



Relationship between customer sentiment and online customer ratings for hotels - An empirical analysis



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H I G H L I G H T S

- Sentiment analysis of online hotel reviews for explaining customer ratings.
- Premium and budget segment hotels in Goa considered for study.
- Statistically significant variation in ratings is explained by sentiment polarity.
- Sentiments are less positive for premium hotels than budget hotels in Goa.
- Premium hotels fair better in terms of staff performance and service.

A R T I C L E I N F O

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A B S T R A C T

This study aims to establish a relationship between customer sentiments in online reviews and customer ratings for hotels. Customer sentiment refers to the emotions expressed by customers through the text reviews. These sentiments can be positive, negative or neutral. The study explores customer sentiments and expresses them in terms of customer sentiment polarity. Our results find consistency between customer ratings and actual customer feelings across hotels belonging to the two categories of premium and budget. Customer sentiment polarity explains significant variation in customer ratings across both the hotel categories. With regard to managerial implications, the study finds that, when compared with premium hotels, managers of budget hotels should improve their staff performance and hotel services. The present study is not exhaustive and other factors like customer review length and review title sentiment can be analyzed for their effects on customer ratings.

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1. Introduction

Travel is an integral part of our lives. According to Pavaan Nanda, co-founder of Zostel, “Travel is seen as a mode of self-realization, exploration and experiencing different forms of lifestyles. Leisure travel is not a product of luxury but rather considered a necessity to consolidate one's energy.” (Tripzuki, 2013). In 2015 international tourism market grew by 4%, with 1184 million tourists travelling worldwide. This was led by 5% growth in Europe, the America, Asia and the Pacific. In 2016, international tourist arrivals are expected to grow by 4% worldwide (UNWTO, 2015). The Travel and Tourism Competitiveness Index Ranking (2015) indicate Europe (represented by 6 countries) in the top 10, making it the best continent for

travel. Spain tops the ranking list helped by surge in international tourists coming from emerging countries like China, Brazil and Mexico. Emerging countries are also seeing an uptrend in the inflow of international tourists. Countries like Morocco and Saudi Arabia are upcoming attractions in the Middle East – North Africa region. Similarly, in the Sub-Saharan Africa region, Mauritius and Botswana are preferred by travelers. As far as cities are concerned, Hong Kong tops the list for travelers, closely followed by London (Euromonitor, 2016).

The dynamic landscape of global tourism industry is reflected through the advent of new destinations like mountain tourism in Korea (UNWTO, 2015). The tourism industry is also growing through non-conventional sub-divisions like indigenous tourism and eco-tourism. Countries like Australia and Canada have well developed indigenous tourism industries, popularly known as Aboriginal tourism (Aboriginal, 2016). Similarly, eco-tourism has

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been popular in countries like Costa Rica, Jordan and South Africa (Ecotourism, 2016).

For both host and the tourists' home countries, tourism industry helps to generate substantial economic benefits. Developing countries often promote themselves as tourism destinations to gain from the expected economic improvement (UNEP, 2016). Local economic development and enhanced tourism can only be realized with the hotel industry (Jones, Hillier, & Comfort, 2014). One such instance can be found in China, where the hotel industry is seeing increased revenue growth spurred by quick economic development, rising purchasing power, and reduced transportation costs (Xu, 2010; Zhang, 2011). Because of the micro nature of the hotels, they can generate employment through their labor intensive structure and can boost local spending quickly (Udemy Blog, 2014). So, it is imperative for a growing economy like India, to keep the hotels running efficiently and contributing to the country's Gross Domestic Product (GDP).

One way to improve the hotel industry is by better understanding of customers through ratings and reviews. Online customer ratings play a key role in the hospitality industry (Xie, Zhang, & Hang, 2014). Online hotel reviews also provide comparative and benchmarking insights about customer satisfaction (Mauri & Minazzi, 2013; Zhou, Ye, Pearce, & Wu, 2014). Online review websites that are dedicated to the rating of hotels have been gaining immense popularity (Buhalis & Law, 2008) because of increased impact of tourism, which contributes to 9.4% of global GDP (Baumgarten & Kent, 2010). Using consumer feedback, hotel ratings are assigned by few online websites. Ratings by these websites consider the number of reviews, age of the reviews, and quality (valence) of the reviews. Although, overall customer ratings are provided in these websites, there is a need to understand how far these ratings are consistent with the actual customer sentiments expressed through the reviews. Also this study needs to be performed across different domains of hotels to get better insights. Objective of our study is to analyze whether the perceived sentiments in opinions of the customers are consistent with the hotel ratings provided by them led to the following research questions:

Research question 1 Can customer review sentiments explain the customer ratings provided for hotels?

Research question 2 Is the relationship between customer review sentiments and hotel ratings are consistent across hotel categories of budget and premium?

2. Conceptual model and hypothesis development

Customer satisfaction and complaints are important for hotel performance (Assaf, Josiassen, Cvelbar, & Woo, 2015). Expectations of hotel guests when compared with actual experiences often fail to match due to various reasons. This lack of conformity can be enhanced by hotel star ratings and overall customer ratings (Rhee & Yang, 2015). Radojevic, Stanic, and Stanic (2015) have found higher hotel ratings leading to increased customer satisfaction along with other attributes. Our study goes down further to a more granular level and tries to establish a relationship between the hotel ratings and the attributes desired by the customers through an understanding of customer sentiment present in online reviews.

One of the key elements to capture customer attention is through online review. Online review can be both positive and negative. Managing negative online reviews is imperative for managers for maintaining the image of the hotel. Study on the perceptions and evaluations of prospective customers toward an online negative review and any accompanying hotel response was

done by Sparks, So, and Bradley (2015). 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. However, understanding how far negative a review is has not been defined in the study (Sparks et al., 2015). Our study provides a dimension to understand the sentiment polarity of a review in the context of being positive or negative, so that managers can better respond to such reviews.

Customer online rating patterns are domain specific. Travelers' rating patterns in the hotel review websites differ between independent and chain hotels across both profiles as well as regions (Banerjee & Chua, 2015). But, no study has ever tried to find out how far these ratings are consistent across the domains of different categories of hotels like premium and budget. In our present study, we have focused on implications of the hotel ratings and reviews across categories so that managers can have separate set of strategies as per the hotel category.

Studies have been carried out to analyze whether customers of hotels that are certified for quality management are more satisfied than the customers of non-certified hotels of similar category and location. Findings show that quality certified hotels do not receive a statistically significantly better evaluation or rating from their customers and certified hotels have a statistically significantly lower rating in terms of value for money than non-certified hotels (Heras-Saizarbitoria, Arana, & Boiral, 2015). So, there is a need to understand what influences customers, beyond certifications, to give ratings. Customer satisfaction has significant effect in purchase intentions of customers in variety of sectors like banking, pest control, dry cleaning and fast food (Cronin & Taylor, 1992). In healthcare industry, patient satisfaction and service quality leads to higher probability of patient return to the same hospital in future (McAlexander, Kaldenburg, & Koenig, 1994). Customer satisfaction affects customer loyalty. Customer loyalty is an important factor for success of hotels. Customer loyalty is positively correlated with customer satisfaction and with hotel services like housekeeping, reception, food and beverage, and price (Kandampully & Suhartanto, 2000). A survey done by Bowen and Chen (2001) with 564 hotel customers from the hotel's database, found the relationship between customer loyalty and customer sentiment to be non-linear. The relationship between customer sentiment and loyalty rely on two pivotal points (Coynne, 1989). When customer satisfaction reaches the high point, loyalty increases dramatically thereafter. Similarly, beyond the lower point, customer loyalty decreases at the same rate (Oliva, Oliver, & MacMillan, 1992). So, understanding the right level of customer sentiment can help hotels leverage customer loyalty. Our study is a step in this direction. While customer satisfaction had significant effect on customer loyalty, customer's intentions of providing positive word-of-mouth about a hotel was less dependent on customer satisfaction (Getty & Thompson, 1995). Hotel service provider's attributes resulted in higher relationship quality with customers as well (Kim & Cha, 2002). Our study helps identify hotel services that might affect customer satisfaction levels both positively and negatively.

Business value of consumer reviews and management responses to hotel performance was studied by Xie et al. (2014). It has been found that overall rating, attribute ratings of purchase value, location and cleanliness, variation and volume of consumer reviews, and the number of management responses are significantly associated with hotel performance. In addition, variation and volume of consumer reviews moderate the relationship between overall rating and hotel performance. Also, a hotels' financial performance can be affected by customer online ratings. Some studies have focused on the impact of customer feedback on the revenue

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