



Marketing decisions, customer reviews, and business performance: The use of the Toprural website by Spanish rural lodging establishments



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HIGHLIGHTS

- Price and advertising expenditures affect customer reviews.
- Customer reviews affect business performance.
- Establishment owner's experience moderates the link between reviews and performance.

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ABSTRACT

Modern travelers often rely on reviews provided by other consumers online, or electronic word of mouth (eWOM), to choose their accommodations. This study considers the effects of marketing decisions by rural lodging establishment owners (i.e., price and advertising expenditures) on eWOM (i.e., ratings and number of reviews), as well as the effects of eWOM on business performance. The results rely on marketing data and customer reviews obtained from a leading rural tourism infomediary website, related to 202 Spanish rural lodging establishments. A complementary survey also provided information about the lodging establishments' performance. The study thus reveals that price and advertising expenditures affect eWOM; in turn, eWOM affects business performance. Moreover, owners' experience with the infomediary slightly moderates the link between eWOM and performance.

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1. Introduction

Consumers increasingly use the Internet in their travel decisions. Tourists once relied on word of mouth (WOM) from their family or friends; nowadays they also turn to online or electronic word of mouth (eWOM). As a modern information and communication technology, eWOM has been the subject of various studies, focused on both goods (Buda & Zhang, 2000; Gruen, Osmonbekov, & Czapslewsk, 2006; Kozinets, de Valk, Wojnicki, & Wilner, 2010; Lee, Rodgers, & Mikyoung, 2009; Lee & Youn, 2009; Liu, 2006) and services, including hospitality and tourism (Ayeh, Au, & Law, 2013; Crotts, Mason, & Davis, 2009; Filieri & McLeay, 2013; Jeong & Jang, 2011; Sparks & Browning, 2011; Sparks, Perkins, & Buckley, 2013; Wirtz & Lee, 2003). However, research on eWOM

in rural tourism settings remains relatively scarce, despite the potential influence that such interpersonal recommendations might have for the firms in this sector. For example, Sparks et al. (2013) note that different types of eWOM content influence consumer behaviors in relation to an eco-resort.

To extend this stream of research, the current study addresses eWOM about rural tourism, in the context of Spanish rural lodging establishments. Rural tourism, or tourism that takes place in rural areas, generally reflects tourists' desire to understand a different way of life and come into closer contact with nature than they would in their regular lives (Hernández-Maestro, Muñoz-Gallego, & Santos-Requejo, 2007). The industry offers substantial revenue-generating abilities for various locations worldwide and can strongly benefit underdeveloped areas and national economies (UNWTO, 2011). In addition to studies that highlight the implications and concerns related to rural tourism (Frochot, 2005; Nieto, Hernández-Maestro, & Muñoz-Gallego, 2011; Sharpley, 2002), institutions such as the World Tourism Organization organize special conferences and events to address its current situation and future prospects.

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Most Spanish rural lodging establishments are small businesses, whose owners take charge of all necessary tasks, whether managerial or frontline. These small business owners often began as farmers and entered the industry following the decline of agricultural production and in response to government incentives (Hernández-Maestro, Muñoz-Gallego, & Santos-Requejo, 2009). In turn, many of these operators lack substantial knowledge of the market, cost controls, accounting practices, and so forth.

In this setting, we consider the influence of marketing decisions made by rural lodging establishment owners on the spread of eWOM by customers; in turn, we examine the influence of eWOM on business performance. We gathered data about the establishments' marketing decisions (i.e., price and advertising expenditures) and customer reviews from a rural tourism infomediary website, Toprural. We also conducted a survey to gather information about the performance of each lodging establishment in our sample. In so doing, our study offers several methodological and empirical contributions. First, we help fill the research gap associated with eWOM about rural lodging establishments. In particular, we address the need, as expressed by many rural lodging establishments, for studies that can help them determine the profitability of their marketing decisions. Second, our model integrates both customers' (eWOM) and establishment owners' (marketing decisions and business performance) input. Third, the proposed model offers the potential for replication outside tourism, because it includes variables that apply widely to services.

We structure the remainder of this article as follows: After a brief discussion of the importance of eWOM for rural lodging establishments, we present hypotheses derived from our literature review regarding the likely relationships among eWOM, marketing decisions, and business performance. In describing the methodology, we specify our database and measures, then outline the results. Finally, we present some conclusions, implications, study limitations, and possible research extensions.

2. Literature review

2.1. Rural lodging establishments

Rural lodging establishments offer services, so intangibility is a key feature. Because consumers cannot evaluate the offering before consuming it, the purchase process is inherently risky. This greater risk tends to increase the influence of interpersonal communication on customers' buying decisions (Litvin, Goldsmith, & Pan, 2008; Ng, David, & Dagger, 2011). Moreover, the quality certification schemes for rural lodging establishments, unlike those for hotels, vary widely, which makes it very difficult for customers to interpret certification logos and assess the quality of each establishment. Yet most tourists prefer to purchase these services independently, rather than relying on professional advice from a travel agent, and the Internet has emerged as a primary source of information about rural lodging establishments (Hernández-Maestro, 2010; Hernández-Maestro et al., 2007). These various factors combine to make eWOM especially valuable for rural lodging tourists.

Because hospitality offerings tend to be seasonal and perishable, as well as characterized by a highly competitive environment, eWOM also can produce important competitive advantages for the establishments and their owners. In particular, it represents a low cost method to learn about customers' perceptions and needs, as well as communicate with many potential customers with greater marketing efficiency (Bughin, Doogan, & Vetvik, 2010; Dellarocas, 2003; Litvin et al., 2008; Ye, Law, Gu, & Chen, 2011). In turn, understanding online interpersonal influence, as exerted through eWOM, is critical for small, rural lodging establishments, which tend to suffer from scarce resources.

Among the various communication channels rural lodging establishments use, a relatively new but highly influential online communication model relies on infomediaries, that is, web pages that include products from different providers and customer reviews. Infomediaries effectively link producers and consumers and may create a more dynamic market by providing consumers with information more quickly. When the website posts more information, it has greater value for readers (Trusov, Bucklin, & Pauwels, 2009); however, using this technology also demands time, patience, and the ability to search for deals (Chu, Choi, & Song, 2005; Hagel & Rayport, 1997).

Most infomediaries specialize in and offer information about a specific market sector, such as rural tourism. For this study, we gathered information from the leading infomediary in the European rural tourism sector, Toprural. (It is now part of HomeAway, the leading tourism infomediary worldwide.) Toprural features approximately half of all Spanish rural lodging establishments and offers customers incentives to register on the site (e.g., monthly newsletters). Each registered customer may provide ratings (1–5 stars, very bad–excellent), comments, photos, and videos related to each establishment he or she has visited; in posting such reviews, customers also are asked to specify what type of traveler they are (single, couple, group of friends, family with children, reduced mobility, with pet) and the dates of their trip. As various studies have shown (e.g., Doh & Hwang, 2009), online review sites appear credible only if they feature negative as well as positive reviews, and in this regard, Toprural likely appears credible. That is, negative reviews appear throughout, and some establishments even invoke only negative reviews. Although most reviews are positive, this trait does not cause concern, because positive reviews generally dominate in review settings (Chevalier & Mayzlin, 2006; Robson, Farshid, Bredican, & Humphrey, 2013), including hospitality reviews (Chaves, Gomes, & Pedron, 2012; Melián-González, Bulchand-Gidumal, & González López-Valcárcel, 2013). Thus Toprural data appear appropriate for this study.

Because rural lodging establishments have grown increasingly important economically, such that they often help revitalize rural areas, understanding the determinants of their performance is pertinent not just to the establishments but also to national authorities, especially those that have provided subsidies to the establishments (Hernández-Maestro & González-Benito, 2011). Denoting this growing importance, the number of rural lodging establishments in Spain increased from 5497 in 2001 to 15,395 by 2012, and they offered a total of 142,468 beds. In addition, 2,670,368 travelers used rural lodging establishments in Spain in 2012, 85% of whom were from Spain and 15% from abroad, and they engaged in a total of 7,527,374 overnight stays, with an average stay of 2.82 days each (INE, 2013).

Thus we consider rural tourism lodging establishments an ideal focus for research into eWOM, noting tourists' great reliance on online recommendations, the strategic importance of monitoring eWOM as a cost-effective tool offered by increasingly influential infomediaries, and the relevance of the rural tourism sector as a revenue generator. The research results in turn have potential value for both customers and practitioners, as well as for public policy makers.

2.2. eWOM

Word of mouth refers to interpersonal communication between consumers about product-related information. It remains one of the most important communication mechanisms, because consumers generally trust their peers more than they trust advertisers or marketers. Because WOM is typically independent of marketers' selling intents, it appears more trustworthy and credible to consumers (Lee & Youn, 2009), such that it constitutes the primary

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