



## Article Title

AirBnB Competition and Hotels' Response: The Importance of Online Reputation

## Citation

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## Abstract

Airbnb and other similar platforms are changing the market structure of the accommodation industry, threatening the status quo of the traditional hospitality industry. This is a new paradigm in which low cost accommodation options press down prices in an industry with a non-flexible cost structure. This paper analyses the role of quality perceived by customers as a key factor explaining prices differences among hotels. In a context characterized by instant access to past guests' valuations on the Internet, the role of these valuations is compared with the traditional rating system, which is less flexible through time and based in legal standards that vary across countries. According to our empirical research, quality as assessed by past customers increases a firm's capacity to set higher prices, working as a signaling mechanism, including the hotels in the same star category. Managers capable of building a reputation of consistent high quality service will show a higher market power.

## Methods

To test the set of hypothesis data from Barcelona, hotels and apartments listed through Airbnb were collected. To gather homogeneous and consistent data online prices were collected looking for booking similar room options. To analyze if Internet valuation is a quality signal that gives additional value to the traditional star system, an analysis of prices and Internet ratings have been made for hotels belonging to the same category. The idea is to check if hotels with the same star category but different reviews from past customers show positive correlation with prices.

## Results/ Conclusion

Understanding how consumers make their decisions and what elements they really take into account when making purchasing decision is crucial to defining the best strategy from the hotels' management point of view in a context in which new actors are offering similar services and in which consumer behavior is changing constantly at the same time that technology does. On the other hand, understanding what kind of consumers decide to use apartments through peer-to-peer platforms and what they value when deciding where to stay is a critical factor in order to predict how the accommodation industry is going to evolve.