

Saimaa University of Applied Sciences
Tourism and Hospitality Faculty, Imatra
Degree Programme of Tourism and Hospitality Management

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Vacation Rental Company's Operation and Strategy in Relation to Airbnb. Case: Catalunya Casas Spain SL

Thesis 2019

Abstract

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Vacation Rental Company's Operation and Strategy in Relation to Airbnb, 76 pages, 7 appendices

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The study aims at acquiring a deep understanding of vacation rental company's operation and strategies in relation to Airbnb and the environment in which it operates. Specifically, the study is expected to disclose the past and current operating environment of vacation rental company under various effects, such as Airbnb, collaborators, competitors, government, etc. The thesis aims to study which factors that vacation rental company was and is facing, and what their strategies are in order to overcome, survive, and develop. Catalunya Casas Spain SL was used as a representative of a vacation rental company, Airbnb was the next main entity to be researched, as they were believed to be leaving the biggest influence on the vacation rental company.

The theoretical data was collected from resources such as literature, reports, and website articles. The theoretical section covers a brief overview of lodging in hospitality industry, changes in the industry and the concepts of homestay and peer-to-peer accommodation. Additionally, the information of Catalunya Casas company, Airbnb and its features as a part of accommodating network sum up the theory part. The empirical part presents the study of the operating situations of vacation rental company, and their strategies in order to keep the business alive, growing strong and growing fast. The primary data of this part was collected via interviews and discussions with professionals of the case company. Qualitative research method with semi-structured interviews was used and believed to optimize the potential of eliciting descriptive view and profound information.

The outcomes of this thesis are believed to be able to portray a realistic picture of what vacation rental companies were and are facing. In the globalization world and the industry 4.0, with sharing economy is described as an outstanding phenomenon and Airbnb's presence in tourism industry, business environment is changing rapidly. Difficulties come from various sources such as competitors, collaborators, local government, international laws, etc, demanding the company to have revolutionary adjustments. Company is paying very much attention to customer experience, as it is the root for their survival and pulling ahead of their competitors. The results can be applied to further investigation in hospitality management, marketing, strategic management, customer relationship.

Keywords: vacation rental company, Catalunya Casas, Barcelona, Airbnb, operation, management strategies

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1 Introduction

There are eight parts in the thesis, and the first part displays an introduction to the thesis. The introduction consists of five sections. The first section presents the background information of entities in this research, on the other hand, it also reveals root causes for conducting this study. The second section presents the research question and focusing on this question will lead to the achievement of aimed objectives of the study. Additionally, author's suppositions and intentions made on basis of limited evidence at a starting point is included in third section also. In the fourth section, the research method and delimitations are presented briefly here, and more details in the sixth part of the thesis, Research Implementation. Lastly, the structure of the thesis is displayed in the fifth section.

1.1 Background

Tourism, the business which is around 2,000 years old since the citizens of the ancient Rome decided to spend their time in the summer in the countryside or the coast rather than cities. Continuously, the industry kept growing with leisure tourism steadily popular when the middle class rose with the amount of free time. (English Magazine n.d.) As time goes by, the need for tourism has never been stopped, but grown extraordinary. Today, tourism is the largest service sector and contributes significantly to international commerce (Du, Lew & Ng 2016).

For some countries, a contribution of travel and tourism could be more than 50%, outstanding Maldives 76.6% and Seychelles 65.3% (Knoema 2017). Travel and tourism contributed to the global economy the amount of USD 7.6 trillion (SOEG Jobs n.d.). In 2016, the international tourist arrivals were 1,245 billion (World Bank n.d.), and it is expected to reach 1.8 billion by 2030 (UN-WTO, n.d.).

Within a nutritious industry, of course an important sector as Accommodation contributed greatly to the economy, and it is considered as a spine of hospitality industry (Jones 2002). The global hotel industry contributed about 495.17 billion US dollars in 2016 (Pillai 2018). With a potential value of millions or even billion US dollars annually, the competition in this field is very intensive, a huge variety

of accommodation types competing with each other. Moreover, with the Fourth Industrial Revolution, the current trend of automation and data exchange in manufacturing technologies, new types and concepts of business appeared. Not only forcing preborn businesses to adapt, incorporate and evolve, but also shaping the new philosophy on how people live and do businesses worldwide.

Among them, sharing economy which appeared as a revolutionary phenomenon changed the plight of many industries, and undoubtedly in travel and tourism in general, and accommodation in specific as well.

The main concentration of this research was on the business belonging to traditional models of accommodating sector, which was considered under the great pressure of needing to adapt and revolutionize themselves. Failing in doing that definitely crashes down businesses in the competitive world. In this study, the representative of traditional model company is Catalunya Casas Spain SL, located in Barcelona, Spain. More information about this partner is displayed in the fourth part of the research. The reason for choosing this topic was conducted from interests of the author.

1.2 Research questions

It is no exaggeration to say that companies belonging to the traditional concept are being challenged more than ever nowadays. In the era of Industry 4.0 with the appearance of sharing economy, traditional business models are under very high pressure. For the last few years, with millions of articles, it was easy to see that confliction and competition between Sharing economy platforms and Traditional models rose up worldwide. Every country has its own 'fight' in harmonizing these models for a candid and durable economy.

The purpose of this study was to find answers for the main question: What are operations and strategies of traditional model company be like before and after the appearance of Airbnb?

1.3 Research objectives and hypotheses

Catalunya Casas Spain SL, a vacation rental company, is the main object to be focused in this study. The author's intention was to observe what a company was like before and after the appearance of Airbnb.

The first objective was to provide all-inclusive overview of the vacation rental company's operation from the beginning to the current time. Helping the readers to have micro picture on operation of this type of company, how they were and are doing, what factors and challenges they were and are facing.

Second objective was to analyse how the strategies of a company changed under the effects of Airbnb, and what they had in their strategies to overcome difficulties and being successful in their business. Achieving these objectives will enable readers to have a picture on operation and strategies of a company in the industry 4.0 and the environment it operates.

The author's assumption was that vacation rental company was competing intensively with Airbnb about the market and advertising portal. As Airbnb had been expanding worldwide, thus, the author assumed companies belonging to traditional models were struggling in the competition with the new business trends such as sharing economy. Airbnb might be their biggest competitor on the market, and the relationship between them was not very positive.

1.4 Research method and delimitations

This research used a qualitative research method with semi-structured interviews. This method was believed to be the most appropriate method to obtain the aimed outcomes. Interviews were conducted in English with professionals of Catalunya Casas Spain SL company, and semi-structured interviews would help the author to keep on track with the main objectives, but also allowing interviewees freely to answer and might be able to provide more information on the topic.

The theoretical data of the study introduces lodging sector, their characteristics, products, services, etc. Then, the study mentions changes in the environment.

Afterwards, the theoretical data of hospitality management strategies is mentioned.

Catalunya Casas company was the professional placement workplace of the author. It was expected that the author would be able to access, collect, and analyse information relating to the company and also Airbnb and other entities.

As described in the title of this research, the main object to be examined is clearly the Catalunya Casas Spain SL, the vacation rental company representing the traditional model form. The research focuses on the operation and strategies of the company Catalunya Casas Spain SL in relation to Airbnb. Specifically, three stages to be studied are company's operation and activities before, during, and after the emergence of Airbnb. Another entity mentioned in the study affecting the operation of Catalunya Casas Spain SL company is the environment where the company operates, but only in narrow sense.

About Airbnb, the author focused on its effects only on Catalunya Casas Spain SL company and the accommodation industry. The research does not target on Airbnb and its internal operation. About the community in which the Catalunya Casas Spain SL operates, the entities to be studied are Barcelona city and government.

1.5 Thesis structure

There are eight parts in the thesis. The first part is the overall introduction of the thesis and the subjects appearing in it. The second part is theoretical data about the lodging sector, and hospitality management strategies. The third part is the presentation of the case company of the research Catalunya Casas Spain SL. The fourth part is an introduction of Airbnb. The fifth part is about the research implementation, interview structure and qualitative analysis of how to implement the research's empirical part. The sixth part previews the results collected and analysed from the interviews, divided clearly in three different stages. The seventh part is about conclusions of the research and suggestions, and lastly, self-evaluation of the author and acknowledgement.

2 Hospitality industry and accommodation product

This part of the research provides general information about lodging industry, and changes or trends have taken places in this business. Simultaneously, this part introduces hospitality management strategy categories.

2.1 Overview

2.1.1 About lodging industry

Lodging is one of the four main segments of the hospitality industry. Lodging is an accommodation or a place to sleep for a period for one or more nights, and it is a flourishing industry worldwide (Novak 2017). Lodging includes a hotel, motel, hostel, private home, tent, etc. or any dwelling offered by an owner as an access economy. The industry continues to develop by way of franchising and management contracts, Airbnb is the largest facilitator of lodging. (Walker 2017, p. 100.)

Total retail value of global hotel industry is set to cross USD 500 billion in 2018. STR Global estimates that there are 184,299 hotels with 17 million guestrooms around the globe in 2018, Hotel industry has grown 17.7% by total number of rooms in the last ten years. (STR Global 2018.)

2.1.2 Changes and trends in the industry

Firstly, in the hospitality industry, there have appeared so many changes and trends leaving impacts in the last decade or two. Some major trends that hospitality professionals indicate as having an influence on the industry are Globalization, Diversity, Sustainability, Safety, Sanitation, Technology, Legal issues, etc. These trends of the hospitality industry reflect on all of its categories, including lodging. (Walker 2017, p. 49.)

In lodging segment, major changes and trends are Capacity control, Safety and Security, Globalization, Technology, Diversification, Vacation ownership's growth, etc. Catalunya Casas Spain SL company goes under vacation ownership trend. This is the fastest-growing segment of the lodging industry and continues to grow as the baby boomers enter their fifties and sixties (Walker 2017,

p.119). Technology changing witnesses the rise of sharing economy, Airbnb is the largest sharing accommodation service provider. Airbnb is an industry game changer, and is followed by the increase of companies and start-ups all around the world (Ullah 2017).

2.2 Hospitality management strategies

Hospitality industry is an extremely dynamic marketplace, and its management strategies have fostered changes and redefined itself with new concepts, segments and ideas. (Nykiel 2005). According to Spacey (2016): "Management strategies are techniques that are used to direct and control an organization to achieve a set of goals. They include strategies for leadership, administration and business execution."

Strategies can be categorized into four categories: Growth strategies, Offensive strategies, Functional strategies, and Defensive strategies. The company's Growth Strategies relate to Development, Financial options and Brand. For instance, there are Business Development strategies, Financial strategies and Brand Management. The company's Offensive Strategies relate to Marketing, Sales, and Customer Retention (Customer Service and Quality Strategies). Functional Strategies include Human Resource Management Strategies, Technology Management and Applications, Purchasing concepts. The company's Defensive Strategies are about Risk Management, Crisis Management, and Communications. Management strategies are built to strengthen internally and externally driven forces of a company. (Nykiel 2005.)

3 Vacation rental company – Catalunya Casas Spain SL

Catalunya Casas Spain SL was established in 2008, and now is one of the largest vacation villa rental agencies in Barcelona area after 11 years in the industry. Catalunya Casas was created by Janet Dawn Buckler, a dual Canadian/British citizen, who has worked in various aspects of the tourism industry for the past 20 years. Together, she and her employees, who are experienced, local, and bilingual personnel, have brought experience and expertise to the vacation rental sector of Barcelona. (Catalunya Casas 2019)



Figure 01. Catalunya Casas Home Page. (Catalunya Casas 2019)

They pride themselves on personalized and exceptional service, specialising in hand-picked and exclusively managed villas in Mallorca, Ibiza, Menorca and the Barcelona area. They not only focus on vacation rentals, but also on property sales, film, television, and advertising location productions, providing a full service to their property owners and guests alike. (Catalunya Casas n.d.) Additionally, they are expanding further to Caribbean islands with a different website offering villas and houses on the islands of Cuba, Dominican Republic, Aruba, Curacao, etc. (Buckler 2018).

In details, Catalunya Casas Spain SL is a professional management company. They are in charge of over 250 properties on Catalunya Casas, and almost 200 properties on Caribbean Casas (Panza 2018). In the study, Catalunya Casas

Spain SL company is also described or called as Vacation Rental company; Villa Rental company; Professional Management company.

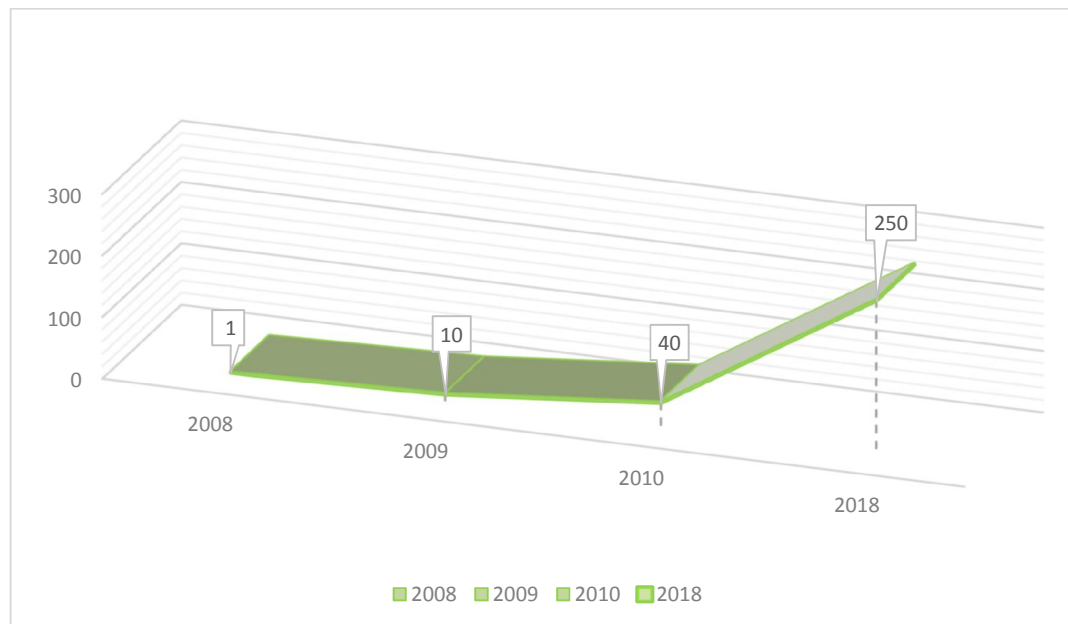


Figure 02. Number of properties on Catalunya Casas' website from 2008 to 2018.

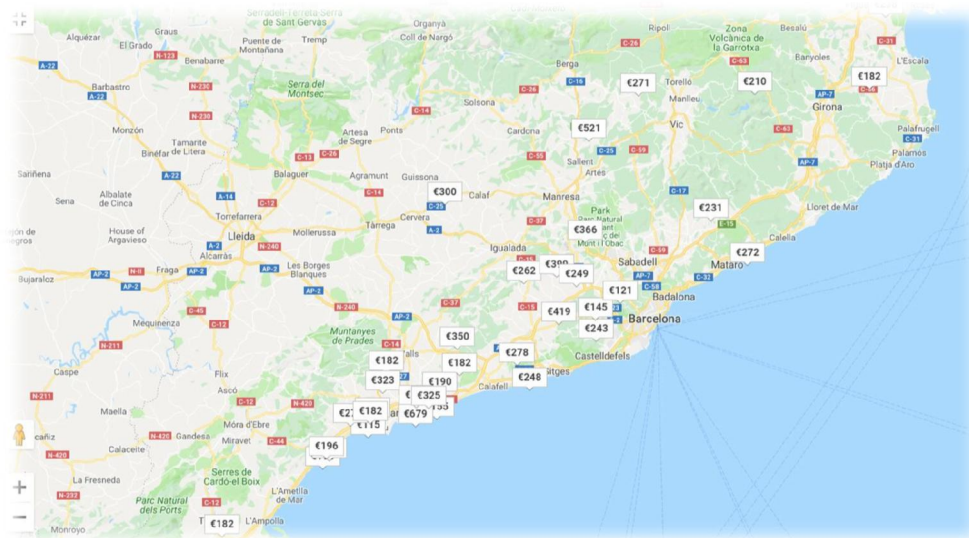


Figure 03. Catalunya Casas' Villas in Barcelona Region. (Catalunya Casas 2019)

The company mainly possesses villas with features such as private pool, garden, high capacity (10-20 people), authentic design, etc. that are suitable for

family and group holiday trips. After 11 years, they are proud to pride themselves in the top five professional management companies in Spain along with Novasol, Club Villamar, Catalan Holidays, Interhome (Buckler 2018).

This is a full-service vacation rental management company managing all aspects of properties such as marketing, bookings, property management, legal, cleaning, maintenance, etc. Especially the company promotes their properties on more than 25 world-wide advertising outlets to over 50 million monthly travelers. (Catalunya Casas n.d.)

As can be seen, Catalunya Casas is an intermediary company connecting owners and customers. However, on behalf of the owners, the company is in contact with the customers from their first moment of website visiting to check-outs, and even post-check-outs. From customers' point of view, Catalunya Casas is a "temporary owner" of the villas. Discussions, questions, complaints, pricing, etc. lay under Catalunya Casas' responsibilities, rarely customers are in contact with the owners. Customers come mostly from France, Germany, Britain, and some from Scandinavia.

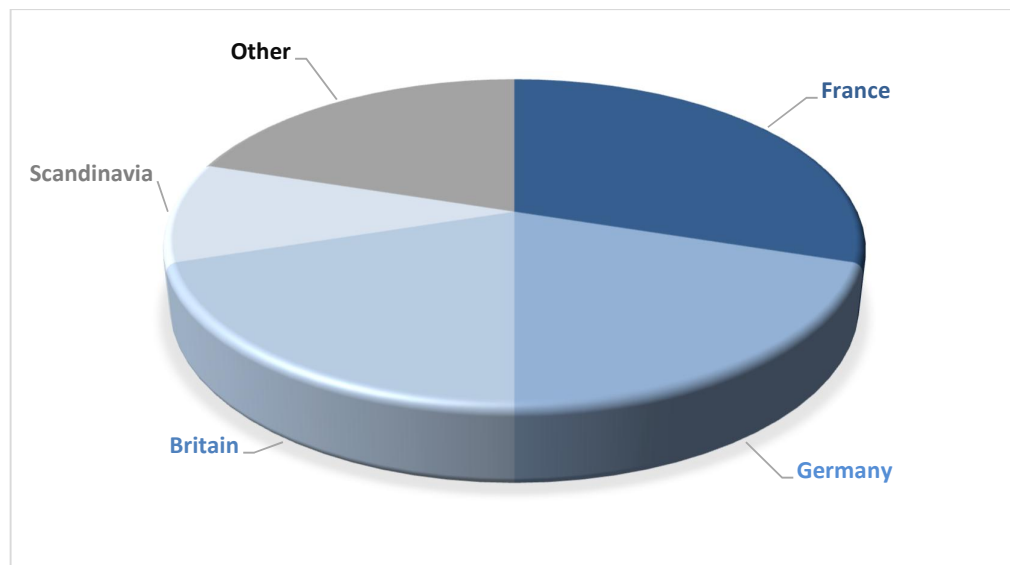


Figure 04. Countries most visitors come from.

Villas are the main products offered by the company along with optional services i.e. private chefs, dancing class, wine tasting. The company does not own any of the real-estates listed but receive commissions or management fee per booking.

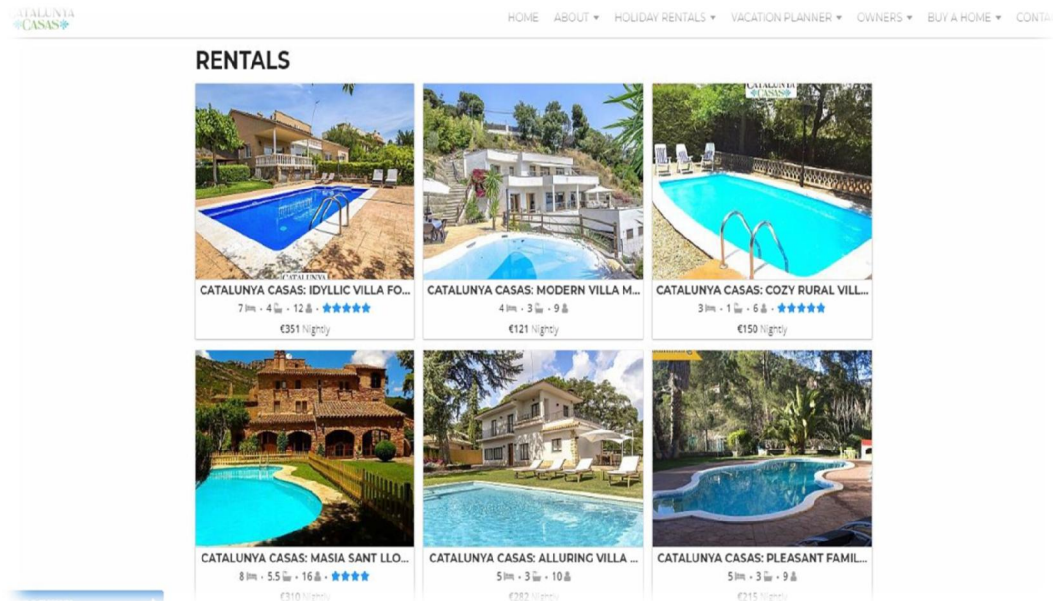


Figure 05. Villas advertised at the website. (Catalunya Casas 2019)

4 Airbnb

4.1 History of Airbnb

From an email with the idea to make extra bucks by making rent, Airbnb made a business that has the hotel industry running scared. In 2007, two roommates, Joe Gebbia and Brian Chesky, decided to fit three air mattresses in their apartment in San Francisco and a promise of a breakfast included. The company then launched a second time and third time in 2008 with the website Airbedandbreakfast.com, but not attracting much attention. The company spent the beginning months of 2009 to perfect their product and had 10,000 users and 2,500 listings by March. The company visited their hosts in New York to stay, write reviews and take professional photographs. Next month, they changed the company name to Airbnb and expanded their product range from air beds and

shared spaces to homes, private rooms, castles, tree houses, etc., a variety of properties. In 2010, they launched iPhone app and Instant Book feature. In 2011, Airbnb was in 89 countries and had hit 1 million nights booked with offices in 21 cities. In 2012, Airbnb celebrated their 10 million nights booked. In 2014, Airbnb welcomed 16 million guests to 1 million listings in 34,000 cities. In 2017, Airbnb had 4 million listings and welcomed 130 million guests. In 2018, Airbnb offers rentals in 191 countries with 5 million listings, and Brian Chesky revealed that the company is considering launching an airline. (Carson 2016 & Airbnb n.d.a)

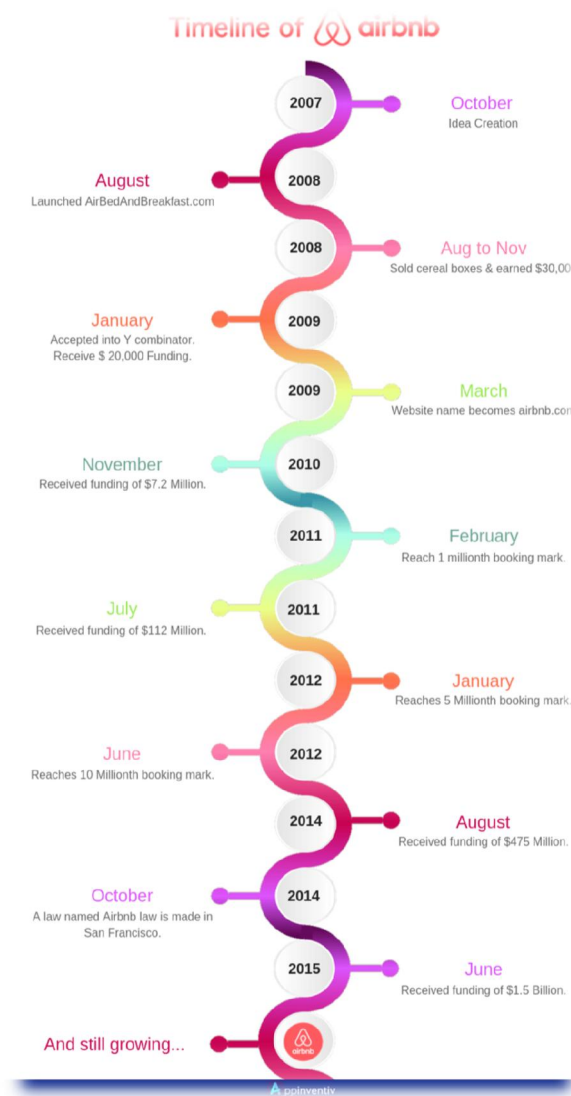


Figure 06. Airbnb timeline. (Saxena 2018)

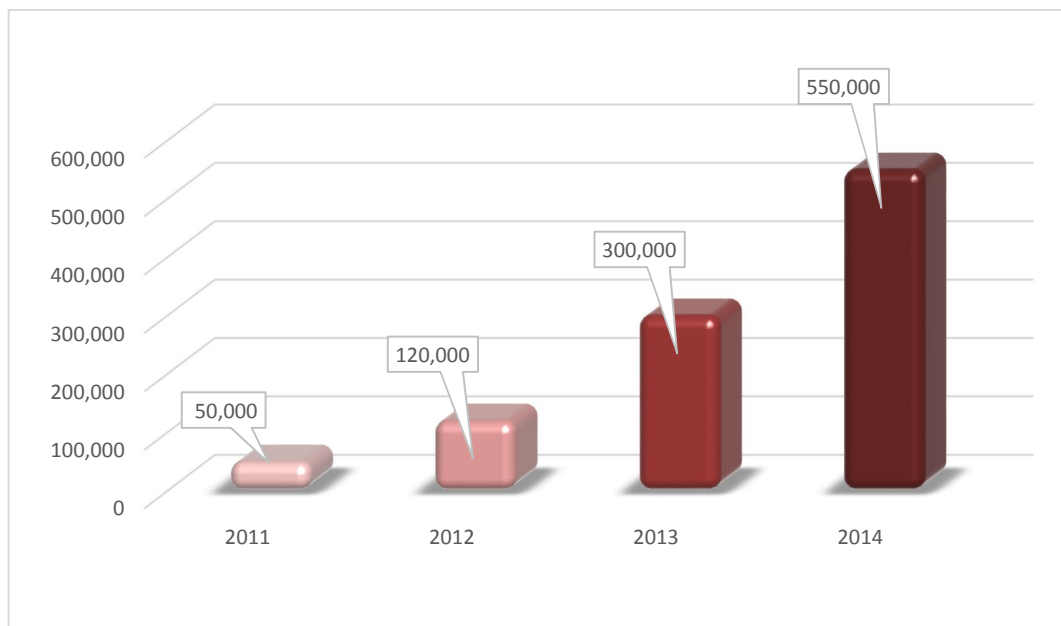


Figure 07. Airbnb listings growth from 2011 to 2014.

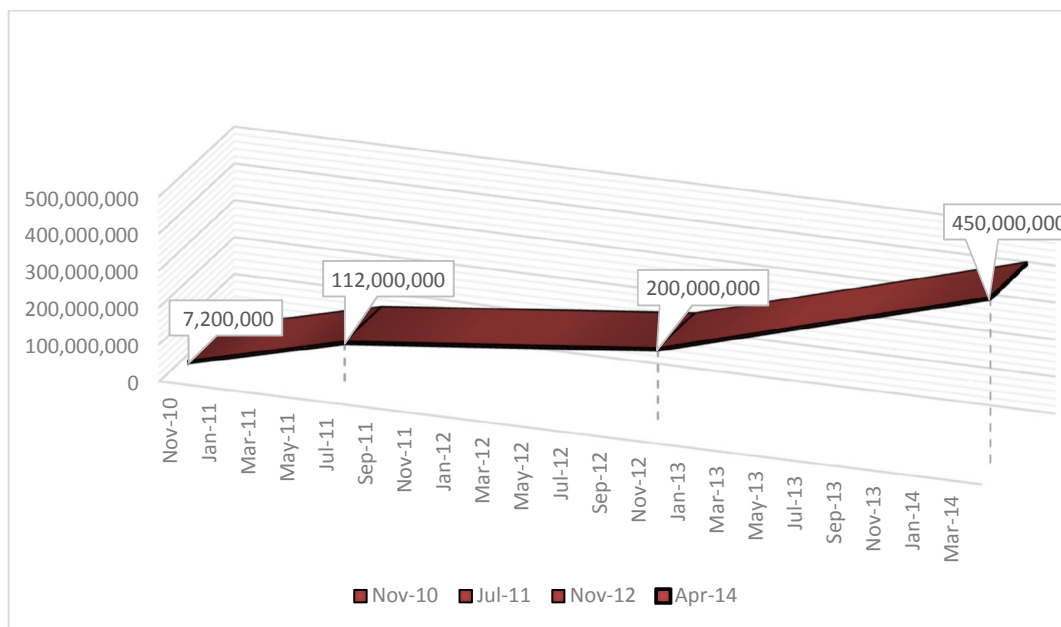


Figure 08. Airbnb Funding Growth (USD) from November 2010 to April 2014.

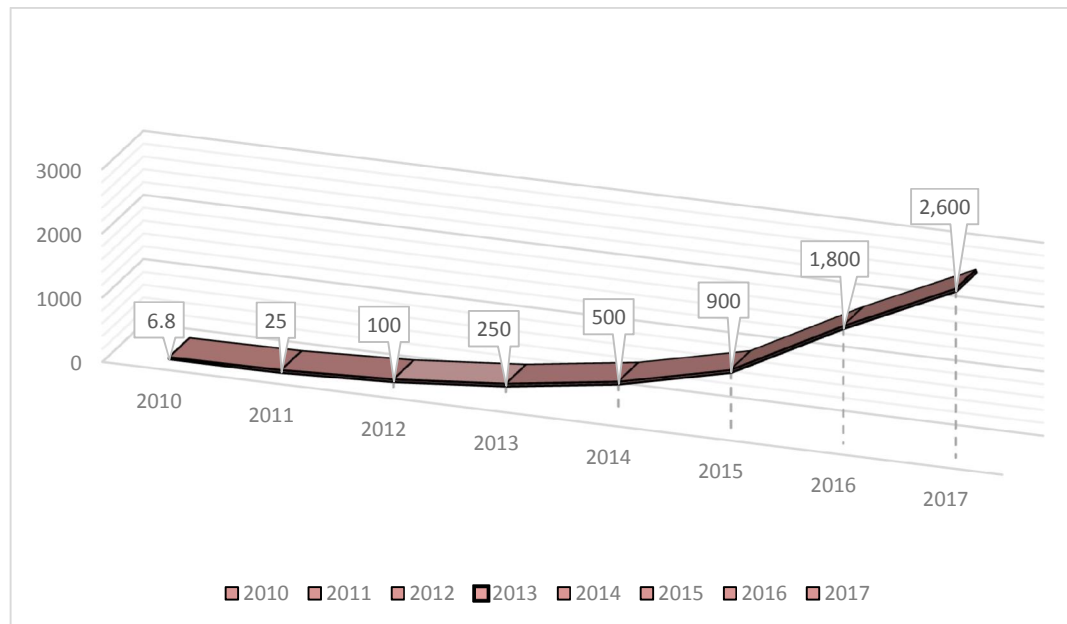


Figure 09. Airbnb Revenue Growth from 2010 to 2017 (billion dollars).

Airbnb belongs to the peer-to-peer property rental industry as part of the sharing economy. Airbnb is an online marketplace connecting owners and renters. Users can access Airbnb easily to use platforms such as website and mobile app. The main customer segment of Airbnb is travellers, who are seeking for short-term and affordable rentals, staying abroad has never been that easy and comfortable. Airbnb also has Experiences which are activities designed and led by locals. (Airbnb n.d.b) Airbnb charges 3% from the hosts, further VAT and taxes could be applied on top of 3% service fee; between 5% and 15% from renters, the more expensive the subtotal, the lower percentage of the service fee (Tripping n.d.).



Figure 10. Airbnb charges commissions on each transaction.

Airbnb company value is USD 38 billion worldwide, offering over 5 million listings in 81,000 cities of over 191 countries (2018). There are 700,000 companies using Airbnb for work, and Catalunya Casas is one of them. By 2020, Airbnb's revenue is expected to be USD 8.5 billion.

4.2 Pros and cons

Soon after start-up, the company had many growing problems. The hosts' complaints lead to an implementation of a coverage policy "Host Guarantee" in 2012 to cover vandalism and theft. Hosts were fined or evicted from renting on Airbnb, cities around the world had problems with Airbnb rentals and rejected them. In 2014, New York threatened to ban Airbnb and short-term rentals in 2014 and fine every host. In the fall of 2015, the company spent USD 8 million to combat in San Francisco, Airbnb's hometown. Then the company tried to conduct "Belong anywhere" promise by collecting, remitting hotel taxes and sharing data to some cities. In 2016, the Federal Trade Commission investigated how Airbnb affected housing costs. To sum up, the company faced many controversies i.e. hotel industry competition, discrimination, pricing transparency, housing affordability, etc. (Carson 2016.) "Following the call from the European Commission and EU consumer authorities in July 2018, Airbnb has now

committed to making the necessary changes to their terms and conditions and improving the presentation of their prices (European Commission 2018).

From three air mattresses, this business became a USD 31 billion company nowadays (Johnson 2018). Relating to this study, the attention starts from the time Airbnb opened its office in Barcelona, Spain in 2012. “The number of people using Airbnb has tripled to 900,000 in the three years prior to 2015” (Bennet 2016). A study in 2015 indicated 9.6% of all homes in the Gothic Quarter section were listed on Airbnb, and 16.8% in the Old Town (Guttentag 2018).

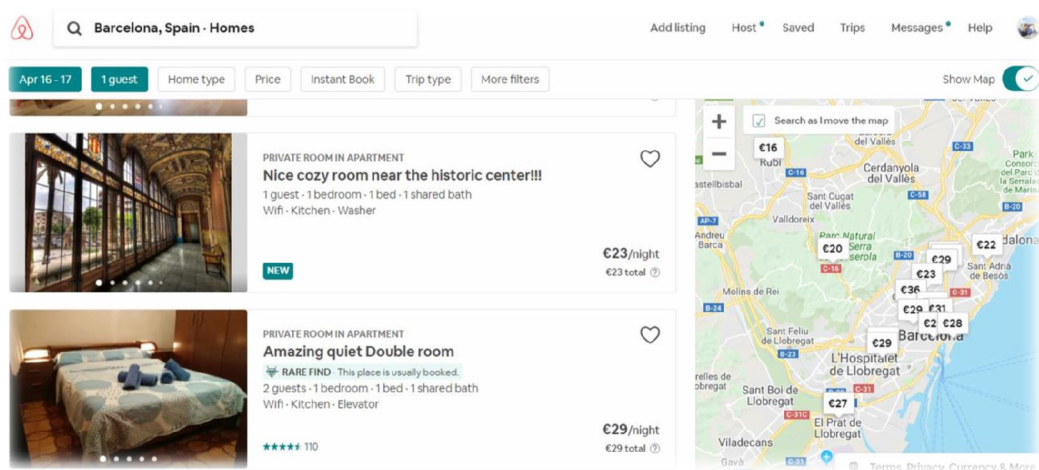


Figure 11. Home Page of Airbnb in Barcelona area. (Airbnb 2019)

In 2014, a €30,000 fine was applied on them, and Barcelona's new tourism plan stated that vacation apartments must pay the highest rate of property tax. In 2016, the city of Barcelona constrained illegal rentals to tourists, including on Airbnb. "Mayor Ada Colau froze the granting of new tourist licences for homes and hotels" (Bennet 2016). In 2016, Airbnb had to remove 2,577 listings without city-approved licence and was enforced €600,000 fine. The council believed nearly 7,000 out of 16,000 listings were unlicensed. In June 2018, Airbnb and the city had an agreement allowing Barcelona officials to access and control listing rentals in the area. By far, Barcelona is outstanding in its commitment to enforcement than other cities. (O'Sullivan 2018)

Airbnb is a revolution of the lodging market. Airbnb has offered millions of rooms worldwide especially during peak season, attracting tourists to some

neighbourhoods. The rentals generate income, boost tourism and help businesses. It can be two to three times more lucrative for owners comparing to median long-term rent. Travelers gain benefits because they have a substitute for hotels, which are often sold out and rates have skyrocketed. In contrast, Airbnb is the bad news for hotels. “The entry of Airbnb resulted in 1.3 percent fewer hotel nights booked and a 1.5 percent loss in hotel revenue”. In 2014, within the growth of Airbnb, hotel variable profits reduced by up to 3.7 percent in the 10 US cities with the largest Airbnb presence. (Gerdeman 2018.) To local citizens, 40 out of 42 residents highlighted issues of Airbnb including tenant expulsions, harassment, daily disruptions. In 2014, “the US study suggested a 10% increase in Airbnb listings led to a 0.42% increase in rents and 0.76% increase in house prices”. People are worried about the sense of their community being damaged, and the rise of real estate leading to unaffordable rentals. Airbnb’s positives and negatives are still in the on-going debate. (Guttentag 2018.)



Figure 12. Banners against touristic apartments hang from balconies in Barcelona, Spain. (Bennett 2016)

4.3 Airbnb in Barcelona

In early 2012, Airbnb opened its office in Barcelona city to nurture its high-paced development. The office is located on Passeig de Gràcia, Barcelona. In 2019, there are currently 18,346 listings in Barcelona on Airbnb. On average, each listing in Barcelona has 106 nights booked out of 193 available nights a year with a price of €103 per night. Average length of stay per guest is 4.3 nights. The income is very noticeable with €685 per month estimated. (Inside Airbnb n.d.)

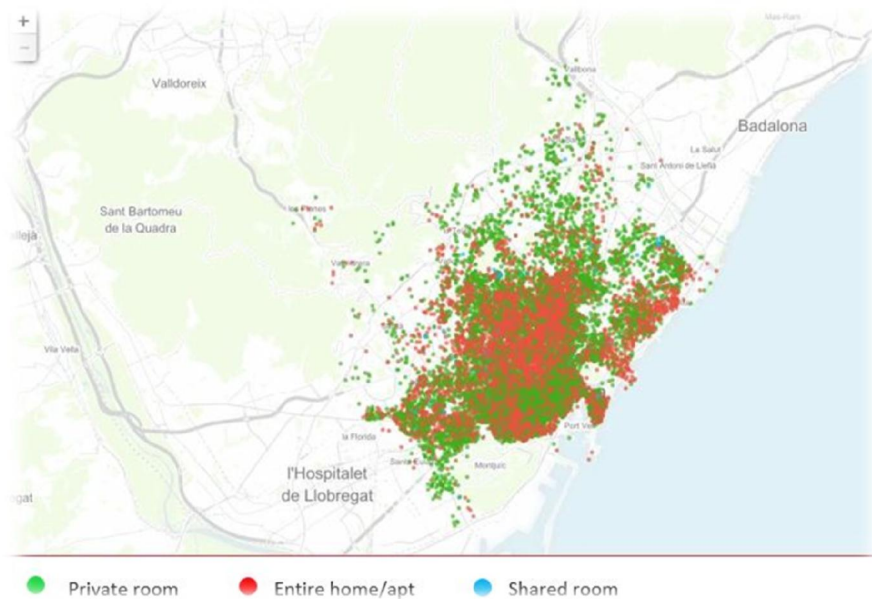


Figure 13. Room types of listing on Airbnb in Barcelona. (Inside Airbnb n.d.)

Airbnb is believed to be very popular and is parallel to the big hotel industry. However, if we compare professional listings (if it is booked more than 120 days per year) and hotels, the ratio is very incommensurate. There are 4,320 professional listings compared to the 75,000 beds in the city's hotels. These listings only represent 5% of the city's tourist dedicated accommodations meanwhile the average hotel occupancy rate in Barcelona is very high 78%. (Rechavia 2018; B.R. 2016.)

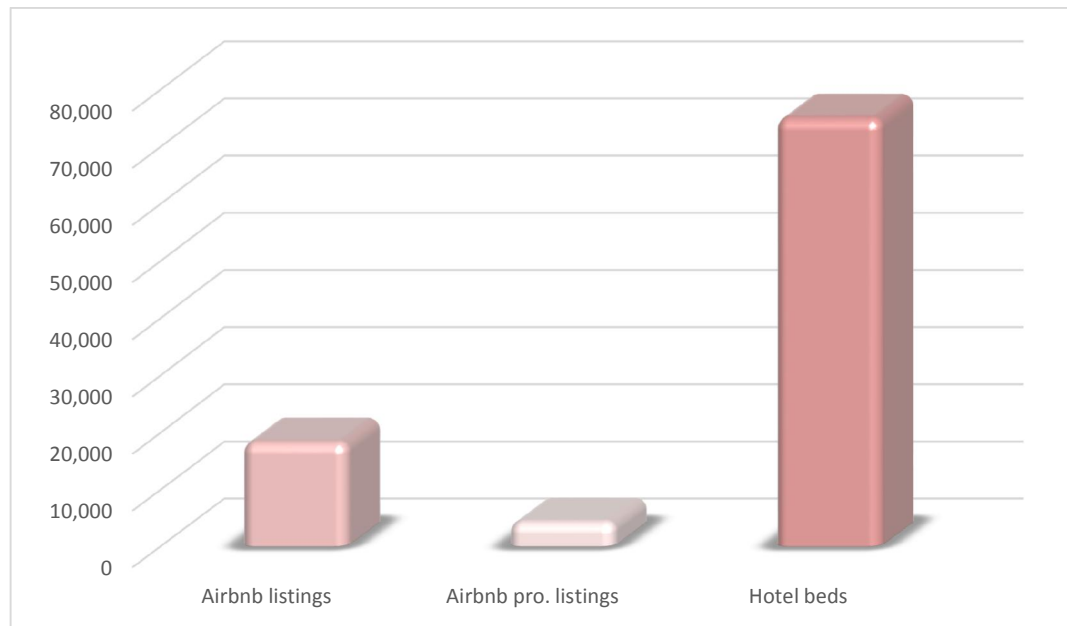


Figure 14. Airbnb Barcelona's listings and hotel beds.

Barcelona is the third biggest city for Airbnb in Europe, and sixth biggest in the world. The rise of Airbnb has led to controversies of political and legal actions. Properties without a tourist license are being removed from a platform by the city. Short-term rentals must have licenses, but no new licences are being issued nor renewed (Property Management n.d.) even though tourism provides 400,000 jobs in Catalonia and 12% of Barcelona's economic output. However, having 17 tourists for every inhabitant is reaching the limit of local people. Airbnb is one target of their anger as it is making the area much more expensive and overcrowded. Barcelona councilor established a team of 40 inspectors (2017) to seek out illegal rentals with the huge fine up to €600,000 (Burgen 2017). Strikes and protests upraised against Airbnb and tourists along the streets. Nevertheless, as long as Airbnb keeps delivering their budget-friendly option for guests and income for hosts, we will still see the marketplace growing with pressure from authorities regulating the hosts (Rechavia 2018).



Figure 15. A protest against tourist apartment rentals in Barcelona. (Minocri 2017)

5 Research implementation

The research of this study was based on the face-to-face interviews with professionals of Catalunya Casas. Interviewees were General Director and Reservations Manager of the company. Interviews with the two were made separately, and questions were prepared in advance relating to aimed categories. The research design was descriptive to aim at describing the operation of the company.

After gathering all the answers, they were analysed and provided data about operations of the company before, during and after the emergence of Airbnb. The process of data collection, organizing, and analysing is interconnected.

5.1 Interview structure

To achieve primary research data, the author made face-to-face interviews with the professionals of the case company as they were believed to have a comprehensive view on the status of the company and the industry.

Respondents were introduced to the purpose of the interviews, the research and the author. The respondents also were told that their answers would be published publicly, but any details could be anonymized based on their wills. The interview time was unlimited. Objectives of the study about operation and strategies of the company relating to Airbnb were also described. Thus, respondents could open and lead their answers to these points.

Questions were divided into six categories: Catalunya Casas' history; Catalunya Casas and Caribbean Casas; Airbnb; Collaborators and Competitors; Barcelona Government; Internal Activities and Strategies. Questions were related to many factors such as Marketing, Customer relationship management (CRM), Revenue, Human resource, Laws, etc. These factors were believed to be the key points in any company's strategies. Interviewees were professionals of the company with essential experience and knowledge, therefore, there was no need to ask questions gathering their background information.

Questions about the entities mentioned above were all open ended. Thus, respondents were able to provide more in-depth information to solve the research question and achieving research objectives. Interview questions and answers are presented thoroughly in appendices 1 to 7.

5.2 Qualitative analysis

The results of the qualitative research were collected from the interviews between the author and professionals at the case company. Questions from interviews were sorted by categories and data collection was analysed and categorized to present the operation of the company in four different stages. These stages correspond to the establishment timeline of Airbnb.

The answers from the vacation rental company's point of view provides information on company's operation and activities during its timeline. Also, the answers display personal opinions of the interviewees about the company and the industry.

The texts written in italic are direct citations of interviewees. Charts, figures, etc. were drawn from the data analysing process. Combining with other data

sources (i.e. articles, books, websites), in the end, the conclusions and suggestions are made based on the outcomes of this study. To summarize, the information gathered is believed to provide realization on the company's operation and strategies in order to cope with challenges and gain competitive advantages in the market.

6 Research results

6.1 Background information

The findings are presented in three stages relating to the establishment of Catalunya Casas and Airbnb. The author described his awareness about the operation of Catalunya Casas from the beginning to the current time. The stages display different activities and operation of the company. The readers are able to observe the company's behaviours in each period, and changes throughout the whole period. First period is from 2008 to 2012, this is the period since the establishment of Catalunya Casas without existence of Airbnb in Barcelona. Second period is from early 2012 when Airbnb opened its office in Barcelona and spreading its effects on the area. Last period is from 2015 to the current time (2018), which the author believed to be the outbreaking time of Airbnb global in general, and in Barcelona in detail. Airbnb's revenue had a sharp jump of 288% from USD 900 million to USD 2,600 million. All entities mentioned in the study are from these periods, main characters are Catalunya Casas and Airbnb company in Barcelona environment.

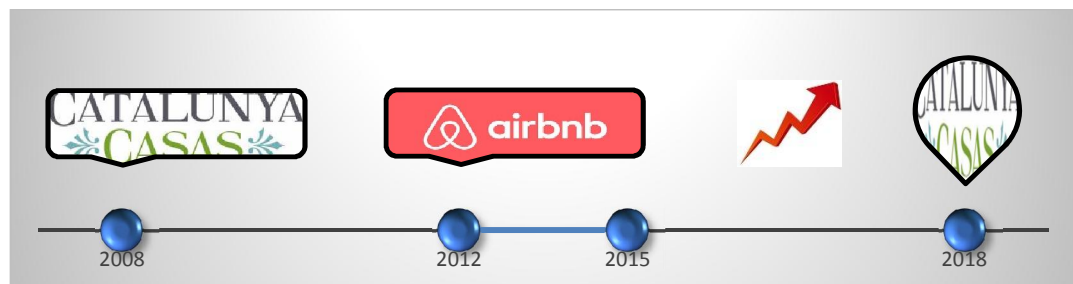


Figure 16. Milestones of the study.

Ms Buckler, General Director, and Ms Panza, Reservations Manager, were the interviewees. There are 76 questions of 6 subjects asked, all interviews were recorded and transcribed as Appendices. The interviews occurred in August 2018 at Catalunya Casas Spain SL company in Barcelona, Spain.

6.2 Catalunya Casas' operation before the emergence of Airbnb in Barcelona 2008-2012

6.2.1 Establishment and environment

The company was established in 2008 in Barcelona by Dawn Buckler. She started by renting her own house for vacation rental. Thanks to an interview in a newspaper, the company had a great lever to push itself into the market. It was when a recession started and the houses crisis, renting houses out as vacation rentals was a beneficial choice at that moment. Dawn Buckler stated that: "Renting houses to tourists was a foreign concept at that time."

6.2.2 Products

Number of houses managed by the company increased first with Dawn's relationships i.e. friends, neighbours and from there it grew up. "I got tons of calls and tons of clients through that (magazine interview) and from there it just took off". (Buckler 2018.)

Additionally, the company offered a variety of optional services for the customers i.e. baby cot, air conditioning, in-villa catering, car rental, etc. and the services kept growing.

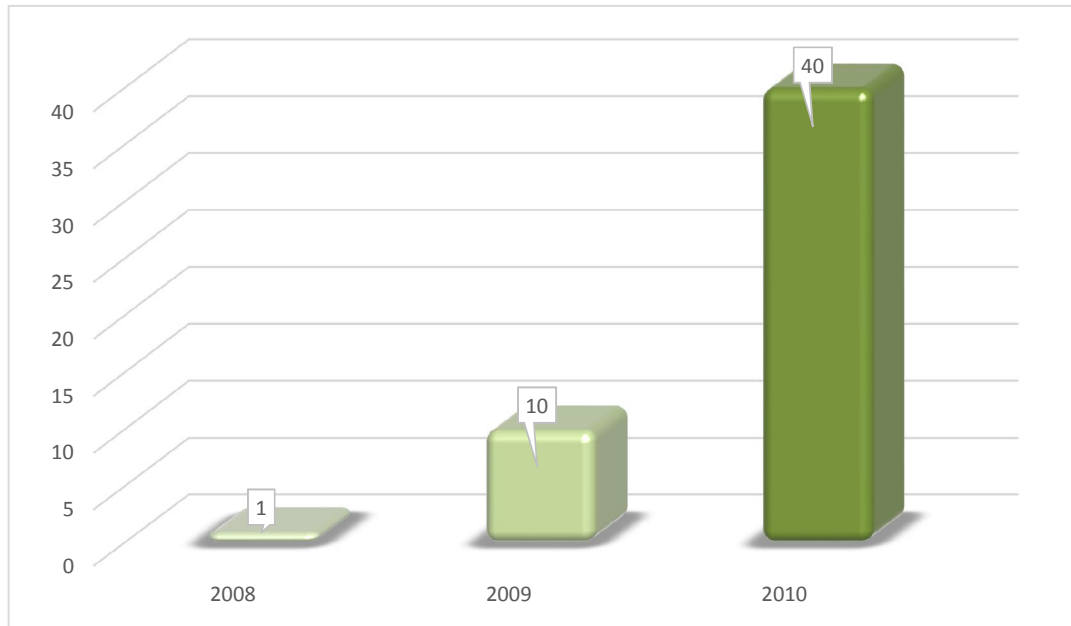


Figure 17. Number of houses under the management of Catalunya Casas 2008-2010.

6.2.3 Finance

Even though Airbnb was not yet operating in Barcelona yet this time, but there were HomeAway and TripAdvisor that had been working for years. Nevertheless, the growth of Catalunya Casas in the first 5 years was great with 100% in profit.

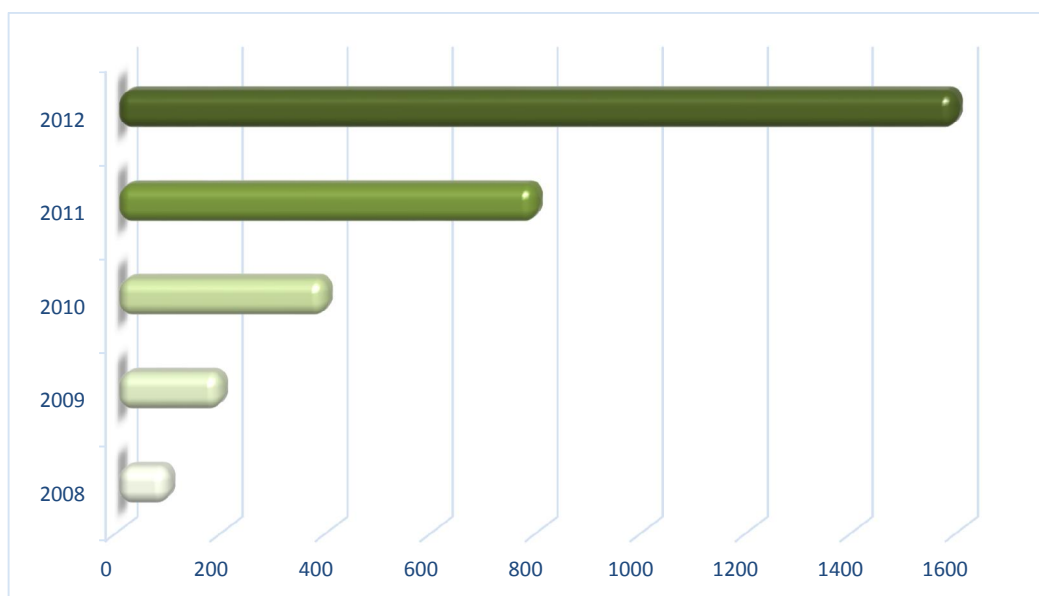


Figure 18. The revenue growth of Catalunya Casas 2008-2012 (%).

The company had much more clients and charged much more before Airbnb joining the market. The owners had to pay commission of 50% for the company, if it was the first year of the property, the commission might be lowered down to 40%.



Figure 19. Percent of commission Catalunya Casas charged the owners during the first years of the company.

6.2.4 Marketing

The marketing of the company started out with magazine marketing as an article in a local magazine in Sabadell. Stating that renting houses to tourists was not only for those who were next to the beach but any places within half an hour driving to Barcelona, and that marketed the whole company. The company used to do newspaper advertising, radio marketing, but later it was changed to another type of marketing. HomeAway and TripAdvisor were two main advertising portals in this period. (Buckler 2018)

Because of the proximity, French tourists were the biggest segment. The company had a website in French, Spanish and English. Because French were the

main clients, the company concentrated on them, and did internet marketing and SEO (Search Engine Optimization) as well.

6.2.5 Management

During this time, the company wanted the owners to work exclusively with them. The first five years in operation of Catalunya Casas were very positive with great development speed.

6.3 Catalunya Casas' operation during the emerging time of Airbnb in Barcelona 2012-2015

6.3.1 The joining of Airbnb

Airbnb opened its office in Barcelona in early 2012, and Catalunya Casas started to work with Airbnb in 2013. Since the presence of Airbnb in the market, "the whole industry changed" (Buckler 2018).

In the beginning, Airbnb started as just bed rental in a private room or a shared room. During this time, Airbnb did not have any services for professional management companies as Catalunya Casas. Airbnb aimed at individual owners who had empty rooms to offer to tourists.

In the end of this period, Airbnb gradually saw the advantage of having professional management companies. Airbnb started to develop and improve themselves. They evolved to renting entire property, not just beds and sofas, adding services, experiences and started to work with management companies.

6.3.2 Products

Since 2012, Airbnb has entered the market and provided the platform for customers. Owners and customers knew how to do the rental on their own, thus, it affected Catalunya Casas for a few years, they lost a lot of property owners. However, the number of properties under the management of Catalunya Casas increased more than the period before.

6.3.3 Finance

Because of the saturation of the market and Airbnb during the period from 2012 to 2015, the profit dipped for a few years. The company had to minimize a lot, on the other hand, just surviving but not making a profit for the next 5 years after 2012; because the owners had Airbnb platform and they could manage their villas instead of paying commission to a management company. (Buckler 2018)

In the beginning of the collaboration, Airbnb charged a 3% booking fee on Catalunya Casas.

6.3.4 Marketing

Catalunya Casas started to advertise their properties on Airbnb in 2013. Catalunya Casas noticed that promoting their properties on Airbnb was a good idea for their expansion and innovation. Consequently, the owners could choose for themselves if they would like to work with Catalunya Casas or Airbnb. With Airbnb, the owners would have to pay a smaller amount of commission but had to do a lot of work i.e. cleaning, maintenance, reservation, etc. In contrast to this, Catalunya Casas would cover all the services with a higher amount of commission.

In the beginning, photos of the villas advertised on Airbnb had a logo of Catalunya Casas on it as a form of self-marketing. Later, Airbnb did not allow any logo on photos because they knew clients would just by pass them and contact directly to Catalunya Casas. (Buckler 2018.)

6.3.5 Management

In the beginning, Airbnb changed the environment of the industry and caused certain difficulties for the company. However, after years of evolving of both Airbnb and Catalunya Casas, Airbnb was not only a competitor but also a helpful collaborator providing advertising portal.

In the past, the company might want the owners to work exclusively with them, but these days, it was changing to the shared calendar. The owners could do on

their own, advertising on Airbnb, and they could complement any gaps in their calendar with the company. (Buckler 2018.)

6.4 Catalunya Casas' operation during the outbreaking time of Airbnb to the current time 2015-2018

6.4.1 An explosion of Airbnb and collaborations

This period could be said as the outbreaking time of Airbnb. The revenue growth of Airbnb jumped 288% from USD 900 billion in 2015 up to USD 2,600 billion in 2017. The profit in 2017 reached USD 100 million and Airbnb announced their revenue during the third quarter of 2018 to be USD 1 billion, and this was their strongest quarter to date (Dickey 2018). The influence of Airbnb was so huge that many countries and governments had to evaluate the company and interfere in its operation.

6.4.2 Products

In this period, the company headed to Caribbean market. Because in the winter, Spain in general, and Barcelona in specific, were very 'quiet' with the lack of tourists. Thus, the company needed to find another venue for customers, and they chose Caribbean islands. They were having properties in Cuba, Dominican Republic, Aruba, Curacao, Barbados, etc. Catalunya Casas was acting as 'Airbnb' on this market, they were working with other villa rental companies and just brought reservations. Cuba was a hot destination opening up to Americans. However, after the investiture of president Donald Trump in 2017, his policy about border and territories caused a decrease in reservations by over 80%. This was one of the reasons why company started to look for other collaborators in Caribbean market. (Buckler 2018.)

6.4.3 Finance

From 2015 to 2017, the profit had gone down. This decline happened for two reasons; first was the saturation of the market, and second was the rise of new markets. The saturation was caused by the development of hotels and Airbnb in providing many more accommodations available. Additionally, Greece had come out of its recession and became a popular market, the same applied to

Egypt, and Turkey is a merging market. Changes in the tourist destinations affected the company's bottom line completely. (Buckler 2018.)

In 2017, the company had taken out a loan from the bank, and they were paying that off. Also, in this year, the company had too many employees, many problems and wasted money. In 2018, they were working even and paying off loans. It is believed that it would take a few years to pay all the loans off and get back on track.

Catalunya Casas charged 25% commission from the owners, and 15% if it was the first year of the property. About this percentage, according to Buckler: "If it is less than 25%, we cannot survive."



Figure 20. Percent of commission Catalunya Casas charges the owners at the current time.

Airbnb charged 3% to 5% commission from Catalunya Casas and it was considered to be the best commission rate compared to other channels.

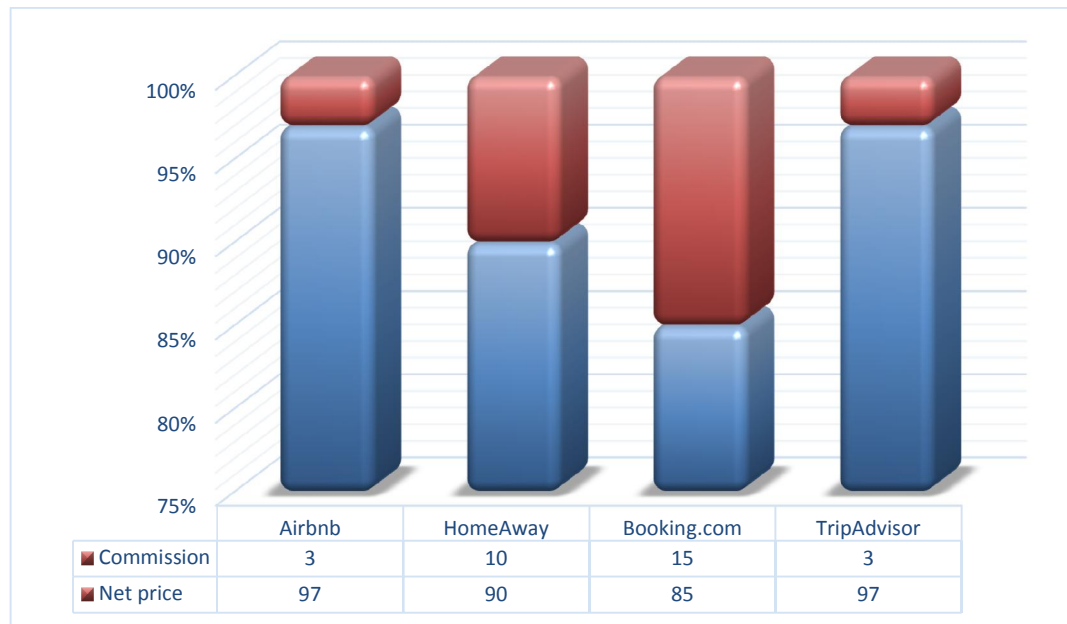


Figure 21. Catalunya Casas' main advertising portals' commission rates.

The biggest expense of the company was Personnel's wages. There were many details of each rental from the reservations, the accounting to the property care department, etc. Thus, wages were the biggest cost to run a business and tighten a system.

6.4.4 Marketing

According to Buckler: "Number one marketing tool was testimonials. There was no other better marketing than good testimonials", even more important than SCO. Buckler explained that if there were two exactly similar villas, one had better testimonials and was more expensive, the customers would choose the more expensive villa. The testimonial linked in and the better testimonials they got, the higher price they could charge.

Catalunya invested heavily on SCO and internet marketing to get customers coming to them directly. When somebody typed 'villa Barcelona', their name would come up first. According to Buckler, radios, televisions, and magazines were the traditional form of marketing, and she did not find it appropriate anymore. Thus, she did not do any other marketing except the internet, digital and SCO.

Catalunya Casas promoted their properties on 25+ worldwide advertising outlets i.e. Airbnb, HomeAway, TripAdvisor, Booking.com, etc. The company collaborated with many more agencies around the world, and different portals focusing on specific market e.g. halal, disabled persons. There were more chances of reservations for the company. Photos of properties advertised on Airbnb could not have a logo of Catalunya Casas any more, but it was allowed having 'Catalunya Casas' phrase at the start of every title. Customers could look at the title and look up the company on the internet and contacted the company directly.

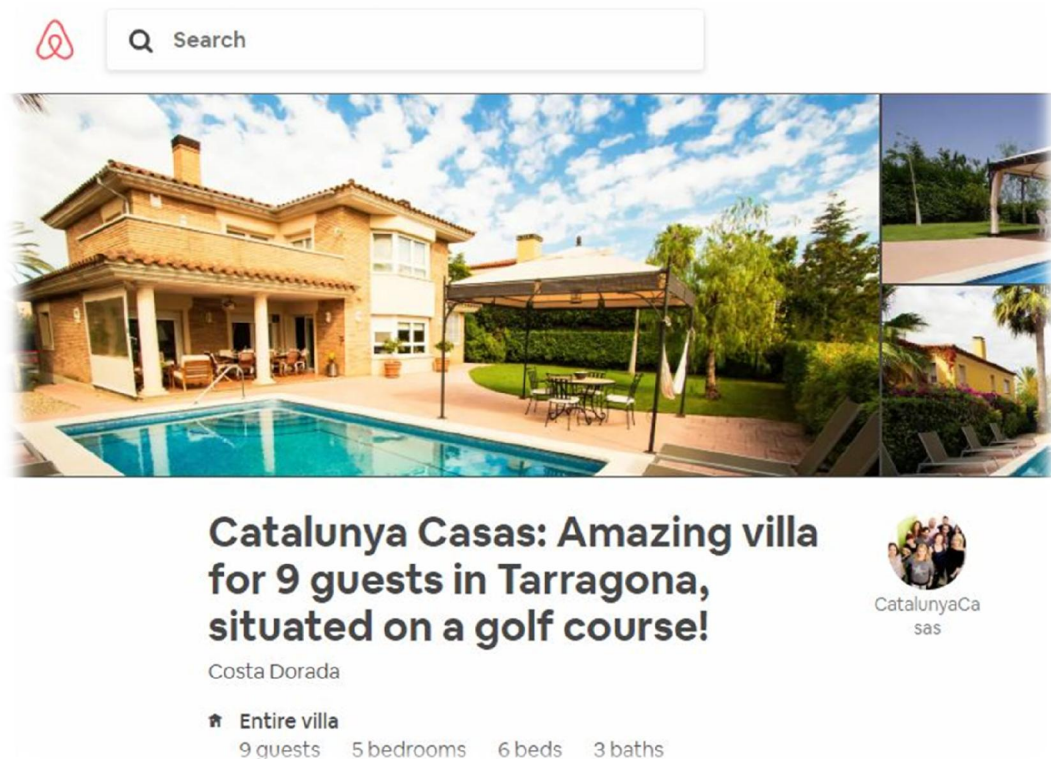


Figure 22. A villa of Catalunya Casas advertised at Airbnb website. (Catalunya Casas n.d.)

6.4.5 Management

One problem in these years causing turbulence for the company was Logistics. When any house was not cleaned well, or did not have a maintenance check,

the clients would complain and the company had to send staffs out to adjust issues. This process cost gasoline, time and personnel. Also, when dealing with customers' complaints, the company spent quite a big amount of money on discounts. The discounts were given to customers in order to prevent negative comments and reviews. To cut down expenses spent on resolving customer's complaints, or logistics in general, in 2018, the company added Quality Controller in the procedure. Quality Controller gave a final check of a property on all aspects i.e. cleaning, devices, quality, quantity, etc. Quality Controller ensured the property was more prepared and preventing complaints, it would help to cut down a lot of expenses. Also, ITV was a document put in use recently by the company. This document described micro details of the property that customers might question about. Another cut-down was on Discounts. In 2018, the company thought of how to deal with complaints. They would issue a discount if it was really needed, not because of being scare getting bad reviews. To deal with bad reviews, the company tried to solve it and being detective, to find out the problems and whose fault it is. If there was any bad comment, just be honest and the company said their side of the story in an objective way, 100% standby the quality of a property. The company spent money and more time before the season to prepare the villas and the owners. During the season, Quality Controller was put in place to generate a good year with less complaints and extra working hours.

The company concentrated on the guest's experience. Using the advantage of being location-based, the company tried to be more personalized by providing personal experience. Catalunya Casas took advantages of being an expert in their area whereas Airbnb and other platforms could not do that because they were multinational and could not concentrate on one area.

The sales department of the company was taught how to educate property owners about what company's services were, why the owners needed it, and how it would be beneficial to them. For example, the company had more than 25 advertising portals that could bring more reservations for the property. Furthermore, the owners could go away in the summer for the holiday, and the company would look after their properties. Owners were constantly being told to

do improvements, to fix what had been complained about. The company suggested anything that needed to be improved for the next stay, next year of renting.

The collaboration with Airbnb had improved a lot because they took into account the management companies. Eventually, Airbnb started to treat property management companies differently. Airbnb provided Property Manager for the Catalunya Casas, and it helped the collaboration significantly; because working with companies as Catalunya Casas was much different than working with individual owners. After years, Airbnb had been able to provide the ability to talk and collaborate more than before. For example, in case of double booking, the “old” Airbnb would request a cancel fee of €50. The “new” Airbnb would allow to cancel the reservation without the penalty after discussing Property Manager.

6.4.6 Current state and visions

In the summer time, June-July-August, the stress was on Catalonia, and Caribbean Casas covered the winter months in Caribbean islands. Main goal of the company in the next five years was to expand Caribbean Casas into all the islands and making it up to the status of Catalunya Casas. On the side, another hope was to have more properties in Barcelona area and expanding throughout Spain because the company was Catalunya based, but it was not the core. About Catalunya Casas, the goals were to minimize costs and maximize profits; continuing getting more properties throughout the sales department; more testimonials, because the more they got, the higher SCO efficiencies they had. Another wish according to Buckler was that she wanted to get into Barcelona with apartments, “but Barcelona, Airbnb and the lack of licenses, it is too competitive”.

To achieve the goals, the objective was to stay ahead of the competitors, to have the very best of customer services, and to assure the villas are perfect as much as possible. Investing on SCO and internet marketing to come up first in searching for ‘villa’. Having customers to contact directly is a goal of every business, and Catalunya Casas also expected to have direct customers without intermediary companies.

7 Conclusions and suggestions

7.1 Conclusions

In qualitative research the sample should present the typical features of the population. The sample is not valuable statistically, however, it should give theoretical significance. (Elizaveta 2016, p.27)

7.1.1 General conclusions

After 11 years in operation, Catalunya Casas has become one of the top professional management companies in Barcelona especially, and Spain in general. The company is in the top 5 together with Novasol, Club Villamar, and Catalan Holidays. The thing that Buckler claimed to be proud of the most is about the survival of the company: "Most businesses, up to 80%, fail within first two years, and we are going 10 years, that is my biggest accomplishment." (Buckler 2018)

As a business in a competitive market, Catalunya Casas had to adjust their rules and procedures to incorporate the new philosophy that Airbnb brought to the industry. They forced themselves to increase and keep their high standards for satisfaction of their customers. Rules were very basic as it was just about thinking what was in their hands to make their guest have the best holidays: cleaning, maintenance, extra information (tips, suggestions for the area, etc.), full equipment.

Airbnb' and Catalunya Casas' natures are different. By working with Airbnb, the owners had to manage their own properties. In contrast, property management company as Catalunya Casas did all the services with a higher rate of commission. The higher commission fee was believed to be appropriate as the workload required for each property was very high. Thus, the choice laid on the palm of the owners. From the point of view of renters, many of them preferred to book with a property management company because the policies and conditions protect them more than renting with a private owner. (Panza 2018.)

Theoretically, if customers booked a reservation via Airbnb, the price would be more expensive than booking with Catalunya Casas. Because Airbnb charged both the renter and owner, meanwhile Catalunya Casas took commission from the owners only. However, the owners gained more when working with Airbnb, because they did not have to cover taxes and expenses as a company like Catalunya Casas.

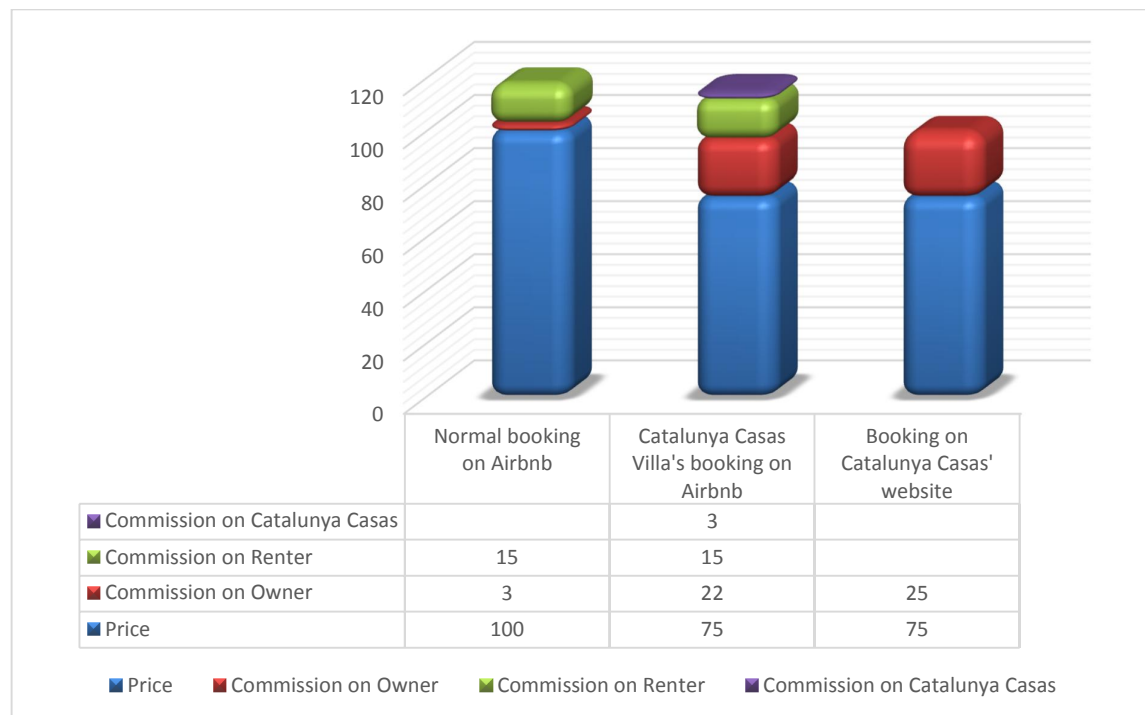


Figure 23. The percentage of commissions charged by Airbnb and Catalunya Casas per booking.

According to Buckler, Airbnb was a helpful advertising platform, so, it helped instead of harming, and many small vacation rental companies opened up thanks to Airbnb.

7.1.2 About strategies of Catalunya Casas

One thing that must be notified in the company's operation is Caribbean Casas. To avoid low season in Spain during the winter, the company found a new market, Caribbean islands, to create income for themselves. Marketing helped the company in getting reservations for the properties in Caribbean islands.

Catalunya Casas used the advantage of being location-based to separate them from the rest. Catalunya Casas knows their location, what activities and experiences are around. Buckler believed: "People go to Airbnb if they do not know the area. If you want cultural experience with neighbors who are from the country, you book with us". Additionally, most properties of Catalunya Casas were local villas located in natural sites or quiet areas with private pool, and fully equipped with much more space. The customers could feel the true spirit of holiday and experience as a local, which was a different choice for travelers. Buckler also believed with more-than-expected services delivered, once the clients found out about Catalunya Casas, they would book directly next time. Simultaneously, the company built the 24/7 emergency customer service, which assisted customers immediately and created outstanding customer service.

As a constant process of expanding and innovating, Airbnb evolved from a portal to rent a room for a short holiday. Airbnb had impacted a lot the vacation rental business, and Catalunya Casas considered it a powerful advertising platform. As long as Airbnb retains its popularity worldwide, the company still collaborates and advertises.

About the pricing, the company significantly lowered the commission because of changes in the market and it was more difficult to contract properties. From 2008 to 2018, first-year property commission reduced 37.5%, and normal property commission decreased 50%.

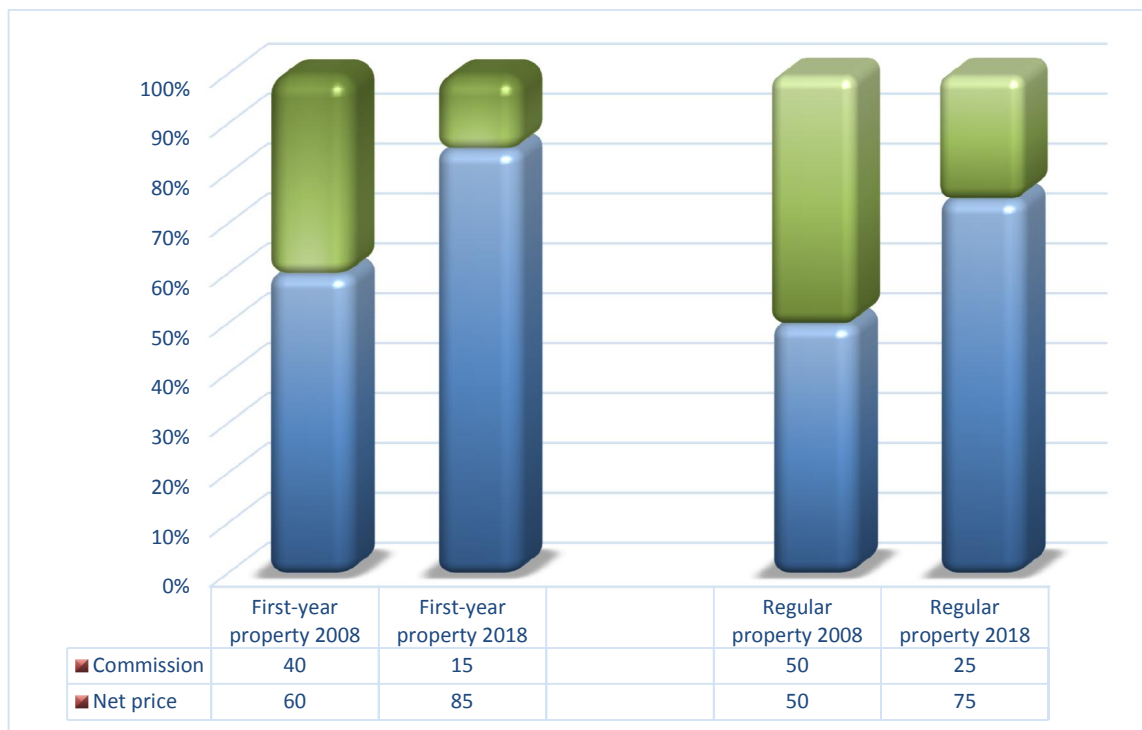


Figure 24. Percent of commission Catalunya Casas charged the owners in 2008 and 2018.

About marketing, the company highly valued Testimonials. Testimonial was a way to get a better name and become more known. Investing in SCO, internet marketing and testimonials were their marketing philosophy. The company claimed that traditional marketing method such as magazine, radio, television were no more appropriate for them.

Before 2018, the company spent a lot of money on handling customer's complaints. Discounts and employees had been sent out to adjust the problems. When the profit margins were not as expected, the company scaled back and added a new position of Quality Controller.

Over the last 10 years, every year there have been so many changes because it was a growing industry and it was becoming much more professional. Every year, it was a constant changing process with everything in the company. The company had to keep up with the changes and mold the company with the changes. If there was any formula on how to run a business, Buckler's answer was: "good business sense, saving costs and knowing how to run a business."

7.1.3 About relationship between Catalunya Casas and Airbnb

About the collaboration of the two companies, Airbnb acted like an advertising portal where Catalunya Casas used to advertize their properties. Airbnb provided the platform for Catalunya Casas and customers to meet each other. Airbnb brought reservations and they took commission from both Catalunya Casas and renters. Catalunya Casas managed the properties on behalf of the owners and took care of every booking. In some cases, Airbnb would join in the procedure if there was any damage, or conflict and problems between customers and Catalunya Casas, or sometimes the owners.

The relationship between Catalunya Casas and Airbnb clearly have changed a lot. “If you asked me a few years ago, I hated Airbnb, but everything changed when they realized they can make a lot of money on professional management companies, and now, they are much more collaborative.” (Buckler 2018.) As can be seen, Airbnb and Catalunya Casas are not on a parallel surface, on the other hand, they are not competitors of each other. Villas are just a part of what Airbnb is advertising on its website, Airbnb is a helpful advertising portal for every professional property management company nowadays. Simultaneously, Airbnb is not a property management company. The characteristics of two companies are different, thus, the relationship between Airbnb and Catalunya Casas has improved because of this reason. Additionally, Buckler’s attitude towards Airbnb was very positive: “It is a free market, it is competition, so unfair, no. It is the business”.

Because the natures and targets are different, thus, Barcelona city’s crack-downs on Airbnb did not affect Catalunya Casas in general. Barcelona city applied many laws and regulations on accommodating industry and Airbnb. However, most of it applied to Barcelona city area and apartments, meanwhile most of the properties of Catalunya Casas are villas and located in the area around Barcelona inner city. Consequently, as Barcelona city was controlling the market and no more giving out rental licence, it was working in the favor of Catalunya Casas. Instead of looking for apartments and hotels, customers switched to houses and villas on the outskirts of Barcelona. In addition, the company was working on tourist licence and based in Castellar del Valles, which was not from

the city of Barcelona. Thus, the crack-downs of Barcelona city did not hurt Catalunya Casas.

The collaboration with Airbnb had a positive impact on Catalunya Casas as a large percentage of their reservations came from Airbnb (Panza 2018). Also, Airbnb was the advertising portal with the lowest commission rate and popular worldwide. Airbnb assigned its Property Manager for Catalunya Casas to support any doubt or problem with the listings or the guests before, during and after their stay. Property Manager was very valuable as it helped the communication and work easier between parties. The 'Host Guarantee' policy of Airbnb covered up to USD 1 million was very valuable for Catalunya Casas when there was any damage and lost objects after guests' departures.

7.2 Suggestions

Throughout the research, many highlights are discovered and described. Firstly, the world is changing constantly, there are new inventions, methodologies every day. To survive, any business must non-stop evolve and adapt to changes of the environment. Under right orientation, obstacles can be transformed to advantages and contribute to the development of a business. Catalunya Casas' tactic in working with Airbnb proved the efficiency of the right adaptation.

In contrast to author's assumption, the relationship between Airbnb and Catalunya Casas was very positive and collaborative to each other. Catalunya Casas realized the potential of marketing in working with Airbnb, simultaneously, Airbnb collected multiple earnings with only one partner. Airbnb did affect Catalunya Casas in the past, but the author believed that these effects were just inquiry activities when the big-changer entered the market. The biggest issue during the last few years of Catalunya Casas was not related to Airbnb, but just the initial operation of the company.

One tempting notion of Buckler was that in business you could not achieve more money without investing money. Any company's secret of success was just to know where to cut, and where to spend more.

This research is expected to be helpful in providing beneficial source of information on the current state of Vacation rental company, and its relationship with Airbnb. The data of this study can be used for further research on lodging industry, peer-to-peer services and marketing.

8 Evaluation and acknowledgment

8.1 Evaluation

The objectives of the research were gained and research question was answered. The operation and some significant strategies of the company Catalunya Casas were displayed after the processes of interviewing, analyzing and summarizing. However, the number of respondents was smaller than expected. The intention of the author was to have interviews with managers of every department of the company. Regardless, the coming along of Dawn Buckler and Maria Fernanda Panza still assured the accuracy and generalization of the research.

The research is considered trustworthy and compelling. The operation of the company during consecutive periods are displayed, significant strategies can be withdrawn, the research reviews give a clearer picture of the accommodation market. The results are professionally useful and applicable for further researches. As for the company, this research summarizes activities and operation since the establishment until the current time. The company might detect advantages and disadvantages within the operation, and opportunities to develop further. As for readers, this research provides a profound information on lodging industry and might be a useful inspiration for further studies.

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Appendices

Appendix 1 Interview Cover Page

Interviewer: Henryk Phat Chung

Interviewee: Dawn Buckler, General Director, Catalunya Casas Spain SL.
María Fernanda Panza, Reservations Manager, Catalunya Casas Spain SL.

Date and Time: 15.08.2018 12:00

Location: Catalunya Casas Spain SL company - Avenida Sant Esteve 20, Castellar del Valles 08211, Barcelona, Spain.

Audio files information: REC008.mp3 14m27s; REC009.mp3 15m47s; REC010.mp3 7m50s; REC011.mp3 26m17s; REC012.mp3 5m2s.

Link to audio files:

Additional Notes: According to the agreement between two parties, some information from the interviewee will not be published publicly. The order of the questions and answers was reorganized by the author.

Appendix 2 Interview transcript

About Catalunya Casas company

Author: How old is the company?

Ms Buckler: 2008, so it is 10 years old. We were around before Airbnb, but when Airbnb started, the whole industry changed.

Author: How did you think about opening this company?

Ms Buckler: I started by renting my house for vacation rentals, and then Airbnb was not around at that time. So, friends, neighbors started to ask me to rent their house, but lucky because I got an interview in a newspaper about my company, and from there it just took off. It was right when recession started and the houses crisis and then I got tons of calls and tons of clients through that and then it just grew from few houses to two hundred or so houses.

Author: How many houses did you have in the first year?

Ms Buckler: It started with mine the first year, and then second year was about ten, and then it went to about forty and from there it grew up.

Airbnb opened their company a few years later. Nobody knew how to rent their apartment, well, yes people knew on the coast people had been doing it for years and years via HomeAway. But when Airbnb came into the market, it changed everything.

Author: In how many countries is the company working in?

Ms Buckler: We have the summer and winter market. In the summer market, in June, July and August only Catalonia and we have Caribbeancasas to cover the winter months in Caribbean islands.

Author: In Spain, in what rank do you think your company is?

Ms Buckler: We are growing, in our area, for professional management companies, there are Novasol, Club Villamar, Catalan Holidays, so they are the three

big ones. We are with them now in the similar club. Club Villamar is pretty big, but we are right up there and in the big ones.

Author: Do you believe you are in the top three?

Ms Buckler: We are in the top 5 definitely.

Author: Mainly from which country are your customers come from?

Ms Buckler: France, because of the proximity.

Author: Do you have any special treatment to them?

Ms Buckler: We do our website in French, our website is in French, English and Spanish. We would love to do our website in every language, but it is a lot of work then, and because French is our main clients, we concentrate on that and we do SCO in France as well, and internet marketing as well. We have a lot of British, Germans, they are the top three. Some from Scandinavian, but French is the main.

Author: Is there any owner having two management companies?

Ms Buckler: Yes, they do that a lot. In the past, we want it exclusivity, we want the house to ourselves. But these days, it is changing to the shared calendars. The owners will do their own, advertising on Airbnb and get their own clients and they will complement the reservations with whatever gaps in their calendars.

Author: Are there any extra services that you are offering at your villa?

Ms Buckler: We started offering extra services for a long time, and nearly they are growing. We offer baby-sitting services...

Author: How many percent do you develop annually?

Ms Buckler: Before Airbnb, we made a lot of money, 100% increase in profit for 4 years, and then Airbnb came along and we dipped in profit for 2 or 3 years and now, because of Airbnb and saturation in the market, we had to minimize a

lot. The first 5 years, we were great, and the next 5 years, because of the saturation and Airbnb, we are surviving, but we are not making a profit.

Author: How have the last years been?

Ms Buckler: The last 3 years our profits have gone down, and now we are working even. There are two things because of that, one-the saturation of the market, so many more houses available, and two-Greece has come out of its recession, so Greece has been a popular market, and Turkey is a merging market, Egypt is ok again. So, changes in the market, changes in the tourist destinations affect our bottom line completely.

Author: Is there any time in the past that your company was on the edge of the bankruptcy?

Ms Buckler: Yes, last year was the bad year, we had the credit loan from the bank. And we are paying that off now. It will take a few years to pay it off and get back on track, and this year, we did a lot of work. Why? Because it is about logistics. For example, houses were not cleaned well, or had not have maintenance check. So, the clients arrived, they complained, we had to send somebody out, so gasoline, personnel, and time charges. And what we have done this year, put in Quality controllers, ITVs, that helped the properties more prepared, we do not have complaints, and that cut down a lot of expenses. So really, it is about planning and preparing, spending money to earn money. You cannot make money in business without spending money, and a lot of people do not do that. But we spent money, we spent more time before the season in preparing the houses, preparing the owners, and during the season, Quality Controllers. So we did not have extra hours, complains... it is good this year.

Author: So far, last year is the worst year?

Ms Buckler: Yes, I think in business, we spent a lot of money. What you do, you start a business, and then you try to make it better and better, and we need to do this, we need to do that, hiring more people, and then you cannot go through a phase, well ok, now we got established, we are working in where we want to work, we got the system set up. What can we do now to scale back down of it,

last year was the problem when we had too many staffs, too many problems, too much wasted money. Kind of complains, and we got to give them a discount because they won't want us, they will say bad things about us. You just give discount when discount is wanted, not because you are scare of getting a bad review. So, we really had, especially this year, we will think of how we deal with complains and whether they just want it or not. All these things, you build the companies, and let's do this, let's do this, and then we are doing it too much, now our profit margins are not there, and you got to scale back again. That's what we have done this year, and we will do the same next year and after until when we pay off the loans, it is business, it happens.

Author: If now we go out on the street and ask people about Catalunya Casas, how popular do you think it is?

Ms Buckler: You would not get anybody on the street you ask. When the customers look on Airbnb or HomeAway for the villas, it does not matter the companies, and they look at testimonials. I would not say in this industry a lot of people is dedicated to one company, but after they have their first stay, and it is the good one, then they will come back, and then they use you all the time. But I think in general, they look for the villa they want, and then if the villa looks nice, they look at the testimonials, and then they contact whether it is a company or individual owner. After you got that client, and after you showed them the good experience, then, I think they would probably use you again. Again, if they go to Airbnb, HomeAway, booking.com, and then they might see it is managed by Catalunya Casas, and then they look up Catalunya Casas on the web. Which is why Google reviews are so important to us.

Author: What are you most proud of in your company in comparison to others?

Ms Buckler: That we survived. Most businesses fail within first two years, and we are going 10 years. That is my biggest accomplishment, because up to 80% new businesses fail within first two years.

Author: Where do you think is the key-point of your company in winning this?

Ms Buckler: Just good business sense. Saving costs, know how to run a business.

Appendix 3 Interview transcript

About Catalunya Casas and Caribbean Casas

Author: Why did you think about Caribbean?

Ms Buckler: Because in winter market, nobody comes to Spain, so it is dead. In the winter, there is no income coming in, so we needed a place where people go. If you think about winter, where do people go in the winter if they want a holiday, you could go to the South of Spain, Dubai, and we chose Caribbean.

Author: Which countries exactly in Caribbean islands?

Ms Buckler: We do Cuba, Dominican Republic, and this year we added more islands Aruba, Curacao, Barbados. We continue over the years to get as many islands in the Caribbean as possible.

Author: Are companies in Caribbean yours?

Ms Buckler: We work with another villa rental companies. So basically, we are here doing maintenance and cleaning, we work with another villa rental companies and just bring reservations.

Author: Any other official office of yours abroad?

Ms Buckler: In Cuba, they are our collaborator office.

Author: Do you think the business in Caribbean islands is doing well?

Ms Buckler: Cuba was doing good because it was a hot destination until Donald Trump came into powers. It was hot for a couple years because all of the Americans, it was opening up to Americans. But then Donald Trump closed it, and our reservations were down by over 80%. So that is one of the reasons why we started to look for collaborators in Caribbean markets.

Author: Between Catalunya Casas and Caribbean Casas, which one has the faster speed of developing?

Ms Buckler: Catalunya, because we are here, in Caribbean, we have to work with the collaborators. So, one, profit is great. Two, it is easier, because we are here.

Appendix 4 Interview transcript

About Catalunya Casas and Airbnb

Author: How many years have you been working with Airbnb?

Ms Buckler: 5 years.

Author: Did you work with Airbnb the first year?

Ms Buckler: Kind of yeah, but Airbnb is different because... I mean we are a management company, so we manage on behalf of the owners. Airbnb started as just bed rental and then it evolved. The difference between us and Airbnb now is that we manage everything on behalf of the owners. Airbnb is kind of like a competitor, it is a competitor, but they are also the advertising source. So, it works in both ways, they are the collaborator but also the competitor.

Author: When the Airbnb joined the market, did you collaborate with them immediately, or did you wait a few years after that?

Ms Buckler: We started adding properties, but Airbnb as I said started as rent-your-couch or rent your room in your house, and then they evolved, and they did not have any services for professional management companies in the first few years, and then they saw the advantage of having professional management companies because you know they had so many properties to offer that they could make a commission of them. So, then they started improving the services to make it easier for vacation rental managements and they started renting out the entire houses but not just sofas and that kind of things. We evolved as a management company, but Airbnb evolved a lot throughout the years as well.

Author: Did the behavior of your company changed after Airbnb?

Ms Buckler: Yeah.

Author: If you compare from 2008 until when and after Airbnb joined the market, do you see if there are differences in your developing process?

Ms Buckler: We had much more client and charged much more before Airbnb. When Airbnb entered the market, everybody knew how to do it on their own and many customers in Spain wanted to do it on their own, so it hurt us for a few years. Because the owners did not want to pay the commission to a management company because now, they have the platform to do it on their own. But then over the years, I mean we advertised on Airbnb, so now it depends on the owners because there is a lot of work, with cleaning and maintenance, reservation... so now it is kind of depending on the owners if they want to do it with Airbnb and handle everything on their own, or they want a professional management company who will do it all for them.

Author: Is it the same with Airbnb about the price?

Ms Buckler: No, because Airbnb take the commissions from our company, and they take commission service charge from the guest. So in theory, Airbnb would be more expensive than booking with our management company.

Author: Is the price on Airbnb higher than at company's website?

Ms Buckler: Yes, because Airbnb charges the guests commissions for using their service. But they do that because Airbnb is worldwide, everybody knows what Airbnb is. So when people are looking for a villa, they automatically go to Airbnb not Catalunya Casas.

Author: How many percent does Airbnb charge the company?

Ms Buckler: Airbnb takes about 5% of commission from us.

Author: How many percent did Airbnb take in the beginning?

Ms Buckler: I cannot remember, but they have always taken the commissions from both sides, from their guests, they charge the booking fee and from us. I think it started 3%, it was really small and now it is 5%.

Author: How about the service?

Ms Buckler: It improved a lot. If you ask me a few years ago, I hate Airbnb, but everything changed when they realized that they can make a lot of money on professional management companies and now they are much more collaborative.

Author: Did Airbnb have any requirements for your company when you started to join it?

Ms Buckler: It was very difficult at first because they did not take into account property managers and working with the property managers is much different than working with individual owners. But eventually, over a couple years, they started treating property managers differently. Now we have our own Property Manager, and we have a much better relationship with them now.

Author: Do you feel that you lost more customers after Airbnb?

Ms Buckler: We lost a lot of property owners, but then in another sense, before Airbnb there were Homaway and Tripadvisor. Well HomeAway was probably the number one advertising portal. So, we had another advertising portal with Airbnb.

Author: Do you feel unfair when Airbnb joined the business comparing with what you are doing?

Ms Buckler: It is a free market, it is competition, it was a competition, and now it is a collaborator. So unfair, no, it is business.

Author: Do you think if you did not collaborate with Airbnb, your company would be developing well?

Ms Buckler: No, I think every professional property manager these days need to be on Airbnb just like they need to be on HomeAway or booking.com.

Author: How do you think your company is different from Airbnb?

Ms Buckler: Airbnb is working with owners directly, our company owners contacted through us. So, Airbnb is kind of like... DIY, you do it on your own, the building work on your own to save money or you hire professional contractor to do the building work. It is the same with us with the owners, they go to Airbnb and they do it themselves or they would hire a professional management company like us to take care of the pool, the cleaning and the reservations and everything. And plus, Airbnb is one outlet, we have done advertising on Airbnb, HomeAway, Tripadvisor, Booking.com, etc. There are more chances of reservations through our companies.

Author: Does it mean when you give them some requirements, they will do it?

Ms Buckler: They treated us a little bit different now. What we have is the ability to talk and collaborate with them more now than before, than a regular property owner does.

We have a double booking, normally they will say ok, we are going to cancel it, you are going to get a penalty and you will have to pay 50 euros to cancel the reservation. Now we can talk to the Property Managers and we can say and they will cancel the reservation without the penalty, but this is years later. It took them a long time to realize the potential they have with property management companies.

Author: Do you think you will collaborate with Airbnb for longer time in the future?

Ms Buckler: Yeah, at the moment. Airbnb'd changed and first it is a marketing tool, that is what it does for, the place to advertise our properties.

Author: What can you say about Airbnb's strategy from the beginning until now?

Ms Buckler: Like I said, they started as rent your sofa, rent your room, and then they evolved to renting entire the property, which is what we do. And then they evolved to big business, and property managers and then they evolved adding

services, and experiences. And now they are just keeping up with the market, trying to see where it is going next.

Author: What are the keys of success of Airbnb in your opinion? And do you think your company will be successful in that way?

Ms Buckler: I think you really have to concentrate on the guest's experience. We try to be much more personalized than Airbnb, and we are very location-based. We know our location, we know where we are, we know what is around, so we are just trying to give more personal experience, to be expert in our area, whereas Airbnb or any other listing platforms cannot do that because they are all over the world.

Author: If we compare services, is your company better than Airbnb?

Ms Buckler: They really cannot concentrate on one area, we can. You want a villa here, ok, if you want to experience, you book with us. People go to Airbnb if they do not know the area, and when they find us on Airbnb, and the next time they will book directly to us.

Author: Do you think about standing alone without Airbnb?

Ms Buckler: That is the goal, as long as Airbnb is a power house as it is we will always advertise. But as a company, what we want is for people to contact us directly, so we work on SCO and internet marketing to get people to come to us directly. Also, on Airbnb, in all of our titles we have Catalunya Casas at the start of our titles, so people see the titles and then they say oh, Catalunya Casas and they look it up on the internet and they come to us directly. When Airbnb first started, we put a logo on our photos, but now none of the companies allow us to have our logo on the photos because they know the clients will just by pass them and come to us, but so far allowed us to have Catalunya Casas at the start of the titles.

Author: In your opinion, what do you think about Airbnb, and its effects on your company since they appeared on the market?

Ms Panza: Airbnb has impacted a lot the vacation rental business. Our company was created when Airbnb used to be a portal to rent a room for a short holiday; but as we are constantly looking for expanding and innovating, on 2013 we noticed this could be a good idea to promote our villas and it has had a positive impact on our business, as a large percentage of our reservations comes from Airbnb.

The negative part, sort of saying, is that it's still an open portal for anybody that wishes to rent their property to tourists, which means private owners still advertise there with much lower prices of course as they don't have to cover the same taxes and expenses than a company like Catalunya Casas has to. However, many guests prefer to book with an agency because our policies and conditions protect them more than renting with a private owner.

Author: Do you find any difficulties or conveniences when working with Airbnb? (like how they support the company like yours, or they have many rules for you...)

Ms Panza: As a business in a competitive market, we had to adjust our rules and procedures to incorporate the new philosophy that Airbnb brought to this kind of tourism, which forced us to increase and keep our high standards for satisfaction of our customers. Rules are very basic as it's just about thinking what's in your hands to make your guests have the best holidays: cleaning, maintenance, extra information (tips, suggestions for the area, etc.), full equipment... But what separates us from the rest is our customer service and our 24/7 availability for emergencies.

We have over 250 properties listed on Airbnb for Catalunya Casas, and almost 200 properties for our Caribbean Casas, so we have been assigned property managers that would support us on any doubt or problem with the listings or the guests before, during or after their stay. This is very valuable for us and makes communication and work very easy.

It's also very valuable to count with Airbnb's host guarantee as it covers damages and lost objects after guest's departures. Damages is not something that occurs often, but when it happens, it's great to be covered.

Appendix 5 Interview transcript

About Catalunya Casas and other collaborators and competitors

Author: How many other collaborators that you are working with now?

Ms Buckler: There are many, but the big one markets are HomeAway, Airbnb, TripAdvisor and Booking.com and many others.

Author: At which sites does Catalunya Casas advertise except Airbnb? (HomeAway, booking.com, and...?)

Ms Panza: We advertise on Booking.com, HomeAway (and all related to it), TripAdvisor, Only Apartments, e-domizil... we collaborate with many more agencies around the world and different portals focused on specific markets such as “halal”, for disable (wheelchair accessible, reduced mobility...), for example.

Author: Why do customers not book through the collaborators but through yours?

Ms Buckler: It is all about marketing. Which clients find which advertisements first.

Author: What are the advantages customers have when they book your houses compared to hotels, apartments?

Ms Buckler: Much more space, cheaper, privacy, private pool, private garden. Some people want hotels, the services, everything will be at their fingertips, right in the center, and another people want a more cultural experience with neighbors who are from the country. It is just a different choice for travelers.

Author: Which collaborators offer you the best rate?

Ms Buckler: Airbnb is pretty good because they take only about 5%, booking.com is like 15%, HomeAway is like 10%. So Airbnb has the best commission.

Author: Are the prices on your website and collaborators' websites the same?

Ms Buckler: Usually more or less, because collaborators give us commissions, so we take commissions from collaborators. We try to get it closer to their price as much as possible but we got more taxes.

Author: How do you think you will defeat your competitors in Spain now?

Ms Buckler: Try to get a better name, try to get more known. For example, Interhome has been in the business for like 15 years. Just getting your name out there to the clients, and SCO and testimonials.

Appendix 6 Interview transcript

About Catalunya Casas and Barcelona government

Author: Is the society of Spain convenient for your company to develop?

Ms Buckler: Yeah, because the tourists come here, but again, where do they go? They go where they know. So that is why Barcelona has lots of problems, because Barcelona is world-wide known. What people do not know is that you are going to pay much more in Barcelona, whereas if you come out just a little bit outside of the city, you will have the much better price, much better space. When I go to Finland, Helsinki, and I do not know the suburban or the next city is just right beside which is just 10-minute drive. If you look on the Airbnb, you will look for Helsinki.

Author: How difficult is the government in Spain about the laws?

Ms Buckler: For us, no, but for the companies who are renting in Barcelona city or any city center, yes. But luckily that does not apply to us.

Author: Because all of their rules mainly apply to Airbnb?

Ms Buckler: No, they apply to Barcelona city, Madrid city, the main cities. For example, if you are trying to rent a apartment in Barcelona, first of all you are not going to be able to because it does not give out any more licenses. So you have to do it illegally, if they catch you, and they will give you a 10.000 euros fine. But if you are trying to rent in Castellar de Valles, it won't be any problems because they have licenses and they are not the same instructions as in Barcelona.

Author: What laws has the Barcelona government applied that have affected you directly?

Ms Buckler: Many issues at the moment is over tourism in Barcelona, but it does not affect us because we manage houses and not apartments, and not many houses with pools in Barcelona. So, we tried to get into Barcelona market

for apartments, and it is just impossible, it is so competitive there. So now it is working in our favor because they are no giving any more licenses, so what people instead of looking for apartments or hotels, they will look for houses or on the outside of the Barcelona, where we are, so in terms of regulations that does not hurt us much because we are working on tourist license, not from the city of Barcelona, they are from other villages, the cities around, so that does not hurt us. And then it is a lot of people, a lot of work for our administrative department with paperwork, we have to “please submit the form, please fill in the name, ages, and passports for details of all guests, we have to inform the government of how much each owner is earning from our services. We have to pay a tour tax..., a lot of paperwork.

Author: Did you contribute any opinions to the government to prevent the development of Airbnb?

Ms Buckler: No, that is Airbnb’s fight, because they are the biggest competitor in the market. And really what the government wants is that they want to earn money as well. So now, finally Airbnb has demanded “you cannot publish if you do not have the tourist license”. So, Airbnb adapts to the rules in the market, we have no choice, they are the laws.

Author: Did you get advantages when Airbnb suffered with the new rules applied?

Ms Buckler: Airbnb got a lot of difficulties, because they are competing directly with hotels. Not directly, they do not affect us, if we had an apartment in Barcelona, it will affect us, but we are houses.

Author: Do you know how many traditional companies like yours out there really struggled and closed because of Airbnb?

Ms Buckler: There are a lot of small vacation rental companies, I do not think anybody closed because of Airbnb, because it is an advertising platform, so it helps. I think a lot opened up because of Airbnb.

Appendix 7 Interview transcript

About Catalunya Casas' internal activities and strategies

Author: **How many percent of commission do you charge the owners?**

Ms Buckler: We try to get about 25% commission, sometimes if it is the first year of the property, we lower to 15, but in general, it's 25%.

Author: **How many percent did you take from the owner in the beginning?**

Ms Buckler: 50%.

Author: **Did you lower the price?**

Ms Buckler: We lowered commission, it was much more difficult for us to contract properties because it is the mentality here in Spain that owners do not want to pay commission for anything. They do not understand that we are professional companies, we provide a lot of services and they would have to pay us to do something that they could do on their own on Airbnb.

Author: **Was there any other strategy that you had to change?**

Ms Buckler: We lowered our commission, we really had to stress and teach owners what our service was. And I think after the owner does this kind of industry for few years, they will understand better because they know how much work it is, advertising, and maintenance and all of that. We really had to teach our sales department to educate properties owners on why they need our services. For example, they are advertising on Airbnb, but we are advertising on many different other portals, so we can bring more reservations for their property if they want to go away in the summer for the holiday and someone look after their properties. We educate owners about why they need our service and why our service will be beneficial to them.

Author: **For how long have you educated your staff to adopt this change?**

Ms Buckler: In this industry, over the last ten years, every year there are so many changes because it is a growing industry and it is becoming much more professional. Every year, from our reservations, software, it is a constant changing process with everything. Every year new technology coming out, now there are companies who only distribute the keys, do welcome pack... there are so many services for this industry now, you have to keep up with the changes, and molding the company with the changes.

Author: What can you tell me about the marketing of Catalunya Casas from the beginning until now?

Ms Buckler: Like I said, Catalunya Casas started with an article in a local paper in Sabadell, and it talked about how I rented houses to tourists and it was such an foreign concept at that time, and they said "people only rent the houses at the beach, no?", and I said "no, they want to be close to Barcelona, so anywhere within half an hour driving". So that marketing my whole company, that is a newspaper article. And then from there, oversee Airbnb, HomeAway, they are all advertising portals, they are all marketing. And other than that, we invested heavily in SCO, so when somebody entered villa Barcelona in the google, our name will come up first. That to me is the most important marketing more than anything. What do I do when I want to do something, I type in Pizza, and I will call the first thing. So more than anything, I do not do any televisions, newspaper, I do not do any other marketing except on the internet, digital and SCO. Why? Because I do not find, for me, that is the most important, what do you do when you need something? Internet. Radios, they used to be the traditional form of marketing, and obviously on Airbnb, we got out name, company name in it, and that is self-marketing. So, I used Airbnb, HomeAway, those are marketing and other collaborators, and SCO.

Number one is testimonials, there is no other better marketing than good testimonials for our properties, on Airbnb, on HomeAway, on google. That is before SCO.

Author: Do you have any changes in your products offering?

Ms Buckler: We constantly telling our owners to do improvements, to fix what it has been complained about. We give suggestions of anything that they need to improve for the next year of renting and that kind of things.

Author: Do you think about renting apartments?

Ms Buckler: Not in Barcelona, because of the saturation. Caribbean Casas, yes, we do apartments. But Barcelona and Airbnb, and the lack of licenses, we cannot just get in there, it is too competitive, but we want to.

Author: Testimonials are what make you different from Airbnb?

Ms Buckler: Airbnb gains from testimonials as well, they get more reservations. But what separates us from Airbnb is that Airbnb is the advertising platform, we are the villa management company, so they take different owners, different villas and advertise them. We do our own management.

Author: Do you think you will keep that going in the future?

Ms Buckler: Yes, I used to do newspaper advertising, articles in the newspaper, I worked in radio. But for me when people need something, they will type it into google. And the same with Caribbeancasas.

Author: So I believe in your mind, testimonial is even more important than the price, it is the key here?

Ms Buckler: Yes.

Author: How do you deal with bad testimonials?

Ms Buckler: We just say our part, we try to solve it, we are detective, we find out the problems, whose is that fault? And they leave a bad testimonial, and we answer we are sure we are not usually disagreed with our clients, but in this case, we are 100% standby the quality of this property, perhaps your expectations were different, but the property is good, just be honest. And whatever you do, you cannot be mean. You just say your side of the story in an objective way and not take it personally.

**Author: About revenue strategy, do you have a strategy for the price?
Do you want to go with the cheap price?**

Ms Buckler: I have struggled with this for a long time, because obviously, in any market in the world, price is the number one impact. You can have the great customer service, great villas, but if there is another company the same, they will go with the cheaper price. Again, I tried to lower cost, to lower our commissions, if it is less than 25%, we cannot survive. If there are two exact similar villas, one has better testimonials and more expensive, they will go for that one. One similar, but it got bad testimonials and it is cheaper, they will go for the one more expensive. So, the testimonial links in. The better testimonials we get, the more price we can charge.

Author: When you solve the problems of the properties, do you use the money of the company or of the owner?

Ms Buckler: It depends on the problem of the property. If the water boiler is not working, it is the property's responsibility. Our biggest cost is personnel. I mean we do not sell products but people, and wages are the biggest expense. As you know there are so many details of each rental, from the reservations to the accounting, to the property care department, getting a system, tighten a system. Ok you do good this year, how to do it better... more reservations, less costs. Any company's secret of success is just that, where you can cut, where you need to spend more.

With Caribbean Casas, it is not investing more money, but investing more time. It takes long time to find collaborators, if you talk to the E. and G., all of the summer, they have been adding properties for two islands, and Caribbean has 30 islands.

Author: Where do you find yourself in the next couple of years?

Ms Buckler: I do not want to expand to more regions, one problem I have is Catalunya Casas it has to be Catalunya based, right, because of the name. We just hope to have more properties in this area, and possibly expand through Spain, but it is not our core for the next 5 years. My goal really is to expand Car-

ibbean Casas into all the Caribbean islands and make that up to the status of Catalunya Casas because Caribbean Casas is still a lot of work. So that is my goal for Catalunya Casas, minimizing costs, maximizing profits, continuing the sales department to get more properties, more testimonials we get, the higher SCO we get and more successful it will be.

Author: What do you think about the future of accommodating market here?

Ms Buckler: Competition over the last 10 years has become so competitive. But as I can see, this market is growing. People see the growth, and popularity of this kind of accommodation and they create the company. So, the objective is to stay ahead of your competitors, and how you do that? We are trying to have the very best of customer services, we try and make sure our villas are as perfect as possible, and SCO, and internet marketing, so we come up first, so when people searching for a villa.