Opportunity for culture tourism in London through Airbnb

# Executive summary (summary of your briefing creating a summary of each of the sections below, 200-300 words)

The Airbnb platform was born in 2007 and was based on the concept of bed and breakfast within the informal setting of another person’s home. The platform has transformed radically since then, growing to a scale of 4 million hosts who have welcomed more than 1 billion guests in almost every country across the globe (‘About us’, .). With this significant growth there has been quite a shift from the “bed and breakfast” concept and this report, in some capacity, intends to address this problem and provide a proposal that is beneficial to all the stakeholders of Airbnb.

The report looks into the potential for developing a new culture tourism service within the existing Airbnb platform. The culture tourism service will be based on ethnic food, art, music and conversations that a host can provide for a guest. This service will enrich the guests’ experience, provide scope for additional income generation for the hosts, create an avenue for inclusivity and appreciation for different cultures, and ultimately lead to an increase in revenue for Airbnb.

For a prospective investor in the Airbnb platform, this report provides a brief background into the cultural diaspora that exists in London and how to capitalise on such a unique socio-cultural fabric. Airbnb’s business model has also be studied to understand how culture tourism as a service can be beneficial for the host, guest and Airbnb. This report also looks into the possibility that the culture tourism service can provide in developing Airbnb’s brand image from a corporate social responsibility perspective.

The potential for such a service has been discussed through analysis of historic geocoded Airbnb data for London in combination with ethnicity based data at the local authority level. The analysis looks into how local authorities with a low level of existing Airbnb rentals can be further encouraged by promoting the cultural experience that the host and neighbourhood can provide.

Lastly, the report discusses the advantages and disadvantages of the culture tourism service from multiple perspectives. Caveats and possible next steps for the implementation of the culture tourism service within the Airbnb platform have also been touched upon briefly in this report.

# Background (problem framing, 300-400 words)

As per the 2011 census London is identified as the most ethnically diverse region in England and Wales where roughly 40.2% of the population identify as Asian, Black, Mixed or Other ethnic group (*Regional ethnic diversity*, .). London also has the lowest proportion of White British people at 44.9%. These figures indicate that London is a very diverse and multi-cultural city with great market potential to tap into the cultural nuances that each ethnic group has to offer in the form of cuisine, music, art, etc.

Studies have shown that Airbnb hosts in all major cities have a significant overrepresentation of certain groups (e.g. young, White, female) as compared to the local population. There is also statistically significant evidence of gender and racial homophily. Inequalities that exist in a city along the lines of race are replicated in Airbnb transactions as well (Koh *et al.*, 2019). Such biases could lead to reduced occupancy rates of Airbnb listing made by hosts from ethnic minority communities, contributing to a significantly large unexploited market and thus a revenue loss for Airbnb.

Looking closer at the business model Airbnb’s revenue is a combination of the following; a renting fee plus 6-12% percentage of the rental as service fee from the guest, and a 3% service fee from the host which is deducted from the rental (‘Airbnb Business Model’, .). Therefore, there are three main methods by which Airbnb can increase their revenue;

1. Widen operations by increasing number of hosts
2. Increase occupancy in currently listed properties
3. Increase value of each transaction and number of transactions

Thus, a proposal for culture tourism as an additional service that the host can provides could help ethnic minority communities in London attract more guests and earn a better income from their Airbnb listing. The cultural experience for example could be a cuisine taster secession for the guest to get to know the host’s ethnic cuisine and an opportunity to learn more about the culture.

The culture tourism service would greatly help the ethnic minority communities by attracting more diverse hosts towards the Airbnb platform, increase the occupation of currently listed properties owned by hosts from such communities and help increase the value per transaction with the additional service that can be provided without much of an investment required by the host. All this could ultimately lead to an increase in revenue for Airbnb, which would be a key win from an investor’s perspective.

# Data Analysis (description of the analysis, approach and results, 400-500 words)

The data used in the following analysis includes July 2021 geocoded Airbnb data for London (*Inside Airbnb. Adding data to the debate.*, .) and ethnicity data at local authority level in London from the 2011 census (*QS211EW (Ethnic group (detailed)) - Nomis - Official Labour Market Statistics*, .).

The aim of this analysis is to demonstrate the relationship between low occupancy rates and low pricing of Airbnb listings in areas with higher ethnic minority communities. Based on the results a mapping of

# Conclusion (what was learned, limitations and what are your recommendations, 300- 400 words)

Xxx

# References (use the standard APA/Harvard-style referencing, does not count towards word count)