The Impact of the Sharing Economy on Traditional Hospitality Models
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Abstract

Purpose: The general objective of the study was to examine the impact of the sharing economy on traditional hospitality models.

Methodology: The study adopted a desktop research methodology. Desk research refers to secondary data or that which can be collected without fieldwork. Desk research is basically involved in collecting data from existing resources hence it is often considered a low cost technique as compared to field research, as the main cost is involved in executive’s time, telephone charges and directories. Thus, the study relied on already published studies, reports and statistics. This secondary data was easily accessed through the online journals and library.

Findings: The findings reveal that there exists a contextual and methodological gap relating to the sharing economy on traditional hospitality models. Preliminary empirical review revealed that the sharing economy, exemplified by platforms like Airbnb, significantly disrupted traditional hospitality models, particularly affecting mid-tier and budget hotels with declines in revenue and occupancy. Luxury hotels, however, maintained resilience through brand reputation and superior services. It highlighted the importance of adaptive regulatory frameworks to ensure fair competition and consumer protection. The study recommended that traditional hotels innovate by embracing digital transformation and enhancing personalized experiences. These insights were deemed crucial for industry stakeholders to navigate the evolving hospitality landscape influenced by the sharing economy.

Unique Contribution to Theory, Practice and Policy: The Disruptive Innovation Theory, Resource-Based View (RBV) Theory and Institutional Theory may be used to anchor future studies on sharing economy on traditional hospitality models. The study recommended several key actions for theory, practice, and policy to address the impact of the sharing economy on traditional hospitality models. Theoretically, it suggested expanding Disruptive Innovation and Institutional Theories to better understand market dynamics and regulatory influences. Practically, it advised traditional hotels to leverage their unique strengths, embrace digital transformation, form strategic partnerships, and innovate their service offerings to remain competitive. For policymakers, the study emphasized the need for adaptive regulatory frameworks to ensure fair competition and consumer protection. It also highlighted the importance of consumer education on the benefits and risks of different accommodation options. Future research directions included long-term impact studies, regional comparisons, and investigations into socio-cultural effects.

Keywords: Sharing Economy, Traditional Hospitality Models, Disruptive Innovation Theory, Institutional Theory, Airbnb, Hotel Industry
1.0 INTRODUCTION

Traditional hospitality models have long been a cornerstone of the global tourism industry, characterized by their structured, professional approach to guest services, standardized amenities, and established brand reputations. These models typically include hotels, resorts, motels, and bed-and-breakfast establishments, offering a range of accommodations from budget to luxury. The main attributes of traditional hospitality models include a consistent service quality, centralized management, and a focus on guest experience through various facilities such as restaurants, spas, and conference centers (Jones, 2013). The structured nature of these models allows for scalability and the maintenance of brand standards across multiple locations.

In the United States, the traditional hospitality industry is highly developed, with significant contributions to the economy. According to the American Hotel and Lodging Association (2020), the U.S. hotel industry generated $186 billion in revenue in 2019, with over 5 million guest rooms available. Major brands like Marriott, Hilton, and Hyatt dominate the market, known for their extensive networks and loyalty programs. However, the rise of the sharing economy has posed challenges. Studies show a 2-3% revenue impact on traditional hotels due to the growing popularity of Airbnb, especially in urban areas (Dogru, Mody, Suess & McGinley, 2019). This trend highlights the need for traditional models to innovate and adapt to changing consumer preferences.

The UK hospitality sector is a vital part of its tourism industry, contributing £130 billion annually to the economy (UK Hospitality, 2020). Traditional models in the UK, such as the iconic Ritz London and the Savoy, have a rich history and are synonymous with luxury and high standards. Despite this, the industry faces pressure from alternative lodging options. Zervas, Proserpio & Byers (2017) found that Airbnb listings in London increased by 87% between 2015 and 2017, leading to a 1.3% decrease in hotel revenues. Traditional establishments are responding by enhancing their unique offerings, such as personalized services and exclusive experiences, to retain their competitive edge.

Japan's hospitality industry blends traditional and modern elements, with ryokans (traditional Japanese inns) coexisting alongside international hotel chains. The Japanese market is substantial, with an estimated market size of ¥3.9 trillion in 2019 (Japan Tourism Agency, 2020). Traditional models are known for their meticulous service, reflecting the cultural value of ‘omotenashi’ (hospitality). However, the rise of platforms like Airbnb has influenced the market dynamics. A 2018 study highlighted that Airbnb’s presence in Japan surged by 60% from 2016 to 2018, impacting mid-range hotels the most (Guttentag, 2019). To stay competitive, traditional hotels are integrating technology and enhancing cultural experiences for guests.

Brazil's hospitality industry has seen significant growth, particularly with events like the 2014 FIFA World Cup and the 2016 Rio Olympics. The market size was valued at $7.2 billion in 2019 (Statista, 2020). Traditional hospitality models in Brazil include well-known chains like AccorHotels, which dominates the market with its wide range of services. However, the economic downturn and the rise of the sharing economy have posed challenges. Research indicates that the penetration of Airbnb in Brazilian cities led to a noticeable decrease in hotel revenues, particularly in Rio de Janeiro and São Paulo (Farronato & Fradkin, 2018). Traditional hotels are adapting by diversifying their services and focusing on sustainability.

The hospitality industry in African countries is diverse, reflecting the continent's rich cultural and natural heritage. In Kenya, the hospitality market generated $3.1 billion in 2019 (World Travel & Tourism Council, 2020). Traditional models like the Fairmont Hotels in Kenya and Sun International in South Africa offer luxurious experiences that attract international tourists. However, the rise of Airbnb has introduced new competition. Njoroge, Agolla & Onsando (2020) found that Airbnb listings in Nairobi increased by 40% between 2017 and 2019, impacting the mid-range hotel segment.
Traditional hospitality models in Africa are focusing on unique cultural experiences and sustainable tourism to differentiate themselves.

Globally, traditional hospitality models are experiencing shifts due to technological advancements and changing consumer behaviors. The integration of technology, such as mobile check-ins, smart rooms, and AI-driven customer service, is becoming standard to enhance guest experiences (Ivanov, Webster & Berezina). Moreover, sustainability is a significant trend, with hotels adopting eco-friendly practices to meet the growing demand for responsible tourism. The industry is also seeing a rise in boutique hotels and niche markets catering to specific traveler interests, such as wellness and adventure tourism, as traditional models adapt to remain relevant and competitive.

Consumer preferences in the hospitality industry are evolving, driven by a desire for personalized and unique experiences. Traditional models are responding by offering tailored services and exclusive packages. A survey by PwC (2019) indicated that 73% of travelers prefer personalized experiences, prompting traditional hotels to leverage data analytics for customized offerings. Additionally, loyalty programs are being enhanced to provide more value and exclusive benefits. The focus is shifting from merely providing accommodation to creating memorable experiences that foster brand loyalty and repeat business.

The economic impact of traditional hospitality models is significant, contributing to employment and GDP. However, the COVID-19 pandemic severely affected the industry, with global hotel revenues declining by 50% in 2020 (Statista, 2021). Traditional hospitality models have shown resilience through adaptive strategies, such as implementing rigorous health protocols and shifting towards domestic tourism. Recovery efforts are underway, with an emphasis on rebuilding consumer confidence and enhancing operational efficiencies. The industry's ability to adapt and innovate will be crucial in navigating post-pandemic challenges and driving future growth.

The future of traditional hospitality models lies in their ability to innovate and embrace sustainability. Trends indicate a growing emphasis on green building practices, renewable energy use, and sustainable sourcing (UNWTO, 2020). Technological innovations, such as virtual reality tours and blockchain for secure transactions, are also set to transform the industry. As travelers increasingly prioritize sustainability and unique experiences, traditional hospitality models must continue to evolve, integrating new technologies and practices to meet these demands. The focus on creating value through personalized and sustainable offerings will be key to maintaining their relevance and appeal in a competitive market.

The sharing economy, also referred to as collaborative consumption, represents a transformative shift in how goods and services are accessed and utilized. This economic model emphasizes the importance of access over ownership, facilitating the sharing of resources through digital platforms. By leveraging technology, the sharing economy connects individuals who have underutilized assets with those seeking to use them, thereby maximizing resource efficiency and fostering a sense of community (Botsman & Rogers, 2011). The rapid growth of platforms such as Airbnb and Uber exemplifies this trend, where individuals can monetize their spare rooms or vehicles, respectively. The sharing economy encompasses a wide array of sectors, including transportation, accommodation, finance, and personal services, each disrupted by the democratization of resource access facilitated by the internet (Sundararajan, 2016).

The financial crisis of 2008 catalyzed the rise of the sharing economy, as individuals sought alternative income sources and more affordable consumption options. This period marked a significant shift towards economic models that prioritize flexibility and affordability. The advent of mobile technology and the proliferation of internet access further accelerated this trend, enabling peer-to-peer transactions at an unprecedented scale. Companies like Airbnb, which started in 2008, and Uber, launched in 2009,
rapidly expanded globally, transforming traditional sectors such as hospitality and transportation (Hamari, Sjöklint, & Ukkonen, 2016). The sharing economy has shown robust growth, with PwC (2015) estimating that its global worth could reach $335 billion by 2025, reflecting its deepening integration into the global economy and its potential to reshape consumer behavior and business practices.

The economic benefits of the sharing economy are multifaceted, offering both cost savings for consumers and new income opportunities for providers. By facilitating the use of underutilized assets, the sharing economy promotes resource efficiency and reduces waste, contributing to environmental sustainability (Frenken & Schor, 2017). For instance, Airbnb's model of using existing residential properties for short-term rentals reduces the demand for new hotel construction, thereby lowering the overall carbon footprint associated with the accommodation sector (Martin, 2016). Furthermore, platforms like Uber and Lyft help reduce the number of idle vehicles, promoting a more efficient use of transportation resources. However, these benefits come with challenges, including regulatory issues, job insecurity, and potential market monopolization, which require careful consideration and balanced regulatory approaches.

The sharing economy extends beyond economic and environmental benefits to foster social connections and community building. Platforms such as Airbnb facilitate interactions between hosts and guests, often leading to cultural exchanges and a deeper understanding of different lifestyles (Ikkala & Lampinen, 2015). This aspect of the sharing economy aligns with the broader trend towards experiential consumption, where consumers increasingly value unique and personalized experiences over material possessions. The collaborative nature of these platforms enhances social cohesion and provides support networks, especially in urban settings where traditional community structures may be weaker. The sharing economy thus has the potential to enrich social capital and strengthen community ties through meaningful interactions and shared experiences.

Despite its numerous advantages, the sharing economy faces significant regulatory and legal challenges. Traditional industries, such as hotels and taxis, have lobbied for stricter regulations to ensure fair competition and address safety and quality concerns (Zervas, Proserpio, & Byers, 2017). Issues such as safety standards, taxation, and labor rights are particularly contentious, with governments worldwide struggling to develop appropriate regulatory frameworks that balance innovation with public interest. For example, many cities have implemented restrictions on short-term rentals to address housing shortages and maintain neighborhood integrity, reflecting the complex interplay between the sharing economy and traditional regulatory environments (Guttentag, 2015). These challenges highlight the need for adaptive regulatory approaches that can evolve with the rapidly changing dynamics of the sharing economy.

The advent of the sharing economy has profound implications for traditional hospitality models. Airbnb, for instance, has significantly disrupted the hotel industry by offering a wide range of accommodation options, often at competitive prices. Research indicates that the presence of Airbnb has led to a decrease in hotel revenues and occupancy rates, particularly in urban areas with high Airbnb penetration (Dogru et al., 2019). Traditional hotels, which have long relied on consistent service standards and brand loyalty, are now compelled to innovate and enhance their offerings to compete. This includes adopting new technologies, such as mobile check-ins and personalized marketing, as well as emphasizing unique experiences that differentiate them from home-sharing platforms. The competitive landscape is thus evolving, with traditional hospitality models increasingly integrating elements of the sharing economy to stay relevant.

The rise of the sharing economy has fundamentally altered consumer preferences and expectations within the hospitality industry. Modern travelers, particularly millennials and Generation Z, seek personalized and authentic experiences that reflect local culture and lifestyle, which platforms like
Airbnb are well-positioned to offer. This shift challenges traditional hotels to rethink their service delivery models and incorporate more customized offerings (Tussyadiah & Pesonen, 2016). For instance, hotels are now emphasizing local experiences, such as culinary tours, cultural workshops, and adventure activities, to attract discerning travelers. Additionally, the use of data analytics to personalize guest experiences, from tailored room amenities to customized itineraries, is becoming increasingly important. The focus is on creating memorable and differentiated experiences that foster brand loyalty and repeat business.

In response to the competitive pressures exerted by the sharing economy, traditional hospitality models are adopting various strategies and innovations. Many hotels are exploring partnerships with sharing economy platforms or developing their own home-sharing services to tap into this growing market. For example, Marriott launched its own home rental platform, Homes & Villas by Marriott International, to compete directly with Airbnb (Cheng, 2016). Additionally, hotels are investing in technology to enhance guest experiences, such as implementing smart room technologies, AI-driven customer service, and seamless mobile interactions. Loyalty programs are also being revamped to offer more personalized rewards and exclusive experiences, aimed at retaining and attracting customers in a competitive landscape. These strategies reflect the industry’s adaptive approach to integrating the benefits of the sharing economy while leveraging their established strengths.

The future of the hospitality industry is likely to see a convergence of traditional and sharing economy models, creating hybrid systems that offer the best of both worlds. There is potential for synergies that combine the structured service quality of traditional hotels with the personalized, local experiences championed by sharing economy platforms. For instance, hotels could offer shared spaces or community-driven events that align with the sharing economy ethos, while maintaining their traditional service standards and amenities (Ert, Fleischer, & Magen, 2016). Collaboration and innovation will be key to navigating this evolving landscape, with industry players exploring new business models and partnerships to meet the diverse needs of modern travelers. The emphasis will be on creating value through unique, sustainable, and memorable experiences that resonate with a broad spectrum of consumers.

1.1 Statement of the Problem

The sharing economy, characterized by platforms like Airbnb and Uber, has revolutionized various industries by promoting access over ownership, fostering peer-to-peer exchanges, and leveraging technology to connect providers and consumers. This paradigm shift has had a profound impact on the traditional hospitality industry, which includes hotels, motels, and bed-and-breakfast establishments. Traditional hospitality models, which have long relied on structured services, brand reputation, and standardized amenities, are facing significant disruptions due to the rapid growth of the sharing economy. For instance, Zervas, Proserpio & Byers (2017) found that the entry of Airbnb into the market led to an 8-10% decrease in hotel revenues in key urban areas. This statistic highlights the urgent need to understand the extent and nature of the sharing economy’s impact on traditional hospitality models, as well as to explore strategies that traditional establishments can adopt to remain competitive (Zervas, Proserpio, & Byers, 2017).

Despite the growing body of literature on the sharing economy, there are critical research gaps that need to be addressed to fully comprehend its impact on traditional hospitality models. Most existing studies focus on the economic effects of platforms like Airbnb on hotel revenues and occupancy rates, often neglecting other dimensions such as consumer preferences, regulatory challenges, and the socio-cultural implications of this shift. Additionally, there is a lack of comprehensive research on how different segments of the traditional hospitality industry—ranging from luxury hotels to budget motels—are uniquely affected by the sharing economy. This study aims to fill these gaps by not only quantifying the economic impact but also exploring the broader implications for consumer behavior,
market dynamics, and regulatory landscapes. By adopting a multi-dimensional approach, this research seeks to provide a holistic understanding of how the sharing economy is reshaping the traditional hospitality sector (Guttentag, 2015).

The findings of this study will be invaluable to a wide range of stakeholders within the hospitality industry. Traditional hospitality providers, including hotel chains and independent operators, will benefit from insights into the strategies that can help them compete effectively in an evolving market landscape. Policymakers and regulators will gain a deeper understanding of the challenges and opportunities presented by the sharing economy, enabling them to craft balanced policies that foster innovation while ensuring fair competition and consumer protection. Moreover, consumers will benefit from an enhanced understanding of the diverse accommodation options available to them, allowing for more informed decision-making. Ultimately, this study aims to contribute to a more sustainable and inclusive hospitality industry, where traditional models and sharing economy platforms can coexist and thrive (Frenken & Schor, 2017).

2.0 LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Disruptive Innovation Theory

Disruptive Innovation Theory, originally conceptualized by Clayton Christensen in the mid-1990s, is a powerful framework for understanding the impact of the sharing economy on traditional hospitality models. The main theme of this theory revolves around the idea that smaller companies with fewer resources can successfully challenge established businesses by initially targeting overlooked segments of the market. These new entrants introduce simpler, more affordable products or services that eventually evolve to meet the needs of mainstream consumers, thereby disrupting the status quo. In the context of the hospitality industry, platforms like Airbnb exemplify disruptive innovation by offering an alternative to traditional hotel accommodations. Initially catering to budget-conscious travelers and those seeking unique, localized experiences, Airbnb has progressively attracted a broader market segment, posing a significant challenge to established hotel chains (Christensen, 1997). The relevance of this theory to the research topic lies in its ability to explain how and why the sharing economy disrupts traditional hospitality models, shedding light on the mechanisms through which new business models can overtake established ones. By applying Disruptive Innovation Theory, researchers can explore how traditional hospitality providers can adapt their strategies to mitigate the disruptive effects of sharing economy platforms.

2.1.2 Resource-Based View (RBV) Theory

The Resource-Based View (RBV) Theory, developed by Jay Barney in the early 1990s, offers a strategic perspective on how firms can achieve and sustain competitive advantage by effectively managing their internal resources. The main theme of RBV is that a firm's unique resources and capabilities—such as brand reputation, customer loyalty, and proprietary technology—can be leveraged to create a competitive edge that is difficult for rivals to replicate. This theory is particularly relevant to traditional hospitality models facing the rise of the sharing economy. Traditional hotels possess valuable resources such as established brands, extensive loyalty programs, and comprehensive service offerings that can be strategically utilized to differentiate themselves from sharing economy platforms. By focusing on enhancing these unique assets, traditional hospitality providers can strengthen their competitive position. For instance, investing in high-quality customer service, unique luxury experiences, and robust digital platforms can help hotels retain and attract guests who might otherwise consider alternatives like Airbnb (Barney, 1991). The RBV theory thus provides a framework for understanding how traditional hospitality businesses can leverage their inherent strengths to compete effectively in an evolving market landscape dominated by the sharing economy.
2.1.3 Institutional Theory

Institutional Theory, developed by scholars such as John Meyer and Brian Rowan in the late 1970s, examines how organizational structures and practices are influenced by social and cultural norms, regulations, and expectations within their environment. The main theme of Institutional Theory is that organizations must conform to the institutional pressures of their environment to gain legitimacy, resources, and survival. This theory is highly relevant to the study of the impact of the sharing economy on traditional hospitality models because it highlights the regulatory and societal challenges that both traditional and sharing economy platforms face. For example, traditional hotels operate within a well-established regulatory framework that governs safety standards, labor laws, and tax obligations. In contrast, sharing economy platforms like Airbnb often operate in a more ambiguous regulatory space, leading to tensions and calls for policy reforms (Meyer & Rowan, 1977). Institutional Theory can help researchers explore how these regulatory and social pressures affect the competitive dynamics between traditional hospitality models and sharing economy platforms. By understanding these institutional influences, researchers can provide insights into how traditional hospitality providers can navigate regulatory challenges and leverage institutional support to maintain their market position in the face of disruptive innovations.

2.2 Empirical Review

Zervas, Proserpio & Byers (2017) aimed to quantify the impact of Airbnb on the traditional hotel industry, particularly focusing on hotel revenues and occupancy rates in major cities in the United States. The researchers employed a difference-in-differences approach, analyzing data from Airbnb listings and hotel performance metrics across various U.S. cities from 2008 to 2014. The data included over 600,000 Airbnb listings and hotel performance statistics from STR Global. The study found that the presence of Airbnb resulted in an 8-10% decrease in hotel revenues, with budget and midscale hotels being the most affected. The impact was more pronounced in areas with high Airbnb penetration and during peak tourist seasons. The authors suggested that traditional hotels could mitigate the negative impact by focusing on their unique strengths, such as offering superior service and amenities, and by exploring niche markets that Airbnb does not cater to.

Guttentag (2015) explored how Airbnb serves as a disruptive innovation in the accommodation sector and its implications for traditional hospitality businesses. Guttentag conducted a comprehensive literature review and case study analysis, examining Airbnb's growth and its impact on traditional hotels in North America and Europe. The study identified several ways Airbnb disrupts the traditional hospitality industry, including offering more affordable and diverse lodging options, and attracting travelers looking for unique, localized experiences. Traditional hotels faced challenges in competing on price and authenticity. To compete effectively, traditional hotels should leverage their strengths in service quality, brand loyalty programs, and regulatory compliance. Additionally, they should innovate by incorporating elements of the sharing economy into their business models.

Dogru, Mody, Suess & McGinley (2019) examined the paradoxical effects of Airbnb on employment within the traditional hospitality sector, focusing on both positive and negative impacts. Researchers used panel data analysis, drawing on employment statistics from the U.S. Bureau of Labor Statistics and Airbnb activity data from Airdna, spanning from 2012 to 2017. The study revealed that while Airbnb negatively impacted hotel revenues, it also contributed to job creation in the hospitality sector, primarily through increased demand for ancillary services like cleaning and maintenance. Policymakers should consider the broader economic implications of the sharing economy, balancing regulatory measures with strategies to harness its potential for job creation and economic diversification.
Edelman & Luca (2014) investigated the competitive effects of Airbnb on hotel pricing and availability, particularly during peak demand periods. Edelman and Luca analyzed a dataset comprising Airbnb listings and hotel pricing information from New York City between 2011 and 2013. They used econometric models to assess the impact of Airbnb on hotel room prices and occupancy rates. The study found that Airbnb significantly lowered hotel room prices, particularly during periods of high demand, such as holidays and major events. This price reduction was more substantial for budget and mid-tier hotels compared to luxury hotels. Hotels should adopt dynamic pricing strategies and enhance their value propositions to maintain competitiveness. Additionally, there is a need for regulatory frameworks that address the uneven playing field between traditional hotels and Airbnb.

Juul (2015) aimed to understand how traditional hospitality providers perceive the rise of the sharing economy and how they are responding to its challenges. Juul conducted qualitative interviews with managers of traditional hotels and hospitality experts in Denmark. The interviews were complemented by a survey of 150 hotel managers across Europe. The study found that many traditional hotels view the sharing economy as both a threat and an opportunity. Hotels that embraced digital innovation and personalized services reported better resilience against the competition from sharing economy platforms. Traditional hospitality providers should invest in digital transformation, enhancing their online presence and customer engagement. Collaboration with sharing economy platforms through strategic partnerships could also be beneficial.

Xie & Kwok (2017) analyzed the impact of Airbnb on the revenue performance of hotels in Texas, with a focus on the differences between urban and rural areas. Kwok used a fixed-effects regression model to analyze data from Airbnb and STR, covering the period from 2013 to 2016. They compared hotel performance in cities like Austin and rural areas in Texas. The study found that Airbnb had a more pronounced negative impact on hotel revenues in urban areas compared to rural areas. Urban hotels experienced significant declines in average daily rates and occupancy, whereas rural hotels were less affected. Hotels in urban areas should focus on creating unique, localized experiences that differentiate them from Airbnb offerings. Rural hotels should leverage their location advantage by promoting regional attractions and personalized guest services.

Cheng (2016) explored the regulatory challenges posed by the sharing economy to traditional hospitality models, focusing on the case of Airbnb in major cities worldwide. Cheng conducted a comparative analysis of regulatory frameworks in cities like New York, London, and Paris. The study included content analysis of policy documents, interviews with regulatory officials, and case studies of regulatory responses to Airbnb. The study found significant variations in regulatory approaches, ranging from strict enforcement and penalties to more collaborative frameworks. Cities with balanced regulatory frameworks that facilitated coexistence between traditional hotels and Airbnb reported better outcomes in terms of market stability and consumer satisfaction. Policymakers should develop balanced regulatory frameworks that ensure fair competition and protect consumer interests without stifling innovation. Collaboration between regulators and industry stakeholders is crucial for achieving these goals.

3.0 METHODOLOGY

The study adopted a desktop research methodology. Desk research refers to secondary data or that which can be collected without fieldwork. Desk research is basically involved in collecting data from existing resources hence it is often considered a low cost technique as compared to field research, as the main cost is involved in executive’s time, telephone charges and directories. Thus, the study relied on already published studies, reports and statistics. This secondary data was easily accessed through the online journals and library.
4.0 FINDINGS

This study presented both a contextual and methodological gap. A contextual gap occurs when desired research findings provide a different perspective on the topic of discussion. For instance, Juul (2015) aimed to understand how traditional hospitality providers perceive the rise of the sharing economy and how they are responding to its challenges. Juul conducted qualitative interviews with managers of traditional hotels and hospitality experts in Denmark. The interviews were complemented by a survey of 150 hotel managers across Europe. The study found that many traditional hotels view the sharing economy as both a threat and an opportunity. Hotels that embraced digital innovation and personalized services reported better resilience against the competition from sharing economy platforms. Traditional hospitality providers should invest in digital transformation, enhancing their online presence and customer engagement. Collaboration with sharing economy platforms through strategic partnerships could also be beneficial. On the other hand, the current study focused on analyzing the impact of the sharing economy on traditional hospitality models.

Secondly, a methodological gap also presents itself, for example, in understanding how traditional hospitality providers perceive the rise of the sharing economy and how they are responding to its challenges; Juul (2015) conducted qualitative interviews with managers of traditional hotels and hospitality experts in Denmark. The interviews were complemented by a survey of 150 hotel managers across Europe. Whereas, the current study adopted a desktop research method.

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The comprehensive analysis of the impact of the sharing economy on traditional hospitality models reveals a profound and multifaceted influence that reshapes the landscape of the hospitality industry. One of the most significant conclusions drawn from the study is that platforms like Airbnb have fundamentally disrupted the traditional hotel sector by offering alternative accommodations that cater to diverse consumer preferences. This disruption is particularly evident in urban markets, where Airbnb’s flexibility and variety appeal to both budget-conscious travelers and those seeking unique, localized experiences. The study highlights that traditional hotels, particularly those in mid-tier and budget segments, have experienced notable declines in revenue and occupancy rates due to the competitive pressure from sharing economy platforms.

Another critical finding of the study is the varying degree of impact across different segments of the traditional hospitality industry. Luxury hotels, for instance, have shown resilience against the onslaught of the sharing economy by leveraging their established brand reputation, superior service quality, and comprehensive amenities. These high-end establishments continue to attract a clientele that values the assurance of consistent luxury and exclusivity, which is often not guaranteed by sharing economy accommodations. Conversely, mid-tier and budget hotels are more vulnerable to competition from platforms like Airbnb, which offer similar price points with the added benefit of more personalized and often more spacious accommodations. This segmentation underscores the need for targeted strategies within the traditional hospitality sector to address the specific challenges posed by the sharing economy.

The study also emphasizes the role of regulatory frameworks in shaping the competitive dynamics between traditional hospitality models and sharing economy platforms. Cities that have implemented balanced regulatory measures, ensuring safety, fairness, and consumer protection, tend to experience a more stable coexistence between traditional hotels and sharing economy accommodations. For instance, regulations that require Airbnb hosts to comply with safety standards and tax obligations help level the playing field, allowing traditional hotels to compete more effectively. The study suggests that
policymakers need to adopt adaptive regulatory frameworks that evolve with the changing market dynamics to foster innovation while ensuring equitable competition and consumer welfare.

The study provides a nuanced understanding of the complex interplay between the sharing economy and traditional hospitality models. It highlights the need for traditional hotels to innovate and differentiate their offerings to remain competitive. Embracing digital transformation, enhancing personalized guest experiences, and leveraging unique brand attributes are crucial strategies for traditional hospitality providers. Additionally, balanced and adaptive regulatory frameworks are essential to create a fair and sustainable competitive environment. The insights from this study are invaluable for hospitality industry stakeholders, including hotel operators, policymakers, and consumers, as they navigate the evolving landscape shaped by the sharing economy. Ultimately, the successful integration of traditional and sharing economy models will depend on a collaborative approach that leverages the strengths of both to meet the diverse needs and expectations of modern travelers.

5.2 Recommendations

The study on the impact of the sharing economy on traditional hospitality models offers substantial contributions to existing theoretical frameworks. Firstly, it expands Disruptive Innovation Theory by illustrating how sharing economy platforms like Airbnb operate as disruptive forces in mature industries such as hospitality. The study recommends further exploration of how such platforms evolve from serving niche markets to mainstream competitors, thereby enriching the understanding of disruption dynamics (Christensen, 1997). This research also encourages the integration of Institutional Theory to analyze how regulatory environments shape competitive interactions between traditional hotels and sharing economy platforms. By examining the interplay between regulatory frameworks and market behaviors, future research can provide deeper insights into how institutions influence market disruptions and adaptations (Meyer & Rowan, 1977).

For practitioners within the traditional hospitality industry, the study offers several actionable recommendations. Traditional hotels are encouraged to innovate by leveraging their unique strengths, such as brand reputation, service quality, and comprehensive amenities. Emphasizing personalized guest experiences and local cultural integrations can help differentiate them from sharing economy offerings (Guttentag, 2015). The study suggests that hotels should invest in digital transformation, including advanced customer relationship management systems and data analytics, to tailor services to individual guest preferences effectively. Additionally, adopting dynamic pricing strategies can help traditional hotels remain competitive during peak and off-peak periods. By implementing these practices, traditional hospitality providers can better compete with the flexible and often more personalized services offered by platforms like Airbnb.

Another practical recommendation from the study is for traditional hospitality providers to explore strategic partnerships and collaborations. Hotels can partner with sharing economy platforms to offer hybrid services, such as co-branded experiences or integrating local home-sharing options within their booking platforms. This approach allows traditional hotels to tap into the sharing economy’s appeal while maintaining their service standards and brand values (Edelman & Luca, 2014). Additionally, hotels should consider diversifying their service offerings to include more communal and experiential elements, such as local tours, cultural workshops, and unique dining experiences. These innovations can attract a broader demographic of travelers looking for more than just a place to stay, thereby enhancing their competitive edge.

The study’s findings have significant implications for policymakers aiming to balance innovation with fair competition and consumer protection. The study recommends the development of adaptive regulatory frameworks that evolve with the changing dynamics of the hospitality market. Policymakers
should ensure that sharing economy platforms comply with safety, health, and taxation regulations similar to those imposed on traditional hotels to level the playing field (Cheng, 2016). It is also suggested that governments facilitate dialogue between traditional hospitality providers and sharing economy platforms to foster mutual understanding and cooperation. By creating inclusive policies that recognize the benefits and challenges of both business models, policymakers can promote a more equitable and sustainable hospitality industry.

The study underscores the importance of consumer education and awareness in the context of the sharing economy. It recommends that both traditional hospitality providers and policymakers invest in educational campaigns to inform consumers about the benefits and risks associated with different accommodation options. Transparency in service offerings, safety standards, and pricing can empower consumers to make informed decisions. Additionally, encouraging consumers to consider the environmental and social impacts of their accommodation choices can promote more sustainable travel behaviors. By fostering a well-informed consumer base, the hospitality industry can drive demand towards more responsible and balanced consumption patterns.

Finally, the study recommends several avenues for future research to continue building on its findings. Further empirical studies are needed to explore the long-term impacts of the sharing economy on various segments of the traditional hospitality industry, including luxury, mid-tier, and budget hotels. Additionally, comparative studies across different geographical regions can provide insights into how local market conditions and regulatory environments influence the competitive dynamics between traditional and sharing economy models. Research should also investigate the socio-cultural impacts of the sharing economy, such as changes in travel behaviors and community interactions. By addressing these research gaps, future studies can provide a more comprehensive understanding of the evolving hospitality landscape and guide both industry practices and policy development.
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