current or potential (Erdogmus & Cicek, 2012). With activities such as blogging and sharing instructional videos and product photos on social media platforms, the focus of SMM activities are content generation, communication, outreach and referral to increase web traffic, awareness and popularity of brands (Kim & Ko, 2012). Moreover, the growth in the use of social media and emergence of social

search is playing a central role in consumer-brand interactions and engagement (Kim & Ko, 2012; Laroche *et al.*, 2013).

Interacting in social media gives marketers the ability to know and recognizes what's happening much faster than ever before, estimating the potential value of customer, because social media marketing gives the marketer an idea of how much more can get from customer (Villanueva & Hanssens, 2007). Business can gain more and more customer equity (Kim, Taylor, Kim & Lee, 2015). For marketers, customer equity is certain to be the most important determinant of the long-term value of business. Moreover, customer equity is combined marketing and business strategy for grow the value of the customer, at the heart of the business. Customer equity represents the total of the discounted lifetime values of all the firm customers (Lemon, Rust & Zeithaml, 2001). Hutagalung, Situmorang and Alfifto (2017) also identified social media marketing are the most significant drivers of customer equity and SMM has the positive impact on value equity, brand equity and value equity.

There are several researches which had been undertaken in the social media perspective. But recently few studies have systematically how to employ social media marketing strategies to build customer equity in Indonesia and China. Also rarely find researches which have been undertaken in the social media marketing on building customer equity perspective to compete effectively. Therefore, deficiencies persist in the understanding the impact of SMM on customer equity in order to achieve the competitive advantage. So this research addressed the empirical gap between the SMM and customer equity.

At the same time, social media marketing in service industry is not an entirely new concept (Bruhn, 2012). Few researches were conducted in social media marketing perspective and Customer equity perspective in service sector in some countries. In Sri Lanka also, many researchers studied the SMM in service sector by referring to Business to Business (B2B context). But hardly find researches which were undertaken social media marketing perspective and customer equity perspective in Travel and Tourism Industry.

Travel and Tourism Industry (TTI) is one of the fastest-growing and largest service industry globally in terms of gross revenue and foreign exchange earnings. It is generally considered that the major component of TTI are Travel Agents, Tour operators, Transportation and Hotel Industry. The Hotel Industry revolves around providing accommodations for travelers and the success in this industry relies on catering to the needs of the targeted clientele, creating a desirable atmosphere, and providing a wide variety of services and amenities. Hotels can interact with their guest/customers on Social Media (SM), by sharing information, watching for service failures to correct, and to refine their brand. Furthermore, the SM plays a significant role in many aspects of TTI, especially in information search and decision-making behaviors, tourism promotion and in focusing on best practices for interacting with consumers. Based on that, this study is to examine the “impact of SMM on customer equity in Sri Lankan Travel and Tourism Industry”.

Objectives of the study

- to identify the impact of SMM on customer equity in Sri Lankan Travel and Tourism Industry.
- to understand the most important dimension of SMM to enhance the customer equity in Sri Lankan Travel and Tourism Industry.

Research Question

Is there any impact of SMM on customer equity in Sri Lankan Travel and Tourism Industry?

LITERATURE REVIEW

Social Media Marketing

Richter and Koch (2007) state social media are online applications, platforms and media which use to facilitate interactions, collaborations and sharing of content. According to Kim and Ko (2010) social media can have a huge impact on a brand's image and reputation. The different between social media and traditional marketing is Traditional marketing involves creating a one-way message, crafted by the marketer. Social media as having a two-way conversation with your constituents. Engagement is the key to social media. Effective social media entails building a platform target markets, communicating and maintaining relationships. From a consumer's perspective, the use of ICT enhances these benefits such as efficiency, convenience, richer and participative information, a broader selection of products, competitive price, cost reduction, and product diversity (Bayo-Moriones & Lera, 2007), communicate more proactively, seek out others' opinions about specific products (Berthon, Plangger & Shapiro, 2012). Social media engagement enhances the relative efficiency of business operation. According to Kim and Ko (2010, 2013) there are five foundation engagement model with customer collaboration in social media marketing such as (1) entertainment, (2) interaction, (3) trendiness, (4) customization, and (5) word of mouth.

Customer Equity

The value a customer brings to a firm is not limited to the profit from each transaction but is the total profit the customer may provide over the duration of the relationship with the firm (Kumar & George, 2007). Thus, customers are seen as the intangible assets a firm should wisely acquire, maintain, and maximize just like other financial assets (Blattberg & Thomas, 2011). A strategy based on customer equity allows firms to tradeoff between customer value, brand equity, and customer relationship management. According to Lemon, Rust and Zeithaml (2001) there are three drivers of customer equity—value equity, brand equity, and relationship equity.

Travel and Tourism Industry in Sri Lanka

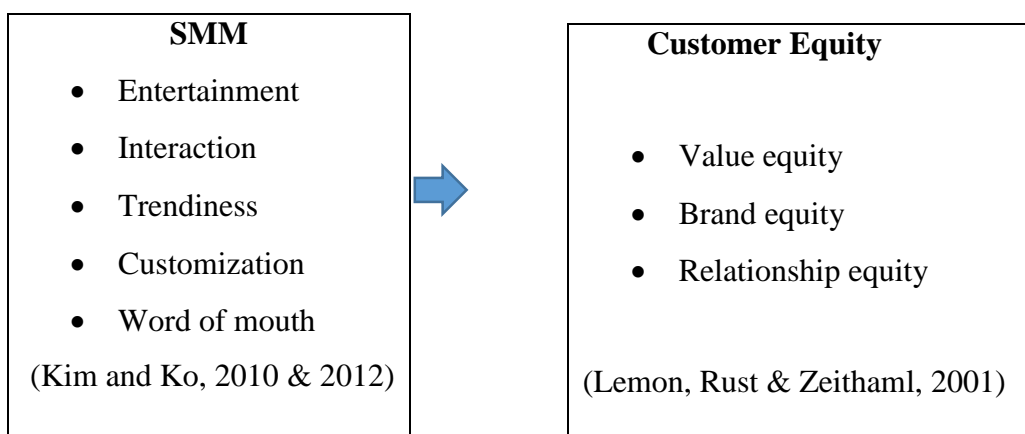
The TTI is a key sector of the Sri Lankan economy. The arrival of tourists increased rapidly and passed the elusive one million mark in 2001 and increased further in 2017. Further, the TTI sector in Sri Lanka is highly optimistic with a large number of hotel chains having lied up their expansion plans. In addition to that, the policies and changes implemented by the Government of Sri Lanka have been instrumental in providing the necessary boost to the Sri Lankan TTI industry and attracting more and more foreign tourists every year.

RESEARCH METHODOLOGY

Quantitative methodology was applied, and questionnaire was used to collect data. From fifteen hotels in Colombo district hundred and ten customers were selected based on the quota sampling method. Before the final data collection pilot study was undertaken. In this study questionnaire was developed with the support of previous studies carried out by experts in the relevant subject areas.

Prior to data analysis, data purification process was conducted to ensure suitability of measures (Churchill, 1979). For ensuring the reliability of scale, Cronbach's alpha was computed. Multiple regression analysis had been used as data analysis tools and used to test the hypothesis. In this case the stepwise method was used in testing the hypothesis one (H1).

Conceptual Framework



Source: Developed by the author.

Figure 1: Conceptual Framework

Hypothesis of the study

H1: There is a positive impact of SMM on Customer equity in Sri Lankan Travel and Tourism Industry.

Ha: There is a positive impact of Entertainment on Customer equity in Sri Lankan Travel and Tourism Industry.

Hb: There is a positive impact of interaction on Customer equity in Sri Lankan Travel and Tourism Industry.

Hc: There is a positive impact of trendiness on Customer equity in Sri Lankan Travel and Tourism Industry.

Hd: There is a positive impact of customization on Customer equity in Sri Lankan Travel and Tourism Industry.

He: There is a positive impact of word of mouth on Customer equity in Sri Lankan Travel and Tourism Industry.

DATA ANALYSIS

Table 1: Cronbach's Alpha Coefficient for variables

Variable	Code	No. of Items	Cronbach's Alpha	Comment
Entertainment	ET	6	0.703	Acceptable
Interaction	IA	5	0.871	Acceptable
Trendiness	TD	3	0.754	Acceptable
Customization	CM	5	0.923	Acceptable
Word of mouth	WM	3	0.767	Acceptable
Value equity	VE	4	0.799	Acceptable
Brand equity	BE	8	0.814	Acceptable
Relationship equity	RE	5	0.725	Acceptable

Source: Compiled by the author based on data generated by SPSS version 16.0.

Table 2: Dimensions of SMM on Customer equity

Hypothesis	Independent Variable	Standardized Coefficient Beta	Sig.	Adjusted R²
a	Constant Entertainment	0.739	0.00	0.718
b	Constant Interaction	0.579	0.00	0.542
c	Constant Trendiness	0.583	0.00	0.527
d	Constant Customization	0.434	0.00	0.407
e	Constant Word of mouth	0.286	0.00	0.252
H1	Constant Entertainment	0.702	0.00	0.758
	Interaction Trendiness	0.523	0.00	
	Customization Word of mouth	0.511	0.00	
		0.397	0.00	
		0.231	0.00	

Source: Compiled by the author based on data generated by SPSS version 16.0.

H1: There is a positive impact of SMM on customer equity in Sri Lankan Travel and Tourism Industry - According to the table 2, the fitted model encountered

that the SMM has strong positive effects on the customer equity (i.e. $R^2 = 0.758$). These predictions had been significant at the P-value of less than 5% ($p < 0.05$) and the regressed model was satisfactory fits to the data and the predictability power of the fitted model was high and residuals also followed a normal distribution.

Ha: There is a positive impact of entertainment on customer equity in Sri Lankan Travel and Tourism Industry - According to the table 2, the fitted model encountered that the entertainment has strong positive effects on the customer equity (i.e. $R^2 = 0.718$). These predictions had been significant at the P-value of less than 5% ($p < 0.05$) and the regressed model was satisfactory fits to the data and the predictability power of the fitted model was high and residuals also followed a normal distribution.

Hb: There is a positive impact of interaction on customer equity in Sri Lankan Travel and Tourism Industry - According to the table 2, the fitted model encountered that the entertainment has strong positive effects on the customer equity (i.e. $R^2 = 0.542$). These predictions had been significant at the P-value of less than 5% ($p < 0.05$) and the regressed model was satisfactory fits to the data and the predictability power of the fitted model was high and residuals also followed a normal distribution.

Hc: There is a positive impact of trendiness on customer equity in Sri Lankan Travel and Tourism Industry - According to the table 2, the fitted model encountered that the entertainment has strong positive effects on the customer equity (i.e. $R^2 = 0.527$). These predictions had been significant at the P-value of less than 5% ($p < 0.05$) and the regressed model was satisfactory fits to the data and the predictability power of the fitted model was high and residuals also followed a normal distribution.

Hd: There is a positive impact of customization on customer equity in Sri Lankan Travel and Tourism Industry - According to the table 2, the fitted model encountered that the entertainment has strong positive effects on the customer equity (i.e. $R^2=0.407$). These predictions had been significant at the P-value of less than 5% ($p < 0.05$) and the regressed model was satisfactory fits to the data and the predictability power of the fitted model was high and residuals also followed a normal distribution.

He: There is a positive impact of word of mouth on customer equity in Sri Lankan Travel and Tourism Industry - According to the table 2, the fitted model encountered that the entertainment has strong positive effects on the customer equity (i.e. $R^2=0.252$). These predictions had been significant at the P-value of less than 5% ($p < 0.05$) and the regressed model was satisfactory fits to the data and the predictability power of the fitted model was high and residuals also followed a normal distribution.

CONCLUSIONS AND RECOMMENDATIONS

The ultimate objective of the research is to examine the impact of SMM on customer equity in Sri Lankan Travel and Tourism Industry. The regression result shows that there is a strong positive impact of SMM on customer equity. It means that SMM has strong positive effects on the customer equity in Sri Lankan Travel & Tourism Industry and 75.8% of change in customer equity is explained by SMM in Sri Lankan Travel and Tourism Industry. These findings are in the line with Hutagalung, Situmorang and Alfifto (2017) who stated that there is a strong positive impact of SMM and customer equity. Based on that,

the first hypothesis (H1) has been accepted. Moreover, this study tried to integrate the relationship between SMM and customer equity and found that “there is a strong positive impact of SMM on customer equity in Sri Lankan Travel and Tourism Industry. Thus, it filled the empirical gap between SMM and customer equity. Among the dimensions of SMM, entertainment has the highest impact on customer equity than other dimensions. Like that word of mouth has the least amount of impact on customer equity.

During this study, researcher encountered the following recommendations: This research has only been confined to the Travel and Tourism Industry. Therefore, same research can be extended to other service sector entities such as hospital industry, banking industry, telecommunication industry etc. Furthermore, this research has been undertaken in different perspective in different context (B to B) context as well. Moreover, the influence of moderating and mediating variables between SMM and customer equity also can be studied in future.

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