

RGM NEWSLETTER

RITA GUNTHER | MCGRATH

Airbnb Rewrote the Rules of the Hospitality Industry—Now What?

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Dear colleagues,

In 1977, James Eyster, then a Ph.D. student at Cornell, published a book that would completely change the nature of the hotel business worldwide. His idea could not sound more boring—unless you saw the impact it would have. It involved the negotiation and administration of hotel management contracts. Eyster’s groundbreaking insight was that by using a management contract—essentially an agreement for a hotel management company to act as the agent of a property owner—one could readily separate out the real estate part of the hotel business from the management part. In a textbook example of an inflection point, this insight had the effect of changing all the key metrics formerly used in much of the hotel business.

Perhaps the biggest inflection point to hit the hotel industry, however, is that of a changing arena for hospitality entirely. As I have [mentioned elsewhere](#), an arena view (as opposed to an industry view) of how one competes ignores traditional industry boundaries. Instead, what you want to focus on are customers, and what Clayton Christensen has famously called their “jobs to be done.” In other words, customers only buy from you incidentally to getting something they want to get accomplished done. They in effect “hire” products and services. And yet, wrapped up in the day-to-day of our own business, with decades of experience of what works and what doesn’t in our heads, it is very easy to be blindsided by an entirely new way that jobs can get done that divert revenue from the incumbents’ pockets to that of a newcomer. The online travel agents did it with online booking.

And a startup, Airbnb, founded in 2008, is in the process of rewriting the rules for the hotel and hospitality business. Like other digital platforms, including Uber, YouTube, and Facebook, Airbnb was initially dismissed by the incumbent players. The predominant wisdom, for both hotels and for Airbnb, was that they [served different markets](#).

Since then, of course, Airbnb has become a dominant player in the lodging industry, taking advantage of the post-recession economic growth and of new “jobs” customers want to get done. Airbnb effectively taught an entire generation that travel didn’t have to involve cookie-cutter rooms without access to kitchen facilities or a place for a group to comfortably hang out. What it offered instead (in addition to lower prices for more space) was a sense of place, a smiling local host, cooking and washing facilities, and (hopefully) pleasant surprises to visitors looking for something different from the ordinary. And in cities in which hotel space is scarce or expensive (the original impetus for Airbnb’s founders to begin with) it offered an alternative option.

Hoteliers, initially somewhat asleep at the switch, have now started to wake up. Some are designing so-called “[boutique apart-hotels](#)” that combine the spaciousness and amenities of an Airbnb with the cleanliness and services of a hotel. Many are rethinking the designs of their spaces so that they can [flexibly reconfigure](#) them in light of changes in demand. And some are trying to lure back travelers by offering experiences that would be hard for a local host to match—such as sophisticated technologies that match preferences to offerings. Airbnb is, in short, facing a maturing market and increased competition.

The biggest existential threat for Airbnb, however, is likely to come from a much more traditional source of disintermediation in the hotel business—and that is the expansion of online travel agents’ listings to include private homes as well as hotels.

Booking, for instance, noted in a [recent filing](#) that in addition to the 430,000 hotels, motels, and resorts it listed, it also offered approximately 1,635,000 homes, apartments, and other unique places to stay. From a customer point of view, searching on Booking will give you more options from a single point of entry than searching separately on an OTA site and then on the Airbnb site.

Airbnb faces other headwinds as well. As more people get familiar with the idea of private home rentals, the practice stops seeming exotic. As the company gets larger, unpleasant incidences, poor reviews, and issues regarding privacy and safety become more common and are quickly magnified by social media. There is even a website called AirbnbHell.com that is dedicated to guests' horror stories. Ensuring quality and a consistent experience, which hotels have learned to do over the course of many decades, is hard to do when your workforce is distributed, they don't actually work for you, and you have very few enforcement mechanisms.

The question is thus whether Airbnb's advantages as a platform will be sustainable, or will we see it erode as the line between booking behavior for a hotel and booking behavior for a private home (or some hybrid thereof) blurs. I have to say that my bet is that the OTA platforms will eat up an increasing amount of people's attention because it's just easier. Never underestimate the importance of jobs-to-be-done.

[Read more](#)



Thinkers50 nominations

Every two years, Thinkers50 ranks the world's top management thinkers. In 2017, I was honored to be named the #10 most influential thinker, and I am so looking forward to attending the gala again this year to celebrate our honorees. Who would you like to see on the list? Make sure to submit your nomination [here!](#)

Reading List

A curated roundup of interesting books and articles to get you thinking:

- **Pivot to the Future: Discovering Value and Creating Growth in a Disrupted World.** In their new book, Omar Abbosh, Paul Nunes, and Larry Downes share their strategy for how to constantly reinvent your business and harness disruption to survive, grow, and be relevant to the future. ([PublicAffairs](#))
- **3 Takeaways From BRITE 2019.** This year's Brand Innovation Technology Conference explored everything from social robots and machine learning to the power of simplicity and the existential crisis of the banking industry. ([Blog](#))
- **Pulling Profits Out of a Hat: Adding Zeros to Your Company Isn't Magic.** A fascinating book from Brad Sugars and Monte Wyatt offers readers tools for uncovering untapped potential to drive exponential growth. ([ActionCOACH](#))
- **Hustle and Float: Reclaim Your Creativity and Thrive in a World Obsessed with Work.** In a culture that overly values hustling, Rahaf Harfoush's new book provides an interesting look at why we act against our creative best interests and how to create a more sustainable way of working. ([Diversion Books](#))
- **The Project Revolution: How to Succeed in a Project Driven World.** This brilliant new book from thinker Antonio Nieto-Rodriguez shares how individuals and companies can thrive in our "project economy." ([LID Publishing](#))

Upcoming Events

April 2: [CNBC @ Work Talent + HR](#) (New York, NY)

The latest edition of the @Work series explores how CHROs can successfully balance the needs of their workforce—present and future—with the needs of their company.

April 3: [Innovation Roundtable](#) (Newark, DE)

I'll be joining this workshop series for a discussion on game-changing innovation and growth.

April 3: [Digital Dozen Awards](#) (New York, NY)

The Columbia University School of the Arts Digital Storytelling Lab's "Digital Dozen" and its Breakthroughs in Storytelling awards honor the year's most innovative narratives.

April 11-12: [Parliament PowerShift](#) (Los Angeles, CA)

This biannual convening of Parliament brings together thought leaders, authors, innovators, and creators for an exploration of old and new forms of power in organizations and society.

April 15-19: [Digital Business Leadership Program](#) (Columbia Business School)

This intensive digital business and leadership program prepares global executives to innovate new strategies and business models and lead their organizations in the digital age.

April 24-26: [Penrose Lectures](#) (London, UK)

I'm thrilled to be delivering two lectures at SOAS University of London, exploring the innovative capability of firms and how digitization is changing theories of firm level growth.

April 28-May 24: [Advanced Management Program](#) (Columbia Business School)

This transformational program helps executives respond to evolving leadership challenges and create a vision to lead their companies to success.

May 6-10: [Leading Strategic Growth and Change](#) (Columbia Business School)

This five-day program focuses on the process of finding opportunities, launching new ventures, and leading necessary organizational changes to revitalize an organization.

May 21: [Best Practice Institute Webinar](#) (Virtual)

Join me for an interactive webinar about how executives can best position themselves to "see around corners" and identify major changes in their environment.

May 22: [Women in Innovation Forum](#) (New York, NY)

I'm excited to join this pioneering event, which aims to give women and minorities the energy and confidence to become the most innovative and inclusive leaders they can be.

Interested in having Rita speak at your organization or event?

[Learn more](#)

In the Press

- The Case for Banning Stock Buybacks ([CNN Business](#))

- Strategy and Innovation: How to Thrive in Tomorrow's Business World ([The Influential Executive Podcast](#))
 - Digital Transformation and the End of Competitive Advantage: How Can We Survive Disruptive Inflection Points in Business? ([Fujitsu](#))
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Where there is uncertainty, there is also opportunity.



Here's to your next advantage! - Rita

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