

# The Impact of Airbnb Platform on China's Tourism Market and Its Analysis of Reasons for Withdrawal

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## Abstract

**The peer-to-peer accommodation model has an important impact on the tourism industry. Taking Airbnb platform as an example, this research discusses its impact on China's tourism market and analyses the reasons for its withdrawal from the Chinese market. This article found that the impact of Airbnb on China's tourism market is mainly reflected in three aspects: tourism destinations, tourists and tourism operators, while the reasons for Airbnb's withdrawal from the Chinese market are mainly reflected in culture, competition, regulation, value proposition and trust. This article discusses the operation and practice of the Airbnb platform in the Chinese market, which has certain enlightenment for the healthy and sustainable development of enterprises under the context of sharing economy.**

## Keywords

**Airbnb; P2P platform; Tourism industry; Hotel industry.**

## 1. INTRODUCTION

The sharing economy has entered the tourism and hotel industries, and a new peer-to-peer accommodation (P2P) business model has been born. Airbnb is one of the most successful P2P accommodation platforms at present, and its products are underutilized redundant properties provided by one of the participants' hosts. The platform is considered to be a suitable choice for young people, families, long-term travelers and low-income people (Varma et al., 2016).

The success of Airbnb platform mainly includes the following reasons: firstly, it provides users with lower prices and more choices than traditional hotels; secondly, the platform provides tourists with the opportunity to live in local houses and experience living like local residents, opportunity (Tussyadiah & Pesonen, 2016); finally, the platform provides a unique accommodation experience different from traditional hotel accommodation (Liu & Mattila,

2017). As Airbnb continues to grow in popularity and availability, the platform has become a strong participant in the hotel and tourism industry, providing travelers with a substitute for hotels in the economic, luxury and business travel markets (Trivett & Staff, 2013).

China is one of the fastest growing countries in the world, building a tourism market with great consumption potential. In order to attract more Chinese users to use Airbnb for domestic and outbound tourism, Airbnb began operating in China in 2015. In 2017, Airbnb launched a Chinese name, "Love (Can Let Us) Welcome" (Xiang & Dolnicar, 2018), or "Let Love Embrace Each Other" in the translation of Airbnb. By the end of 2019, just before COVID-19 forced the global tourism industry to hibernate, Airbnb had successfully increased its market share in China to more than 50%. However, on May 24, 2022, Airbnb announced on its official account that it would adjust its business in China. Nathan Blecharczyk, co-founder of the company and chairman of China, said, "Airbnb China will focus on outbound travel business, and suspend support for domestic travel housing resources, experiences and related reservations from July 30, 2022." Although Airbnb entered the Chinese market soon after starting operations as a P2P platform service provider, it was less successful in China than in other markets in the world (Dolnicar, 2021). Therefore, from the perspective of tourism market participants, this research comprehensively investigates the impact of Airbnb on China's tourism market, and analyses the main reasons for the platform's withdrawal from the Chinese market.

## **2. INTRODUCTION TO AIRBNB SHARED ACCOMMODATION PLATFORM MODEL**

Over the past decade or so, the sharing economy has developed rapidly, subverting many industries and markets. Take peer-to-peer shared accommodation as an example to subvert the hotel industry, peer-to-peer accommodation makes full use of the host's housing space, mainly for tourists to stay overnight. In order to create value to match tourists looking for tourist accommodation with hosts who provide unutilised private space for short-term rentals (Reinhold & Dolnicar, 2018a), many peer-to-peer shared accommodation platform enterprises have emerged, of which Airbnb is the most typical. Under the shared accommodation platform model, there are three key players: network facilitators (Airbnb platform), hosts (sellers) and guests (buyers) (Reinhold & Dolnicar, 2018b). Locals in tourist destinations can rent extra rooms or vacant houses to tourists through a convenient online platform (Tussyadiah & Zach, 2017), and tourists can make a variety of accommodation options to meet growing social interactions and real experiences market demand (Dolnicar, 2018).

With closer interaction to local residents, because in many cases, the host and the guest are sharing personal living space (Moon et al., 2019). Therefore, the interaction between the host and guest is the core of the experience created by both sides (Camilleri & Neuhofer, 2017). Since 90% of Airbnb's housing resources are owned by hosts (owners), hosts' intentions to continue to rent properties are crucial to the survival and development of peer-to-peer platforms (Xue et al., 2022). Therefore, the sustainable development of Airbnb's business model depends on the cooperation between hosts and guests (Moon et al., 2019), and more members will be attracted and more willing to spend more money to access the platform's network (Eisenmann et al., 2006). Airbnb mainly generates dividends by connecting hosts and guests through the platform, and the way to obtain revenue mainly includes transaction commissioning and experience service fees.

## **3. THE IMPACT OF AIRBNB ON CHINA'S TOURISM MARKET**

As a short-term rental platform, Airbnb promotes the matching between hosts and guests and can effectively utilize idle housing space. As an emerging shared economy business model, Airbnb is a "creative destruction" of traditional tourism (Guttentag & Smith, 2017), which has

an important impact on the entire tourism market. In 2016, Airbnb officially entered the Chinese market, which had a wide impact on participants in the local tourism market. Next, this research mainly examines its impact from three aspects: tourist destinations, tourists, tour operators and hotel operators.

### **3.1. The impact of Airbnb on China's tourist destinations**

#### **(1) Promote the economic growth of tourist destinations**

It is generally believed that shared accommodation has brought great economic growth to cities and communities, brought more tourists to destinations, and increased community consumption and employment. In the catering industry as an example, peer-to-peer accommodation supply will increase tourists' demand for restaurants, especially those with local flavours, resulting in an increase in restaurant employment. As a shared accommodation platform, Airbnb has increased the demand for services such as accommodation, catering, entertainment and transportation in tourist destinations, thus turning tourist destinations into commercial areas to improve local consumption capacity. In particular, Airbnb creates new consumer demand, which helps to improve the level of employment in tourist destinations and increases the income of hosts.

#### **(2) Improve the service capacity of tourist destinations**

As an innovation in the tourism business model, Airbnb has gained early market share globally and in China, taking advantage of advances in digital technology. The Airbnb platform integrates resources through digital platforms, which can provide low-cost and localized destination experiences for different types of tourists. For example, in 2017, the number of houses listed on China's Airbnb platform reached 20,000, and about 860,000 Chinese tourists chose to stay in Airbnb when travelling globally (Marinova et al., 2017). At the same time, with the emergence of various types of tourism innovation projects, the Airbnb platform has improved the novelty of tourism destination service projects. In short, Airbnb improves the service capacity of tourist destinations through the effective use of idle resources based on digital technology.

#### **(3) Increase the attractiveness of tourist destinations**

The key to improving the attractiveness of tourist destinations is to provide tourists with a unique experience, so as to increase the stay time of tourists (Song & Abukhalifeh, 2022). Airbnb launched a new service "Airbnb Experience", whose slogan is "Living Like Locals", which mainly provides travelers with a unique non-traditional experience of destination life (Benner, 2016). With the introduction of experience services, Airbnb has begun to become a one-stop shop to meet all travel needs (Gardiner & Dolnicar, 2018).

### **3.2. The impact of Airbnb on Chinese tourists**

#### **(1) Diversified tourist accommodation experience**

Airbnb can provide visitors with housing resources and home-like experience projects, creating a sense of "home". The rooms provided by the landlord usually include kitchen, living room, dining room and other family facilities, which can make tourists perceive a different check-in experience from the hotel. At the same time, housing is also non-standardized, which can provide tourists with a differentiated experience in terms of decoration style and supporting facilities. In addition, Airbnb also brings a low-cost price experience to tourists, which is an effective alternative to its choice besides the hotel. Higher cost performance is often recognized as one of the primary reasons why tourists use P2P accommodation.

#### **(2) Meet the social needs of tourists**

"Millennium" generation tourists pay more attention to socialization, sharing, personalisation, digitization and diversification (Song & Abukhalifeh, 2021). Through the

intermediary of the Airbnb platform, tourists and landlords can interact effectively, and the two can even become good friends. Often in the process of interaction, tourists and landlords build trust and emotional connections with tourist destinations, thus increasing the emotional belonging of tourists. Studies have found that social attraction can affect consumers' choice of Airbnb over traditional hotels (Poon & Huang, 2017).

### (3) Improve the cultural immersion of tourists

The housing resources provided by landlords on the Airbnb platform are deeply influenced by the local culture, which can truly reflect the local customs and immerse tourists in the local cultural atmosphere. In particular, landlords usually live locally for many years and convey local cultural characteristics to a certain extent. When tourists interact with them, they can feel the real cultural characteristics of different places. For example, landlords can recommend food culture, ethnic culture, cultural attractions, etc. of tourist destinations to tourists, so as to stimulate the interest of tourists.

## **4. ANALYSIS OF THE MAIN REASONS WHY AIRBNB WITHDRAWS FROM THE CHINESE MARKET**

### **4.1. Cultural differences are difficult to reconcile**

In traditional Chinese culture, people's traditional concept of "home" is a family-based private space, which is more exclusive to strangers (Li, 2016). This cultural difference has a significant impact on the P2P platform. This also means that unless this housing space is an investment property, it is unacceptable to rent it to strangers according to the traditional ideas of many Chinese people. Because for Chinese people, the family is private.

Compared with foreign tourists, Chinese tourists prefer online trading platforms (OTA), mainly for leisure. Chinese tourists feel insecure about the accommodation provided by the P2P platform. They usually use the hotel for short-term accommodation, and they are more concerned about the relatively good services that affordable hotels can provide. Therefore, Chinese tourists (especially young tourists) cannot fully accept Airbnb as an accommodation option when travelling. In addition, Chinese people have become accustomed to staying in affordable express hotels that provide standardized services, convenience and a sense of security (Cai & Li, 2016). In particular, business travelers need an invoice to be reimbursed by the employer, but P2P landlords in China usually do not provide these invoices.

### **4.2. Fierce competition in the local market**

Airbnb does not have a considerable market share in the Chinese market, and fierce domestic market competition may be one of the reasons (Dolnicar, 2017). At present, Airbnb has about 6.9 million Chinese users (Feng, 2019), while mature accommodation platforms that have access to China's mainstream market usually have about 100 million users. For example, Ctrip has about 400 million users and Flying Pig has about 320 million users. Compared with other booking platforms, it can be inferred that Airbnb has only obtained the early market and needs to "cross the gap" in the Chinese market (Gibbons et al., 2017).

When it started operating in China, Airbnb competed with other local P2P platforms that began to operate earlier (such as Piggy Short-term Rental, which began operation in 2011 and Tujia, which began to operate in 2011) or other P2P platforms that began to operate later (such as Meituan Homestay, which began operation in 2017). In terms of platform usage experience, traditional one-stop platforms (such as Ctrip) seem to inhibit the adoption of Airbnb. Ctrip is a powerful platform that can meet all the needs of travelers. Although it is regarded as a derivative of Airbnb, Tujia and Piggy's short-term rental operate in a different way than Airbnb, especially in terms of controlling offline services. In addition, Airbnb's two main competitors, Tujia and Piggy Short-term Rental, have adapted to China's consumer culture by providing more

accessible and friendly services (users do not need to pay service fees and adopt the preferred local payment method), such as Alipay and WeChat payment methods. The progress has made local platforms more accessible and more convenient than Airbnb platforms. For example, Airbnb only supports overseas transfer systems such as PayPal and MasterCard.

#### **4.3. Difficult to adapt to policy regulation**

The Chinese government's leasing regulations classify P2P accommodation as a hotel. This has a significant impact on the responsibilities of network coordinators, who are responsible for food hygiene, industrial and commercial taxes, fire safety and regular inspection of property by the police. Airbnb and Chinese intermediaries have violated these regulations, but due to the rapid increase in the number of listed companies, government regulators are unable to enforce these regulations. Therefore, China's P2P platform finds itself in a gray area (Li, 2016). With the development of the sharing economy, the supervision intensity of the government and the responsibilities of the platform have also been continuously increased, which has increased the policy risks faced by the Airbnb platform. Especially during the COVID-19 pandemic, changes in cultural tourism policies have brought many challenges to the operation of Airbnb, such as the decline in customer downloads, falling stock prices, operating losses, etc.

#### **4.4. Value proposition is difficult to realise**

The value proposition of Airbnb is to create a "shared homestay". This needs to meet two basic conditions: first, the on-line housing is idle and is not specifically used for short-term rent; second, the house is housed by the owner, not handed over to the professional landlord. Only when homeowners are residents of tourist destinations can tenants experience local customs and home-cooked food. This is also the biggest difference between Airbnb and traditional standardised hotels, and it is also the brand difference of Airbnb. However, since coming to China in 2017, there have been few homestay products in the Chinese market that are in line with the concept of "sharing". A large number of professional landlords or short-term rental enterprises use the concept of "Homestay" for short-term rental business. These homestays have no owners or "shared" attributes. In fact, they are close to the hotel format and are not in the same form as what Airbnb calls "Homestays". This also results in a partly that the service enjoyed by guests is not as thoughtful as the hotel. At this time, Airbnb has become an Internet intermediary, which only charges commissions and handling fees. This makes it difficult for Airbnb to realize its original value proposition.

#### **4.5. There is a crisis of confidence**

Trust plays an important role in the predetermined decision-making of shared accommodation platforms. The biggest challenge facing Airbnb in China is the lack of trust (Qiu et al., 2016). In most countries, people use their real names to share information online, which is linked through social media websites such as Twitter and Facebook. However, in China, the online channels that can be used to share information are very different from most other countries. WeChat is the most popular social media platform, but it does not require formal registration of real name and personal identity. Therefore, some key features of Airbnb, such as reciprocal review and the development of network records or P2P-cv, are not so effective in regulating demand and supply and ensuring that network members consider the platform credible. In addition, Airbnb's insufficient quality and safety control system limits the development and growth of Airbnb's business in China.

## 5. RESEARCH CONCLUSIONS AND RECOMMENDATIONS

### 5.1. Conclusion of the study

Taking Airbnb's operation practice in China as an example, this paper investigates the impact of the P2P accommodation platform on the tourism market, and analyses the reasons why Airbnb withdraws from the Chinese market. The findings of this article include: (1) The impact of Airbnb on China's tourism market is reflected in three aspects: tourism destinations, tourists and tourism operators; (2) Based on the participants in the tourism market, this article finds that the reasons for Airbnb's withdrawal from the Chinese market include cultural differences, competitive pressure and trust. Crisis, etc. Despite many shortcomings in the Chinese market, Airbnb has an advantage in terms of global brand image and the number of international accommodation providers. P2P accommodation in the Chinese market is still in the development stage. Airbnb still has great potential to gain market share among mainstream consumers in China. Therefore, understanding the impact of the Airbnb platform and the problems existing in its development has certain enlightenment for the healthy development of the P2P platform.

### 5.2. Research recommendations

Airbnb's original value proposition focusses on new experiences and social contacts (for example, most of its video advertisements highlight the interactive experience with guests), while Airbnb has successfully attracted a group of adopters who are open to new things and helped Airbnb build an early market foundation in China. However, if the sharing economy business model is to achieve continuous success in the Chinese market, the specific situation of localisation needs to be considered. First of all, enterprises need to overcome cultural differences and provide localised products and services. Due to cultural differences, consumers' concepts, habits and customs are different, which requires in-depth insight from enterprises and a strong local team to assist in the customised development of products and services. Secondly, trust and security are two characteristics that need to be focussed on for survival in the Chinese market. Especially for the P2P accommodation platform, it may be necessary for landlords to introduce quality control and actively interact with tourists online and offline to build trust. Thirdly, strengthening cooperation with local governments and local enterprises is crucial to the continued success of the international P2P accommodation platform in the Chinese market. Finally, we should strengthen the cooperation between enterprises. Enterprises need to deploy local marketing strategies, using local social media platforms such as Weibo and WeChat, as well as online platforms such as Douban, Zhihu, Xiaohongshu and Bilibili websites.

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