

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The development of the Internet is impacting almost every industry in the world including hospitality and tourism industry as well. The advancement of the internet has made a few distinctive systems available to businesses (Augustine & Adnan, 2020). Moreover, Internet has changed the way of business (Raksmei, Lai, & Chen, 2020). As the growth of technologies, internet and website had promptly expanded the numbers of the platforms that generated by customer, leading to word-of-mouth (WOM) be converted into different kinds of electronic networks and virtual organizations. Customers briefly access and read the sharing of thoughts and experiences of a customer to do comparison and selection of the most beneficial for them (Le-Hoang, 2020). The traditional way of a hotel bookings are by travel agents, and now online booking has become a beneficial and efficient way for customers. Furthermore, this is also because with online bookings they can review the description of the hotel and place, images and videos, and even the better price without additional booking fee (Augustine & Adnan, 2020). The efficiency of online reviews as a good alternate for whole WOM is deep-rooted, and they are appeared to influence customers' booking intentions (Karim, Abbass, & Farid, 2020).

Nowadays, travellers tend to trust the reviews that the customers posted online more, instead of the information provided by the businesses through online and offline promotions. These reviews could affect the customers' online booking decisions. Most customers believe that the online reviews are neutral and honest, customers tend to trust that the reviews posted are trusted with no bias or structured pattern for the customers to post their experiences' online. Online reviews are an important source of quality and service to travellers and hoteliers, they can take advantages of this and attract them to their websites. Online reviews have become an essential source for travellers and customers to evaluate product quality, service excellence and consumption experiences (Kizgin, et al., 2019). Online reviews can leads customers to seek information before making a booking to prevent the risks of their choice (Velázquez, Blasco, & Saura, 2021).

Online customer reviews are often articulated hotels, travel destination and travel services. Searching for information relevant to their plans, from flights to hotel booking, has become a dispensable step in customers' decision-making process. Hence, online reviews play an important role in assisting customers' decision in a booking. Online reviews will also be considered to see if it affects customers booking intentions (Augustine & Adnan, 2020). Moreover, in online purchase decisions, people mostly will receive two types of information concurrently; an overall numerical rating and a sample of individual verbal reviews. Both apply a particular impact on the customers, and their interaction is particularly telling. (Gavilan, Martinez, & Avello, 2017)

According to Castillo (2016), Statistical distribution of rating measured by the variation of reviews. In customer opinions, there are five different variations of review, which are; excellent, very good, average, poor and terrible. With appropriate online review management, hotel providers can share tourism-related information on online communities and review sites, to boost the customers' booking intentions. (Stany Wee, Yeo, Tan, & Soh, 2018). Furthermore, to fill the gap, the aim of this research will identify the interaction between online reviews that lead customers' intentions to make a booking. From the perspective of business, a better understanding of how online reviews influence customers' booking intentions is a fundamental to further understanding the relationship between online customer reviews and business performance. (Gavilan, Martinez, & Avello, 2017).

Here are the interviews done by researcher regarding the booking received by Cambridge Hotel Medan; "Customers are most likely to do their booking through online booking platform rather than walk-in because by doing online booking it is way much faster in the registration process because the room has been paid in advance", said Dinda Astri (Front Desk Agent). " The reservations received are mostly from online travel agent rather than phone reservation", said Novel Sinaga (Reservation Staff). As the result of the interviews, it shows that most of the reservations in Cambridge Hotel Medan are from online booking platform.

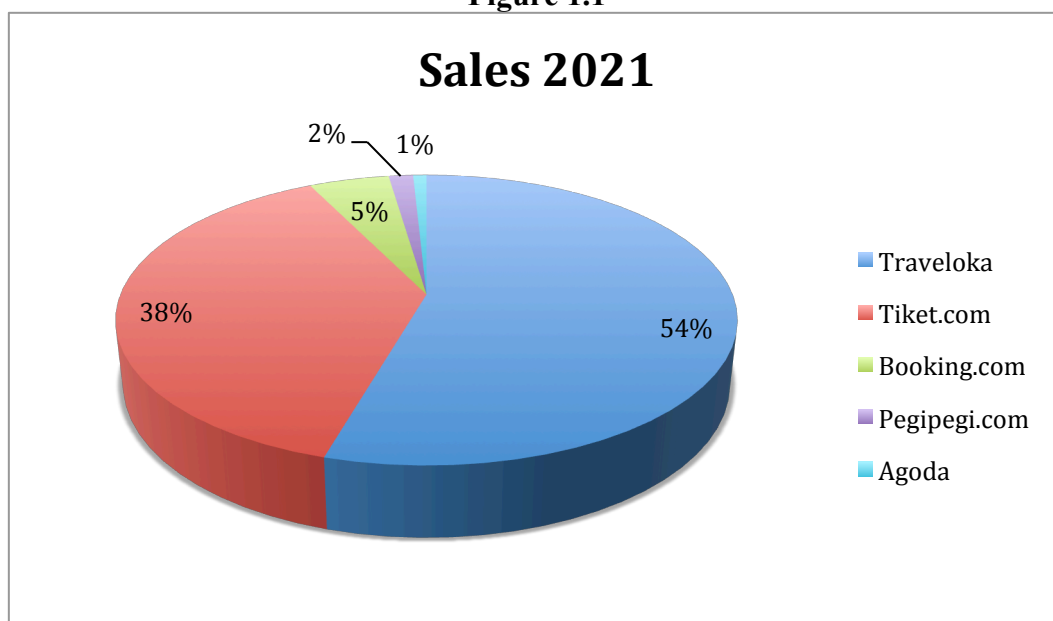
Cambridge Hotel Medan tends to maximize their service and fulfill their customers' satisfaction, in order to obtain good reviews in their online booking platform. Meanwhile, Cambridge Hotel Medan still has some bad reviews that can be found in the online booking platform that may have impact on their potential customers' booking intentions.

Supervisor of Guest Relation Officer (Ms.Melisa Gregory) at Cambridge Hotel Medan, said “ we are striving to fulfill customers satisfaction and recommend every customers to give feedback and review for hotel in our online booking platform and we are always expecting for a good reviews in every comments or feedbacks given”.

Cambridge Hotel Medan uses Tripadvisor as their survey tools in observing and supervising their online reviews. Front Desk Staff will share a card with barcode on it to the customers upon check out and suggest customers to scan the barcode and give them some online reviews on Tripadvisor application that is connected to the customers after scanning the barcode on the card.

Meanwhile, customers at Cambridge Hotel Medan mostly use Traveloka and Tiket.com in conducting online hotel booking. Therefore, this is the reason for researcher to use Traveloka and Tiket.com as researcher secondary data aside from another online booking platform at Cambridge Hotel Medan.

Figure 1.1



Source: Data collected from Cambridge Hotel Medan, 2021

Table 1.1

Online Booking Platform	Sales from Jan'21 – Apr'21	Percentage
Traveloka	2,249 reservations	54%
Tiket.com	1,579 reservations	38%
Booking.com	204 reservations	5%
Pegipegi.com	62 reservations	2%
Agoda	34 reservations	1%

The problem at Cambridge Hotel Medan is Cambridge Hotel Medan still obtains several bad reviews in its online booking platform. Online reviews, which can be accessed and read publicly could influence customers' booking intentions. When a bad review posted in hotel online booking platform, new comments of course would appear at the top of the comment and will be the first comment read by new customers or prospective customers during the booking decision.

Figure 1.2

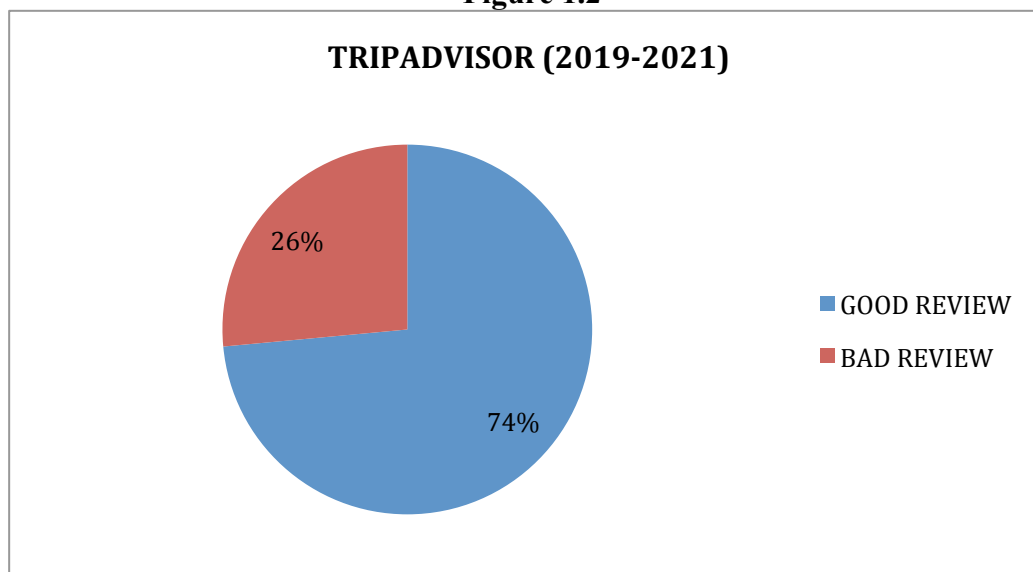


Figure 1.2 shown that there are 74% percent of the online reviews on Tripadvisor are good reviews and remaining 26% of the online reviews are bad reviews. It means that there are still bad reviews toward one of the five-stars hotel in Medan, which is Cambridge Hotel Medan.

Here are some bad reviews given by customers through Tripadvisor:

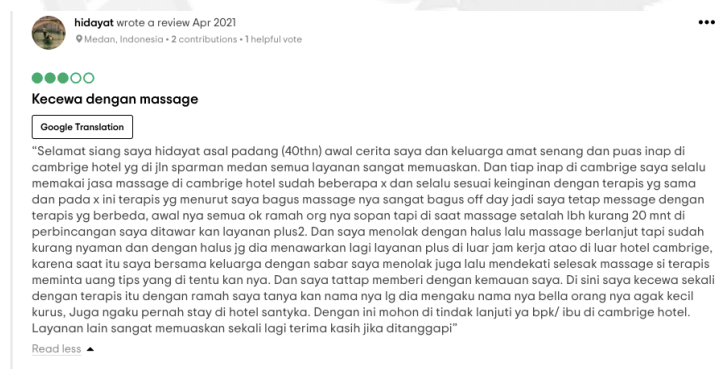


Figure 1.3 (source:tripadvisor)

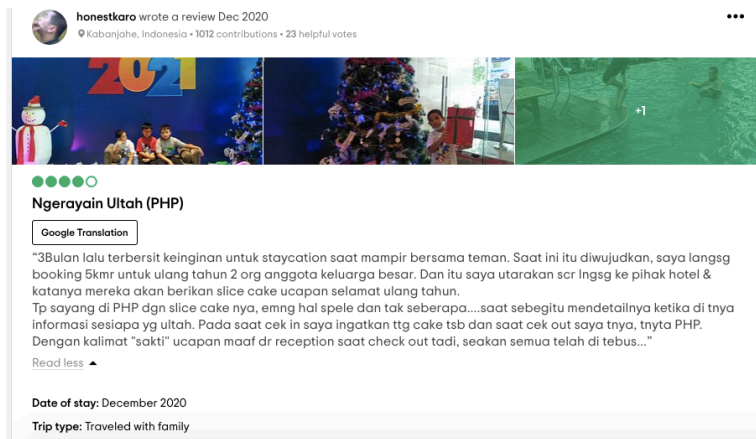


Figure 1.4 (source:tripadvisor)

Aside from tripadvisor, researcher also did some research on other online booking platform which are: Traveloka and Tiket.com. Here are some of the bad reviews found through Traveloka and Tiket.com:



Figure 1.5(source: tiket.com)

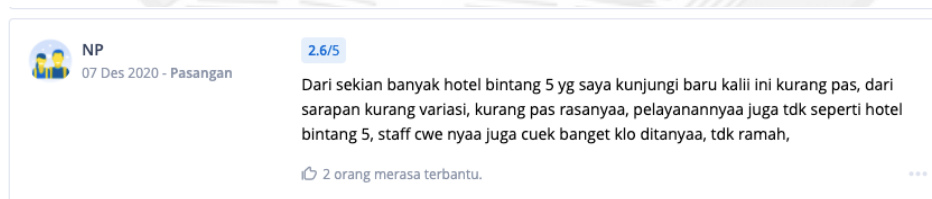


Figure 1.6 (source: tiket.com)

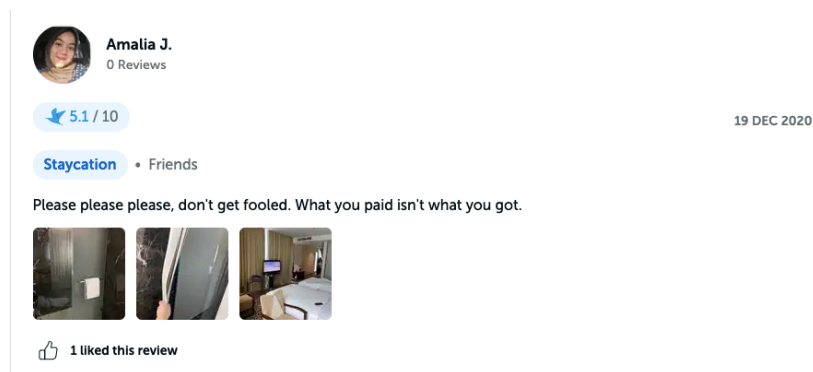


Figure 1.7 (source: traveloka.com)

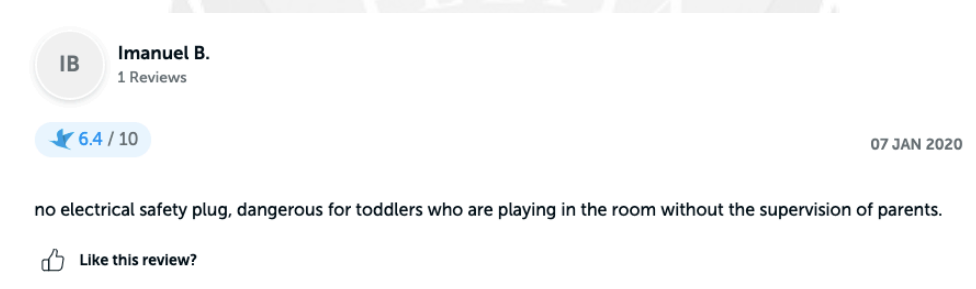


Figure 1.8 (source: traveloka.com)

However, this research is done at Cambridge Hotel Medan. This is a five-star hotel in Medan, formerly known as Grand Swiss-Bel Hotel Medan. After 10 years under Swiss-Bel management, Cambridge Hotel decided to re-brand and change into an independent hotel since September 2019. The reasons why author chose this hotel as research object, are: this hotel is located next to Cambridge City Square that can provide conveniences for their customers to find a restaurant, supermarket, café and even a cinema, and this hotel has a rooftop restaurant which is The Edge and the only one glass wall swimming pool in Medan.

The department that handles online review in Cambridge Hotel Medan is Front Office Department and usually done by the Duty Manager and Guest Relation Officer. Duty Manager at Cambridge Hotel Medan will check the online reviews posted by customers and report it to the General Manager.

The core objective of this research is to study whether the online reviews of Cambridge Hotel Medan in their online booking platform could influence their customers' booking intentions. Hence, the writer is interested in conducting research with the title: “ **The Influence of Online Reviews toward Customers' Booking Intentions at Cambridge Hotel Medan**”. In the following sections, the author presents the literature review and hypothesis development. Then, summarize the research methodology and the results of the research. Finally, conclude with discussions and presenting suggestions for future research.

1.2 Problem Limitation

This thesis aims to investigate how big is the influence of online reviews can create customers' booking intentions. Author will use the case study in one of the most popular and luxurious hotels in Medan, Cambridge Hotel Medan that is a five stars hotel and well-known hotel with their finest service and facilities.

According to the author's, this research purposes to highlight The Influence of Online Reviews toward Customers' Booking Intentions at Cambridge Hotel Medan, while the problem limitation will be listed below:

1. The survey will be sent randomly to the respondents using online questionnaire.
2. The Online reviews (X) will be focused on three online travel agent platform (tripadvisor, traveloka and tiket.com)
3. The Online reviews (X) will be focused in the past three years (2019 – 2021) comments.

1.3 Problem Formulation

According to the Background of the Study, to fulfill the goals to investigate the influence of online reviews toward customers' booking intentions at Cambridge Hotel Medan. There are some of the problem formulations which will be used as below:

1. What is the influence of online reviews at Cambridge Hotel Medan?
2. What is the influence of customers' booking intentions at Cambridge Hotel Medan?
3. Do online reviews have influence toward customers' booking intentions at Cambridge Hotel Medan?

1.4 Objective of the Research

According to the Background of the Study and the Problem Formulation, the purposes of this research are:

1. To explain about online reviews at Cambridge Hotel Medan
2. To explain about customers' booking intentions at Cambridge Hotel Medan.
3. To analyze whether online reviews have influence toward customers' booking intentions at Cambridge Hotel Medan.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

As the theoretical benefit, the result of this study is expected to enhance the knowledge in hospitality management that relates to the influence of online reviews toward customers' booking intentions of Cambridge Hotel Medan. Hence, this research could be used as reference or guidance for the next researcher.

1.5.2 Practical Benefit

As the practical benefit of this research, the results of this study are expected to help Cambridge Hotel Medan to evaluate and use the result of this research as a recommendation for Cambridge Hotel Medan in improving their customers' booking intentions and retaining bad reviews.