

2008

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Recommended Citation

Zheng, Tianshu; Schrier, Thomas R.; and Millar, Michelle, "An Analysis of Online Customer Complaints in Multiple Sectors of the Hotel Industry" (2008). *Hospitality Management*. Paper 9.

<http://repository.usfca.edu/hosp/9>

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Research Proceedings of the 13th Annual Graduate Student Research Conference in Hospitality
and Tourism, 2008, Orlando, Florida.

AN ANALYSIS OF ONLINE CUSTOMER COMPLAINTS IN MULTIPLE SECTORS OF THE
HOTEL INDUSTRY

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ABSTRACT

The Internet has become a highly used tool for communication. Through the use of online communities consumers are able to view as well as leave comments regarding their experiences. These comments can either be positive or negative. By examining the customer complaining behavior, the purpose of this study is to identify the differences between negative online complaints against luxury hotels and mid-scale hotels, and to provide managers with some insights to help them respond properly to different online complaints. Using both qualitative and quantitative approaches, online complaints will be analyzed. The findings of this study are expected to help hotel managers properly respond to online complaints.

Key Words: eWOM, luxury hotels, mid-scale hotels, online complaints, word of mouth

INTRODUCTION

The Internet has revolutionized the information and communications world like nothing before it. It has a world-wide broadcasting capability, an effective mechanism for conveying information, and a medium for interaction between individuals without regard for geography. The Internet has penetrated our lives, whether invited or not. Initially an academic and governmental experiment, the Internet has become a vital tool for businesses and consumers. Consumers expect to find everything online, from books to groceries, and services of every kind (Palmer, 2002).

Due to its extremely vast and effective capabilities to rapidly disperse information, the Internet has become one of the most widely used tools for communication. For example, customers, in the hospitality industry, use it to express both positive and negative opinions and experiences about hotel stays. Many customers share their opinions about hotel stays whether they stayed at a 5-star resort or a budget property, or someplace in between. Specifically in the arena of negative complaints regarding

overnight stays, hotel managers are paying increased attention to electronic word of mouth (eWOM). This raises the issue of how, or if, hotel managers should respond to negative complaints. This in turn brings about the matter of the level of response that should be warranted for specific negative complaints. A response from the manager of a luxury property may differ from the response of a manager of a mid-scale property. Further, from a financial perspective, managers should respond to online complaints, or implement service recovery procedures that are appropriate in terms of cost. In other words, managers should not over compensate unsatisfied customers.

This study will address these issues by examining negative eWOM for luxury hotels and mid-scale hotels to determine if the most frequently used negative words stated in the complaints vary by each of these hotel types. The strength or frequency of negative words used may vary between luxury and mid-scale properties, thus warranting differing responses. If the results indicate differences between these hotel types, those differences can help hotel managers develop policies, based on their property type, for handling negative eWOM.

LITERATURE REVIEW

Word of mouth (WOM), a type of communication exchange between individuals regarding personal experiences, has always been regarded as a powerful marketing tool (Sundaram, Mitra, & Webster, 1998). It has been proven to have a greater influence on potential customers than traditional advertising (Katz & Lazarsfeld, 1955; Ditcher, 1966; Arndt, 1967; Herr, Kardes & Kim, 1991). Due to this fact, many hotel managers have been using WOM to improve service quality and customers' loyalty.

While traditional WOM remains a strong marketing tool, electronic WOM has also become very popular. The Internet, in this respect, has given hoteliers a powerful marketing tool. However, it has led to the development of complaint websites that function as opinion forums for consumers to share their experiences (Harrison-Walker, 2001). Because of its unique characteristics, the Internet delivers the information on these forums to all potential customers. eWOM that has been posted on these forums has been proven to be a critical factor in influencing customers (Gruen, Osmonbekov, & Czaplewski, 2006; Lin, Luarn, & Huang, 2005).

Negative eWOM has been heavily researched (e.g. Fong & Buron, 2006; Smith & Vogt, 1995; Henning-Thurau & Walsh, 2004; Phelps, Lewis, Mobilio, Perry & Raman, 2004). Stauss (1997) makes some recommendations to assist service providers in coping with eWOM. Some of these are:

- Negative eWOM needs to be constantly monitored.
- Negative eWOM needs to be analyzed thoroughly to help improve customer service quality.
- Negative eWOM needs to be answered promptly to avoid escalation of ill-will.

The study, however, does not address how these recommendations may vary by hotel type. Online comments are traditionally studied or analyzed regardless of the type of hotels to which the comments refer. Therefore, hotel managers may not be able to effectively respond to negative eWOM. This study focuses on customer complaint behavior (CCB) to help managers understand the differences among negative eWOM, and properly respond.

CCB has been heavily researched from different perspectives. Previous research indicates that customer comments are valuable marketing tools for practitioners, and should be welcomed and encouraged (Reynolds & Harris, 2005). Definitions of CCB indicate that dissatisfaction is the source of complaints; and complaint behavior is a communication process that conveys negative information regarding a product or service, which is often triggered by perceived dissatisfaction (Jacoby & Jaccard, 1981; Singh & Howell, 1984).

An increasing amount of research has been conducted on customer dissatisfaction and customer complaining behavior. The proper responses to customers' negative comments provide firms with opportunities to improve the effectiveness of management and marketing programs and to further improve customer satisfaction to ensure profitability (Huang, Huang & Wu, 1996). On the other hand, the inappropriate handling of negative comments will increase the level of customer dissatisfaction, which will encourage customers to generate more negative comments to harm a firm's image (Mattila, 2001). Dissatisfied customers will not only give up patronage, but also are likely to spread negative comments to jeopardizing a firm's reputation. Given the cost of losing a patron, it is reasonable to suggest that a service provider understand the importance of effective management of CCB and be able to handle customers' negative comments promptly and properly.

In order to survive the intense competition in the hospitality industry, service providers focus on improving service quality to attract and retain a pool of loyal and profitable customers (Karatepe, 2006). Research shows that it costs less to retain existing customers than to attract new ones. Further, long-term customers tend to spend more, be less price-sensitive, and cost less to serve (Hui & Au, 2001). Therefore, it is critical for a service provider to effectively and properly handle customers' comments. Effective comment handling not only helps increase customer loyalty (Kemp, 1999), but also helps a firm's financial bottom-line (Reichheld & Sasser 1990).

The typical procedures used by many organizations when it comes to service recovery, is to identify customers with issues and then address those issues to the customers' satisfaction. By doing so it is hoped that the service recovery actions taken will promote customer retention. As Bailey (1994) indicated service recovery is correcting what has gone wrong. An effective service recovery process usually has a significantly positive impact on both customer satisfaction and an organization's bottom line (Mattila, 2001). Therefore, it is critical for a service provider to provide service recovery in a timely manner to retain customer.

However, to what extent should a service recovery process be provided? The ultimate goal of a firm is to maximize its income. Yet, if a firm must absorb the cost of every service recovery procedure, will it be able to recover all the costs associated with doing so? Therefore, it would be reasonable to assume that there should be a limit on level of service recovery based on the types of hotel property. By examining the CCB in different properties, this study will provide guidelines for managers to design an effective service recovery system that not only corrects what has gone wrong, but also is cost effective.

METHODS

This study will focus on the differences between negative eWOM against luxury hotels and mid-scale hotels. This will be accomplished through an analysis of keywords used in online postings of guest complaints. Approximately 500 complaints, which were written over a twelve month period, will be collected from the website www.tripadvisor.com. Half of the complaints will be for luxury properties; and the other half will be for mid-scale properties. Mid-scale and luxury hotels were chosen because, to the researchers' knowledge, limited studies comparing these hotel types' negative complaints exist. Hotels will be classified using a nationally recognized rating system.

The TripAdvisor website was chosen for this study because it is part of the largest travel community in the world, with nearly 24 million monthly visitors and five million registered members. Further, tripadvisor.com provides potential customers with 10 million reviews and opinions to help them make decisions (Tripadvisor, 2007).

Both qualitative and quantitative methods will be used during this study. A content analysis will be conducted on each of the two groups of complaints in order to identify negative keywords in the online comments. The content analysis will be aided by the use of a software program called CATPAC (Woelfel & Woelfel, 1997). CATPAC is a program designed to read and understand text (Woelfel & Stoyanoff, 1998). This software will be used to identify the most frequently used negative words that appear in the online comments. In recent years hospitality and tourism research has used CATPAC to identify keywords in open-ended text in a manner similar to that used for this study (i.e. Lee & Hu, 2004; Lockyer, 2003; Mohsin & Ryan, 1999). The negative online comments will then be categorized based on targeted areas of the hotel operation, which will be extracted by factor analysis. The identified targeted areas may include guest rooms, front desk operations, food and beverage, and maintenance. Using ANOVA, the categories will then be compared across luxury and mid-scale hotels. The differences found are expected to have implications for managerial customer response protocols.

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