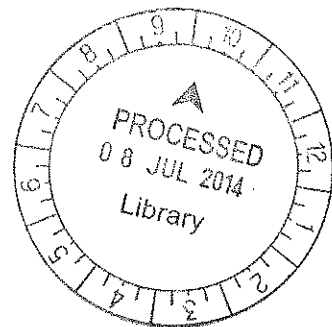


# **INTI INTERNATIONAL UNIVERSITY**

## **MASTER OF BUSINESS ADMINISTRATION**

### **WINNING POTENTIAL CUSTOMERS THROUGH ONLINE COMPLAINT MANAGEMENT: A CASE OF MALAYSIAN HOSPITALITY INDUSTRY**



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## ABSTRACT

Today's travel planners are increasingly depending on online travel reviews to facilitate their decisions on travel arrangement including hotel booking. In relation to this, hotel managers must carefully handle negative reviews i.e. online complaints which can impact potential customers who observe the complaint handling process on social media. This research aims to identify effective approaches of online complaint management that can serve as marketing tools which attract potential customers. To be specific, present research examines the relationship between online complaint response strategies (responsiveness, courtesy and compensation), trust and behavioural commitments (positive WOM or word of mouth and booking intention) of potential customers in the context of Malaysian hospitality industry. This research adopts a 2 (responsiveness: high/low) x 2 (courtesy: high/low) x 2 (compensation: high/low) experimental design to compare findings between nine groups of respondents (eight experimental groups and one control group). 323 respondents were exposed to one of the nine hypothetical scenarios that manipulated different combinations of levels of the response strategies in an online survey which then measured their ratings on trust, positive WOM and booking intention. Outcomes of this experimental study implies that high level of courtesy and compensation induced greater trust which lead to greater positive WOM of potential customers. These findings suggest hotel managers to put effort in online complaint management by ensuring courteous responses and providing compensation when necessary to attract potential customers.

**Keywords** – Online complaint management, online reviews, negative eWOM, responsiveness, courtesy, compensation, trust, positive WOM, booking intention, potential customers, Malaysian hospitality industry.

## DECLARATION

"I hereby declare that this research project is of my own effort except for those summaries and information of which the sources are clearly specified."

28<sup>th</sup> April 2014

Fionn Liew Yin Foong

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## LIST OF ABBREVIATIONS

EWOM	Electronic word of mouth
ANOVA	Analysis of variance
ANCOVA	Analysis of covariance
GVATI	Gross value added of tourism industries
SPSS	Statistical Package for Social Science
UCG	User-generated content
WOM	Word of mouth

## CHAPTER 1

### INTRODUCTION

#### 1.0 Chapter Introduction

This chapter introduces the thesis dissertation titled 'Winning Potential Customer through Online Complaint Management: A Case of Malaysian Hospitality Industry'. A detailed research background provides a brief view on the research area related to the topic of this research. A description of the research problem is also included to identify issues which signify the need for research attention. Subsequently, research questions and objective are presented in this paper. This chapter also includes significance, limitation and scope of the research study. Lastly, structure of this thesis is outlined in the last section of this paper.

#### 1.1 Research Background

##### *1.1.1 Online Reviews as a form of eWOM in the Hospitality Industry*

In a Forbes article, Worstall (2011) stated that one of the greatest invention of mankind throughout the history was the Internet. Undeniably, great societal changes can be observed since the inception of Internet. The physical barrier of geographical location can no longer hinder communication between people. With the introduction of online communication platforms such as online chatrooms, social networking sites and online forums, people can now interact freely and conveniently across the Web.

The evolution of Internet has also brought profound impact to the world of business throughout the years. In the current era of technological advancement, customers are empowered and motivated to engage in interactions with the aid of Internet (Manap & Adzharudin, 2013). No longer depending on face-to-face interactions, today's customers could freely express their opinions and

The significant influence of this form of eWOM in the hospitality industry can also be supported by other evidences such as one concluded in the Cornell Hospitality Report published by The Center for Hospitality Research of Cornell University (McCarthy, Stock & Verma, 2010). Up to 40 percent of 2830 travellers surveyed in the research indicated hotel reviews posted on social media such as TripAdvisor, Twitter, Facebook, and Blogs as one of their source of hotel information. Similarly, the most recent statistics released by World Travel Market (2013) revealed that more than one quarter (i.e. 27 percent) of 1001 global travel planners trusted online travel reviews posted on UGC (abbreviation for user-generated content) sites such as TripAdvisor over personal recommendations from friends and family when considering travel choices such as accommodation or hotel selection.

Today, this phenomenon is gradually altering the way hospitality industry attract and retain its customer base (Offutt & Schetzina, 2012). In fact, many researchers (e.g., Daniasa, et al., 2010; Xiang & Gretzel, 2010; Manap & Adzharudin, 2013) noted that online reviews have become an important component of marketing strategy in the hospitality industry. Responding to such trend, global hotel brands such as Hyatt, Marriott, and Hilton had begun to pay extra attention and care to contents generated by online users at UGC sites on the Internet (Lanz, Fischhof & Lee, 2010).

For instance, Hilton, the world's leading hotel brand performs comprehensive monitoring on online sentiments as a part of its social media strategy (McCarthy, Stock & Verma, 2010). Online reviews posted by Hilton's guests are actively monitored and analysed with the aid of Hospitality Business Intelligence (BI) tools. Offutt and Schetzina (2012) explained that such measure enabled the hotel management to detect feedback, complaints and opinions through reviews and contents generated by online users. Consequently, proper recovery response as well as internal corrective actions are implemented to rectify service delivery issues. Today, international hotel brands such as Hilton publicly address and respond to unfavourable online sentiment particularly online complaints on social media as a mean to improve brand image over the Internet (Lanz, Fischhof & Lee, 2010).

### **1.1.2 Online Reviews in Hospitality Industry of Malaysia**

In Malaysia, hospitality industry played a vital role in the economy of the nation. According to a recent statistics by World Travel and Tourism Council (2013), tourism sector provided 16 percent of employment of the country's total workforce and contributed more than 12 percent of Malaysia's GDP in 2013. This 12 percent of GVATI (Gross Value Added of Tourism Industries) also implies that the tourism sector has registered approximately RM65.5 billion in revenue to the country. Among all categories of tourism sector, hospitality industry is the second highest contributor to GVATI with 18.2 percent (RM11.9 billion) in 2013 (Department of Statistics Malaysia, 2013).

This national income is forecasted to boost with 0.5 percent increment of GVATI in 2014 as Malaysia expects earnings up to RM76 billion generated from 28 million tourists who will be brought through Visit Malaysia Year (VMY) 2014, an ongoing worldwide promotional campaign to promote Malaysia as tourism destination (Pandey, 2013). Hence, the Malaysian hospitality industry is currently in a critical phase whereby effective and aggressive marketing strategies must be developed in order to deliver the maximum potential of this industry in contributing to the national income during VMY 2014.

As an effort to boost local tourism and hospitality industry, the Ministry of Tourism & Culture Malaysia (2013) has announced that an integrated Digital Marketing Programme that encompasses marketing and advertising at social media sites, websites as well as mobile applications has been recently launched. The main goal of this initiative is to present favourable contents about Malaysia's tourism sector in order to ultimately converting potential visitors into actual tourists who will spend in the local travel and hospitality industries. Relating to this, the government of Malaysia recognised that today's potential visitors heavily rely on online sources posted on social media to have a glimpse of what local tourism and hospitality industry offer (Manap & Adzharudin, 2013).

Although the influential impact of eWOM in social media is widely acknowledged by local travel companies and hoteliers, the local industry



remains ignorant on monitoring and handling online sentiments in the social media realm. According to the World Travel Market's (2012) Social Media Report of Malaysia, local industry has been merely aiming at generating huge quantity of fans, followers and likes, instead of improving the quality of interaction and engagement with both existing and potential visitors on the Internet.

In fact, on the word of Ngaorungsi, Chairman of the ASEAN Tourism Marketing & Communications Working Group, hospitality industry of Southeast Asia including Malaysia has to strengthen its digital marketing efforts particularly in strategizing two-way engagement with travel planners who are increasingly proficient in using online reviews to research a hotel before booking (ASEAN Tourism, 2013). Ngaorungsi further added that hoteliers have to fully utilize UGC sites such as TripAdvisor, Booking.com and Hotels.com to serve as platforms for sophisticated customer relations management that can attract, engage and capture travellers. Among the ASEAN nations, Malaysia appears to be one of the countries that is in critical need for improving such e-marketing capabilities in order to promote its local hospitality industry, especially during VMY 2014.

Indeed, as compared to international hotel brands which had long begun performing online review monitoring as a part of their e-marketing approach, hospitality industry in Malaysia is only taking its baby steps in embracing such practices in recent years. As the Internet empowered online users to freely voice their opinions, experience and feedback on social media, online reviews posted on user-generated content (UGC) sites encompass both positive and negative sentiments which can critically influence potential hotel guests who uses these reviews to make their booking decision. This undeniably poses great challenges for the local hoteliers, given that the Malaysian hospitality industry is only at its infancy phase of social media marketing.