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Research paper

Joint effects of management responses and online reviews on hotel financial performance: A data-analytics approach



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ABSTRACT

Hotels are increasingly shifting their online review strategy from passive listening to proactive engagement through management responses. This study investigates the joint effects of management responses and online reviews on hotel financial performance. Based on a large unique dataset of 22,483 management responses to 76,649 online consumer reviews on TripAdvisor over 26 quarters, matched with quarterly hotel financial performance, this study finds that providing timely and lengthy responses enhances future financial performance, whereas providing responses by hotel executives and responses that simply repeat topics in the online review lowers future financial performance. Moreover, review rating and review volume moderate the effects of management responses. When the average review ratings increase, more management responses of greater length should be provided. As review volume grows, the benefits of providing timely and lengthy responses diminish. The study findings generate new implications for managing responses to online reviews to increase hotel financial performance.

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1. Introduction

The proliferation of third-party review sites such as Yelp and TripAdvisor significantly expands consumers' opportunities to generate publicly available commentaries on a hotel. As a result, scholars have called for hotel managers to respond to reviews (Chan and Guillet, 2011; Leung et al., 2013; Sparks et al., 2016; Wei et al., 2013) because management responses may help generate a more positive evaluation of the hotel than reviews without a response (Lee and Song, 2010). Furthermore, providing a response can reduce the likelihood that readers will draw negative, potentially erroneous, inferences (Sparks and Bradley, 2014) and may enhance potential customers' inferences of the hotel's concern for customers (Sparks et al., 2016).

Several studies have reported on the effectiveness of various forms of content or style of management responses. For example, potential hotel guests react more favorably to a rebuttal of a negative review posted by a fellow traveler than they do to a response posted by the hotel management (Litvin and Hoffman,

2012). Additionally, recent research examining the effects of hotel management responses on potential consumers' inferences regarding the hotel's trustworthiness and concern for customers has shown that using a human voice and posting a timely response lead to more favorable customer inferences (Sparks et al., 2016).

While these studies contribute significantly to the management of online reviews, a review of the literature suggests several critical research gaps of practical significance. First, most past studies have focused on reviews' influence on customer perceptions or intentions toward hotels. One exception examined the relationship between the number of management responses and hotel performance (Xie et al., 2014), but did not investigate aspects of management responses that contribute to financial performance—a critical omission, since managers would benefit greatly from information concerning what strategies and communication techniques would enhance their financial performance. Therefore, building on previous research (Sparks et al., 2016; Xie et al., 2014), our study investigates the effects of several important characteristics of management responses on hotel financial performance, including (1) job position of response providers (e.g., executives vs. functional staff/departments), (2) timeliness of the response, (3) length of the response (4) repetition of topics from the online review, and (5) number of responses (or response volume). To assess how each characteristic contributes to hotels' financial performance, we propose our first research question:

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