



Research Article

The Impact of the COVID-19 Pandemic on the Collaborative Tourism Industry: The Case of Airbnb

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Abstract

In a relatively short period of time, the development of the sharing economy has surprised analysts and practitioners with a new perspective on how to access and distribute services, the speed of growth in a multitude of economic sectors and their global expansion. In the field of tourism, home sharing has come to satisfy the changes in the preferences and behaviour of tourists, mainly oriented now towards vacations that offer authentic and memorable experiences. In this article, we made a comparison between the expectations of tourists from Airbnb and those they have from a traditional accommodation and which are the reasons why people choose collaborative services. We are also interested to see how these home sharing systems have adapted to the recent challenges posed by the global pandemic crisis, differences and similarities with the strategies of traditional operators, and to what extent we can anticipate future trends in tourism accommodations. However, the data about online platforms, in general, but also about the Airbnb platform, in particular, are not well nuanced, despite the fact that there is more and more interest in this field, and the ongoing impact of the global pandemic is still partially captured and refined in international statistics on tourism.

Keywords: sharing platforms; experience; Airbnb.

Introduction

Contemporary tourism is driven to some extent by technology. If until not long ago, people were not so interested in finding out

about the place they are going to visit, nowadays it has become a trend for the tourist to study in detail the future destination. They are much more interested in what a destination offers, from where to stay, gastronomy, leisure activities to the

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means of transportation, once they reach their destination, especially when the trip to the destination is made by plane. In other words, tourists are looking for experiences and only a place to spend their vacation. Experiences represent the way in which the interaction between people and places is perceived, which is essentially realized as each individual understands and interprets them differently (Jennings & Weiler, 2006).

This is also possible due to new technologies that have contributed enormously to the development in this direction of tourism. There are numerous platforms that offer tourists a variety of offers, increasingly original and adapted to customer needs. Through the Internet you can find a lot of information about the places to be visited. Thus, tourists can exchange opinions through online platforms, they can post various real-time videos from that location.

In addition, the development of communication methods through technology facilitates easy connection between billions of users. Online travel agencies such as Expedia, TripAdvisor, Ctrip (now Trip.com), Pricelines Group (now Booking Holdings) have played a key role in shaping the new trend in travel and booking services.

Traditional accommodation, including hotels, boarding houses, chalets, campsites, is subject to the challenges of travelers, who have become much informed and daring when it comes to finding a place to spend their holidays. Accommodation "from person to person" attracts financially and through the social experience offered, which is increasingly sought after by tourists. In addition, in the context of collaboration in tourism, the network of local entrepreneurs is supported.

The question is whether in a collaborative economy, tourists are really offered authentic and memorable experiences to a greater extent than in a traditional economy. For example, in a study conducted by Agapitou et al in 2020, over 85% of the respondents believe that "experiencing local culture" is a feature that can be found

in Airbnb accommodations (Agapitou, C., et. al., 2020).

Data and Methods

The paper is a theoretical one, meant to answer the question posed in the title itself "Is Airbnb the Winner?" In this regard we have launched several hypotheses that we have debated in the article. The data used in this analysis were retrieved from the database of statista.com (Statista, 2021) and Airbnb Annual Report for the fiscal year ended December 31, 2020 (Airbnb, 2021). The dataset contains information on the nights and experiences booked (in millions), gross booking value (in billion U.S. dollars), revenue worldwide (in billion U.S. dollars), total assets worldwide (in billion U.S. dollars) of all listings for the timeframe of 2017-2020.

As the first step of the analysis, a year-to-year comparison of bookings was made to understand the dynamics of Airbnb main indicators. In the next phase of research, in order to gain a more detailed understanding of the impact that the covid-19 pandemic has had on Airbnb bookings, we analysed tourists' perception of the measures to improve customers' comfort levels in hotels after the coronavirus (COVID-19) pandemic.

The home-sharing perspective in tourism

Nowadays, tourists prefer to try experiences they have not experienced before, which will give them uniqueness. Thus, they started to book their accommodation in a less traditional way, through online platforms, and not from traditional travel agencies. The fact that people's desires took the direction of experience led to the amplification of the collaborative economy in the field of tourism and service providers began to rethink their offer, by virtue of increasing revenues, and also to offer new options to people who are looking for something new. Airbnb, Uber, Couchsurfing are just a few examples of platforms generated by the collaborative economy that have managed to develop successfully in the field of tourism.

Airbnb is an online platform through which people can rent their properties as tourist accommodation without having the standard facilities of a hotel. The Airbnb platform has developed very quickly, even if tourists can only trust the descriptions of the owners and the possible opinions posted by other guests regarding the quality of their stay.

The alternative accommodation market is determined by the overcrowding of traditional accommodation, but especially by the idea of having a unique experience. Airbnb is a financially convenient platform, which makes it attractive to consumers. Consumers expect their stay, booked through Airbnb, to offer authenticity, connectivity, transparency, flexibility. By contrast, when it comes to large hotel chains, tourists have high expectations of safety, trust, comfort. However, more and more tourists, especially in the pre-pandemic period, tend to trust individuals like themselves more than the big tourism companies, and the collaborative economy seems to promote exactly these attributes in the services they offer.

When analyzing growth rates, it is important to recognize the base value. Airbnb is a relatively new presence in many markets, and growth rates are often

proportional to untapped potential. In other words, Airbnb has more room to thrive in most markets, while hotels have carved out an established presence over the decades.

In Table 1, we presented the evolution of some main indicators of Airbnb activity (Nights and booked experiences, Gross booking value, Worldwide revenues and total assets) in the period 2017-2020. Of course, the negative impact of COVID 19 on Airbnb's performance in 2020 is considerable, but even in these conditions, the values for 2020 are close to those reported only a few years ago, which shows either the extraordinary expansion of this operator in previous years, or that the flexibility of online trading and the customer preferences for this type of short-term letting, respectively, have avoided an even sharper decline. Indeed, international tourism, hit by an "unprecedented shock, challenges and an existential threat to the tourism sector" (UNWTO, 2020) due to the COVID-19 pandemic, has recorded a huge fall in 2020: international tourist arrivals (overnight visitors) decreased by 74% compared to 2019 leading to a fall in international tourism to levels similar to those registered 30 years ago (UNWTO, 2021), and relatively optimistic views do not see a return to the figures for 2018-2019 earlier than 2025.

Table 1. Airbnb - main indicators (2017-2020)

	Nights and experiences booked (in millions)	Gross booking value (in billion U.S. dollars)	Revenue worldwide (in billion U.S. dollars)	Total assets worldwide (in billion U.S. dollars)
2017	185,8	20,975	2,562	6,050
2018	250,3	29,440	3,652	6,613
2019	326,9	37,962	4,805	8,310
2020	193,2	23,896	3,378	10,492

Source: Airbnb FORM 10-K, <https://d18rn0p25nwr6d.cloudfront.net/CIK-0001559720/84dcc076-235d-4520-805c-0e64b6fe8c40.pdf>, [Retrieved March 10, 2021]

Statista Airbnb <https://www.statista.com/>, [Retrieved March 10, 2021]

With the growing popularity of its person-to-person rental model, Airbnb has become a top competitor in the hospitality industry. Airbnb's annual revenue surpassed the

revenue of the Intercontinental Hotels Group in 2019, based on data from Macrotrends (2021).

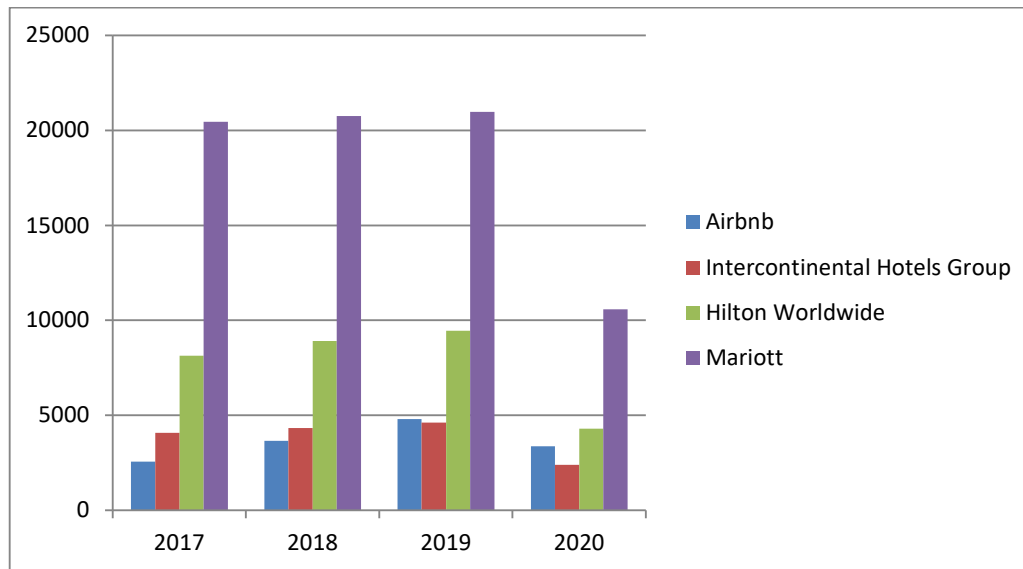


Fig 1: Dynamics of Airbnb revenue compared to revenue in the traditional hotel industry

Source: Macrotrends <https://www.macrotrends.net/stocks/charts/ABNB/airbnb/revenue>. [Retrieved March 10, 2021]

The figure above illustrates Airbnb's growth compared to the largest hotel chains. Airbnb sales include both short-term rentals and experiences sold as services, which were introduced in 2016 on the Airbnb platform. With the rise in popularity of its person-to-person rental model, Airbnb has become a top competitor in the hospitality industry. According to a survey conducted on 2020 (Agapitou et al., 2020), most of the tourists choose Airbnb because of its "value for money". Also, many tourists agree that the reason for choosing Airbnb is the location. Interestingly, many of them agree that they choose Airbnb because of the access to household amenities. Additionally, according to the mentioned survey, many people choose Airbnb because of the amount of space.

On the other hand, the advantages of choosing Airbnb are being close to local culture, having good value for money, being in a good, quiet location, the feeling of being home, getting socially engaged and being friendly with new people. Finally, expectations regarding comfort, ease of booking, reviews from previous users vs. reality, options/features, variety of rooms and possible feedback and evaluation are

equally distributed between Airbnb and hotels.

Thus, 67.1% of people use the online platform because they can find special accommodation in a very good location or even with a historical significance. A hotel may not exist in the same location due to restrictions on local land use. Non-traditional accommodation methods, in this case Airbnb, took advantage of this aspect and the existing demand on the market to expand the accommodation offer. In addition, Airbnb offers a wide range of services.

Is home-sharing a solution to the tourism crisis caused by the global COVID-19 pandemic?

After several years of home-sharing systems putting pressure on hotel rates and occupancy levels and new entrants such as Airbnb effectively disrupting the hotel industry, the COVID-19 crisis has probably temporarily halted this situation and created a new question: Is this system, and especially its leader (Airbnb) an acceptable alternative for tourism and travel in the new realities? Or, in suggestive terms "Has Covid-19 disrupted the disrupter?" (Glusac,

2020) There are several elements according to which we can appreciate these new competitive realities: booking conditions, cleanliness, privacy, etc.

Some opinions support a short-term advantage of traditional accommodations as hotels due to more permissive reservation and cancellation systems, more generous refund policies, grace periods, which are not as accessible to home sharing systems, marked by a sharp variability of rental housing circumstances. Hotel companies also come up with new standards and cleaning technologies inspired by those of disease control and prevention systems. Thus, independent, branded or well-managed hotels can have a convincing advantage over home sharing, as hotels will use professional or industrial cleaning products, have well-trained staff, budgets and control systems to do so (Glusac, 2020).

The coronavirus (COVID-19) pandemic has strongly affected travel behaviours worldwide, especially in terms of the level of comfort and safety of accommodation. According to a May 2020 survey conducted by SKIFT & ORACLE (2020), most respondents indicated that they would feel more comfortable and protected in these locations if there was an increased frequency of cleaning and disinfection procedures (60%), followed by guest areas arranged for social distancing (39%), contactless payment (35%), temperature checks of guests entering the hotel (33%). Interestingly, only 9% of respondents were in favour of temporarily suspending some hotel services such as spas, casinos, and restaurants (Statista, 2020).

Of course, vacation rental companies also promote new cleaning protocols and the obligation of a 24-hour waiting period between guests, but the possibilities for checking and standardization are not as convincing. In other words, hotels seem to stand out positively in terms of advanced cleaning methods, and lose to common areas (reception, halls, elevators), where home sharing systems recover in terms of advantages.

Regarding social distance, home rentals are clearly defined by the promise of privacy, are more obviously associated with social distance, lack of contact with the owner or maintenance staff, promotion of smaller, more isolated, rural locations, and shorter rental period (Badulescu, et al., 2014).

In this case, hotels have fewer options to make the offer more flexible, perhaps by transferring some services to guests, automating activities (check-in at a terminal in the lobby, automatic distribution of key cards, luggage handling robots, etc.). What until now seemed an exaggerated technological modernism, diminishing the comfort of the stay, or even a depersonalized consumption - the contactless hotel, could quickly become the new luxury (Glusac, 2020), (Trip & Badulescu, 2020). The fact that some of the services associated with the hotel, extremely attractive so far (such as rooftop pools, attractive and intimate atmosphere bars, full restaurants, famous for their reservations in advance), are becoming less desirable, makes home sharing preferable in terms of discretion and privacy (Glusac, 2020). Things are not decided yet and, moreover, it seems that a new form, an intermediate one, that of apartment hotels will become the new competitor.

For a long time, Airbnb was considered “the disruptor” of the international hotel industry. According to Dolnicar & Zare (2020), COVID19 has now disrupted the disruptor, through two trends that will affect (more than in the short term) the future of Airbnb and similar platforms: the proportion of investor-hosted listings will drop, and trading of space on Airbnb and similar platforms will not recover to its pre-COVID19 levels (Dolnicar & Zare, 2020). Their assumptions are based on two premises. The first premise is that coronavirus is an economic super-shock. Although economic shocks are common in the economy, and tourism regularly faces them (tornados, fires, earthquakes, terrorist attacks, temporary decline in demand etc.), the shock induced by COVID19 is different - the steady decline in travel is global, the declines are more dramatic and more pronounced, driving or announcing

structural changes in many sectors of the economy (Dolnicar & Zare, 2020). Therefore, the possibility of tourism as an economic sector, to reorganize and recover on relatively the same premises is seriously compromised, and even less the return to the situation of a real lifestyle of touristic operators (Badulescu & Badulescu, 2014). The other premise would come from the change in the behaviour of the providers of this type of services, diminishing their flexibility and motivations to be on these platforms.

Other authors see the Airbnb strategy as a medium-term winner. Confronted, like other operators (traditional or modern) in the tourism industry, with the Covid-19 crisis, Airbnb management reacted quickly and, although it cannot be said that in 2020 the business has fully solved the problem of collapse of reservations and, consequently, drastic reduction of revenues, it is estimated that Airbnb "has weathered the pandemic relatively well compared to other major travel operators, whether hotel chains or online marketplaces" (Taulli, 2020).

According to these analysts, Airbnb has distinguished itself through several key strategic directions:

- hard reduction of costs (mainly from the reduction of labour costs - the firing of about 25% of employees, various expenses, a reduction of executive salaries and the suspension of all construction of facilities).
- focusing on basic activity, accommodation, involvement in support actions and transparency of final decisions;
- creativity (for example "when the in-person Experiences segment was suspended, this led to the creation of Online Experiences, which quickly became an extremely popular offering" (Taulli, 2020).
- trust, solidarity, realism and optimism of the management team.

Conclusions

The sharing economy, primarily understood as an opportunity to transform the way a business operates, substantiated the concept that collaborative consumption and/or collaborative production generates efficiency (hence the name of efficiency

economy). Regardless of the multitude of names under which it is also known (collaborative consumption, collaborative economy, peer economy or access economy), the development of the sharing economy in the last decade surprised analysts and practitioners by their worldwide acceptance. Common perceptions, but also theoretical and applied research, have rapidly emphasised a number of benefits, apparently undeniable, as well as the remarkable expansion of the sharing economy in various economic sectors, from passenger transport and tourist accommodation (UBER and Airbnb, being probably the most well-known operators), various household services, fashion and deliveries. However, if the forecasts at the end of 2019 seemed more than favourable for these activities, the global pandemic crisis hit hard in most of these sectors. Thus, specific reactions, corrective measures and search for flexibility were a fertile topic of analysis at the industry level, supporters or academia.

In this paper, we analysed the reasons and particularities of the initial (pre-COVID19) choices and preferences to home sharing, from the perspective of tourism consumers, and how the main operator in this field, namely Airbnb, met (or adapted to) these requirements. We found that the Airbnb online platform is set up in such a way that it places a strong emphasis on user feedback and encourages users to comment and rate accommodation. In fact, more and more tourists are sharing their reactions on specialised websites or social media about the place they booked or their experience. While Airbnb's policy is mainly focused on customer feedback, large hotel chains already enjoy a certain degree of trust and notoriety. Gradually, but at a fast pace, this new business model consistently changed the perspectives and experiences in the trips of tourists.

In the second part, we focused on the effects of the pandemic crisis and measures to fight against these consequences. For a better understanding, we performed a comparative analysis between the accommodation considered as "classic" now, such as hotels, and home sharing,

respectively, as well as several opinions on the prospects and possible transformations of home sharing during and post-COVID-19 crisis.

Tourists are entitled to have more confidence in the qualified cleaning services and preventive measures against COVID 19 offered by major hotel chains. However, Airbnb reacted promptly in the context of the COVID 19 pandemic by requiring their host community to wear masks and keep social distance when interacting with guests and commit to a 5-step Enhanced Cleaning Protocol (prepare, clean, sanitize, check, and reset).

We believe that in order to face the challenges of the COVID 19 pandemic, the Airbnb system should adjust its rental policy to provide consumers with safety, especially from a health point of view. In this context, one way of mitigating some of the losses would be for Airbnb's policy to shift towards longer-term rentals, so as to provide some security of booking.

It is understandable that some people consider "traditional" accommodation to be safer from a sanitary point of view, with many protocols and high standards of hygiene. However, from our point of view, Airbnb could expand its customer base, especially as it offers more flexible services than traditional accommodation and can offer accommodation in remote places where contact with other people is limited or even non-existent.

The policies towards Airbnb can also change – influencing P2P accommodation markets significantly. The effect of Airbnb on hotel industry and local communities was a highly debated issue in many localities. When the revival of tourism starts, local and national governments may support 'traditional' hotel companies due to their stronger lobbying power, role in employment and contribution to tax incomes. This support can be manifested in financial support or regulatory changes that would offer a significant advantage to hotels over P2P accommodations.

Will this new business model withstand the shock of the global pandemic and others that will follow? The answer to the question will probably be revealed by new research and new data, in the next future.

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