

Investigating the Impact of Customer Review Websites on the Hotel Industry in the U.S.A

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Abstract

This paper will explore the advantages and disadvantages that customer review websites have on the hotel industry within the United States of America. Within the advantages of customer review websites are the capabilities to develop the intangible products of hotels, using these websites as an inexpensive marketing tool and also showing the positive effect of responding to consumers on the reviews. Consequently, the disadvantages of these review websites include the questions of their creditability, their lack of contextual cues, false advertising and their openness to competitors. In effect, all of these elements of customer review websites have impacted the future hotel operations. This research will discuss the heavy influence technology has on the hotel industry today and how the future of hotel operations has been altered. Hoteliers need to be aware of such advancements within the industry otherwise their businesses are doomed to failure.

Statement of Intent

In the last decade, the use of customer online reviews has become a vital component for the success of hotels across America. If a hotel has an extremely high number of negative online reviews, this results in a negative rating which in effect damages the hotel financially. The power of online customer review websites has become stronger year after year.

The purpose of this research paper is to examine the many challenges, possibilities, facts and overall effect that websites such as Tripadvisor.com and Yelp.com have on hotels in modern day America. In addition, this paper will discuss the credibility of such reviews as well as how to determine if a review is valid or not. Lastly, this research will examine the future of hotel operations with the continued increase of reliance on the internet for travel.

Thesis Statement

This paper will investigate the impact of online review websites on hotel operations within the United States of America.

Annotated Bibliography

I

Anderson, C., & Han, S. (2016). Hotel performance impact of socially engaging with consumers.

Cornell Hospitality Report, 16(10), 3-9.

This article discusses the many benefits that hoteliers can gain from embracing the website TripAdvisor. Authors Anderson and Han focus on how this website can actually improve hotel revenue and sales performance. Because this article was published very recently in 2016, it is relevant to the author's research. The article fits into the research because there is a lot of useful information regarding the most popular customer review website, TripAdvisor.

II

Dellarocas, C. (2003, October). The Digitization of Word of Mouth: Promise and Challenges of

Online Feedback Mechanisms. *Management Science*, 49(10), 1407-1424.

The research done within this article surveys the processes and challenges that companies are now overcoming due to online review forums. This research article is not limited to hospitality, therefore making it less relevant towards the authors research yet containing a lot of useful data. This article accommodates the author's research because it's a source from 2003 when online reviews were just becoming popular and learning about its effects on businesses was all very new.

III

Ellen Eun Kyoo Kim, A. S. (2011). Effects of Gender and Expertise on Consumers' Motivation

to Read Online Hotel Reviews. *Cornell Hospitality Quarterly*, 52(4), pp. 399-406.

10.1177/1938965510394357

This article goes into detail about a study conducted in Las Vegas. The study was done to test the different reasons for each gender to rely on Electric Word of Mouth (eWOM) for choosing hotels. This source is relevant due to the study's findings and how male and female differ in their outlook on eWOM. For the author's research, this is a vital article that asks some important questions as well as provides a plethora of data to answer these questions regarding eWOM.

IV

Elliott, C. (2006, February 7). Hotel Reviews Online: In Bed With Hope, Half-Truths and Hype.

New York Times. pp. C1-C8.

This article is written to expose and discuss creditability of negative and/or positive hotel reviews online. Author, Christopher Elliot, evaluates the fairness of online hotel reviews and how certain hotels will go incredible lengths to abort negative feedback. Elliot's article is relevant because it's published in the New York Times and is a very elaborate article regarding the topic of online hotel reviews. The article adapts into the research because it asks a vital question: are online reviews credible?

V

Gibson, W. &. (2014). New York Hotel's Policy Against Negative Online Reviews Backfires.

Travel Law Quarterly , 6(4), 313-316.

The authors of this rich article investigate a case including a New York hotel that created a fining policy towards guests who leave negative reviews about them online. This article also discusses the recent importance of online reviews within the hotel industry. It's relevant because it's published in the Travel Law Quarterly and contains vital information as well as statistics regarding the effects of online reviews. This article qualifies for the author's research because it highlights specific effects that online reviews had on one hotel and discusses new laws that have come about since then.

VI

Gretzel, K.-H. Y. (2009). Comparison of Deceptive and Truthful Travel Reviews . In K.-H. Y.

Gretzel, *Information and Communication Technologies in Tourism 2009* (pp. 37-47).

Amsterdam, The Netherlands: Springer Vienna. 10.1007/978-3-211-93971-0_4

A very unique source, this article goes into detail regarding the detection of false online travel reviews. Yoo and Gretzel dive into the structural cues and hints that prove an online review is deceptive as opposed to truthful. Their data is useful towards to author's research because this is an ongoing problem in the hotel world today. U.S Hotels are still in the process of depicting between true and false reviews. This article agrees with the research because it shows the importance of having credited reviews reflect a hotel company.

VII

Miyoung Jeong, M. J. (2008). Customer Reviews of Hotel Experiences through Consumer Generated Media (CGM). *Journal of Hospitality Marketing & Management* , 17(1/2), 121-138. 10.1080/10507050801978265

This research article was published to discuss and examine the use of consumer generated media (CGM) and how it effects hotels and/or other services. The extensive research article evaluates the validity and effectiveness of CGM using actual data, graphs and statistics. The article is extremely useful towards the author's research because there is a plethora of information and it also introduces new vocabulary words regarding the topic. Some areas of the research article have altered the researcher's opinions and outlooks on CGM.

VIII

Blodget, K. (2016). *Photo Fakeouts*. Retrieved October 2, 2016, from Oyster.com:

<https://www.oyster.com/hotels/photo-fakeouts/>

This is a hotel review website that has a very important page that compares hotel website pictures with updated, real pictures taken by Oyster itself. The differences between the advertisement pictures and the real pictures are excessive. The website Oyster.com is relevant to the author's research because Oyster itself is a hotel review website within the U.S and the main goal of Oyster is to be as honest as possible. This affirms this research paper because there are so many false advertisements in society that lure customers into a place where their expectations will not be met.

Outline

Chapter I: Introduction

Chapter II: Review of Literature

A. Advantages of Online Reviews

A1. Product Development

A2. Inexpensive Marketing

A3. Responses and Rewards

B. Disadvantages of Online Reviews

B1. Credibility of Online Reviews

B2. Photo Fake outs

B3. Lack of Contextual Cues

B4. Open to Competitors

C. The Future of Hotel Operations Due to Online Reviews

Chapter III: Conclusion

Chapter I

Introduction

There is no doubt that hotels across America are evolving to integrate the latest technologies into their operations. Without such enhancements, a hotel in this day and age is likely to fail. One of the vital facets of this new technology is the use of online customer review websites. These growing online communication channels are dominating many industries, especially the hospitality industry. Because of the intensified use of technology and the internet, a hotel's entire success can depend on the amount of positive reviews and stars they receive on a review website. TripAdvisor.com has become the world's largest travel site with over 60 million users in 34 different countries (Copus, 2013). Using this website as a form of communication is constantly forcing customers and hoteliers out of the physical environment and into the virtual environment by taking an intangible product and making it tangible. In effect, hospitality marketers around the country have realized the powerful impact of this online word of mouth where past customers become the only source of opinion and influence over future customers.

Many positive and negative effects have resulted from the increased use of online review websites as well as the raised question of their credibility. Websites such as Tripadvisor.com, Yelp.com, Expedia.com and Hotwire.com have all created their own unique systems for reviewing an establishment. They have become the most prevailing marketing tools in the hospitality industry because of their huge impact on customers returning to the establishment or not. Other elements of hotels they have impacted include branding, product development, demographic roles, sales performance, etc.

This research paper will discuss these impacted features in further depth while investigating the overall future of hotel operations due to this advanced technology.

Chapter II

Review of Literature

Advantages of Online Reviews

Product development.

One of the most crucial benefits of electric word of mouth is the ability to use negative feedback as an incentive to better a product and/or establishment. Using online review websites as assistance to making fundamental changes within an organization is a major advantage (Dellarocas, 2003). In America, using websites such as TripAdvisor.com as a product development tool has become a popular trend. According to an article by Gibson and Cohen, *The New York Times* published an article in September 2014 about the increased number of US Hotels making major renovations due to feedback in their online reviews (Gibson, 2014). Hoteliers are able to read major satisfiers and complaints felt by customers. Some examples of positive satisfiers include cleanliness, attitudes of employees, spaciousness, quietness and service quality. On the other hand, organizations are able to identify frequent complaints such as room rate, speed of service, employee knowledge, meal offerings and availability of accommodations (Miyoung Jeong, 2008). The fact that hotels are able to detect such specific problems felt by recent customers is a valuable feature of online review websites. Using such websites as a portal for recognizing necessary improvements has generated a positive correlation between product development and negative reviews. In a study conducted by Chris Anderson, a professor at the Cornell University School of Hotel Administration, Anderson found that there was an increase in occupancy percentage, ADR and RevPar of a hotel after improvements were made due to negative reviews on TripAdvisor.com (Han, 2016). The improvements also increased the percentage of overall reviews for the hotel itself. This direct relationship between hotel

performance and online reviews is key to developing a solid hotel brand that will generate a maximum profit as well as maximum occupancy. Without the use of online reviews, this might not be accomplished as easily.

Inexpensive marketing.

In addition to using online reviews for product development, they can also function as an inexpensive and effective marketing tool for obtaining and keeping customers (Dellarocas, 2003). With just a few clicks of the mouse, customers are exposed to many exclusive services and features such as pictures, hotel information, budget plans, travel needs, level of service, prices, etc (Miyoung Jeong, 2008). A study conducted in Las Vegas by Ellen Kyoo Kim found that one of the chief motivating factors for consumers to look at online reviews is the simple convenience of it and this should be the greatest interest of hotel operators (Kim, 2011). If a hotel is maintaining and monitoring their review websites, they can easily market to millions of internet users.

Responses and rewards.

Using customer review websites to connect with guests virtually is a huge benefit for hoteliers (Han, 2016). If the interactions between manager and guest are strong, there is likely to be an increase in the hotel's ratings. In other words, when a negative review is posted by an unhappy guest, a manager should respond to the perspective complaint while offering a chance to improve the guest's outlook on the hotel itself. In fact, in a study conducted by Saram Han of the Cornell University School of Hotel Administration, he found that by simply encouraging online reviews to the website Yelp.com, there was a slight increase in ratings, sales and overall revenue. Furthermore, the study found that consumers appreciate responses to negative reviews more than responses to positive reviews (Han, 2016). As the interaction between hotelier and

guest increases, there is also a potential for rewards to current and/or future guests. According to an article by Gibson, in late 2011 Starwood Hotels & Resorts began posting and highlighting specific guest's positive reviews on their website (Gibson, 2014, p. 314). In another article by Elliot, an unnamed hotel in New York City was offering discounted reflexology treatments to those who wrote positive reviews about them online (Elliott, 2006). These are just two examples of many rewards given to consumers who engage in positive online feedback. Such rewards are beneficial towards both guest and the reviewed establishment. This virtual synergy makes online review websites powerful and crucial towards the success of hotels across America.

Disadvantages of Online Reviews

Creditability of online reviews.

The greatest disadvantage of online reviews is the question of their creditability. There are many reasons a hotel would take great lengths to ensure there are more positive reviews than negative reviews within the virtual world. As the internet grows in popularity, so does the incentive to manipulate reviews for the bettering of any establishment (Elliott, 2006, p. 7). As reported by the results of TripAdvisor's annual survey in April 2014, 90% of its 150,637 travelers confirmed that positive reviews are essential to the decision to book a room at a perspective hotel (Gibson, 2014). This statistic is critical and difficult to ignore. In effect, hotels across the country have taken dangerous steps to increase the amount of positive reviews on virtual forums.

Moreover, studies have been conducted showing the trouble of distinguishing between deceptive and truthful reviews. Yoo and Gretzel of the Laboratory for Intelligent Systems in Tourism state:

Results show that deceptive and truthful reviews are different in terms of lexical complexity, the use of first person pronouns, the inclusion of brand names and their sentiment... These online consumer-generated opinions are especially important for hospitality and tourism; whose intangible products are difficult to evaluate prior to their consumption (Gretzel, 2009, p. 1).

This passage demonstrates the differences in true and fake reviews while reiterating the importance of positive reviews for such intangible products. The credibility of a hotel's electronic word of mouth is seen as questionable and sometimes not reliable.

Photo fake outs.

It is not just the reviews themselves that can be questioned for their truthfulness. On the website Oyster.com, there is a specific section aimed at comparing hotel review website's fake photos to real photos taken by Oyster employees themselves. The results are shocking. Consumers are drawn to lodging establishments based on reviews but also pictures. Oyster.com took the initiative to reveal the dishonest photos found on review websites by putting the fake photo and the real photo side by side. The results of this action further prove the question of online review website's credibility (Blodget, 2016).

Lack of contextual cues.

Another disadvantage of online reviews is the lack of contextual cues. This new challenge is related to the question of their credibility but also asks a new question: who is writing them? The interpretation of online feedback is hard to complete when the reader is unfamiliar with the writer. In other words, when one is listening and watching somebody speak their opinion, they pick up on cues such as facial expressions, culture of the speaker, their outfit, how one knows them, etc. When reading an online review, these cues are nonexistent. Readers

of such reviews are encountered with the challenge of trusting complete strangers (Dellarocas, 2003, p. 1410). There is no method to add these fundamental cues and therefore results in a flaw to the online review system.

Open to competitors.

Available for anyone to view with just a few clicks, online review websites are a public forum to which can be seen as a disadvantage for hotel operations throughout the U.S. because these reviews are public, competitors are exposed to perspective hotel's weaknesses (Dellarocas, 2003, p. 1409). This presents a challenge for any hotel that may have more negative reviews and problems compared to the hotel next door. The majority of consumers only post reviews if they involve extremes such as an unfavorable experience during their stay (Han, 2016, p. 5). Rival hotels have the ability to view such negative experiences in hopes of reducing similar problems within their own establishment. This problem of open review channels leads to other problems such as falsifying reviews and also making disastrous decisions such as what happened to a New York "boutique hotel" in 2014 (Gibson, 2014). With the competition rising, the Union Street Guest House in Hudson, New York felt the pressure of having too many negative reviews. In order to put a stop to this, the USGH created a policy on their website stating that guests will be fined \$500 if they leave a negative review on any internet site (Gibson, 2014, p.313). Subsequently, the repercussions of this policy plummeted their star reviews as well as came with a flood of bad press (Langfield, 2014). The idea of this electronic word of mouth public channel can be seen as a disadvantage or leverage for hotels to always be operating at their best.

The Future of Hotel Operations Due to Online Reviews

Over just a few decades, the idea of hotel operations has changed dramatically. Robert Mandelbaum, author of *Trends in the Hotel Industry*, stated "Turn off the charm, turn on the

computer.” (Mandelbaum, 1997). He is referring to the idea that in order to market and sell to consumers in today’s day and age, there is a huge emphasis on technology rather than face to face interaction. In addition, this digital society could affect the entire job field within the hotel industry. While consumers have become more and more reliant on smart phones, so does the demand for faster and more innovative ways to complete tasks, such as making a hotel reservation or checking into a hotel. As perspective consumers are scrolling through hotel reviews on TripAdvisor.com, they are able to make a reservation using the same site with just a few clicks. Also, some hotels have placed kiosks in their lobbies which enable guests to check in themselves and receive their room key (Conrady, 2012). Just this new exploit alone can eliminate the entire need for a front desk staff. On the other hand, the spiked increase of customer reviews and technology has generated a whole new field of hotel marketing and advertising. In a recent interview between Sojern’s Senior Vice President of Property Solutions and two hotel experts, Daniel Tennant of Hotel Rivington and Michelle Murphy at Milestone Internet Marketing, the importance of this new field was discussed. They conversed about making company websites mobile friendly as well as focusing on cultivating each customer’s personal experience or else there will be no business. Furthermore, Murphy highlights the fact that her company’s sole mission to assist companies with marketing online and on customer review websites such as Yelp.com (Tennant, 2016). The future of hotel operations is changing every day with a strong obligation for hoteliers to adapt to modern technology otherwise they will not be successful against competing hoteliers.

Chapter III

Conclusion

The use of customer review websites has influenced the hotel industry in many different ways. There have been multiple beneficial factors presented to hoteliers due to the popularity increase of electric word of mouth. Some of these advantages include maximized product development, the use of inexpensive marketing and the ability to distribute responses and rewards to guests. In order to use customer review websites to one's advantage, a hotel company needs to be aware of these beneficial factors as well as exercising them properly. Subsequently, customer review websites also have their downfalls where they are seen as unprofitable to hotel operations. Examples of these disadvantages are the ongoing questions of their truthfulness, their lack of contextual cues and their raw exposure to competitors. These are just a few examples of ways these online reviews can negatively affect a hotel.

The future of hotel operations within the U.S is headed in a very technological direction due to the growing importance of these online review websites. Consumers have become so reliant on their smartphones to do everything for them from choosing a hotel to booking a room and even checking into a hotel. A future of less face-to-face hospitality and more technological hospitality is fast approaching. There are even entire companies such as Milestone Internet Marketing Corporation, whose main mission is to assist other companies in improving revenue based off their online websites and their corresponding online review website (Tennant, 2016). The impact of customer review websites on hotel operations is huge and only expanding as technology continues to replace traditional, warm, face-to-face hospitality.

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Appendix

- A1. Alison Copus, VP Marketing, TripAdvisor, Gary Morrison, Senior Vice of Retail, Brand Expedia
- A2. The Digitization of Word of Mouth: Promise and Challenges of Online Feedback Mechanisms
- A3. New York Hotel's Policy Against Negative Online Reviews Backfires
- A4. Customer Reviews of Hotel Experiences through Consumer Generated Media (CGM)
- A5. Hotel Performance Impact of Socially Engaging with Consumers
- A6. Effects of Gender and Expertise on Consumers' Motivation to Read Online Hotel Reviews
- A7. Hotel Reviews Online: In Bed with Hope, Half-Truths and Hype
- A8. Comparison of Deceptive and Truthful Travel Reviews
- A9. *Photo Fakeouts*
- A10. *Hotel's \$500 Joke Leads to 3,000 Bad Reviews*
- A11. *Trends in the Hotel Industry USA*
- A12. *Trends and Issues in Global Tourism 2012*