



Consumption Characteristics of the Millennial Generation and Strategies Implemented to Satisfy Them: Airbnb Case

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Abstract

The main objective of this work is to identify how the most successful disruptive business model known as Airbnb has managed to satisfy the main consumption characteristics of the Millennials generation. To accomplish this objective, a literary review of this generation is needed, as well as the identification of its main consumption characteristics. At the same time, we will see a literary review of the Airbnb business model, which is based on a collaborative economy and will look at what Airbnb mechanisms and strategies is to satisfy the consumption characteristics of this new generation.

Keywords: Millennials; Economy; Collaborative; Disruptive; Business model; Strategy.

1. Introduction

Is it the consumer who determines the new forms of consumption? Or is the irruption of Information and Communication Technologies ("ICTs") in the market, who have modified the consumption of economic agents? Having knowledge of the behavior exercised by the consumer when acquiring a good or service, as well as the process inherent in consumer decision making, is fundamental in any business analysis.

Airbnb, a web platform that offers a hosting service and exemplary example of a disruptive business model based on collaborative economy, shows that satisfying the consumption needs of the generation called millennials, population born between 1981 and 2000, can be a point of game for business success. Currently, millennials represent 30% of the total population of Latin America (Forbes, 2014). This same generation is considered one of the determining factors in the growth of this disruptive hosting platform (Airbnb, 2016a).

This new generation of consumers has characteristics, needs and demands that require a transformation in the way of offering goods and services. Knowing the repercussions that the satisfaction of these new economic agents represents for the companies, is of great relevance. That is why this study will seek to identify what are the consumption characteristics of millennials and how this new generation of consumers are satisfied by the disruptive business model called Airbnb.

2. Problem Statement

The penetration in the last decades of ICT in society, as well as the introduction of the collaborative economy, have broken with the traditional business model in which companies have and people consume, to lay the foundations for the so-called disruptive business models. A disruptive business model is one that, through the use of technology, breaks with the functioning of industries, jobs, forms of consumption and sale of goods and services, considering in turn the behavior of individuals and their expectations.

Airbnb web platform that offers hosting service in more than 81,000 cities and 191 countries (Airbnb, 2016b), is an example par excellence of a disruptive business model. Through the application of innovations, Airbnb manages to offer a different service, or satisfies a consumer need, which allows it to generate a new consumption trend in the hotel sector, whose industry is known for its high degree of competitiveness. The growth of Airbnb internationally is undeniable, cities such as Madrid, Barcelona and Palma de Mallorca report in the first quarter of 2018, a growth of 30%, growth rate 10 times higher than that reported by hotels (El Confidencial, 2018b).

In the case of Mexico, Ángel Terral, Managing Director of Airbnb México, points out that the platform has 80,000 places of lodging in Mexican territory, the number of hosts in the same territory shows an annual growth of 75%, finally, the number of foreign travelers that the platform hosted in 2018 was 1.8 million (Expansión, 2017). Airbnb in its report Airbnb and The Rise of Millennial Travel, states that the growth of this platform is the result of several factors, positioning the population of millennials travelers, which include the ages of 18 to 35 years, as one of the factors determinants in its growth (Airbnb, 2016a). Currently millennials represent 30% of the total population of Latin America. It is not a coincidence that the reported growth of this platform in the same territory is 148% (Forbes, 2014).

This new generation of consumers has characteristics, needs and demands that require a transformation in the way of offering goods and services. Knowing the repercussions that the satisfaction of these new economic agents represents for the companies, is of great relevance. Disruptive business models such as Uber, Spotify, Airbnb, to name a few, show that meeting the consumption needs of the so-called millennial generation can be a starting point for the success of companies. It is due to the above arguments that the objective of this investigation was to briefly describe the main characteristics of Airbnb and those of the consumer classified as millennial. At the same time, we will seek to identify which characteristics of millennial consumers are satisfied by this collaborative hosting business model.

3. Justification of the Investigation

The contribution of young people in the transformation of societies is decisive. The tourism sector is one of the industries with the greatest presence of young individuals. Based on the World Tourism Organization (OMT), young people represent approximately 23% of total international tourists, who exercise an economic benefit of approximately 3,000 euros in their trips (El Economista, 2017). Young tourists are considered the drivers of change and innovation, as well as the first to adopt new technologies and transmit through social networks, their experiences and benefits found in their destinations (El Economista, 2017).

Airbnb in its report Airbnb and The Rise of Millennial Travel states that the growth of this platform is the result of several factors. the population of millennials travelers, which cover the ages of 18 to 35 years, is considered one of the determining factors in its growth (Airbnb, 2016b). Through the application of more than 1000 online surveys conducted among consumers aged 18 to 35, as well as information obtained from Airbnb booking data, the report concludes that millennials prioritize making trips over the purchase of a house, 80% of respondents seek new experiences and unique places as a destination for their trips. Finally, 60% of all guests who have ever booked on Airbnb are millennial tourists. this type of tourist has increased their Airbnb reservation number by 210% in the last year (Airbnb, 2016a).

Investigations whose object of study are the millennial foreign tourists, come to conclude that this category of tourists has a high taste for technology, seeking comfort at the same time of low prices and speed in their searches. In 2017, the Airbnb platform registered the lodging of 1.8 million international travelers in Mexican territory, 56% more than the number of domestic travelers who in the same period recorded 800,000 accommodations in the platform (Expansión, 2017).

Marriot International owner of more than 30 brands and 7,000 properties in 130 countries (Marriot, sf), has reported in 2019 will launch its housing rental platform through a strategic alliance made between Accor Hotels and Hostmaker, this in order to compete in a market that is considered to be "in full boil" (El Confidencial, 2018a).

4. Theoretical Framework: Collaborative Economy

The term collaborative economy refers to new models of consumption and production of goods and services. these arise thanks to the possibilities offered by technological advances that allow their exchange, reduce information asymmetries as well as the transaction costs of these business (Doménech, 2015). The collaborative economy exposes a business model based on the exchange of resources between individuals through peer-2-peer services, allowing consumers to access goods and services whenever they wish. In recent years, the concept of collaboration has gone from being a community practice to a profitable business model. An increase in business models based on the collaborative economy, most of them through the use of virtual platforms has generated changes in the system of traditional markets (Boeckmann, 2013).

Some authors point out that there is no universal definition for the concept of collaborative economy, however, there are models that encompass the fundamental elements of this concept. One of these models is one that allows people to rent goods or services between them for a short period of time. this type of model is called collaborative consumption. The product as a service is the second type of collaborative economy model, which allows people to rent a product or service instead of buying it (Johal and Zon, 2015).

The collaborative economy is a term used for a set of emerging business models that work through platforms and exchanges. This type of economy generates knowledge exchange and takes advantage of the low cost of disruptive technologies. The combination of these characteristics allows a decentralized exchange, causing companies to become facilitators of the exchange, instead of acting as a producer and mechanisms of self-government (Allen, 2014).

The collaborative economy is based on a socioeconomic ecosystem that allows sharing the creation, production, distribution, trade and consumption of goods and services between different people and organizations. Authors prefer to denominate the collaborative economy as a massive base capitalism. this model originates a new mode of organization of economic activity capable of displacing the traditional model centered on corporations.

5. Airbnb

Airbnb visualizes its beginnings in the city of San Francisco, California. It is during the year 2007 when the real estate of this city presents an excessive increase in income, as a result of the eve of the economic recession of 2008, that two young graduates of Rhode Island School of Design decide to attend a conference for designers, with the intention of obtaining ideas that allow them to obtain additional income to be able to cover the increase in the rent quota. The idea was immediate and the project began with the name Airbedandbreakfast.com, a website that linked hosts with guests. The project had a small and slightly spread out, however, the gains were significant.

It was until 2009 due to the celebration of the Democratic National Convention held in San Francisco, that the project gained more strength, the hosting platform offered a good substitute for individuals who sought to avoid the high prices charged by hotels. It was from then on that the popularity of Airbnb began to increase, the number of hosts went from 21,000 to 160,000. Social networks played a decisive role in the dissemination of the platform, as well as positive reviews and ratings of the guests when making use of this platform.

Airbnb is a classic example of the collaborative economy and disruptive innovation. the emergence of this business model is possible thanks in large part to technological evolution, which allows modifying the current way of carrying out exchanges (face to face) to propose a new way that allows exchanges on a larger scale, through the internet and through the creation of trust between strangers.

5.1. Strategic Advantages of Airbnb

Airbnb is a proposal of competitive value, immersed in an industry of great concentration, achievement to create strong points. IT exploits the changes of consumption of the individuals influenced by the ICTs and defined as niche market to the millennials, people interested in living different experiences, at competitive prices, offering an inclusion in the local life of the visited destination (Soltero and Vargas, 2017). The Airbnb platform, when analyzed from aspects of the VRIO framework, IT IS obtained the following box:

Table-1. Marco VRIO Applied to Airbnb

Value The platform gives a new value to the travel experience. this platform offers guests a feeling of familiarity, involvement of the tourist in the daily life of the visited country, as well as advice from the hosts.	Rarity: The new way of tourism, as well as the intrigued by the popularity of this platform is what gives the platform a sense of rarity.
Inimitability Although, Airbnb presents competition from the traditional hotel industry, the platform is a leader in its field, which means that until now the service offered is considered inimitable.	Organization The organization, security, trust and reputation of said platform are key elements to ensure the growth of said platform.

Source: Own Elaboration with Information obtained from Current Models of Collaborative Economies Airbnb: Changing the Hospitality Industry

The minimum or nonexistent labor costs, low tax rates and free platform for the provision of the service, is another of the strategic advantages that Airbnb has with respect to the hotel sector. A business model based on collaborative economy allows the reduction of transaction costs, increases efficiency and encourages accountability and competition. This model also does not require a centralized entity that must keep an inventory and therefore is free of logistics, maintenance costs of inventory, product and geographical expansion (Interian, 2016).

This business model gives individuals the ability to take advantage of an asset they already have, the collaborative business model significantly reduces transaction costs. The general characteristics of a consumer of collaborative hosting platforms such as Airbnb tend to be connected and expert travelers, prone to responsible consumption, possessing a high level of trust towards other members of the community, familiarity with the Internet and commerce in line, demanding in terms of the quality of their tourism experiences, accustomed to linking their destinations of choice and forms of hospitality in a more familiar environment (Russo and Quaglieri, 2014).

The irruption of ICTs in collaborative business models has facilitated the exchange of consumer experiences; the objective and transparent valuation of the products acquired modify consumer behavior and influence the consumer during their purchasing process, providing more realistic expectations (Cañigual, 2015).

5.2. Generation Millennials

The term millenials was coined for the first time by William Strauss and Neil Howe in his book "Millennial Rising: The Next Great Generation". Millenials is the categorization obtained by the generation born between 1981 and 2000. This group of young people have particular characteristics such as their challenging, consumerist attitude, fascinated with technological changes and preference for group activities (Fonseca, 2003).

Blumenberg mentions that the generation "Y", popularly known as millennials, are individuals born between 1981 and 1997. The years usually vary according to authors. This group of young people is characterized by their different lifestyles, consumption and travel, as well as their high predisposition to be influenced (Blumenberg, 2012). De Vaney meanwhile defines millennials as young people born during the period from 1982 to 1997, this group of individuals have as main characteristics their choice to delay marriage, inclination for entrepreneurship, as well as initiate their process prematurely of independence. As a consequence of the characteristics previously exposed, millennials seek new adventures, directions and lifestyles that allow them to experience new experiences.

The generation of Millennials refers to those born during the years 1981 to 1995, young people currently between the ages of 20 and 35 who reached adulthood during the millennium change, currently the millennial population represents 30% of the total Latin American population and in 2025 is expected to represent 75% of the world labor force (Forbes, 2014). Recent research in which the object of study are millennial consumers expose their inclination for technology, the speed with which they want to receive answers to their questions, their taste for new learnings, as well as their search for quality at affordable prices (Del Pilar, 2017).

Forbes Mexico in its article 6 Key Features of the Millennials, the New Consumers exposes that the young people of this generation are characterized by having a broad knowledge as regards technology, their daily basic relationships are usually mediated through a screen. In turn, he affirms that Latin American millennial consumers tend to interact in multiple channels and digital devices, thus presenting a multitasking behavior. On average, they spend 7 hours a day on their online connections, which is 5% more than the world average. 78% of the population classified as millennials in Latin America have a mobile, 37% a Tablet, 70% a laptop and 57% a desktop, which determines that their channel of socialization, work and leisure is by means of a screen, thus generating a complete integration of technological devices into your daily life.

Social networks are the main means of communication for this generation. 88% of Latin American millennials have social networks, making them an integral part of their social life. Consult opinions and evaluations of both friends and strangers, is part of the decision-making process of millennials, making them sensitive to online consumer experiences. This new type of consumers tends to be much more volatile, demanding and critical, negative online experiences generate a much greater impact on their consumption decision, compared to their previous generations. The relationship and experience that the producer provides to the consumer is currently considered one of the central strategies in business, having a level of importance at the same time as the quality of the product.

Finally, exclusivity is a main element that millennial consumers seek to obtain when making their consumption, forcing companies to expand their knowledge regarding their consumers in order to provide more value to them. Companies can achieve this customization through the use of big data, thus allowing them to be aware of the needs of their consumers and anticipate them.

6. Airbnb Strategies Driven to Satisfy Millennial Consumers

The literary review made in the previous section exposed some of the main characteristics of millennial consumers. Next, it will seek to show the strategies implemented by this innovative model of disruptive housing, which manage to satisfy the new consumption characteristics of the millennial generation.

Airbnb is usually preferred by users due to the price flexibility it presents compared to hotels (Zervas *et al.*, 2016). This decrease in accommodation prices is a consequence of the decrease in marginal costs (Rifkin, 2014), the reduction in transaction costs and the minimum or non-existent labor taxes that are attributed to the business models based on collaborative economy (Interian, 2016). In turn, the platform allows millennials who, through the technological knowledge they possess, are able to obtain better offers.

For millennials the most important factor when choosing to consume a good or services after the price is the ease of making reservations online through mobile devices. Airbnb through free access to its web platform, allows millennials know the supply of properties they own in more than 81,000 cities and 191 countries, among which 4,000 are boats, 2,000 are castles, 620 tree houses and 320 private islands (Airbnb, 2016b). Added to this and with the objective of satisfying the need of the millennials to obtain quick answers to their questions, the platform grants the distinction of superhost to those hosts that maintain a minimum response rate of 90% and respect the confirmed reservations (Airbnb, 2017b).

Another key strategy that attracts Millennial consumers are Airbnb's cancellation policies, which range from the full refund up to five days before the arrival date (Airbnb, 2017a). Another of the main characteristics of consumption presented by the millennial generation is their taste for online commerce, as well as the importance they attach to the evaluation and / or comments made by third parties of the good or service they wish to consume. Studies in turn, show that this generation tends to consult critiques, advice and comments about the destination they seek to visit on their websites and / or blogs. These evaluations, critical advice and / or comments arrive to be perceived true by the consumer, which causes a modification in the consumption behavior of this economic agent.

The fact that the consumer has knowledge of the experiences, risks and advantages that other consumers perceive about a specific good or service, causes the economic agent to make said consumption with a sense of security, even though he has never used said good before and / or service.

Airbnb, through the possibility it offers to both hosts and guests, to make and visualize comments on the experiences of consumers, manages to satisfy this need of the millennial generation. At the same time, this mechanism is very useful for new or future clients. Likewise, in order to guarantee the safety and tranquility of its guests, Airbnb has certain criteria of good practices that its hosts must comply with, such as the presentation of official identifications, passport, identity document, driving license, to mention a few, as well as their social network profiles (Facebook, linkedl, etc.). As pointed out Finley (2013) "Confidence is what allows the markets of collaborative consumption and the shared economy to function without friction".

Finally, experiencing new adventures, directions and lifestyles is one more reason why millennials tend to prefer a tourist accommodation classified as not very traditional. Recent studies worldwide show that hosting preferences of this generation of consumers tend to be unconventional, especially if they are viewed on platforms such as Airbnb. The reason to prefer this type of accommodation is because it allows them to get a more personal interaction with the local population, new experiences of the destination visited at relatively affordable costs.

7. Conclusions

Based on the literary review exposed throughout this study, both the Airbnb business model and the new generation of consumption called millennial, it is observed that the knowledge and awareness that a company has about the new characteristics, needs and demands The consumption that this new generation implies can result in a powerful strategy that allows, along with the union of other factors, the growth of a business model even in the most competitive sector possible.

Millennials are considered by different countries as the most powerful consumers in the world. This classification is a consequence of the radical changes observed in different markets that decide to respond to the different consumption habits of this generation (Expansión, 2018). Accentura multinational company dedicated to the provision of consulting services estimated that only in the United States the generation of baby boomers will transfer at least 30 billion dollars in wealth to the Millennials during the next three decades, thus showing the power of consumption in the world of business that is expected this generation will come to show. The augured destiny for the firms that do not achieve or do not want to satisfy these new demands of consumption is not at all encouraging (Expansión, 2018).

The case of Airbnb is an example of success that shows the positive benefits that can be obtained when satisfying the consumption characteristics of millennials, however, this digital hosting platform is one of the hundreds of existing cases that have managed to draw consumer attention to this important market niche, such is the case of Uber, Spotify, Netflix, Amazon, among others. It is for this reason and with the purpose that current companies continue to be considered competitive in the face of this new transformation in the forms of consumption, that firms must study and know this generation, as well as determine and establish the necessary strategic strategies in their business that allow capture the attention of the generation that is predicted to be, the most powerful consumers, better informed and with a tendency to break with traditional structures.

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