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**CASE STUDY ON THE IMPACT OF COVID-19 ON AIRBNB AND OTHER LODGING
BUSINESSES**

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Even though networked hospitality company such as Airbnb is relatively new, its exponential growth has turned it into a serious competitor for the hotel industry with significant implications for tourism and tourist destinations. These sorts of businesses had a major impact on the hospitality industry and manifested societal changes.

Airbnb began as a simple concept that combined economic advantages for both travelers and locals in tourism destinations. The success of Airbnb in web searches outnumbers that of rival accommodation companies. The Airbnb brand attracts users directly to the network, as demonstrated by the website's organic traffic percentage. Between January and September 2020, direct or unpaid channels accounted for roughly 91 percent of all Airbnb traffic [1, p. 5]. Guest experience indicators, such as the number of travelers who leave a review and who return again, are steadily increasing over the years. The triumph of this company may be attributed to the authenticity of person-to-person interaction in the accommodation experience. However, since Airbnb is mainly a low-cost alternative, the success factor was that guests and hosts are motivated by financial motives in the first place or to a significant extent.

Bringing revenues to the tourism industry, such companies though have an obstructive impact on the hotel business. Airbnb lowered hotel prices and revenues down; Airbnb cut hotel earnings by up to 3.7 percent in 2014 [1, p. 13]. In comparison to hotels, Airbnb hosts offer affordable prices because fixed costs such as rent and energy are already covered in private homes, labor costs are low or even non-existent, and such stays are usually not taxed. It is generally assumed that Airbnb is bad for the hospitality sector but good for the tourism industry. In the near future, networked hospitality companies are unlikely to relieve the burden on hotels. In the next five years, the general outlook is for sustained expansion, with Airbnb expanding its market share into new operations, and hotels progressively using the website to advertise unsold guest rooms. Travel would become much more commoditized as a result of this. However, during a few years, stricter regulations for Airbnb will become inevitable. The facilities will become subject to taxation, the absence of which was one of the major factors of cost-efficiency compared to the commercial hotels. As Airbnb rises in popularity and becomes an essential figure in the tourism industry, hotels can be expected to start using Airbnb as a sales channel or to copy the platform's offer. Airbnb takes great pleasure in its platform, which differentiates greatly from those offered by traditional hotels, and rightly so. The company's patented technology is tailored to meet the specific needs of hosts and visitors. Pricing advice, routing, automated compensation, host security processes, reviews, and suggestions are only a handful of the platform's industry-leading capabilities. Airbnb ensures that its platform offerings are localized for hosts and visitors all over the world to respond to global consumer demand; it is shown by the fact that its website and mobile application is available in 62 languages and dialects.

The success of networked platforms as Airbnb is caused by several big and constant drivers as technological advancements, socio-cultural transition, and globalization. These drivers will certainly continue to fuel the phenomenon over the coming years. Airbnb's hosts and guests come from more than 220 countries and continents, helping the company to succeed in cross-border travel and create a global brand presence. When new hosts see the potential for extra income and visitors are drawn in by the affordable value proposition of Airbnb stays, the network expands. Airbnb's global network is the

backbone framework that helped the company to function during the COVID-19 crisis and provide travel spaces for both inbound and outbound tourists.

It is evident that travel restrictions caused by the pandemic hit the hotel and home rental business badly. Due to restrictions and lockdowns, both home renters and hoteliers faced huge refunds when it came to cancellations for bookings made before the lockdowns. As many hotels practice generous cancellation policies that allow guests to make changes without penalties or get refunds according to the hotel’s cancellation policy, whereas Airbnb hosts have the option to choose their own cancellation policies which ranged from flexible to strict cancellation. AirDNA, an organization that tracks Airbnb bookings, found a 53% fall in US bookings between February 3 and April 13 [2, p. 23]. Traditional hotel facilities, however, suffered the most. In 2020, the United Nations World Tourism Organization predicted a 20 percent to 30 percent drop in international tourists compared to the previous year, due to unprecedented travel restrictions.

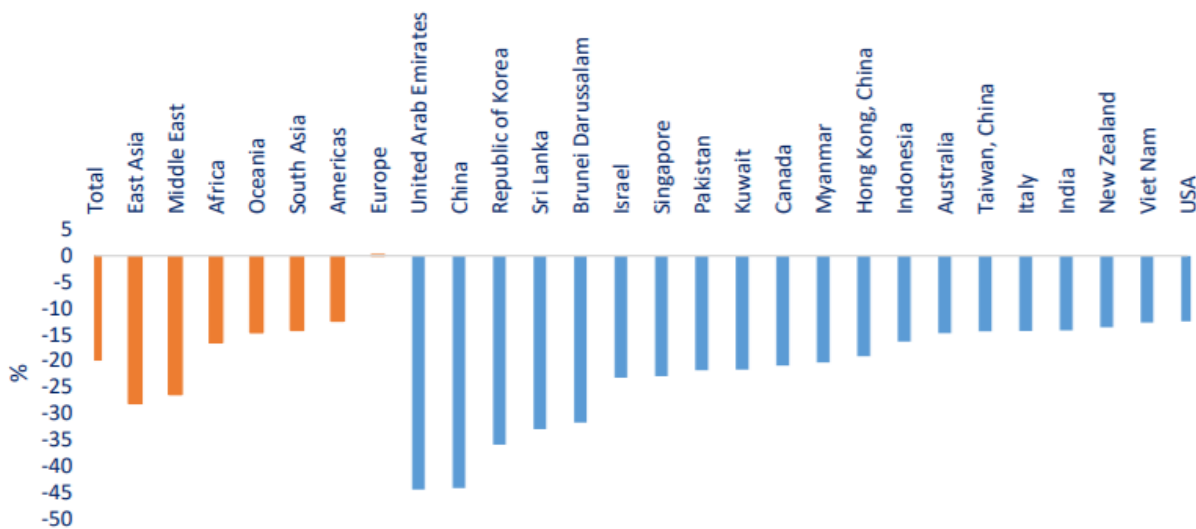


Figure 1. Change in the number of tourists by regions and selected countries of origin, per cent change from January-February 2019 to January-February 2020.

Source: United Nations World Tourism Organization [3]

The ongoing pandemic has resulted in substantial revenue losses. The most significant loss among hotel establishments was experienced by Marriot International, which has 5,974 hotels in more than 110 countries; it witnessed revenue drop by \$10.4 billion as a result of the COVID-19 crisis. During the pandemic, Wyndham Worldwide, the world’s largest hotel chain by the number of hotels, saw its revenue decline by 36%, from over \$2 billion in 2019 to \$1.3 billion in 2020. Hilton Worldwide Holdings, the fourth largest hotel chain in the world, came in with a \$1.5 billion loss in 2020. The income loss of such a scale inevitably led to a drop in the employment rates.

According to the World Travel & Tourism Council, the COVID-19 pandemic resulted in the loss of 50 million jobs in the travel and tourism industry worldwide. According to an Oxford economics study, Asia was the hardest hit, and data suggested it will take many years for the industry to recover there. Taking the USA as the country with the most developed and powerful hospitality sector, it could be seen that there were 16.9 million leisure and hospitality jobs in February, but there were left only 8.6 million jobs in these industries in April. The current unemployment rate in Leisure & Hospitality is nearly three times higher than the overall unemployment rate in the United States. Workers in the leisure and hospitality industry have fared worse than most during the pandemic, and they face bleak prospects for a return to work unless a highly successful vaccine rollout finally brings COVID-19 to heel. Recovery of the hotel establishments will take time, and the speed at which it occurs will be determined by the speed with which vaccinations are implemented and the structural changes that are required as a result of the crisis. The economy of many countries will not recover until the Leisure & Hospitality sector recovers, which will necessitate aggressive policy actions. This

is a problem that requires immediate and revolutionary actions, with the government, industry, and the general public all playing important roles. However, as of March 2021, although employment in some sectors has nearly returned to pre-pandemic levels, or has even surpassed them, the leisure and hospitality industry is recovering at a much slower rate.

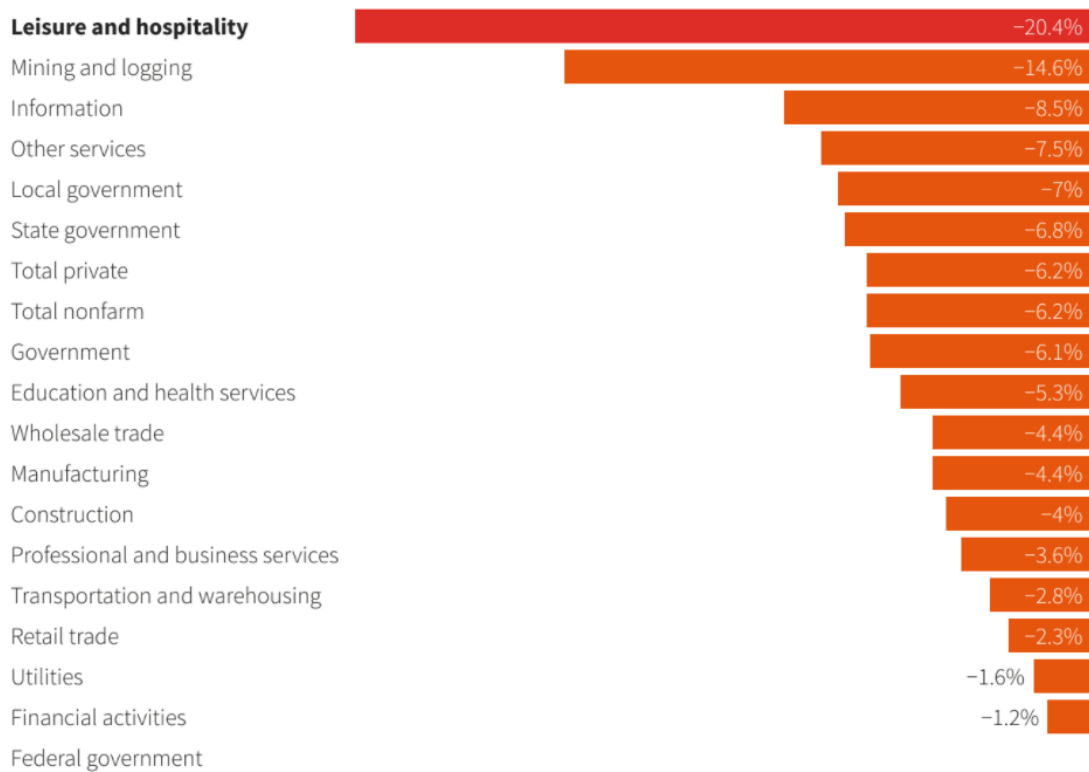


Figure 2. Employment level in February 2021 compared to February 2020.
Source: Bureau of Labor Statistics [4]

Such an obviously uneven recovery would have a long-term effect on the labor market and the wider economy. Women, ethnic minorities, and low-wage employees — three classes that are overrepresented in the industry and have been disproportionately impacted by pandemic-related job losses — have continued to suffer as a consequence of the slow recovery. One of the difficulties that countries face is estimating the extent of the industry damage and the extent to which jobs in related sectors have been displaced. Governmental officials are worried about the uncertainty surrounding labor reallocation when the post-pandemic economy will start reaching the maximum employment rate.

As the restrictions were loosened in-between pandemic waves the hotels attempted to attract the guests with new hygiene high standards which guaranteed hospital-wise cleanliness. Many hotels took as a basis the set of standards developed by the Centers for Disease Control and Prevention and trained the housekeepers to clean the hotel rooms and public areas according to these new standards. For instance, Marriot International installed electrostatic spraying technology to disinfect the rooms in the hotels. Another popular lodging business, Hilton Hotels & Resorts, placed disinfectants in public areas and launched a new room seal to show that no one stepped into the room after the cleaning.

Airbnb was struck almost as hard as the rest of the travel sector. Airbnb's financial environment and its business have been harmed by the coronavirus pandemic. Airbnb's efforts to control the pandemic outcomes will continue to have an impact on the company's bottom line. Airbnb had to lay off about 1,800 workers in May 2020 as a result of the COVID-19 impact and the economic problems posed by its disruptions [5, p. 1]. Their communications and design activities, customer support, transportation, Airbnb Studios, Hotels, and Airbnb Luxe Departments all suffered as a result of the

staff reduction. As a result, certain main positions on the global platform experienced a lack of professional knowledge and skills. Airbnb has faced capacity constraints, which have hampered its expansion, production of new goods, and ability to maintain a competitive edge. Home-sharing began to be less popular in some areas due to cultural and health considerations. As a result, Airbnb's productivity was seriously harmed. For example, many hosts and visitors were unable to or did not want to share their homes during the COVID-19 crisis.

However, rather than wallow in self-pity, Airbnb's executives have held true to their foresight and continued to do what they do best: adapt and innovate. Instead of merely contemplating, they wanted to take decisive steps to adapt and emerge as professionals in change management experts in the hospitality industry. As Airbnb began to face lockdowns and travel bans in a number of countries, they were the first to have to adapt their platform to the new situation. Via a banner on their website, the organization began to illustrate the dangers of flying during a pandemic almost immediately. Airbnb totally redesigned its website in a matter of days to suit these emerging circumstances. Normally, such a change would take months to enact, but the situation demanded a much quicker solution. In addition, the corporation began to move away from short-term rentals toward long-term stays, which are more akin to those provided by a real estate agent. This decision is, once again, a direct reaction to a growing market trend: people want to get away from congested cities and visit remote locations. While these are a welcome source of additional income, the organization recognizes that short-term lodging provision remains their primary business model. Airbnb developed their own innovative standards by practicing a 24-hour waiting period between stays and including certain regulations for hosts: usage of masks and gloves, the presence of PCR tests. Contactless stay of guests is becoming more important in the social distancing era, and Airbnb gains more points over hotels in terms of privacy and contactless stay, as the guests might have the least number of contact with other people.

Certainly, while Airbnb and other accommodation facilities are suffering from pandemic because of cancellations and low occupancy rates, there are some upcoming opportunities brought by the pandemic. Despite the overall negative effect of COVID-19, domestic travel, short-distance travel, and long-term stays remained steady. Airbnb has all these offerings, which demonstrates the strength of its business model as well as its potential to respond to emerging environmental problems. When there are extreme limitations and restrictions, there is much more creativity. For the Airbnb executive team, this was surely the case. The suspension of the in-person experiences, for example, resulted in the development of the Online Experience feature. Through this feature, users could participate in a variety of activities, which would otherwise be recommended as part of a trip, from the comfort of their own homes. It was an incredibly well-received offering. The pandemic crisis also allowed networked lodging businesses to improve their brand image. To help in the fight against the COVID-19 pandemic, Airbnb has provided free stays in accommodations to frontline staff, such as doctors, nurses, and technicians. Small business grants and loans are also available now to all hosts in the United States, due to new laws. According to Airbnb, many guests have expressed their gratitude to hosts for their versatility and have offered to financially support them. Airbnb is introducing a tool for visitors to connect with their hosts and make financial donations. Airbnb users, according to the experts and researchers, are very compassionate because they appreciate the brand, and at the same time the company itself profits from this perception [6].

Networked hospitality companies have emerged in recent years and, although primarily motivated by economic benefits, have brought revolutionary changes to the accommodation offer and to how guests experience their stay in a destination. This expansion threatened the market share of traditional hotels and accommodations and placed pressure on housing prices. Now, with the COVID-19 pandemic, some analysts suggest that people may prefer conventional hotels over shared accommodations because of hygiene and health requirements. Sharing services will, however, recover and eventually thrive once again with some changes. In the future, issues regarding safety and sanitation will become more prominent. Cleaning demonstrations could be required by service providers to persuade prospective consumers of their commitment to hygiene. Furthermore,

governments can mandate sharing platforms to treat their contractors (accommodation hosts) as real employees so that they do not suffer from profit loss during a crisis.

The influence of the COVID-19 on the networked hospitality companies has also created an impetus for future research to examine how this sector will flourish and prosper in the face of adversity. Cancellations of accommodation-sharing bookings have never existed on such a large scale, and no one knows how to fix the issue. Many workers who lose their jobs at Airbnb had no safety net as they are merely hosts and not employees but prospective studies might recommend ways to get them into the social benefits system. The COVID-19 has also had some promising outcomes in that it has compelled numerous stakeholders to upgrade their sharing services and expand them into a mature industry, and future studies could look into different ways to do so.

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IMPROVING THE QUALITY OF CUSTOMER SERVICES IN TOURISM

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Today, quality in tourism plays a very important role. Since people began to focus more on quality in everything: in service, in the product and services provided. Several definitions of quality are given, but first of all, according to the UNWTO definition: «quality is the fulfillment at a fixed and acceptable price of any desires and expectations of the client that do not contradict the legislation, while observing the requirements of safety, hygiene and accessibility of tourist services, harmony of man and the environment» [1]. The modern scientific definition of quality is given in the international standard ISO 8402-86: «quality is a set of properties and characteristics of products and services that give them the ability to satisfy conditioned or implied needs» [2].