

Article Title

Investigating the impact of online word-of-mouth on hotel sales with panel data

Citation

By: Lu Qi; Xiao Lei; Ye Qiang. In: 2012 International Conference on Management Science & Engineering 19th Annual Conference Proceedings Management Science and Engineering (ICMSE), 2012 International Conference on. :3-9 Sep, 2012

Abstract

With the rapid growth of online booking channel in hospitality industry, the impact of online word-of-mouth on hotel sales has become a popular topic among researchers and practitioners. Prior research mainly focuses on experience goods such as books and movies, and the results are inconsistent. To bridge the gap, we conduct an empirical study to testify how the average and variance of customer review impact hotel sales and further identify the moderating effect of hotel star ratings on this process. We collect panel data from a major travel service website in China, Elong.com, and reveal that both average rating of customer review and its variance have a positive impact on hotel sales. Besides, the average rating of customer review is more important for hotels with higher star ratings.

Conclusion

The results of this research reveal that both reviews' average rating and variance have a positive impact on hotel sales. Hotels with higher ratings are more favorable to customers. The positive and negative reviews are both important, providing more information for potential customers, thus higher variance of review also have a positive effect on overall hotel sales. Hotel star rating plays a moderating role on the effect of average rating to hotel sales. Higher review ratings from customers are more important for hotels with higher star ratings. But hotel star rating has no such effect on the variance of review ratings.

A few limitations do need to be highlighted. First, the number of reviews are used to represent hotels' actual sales, which may cause information distortion, and influence the results. Also, more factors can be introduced as control variables in the future study, for example location, real time price data, and etc.

An equal opportunity, affirmative action institution