Case Study

The impact of online reviews on hotel booking intentions and perception of trust

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ABSTRACT

A growing reliance on the Internet as an information source when making choices about tourism products raises the need for more research into electronic word of mouth. Within a hotel context, this study explores the role of four key factors that influence perceptions of trust and consumer choice. An experimental design is used to investigate four independent variables: the target of the review (core or interpersonal); overall valence of a set of reviews (positive or negative); framing of reviews (what comes first: negative or positive information); and whether or not a consumer generated numerical rating is provided together with the written text. Consumers seem to be more influenced by early negative information, especially when the overall set of reviews is negative. However, positively framed information together with numerical rating details increases both booking intentions and consumer trust. The results suggest that consumers tend to rely on easy-to-process information, when evaluating a hotel based upon reviews. Higher levels of trust are also evident when a positively framed set of reviews focused on interpersonal service.

1. Introduction

Imagine for a moment that you are planning to visit another city and need to book a hotel. Not being familiar with the destination you ponder how to make a decision about where to stay. You could ask friends, check out a travel agency, or perhaps do a search on the Internet. What all these strategies have in common is that people often seek the advice of others as part of their decision-making. It is widely recognised that word of mouth, both positive and negative, has the potential to influence customer purchase decisions. Thus, word of mouth communication has been of interest to marketing personnel for some time (Anderson, 1998; Richins, 1984). More recently, as a result of easy consumer access to the Internet and the ability to produce online content, a new form of word of mouth has emerged. Commonly known as social media and enabling an extensive distribution of comments, this new channel of communication offers individuals the ability to distribute information via blog sites or specific product review sites (e.g. http://www.epinions.com/; http://www.tripadvisor.com/; http://www.virtualtourist.com/). Hart

and Blackshaw (2006) assert: "Where traditional word of mouth is limited by the size of a social network, "Word of Web" can include a social network that spans the globe." (p. 21). Sigala (in press) makes a pertinent observation that many Internet tools now available enable users to create, collaborate, distribute or consume information in cyber space, with important implications for product decision-making or purchase.

Consumer access and use of the web present a challenge to businesses as 'technology reach' continues to grow. Hennig-Thurau, Gwinner, Walsh, and Gremler (2004) have stressed the relevance and importance of research into electronic word of mouth (eWOM) since people now have the opportunity and ability to post positive or negative consumption-related experiences and evaluations for any interested party to see. For future consumers, these reviews have the potential to enhance or detract from a brand and, consequently, to impact on a firm's reputation. Importantly, eWOM originates from multiple consumers who discuss a range of product attributes in order to give others insight into the target product. Thus, as part of product decision-making or choice, potential buyers can enter a community of past-purchasers to obtain information prior to making a purchase. Traditionally, WOM has influenced consumer information search and buying decisions (Brown, Broderick & Lee, 2007) and it appears more consumers are now willing to rely on eWOM as a key source of information about specific

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products (Litvin, Goldsmith & Pan, 2008). Thus, understanding eWOM is especially important for those products whereby consumers potentially obtain information (search), book or buy online, such as hotels, airlines and restaurants.

Tourism destination images may be formed through online information and comments (e.g. Li, Pan, Zhang, & Smith, 2009). For researchers and managers, this raises many questions including: How do online blogs or reviews (eWOM) left by past consumers influence future customers? How does the e-context of what is written influence future customer intentions? This paper seeks to understand how a range of factors influence consumer decision-making when searching and purchasing a product online. This current research takes an experimental design approach to test the effects of four key variables inherent within an online review of a hotel. These are: the specific aspect or part of the service offering reviewed (core functional attributes or customer service staff); the overall valence of the available set of reviews (positive or negative); valence of the information presented first (framed positive or negative) and whether or not easy-to-process graphical information is present (consumer numerical ratings).

Inarguably, consumers are relying more on online search strategies, by using blog pages, forums or review sites when making product decisions (Li & Bernoff, 2008; Xiang & Gretzel, 2010). An enormous growth in online search and review engines, where consumers seem to be willing to search and review products based on a mix of firm and consumer information, now exists and is especially relevant for service-type products (such as travel, accommodation, computers, phones or banking). As Xiang and Gretzel (2010) note, social media also play an important role as information sources for travellers. This may, in part, be due to consumer need to reduce risk and obtain 'independent' third party opinion regarding online purchasing. As Riegelsberger, Sasse and McCathy (2005) have noted, one component of online trust emanates from reputation of the firm or website. The online eWOM is likely to contribute to the development of reputation and trust.

Consumers may make a post on an online discussion site as part of a retaliation response when they feel betrayed by the organisation (Gregoire & Fisher, 2008; Gregoire, Tripp, & Legoux, 2009) or disappointed by a tourist destination (Buzinde, Manuel-Navarrete, Kerstetter & Redclift, 2010). However, Hennig-Thurau et al. (2004) note the motivation to make a post can be attributed to a multitude of reasons, one of which is concern for other customers. Importantly, future consumers may rely on other consumer reviews as these are seen as relatively unbiased and independent from marketing personnel (Li & Bernoff, 2008). Chen (2008) found that recommendations of other consumers exerted more influence on product choice than did reviews from expert or firm related advisors. Similarly, in relation to trip planning, Xiang and Gretzel (2010) report on data that suggest a large proportion of travellers use search engines and social media when evaluating a destination.

The content of reviews may vary depending on the product attributes being evaluated. Broadly speaking, for many products, these can be categorised into core functional attributes or more peripheral service experiences. Many review sites comprise a number of reviews on the product, some positive and some negative. In addition, many reviewers provide a numerical rating of the product as part of the review process. Consumers are faced with a range of information that can potentially influence search or purchase decisions. From a business perspective, gaining a better understanding of how communication or informational aspects of product review sites influence consumer choice is vital to further understanding the relationship between online customer reviews

and business performance of hotels (Ye, Law & Gu, 2009). Indeed, Ye et al. (2009) conclude that hotel managers need to be more cognisant of what is written about their hotels in third party online reviews.

2. Conceptual background

This paper seeks to better understand a range of factors that have the potential to influence whether prospective tourists trust a product and would purchase it online. While it is acknowledged that there is a myriad of factors that could be studied within this context, it is only through developing a program of research that researchers can start to isolate and test selected factors. The current study focuses specifically on the characteristics of online review messages as an influence on consumer decision-making and perception. It complements and adds to the previous tourism specific literature in this field, as an example, some of the recent work by Papathanassis and Knolle (2011), Vermeulen and Seegers (2009) and Xiang and Gretzel (2010).

2.1. Booking intent and perceptions of trust

There is wide agreement (Gretzel & Yoo, 2008; Sen & Lerman, 2007) that with the advance of technology (especially the Internet) the information sources available to prospective consumers have grown. For many consumers of tourism or hospitality product a review of what is being 'said' in cyber space forms part of the information collection process when selecting a product. This means there is a growing need to understand how various elements of online information search and review influence consumer behaviour (Vermeulen & Seegers, 2009), especially the propensity to book a hotel room. Related to willingness to book is whether or not a potential consumer forms a view that the hotel can be trusted. Sichtmann (2007) and Comegys, Hannula and Väisänen (2009) found that trust in a firm positively affects purchase intentions. As previous researchers (e.g. Sichtmann, 2007) note, marketers often want to reduce potential consumer uncertainly associated with purchasing a product. To do so firms often attempt to build trust in their product.

Sirdeshmukh, Singh, and Sabol (2002) define consumer trust as the expectation that a firm is dependable and will deliver on its promises. Wang and Emurian (2005) review the concept of trust in the online purchase space used by companies selling goods or services. They argue that trust is one of the most important factors in determining whether people will purchase online. While trust can be influenced by the broader context such as the industry itself or by firm level website design features, it is often the actions of the frontline employee and the firm itself which has the most impact on building trust (Grayson, Johnson & Chen, 2008). Consumer satisfaction in previous interactions with frontline service staff influences cognitive trust, which is consumer confidence or willingness to trust the service provider in the future (Johnson and Grayson, 2005). Consumer reviews, found on travel and hospitality online communities, provide customers with vicarious access to prior service experience on which they can base their belief or trust that a firm will deliver quality service. Chen (2008) also argues that potential consumers use online consumer reviews as one way to reduce risk and uncertainty in the purchase situation. The reviews and recommendations of other customers can assist in determining whether to trust the hotel under consideration. This study investigates how a range of factors could be causally linked to two key evaluations: likelihood of purchase and trust in the target entity. As mentioned, there is a range of potential influencing factors but some that