

Is Airbnb really a threat to the hotel industry?

 By [Danny Bryer](#)

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We read all the time about how the sharing economy - a new form of doing business that puts the supplier and the customer together digitally, leaving out the intermediary - threatens the sustainability of existing businesses that operate in a traditional business manner. Violence by taxi drivers against their Uber counterparts has been documented all over the world, prompted by the fear that the new transport option will put them out of business.

Ultimately, many assumptions have been made about the impact of the sharing economy, but we must move beyond assumptions and look at the facts. While many international studies suggest that, in some markets, hotels have been losing reservations because of the growing presence of Airbnb accommodation in the location, the findings have been different from country to country and city to city.



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Filling the gap

Regarding the experience of Protea Hotels by Marriott in the South African market, it is not clear what the impact has been. This is because the arrival of Airbnb here in 2015 coincided with the significant increase in inbound tourist numbers the country has experienced in recent years. Statistics for 2016 show that 10m international tourists visited the country, which was a 13% increase from the 2015 numbers.

The hotel industry had fallen behind on new hotel construction in the bigger centres like Johannesburg and Cape Town, and so there may well have been a shortage of hotel rooms to cater for the new influx of travellers from around the world. It is possible that, at least to some extent, Airbnb accommodation filled the gap, and this is to be welcomed since it means that the local hospitality industry was able to deliver on the need for accommodation.

In smaller nodes, we will probably feel the effect to a greater extent. Here, there is less incentive for the hotel industry to develop new properties, especially where there are already existing hotels. The

investment in a new hotel is substantial and the likely flow of travellers to the region must be large enough to justify the cost. Here Airbnb accommodation could well draw business away from the larger hotels, especially where the growth in tourism is not as marked as in the larger destinations.

The industry is fully cognisant of the rise in travel to the country, and the pipeline of new hotels to be built and the expansion of existing properties is significant. The W Hospitality Group Hotel Chain Development Pipeline Survey reported that hotel companies had plans last year to increase the number of hotel rooms on the continent by 30%. This is a great deal more than in most other regions of the world, suggesting that the increase in inbound travel is expected to continue growing and that hotels still have a very big role to play in accommodating the new arrivals.

An opportunity for the hospitality industry

There are other issues we should also take into account. For one, consider the power of loyalty programmes as a way of retaining and growing business. Marriott Rewards, the biggest loyalty programme in the world, brings a potential 100m

travellers to our hotels. The members are not likely to forego their Reward points in favour of another type of accommodation offering.

In addition, we should look at who the traveller is. In some cases, it's possible that the traveller would never have opted for a hotel stay anyhow. A young student group, for instance, may choose an Airbnb offering a lower price, since the hotel room may be beyond their reach.

Any addition to the accommodation options available to the burgeoning tourist market in South Africa will add value. As such, the presence of Airbnb in the country should be seen as an opportunity for the hospitality industry to provide for a wide range of tastes and preferences.

ABOUT DANNY BRYER

Danny Bryer is Area Director, Sales, Marketing and Revenue Management, Protea Hotels by Marriott.

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