



## Please, talk about it! When hotel popularity boosts preferences<sup>☆</sup>



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### ABSTRACT

Many consumers post on-line reviews, affecting the average evaluation of products and services. Yet, little is known about the importance of the number of reviews for consumer decision making. We conducted an on-line experiment ( $n = 168$ ) to assess the joint impact of the average evaluation, a measure of quality, and the number of reviews, a measure of popularity, on hotel preference. The results show that consumers' preference increases with the number of reviews, independently of the average evaluation being high or low. This is not what one would expect from an informational point of view, and review websites fail to take this pattern into account. This novel result is mediated by demographics: young people, and in particular young males, are less affected by popularity, relying more on quality. We suggest the adoption of appropriate ranking mechanisms to fit consumer preferences.

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### 1. Introduction

The way in which both software developers and consumers use the Internet is continuously changing toward an increasing management of user-generated content. This “collaborative” vision of the web, promoting a place where users can interact and share information, was coined about a decade ago with the term Web 2.0. Examples of Web 2.0 include social networks, video-sharing sites, fora, wikis, blogs, and other sites managing user-generated information. In this dynamic world of on-line marketing, the traditional influence of word-of-mouth has been fiercely amplified by the impressions from consumers posting their experience with products and services in social media websites.

Since Amazon.com Inc. started posting customer ratings and product reviews in 1995, most on-line businesses have realized that allowing customers to post reviews can increase sales and help suppliers identify problems with their products and services. These information tools are being used by consumers who increasingly search and read comments and reviews from peers, facilitating choices and purchase decisions. In its last Trust Barometer 2013, the public-relations firm Edelman asked survey respondents

across 20 countries how credible the information about a company was, depending on the informer. A total of 61% of respondents attributed high credibility to “a person like yourself”, compared to only 49% to “regular employees” and 40% to “the company's CEO”. A previous survey conducted in 2011 by the public-relations firm Weber Shandwick, found that traditional word-of-mouth (88%) and on-line reviews (83%) ranked as top factors, being “very” or “some-what” influential on consumer perceptions about companies.

Within the service sector, travel is one of the fastest growing industries in e-commerce spending. ComScore Inc., a global research firm that tracks on-line traffic, reported that the travel category attracted 124 million visitors in January 2012, with an increase of 8% with respect to the previous year.

All the above phenomena combine in the form of travel review websites, revolutionizing the manner in which word-of-mouth opinions and recommendations on holiday destinations can be discussed and disseminated (Mauri and Minazzi, 2013; Litvin et al., 2008).

Some review websites have become important obligatory points of passage (Yacouel and Fleischer, 2012). An example of the culmination of such on-line commentaries is the creation of ranking lists, such as the Trip Advisor Popularity Index. This offers a clear numbering system which instantly signals a hotel's level of quality and service to satisfy consumers (Jeacle and Carter, 2011). In this paper we focus our attention on popularity, in terms of the number of reviews written by people, to understand how it affects consumer decision making and how it interacts with consumer's on-line evaluation, a widely used measure of quality (Abrate et al., 2011; Hu et al., 2006; Koh et al., 2010).

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## 2. Theory

### 2.1. The relevance of consumer reviews

The importance of reviews is rather different in experience and search goods. Experience goods are products that require sampling or purchasing in order to evaluate the product quality. In this case there is a need to use one's senses to evaluate quality. Examples of experience goods include music (Bhattacharjee et al., 2006; Nelson, 1970) and wine (Klein, 1998). Search goods, by contrast, are those where consumers can obtain relevant information on product quality prior to purchase. Examples here include cameras (Nelson, 1970) or medication (Weathers et al., 2007). The dominant attributes of an experience good are compared or evaluated subjectively and with more difficulty (Huang et al., 2009). However, the relevant characteristics of a search good are that it can be evaluated and compared easily in a more objective manner, without buying or sampling the product. Because the Internet enables consumers to learn from the experiences of others and to gather product information that is often hard to obtain in off-line settings (Klein, 1998; Lynch and Ariely, 2000), all attributes tend now to be searchable at low cost. This reduces the difference between search and experience goods. This "merging process" was initially highlighted by Alba et al. (1997), who suggested that all products involve a bundle of search and experience attributes. Hotel rooms fit perfectly in this framework. Although traditionally considered as experience goods due to the difficulties in gathering precise information, they are now moving toward search goods. Now, for example, travelers can judge if a room is suitable beforehand, and look for information on-line through rating sites (Tse, 2003).

Nonetheless, there are still some differences between search and experience goods. For search goods, the content and detail of the review itself is considered crucial (Jiménez and Mendoza, 2013; Mudambi and Schuff, 2010). The idea is that an in-depth review with search goods is highly diagnostic. Whilst, the social weight provided by the number of comments is also an important factor affecting consumer choice for experience goods.

When travelers book hotels on-line, they are typically provided with a list of relevant hotels. While presenting hotels in a list format seems appropriate in order to organize the information, it creates a new (spurious) attribute for them: their positioning. Spoerri (2008) showed that only information placed high in the list is considered relevant. Further, the relevance of the information decreases exponentially when presented in lower positions. Breese et al. (1998) confirmed this exponential decay of attention. One of the first efforts to model ranking by popularity was undertaken by Chen (2009), while the importance of ranking was again stressed more recently by Filieri and Mcleay (2014).

It has been shown that positive reviews have an effect in increasing the number of bookings and the economic results (Chevalier and Mayzlin, 2006; Godes and Mayzlin, 2009; Ye et al., 2009). However, the actual number of reviews should also be taken into consideration when hotel travel websites present their rankings of hotels. Of primary importance, is also the role of negative reviews. While several studies have examined the content of negative consumer reviews on the web and their effects on perceived company reliability (Chatterjee, 2001; Noort and Willemsen, 2012; Sen and Lerman, 2007), only a few studies have to date discussed the controversial effect of negative popularity on preferences (Berger et al., 2010; Khare et al., 2011; Vermeulen and Seegers, 2009). The findings of these studies suggest that negative reviews decrease consumers' attitudes toward that alternative but increase consumers' awareness toward the same alternative, leaving for further research the overall effect on preference.

### 2.2. Reducing uncertainty or following the crowd

According to social comparison theory (Festinger, 1954), individuals possess a drive to compare themselves to other people. This can lead them to select popular alternatives in the belief that the majority is right (Denrell and Le Mens, 2012). Consumers look to other consumers for social clues as their choices may be seen as a statement about individual values and taste (Mudambi and Schuff, 2010). In our analysis, we use the number of reviews of a hotel as a proxy for popularity, and we consider consumer's probability to post a review on the travel websites constant across hotels. These assumptions are considered reasonable since the majority of travel review websites only allow the posting of one review per transaction after the check-out. Other studies have applied a similar approach in the literature (Ye et al., 2009).

There are at least two possible explanations as to why people might prefer to see a number of reviews. First, a large number of reviews might lead consumers to feel more sure of their purchase decision. When more reviews are present, consumers increase their behavioral intention because they perceive them to be more informative (Park et al., 2007; Petty and Cacioppo, 1984). This then reduces the uncertainty and the perceived risk (Klein, 1998). Another possible explanation, when people tend to go with the crowd, is that the hotel experience is a "conspicuously" consumed service, hence social norms could also be at play. Intuitively, an individual who believes a popular alternative to be poor might still choose that alternative anyway because it is popular. Sociologists would distinguish between the normative and informational facets of social influence. The former compels a person to do as others do so as to conform to their expectations. The latter leads individuals to accept the information obtained from others as evidence about reality (Deutsch and Gerard, 1955). In this paper, we use the term "normative" according to the above definition. Review websites, such as Trip Advisor, generally rank their hotels based on informational criteria. This considers the number of reviews as a measure of the reliability of the different evaluations. In principle, one can determine whether people endorse popular choices just to go with the others or whether to reduce informational uncertainty. In the hotel scenario for example, when a high number of reviews is present but the on-line reputation is low, popularity would still boost preferences if people simply want to go with the crowd. If, on the contrary, people believe that the number of reviews has only an informative effect, then for hotels with a poor reputation a high number of reviews would have a negative effect on preference. In this instance, the high number of reviews being a guarantee that the hotel is bad. These considerations lead to a first general hypothesis for this paper:

**H1.** Popularity, measured through the number of reviews, affects people's preferences

In addition, based on the theoretical background presented above, we can also derive two alternative hypotheses. On the one hand, according to informational social theory and what on-line review websites generally do, we can expect that:

**H2a.** Because of informational social influence, the impact of popularity is expected to be positive when quality, measured as the average online rating, is high and negative when quality is low

On the other hand, the normative facets of social influence would lead us to predict that:

**H2b.** Because of normative social influence, the impact of popularity should be positive, regardless the level of quality

If the two effects presented above moderate each other we would expect that:

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