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**Analyze of the innovation process of a two-sided  
platform**

The case of Airbnb

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## **Abstract**

Today's modern business in tourism is conducted on a global level. Namely, modern technologies are increasingly used in the world, in the first place the Internet, which has significantly changed the way of doing business. Indeed, technological developments have created new windows of opportunity that have allowed new players to transform industries: to make goods available to others without owning them, by being an intermediary between different types of users. This third-party actor connects people through an interface that is called a two-sided platform.

This paper aims to analyze this phenomenon through the world-famous Airbnb platform used for short-term rental of accommodation. How have these 2-sided platforms changed the tourism and accommodation industry? How Airbnb has significantly encouraged some people to rent their accommodation? How did they innovate? What kind of pricing strategy did they use?

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# 1 Introduction

Nowadays, users of tourist services attach special importance to the quality of the service provided, as well as to the values brought by their decision to purchase a tourist arrangement. For this reason, customers want to have an insight into all the services combined in one place, so the Internet is an ideal opportunity to make it possible. Especially bearing in mind that every company that deals with some type of tourism, tries to build its reputation on the satisfaction of its clients, and therefore the key role is played by the quality of service provided.

Modern world trends in the services market are reflected primarily in the globalization of the market. Namely, the services sector has always been the fastest growing sector in the world, because this sector is constantly monitoring the changes taking place in this area. In this way, companies from the tourism industry greatly contribute to the intensification of overall trade in the world. Also, tourism trends have significant political, economic and cultural implications for trends around the world.

In today's business, which includes hotels and accommodation, modern technologies are increasingly used, primarily the Internet, which has significantly changed the way of doing business in these areas. One of the most famous companies that has changed the accommodation sector radically is Airbnb. Airbnb's business model is based on the establishment of a market platform on which hosts and guests can exchange accommodation for money, with Airbnb not owning accommodation and taking a commission for its services from each reservation. In this way, Airbnb has become a two-sided platform, which is today an important business phenomenon that is developing largely thanks to the development of information technology and the Internet.

Airbnb is a two-sided platform. This means that the platform has two different types of users who log in to the platform (hosts and guests) and without their consent, it is not possible to make a transaction or rent accommodation.

Two-sided platforms are platforms on which both parties' benefit from the use of the platform, which means that in this way the product is harmonized with the market as well as the satisfaction of both groups of users. Two-sided platforms are specific platforms that bring together two different but interdependent groups of participants. These platforms are an integral part of our

daily lives and they contribute to the growing economic activity. This type of platform developed very quickly, in parallel with the development of the Internet, which led to the development of new business models in today's companies. The Internet can be defined as a significant information platform that companies use today to provide information, connect, enable transactions and share cost reductions. Precisely because of this, today internet companies are in fact intermediary platforms that connect user networks in the provision of various services. They usually have two types of participants: B2B (business-to-business) and B2C (business-to-consumer), all of which have positive effects from working with other participants on this platform.

A two-sided platform is an intermediary economic platform developed by French authors Jean Tirole and Jean-Charles Rochet, who defined a two-sided platform if the structure of the transaction price is more important than the amount of the price. According to these two authors, this often depends on whether the two-sided platform charges fees or not. Introductory considerations on the two-sided platform were also given by Rysman, who pointed out that the two-sided platform is a market in which two groups of participants interact through the platform as an intermediary, and where each participant's decisions affect the other participant's results. In recent years, this topic has been particularly addressed by Belleflamme and Peitz, who have analyzed how two-sided platforms mediate between sellers and buyers, with sellers competing with each other (presence of negative externalities within the group) and increasing the willingness of customers to participate in the platform. Therefore, these authors found it interesting to understand how competition within a group of participants affects decisions made on a two-sided platform.

The aim of this paper is to analyze the two-sided nature of the market and two types of users on the platform: guests and hosts, on the example of a practical case of one of the world's most famous platforms - Airbnb. This paper elaborates on the history of the Airbnb platform, showing all the advantages but also the disadvantages of both types of users: hosts and guests, with an emphasis on innovations brought by this platform, which are now a prerequisite in all companies for differentiation and survival. Because in order to be successful, each platform must find ways to attract as many participants as possible from both sides of its market. The aim of the paper is to provide basic knowledge based on two-sided platforms that are the basis for interaction between users, and therefore the paper will rely on the literature on two-sided platforms that are more recent and developed in recent years. , in parallel with the development of the Internet and information

technology. The research methods that will be used in this paper are analytical methods, which will be used to answer the above questions.

This paper consists of nine chapters. The first chapter of the paper will provide introductory considerations on the topic. This is followed by a review of relevant literature in the field. The third part of the paper deals with the history of Airbnb. This is followed by a section that discusses what two-sided platforms are and how Airbnb works as a two-sided platform. The fifth and sixth parts of the paper deal with the advantages and disadvantages of Airbnb. The seventh part of the paper deals with competition such as Booking, etc. then with the innovations offered by Airbnb. The paper will conclude with a description of the functioning of Airbnb in the context of the Covid-19 virus pandemic. At the end of the paper, a conclusion and a review of the literature used in the paper will be given.

## **2 Literature review**

As part of tourism research, consumer segmentation studies focus on the motivations of travelers, the choice of destination or their choice of accommodation.<sup>1</sup>

When it comes to tourism, some authors argue that the complex and networked characteristics of tourism require a clear focus and measurement of innovation, such as the intensity of innovation or success versus failure.<sup>2</sup>

Especially when it comes to which attributes determine the choice of hotel, there is a lot of research, but most authors agree that the key attributes are cleanliness, location, reputation, price, value, quality of service (e.g., staff friendliness and helpfulness), room comfort and security ”.<sup>3</sup>

In addition to hotels, consumer segmentation within alternative forms of tourist accommodation has also become increasingly important in recent years, such as house swaps, bed and breakfasts, in-house accommodation and hostels.<sup>4</sup> For such types of accommodation, research shows that the

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<sup>1</sup>Guttentag, D., Smith, S., Potwarka, L., & Havitz, M. (2018). Why tourists choose Airbnb: a motivation-based segmentation study. *Journal of Travel Research*, 57(3), 342–359.

<sup>2</sup>Peters, M., & Pikkemaat, B. (2005). Innovation in tourism. *Journal of Quality Assurance in Hospitality & Tourism*, 6(3/4), 1–6. [https://doi.org/10.1300/J162v06n03\\_01](https://doi.org/10.1300/J162v06n03_01)

<sup>3</sup>Guttentag, D. (2015). Airbnb: Disruptive innovation and the rise of an informal tourism accommodation sector. *Current Issues in Tourism*, 18(12), 1192–1217.

<sup>4</sup>Andriotis, K., & Agiomirgianakis, G. (2014). Market escape through exchange: Home swap as a form of non-commercial hospitality. *Current Issues in Tourism*, 17(7), 576–591

greatest use of the above is in authenticity and good interpersonal relationships. Practical attributes seem to be the most important to guests.<sup>5</sup>

Innovations in technology have a direct impact on the development of radical innovations.<sup>6</sup> A technology-driven start-up such as Airbnb has developed an innovation to provide accommodation services not only different from existing companies but has also served a market neglected by existing accommodation companies.

For publicly traded hospitality companies, several studies have measured the impact of market behavior as well as the impact of innovation.<sup>7</sup>

New technology in itself has no value until it is realized in a commercial environment, with each approach yielding different results.<sup>8</sup> This means that the value of the technology depends on the business model used by the company to place it on the market.

Some authors define the business model as an interdependent set of activities that explains how to create new value using new technology and other key resources.<sup>9</sup>

Today's companies use a variety of business models, from managing hotels in leased or owned properties, all the way to franchising their brand. Individuals who rent their real estate can be owners of companies that serve for professional management and rental of real estate in the market.<sup>10</sup>

As for the literature on the world's most famous platform, there is a small but growing literature on Airbnb.<sup>11</sup>

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<sup>5</sup> McIntosh, A. J., & Siggs, A. (2005). An exploration of the experiential nature of boutiqueC. Lutz, G. Newlands *Journal of Business Research* 88 (2018) 187–196 accommodation. *Journal of Travel Research*, 44(1), 74–81.

<sup>6</sup> Ettl, J. E., Bridges, W. P., & O'Keefe, R. D. (1984). Organization strategy and structural differences for radical versus incremental innovation. *Management Science*, F.J. Zach, et al. *Annals of Tourism Research* 80 (2020) 102818 30(6), 682–695. <https://doi.org/10.1287/mnsc.30.6.682>

<sup>7</sup> Zach, F. J., Krizaj, D., & McTier, B. (2018). Learning from press releases: Implications for hospitality innovation. *International Journal of Contemporary Hospitality Management*, 30(1), 95–113. <https://doi.org/10.1108/IJCHM-04-2016-0218>.

<sup>8</sup> Chesbrough, H. (2010). Business model innovation: Opportunities and barriers. *Long Range Planning*, 43(2), 354–363. <https://doi.org/10.1016/j.lrp.2009.07.010>

<sup>9</sup> Zott, C., & Amit, R. (2010). Business model design: An activity system perspective. *Long Range Planning*, 43(2), 216–226. <https://doi.org/10.1016/j.lrp.2009.07.004>.

<sup>10</sup> Reinhold, S., & Dolnicar, S. (2017). The business model. In S. Dolnicar (Ed.). *Peer-to-peer accommodation networks* (pp. 27–38). Oxford: Goodfellow Publishers.

<sup>11</sup> Guttentag, D., 2015. Airbnb: disruptive innovation and the rise of an informal tourism accommodation sector. *Current issues in tourism*, 18 (12), 1192. doi:10.1080/13683500.2013.844910

A company like Airbnb operates a multi-faceted platform business model that requires more participants on both the supply and demand side and connects them.<sup>12</sup>

The idea for Airbnb began in 2007 when its founders tried to raise money for their rent in the San Francisco neighborhood.<sup>13</sup>

By 2016, more than 150 million people were staying in one of the three million Airbnb houses and rooms listed in more than 191 countries worldwide.<sup>14</sup>

In this way, this online platform has overshadowed the world's largest hotel chains such as Marriott (1.191 million rooms in 120 countries) and Hilton (804 000 rooms in 56 countries).<sup>15</sup>

The legality of Airbnb-style home-sharing has sparked significant debate in the United States, where researchers have considered the extent to which short-term rentals may be against local law, and whether attempts to curb those activities affect property rights.<sup>16</sup>

Several different studies have investigated the motives of tourists to choose Airbnb. Most of the authors of these studies have recognized price as the most important motive.<sup>17</sup>

The benefits provided by the household and space have been further recognized in several different studies, and in fact, these are two key motivations for some authors.<sup>18</sup>

Finally, authenticity has also been highlighted in several studies, in which authors place authenticity as the primary driver of using Airbnb.<sup>19</sup>

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<sup>12</sup> Reinhold, S., & Dolnicar, S. (2017). How Airbnb captures and disseminates value. In S. Dolnicar (Ed.). *Peer-to-peer accommodation networks* (pp. 54–62). Oxford: Goodfellow Publishers.

<sup>13</sup> Guttentag, D., 2015. Airbnb: disruptive innovation and the rise of an informal tourism accommodation sector. *Current issues in tourism*, 18 (12), 1192. doi:10.1080/13683500.2013.844910.

<sup>14</sup> Airbnb, 2016. *About us: Airbnb.com*. San Francisco, CA: Airbnb.com.

<sup>15</sup> Ibidem

<sup>16</sup> Scanlon, C., 2017. Re-zoning the sharing economy: municipal authority to regulate short-term rentals of real property. *SMU law review*, 70, 563

<sup>17</sup> Nowak, B., T. Allen, J. Rollo, V. Lewis, L. He, A. Chen, W.N. Wilson, M. Costantini, O. Hyde, K. Liu, M. Savino, B.A. Chaudhry, A. M. Grube, and E. Young. 2015. “Global Insight: Who Will Airbnb Hurt More—Hotels or OTAs?” *Morgan Stanley Research*. [http://linkback.morganstanley.com/web/sendlink/webapp/f/91f3j168-3pcc-g01h-b8bf-005056013100?store=0&d=UwBSZXNlYXJjaF9NUwBiNjVjYzAyNi04NGQ2LTExZTUtYjFIMi03YzhmYTAzZUW4ZjQ%3D&user=bdvpwh9kcvqs-49&\\_\\_gda\\_\\_=1573813969\\_cf5a3761794d8651f8618fc7a544cb82](http://linkback.morganstanley.com/web/sendlink/webapp/f/91f3j168-3pcc-g01h-b8bf-005056013100?store=0&d=UwBSZXNlYXJjaF9NUwBiNjVjYzAyNi04NGQ2LTExZTUtYjFIMi03YzhmYTAzZUW4ZjQ%3D&user=bdvpwh9kcvqs-49&__gda__=1573813969_cf5a3761794d8651f8618fc7a544cb82).

<sup>18</sup> Quinby, D., and M. Gasdia. 2014. “Share This! Private Accommodation & the Rise of the New Gen Renter.” *Phocuswright*. <http://www.phocuswright.com/Travel-Research/Consumer-Trends/ShareThis-Private-Accommodation-the-Rise-of-the-New-Gen-Renter>

<sup>19</sup> Lamb, Z. 2011. “Rethinking Authenticity in Tourist Experience: Analyzing the Motivations of Travelers in Person-To-Person Hospitality Networks.” Master’s thesis, University of Chicago

### 3 History of the Airbnb platform

Airbnb stands for AirBed& Breakfast.com. This company manages the market for accommodation and rentals, for leisure and tourist activities via the Internet. The company is headquartered in San Francisco, California and this platform is available through a website and mobile app. What is interesting is that Airbnb does not own any of the properties it offers for rent, so instead, it makes a profit by taking a commission from each reservation for accommodation, by connecting the host, the property owner and the guest.

Picture no.1. Airbnb logo



Source: <https://a0.muscache.com/airbnb/static/logos/belo-200x200-4d851c5b28f61931bf1df28dd15e60ef.png>

The Airbnb logo is a combination of the following four symbols: the head (representing people), the location (representing the place), the heart for love and finally the letter A (for Airbnb).

This American company called AirBed& Breakfast.com was founded in 2007 by roommates and students Brian Chesky and Joe Gebbia, after which they were joined in 2008 by Nathan Blecharczyk as CEO and third founder of the company. Immediately after its founding, the founders quickly created a website where they offered a short-stay service, as well as breakfast for all those travelers who could not book a hotel or find any accommodation to stay in.

The following year, in 2009, the name of the company was shortened for recognition and this platform changed its name to Airbnb, while the content of the website expanded to different types

of real estate including houses, apartments, private rooms and other different types of real estate. The founders were initially afraid that the sharing of houses and apartments would be of interest to tourists and whether business success would be achieved, but the business expanded very quickly, as evidenced by the fact that the founders opened the first international office in London in 2011., and then in 2012 in many world cities such as Milan, Copenhagen, Moscow, Sao Paulo, Berlin, Sydney and Barcelona.

Airbnb offers properties for short-term rentals, from rooms in apartments and houses to magnificent luxury villas, offering accommodation from one day to several weeks and/or months. In this way, this new concept in a way interrupted the classic approach of finding accommodation, which until then had been standard for travel and leisure of individuals.

Airbnb offers three separate home-sharing options: shared room, private room and whole home. The most common variant that clients opt for is the whole home, and this variant implies that guests have the entire accommodation just for themselves. On the other hand, many users of these shared room services are expressing concern, as evidenced by the fact that as many as 48% of those who have stayed in this type of shared accommodation say they are worried about being with people they do not know, it is twice as likely that these users had a bad experience of sharing a home compared to other users.<sup>20</sup>

Airbnb has been improving its services for years, and in early 2018, it introduced Airbnb Plus to its offer. This application includes collections of houses that have received the highest awards and ratings for the quality of accommodation and services, comfort and design. In addition to this app, the company has also introduced Beyond by Airbnb which offers a luxury vacation package.

The high acceptance of Airbnb by individuals has led to smaller companies today offering similar services around the world. Namely, numerous companies have been opened with the aim of real estate management, with the aim of cleaning services, transporting guests to and from the airport, checking guests as well as advising on prices. In this way, individual start-ups achieve multimillion-dollar values based on providing additional services to Airbnb. So, Dharma Home

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<sup>20</sup> Smith, A. (2016). Shared, collaborative and on demand: The new digital economy. Washington, DC: Pew Internet & American Life Project. Retrieved from <http://www.pewinternet.org/2016/05/19/the-new-digital-economy/>

Suites and Niido received about \$ 200 million in investment from Brookfield to build Airbnb branded short-term rental apartments.<sup>21</sup>

That Airbnb is very popular in the world today and that individuals prefer Airbnb over hotels can be concluded from the following table and the data in the table.

Table no.1: Average length of stay of hotel and Airbnb guests in the world's largest cities

City	Average length of stay of guests in hotels (days)	Average guest consumption in hotels (currency dollar)	Average length of stay for guests Airbnb (days)	Average guest consumption Airbnb (currency dollar)
San Francisco	3,5	840	5,5	1.045
New York	3,9	690	6,4	880
Amsterdam	1,9	521	3,9	792
Berlin	2,3	620	6,3	1.111
London & Edinburgh	3,1	713	4,6	1.496

Source: Airbnb, *Airbnb Economic Impact*, dostupnona <https://blog.airbnb.com/economic-impact-airbnb/?msclkid=311f2bffa9c311ec9ef1c4a9fc8277f>

Based on the data shown in Table no.1, it can be concluded that Airbnb has positive economic performance of its operations in the world's largest cities such as San Francisco, New York, Amsterdam, Berlin and London. In all these cities, the average length of stay of guests is almost twice as long in Airbnb accommodation compared to hotel accommodation (in Berlin almost three times longer). Also, the amount of money spent by guests who prefer Airbnb accommodation is much higher than the number of guests staying in hotels. It is concluded that guests who use Airbnb to find accommodation, stay in that accommodation longer than guests who stay in hotels, as well as spend more money on Airbnb accommodation units.

Data show that more than 50% of Airbnb guests choose to stay at Airbnb instead of a traditional hotel. Also, in Europe, Airbnb is 8 -17% cheaper than the average daily price of a regional hotel. In this way, the hotel industry loses approximately \$ 450 million in revenue annually on Airbnb. The average working stays with Airbnb or Airbnb For Work is 5 days. Airbnb also offers relocation services, team-building experiences and meeting locations.<sup>22</sup>

<sup>21</sup> <https://www.cnbc.com/2018/05/22/the-airbnb-effect-fueling-start-up-ecosystemsaround-the-world.html>

<sup>22</sup> <https://ipropertymanagement.com/research/airbnb-statistics?msclkid=4e6403f4a9ca11ec9ea329017575da04>

## 4 Airbnb as a two-sided platform

The platform is mentioned in the literature for the first time as a two-sided platform, not only because it focuses on customers and customer decisions, but also because it networks participants on the platform and thus creates a network effect that accelerates growth and brings greater regularity to all participants on the platform (buyers and sellers).<sup>23</sup> Introductory considerations on the two-sided platform were given by Rysman<sup>24</sup> while in recent years Belleflamme and Peitz have been particularly concerned with this topic.<sup>25</sup>

The two-sided market or the two-sided platform are defined by the authors in different ways. This is the market in which two different groups of users operate through an intermediary common platform and in which the behavior of each group of users directly affects the profits of the other group of users with which the connection is made on a common platform.<sup>26</sup>

For a two-sided platform to charge transaction fees, it must monitor transactions that are executed and prevent users of that platform from bypassing the platform by conducting transactions elsewhere.<sup>27</sup> Many platforms that facilitate communication between customers and service providers decide that the commission is taken only from the seller. As for the Airbnb platform, it usually takes a commission of 3 to 5% from the host while the amount of commission that the platform takes from guests ranges from 6 to 12%.<sup>28</sup>

Two-sided platforms create in some way dependence on their clients, i.e. hosts and guests when we talk about Airbnb, which leads to the so-called sharing economics. On this platform, which has network effects, the value that hosts and guests receive directly depends on the total number of participants, because it is a network relationship between them. Precisely because of this dependence that exists between participants, the number of users who join two-sided platforms depends on the price or commission they pay on that platform.

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<sup>23</sup>Farrell, J. and P. Klemperer (2007). Coordination and lock-in: Competition with switching costs and network effects. In M. Armstrong and R. Porter (Eds.), *Handbook of Industrial Organization*, Vol. 3. Elsevier

<sup>24</sup>Rysman, M. (2009). The economics of two-sided markets. *Journal of Economic Perspectives* 23, 125–144.

<sup>25</sup>Belleflamme, P. and M. Peitz (2021). *The economics of platforms: Concepts and strategy*. Forthcoming, Cambridge University Press.

<sup>26</sup>Rochet, J.-C. and J. Tirole (2006). Two-sided markets: A progress report. *RAND Journal of Economics* 37, 645–667.

<sup>27</sup>Belleflamme P., Peitz M., *The Economics of Platforms: Concepts and Strategy*, Cambridge University Press, 2021.

<sup>28</sup>Ibidem

The attractiveness of two-sided platforms lies in two ways. First, a user benefits from greater connectivity with other users when the number of users is higher. And secondly, the quality of services depends on the number of users on the platform. So in that case, there is only concern about the number of users because the platform is more efficient if there are more active users.<sup>29</sup> In other words, hosts benefit from the large number of users as they will find it easier to rent their goods and guests will have more choice in terms of rentals and services. This is why it is important to attract a large number of users in order to offer diversity in terms of accommodation, it makes the market attractive and at the same time increases turnover since Airbnb earns on the transaction fees.

If a guest wants to rent accommodation through the Airbnb website for the first time, there are a few simple steps he must take.

Airbnb can be accessed by clicking on the following link: <https://www.airbnb.com/>

When you click on the link, you can immediately see that on the Airbnb homepage, there is a notice that they are offering free accommodation for 100,000 Ukrainian refugees who are moving due to the war that has been going on with Russia for almost two months.<sup>30</sup> The stay of Ukrainian refugees is financed by donations from Airbnb.org and with the help of the hosts on the Airbnb platform. This page called on people to open their accommodation in Poland, Germany, Hungary and Romania to accept Ukrainians fleeing the conflict in their country.

On the Airbnb website, it is first necessary for an individual to register. Registration is very simple and does not take much time. The registration process itself consists of four steps:

- Click on "sign up" in the upper right corner of the home page,
- After that, a window opens that offers the possibility of logging in via Facebook, Google, Apple or e-mail,
- Then the user enters his e-mail address and password,
- Finally, the user is required to consent to the publication of e-mails and personal profile data.

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<sup>29</sup>Belleflamme P., Peitz M., *The Economics of Platforms: Concepts and Strategy*, Cambridge University Press, 2021

<sup>30</sup><https://www.theguardian.com/technology/2022/feb/28/airbnb-to-offer-free-housing-to-100000-ukrainian-refugees>

After the user does all the above, he is automatically logged in, so the registration process is complete. The user can also upload their photo. Some options allow you to connect your Airbnb account to social networks by phone, e-mail and document scanning. For a user to register on the Airbnb site, it is necessary to submit all documents confirming his identity. The owner of the accommodation is also required to leave certain documents, as proof of identity verification and, more importantly, as proof that he owns the accommodation he wants to rent.

It has already been said that Airbnb does not have accommodation (hotels, villas, apartments, flats, etc.), but this website connects hosts (who have accommodation but insufficient use of accommodation capacity) and guests who use the online platform (tourists who want to travel to other cities). How the Airbnb website works can be viewed from two aspects: from the aspect of the host who rents accommodation and from the aspect of the guest who rents accommodation.

#### 1. Accommodation rental

Accommodation is rented by the host or property owner. This procedure involves the following steps on the Airbnb website:<sup>31</sup>

- Adding your accommodation

It is first necessary for the property owner to add their accommodation unit (villa, house, apartment, suite, etc.) to the website, via the Post a new listing option, to start the process of adding their accommodation to Airbnb. After clicking on the button, a detailed questionnaire opens about the accommodation that the user wants to add, which asks for information on the type, type, location of accommodation and information on the number of people for whom the accommodation is intended. After that, the published accommodation becomes publicly available on this website to all interested parties.

- Calendar<sup>32</sup>

The calendar is used to enter data in which periods the offered accommodation is available, i.e., in which months and dates of the year. In this way, the host determines the period when the

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<sup>31</sup> [www.airbnb.com](http://www.airbnb.com)

<sup>32</sup> Understanding Calendar and Book settings, Host Tips, Airbnb, <https://www.airbnb.com/resources/hosting-homes/a/understanding-calendar-and-booking-settings-16>

accommodation can be used and in which he wants to rent. Within this tab, there are three-time options in which the owner can rent accommodation: always, sometimes once.

- Price

Here the user determines the accommodation price. Airbnb assists here, in the sense that it offers guidelines for determining the price of accommodation depending on the quality, size and other characteristics of accommodation, as well as depending on its location and the average price of accommodation in that location.<sup>33</sup>

- Description

The description is used to describe in more detail all the data from the entry of accommodation in Airbnb, assigning the name of the accommodation and a short description of the accommodation.

- Photographs

In this part, the owner of the accommodation publishes pictures of his accommodation. Of course, the more photos you publish, the more likely you are to rent accommodation. There is also an option to add an appropriate description to the photo.

- Facilities<sup>34</sup>

The facilities are used to select all the amenities that the accommodation provides, such as basic benefits in the form of cable TV and the Internet, all the way to additional amenities such as a swimming pool, food in the accommodation, etc.

- List

The list is used to determine the exact number of rooms and beds in the accommodation. It also states here whether the entire accommodation (house, apartment or suite) or only a certain part of the accommodation (one or more rooms) is rented.

- Location

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<sup>33</sup> Stephan R, Dolnicar S. (2021) *The evolution of Airbnb's business model*, The evolution of Airbnb's business model – Airbnb Before, During and After COVID-19 (pressbooks.pub)

<sup>34</sup>Top Destinations, <https://www.airbnb.com/sitemaps/v2>

The location is used to enter the exact address of the accommodation. This location information is visible to all users of the website only after the approved accommodation reservation.

## 2. Rental accommodation

Accommodation is rented by guests or tourists. This procedure involves the following steps on the Airbnb website:

- Review of accommodation reviews<sup>35</sup>

When the user logs in and plans to choose accommodation in a particular city or country, it is advisable to look at the reviews of the accommodation, the address of the location as well as whether there are photos of the accommodation. The latter is of great importance if the platform is marked "Verified", which means that these photos were taken by an Airbnb representative. Also, the user has the opportunity to see whether the deposit is required for accommodation, the minimum number of days of stay, whether home appliances are available in the accommodation and what are the conditions for cancelling accommodation.<sup>36</sup>

- Accommodation reservation

When the user decides to stay, he contacts the host via messages and sends a reservation request to the owner by clicking on the appropriate button. The user then has the opportunity to say something about himself and the purpose of the trip.<sup>37</sup> He can also ask additional questions to the owner and check if the accommodation is free for the days that interest him. If both parties are satisfied with the information received, in that case, the reservation of accommodation is made. Interestingly, the user can correspond with several owners of accommodation at the same time. On the other hand, correspondence with the host can be avoided, i.e., the user can schedule a reservation without correspondence with the owner.

- Payment

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<sup>35</sup> Airbnb Help Center, <https://www.airbnb.co.uk/help/article/13/reviews-for-stays>

<sup>36</sup>Rebooking and Refund Policy, <https://www.airbnb.com/help/article/2868/rebooking-and-refund-policy>

<sup>37</sup> How Airbnb took over the world, <https://www.theguardian.com/technology/2019/may/05/airbnb-homelessness-renting-housing-accommodation-social-policy-cities-travel-leisure>

Once the owner agrees to the reservation, payment can be approached. Payment includes the amount of rent and Airbnb service fee, which usually ranges from 6-12% of the rental price. At the request of the owner, you can pay extra for cleaning the accommodation unit as well as some additional services. The total amount of the price is stated in a special window, which is of great importance because everything is transparent. Payment on the Airbnb website is made online by MasterCard or Visa credit card or through platforms such as PayPal, Apple Pay and Google Pay. In the payment process, the user fills in their data, ticks the "I agree with the conditions" box and clicks on the "Book" button. After payment, the user receives an e-mail with all the necessary information, address and mobile phone number of the accommodation owner. They also receive an invoice, booking confirmation and travel plan. It should be noted that when paying, the money is not transferred to the owner of the accommodation, but the money is transferred to the Airbnb service, which guarantees the money transaction. Only after the guest arrives at the selected accommodation, he has some time to make sure that the accommodation is by the described accommodation on the website and only after that the owner of the accommodation receives the fee due to him. When it comes to payments, research says that in recent years, with the growing importance of cryptocurrencies, there are a large number of user requests that the Airbnb website introduces payment for accommodation reservations also through cryptocurrencies and digital tokens.

- Customer support

In case of any problems, the user can call the support service. Also, upon arrival at the accommodation, the user can leave a review or his impression of the accommodation he rented. This is very useful for all other guests who plan to rent that accommodation.<sup>38</sup> Also, there is an option for the accommodation owner to leave a review or positive or negative feedback about the guest as a tenant so that other accommodation owners have information about it.

- Cancellation of accommodation and refund<sup>39</sup>

Airbnb has the option to refund the user if certain misunderstandings occur, such as if the owner cancels the accommodation reservation if the guest's expectations do not match the reality through

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<sup>38</sup>Rebooking and Refund Policy, <https://www.airbnb.com/help/article/2868/rebooking-and-refund-policy>

<sup>39</sup> Airbnb's Cancellation And Refund Policy Explained, <https://trvlguides.com/articles/airbnb-cancellationrefund-policy>

the fault of the host, and if the guest finds that the accommodation is unsuitable in terms of cleanliness and insecurity. All of this certainly happens rarely, but of course, it can happen. Therefore, it is recommended, if the guest does not like anything in the accommodation he rented, that he should contact the service management within one day after entering another accommodation.

## **5 Advantages of the Airbnb platform for guests and hosts**

When it comes to the advantages of Airbnb, it should be noted in the first place that it has very favorable prices. Even in the largest cities in the world, there are favorable offers for renting accommodation, and Airbnb is an example of that. Namely, on this platform, it is possible to find better offers for accommodation than private offers for renting apartments or suites. It is concluded that the private accommodation that the guest finds on the Airbnb platform is significantly cheaper than the hotel. This price difference is especially noticeable if the guest travels around the world with a large family.

When a guest rents accommodation on the Airbnb platform, in addition to being able to get a very good price for accommodation, he has the additional opportunity to get a free local guide in the form of the host or owner of the accommodation who rented accommodation, who can show and tell the sights of the place where the guest stayed.

Another advantage of Airbnb is the comfort that is equal to the comfort of a hotel room. Convenience stems from the fact that many homeowners rent accommodation during the holidays or when they live in the countryside. In this way, guests can feel full autonomy or freedom in the accommodation they found on the Airbnb platform. Interestingly, guests can gain insight into how citizens of different countries, where they stay, furnish their apartments or what kind of houses they use. In this way, each guest can get significantly more information than staying at a hotel in that city. In addition to this, such accommodations are often fully equipped, which means that the guest can get everything he has at home, which is the use of a washing machine, dishwasher, complete appliances in the apartment, cutlery, etc.

The advantage of the Airbnb platform is also reflected in obtaining a large amount of different information for guests.<sup>40</sup> Namely, when renting accommodation, guests have a unique opportunity to communicate with foreigners and talk about various topics, and even get very useful advice on visiting a particular place in the city where they are staying (such as which is the cheapest taxi in town, which are the best-equipped supermarket, close to the bus or train station, etc.). This means that the guest not only gets savings in accommodation costs but also gets a free guide as well it is known that no one knows a better place than the locals who have lived there for years and who are quite friendly and hospitable to guests and who can tell guests many interesting things about the place.

The variety of accommodation units is the next significant advantage of Airbnb platforms. Namely, on this page, everyone can find different accommodation options, from the cheapest to the most luxurious, which means that it can be just one room in an ordinary apartment with the owners, and it can also be a luxury villa next to the sea. This advantage of Airbnb means that there is adequate accommodation for every budget.

Comfort is also an advantage of the Airbnb platform. Namely, if a guest has breakfast on the balcony with a cup of coffee and a croissant and looks directly at the Eiffel Tower, he will certainly feel not like a guest but like a real Parisian.<sup>41</sup>

Extended stay is another advantage of this platform. This advantage is reflected in the fact that there are options for a longer stay on this platform, which means that renting a luxury villa for two or three weeks costs the same as renting a villa for a month. This means that guests can always ask the hosts for discounts for longer stays in their accommodation.

Each guest can receive a bonus when first booking accommodation, which is also considered a significant advantage of this platform. Also, when registering on the Airbnb website, when guest provides their e-mail address and phone number, they can receive text messages for affordable accommodation even in situations where no internet is available.

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<sup>40</sup>Stephan R, Dolnicar S. (2021) *The evolution of Airbnb's business model*, The evolution of Airbnb's business model – Airbnb Before, During and After COVID-19 (pressbooks.pub)

<sup>41</sup>21 Best Apartments & Airbnbs in Paris with Eiffel Tower Views, <https://shewandersabroad.com/best-airbnbs-in-paris-with-eiffel-tower-view/>

In addition to the above benefits for guests, the Airbnb platform also has benefits for hosts who rent accommodation, which are reflected in the following.

In the first place, it is the possibility for the hosts to earn additional income from renting accommodation, compared to traditional renting accommodation. This certainly depends on the location of the accommodation, the availability of public transport, the number of rooms, attractions and sights and the like. To the extent that all these factors are more important and interesting to the guests, in that case, the possibility of earning money for the hosts is higher. This is especially true for those destinations where there is not enough demand for accommodation units, so that the hosts have the opportunity to earn more as Airbnb hosts, than if they just rented their housing as landlords.

Another very significant advantage for Airbnb hosts is the fact that the host has the ability to control the maintenance of the rental space they rent and the ability to control the method of payment. Namely, with Airbnb, the host can regularly check his home, usually for a few days. In this way, the host has the opportunity to see how well the guests take care of his home and at the same time minimizes the risk that guests will destroy the house or apartment, as well as have to make significant renovations before renting their home to other guests. Controlling the way the hosts will be paid means that the guests pay before they move into the accommodation, so the hosts do not have the risk of whether the guests will pay their rent or not, as is the case with traditional accommodation rentals. This control option is perhaps the biggest advantage of choosing Airbnb over traditional accommodation.

An additional advantage for Airbnb hosts is reflected in the greater flexibility of renting accommodation. Namely, the hosts who rent accommodation have the opportunity to block all those dates and months when their apartment or house is not available to guests. This happens, for example, in those situations when the hosts want to go on annual leave and do not want to have guests, because they do not know how the guests will behave while they are not there. With traditional accommodation, this possibility does not exist. Flexibility for the hosts is reflected in the fact that when they rent their accommodation, they have the opportunity to spend more time on some activities they love and care about, such as traveling and exploring new locations, hanging out with friends, hobbies and similar.

Certainly, a significant advantage for Airbnb hosts is reflected in the fact that the states give great tax benefits to Airbnb hosts, so in that case, the income from renting Airbnb accommodation is tax-free. This ultimately affects the increase in profit for the hosts, as well as the increase in return on investment.

Being able to meet new people from all over the world is another advantage for Airbnb hosts. What is even more interesting, guests can come from different spheres of life, and they can be doctors, scientists or business people who go to a seminar, and they can also be families who come with children. In that way, the hosts have the opportunity to get to know the traditions and cultures of the inhabitants of countries from all parts of the world, which is an invaluable experience. In case of long-term arrival of the same guests, some guests can even become lifelong friends of the Airbnb host.

Finally, Airbnb hosts have the opportunity to learn new skills, such as in communication, negotiation, finance, marketing and the like. And most importantly, they can learn a lot from the guests staying in their accommodation, whether they are residents of the host country or foreigners, each guest is unique no matter where he comes from. There are many different cultures and life experiences from which Airbnb hosts can learn, in order to be richer for new life knowledge and experiences.

## **6 Disadvantages of the Airbnb platform for guests and hosts**

In addition to the listed advantages of the Airbnb platform, it also has certain disadvantages.

In the first place, it is the fact that the chosen accommodation for the guest is not a hotel. Namely, the living conditions in private accommodation in the hotel have their drawbacks. In some accommodation units, cleaning is charged separately, and in some accommodations, maid service is not included in the price or is performed only once a week.<sup>42</sup> Also, the guest does not always get breakfast. Sometimes even the air conditioning does not work in the accommodation, as well as cable television or internet. So the lack of equipment, service or standards can be seen as a disadvantage.

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<sup>42</sup>Guttentag, D., Smith, S., Potwarka, L., & Havitz, M. (2018). Why tourists choose Airbnb: a motivation-based segmentation study. *Journal of Travel Research*, 57(3), 342–359.

The next drawback is the commission for using platform services provided by Airbnb. This commission is not negligible, and it usually ranges from 6% to 12% of the amount of the accommodation reservation. The more expensive the accommodation, the lower the service fee, which of course every guest should keep in mind when booking accommodation on this platform.

There is also something called a minimum rental period. Namely, usually, the host requires a minimum reservation period, which can be from a night to a few days to even a few weeks, which the guest should also keep in mind when booking accommodation on this platform.

Another disadvantage is the lack of professionalism among the hosts who just want a quick income from renting their accommodation. Namely, most of the owners of accommodation units are quite ordinary people who want to make money, so guests should be ready for all options and especially be patient because they can get answers to some questions very late from the hosts.

The lack of privacy is also the lack of this type of accommodation. A guest may want to rent accommodation only for himself and his family, without having read or understood the conditions offered by the host, and to get to live together in an apartment with people or a family he does not even know.

Living conditions are also a disadvantage of this accommodation. Namely, it is difficult to expect that the living conditions of the guest coincide with the living conditions of the host. This does not mean that the guest will be deceived, but it simply means that people have different life preferences and attitudes towards life.

The disadvantage of Airbnb is reflected in the fact that the reservation for the guest can even be rejected, in case the guest does not like the host or does not like the guest profile. Because each of the hosts has the opportunity to choose which of the guests will stay in his accommodation, which means that he can choose the guests. In case of cancellation, a penalty is provided. And that is even more important, all cancellations by the hosts can be seen on their profiles.

Speed of response is another disadvantage of Airbnb. Namely, the hosts usually respond within a few hours, but sometimes it happens that the guests wait a few days to receive an answer. Slowness

in communication is certainly a significant limitation for this platform, so it is recommended that guests in case of emergency booking should choose the "Instant Confirmation" option.<sup>43</sup>

Finally, a significant disadvantage of Airbnb is the internet ignorance of users who use this platform. Namely, sometimes the host does not fully understand how the Airbnb platform works, so there can be serious errors on the accommodation page. For example, if there is no information about the additional electricity bill, it can be a very unpleasant surprise for the guest upon arrival at the accommodation.

In addition to the aforementioned disadvantages for Airbnb guests, this two-sided platform also has disadvantages for hosts, which are reflected in the following.

First, it is less secure for the hosts. Namely, with traditional renting accommodation, the host always knows in advance how much money he will get, so he can plan his cash flows. In the case of the Airbnb platform, this security does not exist because it can happen that the host does not rent his accommodation for weeks or months, which means a lack of regular income for him. One of the possible solutions for planning the amount of cash flows of the host, was for the host to collect the entire realized income after one year of rent and then divide it by 12 months, in order to know some average monthly income he can expect in the next period. The above means that in the case of Airbnb rental accommodation, compared to traditional accommodation rental, there is a higher risk of whether the accommodation will be rented, but there is also a significantly higher income if accommodation is rented.

Another disadvantage for the hosts is the lack of freedom, which means the lack of personal freedom, social freedom and freedom of travel. The lack of personal freedom is reflected in the fact that the hosts try to answer all inquiries very quickly (statistics say within five minutes). In addition, the hosts have several different communications with guests on a daily basis, such as inquiries from interested guests, information regarding upcoming guests and requests from guests already staying at their accommodation. All this causes daily overload of the hosts at all levels of communication with potential and existing guests. The lack of social freedom is reflected in the fact that the host is constantly at the service of guests, whether it is guests who just want to book accommodation, guests who leave the accommodation and need to clean the accommodation unit

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<sup>43</sup>Stephan R, Dolnicar S. (2021) *The evolution of Airbnb's business model*, The evolution of Airbnb's business model – Airbnb Before, During and After COVID-19 (pressbooks.pub)

or guests who are in accommodation and whose hosts must be at your service. The lack of freedom of travel refers to the inability of the host to leave the place of residence where he lives for a longer period of time because he must constantly be at the service of the guests as a good host.

Third, the hosts are forced to completely equip their home, from furniture, through beds, towels to toilets and kitchens. This can be a problem for those hosts who do not have enough money for modern equipment for their accommodation units. It should be noted here that Airbnb made its great success by focusing on apartments and houses with beautiful photos. This means that hosts who have old and *démodé* furniture run the risk of not renting their accommodation. That is why it is important for every host to estimate the value of investments in their accommodation unit, in relation to the future profit they can expect from renting, either through the Airbnb platform or through the traditional rental of their accommodation.

From the above advantages and disadvantages of the Airbnb platform, it can be concluded that it has more advantages than disadvantages. This is especially important for luxury arrangements and accommodation, in terms of the benefits that the guest receives on the price and comfort of accommodation about the hotel, especially in very exotic destinations such as Hawaii, Maldives, etc.

## **7 Airbnb competition**

At the very beginning of its establishment, Airbnb was considered an alternative way of providing accommodation for guests during their travels. The hosts who first started renting accommodation were friends who enjoyed having the opportunity to meet their friends during their travels. However, along with the development of peer-to-peer (P2P) accommodation, Airbnb has slowly become a standard option for finding accommodation for tourists. In that way, the popularity of this platform grew, just as the demand for real estate on this platform grew, threatening to endanger the competition in that way. At that moment, the competition was forced to unite and take certain measures.<sup>44</sup> And not only that. The strengthening of Airbnb's success has led to some competitors, such as Booking.com, starting to think about expanding their offers. Finally, some new companies

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<sup>44</sup> Davidson, N. and Infranca, J. (2018) The place of the sharing economy, in N. Davidson, M. Finck, and J. Infranca (Eds.), *The Cambridge Handbook of the Law of the Sharing Economy*, Cambridge: Cambridge University Press, 205-219.

appeared on the market that, following the example of Airbnb, wanted to achieve success by launching their peer-to-peer accommodation platforms.

In this way, Airbnb faced double competition. The first group of competitors consisted of traditional travel agencies that banded together and took certain measures to oppose Airbnb. The second group of competitors consisted of new platforms that tried to imitate Airbnb, firmly believing that they would also succeed in the market at least approximately like Airbnb.

Today, Airbnb is the market leader in peer-to-peer rental accommodation. However, as P2P accommodation rentals and the economy expand and increase, so does Airbnb face daily competition from several companies that are constantly growing.<sup>45</sup>

In the following text, we will talk about the most important competitors of the Airbnb platform.

Couchsurfing is a company from San Francisco, which was founded in 2004 and has 15.9 million listings. On this platform, the hosts share their space, because they enjoy helping others and at the same time have a desire to make friends with guests. Initially, members of this platform were able to pay a voluntary verification fee. However, later in 2020, compensation was introduced because, during the Covid-19 virus pandemic, members did not pay anything voluntarily at all, thus significantly reducing the platform's revenue from donations.

Booking is perhaps the most famous company today besides Airbnb. This company was founded in Amsterdam, the Netherlands in 1996. Today, this company has over 5 million listings and is available in as many as 43 languages. What is interesting about this platform is that it does not check the accommodation and also does not confirm that the information posted on the site is correct. This is exactly what proves to be a commercial intermediary in finding accommodation.

HomeExchangeiz Boston, USA is a company that was founded in 1992 and today has nearly half a million listings. It is a platform where hosts and guests exchange their accommodation, without the possibility of mutual communication. Also, membership fees are collected on this network.

The following table provides an overview of Airbnb's most significant competitors.

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<sup>45</sup> Kwang-Ho Lee, DongHee Kim (2017) *A peer-to-peer (P2P) platform business model: The case of Airbnb*, <https://doi.org/10.1007/s11628-019-00399-0>

Table No.2: Peer-to-peer accommodation (sorted in Alphabetically order)

<i>Accommodation</i>	<i>Headquarters</i>	<i>Started</i>	<i>Listings</i>	<i>Host Fee</i>	<i>Guest fee</i>
Airbnb	San Francisco	2008	7 million	Commission	Fee
Booking.com	Amsterdam	1996	5 million	Commission	Free
Couchsurfing	San Francisco	2004	15.9 million	Fee	Fee
HomeAway (Expedia Group)	Texas	2005	2.3 million	Commission or fee	Commission
VBRO (Home Away)	Austin	1995	2 million	Commission	Fee
TripAdvisor Holiday rental	United Kingdom	2009	842,000	Commission	Commission
Holiday Lettings (TripAdvisor)	Oxford	1999	400,000	Commission	Commission
HomeExchange	Boston	1992	400,000	Annual fee	Home exchange
Wimdu	Berlin	2011	350,000	Commission	Commission
misterb&b	San Francisco	2013	310,000	Commission	Commission
HouseTrip (TripAdvisor)	Lausanne	2009	300,000	Commission	Commission
FlipKey (TripAdvisor)	Boston	2007	300,000	Commission or fee	Commission
9flats	Singapore	2010	200,000	Commission	Commission
Niumba (Trip Advisor)	Madrid	2005	100,000	Commission	Commission
Vacation Home Rentals (Trip Advisor)	Boston	2004	100,000	Commission	Commission
Traum-Ferienwohnungen	Bremen	2001	100,000	Commission	Fee
Red Awning (Perfect Places)	Los Altos	1996	100,000	Commission	Free

Source: Author, based on publicly available data

All these companies have very similar offers in the P2P rental market and operate on almost the same principle as Airbnb, which means that they have affordable prices and a large selection of accommodation. Most of these competitors charge a fixed commission for their services and allow hosts to charge a fee. Even Couchsurfing, where members paid a voluntary fee, introduced payment for the service during 2020.<sup>46</sup>

However, in addition to these active companies, there are also P2P companies that are no longer active or no longer in business, such as Banchafrom Rome, Italy; Casa Versa from Tel Aviv, Israel; Horizon from Seattle, US; MatchPad, Rentini and Roomorama from New York, US; Swap and Surf from France etc.<sup>47</sup>

In contrast to the other active platforms, the latter have not been able to adapt quickly, which is why they no longer exist. Indeed, a user, whether a host or a guest, will choose the site that is easiest to use, has the best ergonomics and has the most beautiful design. The one that solves the

<sup>46</sup> Couchsurfing (2020) We hear you, <https://blog.couchsurfing.com/we-hear-you>

<sup>47</sup>Dolnicar, S. (2018). Peer-to-Peer Accommodation Networks: Pushing the boundaries, Goodfellow Publishers Ltd.

problems on the platform in an efficient way, providing the best services and the best user experience.

Airbnb used the methods and mindset of Design Thinking. This is a powerful problem-solving process that begins with the analysis of unmet customer needs. This leads to an innovation process that includes concept development, applied creativity, prototyping and experimentation. When Design Thinking approaches are applied to business, the success rate of innovation improves dramatically. It is easy to see why this company has become one of the biggest players in housing by listening to and analyzing the needs of its users.

Finally, it should be borne in mind that the process of globalization in the world has led to the mergers and acquisitions of many companies that deal with renting accommodation. Thus, Booking.com acquired Buuteeq, Hotel Ninjas, Rocketmiles and Evature. Furthermore, Trip Advisor Holiday Rental includes Flipkey, Holiday Lettings, Niumba, Vacation Home Rentals and House Trip. Airbnb today includes the platforms Accoleo, Crashpadder, Luxury Retreats, Accomable, Trooly, Gaest, Hotel Tonight and Urbandoor.

## **8 Innovations offered by Airbnb in the market**

We are witnessing that every day certain companies cease to exist, and most of them are companies that have failed to maintain their market share. In contrast, almost every day some new companies appear that want to be successful in their business. The average lifespan of today's companies has been significantly reduced, precisely because of the progress and use of technology for business purposes. For companies to survive in the market today, they need to constantly improve and enhance their technology and adopt the changes that are happening in the market. The famous scientist Charles Darwin said a long time ago that neither the strongest nor the most intelligent species survive, but those that adapt the fastest to change.<sup>48</sup>

The above means that today's companies, in today's market business conditions, must be innovative to maintain their competitive advantage in the market. Companies adapt to changes in

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<sup>48</sup>The evolution of a misquotation, <https://www.darwinproject.ac.uk/people/about-darwin/six-things-darwin-never-said/evolution-misquotation>

the market by creating innovations or rebranding their products or services, which leads to a change in the way these companies operate. That is why it is said that today innovation is considered a measure of success of modern companies. Innovation results in significant changes in the products and services that companies offer, and in particular in the way consumers use products or services and lead to changes in consumer habits.

Today, companies are advised that it is in their best interest to redefine their identity to maintain their market share.<sup>49</sup> In particular, when faced with a business challenge based on technological innovation, existing companies have two options: first, to strengthen the existing business model and second, to adopt a new business model.<sup>50</sup> In this way, existing companies adopt these strategies at different levels of success, from decline to failure, and even dominance in the market after the disruption.<sup>51</sup>

In this new constellation of events on the world market, it is impossible not to notice the significant success of the Airbnb platform, which is a very popular platform for renting accommodation. In other words, Airbnb is an online marketplace that connects people who want to rent their apartment with people who want to stay in it for a certain period. Today, Airbnb offers about 6 million places to stay worldwide, at any time guests book close to 2 million ads on this portal and since its inception, it has served almost 400 million guests. Publicly available data shows that the current value of Airbnb is 104.2 trillion dollars<sup>52</sup>, the average host earns \$ 9,600 a year, and there are 5.6 million global ads in 100,000 cities and more than 200,000 countries and regions.

The competitive advantage of each company should be based on activities, each of which should contribute to the differentiation of the company from other companies in the market. Companies differ from their competitors when they provide something unique for the customer and not just a lower price. The most significant differentiation of companies can be achieved by applying innovations. Namely, companies that are constantly innovating something, have an advantage over

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<sup>49</sup>Tripsas, M. (2009). Technology, identity, and inertia through the lens of “the digital photography company”. *Organization Science*, 20(2), 441–460. <https://doi.org/10.1287/orsc.1080.0419>

<sup>50</sup>Osiyevskyy, O., & Dewald, J. (2015). Explorative versus exploitative business model change: The cognitive antecedents of firm-level responses to disruptive innovation. *Strategic Entrepreneurship Journal*, 9(1), 58–78. <https://doi.org/10.1002/sej.1192>

<sup>51</sup> Ahuja, G., & Lampert, C. M. (2001). Entrepreneurship in the large corporation: A longitudinal study of how established firms create breakthrough inventions. *Strategic Management Journal*, 22(6–7), 521–543. <https://doi.org/10.1002/smj.176>.

<sup>52</sup>Nasdaq: ABNB

other companies in the market because they can offer customers products and services at better quality and lower prices, compared to the competition.

That is why all companies must think about using their resources in the best possible way, to be innovative and to ensure their survival in the long run on the market. The innovations that the company is implementing today will be replaced by some other innovations shortly.<sup>53</sup>

In the past, an individual, if he wanted to go on a trip, was forced to contact a travel agency that would do everything for him, or possibly an individual to search the Internet to find suitable accommodation in the form of hotels, hostels or private accommodation. On the other hand, accommodation owners could rent their real estate either through agencies or through websites, possibly through acquaintances or friends. However, all this has changed today thanks to the existence of Airbnb, which is a unique place that offers rooms, apartments and houses for rent.

The rapid growth of the Airbnb platform is believed to have been driven by two main factors: technological innovation and supply-side flexibility. First, technological innovations have significantly simplified the process of companies entering the world market. Second, supply-side adjustment is another important feature of this platform, in the sense that accommodation offers are re-innovated and new offers are constantly emerging.

The advantage of Airbnb is reflected not only in the lower price but also in better and larger accommodation space that is equipped in a way that makes the guest feel at home. Because the guest feels at home and not as a guest, Airbnb, unlike the hotel, offers its guests the opportunity to live as a whole local population and thus experience a completely new experience compared to previous experiences.<sup>54</sup> It is believed that this online platform is considered to have become the largest global provider of accommodation units, due to the significant number of accommodation units worldwide measuring millions of accommodation units, given that the world's six leading hotel groups together have fewer rooms than is the offer of Airbnb.<sup>55</sup>

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<sup>53</sup> Porter, M.E. (1998) *Competitive Advantage: Creating and Sustaining Superior Performance*. New York: The Free Press.

<sup>54</sup> Reid, Lillian Parks (2012) *A History of Tourism in Barcelona: Creation and Self-Representation*, Scripps Senior Theses, Paper 45, str. 12

<sup>55</sup> Research Centre for Coastal Tourism (2012), *Cruise Tourism: From a broad perspective to a focus on Zeeland*, Research Centre for Coastal Tourism, str. 11

Airbnb is successful today precisely because of all the innovations it constantly introduces to the market, and it is precisely the leader in these innovations. Airbnb has created a completely new business model in the tourism industry.<sup>56</sup> Airbnb is a platform that brings together those who provide the service and those who use those same services. Airbnb has become an example of how only one seemingly ordinary idea can lead to changes in the tourism industry and the way individuals travel. Not only has it changed the environment in which they operate, but Airbnb has also even changed the habits of consumers and users, enabling the unemployed to make money by renting out their property. It is quite clear that Airbnb has emerged as a completely new user experience, given its low operating costs and significant technological and digital orientation.

Airbnb has become a major competitor to hotels around the world, precisely because of the lower prices it offers for accommodation to its customers. In the case of Airbnb, the earnings are made by taking a commission from the host's earnings. By innovating a new business model, Airbnb has provided added value to its consumers and customers, and at the same time, Airbnb has gained a long-term competitive advantage.

Before always introducing certain innovations, Airbnb researched markets around the world and discovered some interesting trends that have just led to innovations and changes in the business of this platform. Comparing 2019 and 2021, Airbnb found that family travel increased from 27% of the total number of overnight stays (booked in 2019) to 33% of overnight stays (booked in 2021).<sup>57</sup> Also, a total of 42% of booked overnight stays were in rural destinations, an increase of 32%. Furthermore, Airbnb has discovered that travel in nature or the countryside has increased significantly in recent years. Due to the Covid-19 virus pandemic, tourists are now looking for different destinations and this trend is not decreasing, which means that rural travel is still on the rise while out-of-town locations are still among the most popular destinations for 2021. (compared to popular destinations from two years ago). Therefore, Airbnb recommended that the hosts, if they have accommodation in the countryside, be sure to list in the description of the accommodation all the natural attractions located in the area. Conversely, if the host has accommodation in the city, they must change the description of the accommodation or add a

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<sup>56</sup>Stephan R, Dolnicar S. (2021) The evolution of Airbnb's business model, The evolution of Airbnb's business model – Airbnb Before, During and After COVID-19 (pressbooks.pub)

<sup>57</sup>Airbnb Report on Travel & Living, <https://news.airbnb.com/wp-content/uploads/sites/4/2021/05/Airbnb-Report-on-Travel-Living.pdf>, 2021.

description to highlight the proximity of the village or some other outdoor attractions (such as a vineyard or something similar). Finally, Airbnb research has shown that cities are the most attractive for tourists who choose to stay for a long time.<sup>58</sup> Despite the importance of rural destinations that have grown in trend after Covid-19, guests have begun to return to the cities and stay there longer. The most popular destinations for longer stays on Airbnb are the cities of New York, Seattle and Los Angeles.

Airbnb is a company that constantly offers innovations in the market, which can be seen in the following examples.

In 2018, Airbnb introduced new categories and levels of accommodation, Airbnb Collections and Loyalty programs for hosts.<sup>59</sup> The most important of all is Airbnb Collections, which means perfect accommodation for every occasion. The loyalty program for the hosts was rebranded or redefined in the same year, and a new program for guests was also launched. The main platform is "Homes" where guests can choose between three categories of accommodation: Whole accommodation, Private room or Shared room, with four additional categories: Vacation rentals, Unique accommodations, Boutique hotels and Bed and Breakfast. Even Airbnb was seriously considering setting up its airline that year.

In 2021, Airbnb also continued to introduce several innovations in its business.<sup>60</sup> Most of the changes that the company introduced that year were related to the introduction of flexible accommodation search, to increase the visibility of accommodation offered on this platform. First, flexible dates have been introduced for those guests who are interested in visiting a particular destination but do not have a fixed travel date. This way, guests can search for new date options, from weekends throughout the week to stays of a month or more. Second, flexible results show accommodations have been introduced, to provide tourists with more options and at the same time increase the visibility of accommodation. This is the case when a certain property has everything that the guest is looking for except one content (e.g., Jacuzzi), so guests will be indicated which content is missing, to be fully informed. Third, flexible destinations have been introduced that

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<sup>58</sup>Guttentag, D., Smith, S., Potwarka, L., & Havitz, M. (2018). Why tourists choose Airbnb: a motivation-based segmentation study. *Journal of Travel Research*, 57(3), 342–359

<sup>59</sup>Stephan R, Dolnicar S. (2021) The evolution of Airbnb's business model, The evolution of Airbnb's business model – Airbnb Before, During and After COVID-19 (pressbooks.pub)

<sup>60</sup>Airbnb 2021 Release: 100+ innovations and upgrades across our entire service, <https://news.airbnb.com/en-in/airbnb-2021-release-100-innovations-and-upgrades-across-our-entire-service/>

allow guests to organize trips according to the chosen accommodation and not according to the destination they are travelling to. Keeping in mind that guests are adaptable in terms of when and where they travel, the Airbnb platform can offer a wide range of specific and unique accommodations such as log cabins, tree houses, farms, etc. And at the end of the fourth, an arrival guide was introduced. This means that before arriving at the accommodation, guests are provided with an arrival guide that contains all the information needed to ensure the arrival of the guest without the slightest problem.

When it comes to hosts who rent out accommodation, Airbnb listened to the needs of the hosts and learned that they want a much greater choice of cancellation rules. First, Airbnb has introduced a new guard cancellation policy, according to which guests can cancel accommodation for a period longer than 30 days before arrival, with the possibility of refunding the full amount. Secondly, he introduced awards for super hosts.<sup>61</sup> Namely, hosts who receive the status of super hosts in four consecutive ratings, receive a coupon for Airbnb worth \$ 100 with the additional benefit that the validity of all coupons from 2020 has been extended until the end of 2021, and even those coupons that have expired. Third, the security conditions related to Covid-19 have been redefined. The hosts live in more than 220 countries around the world, and each of these countries is in a different phase of the fight to combat the Covid-19 virus, so Airbnb has introduced two changes to adapt more quickly. The first change concerns the wearing of safety masks at safety distances, where Airbnb has stopped applying the universal rule that would be applied globally but insists on adhering only to local regulations. Another change is that Airbnb has made it easier for hosts to adhere to the Covid-19 virus-free cleaning and hygiene guidelines, in the sense that hosts are no longer required to wear masks and gloves during cleaning or washing dishes in the machine, even if the guests did not use it.<sup>62</sup>

## **9 Airbnb in the context of the Covid-19 virus pandemic**

The last financial crisis in 2008 and the crisis caused by the Covid-19 virus pandemic (SARS-CoV-2) led to the fact that consumers have become pickier today and that due to insufficient

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<sup>61</sup>Airbnb Help Center

<sup>62</sup>Airbnb's Enhanced Cleaning Initiative for the Future of Travel, <https://news.airbnb.com/our-enhanced-cleaning-initiative-for-the-future-of-travel/>

income they choose cheaper travel arrangements when deciding on a destination, transportation, accommodation, etc.

The Great World Economic Crisis of 2008 was a period of a significant decline in global economic activity in several national economies around the world. The intensity of the recession and its duration varied from country to country, depending on the then economic conditions and the development of the economic system and institutions. This financial crisis arose in the United States as a result of bursting bubbles in the American real estate market and failures in the financial system related to the mortgage and interbank market, and due to the interconnectedness of financial systems, it soon spread to the rest of the world and pushed most developed economies into recession.

The crisis caused by the Covid-19 virus pandemic began in 2020. It has now been more than a year since the beginning of this pandemic, so there are already publicly available statistics that can measure the consequences of this global crisis. The Covid-19 pandemic has hit trade in services the hardest, especially in the tourism sector, as the sector has suffered the biggest decline due to border closures and international travel disruptions. Also, air passenger traffic fell by 60% and the rate of international tourism by 74%. 2020 is considered to be the worst year for international tourism.

Both of these crises show the importance of this sector for the development of the entire economy in the world. Also, both crises have influenced consumers and buyers of tourist services to change their behavior, which has led to the creation of new business models in this area. These new business models especially emphasize the use of computers, smartphones, social networks, etc.

The tertiary sector is the sector most affected by the Covid-19 virus pandemic, which means that the consequences of the Covid-19 virus have significantly disrupted Airbnb's business. In that way, the guests who used Airbnb when looking for accommodation were affected by this crisis because they could not travel, so they asked for a refund of the money they paid for accommodation.

Numerous studies have shown that the Covid-19 virus pandemic had a destructive impact on the tertiary sector. The virus pandemic in the world has led to the cancellation of accommodation

reservations, which has affected the closure of hotels and led to the dismissal of employees.<sup>63</sup>When it comes to Airbnb, the crisis has affected the fact that the hosts could not rent their rooms, so their owners had higher costs that they could not reimburse from renting out the rooms. The United Nations has issued a report that slows the growth of this sector during 2019, which was exacerbated by the outbreak of the Covid-19 virus pandemic in 2020.<sup>64</sup>

Another study showed that Covid-19 in China saw a 71% drop in hotel capacity compared to the previous year.<sup>65</sup>

Other authors<sup>66</sup> concluded that globally Covid-19 led to the closure of companies and that it had a destructive impact on hotels as well as on rented accommodation on Airbnb.

The Covid-19 crisis that arose in the spring of 2020 has a huge economic impact on the tourism sector in all parts of the world, so in line with that, Airbnb could not avoid the crisis.<sup>67</sup>

It is understood that the Covid-19 virus pandemic had devastating consequences for accommodation via Airbnb platforms. Due to numerous cancellations of accommodation, lawsuits were filed, and Airbnb had to compensate the hosts for 25% of lost revenue.<sup>68</sup>Also, the value of the company dropped from 31 trillion dollars to 18 trillion dollars in April 2020.<sup>69</sup>

The above shows that Airbnb has encountered negative consequences due to the Covid-19 virus pandemic, especially the hosts. Namely, it is believed that even some hosts around the world have completely stopped their business due to the virus pandemic. Only a small number of hosts admit

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<sup>63</sup>Tourism Policy Responses to the coronavirus (COVID-19), OECD Policy Responses to Coronavirus (COVID-19), <https://www.oecd.org/coronavirus/policy-responses/tourism-policy-responses-to-the-coronavirus-covid-19-6466aa20/>

<sup>64</sup>United Nations. (2020). Shared Responsibility, Global Solidarity: Responding to the socio-economic impacts of COVID-19. United Nations, [https://www.un.org/sites/un2.un.org/files/sg\\_report\\_socio-economic\\_impact\\_of\\_covid19.pdf](https://www.un.org/sites/un2.un.org/files/sg_report_socio-economic_impact_of_covid19.pdf)

<sup>65</sup>Yang, Y., Zhang, H., & Chen, X. (2020). Coronavirus pandemic and tourism: Dynamic stochastic general equilibrium modeling of infectious disease outbreak. *Annals of Tourism Research*.<https://doi.org/10.1016/j.annals.2020.102913>.

<sup>66</sup> Yu, K. D., & Aviso, K. B. (2020). Modelling the economic impact and ripple effects of disease out-breaks. *Process Integration and Optimization for Sustainability*, 1–4. <https://doi.org/10.1007/s41660-020-00113-y>

<sup>67</sup>Breyne, Louis; Horé, Louis. Airbnb impact on the hotel market in Brussels. Louvain School of Management, Université catholique de Louvain, 2020. Prom. : Basclé, Guilhem.

<sup>68</sup>Schaal, D. (2020). Airbnb CEO apologizes to hosts with a \$260 million relief package. Skift, <https://skift.com/2020/03/30/airbnb-ceo-apologizes-to-hosts-with-a-260-million-relief-package/amp/>

<sup>69</sup> Eaglesham, J., & Grind, K. (2020). Airbnb Paying More Than 10% Interest on \$1 Billion Financing Announced Monday Airbnb's new investors get free warrants based on company valuation of \$18 billion. *The Wall Street Journal*

that Covid-19 will manage to strengthen their capacities. Namely, these hosts start from the fact that people are eager for vacation, and that real estate prices will only grow as well as accommodation prices. Based on that, they have expectations that the average length of stay will increase and that with the reopening of the accommodation and travel market, this sector will experience a rise again.

## **Conclusion**

Airbnb is a platform for renting accommodation. This platform is two-sided, which means that it mediates between the host and the guests, but it also functions as a social network for a wider range of information. The number of users of this platform today is measured in millions, as well as the number of ads that can be found online. The most important thing is that people use this platform not only for private but also for business purposes and that the reservation is very simple, which means that the platform can be used by those who do not know how to work well on the computer. And most importantly, using the platform is completely free as well as opening a user profile, which certainly makes it the most popular network for finding accommodation.

A significant number of authors have dealt with the motivations of guests choosing Airbnb. By almost all authors, the price was a key element that was recognized as the most important motivator. In addition to the price, a significant role in choosing Airbnb has the benefits of accommodation as well as proctor. The authenticity of the accommodation has also been highlighted in several considerations as a key factor in choosing Airbnb accommodation, and within the authenticity, there is an interaction or relationship of guests with the local population, which is also part of the authenticity. Some authors have investigated the impact of location and concluded that this factor also occupies a high place when it comes to choosing accommodation. All of the above is part of the reason why guests choose Airbnb. All in all, Airbnb has changed the real estate market and become a leader in this field.

The impact of Airbnb on tourists is very significant today. This platform is a leader because it has such a business model that includes benefits for two parties: the host and the guest, because both have significant benefits that allow them to overcome barriers to supply and demand and pricing, time planning accommodation, payment protection, etc.

Thus, Airbnb's success is based not only on its diversity and affordability but also on its ability to constantly innovate, and to offer a different customer experience than other companies. The platform has made tourism a little more accessible and enjoyable by giving the opportunity to live like a local.

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