



**Factors Affecting Customers' Online Purchasing
Decision:
A Study on Five-Star Hotels of Addis Ababa**

By

Yonas Tolesa

**A Thesis Submitted to Addis Ababa University School of
Commerce for the Degree of Master of Arts in Marketing
Management**

Addis Ababa University

School of Commerce

May, 2019

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Approved by Board of Examiners

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Certification

This is to certify that this thesis work, “**The factors affecting customers’ online purchasing decision: the case of Five-star hotels in Addis Ababa**”, undertaken by Yonas Tolesa at Addis Ababa University School of Commerce is original in nature and is suitable for submission for the award of Master of Arts Degree in Marketing Management.

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Declaration

I, Yonas Tolesa, declare that, this work entitled “**The Factors Affecting Customers’ Online Purchasing Decision: The Case of Selected Five-star Hotels in Addis Ababa**”, is the outcome of my own effort and study and that all sources of materials used for the study have been acknowledged. I have produced it independently except for the guidance and suggestions of my Research Advisor.

This study has not been submitted for any degree in this University or any other Universities. It is offered for the award of Master of Arts Degree in Marketing Management.

By: Yonas Tolesa

Signature: _____

Date: _____

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Yonas Tolesa

May, 2019

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Acronyms/ Abbreviations

PII- Personal Identification Information

eWoM- electronic Word of Mouth

ITU- International Telecommunication Union

CRS- Central Reservations System

OTA- Online Travel Agents

MOCT- Ministry of Culture and Tourism

Abstract

Online shopping has increased significantly worldwide. Ethiopia has also experienced an increase in online shopping however, it seems to lag behind the rest of the world where this development is concerned. Research into the factors which affect customers' online purchasing decision is thus imperative in order for Ethiopian hotels to develop the correct marketing strategies for online sales of their accommodation products and services. This research investigates the factors that affect customers' online purchasing decision in the case of five-star hotels of Addis Ababa, Ethiopia. A sample of 350 online accommodation purchasers were used and quantitative research was conducted by means of a structured questionnaire. It was found that online customers' review, online price, and website quality, were viewed by customers as the most important reasons for online purchasing decision, while e-payment, and trust and security were viewed as the least important factor for customers' online purchasing decision in five -star hotels of Addis Ababa, Ethiopia. The research results partially confirmed the model developed by the researcher. Results of the study, as well as recommendations for future research, are presented.

Keywords: e-payment, customers' review, booking, customers' purchasing decision, Online Price

Chapter One

Introduction

1.1. Background to the Study

In the 21st century many people travel across the world than ever before. In relation to this they search for accommodation every night unless they go to their relatives and friends. Among these travelers, some of them book their hotel room through online travel agents, booking agents and online travel advisors. Travelers show an interest to online booking of accommodation with regard to the very safe and guaranteed way, also attempt to evaluate the e-payment system that is, safe and secure with regard to the protection of their privacy such as their personal details. On the other hand, travelers seek information from online trusted sources what have others written on online pages and reviews of others who have already experienced the service provided to them. The other issue travelers get concerned about is, the online price they are being offered to purchase accommodation products. This research tried to find out some of the factor that could affect online customer's purchasing decision while booking accommodation in five-star hotels of Addis Ababa.

The travel sector is rated among the top three product or service categories purchased via the Internet Eric et.al, (2006). With the rapid development of the Internet, Electronic Commerce as a new consumption mode arouses wide attention from every work of life in the society. Booking of accommodation is among the vast activity made online, the online reservation of accommodation is increasing amazingly across the globe with the advancement of information communication technology. According to Quora.com more than 63.5% of bookings are made online. From this 30% of them are made through booking engines such as Expedia, iRoomi, and VRBO. The rest are made through other booking engines like booking.com, Jovago.com and etc. In the meantime, According to World Bank (2017) International tourist arrivals have increased from 25 million globally in 1950 to 1186 million in 2015 and Ethiopia's number of international tourist arrivals has increased

from 103,000 in 1995 to 864,000 in 2015. It is obvious that, today Addis Ababa is home to numerous UN offices, more than 120 international missions and embassies, making the city a hub for international diplomacy concerning Africa and home for numerous NGOs'. The headquarters of the African Union and the UN Economic Commission for Africa (UNECA) are both in the city.

1.2. Background of hotel industry in Ethiopia

History shows that, the development of hotel sector is associated with the prevalence of travel experience by travelers across different part of our planet. Similarly, the development of hotels in Ethiopia is also related with the same reason. Developments in Ethiopia's foreign relations, particularly during the reign of Menelik II had, relatively speaking, an impressive impact in the country, by implanting the seeds of modernization through the importation of European technology and institutions among which "hotel" is one subject. Therefore, its appearance is related with the opening of the society in to the western world. Development of modern hotels in Ethiopia traces back to the 19th century. Etege Taitu hotel, which was built in 1898 (E.C.) at the center of the city (Piazza) is the first hotel in Ethiopia.

It was Taitu Betul (1851-1918), an Ethiopian empress and the wife of emperor Menelik II, established this hotel to provide a place to rest and dine for guests. According to the report of Tourism Commission (1994) from this time up to the Derg reign, the country had owned for about 50 hotels at a national level and out of these only 19 hotels was to be star rated hotels currently, with the emergence of new and modern hotels in the country, the number has grown considerably and there are nearly 500 star rated hotels in Ethiopia MoCT(2010).

1.3. Statement of the problem

According to Belaynew (2012) Ethiopia has small number of Internet users and very small Penetration even by African standard that hindered the use of e-commerce. Even though the use of e-commerce is in place in a very slow pace, the accommodation products and services sellers and providers still need to maximize their online sales of accommodation. However, there has not been done much to find what factors are responsible for the sales of online accommodation products and services that really related with online customers purchasing decision in case of five-star hotels in Addis Ababa. Without finding the factors affecting online shopping it is difficult to develop e-commerce, as well as to identify what is needed to achieve and what criteria the e-commerce should be consistent with. This study analyzed the factors that affect online shopping in Ethiopia, analyzing such e-commercial factors as e-payment system, prices, trust and security, website quality, and customers' review. E-commerce is an inevitable reality as the prime promoter of commerce & trade and become one of the most essential components for current international trade, it greatly changed the ordinary manner of international trade. Thus, it is imperative to search for the major factors affecting consumer's online shopping decision of accommodation on Five-star hotels in Addis Ababa, Ethiopia.

1.4. Main Research Question

What are the factors that can affect customers' online purchasing decision?

Sub Research Questions

This study attempted to study the factors that can affect the online purchasing decision of consumers in Five-star hotels in Addis Ababa. Thus, the following sub research questions are formulated.

1. How does e-payment system affect the customers' online purchasing decision in selected Five-star hotels of Addis Ababa, Ethiopia?
2. How does price affect the online purchasing decision of customers' in selected Five-star hotels of Addis Ababa, Ethiopia?

3. How does the Customers' online review affect the purchasing decision of customers in selected Five-star hotels of Addis Ababa, Ethiopia?
4. How website quality does affect the online purchasing decision of consumers in selected Five-star hotels of Addis Ababa, Ethiopia?
5. How does trust and security affect the online purchasing decision of consumers in in selected Five-star hotels of Addis Ababa, Ethiopia?

1.5. Research Objectives

1.5.1. General objectives

The aim of the study is to investigate factors affecting customers' online purchasing decision in the selected Five-star hotels of Addis Ababa.

1.5.2. Specific Objectives

The study guided by the following specific objectives

1. To identify the effect of e-payment system on the customers' online purchasing decision in the selected five-star rated hotels in Addis Ababa Ethiopia.
2. To determine the effect of online price on customers' online purchasing decision in selected five-star rated hotels in Addis Ababa Ethiopia.
3. To find out the effect of online customers' review on the customers' online purchasing decision in the selected five-star rated hotels in Addis Ababa Ethiopia.
4. To examine the effect of website quality on the customers' online purchasing decision in five-star rated hotels in Addis Ababa Ethiopia.
5. To determine the effect of trust and security on the customers' online purchasing decision in selected five-star rated hotels in Addis Ababa Ethiopia.

1.6. Significance of the study

By acquiring an understanding of the factors affecting customer's online purchasing decision in selected five-Star hotels in Addis Ababa, primarily hoteliers are the first to line up their marketing strategy with respect to the need of their online customers

in return that can make a delighted customer who just spends more in using the services and products of the hotel. So that, this brings the profit they intend to earn at the end. The study will also have a paramount importance for the Ethiopian government to identify and re-evaluate its e-commerce activity and set appropriate directions to the problems and strives for alleviating related issues with the growth of e-commerce in Ethiopia. Online travel agents will be other beneficiaries of this study with respect to getting accustomed with what the online customers demand for their purchase decisions. Moreover, researchers will also be using the findings as springboard for further studies to be conducted.

1.7. Scope of the study

Due to the broad nature of the study, accessing all the literature concerning customers' online purchasing decision making is very voluminous. Thus, the study hovered in a limited aspect within the literature, thereby this research focused on the factors affecting customers' online purchasing decision making on accommodation products and services. The questionnaires were distributed to local and foreign guests who just made their booking online and were addressed in hotels upon check-in at the front desk and during their stay in the hotel. Conceptually the study covered assessment of guests in Five-star rated hotels of Addis Ababa under study. Geographically the study covered Five-star rated hotels only in the capital city, i.e. Addis Ababa.

1.8. Limitation of the Study

As the concern of this study was about the e-commerce activity in Five-star hotels in Addis Ababa i.e. customers purchasing decision on booking of accommodation products online. The limitation of this study was difficulty and inadequacy of data in finding different literatures that are related with the e-commerce activities in Ethiopia and no any supportive sources that lead to benchmarking of my research. The other limitation was shortage of time and money that limit the activities in searching this study.

1.9. Operational definition of terms

Accommodation: a place of temporary lodging or a room or group of rooms, building in which someone may live or stay

Booking: an act of reserving accommodation

Price: The amount of money consumers must give up to get the product/service.

Trust: a positive belief about the reliability and dependability of a person or an object.

Online Reviews: is an electronic word of mouth communication that is written on booking engines' pages on the internet.

Electronic payment: is defined as digital payments that are made over internet for electronic commerce activities.

Rate: the price quoted for accommodation.

1.9. Organization of the Paper

This research paper presents 5 chapters. The first chapter is an introduction part. The second chapter is the review of related literature in which reviews the literature on the subject being researched. The third chapter is methodology part in which the research specifies the research method and the way it was conducted i.e. how the data were collected and the treatment of the data, the fourth chapter presented the analysis of the findings and the last chapter i.e. the fifth contained the recommendation and conclusion made by the researcher.

Chapter Two

Review of Related Literatures

2.1 Introduction

This chapter presents a review of literature regarding the topic “factors affecting customer’s online purchasing decision” in the study. It covers; what online booking of accommodation mean, characteristics of online shoppers, consumer’s decision-making process for online purchasing decision of travel products. It seeks to assist understanding the identification of factors determining the purchasing decision of customers online for accommodation products. Here it is mentioned that many literatures, concepts related to the e-commerce activity in Ethiopia and the affecting factors to it.

2.2 Theoretical Review

2.2.1 E-commerce concept

Definitions and Focus Concepts such as e-business, e-commerce, Internet economy, digital economy, and new economy are relatively recent constructs. Therefore, they have no common interpretation as yet Wirtz (2001). Their use and importance, however, reflect rapid development in the use of the Internet and new information and communication technologies (ICTs). “E-commerce” and “e-business” are application forms of the Internet economy. “e-business” can be defined as follows: business processes, commercial activities, or other economic tasks conducted over the Internet or computer mediated networks (Intranet, etc.). E-business processes are carried out using ICT equipment and applications. In this respect, e-business and e-commerce are components of ICT use. Among all the different definitions of “ecommerce” Wirtz (2001) is probably the most common, because it has been agreed on by all member countries. The definition is operational, that is, it is being used as a basis of statistics and indicators.

An electronic transaction is the sale or purchase of goods or services, whether between businesses, households, individuals, governments, and other public or

private organizations, conducted over computer-mediated networks. The goods and services are ordered over those networks, but the payment and the ultimate delivery of the good or service may be conducted on- or off-line Wirtz (2001).

2.2.3 Online Booking in Hotels

Every year, around 148.3 million travel bookings were made on the Internet Statistic Brain (2016). More and more travelers use the Internet to find hotel information for their holiday. The most popular online hotel booking channels are hotel website and online travel agent website. Statistics shows that 65.4% of tourists prefer to book hotel accommodation through the brand or official website. 19.5% prefer to book from merchant website like Travelocity and Expedia statistic brain (2016). However, there is still a limited number of booking through hotel website Statistic Brain (2016). Online travel booking has not been fully embraced by many travelers because of various reasons including lack of secure methods of payment, the need for human interaction and personal services and little confidence in technology Peng, et, al. (2013). In this regard, travelers have their booking done by travel agents as opposed to online booking because of the social interface, expertise and save time to carry out research. There are three factors that influence traveler's preference for online booking. According to Magnini (2011), the major motivation of online reservation for complex services and products for example accommodation, events, attractions and activities is driven by information factors such as comprehensive information and obtainability, while booking for less complex services and products for instance air tickets are driven by transactional goals such as price and rewards. Many consumers are becoming more aware and concerned of their purchasing behaviors in the present business environment. This is especially true if customers have to compare product and service offerings in the Internet before purchasing.

2.2.4 Online shopping

Online shopping also known as online purchasing or online consume, refers to the consumption process by which customers satisfy shopping demand through internet. online shopping can be defined as the process of sellers delivering products or

service to clients, and the elements of information flow, capital flow, logistics that are relevant to this delivering process and every links of overall process are finished with the help of internet iResearch, (2009). Online purchasing in this thesis is mainly determined as a real purchasing behavior that customers meet demand on the basis of internet technology implementation.

As the development of internet technology and the improvement of e-commerce market, online shopping becomes a brand-new individual consumption pattern for buyers and receives a growing number of attentions from public. In recent years, there is a great deal of scholars doing research on influencing factors for customer online purchasing behavior from different aspects.

2.3 Empirical Review

The Internet has been, and is continuously, changing the ways in which the hospitality and tourism industry plans, controls, operates, and integrates a majority of its business activities, including its marketing activities Kasavana (1997). Kasavana (1997) also explained that, with the popularization of computers through the Internet, travel product suppliers such as airlines, car rental companies, and hotels have grasped the opportunity to revolutionize their traditional distribution methods by launching their products directly on the Internet.

Empirical researches showed that there are many factors that can affect the decision making of online travelers to purchase travel services and products. One of the first factor is the 'e-payment' system for purchasing services and products online. Wondeson and Tegai (2005) explained that, one of the major challenges of e-commerce in Ethiopia is e-payment system. Which still need to take into account the need of multilateral security i.e. security needs of all participating parties in the e-payment system must be given due attention. An e-payment system that is not secured may not get trust from its users where, trust is one of the crucial factors for the acceptance of e-payment system. The second factor is online 'reviews' written by hotel guests. Based on the assumption that the number of reviews per room for a hotel corresponds to sales per room, Ogut and Tas (2012) assessed the effect of

review scores and star ratings on not only hotel room sales but also price. Ye, et al., (2011) investigated a hotel consumer review website and found that a 10% increase in travel review ratings increases online hotel bookings by more than 5%. With regard to product sales in tourism and hospitality, several researchers estimated the changes of market share in hotels Duverger, (2013), Xie, et al. (2012) and restaurants Zhang et al. (2010) by considering the characteristics of online reviews. Several tourism and hospitality researchers explored travelers' responses to online reviews, which focuses on the trustiness, helpfulness, and usefulness of reviews Racherla & Friske (2012) Wei et al. (2013). In the study made by Wei, et al., (2013) revealed that positive consumer reviews affect the online purchasing decision.

The price quoted online is also the third factor that can affect the consumers' decision of purchasing accommodation products. Heim and Sinha, (2001) pointed out that price is a critical factor for customer on online shopping. However, Li et al. (1999) argued that often online shoppers were not price-sensitive, cause of these consumers' price comparisons among different e-retailers on each product and service was time-consuming and the price difference was very small. In an empirical study by Wang and Law (2005), it was highlighted that customers would consider making an online hotel reservation if the hotel offered a discount rate to its online customers. According to Kim et al. (2012) price, defined as the perceived level of price of one vendor compared to the prices offered by others positively influences repeat purchase intentions with online shopping. Their study reveals that more than 82% of the respondents viewed price as an important factor when making decisions for online hotel reservations in China. This is in line with another study by Broekhuizen and Huizingh (2009) that pointed out consumers expected lower prices from online stores compared to the bricks and mortar stores. The fourth factor affecting customers online purchase decision is 'trust'. A research made by Kim et al. (2008) explains that, there are factors found to be influential in online purchase decision making, these are trust and risk. Consumers purchase products and services online whenever they are in real trust of the company selling online.

2.3.1 E-Commerce in Ethiopia

According to Licker & Motts (2000) there is a big gap in Internet and e-commerce adoption between the developed and developing countries. A report by the international telecommunications union ITU-World Telecommunication Indicators (1995) shows that developing countries like Ethiopia were represented to be among the least developed in terms of the state of their telecommunication networks and limited range of services offered. Low level of internet penetration and poorly developed telecommunication infrastructure impede smooth development and improvements of e-commerce in Ethiopia. This statement supported by Lishan, (2009/10), who pointed out that Ethiopia's ICT sector remains far behind the rest of the world.

With the increasing number of independent travelers, airlines and hotels have also taken advantage of the do-it-yourself culture to reduce their administrative costs by allowing customers to make reservations via the Internet Law & Leung (2000). Airline companies have established their own Websites directly selling services online Law & Leung, (2000). Similarly, many hotels have implemented their own Websites where hotel rooms can be booked over the Internet Morrison et al. (1999) and O'Connor & Frew (2000). Hensdill (1998) described the Web as, "A perfect medium for selling travel." Though, the Internet is a widely used marketing tool and electronic distribution channel in the planet, still it is insignificantly practiced marketing tool in Ethiopia.

2.4 Consumer decision making

In the modern world, where consumers are alert to market changes around the globe, marketers need to understand the dynamics of the consumer decision making process. While the process and the internal and external factors affecting decision-making would vary from person to person and within the same person from situation to situation, the study of consumer behavior attempts to draw certain generalizations. A decision is defined as choosing an option out of the few/many available. Schiffman and Kanuk, (1997) explained decision making is the process of choosing between

two or more alternatives, it is the selection of an alternative out of the few/many choices that are available. The present studies of consumer behavior focus on how individuals make decisions to spend their available resources such as time, money, and effort on consumption-related products and services. Solomon (1996) pointed out that Consumer behavior is a study of the processes involved when individuals or groups select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires. Du Plessis et al., (1991) explained that consumer decision making could be defined as the “behavior patterns of consumers that precede, determine and follow on the decision process for the acquisition of need satisfying products, ideas or services”. Belch (1998) defines ‘the process and activities people engage in when searching for, selecting, purchasing, using, evaluating, and disposing of products and services so as to satisfy their needs and desires’. Behavior occurs either for the individual, or in the context of a group, or an organization. Consumer behavior involves the use and disposal of products as well as the study of how they are purchased. A consumer purchase is actually a response to a problem. Consumer Decision Making pertains to making decisions regarding product and service offerings. From the perspectives of consumer buying decision there are many models that how the varying orientations impact the buying decision process and overall buyer behavior.

Models aim to depict the purchase decision-making process and its influential factors and various models have been proposed by numbers of researchers regarding consumer buying decision for all kinds of products/ services. Though there are various models here I am going to mention the one well-known models, these are Howard-Sheth Model is the most acceptable and empirically tested model which was developed in 1969. As Horton (1984) explained the Howard-Sheth model explains the decision-making process in order but was not perfect as it does not explain all buyer behavior, it is however, a comprehensive theory of buyer behavior that has been developed as a result of empirical research. This model explains the importance

of inputs to the consumer buying process and suggests ways in which the consumer orders these inputs before making a final decision.

Vast numbers of studies have investigated the issue of decision making and many models have been developed accordingly. Theories of consumer decision making have evolved over time. Among the theories one is based on rational choice theories known as the economic view, assuming that individuals act completely rationally to maximize their benefits in a purchase situation Schiffman and Kanuk, (1997). This view supposes a rational decision maker who has well-defined preferences and a clear choice set. Each alternative in the choice set has a utility that is only dependent on the option. Any consumer is able to compute which option will maximize his or her utility and makes a choice accordingly.

The consumer buying decision models refer to varying orientations and perspectives with which consumers approach the marketplace and how/why they behave as they do. They refer to how the varying orientations impact the buying decision process and overall buyer behavior.

2.5 purchase decision-making processes

Online purchase decision making process can be characterized as being to some extent ad-hoc, including both formal and informal sub-processes, as well as being unstructured and highly dynamic.

Online purchase decision making is unstructured as consumers do not follow a predefined set procedure. "Internet choice behavior is dynamic and consists of an evolving series of interrelated choices, where both consumer and marketer can play a role in shaping the context of subsequent choice events depending upon the outcome of earlier encounters" Bucklin et al., (2002).

According to the theory of consumer behavior, traditional buying process is divided into five stages, which are Need Recognition, Information Search, Evaluation of Alternatives, Purchase, and Post-Purchase Behavior Kotler and Armstrong, (2011). Online shopping process begins with purchasing motivation, which formed by the effects from both internal and external stimulations Fagerstrom et al, (2011). On

one hand, customers' demand for a sort of commodity or service is the prerequisite of consume confirmation; on the other hand, such as web design and friends' recommendation are the external poignant factors (Rohm et al, 2004). After the composition of buying motivation, rational clients will filter the effective information from messages of sufficient product lists to achieve transaction. There are plenty of factors influencing consumer decision making process. The buyer decision process passes through five stages Kotler (2003) which is show in the following Figure.

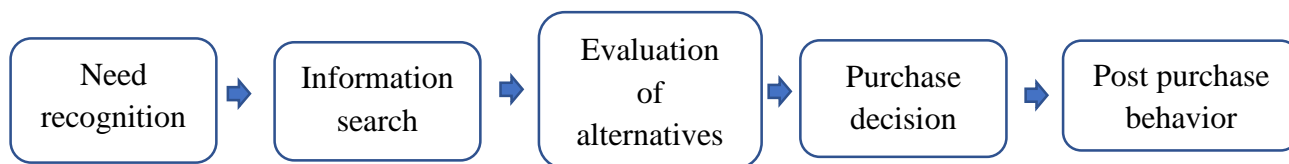


Figure 1 Customers' Decision-Making Process

2.6 Conceptual Framework and Hypothesis of the Study

2.6.1. Conceptual Framework

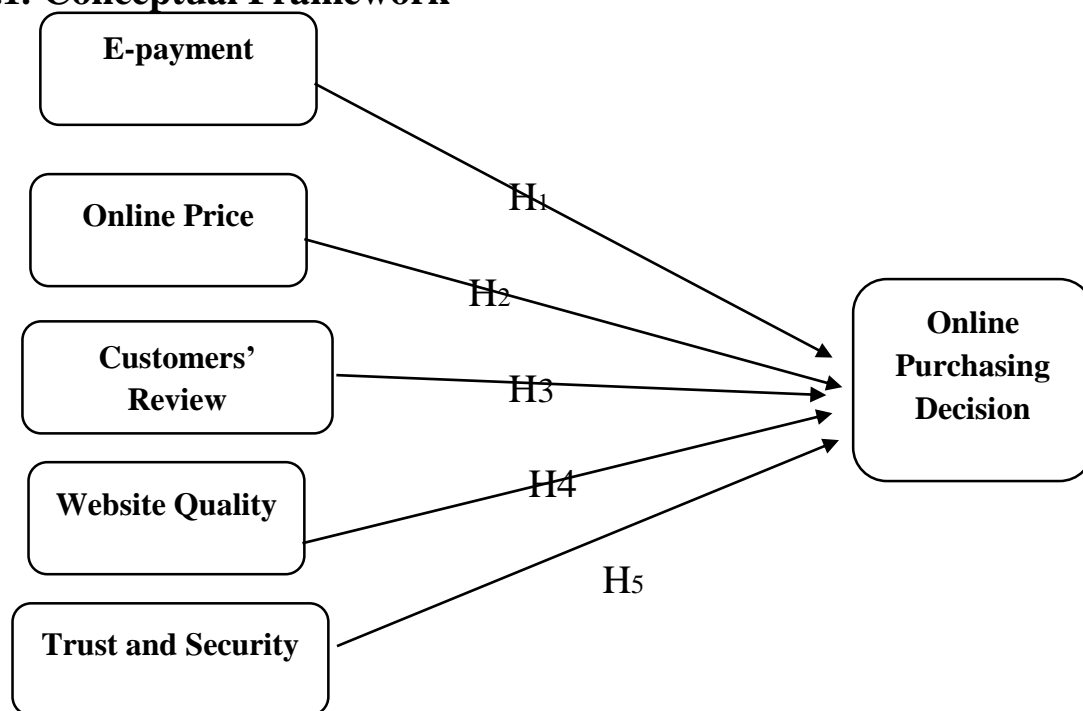


Figure 2: Conceptual Framework (Developed from literatures)

2.6.2. Hypothesis of the Study

S/No.	Hypothesis
1.	H1- e-payment has a positive and significant effect on customers' online purchasing decision
2.	H2- online price has a positive and significant effect on customers' online purchasing decision
3.	H3- website quality has a positive and significant effect on customers' online purchasing decision
4.	H4- Customers' review has a positive and significant effect on customers' online purchasing decision
5.	H5- Trust and security has a positive and significant effect on customers' online purchasing decision

2.6.3. E-payment

Electronic payment is defined as digital payments that are made over internet for electronic commerce activities. Webster's new world dictionary defines electronic payment as making payments electronically rather than in person. Electronic payment systems are generally classified into four categories; credit cards and debit cards; electronic cash; Micropayment systems; and session-level protocols for secure communications. A secure electronic financial transaction has to meet four requirements; ensure that communications are private; verify that the client and server are who each claim to be; and ensure that data to be transferred by the signed author. With the growing complexities in the e-commerce transactions, different electronic payment systems have appeared in the last few years. At least dozens of electronic payment systems are already in practice Murthy, (2002). Murthy (2002) explained six types of electronic payment systems: (1) PC-Banking (2) Credit Cards (3) Electronic Cheques (i-cheques) (4) Micro payment (5) Smart Cards and (6) E-Cash. According to Wondesen and Tsegai (2005) Payment is generally understood as a transfer of funds from the payer to the payee and electronic payment is a payment carried out electronically. The European Central Bank defines e-payment as "a payment that is initiated, processed and received

electronically “. In e-payment funds are held, processed and received in the form of digital information.

The major components of e-payment system are money transfer applications, network infrastructures, and rules & procedures governing the use of the system. Customers and merchants are the major actors of e-payment systems. Most of the time, banks and trusted third party or intermediaries may also participate in e-payment systems. E-payments greatly increase payment efficiency by reducing transaction costs and enabling trade in goods and services of very low value. They may also increase the convenience of making payments by enabling them to be made swiftly and remotely from various devices connected to global networks.

Thus, it is very crucial that having a secure e-payment system would bring a great benefit to Ethiopia as it enhances the exchange of not only accommodation products but also for other e-marketing activities. Therefore, the following hypothesis is formulated.

H1: E-payment has a positive and significant effect on customers’ online purchasing decision on Five-star hotels Addis Ababa, Ethiopia.

2.6.4. Online Price

According to Zeithaml, (1988) from the consumer's perspective, price represents the amount of money consumers must give up to get the product/service. Many consumers use price as a quality-signaling cue reflecting the conventional wisdom that “you get what you pay for” Erickson & Johansson (1985). Consumers do not always remember actual prices of products. Instead, they encode prices in way that are meaningful to them. Kim et al. (2012) explained, in the online shopping, customers tend to compare the objective prices (price offered by the current vendor) with reference prices (price offered by other vendors) and then form their perceptions of price. Price, as a heuristic cue, is more readily observable than quality Yoon et al. (2014). Bojanic (1996) pointed out that under the competitive environment, reasonable prices help hotels achieve a sustainable advantage within their product markets Instead of a single price, and consumers usually have a range

of prices that are acceptable for an intended purchase. In an empirical study by Wong and Law (2005), it was highlighted that customers would consider making an online hotel reservation if the hotel offered a discount rate to its online customers.

Heim and Sinha, (2001) pointed out that price is a critical factor for customer on online shopping. However, Li et al. (1999) argued that often online shoppers were not price-sensitive, cause of these consumers' price comparisons among different e-retailers on each product and service was time-consuming and the price difference was very small. According to Kim et al. (2012) price is defined as the level of price of one vendor compared to the prices offered by others positively influences repeat purchase intentions with online shopping. Their study reveals that more than 82% of the respondents viewed price as an important factor when making decisions for online hotel reservations. This is in line with another study by Broekhuizen and Huizingh (2009) that pointed out, consumers expected lower prices from online stores compared to the bricks and mortar stores. Researches show that revenue management policies and pricing strategies in the hotel sector are failing to achieve their objectives, as customers become more sophisticated in their purchasing behaviors. Travelers are taking advantage of multiple distribution channels to find the 'best deals' online Chen and Schwartz (2013). While it is clear that online customers are sensitive to hotel room rates Law et al. (2007), the extent to which different market segments including first-time and repeat customers, business, and leisure travelers respond to hotel pricing strategies. To conclude price is one of the decisive factor that service and product consumers take in to account always in order to make purchasing decision. Therefor the following hypothesis is formulated.

H2: Price has a positive and significant effect on customers' online purchasing decision on Five-star hotels in Addis Ababa, Ethiopia.

2.6.5. Customer's reviews

Current consumers largely consider online consumer reviews as a form of eWOM/ electronic word of mouth in a decision-making process to purchase products online and offline. Online reviews enable people to obtain detailed information with high trustworthiness and credibility compared to information provided by marketers. Based on the importance of online reviews, a number of researchers in marketing and information systems have concerned the characteristics of reviews and reviewers to estimate the effect of online reviews on their decision behavior.

First of all, electronic word of mouth is not necessarily direct or oral because customers write their impressions on the net and they do not vanish immediately; on the contrary, other consumers can consult these reviews even after a long period of time Buttle (1998) and Breazeale, (2008). In the electronic environment, the opinions that consumers post on the Web are seen by millions, are available for long periods of time, and may be encountered by purchasers at precisely the time they are electronically searching for information about a particular product or service Ward and Ostrom, (2002). Secondly, electronic word of mouth communication is not limited to brands, products or services but can be related to an organization, destination, etc. Buttle, (1998). Thirdly, although electronic word of mouth remains a source of information from the company and different from advertising, it is sometimes incentivized and rewarded Buttle, (1998). This can create some problems with the credibility of the message, as the source of the message is unknown. In fact, in electronic word of mouth communication the information comes from individuals who have little or no prior relationship with the seeker Xia, Bechwati, 2008; Schindler, Bickart, (2005). It is difficult for the consumer to determine the credibility of the message when it comes from total strangers Chatterjee (2001) with diverse backgrounds Litvin et al. (2008). For this reason, sometimes online travel intermediaries require reviewers to provide personal identifying information (PII) (e.g., name, state of residence, gender, and date of visit/stay) Xie et al. (2010). This is the case Trip advisor, for example.

According to the researches made Online reviews on specific websites, company websites, blogs and communities influence various steps of the consumer decision-making and purchasing processes Park et al. (2005).

The nature of tourism and hospitality product is inherently experiential, intangible, and heterogeneous that makes it hard for people to estimate the quality of products before actually purchasing them. Thus, travelers actively seek detailed and reliable information to alleviate the level of uncertainty in the decision-making process. According to Litvin, et al. (2008) online reviews written by other consumers allow travelers to obtain sophisticated information as well as acquire indirect experience of tourism consumption. Therefore, the following hypothesis is formulated.

H3: Customers' Review has a positive and significant effect on customers' online purchasing decision on Five-star hotels in Addis Ababa, Ethiopia.

2.6.6. Website Quality

As the transaction platform, commercial website plays a particularly important role in the e-commerce market Liu (2000). A high-quality website not only has a formidable function of product search, but also to reduce the time for network shopping. While the comprehensive information, the decoration, and the overall functionality of the site could profoundly affect customer online shopping decision, at the same time enhancing the sales of online shop. According to Chang and Chen (2008), website quality can be regarded as users' evaluation of whether a website's features up to standard and expose the whole performance of the web site. It presents the importance of customers in judging website performance Bai et al., (2008). There are two factors reveal the usefulness and effectiveness of hotel websites: functionality and usability Au Yeung and Law (2004). The functionality refers to the viewpoints of right content, while usability reflects whether or not the website is efficient and pleasurable for the displaying products/services Wang et al. (2015).

The hotel's website system usually performs two functions. First, is to provide information to customers to make their purchasing decisions online. The efficiency

of the information provided may influence customer's satisfaction leading to loyalty towards the website. Second, it facilitates the purchase of products offered Crnojevac et al. (2010). From a consumer's point of view, online booking creates by providing useful information at no cost. From a manager's perspective, the main aim of operating a website is to collect revenue via online businesses. Online exchanges between customers will benefit hotels as more customers will be attracted to the website. The development of information communication technologies particularly the Internet led to the emergence of new crop of tourists who were less interested in mass tourism packages. They are more sophisticated and independent utilizing different tools to plan their itineraries. With the primary aim of satisfying their needs, these tourists will utilize hotel reservation system, social media platforms such as Twitter and Facebook, search engines including Google and destination managing systems Hashim, & Law, (2007). Moreover, portals such as Trip Advisor and Wynn are used to compare services and prices for different hotels.

A consumer's purchase intent depends on his/her levels of satisfaction and degree of trust on the web Flavián, et, al. (2006). The functioning of web design plays an important role now. Consumers expect websites that are informative, attractive and engaging. Usability, security, personalization, usefulness, responsiveness and information content are the dimensions of web quality as classified Law & Cheung, (2005). In the study carried out by Law and Cheung's on the most important factor on a hotel's website, information regarding reservation was found to be the most important. In order to be successful, websites should therefore, capture relevant information about customer preferences to enable them provide personalized services. Therefore, the following hypothesis is formulated.

H4: Website quality has a positive and significant effect on customers' online purchasing decision on Five-star hotels in Addis Ababa, Ethiopia.

2.6.5 Trust and security

Trust is one of the central features of buyer-seller relationships. The role of trust in social exchange relations has been the subject of researchers' interests Wu et al. (2010). Trust refers to a positive belief about the reliability and dependability of a person or an object Everard & Galletta, (2006). Trust builds when the customer has confidence in a service provider's reliability and integrity Kim, (2009). Consumers' trust in the service providers can help reduce their cognitive risk and insecurity and thus enable the maintenance of the long-term relationship Gefen (2000). Mansour et al. (2014) explained that, the more a customer trusts a website, the lower the perceived online transaction risk, and the greater the decision to purchase on that website. In online hotel booking, customers might be vulnerable to accommodations and services provided by the hoteliers. Customers expect that hotel will deliver services as promised on the website and the expectation is dependent on the trust the customer has on the hotel. Therefore, a hotel can employ trust as a powerful marketing tool to build customer loyalty Kim et al., (2009). E-commerce would fail if Internet users feel on lacking a great degree of confidence. The primary reason indicated of the most buyers who didn't shop online cause of afraid to reveal personal credit card information to retailers or over the internet Rao (2000). According to Lewis and Semejn, (1998), trust and security is the main concern for many consumers, particularly when planning leisure travel. Lack of trust is one of the most frequently cited reasons for consumers not shopping on the Internet Turban et al. (2002).

Security is one of the most challenging and critical issues facing online system today. Yang and Jun (2002) argued that both Internet purchasers and Internet non-purchasers consider security as their most critical concern. For those who decline to purchase online, the most significant reason was their fear of security. Shim et al. (2001) and Jeong and Lambert (2001) also supported the idea that online retailers need to build secure websites since Internet users hesitate to purchase

products or services online due to security concerns. Therefore, the following hypothesis is formulated.

H5: Trust and security has a positive and significant effect on customers' online purchasing decision on Five-star hotels in Addis Ababa, Ethiopia.

Chapter Three

Research Methodology

3.1 Introduction

This chapter focuses on the theoretical perspective of the research and justifies the selection of the relevant methodology and the methods adopted in achieving the specific aim and objectives of this study. Highlights the methodologies used in the study starting with topics related to research, design, research approach; data type and sources, target population, sampling procedures and sample size, data collection technique, method of data presentation and analysis, issues of reliability and validity and finally the ethical concerns in carrying out this research. The following sections discuss each step in detail.

3.2 Research Approach

In order to analyze the factors affecting online customers purchasing decision in Five-star hotels, this study used quantitative type of research methodology. Quantitative methods research refers to studies in which researchers utilize quantitative techniques, integrate findings, and draw inferences from the quantitative components. Researchers have been conducting quantitative methods research for decades, yet it has recently become more prominent as a form of inquiry. Quantitative research fields are more mature and researchers have agreed upon designs, sampling techniques, and so on. There is much agreement in the quantitative methods field on many of these topics, and there are multiple ideas available regarding the different steps of the research process. Quantitative research is good design to use if you seek to build on the strengths of quantitative data Creswell (2012).

3.3 Research Design

This research described and analyzed factors affecting the online purchase decision in the selected 6 Five-star hotels in Addis Ababa, Ethiopia. In order to answer the problem statement and meet the research objectives, the design of the study is descriptive and explanatory type. Descriptive research studies are those studies which are concerned with describing the characteristics of a particular individual, or of a group. Simply reported what has happened or what is happening Kothari, (2004). Explanatory designs seek to establish cause-and-effect relationships. Explanatory studies are characterized by research hypotheses that specify the nature and direction of the relationships between or among variables being studied. The methodology employed a system in obtaining information about their decision behavior in hotel through a survey conducted at a sample of the general consumer population. The survey questionnaire designed and distributed to target respondents. Targeted respondents were those who are at the legal age to use a hotel service in any of the Five-star hotels. In order for the research to produce a realistic outcome, the collection of data has been distributed over a large population. Thus, the survey questionnaires were designed to apply to a heterogeneous population, where targeted respondents come from different foreign countries (from difference genders, races, age groups, marital status, education backgrounds, designations and professionalisms).

3.4 Data collection Instruments

The layout of the questionnaire has been kept very simple to encourage meaningful participation by the respondents. The questionnaire is developed from other findings related with the topic of this research mainly Leboo (2015). For an easy understanding and reading, the questionnaire was designed into three parts. The first part of the questionnaire has taken consideration in the demographic factor of the respondents. The second part of the questionnaire was required the respondent to rate the decision-

making level of the hotel they have chosen or attached with into a five-point pre-defined Likert scale - “Strongly Disagree”, “Disagree”, “Neutral/No Comment”, “Agree” and “Strongly Agree”. All the data collected will be feed into the Statistical Package for the Social Sciences (SPSS).

3.5 Sources of Data

The study employed both primary and secondary sources of data collection. Primary data was collected using structured. The secondary data was collected from different books, journals, articles, previous studies and the internet.

3.6 Units of Analysis

The unit of analysis in this study were individual respondents who are foreign customers of the hotels who book their accommodation online.

3.7 Population and Sampling Design

3.7.1 Population

As per the information collected from Ministry of Culture and Tourism bureau there are seven Five-star hotels found in Ethiopia, 6 of them in are Addis Ababa and 1 in Bishoftu. study was conducted only on the all Five-star hotels of Addis Ababa.

Table 1: The Current five-star hotels: as of January 2019

SN	Name of the Hotels
1	Sheraton Addis Hotel
2	Ellily International Hotel
3	Capital Hotel & Spa
4	Radisson Blu
5	Golden Tulip
6	Getfam International Hotel

3.7.2 Sampling Method

The study used non-probability sampling techniques which are purposive & convenience that are used to select the sampled hotels and the willing customers from the selected hotels respectively. Purposive sampling involves selection of particular units of the universe for constituting a sample which represents the universe Anol (2012). Because of the expected large number of sample unit, time and cost constraint, the sample was drawn from the targeted population by using convenience-sampling technique. Although, non-probability sampling has problems related to selection bias, in small inquiries and researches by individuals, the sampling technique can be adopted Kothari (2004).

3.7.3 Sample size

As mentioned in the above section, the researcher used purposive sampling method selected sampled hotels from the total population. Therefore, out of the total population, the researcher has taken sample size of all five-star hotels the choice of sample size was determined by the insight, judgment, experience or financial resource of the researcher. Thus, the researcher should consider available fund and time used by similar past studies and own judgment to determine the sample size. The sample was selected guests from each selected hotel, using the following formula.

$$n = \frac{Z^2 (pq)}{e^2}$$

Where n = required sample size

Z = is a measure of degree of confidence level at 95% (i.e. 1.96)2

P = is a measure of probability of inclusion positive response (0.5)

q = Probability of negative response (0.5)

$$e = \text{Tolerable error } (0.05)2 \quad \frac{(1.96)^2(0.5*0.5)}{(0.05)^2} = 384.16 \approx 384$$

Given that, the sample size for this study is determined by using the estimation formula developed by Cochran (1963), cited by Israel (2009). The reason for choosing this formula was that; it is mostly used by other researchers to measure customer's decision making process and the total number of population of this enquiry is also infinite. The research questioner was distributed to 384 customers in the 6 of the five-star hotels equally hoping that the distribution of customers doesn't vary significantly. Out of these 350 questionnaires were effective.

3.8 Data Analysis

The study utilized both descriptive and inferential tools in analyzing the data. The data was edited and coded. In order to facilitate the interpretation, the finding of the study both descriptive and inferential statistic was employed in analyzing this study and the coded data was then processed. Tables, percentage and multiple linear regression were specifically used in the study.

3.9 Reliability

Reliability, Reliability refers to the consistency between multiple measurements of variables Hair et al. (2010). Internal consistency is a common form of reliability measurement by which reliability is measured based on the correlation among variables consists with the scale Hair et al., (2010). An instrument is reliable when all items in the instrument are highly correlated, meaning that the instrument intends to measure the same construct Hair et al. (2010). This study adopted the Cronbach's alpha, which is a common method to estimate the internal consistency of the entire instrument. A value of 0.60 is the recommended threshold of Cronbach's alpha value as suggested by Hair et al. (2010).

3.10 Ethical consideration

In the context of research, according to Saunders, et.al (2001), "ethics refers to the appropriateness of your behavior in relation to the rights of those who become the subject of your work or are affected by it. Participants should be given the choice to participate or not to participate, and furthermore be informed in advance about the

nature of the study. The nature and quality of participants and performance must be kept strictly confidential. Also, the findings must be reported with a complete and honest fashion, without misrepresenting what has been done or intentionally misleading others as to the nature of it. The data is not fabricated to support a particular conclusion. Good research practice offers confidentiality or anonymity, as this will lead to participants giving more open and honest responses.

Chapter Four

Results and Discussions

This chapter presents the findings of the study. It also analyses and discusses the findings.

4.1 Chapter Overview

This quantitative research attempted to examine and analyze the factors affecting customers' online purchasing decision the case of selected Five-star hotels in Addis Ababa. The data collected were presented, analyzed and interpreted using IBM SPSS Statistics 24 software version. Given that all of the independent and dependent variables of the study have been measured in ordinal scale and given that the aim of investigation to test the relationship between the independent and dependent variables of the study; therefore, the most appropriate statistical testing for testing the hypothesis of the study is Pearson's correlation testing and multiple linear regression model.

4.2 Respondents response rate

Out of the 384 administered questionnaires, 34 were discarded because left unfilled/refused, the rest 350 are duly filled and returned questionnaires which represent a response rate of 91.2%. This response rate was good enough to make conclusions for the study. A response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent Mugenda (1999).

4.3 Findings on Respondent's Profile

This section aims at gathering basic information on the subject. The information sought includes gender, age, and education level, marital status, purpose of visit and from whom the respondents got information. All these variables helped to sort out the influence of each category towards customers' online purchasing decision.

4.3.1 Gender of the Respondents

The study revealed that, there was a gender disproportion between the male and female respondents. This is shown in table 4.1. About 72% of the respondents were male, while the rest 28% were female.

Table 2: Respondents' Gender

		Frequency	Percent
Valid	Male	252	72.0
	Female	98	28.0
	Total	350	100.0

Source: survey data2019

4.3.2 Respondents' age group

In relation to age, as table 4.2 below shows, about 36% of respondents' age is between the range of 26-35 years, same percentage for above 45years, and the age group between 36 and 45 accounts 28%.

Table 3: Age group of respondents

		Frequency	Percent
Valid	26-35	126	36.0
	36-45	98	28.0
	Above 45	126	36.0
	Total	350	100.0

Table 4: Respondents' education level

		Frequency	Percent
Valid	Highschool & below	14	4.0
	College Certificate	42	12.0
	First Degree	112	32.0
	Second Degree and above	182	52.0
	Total	350	100.0

with respect to the educational level of respondents 4% are high school and below, 12% of them have a college certificate, while 32% are first degree and the rest 52% have second degree and above.

Table 5: Employment Status

		Frequency	Percent
Valid	Government Employed	196	56.0
	Self Employed	42	12.0
	Retired	112	32.0
	Total	350	100.0

4.3.3 Respondents’ purpose of visit and their way of making reservations

The data showed that 76% of respondents are business travelers that come to the country in order to accomplish some business. As it is shown in the table 4.5 below, the rest 24% of respondents are pleasure travelers that come to visit cultural and social attractions with the very purpose of entertaining themselves.

Table 6: respondent’s purpose of visit

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Pleasure	84	24.0	24.0	24.0
	Business	266	76.0	76.0	100.0
	Total	350	100.0	100.0	

As it is shown in the table below among the respondents 60% made their booking through online that could be done by directly going to the hotels’ website or using hotels’ reservation system and 40% of respondents made their reservations through online travel agents (OTA).

Table 7: respondents made the booking through

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Online/CRS	210	60.0	60.0	60.0
	OTA	140	40.0	40.0	40.0
	Total	350	100.0	100.0	100.0

4.4 Reliability

Hair et al. (2007) defines reliability as the extents to which a variable or a set of variables is consistent in what it is intended to measure. To ensure the inner consistency of the present instrument, it was used the Cronbach’s alpha coefficient. Developed by Lee Cronbach in 1951, the Cronbach’s alpha coefficient is a statistical tool that evaluates the confidence through the inner consistency of a questionnaire. For the utilization of this coefficient, it is a requirement that all the items of an instrument use the same measurement scale. The Cronbach’s alpha is obtained by the variance of individual components and by the variance of the components sum of each evaluated, aiming to investigate the possible relations between the items. As stated by Masdia Masri (2009), the closer the reliability coefficient to 1.00 is the better. In general, reliabilities less than 0.60 are considered poor; those in the range of 0.60 to 0.80 are considered good and acceptable. In this study, all the independent variables and dependent variable met the above requirement. The alpha value for each variable is identified and summarized in the following table:

Table 8: Reliability Statistics

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.866	.868	5

4.5 Descriptive Statistics

Hair et al. (1998) refer to normality as the ‘shape of the data distribution or an individual metric variable and its correspondence to the normal distribution, which is the benchmark for statistical methods’. Normality consists of two types: univariate normality and multivariate normality. Univariate normality refers to the distribution of an individual variable and multivariate normality refers to the distribution of two or more variables Kline, (2005). According to Kline, multivariate normality can be assumed when the univariate distributions are normal and the distribution of any pair of variables is bivariate normal. Kline further points out that because it is impractical to examine all joint distributions, examining univariate distributions will usually allow one to detect instances of non-normality.

In the present study, univariate normality was identified by assessing skewness and kurtosis of the study variables using the SPSS program. The results of the normality checks for the study variables are shown in Table 9. According to Kline, skew indices above three indicate non-normality. Kurtosis values between 10 and 20 also indicate non-normality. The findings in Table 9 indicate that all of the variables had skew indices below three and all kurtosis indices were below 10. In other words, the values indicated that all the variables were normally distributed.

4.5.1 Normality

Calculating the value of skewness and kurtosis is a common rule-of-thumb to examine normality of the data, and it is performed by running descriptive statistics. Tong (2006) stated skewness and kurtosis should be within the absolute value of 2 (+2 to -2 range) to indicate that the data are normally distributed (Table 9). Accordingly, normality analysis for six variables were conducted with IBM SPSS 24 software. The values indicated that all the variables were normally distributed.

Table 9: Normality assessment of variables (N=350)

Descriptive Statistics					
	N	Mean	Std. Deviation	Skewness	Kurtosis
Online Price	350	3.6900	.65393	.305	-.565
Website Quality	350	3.7760	.67105	.374	-1.112
Trust and Security	350	3.8600	.80452	.310	-1.632
E-payment	350	4.0480	.63407	.128	-1.156
Customers' Review	350	4.0480	.63407	.128	-1.156
Online Purchasing Decision	350	3.8240	.59770	.083	-.786
Valid N (listwise)	350				

4.5.2 Correlations Results

The Pearson correlation coefficient was computed for the purpose of determining the relationships between the variables. Pearson correlation coefficient is appropriate method to measure the correlation when the data are measured at ordinal level Andy (2006). Correlations are the measure of the linear relationship between two variables. A correlation coefficient has a value ranging from -1 to 1. Values that are closer to the absolute value of 1 indicate that there is a strong relationship between the variables being correlated whereas values closer to 0 indicates that there is little or no linear relationship Robinson et al., (2009). As described by Andy (2006), the correlation is a commonly used measure of the size of an effect: values of ± 0.1 represent a small effect, ± 0.3 is a medium effect and ± 0.5 is a large effect.

Table 10: Correlation between Independent Variables and Dependent Variable.

		Correlations					
		Online Price	Website Quality	Trust and Security	Online Purchasing Decision	E-Payment	Customers' Review
Online price	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	350					
Website Quality	Pearson Correlation	.614**	1				
	Sig. (2-tailed)	.000					
	N	350	350				
Trust and Security	Pearson Correlation	.570**	.614**	1			
	Sig. (2-tailed)	.000	.000				
	N	350	350	350			
Online Purchasing Decision	Pearson Correlation	.491**	.385**	.324**	1		
	Sig. (2-tailed)	.000	.000	.000			
	N	350	350	350	350		
E-payment	Pearson Correlation	.403**	.366**	.474**	.073	1	
	Sig. (2-tailed)	.000	.000	.000	.156	.000	
	N	350	350	350	350	350	
Customers' Review	Pearson Correlation	.563**	.402**	.501**	.607**	1.000**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	350	350	350	350	350	

** . Correlation is significant at the 0.01 level (2-tailed).

From the above correlation matrix, it is shown that correlation results of factors affecting customers' online purchasing decision, the relationship between online price and customers online purchasing decision is that online price has a medium effect or association on customers' purchasing decision ($r=.491$, $p=.000$) this tells us that online price is with a medium degree of association with customers' online purchasing decision. Kim et al. (2012) explained, in the online shopping, customers tend to compare the objective prices (price offered by the current vendor) with reference prices (price offered by other vendors) and then form their perceptions of price.

From the result in the correlation matrix, we can understand that website quality has a small effect on customers' online purchasing decision. The result illustrated that there is small relationship between website quality and customers' online purchasing decision of customers coming to hotels of Addis Ababa, where the values are ($r=.385$, $p=000$). Trust and security have less degree of relationship with customers' online purchasing decision. The correlation result showed trust and security are with a very small degree of relationship customers consider in order to make purchasing decision ($r=.324$, $p=.000$).

Looking to the correlation matrix ($r=0.474$, $p= .000$), it explains there is a medium degree of relationship between e-payment and customers' online purchasing decision. In this study customers' online review is utmost significant factor of online accommodation purchasing decision in five-star hotels of Addis Ababa. It is crucial to understand how electronic word of mouth communication/eWoM affects customers' online purchasing decision on five-star hotels in Addis Ababa. The findings in this inquiry verified that online reviews written by other customers have a significant effect on customers' online purchasing decision ($r=.607$, $p=000$).

Therefore, from the factors listed in the study other customers' online reviews have a large effect on customers' online purchasing decision. Whereas, online price, trust and security, e-payment have a medium degree of relationship and the website quality was with the smallest relationship with customers' online purchasing decision on five-star hotels of Addis Ababa. However, there is different levels of relationship the entire hypotheses were supported.

4.6 Regression Analysis

Relationship between Predictor Variables and customers' online purchasing decisions.

A multiple linear regression was carried out to determine the most important dimensions because the researcher has no prior ideas about which variables will create the best prediction equation. E-payment, online price, website quality, trust and security, and customers' review are the independent variables and the customers' online purchasing decision is the dependent variable.

The main purpose here is to see whether the dependent variable (customers' online purchasing decision) can be predicted better from a combination of the above dimensions in five-star Hotels of Addis Ababa. First of all, it is a good to check the correlations among the predictor variables prior regressions, to determine if the predictors are sufficiently correlated such that multicollinearity is highly likely to be a problem. This is especially important to do when one is using a relatively large set of predictors, and/or if, for empirical or conceptual reasons, one believes that some or all of the predictors might be highly correlated.

4.6.1 Multi Collinearity Test

To determine whether there is similarity between the independent variables in a model, it is necessary to multicollinearity test. Similarities between the independent variables will result in a very strong correlation. In addition, multi-collinearity test done to avoid habits in the decision-making process regarding the partial effect of independent variables on the dependent variable. Good regression model should not happen correlation between the independent variables or not happen multicollinearity. As described by Kline (2005), multicollinearity can be detected with the help of tolerance and its reciprocal, called variance inflation factor (VIF). If the value of tolerance is less than 0.1 and, simultaneously, the value of VIF is 10 and above, then

the multicollinearity is problematic. In multicollinearity test result, if the VIF value lies between 1 and 10 then there is no multicollinearity, however, if the VIF value is less than 1 or greater than 10 then there is multicollinearity Robson (2011).

Table 11: Multicollinearity test result

Coefficients^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	E-payment	.557	1.825
	Online Price	.487	2.055
	Website Quality	.520	1.925
	Trust Security	.527	1.897
	Customers Review	.635	1.576

a. Dependent Variable: Online Purchasing Decision

According to the above coefficients table, VIF values of 1.825, 2.005, 1.925, 1.897, and 1.576, were obtained for each independent variable, meaning that the VIF values obtained are between 1 and 10, it can be concluded that there are no multicollinearity symptoms. Furthermore, the tolerance value of all independent variables is greater than 1, then there is no multi-collinearity problem.

Evaluating the Model

Table 12: Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.644 ^a	.414	.407	.46015

a. Predictors: (Constant), E-payment, Customers' Review, Website Quality, Trust and Security, Online price

b. Dependent Variable: Online Purchasing Decision

The Model Summary table gives the R (.644) and R square (.414). The Adjusted R square statistics 'corrects' R square value to provide a better estimate of the true population value. The R square value tells how much of the variance in the dependent

variable (customers' online purchasing decision) is explained by the model including 5 independent variables. In this case the value is .414 expressed as a percentage (multiply by 100) it becomes 41.4% this means that the model explains 41.4% of the variance in customers' online purchasing decision. In other words, 41.4% of the dependent variable is explained by the independent variables and the remaining 59.6% is not explained. When a small sample is involved, the R square value in the sample tends to be a rather optimistic overestimation of the true value in the population (Kline, 2005). But in this case the researcher has taken enough samples and the adjusted R square value. is not optimistic overestimation.

Table 13: ANOVA

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	84.630	5	15.907	60.961	.000 ^b
	Residual	18.048	345	.042		
	Total	102.678	350			

A. Dependent Variable: Online Purchasing Decision

b. Predictors: (Constant), E-Payment, Customers' Review, Website Quality, Trust and Security, Online price.

To assess the statistical significance of the result it is necessary to look in the table labelled ANOVA. This tests the null hypothesis that multiple R in the population equals 0. As can be seen from the ANOVA table, the independent variables significantly predict customers' online purchasing decision, $F = 60.961$, $p < .000$. The F statistics shows the overall significance of the model. Since the F value is found to be 60.961, the independent variables significantly predict customers' online purchasing decision at high degree of significance (0.001).

4.6.2 Evaluating the Independent Variables

The next thing is to know which of the variables included in the model contributed to the prediction of the dependent variable. Looking to the following table the column labeled beta under standardized coefficients.

Table 14: Coefficients of the Independent Variable

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.135	.181		6.290	.000
	E-Payment	.099	.051	.081	1.944	.053
	Online Price	.175	.054	.191	3.237	.001
	Website Quality	.126	.051	.142	2.478	.014
	Trust and Security	.089	.042	.125	2.195	.029
	Customers' Review	.475	.049	.504	9.748	.000

a. Dependent Variable: Online Purchasing Decision

From the above table the largest beta coefficient is .504 which is customers' review. This means that this variable makes the strongest unique contribution to explaining the dependent variable, when the variance explained by all other variables in the model is controlled for with a sig. of 0.000. where in the study made by Wei, et al., (2013) revealed that positive consumer reviews affect the online purchasing decision. That verifies the finding in this study in which customers' review has a very significant effect on the outcome variable.

The second higher beta coefficient is online price, i.e., 0.191, with an important sig. level ($p=.001$) that makes it most important factor in determining customers' online purchasing decision.

The third factor with less contribution to explain the dependent variable is website quality ($p=.014$) and critical (0.142). A high-quality website not only has a formidable function of product search, but also to reduce the time for network shopping. While the comprehensive information, the decoration, and the overall

functionality of the site could profoundly affect customer online shopping decision, at the same time enhancing the sales of online shop Douban, (2014). However, in the case of five-star hotels of Addis Ababa, there might be no problem to develop quality websites.

Trust and security has a lower coefficient of .125 and a sig. of 0.029, it is the other less significant variable (p=0.000) in determining customers' online purchasing decision in in Five-star hotels of Addis Ababa. Trust builds when the customer has confidence in a service provider's reliability and integrity Kim (2009). Consumers' trust in the service providers can help reduce their cognitive risk and insecurity and thus enable the maintenance of the long-term relationship Gefen (2000). Mansour et al. (2014) explained that, the more a customer trusts a website, the lower the perceived online transaction risk, and the greater the decision to purchase on that website.

4.7 Hypothesis Testing

Table 15: Hypothesis test summary

S/No.	Hypothesis	Beta Value	Sig.	Direction of relationship	Result
1.	H1- e-payment has a positive and significant effect on customers' online purchasing decision	.081	.053	-	Rejected
2.	H2- online price has a positive and significant effect on customers' online purchasing decision	.191	.001	+	Accepted
3.	H3- website quality has a positive and significant effect on customers' online purchasing decision	.142	.014	+	Accepted
4.	H4- Customers' review has a positive and significant effect on customers' online purchasing decision	.504	.000	+	Accepted
5.	H5- Trust and security has a positive and significant effect on customers' online purchasing decision	.125	.029	-	Rejected

Chapter Five

Conclusion and Recommendations

This chapter covers conclusion and recommendations based on the research findings. Besides, it gives an implication of the findings and draws some conclusions which require some recommendations.

Summary of research findings

As per the collected and analyzed data, the findings are summarized as follow.

- ✚ Customers' review has a positive and significant effect on customers' online purchasing decision of accommodation on five star-hotels of Addis Ababa, Ethiopia.
- ✚ There is positive but statistically insignificant relationship between e-payment system and customers' online purchasing decision of five-star hotels of Addis Ababa, Ethiopia.
- ✚ Website quality has a positive and significant effect on guests' online purchasing decision.
- ✚ Trust and security have also positive but insignificant effect on the customers' online purchasing decision.
- ✚ Online price has a positive and significant effect on guests' online purchasing decision.

The basic interest of this study was to find out the factors affecting customers' online purchasing decision: the case of selected Five-star hotel in Addis Ababa. The researcher developed own conceptual framework of collected factors from literatures. The researcher used quantitative research design and convenience sampling technique to collect data from 350 sample sizes of five-star rated hotels' guests. As per theoretical framework and objectives of the study 23 items were provided in a 5-point Likert scale to the respondents. The gathered data was analyzed by using both descriptive statistics

(like mean, frequency, percentage) and inferential statistics (correlation and multiple linear regressions) via SPSS version 24.

As hypothesized at the commencement, the three predictor variables had a positive and significant effect on customers' online purchasing decision/dependent variable. Whereas, the rest two are with no significance on the customers' online purchasing decision.

Conclusion

Customers consider many factors in their purchasing decision while looking accommodation and other services from online products/services providers. The purpose of this study was to examine the factors affecting customers' online purchasing decision. The researcher looked to this objective by studying customers' online purchasing decision from perspectives; e-payment system put by the hotels, the online price offered by these selected hotels, the website quality these hotels have on their world wide web page, the reviews posted/shared by other online customers, and trust and security of the information these hotels seek from guests.

However, the most significant factor is the other customers' review made online- that shows, most of the online accommodation purchasers give attention to and have an effect on their purchasing decision. The second significant factor in the study is online price that customers consider in order to purchase accommodation online, followed by website quality the hotels have that can help customers get the most visual insight to the product purchased. The rest two variables – the e-payment system and trust and security have got less contribution to the customers' online purchasing decision of accommodation.

Internet choice behavior is dynamic and consists of an evolving series of interrelated choices, where both consumer and marketer can play a role in shaping the context of subsequent choice events depending upon the outcome of earlier encounters. Bucklin et al., (2002).

With the increasing number of independent travelers, airlines and hotels have also taken advantage of the do-it-yourself culture to reduce their administrative costs by allowing customers to make reservations via the Internet Law & Leung (2000). Many hotels have implemented their own Websites where hotel rooms can be booked over the Internet Morrison et al. (1999) and O'Connor & Frew (2000).

4.8 Recommendations

Regarding the research findings the researcher would like to recommend some opinions from the mentioned instances. First, though customer's online purchasing decision could be determined by many factors the pre-mentioned predictors play an important role in online transaction of accommodation. The more hotels have got more positive reviews by other customers, the more guests tend to reach on a purchasing decision. Here, one thing hoteliers and marketers at hotels should worry about is, specifically they ought to identify online customers' purchasing behavior that still needs further studies in Ethiopian context. Despite this, much can be done to know customers behavior of purchasing decision by using some easy mechanisms such as web page questionnaires and checklists. As online reviews enable people to obtain detailed information with high trustworthiness and credibility compared to information provided by marketers. Based on the importance of online reviews, a number of researchers in marketing and information systems have concerned the characteristics of reviews and reviewers to estimate the effect of online reviews on their decision behavior.

Second, in order to make online transactions very easy hoteliers and marketers must have very easy, secure and safe electronic payment transaction channels. However, the e-payment system has been in the infant stage in Ethiopia, in five-star hotels of Addis Ababa e-payment has a very low effect on the purchasing decision of customers. Because these hotels, as they are businesses with large international chains, they have very easy and smooth e-transaction system. Thus researchers need

to focus on other factors that could bring a change on the customers' online purchasing decision.

Third, hotel marketing personnel need to realize is that, the factors that can affect the customers' online purchasing decision and project their marketing plan and strategies towards these online customers. However, hotels have a discounted online price, it also plays an important role in determining guest's online purchasing decision as they consider varieties of price offers by other competitors. Thus, this needs study of online guests concerning the changes of online prices offered by these accommodation products/ services providers.

Fourth, though website quality plays very small role in customers' online purchasing decision. From the study we can see that guests who search the website of the hotels need a well-designed and user-friendly website with a synchronized links to other online booking agents. Hotels should regularly undertake survey research activities to keep a track of their online customers' need to enhance the accommodation services.

Recommendations for further research

The research recommends the following for further studies:

1. This research has only managed to touch the tip of the iceberg. Due to the limitation of time, only Five-star hotels of Addis Ababa were contacted.
2. The study has only been done in five-star rated hotels of Addis Ababa, while further study in other star rated hotels could provide more interesting result on the customers purchasing decision.
3. As this study conducted a quantitative method, better if further research is undertaken in both qualitative and quantitative.

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Appendix

ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE MARKETING MANAGEMENT MASTERS PROGRAM

Questionnaire to Be Filled by Hotel
Guests

Dear

Respondents,

I am a student at Addis Ababa University school of Commerce studying a graduate program in Marketing Management. You are selected to participate in a study designed to identify “*factors affecting customers’ online purchasing decision*” the case of selected three-star hotels in Addis Ababa. Appreciating your participation in the study, the research output is used to fulfill the partial requirement of Master of Marketing Management and only for academic purpose. Accordingly, your authentic information will greatly help in achieving the objective of the investigation. Your responses and anonymity will be kept confidential. Notice that, your involvement is voluntary and you may refuse to answer any question you feel uncomfortable.

Hospitality regards,

Yonas T. yonavel@outlook.com Cell phone number: +251 911 73 58 78

The questionnaire has three parts.

Part I- Demographic profile of respondent

Part II- factors of online customer’s purchasing decision

Part III- overall decision making

Part I: General information

Direction: Please put tick mark (√) in the box of your answer.

1. **Gender** Male Female
2. **Your Age,** 18-25 26-35 36-45 Above 45
3. **Educational Level,** High school and below College certificate
 - a. First degree Second degree and above other
4. **Employment Status,**
 - i. Government employed Self-employed Unemployed
 - ii. Retired Other

5. Purpose of Visit

a. Pleasure Business

6. You made the booking to this hotel through

a. Online CRS OTA other

Part II

Please show the extent to which you believe the Hotel has the feature described by the statement. Indicating circle (O) to ‘1’ means strongly disagree, ‘2’ disagree, ‘3’ neutral, ‘4’ agree and ‘5’ strongly agree. There are no right or wrong answers; all the researcher interested in is a number that best shows your perception about the hotel.

QUESTIONNAIRE ITEMS		strongly disagree	Disagree	Neutral	Agree	S strongly agree
E-payment		1	2	3	4	5
	The hotel accelerates a credit card payment system through trusted third party.	1	2	3	4	5
	The hotel has placed other electronic payment systems	1	2	3	4	5
	The online e-payment system is safe and convenient	1	2	3	4	5
	Electronic payment reduces transaction costs while booking online	1	2	3	4	5
	The hotel has put very easy and speedy payment system online	1	2	3	4	5
Online Price						
	The online rate/price quoted by the hotel is discounted than the rate in other transaction channels	1	2	3	4	5
	The online rate/price offered is worth the value you get while staying in the hotel	1	2	3	4	5
	The hotel provides reasonable online rate/price	1	2	3	4	5
	The hotel has advance purchase rates for online bookings	1	2	3	4	5
Customers’ review						
	customers’ positive review would make you choose the hotel	1	2	3	4	5
	Ratings made online by others would have an effect on choosing the hotel for accommodation	1	2	3	4	5
	customers’ negative review would make you not to choose the hotel	1	2	3	4	5
	Customers’ review would decrease the level of uncertainty to	1	2	3	4	5

	The reviews written by other customers are genuine	1	2	3	4	5
	Website quality					
	Hotel's website has a virtual tour of hotel rooms and facilities	1	2	3	4	5
	Hotel's website is designed to be user friendly	1	2	3	4	5
	Hotel's website has a synchronized links with other booking	1	2	3	4	5
	Hotel's website contained relevant information pertaining to your search preferences	1	2	3	4	5
	Hotel's website facilitates a payment system	1	2	3	4	5
	Trust and security					
	The hotel provides service and product as it promises online	1	2	3	4	5
	The personal information sought online is protected	1	2	3	4	5
	The hotel has a secure electronic transaction system	1	2	3	4	5
	Credit card information are protected and secured	1	2	3	4	5

Part III: OVERALL PURCHASING DECISION

The following statements are related to your feelings about decision you make while booking and coming back to this hotel. Please show the extent to which you believe the Hotel has the feature described by the statement. Once again circling (O) to '1' means strongly disagree, '2' disagree, '3' neutral '4' agree, '5' strongly agree. There are no right or wrong answers; the researcher interested in is a number that best shows your perception about the Hotel.

	QUESTIONNAIRE ITEMS	strongly disagree	disagree	neutral	Agree	strongly agree
	The e-payment modality facilitates customers purchasing decision.	1	2	3	4	5
	The online price offered by the hotel facilitates customers purchasing decision.	1	2	3	4	5
	The online reviews posted by others determines the customers purchasing decision.	1	2	3	4	5
	The hotel's website has good quality and facilitates customers purchasing decision.	1	2	3	4	5
	The Hotel's trusted and secured online service determines the online customers purchasing decision	1	2	3	4	5

Thank you very much for taking part in my survey.