The adaptation of social media networks to increase sales in the UK hostels industry

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Abstract

This paper investigates how the hostels industry in the United Kingdom can adopt social media network tools to increase their sales. Although much has been written about the hostels industry in the United Kingdom and social media networks themselves, there is lack of data on the successful application of social media networks in the hostels industry in the United Kingdom. Therefore, this paper examines how the successful link between the hostels industry in the United Kingdom and social media networks could be developed. For that reason, the aims of this paper are to analyse each factor such as: number of qualified leads, lead-toconversion rate and customer retention and how they are linked to the number of customers, audience and customer engagement. Using the data collected from online surveys I analysed how the hostels industry needs to make use of the social media networking sites to generate sales. I applied social network analysis to explore how the number of qualified leads is related to the number of customers. Also, I applied the sales funnel model to identify social media users that increase the lead-toconversion rate. Data were analysed with the application of the calculation of Pearson's chi-square to explore the impact of customer engagement in social media networks on customer retention. My results indicate that the hostels in the United Kingdom by the increasing the number of qualified leads, lead-to-conversion rate and customer retention with the social media networks application will increase the sales revenue of the company.

Keywords: social media networks, qualified leads, lead-to-conversion rate, customer retention, social networks analysis, sales funnel

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Introduction

The development of Web 2.0 has significantly changed the power of the World Wide Web. Web 2.0 enables users of social media networks to create and share content with other users. Therefore, it is often argued that in the recent years, the social media networks play an important part in people's life. Low-cost internet access opened up new prospects for hostels to deal directly with large numbers of individual customers in the innovative way by allowing hostels to monitor the customer needs and respond to them quickly (Ayeh et al., 2012). While, in the existing literature there are many different concepts of social media networks. The concept of social media networks is defined by Mislove et al. as:

Participating users join a network, publish their profile and any content, and create links to any other users with whom they associate. The resulting social network provides a basis for maintaining social relationships, for finding users with similar interests, and for locating content and knowledge that has been contributed or endorsed by other users. (Mislove et al. 2007: 1)

Social media networks may be used for different purposes, however, the most frequent is the use of social media networks by users to retain social ties and or to make a new social connection with people. The social media networks sites are used by the users to obtain information from other users by communicating with them or by reading posted comments and watching picture or videos. The users of social media networks sites by posting comments and uploading pictures or videos generate information which could be valuable or interesting for other users of social media networks sites (Mislove et al., 2007). The most popular social networking sites in the United Kingdom are: *Facebook, Twitter, LinkedIn* and *Google* + (Euromonitor, 2011).

The usage of social networks in the United Kingdom is among the highest in the world. The recent research conducted by the Office of Communication (2012) shows that nearly one-third (32.0%) of people over 16 and almost three-quarters (73.0%) between 16- to 24-year-olds people used social media networks every day to communicate. While, *Facebook* is the most popular social media networks site in the United Kingdom and second most visited online website. The total number of *Facebook* users in 2012 was 33.2 million in the United Kingdom, which means that the country

penetration reaches more than half of whole population (53.2%) and 64.6% of the online population. That shows that the social media networking have a significant capability of reaching the customers in the United Kingdom (Euromonitor, 2012a).

In the world the youth hostels tourists are between 15 – 29 years old (Hecht, Martin, 2006). While, in the United Kingdom the holiday taken by travellers in between 15 – 24 years old grown by 0.2% and by 1.5% for travellers between 25 – 34 years old. Whereby, United Kingdom holiday taken by travellers between 35 – 49 years old decreased by 2.2%. Therefore, there is strong evidence that the hostels should target the travellers between 15 -34 years old, as they are the most active travellers and social media networks users in the United Kingdom (Euromonitor, 2012b). Moreover, while the constant value sales of hostels accommodation growth by 1.6% Compounded Annual Growth rate (CAGR) in years 2006 – 2011 and is expected to growth further 10.5% CAGR. That is showing the high demand for the hostels accommodations will be maintained. Therefore, the hostels industry should look for new, innovative way to attract the customers to their premises (Euromonitor, 2012c). The growing number of users of social media it's providing these new opportunities for the hostels to connect with their customers.

Literature review

Euromonitor (2011) argued that the social media networking is based on the model of *six degrees of separation* in which the cluster of friends are linked with each other by less strong acquaintance connections (Diagram 1.). It is argued that in the large networks users are about four to eight 'friends of friends' away from other members of the entire network. Furthermore, some of the users of the social networking sites have many loose acquaintances. However, the asymmetrical connection, which seems to have lack of strength, also has significant meaning for entire network connectivity as they enable users to reach other users, which can't reach them. Yet, users with various interests, generate the links with the many different clusters. Therefore, these types of users, which link with the different cluster, are playing an important role in increasing the size of the networks. While, it is argued that the main key success factors in the

implementation of social media networks campaign are to identify and target the right individual users.

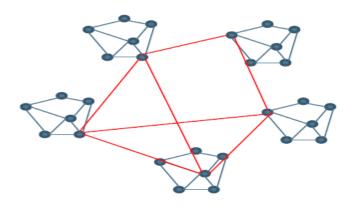


Diagram 1. The Importance of Acquaintances (Euromonitor, 2011)

As Kim and Srivastava (2007) argued, the Social Network Analysis (SNA) model helps to identify most influential customers as well as to target customers, which have the biggest impact on the word of mouth marketing. Whereas, SNA is helping to target customers based on their individual preferences or influential impact from the past customers experiences. The SNA measures indicating degree of importance of subgroup of actors in whole social network. Kim and Srivastava argue that if the central nodes are well managed it will lead to an increase in the influence of the social media networks. Therefore, the central nodes are the most important element in a social media networks as they have most influence on the social network comparing to the peripheral nodes such as 'friends of friends' users. Also, if the central nodes disappear from the social network the peripheral nodes will be removed as well. SNA uses different types of measures such as: 'Degree', 'Betweenness' and 'Closeness' to identify and target key nodes (customers) in social media networks. 'Degree' factor measures the level of activity or popularity of each node by specifying the number of direct links of a node has with the other nodes. 'Betweenness' factor measures how many times a specific node lies in a shortest path between two nodes. 'Betweenness' factor helps to identify the nodes with high betweenness scores, which acting as gatekeepers and brokers that

transfer resources between different networks. 'Closeness' factor is the sum of the length of the shortest path between a specific node and all other nodes in entire network. My paper is based on the 'Degree' factor as the hostels should identify and target the central nodes as they are the most influential customers in the social media networks sites. Moreover, the hostels should calculate the power-law relationship to explore the number of users in a social media network and their potential interactions (Euromonitor, 2011).

The framework of SNA application is draws on the concept purpose by Ash, Ginty and Page (2012) based on the three activities of online marketing such as: acquisition, conversion, retention (Illustration 1.). The first important activity in social media networks marketing is 'acquisition', in which hostels need to find the potential customers. While, the conversion activity is about persuading the acquired potential customers to become the customers of the hostels. At last, the retention is all about to maintain the relations with the users of social media networks sites to increase the number of repeat customers.

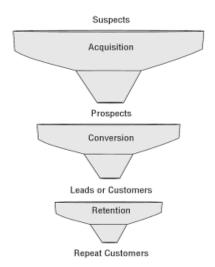


Illustration 1. Social media marketing benefits of the online marketing

The application of the 'sales funnel' model into social media analysis is helping hostels to manage their social media networks more effectively and increase sales (Dilldine and Sussman, 2003). Therefore, my argument is built on the 'extended sales funnel' model to help hostels to understand the sales leads process, which will help to

minimize a waste of resources spend on the social media networks marketing (D'Haen, Van den Poel, 2013).

The extended sales funnel model compromise three phases (Illustration 2.):

Phase 1 the data is used of the current customers of the hostels and users of social networking sites to generate the list of the prospects

Phase 2 the input of phase 1 is used to generate the list of qualified leads and the list of new prospects

Phase 3 the data of phase 1 and 2 are used to generate list of the total prospects (D'Haen, Van den Poel, 2013).

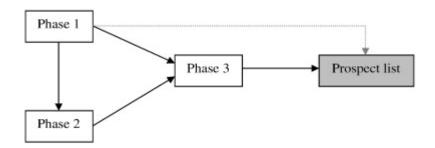


Illustration 2. The extended sales funnel (D'Haen, Van den Poel, 2013)

While, Ash, Ginty and Page (2012) argued that the conversion actions are measurable events on the social media networks sites, which moved their visitors towards activities and business goals specified by the hostels. Therefore, the conversion actions will depend on the social media networks site type. Thus, hostels by applying right social media strategy to their sites may optimize the correct elements. While, the lead-to conversion rate calculation is based on the percentage of the number of visitors of social media networking sites, which begin (suspects) and complete (customers) the entire process of the lead generation. Thus, the calculation of lead-to-conversion rate formula is as follows:

Lead Generation Conversion Rate: Number of Lead forms filled out/Traffic on Landing Page X 100 = Conversion Rate (Bailey, 2013)

Moreover, some argue that the conversion rate is the process, which drives the company transactions. Therefore, the conversion rate of social media networks sites can be applied, while hostels are seeking to motivate and desire action of the users (Cothrel, 2000). Thus, the hostels by specifying the percentage of the number of sales generated and actual visitors to calculate the real value of social media networks marketing. Thus, the calculation of website sales conversion rate is contained in the formula:

Website Sales Conversion Rate: Number of Sales/Number of Visitors X 100 = Conversion Rate (Bailey, 2013)

Whereas, the student market in the United Kingdom is defined by Euromonitor (2013) as the tomorrow's big spenders. In this research I explored the student market group and their online activity as one of most beneficial target group for the hostels in the United Kingdom. There were 2.5 million students in the United Kingdom in 2012 and 165 universities and other higher education institutions. Students in the United Kingdom are the most active users of social media networking sites in the whole world. Moreover, the research of the Euromonitor shows that the 79% of students in the United Kingdom visit social networking sites regularly, compared to 51% of global activity. Therefore, in order to increase the conversion rate of social media networks the hostels should specify which type of customers will be target. Moreover, I argued that hostels by targeting customers based on their demographics can reach wider audience and as result increase the conversion rate of the social media networks strategy (Sheldon, 2013). While, the metrics of gender demographics shows that there are 5.2% more female than male users of social media networks. As 55.2 % of females and 50% of males are using social media networking sites. Also, comparing to the global gender demographics of social media networking sites were there 52.5% females' users and 48.5% males' users.

Also, while some would argue that in the hostels industry customer retention emphases on preventing customers churn by building the relationship between

customers and the hostels. Those traditional approaches focus on the managing the customers retention by identifying the customers, which are most probable to churn and target the actions to encourage them to stay in the hostel. However, others have argued that the old approaches do not take into consideration the real value of the customer engagement. The new approach integrates the customer retention concept with the customer engagement, which focuses on the possible interactions between customers and churn prediction concept (Bijmolt et al, 2010). While, the application of the social media networks by the hostels increases the engagement with the customers and facilitate the sales lead generation (Evans, 2010). Thus, the customer retention depends on the social media networks quality as the customers attract each other on those networks. Therefore, is important for the hostels to identify the customers, which are likely to affect the churn likelihoods on other customers. While, the users of social media networking cites may spread good or bad publicity among other users by the word of mouth. Additionally, the hostels by increasing the engagement of the customers may reduce the churn effect as well as increase the customer retention (Bijmolt et al, 2010). In consequence, the hostels to effectively manage the customer retention need to understand how travellers are engaging and making their travel decisions.

The hostels to develop long term social media networks strategy, which will increase the company profit need to understand how qualified leads, lead-to-conversion rate and customer retention is related to sales revenue. Therefore, the social media networks and revenue management need to integrated with all hostels marketing operations to effectively manage customer development and retention. The social media networks offer revenue management the chance to develop efficient marketing strategy to identify, target and develop the stronger relations with the wider number of the customers (Noone, McGuire, Rohlfs, 2011). Therefore, hostels need employ social media networks strategies, which will enable them to plan and monitor their presence on the social media networks sites.

Research methodology

This research examines the two way relationship of social media networks. Rowley (2001) believes that the two-way relationship can be delivered by the complete

integration of capabilities of the Internet into the business activities. Firstly, the study analyse the relationship of the qualified leads between customers and hostels to explore the real value of generating the leads. Established, on the findings of the Toubia (2009) research that the networks ties between sellers and customers generating the network ties, which allows sellers to generate the value from the two way relationship.

H1. If the number of qualified leads is related to number of customers, the increasing the number of qualified leads will increase the number of customers.

Following the arguments put forward by Sheldon (2013) that the determination of which customer or the group of the customers should be target by the company should be specified in order to increase conversion rates of the of the social media networks marketing strategy. Furthermore, based on the arguments of Sheldon that organisation can reach much wider audience by targeting customers based on their demographics and interest level organisation. As well as, have a higher conversion rate and revenue; the following hypothesis is propose:

H2. If the lead-to-conversion rate is related to the audience, targeting right audience will increase the lead-to-conversion rate.

Following the arguments stated by Woodcock, Green, Starkey (2011) that the higher the customer engagement, the higher the financial value of the customers. Moreover, based on the Woodcock, Green, Starkey believes that the customer retention will be higher, while the engagement of customers increases; the following hypothesis is put forward:

H3. If the customer engagement in social media networks is related to the customer retention, having impact on the customer engagement will increase the customer retention.

Finally, it is expected that social media networks, in which the number of qualified leads, lead-to-conversion rate and customer retention is growing has the potential to have direct influence on the sales in the hostels. Consequently:

H4. If the number of qualified leads, lead-to-conversion rate and customer retention is related to sales, increasing the number of qualified leads, lead-to-conversion rate and customer retention will increase sales.

This research is mainly based on a quantitative methodology. The quantitative methods of research were performed with the application of two different online surveys. The first online survey was distributed within the hostels in the United Kingdom and the second one was online survey was circulated between students in the United Kingdom. The hypothesis was tested with the systematic and numerical approach. Furthermore, in order to tackle the main problem of research the hypotheses were formulated in sequence that enables the last hypothesis to identify the causes of the observation. Therefore, the application of the experimental approach was applied. Thus, the experimental approach was used in following way:

Firstly, to test hypothesis 1, 2 and 3,

Secondly, the outcome of hypothesis 1, 2 and 3 will other verify or falsify the hypothesis 4.

Key findings

The first sample consists of hostels form the United Kingdom, which included the organisation such as: Independent Hostels UK (IHUK), Youth Hostels Association (YHA), Scottish Youth Hostels Association (SYHA) and Youth Hostels Association of Northern Ireland (HINI). The hostels, which respondents to online survey were mainly from the medium size hostels (39%), while their capacity is between 21 to 39 guests. However, the smaller and larger hostels also have important meaning in this research. The age group visiting these hostels shows that 44% of people are between 15 to 29

years old. From the total of 41 of responders stated that 61% of them use the social media to promote the hostels, while 39% are not. The results show that the application strategies increase the sales revenue by 5% or less in 16% of the hostels, by 6 to 10% in 16% of the hostels. However, the majority (48%) they don't know how much social media networks strategy increase their sales revenue. While, for the hostels main challenges of social media management are to identify return on investment (42%) and analysing content and messages from different social media networking sites (26%).

However, while responders were asked to specify what are the challenges while dealing with brand reputation 37% replied that there is lack of skills or knowledge to manage social media activities and 29% that is lack of resources. Furthermore, the qualitative analysis of survey shows that the by targeting right audience the hostels increase their brand awareness and the number of bookings. As the some managers of the hostel ascertain that social media activities helping them to target students because social media tends to appeal to younger people. And, that is helping them to give out information about upcoming events or cheap of deals. Also, that they apply their social media strategy to drive brand awareness and maintain their brand personality. Thus, the hostels by the application of social media networks can chose the target market and develop appropriate social media networks strategy to effectively increase the number of their guests.

The second sample was made of both undergraduate and postgraduate students form the United Kingdom. The sample was posted on the National Union of Students Facebook website with prior permission as well as other smaller students Facebook sites. The age of the responders was 17 % between 15 to 19 years old, 43% was between 20 to 24 years old and 40% was 25 or over. Moreover, 43 % of the students stayed in the hostels in the past and their users of social networking sites. However, the total percentage of the number of the users of social networking sites is 92 %, in which further 21% are planning to stay in the hostels in the future. Furthermore, the qualitative analysis of survey shows that the users of social networking sites (students) are influenced by their friends' opinion. Some of respondents believe that social media affecting their decisions about the choice of accommodation because if their friends like them, it is a good chance that they will like it as well. And, that if a friend recommended a place or hostel for them that would influence their decision. Also, some of

respondents replied, that it depends on the people from which they get their information from on accommodation. If they know them well and they are a close friend then they will value what they say and it will affect their decision, but if it's someone they don't know too well personally then they will be less likely to pay attention to their view. Thus, the qualitative analysis of the students' answers proved that the friends' opinions are very valuable as their coming from the person they know.

Discussion

While, I argued that the social media analysis is helping to identify most influential customers as well as to target customers. And, that Degree factor measures the level of activity or popularity of each node in the network. Therefore, to test the first hypothesis I used the data collected from the students survey was analysed with the application of social network analysis with UCINET (Windows software for analysing social network data).

Firstly, the qualified leads described in theoretical framework were established by converting the students survey data into matrix spread sheet .dl format.

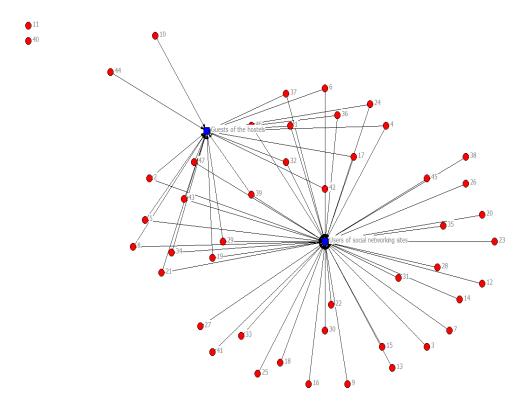


Diagram 2. The 2 mode-network of users of social networking sites and guests of the hostels

The 2 mode-network shows that are shows that there are 20 nodes, which are qualified leads as they are both users of social networking sites and previous guests of the hostels (Diagram 2.). While, as much as 80 % of these qualified leads have more than 150 friends on social networking sites (Diagram 3.). Thus, verifies that the user (student) of social networking sites is having large number of relationship with the friends (prospects) of the hostels (Diagram 3).

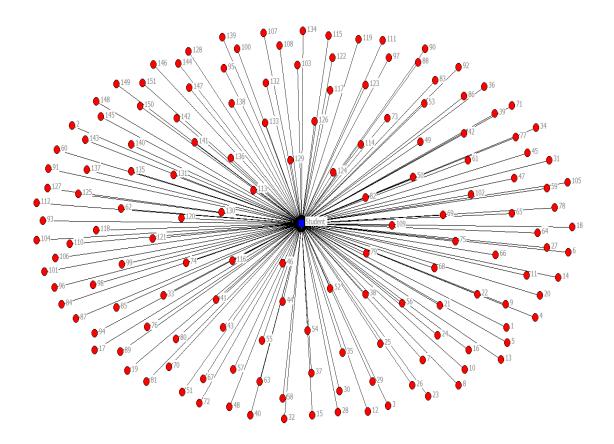


Diagram 3. Network of the user (student) of social networking sites and his /her friends

Moreover, in earlier chapter I also argued that the extended sales funnel model proposed by D'Haen, Van den Poel, (2013) enables hostels to select much more prospects of higher quality, which allows the higher conversion rate of qualified leads and as result customers. Therefore, with the application of the three phases extended sales funnel model I will test my hypothesis further:

Phase 1

As the above social network analysis shows, there is 20 qualified leads, which in the past has stayed in the hostels and they are the users (students) of social networking sites. While, taking into account the results of the number of friends of social media networking sites from the students survey the calculation shows that they generated the relationship with the friends (prospects) of total of 2,766.

Phase 2

Thus, the input of phase 1 shows that there are 2,766 of prospects, which by using the conversion rate from prospects to customers of 1% the calculations shows there are 27.66 of customers generated, which are our a new qualified leads. As calculated above that the on average 80% of these have more than 150 friends. Therefore, the total number of the prospects is 3,341.33.

Phase 3

From the calculation of the results of phase 1 and 2 the new list of the prospects is generated. While, the phase 1 generated 2,766 prospects and phase 2 generated 3,341.33 the total list of the prospects of the extended funnel model is 6,107.33.

As the result, the calculations show the increase of the number of qualified leads, increase the number of the customer of the hostels by 33.41. While, the application of sales funnel (phase 1) generated the increase of the customers 27.66 and the extended sales funnel model (phase 2) generated the increase of 33.41.

Summarising, the hypothesis 1 that the number of qualified leads is related to number of customers and increase of the number of qualified leads will increase the number of customers is proved to be true. To test second hypothesis the data collected from the hostels and students surveys was analysed with the application of calculation of lead-to-conversion rate and sales revenue in Excel and social network analysis with UCINET. As in the earlier chapter I argued that the conversion rate is the process, which driving company transaction and consequently, sales revenue of the hostels. Therefore, firstly the conversion rate will calculated based on the percentage of the hostels sales revenue increase due to application social media strategy in 2012. These data has been collected from data from the hostels survey. The calculation of conversion rate after application of social media strategy in the hostels in 2012 shows that:

- for the increase in sales revenue by 5% the conversion rate is 0.5%

- for the increase in sales revenue by 10% the conversion rate is 1%

Moreover, based on the findings from the earlier chapter that hostels by targeting by customers applying their demographics data can richer wider audience and increase the conversion rate of social media strategy. Therefore, to test the hypothesis 2 further that the lead-conversion rate is related to the target audience the data about gender, which visit the hostels and using the social networking sites (qualified leads) collected from the students will be analysed (Diagram 4.).

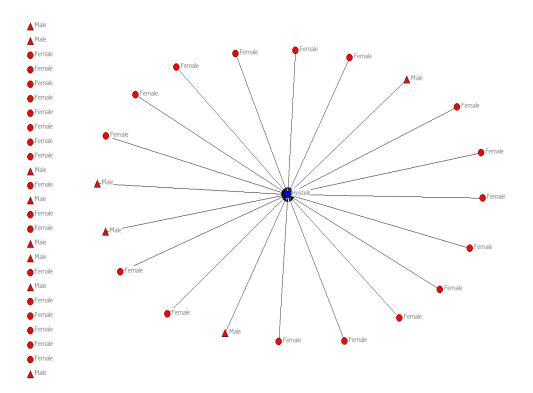


Diagram 4. The gender of qualified leads

While, the application of extended sales funnel method shows that the total number of the prospects is 6,107.33 (61.07 customers) in which 80% are females and 20% are males. Therefore, the calculation of conversion rate by the gender is:

- for females: 48.856 / 6,107.33 * 100 = 0.799

- for males: 12.214 / 6,107.33 * 100 = 0.199

Thus, hostels by targeting:

- females increases the conversion rate by 0.799% and sales revenue by 7.79%
- males increases the conversion rate by 0.199% and sales revenue by 1.99 %

Thus, if t the hostels will target the females the conversion rate it will increase more by 0.6% than if they will target the males.

Thus, the hostels by the application of social media networks can chose the target market and develop appropriate social media networks strategy to effectively increase the number of their guests. Therefore, the hypothesis 2 that the lead-to-conversion rate is related to the audience and targeting right audience will increase the lead-to-conversion rate is proved to be true.

In order to test third hypothesis data collected from the students' survey was analysed to examine if the customer engagement in social media networks is related to customer retention in the hostels. Also, to discover higher customer engagement increases the customer retention in the hostels. The hypothesis will be tested with the application of the calculation of Pearson's chi-square using Statistical Package for the Social Sciences (SPSS). First of all, the relation of the people (students) who stayed in the hostels more than once and the users of social media networking sites will be tested (Table 1.).

Chi-Square Tests

	Value	df	Asymp. Sig. (2-
			sided)
Pearson Chi-Square	51.441 ^a	4	.000
Likelihood Ratio	28.787	4	.000
N of Valid Cases	51		

a. 8 cells (88.9%) have expected count less than 5. The minimum expected count is .31.

Table 1. Pearson's chi-square of the people who stayed in the hostels more than once and the users of social media networking sites

The Pearson's chi-square proved that the people who stayed in the hostels more than once and the users of social media networking sites are related as the probability is 0.000 (for p value < 0.05). However, while only 4 participants answered that they are stayed in the hostels more than once the sample size is small for the results to be fully reliable. Secondly, the relation of the people who stayed in the hostels more than once and users, which engage in different type of social media networks activities will be, tested (Table 2.).

Chi-Square Tests

	Value	df	Asymp. Sig. (2-
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N of Valid Cases	51		

a. 8 cells (88.9%) have expected count less than 5. The minimum expected count is .31.

Table 2. Pearson's chi-square calculation of the people who stayed in the hostels more than once and users, which engage in different type of social media networks activities

The Pearson's chi-square proved that the people who stayed in the hostels more than once and users, which engage in different type of social media networks activities are related as the probability is 0.000 (for p value < 0.05). However, while only 4 participants answered that they are stayed in the hostels more than once the sample size is small for the results to be fully reliable. The customer engagement in social media networks sites were applied after the careful analysis of the students' answers. Thus, the hypothesis that the customer engagement in social media networks is related to the customer retention and the positive impact on the customer engagement increases the customer retention is proved to be true. Summarising, the fourth hypothesis that if the number of qualified leads, lead-to-conversion rate and customer retention is proved to be related to sales. Thus, increasing the number of qualified leads, lead-to-conversion rate and customer retention will increase sales of the hostels.

Conclusion

This paper shows that the hostels in the United Kingdom by the increasing the number of qualified leads, lead-to-conversion rate and customer retention with the social media networks application will increase the sales revenue of the company. As the role of the social media is changing the managers of the hostels need to apply their strategy to increase their profitability. Therefore, the mangers hostels should identify the most valuable users of their social media networks sites, specify and describe their target audience, and engage with the users of hostel social networking sites to increase the sales revenue of the company. The application of SNA shows that the managers of the hostels by identifying the most valuable users of social media networking sites are able to acquire a new audience with similar preferences easier and quicker.

Thus, the acquisition of the new audience with similar preferences allows managers of the hostels to apply and develop the word of mouth marketing in more effective way and in the larger scale. However, further exploratory research of how the particular social media network site of the hostel is connected with all the users and the users' friends is recommended. As the application of the Closeness measures to discover the length of the shortest path between a specific node and all other nodes in a social media networks (Kim, Srivastava, 2007). Also, the research shows that the lead-to-conversion rate is increased more when the right audience is targeted. Therefore, the managers of the hostels to apply an efficient social media networks strategy should analysis the data from their social media networks sites and the demographics of their customers as this will helped them to apply social media networks strategies in more cost effective way. As the marketing strategies dedicate to the right audience allows managers of the hostels to post the information on social media networks sites, which will be more accurate.

Moreover, the managers of the hostels should use gained knowledge about their target audience and engage with the users of their social networking sites by writing the comments, sharing pictures or videos and replying to the users' comments to develop the networks connections build on two-way relationship. As a while, network connections are lost the managers of the hostels are no more able to engage with their previous customers on social media networks sites. Furthermore, the customers on the

social media networking sites generating valuable feedback for the managers of the hostels, which needed to be managed well. As the satisfied clients facilitates positive growth of the word-of-mouth marketing by informing other users about the products, services or events of the hostels they stayed. Thus, the mangers of the hostels should maintain good relation with customers on the social media networks sites as the positive growth of the word-of-mouth marketing has a good impact on the brand reputation of the hostels.

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