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Airbnb Impact on the Hospitality Industry



Airbnb: New Study Shows Impact on the Hospitality Industry

The latest report showing Airbnb's increasing encroachment into the hospitality industry was just released by the American Hotel & Lodging Association. The AH&LA is one of the oldest organizations that represents the U.S. lodging industry. They commissioned a yearlong study prepared by Penn State University's School of Hospitality and Management that covered the 12 largest U.S. markets.

The study pulled statistics on those Airbnb hosts that rented 1 or more units and those that rented their units year round or "full time". Some study findings show:

- Full-time operators account for 30% of Airbnb's revenue
- Operators of 1-2 rented units drives 40% of the company's revenue that translates into more than half billion dollars a year.

Though impartiality of this study might come into question, we would have to be hard pressed to ignore studies conducted by other organizations and educational institutions that support the increased economic impact Airbnb operations has on the hospitality industry for revenue, prices, occupancy rates etc. not to mention a loss in tax revenue. Odds are that Airbnb will not take over the hotel industry but it does force hotels to take their presence seriously and do what is necessary to stay competitive.

Airbnb Web Traffic Highest Among Travel Sites: Hotel Brands in Check

If hotel brands were in a chess game with Airbnb, they would now be in check position. According to [Bloomberg](#), Airbnb Inc. was valued at \$31 billion this past March and is looking to raise funds for expansion. With this kind of growth, hotel brands now consider them more like a rival than a business partner and as a hindrance for direct relations between hotels and their guests.

Recently [eMarketer](#) reported that Airbnb has the highest traffic of all travel sites – that includes the likes of Booking.com/Priceline Group and Hotels.com/Expedia – and it even eclipses the larger hotel chains.

At the base of this new standing is Airbnb's resounding use by millennials. This group looks for more personal experiences in their travels that fit, what they believe, is the uniqueness of their lives. They find this in a home-based stay rather than in a more boxed offering from an average hotel.

But Airbnb is not taking a breather with just this demographic's allure to their site. They are seriously looking into expanding their services with more personal recommendations, like connections to tour guides and special expeditions. They are even looking to expand beyond the core that gave them its current status by considering to market to business travelers – all through their platform. With the growing number of millennial business travelers who like to mix business with pleasure, Airbnb has already signed up 250,000 companies this year.

Airbnb vs Hotel Brands: The rivalry begins

According to Phocuswright, hotel online bookings through third-party travel sites grew to \$31.4 billion in 2016. Hotel brands are now trying to claw their way to winning direct bookings and move away from the expense of commission hungry travel sites.

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The response from large hotel brands was to offer lower rates and perks to loyal members that book direct. But these traditional approaches don't sit well with younger travelers who are less likely to be part of loyalty programs. They prefer travel sites because of their package offerings like combining airfare or car rentals.

The sad part is that hotel brands are doing this by only operating through the old-fashioned wheel-and-deal: Offerings of all kinds from lowered special rates, amenities etc. If the deal is all the ammunition brands have, then they are going to be pushed off the chessboard.

So hotel brands need to get a bit more creative with their marketing. For example, Hilton allows points used toward Amazon.com purchases and Choice Hotels allows customers to redeem points at Starbucks. Or they allow certain services like free Wi-Fi if they book direct.

It's definitely going to be a challenge and hotel brands need to carefully weigh all the possibilities of their next moves to get out of the check position, reconsider their marketing strategies to lure guests of all ages to book directly to avoid a checkmate – game over!

About Lodging Interactive

Headquartered in Parsippany, NJ, Lodging Interactive is a full-service digital marketing and social media engagement agency exclusively servicing the hospitality industry. Through its web design and search optimization division as well as its **CoMMingle Social Media Division**, Lodging Interactive provides effective Internet marketing services to hundreds of branded and independent properties as well as management companies, restaurants and spas. The company also offers fully managed Live Chat agents for hotel websites through its **LiveChatForHotels.com** division.

Lodging Interactive is an HSMAI Adrian Award winner, and has won awards from the International Academy of Visual Arts, Interactive Media Awards, Horizon Interactive Awards, Web Marketing Association, Academy of Interactive & Visual Arts, and Travel Weekly's Magellan Awards have recognized Lodging Interactive as an industry leader.

Lodging Interactive is a proud supporter of the Hotel Sales & Marketing Association International (HSMAI) and the company's president, DJ Vallauri, currently serves on the Board of Directors of HSMAI's New York Chapter. For more information, please contact sales@lodginginteractive.com, 877-291-4411 or visit the LodgingInteractive.com.

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Thank you!