



Responding to negative online reviews: The effects of hotel responses on customer inferences of trust and concern



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HIGHLIGHTS

- We conduct an experimental study to test the use of four aspects of responding to consumer online comments.
- The provision of a response (versus no response) enhanced inferences of trust and concern.
- Using a human voice style in the hotel's response was favorably received.
- A timely response also yielded favorable customer inferences.
- This study advances current understanding of effective online reputation management.

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ABSTRACT

Our research examines the perceptions and evaluations of prospective customers toward an online negative review and any accompanying hotel response. The study explores two main issues: whether the presence (versus absence) of an organizational response to negative customer reviews affects the inferences potential consumers draw about the target business, and which aspects of responses affect their impressions. We test the effects of four variables associated with a response: source of response, voice of responder, speed of response, and action frame on two outcomes variables (i.e., customer concern and trust inferences). The provision of an online response (versus no response) enhanced inferences that potential consumers draw regarding the business's trustworthiness and the extent to which it cares about its customers. Using a human voice and a timely response yielded favorable customer inferences. Inferences did not vary with response source or action frame. Implications are drawn for effective management of negative online reviews.

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1. Introduction

As a major source of electronic word of mouth (e-WOM) information, the Internet has transformed how people search for products and services (King, Racherla, & Bush, 2014; Serra Cantallops & Salvi, 2014). One form of e-WOM, customer-generated reviews, is having a particularly strong impact on how consumers obtain information, make evaluations, and reach

purchase decisions in relation to tourism and hospitality products and services (Browning, So, & Sparks, 2013; Hudson & Thal, 2013; Xiang & Gretzel, 2010). The popularity and impact of web sites that contain customer-generated content can be traced to several sources. They include the ubiquity of the Internet, the ease and anonymity with which consumer review sites can be accessed, and the availability of both positive and negative evaluations from large numbers of consumers in relation to single tourism products (Buhalis & Law, 2008). Information on these sites is typically provided by consumers who have had recent, direct experience with the target product, and is reported in multiple forms including aggregated ratings and detailed narratives of individual

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experiences (Flanagin & Metzger, 2013). The online reviews are highly trusted, with 70 percent of global consumers in one AC Nielsen (2012) survey indicating they trust this form of communication. In the absence of first-hand experience, potential consumers tend to believe that others' evaluations provide a reliable basis upon which to make future purchase decisions (Flanagin & Metzger, 2013). In sum, online reviews thus provide a quick and convenient way for potential consumers to evaluate and compare tourism and hospitality products, thereby reducing risks potentially associated with purchase.

While many online reviews are positive, a large proportion are negative, sometimes extremely and unfairly so. Negative evaluations often remain on sites for long periods of time, resulting in a lasting impact on the reputation of businesses, including hotels (Hennig-Thurau, Gwinner, Walsh, & Gremler, 2004), and subsequently on performance metrics such as room sales and online bookings (Ye, Law, & Gu, 2009). In seeking effective ways to manage e-WOM, one of the most widely recognized challenges for businesses relates to if, when, and how to respond to customer reviews, especially negative ones. Wei, Miao, and Huang (2013) have called on hospitality firms to track and respond to user-generated comments, and Chan and Guillet (2011, p. 362) have suggested that "being unresponsive to customers' negative comments may put a company in a disadvantageous position as the company may lose the customers' business in the future". Leung, Law, van Hoof, and Buhalis (2013) have urged managers to reply to customer reviews and explain why something negative has occurred, and have encouraged scholars to investigate the efficacy of these responses. Min, Lim, and Magnini (2015) have also called for more research into organizational online responding, especially research that uses non-student samples. While some literature on hotel responses to negative online reviews is emerging (Levy, Duan, & Boo, 2013; Mauri & Minazzi, 2013; Park & Allen, 2013; Sparks & Bradley, 2014), little of it has examined the effectiveness of different types of response (Park & Allen, 2013).

Our study answers recent calls for more research into the efficacy of organizational responses to online criticism: we use a community-based sample, screened for product use experience, to investigate the inferences that potential customers draw about a hotel after reading the hotel's response to customer criticism. The study thus provides scholarly, yet practical, insight into how hotels should respond to negative online reviews. Our research examines the perceptions and evaluations of prospective customers, that is, those who are reading online reviews without yet having made a purchase, rather than the responses of customers who have previously used the product and have posted a negative review. This focus is important because potential consumers' lack of personal experience with a hotel means that they are especially likely to place reliance on eWOM from other customers (Serra Cantallops & Salvi, 2014). Businesses need to know whether to respond online to criticism from past customers, and, if so, how best to do so to protect their brand's reputation and thereby encourage patronage from potential customers.

A question central to the current research is how do key elements of the response made by a business influence the impressions formed about the brand? The study explores two main issues: first, whether the online presence (versus absence) of an organizational response to customer reviews affects the inferences potential consumers draw, and, second, which aspects of organizational responses affect potential consumers' impressions. The study generates new evidence as to the impact of tourism and hospitality firms' responses to negative reviews, thus advancing practitioner and academic understanding of effective service recovery and reputation management practices in an online context. While the majority of past WOM (or e-WOM) research has focused

on its antecedents, our study turns this around by examining organizational responses to customer e-WOM and investigating how this affects potential customer inferences.

2. Theoretical background

Our study drew on the well-established consumer inferences theory of Kardes (Kardes, 1993; Kardes, Posavac, & Cronley, 2004; Kardes, Posavac, Cronley, & Herr, 2008) to build an understanding of the impact of organizational responses to customer online reviews. Kardes's theory highlights the likely presence of multiple cues in organizational communications, and the likely use that new consumers make of these cues to draw inferences about the organization. Potential consumers seldom have all relevant information at hand to make a decision about, or evaluation of, a product, and instead must rely on whatever cues are available. In the online setting, these cues could include source characteristics (e.g., status of the responder), efficiency indicators (e.g., speed of response), resolution evidence (e.g., problems solved), or the communication style used in delivering a message (e.g., human voice). Hearing or reading about a product (e.g., via advertising or e-WOM) typically provides information about some product attributes and benefits, but other product features, if they are important to the purchase decision (e.g., the trustworthiness of the company), must be inferred, essentially by going beyond the information available (Kardes et al., 2004). Inference formation thus involves the generation of if-then linkages between available information (e.g., cues) and relevant conclusions (Kardes et al., 2004, 2008). While useful, this account leaves unanswered questions regarding which cues are used by potential customers, how these cues are interpreted, and what inferences about the organization are thereby drawn.

A considerable body of research has investigated the role of one type of inferences, causal inferences, or attributions. However, few studies have examined what Kardes et al. (2004) refer to as "correlation-based" inferences, that is, inferences based on the implicit theories customers hold about the relations between attributes. Of the limited research conducted into this type of inference, little has been contextualized in the services sector, and hence little is known about what kinds of service attributes are assumed by customers to be correlated with others. Our study aimed to fill this gap.

We assessed two types of inferences important to e-commerce and service recovery: trust inferences and customer concern inferences. Compared to other outcomes such as customer satisfaction and loyalty, neither of these has been widely studied as dependent variables in the services literature. However, these inferences are particularly relevant to prospective customers because, being in a pre-purchase phase, these people are likely to be in possession of only partial information about the target organization, and thus be searching review sites for reliable information written by past customers.

Trust represents consumers' willingness to rely on an exchange partner in whom they have confidence (Moorman, Zaltman, & Deshpande, 1992). Wang and Emurian (2005) highlight the importance of trust, arguing that lack of trust is one of the most formidable barriers to people engaging in e-commerce. According to Wang, Beatty, and Foxx (2004), trust can be conceptualized as either experience-based or cue-based. Experience-based trust is acquired via repeated interactions, whereas cue-based trust refers to that founded on cues received from a single encounter (e.g., a website or online review message). When no prior consumption experiences or other interactions have taken place, consumers draw inferences about the trustworthiness of a hotel property based on intangible informational cues or signals (Urban, Sultan, &

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