Customers’ purchasing behaviour between Airbnb and hostels when travelling to Helsinki

Ngoc Lien Dao
Anh Vu
Short-term accommodation for visitors is becoming increasingly expensive in many popular cities in the world and Helsinki is one such city. Helsinki is famous for its living standard and has become a favourite destination for tourists since the past few years. The emergence of reputable online portals such as Airbnb has made it possible for homeowners to list their space online and make some money from providing a place to stay for someone who is seeking it during travelling time. Apparently, this type of accommodation has significant impacts on other traditional accommodation in general. The purpose of the study is to exam the customer’s purchasing behaviour towards Airbnb accommodation and hostel accommodation, and to find out important factors affect their decision-making.

The theory covered for this thesis consisted of customer buying behaviour, the accommodation industry; particularly hostel accommodation and Airbnb accommodation. The factors influencing consumers the most in making decisions for booking accommodation to stay during travelling time was also studied in this research. To make the study more reliable, the authors conducted both quantitative and qualitative research by sending questionnaires to Airbnb and hostel customers via different platforms as well as interviewing Hostel case manager and Airbnb host.

The study’s results revealed the background of customers coming to Helsinki with a lot of findings related to their way of making a decision. Through data collected and analysed from both quantitative and qualitative research methods, one of the most outstanding discoveries is that financial reasons and accessibility are two main determinants affecting customer’s decision-making process. Additionally, the customer segmentations of both units have a slight difference beside numerous similarities due to changes in demands and needs of customers.

Although the study is limited to Helsinki area, the results can bring an interesting and insightful read for hospitality students, researchers, hosteliers, and hoteliers. From perspective of accommodation industry, professionals should not underestimate the appearance of newly peer-to-peer Airbnb accommodation, instead of that they can learn from it and find a proper way to cope with threats originating from Airbnb. On contrary, from of peer-to-peer economy point of view, they should take advantage and fulfil the needs and demands of customers that traditional accommodation in general cannot offer to its customers. Finally, the study regards hostels and budget hotels as the same group when comparing with Airbnb.

<table>
<thead>
<tr>
<th>Keywords</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airbnb, hostel, budget hotel, customer buying behaviour, Helsinki</td>
</tr>
</tbody>
</table>
Table of contents

1 Introduction ............................................................................................................................................. 1
  1.1 Research background ......................................................................................................................... 1
  1.2 Aim and Objectives ............................................................................................................................ 3
  1.3 Thesis structure ................................................................................................................................. 4
  1.4 Research methodology ....................................................................................................................... 6
    1.4.1 Quantitative research .................................................................................................................... 7
    1.4.2 Qualitative research ..................................................................................................................... 7
    1.4.3 Selected Research Methods .......................................................................................................... 8
2 Concept of sharing accommodation .................................................................................................. 9
  2.1 Overview of sharing economy .......................................................................................................... 9
    2.1.1 Definition of sharing economy .................................................................................................... 9
    2.1.2 Driving forces: economic, technological and social factors .................................................... 9
  2.2 Sharing accommodation ................................................................................................................. 11
    2.2.1 Overview of Airbnb and other types of sharing accommodation ............................................. 11
    2.2.2 How Airbnb works ................................................................................................................... 12
    2.2.3 Airbnb’s growth and its impacts on hotel industry ................................................................... 14
    2.2.4 Airbnb market in Finland and Helsinki in particular ............................................................... 16
3 Conventional accommodation industry ......................................................................................... 16
  3.1 Definition of Hotel accommodation ............................................................................................... 17
  3.2 Definition of Hostel accommodation ............................................................................................. 18
  3.3 Conventional accommodation service ........................................................................................... 18
  3.4 Products of an accommodation ...................................................................................................... 20
  3.5 Conventional accommodation classification .................................................................................. 21
    3.5.1 Classification based on location ................................................................................................. 22
    3.5.2 Classification based on Ownership Patterns ........................................................................... 22
    3.5.3 Star Qualification ...................................................................................................................... 23
4 Hostel Accommodation .................................................................................................................. 25
  4.1 Advantages to staying at a hostel ...................................................................................................... 25
  4.2 Disadvantages to staying at a hostel ............................................................................................... 26
  4.3 Hostel accommodation in Helsinki ............................................................................................... 26
    4.3.1 Characteristics of Finnish HI Hostels ....................................................................................... 27
    4.3.2 Hostel product and services ..................................................................................................... 27
  4.4 Hostel Domus Academica .............................................................................................................. 28
5 Customer buying behaviour ......................................................................................................... 29
  5.1 Process of buying behaviour .......................................................................................................... 29
    5.1.1 Need recognition ......................................................................................................................... 30
    5.1.2 Information search ..................................................................................................................... 30
1 Introduction

This chapter provides the readers a general picture of the thesis topic and justify why the topic has been chosen. Following, the research aims and respective objectives are mentioned, determining the purpose of the thesis. An outline of the thesis’ structure with a brief of chapter’s content was mentioned next. At last, this chapter closed by describing research methodology authors have used for this thesis to collect both valid and reliable result.

1.1 Research background

The sharing economy, also addressed as collaborative consumption, peer economy or asset light lifestyle is not classified as a new, innovative concept, but has already existed prior first corporation were founded and before money was introduced as major means of payment. Yet it started its expansion at a fast pace with the consequence of the economy shifting from a capital market, characterized by consumers buying a product and thus obtaining ownership, to an economic model where consumers pay to get temporary access to the product they would need (Dervojeda, Diederik & Fabian, 2013, 2).

In fact, there are three major key drivers that make this sharing economy concept become a disruptive market force in recent years. The first and significant driver is the financial crisis resulted by increasing the number of unemployment as well as the following economic downturn. As the result, the consumer’s purchasing behaviour has changed to adapt with current situation. They search for new sources of income and simultaneously reduce the expenditures on daily needs. It influences consumer’s buying behaviour and makes them become more receptive for lending or sharing as they would otherwise be. (Dervojeda & co. 2013, 12).

The second key driver is the development of technology that creates an environment in form of online market places for the peer-to-peer company. The fast pace of technological advancement enables small enterprises and entrepreneurs particularly to trade in a greater number of markets and reach possible consumers at lowest possible efforts. Moreover, the technology also facilitated the expansion of sharing economy, which leads to the possibility for consumers to be both supply and demand of the market (Dervojeda, Diederik & Fabian, 2013, 9).

The last but not least key driver is social factor which influences strongly on customer’ purchasing behaviour nowadays. The sustainability mind-set like environment friendliness
or waste reduction elicits the idea of recycling and renting their idle assets to avoid prodigality instead of supporting for mass production. In addition, peer-to-peer economy is a result of the arising wants for community. The trend of social life also affects the development of this business model. Nowadays, people are seeking more social interaction with other people. They don’t want to isolate themselves without communicating and learning from other culture and society. They likely gain more relationships outside of their safe zone. They want to experience something different and unique from their daily life.

Indeed, the change of today’s world as new technologies, the rise of the sharing economy and shifting consumer behaviour have strong affects on hospitality and tourism industry. Sharing economy is one of the fastest trends in the hospitality and tourism industry. The most important reason for this development is the wish of tourists to create new contacts, to seek inspirations and to collect new and authentic experiences. Nowadays, many travellers are looking for individuality instead of mass tourism.

As part of sharing economy, Airbnb is an online peer-to-peer-sharing platform enables property owners to rent out their spare rooms, apartments or home for those people need an accommodation. Airbnb is filling the wants and needs of today’s generation in a form of win-win. The hosts fill their pockets with some money and the guests feel like a local and additionally receive valuable personalized tips directly at the spot.

Consequently the sharing economy is highly relevant topic across different industries, including the hospitality industry, which currently considers its operation by focusing on the capital market. Instead of underestimating the growing competition comes from this newly peer-to-peer business, hotel properties in general should response to those changes, using the sharing economy as an opportunity to learn from it as it has the potential to increase innovation, to strengthen the property’s position as well as improve their service offerings to meet the needs of newly upcoming consumer segments being prosumers and millennial (Eisen, 2014, 4). Hospitality professionals have to find appropriate ways to cope with the threat originating from Airbnb. Different strategies which mostly evolve around the idea of, such as adapting to the trend, understanding consumer’s mind-sets, embracing and incorporating sharing into traditional business models, are commonly recognized by some big hotel chains (Sullivan, M. 2014).

The background location of thesis is Helsinki region where gather a number of hosts and tourists in Airbnb industry. Even though Airbnb is just a new trend in Finland for the past few years, its influences on travellers’ habits and lifestyles are undeniable. The appearance of Airbnb elicits a want from many researchers and thesis writers to research and
clarify its level of impacts to conventional accommodation industry like hotels or hostels as well as the way of customers' purchasing. Yet, there are not many researches or studies about this topic in Finland, especially Helsinki, this thesis is aimed to provide more details on travellers’ purchasing behaviour between Airbnb and hostels in Helsinki area.

1.2 Aim and Objectives

Yet the fact that sharing economy has become a disruptive economic force, only limited research has been conducted so far addressing the actual impact of the sharing economy on the traditional hotel business. Consequently few prior studies specifically addressed major and key drivers affect consumer’s purchasing behaviour towards to traditional hotels and Airbnb when making decision to travel. This research aims to analyse the sharing economy, particularly Airbnb and traditional hotel industry, particularly hostel in order to investigate the important factors impact on consumer's buying behaviour and customer’s needs and demands nowadays when booking accommodation for travelling plan.

Any study always requires specifically defined objectives. Kotkari et al (2014) describes the following as the main objectives of any study or research work:

- To understand a phenomenon and try to figure out new aspects of understanding within this scope.
- To completely analyse a specific individual, organization, process or series of processes.
- Evaluating the potential and calculated frequency of a particular event and study the reason behind any such activity.
- To test a particular connection or relationship between two or more elements and any related hypotheses.

In fact, the research objectives may not be limited as mentioned above. These mentioned objectives above just indicate an overall picture for the general understanding. In order to achieve these research objectives, a set of methods should be followed. Taking into consideration of this study, authors want focus more precisely on under listed research objectives:

Objective 1-Having understanding of the phenomenon of Airbnb and its driving forces as well as how Airbnb works to cater service to customers. Therefore, a review of literature related to this peer-to-peer economy will be studied in this research.
Objective 2- Having an understanding of accommodation industry in which hostel accommodation will be focused more. The review specific literature related to accommodation industry consists of its products and services provide to customers to determine the customers’ needs and demands while choosing accommodation to stay. Moreover, review specific literature related to hostel accommodation in Finland generally and Helsinki particularly such as characteristics of hostel, hostel’s service and products as well as brief of case hostel Domus Academica will be discussed in this research.

Objective 3- Understanding consumer’s purchasing behaviour towards hostel and Airbnb accommodation. Through the result collected by quantitative and qualitative research, readers will have a clear conclusion of which factors impact on accommodation decision making to stay when travelling.

1.3 Thesis structure

The thesis is structured in seven main chapters consist: Introduction, Concept of sharing accommodation, Accommodation Industry, Hostel accommodation, Customer buying behaviour, Research findings analysis and Conclusion. The content of these chapters provide readers an insight into the key stages of the research process, and therefore readers can follow the line of argument illustrated completely through the study.
The chapter I justifies the research problem and background and indicate the overall purpose and aim of the study as well as outline the structure of the paper. The research method is also addressed in this chapter to explain the selected research method was chosen.

Following chapter II, the literature review provides readers an insight into the topic of sharing economy by reviewing general definitions and driving forces supporting for this phenomena. It further introduces overview of Airbnb and other significant types of sharing accommodation and how Airbnb works to deliver the accommodation product and services to customers. At last in this part, it focuses on the fast pace of Airbnb development and its
impacts to hotel accommodation along with argument whether Airbnb is the rival of traditional hotel business. This part also mentions about the current growth of Airbnb in Finnish market in general and Helsinki area in particular.

In chapter III, the literature review allows readers to have an insight into accommodation services and products deliver to customers, which illustrate the different core values that an accommodation provides to their customers in comparison to Airbnb’s products and services itself to target customer. In addition to this chapter, a brief of accommodation classification also listed in order to help readers to differentiate hotel categories.

Chapter IV of the research provides overview of hostel accommodation as well as indicate some advantages and disadvantages traveller may engage when staying in hostel accommodation. Furthermore, discussion about hostel in Helsinki particularly is also mentioned with a brief of case Hostel Domus Academia.

Further chapter V is the literature review, which discusses about customer buying behaviour in which readers can understand comprehensive purchasing process from first step to the last step of whole process. It also illustrates factors impact on consumer’s buying behaviour. The study gives audience an insight of generation X and Y that are considered as the main target customer group for the research. From this discussion, readers can understand personality of these two generations and their purchasing behaviour towards accommodation.

Chapter VI interprets the major findings collected during research conducted along with relevant information needed for accomplishing the research aim. From those summarized data, Airbnb as well as hostels professionals can understand customers buying behaviour better and prepare for themselves own strategies to meet customers’ purchasing styles. Chapter VI closes with scope and delimitation.

Finally, chapter VII is a conclusion that summarizes the whole thesis with findings. Besides, the topic for future research is also suggested.

1.4 Research methodology

There are two ways of approaching when conducting a research such as quantitative research method and qualitative research method. Depending on purpose of study, researchers can either use quantitative or qualitative methods or even use both methods to collect valid and reliable result.
1.4.1 Quantitative research

Quantitative research method refers to quantification in collection and analysis of the information. In general, it explains precise phenomena by collecting numerical data and analysing the result by using mathematically based methods. Anyway, quantitative research doesn’t mean always collecting result by numbers. It can also collect data by asking respondents to rate a number of statements by choosing “strongly agree”, ”agree”, ”disagree” or “strongly disagree”.

A good quantitative research has both validity and reliability. Therefore, it requires researchers to know what kind of answers and results are valid to their study in order to avoid researching wrong answers. Validity basically refers to a well-planned research and research has good knowledge or theory background of the things needed. The research needs to specify the people who are targeted to the survey and the primary questions are important to make the research valid. As long as the validity is obtained, the measurement and results of the survey are meant to be right. Due to the fact that validity is hard to recognise after the research, research needs to be all focused before completing it. Reliability refers to the accuracy of the result. Mostly, the reliability shows when the same research is done again, which means if the results collected are the same, then research has been reliable. In order to obtain reliable results, researchers have to ensure the sample represents everyone taking the survey. In fact, reliability and validity are not always related to each other. If the validity is good, it doesn’t mean that reliability is good and the other way around (Heikkilä 2008, 29-31).

1.4.2 Qualitative research

Qualitative research is the method to answer question why and how. The qualitative research situations mostly focused on seeking meaning and purpose for something, hence are harder to measure. It is also individual focused rather than group focused, and the purpose is not looking for a generalization. Qualitative research method aims to understand what is underneath the surface and looking for a deeper meaning. The result collected is not presented in statistics or numbers, but as thoughts and opinions (Keegan, S. 2009, 11)

In principle, a good qualitative research concludes both theory and practice. Initially, it is extremely important to have knowledge of all the theory needed and also define why and
how something is being researched before starting the research. After that, the questionnaire/interview will be designed and researchers deliver those questions to the right person to answer. Depending on circumstances, the result may vary a lot from each other (Keegan. S. 2009, 21). Timing and costs are factors need to be taken into consideration when starting the research. After collecting answers, the researcher has to analyse the result thoroughly and critically in order to get the best reliable result.

1.4.3 Selected Research Methods

In many cases, one type of research method usually doesn’t fulfil the demand of the project. Therefore, taking into consideration of current research, authors want to use both quantitative research and qualitative research in order to get the best and reliable results. The methods were conducted by face-to-face interview with Hostel Domus Academica manager, Ms. Sanni Viirto and Airbnb host, Mr. X. On the other hand, questionnaires were given to all the guests and their responses were collected and analysed to draw some important conclusions. The semi-structure method by integrating quantitative and qualitative method has been used to investigate the needs and demands of customers in accommodation decision-making. Which factors influence on their purchasing behaviour towards to hostel and Airbnb? Moreover, the interview with hostel case and Airbnb host helped authors to collect and analyse their opinions and evaluation from different point of view in the content of competitive advantage.

For preparing and distributing survey questionnaires, authors designed ten precise questions. Survey was printed out and given to Airbnb guests. The same survey also was distributed widely to official Facebook pages of different hostels, targeting hosts’ guests in Helsinki area, such as Hostel Domus Academica, Eurohostel, Cheapsleap and Hostel Diana Park. The result was collected after two weeks with 15 responses from Airbnb and 16 responses from hostel side. The total is 30 responses from which data was collected to support for quantitative result.

The face-to-face interview with Airbnb host was conducted on-site, at home-based Airbnb’s living room. Addition to that, authors also conducted interview with Hostel Domus Academica taken place in the Head office based. Throughout these two interviews, result was collected and analysed in order to bring a reliable and qualitative result and investigation. The interview responses were recorded by phone and noted down on paper.
2 Concept of sharing accommodation

This chapter brings insights about sharing economy in general and sharing accommodation in particular with the case of Airbnb. The definition of sharing economy with its economic, technological and social drivers is discussed. Also, types of sharing accommodation, how Airbnb works, its growth and impacts on hotel industry as well as Airbnb market in Finland, especially Helsinki can be found in this chapter.

2.1 Overview of sharing economy

2.1.1 Definition of sharing economy

The term “sharing economy” is used interchangeably with collaborative consumption or the peer-to-peer economy which emphasizes the activity of sharing idle assets or services to gain monetary benefit (Skift report 2013, 6.). In the broader view, Matofska (2016) defines sharing economy as “a socio-economic ecosystem built around the sharing of human, physical and intellectual resources” which can be in form of goods, food, money, space, transportation or services. Following these definitions, the suppliers of sharing economy are anyone who has under-utilised products or services to offer temporarily to customers who want those offers due to lower costs, added values and their matched needs. The arrival of sharing economy has brought chances to people to make their own business and has disrupted the original concept about consumption and ownership (Geron 2013.).

2.1.2 Driving forces: economic, technological and social factors

Sharing economy develops inevitably in a rapid pace wherever there are signs of redundancy and demand. When people no longer want everything to be mass produced, they start sharing and believing strangers to offer under-utilised products and services in the same way that companies do (Rick 2013.). The motivation of sharing can also derive from
the short-term needs, money saving, environmental awareness and so forth. That is to say, there are many other ethical motives supporting for collaborative consumption that are condensed into three main driving forces: economic factors, technological factors and social factors.

It is undeniable that the **economic factors** driving sharing economy are very significant in many aspects. Before the fact that European economy or Finland’s in particular become somehow stagnant in recent years, most of people still have to carry burdens of paying bills, mortgage debt, food, student loans and so on, not mention to upward unemployment rate. However, gas prices, hotel rate, airfare, etc. do not show any tendency to decrease. Accordingly, the growth of collaborative consumption is exactly what people are expecting for in the context of financial strains. It is not a coincidence that many sharing and renting firms came to the market during the global recession from 2008 to 2010 as the cure for over consumption and materialism (The economist 2013.).

It is stated in Skift report (2013) that sharing and renting activities did reduce the amount of house and car ownership in United States and European countries. Obviously both car and house are very expensive assets with exorbitant prices which many people just cannot afford. However, the car is not utilized all the time and the owner can make use of its idle capacity to offer for other people to rent or turn the car into transportation application like Uber. This is win-win situation where the owner can have more income in his spare time and the demand side can also receive the value from using the car without buying a new one for the temporary need. Likewise, unoccupied rooms can be used as sharing application like Airbnb which covers nowadays growing market share beside the existing traditional accommodation (Allen & Berg 2014, 17.).

Another economic advantage of sharing economy is bringing consciousness to people that they can anytime become an entrepreneur regardless of their current unemployment or diverse education backgrounds. This means that more jobs actually are created as long as people know how to make money from their unused assets which renting parking space is one of the examples.

**Technological factors** accelerate the growth of peer-to-peer economy considerably. According to Suster (2013), 33 percent of the world’s population is using Internet and 70 percent of the world’s literate population will possess their own smart phones within 4 years. This is an era of new technologies and social networking where people are allowed to see the social profiles with reputation reviews and information transfer is as simply as a mouse click. As a result, in sharing economy, social media becomes an effective tool for both
supply and demand sides to meet each other from a distance and start transaction. In addition, mobile apps bring in the convenience and easy access for users to approach the information. Uber is a remarkable example about sharing economy of transportation through mobile app where users can check the availability of drivers in nearby locations as well as the price for their trip. Another advantage of technology is payment systems which smooth the process of sharing as a finding of Owyang (2013, 6.) shows that 27 out of 30 top sharing businesses prefer to use online and mobile payment systems.

Social factors influence strongly the peer-to-peer economy in many ways. Initially, the sustainability mind-set like environment friendliness or waste reduction elicits the idea of recycling and renting their idle assets to avoid prodigality instead of supporting for mass production. As aforementioned, the car ownership in United States and Europe dropped due to practices of collaborative consumption which have a big meaning to the environment in terms of less emission and fuel consumed. Moreover, sharing economy is also a consequence of widespread wants for community because people not only transact their goods and services but also enrich their social experience (Gansky 2010, 50.). This meaning can be seen clearly in Airbnb or Couchsurfing where guests choose to stay in local houses and experience local food and cultures. Last but not least, high preference-matching possibility give an impulse to many people supporting for sharing economy. It is its decentralised production and delivery of goods and services that make the exchange process personalised and closer to individual’s needs (Allen & Berg 2014, 19.). Apparently, Airbnb prevails against any single hotel or hostel in terms of diverse categories like prices, locations, services, hosts, rooms and so forth for guests to select which increases the potential of preference matching.

2.2 Sharing accommodation

2.2.1 Overview of Airbnb and other types of sharing accommodation

Airbnb is an abbreviation of “air bed and breakfast” which is part of sharing economy in accommodation sector through online platform. The company was first established in 2008 in San Francisco, California by three people, Joe Gebbia, Brian Chesky, and Nathan Blecharczyk with purpose of creating accommodation for people in need by renting out spare rooms, apartments or even entire homes (see Appendix 1 for Airbnb’s history and development). So far, with over 2 million listings in Airbnb, more than 60 million people have been accommodated in 34 000 cities and 191 counties around the world (Airbnb, Inc. a. Airbnb has been supported a massive funding of 2.3 billion dollars from 31 various investors which enables the company to be part of the Billion-dollar club (Juggernaut 2015). Besides, it is extraordinary that the so-called Airbnb Company has expanded so
rapid that it now is equivalent of a major hotel chain even though it does not even possess a single bed (Friedman 2013). Airbnb also differentiates itself from conventional accommodation by fulfilling expectation of a new generation of travellers who seek for more home-like atmosphere, greater value for their money and increased cultural experience (Rentingyourplace).

Other than Airbnb, there are numerous similar online platforms of sharing economy in hospitality such as Couchsurfing, Flipkey and HomeAway. It is true that the boom of sharing accommodation started with the emergence of Couchsurfing in 2004 by founders Leonardo Bassani de Silveira, Casey Fenton, Daniel Hoffer and Sebastian Le Tuan who had an idea that people from anywhere would want to share their places with strangers and get to know them. Nowadays, this platform develops strongly with a global community of 10 million hosts in over 200 000 cities throughout the world and 550 000 events.

Couchsurfing is very popular for many travellers because of its values of sharing life, creating connection, offering kindness, staying curious, and leaving it better than finding it (Couchsurfing). Another Platform is Flipkey which belongs to TripAdvisor and is known as a good alternative option for Airbnb. The company offers 300 000 vacation homes in more than 11 000 cities in 190 countries worldwide (Flipkey by TripAdvisor). Finally, HomeAway is one of the biggest competitors of Airbnb, offering approximately 1 million listings with similar services. HomeAway is a big company belonging to Expedia, Inc. and it operates some other vacation renting websites like VRBO (Vacation Rentals by Owner), TravelMob (for Asian area) and VacationRentals.com (HomeAway, Inc.)

2.2.2 How Airbnb works

Airbnb is actually an intermediary connecting hosts and guests and facilitating the process of renting even though it does not possess any room itself; accordingly, trust becomes an important determinant in the company’s operation (see Appendix 2 for business model Canvas of Airbnb). Airbnb does have overwhelming influence on accommodation industry and contribute to the arrival of new traveller generation. Brown (2014, 7.) said that Airbnb owns a very sophisticated and reliable accommodation platform based on many levels of trust through owners, guests, photographs, fees, enquiry, payment, security deposit and extra security for owners.

 Owners/ hosts

Hosts are people having idle rooms or apartments to offer to travellers. They have a personal identity in Airbnb before creating a lists of property with details, the rental fees, lodging time etc. on the website with their profiles provided. Guests who experienced the stay
can give feedbacks for the products and service offered in a very subjective way which easily kicks out the dishonest owners. Vice versa, Airbnb shows also reviews for travellers and their social profiles which hosts can see and then make a decision whether to accept or reject their bookings (Brown 2014, 7; Juggernaut 2015.).

**Guests/ Travellers**
In order to book the place, like hosts, guests also have to create an account in Airbnb to have personal identities and they are rated by the owners. The filter function in the webpage enables travellers to search the property based on different categories such as locations, amenities provided, and rental fees and so on. Via Airbnb third-party, a compromise between guests and hosts is made, followed by the payment through Airbnb portal (Brown 2014, 8; Juggernaut 2015.).

**Photographs**
Airbnb is trustworthy in the way of providing authentic photographs of the properties to guests to see. The company has a widespread connection in numerous cities worldwide with freelance photographers who are in charge of property shooting to ensure that guests will know properly what they will get (Brown 2014, 8; Juggernaut 2015.).

**Fees**
Hosts are charged 10% commission fee by Airbnb for each booking done through the platform. For every confirmed booking, travellers are also charged 3% of the rental amount as transaction fee. (Juggernaut 2015.)

**Enquiry**
Since the request is sent, the hosts can accept or decline within 24 hours. All the messages between hosts and guests are done on the Airbnb email system and controlled by Airbnb until the payment is made (Brown 2014, 8.).

**Payment**
Many currencies, payment and payout methods are supported in Airbnb payment system. The money paid by guests will be sent to the hosts only after 24 hours of the arrivals (Airbnb, Inc. b).

**Security Deposit**
Security deposit can be specified in the Airbnb’s platform by hosts, adding up the total fee that guests have to pay. If there is no claim from hosts within 24 hours after guests’ leave, Airbnb will return the full amount of deposit back to guests (Brown 2014, 8.).
Extra security for owners
Airbnb provide an extra protection of the owners as a way to gain their trust. The company offers host guarantee which is 0.9 million dollars to cover certain damages caused by guests (Brown 2014, 8.).

2.2.3 Airbnb’s growth and its impacts on hotel industry

Airbnb has become irresistibly a phenomenon and trend for travellers in many countries in the world, creating a new pattern of travelling and staying other than conventional options like hotels or hostels. According to Brown (2014, 3.), Airbnb started booming considerably in 2010, then achieved 600 000 listings and 1 million listings in the end of 2013 and 2014 respectively.

The number of listings still follows an upward trend, reaching 2 million listings in 2016. This incredible growing speed substantiates widespread impacts of Airbnb on people involvement as well as rental housing industry. After the USA, Australia is found as the second largest Airbnb market with the continuously rise of listings (Brown 2014, 4.). Jonathan Mildenhall, chief marketing officer at Airbnb stated that Airbnb is known well by 18% of the US population and the level of brand knowledge in China, Japan and France is 9%, 3% and 22% in that order (Oates 2015). Despite not being a predecessor in this field, it is undeniable that Airbnb has turned itself into a big global player successfully, competing with HomeAway – an old and powerful brand in rental accommodation. While Airbnb has a valuation of 25 billion dollars (Tarver 2015), HomeAway is valued much less, just nearly $3 billion dollars (Lashinsky 2015) with about 1 million listings.
Today, many studies and controversies can be found related to whether Airbnb becomes a rival of hotel industry. The research's result from Zervas, Proserpio, and Byers (2015, 25.) pointed out that the budget hotels, local hotels and hotels not aiming to business travellers have to suffer the most in the competition from Airbnb which caused the decline of 13% in hotel revenue in Texas area. However, there is no signal showing the influence of Airbnb on business and luxury hotels. The researchers also emphasized that Airbnb has some unique characteristics from the peer-to-peer platform to compete with other firms such as zero marginal cost and much larger range of products and services than hotels. As to the amount of room offerings, Airbnb offers more amount of rooms than many biggest hotel groups like Hilton, InterContinental and Marriott which owns about 1 million rooms in the end of 2015 (Mudallal 2015). In addition, R. Mark Woodworth, senior managing director of CBRE hotels explained the impacts of Airbnb on hotels in two ways. The rise of existing hotels’ average daily rate will be slightly deprived, especially during high season. Besides, Airbnb can also be obstacle to the construction of new hotels, reducing the growth of hotel supply in various markets (CBRE hotels 2016).

On the contrary, many hoteliers and economists consider Airbnb not a threat for the hotel industry. Christopher Nassetta, CEO of Hilton Worldwide expressed his opinion that hotels are in business of serving people while Airbnb is more in business of lodging which means that Airbnb has fundamentally distinct business (Trejos 2016). Likewise, Iona Dent and Geof Collyer, analysts at Deutsche Bank, supposed: “Airbnb looks to be increasing the pie, rather than necessarily reducing the share for others”. From their research, even though the room listings and supply of Airbnb grows sharply, there is no tendency for hotels’ revenue per available room to decline (Bryan 2016). Additionally, some operators in Four Seasons reasoned that they differentiate themselves by the trust and safety and the level of service which is “more sophisticated, detailed, and skillful” than what Airbnb offers to customers (Strong n.d.). In the battle against Airbnb, many hoteliers raise their concerns for the legitimacy of this peer-to-peer platform. The American Hotel and Lodging Association debated that Airbnb should pay tax as well as follow the security and health standards in the same way which hotels do (Trejos 2016). According to Tun (2015), Airbnb can cause house shortages, the escalation of housing prices and the transformation of residential areas into revolving tourist districts.

Apparently, there are numerous arguments about Airbnb in accommodation industry and its legal issues. Probably, suitable legislation around the peer-to-peer economy should be made. However, the success and unique features of Airbnb are undeniable. Kike Sarasola, president and founder of the 21-property Room Mate Hotels portfolio and founder of
fledgling sharing economy upstart BeMate, said that “this is a new way, a new trend and we should all accommodate ourselves and think how we can take part in this experience of the new way of travelling” (Higley 2015).

2.2.4 Airbnb market in Finland and Helsinki in particular

Online rental accommodation Airbnb is a new trend and becomes more and more popular in Finland nowadays. The amount of rooms offered to traveller increases rapidly every year regardless of unclear legitimacy. There are about 2500 listings in Finland which is behind other Nordics (9000 in Sweden and 17000 in Denmark). Unlike in Paris or Berlin where the operation of Airbnb is restricted, in Finland, the Ministry of Employment and the Economy still watch over the service and believe that current laws are enough to control (Yle Uutiset 2015). The lead tax expert of Vero, Mervi Hakkarainen also neglected the tax issues on Airbnb and reasoned that rental agreements that are long term should be their target instead of short-term home rentals. Accordingly, paying taxes for renting private apartment is regarded as individual responsibility (Yle Uutiset 2014). It can be seen that in Finland people can freely involve in Airbnb as hosts whenever they have idle rooms or apartments, which make this kind of accommodation, flourish quickly and strongly, especially in current context of economic strains.

One of the most vibrant areas for Airbnb in Finland is Helsinki where a lot of tourists coming for different purposes: business, leisure, connecting flight, studying and visiting friends. Many exchange students rent Airbnb for few months due to the shortage of student housing and a big sector of customers come also from guests with connecting flights through Helsinki, according to Mr.X, a host of Airbnb in Helsinki area. It can be said that the appearance of Airbnb is creating new kind of needs and new matches for many types of travellers.

3 Conventional accommodation industry

This chapter will discuss briefly about accommodation industry in which overview of hotel accommodation and hostel accommodation will be stated. The authors think that, although there are significant differences between hotel accommodation and hostel accommodation, however, in fact, they both have similarities such as offer a place for a short stay to customers during travelling time, characteristic of product and services. Therefore, the discussion below will cover for both hotel and hostel accommodation.
3.1 Definition of Hotel accommodation

When travelling to another city or country, people usually have different needs and demands for the destination they are planning to visit. What tourism industry compromise is aiming to meet these needs and demands. There are such main sectors in tourism industry consist of hospitality, attractions and events, transport, travel organizers and intermediaries and destination organization sectors. Every of these sectors are involved in delivering the tourism product and travel experience to customers. Apparently, hotels are seen crucial among other components in hospitality sector as well as supply components of tourism (Middleton, Fyall & Morgan 2009, 10-11)

The hotel industry is the type of business that provides accommodation facilities for travellers. It delivers the basic needs such as sleeping accommodation, food and beverages and other services to its target customer in order to exceed guest’s expectation during their stay. The development of hotel sectors has been seen from its beginning in proving the necessity of accommodation into a huge range of various services that are connected in delivering service to the guest (Dittmer 2002, 209).

In addition, hotels offer a safe, comfortable accommodation for a temporary period of stay to guest whether they are travelling alone, with a group as families or friends. Generally, hotels rooms are equipped with bed, bathroom, linens, grooming kits and basic facilities such as television and telephone. The range of housekeeping services and the extents of services vary from one hotel to another. Some hotels provide variety of services, for instance laundry services, concierge, boutique shop, bar and restaurants and on the contrary, other hotels provide nothing beyond the basic (Dittmer 2002, 209).

What desires travellers to choose one hotel for their staying? In hotel industry quality is the most desirable factor that hotel properties strive mostly to exceed guest satisfaction. As the result, hotels are categorized regarding the operational criteria of their customer segment, for instance the type of services they will deliver, the facilities they will provide and type of accommodation they will distribute (Dittmer 2002, 209).

Nowadays, due to the fact of the gradual development in information and technology, it makes travelling become even easier. Beside to business purpose, people travel also for leisure reason. Indeed, the hotel industry has been developed over ages yet it faced some obstacles such as Word Wars, the Great Depression, the industrial revolution and other social changes. Moreover, because of the enormous competition among hotel properties, many hotels has its own strategy by providing much more than accommodation itself but
likely personalizing the services to exceed guest expectation and create memories to the guest. “Home away from home” is seen as visual mission of almost hotels (O’Fallon & Rutherford 2011, 174).

### 3.2 Definition of Hostel accommodation

Hostel is a low-cost housing, oriented on travellers and young people where these travellers are living in shared rooms with six, eight, ten or twelve people. When making decision for a hostel stay, he or she basically books for a bed for the night, not a room. The main principles of the hostels are cheapness, communication, shared facilities and bunk beds. (www.moneycrashers.com/what-is-hostel).

Bathrooms are dorm-style, and normally there are only one or two bathrooms on each floor. In comparison with hotel, hostels likely provide more interaction for travellers, cost much less, but not provide the privacy or personal service as a hotel offers.

Nowadays it has become increasingly blurred to differentiate hostels and hotels, especially in Asia. There are somewhat differences between the hostels in Asia and their counterparts in Europe and Australia. Many of the top hostels found throughout Asia offer private rooms with ensuite bathrooms. The increasing number of “boutique hostels” has become competitive to hotels for smart travellers who demand more than bare-bones accommodation. The additional service offering such as free breakfast, complimentary snacks and drinks, free Wi-Fi are now found in many hostels. On top of this, meeting people is certainly easier when staying in a nice hostel rather than a hotel that make your trip memorable. (www.minneapolishostel.com/hostel-vs-hotel/)

### 3.3 Conventional accommodation service

A hotel or hostel is a place that offers its facilities and services to customers for a short stay. The services range differently from just one to numerous combinations that can be considered as a part of the total market concept of the accommodation. There are five elements as location, facilities, service, image and price in the basic total market concept.
Location plays as a key component which visitor takes into consideration when choosing an accommodation for stay, hence being displayed in the midmost of the loop. Travellers see where a hotel or hostel is located appealing means the accessibility and convenience of location, attractiveness of surroundings and other factors. In fact, geographical location plays an important factor as strategic and competitive advantage to attract customers. For example, travellers who are seeking a relaxing holiday with fresh air and quiet atmosphere, they probably will choose a resort hotel with optimal environment and attractive surroundings. On the contrary, business travellers who have a short stay for several days likely to choose a hotel located in specific capitals. Moreover, it’s also a choice for those who desire to discover city life, architecture and modernity.

Facilities of the an accommodation include bedrooms, restaurant, bars, meeting rooms and entertainment facilities such as a gym, swimming pool, game rooms, massage and so on. Different visitors have their own different needs and demands from the hotel or hostel and its facilities they tend to stay. The number, type and size of accommodation facilities depends on what kind of that accommodation in question.

Normally, a hotel provides service such as 24 hours check in, concierge, and room service during hotel guest’s stay. The availability and quality of the service depends on personal attention, speed and efficiency that a hotel provides to hotel guest. Meanwhile, a hostel just provides a very basic and limited service, less than hotel provides to customer itself.

The image of the accommodation means how it itself present to community and how people perceive that accommodation. It’s a mixture of location, facilities, services and brand that accommodation offers and markets those components to customers.
The last element is price refers to monetary element that accommodation receives from selling its facilities and services. As a result, a good price defines all service essentials related to accommodation’s facilities and services in order to meet and maintain customer satisfaction.

To conclude, all these individual elements of total accommodation concept play a different level of importance for different people. One can consider location as more essential element than basic facilities and services in decision making of stay. Other one is willing to pay a bit higher price to experience in any accommodation with more service and facilities.

### 3.4 Products of an accommodation

A typical hotel or hostel offers sleeping accommodation and food and beverage services. Literally, in any accommodation, the bedroom itself is the most distinctive tangible product. It is the key function of the whole accommodation industry, to offer guest a bed to sleep. Depending on categories, different accommodation will provide different services and facilities, for instance, fitness entertainment or conference facilities. Besides to accommodation services that are prominent to only hotel’s or hostel’s guest, other services and facilities are made available also to guest not stay in that accommodation.

Customer demands can be differed and reflected through several requirements, for instance sleeping accommodation, food and beverage. These requirements concern to accommodation, restaurant, and bar that are the prominent hotel products. (Medlik & Ingram 2000, 15-17)
It’s crucial to distinguish the discrepancy between the core product, tangible product and extended product when describing a hotel or hostel product. As shown in figure 3, the accommodation product consists those elements, one fostering and supporting the others. For example, the core product in a three star hotel is convenient location for sightseeing famous tourist sites. The tangible products are television, sofa, restroom, and mini bar for instance. The possible extended products can be concierge assistance or free charge of parking.

The core product delivers the main benefits to customers. In the hotel or hostel business, the core product simply is accommodation to sleep. However, due to different needs and demands, the core product is perceived depending on different point of view of customers.

Meanwhile, a tangible product comprises all the physical components so that the core product can be delivered to customer. The tangible product also consists product features, for instance the size and variety of facilities, layout and service standards. Clarifying for this by an example, if the customer is seeking a core product such as quiet location for a good sleep, the tangible products can be possible a comfortable bed, standing shower.

Extended products are seen as formed of intangible elements of the product. In many cases, the intangible essentials can be competitive advantages to differentiate one hotel from its competitors in the same class as well as the strong element these hotels to compete with among each other. The intangible features enhance the value of product and differentiate hotel itself from other competitors. It also creates value-added service deliver to customers. For instance, working culture, easy accessibility such as check-in time and services in front desk, after sales service in a way of handling guest’ complaint in order to meet customer satisfaction are seen as extended product. Additionally, there are essential elements should be handled such as atmosphere, reputation and corporate culture (Bowie & Buttle 2004, 116-118).

3.5 Conventional accommodation classification

Travellers now have certain expectations and demands when making decision to choose an accommodation to stay. Due to the fact of development of information and technology, the needs for accommodation classification system has been growing ensure that the hotel or hostel travellers have chosen meets basic standard of accommodation, facilities and service. In fact, even though there is no official worldwide classification, there are various systems that have been widely used in accommodation classification. Accommodation can be categorized in different ways; it can be classified based on its location, price, type of facilities, room size, quality of service and food and beverage service, and the basis of
ownership. The classification of accommodation industry will be stated in the following discussion.

### 3.5.1 Classification based on location

Airport hotel with its location nearby airports can be seen as classification regarding location perspective. The big number of travellers arriving and departing to and from airport make the occupancy rate of airport hotel is usually high. The main group are business travellers, leisure and also passengers who have long stop and late night flight would stay near terminal (Dittmer 2002, 209).

Additionally, not only for those group people mentioned above, the airport hotel also offers service to those airport crew as well as airline workers. Generally, this hotel provides full service and possible meeting facilities for the guests who wish to shorten travelling time. Normally, travellers choose airport hotel because of such reason as accessibility, less travelling costs from airport to hotel and competitive price.

City hotel is the following hotel classified by basis of location. This type of hotel significantly suited in the downtown or business district area that is competitive advantage to attract and meet the needs of business travellers, convention attendees, and leisure. This city hotel provides amenities such as complimentary newspaper, free local telephone calls and so on. The service of business meeting room and convention center with high technology support also can be offered to customer. Moreover, the price of these city hotels generally is more expensive than others.

Resort hotel, an accommodation located in an optimal place with beautiful and appealing surroundings. The resort hotels typically are located in a destination where consist of beauty of scenery, climate and historic site. Among that, nearby on the seashore and mountains is the favourable location. The purpose of these hotels is providing a range of various entertainment and leisure services and health purposes to satisfy accommodated guest spending holiday in the resort. An extensive service, especially in food and beverages always is provided in these hotels (Dittmer 2002, 213).

### 3.5.2 Classification based on Ownership Patterns

Main types of accommodation are categorized by its affiliation and ownership such as Chain Hotels, Independent Hotels and Franchise Hotels. Chain hotel refers to properties, which are affiliated with others and have the records for its high percentage of world’s hotel room inventory. The type of ownership hotel centralizes organization and has stronger
control on their premise. This hotel requires a high standard, policies and rules to obey in order to enhance and maintain hotel’s image.

In contrary, independent hotel is not controlled by any famous hotel organization. The ownership of this type hotel could be an individual, a family or a group of private investors. The most significant advantage of being independent hotel is self-managed or autonomy. The decision making in this type of ownership normally take place very quickly. The hotel owners independently manage hotel policies, hotel operation procedures, marketing activities or financial issue.

Instead of operating a hotel as a form of chain or independent, hotel property can be one of the members of the chain of the hotels under the franchise management agreement. The hotel property can use the franchise’s name and agree to follow the franchise’s business pattern and maintain its standard in return for a percentage of hotel’s revenue. In this kind of business form, both franchisee and franchisor benefit from each other due to that fact hotel property can expand their business by using other people’s money. The market recognition will be increased and the expansion of the business is quick for franchisor. On the other hand, franchisee who is lacked of experience in this industry will get assistance from this business form.

3.5.3 Star Qualification

Accommodation classification based on the rating system is widely recognized in hospitality industry yet there is no worldwide category of rating. Most classification systems specified based on standards such as total capacity by calculating room size, facilities and services, accessibility and quality of food and beverage service. Among various symbols and letters, the star rating system is the most popular to interpret assessments (Gee 1994, 385-386). Star system is an effective guide to the category of an accommodation. This is an indicator for the guest to choose an accommodation to stay and other parties such as travel agency and booking sites to promote themselves in the market. It also gives platform for the travellers to evaluate what services they will be provided by accommodation property with the star classification system. The following are considered as the permissible ratings given to the hotel (hotelstar.eu 2015).

One star hotel is limited in their services with small scale with satisfactory amenities and furnishings. Hotel property provides the basic needs to the travellers such as room with shower and toilet, daily housekeeping service, bathing kit, reception and deposit. Meals availability provided of residents but limited for non-residents.
Two star hotel properties provide basic accommodations with some private bathrooms and showers, and certain professional services. There are some improvements in room décor and furnish. Amenities include body wash or soap, breakfast buffet, addition to Internet access in the public area, payment by card and shelves for clothes.

Three-star hotels offer guest more services and comfort by demonstrating improvement in physical aspect such as room is more modern and spacious as well as provide higher quality facilities and services. The restaurants provide fuller meal facilities and various options for evening dining. Additional facilities and services are provided, for instance, lounge area and luggage service, minibar, telephone in room, hairdryer, additional pillow and blanket, laundry and ironing service.

Four-star hotels are upscale and high standard accommodation, for instance comfortable bedrooms with individual bathrooms and showers. Exceptional services, deluxe facilities and lavish amenities are provided to guests. They have following faculties and services, reception with hotel lobby equipped with seats, breakfast buffet or room service, minibar, chair/couch with side table, bathrobes, slippers, hair-dryer, cosmetic products, heating facility in the bathroom, swimming pool. Additionally, there are other services include concierge assistances, beauty care or fitness center as well conference equipped by high quality of facilities. Especially, high quality of linen, blanket, and carpet are facilitated.

Five-star hotels are luxury hotels offering the highest worldwide standards of excellence and exceeding the guest expectation by the high quality of service, position, accessibility and relaxation. Customers can enjoy the stay with luxurious experience such as 24 hours and multilingual reception staff, valet parking service, concierge, spacious reception hall and beverage service, personalized greeting for the hotel guest (flower, welcome-card, chocolate), minibar and 24 hours room service, branded personal care products, internet access in room, safety box in room, laundry and ironing service, shoe polish service, wakeup call, as well as other facilities as swimming pool, saunas, spa, gym. Moreover, large hotel properties also provide well-equipped business centres and meeting facilities.

In conclusion, hotel star classification should be seen as general quality indicators and comprehensive guidelines to measure a hotel’s overall quality, services and guest satisfaction. Ratings should not be seen as perfectly accurate indicator, for instance a five star hotel may illustrate different entities in different countries (Gee 1994, 411-412)
4 Hostel Accommodation

Following discussion will address some advantages and disadvantages in order to give an insight to readers about hostel accommodation. More precisely, overview of hostel accommodation in Helsinki area will be also discussed along with a brief of hostel case Hostel Domus Academica.

4.1 Advantages to staying at a hostel

Yet hostel accommodation has been seen as the short term stay while travelling for dirty backpack travellers and drunk gap year students, there are certain reasons travellers who are under the age of 30 choose a hostel for their stay. (www.minneapnishostel.com/hostel-accommodation)

*Inexpensive*- it’s obviously recognised when compare to staying in a hotel. If any travellers are looking to save money on their vacation, the most effective way they normally do is by saving on accommodation. For example, when travelling to London, instead of spending $300 a night, travellers can only spend $30 in a hostel. In Thailand, you even easily find $1 a night dorm rooms, then probably you can spend the rest of your trip spending on other activities.

*Sociable*- staying in hostels brings a chance to everyone to meet interesting people from all over the world. Hostel life is meant to be socializing. Many hostels have common rooms where travellers can have some chitchat about the best places they have visited and share experience with other travellers or even may take a tour together.

*Everywhere*- Hostels are located in most major cities around the world. Travellers can easily find an affordable hostel in many European cities and across the globe.

*Unique*- You may find same amenities, same level of customer service and prices in more upscale hotels. Meanwhile, hostels are different; they differ from this hostel than other ones. Each hostel offers something unique for its travellers. Travellers may find party hostels and flash packing hostels for the trip. Each hostel brings to travellers something different and even much more interesting than a typical resort stay.

*Travel in groups*- Hostel is formed of sharing large room together. In some hostels, they allow up to twenty people to stay in one room. Therefore, hostels can be a perfect choice of stay when travelling as a big group, and eliminates the arguments over who shares rooms.
Helpful staffs- Hostel staffs are likely helpful and available on the service. For example, when checking in, hostel guest may find a helpful member of staff will typically give a free map, show the location, give advice on cheap things to do, where to eat and what to see. Other additional service may offer as arrange excursions and onward travel tickets and so on.

4.2 Disadvantages to staying at a hostel

Nevertheless, there are disadvantages when staying at a hostel named as below (www.minneapolishostel.com/hostel-accommodation)

Lack of privacy- Practically, travellers will not have their own room while staying at a hostel. They will share the room with up to 20 people without any privacy. Some hostels offer private single or double rooms, due to high demand, this type room may not always available though. Therefore, travellers who are not particularly chatty feel it as lack of privacy.

Limited private bathrooms- in some hostels, bathrooms are dorm-style meaning there are one bathroom on each floor, which definitely not offer enough for travellers staying in hostels. There are also hostels offer bathrooms and shower, but very few.

Limited staff- unlike hotel service which provides 24 hours a day, hostels are not always staffed for full service. That would be a problem for travellers if they may need any extra service during nighttime for instance.

Risk of theft- Because of sharing rooms with unknown roommates; guest may face the risk that other guests can steal their belongings. Moreover, since most hostel rooms are occupied by four or up to twenty travellers, there will be a fear for travellers especially when without knowing who they will be sharing with.

Poor condition of facilities- Furnishings in a hostel are simple, likely range from bunk beds in the bedrooms, to couches in the lobby. Additionally, the facilities are in poor condition such as elevators may malfunction; air conditioning may not work probably.

4.3 Hostel accommodation in Helsinki

There is not any hotel classification system in Finland. Yet there is no official systems exist, there are many websites that make an assessment on hotels, restaurants, and bars. The assessment based on customers’ feedback but not on any objective criteria. (Hotrec).
4.3.1 Characteristics of Finnish HI Hostels

According to Finnish Hostel Association which is a non-profit organization established in 1935 by the member organizations and also part of the global Hostelling International (HI) network, the Finnish HI hostel are:

**Budget-friendly**
The hostels aim to offer excellent value for money, as hostel guests have to pay only for the services they have selected. The choice of room for stays from among several sizes and types of room. The least expensive option is a bed in a dorm-room. Hostel guest can also prepare breakfast and meals in the hostel's self-catering kitchen. There is 10% discount for hostel guest who is a member in one of the Finnish Hostel Association’s member association, and 10% off of the bill and other benefits also abroad in case hostel guest holds an international hostel card.

**Cosy**
Not only in Helsinki but also every HI hostels in Finland has its own flavour. Variety of options includes a historic manor house on the edge of a national park or at a pilot station on a remote island. Options vary from group rooms to private rooms, in which several include a private bathroom. The common feature of hostel offer to guest are safety and high quality of hostel experience.

**Social**
Apparently hostels are international meeting places. Shared facilities provide an ideal platform for meeting different travellers around the world and sharing travel experience. Additionally, friendly staff will be available on giving tips on events, amenities and places to see. A wide range of activities may offer in many hostels with a variety of program services. Hostels are the affordable accommodations welcome all those travelling alone, families and groups, holidaymakers and business traveller alike.

4.3.2 Hostel product and services

Travellers can choose a hostel regarding different purposes and needs (Finnish Hostel Association, 2016), such as:

- Sports- or hobby group
- School-or student group
- Class excursion
- Camp school or confessional camp
- Conference or course
- Family celebrations
- Cultural journey

Services are also one of the factors that travellers consider when booking a hostel for their stay in Finland generally and Helsinki particularly. Hostels services are offered to the guest during their stay:

- Helpful staff
- International and relaxed accommodation
- Wide range of rooms from private to dormitory rooms
- Common rooms for gathering and passing the time
- A guest kitchen
- International hostel standard
- Some additional services: conference and banqueting facilities, catering services, program services.

4.4 Hostel Domus Academica

Among hostels in Helsinki area, authors chose Hostel Domus Academica as a hotel case to investigate and analyse purchasing behaviour of customers towards hostel accommodation.

Located right in the heart of Helsinki, Hostel Domus Academia is “home away from home” provides 326 spacious and light rooms fill up during summer with guests ranging from backpackers to conference visitors. The hostel operates only in the summer, open from June to August. During other times of the year, the rooms are used as student accommodation.

Hostel Domus Academica has been operated as a hostel since 1961. Some of the rooms were fully renovated in summer 2011 which have been decorated with Finnish furniture and textiles. Hostel has 326 rooms located in three different buildings in the same yard area. In addition to rooms, hostel also offers affordable beds that are a shared room with 1-3 international travellers. The hostel provides a daily breakfast and free Internet in common room, parking facilities, and safety box and luggage storage. Especially, hostel guest will have a chance to use sauna in the mornings. The Room Ensuite rate vary from €55 for single, €65 for twin and €87 for triple. Hostel offers also Male/Female dorm bed with €31. Especially, room for disabled people also offered to hotel guests.
The Finnish Hostel Association has selected hostel Domus Academica as Finnish Hostel of the Year 2016. This year the selection regarding the criteria of the hostel’s customer satisfaction, the active development of the quality as well as participation in activities of Hostelling International network. (Finnish Hostel Association, March 2016).

Yet hostel is summer hostel, Hostel Domus Academica has its own strategy to compensate the annual overnight stay by applying the carbon footprint, offer breakfast organic and local food and fair-trades products together with engaging and committing the staff to ecological consideration.

![Overall rating (www.hihostels.com, 2016)](image)

**Figure 4. Overall rating (www.hihostels.com, 2016)**

## 5 Customer buying behaviour

All theories related to customer buying behaviour are covered in this chapter. The text clarifies process of buying behaviour, generation X and Y as well as factors influencing customer purchasing decision.

### 5.1 Process of buying behaviour

Customer’s buying behaviour is sequential steps, which show how customers think and what factors stimulate their final decision. According to Blythe (2005, 45 – 51.), the buying behaviour process consists of 6 steps, which are illustrated, in figure below:
5.1.1 Need recognition

Need recognition is an initial point of buying behaviour process where consumers realize the need for some items to increase or replace their used stock. The need is driven by numerous external and internal stimuli. The stimulus can be social (friends, neighbours, families, etc.), commercial (messages, advertisements or promotion programs from wholesalers, retailers, etc.) or even non-commercial (provided by non-profit organisation like public data or report) (Al-Jeraisy 2008, 89 – 90.). However, stimulus can be also a personal need for the products or services like the way hunger try to look for the food. They buy the product with belief that it will satisfy them, replace the broken one or increase the diversity of their collection. Motives behind customer’s decision are usually hard to predict, thus, marketers need to make a research on the problem and develop their products/services to fulfil or even create the need.

5.1.2 Information search

This is the second stage of buying behaviour after consumers defining their need. Blythe (2005, 46 – 47.) listed two forms of information search which are internal search and external search. Internal search refers to personal experience and own perception about products/services while external research is more about watching advertisement, shopping around, reading reviews or asking friends. In many cases, customer’s memory, internal, is sufficient without further information, for example buying food or buying daily-used cosmetics. However, external search is also indispensable when customers decide to purchase expensive or unknown products/services. It is true that when travelling, people read
a lot of reviews from internet to find affordable flight tickets, accommodations, good restaurants and local activities which are usually not available in their memories. The stage of information search helps consumers not only reduce the risk of buying dissatisfied products but also increase the possibility of purchasing.

5.1.3 Alternative evaluation

After collecting all needed information, in the third stage, consumers will have a set of alternative products that they need to scrutinize before purchasing. There are many different categories for them to make a choice such as colour, urgent need, price, brand or even retailer. In certain circumstances, the decision making process of consumers can be interrupted by various factors: environmental stimuli (promotion programs), affective states (urgent needs), and unexpected information or conflicts. For marketers, it is always challenging to make sure that their products/services will end up in consumers’ consideration set in order to increase potential sales (Blythe 2005, 47 – 48.).

5.1.4 Purchase

The fourth stage is purchase which comes after the need recognition, information search and alternative evaluation. In this step, only thing to do is selecting an appropriate payment method (Blythe 2005, 48.).

5.1.5 Post-purchase evaluation

In post-purchase evaluation stage, customers will assess the success of their purchase by comparing their expectation to what was actually bought. The expectation of products before purchase is formed based on equitable performance (correlation between the cost and value from the product), ideal performance (what consumers wish their products will function) and expected performance (what products probably do). The evaluation after purchase always leads to two possibilities: satisfaction and dissatisfaction which will remain in consumer’s memory as internal search for the next time. From the marketer’s point of view, it is important to ensure that consumers perceive authentic information about products in advance in order to prevent post-purchase dissonance. The dissatisfaction can be expressed by voice responses (direct complaint), private responses (complaining to friends, families, neighbours) and third-party responses (through TV, consumer organisation, etc.) (Blythe 2005, 48 – 50.).
5.1.6 Divestment

Divestment is the final stage of buying behaviour process where consumers can dispose of products either by putting them into trash bin or by trading them like second-hand products. This stage reminds marketers of the stimulation of green marketing, or possible development of new products (Blythe 2005, 51.).

5.2 Generation X and Y

In this chapter, authors will focus on discussion about generation X and Y since they are considered to main target customer group for the research. The comparison between two generations will be also stated in order to understanding deeply characteristic of two generations.

Generation Y are also so called the millennials are born between the years 1979 and 1994 (Kotler & Keller 2012, 242). They are described as socially and environmentally aware, pragmatic, clever and open-minded to new experiences. They are the first generation, which has grown up with the technology and Internet. They also has been called as self-oriented generation as well as selfish. There is big difference between Generation Y and older generations in their lifestyle, consuming habit. Their personal desire as well as work-life balance is highly valued. They refer group of tourist who are energetic, open-minded and experimental consumers. (Red Book Solutions).

People who are born between the years 1964 and 1978 are categorized as Generation X (Kotler and Keller, 2012). Generation X refers to the group who are the most educated, they prioritize family although they seek success and they are less materialistic as they price experiences, not acquisition (Kotler, Armstrong, Harris & Piercy 2013, 81). Generation X are also independent when making purchasing decision, and it’s so essential to emphasize their individuality and uniqueness.

There are certain difference between Generation X and Generation Y. Generation X prefer to pay attention on information about products or services from manufacturer’s webpage and store, on contrary, Generation Y tend to trust other people’s opinions about products or services .The major difference between consumer behaviour between both generations is Generation Y want to be social and experience in all phases of purchasing, which differentiate their decision making process from Generation X’s (Greenleigh, 2014)
Generation Y are teamwork-oriented and optimistic when Generation X are more axiomatic and individualistic. They also have different set of motivations, for instance, Generation X “lives to work when Generation Y “work to live (ibid). Besides to that, there is difference in consumer behaviour patterns between these two generations. Generation Y’s purchasing behaviour is pragmatic and value oriented, contrast to, Generation X’s purchasing behaviour is materialistic and price oriented regarding price-quality attitude. Generation Y’s attitude towards brand attitude while Generation X’s is against.

5.3 Factors that influence customer buying behaviour

![Diagram of factors influencing consumer behaviour](image)

Figure 6. Factors influencing consumer behaviour (Kotler & Armstrong 2011, 135.)

It can be seen that customer buying behaviour is affected considerably by both controllable and uncontrollable factors like cultural, social, personal and psychological factors as listed in the figure above.

5.3.1 Cultural factors

Because of broad and deep influence from culture aspect on consumer behaviour, marketers need to understand the role of cultural factors played by consumer’s culture, subculture and social class. Culture consists of basic values, perception, wants and behaviour learned by people in society from families or other important institutions (Kotler & Armstrong, 2011, 135)

*Culture* basically causes a person’s wants and behaviour. A child can learn basic values, perceptions, wants and behaviour from his or her family where he or she is grown up or from other important institutions. Every group or society has a culture, which has impact on buying behaviour and may vary greatly from country to country. An ineffective marketing is resulted by a failure to adjust to these differences. Therefore, marketers always try to penetrate culture shifts to define new products that might be needed.
Each culture consists of smaller subcultures. **Subculture** is a group of people with shared value based on normal life experiences and situation (Kotler & Armstrong, 2011, 136). Subcultures include such factors as nationalities, racial groups and geographic regions. These subcultures create essential segments for marketers to design products and marketing strategies tailored to their needs.

Almost every society owns several forms of social class structure. **Social class** structure varies from one society to other societies. Social class is considered a combination of occupation, income level, education background, wealth and other variables, and it is not determined by a single factor among those factors. In some social systems, members of different classes are diverse for a certain roles and their social positions cannot be changed. However, there are no fixed lines between social classes, people can move to a higher social class or drop into lower one. Social class is a factor that marketers are interested in since people in a given social class have tendency to show similar behaviour.

### 5.3.2 Social factors

Social factors like the small groups of customers, family and social roles and position have also influence on a consumer's behaviour.

**Groups and social networks**

Many small groups impact on a person's behaviour. There are two types of groups such as membership groups and reference groups. Groups that have a direct influence and to which a person belongs are called membership groups. On the other hand, reference groups have direct or indirect influence in establishing a person's attitude or behaviour (Kotler & Armstrong, 2011, 139). In fact, reference groups to which they do not belong often influence consumer's behaviour. Therefore, marketers always try to identify the target groups of their target markets. These groups bring a person to new behaviours and lifestyles, impact the person's attitudes as well as create pressures that may affect the person's making decision on products and brand.

Consumer buying behaviour can be impacted by word of mouth influence. The powerful effects from the personal words and suggestions of friends, associates, and other buyers tend to be more trustful than those from commercial advertisements and salespeople (Kotler & Armstrong, 2011, 139). Due to the fact of powerful influence from word-of-mouth, for instance, consumers start talking about a brand or product they use and feel strongly about one way or the other way, they can spread such feelings to other people surrounding them either positively or negatively. However, marketers instead of leaving it to a
chance, they can help to create positive conversations about their brands. They have to figure out how to reach opinion leaders in reference groups who have special skills, knowledge, and personality exert social influence on others. This is also so-called the influential or leading adopters. When these people talk, customers listen.

Another ways of social influence is buzz marketing and online social networks. Many companies now create brand ambassadors programs to spread the word about the company’s products. These programs can increase the effectiveness of word-of-mouth marketing strategy by as much as 50 percent. Online social networks are online platform where people socialize or exchange information and opinions. Nowadays, there are plenty forms of social networking, for instance, media such as blogs and message boards, website like Facebook and Twitter and virtual words. This new form of consumer-to-consumer and business–to-consumer dialog has big influence to marketers.

**Family**

It can't be neglected the strong influence from family members on buyer’s behaviour. The family is considered as the most important consuming group in society. Marketers have studied extensively affects of the husband, wife and children on the buying decision of different products and services. Traditionally, the wife is the main purchasing agent for family in the area of food, household products and clothing. However, in some countries, for instance in USA where 70 percent of women has job outside than being at home and the husbands are willing to do more family’s purchasing. This is found in a recent study that 65 percent of men do the grocery regularly and prepare at least one meal per week for others in the household. This is all changing, at the same time, women now impact 65 percent of all new car purchase, 91 percent of new home purchases and 92 percent of vacation purchase. Children may have strong affect on family purchasing for example on food, clothing, entertainment, personal care items as well vacation purchasing. Hence, it requires marketers must be careful to avoid insensitive stereotypes.

**Roles and Status**

A person belongs to many groups, such as family, organizations, online communities, etc. The position of person in each group can be identified in terms of role and status. A role consists of activities which people are expected to perform according. Each role has a status refers to the general self-esteem given to it by society.

People often tend to choose products appropriate to their roles and status. A women can play different roles, for instance she can play the role of a manager in her company, in her family she plays the role of wife and mother; and at her favourite sporting events, she
plays the role of ice hockey fan. Depends on each role she plays, the buying behaviour will reflect her role and status. For example, as a manager, she likely buy kind of clothing that reflects here role and status in her company.

5.3.3 Personal factors

Age and life-circle stage
As people get mature all the time which leads to changes in taste, clothes, services, activities and favourites. This means that age is an important determinant in buying decision since it affects what people think they should buy and need to buy. Likewise, in certain periods of life-time such as being student, getting marriage, moving to new house, divorce, getting a new job and so forth, people also have different relevant needs and wants (Kotler & Armstrong 2011, 145.). Admittedly, desire for buying is the continuous and variable process without ending, depending on changes in age and life stages. Based on them, marketers can form variety of customer segmentations and identify their target customer group to offer and develop suitable products/services.

Occupation
Person’s occupation has impact on what they normally buy. A business man often buys a suit or a white shirt, so do other white-collar workers. However, the suit or the white shirt is incompatible with the person working in construction site for instance. In their case, there are stores selling protective clothes for their work and rugged clothes for their daily life. Apparently, marketers know that different customer target groups are created based on customer’s occupation.

Economic situation
Product/service choices are influenced by country's economy and person’s financial situation like personal income, savings, interest payment and so on. In a context of economic recession, people have tendency to pay less and purchase cheap products/services. Accordingly, marketers have to adjust their pricing, redesign their products and launch more promotion programmes to attract consumers’ attention (Kotler & Armstrong 2011, 146.). The influence of economic situation is shown clearly in accommodation industry where sharing accommodation like Airbnb or cheap hostels overwhelm ubiquitously as a cure for low-income travellers.

Lifestyle
Lifestyle is an individual pattern of living regarding to interests, ideas, opinions, actions, consuming habits, and activities. Lifestyle varies all the time even though people might
come from the same culture or subculture. By understanding the lifestyle concept, marketers can know how it impacts consumer buying behaviour. Instead of purchasing the product itself, customers also consider the value and lifestyle it presents for. For instance, the motorcycle seller, Triumph, sells the value of “Go your own way” lifestyle or shoe maker, Merrell states “Let’s get outside” (Kotler & Armstrong 2011, 146.).

**Personality and self-concept**

Personality refers to unique traits that differentiate a person from others which can be self-confidence, dominance, adaptability, extrovert, introvert, sociability and so on. Personality is sometimes an effective tool to analyse customer buying behaviour for some brands or products/services (Kotler & Armstrong 2011, 147.). In hospitality industry, personality is reflected obviously through choosing hotel brands. Luxurious people tend to stay in 5-star hotels or international hotel brands because they always look for luxurious services, sophistication and their self-esteem. On the contrary, sociable people do not mind where they will stay and they prefer affordable hotel or even Airbnb as a chance to save money and experience the local area. For marketers, they also notice the power of personality in buying behaviour, many brands nowadays are connected with particular traits: Apply with “excitement” or CNN with “competence”.

5.3.4 Psychological factors

**Motivation**

Motivation is known as a stimulus, a motive or a driver in order to direct consumers to purchase. Motivation can be biological, arising from the state of tension (hunger or thirst) or psychological, deriving from the desire for social recognition, esteem, etc. Normally, the most important need is satisfied first, followed by the most second important one and when they are done, they become motivators. For example, a starving person will try to find food. They actually do not mind other psychological needs like travelling or watching art gallery. When the hunger is gone, another essential need will be served. (Kotler & Armstrong 2011, 147.). In tourism industry, the psychological driver can be seen clearly, people travel because of their desire for social experience, self-satisfaction and outside world perception instead of biological needs like food, water, clothes and so on. Obviously, consumer’s motivation is important for marketers to research in order to increasing sales and profit. Brands also need to enhance, create a need in customer’s mind to develop their purchase motivation.

**Perception**

Perception is the way people see the world which is very personal and varies from people to people. There are three steps in consumer perceptual process: selective attention (few
details are focused and they are subjective, depending on the person), selective distortion (people will interpret the information to support what they want and believe) and selective retention (people tend to remember good points about their favourite brands but forget them in competing brands). It is always hard for marketers to predict whether their products/services are perceived at all, and they try even harder to attract customer’s attention by all means. However, customers are also stressed due to a number of advertising messages, spams everyday although they have no interest and idea about products. Therefore, it becomes more challenging than ever for brands to bring their offerings closer to customers (Kotler & Armstrong 2011, 148 – 149.).

Learning

Learning involves in process of changing behaviour due to the increase of experience. According to Kotler & Armstrong (2011, 149.) Learning is through action and a consequence of “the interplay of drives, stimuli, cues, responses, and reinforcement”. The theory about learning can be applied to marketing by brands. Marketers can associate their nice images and high demand for products with a good reinforcement.

Beliefs and attitudes

Beliefs and attitudes are achieved through process of learning. Beliefs refer to what people always think about something which can base on real experience, opinion or faith. Beliefs impact strongly on customer buying behaviour since they make up products and brand images. Attitudes mean assessment, feeling of objects or items. Attitudes lead people to patterns of emotion: like or dislike, support or protest (Kotler & Armstrong 2011, 150.).

6 Research findings analysis

This chapter analyses all questions, findings and compiles inferences from both interview responses and questionnaires. Questionnaires aimed at guests of Airbnb and guests of hostels. Interview questions are analysed from two separate interviews conducted with Airbnb host, Mr. X and Domus Academia hostel’s manager, Ms. Sanni Viirto.

6.1 Interview analysis

The explanation for questions used in two interviews and analysis of answers can be found in this part. The questions can be see also in appendix 3.
6.1.1 Questions used for interviews

Similar questions are used for both guests from Airbnb and Domus Academia Hostel in two separate interview. The explanation for each question is shown below:

Question 1 – This question is about the reason for customer using Airbnb (Airbnb host was asked) and hostels (hostel manager was asked).

Question 2 – Factors making customers come to Airbnb and hostel are asked. The question specifically aims at two businesses of two guests.

Question 3 – This question is about the most competitors of Airbnb (from the host’s opinion) and Domus Academia hostel (from the hostel manager’s opinion).

Question 4 – The competitive advantages of Airbnb host and the competitive advantages of hostel Domus Academia are asked.

Question 5 – The question asks two guests about who are their customers.

Question 6 – The question is about the average length of stay in each accommodation unit.

Question 7 – The question is about the means of getting feedback in Airbnb and Domus Academia hostel.

6.1.2 Findings on guests’ responses

The guests for interviews are representatives from two different accommodation units. Mr. X is an Airbnb host who has several apartments in Helsinki. He has hosted so far more than 1000 guests in his apartments. Second guest is Ms. Sanni Viirto, Manager of hostel Domus Academia. The questions for interview are attached as Appendix 4.

According to Mr. X, customers choose Airbnb because Airbnb offers very cheap stay and most of Airbnb customers are online people and social networking. Therefore, Airbnb gives them a feeling of being connected. Mr. X also stated that his customers come to him because of several reasons. They firstly want to have good company, friendly host, whom they can negotiate everything with. Secondly, they need comfortable bed which is obviously the most important thing and finally kitchen and cooking utensils are very important for budget travellers who do not want to spend money on eating outside. When it comes
to Airbnb’s competitor, Mr. X listed only Couchsurfing as the biggest competitor since this online sharing accommodation has similar operation as Airbnb. Hostels, however, are not considered as competitor in his opinion due to different customer profiles. Mr. X reasoned that while Airbnb customers are people who want private rooms and do not want to share rooms with anybody, hostel customers are more different people who are willing to share rooms with others. That is why many hostels offer dormitories, common rooms and kitchen. Mr. X added that his advantages over hostels are being in the centre and offering cheap price at the same time. When asked about customer groups, Mr. X said his customers are students, young people, families and foreigners who travel alone, with friend and children. 99% of customers are foreigners and even less than 1% is Finnish people. The big sector of customers are people staying only one night due to connecting flights and also exchange students coming to Helsinki to study, renting his apartment for a short period of time. Accordingly, the minimum length of stay is one days and maximum is few months. Even though most of the guests are budget travellers, there are still wealthy travellers staying in his place just for their wish of exploring new trend then they never come back. According to Mr. X, these wealthy people expect services from him, yet he is not there to serve anybody, but to offer rooms and to be nice. In general, he received a lot of good feedbacks compared to bad ones in Airbnb website and is considered as a friendly host.

The second interview was conducted with manager of hostel Domus Academia, Ms. Sanni Viirto. According to Ms. Viirto, customers choose hostel because its price is a little bit cheaper than hotel’s and it is a good option for customers in case they are not in need of extra services that hotels normally offer. In addition, customers come to hostel to have social network that hostels usually have such as common rooms and activities for young travellers and families. Also, in her opinion, customers choose Domus Academia hostel thanks to its location in centre where Helsinki is really missing cheap accommodation. Many customers come back each year because of their good customer services as well. Since Domus Academia hostel just opens during summer which is a high season, they do not have to worry about not getting enough guests and compared to other competitors, they can easily adjust the price lower or higher than other hostels whenever they want. Moreover, Ms. Viirto considered Eurohostel, hostel Diana Park, Omena hostel in Helsinki and Airbnb as strong competitors. Especially Airbnb competes with Academia in pricing and location. Ms. Viirto said that Airbnb offers variety of room types and houses while hostel Domus Academia offers only room without separate apartment for families or groups. The main customers of hostels are families and couples, but also conference people, groups, students and young people. 70% of customers are foreigners and 30% are Finnish people. Ms. Viirto estimated the average length of customer stay in hostel around 2 to
3 nights. Answering the final question about how to get feedback from customers, Ms. Viirto listed many ways for them to know customers’ feedback such as booking.com, Expedia, TripAdvisor, Facebook, Instagram, mobile app, computers in hostel’s common room and face-to-face feedback.

6.2 Survey analysis

This part focuses on explanation of questions used for survey and analysis of customers’ responses. From responses for each question, inference will be made (see appendix 4 for questionnaire form).

6.2.1 Questions used for survey

When it comes to questions survey, out of total 30 questionnaires spread, 15 responses from Airbnb guests and 15 responses from hostels’ guests in Helsinki are collected. The purpose is to understand different buying behaviour of customers in two separate units and from which conclude the trend as well as their potential effects on each other. The detail for each question in survey is explained below:

Question 1 – Age group is asked in order to classify group of customers. This is a multiple choice question which allow respondent to choose only one answer out of five different suggestions: under 20, 21-25, 26-30, 30-35 and above 36.

Question 2 – Types of travelling is asked with five suggested answers to choose: alone, group, with friends, family and other. This question is a combination of both multiple choices and open answer “other” which do not limit respondents to any available choices.

Question 3 – Average length of stay is asked with five suggested answers: 1 night, 2-7 nights, more than 1 week, about 1 month and more than 1 month. The question aims to identify customers’ habit of stay in each accommodation unit.

Question 4 – This is an open question asking about the reason for guests’ coming to Helsinki. This question does not limit respondents to any answers.

Question 5 – This is an open question asking about the reason to choose current accommodation unit. The accommodation unit mentioned in this question is either Airbnb or Hostels, depending on whether Airbnb’s guests or Hostel’s guests answer the question.
Question 6 – This question is about general motivation of customers when choosing accommodation unit in Helsinki. There are nine options to choose: financial reason, comfort, accessibility, reputation, security, acquaintance’s recommendation, curiosity, lifestyle matching and others. Respondents choose the three most important factors that affect them the most.

Question 7 – This question asks about where customers get information of their current accommodation unit. The accommodation unit mentioned in this question is either Airbnb or Hostels, depending on whether Airbnb’s guests or Hostel’s guests answer the question.

Question 8 – The level of satisfaction is asked in this question with 5 suggestions: very dissatisfied, dissatisfied, neither satisfied nor dissatisfied, satisfied, and very satisfied.

Question 9 – The willingness to try alternative other than current accommodation is asked. This is an open question to examine the potential choices of customers in terms of accommodation in Helsinki.

Question 10 – This question asks Airbnb guests about their thought of hostel and hostels’ guests about their thought of Airbnb- This is an open question.

6.2.2 Findings on survey’s responses

The first three questions in the questionnaire aimed to clarify background information of customers in terms of ages, types of travelling and length of stay in Airbnb as well as hostels in Helsinki area. The objective of these questions is to find out who are the most common customers for each accommodation unit, from which the similarities, differences and the trend can be analysed. For the benefit of accommodation units’ side, they also can adapt to and understand their guests better.
It can be seen from the figure above that there is a slight difference in age groups of guests in two units. Out of 30 responses, there is no guest under 20 years old. Airbnb guests are mainly in a range from 21 to 35 years old with especially 53% of Airbnb respondents are between 26 and 30. While there is no Airbnb’s respondent at age of over 36 years old, 40% of hostels’ respondents actually belong to this age group, becoming the major group of hostels’ customers. Accordingly, it is somehow concluded that both accommodation units have very young customers above 20 years old and under 36 years old; however, the difference is shown in age group of over 36 years old. This result refers that Airbnb gradually attracts more young people who are trendy and looking for cheaper place to stay while more middle age people prefer to stay in hostels or similar accommodation type like cheap or budgeted hotels.
In both accommodation units, guests mainly travel alone with 15 answers in total, covering 50% of total 30 responses in Airbnb and hostels. In addition, it can be seen that Airbnb is more preferable than hostels in terms of family travelling but it seems not to be a choice for group travelling compared to hostels which elicits some potential reasons that will be analysed later below.

![Figure 9: Length of stay](image)

In hostel accommodation unit, it can be realized that more than 80% of hostels’ respondents stay in hostels for less than a week, mainly from 2 to 7 nights, few people travel for more than a week and no one travel more than one month. Concerning to Airbnb, the length of stay varies a lot and customers stay for both very short and very long period of time which differs from hostels with customers travelling shorter period of time.

The question 4 and 5 in the questionnaire were conducted to understand travellers’ reasons for coming and choosing accommodation unit in Helsinki. The analysis is based on 15 responses for Airbnb and 15 responses for hostels which makes the results very variable.
According to what customers answered in the questionnaires, it is obvious that most of hostel guests came to Helsinki for leisure purpose such as travelling, vacation, visit friends or shopping with approximately 87% of respondents. Business purpose is also included in hostel guest’s profile with very small percentage.

Turning to Airbnb’s guests, like hostel, Airbnb has guests coming to Helsinki for leisure purpose such as travelling and vacation. However, it is easy to recognise here the lack of business customers and the addition of connecting flight customers in Airbnb compared to hostel. Customers chose Airbnb to stay overnight when waiting for connecting flight and what they need is only a cheap place which creates a new customer segmentation for Airbnb beyond hostels. This also explains why Airbnb has more guests with duration of stay of only 1 night compared to hostel in aforementioned analysis.
Out of 15 responses in Hostels’ side, location and cheap price are the main reason for customers’ choices. However, there are also other reason related to services provided in hostel such as breakfast, good staff and 24/7 open reception which differentiates hotels from Airbnb. Some guests commented that hostels are much safer than Airbnb since they have security staff. The reasons for choosing Airbnb are illustrated below.

Like hostel, cheap price is the most determinant for choosing Airbnb. However, many guests consider big space and local experience which hostels hardly offer. According to some comments from customers in Airbnb when answering questionnaire, Airbnb provides them private room, not a dorm like in hostel. The price for a private room is much higher than what Airbnb offers. Besides, there are some family writing in the survey that
Airbnb offers them kitchen to cook for their kids and enough space for a whole family without booking two different rooms like in hostel.

From the question 5’s result, it is obvious that there are so many reasons which determine what types of accommodation to choose. Accordingly, the new trend of Airbnb is gradually meeting new demands or in the other word, creating new needs for customers beyond conventional accommodation units like hostels or hotels. However, no accommodation unit can fulfil all needs of customers in all means, instead they try to show the best effort to understand customer as much as possible. Therefore, question 6 in the survey is for the purpose of understanding what are the most motivations of customers when choosing low budget accommodation like Airbnb and hostels in Helsinki. From the result, both Airbnb and hostels can adjust their own strategies to attract customers and differentiate themselves from others. The question 6 has many suggestions offered for respondents to select and to give own opinions, each respondent can choose at least the three most important factors from their point of view. The result is analysed from total 30 responses from both sides: Airbnb and Hostel.

Figure 14: Customers’ motivations for choosing accommodation

From the figure above, finance and accessibility are the most important reasons affecting customers’ decisions. Besides, reputation or comfort also play important roles. Normally, reputation of an accommodation unit are decided by reviews from previous guests or its own brand which can be easily seen by potential customers. By understanding this, each accommodation unit should have their own strategies to strengthen their image. Comfort comes from the feeling of being welcomed, good facilities and probably privacy mentioned
in question 5’s analysis which accommodation units should focus on. Lifestyles vary a lot from people to people and it somewhat affects their ways of choosing accommodation when traveling, by penetrating customer segmentations, each units are able to analyse the most common characteristics and lifestyles of their main customers.

Answers for question 7 provide information of where customers seek for information about the units.

![Figure 15: Information sources for accommodation](image)

It can be seen from the chart that social media is the strongest determinant helping customers find information nowadays which outrights traditional way like travel agency. For Airbnb guests, the most useful tools are Airbnb websites, Airbnb app and recommendation from acquaintance (word of mouth). However, information sources for hostels’ guests are totally different from Airbnb. People rely on booking.com, hostels' websites and mobile apps.

Question 8 evaluated the level of satisfaction of guests in Airbnb as well as Hostels in Helsinki. The result can be seen in the chart below:
Figure 16: Level of satisfaction

It shows that most of guests staying in chosen accommodation units are satisfied with their choices. However, there are quite many guests in Airbnb feel neither satisfied nor dissatisfied which means that they do not have any specific expectation for the chosen accommodation. Airbnb from many points of view provides just enough basic needs for customers and that is all what they expected: a room and a bed.

Two last questions 9’s and 10’s purposes are to ask about customers’ willingness to try alternative accommodation units and their thoughts about them.

According to 15 responses from Airbnb guests, 60% of answers stated that they do not want to stay in any other accommodation units when coming to Helsinki but Airbnb because they are used to the owner here and price is the cheapest possible. However, other 40% showed their wishes to try hostels, budgeted hotels or even luxury hotels in the future if they have more money. Airbnb seems to them as the final option when money saving is needed during the trip. When asked about hostels, the 60% did not think that they are better than Airbnb, one of the reason is that hostels offer dorm where many unknown people stay in the same room which is very awkward and unsafe. However the 40% who are willing to try alternatives said hostels are more expensive, safer than Airbnb and provide better services.

The results from 15 responses of hostels’ guests show that 33.3% of guests want to try Airbnb as alternative because of curiosity and the rest would like to try hotels instead. 60% of respondents consider Airbnb as the same standard as hostel and many others never think that will stay in Airbnb.
6.3 Scope and delimitation

In this study, hostels and budgeted hotels are assumed in the same group when comparing customer’s purchasing behaviour with Airbnb. Even though interviews with guests from Hostel Academia and Airbnb are conducted and questionnaires are spread to only hostels’ and Airbnb’s customers, the results can also be applied to budgeted hotels in Helsinki area. In addition, the research method is implemented based on semi-structure method which does not require numerous responses to our survey. Therefore, 30 responses from both Airbnb and hostel side bring some restrictions to cover all Helsinki’s tourists’ purchasing behaviour in detail. However, the thesis focuses also on qualitative research where result analysis is based on subjective opinions of people who directly involve in two different accommodation units and have thorough understanding and statistics about industry.

7 Conclusion

It is undeniable that hostels or budgeted hotel are conventional accommodation types in many kinds of cities in the world including Helsinki. Besides, the appearance and vibrancy of Airbnb which stems from the USA is spread out to many other countries like France, Spain, Sweden, Norway and so forth. This new trend has also operated in Finland, especially in Helsinki in the past few years even though the density of hosts and guests cannot be compared with aforementioned countries. Accordingly, a new generation of travellers is gradually formed with new needs and demands, new habits and lifestyles which make a lot of researchers and hoteliers want to clarify Airbnb’s influences to the conventional accommodation industry and figure out the customer purchasing behaviour.

Research found out that most of travellers staying in Airbnb are young people while middle ages people tend to stay in hostels or hotels. There are also difference in length of stay in both accommodation units. Airbnb often has customers staying for both shorter and longer period of time, from one night up to few months which actually saves a lot of money for budgeted travellers compared to hostels where customers normally stay just two to three nights. Besides, appearance of Airbnb is a perfect match for guests who have connecting flight through Finland and can avoid spending money in a hostel or hotel. Airbnb is also the optimal choice for exchange students in case of student housing shortage. Families who would like to cook prefer Airbnb to hostel thanks to its kitchen facilities. In addition, the research revealed that financial reasons and accessibility are two main determinants affecting customer’s decision making process. It is obvious that one of Airbnb’s advantages is having variety of locations and prices options to choose due to its being
ubiquitous. According to Mr. X, Airbnb guests are online people who are always connected and social networking, the main channel for them when purchasing is through Airbnb website, mobile apps and word of mouth while hostel’s guests rely on booking.com, websites and other channels. An interesting point found is that from manager of Domus Academia hostel’s point of view, Airbnb is a very big competitor, taking a lot of customers from hostel industry but the thought is very opposite in Airbnb’s host side. This proves that Airbnb is creating the new needs and new customer generation that conventional accommodation unit cannot offer. It can be said that Airbnb and hostels have still a lot of similarities beside differences, a number of guests are willing to try either Airbnb or hostel as alternative which means that these two units are sharing their customers and influencing each other.

Finally, the target of this thesis is to provide a thorough understanding of traveller’s purchasing behaviour in Helsinki area and give suggestion for further study. The results can bring an interesting and insightful read for hospitality students, researchers, hosteliers, hoteliers and people involving in sharing economy industry. Also, as students specialised in hotel management, we realised after the research the potential growth of Airbnb in Finland and its influences to the traditional accommodation industry. At the moment, Airbnb is considered a competitor of hostels in many aspects such as pricing, location, facilities, room types, etc. However, not limiting only to cheap rooms, in the Airbnb’s website, they have a lot of listings for business travellers nowadays with luxurious rooms offered which can totally compete with hotels. More than any single hotel chain, Airbnb offers the most various room types, fitting all kinds of customers, from people who have low budget to wealthy ones. Obviously, Airbnb is developing and expanding its customer segmentation continuously which probably soon brings Airbnb to be one of considerable rivals for hotels in the future. Therefore, further study on Airbnb’s potential impacts on hotel industry in Finland should be recommended as a useful and interesting topic for readers.
References


Appendices

Appendix 1. Airbnb’s history and development

(Juggernaut 2015)
Appendix 2. Business Model Canvas of Airbnb

(Juggernaut 2015)
Appendix 3. Interview questions

Questions for interview:

Hosteller:

1. Why do customers use hostel in your opinion?
2. What make customers come to you?
3. Who are your most competitors?
4. What are your competitive advantages compared to other competitors?
5. Who are your customers?
6. What is the average length of stay?
7. How do you get feedback?

Airbnb host:

1. Why do customers use Airbnb in your opinion?
2. What make customers come to your place?
3. Who are your most competitors?
4. What are your competitive advantages compared to other competitors?
5. Who are your customers?
6. What is the average length of stay?
7. How do you get feedback?
Appendix 4. Questionnaire form

Hi, we are HAAGA-HELIA University of Applied Science students and we are conducting a research project for our thesis. The aim of the research is to gather information about customer purchasing behaviour towards the hotel traditional accommodation and Airbnb from different perspectives of travelers. Would you mind spending few minutes of your valuable time to answer our questions? Thank you very much!

What is Airbnb? Airbnb is a social marketplace for accommodations that matches hosts up with guests. You can rent a place to stay through Airbnb or you can rent out your own home or apartment if you would like to make some extra cash. (Source: http://www.women-on-the-road.com/what-is-airbnb.html)

Please tick to the box ☐ or write your answers for ten questions below.

1. What is your age group?
   ☐ < 20  ☐ 21-25  ☐ 26-30  ☐ 31-35  ☐ > 36

2. What type of your travelling is?
   ☐ Alone
   ☐ Group (more than 7 people)
   ☐ With friends
   ☐ Family
   ☐ Other .............................. |

3. What is your average length of stay?
   ☐ 1 nights
   ☐ 2-7 nights
   ☐ > 1 week
   ☐ about 1 month
   ☐ > 1 month

4. What is the reason for your coming to Helsinki?
   ………………………………………………………………………………………………………………………………………………………..

5. Why did you choose this accommodation unit when coming to Helsinki?
   ………………………………………………………………………………………………………………………………………………………..

6. What is the motivation in general for considering accommodation unit in Helsinki? (You can choose the three most important factors and if possible please give your other thought.)
   ☐ Financial reason
   ☐ Comfort
   ☐ Accessibility
   ☐ Reputation
   ☐ Security
☐ Acquaintance’s recommendation
☐ Curiosity
☐ Lifestyle matching
☐ Others: ........................................

7. Where did you get the information of this accommodation unit?
☐ Booking.com
☐ Facebook
☐ Airbnb websites
☐ Word of mouth (friend recommendation)
☐ Mobile apps
☐ Hostels’ website
☐ TripAdvisor
☐ Other ........................................

8. How satisfied you are for this type of accommodation?
☐ Very dissatisfied
☐ Somewhat satisfied
☐ Neither satisfied nor dissatisfied
☐ Satisfied
☐ Very satisfied

9. Do you want to try alternative other than this accommodation in the future? (If possible, give your comments)
...................................................................................................................................................................................
...................................................................................................................................................................................
...................................................................................................................................................................................

10. What do you think about Airbnb/hostel? (please choose the option that you are not using at the moment)
...................................................................................................................................................................................
...................................................................................................................................................................................
...................................................................................................................................................................................

62