

A glimpse at the sharing economy

DOCUMENT 1. Airbnb: The Hotel Disruptor Unconstrained by Real Estate (Source: Bloomberg)

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1. Why is Airbnb a big deal?

Airbnb is a big deal because Airbnb is dramatically changing the hotel industry business model.

2. List the four hotel industry main actors

The four main actors are: Marriott, Starwood, Hyatt, Hilton (In 2015, Marriott bought Starwood).

3. Calculate how much Airbnb's revenue represents compared to Hilton's one.

In order to compare those figures, you should divide Airbnb's revenue by Hilton's revenue and then multiply the result by 100. So the correct answer is : 6% (240/4000)

4. Airbnb's revenue has increased, what impact does it have on hotel revenue?

The hotel revenues have decreased by 0,05% (this decrease is slower than the Airbnb's revenue increase).

5. Where were these figures taken from?

They were taken from several Boston University studies.

6. The hotel industry has two big constraints, list them:

Those constraints are real estate and capital. Owners of properties provide real estate and capital. (Remind: "en exploitant le travail et les actifs des autres")

7. Explain Brian Chesky Twitt

Brian Chesky is just telling that Airbnb's growth is much faster than Marriott's (It might be understood as derision or mockery) and illustrating the fact that Airbnb is not limited by real estate or capital, because their business goal is just to make owners and travellers meet on their platform.

8. Calculate how many accommodations were available in 2013

1 488 683

9. Calculate Airbnb's part in 2013

$90000/1488683 = 6,05\%$

10. Explain how they have calculated: +511%

$(550000-90000)/90000*100 = 511\%$

11. On average, how long do guests stay in Airbnb's rental homes or apartments?

Longer than in hotels, an average of 5 nights compare to 2,8.

12. On average, how much do guests spend when they are on a trip?

669\$ per stay in hotel, 978\$ per stay with Airbnb, i.e. (expression latine "id est", that is) 68% more.

13. What are the different types of accommodations offered by Airbnb?

57% are complete houses or apartments, 41% are just one room and 2% are shared rooms.

14. How many owners actually declare their Airbnb revenues?

This is a secret between owners and God, and for sure a secret that should be shared with IRS (Internal revenue service, service des impôts aux USA)

15. Explain why it's unfair that those revenues are not declared for the hotel industry

It's unfair because this is not an equal competition, hotels have to pay taxes, so it can be seen as unfair competition (not the same rules for the different economic actors).

DOCUMENT 2. Airbnb is becoming a real threat to the hotel business in big US cities

Airbnb is starting to make a dent in New York's hotel demand. (Reuters / Andrew Kelly), Alison Griswold, December 29, 2015

Altogether, 2015 was a good year for the US hotel industry. For the month of November, US hotels improved on three key metrics: room occupancy, average daily rates, and revenue per available room, according to STR Global, a hotel industry research firm. Year to date, hotel performance is also up across the board. But in big US cities, Airbnb is making a more noticeable dent in the hotel business.

Airbnb's US bookings are disproportionately concentrated in the top metropolitan markets, according to a report from Bank of America Merrill Lynch earlier this month. While the top 10 markets account for only 13% of bookings at traditional hotels, those markets make up 40% of equivalent bookings for Airbnb.

That distribution is important because it means Airbnb is also edging into hotels' territory significantly more in those cities. Across the US, Airbnb represents only about 1-2% of hotel demand. But in some of those top cities, Bank of America estimates that Airbnb makes up closer to 5-7% of hotel demand.

A dent : *une brèche*

Key metrics: *indicateurs clé*

Room occupancy: *taux occupation (TO)*

Average daily rates: *prix moyen*

Revenue per available room (rev par):

Year to date : *données depuis le début de l'année*

Distribution: *répartition*

To edge: *empiéter*

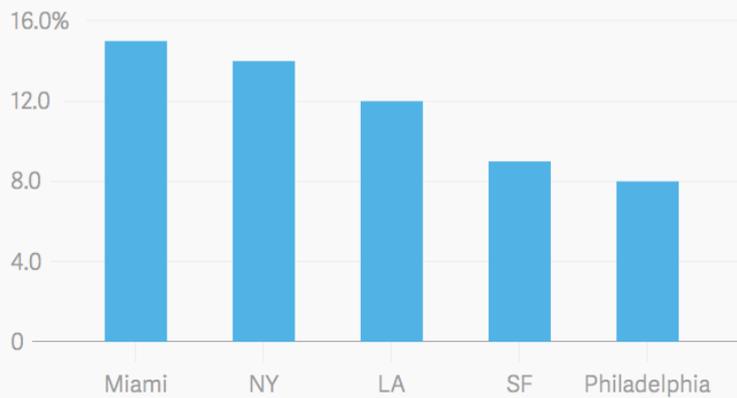


The same is true on the supply side. Nationwide, Airbnb's entire-home and -apartment listings are thought to make up 2-4% of the overall hotel room supply. But in the biggest US markets, those same Airbnb listings account for an estimated 8-15% of the hotel supply.

Supply: *approvisionnement, ici, offre totale d'hébergement*

Listings: *catalogue (offre)*

Airbnb room nights available as % of hotel supply



△ T L △ S | Data: AirDNA, STR Global, BofAML Global Research estimates

Share

One city where the hotel industry has been particularly vocal about its Airbnb concerns is New York. In October, the Hotel Association of New York City released a [report](#) from HVS Global Hospitality Services that put Airbnb’s share of local demand at nearly 8%, and its share of revenue at 4.6%, or a “direct loss” to the hotel industry of \$451 million from September 2014 to August 2015.

“There’s not one hotelier in New York City who wouldn’t tell you that this is a real problem for their business,” Shaun Kelley, senior research analyst for gaming, lodging, and leisure at Bank of America Merrill Lynch, said during a recent panel in New York City.

Airbnb has logged tremendous growth since its founding in 2008. Over the summer, the company closed a \$1 billion funding round that [valued it at more than \\$24 billion](#), and projected its 2015 revenue would climb to \$900 million. The company also forecast hitting \$3 billion in earnings before interest, taxes, depreciation, and amortization in 2020.

Despite this rapid growth, Airbnb has maintained that it is not competitive with traditional hotels so much as complementary. Airbnb CEO Brian Chesky has famously shied away from the term “disruption,” and the hotel industry has also embraced the notion that its core base of business travelers [isn’t the same](#) as the people booking vacation jaunts in Airbnb’s housing stock.

US-wide, that might still be the case. But the city-level data on Airbnb’s bookings makes that story a lot harder to believe.

Vocal: *bruyant, actif*

A share: *une part (dans le contexte financier, c’est une action, part du capital détenu par un actionnaire)*

A market share (a share): *une part de marché*

Tremendous: *extraordinaire, immense*

To log: *enregistrer*

Funding round: *levée de fonds*

To forecast: *prévoir*

Earnings: *résultats (bénéfices)*

Interest: *frais financiers*

Taxes: *taxes, impôts*

Depreciation: *dépréciation*

Amortization: *amortissement*

Complementary: *complémentaire*

Shied away: *écarté*

Disruption: *“innovation de rupture”*

To embrace: *comprendre (ici)*

Core base: *coeur de métier*

To jaunt: *atterir*

1. Which information source did the author rely on? Is this source a reliable one?

The author is using STR information; it's a research institute for the hotel industry. Yes, that information is reliable but it is not an independent source as STR works for the hotel industry. Their findings may be biased or partial.

2. Using key metrics, describe the US hotel industry activity in 2015.

The hotel industry activity has been very good in 2015, with performances up across the board. It concerned three key metrics: room occupancy, average daily rates and revenue per available room.

3. Describe the distribution of Airbnb's bookings and home and apartment listings across the US.

The supply and demand is unequally spread around the US; they are concentrated in the big cities. Across the nation, it represents only 1-2% of the hotel demand, and in top cities, it increases up to 5-7%.

4. Present the Airbnb demand and revenue share in NYC.

In NY, Airbnb room nights booked represents more than 7% of the hotel demand, around 14% of the hotel supply and 4,6% as a share of revenue.

5. What does Airbnb forecast in 2020?

They forecast a \$3 billion earning in 2020.

6. In your opinion, is Airbnb a serious threat for the hospitality industry? Prepare at least two arguments to justify your point of view.

Yes, it's a competitor

Airbnb has a significant market share in room supply and booking

Airbnb has more consequences on hotel industry in big cities; hotels have suffered a big loss in revenue, for example, \$451 million from September 2014 to August 2015.

No, it's not a competitor

Airbnb has a small impact nationwide

Airbnb is not targeting the same customers

Airbnb is not a disruptive model for hospitality management