THE INFLUENCE OF ELECTRONIC WORD-OF-MOUTH ON CONSUMERS’ DECISION-MAKING PROCESS:
THE TRIPADVISOR CASE.

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Abstract

The progress of the Internet has given the opportunity for everyone to share their opinions and various types of content. This has modified the channels by which consumers search, obtain and assimilate information. In this context, the decision-making process tends to be more influenced by the Internet and this is empowered by the rapid spread of various devices that make these searches available to undertake at any time. People have learned to use the Internet to find information on the product and to access and assimilate the experiences of other consumers, reading electronic word-of-mouth. Therefore the use of electronic word-of-mouth is an important tool utilised by consumers when they are making a purchase decision. In light of this, the aim of this thesis is to investigate the influence that electronic word of mouth has on consumers’ decision-making process and analyse which aspects of the electronic word-of-mouth have more influence. In particular, this work has analysed the Italian’s decision-making process of restaurants when they use electronic word-of-mouth on TripAdvisor, which is considered the most high-profile example of online travel communities.

1. Introduction

With the emergence of Web 2.0, characterized by User-Generated Content, electronic word of mouth (E-WOM) is becoming an important and intrinsic source of influence on consumer’s product’s and service’s evaluation. Electronic word-of-mouth communication is defined as any positive or negative comment made by potential, actual, or previous customers about a product, a service, or a company, which is made available to a multitude of people on the Internet. (Thorsten Hennig-Thurau, Gwinner, Walsh and Gremler, 2004). E-WOM can be found in virtual communities such as travel communities, consumer reviews, blogs, forum and social networks used by consumers to make purchase decisions. More and more consumers use the Internet, visiting web sites and reading reviews from other consumers in order to learn more about a product or service, during the decision-making process. One of the sectors where electronic word-of-mouth is becoming the major source of information is the travel industry. Indeed online travel communities are becoming increasingly important because individuals utilise information from these communities to make travel-related decisions. This study will examine the E-WOM on TripAdvisor, which is considered the most high-profile example of online travel communities, and will investigate if E-WOM influences the consumers’ decision-making process. Specifically, it will examine the Italian’s decision-making process of choosing a restaurant. It will cover the literature review of the main aspects and characteristics of the E-WOM that may influence the consumers’ decision-making process. Through the literature review this study will develop a framework that will be tested with an online survey, distributed by GN-Research on a statistically representative panel of the Italian population. Finally, it will investigate which specific features of the E-WOM on TripAdvisor influence more the restaurant’s decision-making process of Italians from 18 to 64 years old.
1.1 Research questions and objectives

The objective of this research is to analyse and evaluate the characteristics of the electronic word-of-mouth (E-WOM) and which of these has the utmost influence on the consumers’ decision-making process. Specifically, this research examines one exponent of the online travel community: TripAdvisor, and assess the effect that E-WOM, contained in it, has on consumer’s decision-making process. Therefore, the ultimate objective of this thesis is to understand how the E-WOM influences the decision-making process of Italian consumers when choosing a restaurant. This research will highlight which aspect of the E-WOM influences them the most during the research of information and experiences of restaurants contained in TripAdvisor. In addition this thesis will endeavour to understand the incidence usage that Italians have on TripAdvisor and discover if they are influenced by E-WOM and to what extent. Firstly, in order to cover all these objectives, the following research questions are postulated:

- Does E-WOM on TripAdvisor influence the decision-making process for a restaurant?
- Which aspect of the E-WOM on TripAdvisor influences the most during the decision-making process of a restaurant?

Secondly, to better understand the phenomenon of E-WOM in Italy, the following objectives have been established to profile TripAdvisor users and their behaviour with the E-WOM.

**Objective 1:** Identify the incidence usage of TripAdvisor.
**Objective 2:** Find the circumstances in which TripAdvisor is used.
**Objective 3:** Identify the places where TripAdvisor is used.
**Objective 4:** Evaluate the engagement level in the electronic word of mouth.

2. Literature review and hypotheses

The literature review involved an organised review of the main academic and non-academic publications regarding the electronic word of mouth. The literature review facilitated the identification of the key areas that characterise the electronic word of mouth and it constituted the base for which hypotheses and the relative conceptual framework were generated.

2.1 E-WOM

Electronic word-of-mouth communication can be defined as any positive or negative comment made by potential, actual, or previous customers about a product, a service, or a
company, which is made available to a multitude of people on the Internet. (Thorsten Hennig-Thurau F., Gwinner K., Walsh G. and Gremler D., 2004).

Before the proliferation of the Internet, the flow of word-of-mouth information was restricted and impacted mainly the local group of friends and family. With the advent of the Internet, electronic word-of-mouth has facilitated the information flow to a boundless and infinite audience; all visitors of the community can read every message at any moment that was ever written. Previous researches suggest that E-WOM is more powerful that traditional WOM (Liang S.W.J., Ekinci Y., Occhiocupo N. and Whyatt G., 2013) and that there is evidence that online or electronic word-of-mouth has a significant influence on purchase behaviour (Chen Y., Fay S. and Wang Q., 2011). Moreover, Litvin, Goldsmith and Pan, (2008) stated that E-WOM in the travel industry has been identified as a very influential tool in the decision-making process. Indeed, prior to the advent of Internet, the travel industry focused on the travel agency sales channel. Customers had to visit their local travel agencies to purchase travel tickets, plan their travel or just to research and browse through brochures on various destinations and modes of travel. The appearance of the Internet and Web 2.0 caused a global revolution in the way we obtain information. These new technologies improved the propagation of information to all, thereby diminishing the importance of travel agencies (Cheung R. and Lam P., 2009). Consequently travellers are increasingly independent and self sufficient: they search their own information to make the best decision for their travelling by learning about the destination and all the relative services thereby avoiding the involvement of travel intermediaries (Ayeh, Au and Law, 2013). Moreover, Litvin, Blose and Laird, (2004) affirmed that consumers’ selection of restaurant is predominantly conditioned by E-WOM recommendations. There are a multitude of variables that can influence the effectiveness of E-WOM (Litvin S.W., Goldsmith R.E. and Pan B., 2008). Ultimately, the literature can be combined around four main areas on which the current knowledge on E-WOM is constructed. Quantity, quality and credibility are E-WOM influencing factor of the decision-making process; the engagement of E-WOM is taken into account to understand the motives that lead to participate or not in the creation of E-WOM.

2.2 Quantity of E-WOM

González, Gidumal and Valcárcel (2013) define the quantity of E-WOM as the volume, which measures the total amount of E-WOM interaction. The number of on-line reviews of a product or service represents the review quantity and may be defined as a product’s popularity due to the reasonable assumption that the number of reviews is strictly related to the number of consumers who have purchased a product or have used a service. And that, the review quantity may also be explained by the high satisfaction or to the high dissatisfaction of the product or service. To confirm the importance of online comments Park, Lee and Han (2007) also stated that the decision-making process is positively influenced when the quantity of reviews increase. Thus, the following hypotheses are made:

**Hypothesis 1:** The quantity of E-WOM influences consumers’ decision-making process.
**Hypothesis 1a:** The high number of reviews on a restaurant depends more on the restaurant’s popularity than on the high satisfaction/dissatisfaction of consumers’ on the restaurant.

### 2.3 Quality of E-WOM

In literature review the quality of on-line reviews can be explained by two different points of view. The first examine the quality of E-WOM considering the content of the message: if the content has a subjective approach or an objective one (Park D.H., Lee J. and Han I., 2007). The second point of view considers the quality of E-WOM as the rating that the product or service has, and it is the result of the relationship between all positive and negative reviews (Lee and Youn, 2009; Gretzel, Yoo and Purifoy, 2007; Qiu, Pang and Him, 2012; Sun-Jae Doh and Jang-Sun, 2009) Therefore the following hypotheses are drawn:

**Hypothesis 2:** The rating of the restaurant influences consumers’ decision-making process.

**Hypothesis 2a:** Objective e-WOM message are more influential than subjective ones.

### 2.4 Credibility and trustworthiness in E-WOM

Cheung, Luo, Sia and Chen (2009) define the credibility of electronic word-of-mouth as the extent to which consumers feel that the product information, comment and review are factual, true or believable. The trustworthiness of some information, online, or of its source represents the credibility of E-WOM. Thus, this factor may be divided into the credibility of the reviewer, and the trustworthiness of the review itself. The credibility of the reviewer is determined by the perceived expertise of the reviewer (Reichelt, Sievert and Jacob, 2014) and by the number of reviews that the reviewer has posted. Therefore, the following hypotheses are created:

**Hypothesis 3:** The credibility of the reviewer influences consumers’ decision-making process.

**Hypothesis 3a:** The credibility of the reviewer of the E-WOM message depends more on the perceived expertise of the reviewer than on the number of other comments that the reviewer has posted.

The trustworthiness of the review can be determined by the date of the post of the review or by the “helpfulness” of the comment, as a feedback of the usefulness of that comment, obtained with other’s rating on the review. Therefore, the following hypotheses are presented:

**Hypothesis 4:** The trustworthiness of the review influences consumers’ decision-making process.

**Hypothesis 4a:** The trustworthiness of the review depends more on rating of the review than on the date of post of the review.
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2.5 Engagement in E-WOM

Past research has determined diverse reasons to the engagement in E-WOM. Gretzel and Yoo, 2008 stated that motivations to write online travel reviews are to help a travel-service provider, to inform other travellers or to satisfy the desire of self-enhancement, belonging to a virtual community. Boo S. and Kim J., 2013, affirmed that unsatisfactory experiences at a restaurant generate a high inclination to engage in negative E-WOM. Also Chen, Fay and Wang, 2011, stated that high satisfaction experiences also lead to a high consumer rating and posting, implying a high level of engagement. While Liang, Ekinci, Occhiocupo and Whyatt, 2013, and Casalo, Flavian and Guinaliu, 2011 argued that the engagement in E-WOM is strictly related to the perceived usefulness that a consumer has about the online travel community. Therefore, the following hypothesis is generated:

**Hypothesis 5a**: Consumers’ engagement in E-WOM is due to the need to help others rather than to the need to belong to a virtual community.

3. Methodologies

3.1 Conceptual framework

The literature review has determined the main areas around which the current knowledge on E-WOM is constructed. The factors that may influence the decision-making process are the quantity, the quality, considered as the rating, and the credibility that is divided into the credibility of the reviewer and the trustworthiness of the review. In addition the engagement is considered to understand the motives that lead or not to participate in the creation of E-WOM. Therefore these areas, and the connected hypotheses, build the conceptual framework (see Figure 1) that this thesis will test to analyse which aspect of TripAdvisor’s reviews influences more during the reservation process of a restaurant.

![Conceptual framework](image-url)
3.2 Data, methods and procedures

In order to answer the research questions, assess objectives and test hypotheses it has been necessary to develop a questionnaire. The questionnaire was distributed by GN-Research, a European group providing advanced marketing research and innovative analytics tools, based in Italy, France and Germany, during one week period between the 5th and the 12th of August 2014. In order to guarantee the representativeness of the sample used in this study on the Italian population, GN-Research has drawn a stratified sample directly from their sampling frame. It included Italians adults from 18 to 64 years old. The web-based survey comprehends 26 questions and pre-tests were conducted with survey experts to test the survey questionnaire and the overall research design. The data analysis has been done via a descriptive analysis of the findings of the questionnaire that answers the research questions and also via regression analysis.

4. Data analysis

From the questionnaire it is possible to identify and describe the concerns and preoccupations of Italians regarding restaurants and dining. 41% of respondents declare that they go out for a meal more than once per month whilst a further 35% of respondents declare that they go out for a meal once a month. Therefore, from this survey we can extrapolate that 76% of the Italian population eat out at least once a month. This data confirms the importance of investigating the Italian behaviour during their decision-making process when choosing a restaurant. The majority of respondents agree that the restaurant’s reservation is something necessary and that they enjoy doing it. The survey identified that they reserve a table in a restaurant the same day or 1-2 days before, indicating that the time of involvement for the choice of a restaurant is short. The decision when choosing the restaurant depends on their own taste and also economically by the price classification of the restaurant. Respondents declare that when they have to decide which restaurant to go to, major information sources are represented by family, friends and the Internet. Internet is used often from respondents when they search restaurant’s information. From the results it is possible to discern there is no disparity between gender for Internet usage when searching the Internet for information. While considering the division by age group, the majority of those who always use the Internet belong to the age group of 35-44 years. The majority of those who often uses Internet belong to the age groups of 18-34 years and 45-55 years. Finally the age group that sometimes or rarely use Internet is the 55-64 years age group. The activities that are most undertaken when searching restaurant’s information on Internet, are reading the restaurant’s website, browsing through imagines online and reading other’s comments/materials (E-WOM). Between the virtual communities asked in the questionnaire, TripAdvisor represents the one used the most. Although, as stated earlier, from the survey results it is possible to discern there is no disparity between gender for Internet usage, women are those that use TripAdvisor the most. Of those women who use TripAdvisor, the most were found to belong to the age group from 18 to 44 years old, from the south and northwest of
Italy. Indeed from those who say that they never use TripAdvisor, the majority belongs to the age group of 55-64 years old and is from the North-East of Italy.

Considering that 153 respondents have participated in the survey and 115 respondents stated that they use TripAdvisor, we can derive the majority (the 75.16% of respondents) uses this online travel community to search for information about a restaurant, confirming the importance and the spread use of it. The phase during which TripAdvisor is most used is at the beginning, to get an idea or inspiration when organizing a dinner with friends. It is most used when respondents are on vacation and when they are in a city they have not visited before. The high number of reviews present for a restaurant implies, for TripAdvisor’s users, that the restaurant is popular, while the most important quality in a review is defined as the credibility that the review gives to the reader. This credibility is assessed by the reader when the content of the review is convincing and logical. Indeed the factor that least affects the credibility of the reviewer is whether or not the reviewer has published other reviews. Moreover the factors that have been defined as important or very important to assess the trustworthiness of the review turn out to be the details of the review and rating of the review assessed by others users. When asked directly, the majority of respondents stated that TripAdvisor helps them to make a decision on the restaurant to go to. The key question is to define the reason why they read TripAdvisor; among the majority of reasons, the main reasons were to avoid bad experiences and to form an idea about the restaurant. While it is interesting to note that a low percentage of respondents indicated that they read reviews on TripAdvisor to make a decision or to ease the decision making process to decide in which restaurant to go. Finally, among the respondents to the questionnaire, 60% said they had published at least one review online while 40% have never done so. The majority of those who have posted reviews belong to the age group from 18 to 44 years old. It is interesting to note that the majority of those who have posted are from the North-West of Italy, while the majority of those who have never written a review are from South of Italy. It is interesting to notice that despite the respondents from the south claim to be the highest users of TripAdvisor, on the other hand, they seem to be the less engaged with the E-WOM.

Regression analyses were used in order to validate hypotheses. The aim was to identify the relationship between independent variables, characteristics of the E-WOM, and the dependent variables; that is the influence on the consumers’ decision-making process. Therefore a linear regression model was used to answer to Hypothesis 1, Hypothesis 2, Hypothesis 3 and Hypothesis 4. Results indicate that the Italian population is influenced by the Electronic word-of-mouth when they have to make a decision on which restaurant to visit. The factors of the E-WOM that most influence the choice of a restaurant are the rating that the restaurant has on TripAdvisor, which impacted on the decision-making process by 86.6%. The second factor that influences the choice of a restaurant is the number of the reviews present on that particular restaurant, which impacted on the decision making process by 76.2%. Conversely the factors that do not significantly influence the consumer’s decision-making process of a restaurant are the credibility of the reviewers and the trustworthiness of the reviews.
5. Conclusions

Results of the questionnaire demonstrate that the TripAdvisor is the most used online communities in Italy, it has an incidence of the 75% on the 18-64 population. It is mainly used by young adults between 18 and 44 years old that predominantly live in the South or in the North-West of Italy. Despite the high usage still almost half of the users declared to have never posted a review mainly due to laziness or lack of time available. On the other hand the main reason that prompted users to write a review was the necessity to help others, as they have benefited from the use of other reviews, demonstrating an high commitment with the community.

The research ultimately has shown that the Italian population is influenced by the electronic word-of-mouth when they have to make a decision on which restaurant to visit. Avoid a bad experiences and choice reassurance appeared to be the key reason why respondents consulted TripAdvisor. It can be then argued that TripAdvisor is more a quality check tool rather than a traffic builder for restaurants.

Through the linear regression, this research demonstrated that the E-WOM factor that most influences the restaurant choice is the rating that the restaurant has on the online community. The second factor that influences the choice of a restaurant is the number of the reviews present on that particular restaurant. Alternatively the factors that do not significantly influence the consumer’s decision-making process are the credibility of the reviewers and the trustworthiness of the reviews.

From these results it can be argued that Italians are more incline to be influenced by numerical and quantitative variables like the rating and number of reviews rather than the qualitative aspect of the comments find on online communities. This can be owed by the fact that Italian users have low involvement with E-WOM and therefore prefer to base their judgement on the quick assessment done through checking of rating and number of reviews.

To conclude, this research has proved that E-WOM is an important influencing factor in the choice of the restaurant since the 81% of the respondents declared to be influenced by TripAdvisor. Furthermore the research has clearly identified that the most influencing factors are rating and reviews’ number. At the same time, it demonstrated that the credibility of either the reviews or the reviewers are considered to be not important in the decision of the restaurant, demonstrating that there is an high rate of trust within the community. To corroborate this outcome, the research also found that the community engagement can be considered very high since the majority of TripAdvisor users have posted at least one review on the portal.

5.1 Managerial implications

The results that have been drawn by this thesis generate suggestions and recommendation that can be utilised by restaurant’ managers, but also by any firm, that wants to improve their online popularity on any consumers opinion platform. With the growing popularity of online communities, virtual interaction among consumers have become commonplace and prolific, thus it is logical to assert that E-WOM plays a vital role in the acquisition and retention of consumers
(Litvin, Goldsmith and Pan, 2008). Indeed, this study has proposed a conceptual model of the influence that electronic word-of-mouth has on consumers’ and has discussed which aspects of E-WOM most influences during the decision process of a restaurant.

This research provides useful implications for restaurateurs, but also more in general to any manager that works in the hospitality sector. As restaurateurs face intense competition, they need to improve their marketing strategies to enhance the online attractiveness of their restaurants. Marketers should recognise that the majority of their guests went on the Internet to obtain more information on their product/services in order to analyse the feedback of those who already bought that product or used that service. It is also likely that these guests will go online again, to write a review about their experience. Marketers would be wise to take into account that their guests are exposed to, and likely influenced by, E-WOM, through the various numbers of sites and web communities devoted to the selling or discussion of their services. Therefore it is fundamental for them to start to proactively manage these online communities in order to be aware of the image that their firm has online influencing customers for positive reviews, rather than purely be critiqued and subjected to it.

Considering that this thesis has shown that consumers are influenced by the number of reviews and the rating that a given structure has; a way to improve business would be to keep in mind that every guest is a potential reviewer. This would foster an ethos in their business that every customer should get the best service and the best care possible. In addition, marketers can incentive their guests to write reviews on their products or on the services that they have tried. For example, many hotels already carry out this strategy. In fact, after a visit in a receptive structure, nowadays it is quite common to receive an email from the structure’s management asking kindly to leave a comment about your experience on TripAdvisor. This is simply a 21st century upgrade of the ‘Comments’ book found in any hotel lobby throughout the 20th century.

Another strategy that restaurateurs could adopt is an “eat-review-reward” policy, to motivate consumers to describe their experiences of dining in their restaurant. A reward for posting could be discounts or membership points; this would be helpful in transforming guests into loyal customers and then advocates of the restaurant. This strategy can and should be implemented by most businesses offering a service. As this thesis has investigated, consumers increasingly seek information online before making a purchase or reservation, it is also recommended, a way to mitigate the negative impact from negative E-WOM. Marketers should actively respond to the negative comments left by customers in a constructive and professional manner, in order to be able to manage controversy and potential customer loss due to poor reviews. In conclusion marketers need to understand how to control this new and efficacious force if they want make their business to flourish.

5.2 Limitations and future research directions

Some limitations are associated with this research, which can improve the direction for future research. Firstly, the internet-based questionnaire was distributed by GN-research to a restricted sampling frame, therefore the ability of the collected data to generalise the population is reduced because sample is statistically representative of the Italian population between 18 and
64 years old that already use the Internet, not of the entire population. Thus, future research could extend the current study to improve the external validity and examine the differences across heterogeneous social and cultural segments.

Secondly, the current research is not based on direct observation of the reality, but all the conclusion are derived from what respondents claimed. Therefore, future direct researches on the effectiveness of TripAdvisor on the decision making process are recommended in order to establish the extent of this influence and the impact that these can have on restaurants performance.

Thirdly, this research has proved that rating and number of review are the most influencing factors on the decision making process. However the research has not establish to which extent a consumer will decide to take/change decision. Furthermore, it would be very interesting to see whether the difference in performance among restaurant that do manage proactively E-WOM and other that are not active on this online communities.

Finally, this thesis as focused only on TripAdvisor users and on the restaurant decision-making process. Therefore, in order to get a broader understanding on E-WOM on other sectors/areas it will be recommended to conduct more extensive research also on other product or services across other online platform.

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