Blueprint Academic Publishers

Journal of Business, Economics and Management Research Studies
3(3)
Received: July 14, 2025
Accepted: August 27, 2025
Published: September 30, 2025

Airbnb's Competitive Disruption on Hotel Industry Performance in Kenya

Atingo Peruce
School of Business, Economics and Human Resource Development,
Alupe University, P.O. Box 845 - 50400, Busia, Kenya

Abstract

The proliferation of the sharing economy has fundamentally reshaped global tourism and hospitality. As a prominent player in this digital transformation, Airbnb has emerged as a significant force, offering peer-to-peer accommodation that challenges the traditional hotel industry across the globe. The rapid rise of Airbnb in key tourist and commercial hubs in Kenya, such as Nairobi and coastal regions, presents a unique and substantial competitive pressure on the established hotel industry. This disruption raises critical questions regarding the performance metrics of hotels as they grapple with an unregulated and rapidly expanding alternative accommodation market. The primary aim of this paper is to conduct a comprehensive literature review to analyze the specific impacts of Airbnb's competitive disruption on hotel industry performance in Kenya. This review is guided by Clayton Christensen's Disruptive Innovation Theory, which posits that a new, often simpler and more affordable, technology or business model can enter a market from the bottom-up, eventually displacing established market leaders. The methodology is based on a systematic, qualitative literature review of secondary data. It involves a critical analysis of academic journals, research reports, industry publications, and statistical data from reputable sources focusing on Kenya's tourism and hospitality sector from 2010 to 2025. Key data was extracted from selected studies and then analyzed using a narrative synthesis to identify and categorize major findings. The findings revealed a rapid expansion of the Airbnb market in Kenya, particularly in Nairobi and coastal cities, driven by both individual hosts and professional operators. This growth created significant competitive pressure, primarily on mid-market and budget hotels, by attracting price-sensitive and longer-stay guests. The analysis also highlighted a clear regulatory disparity, where hotels face stricter licensing and tax enforcement compared to many informal short-term rental hosts, creating an uneven playing field. Challenges persist around regulation, tax compliance, safety standards, and housing pressures, with professional operators increasingly dominating the market. In response, hotels have adopted defensive strategies, including price adjustments and emphasizing unique service-based amenities, with some even listing their own rooms on the Airbnb platform to remain competitive. In conclusion, Airbnb's presence has irrevocably altered Kenya's hospitality landscape, acting as a powerful disruptive force. The traditional hotel industry is compelled to innovate, with key strategies including embracing digital transformation, enhancing personalized guest experiences, and leveraging unique strengths. Recommendations for policymakers include the urgent need for a clear, fair, and adaptive regulatory framework for short-term rentals to ensure equitable competition and protect consumer and host interests.

Keywords: Airbnb, hotel industry, competitive disruption, sharing economy, Kenya, tourism, hospitality, disruptive innovation, accommodation

Journal ISSN: 3005-2173

Issue DOI: https://doi.org/10.69897/jobemrs.v3i3

Correspondence: peruceatingo@gmail.com

Funding: The author received no financial support for the research, authorship and/or publication of this article

Data Availability Statement: The authors confirm that the data supporting the findings of this study are available within the article [and/or] its supplementary materials or upon reasonable request.

Competing interests: The authors declare no potential conflicts of interest with respect to the research, authorship and/or publication of this article.

Introduction

The tourism industry is a fundamental pillar of Kenya's economy, characterized by sustained growth and significant contributions to national earnings (Bitok, 2025; Wekesa, 2023). The country's appeal as a travel destination, driven by its diverse wildlife, rich cultural heritage, and picturesque landscapes, has fueled a consistent upward trend in tourist arrivals over the past two decades (Wahome & Gathungu, 2021; Mwangi, Zhang & Wang, 2022).

The sector's vitality is clearly demonstrated by the arrival of 2,394,376 international visitors in 2024, a notable 14.6% increase from the previous year, which translated into inbound tourism earnings of 452.20 billion Kenyan Shillings (Tourism Research Institute, 2025). With projections indicating that international tourist arrivals will reach approximately 2.47 million by 2028, reflecting an average annual growth rate of 1.7% since 2000, the market has created a dynamic and competitive environment for hospitality providers. However, this established growth trajectory has been fundamentally disrupted by the rise of the sharing economy, a socio-economic system built on peer-to-peer (P2P) transactions facilitated by digital platforms (Miguel, Martos-Carrión, & Santa, 2022).

Airbnb has established itself as the primary disruptive force in the accommodation sector. The platform, since its inception in 2008, has facilitated a peer-to-peer rental model, providing travelers with an alternative that is frequently viewed as offering greater authenticity, personalization, and cost-efficiency compared to traditional hotel accommodations (Guttentag, 2015; Gold, 2019). This innovation has compelled the global hotel industry to re-evaluate its value proposition, pricing strategies and operational models to remain competitive.

Prior to Airbnb's penetration, Kenya's hospitality industry was characterized by a distinct bifurcation between a formal hotel sector and an informal accommodation sector (Obunga, 2024). The formal sector was dominated by international luxury chains serving high-end tourists and business travellers in major urban centres and safari destinations, alongside established local hotel brands (Ouma, 2023). This sector operated under strict government regulations concerning licensing, quality grading, taxation, and health and safety standards. The informal sector consisted of smaller, often unregistered guesthouses and home-stays, which lacked the marketing reach and standardization of their formal counterparts (Ouma, 2016). Competition was largely contained within these established segments, with hotel performance metrics primarily Occupancy, Average Daily Rate (ADR), and Revenue Per Available Room (RevPAR) being influenced by seasonal tourism trends, political climate, and global economic conditions (Kinyagu, 2016; Khwatenge, 2022).

The emergence of Airbnb in Kenya has been widely described as a disruptive force in the hospitality industry, comparable to the impact of Uber on traditional taxi services (Novikova, 2021). The central challenge confronting the hotel sector is the competitive pressure on established business models, which has resulted in declining performance metrics such as occupancy rates, average room prices, and ancillary revenues. Studies reveal that Airbnb’s rapid expansion has encroached on hotel revenues, particularly within mid-tier and budget segments, where the platform provides an affordable and flexible alternative for guests (Akoth, 2023; Obunga, 2024). Airbnb’s appeal stems from its unique value proposition: a home-like experience offering kitchens, living spaces, and personalization, which often surpasses the basic services offered by budget hotels (Guttentag, 2016). This has intensified competition, forcing hotels in the vulnerable market tiers to either adjust their strategies or risk irrelevance. The pricing pressure extends beyond room rates, diminishing income from food, beverages, and other in-house services that traditionally bolster hotel profitability. The growth trajectory of Airbnb in Kenya has been accelerated by enabling factors such as widespread internet penetration, mobile money adoption, and the desire of property owners to diversify income streams (Obunga, 2024). Furthermore, its ability to absorb excess demand during peak events in Nairobi underscored its scalability and adaptability. The impact of Airbnb on Kenya's hotel industry is not well-documented, which creates a significant knowledge gap. Due to this lack of understanding, industry stakeholders are unable to formulate effective strategic responses, and policymakers cannot design evidence-based regulations to ensure fair competition and sustainable growth. Therefore, this study aims to investigate the extent and dimensions of Airbnb's competitive disruption on hotel industry performance in Kenya to address this pressing knowledge gap.

Theoretical Framework

This study is grounded in Clayton Christensen's Disruptive Innovation Theory, a concept first introduced in his seminal work, The Innovator's Dilemma (Christensen, 1997). The theory explains how innovations that are simpler, more affordable, and more accessible initially gain a foothold in less profitable or overlooked market segments. Over time, these innovations gradually improve in quality and scale until they are good enough to displace established firms and become the new mainstream (Christensen, 2015).

A key principle of this theory is that established firms often focus on refining their services for their most profitable customers, a process known as "sustaining innovation". This strategic focus, however, inadvertently leads them to neglect lower-end or emerging market segments that may not be profitable enough to serve with existing business models. This creates a fertile ground for new entrants to penetrate the market with functional but affordable offerings. As these new entrants improve their products and services, they move upmarket, eventually meeting and then exceeding the expectations of mainstream customers. By the time the established firms react, the disruptive innovation has already fundamentally redefined the value network and reshaped market competition (Christensen, McDonald, Altman & Palmer, 2018).

The rise of Airbnb in Kenya's hospitality sector perfectly illustrates this theoretical dynamic. Traditionally, the Kenyan hotel industry particularly the mid-tier and budget segments has concentrated on maintaining standardized services for the average traveler. This focus on consistency and efficiency, while profitable, left a significant portion of the market underserved. Airbnb emerged with a low-cost, flexible model that appealed to price-sensitive and experience-driven travelers, offering a unique value proposition.

Airbnb's offering of home-like spaces with kitchens, local authenticity, and affordability represents a quintessential disruptive innovation that challenges the conventional "room and board" model of hotels. Its expansion demonstrates Christensen's principle of market displacement: by initially targeting segments overlooked by traditional hotels, it has rapidly grown into a mainstream competitor. This has ultimately reshaped consumer preferences and exerted downward pressure on hotel revenues and occupancy rates across the country. This study, therefore, applies the Disruptive Innovation Theory to analyze how Airbnb's entry and growth have disrupted hotel performance in Kenya and to assess the adaptive strategies of traditional hotels facing this transformative competitive shift.

Methodology

This study employed a systematic review methodology to comprehensively identify, critically appraise, and synthesize all existing empirical evidence concerning Airbnb's impact on the Kenyan hotel industry. Systematic reviews are characterized by a rigorous and transparent process designed to minimize bias and provide a reliable summary of the available literature on a specific research question (Page et al., 2021).

The search was executed across peer-reviewed articles, working papers, policy reports, and conference proceedings were retrieved from electronic databases including Scopus, Web of Science, JSTOR, ScienceDirect, and Google Scholar. Grey literature, such as government publications and industry reports from organizations like the Kenya National Bureau of Statistics (KNBS) and the Kenya Tourism Board, was also included to capture non-academic perspectives. The primary search string was built around a Boolean logic, combining terms related to the sharing economy, hospitality, and the specific geographical context. For example: ("Airbnb" OR "sharing economy" OR "short-term rental") AND ("hotel industry" OR "hospitality" OR "hotel performance") AND ("Kenya" OR "Nairobi" OR "Africa"). This approach aimed to capture a broad range of scholarly articles, theses, dissertations, and research reports. The search was supplemented by backward and forward citation analysis of highly-cited articles to identify additional relevant sources.

The selection process for the systematic review was guided by clearly defined inclusion and exclusion criteria to ensure the relevance and quality of the studies. The inclusion criteria were structured to capture a wide range of relevant scholarly work. This included all empirical studies, whether quantitative (e.g., statistical analysis of occupancy rates) or qualitative (e.g., case studies, interviews). Acceptable publication types were limited to peer-reviewed journal articles, conference papers, theses and dissertations. To maintain the study's focus, only research that explicitly investigated the competitive relationship or impact of Airbnb and other short-term rentals on the traditional hotel industry was considered relevant. A specific geographic focus was also applied, with included studies either focusing on Kenya directly or including Kenya as part of a comparative analysis within similar developing markets. Lastly, all included studies had to be published in English from 2010 to 2025.The exclusion criteria filtered out materials that did not meet the rigorous standards of a systematic review. This included all non-peer-reviewed articles, such as opinion pieces and news reports, which lack scholarly oversight. Studies were also excluded if they were conceptual or theoretical reviews that did not contain a dedicated empirical component. Furthermore, any research that focused on other aspects of Airbnb, such as host behavior or the platform's technology, but did not address its competitive disruption on hotels, was omitted. Finally, studies that fell outside the specified timeframe or geographic scope were not considered for the review.

The identified studies were screened in two phases: first by reviewing titles and abstracts, followed by a full-text review of potentially relevant articles. For each included study, a standardized data extraction form was used to collect key information, including: author(s), year of publication, study objective, research design, methodology, key findings, and conclusion. A narrative synthesis approach was employed which involved systematically summarizing and categorizing the findings according to key themes. The narrative synthesis explored relationships and patterns within the evidence and assessed the consistency of findings across studies.

Findings and Discussion

The Scale and Performance of the Airbnb Market in Kenya

The growth of Airbnb and other short-term rental (STR) platforms in Kenya has been significant over the past decade. Initially, between 2010 and 2015, STR activity in the country was limited and largely informal, with hotels and guesthouses dominating the accommodation sector. However, from 2016 onwards, Airbnb began to gain traction, particularly in Nairobi and Mombasa, where thousands of listings were added within a few years. Current market analytics indicate that Nairobi and coastal cities account for the largest share of STR supply, with Nairobi alone hosting thousands of active listings as of 2025. This expansion reflects not only increased adoption by individual hosts but also the entry of professional property managers and serviced-apartment operators who manage multiple listings (Airbnb, 2025; AirROI, 2025).

Performance indicators show that the Kenyan Airbnb market operates at a commercially relevant scale, with occupancy rates, average daily rates (ADR), and revenue per available rental (RevPAR) serving as key benchmarks. Nairobi listings typically record occupancies ranging between 33% and 47%, with ADRs averaging around US$40–50. RevPAR figures in the city hover near US$30–35, reflecting a relatively stable level of demand for urban STRs. In contrast, Mombasa exhibits more pronounced seasonality: occupancy rates are lower on average but spike during peak holiday months, while ADRs can rise above national averages during high-demand periods (AirDNA, 2025; Airbtics, 2025). Such data suggest that while Nairobi STRs benefit from steady business and domestic travel demand, coastal listings rely heavily on seasonal leisure tourism.

A number of empirical studies have focused on the competitive effects of Airbnb on the hotel industry. Researchers such as Murage (2020; 2021) note that Airbnb's rapid adoption has created a substantial alternative accommodation supply that operates alongside conventional hotels. The platform’s unique performance characteristics, such as occupancy rates, average length of stay, and guest preferences, require a separate analysis from traditional hotel metrics. A study by Mwanzia (2012) found that while star-rated hotels in Nairobi face competitive pressure on cost and online reputation, they retain advantages in service standardization and corporate contracts. This suggests that Airbnb’s competitive impact is selective, primarily displacing mid-market hotels while posing limited direct competition to the luxury business travel segment.

Obunga (2024), using primary survey data from Nairobi, identifies technological readiness (ease of online booking and digital payments), location quality (proximity to business, events, or tourist nodes), and economic factors (perceived value and pricing) as significant predictors of non-financial performance for Airbnb hosts. Obunga's findings suggest that hosts who adopt platform tools and position listings near demand centres achieve stronger guest satisfaction and repeat bookings, which parallel higher occupancy and positive reputation effects documented in other markets.

Mwangi, Mengo, and Ngugi (2024) show that perceptions of authenticity, perceived value, and safety shape selection of Airbnb over hotels in Nakuru County, and that average stays cluster around multi-night bookings rather than single-night transactions. These patterns correspond with empirical reports from larger datasets indicating average lengths of stay of roughly five to seven nights in Kenyan urban STR markets, which affects revenue calculations and the kind of market segments Airbnb captures (Mwangi et al., 2024; Obunga, 2024).

Tourism sector recovery after the COVID-19 pandemic also shaped STR performance. International arrivals to Kenya rebounded to approximately two million in 2023, driving demand for both hotels and STRs. STRs benefited from flexible booking options and the ability to cater to domestic and regional travellers when international arrivals were constrained. As the tourism market recovered, Airbnb listings regained strong performance, particularly in Nairobi, where business and transit travel created consistent occupancy. In Mombasa, however, recovery reflected seasonal spikes rather than steady growth (Tourism Research Institute, 2024; Kenya National Bureau of Statistics, 2024).

Market segmentation is a defining feature of Airbnb's competitive position in Kenya. STRs are especially attractive to families, leisure groups, and longer-stay visitors who prefer entire apartments or houses with flexible amenities. Data show that the average length of stay in Nairobi is around five to six nights, reflecting a mix of domestic and international travellers seeking mid-range alternatives to hotels (Airbtics, 2025). This demand profile overlaps with segments traditionally served by budget and mid-market hotels, creating competition that has measurable effects on hotel performance in local markets. While Airbnb in Kenya initially grew through individual homeowners renting spare rooms or apartments, a growing share of listings is now controlled by commercial operators and property managers who manage multiple units. This shift increases market stability and revenue potential but also intensifies competitive pressure on hotels by aligning STR supply more closely with professional lodging standards (AirDNA, 2025; AirROI, 2025).

Regulation and taxation form an important empirical dimension of the Kenyan Airbnb market. The Kenya

Revenue Authority (KRA) has moved to formalize taxation of STR income, issuing directives to Airbnb hosts and seeking access to platform data to strengthen compliance. Amendments under the Finance Act of 2023 further clarified the tax obligations of STR operators, bringing them closer to parity with hotels. Nonetheless, comprehensive empirical assessments of the fiscal impact of STR taxation in Kenya remain limited, and enforcement challenges persist, particularly at the county level (Techweez, 2023).

Competitive Pressures of Airbnb on the Hotel Industry

Several studies link Airbnb performances to competitive pressure on hotels, especially in budget and mid-tier segments. Murage, Mutisya, and Muthengi (2020) provide evidence that peer-to-peer accommodation reduces demand for budget hotels in Nairobi, eroding occupancy and price power where product overlap exists. Murage's doctoral work (2021) extends this view, documenting shifting consumer choice toward P2P options and calling for improved hotel digital strategies to contest lost market share. These empirical accounts align on a common mechanism: Airbnb's lower-cost, apartment-style offerings attract price-sensitive and longer-stay guests who previously filled budget hotel inventory. Other scholars have extended the debate to organizational performance and strategic responses. Obunga (2024) assessed the non-financial performance factors of Airbnb listings in Nairobi and found that technology adoption, location, and economic value are key performance drivers. The study concluded that Airbnb's operational success intensifies competition with nearby hotels. Mwaniki,

Fwaya, and Kinyua (2024) evaluated the influence of P2P accommodation on star-rated hotels in Nairobi. They observed that lower costs and unique guest experiences offered by Airbnb threaten traditional hotels, while customer reviews were found to moderate competitiveness. The authors concluded that star-rated hotels must enhance cost management, service quality, and online reputation to sustain competitiveness. In contrast, studies on luxury hotels suggest more resilience. Onyango (2023) analyzed strategies adopted by five-star hotels in Nairobi in response to Airbnb. The results indicated that five-star hotels rely on service differentiation, corporate contracts, events, and loyalty programs to maintain their market position. The study concluded that while budget and mid-tier hotels face displacement risks, five-star hotels remain relatively insulated.

Market analytics platforms and government reports also provide valuable insights. AirDNA (2025) reported that Nairobi short-term rentals (STRs) had an average occupancy of about 33% and an ADR of USD 48, reflecting commercial viability but with lower occupancy compared to hotels. Similarly, Airbtics (2025) showed Nairobi's Airbnb listings averaging nearly 6 nights per stay and occupancy rates in the mid-40% range, suggesting meaningful overlap with mid-market hotel demand. These findings confirm that STRs have achieved scale and are reshaping local competitive conditions. At the policy level, the Tourism Research Institute (2024) documented growth in arrivals and receipts in 2023, while acknowledging that STR expansion is altering Kenya's accommodation supply structure. The Kenya Revenue Authority's engagement with Airbnb to obtain host transaction data for taxation (Techweez, 2023) highlights regulatory pressure aimed at leveling competition between informal STR operators and registered hotels. Media analyses echo these concerns. Kata Kenya (2023) reported declining hotel occupancy and pricing power in several towns as Airbnb listings surged, concluding that traditional hotels face significant erosion of their competitive advantage.

A key factor contributing to Airbnb's competitive advantage is the significant disparity in the regulatory burdens placed on traditional hotels versus individual short-term rental hosts. Though a formal legal framework exists for both sectors, there is a clear gap in enforcement and a lack of accountability for online platforms (Obunga, 2024).

Traditional hotels in Kenya are subject to a comprehensive and well-defined set of regulations. They must register with the Tourism Regulatory Authority (TRA) and obtain a hotel license, which is renewed annually with a penalty for late renewal (Musau, 2024). Hotels must also acquire a Single Business Permit from their County Government and undergo regular inspections to ensure compliance with minimum standards and they are also subjected to various taxes and levies (Fredrick & Authority, 2019). In contrast, while Airbnb hosts are also legally required to obtain a license from the Kenya Tourism Regulation Authority (KTRA) and a Single Business Permit (Akoth, 2023), the enforcement of these requirements is inconsistent. A critical loophole is the absence of a law that "mandates online platforms to ensure that short-term rental listings comply with national laws and regulations. Although the Kenyan government has been in talks with Airbnb to register all properties and remit taxes, the lack of a legal mandate on the platform itself means that a significant number of hosts can operate outside the formal system (Lodge Compliance, 2025). This regulatory vacuum allows non-compliant hosts to avoid the substantial costs associated with licensing, taxes, and inspections, enabling them to undercut the prices of compliant hotels and creating an uneven playing field.

Challenges and Controversies of Airbnb in Kenya

Research on Airbnb in Kenya highlights a set of recurring challenges and controversies that disrupt regulation, market fairness, and community outcomes. A core issue is uneven regulatory recognition and tax compliance: peer-to-peer accommodation often sits outside the licensing and reporting systems that govern hotels, which creates an uneven competitive field and complicates municipal oversight. Scholars and policy analysts note that weak registration, unclear application of the Tourism Act, and limited local enforcement let many hosts operate informally, reducing local government visibility into beds, occupancy and taxable income (Murage et al., 2020; Owuor, 2021).

Closely linked is the controversy over fiscal fairness and enforcement. Kenyan studies document growing calls for platform data sharing and clearer tax treatment as authorities attempt to capture rental income and level competition with hotels. Research shows KRA engagement and Finance Act changes prompt debate over administration capacity and whether taxation should target hosts, platforms, or intermediaries an unresolved technical and political question that affects small hosts and professional operators differently (Murage, 2021; Obunga, 2024).

Safety, quality control, and consumer protection present another contested area. Empirical work from Nairobi and other counties reports that STR regulation often lacks minimal safety and health inspection standards applied to hotels, raising concerns about guest safety and host obligations. This gap fuels controversies over who bears responsibility for compliance hosts, platforms, or regulators and fuels calls for tailored, enforceable minimum standards for STR operations in Kenya (Mwaniki et al., 2024; Murage et al., 2020).

Neighborhood effects and housing tensions surface in several Kenyan studies as contentious outcomes of STR expansion. Research in urban counties shows host professionalization and concentration of listings in residential areas can increase short-term lodgings at the expense of long-term rental stock, contributing to local rent pressure and community friction. These dynamics provoke debate between economic opportunity for homeowners and negative externalities for neighbors and housing affordability, with scholars calling for zoning clarity and local data to manage trade-offs (Murage, 2021; Mwangi, 2024).

Professionalization of supply and market concentration also stoke controversy. Kenyan research documents a shift from casual, occasional hosts toward multi-listing operators and property managers. That shift raises questions about the original sharing-economy premise and whether large-scale operators should face commercial licensing and standards similar to hotels. Studies argue differentiated regulation is necessary to treat occasional hosts and commercial operators differently, protecting small hosts while preventing regulatory arbitrage by professional managers (Obunga, 2024; Murage et al., 2020).

Empirical literature highlights data and measurement gaps that intensify controversy and hamper policy design. Multiple Kenyan papers stress the absence of a public STR registry and standardized metrics for listings, occupancy, and revenue; this limits credible estimates of fiscal leakage, employment effects, and displacement of hotel demand. Researchers recommend mandatory registration, platform reporting, and linked hotel-STR datasets to resolve contested claims about scale and impact (Murage, 2021; Mwaniki et al., 2024)

Strategic Responses of the Hotel Industry

The traditional hotel industry in Kenya is not a passive victim of disruption; it is actively adapting its business models and strategies to counter the competitive threat. A primary response has been the adjustment of pricing strategies. Faced with declining occupancy rates and a more price-sensitive market, hotels are offering "discounted prices" to ensure a "minimal level of occupancy" rather than operating with empty rooms (Kenya Association of Travel Agents, 2023). This is a defensive, short-term measure aimed at mitigating revenue loss.

Beyond pricing, hotels are strategically leveraging their unique selling propositions (USPs) that Airbnb cannot easily replicate. They are focusing on amenities and services that are central to the traditional hotel experience, such as "swimming pools, steam rooms, gyms, ample parking and adequate security" (Kenya Association of Travel Agents, 2023). These amenities, coupled with a professional staff and consistent service quality, provide a strong point of differentiation against individual, often unbranded, Airbnb listings. High-end hotels, in particular, have doubled down on their core market of business travelers and wealthy individuals, a segment that largely falls outside of Airbnb's primary demographic.

A more innovative response has been the adaptation of business models. Recognizing the shift in consumer behavior, some hotels are taking the unconventional step of listing their own rooms on the Airbnb platform to capture a new segment of short-term clients (Kenya Association of Travel Agents, 2023). This hybrid model demonstrates a willingness to embrace the disruptive platform's tools to stay competitive. The most extreme example of this adaptation is the case of a lodging owner in Nyeri who, after suffering a significant hit to his business, is now planning to convert his rooms into Airbnbs entirely (Kenya Association of Travel Agents, 2023). The long-term success of hotels in this competitive landscape depends on their ability to move beyond short-term pricing battles and instead focus on strategic differentiation, professional service, and leveraging their unique assets.

Conclusion

Airbnb is no longer an emerging trend but a solidified and maturing sector within Kenyan tourism. Market's scale is largely concentrated in major urban centers, driven by a professional host base and a business model that offers an attractive value proposition. The strong growth in revenue and competitive occupancy rates highlight its disruptive potential, directly competing with and, in some cases, outperforming segments of the traditional hotel industry. However, Airbnb's rapid expansion is challenging the established market, with evidence suggesting a particular impact on mid-tier and budget hotels that cannot compete on the basis of unique luxury amenities or brand reputation. A review reveals a rapidly growing Airbnb market with high revenue potential, though a significant and persistent discrepancy in key metrics across different sources highlights the lack of market transparency. A factor in Airbnb's competitive advantage is the regulatory disparity between the two sectors. Though both are legally required to adhere to licensing and tax obligations, the enforcement of these regulations for short-term rentals is inconsistent, creating a significant loophole that allows many non-compliant hosts to operate with lower overheads and undercut the prices of hotels. This uneven playing field extends to security and safety, with a lack of mandatory and enforced guest screening protocols on some listings being linked to growing criminal activities. In response, hotels are employing a range of strategies, from defensive pricing and leveraging their unique assets to embracing hybrid business models by listing their own properties on the Airbnb platform.

Recommendations

For Hotels and the Hospitality Sector

Hotels should focus on strategic differentiation by doubling down on their core value proposition: a consistent, professional, and secure experience that individual Airbnb listings cannot replicate. This involves leveraging unique amenities such as swimming pools, gyms, and conference facilities. Also, hotels should also embrace technology to enhance their marketing and brand reputation. This includes using online travel agents, social media, and platforms like TripAdvisor to manage customer reviews and promote a top-notch guest experience. Lastly, hotels should consider business model innovation, such as listing their properties on Airbnb platforms to attract new guests who prefer the booking experience of the peer-to-peer platform but still desire the professional service and amenities of a hotel.

For Policymakers and Regulators

To create a stable and equitable environment for all stakeholders, policymakers must address the regulatory disparities. It is recommended that the government standardizes the regulatory framework by creating a specific, enforceable legal structure for short-term rentals. This framework should be integrated with online booking platforms to streamline compliance and tax collection, ensuring all players adhere to the same standards and obligations. Furthermore, it is important to enhance enforcement of existing laws by increasing inspections and ensuring that all short-term rental properties, particularly those in residential areas, are properly licensed and compliant. This will not only level the playing field but also address pressing public safety concerns. Addressing the negative externalities associated with unregulated short-term rentals is essential. Policymakers should implement and enforce regulations to mitigate issues like noise, waste, and security concerns, as raised by local authorities in cities like Kisumu.

For Future Research

It is recommended that future research conducts empirical studies to analyze the direct economic impact of Airbnb on hotel performance metrics in other key tourist hubs beyond Nairobi, such as Mombasa, Kisumu, and Naivasha.

Furthermore, there is a critical need for research into the socioeconomic impact of short-term rentals on local communities, particularly their effects on residential housing affordability and potential contributions to gentrification. Lastly, a study on consumer behavior is needed to investigate the specific motivations of Kenyan travelers who choose Airbnb over hotels, beyond price, to gain a deeper understanding of the demand drivers for each sector.

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