

## Operations

# How will peer-to-peer booking models evolve?

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Sharing-economy expert Arun Sundararajan thinks changes are in store for peer-to-peer booking platforms.

By

NEW YORK CITY—Think the peer-to-peer booking model is a flash in the pan?

Think again, said Arun Sundararajan, professor and the Robert L. and Dale Atkins Rosen Faculty Fellow at New York University's Leonard N. Stern School of Business.

"We're going to see a growth in this kind of peer-to-peer activity in the coming years," he said. "I see them as a culmination in changes in how we organize (economic) activity that have been playing out over the past 30 years."

In the 20th century, economic activity was transacted mostly via large corporations. That's a departure from the 18th century, when commercial providers typically were businesses of one.

The sharing economy, and specifically its peer-to-peer booking models such as HomeAway, Onefinestay, FlipKey and Airbnb, is offering a middle ground, he said.

"You're getting some of the benefits of scale that you get through organizing through a large corporation, but you're also getting some of the decentralization and flexibility associated with someone running their own business," Sundararajan said.

"It's a new form of micro-franchise of sorts," he continued. "You've got some branding, you have some guidelines, and you have access to some customers that come through the brand, but the operation is managed by whoever owns the property."

### Peer-to-peer evolved

Going forward, Sundararajan said the line between peer-to-peer booking platforms and hotel companies will be blurred.

He likened that shift to the rise of the boutique hotels in the 1980s.

At first, boutique hotels were highly differentiated, he said. But then, "it seems like the (traditional) hotels started to do some of the things that the boutique hotels were doing, and the boutique hotels started to do some of the things the (traditional) hotels were doing. There was convergence. I wouldn't be surprised if the hotel brands started moving into the peer-to-peer space."

As one example, Sundararajan said a hotel company might buy a condo building, put a concierge in the lobby and then distribute the rooms via a peer-to-peer network.

On the other end of the spectrum, a player such as Airbnb might start offering room service, a loyalty program and other amenities once only offered by hotels, he said.



Arun Sundararajan

### 2 key consumer trends

The sharing economy is being fueled by a change in how consumers transact, Sundararajan explained. He cited two important behavioral trends hoteliers should keep an eye on:

#### 1. Transactions gone mobile

"I see a very strong draw that consumers have towards real-world transactions they can initiate through their mobile device. Especially for younger consumers, (they) favor transactions that start with mobile.

"Even for something as mundane as getting a pizza delivered, you favor the vendor where you can engage in this transaction through your phone. I guess many people underestimate how important that is relative to a web interface."

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**Business**

2. *The rise of the gift economy*

The “gift economy” is one in which consumers engage in transactions more so to strengthen relationships than to acquire a product, Sundararajan explained.

“The object being exchanged is largely irrelevant; it’s the act of giving to build a connection that is really the purpose,” he said.

That’s why many guests book shared spaces on peer-to-peer accommodations providers. Yes, they need a safe and comfortable environment in which to sleep, but they’re also seeking interaction with the host, Sundararajan said.

“That’s why Airbnb is so appealing to many people. It’s not just price,” he said. “That’s so important for hotel executives because it represents a change in what I am looking for as a consumer.”