



Article Title

The influence of internet customer reviews on the online sales and prices in hotel industry

Citation

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Abstract

In this paper, the impact of two service quality metrics (star rating and customer rating) on hotel room sales and prices was investigated. Two of the most popular tourist destinations in the world, Paris and London, were chosen. It was found that a higher customer rating significantly increases the online sales of hotels. The study results show that a 1% increase in online customer rating increases Sales per Room up to 2.68% in Paris and up to 2.62% in London. Contrary to expectations, higher stars do not increase the sales. It is also shown that higher customer ratings result in higher prices of the hotel and the prices of high star hotels are more sensitive to online customer ratings.

Methods

The data was used from one of the biggest online hotel web booking site: www.booking.com. From this website, the information was gathered on hotel star, region of the hotel in the city, room price per night, average customer rating, number of hotel rooms and number of customer reviews. Data was collected at the beginning of January 2009 and at the middle of May 2009, and the average values of price and customer rating were computed for the final data set.

Results

Specifically, the results show that a 1% increase in online customer ratings increases Sales per Room up to 2.68% in Paris and up to 2.62% in London. Contrary to expectations, a higher star does not increase the sales.

Conclusion

Hotel managers should focus more on increasing their customer ratings. The breakdown of the customer rating score and written comments can guide a hotel manager about the possible improvement points of hotel services. The models developed in this paper can also help customers in the hotel selection process in order to evaluate hotels by comparing the average price of the hotel with the actual price charged to the customers.