

Hotel California: Airbnb has already won the challenge (20.05.2016)

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Airbnb, a web platform with a dedicated smartphone app to match demand and supply of bedrooms and houses for rent, breaks into the worldwide hôtellerie with consequences on prices, quality and control. Going against this trend, as taxi drivers against Uber, is an old fashioned and overly cautious fighting strategy. The only answer is to go along with the disruption, setting up a good regulatory framework.

I see, therefore I negotiate

Online platforms have enabled users to see, and therefore negotiate, what has always been hidden: car rides to share, room for rent, meals, help for household chores and errands. They called it *Sharing Economy*, but it is the dormant asset economy and tops almost [1% of the GDP](#).

Technology can greatly leverage demand/supply, transforming small informal networks in huge social networks that enable communication and exchange. Platform owners are characterized by strong market power and can be a threat to goods and service sellers active on traditional channels, such as *vis à vis* selling or telesales.

Airbnb vs. worldwide hôtellerie

Hosting is one of the hottest challenges of the so called sharing economy: hotels are under attack by Airbnb, a platform with a dedicated website and smartphone app to match supply and demand for a fee of bedrooms, flats, luxury houses for rent in more than 34 thousand cities. In 2015 the platform topped 1,750,000 bookings, more than Hilton. In NYC [one accommodation out of six](#) is booked through Airbnb. [Some forecasts put the valuation of the company](#) to \$25b with \$10b revenues in 2020.

A success factor of Airbnb – shared by online platforms – is the low capital intensity: Airbnb does not own apartments and hotels, like Uber and Blablacar do not own vehicles and Gnammo in Italy does not own restaurants.

Even light platforms though face specific issues: one of the most relevant is cheating, such as off-platform agreements between members. On Airbnb it is not possible to write numbers on the online forms, but cheating is easy, it is enough to convert numbers to letters, “seven” instead of “7”. This simple trick enables apartment owners and travelers to phone each other, make the deal by-passing the platform and thus avoiding the fee (around 15%).

The regulatory framework

Whoever feels threatened by Airbnb, Uber or Blablacar offers a recurrent argument: they are not compliant with the sector regulation and standards. What would happen if Uber was requested to employ the drivers with standard contracts (social security taxes, overdue pays, etc.), as occurred in [two States](#) of the US? And what would happen if Airbnb had to be compliant with hotel health and safety standards?

Sharing economy is exposed to two different regulatory problems: one is related to the service itself, and the second one is related to platforms. In particular, platform regulation is especially challenging due to the extremely fast changes that occur on these systems over a few years, whereas hotel, taxi and bus services are almost the same as 50 years ago.

Uber is awaiting a sentence from the European Court of Justice (foreseen in autumn 2016) to decide upon its nature, either as a transport company or a digital service. Blablacar has already won [the first round](#) against the local transport company in Madrid. Manifold motivations lie behind the need of regulating a market, in the case of hosting safety (fire, food, products) and consumer protection (products in line with vendor's promise) are fundamental. Regulation has always considered a barrier, and a cost, the lack of possibility to observe in detail the behaviour of regulated firms. Web platforms and apps have almost eliminated the control cost: in the Airbnb case we are talking about cleanliness of rooms, kindness, punctuality, correspondence to what has been booked. Moreover, the synchronous online publication of mutual reviews of hosts and guests avoids reputational strategic games. The dormant assets economy woke up more than goods and services, also the so called *self regulation*. Nevertheless self regulation is not enough, for instance [a draft proposal for the whole sector](#) is currently on the agenda of the Italian Parliament.

Fiscal issues

While awaiting a general regulatory framework, the hottest aspect indeed is the fiscal one and it has already been dealt with by many cities in Italy: Florence made an agreement with Airbnb in order [to collect tourist taxes, an amount that could top €10m a year](#).

In comparison to hotels, whose expense for local salaries is just 30-35%, the cash collected from an Airbnb host (almost 85% of the amount covered by the guest) feeds the local economy, and certainly is fiscally more attractive than hotel revenues. Yet some cities (San Francisco, Amsterdam) decided to put an upper limit to the offers that an Airbnb host can supply, delighting (partially) local hotels. For Airbnb, and many more innovation economy examples, we should agree with Douglass North and state that institutions, and the regulation that goes along with them during times of change, promote the economic development: anything else is just an old fashioned and overly cautious fight.

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