

Assessing the Impact of Airbnb on the Indian Hospitality Sector

Sherry Abraham*

Abstract

Across the world Airbnb has become one of the most popular forms of accommodation for travellers, potentially threatening conventional accommodation formats like hotels. This paper examines the impact of Airbnb on the accommodation sector in Chennai. A qualitative method was used using both secondary and primary data. The analysis of the secondary data indicated that Airbnb owes its popularity as it matches current demand among tourists for localized experiences, cheaper rates, longer stays, sustainability, resource conservation, customized services and technology enabled methods of booking and payment. Primary data was collected from 100 guests of Airbnb Chennai. Analysis of the primary data indicated that the guests of Airbnb Chennai are primarily those who used to stay in budget / low priced hotels and resorts. Airbnb does not pose a threat to the 5 star and premium priced hotels in Chennai. Airbnb Chennai offers its guests with personalized local experiences of the city and its surroundings which is much appreciated by the guests. The hosts or the owners of the Airbnb properties play an important role in creating these experiences for guests. Airbnb Chennai was found to be far more accessible using modern technology like the internet / smart phones as compared to some of the budget hotels which do not even have websites. Guests find that Airbnb Chennai offers them rates that enables them to stay in the city for longer periods. The Airbnb format is perceived to be resource friendly, environmental conscious and operating according to the sharing economy principles of recycle, reuse and reduce. As against these advantages vis-à-vis hotels, here are the disadvantages related to security, risk, trust, unprofessional attitude of some hosts and self-service which some guests mentioned as being inconvenient to do in Chennai. These findings have various implications for the hotel sector in Chennai which have been discussed. For example, hotels must become far more personalized and offer more customized services than they have been hitherto offerings. They must be able to provide frequently visiting guests or long-staying guests

with special prices and offers. They must leverage their local contacts in Chennai to create the localized experiences that modern tourists demand. They must invest in technology and in digital marketing to increase online presence and visibility. Hotels in Chennai must highlight any sustainable or 'green' principles that they have been incorporating into their operations. These and other recommendations have been discussed in further detail and it is hoped that their implementation will result in the hotel sector in Chennai being successfully able to counter the threat posed by Airbnb.

Keywords: Airbnb, Accommodations, Sharing Economy, Local Experience, Online Presence and Visibility

Introduction

Airbnb is a technology based hospitality platform that is today one of the biggest companies in the global sharing economy. Airbnb enables people to list their properties on its portal which can then be rented out by travellers to a location. Findings suggest that Airbnb has become very popular in India as well. The company already had 35,000 listings in India (Ecotimes, 2018). Over the period 2016 – 17, the number of listings grew by 115% with the number of nights booked on Airbnb in India doubling over the same period (Statista, 2018). Over 2017-18, there was a 100% increase in inbound guests from across the world in Airbnb India (Statista, 2018). Airbnb intends to leverage on the Indian concept of hospitality as exemplified in the popular Sanskrit phrase 'Atithi Devo Bhava' to turn India into one of its largest markets by 2030 (Laghate, 2018).

The above views imply that Airbnb will be a serious contender for the hotel industry in India. There is very little research that examines how Airbnb impacts the Indian

* Assistant Professor, Department of Tourism Studies, Pondicherry University, Puducherry, India.
Email: sherryabrahamm@gmail.com

hotel sector. This paper examines the impact of Airbnb on the hotel industry in India and discusses implications for the Indian hotel industry.

Literature Review

According to Trivett (2013), the growth of Airbnb was triggered by the recession of 2008–2010. This period of economic collapse, high unemployment rates and stagnating income witnessed the growth of collaborative consumption which enable owners of idle accommodation assets to earn additional income and provided consumers cheap and economical access to these assets without the high cost of ownership (Trivett, 2013). Guttentag (2015) states that Airbnb has leveraged modern technology to create an innovation solution for traveller's accommodation requirements. Airbnb uses modern internet technology, smart phones and smart phone based applications to connect owners of idle homes with customers who require these homes. Schor and Fitzmaurice (2014) observed that the Airbnb platform is simple to use, is interactive, has an attractive customer interface and creates a salubrious online environment where buyers and sellers can interact with each other.

Schor and Fitzmaurice (2014) pointed out that traveller's tastes are changing and that they are more conscious about the environment, resource conservation and sustainability. Airbnb, which is based on principles of recirculation / recycling of non / underutilized assets has thus become very popular among the modern, environmental conscious traveller. Another change in traveller's behaviour is the requirement is 'live like a local' in their travel destinations (Dogru, 2017). Most travellers today want to experience the local life and local society of the cities to which to travel and Airbnb offers them this option through knowledgeable and hospitable hosts (Zervas et al., 2016). Airbnb helps create a sense of 'belongingness' amongst travellers by better integrating them into local society wherever they may travel to. Lee (2016) points out that Airbnb enables travellers to be in constant touch with their hosts and to get a better understanding of local destinations which was not possible earlier.

The above findings suggest that Airbnb has been able to create five key value propositions for travellers. These include (i) income generation – Airbnb provides owners of unused properties the opportunity to list their accommodations on the platform and earn additional

income, (ii) sustainability – optimizing the consumption of scarce resource like accommodation, (iii) traveller's preference – for living like a local, (iv) cheap prices – Airbnb properties are cheaper than hotels and (v) technology friendly – Airbnb uses contemporary internet / web technology to connect buyers and sellers. These factors are indicated in the theoretical model in fig. 1.

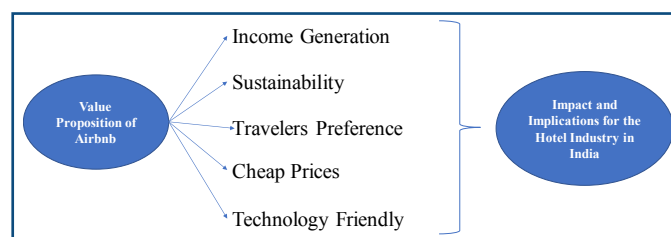


Fig. 1: Value Proposition of Airbnb

From fig. 1, it may be inferred that modern travellers want local experiences, and state of the art booking experiences that combines good design, with ease of use and a trustworthy networking online environment. The implication is that future accommodation formats will need to cater to these requirements of contemporary travellers, in the way Airbnb has been able to do.

Methodology

A qualitative approach was adopted in this research using secondary and primary data. The secondary data indicated the key dimensions of the value proposition created by a sharing economy format like Airbnb. The primary data was collected through an online questionnaire administered to 100 guests of Airbnb in Chennai. The email contacts of these guests were furnished by Airbnb Chennai. The questionnaire collected information on why guests preferred Airbnb accommodations as compared to regular hotels. This data was analysed using the thematic analytic method to provide insights as to the extent of the challenge posed to Indian hotels by Airbnb, the reasons why tourists prefer Airbnb to hotels and make recommendations on what Indian hotels must do to successfully compete with Airbnb.

Key Findings

Fig. 2 indicates the type of accommodation, respondents used to stay in Chennai before shifting to Airbnb.

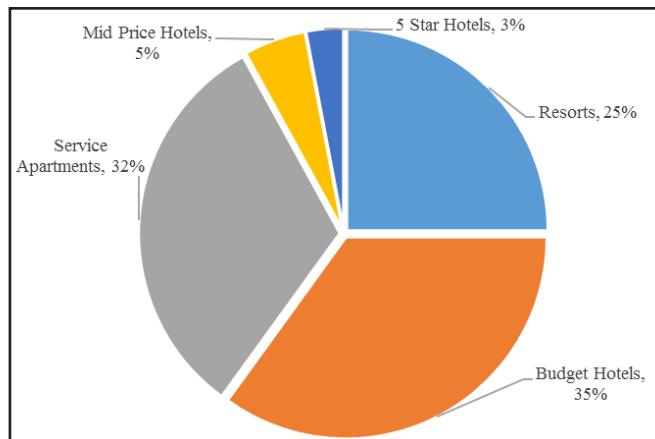


Fig. 2: Shift to Airbnb

From fig. 2 it is observed that most of the travellers who have shifted to Airbnb type accommodation are those who used to stay formerly in service-apartments, budget hotels and resorts. This indicates that it is these segments of the accommodation sector that have been most impacted by Airbnb operations. The 5 star and mid-priced hotels remain relatively unaffected. This finding is in accordance with those of Hamari et al., (2016) and who found that a 1% increase in Airbnb bookings results in a decrease in hotel revenues by 0.1%. Respondents were asked as to why they shifted to Airbnb. Fig. 3 gives some of the key responses. It is observed that economic motivations are one of the key reasons for the shift towards Airbnb. Respondent 3 stated that *'she and her family could stay 3 weeks longer in Chennai for the same amount of money it would have cost to stay in a budget hotel because of which they could explore the are much more in detail'*.

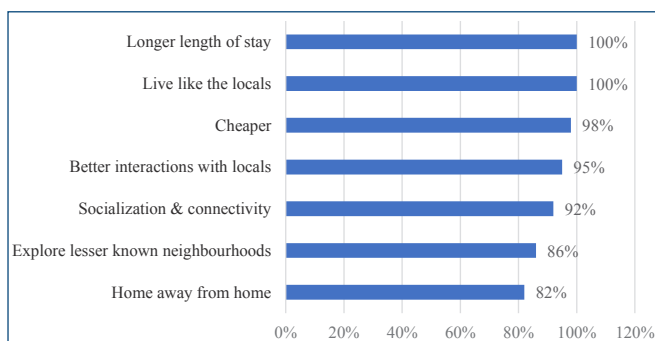


Fig. 3: Reasons to Select Airbnb

Most of the respondents also indicated that Airbnb was good value for money. Respondents mentioned how *'they could get a whole apartment to themselves rather than a single room'*. Another key theme emerging from figure 4.2 was the requirement to *'live like the locals'*. Respondent 18 said that *'Airbnb enabled her to sample the local culture in places like T Nagar and Kilpauk in Chennai far better than if she had stayed in a posh hotel'*. Yet another reason for the shift was the ability to socialize and interact better with locals. From their response, it was clear that the hosts (or the owners of Airbnb homes in Chennai) play an important role in facilitating local interactions and contributing to the popularity of Airbnb. Respondent 67 stated that his host *'took him and his family all around Chennai and neighbouring areas like Mahabalipuram which they would never have gone to by themselves'*.

A frequent theme here was the hosts could give a local perspective to the entire travel experience. For example, respondents 34, 58 and 88 all mentioned how their hosts *'explained the history of local temples, local foods and even of local handicrafts like Kanjeevaram saree which they would never have got if they had travelled by themselves or through formal guides'*. Because they were accompanied by their hosts they were able to explore lesser known neighbourhoods of Chennai like Tambaram and Kilpauk, were emboldened to stay out late nights, take late evening walks around Marina beach and even try local delicacies out of roadside street stalls and pushcarts.

These findings suggest that the Airbnb format is able to provide travellers with customized and personalized travel experiences that they would not get through a regular hotel stay. It is also apparent that there is a shift in traveller's objectives in visiting a new place. Rather than mass-tourism experiences, the modern traveller wants local and authentic experiences of the places they visit. These findings match with those of Mody et al., (2017) and Choi et al., (2015) who pointed out that tourist want to share in the real life of the places they visit. They look for more intimate relationships with the locals and for authentic experiences. Airbnb enables them to do all of this which accounts for the popularity of this accommodation format.

Fig. 4 indicates additional motivations for guests of Airbnb Chennai.

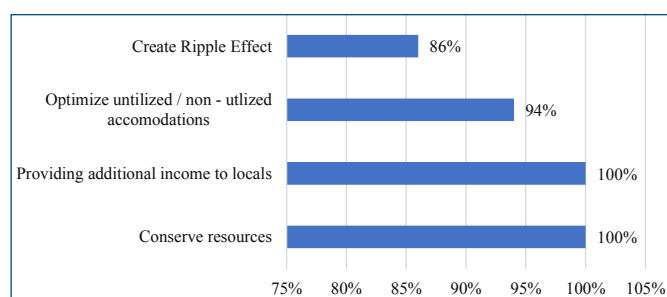


Fig. 4: Motivations to use Airbnb

From fig. 4 it is observed that travellers associated Airbnb Chennai with resource conservation. Respondent 18 stated that *'she knew Chennai is water parched and using Airbnb was her little contribution to reducing water consumption'*. Another reason was that by using Airbnb, locals were enabled to earn extra income. A third factor was that of 'ripple effect'. Respondents 34, 67 and 89 stated that they and their families visited local stores, retail outlets and restaurants driving more business and income to these establishments. These findings suggest that other key motivations of travellers to use Airbnb include sustainability, resource conservation and optimal consumption of under-utilized assets and match those of Tussyadiah and Pesonen (2016) who pointed out that modern tourists are very conscious about the environment and preservation of local ecologies, culture etc.

Fig. 5 gives additional technology related motivations for travellers to use Airbnb. The first motivation is seamless access. Most of the respondents pointed out that Airbnb was accessible through its dedicated app that ran on IOS, Apple Watch and Android platforms as well as through its website. Whereas some hotels in Chennai do not have websites, but have to be contacted through phone. The second motivation is more choice. Respondents indicated how they can use filters to choose shared rooms, private rooms, shared apartments, full

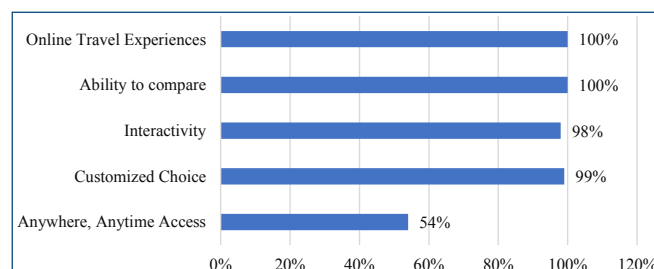


Fig. 5: Technological Motivations

Apartments, house bookings, chose hosts they are comfortable with etc. Whereas, the range and scope of accommodation that is possible in hotels in Chennai is more limited. A third motivation is that Airbnb is highly interactive providing users with one on one connect with hosts through which queries can get raised and answered in real time. The most important reason is the online 'Airbnb Experience' feature which all the respondents quoted as enabling them to experience Chennai in so many ways even before they visited the city. Whereas, such online experiences are absent in hotel bookings. However, there were some concerns raised by guest on Airbnb and these are summarized in fig. 6.

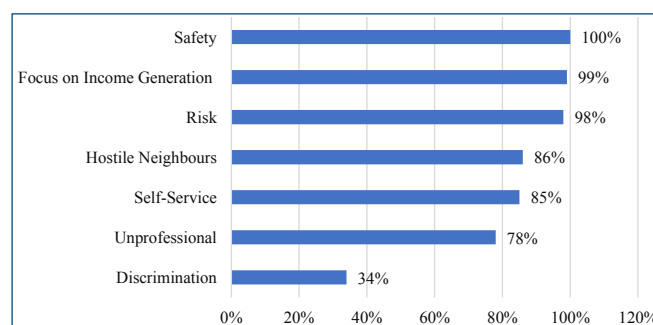


Fig. 6: Airbnb Chennai - Concerns

The most important concern related to Airbnb vis-à-vis hotels in Chennai is that of safety. Respondent 68 stated that *'she was not sure how safe she felt as a lone female traveller in a foreign city as compared to the safety provided by a hotel'*. Another concern was respondents felt Airbnb was being used only for income generation and not for facilitating a more inclusive sharing economy. A third concern was that of risk. Several respondents stated that unlike hotels, it was not evident what quality of accommodations one was hiring in Chennai unless one actually walked into the room / apartment. A fourth concern was that of neighbours who were hostile to the idea of strangers coming and going in their apartment complex. A fifth concern was voiced by respondents 3, 56 and 78 who said that *'unlike room service, buffet breakfast etc provided in a hotel, in Airbnb they had to serve themselves which was inconvenient as apartments in Chennai do not have the same facilities like those abroad such as washing machine or coffee maker'*.

Several respondents complained of unprofessional hosts and untidy / dirty apartments which would never

have happened in hotels. Yet another concern was that of discrimination. Respondents 5, 67 and 81 who were Indian stated '*that Airbnb Chennai prefers foreign guests to Indians*'. Some of the respondents from Africa stated that they felt '*Airbnb Chennai prefers 'white' foreign guests as compared to 'coloured' persons*'. They said that this is something that would never have happened in a hotel. These findings suggest that hotels have their own advantages which can be leveraged to counter the threat posed by Airbnb.

Conclusion & Recommendations

There are several implications arising out of the above findings. Firstly, Airbnb does not pose a major threat to the big hotels and 5-star accommodation formats in Chennai. However, the lower priced hotels, budget hotels can be impacted as the popularity of Airbnb increases. Secondly, Airbnb has been quick to leverage on changes in traveller requirements as compared to hotels and this accounts for its popularity. Thirdly, Airbnb offers more value for monies spent than hotels in Chennai. Fourthly, Airbnb offers far more personalization and customized services as compared to hotels. Fifthly, Airbnb rides on technology driven platforms and is more likely to find salience amongst the tech savvy younger generation of tourists as compared to traditional tourist formats in Chennai some of which do not even have websites. Lastly, Airbnb has certain disadvantages vis-à-vis hotels in Chennai which the latter can leverage on to counter the threat posed by Airbnb. Based on these implications, the following recommendations are made:

- One of the key attractions of Airbnb is its low prices. This means that budget / lower priced hotels / service apartments must offer special prices, discounts for long – staying / frequently visiting guests, bundled along with some offers. For example, students, backpackers or honey-mooning couples can be given special rates.
- The accommodation sector in Chennai must create more value for their guests through customization / personalization. Hotel representatives must meet with individual guests, ascertain the purpose of their visit and offer help and assistance that matches with the requirements of guests. For example, if the purpose of the visit is to see temples, the hotels can or-

ganize for guided tours of the temples of Chennai. If the purpose is to sample local food and handicrafts, shopping etc, hotels can arrange for guides who are specialized in these services, at minimal rates. As far as possible, travellers can be taken around using local transport like autos, buses or the metro to enhance the local feel of the visit.

- There is a growing demand for localization amongst foreign visitors to India. This trend can be leveraged by hotels by facilitating interactions with local communities in a safe and friendly manner. For example, there can be hotel staff allocated to take guests to experience local eateries, local shopping outlets, the numerous temple / festival related events that take place in Chennai.
- It is recommended that the accommodation sector in Chennai invest in technology to enable web based bookings. These websites must be promoted on social media such as Facebook and Instagram and must be easily accessible on smart phones and laptops. The hotels must invest in marketing tools like search engine optimization, digital marketing, social media marketing etc all of which will ensure that the websites get thrown up quickly on browsers whenever guests search for hotels in Chennai. There must be online chat rooms which can immediately respond to guest queries.
- Hotels must get featured on online marketplaces like Booking.com or Expedia so that they remain on the guest's radar whenever anybody searches for hotels in Chennai. In addition, this enables the hotels to be compared with other accommodation formats thereby offering guests with greater choice.
- The hotels must highlight any sustainability or eco-friendly measures that they have implemented in their hotels. For example, hotels may contribute part of their profits to improving the quality of life in local areas. Or hotels may have gone 'green' by adopting solar heaters rather than electric ones. Wherever possible, these measures must be highlighted to guests. Within hotels, cautioning guests about the use of linen, electricity, water etc will create the impression of resource conservation and environmental friendliness that are demanded by modern travellers.

- Hotels must highlight how safe they are and what safety mechanisms they have taken. This can be done on the hotel website itself, through social media or through any communications with the guest. All guests, irrespective of ethnic origin, must be made to feel welcome. The quality of accommodation provided must match with what is being advertised. Hotels must be professionally run and provide as many amenities to the guest as it is possible to give for prices charged.

References

- Choi, K. H., Jung, J. H., Ryu, S. Y., Do Kim, S., Yoon, S. M. (2015). The relationship between airbnb and the hotel revenue. *Indian Journal of Science and Technology*, 12, 22-30.
- Dogru, T. (2017). C-corporation Hotels vs. Hotel-REITs: A theoretical and practical comparison. *Boston Hospitality Review*, 5(1), 18-23.
- Ecotimes (2018) Airbnb for driving growth in India. Retrieved from <https://economictimes.indiatimes.com/topic/Airbnb> Accessed on 18th August 2018.
- Guttentag, D. (2015) Airbnb: Disruptive innovation and the rise of an informal tourism accommodation sector. *Current Issues in Tourism*, 18(12), 1192-1217.
- Hamari, J., Sjöklint, M., & Ukkonen, A. (2016). The sharing economy: Why people participate in collaborative consumption. *Journal of the Association for Information Science and Technology*, 67(9), 1-19.
- Laghate, G. (2018). Airbnb has had incredible growth among Indian guests and hosts. Retrieved from <https://economictimes.indiatimes.com/industry/services/hotels/-restaurants/airbnb-has-had-incredible-growth-among-indian-guests-and-hosts-nathanblecharczyk/articleshow/63088869.cms>. Accessed on 20th August 2018.
- Lee, D. (2016). How Airbnb short-term rentals exacerbate Los Angeles's affordable housing crisis: Analysis and policy recommendations. *Harvard Law and Policy Review*, 10, 229-253.
- Mody, M., Suess, C., Lehto, X. (2017). The accommodation experience escape: A comparative assessment of Hotels and Airbnb. *International Journal of Contemporary Hospitality Management*, 18, 22-25.
- Schor, J. B., & Fitzmaurice, C. J. (2014). *Collaborating and Connecting: The emergence of the sharing economy*. Pearson Education Limited.
- Statista (2018). Vacation Rentals on Airbnb. Retrieved from <https://www.statista.com/outlook/268/119/vacation-rentals/india>. Accessed on 20th August 2018.
- Trivett, V. (2013). What the sharing economy means to the future of travel. Retrieved from <http://skift.com/wp-content/uploads/2014/07/skift-what-the-sharing-economy-means-to-the-future-of-travel>. Accessed on 18th August 2018.
- Tussyadiah, I. P., Pesonen, J. (2016). Impacts of peer-to-peer accommodation use on travel patterns. *Journal of Travel Research*, 55(8), 1022-1040.
- Zervas, G., Proserpio, D., Byers, J. W. (2016). The rise of the sharing economy: Estimating the impact of airbnb on the hotel industry. *Journal of Marketing Research*, 13, 12-20.