

OPIM 5512 - Data Science Using Python

"Optimizing Airbnb: ​

Strategies for High Reviews in a Dynamic Market​"

Group 2

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**Introduction**

The advent of Airbnb has revolutionized the way travelers seek accommodation, offering a plethora of choices from shared rooms to luxurious villas, catering to a wide range of preferences and budgets. In New York City, one of the world's most vibrant and visited cities, the competition among Airbnb hosts is fierce, making it imperative for hosts to optimize their listings to stand out. This project aims to analyze the multifaceted factors that influence Airbnb listing prices in New York City, from location and room type to amenities and reviews. Understanding these dynamics is crucial for hosts who seek to maximize their occupancy rates and revenues while providing exceptional guest experiences. By leveraging the Inside Airbnb New York City dataset, this study will dissect the intricate pricing patterns and offer strategic insights for hosts to refine their offerings and pricing models, thus enhancing their competitiveness in this bustling market.

**Literature Review**

The pricing strategies of Airbnb listings have been a focal point of academic and market research, reflecting the platform's significant impact on the traditional hospitality industry and the wider sharing economy. Previous studies have explored various dimensions of Airbnb pricing, including the effects of location, property type, seasonal variations, and host characteristics on listing prices.

* Geographic Influence: Edelman & Luca (2014) highlighted the significance of location, finding that listings in central urban areas command higher prices due to their proximity to attractions and business districts. This is particularly relevant to New York City, where neighborhoods like Manhattan and Brooklyn exhibit diverse pricing dynamics.
* Property and Room Types: Guttentag et al. (2018) examined how different property and room types affect pricing, noting that entire homes/apartments typically list at higher prices than private or shared rooms, reflecting the premium on privacy and space.
* Amenities and Listing Quality: Zervas et al. (2017) delved into how amenities and listing quality, including professional photography and detailed descriptions, positively correlate with higher listing prices, underscoring the importance of well-presented listings.
* Reviews and Host Reputation: Fradkin et al. (2015) investigated the impact of customer reviews and ratings on pricing, finding that listings with higher ratings and more reviews can generally charge more, highlighting the role of trust and reputation in the sharing economy.
* Dynamic Pricing Strategies: Quattrone et al. (2016) explored the adoption of dynamic pricing strategies among Airbnb hosts, demonstrating how prices fluctuate based on demand patterns, akin to traditional hotel pricing strategies.

Despite the extensive research, there remains a gap in understanding the combined effect of these factors within the unique context of New York City's diverse and competitive market. This project seeks to bridge this gap by providing a comprehensive analysis of how these variables interact to influence Airbnb pricing in New York City, thereby offering actionable insights for hosts looking to optimise their pricing strategies in the face of evolving market dynamics.

**Data Description and Transformation**

The analysis begins with the Airbnb New York City dataset, obtained to explore optimization strategies for Airbnb hosts through factors influencing listing prices and review scores. This dataset, rich in variety and depth, required careful cleaning and transformation to ensure accurate, insightful analysis.

**Dataset Source and Initial Exploration**

Our dataset was sourced from Inside Airbnb, capturing a snapshot of listings in New York City with 39,719 entries and 75 attributes, ranging from listing details like property type and amenities to host information and reviews. Initial examination revealed a complex dataset with various data types and a significant presence of missing values.

**Data Cleaning Process**

Column Reduction and Transformation

To streamline our analysis, we began by identifying and removing columns not directly contributing to our research objectives, such as URL links, IDs, and descriptive text fields with high nullity rates. This process resulted in a refined dataset, focusing on 39 critical attributes.

Handling Missing Values

The presence of missing values was addressed by evaluating each column's relevance and potential impact on analysis. Columns with a high percentage of missing values, offering limited analytical value, were removed. For the remaining dataset, strategies such as omission or imputation were considered but ultimately, a decision was made to proceed with a subset of the data where missing values were not pervasive, ensuring the integrity of our analytical model.

Outlier Detection and Treatment

Utilizing IQR and Z-score methods, outliers were identified in critical numeric fields. The treatment varied, including clipping to thresholds, replacement with central tendency measures, or exclusion, to mitigate skewed analysis outcomes.

**Feature Engineering**

We transformed several features to improve model interpretability and performance:

* Host response times were converted from categorical to numeric formats, reflecting the response speed in hours.
* Text-based percentage rates (response, acceptance) were standardized into numeric decimals.
* Binary variables (e.g., superhost status, instant bookable) were encoded as binary integers for computational efficiency.
* Through Recursive Feature Elimination (RFE), we honed in on the most influential features for pricing and reviews.

Transformations for Analysis Readiness

* Numeric Conversions: Rates and scores were converted from text-based percentages to floats for analytical processing.
* Categorical Encoding: Binary attributes like superhost status and instant bookable were encoded numerically.
* Date Handling: Date fields remained untransformed, recognizing their potential for future temporal analysis.

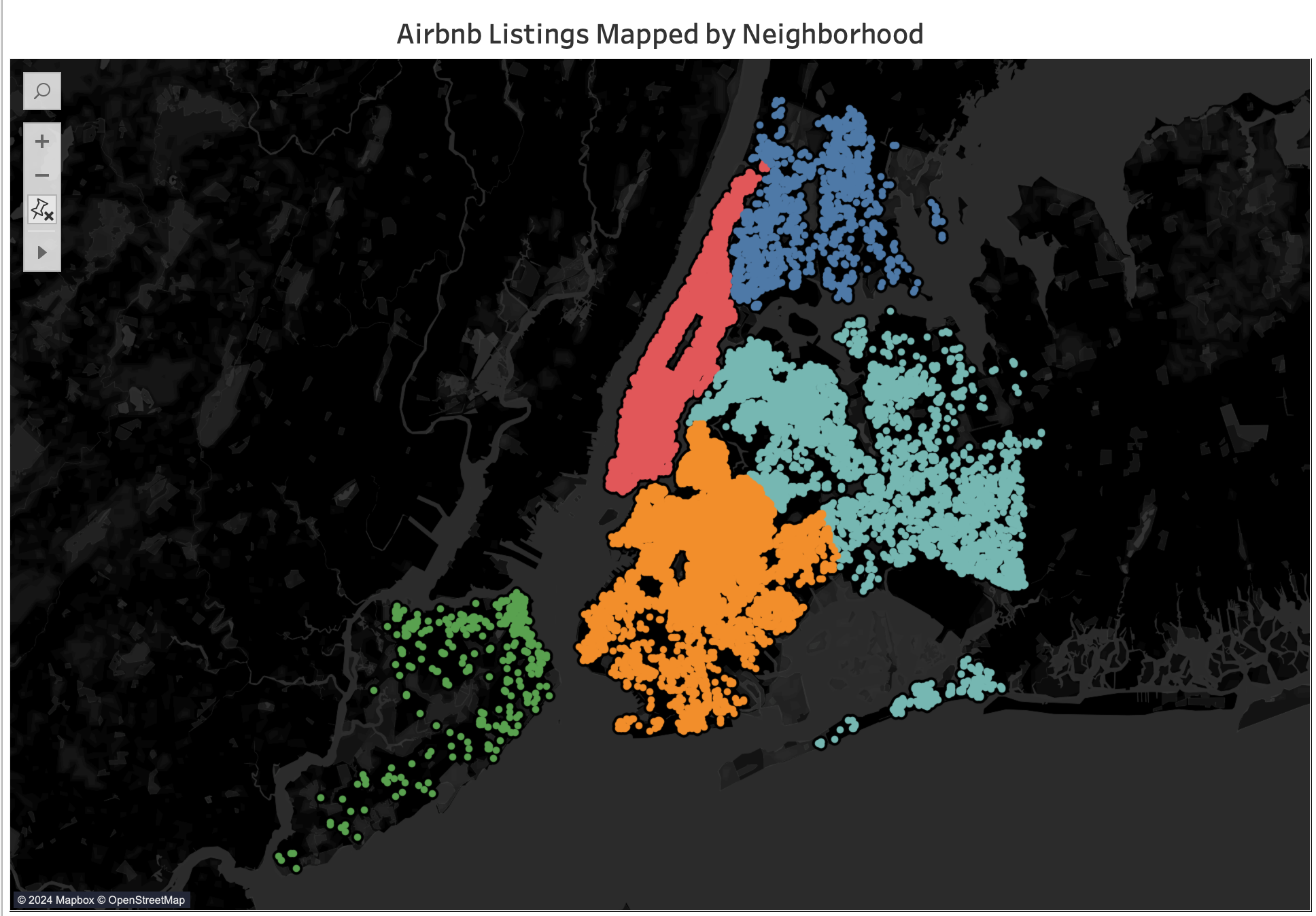
**Data Exploration**

Location Score by Borough



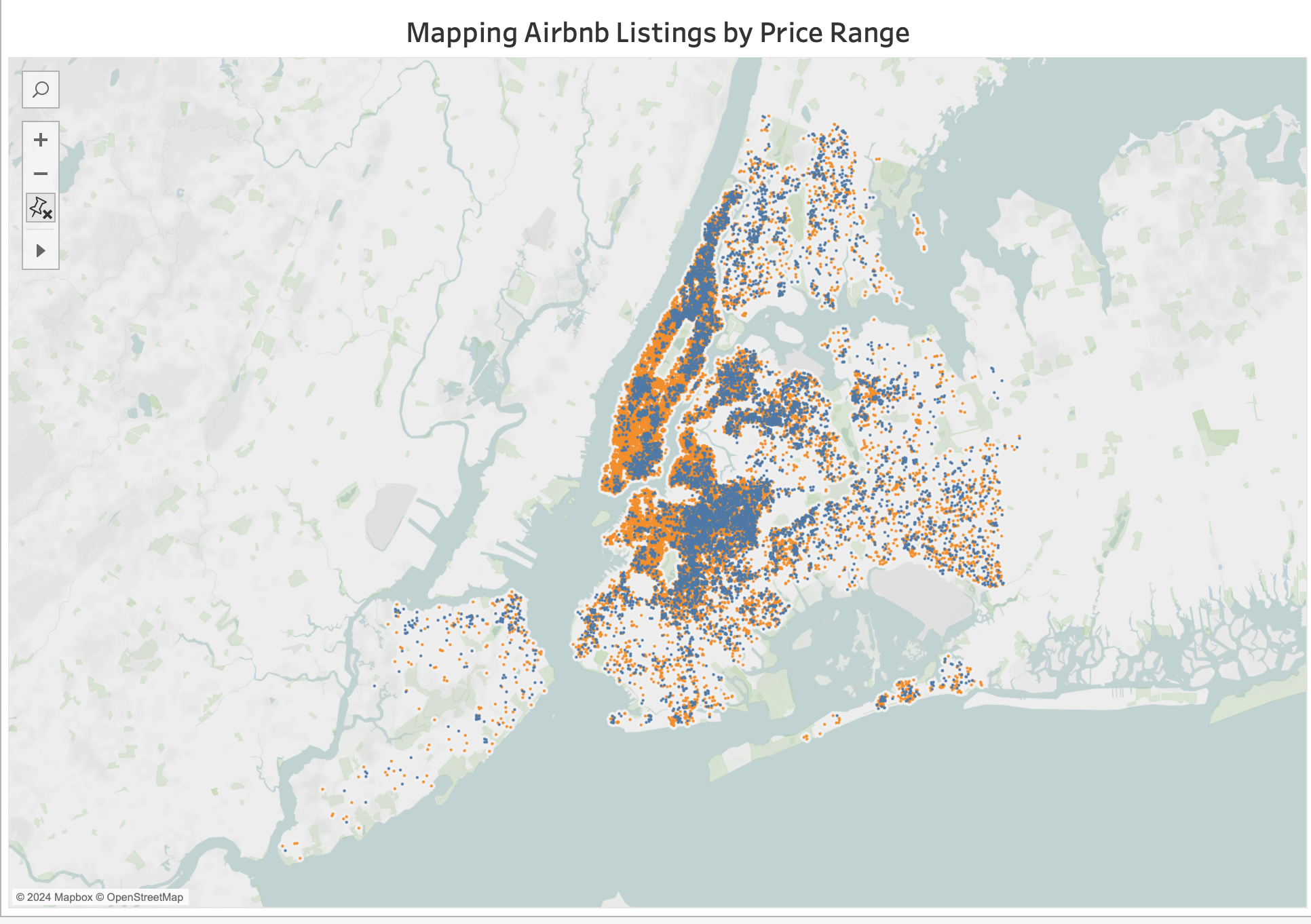
The location score heatmap indicates how guests rate the convenience of the property's location within New York City's boroughs. The scores are fairly high across the board, with Queens leading slightly. This suggests that guests are generally satisfied with the locations of Airbnb listings, but subtle differences could inform targeted improvements or marketing strategies.

Airbnb Listings Mapped by Neighborhood



This geospatial distribution showcases the density of Airbnb listings across different neighborhoods. It visually represents market saturation, with dense clusters potentially indicating popular areas or neighborhoods with high tourist traffic. This visualization can guide hosts in identifying competitive areas and strategizing their pricing and marketing accordingly.

Airbnb Listings by Price Range



The mapping of Airbnb listings by price range illustrates where higher and lower-priced listings are located. Hosts can use this information to assess their pricing strategies in relation to market trends, particularly when considering the desirability and demand of certain areas.

Airbnb Availability by Neighborhood



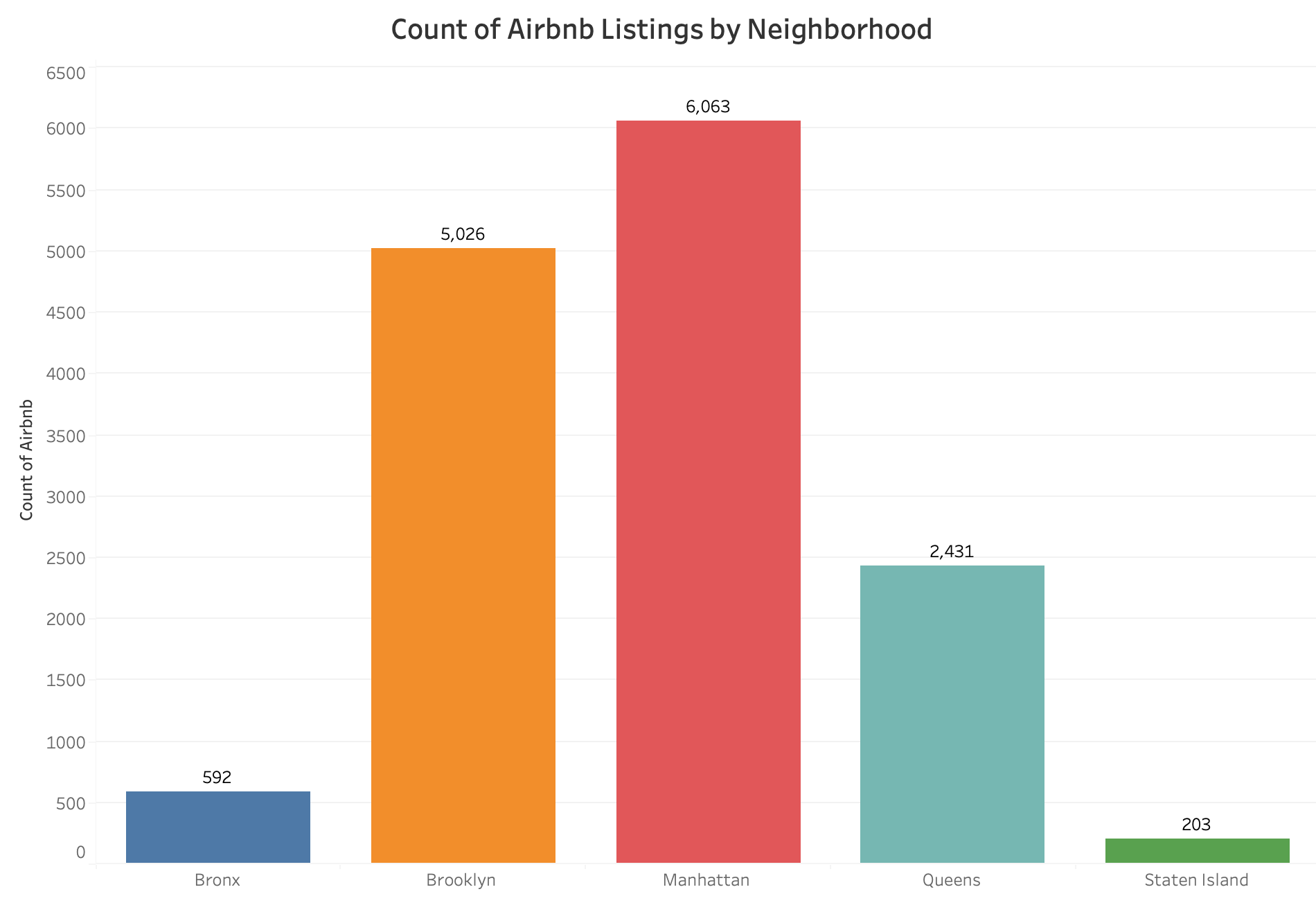
This chart shows the number of days listings are available in each borough. Manhattan and Brooklyn show high availability, suggesting either a larger number of listings or less occupancy. This could point to either a saturated market or a potential opportunity to increase occupancy rates through competitive pricing and improved listing features.

Average Price of Airbnb Based on Neighborhood



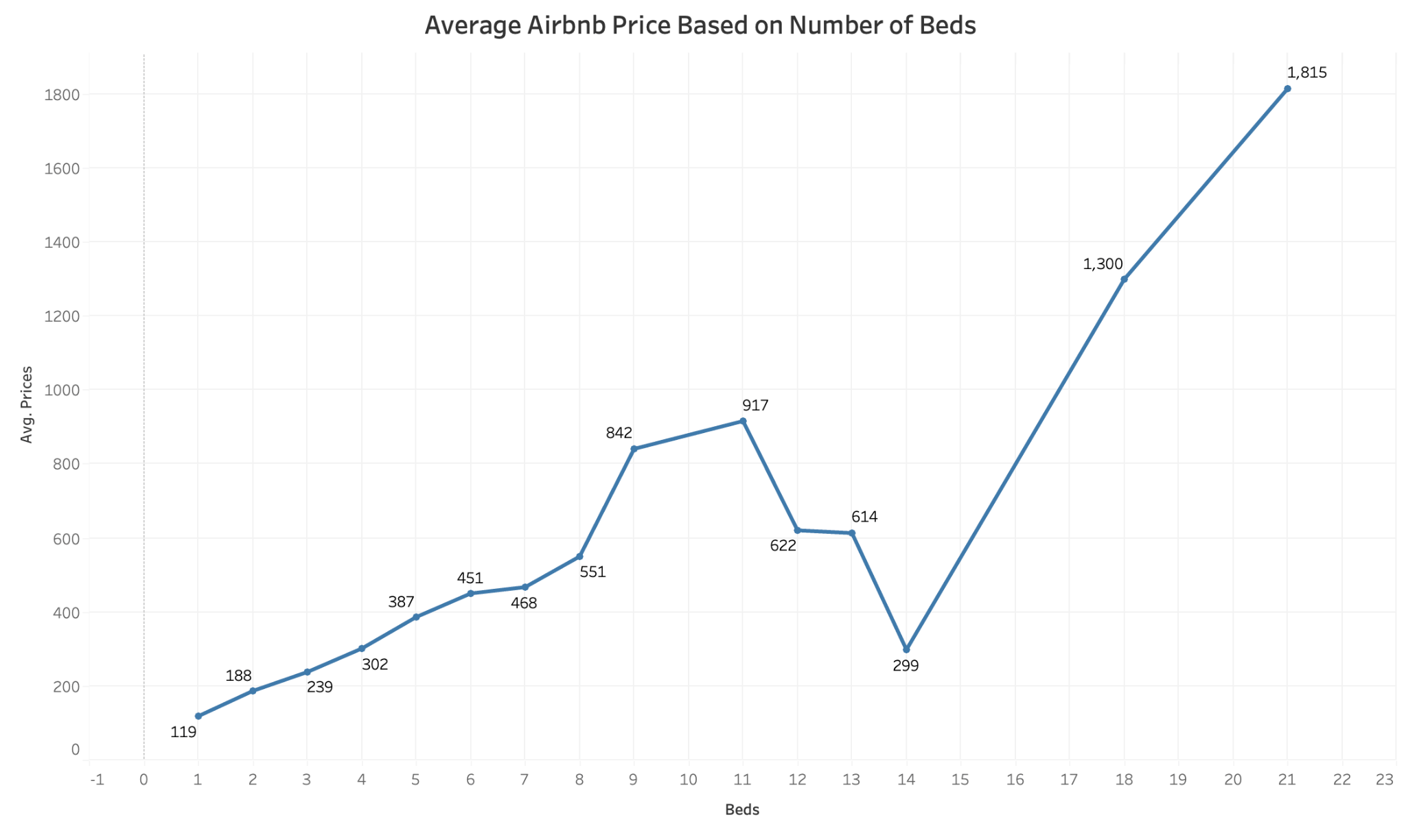
The line graph depicts the average listing price across boroughs, with Manhattan standing out for its significantly higher prices. This reinforces Manhattan's position as a premium location and could influence hosts to adjust their pricing strategy based on borough desirability.

Count of Airbnb Listings by Neighborhood



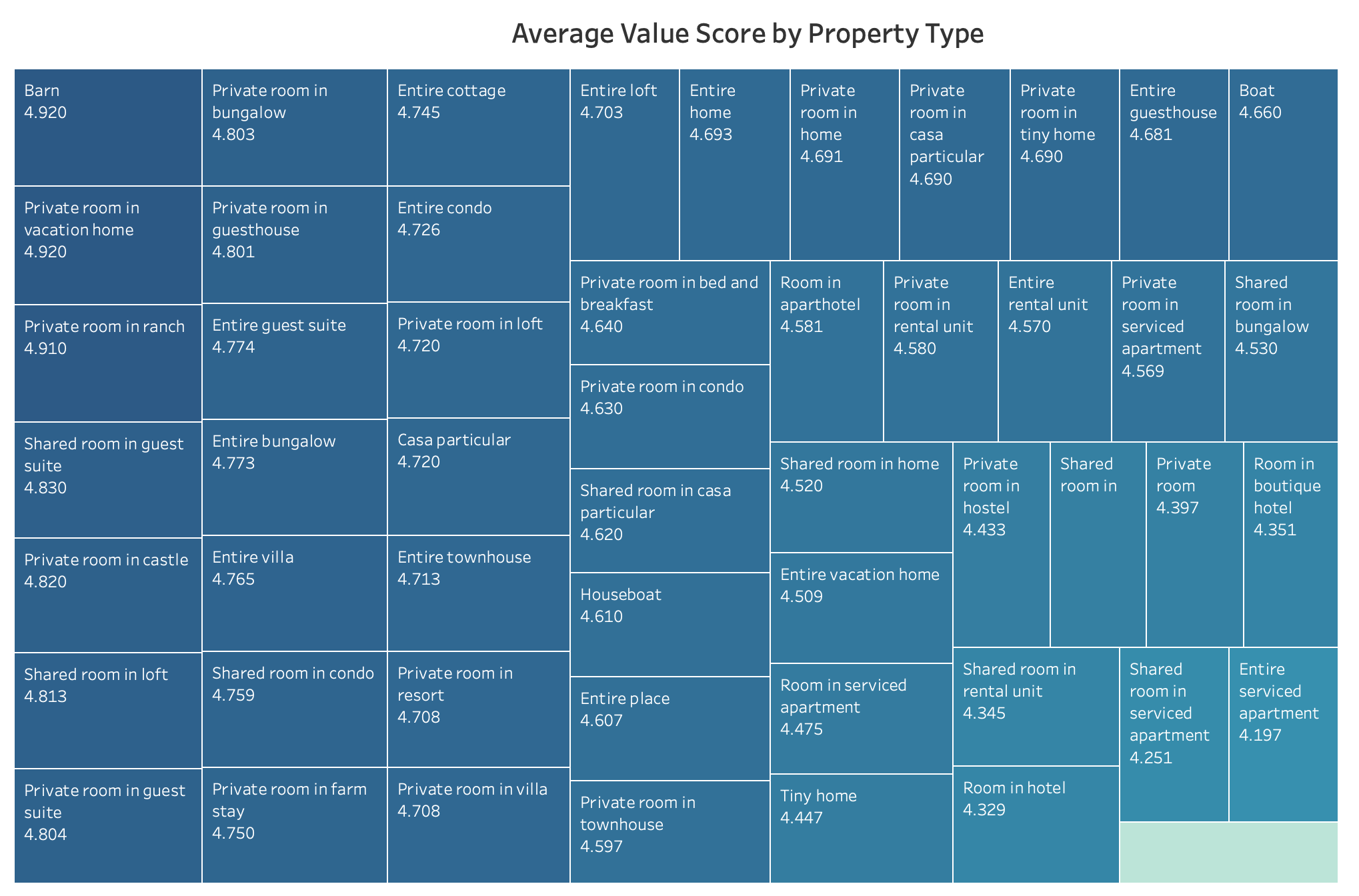
The bar graph details the number of Airbnb listings per borough. Manhattan has the most, followed by Brooklyn, indicating these areas have the highest competition. Hosts in these areas may need to differentiate their offerings to stand out in a crowded market.

Average Airbnb Price Based on the Number of Beds



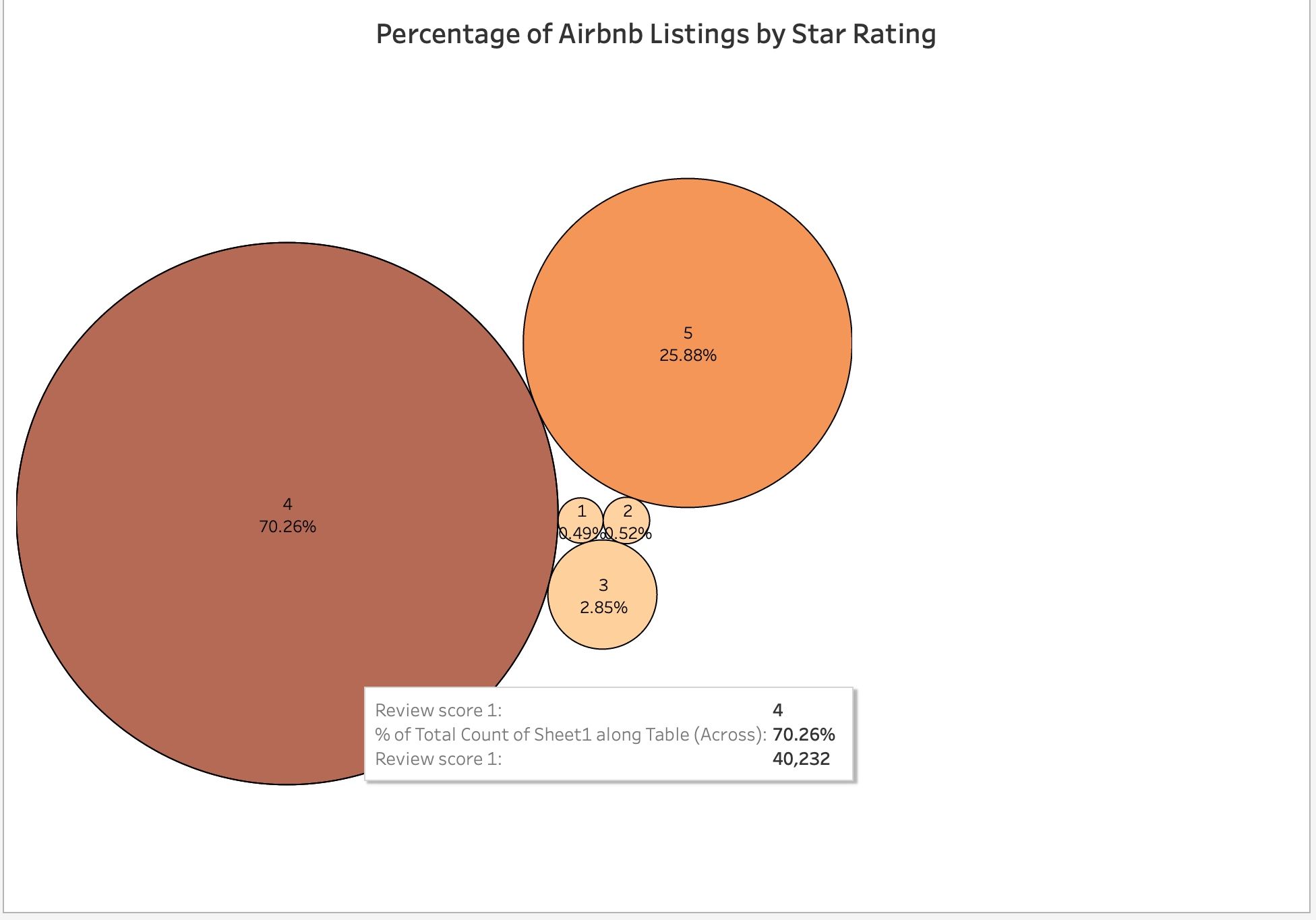
This line chart indicates that listings with more beds tend to have higher prices, likely due to their ability to accommodate more guests. This suggests a potential strategy for hosts to increase their earnings by making space for additional beds where feasible.

Average Value Score by Property Type



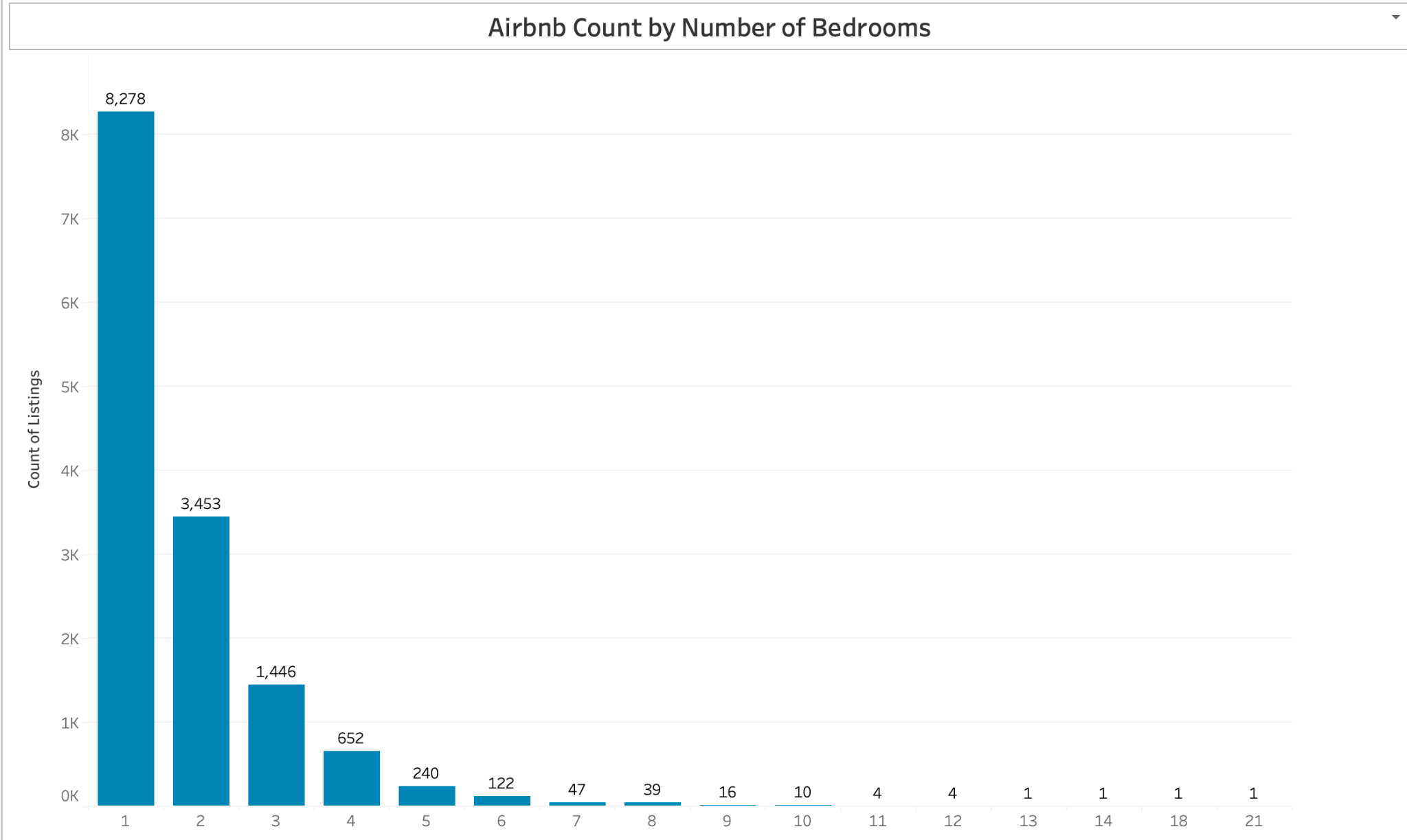
The value score by property type indicates guests’ perceived value for money across different types of Airbnb accommodations. Unique stays like barns and private rooms in less common settings rate highly, suggesting guests appreciate novelty and personal touches. Hosts might consider how they can create a unique experience to increase the perceived value.

Percentage of Airbnb Listings by Star Rating



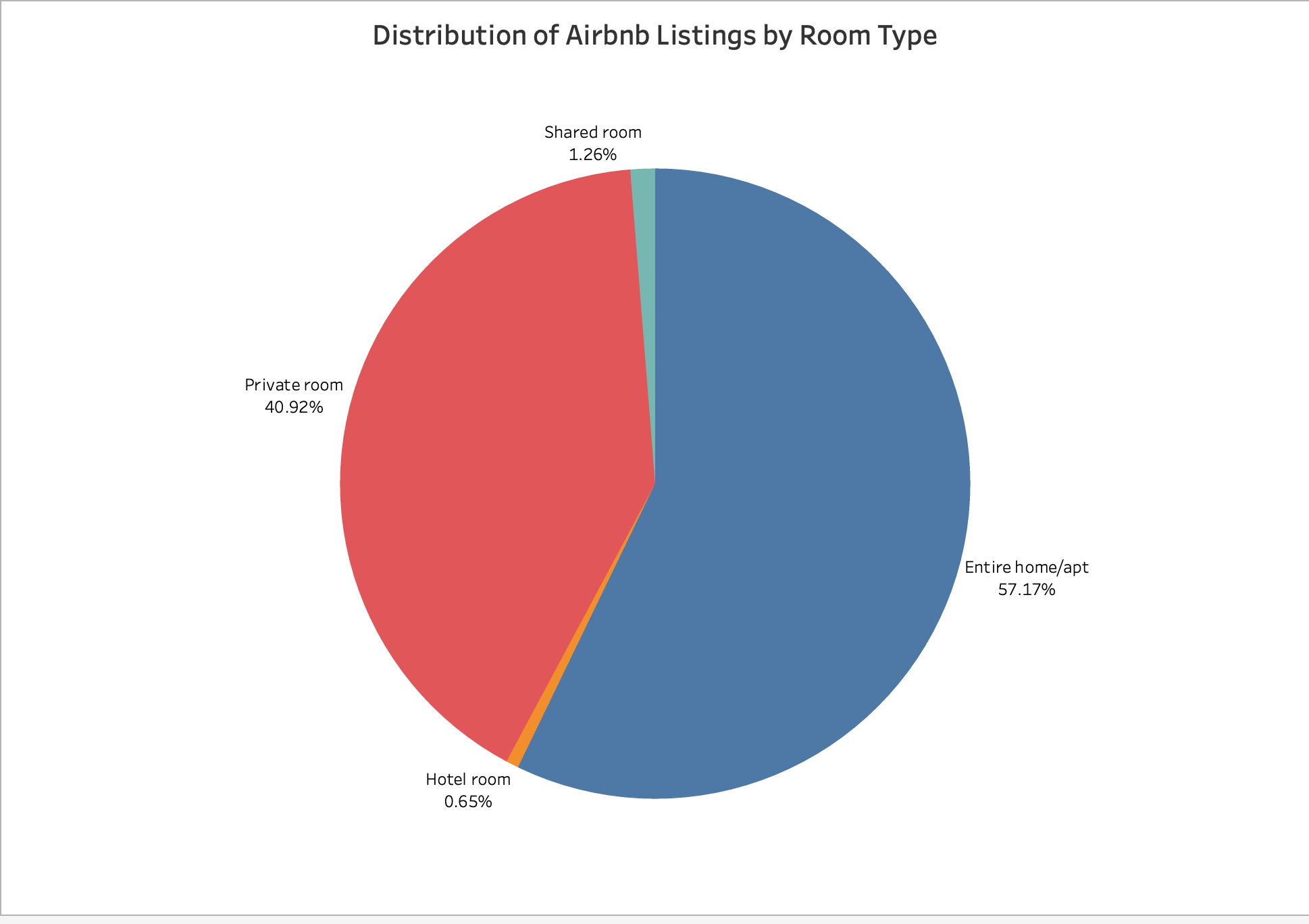
The bubble chart shows a large proportion of listings have a 4-star rating, a smaller proportion with 5 stars, and very few with 3 stars or below. This indicates that most Airbnb listings perform well in guest satisfaction, but there is room for improvement to shift the distribution towards 5 stars.

Airbnb Count by Number of Bedrooms



The bar chart depicting the Airbnb listing count by number of bedrooms showcases a clear preference or availability bias towards listings with fewer bedrooms. Single bedroom listings dominate the market, suggesting a high demand for accommodations suited to solo travelers or couples. As the number of bedrooms increases, the count of listings steeply drops, which may indicate a niche market for larger groups or families. Hosts with the capability to offer more bedrooms might exploit this gap in the market, although it's crucial to consider that the demand for such listings may be lower.

Distribution of Airbnb Listings by Room Type



The pie chart illustrates the distribution of Airbnb listings by room type, with the majority being entire homes/apartments, followed by private rooms, and a small fraction being shared rooms or hotel rooms. This distribution highlights the predominant market trend where travelers prefer having an entire place to themselves, aligning with a global trend towards privacy and self-contained accommodations. For hosts, offering entire homes or apartments might be a more lucrative option, but it's important to note that private rooms cater to a significant portion of the market and can be more cost-effective for both hosts and guests, especially in high-demand areas where space is at a premium.

Review Score Rating as the Target Variable

Introduction

In this analysis, our goal was to utilize predictive analytics to understand and forecast the factors influencing the review score ratings of Airbnb listings. Using various machine learning models, we aimed to identify key predictors of guest satisfaction, which could help hosts in enhancing their offerings.

Data Preparation

The dataset was filtered to include a selection of features believed to influence the review scores directly, such as:

* Host responsiveness
* Property characteristics like type, number of bedrooms, and amenities
* Pricing and availability metrics

The target variable for our models was review\_scores\_rating, which reflects guests' overall satisfaction with their stay.

Model Selection

To address this regression problem, we selected five different models, each offering unique strengths:

* **Linear Regression**: Provides a baseline for performance with easy interpretability.
* **Decision Tree**: Offers a more non-linear approach with clear decision rules.
* **Random Forest**: An ensemble method known for higher accuracy through averaging multiple decision trees.
* **Gradient Boosting**: Another ensemble method that optimizes on loss functions directly, often providing substantial accuracy gains.
* **Support Vector Machine (SVM)**: Known for its effectiveness in higher-dimensional spaces.

Model Training and Evaluation

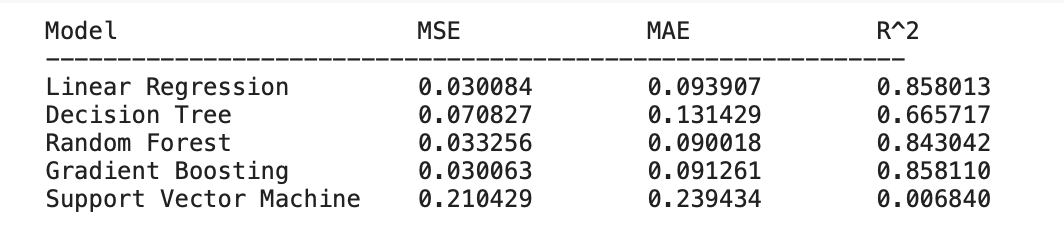
Each model was trained on an 80/20 split of the dataset:

* The training set contained 11,452 observations.
* The testing set contained 2,863 observations.

Post-training, each model was evaluated using three key metrics:

* **Mean Squared Error (MSE)**: Indicates the average squared difference between the estimated values and what is estimated.
* **Mean Absolute Error (MAE)**: Represents the average absolute difference between predicted and actual values.
* **R-squared (R²)**: Measures the proportion of variance in the dependent variable predictable from the independent variables.

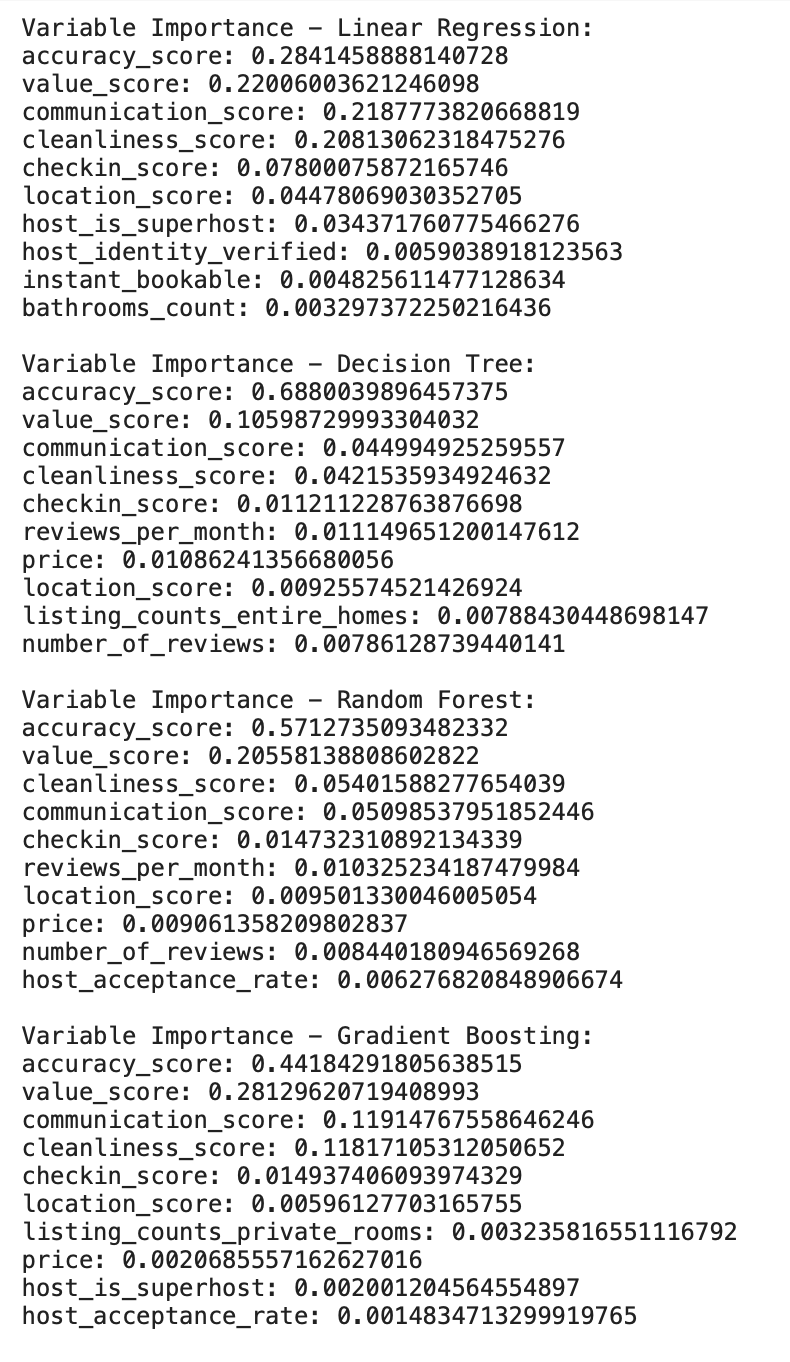
The results showed varying performance across models:



* **Linear Regression** and **Gradient Boosting** showed the lowest MSE and MAE, suggesting high accuracy and minimal errors in predictions.
* **Random Forest** performed well but was slightly less accurate than Gradient Boosting and Linear Regression in terms of MSE and MAE.
* **Decision Tree** and **Support Vector Machine (SVM)** models exhibited higher errors and lower R², indicating lesser suitability for this particular dataset.

Feature Importance Analysis

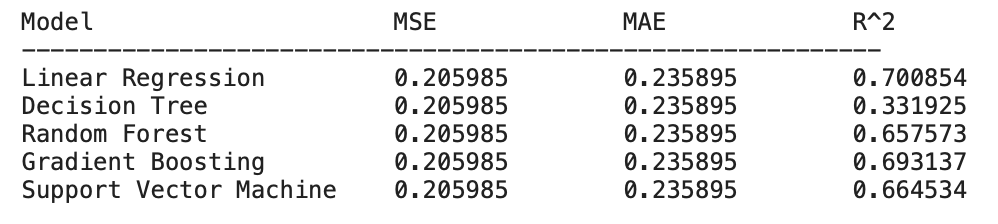
Feature importance was derived to identify which variables most significantly affect the review scores:



* **Communication Score** was consistently a top predictor across models, emphasizing the importance of host-guest interaction.
* **Check-in Score** and **Location Score** were also critical, suggesting that ease of check-in and location are crucial for guest satisfaction.

Methodological Refinements: Standardization and Normalization

Given the differences in scales among various features, two techniques were employed to normalize the data:



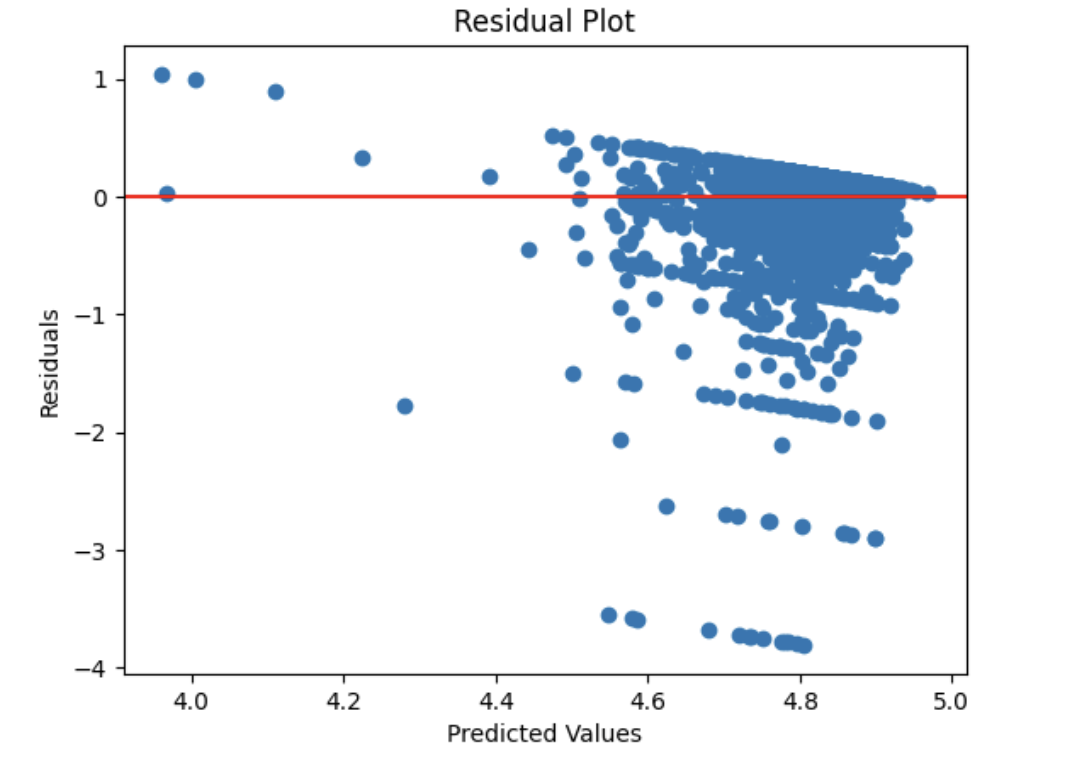
* Standardization: StandardScaler was used to normalize the features to have zero mean and unit variance, ensuring that each feature contributed equally to the model's prediction.



* **Normalization**: Adjusted features to a range between 0 and 1, ensuring that all features contribute equally without bias due to varying scales.

Residual Analysis

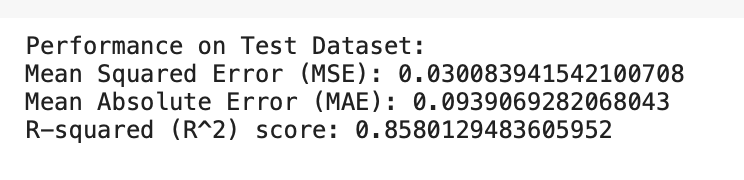
Residuals (the differences between observed and predicted values) were analyzed to check for patterns that might indicate model inadequacies:



* Residual plots did not show any systematic patterns, suggesting that the models were appropriate for the data without any obvious biases or heteroscedasticity.

Predictive Performance on Test Data

Final model testing on unseen data confirmed the robustness of the models:



* **Linear Regression** demonstrated excellent generalization with a high R² score, indicating that it captured a substantial portion of variance in guest review scores.

Conclusions

The analysis provided deep insights into the factors that most significantly impact guest satisfaction on Airbnb. The modeling effort highlighted the importance of excellent communication, convenient check-in, and prime location in driving higher review scores. These findings can assist Airbnb hosts in prioritizing improvements in their service delivery, ultimately leading to better guest experiences and potentially higher earnings due to more favorable reviews.

Additional Attempts:

It should be noted that multiple other attempts were made to improve our model. We used our uncleaned data set as a base and used important variables found from the baseline tests. This model included standardization and normalization attempts. The results were not as good as our baseline however it allowed us to see key variables.

Moreover, we also tested out how different price ranges affect modeling. We created two separate datasets where the price was split at the mean of $167. The models were surprisingly similar, please refer to the python code to see the model performances. The highest was Linear Regression in both tests. Prices below the mean had a R square value of 0.70. Whereas the linear regression model for above the mean had a R square value of 0.74. This tells us that our models are about the same for predicting two segments of price.

The following modeling work were a few attempts at using different target variables to see if we could gain any interesting insights.

Predictive Modeling for Airbnb Listings with Price as the Target Variable

Introduction

The objective of this analysis is to predict the pricing of Airbnb listings using various predictive modeling techniques. Given the competitive nature of the Airbnb market, accurately predicting price based on listing characteristics can help hosts optimize their pricing strategy and increase their competitiveness.

Data Preparation and Preprocessing

The dataset underwent thorough preprocessing to ensure the quality and relevance of the data used in modeling:

* **Removal of Missing Values**: All records with missing values were removed to maintain the integrity of the dataset.
* **Feature Selection**: Non-relevant features such as host\_since, neighborhood, property\_type, room\_type, first\_review, and last\_review were dropped. The focus was on quantitative and easily quantifiable categorical features that directly influence pricing.

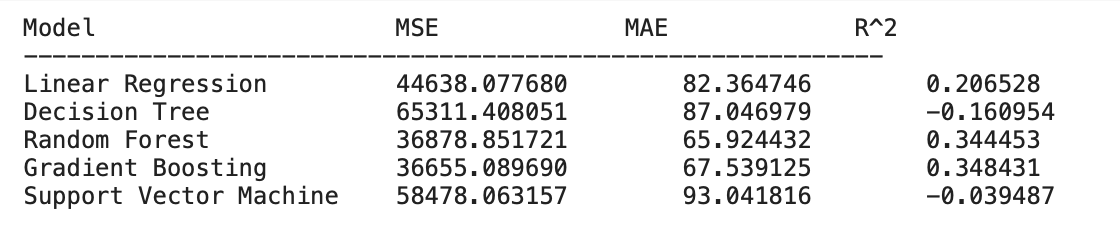
Model Development and Evaluation

We used five different regression models to predict the prices of Airbnb listings:

* **Linear Regression**
* **Decision Tree**
* **Random Forest**
* **Gradient Boosting**
* **Support Vector Machine (SVM)**

Each model was evaluated using the following metrics:

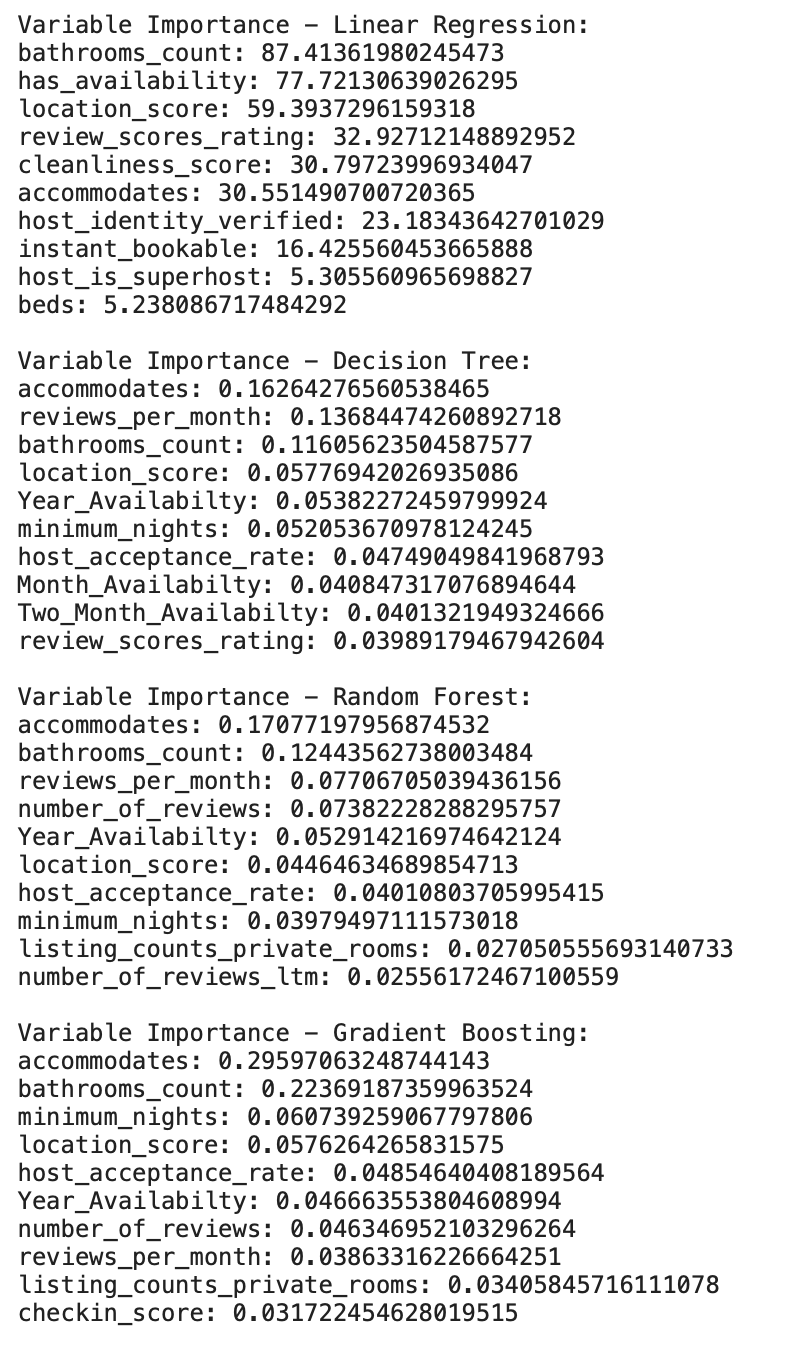
* **Mean Squared Error (MSE)**
* **Mean Absolute Error (MAE)**
* **R-squared (R²)**

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The initial results identified Gradient Boosting and Random Forest as the most effective models based on their lower MSE and higher R² values, indicating a better fit and predictive accuracy.

Feature Importance

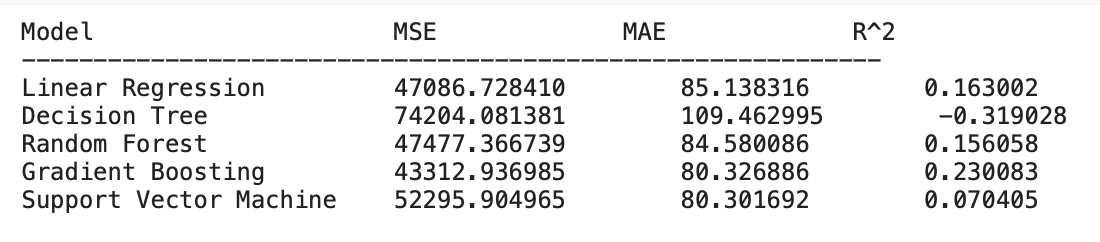
To gain insights into what influences Airbnb pricing the most, feature importance analysis was conducted. Key findings included:

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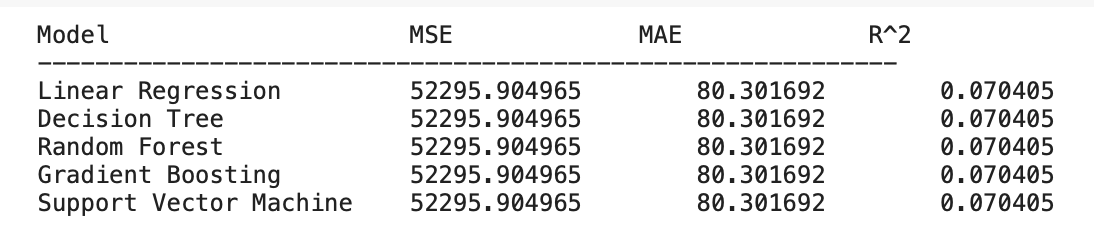
* **Accommodates and Bathrooms Count**: These were highly influential across most models, suggesting that the capacity and amenities of a listing are significant determinants of its price.
* **Location and Review Scores**: These features also showed substantial impact, reflecting the importance of location desirability and perceived quality on pricing.

Methodological Refinements: Standardization and Normalization

Given the variety of scales across different features, both standardization and normalization techniques were applied:

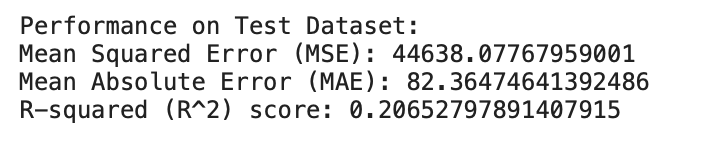


* **Standardization**: Ensured that features contributed equally to the model's predictions by transforming them to have zero mean and unit variance.



* **Normalization**: Scaled features to a fixed range between 0 and 1, which is particularly helpful for algorithms that are sensitive to the scale of input data like SVM.

Predictive Performance on Test Data



Residual Analysis



A residual analysis was conducted to assess the goodness of fit for the models. The plots indicated that while there was some variance in prediction accuracy across different price ranges, the models generally performed well without obvious patterns of error, suggesting adequate model fit.

Availability Prediction for Airbnb Listings

Introduction

The availability of Airbnb listings is a dynamic indicator, crucial for hosts to maximize occupancy and for guests to find suitable accommodations. This report presents an in-depth analysis aimed at predicting the short-term (one-month, two-month) and long-term (annual) availability of Airbnb listings through a series of predictive models.

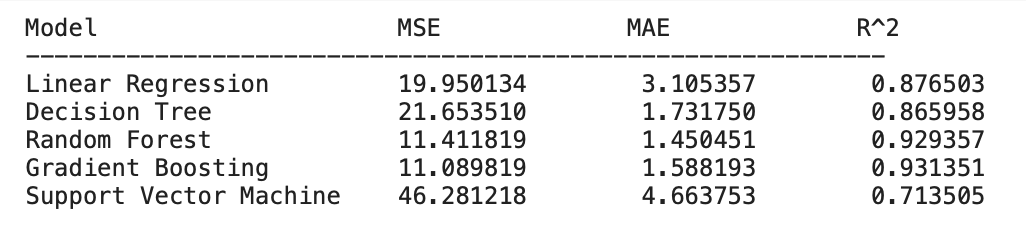
Data Collection and Preprocessing

* Initial data inspection included **outlier detection** using the interquartile range (IQR) method to ensure model accuracy. The outliers were ultimately left in.
* Non-essential features like host\_since and neighborhood were removed to concentrate on more impactful variables.
* **Box plots** were utilized for a visual examination of 'Month Availability', affirming the outlier analysis.

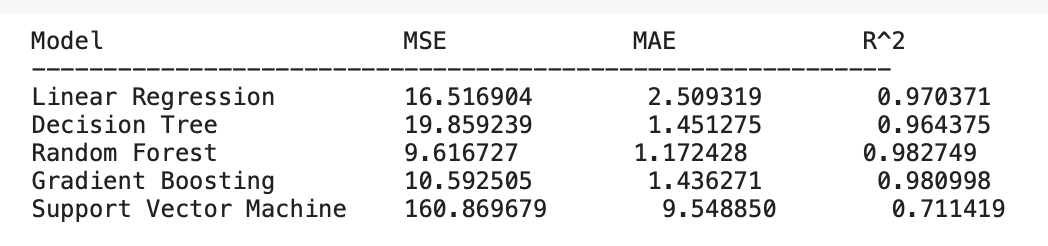
Model Selection and Training

Five predictive models were trained and evaluated for each availability period:

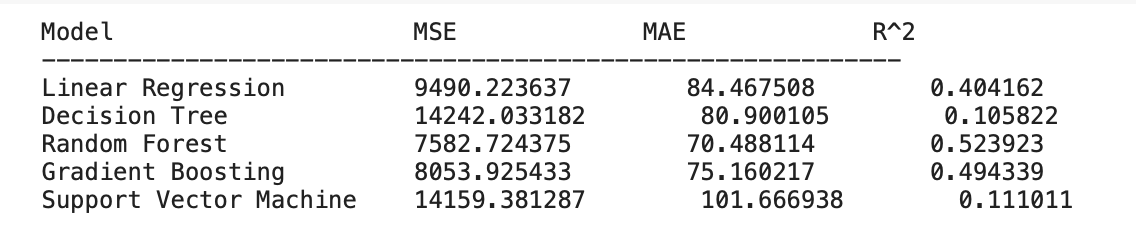
**Month Availability:**

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**Two Month Availability:**

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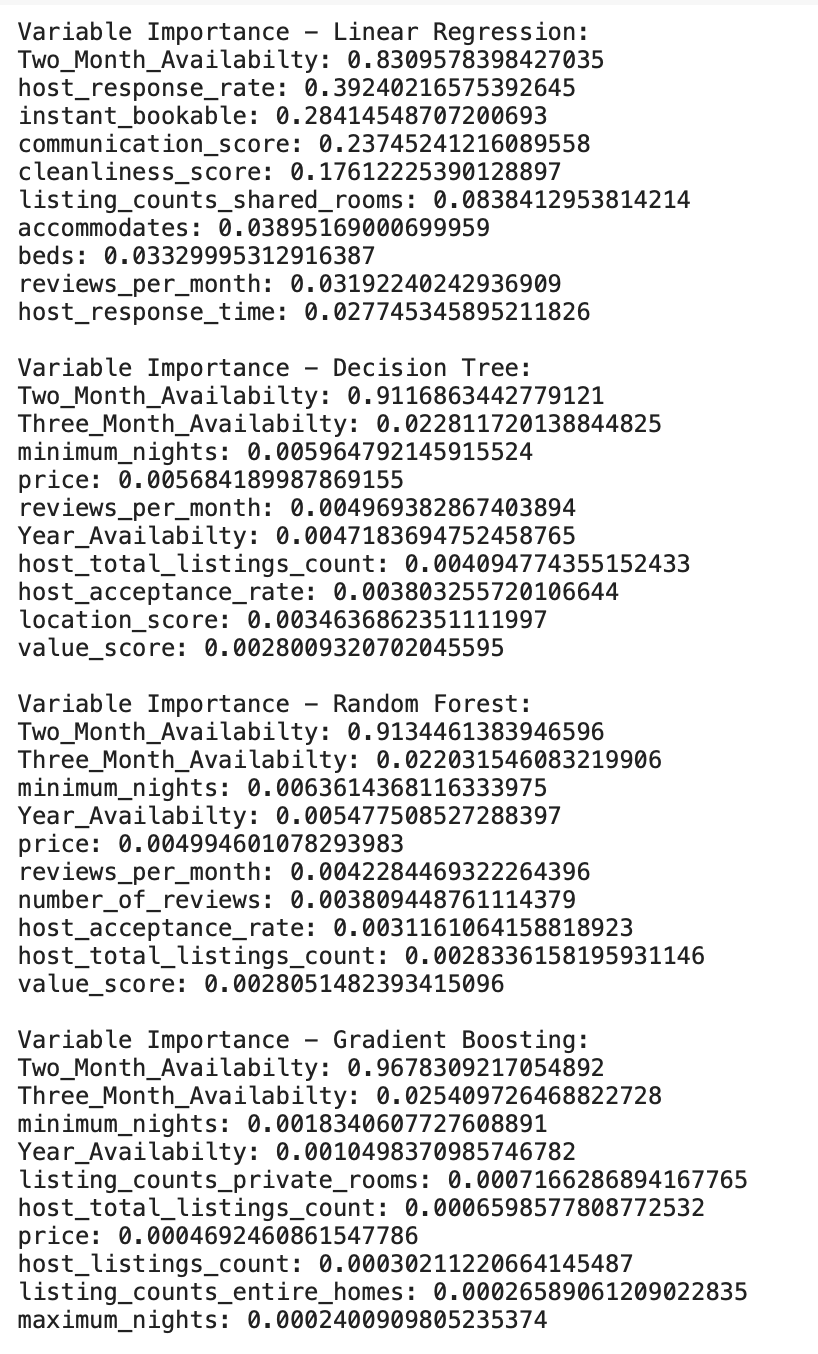
**Year Availability:**

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Results

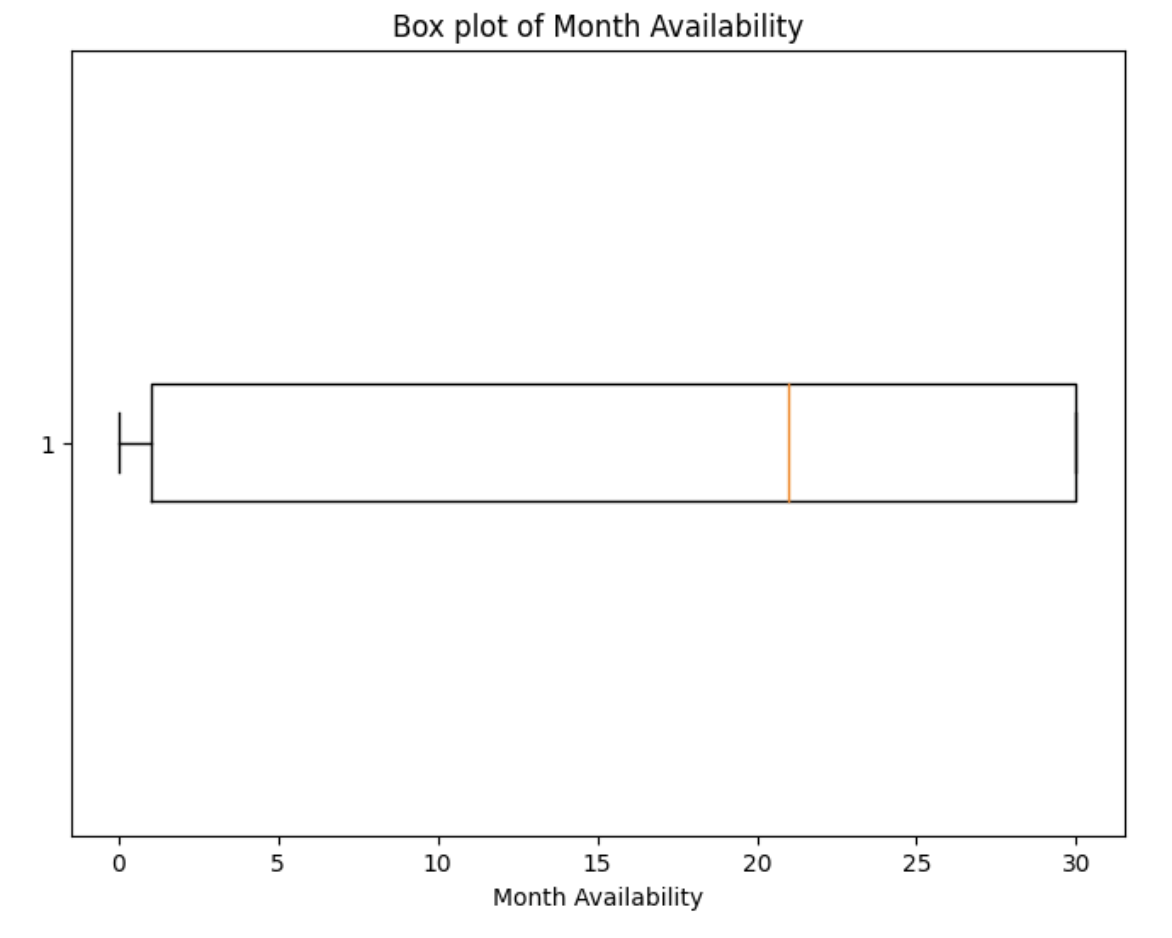
The models' performance varied across different availability targets, with **Random Forest** and **Gradient Boosting** generally exhibiting superior predictive power demonstrated by their lower MSE and higher R² values.

Feature Importance Insights



* **Sequential Availability**: The most significant feature across all models, indicating a strong relationship between past and future availability.
* **Host Response Rate & Review Scores**: These variables were influential, suggesting that host engagement and guest satisfaction play crucial roles in future availability.

Predictive Performance Analysis



* **Residual plots** did not display any patterns that could indicate systematic errors, affirming the models' fit.

In conclusion, the conducted predictive analysis provides actionable insights into the factors affecting Airbnb listing availability. It empowers hosts with a strategic edge in a competitive market and assists guests in efficient planning, thereby enhancing the overall platform experience.

**Airbnb Price Prediction Application - Using R Studio**

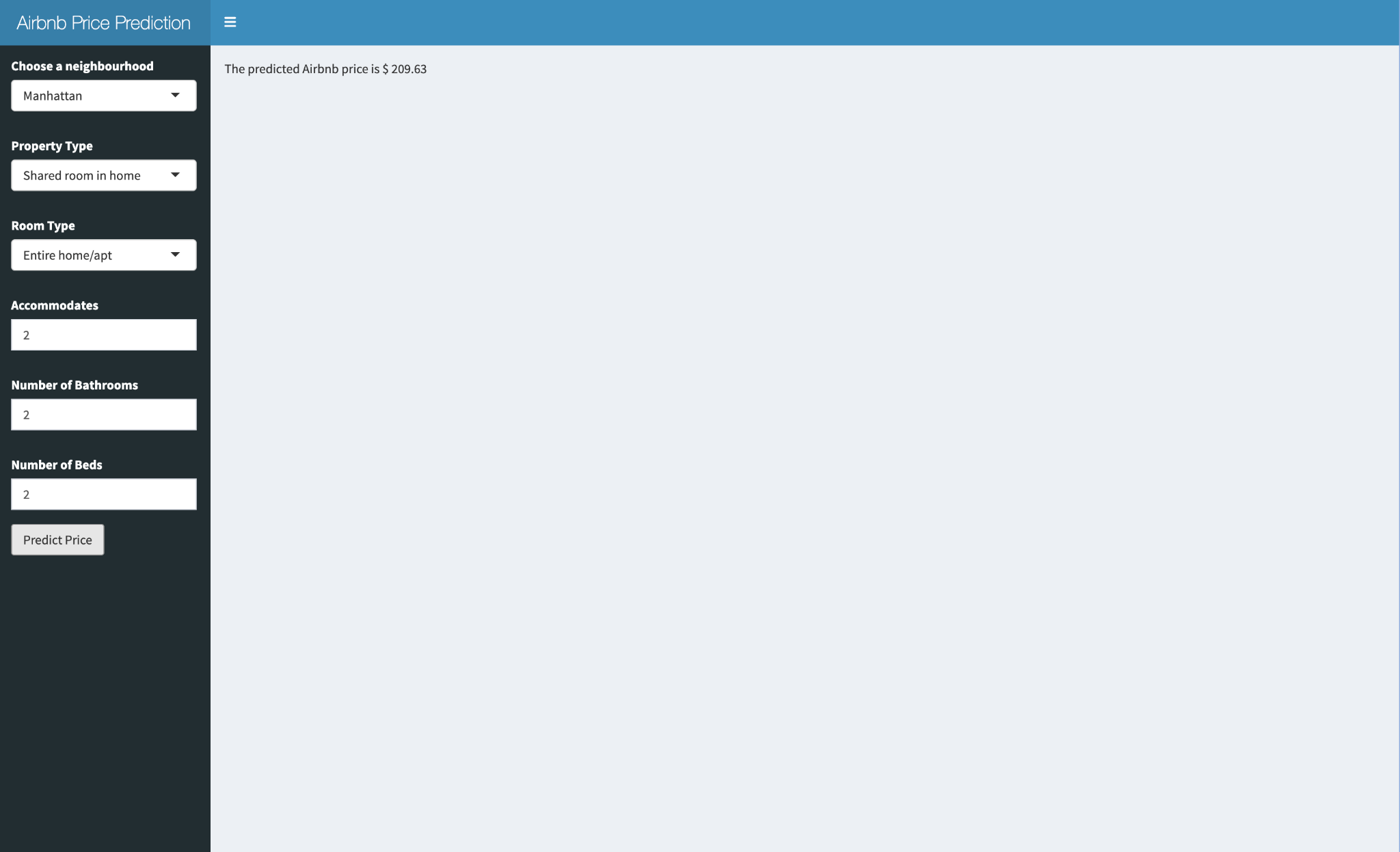
Our team has developed a practical application that predicts the price of Airbnb listings. This tool assists Airbnb hosts in setting competitive and market-aligned prices for their accommodations. In this report, we will provide an overview of our project, discuss data and model, predictive analysis, and the utility of our price prediction tool for Airbnb hosts.

**Overview:**

The main objective was to develop an application that could predict the price of Airbnb listings. We designed a Shiny application with a user-friendly interface that allows Airbnb hosts to input the characteristics of their listings and receive instant price predictions. The application is designed to be intuitive, with dropdowns and numeric inputs corresponding to the features used in the model.

**Data and Model:**

We utilized a curated dataset from Airbnb, which included relevant features such as neighborhood, property type, room type, accommodation capacity, number of bathrooms, and number of beds. We applied data transformation techniques to convert price from a character to a numeric type and to encode categorical variables into a format suitable for modeling. We constructed a linear regression model, chosen for its transparency and efficiency in handling this type of regression problem. This model was trained using the aforementioned features, with the price as the target variable. By splitting the data into training and test sets, we ensured the model's reliability through validation on unseen data.



**Predictive Analysis:**

We applied our linear regression model to predict the price of Airbnb listings. The model was able to accurately predict prices for a wide range of listings. We validated the model's reliability by comparing the predicted prices to the actual prices of the listings. The model was able to predict prices that were close to the actual prices for most of the listings.

**Utility for Airbnb Hosts:**

The price prediction tool offers Airbnb hosts a data-driven method to make informed decisions about their listing prices. By inputting the specifics of their property into the application, hosts can obtain a suggested price that reflects the going rates for similar listings in their area. This can help hosts optimize their pricing strategy to increase their competitiveness and maximize potential earnings.

In conclusion, our Airbnb Price Prediction application leverages machine learning to provide valuable pricing insights to hosts. It stands as an example of applying data science techniques to real-world problems, translating the analytical rigor of our coursework into a tangible asset for the Airbnb community. The tool provides Airbnb hosts with a reliable and efficient method of predicting the price of their listings, which can help them optimize their pricing strategy and maximize their earnings.

**Findings**

Insights from Predictive Modeling Using Review Rating Score

Through predictive modeling, we gained further insights:

* **Airbnb Amenities:** Based on what we saw in our rate review score tests, amenities have a huge impact on whether or not it will receive a high rating. Making sure they are up to date and well maintained will ensure higher reviews, lead to increased favorability, which in turn will bring in more customers.
* **Communication:** How quickly a host responds was also a key insight our models gave us, which makes sense. Being able to keep the customer happy will surely lead to success.
* **Location:** Where an Airbnb is also appears to play an important role in the overall score of an airbnb. What this will lead us to believe is that for any future Airbnb owner, they should investigate where they are choosing to buy. Manhattan, as we saw in our exploratory analysis, had higher ratings across the board. This may be a potential place to purchase an Airbnb if it is cost affordable.

Key Factors Influencing Pricing

Our analytical journey through the Airbnb New York City dataset has surfaced critical factors influencing listing prices:

* **Geographic Location**: Listings in centrally located boroughs like Manhattan fetch higher prices, resonating with the global axiom of real estate—location, location, location.
* **Number of Bedrooms**: A direct correlation exists between the number of bedrooms and higher pricing, emphasizing space as a valued commodity among Airbnb users.
* **Amenities**: Listings equipped with sought-after amenities command higher rates, suggesting guests' willingness to pay for added comfort and convenience.
* **Host Reputation**: Hosts with higher ratings, especially in cleanliness and communication, enjoy the liberty of pricing their listings higher, highlighting the importance of service quality in the hospitality domain.

**Recommendations**

Strategies for Hosts

* **Price Accuracy:** Hosts should focus on enhancing the features that significantly impact pricing, such as the number of accommodations, bathroom amenities, and ensuring high review scores. An accurate price will lead to more satisfied guests. So, making sure your price reflects the quality of your Airbnb experience will go a long way.
* **Distinguished Hosts:** Our models indicated that the hosts efforts play a large role in the overall score of an Airbnb. By going above and beyond as a host you will bring in higher ratings which will lead you to be a more favorable location than other Airbnb’s.

Enhancing Listing Attractiveness

* **Investment in Amenities**: Augmenting listings with premium amenities can substantiate higher pricing.
* **Accuracy in Representation**: Ensuring listings are accurately represented in descriptions and images can enhance guest satisfaction and, consequently, reviews.
* **Visual Appeal**: Professional photography can significantly elevate the perceived value of listings.
* **Personalized Guest Experience**: Crafting unique and personalized experiences for guests can lead to higher ratings and repeat business.

By embracing these strategies, Airbnb hosts in New York City can not only optimize their listing prices but also elevate the guest experience, propelling their success in a dynamic market.

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