

Research note

What is happening in Paris? Airbnb, hotels, and the Parisian market: A case study

Cindy Yoonjoung Heo^{a,*}, Inès Blal^a, Miju Choi^b

^a *Ecole hôtelière de Lausanne, HES-SO/University of Applied Sciences Western Switzerland, Switzerland*

^b *School of Events, Tourism & Hospitality Management, Leeds Beckett University, UK*

ARTICLE INFO

Keywords:

Sharing economy
P2P sharing
Collaborative consumption
Airbnb
P2P accommodation rental
Paris

ABSTRACT

Airbnb has been the subject of heated discussions among tourism and hospitality scholars. In order to understand the true impact of P2P sharing on the tourism and hospitality landscape, it is important to understand that market in detail first. Therefore, in this paper, we explore the development of the Airbnb market over the last seven years in Paris, the most popular destination for Airbnb guests with more than 40,000 accommodation rentals. This research note is a summary of our findings on the Paris market. Our study shows different growth and seasonality patterns for Airbnb and hotels and dissimilarities in the geographical location of the offers. The findings indicate that the two products are not in direct competition and that their relationship might be more complex than previously thought. We trust that exploring the nature of the competitive relationship would be a valuable avenue for further investigation.

1. Introduction

Airbnb has been the subject of numerous and often heated discussions among hoteliers and academics in the industry. The original “Airbed and Breakfast” offer of two students in San Francisco, abbreviated AirBnb since, is a platform that allows people to look for, rent and/or list properties for accommodation. While official revenues have not been disclosed, Fortune magazine reports that Airbnb's annual revenues are expected to reach \$10 billion by 2020. Despite this meteoric growth, major hotel chains have yet to show substantial action to withstand the potential competition from the sharing economy. Steve Joyce, the chief executive of Choice Hotels International, mentioned that his brands had not seen any effect from Airbnb. Equally, Kerry Ranson, chairman of the InterContinental Hotels Group Owners Association, said that he did not see Airbnb as a threat or a competitor (Weed, 2015). Hilton CEO Chris Nassetta expressed a similar view, saying that Airbnb was not a major threat to his company's business and the effect of Airbnb is heterogeneous across hotel markets (Bryan, 2015).

However, HVS analysts reported that the overall impact of Airbnb's operations in New York City is estimated to be \$2.1 billion over the twelve-month period from September 2014 through August 2015. Further, the report concluded that Airbnb has eliminated more than 2800 jobs and resulted in more than \$226 million annually in lost tax

revenues for local, state, and federal governments. And recent research appears to substantiate these findings. Zervas, Proserpio, and Byers (2017) measured that a 1% increase in Airbnb listings causes a 0.05% decrease in hotel revenues in the U.S. state of Texas. But according to STR research, Airbnb did not have a measurable effect on hotel demand in Manhattan. Similarly, analysts at Deutsche Bank noted that in many major cities, hotel revenue per available room was maintained while the supply of rooms including Airbnb listings has increased significantly (Bryan, 2015). Their view is that Airbnb is not a risk for hotels. To the contrary, they see such businesses growing the market by creating new demand. These analysts draw the parallel between the sharing economy in the hotel industry and the low-cost airlines in the air transportation sector. Low-cost airlines such as EasyJet or Ryanair expanded the travel market and provided opportunities for those who would otherwise not have been able to travel, or would have travelled less frequently otherwise.

In line with this viewpoint, Airbnb claims that its offer has had positive economic impact. In France, for instance its executives report that its visitors contribute significantly to France's tourism industry, local businesses and local households (Airbnb, 2015). According to an Airbnb report, the company has contributed to the increase in tourism in France. Indeed, they report that 23% of Airbnb guests said they would not have gone on their trip or would not have stayed as long without Airbnb. Also, 66% of Airbnb guests said they would not have

* Corresponding author.

E-mail addresses: cindy.heo@ehl.ch (C.Y. Heo), ines.blal@ehl.ch (I. Blal), 6080945@gmail.com (M. Choi).

Table 1
The overview of Airbnb listings in Paris (2009–2015).

	AIRBNB SUPPLY		AIRBNB DEMAND						
	Total Listings	Total Airbnb Private Units	Total Hosts	Average ADR*	Average Occ. Rate	Average number of bookings	Average revenue*	Total bookings	Total Revenue*
2009	66	88	66	140.70	51%	15	11,022	990	727,452
2010	354	440	354	132.66	56%	16	12,226	5664	4,328,004
2011	1122	1399	1122	128.29	55%	15	11,833	16,830	13,276,626
2012	4296	5543	4292	126.89	55%	13	10,127	55,848	43,505,592
2013	9536	12,208	9520	125.42	53%	11	9153	104,896	87,283,008
2014	18,894	23,772	18,858	121.05	53%	10	8174	188,940	154,439,556
2015	39,608	48,748	39,415	132.14	49%	7	5543	277,256	219,547,144

*In Euros.

Table 2
Time series analysis: Monthly ADR (Airbnb and Hotels).

Variable	Intercept	Trend	R2
AirBnb	138.91 (P = 0.00)	-0.18 (P = 0,07)	0.04
Hotel AvgADR	136.63 (P = 0.00)	0.63 (P = 0.00)	0.26

stayed in a hotel even if Airbnb had not been an option. We therefore have contradictory opinions and stands on the effects of Airbnb on the hotel business.

As the rise of P2P sharing services changed the way people travel, it is not only changing competitive landscape in the hotel industry, but also transforming the tourism industry. This new trend has blurred the boundaries between consumers and service providers as well as local residents and business entities in the tourism destination (Heo, 2016). Further, Airbnb claims that it gave some tourism destinations the chance to diversify beyond typical tourist hot spots. As the P2P business develops, it seems timely to conduct empirical investigation and explore in more depth the phenomenon. Hotel and Airbnb may not be completely comparable from a supplier's perspective, because the nature and size of business is dissimilar. However, from a demand perspective, it is important to compare hotel and Airbnb in order to

understand the changing landscape of tourism and hospitality, because consumers regard Airbnb as an alternative to hotel.

2. Previous literature

This boom of Airbnb, and by in large in the sharing economy, has attracted attention from academics and researchers in the tourism and hospitality industry. They have started exploring various aspects pertaining to the Peer-to-Peer (P2P) accommodation rental services such as Airbnb. Guttentag (2015), for instance, discussed Airbnb from a disruptive innovation theory perspective. According to this view, products that lack in traditionally preferred attributes but offer alternative benefits can transform a market and capture mainstream consumers over time. Several researchers (e.g., Tussyadiah, 2015) worked on identifying the characteristics of the P2P sharing transactions and its implications. Cheng (2016), for instance, highlighted that the sharing economy empowers people's mobility and encourages traditional tourism service providers to innovate and redefine their business models. Previous research also suggests that the sharing economy has incrementally allowed tourists to have a wide range of products and services at a more reasonable price (e.g., Shaheen, Mallery, & Kingsley, 2012), helped authentic encounters between tourists and locals (e.g.,

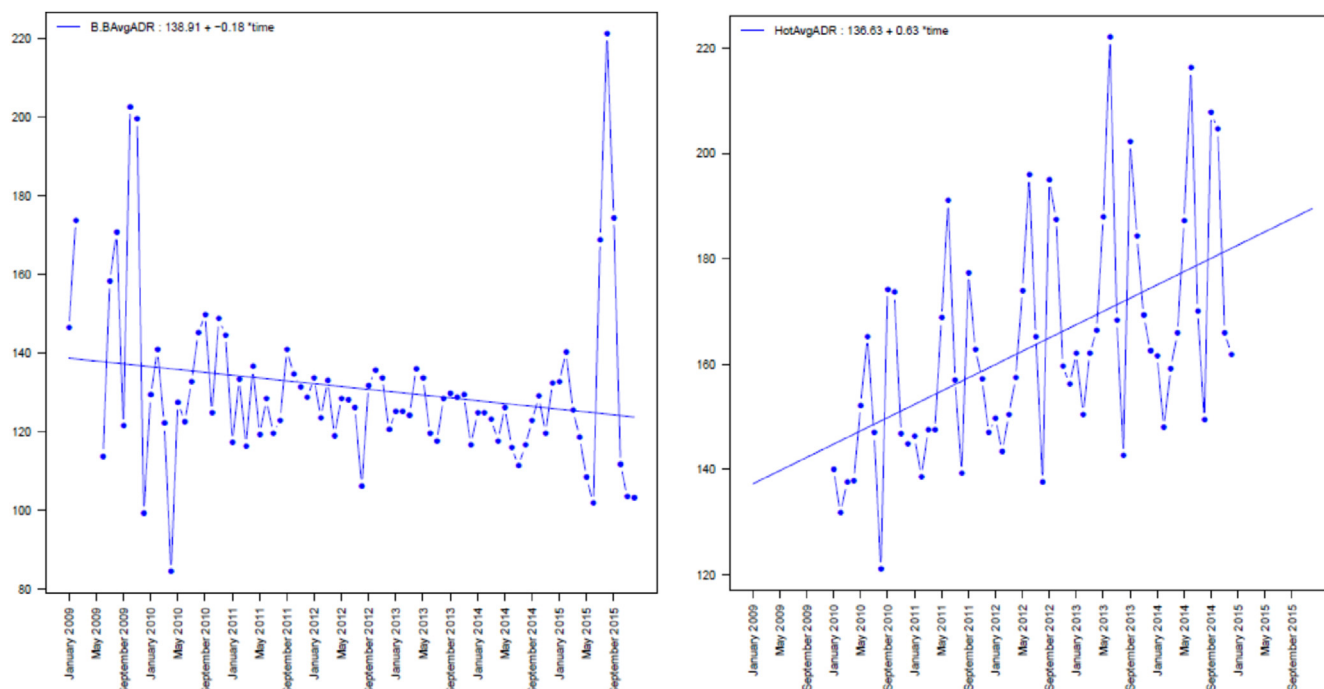


Fig. 1. Times series analysis: Monthly ADR (Airbnb vs. Hotels).

Download English Version:

<https://daneshyari.com/en/article/7420535>

Download Persian Version:

<https://daneshyari.com/article/7420535>

[Daneshyari.com](https://daneshyari.com)