

MISQ Archivist

Who Forgoes Screening in Online Markets and Why? Evidence from Airbnb

Raveesh Mayya, Shun Ye, Siva Viswanathan, and Rajshree Agarwal

Abstract

Screening is considered a necessary mechanism for alleviating information asymmetry but has also raised concerns of increased discrimination in online peer-to-peer market platforms. Paradoxically, providers of goods and services may also voluntarily forgo screening, even though it increases the risks and costs associated with poor matches. We examine who may choose to forgo screening and why, and its impact on their performance outcomes. The empirical context of our study is the Airbnb platform, wherein the “Instant Book” feature enables hosts to forgo screening guests. Utilizing a unique panel dataset of all listings in New York City during the period August 2015—February 2017, we first explore the antecedents of voluntarily switching to instant booking and then causally identify the impacts of switching. Our study provides evidence of the economic benefits of forgoing screening from increased occupancy even as review ratings decline; these effects are stronger for Black and female hosts. We discuss the strategic and social welfare implications of these findings within the context of current conversations on discrimination and bias in the sharing economy.

Keywords: Online market, information asymmetry, screening, sharing economy, discrimination