

CAN WE RELY ON INTERNET DISTRIBUTION SYSTEMS' RATING? A CASE STUDY OF BOOKING.COM AND HRS.COM

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Abstract:

Internet distribution systems have reshaped the tourism industry, and guests' ratings and reviews have greatly contributed to that. Numerous research has pointed out to the importance of guest reviews and hotel ratings for the Internet distribution systems. However, the question remains as to how much we can rely on different Internet distribution systems (IDS). This paper demonstrates a statistically significant difference in ratings on different IDS for 10 evaluated hotels. What could be the reason for this? The authors believe that the number of criteria evaluated by the guests and the differences in criteria evaluated reflect different hotel ratings on IDS. This, of course, as previous researchers have demonstrated, can affect the overall hotel performance, thus resulting in fewer reservations and unfavourable financial results.

Keywords:

hotel, guests, reviews, IDS, OTA's, Internet.

INTRODUCTION

Travel industry has experienced huge transformations, mainly triggered by rapid technological advancements. (Poon, 1993; Sheldon, 1997). Yet, these changes are never-ending and occur almost every day on a global scale. However, if we decide to single out the most important change in the tourism and hospitality field, it would definitely be the introduction of the Internet distribution channels, as suggested by some authors (Kang *et al.*, 2013). At the moment, they are taking control over individual reservations, mainly due to their emphasis on providing the *best available rate*. This *best available rate*, however, pushed the hotels into a stronger competition on the market, almost threatening to take control over the room pricing from hoteliers to IDS. Many authors, like Carrol and Siguaw, have dealt with the ways in which IDS changed the travel industry (Carroll & Siguaw, 2003). Others attempted to determine the level to which the hotels became dependent on IDS, while some went even further and explored the correlation between the hotel rating and guest comments and their effects on profitability (Ye *et al.*, 2009). Nonetheless, little has been said on the significant difference between guest behavior concerning different IDS. If we already know how important guest ratings are, then the difference in their rating on several IDS can consequently affect the overall hotel performances. Furthermore, the market pressure and competition have triggered

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hotel managers to promote their hotels on many different IDS channels so as to attract new customers. This could result in the failure of hotel managers to devote exactly the same attention to hotel presentation on every single IDS. Finally, lower rating on some IDS compared to others could lead to lower marks and consequently, lower profitability.

THE IMPORTANCE OF INTERNET DISTRIBUTION SYSTEMS

Almost exponential growth of Internet applications in hospitality and tourism resulted in an incredible amount of user-generated reviews on different internet sites and distribution channels (Ye *et al.*, 2009). Furthermore, a study from Google and Ipsos MediaCT showed that over 70% of respondents usually start doing research on-line before they make a decision on how and where to travel (Ipsos MediaCT, 2013). Not only that they search online, but as Anderson clearly demonstrated, the number of people consulting reviews prior to booking has steadily increased over time, as well as the number of reviews read (Anderson, 2012). In line with this, business intentions to invest in their online reputation are also rapidly increasing (Tripadvisor, 2015). This seems logical if we consider the fact that online reviews influence over \$10 billion a year in online travel purchases (Vermeulen & Seegers, 2009). Several authors have already shown how reviews improve hotel (brand) salience in consumers, and thus *improve a chance of hotels' inclusion in consumers' awareness sets* (Alba & Chattopadhy, 1986; Vermeulen & Seegers, 2009). The group of authors correctly argue that online customer reviews *as a particular form of eWOM have become the most important information source in customers' decision-making* (Phillips *et al.*, 2016), and that they *'inarguably, rely more on online search strategies'* (Sparks & Browning, 2013).

However, it should be noted that eWoM significantly differs from traditional WoM. Accordingly, we shall single out one such difference, as most relevant for this paper, which says that in traditional WoM, the consumer receives a very modest number of reviews (Zeithaml *et al.*, 2006; Xie *et al.*, 2010), whilst in eWoM, the consumer may encounter a dozen reviews from customers with very diverse backgrounds (Gretzel & Yoo, 2008). Furthermore, the occurrence of recent positive reviews can over-ride or moderate the effect of a set of negative reviews, in respect of booking intentions (Sparks & Browning, 2013) while the hotel can increase its prices by 11.2% and maintain the same occupancy if it increases its rating for 1 point on a 5-point scale (Anderson, 2012). Therefrom comes the enormous importance of

IDS in modern business. This certainly implies a well-planned and managed online reputation, which could also be handled with modern ICT, as our previous study has shown (Čerović *et al.*, 2016).

WHY GUESTS RATE SAME HOTELS DIFFERENTLY: A CASE STUDY OF BOOKING.COM AND HRS.COM

The paper has already elaborated on the importance of guests' reviews for hotels and their performances. Simply put, they are so important for hotels, especially because they are very much important for their customers, since they affect customers' intentions while making a decision on where to stay. At the end of the 20th and the beginning of the 21st century, several hotel booking websites were created, and they slowly emerged into multinational corporations. They have grown so quickly that recently many hotel managers felt they are losing control over their own pricing. As Zach Zahran from Kitano Hotel New York says: "Online travel agencies drive 20 to 25% of hotel bookings industry-wide, but at a heavy cost of 15 to 25% commission fees"^{1,2}. As regards IDSs, market leader at the moment is a Priceline group, with one of their well-known brands Booking.com (Group, 2016). However, there are many different IDS, which usually differ by the market segment they are created for. However, they do not vary considerably in terms of the number of accommodations they are providing. Other well-known IDSs are *Expedia*, *HRS*, *Hotels.com*, *Agoda* etc.

The starting point in this research was to test whether there is a difference on how guests rate one hotel on different IDS, and if so, whether it is the case that on particular IDS, the rate is always higher or lower. We took two very popular IDS – Booking.com offering slightly over 1 million places to stay (Booking, 2016) and HRS.com that offers over 700.000 hotels and holiday homes and apartments (HRS, 2016). We tested 10 hotels from 2 European capitals, and over 42,237 rates for the period August 2013-August 2016. We used IBM SPSS version 20.0 and tried to determine whether there is a statistically significant difference between the ratings on two IDS tested via paired sample T-test. The results obtained are presented below.

- 1 See more at: http://hotelmarketing.com/index.php/content/article/hotel_websites_might_just_have_the_best_rates_and_perks#sthash.2n9iyuRR.dpuf
- 2 Many people use the term OTAs (Online travel agencies) while referring to websites like Booking.com and Expedia.com. There are several more terms which are in use such as ADS (Alternative distribution channel) and IDS referring to Internet distribution systems. We decided to use IDS for this paper as we consider it most convenient.



Table 1. Paired sample statistics

Paired Samples Test		Paired Differences			
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference Lower
Pair 1	Booking.com - HRS	,4790000	,4620354	,1461084	,1484798

The Sig (2-tailed) from Table 2 often referred as p value, clearly shows that there is a statistically significant difference in how guests rate the same hotel on Booking.com and on HRS. Moreover, the results obtained in the research show that the guests rate hotels lower on HRS rather than on Booking.com.

Table 2. Paired samples t-test

Paired Samples Test		Paired Differences	t	df	Sig. (2-tailed)
		95% Confidence Interval of the Difference Upper			
Pair 1	Booking.com - HRS	,8095202	3,278	9	,010

There are several possible reasons for such different marks. It must be said that we didn't test the difference in marks of the guest coming from different countries, which could be one of the reasons. Hypothetically, the guests from Germany cloud prefer to book their stay through HRS, and they might usually leave lower marks when they travel. However, since both IDS operate globally, we thought that the sample size will neutralize these

differences. On the other hand, a chance is that the front office managers, who usually take care of hotel presentation on IDS, simply do not have enough time to pay exactly the same attention to every IDS where their hotel is present. Therefore, they focus on 2-3 major IDS, replying to guests' comments quicker, motivating them with further discounts if they leave good marks *etc.* This would require an additional survey for front office managers, which goes beyond the scope of this paper. Nevertheless, we do not exclude this scenario, even though we consider it a secondary reason for the results obtained. However, we primarily argue that the number of criteria these two IDS use might be the reason for a significant difference in ratings. In addition, we believe that the more specific criteria, the higher the chance of having a lower mark. Thus, we compared how many criteria each of these IDS evaluates and how many of them are overlapping. The results are presented in Fig. 1.

It is clearly visible that HRS.com offers 12 criteria to its customers, while Booking.com offers 6. Surprisingly enough, however, only 2 criteria are found to be overlapping, namely "Value for money" and "Friendliness and competence of hotel staff". From our perspective, HRS goes into detail when trying to achieve room quality. They have 4 criteria related to it (beds comfortability, room facilities, room size, bathroom), while Booking.com simply brings it together in one, naming it "comfort". Therefore, the overall rating given to the hotel is composed of 12 components in case of HRS, whilst in case of Booking.com, it consisted of 6. It might also be argued which IDS offers more relevant criteria for the guests, but that question is not the subject of this paper, even though it represents an important issue. What we found interesting during our research is that Booking.com is the only IDS that offers Wi-Fi as the criteria, which the authors consider a very good thing, having in

sn	Criteria	HRS.com	Booking.com
1	Value for money	✓	✓
2	Ambience	✓	
3	Friendliness and competence of hotel staff	✓	✓
4	Willingness to assist	✓	
5	Breakfast	✓	
6	Restaurant quality	✓	
7	Spa facilities	✓	
8	Room size	✓	
9	Room facilities	✓	
10	Beds comfortability	✓	
11	Bathroom	✓	
12	Cleanless of the hotel	✓	
13	Free wifi		✓
14	Comfort		✓
15	Location		✓
16	Facilities		✓

Figure 1. Difference in IDS criteria



mind an increasing number of millennials taking part in international tourism.

Nevertheless, the reasons for different ratings should be the subject of further work. It should be tested on a larger sample of hotels with different IDS, but the herein presented study could be the good starting point.

CONCLUSION

IDS have an indisputable role in international tourism. Hotels are becoming more and more dependent on them, and are thus switching their investments tremendously to on-line reputation. The eWoM phenomenon could also be observed in the hospitality sector. Conversely, guests' reviews and ratings on IDS have become so important that they significantly affect the overall hotel profitability. Therefore, the purpose of this paper was to determine whether the guests rate hotels differently on two IDS compared.

The results obtained indicate a significant difference in hotel ratings between Booking.com and HRS.com. It is notable as well that the average rating point on HRS is usually lower than on Booking.com. Even though this wasn't an empirical study and that several scenarios could be the reason for this case, we argue that the number of criteria affect the overall ratings in a way that more criteria results in a lower rating for a particular hotel on two IDS tested. In addition, the more specific criteria, the lower the hotel rating. This is argued due to the table presented in the study, where it is clearly visible that HRS offers twice as more criteria than Booking.com. Moreover, they (HRS) go into detail by asking questions to their customers offering 4 criteria compared to 1 given by Booking regarding the room comfort. We consider this particular question a very important one. As demonstrated in previous studies on the importance of guests' ratings and reviews, and how they can affect the hotel profitability, it is very important for hotel managers to understand what could be the reason for different ratings on various IDS for their hotel. Identifying what might have caused that could be the starting point in maintaining an equal rating on various IDS.

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