



Article Title

Tourists' willingness to pay for an accommodation: The effect of eWOM and internal reference price

Citation

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Abstract

Understanding the determinants of consumers' willingness to pay (WTP) is an important challenge especially for practitioners. This study evaluates the effect of external information and internal information on consumers' WTP for an accommodation.

Methods

The data collection relied on a web-based survey, sent to a national consumer Internet panel. The stimuli comprised a screenshot of a fictional infomediary site, designed to mimic the user experience of booking accommodations. We imposed two necessary conditions for participation in this experiment, using two screening questions. First, participants needed to have booked accommodations online at least once in the previous two years. Second, they should have searched for accommodation information online, which helped ensure that they would be familiar with the stimuli. We received 944 completed questionnaires, 930 of which were valid.

Results

The findings suggest some interesting relationships. First, valence has a positive, direct effect on WTP. When consumers are exposed to services that invoke positive reviews, their WTP increases. Our findings extend these results to demonstrate that eWOM influences not just hotel choice or perceived value but also the price they are willing to pay. Second, we find a moderating effect of volume, such that it strengthens the effect of valence on WTP.

Conclusion

The results of an online experiment (n = 766) show a direct effect of valence on WTP which is strengthened by both volume and the internal reference price. Consumers with high reference prices are more sensitive to the effect of an increase in valence. Moreover, internal reference price has a non-linear influence on WTP. The findings suggest the relevant role of eWOM as

well as internal reference price in determining consumers' WTP. The inclusion of these two variables in dynamic pricing strategies could lead to greater benefits for hospitality managers.