Challenges and Opportunities of Hotels in Helsinki Regarding Airbnb

Thesis Report 2018
Abstract
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Challenges and Opportunities of Hotels in Helsinki Regarding Airbnb, 39 pages, 1 appendix
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Degree Programme in Hotel, Restaurant and Tourism Management
Thesis 2018
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The purpose of this study was to identify the impact of Airbnb on hotels in Helsinki basing on their change in occupancy, prices and revenues. The work will help to find out how Airbnb affected hotel industry in different countries; what regulations were accepted to reduce its power; how the occupancy rate changed with the prices and the pricing strategy; how revenues were affected; and what hotel managers think about such business and how do they see their nearest future in the industry in Helsinki. The target accommodation providers were from two to five-star hotels of the capital.

The study is based on theory and quantitative data collected throughout the study. Theoretical part of the study was gained via Internet sources and literature based on the management and hotel revenue themes. The empirical part of the research is quantitative data, which was collected with help of personal web-surveys done through contact with the hotel managers via email.

Keywords: Airbnb, Hotel Management, Management Change
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1 Introduction

The theme of Airbnb service and its competition with the hotels around the world is relevant because the race between the parties lasts today. News all around the world come month by month e.g. in April 2018 Palma de Mallorca banned Airbnb service in the mean of followed flow of tourists to the place after Airbnb service availability (Staff 2018). The flow of tourists and high range of short-term accommodation was followed by the lack of affordable accommodations for seasonal workers at the place, which caused a problem (Nicholas 2018). The change in the industry has happened and still goes on where ways of new strategies have to be revealed. (Wood 2018, p. 4).

The goal of the research is to find out how Airbnb affected hotel industry in Helsinki; how it (Airbnb) influenced prices, occupancy rates and revenues of the hotels; and how hotels find solutions to the affected factors to keep up in the market place. The tourism market was irreversibly changed ten years ago when an Airbnb company was established (Mustonen 2018). Airbnb operates on an internet platform where accommodation services are offered for rent. Airbnb forced hotel managers to change their minds about their strategy and actions in the field all around the world. The service has developed breathtakingly fast which did not force to wait for long the competition between hotels and Airbnb. The platform today is about five million listings in more than 191 countries and 81 thousand cities with 300 million guests. (Airbnb 2018b.)

1.1 Research problems, objectives and limitations

After a successful entrance to the hospitality market Airbnb started to occupy the marketplace all around the world. At its first steps standard accommodation service companies did not take their new competitor seriously before it became a problem. The first impact was felt by San Francisco, USA, where the company was founded. After its expansion, governments of different countries, where the service had expanded quickly, were undertaking measures concerning Airbnb service. Like in San Francisco the service was set under a law and restrictions. The law was adapted because of the fast increase of the tourists which the city could not deal with just as with the extremely rising accommodation prices. Another example of the destination problem comes from Palma de Mallorca
which banned Airbnb service in April 2018 because, from locals’ point of view, it has triggered sharp rises in rental prices. Locals also complain that the short-term rental of homes within residential blocks of flats often bring holidaying visitors who show little respect for community norms on behavior and noise. (Day 2018.)

Airbnb entrance to the Finnish hospitality market did not let wait for long. It overtakes the place as fast as in other countries. Even though the service has worked in the country for a couple of years now, the competition and possible confrontations are still relevant.

The main objective of this study is to find out how Airbnb affected hotel revenue management in Helsinki concerning prices, occupancy rate and revenues and how did these factors caused a problem to the hotels. At some point it is discussed which services hotels come up with to be able to compete with Airbnb, taking into consideration not only room prices. The process includes research about Airbnb in Helsinki; prices of Airbnb in the city; and Airbnb statistics in the city. Concerning hotels, the research includes hotel management background; hotel statistics based on visitations throughout the years; price changes, which are followed by occupancy rate and revenues. The aim of the study was to find out appeared challenges after Airbnb entered hospitality business in Helsinki; how hotels overcome the competition; and how the situation affects prices in the hotels today with occupancy rate and their revenues.

The study is based on main research question and sub-questions. Clarifying sub-questions helps to answer the main research question. The main research question is:

“What are the challenges of hotels in Helsinki with Airbnb and are there opportunities?”

And the related sub-questions are:

“Was Airbnb an impact of change in hotel industry in Helsinki?”

“Did Airbnb impact on the hotels’ revenues and pricing in Helsinki?”

“What changes in the hotel revenue management happened after Airbnb?”
Following questions are answered during the research in the secondary data and primary data. Information of the primary data is based on the quantitative data, which was collected via web-surveys emailed to the hotel managers. Partly, theoretical part of the thesis was based on the previously made research in Arcada University, thesis report “Impact of Airbnb on Hotel Industry in Helsinki” of 2017 by Haki Fissha and Ashmita Shrestha.

The research contains information about traditional hotel management as a background and details of the prices, occupancy rates and revenues change after the Airbnb intervention. The research does not go deeply into financial information of both parties. The empirical part of the study is focused on Airbnb and chosen hotels overview, Airbnb situations in other countries and their comparison with Helsinki.

1.2 Literature review

Phenomenon Airbnb appeared in the hospitality market fairly recently and peer-to-peer business in general. Concerning the fact above very little literature is available on this subject. Most of the information sources are e-newspapers, e–journals, as well as printed editions. From the articles was meant to collect information about Airbnb platform and its work, the world overview on the service, its successful and unsuccessful sides. Hospitality management books and revenue management are available widely and during this study were used to get information about a hotel management background to be able to compare with contemporary situation on the market, hospitality development through years and issues that hotels faced before and face today.

1.3 Hotel arrangement for the research

The purpose of the study was to find and connect with managers of different hotel ranges in Helsinki. In the beginning of the study it was planned to refer to at least 60 places as there might be declines.

The accommodation places were chosen through platforms as TripAdvisor and Booking.com based on stars and size of the accommodations. From many star hotels to small businesses were contacted.
The preferred managers were those, who are the head of the management team and lead the whole chosen area (e.g. one particular hotel from the chain). The hotels' general managers were not chosen but will be tried to contact with.

2 Theoretical Framework

Over the past 15-20 years, changes in hotel ownership and management, the growth and development of online reservation systems and the proliferation of lodging alternatives have altered the hospitality landscape, bringing new complexity to the industry (Oshins 2017). In the past, people used to book a room through calls or travel agency, today the online distribution systems like Expedia, Travelocity, and Kayak are platforms that people started to use and have replaced traditional travel agencies. Other than that, alternatives and big competitors to hotels, including AirBnB, HomeAway, Flipkey, and VBRO have appeared in the market. (Oshins 2017.)

The adjustments and uncertainty within the years bring in new challenges for the hospitality industry, causing the heads of the field to correspond to new phenomena and competition, and search for the new and sustainable ideas. But dealing with the change and taking forward actions can lead to new opportunities and taking over present or new markets by changing demographics and creating new technologies. Nevertheless, before developing and implementing successful identification in the management change processes, the leaders must recognize the opportunities and dilemmas influenced by the change and deeply understand them. In 2010, 1500 CEO's were interviewed around the world. The research has found out that creativity and leadership are the most important parts of competency. (Oshins 2017.)

Positioning and repositioning played and still plays a significant role in hotel management. Of having a clear idea what both means and what is their difference, in this chapter concerning the theme, it will be explained why they are important to be considered. The first point to understand is what might happen if the company does not take care of controlling the positioning:

1. The company might face the competition from other organizations and will not be able to stand it.
2. A little customer demands.
3. Not being able to evaluate distinctive competence.
4. A fail in the marketplace position, as no one heard about the place.

This point mostly can relate to small private hotel business (e.g. guest houses) that are not widely known compared to chain hotels. (Hassanien, Dale & Clark 2010, pp. 61.)

Positioning establishes a competitive advantage in meeting customers’ wants and needs and emphasizes the important attributes that are valued by the customers. To stand the competition the company must think about its marketing strategy to provide the right image. (Hassanien, Dale & Clark 2010, pp. 62-63.)

The correct customer business model gives the company competitive advantage. To do so, the company focuses on three main objects: customer, competitive advantage and service offer. Nowadays, a customer in this industry is not only the person who purchases the product, but it is a “wheel” that serves to focus on the direction of the entire business. To focus on the service offered, the companies collect and evaluate the information provided by the customers. Life style changes, based on economic growth, higher disposal incomes, technological advances and globalization mean that services are an integral part of the customers’ social need and indeed their identities. (Hassanien, Dale & Clark 2010, pp. 98-99.)

In offering new particular product or service it is obvious that throughout the time it will become popular, competitors will try to take the advantage over it (Hassanien, Dale & Clark 2010, p.158). To create a sustainable competitive advantage and superior profitability, the company develops the core capabilities which are difficult to match and are valued. Knowing the markets is one of the capabilities. Companies have recognized that customers come to expect every time more from them and the services offered. Throughout globalization and increasing competition in the market it has been realized that the diversity in the products and service offers brought to the market have a huge impact on the competitive advantage. (Hassanien, Dale & Clark 2010, pp. 98-100.) Another option of staying competitive advanced is successful but partly used - decreasing
prices of the services and products offered. (Hassanien, Dale & Clark 2010, p.158).

To stay competitive advanced companies also try to enter the changing market with the existing offers by identifying and targeting new market’s segmentation, which is called marketing development. (Hassanien, Dale & Clark 2010, p.166). With the peer-to-peer business interaction, it became more challenging for the hotels to keep the interest of the customers. A service offer at this point also plays a defining role. Today, it does not refer only to accommodation and food provided by the hotel but differential extras to attract more and satisfy more potential and existing customers. The main focus goes on customer-centered and service-oriented strategies. Customer-centered strategy directs to having more respect towards customers and looking for options to increase perceptions of the value. Service-oriented strategy directs to services that are no longer placed as additional but are an essential in today’s hotel business. (Hassanien, Dale & Clark 2010, p. 100.)

Hotels in the accommodation industry were and are not the only accommodation providers but are meant to be the most economically significant of the sector. Providing not only rooms but making significant revenues also from food and beverages that demonstrate their great emphasis in the curriculum. (Wood 2018, p.1.) The hotel industry today is not only about providing rooms but also restaurant service and extra spheres such as gym to expand the potential targets and be able to attract more customers to satisfy the wants and needs at the place of stay. The hotel managers have to adapt to a term of repositioning, which defines as *the marketing management process of changing partially or totally, the perception of the public about the firm through any modification or addition to one or more of its controllable variables to comply with the changing uncontrollable variables*, for example customer, competition, technology, corporate and etc., *in order to retain, expand, or change its target markets*. (Hassanien, Dale & Clark 2010, p. 68.) The second term, which defines as the reason of why the customers have to buy the product (in our case the overnight), is positioning. It is the act in design of company’s offer and image to the customers, so it attracts and stays in their minds (Hassanien, Dale & Clark 2010, pp. 68-69).
From personal observations it was revealed that nowadays hotels have wide specter of additional services and products to attract and gain more from the customers. Hotels have been viewed as an ideal location where service and comfort are combined. Hotels started to expand the comfort service by adding restaurants, spas, shops and many more to be able to compete with the change in the market. Additional services like a hotel’s shop (Scandic Hotels offer their customers different daily products like a brush or a ready-to-go pack of hygiene products) provide a petty but critical customer service. These small features impact on the customers’ well-being at the place and keeps their loyalty.

Implementation of the new technologies into the business is also a valuable survival strategy for the companies. To remain competitive and keep meeting the changes, management must face and flow with the technological development. (Nykiel 2009, p. 24.) To understand the evolution in hospitality management strategies it is to take a brief look at the history review. At its first stages, hotel was a place that served a person to travel urban centers. J. Williard Marriott’s evolutionary strategy took him to a full gamut of foodservice facilities and later to a logical service to travelers by providing beds. By providing integrated several services related to consumers, he created his multiple product strategy. (Nykiel 2009, p. 25.)

Scandic’s annual report of 2017 reports that after a long period of low GDP the Finnish economy improved in 2017. Also, in recent years, there has been a positive trend in the hotel market in Finland. The demand for hotel nights has risen but the total range of hotels has remained relatively stable in the last few years. (Scandic Hotel Group 2017, p. 2.)

2.1 Airbnb

Company Airbnb was founded in San Francisco, USA, in 2008 and it is a global travel platform, which offers an easy daily apartment rent (Airbnb 2018a). According to Airbnb website, the service gives an opportunity not only to renters but also to lessors, to lease the accommodation space easily and to become hospitality entrepreneurs (Airbnb 2018a). The creators see their platform as a way to see a different side to a destination through unique, handcrafted activities run by locals (Airbnb 2018a). The company has a website and an app for an easy
use of the service by both parties. The site had over 10 million guest nights booked worldwide (June 2012) since it was founded in August 2008 (Rick 2013).

Airbnb is structured so that a new person in the hospitality industry will feel confident in the service (space) they offer. On the Airbnb website there are guidelines where the essentials for the renters are described. The guidelines describe basic requirements that the space should include, appearance (cleanliness), and best communication tips the host should follow to get positive reviews. (Airbnb 2018c.) With the following tips Airbnb takes accommodation market to another level. The basic rules of hospitality with customer relationships advice and extra services that the host might offer, hotels get a very strong competition.

With the latest news of February 2018 Airbnb is willing to add hotels to their website to attract customers, who do not trust the company’s service separately. Airbnb tries to play a role of the booking website, entering the competition not with the hotels but with the booking websites. Such partnership will cost hotels from three to five percent while booking platforms as Booking.com and Expedia charge 17 percent. (Heima 2018.)

2.2 Airbnb principles

“Airbnb is the new, old way to travel” (Chesky 2013.). Today, Airbnb has over 4.85 million listings globally with more than 191 countries included. Airbnb connects guests and hosts on their platform providing both with unique experience. Guests choose a unique place to stay and to live with the local, who can fill guests stay with memorable experience. For a host it is a way to develop financially and mentally. (Airbnb 2018b.) Home sharing provides a lot of required additional financial gain for lower-middle-class families, seniors living on fastened incomes, and growing ranks of part-time and freelance employees. (Airbnb 2018d.) As cities strain to stretch each dollar, hosts on Airbnb usher in new revenue through sales, tourist, building and occupancy taxes and unfold the economic activity well on the far side the traveller hotspots. Underserved neighborhoods are one in every of the quickest growing elements of our community. Nine in ten guests say their Airbnb locations were a lot better than of the hotels. (Airbnb 2018e.) Airbnb tries to leverage company’s distinctive assets
for social smart. From financial aid to worker volunteerism, to host community and also the use of technology, they have a tendency to invariably operating to embody their mission of making a world wherever people will be able to belong anyplace. (Airbnb 2018f).

In 2017 alone there has been over a 60% of increase within the range of guest arrivals. The worth of the corporate additionally indicates its success. Airbnb is presently valued at around $32 billion, and revenue is on the increase too – latest predictions indicate that by 2020 profits might be around 8.5 billion. (eTN 2018.)

2.3 Airbnb around the world

Company Airbnb offers an online platform for the travelers to be able to rent a space to stay from an individual. The system faced enormous number of complaints, judgement and security issues of the process. While spreading around the world Airbnb felt under local restrictions and regulation. Cases, such as in New York, where the host cannot rent the apartment for less than 30 days unless he/she is also living there. A tax issue is at a perturbation stage, where in many holiday renting cities visitors are expected to pay a tourist or hotel a fee, while Airbnb is avoiding this rule. (Coldwell 2014.)

The pressure on Airbnb is uncountable. Like in Barcelona in 2014 it was charged €30,000 for avoiding the local tourist laws and in Berlin, where Airbnb caused rent costs increase, a law that bans regular short-term stay without authority permission. Back then San Francisco, New Orleans, Malibu and many more other US cities were setting boundaries for Airbnb, and New York was in a prolonged legal dispute with the attorney general. (Coldwell 2014.)

In time when many cities were trying to fight Airbnb innovative system, Amsterdam became the first Airbnb-friendly city allowing the hosts to rent the places for up to two months of the year for four people at a time. But the owner is still asked to pay the taxes, including the tourist tax. In France, Paris joined the Airbnb friendliness and passed a short-term rental law. Eric Pickles, the UK secretary of communities and local government, passed reforms that scrap rules that prevented owners from renting on platforms such as Airbnb. (Coldwell 2014.)
Airbnb keeps on arguing about its privileges to the regions and to locals, for example, financial advantages and other more complicated subjects. After a research made in Barcelona it appeared that 75% of the renters on Airbnb have an income lower than an average level in the country. In time of many “fights” in different areas Airbnb has worked on their new terms in 2014 to make their clients (hosts and guests) more responsible in terms of local laws. A tourist fee was one of them, which was not payed before to the city. (Coldwell 2014.)

Somewhere in the range of 2016 and 2017, the quantity of individuals utilizing Airbnb to remain in places around the UK developed by 81%. In Edinburgh, the figure is much the same – and, as indicated by a report dispatched by Andy Wightman, a Green gathering individual from the Scottish parliament, there is additionally glaring proof of how much the matter of here and now has been colonized by purchase to-let profession landowners, whose properties are regularly kept running by administration organizations. (Harris 2018.)

In September 2017, 80 properties in the Scottish capital were recorded by a similar single "host", 28 such individuals or organizations had at least 10 properties recorded, and seven had more than 20. In London, where the offer of accommodation promoted on Airbnb in some focal wards is put as high as 6%, the same imbalanced picture appears to have been taken to crazy limits: toward the end of last year, it was uncovered that one Airbnb "host" had gotten £12m in a year from around 900 distinct apartments. (Harris 2018.)

In London, there is a yearly 90-day restrain on to what extent "whole homes" can be offered for here and now lets. Toward the finish of 2016, Airbnb consented to applying a similar govern to its own postings, and it currently proposes something comparative in the Scottish capital – a sign, maybe, that it may not be the toon scalawag a few people think. Be that as it may, there are clear routes round this hindrance: short-let profiteers can just hop from stage to stage (comparable tensions apply to such administrations as TripAdvisor, Booking.com, Onefinestay and HomeAway), relist rooms and pads on Airbnb with somewhat changed locations, or present entire pads or houses as individual rooms, transforming them into supposed "ghost hotels". (Harris 2018.)
2.4 Airbnb’s growth

A follow-up to last year’s (2017) annual AlphaWise survey of 4,000 consumers in the U.S., UK, France, and Germany, the report found a continuation of slower growth for the homesharing giant in those markets, as well as increasing competition from online travel agencies Booking and Expedia. For this year’s survey, the percentage of travelers who used Airbnb during the 12 months leading up to October 2018 increased to 27 percent, or about 2 percentage points. In 2017, the percentage of travelers who used Airbnb during the same period increased to 25 percent, up 3 percentage points. By contrast, in 2016, that increase was up 8 percentage points. (Ting 2018.)

![Rental Growth](image)

Table 1. Rental Growth of Airbnb in Helsinki. (AirDNA 2018)

In Table 1 can be seen that Airbnb began to develop extensively in 2012. With 600,000 postings toward the end of 2013, it achieved 1 million during 2017. The quantity of postings has had an upward pattern ever since 2015 achieving 2 million postings and in excess of 3 million in 2016. Additionally, up until December 2016, an aggregate of 140 million visitors have touched base at Airbnb postings since 2008 which is about 80 million just in 2016, which is double of the visitors in 2015. (Fissha & Shrestha 2017.)

2.5 Airbnb vs. Hotels

According to Figure 1 non-traditional homes are very popular on Airbnb. Many people nowadays are interested more in unique places to have a wider and
richer experience from the trip. Airbnb platform offers tree houses and castles around the world. (iPropertyManagement, 2018)

![2018’s Trending Spaces](image)

**Figure 1. 2018’s Trending Spaces. (iProperty Management, 2018.)**

The average rates of offered homes on Airbnb are similar to prices of a one-bedroom offer in the market place.

A study from 2016 showed the possible drop of contribution towards hotels by 2018. In Europe and U.S. in percentage the drop would be from 67.6 to 66.8 percent. It appeared to be that in Europe Airbnb accommodation is cheaper than a local hotel room for a night. The price is lower by 8 to 17 percent. It was also found that hotels lose more or less $450 million of revenues annually because of Airbnb. (iProperty Management 2018.)

In HVS’s opinion Airbnb will gain 5 million of over nights each year. Because of high demand at Airbnb the labor level had decreased as Airbnb is less labor intensive than the hotels and there is no need for them to provide the same level of service. Two-thousand eight-hundered jobs are directly lost because of Airbnb, in finances it is over $200 million. (Mahmoud 2018.)

Mainly hotels gain their main extra from the customers stay by upsellings. Food and beverages play the main collecting point. A loss of over $108 million has been detected as traveler’s favor going to Airbnb. This loss is counted not only from food and beverages but from other extra services that the hotel can gain money from at the moment of traveler’s stay. With this issue comes a loss in need of loyalty program. Hotels lose their frequent visitors, who were motivated
to stay more and longer with some benefits but what makes more profit for the hotel. (Mahmoud 2018.)

2.5.1 Hotel strategies

More inn networks are entering the transient private rental business. For instance, Hyatt just achieved a concurrence with The Oasis Collection, enabling explorers to book "handpicked" homes that meet lodging principles. Lodgings are growing new brands that could address diverse issues from different travelers, including the individuals who generally support Airbnb over inns. Marriott, for example, opened a few Moxy Hotels in the market, which is considered by the organization as the item that can battle against Airbnb. Inns are pushing lawmakers to force stricter directions on room-sharing administrators. Different makeovers of inns' current items/administrations include: tricking clients to book through the lodgings' website with certificating the minimal cost around the market, and also reexamining their dedication programs, intending to fascination new clients and in the meantime, keeping their current clients satisfied. (Kwok 2018.)

2.5.2 Airbnb strategies

Airbnb is prepared to enter the land showcase, in opposition to the "benefit light" procedure received by inns. In December 2017, Airbnb simply made a declaration that the organization would put $200 million in the organization's marked loft venture in urban areas over the U.S. Inhabitants in these lofts will have the authorization to lease their place on Airbnb for up to 180 days a year; they would then share a segment of the income they make with the proprietor. The condo buildings will likewise be worked with "Airbnb-accommodating" plans, for example, keyless passage and shared regular regions. Airbnb needs to blow up a full-benefit travel organization in the wake of securing a few other travel benefit organizations. Airbnb is effectively enhancing its items for business explorers. Airbnb not just propelled a site that tailors to business voyagers yet in addition gives clear rules helping them make their postings "business-explorer prepared." Different administrations that Airbnb is taking a shot at include: improvement of a device that will give dependable web associations with explorers and battling back against the cabin business and the claims against the organization. (Kwok 2018.)
2.6 Airbnb in Helsinki

Throughout the years, the quantity of Airbnb clients in Finland has expanded in light of the fact that the cost is reasonable and it likewise encourages tourists to construct new associations with local people, investigate new societies, furthermore, it can be seen that in Finland individuals can unreservedly include in Airbnb as hosts at whatever rooms or flats they stay, which make this sort of convenience, thrive rapidly and firmly, particularly in current setting of monetary strains.

Pekka Mustonen has done a research about accommodation situation in Helsinki and Airbnb for the last year. From his research the number of accommodations grew in Helsinki from 2016 to 2017 from 59 to 67 hotels. The number of registered accommodation establishments increased by 9% during the same period, where the rooms were slightly under 10,000 in Helsinki and the room occupancy rate in the capital was 73 percent last year. At the end of August in 2017, the utilization rate was at 85%. Single night capacity has been fully occupied and hotels are therefore fully booked. For comparison, e.g. according to Mustonen’s research statistics, single night capacity in Lapland has grown to 70 percent. (Mustonen 2018.) According to AirDNA statistics, today Helsinki has 3,082 available rentals, with an average of €92 daily rate and 80 percent of occupancy and around €1,566 of landlord’s monthly revenue (AirDNA 2018). Airbnb’s sales in Helsinki last year were over €24 million. The biggest sales were 3.8 million in August, just at the same time as the hotel occupancy rates were the highest. Of Helsinki’s total sales of Airbnb, Helsinki accounted for 42 percent. When the sale of registered accommodation is added to the review, so in the case of Helsinki, virtually hotels, the proportion of Airbnb can be calculated. In 2017, Airbnb’s share of Helsinki’s total accommodation sales was 7.5 percent. Airbnb has contributed and facilitated the growth of tourism in Helsinki. It gives the scale of the phenomenon and its implications, to what more attention needs to be paid in the future. (Mustonen 2018.)

Airbnb has biggest demand in the area of Helsinki contrasted with whatever other location in the country, half of the aggregate postings in Finland are situated in Helsinki. The rentals in Helsinki began in 2010, according to AirDNA, and the start number of booked overnights was 2. In four years, to 2014, the number grew
In 2017, it has gained a significant growth from the year it started and flew to 9,393, and its annual growth of rentals today reached 60%. (Fissha & Shrestha 2017.)

In Table 2 can be seen that Helsinki hosts offer studios, one-two-three-four and five-room apartments. The biggest offer in the city are the one-room apartment of 1,422 rentals, which is 56% of the total. From Figure 2 can be observed what options are the most offered on the website which is whole home for rent from the host. (AirDNA 2018.)

Table 2. Airbnb’s Rental Size in Helsinki chart. (AirDNA 2018)

Figure 2. Active rentals in Helsinki. (AirDNA 2018)
2.7 Hotel Industry

Hotels experience change each and every day, encountering changes in visitors, rates, menus, occasions and staff. At a significantly larger amount, lodgings encounter changes in administration, brands, work duties, income procedure and visitor desires. Far reaching changes in dispersion, innovation, investigation and industry mergers additionally influence the cordiality business in almost every district. (Meerendonk 2018.)

Change management in income administration alludes to how hotels progress their people and groups and adjust their assets, procedures and innovation to genuinely rebuild their association toward a shared objective. Change is a procedure in itself – and distinctive levels of a lodging association will be affected by the advancement of progress. Hotels must plot the current condition of their association, transitional periods and the coveted future result – and how they will include each layer of the organization for a smooth stream all through each department. (Meerendonk 2018.)

Analytics enable hotels to move considerably advance past the typical income administration forms into saddling information and estimating abilities to investigate, anticipate and improve income results. The present examination help lodging associations investigate why examples and patterns are going on to foresee whether comparative or diverse outcomes will develop. By deciding why particular outcomes are developing – and on the off chance that they hope to proceed – associations would then be able to begin to streamline them by making a move to get the best impacts and convey income execution. (Meerendonk 2018.)

There are numerous parts of analysis and innovation that assume a job in conveying ideal outcomes: high execution determining abilities give a dynamic choice of many estimating calculations and models to give the most ideal outcomes; granular information and choices can be accommodated different hotels by departments, fragments, room types, day parts and rate codes; predictive analytical tools permit hotels comprehend the effects of evolving procedure; propelled evaluating and stock controls augment income openings; and extended information sources, for example, reputation, focused execution,
rate shopping and estimation of interest can be coordinated into choice yields. (Meerendonk 2018.)

Recent innovations in hotel department develop against the background of technology movement. Easier, simple and fast services compared to previous options are implemented. When apps came to the world market and traditional hospitality market was overtaking by newest “sharks” with their innovative technologies, the traditional market started to catch up and develop with the “new world”.

SaaS (Software as a Service) has decreased administrative and informative issues for small hospitality businesses, which have no possibility to invest into technological help. Small, budget establishments in hospitality business can afford the automated system for better system organization. (SOEG Jobs 2017.)

Beside the conventional registration encounter, innovation has made it less demanding for visitors to check in, ask about their rooms or updates and additionally acquire RFID keys. Innovation has assumed a key job and Easy check-in is something which is straightforward yet a standout amongst the most critical developments in the friendliness business over the previous decade. (SOEG Jobs 2017.)

With free companion applications in the market, it is presently conceivable to control your room remotely through your telephone or tablet to turn on the TV, or order food. Apps accessible for both Android and iOS would now be able to enable visitors to get to a scope of administrations including booking arrangements for spas, set wake up calls, requesting a taxi, and so on. (SOEG Jobs 2017.)

Wearable innovation has been making rounds in a few top hotels over the globe and is by a long shot extraordinary compared to other developments in the accommodation business. Wearable tech, for example, keycards, both for workers and visitors, can gather information, for example, the most frequented areas by your visitor with the goal that administration can be custom-made. According to Figure 3, the internet has influenced each side of our lives to such an extent that visitor do not remain at a hotel where they cannot get to the Wi-Fi.
This advancement has now been commoditized and the vast majority of the inn currently gives Wi-Fi for free. It is only a couple of years when inns used to charge a heavy cost for Wi-Fi utilization. (SOEG Jobs 2017.)

![Wi-fi is king.*](image)

* A free wireless connection is the most important amenity for hotel-goers, followed by free breakfast. Browsing the internet over a plate of waffles is a guest’s real idea of luxury.

Figure 3. A Hotels.com survey reveals which amenities guests want the most. (Liu 2012.)

2.7.1 Hotel occupancy in Helsinki region

A business' occupancy rate is the measure of leased space contrasted with the measure of aggregate space accessible. Occupancy rate is a term utilized by hospitals, lodgings, condos and assisted living offices to decide the level of accessible units. For instance, if you live in a flat intricate with 500 units and 450 of those units are being leased, your complex has a 90 percent inhabitance rate. That implies that 90 percent of the units accessible to be leased are possessed. Occupancy rates are essential to entrepreneurs since they can connote achievement - or disappointment - of the property being referred to. A lodging that has reliably low occupancy rates, for instance, might imply that property has critical issues that make it ugly to the overall population. The occupancy rate can likewise be utilized to decide how beneficial the office is contrasted with its rivals, or how changes in valuing or advertising procedures affect its business. (Hendricks 2018.)
Nights spent in the hotel in October 2018 was nearly to 1.4 million, which makes of 2.8% extra from the previous year. During the medium-term visitors' percentage expanded by 6.7 percent, which makes it 350,000 visitors that the hotels have fixed. (Official Statistics of Finland 2018.)

The average occupancy rate of 2018 in Helsinki was 53.8 percent in October, when compared to the previous year, the average occupancy rate was 53.3 percent. Throughout all Finland it was fixed a 70.6 percent of occupancy rate in the region Uusima, which makes it the highest in the country. Sixty-point-nine percent was in Vantaa region for 2018 October, and 65.8 percent in Tampere. In Helsinki, 2017, the average occupancy rate was 78.5 percent with an average price per night of EUR 99.04. A year later, it became EUR 98.88. Table 3 below shows the average occupancy rate and price around Finland. (Official Statistics of Finland 2018.)

Table 3. Hotel room occupancy rate and the monthly average price. (Statistic Finland, 2018a)

2.7.2 Pricing

What is the reason for hotels to change prices at certain time of the year? How do hotels even reveal the price they should charge for particular room? First of all, there is no such thing as a widespread settled inn rate. Prices in each edge of the globe are continually changing relying upon regularity and prevalence. In any case, what else goes into valuing? There is nobody set factor for deciding how much a lodging will cost. Or maybe, lodging evaluating is controlled by any
blend of the accompanying elements: area, regularity, request, star rating, comforts, estimation of administrations and other inn rivalry. Indeed, even things like increments in flight pursuits to a specific goal or great and awful climate can affect lodging costs. Taking all these diverse things into thought, lodgings can decide their rates. Once in a while inns make any benefit in the event that they have similar rates for each room, each day. So as to take care of operational expenses (and to make a benefit), lodgings decide to raise rates for their lodgings. As inhabitance and request increments and supply (room accessibility) diminishes, rates are accessible. It is the exemplary free market activity. Regularly, numerous lodging depend on investigating inn information to make decisions on how much a room should be sold for. They can estimate costs by investigating any past value patterns at their lodging (contrasting high-season rates with low-season rates for instance) to check whether there is potential at a comparative cost example to happen in the next year. They likewise contrast their costs with different inns with get a feeling of what sorts of lodgings are moving at which rates. (Fanelli 2018.)

2.7.3 Revenues

The connection among supply and demand decides how the price will change. An expansion sought after an adjustment in supply will increase the price and then a decrease in demand leads to decrease in price. To be able to control the revenue at its minimum it is important to understand the principle and use it on a daily basis, analyze one’s own demand and supply. (Cogan 2018)

2.8 Average price in Helsinki: Airbnb vs. Hotels

According to the research made by Fissha and Shrestha, the costs of rooms in lodgings in Helsinki has vacillated during four years until 2017. In 2014, the cost of lodgings normally was EUR 101.29. The year of the research (2017), it went down to EUR 100.71. Be that as it may, from 2016 there has been an expanding in costs in the majority of the months in view of which the normal cost was EUR 106.89. Until September 2017, the costs have additionally observed an expansion contrasted with the previous year. The comparison of the average price of the hotel room within the years are shown in the Table 4 below. (Frissha and Shrestha 2017.)
Statistics for 2018 in the city of Helsinki shows that the average hotel room price is EUR 126.77 with the average occupancy rate of 80.3%. These statistics were taken from the report “Hotel capacity and capacity utilization, November 2018”. (Statistics Finland 2018b.) Nevertheless, August 2018 report on the same theme shows that the average price of the hotel room was EUR 123.87 with the average occupancy rate of 87.3 percent. (Statistics Finland 2018a.)

3 Methodology

Following thesis was done with quantitative research method to investigate the effect of Airbnb on the hotels in Helsinki and their occupancy rates, prices and revenues. Quantitative research is the process of collecting numerical data through institutionalized systems, and later with organizational methods observe and study the information collected. By using quantitative method, the data collection can be done manually or automatically. Manual data collection is mostly done at a small research that has a low percent of a human error at this point, while automated is used during a massive research, where the possibility of a human factor is higher. (Bhatia 2018)

Since the look into target is wide, it must be comprehended deeper. In this way, the data collected was provided by the people working in the hotel management in Helsinki especially in the administration office. Quantitative data was collected
via web-survey sent to hotel managers. The most relevant information about finances were given about year 2018 and additionally the past three years.

The survey was distributed throughout Helsinki to over 90 hotels of different ranges, from two to five-star. Author faced an unpredictable issue with number of collected answers from the survey of the following thesis. From the contacted hotels only 5 managers contacted the author back with a will to pass the survey.

The survey consists of 20 questions with five sub-questions. The questions in the survey contain multiple-choice answers with a possibility of commenting the answer provided. First part of the questions in the survey give an overview of the hotel, later it moves towards section about the financial statements of the hotel and the last main part asks the participant about the feeling, how Airbnb is seen by the hotel and its position in the situation.

3.1 Data analysis

Collected answers were proceeded partly technically and partly manually. Each filled survey was studied individually and later a group statistic was overviewed. According to the survey sections, which include overview of the hotel financial statements based on pricing, occupancy rates and revenues, and involvement with Airbnb, the answers were organized following the sections. Questions with multiple-choice answers were technically organized while opened-answer questions were reconsidered more detailed and organized manually.

4 Results

4.1 Participants’ overview

From figure 4 below can be observed that from participated hotels 80 percent are more or less new to the market. Their presence does not exceed 15 years.
Figure 4. The hotels’ operation time business.

Figure 5 below shows that 60 percent of the participated hotels are located in the downtown of Helsinki, while 40 percent are suburban. Zero hotels from Airport area participated in the survey.

Figure 5. The hotels’ locations.

The highest percentage of 80 percent in the capacity question was 100-299 rooms in the hotel, while the rest 20 are providing 300 or over rooms to stay, which can be observed in the Figure 6 below.
Figure 6. The hotels’ capacity.

Hundred percent of the participants, which is showed in Figure 7, chose the same for the question about their main competitors. “Hotels with the same range around the city” appeared to be weightier than other choices of the question.

Figure 7. The hotels’ main competitors.

In the question about highest season 40 percent of the respondents chose summer and other 40 percent chose autumn, which can be seen in Figure 8. The
rest of 20 percent considered spring as their highest season at the hotel. Zero participants chose winter.

![Chart 5. The highest season for the hotel.](image)

Figure 8. The hotels’ highest season.

4.2 Pricings, occupancy rates, and revenues

The room rates of the participants appeared to be almost at the same range. Sixty percent have their average room rates over 100 euros per night excluding VAT tax and breakfast, the rest 40 percent have their rates under 100 euros (60-83.10) excluding VAT tax and breakfast. The change of the average room rate was mainly stated as an economical factor between past 3 years asked and mostly it has grown. Information about room rates can be observed in the Figure 9 below.
Fourty percent of the participants (Figure 10) mentioned that their hotel had an average occupancy of 90 percent in 2018, other fourty mentioned the average of 70 percent, and rest 20 percent of the participants mentioned the average occupancy of 40 percent. In the past three years the average occupancy rate of the participants grew systematically at around 2-3 percent annually.
The change in hotels’ revenue had a difficulty in review as many participants pointed out that the information is confidential. From the ones who answered clearly, the revenue has been changing from 20 percent up yearly, to which some gained 1 million euros extra annually. None mentioned a decrease in the revenue either for 2018, or for the past 3 years.

4.3 Situation with Airbnb

One of the main questions to answer was “What in your opinion motivates people to choose your hotel?” One collective answer from 70 percent of the participants was location. Others mentioned luxury and homelike stay, simplicity of stay process, quality and services provided such as a big parking lot.

To the question about considering Airbnb as a competitor 60 percent of the respondents do not see the service/platform as their competitor while other 40 percent does. The question has a sub-question where the respondent answers openly about the chosen Yes or No. Mainly customers choosing a hotel, who took place in the survey, are looking for conference rooms at the same place of accommodation, experience that Airbnb cannot provide (such as breakfast as an extra service of the hotel). Those, who chose a Yes mention that they compete during summer season from May to August as it is a high season for family vacation and for specials events.

Sixty percent of the respondents do not see Airbnb as an affecting factor on the revenues, price change and occupancy rates, while other 40 percent does. The explanation of this 40 percent is that without Airbnb the ADR of the hotels would be higher but with the presence of this kind of competitor, even though not a very threatening one. On the question about Airbnb and its affect on the hotel 80 percent of respondents answered No, which states that Airbnb has not affected their business. Other 20 could not clarify how it has affected the hotel but mentioned that it is still a competitor and somehow does affect.

Question about monitoring of Airbnb also took place in the survey. Sixty percent of the participants answered that they have not review Airbnb, while other 40 had. No further explanation was given.

Airbnb taking over hotel market question gained 80 percent of negative answer, while 20% thinks that there is a possibility of that. The explanation of this 20
percent is mainly that there is a possibility of hotels to sell more capacity through Airbnb in the future. No actual takeover of the market is seen.

As the subject of this thesis is Challenges and Opportunities of Hotels in Helsinki Regarding Airbnb the question about opportunities of hotel with Airbnb took place. Sixty percent of respondents chose No, while 40 percent see a possibility which is a cooperation. Explanation of the majority mainly is that Airbnb cannot offer to customer the experience that hotels can, so they do not see any challenges or opportunities with this service. No further explanations were given.

To the open-ended question about what a hotel offers that Airbnb does not mainly gained answer of services. Hotel managers think that the level of success at this point are services they offer, interpreted as well as “full experience” including restaurants, spas, bars and concepts. Security and loyalty also in opinion of managers play a big role.

Every business has new to offer and to show to others when entering to the market to be a highlight and also successful. From question “What hotels can learn from Airbnb?” was revealed that it is to be local as Airbnb’s key strategy was and partly still is today. No further explanations were given.

5. Conclusion

The author of the this thesis has stated one main research question, “What are the challenges of hotels in Helsinki with Airbnb and are there opportunities?” and 3 related sub-questions, “Was Airbnb an impact of change in hotel industry in Helsinki?”, “Did Airbnb impact on the hotels’ revenues and pricing in Helsinki?”, “What changes in the hotel revenue management happened after Airbnb?”. To have an over view of the situation from the stated questions the author studied theoretical resources to be able further to understand how the practical (survey) part shall look like and how it can answer questions stated above.

The background in theoretical part has showed that the world view on Airbnb situation is partly critical and mostly to the very popular destinations as New York and Barcelona, where hotels were the ones overtaking the markets. With the Airbnb appearing the game has changed and many problems as financial have arisen. Competition has increased, and many have suffered. Through the time
laws and legislations has been taken and it partly changed the situation, but hospitality industry is still on the lookout as the competition still exists.

In case of particularly Finland and Helsinki at this point, Airbnb and hospitality businesses are in a peaceful relationship. In relation of prices, offers and quality, everyone is at the same level of contribution. In case of contribution it would be that hotels still are more in demand rather than Airbnb.

After the survey, data collected showed that hotels feel just fine about Airbnb and do not see it as their main competitor even in the nearest future. If there were drops and decreases in contribution of their services, they do not attend it to Airbnb but to economical issues in the country and in the world. Hotels mainly do not see any opportunities that can be found with Airbnb at this moment or in the nearest future. One respondent mentioned that there is a possibility of cooperation but not at this moment as there is not need. The market feels safe from the platform and has no issues with it yet.

In author’s opinion this feeling is followed by current laws and regulations in Finland. The property for any kind of rent must be registered and in this matter taxes must be paid. This case in Finland is strict and may be punished in case of breaking the rule. Renters take it more seriously and mostly because of the taxes costs for Airbnb flat’s price may be the same as a room in the hotel. The difference in correlation between Airbnb offers and hotels’ is low but looking at the occupancy rates of the hotels who participated in the survey, it definitely can be seen that hotels have nothing to worry about. People still have a priority in hotels rather than Airbnb.
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References


Appendix 1

Web-survey structure and questions.

Hotel Name

1) How long has the hotel been in business?

2) What is hotel’s location?

3) What is the hotel’s capacity?

4) Who is the main competitor of the hotel today?

5) Choose the highest season.

6) What was the hotel's average room rate in 2018?

7) How has the average room rate changed in the past 3 years?

8) What was the hotel's average occupancy rate in 2018?

9) How has the average occupancy rate changed in the past 3 years?

10) What was the hotel's revenue in 2018?

11) How has the revenue changed in the past 3 years?

12) What in your opinion motivates people to choose your hotel?

13) Do you consider Airbnb as hotel's competitor? * (Please, specify your answer below)

13.1) Please, specify your answer to the question 13.

14) Do you consider Airbnb as an affecting factor on the indicators mentioned in questions 6, 8 and 10? (Specify your answer below)
14.1) Please, specify your answer of the question 14.

15) Has Airbnb affected the hotel? (Please, specify your answer below)

15.1) Please, specify your answer to the question 15.

16) Has hotel management monitored Airbnb?

17) Do you think Airbnb will take over hotels in Helsinki the future? (Specify your answer below)

17.1) Please, specify your answer of the question 17.

18) Do you see any opportunities of the hotel with Airbnb? (Specify your answer below)

18.1) Please, specify your answer of the question 18.

19) What in your opinion hotels offer what Airbnb does not?

20) What hotels can learn from Airbnb?