



THE SHARING ECONOMY IN THE HOSPITALITY MARKET, PET PEEVE OR OPPORTUNITY?

How traditional hotel chain like Marriott International should adapt their strategies to keep the leadership in the hospitality market with airbnb ?

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Tuesday, 8th November, 2016

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How traditional hotel chain like Marriott International should adapt their strategies to keep the leadership in the hospitality market with Airbnb?

I did this research paper because as future actor in the hospitality market I wanted to understand how and why sharing economy became so important for tourists and hotels. I made researches and crossed information and data; I also observed and described what brands are doing nowadays to try to take this bend.

I learned that avoiding the sharing economy was not possible because this phenomenon was too big to ignoring it. So I discovered that Marriott International was already on the track since few years to answer to the Airbnb threat but I also discovered that it was not enough to be at the same level.

I think that this subject is very important because since the creation of Airbnb, people see it as a pet peeve and a lot of these people would like to see Airbnb disappeared. But I wanted to overturn this subject to understand how and why Airbnb is so successful, to see if it is possible to apply the same characteristics for “traditional” hotel in order to set-up a healthy competition.

I would like to thank my family and friends who support me during this research paper and especially my colleagues of HES who provided me some data and thoughts.

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I) Introduction

This research paper is a study about the new context that traditional hotel chain faces regarding new types of competitors which were born through the sharing economy.

I decided to highlight this problematic when I saw for the first time the famous tweet of Brian Chesky, co-founder and CEO of Airbnb : (2014) “Marriott wants to add 30, 000 rooms this year. We will add that in the next 2 weeks”, 10 January 2014.

This quote reflects perfectly the gap between Marriott and Airbnb. As a future actor in the hospitality sector I want to know whether we have to be frightened of it or whether we have to take it as an opportunity to rethink our strategy to attract a new kind of customers. In other words, I decided to choose the most influential actors in their domain: Marriott for the traditional hotel chain and Airbnb for the new type of competitor, to make the comparison and to try to find a solution to fill the gap.

Nowadays, hospitality sector is in a bend and we have to think about new strategies and methods to increase our competitiveness on the market. At the first sight we could consider Airbnb as being a strong competitor, but if we think about it, is Airbnb a competitor or a source of new ideas and innovation for Marriott?

We will see that the growth of Airbnb is not the result of fate but an addition of several key points that hoteliers need to understand to gain some extra market shares in the future.

To answer this question I will first explain the problematic that we are facing, and then I will define the sharing economy in hospitality market and interpret these information. Furthermore I will explain the mechanism of the success of Airbnb and see if this success is accompanied with problematics. And finally I will propose other solutions after having studied the context.

Through this research paper will appear some key concepts like millennials, new identity, new tourists needs and so on, to try to build a new type of offer that can be proposed by Marriott International.

II) Problematic

Through this study I want to find out if the sharing economy is a pet peeve or an opportunity for traditional hotel chain, which means I will find out whether Airbnb is a real competitor to Marriott or whether it is a source of ideas regarding the new context in hospitality market.

To answer these questions I have to know:

- What is the sharing economy, in the hospitality market? Before starting the study I will explain the definition of the sharing economy and how it evolves in the hospitality markets with new actors.
- What kind of customers does Airbnb target compared to Marriott? What are their needs? Why do they tend to choose Airbnb rather than Marriott? How should Marriott understand these new customer needs?
- After having explained what they are and why there are important on the market I have to identify their customers to build up a sort of “identity card”. It will be easier to understand the situation if we stick the identity card of Airbnb customer on the Marriott model to highlight what Marriott lacks and if it is possible, how Marriott can attract them. Secondly, we will find out whether sharing economy is an opportunity or not for the traditional hotel chains.

III) The sharing economy in the hospitality market

a) How sharing economy invaded the hospitality market through Airbnb

“An economic system in which assets or services are shared between private individuals, either free or for a fee, typically by means of the Internet.”¹. In other words, at the beginning, the sharing economic system was a system between, and only between, consumers. It was a C to C system under the umbrella of the internet. If we think about the quote of Martin Varsavsky (Argentine entrepreneur who created several international companies as FON, Urban Capital, Medicorp Sciences, etc) in the article of James Silver in the Guardian "Why should everyone have their own car when most of the time they are not using them? Think of a marina full of boats. How frequently do those boats go out?"

¹ English Oxford Living Dictionaries. Sharing economy (2016)

Silver, J. The sharing economy: A whole new way of living. (2013), we can say that the sharing economy is the result of the over-consumption of the capitalist model. This is a general idea which says that it is not because you are not a company that you cannot rent your physical assets as traditional companies like rent-a-car companies, business jet and yacht companies and as hotel chains.

This is how, in 2007, Airbnb was created by Bryan Cheski and Joe Gebbia. They had a lot of difficulties to pay the rent of the flat they shared in San Francisco. In 2007, there was an international city conference of design and they found out that all hotels in San Francisco were fully booked. So they decided to rent their flat, after having created a simple website, three mattresses for eighty dollars (\$80) per mattress and per night. They found that this alternative system of hosting people in house and not in hotel could be a great source of revenue.

After the failure at the SXSW, an annual conglomerate of film, interactive media, and music festivals and conferences (only two bookings) they kept their idea and decided to raise money (twenty thousand dollars (\$20,000)) by selling Obama's effigy cereal box during the American election in 2008. And they went on with their business of hosting people. But they didn't receive as much as they wanted with bookings.

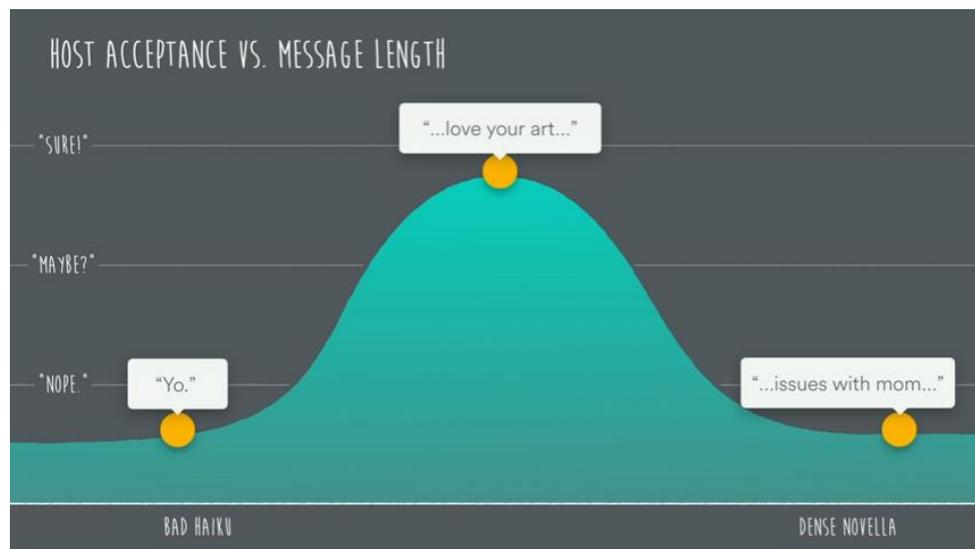
They realized that the photographs of their places were not that appealing. So they underwent a door-to-door tour in New York City in rooms they rented to take "professional pictures" and after that update they made four hundred dollar (\$400) a week. Then a famous musician (Barry Mannilow's drummer) tried their system and liked it so much that they raised six hundred thousand dollar (\$600,000) from Sequoia Cap (an American venture capital firm).

Between 2010 and 2011 they raised one hundred eighteen million two hundred thousand dollars (\$119,200,000) from many investors and in 2014 their company, Airbnb, was ten billion dollar worth (\$10 billion).

b) The reasons for Airbnb success

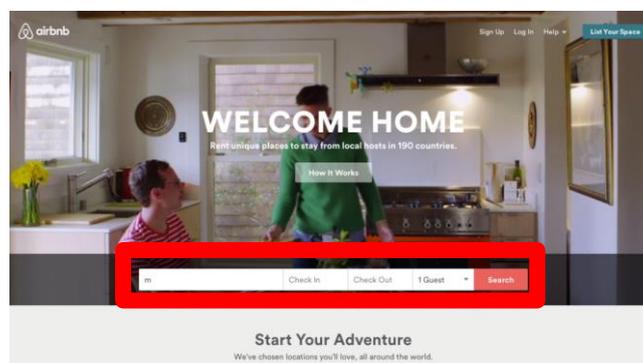
Airbnb built their success on 3 main key points: Trust, Very easy to use, and Price:

- Trust → It was the most difficult barrier to break to entice the customers into going to unknown places to sleep and also renters to rent their room, flat, house, to unknown people. They decided to break this barriers through three steps which are:
 - o Discover the real identity of the renter / guest by the Facebook profile connection to the website of Airbnb.
 - o Check the reviews. The guest can check what other people say on the place, and owner which add a brick on the wall of trust.
 - o Thanks to the “interviews” which are in fact, the emails the guests exchange with the renter and the way they communicate



- The ease of use → Airbnb developers understood that coming back to the core of booking system was the best way to appeal people to book places to travel. They work on the design thinking to build a website as simple as possible. As you can see on the image below, there is on the main website page these elements :

- o Destination
- o Arrival / Departure date

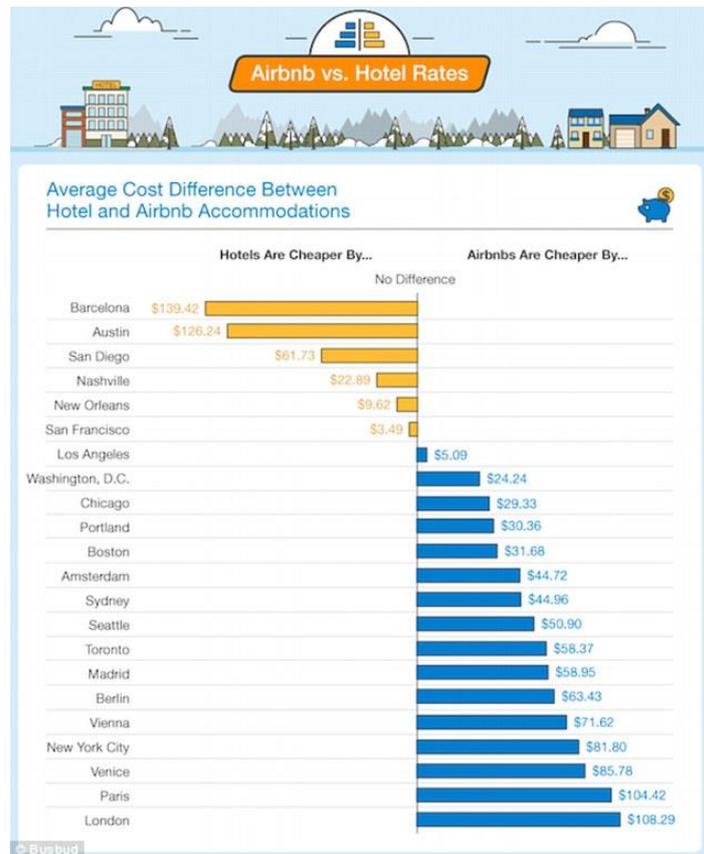


² Joe Gebbia speech at Ted Institute

https://www.ted.com/talks/joe_gebbia_how_airbnb_designs_for_trust?language=en#t-558616

- Number of guest

- Price → Airbnb is also well-known thanks to the pricing policy. A study of the Daily shows that difference in an infographic between Airbnb and hotel rate :



What this infographic reveals is that this “general idea” of cheaper price regarding Airbnb rate is not that true. But on the twenty two (22) main cities represented on it, we have twenty two percent (22%) of cities which are more expensive with Airbnb rate than hotel room rate. I will describe this phenomenon later.

Of course, we have to take into consideration that hotels have much more services than an Airbnb place and this study doesn’t show that. They compared only rates.

They also gained popularity thanks to four (4) aspects which are in the “internal side” of Airbnb:

³ Diebelius, G. Airbnb vs hotels: New study shows which is cheaper around the world. (2016)

- No shortage of customer: They created their marketing strategy by understanding new tourists' needs i.e.:
 - Search less → As I explained on the fourth (4th) page, it is very easy to find a place on their website and application because they just ask the tourist where he/she wants to go, when, and for how many people so that to give the best results.
 - Find the best → Places proposed on the website are always located downtown or in touristic places. That is one element of the new needs of tourist which is to live in the city not around it. This approach is linked to the third (3rd) point below.
 - Live at hundred percent (100%) in the country visited → this need is translated in the Airbnb catchphrase “Welcome home” or “Do not visit, live there”. By living downtown, Airbnb tourists feel like having a piece of the country culture they visited.

Regarding these three (3) points, Airbnb used the “Design thinking” to construct their reputation through a strategy.

Tim Brown (Ideo CEO) said that “Design thinking can be described as a discipline that uses the designer’s sensibility and methods to match people’s needs with what is technologically feasible and what a viable business strategy can convert into customer value and market opportunity.”⁴ When we read “to match people’s need” we can translate this quote by the three (3) elements: Search less, Find the best, live at hundred percent (100%) in the country visited. Then “technologically feasible” matches exactly with the new technology we have in possession nowadays with internet, tablets and smartphones.

At last “a viable business strategy can convert into customer value and market opportunity” could be translated through the following:

- “A viable business strategy”. In the case of Airbnb is that they do not have to invest in physical assets because they do not own the places proposed in their platform.

⁴ Naiman, L. Design thinking as a strategy for innovation. <http://www.creativityatwork.com/design-thinking-strategy-for-innovation/>. (2016).

- “Convert into customer value”. Here we come back to the new needs of tourists (Search less, Find the best, Live at hundred percent (100%) in the country visited). So Airbnb can propose to their customer a good place without owning it.
- “Market opportunity”. The market opportunity was that a lot of owners wanted to rent their places so that to have more income by renting their flats, homes or rooms. And of course, they were the first company to be on the touristic market in the sharing economy, which created a huge market opportunity.
- Flexibility is also an aspect of their success because renters do not have interviews, administrative work, etc. to subscribe
- Quick income: It is very easy to pass over the one (1%) or two percent (2%) rule regarding the renter side. This rule says that if you want to pass over the break-even point, the incomes per year should be up to (1%) or two percent (2%) of the buying price of your house. This is very easy to pass over when renters have places in cities.
- Easier labor: in general renters do not have to invest in renovation. Furthermore, renting a place through Airbnb system is very trustful because they secure the action of renting your place by the ‘Host Guarantee’ which recovers the renter up to one million dollars in case of damages.



Brian Chesky
@bchesky



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Marriott wants to add 30,000 rooms this year. We will add that in the next 2 weeks.

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c) Impact of Airbnb on the hospitality market

“HVS estimated that hotels (in New-York city) lose approximately four hundred fifty million dollar (\$450 million) in direct revenues per year to AirBnb. Between September 2014 and August 2015, 480,000 hotel room nights were reserved while over two point eight (2.8) million room nights were booked on Airbnb. By 2018, HVS estimates that Airbnb room nights will reach 5 million per year” Mahmoud, A. The impact of AirBnb on hotel and hospitality industry | by Ahmed Mahmoud⁵.

This quote implies also that hotel employees are victim of mass lay-off, “Over 2,800 jobs are directly lost to Airbnb, a loss of over \$200 million in income for hotel employees.”

These mass lay-offs are also caused by the fact that this loss of four hundred fifty million dollar (\$450 million) regards only the room revenue. We can guess that the side-effect is that other departments’ revenues are affected by Airbnb presence: “. In total, over \$108 million of food and beverage revenues (\$88 million on food and \$20 million for beverages) are lost because travelers choose to book with Airbnb.”

The last data in this article concerns the United States Hotels RevPar which were in 2015 of one hundred nineteen dollar (\$119) compared to the Airbnb RevPar which were of one hundred forty-eight dollar (\$148), it makes a difference of twenty five percent (25%) higher for Airbnb.

“nearly 30% (\$378 million) of Airbnb’s revenue in 12 of the nation’s largest metropolitan statistical areas came from “illegal” hotels, operating outside the regulatory framework of normal hotels, and placing traditional hotels at a competitive disadvantage”⁶ B, A. How likely it is that Airbnb will have an economic impact on the hotel industry? This information was highlighted by a study of AH&LA (American Hotel & Lodging Association) and shows that Airbnb have a strong impact on the hospitality market by being “illegal” regarding regulations and taxes. It is relevant that there is also an ethical issue which creates a bigger gap between Airbnb and hotels.

⁵ <http://www.hospitalitynet.org/news/4074708.html>. (2016)

⁶ <http://info.aliceapp.com/blog/how-likely-is-it-that-airbnb-will-have-an-economic-impact-on-the-hotel-industry>. (2016)

This ethical aspect does not stop the growth of Airbnb because a Boston University report shows that “a 10% increase in Airbnb supply results in a 0.35% decrease in hotel room revenue” Zervas, G., Proserpio, D. & Byers, J. W. The rise of the sharing economy: Estimating the impact of Airbnb on the hotel industry * (2016). It shows the fact that for the moment; hotels do not have the best method to reverse the trend. I will explain what some of them do in the fifth part of this research paper.

And the result of it ensues from the last information because the CBRE Hotels’ America research senior managing director said that "For existing hotels, the growth of average daily rates will most likely be curtailed. The fluid nature of Airbnb's supply suggests that traditional hotel's historic price premiums realized during peak demand periods will be mitigated. The other impact may be on new hotel construction. Airbnb may be an impediment to traditional hotel construction and could reduce traditional hotel supply growth in many markets." Lane, J. & Woodworth, M. R. Implications on traditional hotel development and market performance going forward. Americas Research.

It shows that the impact on the hospitality market is not only revenues, rates, etc. but also regarding the way of thinking new hotel type. It means focusing more on the common space and high-tech services provide in the hotel.

Regarding the loss in France, Airbnb produced in 2015 fourteen (14) million nights against one hundred twenty-five (125) million in hotels, which makes a total of eleven (11) percent of total night for Airbnb. The same study of Coach Omnium shows that the annual average rate of French hotel did not change a lot between 2010 and 2014, because it stays around fifty nine percent (59%) and the volume of the French hotel nights increased of five point two (5,2) percent between 2010 and 2015 (according to the INSEE).

Mark Watkins, Coach Omnium president says that “The Airbnb impact on the French hotel activity is very small”. This means that the impact of Airbnb does not affect the French hospitality market.

On the paper this study can be a relief for French hoteliers but the thing which is not mentioned in this study concerns the room rate. As J. Lane and M.R. Woodworth said “For existing hotels, the growth of average daily rates will most likely be curtailed [...]” which means that the hotel occupation rate is not affected (in France) because they made a lot of

efforts regarding their rates. We will see in this research paper that the rate is one of the biggest concerns regarding people who tend to choose Airbnb instead of hotels.

All these data show that Airbnb have an impact in each segment of the hospitality market: in some countries it regards the revenues, in other it regards the occupation rate but the question we can ask is how did Airbnb do that? And why is this impact so important?

I will describe in this research paper the correlation of several elements which gave to Airbnb a central position in the hospitality market in less than eight years of activity compared to international hotel chain which exists since several decades like Marriott International.

IV) The mechanism of Airbnb success and its side effects

a) The new generation needs

Airbnb built their success on the Millennials needs. The millennial generation is a generation born between 1980 and 2000. In the United States they became the largest generation third to baby boomers⁷ and generation X⁸.

On the first hand, they are ruled by a new need which is “Access, no ownership”⁹. This need gave birth to the sharing economy, which is explained by J. Rifkin which said “25 years from now, car sharing will be the norm, and car ownership an anomaly”. In the hospitality industry we can define this quote as: I bought a place, and when I am not here, I will rent it to get money.

⁷ a person born in the years following the Second World War

⁸ the generation born after that of the baby boomers (from the early 1960s to 1970s)

⁹ Millennials Infographic. <http://www.goldmansachs.com/our-thinking/pages/millennials/>. (2012)

This need was born after the economic crisis of 2008; the unemployment rate skyrocketed, so their income plunged. They kept the same willingness to enjoy and travel so they found a solution to have the same way of life without buying: which is the sharing economy.

This is what Airbnb understood with the fact that the millennials are a “click to buy” generation: in 2014 “90% of the 16-34 years old already purchased on the internet”¹⁰ when they decided to create their platform only on the internet.

In addition to that a study shows that “80% of millennials want a brand to entertain them”¹¹. By the word “entertain” we guess that they want to be inspired by the website as Airbnb does with their website body and presentations (pictures).

In the same study we learn that seventy five percent (75%) of millennials want to discover a foreign country and in this seventy five percent (75%), sixty nine percent (69%) crave adventure, which means discover a foreign country rather than staying in a chain hotel or resort.

By comparison we discover that this new generation needs are exactly the same as the Airbnb customer’s profile which is described here below.

b) Airbnb customer profile

Thanks to the study of PhoCus Wright¹² based on one thousand eight hundred eighty (1880) US citizens we know who the Airbnb customers are and what they want.

This study ranked these 1880 US citizens into two groups:

- The renters (17%) who rented rooms, flat, house
- The non-renters (83%) who used other accommodation types (hotels, family, friends, etc.)

¹⁰ Office for national statistic, UK (2015)

¹¹ <http://www.millennialmarketing.com/who-are-millennials/> Who are Millennials. (2016)

¹² Phocuswright delivers qualitative and quantitative research on the evolving dynamics that influence travel, tourism and hospitality distribution. The headquarter is in the United States

Regarding the renters (those who are using Airbnb), fifty one percent (51%) are under thirty five (35) years old (Millennial generation) compared to the non-renters where there are only thirty eight percent (38%) under thirty five (35) years old. Sixty three percent (63%) of renters travel between one (1) and two (2) weeks per year, concerning the non-renters the proportion is smaller → forty three percent (43%) and in the same category there are only thirty one percent (31%) who travelled abroad compared to 42% of renters.

Contrary to what we may think of the renter, they spend more than the non-renters:

- An average of 4 340\$ per year for travelling (including place, food, transportation, etc.) compared to non-renters who spend 3 740\$ a year for travelling

And 27% of renters have travelled six times in 2014.

Those renters have 4 main needs which rule their trips:

- They want to discover more about the country, city, culture they visit
- They travel when they have the purchase power, which means that they decide to travel more spontaneously than the non-renters (forty three percent (43%) book between one and two weeks before the departure date)
- They are looking for very small establishments with style and character
- Most of the time they travel alone or with their friends

In fact when we see those four needs, they are exactly the addition of the Airbnb service:

- They want to discover more about the country, city, culture they visit → **“Welcome home”**
- They travel when they have the purchase power, which means that they decide to travel more spontaneously than the non-renters → **Very easy to find and rent a place on their website**
- They are seeking for very small establishment with style and character → **Most of the time places are flat, houses of people leaving in the country**
- Most of the time they travel alone or with their friends → **Possibility to book only one room or an entire flat / house**

Here above I explained that renters spend more for their trips, however they spend less for accommodation and they want to find all the appliances they have in their own place. They also want a lot of room to welcome their friends and family, which is not possible in a hotel

room. We may consider that they want liberty and independence which is not always possible in a hotel.

This study also concentrates on their behavior on the internet. First of all PhoCus Wright explains that their penetration rate grows very quickly with eight percent (8%) in 2008, twenty four percent (24%) in 2012, so we may think (if we follow the curve), this penetration rate today in 2016 is around thirty percent (30%).

The renters' generation is very active on the internet because forty percent (40%) of them are using social media to book a place. But we might ask ourselves: what are they seeking on the internet? The answer is:

- Comments of other guests
- Pictures and videos
- Service provided in the place and around the location
- Inspiration
- Personalized profile where they can keep data, information, searches, etc

For these 5 elements they rely on websites and if we look at Airbnb website, they gather everything.

The last information in this study is the most important and hoteliers need to take it in consideration: Each private place booking made by a tourist decreases the chance by 24% that the same tourist will book a hotel room. If he book two (2) times a year, this chance decreases of fifty percent (50%).

The conclusion of this last information is that more a tourist books private place, less he will have the willingness to book a hotel room. This is why hoteliers need to concentrate on it to fill this growing gap.

c) The other side of the coin of this success

Airbnb created a new expression → the “Urban Nomads” who are people using Airbnb to have more incomes at the end of the month because they would not have enough money only

with their job. The consequence is that this people move one or two weeks by month from their places to let their places for tourists. If we go at the extreme, we can say that the urban nomads are the homeless of the sharing economy in the hospitality market.

Then we have people who rent their place without the authorization of the home/flat owner which creates conflicts and sometimes ends in the cancellation of the rental contract between owner and renter.

But the biggest issue regarding Airbnb was highlighted at the end of 2015 in San Francisco with the “Proposition F” supported by people who wanted Airbnb to respect some tougher regulations. The “Prop F” was a ballot measures on the short-term rental of residential flat and homes.

To explain further, without the Proposition F, San Franciscans could rent their places a maximum of 90 days a year. There was also no limitation if days when they stayed in their place while they rent a room or dwellings. All this elements without reporting very “seriously” the activity of the year to the city.

The Proposition F sets a maximum of seventy five (75) rental days a year with a quarterly data reporting to the city hall in order to check whether this rule is respected. Furthermore, this proposition gives the right to non-profit housing to sue hosts and the platform in case of violation of this seventy five (75) days rule or of other aspects I will explain later. Moreover, it will ban in-law units¹³ for short term rentals.

But why did some San Franciscans want the Proposition F to be voted? There are four (4) reasons:

- First of all because Airbnb hurts the long-term rental market in this city, and this is very logical: If an owner earns more money by renting his place for a short-term period than long term, why then continuing a long-term rental?
- The second reason comes out from the first one: Owners understand that making short-term rentals is more profitable for them than offering long-term rentals and therefore evict long-term renters. This could be catastrophic for people who are

¹³ Dwellings for example

evicted → in an article of The Guardian¹⁴ one of the pro Proposition F, explained that she had been living since thirty (30) years in her district until the day her land owner forced her to move to another place ““This is forcing me out of my community,” she said. “My community is my family.””

- The third reason relates to the hospitality market for hotels in San Francisco because Airbnb is a “direct concurrent” which appeals former hotel customers to rent through Airbnb. But the problem is Airbnb flat/home owners who rent their places are not under the same regulation because they have more freedom than hoteliers regarding taxes, regulations, restrictions, security aspects, so Airbnb earn benefits from an unfair competitive advantage. As people tend to choose Airbnb, the hotel turnover decreases so they answer by decreasing their rates to attract more customers in hotels (see table p.5). And now hotel rooms are cheaper than Airbnb places in San Francisco.
- The last reason is that a lot of local residents in San Francisco complained about noise and rotation of tourists in their neighborhoods which creates a lot of conflicts between these two (2) parties.

¹⁴ Booth, K. Protesters occupy Airbnb HQ ahead of housing affordability vote. The Guardian <https://www.theguardian.com/us-news/2015/nov/02/airbnb-san-francisco-headquarters-occupied-housing-protesters> (2016)



15



16

¹⁵ ¹⁶ Campaigner and Causa Justa member Bilda Linares holds a banner at the protest inside Airbnb's head office Photograph: David Zlutnick. Booth, K. Protesters occupy Airbnb HQ ahead of housing affordability vote. The Guardian <https://www.theguardian.com/us-news/2015/nov/02/airbnb-san-francisco-headquarters-occupied-housing-protesters> (2016)



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On Saturday 3rd November 2015, the Proposition F was rejected with a total of fifty five percent (55%) of “No” and Airbnb declared that it was “a victory for the middle class”. But if we look at the result it was no so good and in my opinion they won thanks to their campaign against the Proposition F. They spend over 8 million dollars for this campaign; it was the third most expensive campaign in San Francisco history. Mainly justified by the fact (according to the discharge monitoring report of Airbnb on October 2016) that eleven percent (11%) of the total lodging units in San Francisco is already registered on the Airbnb website.

By the result of fifty five percent (55%), we can guess that if Airbnb did not invest that much in this campaign they would have probably lost their fight against Proposition F. They hired a team of canvassers, consultants, researchers and social media specialists. See the pictures below:

¹⁷ Lien, T. & Times, L. A. Everything you need to know about San Francisco’s Airbnb ballot measure. <http://www.latimes.com/business/technology/la-fi-tn-airbnb-prop-f-san-francisco-20151029-htmllstory.html>. (2015)



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5:18 AM - 22 Oct 2015

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The aim of the campaign was to provoke a feeling of guilt for the people who agreed on the Proposition F and for the city. It was a passive-aggressive communication. If we take a closer look at the quotes on billboards, they seem to be harmless with the signature “Love, Airbnb” and we may think that Airbnb wants to send a friendly message to both city and citizens. But when reading carefully these quotes, the message means that a pro vote on proposition F will imply a tough cut on public finances with the risk of being deprived of the sum of twelve million dollar (\$12 million) for public facilities. And by targeting the city, Airbnb delivers also a message to the San Franciscans that these twelve million dollar (\$12 million) are for them and without this amount they will no longer have public utility area.

For this campaign against the Proposition F, the team hired by Airbnb had the choice between three other kinds of communication in addition to the one eventually chosen: the passive-aggressive communication:

- Aggressive communication: was not chosen because too risky, bad opinion on Airbnb
- Passive communication: same as above , no implication of the people who were for the Proposition F
- Assertive communication: whereas this strategy was chosen by the Proposition F supporters, Airbnb did not either choose it. Airbnb perfectly knew that it was not possible to stand up to their position by respecting the right and beliefs of San Franciscans because some of them were rejected from their long-term rental contract to let their places to the tourists.

The question is: why did Airbnb spend so much money for this campaign?

The San Franciscan hospitality market is a huge one for Airbnb, but I think this matter highlights a bigger issue that Airbnb has been facing since their creation.

Let us suppose that the Proposition F passed with a Yes of the San Franciscans. This proposition reduces the maximum night number by twenty percent (20%) (Seventy five (75) to ninety five (95)), and bans the in-law units’ short-term rentals. It will then be a huge loss for the San Franciscans market but as for the rest of the world?

Airbnb is located in more than one hundred ninety one (191) countries all over the world. If all the tougher regulation pros had known that the Proposition F was voted Yes in San Francisco, they would have thought it was possible in their own cities. And if all the countries do the same thing we can imagine that the Airbnb turnover will decrease by twenty percent

(20%) all over the world, in addition to the restrictions on the dwellings and other type of rights that non-profit housing will have, it will be catastrophic for Airbnb. Their turnover in 2015 was 900 million dollars¹⁸ and if we take off twenty percent (20%), it makes a loss of more than one hundred eighty million dollar (\$180 million) all over the world.

Some other cities are fighting for Airbnb tougher regulations as Berlin, New-Orleans, New-York and Paris. This is the beginning of a new phase in Airbnb history. Since the creation they have used their popularity with very good marketing and communication strategy but more and more people think that this platform needs to be more regulated and controlled by states and cities to set up a fair competition between Airbnb, citizens and hotels.

Roma was not built in one day and I think this is exactly the same thing regarding Airbnb regulations. It will take time and each party will need to make efforts to set up a loyal competition.

d) Airbnb the giant with feet of clay

Through the first part of this study we saw that Airbnb made its business on several factors and grew exponentially. Brian Chesky and his team understood the new needs of tourists and developed it at its paroxysm by combining a very good communication and marketing strategy which fits to the new type of customer with the booking platform and the philosophy they created: “Welcome home”.

I explained earlier that the sharing economy was the result of the over-consumption of the capitalism system, and as for Airbnb, this is the result of several aspects:

- Technological → with the internet, smartphones, tablets, etc.
- Economical → with the high unemployment rate or underemployment among new generations
- New way of consuming → consume less or differently, but consume better

and

¹⁸ Kokalitcheva, K. Here’s how Airbnb justifies its eye-popping \$24 billion valuation. <http://fortune.com/2015/06/17/airbnb-valuation-revenue/>. (2015)

- “Physical” → Airbnb made zero investments for the properties all over the world because they are owned by private people.

Nowadays Airbnb is a victim of its own success and many think they need to control more and to regulate this highly profitable business which. Same issue with the transportation market with taxis and Uber and we can see that some cities restricted the company to let some market shares to the “official” taxis because they highlight the fact that it was an unfair competition, so why they do not do the same thing with Airbnb regarding the competition with hotels? Efforts have to be done on both parts and we will see later on what Marriott does in this new context to gain back some market shares in the hospitality market.

V) Hospitality market changes, how does Marriott adapt its strategy to be more competitive?

a) Why Marriott International?

I found it very logical to compare this international and successful company ie Airbnb with a group which has the same market valuation of sixteen point nine billion dollar (\$16.9 billion) and the same international reputation. Marriott International was created in 1927 that proves they know how to adapt to the hospitality sector changes and how to understand the tourist needs decades after decades.

In my opinion this is the best company to make the comparison with Airbnb because at each step they have been fitting and readjusting their services to satisfy the customer as explained hereafter:

- 1927: JW Marriott created with his wife Alice the first restaurant with “good food at fair price”, The Hot Shoppes. It was a kind of consumer better way of thinking that had a lot of success at this time
- 1928: They created the east coast’s first drive inn
- 1937: After delivering Hot Shoppes meal to the Hoover Airport they understood that the in-flight catering could be profitable, so they decided to do it

- 1953: Within 16 years they became a big food industry so their stocks became public and in 2 hours all the shares were sold out (ten point twenty five dollar (\$10.25)/share)
- 1957: Thanks to the entrance on the public market, the company grew up enough to create the first Motor Hotel¹⁹ in Arlington, Virginia
- 1969: More and more Eastern people started to travel abroad thanks to the flights so they decided to open their first International Marriott hotel in Acapulco, Mexico
- 1983: After years of researches and studies Bill Marriott highlighted the fact that the business travelers did not have hotels for them so he created the brand Courtyard Hotel which were the first hotel brand dedicated to the business travelers
- Between 1985 and 2015: Marriott International created 18 hotel brands all over the world and became one of the most important international hotel chain
- 2016: Acquisition of Starwood Hotels and Resorts for more than 12.2 billion dollars and became the biggest international hotel chain all over the world with its 30 brands, 5700 properties and more than one (1) million rooms. Nowadays the market capitalization of Marriott International is up to twenty four (24) billion dollars

Through this quick presentation of the evolution of Marriott International I want to focus on the fact that this group is always up to date regarding new trends and streams in the hospitality market. This is why this is the best company to compare with Airbnb.

Through their thirty (30) brands they touch most of the type of accommodation as Airbnb does, like:

- Luxury
 - o St Regis
 - o W hotels
 - o The luxury collection
 - o The Ritz-Carlton
 - o Bvlgari hotels and resorts
 - o JW Marriott
 - o Edition
- Upper upscale
 - o Westin
 - o Le Meridien

¹⁹ Designation for Motel

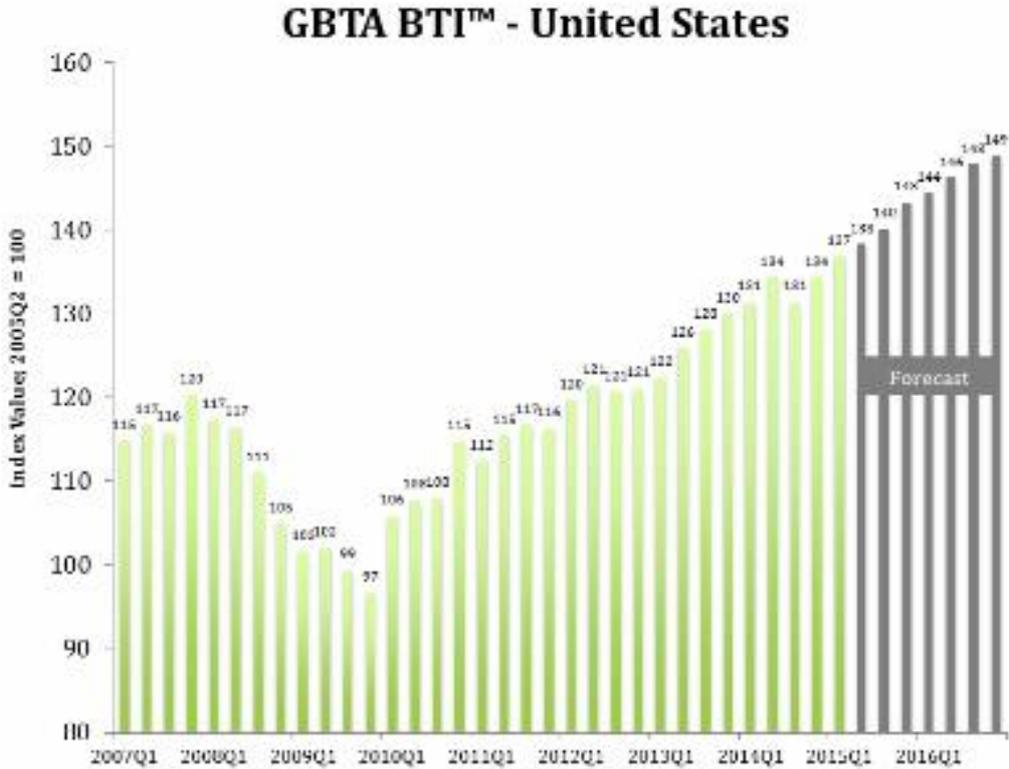
- Sheraton
- Tribute portofolio
- Autograph collection hotels
- Renaissance hotels
- Marriott
- Delta Hotels
- Marriott Executive apartments
- Gaylord hotels
- Upscale
 - Four Points by Sheraton
 - Element by Westin
 - A Loft
 - AC Hotels
 - Courtyard Marriott
 - Springhill Suites
 - Residence Inn Marriott
- Upper midscale
 - Moxy Hotels
 - Fairfield Inn&Suites
 - Protea Hotels
 - Towneplace suites Marriott

In this list there are two (2) brands I want to focus on because they could represent the new generation needs regarding hospitality and these brands are: Residence Inn Marriott and Moxy hotels.

b) Residence Inn

Residence Inn is for the young business travelers. Airbnb created in 2015 “Airbnb for business” because only in the USA for the year 2015, the business travelers generated three hundred two point seven (302,7) billion dollars and they clearly saw an opportunity to increase their profits by appealing them.

The brand “Residence Inn Marriott” is on the segment of business travelers since 1975. From three years they have modified their communication in order to appeal these young business travelers.



20

Nevertheless Airbnb already integrated the booking system of international companies like American Express Global Business Travel and also BCD travel. Airbnb said that fourteen hundred (14.000) companies sign each week with them for the business travelers. It is possible thanks to the young business travelers → Millennials employees who “have higher expectations of how they spend their time and wanting to move away from traditional methods”²¹. Airbnb detected another aspect, finishing their work abroad, second BridgeStreet Global Hospitality, sixty percent (60%) of business travelers extend their stay to enjoy the city where they are for a two or three days more. We call that “Bleisure trip” which is a switch between the word Business and Leisure. At the same time “the average duration for a business trip on Airbnb is considerably higher than the average business trip duration of three

21 Spatari, A. Airbnb pushes corporate travel as Google and Morgan Stanley allow employees to use platform. (2016)

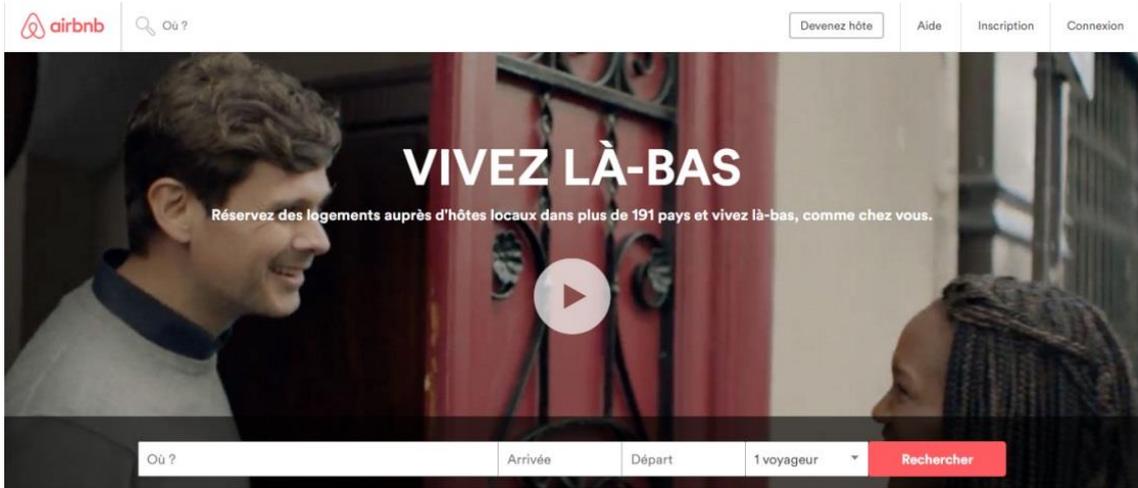
days, according to a study by Travel Leaders Corporate.” We can see the consequences of these “Bleisure trips” and I will describe how Airbnb is on the same track than Residence Inn.

Residence Inn was created in 1975 by Marriott International to offer to the business travelers a kind of second home when they are abroad. What is very important in the last sentence is the date “1975” which means that already at this time the group understood the new need of business travelers. Since few years, and before Airbnb, they understood the importance and the source of revenue of the young business travelers, also called, the millennials employees.

First of all, it is glaring when we look at their website as the look is approximatively the same as for Airbnb, with the photo behind, and the catch-phrase:



Residence Inn



Airbnb

There is also another relevant aspect thing, regarding the searching process: the presentation is the same, when travelers want to book a place they do it on a map



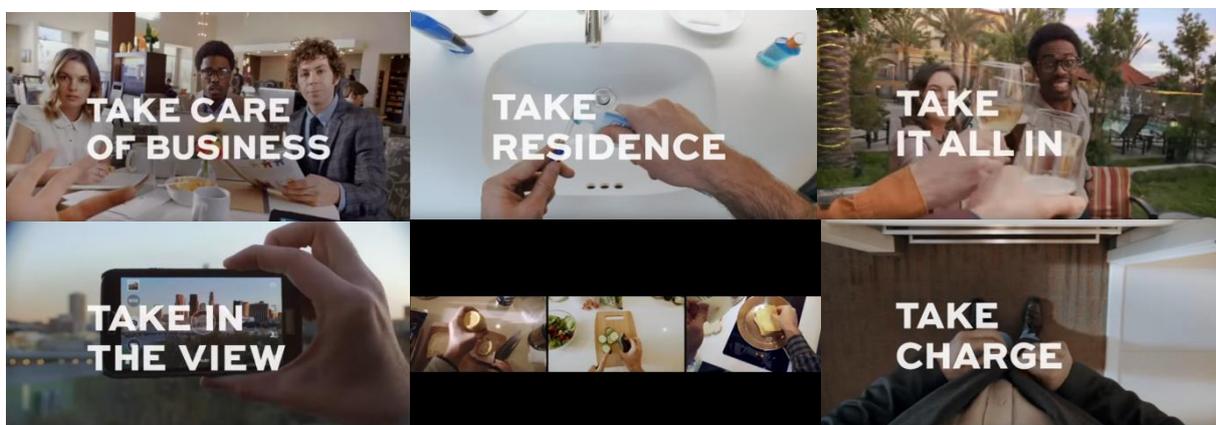
Residence Inn



Airbnb

The most relevant element regarding the fact that residence Inn wants to attract young business travelers is that on their three commercial TV you can see their website <http://www.residenceinn.marriott.com/>, all the key concept are here :

- Recent music with a lot of rhythm
- POV view²² which gives the feeling that we already are a guest of Residence Inn
- Only young people on this video
- Very rhythmic clip with short sequences and short catch-phrases



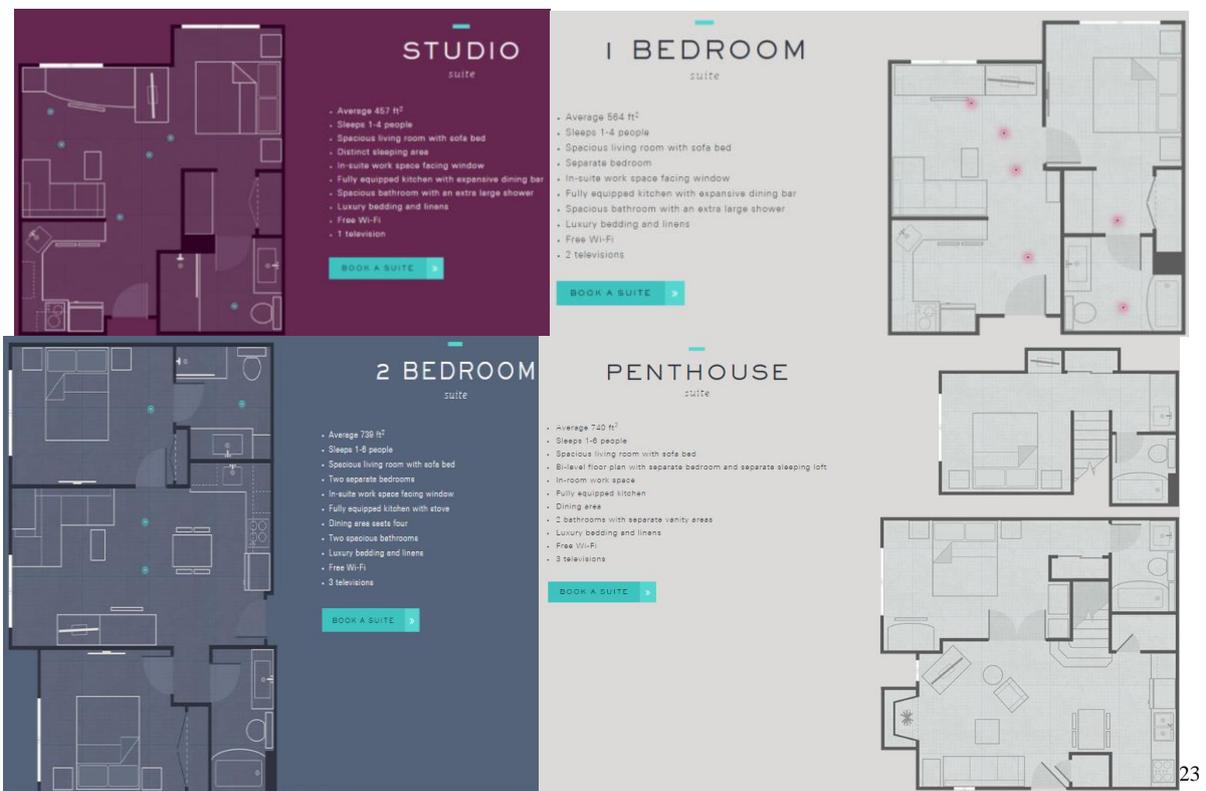
²² A point of view shot (also known as POV shot, First-person shot or a subjective camera) is a short film scene that shows what a character (the subject) is looking at (represented through the camera).

But above all that communication, what are the kinds of accommodations and services that are proposed at Residence Inn?

Regarding the accommodation, business travelers have the choice between four types of “suites”:

- Studio
- One bedroom suite
- Two bedroom suite
- Penthouse

Fully equipped with kitchen, bathroom, flat-screen TV, WI-FI, etc. All elements that can make the traveler feel at home just like Airbnb:



Moreover they propose services that are not proposed by Airbnb. This is the aspect where they have the lead because they point out complimentary services such as:

- “Hot breakfast designed by you” → meaning, to feel like at home
- “RI Run” → meaning, to have the impression to live in the country where travelers are
- “Groceries, delivered right to your door” → also to feel like at home

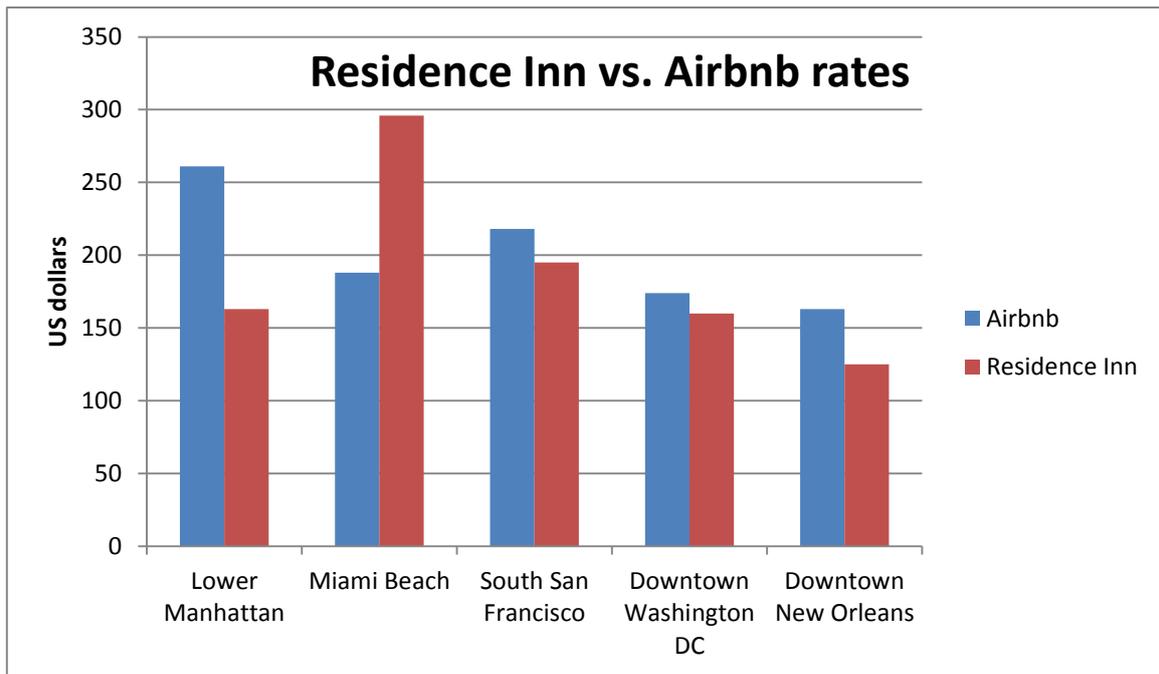
²³ <http://www.residenceinn.marriott.com/extended-stay-suites/>

They also highlight the fact that they provide a common space where guests can gather and have a time to relax together indoor or outdoor, they called it “Residence Inn Mix program”. Each Monday they propose to meet other guest in front of a “must-see TV show” or in the outdoor space around a BBQ and a fireplace.

At this step of comparison we can notice that there are no differences between what Airbnb proposes and Residence Inn, and the extra for Residence Inn are the complimentary services proposed. What about rates?

I made a study to compare Residence Inn and Airbnb rates at the same period of time, one night from the 1st to the 2nd of July, in the same cities and districts and for the same number of persons, two and the same proportions so a studio in both cases. I took into account the fact that there are more offers concerning Airbnb so I calculated an average on seven rates for each comparison to have a gross view of the district rate:

Lower Manhattan	
Airbnb	Residence Inn
\$261	\$163
Miami Beach	
Airbnb	Residence Inn
\$188	\$296
South San Francisco	
Airbnb	Residence Inn
\$218	\$195
Downtown Washington DC	
Airbnb	Residence Inn
\$174	160\$
Downtown New Orleans	
Airbnb	Residence Inn
\$163	\$125



We can clearly see in this graphic that, in general, booking a studio with Residence Inn is cheaper than booking the same kind of studio with Airbnb. On average, it is 60\$ cheaper to book a studio with residence Inn. And not talking about complimentary services, security of having the same place as described and the Marriott loyalty program.

With Residence Inn, Marriott International is making a lot of efforts to stay competitive compared to Airbnb. But this brand is only focused on the young business traveler who represents (for the moment), only 10% of the Airbnb revenue.

What is the other proposition Marriott International does to appeal the core target of Airbnb who are the millennials?

c) **Moxy hotels**



Moxy Hotels brand was created in 2014 by Marriott International, only for the reason to appeal millennials as guests. To do that they highlighted three key elements which rule the millennial generation:

- Money saver → as I explained earlier on, millennial generation is affected by a high unemployment rate and underemployment. They need to save money, but at the same time, they want to enjoy as much as possible. That is why rates at Moxy hotels do not exceed hundred dollar (\$100) per night for a room
- Self-containment → straight from the first point because if they want to save money, it is not a problem to use a self-service in some departments of the hotel, by instance the self-check-in which is present in all the Moxy hotels. This aspect is very positive for the brand because if the guests are self-sufficient in some points, it means less staff to hire, so they can keep their rates low.
- Tech-savvy → rooms are equipped with USB connection, high speed Wi-Fi and there is what they called a “Plug & Meet space” which is a common area where they can work or having a drink. This system is like the Co-working places present in the main cities all over the world.

On the opposite of Residence Inn, Moxy Hotels do not have any similarity with Airbnb regarding platform and the communication strategy.

The management team decided to work with a famous creative agency based in Amsterdam, Likefriends. Ramesh Jackson, the global brand manager for Moxy Hotels said that “Digital marketing plays an integral role in our overall communications strategy and we needed a strong and creative agency partner to help bring this new brand to life.” And the result is stunning (as a millennial).

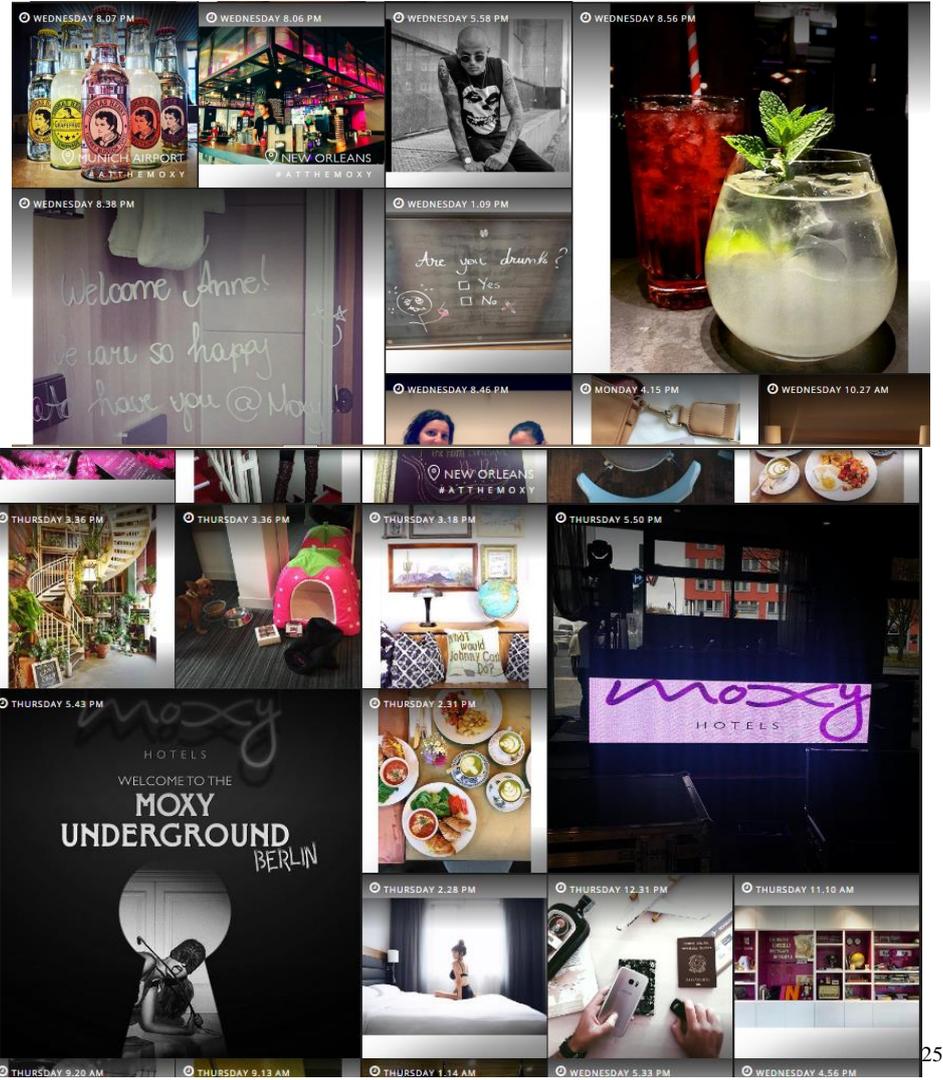
For those who do not know me, I am part of the millennial generation and which is very interesting through my researches, I felt totally under the spell of these hotels because of the way they communicate.

First of all their website is very active, there is no picture which stays on line for more than five or ten seconds. It might seem impressive but it is just like the social network platforms where all information pass very quickly. I think they did it to give a lot of information as

effective as possible because Canadian researchers made a study²⁴ between 2014 and 2015 on 2000 participants (millennials) and found out that our attention span is height seconds (four seconds less than fifteen years ago) .

In their communication we clearly notice that these hotels are on the trend “you are abroad but it looks like your home”, one of their catch-phrase is “Is no place like home”. Does it remind you of anything? Let me help you, “Welcome home” (Airbnb).

But the difference here is that they create a real Moxy community with the “Guest Book” which gathers all the instagram pictures of the guests with the hashtag #AtTheMoxy:



²⁴ McSpadden, K. You now have a shorter attention span than a goldfish. <http://time.com/3858309/attention-spans-goldfish/> (2015)

²⁵ <http://moxy-hotels.marriott.com/guestbook>

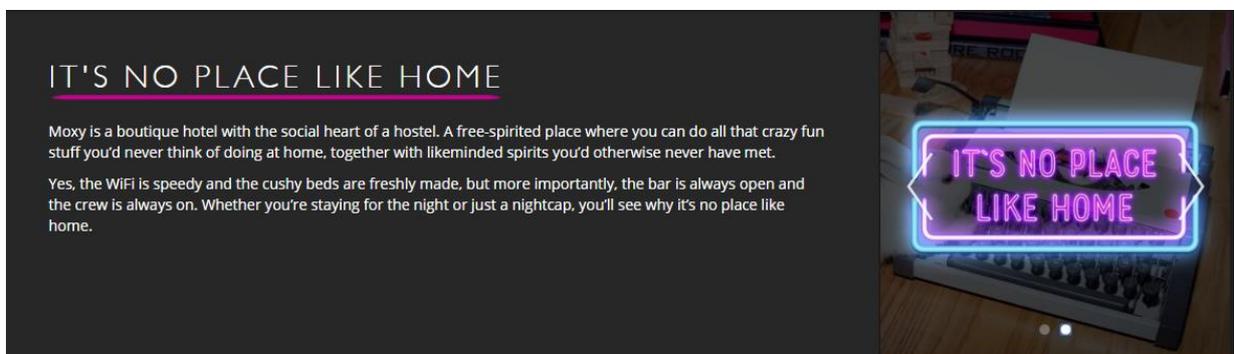
In fact they count on guests to make their share of their communication which is very clever. They understood that creating a community means also to let the millennials fill in their website and communication channel.

The millennials are passionate brand supporters and we can see it on their website, a study of ThinkWithGoogle found out that if they love a brand, they will tell it everyone and very quickly. Social network is one of the platforms where they can share it, by instance Instagram for Moxy.

There are already six Moxy hotels and they are planning to open forty-six other properties all around the world according to their development planning on the website.

Moxy is very successful thanks to the image they send to the millennials as they built it on six key points highlighted by a study of Barclay, Inc. and Futurcast, LLC:

- The first one is “Social” thanks to the Guest-Book and the possibility they give to the guests to appear on their website. The second is “Self” which means that Moxy is a brand that fits exactly to the way of life of millennials. They translated it on their front page which presents the brand:



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The third one is “Innovative”, as I explained before with the term of “Tech-savvy”, Moxy give the access to highly connected rooms and spaces where they can work or enjoy their free time, in addition to the concept of “keyless entry” where they can use their smartphone to open the door.

Then there is “Trusted”, which is embodied by the fact that Moxy Hotels is a brand owned by the biggest international hotel chain which is a very good security for the guest. The fifth

²⁶ <http://moxy-hotels.marriott.com/our-story>

aspect is “Purposeful”, because the guest knows that if he books a room in a Moxy hotel he will have a good time and ways of meeting other people.

Last but not least for the millennials is “Accessible” which means two things; the first one is easily accessible because hotels are located downtown or next to a train station or airport. And the second aspect is accessible regarding the rate of the rooms which does not exceed \$100 per night.

d) Other ideas

At the end of the year 2015, Marriott announced they will remove in-room desk for millennials which provoking a wave of protestations. It began with a journalist Dan Wetzel who stayed in a Marriott hotel in North Carolina.

When he entered in the room he discovered that the desk was removed. The reason is that he checked-in in one of the “hotel room of the future” which provides:

- A smaller closet
- A bigger bathroom
- A bigger TV with also all the connections
- A space to relax or work with a smaller table and a couch instead of the regular desk

He wrote an article to thrown his tantrum against Marriot, but if we think about it what did they really do?

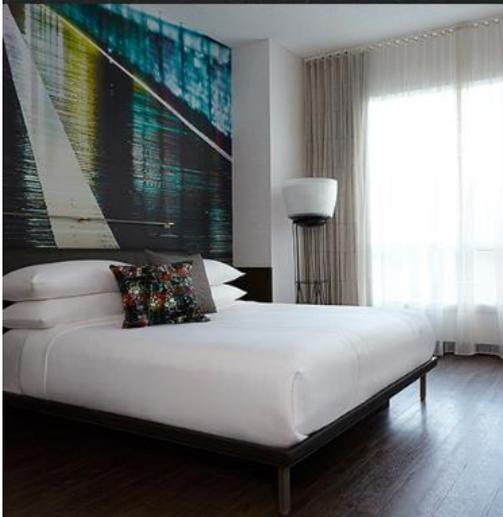
They give space to bedrooms to appeal more millennials and I will analyze their presentation to demonstrate what I say (all the pictures which follow are from the website: <https://travel-brilliantly.marriott.com/our-innovations/hotel-room-of-the-future>

WE'VE REINVENTED OUR SPACIOUS ROOMS TO ACCOMMODATE THE NEW WAYS IN WHICH YOU LIVE, WORK, TRAVEL AND RECHARGE.



On the first pictures we can see on the caption two (2) key words which are very interesting: “Spacious” and “Live”. They totally focused on what customers want and what they find on the Airbnb platform. It is to live in the country they visited with a lot of space to stay. If we look at the picture, the room is very stylish and with trendy furniture and colors.

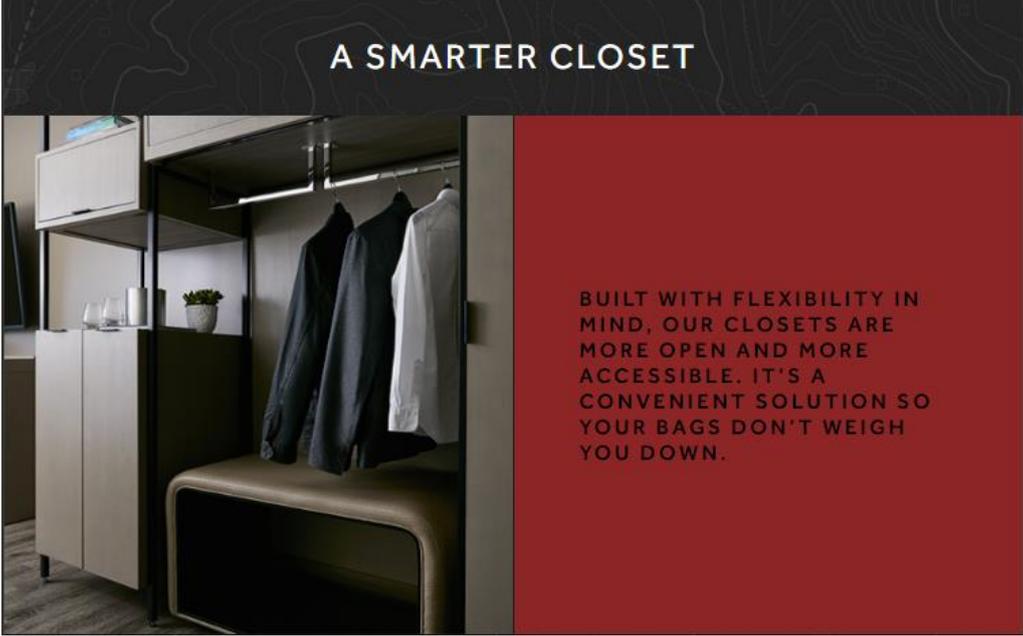
BOLD DESIGN THAT'S STYLISH AND INTUITIVE



MODERN, CHIC AND INNOVATIVE. IT'S A ROOM THOUGHTFULLY DESIGNED AND INSPIRED TO INSPIRE YOU.

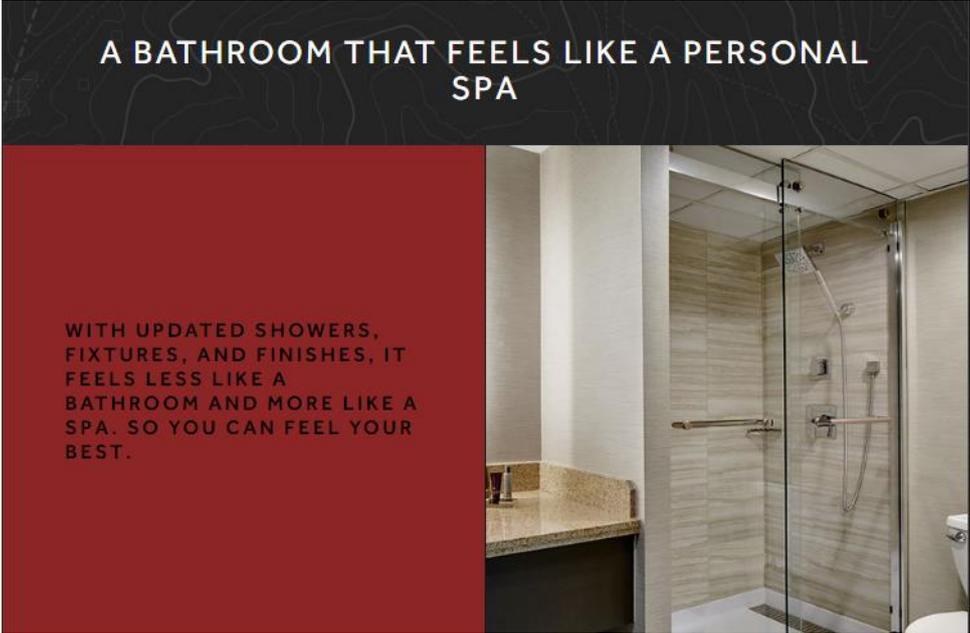
On the first the title of this picture is also very relevant because they are using an abbreviation, “It’s” which confirm the fact that they want to be modern and talk to the new generation. On the second hand, there is one key word which is also interesting, “Inspire”. When I described the Airbnb customer profile I found out that people wanted to be inspired

by the website. Here the word “inspire” let the future guest imagine that this room and this hotel will give him inspiration for his holidays or work.



What do they have in mind when they say “It’s a convenient solution so your bags don’t weigh you down”?

I think they try to give the impression to the guest to be at home, because the only place where they see their bags is in a hotel room. And with this new type of room, there are going away of the idea of the “old” hotel room and more to a space they feel comfortable.



When they describe their new bathroom, they are not talking about “renovated” bathroom but “updated” bathroom which belongs to the vocabulary of the new technology and internet.



On this part, they insinuate that in this room you can have a Bleisure trip which I will describe after in this research paper. This is one of the aspects of the new generation travelers.



Which is very striking this is how future guest can find a hotel. You can move and zoom on the map so that to discover a hotel, exactly like on the Airbnb website.

I disagree with the fact that it was a mistake to delete the in-room desk of this Marriott brand because they highlighted the new generation needs traveler in their new rooms and this ensue from all the description I gave in the first part of this research paper.

And this innovation is not the only one Marriott International did. What is very interesting on their website: <https://travel-brilliantly.marriott.com/our-innovations/>, they created a community where people can exchange ideas and opinion on how they see their perfect stay in Marriott hotels.

They propose also “mobile innovations” with the Marriott smartphone application where guests can have any request from their smartphone “during, before or after” their stay. They can also check-in and check-out with their mobile so that to be more flexible, and at the end they can use their smartphone as a key room.

Guests can also ask at the reception GoPro, in some hotels to record their holidays and keep good memories of it.

To conclude this part of this study, we can say that Marriott International is already on the right track with their new type of accommodation like Moxy Hotels to appeal millennial with their attractive rates and new way of communication.

They is also the Residence Inn Brand which is appealing the new generation travelers, as known as, millennials who work and travel in the same time with the new concept of “bleisure trip”.

But the question is, is it enough to answer to the Airbnb threat?

In my opinion Residence Inn and Moxy Hotels are the best responses to Airbnb threat because these brands gather the business and leisure trip. Both brands are trying to appeal millennials by enhancing the fact that it is more a community than a hotel. Nevertheless they do not put away the concept of hotel because it brings a feeling of comfort and security but they cover it up to bring the idea of a Home which is one of the key to appeal new generation travelers.

VI) Other options to stay competitive

a) What can we learn from the sharing economy?

Now we know that the Trust is one of the most important aspects in this field. Airbnb relies on Trust which is their core business, because without trust, people would not rent or go to an unknown person. This is the same game with Winston Club which points out the Security of their application and of the guests' profiles.

But a study of Hotel News Now shows that this feeling of trust and security is not shared by everyone and this is where Marriott International can play without any problem because compared to Airbnb which started seven years ago, Marriott International was created eighty-nine years ago. On this field of trust and security they have nothing to prove, but as far as Airbnb is concerned, this feeling of trust and security is fulfilled when guests are in the place rented and not before.



²⁷ Hnn Editorial, S. HNN - Infographic: Do consumers trust the sharing economy?
<http://www.hotelnewsnow.com/Articles/49337/Infographic-Do-consumers-trust-the-sharing-economy.> (2016)

Another key element Marriott International should think about is smartphone. The aim of both brands is to appeal young business travelers and millennials, so why do not they have an application dedicated for each brands?

It could be an idea to differentiate the fact that, Moxy and Residence Inn are part of a big international group, which is an aspect that millennials do not like. When I say “do not like” I come back on the fact that millennials are seeking for little establishments, and this is what Residence Inn and Moxy are, but if we stick the image of these brands under the umbrella of the image of Marriott International, it could be something that can “repulse” them.

Another very important element with new generation wants: the local experience. Generally speaking hoteliers know the cities where they work and it could be an aspect to underline because this is the core business of Airbnb, “Don’t visit there, live there”.

When I was trying to book in a Marriott International hotel something surprised me after having visited this new companies website, they did not propose me to create a profile with my Facebook account and I think this is also something very important which is lacking.

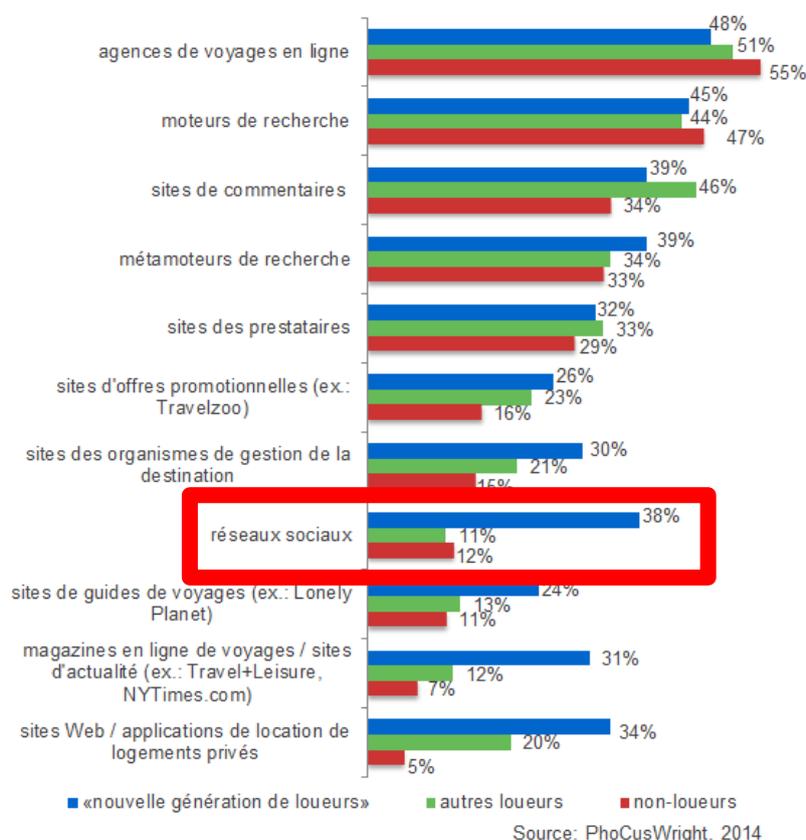
Millennials are very active on Facebook and other social media and I do believe it could appeal more customer to have a Marriott account through the facebook profile. What is very interesting is, according to a study of Fluent²⁸ made on August 2, 2016, the biggest part of millennials who actively uses facebook are between 25 and 34 years old and this is this part who have the best possibilities to travel.

Furthemore it will combine one of the new need of this generation which is the ease of use because they do not have to fill in all the information because Facebook will do it for them and it will keep data an researches, which is good for the guest and an opportunity for Marriott International to collect more information on their customers.

²⁸ Fluent LLC is a company which is leader in people-based digital marketing and customer acquisition

GRAPHIQUE 2

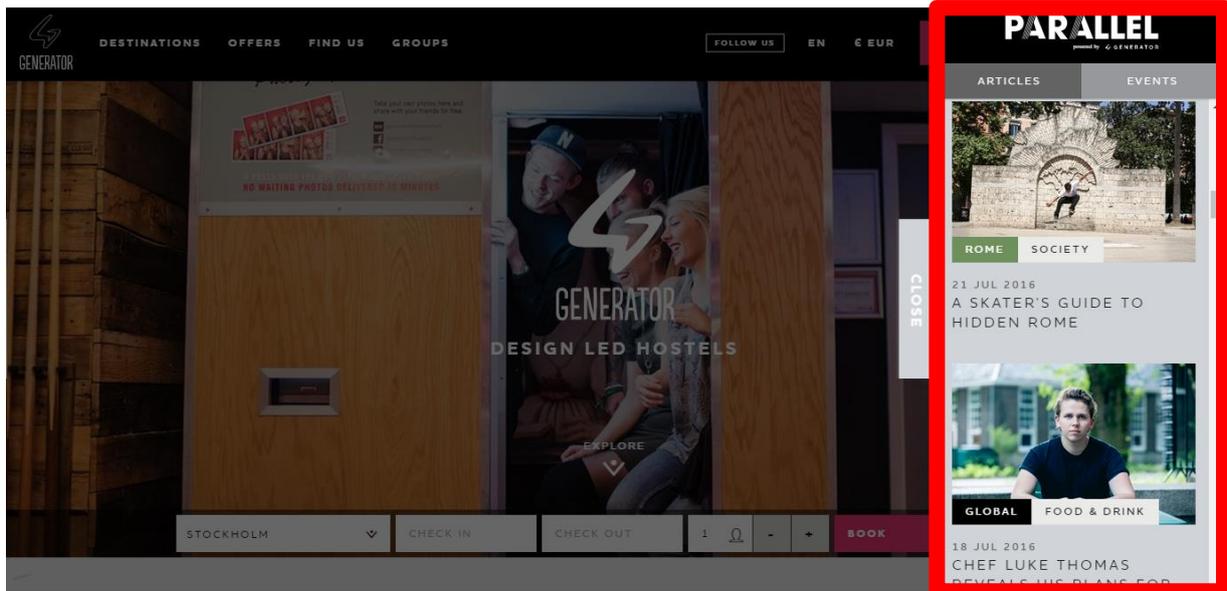
Sites Web utilisés par les voyageurs américains lors de la planification en ligne de leurs séjours des 12 derniers mois



This graphic from PhoCusWright, made in 2014, shows that thirty eight percent (38%) of the “new generation of renters”, the blue one which means, millennials, use social network to book and planify their trips. Which is not negligible.

Regarding also the feeling of being part of the country culture we visit, another brand understood that: the Generator hotels. As Moxy Hotels, the video presentation shows more what guests can do outside the hotel and not what is proposed inside.

They created a section on their website which is called “Parallel” and that highlights to the future guest what is happening in the country they want to visit such as exhibitions, good tips, fairs, etc.



By the way we can see that the main page of their website has exactly the same structure as Airbnb and Moxy website.

Nowadays having an experience is not in the hotel but outside, all the new brands which are appealing millennials put that aspect in front of their communication. And this is what international hotel chains must do to take some market share away from Airbnb.

I just pointed out this is possible to appeal millennials in hotels by taking into account the fact they need to combine technology, low rates, a lot of information regarding the place where there are and the feeling of trust and security they have with the brand name.

At last, is there anything else to meet the sharing economy criteria? It might be too early to conclude that Airbnb takes a lot of market share, because hotels are working on the new generation travelers who have different needs compared to the oldest generation and we need more time to check what the result of these reactions is.

In fact the kind of place, private or hotel rooms does not matter for millennials. What hotel group must concentrate is on the things they propose around the bed. The good question to ask when you are hoteliers and you want to appeal attract in your business is:

- Is my website responsive and do I have a smartphone application?
- Do I present the thing to do around my hotel and not only my hotel and the amenities?

- Do I have common spaces in my hotel to let guests get together to work or to enjoy their leisure time?
- Do I propose a fast Wi-Fi connection?
- Do I offer a good connectivity in the room and in the common space with the latest technology?
- Did I create a community on the internet to let my guests share their experience in the hotel and in the city?
- Do I send an image of a “cool” place?

And the last one

- Do I accept the sharing economy as being a part of my business?

All these questions should be addressed to in order to focus on the services and image we send to attract the new generation travelers who could become in the decade to come our regular guests.

b) Thoughts about the growth of Airbnb

We may wonder. Why is Airbnb, which started just nine years ago, now worth twenty four point even (24.7) billion dollars and why didn't hoteliers see that arriving so quickly ?

As a matter of fact, Airbnb was created in 2007 / 2008 which is also the year of the subprime and financial crisis which affected the United States then the entire world. It provoked a choc-wave on the purchasing power of housing due to mass layoff and high underemployment. Meanwhile smartphones started to invade the market with the first new iPhone followed by plenty of other brands.

Technology gave possibilities to find alternative ways of consuming, shopping, and traveling. In the same time between 2007 and 2012 millennials started to gain purchasing power because most of them were adults (born between 1980 and 2010). So with the high unemployment rate and the underemployment there were seeking of a new way to travel and by consequences new needs appeared.

These needs are ruled by four points:

- Low rates
- Enjoy more the country / city visited
- Easy to book and check the place on smartphone and internet
- Security

Airbnb understood that very quickly, in addition to the fact that hotels were enjoying a kind of “monopoly” of tourism regarding lodging during a trip; they set up a very strong communication which passed thru the millennials channels like facebook, instagram and their own website. They worked on the design thinking to find out needs and wants of this new generation travelers.

First of all, it goes thru the website content, easy, light, and with nice pictures and video. Then they found out that the feeling of being part of the local culture of the country guest are visiting, Airbnb decided to focus their communication on that aspect.

If we think about it, the core business of Airbnb is to have the best price even if you have to sleep in places of people you don't know. But they build up the idea which says that if you sleep in a home / flat of someone who is living in the country you visit, you will know more about the culture and the things to do.

Moreover they add the element of Trust which is checked by profiles and guest reviews.

The consequences of the Airbnb massive growth sustained by inexistent regulations are a dominant position for Airbnb on this market all over the world. The result is, as explained above, that people are starting to support the fact that Airbnb needs more control and regulations because this company became an unfair competitor to hotels.

The fact is, if Airbnb continues to be successful it means that there is a lot of demand and international hotel chain must try to get some market share by improving their services to the millennials through inspiration they can get by the sharing economy. Because if Airbnb exists it means that hotel offers let some customers outside of the market.

I think the good question to ask is, did Airbnb created a demand or was this demand hidden by the fact that hotels seemed to be too expensive, so inaccessible for this part of the population?



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c) Winston club

Winston Club is a start-up launched in the early 2016 by Bryon Shannon with this idea of splitting the hotel bill in half by sharing a room with a stranger.

This idea came out after a mistake he made when he added his home on Airbnb for three days instead of two. When he realized it, his room had already been booked by someone else, so he looked for a place to sleep one night and he found only expensive hotel rooms or bad Airbnb places.

From this feeling of frustration he started to think about it and understood that a lot of hotel rooms were empty because of their high rate and it was a shortfall for hotels and customers. That is how Winston Club was created.

In all his statements, Bryon Shannon said that “Safety and security is the most important aspect”, exactly like the trust for Airbnb. Winston Club members have to provide forms of verifications:

- Phone number
- Professional email

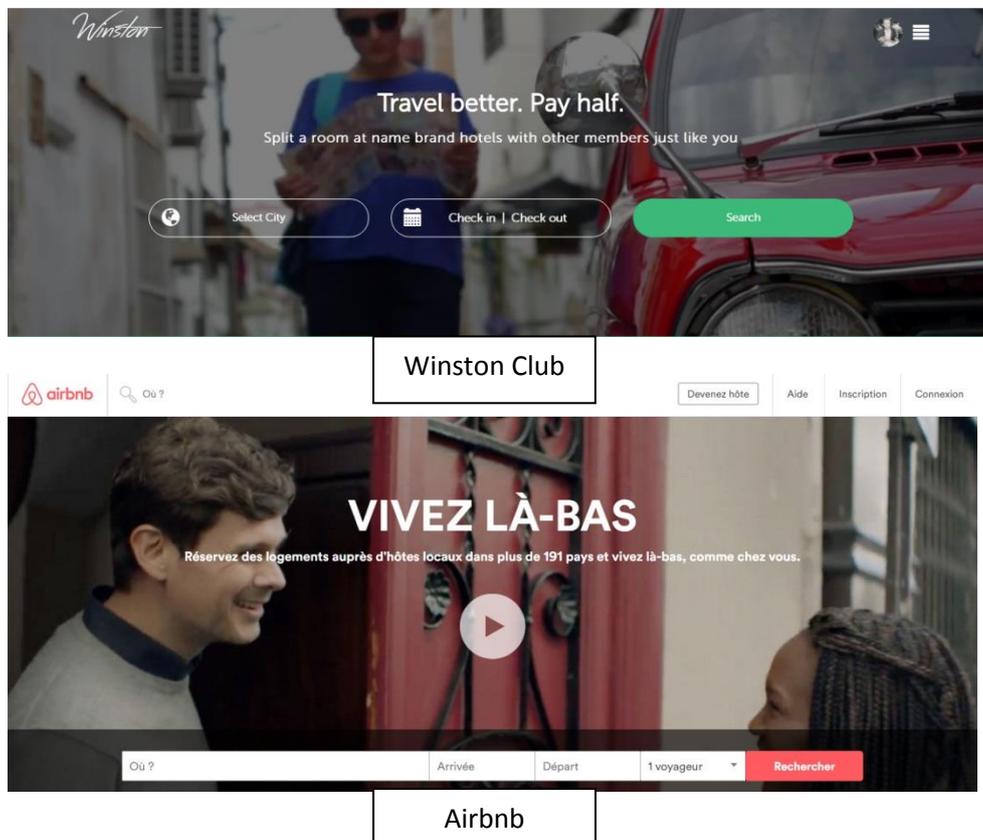
²⁹ <http://hub.theasap.org.uk/most-of-airbnbs-miami-revenue-is-from-commercial-hosts-new-study/>

- Social media profile
- Credit Card for bookings
- Video screening
- Identity card check during the check-in

What is very positive is that you can create your profile in less than 2 minutes before starting to look for a place and give all the other information.

Winston Club is already partners with twelve name brand hotels, four and five star, in five cities in the United States: Seattle, San Francisco, Los Angeles, Portland and Las Vegas.

I think this is the perfect bridge between Airbnb and hotels, because we have got the exact same presentation on their website, we can notice that the home page is also trying to go to the core elements when a customer wants to book a room with the location, check-in and check-out dates.



For customers who travel alone, this is the perfect bridge between Airbnb and hotels. On the first hand they have access to very good rates thanks to the fact to split the bill in half with another member. On the other hand they have the access to the hotel amenities like free Wi-Fi, free access to the fitness room, free breakfast (always include when you book through Winston Club), and also you have the security and safety of the member application rules and of Winston Club and of the hotel.

As hoteliers we cannot go against the sharing economy we must follow the trend, Winston Club is a good alternative because it gives the hoteliers the possibility to appeal customers who wish to book Airbnb and no a hotel. It will reverse the trend I wrote before in this research paper which says that each private place booking made by a tourist decreases the chance by 24% that the same tourist will book a hotel room. If he books 2 times a year, this chance decreases by 50%.

Winston Club is a good alternative within the sharing economy but this is only one side of the aspect. In this research paper I highlighted the needs of the new generation of travelers and we will see in the next part, how Marriott International should adapt its strategy to appeal more millennials.

d) Proposal of concepts to be an actor in the sharing economy

All the idea proposed below are based on a reflection which I constructed through my researches and observations. I used the design thinking to try to solve the problem that “traditional” hotels have which is “How do I get some customers who are nowadays using Airbnb”.

I asked questions:

- Why do they choose Airbnb?
- Who are these customers?
- Which aspects need to be highlighted in the services provided by Marriott International?

- Compared to the Airbnb customer profile I described earlier, what kind of pattern can we apply to appeal more customers?
- What are the things possible or not?
- Is this proposition can generate revenues?

Marriott homes

After having described all the concept and mechanism of the sharing economy I will now propose different concepts for Marriott to take part to the sharing economy.

I imagined the first concept after my trip to Berlin this year. I discovered that BMW created a joint venture with the rent-a-car company SIXT called Drive Now and which enable drivers (as lessee), through a well-designed smartphone application, to rent cars which are around them.



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This mechanism allowed everyone to have access on a luxury car brand originally designed for wealthy customers. Therefore BMW earns money and customers feel happy to drive a nice car. This is a Win-win concept which works very well.

This concept applied to the hospitality market would imply the set up of a lease agreement allowing the lessee to rent the flat, when unoccupied during short periods (week-end,

³⁰ <https://de.drive-now.com/en/>

holidays), with lessor authorization, through a platform, so that to earn money with a commission for the lessor.

Inspired by those thinking, Marriott International could invest in buildings to lease flats for long-term rental period (from the studio to triple bedroom flats).

In this case the long-term renter will have to pay, like the normal system, a monthly rent to Marriott International.

In addition, Marriott allows to their renter to establish a short-term rentals system through an application to tourists who want a place to stay during their holidays when the “real” renters are out of their places. At the end it will let a commission which is split between the long-term renters and Marriott International. Here it will be also a win-win situation where, tourists, long-term renters and Marriott will earn money.

Let us have a look on a quick simulation on Paris which I made with the real price of renting per square meter compared to the Airbnb rate regarding each type of flats

Marriott invests in a building of 30 flats in the very touristic third District “Le Marais” →



- 12 studios / 25sqm²
- 10 one bedroom flat / 30sqm²

- 6 double bedroom flat / 60sqm²
- 2 triple bedroom flat / 90sqm²

With a price per square meter of 33€³¹ it gives a monthly income of:

- 12 studios = 9600€
- 10 one bedroom flat = 9900€
- 6 double bedroom flat = 10800€
- 2 triple bedroom flat = 5800€

Which gives a monthly total of 36,100€ per month so a yearly a gross revenue of 433,200€ regarding the long-term rental contracts for Marriott International.

The second step of this simulation regards the short-term rental contract lessors can make through a well-designed application. All the rates below are an average I made for each type of accommodations on Airbnb in the district of “Le Marais”:

- Studio = 100€ per night for 1 or 2 guests
- One bedroom flat = 150€ per night for 2 or 3 guests
- Two bedroom flat = 240€ per night for 4 guests
- Three bedroom flat = 330€ per night for 6 guests

According to the INSEE, the National Institute of Statistics and Economic Studies in France, French people are out of their place for holidays 26 days per year. We need to integrate the fact that the occupation rate in “Le Marais” for the short-term rental period is around 83% which means that each flat will be rented 21 days per year. So the result will be:

- 12 studios at 100€ per night = 25,200€ per year
- 10 one bedroom flats at 150€ per night = 132,300€ per year
- 6 double bedroom flats at 240€ per night = 211,680€ per year
- 2 triple bedroom flats at 330€ per night = 14,700€ per year

It gives a total of 383,880€ gross revenue of short-term rents. But this is the total for Marriott International and also for the long-term renters. Airbnb applies a commission of 12%. In this context we can imagine that Marriott International will take a commission of 20% of the gross revenue, which give a total of 76,800€.

³¹ <http://www.lacoteimmo.com/prix-de-l-immo/location/ile-de-france/paris/paris-3eme/750103.htm>

So if we make the total of the gross revenue of long-term rental contract plus the gross revenue of the short-term rental contracts it give a general gross revenue total of 510,000€ per year for a building of 30 flats.

In addition of this service of renting flats, they could add some extra services that guests as conciergerie service with a special smartphone application, or having the right to take a breakfast in a Marriott Hotel in Paris.

This is a three parties system which implies to have Marriott International, the long-term renters and the short-term renters.

Regarding the website, they can use the body of Moxy’s website because this is the successful model (like Airbnb) and let the tourists and long-term renters exchange messages directly on the website, with a very easy booking system and pre-payment before the arrival. This detail is very important because this is one of the reasons which create a feeling of coming home by having nothing to pay at the end of the holidays

Marriott Last Minute



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The other idea came after reading an Article on the rent-a-car company Hertz, with their new service “Hertz on demand” which is a kind of self-service where people, with an application, can rent a car hourly whenever they want like the BMW-Sixt “Drive Now” system.

³² <https://pixabay.com/fr/users/PublicDomainPictures-14/>

We know that all the PMS of Marriott International are gathered in a common base, which means that all the rooms which are booked and cancelled are uploaded every time on their system.

They could create an application which gives on the same day, in which hotels rooms are available, a kind of last minute program for millennials. Of course not for all the Marriott Brands, but it could concern the upscale and upper midscale brands.

By instance, the system will upload all the hotels with an average rate less than sixty percent (60%) and let the customer choose a room with a fifty percent (50%) or seventy five percent (75%) discount on the room. The payment will be in advanced on the application directly because the users will have to enter his credit card number like the Uber system.

And they could create a community in which people are sharing their experiences and talks like the Moxy guest book system.

Of course this idea will be not very profitable regarding the revenue, but it will open a little door to people who are rejecting the “normal” hotel system by showing them all the amenities they could have in an establishment and not in a Airbnb place.

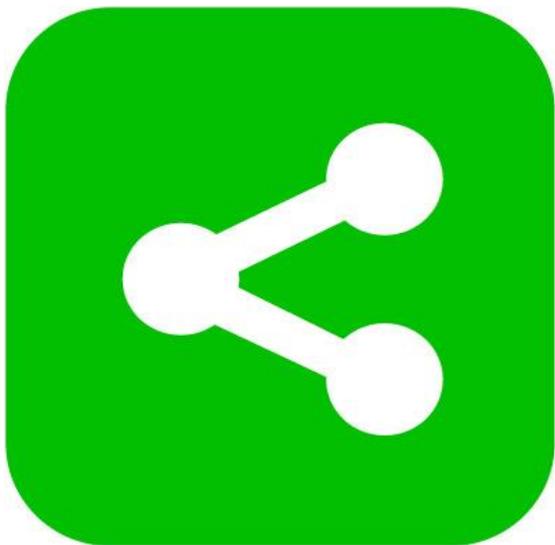
Like the first proposition, the question of trust and security, which is one of the main concerns, will be directly evicted by the fact that they are in a Marriott International hotel which implies all the security and comfort there is inside.

If we think about the questionnaire I made regarding Marriott and Airbnb we can guess that this system, with a good targeted communication can work:

- If Marriott International apply the same system than Airbnb with flats or bedrooms in the city center what brand would you choose?
 - o Marriott = 80%
 - o Airbnb = 20%
- If you have the choice between booking with Airbnb or a brand of Marriott with the same location and total rate, what would you choose?
 - o Marriott = 85%
 - o Airbnb = 15%

These results are showing that people are tempting to choose Marriott rather than Airbnb if there is the same rate and ease of use. Second a study of Murray Cox (a young Australian journalist which studied the case of Airbnb in France, the average rate of a flat or room in Paris is between 2015 and 2016 of hundred one dollar (\$101). So we can imagine that people using the “last minute” application will have the possibility to buy a room at this rate in an upscale or upper midscale brand

Marriott to share



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This one is based on the Winston Club system where “unknown” people can share a room for their stay. Customers could book their nights on a platform or application by having the same system checking profile with:

- Phone number
- Professional email
- Social media profile
- Credit Card for bookings
- Video screening

³³ <http://researchdata.ox.ac.uk/home/sharing-your-data/to-share-or-not-to-share/>

- Identity card check during the check-in

It will let the possibility for tourist to stay in a room and paying half the price by sharing it with another guest.

They could also enjoy breakfast and access to all the common place of the hotel like the swimming pool, fitness center, business center, etc.

This idea will also give the possibility for people who are willing to pay less and having contact with other people to sleep in a Marriott International establishment. On this opposite of the second proposition, this system will be applicable in all Marriott Hotels in main cities. If Winston club achieved to create a partnership with twelve (12) hotels (4 and 5 star) in less than a year, it means that people are ready for that.

Nowadays some persons will say that it is uncommon to share a bedroom with someone else, but could you imagine 9 years ago let your flat or home to someone you do not know? Or sharing a ride in your car with several unknown persons inside? I think this exactly the same context with the bedroom, we need to start feeling comfortable with that and it will start to be in our habits.

Marriott on your own



³⁴ <http://www.marriott.com/executive-apartments/travel.mi>

This system will propose rooms with kitchenette equipped and a system of letting people cleaning their rooms. It will reduce the room rate, because we know that in a hotel, what cost a lot for a room is the cleaning time.

This system could be applicable because on the Airbnb system this is how it is done. Of course there will be a little control of someone to check if everything is in order in the room.

Marriott could note the guest like owners do on Airbnb to know if this is a trustful guest or not, and these information will be available for all the brands which propose this system.

A part of the hotel could be dedicated for this offer so that to let differentiate the traditional system to the new one.

With this system Marriott can also create a community on a platform where tourists book their night. Regarding this platform and smartphone application, it will be the same than Airbnb where people can locate the hotel, with price and check all the services.

It could differentiate the service with Airbnb because here, guests can enjoy the swimming pool, fitness center, etc. And like the other proposition, the payment will be in advance so that to give the impression that this is a flat, not a hotel room.

I thought about his proposition after checking the results of two (2) questions I made on the survey which are:

“Why do you prefer Airbnb than Marriott?” → the main key words are:

- Rate
- Independence and Autonomy
- Originality

So with this system, the rate will be lower than the habits because guests will clean their rooms, and guests would not have to respect the time of the breakfast, lunch and dinner because they will have a space to cook in their room.

And

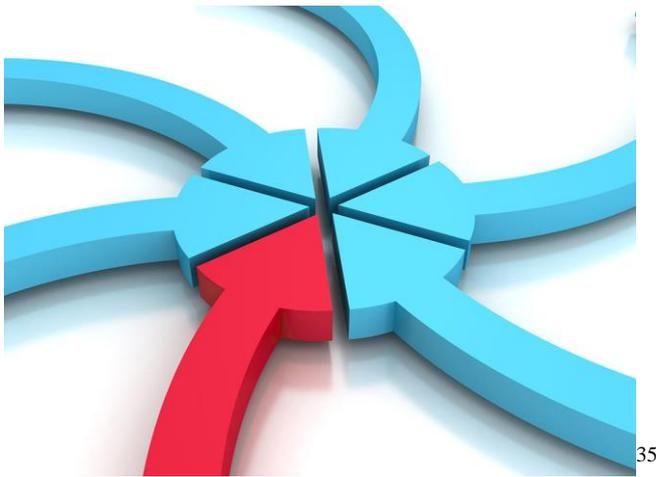
“Regarding the accommodation do you prefer the Marriott or the Airbnb offer?”

Marriott International = 43%

Airbnb = 57%

We can notice that the difference is not that so big, and if Marriott adapt its offer to this kind of customer it will appeal more guests in their hotels.

Marriott converged



This system will be based on a roundup of several start-ups acting in the sharing economy and at the service of guests. The hotel where guests will stay will be a building where there are bedrooms, Wi-Fi and all the equipment you can find in a flat.

The difference from a regular hotel will be the presence of receptionist to give keys and advice for people who want to discover the city. The system of cleaning rooms will be the same that the third proposition but here Marriott will create a partnership with plenty of start-ups to give the choice to pay or not for this service.

It means that guests could choose to have only the bedrooms and place to cook or in addition services like by instance:

³⁵ <https://www.ltstream.com/network-convergence/>

- Luggage service with the start-up Eelway® which take care of your luggage when you arrived at the airport to let the tourist enjoy the city the first day and also at the end of their holidays if they have a late flight, they will take care of luggage to let the guests enjoyed their last day without coming back to the hotel to take back their bags.

- Concierge service with Insidr® which lends to the guest a smartphone with an interface to discover the city, recommendations of places, walking-tour, etc. Everything is connected on the French telephone network which give to the tourist the possibility to talk with the Insidr® community in case of wondering. This is in fact a digital guide transportable in a pocket

- Transportation service with Uber

Of course this project will be in partnership with start-ups of the country where the hotel is. It could be benefic for two reasons:

The first one regards the Marriott International image, because it will show to the customer and others that the company is implicated in the future generation by creating partners with them, and by promoting them when they propose these services to the guests.

The second regards the room rate. If we cut the internal costs of cleaning rooms, paying a big team of receptionists, having kitchens and restaurant, the only matters will be the room and the furniture which will give a low rate per night.



One of the categories proposed by Airbnb is “Family friendly” which means that they construct a channel where family can find easily places to sleep. As a hotel owning family rooms, why not using Airbnb like a booking platform to gain more visibility for families?

Nowadays I am working as consultant for several hotels in Paris and I know that selling family rooms is one of the concerns of hotel owners. So why do not use Airbnb?

I think this idea could repel some hoteliers but if we take the problem in another way? If we put things into perspective reading the online travel agencies like Booking.com, HRS, Expedia, etc., each month hotels have to pay their commission to be on their website. So why not proposing family rooms on the Airbnb platform “Family friendly” so that to have more visibility and possibility to book these rooms?

It will have any impacts of this situation on the hotel image and people will be maybe more comfortable to book a room in a hotel than in a flat because you have the security of the hotel that you do not have in an Airbnb place.

What will be the difference if in this family room there is a kitchen and separated bedrooms?

Marriott local



This last idea is the most aggressive counter-attack Marriott International could do against the Airbnb threat and it could be the most effective.

Why not opening the same type of booking platform under a new brand of Marriott International? They could use their image of chain which exists since eighty-nine (89) years to imply the fact that people can trust this brand for short-term rentals. By applying regulations that some people are asking they could appeal customers who use the Airbnb platform, to change and trust Marriott International new platform.

If we think about it they have all the weapons to do it. First of all Marriott International have plenty of IT employees who can code and program a new booking platform on the internet. Then they know how to take pictures because they have contact with professional photographer.

Regarding the commission they could apply less commission as a loss leader price to appeal customers and encourage those who are on Airbnb to work with the Marriott Platform.

Airbnb entered in the hospitality market, so why Marriott International cannot enter on the Airbnb market? I think this situation could be very interesting because it will create a very healthy competition for tourists.

³⁶ <https://travel-brilliantly.marriott.com/our-innovations/hotel-room-of-the-future>

To conclude this part of the research paper we can say that Marriott International has plenty possibilities to be more aggressive regarding the Airbnb threat.

But the question is, why are they waiting? Maybe because they are waiting to see what will happen concerning the regulation issues that Airbnb is facing to know what they can do after? The only thing that I can say right now is that the existence of the sharing economy principally ruled by the Millennials just started to change the face of the hospitality market.

We are starting to understand that if a product or a service is not convenient for us, we just have to create a community, to build something better for us thanks to the technology. It pushes us to think in another way in order to create a better way of consuming and travelling.

VII) Conclusion

Through this research paper I discovered that there was a correlation between the sharing economy and the millennials.

I said at the beginning that the sharing economy was the result of the over-consumption of the capitalist system but in fact there is another element which is very important, the new generation needs, as known as, the millennials needs.

Airbnb is the product of these new needs because through the exponential growth, this company highlighted the fact that “traditional” hotel chains rested on their laurels because in another situation, Airbnb would not be valued at twenty five billion dollars on the stock market right now.

This incredible growth provoked some bad side effects which are the loss of revenue, market shares, and lay-off. However these bad side-effects are prompting some positives side-effects because hotels try to understand why they are victims of these impacts and started to think about new products and service for guests.

Nevertheless since a couple of year some people understood that there was an unfair competition regarding the regulation and taxes. The question they highlighted was how privates could have the same activity than hotels without being under the same regulations?

We saw that a lot of cities are fighting to fill this gap by creating and applying new rules. It will take time but, in my opinion, this unfair competition will disappear to give away to a healthy rivalry between hotels and Airbnb.

Furthermore hotel chains like Marriott International, realized the importance of this new generation needs and started to create and to modify new systems to appeal the millennials, like Moxy Hotels, Residence Inn Marriott and their internet platform “Travel Brilliantly”.

But the questions are, is it too late? Is it enough?

Regarding the first one, it is not too late because if we put things into perspective this phenomenon is young. Concerning the second question, in my mind, it is not enough and Marriott International should do more efforts in the future to meet entirely this new type of demand.

Notwithstanding their present efforts, they need to incorporate the sharing economy directly in their system (like the proposition I made in the last part of this research paper) and communicate more about these changes. By instance, I did not know a lot about Moxy Hotels, but now I will prefer to book on these hotels than an Airbnb place).

So to answer to the question of this study, is the sharing economy a pet peeve or a source of opportunity for traditional hotel chain, I will say that it is a source of opportunities and innovations. The pessimistic persons will say that it was better before Airbnb because they had much more revenue in their activity. But the thing is that we cannot avoid the sharing economy effect and we need to take the bend.

So we have to consider that the sharing economy is a source of opportunities and ideas because it creates a positive emulation between competitors. Traditional hotel chains like Marriott International should do more efforts because for the moment Airbnb is ahead of our time despite their lack of respect regarding rules and regulations in some countries.

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All this bibliography gave me the possibility to analyze data and information so that to understand the situation we are facing with Airbnb and traditional hotel chain.

Thanks to these books, analyses, studies and articles I answered to the question "Is the sharing economy a pet peeve or a source of opportunity for the hotel chains".

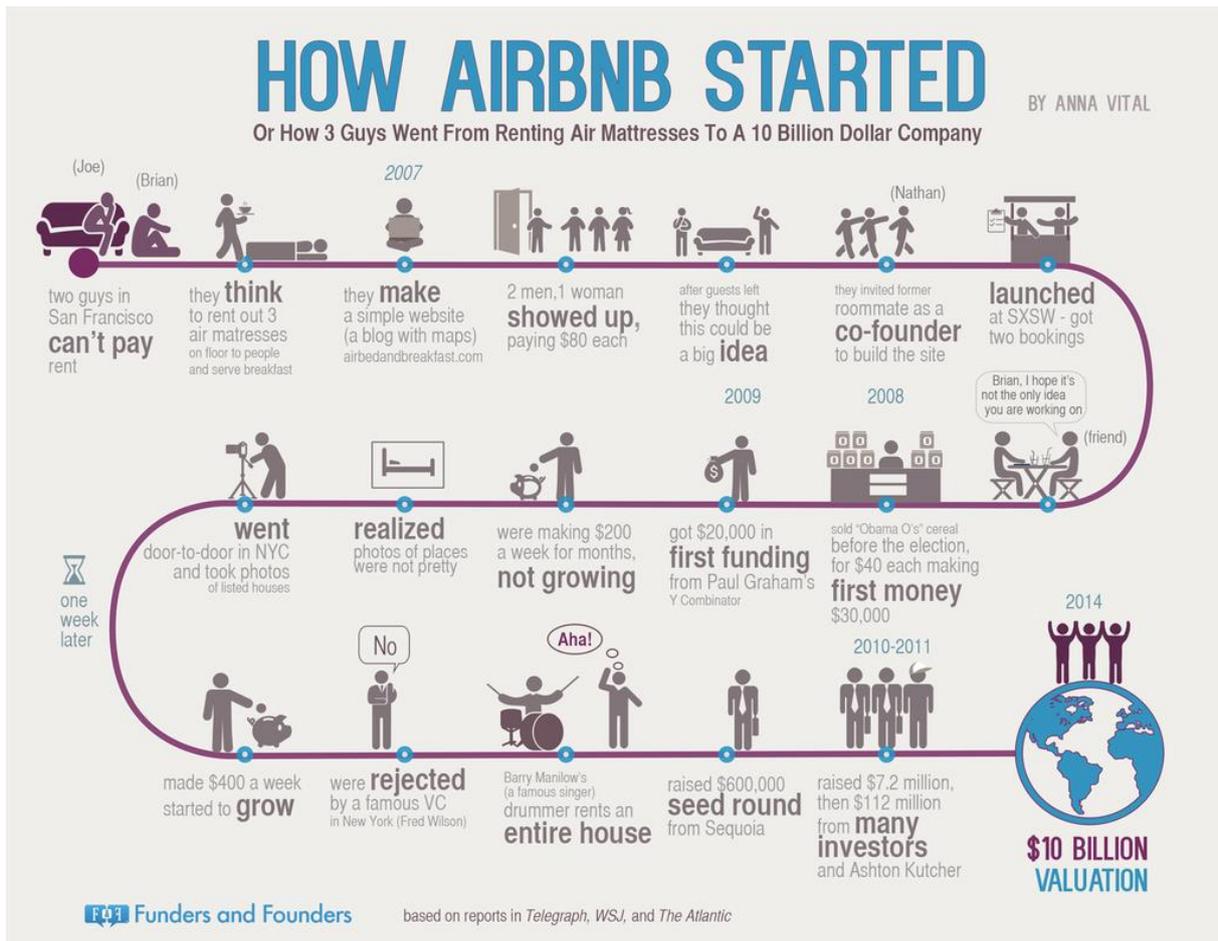
Vocabulary

- **Sharing economy:** “A sharing economy is an economic model in which individuals are able to borrow or rent assets owned by someone else. The sharing economy model is most likely to be used when the price of a particular asset is high and the asset is not fully utilized all the time.” / <http://www.investopedia.com/terms/s/sharing-economy.asp>
- **Design thinking:** “Design Thinking is a methodology used by designers to solve complex problems, and find desirable solutions for clients. ... Design Thinking draws upon logic, imagination, intuition, and systemic reasoning, to explore possibilities of what could be—and to create desired outcomes that benefit the end user”
<http://www.creativityatwork.com/design-thinking-strategy-for-innovation/>
- **RevPar:** “Revenue per available room (RevPAR) is a performance metric used in the hotel industry and is calculated by multiplying a hotel's average daily room rate (ADR) by its occupancy rate. It may also be calculated by dividing a hotel's total room revenue by the total number of available rooms in the period being measured.”
<http://www.investopedia.com/terms/r/revpar.asp>
- **Millennials:** “A Millennial is the name given to the generation born between 1982 and 2004. The Millennial generation follows Generation X in order of demographic cohorts. This generation is often associated with technology and social media. Also known as Generation Y.” <http://www.investopedia.com/terms/m/millennial.asp>
- **Urban nomad:** “A small but diverse section of society that lives and works in an urban area, yet does not rent, own or otherwise reside permanently in any one location. "Nomad" suggests a chosen lifestyle, as opposed to "refugee", and it also suggests that nomads feel they have a home, as opposed to the "homeless".”
<http://www.urbandictionary.com/define.php?term=urban%20nomad>
- **Ballot measure:** “A ballot measure is a piece of proposed legislation to be approved or rejected by eligible voters. Ballot measures are also known as "propositions" or simply "questions". Ballot measures differ from most legislation passed by representative democracies; ordinarily, an elected legislature develops and passes laws.”
https://en.wikipedia.org/wiki/Ballot_measure
- **Non-profit housing:** “Non-profit housing is housing owned and managed by a private, non-profit group such as a church, an ethnocultural community or by a government. Non-profit housing can use both private funds and government subsidies to support a rent-

geared-to-income program for low-income tenants.” https://en.wikipedia.org/wiki/Non-profit_housing

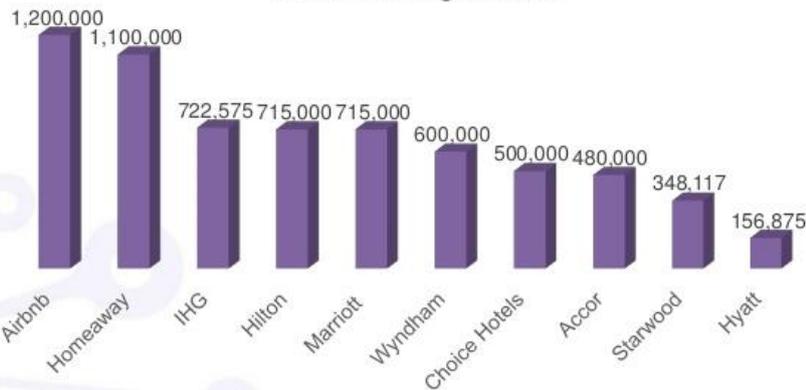
- **In-law unit:** “Legally, an in-law apartment is called an accessory dwelling unit -- an additional separate living space located on a property where only one unit would normally be. In-law apartments are usually not part of the home's original design and are added to existing parts of the home.” <http://homeguides.sfgate.com/inlaw-apartment-45307.html>
- **Passive-aggressive communication:** “a style in which individuals appear passive on the surface but are really acting out anger in a subtle, indirect, or behind-the-scenes way.” <http://serenityonlinetherapy.com/assertiveness.htm>
- **Aggressive communication:** “a style in which individuals express their feelings and opinions and advocate for their needs in a way that violates the rights of others.” <http://serenityonlinetherapy.com/assertiveness.htm>
- **Passive communication:** “style in which individuals have developed a pattern of avoiding expressing their opinions or feelings, protecting their rights, and identifying and meeting their needs.” <http://serenityonlinetherapy.com/assertiveness.htm>
- **Assertive communication:** “a style in which individuals clearly state their opinions and feelings, and firmly advocate for their rights and needs without violating the rights of others.” <http://serenityonlinetherapy.com/assertiveness.htm>
- **Bleisure trip:** mash-up of words “Business” and “Leisure”
- **Responsive website:** “Responsive web design (RWD) is an approach to web design aimed at allowing desktop webpages to be viewed in response to the size of the device one is viewing with.” https://en.wikipedia.org/wiki/Responsive_web_design

I) Airbnb activity

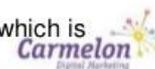


Airbnb: Success by the Numbers

Rooms/ Listings in 2015



Source: Skift 2015 (based on company filings for all except Airbnb which is self-reported)





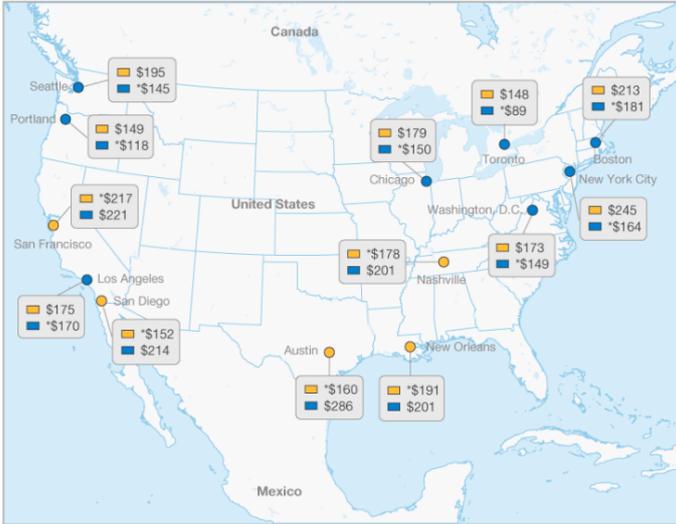
North America

Average Hotel & Airbnb Rates in Popular Cities

Average Daily Rate for All Room Types

Hotel Price Airbnb Price

* Indicates which service has the best deal



City	Hotel Price	Airbnb Price
Austin	\$160	\$286
Boston	\$213	\$181
Chicago	\$179	\$150
Los Angeles	\$175	\$170
Nashville	\$178	\$201
New Orleans	\$191	\$201
New York City	\$245	\$164
Portland	\$149	\$118
San Diego	\$152	\$214
San Francisco	\$217	\$221
Seattle	\$195	\$145
Toronto	\$148	\$89
Washington, D.C.	\$173	\$149



Europe & Australia

Average Hotel & Airbnb Rates in Popular Cities

Average Daily Rate for All Room Types

Hotel Price Airbnb Price

* Indicates which service has the best deal



City	Hotel Price	Airbnb Price
Amsterdam	\$191	\$146
Barcelona	\$172	\$312
Berlin	\$128	\$65
London	\$252	\$144
Madrid	\$132	\$73
Paris	\$214	\$110
Sydney	\$185	\$140
Venice	\$233	\$147
Vienna	\$147	\$75



Airbnb Best Prices by Room Type

Top 5 Cities in Each Room Category



Private Room	
Worldwide Average Price: \$74.47	
Madrid	\$39.38
Berlin	\$40.84
Vienna	\$44.45
Toronto	\$50.27
Paris	\$62.35

Shared Room	
Overall Average Price: \$63.42	
Berlin	\$35.20
Sydney	\$38.50
Vienna	\$41.81
Toronto	\$43.55
Nashville	\$44.96

Entire Home/Apartment	
Overall Average Price: \$183	
Berlin	\$80.80
Vienna	\$90.04
Madrid	\$93.68
Toronto	\$111.72
Paris	\$119.17

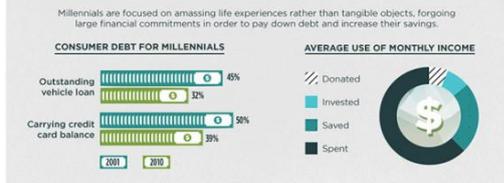
II) Millennials

Inside the MILLENNIAL MIND

THE RAPID RISE of a New Generation
Millennials are currently the largest generation in the US

AGES 19-36
Avg. Household Income: EST \$60,000
Market Size: 75.7 MILLION
The sheer size of the Millennial generation demands marketers' attention

Estimated Purchase Power: \$1.68 TRILLION



TRADITIONAL BEHAVIOR AND CONSUMPTION PATTERNS ARE GONE

It is likely you will find a member of the millennial generation shrewdly deciding to remain living under their parent's roof or crowdsourcing goods, not to fund the purchase of a home or wedding but rather to embark on an adventurous vacation.

From travel to music festivals to exclusive eating events, Millennials don't want to miss out on unique shareable experiences.

YOLO!

YOLO - "You only live once" may be an often mocked acronym, but it represents something very real for Millennials: the desire to be first-hand experiencers.

THESE KEY VALUES ARE DIFFERENTIATING MILLENNIALS FROM OTHER GENERATIONS



BRANDS ARE MISSING THE MARK

Instead of waiting for Millennials to fall into traditional consumption patterns, firms need to take the time to understand the complex factors that compel them to spend.

Marketing strategies should be geared to where Millennials' values lie, instead of where the status quo expects them to be.

WANTS | **VALUES** | **NEEDS**

TO LEARN HOW TO USE THE MILLENNIAL MINDSET IN CREATING EFFECTIVE MARKETING STRATEGIES VISIT: www.cebglobal.com/millennials

Millennials + Travel INSIGHTS INTO HOW GEN Y VACATIONS

100% Of the more than 83 million millennials in the U.S., 100% say they have traveled in the past year.

They also take an average of 4.2 trips per year, compared to 2.9 trips for older generations.

2.9 TRIPS | **4.2 TRIPS**

And those numbers are expected to grow. **72%** of millennials plan to travel more this year than they did in 2015, while only 40% of Baby Boomers do.

The amount millennials spend on vacations will continue to increase as well. In 2014, Gen Y spent nearly \$250 billion on travel.

The average millennial spends \$2,915 on travel each year, with couples budgeting \$3,534 and families budgeting \$6,113.

How do millennials choose where they want to travel?

Movies
18% select a destination after seeing it in a movie, which is 2X that of Generation X and 3X that of Boomers.

Photos
42% are influenced by photos shared by friends and family.

Experts
But the deciding factor often lies with the experts. Millennials are more influenced by industry leaders than peers or personal contacts.

Once a destination is selected, **50%** of millennials research flights first.

BOOK NOW
78% of millennial families have booked a travel service in the past year using an app.

In search of the best rate, **85%** check multiple sites before booking.

And a shocking **30%** - that's more than any other age group - have used a travel agent.

On their last trip, **57%** stayed in a hotel, 27% stayed with friends and family, 6% chose a hotel, and only 6% used Airbnb.

But millennials don't like to spend a lot of time in their rooms. Instead, you can find them:

Learning
78% want to learn something new when traveling.

Exploring
78% are looking for a thrilling and active vacation, as opposed to a lazy trip.

Eating
And 98% want to experience the local cuisine.

In general, they're looking for experiences.
When they head home, millennials want to take unique stories and share-worthy photos with them, not souvenirs.

Fortunately, millennials are always prepared to capture those Instagrammable moments. Only **4%** would ever consider taking a trip without their smartphone or tablet, compared to 24% of boomers.

That's great news for travel brands, as the fear of missing out (or FOMO) caused by seeing great travel photos encourages the next group of millennials to plan their own adventure.

Just make sure you have WiFi. **97%** of millennials use social media while traveling, and 75% share to their social networks at least once a day.

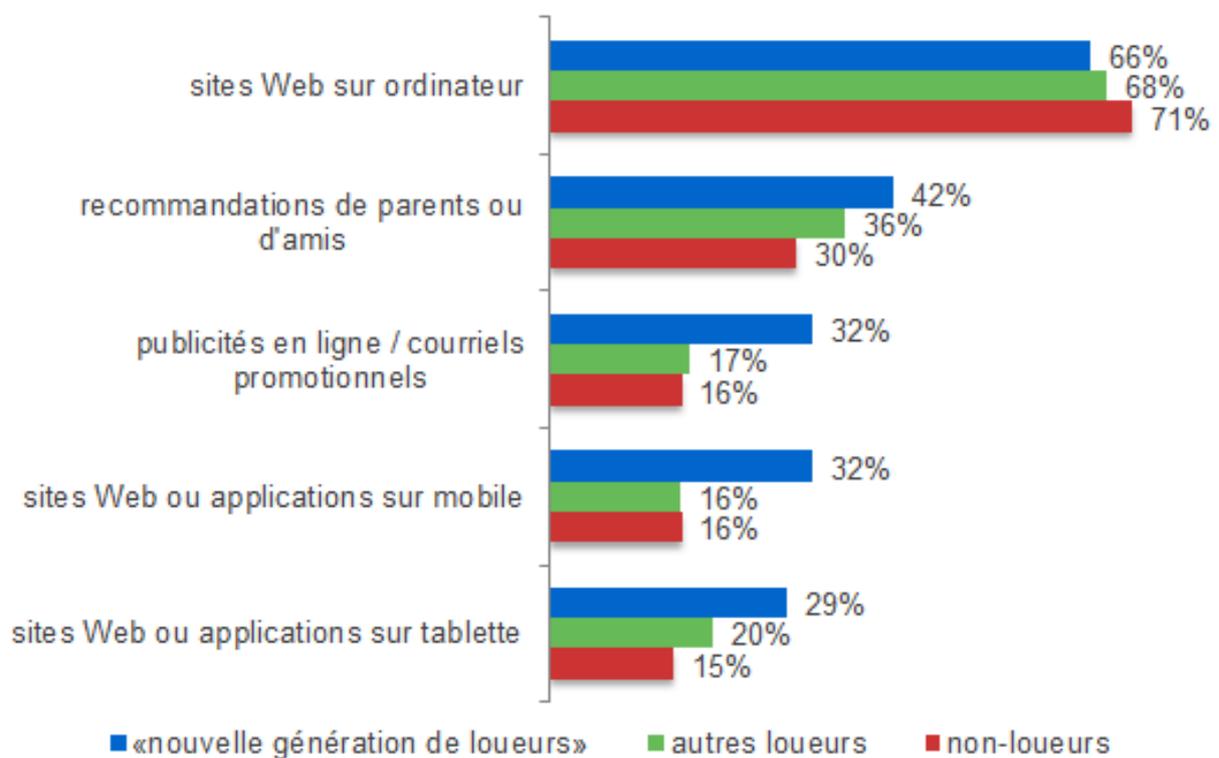
SKIDMORE STUDIO X

SOURCES:
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 ©2015 Balancing the Social Media Diet, CEB Worldwide Consumer Insights Research Brief
 ©2015 The "Small" Market Goes Big, CEB Worldwide Consumer Insights Research Brief
 ©2015 Millennials embrace brands that offer choice, CEB Worldwide Consumer Insights Observation
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 ©2015 US Census Bureau's Current Population Survey, October 2013 release, via DataFest.net

III) American travelers habits

GRAPHIQUE 1

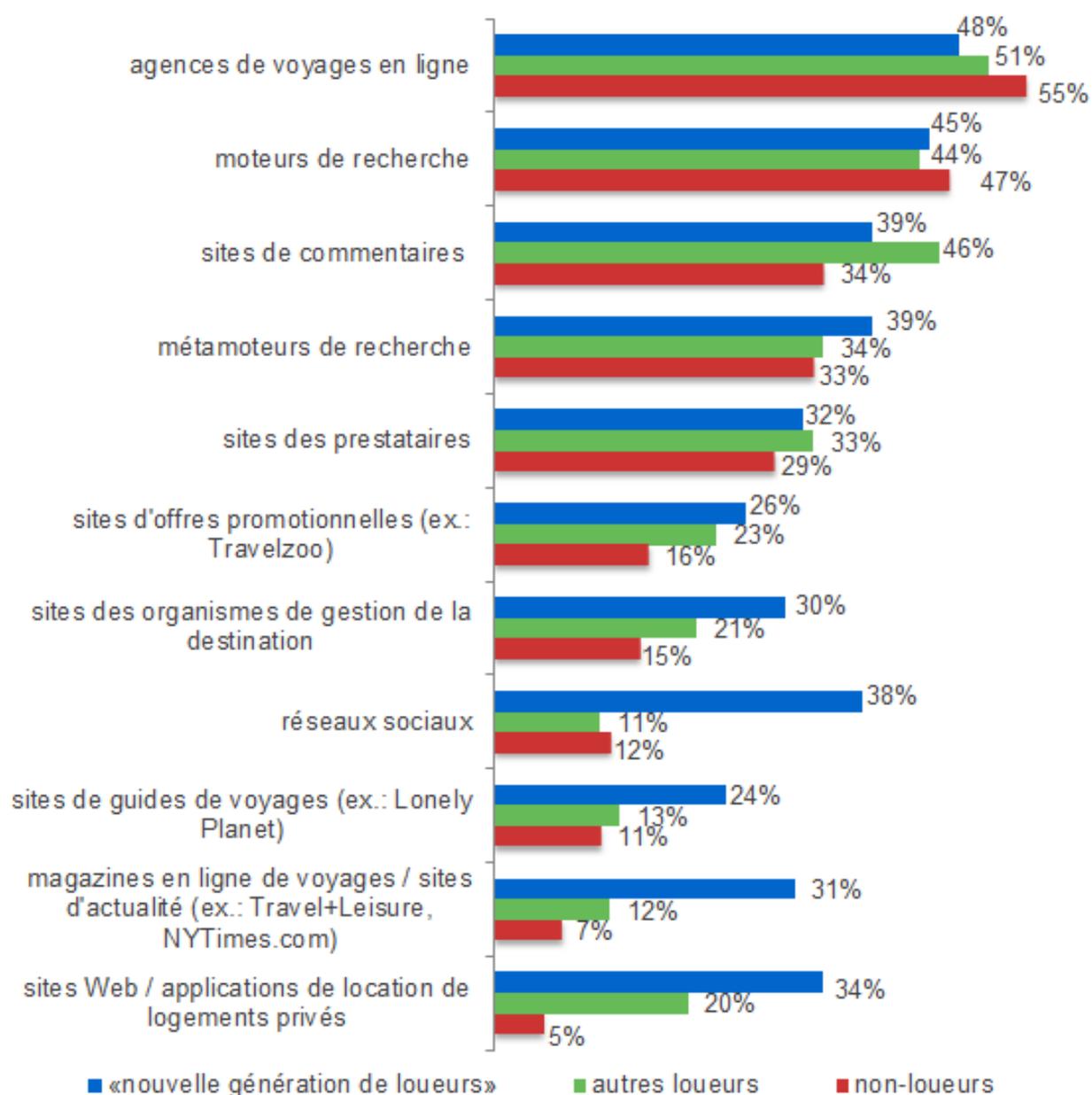
Sources d'informations utilisées par les voyageurs américains lors de la planification de leurs séjours des 12 derniers mois



Source: PhoCusWright, 2014

GRAPHIQUE 2

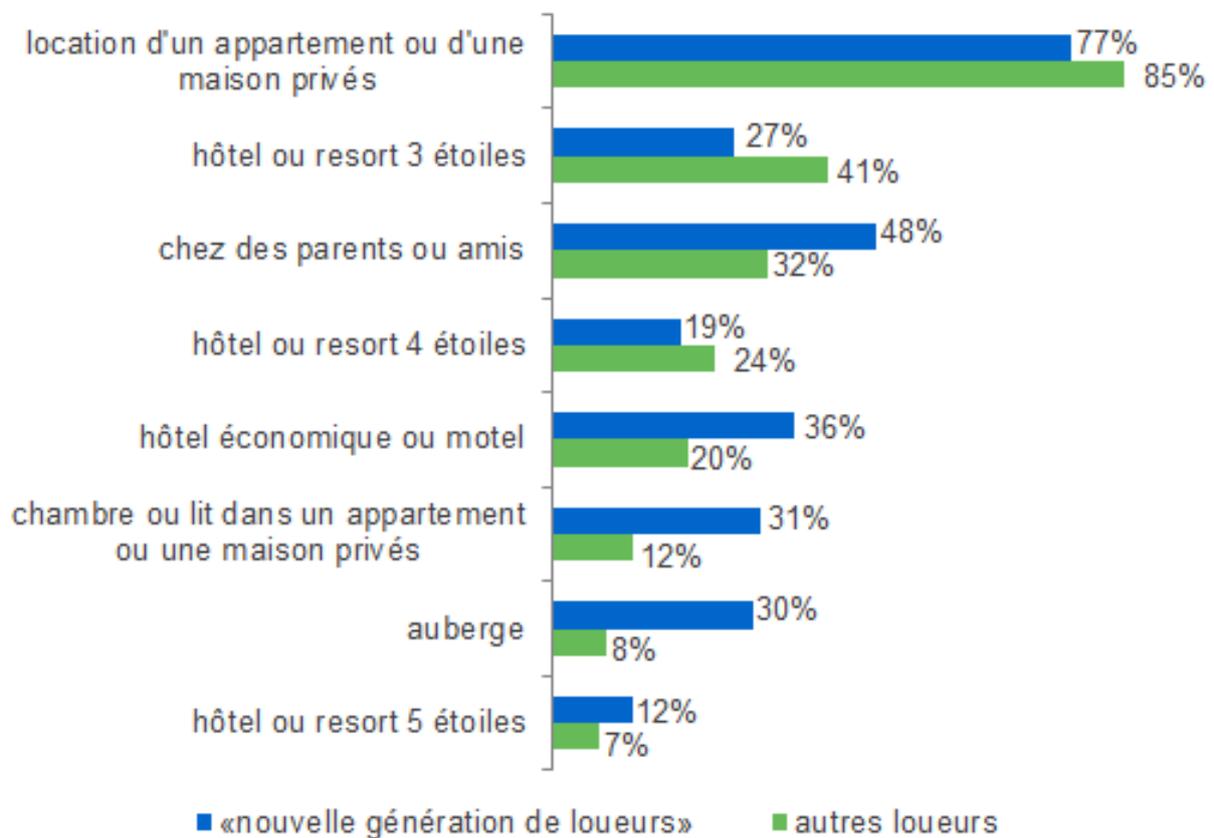
Sites Web utilisés par les voyageurs américains lors de la planification en ligne de leurs séjours des 12 derniers mois



Source: PhoCusWright, 2014

GRAPHIQUE 3

Types de logements utilisés par les voyageurs américains
durant leurs séjours des 12 derniers mois



Source: PhoCusWright, 2014

GRAPHIQUE 4

Facteurs de motivation du choix d'une location par les voyageurs américains plutôt que d'un hôtel lors de leurs séjours des 12 derniers mois



Source: PhoCusWright, 2014