



CWT ViewPoint:

Perspective on industry-shaping developments

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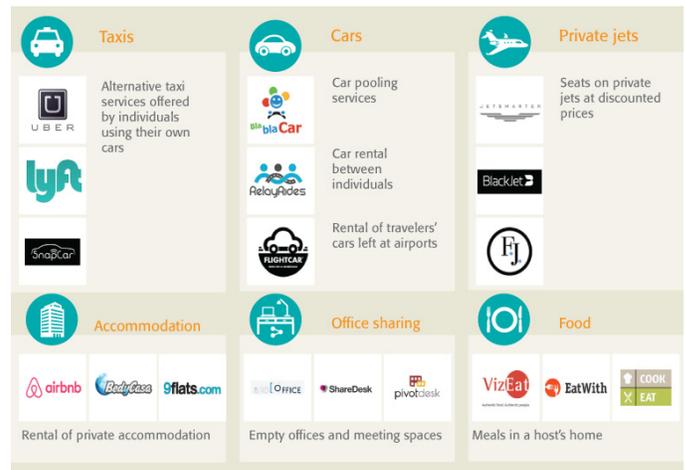
THE SHARING ECONOMY: HERE TO STAY. NOW WHAT?

The idea of sharing is not new but online marketplaces, with ever-increasing capabilities, have created new and easy ways to facilitate sharing in business. Today the “sharing economy” mostly refers to individuals renting goods or services they need from other individuals using technology-based networks to facilitate transactions.

While it’s clear the sharing economy is not a passing trend, what’s less clear is the level at which travel managers should integrate it into their travel programs. The answer is not a simple yes or no. Rather, it is as complicated as any other new and game-changing initiative available in managed travel programs over the past many years. Along with the undeniable opportunity for transaction-specific savings, many businesses believe the sharing economy is also a legitimate component of a Corporate Social Responsibility program. Using online marketplaces to exchange “used” goods and services can be a frugal and resource-friendly business practice.

Yet, critics say it is not “sharing” at all given traditional connotations of the word and the reality that the sharing economy creates billions in profits. Some believe it is merely a new business model that sidesteps the restrictions and regulations of traditional businesses. Indeed, the biggest money makers in the sharing economy may be the online marketplace builders positioned between those individuals willing to make money without traditional “employee” protections or benefits and those willing to adjust their typical procurement practices to buy at a lower price.

Meanwhile, both travel suppliers and buyers continually look to be more profitable and cost-effective. The top two travel-related sharing economy companies, Airbnb and Uber, have global attention while the number of “sharing” travel suppliers extends well beyond these two. Today, a growing number of successful companies are providing additional solutions in place of traditional hotel and ground transportation services with a host of others providing options for sharing cars, private jets, office space, peer-to-peer parking, boat rentals, new ideas for dining options and more. Certainly sharing economy suppliers entering the business travel market is causing serious concern for traditional travel suppliers, with the potential to impact both volume and pricing long-term.



While media coverage around the sharing economy suggests there is already extensive and broad use for corporate travel, the reality is usage is still a relatively minor portion of most corporate travel programs, it varies by company, and some companies still don't allow sharing economy suppliers in their travel policy. A 2015 survey from the Global Business Travel Association (GBTA) indicates 24% of companies do not allow their travelers to use ride-sharing suppliers. The GBTA study also indicates ride-sharing options as the least used by business travelers: 36% renting cars, 24% hailing taxis, 13% calling for a chauffeur, and just 11% using ride-sharing services.

More important than how well sharing economy suppliers are used currently is planning for how far the sharing economy will eventually penetrate corporate travel programs. Ultimately, buyers must remember sharing economy savings and traveler centricity should not come at the price of other program goals. There are several key considerations when determining if a sharing economy supplier is right for a travel program. Below are the top five potential pains and gains you should consider when thinking about implementing a sharing economy provider in your travel program:

POTENTIAL PAINS	POTENTIAL GAINS
Corporate Culture and Traveler Fit: Consider alignment between sharing economy purchasing and other travel program components, as well as with overall company philosophy, and the willingness of travelers, young and old, to try something new.	Savings: Analyze program options as the <i>CWT Solutions Group</i> study reveals companies can save up to 37% using Airbnb accommodations, depending on the number of nights. Uber for Business suggests fares average 40-60% less than a taxi in most major cities.
Duty of Care: Ensure uncompromised traveler safety. Travelers may or may not understand sharing economy properties and transportation are not always licensed, inspected, or regulated like hotels, chauffeured services and taxis. Buyers must ensure all approved properties are safe and secure.	Traveler Experience: Get even more mobile as sharing economy providers transform the users' experience pre, during and post trip through slick and simple mobile interfaces, cash-free transactions, feedback and ratings.
Evolving Regulations: Understand current and changing regulations in key markets along with the related effect on pricing, ease of use, and flexibility. According to a 2014 report by New York's Attorney General, nearly 75% of Airbnb's listings between 2010 and 2014 were "illegal hotels," violating state and city laws by renting out property for less than 30 days without the occupants also present. Officials are pursuing hefty fines from property owners accordingly.	Supply: Consider additional supply as Airbnb asserts an estimated 550,000 accommodation options or inventory, which makes it in the top five for all hospitality brands considered. Uber is present in 330+ cities in 60+ countries with 100k+ driver partners. According to PKF Hospitality Research, Airbnb accommodations represent more than 5% of the total hotel rooms available in 19 markets in the US, and more than 15% of the total rooms available in Austin, New York City or San Francisco.
Traveler Inconvenience/Cost Transfer: Weigh the potentially time-consuming selection of trustworthy vendors, additional logistics and additional expenses associated with sharing economy accommodations such as key drop services, meals requiring transportation, and other products and services typically provided by traditional hotels.	Central Billing: Review new functionality as key sharing economy suppliers now market a central billing option on their business travel platforms allowing corporations to streamline payment for all travelers.
Program Cannibalization: Analyze the point at which sharing economy usage jeopardizes established discounts with other suppliers.	Reporting: Compare functionality as key sharing economy suppliers market a new offering with detailed reports on traveler usage, total cost and traveler ratings.

IS YOUR COMPANY READY FOR IT?

Two Key Enablers:

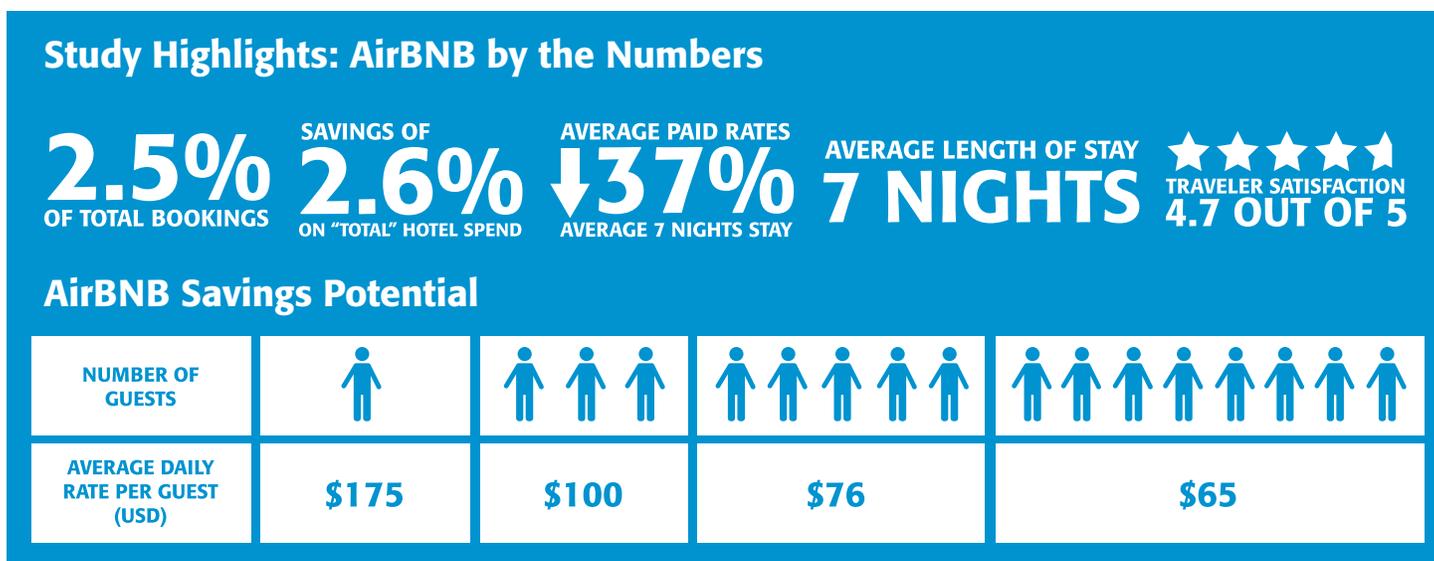
Technology: Is your program technology-ready? *Mobile phone apps, including geo-location capabilities, help locate travelers in a crisis while also helping locate someone nearby for a ride, room or meal. Online reviews create a level of trust and virtual payment allows easy and secure money transfer.*

Travel Policy: Is yours traveler-centric or mandated? *The "Traveler Centricity" trend has shifted more focus to the specific needs and wants of individual travelers. 60-page travel policies are now often simplified, 10-page documents, easing restrictions for travelers and leaving them with expanded options and greater discretion.*



CWT SOLUTIONS GROUP FOCUS ON AIRBNB: SERIOUS SAVINGS OR THE PRICE OF SERVICE?

The *CWT Solutions Group* recently analyzed isolated performance indicators related to the usage of Airbnb vs. traditional hotels for a sampling of new-technology client companies that have specifically included Airbnb in their program. Using 2015 data, findings indicate that although tracked sharing economy usage is still relatively marginal at just 2.5% of total accommodation bookings; the average paid rates were 37% lower. These rates are even lower when analyzing the average paid rates by guest, as Airbnb offers the option of several travelers sharing an apartment with individual sleeping rooms and adequate privacy. Airbnb uses a dynamic pricing tool, similar to those used widely in the hotel industry, offering hosts daily pricing tips. Airbnb and Uber both also use automated, “surge pricing” adjustments based on current market conditions, i.e., supply and demand as well as relative to a listing’s unique or popular “characteristics.” This sophisticated revenue management approach is yet another way Airbnb is decreasing the gap with traditional hotels.



The study also identified a clear pattern in the length of stay; Airbnb stays are twice as long as traditional hotels, with **7 nights’ stay on average**. However, in some destinations such as Tokyo or Shanghai, travelers were actually booking Airbnb accommodations in lieu of traditional hotels, even for shorter stays.

In conclusion, sharing economy cost savings are available for any company with the right cultural fit and a willing segment of travelers, assuming right-sized opportunities in the appropriate destinations with the right length of stay. Airbnb enabled **2.6% savings for total “hotel” spend on average**.

Yet, before rushing to savings, buyers and travelers must also understand the price difference may be the price of service. Any traveler requiring a sense of service or other assurances licensed providers offer such as video cameras, fire detection systems, deadbolt locks, safes and more, may not be a good match for Airbnb. And, as clients and seasoned travelers well know, if a larger living space with a full kitchen and multiple sleeping rooms is needed, many traditional suppliers already offer these amenities via extended stay brands and without compromising safety and security requirements. Based on the *CWT Solutions Group* survey and ratings from Airbnb users from these companies, **traveler satisfaction ratings averaged 4.7 on a scale of 0 - 5**.





PROCEED WITH CAUTION

Given the largely positive feedback from travelers and travel managers, it seems sharing economy suppliers have staying power. In addition, both Airbnb and Uber have turned some attention in recent months to modifying their offering to attract more business clients.

The savings are tempting yet, if buyers were strictly focused on savings, a variety of other options would already be widely used around the globe. Price is just one of many criteria used to judge whether a supplier belongs in a corporate travel program. And so, given a variety of concerns, it makes sense that very few companies or travel managers have endorsed or prohibited sharing economy solutions broadly in their travel policy. The first step for any corporate travel program is to determine their position and educate travelers accordingly. Left ambiguous, traveler leakage and compliance issues will inevitably arise from their lack of understanding around benefits and/or risks.

At the same time, central to the business travel industry's ability to take an informed position, Airbnb and Uber must provide greater transparency to address corporate travel concerns. Today, neither Airbnb nor Uber load rates via global distribution systems (GDSs) or any platform that allows a third-party to book. Airbnb recently launched a business travel platform in an effort to meet some of the needs expressed by travel managers: view employee bookings and itineraries at Airbnb properties, export company-wide financial data and reports in real time, and centralize company billing for those bookings. They also assert they are working to address concerns linked to security, insurance, distribution, and reporting.

Nonetheless, some of the most critical "must-haves" remain unavailable to corporate buyers: consistency of the service and products, assurances around safety, traveler tracking, easy check-in process, and integrated distribution and booking channels. And so today, with minimal albeit evolving consolidated data or reporting, there is a predictable fragmentation of volumes with traditional suppliers and a related loss of leverage for negotiations when using sharing economy suppliers, along with degradation in a traveler's booking experience and the long-term risk of sustained leakage caused by the use of separate, multiple booking channels.

In the long term, Airbnb will have to create key additional business travel features to become widely accepted in travel managers' tools and processes. As long as it does not, Airbnb will likely remain on the cusp of acceptance in travel policies and not be overly encouraged by travel managers concerned with more than bottom-line pricing.

Assessing the Potential

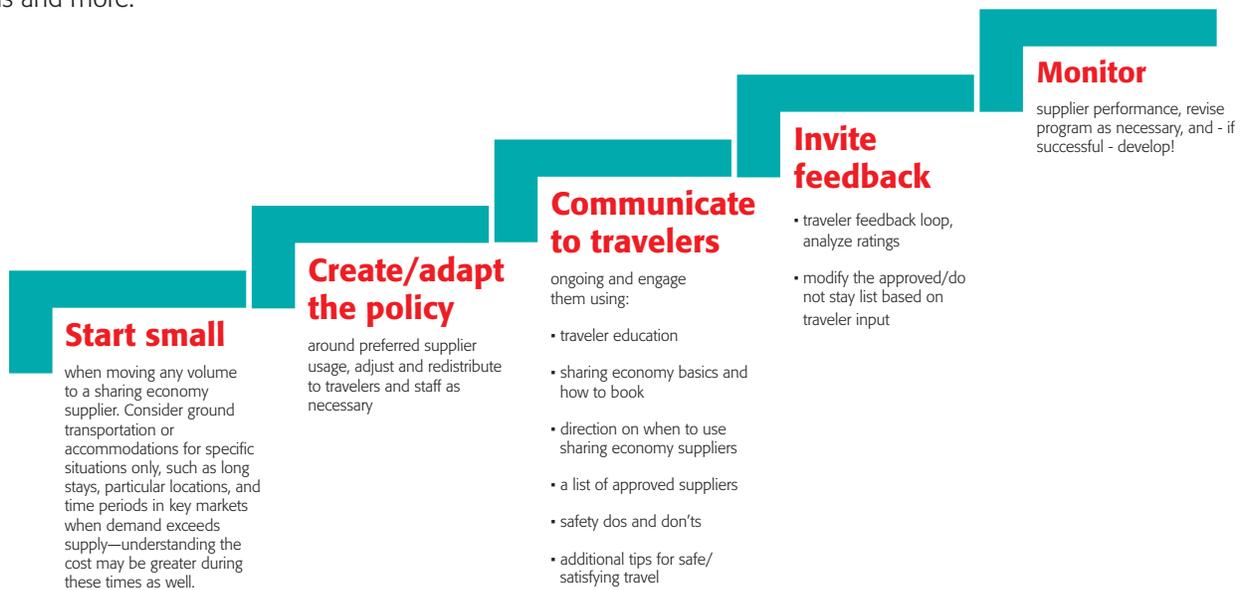
1. Analyze total hotel spend vs. hotel spend that could be covered by a sharing economy supplier, based on both specific destinations and corporate standards.
2. Identify the average number of trips in those destinations with more than two nights' typical stay and those travelers who are open to using sharing economy suppliers.

If sharing economy suppliers are ruled out, a basic statement to inform travelers of the company decision, along with an explanation, is important for compliance.

WHEN TO MOVE AHEAD

There is no single, definitive way to determine whether a sharing economy supplier is a good fit for your program. Indeed, it is often a matter of combining unique program and supplier data with corporate culture and industry know-how to come up with the right solution for a specific program. That said, contemplating a myriad of key questions and issues can help buyers identify both the specific pains and gains associated with using sharing economy suppliers and make an informed decision. Ultimately, does using a sharing economy supplier solve one or several business issues? Buyers must look at the size of the opportunity, corporate culture and traveler willingness, duty of care and liability around safety and security, particular regulations market by market, usefulness in certain circumstances, current supplier relationships and volume commitments, current policy, and infrastructure and integration with program components such as security, insurance, billing, distribution and reporting.

Conversely, if sharing economy suppliers are ruled out, a basic statement to inform travelers of the company decision, along with an explanation, is important for compliance. It's likely that even non-traveling employees want to understand why a company isn't interested in sharing economy savings. Policies prohibiting Airbnb, Uber and others like them typically speak to safety, security, and traveler tracking concerns, along with insurance coverage, the ability to use corporate payment methods, cleanliness/sanitary concerns and more.



The sharing economy has some undeniable benefits for travel programs and travelers but the bottom line is companies are responsible when they place an employee on a plane, in a vehicle, or in overnight accommodations. The corporate buyer must "beware" and weigh the trade-offs of a sharing economy supplier vs. a traditional one, understanding how they work within the parameters of corporate policy. Today, given the current services and conditions offered by sharing economy providers and from a traditional management perspective, there can be more pain than gain overall for most travel programs and their travelers. As always, what one company finds acceptable or appealing, another clearly may not. Are sharing economy supplier options right for you? CWT Solutions Group uses a disciplined approach and methodology to help clients make that determination. And, given the fast pace of industry change, buyers should continually monitor sharing economy suppliers as their value proposition is sure to evolve. Indeed, as sharing economy suppliers modify their offering, at what point are they simply another traditional supplier? With time and travel buyer influence, the managed travel industry will eventually know.

Interested in learning more about how the CWT Solutions Group can help you analyze the potential pains and gains of sharing economy suppliers specifically for your program?

Please visit www.cwt-solutions-group.com and/or contact your CWT representative.