

Competing with the Sharing Economy: A case of hotels getting social

Case Study Summary

The case begins with the problems of the new general manager of a branded mid-sized hotel, Chelsea. She is concerned about her hotel occupancy and room rates, because in the last few years, Airbnb has taken more and more market share from her. So she sets out to gather more information in order to find a solution. She first looks at the sharing economy and exactly what customers liked about it; and then seeks to find out what other hotels around the world are doing to compete with this new phenomenon.

What Chelsea found was that the sharing economy was appealing to consumers not just because of price, flexibility, and ease of use. Consumers also enjoy the authenticity, familiarity, service quality, and social and emotional benefits. For example, guests of Airbnb, enjoyed interacting with their hosts in an 'authentic' setting, and even gaining local connections with the host's help. She also discovered that hotels were competing with the sharing economy at different levels of sophistication in terms of social engagement with customers, whether it be hosting a welcome reception for new guests, offering social programming, or completely changing the physical environment to allowing visitors to share common spaces.

The final part of the case returns to Chelsea and the options that she has for competing with the sharing economy. One option was to do nothing, and hope that the sharing economy was a fad that would eventually lose its appeal. However, she did like the way some forward-thinking hotels were shaking things up in order to compete with the sharing economy, and she sensed that she needed to make some changes in her hotel. She just wasn't sure where to start.

Teaching objectives

The prime teaching objective of the case study is to help students understand how the sharing economy is having a disruptive influence on the hotel industry and to show how hotels can compete with Airbnb by changing their business models. But the case study can be used to illustrate and discuss a number of important issues for the hospitality sector. Firstly, it can be used to explain to students exactly what the sharing economy is, how it has developed, and the advantages it has over traditional accommodation. The opening part of the case also helps students understand the consumer motivations for choosing the sharing economy and their experiences when doing so. The second part of the case study can be used not only to illustrate exactly how hotels can compete with Airbnb by forging deeper social connections with their customers, but also to forecast what the hotel of the future will look like in this new competitive environment.

Target audience

This case study is suitable for both undergraduate and graduate level students who major or minor in hospitality, tourism, recreation or marketing.

Teaching approach and strategy

This case study could be taught in classroom over three separate class periods with each class session lasting for approximately 60 minutes.

1st class: Introduction to the case

The first class can start with an introductory lecture about the sharing economy, how it has developed and the advantages it has over traditional accommodation. One could start by asking the students if they have used Airbnb (or other sectors of the sharing economy) and to talk about their motivations for doing so and their experiences with Airbnb. When discussing motivations, Maslow's hierarchy of needs could be used as a theory to understand why people choose Airbnb. One of the main reasons for the popularity of Maslow's theory is probably its simplicity. Maslow suggested that human needs are arranged in a hierarchy, from the most pressing to the least pressing. These needs, in order of importance, are physiological needs, safety needs, social needs, esteem needs, and self-actualization needs. A person tries to satisfy the most important need first. When that need is satisfied, it will stop being a motivator, and the person will then try to satisfy the next most important need. It could be argued that the sharing economy is an outcome of the modern consumer seeking to satisfy both social and self-actualization needs, since all the other needs in Maslow's hierarchy have been met.

Figure 1 from the case (the sharing economy lifecycle) could also be in this first class as a visual aid to help students better understand the development of the sharing economy. A discussion point could be how students think the life-cycle could progress – what other sectors could be disrupted by the sharing economy in the future? Two videos "[Airbnb and its effects on the hotel industry](#)" and "[Rise of the Sharing Economy: Airbnb Hurting Hotel Revenue](#)" could also be shown to students to further their understand of the sharing economy and the disruptive influence it is having on the hotel industry.

2nd class: How hotels can respond to the sharing economy

The second class could start with a brief lecture about how hotels are reacting to the sharing economy. In this section, two related videos "[Hotels VS. Airbnb: Positive Rivalry Drives Innovation](#)" and "[Why Hyatt is not afraid of Airbnb](#)" can be shown for students. More specifically, this class could focus on the examples in the case study to emphasize that forming deeper social connections with consumers seems to be

critical. Students could be encouraged to rank all the initiatives given in terms of their effectiveness. Then, students could be shown the video “Hotel of the future”, as this ties in to Figure 3 from the case -the five types of integration guests expect from the hotel of the future. Once again, breakout groups could be encouraged to pick which of the five roles they think is most important – and why.

3rd class: Action-Learning

Now students are familiar with sharing economy and the case study, the third class could be a practical experience. Students could be assigned to groups and each group asked to visit one hotel in their area and talk with hotel managers or other employees about the impact of the Airbnb on their hotel, and whether or not they are responding to the competition. Students could provide feedback on an online teaching platform such as Blackboard, or simply hand in a short report about their visit.

Possible assessments

- **Assessment #1**
Students could be asked to watch the video “How hotels are changing to compete with Airbnb” before the 2nd class and write one page summary of this video.
- **Assessment #2**
Students could write a short report about how hotels in their area are competing with sharing economy, focusing specifically on the hotel that they visited.
- **Assessment #3**
Students could be asked to study the case in detail and provide a 1,000 strategy document based on what they would do if they were in Chelsea’s shoes.

Possible questions and model answers

1. **What would you do if you were in Chelsea’s situation?**
Students could come up with a variety of answers for this one. They may feel that she need not worry, given that hotel industry growth in 2016 was faster than that of Airbnb, and that consumers were significantly more likely to trust a leading hotel brand than Airbnb. However, they may suggest Chelsea’s best option is to make changes in her hotel that will facilitate a deeper social connection with her guests. This option will allow students to be creative with their answers. They might suggest replicating some of the examples given in the case study, or they may come up with new ideas of their own that would engage guests in a more meaningful way.
2. **Watch the video Hotel of the future. The video (and Figure 3 from the case) discusses five roles for the hotel of the future. Rank these roles in terms of importance for competing with the sharing economy. Explain the reasons for your ranking.**
There is no right or wrong answer to this questions. Students

could be encouraged to read the Deloitte report, The Hotel of the Future, in more depth before they answer this one. According to the report, the five roles and their implications for hotel brands are:

- 1) *Curator* -for brands competing with the unique experiences of alternative travel, the Curator leverages the capabilities that come with partnerships to continuously redefine hospitality and keep brands fresh for guests.
- 2) *Matchmaker* – for brands who are interested in extending their relationship with guests, the Matchmaker builds a social network they can engage beyond the hotel stay.
- 3) *Neighbor* -for brands who need to be more adaptable to their context, the Neighbor reimagines the brand as a local culture-maker and community center that is empowered to explore new opportunities for hospitality.
- 4) *Architect* -for brands that desire increased brand distribution, the Architect diversifies and extends the reach of brands to locals and businesses by restructuring hotels into nontraditional, flexible spaces ideal for serving new customers.
- 5) *Choreographer* -for brands that want to sidestep the costs of expensive loyalty initiatives, the Choreographer disrupts other brands by taking advantage of the interchangeability of hotels to focus on adding value where it matters most.

3. **With reference to Figure 1, how do you see the future of the sharing economy? What sectors could next be disrupted by the sharing economy? What about the future of Airbnb? Even if hotels can compete by providing more social and emotional engagement, can they ever compete on price?**

Students may come up with a variety of answers for this one. The PWC report referred to in the case study suggests that peer-to-peer networks are most likely to emerge where products and services are widely distributed amongst the population, involve high fixed costs but low marginal costs, and often go under-utilized. The automobile and accommodation sectors were the first sectors to see peer networks emerge; but this could spread to other sectors that have similar characteristics, such as electricity or Wi-Fi. Other sharing economy opportunities could come with people sharing sporting goods, work spaces, manufacturing plants, household appliances, storage spaces or digital media. Students could be encouraged to be creative thinking of what might come next.

When discussing the future of Airbnb, students may refer to the threat of increased regulation as mentioned in the case study, and whether or not Airbnb could overcome the concerns of security, hygiene, and uncertain quality. The case also mentioned that consumers were significantly more likely to trust a leading

hotel brand than Airbnb. Students could also discuss pricing and refer to Figure 2 and the differences in price between hotels and Airbnb – perhaps speculating as to why in some cities (San Diego, Nashville and Austin) Airbnb is no cheaper than staying in a hotel. The article by Guttentag (2015) referenced in the case study, could be used for further reading.

Recommended further reading

- Allen, D. (2015). The sharing economy. *IPA Review*, 67(3): 25-27. Deloitte. (2016). The Hotel of the Future. Deloitte Consulting. Retrieved from <https://www2.deloitte.com/us/en/pages/consumer-business/articles/hotel-of-the-future.html>
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- Irene, S.L. (2015). From homes to meals to cars, 'sharing' has changed the face of travel Retrieved from <http://www.chicagotribune.com/lifestyles/travel/sc-trav-1229-sharing-economy-20151216story.html>
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- PWC (2014). The sharing economy: How will it disrupt your business? August. Retrieved from http://pwc.blogs.com/files/sharing-economy-final_0814.pdf
- PWC (2015). The sharing economy: Consumer intelligence series. Delaware: PricewaterhouseCoopers. Retrieved from <https://www.pwc.com/us/en/technology/publications/assets/pwc-consumerintelligence-series-the-sharing-economy.pdf>.
- Varma, V., Jukic, N., Pestek, A., Schultz, C.J., & Nestorov, S. (2016). Airbnb: Exciting innovation or passing fad? *Tourism Management Perspectives*, 20, 228–237.
- Zervas, G., Proserpio, D. and Byers, J.W. (2014). The rise of the sharing economy: Estimating the impact of Airbnb on the industry. Boston University School of Management Research Paper Series No. 2013-16. Retrieved from http://questromworld.bu.edu/platformstrategy/files/2014/07/platform2014_submission_2.pdf.

Recommended video clips to show in class

- AirBnb: The Hotel Disruptor Unconstrained by Real Estate <https://www.youtube.com/watch?v=GyXWEb9N4Sc>
- Rise of the Sharing Economy: Airbnb Hurting Hotel Revenue <https://www.youtube.com/watch?v=5W5w-gP0NLc>
- Airbnb and its effects on the hotel industry <https://www.youtube.com/watch?v=HLsRGjHqISY>
- Airbnb Versus Marriott <https://www.youtube.com/watch?v=dfK mudJpYKg>
- How Hotels are Changing to Compete with Airbnb <https://www.youtube.com/watch?v=58uuwQiztgs>
- Hotels VS. Airbnb: Positive Rivalry Drives Innovation <http://bigthink.com/videos/kimo-kippen-on-hilton-and-the-airbnb-platform>
- Why Hyatt is not afraid of Airbnb <http://finance.yahoo.com/video/why-hyatt-not-afraid-airbnb-182946474.html>