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Wilson, Ken
School of Hospitality Administration, Boston University

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Boston University
Creating Memorable Experiences: How hotels can fight back against Airbnb and other sharing economy providers

By Makarand Mody

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Airbnb's offer an at-home atmosphere and depending on the host, includes a variety of unique amenities at an affordable price. (Photo by Getty Images, Britta Pedersen)

No one can deny that the hotel industry has a fight on its hands when it comes to the peer-to-peer accommodation market. A recent PWC report showed that while 6% of the US population has participated in the sharing economy for the hospitality industry as a consumer; 1.4% has served as a provider. Following a series of acquisitions, Airbnb is the undoubtedly the hotel industry's biggest competitor. While much of the discussion that follows uses Airbnb as an example, the underlying logic applies to the broader concept of the sharing economy and its implications for the hotel industry.

Some veterans in the hotel industry have tried to shrug off the emerging threat by highlighting that the sharing economy is a “fundamentally different business” model, serving a whole new set of consumers, and thus not a direct competitor. A recent analysis by Smith Travel Research of Airbnb’s impact on New York City’s five boroughs seems to support this claim by highlighting that “Airbnb might be filling a void in the New York City market by providing a different lodging option at a much lower price point”. Concurrently, the analysis points to the fact that “it is difficult to deny that some demand might be moving from hotels to Airbnb”. An American Hotel & Lodging Association (AH&LA) report about Airbnb host activity found that the most successful and valuable hosts on the site are a rapidly growing class of micro-entrepreneurs - full time hosts and multiple-unit operators, accounting for around 65% of Airbnb’s $1.3 billion revenue in its top 12 markets. There seems to be increasing evidence that the greater room supply created by Airbnb has helped restrain prices that traditional hotels can charge in
some markets. Such statistics have resulted in the hotel industry crying foul about not having a level
playing field on various accounts, from occupancy taxes to sharing economy providers skirting health
and safety standards. Cities and other jurisdictions across the country are engaged in their own efforts
to regulate the sharing economy.

Meanwhile, sharing economy operators continue along their way to intensify their fight for the hotel
industry’s customers. Now that more consumers themselves comfortable hosting, the supply of
operators like Airbnb seems to be growing exponentially, offering renters an unprecedented range of
accommodation choices, from a US$15 per night spot on the couch to an $8,000 per night mansion on a
sprawling 100-acre property (and everything in between). Consistent with the theory of the Travel
Career Ladder (suggested by Philip Pearce and his colleagues), while younger leisure consumers often
travel on a tight budget using the sharing economy, tastes and preferences become more expensive as
these consumers become older and more settled. Just like hotel companies have their loyalty programs
that capture travelers as they progress through their life-cycles by offering a variety of different brands,
operators such as Airbnb seem to be performing well at the differentiation game.

What About the Business Traveler?

The business traveler market is expanding for sharing economy providers. While travelers working for
themselves or small companies were the most likely professionals to use the sharing economy, more
business travelers are using these platforms when big trade shows have filled city hotel rooms; in fact,
that’s how Airbnb was originally birthed Recognizing these patterns, Airbnb recently launched its
Business Travel Ready initiative that identifies specific listings with a Business Travel badge, indicating that the hosts are providing additional amenities suitable for business travelers. These amenities range from ironing boards to fire alarms and CO₂ detectors. The company also formed a partnership with a leading meeting planning management company, Experient, for adding Airbnb room blocks to official MICE event room inventory (Meetings, Incentives, Conferences, and Events), and providing metrics about booking patterns. There also seems to be an increasing “official” acceptance of the company: the San Francisco Tourism Board recently partnered with the company to provide neighborhood tourism materials for local businesses to help attract Airbnb guests. Such official recognition by Destination Marketing Organizations (DMO) is likely to further intensify the hotel industry’s efforts to impose regulations on the sharing economy.

Airbnb is finding both opposition and support in cities all over the world. In October 2015, New York City residents showed support for Airbnb while the city council debated on how to regulate the company. The San Francisco Tourism Board recently partnered with the company to provide neighborhood tourism materials for local businesses to help attract Airbnb guests. Such official recognition by Destination Marketing Organizations (DMO) is likely to further intensify the hotel industry’s efforts to impose regulations on the sharing economy.

Hotels Advantages vs. Airbnb’s Sense of Community

There are factors that remain in favor of hotels: for reasons of security, hygiene, and uncertain and fluctuating quality, consumers familiar with the sharing economy are 34% more likely to trust a leading hotel brand than Airbnb. A spate of safety-related incidents is likely to keep this statistic in favor of hotels: from the horror story of Jacob Lopez, who was allegedly sexually assaulted and locked in his room in a Madrid Airbnb, to the company being sued by a woman over an alleged hidden camera in a rented apartment, there is likely to be a population of skeptics who are unlikely to rent from strangers. However, the immense popularity of the concept is supported by a host of economic, social, and technological changes in society. A Skift report found these changes to encompass issues pertaining to
amenities, diversity and local experiences, a “personal concierge”, a “home away from home” experience, and the ability to develop personal connections/a sense of community. These varied experiential value propositions are evidenced in Airbnb’s strategic platform of “Belong Anywhere”, and, more recently, “Don’t Go There. Live There”; propositions that are changing the way tourists travel within the United States and outside. Thus, while regulation of the sharing economy is likely to level the playing field to a certain extent, the hotel industry must also look to contend with the underlying experiential drivers of consumption that are fueling the popularity and growth of the sharing economy.

Airbnb Research and Training

According to Chip Conley, the inventor of the boutique hotel aesthetic and Airbnb’s Head of Global Hospitality and Strategy, the company’s focus on enhancing the guest experience lies at the very heart of its strategic plans for the future. Airbnb has created a hospitality lab in Dublin to provide training to hosts on standards, and to study hosts and guests together in a physical space in an effort to enhance its experiential offerings. The company has also experimented with providing add-on services such as full-service cleaning and stocking facility for hosts in cities such as New York, San Francisco, and Los Angeles. Recently, Airbnb has been testing hotel-style packaging and amenities – such as local treats, wines, and upgraded bath products - in a select number of highly rated listings in Sonoma, California, to broaden its appeal to travelers who prefer more of a blend of a traditional hotel stay and that of an Airbnb: the comforts of a hotel stay like special amenities and treats as well as instant booking, combined with the more personalized, peer-to-peer, local experience that the Airbnb platform facilitates. Such efforts indicate Airbnb’s intention to turn itself into a full-blown hospitality brand, one that delivers a seamless end-to-end experience when its customers travel. While the company initially disrupted the hospitality business by serving as a provider of alternative accommodation, it is now trying to take this disruption to the next level by competing along the lines of the guest experience.

Applying Extended Framework of the Experience Economy

At such a time, the Pine and Gilmore’s seminal concept of the experience economy can be immensely useful to hotel companies looking to fight back against its sharing economy competitors. When high level product and service quality can no longer be used to differentiate choices for consumers, hotel companies must focus on creating unique, memorable experiences in order to develop a distinct value-added provision for products and services that have already achieved a consistent, high level of functional quality. To demonstrate how this can be done, I not only refer to Pine and Gilmore’s framework but rather extend the four realms of experience to eight realms. Examples are highlighted of what sharing economy providers, especially Airbnb, and hotel companies are doing right in each of these realms that the industry as a whole can learn from and incorporate into their own experience creation efforts. These eight realms are represented in the extended framework of the experience economy.
Pine and Gilmore’s four original dimensions include education, escapism, esthetics, and entertainment. While education and escapism are classified as active dimensions in which participants personally affect the performance or event that becomes part of his or her experience i.e. there is an interactive engagement of the mind and/or the body, esthetics and entertainment are passive dimensions in which participants do not directly affect or alter the nature of the environment presented to them. To these, I add four additional dimensions (highlighted in blue) that capture the essence of the type of experience that the sharing economy aims and claims to facilitate: two active dimensions of localness and “communites”, and two passive dimensions of hospitableness and personalization. While these dimensions are not exclusive to the sharing economy, providers such as Airbnb attempt to make them their own by providing for and emphasizing these dimensions in how they develop products and communicate their experiences.

Getaway, a startup concept of the Millenial Housing Lab, builds tiny houses, currently outside the Boston and New York City areas, places them on beautiful rural land and rents them by the night to city dwellers looking to escape the digital grind and test-drive tiny house living. The sense of adventure is maintained by the fact that the exact location is only provided to travelers after the booking is completed, serving as a perfect example of Escapism for couples, writing weekends, or those looking to “put a dent in a stack of unread books”. onefinestay is an example of the sharing economy at work from
an Esthetics perspective. It offers over 2,500 luxury vacation apartments in London, New York, Paris, Los Angeles, and Rome, each one handpicked for space, character, comfort, and a distinctive design aesthetic. It differs from other sharing economy concepts like Airbnb in that each home is selected for inclusion into the brand’s curated portfolio based on exacting standards of architecture and design. The Liberty Hotel in Boston, part of Starwood’s Luxury Hotel Collection, leverages the Entertainment dimension of the hotel experience by engaging guests into the creative flow of high fashion in Boston. Fashionably Late Thursdays is a weekly event that showcases the collection of a fashion designer or seasonal fashions from a major retailer in a live fashion show format. The show begins at 10 pm, followed by music, mingling, and signature mixes from the bar. Airbnb’s new positioning, “Live There”, focuses on moving the brand beyond stays to creating experiences, which include Education(al) activities in neighborhoods and communities. For example, Ranida, a Thai native and hospitality management grad, working and living in San Francisco, offers 3 hour long group-based authentic Thai food cooking classes, allowing guests and locals alike to learn a new cuisine from someone with a passion for cooking and teaching.

Airbnb’s previous positioning of “Belong Anywhere”, which the company is using to supplement “Live There”, is centered around creating the sense of community and belonging that its travelers seek. Living in someone’s home naturally involves individuals putting themselves out there to meet new people. Airbnb has cleverly used this simple but powerful idea to position itself as a platform that helps people break barriers and truly leverage the socially transformative power of travel. Its sharing economy competitor, HomeAway, on the other hand, claims to offer the most comprehensive selection of rentals for families and groups, allowing them to recreate “home away from home”, a sense of Communitas with those close to you. Guest Personalization is an increasing focus for travel brands, with many hotel companies using their loyalty programs to gather information about their guests in order to enhance the overall guest experience. Moreover, technology such as tracking Beacons and Augmented Reality is likely to play an increasingly important role in the future in terms of personalizing the guest experience. For example, The James Hotels, which has locations in Chicago, Miami, and New York City, offers the James Pocket Assistant, which uses Beacon technology to allow guests to access special offers, view maps, contact the hotel, and request services. The app also lets users take a self-guided tour of the hotel’s art collect and notifies users of special offers and perks based on their location on the property. The Clarion Collection Hotel Tapto in Stockholm offers a walk-in closet where guests are given a selection of their favorite clothing brands to try on. If they find something they really like, they can add it to the bill. Airbnb is jumping onto the personalization bandwagon with a new “matching system” that takes travelers’ preferences into account, matching them with homes, neighborhoods, and experiences that meet their needs.

Standard Hotels provides a masterclass in the use of Localness. Its new website, with a mobile-first mission, leads wholly with lifestyle content about music, food, arts, and other cultural programming, both on-property and offsite. The website reads more like an online travel magazine, with the hotels positioned to serve as base-camp from which to explore “the local” in the cities in which they are located. Airbnb’s Guidebooks and Neighborhoods features do something similar, with stunning photography, local editorial perspective, insider tips from Airbnb hosts, and practical information about neighborhoods worldwide. The eight and final dimension of Hospitableness, which lies at the very core of the hotel industry, is something that sharing economy competitors seem to be leveraging more so than the hotels. These companies claim to offer an alternative to bland, cookie-cutter, inhospitable
hotel experiences, with local hosts at the very center of delivering hospitality in its most primal form - creating memorable experiences through good-old fashioned interpersonal contact. For example, an Airbnb host and his wife in San Francisco rent out the second floor of their two-storied house to families, and cook a delicious barbecue in the evening to welcome their weary travelers. My own recent experience in the town of San Luis Obispo in California attests to this dimension. The hosts, a retired couple who seemed truly delighted to have us in their home, did everything from talking all about their family and getting to know more about mine, to providing hotel-like toiletries in the bathroom, leaving croissants and fresh strawberries in the refrigerator, and, most memorably, placing a small welcome sign on a chalkboard on the dresser – a neat little touch. Interestingly, it appears that while the hotel industry, to a great extent, is placing technology-enabled convenience and entertainment at the center of its experience (digital keys, selecting your exact room prior to arrival via app, a robot that stores your luggage, Netflix on your guestroom TV, among others), the sharing economy is using technology to facilitate a simpler, more authentic, down-to-its-roots hospitality experience.

5 A simple welcome sign that makes all the difference in creating an authentic, memorable, hospitality experience.
Two other elements of the extended experience economy framework - *Serendipity* and *Ethical Consumerism* - can help hoteliers think about the design and delivery of memorable experiences. These elements straddle multiple dimensions, and, as such, can serve as experiential “deltas” that can set one experience apart from another.

The very local, customizable, peer-to-peer nature of the sharing economy experience allows guests to be surprised by their hosts, be it with a bottle of local wine upon arrival, or a stocked refrigerator that satiates the need for that midnight snack (of course, the safety-related incidents mentioned earlier can also lead to unpleasant surprises). Canopy by Hilton, one of the latest additions to the company’s portfolio adds this element of surprise with a property-specific gift to welcome guests on arrival. But hoteliers need to think beyond gifts to add that element of *Serendipity* to an otherwise predictable guest experience. Last, but certainly not the least, we live in the age of activist Millennials. There is enough evidence to show that this new generation of travelers is more likely to support a company that does it bit for society, beyond the adhoc corporate social responsibility initiatives that make for good PR but are subsequently forgotten. An element of *Ethical Consumerism* can and should be weaved into the consumer’s experience wherever possible. There is some evidence to suggest that consumers believe that the sharing economy provides opportunities for a responsible form of consumption (and travel). The Airbnb machinery has been awake to this marketing opportunity. A recent NPR article talks about how Airbnb is changing the way global tourists get to know Africa, by connecting them directly to the local economy. The story of Ndosi, a 23 year old from Arusha, Tanzania, is used to demonstrate the company’s “vision” to “create a new generation of micro-entrepreneurs from local hosts to local businesses”. Not only does the article talk about how some tourists staying with Ndosi and his parents “found their family” (Communitas), but also the money allowed him to fund his graduate school education. Many hotels have been doing their bit for the environment for some time now; with towel re-use policies and LEED certified buildings, among other initiatives. Perhaps it is time for hoteliers to think about how the “social” dimension of Ethical Consumerism can be weaved into the guest experience.

**A Fundamental Rethink for Hotels**

The extended experience economy framework provides hoteliers with a mechanism to create experiential value. By no means does this suggest that hotels do not or are not innovating. The examples provided above are by no means exhaustive; there are many hotels around the world executing very unique, innovative features along these dimensions of experience. However, the sharing economy providers have the advantage of a clean slate and seem to be making several of these dimensions their own. The emergence of these competitors means that the hotel industry may need a fundamental experiential rethink to proactively stay ahead of the game. Don’t believe me? Maybe Marriott floating the idea of Element being “an interesting alternative to sharing economy platforms” may convince you otherwise. While one can only wonder how such a transformation of the Element may take place, the framework presented here can serve as a starting point for such a rethink.
Makarand Mody, Ph.D. has a varied industry background. He has worked with Hyatt Hotels Corporation in Mumbai as a Trainer and as a Quality Analyst with India’s erstwhile premier airline, Kingfisher Airlines. His most recent experience has been in the market research industry, where he worked as a qualitative research specialist with India’s leading provider of market research and insights, IMRB International. Makarand’s research is based on different aspects of marketing and consumer behavior within the hospitality and tourism industries. He is published in leading journals in the field, including the International Journal of Contemporary Hospitality Management, Tourism Management Perspectives, Tourism Analysis and the International Journal of Tourism Anthropology. His work involves the extensive use of inter and cross-disciplinary perspectives to understand hospitality and tourism phenomena. Makarand also serves as reviewer for several leading journals in the field.

In fall 2015, he joined the faculty at the Boston University School of Hospitality Administration (SHA). He received his Ph.D. in Hospitality Management from Purdue University, and also holds a Master’s degree from the University of Strathclyde in Scotland.