

# Airbnb: Why Tourists Choose It and How They Use It

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By Dr. Daniel Guttentag

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## About the study

This report presents a summary of the key findings and implications from a study entitled “Why tourists choose Airbnb: A motivation-based segmentation study underpinned by innovation concepts.”

The full version of the paper on which this summary is based can be [accessed here](#).

## About the author

Dr. Daniel Guttentag is an Assistant Professor in Hospitality and Tourism Management at Ryerson University (Toronto, Ontario, Canada). He possesses a Master’s degree in Tourism Policy and Planning and a Ph.D. in Recreation and Leisure Studies, both completed at the University of Waterloo (Waterloo, Ontario, Canada) where he worked under the supervision of Dr. Stephen Smith (University of Guelph).

Dr. Guttentag’s research currently focuses on Airbnb consumer behaviour and policy questions. He wrote one of the first peer-reviewed journal articles on Airbnb ([published online in 2013](#)), has a forthcoming book chapter on Airbnb’s regulatory issues, and is actively involved in a number of other Airbnb research projects. His research publications also include papers on virtual reality and tourism, volunteer tourism, and casino gambling.

Dr. Guttentag is the recipient of several prestigious awards, including a Joseph-Armand Bombardier Canada Graduate Scholarship from the Social Sciences and Humanities Research Council of Canada.

For more information about the author, please visit [www.dg-research.com](http://www.dg-research.com).

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## Executive Summary

The purpose of the study was to investigate why tourists choose to stay in Airbnb accommodations instead of other options like hotels, and to explore the ways in which tourists use the service.

The study involved an online survey completed by people who had stayed in an Airbnb accommodation during the previous year. Following data screening, 844 surveys were analyzed in the final sample.

It was found that the vast majority of Airbnb guests use the service for a leisure trip, and although Airbnb is sometimes perceived as appealing to “backpacker” travellers, only a relatively small percentage of Airbnb guests describe themselves as backpackers. Also, most Airbnb guests rent an entire home, rather than staying together with a host, even though entire home rentals are somewhat divergent from classic “sharing economy” activity. Additionally, most Airbnb guests stay from two to four nights and stay with at least one other guest, most commonly a spouse/partner. Moreover, most Airbnb guests still have relatively minimal Airbnb experience and began using the service only quite recently.

Airbnb guests are most strongly attracted to Airbnb by its practical attributes (e.g., cost, location, and amenities), and somewhat less by its experiential attributes (e.g., novelty and interaction). The comparative importance of Airbnb’s practical benefits contrasts with Airbnb’s advertising, which focuses almost exclusively on authentic local experiences and interaction with locals, with no mention of cost and limited mention of other practical benefits.

The majority of Airbnb guests use it as a substitute for hotels, whereas very few use it to take a trip they would not have otherwise taken. Nonetheless, staying with Airbnb leads many guests to increase the time they spend in a destination. In other words, Airbnb does not stimulate significant additional visitation, as some figures reported by Airbnb suggest, but Airbnb may nonetheless bring benefits to local tourism economies.

Traditional word-of-mouth and electronic word-of-mouth are the primary communication channels driving Airbnb awareness and initial use.

Airbnb guests generally feel high levels of satisfaction with their stays, and likewise exhibit high levels of loyalty towards the company.

Airbnb guests also often identify strongly with the Airbnb brand, and perceive Airbnb as much “cooler” than hotel chains such as Holiday Inn or Hilton.

In the study it was found that five segments of Airbnb users could be identified based on their motivations for using the service: *Money savers*, *Home seekers*, *Collaborative consumers*, *Pragmatic novelty seekers*, and *Interactive novelty seekers*. These segments differ across a variety of profiling variables. The distinct motivations that draw different types of guests to Airbnb highlight the potential benefit for Airbnb to introduce sub-brands that could be marketed independently.

When considering various accommodation attributes, Airbnb guests generally expect their accommodations to outperform budget hotels/motels, underperform upscale hotels, and have mixed outcomes compared to mid-range hotels. These expectations highlight some areas where Airbnb would benefit from improvements, but the overall positive expectations guests have of Airbnb highlight the difficult challenge Airbnb poses for hotels – it is often cheaper, offers a unique experiential aspect, and still performs well in areas where hotels should excel.

Looking towards the future, it is likely there will be increased convergence between Airbnb and hotels as both strive to imitate some of the other's strengths. Airbnb will continue enhancing its product in order to provide a more reliable and professionalized hospitality experience, while hotels will continue working to create more unique and locally authentic environments.

## Methods

The research instrument used for this study was a ten-minute online survey. In order to promote accurate responses, most questions focused on the respondent's most recent Airbnb stay, rather than Airbnb use more generally.

Data collection began in July 2015 and concluded in October 2015.

To participate, respondents needed to have stayed in an Airbnb accommodation during the previous 12 months and needed to have been significantly involved in choosing where to stay. Only one member per travel party (of the most recent Airbnb stay) could complete the survey.

Respondents were recruited online, and most of the final sample came from travel-themed Canadian Facebook groups and Mechanical Turk, an online panel run by Amazon. Two Amazon gift cards worth US \$50 each (or its international equivalent) were offered as participation incentives and were distributed in lottery draws. The Mechanical Turk respondents were compensated separately.

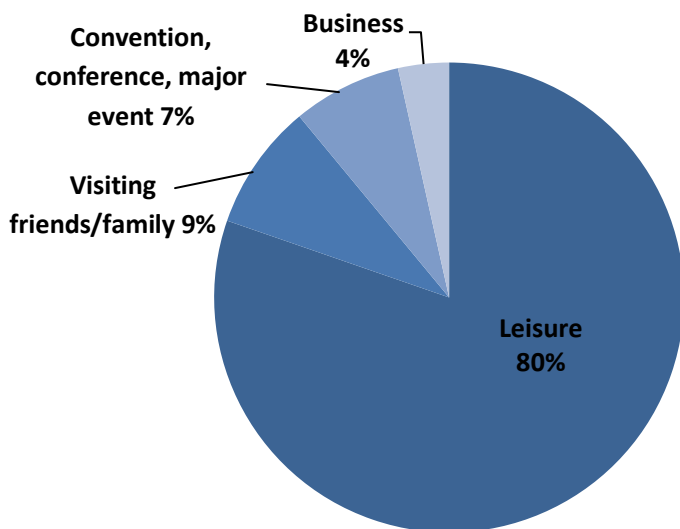
A total of 923 surveys were received. Data screening eliminated various surveys due to issues such as incompleteness and apparent carelessness, resulting in a final sample of 844 respondents.

About two-thirds of the respondents were female, and just over half were between the ages of 21 and 30. The sample also was fairly well-educated, with over 90% having at least a university or college degree, and was relatively affluent, with over 75% perceiving their household financial status as above average in their home country. Nearly three-quarters of the respondents resided in Canada, and nearly one-quarter resided in the U.S.

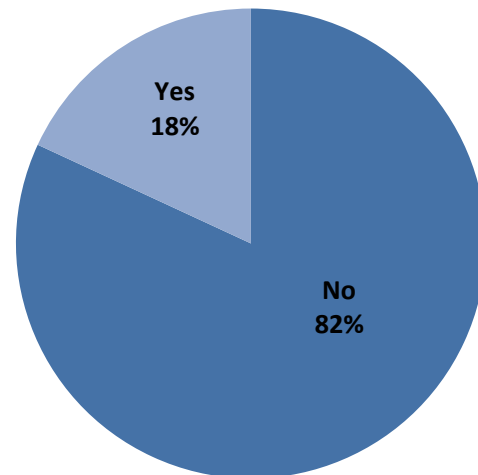
Numerous characteristics of the sample (e.g., average duration of most recent Airbnb stay) were found to be quite consistent with the Airbnb guest population, based on various destination-based economic impact reports Airbnb has published.

# Trip characteristics of most recent Airbnb stay

## Trip Purpose



## Backpacking



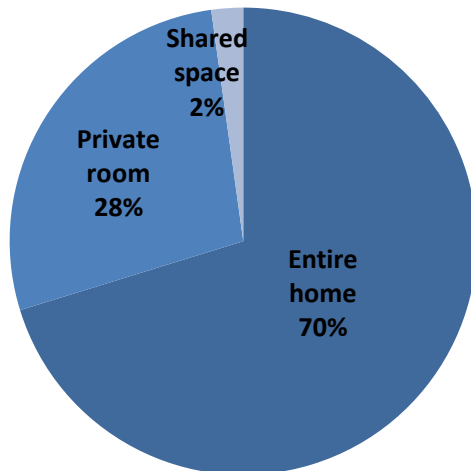
Note: "Business" refers to business trips excluding conventions, conferences, or major events.

Leisure travel currently dominates the Airbnb market. Although Airbnb originally focused specifically on attendees of conventions, conferences, and major events, these guests now represent just a small fraction of Airbnb's guests. Also, business travellers continue to constitute only a small share of Airbnb's guests, despite Airbnb's recent and increasing efforts to attract this lucrative segment. Valid or not, this limited footprint within the business travel segment is a primary reason why many hoteliers and industry analysts remain skeptical of Airbnb's threat to the hotel sector.

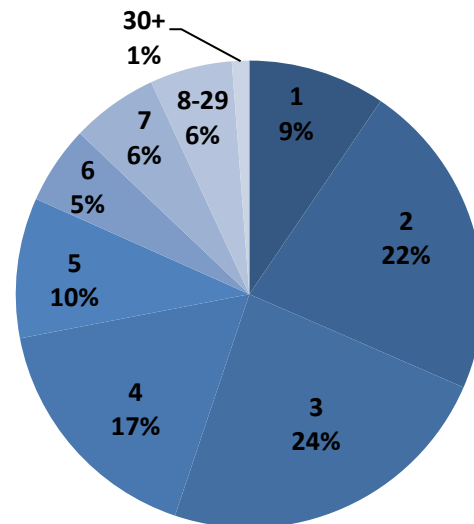
Backpackers represent only a relatively small share of Airbnb guests. This finding contradicts perceptions held by some that Airbnb guests are shoestring adventurers who resemble CouchSurfers, and it suggests that the characteristics of Airbnb guests are more similar to that of many hotel guests.

# Accommodation usage characteristics of most recent Airbnb stay

## Type of Accommodation



## Nights

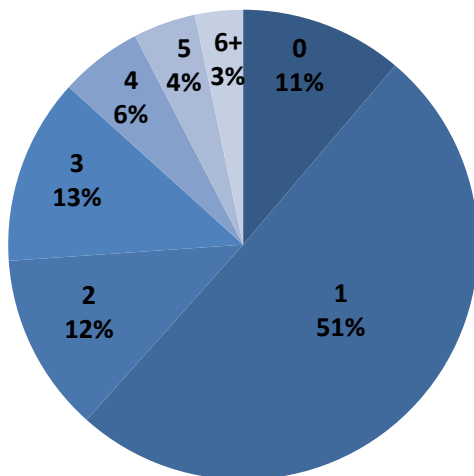


The vast majority of Airbnb guests rent an entire home, rather than staying in a residence together with the host. This breakdown is different from what some may expect when thinking about a “sharing economy” service like Airbnb. The predominance of entire home rentals suggests host-guest interaction is neither a strong motivation for much Airbnb use, nor a defining characteristic of it. Of those guests who do stay with a host, the vast majority stay in a private bedroom rather than a shared space (e.g., a futon in a living room).

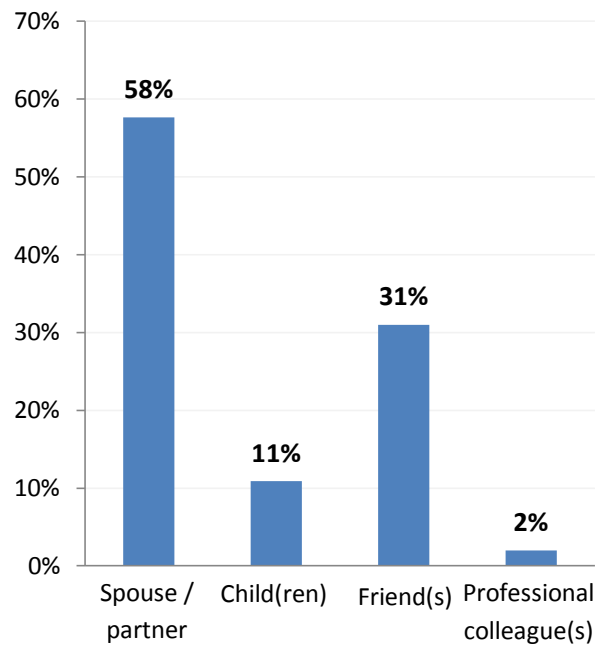
A large portion of Airbnb guests are on relatively short stays of between two and four nights. Single night stays are relatively uncommon, especially in comparison with hotels. Likewise, extended stays of over one week are not especially common. In other words, Airbnb trip lengths do not seem to perfectly parallel that of hotels, but they are not radically different either. Also, the marginal percentage of Airbnb guests staying for 30 or more nights is relevant to policy discussions, as unlicensed rentals of fewer than 30 days are illegal in many jurisdictions.



### Number of Accompanying Guests



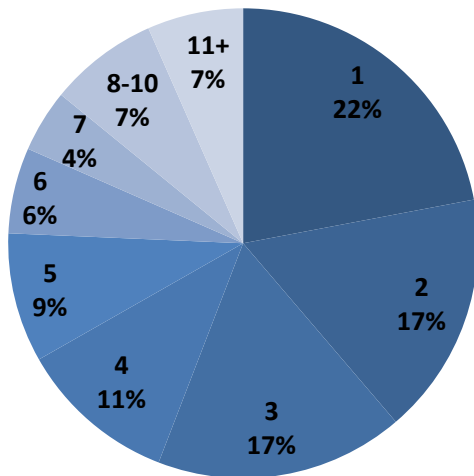
### Type of Accompanying Guests



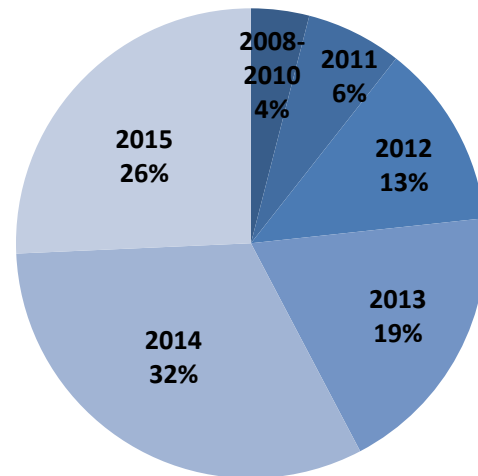
Only a small proportion of Airbnb guests are staying on their own, but most commonly they are accompanied by just one other person. Additionally, only a small proportion of the guests are in large parties of five or more people. Airbnb guests often travel with a spouse/partner or friend(s).

## Airbnb usage history

**Number of times used Airbnb**



**Year first used Airbnb**

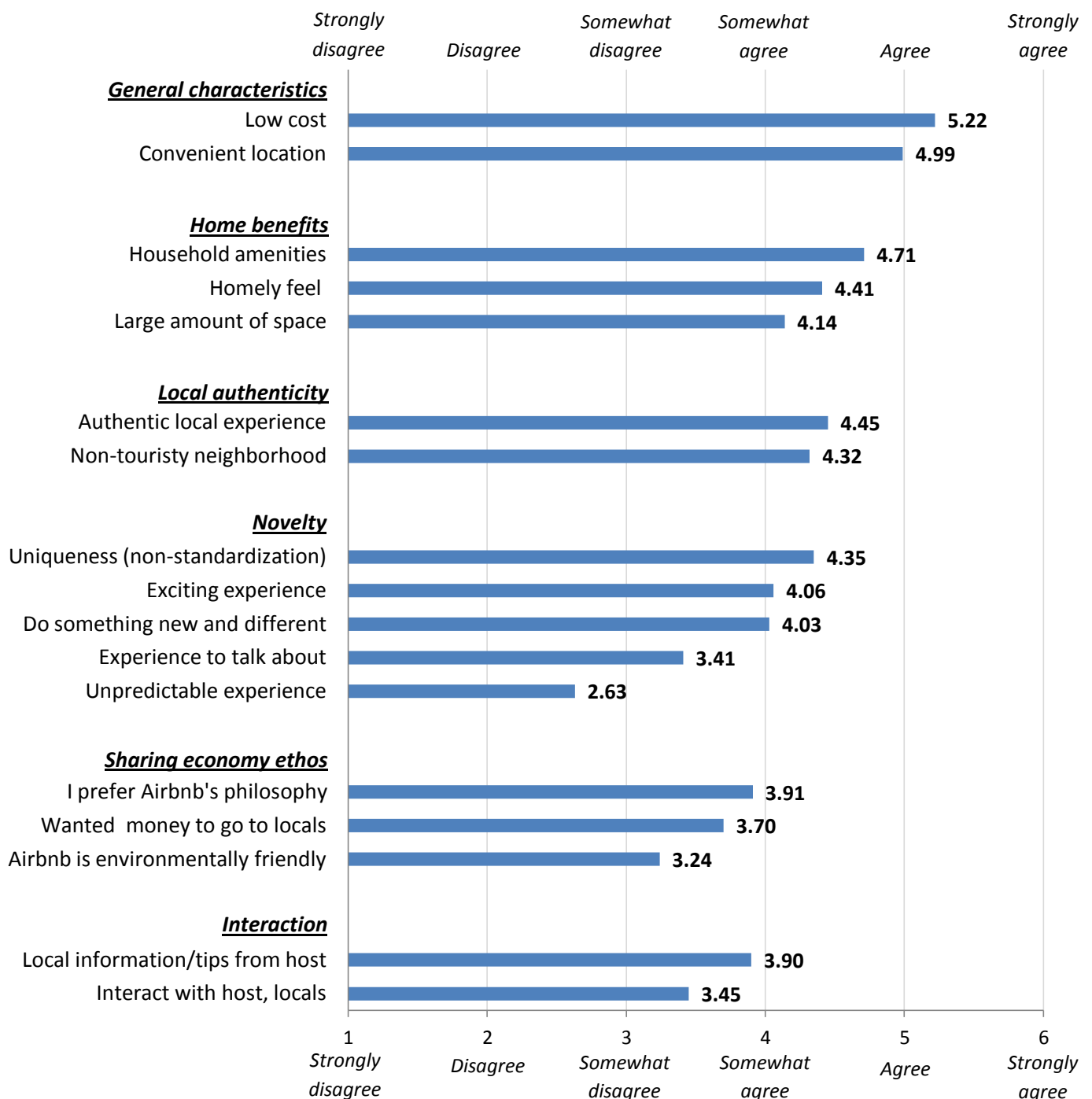


Note: Data collection took place between July and October 2015.

A relatively sizeable share of Airbnb users has used the service only once, and most have used it only a handful of times. This breakdown underscores Airbnb's recent emergence and will certainly change in the future.

Most Airbnb users have begun using the service only within the past few years. This breakdown highlights Airbnb's rapid recent growth and increasing adoption among tourists.

# Motivations to choose Airbnb



Notes: Answers focused on respondents' most recent Airbnb stay. The motivation categories listed in the chart were derived from a statistical analysis (exploratory factor analysis) that examines variable interrelationships to identify underlying groups of variables (i.e., "factors"). The 'low cost' and 'convenient location' items were independent of any factors, but were combined above into a "General characteristics" category to facilitate interpretation of the chart.

A wide range of motivations attract guests to Airbnb. Nevertheless, Airbnb guests are primarily attracted by the service's practical advantages (e.g. cost, location, and amenities), whereas the experiential appeals (e.g., authenticity, novelty, and interaction) are secondary.

The principal motivation of 'low cost' demonstrates the critical importance of Airbnb's price competitiveness for many guests. Indeed, despite some recent comparative cost analyses questioning the savings that Airbnb offers (e.g., [this](#) and [this](#)), Airbnb's draw as an economical hotel alternative should not be underestimated. The importance of low cost also contradicts some of the more idealistic portrayals of the sharing economy as being largely based on values like sustainability and community connectedness.

The strong agreement with the 'convenient location' motivation is perhaps unexpected, given that Airbnb listings are often scattered in residential neighbourhoods rather than clustered like hotels in a downtown tourism core. It appears that many Airbnb guests may select the service in part because of the availability of units in geographical locations not well served by traditional hotels, such as a residential area near a friend or in the part of a city with particularly attractive characteristics (e.g., preferable shops and restaurants).

The importance of home benefits, such as household amenities and abundant space, underscores part of Airbnb's unique value proposition relative to many hotels, and suggests hotels may benefit from bringing such "extended stay" attributes into some rooms in traditional hotel properties.

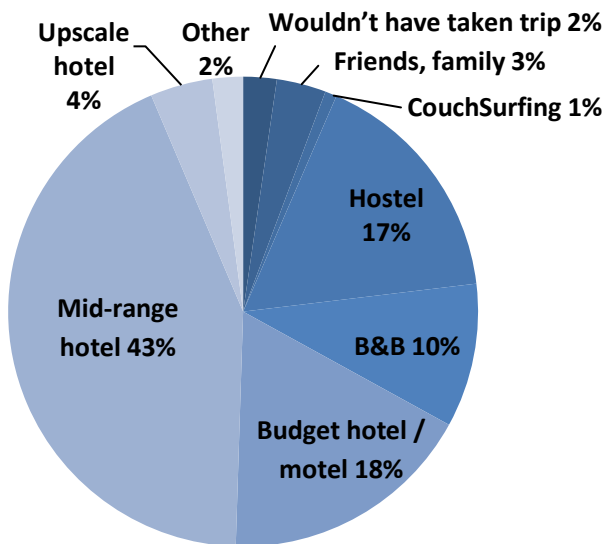
Airbnb's unique value proposition is additionally demonstrated by the relative importance of local authenticity for many of its guests. The findings show that the locally authentic experience that some guests seek is not restricted to the accommodation itself, but also is connected to the broader neighbourhood where the accommodations are located.

Airbnb's novelty, its sharing economy ethos, and the opportunity to interact with hosts/locals did not generally motivate Airbnb use to the same degree as the previously described factors.

The comparative importance of Airbnb's practical benefits versus its experiential benefits contrasts with Airbnb's advertising. Very early on, Airbnb (at the time called AirBed & Breakfast) [explicitly highlighted](#) its low cost. However, Airbnb's more recent advertising (e.g., "[Views](#)," "[Never a stranger](#)," "[Is man kind?](#)," and "[Live there](#)") focuses almost exclusively on authentic local experiences and interaction with locals, with no mention of cost and limited mention of other practical benefits. While there are many reasonable explanations for this approach (e.g., it is more effective at fostering a hip and exciting brand image, and/or it avoids a "budget" label that would be hard to shake), it is still noteworthy that host interaction seems so unimportant for many guests but is so prominently featured in Airbnb advertising.

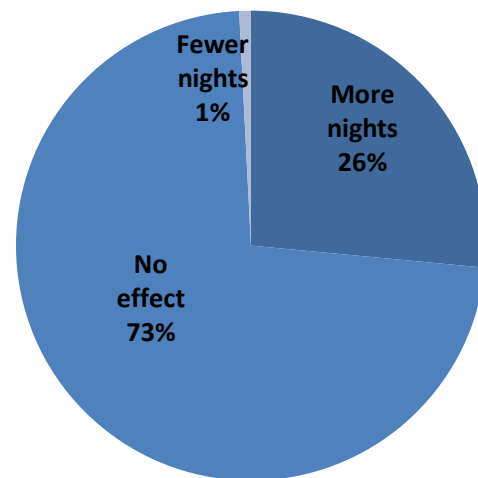
## Impacts on other accommodations' guest nights and on destinations' visitor nights

### Airbnb as a substitute for other forms of accommodation



*Question: Thinking about your most recent Airbnb stay - If Airbnb and other similar person-to-person paid accommodation services (e.g., VRBO) did not exist, what type of accommodation would you have most likely used?*

### Airbnb's impact on nights in destination



*Question: Thinking about your most recent Airbnb stay - How did your decision to stay with Airbnb influence the number of nights you chose to spend in your destination?*

Airbnb does not generally facilitate travel that would not have otherwise occurred, nor does it generally replace unpaid forms of accommodation (e.g., staying with friends/family).

A fairly large proportion of Airbnb guests use the service as a substitute for a hostel or a traditional B&B, especially considering the limited number of hostels and B&Bs (in comparison with hotels). This scenario raises interesting questions regarding future competition, as Airbnb is siphoning guests away from hostels and B&Bs, but Airbnb also provides an economical distribution channel that some hostels and B&Bs are beginning to use.

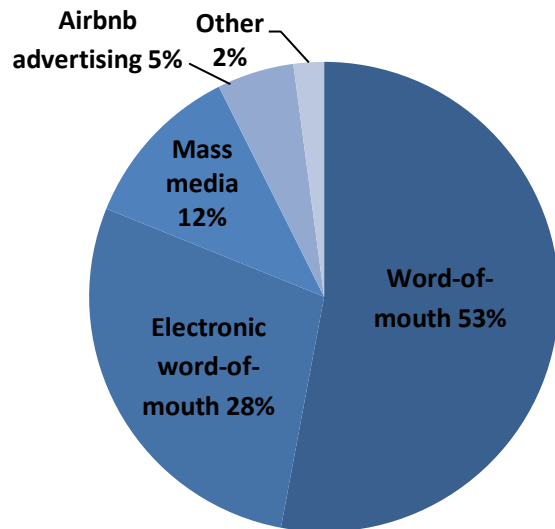
The clear majority of Airbnb's guests use the service as a substitute for hotels. In particular, Airbnb seems to commonly serve as a substitute for mid-range hotels, and to a somewhat smaller extent budget hotels and motels, whereas upscale hotels have not yet been significantly affected. These findings directly contradict claims by Airbnb (e.g., [here](#), [here](#), and [here](#)), and the belief by some hoteliers and industry analysts (e.g., [here](#), [here](#), and [here](#)), that Airbnb does not threaten hotels because it appeals to a separate travel market. The limited impact on upscale hotels may help explain why some major hoteliers feel unthreatened by Airbnb. Nonetheless, Airbnb's rapid growth, increased courting of the business travel market, and common role as a substitute for mid-range hotels demonstrates the threat Airbnb poses and the importance of looking towards future trends instead of focusing on present conditions and past history.

Although Airbnb doesn't tend to drive new visitation, it does encourage a relatively large percentage of guests to spend more nights in their destination. This finding demonstrates a noteworthy benefit that Airbnb brings to local tourism economies and many of their various stakeholders (attractions, restaurants, transportation providers, etc.).

Airbnb's local economic impact reports have frequently highlighted the company's benefits by claiming that a relatively large percentage (generally about 30%) of Airbnb guests would not have otherwise visited a destination or stayed as long (e.g., [here](#), [here](#), and [here](#)). This study's findings suggest that combining these two populations is misleading, as nearly everyone in the combined group is there due to spending extra nights in the destination, with only a very small minority who went on a trip they would not have otherwise taken.

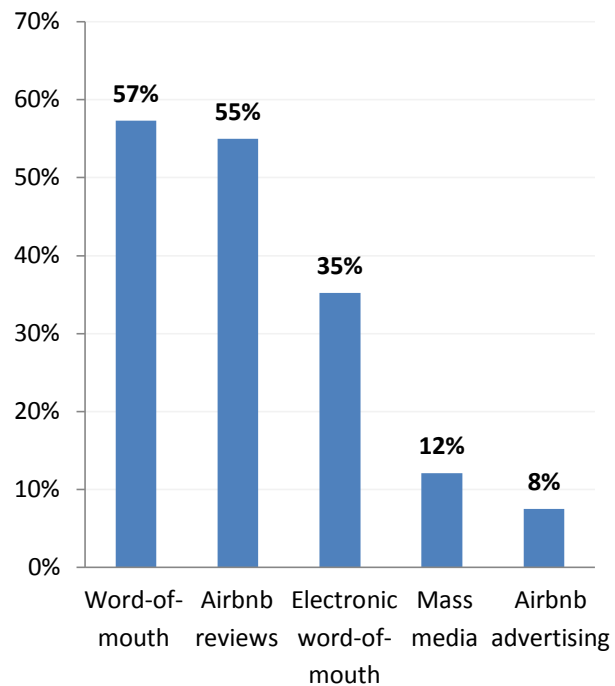
## Communication channels

### Initial awareness of Airbnb



*Question: How did you first become aware of Airbnb?*

### Influenced first use of Airbnb



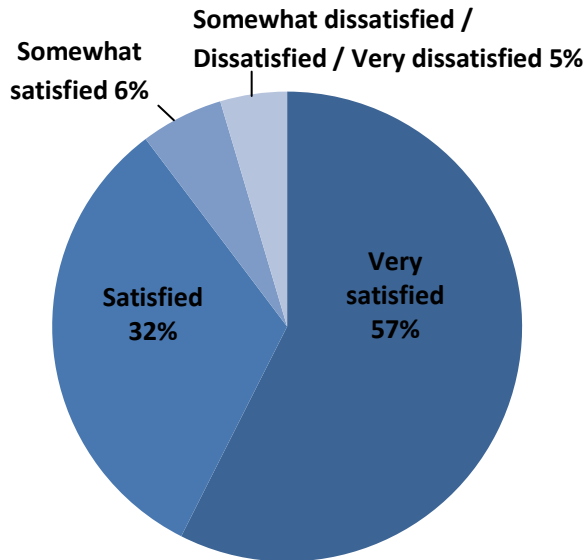
*Question: Which of the following had a significant influence on your decision to use Airbnb for the first time?*

Note: "Word-of-mouth" refers to comments from friends, family, other tourists, etc. "Electronic word-of-mouth" refers to Facebook, Twitter, forums, blogs, etc.

Word-of-mouth and electronic word-of-mouth play a particularly large role in driving both Airbnb awareness and initial use. The large role played by these communication channels is especially valuable for a service like Airbnb, as such communication can carry the credibility and persuasiveness that many individuals may require in order to overcome their hesitancy about trying Airbnb. However, the importance of Airbnb reviews in influencing initial Airbnb use raises some concerns due to the reviews' [overwhelmingly positive nature](#), which seems to result in part from the structure of the review system.

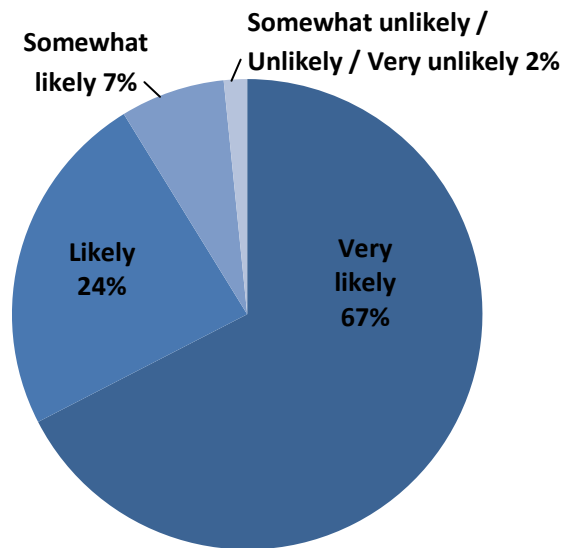
# Satisfaction and loyalty

**Satisfaction with last Airbnb stay**

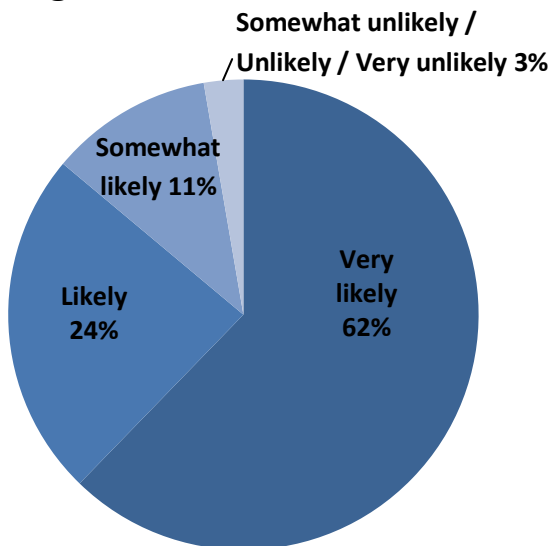


**Likelihood of recommending**

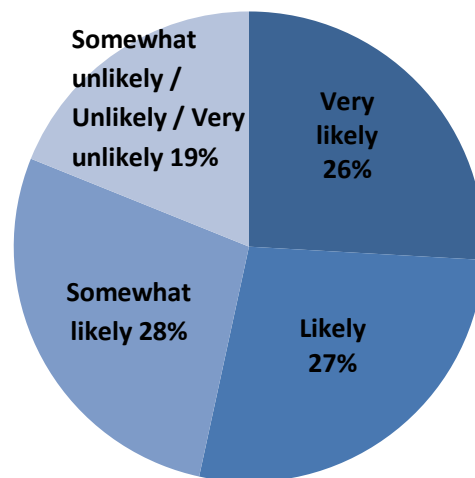
**Airbnb to others**



**Likelihood of using Airbnb again in next 12 months**



**Likelihood of using a hotel in next 12 months**

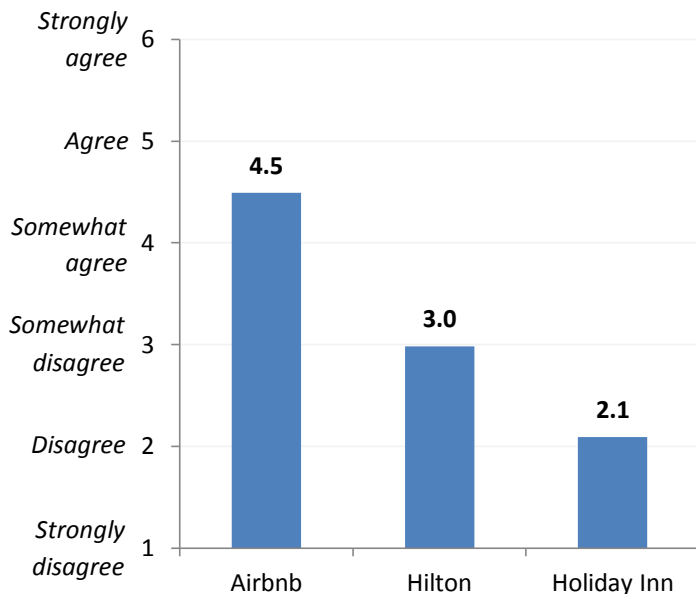




Airbnb guests tend to be quite satisfied with their stays. Airbnb guests are also quite likely to recommend Airbnb to others and to feel they will use the service again, both of which are very good indicators of loyalty. These high levels of satisfaction and loyalty are of course very positive indicators for Airbnb and its future growth potential, and are noteworthy given that Airbnb has limited control over the quality of guests' experiences. These findings also help explain the prevalence of word-of-mouth and electronic word-of-mouth communication in driving Airbnb awareness and adoption. While many Airbnb users expect to continue using hotels as well, expected future hotel use is far below expected future Airbnb use, which helps underscore the threat Airbnb poses to traditional accommodations as more and more people try the service.

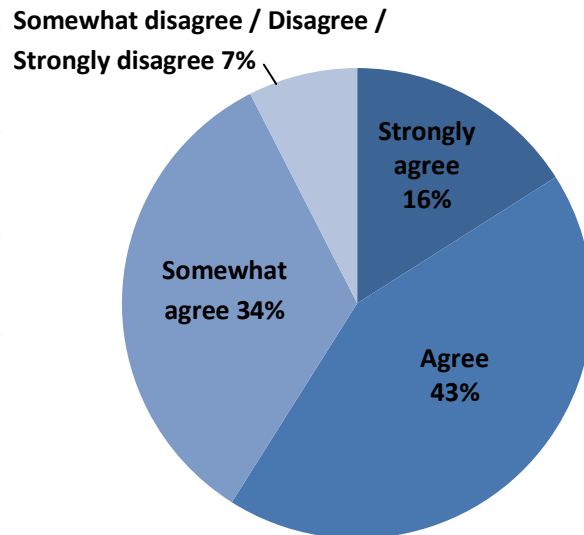
## Brand perceptions

### Coolness



Note: Coolness was measured with a six-item scale adapted from a pre-existing measure. The numbers above represent the average scores for each brand.

### “Airbnb is consistent with how I see myself” (self-congruity)



Airbnb is perceived as significantly “cooler” than either the Hilton or Holiday Inn, which were analyzed for comparative purposes. Many Airbnb users also feel a relatively high degree of “self-congruity” with the Airbnb brand, which consumer behaviour research has shown can influence purchase intentions. Such findings demonstrate the strength of the Airbnb brand, which is likely contributing to the service’s popularity.

## Market segments

	Money savers	Home seekers	Collaborative consumers	Pragmatic novelty seekers	Interactive novelty seekers
<u>General characteristics</u>					
Low cost	5.67	5.01	5.28	5.16	5.04
Convenient location	5.17	4.91	4.88	5.03	4.93
<u>Home benefits</u>					
Household amenities	4.36	5.52	4.18	5.04	4.20
Homely feel	3.13	5.05	4.66	4.54	4.51
Large space	3.64	5.20	3.53	4.37	3.64
<u>Local authenticity</u>					
Authentic experience	3.23	4.47	5.08	4.56	4.96
Non-touristy neighborhood	3.26	4.39	5.11	4.61	4.18
<u>Novelty</u>					
Unique experience	2.77	4.35	4.81	4.91	4.88
Exciting	2.88	3.66	4.17	4.78	4.89
New and different	2.86	3.46	4.23	4.85	4.86
Experience to talk about	2.43	2.96	3.47	4.15	4.08
Unpredictable	2.17	2.23	2.32	2.93	3.62
<u>Sharing economy ethos</u>					
Philosophy of Airbnb	3.11	4.17	4.56	3.87	3.79
Money goes to locals	2.86	3.76	4.77	3.58	3.51
Environmentally friendly	2.57	3.30	3.93	3.36	2.97
<u>Interaction</u>					
Local information/tips	3.09	3.92	4.88	3.03	4.78
Interact with host/locals	2.44	3.19	4.76	2.57	4.59

Notes: Each column represents one of the five segments. The numbers in each cell indicate the segment's level of agreement with the corresponding motivation (1="Strongly disagree" to 6="Strongly agree"). The color shading indicates deviation from the total sample for each individual motivation. In other words, green signifies that a segment agreed much more strongly than the sample average with the motivation in question.

A statistical analysis (cluster analysis) divided the respondents into five fairly equally-sized market segments based on their relative levels of agreement with the different motivations. Based on the segments' defining characteristics, they were named *Money savers*, *Home seekers*, *Collaborative consumers*, *Pragmatic novelty seekers*, and *Interactive novelty seekers*.

## *Money savers*

### **Summary description**

*Money savers* are chiefly drawn to Airbnb by its low cost. They are also attracted by location convenience and household amenities, but not to a degree that distinguishes them from the other segments. *Money savers* tend not to be influenced by other potential motivations.

### **Distinguishing profile characteristics**

- Young (63% aged 30 or under, vs. 53% avg.)
- Unaccompanied by children (3%, vs. 10% avg.)
- Low perceived coolness of Airbnb (3.9 of 6, vs. 4.5 avg.)
- Low self-congruity with Airbnb (4.4 of 6, vs. 4.6 avg.)
- Likely to use Airbnb as a budget hotel/motel substitute (22%, vs. 18% avg.)
- Unlikely to use Airbnb as an upscale hotel substitute (1%, vs. a 4% avg.)

### **Implications**

Although *Money savers* are predominately drawn to Airbnb by cost savings, they are much more likely than some other segments to stay in (generally more expensive) entire homes. In other words, *Money savers* are not necessarily seeking the least expensive of all possible options, they are just quite motivated by cost savings and relatively unmotivated by nearly everything else. *Money savers* will consider attributes like location and amenities, but will likely choose whatever accommodation offers the lowest price at an acceptable level of quality. Given the diversity of prices among Airbnb listings, this is a segment for which Airbnb should continue to be attractive. For Airbnb hosts, attracting *Money savers* should involve pricing one's accommodation very competitively, while also perhaps highlighting amenities and location convenience. For hotels, *Money savers* may be difficult to attract and retain at desirable room rates, and it is doubtful *Money savers* would exhibit hotel brand loyalty. Hotels may have the most success targeting this segment with promotional deals, such as weekday or offseason packages.

## *Home seekers*

### **Summary description**

*Home seekers* are particularly attracted to Airbnb by household amenities, large space, and the homely feel that Airbnb accommodations can provide. In fact, *Home seekers* agree with these motivations even more than they agree with the low cost motivation. *Home seekers* exhibit fairly typical levels of agreement with other motivations.

### **Distinguishing profile characteristics**

- Old (24% aged 41+, vs. 17% avg.)
- Well-educated (35% graduate or professional degree, vs. 30% avg.)
- Not backpacking (10%, vs. 18% avg.)
- Rent entire homes (92%, vs. 71% avg.)
- Long stays (5.7 nights, vs. 4.2 avg.)
- Large travel parties (2.3 accompanying guests, vs. 1.8 avg.)
- Staying with a spouse/partner (65%, vs. 58% avg.)
- Staying with children (22%, vs. 10% avg.)
- Extensive past Airbnb use (5.8 times, vs. 4.6 avg.)
- Unlikely to have used Airbnb as a substitute for a hostel (12%, vs. 17% avg.)
- Likely to have used Airbnb as a substitute for a mid-range hotel (52%, vs. 44% avg.)

### **Implications**

It is logical that *Home seekers* tend to be on relatively long trips and in relatively large travel parties, as such trip characteristics make the amenities and large space that a whole home offers particularly attractive. For Airbnb and its hosts, *Home seekers* represent an especially valuable segment because of their frequent Airbnb use, their long trip durations, and the secondary importance they place on cost. It therefore behooves Airbnb to market more directly to this segment, as *Home seekers* are not motivated by the local interactions that feature so prominently in much Airbnb marketing. *Home seekers* could be susceptible to competition, particularly from companies like HomeAway that exclusively offer entire home rentals. For Airbnb hosts to attract *Home seekers*, they should highlight their accommodations' amenities, large size, homely feel, authentic character, and family-friendliness. Traditional hotels may struggle to appeal to *Home seekers*, whereas extended stay hotels should be more attractive to this segment. However, because extended stay hotels are less widespread, their locations may be inconvenient in comparison with what *Home seekers* can find on Airbnb. Consequently, hotels would likely benefit from offering hybrid hotel properties including extended stay rooms in traditional hotel properties.

## *Collaborative consumers*

### **Summary description**

*Collaborative consumers* (so named because “collaborative consumption” is another term for the sharing economy) are especially motivated to use Airbnb by its sharing economy ethos, by the opportunity to interact with locals, and by the opportunity to have an authentic local experience. They are also motivated by low cost, location convenience, amenities, and uniqueness, although less so than some other segments.

### **Distinguishing profile characteristics**

- Backpacking (25%, vs. 18% avg.)
- Share accommodation with host (55%, vs. 29% avg.)
- Few accompanying guests (1.3, vs. 1.8 avg.)
- Extensive past Airbnb use (5.4 times, vs. 4.6 avg.)
- High perceived coolness of Airbnb (4.8 of 6, vs. 4.5 avg.)
- High self-congruity with Airbnb (5.0 of 6, vs. 4.6 avg.)
- Likely to have used Airbnb as a substitute for a hostel (24%, vs. 17% avg.)
- Likely to have used Airbnb as a substitute for a B&B (16%, vs. 10% avg.)
- Unlikely to have used Airbnb as a substitute for a mid-range hotel (32%, vs. 44% avg.)
- High satisfaction with most recent Airbnb stay (67% very satisfied, vs. 58% avg.)
- High likelihood of recommending Airbnb to others (80% very likely, vs. 68% avg.)
- High likelihood that will use Airbnb again in next year (74% very likely, vs. 63% avg.)

### **Implications**

*Collaborative consumers* perfectly embody the tourist that one imagines when watching Airbnb’s advertising, while also representing the accommodation guest that some hoteliers must think of when perceiving Airbnb users as distinct from hotel customers. Airbnb hosts hoping to attract this segment should highlight their ability to provide “back stage” and “off the beaten track” experiences, such as by offering local neighbourhood tips, providing a homemade local food dish, or directly spending time with their guests. Hosts also should expect that these guests may be eager to socialize, and therefore should make them feel welcome in common areas of the home. *Collaborative consumers* are a segment that hotels may be willing to surrender, but hostels and B&Bs should focus intently on this segment.

## *Pragmatic novelty seekers*

### **Summary description**

*Pragmatic novelty seekers* are especially drawn to the novelty of Airbnb and its accommodations, in addition to being interested in the home benefits that Airbnb accommodations can provide. Similar to other segments, they also are drawn by Airbnb accommodations' low cost and location convenience. *Pragmatic novelty seekers* are not attracted by the opportunity to interact with locals.

### **Distinguishing profile characteristics**

- Young (9% aged 41+, vs. 17% avg.)
- Rent entire homes (90%, vs. 71% avg.)
- Limited past Airbnb use (3.7 times, vs. 4.6 avg.)
- High perceived coolness of Airbnb (4.8 of 6, vs. 4.5 avg.)
- Likely to have used Airbnb as a substitute for an upscale hotel (10%, vs. 4% avg.)

### **Implications**

*Pragmatic novelty seekers* represent somewhat of a novelty-seeking variant of the *Home seekers*, although the profiles of the two segments have some important distinctions (particularly with regards to age and previous Airbnb use). Airbnb and its hosts can appeal to *Pragmatic novelty seekers* by focusing on the perceived excitement and uniqueness associated with Airbnb accommodations, in addition to their practical offerings. *Pragmatic novelty seekers* should be of particular interest to upscale hotels given the relatively high percentage who use Airbnb in place of an upscale hotel. Boutique hotels and other independently branded properties may appeal to this segment, but *Pragmatic novelty seekers*' interest in household amenities underscores a competitive weakness for many of these hotels. The profile of this segment again suggests the potential benefits of incorporating extended stay units into traditional hotels.

## *Interactive novelty seekers*

### **Summary description**

Like the *Pragmatic novelty seekers*, *Interactive novelty seekers* are strongly motivated by Airbnb's novelty. However, *Interactive novelty seekers* are also drawn to Airbnb by the opportunity to interact with locals, rather than the practical home benefits that attract *Pragmatic novelty seekers*. *Interactive novelty seekers* are also drawn by the opportunity for an authentic local experience and, like the other segments, are attracted by Airbnb accommodations' low cost and location convenience.

### **Distinguishing profile characteristics**

- Backpacking (27%, vs. 18% avg.)
- Share accommodation with host (47%, vs. 29% avg.)
- Short stays (3.4 nights, vs. 4.2 avg.)
- Limited past Airbnb use (3.4 times, vs. 4.6 avg.)
- High perceived coolness of Airbnb (4.8 of 6, vs. 4.5 avg.)

### **Implications**

*Interactive novelty seekers* somewhat parallel *Collaborative consumers* in the same way that *Pragmatic novelty seekers* parallel *Home seekers*. Like the *Pragmatic novelty seekers*, however, *Interactive novelty seekers* are also characterized by limited Airbnb experience. The key marketing implications associated with *Interactive novelty seekers* have been covered in the discussions of the *Collaborative consumers* and the *Pragmatic novelty seekers*.



# Observations on the market segmentation

## Low cost

The five segments are defined by their comparative levels of agreement with the various motivations to choose Airbnb. Nonetheless, Airbnb's low cost is still the most important motivation for nearly every segment.

## Airbnb's two products

Arguably the biggest differentiator between the segments is the degree to which they are motivated to use Airbnb by the opportunity for local interaction. Such interaction is an important draw for *Collaborative consumers* and *Interactive novelty seekers*, but not as much for *Money savers*, *Home seekers*, or *Pragmatic novelty seekers*. This motivation is also closely associated with the type of accommodation used, with *Home seekers* and *Pragmatic novelty seekers* almost exclusively staying in entire homes, and *Collaborative consumers* and *Interactive novelty seekers* much more likely than average to stay with hosts. These findings suggest that Airbnb's entire homes and shared accommodations represent two fairly distinct products with separate appeals. This distinction presents a challenge for Airbnb's marketing and highlights the potential value in marketing the two products differently. Indeed, it seems very possible that Airbnb eventually will better organize its diverse inventory by launching sub-brands that will be marketed independently, such as Airbnb Explore (for shared accommodations), Airbnb Homes (for entire homes focused on space and amenities), Airbnb Pro (for rentals aimed at business travellers), Airbnb Lux (for high-end rentals), and Airbnb Exotic (for exotic accommodations like treehouses).

## Performance expectations

The following tables present Airbnb guests' performance expectations when booking their most recent Airbnb, in comparison with their expectations for hypothetical nearby hotels of different classes (budget, mid-range, and upscale).

### Supposed hotel strengths

(1 = Exceptionally poor, 6 = Exceptionally good)

Ease of checking in/out	Airbnb (4.7)	Budget (4.7)	Mid-range (5.1)	Upscale (5.4)
Ease of resolving unexpected problems	Budget (3.6)	Airbnb (4.0)	Mid-range (4.6)	Upscale (5.5)
Security	Budget (3.3)	Airbnb (4.3)	Mid-range (4.5)	Upscale (5.5)
Ease of placing reservation	Budget (4.8)	Airbnb (4.9)	Mid-range (5.1)	Upscale (5.4)
Confidence quality would meet expectations	Budget (3.2)	Mid-range (4.2)	Airbnb (4.6)	Upscale (5.3)
Comfort	Budget (3.2)	Mid-range (4.3)	Airbnb (4.8)	Upscale (5.6)
Cleanliness	Budget (3.4)	Mid-range (4.6)	Airbnb (4.9)	Upscale (5.8)

### Supposed Airbnb strengths

(1 = Exceptionally poor, 6 = Exceptionally good)

Uniqueness (non-standardization)	Budget (2.2)	Mid-range (2.6)	Upscale (3.6)	Airbnb (5.5)
Local authenticity	Budget (2.7)	Mid-range (3.1)	Upscale (3.4)	Airbnb (5.5)

### Price vs. all tourism accommodation in the destination

(1 = Very low, 6 = Very high)

Price	Airbnb (2.8)	Budget (3.3)	Mid-range (4.2)	Upscale (5.2)
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Looking first at hotels' supposed strengths, Airbnb guests expect the service to generally outperform budget hotels and underperform upscale hotels, with varied expectations in comparison with mid-range hotels. Looking at Airbnb's supposed strengths, Airbnb guests expect the service to vastly outperform hotels of all classes. Finally, Airbnb is perceived as much cheaper than even budget hotels.

Hotel guests likely hold different expectations than Airbnb guests, but it is still noteworthy that Airbnb guests have such apparent confidence in the service. The finding that Airbnb guests feel their hosts can outperform both budget and mid-range hotels with regards to cleanliness, comfort, and quality assurance should be concerning for hoteliers, and it suggests hoteliers should not dismiss Airbnb due to its supposed substandard quality. Even though Airbnb struggles along certain attributes, its guests are seemingly willing to overlook such weaknesses. These findings highlight the difficult challenge Airbnb poses for hotels – it generally is cheaper, offers a unique experiential aspect, and still performs well in areas where hotels should excel.

The findings also highlight areas where Airbnb could benefit from improvements. Concerns regarding security and the ability to resolve unexpected problems underscore the challenge Airbnb faces in determining the degree to which it wishes to extend beyond being a matchmaking service and maintain involvement in guaranteeing guests' experiences. The ease of placing a reservation is another area where Airbnb could improve. The introduction of "[Instant booking](#)" is likely helping, yet Airbnb still would probably benefit from advertising that demonstrates how simple it is to use Airbnb for the first time. Finally, the ease of checking in/out was the one attribute for which Airbnb was not expected to outperform any of the hotel classes. Airbnb should explore creative ways to facilitate key exchanges, such as partnering with businesses like Starbucks and Subway, who could house security pad-enabled key boxes.

Looking towards the future, it is likely there will be increased convergence between Airbnb and hotels as both strive to imitate some of the other's strengths. While Airbnb does not want to sacrifice the authentic, personal touch that characterizes its accommodations and helps define its brand, it will continue experimenting with ways to provide a more reliable and professionalized hospitality experience, and will continue pushing further into the lucrative business travel market. Efforts to encourage a more professionalized experience relate directly to Airbnb's regulatory battles, as the (essentially commercial) full-time multi-unit operators who generate a sizeable portion of Airbnb's bookings, and are especially targeted by policymakers in numerous jurisdictions, also are arguably best equipped to offer guests a more reliable and professional experience.

On the hotel side, major hotel corporations will continue working to develop properties and launch brands that have a more unique and authentic local feel (e.g., [The Unbound Collection](#) and [Centric](#) by Hyatt, and [Red](#) by Radisson), and that provide cheaper, smaller rooms with inviting public areas for interaction (e.g., [Tru](#) by Hilton and [Moxy](#) by Marriott). Moreover, Airbnb will likely inspire hotels to disperse beyond traditional tourism areas and into more residential neighbourhoods where cheaper real estate costs will permit lower prices, and the residential environment will increase the perception of local authenticity.

## Conclusion

Airbnb has quite rapidly shifted the entire tourism accommodation landscape. It has done so by introducing an innovative product that appeals to a broad range of consumer motivations, which are felt at varying levels by different guests. The sharing economy, combined with modern internet and mobile technologies, has clearly produced some incredibly practical and widely desirable products, and Airbnb's unique value proposition presents a special challenge for traditional accommodations. While the threat that Airbnb poses to traditional accommodations remains a matter of much debate, it would be short-sighted for hoteliers to dismiss Airbnb or discount its potential future impacts. Airbnb remains a young company, and its broad effects on the tourism accommodation sector will only increase as time goes on and more guests are drawn to its accommodations.