

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Management



Diploma Thesis

The impact of online customer reviews on businesses

Vera Žalica

CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

DIPLOMA THESIS ASSIGNMENT

Vera Žalica

Informatics

Thesis title

The impact of online reviews on businesses

Objectives of thesis

This thesis aims to investigate and to analyze how online reviews can affect businesses, and how companies should react in order to improve customer's feedback.

The objectives:

Discovering which businesses are more likely to be more dependent on online reviews and electronic word of mouth promotion

Analysis of relationship between online customer reviews and business performance

Developing a model with the most significant factors affecting consumer decision-making process when evaluating products/services online

Using predictive modelling techniques to make conclusions and prediction of further development and importance of online ways of promotions

Methodology

Methodology of the thesis is based on study and statistical analysis of survey data collection, where targeted population will be asked to fill the survey and respond to set of questions that would help making a conclusion.

Different statistical data analysis will be used to measure the relationships between qualitative and quantitative data, and some of results will be graphically presented

Contingency tables will validate hypotheses about correlation, strength of correlation between important variables (factors).

Cluster analysis will be used for different population subgroups.

The proposed extent of the thesis

Approx 60 – 70 pages

Keywords

Online review, marketing, electronic word of mouth promotion, customers feedback, company's image

Recommended information sources

Couzin G. and Grappone J., Five Stars: Putting Online Reviews to Work for Your Business, Wiley, Published Online: 2013-12-18, ISBN 978-1-118-763-353

CHRISTENSEN, R. *Analysis of variance, design and regression : applied statistical methods*. London ; Chapman & Hall: London ; Chapman & Hall, 1996. ISBN 0-412-06291-7.

LINOFF, G. – BERRY, M J A. *Data mining techniques : for marketing, sales, and customer relationship management*. Indianapolis: Wiley, 2011. ISBN 978-0-470-65093-6.

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The Diploma Thesis Supervisor

Ing. Richard Selby, Ph.D.

Supervising department

Department of Management

Electronic approval: 5. 2. 2018

prof. Ing. Ivana Tichá, Ph.D.

Head of department

Electronic approval: 6. 2. 2018

Ing. Martin Pelikán, Ph.D.

Dean

Prague on 27. 03. 2019

Declaration

I declare that I have worked on my diploma thesis titled "Impact of Online customer reviews on business" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any their person.

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Vera Žalica

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The impact of online customer reviews on businesses

Abstract

Customers are directly shaping business strategy and expect consistently high-value experiences, regardless of whether they are interacting with a business face-to-face or online. The Internet has radically changed the way people are shopping nowadays and new ways of customer feedback in form of online customer reviews have appeared and became very popular over the last 20 years.

Helpfulness, trustworthiness and credibility are some of the most important aspects of online reviews which affect customer behavior. Purpose of this thesis is to explore and examine different characteristics of online customer reviews and their impact on businesses. Analysis of survey data should provide insight and deeper understanding of differences in importance of online customer reviews between different countries and different business industries.

Besides that, findings and discussion will give some recommendation businesses should work on to improve their online reputation, achieve greater customer satisfaction, and leverage reviews for customer acquisition.

Keywords: Online customer reviews, electronic word of mouth (eWOM), business performance, customers feedback, e-marketing, purchase decision

Online recenzí a jejich význam pro obchod

Abstrakt

Zákazníci přímo ovlivňují obchodní strategii a očekávají stále vysokou uživatelskou zkušenost, nezávisle na tom, zda nakupují v kamenných obchodech nebo online.

Internet zásadně změnil způsob, jakým lidé dnes nakupují a možnost zákaznické zpětné vazby v podobě online formulářů se stala velmi populární během posledních 20 let.

Užitečnost a důvěryhodnost jsou jedny z nejdůležitějších částí online recenzí ovlivňující chování zákazníků. Cílem této práce je prozkoumat a vyhodnotit různé vlastnosti online recenzí a jejich význam pro obchod. Analýza dotazníkových dat by měla poskytnout hlubší porozumění rozdílů v důležitosti zákaznických recenzí mezi různými zeměmi a typy obchodů.

Navíc, nálezy a diskuze poskytnou návrhy na zlepšení online reputace obchodů, dosažení větší spokojenosti zákazníků a ovlivnění recenzí pro získání zákazníků.

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Klíčová slova: online recenzí zákazníků, e-reklama a ústní doporučení, výkonnosti podniku, zákaznická zpětná vazba, e-marketing, rozhodnutí o koupi

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1 Introduction

Having easy access to the web and different online tools has extremely changed the way how people shop nowadays. Online shopping offers variety of different products and services. They are available online and customer doesn't need to take so much effort to find them, explore different possibilities, and see feedback from other customers.

Online reviews have become one of the main marketing forces. They are common feature on many websites, and they are mostly considered as trustful information which is provided by customers and not by business itself. Also, number of people who trust online reviews is swiftly increasing (Tsourakis, 2017).

Besides that, the vast variety of products on business websites is often overwhelming. To handle such wide-ranging assortments, online customer reviews have emerged as an important information source for customers to evaluate products prior to purchase (Cui, 2012).

The effect of consumer reviews on online decisions is widely recognized. (Bettina von Helversen, 2018).

Numerous studies have shown that consumer *ratings* and *reviews* impact people's purchasing behavior and intentions, as well as attitudes and expectations towards products and retailers. Though customer reviews range in depth and comprehensibility, they do hold a powerful effect on the behavior of customers and therefore, the performance of the business (Forbes, 2015).

Customers want an easy, quick, and pleasant transaction. They want to feel that business take care of their feedback and respect their opinion and they want to feel that they are treated and respected like individuals, and not just a source of business revenue. This may mean taking extra steps, but that effort will be worth it if the customer leaves a positive review. This may help your business to have great visibility and it can help to attract new customers.

My motivation for focusing on this topic is to explore and analyze online customer reviews, to find out important aspects, different ways how they might affect businesses.

How online customer reviews can influence consumer behavior while making purchase decision and what approach businesses should have to improve their own online reputation, achieve greater customer satisfaction, and leverage reviews for customer acquisition.

2 Objectives and Methodology

Objectives

This thesis aims to investigate and analyze Online customer reviews, their main characteristics and their effects on different aspects of business and its performance.

Alongside the final goal, there will be accomplished the following partial goals:

- Discovering which businesses are more likely to be more dependent on online reviews and electronic word of mouth promotion;
- Analyzing different ways how customer online reviews influence customer's decision-making process when evaluating products/services online
- Explore credibility of online reviews and the reviewer
- Describing ways how businesses should act to get quality customer feedback and improve their operations and services, gain more visibility and new customers.

Methodology

Methodology of the thesis is based on study and statistical analysis of survey data collection, where targeted population will be asked to fill the survey and respond to set of questions that would help making a conclusion and give recommendations to business to improve customer's feedback. Different statistical data analysis will be used to measure the relationships between qualitative and quantitative data, and results will be graphically presented. Contingency table will show correlation between important variables.

Cluster analysis will be used for different participants subgroups based on their gender, country where participants live to spot eventual differences, find out the reasons why they are present and how business should react according to recommendations given by surveyed participants and overall results.

Software which will be used for processing data is SAS Enterprise Guide SPSS and Microsoft Excel.

3 Literature review

3.1 Customer behavior

Consumer behavior can be classified as a group decisions and actions that influence the behavior of customer while making purchase decision (i Research Services, 2018).

It presents the starting point in marketing research, where all information regarding customer, their preferences, aspirations, perceptions and behavior is collected and analyzed. There are different characteristics or factors which define customer behavior. That's something that drives consumers to choose a specific product with respect to all others available at same time.

Complex buying behavior is the type of behavior where the individual usually purchases a high value brand and seeks a lot of information before the purchase is made. Customers want to decrease *uncertainty* about product/service they buy since they are afraid of the loss if they made wrong decision. Therefore, customers are searching for information about the product/service to find out their characteristics before making purchase.

Habitual buying behavior is where the individual buys a product out of habit e.g. a daily newspaper, bread, sugar or salt, eggs. That is repetitive behavior since customer already knows which product he is buying, he knows the quality of the product and other product characteristics. Customer is not actively searching for information since he is buying familiar products

Variety seeking buying behavior is where the individual likes to shop around and experiment with different products. Customer want to change products and to have different experiences and to find out which product he likes the most. Those can be bot high priced product and cheap products.

Dissonance reducing buying behavior is when customers are highly involved with the purchase of the product, because the purchase is very expensive or infrequent. Usually there is small difference in the quality of offered products.

Customer purchase process can be divided in 5 different stages:

- 1) *Problem/Need Recognition* (Customer identifies unsatisfied needs)
- 2) *Information search* (Customer searches for information about the product/service they want to purchase)
- 3) *Evaluation of purchases* (Customer makes comparison between different products/services available on the market)
- 4) *Purchase decision* (Customers make decision which product/service to buy)
- 5) *Post purchase behaviour* (Customer gives feedback about the product/service)

Figure 1 illustrates an overview of some important factors that influence (define) customer behaviour. Customer will have different preferences, beliefs, perceptions. They are using different communication channels. They are affected in different ways, have different cognition levels and possible choices due to different level of consumer power they have.



Figure 1 – Overview of factors that influence customer behavior

Businesses are trying to find different ways and to attract new and keep existing customers, because without customers business is not able to survive. Most of the selection process involved in purchasing is based on emotions and reasoning.

Besides that, culture and social status are having a big impact on consumer purchasing behaviour and product development should take these into account. Marketers should also be aware of different factors and customer needs during the product selection, market segmentation, and marketing campaign planning.

Post purchase behaviour also plays important role for businesses. It will define if the customer will use the product in the future or not.

Internet and different online tools give lot of different possibilities to customers to express their opinion and share it with other people, previous, current and future business customers.

Online customer reviews can appear in different stages of customer behaviour process. They can appear at the beginning during the first phase or recognition of the needs.

Second phase represent the stage where they are very popular and widely used. Searching for information about the product or service become very convenient using different online tools. It saves time and its simple. In other words, this is the phase of usage or consumption of online reviews. Customers will search for them, compare different online reviews for different products/services and take actions to get more information to support their purchase decision process.

Online customer reviews also appear in the last stage of customer purchase process and that is post purchase behaviour. Here those customers who want to share their opinion with others (customers or businesses) are writing or leaving online reviews and give their personal feedback.

Businesses are taking appropriate actions as well. Beside encouraging their customers to write online reviews they should also be responsive and take care of customer needs and their suggestions.

3.2 Online customer reviews

Many products and services can now be reviewed, rated, ranked and evaluated online. These include books, travel services, music, films and electronic devices, as well as doctors, teachers, health, travel services etc. The fact that consumers can also purchase a wide range of goods and services online (banking, telecommunications, insurance, travel services, hotel accommodation) makes online customer reviews as type of consumer background search for information in the form of reviews very convenient and timely.

It is considered that online customer reviews have greater impact on businesses when consumers have greater Internet experience. Also, it is expected that online customer reviews will have greater impact on services and products that can be offered, bought and used online, compared to those that can't (Zhang, 2010).

If a person is actively using Internet for shopping purposes it is expected that she/he will more often check online customer reviews. Therefore, their impact on business will be higher. Except that, since they are experienced with online shopping, they rely a lot on information provided there since they don't need to make additional effort and search for information and customers feedback elsewhere.

Online consumer reviews, as consumer-created product information, can be viewed as a special type of *word-of-mouth communication*.

Electronic Word of Mouth Promotion (eWOM) can be 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” (T. Hennig-Thurau, 2014).

Online customer reviews present consumer's opinion and/or experience of a product, service or business. If we observe them separately then we can say that they represent subjective opinion expressed by an individual, but if we observe many of them at the same time and if they are provided by many different individuals then they became more objective and therefore more relevant when making purchase decision. In other words, it will not be the same if we read only one review, or if we read many of them.

We would like to reduce uncertainty while making purchase decision.

Reviews can be found on specialist websites and on the websites of many retailers, retail platforms, booking agents, and trusted trader schemes (schemes helping consumers to select a trader).

Online customer review is a review of a product or service made by a customer who has purchased and used, or had experience, with the product or the service.

3.2.1 History of online reviews

Online Customer reviews started to show up during 90's. Amazon was the first one who let the customers post reviews on their product in 1995. Back then majority of people thought that it was a bad idea, or receipt to failure, but it turned out as a great successful move. This have helped their customers to find out more information about the products they wanted to buy, and they were provided by the customers not by business.

In 1999 three websites: RateItAll.com, Deja.com, Epinions.com appeared on the Internet and set in motion a social trend called "online customer reviews" that influences nearly every type of consumer purchase today (Jones, 2014).

Today they are common feature of many websites and widely recognized and used by many customers in decision making process.

3.2.2 Aspects of Online Customer Reviews

We can observe two main aspects of online customer reviews quantitative and qualitative.

Qualitative aspect provides usually a written description of a usage experience, where customer can freely write, comment, debate, evaluate the product, using his/her own words. Qualitative aspect of customer review is closely related to personal or subjective experience and statements made by customer who used a product or a service for which she/he gives specific feedback. That's why it's often said that reviews express customer emotions related to the product/service they used.

Quantitative aspect is present through numerical summaries such as average star ratings (presented as number of filled-in stars from a total of 5 stars), number of reviews (total number of review that specific product/service has), intervals between minimum and

maximum rating etc. These quantitative aspects are often displayed above or next to a product description and that's what customers usually see first when evaluating products online.

According to (Chakravarty, Mazumdar, & Yong, 2010) a quantitative online customer reviews can be decomposed into the following three elements:

- **Valence** (represents the average rating and represents average customer satisfaction);
- **Volume** (represents number of customer ratings for each valence level and the total number of ratings)
- **Variance** (represents the degree of disagreement or heterogeneity among customers' evaluations)

It is considered widely that the valence or average rating has the most significant impact on customer decision making process when they are considering Customer Online review.

As already mentioned, one of the reasons why is this true is that the average star rating is displayed right next to a product description and it doesn't require additional customer effort as mentioned before, which is the case with qualitative aspect of review where customers need either to click on a review tab, search on page to find out related comprehend a text, or make additional effort and spend additional time to read online review content.

Now we know that online reviews usually consist of at least two components, namely a *numerical rating* (e.g., a star rating) and a *textual review*.

Another information source closely related to online consumer review is professional reviews from third parties. Professional reviews are provided by experts to build up the product reputation, offer product information, and serve as indirect advertisements. They should be observed in a different way from the reviews that are provided by regular customers since they don't have any advertising motivation behind but stating their own experience with the service or the product they used.

One very important characteristic of online review is their helpfulness. Review "*helpfulness*" measures whether a review contributes to product evaluation and purchase decision, in other words it shows its utility or diagnosticity (Sahar Karimi, 2017).

Besides helpfulness of online consumer reviews some authors are using the term “usefulness” of online customer reviews. Here they are investigating two aspects of online information: (1) the characteristics of review providers, such as the disclosure of personal identity, the reviewer's expertise and reputation, and (2) reviews themselves including quantitative (i.e., star ratings and length of reviews) and qualitative measurements (i.e., perceived enjoyment and review readability) (Zhiwei Liu, 2015).

According to (Pradeep Racherla, 2012) two factors that seem to significantly affect perceived usefulness are reputation and expertise. Reviewer reputation seems to add significantly to the perception of usefulness. This emphasizes the importance of reputation systems in maintaining the accuracy of customer to customer information exchange networks. The constant feedback from other consumers keeps the reviewers honest and motivates them to provide more accurate and useful reviews.

We can see that all these characteristics are overlapping therefore it is very difficult to find the exact line between them.

3.2.3 Review systems

Review systems provide various metrics that evaluate or aggregate online reviews. Such metrics include, for instance, metrics on individual level, like the perceived helpfulness of an online review, and aggregate-level metrics, like the volume (i.e., number of online reviews), the valence (i.e., the average numerical rating), and the variance (i.e., the numerical rating distribution) (Dominik Gutt, 2019).

Figure 2 shows the *design of review system*. As we can see drivers of the review can be review related and reviewer related. Review related drivers will include all aspects or characteristics of online reviews which were mentioned before. Reviewer related include characteristics of the reviewers, their characteristics, experience, expertise etc. Reviewers characteristics are also very important and impact trustworthiness of online reviews in total

Numerical star rating, textual review and metrics are related to online reviews. They are very important aspects of online reviews and subject of many different marketing analysis.

They are influencing directly customer behavior, and at the end also economic outcomes. Economic outcomes can be presented on consumer level, firm level and market level.

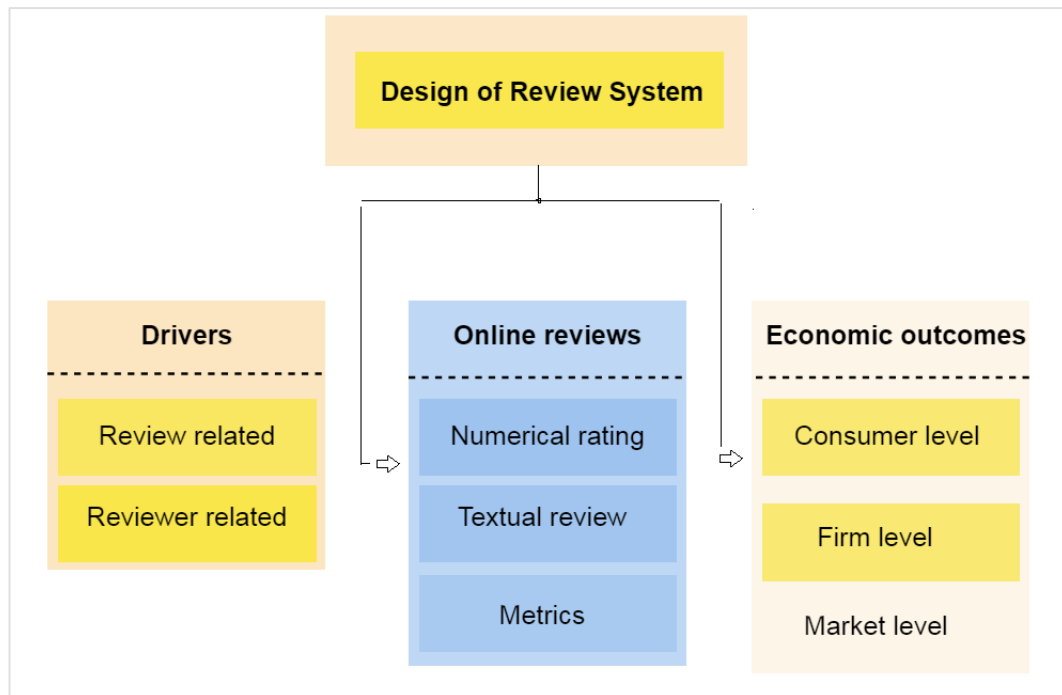


Figure 2- Design of the review system

From the perspective of the resource-based view of the firm, review systems populated with online reviews constitute a specialized asset (Dominik Gutt, 2019).

However, there is difference since specialized assets are created and used within the firm, while review systems source and aggregate consumption experience outside the firm.

Second, online reviews may be collected, processed, aggregated, and presented in quite different ways and many design features have been identified that influence the drivers and economic outcomes of online reviews. Also, they don't have same importance for different firms and markets.

Economic outcomes like prices and sales are very important since they directly impact business. Starting from consumer level, then having a general overview of the business itself, and reaching highest level – market level. Concept of review systems can provide information of general importance of online reviews on different business industries.

It's a relatively new approach for exploring the importance of online reviews on business.

Specific design of review system should be developed for different business types.

3.3 Credibility of online customer reviews

One of the most important aspects of online customer reviews is their credibility. Due to the limited knowledge about the communication partner, readers of online reviews may not be able to understand the reviewer's background, motivation, or competence, and this leads to a lower level of credibility associated with consumer reviews (Miriam J. Metzger, 2010).

Presence of a reviewer profile image may have a great impact on consumers' interpretation and comprehension of review content, thus influencing their perception of review helpfulness and credibility (Sahar Karimi, 2017).

In the EU, **Directive 2005/29/EC** bans fake online consumer reviews. It defines misleading or aggressive commercial practices that are prohibited in the EU.

However, the credibility of information available online raises concerns about how people obtain, interpret, and evaluate this information.

Some argue that digital media are complicating notions of credibility today, and that societal and technological changes in the past few decades have not only caused new concerns and also develop and increase existing ones. The online environment can be confusing when contradictory reviews are provided, but also counterproductive, because of the potential information overload.

Besides that, product returns are more often in cases when too many information is available when it gives some kind of false picture to the customers and they made a lot of assumptions prior to purchase of a product/service.

Much online information is not subject to filtering through professional 'gatekeepers' (regulators of information flows) and may consequently be poorly organized, out of date, incomplete, or inaccurate.

One of the disadvantages mentioned by studies on user-generated content are situations where information provided by others becomes influential as a means of removing obscurity and establishing subjective validity. Information aggregated across users may produce enhanced collective intelligence through the 'wisdom of crowds'.

However, it can be argued that crowds are not always wise, there are many examples when one characteristic override other more important, when too many assumptions are made to

be equally distributed among all contributors, and when the specific expertise of certain contributors is undervalued.

People's choices online can be swayed by others' opinions via so-called 'review systems. (Sahar Karimi, 2017).

If these systems are not giving the actual picture on business, it can cause many problems in the future trust and credibility of these systems and this way of searching for information.

software tools and techniques using people's opinions to help others decide what to buy, listen to, read, and so forth).

In addition, it has been found that people tend to find information contributed by similar people to be more credible. The persuasiveness of online product reviews has often been attributed to their source credibility.

Taking user-created content into account has been shown to be particularly susceptible to the social influences of friends, which suggests that referent informational influence has a great impact on internet users' attitudes and behaviors. Studies have shown the effects of social influence online: people viewing movie ratings online tend to rate movies consistent with the ratings they have been shown. (T. Hennig-Thurau, 2014)

A credible source increases positive attitude toward the products and induces more purchase intention than a less credible source.

3.3.1 Fake Online reviews

To be treated like fake, review first, it must either contain false information and therefore be untruthful, or it must deceive or be likely to deceive the average consumer in some way (including overall presentation), even if the information is factually correct. Second, the misleading practice must cause, or be likely to cause, the average consumer to take a transactional decision that he or she would not have taken otherwise.

One that particularly applies to fake consumer reviews is the practice of falsely representing oneself as a consumer, or falsely claiming or creating the impression that traders are not acting for purposes relating to their trade, business, craft or profession.

Some suggest that share of fake online reviews is small, and therefore not impactful.

However, a 2015 study of fraud committed on the Yelp review site identified up to 16% of all its reviews as suspicious, i.e. potentially fake.

Fake consumer reviews are recognized as one of the most market-distorting factors in the e-commerce sector. They are also particularly important for comparison tools which use reviews (as well as popularity ratings) as a major ranking criterion and hence influence consumer choice of products and services. Fake online reviews should be taken seriously, as more and more consumers buy online and the practice is becoming increasingly sophisticated.

Some consumer organizations have highlighted the vulnerability of comparison-tools sites to deliberate efforts to skew rankings by means of consumer

According to different estimates, fake reviews represent between one percent and sixteen of all consumer reviews but keeping precise track of them is problematic due to their secret nature and to the absence of a common standard for qualifying them as fake.

3.3.2 Trustworthiness of reviewer

When reading the online reviews people often want to find out more information about reviewers as well. Some of them will be more accepted and appreciated, some less. There are different factors which are considered as significant when making decision of helpfulness and usefulness of a review based on the reviewer characteristic.

(T. Hennig-Thurau, 2014) proposed a theoretical model with several reviewer characteristics. They are: **positivity** (average review rating), **involvement** (number of reviews written), **experience** (number of years as member on review site), **reputation** (number of years as 'elite' reviewer), **competence** (average number of review helpfulness votes received per review), **sociability** (number of friends). Their findings show all factors to be significant with several implications - firstly, businesses should focus on building a good review-based online reputation in general.

Businesses should encourage top **trustworthy reviewers** to review their products and services, where trustworthy reviewers could be identified and ranked using reviewer characteristics.

3.2 Review sites

Before making a buying decision, customers have opportunity to see different opinions and experiences of others to inform themselves whether a company/business is creditable or not. Today, this process is quick, easy, and accessible. Beside business website they can find out customer reviews on third party websites.

A Review site is a website on which reviews can be posted about people, businesses, products, or services. These are mainly using different techniques to gather reviews from site users or may employ professional reviewers to review on the topic of concern for the site. Some business review sites may also allow businesses to pay for enhanced listings, which do not affect the reviews and ratings. Product review sites may be supported by providing affiliate¹ links to the websites that sell the reviewed items. They are generally supported by advertising.

3.2.1 Classification of review sites

Review sites can be classified as:

- 1) Sites with a primary purpose of *selling*, but which also include a review feature, making online feedback part of their core offering (for instance Amazon)
- 2) Sites that provide links to or embed *third-party review platforms* (such as Expedia)
- 3) Sites whose core purpose is to provide *consumer feedback* on products or services rather than sell them (for example TripAdvisor)
- 4) Platforms with the prime purpose of *providing advice and information* on consumer issues, but including feedback and discussion forums (for instance Money Saving Expert)
- 5) Bilateral sites where people *buy and sell* to one another, based on people-to-people reviews where the vendor and the buyer comment on one another (such as eBay)
- 6) Second-generation third-party services sites where only buyers can post a review (for example Reevo)

¹ Affiliate marketing is a type of performance-based marketing in which a business rewards one or more affiliates for each visitor or customer brought by the affiliate's own marketing efforts

- 7) Social technologies and platforms (such as Facebook) and blogs, which do not provide review or feedback for consumers in general but can give rise to consumer campaigns.

Nowadays there are many review sites available. Here I would like to mention some of them.

Generally, two main categories of consumer reviews sites exist: sites with *open systems*, where consumers can go onto the website and post a review; and closed systems, where only a confirmed buyer of the product or service can submit a review.

3.2.2 Most popular review sites and their importance for businesses

Google My Business

Google My Business is a free tool for businesses to manage their online presence across Google, including search and maps, reviews, and instant content. Businesses will have ability to create “posts” or different sections that search users will see when evaluating their business. It provides businesses to easily connect with customers, so they can respond to reviews, message their customers, and see their followers.

Google effectively preempts other review sites by showing its own star ratings to users before they can click through to their search result. Google has effectively cut in line, jumping ahead of the major players in the review industry.

With a Google My Business account business could turn all its Google reviews into a two-way conversation, see all the reviews your customers have left and respond to them if needed. It gives great opportunity to make up for a bad situation or thank your best customers for recognizing your service. Google customer reviews show up in search and are known to support search engine optimization, so they are essential to the credibility of all businesses. Customers can leave reviews for a business easily and simply. The less friction involved in the business review process, the easier it is to get more reviews.

Facebook

Facebook is a social networking platform where users can create profiles, upload videos or photos send messages and keep in touch with family, friends. It is one of the most popular social networks in the world. Besides that, users can follow their favorite businesses and

brands. Companies can create business profiles that users can follow and have possibility to leave business reviews based on their experience with the company/product/service.

Customers now commonly leave reviews on social media and increasingly interact with brands through social channels, and there is no social platform more prevalent than Facebook. It follows, then, that the business reviews on Facebook are seen and shared by many potential customers.



Figure 3- Example of facebook page with online reviews

Businesses should take in account possible advantages and disadvantages that can experience when opening themselves up to social media. Consumers are talking about a business whether that business is aware of it or not (and whether businesses have claimed their business profile or not). Businesses are monitoring their social media mentions. Since most users on the site already have a Facebook account, the process to leave a business review is relatively very easy.

Consequently, this gives Facebook an advantage over other business review websites where users must create unique logins or log in to the site each time (compared to those consumers that are already having accounts on Facebook).

TripAdvisor

The TripAdvisor website enables users to share a range of travel information, with individual reviews at the core of its business model. They have adopted a user generated content, opening up the field of hotel reviewing to the public. Started in 2000 after one of the cofounders had a bad experience and set up a site for people to say what they really thought about their holidays, it grew up rapidly. By summer 2012 it was host to over 75 million reviews and opinions.

The company remains loyal to its original philosophy of trust on th power of the crowd. It says it provides a platform to consumers to give their options and share experiences. This model has provided a strength as TripAdvisor has become ‘to go’ place for travel information for many customers worldwide (Guth, 2018)

One of the reasons why TripAdvisor was criticized is because its users do not have to prove they have used the services they comment on. Complaints of the business owners who receive poor reviews and feel they are not in control of their online reputation included: the length of time for which reviews remain on the site. They stated its unfair and damaging. Also, they mentioned anonymous reviewers etc.

Amazon

Amazon has been training consumers to use their review system for a long time now.

As stated before it was the first company who offered online reviews to its customers back in 1995. Therefore, we should probably thank them for helping development od trend where consumers are leaving online customer reviews and making it as part of an online consumer etiquette. Amazon is much more than book reviews. For companies who do any amount of e-commerce, Amazon is a key source of information. While Amazon as a business review website is more targeted and fitting for Amazon marketplace partners, it is a worthy site to note, especially for retailers about what customers like about certain products and how the service aspect of transactions was handled. Amazon’s business review system was improved in 2015 when start weighing reviews so they are more up-to-date and have greater level of helpfulness.

Yelp

Yelp is a platform (review website and app) where users can publish reviews about local businesses. Also, Yelp trains small businesses how to respond to business reviews, host social events for Yelpers and provides data about businesses including health inspection scores. Reputation management is essential on review sites. Yelp has become a name synonymous with business reviews, as the site has over 102 million reviews and counting. As the world's largest outlet for online customer reviews grows, it might be time for all small businesses to start caring about what consumers are saying online; and more specifically, about their Yelp reviews. Yelp has a distinct reviewer culture of "yelpers. Consumers who review businesses and leave business reviews on Yelp have become known widely as "yelpers." Yelpers leave business reviews to help others in the community make purchasing decisions and it's important for your local business clients to keep an eye on them.

Business review sites such as Yelp, point to the growing importance of review monitoring to manage a business's online reputation

Better Business Bureau

The Better Business Bureau aims to help people find and recommend businesses, brands and charities they can trust. Countries provided are United States, Canada, and Mexico and consumers find businesses and charities they can trust Based on a business rating review system. BBB educates consumers and assists people in finding trusted businesses. The Better Business Bureau tries to protect consumers from fraudulent business or scammers.

Angie's List

Angie's is a service listing and review website that offers user-based rankings and reviews of service professionals in local areas. Angie's list reviews are from member because it represents paid review site, it is known to be less filled with rambling reviews from customers and spam. Members grade companies using a report card scale from A-F on price, quality, punctuality, responsiveness, and professionalism. Angie's List is divided by categories such as house, auto, health, pets and services etc.

eBay

Despite the lack of physical presence, trust has emerged due to the reputation system. Millions of items are listed for sale in any given day in thousands of categories. eBay offers

no guaranty for its auctions. It helps buyers and sellers to connect with each other giving them place to display pictures by managing auctions. eBay provides a reputation management system and takes a small listing fee. A feedback comments have to be connected to a transaction meaning that only seller and buyer can leave a feedback.

Over time, some of the sellers who were honest and trustful build up high reputational scores which help them to have greater visibility and use all advantages that this system brings.

3.3 Influence of online reviews on different aspects of business

3.3.1 Conversion rates

Conversion rates represent the percentage of visitors on the website that complete a specific goal that has previously been set. For example, a target can be a customer successfully purchasing a product or a service, or customer registration after visiting the website.

On business website online reviews will most probably have positive correlation, meaning online reviews will positively affect conversion rates because business could monitor and manage the reviews that are appearing on their own websites. This can be a good way of pushing customers conversion.

(Askalidis, 2016) in his work provides strong evidence for a positive value of reviews, i.e., causal effect of the existence of reviews towards the purchase likelihood of a browsing customer.

It may seem intuitive that the availability of reviews will make a consumer more likely to purchase a product. But the magnitude of that impact according to their survey is surprising. They found out that as products begin displaying reviews, conversion rates escalate rapidly. The purchase likelihood for a product with five reviews is even up to 270% greater than the purchase likelihood of a product with no reviews. Picture (figure 2) is showing the relationship between number of online reviews and conversion rates..

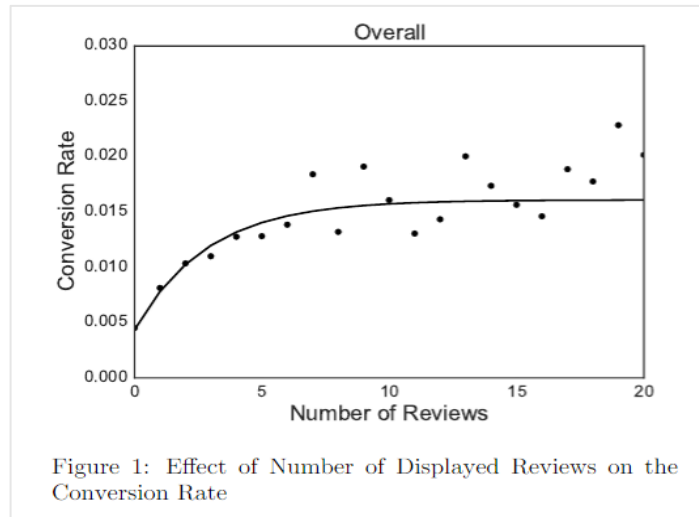


Figure 4 - Effect of number of Displayed reviews on the conversion rates

Adopted from (Askalidis, 2016)

For better understand the conversion impact of reviews in various circumstances, they found out the impact of displaying reviews on higher-priced versus lower-priced products. Reviews had a greater impact on purchase likelihood for higher-priced items. People are usually more cautious when they are making decision with products/services whose price is high since they are afraid more of possible loss if they make a wrong decision, compared to products/services with lower prices.

3.3.2 Search Engine Optimization

Business are interested to increase their visibility and attract new customers. Enabling customer reviews website can have a positive effect on company's organic search rankings in search engines.

Search engine optimization (SEO) is the procedure of designing, writing, and coding a website in a way that helps to improve the volume, quality and visibility of company website by people using search engines via the natural or un-paid search results. (Khraim, 2015)

If a person is actively using Internet for shopping purposes it is expected that she/he will check more often online customer reviews. Some them are ready to leave online reviews and actively participate in creating business image.

Search Engine generally ‘like’ unique, fresh and relevant contents on the website. It’s not feasible for business to update the contents regularly, it might require a lot of time for them. however a customer review can help with updating website regularly.

Commonly, user search a product having a review. Meaning that, if customer reviews are listed on a product, then a user will likely to click it as displayed in search engine result that automatically bring traffic to your website and improve conversion rates. For starters, each new review written about a product on the site increases the amount of unique content your site offers on that product, meaning you’ll be seen as having higher authority, more relevance, and, as such, a higher chance of getting those pages ranked.

A way to microformat the reviews on site, can index them directly and hold them as possible “rich answers” for user queries. Ostensibly, this would allow a review of your product to be featured above the fold of normal search results for queries specific to the product in question, giving you even more search visibility. With greater visibility business has greater chances for attracting new customers (Zhiwei Liu, 2015).

3.3.4 Impact on sales

In any revenue-dependent organization sales are an absolute necessity. Sales equates to revenue and revenue covers expenses.

When thinking about online customer reviews and their impact on sales we can say that they will affect sales only in case if their effect on customer behavior is high enough, in other words if they have high significance level among all factors which are important while customer is making purchase decision.

E-commerce retailers are selling their own products, or those of others, online. That means business customers take a chance and they are making payment, days or weeks before a purchase makes it into their hands. Clearly, customer trust is paramount, and online reviews can be a major avenue to that trust depending on the business itself (Cousin G., 2013).

Business may sell their own products online or at physical stores. But for many of them in this category, the dominant portion of their revenue comes from other business selling what you create.

That will depend on many things, some of them will be product/service related (such as products characteristics, availability, previous experience, price etc.) while some of them will be consumer specific. This means that every individual will be impacted by different

factors while making purchase decision. Online star rating represents the easiest way to assign to the product/service. It is not only an indicator of product quality, but also may be a valuable reflector of product value. Reviews that stress particular aspects of the product may have a stronger effect on sales, even though the rating and the overall sentiment of the review are the same. Therefore, there are many different aspects that should be considered while analyzing effect of online reviews on sales.

3.3.5 Impact of Negative online reviews

It is considered that consumers usually pay more attention to negative online reviews than the positive ones. They want to find out more information about products and services which they want to buy or to use and therefore negative review will make them change their opinion easier and make them to search for other available options.

Consumer's perception of online reviews varies depending on the presence or absence of a purchase goal. Too many negative comments from previous customers make them to think about future loss that might happen, in case they choose that product or service, and those loss perceptions are always weighted more heavily, than the feelings of gain which are created by positive comments.

When customers find out that there is a high proportion of negative comments in situation when they clearly have specific purchase goal (e.g., buying a pair of headphones, beauty device etc.) it will significantly reduce their satisfaction with the price so as their purchase intention. Therefore, they would not buy a product with a high risk, since they already have some negative assumptions or "fear of loss".

Also, there is a difference between *hedonic needs* (shopping for entertainment, pleasure, recreation) and *utilitarian need* (shopping to accomplish a specific task).

Hedonic needs make these consumers less sensitive to negative reviews than consumers with utilitarian focuses (i.e., goal-oriented). Consequently, a high proportion of negative consumer reviews will not significantly influence their satisfaction with the price and intent to purchase (Weisstein, 2017).

(Yong Jian Wang, 2011) suggested that online sellers proactively manage their online consumer reviews and feedback, specifically negative comments. Such negative reviews affect buyers' attitude and purchase behavior more significantly than positive ones. Thus, to

minimize the detrimental effect of a high proportion of negative reviews, sellers should provide an immediate response to consumers' feedbacks and complaints. A strategic solution is to offer effective after-sales services to increase customer satisfaction.

3.3.6 Product Returns

Product returns are currently an important problem for online retailers and have substantial impact on profit. After the product is delivered to consumers, they will determine whether the product meets their expectations or not. Consequently, if the expectations which were formed at the moment of purchase are too positive, customers may be more likely to purchase, but also the return probability increases due to high expectation disconfirmation when the product is finally inspect

Customers' decisions to purchase and return a product are based on their level of expectations about the product's performance and the uncertainty surrounding these expectations. Uncertainty arises because customers do have incomplete information about the product when purchasing online (Wood, 2001).

In other words, if the product does not meet the expectations formed at the moment of purchase, the customer is dissatisfied, and he/she is more likely to return the product (Nada N. Bechwati, 2005).

That is, the higher customers' expectations, the higher the product return probability when product performance remains constant demonstrates that products returns should be considered when examining online reviews effects, especially because overly positive reviews may improve a retailer's financial performance, due to large reverse logistics costs associated with product returns.

They made conclusion that overly positive review valence (i.e., higher than the long-term product average), induces more purchases, but also more returns. An explanation for these findings is that Online customer reviews help to form product expectations at the moment of purchase. Therefore, the purchase probability increases but the high expectations due to overly positive reviews may not be met, which results in negative expectation disconfirmation and consequently increases return probability as well. Also, they found out that the effect of average rating on returns is stronger. The effect of review valence on returns is stronger for new buyers and for cheaper products.

It's probably no surprise that return rates for products which are purchased in physical stores are usually less than products purchased online (Dennis, 2018) .

Most products are not returned because of product defects but customers' negative post-purchase product evaluation. These unmet customer expectations result in dissatisfaction with the product and a higher return likelihood. Most of the retailers nowadays provide zoom feature which their customer can use to have more detailed view on the product they are purchasing. One of the reasons why they are using this feature is to provide more info to the customers and to prevent them from returning the products.

An additional source of information that is available on retailers' websites is online customer reviews (online customer reviews). They can complement retailer-provided information and may help to form customer expectations prior to purchase, and thus may affect return rates (Cui, 2012).

Consequently, the substantial reverse logistics costs produce a negative net effect of overly positive reviews on gross margin. That is, the increased purchase probability due to more positive reviews does not offset the negative impact on product return probability, because of the substantial impact of reverse logistics costs. They are available at the moment of purchase affect both the purchase and return decision. More specifically, if reviews are overly positive this leads to more purchases but also increases the return probability.

3.3.7 Customer engagement

Customized engagement represents the possibility of interacting with customers based on prior knowledge of individual-level information. This information includes the customer's preferences, past conversations, networks of relationships and influences. The value of customized engagement stems from the possibility to effectively personalize organizational communication and service, thus treating customers as individuals. (Cabiddu, Carlo, & Piccoli, 2014)

Online retailers are trying to find out the best ways to encourage customers to provide online reviews. According to (Yang & Dong, 2018) to stimulate consumers' offering online reviews, the retailers need to consider three issues. First, to what extent the rebate strategy could stimulate consumers' willingness to contribute to online reviews? Second, how will

these online customer reviews affect new consumers' values for products? Third, how much will the rebate strategy cost to stimulate consumers to provide online reviews?

Their analysis provided some findings. One of them is that using rebate strategy can help companies to expand their markets in the future and it give possibility to business to gain more profit.

Also, there is a difference in feedback according to device customer reviews are using at the moment when they are asked to leave online reviews.

With customers using mobile phones as a key mode to access online content, read reviews and shop online, the channel might be playing an important role in generating online reviews. Responding to a review request promptly soon after receiving it using a mobile device may give the customer a sense of instant gratification rather than thinking and posting it at a later time when using a PC device. However, consumer usage of mobile phones for writing reviews for products bought in the past is underexplored. (Thakur, 2018)

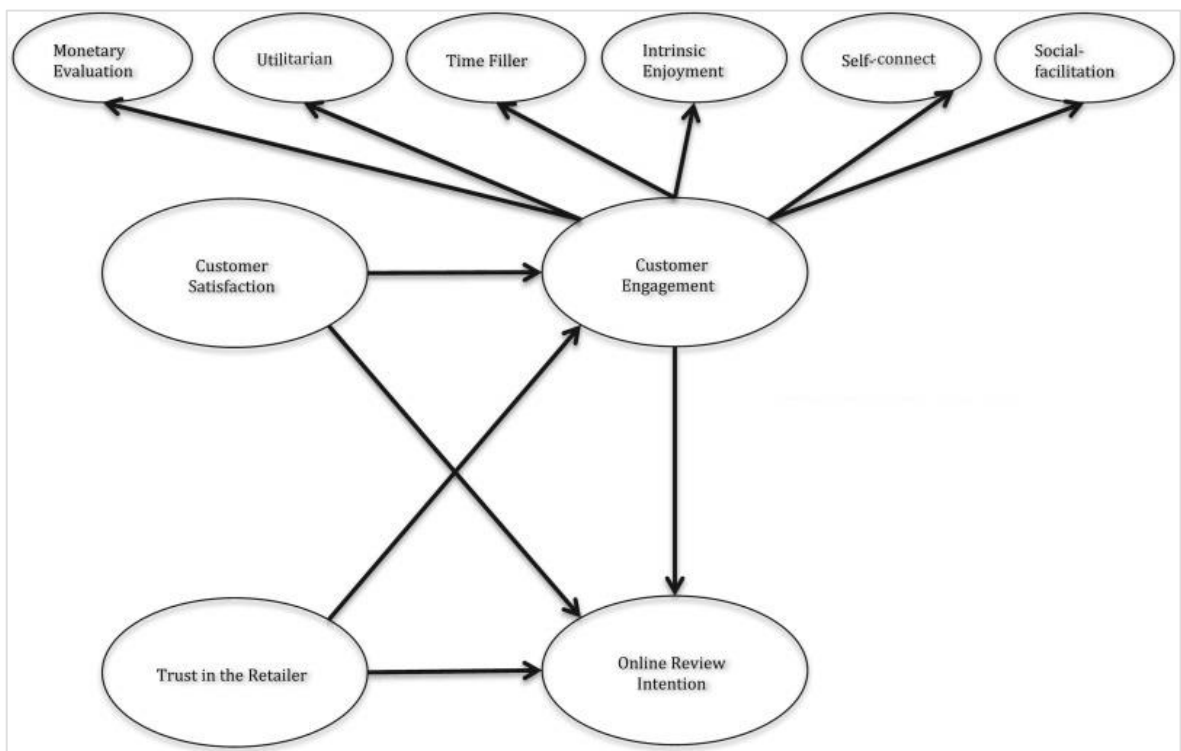


Figure 5-Nomological network of customer engagement - continuance intention conceptual relationships,

Adopted from (Thakur,2018)

A recent analysis of customer engagement dimensionality concluded that customer engagement is a multi-dimensional construct consisting of three dimensions: cognitive (customer focus and interest in a particular brand), emotional (feelings of inspiration or pride caused by a particular brand) and behavioral (customer effort and energy necessary for interaction with a particular brand) (Rita Kuvykaitė, 2015).

According to (Mingli Zhang, 2017) conscious participation, enthusiasm, and social interaction – the three dimensions of customer engagement, can exert a direct and positive influence on customer value co-creation.

4 Practical Part

4.1 Survey design

Every business is dependent

on its customers. Since the customer is that individual who is going to purchase a product or a service, businesses are interested that customers have great overall experience, so they continue using their products/services in the future. Therefore, I've decided to use survey as a method of gathering information from individuals who are at the same time in the role of business customers. Survey was conducted online, using online Google form which was shared via email and social networks to reach out the participants.

This method of data collection was chosen since it enables a high reachability of participants and its very convenient on the other side. The questions were mostly multiple-choice, while some of them had option "other", so participants were able to write down their own suggestions and answers. Some of the questions were descriptive ones, so each participant could write their opinions, experiences, recommendations regarding different aspects of online customer reviews.

The survey was organized in the three main sections (sets) of questions:

Section 1: General information and Consumption of online customer reviews:

This section includes questions to get a better insight on the usage or consumption of online customer reviews. General information regarding the country in which participants live, their gender, usage of Internet while shopping, usage of customer online reviews and their importance within different business industries. The purpose of this section is to give answers regarding possible impact of online customer reviews, and what business should consider when managing this form of customer's feedback.

Section 2: Trustworthiness of Online Customer Reviews

Second section is focused on influence and trustworthiness of online customer reviews. Here are mentioned the most important factors that influence customer's behaviour and how they are making decision if they are going to trust the customer reviews they read. Also,

participants have a possibility to write down the situations they encountered, the recommendations, their expectations from business regarding online customer reviews etc.

Section 3: Writing Online Customer Reviews

Third section explores information about writing online reviews, where participants are in the role of those who are leaving (writing) the online reviews. The purpose of this set of questions is to get better overview how active participants are when giving their feedback, what they are focused on, their expected reactions (actions) when business asks for the feedback and how they will impact future customers. Its important for business to know what ways how to improve customer engagement.

The structure of the questions is presented in a table below, where you can see the full list of questions survey participants were asked.

Table 1-Online Customer reviews (Questionnaire overview)

Section	Question	Type	Answer(s)
<i>Section 1: General information and Consumption of online customer reviews</i>			
1.1	What is your gender?	Multiple choice	<ul style="list-style-type: none"> • Female • Male
1.2	Which country do you live in?	Multiple choice	<ul style="list-style-type: none"> • Czech Republic • Serbia • Bosnia and Herzegovina • Other (write your own)
1.3	What age group do you belong to?	Multiple choice	<ul style="list-style-type: none"> • 18-22 • 23-26 • 27-32 • 33-40 • 40-55 • 56-65 • 65+
1.4	How many times did you use the Internet to find a business (a product/a service) in the last year?	Multiple choice	<ul style="list-style-type: none"> • Never • Only once • 2-3 times • 1-11 times • Every month • Every week • Every day • Other (write your own)

1.5	Do you read online customer reviews to make purchase decision? (to determine whether a business is good or bad)	Multiple choice	<ul style="list-style-type: none"> • Yes, regularly • Sometimes • Rarely • Never
1.6	How important are online customer reviews in your opinion?	Linear scale (1 – 10)	<ul style="list-style-type: none"> • 1 - Not Important • 10 – Extremely Important
1.7	Select up to 5 business industries for which you consider online customer reviews as very important when making final purchase decision?	Check-box	<ul style="list-style-type: none"> • Catering (Restaurant/Cafe/Bar/Pub) • Hotel/Accommodation • Health Industry • Movie/Entertainment industry • IT Industry • Education • Agriculture • Fashion/clothes Industry • Beauty industry • Banking/Finance Industry • Auto industry • (write your own)
1.8	In your opinion, which of the following statements are true? (select up to 2 statements)	Check-box	<ul style="list-style-type: none"> • Positive reviews make me trust the business more • I read reviews, but I don't find them very significant while making the final decision of which business (product/service) to use • I read online reviews and they influence my final purchase decision • I don't read online reviews
1.9	Could you please describe the situation when you made decision to buy a product/a service based only on Online customer reviews?	Written answer	
<i>Section 2: Trustworthiness of Online Customer Reviews</i>			
2.1	How many online customer reviews do you need to read in average before you can feel that you have an accurate view of business?	Check-box	<ul style="list-style-type: none"> • One • 2-5 • 5-10 • 10-20 • 20-50 • 50+

2.2	In your opinion, which of the following statements are true? (select up to 2 statements)	Check-box	<ul style="list-style-type: none"> • Positive reviews make me trust the business more • I read reviews, but I don't find them very significant while making the final decision of which business (product/service) to use • I read online reviews and they influence my final purchase decision • I don't read online reviews
2.3	Do you trust online customer reviews as much as the personal recommendations? (up to 3)	Check-box	<ul style="list-style-type: none"> • Yes, if there are many online customer reviews • Yes, if I believe that the reviews are authentic • Yes, but only for some type of business industries • I always believe them less than the personal recommendation • I don't trust them at all
2.4	What do you do when you see that the business has many negative reviews?	Check-box	<ul style="list-style-type: none"> • I search for another business • I read everything in detail to see the reason for the negative reviews • I will read them and ask additional questions to the person who has left the negative online review • I will take that in consideration • I will not pay too much attention
2.5	Which of the following review sites you are most likely to check before making decision whether the business is good?	Multiple choice	<ul style="list-style-type: none"> • Facebook • TripAdvisor • Yelp • Google business review • Angie's list • Twitter • Others (write your own)
2.6	Which average interval of online review star rating you believe the most?	Multiple choice	<ul style="list-style-type: none"> • 5 stars • 4.6 stars - 4.9 stars • 3.5 stars - 4.5 stars • 2.5 stars - 3.5 stars • 2 stars - 2.4 stars • 1 star - 2.3 stars
2.7	Have you ever thought that the online review that you had	Written answer	-

	read is fake? If yes, what made you think so?		
2.8	Have you ever tried to check out the person who has left the online review and try to get more information about him/her?	Written answer	-
<i>Section 3: Writing Online Customer Reviews</i>			
3.1	Do you leave (write) online reviews?	Multiple choice	<ul style="list-style-type: none"> • Yes, very often • Yes, but mostly positive ones • Yes, usually when I have negative experience • Usually no, but sometimes it might happen • Never
3.2	Do you expect response from the business after you leave the online review?	Multiple choice	<ul style="list-style-type: none"> • Yes • No • Only if I write negative review
3.2	How quickly should business respond to the negative review? (What would you expect, in case you leave negative review)	Multiple choice	<ul style="list-style-type: none"> • Within 3 days • Within 7 days • Within one month • I don't expect any respond
3.3	Has a business ever responded to your review?	Multiple choice	<ul style="list-style-type: none"> • Yes • No
3.4	What is the length of your customer reviews?	Multiple choice	<ul style="list-style-type: none"> • They are short and brief • They are very detailed • Depends whether they are positive or negative • Usually I leave star rating only
3.5	How you usually react when the business asks you to leave the review?	Check-box	<ul style="list-style-type: none"> • Usually I ignore • I leave the review • I find it disturbing, so I prefer not to leave review • I will leave review only if I am really satisfied
3.6	Do you have some recommendation for business regarding online customer reviews? (about its actions, responses, etc.)	Written answer	-

4.3 Data analysis

4.3.1 General overview

Online survey was conducted and includes responses from 120 people in total. They live in different countries and the following pie chart illustrates number of participants per country they live in, with relative percentage of total number of participants.

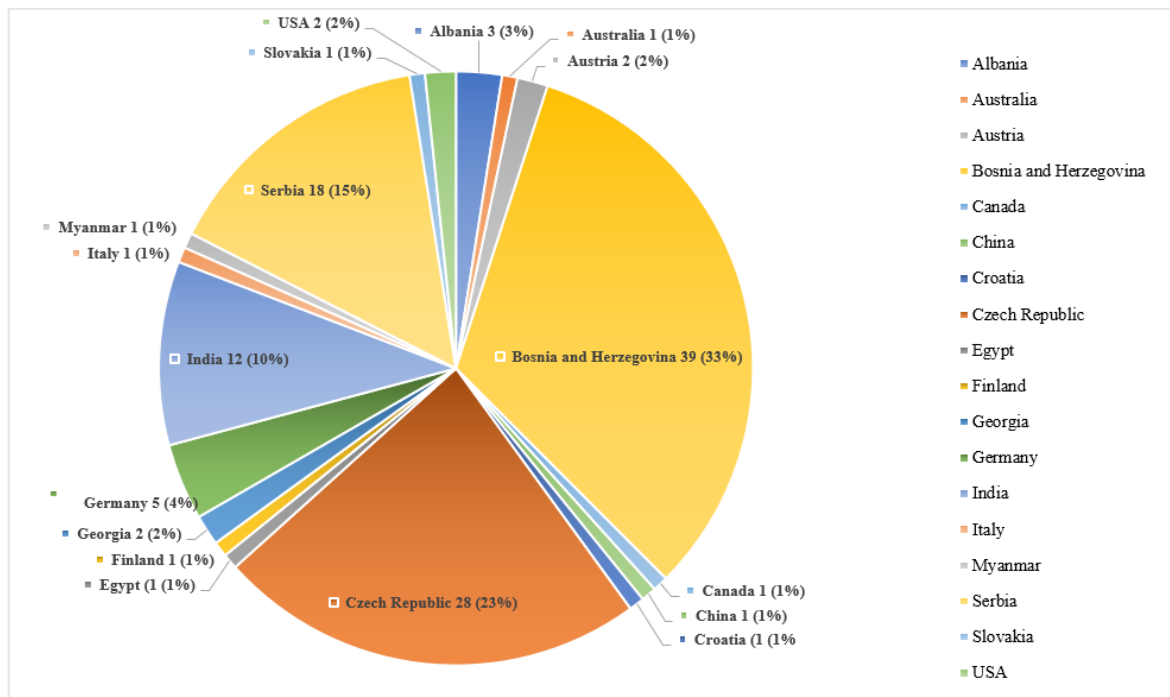


Figure 6-Survey participants' overview grouped by countries they live in

We can see that Bosnia and Herzegovina, Czech Republic and Serbia are countries where most of the participants live, more precisely 39 of participants live in Bosnia and Herzegovina which represents 33 % of total number of participants, 28 participants live in Czech Republic, or 23 %, while Serbian participants with 18 people represents 15% of the total number.

When it comes to the age groups of participants 45% of them are between 27 and 37 years old, same percentage of 19.9% belong to two groups 23 to 26, and 33-40 years old, 8.3% of total survey population are between 18 and 22 years old. Only one participant is older than 56 old. The respondents' numbers were in a proportion of 57.5% female and 42.5% males

when identifying themselves in this variable. The pie chart below illustrates mentioned data regarding age and gender of people surveyed.

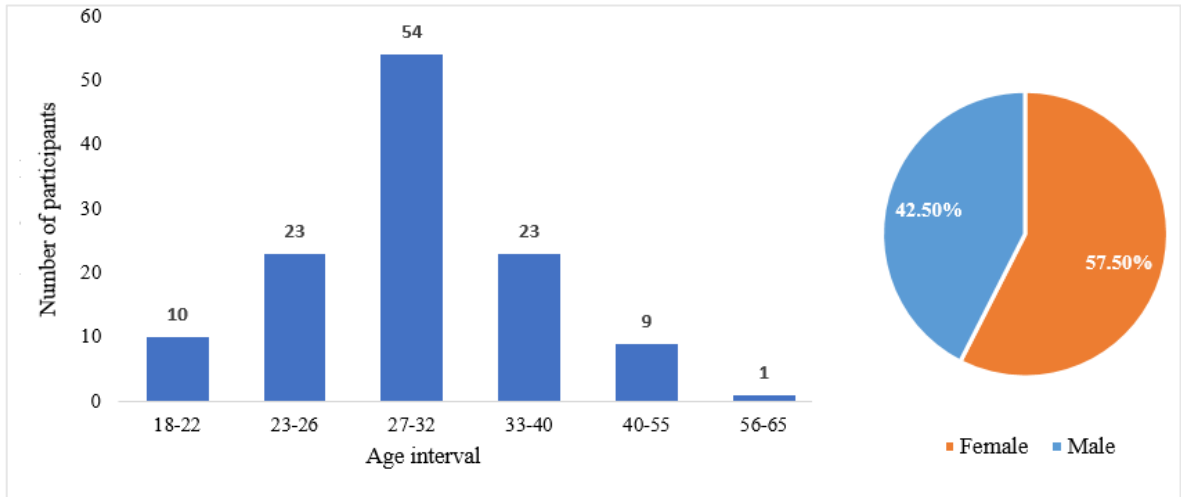


Figure 7- Survey participants overview grouped by age interval they belong and gender

The internet is the place where people can find information before making purchase decision. They visit different websites to find all relevant information, ask questions, discuss with others to find available opinions.

I wanted to find out how frequently people were using the Internet during last year (2018) to find a business or product/service. This is very important information, since it crucial for businesses to have great visibility which will help them to gain more customers and increase revenue. Besides that, online reviews are more influential when consumers have relatively greater Internet experience.

Internet Use frequency of participants for finding a business (product/service) during **2018** are shown on figure 8. Having information how frequently customer use Internet to find business have positive correlation with how frequently they will possibly read customer online reviews as well. We can see from picture that **31.26 %** of people who participated in the survey were using Internet to find business (product/service) daily, **39.32%** weekly, while **27.22 %** of participants where using Internet in this purpose on monthly basis.

More deeper data analysis provides information that women were using Internet more frequently during the last year.

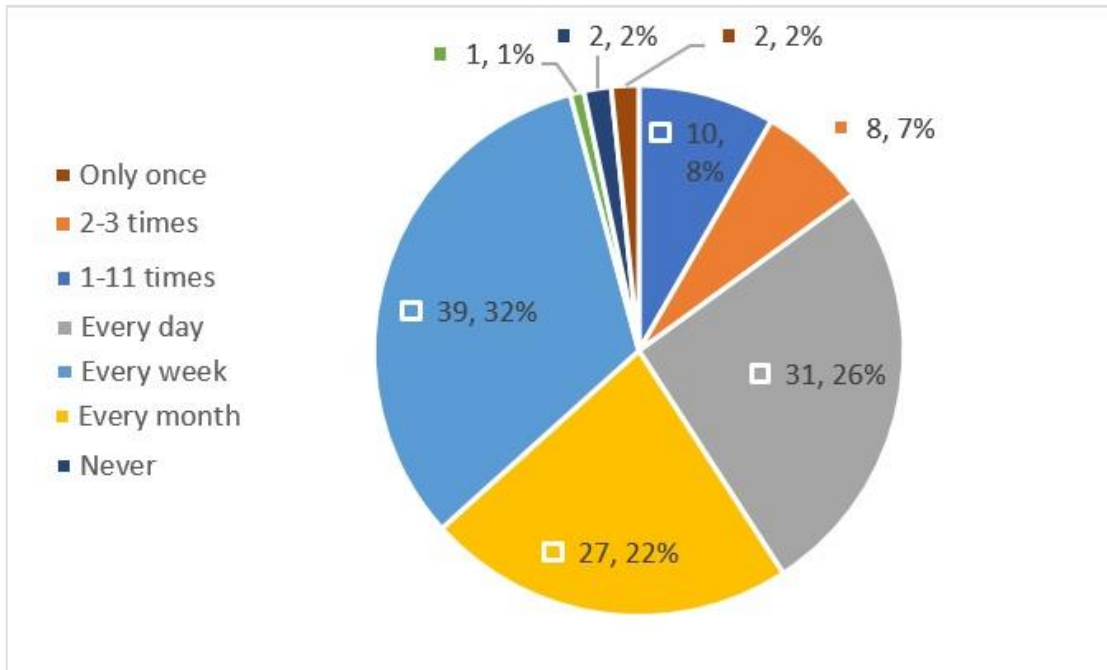


Figure 8-Overview of Internet use frequencies in making purchase decision during 2018

This result was expected since it shows that people are using Internet very frequently to find a product/service online and search for information which could support their purchase decision process.

If we observe Czech Republic and compare it with Bosnia and Herzegovina and Serbia, results of data survey show that Czech participants were using Internet more frequently during last year than these two Balkan countries. Also, we can extract the data using different filters and found out proportion based on country where participant live and their gender.

38% of people who are living in Bosnia and Herzegovina were using Internet on weekly basis during last year, while rest of frequencies options were pretty much equally distributed.

4.3.2 Consumption of online customer reviews

The goal is to investigate how online customers impact businesses, we must know how frequently people read them and pay attention to them while making purchase decision. In other words, we want to find out more information on online customer reviews usage in purchase making decision. Results are displayed on the figure bellow. Distinctions are made within the different groups for Czech Republic, Serbia and Bosnia and Herzegovina respectfully.

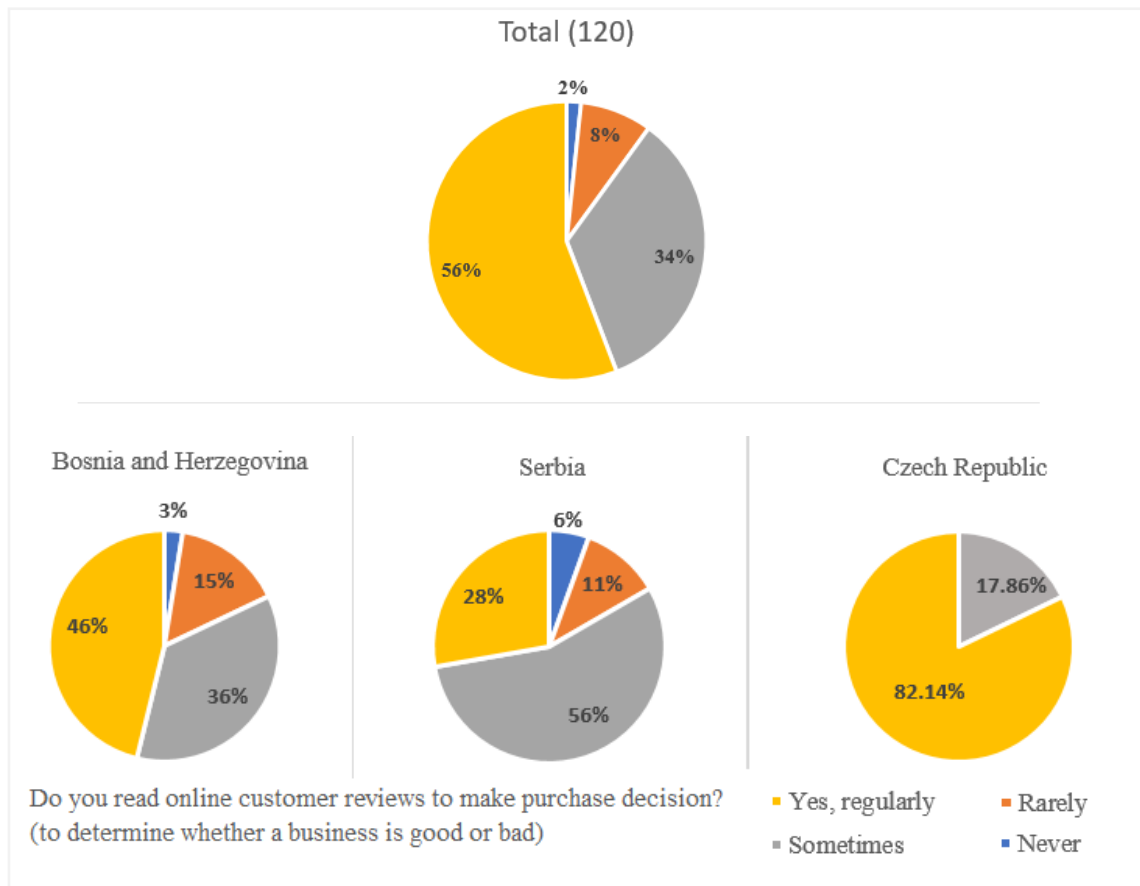


Figure 9-Usage of Online Customer reviews while making purchase decision in total and grouped by countries

From the figure 9 we can see that Bosnia and Herzegovina and Serbia have similar proportions when it comes to usage of customer online reviews. **46%** of Bosnian participants read regularly online reviews, **36 %** of them read from time to time, **15 %** rarely and **3%** said that they never read online reviews. Czech participants use online review more often, **82,14%** read them regularly, while rest of them from time to time.

We can see that there is difference between Czech and these two Balkan countries who use online customer reviews less when making their purchase decision. The difference can be explained in different economic growth of these two Balkan countries compared to Czech Republic.

E-business and e-commerce are on the lower stages of its development in these countries compared with countries from European union. Still some old traditional ways of shopping and trade are present, and people are more suspicious and less open to hear other opinions. Besides that, consumer buying power is less in these countries. Its more focused on inferior goods which are less likely to be subject of online customer reviews.

Taking this into consideration, it's important to be aware of company's online reputation since customers want to get more information before making their final decision.

As I mentioned before, I decided to summarize the data according to the age group participant belong with usage of online customer reviews. By merging similar categories and creating contingency table² provided me a basic picture of the relation between these two variables.

I merged three age groups to get a new group which includes all participants who are not older than 40 years and group which includes people older than 40 years. Categorical variables which refer to usage of online customer reviews as "never" and "rarely" were merged and now they represent all people who have opinion that online customer reviews are *not relevant* while making purchase decision, while categorical variables "sometimes" and "regularly" are merged in new category that represents those participants who have opinion that Online customer reviews *are relevant* when making purchase decision.

The results are presented in the *Table 2*.

² Contingency table (also known as a cross tabulation or crosstab) is a type of table in a matrix format that displays the (multivariate) frequency distribution of the variables.

Table 2-Contingency 2x2 table with absolute and relative frequencies of 2 variables

Relevance Age group	Online customer reviews-relevant	Online customer reviews-not relevant	Total
18-40 years old	104	5	109
	86.67%	4.17%	90.83%
older than 40	5	6	11
	4.17%	5.00%	9.17%
Total	109	11	120
	90.83%	9.17%	100%

104 Participants who are older than 40 years old and believe that online customer reviews are relevant make 4.17% of total number of participants, while 5% think that online reviews are not relevant.

We can see that there is a difference in proportion while observing the same age category. Majority of people younger than 40 years consider online reviews as relevant, while people in older category are divided in similar proportion, 45.45% of them think of online reviews as relevant while 54.55% of them don't give that attribute to online customer reviews.

This is suggesting that older adults perceive consumer ratings as less relevant and helpful than younger adults.

What this means generally for business is that not offering user reviews (or ignoring them as a potential marketing opportunity) is akin to alienating around 90% percent of your buying population, depriving them of information they want to help them make their buying decisions.

Importance of online customer reviews

When analyzing importance of online customer reviews participant were asked to assign the number (weight) on a scale from 1 to 10 to define importance of online customer reviews, where 1 represents that online customer reviews are not important at all while 10 represents that they are extremely important. Participants assigned different weight, and after analyzing data, average importance of online reviews grouped by countries is found as figure bellow shows.

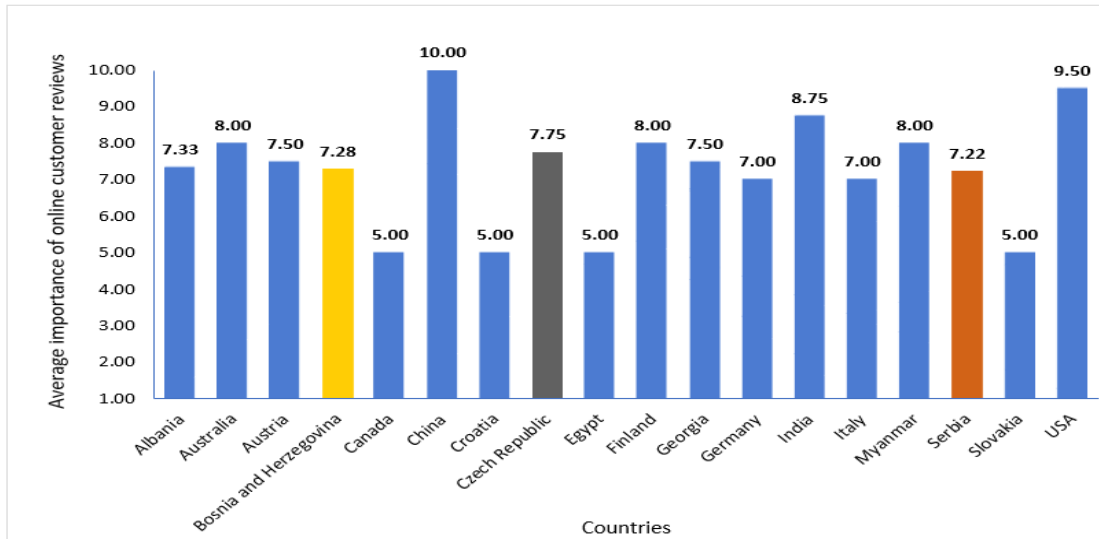


Figure 10-Average importance of online customer reviews grouped by country (max10)

Bosnia and Hercegovina, Czech Republic and Serbia are highlighted with different colors (yellow, gray and orange) on the figure 6, as I wanted to show what is the average of importance of the customer reviews for these countries since most of survey participants are living there. To get the average, the total sum of all weights for each country was found and divided the sum with the number of participants who live in observed country.

I will not discuss each country which is shown on the figure, since for some of them the results cannot be considered as relevant due to small number of participants coming from that country, and it could possibly create a wrong impression on average importance of online customer reviews for that country.

Overall average importance of online reviews is **7,525**. This means that participants of the survey generally thing that online customer reviews are very important (the highest score that can be achieved is 10).

If we are observing these three countries, Czech Republic have average of 7.75 meaning that online reviews are considered as very important for people who are living there. Bosnia has average **7.28** while Serbia **7.22**. The difference can be explained due to different usage of online reviews, and people who are not “using” them as source of information when making purchase decision assign low weight of importance.

Businesses differ by what they do. It is very common to distinguish businesses by industry or sector they belong to. They have different main activities, different factors which are influencing their performance, behavior on market, strategy etc. It is also important to investigate the difference in impact of online customer reviews on these industries or sectors. Survey participants were asked to choose up to 5 industries where customer reviews play important role when making decision which business, product or service to use. Answers are summarized for top 10 sectors in the figure 11 bellow.

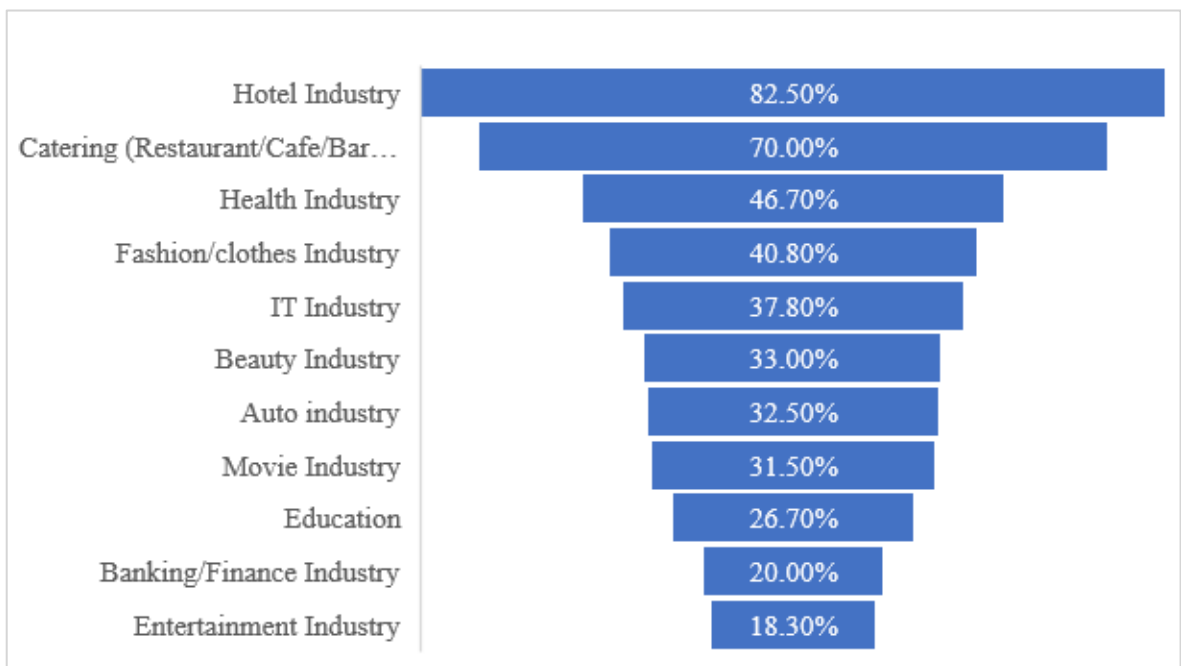


Figure 11-Impact of online customer reviews on different business industries

From the figure 11, we can see that Hotel Industry is considered as sector where customer online reviews play a very important role. This result was expected since when visiting new places, people are more likely to use reviews to find out more information, they don't have previous experience or personal recommendation from people they know, and they don't know the quality of offered services. Same situation is with catering sector, when searching for restaurants, cafes, or bars. This is especially the case when tourists are visiting new places. Usually the first thing they do is checking nearby places online and looking for the reviews before making a decision where to go. Fashion/clothes industry and beauty industry have also a high relative percentage among all responses received. If we analyze it deeper, we can see that 98% of participants who choose these industries as influenced highly by online customer

reviews are women. They are more likely to check online reviews regarding this industry, while man population consider auto industry as one where customer reviews have important role when making purchase decision.

According to the survey results: Agriculture, food industry and wood industry are industries where customer reviews are not playing important role in customer decision process.

We could see in previous discussion that most of the participants in general think that online reviews are relevant while making purchase decision. However, I wanted to find out in which situation they don't consider them as very important factor while making purchase decision. Therefore, they have been asked to describe in which situations they don't find customer reviews as important factor which is influencing their behavior.

Answers regarding these questions could be categorized in the following way.

First category could obtain those answers which were related to the specific experience or situations the participant of the survey had in the past.

Second category is related to their opinions and things they have learnt or represent their general opinion about question they were asked.

When it comes to their personal experience, most of the answers were related to specific situations, like buying branded products, transportation tickets, product like fuel, rice, bread, eggs, milk, fruit etc. Also, in cases where they have previously used the products and have great experience with some services, most likely they will not check online customer reviews to help them to make their choice. Most of them agreed that with some products, there is no need for reviews. Products like light bulbs, lamps, kettles represent some of them.

Also, they agreed that some product which are related to personality of an individual, their beliefs, inspirations etc. Art and art product can belong to that category. Everyone has different opinions, set of values, interests about things they like, and they admire. For example, one specific painting for someone can be amazing and could be considered as masterpiece, while for others completely worthless. Same thing is with the music and other artistic products.

They have emphasized the importance of online reviews in those situations when they have never experienced the product or service, and they don't have anyone they could potentially ask for recommendation. Also, they agreed about situation when they are buying some electronic devices, IoT product, the latest technology products they are more likely to check

online reviews and find recommendation from people who have knowledge and who experienced product.

When analyzing situations where customer made their decisions based only on online customer reviews participants of the survey mentioned some of their personal experiences like: buying a watch, beauty products, suitcases, bags, photo cameras, entertainment products/services, phones, laptops and other IT Equipment products.

4.3.3 Trustworthiness of customer reviews

Businesses should know what is the average number of online reviews that customers read, most of the people (38%) said **10 to 20** online reviews, **33 (28%)** of them from **2 to 5**, while **25** people consider that even one online review is enough when making decision. Small percent of them are reading even more than **50** reviews. This is important information for management of online reviews on designated sites. Businesses should pay attention to those online reviews which are displayed on the top because customers will read them first and make their impressions about business (product/service).

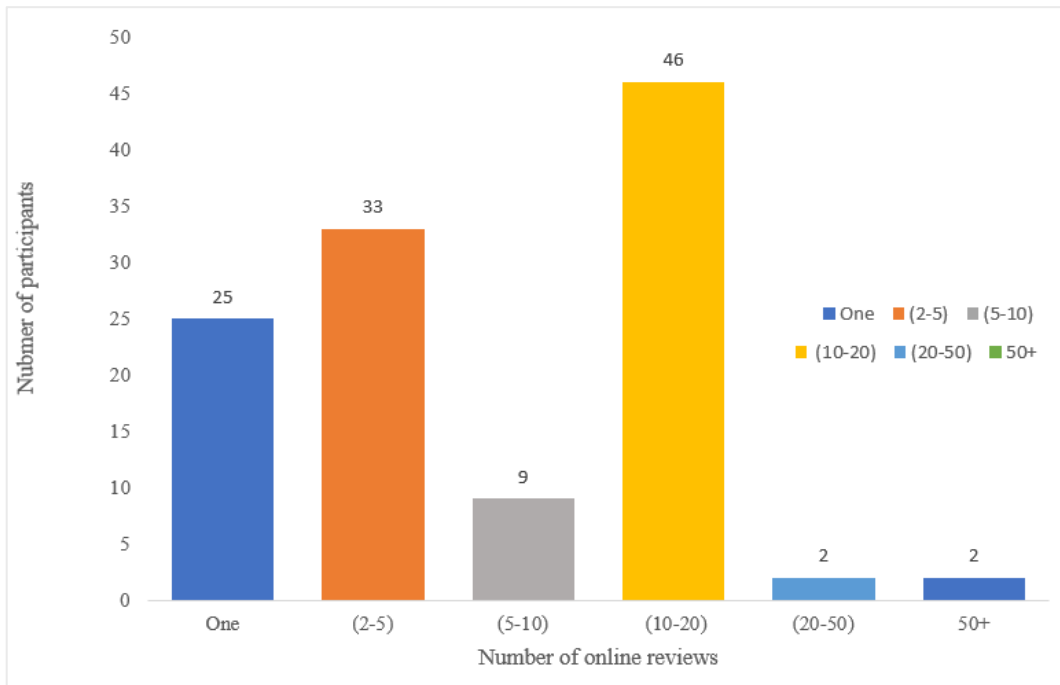


Figure 12-Number of online reviews that participants need to read to determine whether the business (product/service) is good or bad

Most of participants agreed that online customer reviews influence their behavior.

52.5% of participants said that positive reviews make them to think positively and increase their trust in business, therefore its more likely they will use their products/services

55.7% said that they pay more attention on negative online reviews.

Only **2 %** of all participants said that they don't read online reviews, while 17.5% of them are usually checking the star rating only.

Previously I've mention eWOM promotion so important part would be investigating people believe online reviews compared to personal recommendations. According to the results of the survey **40,8%** of participants will trust online reviews if they believe they are *authentic* (meaning they are written by real customer who has experienced the product/service).

36.7% of survey participants agreed that they always believe more personal recommendations.

34.2% of participants increase they trust in online customer reviews if there are enough customer reviews they can read. Only **6.7%** of the participants agreed they don't trust online customers reviews at all.

35.8% of them trust online customer reviews only if they are related to some specific business types.

One of the best ways to find out how potently negative reviews may affect customers is to find out which actions customers usually take when they see that some business has many negative online reviews. Most common answers are displayed on picture (figure 13) bellow.

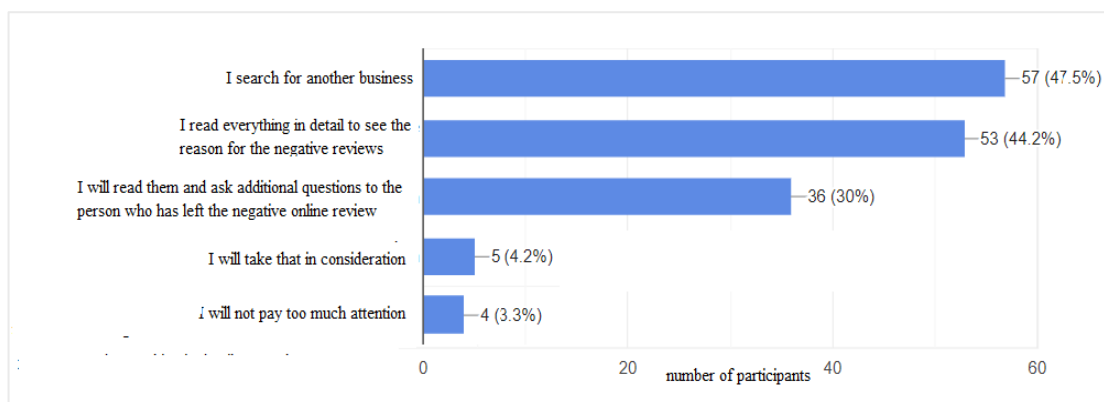


Figure 13-Actions that survey participants usually take when they see that business have too many negative reviews

If they are really interested in using product/service **44.2%** of participant said that they would most probably read them carefully and search for reasons behind the negative feedback. They are ready too spend more time and energy to find out more information.

47.5% of participants said they will search for another business, meaning business will *lose this percentage* of possible customers, which would have great impact on sales and business's revenue and its overall performance. **30%** of participants agreed that if they have

enough time and they are really interested to buy a product/a service they are ready to investigate it further and ask additional questions to people who left them. Only **3.3%** said they will not pay much attention meaning they are indifferent to negative online reviews. Negative online reviews therefore deserve special attention because of possible negative effect on business.

Fake reviews

Fake online reviews contain false information and they are untruthful, or they must deceive or be likely to deceive the average consumer in some way (including overall presentation), even if the information is factually correct.

When asked if they have ever thought that online review they had read is fake 80 % of participants answered with yes.

They gave different examples when they thought that online review is fake and in which situations they consider online reviews as fake ones. Some of their answers are listed below:

- “Yes, especially the positive ones. Too much excitement and only positive things without saying any negative makes me think that something is wrong with the reviews”
- “Yes, multiple times. When people write something so amazing about some place and I have been there multiple times and I know that is not correct. Reviews with pictures are more authentic.”
- “Yes, too negative comments and recommendation of other similar product at the same time”
- “Yes, when they are too general. Or person who wrote them is exaggerating: Amazing, super powerful, the best of the best...”
- ” Yes, to negative statement and too many posts from same person”
- “Of course, I did, online reviews are very easily manipulated. Usually I become suspicious when the review is strongly positive/negative.”
- “Yes, I did. I've read positive comments for one weight loss product. Several people who wrote positive comments I tried to find on the Facebook. I did not succeed in that. That's why I think it was a false review.”
- “Yes, a great number of them for the uniform comments and fake Facebook profiles.

Average star rating

According to the survey results the biggest percentage of people surveyed consider that the average star rating from 3.5 stars to 4.5 stars is the most trustful.

Interval which includes rating 3.6 stars to 4.9 have high acceptance as well. While product/services that have average star rating bellow 3.5 stars are not considered as trustful. People are generally skeptical when it comes to average rating of **5 stars** because they believe no business is perfect, and it would be difficult to have all people agreed that some product/service is without any negative feature. Average star rating plays very important role in general since that is usually first thing displayed next to the product/service. Potential customer will look at it to get general picture of product characteristics.

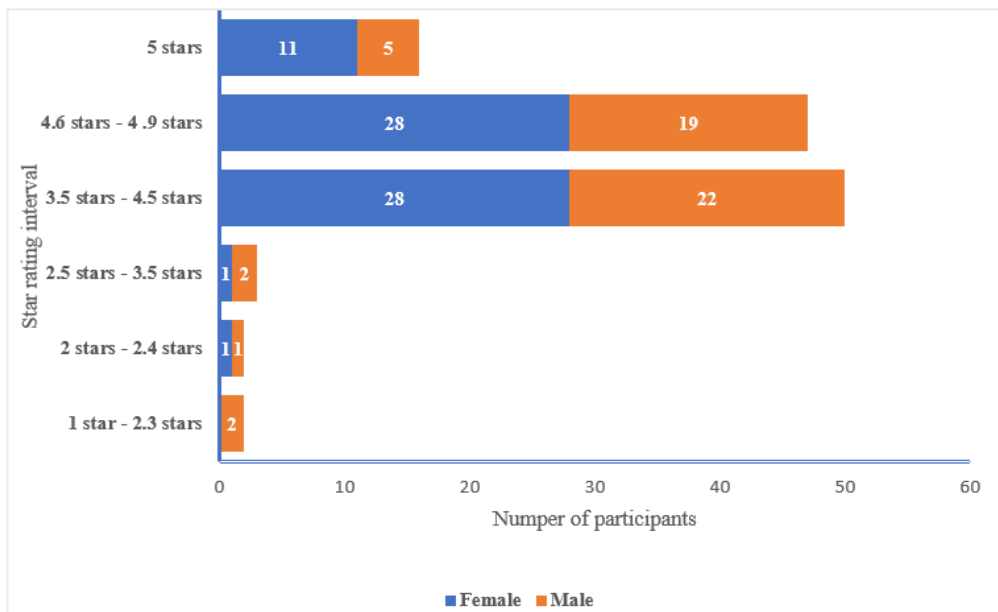


Figure 14-Overview of the most trustful Average star rating

Review sites

Among people who participated in the survey, 54.2% are visiting TripAdvisor when they want to check the business/offering, Facebook as one of the largest social networks is also very popular and 45.8% people said that they are checking businesses on Facebook to find out more information and read online review and comments left by other users. For them it is very convenient since most of them are using that network on regular basis and it is very

easy and simple to check out what they want. Google my business is also very popular and 45% of surveyed people agreed with this.

Amazon is also very popular (43.3%), Twitter (12.5%), Yelp (3.3%) and Angie's list (2.5%). People were able to write down their own reviews sites that they are most likely to check before making purchase decision.

Participants from Bosnia and Herzegovina stated some of websites they visit and use to find feedback from other people and read some of the comments in the form of online reviews that they left. Those are: olx.com, biznis.ba, ebay.com, ekupi.ba and booking.com.

Serbian participants also added some of the most used websites and those are: kupujemprodajem.com, imbd.com, limundo.com and booking.com. Czech participants added heureka.cz and booking.cz.

Business should consider this information when considering different markets, they expand to and they should know where they should be present to have greater visibility and get more customers.

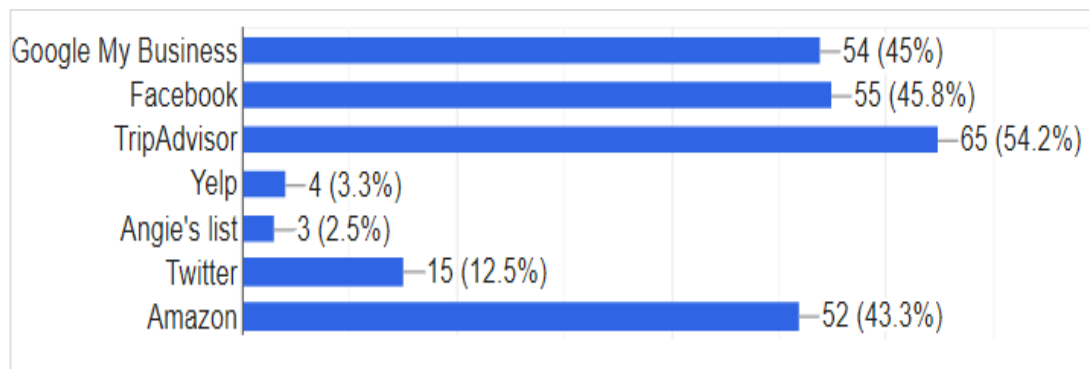


Figure 15-Most popular review sites

4.3.4 Writing online customer reviews

Besides reading or consumption of online reviews it is also very important to find out how to encourage people to leave their feedback in form of online customer reviews. Also, to find out, how much time and energy they devote to make their feedback visible to other people. This is something that businesses should know so they could take appropriate actions which will help them in positioning on the market and attracting new customers.

Participant of the survey were asked if they are active in writing online reviews or not, how often they write them and in which situations they are more likely to leave online customer reviews.

Results of these survey questions are shown on following picture (figure 17)

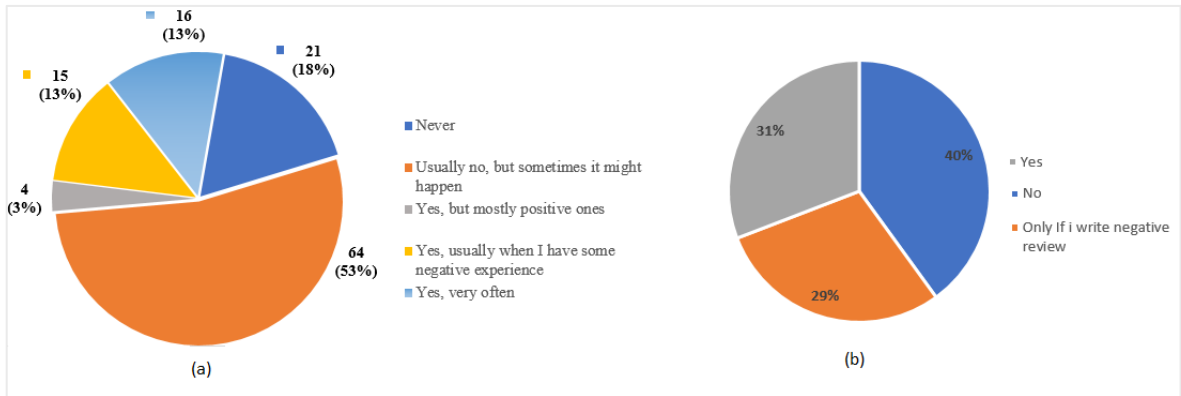


Figure 16- Writing online reviews (how often and in which situation participants leave online reviews) and their expectations is business should response to online reviews

Part (a) of the picture (Figure 17) shows that majority of survey participants **53%** don't write (leave) online reviews on regular basis, they agreed that they usually don't write online reviews, but sometimes it might happen. **18%** of participants said that they never write online reviews, while **13%** are writing online reviews on regular basis or very often. Also, we can notice that group of participants, **16%** of them who are writing online reviews depending on their satisfaction whether its *positive* or *negative* so **3%** of them write only when they have positive feedback, while **13%** of participants said that the only situation when they write online reviews is when they have negative experience and they want to make it visible to other people so they would know what they can expect if they decide to buy/use that business (product/service).

Part (b) of the picture (Figure 17) shows that **60 %** of people expect that business respond to their online reviews and within that group **29%** percent only expect response if they write negative review. They are usually very sensitive when business response to negative review they wrote, and they have more expectation that business should always respond. **40%** of participants are not expecting any response from the business. Business should know when to give their responses and the best ways to do so. Sometimes they should have individual

approach and take care of each review according to the specific situation they have. But overall, they should show that they care for their customers and their feedback.

When it comes to effort they put while writing online reviews customers said that they usually leave short and brief reviews, especially in cases when they are positive and when their experience with product or service was good. **32%** of participants said they usually *leave star rating only*, since that doesn't take their time and it is the easiest way to express their opinion about business (product/service). **23%** of people surveyed said that the effort they put on writing online reviews will depend on whether they are positive or negative. They are ready to write more and detailed reviews if they have bad experience, so they could emphasize the negative feeling they have and share it with other customers and with business itself. Only **12%** of the total number of participants said that they write online reviews which are very detailed. They want to make sure that they describe everything that happen and the reasons behind such statements.

It is very important to know expectations which people who leave online review have from businesses and they expectations how quickly business should respond to them.

57.5% of people surveyed think that business should respond on their reviews within **3 days**, **19.17%** think the business should respond within **7 days**, while **1.67%** of people is willing to give business some extra time to respond to reviews, so they think business should respond within one month. **21.67%** of participants said that they don't expect any response. Usually the reason for this response is they already had some negative experience when business didn't response to their reviews or simply they don't write online reviews and therefore they don't expect the response.

Most of the people who are expecting response believe business should reply to both negative and positive online reviews,

Results are displayed on the picture (Figure 17).

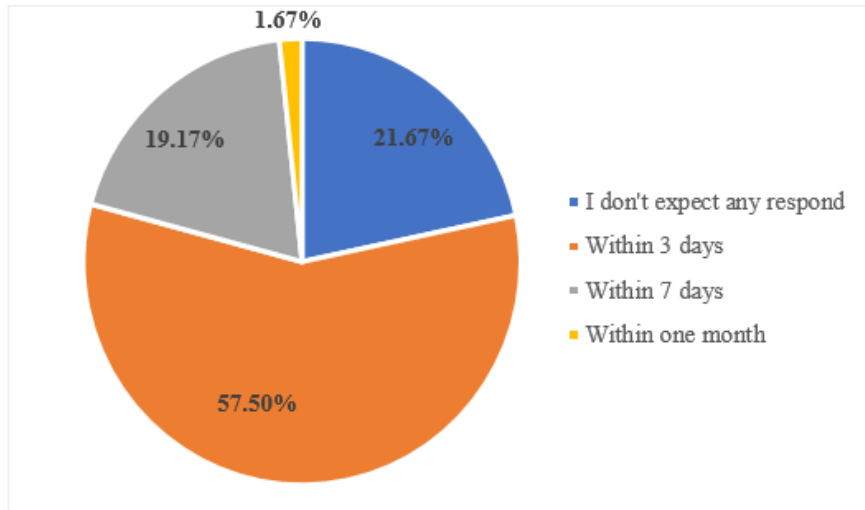


Figure 17- Overview of how quickly business should respond to negative online review

Most of survey participants are not writing online reviews regularly.

When asked how usually they react when business ask them to leave (write) review total **29.20%** of people said that they will leave the review, **30%** of them will leave the review only if they are really satisfied, while **36%** will most probably ignore their request (Figure 18). There are also people who will find this as disturbing (12%), so they will not prefer to leave review. If they have positive experience its more likely that they will leave their review when business asks for it.



Figure 18-How people usually react when businesses ask them to leave online review

We could see in previous discussion that most of the participants in general think that online reviews are relevant while making purchase decision. However, I wanted to find out in which situation they don't consider them as very important factor while making purchase decision.

5 Results and Discussion

Results of the research show that there is a huge interest in Online Customer reviews from the customer side. Most of the survey participants are using this form of online customer feedback while making purchase decision.

Table 2 shows that **90.83%** of surveyed participants think that online customer reviews are relevant factor when making decision which business (product/service) to use. This information is very important for businesses since they must know which factors are influencing customer's behavior and how to successfully to manage and find ways to attract new customers.

Figure 9 shows that online customer reviews are being used a regular basis. **56.7%** of total participants are using them regularly.

However, we can see that there is a **difference** between *three groups of participants based on the country where they live*. People who live in Czech Republic have higher percentage of consumption of online customer reviews compared to participants who live in Serbia and Bosnia and Herzegovina. This discrepancy can be explained due to different economic development (growth) between *Czech Republic* and these two *Balkan countries*. E-business and e-commerce are on the lower stages of development in these countries compared with countries from European union. Besides that, consumer buying power is lower in these countries. Its more focused on inferior goods which are less likely to be subject of online customer reviews.

Figure 11 shows different impact of online customer reviews on **different business industries**.

Hotel Industry is considered as sector were customer online reviews play very important role. This result was expected. When visiting new places, people are more likely to use reviews to find out more information, since they don't have previous experience or personal recommendation from people they know, and they don't know the quality of offered services. Online customer reviews are affecting also catering sector and customers when searching for **restaurants, cafes, or bars**. This is important for business since they want to

boost popularity and profitability, and terrible reviews even have the potential of closing businesses down. That's why it is crucial for restaurateurs to understand the impact of reviews and different review sites and the role they play the performance of a business. **Fashion/clothes industry** and **beauty industry** have also high relative percentage among all responses received. If we analyze it deeper, we can see that 98% of participants who choose these industries as influenced highly by online customer reviews are women. They are more likely to check online reviews, while man population consider **auto industry** as one industry where customer reviews have important role when making purchase decision. According to the survey results: **agriculture, food industry** and **wood** industry are industries where customer reviews are not playing important role in customer decision process.

Figure 13 shows actions that survey participants usually take when they see that business have too many negative reviews, **47.5%** of participants are saying that they will search for other business. This means that business risks to lose almost half of its potential customers if they have too many negative online reviews. Therefore, it is crucial to pay attention to online reviews since they obviously *impact customer behavior* and therefore business as well. **55.7%** agreed that they pay more attention on *negative* online reviews. This result was expected since they are afraid of future "loss" if they make wrong purchase decision.

52.5% of participants said that positive reviews make them to think positively and increase their trust in business, therefore its more likely they will use their products/services

Figure 14 present most trustful and impactful average star rating interval. Online star rating is very important aspect of online customer review. That is usually first thing customer checks to find out feedback about business (product/service). Most trustful star rating interval according to **42%** of participants is interval from **3.5 stars to 4.5 stars**.

According to the results of the survey **40,8%** of participants will trust online reviews if they believe they are *authentic* (meaning they are written by real customer who has experienced the product/service, not by business or person which was paid to do so) therefore, when it comes to answers regarding trustworthiness the reviewer **52%** of participant said that they check the person who left the online review to find out if it is fake profile or not, besides that

they check and look for phase reputation, or they are trying to examine the timing of reviews to see if there are lot of them of them left at the same time, because it can show eventual manipulation with online customer reviews. Customers are usually reading top 10 reviews to make decision whether the business (product/service) is suitable for them.

Most popular review websites according to survey results are TripAdvisor, Google my Business, Facebook Amazon and Booking.com

60% of participants are expecting response from business when they leave review. **29%** of them will aspect response especially if their review was negative, while **40%** of customer don't expect any response from business.

Participants were asked to give recommendation to business, most of the participants were suggesting that business should respond as soon as possible or up to 3 business days and should take appropriate actions to solve the issues and the reasons for having not satisfied customers.

When asked how they usually react when business ask them to leave (write) review (Figure 18) total **29.20%** of people said that they will leave the review, **30%** of them will leave the review only if they are really satisfied. Knowing that happy customers are ready to leave the review if asked for, should give business opportunity to find out the ways how to approach to its customers and gain their trust, how to increase number of reviews which can help them to increase the visibility and conversion rates. Attracting new and keeping old customers is very important for every business because without customers there is no business.

6 Conclusion

Online Customer Reviews have become very popular feature on many websites. They have become one of the most important factors which effect consumer when shopping online.

After analyzing survey data collection, theories and explanations mentioned in *Literature review* part were confirmed and besides that I got new insight on importance of online customer reviews.

90.83% of surveyed participants think that online customer reviews are relevant factor when making purchase decision. This confirms statement from literature review that they represent impactful factor while making purchase decision.

However, we should keep in mind that online customer reviews have different importance level among different business industry types. The *Hotel* and *Catering industry* are highly dependent or highly influenced by online customer reviews. When visiting new places, people are more likely to use reviews to find out more information, since they don't have previous experience or personal recommendation from people they know, and they don't know the quality of offered services. Online customer reviews are widely used by female population when buying clothes and make-up products therefore *Fashion and Beauty industry* represent industries where online customer reviews have important role. Male population consider that they are significant as well in *Auto, Health and IT industry*.

According to the survey results: *Agriculture, Food industry* and *Wood industry* are industries where customer reviews are not playing important role in customer decision process., especially when it comes to consumption of *inferior goods*.

56.7% of total participants are using Online customer reviews on *regular basis*. Differences in consumption of online reviews exist between *different groups of participants*. People who live in Czech Republic have higher percentage of consumption of online customer reviews compared to participants who live in Serbia and Bosnia and Herzegovina. This discrepancy can be explained due to different economic development (growth). Countries where e-business and e-commerce are on the lower stages of development 'consume' less customer online reviews. Besides that, consumer buying power is usually lower in these countries. Its more focused on inferior goods which as mentioned above are *less likely to be subject of online customer reviews*.

When observing customer purchase behaviour, it is important to highlight the difference of importance of online customer reviews based on different *purchase behaviour types*. They are considered as important in situations when customer is involved in *complex purchase behavior*, or in other words in those situations when customers are purchasing high value brand and they need a lot of information before the purchase is made. Some of the examples provided from participants of the survey confirmed this statement. They mentioned situations when they are buying cars, latest IT products, expensive IT equipment etc. Customers want to decrease uncertainty about product/service they buy since they are afraid of the loss if they made wrong decision. Therefore, they are searching for information about the product/service to find out their characteristics before final decision. Besides that, they are important in *variety seeking purchase behavior*. Customers in this case like to experiment with different products/services, they like change and they like to have different experiences Those can be both high priced product and cheap products. (buying phones, choosing holiday vocation, clothes, special food, cafes, restaurants etc.).

Online product reviews are considered as one of the most influential types of electronic word-of-mouth (eWOM) in shaping consumer attitudes and facilitating purchase decisions.

One of important aspects of online customer reviews is their credibility or trustworthiness. Participants of the survey are aware of different forms of misuse and manipulation of online customer reviews. They don't believe extremely positive or extremely negative online reviews. Fake online reviews should be taken seriously, as more and more consumers buy online and the practice is becoming increasingly sophisticated.

Findings of this thesis show that it is essential for business embrace online reviews, read critics suggestions, respond to customer praises and complaints, and most importantly, make necessary changes to improve customer experience. Manage their own online reputation achieve greater customer satisfaction, and leverage reviews for customer acquisition.

My recommendation to business regarding management of online reviews would be creating efficient tools for monitoring online reviews which will include sending notifications when new reviews regarding their business appear, providing measurement and analysis features, aggregating reviews from multiple sources, comparing between multiple locations of your business or retailers who sell your product, providing reliable platform for following up and

taking actions on online customer reviews. Following these steps businesses will not only raise the number of positive online reviews, but improve their overall performance, their own online reputation, achieve greater customer satisfaction, and leverage reviews for customer acquisition.

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