Online reviews’ influence on purchase decisions within the Hotel Industry

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ABSTRACT

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Research questions: How do online reviews influence purchase decisions among potential consumers within the Hotel Industry?

Purpose: The purpose of this research is to gain a deeper understanding about the impacts in which online reviews has on consumer behavior and their decisions to actively select and purchase service from different hotels. The authors are striving to find answers to whether online reviews obtaining information about positive customer experiences within the hotel industry has a noticeable impact on the decisions made by customers.

Method: In this study, a deductive comparative research approach will be used

Conclusion: The results concluded that both luxury and budget hotel bookers seem to have more usage for traditional word of mouth than electronic word of mouth. However, electronic word of mouth is still seen as an important tool which is widely used by both groups. It was evident that luxury consumers find customer reviews more valuable aligned with having more experience with online reviews, which may have an impact on their decision making when booking hotels online. Further on, it was also observed that the brand image of budget hotels is impacted more by online reviews among both segments, than luxury hotels' brand image.
Preface

In these times of unusual circumstances and consideration as a result of the Covid 19 pandemic, the authors would like to express their gratitude to those who made the execution of this thesis possible. This includes the individuals who participated in the data collection process of answering survey questions along with the authors supervisor. The author’s gratitude also goes out to Mälardalen University for making the process of creating this thesis possible and providing the resources needed along the way.

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1 Introduction

Customer reviews are becoming an essential part for consumers when evaluating which goods to purchase online (Bao and Chang, 2014). According to Li and Shimizu (2018) there are numerous studies revealing the importance of customer reviews in online marketing and how they have an impact on sales. Hence, it has become important to use by todays’ marketers (Amblee and Bui 2014). According to Gefen and Straub (2004), reducing uncertainty seems to be a central motivating force of human behavior. People do often rely on trust and familiarity when rules and customs are not sufficient. A high level of trust stimulates favorable attitude and behavior (Tran and Strutton, 2020). Trust is something that also Lee, Park and Han (2011) stresses about, where the seller’s physical absence makes online transactions more vulnerable than physical ones. This can help explain why customer reviews seem to have a significant impact on consumers’ purchase behavior online, as they reduce uncertainty and help consumers to make decisions between different products and services (Amblee and Bui 2014).

Erkan and Evans (2016) even says that customer reviews are more influential than friends' opinions. The reason for this is that customer reviews are said to be less biased and therefore give a more objective opinion. Cui, Lui and Guo (2014) do also underline the trustworthiness of customer reviews and that in most cases, these are seen as more reliable than recommendations made by the companies themselves. In a study made by Guo, X. Wang and Y. Wang (2020) the results showed that positive online customer reviews, talking about a specific product, do often lead to higher purchase intentions than if the same product would have unpleasant comments. This truly shows the great impact customer reviews have on consumers purchase behavior online.

The hotel industry is famous for being a highly competitive market all around the globe. Thanks to the explosive growth of the Internet, online travel agents such as Booking.com, Hotels.com, TripAdvisor, Trivago, etc., have made the hotel industry even more competitive (Lv, Li, Xu and Yang, 2020). There are no real competitive advantages within the industry and profit margins are low. However, consumer satisfaction is seen as one of the key concepts that can lead to some sort of competitive advantage. The concept eWOM, also known as electronic word of mouth, has through the popularity of online reviews and ratings received a significant amount of attention in regard to its ability to influence the purchase decisions of online consumers when it comes to hospitality literature (Dellarocas, Zhang and Awad, 2007).
1.1 Background

The way people buy tourism services have changed dramatically during the last decade. From purchasing these services in the more traditional way through physical third-party offices, people are today merging to different third parties online (Guillet and Law, 2010). This has massively changed the game on branding of firms and how customers evaluate and purchase tourism services. There is an existing belief that most people have used too many different websites when attempting to book travel experiences online. Thus, people tend to search for the ultimate booking channel (Jeon, Ali and Lee, 2018). The same could be said about the hotel industry where people seem to have a more favorable attitude towards third party websites than the hotel-owned websites (Morosan and Jeong, 2008). This has led hotels all around the globe to increasingly rely more on third party websites (online travel agencies) in order to maximize their own revenues (Guillet and Law, 2010).

Today there are several third-party agents established online who offer customers the possibility to book hotel nights all over the globe. Some of the most famous are Booking.com., Hotels.com, Trivago and TripAdvisor. These websites offer a wide range of different information about prices, accommodation, etc. (Guillet and Law, 2010). Price is often seen as one of the major factors that can impact a consumers’ purchase intention. It is however argued by others that price may not necessarily be the deciding factor of purchase decisions due to it not driving customer satisfaction (Forgas, Moliner, Sánchez and Palau, 2010). Therefore, rating websites do also include valuable information such as ratings from earlier customers (Guillet and Law, 2010). Oliveira and Panyik (2015) postulated that customers in the tourism industry use to engage with online reviews regarding services and service providers. The research refers to a study made by The ITB World Travel Trends which stated that 50% based their travel plans on earlier customer reviews and experiences. Thus, online third-party agents, using customer reviews as a marketing tool, have a significant impact on how customers evaluate between different hotels.

There are multiple characteristics that differentiate luxury hotels from budget hotels apart from one another. According to a Barber (2014) and Kucukusta, Mak and Chan (2013), consumers who are booking hotels therefore have different service expectations from different hotel segments, such as budget and luxury. T-T. Kim, W-G. Kim and H-B, Kim (2009) says that customer service seems to be the core value in the hotel industry. A lot of studies have come to
the conclusion that service failures don't seem to be something that affects customer dissatisfaction, but rather the response service providers give to them (Smith, Bolton and Wagner, 1999). Through the adoption of online reviews and eWOM, managers can identify strengths and weaknesses within the organization along with their competitors to result in a better understanding of what impacts consumers' purchase intentions (Dellarocas, 2003).

Liu, Schukert and Law (2015) state that high class hotels have more advantages than low-class hotels when it comes to adopting response management. They have a high-level service concept, high-quality service team and stronger financials which give them the possibility to invest more money into service. These advantages make high class hotels more likely to apply response management into their business by responding and acting on customer reviews in order to increase their ratings. This is something that is typically lacking more for low-class hotels, which are less likely to adopt response management. Thus, it is normal to see higher ratings for high class hotels brands than low class hotel brands. According to Guillette and Law (2010) star ratings seem to be one of the most common features which people look at when evaluating between different hotels. Therefore, it can be argued that this puts high class hotels in a favorable spot in consumers’ minds when evaluating between hotels. Even if negative customer reviews exist for a high-class hotel, it might not have the same impact as they have on low class hotels due to their strong brand images and reputations which they have been working on for years.

1.1.1 Traditional WOM vs eWOM

In order to give the rest of this thesis context, it is crucial to provide a description of the difference between traditional word of mouth vs electronic word of mouth. According to Higie, Feick and Price (1987), traditional word of mouth is the communication which occurs in the form of orally, informally from person to person in regard to a brand, product organization or service. Electronic word of mouth sometimes referred to as “eWOM” or “sWOM” refers to the word-of-mouth communication happening online via social sites, which has some of the same characteristics as traditional word of mouth. In accordance with (Sun, Youn, Wu and Kuntaraporn, 2006), the advantages with eWOM come down to enabling the communication in form of sharing experiences between consumers in the convenience and time of their own lifestyles, which promotes comfort in sharing. The willingness to provide/share information differs between the two communication modes. Aligned to this is the shift in communication
through technological developments raising the question about trust in online communications and the potential impact on consumer behavior.

1.2 Problem discussion

Word-of-mouth ways of communicating have gained recognition for being a highly influential resource of information transmission within services since the beginning of time (Godes, Mayzlin, 2004). However, the ways of communicating in this way have dramatically changed in a rapid manner in alignment with technological developments (Ellison, Fudenberg, 1995). Online customer review systems are one of the most powerful channels to generate online word-of-mouth. As technology develops and more services can be accessed online, the ability to share information about customer experience becomes an increasingly crucial asset for organizations to develop, but also for consumers to make an informed purchasing decision based on other consumers' experiences (Dellarocas, 2003).

It is evident that previous studies have investigated the impact of online reviews in regard to the tourism branch where the restaurant and hotel industry have been in focus (Mauri and Minazzi, 2013). It was however found that there are no previous studies regarding customer reviews and their effects on how people trust and behave based on the evaluation of different segments of hotels, looking for either high or low standard hotel consumers with different demographic factors. Branding of companies has the power to influence purchase decisions and aligned with this is the fact that certain brands have the power to demonstrate a level of legitimacy by showcasing that it's a social fit with the shared norms of a community (Suchman 1995). It has been found that consumer research has yet to fully examine the legitimacy in the connection between brands and consumers’ behavior and the concepts’ potential to help better understand consumption (Handelman and Arnold 1999). Below, aligned with the information tied to the problem discussion the purpose is elaborated on.
1.3 Purpose

The purpose of this research is to gain a deeper understanding about the impacts in which online review has on consumer behavior and their decisions to actively select and purchase services from different hotels. The authors are striving to find answers to whether online reviews and obtaining information about customer experiences within the hotel industry has a noticeable impact on the decisions made by consumers. According to Sudhakar & Gunasekar (2020) it is clear that studies have been conducted in regard to investigating the impacts in which online reviews have on customer purchase decisions. Therefore, a level of differentiation is necessary to provide significant and unique findings aligned with the purpose of this report. This report will be looking into the differences in the significance in which eWOM (Electronic Word of Mouth) has on purchase decisions when comparing low-cost budget hotels with full-service high-end hotels among global consumers.

The authors are to combine the elements of electronic word of mouth, the hotel industry and the two customer segments to observe if the online reviews and communication has a different impact to the purchase decision among consumers in the different segments of the hotel industry, placing relevance on the branding of companies in this field. The study will be conducted through a data collection process where a survey is the main form of data collection combined with efforts to collect secondary data in the form of theory, to target a broad spectrum of respondents. The design of the research will concern a comparative study between the consumers purchase behavior for full-service luxury hotels vs low end budget hotels. Emphasis lies on online ratings impact of the purchase decision in comparing the two segments.

1.4 Research question

The authors formulated the following research question “How do online reviews influence purchase decisions among potential consumers within the Hotel industry?” to fulfill the purpose of this academic report.
2 Theory

In this chapter will be presented the different theories which the study is built on. These are the evolution of marketing, advertising, branding, consumer evaluation and consumer behavior. Finally, this chapter ends with a conceptual framework, showing how the different theories are connected to each other.

2.1 Evolution of Marketing

To begin describing marketing as an academic concept, the definition is as follows “A social and managerial process by which individuals and groups obtain what they need and what through creating and exchanging products and value with each other” (Kotler, Armstrong, Saunders and Wong, 2001). Traditional marketing refers to the outcome of the shift in power from suppliers to consumers aligned with change in market share. Suppliers were forced to use promises to attract and persuade consumers, which caused consumers to question a product or service before making a purchase decision (Durmaz and Efendioglu, 2016). The emphasis within traditional marketing lies in the attempt of creating public awareness that a product or service is available through tools such as television, radio, magazines in order to target large audiences (Bhayani and Vachhani, 2018; Li, Peng and McCauley, 2013). The element of digital marketing rather than traditional marketing is what this paper aim to focus on.

Recent advances in technology and rapid increase of the digital environment has implied that businesses have had to change the way they operate to accommodate the way consumers interact with one another (Langan, Cowley, Nguyen, 2019). The formal definition of digital marketing is the following, “the practice of promoting products and services using digital distribution channels via computer, mobile phones, smart phones, or other digital devices” (Smith, 2012)” The element of collecting information about competitors, consumers, the situation on the market in an abundant and detailed way has been made possible through this and shifted the way the marketing mix is applied (Langan, Cowley, Nguyen, 2019).

The traditional understanding of marketing does not cover the concept of digital marketing strategies. Digital marketing compared to the traditional marketing initiatives has more of a strategic and aggregative character. Customers take on more active roles in providing the company with co-creation of value in terms of opportunities, resulting in a co-created brand.
This results in customer loyalty being sustained as a core element in the CRM aspect of the organization (Bakhtieva, 2017). According to the same research, another aspect gained through digital marketing strategies is multi-channel marketing pushes aiding the company to reevaluate prior to product launch the external and internal environment.

In order to obtain a competitive advantage in today’s market, intensely impacted by these digital shifts, it has become crucial for practitioners and individuals within the field to become successful in obtaining digital proficiency to effectively conduct marketing initiatives and gain insight to the market (Crittenden, 2015). On the topic of marketing having changed, it is evident that the tasks linked to forming a marketing strategy and campaign have become more effective, from the creative process, to the launch, to the distribution of the information through networks (Bakhtieva, 2017).

In this effective digitalized business setting, it has become increasingly challenging for marketers to grab individual’s attention, as the environment is fast paced, and permission based among the target audience. From a marketing standpoint, electronic word of mouth (eWOM) can be obtained through this new effective way of marketing through digitalization, and if managed correctly, marketing managers now have the opportunity to get to know their customers on a deeper level in terms of their preferences, their likelihood to make a purchase decision and insight to their competitors’ offerings (Dellarocas, 2003).

On this note, marketing for many organizations worldwide has become more interactive with an “always on” function where personalized and relevant communications are increasingly being delivered on a more efficient level for consumers and the company. This interactive way of conducting marketing engagement has a significant reliance on obtaining deep knowledge for the consumer in order for the company to be able to connect effectively such as the devices they use and preference of content along with a deep understanding of the behavior to make the engagement useful (Stone and Woodcock, 2014).

In alignment with this development, the process of digital development combined with a level of globalization has resulted in consumers realizing their crucial roles in society within the element of trade and commerce. Thereby, advertising aligned with marketing as a profession is becoming increasingly important in order to protect organizations’ reputations, make greater
sales, and nurture any relationships existing between the potential consumers, shareholders and the organization itself. The element of advertising is effective here in ensuring consumer loyalty through the combination of promoting sales and increasing customer relationship management initiatives (Rodgers and Thorson, 2017).

Consumers have been able through the digital media environment to be empowered in controlling ad experiences, where ad blockers have become a possibility, also providing information back to the company on how effective their advertisement initiatives were on the potential consumers. Overall, platforms and advertisers are introducing more interactive features in response to consumers demanding more control (Belanche, 2019).

2.2 Advertising

The definition of advertising in accordance with Rodgers and Thorson (2017) is “the paid communication from an identified sponsor using mass media to persuade an audience”. Promotion comes in many different forms when the agenda is to create awareness around ideas, brands, issues or politicians, but overall, the majority of advertisements include professional commercials or display of advertisement through prints or information posted online.

As mentioned above, the world is changing rapidly when it comes to digitalization and therefore, a large amount of the advertisement sector is focused on online initiatives where the medium is more subject to becoming individualized in comparison to mass media. From this, it can be mentioned that advertising is a subcategory of marketing (Rodgers and Thorson, 2017). Growth within the benefits of online advertising can be reflected in the annual spending of advertisements where the consumer is able to be interactive in the process. The increased growth trends mark the departure for traditional control tools of the advertisement process where they remained passive and observant (Kwon, Kim, Sung and Yoo, 2014).

Due to the intensely changing business environment for marketers through digitalization, organizations have had to explore the use of product reviews to accommodate the needs of consumers communicating on social networks and not taking a passive role in the advertisement of products and services. In this, companies have been conducting heavy investing to impact and influence the potential purchase decisions of consumers on the social networks and digital platforms (Kumar and Mirchandani, 2012, Evans and McKe, 2010). In accordance with
Rodgers and Thorson (2017), surveys have found that content creation is the most crucial element for companies conducting e-advertisements. In this, branding initiatives are included into the communication efforts.

### 2.3 Branding

The definition of branding in accordance with (Kotler and Keller, 2015) is “the process of giving meaning to a specific organization, company, products or services by creating and shaping a brand in the consumers’ minds” or “Branding is endowing products and services with the power of the brand”. Whenever companies are to launch a service or products that are new to the market, the firm has to make a calculated decision on which branding strategy would be the most effective to apply in order to maximize the product or service intangible value. In this, the financial markets view of the firm will depend on how effective the branding strategy selected is (Rao, Agarwal and Dahlhoff, 2004).

When launching products and services, selecting the appropriate branding strategy is a crucial determinant of how successful the new product will be on the market. The impact of for example brand names on new products on fast moving consumer goods and its appeal to early adopters of the product has a critical impact on how successful the product is and serves as a critical target (Truong, Klink, Simmons, Grinstein and Palmer, 2017). In the rapid shifts of digitalization and information being communicated in a more rapid way, companies have to stand out in the overload of advertisements in media by implementing branding strategies that for example include the element of social cause message. Often, companies apply advertisement initiatives to communicate the practices that reflect the branding strategy to stakeholders (Robinson, Irmak and Jayachandran, 2012), which also encourages consumers to purchase such products with strong branding connected to for example social causes (Andrews, Luo, Fang and Aspara, 2014).

When looking into branding initiatives and the response of consumers in a competitive environment (for example the hotel industry), interactive marketing initiatives can help managers improve branding strategies to diversify and target customers with products and services more suited to them, also generating new investments and attracting new consumers. Having a unique branding strategy in a competitive environment contributes to increased interest by consumers (Figueiredo and Castro, 2019).
Online platform growth combined with social network communities being used by informed consumers has made it crucial for companies to adapt and implement effective web communications in order to construct and create a unique brand image within a competitive market. The brand identity is the element that builds through management's actions and communicates the initiatives to consumers (Kapferer, 2008). When the communications are taken in by consumers, this translates into the brand image. It is crucial for the company to communicate the brand accurately to accommodate these two perspectives in order to obtain a level of competitive advantage (Scorrano, Fair, Maizza and Crontis, 2019), as the competitive advantage is linked to consumer evaluations and created customer value (Devlin, 2001).

2.4 Consumer behavior

According to Ranscombe, Hicks, Mullineux and Singh (2012) a company's brand is one of the most important assets which plays an important role in order to achieve success. By building a strong brand a company can have a better chance of achieving competitive advantage (Aaker, 1996). Wu and Lo (2009) findings from a study made in Taiwan show brand awareness as having a significant influence on consumers’ attitude and their purchase intentions. The same results were also obtained in a study by Amine and Supanvanij (2013) where brand name seemed to have an impact on consumers' purchase behavior, as the brand image can affect the perception of a product.

The hotel industry is highly competitive where profit margins are small. There are no real competitive advantages, and the industry has become even more competitive due to the growth of the Internet. This has led to the increase of online travel agents who gather all different hotels together in one platform (Lv et al, 2020). While there are not many studies considering the hotel industry and brand image, one study was made on the Iranian aviation industry, examining brand image and its role in influencing consumers purchase intentions (Shafiee, Sanaye, Shahin and Dolatabadi, 2014). In this study various Iranian airlines were included. The result showed that customers' perception of brand image has a significant impact and plays an important role in passengers’ purchase intention. According to (Kayaman and Huseyin, 2007), brand image is also seen as something important within the hotel industry, as this could be seen as a sort of competitive advantage when everything else is equal. Thus, the study made by
Shafiee et al (2014) shows important findings about the perception of brand and how it can play an important role in the long term by enhancing company image in perception of consumers.

Ha (2004) conducted a study where he researched about different factors influencing consumer perceptions of brand trust online. The factors considered in the study were privacy, security, WOM, brand name, quality of information and the experience of the webpage. What he found was that brand trust is not only built on one of these factors, if not built on many different complex components. However, the component that seemed to be the one with most influence on brand perception and trust was WOM. This is also something that has been shown in a study made by Ward and Lee (2000). Ha (2004) even states that WOM has been shown to have a significant impact on consumers attitudes, behavioral intentions and behavior towards products and services.

Customer reviews are of significant importance in the tourism industry where they can provide detailed information about something that has not yet been experienced by the consumer itself, looking to make a purchase (Park, Lee and Han, 2007). Ratings are also another type of customer review that is widely used in the tourism industry. It is easy for earlier customers to leave a rating of their experience, instead of writing detailed information. It is also a concept that is easy to understand and which has become a common way for consumers to look at before purchasing. For example, nights at a hotel, a flight, a bus trip, etc. (Bilgihan, Barreda, Okumus and Nusair, 2016). Consumers put a lot of trust into earlier customers’ experiences (Khare, Dixit and Sarkar, 2020). This phenomenon has been acknowledged by most firms established online. Thus, there are today a lot of companies who use user-generated content in the form of customer reviews on their websites in order to increase brand trust and therefore customers’ perceptions about the brand (Amblee and Bui, 2014; Ha, 2004).

Bae and Lee (2011) did a study where they investigated consumer’s perception about online customer reviews. They focused on gender to see if there were any differences between women and men and their perception towards eWOM and how this could affect their purchase intentions. What their findings could conclude was that females seem to perceive a higher level of risk for online shopping. That is, they tend to hesitate more than men when making purchases online. As already mentioned by Beverley, Kevin Kam and Graham (2016), customer reviews help to reduce the perceived risk of purchasing either goods or services online. Thus, higher perceived risk should result in looking more at customer reviews and being more affected by
them. This is exactly what Bae and Lee (2011) findings showed. According to their study women seemed to be more affected by online customer reviews than men. The negative effect, that consumers are influenced by a negative review more than by a positive review, is higher for women than for men.

2.5 The effects of digitizing of evaluation on consumer perception

Word of Mouth (WOM) has for decades been considered as one of the most important elements in advertising when promoting a specific product or service and trying to influence customers to purchase it (Chang, Rhodes and Lok, 2013). Word of mouth has traditionally been described as oral communication between two or more individuals face to face (Tran and Strutton, 2020). However, according to Chang et al (2013) the internet has led to the effect of WOM increasing significantly and resulted in the concept of electronic Word of Mouth (eWOM). This has during the last decade become a major element of user-generated content. That is, any content that has been created by individuals and not by organizations. For example, photos, reviews, videos, texts, etc. Bao and Chang (2014) states that consumers today, who are purchasing goods and services online, are privileged in the sense that they can read and evaluate the information given by earlier customers, together with the information provided by the firms themselves. Results from an earlier study made by Erkan and Evans (2016) describes customer reviews as being considered trustworthy in the sense that they give an objective opinion. Thus, online reviews have shown to have a significant influence on consumers’ purchase decision-making (Chang et al, 2013).

In a study, made by Beverley et al (2016), which examined customer reviews within the tourism field, the result showed that shoppers online see reviews as providing a quick and easy way to compare and evaluate tourism and hospitality products. They help to reduce the risk which is potentially associated with purchases online. Thus, customer reviews provide trust to the consumers as they see them as reliable upon which to make future purchase decisions (Flanagin and Metzger, 2013). There are numerous studies regarding trust in an online environment, which is seen as vital in order to motivate consumers to favorable attitudes and behaviors (Tran and Strutton, 2020). The chance to interact physically with customers is not possible online. This automatically makes online purchases less trustworthy and transactions more vulnerable (Lee et al, 2011).
According to Grabner-Kraeuter (2002), there are a lot of consumers who have always been suspicious about the functional mechanism of electronic commerce (ecommerce). The study claimed that consumers were not willing to engage in relationship exchanges online, involving money or personal information, due to the lack of trust. Even though people today are not as reluctant towards making purchases online, as they were 20 years ago, Amblee and Bui (2014) state that there are still signs pointing towards lack of trust as something that can prevent most people from consuming goods and services online. Thus, trust still seems to be a major key factor that has an impact on how people make their purchase decisions online (Samuel, Balaji and Wei, 2015).

According to Samuel et al (2015), trust within electronic commerce deals with the belief of the consumer that the online retailer will not take advantage of the situation in an unfair way. That is, the consumer puts confidence into the online retailer’s skills and expertise, interest of caring for the customer and integrity. However, according to Dai, Forsythe, and Kwon (2014), consumers perceive risk based on the uncertainty and information asymmetry which is associated with online purchases. Samuel et al (2015) refers to earlier studies claiming that consumers often describe making purchases online as confusing, frustrating and sometimes as an overwhelming activity. Online shopping does not allow for sensory evaluation of the products and it also lacks interpersonal communication between two or more people (Hassanein and Head, 2007; Lee et al, 2011). These missing elements are what Samuel et al (2015) claim to lead to the general lack of trust in both retailers established online and the information provided on their websites, but also towards the online shopping industry as a whole. Bao and Chang (2014) states that consumers today are privileged as customer reviews have gained recognition and can today be found almost everywhere on the internet, talking about different products and services. They can be seen as one of those elements that earlier was missing which helps consumers evaluate the information given by earlier customers, together with the information provided by the firms themselves.

In a study made on the travel industry, results showed that user-generated content in the form of customer reviews had a significant impact on consumers trustworthiness (Khare, 2020). According to Jalilvand and Samiei (2012), WOM is seen as crucial in the tourism industry as the products and services are difficult to evaluate before consumption due to them being intangible. Park et al (2007) means that in the tourism industry, reviews from earlier travelers are a helpful tool for decision making as they provide indirect experiences. Thus, WOM is seen
as trustworthy and helps to reduce uncertainty (Amblee and Bui, 2014). In the travel industry, reviews in the form of ratings are a common way for consumers to evaluate between different alternatives. In Khares’ study (2020) results showed that higher ratings generate more satisfaction and enjoyment than lower ratings.

There are numerous studies revealing the importance of customer reviews in online marketing and how they have an impact on sales (Li and Shimizu, 2018). For example, in a study made by Guo et al (2020) the results showed that positive online customer reviews, talking about a specific product, do often lead to higher purchase intentions, than if the same product would have unpleasant comments. Thus, it seems to be important to talk about consumer behavior in order to learn more about customer perception, attitudes and purchase intentions.

2.6 Conceptual Framework

Brand legitimacy is seen as a company’s most important assets (Ranscombe et al, 2012). In order to build a strong and reliable brand, many organizations are working with both branding, digital marketing and advertising. In regard to branding, adopting a unique and vibrant branding strategy aligned with the product or service selling point assists in increasing the interest of potential consumers in a competitive market (Figueiredo and Castro, 2019), such as the hotel and tourism sector. In this, informed consumers actively communicate and contribute to brand legitimacy in sharing their experience about a product or service (Kapferer, 2008). There are various ways and strategies that seem to be working in order to influence consumers’ perceptions of brand trust online. According to (Ha, 2004, Ward & Lee 2000), e-WOM in the form of customer reviews can also be used in order to build a strong brand, as a lot of consumers rely on them. Thus, customer reviews not only affect consumers’ purchase intentions, but also have a direct impact on brand legitimacy.

Customer reviews are seen as having a significant impact on purchase intentions online. According to Dai, Forsythe, and Kwon (2014), consumers perceive risk based on the uncertainty and information asymmetry when purchasing goods and services virtually. Online reviews help consumers to reduce the perceived risk of purchasing online (Beverley et al, 2016; Flanagan and Metzger, 2013). Thus, they have an effect on people's purchase intentions as they are seen as trustworthy (Bae and Lee, 2011; Erkan and Evans, 2016; Chang et al, 2013). There might be people who have no trust in customer reviews. However, individuals who don't see
customer reviews as reliable will not be in the model. Instead, the conceptual framework will focus on those individuals who see customer reviews as trustworthy.

Due to customer reviews’ impact on consumers’ purchase intentions and behavior, positive reviews are seen as having more favorable attitudes towards purchasing a product or service than negative reviews. For example, Guo et al (2020) showed that positive online customer reviews do often lead to higher purchase intentions, than if a product or service would have unpleasant comments.

![Figure 2.3.1: Conceptual Framework](image)
3. Method

In this chapter will be presented a description of the choice of method, research approach, epistemology, data collection and data analysis. Further on will be discussed both the validity and reliability of the study, together with limitations and ethical considerations.

3.1 Choice of method

In order to effectively achieve the purpose of this study and provide an efficient analysis, the choice of method comes down to us adopting a deductive, quantitative approach of comparative nature. The reason for this choice comes down to the purpose of this thesis requiring a data collection where consumer behavior is analyzed. According to Jacobsen (2002), two methods can be chosen when conducting data collection, referring to qualitative and quantitative data. In this, the thesis is of a quantitative nature as a comparative approach is applied, meaning there is more in-depth collection and analysis of information occurring. A comparative method concerns the act of comparing disciplines in the same research effort (Bray, Adamson and Masan, 2007). This has relevance to the study as the author's intention lies in obtaining knowledge through collecting information about consumer behavior and comparing different factors in consumption to observe how online reviews influence purchase decisions among potential consumers within the Hotel industry. More information about the choice of method is included in the next section “Research Approach”.

3.2 Research Approach

In this section, information regarding the plan and procedures for conducting the data collection process, analysis and interpretation is concluded. The approach selected for this study is in alignments with the deductive research approach. A deductive research approach aims to suggest that a hypothesis is deducted from the contents of the theory and later on tested (Bryman and Bell, 2015). In stating this, the aim is not to test a hypothesis in this study but rather obtain data through a quantitative approach through a data collection via survey that will be applied for wider generalization and used in the data analysis. A quantitative gathering of data in terms of research approach doesn't necessarily imply that a specific hypothesis needs to be in place and therefore, theory will draw the outline of concerns in the data collection process (Bryman and Bell 2015).
According to Jacobsen (2002) it is stated that a qualitative approach is most effective when applied in situations where researchers are interested in getting more clarity in what lies in a concept or phenomenon as it involves how people interpret and understand in the context of a specific situation. In alignment with this deductive research approach, a positivist approach to the study is applied, which means that the researchers are independent from the study itself and that no provisions for alternating human interest are conflicting the outline of the study (Crowther and Lancaster, 2008). Also, worth mentioning is that the positivism applied in this study is relating to the viewpoint that those conducting the study place importance on concentrating on facts rather than provision for human interest.

The findings of this study relating to the data collection and its conclusion will later be compared to previous research. This research is conducted on the basis of being a comparative study. According to Bray, Adamson and Masan (2007), comparative research refers to the act of comparing two or more subjects with the aim of discovering something between the two of them when in comparison, often applying multiple disciplines in the same research effort. In this, it is stated that the majority of academia agrees that the methodology is not peculiar to comparative research efforts (Bryman and Bell 2015).

3.3 Epistemology

To begin, epistemology can be defined as the study of knowledge from a philosophical standpoint. It is the study of knowledge combined with its natural elements, requirements to be considered as knowledge and the limitations surrounding what knowledge is. Knowledge seems to deserve and require philosophical investigation, and epistemology serves that purpose and has become a crucial area within philosophy (Bonjour, 2009). The work of epistemology has assisted in developing a conception of the way in which knowledge is constructed (Lederman and Abell 2007).

Epistemology studies the basic foundation on which knowledge is built upon and how it is modified and augmented by significant and new discoveries. This regards the reason and experience in generating knowledge, relationships between certainty and knowledge along with the relationship between impossibility of error and knowledge. Also, worth mentioning is that epistemology refers to the study of relations between someone who knows (the knower) and
what can be known. In stating this, there is a constraint in regard to these questions that limit answers to ontological questions (Porta and Last, 2018).

In this approach to knowledge, the authors take on the roles of being interpretivists in relation to the knowledge and epistemology. According to Wallace (2015) the term interpretivist refers to a nonpositivist research initiative concerning an investigation of social reality in research settings. In this, a methodological perspective is applied in the context of how the research should be conducted including the theoretical and philosophical assumptions that the research is based on and how the methods around these assumptions are applied and adopted (Saunders, Lewis and Thornhill, 2007).

3.4 Data collection

According to Bryman & Bell (2015), data collection involves gathering the information of interest in a way that enables one to answer the research question. For this research two main data collection procedures are followed: referring to primary and secondary data collections. According to Jacobsen (2002), the advantage of using both primary and secondary data is that they provide an effective combination to achieve a contrasting effect. Primary data refers to the material in which researchers collect firsthand to analyze whereas secondary data refers to other material applied originally collected by other researchers previously in the form of surveys, reports, previous research and so on (Bryman & Bell, 2015).

3.4.1 Secondary data

The secondary data of this report relates to information collected as part of the theory and information supporting the findings in the surveys that was collected for purposes prior to the conduct of this study. Secondary data was collected through prior studies, school journals and books. The literature helped to understand the current context towards the research topic by providing general knowledge. Secondary data from school journals was mostly found through using Google Scholar. The articles used for this study were all peer reviewed in order to conceive reliable information. Thus, increasing the credibility of the study.
3.4.2 Primary data

The primary data of this report is the information gathered through the collection of data through surveys sent out to different segments of the market. In order to gather primary data, a questionnaire was made using Google Forms, which is an online survey application. Google Forms is a convenient way of gathering data from respondents as it is easy to submit to different social media platforms where the survey can be shared. Gathering responses through people who have shared the survey is called snowball sampling, which is an effective way that increases the chances of achieving a higher response rate (Bryman and Bell, 2015). The survey was mostly shared on Facebook and Instagram, but also sent directly to respondents privately through Email, Messenger and WhatsApp. Thus, primary data was collected through both snowball and convenience sampling, where the latter is simply data taken from a group of people who are, for the authors, easy to reach out to (Björklund and Paulsson, 2012).

The data was collected from a total of 183 respondents, which was a higher number than expected from the beginning when sharing the survey on the Internet. The respondents participating in the survey had a wide difference of nationalities. However, most participants stated to be Swedish, with a total of 101 persons. The data collection was carried out between the 30th of March 2021 and the 6th of April 2021, which is exactly one week. The relatively long-time frame helped the survey to be shared and seen by participants not included in the authors’ own network of contacts. In total, the survey was shared 15 times. Thereby, giving a wide range of respondents with different age groups, educational backgrounds, employment status and nationalities.

The survey aimed to collect data from people from the age of 18 or more in order to get insights from different age groups, as these can have different perceptions and attitudes towards using customer reviews online when booking hotels through third party websites. The majority of the respondents were between the ages of 18 to 30, which can be explained by the higher usage of social media platforms among young people (Evans et al, 2009). There were 131 respondents between the ages of 18-30 participating in the survey and 27, 14 and 11 between the ages of 31 to 50, 51 to 60 and 61 or more, respectively.

The questions from the survey can be found at the end of this report in Appendix A. The first section of the survey consists of six questions regarding general background questions such as
age, family members in the household, gender, nationality, educational background and employment status. These questions help to give an overall picture of the respondents participating in the survey, but also helps the authors to distinguish between the respondents, depending on their variance in backgrounds.

The second section of the survey asks questions regarding the respondents’ perception towards online reviews. In more detail, five questions were asked in total regarding the respondents’ experience, trust, usage and value they place in online reviews. These questions are providing the base for the research and are built on earlier studies and theories regarding online reviews and consumer perception (Bae and Lee, 2011; Erkan and Evans, 2016; Chang et al, 2013; Ha, 2004, Ward & Lee 2000; Beverley et al, 2016; Flanagin and Metzger, 2013). In order to measure and compare the answers between the respondents, the questions used a seven-point Likert scale. Number one on the Likert scale represents negative answers such as “no experience”, “no trust”, or “no usage”, while number seven represents positive answers consisting of “a lot of experience”, “full trust”, or “high usage”.

The third section of the survey consists of questions asking about product offerings. That is, questions regarding booking hotels nights. These questions consist of five questions in total and are built on earlier studies and theories focusing on consumer behavior (Tran and Strutton, 2020; Li and Shimizu, 2018; Ha, 2004; Bae and Lee, 2011; Erkan and Evans, 2016; Chang et al, 2013; Flanagin and Metzger, 2013). Here the focus is on comparing between respondents’ answers regarding luxury and budget hotels. In order to measure and compare the answers between the respondents, the questions used a seven-point Likert scale.

The last section consists of questions regarding the ongoing Covid-19 pandemic, which is taking place all over around the globe, thus affecting the hotel industry as a whole. This section of the survey consists of three questions, with the purpose to provide clarity on how and if the Covid 19 pandemic has any significant impact on consumer behavior in regard to the use of online reviews.

3.5 Data analysis
All the data that was collected from respondents, participating in the survey, was converted into Microsoft Excel 2016. Because of this study being of a quantitative character and using a comparative design, the data collected was analyzed through a comparative analysis method.

In order to demonstrate the data in the most understandable and effective way possible, the authors decided to use a descriptive analysis method. According to Creswell (2009) this is a common way of demonstrating data in a comparative study. Therefore, data was described with different tools offered by Microsoft Excel such as pie charts, bar charts and combination charts. This is also something that Bryman and Bell (2011) argue to be relatively easy to understand to the readers. Pie charts were mostly used to visualize demographic results such as age, gender and education, while bar charts were applied to visualize the rest of the results from the survey.

Bryman and Bell (2011) say that social phenomena can be better understood when these are compared in relation to two or more meaningfully contrasting situations or cases. Thus, for this study questions regarding the two different segments of hotels, being full-service luxury hotels and low-cost budget hotels, were compared between each other according to the responses collected. In order to see the differences between the responses within the different categories, a Likert scale was used, which was demonstrated with the help of diagrams. The Likert scale is usually a five- or seven-point scale, where the respondent can express agreement or disagreement with a particular statement (Björklund and Paulsson, 2012). For this study a Likert scale with the rating of one to seven was used.

### 3.6 Validity & Reliability

Validity and reliability are two concepts which are often used to evaluate the research quality (Creswell, 2009). According to Bryman and Bell (2011) validity and reliability try to indicate how well an applied test, technique or method measures something specific. These two concepts are fairly related to each other. However, they mean two different things (Creswell, 2009).

Validity is about how accurately the method used measures what is supposed to be measured (Björklund and Paulsson, 2012). That is, validity makes sure that the methodology is well chosen for the purpose of the study and that it actually helps answering the study’s research question (Creswell, 2009). According to Bryman and Bell (2011), one of the main goals with research is to achieve generalization. They talk about both internal and external validity, where
internal validity focuses on whether there is a good match between findings and theory, and external validity referring to the degree to which findings can be generalized across social settings. This is also something that Creswell (2009) is mentioning. He argues that for studies of qualitative character, internal validity tends to be a strength because of the prolonged participation with the respondents, allowing the researcher to ensure a higher level of congruence between observations and concepts. However, at the same time Bryman and Bell (2011) argue the lack of external validity in qualitative studies because of studying smaller samples by having either interviews or case studies.

According to Heijden (2013), a comparative research approach has the advantage that it allows for both internal and external validity. However, the researcher has to decide whether there should be more focus on studying a small number of cases in more depth, or a larger number of cases with less depth. Gathering information by asking questions through a survey to a large sample of respondents, this study is arguably focusing on a more generalizing approach.

When it comes to reliability, there are also two different types, internal and external (Creswell, 2009). Internal reliability is about whether there is more than one observer participating and if these agree with each other regarding what they both see and hear when interviewing respondents. This is similar to, so called, inter-observer consistency, which is referring to whether raters give consistent estimates of the same behavior (Bryman and Bell, 2011). In this study, no interviews were made. Instead, findings were gathered through a survey. Thus, respondents' answers are evaluated equally without any disagreements between the researchers.

External reliability focuses instead on the degree to which the study can be replicated or not (Creswell, 2009). This is normally a difficult criterion to meet for studies of qualitative nature, as it is impossible to freeze a social setting and make it replicable (Bryman and Bell, 2011). This study has a higher probability of being repeated as it is based on a qualitative research method through a survey, where external factors don't have such a significant impact on respondents’ behavior and answers as they would have in a study of qualitative character through interviews. However, it would be ignorant to conclude that the exact same answer would be given if repeating the study. For example, the answers could be affected by many different factors such as time, mood, or anything else that might have an impact on a person's perception in that exact moment. Thus, answers could differ in a repeated study even though the probability is not as high as is the case for qualitative studies based on interviews.
3.7 Limitations

One of the main issues with the study was the ongoing global pandemic of Covid-19. In the beginning the authors have thoughts of performing a qualitative study by collecting data through interviews, as this could be an interesting way of gaining deeper knowledge of how consumers might think of and act to customer reviews when purchasing hotel nights online. However, because of increasingly strict rules from the Swedish government, making interviews would be difficult to perform as this requires physical meetings with people. The authors realized quickly that this would be problematic. An interview is preferable to do physically as the researcher can not only listen to what the respondents has to say, but also gather and interpret information from the respondents’ corporal language (Bryman and Bell, 2011). Having interviews through a video call is possible, however not optimal as you lose the chance of observing the corporal language. Therefore, a comparative research approach based on a survey was preferable as this could be done virtually through the internet.

Even though there are people today who are still booking hotel nights online, it could be argued that a limitation with the study is that people don't travel as much as they used to do before the pandemic. A lot of hotels have gone bankrupt and many of those who have survived do not have as many rooms available to their customers as they used to have before the pandemic started. These are instead temporarily closed because of strict regulations by governments in order to stop the spread of the Covid-19 virus. Therefore, there is a risk that the data collection can be affected by evaluations and actions respondents might not have done recently, instead for a long time ago. According to Kahneman (2011) it can be problematic to study something based on the past as people have to go back in time in their memory and try to remember how they used to do in certain situations. He refers to the “remembering self” which can sometimes be wrong as people tend to think differently after a certain action has been done compared to how they thought in that specific moment. Thus, answers can be biased based on what people have learned from earlier experience and therefore respond to questions in the survey accordingly.
Another limitation with the study is the respondents participating in the survey. Due to the respondents having different nationalities, it could be argued that the target group is not clear. De Mooij (2019) discusses that social norms, preferences, attitudes and behavior can vary a lot between different countries. Trust is another factor that can vary significantly between different cultures (Minkov, 2012). People in one country can have higher trust in strangers than in other countries. People's trust in international and national brands can also vary between different countries (Hofstede et al, 2010). De Mooij (2019) even states that today there is no clear evidence of converging consumer behavior across countries due to their differences. Thus, the answers given by the respondents might not represent a specific target group which could lead to a lower possibility of generalization.

3.8 Ethical Consideration

It is stated that the ethical consideration section of a thesis obtains one of the most crucial purposes in creating an avoidance of the failure to prevent bias, miscommunication, lack of consent, dignity and integrity of the participant and safety in general (Bryman and Bell, 2015). In alignment with this is the fact that the participation of respondents in the research is crucial, their withdrawal from the study is part of their rights and that ethical consideration considers ten points representing the most important principles applied in ethical consideration (Bryman and Bell, 2007). In accordance with Saunders, Lewis and Thornhill (2012), the participants must be informed and stated consent. Informed consent concerns the involvement of the researchers in keeping participants informed and that participants have freely given the decision about whether or not to participate. This choice is made without the exercising of pressure or coercion.

In regard to this thesis, the aim is to uphold the integrity and rights of the participant, whilst preventing any bias in the process of data collection keeping the participants identity anonymous. In avoiding bias, the structure and format of the questions has been created in a clear manner to prevent miscommunication. The safety of the data collection process in the times of Covid 19 are taken into consideration by distributing the surveys online rather than in real life.
4. Findings

In this chapter will be presented the collected data from the survey in the form of different diagrams such as pie charts and bar charts. A short explanation will be presented for each diagram in order to give the reader a clear explanation of what the numbers in the graphs are representing.

4.1 Evolution of online reviews

During the last decade, the way people purchase tourism services have changed dramatically. From purchasing directly through a third party in store, more consumers have turned to third parties established online (Guillet and Law, 2010). These third-party agents have gained great market share thanks to the revolution of the Internet (Lv et al, 2020). Booking.com, Hotels.com and Trivago are a few examples of third-party agents that have gained high popularity among consumers as they provide lots of information about different hotels and especially customer reviews, which have come to play a key role in evaluating between different purchases online (Bao and Chang, 2014). Due to customer reviews’ impact on consumers’ purchase intentions, people have created a more favorable attitude towards third party websites as these are seen to provide more objective information than the hotel-owned websites which can be biased (Morosan and Jeong, 2008; Guillet and Law, 2010). As early as 2015, about 50 percent of all travelers based their travel plans on customer reviews, where star ratings seemed to be one of the most common features which people look at when evaluating between different hotels (Oliveira and Panyik, 2015; Guillet and Law, 2010). Thus, eWOM has through the popularity of online reviews and ratings received a significant amount of attention in regard to its ability to influence the purchase decisions of online consumers when it comes to hospitality literature (Dellarocas et al., 2007).

The following section of this thesis demonstrates the findings and insights gained from the data collection initiative based on a survey. This is in the form of graphs and written text to provide deeper insights to the information available in the graphs and whatever information beyond that was collected. The graphs and charts aim to visualize the findings, simplifying the interpretation and information for the reader. In this study, the sample size consists of 183 respondents to the survey sent out via personal messages on platforms such as Facebook, Email and Instagram. Essentially, this section demonstrates and elaborates upon the results of online hotel booking
consumers trust and consumer behavior in regard to the information available about the hotels through online reviews.

Firstly, a section with demographic questions and charts demonstrating the results can be observed. This is to provide context on who the respondents are and what their personal circumstances are that can help us better conduct a comparative analysis further on. Thereafter, the results based on questions regarding perception of the consumer can be observed. Further down the findings in regard to product offerings and consumer awareness can be observed, this to provide insight into how the consumers are impacted by online reviews and the information provided on hotel booking sites.

4.2 Background

Below are the findings in alignment with demographic questions in which the respondents replied to. These are to gain better insight as to who is a part of this sample and different personal aspects that can help identify patterns in the analysis.

It can be observed that most respondents are between the ages of 18-30, followed by the age groups 31-50. The younger generations have predominantly answered this survey, with most not having children and living in a household either in a couple setting or single as can be observed to the right in Figure 2.

Below it is clear that the gender of the respondents almost resembles an evenly distributed survey between male and females, meaning the results of this thesis aren’t dominated by a
specific gender. Most respondents have some kind of higher level of education when answering this survey, with between 23.5 and 30 percent having a high school level degree or other.

3. What is your gender?

4. What is your educational background?

In Figure 5 it can be observed that most respondents have some form of occupation as only 19.7 percent consider themselves as unemployed. The type of employment with the largest hit rate was Entry level jobs followed by a middle management position. In Figure 6 there were a total of 108 respondents who answered that they typically book budget hotels, whereas 41 percent, consisting of 75 persons, do typically book more luxury hotels. The answers given from the sixth question have a major importance for coming questions, as they help divide the respondents into two different groups.

5. Employment Status?

6. Do you typically book luxury high end or budget hotels?

In Figure 7, it can be observed that 120 respondents were of Swedish nationality, but that the remainder of survey respondents were widespread across multiple nations with Dutch, German, American, South African and Argentina dominating nationality wise.
4.3 Perception

This section of the findings concerns consumer perception and how they experience ratings in different contexts. As this is a comparative study, we observe the difference between those who predominantly purchase budget hotels experience and perception with the perception of those who predominantly answered that they conduct bookings on luxury hotels in the context of being subjected to online ratings.

In order to analyze the data and compare between the two different groups, respondents who usually book luxury hotels have been analyzed separately from those who typically book budget hotels. For example, for every point on the Likert scale, the total number of persons that responded seven for those who usually book luxury hotels were divided by the total amount of that specific group. The same method has been used for those who typically book budget hotels. This makes the findings more accurate and easier to compare between the two groups.

*Figure 8* demonstrates the element of experience of using online ratings between budget hotel bookers and luxury hotel bookers. It can be concluded that there are more budget hotel bookers resonating with levels three to five using online ratings but by level seven there are more luxury hotel bookers having the most experience of using online ratings.
8. What is your experience of using online ratings to make a purchase decision when booking hotels?

![Figure 8](image)

Figure 8 demonstrates the level of trust between budget and luxury hotel bookers have for online rating websites. It can be observed that in general under each degree where one is no trust and seven is full trust, there are less budget hotel bookers resonating with levels two, four, six and seven in comparison to luxury hotel bookers. In its entirety, the findings speak for the fact that most respondents place some level of trust on online rating websites.

9. What degree of trust do you place on online rating websites?

![Figure 9](image)

Figure 9
Figure 10 demonstrates the level of usage in which respondents have for traditional word of mouth (meaning face to face or personal communication and sharing of information) in a comparative manner between the two customer segments. Here it can be observed that there are fewer budget bookers who fully use in combination with level three and five, whereas luxury have more respondents in levels four and six compared to budget. The general trend of the findings shows that there is a usage of traditional word of mouth in both customer segments, leaning towards a more frequent vs infrequent usage of this kind of communication.

10. What kind of degree of usage in a more traditional word-of-mouth do you have?

Figure 11 obtains information about whether budget hotel bookers are more concerned about manipulation of online ratings than luxury bookers. In level one, four and six there are more luxury respondents in regard to degree of concern than budget respondents whereas level two, three, six and seven signals that the budget consumers dominate the luxury consumers. There are no clear indications of whether either luxury hotel bookers or budget hotel bookers are more concerned that online rating are manipulative or manipulated in a biased way. However, because of the quite significant differences in percentage points, when looking at level four and five between the two different groups, it could be argued that luxury hotels bookers in general seem to be more concerned regarding online ratings being manipulated in a biased way. At the same time, looking at level two and three on the Likert scale, there seems to be a small pattern saying that budget hotel bookers are less concerned regarding online ratings being manipulative in a biased way.
11. To what degree are you concerned that online ratings are manipulative or manipulated in a biased way?

![Figure 11](image)

The results in Figure 12 show that the perceived value between the different consumer segments has some similarity, with level five differentiating slightly with more luxury consumers deeming online ratings to be valuable and level seven indicating that more budget consumers place value on the ratings than the amount of luxury consumers.

12. To what degree would you say that you place value on online ratings?

![Figure 12](image)
4.4 Product Offering

The findings of this section concern how the call to action among consumers for hotel products and services is impacted by different factors related to ratings and communication. The charts are also of comparative nature where the difference between the segments can be observed by looking at the different colors in the diagram.

Here, in Figure 13, the degree of impact that eWOM has on the call to action of making a purchase among consumers is observed. It is evident that the differences between the two segments aren’t following a specific pattern but that both segments consider the online ratings to have close to full impact predominantly in levels five and six.

13. To what degree do online ratings impact your decision to book a hotel?

The differences in impact of purchase decision among the segments can be observed in the chart in Figure 14. By looking at this chart, we see that in level six and seven, budget holiday makers seem to feel like online reviews have a high impact on the decision to book, and luxury hotel makers not being as many on these levels. In general, we see a trend that more consumers from both segments feel that online reviews have an impact on their purchase decision when booking luxury hotels.
14. When booking a luxury hotel, how much does online reviews impact your purchase decision?

Figure 14

Figure 15 shows the impact on purchase decisions that online reviews have when booking budget hotels. The graphs seem to indicate the same trend as the previous question, but even more so that consumers from both groups feel like online reviews have an impact on them in their purchase decision. For level six, more budget consumers than luxury consumers felt that reviews had an impact at that level, only to shift the other direction on level seven where there were more luxury consumers who felt the reviews had full impact on their purchase decision.

15. When booking a budget hotel, how much does online reviews impact your purchase decision?

Figure 15
In general, and in accordance with the graph in Figure 16, there were more luxury respondents feeling a negative impact of brand image in relation to negative customer reviews among level five and six. Budget hotel bookers were more when it came to level one, two and three where there was no or little impact on brand image.

16. To what extent do negative customer reviews impact your brand image of a hotel?

![Figure 16](image-url)
4.5 Awareness

This section concerns the level of awareness observed in graph format in which the two different customer segments have in regard to travel and Covid 19 regulations. The two segments are once again compared against one another in the charts making it simplified to see how the levels of awareness differ among the segments.

In the chart below, it can be observed that among level three, five and six, budget hotel respondents seem to have more people resonating on those levels than luxury hotel respondents. On level seven, there are more luxury respondents feeling fully aware of the restrictions concerning Covid 19, this applying to level two and four also. The level in which most respondents resonated with in terms of awareness was level five from both segments.

17. To what extent are you aware and informed of restrictions concerning Covid 19 on these rating websites?

![Figure 17](image)

Observed in Figure 18 is the different levels of effect on purchase intention demonstrated between budget and luxury hotel bookers. There is no specific pattern when looking at the bar graphs as a whole. In level one, four and six, there are more budget consumers than luxury hotel respondents resonating on those levels, vice versa for two, three, five and six where there are more luxury consumers resonating on those levels.
18. To what extent do Covid 19 restrictions and information regarding Covid 19 affect your purchase intention?

Figure 18
5. Analysis

In this chapter will be discussed the different findings collected from the survey. The chapter is divided into three different aspects that are seen as important to discuss separately in order to fulfill the purpose of the study. No graphs will be shown, instead the authors will refer back to the different figures mentioned in the findings section.

5.1 Comparison between the perception of online reviews purchase intention

*Figure 8* - On the whole, the two groups do not differ much in their answers. Respondents, regardless of which group, seem to have a lot of experience with using online ratings when making purchase decisions when booking hotels online. However, there are some interesting differences between the two groups. To begin with, it can be argued that consumers who tend to more often book hotel nights at full-service high-end hotels, in general have more experience of using online ratings in their purchase decisions. As can be seen in *Figure 8*, a higher percentage of these consumers have responded either six or seven on the Likert scale, compared to consumers who tend to book hotel nights at budget hotels. It could be argued that a higher percentage of people booking luxury hotels have responded two on the Likert scale, compared to Budget hotels bookers. However, this is an insignificant difference, and it can be seen that the higher up on the Likert scale, the more respondents who usually book luxury hotels have responded. More budget hotel bookers responded three and four on the Likert scale compared to luxury hotel bookers, telling us that they have a lower experience in using online ratings when booking hotel nights on the Internet.

*Figure 9* - It can also be seen that more respondents who book luxury hotels, tend to trust online rating websites more than those who book budget hotels. In *Figure 9* a higher percentage of respondents who book luxury hotels, have responded six and seven compared to the other group. A small minority of this group seems to have a more skeptical view towards online rating websites. Anyhow, the majority are leaning towards having trust in online rating websites, where almost 98 percent have responded four or more on the Likert scale. A higher percentage of the respondents, representing those who usually book budget hotels, have responded more negatively towards trust in online rating websites. Instead of reaching the same frequency as luxury hotels bookers on answer four, sex and seven in the Likert scale, these have shifted toward a more negative degree of trust in online rating websites by responding especially three
on the Likert scale. About 12 percent of these respondents have answered two and three on the Likert Scale, telling us that one out of ten people tend to place low trust in online rating websites. It could be argued that this group is more skeptical towards online rating websites because of them having less experience with online ratings in general and that these platforms use online ratings as one of their marketing main tools. However, the majority for this group has also responded four til seven on the Likert Scale. Thus, the two groups could be argued to be quite identical in their opinions towards online rating websites.

*Figure 10* - When looking at how the two different groups might differ in their answers regarding traditional word-of-mouth, both seem to find a lot of usage in what people around their circuits (family, friends, relatives) have to say. The pattern in how respondents from the two different groups have answered on the Likert scale are identical and can be seen in more detail in *Figure 10*. Most of the respondents from both groups have surprisingly responded six on the Likert scale, whereas fewer have responded seven. This might state that people tend to not fully use information and recommendations made by people close to them. If not, trying to seek their own information from sources that might give a more objective opinion about certain things. For example, when booking hotel nights, respondents from both groups might tend to look for customer reviews, evaluating them towards opinions from people in their surroundings. When looking at *Figure 10* it is possible to see that a higher percentage of respondents, from the group who tend to book luxury hotels, have responded seven compared to those who usually book budget hotels. The two groups differ by about five percentage points. Instead, the other five percentages of the respondents, representing those who normally book budget hotels, have answered lower numbers on the Likert scale, one, two and four.

*Figure 11* - When analyzing which of the two groups are more concerned whereas online ratings are manipulated in a biased way, not surprisingly people who tend to book luxury hotels seem to be less concerned than those typically booking budget hotels (see *Figure 11*). This can help explain why those people who usually book luxury hotels place more value in online rating websites, as these offer lots of different kinds of online ratings such as star rating and written reviews, and which they seem to trust. A higher percentage for people who tend to book budget hotels have answered six and seven, compared to those who usually book luxury hotels. At the same time, more people who usually book luxury hotels have responded more frequently on both four and especially five, compared to the other group. There are also more people, who usually book budget hotels, that have responded either two or three, compared to the other
group. Thus, this might also suggest that people who usually book luxury hotels are more aware of online ratings being manipulative in a biased way and therefore being more careful when reading through online reviews and more experienced. It could also be argued that respondents who typically book luxury hotels are insecure whether they know that online ratings can be manipulated in a biased way. Thus, answering either four or five on the Likert scale. Because of this, the given answers do not provide a clear view on how the different groups might differ from each other and their concern regarding online ratings being manipulative in a biased way.

Figure 12 - Looking at how much value the two groups place on online ratings, surprisingly a higher percentage from those who usually book budget hotels have answered seven on the Likert scale compared to those who tend to book luxury hotels. However, the difference between the two groups is small. At the same time a higher percentage of respondents from those who typically book budget hotels have answered two on the Likert scale compared to the other group. Looking at level five on the Likert scale, a higher percentage of respondents who typically book luxury hotels have answered this level compared to those who typically book budget hotels. A total difference of about 5 percentage points. This might say that luxury hotel bookers place more value on online ratings than budget hotel bookers. Anyhow, the overall picture when looking at Figure 12 is that the answers between the two groups are quite similar. Thus, the findings once again do not show any significant differences in how the two groups might differ in their answers regarding whether they place different value on online ratings.

5.2 Comparison of product offerings on consumer purchase intention

Figure 13 - In order to see what differences, there might be between the two groups regarding how online reviews might affect their purchase behavior, a question was asked about to what degree do online reviews impact their purchase decision when booking a hotel. What can be seen from the answers is that the patterns are quite identical. Most respondents from both groups have answered either five or six on the Likert scale, with a total of about 73 percent representing those who usually book budget hotels and luxury hotels, respectively. This shows that respondents do actually get influenced by what earlier customer reviews are saying. However, they do not have a full impact on purchase decisions as not many respondents from neither of the two groups have answered a seven on the Likert scale. As we have seen in Figure 12 not many people from either of the two groups have not responded seven on the Likert scale, asking about how much value they place on online ratings. This might be a reason why the majority
have answered five and six on the Likert scale when asking about to what degree do online ratings impact their decision when booking a hotel online.

*Figure 14* - When asking respondents about whether they get influenced by online reviews in their purchase decision in regard to booking a luxury hotel, once again there seems to be an almost identical pattern between the two groups. The majority have either chosen to respond either five or six on the Likert scale, saying that they more or less get influenced by online ratings when choosing between different luxury hotels. What is most interesting by looking at *Figure 14* is that little more than 8 percent of the respondents who usually book budget hotels have answered one on the Likert scale. This might suggest that they expect luxury hotels to have a high standard, thus, not caring too much about what online ratings have to say as they already expect high quality service.

*Figure 15* - Comparing question 14 with 15, where the respondents were asked about how online reviews might affect their purchase decision when booking a budget hotel, an interesting difference was discovered. By comparing *Figure 14* to 15 it is possible to see that most of the respondents’ purchase decisions’, from both groups, are more affected by online reviews when booking budget hotels than luxury hotels. All the answers have shifted more to the right side on the Likert scale. This can especially be seen at how many respondents have answered seven on the Likert scale comparing between the two diagrams, where a higher percentage have answered seven in the latter case when booking budget hotels. This might suggest that people from both groups are more concerned about other people's opinion, as there are more uncertainties involved regarding the standard and service of budget hotels. Thus, they might see online reviews as a way of lowering the perceived risk of booking budget hotels online. The general pattern between the respondents' answers from both groups are similar and there are no clear signs of any differences in opinions regarding online reviews and their impact on purchase decisions when booking budget hotels.

*Figure 16* - When asking about to what extent negative customer reviews impact the respondents’ brand image of a hotel, there seems to be a similar pattern in the answers between the two groups. However, a higher percentage of respondents of those who usually book luxury hotels have answered five, six and seven on the Likert scale. This might suggest that they are more influenced by customer reviews, which is not surprising, as they have earlier shown that they are more experienced with online ratings and that they place more value in online ratings
websites than those who tend to book more budget hotels. Further on, this group has also shown a slightly higher tendency of using traditional word of mouth more than those who usually book budget hotels. It has been argued that eWOM is replacing traditional WOM in a virtual world. Thus, it makes more sense that luxury hotel bookers are more influenced by customer reviews and how they might affect the brand image of a specific hotel.

Further on it could be argued that budget hotel brands might have a higher tendency of being affected by customer reviews than luxury hotel brands. As could be noticed from Figure 14 and 15, there seemed to be a shift to the right side on the Likert scale when asking about how online reviews affect both groups in their purchase decision when booking luxury to budget hotels. If peoples’ perception about a hotel brand image gets affected by customer reviews, and at the same time they get more affected by online reviews when booking budget hotels online, this might tell that budget hotels’ brand image are more likely to be affected negatively by bad ratings and positively affected by good ratings than luxury hotels’ brand image.

5.3 Description of consumer awareness of ratings websites

*Figure 17* - When analyzing which of the two groups are more aware and informed in regard to information about restrictions regarding Covid 19 on these websites, it is clear that both segments of respondents follow the same curve when it comes to awareness. An overall analysis of the graph, it is clear that in general there tend to be more budget respondents resonating with leaning towards being more or fully aware/informed of restrictions on these online booking and rating websites. Level five is where this became most evident as there were a lot more budget hotel segment respondents resonating with this level vs luxury consumers. On the other hand, on level seven it turns to the point that there are more luxury respondents feeling fully aware and informed versus the amount of budget respondents resonating with being fully informed. In this, it can be summarized that there is a general movement towards more respondents resonating with a higher level of awareness in regard to the restrictions regarding the Covid 19 pandemic upon visiting these online booking and rating websites.

*Figure 18* - Demonstrates the level of effect that this information regarding Covid 19 restrictions has on the purchase decisions of respondents. When analyzing the different respondents' answers, there is more of a difference in the pattern and curve of the impact on purchase behavior between the budget respondents and the luxury respondents. Especially in
regard to how similar the curve structure was on the previous figure 17 between the two segments. Here, as a whole, it is clear that to some degree the information regarding Covid 19 restrictions had a level of effect on most respondents in the research of this study. The level of effect seemed to have more respondents leaning towards the restrictions having an effect on impacting their purchase decision in a significant way. Between the two segments, level one and five have about the same percentage of respondents on both sides resonating with the level of effect. Where it differs most dramatically is level six and seven, where on the one hand, level six had more budget respondents selecting the level than luxury only to turn around in level seven showing more luxury respondents feeling a huge effect on their purchase decisions compared to budget consumers. Further on, there is also a big difference between the answers in level two and four. A higher percentage of luxury hotels bookers have responded two, whereas a higher percentage of respondents representing budget hotel bookers have responded four in the Likert scale. Thus, due to inconsistency in how respondents from the different segments have answered on the Likert scale, the curve or line that can be drawn between the bars is sporadic and inconsistent and there is no clear indication or pattern observed when comparing the purchase behavior impacted on budget consumers vs luxury consumers in regard to Covid 19 restrictions on websites.
6. Theoretical Discussion

In this chapter will be discussed the different findings collected from the survey together with previous theories. The chapter is divided into three different parts where findings and analysis of the collected data are discussed and analyzed based on theories from earlier studies.

6.1 The emergence of digital reviews and its effects in comparison to traditional reviews

Based on the analysis section of our research, the most significant findings concluded in concerns to the emergence of digital reviews and its effects in comparison to traditional forms of communicating and sharing experiences are summarized here. It was concluded through Figure 8 that consumers who have a tendency towards booking luxury hotels with full service will have had more experience in using online rating in their purchase decisions retrospectively. In this, studies have previously looked into the impact of online reviews in regard to the tourism branch (Mauri and Minazzi, 2013) but before the research efforts began it was stated that no previous studies regarding consumers reviews and the impact of such online reviews on people degree of trust and behavior within different segments have been conducted. In this, our findings in regard to consumers within the luxury segment having more experience in using online ratings to make purchase decisions is unique. In regard to Figure 9, it was clear that the luxury hotel segment also tends to trust online rating websites to a higher degree than budget hotel bookers. In accordance with (Samuel et al, 2015; Khare, 2020; Amblee and Bui, 2014; Ha, 2004) trust seems to play a major role as a factor on the impact of how consumers make their purchase decisions online. But there was no previous theory discussing the differences in degrees of trust between the segments of luxury consumers vs budget consumers.

In regard to Figure 10, our findings and analysis point to the fact that both segments find higher credibility in what their inner circle has to say in terms of WOM. In this, more individuals from the luxury customer segment responded with a higher degree of usage at level seven than budget consumers did, and most respondents from both consumer segments have responded with level six on the scale and fewer seven in level of usage. This might be an indication that consumers might not utilize all information and recommendations made by individuals close to their full potential, searching for a more objective opinion on their own. This can be connected to the perceived risk when it comes to ecommerce and the element of bias among their relatives being
taken into consideration (Erkan and Evans, 2016). In accordance with Beverley et al (2016),
customer reviews assist in the reduction of perceived risk when purchasing things online. And
if there is higher perceived risk, it leads to a higher level of usage in customer reviews (Bae and
Lee (2011). This is exactly what Bae and Lee (2011) findings showed. According to their study
women seemed to be more affected by online customer reviews than men. The negative effect,
that consumers are influenced by a negative review more than by a positive review, is higher
for women than for men.

In *Figure 11*, the degree of concern that online ratings could be manipulated was researched
between the two segments. The results indicated that people who book luxury and budget hotels
online seem to show a mixed level of concern when it comes to the manipulation and bias of
online reviews. There was no earlier theory that pointed to whether luxury hotel consumers
were more or less concerned about manipulated online reviews than budget hotel consumers.
The findings from this study do not provide a clear picture of whether there is a difference
between the two segments. Thus, the study does not provide any new information around this
concern. However, it could be argued that there exists a small indication towards luxury hotel
bookers being more concerned that online ratings can be manipulated in a biased way. By
looking at *Figure 11* it is possible to see that there is a quite big difference between the two
groups where luxury hotels bookers have responded with a higher frequency than the other
group on level four and five on the Likert scale. This might be explained by this group having
shown a higher experience with customer reviews online. In alignment with this finding is the
theory mentioned above concerning the perceived risk existing when purchasing items online.
In regard to this, it is speculated by the researchers that if consumers use online reviews in a
frequent and confident way, there is more consumer awareness around what reviews might be
biased or manipulated.

In *Figure 12* it could be seen that the results from both groups were quite similar. The majority
of the respondents for both segments seem to place a lot of value on online ratings. This
corresponds with Bao and Chang (2014) who have clearly stated that customer reviews are
today used by many consumers on the Internet. However, there exists a small difference in the
answers where the results are pointing towards, those normally booking luxury hotels, placing
a higher value on online ratings. There are no previous studies stating that consumers of luxury
hotels would see customer reviews as having more value to them, than for those who typically
book budget hotels. Li and Shimizu (2018) and Amblee and Bui (2014) state the importance of
customer reviews and that they are widely used by today’s marketers. This is something that is especially utilized by third party websites within the tourism industry, such as Booking.com, Hotels.com, Trivago and TripAdvisor, who all provide customer reviews and where the consumers interact with them continuously (Guillet and Law, 2010; Oliveira and Panyik, 2015). Therefore, it could be argued that people who typically book luxury hotels, being more experienced with using online reviews and having more trust in online rating websites (which could be seen in both Figure 8 and 9), should be able to distinguish between different kinds of customer reviews and therefore placing more trust and finding them more valuable.

Last but not least, some interesting discoveries can be drawn from the result shown between Figure 10 and 12. When comparing the answers from both groups, there seems to be a higher tendency for respondents to see information provided through traditional WOM as more valuable than online ratings. A higher percentage from both groups have responded six and seven on the Likert scale when asking about their usage in more traditional WOM, than when asking about the degree of value they place in online ratings. These findings do not coincide with previous studies, where customer reviews have been proven to be more influential than friends’ opinions (Erkan and Evans, 2016). Even though a lot of consumers find customer reviews as providing a more objective opinion, the results from this study suggest that traditional WOM are still seen as more valuable and having greater impact on consumer perception. However, online reviews are still seen as valuable which could be seen in this study where the majority of respondents find them valuable, thus replacing traditional WOM in the virtual world.

6.2 The effect of digital reviews on customer behaviors

When observing the findings and analysis of Figure 14 and 15, which concerned the amount in which online reviews had a role to play in there consumer behavior and purchase decision, it was clear that the results might have suggested that the respondents expect luxury hotels to have high standards and therefore in the case of budget consumers purchasing a luxury hotel, they didn’t feel like the online reviews had a significant impact on their purchase decision as 8 percent of budget hotel consumers answered one on the scale of usage. This is an interesting finding and unique to the study as not many previous theories collected suggest this. When comparing question 14 with question 15, there was an interesting difference discovered as most of the respondents, independent of what segment they belonged to, were more affected by
online reviews when booking budget hotels than luxury hotels. For example, it could be seen in Figure 14 that about seven percent from each group had responded seven on the Likert scale, whereas 24 and almost 27 percent from those who typically book budget and luxury hotels respectively, had responded seven on the Likert scale in Figure 15. The researchers believe that it perhaps signals a way of lowering perceived risk when booking budget hotels. This aligns with the theory that online reviews help consumers to reduce the perceived risk of purchasing online (Beverley et al, 2016; Flanagin and Metzger, 2013).

It also aligns with theory given by other studies such as Barber (2014) and Kucukusta et al (2013) who suggest that consumers who are booking hotels typically have different service expectations from different hotel segments, such as budget and luxury. Why consumers normally have a more positive view towards luxury hotels is because these tend to work more with response management, in order to achieve higher ratings and therefore a better reputation (Smith et al, 1999; Liu et al, 2015). Thus, the findings coincide with what previous studies are stating, where brand image seems to have a significant impact in their purchase intentions, as luxury hotels seem to be more trusted. Shafiee et al (2014) got the same results when evaluating customers’ perception of brand image and its impact on consumer purchase intention. What was surprising and new about this was the fact that both consumer segments had the same consumer behavior and way of resonating towards one particular segment of the market. Thus, there were no particular differences in their behavior. This does coincide with Figure 13, where respondents were asked about to what degree online ratings impact their decision to book a hotel. There were no particular patterns, pointing towards any significant differences between the two groups. Both of them seemed to be equally affected by customer reviews when purchasing hotel nights online. Therefore, strengthening the theory about how brand image can change consumer perception and behavior, when comparing luxury to budget hotels.

In regard to Figure 16 and the extent that negative customer reviews impact the respondents’ brand image of a hotel, a similar curve and customer behavior pattern was observed in the answers for both segments. Despite this curve being similar it was clear that a higher percentage of respondents within the luxury segment selected level five and six on the Likert scale, potentially indicating that they were more influenced by customer reviews in being more experienced with online ratings and placing higher value on these ratings than budget hotel bookings. In this, the use of traditional word of mouth among this segment is slightly higher meaning that luxury hotel consumers are more influenced by customer reviews which was an
interesting and new finding of this research initiative. There is a level of alignment here with perceived risk and level of trust, which can be connected to Figure 8 and Figure 9 in the sense that the more used to customer reviews a respondent becomes, the more trust and lowered perceived risk they obtain. This is a direct effect on consumer behavior in relation to the digital reviews.

As could be noticed from Figure 14 and 15, there seemed to be a shift to the right side on the Likert scale when asking about how online reviews affect both groups in their purchase decision when booking luxury to budget hotels. If peoples’ perception about a hotel brand image gets affected by customer reviews, and at the same time they get more affected by online reviews when booking budget hotels online, this might tell that budget hotels’ brand image are more likely to be affected negatively by bad ratings and positively affected by good ratings than luxury hotels’ brand image. The same findings are mentioned by Ha (2004) and Ward and Lee (2000) who’s studies suggest WOM to have a high influence on brand perception. Thus, also conceiving with the conceptual framework, saying that customer reviews have a direct impact on brand image.

6.3 Consumer awareness and behavior concerning Covid 19

Figure 17 indicated that both segments had similar curves when it comes to being informed about Covid 19 restrictions, with the budget consumers spiking on level five of the Likert scale. Their similar experiences of being informed about restrictions could potentially be a result of all booking websites across segments having legislative demands on them to properly inform consumers about corona related issues that might affect their bookings, regardless of the customer segment it concerns. In Figure 18, the question concerned whether these restrictions had any impact on the different segment’s purchase intentions. The curve expresses that both segments have more or less felt that the restrictions in regard to Covid 19 had some or large impact on their purchase decisions and behavior. There wasn’t much of a deviation between the effect in which this information had on the separate segments and there was no clear indication that suggested a specific trend or pattern between the segments. The results were quite sporadic when doing a comparative analysis between the two groups. This in itself is an interesting finding as one could assume that the people included in the budget section would feel more concern and impact on their will to purchase in regard to being informed about the restriction due to the potential of limited cash being the cause for being a budget consumer.
However, as mentioned by Forgas et al (2010) price may not necessarily be the deciding factor of purchasing decisions. Therefore, there might be some other factors that have an impact on why people included in the budget sector are responding similarly to the people included in the luxury sector.
7. Conclusion

The research question “How do online reviews influence purchase decisions within the hotel industry?” in regard to the luxury segment vs the budget segment is the basis and outline of this thesis. Based on the information gathered and results of the survey conducted, some fundamental and interesting differences have been found in regard to consumer behavior between the two segments, also having a potential impact on brand image. This conclusion connects to the purpose of the report in gaining a deeper understanding about the impact that online reviews have on the consumers’ purchase decisions.

The results concluded that both customer segments seem to have more usage for traditional word of mouth than electronic word of mouth. However, electronic word of mouth is still seen as an important tool which is widely used by both groups. Especially when booking hotels online. It was also observed that the brand image of hotels is impacted by online reviews among both segments, proving the theoretical model’s accuracy to describe the relationship between different factors concerning consumer behavior and online reviews. In the comparative elements of this study, it was evident that luxury consumers find customer reviews more valuable aligned with having more experience with online reviews, which may have an impact on their decision making when booking hotels online.

When comparing between the two groups, in how they get affected by online reviews when purchasing either luxury or budget hotel, both seem to be less affected by customer reviews when booking luxury hotels and more affected by them when booking budget hotels. As mentioned above, the results show that peoples’ perception about a hotel brand image gets affected by customer reviews. This points toward the conclusion that budget hotels’ brand image are more likely to be affected by customer reviews than luxury hotels’ brand image. Thus, a budget hotels’ brand image is at greater risk when there exists a lot of negative customer reviews compared to a luxury hotels’ brand image, as consumers perceive a higher risk when booking budget hotels and therefore getting more influenced by online reviews. On the contrary, a budget hotels’ brand image might get boosted more than a luxury hotels’ brand image if there are a lot of positive customer reviews. Because of luxury hotels’ brand image, already being seen as more reliable than budget hotels’ brand image, budget hotels might benefit more from positive customer reviews, while at the same time providing a lower cost.
8. Future Studies

In regard to the potential of future studies being conducted on this study, it would be interesting if further investigation could show how firms respond to the data collected and concluded of this report. How are the hotels within the different customer segments working with elements such as customer response management to improve their operations as a result of eWOM. It would be fascinating if future research could explore whether or not the response management of luxury hotels differ on a practical level to the response management of more budget segmented hotels. Does the accessibility to resources have a direct impact on the different segments ability to perform response management initiatives and if so, in what way? Aligned with this, it would be interesting to know how companies can work with this to strengthen their brands and decrease perceived risk on a detailed and managerial level.

Another element to this would be if hotel management within the budget segment sees the potential impact that online reviews combined with cheap prices has on consumers looking for a getaway. In alignment with this thesis, budget hotels are more affected by online reviews more than luxury hotels, which assumes the fact that if the eWOM for a budget hotel is highly positive combined with affordable booking options, there is a higher chance for the organization to operate with higher profitability. This is as a result of consumer behavior being impacted by lower perceived risk and a more positive brand image. Based on this assumption, the awareness among management in different sectors of the hotel industry would be interesting to conduct qualitative studies around. In this gaining deeper insight to whether or not they take this assumption into consideration and find out more about the organizations perspectives on improving brand image and the general response management.

9. Management Implications

Based on the conclusion of this study, it can be stated that companies need to implement some form of response management in regard to online reviews as they are proven to have a fundamental impact on consumer behavior. In today’s digital world, the resources to improve and develop your services and organization are easily accessible through electronic communication, implying that some form of response from management makes a huge impact on how consumers perceive and associate hotels in which they view online. It would be wise for management of the luxury sector to be aware of budget hotels potentially having the
advantage of pricing and positive online reviews combined, meaning the constant improvement of service and customer experience is essential for the luxury hotels to stay competitive. Also, management should bear in mind that traditional word of mouth has shown to be more valued than eWOM in both segments, meaning that real life interaction still has the upper hand to some degree, forcing them to pay attention to both forms of communication in order to operate at an optimized level.
10. References


### APPENDIX 1

**Survey Questionnaire**

<table>
<thead>
<tr>
<th>Question</th>
<th>1</th>
<th>2</th>
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<th>4</th>
<th>5</th>
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<th>Alternatives</th>
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<td>v What is your experience of using online ratings to make a purchase decision when booking hotels?</td>
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<td>Scale 1-7&lt;br&gt;No experience - A lot of experience</td>
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<td>v What degree of trust do you place on online rating websites?</td>
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<td>Scale 1-7&lt;br&gt;No trust - Full trust</td>
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<td>v What kind of degree of usage in a more traditional word-of-mouth do you have?</td>
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<td>Scale 1-7&lt;br&gt;Never use - Always use</td>
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<td>v To what degree are you concerned that online ratings are manipulative or manipulated in a biased way?</td>
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<td>Scale 1-7&lt;br&gt;No concern - Fully concerned</td>
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<td>v To what degree would you say that you place value on online ratings?</td>
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<td>Scale 1-7&lt;br&gt;No value is placed - Considered very valuable</td>
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<td>v To what degree do online ratings impact your decision to book a hotel?</td>
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<td>Scale 1-7&lt;br&gt;No impact on decision - Full impact on decision</td>
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<td>Question</td>
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<td>When booking a luxury hotel, how much does online reviews impact your</td>
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<td>purchase decision?</td>
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<td>purchase decision?</td>
<td>No impact</td>
<td>- Full impact on decision</td>
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<td>When booking a budget hotel, how much does online reviews impact your</td>
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<td>purchase decision?</td>
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<td>purchase decision?</td>
<td>No impact</td>
<td>- Full impact on decision</td>
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<td>To what extent do negative customer reviews impact your brand image of</td>
<td>1-7</td>
<td>a hotel?</td>
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<td>a hotel?</td>
<td>No impact</td>
<td>- Full impact on brand image</td>
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<td>To what extent are you aware and informed of restrictions concerning</td>
<td>1-7</td>
<td>Covid 19 on rating websites?</td>
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<td>Covid 19 on rating websites?</td>
<td>Not aware</td>
<td>- Fully aware/informed</td>
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<td>To what extent do Covid 19 restrictions and information regarding Covid</td>
<td>1-7</td>
<td>19 affect your purchase intention?</td>
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<td>19 affect your purchase intention?</td>
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<td>- Huge effect</td>
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<td>Demographic questions prior to survey</td>
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<td>What is your age?</td>
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<td>18-30 / 31-50 / 51-60 / 61 or more</td>
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<td>How many family members are there in your household?</td>
<td>Single /</td>
<td>Couple / One Child / Two children / More</td>
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<td>v</td>
<td>What is your gender?</td>
<td>Male / Female</td>
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<td>v</td>
<td>What is your educational background?</td>
<td>Bachelor’s degree / High School / Master’s degree / Ph.D. or Equivalent / None of the above</td>
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<td>Employment status?</td>
<td>Entry level / Middle Management / Unemployed / Senior Management / Other</td>
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<td>v</td>
<td>Do you typically book luxury high-end or budget hotels?</td>
<td>Budget/Luxury</td>
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<td>What is your nationality?</td>
<td>Open field answer</td>
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