

Budget accommodation sector set to grow as sharing economy takes hold

Budget and hostel sectors, including the commercialised private rental market such as Airbnb are continuing to grow globally as consumers increasingly value experience over formality. The choices these consumers make is highly influenced by social media.



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The importance of an online presence in the sharing economy

According to a new report on the limited service and hybrid hotel sector by HVS, the biggest users of budget accommodation are accustomed to booking through their smartphones, either direct or through online travel agents. This sector is starting to shape part of a 'sharing economy' whereby consumers value 'access to' rather than 'ownership of' goods and services.

As a result of this movement online sales of hotel accommodation through intermediaries such as OTAs as well as direct sales are forecast to continue growing, bridging the gap between guests and smaller independent hotels. Offline sales, as a percentage of total sales, are forecast to continue decreasing, confirming the importance of an effective online presence.

"There are now signs that rather than consolidating the larger hotel groups' positions, the proliferation of OTAs is fragmenting the market, which may benefit smaller operators who can crowd together," said report author Harry Douglass.

The 'now' generation' and the hybrid hotel concept

"The industry is embracing technology to make sales from the 'now generation', a consumer group that makes instant hotel decisions, often based purely on online peer to peer platforms such as Facebook and Twitter - which have become the new 'word of mouth'."

The report, [*The Budget Hotel Sector's Position in the Sharing Economy*](#), has been released the week of the second Hostel & Budget Traveller conference which took place 16-17 November 2015 in London and was attended by owners and operators as the hybrid hotel concept gains traction.

As part of the report HVS undertook a review of the research into the private rentals market across eight European

countries which reveals the budget and hostel sector has grown from about 8% of the market in 2008, to 10% in 2014. This share is forecast to increase to around 12% by 2017, particularly as the sector gains recognition in new and emerging markets.

"This expansion is also shown to capture market share from the chain hotels. Hyatt Hotels recent purchase of a stake in Lifealike Ltd demonstrates the hotel industry's increasing acceptance of the necessity to take a position in the peer-to-peer distribution market," added Douglass.

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