

# HOTEL BUSINESS MIGHT RECOVER FASTER THAN RENTALS



in difficulty.

According to the World Economic Forum, by 2025, digital transformation will have created nearly \$305 billion in value for the tourism industry. One-third of this value is expected to shift from traditional players to new online competitors, notably digital platform. These platforms have become indispensable interfaces to the point of putting entire sectors of the traditional hotel business

However, the Covid-19 health crisis could reverse the trend in favor of the hotel industry, provided that it demonstrates "health agility".

In the tourism sector, two types of platforms can be distinguished: distribution platforms that make reservations on the Internet and negotiate rates with companies, hoteliers or tour operators (Booking, Hotel.com, Expedia, Priceline, etc.) and service platforms that can be broken down into "sharing" platforms and "on-demand" platforms.

**Tourism is mainly concerned by the development of service platforms linked to collaborative mobility such as carpooling (Blablacar, etc.), the rental of accommodation between individuals (Airbnb, HomeAway, Housetrip or, in a high-end niche, the Collectionnist) or the provision of on-demand services (concierge services, guidance, catering, VTC, etc.).**

Residents, who were the poor relatives of traditional receptive tourism, are becoming, thanks to the Internet and the development of the collaborative economy, direct players in tourist reception.

They are in a position to provide C2C services in terms of accommodation between individuals (Airbnb, Couchsurfing, etc.), guided reception of tourists wishing to get off the beaten track (greeters, ToursByLocals), home catering (Vizeat, Eatwith), car loans (OuiCar), etc.

This approach is based on the Sharing economy, which gives individuals the opportunity to use the property of others (cars, apartments, objects, etc.) in return for payment.

This allows under-utilised or dormant assets to become more "productive" because they are "remunerated" in proportion to their use.

This type of exchange reflects a decentralized economy, organized in networks to which corresponds a way of life in which use takes precedence over possession. Experts characterized this economy as a "zero marginal cost society" in which citizens, guided by use-value and not ownership, become alternately producers and consumers of goods, services and data.

What will happen to service platforms in tourism in the wake of the coronavirus crisis? This is one of the many questions about the fate of leaders in the pre-pandemic sharing economy such as Airbnb.

This company and its competitors have transformed the tourist accommodation market, reshaping neighborhoods and entire cities as short-term rentals have spread in the highly touristic regions of the world.

With tourism in freefall and national economies faltering, the prospects for this business model are now bleak. In the immediate future, things look really disastrous because not only have Airbnb bookings fallen worldwide, but above all mutual trust - the glue that holds the platform's business model together - is crumbling.

Faced with a rapidly changing situation, Airbnb offered the total cancellation of all bookings made before May 31, calling into question the confidence of lessors who believed that the cancellation policies they had agreed with their customers would be maintained.

To restore a relationship of trust with guests, Airbnb is setting up a \$250 million fund to compensate them for up to 25% of their lost revenue, with an additional \$10 million bailout fund for super hosts.

Will this be enough to restore much-needed confidence? When tourism returns to the cities where Airbnb has been most present, which shape it might take and what it might look like remains a mystery.

There could be a return to traditional hotels in the medium term due to fears about the implementation and respect of hygiene standards. Tourists may be less inclined to book an apartment on Airbnb because of perceived cleanliness problems.

However, hotels cannot guarantee a thorough cleaning after each departure, even though the major hotel chains have already developed a health standard to ensure safe hygiene in hotels after the crisis.

After a period in which social distancing was encouraged, tourists might be wary of sharing hotel spaces that have a high turnover of customers. A possible switch to tourist residences, particularly the rental of apartments, could occur.

These accommodations managed like a hotel, with regular cleaning and health and safety precautions, can only reassure tourists. The hotel sector provided it demonstrates "health agility", may well be the one that recovers most quickly.

This would not be a bad thing for cities in need of revenue, as hotel residences generally contribute more in terms of taxes while favoring full-time jobs.

The crisis will force many owners of short-term rental apartments to find other ways to repay their loans, possibly by finding long-term tenants.

In Dublin, for example, the number of one and two-bedroom apartments available for rent in the city center reached its highest level in five years in March.

A similar trend seems to be emerging in London and Madrid. If more apartments are rented on a year-round basis, we should see an improvement in the quality of life for residents in certain areas of the big cities that are highly "touristified" and in the process of gentrification.

**In the cities that have been most critical of the effects of short-term rentals on housing prices and quality of life, such as Paris, Berlin and Barcelona, it is possible that a halt to tourism will broaden the rental market and make housing more affordable for residents.**

The Covid-19 crisis seems to show the limits of an economic model based on no assets and to put back on track a more traditional economic model based on light assets embodied by a brand and guaranteeing a quality of service in which from now on, and probably for a long time to come, the

control of the sanitary dimension will become a criterion of choice and purchase.

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