Response strategies of traditional firms in disruptive times.

A case study on sustainable strategies of the hotel industry in response to the sharing economy evolution.

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I. Abstract

*Purpose* - Traditional firms within mature markets are challenged, as they have to rely a lot on adaptation of new technologies in order to keep their service sales among consumers and survive in a highly competitive globalized environment. One of the examples of a mature industry is the hotel industry, in which sustainability is a vital necessity, however implementation efforts are slow. Nowadays, a business shift is occurring from traditional to disruptive innovation models. One such model is that of the sharing economy. The aim of this thesis therefore targets the finding of the understanding and reaction, by analyzing and describing actions, of traditional hotel firms for sustaining their business in times when sharing economy firms become increasingly influential on the traditional business.

*Design/methodology/approach* - An abductive approach was followed throughout the thesis spanning a qualitative data analysis of the empirical base of the study, which consisted of six semi-structured interviews of traditional hotel firms that were chosen through theoretical sampling. The multiple and holistic case study setup is a means of explaining response strategies in the hotel industry.

*Findings* - The findings are that while some are aware of the growing impact of sharing economy on the mature industry, few firms have concrete strategies to sustain their own business in the light of the upcoming challenges. Moreover, the interviewed firms have lost large percentages of their traditional direct sales channels, making it essential to sell increasingly through online channels and third party providers such as online travel agencies. This adds to the challenge that the service offerings of sharing economy firms and established firms are becoming more comparable to each other, making it easier for the customer to compare directly which choice is preferable. The empirical data suggests that this is of relevance for both the leisure and business segment of travelers. However, there were also positive effects found, that the sharing economy is an opportunity for traditional firms to learn and for travel destinations to be boosted through increased supply and variety.

*Research limitations/implications* - The chosen case study setup is a means of explaining responses from the hotel industry due to the sharing economy. However, there is an indication that a similar phenomenon can occur in a different mature industry, such as the taxi industry with Uber or the financial industry with Bitcoin. Moreover, this case had hotel firms operating on a 3-star level or higher, which imposes potential limitations for the applicability. However, for the research implications this thesis includes a model that contains theoretical description of a practical phenomenon within a shifting context.
Practical implications - Traditional businesses must find new ways to highlight their unique values, core competences and what most significantly distinguishes their offering, for example beyond being an accommodation provider, in order to develop a sustainable business that can withstand the challenges in the 21st century. It is recommended for firms to assess their position in the market, their customers and competitors to decide on which strategy is best suited, as it may vary with every firm. Analogous, it is not recommended to rest on previous successes.

Originality/value - Increasing influence of the sharing economy forces traditional firms to respond with their own strategic countermeasures. However, the response of traditional firms to the impact of sharing economy firms is not well described and has empirically been insufficient. In this way, the thesis contributes to the existing research on the sharing economy and its impact by studying the consequences for and responses of firms in a mature industry. Therefore, it addressed challenges in theory all well as in practice for the affected businesses. The finding and combination of response strategies in this thesis presents a valuable contribution to academia and practical implications for the mature industries.

Keywords: mature industry, hotel firms, sharing economy, sustainable business, international business, disruptive innovation, competition, strategy, competitive advantage
II. Epigraph

Christopher Nassetta, CEO of Hilton (Akan, 2015)

Interviewer: Does the sharing economy or Airbnb affect your business?

Respondent: I strongly do not believe that they are a major threat to the core value proposition we have...

Expectation based on Zervas, Proserpio, and Byers, 2013

I.: Does the sharing economy or Airbnb affect your business today?

R.: Airbnb is starting to take over our market share, and we lost 10% of our customers, but adjusting price rates every hour helps us to stay alive...

Expectation based on (Downes and Nunes, 2014)

I.: Does the sharing economy or Airbnb affect your business today?

R.: We use all our resources to fight Airbnb, but it has too high value, too low fixed costs and it took over our target customers, and it seems like it is too late to compete, we surrender....

"Twenty years from now you will be more disappointed by the things you didn't do than by the ones you did..."

- Mark Twain
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1 Introduction

The topic of this research is an intersection of three major components: the sharing economy, strategies within a mature industry and business sustainability.

The thesis defines mature industries and traditional firms as well as their characteristics. Furthermore, the importance of sustainability in general and specifically of traditional firms and sharing economy firms is described. Thereafter the problematization identifies a gap in research. This is done by looking into the existing literature on sustainable business, sharing economy and mature firms, as well as crucial concepts, which helps in the understanding and explanation of the phenomenon. The problem discussion chapter provides a critical overview of the key topics and to finalize the first chapter, the research question is presented, the purpose is described, and a representative outline of the thesis is given.

1.1 Background

In the following section, a background discussion on the key aspects of the topic is presented. This incorporates the context of the shifting environment, and the affected actors that are facing challenges from disruptors, stressing the importance of the utilization of available opportunities.

1.1.1 Shifting industry environment

Ongoing shifts in economic activity such as different social, economic, and environmental developments are shaping the global business landscape of the 21st century (Mansfield, 2014). Recent socio-economic and technological developments are shifting the world
economy and thereby changing the business environment (Ertem, 2015; McKinsey, 2015). Globalization increases the complexity of this development even further, as business norms and cultures become progressively blended (Bremmer, 2014). Major socio-economic trends include low birth rates (McKinsey, 2015) and growing unemployment (ILO, 2016). These trends lead to new challenges economies, such as an aging world society and a need to create more workplaces. Thus, the improvement of the situation relies heavily on the shoulders of the businesses, which have to provide uncompromising solutions to overcome these challenges (WBCSD, 2013).

The accelerating technological change has a high potential for improvement of the situation and the creation of new opportunities for human employment (Davidow and Malone, 2014). Technological changes have many benefits, while they can also have negative influences. These changes occur not only in terms of omnipresence and speed of technology, but even more due to the multiplying impact of data revolution (McKinsey, 2015), which develops through digitalization (Felländer, Ingram, and Teigland, 2015). However, digitalization is not equally spread out globally. Even among developed countries significant differences can be observed, such as between Northern and Eastern European countries (Schwab, 2015).

1.1.2 Traditional firms in mature industries

Generally, mature industries possess greater technological advancements (Sabol, Šander, and Fučkan, 2013) and technological development creates an opportunity for the players within this industry (Williams, 2015). Therefore, traditional firms play a vital role within business environment, due to the difference in adaptation of technologies and products among consumers (Economist, 2014).

A mature industry is an industry, which has reached certain development stage and major changes are taking place in the companies within the industry. According to Porter (1980) 1) slower growth, 2) intensified competition can be observed. Furthermore, the product loses its newness for the market and consumer, therefore a focus moves from whether to purchase the product to a selection among available brands (Sabol, Šander, and Fučkan, 2013). Other challenges for the companies include 1) increasing consumer knowledge, 2) shift in the competition towards prices and service quality and 3) overall profitability fall of the industry (Sabol, Šander, and Fučkan, 2013).
Moreover, a significant rise of international and global competition takes place in these industries (Sabol, Šander, and Fučkan, 2013). Together with the ongoing globalization trend, it creates a pressure to respond to the international trade (Bremmer, 2014; Badia, Slootmaekers, and Van Beveren, 2008).

1.1.3 Challenge of disruption through the sharing economy and its creation of business

Recently, the global economy has entered a disruptive age. Large amounts of established business models are threatened, as they are under attack (de Jong and van Dijk, 2015). Old business models are less durable than they used to be. In the past, the value of a product was unchanged for years, or even for decades in some cases (Ibid). Companies were trying to implement and execute similar business models better than their competitors. However, now business models are undergoing rapid and radical changes (Cohen and Kietzmann, 2014).

The firms, which have implemented disruptive innovations in their business operations are sharing economy firms to a large degree that form a group of a new type of firms (Teubner, 2014). These firms form the sharing economy, which are “systems that facilitate the sharing of underused assets or services, for free or for a fee, directly between individuals or organizations” (Botsman, 2015, p. 1), while redefining rules within markets and industries.

Thus, it requires a rethinking of strategies in order for companies within the mature industries to survive. However, there are companies within the mature industries, which are still financially healthy and consider disruptive innovation as a risk worth taking (Williams, 2015).

Businesses, which are digital platform-based and operate within the sharing economy have low transaction costs (Benkler, 2004), grow exponentially and create a major force against the existing traditional firms (Zervas, Proserpio, and Byers, 2013). The sharing economy firms constantly improve the value for their customers and expand their service range by integrating new products and new customers (Hospitality ON, 2016; Airbnb, 2015).

Nevertheless, disruptive innovation requires a definite set of social and political values, which can foster innovation (Economist, 2014), thus traditional firms have to accept high risk assigned with innovation in some cases. Alves (2013) also concludes that innovation in mature markets is of high importance. Williams (2015) suggests that innovation helps in the
creation of new markets, extension of product life cycles and transformation of competition. Nevertheless, being in a mature industry has certain benefits for traditional firms, as chances of new entrances are low, so a certain level of stability exists in the market (Sabol, Šander, and Fučkan, 2013; Grant, 2010).

However, in the face of challenges in the digital age, Downes and Nunes (2014) suggest that it is necessary to consider that “entire product lines — whole markets — are being created or destroyed overnight” (Downes and Nunes, 2014, p.1) Therefore, long-term strategies have to be developed with a consideration of undisciplined competitors or disruptive innovators (Ibid). Similarly, to indirect competitors, disruptive innovators can operate in completely different markets, and affect business indirectly over a period. As disruptive innovation often incorporates radical change of the business model or market, “disrupters can come out of nowhere and instantly be everywhere” (Downes and Nunes, 2014, p.1).

The sharing economy has been growing fast throughout the past years, which has simultaneously increased its economic impacts (Zervas, Proserpio, and Byers, 2013). Recent cases have also shown market turbulence, as sharing economy companies have induced several regulatory and political battles in different cities and countries (Schor, 2014). Sharing economy firms thereby inflame major discussions on societal, regulatory, and political levels causing a ban of sharing economy services in particular countries (Bender, 2015; Zervas, Proserpio, and Byers, 2013). Currently sharing economy firms become increasingly competitive and plan further expansion in the future (Chafkin, 2016). Thus, the sharing economy poses a great threat to firms in mature industries who rely on formal business models (Downes and Larry, 2014). For example, Bitcoin is outcompeting traditional banks with its innovative technology; Uber avoids the costly license systems through disruptive innovation that taxicab companies have to obtain for their drivers (de Jong and van Dijk, 2015).

On the one hand, the sharing economy is seen to have a large potential (Oskam and Boswijk, 2016), as well as existing positive effects such as lower prices, for both consumers and businesses in its many forms of appearance such as peer-to-peer, business-to-business and business-to-consumer platforms (Huston, 2015). On the other hand, critics claim that negative effects are predominant such as market distortion and labor rights violations (Zillman, 2015).
1.1.4 Opportunity of sustainability

Traditional firms are typically not relying on disruptive innovations in their business model, and focus on common strategies for mature industries (Sabol, Šander, and Fučkan, 2013). However, once markets reach a state of maturity, it becomes increasingly difficult to sustain and develop a business (Dobbs et al., 2015). Therefore, the capitalist approaches that were predominant in previous times are becoming less meaningful in magnitude (Gladwin, Kennelly, and Krause, 1995). This has called for a more sustainable system in not only the society but also in the economy (Valente, 2012). In order to comply with these changes a company has to sustain its competitive advantage, which is “when other firms are unable to duplicate the benefits of its strategy” (Barney, 1991, p. 102). A focus of the traditional firms on sustainability should prevent them from unexpected competitor emergences, such as indirect competitors and disruptive innovators through the increased competitiveness in business (Dos Santos, Méxas, and Meiriño, 2016).

The origins of the sustainable perspective in business go back to Maslow (1967), who argued that meta motives and meta needs become crucial when the self-actualizing needs of people are satisfied. Thus, consumers increasingly tend to address the larger impact (e.g. on society and environment) beyond the impact on them, which could imply an emergence of the intrinsic motivation in comparison to materialistic values. Lavidge (1970) goes on to say that, a product should be worth its cost to society, rather than to the individual. However, Takas (1974) suggests that such developments were dreams of the future, implying that it could solely be a verge phenomenon of that time.

However, starting in the 1990s the phenomenon develops to become a central issue. Sustainability thereafter has been studied from various different viewpoints. Prothero (1990) suggests that the emerging green consumerism should lead to a rethinking of strategies, and argues with the societal marketing concept that firms’ should target long-term strategies and orientation. Shrivastava (1995) extends these notions to the organization with the eco-centric management paradigm in which environmental impacts of organizational visions, inputs, throughputs, and outputs shall be minimized. Gladwin et al. (1995) argue that sustainable ecological and social developments require an organizational alignment within the concept of sustain centrism. Macnaghten and Urry (1995), who argue that institutional, political, and societal factors must be incorporated, take these contributions further. Stead and Stead
(2000) moreover suggest an integrated sustainable strategic management approach, which focuses on the formulation and implementation of strategies to give firms a sustainable competitive advantage. While previous research mainly concerns the urgency for and theoretical improvement of management of sustainability, Starik and Kanashiro (2013) contribute by focusing on delineating implications for practice, such as features, benefits, challenges and orientations toward sustainability. Further, by Teece (2007), it was argued that quality improvements, controlling costs, reducing inventories, and following best practices is not enough for long-term, sustained competitive success. Entrepreneurial management therefore shall be a vehicle to encompass the seizing of opportunities, reconfiguring the organization and building a better ecosystem.

It has been argued that sustainability has a major impact on firms’ marketing and strategy to the same scope of lean production and digitalization as per Hart and Dowell (2011), and Kiron et al. (2013). Furthermore, Lubin and Esty (2010) defined sustainability as a megatrend. In this way, sustainability has fostered itself as a key success factor for firms’ long-term stable success (Brower and Mahajan, 2012). To pinpoint sustainability in the business view, it can be seen as “Context-specific organizational actions and policies that take into account stakeholders’ expectations and the triple bottom line of economic, social and environmental performance” (Aguinis, 2011, p. 855). It was further proposed to integrate the resource-based view as studied by Barney (1991; 2001), which suggests that a company’s sustainable advantage relies upon its capability to manage institutional implications of its resources. As an alternative to the resource based view, Evanschitzky (2007) presents a market orientation view. The base for this view is a marketing concept, which stresses the organization’s purpose to discover needs of its customer, in order to satisfy these needs with a higher efficacy than its competitors do.

According to a study conducted by Accenture (2010), currently firms have entered a new era of sustainability and sustainable business is critical to the future success of the business (Accenture, 2010). Furthermore, businesses nowadays are expected to address the world’s sustainability challenges, using technologies, resources, and skills (WBCSD, 2013). As a result, they have to provide solutions for these challenges. Lubin and Esty (2010) argues that importance of environment and business responsibility has increased. Therefore, sustaining business over longer period is another task for companies operating within mature industries.
1.2 Problem discussion

The research begins in literature on the sharing economy, as this is the major phenomenon for this study. This is followed by the sustainable business, impact of the sharing economy on the hotel industry and response strategies of the traditional firms. Thereafter, the gaps from every section will be linked and presented in the problematization section.

1.2.1 Prior research on the sharing economy

The sharing economy is a trend that is growing in many parts of the world and its importance within the international business landscape is continuously increasing as the impact intensifies (Tomski, 2015).

Despite the fact that the sharing economy is a relatively new phenomenon, the concept of sharing goods and services has existed since the beginning of humankind (Belk, 2010). Belk (2010) proposed a definition of the concept of collaborative consumption, which is a predecessor of the sharing economy we know today. In the study, Belk (2010) referred to the essence of the phenomenon, namely that sharing was based on a combination of various existing theories, such as sharing, gift giving and commodity exchange. The researcher then proposes a revised definition of sharing economy as “people coordinating the acquisition and distribution of a resource for a fee or other compensation.” (Belk, 2013, p.1597). Botsman (2015) proposes a similar definition of the sharing economy, which consists of “systems that facilitate the sharing of underused assets or services, for free or for a fee, directly between individuals or organizations” (Botsman, 2015, p.1). The study by Minje et al. (2014) makes a practice-relevant contribution as it extends the definition of the sharing economy to the business-to-business context. The authors define the term as “collaborative activity in which individuals lend their own goods to others, or they make cooperative investment in goods and use them together.” (Minje et al., 2014, p.110).

Existing literature on the sharing economy can be divided into several subdomains, one of which is focused on the definition and better explanation of the phenomenon (Felson and Spaeth, 1978; Botsman and Rogers, 2010; Belk, 2013; Minje et al., 2014; Hamari, Sjöklint, and Ukkonen, 2015). Others discuss relevant factors and forces which are affecting the sharing economy (Barros, 2013; Slee, 2013; Vajjhala and Baghurst, 2014; Tussyadiah, 2014; Nadler and Aulet, 2014; Ufford, 2015; Dąbrowska and Gutkowska, 2015; Felländer, Ingram,
and Teigland, 2015). Besides that, there are several research activities that link the sharing economy theory with various business aspects and concepts (Heinrichs, 2013; Tomski, 2015). The last subdomain contains specific and highly practice-oriented case studies regarding car or accommodation sharing (Bardhi and Eckhardt, 2012; Guttentag, 2013; Zervas, Proserpio, and Byers, 2013).

Previously, the sharing economy has also been studied from the angle of other business concepts, such as business model (Cohen and Kietzmann, 2014). Furthermore, it was studied in relation to the transaction cost theory (Henten and Windekilde, 2016). Sustainability and the sharing economy have many links (Heinrichs, 2013; Daunoriene et al., 2015) that made it a relevant research area (Martin, 2016). For example, Dabrowska and Gutkowski (2015) describe the sharing economy as a new wave of sustainable consumption. Moreover, analyses on how the sharing economy can contribute to sustainable development of a firm were conducted (Heinrichs, 2013; Daunoriene et al., 2015). Lastly, some researchers analyzed what drives the use of the peer-to-peer accommodation and concludes that factors, such as “societal aspect of sustainability and economic benefits are the key components” (Tussyadiah, 2014, p. 817).

1.2.2 Sustainable business in the hotel industry

One of the examples of a mature industry is the hotel industry (Wuest, Emenheiser, and Tas, 2001). Generally, the hotel industry is seen as where an adaptation of the sustainability initiatives is rather slow (Melissen, van Ginneken, and Wood, 2016). Nevertheless, sustainable practices remain important for hotels, meaning that both motivation and capacity to adopt sustainability practices among existing hotels remains high (Melissen, van Ginneken, and Wood, 2016). Therefore, adaptation of sustainable practices by the players of the hotel industry is more a question of time, rather than a question of choice (Zheng, Luo, and Maksimov, 2015). However, sustaining business in the hotel industry is a challenging task (Barney, 1991), especially as it is a mature industry (Sabol, Šander, and Fučkan, 2013).

1.2.3 Impact of the sharing economy on the hotel industry

Zervas, Proserpio and Byers (2013) studied Airbnb and its effect on traditional hotels. Furthermore, the geographical scope for this research, that was limited to Texas, creates
another limitation and an opportunity for further research. However, the effect of the sharing economy firms takes places in other markets too (Nadler and Aulet, 2014). Nadler and Aulet (2014) researched how the sharing economy models affect the overall economy and established industries. Nevertheless, there are researchers who suggest that hotels have to respond to the serious impact in the right way (Bader, 2005; Strong and Contributors, 2016).

1.2.4 Response strategies of traditional firms to the sharing economy

Mature industries are highly competitive places (Sabol, Šander, and Fučkan, 2013; Grant, 2010). A change in the industry and underestimating the impact of the sharing economy by hotels has been studied (Duetto Research, 2016). Thus, Bader (2005) recommends hotel managers to adapt to the ongoing changes in order to keep healthy financial numbers and remain attractive to investors (Bader, 2005). Cusumano (2015) studied how a traditional company has to operate in order to compete with the sharing economy firms and argues that traditional firms must compete with sharing economy firms. Generally, research on how to respond to sharing economy firms is very narrow because it has a short-term perspective and focuses on tactics, and neglects long-term, sustainable questions (Cusumano, 2015). Zervas, Proserpio and Byers (2013) suggest, on a longer time scale, hotels have other response patterns, which concern strategic aspects but the question of what remains open.

1.2.5 Problematization

Firstly, previous research on the emerging context sharing economy has been primarily dedicated to the nature of the sharing economy and its opportunities, however in its current form it is a rather infant concept that should be backed with empirical research testing specific business fields. Especially, there is an evident lack of empirical studies on the sharing economy and business sustainability of traditional firms (Daunoriene et al., 2015). Secondly, while several research has proven the significance of the sharing economy effect on traditional firms’ businesses and claimed that strategic responses are necessary, research took broad perspectives and focused on general industries, and disregarded the influence on specific actors within an industry, such as the hotel industry. Thirdly, exploring response patterns remains an open question. Sustainable response strategies towards the sharing economy for hotels have theoretically been defined, but are
considered as too general and are not empirically tested (Jones, Hillier and Comfort, 2016). This creates a major theoretical and practical gap for this study, thus a need for specific sustainable response strategies for the hotels is evident (Hill and Jones, 2008; Enz, 2011). Further, there is a lack of easy-to-understand strategies, which are practice-oriented for managers.

Fourthly, there is a gap of criteria for selecting a strategy based on the requirements and needs of a firm. Therefore, there is a need for a solution-oriented framework that has been developed from theory as well as backed up through empery.

1.3 Research question

*How do traditional hotel firms develop a sustainable business as a response to the impact of the sharing economy?*

1.4 Purpose

This thesis aims to analyze and describe actions, which traditional firms take in order to sustain their positions in times when the sharing economy firms become more and more influential. Therefore, it targets the finding of empirical conclusions spanning the sharing economy and responses from traditional firms on how to develop a business that can be sustainable. A framework is developed within this thesis, where the plausible response strategies are included.

1.5 Delimitations

The research does not seek to analyze the global hotel industry, as we perceive that differences in the results would deviate largely. Thereby a larger study would be required in order to make reliable conclusions. As sharing economy firms have a stronger influence in larger cities, where sharing economy firms have higher chances of development, the smaller cities are disregarded due to the underdevelopment of the phenomenon in such regions.

Furthermore, many ongoing trends have an effect on the hotel industry, such as political factors, socio-cultural, economic, and technological factors. These will not be the focus of this study, however, it is vital to keep them in mind, as these factors are important as they form the studied context and therefore influence the studied phenomenon.
Moreover, the study does not seek to answer the question of why the firms follow certain strategies and not others, since this would imply having had established strategy patterns prior to research, which currently is not the case. Furthermore, this thesis does not seek to analyze the success of response strategies or seek to define any theoretical phenomena related to sharing economy, because these would require more detailed research in the field. Lastly, this study disregards considerations unrelated to sustainable business strategies, due to the key purpose of this thesis.

1.6  Thesis outline

Table 1 - Thesis outline

| **Introduction** | Chapter 1 introduces the topic and describes the importance of various components of the chosen topic. A review is conducted allowing us to show the importance of these components and define the research question and the purpose of the research. |
| **Theoretical framework** | Chapter 2 shows what is known about every relevant concept and stresses the research gaps. A conceptual framework is thereafter developed which is a foundation for the analysis process. |
| **Methodology** | Chapter 3 explains the method used in this study, operationalizes the data gathering process, and assesses the validity and reliability of the empirical study. |
| **Empirical findings** | Chapter 4 presents the empirical data and summarizes extended qualitative data. |
| **Analysis** | Chapter 5 analyses the empirical data of chapter 4 using the frameworks described in chapter 3. The processes, such as integration of the related data from different transcripts, identification of the key subjects or patterns from these transcripts and development of assumptions and theories based on the patterns and relationships take place. |
| **Conclusion** | Chapter 6 explains our findings and provides implications for the companies |
based on the analysis of chapter 5.

2 Theoretical framework

In the following section, relevant theories and concepts mentioned previously are used in order to form a conceptual framework and a theoretical foundation for the analysis. These frameworks are extracted from theory and are combined in order to analyze the gathered data. Moreover, every section of this chapter represents a part of the research question and therefore, clear links between every section and the research question are established.

The sustainable business section that relates to the first part of the research question, which is “How do traditional hotel firms develop a sustainable business”, is based on theory regarding sustainable competitive advantage and sustainable business, and addresses concepts related to a development of a sustainable business in traditional firms.

Further, the competitive situation changes section takes into account the last part of the research question, namely “impact of sharing economy firms on the industry”. This section uses sharing economy theory, in order to clarify how and where the impact is taking place for further assumptions.

Lastly, a section on “response strategies” will show strategies responding to the impact of the sharing economy using theories on mature industries, as well as sustainable business strategies, for demonstrating plausible approaches that have been developed in theory in order to address the growing problem of traditional firms losing ground.

A conceptual framework will be gradually built throughout the theoretical framework, while adding new components and theoretical findings with every section. Finally, in the conceptual framework section a summary will provide an explanation of the model.
2.1 Sustainable business

2.1.1 Sustainable competitive advantage and sustainable business

Due to intense competition in the mature industries, traditional firms have to protect their own market share (Sabol, Šander, and Fučkan, 2013; Grant, 2010). Thus, a competitive advantage becomes crucial for the business existence, especially in mature industries, as “when two firms compete, one firm possesses a competitive advantage over the other when it earns a higher rate of profit or has potential to earn a higher rate of profit” (Grant, 1995, p. 151). Ultimately, Bergen and Peteraf (2002) distinguish between direct and indirect competitors. Indirect competitors usually are potential competitors, who might have certain differences in the resources used for value generation, but have high similarity in terms of market commonality (Bergen and Peteraf, 2002). These competitors are usually less essential in the short run, however, it is relevant to not to underestimate their opportunities, as in the long run they have high potential to take over the market share (Ibid).

In order to be able to compete with its competitors, a firm should have a competitive strategy, as first introduced by Schoeffler and Bain (1957). The foundation of the competitive strategy is a competitive advantage and a sustainable competitive advantage (Fig. 2). Thus, unique value and core competences of a company are the key components of a competitive advantage (Hafeez, Zhang, and Malak, 2002). Thereby it is crucial to ensure that a company possesses a competitive advantage towards their competitors. Nevertheless, no matter how inimitable a competitive advantage is, it cannot last forever (Barney, 1991). Therefore, sustaining the competitive advantage of a firm is highly important for a company in order to grow or simply to remain on the same position (Barney, 1991).

For this study, the key aspect of the sustainable competitive advantage is a concept of sustainable business, which plays a key role in sustaining a firm’s position (Fig. 2).
A sustainable business can be a solution. Questionable is how this could be achieved. According to Hacking and Guthrie (2008), business sustainability can be achieved when a balance within the intersection of three aspects is maintained: 1) economic performance, 2) environmental performance, and 3) social performance. In other words, sustainability focuses on a profit generation, responsible usage of planet’s resources and provides benefits to people. Alternatively, Colbert and Kurucz (2007) proposed the term “Triple Bottom Line”, which is analogous to the sustainable business view of other studies (Jansson, 2007; Hacking and Guthrie, 2008).

Researchers propose diverse aspects, which play an important role on the pathways towards a sustainable business (Gladwin et al., 1995; Stead and Stead, 2000; Jansson, 2007; Oliver, 1997). A well-known model proposed by Jansson (2007) is a framework that suggests that there are three key aspects of the sustainable business, namely, social value, economic value, and natural value, as shown in Figure 3.
Social values (Fig. 3) include benefits for different stakeholder groups or individuals, which might arise during consumption of a service. Benefits can also have loose connection to the main service of a firm or the stakeholders can also perceive the benefits different from the actual consumer of a service (Serageldin, 1993; Zervas, Proserpio, and Byers, 2013). For example, many individuals worldwide have benefited from shared accommodation services: hosts have obtained an opportunity to raise their incomes by sharing unused accommodation through sharing platforms; guests who use such rentals have an alternative to a normal hotel stay. Lastly, those consumers who are using regular hotels also benefit from the presence of sharing accommodation providers, as prices are overall becoming lower, as competition increases in the accommodation industry (Zervas, Proserpio, and Byers, 2013). Social values are strongly linked to attitudes and beliefs, which undergoing continuous changes over time (Melissen, van Ginneken, and Wood, 2016). Thereby, social aspects of the firms should be adopted accordingly (Zvolska, 2015) in order to sustain a business.

From the economic perspective (Fig. 3), it is important to consider variables such as price and value of the product. Moreover, financial performance of a firm is vital for this aspect and healthy profitability over long period is of utmost importance (Jansson, 2007). Meanwhile traditional firms are competing over their market share, sharing economy firms rely a lot on innovation of their services and the increase of value of their services.

Finally yet importantly, the environmental aspect (Fig. 3) of the sustainable business is examined. Over the past decades, sustainability has changed from just being environmentally friendly, to a rather extended list of various business practices (Melissen, van Ginneken, and Wood, 2016). In other words, environmental friendliness was among the first sustainability practices introduced in the business world and importance of it is continuously rising (Lubin and Esty, 2010). Ignorance of changes in the environment increases the possibility of being outperformed by a direct or an indirect competitor, due to a loss of the sustainability.

Since sustainable business practices are developing continuously (Bader, 2005), firms have to adopt these changes in order to remain attractive to their stakeholders (Ibid). This should be integrated throughout the company, especially in the marketing of a firm (Tollin, Christensen, and Wilke, 2014). Moreover, the changes and trends in the business environment are thereby influencing sustainability of a number of players in the industry as presented in Figure 4.
The hotel industry is a classic example of a mature industry (Alves, 2013). Generally, this industry is often described as a highly fragile and being affected by many factors (Enz, 2011). Everything from currency fluctuations to natural disasters in a very short time can collapse the industry in certain areas, which later will take long time to recover and reach previous growth figures (Kosová, Cornell, and Enz, 2012).

Nevertheless, companies still operate within these industries. The firms within the hotel industry have high fixed costs (Enz, 2011), and often they own properties, which makes it hardly possible for the firms to change their location. However, even in these settings traditional firms have to develop and implement strategies (Enz, 2011).

Political, socio-cultural, economic, and technological factors are affecting these companies (Enz, 2011). However, with the new phenomenon emerging, such as the sharing economy (Nadler and Aulet, 2014), traditional companies have been more and more affected by sharing economy companies. According to Zervas, Proserpio, and Byers (2013) hotels and other accommodation providers are facing the significant impact. In the short run, it influences profits and market shares of the traditional firms (Ibid). Short-term responses are important; however, they will not “cure” the situation, just will temporarily hide the “symptoms”. Therefore, long-term strategies are vital for these firms (Hill and Jones, 2008) and defining options that are there for the traditional firms to sustain their competitive advantage is crucial. As a part of the competitive advantage, core competences have been
key concepts in research. Core competences have certain features, such as inimitability, durability, non-substitutability, and superiority of the products and services that a business is providing (Hall, 1992; Mintzberg, 1993; Hamel and Prahalad, 1994; Javidan, 1998).

Coyne (1986) defined sustainable competitive advantage as "an integrated set of actions that produce a sustainable advantage over competitors" (Coyne, 1986, p. 54). Jansson (2007) argues that a competitive advantage is created through a mix of economic values, natural values and societal values, through which a firm achieves a sustainable business. A competitive advantage that builds on reputation could stand as the foundation of a sustainable competitive advantage (Barney, 1991). Thereafter, Bharadwaj et al. (1993) create a link to competitive strategy by seeing the purpose of competitive strategy as being the achievement of a sustainable competitive advantage. Moreover, the core competence construct is seen to support the importance of intangible components of an organization in achieving a sustained competitive advantage (Petts, 1997). This is further supported by Hafeez, Zhang, and Malak (2002), who recommend a linking structure between assets, resources, capabilities, competencies, and core competencies, for achieving sustainable competitive advantage.

**Hotel industry**

There is a need for a sustainable business in the hotel industry (Bader, 2005), as it has a direct impact on success in competition (Porter and Kramer, 2006). In the hotel industry, this can be partly explained by the positive link between sustainable business practices with customer satisfaction (Prud’homme and Raymond, 2013). However the influence is uneven and affects hotels differently (Zervas, Proserpio and Byers, 2013). Stronger effect can be observed among budget and leisure type hotels (Ibid). Thus, an active and involved inter-relationship between customers and companies is to become the center of value creation (Prahalad and Ramaswany, 2004) for traditional firms. Between sharing economy firms, influencing features of the sustainability are present on the producer side and on the demand side.

**Sharing economy firms**

On the one side, sustainability concerns of the sharing economy firms are enhancers of their sustainable competitive advantage towards traditional firms (Zvolska, 2015). On the demand side, there is a growing interest among consumers for a more sustainable lifestyle and the sharing economy offers various opportunities for realization of this
consumer demand (Barros, 2013). Ultimately, this calls for more sustainable models of business operation, for example by identifying, translating, embedding and sharing in order to create and capture value for customers and society (Roome and Louche, 2016).

One of the main things that are unifying sharing economy firms is their ability to “expedite the connection, transaction, and payment between buyers and sellers” (Nadler and Aulet, 2014, p. 10). This creates economic and societal advantages for the sharing economy firms. Furthermore, accelerated operations also affect other businesses that are operating in the same industry (Nadler and Aulet, 2014). Being a more sustainable form of consumption and a path to a more sustainable economy, the sharing economy influences sustainability of actors within the established industries (Martin, 2016), indicated in Figure 5.

![Figure 5 - The sharing economy influences sustainability](image)

2.2 Competitive situation changes

Many ongoing trends have an effect on the hotel industry, such as political factors, socio-cultural, economic, and technological factors (Enz, 2011). These factors are important as they form the studied context and therefore influence the studied phenomenon (Robson, 2002; Yin, 2013).

Nadler and Aulet (2014) analyzed three different industries - transportation, hospitality, and consumer-based services, in order to understand how the sharing economy models affect the overall economy and established industries.
There are also studies, which stress the direct influence of the sharing economy firms on the established players within industries (Petropoulos, 2015; Penn and Wihbey, 2015). Researches also state that some hotels are experiencing the effects of the sharing economy, whereby they are forced to adjust their prices in order to gain back the market share (Zervas, Proserpio, and Byers, 2013).

In contrast to the traditional firms within mature industries, there are sharing economy firms, which represent a more sustainable form of consumption and are one of the pathways towards sustainable economy (Martin, 2016). The sharing economy concept creates an efficient market system that features new products, reshapes established businesses, has environmental benefits, and could increase economic growth (Avital et al., 2015).

Botsman (2015) defines the sharing economy as “systems that facilitate the sharing of underused assets or services, for free or for a fee, directly between individuals or organizations” (Botsman, 2015, p. 1). The sharing economy is a current phenomenon with increasing impact on the business landscape (Tomski, 2015). This economy had arisen from the digital platform environment, in which low transaction costs enabled the development of a new form of company (Benkler, 2004). Its major development started after the financial crisis and subsequent recession after 2008 that had a devastating effect on the world markets (Barros, 2013). This also has had an impact on the competitive environment, as disruptive innovators are introducing radical changes in their businesses over rather short period of time (Downes and Nunes, 2014, p. 1).
Such transformations are affecting and challenging existing conditions, especially traditional firms (Money & Finance, 2015). Sharing economy emergences can be observed in segments, such as people/skills, household goods, health, education, logistics, transportation, financial services and accommodation (Biswas, Pahwa, and Sheth, 2015). Certain industries are challenged more than others are, by new entrants from the sharing economy, or sharing economy firms in other words.

Sharing economy firms are “in many ways a logical outgrowth of social media platforms such as Facebook, Pinterest, and Tripadvisor, which bring together people with common interests to share ideas, information, or personal observations” (Cusumano, 2015, p. 32). The key difference between a traditional firm and a sharing economy firm is presence of disruptive innovations within business model (Cohen and Kietzmann, 2014).

The recombination of technology, rapid market response, and low-cost approach are allowing sharing economy firms to enter markets quicker. Moreover, they are able grow at a high speed and have the potential to pose threats to traditional firms in mature industries (Dobbs, Koller, and Ramaswamy, 2015). Currently, only few of the sharing economy firms are growing fast and large enough to affect operations of the traditional firms (Needleman and Loten, 2014).

As an example, Airbnb currently is notably affecting low-cost hotels. However, Airbnb is not a singular phenomenon; Flipkey, Stayzilla, Oyo, HomeAway, VRBO, and many other providers have shown that the sharing economy firms within the accommodation market are growing both in size and in numbers (Cusumano, 2015). In addition, sharing economy firms are often considered the future of networked hospitality businesses (Oskam and Boswijk, 2016). The effect is measurable and there is a strong correlation between Airbnb activities in a region and the market share, as well as pricing of hotels within the same region (Zervas, Proserpio, and Byers, 2013). However, the fact that low-cost hotels are affected the most does not mean that other hotels are secure. Shared accommodation services such as Airbnb are growing exponentially and constantly improve its services (Guttentag, 2013), and therefore have an enormous potential for becoming a market leader (Zervas, Proserpio, and Byers, 2013).
2.3 Response strategies

Traditional firms must adjust to the new challenges and compete with their own special advantages in order to avoid losing their market standing (Cusumano, 2015). Cusumano (2015) suggests that a traditional firm must compete differently in the sharing economy. Several researchers suggest some patterns on how traditional firms can compete with the sharing economy firms (Zervas, Proserpio, and Byers, 2013; Nadler and Aulet, 2014; Cusumano, 2015). Consequently, a difference in responses might occur depending on the business type and target customer group of a traditional firm. Zervas, Proserpio and Byers (2013) talk briefly about responses of the traditional firms, however, response patterns were limited to two variables, namely price and occupancy rate.

One way is to make sure that a sharing economy firm is operating a fair business and does not breach the rules for subletting. Currently, regulations are a weak point of the sharing economy firms and “some startups have already run into legal and regulatory hurdles from city governments, courts, and traditional unions” (Cusumano, 2015, p. 32). Thus, some established firms seek an improvement of the enforcement mechanisms from the authorities, in regards to sharing economy firms (Nadler and Aulet, 2014). This makes the focus on the compliance with all relevant government regulations, a primary tool of the traditional firms.

In the conceptual framework for this research, it is called “support from authorities and unions” (Fig. 8), leading to more external opportunities available for a firm. In the end, traditional hotels can compete by focusing on differentiation (Cusumano, 2015), which is also one of the generic strategies proposed by Porter (1980). Traditional hotels can also
protect themselves by “providing a type and level of service that Airbnb cannot match at any price” (Cusumano, 2015, p. 33). It means that hotels can adjust the level of standardization and reliability of their rooms and reservations, while providing highly localized service in terms of taste and design (Ibid).

Hotel can also use more dynamic pricing strategy (Cusumano, 2015), as sharing economy firms are having a strong impact on the maximum price, which the hotels can set (Zervas, Proserpio, and Byers, 2013) and sharing economy firms, such as sharing platforms create “accommodations for cheaper prices than traditional sources” (Nadler and Aulet, 2014, p. 40).

Often hotel chains have an ability to serve individuals or businesses, which can differ significantly in sizes and types. Moreover, hotels can accommodate all types of events, from large conferences to small gatherings (Ibid). In some cases, hotels have a large business network (Fig. 8), due to the long histories of relationships. Therefore, they are capable of matching a customer with the right vendor for tourism, transportation, and other services (Cusumano, 2015). As an example, Marriott is collaborating with boutique hotels around the world (Cusumano, 2015).

Some traditional companies implement the sharing economy business models in their existing business operations (Cusumano, 2015). This allows them to increase value of their service. Furthermore, in the longer run hotels respond to the change caused by the sharing economy through “promotions, advertising, and even re-positioning to provide more personalized Airbnb-like services” (Zervas, Proserpio, and Byers, 2013, p. 31), which is referred to as “promotion and advertising” and “repositioning” (Fig. 8).

Ongoing value improvement increases its importance among traditional firms, for which these companies have to create a more direct and frequent access to their customers. This involves creation of an ongoing process, where a customer contacts and creates a feedback loop, resulting in customized services and improved product offerings, which eventually can lead to better performance (Gansky, 2010).

One of the ways to sustain a competitive advantage in a mature industry is to use disruptive technological innovations (Albors-Garrigos and Hervas-Oliver, 2013). Further, Heinrichs (2013) states that disruptive innovations can be a way for companies in achieving a sustainable business in the face of current challenges (Fig. 8). However, there are still firms
that keep their old business models, due to the inability or unwillingness to take the risk (Williams, 2015) in a process of innovation of their business model.

![Figure 8 - Response patterns of traditional hotel firms](image)

**Response Typology**

Miles et al. (1978) proposed the strategy typology, which is integrated into this study’s framework in order to help in further clarifying response strategies of firms, and in order to understand better, what these strategies mean for a firm. It consists of four different topologies, namely analyzers, defenders, prospectors, and reactors. Firstly, analyzers target the maintaining of the current market share using moderate change. Ongoing value improvement is placed in this typology. Secondly, defenders, try to avoid change and thereby target a stable environment, by protecting the current market with defensive measures. Seeking support from authorities and unions as well as differentiation are placed here. Thirdly, dynamic innovation and seeking new market opportunities is done by prospectors, which include strategies such as pricing, network, and disruptive innovation. Finally, reactors react to specific conditions and current trends while having no clear strategy. Promotion and advertising, as well as repositioning is placed in this typology (Fig. 9).
2.4 Conceptual framework

The topic of this research is sharing economy, sustainable business of traditional firms and response strategies within the mature industry. As previously mentioned in the purpose section, the research aims to define actions, which traditional firms take in order to sustain their positions in times when the sharing economy firms become more and more influential. Meanwhile the sharing economy is affecting mature industries and the hotel industry, sharing economy firms have an effect on the traditional firms overall (Petropoulos, 2015; Penn and Wihbey, 2015; Zervas, Proserpio, and Byers, 2013). Sharing economy firms influence sustainability and the traditional firms have to respond and adapt to the change through improvements in their sustainability (Martin, 2016). The increasing influence enables traditional firms to respond (Cusumano, 2015). As defined by Jansson (2007), an implementation of the sustainable strategy should lead to improved natural values, social values, and economic values.
The main purpose of this framework is to help in analyzing the empirical data and explaining the change of the sustainability in traditional firms due to the impact of the sharing economy and sharing economy firms. In order to fulfill this, changes in the past of the company's sustainable business are identified. These changes are then divided into three aspects: natural value, economic value, and social value. However, the changes can be caused by many factors; thereby extracting the responses, which are caused by or supported by the effect of the sharing economy, are the most crucial part of this project. These response strategies will thereafter be presented in the response to the sharing economy and sharing economy firms’ section in chapter 4.
3 Methodology

In this chapter, the method we used in performing this study is described. Accordingly, our research approach, strategy, and design are then specified. This section covers the relevant aspects of the methodology and helps in understanding how the data was gathered in order to answer the research question and how the purpose of the research was met. This chapter gradually goes through different levels of the research methodology: research approach, research strategy, research design, data collection, and finally the selection of the case companies. Lastly, we outline research quality challenges, specifically how we approached the validity and the reliability of this study.

3.1 Research approach

Andersen (2012) proposes that an inductive method is appropriate and frequently used for new and therefore less studied phenomena. Since the sharing economy and sustainable business is rather new phenomenon and the theory is not well developed (8.5.1 Literature review on the sharing economy, 8.5.2 Literature review on sustainability), the purpose of our study is to describe the phenomena and more specifically: explaining how the traditional firms’ change their sustainability due to the effect caused by the sharing economy firms’ operations.

Nevertheless, an inductive approach relies heavily on empirical findings (Strauss, Corbin, and Corin, 2008; Yin 2003) and the subject evolves during the development and the research process. Saunders et al. (2009) also suggest that inductive study require development of a framework, which will help in data analysis and this thesis proposes a conceptual framework. Inductive approach is often described by qualitative data gathering (Strauss, Corbin, and Corin, 2008; Thomas, 2006) and is often considered to be the main defining factor.

However, this research possesses some characteristics, which are more common for the deductive approach. The deductive approach starts by and depends on the use of existing theory to structure the research strategy and data analysis (Saunders et al., 2009). Overall, this research follows the abductive approach, which is a combination of two research approaches: inductive and deductive (Haig, 2005).
The research project started with a deductive approach, as the researchers have made detailed use of existing theory to formulate research questions and purposes. A theoretical framework followed by a conceptual framework then helped to structure the focus of the data analysis (Yin, 2013). However, the framework as designed did not adequately answer the research questions and meet the purposes (Saunders et al., 2009). Consequently, it was decided to follow an inductive approach for the data analysis, which would consist of a qualitative choice for the empirical data collection.

Alvesson and Skoldberg (2009) claim that pure inductive and deductive approaches become less frequently used in the researches nowadays, as they often are one sided and less realistic. The abductive approach has strong benefits over the pure inductive or deductive approaches, as it usually starts in the empirical data, which is very similar to induction, but it does not reject theoretical contribution. The combination allows interpreting empirical findings, as well as theory as the research progresses. In essence, the abductive approach is a perfect choice, when it comes to a new pattern discovery and better explanation building of an underdeveloped phenomenon.

By alternating between empirical world and theory, enables the researcher to build a better comprehension of the empirical phenomenon within the theory (Dubois and Gadde, 2002). Theory and empirical data analysis have been developed side-by-side. Therefore, the abductive approach is suited well to describe our research approach. The study commenced in a deductive approach by starting from existing theory on the sharing economy and traditional firms. We developed initial questions based on this theory and attempted a matching with the empirical data. Further, into the research we analyzed the data in an inductive approach to find patterns and dissimilarities. Consequently, we reflected on theory, empirical data, and analysis, aiming to find the optimal combination of these factors to best study the emerging phenomenon. This implied that previous models had to be removed or altered in order to find a better explanation approach of the empirical data. Accordingly, a blend of the two approaches, which is also known as the abductive approach, describes the development of theory within this research. This allowed producing a more valid fulfillment of the study’s objectives.
3.2 Research strategy

As determined by the research question and the state of the development of the theory, a case study strategy helps in achieving the purpose and answering the research in the best possible way. Generally, the case study strategy helps in the comprehension of the context and the processes, which take place within this context (Morris and Wood 1991). Furthermore, the case study strategy implies that a research conducts an empirical study of a phenomenon within a context, where it is naturally emerging (Robson, 2002). According to Yin (2013), the context plays an important role in a case study. Some phenomena might occur only in the specific context and thereby, boundaries between the phenomenon and the context become hardly distinguishable, which create challenges. However, the advantage of a case study compared to a survey, experiment or any other research strategy, is that it provides better understanding of phenomena and takes into account larger amount of variables. Thereby, the case study strategy is well suited to explore and understand the contextual environment surrounding the to-study phenomena (Saunders et al., 2009). Yin (2013) also notes that case study strategy helps better in answering “How” and “Why” questions, making this strategy even more relevant for this study.

3.3 Case study design

The chosen research design is based on a case study. The case study approach is popular and widely used in business research (Eisenhardt and Graebner, 2007). Yin (2013) distinguishes four main case study designs, based on two dimensions: single case versus multiple case and holistic case versus embedded case. This research follows a multiple and holistic case design. According to Yin (2013), multiple case study design is a preferred option for a more robust analysis and increased external validity. Moreover, this choice enables higher generalizability of findings. A holistic case study choice reduces the likelihood of false interpretations or contradictions (Yin, 2013).

The case study therefore, addresses traditional hotel firms, as these are important cases for this research. Both hotels and hotel chains operate in the hotel industry, which is a representation of a mature industry (Alves, 2013), as an example of where common challenges of a mature industry emerge (Wuest, Emenheiser, and Tas, 2001). This implies slower growth and shift in the competition towards prices and service quality (Sabol, Šander,
and Fučkan, 2013). Therefore, sustaining a business is of utmost importance for the hotel companies (Zheng, Luo, and Maksimov, 2015). Moreover, the hotel industry is affected by the sharing economy firms, such as shared-accommodation platforms (Nadler and Aulet, 2014). Thus, hotel managers have to respond to this change in order to satisfy their customers (Cusumano, 2015) and “remain attractive to investors as well as operationally feasible and profitable” (Bader, 2005, p. 70).

As the sharing economy and sustainable business are a rather new phenomena and unstudied topic, it requires more description. However, there is already research, which has provided exploratory studies and has identified some aspects that are of importance. It is therefore important to extend the exploratory findings with a more descriptive research (Saunders et al., 2009). As this research uses available studies as a foundation for the research, it therefore follows a descriptive research design (Andersen, 2012). This study follows the descriptive study design, as it aims at finding out about current happenings, new insights on existing theories, to ask new questions and evaluate phenomena from a different perspective or in a new context (Robson, 2002).

Because data is collected once in this study, the research can be seen as a snapshot of the current state of the context and the businesses. Saunders et al. (2009) call it cross-sectional time horizon. Saunders et al. (2009) suggest that this approach is widely used for the study of a phenomenon at a particular time. This research is aiming to explain a new phenomenon and as case studies are used, the interviews are collected over a short period. A typical research method in a cross-sectional case study design is to conduct semi-structured interviews of different cases or observations (Bryman and Bell, 2015).

3.4 Data collection

The most suitable data collection for this study is qualitative data gathering. Qualitative analysis and data collection are described as interactive processes (Saunders et al., 2009). This means, that analysis occurs during the collection of data as well as after it. The interactive nature of data collection and analysis helps in recognizing relevant patterns and relationships along with the data gathering process. As a result, the collected empirical data sets a direction of following data collections, meaning that researchers are able to adjust their future data collection, according to the findings of the previous data gatherings (Ibid).
A small amount of respondents, which is common for the qualitative research approach, supports the focus of this study on pattern finding in the certain type of firms. Thereby it helps in answering the research question as close to reality as possible. Since empirical data is essential for this project, the case study strategy is used. Moreover, this study follows the mono method. This method is characterized by a singular data collection approach, which in this case is qualitative data collection. It is a technique that is based on in-depth interviews and qualitative data analysis (Saunders et al., 2009).

The choice of the interview is determined by the fact that it provides better insights on the internal situation compared to other forms of data collection. Overall, direct observations and archival research requires access to certain places or sensitive internal data, such as emails, which makes the process of building relationship highly complex. High reliance on own interpretation is important in the process of analysis of the raw data, which has a significant influence on the outcomes. On the other hand, interview gives an indirect access to some of the internal data, such as financial performance or customer communication. Moreover, the main strength of an interview is its strong-targeted focus on the case study topic and the studied phenomena (Yin, 2013).

This research is based on interviews with executive managers of selected hotels, who oversee strategic issues and have a profound understanding of the industry. This includes Sales Manager, Hotel Director (General Manager), Senior Director and Chief Executive Officer (CEO). We scanned traditional hotel firms in different locations in Europe (and one in St. Petersburg, Russia), as well as in different hotel segments such as niche hotel (1), hotel chain (2), hotel management group (1) and independent budget hotels (2), in order to

To conduct the interviews, a semi-structured interview approach is applied. This approach stands between an open interview, in which the respondent guides the conversation, and an interview where the interviewer follows a script of answer options (Fisher and Buglear, 2010). The semi-structured interview approach is highly beneficial for this study, as it provides a certain level of flexibility and the interview is steered by the answers of the respondent, enabling the interviewer to react to the situation and delve into critical issues (Merriam, 2009).
3.4.1 Primary data

Primary data is gathered directly from the traditional hotel companies.

Interview

Data gathering is based on the semi-structured interviews with the hotel executive managers. In order to get access to the right information the interview guide was sent in advance to the respondents, in order to make sure that a respondent has competencies to answer the questions and has an opportunity to prepare some of the answers beforehand. However, the guide is sent on the day of the interview, therefore the questions are still rather new to a respondent, which ensures decent discussion during the interview.

Interviews took place within a month and face-to-face meetings were used. When meeting in person was impossible due to lack of time or inability to travel to the given location, phone and Skype meetings were used. As advised by Saunders et al. (2009) all the interviews were audio-recorded in order to have an opportunity to return to the empirical data during the analysis.

Operationalization

In order to get all the necessary information from the respondents, some theoretical concepts and terms should be translated to a language that is understandable for the respondents (Saunders et al., 2009). Because respondents work in executive positions and strategic planning, they have the relevant background and have a good understanding of the most common business concepts, such as competitive advantage, sharing economy and sustainable business. However, advanced theoretical terminology was explained during the interview. If a respondent was in doubt about any of the concepts, it was explained to him or her. Moreover, during the interviews relevant questions were asked several times using different wording (Appendix, interview guide), for example “sustainable business” was replaced by “social, natural and economic values”, in order to receive rich and detailed responses. Furthermore, practical examples were provided, in order to ensure the highest level of understanding of questions by a respondent. Examples also included findings from the previous interviews, which supports our descriptive strategy and theoretical sampling view. The interview guide follows a certain structure and has the following sections: “traditional firms’ sustainable competitive advantage”, “sustainable business” and “response
strategies”. These sections follow the flow of the conceptual framework and ensure that all the relevant aspects are covered. Moreover, in order to make it easier for the respondents to answer the questions, specific example of a sharing economy firm was used during the interviews, the well-known sharing-accommodation provider Airbnb. The choice of Airbnb is determined by the fact, that this company in a very short period has dramatically changed the travel accommodation landscape in many places around the world (Nadler and Aulet, 2014). Furthermore, growth potential remains unclear, but some researchers propose that the largest supplier of travel accommodation in the nearest future will be Airbnb (Nadler and Aulet, 2014). Airbnb is a strong and growing company, which currently has over half million properties worldwide. Over 150 thousand guests hosted each night. “This phenomenal growth makes it reasonable to assume that Airbnb will be the largest supplier of travel accommodation in the near future” (Nadler and Aulet, 2014, p. 44).

Interview transcription

Saunders et al. (2009) suggest that transcribing collected data is crucial for in depth data analysis, as it allows grasping relevant patterns much easier. All the interviews were therefore transcribed and used during the analysis.

3.5 Selecting case companies

Eisenhardt (1989) suggests that ideally qualitative research should be based on four to ten case studies. For a balance of research significance and timely feasibility, this study is based on six companies operating within the hotel industry in various locations and operating in different business segments. The spread of using multiple firms should serve as a means of creating a significant analysis. As suggested by Saunders et al., (2009) differences in case companies allows a higher level of generalization in case common patterns are identified. Due to the context of qualitative research, hotels were chosen in different segments in order to facilitate results that are more generalizable if a pattern within the hotel industry can be found. Thus, individual hotels as well as hotel chains form the sampling for this research, each with different target markets and geographical locations.

This approach can be described as purposive sampling, which fits into the scope of non-probability scanning, in which the researchers aim to sample cases or participants in a strategic manner. Thereby, to ensure maintaining generalizability, it is imperative to select a
rich variety of cases with different characteristics that have a high relevance to the research question (Bryman and Bell, 2015). There are two common types of purposive sampling, namely snowball and theoretical sampling. When differentiating between snowball and theoretical sampling, this study follows the theoretical sampling approach that supports the abductive approach in qualitative research. In this way, rather than the prerequisite of randomness, the research theory guides the selection of appropriate participants (Auerbach and Silverstein, 2003).

For high variety and relevance, as the research question considers the hotel industry and traditional firm responses to sharing economy models, we sought a variety of different hotel classes (star rating) and types (chain, independent, niche). The hotel firms are Grand Ahrenshoop, Carlson Rezidor Hotel Group, Hotel Sct. Thomas, WorldHotels Group, Scandic and Nevsky.

Moreover, they should have different degrees of shared accommodation providers (level of Airbnb presence) in their area, for example major European cities (Frankfurt, Germany; Brussels, Belgium; Copenhagen, Denmark), small towns (Ahrenshoop, Germany) or cities (Kalmar, Sweden), and major cities in emerging markets (St. Petersburg, Russia). Lastly, the variety is further amplified by selecting different hotel segments that target different customer groups, such as business/corporate travelers and leisure travelers.

The following table (Tab. 2) is the result of the companies, with whom the study aims to have rich data and the prerequisite to form general conclusions based on the concepts defined in the research question.

<table>
<thead>
<tr>
<th>Hotel firm</th>
<th>Class</th>
<th>Type</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand Ahrenshoop</td>
<td>5*</td>
<td>Niche</td>
<td>Ahrenshoop, Germany</td>
</tr>
<tr>
<td>Carlson Rezidor</td>
<td>4*</td>
<td>Chain</td>
<td>Brussels, Belgium</td>
</tr>
<tr>
<td>Hotel Sct. Thomas</td>
<td>3*</td>
<td>Independent hotel</td>
<td>Copenhagen, Denmark</td>
</tr>
<tr>
<td>World Hotels Group</td>
<td>3* - 5*</td>
<td>Hotel group</td>
<td>Frankfurt, Germany</td>
</tr>
<tr>
<td>Scandic</td>
<td>3*</td>
<td>Chain</td>
<td>Kalmar, Sweden</td>
</tr>
<tr>
<td>Nevsky 3</td>
<td>3*</td>
<td>Independent hotel</td>
<td>St. Petersburg, Russia</td>
</tr>
</tbody>
</table>
3.6 Data analysis

Further, with the help of the conceptual framework the answers from the respondents are presented in the empirical data sections. This allows starting the most important and most complex part of the research, which is analysis (Merriam, 2009). In this part, three voices are present in order to generate valid conclusions, while the combination of the framework, empirical data, and logical thinking, evolve simultaneously (Dubois and Gadde, 2002).

As it was mentioned previously in the research approach section, in overall the research follows an abductive approach. Thereby, it constantly moves from inductive approach to deductive and vice versa. The analysis thereby follows this pattern; however, the deductive approach will be dominant for this study, since theory was used extensively on the early stages of the analysis when the conceptual framework was being developed. This provides a structure for the empirical data. However, as the study follows a descriptive case study strategy, it helps in creating findings about current happenings (Robson, 2002). Moreover, descriptive case study provides new insights on existing theories and evaluates phenomena from a different perspective or in a new context (Ibid). Thus, there is a high chance that empirical data can provide new insights on the studied phenomenon and thereby can lead to a better explanation or contribution to theory through interpretation of the data.

Analytical procedures

Yin (2013) describes two analytical procedures that are relevant for a qualitative research using a deductive approach, which are pattern matching and explanation building. A combination of both forms the analytical foundation of the analytical research. Pattern matching (Saunders et al., 2009) is the part, where the research fits empirical data into the conceptual framework, which is based primarily on existing theory. However, because some of the data might not fit in the framework, explanation building will be used. This approach is common for theories that are insufficiently described or studied (Yin, 2013). This approach helps in getting explanations along the data collection process (Saunders et al., 2009). In our case, questions were adjusted after several interview rounds, and incorporated new questions about relevant findings. This section will also rely a lot on the interpretation of the gathered data and the positioning of it within the existing theory.
The focus of the analysis chapter is to test how well the framework developed from the theory can be used while explaining the theory from the empirical findings, which can form an answer to the research question. This research is based on several frameworks related to sustainability and sharing economy. Based on the gathered data, the researchers try to find patterns and assess the influence of the sharing economy firms, on every aspect of sustainability, namely economic, social and natural aspects. Thus, the research and empirical evidence might provide different results and the final model might be adjusted, in order to better fit the reality.

Overall, this research aims to improve theory and the explanation building will support the research in this objective. Therefore, the process of interpretation during the analysis of data is crucial and transparency in this section is vital. As Saunders et al. (2009) propose there is no standardized procedure for analyzing qualitative data; however, there is a generic 5-step process. In order to follow this structure, this process will be split among chapters of the research: empirical data will include 1) comprehension of extended qualitative data, analysis will contain 2) integration of the related data from different transcripts, 3) identification of the key subjects or patterns from these transcripts, 4) development of assumptions and theories based on the patterns and relationships, and 5) will draw conclusions and verify findings.

3.7 Quality of the research

3.7.1 Reliability

Reliability as a quality criterion refers to the consistency of findings, while Robson (2002) suggests that there are four major threats to reliability.

Firstly, subject or participant error may occur, when results might differ from one day to another (Robson, 2002). Major changes, however are unlikely in the short interval of interviews. Thereby collecting data once again after a week or a month will not produce different results that would threaten reliability.

Secondly, there is a chance for subject or participant bias, which takes place when an interviewee, provides responses that he or she should say due to his or her position and not what actually is happening (Robson, 2002). Respondents were also provided an opportunity
to be anonymous (Saunders et al., 2009), if they wanted to. Because the topic does not incorporate highly sensitive data, the respondents were willing to share it. In order to minimize the effect of bias, some of the vital questions were repeated in a different form within the questionnaire, which should ensure that there is no contradiction between what respondent is saying.

Thirdly, there can be an observer error, which in essence is (Robson, 2002) the possibility to ask questions in infinite amount of ways, which in theory can affect the results and decrease the reliability of the research. As suggested by Saunders et al. (2009), a fixed structure was used during the interview and questions were written down. The fact that two researches worked on the interview questions, allowed formulating questions more critically and ensuring that they lead the interview in the right direction.

Lastly, observer bias might occur due to differences in interpretation (Robson, 2002), which was minimized due to fact that certain flexibility was used and extra question were asked during the interview to minimize the potential for misunderstandings.

High transparency of the research was maintained on every step of the research from the introduction up until conclusion chapter. All the collected data is recorded and transcribed, for example. Furthermore, as suggested by Saunders et al. (2009), the transcription of data makes it less likely to misinterpret the answer of your respondent. Especially, a high focus is put on the transformation of the gathered data to empirical findings and conclusion, which is achieved mainly through the application of the conceptual framework. Overall, these actions should ensure largely that the same results would be gathered under other occasions and by other observers.

### 3.7.2 Validity

Another criterion of the quality of the research is validity. It is vital to have findings, which “are really about what they appear to be about” (Saunders et al., 2009, p. 157), which is known as the validity of research. In order to demonstrate that the results of this study are valid, the research question and the purpose of the study are clearly defined. Moreover, the way of getting data and the choice of the sample and respondents is described in detail. However, a certain degree of ambiguity about the effect of the sharing economy and response of the traditional firms remains. Generally, the response and the effect cannot be extracted
from the context and studied in a closed system - a system where a traditional firm will be solely affected by the sharing economy firms. It is determined by the fact that the case study is used in this research, and thereby helps in improving the validity of the research (Robson, 2002; Yin, 2013).

Furthermore, the research scope is narrowed down to a specific type of industry and certain types of firms. A specific topic of focus is chosen for the research, which is sustainability. In defining relevant terminology within the scope of this research, it helps in the better understanding of what is actually being studied. Furthermore, external validity is important for the research, which is also known as generalizability (Saunders et al., 2009). As mentioned previously, the research takes into consideration various companies in terms of geographical scope, hotel type and business segments which allows generalizing data to a certain extent.
4 Empirical findings

In this section, empirical data is presented for all six cases. Every case has its dedicated section, where firstly a brief introduction of the firm takes place, including views on and positioning towards shared-accommodation platforms. Subsequently, data is presented following the structure of the interview guide (Appendix 8.2). In each section, a firm’s sustainable business from all three aspects is presented, including natural value, economic value, and social value. Further, the response strategies of the case firms are described.

4.1 Grand Ahrenshoop

Grand Ahrenshoop is a small, five-star hotel in an upscale village called Ahrenshoop in Northern Germany. The hotel has 90% leisure guests, making all holiday flats around them competitors for them. The management team tries to maintain 85% direct sales. Hotel director Döbber-Ruether (2016) states that the high difference in prices makes them less affected by Airbnb, “we both are selling rooms, but if you look at all the other things, we don't really compete” (Döbber-Ruether, 2016). However, he sees Airbnb as a market leader and that if they will start to offer more holiday flats around Grand Ahrenshoop; it could result in a big risk. The hotel follows more or less a niche strategy and generally, the hotel is flexible, as it does not belong to a hotel chain, so it can adapt and respond independently and very quickly to the changes.

4.1.1 Sustainable business

Natural value

Döbber-Ruether (2016) mentions that the company has a high responsibility for the environment and they seek to use regional resources as much as they can. Moreover, they make sure that their suppliers have policies that are green and ethical. The company itself has recently become a partner with a desalination plant and “due to water saving, we are working with an organization in Hamburg called Viva con Agua” (Döbber-Ruether, 2016). Both firms organize different things together in order to create awareness of the environmental importance. Moreover, the hotel installed charging stations for electrical
vehicles in the underground garage and overall, electricity is only purchased from companies that produced using renewable energy sources.

**Economic value**

The company maintains a high level of direct sales; however, the use of travel agencies, such as Tui and Dertour, as well as the OTA booking.com, is also present. The focus of the hotel is mostly on differentiation and many unique concepts being introduced in the past years, one being that “everything that you can see in our hotel you can buy, for example furniture such as beds, chairs” (Döbber-Ruether, 2016). The hotel undergoes major interior changes every year, which helps to run the concept store successfully. Besides that, Döbber-Ruether (2016) often mentions their unique location, Ahrenshoop, which has a high value for their clients. The hotel provides special, non-standard services, which Airbnb would not be able to implements or match at any price. “For example, we have a new service called beach concierge, which is something many people appreciate. For an up-charge of 50€ you can order drinks and meals directly to the beach” (Döbber-Ruether, 2016).

What has become relevant for the hotel in the past years is responsiveness and customer satisfaction. The hotel responds quickly to their customers and adjusts its plans according to changes in the market. The company has therefore collaborated up with Customer Alliance. This organization updates the hotel with information on all the different trends on HolidayCheck, Trivago and similar platforms. “We get data from Customer Alliance every day, and therefore we can find and adapt to the needs of our customers” (Döbber-Ruether, 2016). Moreover, the hotel installed tablets in the rooms in order to conduct satisfaction surveys among guests. The right department receives wishes and reviews from the customers instantly this way and can take actions very fast.

**Social value**

Grand Ahrenshoop works together with a kindergarten in a village across from Ahrenshoop. “Twice a week we cook for the children to provide healthy food, but to also educate on healthy food choices” (Döbber-Ruether, 2016). Moreover, the hotel has been working together with a fund called Hermann v. Fehn Stiftung that supports handicapped children by raising money.
4.1.2 Response strategies

Response to the sharing economy and sharing economy firms

It becomes more and more vital to be responsive to the customer needs, for which the hotel gets data from Customer Alliance every day in order to adapt to the needs of its customers. The response speed became more important and is driven by the sharing economy where changes happen on very high speeds. The electronic satisfaction surveys allow the hotel to manage information much easier, as well as to react to the customer’s feedback faster. Furthermore, what helps in increasing the value is the hotel store concept. In case sharing economy will create larger threat to the business, the firm plans to promote this unique hotel store concept for creation of extra value to their customers.

Protection against the sharing economy

Despite the response strategies of the firm, the respondent hopes that the German government will solve regulatory issues, before the hotel industry becomes an unfair playground. This means that Airbnb “should operate under the same laws and restrictions as us traditional firms” (Döbber-Ruether, 2016).

Moreover, having a niche product in a niche market overall protects the company from its competitors, as well as making it impossible for the sharing economy firms to imitate the service. However, a continuous improvement of the service value should be present in order to remain responsive and attractive to the customers, whereas satisfaction becomes more and more crucial.

Furthermore, it is important to have a strong online presence, and using online travel agencies can help in achieving this goal. However, in the end the company aims to keep a higher rate of direct customers, to prevent from relying too much on online travel agents (OTAs) that could eventually result in the loss of business, in case the OTAs remove a hotel from their portfolio. On the other hand, it means that a firm has to strengthen its position online with own resources and capabilities.

4.2 Carlson Rezidor Hotel Group

Senior Director Franchise Services Gericke (2016) sees the hotel industry as being very fragile and highly unpredictable in terms of developments. In addition to that, the hotel
industry increases speed of development, which is a big trend. Carlson Rezidor Hotel Group has various hotel brands, which hotels implement as franchisees. For this study, the respondent chose Radisson, a brand of the Carlson Rezidor Hotel Group, to provide answers for the interview questions. This hotel concept relies a lot on business customers with an average rate of 70%. Airbnb is one of the examples of a new business model and it certainly “takes a share of the cake” (Gericke, 2016) from the hotels. “Are they similar to hotels? Yes, to a certain degree, they provide accommodation, a bed and so on. The question is, who is using these and where are there may be some overlaps with our guests? I think there will be some” (Gericke, 2016). Although the hotel might lose some customers due to the sharing economy firms, they do not plan to include Airbnb in their competitive set.

4.2.1 Sustainable business

Natural value

There were no major changes in regards to the responsibility towards the environment of this hotel brand. However, there are practices in place in order assure that the hotels are following certain guidelines and targets, which is managed by two responsible business departments. One department focuses on corporate social responsibility, to ensure that practices are planned and implemented in the hotels. Another department focuses on resources management to ensure that water saving, energy saving and recycling is carried out as intended. As the younger clientele of Radisson is green-educated, shortcomings in these areas are regarded as “an absolute no-go” (Gericke, 2016).

Economic value

The hotel is trying to attract the younger clientele, which is open to the sharing economy. The company has to consider this when developing brands. With a strong competence in guest satisfaction, the company has launched several new concepts in the last few years, which have worked very well. Firstly, Radisson is launching a new brand called Radisson Red to reach this target group. Secondly, it became more and more vital to respond to the reviews of the guests, so a system had to be put in place to improve this. The company thereby motivates their customers to leave feedback, as the hotel “guarantees that every customer gets an answer” (Gericke, 2016).
In order to strengthen its business, the company has launched a “Yes I can” strategy, which aims to educate and train the staff. As the respondent notes: “It is easy to replicate their hotel room, their beds, coffee and showers, but people and attitude cannot be so easily imitated, and we achieve that by training” (Gericke, 2016). Along with the improving value, the firm is also concerned about optimization of their operations. This became another recent focus, and it is implemented by breaking down the budget per region, per hotel, etc. in order to monitor the performance of each individual business unit.

Moreover, the firm has been very dependent on IT in the past years. With the quick developments in regards to e-commerce and the sharing economy business coming up, “we had to really speed up things and get people on board to be quick all the time” (Gericke, 2016). Therefore, the firm plans to shift more towards e-commerce and OTAs. Gericke (2016) explains, “Meeting with clients face-to-face, visiting corporate companies, etc., we are still doing but we are shifting towards e-commerce and OTAs so we are more into third parties…”. There is a trend that individual hotels look more and more into online sales as the online market becomes stronger.

In order to build knowledge in regards to e-commerce practices among other activities the firm often attends many conferences on current economic developments, where Uber or Airbnb are present. As Gericke (2016) explains, “we are very keen to learn and share our experiences”.

*Social value*

Gericke points out that Radisson has a huge responsibility: “Let’s take the Mali example, a destination in which we are the only international hotel brand. We have the responsibility for the country, the people there, and the people we employ and for the reputation of the brand. So we are part of that society.” (Gericke, 2016). Moreover, the hotel firm has to be very careful, because you are always being watched in this industry. That is again, why the online review monitoring is so important, says Gericke, so that the firm can identify and respond quickly to problems (Gericke, 2016).
4.2.2 Response strategies

Response to the sharing economy and sharing economy firms

Undoubtedly, Airbnb or any other sharing economy firm is not capable of covering the needs of all the Radisson’s customers; this is why hotels remain important. Additionally hotels are professionals and this is difficult to imitate for Airbnb. Nevertheless, the hotel has an ongoing development of the intangible resources, for example “Yes I can” strategy (Gericke, 2016). Furthermore, one thing Radisson is doing to respond to the fast-growing competition is to become more responsive and focus on speed. In addition, “We try to change our long-term strategy according to developments in the industry” (Gericke, 2016).

All in all, it is important to have a good understanding of the online business, since more than 50% of their business is done online, and focusing on strengthening to position in that channel. While this is a development that was driven by OTAs, hotels and OTA’s are becoming more dependent of each other. Airbnb is regarded as having a different model than traditional hotels, but also offering a form accommodation (Gericke, 2016). He adds that, “We have a problem, if our customers suddenly preferred to choose Airbnb over us.” (Gericke, 2016).

A key strategic response has been to develop new brands such as Radisson Red, in order to win over the target groups that are likely to be Airbnb customers, such as the new generation of young people and online customers (Gericke, 2016).

Protection against the sharing economy

According to Gericke (2016), the hotel brand achieves their protection primarily by keeping a high focus on customer satisfaction. It became more common to collaborate with companies that are helping management team to review and monitor all the online reviews about the hotel. However, the concept or the business model of traditional hotels is old and is primarily focused on staff education and knowing how to serve the traditional business. This makes it clearly different from the e-commerce strategists (Gericke, 2016).

The firm started to “break down the budget per region, per hotel, etc.” (Gericke, 2016) to monitor performance and detect unprofitable business components more easily. However, the critical question remains to be the one of distribution. Gericke (2016) adds, “I don’t think we need to protect ourselves. I think Airbnb will help to drive destinations and boost supply.
In some destinations we might lose a little share”, “however, we try to learn from them, especially from their distribution. We have to wake up.” (Gericke, 2016). He concludes with saying that the hotel industry is not the classic hotelier business any longer, that it is seen to be shifting.

4.3 Hotel Sct. Thomas

Hotel Sct. Thomas is a small 3-star hotel located in walking distance from the center of Copenhagen. However, it is not situated in the central area, which makes it unique for the customers. Currently, management does not consider Airbnb as an important competitor for their business. However, the influence of the sharing economy on the business and the industry exists and the company knows what actions it will take as soon as the effects will become stronger. The main concern regarding Airbnb is that many companies start to rent out in Airbnb, which according to Sales Manager Rasmussen (2016) is not a correct way and unfair business.

4.3.1 Sustainable business

Natural value

For some years already, the hotel is a part of so-called “green hotels”, which imposes certain limitations on water and electricity usage in order to be more responsible. Now, the choice of partners and supplier is based largely on their environmental policies and ability to meet the green business standards, which sometimes “can be a decisive factor when choosing suppliers”. Recently the company has introduced more ecological breakfast options, to show even more responsibility about the ecological situation.

Economic value

The company does not have a specific target customer group, it has focused both on the business, and the leisure type of customers and all the segments are treated equally. This means that in their booking system “the first to book the first get the room” (Rasmussen, 2016). Therefore, the company could exclude or lose one of their segments without losing significant share of their market.

Furthermore, in recent years the pricing strategy has undergone changes. This was also caused due to the new regulations, allowing firms to have different rates for different clients,
e.g. hotel agents get one rates, and customers get different rates. Thereby, “having more focus on having the correct rates” (Rasmussen, 2016) has increased. This also provided a great benefit for hotels, as travel agents, such as booking.com and hotels.com are affected by the competition from Airbnb more, so they are pushed to be more flexible with the hotels. Hotels gained a greater bargaining power over agents, making negotiations with the travel agents more flexible and profitable.

Differentiation of the hotel remains an important strategy and location is their unique value, which has not changed from the very beginning. However, the value of service has to be constantly improved and it becomes more and more important to talk to your clients. “It is more direct, so we will know before what's wrong and why it is wrong”. The improvement of the value of the service includes “improving the beds, including Wi-Fi for free, and things like that. And the breakfast as well” (Rasmussen, 2016). Response and satisfaction became so important, that the hotel implements double rooms instead of the single rooms in case there is a higher demand for the second ones. “Now, nobody wants to share a room. There are very few people, who ask for that. So that's for example why we took twin beds away and have more double beds” (Rasmussen, 2016). Therefore, what people are asking for can be implemented or changed “one day to another” (Rasmussen, 2016).

Generally, hotels are experts and provide privacy, which Airbnb cannot provide at any price. “We have the time and education to listen to the guests, in order to make them feel happy here” (Rasmussen, 2016). Moreover, the hotel focuses more on personalized service, as example, they know half of their clients by name and this makes it special.

The hotel has also had more focus on the online presence than ever before. Even though the trend of being present online is not new, only now it became highly relevant to ensure that clients can find the hotel online directly or through online travel agents.

**Social value**

Currently, the hotel is part of the UNICEF program. Moreover, as a part of social values, the company provides jobs for students. Furthermore, the hotel provides their old equipment to NGOs, for example if the hotel gets new beds, it gives the old ones to NGOs.

Nevertheless, Rasmussen (2016) suggests that when Airbnb expands in a certain region, it provides social value, as it boosts new destinations for clients and generally, “competition is not bad, it is normally quite good for business” (Rasmussen, 2016)
4.3.2 Response strategies

The manager states that in Copenhagen hostels and low price hotels are affected more by the operations of Airbnb. Hotel Sct. Thomas operates in a lower price segment, but Airbnb is not a competitor for them. Ultimately, the respondent stresses that the fact that Hotel Sct. Thomas is a small hotel and not dependent on a chain, which allows them to respond fast and easy. The hotel uses a proactive way to respond to the changes more and more and it always looks forward to the upcoming trends. As the manager explains, she uses more time looking at next year’s opportunities than this year.

It is also very important that the hotel has its brand and it tries to keep mostly direct employees and avoids external companies whenever possible. A focus of the hotels on the online business goes hand in hand with the development of travel agencies, such as booking.com and hotels.com. However, sharing economy being highly dependent on digital platforms, the effect has the potential to increase the importance of online presence even further.

Response to the sharing economy and sharing economy firms

Rasmussen (2016) mentions that all the firms have to pay taxes and follow regulations that other hotels have. Therefore, if a company will avoid doing it, executives will take actions and report to the authorities.

Furthermore, the hotel strengthens its position in the e-business, which among other factors is also partly driven by the sharing economy, in which the firm hopes to protect its position. Generally, competition is perceived positively for business, and specific benefits of Airbnb exist. Due to the increased amount of properties in certain regions, customers have wider choices and therefore are more likely to travel to new destinations. When setting prices, the hotel always compares prices in the same way as ordinary clients do, when they book a hotel. If Airbnb became more influential, it would also be included into the pricing comparison.

Protection against the sharing economy

The hotel sees itself as being protected from the sharing economy by Danish law. Meaning that if someone operates in the hotel business, he or she has to pay taxes, therefore it is time for “the politicians have to make their mind” about the sharing economy firms. The hotel also seeks protection from other unions and organizations, such as different hotel unions of
Copenhagen, which are already looking at issues around the sharing economy. Many apartments around Copenhagen belong to a type of unions. Many of those do not allow renting out these flats; in case of a breach of this it will result into the problems with tax authorities and the “andelsforening” (Rasmussen, 2016). Lastly, since sharing economy businesses avoid taxation, it makes competition unfair. Customers, who care about social values and the society, will not use Airbnb for that reason.

4.4 WorldHotels Group

WorldHotels is a group of independent hotels, which represents and develops strategies for and supports their implementation. The group perceives sharing economy firms as competitors and CEO Dirk Fuehrer (2016) mentions that the question regarding the competition with the sharing economy firms was discussed especially actively in the past six months. The respondent discloses that there are different opinions about this phenomenon; however, he perceives it as an important competitor to the industry. Moreover, competition is especially evident in the business sector. However, generally hotel firms cannot be compared with the sharing economy firms, as these are different things.

4.4.1 Sustainable business

Natural value

Hotels within the group have freedom on choosing own green policies to follow, due to the low link with the commercial aspect of trade. However, prior to signing a contract with an independent hotel, WorldHotels makes in intensive audit of the firm to ensure that it meets at least 80% of the requirements.

Economic value

From the economic perspective, there are several trends, which are shaping hotel firms within the group. Firstly, hotels are trying to reduce their dependency on OTAs and increase their focus on getting more and more business in their channels. This creates a relevant question for the hotel managers: what are the decisive factors that make a customer to choose an OTA over the direct booking. Hence, should the reasoning of booking directly is not clearly communicated; people would book hotel rooms from the OTAs.
Secondly, hotels are lacking capabilities and know-how to implement a proper online business, the group plans to bring more digital consultants into the organization, as this is perceived highly relevant for the hotel firms. There is a link between the previous and this trend, as avoiding OTAs will result in weaker presence online, thereby these two tendencies are interlinked.

Thirdly, Fuehrer (2016) stresses that hotels have to reinvent their value propositions and offerings continuously. Therefore, the group works on the improvement of blueprints and develops methods to respond better to the reviews of the customers. Reviews have become increasingly important and hotels have policies, which provide a guarantee that every review gets an answer. In order to control the implementation of the improvements, hotels are using mystery shoppers.

Fourthly, the hotels are very much looking at their costs and looking for ways to optimize their distribution costs.

Lastly, the hotels are building stronger relationship with their business customers. Fuehrer (2016) is aware of the development in Airbnb and their focus on the business customers, therefore loyalty programs are used extensively in order to keep this customer group.

**Social value**

Hotels are part of a society in the places where they are situated and actions, which hotels are taking, affect people around. As it was mentioned earlier, the hotels motivate people to leave more reviews, which should not only improve the economic value, but the social value as well.

### 4.4.2 Response strategies

*Response to the sharing economy and sharing economy firms*

The company is reducing its dependency on OTAs and strengthening its positions online. A better responsiveness to the customer reviews becomes a major driver of the value proposition. The group has increased importance of the blueprints and aims to improve and optimize the processes in the hotels. This should result in a positive satisfaction level development.

Moreover, the firm has started to monitor the performance of Airbnb. The respondent discloses, “Airbnb is also looking into the meetings industry. There is a lot of space out there,
unused meeting space...” (Fuehrer, 2016). Often firms have overcapacity of meeting space, which gave the management team an idea to look into the same sector. Fuehrer (2016) adds, “Airbnb doesn’t need to come up with “Airbnb for business”, as it evolves almost automatically” (Fuehrer, 2016).

Protection against the sharing economy

Meanwhile the group and hotels within the group are trying to decrease dependency on OTAs, they also need to remain connected with all the OTAs, due to lack of the knowledge about e-commerce. The firms are more and more concerned regarding their presence online, which goes hand in hand with the improvement of the responsiveness and satisfaction of customers. Besides the recent improvement of blueprints, they have to provide higher efficacy and support faster responsiveness and better satisfaction. Fuehrer (2016) is also certain that the business competition has to be on a fair level; therefore, he sees protection from the authorities, which has to take initiative to prevent the unfair business, in case it will take place.

4.5 Scandic

Scandic Kalmar Väst is a 3-star hotel located in the South East of Sweden right at the E22 highway, which connects Kalmar with other regions, and it is in 5-minute driving distance to both the Kalmar-Öland airport and Kalmar train station. The hotel has meeting facilities for up to 80 people and offers a swimming pool and sauna area. The hotel is part of the Scandic Group hotel chain and is focused mainly on the business traveler in the Nordic region and therefore firm agreements make up a big part of the business. In the summer months, the target focus changes to families on vacation in the Kalmar region. Hotel director Rickard Swärd (2016) says that the sustainable strategy of Scandic has been a key success factor for their growth in recent years. He also says that while currently there is no threat to Scandic’s business from Airbnb, the high demand currently in the hotel industry and the growth of Scandic has also been driven by the economic upswing. In the end however, Airbnb is seen as a minor risk if they become more attractive to a larger target group in which case Scandic would enhance its offerings even more. Lowering prices would be the last thing you want to do (Swärd, 2016).
4.5.1 Sustainable business

Scandic has recently changed up its business mix and invested in building new hotels and modernizing old hotels (Swärd, 2016).

Natural value

Progressive firms and the new generation is more into sustainability says Swärd (2016), which is a field Scandic has prioritized in the last years. For example, all Scandic hotels strive to become Swan certified every year, while its standards are the highest in the industry and are raised on an annual basis. Moreover, it is regarded as critical to work with suppliers who have good policies and strong CSR focus, to ensure that the values and standards are compatible with Scandic’s. In accordance again with the strict Swan guidelines, the Scandic Kalmar Väst has strong initiatives towards energy saving and recycling (Swärd, 2016).

Economic value

The sustainability focus has implied big investments if considering the 230 hotels of the Scandic chain. However, Swärd (2016) argues that it has paid off. The numbers show that the hotel has been having a good yield and rising profitability in recent years. The customers look at that and it is good for the environment but for the business as well (Swärd, 2016). Overall, the goal had been here to deliver a good product with good value for the customer in the mid-segment of 3-4 star properties. Moreover, the hotel has increased occupancy while increasing rates at the same time. This allows the hotel to offer a better product every year and build the brand. Furthermore, loyalty programs and discounts are core elements of the sales strategy due to the focus on the corporate customer segment. It also supports the hotel’s value proposition and helps in achieving high satisfaction among the customers. However, it has to be adapted and developed according to the market and client demands (Swärd, 2016).

Social value

In comparison to Airbnb, Scandic has strong capabilities in social responsibility for example, as the hotel group can make combined efforts to contribute to society, whereas no one knows what kind of CSR Airbnb and its users abide by. “Scandic Group has a focus area called ‘Scandic Samhälle’ (Scandic Society). Besides business operation and CSR, this focus area for example works together with local authorities such as migration and school offices in
order to integrate them in the work environment. This includes school internships, inclusion of refugees and the unemployed.” (Swärd, 2016).

Another big element in this part is social media response, in order to monitor and address opinions posted on online platforms. Responses should be quick because the information spreads fast and it is publically available online; this applies to negative as well as positive responses (Swärd, 2016).

### 4.5.2 Response strategies

In the future, maximizing the offering and customer satisfaction to further differentiate the business should raise the values even more; however, the sustainability focus would never be ended (Swärd, 2016).

**Response to the sharing economy and sharing economy firms**

Urbanization is a big trend that has been affecting Scandic hotels, especially in smaller regions such as Kalmar. Scandic has therefore seen it as important to build more hotels in the larger Nordic cities. However, that is also, where the sharing economy firms are blossoming. Therefore there could be an additional challenge their, especially in the leisure segment. Overall, the offerings and core values of Scandic must be even more highlighted in these challenges to maintain the returning customer base, which is 70% at Kalmar Väst (Swärd, 2016).

Another big development has been the rising of the OTAs in the industry, who are becoming an important client to Scandic. Yet, Airbnb is strong and a more direct threat in the online sales channels. Scandic needs to adapt its booking channels and web presence, since online is where the customers are (Swärd, 2016).

**Protection against the sharing economy**

Most importantly, you must be awake due to the future trends. For this, a dedicated business development department is watching these trends. Eyes must be open and the willingness to improve the offering. For example, customer reaction is seen as a priority, for which the checking out process has been made easier and faster for the guests. Another aspect that must be focused on more is the brand, which already stands for many unique selling points for the customers. In the future, that in combination with maintaining the delivery of the best total
guest satisfaction will be the key to keep the business sustainable in future challenges (Swärd, 2016).

4.6 Nevsky

Nevsky is a small 3-star hotel located in a walking distance from the Hermitage in St. Petersburg, Russia. The business has a strong focus on ordinary travelers, while business customers forms only up to 20% of all the customers. The company is well sustaining its business and it uses a more reactive way to deal with challenges, which means, that it is very likely that a firm will adapt to what has already happened. The respondent, Sales Manager Bolotin (2016), does not perceive a strong impact of the sharing economy on their company, however, he admits that other hotels might be affected more that have less customer value to offer or other characteristics.

4.6.1 Sustainable business

Natural value
As the respondent states, the hotel does not harm the environment and it has a very low effect on the business. Thereby, the hotel does not plan to engage in the environmental protection activities and assessment of the green policies of their partners is not a priority (Bolotin, 2016).

Economic value
The quality of the hotel service has increased 3 years ago and now remains on the same position. Because Nevsky is a small hotel, major changes will not take place. However, the hotel constantly purchases new equipment and linens in order to improve the quality (Bolotin, 2016).

Further Bolotin (2016) states that the value of the business is improved using various loyalty programs, which among other benefits include discounts for frequent guests and long stay. There is an ongoing trend in improvement in technological aspect; one of the examples is an online booking system, which emerged some time ago. The company relies a lot on these systems, as they are generating up to 80% of the bookings. In addition, the company plans to strengthen this sales channel.
Social value

The hotel has an agreement with many of the close by hotels, which promotes offers of their partners in case the hotel is fully booked. In the same way, the partners will promote the hotel (Bolotin, 2016).

4.6.2 Response strategies

Response to the sharing economy and sharing economy firms

The firm sees importance of adaptation of the new technological trends into their everyday business (Bolotin, 2016). One of the major changes was online booking system, which the firm considers to use more as a way to strengthen its position and sales.

Protection against the sharing economy

There are two components, which are protecting the hotel from the potential effect from Airbnb, namely location and reputation (Bolotin, 2016). Location is seen as very important and the reputation of a hotel gives the customers certain level of security, which is highly important within the Russian hotel industry.
5 Analysis

In this chapter, the most important findings from the empirical data are placed within the conceptual framework, which was developed based on theory. An analysis between the six cases aims to carry out pattern matching and explanation building. The structure, which was chosen previously, is used to structure the data and thereby making analytical process more related to the topic of our study.

The purpose is to present the findings with a reflective perspective, meaning that this chapter incorporates a theoretical voice, an empirical voice and our own voice (Dubois and Gadde, 2002). Furthermore, this chapter gives meaning to the importance of these findings for research and organizations and focuses on a description of the response strategies. This should help in solving the current issue proposed by Jones, Hillier and Comfort (2016) that sustainable strategies for hotel firms are too broad and difficult to implement.

Summary

The majority of the respondents agree that a choice of sharing-accommodation platforms among clients is often determined by specific needs and customer type. It is attractive to some, but not to all (Gericke, 2016; Rasmussen, 2016; Swärd, 2016). They especially stress that younger generations are more likely to be using internet-based platforms and this might boost the effect of the sharing economy over time (Gericke, 2016; Rasmussen, 2016). This supports the view that eventually the impact of Airbnb will increase (Nadler and Aulet, 2014). In addition to that, because the potential for growth of the sharing economy firms “is limited only by the power of the internet as a network— and that is pretty big—as well as by how competitors respond” (Cusumano, 2015, p. 33), the responses of the traditional firms is vital, as it determines how the sharing economy will develop further.

Table 3 - Summary of empirical data

<table>
<thead>
<tr>
<th>Hotel Sct. Thomas</th>
<th>Carlson Rezidor Hotel Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair business, seek support from unions and authorities</td>
<td>Be professional, best staff and attitude</td>
</tr>
<tr>
<td>Focus on online presence/e-commerce</td>
<td>Frequent strategy change</td>
</tr>
<tr>
<td>Be professional</td>
<td>Online presence/ e-commerce</td>
</tr>
<tr>
<td></td>
<td>Differentiation and innovation</td>
</tr>
<tr>
<td>Have many customer target groups</td>
<td></td>
</tr>
<tr>
<td>---------------------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>Grand Ahrenshoop</td>
<td>World Hotels Group</td>
</tr>
<tr>
<td>Increase responsiveness (guarantee to respond) and satisfaction</td>
<td>Lose dependency from OTAs, direct sales</td>
</tr>
<tr>
<td>E-commerce</td>
<td>Optimization (Segment customers and business)</td>
</tr>
<tr>
<td>Direct sales</td>
<td>Increase responsiveness and satisfaction</td>
</tr>
<tr>
<td>Differentiation, niche strategy and innovation</td>
<td>Online presence/ e-commerce</td>
</tr>
<tr>
<td>Fair business, seek support from the authorities</td>
<td>Fair business, seek support from the authorities</td>
</tr>
<tr>
<td>Scandic</td>
<td>Nevsky</td>
</tr>
<tr>
<td>Increase online sales</td>
<td>Increase sales over OTAs</td>
</tr>
<tr>
<td>Total customer satisfaction and increase responsiveness</td>
<td>Adopt technologies</td>
</tr>
<tr>
<td>Sustainability focus</td>
<td>Promote hotel’s location and reputation</td>
</tr>
<tr>
<td>Optimization (segment customers and business)</td>
<td></td>
</tr>
</tbody>
</table>

5.1 Pattern matching

In this section, empirical findings will be positioned within the framework and linked with the theory. It appears that a substantial amount of the findings fit well into the conceptual framework, as will be described by applying the pattern-matching concept by Saunders et al. (2009).

Pricing

Porter (1980) and Gartner and Porter (1985) introduced differentiation, low cost and focus as generic strategies, while generic strategies were also further researched by Parnell (2006). A response using pricing strategies is used by the hotels as short-term response, therefore the pricing strategy can be hardly seen as sustainable, for which it is eliminated from the final version of the conceptual framework. However, empirical findings in previous research and in this study reveal that in certain segments such as low- and mid-price, traditional firms are using more and more dynamic pricing in order to be responsive to external changes (Rasmussen, 2016; Cusumano, 2015).
Differentiation

The differentiation strategy as also studied by Cusumano (2015) is a relevant strategy to better distinguish hotel offerings from the sharing economy. The empirical findings in this study show that firms differentiate from sharing economy firms to sustain their business, for example with a niche market strategy (Döbber-Ruether, 2016) service innovation and professional appearance (Gericke, 2016), or total customer satisfaction (Swärd, 2016).

The speed of the industry is increasing, for which the responsiveness of the firms must be matched to maintain competitiveness (Gericke, 2016; Döbber-Ruether, 2016; Swärd, 2016), that supports research claiming that the sharing economy has the potentials to cause fast and radical changes in a market (Downes and Nunes, 2014). Nadler and Aulet (2014) moreover suggest that the future of the sharing economy firms is very dependent on the utilization of the asset of time. Hence, physical assets are expected to lose their importance over time because the factor of time is seen to be a more crucial asset. Thereby, this can be seen as one of the drivers of the increasing development of speed in the industry.

Support from authorities and unions

Furthermore, it has been argued that competition from Airbnb could be in unfair conditions due to the difference in taxation and regulation between hotels and Airbnb (Fuehrer, 2016; Döbber-Ruether, 2016; Rasmussen, 2016). This is supported by previous research that highlighted regulatory debates and the search of improvements in these areas by hotels (Cusumano, 2015; Nadler and Aulet, 2014).

Network

Traditional firms are also relying on other types of third parties that provide supplement services for their business (Rasmussen, 2016; Bolotin, 2016). These include collaborating with hotels, and participation in various types of non-governmental organizations (Döbber-Ruether, 2016). Cusumano (2015) thereby supports this view, as he proposes that firms have to establish focus on their networks, so the customer could easily get access to all the additional services required for the higher satisfaction from the service.
**Ongoing value improvement**

Another pattern among the interviewed hotels, that they use digital monitoring services from other firms in order to better predict and react according to developments in the market they serve (Gericke, 2016; Döbber-Ruether, 2016; Bolotin, 2016; Fuehrer, 2016).

**Disruptive innovation**

Disruptive innovation has been described as a response strategy (Heinrichs, 2013), however not all the firms are willing or have resources to perform this major change in their business (Rasmussen, 2016; Bolotin, 2016; Williams, 2015). For this reason, the strategy could be eliminated. However, because it is a sustainable response and firms are applying it (Döbber-Ruether, 2016), the strategy will be kept in the final model.

**Repositioning**

According to Zervas, Proserpio, and Byers (2013) repositioning makes it necessary for a firm to provide personalized and trending services. Clearly, firms are increasing their responsiveness together with satisfaction level. Furthermore, some firms develop new strategic business units or brands, such as “Radisson Red” so that they can position better in the minds of their customers (Gericke, 2016) and become more attractive for new segments.

**Promotion and advertisement**

Traditional firms are using loyalty programs and various offers in order to keep their customers loyal (Bolotin, 2016; Döbber-Ruether, 2016; Gericke, 2016; Swärd, 2016). Promotion together with third parties becomes also important in order to get access to a larger audience, especially in low seasons (Swärd, 2016), similarly to Zervas, Proserpio, and Byers (2013), who stress the importance of the advertisements and promotions.

5.2 **Explanation building**

Some of the empirical findings do not fit into the framework. These findings however are crucial, as they can improve the theoretical model, by describing the reality slightly better. Differences in positioning towards the sharing economy firm Airbnb can be observed among the hotels. Evidently, most respondents (Gericke, 2016; Döbber-Ruether, 2016; Bolotin, 2016; Swärd, 2016) do not perceive Airbnb as a direct competitor (Bergen and Peteraf, 2002).
by. Nevertheless, they perceive the effect of the sharing economy and Airbnb very differently. Some respondents believe that there is only an effect on the industry and none on the company (Gericke, 2016; Döbber-Ruether, 2016; Bolotin, 2016), others are sure that both are affected by the sharing economy (Fuehrer, 2016; Rasmussen, 2016).

![Figure 11- Perception of the sharing economy by the traditional firms](image)

The perception or attitude of the respondents on the effect is also an insightful aspect. All the respondents realize the threat of the sharing economy in the long run (Gericke, 2016; Swärd, 2016; Döbber-Ruether, 2016; Bolotin, 2016; Fuehrer, 2016), however, some perceive it as an opportunity to improve their own business, because on the one hand it could drive destinations through increased supply (Fuehrer, 2016; Gericke, 2016). On the other hand, it is possible and vital to learn from the sharing economy firms, such as Airbnb and Uber (Gericke, 2016). All the firms are concerned about their presence online and use of digital technologies. Obviously, hotel firms lack IT knowledge and therefore developing capabilities in how to deal with e-commerce becomes more relevant (Fuehrer, 2016; Gericke, 2016; Rasmussen, 2016). This can be well positioned within the sustainability, which relies a lot on intangible resources (Petts, 1997).

Furthermore, Airbnb does not need to introduce a service, as it happens almost automatically (Fuehrer, 2016). Therefore, the sharing economy platforms allow the traditional companies to observe and notice trends faster and easier. In addition to that, implementation of a new business unit for a sharing economy firm is a matter of attracting the right hosts and the relevant customers to the platform (Nadler and Aulet, 2014). Therefore, if there is an increasing amount of rooms on Airbnb in a certain region, it can give the management team an indication that this destination is becoming more popular and most of the respondents agreed that the sharing economy might increase popularity of destinations (Rasmussen, 2016; Döbber-Ruether, 2016). However, geographical differences exist, which present significant hurdles for the adaptation of the sharing economy in certain markets (Biswas,
As example, the sharing economy is less adoptable in developing countries or emerging markets (Barros, 2013). Due to the geographical spread of the sample and presence of a hotel from an emerging economy, an indication of differences can be observed in terms of an attitude towards the sharing economy (Bolotin, 2016). Moreover, sustainability is another core focus of the hotel industry (Melissen, van Ginneken, and Wood, 2016). Swärd (2016) pointed out that total customer satisfaction was the key to Scandic’s competitive advantage; therefore ongoing value improvement is needed to sustain it.

On the other hand, economic values were more extensive and there were new patterns discovered which did not fit into the developed model. These response strategies include “sharing economy adaptation”, “use OTAs”, “grow your customers”, “direct sales”, and “target customers”.

**Sharing economy adaptation**

Overall, competition is perceived as a positive thing (Gericke, 2016; Rasmussen, 2016). Competition with the sharing economy firms provides an opportunity to learn from them (Ibid). Martin (2016) frames the sharing economy as a more sustainable form of consumption, therefore “learning from the sharing economy” can improve hotel’s
sustainability. According to Fuehrer (2016), Airbnb does not need to come up with “Airbnb for business”, as it evolves almost automatically, meaning that Airbnb can be used as a reliable source of trends in the industry (Ibid). Therefore, firms can follow the development of Airbnb, which represents market needs and demands to a high extent. Another example of why learning from the sharing economy might be beneficial for traditional firms is that Airbnb with increasing variety of rooms can boost certain destinations and places around the world (Gericke, 2016; Rasmus sen, 2016). Fuehrer (2016) mentioned that strong and weak markets are addressed differently by traditional firms, therefore knowing that your market is booming, will lead to a change in the hotel in terms of strategic objectives.

Use OTAs

Hotels rely heavily on travel agents as their sales channel (Rasmussen, 2016; Döbber-Ruether, 2016; Gericke, 2016; Bolotin, 2016) and in the future this becomes even more beneficial channel for hotels, as due to the sharing economy OTAs are losing their bargaining power and become more flexible with the hotels (Rasmussen, 2016). This is further driven by possibility to give different rates, so opportunity to get better margins from travel agents is increasing (Ibid).

Direct sales

However, keeping the rate of sales via OTAs below 50% is crucial in order to decrease dependency from them. Therefore, the focus on direct sales should remain high (Gericke, 2016; Fuehrer, 2016). In the proposed model, this is labeled as “direct sales”, which shows the importance of own efforts towards developing online presence without the help of OTAs (Zervas, Proserpio, and Byers, 2013).

Grow your customers

Some companies are shifting their focus on providing benefits to younger generations (Rasmussen, 2016; Döbber-Ruether, 2016; Gericke, 2016). Focus on younger generations can be seen as a way to build a positive attitude towards your business and brand among potential future customers. Certainly sharing economy firms are much more popular among younger generations, however it is a question of a decade before this generation will become middle age working group. Competing for them later could be highly difficult task; therefore,
we can see that some hotels are addressing younger generations. Therefore, in the conceptual framework it will be referred to as “grow your customers” strategy.

**Target customers**

In many cases, the hotels argue that they have various groups of customers (Döbber-Ruether, 2016; Rasmussen, 2016; Gericke, 2016), so that losing a specific clientele such as young customer groups to Airbnb would not hurt their overall business on the one hand (Cusumano, 2015), which is referred to as “target customer”. On the other hand, the market orientation view presented by Evanschitzky (2007) stresses the organization’s purpose to analyze the needs of its customer, in order to better satisfy these needs than its competitors do. This was also supported by Treacy and Wiersema (1995), who stressed the importance of expanding the target customer base. The data suggests that this is taking place especially among the hotels in which personalized service is considered a fundamental need of its customers (Gericke, 2016; Fuehrer, 2016).

**5.2.1 Typology integration**

After having identified the discovered strategies, it is of high relevance for the research to put them into perspective, in other words align them with the strategy types proposed by Miles et al., (1978).

Firstly, sharing economy adaptation, which is in the typology of analyzers, is a proactive strategy as the firms are trying to maintain their market share using moderate change. Gericke (2016) and Fuehrer (2016) argued that sharing economy firms with their disruptive nature and close connection with their users have many learning potentials of adaptation for traditional firms in order to enhance their access to customers. Some practices have been tested over time and thereby can be seen as less risky and more promising. Secondly, the use of OTAs was seen as a reactive strategy, in which firms try to avoid change and thereby target a stable environment, by protecting the current market as defenders. Firms tend to relocate their sales channels into online travel agencies, which could give access to larger audiences. However, they lose control by doing so and minimize their margins. Therefore, profits become less as the OTAs benefit from the exchange through provision fees, whereby it is not a preferred choice among traditional firms to have OTAs over 50% of their sales volume (Rasmussen, 2016; Döbber-Ruether, 2016).
Thirdly, dynamic and opportunity-seeking firms are proactive prospectors, to which the direct sales and grow your customers strategies apply. Growing your customers can be a way of winning future customers by addressing the issue as soon as possible (Rasmussen, 2016; Döbber-Ruether, 2016), due to the growing market influence of the sharing economy. Furthermore, direct sales strategies have been a way to better control the brand as well as yielding higher profit margins, which has the potential to provide higher value as a result (Gericke, 2016; Fuehrer, 2016).

Finally, reactors respond to conditions and current trends while having no clear strategy, which is realized through the “target customers” strategy of firms in a reactive fashion. This includes focus on a larger spread of target groups, as this allows losing one without a serious drop in the turnover. Some firms have segmentation, however the focus remains on being attractive for a larger amount of different customer types (Döbber-Ruether, 2016; Rasmussen, 2016), so that risks are lowered of losing too many customer groups at once.
6 Conclusion

In this chapter, we present the results of our study. We present an answer to the research question. Afterwards, we present our results regarding various sustainable response strategies. Furthermore, we provide recommendations, as well as limitations of the study and potential for further research. The theoretical overlap between the sharing economy, sustainable business and the strategies for mature industries, led the research towards the main question of this study, which with a help of the empirical voice and own voice allowed reaching relevant conclusions.

*How do traditional hotel firms develop a sustainable business as a response to the impact of sharing economy?*

The findings are that while some are aware of the growing impact of sharing economy firms on the mature industry, few firms have concrete strategies to sustain their own business in the light of upcoming challenges. Strategies have included to focus on a niche market or to build new brands, in order to capture new customer segments.

Traditional firms have lost large percentages of their traditional direct sales channels, making it essential to sell increasingly through online channels and third party providers, as this can support the protection against the sharing economy. This shift could imply a loss of unique service competences of the hotels, potentially harming certain components of their sustainable competitive advantage. This might add to the challenge that the service offerings of sharing economy firms and established firms are becoming more comparable to each other and substitutable, making it easier for the customer to compare directly which choice is preferable, whether the deciding argument is price, convenience or preference of taste.

Thus, traditional firms focus on independence from the third parties in order to strengthen their own brand and direct sales channels. Decreasing of the online agents, results usually for traditional firms in weaker presence online and thereby reduced protection against the sharing economy. This, lowering the degree of third party dependence, therefore results in a growing necessity for firms to increase the efforts on their online presence and learning about e-commerce.

Traditional firms also seek strategies on a regulatory level, as sharing economy firms are growing exponentially. These include authorities and unions, which have the potential to
influence legislation and taxation of sharing economy firms. As soon as the company will feel increase in the effect coming from the sharing economy, they plan to seek support from these unions and persuade in finding a solution. Meanwhile, traditional firms plan to take this action only when the effect becomes strong enough, traditional firms believe that unions and organizations are acting proactively and development of the solutions takes places in the meantime. Sustaining business in mature industries is especially difficult, however highly relevant.

Traditional firms also start to learn from the sharing economy. Due to the disruptive nature of the sharing economy, the firms, which are relying on the sharing economy, have to implement major innovations in many aspects of their business model. Learning from these firms becomes a way to implement relevant innovations, while keeping risks low, as this was the main concern against the disruptive innovation.

*Theoretical implications*

The purpose was achieved in terms of contribution to academia. A model was developed that shows that theory can be merged among various theoretical fields in order to generate better understanding of the business trends.

The new model, which is a revised version of the conceptual framework and is adjusted according to the empirical findings, is well applicable to real life cases as the analysis showed. A set of highly specific response patterns is presented, which makes it easy to select and apply these strategies in any firm operating in a mature market. Implementation of these strategies in a traditional firm should support the company in achieving a sustainable business to minimize negative effects of sharing economy firms.
As the model shows due to the empirical evidence, the sharing economy, as well as the sharing economy firms, can have a positive or negative effect on the industry and traditional firms. In either way, it affects firms, which have to respond with an adaptation of strategies for a more sustainable business.

As a contribution to theory, our framework proves that response strategies for traditional firms exist and the model defines specifically what options are there. As the data has also suggested, these strategies should be chosen and implemented as a fit to their needs and possibilities, which could imply different firms having different strategy combinations. Moreover, the use of response typology, such as analyzers, defenders, prospectors, and reactors gives an opportunity to grasp whether the issue is addressed proactively or reactively. At this stage of the development of the sharing economy, it can be assumed that the perception of the issue and the actions by traditional firms vary, and the split between reactive and proactive actions is even.

Findings also include that strategies from the framework can support each other simultaneously, such as differentiation and decreasing dependency from OTAs resulting in increased importance of the online presence. Moreover, repositioning of the brand goes hand
in hand with proper advertising and promotion. Thus, it might be a preferred choice to combine matching strategies in order to ensure an optimization of the efforts towards building the sustainable business. However, that on the one hand could imply a significant amount of extra resources necessary for implementation, while also efficacy gains might be achieved on the other hand.

6.1 Recommendations

To conclude, traditional businesses must find new ways to highlight their unique values, core competences, and offerings. For example beyond being an accommodation provider, in order to develop a sustainable business that can withstand the challenges in the 21st century. It is recommended for firms to assess their position in the market, their customers and competitors to decide on which strategy is best suited, as it may vary with every firm. Analogous, it is not recommended to rest on previous successes. Because of the sharing economy firms’ development, the empirical data has suggested that this is of relevance for both the leisure and business segment of travelers, while previous research had focused on the leisure segment and its impact on bookings. Furthermore, it could be observed that the hotels due to their location have a different perception and impact on their business from the sharing economy firms. The proposed sustainable response strategies that include adaptation, differentiation, target customer, for example, are designed for managers in traditional firms who are facing challenges with the sharing economy.

6.2 Limitations

Because this study has a broad geographical scope, it allows for a certain level of generalization of the results and outcomes. However, due to the indication, that less developed countries or emerging markets have certain differences in the perception of the phenomenon; this indicates that the study might have a geographical limitation for applicability. As this was not a comparative study between various markets, these results do not specify precisely what works better or worse in different markets. Moreover, the study is based primarily on the findings from the 3-star hotels, as well as 3 to 5 star hotels were included, which allows generalization of the results to some extent.
However, some strategies might be more applicable for the higher-class hotels and others will serve better in lower-class hotels.

This study was based on cases from firms operating in the hotel industry; this however does not narrow down the applicability, as similarly the observed phenomenon occurs in other mature industries. These industries are thereby affected by the sharing economy, and some of the strategies have a high possibility to be applied successfully and to lead to a successful sustainable business. However, due to specific characteristics of different industries, it might create an incompatibility of certain strategies.

Lastly, the data gathering was based on six companies, which is a good strategy for qualitative research, however choosing other countries than this sample set might potentially introduce new strategies.

6.3 Further research

This study creates a great opportunity for further development of the theoretical studies. It gives an indication that the sharing economy overall is a relevant topic with too few researches available. This phenomenon can be studied as a context itself, or it can represent an independent variable of a research.

This research used sustainable business as a mean to explain the response patterns, however other theories within competitive strategies specifically, should also study response patterns in the new economy, where the sharing economy firms are very relevant actors in the global business trade.

Besides the theoretical contribution, there is a great potential for a development of the empirical base for the studies about the sharing economy. The defined case study, in which shared-accommodation platforms affect the hotel industry, is a single case; however, it represents a scenario, which is not unique. Alternatively sharing economy firms affect the transportation industry, financial industry and other mature industries.

This study was based on a qualitative method, which means that sufficient description of the variables for quantitative studies is ready. Developing hypotheses out of these finding would be the next step, leading to a statistical proof of the findings, which should further increase significance of these findings.
Moreover, research in the future should look deeper into the preferences and decision-making process of customers with the goal to discover the typologies of sharing economy users in comparison to traditional users, also due to the findings of this thesis.
7 List of references

7.1 Interviews


7.2 Literature


8 Appendix

8.1 Interview guide - Response of traditional firms to the impact of the sharing economy through business sustainability (27 April 2016)

Competitive strategy

1. What is the division between business customers versus leisure guests in your hotel?
2. Do you perceive sharing economy firms (Airbnb etc.) as a competitor for your business? Please name them.
3. How do you define your core competence and competitive advantage?
4. How do you respond to changes in the industry?
5. How has your competition strategy changed in the past several years, compared with today?
6. Would you consider your business following rather short-term (tactics) or long-term (strategic planning) marketing objectives?
7. Has your strategy been successful thus far towards your competitors? Do you think it can protect your business from the growing sharing economy firms (Airbnb, etc.)?
8. How do you plan to maintain your competitiveness in the next 5 years?
9. What are your response tactics against sharing economy firms’ (Airbnb, etc.) impact?

Sustainable business

1. Do you think your current business strategy is sustainable? Why so? How do you think it secures your position?
2. Which sustainable practices do you plan to introduce in the nearest future due to the shifts in the hotel industry that sustainability is becoming increasingly more important?

Social value

1. What are your efforts to gain acceptance from your customers, investors and the society?
2. How do you ensure the highest satisfaction of your customers, investors, society? Do you conduct satisfaction surveys?
3. Does your business contribute to customers or society more than sharing economy firms? How?

Economic value

1. Do you see your economic performance of your company as being sustainable for the past years? (Profitability, solvency, etc.)
2. Tell us about your price and quality of the service. How did it change over the past several years?
3. How do you define the value of your product in economic terms? Does your business provide higher value for customers than the sharing economy firms? How? Do you offer loyalty programs and discounts?

**Natural value**

1. Does your business engage in CSR and environmental protection activities (to create additional value)? If yes, which ones? Do you also consider natural value concerns such as water saving for example?
2. How do you ensure lowest use of non-renewable resources? Do you use of renewable sources of energy and resources to a high extent?
3. Do you make sure that your partners and suppliers have green policies and use renewable sources of energy and renewable resources?

**Responding to sharing economy impact**

1. Do you see a risk of shared accommodation services such as Airbnb affecting your future and your business sustainability?
2. Do you (try to) promote the imposing of taxes and stricter regulations on Airbnb? E.g., go to your local authorities in order to ensure that Airbnb does not breach the rules for subletting, hotel taxes or other legislations. Do you plan to do in in the future?
3. How do you achieve differentiation? How do you make sure that you can compete by providing a type and level of service that Airbnb cannot match? (For example, hotel rooms, reservations, events, and other services that are standardized and reliable; individual and business relationships; Collaboration with tourism, transportation, and other personal or business services vendors)

**Response to trends**

1. How do you plan to respond to the trend, that the sharing economy firms increasingly have more rooms and higher growth rates in certain locations?
2. Could your pricing strategy be changed due to sharing economy impact? Alternatively, do you rely on a demand pricing strategy?
3. Do you see “Airbnb for business” (since July 2015) as a threat to your business segment? How would you respond to it?
8.2 Interview guide - Response of traditional firms to the impact of the sharing economy through business sustainability (12 May 2016)

Traditional firms’ sustainable competitive advantage

Competitive strategy

1. What is the division between business customers versus leisure guests in your hotel?
2. Do you perceive sharing economy firms (Airbnb etc.) as a competitor and competitive advantage?
3. How do you respond to changes in the industry?
4. How has your competition strategy changed in the past several years, compared with today?
5. Would you consider your business following rather short-term (tactics) or long-term (strategic planning) marketing objectives?
6. Has your strategy been successful thus far towards your competitors? Do you think it can protect your business from the growing sharing economy firms (Airbnb, etc.)?
7. How do you plan to maintain your competitiveness in the next 5 years?
8. What are your response tactics against sharing economy firms’ (Airbnb, etc.) impact?

Sustainable business

General

1. Do you think your current business strategy is sustainable? Why so? How do you think it secures your position?
2. Which sustainable practices do you plan to introduce in the nearest future due to the shifts in the hotel industry that sustainability is becoming increasingly more important?

Social value

1. What are your efforts to gain acceptance from your customers, investors, and the society?
2. How do you ensure the highest satisfaction of your customers, investors, and society? Do you conduct satisfaction surveys?
3. Does your business contribute to customers or society more than sharing economy firms? How?

Economic value

1. Do you see your economic performance of your company as being sustainable for the past years? (Profitability, solvency, etc.)
2. Tell us about your price and quality of the service. How did it change over the past several years?
3. How do you define the value of your product? Does your business provide higher value for customers than the sharing economy firms? How? Do you offer loyalty programs and discounts?
Natural value

1. Does your business engage in CSR and environmental protection activities (to create additional value)? If yes, which ones? Do you also consider natural value concerns such as water saving for example?

2. How do you ensure lowest use of non-renewable resources? Do you use of renewable sources of energy and resources to a high extent?

3. Do you make sure that your partners and suppliers have green policies and use renewable sources of energy and renewable resources?

Response strategies

Current

1. Do you see a risk of shared accommodation services such as Airbnb affecting your future and your business sustainability?

2. Do you (try to) promote the imposing of taxes and stricter regulations on Airbnb? E.g., go to your local authorities in order to ensure that Airbnb does not breach the rules for subletting, hotel taxes, or other legislations. Do you plan to do in in the future?

3. How do you achieve differentiation? How do you make sure that you can compete by providing a type and level of service that Airbnb cannot match? (For example, hotel rooms, reservations, events, and other services that are standardized and reliable; individual and business relationships; Collaboration with tourism, transportation, and other personal or business services vendors)

4. Tell us about recent changes in the industry that affect you the most. More specifically, what has changed in sustainable practices in the industry?

5. In your view, which changes were caused by the sharing economy firms?

Future/Trends

1. How do you plan to respond to the trend, that the sharing economy firms increasingly have more rooms and higher growth rates in certain locations?

2. Could your pricing strategy be changed due to sharing economy impact? Alternatively, do you rely on a demand pricing strategy?

3. Do you see “Airbnb for business” (since July 2015) as a threat to your business segment? How would you respond to it?
8.3 Интервью - Ответная реакция традиционных фирм на влияния экономики совместного потребления через изменения в устойчивости бизнеса** (12 мая 2016 года)

* - Термин совместное потребление используется для описания экономической модели, основанной на коллективном использовании товаров и услуг, бартере и аренде вместо владения.

** - Концепция тройного критерия - концепция выстраивания бизнеса, согласно которой предприниматели и менеджеры должны принимать в расчет не только финансовые показатели, но также социальные и экологические результаты деятельности компании. Согласно концепции бизнес строится на «трех столпах устойчивого развития» — это планета, люди и прибыль.

Конкурентное преимущество традиционных фирм

Конкурентная стратегия

1. Какое процентное соотношение в вашем отеле между бизнес-клиентами по сравнению с обычными клиентами?
2. Вы воспринимаете фирмы экономики совместного потребления (такие как Airbnb) в качестве своих конкурентов?
3. Назовите ваше конкурентное преимущество.
4. Как вы реагировать на изменения в отрасли (отельном бизнесе)?
5. Как ваша стратегия конкурирования изменилась за последние несколько лет, по сравнению с сегодняшней ситуацией?
6. В вашем бизнесе вы придержеваетесь коротковременного планирования (тактика) или долгосрочных (стратегическое планирование)?
7. На сколько успешна была ваша стратегия до сих пор по отношению к вашим конкурентам? Как вы думаете, защищает ли она ваш бизнес от быстро растущих фирм совместной экономики (Airbnb и т.д.)?
8. Как вы планируете поддерживать свою конкурентоспособность в ближайшие 5 лет?
9. Какие действия вы предпринимаете для реагирования на более сильное влияние от фирм совместной экономики (Airbnb и т.д.)?

Устойчивый бизнес и Концепция тройного критерия

Общие вопросы

1. Как вы думаете, ваша текущая стратегия бизнеса является устойчивой и удовлетворяет критериям концепции тройного критерия? Почему? Как вы думаете, что обеспечивает защиту вашей позиции?
2. Какие методы устойчивого бизнеса вы планируете ввести в ближайшее время в связи с изменениями в гостиничной индустрии, где устойчивость становится все более важным показателем для фирм?

Социальные ценности
1. Какие действия вы предпринимаете, чтобы получить поддержку от ваших клиентов, инвесторов и общества?
2. Как вы обеспечиваете наивысшее соответствие требованиям ваших клиентов, инвесторов, общества? Проводите ли вы опросы среди ваших клиентов?
3. Приносит ли ваш бизнес большую пользу клиентам или обществу, чем фирмы совместной экономики? Как?

Экономические ценности
1. Понимаете ли вы, ваш экономические показатели вашей компании как устойчивое за последние годы? (Рентабельность, платежеспособность и т.д.)
2. Расскажите о своей цене и качестве обслуживания. Как оно изменилось за последние несколько лет?
3. Как вы определяете стоимость вашего продукта? Предоставляет ли ваш бизнес более высокую ценность для клиентов, чем разделяющих фирм экономики? Как? Вы предлагаете программы лояльности и скидки?

Экологические ценности
1. Какие мероприятия по охране окружающей среды использует ваш отель для создания дополнительной ценности? Такие как водосберегающие, электричество произведенное используя возобновляемые ресурсы, более экологические завтраки?
2. Является ли это важным критерием при выборе ваших партнеров/поставщиков?

Стратегии реагирования

Текущие
1. Видите ли вы риск в фирмах совместного потребления, таких как Airbnb, влияющих на будущее вашей фирмы и устойчивость вашего бизнеса?
2. Планируете ли вы поддерживать более строгое соблюдение налоговой политики со стороны Airbnb? Например обращаться в налоговые учреждения, с тем чтобы обеспечить что Airbnb не нарушает правила субаренды, налогов гостиничного бизнеса или других законодательных актов. Собираетесь ли вы делать это в будущем?
3. Как ваша фирма достигает дифференциации сервиса? Как вы обеспечиваете конкурентоспособность против Airbnb. Какие действия вы предпринимаете чтобы предоставлять тип и уровень сервиса, который Airbnb не смог бы скопировать?
4. Расскажите о последних изменениях в отрасли, которые влияют на вас больше всего? Более подробно о том, что изменилось в устойчивой практике в этой отрасли?
5. По вашему мнению, какие изменения были вызваны фирмами совместного потребления?

Будущее / Основываясь на тенденциях

1. Как вы планируете реагировать на тенденции, что фирмы совместного потребления имеют больше комнат и более высокие темпы роста в определенных местах?
2. Может ли ваша ценовая стратегия быть изменены из-за экономики совместного потребления?
3. Видите ли вы “Airbnb для бизнеса” (с июля 2015 года) в качестве угрозы для вашего бизнес сегмента? Как вы будете реагировать на это?

8.4 Interviews

8.4.1 Interview 1: Thomas Döbber-Ruether - Hotel Director, The Grand Ahrenshoop, Ahrenshoop, Germany

What Is the Division between leisure and business customers at your hotel?
Thomas D.-R.: We have 90% leisure guests because we are a leisure hotel. The remaining 10% percent of the total revenue consists of business guests who come here for MICE (meetings, incentives, conferences and events).
Do you know of Airbnb?
TDR: Yes, of course I know of Airbnb.
Do you see them as a competitor?
TDR: In the end, all holiday flats are competition for us. The only thing that is different from us and Airbnb and the others, is that we are a five-star plus hotel. Our averages rate across the year is 239€ (per night) net net. In this perspective Airbnb is not a (direct) competitor for us. In addition, we only work with two travel agencies in Germany, which is TUI and DERTOUR. That way we can stay away from OTAs (online travel agencies) such as HRS and the like. In certain demand periods during the year, however we sell via BOOKING.COM. The rest is direct sales through our company, as I do not want to give provision to anybody. Our business is approximately 85% direct business. In this way, we are not very affected by Airbnb.
How do you define your core competence?
TDR: I could talk to you about this for over an hour (laughs). We are 60 meters away from the beach of the East Coast. We are located in the small up-scale village Ahrenshoop which has a 14km beach front and only 2750 beds in total. That makes us very exclusive. Our rooms are between 40-150m², out of which most have a direct view of the sea. We also have a premium restaurant and a spectacular rooftop bar on the 5th floor with great views. Therefore, we operate in a luxury 5-star segment with many offerings that Airbnb does not have, since they only rent out flats wherever.
Can you tell us about your competitive strategy and how it has changed over the last years.
TDR: we are more or less a niche product, and that is also our strategy. We only have 81 hotel rooms, we are directly at the east coast, and we have a 3000 sqm SPA area. Moreover, the whole hotel is a concept store. This is something we have changed in the last 2 years. Everything that you can see in our hotel you can buy, for
example furniture such as beds, chairs, and everything else. This is a big advance and proven to be a big success.

How much does this contribute to your total revenue, compared to your normal hotel offerings?

TDR: 10%.

Do you operationalize in short term tactics or long term planning in order to achieve your marketing objectives?

TDR: that depends on the seasonal issues. For the summer season (high season) between June and September we follow long term planning objectives. In the off-season it is short term, because people decide very spontaneously. We are located 40km from Berlin so 60% of our customers come from there. That allows them to book very short notice.

Has your strategy been successful in relation to your competitors?

TDR: We have done many classic sales trips to Berlin and Hamburg. Of course we change our hotel every year, concerning the interior, which has to do with our concept store. We can do our own things and we can look after the market. This is due to the fact that the market is reacting much quicker than in the typical hotel chain business.

What about services?

TDR: Yes we have special services. For example, we have a new service called beach concierge which something many people appreciate. For an up-charge of 50€ you can order drinks and meals directly to the beach.

How do plan to maintain your successful competitive strategy?

TDR: That comes down to what I mentioned earlier. Every year we look out for things to make the hotel better or trendier. It starts with drinks or cocktails, food, different kinds of spa and the beach location allows us to a lot unique things. In that sense, we try to invent ourselves new every time.

Over the next 5 years we plan to optimize all areas of the hotel. Sometimes we need to adjust our plans according to changes in the market. And we are flexible because we are not a brand (chain) hotel, so we can adapt and respond very quickly.

Sustainable business:

TDR: I think our strategy will be successful. We are in the great position to have an excellent location. However, we do have local competition from other accommodation providers and they get many customers on the one hand. On the other hand, the political climate in Germany has been very difficult and bad for the German travelers. At the moment German travellers prefer to stay in their home country instead of traveling to Tunisia, Egypt or turkey. This is a big issue that we can see on our booking situation. It is a bad situation worldwide but in return it's good for the German tourism and for us. (15:38)

What do you do in sustainable practices regards the dynamic market?

TDR: We work together with Customer Alliance. They provide us with information on all the different such as HolidayCheck, Trivago and similar platforms. We are not the only ones on the market. We are one of many. Therefore we think it’s important to be a part of your own customers. To see what kind of needs and wants the customers have, which we are able to do with Customer Alliance in Berlin. They research on all kinds of websites and conduct market analyses for us. We get this data every day, and therefore we can find and adapt to the needs of our customers.

In what frequency do you conduct meetings on strategic, long-term issues?

TDR: We meet quarter-annually to decide this, because long-term plans can sometimes change quickly.

Social value: what are your efforts to gain acceptance in society and other stakeholders?

TDR: Firstly, We work together with a kindergarten in a village across from here. Twice a week we cook with the children to provide healthy food but to also educate on healthy food choices. This is a unique thing to do here for social support in this region. This is something brand new that started this year. Secondly, we have been working together with the Hermann v. Fehn Stiftung (fund) that supports handicapped children. Last year we raised 35.000€ for this fund. Moreover, the guests staying at our hotel can choose to pay 1€ per night for this fund. In this way we hope to achieve raising a sum of 40.000-50.000€ this year. Thirdly, we of course do many things concerning nature and the environment. For example, in our hotel we have structured plans and people that are in charge of that. (21:15)

How do you ensure customer satisfaction?

TDR: We have tablets in our guest rooms for surveys. We have a customer value program as well. When a customer puts in his comments, wishes and reviews into the tablet, we can instantly see it. Every we get summarized lists and reports on that to follow up on. This has been very helpful, especially in comparison to paper surveys, which we used until last year. The e-surveys allow us to manage the information much easier,
as well as to react to our customer’s feedback and needs. This next step is then always to get in touch with the customer quickly to solve any issues. (24:29)

Economic value: Overall
TDR: We have an average occupancy rate of 70% at an average net-net price of 239€. That makes us quite different, as there are many lower priced hotels in the area. We only have 81 rooms and make an annual revenue of over 7 million €. As a comparison, the 5-star Schlosshotel Flesensee has 176 rooms and makes a revenue of 8.1 million € at already high stay rates.

Economic value: How has the profitability been the last few years?
TDR: It has reduced a bit due to regulatory changes in the last few years such as the implementation of the minimum wage. However, the minimum wage itself is not the problem, it is the gap between different salary groups that has diminished as an effect of it. Therefore, people who in relation to lower salary groups earned more previously now are demanding to get that gap back. Hence, the worker who got paid above average before demands to get an increase in salary as much as the minimum wages are now getting extra. (27:16)

TDR: Overall the core part of our value is the location. It is very different to other places; many customers think it's very special. Therefore we also get quite a few celebrity guests at our hotel. It starts with actors and ends with music artists, they all appreciate the value and service we serve. Additionally the area where we are is very special.

Natural value:
TDR: We have a desalination plant, due water saving we are working with an organization in Hamburg called Viva con Agua. We do different things together and try to create awareness.

Energy usage in your hotel
TDR: In this case we do the normal, industry-standard stuff. One thing we do extra is that we provide our electricity for tesla vehicles in our underground garage. For electricity we only buy from alternative energy sources.

Green policies
TDR: Yes we do. On the one hand, we make sure that our suppliers and our policies are green and ethical. On the other hand, we look out for regional resources as much as we can. For example, we source our meat from local butchers who are no more than 20 km from here.

Responding to the sharing economy: do you see a risk for them in the future?
TDR: It depends. Firstly, it depends on the clients’ preferences of how they book rooms. Secondly, it depends on how big Airbnb will become in Germany. For example, if they started offering holiday flats around us, of course it would be a big risk. Because in that scenario they are the market leader if he prices are right. That is the only risk that I see. In our area, out of the 2750 rooms, 2100 are holiday flats and the rest hotel rooms. Should Airbnb enter this area they could easily become the market leader. I see a similar problem with Ota s such as HRS, as many hotels rely on sales through HRS, in some case as much as up to 80%. If they raise their provision to let's say 15%, you can do nothing, if they refuse they will lose their business because hrs would take them off the site. Then they are lost and must find their own clients on the market.

Do you think your direct sales strategy protects your business from that threat?
TDR: Yes, absolutely. For us it has not been a problem. Again, the development of Airbnb in the future and how big they become will impact these issues.

If they become very big, and had an effect, would you promote the imposing of stricter taxes and laws?
TDR: That's a German political thing for sure, to regulate markets where they can. Of course, we are on the same side. We want open markets but a fair playground, so they should operate under the same laws and restrictions as us traditional firms. Absolutely I see it as a problem that in the current situation the criticism on behalf of the society and the government is legitimate. (11:20)

Response to trends: how would react in terms of marketing or pricing?
TDR: In general the prices must increase because our costs are rising. These increases have to be passed on to the customers. We would in reaction to rising prices try to further improve and maximize the value for our clients. For example we could even more highlight our unique hotel store concept. So we increase the prices with much more value for the market we provide to. We know which type of clients we want to have and we know what they want. Therefore we make a lot of research in our core market in Berlin and in Hamburg. So do you think Airbnb would be able to push down your prices if they entered your market?
TDR: No they wouldn't, because we are too specialized. We are a niche product. I think this also a thing for the future, that Airbnb and so forth much less affect niche products. We are so special that we are not competing. I think that is also the key for the private hotel businesses that they must have a special niche and this is a trend that can generate much more business and revenue, because you're not competing. I think you must be
extremely special in the future. And that is our strategy, which is why I think we won't be affected by Airbnb. We are competing in the sense that we both are selling rooms, but if you look at all the other things we don't really compete.

26.
TDR: We have no demand pricing.
Is Airbnb for business a threat?
TDR: No, because we are a leisure hotel.

8.4.2 Interview 2: Lars Gericke - Senior Director Franchise Services, Carlson Rezidor Hotel Group, Brussels, Belgium

What Is the Division between leisure and business customers at your hotel?
Lars G.: We have approximately 70% business customers. Our core business is the corporate business traveler and MICE segment.

Do you know of Airbnb?
LG: I think they take a share of the cake. On the other hand, we see it as a part of the industry and changes in the society. If you are a classic taxi company today, you have to get along with Uber. If you are in the hotel business, well there are new business models. Are they similar to hotels? Yes to a certain degree, they provide accommodation, a bed and so on. The question is who is using this and where are there maybe some overlaps with our guests. I think there will be some. For the conservative traveler aged between 40 and 60 perhaps some will use it not very many.

Do you see them as a competitor?
LG: It will just be a shift. We will not start to include Airbnb in our competitive set. However, we see it positive because it will also help to cater high demands in certain destinations. If you like at Mallorca, for example, there is a massive number of Airbnb providers and that’s good for the island because there are not enough hotels (in peak seasons). So it will drive the destination and also help the hotels. Mallorca might not be a good example because it is known anyway. But also in other cities it can help to drive the destination if there are not enough hotels. Nevertheless, it is for a very specific kind of clientele. We don’t see them as competitors in that sense. We are not changing our competitive sets for new economy firms. But we are of course monitoring these companies and I think it’s good for certain destinations because it will increase the supply, it will also attract clientele which perhaps has never been to that destination, but these companies are not covering the needs of all our customers. This is something for the new generations like the millennials to maybe the 30s but there is no generic answer really. The classic hotel business will continue, but we might lose some customers here and there that’s for sure. And we are also trying to attract the younger clientele, which is of course open to the sharing economy. In that view, they are competitors yes but we won’t include them commercially in our competitive set.

How do you define your core competence and competitive advantage?
LG: Let’s focus only on Radisson. Our core competence is guest satisfaction, We have launched several concepts in the last few years which have worked very well, for example the “Yes I can” strategy. All of our employees are trained on this program, which is based on certain values, and everybody has to undergo that. On top of that, we focus on our product and design. These are based around certain core elements that Radisson delivers. Thus it is a variety of concepts plus a high educational level, where we see an advantage. All our competitors of course offer a hotel room, a bed, coffee, and a shower but our big focus is people. People and attitude, and we achieve that by training.

Can you tell us about your competitive strategy and how it has changed over the last years.
LG: Our business has changed quite a bit. It’s difficult because humans are by nature reluctant to change. It depends on who you are. For many years we have been a company with an American shareholder where things are sometimes a bit slow to be frank. We have been very dependent on IT for example, and with the quick developments when it comes to e-commerce in the past for example, and the sharing economy business coming up, we had to really speed up things and get people on board to be quick all the time, which we hadn’t always been. We’ve had obstacles. In the meanwhile it’s all about speed, otherwise you lose ground. We have understood this although we are hoteliers and not e-commerce companies like HRS, booking.com, and expedia. The problem is, when you go on the website, they compare ours with the big OTAs who have invested
incredible amounts in technology, marketing and Google, whereas us poor hoteliers if I may say just have pocket money to invest. That’s a big difference.

(Question) Ideally we would like to be able to predict things and have the crystal ball of course. In our industry, if thing’s happen in the world, we have a big problem. Our industry is very fragile. Unfortunately we can’t predict attacks like the one in Mali last year where people from us died. And this goes for the entire tourism industry; it’s very hard to predict developments. If something happens in the Middle East, for example the oil price, it has devastating effects on Norway as it is at the moment. If you think of the Rubbel and the Russians travelling less, it’s not in our hands. We try to change accordingly in order to adapt our strategies, so if a market is down we try to shift, but we are not the only ones. It’s very difficult.

LG: I think speed is a big one. We have tried to become quicker and get a higher responsiveness towards changes. If we talk about the strategy behind, we had a new management coming on board 3-4 years ago and since then we’ve had a clear vision of where to go, so I think we clearly know where we are and where we want to go. Competitors are a part of that. Financially and performance-wise, we’ve had a clear route, which we have been following. Besides that, again the industry is very fragile so sometimes you have to make a sidestep and you will not achieve your goals straight away. But overall, I think we’ve been on track.

Long-term Business strategy or short-term tactics?

LG: I think it’s a mix of both; it’s not black and white. For Radisson being an established brand, we don’t need as many image campaigns and therefore more tactical campaigns are what we focus on. If you think of Scandinavia, you need good summer tactical campaigns, which is very important for that market. In other markets it may be less, because people perhaps are coming anyway. So it’s a mix of short- and long-term things, depending on how the market is performing. In some markets you need many short-term tactics, for example looking at Turkey at the moment. The market tourism-wise is dead. It is worse than 9/11, a scenario in which every penny counts. In this case everything is needed. In a booming market and in destinations that are going well, you need more long-term strategies and think ahead. On the other hand, in markets that are down you need to really be reactive.

Has your strategy been successful in protecting you from the competition?

LG: I don’t think we need to protect ourselves. I think Airbnb will help to drive destinations and boost supply. In some destinations we might lose a little share, but Airbnb is a very specific business model. It is attractive to some but not for all. It depends the type of traveler, the age, where you come from, and your requirements. Everybody has different expectations and desires in a hotel product. A lot is based on taste and everyone has different subjective tastes. It’s personal and the next generations of people will be online more. This is why we focus a lot on our online channels and we can also learn and copy a lot from the sharing economy firms. For example, the way they present themselves and how they treat (interact with) customers. It is in some ways giving an extra boost, but there are also some storms. For example, many people are against Uber. In the same way many on Mallorca are against Airbnb, especially the classic hoteliers. So there are some hustles. For us they are part of the new game and we try to cope with it.

Strategy over the next 5 years

LG: We have a clear business plan and strategy. But 5 years is a long time. I think we have to be very flexible, but especially financially you need to have a clear vision what you want to achieve. I think we have that, but we regularly update our plans and review them. It helps often to break down the budget per region, per hotel, etc. We are sitting here in the Headquarters and looking down at all the countries, locations and hotels. Our hotels are individually monitoring their competitors in their specific market and location. If there are any changes, it will be considered. That’s how it works.

How do plan to maintain your successful competitive strategy?

LG: We attend many conferences on current economic developments, whether its Uber or Airbnb, we are very keen to learn and share our experiences. We can learn a lot from them because they have a very unconventional approach and in the end they are also targeting the same clientele that we want because our customers will also become older. That’s why we are also coming up with new brands such as Radisson Red, where we would like to gain the younger and hipper online clientele. In that sense it’s very interesting for us to hear and learn from these firms, because they are very smart and unconventional, and they have very good technology. Whereas we hoteliers are old, educated and know how to serve the traditional business but we are not e-commerce strategists. But the problem is that our industry is more and more shifting into an e-commerce business, for example we have many hotels that have more than 50% online business already. There’s much less of people coming in, booking directly via phone or another channel, it’s 50% online. So we have to have a good understanding of that business.

Sustainable business:
LG: I’ll try to give you the more the big picture here, as I am not an expert on this field. That relates back to what I mentioned earlier. The crystal ball does not exist here. If something happens here or there, we are very dependent. If a region is underperforming, we have to change our strategy. This means that while we have big picture strategies and practices in place, we have to adapt them to current developments, depending on what it happening in the world. There is no black and white guidance from now to 2020. A certain framework is there and we know what we would want to achieve, but on the way there you have to change your plans. That’s why we have HQ, and area offices per region that are sitting in the market to react quicker in the regional markets.

What do you do in sustainable practices regards the dynamic market?
LG: Think about sales. In the past with the classic key accounts system and a sales organization, meeting with clients face-to-face, visiting corporate companies, etc., we are still doing this but we are shifting towards to big e-commerce companies and OTA’s so we are more into third parties. As I mentioned earlier, if a hotel gets a 50% share we have to meet with those guys to discuss opportunities with them. There is a clear shift also in the clientele. The former ones are still there, but we have to consider that. From an individual hotel perspective, they look more and more into online world. Everybody has to consider that. Furthermore, for example we are now reevaluating our inside sales force, specifically the inside sales setup to see how well we are doing and whether we need to restructure and re-strategize. The big questions are if we have the right people and where is the customer. So if the traditional models don’t make sense anymore in a market, we have to change them, and maybe we can cluster people, or bring more hotels under one hand for a cluster setup. So we are doing this as we speak, we started in the UK and continued in the Nordics, where we completely revamped our sales organization.

Social value
LG: We have companies helping us to review and monitor our online reviews, for example, to see opinions given online. So we are equipped with tools to monitor all mentionings online about our product. Also, we give targets to our hotels, which they have to achieve. We then give responses to what they have achieved. We even have practices in place to motivate the hotels to reach the targets and respond to the surveys to review. In that way we guarantee that every customer gets an answer, because for us it’s very important to us that the online customer is treated in the best possible way. We have additional tools to measure our customer satisfaction with online surveys.

Is there also any way that you are being pro-active with your hotels?
LG: Yes we do that, for example in my specific area for the franchisees. We monitor and also publish the results, give awards and congratulate, we send appreciation gifts, and so on, which is well-perceived by the staff. At the same time we also tell them negative performance and ask them how we can do better together. There is a bunch of activities here.

Does your company contribute to society?
LG: We have a huge responsibility. Let’s take the Mali example, a destination in which we are the only international hotel brand. We have the responsibility for the country, the people there, the people we employ and for the reputation of the brand. So we are part of that society. Or take Slovenia, Ljubljana, where we opened a new Radisson, we are the talk of town. People are watching us. That’s a big thing. So whatever we do there, we are part of this society, and people look at us. Therefore we have a responsibility to deliver. Whether it is a sharing economy company or the private people who offer accommodation through the platform, these places are doing their own thing. That is also the backside of the medal. Yes, they pay commission and are a part of their distribution channel, but in the end its individuals doing their own thing. Are they trained? Maybe not, I don’t know, they are private people. But maybe that is not the direction you want to go. And this is also what these customers are seeking. But again, the AirBnb customer could be seeking something because of the price for a value vacation, or location, or because he/she is excited to be socially integrated and to get to know real people, to get the insider tips or be entertained or whatever. This is again very subjective and it’s not always comparable with us. We are professionals who are providing genuine hospitality in our hotels by professionals. I think that’s the difference, while not being negative towards AirBnb.

Economic value
LG: Here I cannot disclose too much. But we had a very good last year. The business has been sustainable, so we have been on the right track. 2014 was a side step due to several reasons. But ’15 was very good and I think we are on track here. So what we had in mind and what we wanted to achieve, that is absolutely on track.

Price
LG: I think what has changed is the speed, the people and age. The younger they are, the less patient they are. They expect instant replies, so we have to constantly monitor our online reviews. There is a certain pressure
also coming more and more from hotels diluting into the segment. If you think of the “25h” hotels, or Motel One, they are very successful models. They are very stylish, have good service, but not in the same segment. They have a bit of an “Ikea” look and feel. We will see what happens in 10 years. For now they are very good, so they are diluting our segment. They have a very attractive package at a good price, but not on a 4-star level. There are many of those guys, so it’s hard to keep the prices in some cases. Some markets will be overperforming while some will under-perform.

Quality
LG: We are committed to a quality level of the brand. We cannot change the quality. We are a brand and we have to deliver, no matter where you are. This is our goal. We have to maintain the same quality standard. Hotels are always different though, because of owners and investments. Some hotels will be modernized and perfect while others will be older and not the best. This is the reality of the business. This entire portfolio of a hotel chain won’t be perfect.

How do you define your value? Do you offer any loyalty programs?
LG: For Radisson it’s for sure the upscale customer here. We focus on people, design, ambience, breakfast, and so on. It’s the core values we really focus on: sleep, wash, shower, good coffee, Food and Beverage; this kind of stuff. If we provide a higher value depends on the customer and his or her demands and needs. And yes, we offer loyalty programs and certain discounts.

CSR
LG: yes we do. We have a responsible business dpt. We have a lot of activities and things that we implement in our hotels. This includes water saving, energy, as well as recycling; so all that is in place.

Resources
LG: Yes, there is a specific department doing nothing else than this. We have to be very careful also. We have to make sure we have the right suppliers. We can’t come with fancy plastics stuff. Especially the younger clientele is very green educated so that an absolute no go.

Do you promote the imposing of stricter taxation and regulation on Airbnb?
LG: Every country is different here and so are destinations. We are not planning this, however locally it could be a hotel or an association we are part of that is planning this on a local level. We as a hotel brand don’t have initiatives do that. That does not make sense for us in the head office. This would be a local initiative.

Do you think you can provide a higher value?
LG: The crucial one is really that our product is so subjective. If a new product is now in place, like the private social product let’s say, we don’t see this as a threat. We see it as an evolution of the society. There will be others coming too. We have to work on how to gain our shares, but its not always black and white. In the end there is the customer, and the suppliers are increasing. It’s not always comparable. Yes the also offer accommodation, but the model is different. However, we have to learn from them. We try to learn especially from their distribution. We have to wake up. We have a problem, if our customers suddenly prefer to choose Airbnb to us.

Do you think the shift towards e-commerce in your business has been due to the sharing economy?
LG: Also this was caused by sharing economy firms, but primarily it’s the OTA’s who have driven this development overall I think. For us it’s even hard to have our own websites ranked on the first page. Because the OTA’s invest millions in Google and we cannot compete with that. The same applies to Marriott and Hilton. At the same time they (OTA’s) are our customers as well, as they we are both dependent of each other. So we are in a catch here, which is a challenge. It’s the Airbnb’s not so much.

“Airbnb for business”. Do you see that as a threat for your business segment?
LG: I’m not aware of that model yet. That’s most probably a local issue so far. If this comes up, there is a threat for sure because we lose a piece of the cake in the local market. So we need to find out the selling points if these guys, and what the difference is with these. Yes, we would see that as a threat because our cake would shrink in a certain market. Perhaps we’ve always been dealing with Siemens for example in that destination. So now I have to assess that and then we could see them as a competitor. But, from a global perspective we would not straight away say this is a threat for our entire business segment. Our business is so segmented, which makes it difficult. It will be very interesting with the Airbnb’s of this world, and there is much more to come. As a last comment, it’s all about the distribution, how to attack the customer, how to push a destination, and how ready the customer is for this online journey. That’s the critical question. We are hoteliers, not online specialists. We need to hire people for that. We have people from Tripadvisor etc, helping us, because we need this knowledge. Also we have people from Coca-Cola helping us with the brand management. It’s not the classic hotelier business anymore; it’s shifting.
Is your hotel competing with Airbnb?
Charlotte R.: Well, it depends what you mean. Because Airbnb is a firm that should be only private booking, private apartment. I know people, for example who go on 3 weeks holiday and then the 3 weeks they rent out their flat via Airbnb. Some people like to do it. I would never do it, I would never go to a private home and have my vacation, because I... Being in someone's private home I wouldn't like it. And I would never let my private home be part of Airbnb. But I think it is a good idea, when it is done like it was planned. But I think now many companies they rent out in Airbnb business, and I don't think it is correct. I mean if Airbnb is private and everyone else can do it as a business. You need to pay taxes; you follow all the regulations that we have as the hotels. I don't think it is correct.
Leisure customers or business type of customers?
CR.: We have both parts. We have for the winter period and during the weeks we have many business customers national. People living on Jylland and coming here for the week, we have quite a lot of them. And then weekends then we have international clients coming for a long weekend or short weekend, and Danish as well. And of course, in the summer period it is tourists coming to Denmark. So we have a mix of... We don't have only one; we don't have only one type of clients. (Ratio between leisure and business customers) It depends on the time of the year. And for example, this week we have Monday, Tuesday we have few business people, but then on Thursday nobody, all private and we are fully booked yesterday, today and tomorrow and on Sunday. We have agreement with our clients coming every week, or every two weeks, so they have always a better price. Our system is the first to book, the first get the room.
Do you perceive the sharing economy firms as your competitor?
CR.: Not really.
How do you respond to the changes in the industry?
CR.: Well the changes is … Like for example this year Copenhagen has a lot of conferences a lot of them, big ones as well. And next year as far as I can see in the schedule there is nothing planned, so to be aware of that, I have to keep my rates lower for the next year and this year, when we have conferences, we can higher the rates. And changes … This is a small hotel, so for example if.. It is easy for us to make changes. It is easy for us to change rates; it is easy for us to change if someone wants roses in the room. I mean, because it is a small hotel and we are not part of any chain. It is a private owned hotel with 60 rooms. So that makes us flexible in all ways. In how many employees we have, everybody is direct and we do not have external companies in here, we all part of the hotel.
(Do you respond before a change occurs?) We always have to look forward. Yes.
How has the competitive strategy changed over the past years?
CR.: We have more focus on with having the correct rates. Like just instead of having all year, or half and half year, same rates, we do a lot of effort in having always the correct rate. Pricing strategy. And of course improving the beds, including Wi-Fi for free, and things like that. And the breakfast as well, so small things.
Short term or long term focus of the business?
CR.: It is both, because we do it long term. I mean, I am using more time looking at next year than this year. We do both. We have a long term and then the short term to do the pricing objectives.
Has the strategy been successful?
CR.: Yes.
Can you protect your business from the sharing economy?
CR.: I hope that the Danish law protects us. That is if you are making business you pay taxes, so for me it is the only way. If people are renting out on Airbnb they pay the taxes and have all the permissions and all that, that's like if it was another hotel. So that doesn't matter. The more options you have, when you go to a place, the better it is. You can go to a place where there is only one hotel; you will not go there. Or if you go once you never go back. But if you go to a place where there are different options for hotel, Airbnb, it gives you better options. I think that competition is not bad; it is normally quite good for business.
How do you plan to maintain competitiveness over next years?
CR.: We will of course do what we are doing now and keep an eye on what's going on the market and change some of the few rooms if we can see that, ok, we don't have use for a single room any more, family rooms, or we have too many family rooms, and we need more double rooms, then we can go and change those options as well. So, we have changed, before we had more twin rooms, we made them into double rooms, because nobody were asking for a twin room. … Because that was what people were asking for. If you are on a business trip, the company could make you an offer have two persons in the same room, but now nobody wants to share a room. So that's why the twin beds are not really an option any more. There are very few people, who ask for that. So that's for example why we took tween beds away and have more double beds. And we could do the same with other types.

(Respond to the customer needs?) That is easy to see and we can change from one day to another. Have you changed the way you measure satisfaction?

We don't use, we don't have in the hotel. No, we don't have it; we just send an email and ask our clients to give us feedback if they want to tell us something. Then we have another from booking.com and hotels.com. And we try to do it another way around; we have the direct feedback here. We try always to talk to our clients. So it is more directly, so we will know before what's wrong and why it is wrong. Maybe nothing was wrong, was just that you sometimes think that you are not happy, but then looking at it from another option you're really happy about it.

Sustainable business.

Is your current business strategy sustainable?

Yes, I think so. Because we have done, we are part of so called green hotels. So all the cleaning staff and all that has a limit to how much we can use of each and all that. And washing, when we send the towels and sheets to the laundries, we have some agreements about that. It should be as green as possible. We have changed some of the products in the breakfast to be more ecological products. And as well being for the society, like we have. I think this is really important as well. We do not use external companies that is quite known that it will pay much and so all the employees are directly employed by the hotel. We have many students. They are getting SU (scholarship) and they are working here as well. We have from everywhere; we have many nationalities. So that's making it sustainable for me. Because we are part of the society and we do some good things that can help the society and us. And of course we earn money as well. For example, when we get new beds, we give out the old beds to NGOs. So that is the part of it as well.

Does it secure your position?

I am not sure, the thing is that we... because we are not part of any chain, or we are not located on Vesterbrogade, we are having quite own brand, because this is pretty different place than Vesterbro and we cannot do things, that you can get there, but we are so close to the center. So whatever we do, we have our special. This is like; it is difficult to compare us with some of the other businesses in this area. I think this is one of the... we are unique.

(Is it due to the location?) It is a bit of everything, location is very important and when you, wherever you go personally I always want to choose a hotel I always think where I want to be. For example when I go to London, where do I want to be in London or so. So location is really important, we are close to the center, but we are not in the middle of all the fuss and noise. And I think it is important that we are a small hotel that gives us some; if you compare with some of the big ones of course they can do a much much more than we can. And they don't care; they don't care as much about the details. And because we are a small hotel, the owners are coming here every day. They are taking part of the daily business as well, so that makes it more personal. We know half of clients, we know them by name, and so that makes it special for me. That is what we compare in a lot of different.

Social values

CR.: Not really, not that I know. People print, people printing and it is free, but we ask them to put two kronas for collection money for Unicef and that's peanuts, but anyway.

Is economic performance is sustainable?

CR.: Yes, financial ratios are growing. No turbulence, not at all.

Price and quality of the hotel?

CR.: Pricing you compare to other hotels, with 3 stars. With almost the same level of services. We always compare, as this is what we do when you book a hotel, so we of course have to compare as well. But we have, for example in winter time single room is 599, so that is really cheap. But of course in the summer it is more expensive, but we have to compare. (Compare to Airbnb?) No only other hotels. I think, for me it is not same kind, I would never ask,... I don't know maybe I am too old fashioned, but I know people going on Airbnb, and I know people who are not. And it is funny, because I know people who went on Airbnb and do not do it anymore. Because if you are the person who are, as we in Denmark are … if you are the person who worry
about the society, you should not go on Airbnb, because it is question about taxes and all that, same Uber taxi. I see people stop doing that and for the most of them I think you do it or not, I mean it is not a question of... "Ok today I feel like going to hotel, ah no, no, today I go on Airbnb" no, no, no you like Airbnb – you go for it. But if not you go for hotels. Maybe in younger generations it will change, but I do know a lot of young people, who would never go choose Airbnb, because they want their privacy.

Define a value of your product or service. Differentiation, how do you achieve it?

CR.: Location, this is one of them. I can tell you what the guests, they normally are happy about the breakfast we have and the rooms are clean, and that's important. And then, we ... the service as well, the girls in cleaning they know that they are part of the team and you have to be ... even if you are cleaning and listening music, whatever, but don't forget to always have a smile for the guests. And reception, we really have to take care of the guests, listen to them as well. We try to always to listen to the guests, because they always ask: "oh, recommend me a restaurant". Yes what do you want to eat, so this is a bit different as well. We have the time and education to listen to the guests, in order to make them feel happy here.

You mentioned CSR (corporate social responsibility) policies, like "Green hotels". Environmental policies.

CR.: We are part of green hotels. There are some different things you have to follow. (Water saving?) Yes. (Saving electricity?) Electricity and cleaning products and things like that. I am not really what it is, as this is one of the owners, who does that. And he is making sure, that all things are followed and are correct.

Response to the sharing economy firms. Do you see threat of the effect in the future? And affecting your sustainability.

CR.: Maybe it will be, but I don't see it as that really worries us at this moment. And there is another thing about it: in Copenhagen lot of apartments and flats are “andelslejligheder”. And then many of those they do not allow it. So I know that it might be less in Copenhagen. These unions do not allow and they don't want to Airbnb inside they will not do it. So then you will have problems with tax authorities and yours "andelsforening" and I know places they said they do not want to. Because for you, If you live in your flat, then it is not nice to you that every day somebody new is coming in a flat on top of you. Different people it lowers the security. This is how it is. I have been living in Spain, I have a house there, and there, where I live, they do not allow rent out the houses to the tourists. And one person started to do it, but one month later there were stealing not tourists, but of course you know how it is if tourist place. If you go by a local bus in Copenhagen in summer time you have to be really aware of what you are doing, because many thieves are coming, because of the tourists. So tourists attract the ... So I don't think it will be a big problem for us. But you never know, but as well we have, we have so good prices so, I can't see it should be a problem. And since we are 3 star,... Like 4 and 5 star hotels, they would never have, it would never affect them at all, cause if you choose a 4 star, you would never chose a private home. Maybe if you go to Niece and you want to rent a big villa there, of course, that could be a place where it could affect. But in Copenhagen if it affects, it affects like the hostels and low price hotels. We have low prices, but I don't think it will affect us too much. And we are small, so it is fast for us to, we can... we don't have to do much to change the situation here.

Would you go to local authorities to make sure that Airbnb pays all the taxes?

CR.: Of course! We are part of the Vestas hotels of Copenhagen and I know they are looking at it. There have been some things on the news lately, but we don't go directly to one and knock at the door, but the politicians have to make their mind on how they want to do. And in Copenhagen the biggest problem is now with Uber and taxi, that is really could be a problem in Copenhagen, because I see them in summer time and they going to fight with everything... And it is not that much cheaper, it is ok, Uber is ok, but they have to pay their taxes. The driver has to have a license; it is so easy that the problem is that no one could even imagine that it would happen. That someone would just go around with their private car and provide services. And they were fast to make it up and there was no law, there is no law that controlled it. So must be in the future. And sharing economy is, I don't think it is sharing, I think anybody, ... Airbnb, and somebody is sharing. But Uber taxi is not sharing, it is ... because there are professional people, that they don't have a job and they just do it for living, and then it is not sharing economy. It is another sort of business. They have to be in the same box, if for example you have your car, your private car, and tomorrow your cousin used your car, or your friend used your car and just pay for gasoline 100 Danish krones, whatever, that is sharing.

Recent changes in the industry that affected you the most?

CR.: Not really. That changed now, is that in Europe the star system of the hotels is the same for all Europe. So there were some changes, we had to adjust there, but it is not a big deal. (Shift towards e-commerce and internet?) Yeah, but it is not new. ... It is not new, it has been like this for, I don't know... (In the past years) There has been more focus on it. In the beginning you have like booking.com, hotels.com, and everybody got their option that you think, when you book it is cheaper there, but it is not. It is the same or it is more
The interviewee, Dirk Fuehrer, CEO of Worldhotels Group, Frankfurt, Germany, discusses the implications of the rise of platforms like Airbnb on the hotel industry. Fuehrer notes that while hotels do not compete with Airbnb on pricing, they do compete on other aspects like privacy and service. He mentions that Airbnb guests tend to be younger, whereas business travelers prefer hotels. Fuehrer also discusses the challenges of taxation for Airbnb hosts and how hotels can compete in terms of pricing and services. The interview concludes with a discussion of the ways in which hotels can respond to the rise of Airbnb.
customers. When it comes to approaching customers or bringing them to my hotels, the approach towards those different type of travelers needs to be a bit more clear. Obviously, you can’t approach everyone with the same message. But that’s actually a general issue in the hotel industry, I would say that CRM systems so that really know what customers is expecting “what?”, “when?”. That the industry itself is not very professional doing that, so not know too much about our customers. We have exceptions, but not all are as well about the customers, but in general. There are exceptions and if you have strong loyalty program you know more. But you know corporates, one would say loyalty guests and then any other chains would not have a loyalty programs. …part of that loyalty program. 

Trend sharing economy. Competitor?

DF: This question has come up some time already, last six months or so of course it’s been discussed in so many.. And there are different opinions about it. To me it is a clear, it’s clear competition. To our industry Why is that? Because if I compare it to the big OTAs, OTAs, what they do, they actually, deliver customers. All right, they deliver customers to our hotels or to other hotels. But what Airbnb does, for example, that is not bring business to our properties, they deliver customers to, so to say, their properties. So they, they change model as well, presently, they produce, so to say, within own. Emmm. Inventory, they do not leave the opportunity for the customer to decide what he wants in the hotel or in a private spot. That’s why I consider it as competition, actually big competition.

(How much do you use OTAs?) We don’t use them at all, so to say, our organization. But we of course are connected with all the OTAs. And OTAs for other hotels are biggest generator for revenue. We have hotels, which have probably 50% - 60% even of the revenue from OTAs. And there is substantial model for revenue that they are getting. Obviously everyone is trying to “channel shift” and trying to get... lose a bit of, how you say it, dependency on this OTAs. And trying to get more business direct via their own website, or through instant booking channels or voice is even important. But the only thing OTAs are very strong.

Response to the changes. Loss of the customer share.

DF: Well, emmm. We as World Hotels and that specifically, we came up with something, something completely new, yea. Is that we have launched our own initiative, that we call “start with right”, yea. But this is all about blueprints, kind of same session for the hotels to go back to us themselves, why should a customer stay with me, with my hotel and not with somebody else. What make my hotel different. Where do I stand out, where should the customer experience my hotel and my property. What is in it for the customer. The start with why, that what we have won for the end of last year. But only 100 hotels have signed up, hundred hotels. Signed up to do training session in 2 days I think, 2 days session, which is done by a professional training company. There is a 2-day concept behind it. It is only 1 – 2 hour training session, and then you have people from all departments, actually, participating there, for sure manager, housekeeping, chef, many people in the hotel sit together and discuss that upside down, when a blueprint is defined, then this goes into all hotel. Obviously hotel's part of website and so on. So coming back to that experience, that what makes the difference, right? The experience, so if you stay privately in a house from someone or in apartment, that is different experience than a hotel room, so we want to make sure, that our answer to it and where should our customer have the experience in the hotel sphere. And they stay with us.

Influence on the strategy. Can blueprint turn into a strategy?

DF: Definitely, but not necessarily, not always form that as a company, but for the hotel itself. One initiative that we do out of these blueprint sessions is that when you figure out that this and this is your "Y" in the hotel, then you should get this "Y" only in this hotel, or only online on the website. Not variance, so if you would get services, that you could experience in the hotel for example any online supermarket, then you know, no longer.. We can't capture a customer directly, we can't buy everything everywhere, you know. Why should the customer book online, or call you, phone you. That's actually the... what if shapes hotel from other on the market. Desire of the hotel is to get more and more business in their channels and become less dependent on the OTAs, so what actually makes a difference: why should a customer not go on expedia for example, but book direct. And if the reasoning of doing that is not clear communicated, people will book on OTA. It is easy and it is fast, there is no reason. That's actually the major change.

Short-term tactics or strategy based.

DF: It is combination of both, it can't be either or. Long-term strategy is obviously very important, because the market is changing up on one day to the other, but it is changing and you have to change your strategy according to it, obviously. But short term, you know, probably a couple of weeks in advance that you have to fill in some holes. Conference that happening is for example, weekends do not come as, coming as it should, you need some promotions and stuff. There is something you need to do, but you can't offer, ok, we only do this long term or short term, there needs to be a combination of both.
Current strategy is successful?
DF: I can't answer it, honestly. In some hotels it was in some is not, and again we are very important new source for other hotels, because they commit to our systems and they need to what we actually do we offer, in our offering, what we do, we offer hotels reservation systems, we offer them ID, so we offer them everything to receive bookings and obviously in CRS you have to connect all the GDSs and the hotel is connected and so on and so forth, but this is only half of the story, right. We do not provide any meetings for some business clients we do provide, but majority of businesses book directly near hotel, for example. Sometimes we are more successful in regards to neutral business, then in one term or the other. But being a hotel reservation company, that question is hard to answer.
How do you plan to maintain the success over the next 5 years?
DF: It is not hard to answer, because what is important is actually the hotel representation companies, whether us or where it is leading or small luxury preferred companies, right. That we are competing with. Have to stay... to the hotels. In the strong market, hotels tend to think, well how can I reduce my distribution costs. That is all they care. How can I optimize my profit? That's reason, that makes lot of sense and traditionally I would say, representation companies are considered to be or perceived to be expensive. Why is that? Because all competitors, we pretty much work on it. That we offer different services for a price, plus a reservation price on top of it, so in a strong market you do not need more sales, because you have got sales already and your OTAs provide half of your occupancy already. What you look for is distribution only, material only, statistics things like that, that’s what you are interested in, that is what you analyze the business for. In a weaker market this looks absolutely different, as everybody tries to find new sales, corporate sales etc. Etc. Long term speaking we will do in the hotels, we will find our offering and also business models, meaning that those who were strong in corporate sales, in international reach, so we've got offices for example. There is one corporate sale... our services and to segments, like meeting sales, leisure sales, we will bring more digital consultants into our organization. Because this is something the hotels are looking forward. They don't have capability and the understanding of what, money and knowledge to do it themselves. So they ask for advice, we have digital advices. In the future the management, people write on a consultancy basis, things like that. And it will not be exclusive in one package, so we have price tags to each and every service. So to make our offering more transparent, and the hotels as well, I need this and that service, and they know what they pay for.
Sustainable business
DF: Again, the hotel business will either go to this hotel, you would get a different answer obviously then what you get from hotel representation company. I think my previous answer, answer to the previous question answers more this question. Because to be sustainable what you do today again has a lot to do with the marketing trends and of course in the end of a year the customers, lets say if there would be another September 11 tomorrow, the thing would completely change. That is typical for all the industries, whether it is travel industry or hotel industry, everything will go completely go upside down. So we establish, let's say, a business model today, which is right for the market, in where we are right now, fine. But things like that I just mentioned will completely change that. So we need to be very flexible in the way what we do, to be valuable. Or seen as relevant in the industry. But this question is again probably more relevant for hotels or the answer, that I given to the previous question is the answer. Maybe you have a different opinion on that.
Sustainability becomes more important?
DF: Yes, absolutely. But again this is something we can't really influence as much. Because it happens usually on property and our company would not be considered as a sustainable, let's say company … because services that we provide are different from what hotels provide to their customers, for example. That's why I see this question not to be relevant.
Social value. How do you get acceptance?
DF: … We are pretty much into people business, if you look at our operating costs, you will figure out that 70% of our business goes to people, so if you take half of the costs, you can't manage business. Because we deliver next to technology, that is a service. So we have people, who are working closely with the hotels, but is it a company choice or this is operation. It is people in the day-to-day conversation with the hotels. We have 45 people in sales for example. Sales changes in itself and corporate sales is no longer corporate sales as it was 10 years ago. That's really funny, but again, without people we are not able to survive, so I don't think we go too many people, but enough people. I think we got quite balance there, yes. But if you look at sharing economy, things like that, you can't compare us with shared economy. That is different thing... Then again depends if you are 5 star property or you expect service, you expect something or are you moksi type of hotel. Where you want to have seniors check in and out and you do not want to meet anyone at the reception, just want to get in and out. Don’t want to have a small talk with anyone, you just want to business, have your key, on your mobile
phone, open the door, and your check out, you don’t need to go anywhere; just leave the door. And while you leave the door the bill already arrives automatically on your American Express account, whatsoever. There’s so many things you can do. That depends again if you are a 5 star – deluxe kind of property where you want to deliver that service and what you are standing for, or is it more the budget type of company or brand.

How do you ensure customer satisfaction?

DF: If you are no longer relevant as a supplier, because we are a supplier of different things, whether this is technology, loyalty programs or sales, training, etc., and if you have a 90% occupancy rate, you can do it all yourself. Feel free to do so. But there are probably things that you cannot do on your own, where you need somebody else. However, if we would not all the time reinvent our value proposition and our offerings, we would simply be out of the business. Then we are no longer offering what is required in the market. I think this is happening. This has happened to some other firms and it is absolutely critical to not think that things are for granted, but that you need to change things on a regular basis.

Do you offer loyalty programs?

DF: Yes we do. We do because loyalty programs, even though people may think differently about it, I still believe that apart from the experience that you want to get while you are travelling loyalty programs are still important. More important probably for the corporate probably than the leisure traveller, while the corporate traveller becomes a leisure traveller let’s say at the weekend. They then probably want to burn those points, but loyalty programs still drive business. I’m very convinced about that. We do that as well, it’s why we have launched a loyalty program three years ago that has actually become a very big value proposition for our company.

Do you consider CSR and environmental issues?

DF: That is very much an operational question. We operate out of our four core offices in Frankfurt, Singapore, New York and Orlando. We don’t ourselves “produce”, that is a thing that is up to each individual hotel. We cannot really contribute to that. Like water saving and things like that, that’s a typical operation activity in hotels. We don’t give advice on this or do this, we 100% concentrate on the commercial part.

How do you go about policies before you sign contracts with your hotels?

DF: Yes, we certainly do that. That’s a good point. Before we sign an agreement with a hotel we do an in-depth audit, so we have a long list of things that should ensure that the hotel follows a certain standard which we claim is our standard. We would for example never sign a 2-star hotel, because it just does not fit into our environment, we only have 4- and 5-star properties in our hotels and they have to fulfill at least 80% of our requirements to the customers who look on our website have the understanding “ok, this is what I get”. This is very important and such a process or audit, while we also do mystery shopping and things like that, we do every year once or twice just to make sure they really follow what they have committed to.

Have you experience any problems?

DF: Problems, yes of course (laughs). I’ve experienced that, that my colleagues have told me that they signed a new hotel and everything sounds great but at the end of the day, if they commit to do a renovation for example and they still haven’t done it even though they said so half a year ago, things like that. Again, hotels are very much looking at their costs, where they can avoid them they can try to avoid them. Sometimes it has then happened that we decided to terminate contracts and pull the plug, because it could hurt our brand.

Do you think promoting stricter taxation and legislation of sharing firms is a way of going against the sharing economy competition?

DF: Yeah, I think so. I mean if we look at taxation issues, definitely. Why should they have better positioning regards to that than any other traditional firm would have? We are competing and if you compete you should be on a fair level and play by the same kind of rules. That is to me a no-brainer. I think companies like Airbnb, they will not have the same business model in 5 years time. I’m sure they will also change their models. One thing that I’ve experienced recently, for example, is that Airbnb is also looking into the meetings industry. There is a lot of space out there, unused meeting space, whether this is business meeting rooms in firms for example, often in firms you find overcapacity of meeting space, but also private meeting space in private households or public places. Especially if it comes to smaller meetings, more and more firms and people are interested to avoid the typical hotel environment for having a meeting and tend to go to other more untraditional or unconventional places. So we’ve seen that they will probably go more into that business, so not only the accommodating or overnight part.

Could an “Airbnb for business” be a sustainable model?

DF: Yes, that’s an interesting one. If you talk to corporations and larger companies who have travel management, travelers of that company experience because they either stay private in an Airbnb or they are colleagues or friends who experience that, they would actually go back to travel management and say, “Well
yes, we probably have 10 hotels in that area or city where we are allowed to book, but I’m staying in this same location two or three times a week and I am fed up with this hotel, which is by the way double the price of the Airbnb next door, so why can’t I stay there? It’s more convenient for me, I can use it more myself, because I can make it more of a home away from home’ than a hotel room’.

So they pressure on the travel management company will rise more and more while this develops, so don’t actually think Airbnb needs to come up with “Airbnb for business”, as it evolves almost automatically. So there is a demand driver. That’s why again; I say there is a clear competition taking place. If you look at traditional trade shows for example, like the trade show in Frankfurt when there is the IAA car show, in the past there was no way to get a hotel room in Frankfurt under about 500€ and if you are lucky you got a room at all. Meanwhile, there is new inventory in the city, in every city, which was already built so you don’t need to build it first. The trade shows are selling out the city, usually city hotels are not as busy as they used to be. So they changed that a lot, such as the pricing, and so on and so forth.

Could the corporate business be threatened? Especially in regards to the hotel business and in relation to MICE.

DF: Definitely. MICE is a big thing, it’s a huge industry. Of course it depends on the hotels, if they have more or less meeting facilities in the end. But we have some big boxes with many meeting facilities and those hotels are absolutely dependent on the success of the meetings business. But usually every hotel has some form of meeting rooms, at least 2-4, even if it’s only small ones. And the hotels want to sell them, otherwise there is no point in having meeting rooms. If we are always able to sell meetings is a different thing, but let’s say if Airbnb continues with the idea of having meeting rooms available on their shelf, those hotels would have more difficulties actually to fill up their meeting rooms. But MICE for us in Worldhotels is big and is big for many of our hotels.

Differentiation

DF: Well, here it’s a question of why. Why choose mine and not the other hotel? If you go back a few years ago, if you wanted to have a weekend break, and you wanted to go to Stockholm for example but you could not afford it. Nowadays there are a lot of affordable options there. If you want a 3-day trip to Stockholm, airfare has become reasonable and there are cheap hotels around. It has created a new market. If you are a 4-star “me-too” product, you are in a dilemma. You are not a budget hotel, but not a 5-star deluxe hotel either. For them it’s most difficult to decide what differentiates them from the competition.

If you look at the mega brands, location is a big thing and it’s very hard to compete on price. That’s why the hotels are so dependent on the OTAs and the more you pay them, the better is your ranking online.

Do you see a risk there for the industry, if the OTA’s are getting so much weight?

DF: It’s a big risk. The OTAs are as strong as they are and are becoming stronger. There was a research a year ago, when they asked pedestrians in New York which hotel brands they recognized, and Expedia came out as the 5th most recognized hotel brand (laughs). They are not even a hotel chain or brand. The perception has changed, which that shows. People who only travel 1-2 times a year perceive that. That has changed a lot. Still, I think it’s important that they do business with OTA’s because it gives the visibility, reach and business in markets that they could never go to otherwise. But, on the other hand, if you are too dependent on few channels then you are really in big trouble if these don’t do as well as they used to. So you need to learn how to diversify and that you your business one or two bid dealers. There’s again an issue of the big brand mergers, such as star hotels and Marriott, no one expected that. In the future you probably will only have 3-4 big brands. Again, it depends a bit where you are. In Europe 65% of hotel sales is independent. In USA it’s the other way around – it’s more chain driven, while in China it’s about 50-50. It’s hard for the hotels to compete.

Could prices be affected?

DF: They are, there’s more and more competition. Its gone so well for the hotels so far because the economy is so strong. If you look what’s been building in the industry is massive, but if you look at what might be coming, it’s frightening. Big price wars could then happen. Who will survive that, again mega brands. On the lower end, there are the Airbnbs and the lower-end hotels. The prices would be affected big time. It’s an interesting industry. Airbnb really has changed the game. Usually, the hotel industry is always 10 years behind the airline industry for example. Airbnb is not comparable directly with Southwest Airlines, but it goes in that same direction, I am very keen to learn what happens in the next 5 years. What our industry will look like. And then it comes back to sustainability what you have talked about, how many people do you still need to operate a hotel? Maybe just 5-10? If you have 100 rooms in a strong city, not somewhere in the forest. Would you employ 10 people to sell your 100 rooms? Probably not, No, you open your channels and manage your yields well and do revenue management. But then you don’t need sales people to sell you property anymore. That’s done by others. You use the GDSs and OTAs, so you make sure that your customers become returning
customers. So you try to lower your distribution costs as much as you can. That’s why for companies like ours we constantly have to reinvent the whole so to say the wheel and revamp our value proposition. A lot to consider. Big brands pay a lot for their loyalty programs which is very expensive and also in systems, so they look more into the independent hotel market, which is the OPM models (“other people’s money”) that are coming up. Like Crewu by Hilton is a brand of the Hilton family where you can be a part of as an independent hotel, but you can use their systems, loyalty programs etc. So costs are shifted to others, that’s what many are trying to do. Not to make them richer, but to reduce their costs. All kinds of costs.

8.4.5 Interview 5: Rickard Swärd - Hotel Director, Scandi Kalmar Väst, Sweden

What is the division between business customers vs. leisure guests in your hotel?
RS.: I would say that it is 70/30. The majority is business guests. I think that in bigger cities that number will be higher. In the summer in Kalmar for example, we have more leisure guests so it might be as much as almost no business guests in the summer here. In the summer we have to work a lot online, also through third parties like booking.com etc. So there is a lot of online marketing. In the business segment, we have corporate account management so a lot goes through that channel. Here we try to push sales of our brand. Centrally and both locally we have sales and marketing planning activities. One example in Kalmar could be Kalmar FF, in order to reach customers that way.
Do you perceive sharing economy firms (Airbnb etc.) as a competitor?
RS.: Not yet. It can become bigger. We don’t see this yet overall. In Kalmar, there is no competition at all. There is still a lot of push in the market. We are selling better than ever before, so the industry is riding a wave of demand. Demand is higher than supply. Even many of our hotels are investing a lot in building new hotels due to higher competition. We think we must have modern and good product, which includes new hotels or modernization, we need best customer satisfaction which comes in hardware and service. So the economy is playing in our cards at the moment. A downturn however could shake up things.
How do you respond to changes in the industry?
RS.: What we can directly influence is to monitor and manage conversion, this specifically includes staff planning. This is important in order to continue the high conversion rate. Another thing is marketing investments and procurement as well as prioritizing purchasing management. We take decisions from our perspective of assessing what is necessary in a month and what is less necessary. For long-term changes, when we do business planning we also set an activity plan for every quarter, what things should be done and bought.
How has your competition strategy changed in the past several years, compared with today?
RS.: The changes have been within the business mix, where we previously agreed with projects that were not always good for us. The business mix was very mixed up and was not very thought out, in order to build our customer base. But now we have agreements with fewer companies, which make us more flexible and streamlined. Now we can chose our customers more strategically and better manage our outcomes. So we can decline less profitable business and be more thorough when making new agreements.
Would you consider your business following rather short-term (tactics) or long-term (strategic planning) marketing objectives?
RS.: I would say both, but it’s more in a long term perspective. That’s our focus, while we also have to consider short-term. We would be more vulnerable if we only focused on the short term. We need to have a stable rate of clients. Not all companies succeed in this. Our brand is a very strong factor in this with a large impact which customers and suppliers we get. So the brand is a top priority for many of our clients. For example, many of our clients value our sustainable focus. That is important for all the companies, because they want their values to also match with the ones they do business with. Another major focus is accessibility; all of our hotels have to have a high degree of accessibility. The government plays a big role here in Sweden.
Has your strategy been successful thus far towards your competitors? Do you think it can protect your business from the growing sharing economy firms (Airbnb, etc.)?
RS.: Yes, when we look at the local market, we have fewer clients but they produce more room nights. We have therefore optimized our partner relationships. Moreover, we have an organization within the company that are specialized in different areas and play in the same direction, so the outcome has been very successful so far. That diverse knowledge really contributes to our success. This makes our decisions more thought through. Also, I think it protects us from the Airbnb competition. I think the larger chains are more into writing agreements
with big firms, so based on the target group it is very different from Airbnb. As of today, I wouldn’t regard them as a competitor because we don’t compete in the same business. How do you plan to maintain your competitiveness in the next 5 years? RS.: Basically on delivering the best total guest satisfaction, that is our main focus. If we continue in succeeding there, we can maintain our competitiveness. What are your response tactics against sharing economy firms’ (Airbnb, etc.) impact? RS.: The long-term tactics against all competitors is the TGS. So if we succeed there I don’t think we will lose our clients. Since that is our focus I am not that worried. However, we monitor them. We have a guest satisfaction survey that sends out to all guests who have recently stayed with us. Based on that, we can conclude if and how our ranking is. That way we can measure that. Do you think your current business strategy is sustainable? Why so? How do you think it secures your position? RS.: Regarding the sustainability, I think it will increase. I think progressive firms and the new generation is more into sustainable practices. We have done a lot, and we are leading in this part in the Nordic countries, but we still have a way to go. Which sustainable practices do you plan to introduce in the nearest future due to the shifts in the hotel industry that sustainability is becoming increasingly more important? RS.: Yes, we need to do more. The Swan certification, which we have, requires that we constantly have to review our strategy and following the demands. By that we are doing more sustainable things than the past year. It’s a good relation I think because they drive this development and build on that. Besides that, to continue to stay the leader here we also look at things we can improve ourselves such as increasing the number of bicycles that can be borrowed at our hotels. There are many things you can do to be more sustainable. What are your efforts to gain acceptance from your customers, investors, and the society? RS.: Scandic group has a focus area called “Scandic Samhälle” (Scandic society). Besides the business operation and CSR, this focus area for example works together with local authorities such as migration or school offices in order to integrate them in the work environment. This includes school internships, inclusion of refugees and unemployed. So we can for example integrate them in our F&B department. This is very important for our local work with the society, that we can integrate these groups in the Swedish society. We also sponsor KRIS, which is an organization that integrates ex-prisoners into society. How do you ensure the highest satisfaction of your customers, investors, society? Do you conduct satisfaction surveys? RS.: We do not conduct surveys there. We however have our internal surveys, as well as external reviews from online platforms. What is important there is that we have to respond. We have to respond very quickly because it spreads fast and everyone sees it. This is very important for us. Does your business contribute to customers or society more than sharing economy firms? How? RS.: Yes, I think so. This comes back to what I said before. We make combined efforts to contribute to society, while Airbnb is foremost an idea. It’s an idea that other people realize. So there are no efforts in this sense that can be seen. What is the CSR of Airbnb? Nobody knows. Do you see your economic performance of your company as being sustainable for the past years? (Profitability, solvency, etc.) RS.: Looking at our numbers, we have constantly had positive and growing results. And I think a lot of this is due to our sustainability work, because our customers look at that. It could be more flexible heating, energy-saving lighting, reducing waste etc... If you do this in 230 hotels, it’s quite a big investment if you think about it. But I think it has paid off. Tell us about your price and quality of the service. How did it change over the past several years? RS.: We are a 4 star hotel here in Kalmar. Your goal is of course to deliver a good product with good value for the customer. We are not a 5 star hotel, we are not perfect. Our segment is based on the mid-market segment of clients, so 3-4 star hotels and high but not very high quality. It’s more focused on achieving a mid-market brand standing. Regarding rate, they have been increasing recently. This is because we want to offer a better product every year. We have been able to increase occupancy and the rate at the same time. That is actually what we are doing. It’s more expensive this year than last year to be a hotel. How do you define the value of your product? Does your business provide higher value for customers than the sharing economy firms? How? Do you offer loyalty programs and discounts? RS.: Yes, we offer loyalty programs and discounts. It’s important for our value proposition. It is well-accepted and the majority of our clients uses it and is satisfied with it. We are always looking to adapt and develop it according to the market and client demands. It depends how you want to use your points, for example free
stays, or car. It’s very important. In Kalmar, 80% of our guests are regulars. For them the program is extremely important because they get good benefits.

Does your business engage in CSR and environmental protection activities (to create additional value)? If yes, which ones? Do you also consider natural value concerns such as water-saving for example?

RS.: Yes, the Swan Corporation is the foundation of our activities here. It’s the highest standard in the industry. It has tough demands, but it is very good and important for us.

How do you ensure lowest use of non-renewable resources? Do you use of renewable sources of energy and resources to a high extent?

RS.: One focus is certainly energy saving and recycling. It has a great positive impact for both us and the environment. As said again, we follow the Swan’s guidelines.

Do you make sure that your partners and suppliers have green policies and use renewable sources of energy and renewable resources?

RS.: Our customers we cannot control so much. But our suppliers, yes. We always try to select those suppliers that have good policies and strong CSR focus in this. So we strive to have partners that have the same standards and values as we do.

Do you see a risk of shared accommodation services such as Airbnb affecting your future and your business sustainability?

RS.: No I don’t see any risk here. In the opposite I would say in the sustainability it amplifies our values. We would never end our sustainable focus.

Do you (try to) promote the imposing of taxes and stricter regulations on Airbnb? E.g. go to your local authorities in order to ensure that Airbnb does not breach the rules for subletting, hotel taxes, or other legislations. Do you plan to do in in the future?

RS.: There is a branch regulatory office in Sweden that all hotels have to abide by and follow their rules (Visita). Yes, we would talk to them if Airbnb continues to break the rules of the industry. Every serious hotel company has to follow these regulations. They set the regulations.

How do you achieve differentiation? How do you make sure that you can compete by providing a type and level of service that Airbnb cannot match?

RS.: I think there can be a challenge in the leisure segment. But in the corporate/business segment, we have a strong standing with the corporations. We give these firms a trustful, consistent and safe service with high reliability. Many firms like to have a partner that they can rely on in my experience. In the leisure segment, the needs and expectations again might be different. I think Airbnb is good for the business because we stay more alert to deliver a good guest satisfaction, but no immediate threat.

Tell us about recent changes in the industry, which affect you the most? More specifically, what has changed in sustainable practices in the industry?

RS.: The major thing that affects us is urbanization. Companies and people move more and more into the larger cities with a large impact. Travel is taking place also more into these larger cities. On the other side, small cities are losing a lot. This is a potential risk for our business, rather than Airbnb. Demand will increase I think for the industry, which makes it more important for us to build hotels in the larger cities.

In your view, which changes were caused by the sharing economy firms?

RS.: They make us more alert because they are a new player. It’s also good for the travelers, because they have more options. One effect in general, maybe not just Airbnb, is that OTAs are increasing massively. They are becoming more of an important client to us. I think that Airbnb is a part of that because they are built on the online principle. So they are increasing the online booking. So we have to change our booking channels and our website in order to stay attractive. Online has certainly becoming a focus for us now, because we know that is where the customers are.

How do you plan to respond to the trend, that the sharing economy firms increasingly have more rooms and higher growth rates in certain locations?

RS.: All the time we have to be awake due to the future trends. I would say in FnB and hardware, because we have a strong connection with our clients we get a lot of input and insights from them. Also we have a department with business development who are working with different organizations that watch the future trends. For instance, we also look into different trends in different markets such as Germany or Norway to see how we can optimize our offering for now and for the future. We are quite good at adapting to trends I would say. One current trend is in food. For example, we have to look how we can adopt that here as well. So we have to have our eyes open and the willingness to improve our offering. What we’ve noticed is that guests want more efficiency when checking out. We want to make the procedure more efficient in the reception instead of having
to wait in a queue. So we offer a phone check out service so customers can do it in their rooms and then simply
leave the key. This is an example how we try to incorporate trends into our services.

Could your pricing strategy be changed due to sharing economy impact? Or do you rely on a demand pricing strategy?

RS.: As a minor risk, if Airbnb is becoming more aggressive and demanded in the market, we will change our offer in the sense of making it more appealing than lower the price. The last thing we want to do is to lower the price. You don’t want to lower prices, because it’s tougher to continue having a good satisfaction of guests that way. Lowering rates is the last resort. In the future I think we have to raise the values even more, by maximizing our offering and satisfaction. If Airbnb becomes a tougher challenger you need to analyze what are they doing that makes them successful and all the factors related to that. You then would need to clarify what differentiates your business from them and make sure that the customers understand that. And then take it from there.

Do you see “Airbnb for business” (since July 2015) as a threat to your business segment? How would you respond to it?

RS.: Yes I think it could be. The long-stay segment could be affected by such a model, both the meeting and staying part. When a company calls us and wants 5 persons staying mon-tue in 4 weeks there is a negotiation and an agreement. When you talk to Airbnb that might be difficult, so I think the long-stay is more affected. One example is projects that companies do in other places. Then they could stay in an Airbnb apartment. Critical is I think that there is also a contract. In that case, it becomes a threat. It then becomes a direct competition. That is an important market for us, especially the smaller regions like Kalmar or Sundsval would be affected I think. In the larger cities, Airbnb could that way also become an alternative to hotels. For that kind of projects Airbnb could have a good future there. Yes, they can definitely sign agreements with different companies specialized with that. That branch could be a potential growth area for Airbnb, if flexibility or whatever is needed. But that’s not the entire corporate market. I think in the short stay segment, business travelers will still be preferring hotels. So yes, Airbnb could grow. We will see. In the next 5 years I wouldn’t see that coming, maybe in 10. But developments happen so fast.

8.4.6 Interview 6: Kirill Bolotin – Hotel administrator, Nevsky, Saint Petersburg, Russia

What is the division between business customers versus leisure guests in your hotel?

Kirill: 20% business customer, and the rest are ordinary travelers.

Do you perceive sharing economy firms (Airbnb etc.) as a competitor?

K.: No, and I will explain why, people, who rent out places through a website, I don’t know maybe it possess some guarantees, but majority of travelers, who want to just look at a city, they spend little time in the hotels. And therefore it is much easier to book a place in a hotel, which operates certain amount of time and it has certain reputation. In order to avoid situations when a person is posting announcements and when you arrive, actually the place is already booked by another person, who offered better price for that room. Or something similar... Legislation regarding operations of the sharing platforms does not exist, and therefore it might occur that a guest has arrived, but the person, who rented out the place has an emergency and he has a need for this apartment and for him in the end, if the system does not have prepayments. It is very likely that the guest will remain without a place to stay. In case the system (platform) does not take responsibility to provide a room, in case a guest ends up in a situation where the room is not available. It is not very reliable.

What is your competitive advantage?

K.: Location, comfort and quietness.

How do you respond to changes in the industry?

K.: More likely, we adopt to what has already happened. As it is very difficult to look forward in the hotel industry. It didn’t change for very long time, before emergence of the online booking systems. And after emergence of them nothing radically new in the hotel business has changed. All in all, there is nothing that can change in the industry. There are hotels and there are people who travel. The concept is the same.

How has your competition strategy changed in the past several years, compared with today?

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1 The interview was held in Russian language following the translated interview guide and the translated transcription is presented below.
K.: No. … Difference is if it is a big hotel. Rooms are changing and equipment is changing and prices.
Did the way you promote your business and get your customers changed over the past years?
K.: No.
Has your strategy been successful thus far towards your competitors?
K.: It was more than successful.
Do you think it can protect your business from the growing sharing economy firms (Airbnb, etc.)?
K.: Yes, we are most likely protected, as we have a very good location, specifically in Saint Petersburg.
Meaning, that we are located in a very center of town close to the Hermitage. And no matter where the flats are
rented out, so close from the central area is very unlikely to rent out.
How do you plan to maintain your competitiveness in the next 5 years?
K.: Perhaps, we will just form contracts with even more OTAs. So this is the main, as most of the clients
reaching us through these companies. The rate depends a lot on the season, in the time of “white nights” most
of the bookings are coming through the online systems, 80%, outside of season time, it can be absolutely
different. On average it would be 60%/40%.

10. Do you think your current business strategy is sustainable? Why so? How do you think it secures your
position?
K.: Generally, the most successful industries nowadays are the ones connected with oil. And they do not have
responsibilities towards the environment, but they remain the most successful. Yes, our business, I guess is
sustainable. Environmental friendliness we are not linked anyhow. We do not harm it and it has a very low
effect on us. Unless some environmental disasters will take place, such as floods, hurricanes or earthquakes.
Our clients are the most vital for us, as we work with people.
Do you have benefits for customers, investors and the society?
K.: Not for investors or society. With many of the close by hotels we have agreements, for example when a
booking is made, or if a guest comes and we are fully booked, then we offer.. We promote our partners. The
same way as they do.
As example some hotels are providing benefits for society by providing food in the nearby kindergartens and
educate them about the healthy food, do you have analagous programs?
K.: Perhaps, this end up to be cheaper than an advertisement, but we are a very small hotel.
Do you see your economic performance of your company as being sustainable for the past years? (Profitability,
solvency, etc.)
K.: Yes, and even from 2000s up till 2010, ratios has improved.
Tell us about your price and quality of the service. How did it change over the past several years?
K.: Quality has increased 3 years ago and now remains on the same position. As we are not able to do more
now. As we are a small hotel and there is nothing to change. We have new equipment, linens we purchase
constantly. And prices are… gradually growing. Meaning, that it does not depend on us, we are looking at the
competitors on the industry and if in the industry the prices are rocketing, so we increase the prices as well. If
there is a drop in prices, we reduce them as well.
Do you offer loyalty programs and discounts?
K.: Yes, we have discounts for our frequent guests and discounts for long stay. We have equal loyalty programs
for all the guests. We have for example some business clients, that are coming every year and they’ve been
here 10 - 15 times, they of course have significant discounts.
Does your business engage in CSR and environmental protection activities (to create additional value)? If yes,
which ones? Do you also consider natural value concerns such as water-saving for example?
K.: No, and we do not plan to.
Do you make sure that your partners and suppliers have green policies and use renewable sources of energy
and renewable resources?
K.: No.
Do you see a risk of shared accommodation services such as Airbnb affecting your future and your business
sustainability?
K.: As I can see, for our hotel, there is nothing to be afraid of as in general we have the location. It takes only
3 minutes to the Hermitage. If you were in Saint Petersburg and you haven’t been to the Hermitage, you’ve
visited Saint Petersburg for nothing. Therefore, due to our location, we have nothing to be afraid of. I expect
that hotels, that are located further, possibly (have higher chances), but here it would depend a lot on what the
tourists want to get. So those people, who wants to come to a hotel and sleep, for them it is important that it is
clean and comfortable in there, will often choose hotels. For those, who are arriving for a longer period of time
and those, who likes to do things on their own, for them it will be a great opportunity.
How do you achieve differentiation?
K.: Actually, by no means. (So you do the same thing from one year to the next?) Yes. I will repeat, but we have a small hotel. I assume that in the hotel industry nothing has been changed for centuries, roughly speaking. Besides technologies. But ok, the main concept is in what? You have arrived, you stay at a place, what can possibly be changed in here? For example in the guests’ breakfasts they can be adjusted, the products, but these are small changes. But in general nothing can be changed.

How do you plan to respond to the trend, that there is higher technological use and the sharing economy firms increasingly have more rooms and higher growth rates in certain locations?
K.: The last thing, which we have reacted to, was the emergence of online bookings, but this has happened a while ago. And since then, nothing new technology-wise did not appear. But if there will be some useful technologies, we will of course adapt to them and use them.

Could your pricing strategy be changed due to sharing economy impact? Or do you rely on a demand pricing strategy?
K.: If there will be one serious competitor, then in our industry of mini hotels nothing will change, it is very likely that it will go bankrupt, due to the lower prices, as in the hotels there are certain limit of the rooms. And we do not even try to compete with the larger hotels and people understand it well. But if overall in the industry there is a drop in prices, then we also adjust our prices, and if they raise, then we do the same, but among individual competitors there are no dangerous ones.

8.5 Literature review

8.5.1 Literature review on the sharing economy

<table>
<thead>
<tr>
<th>Authors (Year)</th>
<th>Main subject</th>
<th>Q</th>
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<tr>
<td>Felson and Spaeth (1978)</td>
<td>Collaborative consumption in the context of the structure of daily activities</td>
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<td>Botsman and Rogers (2010)</td>
<td>General description of the sharing economy</td>
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<td>Belk (2013)</td>
<td>Sharing vs collaborative consumption disambiguation</td>
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<td>Minje et al., (2014)</td>
<td>Framework for introducing sharing economy in order to reinforce small businesses competitiveness</td>
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<td>Tomski (2015)</td>
<td>Use of IT systems and social media in the process of firm internationalization</td>
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<td>Hamari, Sjöklint and Ukkonen (2015)</td>
<td>Investigate people's motivations to participate in collaborative consumption</td>
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<td>168</td>
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<td>E-commerce</td>
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<td>Martin (2016)</td>
<td>Framing the sharing economy The sharing economy is not the key driver in a transition to sustainability</td>
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<td>Airbnb, Uber USA, Europe</td>
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<td>Barros (2013)</td>
<td>Sharing economy Required factors for successful implementation of collaborative consumption</td>
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<td>Developing markets</td>
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<td>Nadler and Aulet (2014)</td>
<td>How the sharing economy have achieved success and how they affect the economy and established industries</td>
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<td>Transportation, hospitality, and consumer-based services</td>
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<td>Henten and Windekilde (2016)</td>
<td>Explain the sharing economy through transaction cost theory</td>
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<td>Uber, Airbnb</td>
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<td>Specific case studies regarding the car sharing or housing</td>
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<td>Bardhi and Eckhardt (2012)</td>
<td>Access-based consumption from consumer perspective, 6 dimensions of access</td>
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<td>Car sharing Zipcar</td>
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<td>Guttentag (2013)</td>
<td>Assessment of the development of Airbnb, effects on hotel industry</td>
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<td>Byers, Proserpio, and Zervas (2013)</td>
<td>Impact of Airbnb on the hotel industry</td>
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<td>Felländer, Ingram, and Teigland (2015)</td>
<td>How the sharing economy is affecting economy, regulations and policies</td>
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<td>Sweden Uber, Airbnb</td>
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(Q: Qualitative, S: Survey, I: Interviews, E: Empirical Data, n: number of observations)

### 8.5.2 Literature review on sustainability

<table>
<thead>
<tr>
<th>Authors (Year)</th>
<th>Main subject</th>
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<tbody>
<tr>
<td>Maslow (1967)</td>
<td>Definition of the term &quot;metaneeds&quot;, which is used to differentiate basic needs from the higher needs of self-actualizers, such as the impact on society and environment.</td>
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<tr>
<td>Lavidge (1970)</td>
<td>The impact of marketing on society and responsibility of a company</td>
</tr>
<tr>
<td>Takas (1974)</td>
<td>Argues that societal marketing exists in theory, but not in practice.</td>
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</table>

Impact of social values on the business
<table>
<thead>
<tr>
<th>Authors (Year)</th>
<th>Main subject</th>
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<tr>
<td>Prothero (1990)</td>
<td>Examines the impact of green consumerism trend and the societal marketing concept on the role of the marketing department</td>
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<td>Shrivastava (1995)</td>
<td>Proposes ecocentric paradigm for the management, which helps to minimize organizational impact on the environment.</td>
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<td>Asneas power plant</td>
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<tr>
<td>Gladwin et al. (1995)</td>
<td>Reintegrates ecologically and socially sustainable development into organizational science Introduces “sustaincentrism” paradigm.</td>
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<tr>
<td>Macnaghten and Urry (1995)</td>
<td>Examines relationship between sociology and nature or the environment and propose that institutional, political and societal factors must be incorporated into sustainability</td>
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<td>Stead and Stead (2000)</td>
<td>Introduce a term “eco-enterprise strategy”. Argue for integration of the moral responsibilities into the organizational strategy of a firm.</td>
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<td>Starik and Kanashiro (2013)</td>
<td>Highlighted the importance of sustainability for individuals, organizations, and societies.</td>
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<td>Colbert and Kurucz (2007)</td>
<td>Conceptualize triple bottom line</td>
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<td>Business leaders</td>
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<tr>
<td>Teece (2007)</td>
<td>Suggesting dynamic capabilities and managerial competences that can help to a firm to sustain its competitive advantage</td>
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<td>Hart and Dowell (2011)</td>
<td>Research on natural-resource-based view and sustainable enterprise</td>
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<td>Brower and Mahajan (2012)</td>
<td>Introduce a term corporate social performance and investigate how it is affected by the changing external landscape</td>
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### 8.5.3 Intersection between relevant theories

<table>
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<tr>
<td>Bader (2005)</td>
<td>Analysis of the economic benefits and sustainable business practices in the hotel industry</td>
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<td>Chen et al. (2016)</td>
<td>“Do competitive strategy effects vary across hotel industry cycles?”: The relationship between competitive strategies and competitive hotel performances</td>
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<td>Taiwanese hotel industry 2000 - 2010</td>
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<td>Prud’homme and Raymond (2013)</td>
<td>Sustainable development practices in the hospitality industry: An empirical study of their impact on customer satisfaction and intentions</td>
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<td>Canadian Hotel Industry</td>
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<td>Bohdanowicz, Zientara, and Novotna (2011)</td>
<td>International hotel chains and environmental protection: An analysis of Hilton’s we care! Programme</td>
<td>x</td>
<td>Hilton hotels across Europe</td>
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<td>Prahalad and Ramaswany (2004)</td>
<td>Co-creating unique value with customers</td>
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<td>Heinrichs (2013)</td>
<td>Sharing economy is a key to environmental sustainability and social equality</td>
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<td>Martin (2016)</td>
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