
Eric Horster

Leuphana University of Lüneburg, Germany

The Influence of Travel Company Reputation on Online Travel Decisions

The internet has caused a revolutionary change in communication. Being a highly information-based form of business, the tourism industry has been particularly affected by this development. Opinions on the web submitted by customers are of considerable relevance for reducing uncertainty before purchasing a tourism product. The reputation of a travel company is a major piece of information to customers. This reputation is created within the dialogue among customers. This work focuses on the relationship between travel company reputation and travel decision, using approaches from New Institutional Economics and Behavioural Science. On this basis, a theory-based model will be developed and analysed.

Key words: Online Reputation Management, Company Reputation, Consumer Behaviour, Social Media, Web 2.0

Eric Horster

Leuphana University of Lüneburg

Scharnhorststr. 1, C6.131

21335 Lüneburg

Germany

Phone: [+49] 4131.677-2171

Fax: [+49] 4131.677-2179

Email: eric.horster@uni.leuphana.de

Eric Horster was able to hone his theoretical specialization in the areas of e-commerce and tourism during his studies of applied cultural science. Following his university studies he worked for four years as project manager for the Tourism Agency PractiGo. Since September 2009 Mr. Horster is a PhD Scholarship Holder at the Leuphana University of Lüneburg.

Problem definition

More than one billion people use the Internet today. Apart from trawling for information, the Internet is increasingly employed for communication purposes. Social network platforms such as Facebook provide the technical conditions to exchange data about interests, preferences and experiences with a multitude of topics, for instance with travel services. A powerful and global conversation has commenced on the Internet, which has led to dramatic changes of the markets. One market commodity of the Internet are conversations (Levine & Vogel, 2000). Customers are not passive users anymore, but participate actively and interactively in the provision of crucial travel information. With the integration of feedback sites such as Trip Advisor, the tourism industry is faced with a socio-cultural empowerment which has a major influence on travel decisions. Consumers can influence others by simply writing down their travel experiences. In this way, the Internet increasingly affects public opinion. In contrast to the offline world, opinions are spread more quickly and are ubiquitously available (Wiedmann et al., 2010).

Any tourism product is initially characterized by its intangibility and thus extensively based on trust. Consumers are generally confronted with incomplete information, which may lead to insecurity (Laesser, 2005). A strategy to reduce this uncertainty is the search for information. With the growth of social networks on the web, the information provided by the travel companies tends to lose its impact on the travel decision, while reviews from other customers gain relevance (Mühlenbeck & Skibicki, 2010). For the travel industry, online reputation management thus becomes a key strategic factor of economical success.

So far, there has been a lack of empirically verified causal models which reflect the impact of travel company reputation on the travel decisions made online. This study attempts to combine the approaches of consumer research with those of reputation-related research,

with a particular focus on answering question of how company reputation affects online travel decisions and which other variables may affect this relationship.

Literature Review

In regard to conceptualization, definition and measurement of reputation, there is considerable dissension in the various scientific disciplines. This diversity of points of view is caused by the range of various objectives, as different definitions are used to measure diverse issues. Fombrun identified a total of 183 research approaches in 38 countries to measure reputation (Fombrun, 2007). What reputation measurements have in common is that they cover *who* (in this case the customer) credits *whom* (in this case a tourism company) *which* kind of reputation (Liehr et al., 2009).

A very popular method are reputation rankings as established by various economic journals (for instance Financial Times and Management Today). However, in these rankings the methodology is normally explained only poorly, if at all, which renders them useless for scientific analyses (Fuchs, 2009). In contrast, the reputation model developed by Schwaiger (Schwaiger, 2004), the reputation quotient (RQ) and the RepTrak™ by Fombrun (Fombrun, 2007) have been widely cited and acknowledged in the scientific world. In the present work, the objective is not only to measure reputation, but also to make it controllable. This can be achieved by taking the model of Schwaiger as a basis, since it focuses on the genesis of reputation (Schwaiger, 2006).

The aim of reputation models is often motivated by the postulated hypothesis that reputation can have a positive effect on the economic success of a company. Substantiated empirical findings, however, can be found neither in reference to the travel decision nor in the context of the internet. Because of the fact that available consumer behavior models do

not sufficiently take the impact of reputation on the travel decision into account, a new decision model is needed.

Conceptual Development

In management science, the concept of reputation derived from the Resource-based Approach, Industrial Economics, New Institutional Economics, and Behavioral Science. In the Resource-based Approach and those of Industrial Economics, reputation is primarily regarded as an intangible asset which serves a company to protect itself against competitors. In contrast, the role of reputation in New Institutional Economics and in Behavioral Science does not focus on the market situation among companies, but concentrates on the relationship between customers and companies (Zimmer, 2010). New Institutional Economics and Behavioral Sciences can be used complementarily in the analysis of how reputation is created and how it will affect travel decisions.

The New Institutional Economics views asymmetric information allocation as quantifiable market conditions. Thus, this approach allows for the explication of the visible effects of reputation on the travel market. In contrast, Behavioral Science approaches focus on the uncertainty in the context of intervening variables which take effect within the human organism. By combining these divergent emphases, the importance of reputation on travel decisions can be explained from the economical *and* the customer perspective. Within this work, the two approaches are not mutually exclusive, nor are they interchangeable (Kaas, 1990).

Referring to both of the described approaches, a theoretical model will be developed. The targeted result of this theoretical clarification process is to produce constructs and their dimensions as well as their interplay with each other. The result will be visualized in a causal

analytic model which explains the role of company reputation in influencing online travel decisions.

Proposed Methodology

The empirical part of this work will be realized in close cooperation with the market research company **eResult GmbH**, in order to ensure methodical support. The focus of interest is the statistical verification of the theory-based construct correlations. With a network of related hypotheses, these correlations can be graphically translated into a causal model. Paths in the model will be used to indicate the directions of the presumed relationship between the individual constructs. In order to render the model measurable, directly detectable indicators for the theoretical constructs must be formulated. These indicators can sometimes be adopted from existing models (for instance from Schwaiger's reputation model). If no verified measurement tool is available as yet for a given construct, the required indicators will be developed in an expert workshop. To determine the internal consistency of the indicators, methods of multivariate statistics will be used, which ascertain the reliability of a group of indicators that measure the various constructs within the model. If the reliability of the indicators for each construct is established, the model structure will be tested (Bortz & Döring, 2006). If a sufficient agreement between the measured and the postulated model structure is achieved, the individual model parameters will be interpreted (Verworn & Herstatt, 2005).

Anticipated results

In regard to the above-mentioned changes in communication, it will become clear how much providers of tourism services are under public scrutiny and evaluation. Due to the increasing public exchange of information, tourism companies lose control over their

reputation. At the same time, this new publicity also offers interesting chances if tourism providers manage to filter and assess the bulk of the accumulating information. With the causal model developed in this work, the effect of reputation on online travel decision processes can be measured. Thus, a crucial tool to capture the effect of public relations and marketing activities on reputation and their impact on the travel decision will be created. Eventually, it will be possible to identify factors for strategic and successful online reputation management for the entire tourism industry.

For the practical employment of the model, a pilot study will be run in cooperation with the project **innovation incubator Lueneburg**, which is supported by the Fund of European Regional Development (EFRE). The companies **Cux-Tourismus GmbH** and **Lüneburg Marketing GmbH** have already been won as partners for this pilot study.

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