THE ROLE OF “ONLINE USER GENERATED HOTEL REVIEWS” IN ACCOMMODATION PURCHASE BEHAVIOUR OF KUALA LUMPUR INTERNATIONAL FREE INDEPENDENT TRAVELLERS

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To my beloved Father and Mother

For their love,

and their unconditional and endless support,

throughout my life
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ABSTRACT

Since the advent of web 2.0 technology, an increasing number of travellers use Internet for travel planning, booking their hotels and finding information about their travel destinations. Prior studies revealed that online user-generated reviews have a significant influence on the sales of experience products. In this research, in order to analyse the influence of online user generated hotel reviews on the accommodation purchase behaviour of Kuala Lumpur international free independent tourists, their behaviour towards online user generated reviews and the role of these reviews in their accommodation purchase behaviour were studied through empirical research. The tourists’ behaviour towards online user generated reviews was defined through five elements, namely use and trustworthiness of online user generated reviews as a source of information for hotel selection, travellers’ reference to online reviews before selecting a hotel, the position of online reviews amongst the other important hotel selection factors and the travellers’ willingness to write an online review about their recent hotel. The data derived from the individual interviews was analysed through standard statistical methods including Pearson correlation for finding significant correlations amongst ordinal variables and Kruskal-Wallis H test to find significant differences in the behaviour of travellers from different nominal variable groups. The results of data analysis show that, online reviews were used by more than 91% of the respondents of this research and ranks number one amongst the other sources of information. In terms of trustworthiness, online reviews were rated “trustworthy” by more than 83% of the respondents. Lastly, while a significant majority of respondents find online reviews a more important hotel selection factor than “number of stars” and “brand”, most of the respondents reported that “location” and “facilities” of a hotel, is a more important factor for them for selecting a hotel.
ABSTRAK

# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>CHAPTER</th>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>DECLARATAION</td>
<td></td>
<td>ii</td>
</tr>
<tr>
<td>DEDICATION</td>
<td></td>
<td>iii</td>
</tr>
<tr>
<td>ACKNOWLEDGMENT</td>
<td></td>
<td>iv</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td></td>
<td>v</td>
</tr>
<tr>
<td>ABSTRAK</td>
<td></td>
<td>vi</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td></td>
<td>vii</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td></td>
<td>xi</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td></td>
<td>xvii</td>
</tr>
<tr>
<td>LIST OF ABBREVIATIONS</td>
<td></td>
<td>xxiv</td>
</tr>
<tr>
<td>TERMINOLOGY</td>
<td></td>
<td>xxv</td>
</tr>
<tr>
<td>LIST OF APENDEICES</td>
<td></td>
<td>xxvii</td>
</tr>
</tbody>
</table>

1. INTRODUCTION 1

1.1 Introduction 1
1.2 Statement of research 3
1.3 Research questions 5
1.4 Expected findings 7
1.5 Research goal and objectives 9
1.6 Importance of the study 10

2. BACKGROUND OF PROBLEM 15

2.1 Introduction 15
2.2 Electronic Word of Mouth (e-WOM) 16
2.3 E-Tourism 16
2.4 Web 2.0
2.5 Tourism 2.0
2.6 The influence of UGC on consumer decision making
2.7 Earlier studies

3. BACKGROUND OF CASE STUDY

3.1 Introduction
3.2 Background of case study

3.2.1 Study area
3.2.2 Kuala Lumpur hotels
3.2.3 Online reviews about Kuala Lumpur hotels

3.3 Research methodology

3.3.1 Research Flowchart
3.3.2 Theoretical Framework
3.3.3 Questionnaire
3.3.4 Respondents
3.3.5 Data Analysis

3.3.5.1 Descriptive Methods
3.3.5.2 Cross-tabulation
3.3.5.3 Cronbach’s Alpha reliability test
3.3.5.4 Pearson Correlation Coefficient
3.3.5.5 Kruskal-Wallis H Test

4. FINDINGS AND ANALYSIS

4.1 Introduction
4.2 Data Collection
4.3 Research findings

4.3.1 Respondents’ demographic profile
4.3.2 Respondents’ travel pattern

4.3.2.1 Travel companions
4.3.2.2 Duration of stay
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.3.2.3</td>
<td>Respondents’ trip recurrence</td>
<td>62</td>
</tr>
<tr>
<td>4.3.2.4</td>
<td>Hotel room prices</td>
<td>64</td>
</tr>
<tr>
<td>4.3.2.5</td>
<td>Hotel booking method</td>
<td>68</td>
</tr>
<tr>
<td>4.3.2.6</td>
<td>Purpose of visit</td>
<td>70</td>
</tr>
<tr>
<td>4.3.3</td>
<td>Respondents’ accommodation purchase behaviour</td>
<td>72</td>
</tr>
<tr>
<td>4.3.3.1</td>
<td>Use of sources of information</td>
<td>73</td>
</tr>
<tr>
<td>4.3.3.2</td>
<td>Trustworthiness of sources of information</td>
<td>75</td>
</tr>
<tr>
<td>4.3.3.3</td>
<td>Sources of information according to their frequency of use and trustworthiness</td>
<td>81</td>
</tr>
<tr>
<td>4.3.4</td>
<td>Behaviour towards online user generated hotel reviews</td>
<td>84</td>
</tr>
<tr>
<td>4.3.4.1</td>
<td>Online reviews versus other hotel attributes</td>
<td>84</td>
</tr>
<tr>
<td>4.3.4.2</td>
<td>Refer to online reviews before selecting a hotel</td>
<td>90</td>
</tr>
<tr>
<td>4.3.4.3</td>
<td>Type of more influential reviews</td>
<td>93</td>
</tr>
<tr>
<td>4.3.5</td>
<td>Respondents’ perception of accuracy of online reviews</td>
<td>94</td>
</tr>
<tr>
<td>4.3.5.1</td>
<td>Accuracy of online reviews in general</td>
<td>94</td>
</tr>
<tr>
<td>4.3.5.2</td>
<td>Accuracy of online reviews (recent hotel)</td>
<td>96</td>
</tr>
<tr>
<td>4.3.6</td>
<td>Importance of reviewer personal characteristics</td>
<td>98</td>
</tr>
<tr>
<td>4.3.7</td>
<td>Willingness to write an online review about recent hotel</td>
<td>101</td>
</tr>
<tr>
<td>4.4</td>
<td>Data Analysis</td>
<td>102</td>
</tr>
<tr>
<td>4.4.1</td>
<td>Reliability test</td>
<td>102</td>
</tr>
<tr>
<td>4.4.2</td>
<td>Significant Relationships with reference to demographic characteristics</td>
<td>103</td>
</tr>
<tr>
<td>4.4.2.1</td>
<td>Gender</td>
<td>103</td>
</tr>
<tr>
<td>4.4.2.2</td>
<td>Age</td>
<td>106</td>
</tr>
<tr>
<td>4.4.2.3</td>
<td>Education</td>
<td>110</td>
</tr>
<tr>
<td>4.4.2.4</td>
<td>Origin</td>
<td>115</td>
</tr>
<tr>
<td>4.4.3</td>
<td>Significant Relationships with reference to travel pattern</td>
<td>122</td>
</tr>
<tr>
<td>4.4.3.1</td>
<td>Travel Companions</td>
<td>122</td>
</tr>
</tbody>
</table>
4.4.3.2 Duration of stay ........................................ 129
4.4.3.3 First time visitors ..................................... 129
4.4.3.4 Respondents’ accommodation expenditure .... 130
4.4.3.5 Booking method ....................................... 139
4.4.3.6 Purpose of visit ....................................... 146

4.4.4 Significant Relationships between respondents’ accommodation purchase behaviour and its behaviour towards online reviews ........................................ 146

4.4.4.1 Use of sources of information and behaviour toward online reviews ........................................ 147
4.4.4.2 Trustworthiness of sources of information and respondents’ behaviour towards online reviews ........................................ 156

4.4.5 Significant relationships related to the respondents’ behaviour towards online reviews ........................................ 161

4.4.5.1 Use of online reviews as a source of information ........................................ 162
4.4.5.2 Trustworthiness of online reviews as a source of information ........................................ 167

4.4.5.3 Preference of online reviews versus other hotel selection factors (price, location, facilities, number of stars and brand) ........................................ 172
4.4.5.4 Refer to online reviews before hotel selection (in general) ........................................ 183
4.4.5.5 Willingness to write an online review about the recent hotel ........................................ 187

5. CONCLUSION ........................................ 191

5.1 Introduction ........................................ 191
5.2 Conclusion ........................................ 192
5.3 Limitations of the study ................................ 198
5.4 Further studies ........................................ 199

REFERENCES ........................................ 201

Appendices A - D ........................................ 214-277
# LIST OF TABLES

<table>
<thead>
<tr>
<th>TABLE NO.</th>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>Registered star rated hotels in Kuala Lumpur</td>
<td>34</td>
</tr>
<tr>
<td>3.2</td>
<td>Kuala Lumpur hotels’ online reviews</td>
<td>34</td>
</tr>
<tr>
<td>3.3</td>
<td>Questionnaire questions</td>
<td>42</td>
</tr>
<tr>
<td>4.1</td>
<td>Data collection</td>
<td>49</td>
</tr>
<tr>
<td>4.2</td>
<td>Respondents demographic background</td>
<td>51</td>
</tr>
<tr>
<td>4.3</td>
<td>Respondents' country of origin</td>
<td>56</td>
</tr>
<tr>
<td>4.4</td>
<td>Respondents' travel companions</td>
<td>59</td>
</tr>
<tr>
<td>4.5</td>
<td>Respondents' duration of stay</td>
<td>60</td>
</tr>
<tr>
<td>4.6</td>
<td>Respondents' trip recurrence</td>
<td>63</td>
</tr>
<tr>
<td>4.7</td>
<td>Hotel room prices</td>
<td>65</td>
</tr>
<tr>
<td>4.8</td>
<td>Respondents' hotel booking method</td>
<td>69</td>
</tr>
<tr>
<td>4.9</td>
<td>Respondents' purpose of visit</td>
<td>71</td>
</tr>
<tr>
<td>4.10</td>
<td>Use of sources of information</td>
<td>73</td>
</tr>
<tr>
<td>4.11</td>
<td>Trustworthiness of sources of information (count)</td>
<td>76</td>
</tr>
<tr>
<td>4.12</td>
<td>The mean trustworthiness rate for sources of information</td>
<td>78</td>
</tr>
<tr>
<td>4.13</td>
<td>Online reviews versus price, facilities, location, stars and brand</td>
<td>85</td>
</tr>
</tbody>
</table>
4.14 The rate of respondents’ reference to online reviews before selecting a hotel (in general)  
4.15 Respondents’ reference to online reviews before selecting recent hotel (Total sample size)  
4.16 Respondents’ reference to online reviews before selecting recent hotel (from the part of sample size who generally refer to online reviews)  
4.17 Type of more influential reviews  
4.18 Respondents’ perception towards accuracy of online reviews in general (mean value)  
4.19 Respondents’ perception towards accuracy of online reviews in general (percentage per rate)  
4.20 Respondents’ perception towards accuracy of online reviews for their recent hotel (mean value)  
4.21 Respondents’ perception towards accuracy of online reviews for their recent hotel (percentage per rate)  
4.22 Importance of reviewer personal characteristics (mean value)  
4.23 Importance of reviewer personal characteristics (per Likert scale rate)  
4.24 Respondents who may write a review (from total sample size)  
4.25 Respondents who may write a review (from total respondents who generally refer to online reviews before selecting hotel)  
4.26 Cronbach’s Alpha test result  
4.27 Significant relationships with reference to gender  
4.28 Preference of location versus online reviews according to the gender  
4.29 Willingness to write a review about recent hotel according to the gender  
4.30 Significant relationships with reference to age
4.31 Use of travel guide books according to the age group
4.32 Preference of online reviews versus hotel number of stars according to the age group
4.33 Trustworthiness of travel guide books, travel agencies and online reviews according to the age groups
4.34 Significant relationships with reference to education
4.35 Use of tourism offices, brochures & catalogues and searching individually according to the education level
4.36 Trustworthiness of friends and relatives according to the education groups
4.37 Reference to online reviews (in general) according to the education level
4.38 Importance of the age of the reviewer according to the education level
4.39 Significant relationships with reference to the origin
4.40 Use of travel agencies, online reviews, searching individually, taxi drivers and media advertisement according to the origin
4.41 Preference of online reviews versus location and brand according to the origin
4.42 Reference to online reviews before selecting hotel and willingness to write a review about recent hotel according to the origin
4.43 Significant relationship with reference to travel companions
4.44 Use of travel guide books, travel agencies and tourism offices according to the travel companion groups
4.45 Trustworthiness of travel agencies according to the travel companions
4.46 Preference of online reviews versus location, number of stars and brand according to the travel companion groups
4.47 Reference to online reviews before selecting a hotel and willingness to write a review about the recent hotel with reference to the travel companion groups

4.48 Significant relationships with reference to hotel price

4.49 Use of travel guide books, travel agencies, official hotel websites and searching individually within the location according to the accommodation expenditure

4.50 Trustworthiness of travel guide books, travel agencies and searching individually within the location according to the accommodation expenditure

4.51 Preference of online reviews versus price, number of stars and brand according to the accommodation expenditure

4.52 Type of more influential reviews according to the accommodation expenditure

4.53 Importance of the age of the review writer according to the accommodation expenditure

4.54 Significant relationships with reference to the booking method

4.55 Use of travel guide books, travel agencies, online reviews and searching individually within the location according to the type of booking

4.56 Trustworthiness of travel agencies, online reviews and official hotel websites according to the type of booking

4.57 Preference of location, number of stars and brand according to the type of booking

4.58 Reference to online reviews before selecting a hotel (in general) according to the type of booking

4.59 Willingness to write an online review about recent hotel according to the type of booking

4.60 Significant relationships between use of sources of information and respondents’ behaviour towards online reviews
4.61 Preference of online reviews versus number of stars according to the usage of travel guide books 148
4.62 Preference of online reviews versus number of stars and brand according to the usage of travel agencies 149
4.63 Willingness to write an online review about the recent hotel according to the usage of travel agencies 150
4.64 Willingness to write an online review about recent hotel according to the usage of tourism offices 151
4.65 Preference of online reviews versus price, number of stars and brand according to the use of online reviews 152
4.66 Preference of online reviews versus price and brand and reference to online reviews before selecting a hotel (in general) according to the usage of official hotel websites 153
4.67 Reference to online reviews before selecting a hotel (in general) according to the usage of other travel websites 154
4.68 Preference of online reviews versus number of stars according to the use of taxi drivers 155
4.69 Significant relationships between trustworthiness of sources of information and respondents’ behaviour towards online reviews 156
4.70 Significant relationships related to the respondents’ use of online reviews as a source of information (ordinal variables) 162
4.71 Significant relationships related to the respondents’ use of online reviews as a source of information (nominal variables) 162
4.72 Use of online reviews according to the use of travel agencies, official hotel websites and other travel websites 164
4.73 Significant relationships related to the trustworthiness of online reviews as a source of information (ordinal variables) 167
<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.74</td>
<td>Significant relationships related to the trustworthiness of online reviews as a source of information (nominal variables)</td>
<td>168</td>
</tr>
<tr>
<td>4.75</td>
<td>Trustworthiness of online reviews according to the use of travel guide books and online reviews</td>
<td>170</td>
</tr>
<tr>
<td>4.76</td>
<td>Significant relationships related to the preference of online reviews versus other hotel selection factors (ordinal variables)</td>
<td>173</td>
</tr>
<tr>
<td>4.77</td>
<td>Significant relationships related to the preference of online reviews versus other hotel selection factors (nominal variables)</td>
<td>174</td>
</tr>
<tr>
<td>4.78</td>
<td>Significant relationships related to the referring to the online reviews before selecting a hotel in general (ordinal variables)</td>
<td>183</td>
</tr>
<tr>
<td>4.79</td>
<td>Significant relationships related to the referring to the online reviews before selecting a hotel in general (nominal variables)</td>
<td>184</td>
</tr>
<tr>
<td>4.80</td>
<td>Significant relationships related to the willingness to write an online reviews about the recent hotel (ordinal variables)</td>
<td>187</td>
</tr>
<tr>
<td>4.81</td>
<td>Significant relationships related to the willingness to write an online reviews about the recent hotel (nominal variables)</td>
<td>188</td>
</tr>
</tbody>
</table>
# LIST OF FIGURES

<table>
<thead>
<tr>
<th>FIGURE NO.</th>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>Research flowchart</td>
<td>37</td>
</tr>
<tr>
<td>3.2</td>
<td>Sources of information</td>
<td>38</td>
</tr>
<tr>
<td>3.3</td>
<td>Five main elements of respondent’ behaviour towards online reviews</td>
<td>39</td>
</tr>
<tr>
<td>3.4</td>
<td>The overall framework of the study</td>
<td>40</td>
</tr>
<tr>
<td>3.5</td>
<td>Elements of accommodation purchase behaviour</td>
<td>41</td>
</tr>
<tr>
<td>4.1</td>
<td>Respondents’ gender</td>
<td>51</td>
</tr>
<tr>
<td>4.2</td>
<td>Respondents' age distribution</td>
<td>54</td>
</tr>
<tr>
<td>4.3</td>
<td>Respondents’ education level</td>
<td>55</td>
</tr>
<tr>
<td>4.4</td>
<td>The continental origin of the respondents</td>
<td>55</td>
</tr>
<tr>
<td>4.5</td>
<td>Respondents' travel companion</td>
<td>59</td>
</tr>
<tr>
<td>4.6</td>
<td>Respondents' duration of stay (nights)</td>
<td>61</td>
</tr>
<tr>
<td>4.7</td>
<td>Respondents' duration of stay (Time range)</td>
<td>62</td>
</tr>
<tr>
<td>4.8</td>
<td>Respondents' trip recurrence</td>
<td>63</td>
</tr>
<tr>
<td>4.9</td>
<td>Respondents' hotel room price per night and per room</td>
<td>66</td>
</tr>
<tr>
<td>4.10</td>
<td>Distribution of respondents based on their accommodation expenditure</td>
<td>66</td>
</tr>
<tr>
<td>4.11</td>
<td>The normal distribution of respondents per hotel price</td>
<td>67</td>
</tr>
</tbody>
</table>
4.12 Distribution of respondents based on their hotel booking method

4.13 Distribution of respondents based on their purpose of visit

4.14 Use of sources of information

4.15 Trustworthiness of sources of information based on the percentage of each trustworthiness rate

4.16 Trustworthiness of sources of information (mean value)

4.17 Histograms of trustworthiness of different sources of information

4.18 Sources of information and their frequency use and trustworthiness

4.19 Online reviews versus price

4.20 Online reviews versus facilities

4.21 Online reviews versus location

4.22 Online reviews versus number of stars

4.23 Online reviews versus brand

4.24 Comparison of different hotel factors based on the percent of respondents who prefer them versus online reviews

4.25 The position of online reviews compare to other factors based on its importance for respondents

4.26 Respondents' reference to online reviews before selecting a hotel (in general)

4.27 Respondents’ reference to online reviews before selecting their recent hotel (total sample size)

4.28 Respondents' reference to online reviews before selecting recent hotel (from the part of sample size who generally refer to online reviews)
4.29 Type of more influential reviews

4.30 Respondents' perception towards accuracy of online reviews (in general)

4.31 Respondents' perception towards accuracy of online reviews for their recent hotel

4.32 Importance of reviewer personal characteristics (mean)

4.33 Comparison of the importance of each reviewer personal characteristics based on the percentage of each Likert scale point

4.34 Significant relationships concerning the gender

4.35 Relationships between age and (i) respondents use of guide books and (ii) preference of online reviews versus number of stars

4.36 Relationships between age and trustworthiness of travel guide books, travel agencies and online reviews

4.37 Relationships between education level and use of (i) tourism offices, (ii) brochures & catalogues and (iii) searching individually within the location

4.38 Trustworthiness of friends and relatives according to the education groups

4.39 Relationship between level of education and referring to online reviews before selecting a hotel

4.40 Importance of the age of reviewer according to the education level

4.41 Relationships between origin and use of (i) travel agencies, (ii) online reviews, (iii) searching individually within the location, (iv) taxi drivers and (v) media advertisement

4.42 Relationships between origin and the preference of online reviews versus (i) location and (ii) brand

4.43 Relationship between origin and refer to online reviews before selecting a hotel
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.44</td>
<td>Relationship between origin and refer to online reviews before selecting a hotel</td>
<td>121</td>
</tr>
<tr>
<td>4.45</td>
<td>Relationships between travel companions and use of (i) travel guide books, (ii) travel agencies and (iii) tourism offices</td>
<td>124</td>
</tr>
<tr>
<td>4.46</td>
<td>Relationship between travel companion and trustworthiness of travel agencies</td>
<td>125</td>
</tr>
<tr>
<td>4.47</td>
<td>Relationships between travel companion groups and preference of online reviews versus (i) location, (ii) number of stars and (iii) brand</td>
<td>127</td>
</tr>
<tr>
<td>4.48</td>
<td>Relationship between reference to online reviews before selecting a hotel and travel companion groups</td>
<td>128</td>
</tr>
<tr>
<td>4.49</td>
<td>Relationship between willingness to write an online review about recent hotel and travel companion groups</td>
<td>128</td>
</tr>
<tr>
<td>4.50</td>
<td>Relationships between the respondents' hotel price and use of (1) travel guide books, (ii) travel agencies, (iii) official hotel websites and (iv) searching individually within the location</td>
<td>132</td>
</tr>
<tr>
<td>4.51</td>
<td>Relationships between the respondents’ hotel price and trustworthiness of (i) travel guide books, (ii) travel agencies and (iii) searching individually within the location</td>
<td>134</td>
</tr>
<tr>
<td>4.52</td>
<td>Relationships between respondents’ hotel price and preference of online reviews versus (i) price, (ii) number of stars and (iii) brand</td>
<td>136</td>
</tr>
<tr>
<td>4.53</td>
<td>Relationships between respondents' hotel price and type of more influential reviews</td>
<td>137</td>
</tr>
<tr>
<td>4.54</td>
<td>Relationship between the respondents’ hotel price and importance of age of the reviewer</td>
<td>138</td>
</tr>
<tr>
<td>4.55</td>
<td>Relationships between type of booking and use of (i) travel guide books, (ii) travel agencies, (iii) online reviews, (iv) official hotel websites and (v) searching individually within the location</td>
<td>141</td>
</tr>
</tbody>
</table>
4.56 Relationships between type of booking and trustworthiness of (i) travel agencies, (ii) online reviews and (iii) official hotel websites

4.57 Relationships between type of booking and preference of online reviews versus (i) location, (ii) number of stars and (iii) brand

4.58 Relationship between type of booking and reference to the online reviews before selecting a hotel

4.59 Relationship between type of booking and willingness to write a review about recent hotel

4.60 Relationship between use of travel guide books and preference of online reviews versus number of stars

4.61 Relationships between use of travel agencies and preference of online reviews versus (i) number of stars and (ii) brand

4.62 Relationship between use of travel agencies and willingness to write an online review about recent hotel

4.63 Relationship between use of tourism offices and willingness to write an online review about recent hotel

4.64 Relationships between use of online reviews and preference of online reviews versus price, number of stars and brand

4.65 Relationships between use of official hotel websites and preference of online reviews versus (i) price and (ii) brand and (iii) reference to online reviews before selecting a hotel (in general)

4.66 Relationship between use of other travel websites and reference to online reviews before selecting a hotel (in general)

4.67 Relationship between use of taxi drivers and preference of online reviews versus number of stars

4.68 Relationships between trustworthiness of guide books and preference of online reviews versus (i) location, (ii)
facilities, (iii) number of stars and (iv) brand

4.69 Relationships between trustworthiness of (i) official hotel websites and (ii) other travel related websites and refer to online reviews before selecting a hotel (in general)

4.70 Relationships between trustworthiness of (i) travel agencies and willingness to write an online review about recent hotel and trustworthiness of online reviews and preference of online reviews versus (ii) location, (iii) number of stars, (iv) brand, (v) refer to online reviews before selecting a hotel and (vi) willingness to write an online review about recent hotel

4.71 Relationships between use of online reviews and (i) use of travel agencies, (ii) use of official hotel websites, (iii) use of other travel websites, (iv) trustworthiness of online reviews and (v) trustworthiness of other travel websites

4.72 Relationship between use of official hotel websites and use of online reviews a source of information

4.73 Relationship between use of other travel websites and as use of online reviews a source of information

4.74 Relationship between use of travel agencies and use of online reviews a source of information

4.75 Relationships between trustworthiness of online reviews and (i) age, (ii) use of travel guide books, (iii) use of online reviews, (iv) trustworthiness of travel guide books, (v) trustworthiness of official hotel websites and (vi) trustworthiness of other travel websites

4.76 Relationship between trustworthiness of online reviews and use of travel guide books

4.77 Relationship between trustworthiness of online reviews and use of online reviews
4.78 Relationships between preference of online reviews versus brand and (i) hotel price, use of (ii) travel agencies, (iii) online reviews and (iv) official hotel websites and trustworthiness of (v) travel guide books and (vi) online reviews

4.79 Relationships between preference of online reviews versus (i) facilities and trustworthiness of travel guide books, location and trustworthiness of (ii) travel guide books and (iii) online reviews and price and (iv) hotel price, (v) online reviews and (vi) official hotel websites

4.80 Relationships between preference of online reviews versus number of stars and (i) age, (ii) hotel price, use of (iii) travel guide books, (iv) travel agencies, (v) online reviews, (vi) taxi drivers and trustworthiness of (vii) travel guide books and (viii) online reviews

4.81 Relationships between reference to online reviews before selecting a hotel and (i) education level, use of (ii) official hotel websites, (iii) other related websites and trustworthiness of (iv) online reviews, (v) official hotel websites and (vi) other travel websites

4.82 Relationships between willingness to write an online review about recent hotel and use of (i) travel agencies, (ii) tourism offices and (iii) trustworthiness of online reviews

5.1 Five main elements of travellers’ behaviour towards online reviews
**LIST OF ABBREVIATIONS**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANOVA</td>
<td>One Way Analysis of Variance</td>
</tr>
<tr>
<td>CGM</td>
<td>Consumer Generated Media</td>
</tr>
<tr>
<td>CRS</td>
<td>Computer Reservation System</td>
</tr>
<tr>
<td>e-WOM</td>
<td>Electronic Word of Mouth</td>
</tr>
<tr>
<td>GRS</td>
<td>Global Reservation System</td>
</tr>
<tr>
<td>OTA</td>
<td>Online Travel Agency</td>
</tr>
<tr>
<td>Sig</td>
<td>Significance</td>
</tr>
<tr>
<td>Std.</td>
<td>Standard</td>
</tr>
<tr>
<td>TIA</td>
<td>Travel Association of America</td>
</tr>
<tr>
<td>UCC</td>
<td>User Created Content</td>
</tr>
<tr>
<td>UGC</td>
<td>User Generated Content</td>
</tr>
<tr>
<td>UNWTO</td>
<td>United Nations World Tourism Organization</td>
</tr>
<tr>
<td>WOM</td>
<td>Word of Mouth</td>
</tr>
</tbody>
</table>
TERMINOLOGY

**Consumer generated content**

User Generated Content (UGC), Consumer Generated Media (CGM), User Created Content (UCC), Consumer Generated Content and Peer Production are different names of a general phenomenon. User Generated Content is the production of content by the general public rather than professionals, officials or experts of a field (PCMAG, 2011). These contents are created and published by the end-users online (Hunter, 2011).

**e-WOM:**

The Abbreviate of “electronic word of mouth” which word-of-mouth generally refers to the personal communications between individuals concerning the perception of goods and services (Ye, Zhang, & Law, 2009). Consumers’ decision making process is strongly influenced by word-of-mouth (Goldenberg, Libai, & Muller, 2001). e-WOM is the electronic form of word of mouth, which consists of consumers’ communication through electronic based applications such as internet.

**Online review**

Online reviews, as a form of User Generated
Content, are daily written by millions of internet users worldwide. These reviews are considered as word-of-mouth, which has been recognized as one of the most influential resources of information transmission since the beginning of society, especially for experience goods (Godes & Mayzlin, 2004). The rapid growth of Internet applications on hospitality and tourism leads to an enormous amount of consumer-generated online reviews on different travel-related facilities (Ye, Zhang, & Law, 2009).

**Online travel agencies**

Online travel agencies (OTA), online travel agencies are defined as agencies for which most of their revenue comes from online sales. This is to differentiate online travel agencies from traditional travel agencies, hybrid agencies, and airline companies. Hybrid agencies originated from offline travel agents, but now have an e-presence (Kim, Kim, & Han, 2007).
## LIST OF APPENDICES

<table>
<thead>
<tr>
<th>APPENDIX</th>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Use of sources of information and their trustworthiness according to the different demographic and travel pattern groups</td>
<td>215</td>
</tr>
<tr>
<td>B</td>
<td>Questionnaire</td>
<td>239</td>
</tr>
<tr>
<td>C</td>
<td>Interview results</td>
<td>240</td>
</tr>
<tr>
<td>D</td>
<td>Online reviews for Kuala Lumpur hotels</td>
<td>260</td>
</tr>
</tbody>
</table>
1.1 Introduction

Internet is a worldwide, publicly accessible network of computers used by a variety of people for a vast range of activities (Jordan, 2008). One of the most popular activities undertaken by Internet users is searching for travel information (Horrigan, 2008). As it is stated by Litvin, Goldsmith, & Pan (2008), an increasing number of travellers are using the Internet for travel planning. Recent studies show that of the nearly 120 million adult users of the Internet in 2004, approximately 98 million users utilized the Internet to find travel information (Patkose, Stokes, & Cook, 2004).

On the other hand, traditionally Word-of-Mouth (WOM) has influenced consumer information search behaviour and purchase decisions (Brown, Broderick, & Lee, 2007). As it is mentioned by Goldenberg, Libai, & Muller (2001), Consumer decision making processes are strongly influenced by word-of-mouth from other consumers. As it is defined by Richins (1983), Word-of-mouth refers to interpersonal
communications among consumers concerning their personal experiences and evaluations of a firm or a product. As Sparks & Browning (2011) indicate:

Imagine for a moment that you are planning to visit another city and need to book a hotel. Not being familiar with the destination you ponder how to make a decision about where to stay. You could ask friends, check out a travel agency, or perhaps do a search on the Internet. What all these strategies have in common is that people often seek the advice of others as part of their decision-making. It is widely recognized that word of mouth, both positive and negative, has the potential to influence customer purchase decisions.

(Sparks & Browning, 2011)

In recent years, the World Wide Web transformed a business-to-consumer marketing to a peer-to-peer model for sharing of information (Kozinets, 1999). Invention of web 2.0 enabled internet users to collaborate and share information online (Webopedia). With the development of Web 2.0, user generated contents has become tremendously popular as some of the most frequently visited sites on the Internet are primarily user generated applications (Ellis-Christensen & Wallace). The increasing use of web 2.0 applications has generated numerous online user reviews (Ye, Law, Gu, & Chen, 2011) in the form of user generated contents.

The Internet and information technologies provide extensive opportunities for consumers to share their evaluations of products online (Zhanga, Yea, Law, & Li, 2010). Such communications exert a powerful influence on consumers’ purchase behaviour especially in the presence of experience goods such as hospitality service (Murray, 1991). More consumers are now willing to rely on e-WOM as a key source of information about specific products (Litvin, Goldsmith, & Pan, 2008).
This study will focus on the role of hotel online reviews, as an important form of e-WOM in the accommodation purchase decision making process of international Tourists in Malaysia.

1.2 Statement of research

Prior studies revealed that online user-generated reviews have a significant effect on the sales of experience products (Chevlier & Mayzlin, 2006), (Duan, Gu, & Whinston, 2008), (Ye, Law, Gu, & Chen, 2011), (Ye, Law, & Gu, 2009), (Vermeulen & Seegers, 2009), (Zhang, Yea, Law, & Li, 2010), (Sparks & Browning, 2011), (Jordan, 2008), (Kim & Kim, 2004), (Arsal, 2008)). In addition, the importance of word-of-mouth on business has been widely discussed and researched, particularly since the worldwide adoption of Internet technologies, which have revolutionized the distribution and influence of word-of-mouth (Anderson, 1998).

Several recent studies explore the issue of online reviews, or electronic word-of-mouth, focusing mainly on matters such as motivations of, and social dynamics between, users and contributors of review sites (Hennig-Thurau, Gwinner, Walsh, & Gremler, 2004). However, these studies do not investigate online reviews’ impact on consumer decision making, i.e., to what extent exposure to online reviews affects consumers’ attitudes and purchase decisions (Chevlier & Mayzlin, 2006).

This study aims to identify the role of online hotel reviews, which are available in the form of user generated content through well-known travel review
websites (e.g. Tripadvisor.com) (e.g. expedia.com, Travelocity.com and booking.com) in the international tourists’ accommodation purchase behaviour. More specifically the focus will be placed on the accommodation purchase behaviour of international free independent tourists in Kuala Lumpur to identify to what extent; online reviews are a significant factor which can influence their hotel selection. Moreover the position of online word of mouth will be compared with other influential factors such as physical attributes of hotels such location or facilities and its value indicators such as price range, brand and number of stars. As another part of study, this research seeks to identify if the roles of online hotel reviews are more significant for the specific segments of Malaysian tourism market in terms of their demographic characteristics, namely age, education, nationality and gender.

Beside the demographic characteristics, this research attempts to find any meaningful relationship between the importance of online hotel reviews as a decision making factor for the Kuala Lumpur international tourists and their travel pattern, such the length of stay, the travel companions, purpose of visit and their accommodation purchase expenditure. In addition, the main sources of information research for international tourists of Kuala Lumpur and the position of online hotel reviews among them will be sought. And it will be studied that what type of reviews are more influential on the decision making process of Kuala Lumpur international free independent tourists. Finally, it will be studied whether and to what extent, international free independent tourists of Kuala Lumpur pay attention to the personal characteristics of a reviewer, namely its gender, age and nationality.
1.3 Research questions

Question Number 1: Numerous factors are influential on hotel selection decision making process of tourists (i.e. location, price, brand, facilities, and number of stars). For Kuala Lumpur tourists, to what extent, the valence of online user generated hotel reviews have a significant role in their decision making process, in compare with other factors?

Tourists may have numerous factors which can influence their decision making process to select their hotel in Kuala Lumpur. These factors can be categorized into physical attributes such as its location, the available facilities, room size or its value factors such as value for money, price, brand or number of stars. For the purpose of this research, the importance of the online reviews as a hotel selection factor for Kuala Lumpur international free independent tourists will be compared with other above mentioned factors. In other words, it will be studied that which of the above mentioned factors are more crucial for a traveller to select a hotel and what is the position of “being recommended by online reviews” or having “better online reviews” between the above factors.

Question Number 2:

a. What are the main sources of information for international tourists of Kuala Lumpur to find hotels?

b. What is the position of online user generated reviews, among other sources of information for Kuala Lumpur international tourists based on their reliability and trustworthiness and the frequency of reference?

A wide variety of information sources are available for tourists to find the necessary information about the accommodation facilities of a destination. Hotel’s
official websites, guide books, travel agencies, internet travel websites, internet travel review websites, friends and relatives, tourism offices and media are only few samples of above mentioned information sources. In this study it will be sought to find out what are the main information sources for Kuala Lumpur international free independent tourists and what the position of online user generated reviews is between all available information sources.

Question Number 3: What is the relationship between the demographic characteristics and travel patterns of Kuala Lumpur international free independent tourists and their behaviour toward online reviews?

In this study, it will be tried to identify if the behaviour towards the online hotel reviews significantly has any relationship with the demographic characteristics and travel pattern of Kuala Lumpur international free independent tourists. Particularly it will be sought if any specific groups of tourists in terms of their demographic characteristics (e.g. age, education level, country of origin) and travel pattern (e.g. travel motivations, length of stay, budget) have different behaviour towards the online reviews in their accommodation purchase behaviour.

Question Number 4: Do online reviews reflect the actual conditions of accommodation facilities and are they in compliance with the evaluation of Kuala Lumpur Tourists?

The respondents will be asked to state to what extent they find the online reviews, published in well-known hotel review websites (e.g. Tripadvisor, booking.com and online travel agencies such as expedia, Travelocity, etc.), accurate and reliable.
Question Number 5: Do the international tourists of Kuala Lumpur pay attention to the personal characteristics of the review writers and to what extents, these personal characteristics are important for them?

As a relatively more innovative approach to research the role of online reviews in the accommodation purchase behaviour of Kuala Lumpur international tourists, the tourists will be asked to express to what extent the personal characteristics of the writer of online reviews are important for them. These personal characteristics include the age, sex and nationality of the writers.

1.4 Expected findings

From the findings of this research, generally the influence of online user generated hotel reviews on the decision making process of customers and their accommodation purchase behaviour is expected to be found out. Initially, the significance of user generated online hotel reviews among other influential factors for selecting hotels can be identified. The findings of this part will assist tourism planners, researchers and hotel industry stake holders, to identify the most important hotel selection factors for tourists and in addition, it can assist them to measure and identify the importance of online hotel reviews as an influential factor on the success of their business. The findings of this part may be used as marketing hints for the marketers of hotel and accommodation facilities to better understand the role of online reviews and its position against the other factors of an accommodation facility.
In addition, the information search behaviour, in terms of use of hotel selection sources of information and their trustworthiness for the Kuala Lumpur international free independent tourists will be studied. Therefore marketers can have a better understanding about the information search behaviour of tourists, and sources of information which have more influence on the decision making process of tourists. In addition, it will be sought to show which sources of information are considered more reliable or trustworthy by international tourists of Kuala Lumpur. Furthermore, it will be attempted to find out how international tourists of Kuala Lumpur usually search for the information in the context of web search. The findings of this part of study are expected to tremendously help marketers to develop more effective marketing and promotional plans. In addition, tourism planners may use the findings of this research, to better understand the information search behaviour of tourists.

Through studying the relationship of the international free independent travellers behaviour towards online hotel user generated reviews with demographic characteristics and travel pattern of tourists, it can be shown that which groups of travellers are mostly exposed with online user generated reviews and for the current key market segments of Malaysian tourism, to what extent, online user generated reviews can play a significant role. Findings of this part will assist tourism planners and marketers to further understand the importance of user generated reviews on purchase behaviour of tourists in Malaysia. In addition, the marketing planners will notify that which part of their target markets are mostly exposed to the online reviews and therefore can adjust their marketing strategies based on the findings of this research. Moreover it will help the tourism review web developers to better understand their main target groups and therefore take more effective steps for development of websites and its marketing policies.

Furthermore it will be examined that to what extent, online reviews are reflecting the current and actual conditions of facilities in Kuala Lumpur accommodation market. The findings of this part of research will help tourism
academicians and researchers to have a broader understanding about the trustworthiness and constancy of online user generated hotel reviews.

As another expected finding of this research, it will be attempted to measure to what extent the personal details of the review writers are being considered by the review readers. The outcomes of this part of research can help review websites designers to establish more innovative and effective recommender and review systems to better fit the expectations of the users.

1.5 Research goal and objectives

The goal of this research is to analyse the influence of online user generated hotel reviews on accommodation purchase behaviour of Kuala Lumpur international free independent travellers.

1. To identify to what extent, online user generated hotel reviews play a significant role in hotel selection process of travellers in compare with other factors such as price, location, brand and stars;

2.
   a. To identify which sources are the main sources of finding information about the hotels for the international tourists in Malaysia and;
b. The position of online reviews, between other sources of data, as an influential factor on decision making process of Malaysia’s international free independent tourists in their accommodation purchase behaviour;

3. To identify how online reviews influence the accommodation purchase of Malaysia’s international free independent tourists, in relation with demographic characteristics and travel pattern of tourists;

4. To identify to what extent online reviews reflect the actual conditions of accommodation facilities of Kuala Lumpur.

5. To identify whether and to what extents the personal details of the review writers are a matter of concern for the international free independent tourists of Kuala Lumpur.

1.6 Importance of the study

According to recent studies, an increasing number of travellers are daily consulting with online user generated travel reviews to decide about their trip or purchase a travel package online. According to Gretzel & Yoo (2008), three-quarters of travellers have considered online consumer reviews as an information source
when planning their trips. Another study shows that up to 70% of adults currently use consumer ratings and reviews (Forrester, 2006).

In 2006, Pew Research found that of the 75% of American adults who use the Internet, 91% utilized online search engines to find information. In addition, 81% of Internet users used the Internet to look for information online about a service or product they were intended to purchase. Furthermore, searching for travel information was among the most popular online activities, with 73% of Internet users searching for travel information (Horrigan, 2008). As an instance, merely on one of the most globally well-known hotel review websites, Tripadvisor.com, which contains more than 45 million travel reviews and opinions from travellers around the world for more than 457,000 hotels from 85,000 cities, each month 50 millions of potential visitors consult online reviews (Tripadvisor, 2011).

The Travel Association of America (TIA) found that 31% of all travellers are actually booking or making travel reservations online. This figure represents an increase from 29% of all travellers who booked online in 2003 and an increase from 10% of all travellers who booked online in 1999 (Patkose, Stokes, & Cook, 2004). In 2004, the top three items booked or purchased online were airline tickets (82% of online travel bookers), overnight lodging accommodations (67%), and activities (66%) (Patkose, Stokes, & Cook, 2004).

A research in 2006 showed that more than 35% of Internet users have rated products online (Lenhart, 2006). According to Gretzel & Yoo (2008), Up to 2004, 44 per cent of U.S. Internet users had presented their thoughts on the Internet, and the majority of consumers reported that they trusted the opinions which were posted online by other consumers. Several studies proved that online user-generated reviews could significantly influence the sales of products like books, CDs, and movies (Ghose & Ipeirotis, 2006). A recent study revealed that traveller reviews have a significant impact on online sales, with a 10 percent increase in traveller review
ratings boosting online bookings by more than five percent (Ye, Law, Gu, & Chen, 2011).

According to another survey with more than 2000 U.S. adults, between 79% and 87% of the readers of online reviews of restaurants, hotels, and travel services reported that the reviews had a significant influence on their purchase decisions. More importantly, based on the strength of the reviews that they read, 41% of restaurant review readers subsequently visited a restaurant, and 40% of hotel review readers subsequently stayed at a hotel (comScore & Kelsey, 2007). Another study illustrate that among the visitors, 84 per cent were affected by reviews when making their travel reservations (Milan, 2009).

Reviews provided by other travellers are often perceived by readers to be more up-to-date, enjoyable, and reliable than information provided by travel service providers (Gretzel & Yoo, 2008). For many consumers of tourism or hospitality product a review of what is being ‘said’ in cyber space forms part of the information collection process when selecting a product (Sparks & Browning, 2011). Inarguably, consumers are relying more on online search strategies, by using blog pages, forums or review sites when making product decisions (Xinag & Gretzel, 2010). Therefore, consumer’s decision-making process is strongly influenced by WOM (Goldenberg, Libai, & Muller, 2001).

Online user-generated reviews are of use to both consumers and online retailers (Zhu & Zhang, 2006), or as Park, Lee, & Han (2007) define, an online consumer review has a dual role: it provides information about products and services, and serves as a recommendation.

As informants, online consumer reviewers deliver additional user oriented information (Zhanga, Yea, Law, & Li, 2010). In other words, they offer special solutions to the “problem” of intangibility of experience products (Klein, 1998). The WOM process makes it easier for consumers to spread their words, and facilitating
access to such opinions, various opinion websites have shown a profound effect on consumer purchase decisions (Zhanga, Yea, Law, & Li, 2010). Therefore, as part of product decision-making or choice, potential buyers can enter a community of past-purchasers to obtain information prior to making a purchase (Sparks & Browning, 2011).

These reviews become an important source for international travellers to get travel-related advice, which in turn, leads to the ultimate online reservations for business owners (Ye, Law, Gu, & Chen, 2011). On the other hand, online consumer reviews as recommenders, provide either a positive or negative signal of product popularity (Zhanga, Yea, Law, & Li, 2010). As it is proved by a recent research, subjectivity and polarity of the ratings in reviews had a significant influence on online sales of certain products (Ghose & Ipeirotis, 2006).

A recent study on the impact of New York Times book reviews on book sales (Sorensen & Rasmussen, 2004) established unsurprisingly that positive reviews had a more positive impact on book sales than negative reviews. But it also more surprisingly found that negative reviews had a positive impact on book sales. The authors explained the latter finding by referring to reviews’ “informative,” as opposed to persuasive, component (Sorensen & Rasmussen, 2004). Marketing theorists would relate this informative component of a review to consumers’ product or brand awareness (Keller, 1993). Even though negative reviews lower consumer attitudes toward the reviewed hotels, enhanced hotel awareness compensates for this effect, yielding a near neutral net effect on consideration (Vermeulen & Seegers, 2009).

Positive online reviews improve the perception of hotels among potential consumers. Exposure to online reviews enhanced hotel awareness, and that positive reviews improved the attitudes of travellers toward hotels (Vermeulen & Seegers, 2009). They can significantly influence the popularity and sales of certain products.
(Chevlier & Mayzlin, 2006). In addition, they pass on a strong sense of a hotel or destination to travellers, and, more importantly, contain valuable information about product improvement (Ye, Law, Gu, & Chen, 2011). Certain online reviews could reduce cognitive loads of readers and thus result in more sales (Ghose & Ipeirotis, 2006). Furthermore, these reviews can lead to product or service quality improvement (Au, Law, & Buhalis, 2010). These reviews have the potential to enhance or detract from a brand and, consequently, to impact on a firm’s reputation (Sparks & Browning, 2011). Since the Internet will serve as a major communication channel between hotels and consumers, hotel managers should setup an effective communication strategy and to simplify their electronic reviews (Ye, Law, Gu, & Chen, 2011). Many tourism and hospitality businesses have not taken notice of the online e-complaint trend, and they thus fail to respond actively (Harrison-Walker, 2001).

Understanding e-WOM is especially important for those products whereby consumers potentially obtain information (search), book or buy online, such as hotels, airlines and restaurants (Li, Pan, Zhang, & Smith, 2009). Online word-of-mouth can have important implications for managers in terms of brand building, product development, and quality assurance (Dellarocas, 2003). Tourism managers thus need to be aware that an increasing number of travellers will make their purchases online, and that the purchase decisions of these travellers will be strongly influenced by online reviews (Ye, Law, Gu, & Chen, 2011).

Hotel managers need to be more cognisant of what is written about their hotels in third party online reviews (Ye, Law, & Gu, 2009). Proper use of traveller reviews could, therefore, help a tourism business to improve their services and gain a competitive edge (Ye, Law, Gu, & Chen, 2011). Furthermore, some authors suggest that Hotel practitioners should motivate consumers to write online reviews (Ye, Law, Gu, & Chen, 2011). A growing reliance on the Internet as an information source when making choices about tourism products raises the need for more research into electronic word of mouth (Sparks & Browning, 2011).
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