



PROCEEDINGS

RARCS

ZAGREB 2025

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Harry Timmermans (eds.)**



Cite: Rasouli, S. & Timmermans, H. J. P. (eds.) (2025). *Proceedings 31st Recent Advances in Retailing and Consumer Science Conference, Zagreb, July 7-10, 2024*. Eindhoven: RARCS. Once published, cite the published versions of the papers.

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Preface

We have the pleasure to compile these proceedings of the 31st RARCS conference. The conference gives delegates the option to include either an extended abstract or a full paper in the conference proceedings. In addition, a book of one-page abstracts of all presentations is made available to delegates. Proceedings are only distributed among participants and are not submitted to any repositories. Copyright is not transferred. Thus, delegates can submit their work to journals, without facing any formal self-plagiarism issues.

We trust these proceedings and the book of abstracts are useful material for our delegates.

Soora Rasouli & Harry Timmermans
Co-Chairs

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Proceedings 31st International Conference on Recent Advances in Retailing and Consumer Science, July 7 – 10, 2025, Zagreb, Croatia

The effect of service quality, reputation and e-WOM on performance variability

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Abstract. The significance of service quality, positive reputation and electronic word of mouth (e-WOM) in enhancing the performance of hospitality organizations is well established. However, the interplay among these factors and their collective contribution to performance variability remain underexplored. This paper aims to deepen our understanding of the individual and combined effects of service quality, reputation and e-WOM on performance, defined as customer satisfaction and loyalty - both critical to the success of hospitality businesses. To achieve this, we conducted a quantitative study, collecting monthly data from hotel guests in Iceland between June 2023 and June 2024. The study yielded 4335 valid responses from guests staying at nine hotels operated by the same Icelandic chain. Our findings reveal that service quality, reputation and e-WOM account for 57% ($R^2 = 0.54$) of the variability in performance. Among these factors, e-WOM exhibits the strongest individual effect ($\beta = 0.53$; $R^2 = 0.10$), underscoring its powerful influence on customer perceptions. Tangible service quality follows with a notable effect ($\beta = 0.15$, $R^2 = 0.008$) and reputation exerts the smallest effect ($\beta = 0.13$, $R^2 = 0.01$). These results highlight the necessity for hotel managers to prioritize effective online presence management as this can significantly enhance customer satisfaction and loyalty. To further enrich this research, employing confirmatory factor analysis (CFA) and structural equation modeling (SEM) could provide deeper insights into the relationships among these key factors. Ultimately, understanding these dynamics can help hospitality organizations optimize performance and improve guest experiences.

Keywords : service quality; reputation; e-WOM; customer satisfaction; customer loyalty; hospitality; performance

Introduction

In the hospitality industry, service quality, reputation and electronic word-of-mouth (e-WOM) play a crucial role in shaping customer perceptions and influencing business success (Anabila *et al.*, 2022; Redditt *et al.*, 2022; Su *et al.*, 2022; Zeithaml *et al.*, 2024). Although the importance of these attributes and their individual effects on hospitality performance is well established, little is known about their interplay and collective contribution to performance. While recent studies have examined the relationship between service quality and reputation in relation to performance (Asgeirsson & Gudlaugsson, 2024; Asgeirsson *et al.*, 2024), the potential influence and interaction of e-WOM remain unexplored. The purpose of this paper, therefore, is to investigate the interconnected roles of service quality, reputation and e-WOM in the hospitality industry.

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By examining their individual and collective impact on organizational performance, measured simultaneously, the findings contribute to a deeper understanding of these dynamics. This study also provides valuable insights for managers in prioritizing these attributes based on their relative importance. The paper proceeds as follows: first, a theoretical overview is presented, followed by a discussion of the methodology used to obtain the findings. Next, the results are outlined and finally, the conclusions and discussion position the findings within the theoretical framework.

Service quality

Service quality refers to how well a service meets customer expectations (Zeithaml *et al.*, 2024). To achieve high service quality, organizations must understand customer expectations and their origins (Crick & Spencer, 2011). Research indicates that service quality strongly influences organizational performance, whether measured by employee satisfaction and loyalty (Heskett *et al.*, 2008), financial metrics such as ROI (Tajeddini, 2010) or customer satisfaction and loyalty (Anabila *et al.*, 2022). Consequently, maintaining high service quality is crucial for service-oriented organizations to enhance performance and remain competitive (Benyoussef & Zaiem, 2017). Services possess unique characteristics, intangibility, inseparability, perishability and variability, which mean they are typically consumed as they are delivered (Zeithaml *et al.*, 2024). These features make measuring service quality complex, necessitating the collection of customer feedback immediately after service encounters. Various methods exist for data collection, including interviews, focus groups and questionnaires, with the choice depending on the research context (Yaoyuneyong *et al.*, 2018). Among these, questionnaires are the most widely used due to their cost-effectiveness and ability to efficiently reach large customer groups (William, 2022). Various instruments, such as SERVQUAL and industry-specific adaptations, help managers and businesses assess and prioritize service quality improvements to remain competitive (Cronin & Taylor, 1994; Parasuraman *et al.*, 1985; Shah *et al.*, 2018).

Reputation

There is no single agreed-upon definition of reputation nor is there consensus on how it is represented in research. Theoretical perspectives vary, some view reputation as an extension or measure of image, while others argue that the two are distinct concepts (Gotsi & Wilson, 2001). In marketing and service-related studies, reputation is often defined as a perceptual representation of companies' past actions and future prospects that describes their overall appeal compared to competitors (Fombrun *et al.*, 2000, p. 72). It reflects customer perceptions of an organization's performance, making it an intangible asset that, if well managed, provides a competitive advantage. Reputation management is increasingly crucial in the hospitality industry and is expected to shape its future (Mohammad *et al.*, 2022; Qoura & Khalifa, 2016).

Reputation can be examined from different perspectives, including behavior, strategy and organizational structure (Fombrun & Van Riel, 2003). It is commonly defined as stakeholder perceptions of an organization (Chun, 2005) and closely resembles brand image (Kotler *et al.*, 2017). These perceptions stem from direct interactions or media portrayals (Chun, 2005; Mukherjee & Sen, 2022). Chun (2005) categorizes reputation into three components: identity (what an organization is), image (how stakeholders perceive it) and desired identity (what it claims to stand for). Unlike image, reputation is shaped by both internal stakeholders (e.g., employees) and managerial intentions (Inversini, 2020).

The concept of reputation in the hospitality industry has evolved, particularly with increasing concerns about social and environmental responsibility (Asgeirsson & Johannesson, 2024). Customers are increasingly evaluating businesses based on ethical considerations, including sustainability practices, fair labor policies and corporate social responsibility initiatives (González-Rodríguez *et al.*, 2021; Mohammad *et al.*, 2022). Businesses that fail to address these evolving customer values may suffer reputational damage, while those that proactively communicate their sustainability efforts can differentiate themselves in a competitive market (Wang *et al.*, 2018).

Electronic word of mouth

In the hospitality sector, word of mouth (WOM) has traditionally played a crucial role in shaping customer perceptions and influencing purchasing decisions. With the rise of digital technology, electronic word of mouth (e-WOM) has become the primary channel for customers to share their experiences. Online reviews on third-party platforms provide a space where customers can openly express their opinions - often anonymously - about their service encounters (González-Rodríguez *et al.*, 2016; Redditt *et al.*, 2022). These reviews have a significant impact on potential customers, as positive or negative experiences shared online influence decision-making processes (Su *et al.*, 2022). However, reliance on third-party review platforms presents challenges for hospitality managers. Since businesses do not own or control these platforms, they have limited influence over how feedback is displayed or analyzed. Additionally, online reviews do not always provide a structured comparison of service quality attributes with performance indicators such as customer satisfaction and loyalty.

This lack of direct control makes it difficult for businesses to integrate customer feedback into their strategic planning (González-Rodríguez *et al.*, 2021). This challenge is particularly pronounced for small businesses, start-ups and independent entrepreneurs. Unlike large hotel chains with extensive customer data collection methods, smaller establishments often lack the financial and technological resources to conduct independent satisfaction surveys. They rely heavily on third-party e-WOM as a proxy for customer feedback and performance assessment (Babić *et al.*, 2016; Tripathi, 2018). This reliance can be risky as negative reviews may disproportionately impact a business's reputation (Sparks & Browning, 2011). Research highlights that personal recommendations from family, friends or trusted individuals significantly influence consumer choices, often more than traditional advertising (Babić *et al.*, 2016; Kotler *et al.*, 2017). In the hospitality industry, the experiences of previous guests play a crucial role in shaping potential customers' expectations, reinforcing the importance of managing online reviews effectively (Lai, 2019). Businesses that actively engage with customer feedback, responding to reviews, addressing concerns and improving services based on feedback, tend to build stronger customer trust and loyalty (Xie *et al.*, 2014).

Hypothetical model and research questions

The proposed hypothetical model is based on the work of Asgeirsson and Gudlaugsson (2024) and Asgeirsson *et al.* (2024), which examine the interplay between service quality and reputation in relation to variability in performance, measured simultaneously. Since ratings, referred to here as e-WOM, after a hotel stay are considered important for future bookings. It is valuable to assess their impact on performance variability alongside service quality and reputation. The hypothetical model is presented in Figure 1.

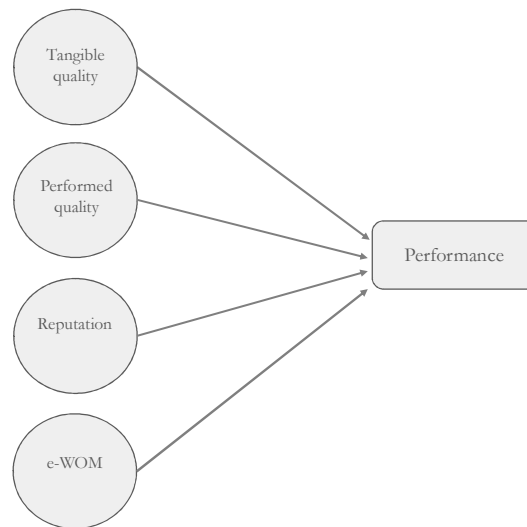


FIGURE 1 – Proposed hypothetical model of service quality, reputation, e-WOM and performance

TABLE 1 – Number of valid responses by month

	Jun 23	July 23	Aug 23	Sept 23	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Tot
# responses	308	360	395	390	350	330	269	253	341	294	247	362	436	4.34
& by month	0.07	0.08	0.09	0.09	0.08	0.08	0.06	0.06	0.08	0.07	0.06	0.08	0.10	1.00

As shown in Figure 1, the proposed five-factor model examines the interplay among four components, tangible quality, performed quality, reputation and e-WOM and their connection to variability in performance. Findings from Asgeirsson & Gudlaugsson (2024) indicate that both service quality and reputation are significant predictors of variability in organizational performance. According to their findings, reputation had a greater unique contribution than service quality in explaining performance variability. However, the findings from Asgeirsson *et al.* (2024) suggest that tangible quality contributed more significantly than reputation to explaining variability in organizational performance. Previous research clearly demonstrates that both service quality and reputation play a crucial role in assessing performance variance, yet it remains unclear which factor is more influential. Additionally, the role of online ratings (e-WOM) in this relationship has not been fully explored. Therefore, the following research questions are posed: (i) Can a plausible model be proposed to explain variation in performance based on quality, reputation and e-WOM? (ii) If so, to what extent do these factors explain variation in performance and is one factor more influential than the others?

Methodology

This section discusses the implementation of the research project, measurement techniques and methods used in data analysis. It begins by outlining the preparation and implementation of the study, followed by a discussion of the measurement instrument and the process used to analyze the data.

Preparation and implementation

This study is based on the QRP model (Asgeirsson *et al.*, 2024), which examines the relationship between service quality and reputation in relation to performance. In this study, e-WOM is introduced as an additional factor, with guests asked to rate the hotel where they stayed. The survey was conducted in collaboration with a hotel chain in Iceland, which distributed it to guests after they checked out. The survey was sent out monthly from June 2023 to June 2024, resulting in a total of 13 survey rounds. The final dataset comprised 4335 valid responses. Table 1 presents the number of valid responses by month.

The questionnaire contained a total of 56 questions. Of these, 19 assessed service quality, three assessed reputation, 10 assessed e-WOM and four assessed performance. Additionally, the questionnaire included 10 questions evaluating the importance of factors when booking a room; however, these questions are not used in this study. Similarly, eight questions assessing respondents' backgrounds and two open-ended questions were excluded from the analysis. The questions related to service quality included traditional SERVQUAL items, questions from online review sites and attributes of particular interest to hotel chain managers (see Ali *et al.*, 2021; Getty & Getty, 2003; Wilkins *et al.*, 2007). Reputation-related questions were methodologically based on the studies of by Conzáles-Rodríguez *et al.* (2021) and Hannington (2016), in which participants shared their opinions and beliefs regarding various aspects of reputation, including overall reputation, social responsibility and environmental responsibility. The questions related to e-WOM were adapted from well-known and widely used booking platforms, such as Booking.com and TripAdvisor. The four questions measuring performance followed the work of Hayes (2008; 2013) on customer loyalty and satisfaction. All items regarding service quality, reputation and e-WOM were measured on a five-point interval scale, ranging from 1 (totally disagree/totally unsatisfactory) to 5 (totally agree/totally satisfactory). Performance variables were scored on an 11-point scale, ranging from 0 (strongly disagree) to 10 (strongly agree). Table 2 shows the results.

TABLE 2 – Numerical information about factors and individual questions

(TANGSQ) Tangible service quality, $M = 4.47$; $SD = 0.58$; Cronbach's Alpha (CA) = 0.89			
Number	Questions	M	SD
1	This hotel has up to date equipment	4.30	0.88
2	This hotel's physical facilities are visually appealing	4.20	0.90
3	This hotel has hygienic bathrooms and toilets	4.62	0.73
4	This hotel has timely housekeeping service	4.66	0.66
6	This hotel's on-line presence and information was clear and up to date	4.49	0.76
7	This hotel offers quality breakfast	4.37	0.92
16	My room was comfortable, relaxing, and welcoming	4.27	0.93
17	My bed was comfortable and clean (mattress, pillow, sheets and covers)	4.64	0.73
18	My room offered a variety of basic products (soap, shampoo, towels, toilet paper...)	4.65	0.70
19	My room equipment was in working order (lighting, toilet, kettle, fridge, TV)	4.52	0.89
(PERFSQ) Performed service quality, $M = 4.72$; $SD = 0.54$; $CA = 0.95$			
5	This hotel provides timely and accurate check-in and check-out procedures	4.73	0.67
8	The hotel employees are well dressed and appear neat	4.78	0.54
9	The hotel employees perform service accurately upon arrival	4.77	0.62
10	The hotel employees perform service at the promised time	4.76	0.59
11	The hotel employees appear to be well trained and knowledgeable	4.72	0.65
12	The hotel employees have good communication skills	4.76	0.62
13	The hotel employees are helpful, friendly, and courteous	4.78	0.61
14	The hotel employees give special attention to guests	4.56	0.75
15	The hotel employees deliver excellent service to guests	4.63	0.72
(REP) Reputation, $M = 4.48$; $SD = 0.54$; $CA = 0.93$			
25	I believe that this hotel has a positive overall reputation	4.60	0.57
26	I believe that this hotel has a good reputation in terms of social responsibility	4.42	0.58
27	I believe that this hotel has a good reputation in terms of environmental responsibility	4.43	0.57
e-WOM, $M = 4.51$; $SD = 0.53$; $CA = 0.92$			
Q20A	Hypothetical review – Employees	4.71	0.60
Q20B	Hypothetical review – Location	4.75	0.58
Q20C	Hypothetical review – Cleanliness	4.77	0.52
Q20D	Hypothetical review - Value for money	4.27	0.82
Q20E	Hypothetical review – Comfort	4.39	0.80
Q20F	Hypothetical review – Facilities	4.35	0.80
Q20G	Hypothetical review - Environmental focus	4.46	0.69
Q20H	Hypothetical review - Social responsibility	4.48	0.66
Q20I	Hypothetical review - Room comfort and quality	4.27	0.88
Q20J	Hypothetical review - Service performance	4.67	0.63
(PER) Performance, $M = 8.41$; $SD = 2.09$; $CA = 0.96$			
22	How likely are you to recommend this hotel?	8.54	2.07
23	How likely would you be to select the same hotel, if you were starting your journey now?	8.33	2.38
24	How likely would you be to select this hotel again, if you were travelling to Iceland again?	8.17	2.51
28	Overall satisfaction with your stay at this hotel	8.61	1.78

All items have $N = 4.335$ since missing values were estimated using the maximum likelihood method

Population, sample and data analysis

The population of interest consisted of guests who stayed at any of the nine selected hotels between June 2023 and June 2024. All hotels belong to the same hotel chain, are located in downtown Reykjavík, Iceland and offer a similar structure of services, rooms and service areas. Each hotel provides 24/7 front desk availability, a breakfast buffet, all-day restaurant service and room service. Additionally, all hotels offer suites and maintain a rating of four stars or higher on review platforms such as Booking.com. Most respondents (70%) were visiting Iceland for the first time, while approximately 13% had visited once or twice before. The majority traveled for leisure (86%) and stayed at multiple hotels within the chain for an average of three to four nights. The largest proportion of participants came from the United States (49.9%), followed by Canada (11.2%), Great Britain (10.2%) and other Nordic countries (7.4%). Other respondents primarily

originated from Europe, Australia, Japan, Brazil and various other countries. Of the participants, who chose to answer the gender question, 35.31% identified as male, 50.37% identified as female and 0.27% defined their gender differently. The age distribution of respondents was relatively high, with approximately 33% being older than 66 years and about 70% aged 46 years or older. According to available data from the hotel chain, these demographics accurately represent their typical guest portfolio.

The survey data was downloaded from QuestionPro. SPSS and Excel were used for data analysis. To assess whether the hypothetical model was supported, a principal component analysis (PCA) was conducted in SPSS. Prior to the PCA, the suitability of the data for factor analysis was evaluated. A correlation matrix was used to examine the interrelationships among the independent components and finally, linear regression analysis was performed to assess both the individual and collective influence of the independent components on variability in the dependent component.

Results

This section presents the results. First, it examines whether there was support for the five-factor model used to estimate variation in performance based on tangible service quality, performance, service quality, reputation and e-WOM. Next, it discusses the explanatory power (R^2) of the model. Finally, the section evaluates whether one factor carries more weight than the others.

The five-factor model

Inspection of the correlation matrix revealed the presence of multiple coefficient values of 0.3 and higher. The Kaiser-Meyer-Olkin value exceeded the recommended threshold of 0.6 (Kaiser, 1970, 1974) and Bartlett's (1954) test of sphericity reached statistical significance, supporting the factorability of the correlation matrix. The PCA, using Oblimin rotation, identified five factors as predicted by the hypothetical model: tangible quality (TANGSQ), performance quality (PERFSQ), reputation (REP), electronic word-of-mouth (e-WOM) and performance (PER). The alpha values for each factor, along with the means and standard deviations for each question, are presented in Table 2.

As shown in Table 2, the questions loading onto TANGSQ related to managerial implications for creating comfort, functionality, cleanliness and visual appeal. Questions concerning PERFSQ addressed service delivery by hotel employees, including their attitude and willingness to serve. REP was measured by three questions assessing participants' perceptions of social, environmental and overall reputation. Additionally, e-WOM was measured by ten questions related to hypothetical reviews, while PER was assessed by four questions evaluating guests' overall satisfaction and loyalty. The alpha values for each factor were very high (Dalyanto *et al.*, 2021; Pallant, 2020), exceeding 0.89 in all instances, confirming that the questions within each factor measured the same construct. The overall scores were high, ranging from 4.2 to 4.78 on the five-point interval scale and from 8.17 to 8.61 on the 11-point interval scale. Figure 2 presents the model, listing the questions associated with each factor.

As can be seen in Figure 2, the hypothesized model was supported. It is composed of service quality, reputation, e-WOM and performance. The resulting model suggests that all four independent components influenced variability in performance. Furthermore, it was assumed that the independent components were interrelated but had co-factors lower than 0.7. Table 3 provides a summary of the mean, standard deviation, alpha value and correlation coefficient of the factors in the model.

Table 3 shows that the correlation between performance and the independent variables was significant and strong ($r > 0.42 - 0.72$) in all cases, which was optimal (Pallant, 2020). In one case, the correlation exceeded 0.7, which is not desirable but may be acceptable if the tolerance value is higher than 0.10 and the VIF value is lower than 10 (Pallant, 2020).

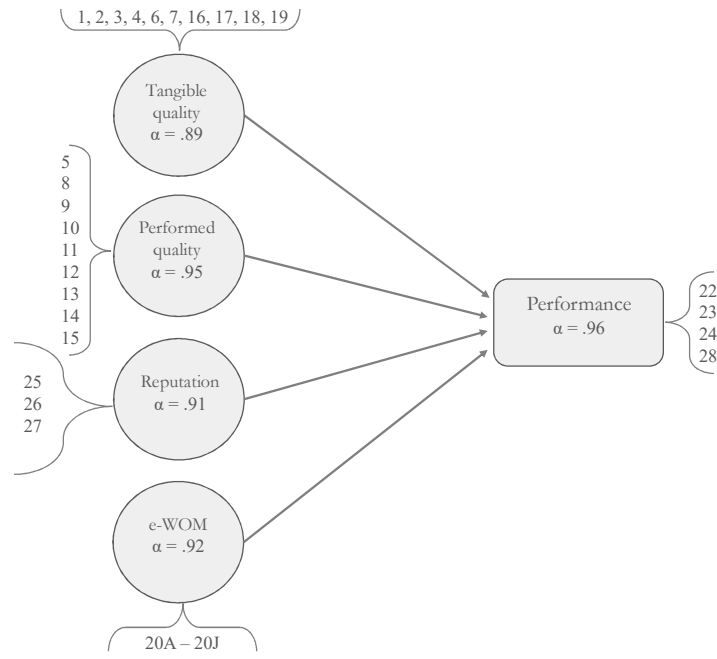


FIGURE 2 – The model and questions behind each factor

TABLE 3 – Summary of average, SD, alpha value and correlation

	N	Average	SD	CA (α)	1	2	3	4	5
Tangible quality (1)	4.335	4.47	0.58	0.89	1				
Performed quality (2)	4.335	4.72	0.54	0.95	0.67	1			
Reputation (3)	4.335	4.48	0.54	0.93	0.50	0.38	1		
e-WOM (4)	4.335	4.51	0.53	0.92	0.77	0.61	0.58	1	
Performance (5)	4.335	8.41	2.09	0.96	0.62	0.42	0.51	0.72	1

TABLE 4 – Results of the regression analysis, four-factor model

	St. (β)	<i>t</i>	Sig	Part	Tolerance	VIF
Tangible quality	0.15	8.84	< 0.001	0.092	0.398	2.510
Reputation	0.13	9.72	< 0.001	0.101	0.654	1.529
e-WOM	0.53	30.47	< 0.001	0.316	0.351	2.845

Explanatory ratio and weight of factors

To address Research Question 2, a multivariate regression analysis was performed. This method is sensitive to potential flaws in the data, making it essential to ensure that all key assumptions of the test are met. The results of the regression analysis indicated that performance quality was not significant. Therefore, the conclusion is based on tangible quality, reputation and e-WOM (four-factor model). Table 4 presents the main results of the regression analysis for the four-factor model. It shows that the main assumptions for the four-factor model were met and that all three factors had a significant relationship with performance ($\text{sig} < 0.001$). The squared partial value (R^2) was highest for e-WOM (0.10), indicating the extent to which each factor individually explained the variation in the dependent variable (Pallant, 2020). The model accounted for approximately 54% of the variation in performance, as illustrated in Figure 3.

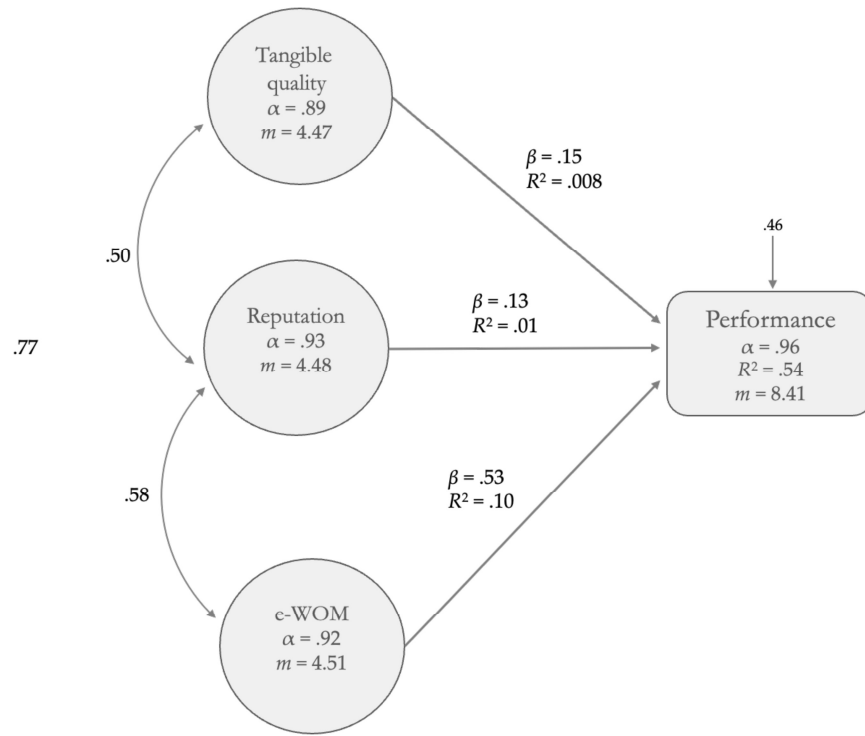


FIGURE 3 – Findings for the four-factor model

Figure 3 shows that e-WOM had the greatest weight ($\beta = 0.53$) and alone accounted for approximately 10% ($R^2 = 0.10$) of the variation in performance. The factors, tangible quality ($\beta = 0.15$) and reputation ($\beta = 0.13$) had significantly less weight, with each explaining only about 1% of the variation in performance.

Conclusions and discussion

The purpose of this article was to explore the interconnectivity of service quality, reputation and e-WOM by examining their individual and collective impact on organizational performance, measured simultaneously. Two research questions were posed to support the paper's objective. The first addressed the plausibility of generating a model that explains variation in performance based on quality, reputation and e-WOM. The second assessed the extent to which these factors explain variation in performance and whether one factor is more influential than the others.

To answer the first question, an exploratory factor analysis was performed, revealing five factors: tangible quality (TANGSQ), performance quality (PERFSQ), reputation (REP), electronic word -of -mouth (e-WOM) and performance (PER). These factors align with the findings of Asgeirsson *et al.* (2024) and confirm the proposed hypothetical model. The alpha value for each factor was high, exceeding 0.89 in all cases, indicating that the items comprising each factor effectively measure the same construct (Pallant, 2020). In constructing the model, it was assumed that all four independent variables were interrelated to an acceptable degree and influenced variability in the dependent performance variable. The correlation matrix confirmed that all model variables were correlated within acceptable limits. The correlation between e-WOM and TANGSQ was relatively high (0.77); however, other essential criteria were met as the tolerance value exceeded 0.10 and the VIF remained below 10, making it acceptable (Pallant, 2020).

As for the second research question, a multivariate regression analysis was performed. The results showed that performance quality (PERSQ) had no significant relationship with variability in performance. Therefore, the conclusions are based only on the influence of TANGSQ, REP and e-WOM on performance

variability, forming a four-factor model. These three independent variables accounted for 54% ($R^2 = 0.54$) of the variability in performance. This finding suggests that 46% of the variance is explained by factors outside the scope of this research and model. The strongest unique connection to performance was through e-WOM ($\beta = 0.53$; $R^2 = 0.10$), aligning with the claimed importance of e-WOM suggested by Redditt *et al.* (2022), Su *et al.* (2022) and others. TANGSQ ($\beta = 0.15$; $R^2 = 0.008$) appeared to be more influential than REP ($\beta = 0.13$; $R^2 = 0.01$), supporting the findings of Asgeirsson *et al.* (2024).

In conclusion, this research has demonstrated that it is possible to develop a model incorporating quality, reputation and e-WOM to explain variability in performance. Among the three independent factors, e-WOM had the greatest weight in this relationship and the strongest individual explanatory power regarding performance variability.

Managerial implications drawn from these findings suggest that the hotel industry should prioritize positive e-WOM to enhance customer satisfaction and loyalty. However, it remains important to also focus on tangible service quality and reputation. Due to the correlation between the independent variables, their collective explanatory power (54%) is greater than the sum of their individual influences (e-WOM 10%; TANGSQ 1%; REP 0.8%).

Theoretical implications derived from these findings contribute to a deeper understanding of the interplay between these factors and their connection to performance. These insights also provide direction for future research, such as incorporating CFA and SEM to achieve more robust results. Additionally, it would be valuable to apply similar methods to data from other locations in Iceland as well as from different countries.

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