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Online Consumer Herding Behaviors in the Hotel Industry

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ABSTRACT

The emergence of the Internet brought changes to traditional Word-of-Mouth Communication (WOM). Consumers are able to share and exchange opinions with anyone in the world, while WOM has customarily resulted from face-to-face relationships. Online portals allow individuals to purchase books, movie tickets, and music CDs as well as hospitality services. Those consumers made purchase decisions based on other customers' opinions on the Internet). Consumers feel safer subscribing to opinions stated by the masses because people try to imitate others' behaviors when there is not enough information. This phenomenon is called herding behavior. Many social media Web sites offering hotel rooms and travel amenities provide online platforms which consumers communicate with others who have information or previous experiences about the hotels. In this paper, the relationship between quantity of consumer reviews and online consumer purchasing intention in the hotel industry is tested.

Keywords: *Marketing, Herding, Consumer behavior, eWOM, Hotel Industry*

INTRODUCTION

Traditional Word-of-Mouth (WOM) has been recognized as an effective marketing tool that has a significant impact on customer behavior. In many ways, the emergence of the Internet means consumers are now creating and spreading marketing information for various companies. Providers and consumers have become highly connected with the Internet environment. Therefore, user-generated- marketing information should be considered an important marketing tool in the hotel industry. The purpose of this study is to find out the way consumer purchase

decisions are being influenced by online herding effects and User-Generated Content (UGC) in the hotel industry.

Online herding effects occur when consumers, in an online environment, are confronted with the articulation of preceding customers' or expert experiences. Factors which are influenced by online herding effects are sales volume communication or positive and negative number of consumer reviews. Social Impact Theory will be applied in this study to verify online consumer herding behaviors.

THE HOTEL INDUSTRY

Hotel products and services are intangible, meaning of purchase decision is highly emotional and difficult to replicate. In an effort to make the most informal decision, other consumers' opinions play a significant role. Many online room reservation companies provide descriptions of hotels that allow consumers to make reservations using the Internet (Yeh, Leong, Blecher, & Hu, 2005). Those companies also provide online platforms through which hotel guests are able to communicate about hotels with others. With the Internet, consumers can search information about hotels without temporal or geographic restraints, and it is easy for management of hotels to interact with customers. Thus, hotel companies have shifted marketing strategies from traditional channels to Internet-based customer retention since the use of the Internet in the customer interaction process is growing at a fast pace (Kim, 2007).

ELECTRONIC WORD-OF-MOUTH (eWOM)

Electronic Word-of-Mouth (eWOM) has many similarities to traditional Word-of-Mouth (Goldsmith & Horowitz, 2006). Consumers seek hotel product or service information from other people who have had an experience with the products or services (Kim, 2007). Hennig-Thurau and Walsh (2003) examined the relationship between eWOM motives for searching consumer reviews and the impact these have on consumer online behavior. From previous research, the authors defined eight theoretical motives for seeking consumer reviews: risk reduction, decrease in search time, learn how a product is consumed, examine new product, determination of social position, dissonance reduction, remuneration, and belonging to a virtual community. Based on Hennig-Thurau and Walsh's (2003) study, consumers seek opinions on the Internet to reduce risks, which helps them make better purchasing decisions and save time.

Social Impact Theory

Consumers follow the previous behavior of others and disregard their own information. Such imitative behavior can be derived from rational inferences based on the decision information of others that dominates individual signals (Anderson & Holt, 1997). It will reduce risk when consumers make a decision on purchasing products or services. In addition, consumers will be influenced by majority of other consumers' opinion whether it is positive or negative.

Bibb Latané (1981) developed the social impact theory, the theory explains when other people are the source of impact and the individual is the target, impact should be a multiplicative function of the strength, immediacy, and number of other people. Furthermore, impact should

take the form of a power function, with the marginal effect of the Nth other person being less than that of the (N-1)th. When other people stand with the individual as the target of forces from outside the group, impact should be divided such that the resultant is an inverse power function of the strength, immediacy, and number of persons standing together. In this study, the number of respondents will be applied to develop the model proposition.

HERDING BEHAVIORS

The information cascade makes consumers follow previous consumers' opinions (Van Dam, 2009). Consumers are influenced by a majority of other consumers' opinions, whether those are positive or negative. People also trust that other consumers have better information than they have. Thus, given that consumer's trust what the majority endorses, consensus could influence consumers in interpersonal communication more than non-consensus information (Deutch & Gerard, 1955; Pincus & Waters, 1977). A large number of consumer online reviews may represent the popularity of the products. Thus, it is reasonable to connect the number of reviews and number of products sold (Park et al. 2007).

Latane (1981) mentioned number refers to the quantity of social forces present, thus more sources trying to influence a target (e.g. ten friends) will generate a better result, compared to fewer influences (e.g. one friend). Park et al.'s (2007) examined the number of consumer reviews and consumer purchasing intention with portable multimedia player. Park et al. (2007) separated the quantity of reviews by few and moderate. Based on Park et al. (2007) study, when people buy products online, consumers generally read five or six reviews of three or four lines each. Park et al. figured out one was "few level of reviews" and six was chosen as "moderate level of review" for review quantity.

Two hypotheses are derived from the Latane (1981) and Park et al.'s (2007) studies about eWOM and the herding effect.

H1a: There is relationship between moderate volume of positive reviews and consumer purchasing intention in the hotel industry.

H1b: There is relationship between few positive reviews and consumer purchasing intention in the hotel industry.

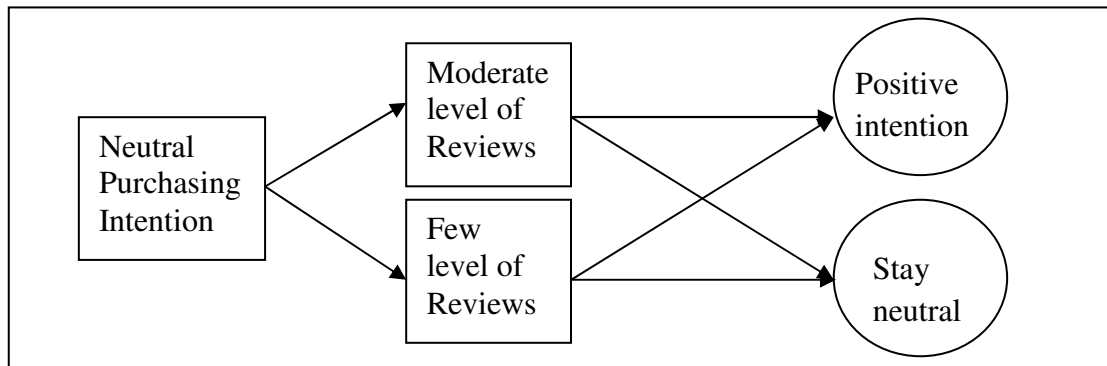


Figure 1. Theoretical Framework

DEPENDENT AND INDEPENDENT VARIABLES

A 2 (quantity of reviews: few and moderated) × 2 (purchasing intention: positive and neutral) model based on Park et al.'s (2007) study was developed. It will test how quantity of consumer reviews has an impact on consumer decision making. The result will show whether guests change their mind or stay neutral based on the number of reviews. Forty positive consumer reviews about hotels will be created based on real reviews since this study is focused on positive consumer information. Participants randomly will be given two sets of consumer reviews and answer the questionnaire. Purchasing intention will be measured with six items and quantity of reviews will be measured with two items.

MEASUREMENT

All items will be measured using a 5-point Likert scale. The research will focus on relationships between the quantity of consumer reviews and consumer online purchasing intention in the hotel industry. This study will apply convenience sampling because it is impossible to gain access to the population to be studied. The millennial generation, who is target population, will be the target population. We will develop the survey questionnaire using Qualtrics, and 200 responses are expected. The initial survey will be developed from the literature and modified to fit the hotel industry. Factor analysis and linear regression analysis will be employed using PASW 18.0.

CONCLUSION

Hotel products and services are intangible. Consumers are highly depend on others opinions when consumers make purchase decisions. Consumers are able to think large amount of reviews as large sales of products. It will stimulate potential buyers of hotel products and services. Hotel managements need to encourage guests to generate positive customer reviews online. As it may help to reduce marketing costs and lead to a positive reputation in the market.

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