Online Reputation Management: Estimating the Impact of Management Responses on Consumer Reviews

Abstract: We investigate the relationship between a firm’s use of management responses and its online reputation. We focus on the hotel industry, and present several findings. First, hotels are likely to start responding following a negative shock to their ratings. Second, hotels respond to positive, negative, and neutral reviews at roughly the same rate. Third, by exploiting variation in the rate with which hotels respond on different review platforms and variation in the likelihood with which consumers are exposed to management responses, we find a 0.12-star increase in ratings and a 12% increase in review volume for responding hotels. Interestingly, when hotels start responding they receive fewer but longer negative reviews. To explain this finding, we argue that unsatisfied consumers become less likely to leave short indefensible reviews when hotels are likely to scrutinize them. Our results highlight an interesting trade-off for managers considering responding: fewer negative ratings at the cost of longer and more detailed negative feedback.