Online Review: A Challenge for the Hospitality Sector

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ABSTRACT

The Hospitality sector is one of the key drivers in the Indian Service sector. By 2030, India is aiming to rank among world’s top 5 business travel markets. Online review is the source of information about the performance of hospitality businesses which directly affects the evaluation for the businesses by the tourists. The purpose of this study is to analyse online reviews that are the major challenge for the hospitality sector. The goodwill and market value of the Hospitality sector is usually dependent on online ratings. This is because of emerging more and more alternatives and technology enhancement. The online booking websites and applications allow an individual to book and rate the required hospitality service. The paper emphasizes the increasing vogue of the online reviews for the Hospitality sector and its impact on consumer behaviour and the management. The study is an explanatory investigation and analyses articles on online reviews for the Hospitality sector. Various literatures were reviewed to meet the objectives of the study. The study revealed that the online reviews have a significant impact on the hospitality sector, especially on consumer behaviour as well as their level of satisfaction from the hospitality service. Furthermore, the study suggests the hospitality sector to provide quality services, discount vouchers and improve customer relationship to augment their market value and contribute towards the growth of the hospitality industry.

1. Introduction

The Hospitality sector is one of the key drivers in the Indian Service sector. It is considered as the part of Tourism industry that provides all services like, travel arrangement, food, leisure, recreation and accommodation facilities. In 2016-17, the Service sector contributed to more than 53 percent of India’s Gross Value Added (GVA) at current prices and from which the trade, hotels, communications, transport services contributed more than 18 percent (Ministry of Statistics and Program Implementation, n.d.). By 2030, India is aiming to rank among world’s top 5 business travel markets.

In the emerging era of advanced technology and dependence on smart phones, there are many websites and applications available in the market that help an individual to book, rate, update or confirm their booking or reservations for a particular hospitality service. The hospitality businesses are usually using online travel agents (OTA) or platforms like Airbnb, MakeMyTrip, yatra, etc which allow customers to book online services in advance and also, allow customers to rate their selected business. Online reviews help the tourists evaluate the service they are going to book. In 2017, a survey conducted by the Bright Local viz., Local Consumer Review Survey revealed that 68 percent of customers are more likely to select a business because of its positive reviews, 40 percent of consumers are negatively impacted by the negative reviews, 36 percent of consumers make judgment on the basis of price and facility factors, and whereas, only 18 percent of consumers do not have any impact of online reviews on their decision making (Dobson and Dobson, 2018).

Online reviews play a crucial role in the hospitality industry because they help the business build its reputation and also, make it fall in case they are negative. They are the most reliable source of information after word of mouth from family and friends. Online applications and websites provide different aspects on which the consumers can rate the services such as food quality, environment, facilities, etc.

Online reviews have become a challenge for the Hospitality sector and their goodwill and market value will be affected without good rating. More than 97 percent of customers read online reviews whereas, 53 percent of consumers will not book a service that doesn’t have online reviews at all. The consumer’s loyalty toward a particular service can be affected within seconds through online reviews (Prashar, 2016).

1.1 Objectives

1. To examine the impact of online review on the Hospitality sector.
2. To analyse the effect on consumer’s behaviour towards the online reviews.

1.2 Scope

This study will through light on the trend of online reviews and its consequences on the Hospitality sector. Further, it will also help to examine the influence of online reviews on consumer’s behaviour and the Hospitality sector. The findings will further help in evaluating the mistakes or errors to overcome and will help in policy framing for the hospitality sector.

2. Review of Literature

With the emerging fashion of social media, the firms are also taking an active part in the interaction with online consumers (Gu and Ye, 2013).
A study was conducted by Mo, Li and Fan (2015) to see the effect or influence of online reviews on customer's purchasing behaviour. The sample of 400 Taobao (Chinese online shopping website) shop's online review was examined with the help of the Stimulus Organism Response Model. The study concluded that positive reviews, ratings, feedbacks, etc. have a direct impact on customer's perception and their purchasing behaviour. Whereas, service rating, moderate and negative reviews are the non-significant variables. Their study further suggested to improve product quality and provide discount coupons to attract more customers.

According to Pee (2016), the negative online reviews have a wider reach as well as an effect on consumer's perception. It is necessary to adopt such methods that can be helpful in reducing the risk. His study suggested that managing the marketing variables viz., proper information, promotion, and price can mitigate the impact of negative online reviews.

Another similar study was conducted by Mauri and Minazzi (2013) that examined the impact of online reviews on consumer behaviour and expectation. They have conducted a survey in which 349 young adults participated in an online survey, they were asked to search for a hotel based on online reviews. The finding shows that there is a strong positive correlation among the expectation of the consumer, the valence of review and purchasing intentions. Whereas, factors like guest treatment and presence of hotel manager has a negative impact.

The word-of-mouth is now renewed by online reviews. People are more active on social networking sites and post their online reviews to update about their experiences and accommodation. A study conducted by Filieri and McLeavy (2013) to identify the influence on travellers from online reviews. Their study concluded that factors like information accuracy, product ranking, information value-added, the time taken, and information relevance have a stronger influence on the traveller's preference. Further, it is revealed that most frequent travellers adopt both product ranking and information quality for their decision.

The advanced technology gave alternative choices to a customer to select fourth. A study conducted by Sparks and Browning (2011) to investigate 4 independent variables viz., framing of reviews, the overall set of reviews, whether written text or feedback is given with star rating and the target of review. The findings revealed that online customers are more influenced by negative reviews whereas, positive online reviews increase customer loyalty and chances for booking. They concluded that customer is more likely to go for easy-to-process information to evaluate a hotel like the rating of online reviews.

A study conducted by Ye and Law (2009) to investigate online word-of-mouth (online reviews) impact on the sales. They have developed a fixed effect log-linear regression model with the help of data from the travel website of China. With the help of regression model (log-linear), they attempt to assess the effect of online reviews on the number of booked rooms in a hotel. The finding concludes that there is a significant relationship between online reviews by the customers and the performance of hotels.

Park and Allen (2012) conducted a study on solving problems and engagement in hotels by responding to online reviews. There is no denying that the online reviews can be helpful in improving the hospitality services and ultimately, the consumer experience. A case study was conducted in the Western United States on the four hotels. These hotels were chosen because their approach for responding to online reviews was totally different. The hotels were divided in the two sets. Both the sets of the hotels discussed their method of interacting with the consumers through social media. It was shown in the study that one set of hotels used to respond to the consumer feedback and review regularly and on the other hand, the other set never constructively responded to the complaints or feedback. The researchers considered following three areas for the comparison of two set of hotels, using online reviews for the constructive development of business, internal communications style and perceived accuracy of online reviews. It was found in the study that the respondent hotels considered the online reviews as the consumer sentiments derived from their experience and the non-responders considered the reviews as exaggeration of consumer experiences. The hotels who responded frequently were found to have great communication style while the non-responders were not not meeting the objective of online reviews. The hotels responding frequently to the consumer complaints and feedback were found to have exponential growth over the years.

3. Methodology

Both qualitative and quantitative approach will be followed in this paper. The study is an explanatory investigation and analyses articles on online reviews for the Hospitality sector. Data was gathered through 200 schedules, 100 from consumer and 100 from the hospitality business enterprises. Online reviews have a very strong influence on the hospitality sector in a positive as well as negative way. The information was gathered from different sources like articles and journals related to the hospitality sector and online reviews. The main focus of the study is to identify the impact of online review on the hospitality sector.

4. Analysis

This part of the study is divided into four main segments. Firstly, consumer's analysis of online reviews before making any bookings. Secondly, the proportion of variation in consumers' behaviour after analysing online reviews. Third, the impact of online reviews on the goodwill and market value of the hospitality business and at last, the answer to the question about online review as the challenge for the Hospitality business.

The online consumer respondents were first queried as whether they review or analyse online reviews before making any bookings.
From the figure 1.1, it is evident that 67 percent of respondents analyse online review before making any bookings i.e., the majority of respondents first analyse the feedback and rating given to a hospitality business. This shows that people review other's experience related to the accommodation, hygiene and food experiences. Whereas 21 percent of respondents sometimes review other's feedback and ratings, in addition, these respondent mentions that they usually consider the price and facilities provided to them. Only 12 percent of respondents do not care about the online reviews.

The above figure 1.2. shows the variation in consumers' behaviour after analysing online reviews and feedback. Majority of respondents are partly affected with online reviews or feedbacks as their main concern is to get their required facilities to be fulfilled and 38 percent are strongly affected by online reviews i.e., 54 percent respondents consider online reviews at prior in their decision making. Whereas only 8 percent of respondents said that they are not affected by online ratings and feedback. They usually focus on pricing policy and their required requirements to be fulfilled.

The reason why online customer gives negative reviews (sometimes) is that they usually get different services from what they expected, such as in case of booking a hotel room online, some customers complain that they got a different room than the picture showed on the website.
1.3. Does Online Reviews Affects Goodwill and Market Value of a Business?

The above figure 1.3. shows the data collected from 100 business enterprises. They were queried as to whether online reviews affect their market value and goodwill. More than half of the respondents (60 percent) strongly agreed that online reviews affect their market value and goodwill and 12 percent respondents state that online review partly affect their market value and goodwill. This implies that in today's world, the word-of-mouth certainly affects tourists' evaluation decision. Whereas, only 3 percent of respondents have disagreed to this statement.

Figure 1.4. Does Online Review is a Challenge to the Hospitality Business?

Figure 1.4 shows the responsiveness of sample respondents (business) about 'the online reviews being a challenge in the Hospitality industry'. They were asked, do they consider online reviews a challenge in their business? The shown figures of sample respondents state that more than two-thirds of the sample respondents consider online reviews a challenge for their business enterprise. Where 27 percent partly consider the online reviews as the challenge and only 5 percent sample respondents don't consider the online reviews as a challenge to their business enterprise.

Some of the business respondents stated that due to the advanced technology, the customer usually books the services through online applications or websites. These customers are more often to provide feedback and online reviews about their experience which in result affect the reputation of the business. It has become a challenge for the Hospitality industry to maintain a good relationship with the customers.

5. Conclusion and Recommendations

This paper explored the impact of online reviews on customers as well as the Hospitality sector. From the findings, it is clear that the online reviews is an emerging challenge for the Hospitality industry. It surely has a direct impact on both the online customers and the Hospitality industry. Online customers tend to evaluate a hospitality service or business on the basis of online reviews and feedback from other customers. On the other hand, it also directly affects the market value and goodwill of the business. Online reviews
have a direct relationship with both customer's behaviour and goodwill of business enterprises. For example, if a hotel has got positive online reviews and feedback then it will initially result in being an attraction for the tourists. On the other hand, if a business has got negative reviews then the customers are most likely to avoid such hospitality business and prefer something else.

To overcome this challenge, the Hospitality industry must consider the following recommendations:

- The Hospitality sector should keep customer satisfaction at first by providing required facilities and should not imposter different images of the services than what they are offering the customers in real.
- The businesses in the hospitality sector should analyse the feedback and ratings provided by the consumers to understand the consumer expectations.
- The personnel or authorities managing the hospitality business should keep an eye on the loopholes in the services provided by them, and try to eliminate those loopholes at the initial stage.
- There should be a team to manage social media and rating portals that should inform the flaws in the services to the concerned authorities as soon as it gets noticed.
- Almost all the consumers who opted for the services should be asked to provide their valuable feedback for the constructive development of the business.
- Both the consumers as well as the personnel in the hospitality businesses should understand the significance of online reviews in today's world.
- The hospitality sectors business can opt for the online review and feedback platform as well as an offline platform to make it more accessible for the consumers.

References