

## **The influence of Hotels' Online Reputation on the Millennials' Booking Behaviour**

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### **Abstract**

The following study analyses how millennial travellers book hotels online. Furthermore, if millennials are more likely to consider online reputation than other quality signals in their booking decisions and which personal factors have a significant relationship towards willingness to pay more for a higher rated hotel. Online surveys from millennial travellers were used to collect data. The study shows that the online reputation of hotels may influence millennial travellers in their booking situations. Furthermore, when analysing millennials' willingness to pay, variables such as prior experience and previous comparisons between price & rating should be considered. These results may help hotel managers to understand the importance of online reputation in regards to Millennials' booking behaviour and which factors influence on it. Moreover, provides hotel professionals with the status quo in willingness to pay more for hotels' better online rating.

**Keywords:** online reputation, booking behaviour, millennials, willingness to pay

### **Introduction**

Internet is the top source for travel planning, this counts for leisure as well as business trips. Search engines play a vital role and are the most popular online planning sources for travellers (Google Travel Study, 2014; Fritsch, & Sigmund, 2013). Since the internet or search engines are the first step for tourists when considering to travel, online reviews may be a term which everybody who ever planned a trip online is familiar with. Some decades ago, the most trustful people for travellers were their family and friends. Reputation or word of mouth always played a huge role for travel planning. Nowadays, in a time where the whole world can be friends (e.g. Facebook), electronic word of mouth is one of the most important marketing instruments a company can use (Fritsch, & Sigmund, 2013).

According to prior literature in the hospitality industry online reputation plays an important role in the moment of a hotel booking decision (Anderson, 2012; Anderson, 2014; Book, Tanford, & Chen, 2016; Fritsch, & Sigmund, 2013; Kusumasondjaja et al. 2012; Tsao et al. 2015). And millennials cannot be left out when talking about online booking behaviour. They are the most recent and "grown up into internet" generation. As Lester et al. (2007) and Prensky (2001) show, millennials are the people who understand the purchasing behaviour triggered by e-commerce more than any other generation does. Added to this, millennials are very important for the future hospitality industry, since this will be the most educated generation with the highest spending behaviour (Motorola; 2014).

However, the literature has not addressed in-depth analysis of the relationship between the hotel online reputation and the online booking behaviour of millennials and the factors influencing on their decisions. This research generates new insights in order to remain understanding the phenomenon of online booking behaviour and the influence of online reputation in the hotel industry. Specially, this work attempts to explore on the perception of millennials on online reputation in comparison with other hotel booking attributes (star category, price category) and the factors that can influence them when choosing a hotel with a higher rating.

## Literature review

Prior literature suggests that there are several advantages of online travel purchasing such as: convenience, financial advantages, time saving, enjoyment, product variety and comparability (Jensen, 2009; Kim & Kim, 2004; Wong & Law, 2005). Further studies explain that a general relationship towards online shopping increases the intentions to purchase travels online as well (Bigne, Sanz, Ruiz, & Aldas, 2010; Lee, Qu, & Kim, 2007).

However, online travel shopping is still presumed to be a very complex process (Morosan & Jeong, 2008). Rheem (2012) concluded that some people get almost overwhelmed when they receive hundreds of different possibilities at once, when looking online for their holidays. There, social media enters the game, helping customers to make decisions. Nowadays it is more common that people inform themselves through, Facebook, TripAdvisor, Google+ Reviews, about their future travel target. Less and less people ask their friends in real-life about travel recommendations (Ayeh, Au, & Law, 2013). Recently, studies suggested that online reputation management (ORM) is the key factor for future marketing and feedback (TripAdvisor, 2014).

Thus, the online reputation of hotels develops to a key factor of marketing strategies. Since answering online reviews or posting photos costs just the time an employee invests, it is perfect not just for big hotels, but also for smaller hotels with lower marketing budgets (Fritsch, & Sigmund, 2013). Nielsen (pp2.,2012) went further and already said: "When you actively pursue endorsements, reviews and testimonials in your marketing strategy and communications, you are providing "social proof" and getting your clients selling for you".

Therefore, online reputation and online travel shopping are strongly connected. There were studies conducted in regards to travel purchasing in general, relationships of online reputation to the online booking decisions and the importance of online marketing of hotels towards millennials (Anderson, 2014; Dennis, 2013; Horster and Gottschalk, 2012; Kusumasondaja et al, 2012; Mangold, & Faulds, 2009; Nielsen, 2012; Rheem, 2012).

Millennials lead online shopping, they understand e-commerce purchasing behaviour, as well as consider social media for their everyday-life (Goossen 2008). Studies show that this market segment generally count much more on first impressions than anyone else does (Leen et al. 2012). Moreover, millennials are the generation who share their opinions, frustrations, annoyance and dissatisfaction through their own social media pages, company pages and other online review platforms. Therefore, most importantly, companies need to build trust with their millennial customers through developing a great online reputation, otherwise it could cause heavy brand image damage (Goossen 2008; Leen et al. 2012).

Added to this, when analysing millennials tourist behaviour, prior literature suggests to consider decision models with influencing factors (Gilbert & Cooper, 1991; Pizam & Mansield, 1999). Hotel booking decisions are not isolated and factors such as price or higher online ratings may influence their decisions and their willingness to pay for services (Book, Tanford, & Chen, 2016).

## Methodology

Online surveys were conducted in order to analyse how online reputation of a hotel influence the booking behaviour of millennial travellers. The research was conducted through different social media channels, and targeted the German millennial traveller. The sample of this study consisted of 119 millennial travellers. They needed to be born between 1980 and 2000. Participants were from different education and income levels.

Additionally, hotel booking scenarios were carefully designed in the online survey in order to get more realistic answers (Saunders, Lewis, & Thronhill; 2009). In the first hotel booking scenario, the possible choices were Hotel Chandler and Hotel Marker. Both hotels were four star properties, Hotel Chandler with an online rating of 9.8/10 with a price of €210 per night

and Hotel Marker with an online rating of 6.1/10 and a price of €160 per night. The author wanted to test if guests would pay more for a better rated hotel with the same star category.

In the second scenario, participants could choose between Park South Hotel, a four-star property with 6.1/10 online rating for €190 per night, and 414 Hotel a three-star property with 9.7/10 online rating for €190 per night. With this question the author wanted to know if millennials would still prefer the better rated hotel, even with a lower star category, but same price.

In the third scenario, the authors wanted to figure out if millennials would still choose a hotel with a better online rating, lower star category, but this time with a higher price. With question five the participants could choose between Park South Hotel, a four-star property with 7.2/10 online rating for €175 per night and 414 Hotel, a three-star property with 9.7/10 online rating, but this time for €200 per night.

Added to this, crosstabs and chi square test were conducted in SPSS in order to measure statistical association between “willingness to pay more for a better rated hotel” (WTP) and factors of influence such as gender and prior customer experiences.

## Results and discussion

The results of the self-projecting scenarios are displayed in table 1. Concerning the scenario 1, 87 people decided to book Hotel Chandler whereas just 32 people decided to book Hotel Marker. This table shows us that 73% of the customers would pay €50 more per night for a hotel with the same star category but better online rating. Thus, millennials seem they are more likely to consider a hotel's online rating over price in their booking behaviour of hotels.

Results of scenario 2 shows that 80% of the consumers would pick the 414 Hotel even with a lower star classification for the same price. This showed a high significance of online rating over star category. Millennials are more likely to consider a hotel's online rating over star category in their booking behaviour of hotels.

Regarding the scenario 3, 55% of the millennials would choose the lower priced, lower rated but higher star category hotel, whereas 45% still consider the better rated three-star property of higher value. Thus, although millennials are less likely to consider a hotel's online rating over a better price together with a better star category; there is still a high percentage of respondents who are likely to consider it.

**Tab. 1** – Results of the hotel booking scenarios

	<u>Frecuency</u>	<u>Percent</u>
<b><u>Scenario 1:</u></b>		
Hotel Chandler	87	73,1
Hotel Marker	32	26,9
<b><u>Scenario 2:</u></b>		
414 Hotel	83	18
Park South Hotel	13	5
<b><u>Scenario 3:</u></b>		
414 Hotell	54	45,4
Park South Hotel	65	54,6

Moreover, table 2 presents the results of the chi-square tests. Thus, associations between “Willingness to pay more for a better rating hotel” and factors such as gender, prior experiences booking online and previous comparisons rating & prices were tested. The results of the analysis were interpreted, compared and discussed in relation with prior literature on the subject.

**Tab. 2** – Cross-tab analysis – frequencies of dependent and independent variables

<b>Variables</b>	<b>WTP (Yes)</b>	<b>WTP (No)</b>	<b>Chi-square</b>	<b>Sig.</b>
<b>Gender</b>			0,199	0,428
Female	56	11		
Male	45	7		
<b>Prior experiences booking a hotel online</b>			6,585	0,018
Yes				
No	87 14	11 7		
<b>Prior comparison rating &amp; prices</b>			4,767	0,040
Yes				
No	88 6	13 12		

To check whether there is a significant relationship between Gender and WTP more, a chi-square test was conducted. With the p-value (0,428), there was no significant relationship between the dependent and the independent variable. This means there is no significant association between Gender and WTP more for a hotel with a higher rating. Although there are researchers who clearly confirmed that men have a higher WTP (Halkos, & Matsirori, 2012), there are studies that show that there is no relationship between WTP and gender (Bishai & Lang, 2000; Mmopelwa et al., 2007).

When testing WTP more and prior experience in online hotel booking, the p-value for this relationship was 0,018. This means there was a relationship between those two variables. This indicates that Millennials who have prior experiences in online booking of hotels are willing to pay more for a hotel with a higher rating. Research on tourist behaviour (Swarbrooke, & Horner, 2007; Pizam, & Mansield, 1999) have widely supported the influence of prior experience on consumer behaviour. Added to this, familiarity with a service or a brand may influence the decision to purchase a service. McGuire and Kimes (2006) explain that familiarity has to do with going through similar prior experiences over time. When customers experienced familiarity with the method; positive perceptions, such as fairness, increase.

As a last significant relationship, willingness to pay more is related to previous comparisons on online ratings & prices before making booking decisions. The p-value showed 0,04, which means there is also a significance noticeable in this relationship. This indicates that people who compare online ratings and prices before booking decisions are willing to pay more for a hotel with a higher rating. Previous research showed, that hotels who increase their online rating by one point on a five-point scale e.g. 3,4 to 4,4 can increase their price by 11.2% and still maintain the same occupancy level (Anderson, 2012). Furthermore, prior literature shows that if hotels receive positive eWOM and positive ratings, their booking is less likely to be influenced by room price and star category (Wang et al. 2015). Different researchers confirm this statement, but go even further and say that positive reviews are more effective than negative reviews in increasing booking performance (Tsao et al. 2015). Moreover, research shows that higher online ratings, also increase the willingness to pay in consumers' booking decisions. When negative reviews are consistent,

no price reduction is sufficient to offset the impact of those opinions, whereas when negative reviews are not consistent, an extreme price reduction is sufficient to influence booking decisions (Book, Tanford, & Chen, 2016).

## Conclusions

Results demonstrate that millennials generally consider online reputation as a very important factor in their hotel booking decision. Furthermore, millennials seem that they care less about star category or price category if online ratings are high. Online reviews are already on the same level of trust or lower than personal recommendations or information provided by hotels. Thus, hotels should not only rely on the credibility that star category and price give them, but also, they must make efforts to increment their online credibility. In times of the internet, hotel managers can react and use online reviews as an inexpensive marketing instrument.

These insights may help marketing managers to understand and predict millennials' behaviours before and after the purchase decision and not only to influence them at the time of purchase. Added to this, hotel managers can target those market segments with the highest potential earning capacity and the willingness to pay higher for a better rating hotel. People with higher incomes are also a market segment willing to pay extra compared to people with lower incomes.

Analysing the booking behaviour of millennials leads to discover that consumers don't act in isolation. Consumers' decisions are conditioned to certain variables that managers can't ignore. Prior experiences appear as a key factor to consider when analysing millennials online booking behaviour. Additionally, millennials who have previously compared rating and prices, appear as people with greater willingness to pay for higher rated hotels. Understanding how customers act allow companies to rethink booking systems and marketing strategies implemented. Not all consumers face hotel online booking in the same way and, consequently, they should be addressed in different ways.

## Future Research

The authors would suggest to study the relationship between WTP, online rating and Millennials in a different market. As this study focused on the German speaking travel market, results in different cultures might be different, and interesting to compare. A further recommendation would be, to do the same research project in five years from now, with the increasing numbers over the past years, the trend shows, that there might be an even higher relationship between WTP, online rating and Millennials.

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