

PRICE-SETTING BEHAVIOUR IN THE TOURISM SHARING ECONOMY: A HEDONIC PRICE ANALYSIS OF AIRBNB LISTINGS IN THE CARIBBEAN

Troy Lorde^{*,a}, Jadon Jacob^a and Quinn Weekes^b

^aThe University of the West Indies, Cave Hill Campus, St. Michael, Barbados

^bCentral Bank of Barbados, Tom Adams Financial Centre, St. Michael Barbados

Abstract

This study investigated the price-setting behaviour of hosts in the tourism sharing economy in the Caribbean. Generally speaking, we find that site, reputation, convenience, personal and amenities attributes, along with country-level indicators significantly affect prices in the Caribbean. More specifically, most attributes have a positive effect on price-setting. Larger accommodations charge higher prices. Hosts with superior reputations charge higher prices. However, listings with a larger number of ratings are associated with lower prices. This may be an artefact of tourists' preferences for cheaper sharing accommodations, resulting in a relatively higher volume of reviews for properties at the lower end of the price spectrum. Provision of Convenience options have an overall positive effect on prices, although there is evidence that some options can result in lower prices for tourists. The sole Personal attribute investigated is associated with higher price-setting behaviour. Virtually all amenities examined result in greater prices being charged for the space. Results indicate that geography has significant effects on price-setting behaviour. Listings in countries with greater economic and infrastructural development, greater biodiversity, but weaker exchange rates have higher prices. On the other hand, prices are lower in countries where there is more competition for customers.

Keywords: tourism, sharing economy, Airbnb, Caribbean, price-setting behaviour

*Corresponding author: Troy Lorde, Department of Economics, Cave Hill Campus, The University of the West Indies, P.O. Box 64, Bridgetown, Barbados. Tel.: (246) 417-4279; Fax: (246) 438-9104; Email: troy.lorde@cavehill.uwi.edu.

COMPORTAMIENTO DE FIJACIÓN DE PRECIOS EN LA ECONOMÍA DE INTERCAMBIO DE TURISMO: UN ANÁLISIS DE PRECIOS HEDÓNICOS DE AIRBNB LISTADOS EN EL CARIBE

Resumen

Este estudio investigó el comportamiento de fijación de precios de los ejércitos en la economía de intercambio de turismo en el Caribe. En términos generales, nos encontramos con que atributos sitio, fama, comodidad, personal y servicios, junto con indicadores a nivel de país afectan significativamente los precios en el Caribe. Más específicamente, más atributos tienen un efecto positivo en la fijación de precios. Alojamiento más grande cobra precios más altos. Alojamiento más grande cobra precios más altos. Hosts con una reputación superior cobran precios más altos. Sin embargo, los anuncios con un mayor número de calificaciones están asociados con precios más bajos. Esto puede ser un artefacto de las preferencias de los turistas para compartir más barato de alojamiento, lo que resulta en un volumen relativamente mayor de comentarios para las propiedades en el extremo inferior del espectro de precio. Disposición de opciones de la comodidad tiene un efecto positivo general sobre los precios, aunque hay evidencia de que algunas de las opciones pueden resultar en precios más bajos para los turistas. El único atributo Personal investigado está asociado con el comportamiento de fijación de precios más alto. Prácticamente todos los servicios examinan resultado en precios mayores se carga por el espacio. Los resultados indican que la geografía tiene efectos significativos sobre el comportamiento de fijación de precios. Lista de países con mayor desarrollo económico e infraestructural, mayor biodiversidad, pero los tipos de cambio más débiles tiene precios más altos. Por otra parte, los precios son más bajos en países donde hay más competencia para los clientes.

Palabras clave: Turismo, economía, Airbnb, Caribe, fijación de precios de intercambio

1. Introduction

The methods used by consumers to access, buy and use their favourite products and services has changed fundamentally. While individuals have traditionally seen ownership as the most desirable way to have access to products, increasing numbers of consumers are paying to temporarily access or share products and services rather than buy or own them. Sharing something is a natural, pro-social behaviour and has always been a sign of solidarity, cooperation and mutual aid (Benkler, 2006); for example, several firms located in the same building may share services on the same computer network, or even car fleets. Sharing may have become increasingly relevant as we transition from an industrial information economy to a networked economy.

As yet, there is no consensus on the definition of the “sharing economy”. The term is often used interchangeably with other terms, such as, collaborative consumption, collaborative economy, peer economy, access economy, access-based economy, connected consumption, the mesh, asset-light lifestyle, and connected consumption, among others; however, Botsman (2013) argues that while there are areas of overlap, the terms have different meanings. The sharing economy has been variously defined as a form of consumption where people share consumption of goods and services online (Hamari, Mimmi, & Ukkonen, 2016); “consumers granting each other temporary access to under-utilized physical assets, possibly for money” (Frenken & Schor, 2017, pp. 4-5); “an economic system in which assets or services are shared between private individuals, either free or for a fee, typically by means of the Internet” (Oxford University Press, 2015); and, “a set of practices and models that, through technology and community, allows individuals and companies to share access to products, services and experiences”

(Market Revolution, 2013, p. 14). What emerges is that the sharing economy is a new way to obtain value from untapped potential residing in goods or assets that are not entirely exploited by their owners. It has transformed how people's 'haves' are matched with people's 'wants', by shifting power away from large, centralised institutions to distributed networks of individuals and communities on the basis of trust, facilitated by the use of technology, in particular, the Internet. Indeed, Oh and Moon (2016) identify the following common attributes among prevailing definitions of the sharing economy: social relationship-based open accessibility, trust, value creation and peer-to-peer (P2P) transactions.

P2P platforms permit owners to offer goods and services for rental while the platform operator manages and maintains the marketplace (Botsman & Rogers, 2011). In these rental markets, the goods and services are "shared" in exchange for payment. P2P platforms promise to expand access to goods and services, diversify individual consumption, bolster efficiency by increasing asset utilisation, and provide income to owners (Botsman, 2013; Edelman & Geradin, 2016).

The tourism accommodation sector has been radically transformed by peer-to-peer networks (Zervas, Prosperio, & Byers, 2016). One well-known example is Airbnb, which enables individuals to rent out their spaces as accommodation for tourists. These spaces vary widely, ranging from a living room futon, to entire islands, but typically involve a private room, apartment, or entire house. Since its inception in 2008, Airbnb has grown to more than 3 million listings, serving 65,000 cities in 191 countries, and has

booked in excess of 200 million guests (Airbnb, 2017). Financial interest in Airbnb has been very significant. It has attracted \$4.4 billion in venture capital since its start, \$1 billion in its most recent funding round (Series F),¹ and was valued at \$31 billion.² Airbnb has approximately 24 competitors in the same market space.³ Airbnb's success points to high demand for such accommodation due to attractive prices (Tussyadiah & Pesonen, 2016), connecting with locals, and exploring off the beaten track experiences (Guttentag, 2015).

Like several other P2P platforms, Airbnb has met with criticism from policymakers and other commentators. The main criticism levied is that the primary competitive advantage of P2P platforms lies in their ability to avoid costly regulations that are meant to protect third-parties (Horton & Zeckhauser, 2016); for example, Baker (2014) writing in The Guardian newspaper, argues that Airbnb and Uber (an Internet taxi service) are "largely based on evading regulations and breaking the law". Others argue that consumer welfare is enhanced by offering new innovations, more choice, greater service differentiation, better prices and higher quality services (Koopman, Mitchell, & Thierer, 2015). Further, the sharing economy removes the need for regulation in several instances, by providing better information and reputation systems, and expanding choices available to consumers (Koopman, Mitchell, & Thierer, 2015).

¹ See <https://www.crunchbase.com/organization/airbnb#/entity>

² See <https://www.cnbc.com/2017/03/09/airbnb-closes-1-billion-round-31-billion-valuation-profitable.html>

³ These include: 9flats, Alterkeys, atraveo TUI Group, Benivo (formerly FlatClub), Couchsurfing, Flat4Day, Flipkey, HomeAway, Home Escape, HouseTrip, iStopOver, Kozaza, Localo, Nestpick, Onefinestay, Roomorama, SunnyRentals, TravelRent, Trip.com, Upiq, VRBO, Wimdu, Wyndham Worldwide, and Zukbox.

Unlike the traditional hotel industry, consumers using Airbnb must market themselves in ways that will maximise their chance of securing permission to book (Karlsson, Kemperman, & Dolnicar, 2017). Hosts' risk assessment of a potential booking depends in part on trip-related characteristics (for example, the number of nights, motivation for the trip, the travel party, and guests' self-description of their behaviour) as well as personal characteristics (for example, gender, age, and features of the profile picture) (Karlsson, Kemperman, & Dolnicar, 2017). Evidence indicates that travel party composition is the most important attribute, followed by the self-description by guests of their positive behaviour, a profile picture, and trip purpose (Karlsson, Kemperman, & Dolnicar, 2017). Research also suggests that race may be a factor in booking success (Edelman & Luca, 2014; Edelman, Luca, & Svirsky, 2017).

Airbnb essentially enables private citizens to become micro-entrepreneurs, offering their accommodation to tourists for a fee. Hosts have the potential to earn substantial income by renting out their accommodation (Jung, et al., 2016). This potential is influenced by the demand they are able to generate at the listing price. As the entire process of searching and booking takes place over the Internet, the characteristics displayed on Airbnb likely serve as the single point of reference for potential guests to assess the quality of a listing (Hawlitschek, et al., 2016). The listing price is thus likely to depend on the attributes of the accommodation which is offered for rent, other listing characteristics, as well as the feedback received from past customers. Hosts may thus be rewarded with a price premium to reflect their reputation (Ikkala & Lampinen, 2015); for example, a host's overall profile, including pictures of the accommodation and the host,

are of significant importance in price-setting (Ert, Fleischer, & Magen, 2016), while hosts' responsiveness, wish list count, number of reviews and length of membership has been found to affect the sales of Airbnb listings (Lee, Hyun, Lee, Rhee, & Suh, 2015).

In this article, we investigate the price-setting behaviour of Airbnb hosts in several Caribbean destinations. To deconstruct the price effect of the various characteristics that compose the multi-attribute product, we employ a hedonic pricing approach, assuming that the listing price of an Airbnb accommodation in the Caribbean is a function of its characteristics, and of the country where it is located. This permits examination of how various characteristics may translate into economic value in the form of price premiums. We contribute to the relatively small but growing literature on the P2P accommodation sector by demonstrating the price effects of different features based on actual Airbnb data for the Caribbean. The research will also shed light on a sector of the market in the Caribbean about which little is known.

The paper proceeds as follows. Section 2 reviews the relevant literature on the hedonic model and its application in tourism and hospitality, and price-setting determinants on Airbnb. Section 3 describes the methods and data. Section 4 presents and analyses the results. Section 5 presents concluding remarks.

2. Literature Review

2.1 Hedonic Price Theory and Tourism

In an economic context, hedonics refers to the utility individuals derive from consumption of goods and services. Bartik (1987) claims that Court (1939) was the first application of hedonic price theory, although others, such as Colwell and Dilmore (1999), suggest that Haas (1922) preceded Court.

Despite opposing claims, credit for the hedonic pricing model is typically given to Rosen (Rosen, 1974). Rosen's approach, like that of Lancaster (1966a; 1966b; 1971), imputes characteristics' prices based on the relationship between the prices of differentiated goods and the number of characteristics which these goods possess. Rosen's model is also similar to the Lancasterian model in that it assumes that goods possess bundles of characteristics valued by the consumer; however, the models differ in some key ways. While Lancaster assumes that goods are members of a group and that individuals must consume the group members in combinations that will allow them to acquire their preferred attributes, Rosen's model assumes that there is a range of goods from which consumers choose to obtain the requisite attributes.

The hedonic price approach has witnessed increasing use in tourism research. However, much research has focussed on the hotel and tour operating sectors (Papatheodorou, Lei, & Apostolakis, 2012). There have been studies on sun and beach package tours (Thrane, 2005), entrance tickets for attractions (Falk, 2008), destination choice (Morley, 1992; Papatheodorou, 2001; Rugg, 1973), pricing strategies at holiday hotels in the sun-and-beach segment (Espinet, Saez, Coenders, & Fluviab, 2003), and bed and breakfast amenities (Monty & Skidmore, 2003). This focus may have arisen because such tourism

products are heterogeneous, which calls for a precise valuation of range of elements that they incorporate (Sinclair, Clewer, & Pack, 1990).

2.2 *Price-setting Factors on Airbnb*

A number of studies have examined pricing strategies on Airbnb. Due to minimal or no labour costs, primary fixed costs (for example, rent/mortgage and electricity) already being covered, less than full dependence on Airbnb revenue in general, and not typically having to charge taxes, Airbnb hosts are able to price their spaces competitively (Guttentag, 2015). Gutt & Herrmann (2015) consider the effect of rating score availability on pricing using 14,000 listings in New York city, and find that hosts adjust their prices upward by an average of €2.69 when their offering is publicly displayed online for the first time, which occurs as soon as a host has collected three ratings. Gutt & Kundisch (2016) examine the quality-price relationship on Airbnb to determine if *overall* ratings are a reliable signal of quality by focusing on the *value* dimension of the multidimensional rating system. They show that increases in listing prices are associated with decreases in *value* ratings. Thus, Airbnb's *value* scores offer potentially a more valuable source of information for buyers than *overall* ratings scores. This result also has implications for price-setting as hosts could try to establish a good online rating with intentionally lower prices when entering the market (Gutt & Kundisch, 2016). Wang & Nicolau (2017) investigate price determinants in 180,533 offerings on Airbnb in 33 cities. The authors find that 24 out of 25 variables within five categories (host attributes, site and property attributes, amenities and services, rental rules, and online review ratings) are significant determinants of price.

Research into pricing on Airbnb has also uncovered evidence of racial discrimination by hosts. Edelman & Luca (2014) employ a data set that combined pictures of all New York City landlords on Airbnb with their list prices and information about the quality of their spaces, and show that black hosts are forced to charge 12 percent less than non-black hosts for comparable accommodation. A similar study finds Hispanic and Asian hosts charge prices that are on average 9.6 percent and 9.3 percent lower than their white counterparts after controlling for neighbourhood property values, user reviews and rental unit characteristics (Kakar, Franco, Voelz, & Wu, 2016). A follow-up study by Edelman, Luca, & Svirsky (2017) finds that booking requests by persons with distinctively white names are accepted at a rate 16 percent greater than those of persons with distinctively African-American names (in the absence of profile photos).

Trust, a belief that persons will behave according to assurances which they make (Ert, Fleischer, & Magen, 2016), is an issue of critical importance for P2P markets (Botsman & Rogers, 2011; Ert, Fleischer, & Magen, 2016; Hawlitschek, et al., 2016; Kim, Chung, & Lee, 2011), as strangers are unlikely to engage in monetary transactions without trust (Bonson, Carvajal-Trujillo, & Escobar-Rodriguez, 2015). Therefore, P2P platforms have designed tools that enable the formation of trust between providers and consumers (Resnick & Zeckhauser, 2002); for example, identity verification, mutual rating and review schemes, insurance, and specific web design techniques (Gebbia, 2016). In relation to price-setting behaviour, Ert, Fleischer & Magen (2016) find that trustworthiness of the host as perceived from their photos (“visual-based trust”) is associated with higher prices, while a host's reputation, as conveyed by their online

review scores, has no effect. Hosts are able to influence their perceived trustworthiness by strategically discussing various personal topics; for example, occupations, educational background, or interests (Ma, Hancock, Mingjie, & Naaman, 2017), which also has implications for the prices hosts set.

Reputation in e-commerce, a public perception that conveys the collective evaluation of a group regarding attributes of a person or entity (Wang & Vassileva, 2007), is a closely related, but non-identical, concept to trust (Ert, Fleischer, & Magen, 2016), which can have an effect on price-setting behaviour. Numerical scores based on reviews by previous customers are the most commonly used method to convey reputational information online (Ert, Fleischer, & Magen, 2016). Typically, an impeccable reputation in an e-commerce setting leads to greater sales, that is, a larger volume (Chevalier & Mayzlin, 2006). However, Airbnb hosts are constrained in terms of sales, since their space can be rented out at most 365 nights each year, or even fewer nights if hosts block some nights for other reasons (Ert, Fleischer, & Magen, 2016). As a consequence, an improvement in reputation which leads to greater demand for a space is likely to result in higher prices, as the number of nights sold cannot be increased (Ert, Fleischer, & Magen, 2016). This hypothesis is supported by findings which demonstrate that Airbnb hosts respond to a higher reputation by demanding higher prices or being more selective in choosing guests (Gutt & Herrmann, 2015; Ikkala & Lampinen, 2015). Another indicator of hosts' reputation, the 'Superhost' badge (a distinction given to hosts by Airbnb for meeting particular benchmarks which they set, such as high response rate, consistent 5-star evaluations, experience and commitment), can incentivise hosts to leverage this

badge by setting higher prices, as guests are willing to spend more money for accommodations with the badge (Liang, Schuckert, Law, & Chen, 2017).

Host representation is also important for price-setting. Fagerstrom, Pawar, Sigurdsson, Foxall & Yani-de-Soriano (2017) find that a host's facial expression has a significant impact on the buying behaviour of Airbnb consumers. Negative facial expressions or absence of facial image increase the likelihood that potential consumers will avoid a particular listing and simultaneously decrease the likelihood to rent, while the converse is true for neutral and positive facial expressions. The impact of absent facial images and angry facial expressions on the likelihood of renting is not offset by setting a low price or high customer ratings.

The studies reviewed have started the process of investigating price-setting behaviour in the tourism sharing economy. A major deficiency of these studies is that they were conducted with datasets on listings from a single city, primarily in the USA. Another is the limited number of variables considered in the analyses. These deficiencies limit our understanding of price-setting behaviour for tourism sharing economy rental accommodation. We argue that an investigation which considers other regions of the world is also appropriate.

Against this background, we argue that Airbnb represents an ideal laboratory for studying price-setting behaviour with hedonic price models. First, the nature of Airbnb's P2P platform with many sellers and buyers and high frequency of bookings creates an optimal

environment for competition and price discovery. Second, personal attributes are more relevant, since Airbnb interactions are conducted on a personal basis. Airbnb's platform provides rich profiles of its users including explicit social cues (for example, photographs, self-descriptions, text reviews), constituting a prerequisite and a powerful basis for price differentiation. Third, Airbnb's platform provides a uniform template for describing users' diverse information. This renders the effects of investigated factors highly comparable across large sets of accommodations and hosts as they contain the same pieces of information.

3. Methods and Data

3.1 Methods

This study employs the hedonic price approach to examine price-setting behaviour by Airbnb hosts in the Caribbean. This method assumes that a characteristic vector can represent the good under consideration. In the case of the Airbnb, an individual renting a space is purchasing not just access to that space, but also the characteristics of that space.

Although several functional forms are compatible with hedonic price analysis (Papatheodorou, Lei, & Apostolakis, 2012), the semi-logarithmic form recommended by Rosen (1974) is most frequently used in research (Andersson, Shyr, & Fu, 2010). The hedonic price model for the rental price of Airbnb accommodation may be specified as a function of a set of attributes:

$$\ln P_i = \alpha + \beta X_{ij} + \varepsilon_i \quad (1)$$

where $\ln P_i$ is the natural logarithm of the rental price of Airbnb listing i ; X_{ij} is a vector of attributes j associated with the listing; α is the intercept; and ε_i is a random error term with the usual properties. X_{ij} may be measured in logs or levels. The partial derivative of the hedonic function with respect to each listing characteristic j provides the marginal implicit price, which represents the marginal willingness of buyers to pay for a particular attribute and the marginal willingness of sellers to accept.

OLS and quantile regression methods will be used to estimate the hedonic equation in (1). The main difference in approaches is that OLS regression is based on the conditional mean of the dependent variable, in contrast to quantile regression which is based on the conditional r^{th} quantile of the dependent variable. Quantile regression, therefore, provides a more comprehensive description of the conditional distribution; that is, quantile regression estimates the effects of individual explanatory variables on the whole distribution of the dependent variable, as opposed to estimating the average response of the dependent variable to changes in the explanatory variables. This permits the discovery of relationships that may otherwise remain hidden.

Hedonic price analysis relies on the extensive use of dummy variables to measure qualitative characteristics of a product. The coefficients can be transformed using the transformation $e^\beta - 1$, where β is the coefficient and e is the base of the natural logarithm, to provide a more precise explanation of each coefficient (Papatheodorou, Lei, & Apostolakis, 2012). This transformation provides the dummy's effect in percentage

terms. The monetary effect can be obtained by multiplying this transformation by the average level value of the dependent variable (Monty & Skidmore, 2003).

3.2 *Data*

Our analysis is based on a dataset of Airbnb listings from 12 Caribbean countries (Antigua & Barbuda, Aruba, the Bahamas, Barbados, Belize, British Virgin Islands (BVI), Grenada, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent & the Grenadines, and Trinidad & Tobago). The observations were collected using web crawling techniques to collect publicly available information on Airbnb.com, yielding 7025 listings. All data was collected in August 2017. Only listings with three or more ratings are considered, for which Airbnb provides visible star ratings, to ensure that the price of the accommodation listed reflects the market equilibrium to some extent. This resulted in a final dataset with 3046 listings. Table 1 provides the details of the dataset by country. We then combine this with country-level indicators collected from World Bank *WDI*.

4. Results and Analysis

4.1 *Airbnb Listing Attributes and Country Level Indicators*

Attributes are examined under the following categories: (1) Site (2) Reputation (3) Convenience (4) Personal, (5) Amenities, and (6) Country. Tables 2a and 2b provide a summary of all Airbnb variables under study, including the mean, standard deviation, and quantiles for continuous variables and percentages for discrete variables.

Site Attributes

This category is concerned with physical aspects immediately associated with the Airbnb site. The average listing has approximately 2 bedrooms, 1 bathrooms, and 3 beds (Table 2a). Apartments or similar comprise 44.2 percent of all listings, followed by houses at 32.1 percent. Bed & Breakfast operations make up the smallest share of rentals available (4.1 percent). Almost 86 percent of listings offer the entire site for rent.

Reputation Attributes

Reputation is comprised of several variables: length of Airbnb membership (in months), number of listing photos, number of ratings, overall rating (1 to 5 stars in steps of 0.5 stars), 'Superhost' status (1 = yes, 0 = no), and wish list⁴ (number of times listing has been saved by Airbnb customers).

Figure 1 shows the distributions of the reputation variables as well as rental price. The distribution of each variable is right-skewed with the exception of overall star ratings. The latter is consistent with the literature where virtually all ratings are 5 (61.5 percent) or 4.5 (32.7 percent). Caribbean Airbnb rentals have been listed for close to three years, specifically 32.3 months on average (Table 2a). Each listing provides approximately 22 photos on average, which is close to the median of 19. The average number of ratings is 18, which is mainly due to the listings with many ratings; half of all listings have 11

⁴ The number of times which Airbnb customers save a particular listing either for further review or so that they can easily find it again should they wish to return is considered a reputational attribute, as it is an easily visible indicator of potential demand for that listing. Potential demand for a listing alludes to a combination of the attributes on offer from the listing and the quality of the host, that is, reputation.

ratings or less. Twenty-five percent of rentals are offered by ‘Superhosts’ (Table 2b). The average listing has been saved 290 times.

Convenience Attributes

Convenience is comprised of options Airbnb hosts may offer for guests’ convenience, or depending on the option could prove inconvenient to guests. This includes the check-in window (11 hours on average), checkout time (2:00 pm is the average checkout time allowed, although some hosts allow guest to checkout up until midnight), cleaning fee (\$39.94 per listing), security deposit (\$128.02), and maximum charge for additional persons beyond the minimum preferred by hosts (\$33.48 on average) (Table 2a). The minimum stay required for a booking is 5.9 nights; however, 75 percent of hosts require at most 3 nights for a booking. Response rates are high, averaging 95.3 percent (Table 2b). The typical response time to potential guest enquires usually take place within an hour (59.2 percent) or within a few hours (25.6 percent). Self-check-in facilities are offered by 12.5 percent of hosts.

Personal Attributes

The only personal attribute considered was whether hosts offered multiple listings on the Airbnb platform. Almost 70 percent of Caribbean hosts (69.8 percent) offer more than one space for rental.

Amenities Attributes

This category comprises amenities considered by the authors to be those that guests likely cannot do without (wifi and cold air conditioning [ac]), and those over and above what most hosts might offer (breakfast, cable TV, doorman, elevator, gym, pool and wheelchair accessibility). Wifi is offered by almost all hosts (96.9 percent). AC provision is also high at 78 percent. A breakfast option is provided by 10.5 percent of hosts, cable TV by 62.5 percent, a doorman by 3.5 percent, elevators by 4 percent, gym facilities by 8.6 percent, a pool by 41.2 percent, and wheelchair access by 13.6 percent.

Country Attributes

Apart from the attributes of rental properties, the countries in which the properties are located can also have important effects on pricing behaviour. To control for such effects, this category is comprised of several indicators: real GDP per capita, as a measure of economic strength/well-being; population, as a measure of competition; land area, as a measure of biodiversity; broadband subscriptions per 100 persons, as a measure of infrastructural development; and, exchange rate with US dollar, as a measure of purchasing power. Table 3 provides these details for each country under study.

4.2 Regression Results

Table 4 provides OLS results along with the estimates of the 25th, 50th, and 75th quantiles. Table 5 presents the results in both percentage and dollar terms. Determinants are categorised by (1) Site, (2) Reputation, (3) Convenience, (4) Personal, (5) Amenities, and (6) Country.

All attributes which fall under Space are significant determinants of price-setting behaviour according to the OLS results (Table 4). Each additional bathroom increases the list price by \$24.89 on average (Table 5). The quantile regressions show that price increases are higher at higher price levels, ranging from \$7.98 for the 25th quantile up to \$33.88 for the 75th quantile. An additional bedroom and bed increase the list price by \$4.64 and \$2.23 respectively. Quantile regressions show a similar increasing pattern on price-setting across the distribution for both attributes, although it disappears after the 50th quantile for the number of beds. Property type has a positive effect on price-setting, that is, larger rental units are more expensive than smaller ones; an additional \$11.48 for each type from apartment all the way up to villa. Hosts which rent out their entire space add an additional \$74.94 compared to those hosts which offer shared spaces or private rooms. In percentage terms, rental space has the largest impact on price-setting behaviour on Airbnb hosts.

With respect to Reputation, OLS estimates indicate that all such attributes have a positive impact on price-setting with the exception of the number of ratings (Table 4). Each additional month that a host has been listed on Airbnb.com, adds \$0.44 to the price (Table 5). This price effect is greater at higher prices in the distribution. Additional photos are worth \$0.15. This pricing behaviour only takes place at higher levels of the distribution. As indicated previously, the number of ratings has a negative effect on the price-setting behaviour of Caribbean Airbnb hosts. Such a finding is not unprecedented in the literature. Teuber, Hawlitschek, & Dann (2017) find a negative association between the number of ratings and price. Other researchers have argued that many

tourists choose rent sharing to reduce costs (Guttentag, 2015). So, cheaper listings may receive more bookings and therefore more reviews. This result is persistent, even at higher levels of the price distribution. Each additional star earned by a host can result in an additional \$29.61 to the rental price. Spaces with higher prices add more for each additional star. Like Teuber, Hawlitschek, & Dann, we also find a significant positive effect on price-setting by the interaction between overall rating and number of ratings (NOR*OR). The latter suggests that the negative effect of number of ratings on listing price is stronger for spaces with lower ratings (see Figure 2). As expected, hosts with the ‘Superhost’ badge set higher prices than those without the badge, specifically, \$14.37. The reputational effect caused by Airbnb customers saving a listing results in only a marginal effect on prices of around \$0.03; however, its monetary effect appears to get larger in the price distribution.

In relation to Convenience, all attributes have significant effects with the exceptions of extra charges for additional persons beyond the minimum preferred, minimum stay and response rate (Table 4). Check-in window has a negative effect on price-setting behaviour; that is, lower prices are associated with larger check-in windows. The effect is marginal, lowering prices by only \$0.44 (Table 5). Further, the effect is only associated with the higher prices in the distribution. This effect though significant, is not likely of major consequence in price-setting behaviour. Later checkout times permitted by hosts are associated with higher list prices, around \$1.04, but is only a feature at lower prices. Cleaning fees result in an additional \$0.15 to the price, and is also only significant at lower prices. Hosts with higher response times add \$17.31 on average to

the list price. Requirement of a security deposit has a very small positive effect on price-setting, and this is consistent across the distribution. Surprisingly, provision of self-check-in facilities has a negative effect on price-setting. The result is limited to properties with lower prices (remains significant up to the 46th percentile). In these cases, hosts with inexpensive listings may offer this facility as a means of attracting customers. It may also be the case that providing the self-check-in option is also convenient for hosts, as they will not have to always be on hand to greet guests and check them in personally. This has the effect of lowering prices by up to \$12.55.

With regard to Personal attributes, multiple listings by a host is associated with higher prices. So, for each additional listing on Airbnb, hosts add \$6.63 to the list price. This behaviour is positively associated with the level of prices.

With the exception of cable TV, all Amenities have very significant effects on price-setting (Table 4). Provision of AC, breakfast, a doorman, an elevator, gym, pool and wheelchair access result in higher prices, ranging from \$6.48 for wheelchair access to \$32.10 for pool facilities (Table 5), although there are differences across the price spectrum for each attribute. On the other hand, providing wifi access is associated with lower prices, an effect that is consistent across all price levels, but increases as prices increase. This may be due to the ubiquity of wifi provision (96.9 percent of all hosts offer wifi). In effect, this may have the effect of hosts offering an implicit discount to guests to distinguish themselves from the competition.

The final category, Country, is examined to determine if country-level attributes may affect price-setting behaviour across the Caribbean. OLS estimates indicate that the country in which Airbnb hosts are located has a significant effect on price-setting (Table 4). Findings suggest that each additional unit increase in infrastructural development, proxied by the rate of broadband subscriptions, is associated with a \$1.18 increase in list prices (Table 5). Hosts in countries with weaker exchange rates against the US dollar (purchasing power) compensate for this by charging higher prices, specifically, each additional unit of domestic currency to one US dollar, is reflected in \$0.30 in additional rental charges. These two results concerning infrastructure and purchasing power, hold qualitatively for prices at the bottom half of the price distribution. Biodiversity, proxied by land area has a significant effect on price-setting across the spectrum. Each square kilometre results in an additional \$0.46 in list prices. Population, an indicator of competition, has a negative effect on prices. For every additional 1000 persons resident in a country, rental prices are lower by \$3. The final country indicator, real GDP per capita (RGDP), suggests that each additional \$10 in RGDP is associated with higher list prices of \$1. The quantile regressions provide evidence that this price effect takes place in the upper portion of the price distribution.

5. Conclusion

This study investigated the price-setting behaviour of hosts in the tourism sharing economy in the Caribbean. Three thousand and forty-six accommodations from 12 countries were examined via analysis of 36 variables in 6 categories. OLS results indicate that 32 of the 36 variables are significant determinants of price-setting

behaviour. Results from quantile regressions also indicate that these variables do explain price-setting, but these effects vary over the spectrum of prices under study. This is evidence of the complexities in the pricing of accommodation in the tourism sharing economy.

Generally speaking, we conclude that site, reputation, convenience, personal and amenities attributes, along with country-level indicators significantly affect prices in the Caribbean. More specifically, most attributes have a positive effect on price-setting. Larger accommodations charge higher prices. Hosts with superior reputations charge higher prices. However, listings with a larger number of ratings are associated with lower prices. This may be an artefact of tourists' preferences for cheaper sharing accommodations, resulting in a relatively higher volume of reviews for properties at the lower end of the price spectrum. Provision of Convenience options have an overall positive effect on prices, although there is evidence that some options can result in lower prices for tourists. The sole Personal attribute investigated is associated with higher price-setting behaviour. Virtually all amenities examined result in greater prices being charged for the space. Finally, our results indicate that geography has significant, even if not large, effects on price-setting behaviour. Listings in countries with greater economic and infrastructural development, greater biodiversity, but weaker exchange rates have higher prices. On the other hand, prices are lower in countries where there is more competition for customers.

This study provides insights for regional stakeholders. Hosts in the tourism sharing economy can assess the market environment and improve their sales and profits. Policymakers will also be able to gain an understanding of a sector about which little is currently known, and should help them to make better decisions regarding the sector, in relation to taxation and other concerns. The study also provides tools for Airbnb, and possibly other P2P platforms in designing tools to help guide hosts in price-setting.

There are several limitations of the study. First, no socio-psychological variables were considered in exploring price-setting behaviour. Second, only one personal attribute was examined in the pricing model. Third, within country locational characteristics, for example, proximity to the nearest beach, park, golf course, city centre, or restaurants, or number of attractions, were not considered. Future research will examine these areas of the sharing economy.

Bibliography

- Airbnb. (2017). *About us*. Retrieved April 4, 2017, from Airbnb:
<https://www.airbnb.com/about/about-us>
- Baker, D. (2014, May 27). *Don't buy the 'sharing economy' hype: Airbnb and Uber are facilitating rip-offs*. Retrieved July 6, 2017, from The Guardian:
<https://www.theguardian.com/commentisfree/2014/may/27/airbnb-uber-taxes-regulation>
- Bartik, T. J. (1987). The estimation of demand parameters in hedonic price models. *Journal of Political Economy*, 95(11), 81-88.
- Benkler, Y. (2006). *The wealth of networks: How social production transforms markets and freedom*. New Haven, Connecticut: Yale University Press.
- Bonson, E. P., Carvajal-Trujillo, E., & Escobar-Rodriguez, T. (2015). Influence of trust and perceived value on the intention to purchase travel online: Integrating the effects of assurance on trust antecedents. *Tourism Management*, 47, 286-302.
- Botsman, R. (2013, November 22). *The sharing economy lacks a shared definition*. Retrieved April 2, 2017, from Collaborative Consumption:
<http://www.collaborativeconsumption.com/2013/11/22/the-sharing-economy-lacks-a-shared-definition/>
- Botsman, R., & Rogers, R. (2011). *What's mine is yours: How collaborative consumption is changing the way we live*. London: HarperCollins Business.
- Chevalier, J. A., & Mayzlin, D. (2006). The effect of word of mouth on sales: Online book reviews. *Journal of Marketing Research*, 43(3), 345-354.
- Colwell, P. F., & Dilmore, G. (1999). Who was first? An examination of an early hedonic study. *Land Economics*, 75(4), 620-626.
- Court, A. T. (1939). *Hedonic price indexes with automotive examples: The dynamics of automobile demand*. NY: General Motors.
- Edelman, B. G., & Geradin, D. (2016). Efficiencies and regulatory shortcuts: How should we regulate companies like Airbnb and Uber? *Stanford Technology Law Review*, 19(2), 293-328.
- Edelman, B., & Luca, M. (2014, January 10). Digital discrimination: The case of Airbnb.com. *Working Paper 14-054*. Harvard Business School.

- Edelman, B., Luca, M., & Svirsky, D. (2017). Racial discrimination in the sharing economy: Evidence from a field experiment. *American Economic Journal: Applied Economics*, 9(2), 1-22.
- Ert, E., Fleischer, A., & Magen, N. (2016). Trust and reputation in the sharing economy: The role of personal photos on Airbnb. *Tourism Management*, 55, 62-73.
- Espinet, J. M., Saez, M., Coenders, G., & Fluviab, M. (2003). Effect on prices of the attributes of holiday hotels: A hedonic prices approach. *Tourism Economics*, 9(2), 165-177.
- Fagerstrom, A., Pawar, S., Sigurdsson, V., Foxall, G. R., & Yani-de-Soriano, M. (2017). That personal profile image might jeopardize your rental opportunity! On the relative impact of the seller's facial expressions upon buying behavior on Airbnb. *Computers in Human Behavior*, 72(C), 123-131.
- Falk, M. (2008). A hedonic price model for ski lift tickets. *Tourism Management*, 29(6), 1172-1184.
- Frenken, K., & Schor, J. (2017). Putting the sharing economy into perspective. *Environmental Innovation and Societal Transitions*, 23, 3-10.
- Gebbia, J. (2016, February). *How Airbnb designs for trust*. Retrieved May 14, 2017, from TED Talks: https://www.ted.com/talks/joe_gebbia_how_airbnb_designs_for_trust
- Gutt, D., & Herrmann, P. (2015). Sharing means caring? Hosts' price reaction to rating visibility. *ECIS 2015 Research-in-Progress Papers. Paper 54*. AIS Electronic Library.
- Gutt, D., & Kundisch, D. (2016). Money talks (even) in the sharing economy: Empirical evidence for the price effects in online ratings as quality signals. *Proceedings of the Thirty-Seventh International Conference on Information Systems (ICIS 2016): Digital Innovation at the Crossroads*. AIS Electronic Library.
- Guttentag, D. (2015). Airbnb: Disruptive innovation and the rise of an informal tourism accomodation sector. *Current Issues in Tourism*, 18(2), 1192-1217.
- Haas, G. C. (1922). *Sales prices as a basis for farm land appraisal*. St. Paul: The University of Minnesota Agricultural Experiment Station.
- Hamari, J., Mimmi, S., & Ukkonen, A. (2016). The sharing economy: Why people participate in collaborative consumption. *Journal of the Association for Information Science and Technology*, 67(9), 2047-2059.

- Hawlitschek, F., Teubner, T., Adam, M. T., Borchers, N. S., Mohlmann, M., & Weinhardt, C. (2016). Trust in the sharing economy: An experimental framework. *Proceedings of the Thirty-Seventh International Conference on Information Systems (ICIS 2016): Digital Innovation at the Crossroads*. AIS Electronic Library.
- Horton, J. J., & Zeckhauser, R. J. (2016). Owing, using and renting: Some simple economics of the "sharing economy". *Working Paper 22029*. National Bureau of Economic Research.
- Ikkala, T., & Lampinen, A. (2015). Monetizing network hospitality: Hospitality and sociability in the context of Airbnb. *Proceedings of the 18th ACM Conference on Computer Supported Cooperative & Social Computing* (pp. 1033-1044). New York, NY: Association for Computing Machinery.
- Jung, J., Yoon, S., Kim, S., Park, S., Lee, K., & Lee, U. (2016). Social or financial goals?: Comparative analysis of user behaviors in Couchsurfing and Airbnb. *Proceedings of the 2016 CHI Conference Extended Abstracts on Human Factors in Computing Systems* (pp. 2857-2863). New York, NY: Association for Computing Machinery.
- Kakar, V., Franco, J., Voelz, J., & Wu, J. (2016). *The visible host: Does race guide Airbnb rental rates in San Francisco*. Retrieved June 15, 2017, from Munich Personal RePec Archive (MPRA): https://mpra.ub.uni-muenchen.de/78275/1/MPRA_paper_78275.pdf
- Karlsson, L., Kemperman, A., & Dolnicar, S. (2017). May I sleep in your bed? Getting permission to book. *Annals of Tourism Research*, 62, 1-12.
- Kim, M.-J., Chung, N., & Lee, C.-K. (2011). The effect of perceived trust on electronic commerce: Shopping online for tourism products and services in South Korea. *Tourism Management*, 32(2), 256-265.
- Koopman, C., Mitchell, M., & Thierer, A. (2015). The sharing economy and consumer protection regulation: The case for policy change. *Journal of Business, Entrepreneurship & the Law*, 8(2), Article 4.
- Lancaster K, J. (1966a). A new approach to consumer theory. *Journal of Political Economy*, 74(2), 132-157.
- Lancaster, K. J. (1966b). Change and innovation in the technology of consumption. *American Economic Review*, 56((1/2)), 14-23.
- Lancaster, K. J. (1971). *Consumer demand: A new approach*. New York: Columbia University Press.

- Lee, D., Hyun, W., Lee, W. J., Rhee, W., & Suh, B. (2015). An analysis of social features associated with room sales of Airbnb. *Proceedings of the 18th ACM Conference on Computer Supported Cooperative Work & Social Computing* (pp. 219-222). New York, NY: Association for Computing Machinery.
- Liang, L. J., Schuckert, M., Law, R., & Chen, C.-C. (2017). Be a 'Superhost': The importance of badge systems for peer-to-peer rental accommodations. *Tourism Management, 60*, 454-465.
- Ma, X., Hancock, J. T., Mingjie, K. L., & Naaman, M. (2017). Self-disclosure and perceived trustworthiness of Airbnb host profiles. *Proceedings of the 2017 ACM Conference on Computer Supported Cooperative Work and Social Computing* (pp. 2397-2409). NY, New York: Association for Computing Machinery.
- Market Revolution. (2013). *Inspiring route - Sharing economy & collaborative consumption*. Retrieved August 10, 2017, from SlideShare: <https://www.slideshare.net/MarketRevolution/shsu-sharing-economy-collaborative-consumption>
- Monty, B., & Skidmore, M. (2003). Hedonic pricing and willingness to pay for bed and breakfast amenities in Southeast Wisconsin. *Journal of Travel Research, 42*(2), 195-199.
- Morley, C. L. (1992). A microeconomic theory of international tourism demand. *Annals of Tourism Research, 19*(2), 250-267.
- Oh, S., & Moon, J. Y. (2016). Calling for a shared understanding of the "sharing economy". *Proceedings of the 18th Annual International Conference on Electronic Commerce: e-Commerce in Smart Connected World. Article No. 35*. New York, NY: Association for Computing Machinery.
- Oxford University Press. (2015, February 26). *Sharing economy*. Retrieved August 4, 2017, from Oxford Living Dictionaries: https://en.oxforddictionaries.com/definition/sharing_economy
- Papatheodorou, A. (2001). Why people travel to different places. *Annals of Tourism Research, 28*(1), 164-179.
- Papatheodorou, A., Lei, Z., & Apostolakis, A. (2012). Hedonic price analysis. In L. Dwyer, A. Gill, & N. Seetaram (Eds.), *Handbook of research methods in tourism: Quantitative and qualitative approaches* (pp. 170-182). Cheltenham, UK; Northampton, MA, USA: Edward Elgar Publishing Ltd.

- Resnick, P., & Zeckhauser, R. (2002). Trust among strangers in internet transactions: Empirical analysis of eBay's reputation system. In M. R. Baye (Ed.), *The Economics of the Internet and E-commerce (Advances in Applied Microeconomics)* (Vol. 11, pp. 127-157). Bingley, UK: Emerald Group Publishing Ltd.
- Rosen, S. (1974). Hedonic prices and implicit markets: Product differentiation in pure competition. *Journal of Political Economy*, 82(1), 34-55.
- Rugg, D. (1973). The choice of journey destination: A theoretical and empirical analysis. *Review of Economics and Statistics*, 55(1), 64-72.
- Sinclair, M. T., Clewer, A., & Pack, A. (1990). Hedonic prices and the marketing of package holidays: The case of tourism resorts in Malaga. In G. J. Ashworth, & B. Goodall (Eds.), *Marketing tourism places* (pp. 88-103). London: Routledge.
- Thrane, C. (2005). Hedonic price models and sun-and-beach package tours: The Norwegian case. *Journal of Travel Research*, 43(3), 302-308.
- Tussyadiah, I. P., & Pesonen, J. (2016). Impacts of peer-to-peer accommodation use on travel patterns. *Journal of Travel Research*, 55(8), 1-9.
- Wang, D., & Nicolau, J. L. (2017). Price determinants of sharing economy based accommodation rental: A study of listings from 33 cities on Airbnb.com. *International Journal of Hospitality Management*, 62, 120-131.
- Wang, Y., & Vassileva, J. (2007). A review of trust and reputation for web service selection. *Distributed computing systems workshops, 2007. ICDCSW'07. 27th International Conference on*. (pp. 25-25). Toronto, Ont.: IEEE.
- Zervas, G., Prosperio, D., & Byers, J. W. (2016, November 18). *The rise of the sharing economy: Estimating the impact of Airbnb on the hotel industry*. Retrieved April 6, 2017, from Boston U. School of Management Research Paper No. 2013-16: <https://ssrn.com/abstract=2366898>

Table 1. Details of the Dataset

Country	Date Compiled	Total Listings	Selected Listings	of Total
Antigua & Barbuda	7 August 2017	452	162	35.8
Aruba	9 August 2017	744	433	58.2
The Bahamas	6 August 2017	873	503	57.6
Barbados	8 August 2017	1057	459	43.4
Belize	9 August 2017	267	97	36.3
British Virgin Islands	9 August 2017	310	79	25.5
Grenada	12 August 2017	400	134	33.5
Jamaica	5 August 2017	1184	528	44.6
St. Kitts & Nevis	12 August 2017	193	55	28.5
St. Lucia	7 August 2017	624	272	43.6
St. Vincent & the Grenadines	12 August 2017	279	75	26.9
Trinidad and Tobago	13 August 2017	642	249	38.8

Table 2a. Summary Statistics of Continuous Airbnb Variables

	Mean	Std. Dev.	Min	25Q	50Q	75Q	Max
Price (\$USD)	147.40	150.10	10	65	100	175	2200
Number of Bedrooms	2.1	1.3	1	1	2	3	11
Number of Bathrooms	1.8	1.2	0	1	1	2	10
Number of Beds	2.9	2.0	1	1	2	4	16
Check-in Window (hours, 1-24)	11.0	9.5	1	11	12	14	24
Checkout Time	2:00 pm	5.5 hours	8:00 am	11:00 am	12:00 pm (midday)	2:00 pm	12:00 am (midnight)
Overall Rating (max 5 stars)	4.8	0.3	2.5	4.5	5	5	5
Number of Ratings	18.4	19.7	3	6	11	23	171
Response Rate (%)	95.3	16.5	0	100	100	100	100
Membership (months)	32.3	18.0	2	19	29	43	97
Wish List	289.5	379.7	3	83	172	344	5988
Minimum Stay (nights)	5.9	17.4	1	1	3	3	100
Number of Photos	22.4	15.7	3	12	19	29	99
Maximum Extra Charge (\$USD)	33.48	89.41	0.00	0.00	0.00	32.25	1,650.00
Cleaning Fee (\$USD)	34.94	48.44	0.00	0.00	20.00	50.00	500.00
Security Deposit (\$USD)	128.02	215.96	0.00	0.00	0.00	200.00	2,500.00

Source: Authors' calculations based on data collected from Airbnb.com

Table 2b. Summary Statistics of Discrete Variables

	Percent (%)	Type
Entire Rental Space (= 1)	85.6	Binary
Property Type		Categorical
• <i>Apartment</i> (= 1)	44.2	
• <i>Vacation Home</i> (= 2)	5.8	
• <i>House</i> (= 3)	32.1	
• <i>Bed & Breakfast</i> (= 4)	4.1	
• <i>Villa</i> (= 5)	13.8	
Superhost (= 1)	25.0	Binary
Self-Check-in (= 1)	12.5	Binary
Elevator (= 1)	4.0	Binary
Doorman (= 1)	3.5	Binary
Breakfast (= 1)	10.5	Binary
Wifi (= 1)	96.9	Binary
Gym (= 1)	8.6	Binary
Wheelchair (= 1)	13.6	Binary
Pool (= 1)	41.2	Binary
AC (= 1)	78.0	Binary
Cable TV (= 1)	62.5	Binary
Response Time		Categorical
• <i>Within an hour</i> (= 5)	59.2	
• <i>Within a few hours</i> (= 4)	25.6	
• <i>Within a day</i> (= 3)	12.6	
• <i>Within a few days</i> (= 2)	0.4	
• <i>Other</i> (= 1)	2.1	
Hosts with Multiple Listings (= 1)	69.8	Binary

Table 3. Country Level Indicators

	RGDP (USD)	Population	Land Area (sq. km)	Broadband (%) ^(2015 est.)	Exchange Rate with USD
Antigua & Barbuda	12,783.53	100,963	440	13.07	2.7
Aruba	24,271.94 ^(2010 est.)	104,822	180	18.29	1.79
Bahamas	20,568.32	391,232	10,010	20.91	1.0
Barbados	16,157.43	284,996	430	27.23	2.0
Belize	4,319.99	366,954	22,810	5.00	2
BVI	29,160.13	30,661	150	24.31	1
Grenada	8507.61	107,317	340	18.52	2.7
Jamaica	4,796.03	2,881,355	10,830	8.14	117.64
St. Kitts & Nevis	15,833.02	54,821	260	29.57	2.7
St. Lucia	7,104.11	178,015	610	15.37	2.7
St. Vincent & the Grenadines	6,761.57	109,643	390	15.51	2.7
Trinidad & Tobago	15,786.29	1,364,962	5,130	19.97	6.49

Source: World Bank WDI

Notes: Indicators are from 2016 unless otherwise indicated. Exchange rates for Jamaica and Trinidad & Tobago are averages from 2014-2016.

Table 4. Determinants of Price-setting Behaviour (OLS and Quantile Regression)

		OLS	Quantile		
			25Q	50Q	75Q
Site	Bathrooms	0.156 (0.014) ***	0.144 (0.024) ***	0.186 (0.018) ***	0.221 (0.025) ***
	Bedrooms	0.031 (0.014) **	0.044 (0.015) ***	0.068 (0.023) ***	0.079 (0.032) **
	Beds	0.015 (0.007) **	0.028 (0.012) **	0.023 (0.013) *	0.015 (0.014)
	Property Type	0.075 (0.007) ***	0.062 (0.009) ***	0.062 (0.009) ***	0.062 (0.008) ***
	Rental Space	0.411 (0.029) ***	0.384 (0.040) ***	0.341 (0.040) ***	0.298 (0.035) ***
Reputation	Membership	0.003 (0.001) ***	0.002 (0.001) ***	0.003 (0.001) ***	0.003 (0.001) ***
	Number of Photos	0.001 (0.0006) **	0.001 (0.001)	0.001 (0.001)	0.002 (0.001) *
	Number of Ratings (NOR)	-0.007 (0.001) ***	-0.007 (0.001) ***	-0.006 (0.001) ***	-0.007 (0.001) ***
	Overall Rating (OR)	0.183 (0.028) ***	0.205 (0.041) ***	0.166 (0.035) ***	0.146 (0.037) ***
	NOR x OR	0.005 (0.001) ***	0.005 (0.027) **	0.004 (0.002) **	0.005 (0.001) ***
	Superhost Badge	0.093 (0.021) ***	0.091 (0.025) ***	0.077 (0.024) ***	0.080 (0.027) ***
	Wish List	0.0002 (0.000) ***	0.0002 (0.000) ***	0.0002 (0.000) ***	0.0002 (0.000) ***
Convenience	Check-in Window	-0.003 (0.001) **	-0.002 (0.002)	-0.001 (0.001)	-0.003 (0.001) **
	Checkout Time	0.007 (0.002) ***	0.009 (0.003) **	0.002 (0.002)	0.0037 (0.0025)
	Cleaning Fee	0.001 (0.000) ***	0.001 (0.000) ***	0.0004 (0.0003)	0.0001 (0.0002)
	Extra Charge	0.0001 (0.0001)	-0.001 (0.000) ***	-0.0002 (0.0003)	0.001 (0.0004) *
	Minimum Stay	0.0006 (0.0005)	0.0001 (0.0001)	-2.4E ⁻⁵ (0.001)	0.001 (0.001)
	Response Rate	0.085 (0.071)	0.024 (0.085)	0.072 (0.093)	0.074 (0.094)
	Response Time	0.111 (0.014) ***	0.077 (0.015) ***	0.091 (0.019) ***	0.117 (0.017) ***
	Security Deposit	0.0004 (0.000) ***	0.0004 (0.000) ***	0.0004 (0.000) ***	0.0003 (0.000) ***
	Self-Check-in	-0.089 (0.004) ***	-0.081 (0.035) **	-0.056 (0.0430)	-0.034 (0.039)
Personal	Multiple Listings	0.044 (0.026) **	0.063 (0.023) ***	0.083 (0.023) ***	0.031 (0.025)
Amenities	AC	0.144 (0.024) ***	0.198 (0.032) ***	0.131 (0.030) ***	0.099 (0.032) ***
	Breakfast	0.087 (0.030) ***	0.092 (0.037) **	0.066 (0.039) *	0.072 (0.039) *
	Cable TV	0.009 (0.019)	0.029 (0.025)	0.006 (0.022)	0.002 (0.025)
	Doorman	0.144 (0.056) ***	0.170 (0.058) ***	0.048 (0.074)	0.054 (0.073)
	Elevator	0.218 (0.048) ***	0.282 (0.065) ***	0.289 (0.046) ***	0.197 (0.052) ***
	Gym	0.113 (0.033) ***	0.092 (0.035)	0.065 (0.040) *	0.131 (0.042) ***
	Pool	0.197 (0.020) ***	0.225 (0.026) ***	0.203 (0.023) ***	0.145 (0.025) ***
	Wheelchair	0.043 (0.026) *	0.039 (0.032)	0.064 (0.033) *	0.010 (0.028)
Wifi	-0.168 (0.051) ***	-0.174 (0.067) ***	-0.229 (0.065) ***	-0.136 (0.064) **	
Country	Broadband	0.008 (0.002) ***	0.011 (0.003) ***	0.006 (0.002) **	0.002 (0.003)
	Exchange Rate	0.002 (0.0007) ***	0.002 (0.0009) **	0.002 (0.001) *	0.001 (0.001)
	Land Area	3.1E ⁻⁵ (2.2E ⁻⁶) ***	2.7E ⁻⁵ (2.9E ⁻⁶) ***	2.9E ⁻⁵ (3.7E ⁻⁶) ***	3.5E ⁻⁵ (3.0E ⁻⁶) ***
	Population	-1.9E ⁻⁷ (3.2E ⁻⁸) ***	-1.7E ⁻⁷ (3.7E ⁻⁸) ***	-1.8E ⁻⁷ (5.0E ⁻⁸) ***	-1.6E ⁻⁷ (3.3E ⁻⁸) ***
	Real GDP	6.7E ⁻⁶ (1.8E ⁻⁶) ***	8.5E ⁻⁷ (2.6E ⁻⁶)	6.5E ⁻⁶ (2.1E ⁻⁶) ***	9.8E ⁻⁶ (2.2E ⁻⁶) ***
	Constant	1.591 (0.177) ***	1.307 (0.241) ***	1.895 (0.221) ***	2.244 (0.240) ***
Adj. R²		0.605	0.340	0.395	0.439

Notes: Values in parentheses are standard errors. White heteroscedasticity-consistent are reported for OLS estimates. Bootstrap standard errors are reported for quantile regression estimates. ***, **, and * indicate significance at 1, 5, and 10 respectively.

Table 5. Estimates of Price-setting Behaviour in Percentage and Dollar Terms

		<u>OLS</u>		<u>Quantile</u>					
				<u>25Q</u>		<u>50Q</u>		<u>75Q</u>	
		<u>%</u>	<u>\$USD</u>	<u>%</u>	<u>\$USD</u>	<u>%</u>	<u>\$USD</u>	<u>%</u>	<u>\$USD</u>
Site	Bathrooms	15.6	24.89	14.4	7.98	18.6	17.05	22.1	33.88
	Bedrooms	3.1	4.64	4.4	2.32	6.8	5.87	7.9	22.36
	Beds	1.5	2.23	2.8	1.46	2.3	1.94		
	Property Type	7.8	11.48	6.4	3.29	6.4	5.33	6.4	8.76
	Rental Space	50.8	74.94	46.8	24.11	40.6	33.89	34.7	47.56
Reputation	Membership	0.3	0.44	0.2	0.10	0.3	0.25	0.3	0.41
	Number of Photos	0.1	0.15					0.2	0.27
	Number of Ratings (NOR)	-0.7	-1.03	-0.7	-0.36	-0.6	-0.50	-0.7	-0.96
	Overall Rating (OR)	18.3	29.61	20.5	11.72	16.6	15.06	14.6	21.54
	NORxOR	0.5	0.74	0.5	0.26	0.4	0.33	0.5	0.69
	Superhost Badge	9.3	14.37	9.1	4.91	7.7	6.68	8.0	11.41
	Wish List	0.02	0.03	0.02	0.01	0.02	0.02	0.02	0.03
Convenience	Check-in Window	-0.003	-0.44					-0.003	-0.41
	Checkout Time	0.7	1.04	0.9	0.47				
	Cleaning Fee	0.1	0.15	0.1	0.05				
	Extra Charge			-0.1	-0.05			0.10	0.14
	Minimum Stay								
	Response Rate								
	Response Time	11.1	17.31	7.7	4.12	9.1	7.95	11.7	17.00
	Security Deposit	0.04	0.06	0.04	0.02	0.04	0.03	0.03	0.04
	Self-Check-in	-8.5	-12.55	-7.8	-4.01				
	Multiple Listings	4.5	6.63	6.5	3.35	8.7	7.22	3.1	4.31
Amenities	AC	15.5	22.84	21.9	11.28	14.0	11.67	10.4	14.26
	Breakfast	9.1	13.40	9.6	4.96	6.8	5.69	7.5	10.23
	Cable TV								
	Doorman	15.5	22.84	18.5	9.54				
	Elevator	24.4	35.91	32.6	16.78	33.5	27.95	21.8	29.83
	Gym	12.0	17.64			6.7	5.60	14.0	19.18
	Pool	21.8	32.10	25.2	12.99	22.5	18.77	15.6	21.38
	Wheelchair	4.4	6.48			6.6	5.51		
	Wifi	-15.5	-22.80	-16.0	-8.22	-20.5	-17.07	-12.7	-17.42
Country	Broadband	0.8	1.18	1.1	0.57	0.6	0.50		
	Exchange Rate	0.2	0.30	0.2	0.10	0.2	0.17		
	Land Area	0.003	0.46	0.003	0.14	0.003	0.24	0.004	0.48
	Population	-0.00002	-0.003	-0.00002	-0.001	-0.00002	-0.002	-0.00002	-0.002
	Real GDP	0.0007	0.10			0.0007	0.05	0.001	0.13

Note: Only estimates which are significant are shown. Any missing values imply that the variable has zero impact in percentage and dollar terms.

Figure 1. Distribution of Reputation Attributes

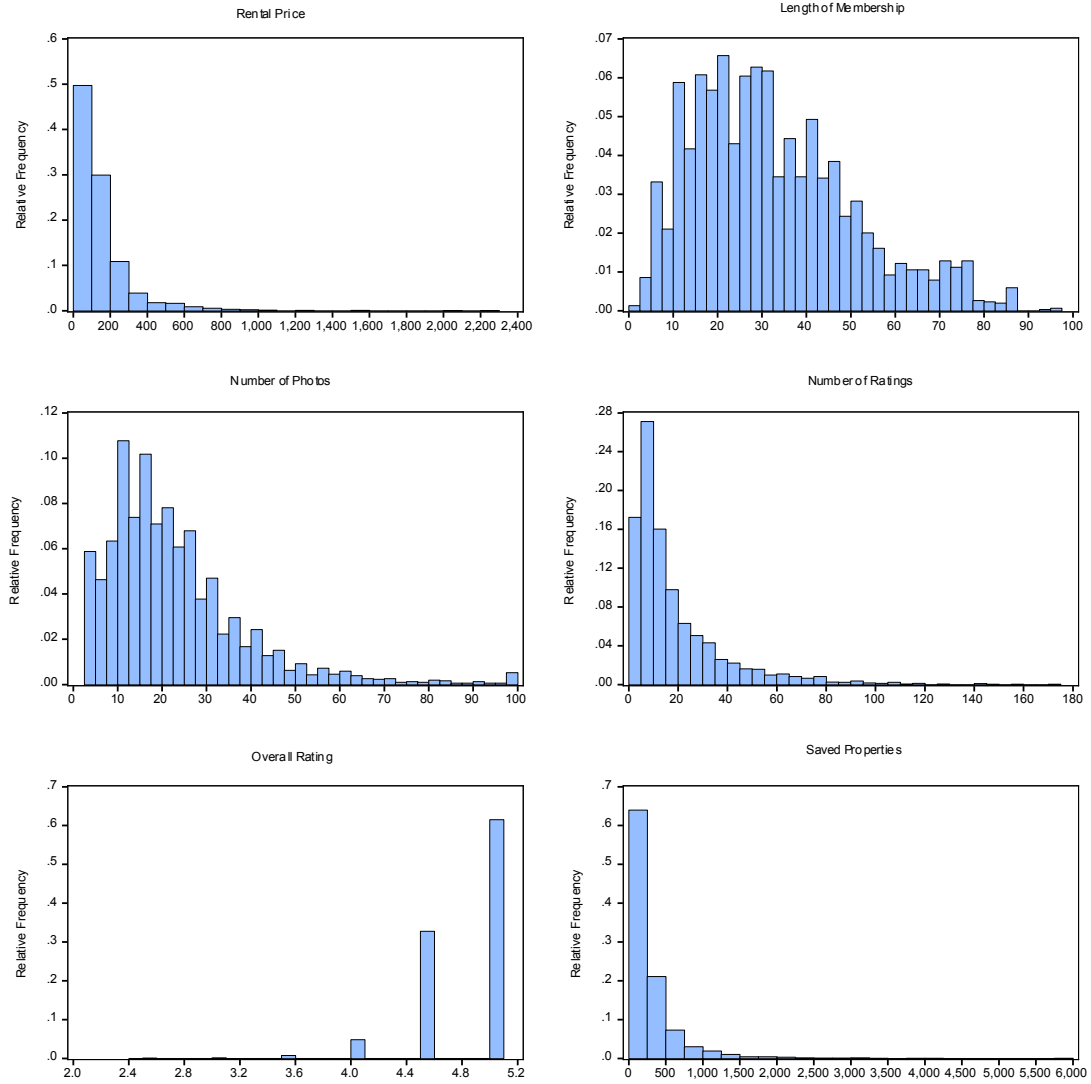
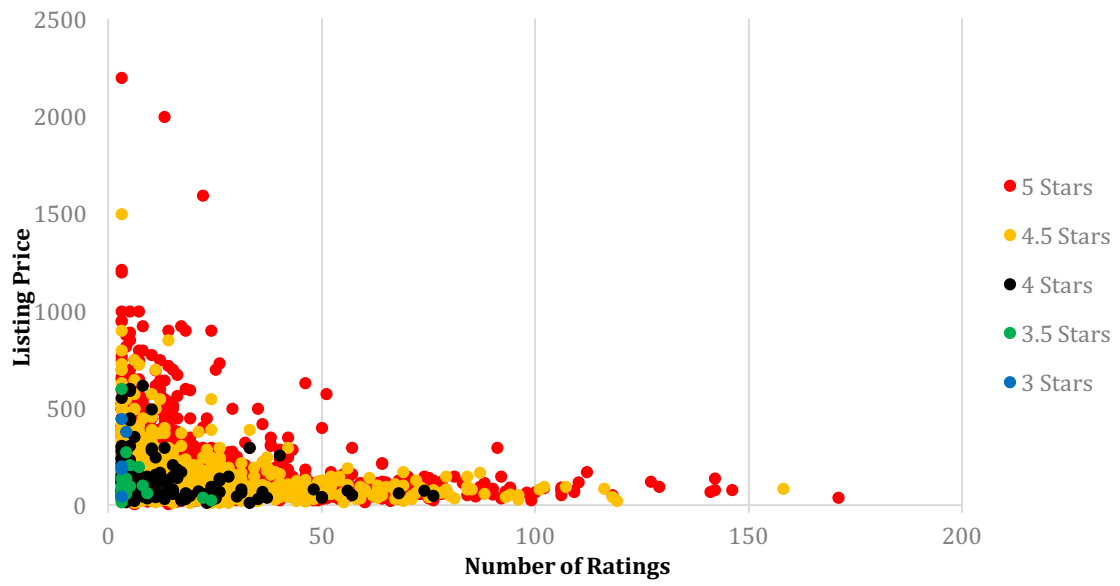


Figure 2. Marginal Relationship between Price and Number of Ratings



Authors' Information

Troy Lorde is a senior lecturer in economics at The University of the West Indies (UWI), Cave Hill Campus. He holds a BSc (First Class Hons.) from the UWI, an MA from York University, Canada, and a PhD from the University of Surrey, UK. Email: troy.lorde@cavehill.uwi.edu

Jadon Jacobs is currently an undergraduate student at The University of the West Indies (UWI) pursuing a BSc Economics. Email: jadonjacob1@gmail.com

Quinn Weekes is a research analyst at the Central Bank of Barbados. He holds a BSc (First Class Hons.) from The University of the West Indies (UWI). Email: Quinn.Weekes@centralbank.org.bb