



# *Managing Disrupter Risks*

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*Who has stayed in a hotel in the past two years?*

*Who has used stayz.com to book accommodation in the past two years?*

*Who has used an online travel agent i.e Expedia, to book accommodation in the past two years?*

*Who has stayed in Airbnb accommodation in the past two years?*

# *Managing disrupter risk –Airbnb*

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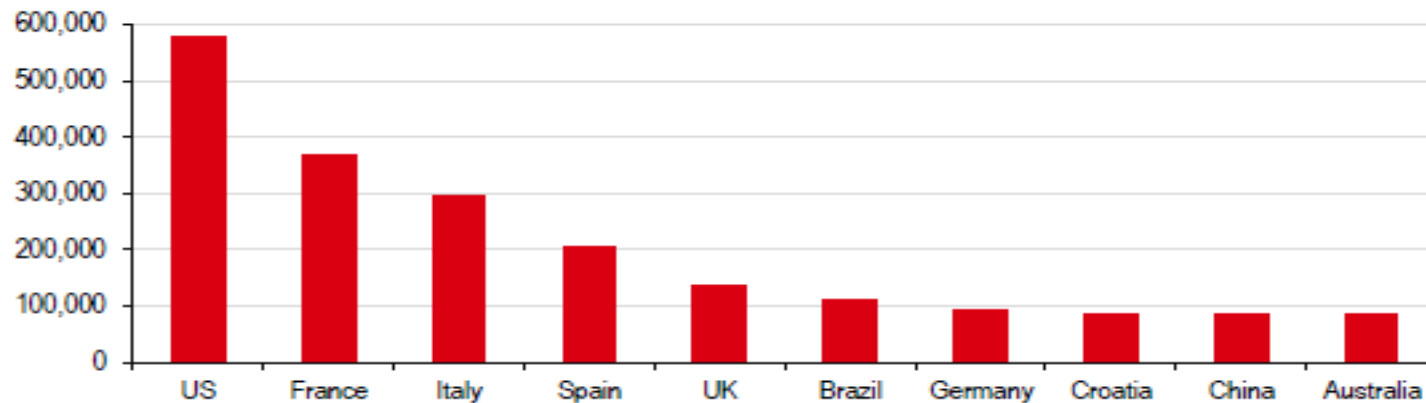


- The issue of unregulated accommodation is not a new, however their rapid growth in recent years has been fueled by online distribution channels like Airbnb.
- Airbnb has gone from 3,000 listings in 2009 to 2.3million worldwide this year.
- Airbnb has approximately 20,000 property listings in Sydney metro & 10,000 in Melbourne.

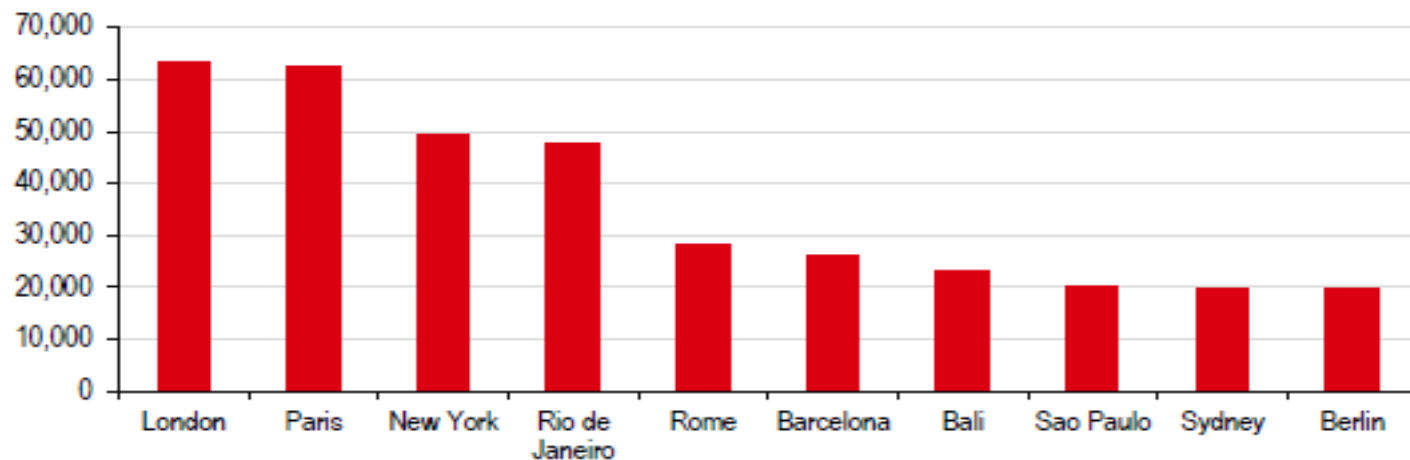
# Critical Questions

## Where is Airbnb concentrated?

Top 10 countries by total no. of Airbnb listings in September 2016



Top 10 cities by no. of Airbnb listings in September



## *Critical Questions*

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- **How much lodging supply does it make up?**

The number of Airbnb listings are often as high as hotel supply itself but on a hotel comparable basis, supply is more modest at c10% in Italy and France and 1-3% in the US and UK.

- **Is it cheaper than hotels?**

Our analysis suggests that, on average, Airbnb is a cheaper alternative to hotel accommodation (Airbnb says 20-30% cheaper). As per reported by STR, Inc the average rate paid for an Airbnb unit was \$148.42, which is 25 percent higher than the average hotel rate of \$119.11.

That said, budget/midscale hotel chains such as Holiday Inn, Premier Inn and Ibis are on average cheaper on a per night basis.

- **What impact will regulation have?**

The biggest single threat to Airbnb's model is increasing regulatory scrutiny.

A number of governments are responding to shortages in long-term rental property by penalising Airbnb hosts. New York, Barcelona and Berlin are examples of cities that have taken a stern stance.

## Critical Questions

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### Are corporates using it or will they start?

- The shared economy is tapping into businesses, but the numbers are still immaterial. We think large corporates will be unable to move to Airbnb due to the safety and insurance issues. That said, SMEs are using it and hotels may lose out on high prices during conferences. Airbnb deals with the likes of Concur and Amex could help to penetrate companies.
- Airbnb has a corporate specific offer labelled 'An Airbnb for business'. Certain accommodation on the site has a badge for being "Business Travel ready" meaning it offers a particular home type, amenities, check-in, reviews, responsiveness, and host commitment. Most notably the business ready apartments are entire home/apt which are No smoking and No pets during stay.

They also include:

- Wireless Internet
- A laptop-friendly workspace
- 24-hour check-in* (this could be a lockbox, doorman, keyless entry or similar 24-hour access)
- A smoke detector (Airbnb offers for free)
- A carbon monoxide detector (Airbnb offers for free)
- Essentials (toilet paper, clean towels, and fresh linens)
- An iron
- Hangers
- A hair dryer
- Shampoo
- 7-day cancellation commitment to reservations or 1 year penalty

- This offer makes it more comparable to a hotel stay with the basic levels of comfort available.
- A typical Airbnb business traveler stays for 6 days on average (15% 10 days or longer) meaning an element of leisure time over the weekend will likely be included. These people are often after a more homely / localised experience. Airbnb says the millennials are driving growth and over the past 12 months business travel has tripled on Airbnb.

# *Key issues creating disruption*

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## **Un level playing field**

- Online distribution-channels facilitate commercial-scale operations that are in many cases untaxed, unregulated and unsafe vs established operators that have to comply with a host of complex legislation and regulatory processes, and pay the appropriate level of taxation to revenue authorities.
- In many cases, 'hosts' set up unauthorised accommodation in contravention of local planning instruments and zoning restrictions established by local councils vs hotels having to undertake development application processes that are protracted and expensive.

## **Employment, disability & safety**

- Unlike traditional hotels that employ thousands of Australians and have extensive value-chains, unregulated accommodation providers often do not employ people or invest in training for the hospitality sector.
- Furthermore, unregulated accommodation operators are not required to provide accessible rooms for disabled guests, and often do not meet stringent controls for fire safety and emergency evacuation procedures.

## **Transparency of supply**

- There is currently no real clarity around the supply of unregulated accommodation; this has the potential to undermine the strategies and targets set by Government for increased growth in accommodation investment.
- The risk is that this will result in inaccurate assessments of supply needs, which can potentially lead to oversupply in the market, negatively impacting investor returns and therefore confidence in the tourism market.
- Unlike unregulated accommodation, hotels invest in the visitor economy, in terms of infrastructure and localised marketing activities. In regional areas, tourism investment underpins investment in critical facilities, such as roads.
- Governments should not pick winners. However, by failing to apply the same standards and controls to unauthorised operators, this sector is being provided with a distinct commercial advantage over established accommodation providers.

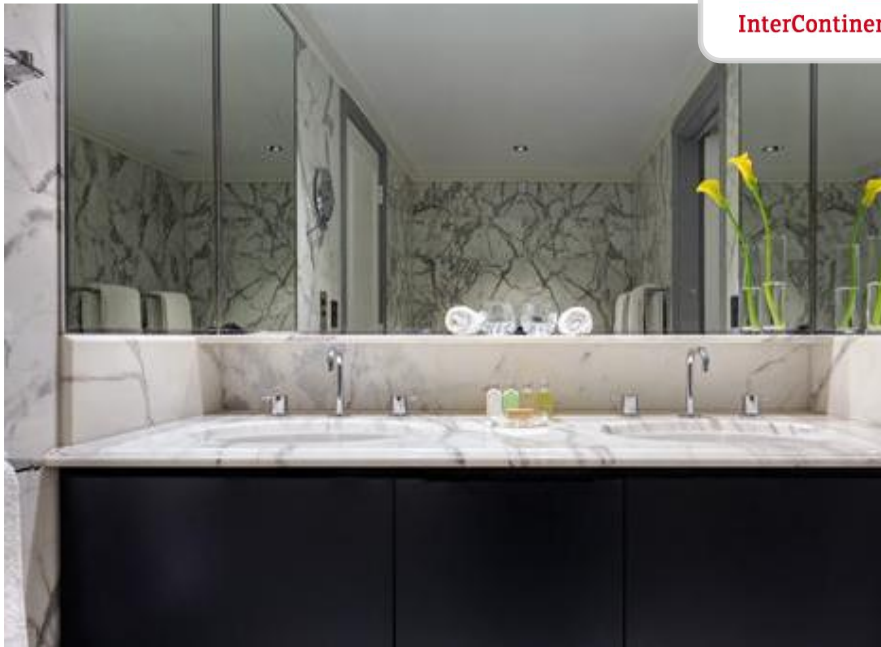
# *Ancillary services*

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Creating another growth economy.....

- Listing creation
- Listing Management
- Guest screening & Communications
- Guest Meet & Greet
- Maintenance & Repairs (24/7)
- Check out
- Pricing optimization
- Profession Cleaning
- Restock the basics
- Housekeeping
- Food Delivery





# Good Airbnb experiences



# *Bad Airbnb experiences*



# Industry recommendations

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- **A requirement for registration of short-term accommodation** in order to ensure the transparency of supply; This is designed in particular to protect against unregulated multi-unit owners who are operating a commercial business. The regulations are not about 'sharing' but designed to stop the commercialisation of residential accommodation and the creation of 'quasi hotels'.
- **Proportionate regulation to apply**, To differentiate the application of regulation, separate and distinct categories should be established. For example this type of letting could be classified as either '*short term sharing accommodation*' where it is a primary residence or '*commercial-residential*' where it is not the owner's primary residence and the property is not a regulated accommodation provider (e.g.. not a hotel or motel).
- **The establishment of adequate consumer protections** in relation to disabled access and fire standards.

# *Industry recommendations*

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- **The ATO adopting a more focused approach** on ‘sharing’ economy activities to address issues of tax evasion and raise awareness of existing laws;
- **The introduction of fines** for digital economy platform providers that list (or fail to remove) properties that breach local planning controls (councils could play a role in providing digital platforms with the relevant information);
- **Laws that empower owners’ corporations** to better deal with unauthorised accommodation providers;
- **Reduction in the compliance** and red tape requirements that apply to authorised accommodation providers.

# Thank you



\*IHG® Rewards Club not applicable to Kimpton® Hotels & Restaurants; to be included at a future date.