

# The Impact of Online Reviews on the Choice of Holiday Accommodations

Katia Laura Sidali,  
Holger Schulze, and  
Achim Spiller

University of Göttingen  
{Katia-Laura.Sidali, H.Schulze, A.Spiller}@agr.uni-goettingen.de

## Abstract

In order to reduce information asymmetries in the tourist industry, consumers refer to multiple information sources. Among these, e-reviews are supposed to better reflect quality of information because they are based on consumers' past experiences. The first purpose of this study is therefore to test within an experimental design whether e-reviews have a predominant or a complementary role on consumer behaviour in comparison with other sources of information (hotel rating system, travel guides and recommendations of travel agents). As expected, e-reviews are the most referential information source. We further use a causal model in order to detect the determinants of trust in e-reviews, and we can show that perceived expertness of e-reviews, credibility of the e-platform and brand familiarity explain more than 60% of trust in e-reviews. The final part of the analysis is dedicated to our third research purpose which is the measurement of the impact of trust in e-reviews on choice of accommodations. A significant and positive influence can be demonstrated. Hence, scientific and managerial implications are discussed.

**Keywords:** e-reviews, experimental design, e-WOM, information asymmetry, trust.

## 1 Introduction and objectives

With the advancement of information technologies, increasing numbers of travellers are using the Internet to seek destination information (Litvin, Goldsmith, & Pan, 2008). Each time consumers articulate themselves on the Web their output is referred to as electronic word of mouth (e-WOM). Many authors agree that e-WOM "has empowered the consumers" (Niininen, Buhalis, & March, 2007) by allowing them to access "more accurate, up-to-date information about products" (Kucuk & Krishnamurthy, 2007). Thus, e-WOM has entered into the array of quality information sources.

Nevertheless, research on the impact of e-WOM on consumer behaviour has only recently begun. An important contribution is the study of Hennig-Thurau (2005) who points out that behavioural relevance of customer articulations very much depends on the motives of readers. Furthermore, Nikolaeva and Sriram (2006) state that the influence of e-WOM on behaviour varies according to the purchased product as well as to the number of available alternatives. The impact of e-WOM is shown by Litvin, Goldsmith and Pan (2008) on the creation of destination images; whereas the study of

Harris Interactive & Fleishman demonstrates that for the purchase of electronic flight tickets, other online information sources (i.e. search engines for price comparison) display the strongest influence (www.harrisinteractive.de [July 5, 2008]).

This study focuses on e-reviews (a subset of e-WOM) which are online consumers' product-related articulations. According to many authors e-reviews have a high information content. However, an issue which has not yet received enough attention in the literature is whether they have a predominant or a complementary role on consumers' behaviour in comparison with other information sources. Accordingly, the first purpose of our analysis is to detect, within an experimental design, whether e-reviews are more frequently chosen as a quality criterion for choosing a hotel than other information sources such as hotel rating system, reviews in travel guides and travel agency recommendation. Furthermore, our second aim is to analyze the structure of e-reviews. Here the focus is to understand what turns e-reviews into a trustworthy information source. Hence, the determinants of trust in e-reviews are explored. The third purpose of our analysis is to measure the impact of e-reviews on the decision of booking an accommodation. Both the second and the third purposes are reached through the development of a causal model.

## **2 Literature review and conceptual framework**

As mentioned above, the first aim of this study is to empirically determine which information sources are preferred by consumers in order to book a hotel in an environment with multiple sources of quality information.

In order to develop an appropriate experimental design, the information theories have been reviewed. These are generally developed to better understand and explain information flows on the market as well as to detect asymmetric information. The latter implies that customers cannot precisely assess a product's quality before purchasing it (Clerides, Nearchou, & Pashardes, 2003), which causes market inefficiencies (Akerlof, 1970).

Since the tourism industry is characterized by a large degree of asymmetric information, many scholars have explored ways in which the market environments can sustain equilibria. Clerides, Nearchou and Pashardes (2003) studied the case of tour operators who attempt to signal quality by providing a self-developed hotel rating scale. In this way, customers are provided with the possibility of comparing the conventional hotel rating with the one constructed by tour operators. Other mechanisms which rectify information asymmetries on the market embrace the screening of consumers toward other consumers' activities, i.e. suggestions by friends/relatives or reading e-reviews are an extremely useful benchmark for information search and purchase of products (Kucuk and Krishnamurthy, 2007).

According to the existent literature, the more reliable sources of information are advice from friends and relatives, tourist guides, professional or specialized consultants, radio, television, etc. (Gittelson & Crompton, 1983; Nolan, 1976). More