Customer’s Trust Indicators in the Online Hotel Booking Decision

Pauline Ratnasingam, PhD
Associate Professor
Harmon College of Business Administration
University of Central Missouri
Warrensburg, Missouri, USA

Abstract
This paper investigates the impact of customer’s trust indicators on their online hotel booking decision. We discuss the key characteristics of three types of trust namely; competence, predictability and goodwill trust and correlate them to the three parts to the customer’s online hotel booking decision process. We argue that trust indicators are likely to change, evolve and impact online booking decisions over time. Then we develop a framework highlighting the trust indicators and a conceptual model discussing the research hypotheses. This study contributes to theory as researchers will be made aware on the importance of trust indicators in the online hotel booking decisions. It contributes to practice by increasing the awareness of hotel executives on the trust indicators that customers look for. Future research aims to test the conceptual model via a survey research method. The findings will contribute to academic and practical knowledge.

Keywords: trust indicators, customers, hoteliers, competence trust, predictability trust, goodwill trust

1.0 Introduction
Tourism is becoming a popular global leisure and business activity. International tourism receipts grew to US$944 billion (euro 642 billion) in 2008, corresponding to an increase in real terms of 1.8%. The steady growth in tourism has in turn increased the occupancy rate in hotels and resorts, as customers travel both inside the nation and internationally. Similarly, the U.S. Bureau of Labor Statistics predicted that between 2004 and 2014, the hospitality industry was expected to add 17 percent in wage and salary employment (Chang et al., 2010).

With this increase there is a rapid growth of internet-based travel search hotel reservation websites and powerful search engines. Online hotel reservations include reservations made by the customer directly online, or are based upon customers accessing information online that is provided by the hotel or its agents (such as travel agents or tour operators). By examining the hotel’s online (web) presence, customers can now search for, select and book hotel stays online. Initially, before the first visit, the customer would make their first reservation decision without physically visiting the property. Therefore, in such situations the customer had an initial trust in the hotel and would make a reservation decision without physically visiting the property.

Consequently, customers who make the online booking decisions had to rely on the information on the hotel’s website and other information available from secondary or third party sources. Thus, the growth of hotel websites has posed challenges for customers and has made them vulnerable to the reliability and trustworthiness of the information content on the hotel’s website. Previous research suggests that online hotel information content emerged as a major inhibitor of online transactions.

Most previous research on trust focused on e-commerce among trading partners and little attention was given to customer’s trust and privacy concerns in their online hotel booking decisions. Given the fact that the hotel industry has broadened our knowledge on how customers can select a hotel. To our knowledge no prior research has examined customer’s trust indicators and its impact on the three parts of the online hotel booking decision. Thus in order to address this important gap in the literature, we investigate trust indicatorsthatimpactcustomers’ online hotel booking decisions. We focus on the three parts of the hotel booking process and trust characteristics from three types of trust. Accordingly, we specify and examine how the sources of information from the hotel’s website and other sources impact the formation of initial trust. This paper is limited to examining the customer’s trust in the hotelier, as mediated through the hotel’s website, online transactions, and later actual stays at the hotel. The objective of this paper is to present a framework for examining the role of trust, in the customer’s online hotel booking decision.
The framework will benefit both the hotel industry executives, as well as researchers in hospitality and tourism management. The framework addresses both the first or initial (pre-stay) booking decision as well as the subsequent repeat online booking decisions. The rest of the paper is structured as follows. Section two, discusses the importance of trust from previous research and the entities of trust followed by a discussion of the characteristics of three types of trust. We examine the three parts of the customers’ initial (pre-stay) hotel online booking decision, and the subsequent online booking decisions. We argue that trust indicators are likely to change, evolve and impact online booking decisions over time. Table 1 highlights the trust indicators that impact customers during the three part process of their hotel booking decision. The table paves the way for the development of the conceptual model (Figure 1), in section three followed by a discussion of the research hypotheses. Finally, in section four; we conclude the paper with contributions to theory, practice, and directions for future research.

2.0 Trust in the Hotel Industry

The growth of the Internet has allowed for information intensive, intangible and impersonal characteristics on the hotel’s website thereby creating uncertainties to customers. Alternatively, previous research suggests that customers’ preferences can be easily influenced by information cues that facilitate the creation of initial trust. Hotel related attributes such as; accuracy and reliability of information content on the hotel’s website, price, advertising, distinct features, brand name, logo, symboletc., serve as cues for customers to develop initial trust.

Trust is defined as “the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party” (Mayer, Davis and Schoorman, 1995). In the case of online hotel reservations, customers make themselves vulnerable to the actions (accommodations and service provision) of the hoteliers, based upon the expectation that the hotelier will provide the service as promised on the website. This expectation is dependent on the trust customers have on the hotel’s website, the functionality of the website, the accuracy of the information content, hotel rates, services provided, etc. Thus, trust is defined as belief, confidence or an expectation on the trusted partner (the hotelier) providing the services to customers. Morgan & Hunt (1994, p.23) defined trust as: “the existing element when one party has confidence in the exchange partner’s reliability and integrity.” Anderson & Narus (1990) claimed trust to be a “generalized expectancy,” of how exchange partners will perform in the future referring to an element of risk. Similarly, Garbarino & Johnson, (1999), defined trust as customer’s confidence in the quality and reliability of the services offered by the organization. The definition implies that the other party is one in which the firm has confidence (Moorman, Zaltman & Deshpande, 1993).

It is a willingness to rely on the exchange partner in whom one has confidence, reliability and integrity (Morgan & Hunt, 1994). Mishra (1996) ascribes the vulnerability to the firm’s belief that the other party is competent, open, concerned and reliable. Trust has thus been viewed as (1) a belief, sentiment; (2) as a behavioral intention or expectation that reflects reliance on the other party, and (3) as something that involves vulnerability and uncertainty on one of the parties. Further, converting online visitors into buyers is one of the biggest challenges that many online hotel businesses face today. Therefore, trust can be perceived as an intentional behavior on the part of the customer’s intention to book the hotel and thus a behavior that reflects an element of uncertainty, risks and vulnerability the customer takes in trusting the hotel.

We identify two entities of trust in this study. First, is the hotel whose role is that of a vendor and service provider. The hotel needs to present a trustworthy image on their website by providing quality of services such as; functionality of the hotel’s website, efficiently processing the online bookings, sending out email acknowledgments, and subsequently providing quality services that are consistent with the website’s promises, such as; providing efficient check-ins, serving meals on time, providing a clean room, clean towels, etc. The promise that the hotelier will provide the above services may either be explicitly stated on the hotel’s website, or implicitly on their website content. The actual service will be experienced by the customers once they arrive at that hotel and stay there. The second entity of trust is the customer/traveler who is the guest to the hotel. The customer needs to be trustworthy to the hotelier in that the customer will make their payment, keep the room clean, check in and check out according to the proper times, abide by the hotel’s policy, and when satisfied will recommend the hotel to other customers. This paper is limited to examining the customer’s trust in the hotelier, as mediated through the hotel’s website and online transactions.
2.1 Types of Trust

Previous research on trust in e-commerce identified three types of trust: trust in the competence of the supplier based on a foundation of capability; trust in the reliability or predictability of the supplier based on a foundation of familiarity; and trust in the goodwill of the supplier based on an affective foundation. We apply these three types of trust to the online hotel booking decisions.

First, competence trust suggests that the customer believes in the ability, IT infrastructure of the hotel’s website (i.e. its functionality), skills and knowledge of the hotel employees, and capability of the hotel to provide the expected information on their websites and services to customers when they arrive and stay at the hotel. This essentially means that the customer believes that the hotel, through its IT infrastructure, staff, and skills of their employees are competent in providing the service promised by the hotelier. This initial trust is based upon two sources: first, the customer’s examination of the hotel’s website information, the accuracy and reliability of the information content, the functionality of the website, transaction processing efficiency; second, customer’s trust in third-party customer and travel-advisory reviews available on the web. Before the first visit, the customer will not have any personal prior experience with that particular hotel property. Websites, provided by third parties such as Tripadvisor or travel guides such as Frommers, Fodors, or Lonely Planet may provide reviews of experiences by other travelers. The customer who is booking the hotel online for the first time will need to rely on the information provided by the hotel’s website, plus any reviews and recommendations by others (other previous guests, travel writers etc.) that are linked to or available together with the hotel’s website. These reviews are similar to book or product reviews available on Amazon.com website. The branding and reputation of the hotel thus adds value to the level of competence trust in the hotel by providing the promised services.

Therefore, in order to understand the pre-stay dimensions of the online booking decision, we need to consider the creation of initial trust as a "learning" experience. There are many sources of learning where technology is viewed as a tool mediating the underlying process of obtaining information on the website. Learning from documents and books; learning from others; transferring learning from one situation to another similar situation; and learning from personal experience. Thus sources of the customer’s initial trust can be: learning from documents (websites and travel guides); learning from others’ reviews and reputation of the hotel; trust transference from stays at other hotels of the same chain; and learning from the customers’. Therefore, we suggest that initial trust depends on four sources, namely; the website itself, reviews of the hotel property (Tripadvisor, fodors, frommers, lonely planet); if the hotel was part of a chain, (i.e. the customer’s previous experience with other hotels in the same chain); and finally the hotel’s brand reputation. For example Eastern & Orient hotel in Penang derived its brand name from Sarkis Brothers who are the founders of Raffles Hotel in Singapore.

Second, predictability trust is the customer’s reliance on the consistency of the quality of service provided by the hotel. After their initial stay, and subsequent visits, competence trust is modified and evolves into predictability trust, as customers now have experienced the actual promised services provided by the hotel and compared them to their expectations. Predictability trust allows customers to make predictions and develop expectations about future services, typically based on prior experiences. Thus predictability trust encourages repeat customers when services provided by the hotel meets the expectation of their customers who are now satisfied.

Third, goodwill or relationship trust is the customer’s reliance upon the care, concern, honesty, and benevolence shown by the hotel. Customers trust in the hotel’s goodwill refers to their belief that the hotel will not only act in a competent and reliable manner, but will also have the well-being and interests of the customer at heart when making service decisions and providing services. Goodwill trust examines the hotel employees’ honesty, care, and concern given to their customers. Goodwill trust is thus dependent on competence, and predictability trust. For the first time customer they will need to rely on the branding and reputation of the hotel, as well as word of mouth from others who have stayed in that hotel before and/or read the recommendations and reviews about the hotel on their website. After their first and subsequent visits, the customer would have already interacted with the hotel staff and would have experienced personally the service provided by the staff. Therefore the customer would be able to make a first-hand assessment of the goodwill trust. Moreover, experiences with cases where the hotel was asked to rectify some shortcomings or solve problems, and the staff’s response will provide the customer cues in assessing and changing their levels of goodwill trust towards the hotel. Therefore, the repeated customer’s trust evolves from competence to predictability to goodwill trust in the online hotel booking decision.
2.2 Three Parts to the Online Hotel Booking Decision

The online hotel booking decision process involves three parts. First, the customer needs to rely on trusting the information provided by the hotel’s website and the associated third-party information resources in that the information is accurate and reliable. Second, while making the reservation, the customer needs to have trust in the ability of the website functionality to process their booking transaction and maintain the security and privacy of their personal information especially with regards to the customer’s credit card information. Third, the customer has to trust that hotel’s website will fulfill their booking decision. The customers trust that their reservation was received and their booking was complete when the customer receives some sort of acknowledgement or confirmation. This will ensure that the hotel promised to actually fulfill their reservation and was confirmed when the customer arrived at the hotel to claim their reservation.

Further, after the first stay, the time dimension of the customer’s subsequent stays continues to increase and evolve into predictability and goodwill trust. Along with the time dimension and experience dimension, we add another dimension namely increased information and knowledge gained that in turn increased customers’ trust in the hotel. We correlate this with the evolution of three types of trust in the online hotel booking process. Further, previous research from the Cheskin/Sapient Report (1999) that focused on website interface, identified six building blocks of online trust that were incorporated in this study. The building blocks included: (1) brand which referred to the hotel’s reputation; (2) navigation referred to the user friendliness and ease of obtaining information from the hotel’s website; (3) fulfillment is when the customer experienced fulfillment of their reservation and received a reservation number as a confirmation; (4) presentation referred to the website appearance, content in terms of the availability and accuracy of the information (5) technology referred to the interactive manner and transaction efficiency of hotel’s website. We add another dimension to technology in facilitating customers to personalize their reservation so that when they re-visit the hotel their personal information that they entered the first time is still there, thereby saving customer’s time, and finally (6) seal of approval or security features on the hotel’s website that provided assurance to customers that their privacy of their personal and credit card information were secure. Table 1 focuses on the three parts to the process involved in the online booking process and its impact on the three types of trust.

3.0 Conceptual Model of Trust in the Online Hotel Booking Decision

Based on the trust indicators listed in Table 1, we incorporated the factors in the three part process and developed a conceptual model of the customer’s trust in the online hotel booking decision. Figure 1, illustrates the model of trust in the online hotel booking decision.

Until recently, however, research on the impact of trust in the context of online hotel booking was limited by a lack of valid and reliable measurement and scales. We attempt to develop a conceptual model derived from trust indicators in the three part process and its impact on the customer’s online booking decision. In the next section, we discuss the research hypotheses derived from the conceptual model.

3.1 Research Hypothesis-1

The growth of the Internet and powerful search engines has not only created avenues for customers to search for the best product/service today, but has also created intensified market competition. It has motivated hotel websites to pay more attention to the significance of experience offerings. While the content and information on the hotel’s website is relevant and useful to customers in deciding whether to book the hotel, researchers have also found a negative relationship between the amount of effort and time customers exert in searching and obtaining relevant information and its impact on the overall satisfaction of their decision process (Bechwati & Xiz, 2003). Website functionality, user friendliness of the website and easy of navigation are the initial factors that customers respond to when they first visit the hotel’s website. When customers perceive the site to be useful and easy to use, they are more likely to search for further information and pursue their online booking transaction. They have more confidence in the hotel’s information and find it to be relevant, accurate and reliable. Customers take a greater level of risk and trust the information sources thereby actively seeking cues to develop initial competence trust in the hotel. Thus, hotels attempt to build brand personality which refers to “set of human characteristics associated with a brand.” (Aaker, 1997, p.347).

Previous research suggests that customers seek for and accept recommendation in order to effectively manage the amount of information available during online search process (Koren, 2010).
Thus customers create cues once they book the hotel and experience the functionality and coordination of the hotel’s website by themselves. This is true if the customer has stayed before in the same hotel or a hotel in the same chain at a different location. This creates credibility (belief in the hotel’s expertise) in providing the quality service. Similarly, perceived source credibility was found to be an influential factor for trust on online transactions (Yoo et al., 2007). Thus reliable sources of information from the hotel’s website have been found to affect customers’ decisions by increasing their confidence on the hotel’s website. Therefore we hypothesize that RH-1: Information on the hotel’s website and its appearance is positively associated with the competence trust the customer has on the hotel, thereby facilitating their online booking decision.

3.2 Research Hypothesis-2

When customers experience that the hotel website is reliable, they tend to visit the same hotel again due to the personalized features of the hotel’s website and their expectancy. Their personal information is stored on the hotel website database and the next time they visit the website their information is there, thereby saving their time from re-entering their personal information. Fournier (1998, p.368) extends the definition of brand personality to include repeated observation. They define brand personality as “a set of trait inferences constructed by the consumer based on repeated observation of behaviors enacted by the brand at the hand of its manager.”

Customers perceive risks involved in online transactions and they have concerns over privacy and security. They need to trust that their personal and financial information are protected. Some hotels have a reputation to make firms share a privacy policy or a privacy statement with their customers due to issues with privacy and risks of identity theft. For example the European Union has taken measures to ensure customers privacy via an agreement called the “Safe Harbor Agreement,” which refers to a set of regulations to be abided by all websites that require information from customers. Bart et al (2005) study found that privacy was an important characteristic in determining trust in the travel websites. Their findings suggest that customers who found websites with privacy policy to be more reliable are likely to use those websites more often. Previous research also suggests that trust is an important factor that predicts consumers’ positive intention to purchase in online shopping (Kuan & Bock, 2008; Lui et al., 2005). Therefore we hypothesize that RH-2: Information technology and functionality of the hotel’s website in processing the booking efficiently is positively associated with the predictability trust the customer has on the hotel, thereby facilitating their online booking decision.

3.3 Research Hypothesis-3

Building and managing strong brands are key drivers of success in the lodging industry where little differentiation was found to be the product attributes in the same hotel segment (Jiang et al., 2002). Goodwill trust is seen in service differentiation. Zeithaml (1988, p.3) define service quality as “the consumer’s subjective judgment about a product’s overall excellence or superiority.” Brand personality evokes emotion thereby creating feeling/emotional fulfillment (Donahay & Rosenberger, 2007). Brand personality in turn leads to brand loyalty that increases the commitment the hotel has on their customers. Oliver, (1997, p.392) defined brand loyalty “a deeply held commitment to repurchase or repatronize a preferred product or service consistently in the factors despite situational influence and marketing efforts having the potential to cause switching behavior.” It leads to benevolence (the hotel’s concern about the customer’s best interest) that in turn enhances the goodwill and reputation of the hotel (Bart et al., 2005; Ganesan, 1994). This refers to customers who are committed to the hotel. They would repeatedly like to stay at the same hotel or hotels that are part of the same chain at different locations due to their commitment. Likewise Bowen & Shoemaker (1998) define loyalty as a willingness to revisit a hotel with a disposition to treat the relationship partnership.

Similarly, the findings of Chaudhuri & Holbrook (2001) suggest that trust affects brand loyalty from the perspective of brand commitment in relationship marketing. Similarly, Morgan & Hunt (1994) found that trust leads to commitment in business to business relationship. Thus, customers to do not face issues or confusion from the time they booked online until the time they arrived at the hotel. For example, Leimeister et al., (2005), found that perceived competence and perceived goodwill of virtual community operations supported in creating and sustaining trust thereby successfully implementing and maintaining a virtual community. Likewise the hotel emails the customer their reservation number, exhibits commitment, provides quality services, and things it promised. Thus, goodwill trust in the brand name leads to repurchase intentions, thereby creating commitment on the part of the customer towards the hotel (Zboja & Voorhees, 2006). Therefore, we hypothesize that RH-3: The hotel’s ability to fulfill the customer’s online booking request correctly is positively associated with the goodwill trust the customer has on the hotel, thereby facilitating their online booking decision.
3.4 Research Hypothesis-4

The successful outcome of a customer’s online hotel booking decision was due to the trust the customer had in the hotel. In competence trust, the customer believes that the hotelier, through its IT infrastructure staff, and skills of the hotel employees were competent in providing the service promised by the hotelier. Bart et al., (2005) identified that prior online shopping experiences and familiarity of the website together with online skills assist in customers’ purchasing intention. We suggest that these factors also contribute to the customers’ predictability trust which is based on the customer’s reliance on the consistency of the quality of service provided by the hotel. It allows customers to make predictions and develop expectations about future service, typically based on prior experiences. Customers experience care, concern, honesty, and benevolence shown by the hotel. Customers trust in the hotel’s goodwill means that they believe that the hotel will not only act in a competent and reliable manner, but will also have the well-being and interests of the customer at heart when making service decisions and providing service. Therefore, we hypothesize that RH4: The customer’s competence, predictability and goodwill trust in the hotel is positively associated with their successful online booking experience.

4.0 Conclusion

This paper investigated the impact of customer’s trust indicators on their online hotel booking decision. We first discussed the importance of trust followed by the three parts to the online hotel booking decision process. Then we integrated the characteristics of the three types of trust namely; competence, predictability and goodwill trust. We then developed a framework to highlight the trust indicators during the online hotel booking decision process. The trust indicators led to the development of the conceptual model followed by a discussion of the four research hypotheses. This study contributed to theory as it provided theoretical evidence of a framework of trust indicators that can impact a customer’s online hotel booking decision. It also contributed to practice as it increased the awareness of hotel executives on the trust indicators that customers who book hotels online will look out for. It made hoteliers aware of the importance of creating positive experiences for customers who stayed in their hotel. Further, researchers in the area of tourism and management will be made aware of the importance and the need for trust in the online hotel booking decisions. Future research aims to test the conceptual model and trust indicators via a survey research method. The findings of the survey will contribute to academic and practical knowledge.

References

Bechwati, N.N., & Xia, L. (2003). Do Computers Sweat? The impact of perceived effort of online decision aides on consumer’s satisfaction with the decision process. Journal of Consumer Psychology, 13 (10), 139-148
Table 1: Trust Indicators in the Customer’s Online Hotel Booking Decision

<table>
<thead>
<tr>
<th>Trust Indicators in the Customer’s Online Hotel Booking Decision</th>
<th>Types of Trust</th>
<th>Website Appearance &amp; Information</th>
<th>Ability to process the booking and security of the Website</th>
<th>Fulfilling the booking decision</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Competence Trust</td>
<td>Web site functionality Capacity to respond User friendly Easy to navigate</td>
<td>Information accuracy &amp; reliability</td>
<td>Ability to email the reservation number</td>
</tr>
<tr>
<td></td>
<td>Predictability Trust</td>
<td>Speed/efficiency of transaction processing Reliable information Sense of assurance</td>
<td>Personal and financial information protected – example customer’s address, telephone number, e-mail address, credit card number etc. Privacy is maintained. Website is reliable</td>
<td>Confirmed the information submitted online via email acknowledgments</td>
</tr>
<tr>
<td></td>
<td>Goodwill Trust</td>
<td>Confirms receipt of funds Exhibits empathy Benevolence Exhibits coordination Commitment</td>
<td>No issues or confusion faced by the customer from the time they booked online and the time they arrived at the hotel. Hotel is competent and reliable in processing the order. Customers are satisfied with their booking process</td>
<td>Confirms the customer’s reservation number Hotel exhibits commitment Provides tangibles Keep its promises Provide quality services</td>
</tr>
</tbody>
</table>

Table 1: Trust Indicators in the Customer’s Online Hotel Booking Decision

![Figure 1: Model of Trust in the Online Hotel Booking Decision](image-url)

Figure 1: Model of Trust in the Online Hotel Booking Decision