Comparative Study of Sharing Economy Business Models in Accommodation Sector

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Comparative Study of Sharing Economy Business Models in Accommodation Sector

RIMANTAS GATAUTIS†, EGLĖ VAIČIUKYNAITĖ & ELENA VITKAUSKAITĖ

Abstract Recently, the sharing economy continued growing and creating new business models (BMs) and in turn, generating new challenges for traditional business models. As existing studies usually compare sharing economy business models versus more traditional ones in the accommodation sector, this study aims to explore differences of accommodation sector shared economy business models. This study used a comparative analysis following a framework of Business Model Canvas by Osterwalder and Pigneur (2010). The data on two shared economy business models (global Airbnb and local Trumpam.lt) was collected from secondary sources. The findings indicate that the analysed BM of Airbnb ensures their success in comparison with local company’s BM. The main differences involve many components of BM such as segments, value propositions, customer relationships, communication channels, key activities, partners, revenue streams, and costs. This study offers a starting point for accommodation sector researchers to contribute to the shared economy business models. Future research may include interviews with sharing economy company’s founders and provide a more detailed case analysis.

Keywords: • Accommodation sector • Airbnb • Business Model • Business Model Canvas • Comparative study • Sharing Economy • Trumpam.lt •

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Introduction

The rapid development of information communication technologies (ICT) has empowered users to create their content, share information, collaborate, and make transactions through digital platforms (Wang and Nicolau, 2017). Sharing economy has emerged recently as a response to the environment, socio-cultural and globalization concerns (Bratianu, 2018; Cohen and Kietzmann, 2014). The sharing economy describes organizations that connect users/renters and owners/providers through diverse types of digital platforms, such as consumer-to-consumer (C2C) (e.g., Airbnb) or business-to-consumer (B2C) platforms (e.g., Zipcar) (Parente et al., 2017).

Nowadays sharing economy is in the process of transforming the diverse range of sectors including accommodation, mobility, and logistics, labour, and service, food, and dining, financial services, goods and equipment (Akbar and Tracogna, 2018; Mody et al., 2017; Plenter et al., 2017). As a result, the new type of business models (BM) known as sharing economy has emerged (Wang and Nicolau, 2017). The pioneer of the sharing economy is Airbnb that connects owners of diverse types of accommodations with customers looking for a place for stay (Gyódi, 2017). Moreover, previous studies paid more attention to new types of BM such as social BM and data-driven BM (DDBMs) (Hartmann et al., 2016; Rantala et al., 2018; Spiess-Knafl et al., 2015). Thus, the recent study by Li (2018) has provided a detailed analysis of the new BMs and traditional BMs of the creative industry. However, the BM of sharing economy remains poorly explored in the literature.

Only a few studies to the date focused on accommodation sector, despite the growing number of studies in sharing economy BM in many other sectors, such as financial (e.g., Lending Club) and transportation services (e.g., Uber) (Lee and Shin, 2018; Cohen and Kietzmann, 2014; Yang et al., 2017). However, Tussyadiah and Sigala (2018) argued that the accommodation sector is one the most important sectors in the travel and tourism industry. Few studies used a comparative analysis and showed similarities, and differences between sharing economy BM (Airbnb) versus traditional BM (Booking.com or a Hotel chain; see Gyódi, 2017; Parente et al., 2017). Nonetheless, no studies analysed various sharing economy BMs in accommodation sector, to the best of authors’ knowledge. Therefore, this context presupposes the research question: what are peculiarities of shared economy business models in accommodation sector? To tackle the research question, this study aims to explore differences of accommodation sector shared economy business models.

Following Laudien and Daxböck (2017), the study uses a qualitative research design because it enables to gain rich data and more in-depth understanding of sharing economy BMs. More specifically, this study has applied a comparative analysis of two cases: a global one (Airbnb), and a local one (Trumpam.lt).

The main contributions of this study are twofold. First, this study will contribute to the theoretical discussion about sharing economy BMs. Second, to the best of authors knowledge, this is the first attempt to compare sharing economy BMs in the
accommodation sector. Further, this paper contributes to research on travel and tourism industry and accommodation sector more specifically.

2 Literature Review on Sharing Economy Business Models, and Accommodation Sector

Recently, the notion of “sharing economy” has received attention from researchers and practitioners. Sharing economy (or crowd-based capitalism) has occurred at scale around 2010 (Sundararajan, 2016). Botsman and Rogers (2010) note that sharing (or Collaborating Consumption) is not a niche trend or even the response to the 2008 global financial crisis but its growing movement with millions of people participating from the entire World. Despite the popularity of the term, academic literature identifies some common misconceptions which are related to its novelty (Frenken and Schor, 2017). Historically, the term “sharing” does not present anything new (Sundararajan, 2016). Indeed, long time ago people tended to share their food, room with their community members.

The new phenomenon of sharing economy is associated with the term “strangers sharing” (Frenken, and Schor, 2017). This new phenomenon is mainly driven by ICT and is enabled through social networks. For instance, community (peers) are connected through ICTs and can share their resources such as goods and services on digital platforms (Bernardi, 2018). However, this digital community empowered by technologies is extended far beyond the traditional community members such as family, relatives and close friends. Indeed, sharing economy companies are specialised in the virtual environment, use data-driven platforms targeted to reduce users’ search and information costs and increase their opportunities to monitor transactions or evaluate risks (Parente et al., 2017). For instance, users do have a capacity to read reviews and ratings. Therefore, these changes create new opportunities for companies that can launch new BMs in sharing economy while are disrupting traditional BMs.

Scientific debates on the concepts of business models began several decades ago. Despite the attention, the understanding of BM still has diverse interpretations in literature. Most often, researchers have focused on one or several facets of the entire BM definition. For instance, Baden-Fuller and Haefliger (2013) have noted BM as a system and provided a typology with four dimensions; namely, customer identification, customer engagement, value delivery, and monetization. Also, several authors propose a unified BM framework, synthesising the existing literature (Morris et al., 2005; Al-Debei and Avison, 2010). More specifically, Al-Debei and Avison (2010) reviewed 22 concepts of BM from 1998–2008 and offered a comprehensive concept of BM. Following the concept, BM entails four major facets (i.e., the four value dimensions of BMs; modelling principles, BM reach, and BM functions) and covers 13 classes. In essence, BM has been defined as “a presentation of how a business creates and delivers value, both for the customer and the company” (Johnson, 2010; p. 22; Osterwalder and Pigneur, 2010). Similarly, BM is defined by De Reuver et al. (2013) and Haaker et al. (2017). The study uses the definition
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Traditional BMs and sharing economy BMs are diverse. For instance, Richardson (2015) provided three elements of the sharing economy such as digital ‘platform’, peer-to-peer and access-based. Moreover, Piscicelli et al (2018) noted that the success of sharing-based BMs assumes beyond traditional metrics such as financial profitability (i.e., revenue) and involve metrics such as the platform’s market penetration, the type and level of user engagement, and the social and environmental impact.

Regarding accommodation sector, the sharing economy plays a vital role in different industries, but an impact on hotel industry is undeniable. The most prominent example is Airbnb (Ert et al., 2016). Airbnb is a digital platform (P2P) that enables individuals (hosts) rent their living space to other individuals (guests) who seek short-term accommodation (Ert et al., 2016). Recently, the Airbnb is growing exponentially and its impact remarkable. For instance, Airbnb’s supply is the highest in Austin (US) and the impact on hotel industry is approx. 8%-10% range (Zervas at al., 2017). Moreover, the impact is highest for the lower-priced hotels (Zervas at al., 2017). In other words, the Airbnb is changing the traditional hotel market. Indeed, due to the development and use of ICT in many industries, traditional BMs are disrupted, and new BMs occur such as social BM, data-driven BM (DDBMs) (Hartmann et al., 2016; Rantala et al., 2018; Spiess-Knafl et al., 2015) or even sharing economy BMs. Moreover, previous studies have mainly noted that the shared accommodation market is different from the traditional accommodation market because it offers different hospitality experiences (i.e., “authentic experience”) and thus, denotes new market (Sigala, 2018). Indeed, the traditional market includes tourist renting rooms from formal business (i.e., hotels) while Airbnb provides an online marketplace that enables a large-scale rental of spaces from one person to another (“peer-to-peer” accommodation) (Guttentag, 2015).

3 Methodology

The objective of this paper is to explore differences of accommodation sector shared economy business models. The qualitative research design was chosen following Laudien and Daxböck (2017). The study uses a qualitative research design because it enables to gain rich data and more in-depth understanding of sharing economy BMs. Moreover, a qualitative research design was employed widely in the recent studies of BMs or combined with the quantitative survey (Cortimiglia et al., 2016; Heikkilä et al., 2017; Li, 2018). However, this study has applied a comparative analysis.

As a basis for the comparative analysis of business models, this study uses a Business Model Canvas (Osterwalder and Pigneur, 2010). It is the most popular approach widely accepted by practitioners and academics. Besides, earlier studies have applied a business model logic but used only six elements (Hartmann et al., 2016). The nine elements of business model empower to compare both companies and provide a more detailed
analysis of their features. The Business Model Canvas includes following building blocks: value proposition, customer segments, channels, customer relations, key activities, key resources, key partners, revenue streams, and cost structure.

The cases for comparison were selected based on following criteria: 1) they have to be operating in accommodation sector, 2) have to meet the three main features of sharing economy companies as defined by Parente et al. (2017; p. 54): “a) the business focuses on unlocking the value of unused or underutilized assets; b) consumers pay for temporary access instead of ownership using an internet-based platform; c) it relies on C2C interactions and network effects for growth”. In addition to these criteria, authors sought to compare a business operating globally versus one operating locally. For global case Airbnb was chosen as to facilitate comparability of the findings to other existing research on accommodation sector shared economy business models (Gyödi, 2017; Parente et al., 2017). To choose a local case a Lithuanian market was chosen because of the convenience of understanding sources in local language.

To collect the data for the comparison of the selected cases authors have searched titles, keywords and abstracts for “sharing economy” (lit. “daliminos iekonomika”), brand names of selected cases and “business model” through Emerald Insight, and (Scholar) Google. Researchers reviewed secondary sources one by one and narrowed the list of references based on its relevance to the main focus of the study and to ones that were more recent and up-to-date. For each case, selected sources were analysed and used until the sufficient information for the description of nine components of both BMs was reached. Therefore, this study uses a broad set of information sources and is sufficient to define BMs (Hartmann et al., 2016).

4 Results

In Lithuania, two local cases were identified that fit the two core criteria: Trumpam.lt and dayrent.lt. Further analysis revealed that dayrent.lt is one of the sub-brands of Trumpam.lt. Therefore Trumpam.lt case was chosen for further analysis.

Data collection for the cases resulted in twelve sources in total for Airbnb, and three references for Trumpam.lt were retrieved.
Table 1: An overview of secondary sources selected

<table>
<thead>
<tr>
<th>Secondary sources</th>
<th>Airbnb</th>
<th>Trumpam.It</th>
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<tbody>
<tr>
<td>Research publications</td>
<td>Akbar and Tracogna (2018); Bernardi (2018); Guttentag and Smith (2017); Parente et al. (2017); Zervas at al. (2017)</td>
<td>-</td>
</tr>
<tr>
<td>Company's web sites</td>
<td>Airbnb (2018a)</td>
<td>Trumpam (2018a)</td>
</tr>
<tr>
<td>Company's social media</td>
<td>Airbnb (2018b, 2018c, 2018d)</td>
<td>Trumpam (2018b)</td>
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</table>

Airbnb is a provider of travel accommodation and has served thirty million consumers without owning even a single room but the reservation system (Akbar and Tracogna, 2018; Parente et al., 2017). Airbnb has hosts share their living space in 191 countries and 81,000 cities list home (Airbnb, 2018). Thus, Airbnb offers a vast variety of atypical places to stay, including treehouses, a seashell house, and even castles (Cheng and Foley, 2018). For instance, Airbnb has nearly 1,400 treehouses and 3,000 castles (Airbnb, 2018). Recently, Airbnb has launched its offerings to an additional 1,000 cities (Gerdeman, 2018). Parente et al. (2017) compared it to traditional hotels and highlighted that Airbnb has their reservation system but do not have properties. On the other hand, the hotel has their property but relies heavily on search engines for reservations. Hence, Airbnb presents a substitute to the hotel industry (Stone, 2017) and is the major player in the market.

Trumpam.It is a Lithuanian company which owns an online platform that enables users to lease or rent a short-term room, flat and/or apartment in Lithuania. The company covers a wide range of cities and resorts in Lithuania. Trumpam.It also provides a great variety of accommodation choices. For instance, from a night at studio flat for 22 EUR to a night in an apartment for 204 EUR in Old Town of the capital city Vilnius.

Table 2 summarises the comparison of the sharing economy business models of Airbnb and Trumpam.It based on Business Model Canvas.
Table 2: A comparative analysis of business models of Airbnb and Trumpam.lt.

<table>
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<tr>
<th>Business Model building block</th>
<th>Airbnb</th>
<th>Trumpam.lt</th>
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<tr>
<td><strong>Customer segments</strong></td>
<td>- Global travellers (luxury (celebrities)(^1)) travellers, business travellers, family travellers, solo (group) travellers who enjoy contact with local, price-sensitive travellers - Global hosts (e.g., room, house, apartment, castles)</td>
<td>- Travellers (business travellers, family travellers, solo (group) travellers). Mainly, local and neighbour (e.g., Russia, Poland) travellers and price-sensitive travellers - Local hosts (e.g., room, house, apartment, castles) - Small or medium-sized businesses that need their brand awareness or online presence (advertising)</td>
</tr>
<tr>
<td><strong>Value propositions</strong></td>
<td><em>Global travellers: A safe overnight stay with less money in any place in the World.</em> Benefits of value: - Easy and fast way to get accommodation place (e.g., room, house, apartment) in any place in the World; - An opportunity to meet locals and know more about the local culture (e.g., food, the authentic experience(^2)); - An opportunity to get a unique place. <em>Global hosts: An opportunity to earn extra income by sharing room, home, apartment and reach travellers from different countries.</em> Benefits of value: - Airbnb provides home protection Insurance for every host and full of control of house prices, rules; - Airbnb enables functionality that empowers them to enhance traveller experience.</td>
<td><em>Travellers: Several hours or an overnight stay with less money (without commissions) in unique flats, apartments in Lithuania</em> Benefits of value: - A convenient way to get accommodation in Lithuania (e.g., room, house, apartment). <em>Local hosts: An opportunity to earn extra income by sharing room, home, apartment</em> Benefits of value: - Trumpam.lt offers an opportunity to list host’s space on the online platform with limited functionality; - Low prices. <em>Smaller business: Advertising services on the website Trumpam.lt</em> Benefits of value: - To promote products/services on the websiteTrumpam.lt and reach brand’s awareness</td>
</tr>
<tr>
<td><strong>Channels</strong></td>
<td>- Collaboration with celebrities (endorsed marketing)(^1);</td>
<td>- No special collaborations with famous people;</td>
</tr>
<tr>
<td>Customer relationships</td>
<td>- 24/7 customer support; - Social media presence on Facebook, Twitter, Instagram</td>
<td>- Limited customer support by email (i.e., specific form); - Social media presence on Facebook.</td>
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<tr>
<td>Key resources</td>
<td>- Airbnb brand; - Platform; - Information about hosts and travellers (global network); - Human capital (e.g., marketing professionals, IT specialists, Airbnb community members).</td>
<td>- Trumpam.lt brand; - Platform; - Information on (local) hosts and travellers; - Human capital (e.g., owners and marketing specialist).</td>
</tr>
<tr>
<td>Key activities</td>
<td>- Updating the platform; - Maintenance of social media presence (e.g., Instagram, Facebook, Twitter); - Collaboration with celebrities, local bloggers; - Public relations management.</td>
<td>- Updating the platform; - Selling of advertising space on the website; - Maintenance of social media presence (Facebook) and dayrent.lt.</td>
</tr>
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<td>- Updating the platform; - Selling of advertising space on the website; - Maintenance of social media presence (Facebook) and dayrent.lt.</td>
</tr>
<tr>
<td>Partners</td>
<td>- Communication partners (e.g., Endorsed marketing); - Online payment service (e.g., PayPal, MasterCard),</td>
<td>- Online payments providers</td>
</tr>
</tbody>
</table>

- Online media channels (e.g. 15 min)<sup>2,3,4</sup>; - Social media channels (e.g. Facebook, Twitter, Instagram) - Online platform.

- Dayrent.lt (sub-brand) provides rent services for 3 hours and promotes Trumpam.lt); - Social media channel (e.g., Facebook).
<table>
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<tr>
<th>infrastructure providers (e.g., website maintenance)</th>
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<tr>
<td>- Home protection insurance partners</td>
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### Revenue stream

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<tr>
<td>- A fee is applied both to hosts and travellers (hosts pay 3% administration fee, and travellers pay approx. 6% to 12% fee)</td>
<td>- A fee is applied only for hosts (hosts pay for 2, 6 or 12 months, e.g., 2 months – 1,5 EUR)</td>
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<tr>
<td></td>
<td>- Advertising services (companies buy advertising services on company’s website)</td>
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### Costs

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<tr>
<td>- Online platform maintenance; - Human resources (e.g., Airbnb community members, social media specialists, 24/7 support customer supporters); - Host insurance; - Celebrities sponsorship.</td>
<td>- Online platform maintenance - Human resources (e.g., selling of advertising space, Facebook administrator, advertising on Facebook).</td>
</tr>
</tbody>
</table>

**Notes:**

1. For instance, John Legend, Ariana Grande, Britney Spears, and Lady (Butler, 2018; Martin, 2017)  
2. Based on an article by Jardine (2018);  
3. Zadarackas (2016);  
4. Galdikaitė (2018);  
5. Kurdabar (2017);  
6. Bernardi (2018);  

The findings of the analysis indicate that both companies’ customer segments share similar characteristics such as young people who enjoy meeting locals and are price-sensitive. Meanwhile, hosts are motivated to earn extra money for renting services. Thus, Trumpam.lt has a segment who is interested in advertising services on their website. More importantly, the company does not provide the information about advertising services and prices.

Regarding value propositions for hosts, both companies enable hosts to earn some extra income for their renting services. More specifically, Trumpam.lt enables a smaller fee for hosts in compare to Airbnb (see Table 2) and does not include the unique functionality on their platform (e.g., the label of the new room, notifications about an experience of reviewers and their rating results). Additionally, Airbnb offers some extra benefits for hosts such as insurance.

Travellers can get a vast range of different solutions for renting services in different towns in Lithuania. For instance, Trumpam.lt can offer more than 214 places for renting in Palanga city while Airbnb offers more than 225 places. Airbnb enables to select the type of trip and arrange the searching by using a specific filter (functionality). Thus, travellers pay less for the Trumpam.lt but they do not trust the hosts less because some hosts do not include images.
Airbnb uses more social communication channels such as Twitter, Facebook, and Instagram for both brand awareness and communication with customers, while Trumpam.lt uses the only Facebook channel for relations with customers. More specifically, Airbnb communicates with both segments hosts and travellers. Furthermore, Airbnb has the community members that do provide their opinions about Airbnb company or successful traveller’s stories. On the contrary, the Trumpam.lt does pay more attention only for travellers on Facebook and avoid to communicate the value for local hosts. Trumpam.lt does not have any more presence on online media, except several attempts to give their brand awareness in the very early stage of their start-up (Rudzevičiūtė, 2014).

Regarding key resources and cost structure, Airbnb does have more human resources than Trumpam.lt. Moreover, the Airbnb brand is more known than Trumpam.lt. Besides, Airbnb guarantees the insurance for all hosts and 24/7 customer support.

Revenue structure is different for both companies. Trumpam.lt platform gets the fee only from hosts while Airbnb gets fees from both parties (hosts and travellers). For instance, hosts pay 3% of an administration fee, and travellers pay approx. 6 to 12% fee.

Finally, both platforms of Airbnb and Trumpam.lt have several differences which are associated with specific functionality on platform or features. For instance, Trumpam.lt does not include the feedback of previous travellers (e.g., rating functionality). Moreover, hosts have to provide their image on Airbnb while hosts of Trumpam.lt do not have the image. These mentioned features of platforms are important for P2P platforms and particularly for millennials (Bernardi, 2018; Ert et al., 2016). More specifically, the most recent study confirms that hosts with images are more trustworthy (Ert et al., 2016).

5 Conclusions

The study has explored differences of existing sharing economy business models in the context of accommodation sector. More specifically, the study investigated BM of Airbnb and compared it to the BM of Trumpam.lt. Findings indicated that both BMs have similarities such as primary customer segments (mainly millennials, price-sensitive travellers), communication channels (e.g., Facebook). Despite similarities, the most prominent differences lie with the customer segments (Trumpam.lt has a new segment of small and medium-sized companies which are interested in the advertising services), value propositions for hosts, communication channels, partners (Airbnb has more partners for their presence in ((local) global market), revenue streams, and different cost structure. Moreover, Trumpam.lt platform does not include some features (e.g., images or other relevant information of hosts) on their website as do provide Airbnb that ensures to meet millennials needs and wants.

There are several limitations to the study presented. First of all, analysing and comparing of only two cases is not enough to identify generalisable peculiarities of sharing economy business models in the accommodation sector. Analysis of more cases is needed, covering a wider variety of sharing economy businesses from accommodation sector. The second
limitation is related to the fact that this study only used secondary sources to analyse the cases. This limitation was caused by limited availability of representatives of both companies during the time the study was conducted. In-depth analysis of the cases would enable a richer comparison of the cases and result in more significant contribution. Authors perceive current study as one of the first steps towards better understanding of sharing economy accommodation sector business models. Future research may include interviews with sharing economy company’s founders and provide a more detailed case analysis.

Acknowledgments

We thank late professor Rimantas Gatautis who encouraged us to pursue this study. We deeply appreciate his inspiration and guidance for the research idea which will be developed as professor R. Gatautis expected.

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