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CONSUMER DECISION MAKING

THE EFFECT OF INFORMATION ON

WILLINGNESS TO PAY AND

PERFORMANCE

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Abstract

Online purchase decisions are unique in that consumers are confronted with information from a variety of sources. Drawing on uncertainty reduction theory, this thesis aims to understand the role of information in consumers' decisions. Specifically, it examines three sources of information. First, consumer-to-consumer information or electronic word of mouth (eWOM). Second, consumers' internal information, such as previous experiences and reference prices. Third, peer-to-peer information on sharing platforms.

The empirical context for the studies that this thesis comprises is the hospitality industry. Contrary to goods, services are more difficult to assess before consumption due to their inseparability nature. Moreover, the decision to book an accommodation entails high levels of consumer involvement.

Results coming from an online experiment suggest that eWOM plays a major role in determining consumers' willingness to pay (WTP). Past purchase behaviour also affects consumers' WTP. In particular, internal reference prices (IRP) moderate the relationship between eWOM and consumers' WTP. Beyond this, the effect of purchase frequency on consumers' WTP is mediated by IRP. With respect to peer-to-peer information, results from a semantic analysis of Airbnb profiles reveal that individuals provide information about various topics when presenting themselves on sharing platforms. More important, self-presentations evoking social aspects lead to higher performance. In addition, the effect of the length of self-presentations on performance exhibits decreasing returns.

This thesis contributes to previous literature in several respects. First, it represents the first attempt to evaluate the impact of eWOM on consumers' WTP. Second, the inclusion of internal information to explain consumers' WTP is novel. Third, it uncovers the role of self-presentations in boosting performance in the sharing economy. Finally, the findings of this thesis also have relevant implications for hospitality operators. Apart from the inclusion of online reputation (i.e., consumers' ratings), accounting for consumers' reference prices in pricing strategies seems to be essential for revenue maximization. Furthermore, these findings provide insightful recommendations for individuals operating on sharing platforms.

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Chapter 1. INTRODUCTION

1.1. Motivation

Both academic researchers and marketing practitioners have broadly agreed on the critical role of perceived value in explaining consumer behaviour. Consumers assess information about the product to predict its quality, which affects their perceived value (Zeithaml, 1988). Literature on consumer behaviour has traditionally suggested that perceived value approach must be used to analyse consumers' purchase decisions (Cronin, Brady and Hult, 2000; Ostrom and Iacobucci, 1995). From a managerial perspective, perceived value is connected to several marketing strategies, such as consumer segmentation (Ailawadi, Neslin and Gedenk, 2001). Beyond that, value is considered a key aspect for building competitive advantage (Woodruff, 1997).

Despite its undeniable relevance in research theory and practice, a complete understanding of the determinants of consumers' perceived value still constitutes a major challenge. The present research aims to contribute to marketing literature by exploring various determinants of consumers' willingness to pay. Consumers' willingness to pay (WTP) reflects the value that the consumer perceives (Kotler and Levy, 1969). Information plays a key role in defining perceived value. In particular, brand and store information influence consumers' perceived value and willingness to buy (Dodd, Monroe and Grewal, 1991).

With the advance of the information and communication technologies firms are increasingly using electronic channels to reach consumers. Over the last few years, electronic commerce has become a consolidated form of exchange (eMarketer, 2017). Consumers can access a growing number of information sources to inform their purchase decisions (Jang, Prasad and Ratchford, 2017). Brand and store information coexist with online information, which can be provided by the seller or user-generated (e.g. consumer-to-consumer information). In addition, consumers often rely on their prior knowledge about the product when making purchase decisions.

This research intends to unveil the effects of different sources of information on monetary transactions. Specifically, this investigation focuses on two sources of information: online interpersonal information (i.e. consumer-to-consumer information and peer-to-peer information) and consumers' internal information from past purchase behaviour. With respect to monetary transactions, this research focuses on two desirable outputs: consumers' willingness to pay and sellers' performance.

1.2. Research objectives

Drawing on the uncertainty reduction theory (Berger and Calabrese, 1975), consumers tend to gather information to reduce uncertainty when they need to make purchase decisions. Electronic word-of-mouth (eWOM), or consumer-to-consumer (C2C) information, is one of the most influential sources of information for consumers since it is perceived to be more trustworthy than commercial information. Consumers typically use online reviews and ratings to reduce uncertainty in transactions (Dellarocas, 2003).

When consumers are involved in purchase decisions, they commonly balance external information about the product with information coming from internal norms (Helson, 1964). The information stored in consumers' memory is an important factor in consumers' decision making (Beatty and Smith, 1987), as well as their past purchase behaviour (Perugini and Bagozzi, 2001). In particular, consumers' internal reference prices have a strong influence on their purchase decisions (Mazumdar, Raj and Sinha, 2005).

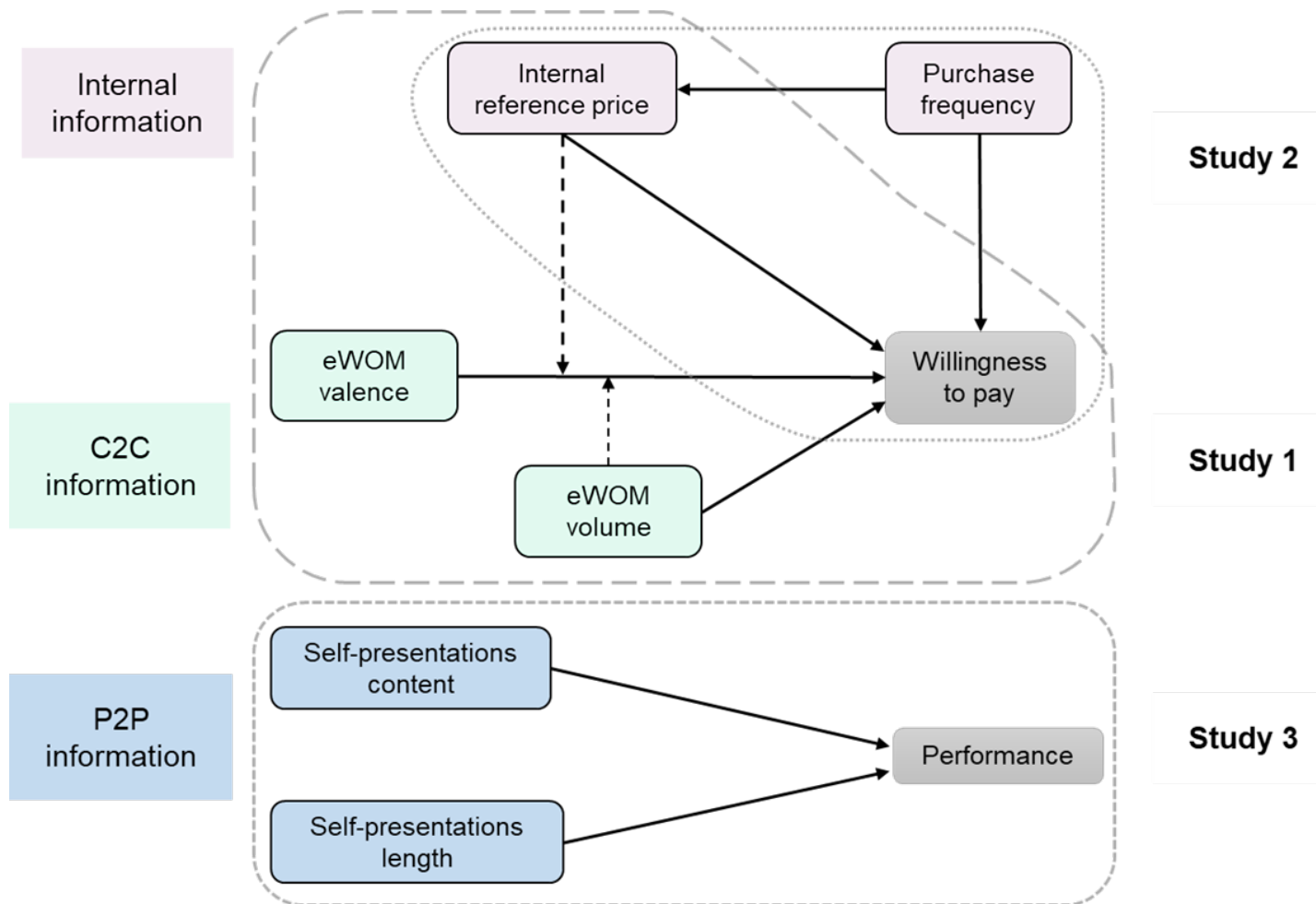
Recently, the sharing economy has flourished in many sectors as a new form of exchange where goods and services are provided by peers (Bardhi and Eckhardt, 2012). Compared to traditional transactions, there is a higher risk perception toward the seller, who often takes part in the sharing experience (Tussyadiah, 2016). To reduce this uncertainty, consumers increasingly evaluate information about the seller.

In view of these arguments, the present research has the following broad objectives:

1. Analyse the impact of eWOM on consumers' WTP.
2. Examine the moderating role of internal reference price in the relationship between eWOM and consumers' WTP.
3. Determine the influence of purchase frequency on consumers' WTP.
4. Examine the effect of peer-to-peer (P2P) information on sellers' performance in the sharing economy realm.

To address these aims, this research undertakes three empirical studies in the hospitality sector. On the one hand, two studies analyse the effect of internal information and external non-commercial information (C2C information or eWOM) on consumers' willingness to pay. On the other hand, Study 3 analyses the impact of external commercial information (P2P information) on sellers' performance. Figure 1.1 illustrates the research model.

Figure 1.1 Research model



1.3. Summary of studies

Study 1 analyses the effect of consumer-to-consumer information on consumers' WTP for an accommodation. Specifically, this study focuses on eWOM valence (i.e., overall rating) and eWOM volume (i.e., number of reviews). In addition, the study examines the direct and moderating effect of internal reference price. Results of an online experiment show a positive effect of eWOM valence on consumers' WTP which is strengthened by eWOM volume. The study also finds support for the moderating effect of internal reference price. Consumers with high reference prices are more sensitive to the effect of an increase in valence. Besides, internal reference price has a non-linear impact on consumers' WTP, showing that as the IRP increases, consumers' WTP increases to a point and then starts to decrease. These findings highlight the relevant role of both sources of information in determining consumers' WTP.

In view of the salience of internal reference prices in the first study, *Study 2* examines the relationship between internal information and consumers' WTP in more detail. In particular, it tests the mediating effect of internal reference prices on the relationship between purchase frequency and consumers' WTP for an accommodation. This study reveals that both variables (i.e., purchase frequency and internal reference prices) have quadratic effects on WTP, that is, the effects follow an inverted-U shape function. In light of this, the study evaluates the instantaneous indirect effect of internal reference price at different levels of purchase frequency. Results show that the relationship between purchase frequency and consumers' WTP takes place through the effect of internal reference price.

Given the increasingly popularity of the sharing economy, *Study 3* focuses on peer-to-peer transactions in the hospitality sector. Due to the nuances of reviews and ratings in sharing platforms, additional uncertainty reduction mechanisms become essential. This study aims at understanding the influence of sellers' self-presentations on monetary transactions. The methodological approach is based on two stages. First, latent dirichlet allocation analysis categorises the semantic content of self-presentations. Next, regression analysis tests the effect of the emerging topics on performance. Results show the presence of different topics in self-presentations and reveal that self-presentations that evoke social connection lead to higher performance. These insights encourage sellers to make use of personal branding tools (e.g. storytelling) in order to improve the positioning of their offer and in turn increase their performance.

1.4. Contribution

This thesis intends to contribute to the existing literature on consumer purchase behaviour by unveiling the effect of multiple types of information on monetary transactions. Specifically, the present research makes a contribution to the marketing literature in several respects:

1. Although previous literature has widely studied the effect of eWOM on consumers' preferences or intentions, this research goes beyond and measures the effects of eWOM on consumers' WTP.
2. To the best of our knowledge, this is the first research that accounts for the influence of internal information when studying the effects of eWOM on consumers' purchase behaviour.
3. This research breaks the ground by disclosing the existence of some non-linear relationships. Particularly, it supports that purchase frequency and internal reference prices have quadratic effects on consumers' WTP. These effects follow an inverted-U shape function.
4. Given the relevance of personal reputation in sharing economy contexts, this research represents the first attempt in uncovering the effect of sellers' self-descriptions on monetary transactions.

From a managerial point of view, this research provides interesting implications for practitioners. Knowledge of consumers' willingness to pay (WTP) is key for an optimal pricing strategy (Kim, Natter and Spann, 2009). Managers fix product prices depending on several variables. The findings of this research highlight the influence of eWOM statistics (valence and volume) on consumers' purchase decisions. Likewise, consumers' past purchase behaviour plays an essential role in defining consumers' WTP. The inclusion of both variables in pricing strategies might help managers to fix their prices more accurately. Today, several information systems enable companies to know about their consumers' purchase behaviour. Managers can identify those consumers who are willing to pay more and fix their prices according to it.

Finally, implications can be drawn for individuals who participate in sharing economy platforms. The findings of this research reveal the importance of providing details about the seller-consumer relationship to reduce the uncertainty between peers. Certainly, sellers whose self-presentations evoke human interaction are able to achieve greater performance.

1.5. Structure of the thesis

This thesis is structured as follows.

- Chapter 2 introduces the theoretical background that informs the empirical studies of this research.
- The study presented in Chapter 3 analyses the effect of eWOM on consumers' WTP for an accommodation, with special attention to the moderating effect of internal reference prices.
- Chapter 4 presents another empirical study that explores the influence of past purchase behaviour on consumers' WTP for an accommodation. This study focuses on purchase frequency and internal reference prices.
- Chapter 5 focuses on transactions in the sharing economy. The empirical study examines the content of sellers' self-presentations and the effect on sellers' performance.
- Finally, the thesis concludes with Chapter 6 which presents the insights gained from this research and provides additional details on the future research agenda.

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Chapter 2. THEORETICAL BACKGROUND

2.1. Introduction

In the e-commerce era, the Internet has transformed the way consumers search for information and, more important, the way they shop (King, Racherla and Bush, 2014). Online transactions differ from offline transactions in many respects (e.g., intangibility, non-immediate access and need for delivery). Compared to offline transactions, online transactions expose consumers to more risks throughout the decision making process. Consequently, consumers' online purchase decisions have attracted strong interest from the research community (e.g., Gefen, Karahanna and Straub, 2003; Kim, Ferrin and Rao, 2008; Srinivasan, Anderson and Ponnnavolu, 2002).

In traditional business settings consumers can evaluate the quality of the product by examining it carefully before buying. This does not occur in online settings, where consumers do not have easy access to information about the quality of products prior to purchase. Online providers have detailed information about products while consumers do not. This difference between the information consumers and sellers have is known as information asymmetry (Akerlof, 1970), which consumers usually address by gathering information.

Resolving uncertainty issues is an underlying principle in this research. This chapter focuses on consumers' information search as a means to address information asymmetries. Particularly, it illustrates how consumers make use of various sources of information (online information and internal information) to reduce information asymmetry. Stemming from this, Chapter 3 examines C2C information or eWOM, Chapter 4 focuses on internal information and Chapter 5 investigates peer-to-peer (P2P) information.

This chapter begins with an overview of the uncertainty reduction theory that informs the conceptual model of the three studies in this research. Specifically, Section 2.2 explains the theoretical foundation of this theory, presents an introduction to the two main information search processes (i.e., internal and external) and outlines the uncertainty problem in online transactions. Section 2.3 presents the theoretical framework on eWOM. Section 2.4 explains the link between eWOM and consumers' willingness to pay, which motivates the experimental research presented in Chapter 3. Section 2.5 develops the theoretical framework on past purchase behaviour and its effects on willingness to pay, which inspires the empirical investigation presented in Chapter 4. Section 2.6 provides a brief revision of the literature on consumer decision making in the hospitality sector used as the empirical context for the three studies in this research. Lastly, the chapter concludes with an overview of uncertainty problems in the sharing economy domain, which motivates the study presented in Chapter 6.

2.2. Uncertainty reduction theory

Berger and Calabrese (1975) proposed the uncertainty reduction theory (URT) as a theory for interpersonal communication. Uncertainty exists to the degree that situations are unpredictable or cannot be adequately understood. URT is a communication theory that focuses on the initial interaction between two parties prior to the actual communication process. URT states that individuals need information about the other party in order to start an interaction. The underlying idea is that information availability reduces uncertainty since it helps individuals to predict the other person's behaviour and resulting actions.

The assumptions of URT are related to the human communication process. Particularly, for the purpose of this research, the relevant assumptions are:

- (a) people experience uncertainty in interpersonal settings,
- (b) uncertainty generates cognitive stress,
- (c) when strangers meet, their primary concern is to reduce their uncertainty,
- (d) high levels of uncertainty will result in information seeking,
- (e) interpersonal communication is the primary means of uncertainty reduction.

URT has been used in marketing and communication research to explain consumers' purchase behaviour (e.g., Adjei, Noble and Noble, 2010; Hu, Liu and Zhang, 2008). In fact, some of its assumptions are rooted in the information theory (Akerlof, 1970) that states that information availability can alleviate information asymmetry problems and in turn reduce consumers' uncertainty. Thus, consumers tend to gather information as a risk-reduction strategy when they need to deal with uncertainty regarding the outcome of an action (Berger and Calabrese, 1975). As a result, one of the first steps in the decision making process is information search. Engel, Blackwell, and Miniard (1995) defined information search as "the motivated activation of knowledge stored in memory or acquisition of information from the environment." Consumers can obtain information from either internal or external sources.

External information search consist of collecting information from the marketplace (Engel et al., 1995). This access to information helps consumers to better evaluate if the product meets their needs and preferences (Dellarocas, 2003). Information provision leads to increased trustworthiness of the seller (Ba and Pavlou, 2002). Conversely, internal information search is the retrieval of knowledge from memory (Bettman, 1979). The information stored in consumers' memory also plays a key role in the evaluation of products (Beatty and Smith, 1987).

2.2.1. Uncertainty in online transactions

Uncertainty issues are outstanding in the e-commerce realm. In online settings, consumers are typically exposed to transaction risks rooted in uncertainty about the quality of the product. Pre-existing transactions between consumer and seller might alleviate uncertainty concerns, however, most online transactions occur among strangers. In the absence of face-to-face contacts, trust plays a fundamental role in predicting online purchase intentions (Schlosser, White and Lloyd, 2006). Researchers agree that an understanding of trust is essential for explaining interpersonal behaviour in online transactions (Doney and Cannon, 1997). In online settings, the provision of sufficient information constitutes a signal of trust that increases positive consumer attitudes (Sicilia and Ruiz, 2010). Particularly, more information reduces consumer uncertainty and search costs, which results in greater prices (Brynjolfsson and Smith, 2000).

The increased availability of online user-generated content gives consumers an opportunity to inform their purchase decisions and reduce uncertainty. Most consumers do not trust in information that apparently promotes the interest of the author. Therefore, they prefer to rely on fellow consumers when gathering information about products (Senecal and Nantel, 2004). Opinions from fellow consumers provide information about the quality and value of a product and are independent of the marketing intents of the company (Zhu and Zhang, 2010). Thus, the next section introduces the concept of electronic word-of-mouth (eWOM) and presents the theoretical arguments that propose eWOM as a mechanism to reduce uncertainty in online settings.

2.3. Electronic word-of-mouth (eWOM)

eWOM is defined as “any positive or negative statement made by potential, actual, or former customers about a product or company, which is made available to a multitude of people and institutions via the Internet” (Hennig-Thurau, Gwinner, Walsh and Gremier, 2004, p 39). Whereas traditional WOM typically happens face-to-face, eWOM occurs online and conversations are more visible (Kozinets, De Valck, Wojnicki and Wilner, 2010).

In their review of eWOM literature, King et al. (2014) outline the unique characteristics of eWOM that make it more powerful than traditional word of mouth. They identify six major characteristics: enhanced volume, dispersion, persistence and observability, anonymity and deception, salience of valence and community engagement. In sum, the power of eWOM lies in that online opinions reach a huge number of receivers and persist over time (Godes and Mayzlin, 2004).

2.3.1. eWOM metrics

eWOM has been operationalised in extant academic literature in several ways. Previous work often distinguishes the following eWOM metrics: valence, volume and variance (King et al., 2014). eWOM valence reflects the overall evaluation of eWOM and illustrates the idea that eWOM can be either positive, negative or neutral (Liu, 2006). eWOM valence is indicative of the reputation and expected quality of the product (Chintagunta, Gopinath and Venkataraman, 2010; Liu 2006). eWOM valence has an informational influence (Godes and Mayzlin, 2009) since it represents the average consumer satisfaction with the product (Chintagunta et al., 2010). Previous studies have often relied on the overall rating of the product as the best way to summarise eWOM valence (e.g., Chevalier and Mayzlin, 2006).

eWOM volume measures “the total amount of eWOM interaction” (Liu, 2006, p. 75). It refers to the total number of comments or ratings about a particular product. eWOM volume inherently provides information about the popularity of the product, that is, how many other consumers have bought the product. Given this, it can increase consumers’ awareness and reduce consumers’ uncertainty (Liu, 2006). The main idea behind the reliance on eWOM volume is rooted in a social impact theory, according to which people tend to follow the previous behaviour of others to reduce risk (Banerjee, 1992).

A less commonly investigated eWOM metric is variance, which represents the heterogeneity in consumer opinions (Sun, 2012). Low variance of eWOM means that consumers agree that the product is either good or bad (Sun, 2012). Recently, in their meta-analysis of eWOM, Babić-Rosario, Sotgiu, De Valck, and Bijmolt (2016) introduced a new eWOM metric called “composite valence-volume” to understand the interplay between valence and volume.

Lastly, extensive research focuses on the semantics of eWOM (e.g., Barreda and Bilgihan, 2013; Guo, Barnes and Jia, 2017; Melo, Hernández-Maestro and Muñoz-Gallego, 2017). Online comments include positive and negative aspects of the product experience. In the hospitality realm, previous research has investigated the semantic content of online reviews. Qualitative analyses show that comments refer to service elements such as cleanliness, amenities, or decoration (e.g., Barreda and Bilgihan, 2013; Filieri and McLeay, 2014).

2.3.2. The effects of eWOM: the impact on sales

The impact of eWOM has gained a great amount of academic research. Studies that explore the effects of eWOM can be classified in two wide branches of research: the understanding of the impact of eWOM on firm-level outcomes or consumer-level outcomes. Although the present research focuses on the latter, the influence of eWOM on firm-level variables has also

received considerable attention from scholars. Understanding the effect of eWOM on sales has been the goal of several marketing studies (Chen, Wang and Xie, 2011; Chevalier and Mayzlin, 2006; Chintagunta et al., 2010; Park, Gu and Lee, 2012; Yan, Kim, Amblee and Jeong, 2012; Zhu and Zhang, 2010).

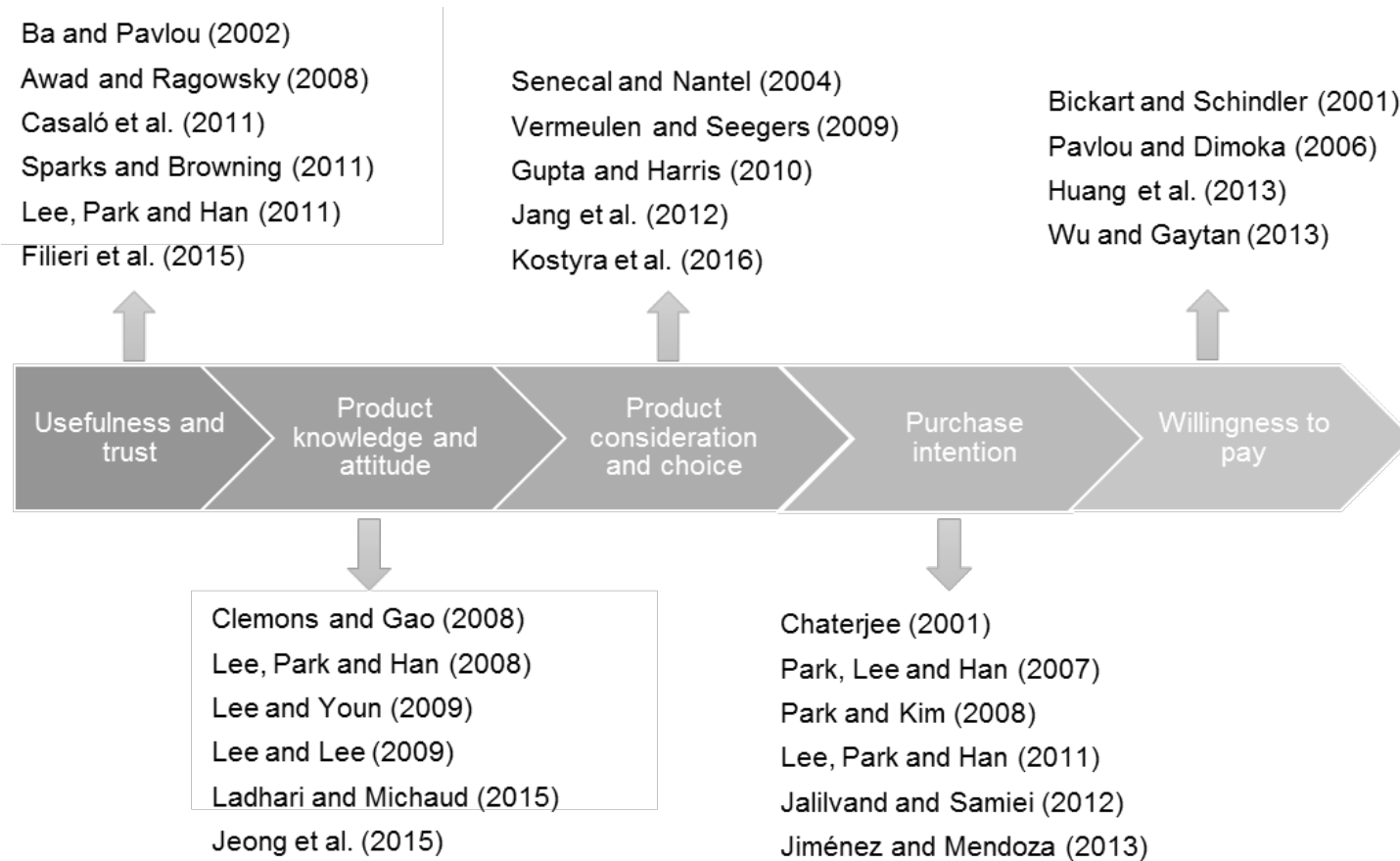
The huge amount of works on the effect of eWOM on firm sales has transformed the literature into a fragmented area. In this regard, various recent meta-analysis contribute to a full understanding of the phenomenon. Floyd, Freling, Alhoqail, Cho, and Freling (2014) provide a quantitative synthesis of the effect of online reviews on the elasticity of retailer sales. This study reveals that valence and volume of online product reviews are robustly associated to sales elasticities and this effect is greater when evaluating high-involvement products, for third-party websites and when online reviews include critics' opinions. You, Vadakkepatt and Joshi (2015) conduct another meta-analysis on the effect of eWOM on sales. Their results conclude that valence elasticity is 0.236 while volume elasticity is 0.417. Furthermore, the study provides important insights into the moderating effect of contextual factors (industry, product and platform characteristics). Finally, the work of Babic-Rosario et al. (2016) takes the former studies as the starting point and offers a comprehensive synthesis of the moderating effects of platform and product characteristics. The study examines the interplay between these moderators and identifies the platform-product combinations in which eWOM increases sales more effectively. In addition, they consider alternative eWOM metrics (e.g., composite valence-volume and variance), which goes beyond the traditional operationalisation.

In sum, this body of research concludes that eWOM has a significant effect on firm sales and provides a complete understanding of the boundary effects of the platform, industry, product type and eWOM metrics. As mentioned earlier in this section, the present research aims to understand the effect of eWOM adopting the consumer point of view, that is, exploring the impact of eWOM on consumers' willingness to pay. Accordingly, the next section presents a literature review of studies that explain how eWOM affects multiple consumer-level variables.

2.3.3. The effects of eWOM: consumer perspective

A recent meta-analysis by King et al. (2014) sets the basis for a complete understanding of the impact of eWOM at consumer-level. Based on a review of 190 studies, this study presents a review and synthesis of the literature and proposes some critical debates that remain unresolved. They focus on evaluating the antecedents and consequences of eWOM by adopting two different viewpoints: that of the sender and that of the receiver. In view of the aim of this research, this section summarises the consequences of eWOM to receivers attitudes and behaviours. Figure 2.1 provides an overview of the existing literature.

Figure 2.1 Effects of eWOM on consumer-level variables: previous research



Several studies analyse consumers' purchase decisions when exposed to eWOM messages. eWOM helps consumers better determine which products best meet their preferences. This allows more informed purchase decisions (Dellarocas, 2003). However, consumers only integrate eWOM in their decision making if they rely on it. Accordingly, a large number of studies aim to explain the effects of eWOM on perceived trustworthiness. The revision of studies in the field begins with the work of Ba and Pavlou (2002). Using data from both an online auction market and an online experiment, they find that feedback mechanisms can enhance trust between two parties. Likewise, Awad and Ragowsky (2008) reveal that eWOM quality affects online trust differently across genders. Specifically, they find that the effect of trust on intention to shop online is stronger for women than for men. Extensive research has also investigated the influence of eWOM on trust in tourism and hospitality domains (e.g., Casaló, Flavian, Guinaliu and Ekinci, 2011; Filier, Algezau and McLeay, 2015; Sparks and Browning, 2011).

With respect to product knowledge and attitudes, extant research proposes a positive impact of eWOM on consumers' judgements and attitudes (e.g., Jeon, Koo and Jansen, 2015; Lee, Park and Han, 2008). These positive attitudes result in higher probabilities to choose the product. The effect of eWOM on product choices has been addressed in a large number of studies (e.g., Gupta and Harris, 2010; Kostyra, Reiner, Natter and Klapper, 2016; Vermeulen and Seegers, 2006). In this regard, Purnawirawan et al. (2015) provide an integrative review of the impact of eWOM valence on several outcomes (consumer attitude, perceived usefulness, purchase intention, recommendation intentions and credibility). They suggest that valence positively affects perceived usefulness and they find a ceiling effect in the case of attitudes. In addition, the study explains the moderating effect of a number of variables (e.g., product type, brand familiarity and cultural background) and makes several contributions to this research stream.

Aside from the growing body of research on the effects of eWOM on consumer perceptions and attitudes towards the product, another group of studies address the impact of eWOM on behavioural variables (i.e. purchase intentions and willingness to pay). Regarding consumers' purchase intention, Chatterjee (2001) concludes that the effect of negative reviews on purchase intentions is determined by the familiarity with the retailer and varies with the type of retailer. In this line, further research provides interesting insights on how consumer expertise moderates the effect of online reviews on purchase (Park and Kim, 2008) and consumer involvement (Park, Lee and Han, 2007). More interestingly, the work of Lee, Park and Han (2011) investigates two types of eWOM (standard online consumer reviews –OCRs; and online consumer reviews embedded in advertisements –OEAs). Results suggest that trust in

online shopping malls has a stronger influence on OCRs than on OEAs. In addition, the greater the perceived credibility of OCRs, the higher is consumers' purchase intention. These findings emphasise the crucial role of trust and credibility in consumers' behavioural intentions.

Lastly, some research attempts have drawn the attention beyond purchase intentions in order to explain the impact of eWOM on price-related variables. Despite the encouraging practical implications, the literature is scant in this area. For this reason the main goal of this research is to gain insights in this domain. One of the first attempts to measure the impacts of eWOM in terms of monetary value comes from Bickart and Schindler (2001). They conduct an experiment to measure the expected consumer spending in the product category in two different environments: forums and corporate website. Their findings indicate that consumer spending is higher in the forum setting, which suggests the monetary impact of online reviews. The next section provides theoretical support to the eWOM-willingness to pay relationship and revises the literature in this area.

2.4. The influence of eWOM on consumers' willingness to pay

Following the work of Bickart and Schindler (2001), some studies intend to explain the effect of eWOM on prices. Ba and Pavlou (2002) reveal that feedback mechanisms lead to higher auction prices. They suggest that proper feedback mechanisms can mitigate information asymmetry by increasing trust in the e-tailer. Pavlou and Dimoka (2006) find that feedback text comments create price premiums for reputable sellers by engendering buyers' trust in the sellers' benevolence and credibility. Huang et al. (2013) state that online information leads to decreasing price consciousness. Although these findings suggest that eWOM has an influence on prices, the impact of eWOM on consumers' willingness to pay has received scant attention (e.g., Wu and Gaytán, 2013). This research provides meaningful insights in this domain by considering the effect of two metrics of eWOM (valence and volume), as well as the effects of past purchase behaviour on consumers' willingness to pay.

Willingness to pay (WTP) denotes the maximum price the consumer agrees to pay for a given quantity of a good or service (Cameron and James, 1987; Krishna, 1991). WTP is a measure, in monetary units, that reflects the value that the consumer perceives (Kotler and Levy, 1969). It has been traditionally studied in the marketing literature including several areas, such as advertising (Kalra and Goodstein, 1998) and consumer dealing patterns (Krishna, 1991). However, the rise of e-commerce has transformed the way consumers make purchase decisions. Accordingly, research on the monetary value that consumers attach to online information is still scant. Likewise, a complete understanding of consumers' WTP in online settings is essential for managers to inform pricing decisions (Wertenbroch and Skiera, 2002).

The impersonal nature of electronic markets exposes consumers to more risks compared to traditional markets. Online transactions involve uncertainty about the identity of the seller and about the quality of the product (Ba and Pavlou, 2002). According to uncertainty reduction theory (Berger and Calabrese, 1975), trust can mitigate information asymmetry by reducing perceived risks. In online transactions, credibility trust –the belief that the other party is honest, reliable, and competent- is an important predictor of positive economic outcomes (Ba and Pavlou, 2002). Credibility is crucial throughout the decision making process because it reduces information asymmetry (Rao and Monroe, 1989). Erdem, Swait, and Louviere (2002) propose that credibility is an antecedent of consumer price sensitivity, because it reduces information costs and perceived risk but enhances perceived quality. Consequently, credible signals should be provided to consumers in order to promote trust and enhance their willingness to pay.

Prior research suggests that perceived credibility can change consumer behavioural intentions (e.g., Lee et al., 2011; Manfredo and Bright, 1991). Most consumers perceive information from sellers as not credible since it apparently promotes the interest of the seller. Instead, they prefer to rely on fellow consumers when gathering information about products (Senecal and Nantel, 2004). In this line, researchers suggest that compared to other online channels (marketing or editorial) user-generated content appears to be highly trustworthy (Dickinger, 2011). Some studies reveal that user-generated content affects consumers' perceived value (e.g., Book, Tanford and Chen, 2015; Noone and McGuire, 2013) since it is seen as a credible source of information (Lee and Youn, 2009). Therefore, consumers can make use of eWOM in transactions to infer what they they can expect to receive for the price they pay (Chang and Wildt, 1994). In view of these arguments, the access to eWOM may have an influence on consumers' willingness to pay.

2.5. Past purchase behaviour: the key role of internal information

As mentioned in section 2.2, one of the factors that affect consumers' information search is their prior knowledge (Fodness and Murray, 1999; Gursoy and McCleary, 2004). Prior knowledge reflects the internal information that comes from past purchase experiences. During the purchase decision process, consumers collect, process and store the processed information in their long-term memory (Bettman, 1979). This memory-based information enables them to evaluate the attributes of the product throughout the decision making process (Brucks, 1985; Ratchford, 2001). When it comes to make a decision, consumers retrieve the information from their memory and guide the decision based on this internal information that derives from past purchase experiences (Bettman and Park, 1980; Beatty and Smith, 1987).

This research emphasises two relevant aspects of consumers' past purchase behaviour. First, internal reference prices. Consumers tend to evaluate alternatives relative to reference points (Hardie, Johnson and Fader, 1993; Kahneman and Tversky, 1974) since they do not have the ability to make absolute judgments (Prelec, Wernerfelt and Zettelmeyer, 1997). In turn, the prices paid in past purchase occasions become a reference point that may affect the purchase decision. Second, consumers' purchase frequency. Past behaviours have strong impact on intentions and future behaviours (Ouellette and Wood, 1998). Therefore, the frequency of purchasing a good or service may also affect consumers' purchase decisions. The next two subsections present more detailed elaboration on these determinants.

2.5.1. Internal reference price (IRP)

Drawing on the adaptation-level theory (Helson, 1964), previous literature suggests that consumers' judgements of product prices are relative and depend on a standard of comparison, the adaptation level (Emery, 1969). Authors differ in their conceptualisation of the reference price. One of the first definitions comes from the work of Monroe (1973) who defines the reference price as the price against which buyers compare current product prices to assess their attractiveness. Perceived fairness of the price affects consumers' decisions (Lichtenstei, Bloch and Black, 1988). When judging the current price, consumers use reference prices to form price expectations based on their prior experience (Briesch, Krishnamurthi, Mazumdar and Raj, 1997).

The inclusion of reference prices in price response models is essential (Lichtenstein and Bearden, 1989; Rajendran and Tellis, 1994). Research has shown that reference prices have a significant impact on consumers' purchase behaviour (Briesch et al., 1997; Kalyanaram and Winer 1995; Hardie et al., 1993; Mazumdar, Raj and Sinha, 2005; Niedrich, Sharma and Wedell, 2001). In terms of the operationalisation, Moon, Russell and Duvvuri (2006) distinguish between stimulus-based reference prices, when consumers consider the distribution of prices in the distribution channel, and memory-based, when consumers compare current prices to some function of observed past prices. Kalyanaram and Winer (1995) propose two types of reference prices, external and internal. The external reference price is based on external information, for instance, prices encountered in store (Mazumdar and Papatla, 2000). Conversely, the internal reference price refers to the price information stored in consumers' memory and it is based on previous shopping experiences (Rajendran and Tellis, 1994; Briesch et al., 1997). This research focuses on the effect of internal reference prices (IRP) on consumers' WTP.

Mazumdar et al. (2005) investigate the formation of IRP, its retrieval from memory and its effects on purchase decisions. Consumers' prior purchase experience arises as the main determinant in the formation of IRP. They also find that contextual moderators (i.e., store environment and product category) have an influence on the retrieval, use and effects of IRP. Previous literature have widely examined the effects of IRP on brand choice (e.g., Winer, 1986; Rajendran and Tellis, 1994, Briesch et al., 1997). Beyond this, Grewal, Monroe and Krishnan (1998) and Niedrich et al. (2001) investigate how internal reference prices affect perceived value. Both studies reveal a positive relationship between consumers' IRP and perceived transaction value. In line with previous literature (e.g., Della Bitta, Monroe and McGinnis, 1981; Zeithaml, 1988), Grewal et al. (1998) also suggest a positive impact of perceived value on consumers' willingness to buy. The present research takes this further and explores the effect of IRP on consumers' WTP.

2.5.2. Purchase frequency

Purchase frequency denotes the number of purchases of the product category in a specified time period (Sharp and Sharp, 1997). Frequent consumers have more information about the product (Kim and Rossi, 1994; Monroe and Lee, 2002). The formation of consumers' judgements depends on previously acquired information (Herr, 1989). Such prior knowledge affects not only the information search process (Fodness and Murray, 1998), but also consumers' evaluations and final decisions (Gursoy and McCleary, 2004).

Purchase frequency also reflects past behaviour. Previous literature suggests that past behaviour affects consumers' desires and intentions (e.g., Bagozzi and Warshaw, 1992). Consumers' habits play a crucial role in the purchase decision process since they are significant antecedents of desire, intentions and future behaviours (Perugini and Bagozzi, 2001). Interactions with a product stimulate consumers' involvement that in turn has an influence on behaviours (Kim and Scott, 1997). Specifically, the meta-analysis by Ouellette and Wood (1998) finds support for a positive relationship between the frequency of past behaviour, intentions and future behaviours.

Drawing on these arguments this research portrays that purchase frequency plays a key role in determining consumers' behaviour in two ways. First, purchase frequency may affect internal reference prices due to the relevance of prior knowledge in the information search process (Fodness and Murray, 1998). Secondly, as an indicator of consumer involvement with the product (Kim and Scott, 1997), purchase frequency may have an influence on consumers' willingness to pay.

2.6. Consumer decision making in the hospitality sector

Goods and services have different levels of functional risk, which refers to the consumer uncertainty about the performance of a product (Wangenheim and Bayón, 2004). Previous research suggests that functional risk is higher for services compared to tangible goods (Murray and Schlacter, 1990). In particular, the quality of services (e.g., hotel stays, restaurant dinners) is more difficult to assess before its acquisition than that of goods (Murray and Schlacter 1990; Zeithaml 1988). Furthermore, the purchase of these services entails considerable consumer involvement, especially when the cost constitutes a substantial budget. In consequence, eWOM plays a particularly important role in providing information to consumers in the case of services. In fact, empirical research reveals that eWOM effectiveness seems to be higher for services than for products (Babic-Rosario et al., 2016).

Consumers access a great variety of online information to inform their decisions on hotels, travel destinations or travel services. In particular, consumer-generated media platforms have become one of the most widespread information sources (Filiéri et al., 2015). Consumers can evaluate hospitality services in several types of platforms, such as independent websites (i.e., Tripadvisor.com) and e-merchants (i.e., Booking.com). This phenomenon has attracted an enormous research attention.

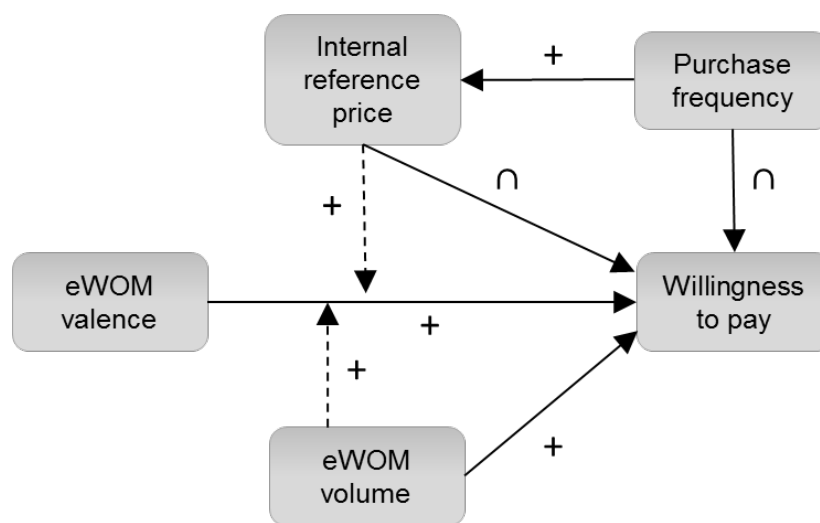
Many studies in the hospitality domain explain the influence of eWOM on hotel sales (e.g., Duverger, 2013; Ye, Law and Gu, 2009). Likewise, several studies indicate that eWOM has a significant impact on tourists' decisions (e.g., Filiéri and McLeay, 2014; Vermeulen and Seegers, 2009). Particularly, a number of studies reveal that eWOM affects tourists' booking intentions (e.g., Casaló et al., 2015; Ladhari and Michaud, 2015; Mauri and Minazzi, 2013; Sparks and Browning, 2011; Xie, Miao, Kuo and Lee, 2011). However, there is currently no research on how eWOM affects tourists' willingness to pay. A fuller understanding of this relationship may have important implications for hospitality operators' pricing decisions.

Previous literature has also investigated the formation and consumers' use of reference prices in the hospitality context. The salience of reference price increases with price instability (Winer, 1986), which is common in the travel and lodging industries. Regarding the reference price formation, consumers decrease their reference prices when competing hotels adjust their prices simultaneously (Viglia, Mauri and Carricano, 2016). With respect to the use of reference prices by consumers, several studies reveal that reference prices affect consumers' price evaluations (e.g. Choi, Joe and Mattila, 2017; Choi and Mattila, 2017; Nicolau, 2008). The next chapters present further explanations on this research topic.

2.6.1. eWOM and past purchase behaviour

Figure 2.2 shows the conceptual model that summarises the relationships between eWOM, internal reference price, purchase frequency and WTP. The next two chapters present the hypotheses development. Specifically, Chapter 3 examines the effect of eWOM valence on willingness to pay and explores the moderating effect of eWOM volume and internal reference prices. Chapter 4 analyses the interplay between purchase frequency, internal reference price and willingness to pay.

Figure 2.2 eWOM, internal reference price and purchase frequency



2.7. Uncertainty in sharing economy transactions

Sharing represents “the act and process of distributing what is ours to others for their use, and/or the act and process of receiving or taking something from others for our own use” (Belk, 2007, p. 126). Although the theoretical roots of sharing economy revolve around the idea of gift giving (Belk, 2007), in recent times these boundaries have been extended and now sharing is mainly based on market transactions (Heo, 2016). In turn, the present research embraces the “collaborative consumption” definition of sharing economy by Belk (2014), stating that “people coordinate for the acquisition and distribution of a resource for a fee or other compensation” (p. 1597). The hospitality sector has undergone the most remarkable impact of the sharing economy (Botsman and Rogers, 2011; Tussyadiah, 2016). Despite the popularity of these sharing accommodation platforms, P2P transactions also entail some challenges to consumers. Sharing a home with a stranger involves a high level of human interaction and in turn a high level of risk.

Transactions in the sharing economy involve asymmetric information that creates economic and societal risks (Malhotra and Van Alstyne, 2014). Particularly, there is a high risk perception toward the service providers since they often take part in the consumers' experience (Tussyadiah, 2016). Individuals operating in P2P platforms use reputation mechanisms, which enable them to inform their decisions and gather information about the other person (Resnick and Zeckhauser, 2002). Sellers' reputation can reveal a signal of product quality to consumers and in turn influence their decisions (Gregg and Walczak, 2008). Previous research on online markets supports that sellers' reputation decreases buyers' perceived risk and positively impact the buyer's willingness to pay (e.g., Wu and Gaytán, 2013).

Sellers' personal profiles are becoming increasingly important to inform consumers' decisions. Signals coming from the seller play a crucial role in decreasing uncertainty (Connelly, Certo, Ireland, and Reutzel, 2011). In online settings, the provision of personal information by sellers can overcome information asymmetries and assist consumers in their decision making (Forman, Ghose and Wiesenfeld, 2008; Liu and Park, 2015). Therefore, sellers' personal profiles can be used by consumers to infer the reputation of the seller (You, Vadakkepatt and Joshi, 2015). In view of these arguments, Chapter 5 examines the effect of self-presentations on sellers' performance in the sharing economy domain.

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**Chapter 3. CONSUMERS' WILLINGNESS TO PAY: DISCLOSING THE EFFECT
OF eWOM AND INTERNAL REFERENCE PRICE**

3.1. Introduction

eWOM has become extremely relevant in service contexts (Bansal and Voyer, 2000), especially in the hospitality industry (Cantalops and Salvi, 2014). Certainly, consumers rely on online reviews to gather information about hotels (Ayeh, Au, and Law, 2013; Filieri and McLeay, 2014; Z. Liu and Park, 2015; Miao, Kuo, and Lee, 2011; Sparks, Perkins, and Buckley, 2013). Previous research support the effect of online reviews on hotel sales (e.g., Öğüt and Onur Taş, 2012; Ye, Law, and Gu, 2009) and hotel performance (Xie, Zhang, and Zhang, 2014).

Online reviews affect consumers' decisions in many respects, including booking intentions (Ladhari and Michaud, 2015; Mauri and Minazzi, 2013; Miao et al., 2011; Sparks and Browning, 2011), hotel choice (Noone and McGuire, 2013a; Vermeulen and Seegers, 2009; Viglia, Furlan, and Ladrón-de-Guevara, 2014) and even price evaluations or perceived value (Book, Tanford, and Chen, 2015; Noone and McGuire, 2013b). Despite its relevance to hospitality operators though, consumers' willingness to pay (WTP) for tourism accommodations in the presence of eWOM remains undetermined.

In addition to addressing this research gap, this study breaks the ground by exploring the effect of consumers' internal reference price (IRP), which has not been studied previously in eWOM settings. IRP results from recall of the prices that consumers have seen in past purchase occasions (Rajendran and Tellis, 1994) and it strongly influences consumers' purchase decisions (Mazumdar, Raj, and Sinha, 2005). Therefore, it seems logical to predict that it affects consumers' WTP. The reference price concept is especially relevant in sectors characterised by price instability (Winer, 1986), such as the hospitality sector. That is, understanding the effects of reference price on WTP and its interaction with eWOM may be particularly useful for hospitality managers.

This study aims to analyse two main determinants of consumers' WTP. First, the effect of eWOM on WTP. In particular, how eWOM valence and eWOM volume influence consumers' WTP, and the moderating role of eWOM volume. Second, the direct and moderating effects of internal reference price on WTP. To do this, the study conducts an experiment that analyses the impact of eWOM valence and volume on consumers' WTP, after accounting for the effect of IRP. These two main drivers of WTP have not, to the best of our knowledge, been studied together before.

In the hospitality industry, pricing decisions are evolving toward dynamic pricing, which enables hospitality managers to adjust their prices in line with different variables (Abrate and Viglia, 2016). The results of the present study suggest that an adequate online pricing strategy,

aligned with consumers' WTP, should consider both review statistics and the prices recently paid by consumers. A fuller understanding of the eWOM–WTP relationship in hospitality settings will have important implications for companies' pricing decisions—an important area of online marketing research that demands more attention (Grewal et al., 2010).

Section 2 presents the theoretical underpinning for eWOM, WTP and reference price. Section 3 illustrates the methodological approach. Results of the empirical study are presented in Section 4. Section 5 discusses the results. Finally, the study concludes with implications, limitations and further research agenda.

3.2. Conceptual background

Word of mouth, including its electronic form, is essential to decision making (Chevalier and Mayzlin, 2006; Duan, Gu, and Whinston, 2008). Electronic word of mouth is defined as “any positive or negative statement made by potential, actual, or former consumers about a product or company, which is made available to a multitude of people and institutions via the Internet” (Hennig-Thurau, Gwinner, Walsh and Gremler, 2004, p. 39). Previous literature identifies the impact of eWOM on firm-related variables such as profits and sales (e.g., Chevalier and Mayzlin, 2006; Yang, Kim, Amblee, and Jeong, 2012; Zhu and Zhang, 2010), as well as consumer-related variables such as product attitude (Lee, Park and Han, 2008), opinion about the product (Jeong, Koo, and Jansen, 2015; M. Lee and Youn, 2009), purchase intentions (Mauri and Minazzi, 2013; Park, Lee, and Han, 2007), product considerations (Gupta and Harris, 2010; Vermeulen and Seegers, 2009), and product choice (Kostyra, Reiner, Natter, and Klapper, 2016; Senecal and Nantel, 2004). Despite its importance to firms though (Chaudhuri and Ligas, 2009), consumers' willingness to pay has not received substantial research attention. The same tendency occurs in the hospitality sector. According to Cantallops and Salvi (2014), who review research on eWOM and hotels, the determinants of consumer sensitivity to price represent a notable research opportunity.

Erdem, Swait, and Louviere (2002) propose that credibility is an antecedent of consumer price sensitivity, since it reduces information costs and perceived risk but enhances perceived quality. eWOM is a credible source of information for consumers because it is independent of marketers' selling intents (M. Lee and Youn, 2009). As Pavlou and Dimoka (2006) show, textual feedback comments create price premiums for reputable sellers by engendering buyers' trust in the sellers' benevolence and credibility. Huang, Zhu and Zhou (2013) also indicate that online information about a product increases the price premium by reducing price consciousness and increasing trust.

Willingness to pay (WTP) denotes the maximum price the consumer agrees to pay for a given quantity of a product (Cameron and James, 1987; Krishna, 1991) and reflects the value that the consumer perceives (Kotler and Levy, 1969). Opinions from other consumers affect perceived value (Noone and McGuire, 2013a; Gruen, Osmonbekov, and Czaplewski, 2006) by providing consumers with a credible indication of what they can expect to receive for the price they pay (Chang and Wildt, 1994). Considering its capacity to influence perceived value, this study posits that positive eWOM (reviews and ratings) increase the WTP of potential consumers who have been exposed to it. Support for this relationship comes from Kostyra et al. (2016), who analyse the effect of online reviews on product choice and include price in their experiment. They observe that average willingness to pay for a one-star increase in online consumer reviews is €48.96 for an eBook reader.

Three recent studies investigate the impact of review statistics on WTP (J. Wu and Gaytán, 2013; J. Wu et al., 2013; Y. Wu and Wu, 2016). These studies attempt to determine the relationship between online reviews (valence and volume) and consumers' WTP in different contexts, such as technological products and theme parks. However, only Wu and Wu (2016) account for the interaction between valence –average product rating- and volume –number of ratings-. As in Kostyra et al. (2016), they find that volume moderates the effect of valence on WTP. Exploring this relationship in the hospitality industry with an experiment and including the measure of internal reference prices, represents a novel approach that enables this study to address several pertinent questions:

- Is the effect of valence greater if a tourism accommodation attracts more comments?
- Do consumers with high IRP express the same WTP as those with low IRP?
- Does IRP moderate the impact of valence on WTP?

3.3.1. eWOM valence and willingness to pay

As the overall rating of online reviews about a product, eWOM valence represents average consumer satisfaction (Chintagunta, Gopinath, and Venkataraman, 2010). This extrinsic cue therefore has a significant influence on the pre-purchase evaluations of a product. Positive online reviews increases consumer preferences for the product (Basuroy, Chatterjee, and Ravid, 2003; Chevalier and Mayzlin, 2006; Duan et al., 2008; Y. Liu, 2006). On the contrary, as the proportion of negative online reviews increases, negative consumer attitudes tend to increase (Lee, Park, and Han, 2008). More interestingly, previous literature on auctions convincingly shows that positive ratings increase price premiums but negative ones reduce them (e.g., Houser and Wooders, 2006). These considerations support the argument that

eWOM valence is a cue of what consumers will receive, such that it may influence their perceived value and therefore their WTP.

In the hospitality industry, ratings offer strong predictors of consumers' adoption of information (Filiery and McLeay, 2014). Positive online reviews improve hotel consideration (Vermeulen and Seegers, 2009) and purchase intentions (Ladhari and Michaud, 2015; Mauri and Minazzi, 2013). Moreover, Yacouel and Fleischer (2012) empirically support that information supplied by prior guests generates a price premium for hotels with good reputations. In their research on hotel choice Jang, Prasad and Ratchford (2012) also find that the monetary value of a unit-increase in valence is positive. Therefore, this study proposes a positive relationship between eWOM valence and WTP. More formally,

H1. The valence of eWOM positively influences consumers' willingness to pay.

3.3.2. eWOM volume and willingness to pay

eWOM volume refers to the total number of comments or ratings about a product (Basuroy et al., 2003; Chevalier and Mayzlin, 2006; Y. Liu, 2006). The number of online reviews has a strong impact on consumers' evaluations of products (Duan et al., 2008). Previous literature offers contradictory findings regarding the positive or negative influence of eWOM volume on consumers' evaluations (e.g., J. Berger, Sorensen, and Rasmussen, 2010; Khare, Labrecque, and Asare, 2011; Vermeulen and Seegers, 2009). A possible explanation could be that they overlook the two facets of social influence, the normative facet and the informational facet (Deutsch and Gerard, 1955). In the normative facet, individuals act as others in order to conform to their expectations. In the informational facet, individuals perceive information as a means by which they can enhance their knowledge.

Following the *normative* facet, it is not relevant whether online reviews are positive or negative; their mere number provides a signal of product popularity (Jeong et al., 2015). More comments raise consumers' awareness of an offer, (Duan et al., 2008; Y. Liu, 2006; Vermeulen and Seegers, 2009). In the hospitality sector, Viglia et al. (2014) find that consumer preferences increase with volume, independent of valence. Jang et al. (2012) also investigate the monetary value of an increase in volume. Therefore, this study predicts a direct effect of volume on WTP. Formally,

H2. The volume of eWOM positively influences consumers' willingness to pay.

With respect to the *informational* facet, with more reviews, consumers will increase their behavioural intentions when valence is positive and vice versa, because they perceive those

reviews as more informative (Park et al., 2007). Certainly, an opinion expressed by many people is difficult to ignore (Weaver, Garcia, Schwarz, and Miller, 2007). Following this facet, high volume becomes a credibility cue that boosts the opinion in online reviews. Given that credibility enhances behavioural intentions (Grewal, Gotlieb, and Marmorstein, 1994), it follows that volume may enhance the effect of valence on consumers' WTP.

According to Khare et al. (2011), eWOM volume moderates the effect of valence on consumer persuasiveness. Investigating the impact of online reviews on product choice, Kostyra et al. (2016) also find an interaction between valence and volume. More interestingly, Wu and Wu (2016) indicate that the impact of review volume on consumers' WTP changes with review valence. All these studies refer to physical products; this study proposes a similar interaction but for hospitality services, with the prediction that higher volume produces a stronger effect of valence on WTP. More formally,

H3. The volume of eWOM moderates the effect of valence on consumers' willingness to pay.

3.3.3. Internal reference price

Previous studies note the relevance of including reference prices in price response models (Lichtenstein and Bearden, 1989; Rajendran and Tellis, 1994). Monroe (1973) provides the first definition of the concept: the reference price is the price against which buyers compare current product prices to assess their attractiveness. As noted in the previous chapter, researchers distinguish between external reference prices, which are communicated on the market, and internal reference prices (IRP), which reflect the prices that consumers have encountered in past purchase occasions and stored in their memory (Rajendran and Tellis, 1994). Although it is an important determinant of consumers' decisions (Mazumdar et al., 2005), the effect of IRP on consumers' WTP has never been studied together with eWOM.

Winer (1986) suggests that when making purchase decisions, consumers often compare objective prices against their IRP. With regard to reference price formation, Mazumdar et al. (2005) argue that the strongest determinant of consumers' IRP is the previous prices they have observed. Prices encountered on recent occasions have a greater effect on IRP than more distant ones (Mazumdar et al., 2005), and the last (i.e. most recent) price is the most influential (Nasiry and Popescu, 2011). Bearden, Kaicker, de Borrero, and Urbany (1992) show empirically that reference prices and WTP are correlated but distinct concepts; on average, WTP is higher than a reference price. It thus stands to reason that IRP may influence consumers' WTP.

Furthermore, price can signal the extrinsic quality of an offer (Zeithaml, 1988) and in turn can function as a signal of consumers' quality preferences for their next experience. Building on revealed preference theory (Samuelson, 1948), the quality of the previous purchased product reveals the quality that the consumer demands for the next purchase experience. Therefore, past purchases affect the quality that consumers demand. However, following the law of diminishing marginal utility (Marshall, 1927), if the consumer already has enjoyed a high quality product which resulted in high satisfaction, he or she may be less willing to pay for additional increments in quality (Anderson, 1996). Drawing on these arguments, the last price paid for an accommodation (i.e., IRP) functions as a signal of the consumer's quality preferences for their next booking. A higher IRP thus produces a greater WTP, but this relationship only exhibits increasing rates up to a threshold, after which WTP increases at a decreasing rate. More formally,

H4. Internal reference prices have quadratic effects on willingness to pay.

Beyond functioning as a signal of consumer preferences (Zeithaml, 1988), IRP represents previous expenses of consumers, which could be an indicator of their income. According to traditional consumer demand theory, income constraints negatively influence price acceptance. In particular, income has a direct relationship with tourism expenditures. In their literature review, Brida and Scuderi (2013) reveal that income positively influences tourism expenditures in 113 of 148 studies. Accordingly, IRP can be regarded as a quality preference indicator for the next purchase experience or an economic constraint on acceptance of higher prices. Both these effects should be taken into account when evaluating the relationship between valence and IRP. Hence, this study explores whether the focal relationship (valence–WTP) differs for consumers with high relative to low levels of IRP.

3.3.3.1. Valence–WTP relationship for consumers with high IRP

Consumers with high IRP are those who recently booked high quality accommodations, since price functions as a quality preference indicator (Zeithaml, 1988). Their reaction to eWOM valence can be explained as follows. When they are exposed to higher valence, these high IRP consumers are less sensitive to it than consumers with low IRP. As consumers with high IRP have already had access to high valence offers, a marginal improvement in valence does not imply a relevant increase in their satisfaction. When they confront low valence though, these consumers expect low quality accommodations, which is contrary to their quality preferences. In this case, their expectation of being satisfied decreases and they express low WTP (Homburg, Koschate, and Hoyer, 2005).

3.3.3.2. Valence–WTP relationship for consumers with low IRP

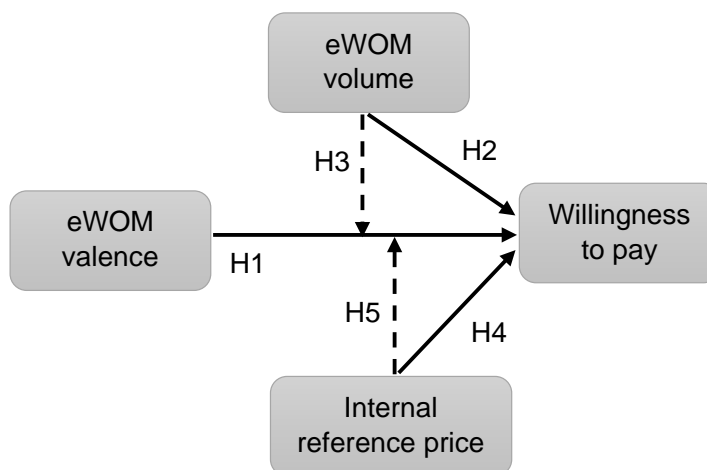
If consumers have low IRP, there likely is plenty of room for improvement in terms of the quality of service they can access. High eWOM valence then indicates high future satisfaction, leading them to be more willing to pay higher prices (Homburg et al., 2005). Yet these consumers also are limited in their budgets, so their WTP, even despite positive propensities, varies little across low and high eWOM valence. Although low eWOM valence might decrease their WTP, the effect will be less powerful than that for consumers with high IRP, because they consider the quality of the accommodation (indicated by its valence) closer to their quality preferences (revealed in their IRP). Thus, they should be more willing to pay prices that reflect their quality preferences. In brief, for consumers with high IRP, the difference in WTP for accommodations with high versus low eWOM valence should be greater than that for consumers with low IRP.

This study therefore predicts different consumer responses to eWOM valence in terms of willingness to pay, depending on the level of IRP. That is, a moderating effect of IRP in the relationship between valence and WTP. More formally,

H5. Internal reference price exerts a moderating effect on the relationship between valence and willingness to pay.

Figure 3.1 illustrates the conceptual model.

Figure 3.1 Conceptual model



3.4. Methodology

3.4.1. Research context

This study includes three types of accommodations: hotels, apartments, and rural lodging. These types of accommodation represent more than 80% of total tourist demand in Spain. Spain ranks third in the world in terms of the number of foreign tourists, following only France and the United States (UNTWO, 2015). Spain's prominent tourism sector contributes 11.1% of the nation's gross domestic product (INE, 2016). Spain thus offers a good context for analysing consumers' behaviour in the hospitality domain.

3.4.2. Experimental design

The main objective of the present study is to investigate the influence of two specific factors (eWOM valence and volume) on WTP. The methodological approach relies on an experimental design to control the effects more precisely. Specifically, the experimental setting consists of 2 (review volume: high or low) × 2 (review valence: high or low) factorial design. In addition, the analysis tests the direct and moderating effect of IRP on consumers' WTP. The proposed models in equation form are as follows:

$$WTP = \alpha_1 + \beta_{1a} \cdot VA + \beta_{2a} \cdot VOL + \beta_{3a} \cdot VA \cdot VOL + e_1, \text{ and}$$

$$WTP = \alpha_2 + \beta_{1b} \cdot VA + \beta_{2b} \cdot IRP + \beta_{3b} \cdot IRP \cdot VA + \beta_{4b} \cdot IRP^2 + \beta_{5b} \cdot IRP^2 \cdot VAL + e_2,$$

where WTP is willingness to pay, VA indicates valence; VOL is volume; IRP refers to the internal reference price; β reflects the parameters; and e is the error term. Expression (a) tests H1, H2, and H3, and Expression (b) tests H4 and H5.

3.4.3. Measures

Table 3.1 presents the measurement items. An overall rating of 4.5 (out of 5) indicates positive valence whereas 1.5 indicates negative valence. The total number of reviews (i.e., eWOM volume) is 621 (high) and 9 (low) for hotels and 72 (high) and 7 (low) for apartments or rural accommodations. These figures are based on evidence from real-world infomediaries. The price paid for their last holiday is used as a proxy for the consumers' IRP (Nasiry and Popescu, 2011). Participants are asked to recall the total accommodation expenses and number of nights and people for their last holiday. This information enable the researchers to calculate the more complex value of the price per person per night. Consumers typically calculate the price per person per night internally, before making their booking decisions, and use it for

comparison against a current offer, rather than the total price paid. Finally, IRP is centred to alleviate multicollinearity problems.

Table 3.1 Measurement items

Variable	Measure
eWOM valence	Low (or negative): rating 1,5 out of 5 High (or positive): rating 4,5 out of 5
eWOM volume	Low: 9 (hotel) - 7 (rest of accommodations) High: 621 (hotel) - 72 (rest of accommodations)
Willingness to pay	<p>Q1. Considering your next holiday, if the accommodation you have just observed was in a location you were traveling to, would you book this accommodation at X€ per room (if hotel)/per person (otherwise), per night? (Only accommodation, VAT is included.)</p> <p>Yes No</p> <p>If participant answers 'Yes' to Q1, then Q2 follows:</p> <p>Q2. Would you still book this accommodation at X€?</p> <p>Yes No</p> <p>If participant answers 'Yes' to Q2, then Q3 follows:</p> <p>Q3: What is the maximum price you would pay for it?</p> <p>If participant answers 'No' to Q1, then Q4 follows:</p> <p>Q4. Would you book this accommodation at X€ then?</p> <p>Yes No</p> <p>If participant answers 'No' to Q4, then Q5 follows:</p> <p>Q5: At what price, if any, would you be willing to book this accommodation?</p>
Internal reference price	"How much did you spend on accommodation in your last holiday?"

Willingness to pay is measured with a double question format (double-bound dichotomous choice [DBDC]). That is, participants consider a sequence of two bids and indicate whether their WTP equals or exceeds that bid (Hanemann, Loomis, and Kanninen, 1991). The starting price was the average price of the corresponding accommodation type (Noone and McGuire, 2013b). Using different initial prices is necessary due to the real differences in price across hotels, apartments, and rural accommodations. The initial price for the hotel (64€ per room

per night) reflects the average daily rate for 3-star hotels in Spain (INE, 2014). For rural accommodations, the initial price (24€ per person per night) comes from a report by the leading rural accommodation intermediary in Spain (Toprural, 2014). The initial price for apartments (23€ per person per night) is chosen according to a national report by a holiday accommodation source (Homeaway, 2014). A number of managers in the hospitality industry were requested to confirm the adequacy of these prices. The 15% price difference between bids is similar to the manipulation in other studies that rely on the DBDC methodology (Li and Meshkova, 2013).

3.4.4. Stimuli

The design of the stimuli allow the manipulation of the independent variables in a realistic scenario. The stimulus comprises a screenshot of a fictional intermediary site, designed to mimic the user experience of booking accommodations. After indicating the kind of accommodation they plan to use on their next trip they are shown a fictional website with a hotel, apartment, or rural lodging establishment accordingly. The overall rating (eWOM valence) and number of reviews (eWOM volume) of the accommodation appear next to the general description and some pictures of the accommodation. The combination of valence and volume levels (i.e. scenario) is randomly selected for each participant (reported in Appendix). As an example, the first picture pops up when respondents choose apartment and then are randomly assigned to the high valence–high volume scenario.

A pre-test checked whether the manipulations of valence and volume were adequate. First, the researchers interviewed a group of experts, including researchers familiar with consumer behaviour and eWOM literature. They offered several recommendations for improving the online survey. Second, the researchers asked 20 potential consumers, who met the requirements for online booking experience, to complete the questionnaire. Next, the researchers interviewed them to assess the adequacy of the manipulations. These results showed that the fixed levels of valence and volume were effective and seemed realistic. Regarding the average market rates used as initial prices, the pre-test confirmed that these initial prices also were realistic to the respondents.

3.4.5. Data

The data collection relies on a web-based survey, sent to a national consumer Internet panel. The researchers imposed two necessary conditions for participation in this experiment, using two screening questions. First, participants needed to have booked accommodations online at least once in the previous two years. Second, they should have ever searched for accommodation on the Internet, which helped ensure that they would be familiar with the

stimuli. In addition, the researchers set quota sampling following the socio-demographic profile of the Spanish population.

After the data collection, 944 questionnaires were completed. Due to outlier values, 14 questionnaires were removed. An in-depth analysis of these responses suggests that the consumers misunderstood questions related to expenses and WTP. Likewise, questionnaires completed in less than 2 minutes were also removed, which were unlikely to be accurate or invoke sufficient attention from the respondents. Finally, respondents who spent less than 5 seconds on observing the stimuli were removed. The final sample thus comprises 766 participants, whose socio-demographic characteristics are presented in Table 3.2. Most respondents are 17 to 54 years old (87.6% of the sample), and 54.2% of the respondents are men. In addition, 70.1% of the respondents are employed and a high proportion have earned a university degree (53.1%).

Table 3.2 Socio-demographic characteristics

Variable	n	%
Gender		
Male	416	54,3
Female	350	45,7
Age		
18-24	81	10,6
25-34	156	20,4
35-44	230	30,0
45-54	186	24,3
55-65	113	14,8
Education		
Secondary education	68	8,9
High school or technical certificate	331	43,2
University or above	367	47,9
Monthly household income		
<€1,800	227	29,6
€1,800-€3,000	233	30,4
>€3,000	185	24,2
Rather not answer	121	15,8
Occupation		
Employed	537	70,1
Unemployed	229	29,9
Total	766	100,0

3.5. Results

Table 3.3 presents the results of the regression analysis. The variance inflation factor (VIF) values are less than 6, indicating no multicollinearity concerns (Cohen, Cohen, West, and Aiken, 2013). The value of the adjusted R-square for Model 7 indicates that 16.2% of the variability in WTP can be accounted for by valence, IRP, and their interaction. The observed R-square values are very similar to those of the adjusted R-square, suggesting good cross-validity of the models. The Durbin-Watson value is 1.433 for Model 3 and 1.607 for Model 7, so there is no residual correlation.

The strongest antecedent of WTP is eWOM valence, in both Panels a ($\beta = 10.169, p < .001$) and b ($\beta = 10.377, p < .001$) of Table 3.3. Consumers who are exposed to a high-valence scenario are willing to pay €10,38 more than those exposed to a low-valence scenario. The direct effect of eWOM volume on WTP is not significant though; consumers are not willing to pay only for popularity, which does not support the normative facet of social influence.

The moderating effect of volume on the relationship between valence and WTP is significant ($\beta = 5.995, p < .05$), in support of an informational perspective on social influence. Volume amplifies the effect of valence on WTP. When valence is low, consumers' WTP decreases when volume changes from low to high. When valence is high though, consumers' WTP increases when volume changes from low to high. Figure 3.2 illustrates this interaction effect.

Figure 3.2 Valence-volume interaction effect

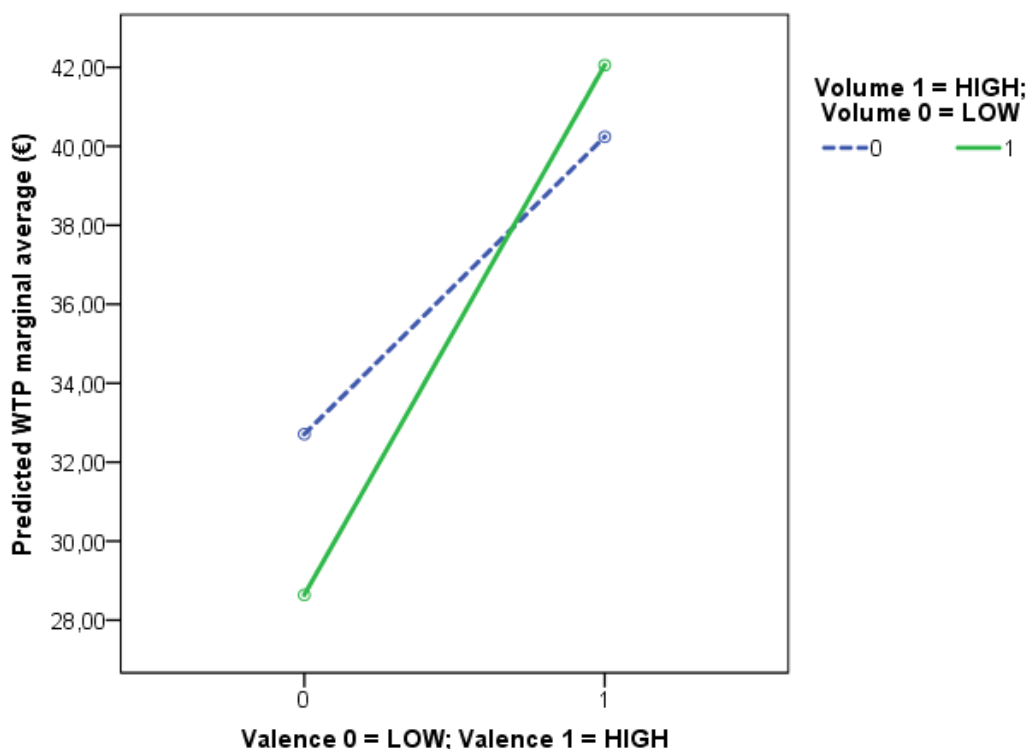


Table 3.3 Regression analysis

	Model 1 (a)		Model 2 (a)		Model 3 (a)	
	β	Std. coef.	β	Std. coef.	β	Std. coef.
Intercept	30.747		31.188		32.740	
e-WOM valence (VAL)	10.169	0.249***	10.136	0.248***	7.180	0.176***
e-WOM volume (VOL)	–	–	-0.863	-0.021	-3.893	-0.095*
VAL.VOL	–	–	–	–	5.995	0.125**
<i>R-squared</i>		0.062		0.063		0.068
<i>Adjusted R-squared</i>		0.061		0.060		0.064

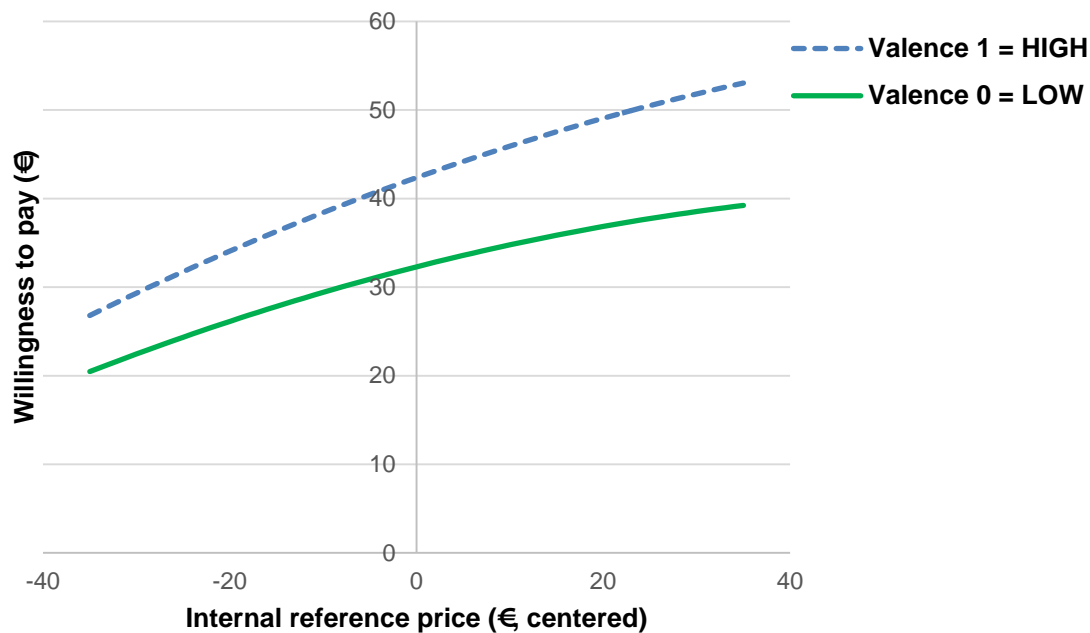
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.001$.

	Model 4 (b)		Model 5 (b)		Model 6 (b)		Model 7 (b)	
	β	Std. coef.	β	Std. coef.	β	Std. coef.	β	Std. coef.
Intercept	30.703		30.716		32.022		32.297	
eWOM valence (VAL)	10.377	0.254***	10.418	0.255***	10.313	0.452***	10.075	0.247***
IRP	0.179	0.264***	0.128	0.188***	0.306	0.253***	0.268	0.395***
VAL \times IRP	–	–	0.110	0.111**	–	–	0.107	0.107
(IRP) ²	–	–	–	–	-0.001	-0.248***	-0.002	-0.297***
VAL \times (IRP) ²	–	–	–	–	–	–	0.000	0.042
<i>R-squared</i>		0.132		0.138		0.158		0.168
<i>Adjusted R squared</i>		0.129		0.135		0.154		0.162

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.001$.

Finally, IRP has significant direct and moderating effects on WTP. Regarding the direct effects, the analysis reveals a quadratic effect of IRP on WTP. The comparison of Model 4 with Model 6 reveals that the coefficient for IRP^2 is negative (though small in absolute terms) and significant ($\beta = -.001, p < .001$). Therefore, the effect of IRP on WTP is positive at an increasing rate up to a threshold, then at a decreasing rate beyond that threshold, as predicted. Figure 3.3 presents this effect.

Figure 3.3 Effect of IRP on WTP



Regarding the moderating effect of IRP on the relationship between valence and WTP, it is significant ($\beta = .110, p < .05$) which means that the effect of valence on WTP differs depending on the level of IRP. When IRP is low, valence is less important in the WTP decision.

As Figure 3.3 indicates, when IRP is low, the two curves indicate very similar values of WTP. However, when IRP is high, the distance between low and high valence is greater. There are two main reasons: (1) the budget limitations of consumers with low IRP and (2) the distance from the preferences of consumers with high IRP. Results thus find support for all the hypotheses except H2.

3.6. Discussion

The findings suggest some interesting relationships. First, valence has a positive, direct effect on WTP. This finding extends previous results to demonstrate that eWOM influences not just hotel choice (Book et al., 2015; Noone and McGuire, 2013a) or perceived value (Noone and McGuire, 2013b) but also the price they are willing to pay.

Second, results support a moderating effect of volume, such that it strengthens the effect of valence on WTP, as Wu and Wu (2016) indicate. This study finds additional support for this relationship in the hospitality context, showing that when the accommodation prompts good/bad opinions, high volume makes this valence more credible, such that consumers are willing to pay more or less than they would be in a low-volume context. This tendency supports the informative view of social influence but conflicts with Viglia et al.'s (2014) normative claim that volume enhances preferences, independent of valence.

Third, this study investigates how consumers consider reference prices when they evaluate an offer and determine their own WTP. Aside from eWOM, results unveil that consumers' IRP is an important factor in WTP decisions, with a quadratic effect. As IRP increases, consumers' WTP increases at an increasing rate. Once IRP reaches a threshold though, consumers' WTP increases at a decreasing rate. When a consumer already has access to high levels of quality (high IRP), paying for additional quality increments may not make sense, implying a saturation effect in the relationship.

Fourth, together with the direct effect of IRP on WTP, this study reveals that IRP enhances the influence of valence on WTP, such that when IRP is low, consumers are less sensitive to the effect of an increase in valence, because their purchasing power limits their WTP (using IRP as an indicator of consumers' economic capacity). In this scenario, the effect of valence decreases. Conversely, when IRP is high, consumers may respond more positively to high valence, because they do not suffer any economic restrictions. But these consumers penalize low valence (IRP as an indicator of quality preferences). For this reason, the WTP differential for high versus low valence is greater for consumers with high relative to low IRP.

3.7. Managerial implications

The present study provides new insights for hospitality managers. Dynamic pricing techniques available today enable managers to adjust their prices depending on several variables, including online reputation. This study confirms that valence constitutes a determinant variable that should be considered in dynamic pricing practices. Regarding eWOM volume, a large

number of comments is desirable only for operators with positive ratings that meet their clients' expectations. For these operators, the positive effect of valence can be bolstered by volume.

Yet eWOM is not the only variable that can be considered to fix an appropriate price. This study reveals that internal reference price also affects consumers' WTP. Accordingly, hospitality managers should integrate the recent prices paid by consumers in their pricing decisions. This is feasible due to the emergence and spread of different forms of pricing intelligence software, which use algorithms to fix their prices according to private consumer information. By integrating this consumer information into their pricing strategies, hospitality operators can exploit eWOM more fully.

3.8. Limitations and further research

The present research only considers the hospitality context and a specific hypothetical accommodation. These findings might not generalise to other sectors, at least without careful consideration. Although WTP implies more involvement than purchase intentions, it still measures hypothetical instead of actual purchases. The study does not account for eWOM consensus (or variance). Further studies might consider if eWOM consensus influences consumers' WTP.

Beyond the inclusion of IRP, it would be interesting to introduce other consumer characteristics in the model, such as travel frequency (i.e., experience indicator), risk aversion, or socio-demographic characteristics. Finally, this study examines one type of eWOM. A richer analysis might account for other user-generated content, such as photos and videos, and or other types of eWOM, including comments on social networks. Considerations of the different impact of positive and negative eWOM on WTP also might broaden these findings.

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**Chapter 4. CONSUMERS' PAST PURCHASE BEHAVIOUR: UNDERSTANDING
THE EFFECT OF PURCHASE FREQUENCY ON WILLINGNESS TO
PAY**

**Chapter 5. CONSUMERS' DECISIONS IN THE SHARING ECONOMY:
EXPLORING THE EFFECT OF SELF-PRESENTATIONS ON
PERFORMANCE**

Chapter 6. CONCLUSION

6.1. Introduction

Nelson (1970) is one of the first academics who evaluates the role of information in consumer purchase behaviour. From the standpoint of market structure, the article contends that limitations of consumer information about quality have profound effects upon the market structure of consumer goods. Adopting consumer-level viewpoint, the present research also intends to gain insights on consumer responses to information. Particularly, it revolves around the concept of “consumer informedness”, that is, the range of information that is readily available to consumers (Clemons and Gao, 2008).

Leveraging a wider conceptualisation of consumer *informedness* that involves external and internal information, this thesis broadens existing research on consumer behaviour by bridging the gap between consumer *informedness* and monetary value. It contributes to a deeper understanding of how internal and external information influences consumers’ decisions and monetary transactions.

6.2. Theoretical contributions

The literature addressing consumers’ reactions to online information is vast. Previous studies have substantially examined the effects of consumers’ access to online information on their subsequent attitudes and intentions (e.g. Chatterjee, 2001; Park, Lee and Han, 2007; Schlosser, White and Lloyd, 2006). Yet, this research is the first empirical effort to investigate these effects in terms of monetary outcomes, with the central role of willingness to pay. The concept of consumers’ willingness to pay is an important cornerstone for consumer behaviour research. Scholars have traditionally devoted great attention to consumers’ perceived value (e.g. Dodds, Monroe and Grewal, 1991), which is ultimately reflected on consumers’ willingness to pay.

Today, the salience of eWOM as a source of information for consumers raises concerns about how consumers integrate this information on their purchase decisions. More important, the link between eWOM and consumers’ WTP remains unclear. The present research provides meaningful understandings in this regard within the hospitality domain. In light of the findings of this research, higher eWOM valence results in increasing consumers’ WTP for the service, regardless the type of accommodation (i.e., hotel, apartment or rural lodging). Beyond this, eWOM volume emerges as a key factor to boost the effect of eWOM valence on consumers’ WTP. That is, consumers’ willingness to pay varies with eWOM valence, and eWOM volume strengthens this effect. These findings suggest that consumers use eWOM valence to inform their decision on the price they are going to pay for the accommodation, and eWOM volume to refine that decision. This is the first contribution of the present research to previous

literature, which has focused on the effect of eWOM on consumers' booking intentions (e.g. Ladhari and Michaud, 2015; Sparks and Browning, 2011; Vermeulen and Seegers, 2009) ignoring how eWOM affects the price consumers are willing to pay for accommodation.

Consumers' decisions on prices entail more complexity than those on product preferences or choices. When it comes to determine the value of a product and the price to pay for it, consumers often balance their perceived value with internal information (Bettman, 1979). Stemming from this, the present research explores, for the first time, the role of consumers' internal reference prices in the relationship between eWOM and consumers' WTP. Findings reveal that internal reference price affects the price consumers are willing to pay. Specifically, as internal reference price increases the effect of eWOM valence on consumers' WTP becomes stronger. This is the second contribution of the present research to existing literature. Although previous research has investigated the influence of reference prices on price evaluations (e.g. Grewal, Monroe, and Krishnan, 1998; Mazumdar, Raj and Sinha, 2005), this research goes further by presenting a novel approach in which the effect of reference prices is evaluated in the presence of eWOM.

Internal reference price is just a partial expression of how consumers' past habits determine current decisions on prices. Aside from reference prices, the aspects of consumers' past behaviour affecting future decisions are manifold (Perugini and Bagozzi, 2001). In this regard, the present research unveils the impact of purchase frequency on consumers' WTP. According to the findings, purchase frequency has a positive effect on internal reference price, which in turn, has an influence on consumers' WTP. Therefore, internal reference prices fully mediate the relationship between purchase frequency and consumers' WTP. More important, the effects of internal reference price and travel frequency on the price consumers are willing to pay are quadratic. This means that the effects occur at an increasing rate until a threshold, after which they exhibit a decreasing rate. Findings reveal specifically that consumers who exhibit high purchase frequency are willing to pay more for accommodations up to a point; beyond that threshold, the relationship becomes inverse. This suggests that consumers start searching for the best deal as they come to be experts on the acquisition of the service. In terms of reference prices, once consumers reach a specific reference price, a number of factors constrain their willingness to pay (e.g., limited budget or no room for quality improvements). These conclusions address issues that remained unclear in previous studies, so that they depict the third contribution of this research.

The decision of booking an accommodation is gradually getting complex due to the widening range of accommodation types that go beyond the traditional ones (i.e. hotels). Consumers are increasingly relying on peer-to-peer alternatives. The popularity of these marketplaces is

due to a number of reasons, such as economic costs and human bonds (Bardhi and Eckhardt, 2012). Although several research streams have investigated this phenomenon, there is still a need for a wider understanding of consumer behaviour in this domain.

Choosing accommodation on a sharing platform involves gathering information about the host. Consequently, the question arises as to whether consumers use that information to make their decisions. Theoretically, the findings of this research provide clearer understanding of the role of personal self-presentations in the sharing economy. The content of self-presentations seems to be a useful tool to position sellers' offerings. In particular, this research unveils that "social" positioning (i.e. evoking the social aspect of the offering) results in better outcomes. Specifically, self-presentations arousing social, community and human values have positive effects on sellers' performance. Conversely, emphasising personal details of the seller leads to poor performances. Regarding the amount of information provided in self-presentations, the effect of the length of self-presentations on monetary transactions is positive up to a point, around 370 words. Beyond this point, disclosing further information results in negative effects since the quality of decisions decreases when there is too much information. The current research thus is novel in its exploration of the impact of self-presentations on monetary transactions in the sharing economy. By doing so, these findings posit the fifth contribution of this research.

6.3. Practical implications

6.3.1. On dynamic pricing

Traditionally, companies have based their pricing strategies on forecasted levels of demand, price elasticity of demand, or competitors' prices. Determining the "right" price to charge a consumer for a product is a complex task, requiring that a company know not only its own operating costs and supply availability, but also how much the current consumer values the product (Elmaghraby and Keskinocak, 2003). Certainly, capturing consumers' product valuations is one of the major goals of pricing (Wertenbroch and Skiera, 2002; Kim, Natter, and Spann, 2009).

With the ease of making price changes on the Internet, dynamic pricing strategies are frequently used in electronic commerce. Under these strategies, the seller dynamically changes prices over time based on factors such as time of sale, demand information, and supply availability (Elmaghraby and Keskinocak, 2003).

The present research portrays that dynamic pricing techniques may help align prices with consumers' WTP, which in turn enables the firm to obtain more consumer surplus and boost their profits. Applications of dynamic pricing methods have been mainly in industries where

the short-term capacity (supply) is difficult to change, such as airlines and hotels. Therefore, dynamic pricing practices have come to represent the standard in the hospitality industry (Abrate, Fraquelli and Viglia, 2012).

In the particular case of hotels, pricing strategies often reflect the number of available rooms, inventory or competitors' rates. Recent research on dynamic pricing devotes special attention to the tangible, reputational or contextual variables that managers consider when setting prices (e.g., Abrate and Viglia, 2016). Following these intents, the findings of the present research suggest that hospitality operators should consider adjusting their prices in line with eWOM. Consumers will be willing to pay higher prices when the accommodation attains high valence (i.e. high overall rating), especially if eWOM volume (i.e. number of reviews) is high too.

Although online reputation (i.e. eWOM) may contribute to the profitability of pricing techniques, transactions ultimately take place only if consumers are willing to accept the market price. To maximise sellers' profits, pricing strategies must take into consideration consumers' valuations. Understanding consumer segments and consumers' willingness to pay different prices can lead to optimised pricing strategies. In view of the findings of this research, what consumers remember from their last shopping experience influences the way they integrate eWOM into their WTP decisions. That is, consumers react differently, depending on their internal reference prices. Companies have a lot to lose from consumers with high IRP, because if they are exposed to low valence, their WTP will decrease precipitously. On the contrary, they have little to lose from consumers with low IRP (and little to gain, due to budget constraints). Therefore, managers should focus on consumers with high levels of IRP, who are the most profitable. Specifically, if a consumer recently booked an accommodation at a particular intermediary or hotel chain in which is registered as a client, the booking details (including price) are known by the company. When this consumer decides to book again, the company can use the last paid price as another variable to fix the price for this consumer.

Beyond reference prices, consumers are heterogeneous in purchase frequency. Those who buy the product at a medium frequency are appealing, because they exhibit the highest WTP. The least and most frequent consumers instead express lower WTP. However, given the mediating role of internal reference prices, accounting for this variable together with internal reference price would not have any effect. Internal reference price is the key factor to capture consumers' past purchase behaviour.

In sum, operators in the hospitality sector should integrate consumers' last paid prices into dynamic pricing models. Such integration would ensure the prices are more aligned with consumers' WTP, which should contribute to optimised pricing strategies.

6.3.2. On sharing platforms

The findings of this research are of greater importance for individuals operating in the sharing economy, where offerings typically involve human relationships. In light of the insights gained, self-presentations emerge as a useful instrument to enhance monetary transactions. In particular, detailing the seller-consumer interaction aspects of the offering, may be a good strategy to attract potential consumers.

In the specific case of Airbnb, disclosing information about the social aspect of the experience and the values of the sharing community seems to be a good strategy to position the listing. These aspects are the major motivations for consumers to use peer-to-peer accommodations. With respect to the amount of information which is provided in self-presentations, individuals should be cautious since presenting too much information overwhelms consumers.

Although the motivations to provide services in the sharing economy field are many and varied, a large number of individuals pursue economic gains. In turn, they take the role of micro-entrepreneurs. The professionalization of these micro-entrepreneurs represents an important challenge (Benoit, Baker, Bolton, Gruber and Kandampully, 2017). The findings of the present research involve a first step forward in unravelling the available tools for individuals to promote their offerings.

Beyond the sharing economy, this research has implications for traditional hospitality operators (i.e. hotels). Given the social motivations that prompt consumers to use peer-to-peer accommodations, hotels might benefit from offering more human experiences. In this regard, recent hotel campaigns emphasise the genuine human connections that guide their principles (Marriott, 2017).

6.4. Future research agenda

There are a number of implications of this research for future research projects. First, it would be interesting to extend these findings to other contexts beyond the accommodation sector. Consumers' involvement in purchase decisions varies with the type of product. Addressing the interplay between eWOM and IRP in the case of goods might be useful to gain insights on the validity of these findings.

Further research on consumers' past behaviours could also offer interesting extensions to these findings. For instance, there is still a need to answer questions as to whether the effects

of past purchase behaviour depend on consumer traits (e.g. business or leisure tourists). Understanding the potential differences in terms of socio-demographics could also prove insightful.

This research also illuminates the need for additional insights on the diverse positioning of individuals operating in sharing platforms. Previous research suggests that Airbnb capitalises more on the advantages of proximity to the main tourist attractions than the hotel sector does (Gutiérrez, García-Palomares, Romanillos and Salas-Olmedo, 2017). In this regard, a compelling model to explain hosts' positioning should include spatial location variables. The rapid development of new features on these platforms (e.g. video self-presentations) also entangles an extensive number of opportunities for future research.

To conclude, it is important to note that this research provides interesting findings relating to online transactions. Future research could address the proposed relationships in an offline context. Specifically, it would be relevant to understand how consumers balance internal information and external offline information. In this regard, external offline information could be commercial (i.e., information provided by sellers through offline information channels) or non-commercial (i.e., word of mouth). Such an intent will result in a more complete understanding of consumer purchase decisions.

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Appendix: Stimuli (Study 1)

APARTAMENTOS CORAL



Estos apartamentos están situados en uno de los mejores enclaves de la zona. Ofrecen un alojamiento elegante y una buena relación calidad-precio.

Son apartamentos perfectos para disfrutar de la vida cultural y de las actividades de ocio de la zona. Se encuentran a 5 minutos de las principales zonas turísticas y comerciales. Por otro lado, su localización es también idónea para la realización de múltiples actividades en la naturaleza. Además cuenta con una amplia oferta de servicios relacionados con el bienestar y el relax.

Servicios destacados: piscina, Wi-Fi gratuito en todas las habitaciones, parking.

COMENTARIOS DE LOS CLIENTES



72 comentarios

5/5 

“Siempre perfecto” 12 julio 2014

Me he alojado muchas veces en estos apartamentos y siempre está todo perfecto. A 5 minutos andando de las principales zonas, hay bares y restaurantes cerca. El apartamento está muy bien equipado y tiene terraza. Muy recomendable.

5/5 

“Económico, cómodo y moderno” 3 marzo 2014

Apartamento con una excelente relación calidad-precio. Muy acogedor, con una decoración moderna y sencilla, y con todo lo necesario para cocinar. Es un apartamento al que volvería sin dudar, me he sentido muy a gusto.

4/5 

“Excelente ubicación” 20 noviembre 2013

Hemos pasado unos días de vacaciones en estos apartamentos. La estancia ha sido muy agradable. El apartamento está muy bien equipado, tanto las habitaciones como la cocina y el salón. La piscina es estupenda.

5/5 

“Perfecto fin de semana” 3 septiembre 2013

Son apartamentos muy cómodos y a un buen precio. Todo está muy limpio, el mobiliario es moderno. El baño, amplio y limpio. Muy silencioso y a pocos metros de las principales zonas. Pasamos un perfecto fin de semana.

APARTAMENTOS CORAL

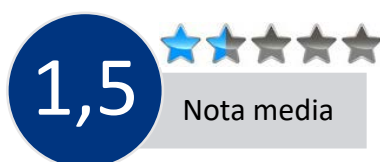


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Servicios destacados: piscina, Wi-Fi gratuito en todas las habitaciones, parking.

COMENTARIOS DE LOS CLIENTES



72 comentarios

2/5

“Regular” 12 julio 2014

Está situado en el centro, muy cómodo para ir andando a cualquier lugar. La piscina está bien, pero deberían tenerla mejor preparada y más limpia. La cocina está bien, el baño a veces olía mal.



1/5

“Muchos ruidos, no pudimos descansar” 3 marzo 2014

Aunque la localización de los apartamentos es buena, es una pena arruinar unos días de vacaciones por asuntos de ruidos. Por lo demás, la cocina contaba con lo necesario, el sofá-cama incómodo, deberían cambiarlo.



3/5

“Bien, pero puede mejorar” 20 noviembre 2013

El apartamento está bien, lo único que debe mejorar es la pintura en las habitaciones y el salón. Por lo demás la calidad-precio esta bien. La cocina podría estar mejor equipada, faltan algunos pequeños electrodomésticos.



1/5

“Decepción... no está nuevo” 3 septiembre 2013

Falta limpieza y pintura en buen estado, las fotos no reflejan bien la realidad a día de hoy. Nuestra ducha estaba rota, las paredes de la sala de estar con alguna mancha y el mobiliario algo deteriorado.



APARTAMENTOS CORAL

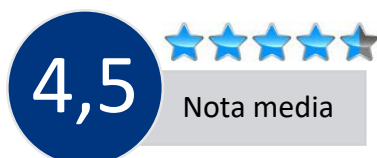


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COMENTARIOS DE LOS CLIENTES



7 comentarios

5/5



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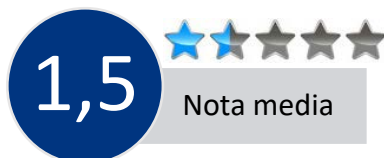


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CASA RURAL CORAL



La casa rural Coral, situada en un enclave privilegiado y en plena naturaleza, es un lugar ideal para pasar una estancia inolvidable con la familia y grupos de amigos. Fue totalmente rehabilitada en 2013, lo que le da el encanto de una casa con solera pero con todas las comodidades y la modernidad de sus instalaciones.

Cada dormitorio tiene su propio baño completo. Cuenta con un bonito patio con barbacoa y una caseta para guardar las bicicletas y/o equipos de esquí. Caminando encontrarán todos los servicios del pueblo (restaurante, farmacia, piscina, tienda, sucursal bancaria...) así como la posibilidad de realizar múltiples actividades en la naturaleza.

COMENTARIOS DE LOS CLIENTES



 72 comentarios



“Súper recomendable” 12 julio 2014

Una casa super cómoda para parejas con niños. La ubicación es perfecta, el entorno maravilloso. Por parte de las personas encargadas de la casa hemos recibido muy buen trato. Gran fin de semana, repetiremos.



“Estupenda casa” 3 marzo 2014

Lo hemos pasado fenomenal, la casa muy bien equipada, no falta detalle. Las habitaciones amplias, con sus baños individuales y muy limpias. El salón y la cocina con todo lo necesario. La relación calidad-precio muy buena.



“Excelente ubicación” 20 noviembre 2013

La localización es muy buena para cualquier actividad que quieras realizar. La casa es perfecta, además de muy bonita decorada. El salón con tres sofás ayuda también a que se esté cómodo, y su buena mesa para comer.



“Perfecto fin de semana” 3 septiembre 2013

Es una de las mejores casas rurales en la que hemos estado. Tiene todo lo que necesitas para que la estancia en ella sea inmejorable. Fuimos una familia, y tanto mayores como pequeños disfrutamos muchísimo de ella.

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COMENTARIOS DE LOS CLIENTES



72 comentarios



“Falta limpieza” 12 julio 2014

Hemos estado un fin de semana y, a pesar de que la casa está bastante bien equipada, la limpieza escasea. Debajo de las camas llevaban bastante sin limpiar y la cocina necesitaba una limpieza en profundidad.



“Regular” 3 marzo 2014

Está bastante bien aunque hay algunas cosas que deberían mejorar. La calefacción deberían ponerla más tiempo, también faltaban algunos pequeños electrodomésticos necesarios cuando vas con niños. Por lo demás, lo hemos pasado muy bien.



“Precio excesivo” 20 noviembre 2013

La casa es amplia, bien situada, con un mobiliario y decoración muy moderno. Está bien equipada pero el precio nos ha parecido un poco excesivo. Hemos estado en otras semejantes y han sido bastante más baratas.



“Buena ubicación” 3 septiembre 2013

La localización es lo mejor que tiene esta casa. Cerca de muchas zonas para visitar y en un entorno muy bueno. Sin embargo, el equipamiento se queda corto, la limpieza es un poco escasa y el trato con los propietarios deja bastante que desear.

CASA RURAL CORAL



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COMENTARIOS DE LOS CLIENTES



7 comentarios

5/5



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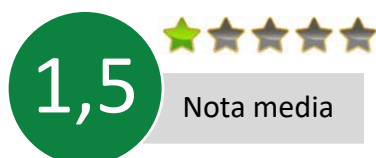
CASA RURAL CORAL



La casa rural Coral, situada en un enclave privilegiado y en plena naturaleza, es un lugar ideal para pasar una estancia inolvidable con la familia y grupos de amigos. Fue totalmente rehabilitada en 2013, lo que le da el encanto de una casa con solera pero con todas las comodidades y la modernidad de sus instalaciones.

Cada dormitorio tiene su propio baño completo. Cuenta con un bonito patio con barbacoa y una caseta para guardar las bicicletas y/o equipos de esquí. Caminando encontrarán todos los servicios del pueblo (restaurante, farmacia, piscina, tienda, sucursal bancaria...) así como la posibilidad de realizar múltiples actividades en la naturaleza.

COMENTARIOS DE LOS CLIENTES



 7 comentarios

1/5

“Falta limpieza” 12 julio 2014

Hemos estado un fin de semana y, a pesar de que la casa está bastante bien equipada, la limpieza escasea. Debajo de las camas llevaban bastante sin limpiar y la cocina necesitaba una limpieza en profundidad.



3/5

“Regular” 3 marzo 2014

Está bastante bien aunque hay algunas cosas que deberían mejorar. La calefacción deberían ponerla más tiempo, también faltaban algunos pequeños electrodomésticos necesarios cuando vas con niños. Por lo demás, lo hemos pasado muy bien.



2/5

“Precio excesivo” 20 noviembre 2013

La casa es amplia, bien situada, con un mobiliario y decoración muy moderno. Está bien equipada pero el precio nos ha parecido un poco excesivo. Hemos estado en otras semejantes y han sido bastante más baratas.



1/5

“Buena ubicación” 3 septiembre 2013

La localización es lo mejor que tiene esta casa. Cerca de muchas zonas para visitar y en un entorno muy bueno. Sin embargo, el equipamiento se queda corto, la limpieza es un poco escasa y el trato con los propietarios deja bastante que desear.



HOTEL CORAL ★★★



Este hotel está situado en uno de los mejores enclaves de la zona. Ofrece un alojamiento elegante y una buena relación calidad-precio.

Es un hotel perfecto para disfrutar de la vida cultural y de las actividades de ocio de la zona. Se encuentra a 5 minutos de las principales zonas turísticas y comerciales. Por otro lado, su localización es también idónea para la realización de múltiples actividades en la naturaleza. Además cuenta con una amplia oferta de servicios relacionados con el bienestar y el relax.

Servicios destacados: centro de SPA, Wi-Fi gratuito en todas las habitaciones, parking.

COMENTARIOS DE LOS CLIENTES



621 comentarios



“Regular” 12 julio 2014

Está situado en el centro, muy cómodo para ir andando a cualquier lugar. El spa es demasiado pequeño y está un poco descuidado. El servicio muy justito, los baños a veces huelen mal. Le damos un 2.



“Muchos ruidos, no pudimos descansar” 3 marzo 2014

Aunque la localización es buena y el hotel es económico, es una pena arruinar unos días de vacaciones por asuntos de ruidos. Se oyen portazos toda la noche, por eso no volvemos a este hotel.



“Bien, pero puede mejorar” 20 noviembre 2013

El hotel está bien, lo único que debe mejorar las habitaciones pintándolas. También se echa de menos una mejor insonorización de las habitaciones. Por lo demás la calidad-precio esta bien. El personal muy agradable con un buen trato.



“Decepción... no está nuevo” 3 septiembre 2013

Falta limpieza y pintura en buen estado, las fotos no reflejan bien la realidad a día de hoy. Nuestra ducha estaba en mal estado, las paredes de la habitación con alguna mancha y el mobiliario algo viejo.

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COMENTARIOS DE LOS CLIENTES



 9 comentarios

5/5

“Siempre perfecto” 12 julio 2014

Me he alojado muchas veces en este hotel y siempre está todo perfecto. A 5 minutos andando de las principales zonas, hay bares y restaurantes cerca. La habitación está muy bien, todas tienen terraza. El desayuno es buffet, muy variado. Es un hotel pequeñito pero muy recomendable.



5/5

“Económico, cómodo y moderno” 3 marzo 2014

Hotel económico, con una decoración moderna y sencilla. El personal es atento y agradable. El spa es pequeño pero muy bien preparado, perfecto para relajarse. Es un hotel al que volvería sin dudar, me he sentido muy a gusto.



4/5

“Excelente ubicación y mejor trato, para repetir” 20 noviembre 2013

He pasado junto con mi mujer, un par de días de vacaciones en este hotel. La estancia ha sido agradable así como la atención recibida. Relación calidad-precio bastante buena.



5/5

“Perfecto fin de semana” 3 septiembre 2013

Es un hotel pequeñito y muy cómodo. Las habitaciones están muy limpias, el mobiliario es moderno. El baño, amplio y limpio. Muy silencioso, a pocos metros de las principales zonas. Personal muy amable. El desayuno buffet perfecto.



HOTEL CORAL ★★



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COMENTARIOS DE LOS CLIENTES



9 comentarios

2/5



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