



Article Title

Locational Strategy of Professional Hosts: Effect on Perceived Quality and Revenue Performance of Airbnb Listings [Summary]

Citation

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Abstract

Professional hosts usually invest in properties at various locations. Our study aims to investigate the effect of their locational strategy (clustering vs. diversification) on the perceived quality and revenue performance of each listing in their portfolio. Using data of Airbnb in New York City, we find that locational clustering drives the perceived quality but undermines the revenue performance of each listing, and these effects are further moderated by the size of the listing portfolio managed by a professional host. Implications for Airbnb investment using effective locational strategy are provided.

Keywords locational clustering, locational diversification, Airbnb, professional host, multilisting

Summary:

The findings provide important practical implications for Airbnb hosts. Professional hosts are interested in investing in closely concentrated or distantly located listings for profit maximization. While locational clustering can enhance perceived quality regardless of the size of the portfolio, this strategy may not benefit revenue performance of each Airbnb listing in the portfolio. Additionally, such a negative effect would be weakened as the portfolio expands to consist of more listings. Therefore, our advice on portfolio expansion is first to acquire additional listings located in proximity and then move to other geographically diverse areas. Those professional hosts who heavily invest in listings in geographically distant locations

are generally encouraged to improve perceived quality for a viable growth of the Airbnb business. As high perceived quality does not necessarily mean better revenue for professional hosts in our study, it is also suggested that multilisting hosts can endeavor to align service quality with the performance by adopting better pricing strategies and customer loyalty programs.

Additionally, for communities and legislators who have an interest in regulating professional hosts, we advocate the policy should be customized with consideration of the geo-locational level on the number of listings.

Conclusion

Airbnb is currently the largest home-sharing marketplace that can access more than 5 million hosts worldwide. With the rise of professional hosts who manage more than one listing for investment purposes on this platform, our study serves as the first empirical attempt to understand the effects of locational clustering versus diversification of each listing in a professional host's multilisting portfolio. The results of our study using Airbnb data in New York City show that locational clustering of multilisting portfolio improves the perceived quality but weakens the revenue performance. The magnitudes of these effects are intensified for perceived quality and softened for revenue performance when professional hosts increase the portfolio size. Our findings thus lay the groundwork of locational strategies for professional hosts in the home-sharing business