

Attracting Diverse Sellers into the Sharing Economy

Katherine Greener, Kashaf Majid, Sophia Somsen

University of Mary Washington – College of Business, Fredericksburg, VA (contact – kmajid@umw.edu)

Introduction

Consumers often encounter constraints that lead to slack in the utilization of products that they own. The sharing economy eliminates slack in the marketplace and allows consumers to profit from excess capacity by turning consumers into sellers. Because the sharing economy relies on sellers to ultimately profit from consumers, the marketing strategy needs to be directed toward attracting a diversity of sellers (Zervas, Proserpio, and Byers 2017).

Most sellers on sharing economy platforms are male and are members of a racial or ethnic minority (Steinmetz, 2016). Prior work shows that in Airbnb's top 5 cities, the average host is between the ages of 34 and 43 and utilize the platform for supplementary income (Sperling, 2015). Sellers in the sharing economy must receive enough value to motivate them to participate in the sharing economy (Eyal, Fleischer, and Magen 2015). To date though, it is unclear how sellers can position themselves to profit from the sharing economy.

Research Question

The purpose of this study is to examine how a diversity of sellers in the marketplace can profit from the sharing economy, not simply those that offer lower prices. We use the home-sharing marketplace Airbnb to explore which are positioned, in terms of price and type of accommodation, to have the greatest demand.

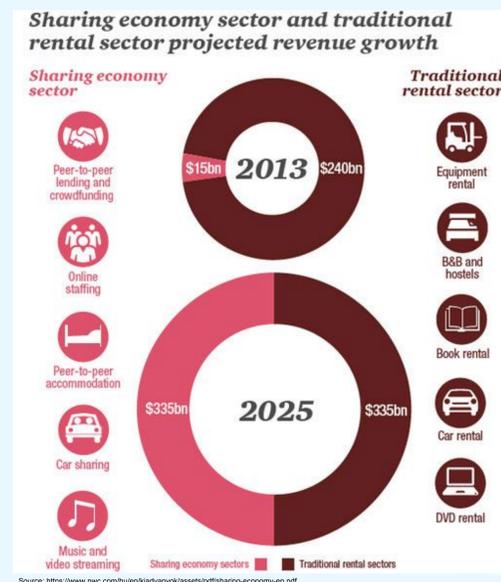
Can a seller who wishes to charge higher prices still profit within the sharing economy if they minimize the amount of sharing and increase the quality of their listing?



Entire Apartment
\$120 per night

Magnitude of the Sharing Economy

As of 2014, the size of the sharing economy is estimated to be worth \$26 billion (Malhotra & Van Alstyne, 2014). This economy is made up of platforms that allow consumers to request car rides, book short-term stays in homes or rooms, and rent products like tools and clothes. The sharing economy's popularity has steadily increased with no signs of slowing. An estimated 44% of adults in the U.S. have participated in the sharing economy, whether they are a user or an offerer, equating to over 90 million people nationwide (Steinmetz, 2016).

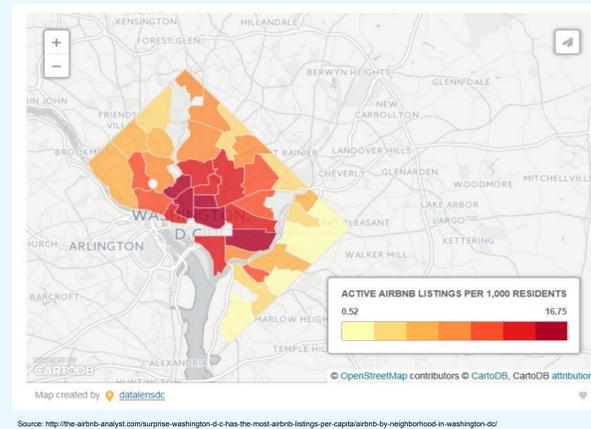


- Airbnb's Revenue in 2017: \$2.6 billion
- Host earnings since 2008: \$41 billion
- 300 million bookings
- 4.5 million listings in 81,000 cities



Data

- **Sample:** 2,640 listings in Washington, D.C.
 - Active listings between November 2008 - August 2017
- **Details we examined:**
 - Occupancy rate: how many nights/year the listing is booked
 - Price per night
 - Number of bedrooms
 - Any additional fees, etc.
 - Average rating of hosts
 - Average number of reviews for host
- “Entire Residence” Listings = 1,429
- “Private Room” Listings = 795
- “Shared Room” Listings = 416



We created a hierarchical linear model (HLM) to test the interplay between price, sharing, and quality of accommodation. Each Airbnb listing is contained within a neighborhood, the impact of the neighborhood may have a disproportionate impact on certain listing than others. For example, a consumer may be willing to sacrifice privacy if she is staying in a high-end neighborhood. We used the median home value for each zip code as our random effects variable. To test the efficacy of our model we conducted an intraclass correlation in line with Singler (1998). Our intraclass correlation was .11. This tells us that there is a fair bit of clustering of occupancy rate within each neighborhood. Median home value per zip code, our random effects variable was not significant in our model ($p < 0.255$).

Results

Fixed Estimates of Occupancy Rate, 2000 - 2010 (n = 2640)

Variables	Model 1	Model 2	Model 3
Constant	-.042	-.235†	-.279†
Price Per Room	-.001***	-.001***	-.001***
Overall Rating	.129***	.122***	.122***
Response Time	-.000*	-.000**	-.000**
Cleaning Fee	.026	-.007	-.008
Instantbook	.070***	.066***	.065***
Median Home Value	.000*	.000†	0.000†
Private		.391***	.417***
Shared home		.276**	.290**
Shared Room		.192*	.215*
Price Per Room x Private Room x Median Home Value (H2a)			-.000***
Price Per Room x Private Room x Median Home Value (H2b)			-.000***
Price Per Room x Private Room x Median Home Value (H2c)			-.000***
AIC	96.6	27.6	123.7
SBC	100.9	32.0	128.0
-2LL	88.6	19.6	115.7

Notes:

1. Standardized coefficients are shown
2. All p values reported are at two-tailed significance
- 3 † $p < .1$ * $p < .05$ ** $p < .01$ *** $p < .001$

Discussion

Ideally, in the Airbnb marketplace a seller who offers a private accommodation in a high demand area for a low price would attract the greatest number of consumers. However, those who charge a higher price may still profit if they increase quality and minimize sharing. This information would be beneficial for Airbnb because their marketing efforts rely on demonstrating to sellers how they can profit if they use the platform.

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