

Article Title

Airbnb's effect on hotel sales growth

Citation

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Abstract

Disruption of existing industries by peer-to-peer sharing economy platforms, like Airbnb, has received extensive media attention primarily regarding the regulatory and the social aspects of the sharing economy. In this paper, we examine the substitution and complementary effects of Airbnb supply on hotel sales performance patterns in San Francisco, the birthplace of Airbnb. Our results, based on a mixed-model analysis using a saturated, unstructured covariance matrix, show that overall hotel RevPAR is unrelated to total Airbnb supply. Interestingly however, in certain segments, RevPAR is affected by the average price of Airbnb listings. More importantly, hotel sales performance is impacted by Airbnb customer reviews, which points to nuanced and contextual complementary and substitution effects. We outline suggestions for future research as well as practical implications for hotel firms operating in similar markets where Airbnb has high penetration rates.

Conclusion

The research has managerial implications regarding the hotel industries and the disruptive business. For the research, it imposes the longitudinal data and mixed model methodology more importance than previous cross-sectional data and a before/after entry design. Moreover, though Airbnb insisted that their customer target does not overlap the hotel's, the analysis shows that the effect of Airbnb on hotel sales is complex. Airbnb supply does not affect hotel sales but the average price of Airbnb affects hotel RevPAR positively. Also, as the higher airbnb user ratings are, the lower hotel's RevPar from a substitution effect. Lastly, the effect of Airbnb by scales on the hotel is not uniform across all kinds of hotels. Lower scale hotels are more impacted than the luxury scale hotel.