

# Impacts of eWOM on Hotels from the Consumer and Company Perspective

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## INTRODUCTION

Advances in information technology and the introduction of new methods of communication have led to increasingly significant changes in consumer behavior. These changes have produced a shift in focus in the companies' marketing strategies and business administration. If one sector has to be identified as being strongly affected by the widespread surge of Internet use, this one is the travel and tourism industry and, particularly, the hotel industry.

Purchase decision processes are composed of several variables that influence consumer choice for certain products and services. Customers might choose a hotel based on its location (for instance, close to an airport, tourist location, or downtown), brand name, various facilities (such as swimming pool, golf course, and spa and fitness center), service quality, price, loyalty program, and quality ratings by past guests. Any or all of these would enter into the customer choice mix (Verma, 2010). Atmosphere and design could be added to the set of variables.

But, obviously, hotel reputation also plays a significant role when the consumer has to make a selection. One of the factors evaluated in the consumer decision-making process is Word-of-Mouth (WOM), defined by Harrison-Walker (2001) as "informal, person-to-person communication between a perceived noncommercial communicator and a receiver regarding a brand, a product, an organization, or a service." Dick and Basu (1994) define WOM as "a volitional postpurchase communication by consumers." Most of the studies analyze WOM as a factor that, to a greater or lesser degree, influences consumers in choosing products and services. Yoon and Uysal (2005) consider that WOM "is one of the most often sought sources of information for people interested in travelling."

Electronic Word-of-Mouth (eWOM), also often referred to as online reviews, online recommendations, or online opinions, has gained importance with the emergence of new technology tools. Litvin et al. (2008) define eWOM as "all informal communications directed at consumers through Internet-based technology related to the usage or characteristics of particular goods and services, or their sellers." They add that this includes communication between producers and consumers as well as those between consumers themselves. Their typology is two-dimensional: a) communication scope: from one to one (emails), one to many (review sites) or many to many (virtual communities); and b) level of interactivity: from asynchronous (emails, review sites, blogs) to synchronous (chatrooms, newsgroups, instant messaging).

DOI: 10.4018/978-1-4666-9787-4.ch143

Additionally, electronic Word-of-Mouth has been shown to be a powerful influence on whether or not to select a brand (Casaló et al., 2010). Worthington et al. 2010 adds that consumers who are highly loyal are likely to engage in positive word-of-mouth for the brand and act as brand advocates.

The main differences between WOM and eWOM can be identified in the reach of the reviews' impact (number of people who can be influenced) and the speed of interaction. With regard to this comparison, Sun et al. (2006) conclude that "compared to traditional WOM, online WOM is more influential due to its speed, convenience, one-to-many reach, and its absence of face-to-face human pressure." Schiffman and Kanuk (2000) describe additional reasons for consumer attention to WOM and eWOM as follows: "The expectation of receiving information that may decrease decision time and effort and/or contribute to the achievement of a more satisfying decision outcome." This breadth of eWOM scope and ease in accessing reviews can deeply affect a company's performance. Therefore, companies are increasingly seeking to understand the factors that influence the use of eWOM, as well as the impacts resulting from its use.

The tourism industry is strongly affected by eWOM and, within the tourism industry, hotels are probably the most affected. Based on the growing importance of online reputation derived from reviews (denoted here as eWOM) for hotels and other members of the tourism sector, this study proposes to analyze existing research on eWOM, with the aim of collecting and understanding issues related to this new form of communication and its impact on consumer behavior and, by extension, on hotel companies market strategies.

## **BACKGROUND AND MAIN FOCUS**

### **Impacts of eWOM**

The present study has reviewed articles published in the last years regarding *electronic Word-of-Mouth (eWOM)* related to the *hospitality industry*. With the objective of reflecting the majority of expressions and variations on this topic, articles were identified that included in their titles, keywords or abstracts terms such as eWOM, WOM, online reviews, User-Generated Content (UGC), Consumer-Generated Content (CGC), online recommendation, e-satisfaction, e-complaints, online reputation, online travel communities, online opinions, social media marketing, hospitality industry and hotels.

The articles were selected from six scientific journals based on their relevance, academic score and number of items related to this theme. The journals selected for the study are as follows: *International Journal of Hospitality Management*, *International Journal of Contemporary Hospitality Management*, *Cornell Hospitality Quarterly*, *Journal of Travel & Tourism Marketing*, *Journal of Travel Research* and *Tourism Management*.

Articles were analyzed for their content, methodology and results achieved. In-depth evaluation revealed the recurrence of specific terms. For example, topics related to the influence of age and gender, were researched in nine articles. In the same way, the incidence of the remaining specific and recurring topics was verified, such as perceived trustworthiness, useful reviews and decision-making processes, among others. It should be noted that the weight of each topic was not taken into account, only the mention of these topics and research performed on them.

From this review on existing academic research, it can be stated that the impacts of eWOM can be direct and/or indirect and are analyzed from both the consumer perspective and the company perspective.

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