

Why Lodging Reviews Matter in the Sharing Economy

More and more people are offering their homes through peer-to-peer sites such as Airbnb to generate extra income, and those who are awarded "Superhost" status can expect to receive more reviews and higher ratings, according to Dr Markus Schuckert and Dr Rob Law of the SHTM and co-researchers. Their study of the Airbnb platform explores various factors that influence whether guests post reviews of their accommodation and which characteristics generate higher ratings, as reviews are "a highly significant factor" in the success of a tourism business, particularly peer-to-peer rentals where potential guests rely on reviews to reduce uncertainty.

Rise of Peer-to-Peer Accommodation

The emergence of the sharing economy in recent years has opened up new options for travellers, particularly in the form of peer-to-peer rental accommodation through sites such as Airbnb, HouseTrip and HomeAway. These new accommodation options offer "many advantages over traditional hotels", the researchers note, including lower prices and the opportunity for different kinds of experiences. Peer-to-peer sites also "provide platforms for both travellers and owners to share resources and information": owners can share information about their homes and earn extra income by offering accommodation, while travellers can obtain information about the accommodation from both the owners and previous guests.

Reviews from other guests are perceived as particularly valuable because they represent "real experiences". However, the number of reviews posted is still quite low, as the sites have not been running for long. As listings with more reviews attract more attention, it is useful for owners to know how they can increase the number of reviews they receive. The researchers remark that it is common for review-based websites to "gamify" their design, for instance by providing rewards in the form of "badges or higher status in the online community", to encourage users to post more reviews.

Rather than rewarding users, however, Airbnb rewards accommodation owners through its "Superhost badge" system. Owners need to satisfy some rather strict conditions to qualify for Superhost status, including at least a 90% rapid response rate to enquiries, 80% five-star ratings and a minimum number of bookings per year. These owners thus need to devote more energy to their listings, cautiously screen their guests to avoid negative feedback and cancellations, and continually improve their facilities and service quality. As the researchers ask, gamification systems for increasing user engagement are known to be effective, so "why does Airbnb use a badge system for owners rather than users?"

Why Reward Owners?

To answer this question, they argue, a badge system for users has to be shown to be ineffective.

They propose that rewarding users for posting more accommodation reviews would not work because it would "not be a rational choice" for them to pay the high cost of accommodation just to receive an abstract reward such as a badge. However, owners have an "intrinsic motivation" to improve their service quality because doing so will attract more positive reviews and thus more bookings, so rewarding owners makes more sense. The researchers were thus prompted to conduct a study to test their argument.

They downloaded from Airbnb all of the information related to accommodation offers in Hong Kong in August 2015. At that time, there were 3,830 listings belonging to 1,872 hosts, of whom only 2.9% had received a Superhost badge. On average, each listing received 9.81 reviews and the average rating was 4.43 out of 5. The most popular listing had received 154 reviews whereas 2,039 listings had received none, making the distribution of reviews highly uneven.

To find out what caused this unevenness, the researchers collected information on numerous factors such as whether the owner had a Superhost badge, the price of the accommodation, the number of beds, whether the owner imposed a minimum stay, guest rules and the type of cancellation policy. They then examined two models to determine first how these factors affected the number of reviews posted, and second, the valence of the reviews – whether they expressed positive or negative sentiments about the accommodation.

Superhost Benefits

As expected, designated Superhosts attract more bookings and more reviews. The researchers propose two reasons for this finding. First, Superhosts are identified by “a third party”, Airbnb, as experienced and passionate hosts, so the badge acts as a form of advertising and attracts more guests. Second, Superhosts must receive a high percentage of five-star ratings, which “always represents higher evaluations from peers” and makes the accommodation more attractive, again increasing the number of bookings.

Guests are not only more likely to review Superhost accommodation, but also to give it higher ratings. This is unsurprising given that owners must make considerable effort to retain their Superhost status, and so are more likely to improve the quality of their accommodation and ensure their guests are satisfied. They may also screen guests to ensure they do not accept bookings from guests who have received negative feedback from other hosts and thus “avoid receiving spiteful evaluations”, according to the researchers.

Furthermore, guests seem to be happy to spend more on accommodation that is associated with a Superhost badge. This demonstrates the “higher added value” of the badge, the researchers explain: if there are two offers with almost identical characteristics but one has the Superhost badge, guests are “more likely to pay a premium price” for the one with the badge. The badge is not only an indicator of high quality, but also reduces the perceived risk, which is “one of the main factors reducing guests’ intentions to book”.

Influence of Price and Other Factors

The volume of bookings seems to be lower for more expensive accommodation, which the researchers explain is because a “higher price represents a greater risk” and unless guests can be sure that it also represents higher quality they are “less likely to book this property in order to make their choices rational”. Nevertheless, when it comes to ratings, more expensive accommodation is generally rated higher, presumably because the quality is perceived as matching the higher price.

Other factors that can increase the volume of reviews include having fewer bedrooms with more beds, quoting a monthly price and a strict cancellation policy. Listings with more detailed information, including a longer description, house rules and more photos, can also make an accommodation listing more attractive and increase its review volume. Ratings also tend to be higher for accommodation with fewer bedrooms, and for listings that offer a weekly price and a flexible cancellation policy and provide detailed descriptions of house rules.

Increased Reviews Increase Bookings

The sharing economy is an increasingly important subsector of the tourism market and many homeowners worldwide are renting out their homes to generate an income. Nevertheless, there is little real understanding of what makes these small businesses successful. Given that reviews have a huge influence on sales, the findings of this study should provide accommodation owners

with much-needed information on what they can do to attract more reviews and higher ratings from their guests, and in turn increase their future bookings.

POINTS TO NOTE

- The sharing economy is increasing the popularity of sites such as Airbnb
- User reviews generate more bookings, but users are not rewarded for posting reviews
- Instead, Airbnb gamifies its site by rewarding hosts with Superhost badges
- Superhosts attract more reviews and higher ratings, leading to more bookings

Liang, Sai, Schuckert, Markus, Law, Rob, and Chen Chi-Chien. (2017). “Be a ‘Superhost’: The Importance of Badge Systems for Peer-to-Peer Rental Accommodations”. *Tourism Management*, Vol. 60, pp. 454-465.