

A Qualitative Study on the Economic Impact of Airbnb on Traditional Hotels in Kolkata, India

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Abstract

India's tourism and hospitality sectors have been greatly influenced by the introduction of peer-to-peer accommodation systems like Airbnb. This research investigates the economic consequences of Airbnb on the 'in the traditional hospitality industry of Kolkata which is a significant cultural and tourism center. With a conglomeration of budget, midrange, and luxury hotels, Kolkata offers an excellent context to study the interaction between traditional accommodation providers and newer lodging alternatives.

Focusing on a qualitative strategy, this research is grounded on semi-structured interviews conducted with 15 hospitality industry executives, such as general and marketing managers, as well as revenue leaders. These interviews bring to light the competitive disadvantages vulnerable and midrange hotels face because of Airbnb's low-cost alternatives which lead to reduced occupancy and increased pricing pressures. Although luxury hotels are less affected, many of them have started to adopt customized offerings and newer tailored competitive approaches.

According to the interviewees, airline-associated guests are actively targeted by budget hotels through the application of dynamic pricing, digital engagement, and customized guest interaction to attract younger, experience-driven tourists. One of the most problematic points discussed is the absence of coherent competition rules: while operating hotels face strict legal and tax obligations, a good number of Airbnb

hosts remain unregulated.

Hotel industry experts shared their views saying, in spite of the obstacles, Airbnb has a positive impact on the tourism economy of the city. The industry experts showed a willingness for peaceful cohabitation, assuming regulatory policies provide a balanced opportunity for all participants. Hotels are reshaping their image by emphasizing reliability, brand reputation, and service to peer-to-peer offerings.

This research contributes to the understanding of the implications of digital disruption in Kolkata's hotel industry. It is directly useful for stakeholders and policymakers in the hospitality industry who wish to strategically respond to the disruptions posed by the platforms of the sharing economy.

Keywords: Airbnb, traditional hotels, qualitative study, Kolkata, hospitality industry, economic impact, peer-to-peer accommodation, tourism

Introduction

The advent of peer-to-peer accommodation platforms like Airbnb has transformed the entire hospitality industry. Expanding rapidly since its founded in 2008, Airbnb has emerged as a global leader in offering peer-to-peer accommodation services, often competing with traditional lodges for the furthest traveler's dollar. The impact of Airbnb in India has been unprecedented with the brand gaining popularity at a record pace. In comparison to the traditional hotels that used to dominate the Indian hospitality sector, ranging from budget to luxury segments, the emergence of peer-to-peer accommodation platforms has led to the availability of more personalized, customized, and richer local experiences.

Being the capital of West Bengal, Kolkata is the center for business, education, culture, and tourism. Kolkata's colonial era architecture, varied cuisine, and rich literary heritage means the city attracts large tourist. Additionally, travelers can find high-end hotels, budget lodges, and boutique guesthouses to stay. However, clear backed investment solutions like the Airbnb business model has transformed

hospitality in the city with the availability of short-term rentals in prime business and tourist hubs such as Park Street, Salt Lake, New Town and Ballygunge.

The purpose of this study is to qualitatively evaluate the economic effects of Airbnb on Kolkata's traditional hotels. Although quantitative data can show trends in revenue and occupancy, it is unable to convey the more profound emotional and strategic changes occurring in the hotel sector. The lived experiences of hotel managers and operational leaders who have seen and responded to the shifting competitive landscape are thus examined in this qualitative study. The following are the main research questions that this study is guided by:

1. How do traditional hotels in Kolkata perceive the economic effects of Airbnb?
2. In what ways have Kolkata's traditional hotels modified their business practices and advertising tactics to stay competitive?
3. What changes in booking patterns and customer expectations have hotel managers noticed?
4. What legal and policy worries do lodging industry professionals have regarding Airbnb's operations in the city?

Method of Study

This research employs a qualitative method to study the economic impact of Airbnb systems on traditional hotel setups in Kolkata. Qualitative research was chosen to gather very specific, in-depth insights from people who are still working as professionals in the hospitality trade, especially with the changes brought by alternative stay options down the road. This study samples purposively to select 15 participants across the various segments of the hotel industry in Kolkata, including general managers, operations managers, heads of marketing, revenue managers, and property owners from luxury, mid-range, and budget hotels based mostly around Park Street, Ballygunge, Salt Lake, New Market, and along key business and tourist pathways near transport hubs like Sealdah, Howrah, and so on. Representatives were chosen

because of their strategic decision-making roles and the avenues they have pursued to adapt to changing market conditions. Data collection was primarily through semi-structured interviews lasting between 45 and 60 minutes each. Some interviews were conducted in-house, while others took place via video conference, according to the availability and preference of the interviewees. The focus was on the questions on occupancy trends, pricing strategies, customer behavior changes, technological adoption, and regulatory concerns in the wake of Airbnb's increasing popularity.

The interviews were set to be open-ended. Thus, the participants would express their observations and strategies freely. The very conversational atmosphere of the interview encouraged storytelling, which, in turn, created more layers of insight about real-time decision making, customer experiences, and operational problems. Then, the qualitative data were thematically coded and analyzed through grounded theory methods to extract reoccurring patterns, themes, and outliers. These then helped to contextualize these findings in the local socio-economic and regulatory framework of Kolkata.

Pertaining to the enhancement of understanding of more mooted trends, secondary data sources such as news articles, industry reports, government guidelines on tourism, and academic studies on the sharing economy were reviewed. Observations from hotel websites, customer reviews, and Airbnb listings for the Kolkata area also helped to provide a more practical dimension to the interview findings.

The qualitative nature of the study does not aim to produce generalizable results but rather to offer a focused, context-rich perspective of Kolkata's hotel industry. It emphasizes the lived experiences and professional judgments of industry stakeholders, thereby providing meaningful insights into how traditional hotels perceive, adapt to, and strategize against the challenges and opportunities brought about by Airbnb.

Ethical considerations were strictly followed. Participants were informed about the purpose of the research, assured of confidentiality, and were given the option to remain anonymous. Consent was obtained before recording or noting

down the interviews. The research also abided by the ethical norms of academic inquiry to ensure integrity and respect toward all contributors.

Through this method, the study constructs a comprehensive, descriptive, and interpretive account of the economic interplay between Airbnb and hotels in Kolkata. It serves as a foundation for future research on policy recommendations, cross-sector partnerships, and sustainable hospitality strategies in emerging markets.

Findings and Discussion

1. Perceived Threats from Airbnb: Participants reported that Airbnb has emerged as a formidable competitor, especially in areas popular with solo travelers and young tourists. Budget and mid-range hotels reported a 10–20% drop in occupancy during peak Airbnb booking seasons. Respondents noted that Airbnb's flexibility, affordability, and informal nature attracted a new class of traveler who traditionally chose hotels.

For instance, one revenue manager of a 3-star hotel stated:

"Earlier, December-January was our peak season. Now, with so many Airbnb options, customers compare our prices and switch if they find an apartment at half the price."

Luxury hotels were less affected in terms of occupancy but felt pressure in offering more customized guest experiences.

2. Pricing Strategy Adjustments Hotels across categories reported revising their pricing models. Some budget hotels adopted dynamic pricing algorithms to compete with Airbnb hosts. Promotional discounts on booking platforms, cashback schemes, and loyalty programs were enhanced to retain guests.

A front office manager noted:

"We track Airbnb listings in our area weekly. If we see a drop in our bookings, we quickly adjust the rates and offer add-ons like free breakfast or early check-in."

This price war has, however, created challenges in maintaining profitability for some properties.

3. Changes in Customer Preferences Respondents observed significant behavioral shifts in travelers. Millennials and Gen Z travelers seek local immersion, privacy, and affordability – areas where Airbnb excels. Guests increasingly demand Wi-Fi, kitchenettes, contactless check-in, and digital concierge services.

Luxury hotel managers noted that international business travelers, wedding groups, and medical tourists still preferred hotels due to security, concierge support, and formal services. However, even this segment has started exploring Airbnb for extended stays or group travel.

4. Operational Changes and Innovation To differentiate from Airbnb, hotels have adopted new service models. These include:

- Personalization through guest profiles and preferences
- Smart room automation (voice control, app-based room service)
- Curated local experiences (food tours, cultural walks)
- Partnering with influencers for digital visibility

Hotels also focused on enhancing health and hygiene standards post-pandemic, something Airbnb listings often lacked.

5. Regulatory and Policy Concerns One of the recurring concerns across all interviews was the uneven regulatory environment. Hotels, being commercial establishments, are subject to various taxes, safety regulations, and licensing requirements. Airbnb hosts often operate informally, avoiding these obligations.

A hotel owner shared:

“We pay GST, take fire safety approvals, police verifications. Airbnb hosts don’t follow half of these. How is that fair?”

Participants recommended stricter regulation and registration of Airbnb properties to ensure fair competition.

6. Coexistence and Future Outlook While most respondents saw Airbnb as a disruptor, many acknowledged its role in expanding Kolkata's tourism appeal. They viewed Airbnb as an opportunity for hotels to evolve and innovate.

One hotelier remarked:

"Airbnb is not going away. The best we can do is reinvent our services. People will always value security, service, and reliability – things hotels specialize in."

Some proposed collaborations between Airbnb and local hotels to co-create tourism packages, especially for events and festivals.

7. Human Resource and Staffing Implications: Some hotels reported that shifting market dynamics prompted changes in hiring strategies. With fewer front-desk interactions due to digital check-ins, certain roles were redesigned or replaced with tech-based solutions.

A mid-level manager from a boutique hotel stated: *"We've invested more in tech and less in manpower. There's a balance to strike – guests want digital speed but also human warmth."*

8. Brand Loyalty and Guest Retention Challenges: With guests exploring alternatives like Airbnb, traditional hotel loyalty programs have lost some traction. Respondents noted declining sign-up rates and repeat bookings. In response, some hotels redesigned loyalty programs to include local experiences and personalized services.

"Just offering points doesn't cut it anymore. We give free heritage walk passes or discounts on nearby cafés," explained a marketing executive from a 4-star hotel.

9. Impact on Local Businesses and Neighborhoods: Participants observed that Airbnb's spread into residential areas has a dual impact. On one hand, it boosts local cafés, grocery stores, and transport services. On the other, it sometimes disturbs neighborhood peace, leading to complaints from residents.

"We've heard of societies banning Airbnb guests due to noise and security concerns. Hotels don't face that because we're equipped for constant guest turnover," shared a hotel operations head.

Conclusion

The findings of this study shed light on the complex and multifaceted impact of Airbnb on the traditional hotel industry in Kolkata. As a major urban center with a rich cultural and economic landscape, Kolkata represents a valuable microcosm for understanding how peer-to-peer accommodation platforms are altering the dynamics of local hospitality sectors across India. The rise of Airbnb has introduced both opportunities and challenges for traditional hotels, prompting a reevaluation of business models, guest engagement strategies, and competitive positioning.

Airbnb's success in Kolkata has largely been driven by its ability to cater to budget-conscious, independent, and younger travelers who prioritize local experiences and flexibility over traditional hospitality norms. This shift in consumer preference has significantly affected budget and mid-range hotels, many of which reported a decrease in occupancy rates and growing difficulty in maintaining price competitiveness. These properties, which once relied on steady demand from domestic tourists and business travelers, are now having to reimagine their value propositions to attract and retain guests.

Luxury hotels, while somewhat insulated from direct competition due to their premium positioning, are not untouched by the Airbnb effect. These establishments are now focusing more on personalization, curated experiences, and digital engagement to enhance guest satisfaction and loyalty. Rather than purely emphasizing opulence, many luxury hotels are exploring how to integrate local cultural elements and tech-driven convenience to stay relevant in a market increasingly dominated by choice and customization.

A consistent concern raised throughout the interviews was the regulatory imbalance between hotels and Airbnb listings. Traditional hotels operate under a host of legal, safety, and tax requirements, while many Airbnb hosts continue to

operate outside formal compliance systems. This discrepancy not only affects pricing strategies but also raises concerns around safety, accountability, and fair competition. The call for a unified and enforceable regulatory framework was unanimous among participants, who argued that a level playing field is essential for the healthy coexistence of different accommodation models.

Despite the competitive pressures, hotel professionals in Kolkata remain cautiously optimistic. Many acknowledged that Airbnb has expanded the overall tourism pie by attracting new types of travelers and promoting underexplored neighborhoods. This expansion, while disruptive, presents traditional hotels with an opportunity to diversify their offerings and reassert their value in the market. Some hoteliers have already begun collaborating with local businesses and experience providers to offer packages that rival Airbnb's appeal.

Moreover, the COVID-19 pandemic has accelerated digital transformation in the hospitality sector, reinforcing the need for traditional hotels to innovate. Features like contactless check-in, mobile concierge services, and health-conscious amenities have become standard expectations. Hotels that adapt quickly to these changes while maintaining their core strengths—such as security, standardized services, and reputation—are better positioned to thrive alongside Airbnb rather than merely compete with it.

The broader implication of this study is that the hospitality industry is undergoing a structural shift, one that demands agility, creativity, and collaboration. Policymakers must recognize the importance of creating a regulatory environment that encourages innovation while safeguarding fairness and consumer interests. At the same time, hotel operators must embrace a mindset of continuous improvement, using the disruption brought by Airbnb as a catalyst for positive transformation.

In conclusion, the economic impact of Airbnb on Kolkata's traditional hotels is real and evolving. The disruption is not solely a threat but also a prompt for reflection, reinvention,

and resilience. By focusing on guest-centric innovation, regulatory advocacy, and strategic differentiation, traditional hotels in Kolkata can coexist with and even thrive alongside Airbnb, contributing to a more diverse and dynamic hospitality ecosystem.

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