

Research reveals negative effects of hotel app adoption on customer spending

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Companies have often considered app adoption among their customers to have a positive impact on customer spending. According to new research from marketing professor P.K. Kannan at the University of

Maryland's Robert H. Smith School of Business, higher app adoption among hotel chains could be linked to lower spending among lower-level loyalty customers, who are more likely to use apps to get the best deals.

Kannan worked with Xian Gu, an assistant professor of marketing at Indiana University, for the research, published as "The Dark Side of Mobile App Adoption: Examining the Impact on Customers' Multichannel Purchase," in the *Journal of Marketing Research*.

They studied how a [customer](#)'s spending over various channels changes after downloading a major [hotel](#) chain's app. Through several studies, they found that downloading the app had a significant and negative impact on customer spending, especially among low-level loyalty customers.

"Typically, companies launch mobile apps as a way to have a direct touchpoint with the customers and encourage them to make reservations through their channels as opposed to that of a third party," says Kannan. "However, they often don't realize that customers who have downloaded their app have likely downloaded apps from other hotel chains as well."

The research involved using a regression model to compare spending of customers who adopted the app at a specific point in time with the spending of a group of control customers who had not adopted the app at that time. The study tracked the total and channel-specific spending of each customer. Overall, the research team found that not only were customers who download the app from the hotel chain in focus more likely to have downloaded apps from other hotel chains, they were also more likely to shop around for the best rates and deals. This ended up decreasing the share of wallet of the focal hotel group.

"Customers are becoming increasingly aware of the value of mobile apps in purchase decisions," Kannan says. "When customers download

multiple hotel apps, they become more of a searcher, which can have a negative impact on spending."

Kannan and his colleague's research is unique in that they studied the effect of mobile app adoption on spending in a highly competitive industry.

"There haven't been any prior studies that have examined the effect of mobile app adoption on spending in highly competitive industries like the hospitality industry," says Kannan. "Because of the highly competitive nature of the industry, people become more shoppers as opposed to loyal customers due to the ease of mobile shopping."

As technology becomes more prevalent and the entry point for new customers becomes easier, hotels are having to work harder to maintain customers. Kannan hopes that this research will help hotel chains optimize their [mobile apps](#) to include service functions that will help build loyal customers.

"In hyper competitive industries, apps are part of the cost of doing business," Kannan says. "Therefore, companies should optimize the service features of their app such as mobile check-in, room service requests and keyless entry to their room. Every additional service element added will help hotels strengthen their relationships with customers and develop more loyal customers in the process. Showing customers the value of the app beyond booking is essential."

More information: Xian Gu et al, The Dark Side of Mobile App Adoption: Examining the Impact on Customers' Multichannel Purchase, *Journal of Marketing Research* (2021). [DOI: 10.1177/0022243720988257](https://doi.org/10.1177/0022243720988257)

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