



Case study

The mechanism of online review management: A qualitative study



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ABSTRACT

The impact of online reviews and social media on hotel business has reached an unprecedented level, given the vast amount of people checking posted opinions prior to making their booking decisions. This study aims to provide insight into a complete online review management (ORM) strategy. In order to find out the guidelines for managing reviews, both secondary and primary data were collected. Based on secondary data Framework I was developed explaining the role of online reviews whereas Framework II presents the ORM guidelines. The primary data collection consisted of five interviews with managers of hotels which are diverse in types, sizes and locations. Those hotels are chosen as they are indicated to be practicing ORM. The results show that ORM guidelines include five efforts i.e., a) creating a remarkable guest experience, b) encouraging online reviews, c) monitoring online reviews, d) responding to online reviews and e) acting upon attained information.

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1. Introduction

The arrival and adoption of Internet have turned the online marketplace into a vital and dynamic distribution and communication station where businesses and consumers can reach each other within fingertips. Through the Internet, individuals are able to make their thoughts and opinions easily accessible to the global community of Internet users (Dellarocas, 2003). This has come to be called electronic word of mouth (eWOM). According to Nielsen's Global Trust in Advertising report of 2012 (Nielsen, 2014), which surveyed more than 28,000 Internet respondents in 56 countries, 70% surveyed consumers globally trust consumer opinions posted online, made "online consumer reviews" the second most trusted source of brand information and messaging after "recommendations from people I know".

This trend cannot show any clearer in the travel industry, given that numerous potential guests check posted opinions prior to making their booking decisions. More specifically for hotels, reports show that every year hundreds of millions of potential hotel guests consult review sites and 84% of these visitors have their hotel choices influenced by the online reviews they see (Milan, 2007). World Travel Market's 2010 Industry Report also disclosed that 35% of travelers change their decisions of hotels after browsing social media. The commissioned report, conducted by PhoCusWright in 2012 on behalf of TripAdvisor (2014a), disclosed that 53% of respondents state that they will not book a hotel that does not have any reviews, and 87% of users say the site's reviews help

them feel more confident in their travel decisions and have a better trip. Moreover, 93% of respondents agree that a hotel stay is very important to the overall trip experience.

Clearly, online consumer-generated information is taking on a significant role in online travelers' decision-making. Embracing online reviews and taking action are likely to help hotels increase their business. The result of Ye, Law and Gu's study (2008) showed that positive online reviews can considerably increase the number of bookings in a hotel, and a 10% improvement in reviewers' rating can increase sales by 4.4%. On the other hand, a 10% increase in review variance can decrease sales by 2.8%. In a recent research, Market Metrix revealed that the number one factor that influences purchase decision is online reviews (over 50% of guests chose a hotel based on online reviews). This factor has more impact on consumer behavior than price, loyalty, and location (ReviewPro, 2014a).

The impact of online reviews and social media on hotel business has reached an unprecedented level. Online reviews are the key to customer insights, the source to achieve excellent service, the tool to attain a good reputation and sustainable competitiveness, and consequently the outcome of increased booking and prosperous business. However, according to a survey conducted by Market Matrix and TripAdvisor in 2009, 85% of hotels have no guidelines for managing online guest reviews (Barsky & Frame, 2009). A recent research conducted by Levy, Duan and Boo (2012) also confirmed that this appears to be the case. In his article Mr. Friedlander, Founder and CEO of ReviewPro (2014b), shared an idea that very recently, hotels were not making enough investment in online reputation management; however, with feedback from social network currently affecting all hotel departments, the tendency for investing in this area is developing.

Online review and reputation management are indeed a current issue that calls for research contributions. Previous studies have mostly

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proven the enormous effect of online reviews on hotel booking intention that establishes awareness and motivation. This study, therefore, wishes to offer insights into actions, what hotels need to do to leverage the effect of online reviews for sustaining and developing their businesses in the age of social media and user-generated contents. Some research has addressed specific issues related to managing online hotel-guest reviews.

The purpose of this study is to help executives in the industry to gain a comprehensive knowledge on ORM strategies from both conceptual and practical point of view. The research question of this study is: What are the guidelines for hotels to manage online guest reviews? Furthermore, there are three research objectives: a) To understand the impact of online reviews on hotel business, b) To create a framework for ORM guidelines and c) To study how the case hotels perform their ORM procedures.

The contribution of this study lies to the fact that it offers an online review management system that can be utilized by managers of the hotels.

In the remainder of the manuscript, literature concerning studies of different issues is being discussed particularly, online reviews and their role in hotel industry and consumption and the online review management. Further, there is a discussion about the online review management framework and its five steps. In addition, there is a discussion about the method and results. In the final section, the authors draw conclusions, managerial implications, discuss the limitations of the study and finally, suggest future research directions.

Gretzel (2007) largely contributed to the travel industry by investigating the role and effect of online travel reviews in the travel planning process, the factors that influence reviews' credibility and usefulness, as well as what motivates people to write and post online travel reviews. Xie, Miao, Kuo and Lee (2010) investigated the effect of online reviewers' personal identity information on consumer processing of online hotel reviews and booking attention. Litvin and Hoffman (2012) and Levy et al. (2012) focused on the importance of responding online guest reviews, particularly negative ones. These studies offered understanding of a certain function of online review management. However, taking into account that a great deal of hotels out there still have no guidelines for monitoring, responding to or acting on online guest reviews, the current study aims to provide insight into a complete online review management (ORM) strategy.

2. Literature review

2.1. Online reviews

This literature review aims to define the concept of online reviews and their impact on business and consumption, specifically in hotel industry. Online reviews or online consumer reviews are the most accessible and widespread form of eWOM (Chatterjee, 2001; Shidler & Bickart, 2004). Online reviews are consumers' opinions and experiences regarding a specific brand, product or service (Klassen, 2009; Lee, Park & Han, 2008). It is noteworthy to be aware that, creators of the content in eWOM can be potential, actual, former customers who give comments about product/service or brand; whereas, the content of online reviews is written only by consumers who actually have bought and experienced the product or service. Online consumer reviews serve two distinct roles: (1) to provide information about products and services and (2) to serve as recommendations (Park, Lee & Han, 2007). Online reviews are posted on retailer sites but are often hosted by independent third-party operators (Hennig-Thurau & Hansen, 2001). According to Opinion Research Corporation, almost two-third of the respondents reported reading online reviews to perform a new purchase. Online reviews have become significantly important for purchase decisions especially when consumers are unable to judge a product or service in person. They have a tendency to rely on this type of eWOM to mitigate risks concerning product quality and the reliability of the company.

In addition, Nielson Global Online Consumer Survey revealed that 70% of consumers trust opinions posted online (Cherewich, 2009). Perhaps this number could be higher if it was not for the nature of online reviews making them not as trustworthy as the traditional WOM where consumers are aware of the sender's credibility. Yayli and Bayram (2009) found that consumers judge review's trustworthiness based on the reliability and popularity of the review hosting sites. Thus, operators or hosting websites work to maximize the degree of reliability of their online reviews sources. Fig.1 compares WOM and eWOM/Online reviews in brief.

2.2. The role of online reviews on hotel industry and consumption

Not so long ago, it was common to consult friends and relatives about a travel destination, and when it came to accommodation people relied on travel agencies' recommendations. The decision was made upon few opinions. The situation has changed since the first reviews lit up the Internet. The most common online activity that people take part in during planning their trip is looking at other consumers' comments/materials (Gretzel, 2007). According to Milan (2007), 84% of online review sites' visitors have their hotel choice affected by reviews. Moreover, over one-third of travel businesses reviews on TripAdvisor are lodgings (TripAdvisor, 2014b). With the growth of Internet and technology, online reviews have become exceedingly popular.

Grezel (2007) investigated how online reviews inform the trip planning process. The sample is drawn from TripAdvisor users with high education who travel frequently and actively read other travelers' reviews for travel plans. They found that online reviews are used mostly to inform accommodation decisions. 77.9% of the respondents think that reviews are very important to decide where to stay. A majority of review readers think that reviews increase confidence and decrease risks in decision-making. Ye, Law, Gu and Chen (2011) also found that online consumer reviews are one of the most essential variables in lodging choice. Online reviews play an important role in reducing uncertainty and the amount of information that must be processed for a decision to be made (Sparks & Browning, 2011; Chatterjee, 2001; Gretzel, 2007). In tourism research, the impact that online reviews and ratings have on accommodation business has been mostly overlooked until recently. Ye et al.'s (2008) study showed that positive online reviews can considerably increase the number of bookings in a hotel, and a 10% improvement in reviewers' rating can increase sales by 4.4%. On the other hand, a 10% increase in review variance can decrease sales by 2.8%. Lu and Ye (2013) also confirmed the importance of online reviews for hotel performance and their significant impact on sales. World Travel Market (2010) revealed that "35% of travelers change their choice of hotel after browsing social media". In terms of economic figures, online reviews influence \$10 billion a year in online travel purchases (Ye et al., 2011).

One strategic way of using reviews is that hoteliers can read reviews to learn about their guests' experience. Litvin and Hoffman (2012) found that online reviews may enhance customer service. This was confirmed by several hoteliers with whom the study was discussed.

WOM	eWOM/Online reviews
Person-to-person opinion sharing	Opinion sharing on the Internet
Small in amount of information & sources	Large in amount of information & sources
Low in accessibility	High in accessibility
Confirmed credibility	Trustworthiness is dealt with by operators
Information presented orally	Information can be illustrated with hi-tech (e.g. photos, videos)
Significant impact on purchase decisions	Significant impact on purchase decisions

Fig. 1. WOM versus eWOM/online reviews.

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