

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In this era, the internet has become a popular platform for businesses to do marketing purposes and receiving customer feedbacks. As time goes by, the world has become more digitalized than before. Especially in the hospitality industry, the internet has become a place for people to improve their business because customers' feedback is very essential. The internet has risen and spread throughout the decade, which has changed the world today into a more technology oriented world. The internet has created a new world for people as consumers to communicate and express their experience, which is WOM (Word of Mouth).

The hospitality industry nowadays uses WOM (Word of Mouth) which is very common among businesses because word of mouth can boost and enhance the quality of the hotel brand. In the perspective of customers, customers will always rely on any advertising tools especially when the information itself is from the people they know.

According to Nielsen study, there are at least 92% of customers believe any form of a suggestion from the family members or friends (as cited in Mosley, 2017). Most customers listen to other people's reviews such as family members and friends because most customers have a mindset of experiences that are shared by someone they know who are more reliable.

According to Hoffman and Novak (1996), eWOM (electronic Word of Mouth) is more effective than Word of Mouth because it is easier to share their experience via the internet than face-to-face (as cited in Kim et al., 2015).

Mosley (2017) stated that Word of Mouth is all about creating a trend because when businesses reach out to the consumers the more likely people will know the brand better. The more people see it, the quicker it spread to the world and the brand will get better recognition from the consumers.

According to Mosley (2017), Word of Mouth will always spread to each individual and it will not stop with just single interaction. Word of Mouth is like a chain reaction, an individual will tell another individual and the cycle will continue. Business nowadays relies more on Word of mouth because it is the fastest way for entrepreneurs to expand their business at a rapid pace. Business without Word of Mouth will never survive because there is no advertising outlet for them to grow themselves. Mosley (2017) stated that if Word of Mouth is used in a good way, the business will get a great amount of exposure. But if Word of Mouth is used in a bad way, the progress will spread much faster, because in this era, people are more attracted to bad reviews than good reviews.

Word of Mouth takes into another form, which is electronic Word of Mouth. Electronic Word of Mouth is considered as buzz marketing that uses online communication as a platform to create or initiate conversations among people about a particular brand or product (Foy, 2017). Most of the main purposes for every business that runs in the hospitality industry are to deliver good customer experience and meet customer satisfaction.

When a customer shares their bad experience especially when the experience itself is written in the online review, the hotel will assess what needs to be fixed and improved about their service and performance, because what the customer writes on online review will always stay there and it will affect greatly on the hotel itself.

According to Foy (2017), electronic Word of Mouth consists of three major components, which are peer pressure, online reviews, and influencer marketing. These three major components have become the game-changer for the business community in which electronic Word of Mouth providing options for consumers to share their experience and opinions about the brand. Online reviews can be considered as the most essential benefit in any business. Hotel nowadays uses online reviews as its source of growth, improvement, and expansion. When it comes to the credibility of the hotel itself, consumers will rely on online reviews to form a judgment about certain products.

Online reviews have grown so much, especially when the technologies have grown tremendously for the past decade. Consumers used to write a review on the review card that has been prepared inside the room. However, nowadays, consumers can leave their reviews with just a single touch from technologies. With all these online bookings available for the public, such as Traveloka, Agoda, Booking.com, Pegi-Pegi, etc, this shows that the electronic Word of Mouth has evolved into something far greater and useful for the hospitality industry. Every hotel should always pay attention to online reviews because the online review is a

platform for the hotel to interact with the customer's complaint and has a better understanding of what needs to be improved in order to retain customer trust.

Most travelers usually rely on online reviews as a platform for decision-making. Positive and bad reviews have been considered as the key factors affecting the consumer's decision-making in choosing a hotel brand. Bad online reviews can affect the customer's first impression, which will affect the hotel brand. This type of situation can end in customers choosing competitors, especially if the competitors themselves have a positive review.

Little do people know, all this time we think that online reviews will always affect customers' loyalty and decision-making behavior. However, imagine when the hotel's manager shares bad online reviews to the employees, this might affect their performance and productivity because their efforts and service quality are being judged by the customers. A happy customer will lead to a good online review, which also leads to happy employees. Good feedback from the customers can create a customer-oriented mindset among the employees. Employees are driven by good feedbacks, which can boost their self-confidence. A few simple words or feedbacks can affect the hotel's brand reputation and hotel management.

The writer herself has experienced what online review can do to improve employee performance. A simple complaint can trigger a sense of reflection, which can create the need to improve and fix the mistakes. A simple compliment from a guest can trigger a sense of appreciation, which creates the needs to maintain good performance and learn new things to improve the performance.

The writer decided to choose Hotel Alvina as the research object. Hotel Alvina is a hospitality business, which provides accommodations, services, and café. Hotel Alvina is considered well known in Pematangsiantar because the hotel has helped the government to improve Pematangsiantar tourism. Hotel Alvina has received many feedbacks from online sites, such as Google Reviews, Traveloka, Tiket.com, and Pegi Pegi. The hotel has received both good and bad reviews from the customers and the writer asked one of the staffs regarding their approach and opinion about Online Customer Review. The employees of Hotel Alvina do care and take customer reviews seriously. Every month, the hotel management will conduct a meeting among the employees to discuss about online reviews, the anticipation of receiving bad and good reviews gives them pressure to improve their performance and maintain the hotel service standard.

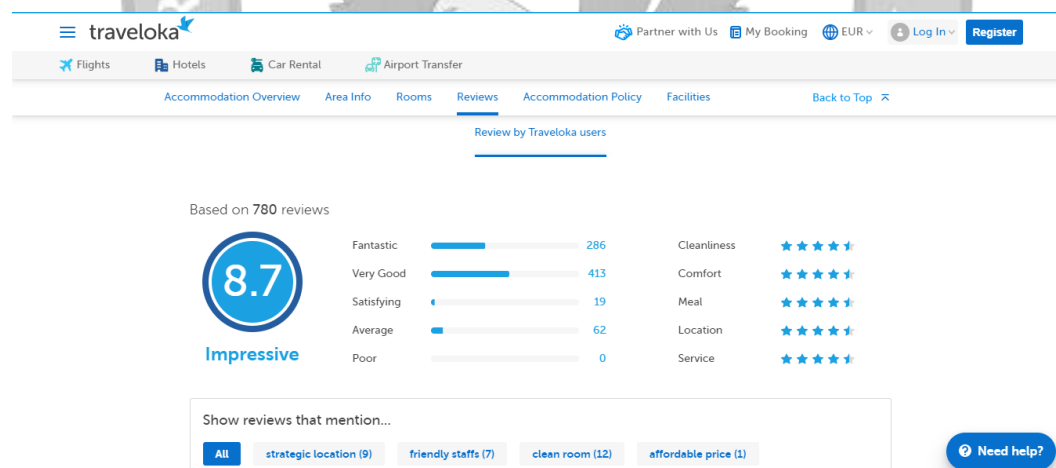


Figure 1.1 Traveloka's Online Review of Hotel Alvina

Source: Traveloka (2020)

According to the Traveloka's online review of Hotel Alvina, the reviews are mostly good which are 8.7 out of 10. As most of the customers are really satisfied with the overall services and products of hotel Alvina, this shows that the employees did a great job in delivering their performance. During the observation of doing the

proposal for the research, the writer had a brief conversation with one of the staff about online review. The hotel mostly receives good reviews which indicate that the employees are happy because the customers appreciate their performance, which also create the needs for them to maintain and even improve their performance. The expectation for them to maintain the standard by always improving and maintaining their performance can sometimes create a burden for them.

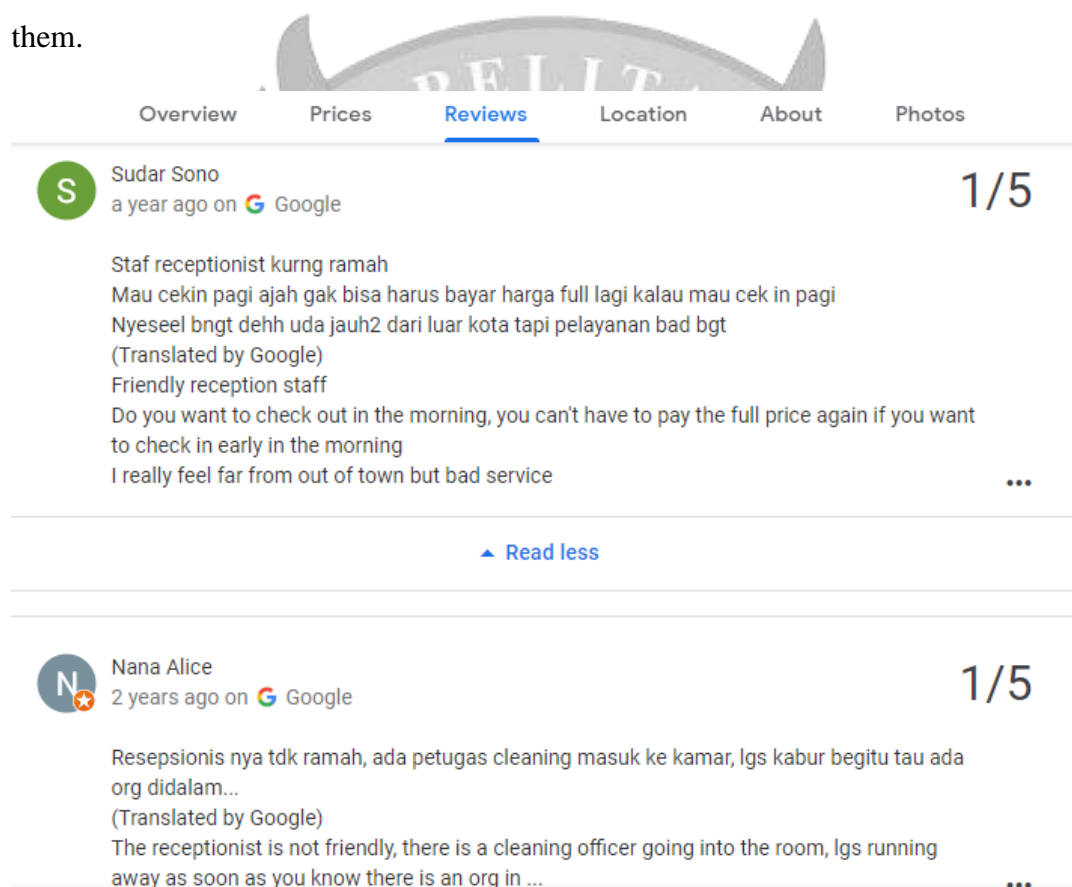


Figure 1.2 Google Reviews of Hotel Alvina

Source: Google Reviews (2020)

According to the google reviews of Hotel Alvina, there are some bad reviews about the Hotel Alvina's service. When bad reviews are presented in the online review, this creates a pressure for them to fix their mistakes and motivate them to improve their performance. This doesn't mean that good or bad online

reviews only affect employee performance in a positive way, it can also affect them in a negative way because the pressure in improving their performance or maintaining their performance can give a burden for their psychology, depending on the individual themselves.

Because of this, the writer believes that online review can affect employee performance. The writer believes that online review can be a double-edge tool that affects employee performance. Due to this, the writer decided to do a research with the title “The Effect of Online Reviews toward Employee Performance in Hotel Alvina Pematangsiantar”.

1.2 Problem Limitation

Based on the topic research to be observed, the purpose of this research is to find out the effect of online review towards employee performance. The time span of writing this research is six months. The writer decided to choose one of the hotels' in Pematangsiantar as the research object. The research object for this research is Hotel Alvina Pematangsiantar. The object sample for this research is the employees of Hotel Alvina Pematangsiantar.

1.3 Problem Formulation

The writer's intention for this research is to analyze how online reviews affect employee performance in Hotel Alvina. Therefore, this research attempts to answer the following questions:

1. How is the online review in Hotel Alvina Pematangsiantar?
2. How is the employee performance in Hotel Alvina Pematangsiantar?

3. Does online review affect employee performance in Hotel Alvina Pematangsiantar?

1.4 Objective of the Research

The objective for this research is to:

1. To identify the online review of Hotel Alvina Pematangsiantar.
2. To find out the employee performance of Hotel Alvina Pematangsiantar.
3. To analyze the effect of online review towards employee performance in Hotel Alvina Pematangsiantar.

1.5 Benefit of the Research

The benefit of this research is for the writer to improve critical thinking, analyzing method, communication skills and have a deeper understanding of the research subject. The benefit of the research for Hotel Alvina is to have more understanding of the issues relating to the effect of online review towards employee performance by providing results based on statistic calculation and providing rooms for them to improve themselves.

The benefit for the readers is to give a better view and understanding about the effect of online review towards employee performance. This research can be useful for future researchers as a guideline for their researches regarding the effect of online review on employee performance.

1.5.1 Theoretical Benefit

The theoretical benefit of this research is to validate the reliability of previous research that has been done by previous researchers. This research will

present new possible answers and new ideas especially when it is related to the effect of online review on employee performance. The writer hopes that this research can help future researchers to understand better the theory of online review and employee performance. This research can also be useful for the readers to give clearer information about online review and the effect that can be caused to the employee performance.

1.5.2 Practical benefit

The practical benefit of this research is to help Hotel Alvina to improve their employees' performance based on the effect of online reviews. This research can be used by future researchers as a guideline and solution for their researches that have the same topic or variables.

