Literature Review of Airbnb

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***Introduction***

Airbnb is an online market place for the booking of homestays and people can confirm the booking of hotels and homes online. Airbnb does not involve in the selling or purchase of the real estate. This company works as a broker and gets commission from both of the parties. This is an online community and this company facilitates the online communication of travellers and hosts. The most striking point of this business is that people can rent out their private rooms and houses to tourists and travellers in the name of homestays and can earn money. Currently, Airbnb is the most popular online destination for tourists and travellers around the globe. This online business resolve many problems of travellers by providing easy access to hotels and rooms in their place of destination. This online platform is currently working in 34,000 cities with more than 150,000 hotels on their list. Airbnb has brought into a disruptive technology that has changed the outlook of starting a business. Now we discuss the point of views of different researchers on this technological change that is happening in the hotel industry. We will also discuss the impacts of this technological shift on other industries.

***Technological Disruption***

Technological disruption is associated with an innovation that can create a new market for some specific business and disturb the functioning of the already existed market. Such kind of disruption can be seen in the market of transportation after the functioning of Uber. This app changed the way of moving from one place to another and badly disturb the existing business of cabs (Laurell and Sandström, 2016). Any disturbance in the existing and established business can be caused by some technological disruption or by some institutional disruptions. These technological interruptions can also affect the existing employment levels (Healy et al., 2017). Technological shifts can interrupt the existing trends of the market. These shifts in technology can change the ease of doing business and can expand the business very rapidly by involving more people in that particular business (Palo and Tähtinen, 2013). Disruptive technologies are based on some new and radical idea of doing an already existing business in a new and modified way. This new method of doing business can change the traditional way of doing the business. Risk of adopting a new thing is the key feature of disruptive technologies (Wang and Nicolau, 2017). Online shopping, riding apps, e-newspapers are some of the examples of disruptive technologies that radicalize the way of doing business.

***Airbnb-Technological Disruption***

Airbnb is a company that transforms the working of the already existing business of hotels and homestays. Airbnb provides consumers with a wide range of options to choose according to their needs. Airbnb provides consumers a lot of psychological benefits including a sense of ownership and feel like home (Varma et al., 2016). Customers are enabled to choose a destination according to their social and cultural norms(Liu and Mattila, 2017). Stelios Kavadias explained six key factors of a new business model that could transform the traditional working of a business and could become a disruptive technological change. These six factors were asset sharing, a closed-loop process, personalized service/product, price based on usage, adoptive organization and collaboration in the ecosystem (Kavadias et al., 2016). Albert Boswijk explained the reasons behind the technological disruptive business model of Airbnb. He narrated that the vision and idea of this company were transformative and unique. Founder of Airbnb, Mr Chesky refurbished the idea of helping people with a residential problem into a real business. He realized the demand for short period accommodation facilities and tried to help people with such needs. With the exceptionality of this idea, the Airbnb company appeared from nowhere and created a community of guests and hosts where both got benefits (Boswijk, 2017). Hosts could get earnings by lending extra space in their houses. Tourists could find a great number of options that could be chosen according to their wishes and purchasing power.

***Impact of Airbnb on Hotel Industry***

Gabor Forgacs made a study on the working of Airbnb any tried to figure out its impacts on hotel revenues. Hotels had to give a share from their rental services to Airbnb for using their service. The profit ratio of hotels could be shrunk due to this sharing in their profits. Moreover, the availability of rooms in houses also affected the hotel business especially small businesses (Sthapit and Jiménez-Barreto, 2019). He suggested that management of hotels could compete for the app by increasing their facilities and quality of services. He further pointed out some striking features of Airbnb that enabled this online business to mark success. Airbnb was addressing the real needs of the customers and this company had chosen a very unique path in doing so. The focus of the company was on quality and user's review which help the company to establish its strong brand. Getting a share from each deal/booking also helped this company to further establish its business (Forgacs and Dimanche, 2016).

Another study tried to figure out the impacts of Airbnb on hotel industry and employment. This online company started working to facilitate the persons who need accommodation or willing to accommodate someone in their residential area. The key reason for the success of Airbnb is price economics. People save more when they book a room or apartment through Airbnb. The hotel association of New York estimated that in 2016, this company caused a damage of 2 billion USD to the economy of economy and logging industry of New York. The emergence of Airbnb removed 2800 direct jobs by removing all intermediate persons form the accommodation industry (Bashir and Verma, 2016).

A quantitative research was done by David Neeser to find out the impact of Airbnb on the hotel industry. The researcher used data of hotels revenue from Norway, Sweden and Finland applied in Differences strategy to analyse the data empirically. He included the data from January 2004 to May 2015. The Airbnb entered into the market in 2008. So the researchers used data before and after the entrance of the company in these three countries. Regression analysis of data indicated that this company did not affect the per available room revenue of the hotel. While Airbnb contributed significantly to lower the standard room rents (Neeser et al., 2015).

There is another study that attempted to empirically test the significance of the impact of Airing on the revenues of the hotels. This study used the data for Korea and used Panel Data Regression Analysis to figure out empirical impacts. The researcher divided all the hotels in Korea in six categories according to the facilities provided by these hotels. The empirical results again proved a non-significant impact of Airbnb’s listing on the hotel's revenue in Korea. The writer also used the unemployment rate as one of the repressors in his analysis and found a significant impact on revenue generated by hotels. Unemployment could decrease the real income of consumers and make them unable to afford a hotel which in return could decrease the revenue of hotels. Any change in the exchange rate could also affect the earnings of hotels by changing the real purchasing capacity of foreign tourists (Choi et al., 2015).

San Francisco and Chicago are two of the main tourist's spots of America. Goree made a research to find the impacts of Airbnb on the hotels of San Francisco and Chicago. He collected the data of occupancy rate from hotels from 2008 to 2014 and he assumed that the impact of Airbnb would be negative upon the hotel occupancy rate in these two areas. The researcher designs two different econometric models for both of the areas and results of these models showed that Airbnb had an insignificant impact on hotel occupancy rate in San Frisco while this company marginally affected the hotel occupancy in Chicago. The reason for the insignificant impact of Airbnb on the hotels of San Francisco was that most of the travellers of this area visits San Francisco on official and business trips. The lack of loyalty program in Airbnb forced businessmen to use traditional ways of booking accommodation (Goree, 2016).

***Impact on Tourism:***

Daniel Guttentag made theoretical research to figure out the impacts of Airbnb on tourism. He claimed that this company had increased the connectivity of tourists with the persons who wanted to rent out their private rooms or apartments. Before Airbnb, tourists used traditional ways to arrange accommodation on their desired destinations. But the rise of Airbnb revolutionised the entire situation by providing an online platform for tourists that can be used to arrange for lodging. This company provided a great number of opportunities for tourists that enabled them to figure out a space for residence outside traditional hotels and rest houses. Airbnb entertained tourists with Peer-to-Peer accommodation that gave tourists opportunities to live in the private properties of the local population at significantly cheaper rates. This opening of the peer-to-peer connection empowered tourists to better absorb and observe the social and cultural norms of the particular society (Gutiérrez et al., 2017). Airbnb increased the quality of the relationship between the hosts and the travellers. Hosts with better understanding and knowledge of surroundings could better provide instructions and safety measures (Dann et al., 2018). Tourists could enjoy feeling like home during travel due to the availability of rooms at private properties. Moreover, tourists could have a better understanding of tourists spots in that particular area (Guttentag, 2015). Availability of cheaper and easily accessible residence at tourists spot was a great success on behalf of the Airbnb.

Another study that attempted to figure out the impacts of Airbnb on tourism-related activities was the research paper of Ismael Yrigoy. Palma is a well-known tourist spot in Spain. Ismael investigated the tourism trends in Palma after the emergence of Airbnb. This company created many chances for the residents of Palma. The local population could increase their income by opening their residential areas for tourists (Yrigoy, 2016). In contrast with Ismael, Dimitri Ioannides arranged a qualitative analysis of the issue of tourism trends after the birth of Airbnb. The author used Utrecht as a case study for his analysis. He used the data of Airbnb and claimed that the company marked a great success in the tourist spot of Utrecht. Airbnb not only increased the no of tourist’s visit to that place but this company played a role in the determination of tourist trends. Most of the Airbnb Rentals were active in the centre and surroundings of the centre in the city of Utrecht. Most of the tourists also lived in these places and ultimately visited the tourist’s spots that were closer to the centre of the city (Ioannides et al., 2018).

Jan Van Der Borg was the researcher who made a very comprehensive and quantitative study about the impacts of Airbnb over the tourism and market of local housing. The researcher focused on a tourist spot of Italy named Veneto Region. The company was offering 19624 different type of residential options for the tourist in the Veneto Region. The researcher used the linear regression analysis to determine the effect of Airbnb on tourism trends and destinations in the selected city. He used the number of occupancy as the dependent variable in his model. The results of this regression analysis showed that the location of a house or residential space played a pivotal role in determining the occupancy rate of that particular room/house. Rental places near tourist’s attractive spots tended to be rented out more as compared to the places that were on distant locations. The behaviour of the host that displayed on Airbnb through its ratings was the other most significant factor that affected the occupancy rate. Good behaviour from host could increase the possession rate of that particular house. Price of rental spaces negatively affected the occupancy rate (Van der Borg et al., 2017).

***Conclusion***

Airbnb is the company that transformed the business of hotels and private accommodations with the exceptionality of its idea. The business model of this company impressed many scholars from the field of economics, business and sociology. All of these scholars tried to explain its working, reasons behind its success, the impact of this company on the hotel industry and tourism. Many researchers found a negative impact of Airbnb on hotel industry through their qualitative and quantitative investigations. This company also changed the trends in tourism. It became very easy for persons to start a business by just providing tourists and travellers with housing facilities. Most of the studies in existing literature were done to figure out the impacts of Airbnb on hotels, private lenders and tourists. A few studies could also be found on the social-economic impacts of Airbnb and here we found a gap in the literature.

We cannot find a study that attempts to measure the impact of strong host-guest relationship over the demand for culturally significant goods and services. When guests and hosts belongs to two different cultural background stay together for a long time, they share many socio-economic habits. This strong continuous interaction between the host and the guest can transform their preferences regarding foods and cloths. These changing preferences can increase or decrease the demand for culturally important goods and services.

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