

A secret for boosting hotel bookings: Analyze online user reviews for your hotel and your competitors

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Researchers from Texas Christian University, University of South Carolina, and RealPage published a new *Journal of Marketing* article that examines the impact of online reviews on hotel booking performance

with a specific focus on the competitive effects of reviews.

The study, titled "[The Competitive Effects of Online Reviews on Hotel Demand](#)," is authored by Sanghoon Cho, Pelin Pekgun, Ramkumar Janakiraman, and Jian Wang.

Recent reports indicate that a majority of consumers trust [online reviews](#) as much as personal recommendations when deciding to book a hotel. A [2019 study by TripAdvisor.com](#)—a popular social media platform for hotel reviews—found that 81% of users "usually" or "always" refer to user reviews before they make a [booking](#). Among those surveyed, 52% said that they would never book a hotel that had no reviews.

Understanding how a hotel's user reviews compare against the competition can help it make better pricing decisions without dropping occupancy numbers and affecting revenue. However, it is not clear how the effect of competitor reviews on a hotel's demand compares to the effect of the hotel's own reviews.

The importance of competitors' reviews

This new study investigates the impact of online reviews on hotel booking performance with a specific focus on the competitive effects of reviews. The research team examines review-based competitive effects, utilizing actual hotel booking data at an individual booking level. Analyzing proprietary data from six branded upscale hotels in six major U.S. cities across three years—along with numerical ratings and review text from TripAdvisor—the researchers investigate the effects of competitor hotel prices and a hotel's own prices.

The researchers state, "our results indicate that not only the online reviews that a hotel receives, but also those that its competitors receive, have a significant effect on its bookings." If a hotel's own sentiment

score on a five-point scale were to improve by 1%, it can realize a 0.38% increase in its bookings at average price.

At the same time, an improvement in its competitors' sentiment score by 1% could decrease its bookings by 0.25%. Additionally, for a hotel that charges [high prices](#), an improvement in its own sentiment score by 1% results in a 0.54% increase in its bookings, while an improvement in its competitors' sentiment score by 1% results in a 0.34% decrease in its bookings.

Lessons for hoteliers

The study offers several insights for hoteliers and Chief Marketing Officers:

1. Both prices and online reviews of a hotel can significantly affect consumers' booking decisions and the number of bookings a hotel realizes.
2. Apart from a hotel's own review scores, its competitors' scores can impact the bookings—and this impact is even higher if the volume of reviews is high. Thus, hotel managers must evaluate and improve their scores relative to the competition.
3. Different consumer segments show different booking behavior based on the interplay between prices and reviews. For instance, leisure travelers are more influenced by a hotel's prices, whereas business travelers are more sensitive to online reviews and are primarily concerned about comfort and quality. Hotel managers must develop (or adjust) their strategies according to the needs of nonhomogeneous consumer populations.
4. Reviews where consumers need to rely on the experiences of others to assess the quality of the experience in a hotel has more impact than a search attribute such as location, where information can be obtained directly from a hotel's website or

some other external source. The impact of review sentiment by consumer segment and by review content can help hotel managers understand where to direct their efforts in responding to reviews and addressing consumer concerns.

Additionally, if the hotel's prices are perceived as high, they may see a larger drop in bookings as a result of more negative reviews or its competitors' more positive reviews. "Hotel managers must evaluate their review scores in conjunction with their prices and incorporate review scores into their marketing strategies. Although most hotel chains employ sophisticated dynamic pricing, we are seeing some initial movement towards incorporating non-price data into pricing decisions.

"Our study provides empirical evidence to support the significance of the interplay between reviews and prices and shows that this might change by consumer segment and review content," the researchers say.

These findings can provide hoteliers with new insights on the effect of online reviews and [review](#) sentiment on [hotel](#) demand and serve as a valuable resource when incorporating the effects of their own and their competitors' reviews into pricing strategies and other marketing activities.

More information: Sanghoon Cho et al, EXPRESS: The Competitive Effects of Online Reviews on Hotel Demand, *Journal of Marketing* (2023). [DOI: 10.1177/00222429231191449](https://doi.org/10.1177/00222429231191449)

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