UNDERSTANDING THE CONNECTION ECONOMY:
HOW REVIEWS INFLUENCE CONSUMER BEHAVIOR

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INTRODUCTION

Not too long ago, you wouldn't even hesitate before dropping into that burger place around the corner you've never been to so you can see just how good their burgers really are (even if they *are* voted "Best Burger in the City Four Years in a Row" by the local rag).

But today? You probably wouldn't even step inside Barb's Burger Bar before first checking out its Yelp review and asking your pals on Facebook if they've ever been there.

Times have changed, and today's consumers are driven by their peers' reviews and ratings of companies on myriad digital and social channels—and then making purchase decisions based on those real-life experiences. It's this new "Connection Economy" that has made review sites the first (and sometimes only) stop savvy consumers make when considering any kind of purchase, from what hotel to stay at to what restaurant to try, and everything in between.

The reality is that reviews are relevant for just about any industry—not just the "usual suspects" like hotels, restaurants and retail shops. People are turning to review sites to shop around for doctors, transportation options, realtors, insurance providers and just about any consumer-facing company.

In this white paper presented by Commit Agency and emotive[x], we'll get a reality check on reviews (just how many there are), why brands should pay attention to them, why your star rating doesn't tell the whole story and how you can boost your company's revenue simply by taking a deeper dive into each review.

PART 1 - THE REVIEW
"STATE OF THE STATE"

There are dozens of social channels and review sites out there, but two consumer-facing favorites are responsible for half a billion consumer reviews: TripAdvisor (approx. 385 million reviews) and Yelp (approx. 115 million reviews). In addition to these behemoths, consumers are turning to other review sites (including Google My Business, Yahoo Local Listings, Angie's List, Citysearch, Insider Pages and Better Business Bureau) and social platforms (predominately Facebook) to post—and read—business reviews.

With the sheer volume of reviews out there, it's no surprise that consumers are finding value in these real-world experiences. Today, the consumer voice is the new currency, and brands are taking note. For instance, consider the following:

In a Nielsen survey, 92 percent of respondents said they trusted word of mouth, including recommendations from friends and family, above all other forms of advertising

A study from Internet Marketing Inc. shows that 52 percent of all Facebook users say their friends' photos have inspired—or even changed—their travel plans.

The 2016 BrightLocal Local Consumer Review Survey shows that 91 percent of consumers read online reviews, and the number of those who don't read reviews (only 9 percent) has dropped dramatically, from 29 percent in 2010.

Also in that survey, 84 percent say they trust reviews just as much as a personal recommendation.

More than half (59 percent) of respondents in the BrightLocal survey typically look at multiple review sites before making a decision.

Second to the star rating, 47 percent of those respondents said they pay attention to the review sentiment, or the positive or negative comments within the commentary, to get a comprehensive view of that business.

It's apparent that consumers are perusing more reviews than ever before—and not only that, but they are using that information to make their own purchase decisions. And with hundreds of millions of reviews out there, it behooves brands to really drill down into these reviews so they can understand the kinds of experiences their customers are having—and what they love (and don't) about those brand experiences.

For us to discern how brands can leverage reviews, we should first understand the different review components and why they matter.

PART 2:
DISSECTING THE REVIEW

"A ROSE IS A ROSE IS A ROSE."
—GERTRUDE STEIN (1913)

Sometimes, things are exactly what they seem to be. And other times, they are not. Take reviews, for instance. One might think that a 4-star review by John Doe would look and mean the same as a 4-star review by his counterpart, Jane Doe.

But that would be too simple, wouldn't it? Just about every review is different, even those that "look" the same at first glance by the untrained eye.

Just take a look at these two reviews for the same Pennsylvania resort; both have the same rating (5 stars) but tell dramatically different stories about their experience: **Read review 1** | **Read review 2**

One reviewer praises her recent stay and lauds the exemplary service, while the other reviewer bemoans the property and complains about the life jackets. Again, both reviews are appointed five stars.

Similarly, two different reviewers praise the same resort's golf course, but one reviewer gives the property four stars while the other reviewer gives it five. **Read review**

Yet again, for another property in upstate New York, this review was given just one star but the review commentary is entirely praiseful. **Read review**

WHY THE DISPARITY? THERE ARE MANY POSSIBILITIES, THE MOST LIKELY BEING ANY OF THE FOLLOWING:

1 People make mistakes. The reviewer may have meant to highlight the correct number of stars but either forgot or didn't know how.

2 Consumers' standards are different; what may elicit 4 stars for Guest One may look like 5 stars (or 1, 2 or 3 stars) for Guest Two.

3 Some reviewers pay more attention to the commentary they are writing than to the star rating they assign, perhaps forgetting to assign stars to a review before submitting.

Whatever the reason, it's important for brands to pay attention to those commentaries; it would be a mistake (potentially one that would impact revenue and profitability) for a business owner to pay attention to just the stars and not read through the commentary. Take a look at those life jackets again that your reviewer complained about. How can you improve them? What is it about them that someone may not like? You wouldn't know to explore these opportunities had you only looked at the five stars on his review.

PART 3:
DIGGING INTO THE REVIEW

So, just how does a company pull learnings from a review that translate into huge opportunities?

To understand this, we did an experiment at Commit Agency to explore what one client's reviews looked like when compared to its competitors.

Cheyenne Mountain Resort is nestled near the Rocky Mountains in Colorado Springs. When we pulled its TripAdvisor star rating alongside that of 11 of their nearby competitors, it was clear that they were all ranked very similarly, only within 1 star at most from each other when it came to these categories: location, sleep, rooms, service, value and cleanliness. Of the 12 properties evaluated, six were rated 4.5 total (average) stars, five were rated 4 total (average) stars and one outlier was rated a total (average) of 3.5 stars.

4.5 THE BROADMOOR

CHEYENNE
MOUNTAIN RESORT **4**
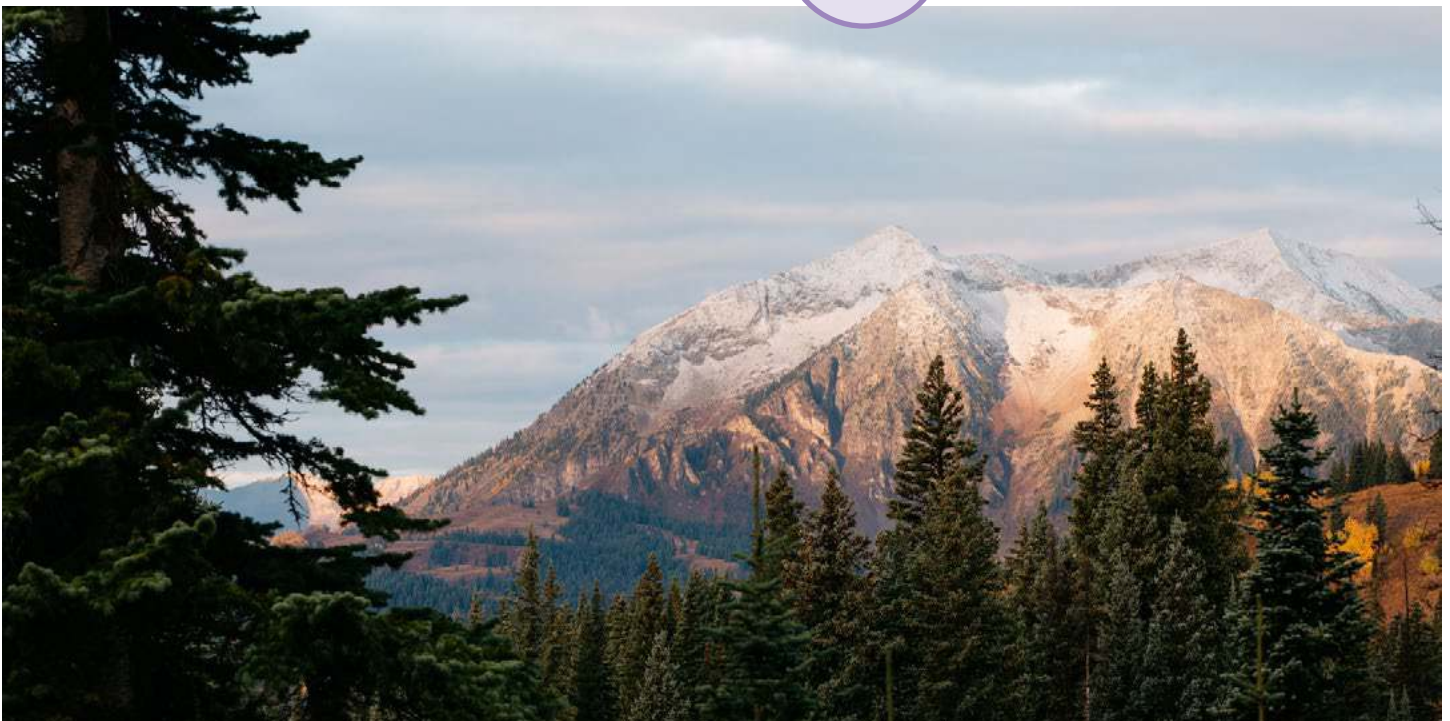
HOTEL ELEGANTE
CONFERENCE & EVENT
CENTER COLORADO

3.5

In looking at just those 11 properties that were rated 4 and 4.5 stars, one might assume that the ratings themselves would be similar to each other. If you were the owner or manager of one of these properties, you would naturally think you were doing pretty good.

But that was not necessarily the case.

To truly understand the difference (and the opportunity), we then looked at the review verbatims themselves—the words these travelers chose to describe their experiences. We categorized these words into two main funnels: functional (cleanliness, etc.) and experiential (exceptional service or other memorable interactions).

When we plotted everything out onto a Likert scale we created, we could see that our client's Experiential score was dramatically different than that of their competitors whose overall rating is exactly the same. Why is that? Because the star doesn't tell the whole story. It just puts your company into a consideration set of similar companies, and the only way to find the nuances or points of difference is to look at what people are actually saying.

Y-axis: **EXPERIENTIAL INDEX** (50, 100, 150)
X-axis: **FUNCTIONAL INDEX** (0, 50, 100, 150, 200)

1. Cheyenne Mountain Resort

2. The Inverness Hotel

3. Antlers Hilton

4. The Broadmoor

5. Double Tree by Hilton Colorado Springs

6. Hotel Elegante

7. Colorado Springs Marriott
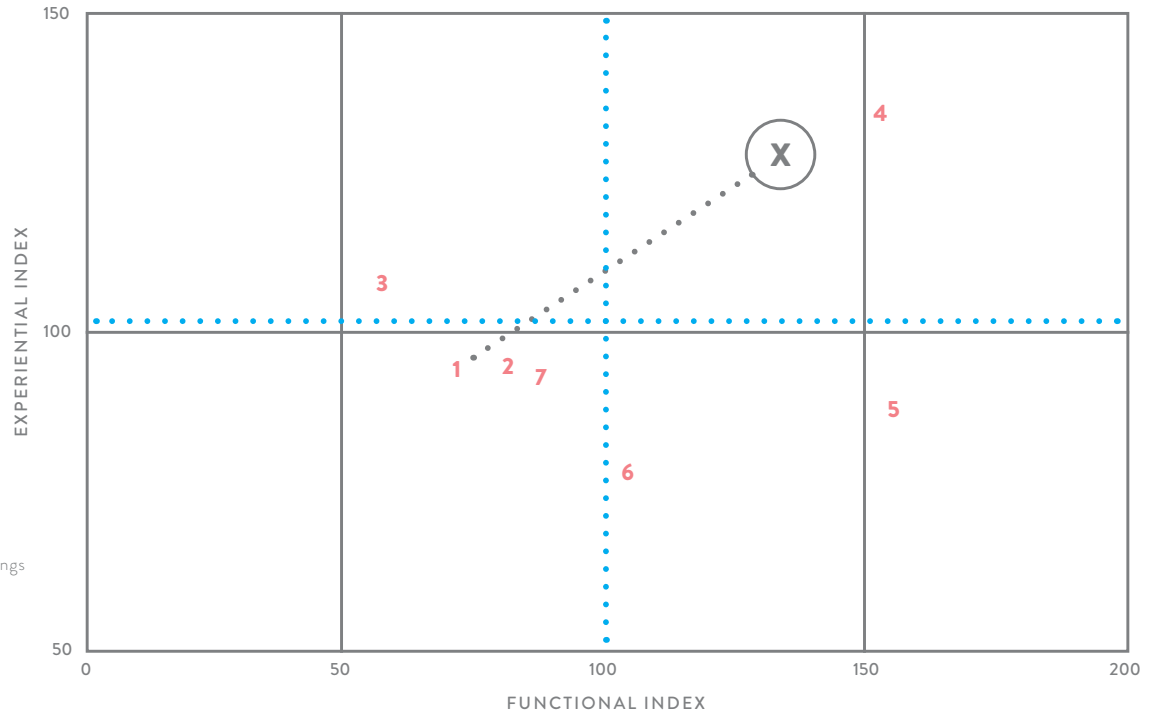
A company's Experiential scores are important because experiences are what drive people to decide on one brand over another. It is critical that we find those experiential opportunities for improvement and help guide our clients to make those changes that will, in turn, make a significant positive impact on their business

In today's Connection Economy, reviews become the tie-breaker and how consumers are choosing between your company and someone else. The commentary within the reviews—the verbatim—is what motivates people to act. It's considerably more important than the star rating itself, because that's where the value is.

PART 4:
ENTER emotive[x]

This untapped opportunity is precisely why we developed emotive[x], a technology and suite of services that analyzes online review verbatims to uncover opportunities for companies to improve their customers' emotive experiences with their brand and then increase overall revenue when those experiential opportunities are realized.

Driven by a philosophy that brand lovers are created through exceptional functional and experiential service, emotive[x] was developed to allow for a better evaluation of a brand's service compared with its competition beyond the standard 4- or 5-star review system.

Through this revolutionary service offering and text-mining analytics tool, Commit Agency is deciphering the mountains of data for those things that matter most to consumers, in a way no one else can. It goes beyond the simple rating system available to the masses and delves into the entirety of the reviews for both the agency's clients and their competitors by illuminating the path needed to amplify satisfaction, thereby positively influencing target prospects in future buying decisions.

The emotive[x] tool extracts nuances from ratings and reviews for better insights into competitive advantage and opportunities for positioning a brand more effectively. Once it combs the review verbatims, Commit Agency plots the brand's combined functional and experiential score on a Likert scale alongside the brand's competitors to identify specific priorities for change and implementation.

In analyzing both the functional and experiential aspects, Commit gets a complete picture of where the opportunities might lie.

The challenge with functional experiences is that they can be difficult to change in a way that transforms a customer's overall experience. But how someone greets you, guides you and engages you instinctually—those things can be changed and affect better experiences.

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"What Commit Agency is doing with emotive[x] is a game changer for any company, especially those in the hospitality industry. Through this guest feedback analysis and our ongoing consulting with Commit, they were able to identify areas of opportunity to create more meaningful experiential service moments. From the evolution of our menu sourced with locally-grown ingredients to training our customer-facing team members on conversation starters, we are designing experiences that evoke the idea of 'Quintessential Colorado' that our guests expect. And it's already making an impact."

Curtis Bova
Director of sales and marketing for Cheyenne Mountain Resort

PART 5:
WHY IT'S IMPORTANT

In addition to having a deeper understanding and appreciation for the needs and desires of your customers, an in-depth analysis of reviews can make a huge impact on your bottom line.

According to "The Impact of Social Media on Lodging Performance" report prepared by Chris Anderson, associate professor and director of the Center for Hospitality Research at Cornell University, a hotel can increase its rate by 11.2 percent and still maintain the same occupancy and market share if it increases its online review scores by one point on a five-point scale.

To put Anderson's findings into perspective, if your 250-room hotel charges $150 per night, you could be pulling in $41,700 in one night as opposed to $37,500 (assuming 100 percent occupancy) if you went from a 4-star property to a 5-star property. Even if that rate didn't fluctuate throughout the year, that's the difference between $13,687,500 and $15,220,500 over the course of a year—or an increase of more than $1.5 million.

250-ROOM HOTEL

	AVERAGE DAILY RATE	PROJECTED DAILY REVENUE	ANNUAL REVENUE
4 Stars	$150	$37,500	$13,687,500
5 Stars	$166.80	$41,700	$15,220,500

In a separate study, this one entitled "Reviews, Reputation, and Revenue: The Case of Yelp.com," Harvard Business School assistant professor Michael Luca writes that each rating star on a Yelp review has a 5 to 9 percent effect on that company's revenue.

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"Luca compared the ratings over time with revenue data from the state of Washington to gauge how reviews impacted restaurants' bottom lines….When the dust settled, Luca determined that each ratings star added on a Yelp review translated to anywhere from a 5 percent to 9 percent effect on revenues (depending on the control variables and means of estimation)—more than he had expected."

Harvard Business School Working Knowledge

For businesses that don't prioritize great customer experiences, there are 10 other companies like yours that do. In a recent study by customer service platform Zendesk, 82 percent of respondents said they stopped doing business with a company due to poor customer service, and 40 percent chose a company's competitor because of that competitor's reputation for great customer service.

PART 6:
WHAT BRANDS CAN DO

In addition to having a deeper understanding and appreciation for the needs and desires of your customers, an in-depth analysis of reviews can make a huge impact on your bottom line.

Here are some simple ways you can leverage the power of peer reviews:

READ EVERY REVIEW.

Remember that the star rating doesn't tell the whole story (recall the example of the dueling five-star reviews that depicted dramatically different experiences?), so be sure to read the commentary accompanying each review to get a more clear picture of what kind of experience that customer had.

BE A SLEUTH.

Identify the "clues" each reviewer leaves behind that can help you create better experiences for your customers. Remember the man who mentioned the unsavory life jackets by the lake? Take a stroll down to the lake to understand more clearly what he might have been unhappy with. Are they hidden and hard to get to, or are they too clunky? It will take some legwork, but by carefully analyzing each review, you will uncover valuable opportunities to improve customer experience.

GO TO THE EXPERTS.

Commit Agency has developed the framework with emotive[x] to carefully analyze reviews and recommend operational and other improvements that will undoubtedly increase your business performance. Through emotive[x], you'll be able to see specific areas for improvement, establish key intersections of impact and deliver more emotive experiences to your customers that translate into higher ratings and increased profit.

In simple terms, you can't afford not to pay attention to your company's reviews. The power of the Connection Economy is stronger than ever before; if you're not paying attention to today's savvy consumers, your competitors will.