



Article Title

How Word-of-mouth Moderates Room Price and Hotel Stars for Online Hotel Booking an Empirical Investigation with Expedia Data

Citation

Wang, M., Lu, Q., Chi, R. T., & Shi, W. (2015). How word-of-mouth moderates room price and hotel stars for online hotel booking an empirical investigation with Expedia data. *Journal of Electronic Commerce Research*, 16(1), 72.

Abstract

Information cues about products influence consumer purchase decisions. Online review can enhance communication among consumers while affecting consumer perception by increasing awareness and reducing uncertainty. However, little is known on how Word-of-Mouth (WOM) and information cues interact, especially on experience goods like hotel rooms. To bridge this gap, we analyze data collected from Expedia.com and use actual booking numbers to measure sales performance instead of proxy approaches employed by previous researches. This research investigates the negative effect of WOM on information cues, namely room price and hotel star rating, to hotel online sales performance.

Methods

The data for this study is collected from Expedia.com. Expedia is a leading online travel service provider and operates localized websites for travelers in many countries. Using data collected from Expedia.com will provide a good understanding of the overall hotel industry.

Results

Researchers have confirmed that room price and hotel star rating can have negative and positive impacts on hotel online booking respectively. If hotels receive positive WOM, their online sales performance is less likely to be influenced by room price and star rating. However, for hotels receiving negative WOM, their online sales performance is more likely to be influenced by room price and star rating. These findings will help researchers and industry practitioners better understand the impact of online WOM in an electronic commerce context.

Conclusion

The objective of this research is to investigate the moderating effect of WOM on room price and star rating to hotel online sales performance. We select hotels located in Detroit as our data sample, and collect basic hotel information along with consumer reviews on Expedia.com. We extend WOM literature by using the hotel's actual booking numbers as the dependent variable, and confirm that room price and hotel star rating have negative and positive impact on hotel online booking, respectively. The results also reveal that WOM moderates the effect of room price and star rating on hotel booking negatively. The online sales performances of hotels with more or better WOM are less likely to be influenced by lower price or higher star rating. The

findings from this study can benefit both researchers and practitioners in understanding consumer decision making process and in devising marketing strategies such as pricing and promotion plans.