

MEMORANDUM

Winner, Best Overall Undergraduate Paper, Business

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TO: Ms. Wendy Cruz, Branch Manager
FROM: Hayley Gavin, Administrative Assistant
DATE: March 17, 2016
SUBJECT: Report on Private Accommodation Rental Services

As you requested, here is my report on private accommodation rental services, to help you decide whether such services would be satisfactory options for Quest Travel clients. The report is based on research from several sources, including *The Wall Street Journal*, the *Toronto Star*, and *The Globe and Mail*, with background information from the Airbnb website. I will first explain how private rental accommodation services work, then I will identify some associated pros and cons for guests, and finally, I will address the impact of such services on the tourism industry.

Description of Private Accommodation Rental Services

Private accommodation rental services, such as Airbnb, allow people to offer and book private accommodations around the world through their websites, promoting unique, culturally-immersed travel experiences at various price points and capacities ("About Us"). These services facilitate secure communication and payment through their websites, and offer cancellation and refund policies for extenuating circumstances, including failure to meet quality standards for cleanliness and safety, while relying on contracts between hosts and guests for general accommodation specifications and conditions ("Guest Refund Policy Terms").

Pros and Cons of Private Accommodation Rental Services

For guests using private accommodation rental services, there are associated pros and cons. Pros include affordability and variety. As these services offer a wide selection of accommodations, guests can find rentals that are cheaper than public accommodation alternatives and that better suit their needs, through amenities such as complete bathrooms and kitchens, free Wi-Fi, and close contact with locals (Lee, 2013). Conley, head of global hospitality and strategy for Airbnb, notes that these benefits are ideal for thrifty and longer-term travelers, and those looking to immerse themselves in the local culture (as cited in Lu, 2015).

Cons of private accommodation rental services are largely associated with reliance on strangers. Lee (2013), an independent travel writer, notes that guests must rely on strangers for accurate, fair rental terms and conditions, and must also rely on past guests' accuracy and honesty in reviews when researching spaces to rent; he also notes that thorough research is the key to a successful guest experience, so this reliance is relatively unavoidable with such services. Additionally, while these services offer refunds for failure to meet required standards and advertised conditions, the time-frame associated with going through the service as a third party for complaints and compensation adds a level of inconvenience not generally present with public accommodation services ("Guest Refund Policy Terms").

Impact of Private Accommodation Rental Services on the Tourism Industry

Private accommodation rental services are becoming more prominent every day because, as a form of niche tourism, they allow for the unique and authentic experiences that are so highly coveted, through close contact and communication with locals (Risen, 2013). This prominent growth affects several areas of the tourism industry, including traditional hotel chains and local attractions, but in varying degrees. Private and public rental services must compete on some level because both offer rental accommodations, but Turner, director of public policy with Airbnb, states that Airbnb's top markets are those in which hotels often have no vacancy (as cited in Risen, 2013). However, Karmin (2015), a reporter for *The Wall Street Journal*, notes that several hotel owners have noticed the detrimental effect private accommodation rental services have on the ability of hotels to raise prices and maximize profits during events that draw in big crowds, to compensate for slower periods and seasons.

While hotel profits may be affected during peak seasons and special events, *The Economist* noted that key players for the Four Seasons, the Hilton, and the Marriott chains have stated that there is no significant competition with private rental accommodation services for core group clients, including those travelling for business and those looking for a more exclusive experience ("Room For All", 2014). Christopher Nassetta, CEO of Hilton Worldwide Holdings Inc., explains this as different customers wanting different experiences (as cited in Karmin, 2015), which is supported by Conley's argument that Airbnb and traditional hotels are not competing for the same brand of travelers (as cited in Lu, 2015).

Private accommodation rental services have a more prominent effect on the local attractions surrounding their rentals. For example, the results of an Airbnb study showed that the average Airbnb guest in New York stays for 6.4 nights and spends \$880 daily outside of accommodations, while the average hotel guest typically stays only 3.9 nights and spends only \$695 (as cited in Kusisto, 2013). Airbnb officials also state that their services entice travelers away from typical tourist attractions, to local and independent shops with a more authentic feel, consequently generating money for local economies (as cited in Kusisto, 2013).

Conclusions

In closing, private accommodation rental services are a viable option for travelers looking to save money, find a space customized to their needs, and/or engage in the local culture, but a satisfactory guest experience requires extensive research. While such services have the potential to impact hotel chains during big events and peak seasons, the overall effect on traditional hotels is not yet a major concern, as private and public accommodation services currently offer different experiences that entice different types of travelers. At this point, private accommodation rental services have a relatively positive influence on the tourism industry, stimulating economies through local and independent shops enriched with culture, which add to the authentic experience so many travelers seek. If you require more information or further clarification, please email me at hayley.gavin@quest.ca. I would be happy to supplement this research and discuss possible implications of recommending private accommodation rental services to Quest Travel's clients.

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