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# **Business as usual? The behavioural consistency of short-term rental platform hosts despite the challenges of the pandemic**

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# Business as usual? The behavioural consistency of short-term rental platform hosts despite the challenges of the pandemic

by *Venere Stefania Sanna*

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### Abstract

The Covid-19 pandemic that started in March 2020 had a significant impact on the freedom of movement of the global population, impacting the activity of short-term rental platforms (STRs). According to several studies (Romano 2021, Dagkouli-Kyriakoglou et al 2022), during the peak of the pandemic the number of listings dropped in many major markets. In Europe, Spain lost 59% of booking days in 2020, Italy 58%, France 33%, and Germany 39% (Dagkouli-Kyriakoglou et al 2022, p. 5). Even more pronounced was the decrease in the occupancy rate of urban listings (measured in terms of reviews) recorded at the main tourist destinations in Italy compared to 2019: Rome was down 70.07%, Milan 77.71%, Florence 77.55%, and Naples 63.92% (Romano 2021, p. 5). Nevertheless, while the impact of the pandemic on the geography of STR listings is evident, empirical evidence on the business strategies adopted by hosts to survive the crisis is scarce. The aim of this contribution is to present and discuss a detailed empirical analysis based on STR host data for the period November 2021–April 2022. To reveal any changes induced by the pandemic in five Italian cities – Rome, Florence, Venice, Naples, and Turin – information from 411 respondents who participated in a direct online survey is presented. The author investigates in particular (i) actions taken during the pandemic (e.g., cancellation of listings, changes in business/organizational model, etc.); (ii) future “post pandemic” strategies (e.g., rent accommodation differently, sell the property, etc.) and (iii) the impact on hosts’ income.

## Introduction

According to the World Tourism Organization (UNWTO), tourism-dependent economies have been heavily hit by the coronavirus (Covid-19) pandemic. Tourism, in fact, has been “among the most affected sectors with airplanes on the ground, hotels closed, and travel restrictions put in place in virtually all countries around the world”<sup>1</sup>.

From March 2020 the consequences of the crisis directly impacted the accommodation sector advertised via various platforms. In the words of Brian Chesky, CEO and co-founder of Airbnb, “within eight weeks, our business dropped 80 percent. That’s like a car going 80 miles an hour and you slam on the brakes”<sup>2</sup>.

According to The Wall Street Journal, bookings on Airbnb in the capitals of the countries initially most affected by the coronavirus – such as China, Italy and South Korea – had already plummeted drastically between 1 and 7 March 2020<sup>3</sup>. In particular “bookings made in Seoul and Rome fell more than 40% over the same period, which predates Italy’s nationwide quarantine” (idem). In a very short time the company went from considering a possible stock market listing, to doubts about survival, in circumstances that saw its valuation drop from 50 to 18 billion dollars in just a few weeks.

Researchers immediately began to question the spatial and economic effects of the crisis on short-term rental platforms. Of particular interest to many scholars were cities that had been particularly involved in processes of hypertourism, and in which STR digital platforms had produced pervasive effects in a few years by displacing traditional hospitality sectors (Celata and Romano 2021).

According to several studies (Boros et al 2020, Kourtit et al 2021, Romano 2021, Dagkouli-Kyriakoglou et al 2022), during the peak of the pandemic the number of listings dropped precipitously in many major markets. In Europe, Spain lost 59% of booking days in 2020, Italy 58%, France 33%, and Germany 39% (Dagkouli-Kyriakoglou et al 2022, p. 5). Even more pronounced was the decrease in the occupancy rate of urban listings (measured in terms of reviews) recorded at the main tourist destinations in Italy compared to 2019: Rome was down 70.07%, Milan 77.71%, Florence 77.55%, and Naples 63.92% (Romano 2022, p. 5). Another study focusing on the number of the number of bookings between 2019 and 2020 (Boros et al 2020) confirms that “compared to the previous year, all the analysed cities show a decrease in the number of new bookings between February and March 2020 – the largest one was experienced in Rome” (p. 370).

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<sup>1</sup> Source: <https://www.unwto.org/tourism-data/international-tourism-and-covid-19> Last accessed 15/02/2023.

<sup>2</sup> Source: Interview by James Manyika published on 23/07/2021. <https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/the-21st-century-corporation-a-conversation-with-brian-chesky-of-airbnb> Last accessed 01/03/2023.

<sup>3</sup> Source: <https://www.wsj.com/articles/airbnb-bookings-plunge-amid-coronavirus-pandemic-11584032412> Last accessed 01/03/2023.

The pandemic has forced all kinds of organisations to adapt their business and corporate policies to the changing scenario, reacting to the main measures imposed by the emergency, such as home quarantine, remote working, maximum attention to hygiene and social distance. The short-term rental industry, and particularly digital platforms operating in the accommodation sector, rapidly implemented contingency plans and crisis management strategies to deal with the pandemic.

Airbnb put measures in place to react to the situation. Despite the resulting losses, between April and March 2020 it was decided not to charge users for bookings made just before or during the first weeks of the pandemic, setting up a \$250 million fund to help some of the hosts whose bookings had been cancelled, by refunding hosts 25% of the cancellation (Airbnb, 2020)<sup>4</sup>. The initial collective reaction was recorded by numerous media which made references to hosts who, on the verge of legality, launched very cheap offers converting their flats into places to spend a serene quarantine.

Chesky, recalling the platform's origins, issued an optimistic note confidently believing in the recovery of the industry and a future flourishing of travel when it would be allowed to move: "Airbnb was born during the great recession of 2008. The desire for connections and travel is a human prerogative, which will emerge strengthened from this period of separation [...] we will see a new flexibility in the world where people work and move, including a greater interest in travel closer to home"<sup>5</sup>. Airbnb's early strategies, indeed, aimed to refocus on the company's fundamental business and to promote "a return to the core principles" (Chesky, 2020)<sup>6</sup>. To this aim Airbnb focused on hosts offering their private homes, rather than on the ever-growing share of professionals managing various real estate properties.

While the reactions and strategies of STR platforms to the pandemic have been studied in scientific literature and discussed in the media, empirical evidence on the business strategies adopted by hosts themselves to survive the crisis is scarce. For this reason, this research questioned (also through the use of a survey) the behaviour assumed by the hosts, any changes in their business model, and the impacts they perceived.

The reactions of the hosts were indeed diverse. Italian newspapers and media reported on the experience in Italy of a number of hosts on the platform who were driven by the explosion of the emergency and the series of cancellations it entailed to evaluate alternative businesses that catered to a demand for longer and cheaper stays<sup>7</sup>. As will be seen below, many adopted different

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<sup>4</sup> Source: <https://www.airbnb.it/resources/hosting-homes/a/pricing-tools-you-can-use-to-attract-more-bookings-464> Last accessed 01/03/2023.

<sup>5</sup> Source: <https://labgov.city/theurbanmedialab/short-term-rental-trends-and-the-global-pandemic-emancipatory-catastrophism-in-a-metamorphosing-world/> Last accessed 01/03/2023.

<sup>6</sup> Source: <https://news.airbnb.com/a-message-from-co-founder-and-ceo-brian-chesky/> last accessed 08/03/2023.

<sup>7</sup> Source: <https://news.airbnb.com/it/airbnb-e-la-comunita-di-host-a-fianco-di-medici-e-infermieri-nellemergenza/> last accessed 01/03/2023.

strategies, some waited for the market to recover while others decided to quit the STR platforms (at least temporarily).

## Research project and methodology

Empirical research carried out within the framework of the Italian National Research Project entitled “The Short-Term City: Digital platforms and spatial justice”<sup>8</sup> aimed at understanding and disclosing how STR platforms reshape urban practices and imaginaries, change social relationships, disrupt traditional markets, amplify spatial hierarchies and inequalities, and challenge existing regulations and policies.

In particular, during the pandemic, the Project aimed to analyse, by means of semi-structured questionnaires, the reactions of STR hosts in major tourist destinations in Italy. The aim of this contribution is therefore to present and discuss some very early results from a detailed empirical analysis based on data for the period November 2021– April 2022. To capture any changes induced by the pandemic in five Italian cities – Rome, Florence, Venice, Naples, and Turin – information from 411 respondents who participated in a direct online survey is presented. As per the selection and distribution of the case studies, the research deals with very different geographical contexts: the cities targeted are dissimilar to each other in terms of population, area, geographical features, tourist flows, etc. However, even though the accommodation capacity varies from city to city, they are nevertheless all considered major Italian tourist destinations.

The questionnaire was administered via social media (mainly national and local groups of STR hosts) and was also facilitated by Airbnb using their national hosts mailing list.

In addition to outlining the socio-economic profile of the respondents, the author investigates in particular (i) actions taken during the pandemic (e.g., cancelation of listings, changes in the business/organizational model, etc.); (ii) future “post pandemic” strategies (e.g., rent accommodation differently, sell the property, etc.) and (iii) the impact on hosts’ income.

With regards to the survey, of a total 411 respondents 367 were already hosts before the pandemic while the rest had taken up this activity after 2019 (Table 1).

Table 1. Pre-pandemic hosts (absolute values and percentage)

Hosts before the pandemic (at least since 2019)	367	89.29%
Non hosts in 2019	44	10.71%
Total	<b>411</b>	<b>100.00%</b>

Question: *Were you managing accommodation as a host in 2019?*

Source: elaboration of the author

In terms of distribution of the respondents, the highest number of observations were in Rome (37.60%), followed by Venice (14.71%), Florence (13.62%), Turin (8.99%), and Naples (8.17%) (Table 2). Gender distribution favours female respondents with 62% of respondents versus 37% of males.

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<sup>8</sup> For more information: <https://www.stcity.it/>

The active hosts in the cities studied manage 927 homes/apartments in total. Of these, the distribution per city is shown in the table below (fourth and fifth columns). Rome is the city most represented in the survey with 51.87% of properties managed on digital platforms (Table 2).

An interesting aspect relates to the ‘professionalisation’ of hosts – a topic very much discussed in the literature (Capineri and Romano 2021). Of the 411 respondents, 43.80% use only one platform to manage their accommodation, while the remaining 56.20% are-platform users, revealing in the Italian scenario “the transition from a sharing economy activity to the consolidation of a professional industry” (Cocola-Gant et al 2021).

Table 2. Respondents per city (absolute values and percentage) and gender distribution (percentage)

City	Respondents #	Respondents (% tot)	Entire homes/apts	%
Florence	50	13.62	76	9.81
Naples	30	8.17	46	5.94
Rome	138	37.60	402	51.87
Turin	33	8.99	67	8.65
Venice	54	14.71	185	23.87
Other	62	16.89	151	16.29
<b>Total</b>	<b>797</b>	<b>100.00</b>	<b>927</b>	<b>100.00</b>

Source: elaboration of the author

### Impact on hosts’ income and strategies: a comparative analysis

The questionnaire provides evidence on the impact of the pandemic on host’s income and business strategies.

In terms of direct economic impact, several sections of the questionnaire examined this aspect. Here is an extract of the perception of the change caused by the pandemic on total household income. Comparing the main questions on the household income of the residents (Fig. 1), the main evidence shows that in 2022, income from hospitality activities contributed less to household income, and respondents perceived their living conditions as having worsened. To give just one example, the number of people living comfortably before the pandemic decreased from 48.62% to 26.73%.

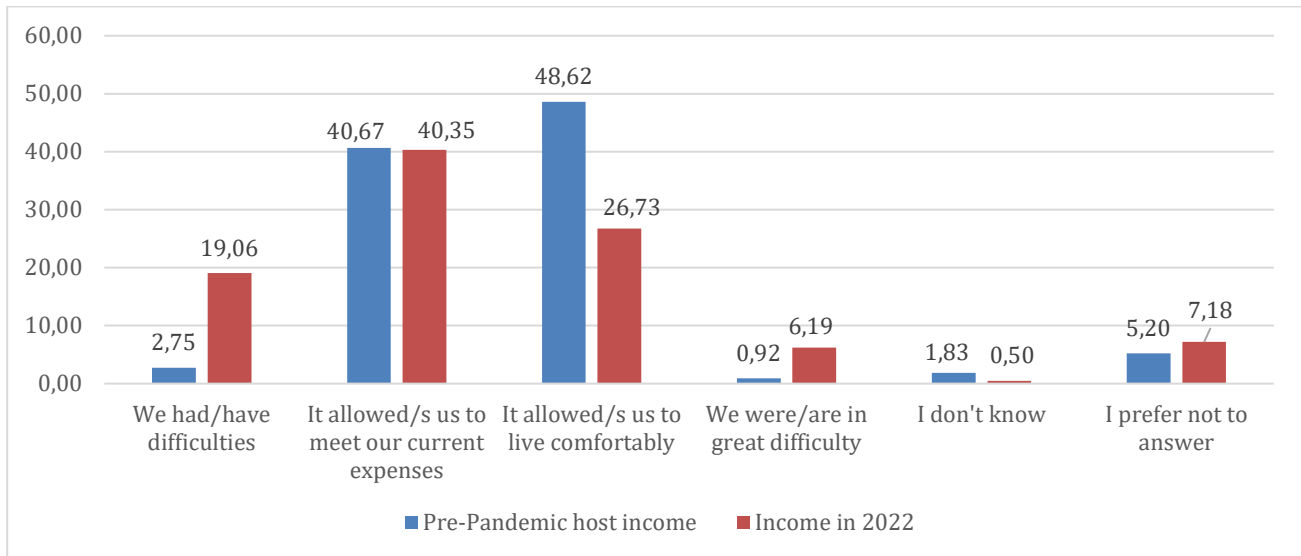


Figure 1. Perceived changes in household income of hosts between 2019 and 2022

Questions: (i – in blue) *In 2019, how well did your and your household's income allow you to live?* (ii – in orange) *Today, how well does your and your household's income allow you to live?* Source: elaboration of the author

As introduced above, the pandemic brought about several changes. Amongst others, the questionnaire sought to examine strategy changes in the hosts' business model to understand what the main actions taken were: e.g., termination of sub-contracts, closure of listings on platforms, putting properties up for sale, etc.

The analysis reveals that the pandemic has led most to change the type of offer. Many hosts did nothing, which was unexpected, denoting a “wait-and-see” attitude. As for business models, hosts mostly (successfully) rented to non-tourists or temporary residents (digital nomads, smart workers, etc.). Many tried unsuccessfully to change their business model, but it is even more surprising that most of them have not even considered the hypotheses of selling their property, or letting it to long-term residents.

To the question “Have you changed anything in the management of your hosting business to cope with the impact of the pandemic?” the majority of respondents (53.59%) reported having changed the type of offer (e.g. cheaper stays, more flexible cancellations, additional services, etc.); 12.15% cancelled and/or suspended contracts with service agencies (e.g. cleaning, reservations, management, etc.), 7.73% cancelled and/or suspended the advertisements of the accommodation I managed as host from the booking platforms; and a residual 2.21% adopted different strategies.

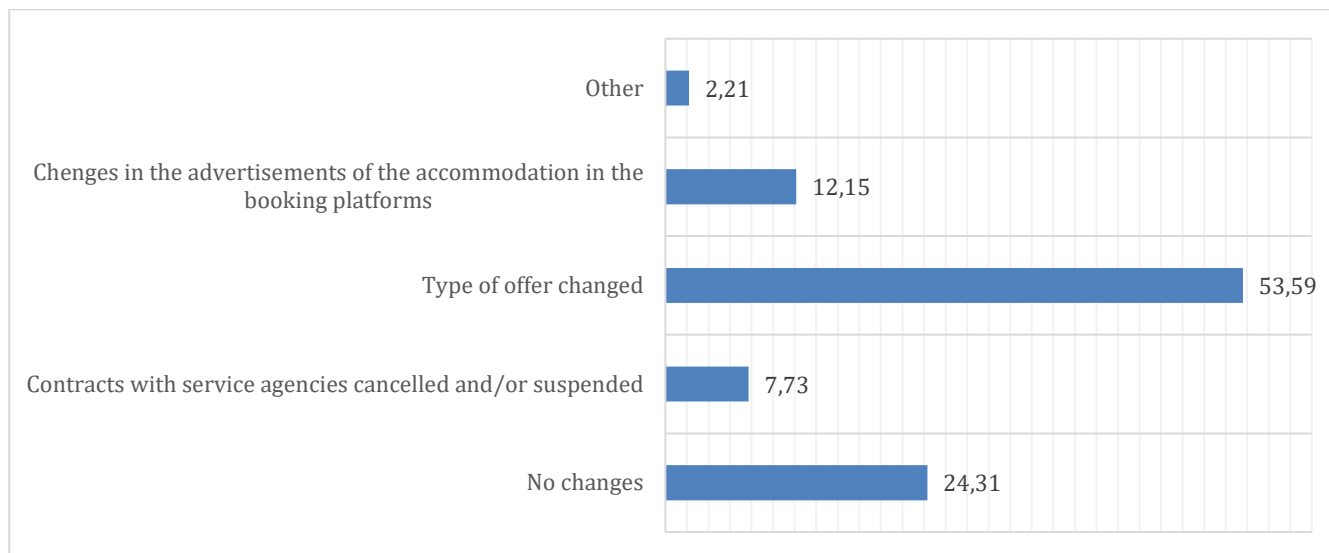


Figure 2. Changes in business strategies induced by the pandemic.

Question: *Have you changed anything in the management of your host business to cope with the impact of the pandemic? (multiple answers allowed)*

Source: elaboration of the author

## Conclusions

The analysis shows that, although hosts complained that they have been severely affected by the pandemic both in terms of general family welfare and income directly from their hosting business, their strategy did not directly reflect the shock. In fact, many hosts favoured a 'wait and see' strategy, patiently waiting for the economic market shock to pass. The hosts did not, for example, consider putting the properties to other uses (e.g., long-term renting) or selling. They had the capacity, even the economic strength, to wait and bear the economic losses of the pandemic and then return to short-term renting - as they announced in their medium-term strategies.

## Keywords

short-term rental platforms, Covid-19, Italy, cities, comparative analysis

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