Editor of Journal of Applied Economics

Dear Editor-in-Chief,

Re: Manuscript RECS‐2023‐0283

We thank you for your thorough reading of our paper, “Event study approach: The case of Airbnb and hotel shocks,” submitted to *Journal of Applied Economics*, and for your thoughtful and constructive reply, which helped us improve our manuscript. The helpful suggestions were instructive, and we made clarifications in our text in accordance with the comments. We are confident that the manuscript is improved as a result of your guidance and sincerely appreciate the effort spent on the paper.

Below please find a list of the comments and our reply to each. Replies appear in blue font.

We are pleased to submit the following responses together with a description of the modifications in the document. We will be happy to provide further changes as may be required for final acceptance of the paper for *Journal of Applied Economics*.

Sincerely yours,

Tchai Tavor

**Comments from Peer Reviewer 1:**

1. **Peer Reviewer comment:**

"The abstract could be made precise"

**Author response:**

We have revised the abstract to make it more precise.

***In the revised manuscript please see p. 1.***

1. **Peer Reviewer comment:**

"Please check if Sorescuet et al., 2017 is correctly spelt."

**Author response:**

We have corrected the spelling to Sorescu et al., 2017.

***In the revised manuscript please see p. 5.***

1. **Peer Reviewer comment:**

"The literature could be further improved discussing a few event studies on tourism and air industry. For instance, (Kumari et al., 2022, 2023; Pandey & Kumar, 2022, 2023; Seraphin, 2021) consider impacts of important events on these sectors."

**Author response:**

Thank you for your observation. In response to your suggestion, we have incorporated the recommended references, namely Kumari et al. (2022, 2023), Pandey & Kumar (2022, 2023), and Seraphin (2021), and have enhanced the discussion on event studies within the tourism and air industry sectors in our paper.

***In the revised manuscript please see pp. 5–6.***

1. **Peer Reviewer comment:**

"The source of the announcements is not clear. Any research must provide for future research opportunities. The source of announcements facilitates further research in the domain."

**Author response:**

The announcements in question originate from the official website of the Airbnb platform. The article expands upon the characterization of these announcements and includes exemplars to interpret their nature. This information not only addresses the clarity of the source but also provides a foundation for potential avenues of future research within the domain.

***In the revised manuscript please see pp. 8–9.***

1. **Peer Reviewer comment:**

"I did not find this text citation correctly written --- Boehmer, Musumeci, and Poulsen BMP(1991)"

**Author response:**

We have corrected the text citation.

***In the revised manuscript please see pp. 10, 15.***

1. **Peer Reviewer comment:**

"The author(s) mention that ‘Event study methodology has no uniform rule regarding the length of the event and estimation windows’. I suggest they cite a few prior studies to support their choice of the length of the event and estimation windows."

**Author response:**

We have incorporated references in support of our selection for the length of the windows.

***In the revised manuscript please see p. 13.***

1. **Peer Reviewer comment:**

"On page 11, the authors missed the closing bracket - "cumulative abnormal returns (CARs" However, I suggest that the CARs have already been defined in previous page. Hence, no need to define everywhere"

**Author response:**

As suggested, we have deleted the repeated definition of CAR.

1. **Peer Reviewer comment:**

"What is it in Equation 7. Please explain the variables in every equation."

**Author response:**

We have enhanced the manuscript by providing detailed explanations for the variables present in the equations.

***In the revised manuscript please see p. 14.***

1. **Peer Reviewer comment:**

"Market benchmark has not been discussed in the methods section."

**Author response:**

We have addressed the inclusion of the market benchmark in the data section where we deemed it contextually appropriate.

***In the revised manuscript please see p. 9.***

1. **Peer Reviewer comment:**

"What is CAAe−30,+30? Correct."

**Author response:**

This has been corrected.

***In the revised manuscript please see pp. 1–2.***

1. **Peer Reviewer comment:**

"Figure 3 (below) ----- Please delete (below)."

**Author response:**

This has been corrected.

***In the revised manuscript please see p. 23.***

1. **Peer Reviewer comment:**

"Discuss the results considering prior findings. Comparing your findings with previous researchers will make the discussion insightful."

**Author response:**

We have appended a comprehensive discussion of our findings in relation to prior research towards the end of the results section, thereby providing an insightful comparison with previous researchers’ work.

***In the revised manuscript please see p. 21.***

1. **Peer Reviewer comment:**

"The author(s) have cited an SSRN paper. Please see if the working paper has been finally published in a journal. If yes, please cite the latest version."

**Author response:**

We conducted an updated search that did not uncover a published version of the SSRN paper in a journal.

1. **Peer Reviewer comment:**

"There are several grammatical and punctuation errors as suggested above, Please proofread the revised version carefully."

**Author response:**

We have thoroughly reviewed and corrected the grammatical and punctuation errors as previously suggested, ensuring a careful proofreading of the revised version.

**Comments from Peer Reviewer 2:**

1. **Peer Reviewer comment:**

"Announcements data. I find that the information provided on the announcements’ data is too brief. It would be informative to know more about these data. Is it possible to distinguish between “good” and “bad” announcements? How do the authors distinguish between general announcements and announcements that apply to specific locations? In practice, a company (say Marriot), operates in many countries around the world. What criteria do the authors use to decide if that firm is affected by a location specific announcement or not?"

**Author response:**

We have augmented the information in the data section to provide a more comprehensive description of the announcements analyzed. Notably, we have included several examples distinguishing between announcements with exact versus general locations. Additionally, it is essential to clarify that the announcements, derived from the Airbnb site, exclusively pertain to Airbnb. Consequently, all announcements are inherently positive or neutral, as Airbnb is unlikely to disseminate adverse information about its own platform.

***In the revised manuscript please see pp. 8–9.***

1. **Peer Reviewer comment:**

"Placebo exercise. One interesting placebo exercise would be to assign location‐specific announcements (say an announcement for France) to a non‐treated country (say the US) and check that results are null in those cases."

**Author response:**

While acknowledging the value of the suggestion for a placebo exercise involving the assignment of location-specific announcements to non-treated countries, such as assigning an announcement for France to the United States, we believe this idea is more suitable for potential future research endeavors. However, in the context of the current study, which focuses on comparing various analysis techniques, we deem it inappropriate to extend its scope with additional analyses at this time.

1. **Peer Reviewer comment:**

"Methods. The paper uses many different methods to estimate the effects of announcements on stock prices. The paper also offers detailed methodological discussions on the pros and cons of each of the estimators used. Since results sometimes differ across methods (e.g. panel b), Table 2), the reader might wonder which estimates should we trust more?"

**Author response:**

The results chapter has undergone refinement, leading to a nuanced conclusion that advertisements with general placement generally exhibit no significant impact on hotel prices, except in isolated cases. Notably, announcements with direct placement demonstrated significance across all tests and time windows. It is recommended to interpret the positive sign in nonparametric tests by assessing the absolute value of the test result for significance. Simultaneously, attention should be given to the sign of the CAR when determining trends in abnormal returns. In some instances, disparities between the results of parametric and nonparametric tests stem from assumptions about the distribution in parametric tests. Despite the typically modest significance levels in such cases, the identification of significant tests allows for a nuanced presentation, empowering decision-makers to choose a suitable approach. Within the realm of parametric tests, a judicious recommendation is to prioritize the results of more stringent tests, specifically BMP and PATELL, over ORDIN in the event of conflicting findings. Notably, the majority of BMP and PATELL tests exhibit comparable levels of significance, ensuring a cohesive basis for interpretation.

***In the revised manuscript please see pp. 18−21.***

1. **Peer Reviewer comment:**

"Quantitative implications. The authors emphasize the sign of the estimated effects, i.e., location‐specific announcements reduce stock prices. It would be nice if the authors would discuss a bit more the economic size of the estimates."

**Author response:**

We have incorporated an additional discussion in the manuscript regarding the economic significance of the estimates, emphasizing the potential executive profit resulting from the utilization of the announcements. For example, we have included the following statement: “Investors with early information can strategically leverage this knowledge to engage in short selling of hotel company shares three days before the announcements, subsequently closing the position the day after the announcement, thereby realizing an excess profit of 1.683%.”

***In the revised manuscript please see pp. 27−29.***

1. **Peer Reviewer comment:**

"Effects before the announcement date. Some effects take place a few days before announcements take place. This result comes a bit as a surprise. It is consistent with some news spreading before the announcement. In some cases, perhaps the announcement could follow some other event (e.g. the Airbnb announcement follows a regulatory or fiscal change). I find that these significant effects before the announcement should be discussed at length"

**Author response:**

In the current investigation, we employed event study methodology to scrutinize the impact of Airbnb announcements on hotel stock prices. This approach involved the systematic collection of announcements on diverse dates. For each event, trading data were gathered before, during, and after the announcement, aligning them to a common reference point defined as the zero day. This standardization aimed to neutralize the influence of various factors that could potentially impact yields. The rationale behind this methodological choice lies in the need to neutralize any extraneous factors that might impact stock returns contemporaneously with the event, such as another Airbnb announcement or a broader macroeconomic event. By gathering all events within a common time frame, we sought to isolate and analyze the unique effects associated with each announcement. Consequently, any transient influence of external factors on abnormal returns during a specific event is rendered negligible when analyzing the broader sample of events with distinct announcement times. The observed significant effects preceding the announcement date prompt consideration of potential factors contributing to this phenomenon. Notably, these effects align with the possibility of information leakage or pre-announcement news dissemination.