



Trust and reputation in the sharing economy: The role of personal photos in Airbnb



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HIGHLIGHTS

- We conducted an empirical analysis of Airbnb's data and a controlled experiment.
- We examined the impact of hosts' photo on Airbnb on guests' decisions.
- A more trustworthy photo leads to a higher price and increased chance to purchase.
- Review scores affect guests' decisions only when varied experimentally.

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ABSTRACT

'Sharing economy' platforms such as Airbnb have recently flourished in the tourism industry. The prominent appearance of sellers' photos on these platforms motivated our study. We suggest that the presence of these photos can have a significant impact on guests' decision making. Specifically, we contend that guests infer the host's trustworthiness from these photos, and that their choice is affected by this inference. In an empirical analysis of Airbnb's data and a controlled experiment, we found that the more trustworthy the host is perceived to be from her photo, the higher the price of the listing and the probability of its being chosen. We also find that a host's reputation, communicated by her online review scores, has no effect on listing price or likelihood of consumer booking. We further demonstrate that if review scores are varied experimentally, they affect guests' decisions, but the role of the host's photo remains significant.

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1. Introduction

Online peer-to-peer (P2P) marketplaces are growing at a rapid rate, especially in travel and tourism services (Pizam, 2014). These marketplaces comprise individuals (consumers) who transact directly with other individuals (sellers), while the marketplace platform itself is maintained by a third party (Botsman & Rogers, 2011). Early marketplaces of this kind, such as eBay and Craigslist, have been associated with the trade of traditional retail items (Sundararajan, 2014). Recently, a new type of P2P commerce, mainly associated with the supply of services and commonly known as the "sharing economy," has emerged (Botsman & Rogers,

2011). Sharing economy marketplaces have flourished particularly within the field of travel and tourism, in which locals supply services to tourists. Examples include taxi services (Uber), restaurant services (Eatwith), tour guide services (Vayable), and accommodation services (Airbnb). The rise of the sharing economy in tourism, especially in the accommodation market, is believed to be driven by economic and societal considerations (Botsman & Rogers, 2011; Tussyadiah, 2015). People seek low-cost accommodations and direct interactions with the local community (Guttentag, 2015). These direct interactions, which follow the online transaction, comprise perhaps the most distinct difference between the early P2P markets and the new sharing-economy markets. Accordingly, sellers' profiles in the sharing-economy markets contain much more personal information on the seller than their counterparts in early P2P markets. The clearest evidence for this trend is provided by the prominent use of sellers' personal photos in the sharing economy markets. These photos are used as a means of identity

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verification and are intended to foster an increased sense of personal contact (Guttentag, 2015). However, we claim that the seller's personal photos play an additional role in the sharing economy markets. In this paper, we test whether perceived trustworthiness of sellers from their photos can affect consumers' choices in sharing economy markets.

Since trading with strangers in P2P marketplaces involves asymmetric information and economic risks, these businesses have developed reputation mechanisms to encourage trust among traders (Resnick & Zeckhauser, 2002). The most common reputation mechanism includes the presentation of online reviews of the seller by experienced users. We contend that in sharing economy platforms, facilitating trust among parties is even more critical to operation than it is in earlier types of P2P platforms. A fundamental difference between the two marketplaces is that the earlier ones focus on selling products, while sharing economy platforms offer services. Therefore, traditional P2P marketplaces involve only monetary risks, while sharing economy platforms include additional risks. In fact, the latter platforms entail risks even when no monetary transactions are involved. For example, Couch-Surfing (Lauterbach, Truong, Shah, & Adamic, 2009) offers free accommodation in strangers' homes, but the mere act of sharing a home with a stranger can be risky.

Services are intangible experienced goods and, as such, their quality cannot be verified before they are consumed. In addition, services are characterized by inseparability, i.e., they are produced and consumed simultaneously (Zeithaml, Bitner, & Gremler, 2006). Therefore, the person who provides the service becomes an integral part of the experience. Indeed, transactions via sharing economy platforms involve online trading, but are typically followed by face-to-face interactions upon provision of the service. For example, on Airbnb, the host (i.e., the seller and service provider) delivers the living space when the guest (i.e., the consumer) arrives, and is expected to fulfill the guest's needs. In some cases, the host even shares the living space with the guest (similarly to CouchSurfing, but including a monetary transaction). These differences imply that the host's attributes are critical in ensuring the delivery of the product and the provision of high-quality service. Another important implication is that customers of sharing economy services are exposed to risks other than monetary loss, to which customers of more traditional P2P markets are exposed (Lauterbach et al., 2009). A recent unfortunate example is the experience of Mike Silverman, who was attacked by his Airbnb host's Rottweiler during his stay in Salta, Argentina and spent two nights in the hospital as a result (Lieber, 2015a). An even more extreme example is the report of the sexual assault of a nineteen-year-old by his Airbnb host during his stay in Madrid (Lieber, 2015b). As these examples illustrate, the nature of the travel service experience and the fact that it exposes consumers to risks make trust and reputation pivotal to the proper functioning of the sharing economy business.

To facilitate online trust, sharing economy marketplaces incorporate online reviews, similarly to traditional P2P online markets. Indeed, most of the literature concerning trust in e-commerce addresses the role of online reviews (Jøsang, Ismail, & Boyd, 2007; Resnick & Zeckhauser, 2002). Yet, sharing economy sites offer additional information through the pervasive use of personal photos of the sellers as a means of identity verification (Liu, 2012) and in order to emphasize the sense of personal, sociable, human contact (Botsman & Rogers, 2011; Tussyadiah & Pesonen, 2015). On Airbnb, the host's photo is presented next to the photo of the living space, probably in an attempt to both verify hosts' identities and to foster the sense of a personal encounter.

In this paper, we contend that the seller's photo on Airbnb may affect consumers far beyond reducing anonymity and increasing social presence. A recent study on Airbnb listings in New York City

provides supporting evidence for our assertion by suggesting that personal photos might facilitate racial discrimination (Edelman & Luca, 2014). Specifically, the authors find that non-black hosts in New York City charge higher prices than their black counterparts, and suggest that this effect is driven by the use of photos, which reveal the hosts' race. We assert that the seller's photo communicates information about her attributes whose perception and effect on the online consumer have yet to be studied. Specifically, we contend that consumers infer sellers' trustworthiness from their photos. We term this judgment 'visual-based trust.' We also assert that this visual-based trust affects the consumer's behavior at least as much as, if not more than, the seller's reputation as communicated by her online review score. To the best of our knowledge, these potential effects of visual-based trust on online transactions have never been studied, as previous research on trust in e-commerce has focused almost exclusively on reputation mechanisms.

Our focus on Airbnb is motivated by evidence that suggests that it is probably the most prominent example of a tourism-related sharing economy business. Airbnb is a marketplace platform through which individuals ('hosts') rent a living space they own to other individuals ('guests') who seek accommodation on a short-term basis. Since its establishment in 2008, Airbnb has been growing exponentially, and estimates suggest that it is still far from reaching its full potential. In a recent New York Times interview, Brian Chesky, cofounder of Airbnb, stated that "over 17 million total guests have stayed on Airbnb. It took Airbnb nearly four years to get to its first million guests. Now one million guests stay on Airbnb every month" (Friedman, 2014). Airbnb is becoming an important player in the accommodation markets. Guttentag (2015) examined Airbnb's potential to disrupt the traditional accommodation market through the lens of disruptive innovation theory. Indeed, Zervas, Proserpio, and Byers (2014) found that Airbnb is already challenging the hotel industry. Their estimates suggest that hotels in Texas suffer a loss of 0.05% in quarterly revenues for each one percent increase in Airbnb listings. Tussyadiah and Pesonen (2015) suggested that the use of P2P accommodations might affect not only the accommodation market, but also consumers' travel patterns.

Our current investigation of the effect of hosts' photos on consumers' decision making on Airbnb comprises two main studies. The first study tested the effects of the host's visual-based trust and reputation on the listing price. We performed hedonic price analysis (Rosen, 1974) based on revealed data of all Airbnb's listings in Stockholm, Sweden, which was combined with ratings of the hosts' trustworthiness and attractiveness as perceived from their personal photos. We found that hosts who are perceived from their photos as more trustworthy charge higher prices than their counterparts who are perceived as less trustworthy. Surprisingly, online-review scores had no effect on listing price on Airbnb, and we found evidence that suggests that they had no effect because of their extremely high ratings and loss of informative value. The second study, a controlled experiment, revealed that: (1) visual-based trust directly affects consumers' choices, and its effect is stronger than that of other visual attributes; (2) under the present conditions of Airbnb, in which reputation has extremely low variance, visual-based trust has a stronger impact on consumers' choice than reputation; and (3) introducing variance into the review scores increases the impact of reputation on consumers, but does not eliminate the effect of visual-based trust.

In the following sections, we present our conceptual framework, discuss the concepts of trust and reputation, and provide the theoretical background behind the notion of visual-based trust. Next, we present our studies and their main results, and discuss their implications regarding the role of trust and reputation on Airbnb.

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