

CHAPTER II

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

This chapter will lay the groundwork for the research by investigating relevant theories and prior studies linked to the research variables. The chapter will next walk readers through hypothesis formulation, reinforced by insights from previous research, before concluding with a visual research framework.

2.1 Theoretical Overview

2.1.1 Definition of Variables

2.1.1.1 Online Reviews

An online review contains several types of information, such as review text, review title, and review score (Shimpi et al., 2022). When it comes to industries like hospitality, online reviews have become absolutely critical in the consumer decision-making process. Ahn & Lee (2024) stated that to make decisions, consumers actively seek information that incorporates evaluations and experiences from their fellow consumers, notably through online reviews. Zhang et al. (2022), argue that online reviews impact the booking decision of a customer by a large amount when staying in a hotel. These will be essentially real-life reviews from people who have already visited the place and how it helps other customers choose wisely. Similarly, Luo et al. (2020), highlight the significance of online reviews that fill this information gap and help consumers decide about bookings based on others' experiences.

Tantrabundit (2015), also mention that reviews high on vivid and truthful details have more influence among consumers rather than being emotional or weak in another way. This implies that consumers trust organized reviews when determining the quality of a certain product or service. When ratings indicate that many people have a specific evaluation or have taken certain actions, consumers perceive the information as useful and accurate for their own decision-making and conform to established norms (Ahn & Lee, 2024). Sometimes, people rely more on the negative reviews because they truly represent the experience without exaggerating the story. Also, the reputation and origin of that review matter a lot.

As many different studies have confirmed, reviews that are considered trustworthy and useful (i.e., credible) also appear to affect consumers the most in terms of likelihood to consume.

Indeed, research by Šostar et al. (2024) showed that gender interacts with online reviews to influence consumer response. They discovered that a hotel appears more appealing to both men and women after reading reviews, although this effect was greater for men. This point underscores the reality that different demographics will engage with information online in other ways, which will help determine advertising strategies for businesses.

2.1.1.2 Price

Price is a critical factor influencing consumer behavior, particularly in the context of online hotel bookings. According to Christin & Nugraha (2023), price represents the overall value consumers exchange for the benefits of using a service. They define price as "the aggregate value buyers exchange for the advantage of using the service" and explain that perceived price can significantly impact booking intentions. When the price is perceived as fair or providing high value for money, consumers are more likely to proceed with a purchase.

In online travel agency settings, price transparency and price-quality ratio play essential roles in consumer decision-making. Christin & Nugraha (2023) note that when the quoted price is clear and perceived as fair, it enhances consumer trust and confidence in their purchase decision. Moreover, the price-quality ratio, which reflects the balance between the cost of the service and the quality provided, is a key determinant of whether consumers perceive the service as worth purchasing.

Furthermore, Mao et al. (2023) discuss the role of pricing in dual-channel online travel agencies (OTAs). They explain that pricing strategies can be optimized based on consumer segmentation. For example, price-sensitive consumers may prefer discounted opaque channels where some service details remain hidden until after booking, while less price-sensitive customers might be willing to pay more for transparent offerings. This price discrimination strategy helps OTAs maximize revenue by targeting different types of consumers.

Additionally, Wu et al. (2022) highlight that price plays a significant role in influencing supply chain dynamics. They emphasize that price changes can alter

demand, and this is particularly relevant in the travel industry, where small price differences can make or break a consumer's decision to book. "Price is a powerful tool that can either stimulate demand or push consumers away," they argue, indicating that maintaining an optimal balance between price and value is crucial for booking success.

Research shows that, in many cases, price and trust work together to influence booking intentions. If consumers perceive the price as too low compared to market norms, they may question the credibility of the service and hesitate to complete the booking. On the other hand, fair and transparent pricing reinforces trust and increases the likelihood of a purchase.

2.1.1.3 Trust

Trust is a fundamental element in consumer decision-making, particularly in digital transactions such as online travel bookings. According to Christin and Nugraha (2023), trust in an Online Travel Agency (OTA) is influenced by factors such as online reviews, price transparency, and secure payment options. Trust reduces perceived risk and increases consumer confidence in booking accommodations through digital platforms.

According to Zhou et al. (2024), trust can be defined as "a consumer's confidence in an online platform's ability to deliver reliable, secure, and satisfactory services." This definition highlights that trust is built when consumers perceive a platform as reliable and capable of fulfilling its promises. In the context of OTAs, trust is established through user-friendly interfaces, positive customer service interactions, and verified customer reviews (Rahman, 2023).

Research by Sahu et al. (2024) suggests that trust mediates the relationship between online reviews and purchase decisions. When potential travelers perceive online reviews as credible, they are more likely to trust the OTA, which in turn increases their booking intention. Similarly, Shimpi et al. (2022) highlight that trust in an OTA is strengthened by review authenticity and the presence of secure financial transactions.

Furthermore, Mao et al. (2023) explain that price fairness and consistency play a crucial role in developing trust. Consumers are more likely to trust an OTA when they perceive its pricing strategies as transparent and competitive. If an OTA

frequently alters prices without justification or includes hidden fees, consumer trust declines, leading to lower booking intention.

In summary, trust is a key factor influencing consumer behavior in the OTA industry. It acts as a mediator between online reviews, price, and booking intention, ultimately shaping how consumers engage with digital travel platforms. The establishment of trust relies on transparent pricing, secure payment methods, authentic user reviews, and reliable customer service.

2.1.1.4 Booking Intention

Booking intention refers to a consumer's commitment or likelihood to make a reservation at a hotel or other accommodation. Christin & Nugraha (2023) describe booking intention as a "motivational driver" that indicates how much effort a consumer is willing to invest in securing a reservation. It reflects a consumer's evaluation of the available information, such as online reviews and prices, when deciding whether to proceed with a booking. The likelihood of booking is strongly influenced by a variety of factors, including trust, convenience, and the perceived value of the offer.

Ahmad & Gandhi (2023) add that booking intentions are shaped by both online and offline satisfaction, emphasizing the role of customer satisfaction in fostering a desire to complete a booking. They note that consumers typically assess various attributes of a hotel, such as amenities, services, and price, before making a final decision. The availability of real-time information, such as pricing, reviews, and photos, helps consumers feel more confident about their choices, increasing the chances of following through with a booking.

Zhang et al. (2022) noted that the impact of online reviews on booking intention is particularly significant. They found that detailed and credible reviews play an important role in influencing consumers' decisions. These reviews help mitigate the risks associated with booking accommodations online, especially when the quality of the service is unknown. When reviews are perceived as trustworthy and informative, consumers are more likely to make a reservation.

In addition to these factors, the perceived convenience of the booking process also plays a key role. Witarsana et al. (2024) emphasize that in the post-pandemic era, health and safety protocols, as well as brand credibility, have become essential

considerations for travelers when deciding where to stay. This shift highlights how external factors, such as a hotel's compliance with safety standards, can directly influence booking intentions.

2.2 Previous Research

Table 2. 1
Previous Research

Title	Variables	Research Methodology	Results
The Impact of Online Review and Price on Hotel Booking Intention at Online Travel Agency: Trust as a Mediating Variable (Christin & Nugraha, 2023).	Independent: Online Review and Price Mediation: Trust Dependent: Booking Intention	Sampling method: Questionnaire Criteria sampling: Consumers who are between the 19-37 age range and Consumers had an experience searching hotel information online. Instrument: YES Analysis tools: SEM	H1 is accepted because Trust impacts booking intention. H2a is rejected because online review does not impacts booking intention. H2b is accepted which indicates online review impacts trust. H2c is accepted because Trust mediates the relationship between online review and booking intentions. H3a is accepted which indicates Price impacts booking intention. H3b is accepted because Price

			impacts trust. H3c is accepted because Trust mediates the relationship between price and booking intentions.
Impact of Online Reviews on Hotel Booking for Novice Travelers (Shimpi et al., 2022).	Independent: 1. Online Review Score and Volume 2. Online Review Platform 3. Online Review Expertise 4. Timeliness of Review Mediation: Trust Dependent: Purchase Decision	Sampling method: Survey and Questionnaire. Criteria sampling: travelers, citizens of India and are aged above 18 years who were travelling abroad first time. Instrument: YES Analysis tools: SEM	The study examined how online reviews influence trust and hotel bookings among novice travelers. It found that online review score and volume (H1) and the review platform (H2) positively impact trust. Additionally, reviewer expertise (H3) and review timeliness (H4) further strengthen trust, which directly influences hotel bookings (H5). Trust also plays a mediating role (H6), linking these review factors to travelers' final booking decisions, emphasizing its

			importance in the process.
Impact of Online Reviews on Consumer's Hotel Booking Intentions: Does Brand Image Mediate? (Chakraborty & Biswal, 2020).	Independent: Online Review Credibility Mediation: Brand Image Dependent: Hotel Booking Intention	Sampling method: Questionnaire Criteria sampling: Consumers who have read online hotel reviews before booking Instrument: YES Analysis tools: SEM	All hypotheses accepted. Online reviews positively affect brand image and booking intention.
The effects of brand and online reviews on consumer trust and purchase intentions in developing countries: the case of the online travel agencies in Brazil (Maia et al., 2022)	Independent: 1. Brand 2. Online Reviews Mediation: 1. Reputation 2. Information Quality 3. E-WOM 4. Trust Dependent: Purchase Intention	Sampling method: Questionnaire Criteria sampling: The study used purposive sampling, targeting Brazilian consumers who had experience using online travel agencies (OTAs), either for searching or booking travel services.	H1: Brand → Trust (Accepted) — Strong brands build trust. H2: Online Reviews → Trust (Accepted) — Positive reviews increase trust. H3: Brand → Purchase Intention (Rejected) — No direct effect; brand works through trust. H4: Online Reviews → Purchase

		Instrument: YES Analysis tools: SmartPLS	Intention (Accepted) — Reviews directly influence buying decisions. H5: Trust → Purchase Intention (Accepted) — Trust strongly drives booking behavior.
Effect of Brand Image, Perceived Price, Perceived Trust, and Online Review on Consumers' Intention of Online Hotel Booking in Thailand (Thanapotivirat & Jithpakdeepornrat, 2022).	Independent: 1. Online Review 2. Perceived Price 3. Brand Image Mediation: Trust Dependent: Booking Intention	Sampling method: Online Survey Criteria sampling: Consumers in Thailand who have booked hotels online Instrument: YES Analysis tools: SEM	All hypotheses accepted. Trust mediates between online reviews and booking intention.
Perceived Price and Trustworthiness of Online Reviews: Different Levels of Promotion and Customer Type (Pan et al., 2022).	Independent: 1. Perceived Price 2. Trust in Reviews Moderation: 1. Promotion Type	Sampling method: Online Survey Criteria sampling: Consumers exposed to promotions and online reviews while shopping	All hypotheses accepted. Both variables significantly influence booking intention.

	2. Customer Type	Instrument: YES	
	Dependent: Booking Intention	Analysis tools: SEM	
Impact of Online Reviews on Hotel Booking Intention: The Moderating Role of Brand Image, Star Category, and Price (El-Said, 2020).	Independent: Online Reviews (positive and negative) Moderation: 1. Brand Image 2. Star Category 3. Price Dependent: Booking Intention	Sampling method: Questionnaire Criteria sampling: Hotel bookers who have read online reviews Instrument: YES Analysis tools: SPSS and AMOS	H1: The effect of OCR with PRV on booking intention – Rejected H2: The effect of OCR with NRV on booking intention – Supported H3: The moderating effect of BI on the relationship between NRV and booking intention – Supported
Research on the Impact of Online Review Features on Hotel Customers' Purchase Intention (Yuan & Xu, 2024).	Independent: Review Features (quality, tone, quantity) Mediation: Perceived Risk Dependent: Purchase Intention	Sampling method: Online Survey Criteria sampling: Hotel customers who have referred to online reviews before booking Instrument: YES	All hypotheses accepted. Review features affect intention directly and indirectly via perceived risk.

		Analysis tools:	
		SEM	

2.3 Hypothesis Development

2.3.1 The Influence of Online Reviews on Consumer Trust

According to Christin and Nugraha (2023), online reviews significantly influence consumer trust. Their findings confirm that online reviews positively affect trust, reinforcing the perception that credible and helpful reviews increase consumers' confidence in the service provider. Shimpi et al. (2022) further support this, emphasizing that review score, volume, platform, expertise, and timeliness all strengthen trust. Additionally, Maia et al. (2022) validate this by showing that online reviews have a significant impact on building consumer trust. These findings consistently demonstrate that online reviews are a crucial source of information that helps reduce uncertainty and build credibility. In the context of Traveloka, the more positive and detailed online reviews a hotel receives, the more likely users are to trust that the property matches its description. For example, if many guests mention that a hotel is clean and well-located, new users will perceive the listing as reliable and trustworthy. Based on this evidence, it is reasonable to hypothesize that online reviews significantly influence consumer trust in the context of Traveloka OTA.

H1: Online reviews significantly influence consumer trust.

2.3.2 The Influence of Price on Consumer Trust

Several studies, including Christin and Nugraha (2023), highlight the effect of price on trust, showing that consumers often associate fair or favorable pricing with trustworthiness. Similarly, Pan et al. (2022) also show that perceived price affects consumers' trust in online reviews and booking behavior. These findings suggest that when consumers perceive prices as reasonable and consistent with value, they are more likely to trust the service provider. In the context of online travel agencies like Traveloka, transparent and competitive pricing can serve as a signal of reliability. On Traveloka, if users see consistent and transparent pricing, for instance, no hidden charges during checkout, they are more likely to trust the platform. A hotel offering fair and clear rates compared to similar listings builds a

trustworthy image. Therefore, it is proposed that price significantly influences consumer trust in Traveloka OTA.

H2: Price significantly influences consumer trust.

2.3.3 The Influence of Online Review on Consumer Booking Intention

Christin and Nugraha (2023) found that online reviews did not directly influence booking intention, suggesting that the impact may occur indirectly through trust. However, other studies, such as Maia et al. (2022) and Chakraborty & Biswal (2020), confirm a direct positive influence of online reviews on booking intention. Furthermore, Thanapotivirat & Jithpakdeepornrat (2022) support that online reviews significantly affect booking behavior. These findings imply that consumers often rely on the experiences and evaluations shared by others when making booking decisions. On Traveloka, users often decide to book a hotel after reading positive feedback from previous guests. For example, if multiple reviews highlight a hotel's friendly staff and strategic location, it encourages others to book it confidently. Therefore, it is reasonable to propose that online reviews have a significant effect on booking intention in the context of Traveloka OTA.

H3: Online reviews significantly influence consumer booking intention.

2.3.4 The Influence of Price on Consumer Booking Intention

The direct influence of price on booking intention is evident in Christin and Nugraha (2023), where price positively affected booking intention. Pan et al. (2022) also reported that price plays a key role in influencing booking intention, particularly in the context of promotional strategies. These findings suggest that consumers are more inclined to proceed with a booking when they perceive the price as fair, competitive, or offering good value for money. In highly competitive online travel markets like Traveloka, price often becomes a decisive factor in consumer decision-making. If Traveloka offers limited-time discounts or competitive pricing on certain hotels, consumers are more inclined to book. For instance, a user comparing two similar hotels may choose the one with a lower price, even if it's slightly farther from the city center. Therefore, it is proposed that price significantly influences consumer booking intention.

H4: Price significantly influences consumer booking intention.

2.3.5 The Influence of Trust on Consumer Booking Intention

Trust consistently emerges as a key predictor of booking intention across multiple studies. Christin and Nugraha (2023) confirm that trust positively affects booking intention. Maia et al. (2022) and Shimpi et al. (2022) both emphasize that trust directly and significantly impacts booking behavior. When consumers perceive a platform as trustworthy, they are more likely to feel confident in completing transactions and relying on the services offered. In the context of Traveloka, where consumers may not have prior experience with the hotels listed, trust becomes an essential factor in reducing perceived risk. When a user trusts Traveloka's platform, due to secure payments, reliable customer service, and genuine hotel listings, they are more confident to proceed with bookings. For example, a traveler might choose Traveloka over lesser-known OTAs due to its reputation. Therefore, it is proposed that trust significantly influences consumer booking intention.

H5: Trust significantly influences consumer booking intention.

2.3.6 The Influence of Trust as The Mediation Between Online Reviews and Booking Intention

Christin and Nugraha (2023) found that trust fully mediates the relationship between online reviews and booking intention. Shimpi et al. (2022) also report that trust mediates the effects of online review attributes on booking decisions. Similarly, Thanapotivirat & Jithpakdeepornrat (2022) emphasize trust's mediating role. This consistent support from multiple studies indicates a strong mediating effect. These findings consistently demonstrate that while online reviews provide essential information, it is the trust they generate that ultimately drives booking behavior. On Traveloka, even if reviews are positive, users may not book unless they trust the platform and hotel. For example, users might read glowing reviews but still hesitate unless they believe the reviews are authentic and that Traveloka will protect their booking. Therefore, it is proposed that trust mediates the relationship between online reviews and consumer booking intention.

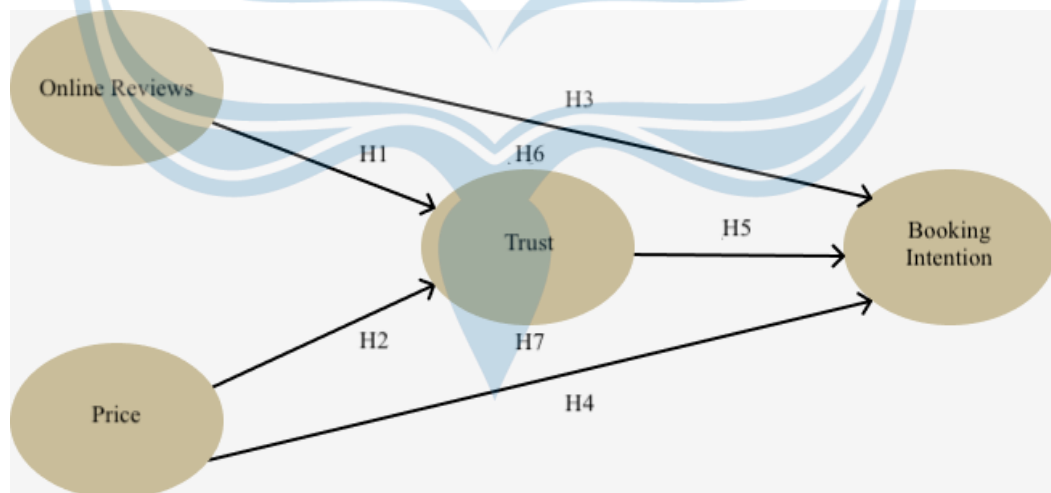
H6: Trust mediates the relationship between online reviews and consumer booking intention.

2.3.7 The Influence of Trust as The Mediation Between Price and Booking Intention

Christin and Nugraha (2023) found that price significantly influences trust and that trust mediates the relationship between price and booking intention. This relationship aligns with prior findings in the literature where trust serves as a crucial intermediary variable, especially in online settings where perceived risk is high. When consumers perceive prices as fair and transparent, they are more likely to develop trust in the platform, which in turn increases their likelihood of completing a booking. Thus, trust plays a pivotal role in translating favorable price perceptions into concrete booking decisions. When Traveloka shows fair and transparent pricing, users begin to trust the platform more, making them more likely to book. For example, if Traveloka consistently applies discounts with clear terms, users feel secure and go ahead with bookings. Therefore, it is proposed that trust mediates the relationship between price and consumer booking intention.

H7: Trust mediates the relationship between price and consumer booking intention.

2.4 Research Framework



Source: Christin & Nugraha (2023)

Figure 2. 1
Research Framework