

# The Sharing Economy's Impact on the Hospitality Industry

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The sharing economy has a significant impact on many industries, including traditional hotels. A Morgan Stanley report estimated that cannibalization of the hotel industry by such services as Airbnb was about 54% in 2018. Of particular concern is the popularity of these services with the younger generation. Helping clients understand the threats and possible ways to respond is another sign of the true insurance professional.

What is the sharing economy? It usually means people sharing underutilized resources – such as cars, rooms and personal services – often for a fee. The process is most often facilitated via the internet. The concept of sharing is not new. Bartering and shared services have been an integral component of society for thousands of years. What has changed, however, is technology: the ease with which people can reach out to and negotiate with total strangers on a real time basis.

When Airbnb started in 2008, the idea of sharing a stranger's home, or sharing your home with strangers, was unthinkable to many. Airbnb now boasts over 300 million customers. What a difference a decade makes! Mobile apps allow people to share cars, homes, bicycles and even private planes. Some researchers estimate the sharing economy will exceed \$40.2 billion in revenue by the year 2022 ([www.cmo.com](http://www.cmo.com)).

Airbnb offers hosts two types of protection, free of charge. The Host Guarantee provides property insurance for the host's home and possessions. Host Protection is for third party liability claims. In either cases, not all types of losses are covered. For traditional hotels branching out to offer new services, a comprehensive review of services



offered is required to ensure that proper insurance coverage is maintained.

Online travel sites are becoming involved in the sharing economy on a large scale. Expedia's HomeAway platform had 370,000 properties listed at the end of 2018. HomeAway bookings increased 28% in 2018. ([www.hotelmanagement.net](http://www.hotelmanagement.net)). Sites like Airbnb seem to offer a hometown experience not found in a cookie cutter hotel. In response to this, some hotels may offer more local flavor in their menus and entertainment options.

The increase in accommodations available through peer-to-peer networks does not necessarily mean the death of the traditional hospitality industry. There are a number of areas where partnerships may be possible. For example, Paris, France is a location that typically sees hotel occupancy rates averaging 60-70%. Real estate values in and around the city are high, which serves as a barrier to hotel expansion and the purchase of new properties. However, hotels have a trust advantage – travelers still may feel more

comfortable renting from a known entity than an individual.

Hotels could partner with homeowners and apartment owners by offering services such as booking, check-in, check-out, registration, maintenance and cleaning, most likely at a lower cost than outside parties would charge. The added exposures of providing services to third parties may be outside the traditional insurance carried by the hotel.

The world as we know it continues to change rapidly. Companies need to adapt to these changes or face extinction. An open dialogue between the insurance agent and their clients may avoid a serious gap in coverage. Helping clients adjust to the changes and challenges imposed by the sharing economy is another value-added service of the professional insurance agent.

*Previously published in the Insurance Advocate\**



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