

## How Hotels Can Compete in the Airbnb Landscape

October 17, 2018 / By Mia A. Mackman



Airbnb came on the scene in 2008, amidst corporate scandal, economic downturn and instability. Initially people were skeptical, but Airbnb has gained remarkable momentum building its platform with transparency and trust, at a time people were greatly seeking both. In the early years, Airbnb's inclusive and diverse model provided low-cost travel options with uncommon flexibility, which became an enticing alternative to the traditional big-name hotel booking systems.

The social component and owner-intimacy of Airbnb also intrigued adventurous solo travelers, seeking more local and organic destination experiences. The notion of exploring beautiful places "off the beaten path" always holds distinct appeal. These systems produced bookings based on realistic travel and stay expectations and a digest of genuine, host and guest reviews. This created an alternative to staying at expensive hotels and made travel experiences more accessible and adventurous for a wider variety of people, incomes and lifestyles.

Another upside of Airbnb is that it is widely perceived as a people's platform. It has empowered an enormous volume of people to earn money by hosting guests in their homes, rooms or by sharing travel and tour experiences. These features in addition to a foundation of honesty and process transparency have made Airbnb a game changer for the travel market.

### Sustainability and Health

The popularity of Airbnb has generated not only new views on style and stays, but they have moved into the experiential and event market, promoting local attractions, events, and various travel experiences. In April, Airbnb expanded its programming yet again to include a new Global Office of Healthy Tourism and announced the formation of its new **Tourism Advisory Board**. These new dynamics support local resources, sustainable tourism, rural regeneration and ecological impact.

**Airbnb released new data** highlighting their strides and support of healthy tourism. Some of these include, "88% of Airbnb hosts around the world incorporate green practices into hosting, 79% of guests said they decided to use Airbnb because they wanted to live like a local, and 66% of guests said the environmental benefits of home sharing were important in their choice of Airbnb."

There's no question, forming alliances and collaborating with other companies is a magnificent thing. We are experiencing an era of soft and dramatic and change across multiple industries. A part of that change, is increasing the propensity to work together in bigger ways. While this is true, hotels and resorts have traditionally maintained their autonomy within their singular locations or the boundaries of their respective brands.

As new travel aspects surface across Airbnb initiatives, the contest to compete is constantly evolving. For hotels and resorts this presents an exciting opportunity to initiate innovative hotel experiences. It's time to review and replace outmoded guest methodology and program structures with new, more adaptable and effective strategic targets.

### Comparative Pricing

#### Summary

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1 Comments

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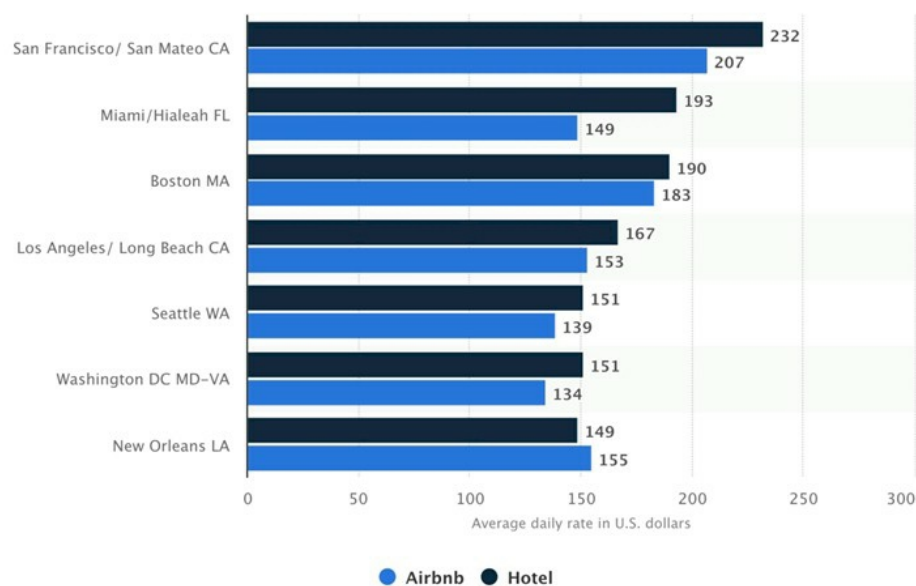
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Depending on the choice of property, destination and time of year, hotel pricing can vary substantially. Many times, pricing is based on availability, season or simply demand. Airbnb pricing can vary for similar reasons to hotels. However, these rates have become increasingly competitive as the Airbnb platform continues to thrive. The chart below, highlights hotel vs. Airbnb average rates in some select U.S. cities.



Data visualized by + a | b | e | a | u

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In some cases, such as New Orleans, Airbnb rates have shown to exceed the ADR of local hotels. As a result of this, the New Orleans City Council has temporarily "**banned new whole-home-short-term rentals in residential neighborhoods.**" This action subjects temporary STR's with a 90-day limit until new regulations can be introduced to ratify short-term rentals.

This is a common outcry amongst popular second and third tier destination cities. And further supports the call for updated hotel performance reviews and potential program revisions. It's essential to know where the opportunities exist to recalibrate new pricing structures and tactical planning.

## Spa and Wellness Inclusivity

Wellness inspired themes are stirring global demand, in life, work and travel. Hospitality initiatives focused on well-being are becoming a high-demand property feature. This includes healthy food, restaurants tailored to alternative and/or restricted diets, as well as activities and spa and wellness services that promote well-being. An increasing number of guests look to the spa and wellness components of a property seeking services that authentically enhance the quality of their stay.

Unlike Airbnb, hotels and resorts can offer an inclusive experiential stay. Despite the rising variety of activities offered through Airbnb, these often lack the luxury amenities of a hotel or resort spa. People seeking upscale spa and wellness experiences will find these features to be a particularly motivating component of their stay. These programs can also represent strong and unique selling points for a hotel property.

Developing programs that extend spa and wellness services more actively to outside guests, can increase the occupancy of the spa overall. Creating new opportunities to collaborate with local Airbnb hosts can add experiential value for the hosts as well as the hotel. In the short term, this can upsurge spa engagement and in the long term this can form lasting, beneficial new partnerships. Furthermore, this provides more visibility for the hotel with new considerations for use in the future.

## Packages and Promotions

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Hotels have some clear advantages when it comes to marketing and promoting hotel engagement. Unlike a single hosted Airbnb deal, a hotel has the ability to create unique guest packages and modify or expand these as necessary. They also have the media reach and market advantage of brand recondition and loyalty programs.

Creating special guest incentives in conjunction with the unique selling points of the property presents a full experiential package. Exploring new variations of these, by combining packages with cooking classes, wine pairing, or different class types, can enhance standard offers and traditional hotel packages. Being creative and exploring new value propositions and local partnerships is another way to boost hotel and spa and wellness engagement.

Branded loyalty and membership programs can entice commitment. However, depending on the number of stays or level of points, these can often have lackluster benefits. Formulating these with more inclusive paybacks for a wider spectrum of members, can have distinct appeal. Consumers are seeking authenticity and value. They are seeking substance in the brands they believe in, where they stay and where they choose to travel.

## New Guest Type

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The last decade has created a new dimension of travelers. Remote business is a common factor, allowing people to work while traveling and exploring the world. These newfound freedoms have transformed the way people perceive doing business and how that intersects with their lifestyle. Heading to the office may mean sitting in a coffee shop, a hotel lobby or on a lounge chair by the beach. These aspects have evolved into a new travel sector that has elevated guest expectations and altered conventional stay preferences.

To improve competitiveness as a business, it's key to include healthy diversity and boost the quality and scope of services ongoing. Today's guests are savvier than ever, and they have a plethora of options at their fingertips. Capturing their attention and spend, requires constant review, responsiveness and relevance.

## Hotel and Resort Program Tips

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- **Identify and Create Rewarding Guest Packages**

Introduce a new selection of entertainment, events and activities. These can stagnate over time and need regular refreshing.

- **Add Smart Wellness Incentives**

Health and wellness have become cornerstones of the lifestyle market. Integrating unique spa and wellness incentives can leverage unique property strengths.

- **Technology and Time**

Integrating new technology and increasing conveniences can support activity and leisure time. This can also enhance social media streaming, promote cool new offers and special events.

- **Fitness and Yoga**

Offering personalized fitness and yoga sessions provides a teachable moment and memorable experience. For those new to the practice of yoga, or meditation these can be popular activities.

- **Provide Fresh, Healthy and Delicious Cuisine**

In response to diversity and new dietary preferences, people are seeking healthy food options as a part of new experiences. Cooking classes, wine pairing sessions, etc. can generate strong engagement.

If the hotel lacks the staff to initiate these programs, reach out to local people who can supplement these services as special guests. This can effectively rotate new events, and special programs in conjunction to guest packages and add new energy to the activities calendar.

## Hotel Stability and Growth

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Most companies are not designed for rapid growth or swift change. The global growth of Airbnb has had an enormous impact on the hotel and travel market. Airbnb has revealed new travel trends, increased the demand for versatility and enhanced the mode of modernization.

The upside is that this has created ripples of timely innovation throughout the hospitality sector. In many ways, this is a great thing! This makes way for new perspectives on programming, amenity investments, and creative solutions to increase capture. This has also produced a new type of guest, opened a new dialogue of predilections and added healthy diversity to the mix of travel and stays.

## Final Thoughts

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Hotels will continue to thrive. The ones who are prepared to evolve and adapt will have stronger legs to stand on. These businesses will know where they are, understand the challenges before them and be better able to protect their investments. Meanwhile, properties who witness fluctuations in occupancy and property performance without the agility to respond, may be subject to fragmented stability and persistent challenges. There are unlimited ways to improve the fundamentals of any business, given the right lens. Exploring effective ways to integrate them, can result in powerful strategic plans.

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Mia A. Mackman, HVS Managing Director of Spa and Wellness Consulting, leads the spa and wellness aspects of our consulting engagements, encompassing market studies, feasibility studies, strategic planning, valuation, and forecasting. Mia has predicted leading shifts in the transition of the spa and wellness market since 2004. Known for her agility, leadership, and intuitive insight, she works with global investment companies, property developers, hospitality organizations, industry groups, and global think-tanks. She is recognized for her success predicting and identifying future value propositions. to navigate, adapt, and excel in a fast-changing market. Contact Mia at (928) 284-8503 or [email protected]