The Impacts of the Peer-to-Peer Platform on the Traditional Lodging Industry: Emerging Trends and Implications for Greater Los Angeles (U.S.A) and Barcelona (Spain)

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This paper presents a comparative analysis of trends in peer-to-peer lodging and their impacts on the lodging industry of the metropolitan regions of Greater Los Angeles, California, USA, and Barcelona, Spain. The main research question is whether the emerging peer-to-peer lodging platforms, part of the exploding sharing economy, are competitive or complementary to the traditional lodging industry. Data was obtained from secondary sources and collected in 24 field interviews. The study found variations in the complementarity/competitiveness balance, depending on the market segment in the hospitality industry and regulatory environment. The paper draws recommendations for hotel competitiveness and policy implications.

INTRODUCTION

From the 53,000-mile network of paved roads ("Ancient Journeys: What was Travel Like for the Romans? | Ancient Origins," n.d.) built at the peak of the Roman Empire to the 853-passenger Airbus A380, the need and desire for humans to travel beyond their home boundaries is ever present. As exploration and innovation continue to shrink our world and make it more accessible, travel has become a more frequent part of life and a larger part of the global economy. One of the largest components of the travel industry is lodging (or accommodation). In recent years the rapid integration of technology and the internet has had a tremendous effect on the lodging industry. Consumers are now able to compare prices, research a company's impact on the environment and have a stronger voice in their purchasing behaviors. Hoteliers worldwide have noticed this movement and many new offerings have surfaced in an effort to be more satisfying for this new consumer ("Hospitality Net - Hotels | A Brief History - By Jacques Levy-Bonvin," n.d.). As the technology continues to advance, consumers will continue to evolve, demanding more from the lodging industry.

These new desires have led to the integration of the "sharing economy" in the lodging marketplace. In just a few short years, several peer-to-peer lodging platforms like Airbnb have enjoyed a meteoric rise to relevancy as a global branded accommodation. As consumers flock to these new peer-to-peer short term rentals in staggering numbers, the traditional industry has been put off balance – left to reassess an industry that rarely changes amid a period of tremendous change. Traditional hotels are not alone; local governments have been left out of the sharing economy as well as their tax-collecting rules and regulations have proven ineffective or inapplicable. The impacts peer-to-peer lodging and an evolving consumer have on the Travel and Tourism industry is undeniable and for this reason the focus of this paper will be on the development of peer-to-peer lodging platforms and their role in the lodging industry. Specifically, it will aim to determine whether peer-to-peer lodging platforms are competitive or complementary to the traditional lodging industry throughout Los Angeles, California, USA and Barcelona, Spain, and what strategies can be forecasted for traditional lodging organizations and governments in order to adapt and thrive in this new reality.

Method

To determine whether peer-to-peer lodging platforms are competitive or complementary to the traditional lodging industry it is important to recognize the different accommodation segments within the industry. The North American Industry Classification System, or NAICS, identifies the general Accommodation and Food Sector with the government industry code 721, with subsectors: "(1) traveler accommodation, (2) recreational accommodation, and (3) rooming and boarding houses" ("721," n.d.). This study focuses on NAICS codes 7211: Traveler Accommodation ("7211," n.d.), 721110: Hotels (except casino hotels) and motels ("721110," n.d.), 72119: Other Traveler Accommodation ("72119," n.d.), and 721191: Bed-and-Breakfast Inns ("721191," n.d.).

What distinguishes the various types of accommodations from one another are their different value propositions, the distinct features intended to appeal to a certain segment of consumers. These value propositions are the basis for selecting one type of accommodation over another. Niche accommodations such as hostels, cabins and campsites are considered complementary to the industry as a whole because each of them caters to a particular consumer segment of the market. In considering whether or not peer-to-peer lodging platforms are competitive or complementary to the traditional lodging industry, what is really being asked is whether the phenomenon represents a niche market (complementary) or has the capability of developing into the dominant segment (competitive).

Whether a product will cross over to the mass market is difficult to determine until it actually happens, but niche markets have certain observable characteristics that can aid in identifying them. In order to make a uniform assessment, the following competiveness variables are used in this study to support the conclusion of whether or not the relational dynamics in a particular location were competitive or complementary:

- Growth rate of peer-to-peer lodging bookings: Niche markets represent a minority of consumers. Their growth, as a result, will start to slow before gaining mass adoption. A decline in the trajectory of bookings is an indicator that it is exhausting its potential to gain market share and thus will only complement the larger market.
- Available supply of peer-to-peer lodging units: A product is unable to fulfill the needs of the majority of the market if it is in limited supply. When government regulations, for example, reduce the number of legally rentable units, demand from the majority of the lodging industry cannot be satisfied.
- Ratio between entire place rentals versus shared or private rooms: Niche markets have unique features which differentiate themselves from the mass market. Renting a shared room or private room provides a much more immersive experience than do entire place rentals. A higher mix of the former is a stronger indicator of the "live like a local" experience leading to a unique value proposition.

- Hotel average daily rate (ADR) premiums/discounts: Another value proposition that can distinguish one product from another is price. Hostels, for example, are a complementary product because in exchange for a lower room rate relative to hotels (mass market), consumers give up some level of privacy. Similarly, where peer-to-peer lodging platforms offer a steep discount to the traditional lodging industry in exchange for certain onsite services not offered by peer-to-peer lodging platforms, price becomes a distinguishing value proposition.
- Correlation between travel data and overnight stays: A weakening in the correlation between overnight travelers to a location and the number of overnight stays in hotels suggest that the traditional hotel segment is losing market share. Where this trend continues and is coupled by strong growth in the peer-to-peer lodging market, it suggests that there is some potential for it to displace the dominant player.

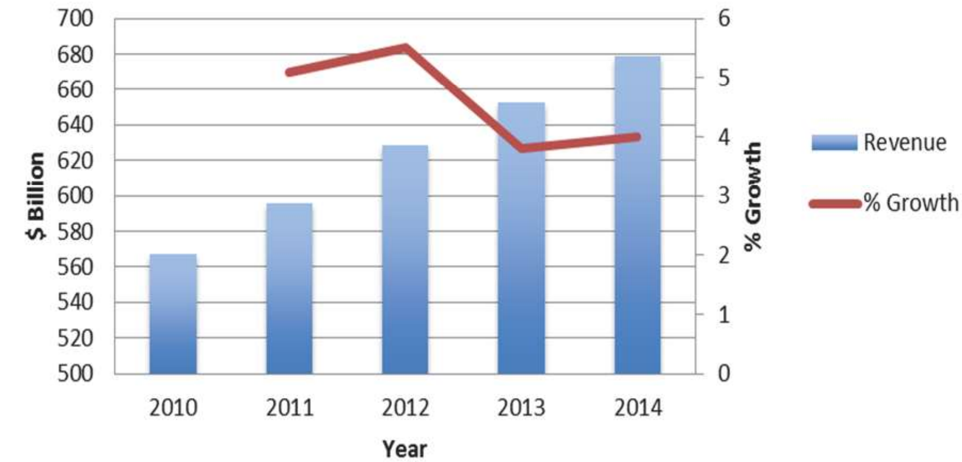
None of these variables in isolation are sufficient to draw a conclusion, but when considering several of them working together, there is strong evidence for drawing a conclusion one way or the other.

Qualitative data was gathered through 24 in-person, Skype and written interviews in several countries of Southern Europe from March 2016 to June 2016. Quantitative data was also researched to substantiate the perceived affects, thus requiring a mixed-methodology approach to the empirical-analytical study. The quantitative peer-to-peer lodging platform data received is based on Airbnb figures collected by 3rd party reporting websites AirDNA.co and insideairbnb.com. Airbnb is by far the most popular among travelers and holds the most market share with more than 2 million listings worldwide ("About Us - Airbnb," n.d.). For this reason Airbnb data is an appropriate proxy for evaluating peer-to-peer lodging platforms.

Global Lodging Industry

Today, the Travel and Tourism industry is one of the largest industries in the world, contributing $7.2 trillion to the world GDP in 2015, representing 9.8% of global GDP (World Travel & Tourism Council, 2016). The Travel and Tourism industry supported 284 million jobs last year, or 1 in 11 jobs in the world (World Travel & Tourism Council, 2016). The lodging industry segment within the Travel and Tourism industry is the focus of this study. The lodging industry consists of companies that provide traveler accommodations, including hotels, motels, resorts, casino hotels, and Bed-and-Breakfast Inns (First Research, 2015). In 2014, the global lodging industry grew by 4% and generated $678.6 billion in revenue (MarketLine, 2015a). The global number of hotels and motels increased with a compound annual growth rate (CAGR) of 0.5% between 2010 and 2014, to reach a total of 444,244 establishments in 2014 (MarketLine, 2015a). The performance of the industry is forecasted to accelerate, as shown in Figure 1, with an anticipated CAGR of 5.6% for the five-year period 2014-2019, which is expected to drive the industry to a value of $888.7 billion by the end of 2019 (MarketLine, 2015).

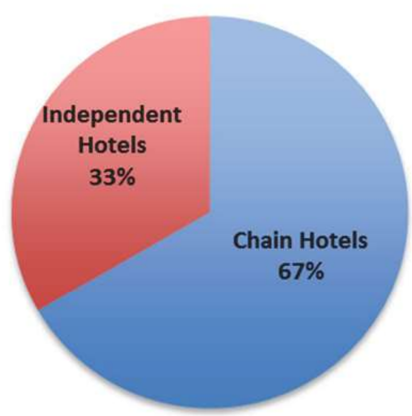
FIGURE 1
GLOBAL HOTELS AND MOTELS INDUSTRY VALUE



Source: Marketline

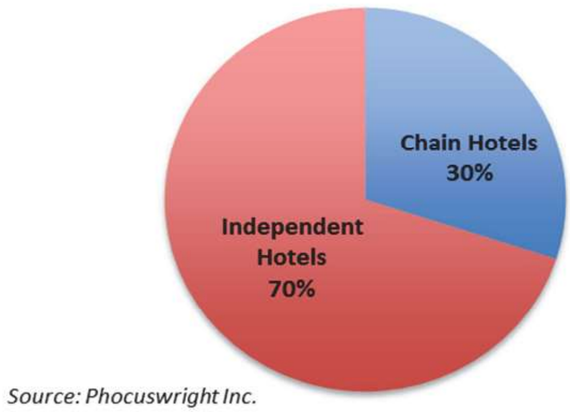
In both the U.S. and Europe, the lodging industry has been booming. Both the European and U.S. lodging industries are driven by international tourism growth, global travel rates, increasing room rates, the strength of the economy, and consumer discretionary spending (IBISWorld, n.d.). Global security concerns, like terrorism, also have an effect on the growth of both lodging industries. Europe and the U.S. are the two largest segments in the global lodging industry, contributing to about 60% of the total value (MarketLine, 2015a). Both experienced six consecutive years of Revenue Per Available Room (RevPAR) growth since 2009, and 2015 marked the first year since 2010 in which the European hotel industry passed hotels in the U.S. in year-over-year RevPAR (Hospitality Net, n.d.).

FIGURE 2
U.S. HOTEL LANDSCAPE



Source: STR

FIGURE 3
EUROPE HOTEL LANDSCAPE



Chain hotels dominate the U.S. lodging industry (Figure 2), making up about two-thirds of the market (Freitag, 2016). Independent lodging suppliers operate at a disadvantage, because they lack the same resources that the chain hotels have. They have to rely more heavily on Online Travel Agencies (OTAs), like Expedia, in order to market their services. The European landscape is almost an inverted image of the U.S.: independent hotels make up more than two-thirds of room supply in Europe and more than 90% of all properties (Figure 3) (Sileo, 2015). European properties are even more dependent on OTAs to succeed; they represent 74% of European independent lodging online bookings in 2015 vs. 58% for the U.S. (Sileo, 2015). Industry experts who contributed to this study agree that the lodging industry is near the end of a seven-year up cycle, which is traditionally followed by a three-year down cycle (Mohrfeld, 2016).

Sharing Economy

In 1995, eBay and Craigslist unknowingly launched the evolution of the Sharing Economy (James Reinhart, Feb. 6, 8, & 2, n.d.). These were the first platforms to connect normal consumers with the intention to buy, rent or share personal assets over the Internet. This new business model gained rapid popularity. With the increase in demand, came new platforms covering almost all industries including education, transportation, money, service, lodging, food and retail (Anastasia, 2015). While each platform might have a slightly different profit model, they all share the common goal of the Sharing Economy; to connect buyers and sellers over the Internet, validate a transaction between them and reduce friction (James Reinhart et al., n.d.).

PWC, a global consultancy, estimates that by 2025, the global Sharing Economy will generate revenues of up to $335 billion (PricewaterhouseCoopers, n.d.). To achieve such a large value, this economy has important drivers moving it forward. Advancements in technology can claim to be one of the most important drivers for the Sharing Economy (Anastasia, 2015). Since 1995, computers, tablets and smartphones have drastically improved their technologies and become more economical, providing more consumers with access to the Internet. Economic realities also drive the Sharing Economy ("The Sharing Economy Lacks A Shared Definition," 2013). After the 2008 recession, high unemployment/underemployment forced consumers find ways to supplement their income. Viewing their assets differently, consumers turned to the Sharing Economy platforms to sell, rent or share their assets with the hopes of financial help (Anastasia, 2015). Lastly, a shift in asset value is driving the Sharing Economy ("The Sharing Economy Lacks A Shared Definition," 2013). Consumers are beginning to realize that they do not need to purchase a new car, new table or second home, but instead, can explore the Sharing Economy platforms that cater to these desires (Anastasia, 2015).

The platforms centered on sharing lodging accommodations are very similar in theory. They aim to connect accommodation owners with short-term accommodation seekers. Accommodations can vary from entire homes to living room couches. Major platforms include, Airbnb, HouseTrip, and HomeAway. PwC research found that between 2013 and 2025, they expect these Sharing Economy lodging platforms to experience a 31% revenue growth, third highest after crowdfunding and staffing platforms (PricewaterhouseCoopers, n.d.). Amidst this rapid growth, significant challenges have surfaced. For example, there are no determined regulations with regard to taxes or liabilities. Cities and states could be missing out on significant tax revenue, and there remain major questions regarding consumer rights, safety, and liability. As these Sharing Economy platforms continue to gain popularity, competition and copy-cats will increase. It will be a challenge for platforms to establish a personality and differentiate themselves within the growing marketplace. Regardless of these barriers, a recent article predicts: "one thing is for sure, however: the sharing economy is not just a fad or a passing trend. It is one that is sure to stay for years – nay, decades – to come, and we can all expect to see it evolve"(Anastasia, 2015).

Los Angeles Lodging Industry

In 2015, the Los Angeles area broke their own visitation record for a fifth consecutive year, hosting 45.5 million travelers, with 30.2 million staying overnight ("Research | Discover Los Angeles," n.d.). Of the visitors to Los Angeles, 85% hailed from domestic locations, while 15% were international ("Los Angeles Sets New Tourism Record, Announces 45.5 Million Visitors in 2015," 2016).

There are many good reasons for travel to be booming in Los Angeles County, however most point to positive economic recovery, new travelers from emerging middle classes in China and India, along with growing sentiment in favor of experiences over goods. Giulio Leporatti, Vice President, Global Strategy at InterContinental Hotels Group sees this trend: "Travel demand grows as an effect of economic growth of course, but also if you think of the changing habits across generations, younger generations have more interest in traveling. And the growth is more than proportionate to the growth of the economy in terms of GDP, because you have more people. That goes beyond the threshold of disposable income, enabling them to travel - they have more access to travel" (Leporatti, 2016).

Hotel Room Supply

Los Angeles County is home to 98,135 hotel rooms, 6th most of any area in the United States ("Research | Discover Los Angeles," n.d.). These rooms are spread out over 997 properties, all officially registered as hotels within their respective municipalities. These hotels have benefitted from increasing demand, which resulted in over 28.5 million room nights sold in 2015.

Hotel Occupancy

Occupancy rates in Los Angeles County have flattened in the last three years, due partly to new supply. In 2015, net supply of traditional lodging units increased by 157 rooms, which boosted supply just 0.2%. In fact, new traditional supply has been unsteady in recent years, resulting in a total net contraction of 166 rooms since 2011("Market Pipeline Report: Los Angeles County, CA," 2016). This contraction, however, isn't consistent across all hotel classifications. Inventory in the upper end of the market including luxury, upper upscale and upscale classes grew by 2% (939 rooms) since 2011, while inventory in the midscale, economy and independent classes contracted by 2% (1,238 rooms) ("Market Pipeline Report: Los Angeles County, CA," 2016).

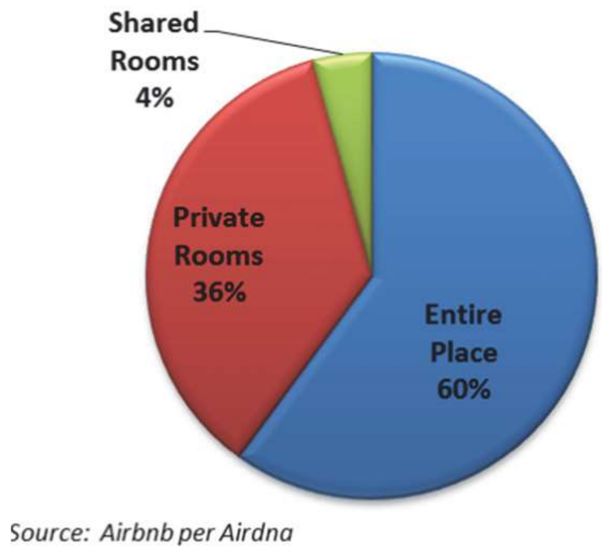
Average Daily Rate and Revenue per Available Room

This growth in the upper end of the market may be responsible for some positive data trends: Average Daily Rate (ADR) and Revenue Per Available Room (RevPAR) are growing by healthy margins. ADR grew from roughly $147 to over $158 in 2015, and RevPAR jumped from $116 to $126 ("Research | Discover Los Angeles," n.d.). This, coupled with the 79.7% occupancy rate, can be considered encouraging news. Los Angeles outpaced the top 25 markets in the U.S. by a healthy margin in all three metrics.

Peer-to-Peer Market Segment

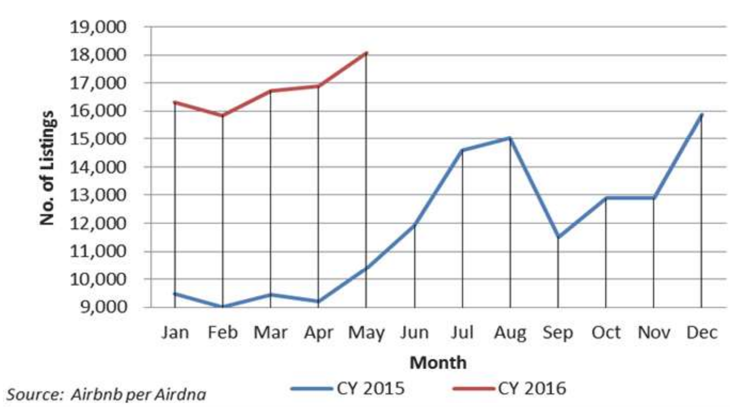
According to Airdna, an unofficial provider of data and analytics on Airbnb, there were 29,654 Airbnb property listings in the Los Angeles metropolitan area as of May 2016. Of these listings, 40% were for a shared or private room within a residence, and 60% were for full use of an apartment or home (Figure 4) (Doby et al., 2016). This ratio is important when it comes to the regulatory environment, where some municipalities have forbidden full home rentals. With that product making up 60% of the short-term rental market, the effects are significant.

FIGURE 4
AIRBNB LISTINGS: LOS ANGELES, MAY 2016



Airbnb continues to experience exponential growth in the Los Angeles area. While bookings follow the typical seasonality you would expect for the lodging industry, the total number of bookings for any month in 2016 has far exceeded the same total a year prior. This spread reached its height in April 2016. Total Airbnb bookings for this month were 9,214 in 2015 compared to 16,874 in 2016, an increase of 83%. Bookings in May also peaked at 18,061 as seen in Figure 5.

FIGURE 5
AIRBNB BOOKED LISTINGS: LOS ANGELES



On the financial side, the ADR of hotel-comparable Airbnb properties averaged $157.38 and RevPAR averaged $94.87 in 2015 (Figure 6) (Doby et al., 2016). While the ADR for the hotel-comparable properties was very close to hotels, the RevPAR is a full 27.5% lower. This is due to a major difference in occupancy. There were a total of 1.4 million Airbnb nights listed in Los Angeles County over the course of 2015, however only 842,809 Airbnb nights were booked. As a result, average occupancy for Airbnb properties was 60.2% - decidedly lower than the 79.7% rate at traditional lodging facilities (Doby et al., 2016).

FIGURE 6
LOS ANGELES* ADR/REV PAR: HOTELS VS. ARBNB**

Source: Airbnb data per Airdna. Hotel data per LA Tourism/Convention Board
** Airbnb data for LA Metropolitan Area.*
*** Airbnb Hotel Comparable Units - Entire Units with 3 or fewer rooms.*

City Specific Dynamics

Mainstream popularity, strong ADR, and low barriers to entry have contributed to a surge in new peer-to-peer lodging listings worldwide. A Los Angeles Times report indicates that Airbnb properties increased 42% in Los Angeles County between June 2015 and January 2016 (Martin, 2016). This rapid growth has opened the door for part-time proprietors and many others who dedicate properties full-time to the short-term rental market. InsideAirbnb.com, another unofficial provider of Airbnb rental data estimates that nearly 45% of Airbnb listings in Los Angeles County are listed by a host that has multiple properties on the platform (“Inside Airbnb,” n.d.).

This increase in supply may provide incoming travelers with more unique choices for lodging, however it is also pinching an already tight permanent rental market. In the event that an apartment is rented out full time, or when property owners decide to convert former long term rentals to short-term rentals, that inventory comes off the market and constrains supply for permanent residents. Rents in Los Angeles County are expected to rise 8.9% between 2015 and 2018 (Khouri, 2016), an indication that demand continues to outpace supply. While this increase cannot be fully attributed to the cannibalization caused by the increase in short-term rentals, it has been identified as a significant and possibly governable factor by those investigating the effects of the short-term rental market on the local community.

Government and Regulations

Like so many technological innovations, the Sharing Economy has created business opportunities faster than it can be regulated. The overall impact of government involvement in Los Angeles County is negligible, with many lobbying efforts just now gaining steam. Beach communities like Hermosa Beach, Manhattan Beach, and Santa Monica were some of the first to experience high growth in peer-to-peer lodging rentals, and as such those municipalities have the most mature regulatory evolution to date. Hermosa Beach and Manhattan Beach have flatly outlawed short-term rentals. Not far away in Dana

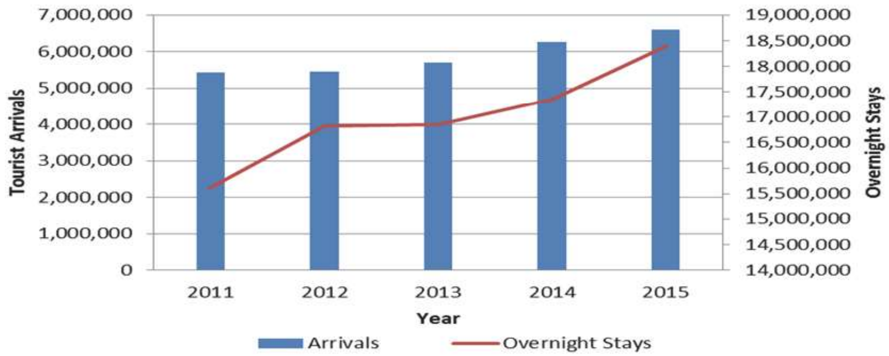
Point, the practice is allowed, albeit with a required permit (Mazza, n.d.). In May of 2015, Santa Monica made a legal distinction between “home sharing” and “vacation rentals.” Home sharing refers to renting a part of your home while remaining in the home, and vacation rentals refer to the renting of an entire home with the host not on premise for less than 30 days. The distinction of the two classifications came as part of a city ordinance that fully banned all vacation rentals and required home sharing hosts to retain a business license and collect the 14% city hotel tax (Sanders, 2015). The ordinance included a plan to finance enforcement through the collected tax revenue, and as of June 2016, an analyst and two enforcement officers were on staff. On July 5th, 2016, a multi-unit host pleaded “no contest” to a misdemeanor charge of operating an illegal vacation rental business. As a result of a plea deal, the host received two years of probation and must cease operations of all his Santa Monica illegal vacation rentals. This marked the first case prosecuted against an Airbnb host for violation of the ordinance.

Santa Monica’s regulation set a precedent worldwide, and has similar foundational terms to much of the new regulatory language up for debate, including a proposal for the city of Los Angeles. In June 2016 the City’s Planning Commission approved a sweeping Home Sharing ordinance that, if approved by the Los Angeles City Council, would legalize short-term rentals with some explicit rules. Currently it is illegal to operate short-term rentals in most of the City. First, each host would need to register with the City and obtain a Transient Occupancy Registration certificate in order to collect and pay the taxes. Second, the ordinance would only allow rental of a person’s primary residence and for no more than 180 days per year. Vacation homes may also be rented, but for no more than 15 days per year. Third, no individual would be allowed to rent more than one property in the city of Los Angeles. The ordinance also excludes rent controlled units from participating (Chandler, 2016). Perhaps most importantly, the ordinance proposal requires that booking platforms like Airbnb provide monthly reporting to the City, detailing booked nights and registration numbers for all properties. The platforms would also be required to aid the City in investigations, suspending those accounts that do not comply. Fines and possible misdemeanor charges could await both platforms and hosts who violate the ordinance. The ordinance as proposed would also make hosts responsible for nuisance complaints, as well safety standards such as fire extinguishers, carbon monoxide detectors and emergency exit plans. The ordinance will now go before the Los Angeles City Council for consideration. In the meantime, the City announced a preliminary agreement with Airbnb on July 18, 2016 to collect taxes on behalf of short-term rental hosts in the City (Chandler, 2016). The deal is set for three years, and while it doesn’t legalize short-term rentals or regulate them, it allows the City to collect an estimated $5.8 million in tax revenue while the regulations are hammered out.

CITY FINDINGS: BARCELONA

The 1992 Olympic Games, hosted in Barcelona, put the city on the map as one of the premier tourist destinations in the world. Since then, it has catapulted to the top of the list of most visited cities in Europe, now ranking among the top five (PWC, 2016b). The traditional lodging and tourism industries have been the beneficiary of this trend and hotels have responded with substantial increases in supply. From 2010 to 2015 alone, the total number of hotels rooms grew from 31,776 in 328 hotels to 40,379 in 639 hotels. Despite the rapid growth, the industry still struggles to keep up with the record setting number of tourists visiting the city each year. The growth of international tourism in particular has been strong. As shown in Figure 7, from 2014 to 2015, the city saw this figure increase from 6.26 million visitors to 6.61 million, a gain of 5.68% (Euromonitor International, n.d.). This represented three years of strong growth and the trend shows no signs of slowing. In fact, as the completion of one of the city’s most popular attractions nears its end, tourism to the city is expected to peak as visitors witness the final touches being made to Antoni Gaudí’s masterpiece, La Sagrada Familia.

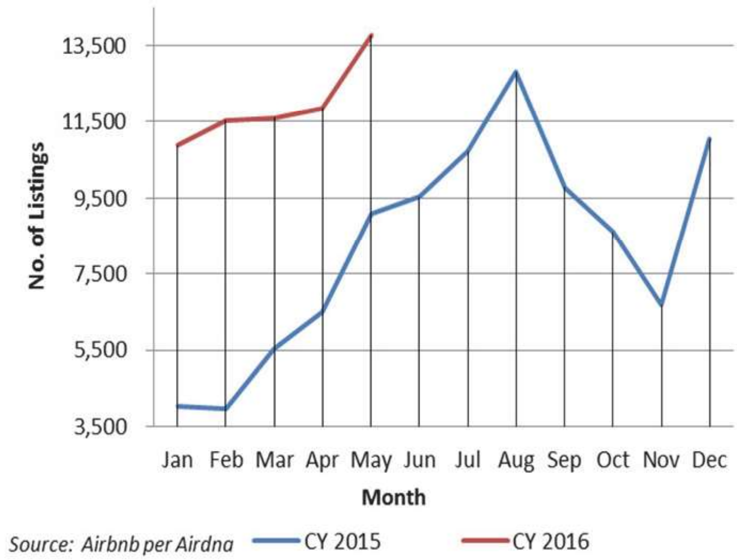
FIGURE 7
BARCELONA: TOURIST ARRIVALS AND OVERNIGHT STAYS



Source: Tourist Arrivals per Euromonitor. Overnight stays per Instituto Nacional de Estadística

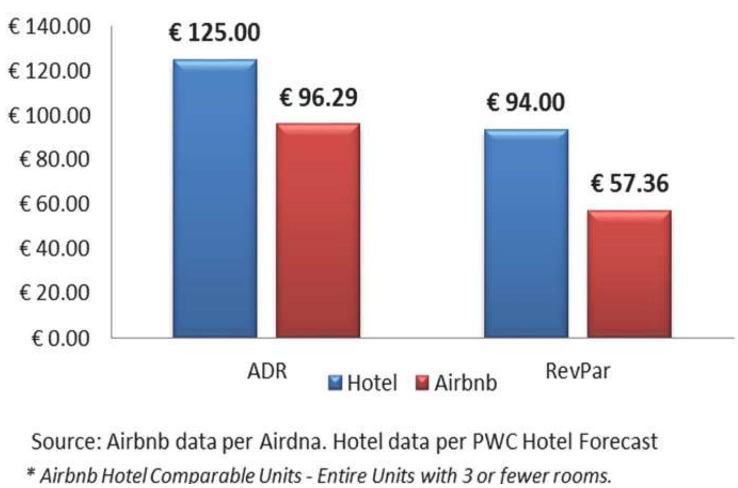
As the number of visitors grows to outpace the number of available rooms, peer-to-peer lodging services have emerged to fill the gap. The most popular of these services in Barcelona include Airbnb, HomeAway, and FlipKey. Airbnb's success, in particular, has been truly remarkable. The company has established a firm foothold in the city with 18,474 active listings as of May 2016 (Doby et al., 2016). Furthermore, the number of available rooms for the 12-month periods ending in May, grew from 675,855 in 2015 to 1,497,774 in 2016 (Figure 8) (Doby et al., 2016). The peer-to-peer lodging industry in Barcelona is also unique relative to its peers in that it maintains a fairly balanced distribution between entire place rentals and private and shared rooms. During May 2016, for example, 54% of the active listings were for use of the entire place and 46% were for private and shared rooms. For many other cities, the weighting to entire place rentals is far more substantial. The significance of this distribution is that many peer-to-peer services base their advertisements on the premise that these alternative accommodations provide a much more immersive experience than staying in a hotel. While sharing common space with a local resident is certainly indicative of such an experience, lodging in a home or apartment alone isn't all that dissimilar from staying in a hotel. The higher usage of shared or private room rentals in Barcelona suggest that travelers to the city aren't just looking for somewhere to stay. They want to live like a local and what better way to do so than to live with one.

FIGURE 8
AIRBNB BOOKED LISTINGS: BARCELONA



In order to determine if peer-to-peer lodging platforms are a threat to hotels, it is important to examine their performance relative to traditional lodging companies. In 2015, Airbnb had a 60% occupancy rate, with 759,812 listing nights booked out of 1,267,099 listing nights available (Doby et al., 2016). This was a pretty strong showing, but the 75% occupancy rate for hotels suggest that it is still by far the preferred lodging option (PWC, 2016b). Furthermore, adding Airbnb's 2015 listing nights booked to the overall pool of traditional lodging bookings, the peer-to-peer service made up just 3.8% of the market (Doby et al., 2016). At this level, peer-to-peer lodging services do not appear to pose a serious threat to hotels. Growth within the industry would need to at least be on par with its traditional rival. Unable to match the rate at which guests are booking rooms will make this particularly difficult.

FIGURE 9
BARCELONA ADR/REVPAR: HOTELS VS. AIRBNB



One key factor that may be attracting some guests to peer-to-peer lodging is price. Airbnb offers customers a significant discount relative to hotels in Barcelona. The company's boasted an ADR of €96.29 in 2015, compared to €125 for traditional lodging options (Doby et al., 2016). Hotel's 29.8% pricing premium over peer-to-peer lodging rentals may have certainly lured away some customers toward the lower priced option. Hotels' higher occupancy rate, however, suggest that this number isn't significant. In fact, Airbnb's 2015 RevPAR of €57.36 was much lower than the €94 earned by traditional lodging options (Figure 9). Hotels were essentially generating 63.9% more revenue per room compared to Airbnb listings (Doby et al., 2016). The presence of these alternative lodging options don't appear to be slowing hotels at all.

While tourism to Barcelona remains on the rise, Airbnb's growth in 2016 appears to have stalled. The summer is definitely the most popular time to visit the city, so bookings are expected to once again spike during those months. However, the current trajectory in 2016, is far less steep than what was observed in 2015. Airbnb's bookings actually began to level out at the beginning of the year and fell slightly from December 2015 to Jan 2016. Such a relative decline is symptomatic of a niche market where the number of potentially customers is exhausted before reaching the mass market.

City Specific Dynamics

With unemployment in Barcelona still at some of its highest levels, 22.3% in 2015 (PWC, 2016b), many of the city's residents are finding it difficult to earn a living. Peer-to-peer lodging platforms provide them with an elegant solution. Hosting guests in their homes or apartments is a simple way to generate income as many residents endure ongoing hardship. Airbnb completed a study of the economic impact of its services in Barcelona and found that Airbnb generated $175 million in economic activity in one year and supported more than 4,000 jobs. According to the study, 75% of Airbnb hosts earn at or below Catalonia's average household income ("Airbnb Economic Impact," n.d.). Such substantial economic benefits, especially as the country continues to experience an economic down turn, has fueled the number of rentals available for rent. The reliability of a steady supply of available rooms to rent is essential to these services' ongoing success.

Government and Regulations

Hotels and other tourist accommodations are important income-generating entities for the city of Barcelona. Since 2012, these accommodations have been required to pay a VAT (Value Added Tax) of 10% of their overall revenue (Agencia Tributaria, n.d.). Apartment and house rentals are however exempt from these taxes. The loss income to the city is potentially quite large. Airbnb's 202,530 total listings in 2015 alone could have generated substantial amounts of taxes (Doby et al., 2016). Furthermore, the discrepancy between how traditional and alternative lodging is treated, puts the former at a real disadvantage. The International Hotel and Restaurant Association describes peer-to-peer lodging platforms as partially unfair to competition (MarketLine, 2015b), in part because they haven't been taxed the same way as traditional tourist accommodations. The pressure is being put on city officials to address the regulations which have created an unleveled playing field.

In 2012, the Catalonian government started the process of creating legislation to regulate apartment establishments and homes for tourist use. The regulation requires all hosts of tourist rental accommodations to register their unit as an official tourist rental accommodation and obtain a government license. Hosts must also register with the Tourism Register of Catalonia (RTC). They are then given an NIRTC, which is the identification number required for all advertised tourism accommodations in Catalonia. The government is then able to collect the data from all the registered vacation rental accommodations and appropriately tax them (Generalitat de Catalunya, 2015).

Progress has been made, but the city still has a long way to go. 81,100 tourist rental homes and 446,051 people registered with the RTC between 2013 and 2015 (Generalitat de Catalunya, 2015). There is still however a larger number of hosts who have not complied. Identifying them is difficult and peer-to-peer lodging platforms have not been completely cooperative, taking refuge behind EU regulations to prevent the local government from forcing them to provide information about peer-to-peer lodging hosts.

The Catalonia Strategic Tourism Plan estimates that half a million beds in Catalonia are illegal accommodations, because they aren't following the regulations in place (Generalitat de Catalunya, 2015). Efforts to bring them into compliance are ongoing.

Social/Cultural Comparisons: Los Angeles Versus Barcelona

Comparing the social/cultural aspects of peer-to-peer lodging platforms in the researched cities, there are some interesting findings. Most notable were the residents of Barcelona and Los Angeles, who appear to be using the platforms the way they were intended to be used. The brand positioning of peer-to-peer lodging platforms has traditionally been focused on making connections, "living like the locals" and sharing space. Therefore, listings of private and shared rooms would comply with this position. In Barcelona and Los Angeles, the percentage of private and shared rooms listed exceed those of other countries studied, as seen below (Figures 10, 11), allowing for the conclusion that residents of these cities view peer-to-peer lodging platforms closer to its intended purpose.

FIGURE 10
AIRBNB LISTINGS BY TYPE: LOS ANGELES

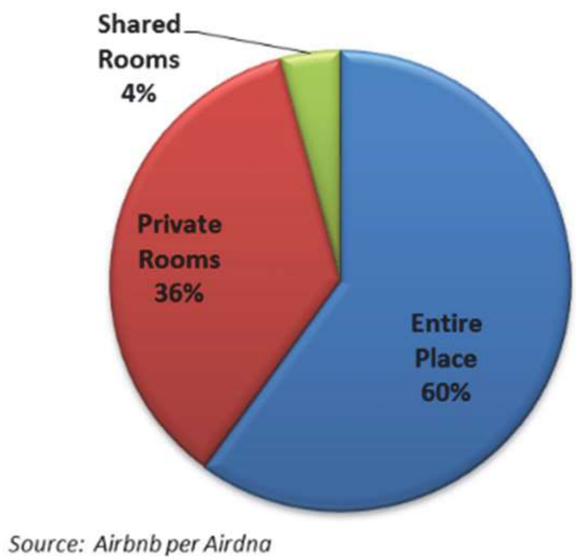
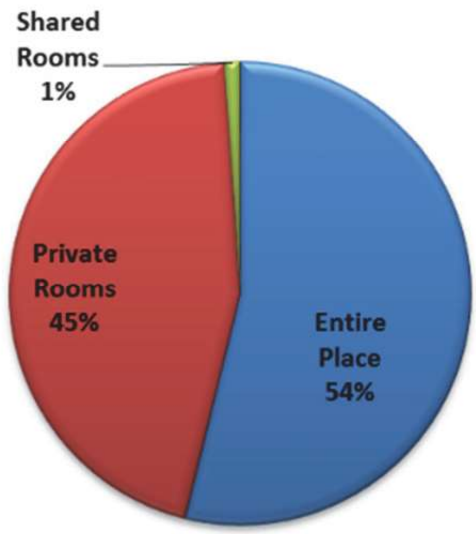


FIGURE 11
AIRBNB LISTINGS BY TYPE: BARCELONA

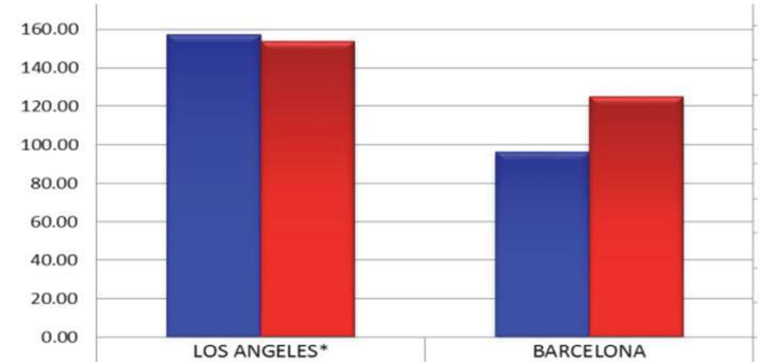


Source: Airbnb per Airdna

ADR Premiums

In a recent report, CBRE indicated that in the US, for the 12 month period ending September 2015, the average daily rate (ADR) for Airbnb units was $29.31 (25%) higher than hotels over the same periods (Lane & Woodworth, 2016). This contradicted the widespread notion of Airbnb rentals as a less expensive alternative to hotels. Furthermore, it dispels the notion of price as a distinguishing value proposition for peer-to-peer lodging platforms in the U.S. In fairness, comparing the ADR for a shared or private room to a hotel room may not be equitable. However, even when this study limited it to only Airbnb hotel comparable listings, defined as entire place listings with 3 or fewer bedrooms, hotel room ADR in Los Angeles offered a 2.5% discount relative to Airbnb listings (Doby et al., 2016). In other words, the prices were essentially the same. The results in Barcelona were quite different. The ADR for hotels in Barcelona was €125 (Doby et al., 2016), which using the U.S. average exchange rate in 2015 (1.109729) ("Yearly Average Exchange Rates - US Forex Foreign Exchange," n.d.), works out to about $138.72. Modestly less expensive than those you would fine in Los Angles. In comparison to Airbnb ADR, however, hotels in Barcelona were priced at a 29.8% premium. This is very unappealing for a budget traveler and in many cases must have swayed them toward the cheaper option of staying peer-to-peer accommodations (Figure 12).

FIGURE 12
HOTEL ADR PREMIUMS (INCLUDES HOTEL COMPARABLE AIRBNB LISTINGS)



	LOS ANGELES*	BARCELONA
Airbnb	$157.38	€ 96.29
Hotels	$153.50	€ 125.00
Premiums	-2.5%	29.8%

Source: Airbnb data per Airdna. Hotel ADR per PWC Hotel 2016-17 Forecast Reports .
Athens Hotel ADR per GBR Consultings
Los Angeles Metro Hotel ADR weighted based on counties' overnightstays
**Los Angeles metropolitan area*

The CBRE report also suggested that Airbnb units' premium amenities may be the cause of their higher ADRs. In particular, they cited that 90% of the units in the U.S. offer access to a kitchen and 68% offer access to a washing machine. By contrast, they also noted that only 60% of hotels in the U.S. even offer a microwave (Lane & Woodworth, 2016). This logic however does not explain the relationship between hotel and Airbnb ADRs in Barcelona. The percentages of such amenities in Airbnb rentals are very similar in both locations. So what is causing the hotel premium in Barcelona? As previously discussed, the higher proportion of independent hotels in Europe makes them much more reliant on OTA's. This dynamic is important because of the influence they have on room rates. Independent hotels are more likely to incur the higher costs associated with booking guests through these agencies and the rates they charge have grown substantially over the years. Back in the 1990s, when OTAs were growing in notoriety, commissions were around 5%. Today they range from 15% to 30%, and hotel companies with less than 50 properties pay an even higher rate ("Everything You Wanted to Know About the Hotel Industry's Gripes Against OTAs – Skift," n.d.). Companies of this smaller size characterize the vast majority of the hotel market in Europe. When coupling the fact that tourism is on the rise with the cost pressures created by using OTA's, a better sense of why hotels in Europe are not adjusting their prices in response to the peer-to-peer lodging platform phenomena is apparent. More people visiting these cities increases the demand for lodging and increased costs from OTAs eat into their margins.

Overnight Stays

Two relevant measures in assessing peer-to-peer lodging platforms' threat to the lodging industry are its concentration of the market and its rate of growth. By evaluating Airbnb's share of total overnight stays, we get a better sense of what percentage of travelers, with the option to stay at either accommodation type, chose to stay at a peer-to-peer lodging unit. Even though the practice of renting out a home to tourist and travelers has been around for decades, the proliferation of this activity is still only in its infancy. So while these single digit percentage rates may seem non-threatening, they may be merely the starting point. Furthermore, an understanding of the growth rate in these different locations may provide some insight as to what this segment of the lodging industry may become.

Relative to Los Angeles, Airbnb in Barcelona has been more successful in penetrating the market with a 3.75% share of overnight stays in 2015. Tourism in the city has experienced exponential growth which has created some pressure on the infrastructure of the city to support it. The supply of hotels just hasn't been able to catch up. For the lodging industry, peer-to-peer lodging platforms can and likely do step in to absorb the excess supply of overnight travelers. A counter argument might suggest that if that were the case, occupancy rates should rise until the point where hotels are turning customers away. This may very well be the case during peak seasons, but this phenomenon likely occurs along different segments of travelers. For example, when budget hotels meet their capacity, the overflows of tourists are not going to naturally move into the premium end of the market. They are more likely to flow into similarly priced peer-to-peer accommodations. This may come about by sacrificing some of the services and conveniences offered by a hotel, but for some travelers, access to a kitchen and a washer/dryer may be important (Figure 13).

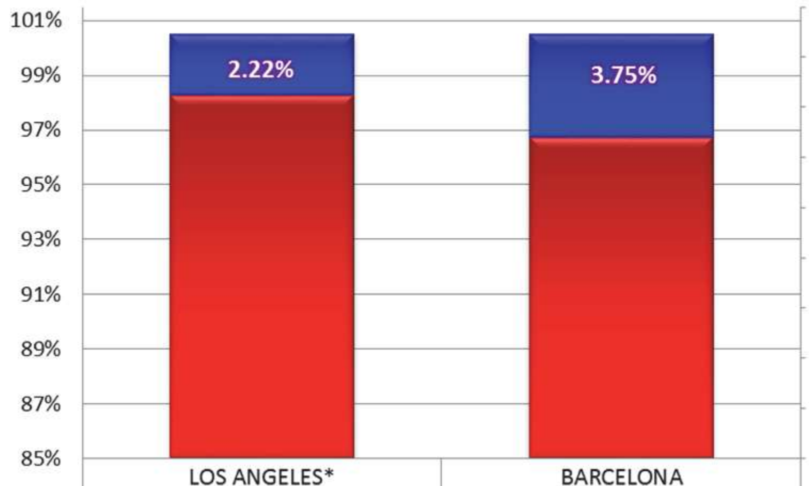
FIGURE 13
PERCENTAGE OF PROPERTIES WITH AMENITIES, APRIL 2016

	Barcelona	Los Angeles
Kitchen	92%	91%
Washer/Dryer	80%	78%
Air Conditioning	53%	74%
Wi-FI	95%	97%
Free Parking	4%	63%
Breakfast	8%	8%

Source: Airbnb data per Airbnb

** Los Angeles Metropolitan Area*

FIGURE 14
OVERNIGHT STAYS (AIRBNB SHARE OF THE MARKET), 2015



	LOS ANGELES*	BARCELONA
Airbnb	1,400,354	759,812
Hotels	61,743,687	19,478,755
	2.22%	3.75%

Source: Airbnb data per Airdna. Hotel ADR per
Barcelona Lodging Industry Overnight Stays per National Statistics Institute : Delegation of Barcelona
*Los Angeles Lodging Industry Overnight Stays per PKF 2016 SoCal Lodging Forecast. **LA Metro Area*

FIGURE 15
AVAILABLE LISTINGS

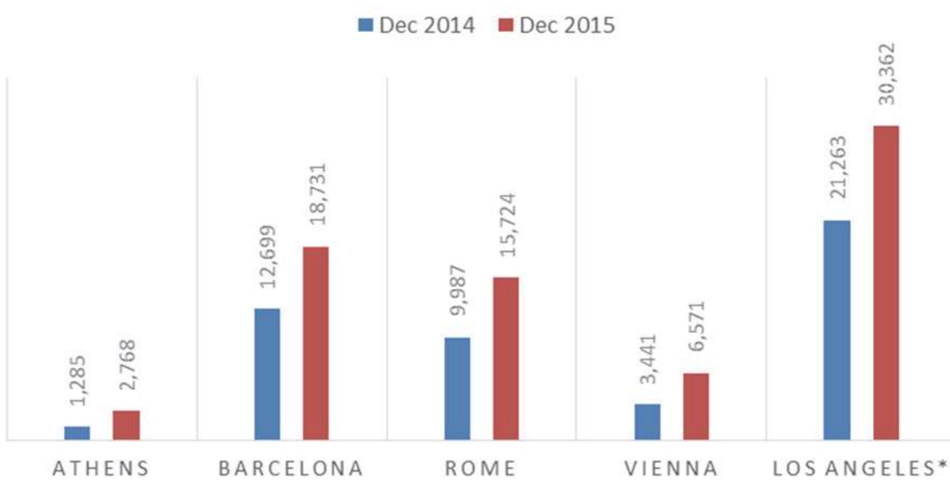
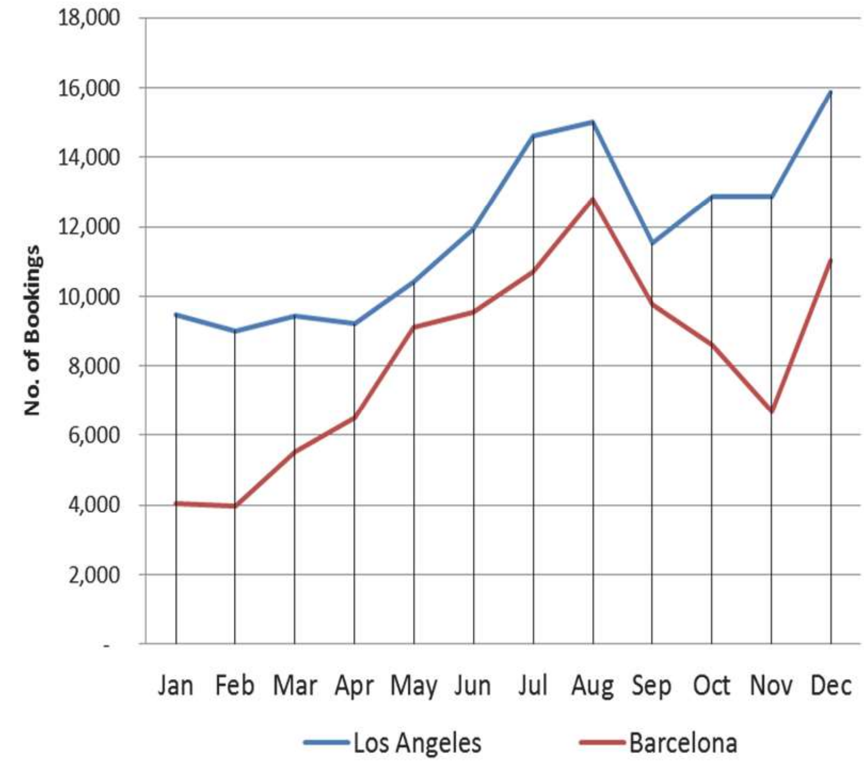
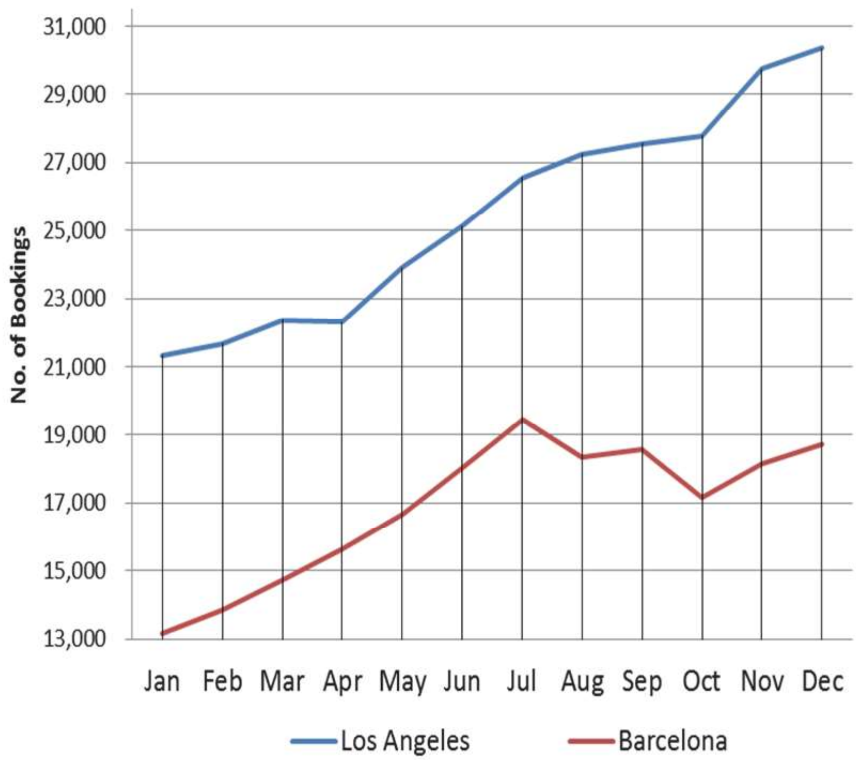


FIGURE 16
AIRBNB BOOKED LISTINGS: LOS ANGELES VS. BARCELONA, 2015



Source: Airbnb per Airdna

FIGURE 17
AIRBNB ADVERTISED LISTINGS: LOS ANGELES VS. BARCELONA



Source: Airbnb per Airdna

It is also interesting to compare the growth of available Airbnb listings from December 2014 to December 2015, in each city researched. Each of the cities experienced growth, with Barcelona at 47.5% and Los Angeles at 42.8% (Doby et al., 2016). This is significant growth for each city, really portraying residents' social acceptance of peer-to-peer lodging platforms (Figures 14-17).

CITY FINDINGS

Now that each city has received a detailed analysis of its current lodging industry status and the competitiveness variables have been addressed, we may move closer toward a determination of whether peer-to-peer lodging platforms are competitive or complementary to the traditional lodging industry throughout Los Angeles, California and Barcelona, Spain, and what strategies can be forecasted for traditional lodging organizations and governments. Below, city decisions are concluded based on the competitiveness variables.

Los Angeles

It can be concluded that peer-to-peer lodging platforms are competitive to traditional lodging organizations in Los Angeles based on the following variables (Figures 18-20).

FIGURE 18
LOS ANGELES* ADR/REV PAR: HOTELS VS. AIRBNB**

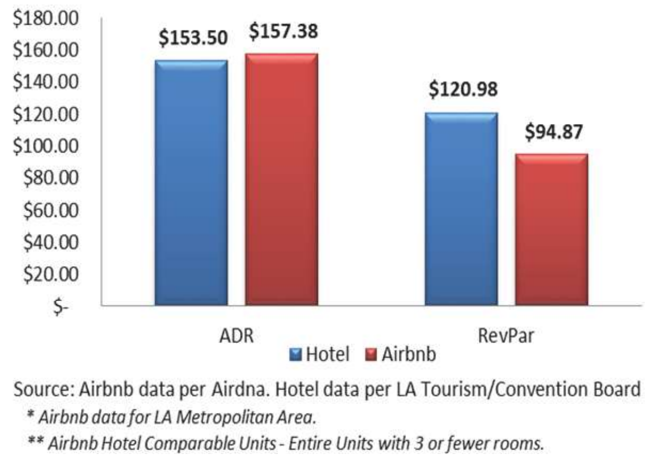


FIGURE 19
AIRBNB ADVERTISED LISTINGS: LOS ANGELES

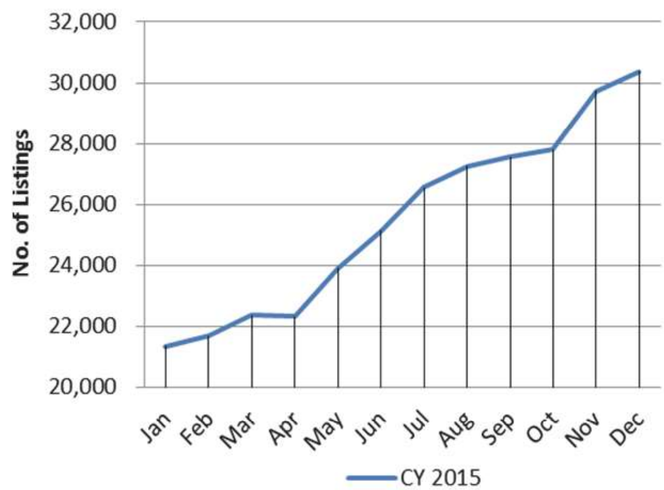
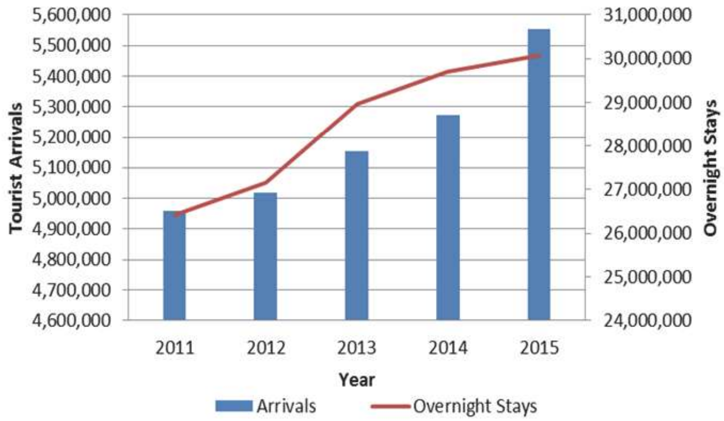


FIGURE 20
LOS ANGELES: TOURIST ARRIVALS AND OVERNIGHT STAYS



Source: Tourist Arrivals per Euromonitor. Hotel Overnights per CBRE/PKF

Hotel ADR Premiums/Discounts

Price is not the primary value proposition utilized by peer-to-peer lodging platforms to appeal to consumers in Los Angeles. An economic traveler can find inexpensive lodging in a shared or private room, but celebrities like Beyoncé and Justin Bieber are spending $10,000 a night for an entire home advertised on Airbnb ("Justin Bieber Stays at Beyoncé's $10,000-a-Night Airbnb | Celebuzz," n.d.). The implication, therefore, is that this alternative lodging option does not only appeal to a budget focused niche market or really any specific market at all. Travelers to Los Angeles who are utilizing peer-to-peer lodging platforms come from a wide social and economic spectrum. These services are competitive to the traditional lodging industry as a whole because both draw from a largely overlapping consumer base representing the majority of the market.

The ADR for hotels in Los Angeles is nearly the same as hotel comparable Airbnb listings. In fact, it was $3.88 higher than that of hotels in 2015 (Doby et al., 2016). Airbnb and mainstream peer-to-peer lodging platforms have only been exposed to positive demand growth in Los Angeles (Mohrfeld, 2016). As a result, their ADR may be artificially high. Additionally, when factoring in the additional taxes, resort fees, and parking charges, staying in a hotel may even cost consumers more. Ultimately, while differences in regulatory treatment and labor costs affect the profitability of operating a hotel versus renting out a home or apartment via a peer-to-peer lodging platform, both are competing for the same customers across the full spectrum of price.

Available Supply of Peer-To-Peer Lodging Units

There is another significant factor in the Los Angeles market unique to the rise in the Sharing Economy. As previously discussed, one of the strengths of peer-to-peer lodging platforms was the ability to generate supply from residential units when demand at a destination is maxed out. Net supply of traditional lodging facilities stayed relatively flat in 2015. Airbnb properties however grew at a torrid pace: There were nearly 7,000 more private room and full home Airbnb listings added during 2015. This represents a 7% addition to the Los Angeles County supply, albeit with a previously mentioned caveat; unlike hotels, a portion of peer-to-peer lodging units are not available for rent at all times. This means that the true supply of peer-to-peer lodging units fluctuates daily. Bookings however are a more appropriate indicator of market share: full home bookings on Airbnb rose 61% while private room bookings rose 91% during the same period. In these terms of completed sales, it is estimated that Airbnb properties alone accounted for 1.7% of all listing nights booked in Los Angeles County (Doby et al., 2016). In an industry where even the largest brands only make up 5-6% of a given market (Leporatti, 2016), the rapid integration of a player at 1.7% of the market is a significant competitive factor.

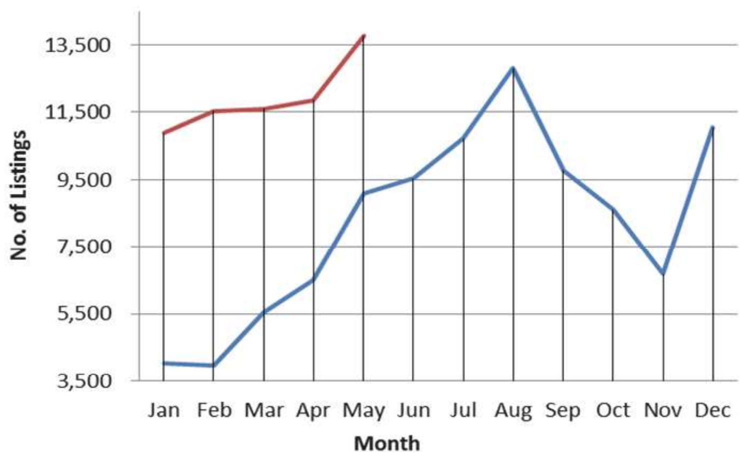
Correlation between Travel Data And Overnight Stays

The correlation between ancillary travel data for 2015 and traditional lodging overnight stays further supports the competitive nature of peer-to-peer lodging platforms. The number of airline passengers arriving in Los Angeles increased 6% in 2015. Total visitors to LA County increased 2.5%. Overnight rooms booked rose 1%. These data suggest that traditional lodging bookings are increasing at a slower rate than overall travel figures in Los Angeles. ADR has risen 7% year over year, however occupancy only grew 1% ("Research | Discover Los Angeles," n.d.). This resulted in RevPAR gains, however the increase is more a product of ADR growth rather than occupancy growth. With an increase in travelers to Los Angeles County and a stagnation of occupancy, it is plausible that a new supply of lodging inventory is being utilized.

Barcelona

It can be concluded that peer-to-peer lodging platforms are complementary to traditional lodging organizations in Barcelona based on the following variables.

FIGURE 21
AIRBNB BOOKED LISTINGS: BARCELONA



Source: Airbnb per Airdna

FIGURE 22
AIRBNB BOOKINGS BY TYPE: BARCELONA, MAY 2016

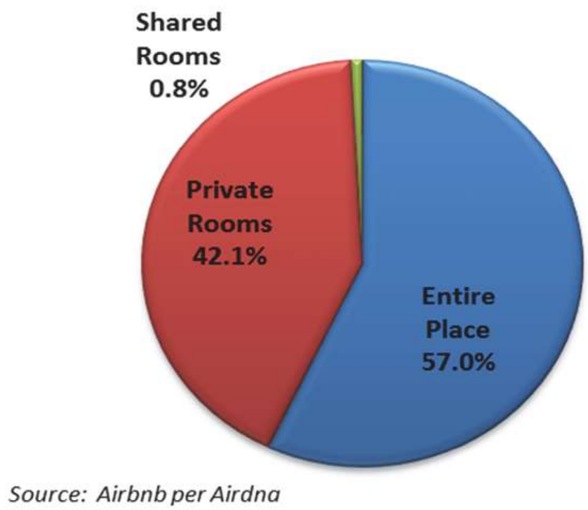
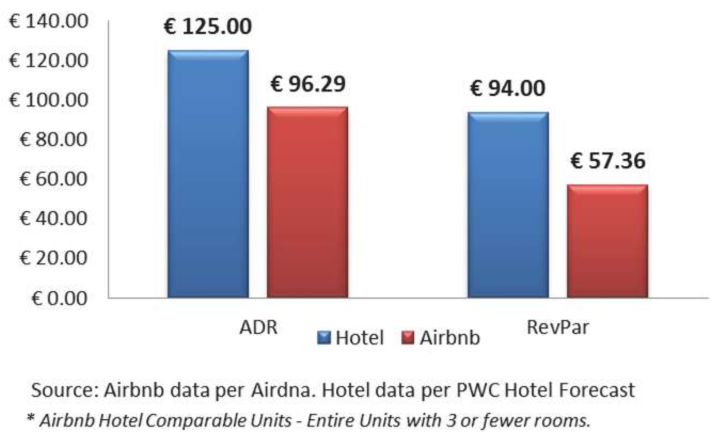


FIGURE 23
BARCELONA ADR/REV PAR: HOTELS VS. AIRBNB*



Growth Rate of Peer-To-Peer Lodging Booking

The slowdown in growth of peer-to-peer bookings in Barcelona is indicative of a market exhausting the supply of its potential customers. Shown in Figure 21, 2015 booking volume increased rapidly in the beginning of the year and peaked during the summer months. The growth in 2016 has shown only modest gains thus far. The market for peer-to-peer lodging platforms has not been exhausted yet, but it may be approaching that point. Peer-to-peer lodging platforms allow consumers to select units with a variety of amenities and locations that can differentiate them from hotels. In a study done by FEVITUR on holiday rentals in Spain, 67% of respondents chose a holiday rental because it had a kitchen, 64% of respondents made the choice based on good location, and 52% stated holiday rentals had the unique features they were looking for (FEVITUR, Salvetti & Llombart, & ESADE, n.d.). The ability to cook your own meal in a foreign place is important for travelers. Location is also very important, and travelers want to be in a unique neighborhood that they might not enjoy by staying at a hotel. For these reasons, peer-to-peer lodging in Barcelona provides a unique value proposition to a particular type of traveler. These travelers, however, may not represent the majority of market and thus peer-to-peer bookings have slowed down as it reaches the point of exhaustion. Time will tell if peer-to-peer lodging in Barcelona has settled down completely, but for now, the significant fall off suggest that these alternative accommodations will remain on the fringe of the market, complementing the lodging industry as a whole.

Ratio between Entire Place Rentals versus Shared or Private Rooms.

In Figure 22, it can be seen that in Barcelona, 57% of travelers booked an entire place. While 57% is more than half, it is the lowest percentage compared to the other cities studied. This is a significant finding as the percentage of travelers who stayed in private or shared rooms almost matches that of entire places. This is a more balanced distribution of the different types of units. Barcelona peer-to-peer lodging platforms offer social benefits and a "local experience" differing from a hotel. 91% of travelers want to live like a local ("Airbnb Economic Impact," n.d.). Consumers want the authentic local experience when they travel now and the most preferred and best way to accomplish that is to live in a local's house, just like a local would, and Barcelona peer-to-peer lodging platforms are achieving this. Travelers are able to get insider recommendations from their host, meet and interact with someone who is part of the Barcelona community, and cook and do laundry like an ordinary member of the community. The experience consumers have staying at someone's loft in the middle of Las Ramblas provides for a completely different experience than a hotel stay. This leads us to conclude that peer-to-peer lodging platforms are complementary because travelers are using them in Barcelona for a unique value proposition.

Hotel ADR Premiums/Discounts

There is a significant difference in the average daily rate between hotels and peer-to-peer lodging platforms in Barcelona. Shown in figure 23, Airbnb ADR was €96.29 in 2015, which was lower than hotels' ADR of €125 during the same time period. This represents a 29.8% pricing premium for hotels. The lower price point is an advantage that peer-to-peer lodging platforms have over hotels, and tourists often choose the lower price when looking for a place to stay in Barcelona. Consumers face an economic benefit when choosing to stay with peer-to-peer lodging platforms instead of hotels in Barcelona. Travelers often decide on where to stay based on the lower price. Laia Papiol, sales manager of the H10 Casanova in Barcelona said, "peer-to-peer lodging platforms are complementary because they service lower budget guests, and have a different concept and customer than hotels do" (Papiol, 2016). Again, in Barcelona, peer-to-peer lodging platforms are providing a different value proposition, concluding that they are complementary.

RECOMMENDATIONS FOR HOTEL COMPETITIVENESS

Despite the many challenges hoteliers must now consider due to the emergence of peer-to-peer lodging platforms, there are opportunities that these lodging organizations can capture to stay competitive in the shifting industry. The industry will continue to change and as George Pertesis, Director of the COCO-Mat Hotel Athens states, this change is "evolution". The consumers' needs are changing and lodging organizations must adjust. He believes that all the controversy around these new peer-to-peer lodging platforms will be resolved with time, but the consumer will never stop evolving. If the issue was not centered on the current peer-to-peer lodging platforms, then it would be on something else. The most productive mindset they can have is focusing on making themselves better (Pertesis, 2016). Having a positive and proactive outlook will aid hoteliers in facing new industry challenges in stride. This study has led to the following recommendations on how hoteliers can stay competitive as the lodging industry and consumers change.

Brand Positioning

Positioning is one of the most critical elements of a company's marketing strategy. How a consumer compares a brand versus the competition and what value they assign to a brand on recall, can immensely help or hurt a business. For this reason, it is critically important to know the targeted consumer and understand their changing needs. This of course, is always easier said than done. The lodging consumer is now more than ever, well educated, well researched, price sensitive, socially aware, technology adaptive and accessible among many other developments. To maintain a strong position with their consumers, hotels should take the following steps:

Create "Instagramable" Moments

The establishment of peer-to-peer lodging platforms is the result of the consumer demanding a different lodging experience. They want to "live like the locals", be adventurous and share their experiences through social media. Therefore, hoteliers should understand the motivation of the guest's visit and provide those "instagramable" moments for them. In an interview with Matthew Lehman, General Manager of the Fairmont Miramar Hotel & Bungalows in Santa Monica, he spoke to how his hotel has been able to partner with extreme adventure tour companies to create "instagramable" activity packages for their guests that are unique to their hotel experience. Additionally, upon request, guests can have a stylist visit their bungalow to provide them with the latest trends in swimwear (Lehman, 2016). While all hotels might not have the resources to provide such extreme experiences, there are other smaller moments that can be created. At the H10 Casanova Hotel in Barcelona, a complimentary glass of champagne is offered at check in and at the Hilton DoubleTree a fresh chocolate chip cookie is available at the check in counter. Guests will share these moments with their social networks and associate branded properties with great memories.

Create a Personality/Story

Hoteliers, may have no control over the changing consumer or evolving industry, but they do have the power to control their "house" as George Pertesis, Director of the COCO-Mat Hotel Athens states (Pertesis, 2016). To withstand the instability of any industry, a reason for why a business exists is important to portray. How do you differentiate yourself from your competition? The COCO-Mat Hotel Athens provides a great example of differentiation. Their philosophy is to help their guests live well by providing them a place to eat well and of course, sleep well (Pertesis, 2016). Exceptional sleep systems and furniture, all hand-crafted from sustainable materials create COCO-Mat's attractive personality ("About Us | COCO-MAT," n.d.). Hilton Hotels and Resorts recently established a new brand of hotel entitled, Tru. Offering a unique personality by way of social lobby experiences and smaller, more cost-effective rooms, Tru positions itself with the desires of today's new traveler. Consumers will know that when they stay at a Tru location, they will receive a safe, affordable and great experience (Speer, 2016).

Internal Business Operations

While altering the mind of a consumer may not be the easiest task, a hotelier can alter internal business operations with a greater success rate. From a small adjustment on a website to a large implementation of new systems, this may be what a hotelier needs to stay current in the ever-changing lodging industry. Below are a few internal business operation suggestions that can be optimized for greater industry success.

Strategize for More Website Direct Bookings

As was mentioned in sections prior, online travel agencies (OTAs), emerged with the arrival of the Internet and today's new traveler. Scanning the Internet, platforms such as Priceline, Travelocity, Expedia and Hotels.com claim they can provide the best hotel rates when booking through them. These OTAs though, can charge up to a 33% booking fee, which must be paid by the hotels (Speer, 2016). This fee can make a significant impact on a hotel's profit. Additionally, these platforms can lead to consumer confusion, "sometimes consumers think they are booking reservations that can be canceled without charge, only to find out later that is not the case - or they arrive at a hotel to discover that they do not actually have reservations" (Tugend, 2016). This confusion can instill a negative perception of a hotel in a consumer, regardless if the hotel is responsible or not. Therefore, while today's traveler might view these

OTAs as providing a stronger value than booking directly with a hotel, it behooves hoteliers to strategize ways to pull away from OTAs and gain more control over their bookings. Marriott Hotels and Hilton Hotels and Resorts have already begun campaigns encouraging consumers to book direct with their hotels. Offering incentives, such as free Wi-Fi, special rates and fast check in are enticing consumers to book direct and place trust in a hotel's website (Tugend, 2016).

Invest in Consumer Reviews

Historically, when a consumer would search for a hotel they would filter their options based on location, luxury ranking and price. Today's traveler however, is more likely to first look at a hotel's consumer reviews before considering location or price. Consumers trust each other more than industry driven categorization, such as luxury rankings. In an interview with Ercole Di Baia, owner of the Blue Hostel, he states that many times, hotels that would be considered a 5-star hotel in the industry will have lower average consumer reviews than his hostel. This, Di Baia claims, is his competitive advantage. Their mission is guest satisfaction, not money, and it shows, with an average consumer review of 4.5 stars out of 5 and a "Certificate of Excellence" on TripAdvisor ("Blue Hostel (Rome, Italy) - Hostel Reviews - TripAdvisor," n.d.). To achieve such high ratings, The Blue Hostel provides personalized touches from the moment a guest books to the moment that guest departs. Gestures such as travel recommendations, customized city maps, multi-country outlet adapters, coffee machines and updated accommodations keep The Blue Hostel ranking as a favorite among guests (Di Baia, 2016). Consumer reviews can also increase a hotel's search engine ranking. When search engines, such as Google, perform their search engine optimization (SEO), it crawls the web for mentions of a specific search term and verified links from other websites. The more reviews a hotel has on trusted review sites such as TripAdvisor, the higher chance that hotel will appear in a consumer's search results. Consumer reviews are gaining more power in the purchasing process and are proving to have a high return on investment.

REGULATORY POLICY IMPLICATIONS

Below are key areas identified in which governments can leverage their authority to forge an environment where peer-to-peer lodging platforms and traditional lodging facilities can operate in fairness and the competitive spirit can be encouraged. As the City of Vienna notes, the goal is to "turn the sharing economy into a fair economy" ("Turning the sharing economy into a fair economy in Vienna - share-economy-in-wien-stadt-wien-en.pdf," n.d.). There are three key issues in which government must act in order to create a rich and prosperous lodging marketplace for the twenty first century.

Ensure That the Market Is Fairly Competitive

There is a distinction between occasional home sharing or renting and full-time "commercialized" property rentals. Both benefit from destination marketing, infrastructure, and safety. Travel and tourism tax revenue is used to make the destination attractive and pleasing to all travelers, so it is reasonable for peer-to-peer lodging platforms to contribute their fair share. Commercialized rentals however, should be subjected to more robust regulatory requirements in line with small traditional lodging organizations like Bed-and-Breakfast Inns. This is important because their properties host the largest number of visitors, representing the greatest liability risk and community impact.

Impose a Minimum Safety Standard

Operators of traditional lodging facilities, like all businesses, have a duty to provide a safe environment for customers. This includes keyed access, pool safety, as well as health standards and inspections. This is important for many reasons, chief among them the fact that consumers have the right to reasonably expect a safe environment. But safety is also a destination-issue. As Lynn Mohrfeld, President and CEO of the California Hotel & Lodging Association puts it: "When we have story of a visitor who stays in a short-term rental platform and they get injured or have bodily harm, that [story starts with] 'A visitor to Sacramento…' and then the details come out. So that's bad for the destination"(Mohrfeld, 2016). Existing safety and health regulations have been deemed critical to supporting a tourism industry that is prosperous in the long term. As such, all players in the industry, including peer-to-peer lodging platforms should be compliant.

Enact Zoning Regulations for Peer-To-Peer Lodging Units

The problem caused by not properly regulating these type of accommodations is amplified in the short-term rental market, as many new rentals are located in residential areas not usually trafficked by tourists. As normal housing units in residential neighborhoods are increasingly converted to short-term rentals, the occupant dynamic can change considerably. This results in late-night noise, unpredictable interpersonal interactions, and insensitive use of common facilities. This has frustrated permanent residents, with many claiming to have lost the feeling of safety and well-being in their communities (Mazza, n.d.). As zoning laws were specifically crafted to segregate or at the very least minimize conflicting attributes of business and residential areas, the distinction needs to be applied to businesses in peer-to-peer lodging space as well.

CONCLUSION

The Travel and Tourism industry is booming worldwide. Hotels are seeing a rise in occupancy rates and are generating record ADR and RevPAR. As a result, the true disruptions caused by peer-to-peer lodging platforms are masked within the growth of the hospitality industry as a whole. The outperformance of these various metrics may actually be underperforming relative to where they could be if peer-to-peer lodging platforms did not exist. As Thomas Caton, Chief Revenue Officer for Airdna, noted "there is this conviction that we see a lot in the hotel industry that Airbnb people, if there wasn't Airbnb, [would] be sleeping on a couch, sleeping on the street, [or] not going on the trip. If you accept that some proportion of people would have made that trip otherwise, then you have to accept that those people would have been staying in a hotel and that that has in some way affected either your occupancy or the rate you can charge in different areas." It is undeniable that some travelers who have chosen to stay in peer-to-peer accommodations would have otherwise stayed in a hotel. Whether that category continues to grow will largely depend on how the industry and its regulators respond to this phenomenon. The dynamics differ from location to location, as hoteliers must decide whether or not to view peer-to-peer lodging platforms as competitive or complementary and legislators must decide whether or not to create laws that curtail its growth or promote its future. Hotels can only be successful by adjusting to changing consumers trends and regulation can only be effective when enforcement creates compliance. The latter may poise the more serious threat, as it is the nature of a "shadow economy" to elude governmental control. Among all of the uncertainty, city officials, academics and hoteliers across the globe can agree on one thing; peer-to-peer lodging platforms are making a major impact and they are here to stay.

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