

## **Electronic Word-of-Mouth on Star Hotel Bookings: An Empirical Analysis of Young Consumers**

**Dr. Arati Prabhu,**

Assistant Professor,  
Department of Management Sciences, (PUMBA)  
Savitribai Phule Pune University, Pune, India.

### **ABSTRACT**

*Decision making process of the digital consumer has undergone a change. One of the significant changes is evident in the role of online reviews. Reviews play a very critical role in the purchase decision and communicating satisfaction post consumption. In case of electronic transactions enabled by the use of technology, reviews have become even more important. This research comprised of a questionnaire as the research instrument, to ascertain the role of online reviews, ratings and recommendation on online booking of star hotels. The aim was to understand the effect of online reviews on the decision making process in all stages of the digital consumer behaviour – Pre consumption stage, Decision making process in all stages of digital consumer behaviour and finally in the Post purchase stage. It was found that importance of electronic word-of-mouth (E-WOM) is getting a strong dependence and consumers rely on them during information search, alternatives' evaluation / selection and also during post purchase process. As the outcome of this study it is recommended that hospitality companies rise upto leveraging consumer reviews to expanding their business and controlling damage it may cause. In today's times, reviews on the digital platform are more effective than company's own marketing claims.*

**Keywords:** "Online Reviews", "Electronic Word-of-Mouth", "Online Hotel Reservations", "Consumer Generated Content".

### **INTRODUCTION:**

In the present day, electronic commerce is limited to not only transacting goods, but also selling services. Service oriented products such as hotel room reservations, travel by air, rail, cruise, car rentals, all inclusive holiday packages, restaurant food delivery, home services such as cleaning and maintenance etc. are also gaining popularity selling it on the electronic medium like websites and mobile applications. We are living in an era which is fuelled by technology. It is evident in the last couple of decades internet has witnessed an unprecedented growth. Owing to its speed and ability to reach out across sections, it has succeeded in shrinking geographical and physical boundaries. The word has now become a smaller place. Today, internet is extensively used for social media network, mobile apps, and other varied forms of digital communication. In the present day, electronic commerce has is limited to not only transacting goods, but also selling and services. Service-oriented products such as hotel room reservations, travel by air, rail, cruise, car rentals, all inclusive holiday packages, restaurant food delivery, home services such as cleaning and maintenance etc. are also gaining popularity selling it on the electronic medium like websites and mobile applications. In the business of making room reservations through online medium, online ratings, recommendations and reviews have arisen to play a significant role. Earlier, word of mouth was limited to known circle of family, friends and acquaintances. Now, owing to the electronic medium it has collapsed boundaries and spread across the world. It has provided a platform whereby communicating and influencing strangers from different countries is seamless and instantaneous. So much so that reviewers

now have ardent followers, and their word is taken as a decision. Such is the power of online customer reviews, ratings and recommendations. This is the time and age of power of the reviewers, who have become influencer. These have started to exercise more power than experienced ever before. Web 2.0 has empowered two way flow of communication and also has made Social Media Network enabled social community more active. It is also extensively used for not just marketing by companies, but also by experienced customers to influence potential prospective customers who are looking to reserve hotel rooms online. Information is shared, posted, commented and liked instantaneously. This wide reach has become an opportunity as well as a threat for businesses. To use social media to the advantage of the business and keep negatives away by prompts recoveries and reverts has added to the profile of marketing. The geographical scope of this research paper is restricted to study of five and four star hotel establishments within Pune city. The profile of respondents is those who use these hotels for business and or leisure purpose. Analytical scope is studying the data by means of excel and SPSS software. Contribution scope includes useful findings and suggestions to the hotel industry as identifying the reach and extent that electronic word-of-mouth may utilised to the optimum.

## **LITERATURE REVIEW:**

Fodness and Murray, (1997), claimed that the success in hotel industry e-commerce activities lies heavily the success in garnering favourable customer reviews. This is possible if customers are delighted by the services of the hotel. Nunthapirat, (2016), elaborated that increasing number of prospective customers are depending on reviews and recommendation prior to making a purchase decision. He mentioned that in case of the hospitality services, especially booking a hotel room and eating out, he found that guests depend on checking the posts and comments online prior to making up their minds and actualizing the decision. Chen, et. al., (2004), studied the impact of recommendations on sale of online products. He studied the sale of books online. He discovered that the books having recommendations lead to boost in sale of those books than those which have fewer reviews. More reviews are considered to be more popular and fewer reviews are considered to be less popular. Same may hold good for other goods and services sold online as well. Moreover, (Hostler, et., al., 2011), stated that it was also found that recommendations systems also boost unplanned purchases and diversity of sale. Ghose and Yang, (2009), reflected that there exists a positive association between the rank of recommended product and success in conversion rate. It was found that occupying a higher position does not essentially help to earn a higher monetary benefit. Seung Hyun, (2012), laid that it is clear that travellers planning to book a travel, growingly prefer to interact with online travel sites so that they can conveniently collect information on placed, rates and other details. Varkaris, (2017), accounted how negative image and reviews by the general users that are posted after a bitter or unsatisfactory experience, creates hesitation in minds of potential customers and make them very reluctant in going ahead with that hotel's booking, even it was on their agenda. D'Ambra, (2004), supported the opinion that customers prefer to read unbiased information that is posted by customers who have experienced the product. The existence of reviews on social media may be positive or negative. But it is found to be true that both these kinds of reviews have an impact on the customers' decision making journey. Ogut, (2016), reiterated that reviews by family and friends and trusted known sources have always been prevalent. But with the advent of social media and its popularity, reviews posted by even strangers have high credibility and decision making power. Papathanassis and Knolle, (2011), in this dynamic room booking process, customers gather and seek information from an array of variety of sources in order to reduce the ambiguity of quality which is a concern prior to making purchase decisions. Pathak et. al., (2010), remarked that recommendation systems pump sale as they are able to convert browsers into customers, make useful information available to the customers, present personalization, help build customer loyalty and also provide opportunities to cross-sell. Kamoen, et al. (2015), found that even positive and negative statements that may be direct or indirect also have varying effects. Like, "good" is considered more positive than "not bad", whereas both "bad" s well as "not good" have the effect which is alike. Ögüt and Tas, (2012), commented that higher when the reviews are favourable, then they successfully translate into actualization of purchase and also command customer ratings lead to higher online bookings and prices. There are two types of recommendation systems. The first is content-based and the second is collaborative filtering-based. Content-based ones are those recommendation system that use the history of the users' actions, and on its basis provide suitable recommendations. On the other hand, collaborative filtering is that system of recommendations which is based on the studied patterns of customers' preferences or actions which are then used to suggest recommendations. Kwok and Yu, (2016), also reiterated that review websites that are available online, and also communities in the cyber space have

catapulted as the major influence as the source of information towards planning travels. Kwok et. al., (2015), added that especially in case of services of the varied travel products, the impact of eWOM available abundantly on social media network as well as other websites, is particularly significant and is greatly used. Xie, et. al., (2014), noted that the consumers growingly use reviews, recommendations and ratings that are available online. They not only use, but also more and more have started depending on them in order to make purchases. Ulrich, (2015), that in today's technologically driven era, the consumers are truly empowered. They can post reviews, freely and unabashedly, Electronic word of mouth is without any filters. They can also explain and discuss and hear back from the management. Labrecque et al., (2013), further confirmed that owing to this comprehensive knowledge from both sides makes it is easier than ever for prospective to compare and confirm claims and make sound purchase decisions with minimum risks. Also, largely positive customer reviews are easily accepted and endorsed by the concerned service companies, they need to be ready and equally accepting in case of negative ones as well. Lee and Youn, (2009), opined that a review is based on the experience of customers. In such a case, it may still lead to readers reading and believing the product to be inferior. The way of bailing out from the situation is that it is counter balanced with a lot of positive reviews. Rianthong, (2016), observed that online travel reviews have fast become a basis of extensive travel information and is extensively used by many travellers to reduce their purchase risk. Gretzel and Yoo, (2008), said that there are multiple dimensions based on which reviews are done. A few of these parameters are cleanliness, hygiene, safety, service, tangibles, location, sleep quality etc. On the other side, it was also regarded that high volume and not necessary reviews cause confusion to customers when they are trying to evaluate and decide.

#### **RESEARCH METHODOLOGY:**

The present study research methodology set with the objective to explore the scope of online reviews and to understand the effect of online reviews on purchase decision of online bookings. It also aims to study the perception of management's response from the perspective of digital bookers of hotel rooms. The hypothesis of the present study is, Online reviews and ratings significantly affect online bookings of star hotels. The primary study is purely on the basis of their response. Also, geographically the scope is limited to Pune city. For a broader and generalized understanding it has to be studied across multiple cities. Descriptive Research design has been used for this study. The primary data required for the study for the research was collected using a questionnaire on basis of Non Probability Judgment sampling of 683 respondents. Apart from this, relevant secondary data for the research was collected from journals, books and internet sources.

#### **DATA ANALYSIS AND INTERPRETATION:**

Simple regression is a forced entry method which has been used to test the aforementioned hypothesis. In this method the predictor which is Online Reviews, is forced into the model. The following tables demonstrate simple regression analysis in detail. Online Buying Behaviour mean is 4.1261 with the standard deviation 0.68897 and the mean for Online Reviews is 4.0363 with the standard deviation 0.80371. If there is no multicollinearity in the data then there should be no substantial correlations ( $r > .9$ ) between predictors. The correlation between the Online Buying Behaviour and Online Reviews is significant at a .05 level ( $r = .810$ ,  $p < .05$ ). The R are values depict the extent of outcome by the said predictor. In this case, the correlation between Online Reviews and Online Buying Behaviour is at .810. The next column gives us the value of  $R^2$ , which measuring the variability in the outcome which is accounted for by the predictor. In this case it stands at .628, which means that Online Reviews accounts for 62.8% of the variation in Online Buying Behaviour.

ANOVA tests showed that the 681 degrees of freedom. For the model, the F-ratio which is at 831.153, which is very unlikely to have happened by chance ( $p < .000$ ). We can interpret these results as meaning that the model significantly improved our ability to predict the outcome variable, which means online reviews is quite able to predict the online buying behaviour.

With regression analysis it is confirmed that the Online Reviews affect positively on online buying behaviour. For our current model the VIF values are all well below 10 and the tolerance statistics all well above 0.2; therefore, we can safely conclude that there is no collinearity within our regression model. On the basis of the multiple regression analysis we reject the null and conclude that online reviews positively affect online buying behaviour  $F=831.153$ ,  $p<0.0000$  ( $n=683$ ).

**Table 4.36: Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	1.636	.094		17.430	.000	1.452	1.820					
	Online Reviews	.617	.023	.720	27.049	.000	.572	.662	.720	.720	.720	1.000	1.000
a. Dependent Variable: Online Buying Behaviour													

## FINDINGS:

Potential young customers agree that reviews posted online influence their buying decision. Hence, it means that companies, and in this case hotels and booking sites need to ensure that services match claim, meet expectations and experiences are memorable so that they translate into positive reviews, ratings and recommendations leading to more sale. Online reviews influence consumer buying when booking star hotels online. Online ratings influence consumer buying when booking star hotels online. Online recommendations influence consumer buying when booking star hotels online. Reviews posted by young customers have an impact as they are seen as unbiased, without any ill intent rather viewed as a friendly sharing of information based on a personal experience.

In situations when good as well as bad customer posts are reverted by the management of the said companies, it is viewed as a positive response and also increases the credibility of the company in the minds of potential customers. The importance of electronic word of mouth (E-WOM) is getting a strong foothold amongst youth and young consumers rely on them during information search, alternatives' evaluation / selection and also during post purchase process.

Unlike traditional consumer behaviour model, online reviews are influencers and not restricted to family and friends. These may be across the globe, real-time and followed by many. Also, customers who seek reviews are also equally likely to post their experience post consumption of the service. In consumer psychology, a few are influencers and like to be heard and followed. Internet technology has empowered them and they enjoy the access to reach out to the world and making their feelings known and endorsed. This way, online reviews have become a reality and consumers utilize them to share their personal experience post consumption. Credibility is increased when prospects read experiences shared by those who have experienced the product themselves. It is important for hotel companies that reviews are acknowledged and reverted to promptly, and in case of complaints, a correction and corrective action should be made and also communicated. This also is seen to increase credibility.

## DISCUSSION AND CONCLUSION:

On the basis of the study of the respondents, it is recommended that online reviews cannot be controlled. The service product needs to be controlled in order to control reviews. There are multiple sources of reviews. Posts and comments are shared on brand site, aggregator sites, OTA sites. These have to be reverted to instantaneously. Also, managing the online sites, especially social media network and pages need to be competitively updated and alive.

The study was undertaken to understand the extent, prevalence and effect of online reviews on the actual buying decision of online hotel room bookings. It was found that consumers have not only accepted the interactive reviews, but also largely depend on them as a means of genuine information that helps them during various stages of consumer of their decision making journey.

Further study in the future may be undertaken for other categories of hotels as well. The study may include other cities. Analytics may be used to study in-depth. Furthermore, destination managed case study may also be opted for finer insights.

## REFERENCES:

- Chen, H., (2014). *Consumer behaviour in hotel deal bookings through online travel intermediaries*, A dissertation in hospitality administration, faculty of Texas Technology University.
- D'Ambra, J., (2004). Use of the World Wide Web for international travel: Integrating the construct of uncertainty in information seeking and the task technology fit (TTF) model, *Journal of the American Society for Information Science and Technology*, 55(8):731–742.
- Fodness, D. & Murray, M., (1997). A Typology of Tourist Information Search Strategies, *Journal of Travel Research*, 37(2), 108-119.
- Ghose, A. and Yang, S., (2009). An Empirical Analysis of Search Engine Advertising: Sponsored Search in Electronic Markets, *Management Science*, 55 (10), 1605–1622.
- Hostler, V, .Zhiling, Y., Tor, G. and Guisseppi, F.,(2011). Assessing the impact of recommender agents on on-line consumer unplanned purchase behaviour, *Information & Management*, 48 (8), 336 – 343.
- Kwok, L. and Xie, K., (2016). Factors contributing to the helpfulness of online hotel reviews: Does manager response play a role? *International Journal of Contemporary Hospitality Management*, 28 (10), 2156 – 2177.
- Kwok, L., (2016). Factors contributing to the helpfulness of Online Hotel Reviews: Does the manager play a role, *International Journal of Contemporary Hospitality Management*, 28 (10), 2156-2177.
- Labrecque, L., Dem Esche, J. and Thomas, C., (2013). Consumer Power: evolution in the Digital Age, *Journal of Interactive Marketing*, 27 (4), 257-269.
- Lee, M., and Youn, S., (2009). How eWOM platforms influence consumer product judgement, *International Journal of Advertising*, 28 (3), 473-499.
- Nunthapirat, D., (2016). Dealing with Customers' Online Reviews: what Approach Hotel Managers Need to Address, *Annual International Conference on Tourism & Hospitality Research*, 57-62.
- Ogut, A., (2016). Analyzing conversion rates in online hotel booking. The role of customer reviews, recommendations and rank order in search listings, *International Journal of Contemporary Hospitality Management*, 28 (2), 286-304.
- Papathanassis, A. and Knolle, F., (2011). Exploring the adoption and processing of online holiday reviews: A grounded theory approach, *Tourism Management*, 32 (2), 215-224.
- Pathak, P. et. al., (2010). Making words work: Using financial text as a predictor of financial events, *Decision Support Systems*, 50 (1), 164-175.
- Rianthong, N., (2016). Organizing customer searching experience of online hotel booking by sequencing hotel choices and selecting online reviews: A mathematical approach, *Tourism Management Perspectives*, 20, 54-65.
- Ulrich, H. and Rodiger, M., (2015). How are organic food prices affecting consumer behaviour? *A review, Food Quality and Preference*, 43, 10-20.
- Varkaris, E. and Neuhofer, B., (2017). The influence of social media on the consumers' hotel decision journey, *Journal of Hospitality & Tourism Technology*, 8(1), 101-118.
- Xie, H., Miao, L., Kuo, P. and Lee, B. (2011). Consumers' responses to ambivalent online hotel reviews: The role of perceived source credibility and pre-decisional disposition, *International Journal of Hospitality Management*, 30(1), 178-183.

----