Sharing Economy – Asymmetric effects between host and Airbnb in case of a service failure

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Abstract

With the enormous proliferation of shared economy offers on platforms such as Airbnb, also the number of service failures are increasing. In contrast to classic hotel businesses, two parties (host or platform) could be responsible for the failure. While these failures threaten the platforms' success, little is known about consumers' reactions and appropriate recovery strategies. Based on attribution theory, our study shows that the locus and controllability of the failures influence consumer's attribution of responsibility and their expression of anger. In particular, anger in host-located failures was found to spillover to Airbnb, which has managerial impacts. Moreover, to recover consumers' satisfaction and decrease anger, an assistance (monetary) recovery strategy was more (less) effective.

Keywords: Shared economy, homesharing, service failure

Track: Tourism marketing

1. Introduction

Sharing economy platforms, such as Uber for transportation or Airbnb for homesharing, are on the rise and are challenging established taxi and hotel businesses today. For instance, as biggest hospitality firm within the sharing economy, Airbnb, offers over 6 million accommodations in over 220 countries, resulting in more rooms than the six biggest hotel groups combined (Airbnb, 2019). In contrast to other platforms such as booking.com or travel agencies, Airbnb allows individuals to rent out their apartments to other travelers (Mao & Lyu, 2017). Therefore, customer service in homesharing is distinct from other business models, because it involves two service providers – the host and the platform. This combination of two parties offers different advantages for both. For instance, the host profits from highly increased visibility of the accommodation offer, while Airbnb benefits from the service provision and use of private (underused) assets. However, the service provision by two parties is also creating complexities and challenges.

Particularly in the case of service failures, the assignment of responsibilities to solve the problem remains unclear compared to traditional hotel businesses (Mody, Lu & Hanks, 2020). Corresponding to the strong growth of the number of guests on homesharing platforms, the number of service failures and complaints seem to grow as well. According to a study of Smith (2016), between 12% and 17% of shared accommodation users encountered an unsatisfactory experience, caused by a poor service delivery from one of the service providers (host or Airbnb). In general, service failures received particular attention in the research literature, as they were found to harm consumer's satisfaction, loyalty as well as firms reputation or profit, among others (Roschk & Gelbrich, 2014; Wan, Huy & Wyer, 2011). Yet, due to the complexity of the shared economy business models, new challenges arise, which might not be adequately addressed by findings based on a single service provider.

Literature regarding service failures for shared economy is scarce but starts to evolve. Initially, Suri, Huang & Sénécal (2019) found that customers have more empathy towards the peer service provider (e.g., host), and thus forgive them more than the service enabler (e.g., Airbnb), when failures were on a low controllable level. Second, a private host of Airbnb (vs. hotel clerk) was perceived as more authentic and received more positive emotional response after a failure. Both factors lead to higher post-failure loyalty compared to the traditional hotel business (Shuquair, Pinto & Mattila, 2019). Related to service recovery activities, scholars examined that a customer's effort to complain and their brand trust affect the post-recovery loyalty behaviors. In particular, sharing offers often increase the confusion and effort to which

party the complaint should be addressed, and this effort is reducing re-use intentions and increased switching behaviors (Mody et al., 2020).

However, prior research has neglected to explain, if users assign different levels of responsibility towards the service enabler (host) vs. service provider (Airbnb) depending on the level of controllability. As service failures were found to significantly decrease favorable consumer responses, a more nuanced understanding of consumer's responsibility attribution is needed here. Furthermore, shared economy businesses can use different recovery strategies, such as monetary or extra-service-related activities, to compensate for the inconvenience caused. Hereby, it remains unclear which type of strategies are more effective. Thus, we formulate the following research questions:

1. How do central dimensions of service failure attribution (locus, control) influence user's responsibility perceptions, emotions and recovery expectations?
2. Which recovery strategies (monetary vs. assist) are particularly effective to compensate a service failure?

Using a scenario-based experiment, we show differential consumer responses to service failures depending on locus and controllability of these failures as well as to different recovery strategies. Our research offers several contributions: Theoretically, this study sheds light into the under-researched field of failures in shared economy and hereby adds to the application of attribution theory. Indeed, , we show that this business model creates complexities and differential consumer perceptions toward the two involved service parties (host and Airbnb). Practically, this study supports managers of shared economy firms such as Airbnb as well as the service providers (i.e., hosts) to respond more effectively to different types of service failures by also considering possible spillover effects due to the mingled service.

2. Conceptual framework

2.1 Attribution theory

In general, service failures were found to significantly harm customer responses such as satisfaction, loyalty or word-of-mouth intentions (Bonifield & Cole, 2008; Roschk & Gelbrich, 2014). When experiencing a service failure, people often seek to attribute the responsibility for this failure (Weiner, 2000). Therefore, they tend to consider causal attributions, and these attributions then serve as a basis for their decisions on how to cope with the situation and how to react to it. According to attribution theory (Weiner, 1985),

individuals draw these inferences of causal attributions along three dimensions: locus of causality, controllability and stability. That means, individuals infer who might have caused the failure (locus), if the failure could be prevented (controllability) and if the failure persists over time (stability) (Weiner, 1985, 2000). In the context of shared economy, in particular the first two aspects are highly relevant. First, as the service is provided by two entities (platform and host), the question arises which party is considered responsible when a service failure occurs. In the field of homesharing, accommodation-related failures could rather be blamed to the host, whereas booking-related failures might rather be blamed to the platform. We omitted the stability dimension, because staying at a particular host is usually a one-time event. Furthermore, according to van Vaerenbergh et al. (2014), controllability was found to have a stronger impact on the related consumer responses than stability. Therefore, we focus on controllability as our second dimension to investigate potential different effects for peer service versus platform providers.

2.2 Reactions to service failure

Scholars identified that consumers react in different ways to cope with service failures. In particular, when a service failure is assigned to others, such as the service provider, people were found to express anger as a strong negative emotion (Gelbrich, 2010). Closely related to that, consumers often expressed dissatisfaction. Although both constructs are related. Bougie, Pieters & Zeelenberg (2003) revealed that they are distinct from each other and that both outcomes are sending different signals. On the one hand, dissatisfaction motivates the customers to find out more about why the service failure really happened. On the other hand, anger occurs, when people already identified another entity as responsible source of the failure. As such, anger represents a retrospective emotion directed to someone else's fault (Gelbrich, 2010). Within the range of emotions, anger represents the typical form of response to a service failure (Bonifield & Cole, 2008; Gelbrich, 2010). Moreover, anger is also directed towards changing the situation; e.g., to encourage the service provider to eliminate the failure and encourage recovery (Weiner, 2000).

1.3 Service recovery

After a service failure, firms have either the chance to restore customer satisfaction and loyalty, or to intensify negative consequences by reacting inappropriately and probably loose the customer for the future (Mody et al., 2020). Thereby, service recovery describes any action a firm takes to respond to the service failure and can include different facets (Gronroos, 1988). For instance, firms could apologize, use monetary compensation, offer

new goods or services or re-perform service activities. Roschk and Gelbrich (2014) found, that a recovery strategy was most effective, when the compensation matched the failure it needed to offset. Thus, matching is advised – for instance a monetary compensation for a monetary failure or a re-performance for a failed service (Roschk & Gelbrich, 2014).

Likewise, manifold studies found positive effects of compensation activities on consumer responses, such as decreased negative emotions or restored customer satisfaction (Bonifield & Cole, 2008; Maxham & Netemeyer, 2002; Roschk & Gelbrich, 2014). To offer customer service, firms could decide how to assign their resources efficiently. For instance, firms could decide either to invest in a large call center in order to give quick and personal support, or to offer monetary recovery instead, such as giving out vouchers for future bookings. Scholars found, that both recovery strategies could decrease customers' negative emotions and increase post-recovery satisfaction levels (e.g., Bonifield & Cole, 2008).

Related to the first option, people might appreciate assistance from the service provider. Particularly in service-related failures with a high severity, people tend to be frustrated and use support-seeking coping mechanisms (Menon & Dubé, 2007). That means, they search for instrumental support, such as a personal contact to find a solution for the consequences of the failure (Gelbrich, 2010; Menon & Dubé, 2007). Second, monetary recovery could also mitigate losses suffered from the failure and lead to post-recovery satisfaction. Thereby, people should easily compare the value of the money gained against their experienced losses due to the failure (Smith, Bolton & Wagner, 1999). In sum, this comparison expands research, as the factor "assistance" was not included until now.

3. Hypotheses

3.1 Perceived responsibility in sharing economy and its consequences

In general, hosts on Airbnb are private persons offering their accommodation to others (Mao & Lyu, 2017). Thus, as a single person, they are not expected to have failure prevention systems or act like a business. Therefore, if the host is the source of the failure (i.e., locus of attribution), we expect that consumers will try to evaluate the level of controllability. Depending on a high or low rating of controllability, consumers should then assign a high or low responsibility to the host. In contrast, Airbnb is a professional and large company with millions of bookings, trained staff and standardized procedures (Airbnb, 2019), which should give them more power to operate and handle service issues. Furthermore, customers might expect that Airbnb has installed mechanisms to prevent failures. Thus, when a service failure

is attributed to Airbnb, we expect customers to assign high responsibility to Airbnb, irrespective of its level of controllability. That means, people might assume that Airbnb implemented strategies to even react on failures that were not under their direct control. Thus:
H1: In host-located failures, higher controllability leads to higher perceived responsibility of the host. In Airbnb-located failures, we do not expect an effect of controllability on perceived responsibility of Airbnb.

When individuals assume, that a service failure could have been prevented by the particular party (platform or host), they are more likely to experience anger (Weiner, 2000). As the platform or host could have controlled this factor, a failure represents that a moral code of conduct is broken. In other words, this is not considered as professional and morally acceptable behavior and, thus, creates anger (Gelbrich, 2010). We therefore state:
H2: A high (low) level of controllability leads to higher (lower) anger for both host- and Airbnb-located failures.

Next to the differentiation between low and high levels of controllability, we further expect that the differentiation between the failure locus (i.e., host or Airbnb) will have differential impacts on consumer's anger. We argue hereby, that the anger about a host-located failure will spillover to Airbnb, while this spillover will not happen in the opposite direction. Within the service provision process, both parties have a different level of power and resources. As already mentioned, the host generally represents a private person, while platforms like Airbnb are large multinational corporations with huge financial and personal resources (Airbnb, 2019). Furthermore, the platform could use its power to include or exclude hosts from the platform, whereas the single host could not sanction Airbnb in a similar way. Therefore, we assume that customers expect higher quality control and sanctioning activities from Airbnb (vs. the host), in sum more responsibility within the service process. Therefore, when a highly controllable service failure is attributed to the host, customers might blame Airbnb as well for neglecting their "control" function and express their anger about this (Mody et al., 2020). In contrast, the host will not be held responsible for Airbnb-assigned failures, and should not receive consumers' anger. Thus, we hypothesize:
H3: When the level of controllability is high, customers experience a higher level of anger in the case of a host-located failure compared to an Airbnb-located failure.

Previous research showed that service recovery activities could enhance favorable customer responses and mitigate negative emotions. Scholars suggest, that customers expect some form of support and recovery to restore the feeling of justice (Wirtz & Mattila, 2004). Within the accommodation business, and particularly in the even more complex homesharing

business like Airbnb, many service failures get visible only upon arrival. For instance, rooms may be unavailable or dirty. In these cases, travelers face the urgent problem to find a bed for the night that needs to be resolved immediately. Thus, we expect that a direct assistance from the shared service platform meets customers' support-seeking coping mechanism (Menon & Dubé, 2007). In contrast, the monetary recovery strategy is sought to fit less perfectly, as it does not meet the customers' essential and urgent need. Formally:
H4: An assist (vs. monetary) recovery strategy will create (a) higher post-recovery customer satisfaction. and (b) less customer anger.

4. Method and Data Collection

To analyze the effects of different attributions in case of a service failure, we recruited 234 respondents to take part in an online experiment with a 2 (locus of failure: Airbnb vs. host) x 2 (controllability: low vs. high) between-subjects design. Participants were randomly assigned to one of the four pre-tested experimental conditions, and were asked to read a fictitious scenario regarding a weekend trip booked via Airbnb. They had to imagine experiencing different forms of service failures, all resulting in a non-availability of the booked accommodation for the upcoming night. Thus, we established a comparable and highly severe outcome that is also reflecting realistic service issue we derived from several Airbnb reviews. For instance, the accommodation was unavailable due a double booking by the host, i.e., which represented the locus host/high controllability scenario. In contrast, for the locus Airbnb paired with low controllability, Airbnb suffered a server breakdown due to a hacking attack towards their cloud provider.

We employed reflective multi-item measures with 7-pt Likert scales for our latent variables from the extant literature and adapted them to our study context. We used scales for "blame attributions" (Maxham & Netemeyer, 2002), "anger" (Bougie et al., 2003) and "post-recovery satisfaction" (Gelbrich, 2010). We controlled for participants' age, gender, prior experience, case severity and general attitude towards Airbnb, and evaluated the case realism.

Psychometric properties were all well above the recommended levels, indicating construct-level and convergent validity. In particular, Cronbach's α and composite reliability were above.7, and the average variance extracted for each construct exceeded .5.

5. Results

Using SPSS 25, we assessed the proposed relationships. All scenarios were described as highly realistic, significantly above the scale midpoint ($p < .001$). No significant differences

in these realism scores were found (p = .65). Almost all respondents knew Airbnb (95.3%), while half of them had already used Airbnb (50.9%). Across the scenarios, respondents acknowledged high failure severity, on a scale of Maxham and Netemeyer (2002): ($M_{\text{Composite score}}$: 5.55, SD: 1.43). Our pre-study acknowledged successful manipulations of locus and controllability in the scenarios; as the answers indicated a significant difference between the attribution levels – in particular locus ($p < .001$) and controllability ($p < .001$).

To test the effects of host (vs. Airbnb) attributed failures on responsibility perceptions, we ran an ANOVA. Results revealed significant interactions effects $F(3, 229) = 12.68$, $p < .001$. More granularly, pairwise comparisons (multiple comparisons: Bonferroni) showed that host-located scenarios with low (M: 3.05, SD: 1.58) vs. high controllability (M: 4.58, SD: 1.17) were significantly different ($p < .001$) in terms of perceived responsibility of the host, whereas Airbnb-located scenarios with low (M: 3.82, SD: 1.21) vs. high controllability (M: 4.26, SD: 1.15) were not significantly different (p = .41). Thus, H1 is supported.

Furthermore, supporting H2, an ANOVA with the dependent variable anger showed, that a high (low) controllable failure created more (less) anger ($F(1,232) = 17.69$, $p <.001$), both for the locus host ($p <.001$) and the locus Airbnb ($p <.001$) (Bonferroni). ($M_{\text{Host-high control}}$: 4.59, SD: 1.48 vs. $M_{\text{Host-low control}}$: 2.82, SD: 1.38 and $M_{\text{Airbnb-high control}}$: 4.07,SD: 1.11 vs. $M_{\text{Airbnb-low control}}$: 3.48, SD: 1.19).

To get more differentiated insights, H3 focused on the effect of locus on anger for high-controllable failures. An independent samples t-test revealed that the host-high controllable failures resulted in significantly higher levels of anger (M: 4.59, SD: 1.48) than the Airbnb-high controllable (M: 4.07, SD: 1.10) scenarios ($t(116) = 2.13$, $p < .05$). H3 could be supported.

Finally, we focused on the effectiveness of the recovery strategies. A repeated measures ANOVA showed, that anger could be significantly reduced by both methods ($F(1, 232 = 153.14$, $p <.001$). Additionally, the recovery satisfaction (M: 5.20, SD: 1.56) was rated significantly above the scale midpoint ($p <.001$). Comparing the two recovery types (assistance vs. voucher), an independent samples t-test showed that assistance (M: 5.57, SD: 1.47) was significantly more effective than the voucher (M: 4.81, SD: 1.57) in terms of recovery satisfaction ($t(232) = -3.81$, $p < .001$). A further repeated measures ANOVA showed, that assistance led to a (marginally significantly) larger decrease of anger between pre- and post-recovery ($F(1,232) = 3.21$, $p < .1$). In total, assistance created a higher post-recovery satisfaction and (marginally) less anger, both supporting H4.

6. Discussion

This study offers different findings for theory and management. First, it demonstrates, that in the triadic homesharing system (Airbnb, host, customer), asymmetric effects of service failures exist due to differentiated attribution effects. Customers only held the host highly responsible in case of high controllability of the failure, whereas Airbnb was always held highly responsible irrespective of the level of controllability. . Second, in cases of high controllability, host-located failures caused the highest level of anger – even marginally higher compared to Airbnb-located failures . Finally, this study showed that the two tested recovery strategies were not equally effective. Specifically, assisting the customer led to higher levels of post-recovery satisfaction compared to the monetary compensation (voucher).

Theoretically, our results add to the service failure literature by showing differential responsibility attributions and their consequences and, thereby expanding knowledge about consumer responses in shared economy businesses. Managerially, our results indicate that consumers expect both control and failure-prevention systems from platform businesses like Airbnb. As anger stemming from host-located failures was spilling over to Airbnb, an accurate quality management, i.e. by carefully choosing and training hosts and staff, might be helpful to prevent and mitigate negative responses. To recover customers' satisfaction and loyalty, investments in direct personal assistance seems to be more beneficial compared to giving out vouchers for future stays.

These results are work in progress and show exciting patterns concerning attribution and recovery effects that are worth to explore in the future.

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