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## **The King is Naked**

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Special Edition: COVID-19 Crisis



While the travel industry has been hit with various crises over the years, including SARS in 2003, H1N1 in 2009, and the 9/11 attack, the scale of coronavirus impact is unprecedented with global economic shut-downs. Historically, crises to hit our industry were either regional in scope, like SARS in 2003 or shorter duration, such as the 9/11 attack. The COVID-19 virus is broader in scope, and its unknown duration has turned the entire travel industry on its heads. Depending on how long the restrictions and warnings are in place, the impact of COVID-19 on our industry might be catastrophic, with all facets of the industry being impacted.

A recent STR report showed that the US lodging industry experienced a negative year over year decline for the week ending March 14th (hotelnewsnow.com, 2020). We can expect the performance in the industry to continue declining as the coronavirus impact has not fully peaked yet. No segment will be spared as hotels will experience a significant decline of both groups and transient travelers. With groups traditionally booking further out in advance when compared to their counterparts, we can expect transients to rebound earlier once the COVID-19 threat subsides.

Compared to hotels, Airbnb's business model has held up worse to the viral impact. Compounding the fact represents the lack of decisiveness with Airbnb's recent responses to their cancellation policy. Unlike hotels, Airbnb relies more on smaller properties or business owners and individual homeowners who possess minimal

resources to take precautionary booking measures in regards to crises. Airbnb's accommodation listings are based on individual hosts who gain the option to favor between three cancellation policies: flexible (refundable), moderate or strict (non-refundable) policy. The quickly escalating impact from COVID-19 brought the lack of cohesiveness with Airbnb's cancellation policy front and center. This has led to a large-scale uncertainty amongst both guests and individual homeowners who have come to rely on Airbnb. All of which puts a significant question mark around the Airbnb brand moving forward, which has strived itself on providing experiences to their customers via connecting homeowners with guests for enjoying the local cultural experience.

As the current crises have thrown a wrench in the travel industry, hotels and airlines have responded by working on various strategies to ease the rebooking of reservations by waiving charges and cancellation fees for bookings. Airbnb has finally followed suit by introducing more flexible reservation and cancellation policies, albeit not consistently (Airbnb, 2020). Initially, Airbnb did not offer any indication that it would compensate hosts for canceled reservations. For every customer cancellation that Airbnb approves, there is a host at the other end who is losing in revenue. Nevertheless, in response to customers' criticism and complaints on social media, including Twitter, Airbnb changed course and allowed customers to cancel reservations and receive a refund. Airbnb, on top, went one step further by encouraging its hosts to understand the current situation and be more flexible.

Ultimately, Airbnb has issued an extenuating circumstance policy for both hosts and customers to cancel without any penalties. However, their initial response avoiding to consider taking responsibility for all refunds and pushing that on to hosts indicated how the inflexibility of an online intermediary caused discrepancies between the provider and the consumers. Their initial strategy resulted in exposing the provider weakness and contributing negatively to brand awareness.

Without a doubt, Airbnb and the other platforms made requests on their hosts to follow the health authority guidelines and adopt necessary precautions to protect the customers and themselves. Given the health and safety risks, Airbnb, similar to any other hospitality or travel industry company is monitoring the status and is making adjustments based on the local restrictions and health advice of authorities and the needs of the market.

Recent Twitter tweets from March 11th, 2020, to March 20th, 2020, on Airbnb show the potential ramifications of Airbnb's response to the COVID19 crisis. The word cloud below shows a preview of the issues at hand while providing a microscope to how consumer sentiment has shifted on Airbnb.





**Apostolos Ampountolas, Ph.D.,** joined the faculty at Boston University School of Hospitality Administration after many accomplished years of teaching, research, and working for international hotels and travel companies. Prior to joining academia, he enjoyed a 20-year successful international career in travel, tourism, and hospitality, as well as providing consulting services to the industry sector. He supported hospitality firms, including Tui Hellas S.A., Plotin S.A (Thomas Cook AG), Zeus S.A. (Thomas Cook AG), and Kuoni/GTA throughout Europe, specializing in pricing optimization models and revenue performance. His research focuses on hospitality finance, including revenue management, pricing strategies, forecasting models, and financial analysis of hotel evaluations. He is an active member of the Association of Accountants and Financial Professionals in Business (IMA), the International Institute of Forecasters (IIF) and INFORMS Revenue Management and Pricing Section.



**Mark Legg, Ph.D.** recently joined the faculty in the fall of 2019 at Boston University School of Hospitality Administration, bringing two decades of analytical industry experience. His educational background includes a mix of mathematics and hospitality management with a Ph.D. in Hospitality Administration from Oklahoma State University and Bachelors and Masters degrees in Mathematics from SUNY at Buffalo (UB). Mark has spent the past two decades building industry-leading analytical solutions within the hospitality industry while assisting organizations with wriggling out as much value out of their data as possible. His experiences include building out an industry-leading corporate analytics department for an international hospitality organization to directing database, direct marketing, and CRM departments for one of the world's largest casino resorts.