



The influence of online ratings and reviews on hotel booking consideration



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HIGHLIGHTS

- Experimental design to study the interaction of online ratings and reviews in the hospitality sector.
- Web users trust bad ratings more than good ratings. However, consumers tend to shortlist hotels with better ratings.
- Results suggest an asymmetric interaction between numerical ratings and number of reviews.
- Bad ratings are trustworthy regardless of the number of reviews.
- Good ratings are trustworthy only when they come along with a high number of reviews.

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ABSTRACT

This paper analyses the impact of good vs. bad ratings during the first stage of the decision-making process when booking a hotel. This study tested the interaction between numerical ratings given to a product or service and the number of verbal reviews it has received while controlling subject susceptibility to interpersonal influence. The study conducted a full factorial between subjects design of 2 levels of ratings (good vs. bad) x 2 levels of reviews (high vs. low) in a decision-controlled setting. Results suggest an asymmetric interaction between numerical ratings and reviews: When the rating is good, the trust in the rating depends on the number of reviews, but conversely, if the rating is bad, the number of reviews has no effect on how trustworthy the rating is. Academic and managerial implications of this study and scope for future research have also been discussed.

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1. Introduction

Our society is increasingly relying on the aggregated opinions of peers online. Contributions made by users on technological platforms facilitate the interaction between like-minded community members who share shopping interests, thus facilitating the decision-making process (Amblee & Bui, 2011, p.91). These contributions have become the main source of social influence when making a purchase (Cisco System Report, 2013). Within such a

technological context, companies in the consumer sector—tourism and hospitality, travel, leisure, electrical devices, etc.—must face the challenge of managing the large scale, anonymous and brief opinions of others. Therefore, organizations need new knowledge that allows them to capture, analyse, interpret and manage online social influence (Litvin, Goldsmith, & Pan, 2008).

Marketing literature recognizes that consumers have the ability to influence each other (Dichter, 1966; Cialdini, 2009). On the Internet this influence is omnipresent and is exerted through, among other things, recommendations, numerical ratings and verbal reviews (Amblee & Bui, 2011).

Previous research has focused on the influence that online recommendations and reviews have on the different stages of the decision-making process when purchasing a product. Research has

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revealed that products are selected twice as often if they are recommended by others and this influence is dependent on the type of recommendation source. Online recommendation systems offered by online retailers are more influential than the recommendation from experts or other consumers (Senecal & Nantel, 2004). These results are moderated by the type of product. With regard to the reviews, its influence on buying decisions has been studied for different type of products: books (Chevalier & Maizline, 2006), hotel stays (Vermeulen & Seegers, 2009; Zhu & Zhang, 2010), in terms of both sought-after and experiential goods (Mudambi & Schuff, 2010), and also the ability of comments to modify the visibility of a product (Duan, Gu, & Whinston, 2008; Lee, Shi, Cheung, Lim & Ling, 2011). Reviews have also shown to act as anchors of consumer experience and to encourage subsequent reviews on the Net (Moe & Schweidel, 2011).

Today online consumers have to deal with huge amount of information, new search engines, different devices, and new strategies to approach information in order to make a purchasing decision. In this new context, online ratings become one of the most trusted sources when making e-commerce decisions. Usually, consumers have faith in these ratings and view them as trustworthy. A Nielsen report found that consumers' ratings were the second most-trusted source of brand information (after recommendations from friends and family) (Nielsen, 2012). Companies are sensitive to these changes. ComScore (2007) examined the impact of consumer-generated reviews on the price consumers were willing to pay for a service to be delivered offline. Consumers were willing to pay at least 20 percent more for services which have received an "Excellent," or 5-star, rating than if the same service has received a "Good," or 4-star, rating.

Despite the influence of, and the interest in ratings, only few researchers have so far analyzed the influence exerted by anonymous and non-expert raters on consumer purchasing decisions. Moreover, in online purchasing decisions, people usually receive two types of information simultaneously: an overall numerical rating and a sample of individual verbal reviews. Both exert a particular influence on the consumers, and their interaction is particularly telling. No research we are aware of, however, has investigated the interaction between the influence of ratings and the volume of reviews on consumers' purchasing decisions.

Therefore, the goal of this paper is to deepen the knowledge about the influence of ratings and number of reviews. Specifically, we look at the interaction between the rating and the number of reviews that goes along with it, in decisions taken during the first stage of the purchasing decision process. We will analyse the mediating effect of trust on the relationship between the rating and the intention to shortlist a product or service, as well as the moderating role of the number of reviews in the indirect effect of the numerical rating on trustworthiness.

From a business perspective, gaining a better understanding of how product ratings and reviews influence consumer choice is vital to further understand the relationship between online customer reviews and business performance.

In the following sections we present the literature review and hypotheses. Subsequently, we report a full factorial between subjects design of 2 (good vs. bad ratings) x 2 (high and low number of reviews) in a decision controlled setting. Finally, we conclude by discussing the results and presenting suggested future research directions in this area.

2. Literature review and hypotheses

2.1. Rating influence and social proof

Previous research has shown that the efficacy of online ratings

and reviews, as a source of information for consumers is relatively limited. First, online reviews may merely represent consumers' preferences. Second, reviewers are not a randomly drawn sample of the user population. Anderson (1998, p.15) found that extremely satisfied and extremely dissatisfied customers are more likely to initiate word-of-mouth (WOM) communications. Li and Hitt (2008) found a potential bias in consumer reviews during early product-introduction periods. Recently, empirical evidences have proven that prior ratings are capable of biasing future ratings based on a positive social influence (Aral & Walker, 2012, p. 337). Third, interested parties can easily manipulate online forums. Hu, Bose, Koh, and Liu (2012) analyzed the scenarios in which firms can anonymously post online reviews to praise their products or to increase awareness about the products.

As a result, potential buyers may heavily discard any online review. But none of these arguments seems to alter customer's reliance on others' ratings and reviews. On the contrary, year by year, customers' trust in online ratings and reviews has been increasing and has even become as relevant as personal recommendations when taking purchasing decisions (BrightLocal, 2014).

There has been a long-held belief in social sciences in general, and in marketing in particular, that others' influence our behaviour (Burnkrant & Cousineau, 1975; Katz & Lazarsfeld, 1955). Social influence adopts two forms called normative and informational, respectively (Kelman, 1961, p. 61). Normative social influence is the one exerted by the primary reference groups, and originates from behaviours that promote conformity with the expectations of other individuals, with the final purpose of obtaining rewards or evading penalties. In contrast, informational social influence involves the acceptance of information or advice from people who are not known by the subject but who provide reliable evidences of reality (Burnkrant & Cousineau, 1975, p. 207).

The use of aggregated ratings that result from peer evaluation of products or services represents a form of social influence, which involves accepting information or advice from an unknown person. Online ratings have become an important source of information to consumers, substituting and complementing other forms of word of mouth communication about the quality of services such as hotels or restaurants. In fact, one of the main ways in which a booking website differs from a brochure is that the website can provide evaluative and descriptive information from peers' experiences. Consequently, numerous managers believe that a web site needs to provide community content, and therefore, firms proactively induce their consumers to rate and spread the word about their products or service experiences online (Godes & Mayzlin, 2004). An underlying belief behind such strategies is that online user ratings and reviews can significantly help build brand loyalty and influence consumers' purchasing decisions.

Empirical results from previous studies offer mixed findings to support this idea. For example, in an online experiment, Senecal and Nantel (2004) found that participants who consulted product recommendations selected recommended products twice as often as those who did not consult recommendations. Godes and Mayzlin (2004) showed that there was a positive relationship between the volume of WOM regarding a TV show and the number viewers watching the show. Liu (2006) studied movie reviews and found that online movie reviews offer significant explanatory power for both aggregate and weekly box office revenues. Dellarcas, Zhang, and Awad (2007) pointed out that adding online movie ratings to their revenue-forecasting model significantly improved the model's predictive power. Also, Reinstein and Snyder (2005) showed that positive reviews have a particularly large influence on the demand for drama and narrowly-release movies. These studies generally suggest that many consumers make offline purchase decisions based on online information.

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