

**FACTORS THAT AFFECT CUSTOMER'S RELIANCE
ON E-WOM IN HOTEL INDUSTRY**



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entitled
**FACTORS THAT AFFECT CUSTOMER'S RELIANCE
ON E-WOM IN HOTEL INDUSTRY**

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FACTORS THAT AFFECT CUSTOMER'S RELIANCE ON E-WOM IN HOTEL INDUSTRY

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ABSTRACT

The purpose of this research was to find the key factor in which affect to customer's reliance on e-WOM in hotel industry. Furthermore, the information is collected by using literature review and quantitative method. The sample consisted of 133 respondents who are age 20 to more than 40 years old. The questionnaire was used to collect data which were analyzed by frequency and descriptive which processed by SPSS program.

The result of this research will present three factors in which influence customer's reliance with e-WOM before they make a hotel booking such as uncertainty reduction, volume of online reviews and valence of online reviews. The finding showed that most of people check online review to gain more assurance and to gain more information with the place that they have not experienced before. Most of people place their trust on the high numbers of positive review and weight the information with the negative reviews at the same time if there is any conflicting comment.

KEY WORDS: E-Wom/ Online Reviews/ Perception Toward/ Toward Hotel/ Hotel Industry

26 pages

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CHAPTER I

INTRODUCTION

1.1 Background

In the past, customer purchased product or service by obtaining the information directly from the producer or retailers, which meant brands were the main influencers for customers. Nowadays, before purchasing, most of customer check the reviews, ratings and comments online before they make purchasing decision. Which can be implied that they believe in C2C (customer to customer) more than the brand's message. If customers are having the similar lifestyle, attitude or status with what the brand offers, purchasing decision tend to be higher. Consumers have different criteria, therefore, in order to gain more assurance and trust, many customers seek information by checking the online customer reviews, e-WOM and ratings before they book the hotel that they've never experienced before. By this e-WOM factors, could significantly impact to the hotel business in both positive and negative way.

1.2 Problem Statement

The key issue of this study is "How the e-WOM (electronic word of mouth) factor could highly affect the hotel business". The key issue is as the following:

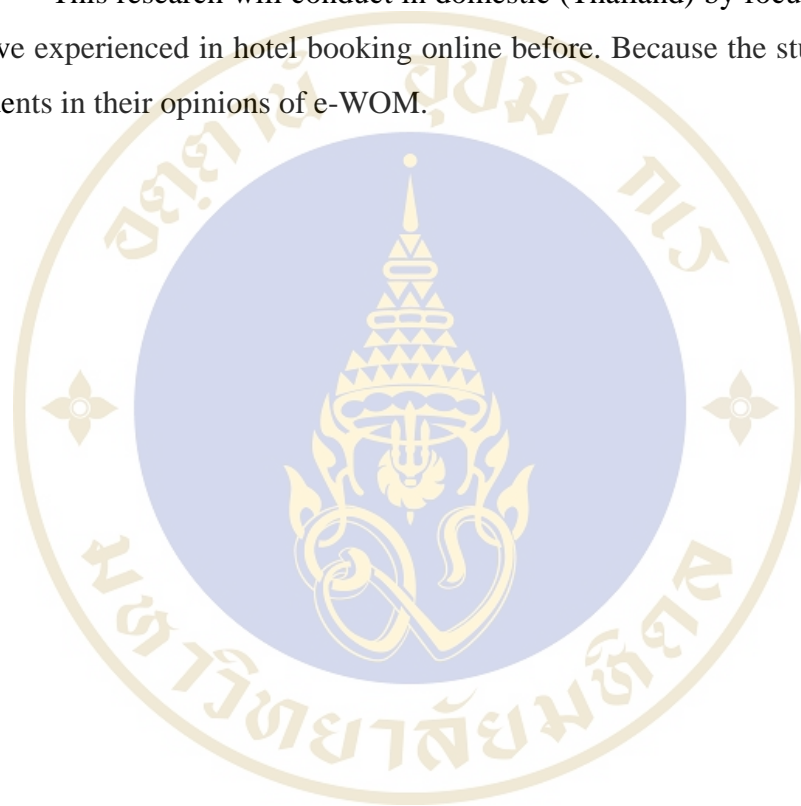
- Uncertainty reduction
- The e-WOM communication
- Consumer perception of online reviews
- Volume of online reviews
- The Valence of online reviews

1.3 Research Objective

This research objective is to study and to understand the factors that persuade customer trust on e-WOM in making a decision to book the hotel, how they measure and weight between positive and negative reviews.

1.4 Research Scope

This research will conduct in domestic (Thailand) by focusing only people who have experienced in hotel booking online before. Because the study needs to ask respondents in their opinions of e-WOM.



CHAPTER II

LITERATURE REVIEW

Online consumer reviews have become a major factor for customer before making decision. Especially in hotel context nowadays, whereas customer can express their opinions widely on website, which was hosted by both a selling company (e.g., Airbnb) or a third-party virtual platform such as Agoda, Expedia, booking.com (Online travel agent). These websites allow consumers sharing their experience and opinions on their platforms. In e-commerce, consumer opinions and trust are largely affected from their belief toward feedback mechanisms (Wulff et al., 2015; Simonson and Rosen, 2014). Online customer ratings are posted by previous consumers, who rate their experience by a scale rating, ranking scale (such as star ratings evaluation; one-star as poor experience to five-stars as excellent experience) valence and volume of comments. This chapter is to explain the theoretical foundation of the paper that which attributes can affect to customers believing in e-WOM (electronic-word-of-mouth).

2.1 Theoretical Foundation

2.1.1 Uncertainty reduction theory

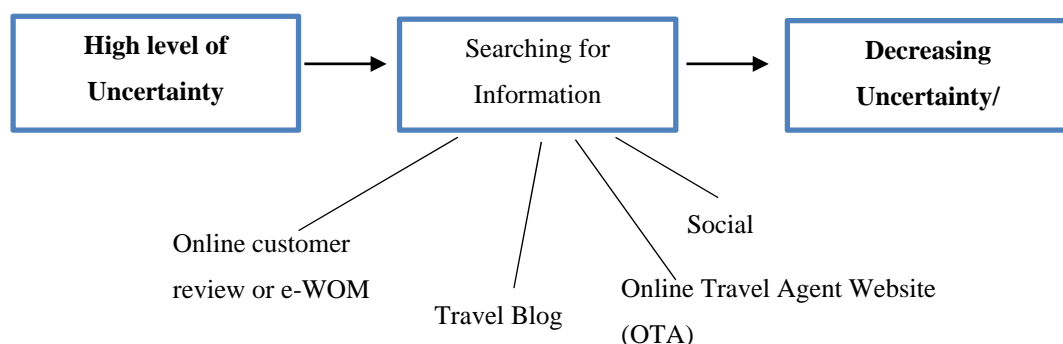


Figure 2.1 Uncertainty Reduction Theory

Uncertainty is the unknowing which happens in many situations in everyday life (Hogg, 2007). The interpersonal communication, explains that it often occurs when two people have a beginning meeting. When interacting, people need information from the other party to reduce their uncertainty (Berger and Calabrese, 1975). In the hotel booking context, the level of uncertainty may higher if there is a difference between the actual product/service and what customers was expecting to find. Uncertainty may also increase if the customers never experience that hotel before. By that, gathering information from online reviews can be used to reduce the uncertainty (e.g., reading online customer review from the online travel agent website) in order to see previous customers who experienced and shared their opinions on the online site. However, at the same time, uncertainty can be increased if there are some conflicting information occurs as well. For example, the positive and negative aspects from that certain hotel.

2.1.2 Word of mouth (WOM) and Electronic word of mouth (e-WOM) communication

Word of mouth is an opinion from others or previous customers who experienced that particular product/services. Customers check others' opinion before making a purchase decision in order to lower their unknowing, uncertainty and risk perceiving (Dowling and Staelin, 1994; Roselius, 1971). Because there is some variable associated with customer's trust. It is a matter factor which can influence and persuade the readers. Bergeron, Ricard, and Perrien have shown that word-of-mouth was strongly and positively related with customers' trust, service quality (Parasuraman, Zeithaml, & Berry, 1988), satisfaction (Anderson, 1998), perceived value (Hartline & Jones, 1996), relationship quality (Boles, Barksdale, & Johnson, 1997), and with clients' intention to purchase (Crocker, 1986). For the experiential products, WOM which provided by other consumers is especially important because they offer indirect on sensible aspects and not persuaded by the advantage that they might get. It is more important more than the individual when it comes to sharing messages.

The modern version of word-of-mouth is in an online context (e-WOM). With the coming of the Internet, e-WOM has become more usual. It is widely shared through online, such as blogs, emails, review websites, virtual communities and social networks.

2.1.3 Consumer perceptions of online consumer reviews

Consumer perception of online consumer review is how the readers think and perceive after gathering the information they need. The consumer reviews provide full of information about products or services, which can be used in decision making (Chatterjee, 2001; Clemons et al., 2006). It is useful because it could decrease a search time, consumers feel comfortable to choose an unfamiliar retailer that offers many options of benefit, such as lower price. Readers may also rely on consumer reviews which have been confirmed by other consumers' approval on that particular product or service.

Nevertheless, sometimes customers are skeptical when a review site shows only the positive reviews, they might doubt the credibility of those reviews. At the same time, conflicting reviews can block consumers' information processing and may increase difficulty for them to find out the quality of that information. This can decrease the usefulness of the review itself. Thus, generally consumers sense both positive and negative aspects (i.e. benefits and costs, respectively) from online consumer reviews and they will weight and evaluate after read it. In these days, the online site become an important channel in getting related product and service information (Bounie et al., 2005), it aligns with the model proposed by Schmidt and Spreng 1996). It connects and links abundant of information together which also open and transparent. They presume that consumers would confront with both benefits and costs during an information search either proposed a positive relationship of benefits and negative relationship of costs with motivation to continue an information search.

2.1.4 Volume of online reviews

In online scene, volume of review is the number of comments from reviewers about a specific product or service (Davis and Khazanchi, 2008). It is another important attribute of WOM, and it measures the total number of responsive messages (Liu, 2006). Variations in the volume of online customer reviews provide evidence that not all hotels are treated the same, and hence, it is reasonable that not all reviews are treated the same degree. It has been considered as a key priority of the WOM effect (Bone, 1995). Several studies explain that volume significantly relates with consumer behavior like customer-initiated contacts with manufacturers (Bowman and Narayandas, 2001). This effect is weakened by the increase of customer awareness. Before consumers decide to

buy a product about which they have little information, some awareness has to be built (Mahajan et al., 1984). Higher volumes of comments, either positive or negative, in online communities are more likely to attract information seekers and then increase product awareness (Davis and Khazanchi, 2008). The number of online comments also signals the level of agreement among consumers (Elliott, 2002).

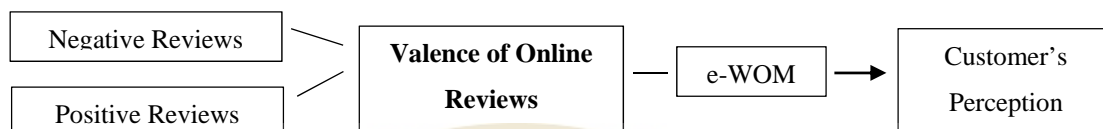


Figure 2.2 Valence of Online Reviews

2.1.5 Valence of online reviews

Valence of online review is either the positive or negative aspects of what consumer think about the product/service. It can be one of those two aspects at the same and the effects of each type have been compared for a better marketing mix. Negative messages are more diagnostic of the error product/service, which implies low-quality, whereas positive information may be connected to high, average and even low-quality products (Herr et al., 1991). As a decision-making process, consumers place more weight on negative information in making product evaluations (Mizerski, 1982; Richins, 1983; Weinberger and Dillon, 1980). Generally, negative opinion spreads faster than positive, as angry customers are more likely than satisfied ones to tell peers about their experiences (Hart et al., 1990; Richins, 1983). When the numbers of negative online consumer reviews go higher, consumers' attitudes towards the product would become more unfavorable (Lee et al., 2008).

Negative comments mainly focus on dissatisfaction which can be harmful to business (Charlett et al., 1995). In online site, the spreading of negative opinions could be even more harmful than simply complaint because it is a sharing visible message which can go widely. In contrast to negative comments, positive reviews mainly focus on praising a company's quality direction, such as making good word to others (Brown et al., 2005). Positive online review is a valuable vehicle for company to promote their product or services and create a trust for customers. Especially in experiential service, customers' recommendations and good words can be a convincing enough to persuade

someone to try that certain service (Gremler, 1994). By these strongly positive ratings could lead to a significant sales growth for business as well, according to Clemons et al. (2006). Therefore, both positive and negative online reviews could influence customers' attitudes and shape the reader's perception toward those company.

2.2 Hypotheses Development

In the hotel booking, the level of uncertainty might increase if customers never experience that place before. According to Uncertainty Reduction Theory, to help customers gather information before they make a decision, online reviews are the crucial resources for them to decide whether they will purchase or not. When the hotels communicate to customers by their advertising, they only have the positive aspect which might make customers doubted. On the other hand, the customer reviews on the website have both positive and negative aspects. Especially, when it comes from the previous customer who has experienced the hotel before. Hence, I put forth the following hypothesis:

H1 The uncertainty can be decreased by checking the customer online reviews before make a hotel booking.

H2 Volume of online reviews will positively increase consumers' trust

H3a Positive online reviews will positively influence hotel online bookings.

H3b Negative online reviews will negatively influence hotel online bookings.

CHAPTER III

RESEARCH METHODOLOGY

This research aims to find and confirm the influencing factors that affect customer's reliance on e-WOM (electronic word of mouth) in hotel industry. This research starts from literature review to gain the understanding of the research topic. This research will be conducted and analyzed as the following methods;

3.1 Research Design

The objective of this research is to confirm the hypothesis that the major factor that mainly influences customers' decision before booking the hotel is e-WOM. The study will need to be involved with large number of respondents to generalise the results. Therefore, the "Quantitative" research will be used in this research. The surveys will be collected from 133 respondents and will be launched through online which is the suitable way to reach Thai people.

3.2 Data Collection Methodology

3.2.1 Population and Sample

This research focuses on the data collection from people with various intensity of online usage experiences. Users of social media, online-activated people who might have used online booking before. Those people are from various source such as corporate employee, business owners, government officers. The respondents' age is between 20-60 years old.

3.2.2 Data Collection

Data collection will be gathered by the questionnaire to confirm consumers' feeling, perception and trust towards uncertainty reduction, e-WOM, volume of online reviews and valence of online reviews before they make hotel bookings. The sample will be collected randomly by online survey.

The beginning will begin with online booking hotel, whether the respondents have experienced this platform or not, how much are they believe in online reviews. Then the questionnaire will relate them to more detailed question to gather the amount of consumers' perception of factors of online reviews, such as the volume and the valence of it.

3.3 Instrument

The questionnaire will be conducted, analysis and part of them will be used for the presentation.

Part 1: Screening question

Part 2: General and specific question:

Consumer perception, Volume of reviews, Valence of reviews

Part 3: Demographic:

Gender, Age, Educational level, Income

3.4 Data analysis

This research use SPSS program to analyze the data by using these methods; Frequency, Descriptive.

Frequency analysis: This analysis is simple method to show out the result of data collection as percentage in each factors and perception of customers toward the e-WOM.

CHAPTER IV

FINDING AND DISCUSSION

This chapter presents the data analysis and report the research result of the developed hypotheses. The computer software program “SPSS” was used to convert the data.

4.1 Sample Characteristics

To investigate the e-WOM factor that could highly affect the hotel business in Thailand, 137 questionnaires were randomly distributed to consumers in this country. After checking for errors, 4 questionnaires were taken out. Therefore, 133 questionnaires are used for the final data analysis. The result shown as follow:

General statistics describing the characteristics of each sample were calculated. To identify the respondent characteristics of the sample: genders, age, educational level, and income descriptive statistics.

4.2 Percentage of Demographic Factors

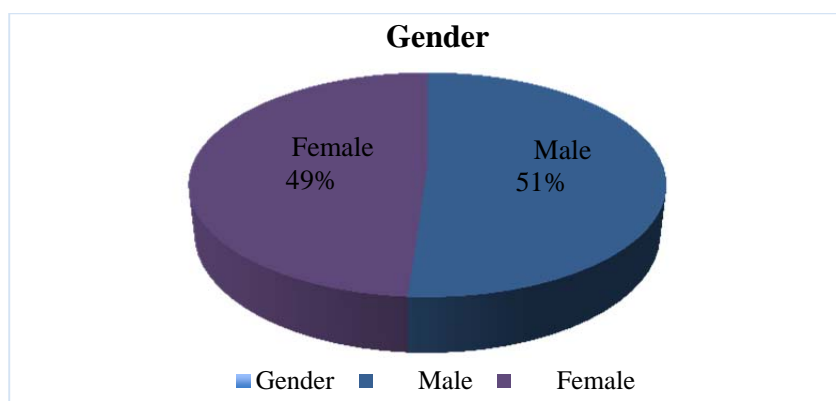


Figure 4.1 Gender

The final samples have a divided gender of 68 male or 51.1 percent of the total sample and 65 female or 48.9 percent of the total sample.

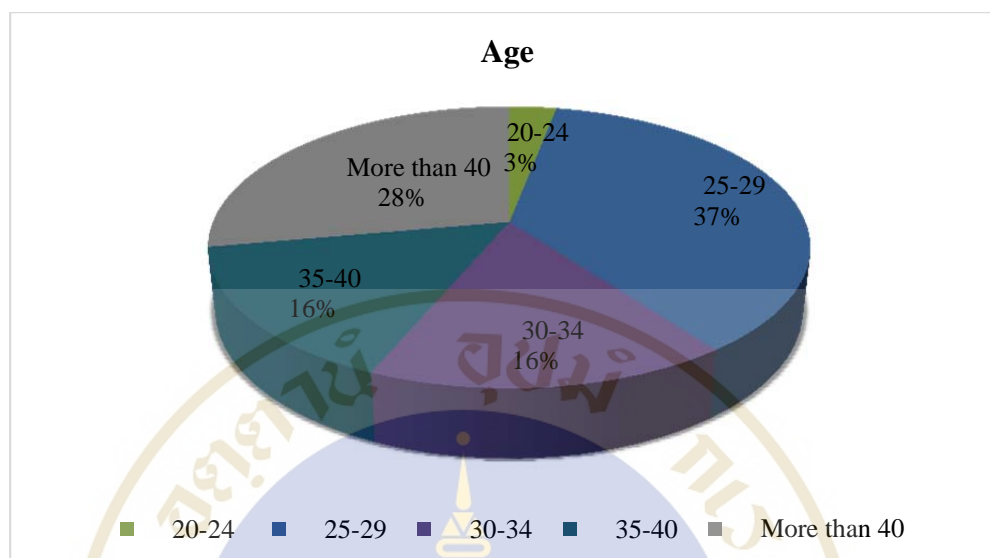


Figure 4.2 Age

Most respondents were in the age range of 25-29 years old (36.8 percent) and more than 40 years old (27.8 percent). While 16.5 percent, 15.8 percent and 3 percent were aged from 30-34 years old, 35-40 years old and 20-24 years old, respectively.

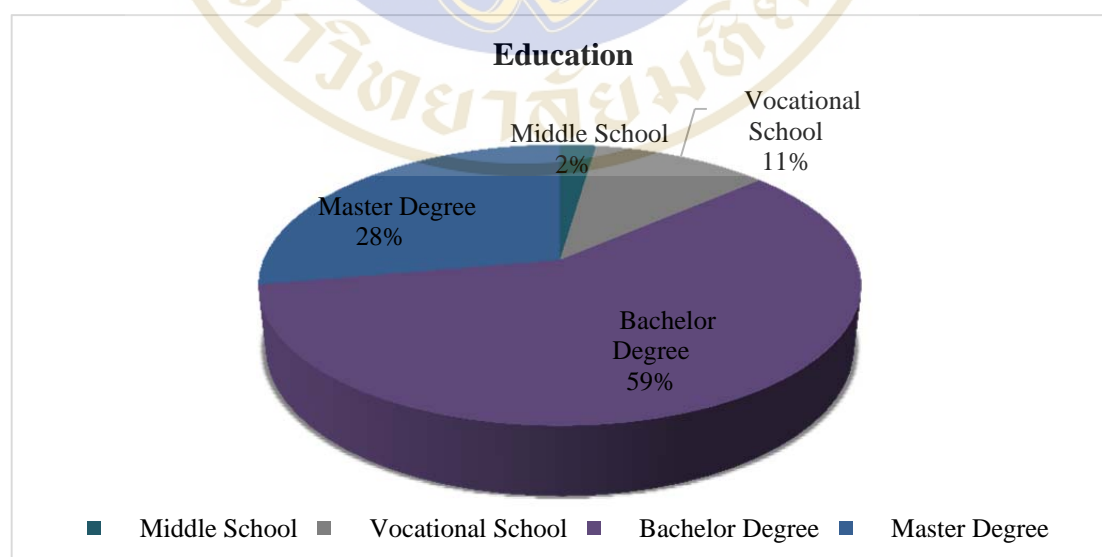


Figure 4.3 Educational level

For education, 58.6 percent hold Bachelor's Degree, 27.8 percent were graduated with Master's Degree and 11.3 percent were graduated from vocational school. Only 2.3 percent hold a Middle School.

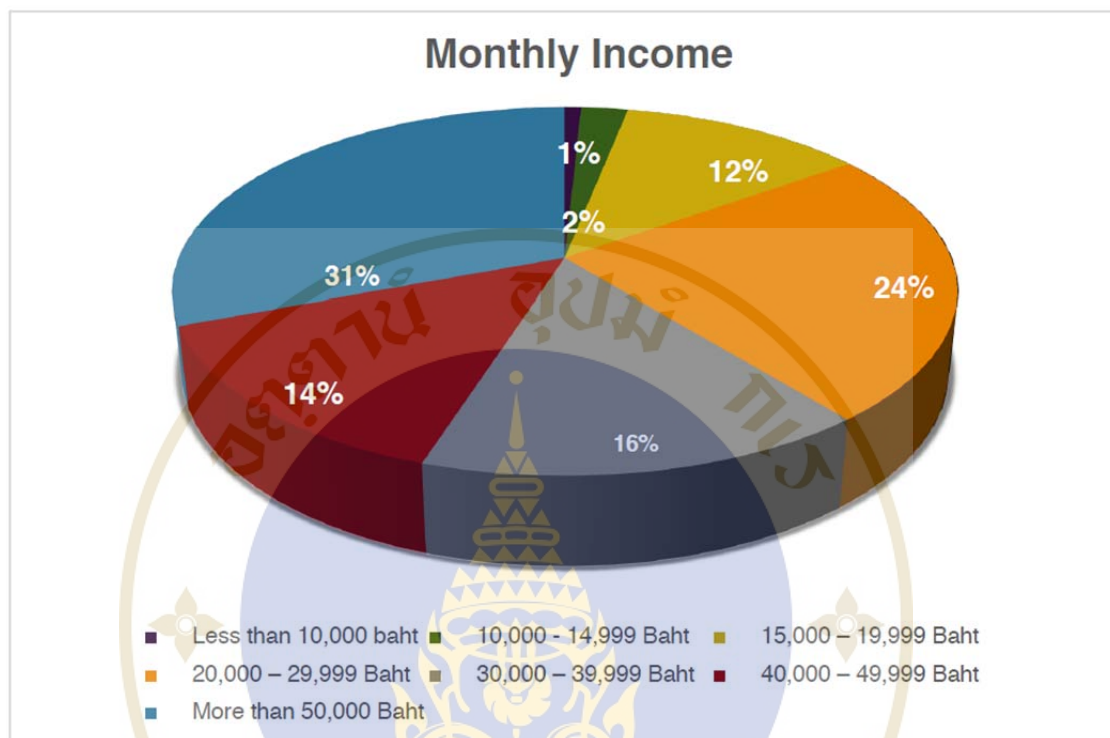


Figure 4.4 Monthly income

The most of respondents (30.8 percent) have the personal monthly income range more than 50,000 baht while 24.1 percent have the monthly income range from 20,000 to 29,999 baht. About 14.3 percent have the monthly income range from 40,000 to 49,999, 12 percent, 2.3 percent have 15,000 to 19,999 baht and 10,000 to 14,999, respectively. Only 0.8 percent of respondents who have the monthly income less than 10,000 baht.

4.3 Descriptive Statistics

The respondents were asked for answering their checking on online customer reviews behavior. The results were shown in Table 4.1.

Table 4.1 Frequency of checking online customer reviews behavior

Checking online customer reviews behavior	Frequency	Percent (%)
1. Customers who knowing what online customer reviews is.		
No	3	2.3
Yes	130	97.7
Total	133	100
2. Customers who checking the online customer reviews before doing hotel booking.		
No	11	8.3
Yes	122	91.7
Total	133	100
3.Likely to book the hotel which customers never experience before		
Not interested	6	4.5
Not bought this time but might try in the future	26	19.5
Interested but might not try	37	27.8
Yes, want to try	64	48.1
Total	133	100
The importance of checking customer online reviews		
Strongly disagree	0	0
Disagree	12	9
Agree	86	64.7
Strongly Agree	34	25.6
Total	132	99.2

Table 4.1 shows that most of Thai customers know what online customer reviews is, accounting for 97.7 percent follow by 2.3 percent are not knowing. The respondents frequently check online customer reviews before booking the hotel, most respondents (91.7 percent) followed by 8.3 percent who don't.

For the chance of respondents who likely to book the hotel that they have never experienced before, the most 48.1 percent are likely to reserve the hotel, 27.8

percent are interested but still have an uncertainty, followed by 19.5 percent of respondents who are not purchase this time but might try in the future and 4.5 percent who are not interested at all.

The importance for customers who check customer online reviews before purchasing. There is 64.7 percent which is the highest number with Agree, followed by 25.6 percent who are strongly agree and 9 percent of disagree to check e-WOM before booking the hotel.

4.3.1 Factor that affect customers' attitudes toward hotel booking

The factor that affect respondents' attitudes toward hotel booking were shown in the form of average score and mean score in Table 4.3. The results as followed:

Table 4.2 Factors that affect customers toward attitude of hotel booking

	Not at all	Effect	Relatively effect	Greatly effect	Mean
	1	2	3	4	
Price	2 1.5%	28 21.1%	45 33.8%	58 43.6%	3.2
Online review	2 1.5%	37 27.8%	66 49.6%	28 21.1%	2.9
Hotel advertising	12 9%	78 58.6%	40 30.1%	3 2.3%	2.26
Credibility	1 0.8%	21 15.8%	68 51.1%	43 32.3%	3.15
Loyalty program of credit card/hotel	30 22.6%	67 50.4%	28 21.1%	8 6%	2.11
Travel blog	7 5.3%	43 32.3%	54 40.6%	29 21.8%	2.79

The researcher divided the level of reliability into:

The average score of 1 implied not effect.

The average score of 2 implied effect.

The average score of 3 implied relatively effect.

The average score of 4 implied greatly effect.

Credibility seems to be the most concern variable for respondents as the mean of 3.15, followed by price 3.2. Thirdly, Online customer reviews as mean 2.9, the mean as 2.26, 2.11 were hotel's advertising and loyalty program of credit card or hotel, respectively.

4.3.2 Perception of customer toward online customer reviews

From the questionnaires, the following section is the result of customer perception toward online customer reviews. The result will be shown in bar chart.



Figure 4.5 Frequency of customer perception toward e-WOM

From Figure 4.5, the result indicates that perception of customers toward booking the hotel, they felt more assured to check the online customer reviews first. Most of respondents chose agree as 45.9 percent, followed by strongly agree 34.6 percent. Only 16.5 percent and 3 percent of disagree and strongly disagree, respectively.

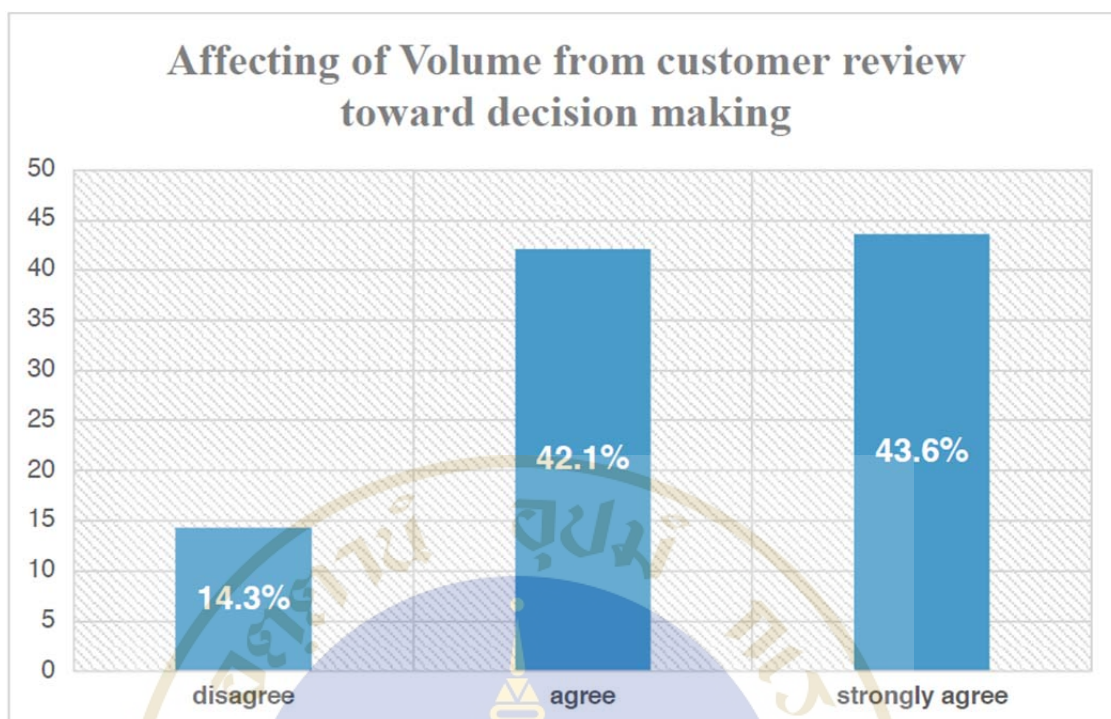


Figure 4.6 Volume of customer reviews

From Figure 4.6 the volume of customer reviews. Most of respondents strongly agree as 43.6 percent, followed by 42.1 percent were agree and 14.3 percent were disagreed.

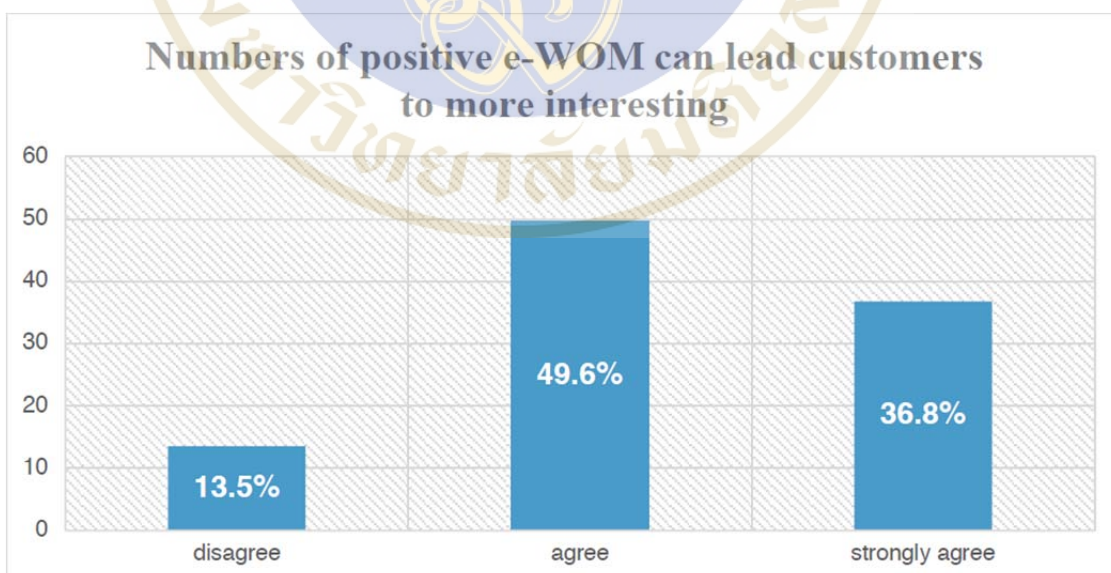


Figure 4.7 Numbers of positive e-WOM can lead customers to more interesting

From the numbers of positive reviews, most of respondents were agreed that they were more interested in the hotel they'd never experienced before if there had numbers or the positive number as 49.6 percent. Followed by 36.8 percent of respondents who were agreed. Only 13.5 percent of respondents were disagreed.

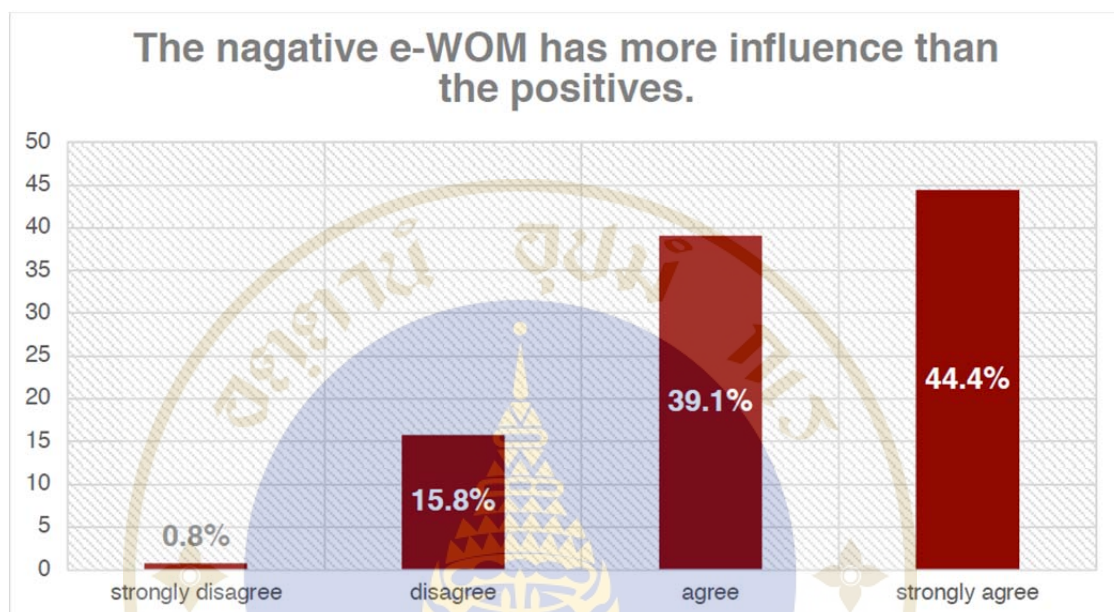


Figure 4.8 The negative online customer reviews has more influence than the positive

According to Figure 4.8, the perception of respondents toward comparing of both negative and positive e-WOM. The most respondent were strongly agreed with 44.4 percent and agreed with 39.1 percent. But there were 15.8 percent of customers who weren't agreed and 0.8 percent of strongly disagreed.

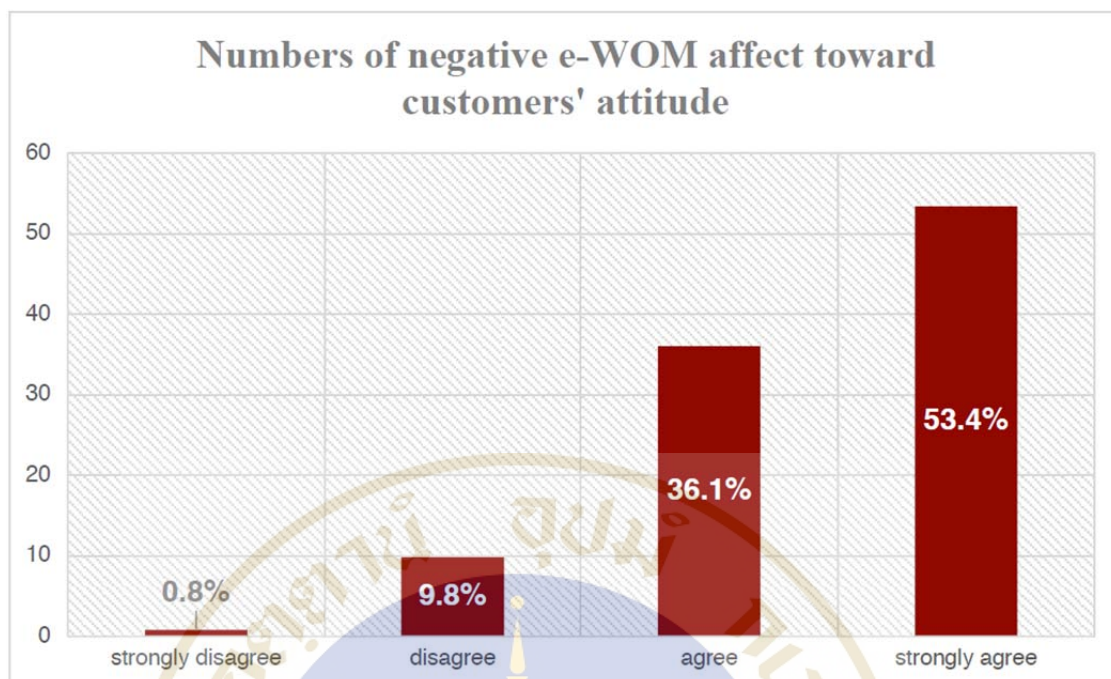


Figure 4.9 Numbers of negative e-WOM affect customers' attitude

Most of respondents strongly agreed that numbers of negative e-WOM affected their attitude toward that hotel as 53.4 percent and 36.1 percent were agreed. But there were 9.8 percent and 0.8 percent of people who disagreed and strongly disagreed, respectively.

4.4 Discussion

According to this research, there were many results which the same result of the other research.

4.4.1 Uncertainty Reduction

Finding support for the H1 that uncertainty can be decreased by checking the customer online reviews before make a hotel booking, this research found that uncertainty occurred in hotel booking process. People need some information to reduce their uncertainty. According to the finding of Table 4.5 which the ranking question is “Do you likely to book one certain hotel that you have never experienced it before or not?”. Although most of respondents answered “Yes, they want to try” as 64 percent

but respondents who were skeptical and chose “Interested, but might not try” were up to 37 percent which are the high percent.

Therefore, in order to gain more information about that certain hotel, people check online customer reviews, such as stars, ratings, and comments. Customers might get more assured from doing that. As the percentage showed in the Figure 4.8. For 45.9 percent of agree response and 34.6 percent of respondents who were strongly agreed. Even though there were 16.5 percent who were not agree.

In addition, from the Table 4.7 which shows us about “Factors that affect customers toward attitude of hotel booking”, Price is the highest mean at 3.2 but most of respondents also rate Credibility, Online Review and Travel Blog as 3.15, 2.9 and 2.79 respectively which can be included in consumers’ uncertainty and consumers’ perception of online review theory.

4.4.2 Volume of reviews

Secondly, this research found that higher volumes of comments could influence the respondents, either positively or negatively as the Figure 4.9 “Affecting of volume toward customers’ decision making” Most of respondents strongly agree as 43.6 percent, followed by 42.1percent were agree and Figure 4.10 “Numbers of positive e-WOM can be more interesting” 49.6 percent were agreed. These can support the hypothesis 2 “Volume of online reviews will positively increase consumers’ trust”. For the information seekers, numbers of online reviews can attract them significantly and it is a crucial attribute to influence customers’ attitudes toward that hotel.

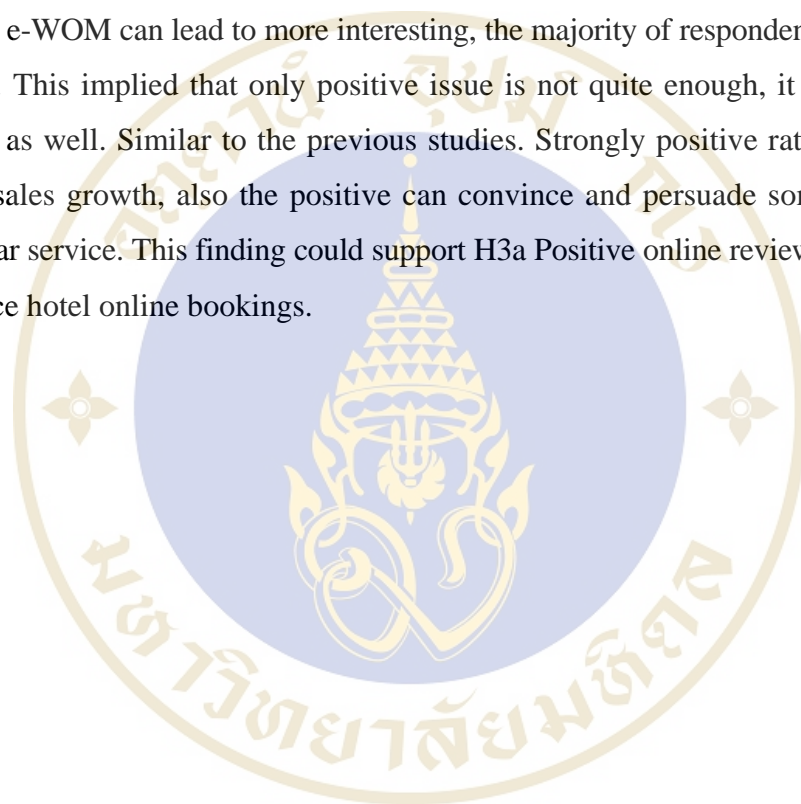
Volume or numbers of reviews also show the responsive and the active of other customer as well. Hotels are not treated in the same way, although each hotel has positive and negative reviews but the numbers of those affect to customers’ attitude. Valence of online review definitely have an impact to customers’ perception but moreover the number of online reviews definitely play an important role.

4.4.3 Valence of online review

Thirdly, there were similar results that valence of online customers reviews could affect customers, especially the volume of negative online could be more attractive for the customers to believe as the Figure 4.11 and Figure 4.12. Negative information

spreads faster than positive, as angry customers are more likely to share their experience to their peers. For the information seekers, negative one could be the impact for them toward the hotel but it might need the volume of it as well. This finding supports the H3a Negative online reviews will negatively influence hotel online bookings.

However, according to this research, there were some respondents who disagreed with the topic that negative online could influence people's attitude negatively, toward that certain hotels. This could imply that some people compared and weighted with numbers between negative and positive reviews as well. According to Figure 4.10 Numbers of positive e-WOM can lead to more interesting, the majority of respondents agreed at 49.6 percent. This implied that only positive issue is not quite enough, it takes volume to support as well. Similar to the previous studies. Strongly positive ratings will lead to higher sales growth, also the positive can convince and persuade someone to try the particular service. This finding could support H3a Positive online reviews will positively influence hotel online bookings.



CHAPTER V

CONCLUSION

This research is for the owner of hotel business, marketer, students or readers who interested with e-WOM in hotel industry. According to the finding, it could support that factors that affect customer's reliance is e-WOM; perception of customers to reviews, Volume of reviews and Valence of reviews. How e-WOM significantly impact to the hotel industry. Most of hotels might already aware on this but many of them not response to this issue actively.

In addition, the researcher would offer recommendations for the hotels' owners as the following:

Be responsive

Firstly, emphasize with your customers and always provide responsive action with you customers' comments. Valuing them a time is the most important for brands in customer service business. In these day, it's true that everyone wants everything as soon as possible, it's not surprise. But in hotel business, it's significant to emphasize on customers' comment and be responsive with them. When you try to step off the negative online review, it's not only the scaring side because even if one angry customer spread out the negatively and it should be careful not to allow this situation occur. One who can post negative reviews on site either can post the positive as well. It's unavoidable in this business. This will raise your brand awareness. Trying to be responsive with the customers' review. For example, the thank you e-mail for 25 percent of positive comments, or replying some reaction for the negative in order to show them that you concern and do not get defensive with them, it will drive your potential customer away.

Secondly, not only customers that should be emphasized on but the employees as well. The Positive is coming from internal to external. Make them work well as a team and create a company culture. When the foundation of employees is fulfilled they will direct the positive energy that they got into customers. Make your organization really know the impact of e-WOM. The organization's employee should have known

clearly of how importance e-WOM are and how significant of this factor able to impact to the hotel. It is more important than one individual when it comes to sharing message (Likeable).



Figure 5.1 Internal to External

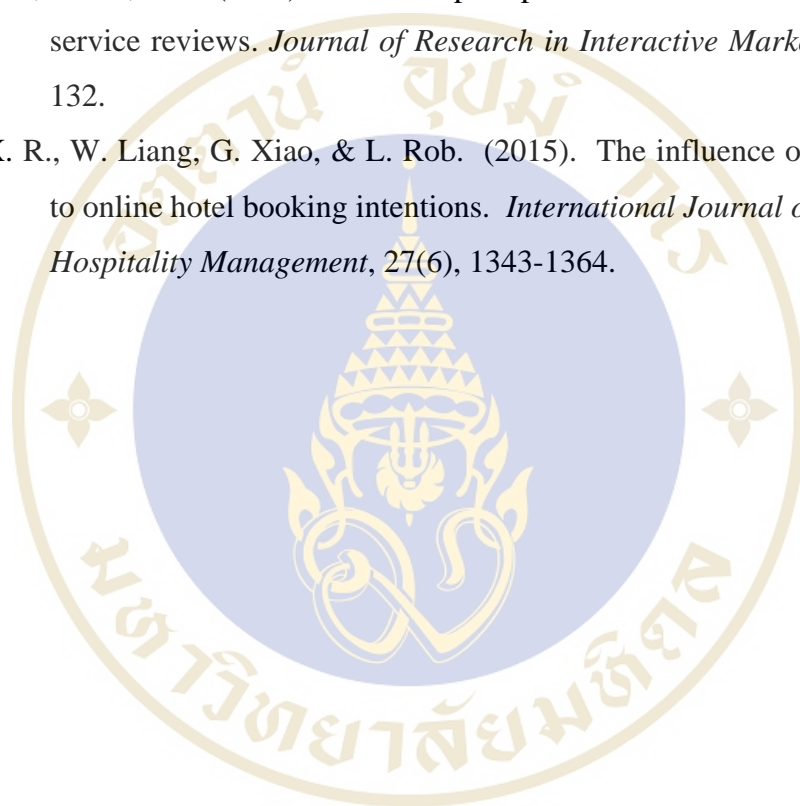
Thirdly, make writing review easy as possible. Make the review section on your website friendly interface to easily use. Be sincere to your customers and let them know that you want the feedback in order to improve your hospitality business, in this social media age, it's easy for them to understand.

For the limitation of this research is the amount of respondent is too low as 133 which was hard to relate each data to compare. For example, comparing for ANOVA or Crosstabulation in order to see the related variables and factors. The researcher recommends readers who's willing to do the research in this area to spread more questionnaire and be more specific with the question in order to get more accurately answer.

The last part of this chapter, the researcher hope that this research will be useful for the readers to aware how important of perceiving e-WOM able to impact the hotel business in this social media age. Once customers perceive the bad attitude or volume of negative from the review's site, it is hard to retrieve your brands back. By only do the best marketing, trying to increase sales by advertisings might not sufficient enough these days.

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Appendix A: Questionnaire Question

- If you never purchase/experience some product or service before, do you likely/willing to buy.
- How important for you to read other's customer online reviews.
- Price affects me toward hotel booking.
- Online customer review affects me toward hotel booking
- Hotel advertising affects me toward hotel booking
- Credibility affects me toward hotel booking
- Loyalty program from credit card affects me toward hotel booking
- Travel blog website affects me toward hotel booking
- I check the customer reviews before booking the hotel.
- I think the customer review is reliable in the hotel industry.
- I feel more comfortable booking the new hotel when I have read the online reviews before.
- I think the volume of customer review affects my decision making
- I am more interested in the new hotel that I have never experienced if they have many positive online reviews
- I think the negative online customer review has more influence than positive online review to change my attitude toward that hotel
- I think the higher volume of negative online reviews can affect my attitude to that hotel more than the positive
- I might try the new hotel if there are many positive online reviews with that hotel
- I think positive review can change my mind or get a better attitude toward that hotel
- I think online customer reviews are more reliable than the hotel's advertisement