

**FACTORS INFLUENCING ELECTRONIC WORD  
OF MOUTH (EWOM) INTENTION AMONG  
HOMESTAY CUSTOMERS: INFORMATION  
SYSTEM CONTEXT**



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UNIVERSITI MALAYSIA SABAH  
2016**

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FULFILMENT FOR THE DEGREE OF MASTER  
OF SCIENCE**

**FACULTY OF COMPUTING AND  
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2016**

## DECLARATION

I hereby declare that the material in this thesis is my own except for quotations, excerpts, equations, summaries and reference, which have been duly acknowledged.

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## ABSTRACT

This study is to identify the factors influencing Homestay customers towards eWOM intention in Information System (IS) field. As an affordable alternative accommodation that serves unique environment, Homestay deliverables are still very difficult to be evaluated among consumers. Across the continuous demand for Homestay services, overwhelming online information causing consumers to depend on eWOM as it is easier to refine and reflect the actual quality of services. In fact, the acceleration of mobile sharing concept has permitted a splendid fast of eWOM dissemination thus influence the decision making of travelers. Therefore it is important that this study identifies the factors influencing eWOM intention in IS field to help Homestay managers dominates their market with minimal resources rather than costly and poorer results of traditional advertising. Thus this study aims to close the research gap by adopting Theory of Information System Success by DeLone and McLean (2003). In order to ensure a refined data was attained, set of questionnaires were administered to 300 random sampling populations who had experienced with Homestay website and services within the past six months. The data was analyzed using SmartPLS Version 2 M3. The results of Structural Equation Modelling (SEM) analysis shows that the a few factors influencing eWOM and it had been discovered that satisfaction mediates relationships between perceived quality and eWOM intention.



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## **ABSTRAK**

### **PENGARUH SISTEM MAKLUMAT TERHADAP NIAT UNTUK MELIBATKAN DIRI DALAM 'eWOM'**

*Kajian ini bertujuan untuk mengenalpasti faktor-faktor yang mempengaruhi pelanggan Homestay ke arah niat untuk melibatkan diri dalam 'eWOM'. Sebagai salah satu bentuk penginapan alternatif yang terkemuka, inap desa atau lebih dikenali sebagai Homestay mempunyai persekitaran yang unik di samping harga yang berpatutan. Walaubagaimanapun, pengguna masih mempunyai kesukaran dalam menjangka tahap keberkesanan servis Homestay yang ditawarkan. Di samping itu, lambakan informasi atas talian telah menyebabkan pengguna bergantung kepada 'eWOM'. Ini adalah kerana 'eWOM' mampu memudahkan pengguna dalam mengetahui tahap kualiti sebenar tentang servis yang ditawarkan. Malah, konsep perkongsian mudah alih menggunakan telefon pintar yang sedang rancak membangun telah menyebabkan penyebaran 'eWOM' lebih pantas sekaligus mampu mempengaruhi keputusan pengguna. Oleh itu, kajian ini sangat penting bagi membantu pengurus Homestay dalam menguasai pasaran mereka dengan kos sederhana jika dibandingkan dengan kos pengiklanan yang tinggi serta hasil yang kurang memberangsangkan. Oleh itu kajian ini telah mengadaptasi Teori Keberkesanan Sistem Informasi (Theory of Information System Success) oleh DeLone dan McLean (2003). Bagi mendapatkan data yang mencukupi, kajian soal selidik secara atas talian telah menyasarkan sebanyak 300 individu dari populasi secara rawak. Populasi tersebut terdiri daripada mereka yang mempunyai pengalaman menggunakan pekhidmatan Homestay dalam lingkungan enam bulan terdahulu. Data yang diperolehi telah dianalisis menggunakan perisian SmartPLS Versi 2 M3. Keputusan dari analisis tersebut menunjukkan terdapat beberapa faktor yang mempengaruhi niat ke arah melibatkan diri dalam 'eWOM' dan kajian ini juga telah mendapati kepuasan pelanggan merupakan faktor pengantara bagi hubungan kualiti dan niat untuk melibatkan diri dengan eWOM.*

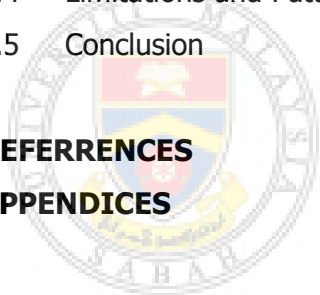
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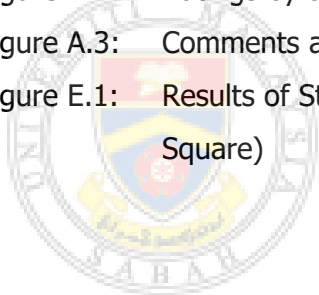
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## LIST OF ABBREVIATIONS

<b>WOM</b>	- Word of Mouth
<b>EWOM</b>	- Electronic Word of Mouth
<b>IS</b>	- Information System
<b>IQ</b>	- Information Quality
<b>SRQ</b>	- Service Quality
<b>SYQ</b>	- System Quality
<b>SAT</b>	- Satisfaction
<b>INT</b>	- Intention
<b>SEM</b>	- Structural Equation Modelling
<b>PLS</b>	- Partial Least Square
<b>KMO</b>	- Kaiser-Meyer-Olkin
<b>AVE</b>	- Average Variance Extracted



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## LIST OF SYMBOLS

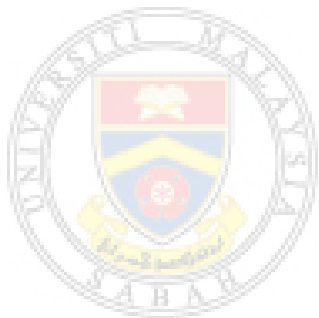
$r$	- Correlation Coefficient
$n$	- Frequency
$R^2$	- Variance of Endogenous Variable
$Q^2$	- Cross Validated Communality



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# CHAPTER 1

## INTRODUCTION

### 1.0 Overview

Realizing the potential of tourism sector, the government through Ministry of Tourism has formulated Tourism Transformation Plan 2020 to promote creativity and innovation in tourism industry to achieve the target 36 million tourist arrivals and revenue 168 billion ringgit Malaysia by 2020 (Tourism Malaysia, 2015). Government of Malaysia through the Ministry of Tourism and the Ministry of Rural Development has given special emphasis to the development of community rural tourism. In line to the exponential growth and demand of tourism industry, different types of accommodations were created to meet the needs of travellers. Of all the accommodations, Homestay presents a unique lodging sector within tourism industry, recognized as personalized services in a homely environment. It also regarded as rural-based tourism product, as quite a number of nature and cultural based tourism products are located in rural areas. This type of small scale operation attracts guests who seek something different from standard hotel rooms. The concept also has great potential as it blends well with the local culture. As of July 2014, Malaysia has registered 172 homestay clusters in 308 villages with 3,519 homestay operators. They have recorded 219, 844 tourist arrivals both domestic and international to homestay as of January to July 2014 (SunStar, 2014).

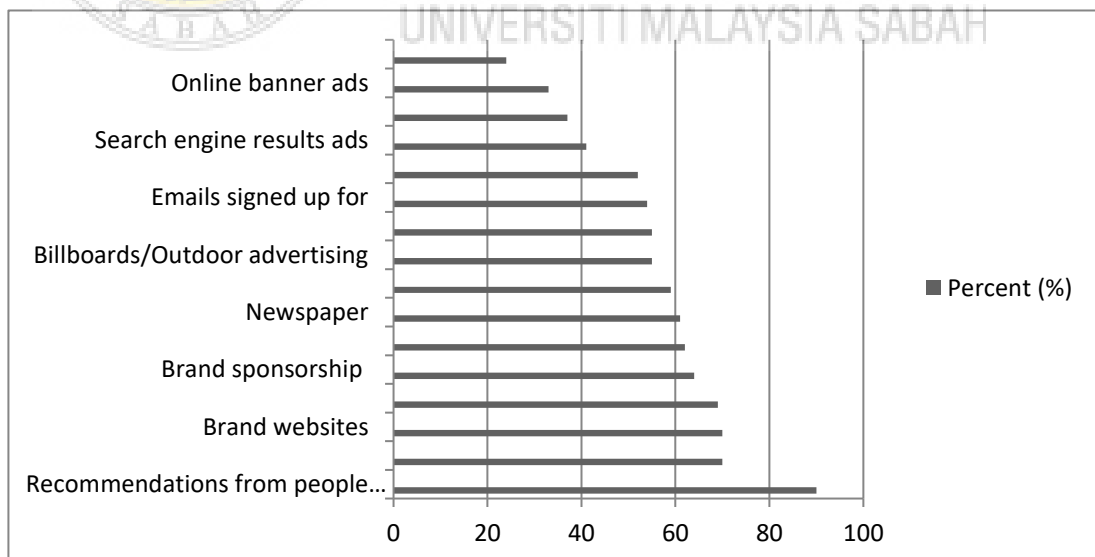
#### 1.1.1 Homestay

As a result, the booming of Homestay industry caused travellers to Homestay as their alternative lodging. However, due to intangible services of lodging sector that may cause risk (Buhalis & Law, 2008), travellers relying on online personal advices, recommendations and suggestions to make purchase decisions instead of company's marketing (Litvin, Goldsmith, & Pan, 2008). This phenomenon of information exchange or communication is defined as electronic Word of Mouth



(eWOM). Subsequently, when travellers choosing a lesser known Homestay which image and reputation are being jeopardize, travellers are more likely to trust the eWOM as accurate written-reviews (Gunasekaran & Anandkumar, 2012). Moreover, the insufficiencies of accurate information had driven travellers to be more influenced by customers' evaluation or ratings in order to make decision (Chen, Liu & Chang, 2013). Current research by Cantalops and Salvi (2014) also supported that travellers are highly influenced in their choices on Homestay or other lodging by online recommendations due to the ability of eWOM to exert powerful influences upon each other.

The eWOM is no stranger in tourism industry. Most of the managers have begun to consider and devise strategies in order to manage eWOM and gaining advantages from it (Litvin et al., 2008). Buhalis and Jun (2011) traces the information that easily created are recreated, distributed and fortified by consumers through the networking or review website for instance TripAdvisor, Twitter, blogs, websites, emails and others. In their reviews, they identifies that consumers are more likely to trust information generated by consumer rather than product supplies (see Figure 1.1).



**Figure 1.1 : Consumer's Degree of Trust in different forms of Advertising.**

Sources : Buhalis and Jun (2011) in Contemporary Tourism Reviews

In addition, eWOM has largely spread through social media where it benefits consumers to plan and reaffirming their purchase decision (New Straits Time, 2013; The Star Online, 2013). Recent reports show that Facebook as a source of information to get ideas and help in satisfying their decisions (New Straits Time, 2013). These reports have been proved by Test100 (2012) and the results exhibited show that Malaysians considered travel columns (34%) and websites with holiday maker review (38%) to be more trustworthy than professional travel guides (22%). The percentage indicates that Malaysians place more trust in eWOM in comparison to commercial travel websites to obtain information for their trip planning. In addition, based on a global survey conducted by Text100 in 2012, travellers from Asia Pacific (APAC) region mostly use social media platforms for travel ideas and inspirations while Malaysian travellers mostly search for travel destinations (Marketing Incentive, 2012).

The importance of strategic configuration and adoption of eWOM are highly important because managers must not only take account of gross profit earned but how eWOM can help boost the profit and improve the image (Cantalops & Salvi, 2014). In this sense, the optimal quality of information, service and system are likely to result in increasing satisfied customers.

Likewise, the social networking, micro blogging as well as travel site will facilitate access and speed up the valuable eWOM (Jansen, Zhang, Sobel, & Chowdury, 2009). Recently Cantalops and Salvi (2014) reviews on generating factors of eWOM found that, most of the analysed studies highlight aspects such as service quality and satisfaction, customer dissatisfaction, failure and recovery and sense of community belonging as consumers' main motivations for spreading eWOM.

Consequently, what inhibits a Homestay more than anything else from establishing online reputation is the power of eWOM, in simply put, the consequences of eWOM to the receiver or reader. Such problems cause a great concern for companies, especially in light of general finding that negative eWOM has more impact on assessments and behaviour of consumers than positive eWOM

does (Godes & Mayzlin, 2004). Realising that companies have limited control over eWOM and subsequent fear of negative eWOM, the risk could be minimised by engaging seriously in managing quality which could lead to more positive brand evaluations. As the importance and awareness of eWOM increases, understanding eWOM behaviour has become more useful especially in business strategies (Jeong & Jang, 2011). Therefore, the main objective of this study was focuses on determining the factors influencing eWOM intention among Homestay customers specifically in information system context.

## **1.2 Problem Statement**

In Homestay experience, the measurement of quality as perceived by customers is important toward achieving positive reviews. Traveller's positive and negative reviews are designated by their subjective judgement of experience. Through prior homestay experiences, customers may acquire certain expectations for good services since lodging services are difficult to evaluate before its consumption (Litvin et al., 2008). During consumption of homestay services, travellers are able to judge whether Homestay experience is good or vice versa. This is conceptually very close to the measurement of perceived quality towards eWOM intention.

In order to better understand eWOM intention among Homestay customers, there are little evidences from previous researchers that suits to this paradigm. This study may produce different results according to the nature of lodging sector in which the product is intangible and difficult to evaluate. Hence, a measure of information quality, service and system quality is very important in Homestay businesses whether it could bring an extreme satisfaction or dissatisfaction and better understand on intention of eWOM among customers. Moreover, Cheung and Lee (2012), highlighted that the difficulties to measure eWOM intention may decrease the ability of company to achieve more positive eWOM.

Previous research on eWOM shows an inconsistent relationship between perceived quality and eWOM behaviours. Several studies show a positive relationship between perceived quality and eWOM (Cheung & Lee, 2012; Ha & Im, 2012), while other studies suggest that there should a variable that mediate the

relationship between perceived quality and eWOM (Lam & So, 2013; Veasna, Wu & Huang, 2013). This study attempts to explain the contradictory results by considering satisfaction in Homestay experience as a mediator. Travellers will have different level of satisfaction depending on their level of quality perceived while experiencing Homestay website. According to DeLone and McLean's Theory of Information Success (2003), when the perceived quality matches the expectation of customers, satisfactions occurred and lead to behavioural intention (eWOM). Thus, the level of perceived quality and satisfaction experienced by customers are crucial factors for analysing the eWOM intention in Homestay industries.

### **1.3 Research Objectives**

The main objective of this study is to determine the factors influencing eWOM intention among Homestay's customers in information system context. More specifically, the objectives of this study are as follows.

- a. To investigate the perceptions of service quality towards satisfaction in Homestay.
- b. To investigate the perceptions of system quality towards satisfaction in Homestay.
- c. To investigate the perceptions of information quality towards satisfaction in Homestay.
- d. To investigate the perceptions of satisfaction towards eWOM intention in Homestay.
- e. To empirically validate the mediating effect of satisfaction on intention to engage in eWOM.

### **1.4 Research Scope**

The scope of this study is to determine the factors influencing eWOM intention among Homestay customers. At the same time, this study will also investigate the mediating effect of satisfaction on intention to engage in eWOM. The online survey adapted is limited to individuals who surfs the internet aged between 20 and above 30 years old. The survey also is restricted to Homestay customers who experienced the online website within the past six months. In addition, the scope of the study focus on the variables which are information quality, service quality, website quality

and satisfaction from the adapted Theory of Information System Success (DeLone & McLean, 2003) and the intention of eWOM towards the theory.

## **1.5 Significance of Study**

This study attempts to contribute to the accommodation hospitality industry from both theoretical and managerial point of view.

### **1.5.1 Theoretical Contribution**

The purpose of this study is to examine the factors influencing Homestay customer's intention to engage in eWOM using the adapted Theory of Information System Success. Since the theory is robust, it is extended with the other variables namely eWOM intention in order to suit the current study.

### **1.5.2 Managerial Contribution**

Through this research finding, it would contribute to the Homestay's managers and marketers to know the factors that trigger consumers to spend positive reviews. With better understandings of the consumer attitude towards Homestay websites, managers can manage their system a more effective strategy to increase positive reviews.

## **1.6 Organization of Thesis**

This thesis is organized into five chapters. First chapter is a brief introduction of the research topic with an overview of online tourism industry and the emergence of eWOM in current mobile and technology era. The chapter also included problem statement, research objectives, scope of study and significance of research. Chapter two is on the literature review of the subject matter that has been carried out in previous studies. This chapter will review about the main theory adapted in this study and the relationship between variables will be discussed. Chapter three provide explanation regarding research and methodology to conduct this research with regards to the research process. Chapter four presents the findings and the analysis of the results obtained and the last chapter includes the discussion and conclusion.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.1 Homestay Website

Website is the main promotional instrument in most of tourism products or services. All over the world use website as one of their marketing tools. Internet of mainly website is changing the structure of tourism management by minimizing switching costs, revolutionizing distribution channels, facilitating price transparency and enhancing efficiency. Thus many of Homestay industry in Malaysia use the website as the medium in promoting and marketing their services (Buhalis & Law, 2008). In 2012, Ministry of Tourism (MOTOUR) has launched [www.go2homestay](http://www.go2homestay.com) that includes a directory of all Homestays in Malaysia. MOTOUR are responsible for marketing and promotion of homestay products that includes preparing directories updates.

Conversely, the gradual increase of Internet awareness among Homestay's managers had forced them to adopt their own business website. However, managers need to understand the influence of website characteristics including website's ease of use as well as its usefulness for vacation planning. Occasionally, there are still numerous problems preventing tourist from taking full advantage of the website. For instance, booking planning on the web is a frustrating experience because of several factors including insufficiencies of information and technical difficulties. Tourists are expect to access information without experiencing any technical or linguistic difficulties (Sabaruddin, Abdullah, Jamal & Tarmudi, 2014). The importance of accessibility in determining website ratings contains the issues of navigation, visual attractiveness and informational content generally became irrelevant and sophisticated.

## **2.2 Electronic Word of Mouth (EWOM)**

The way hoteliers or managers used to collect customer's reviews has evolved from traditional Word-of-Mouth to electronic Word of Mouth (eWOM), that can be found on social media website such as Tripadvisor, Orbitz, Travelocity, Frommers, Travelpost, Fodors, Expedia (Planning Your Vacation, 2015). The internet based version of customer's review is considered as eWOM. Based on the previous studies, the definition of eWOM in the hospitality industry differs according to different studies. Pan, MacLauri & Crotts (2007) illustrated in their study that eWOM refers to the online reviews generated by internet users regarding travel destinations, hotels, and tourism services, which act as an important source of information for other travelers. Similarly, according to Gretzel and Yoo (2008), eWOM is an online guest reviews performed as an information source for travelers when planning their trips. Senecal and Nantel (2004) defined electronic Word-of-Mouth as the feedback left by previous guests on social travel websites, and they further pointed out that eWOM consists of two major parts; customer's online reviews and customer's assigned ratings for a particular service. Instead of referring to eWOM as just the combination of online reviews and assigned ratings, Jeong and Jang (2011) indicated that eWOM is a kind of consumer behavior of expressing their thoughts and comments towards the services they have received and experienced by posting it to the website or blog of the service organization.

Compared with traditional WOM, eWOM has prompted new ways of communication and tends to become a potentially cost-effective way for marketing (Litvin et al., 2008). Zhang, Craciun & Shin (2010) defined eWOM as the evaluations of products or services online shared by consumers with the usage of internet and information technology. EWOM is further divided in the hospitality industry into two types: consumer-generated reviews and editor-generated reviews. Additionally, they pointed out that consumer-generated reviews are written based on customer's personal experience towards hotel or lodging, while editor-generated reviews are written by professional editors who visit hotels with some evaluation purpose (Zhang et al., 2010). According to Harrison-Walker (2001), eWOM is further divided into positive and negative categories, and

specifically pointed out that negative eWOM is associated with dissatisfying experiences with the service organization.

### **2.3 EWOM in Lodging Industry**

Although plenty of choices are available on Internet for travelers to make decision, virtual communities are gradually becoming influential as consumers progressively trust their peers rather than marketing messages (Buhalis & Law, 2008). Yeoman and McMohan-Beattie (2006) had predicted that in 2015, majority of consumers will purchase holidays through Internet and the digital society will change their purchase behavior. Moreover, potential tourists are interested in viewing the experiences of previous travelers (Sabaruddin et al., 2015). The continuous evolves of ICT and smartphone has allowed the booming of eWOM.

As available today, many leading online tourism services such as Expedia.com, Priceline.com, Agoda.com and TripAdvisor.com, now foster online communities in which customers can engage with each other and the hoteliers themselves. For example, online booking website for tripAdvisor.com provides unbiased customer reviews, average customer ratings and product information (TripAdvisor Malaysia, 201). More recently, many small lodging businesses also have started to invest and manage eWOM in order to compete and establish worldwide presence. For instance, BedAndBreakfast.com the largest website for B&B does not merely provide crucial information. Instead, the website provides customers reviews, as well as customer ratings based on several aspects, such as, guest room, services, values, cleanliness and dining (BedandBreakfast, 2015).

One of the most significance of eWOM is that it becomes the most important source for decision making. Xie, Miao, Kuo and Lee (2011) and Litvin et al. (2008) stressed that eWOM is especially important for decision making in tourism products due to the intangible products that are difficult to evaluate prior to their consumption. Sen and Lerman (2007) explained that consumer-generated review messages are more influential in decision making because consumers generally trust their peer consumers more than the advertiser of marketer. In the same line, Litvin et al., (2008) also supported that consumers have the ability to