ROLE OF ELECTRONIC WORD-OF-MOUTH (eWOM) IN ONLINE BOOKING

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Abstract

The purpose of the study is to identify the role of Electronic Word of Mouth (eWoM) in online booking. The study identifies the difference between traditional word of mouth and electronic word of mouth. The study discusses the components of electronic word of mouth. The key components of electronic word of mouth are Rating Valence, Text-review, Volume of reviews, Source identity indicator and Helpfulness indicator. The electronic word of mouth has been recognized as one of the most important information sources in the industry. It not only affects consumers' decision-making process but also influences performance and profitability.

Key Words :

Word of Mouth, Electronic Word of Mouth, Online Review and Consumer Behaviour

I.   Introduction

The Internet has created a new form of global networked communication that many marketing scholars called "Electronic World-of-Mouth (eWOM)", which can be defined as an "person-to-person and informal communication between a perceived noncommercial communicator and a receiver about a product, a brand, an organization, or a service" (Harrison-Walker, 2001). Wu and Wang (2011) referred eWOM as the knowledge exchange that consumers carry out online. eWOM is defined as any positive or negative statement made by prospective, real, or former customers about a product or brand or company that is made available to people and institutions through the Internet (Henning-Thurau, Gwinner, Walsh and Gremler 2004). Based on the virtual communities creating by the Internet, consumers are able to create their social networks with people they have never met in person and exchange their opinions about the products and services with other people (Dellarocas, 2003). According to Lopez and Sicilia (2014), these web channel platforms which include blogs, review sites, social network sites and forums, have changed the channels to transmit information between the senders and receivers in traditional WOM completely.

In WOM, the transmittance of information occurs in a simultaneous and bidirectional conversation between source and receiver, whereas in eWOM, the conversation does not have to be simultaneous and bidirectional. In addition, the information in eWOM usually appears in written form which is able to display in a longer period of time. Unlike traditional WOM, the source and receiver in eWOM do not usually know each other and most of the time the source is perceived as anonymous (Jalilvand et al., 2011; Qiu et al., 2012). The receiver in eWOM is able to decide whether or not to response the source (Lopez & Sicilia, 2014). From the capability of eWOM communication it is noted that the permanence of the opinion has increased the level of information exchange comparing with the offline WOM (Hennig-Thurau et al. 2004). Moreover, according to Chan and Ngai (2011), eWOM can be considered as the expansion of traditional interpersonal communications in the new technology era.

II.   Electronic Word-of-Mouth Systems (eWOMS)

Electronic Word-of-Mouth Systems (eWOMS) are considered one of the main technological supporting of eWOM, just like other decision supporting system but it's prime focus is on products or services that buyers and sellers offered on the internet platform (Yoon 2008). In fact eWOMS allow individuals to share their opinions as well as their personal experiences regarding their assessment on quality of the products or services they have consumed. Further, they also evaluate or recommend those products as well as services in the form of customer's reviews or user's ratings on the net.   At the same time, it also provides information to everyone to read opinions and experiences of other consumers relating to a wide range of product and service categories. Contributions on eWOMS usually include both a content of a consumer's experience with a product and a formalized rating of that product. As a result, readers have the opportunity to assess the quality and trustworthiness of individual contributions with the products or services along with their ratings (Hennig-Thurau & Walsh, 2003).

a.   Examples of Feedback Systems and Score Rating Methods

Sl.No	Website	What is rated	Who Rates	How Rated
01.	Trivago	Hotels	Users	Average of 5 scaled ratings with detailed comments on 1 to 5 scale
02.	Tripadvisor	Hotels	Users	Average of 5 scaled ratings with detailed comments on 1 to 5 scale
03.	Cleartrip	Hotels	Users	Average of 5 scaled ratings with detailed comments on 1 to 5 scale
04.	Expedia	Hotels	Users	Average of 5 scaled ratings with detailed comments on 1 to 5 scale
05.	OYO	Hotels	Users	Average of 5 scaled ratings with detailed comments on 1 to 5 scale
06.	MakeMyTrip	Hotels	Users	Average of 5 scaled ratings with detailed comments on 1 to 5 scale

From the existing literatures, eWOMS was interpreted in variety of terms such as web reviews (Kuehl, 1995), reputation systems (Resnick et al., 2000; Standifird, 2001), online reputation system or online feedback systems (Ba & Paul, 2002), digital WOM (Dellarocas, 2003), virtual opinion platforms (Walsh, 2003 & Hennig-Thurau), electronic reputation or feedback mechanisms (Bolton et al., 2004), word-of web (Davis, & Weinberg 2005), feedback text comments in online marketplace (Dimoka, & Pavlou 2006), online product reviews (Dellarocas et al., 2007), consumer-

opinion web sites (Pollach, 2008), online customer reviews (Bradlow, & Lee 2011; Schuff, & Mudambi 2009; Lee, 2007), online recommendation system (Jiang et al., 2010; Steyn, 2009), online reviews (Dellarocas et al., 2010), online WOM (O'Reilly & Marx, 2011).

III.   Traditional WOM and eWOM

Although from the study of Keller and Berry (2006) found that around 90 percent of WOM communication was actually offline, many recent marketing practitioners and scholars (eg. Chan & Ngai, 2011; Cakim, 2010; Prendergast et al., 2010; Lee & Youn, 2009) believed that eWOM would play an important role for consumers to rely on as a source of information in the near future due to the growing of the Internet users. Yoon (2008) noted that eWOM is very similar to traditional WOM in many perspectives particularly in the fact that both of them provide person-to-person recommendations. In the study of Hennig-Thurau et al. (2004), they found that there are many factors that engage consumers to contribute in online forum and motivate them to participate in eWOM. They also claimed that those findings from eWOM participants present the similar set of motivation as traditional WOM participants. It suggests that eWOM mechanisms act in the same perspectives on consumers as traditional WOM. However, Bickart and Schindler (2001) argued that eWOM has greater credibility, clearer relevance, and a better ability to evoke empathy to customers than marketer-created source of information. Since people always seek information from various sources in order to minimize uncertainty in decision making process, the information-intensive, intangible, and impersonal characteristics of eWOM environments are able to reduce uncertainty when an individual tries to make a purchase decision. (Haubl, G. & Trifts, 2000). Yoon (2008) pointed out two notable differences between eWOM and traditional WOM that include the identity of information sources and the amount of informative availability related to the products and services. Consequently, understanding the differences between eWOM and traditional WOM is essential because the activities, characteristics, components and natures of eWOM and traditional WOM are different.

Offline WOM requires face-to-face contact with a two-way communication within a social relationship. Under this condition, the message can reach through the receivers only by a chain or tree of correspondents (Lau & Ng, 2001) which limits the availability of the information within the social boundaries of each individual (Yoon, 2008). eWOM, on the other hand, is able to diffuse message faster due to it's potential on spreading an initial message through the Internet-based media (Prendergast et al., 2010) as Dellarocas (2003) described that eWOM utilizes the bidirectional communication and unlimited reach of the Internet to share opinions on a one-to-world platform rather than a one-to-one platform.

Bickart and Schindler (2001) added that offline WOM communication consists of spoken words exchanged with one friend or relative in a face-to-face situation, whereas, eWOM usually involves personal experiences and opinions transmitted through the writing words. The advantage of the written words is that people can seek information at their own pace and revisit written communications whenever and as often as they choose. Writing may also pass on the information with lot more clarity, and make the information appear more formal.

The amount of information available related to the products and services in eWOM is far greater than in traditional WOM. For a popular product, there may be several hundred available product reviews in eWOM whereas the availability in traditional WOM is limited with an individual's social boundaries (Yoon, 2008). Furthermore, Varadarajan and Yadav

(2002) described the differences of offline WOM and eWOM in the fact that the latter (eWOM) provides many more sources of credible/neutral information; offers more extensive amount of information available to buyers in term of price and non-price attributes of completing product offerings; reduces information asymmetry between seller and buyer; decreases buyer reliance on proxies without information on product quality; provides greater ease of information search; give better quality of information; offers greater organization and structuring of information; presents better ease of comparing and evaluating alternatives in the buyer's consideration set.

(i)   The Differences between Traditional WOM and eWOM

Sl.No	eWoM	WoM
1.	Impersonal/ Online	Personal/ Face-to-face
2.	Many-to-many	One-to-one
3.	Indirect interaction	Direct interaction
4.	e-mail, text chatting, blogs	talk, telephone, meeting
5.	Unilateral or bilateral communication	Bilateral communication
6.	Asynchronous or Synchronous Communication	Synchronous communication
7.	No geographic limitation	Geographic limitation
8.	No Social boundaries	Social boundaries
9.	Anonymous & Identifiable	Identifiable
10.	Direct observation	Indirect observation
11.	Measurable	Immeasurable
12.	Timeless	Short-lived
13.	Planed and effortless	Spontaneous
14.	Easy to transmit/forward	Difficult to transmit

As highlighted, there are many differences between offline WOM and eWOM. As such, it is conclusive that some practical theory and theoretical knowledge of offline WOM may not be appropriate and effective when apply to eWOM. Therefore, in order to create an effective eWOM, the marketing researchers need to identify and understand the effect of each perspective of eWOM on consumer purchase decision-making behaviors.

IV.   The Components of eWOMS

a.   Rating Valence

Rating valance refers to numerical ratings evaluated by individuals who have already experienced the products or services. eWOMS are capable of computing, rating valence by dividing summed rating scores by the number of raters automatically (Tsang & Prendergast,

2009b). The display of rating valence in eWOMS is different form websites to websites. However, Yoon (2008) noted that it could be divided into two types, namely, overall rating display and overall rating display with more granular attributes ratings.

For the rating valence, according to Tsang and Prendergast (2009a), it is common to see ratings given as final conclusion from text-review in many displays such as grades, marks, stars, and thumbs up or thumbs down. In case of the film's industry, movie review usually shows text-review together with the rating system (e.g. given stars) that can be assumed as a summary of the text-review and other point of views (Tsang & Prendergast, 2009b). Moreover, Eliashberg and Shugan (1997) found that rating system plays an important role in movie sale forecasting. The market success of a movie increases with the critics' ratings at higher level of quality. In film industry, star is commonly used as rating valence. Basuroy et al. (2003) noted that positive star rating affects a film's financial success in initial sales and it could help to reduce the effects of negative critic reviews. As a result, the rating system has been adopted as one of the product review tools and become very popular among online firms.

In the study of Chevalier and Mayzlin (2006), they discovered that positive valence increased book sales in Amazon.com and BarnesanNoble.com while negative valence decreased sales. They also noted that the impact of one-star reviews had a greater impact of five-star reviews. On the other hand, some literatures did not show whether rating valence has any impact on sales or not (Senecal & Nantel, 2004; Tsang & Prendergast, 2009b). Tsang and Prendergast (2009b) argued that the ratings are only a summary of the text valences which can be viewed as single-dimension aspects of product quality. In-fact their investigation threw some lights on inconsistent review and rating valences. And they found that people respond more to text-review than rating valence. Therefore, Tsang and Prendergast (2009b) stated that nature of rating does not present enough information to affect consumer perception.

b.   Text-review

Product's text-review is one of the most popular components of eWOMS. People utilize it to find out more product information on the Internet before they make purchasing decision. People in general prefer to scrutinize others' opinions towards the product in order to reduce uncertainty risk because others' opinions represent indirect experience on many sensory aspects (West & Broniarczyk, 1998). In addition, product text-review is an influential driver of consumer satisfaction and loyalty, especially in the increasing environment of virtual online community allowing people to easily share their ideas through online forums, fan clubs and user groups. In one survey, half of the respondents viewed customer product reviews before they decided to purchase from a major online shopping website. Their satisfaction with the online shopping experience was five percent greater than other participants who did not view product reviews. Moreover, product review also provides wider array of options that gives an opportunity for unfamiliar products to be chosen by the customers (Solomon, 2009, p.345).

Pavlou and Dimoka (2006) found out that qualitative text-reviews were ignored in many literatures because those studies were mainly focused on the numerical rating valence that came along with text-reviews. However, Chevalier and Mayzlin (2006) argued that text-reviews comparing to the average star-ranking summary provided by the web sites, contain more fine-grained, complete and comprehensive information about the quality of the product that cannot be conveyed by numerical ratings.

Yoon (2008) presented some reasons why text-review should be considered in the study of eWOM. Firstly, the text-comments contain providers' post-consumption information that cannot be translated into a rating valence. Secondly, although websites allow customers to rate on many aspects of product or service attributes, text-review can contain attribute information more than those provided aspects. Thirdly, since text-review and rating valence are subjective, rating valence on a scale may have different meaning when comparing to the text-review (e.g., rate three-star rating, but very positive text comments). Lastly, under the condition of a very small number of reviews (e.g., ratings with less than ten), one contributed rating can produce a very low or high on a total average rating score. Therefore, text-reviews are proposed to offer richer data of a product's true quality beyond rating valence.

Due to the increasing number of eWOMS, the eWOM message in text-review can be easily created, shared or discussed about the products and services among consumers, producers, communities or brands at will which the message senders and receivers are anonymous. However, Voss et al. (2003) found that there are two types of eWOM message. First, hedonic eWOM is identified as the message consists of pleasant and gratified experiences. Second, utilitarian eWOM is referred to product functional and effectiveness. Park and Lee (2008) classified eWOM message into two types: attribute value reviews and simple-recommendation reviews. Attribute-value reviews consist of product benefit information which is related to rational, objective and concrete of the product. Simple-recommendation reviews contain with emotional and subjective recommendations which are related to consumer feelings, interjection, and other non-relative information. As a result, according to the message strategy, the text-review in eWOM can be classified as emotional/transformational/ritual/hedonic/simple recommendation review or rational / informational / transmission/utilitarian/attribute-value.

c.   Volume of reviews

Voluminous of reviews is measured as the number of reviews (Yoon, 2008). Chen and Xie (2005) stated that the information from eWOM combines more extensive than the one from offline WOM as well as provides more complete and specific information than third party credit evaluation. As a result of accrued information on eWOMS, a large volume of eWOM would be considered as a consumer perception toward a law of truth. However, in the literatures, there is an unclear result about the effect of volume of reviews on consumer purchasing decisions. Liu (2006) found that volume of online Yahoo! Movies conversations has explanatory power on motion picture box office revenues, whereas Godes and Mayzlin (2004) found that the dissemination of Usenet conversation across different newsgroups generates explanatory power but volume in their study does not.

d.   Source identity indicator

Two important criterions namely persuasion and influential message literatures, Slater and Rouner (1996) stated that source credibility could be identified as the first- and most-studied variables. Other varied dimensions of source credibility such as expertise, bias and attractiveness have been found to influence the impact of a message on the receiver's beliefs. Slater and Rouner (1996) believed that there were three related sources of data connecting to source's credibility. Firstly, credibility judgments based on prior beliefs concerning and prior affective responses to the messages that come from the source of existing data which the receivers had known. Secondly, the use of source credentials such as spokesperson's credibility, for the receivers who have little or no prior familiarity with the source. Thirdly,

the receivers find out source credibility through the message itself that based on the perceived quality of the message such as well presented, believable, with convincing specifics, examples or data.

The other set of authors namely Gershoff, Mukherjee and Mukhopadhyay (2003), found that the most commonly observed source from the receivers are personal characteristics of the information providers that include demographic information such as gender, education, profession, socio-economic background and age. Yoon (2008) identified that the source identity indicator in eWOMS as the informant identity that is expected to function for the information seekers in order to increase trust in informant credibility. This source identity indicator includes informant review provision history, real name, or email address which are able to persuade information seekers to make inferences regarding characteristics of the information source. In addition, in hospitality industry, this might include traveler types and purposes of the informant source.

e.   Helpfulness indicator

Mudambi and Schuff (2010) defined a helpful customer review as a peer generated product evaluation that facilitates the consumer' purchase decision process. Since credibility is a critical key in effective information sharing that involves information reliability and consumer trust, many social psychology literatures demonstrate that credibility can be based either on the reputation of the author or the content of the message. As a result, in online virtual community, it is essential to have an effective instrument in order to provide customers gauge information reliability and to enhance customer trust (Chen, Dhanasobhon & Smith, 2008). There are many online retailers that have commonly utilized helpfulness indicator as the primary way of measuring how consumers evaluate a review.

Mudambi and Schuff (2010) suggested that online retail sites with more helpful reviews provide better potential value to customers. In addition, providing easy access to helpful reviews is able to generate a source of differentiation. In the study of Chen et al. (2008), they found that the quality of the reviews that are measured by helpfulness votes have positive effects on sales.

V.   Conclusion

In light of the proliferation of online consumer review websites and the nature of tourism and hospitality products, eWOM has been recognized as one of the most important information sources in the industry. It not only affects consumers' decision-making process but also influences performance and profitability. eWoM should provide and suggest right information search which should lead to increase in trust and perceived value. Thus eWoM should increase the booking intention. In marketing context, Word-of-Mouth (WOM) is perceived as the powerful influential communication tool on consumer's purchasing decision. The information of eWOM provides an important resource to assist consumers in deciding where to go and what to buy. In service industries, the service providers realize that these resources especially online reviews are critical since it has been long understood that WOM is a service customer's most trusted source of information.

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