Airbnb’s impact on the hotel industry

(The views and opinions expressed in this blog are strictly those of the author.)

Within the past six months, several published studies conducted by recognized firms have analyzed and opined on the level of impact Airbnb is having on the lodging industry.

- A report by HVS Consulting & Valuation that was commissioned by The Hotel Association of New York City found “a direct loss of US$451.4 million last year as a result of Airbnb”
- CBRE issued a report that concluded “New York to be the market most at risk in the country to competition from Airbnb and that Airbnb has and will continue to encroach on the business of the traditional lodging industry”
- Smith Travel Research issued an analysis that concluded “there is little evidence that Airbnb is leading to fewer compression nights or reducing pricing power on those nights”
- Goldman Sachs concluded that Airbnb has already caused massive changes in the way people travel and while consumers may have initially been hesitant to try the service, a new survey shows that once they switch, they do not go back to hotels

The conflicting conclusions and opinions do not surprise me because the reality is Airbnb has yet to release full booking and financial records. The impact of many consumer sectors facing the threat of substitution by internet players commonly referred to as disrupters cannot be fully defined without the actual performance data from those disrupters.

With this said, I find the circular economy interesting in that the original disrupter, namely Amazon is rumored to be planning to open several hundred bookstores across the country. Built on the power of online commerce, in recent years Amazon has started dabbling in physical retail. The company has experimented with mall based kiosks during the holiday season, and opened its first store late last year, Amazon Books, in a high end Seattle shopping center. More than twenty years ago the company’s success kicked off a revolution in online retailing, with countless startups and traditional retailers selling every possible product online. Amazon’s rise led to headlines suggesting the “crashing and burning”, and the “destruction and death” of Barnes & Noble (BN) the venerable bricks and mortar retail bookstore chain. While BN has clearly struggled it has scrappily survived and recently street analysts have speculated that Amazon acquiring BN may make sense to broaden its multi-channel distribution platform.
Back to Airbnb, the fact is irrespective of whether or not they are negatively affecting the hotel industry, peer to peer booking sites including HomeAway and FlipKey are here to stay. Candidly and merely a hunch on my part, I believe it is only a matter of time before Airbnb merges with a hotel company. Imagine this: Subsequent to Marriott International’s takeover of Starwood Hotels and Resorts Worldwide, Marriott is combined with Airbnb. Now that would be a total and complete game changer. If it in fact happens, remember you heard it here first!

2/25/2016

Airbnb vs the Hotel companies

We hoteliers should be inspired by Airbnb not fearful of it. We should learn from the taxi industry’s mistakes. Let’s understand why consumers like and use Airbnb and use that information to improve our offering. Consumers are telling us that Airbnb is providing something(s) that we are not. Uber did not put taxis out of business - the taxis failure to respond to changing consumer needs did that - Uber identified a gap and an opportunity and took it. We should be able to use our scale and position to invest in providing what todays customers are seeking and finding with Airbnb. Significantly improving our digital presence, ‘real’ photos, video’s, genuine customer reviews and ratings, high care and contact, varying and interesting decor may all help.
Clarification re. STR

I just wanted to clarify two points: 1) the name of our company changed officially from Smith Travel Research to STR, Inc. 2) Airbnb did share their full booking and revenue information for our NYC impact articles which you can read over on HotlNewsNow.com. We welcome your thoughts about this interesting topic. Jan D. Freitag, SVP, STR, Inc.

THURSDAY, FEBRUARY 25, 2016 | JAN FREITAG

The next big thing

Nabster, the peer-to-peer music sharing service, was not originally seen as totally changing the music industry...especially after it was effectively shut down. The after-effect of Nabster, however, totally changed the industry. Pandora originally was going to change radio, but it is struggling as new technology by-passes it. The point is Airbnb has put the hotel industry in play in ways that are not yet apparent. But it is coming, sooner than we think.

THURSDAY, FEBRUARY 25, 2016 | JERRY DALY

Airbnb

Well done, Daniel. I'll be putting out my own analysis of Airbnb on March 1 in my newsletter. Bob Rauch

THURSDAY, FEBRUARY 25, 2016 | ROBERT RAUCH

a merge with a "disrupter:"

A merge with a Marriott would be like a guy in a coat and tie in the conference room with a gal in designer jeans and a capital "D" T-shirt. The gal says, "let's tour my portfolio: meet me in the ale making shop with room and bath." Guy says, "I'm here but it's closed." Gal says," Oh, right. Owner is away for 2 weeks." Management could be a nightmare or a trip.

THURSDAY, FEBRUARY 25, 2016 | JAN ATKINS

Airbnb's impact on the hotel industry

Thank you for the information. There is always space for changes. It would be nice to know how clients who use alternative lodging would like their hotels to look or feel like. Maybe the commodity of Airbnb properties compete by offering better locations that require less travel time. Personally I find most shoebox designed hotels totally lacking of personality, and this is still the majority of chain hotels. I think Airbnb is there because they respond more directly to client needs. Something hoteliers should rethink about their offering.