



# Searching For A New Value Proposition For The Hospitality Industry

Meng-Mei Chen

EHL Hospitality Business School, HES-SO University of Applied Sciences and Arts, Western Switzerland

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## Abstract

*Peer-to-peer lodging companies, such as Airbnb, have emerged as significant contenders for the hospitality industry. Similarly, food delivery services and ghost kitchens also compete effectively with the restaurant industry. While the traditional hospitality industry faces threats from these new businesses, it still has chronic talent shortage challenges. What can the traditional hospitality industry do to mitigate threats from peer-to-peer lodging companies and talent shortages? This research conducted a literature review to find solutions. This research proposes a new value proposition, becoming the third place for social connection and human interactions to attract and retain customers and employees. This new value proposition addresses customers' needs for hospitableness, human interactions, and well-being. This value proposition also serves as the new purpose of the industry, which can provide a significant meaning for hospitality workers.*

**Key Words** *Talent Shortage, Peer-to-Peer lodging companies, Value Proposition, Meaning and Purpose, The Third Place*

**Track** *Market and Concept Innovations*

**Focus of Paper** *Theoretical/Academic*

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## Introduction

Peer-to-peer lodging companies, such as Airbnb, have emerged as significant competitors for the hospitality industry. In 2024, customers worldwide booked over 490 million Airbnb nights and experiences and contributed to USD 11 billion in revenues (Statista, 2025, February 26). Vacation rental revenues will increase at a CAGR of 3.9% from 2017 to 2029 and reach USD 125.58 billion in 2029 (Statista, 2024, November 24; September 16). On Booking.com, vacation rentals serve 35% of accommodation demands (Schaal, 2024). Once travelers have tried peer-to-peer lodging, their preference for hotels decreases from 79% to 40% (O'Shaughnessy, 2019). The peer-to-peer lodging industry has evolved into a serious contender for the hotel industry.

In terms of the restaurant industry, food delivery services and ghost kitchens have developed into challengers. In 2023, the meal delivery service generated USD 41 billion in revenues in Europe (Statista, 2024, March 25). In 2024, the number of food delivery users in Europe was 242 million and will grow to 286 million in 2029 (Statista, 2024, August 28). In 2030, ghost kitchens will hold a 50% market share of the drive-thru and takeaway food service (Statista, 2024, March 1).

The vacation rental industry or the peer-to-peer lodging industry, food delivery platforms, and ghost kitchens have different cost structures and are subject to various regulations compared to the traditional

hospitality industry. How should the traditional hospitality industry react to these new competitors? How can the conventional hospitality industry mitigate the threats associated with these new competitors?

Delivering experiences is at the heart of the hospitality and tourism industry. Can offering experiences help the hotel industry contend with the peer-to-peer lodging players? Mody Suess, and Lehto (2017) found that although Airbnb outperformed in terms of *communitas* and localness, hotels have competitive advantages in trust, safety, and reliability. Nevertheless, Mody et al. (2017) found that hotels are as good as Airbnb at translating customer experiences into extraordinary and memorable outcomes and producing desirable behavioral intentions. In other words, delivering unforgettable experiences can only put the hotel industry on par with the peer-to-peer lodging industry but does not offer competitive advantages.

Furthermore, delivering experiences requires committed employees. However, the negative image associated with the hospitality industry, such as vulnerability, job characteristics, and low pay, contributes to the chronic labor shortage problem (Saito, Brozovic, & Baum, 2025). The worldwide travel and tourism jobs are expected to increase from 271 million in 2020 to 449 million in 2034 (Statista, 2024, June 13). Yet, the hospitality industry has lost employees after the COVID-19 pandemic. For example, in the United Kingdom, industries such as software & IT services, corporate services, and construction benefit from labor inflows while recreation & travel, retail, and education lost their labor force (Morrin, 2021). In 2022, the job vacancy rate in the accommodation and food service activities sectors is around 4.5%, higher than most other sectors (Liu, 2024). For example, the EU accommodation sector still cannot fill 10% - 20% of positions and fails to attract and retain employees (Liu, 2024). Booking.com reported that 65% of the surveyed European hoteliers are concerned about their labor costs, while 61% are worried about the shortage of skilled labor (Statista, 2024). German hoteliers address labor shortages through apprenticeships, offering further training, recruiting older employees, improving work-life balance, raising salaries, or using foreign labor (DIHK, 2014). Nonetheless, these are not new responses and may not dramatically change the industry's negative image as an employer.

This research aims to critically review the recommendations related to the peer-to-peer lodging industry and labor shortage. Based on the synthesis of the recommendations, this research proposes a new business model for the future of the hospitality industry. Hence, the research question is: **What are the suggestions from academia to address the threats from the peer-to-peer lodging industry and labor shortage phenomenon?**

## **Literature Review**

### ***Experience Economy***

Mody et al. (2017) suggested that the hotel industry incorporates more experiential elements into their hotel concepts in order to contend with the sharing economy. Customers prefer meaningful social interactions with locals and unique and authentic experiences, and they use the sharing platform to satisfy their needs (Musaadah & Pesonen, 2016). Hotels can shift from delivering products and emphasizing service quality to becoming a platform, setting their products and services as the stage, and curating local experiences for holistic and memorable experiences (Mody et al., 2017).

Pine & Gilmore (1998), the authors of the Experience Economy, argued that the economy has evolved from extracting commodities to making goods, then delivering services to staging experiences. Because services have become commoditized, companies must differentiate by designing and delivering experiences. Pine & Gilmore (1998) stated that "an experience occurs when a company intentionally uses services as the stage, and goods as props, to engage individual customers in a way that creates a memorable event" (p. 98). While companies can mix the four dimensions of entertainment, education, escapism, and esthetics to create memorable experiences, Mody et al. (2017) add serendipity, localness, *communitas*, and personalization to make the accommodation experiencescape. Mody et al. (2017) further measured the experiences of hotel and Airbnb users and found that Airbnb leveraged these factors more than hotels did, especially in the localness and *communitas* dimensions. However, hotels have the advantage of being hospitable compared to Airbnb and should leverage this competitive advantage more (Mody, Suess, & Lehto, 2019). Hotels should focus on the human dimension or hospitableness, such as welcoming, kindness, respect, and a genuine desire to go above and beyond the guest experience in order to provide true hospitality in a commercial setting and compete successfully against the sharing economy (Mody et al., 2019). Travelers are increasingly

prioritizing a stronger connection among themselves and with the people they meet, and these people include both the residents and employees interacting with them (Mody et al., 2019). Hence, can hospitableness be the competitive advantage over the sharing platforms?

### ***Hospitableness***

Lashley (2000) distinguished hospitality from hospitableness. Hospitality is the provision of food, beverages, and accommodation to guests, while hospitableness is the orientation processed by hospitable people. Hospitableness is different from service orientation, which includes skills, attentiveness, and experiences and can be developed over time (Mody et al., 2019). On the contrary, hospitableness is like a personal trait and refers to a person's natural tendency to be welcoming and kind, respect others, and the genuine desire to please. Hospitableness can also be described as an attitude that makes guests feel welcome and secure (Altinay, Alrawadieh, Tulucu, & Arici, 2023).

The hospitality industry should empower employees to be better at delivering genuine hospitality that emphasizes the basics of hospitableness (Mody et al., 2019). Given that employee hospitableness is crucial in creating memorable experiences and creating competitive advantages for the traditional hospitality industry, the issue of talent shortage must be addressed.

### ***Talent shortage***

Talented employees contribute to customer satisfaction and should be treated as a competitive advantage. The hospitality industry can not only provide career opportunities but also promote thriving at work by offering formal or informal mentoring and coaching, career planning, learning, job crafting, and development programs to overcome the talent shortage (Manfreda, Kulichyova, & Ting, 2025; Shulga & Busser, 2019). Organizational empowerment, leadership, collaborative atmosphere, employees' perception of rewards and recognition, distributive justice, and procedural justice all have significant effects on employee engagement and thriving at work (Manfreda et al., 2025; Liu, Yu, Guo, & Li, 2022). Companies should provide leadership training programs to supervisors, encourage collaboration, encourage informal social events to nurture meaningful relatedness and connections among coworkers, clarify roles between team members, specify long-term goals for employees, and have fair reward and recognition systems (Manfreda et al., 2025; Liu et al., 2022).

However, the chronic talent shortage challenges require more than better human resource or talent management practices. The high-contact nature of the hospitality industry, intensive emotional labor, and irregular working hours all contribute to stress levels and mental health problems (Woo, Kim, & Xu, 2025). On the contrary, the health, wellness, and well-being of employees can become a sustainable competitive advantage for companies (Alcorn & Koo, 2025). Thriving at work and employee well-being can be an opportunity to revitalize the hospitality workforce and redefine employment practices because they have positive associations with enhanced job satisfaction, job performance, life satisfaction, positive emotions, subjective health benefits, innovative thinking, well-being, and career growth (Manfreda et al., 2025; Saito et al., 2025). In the same vein, Alcorn & Koo (2025) advocate that the discussion of wellness should be expanded from focusing on occupational wellness and emotional wellness to environmental wellness, financial wellness, intellectual wellness, physical wellness, social wellness, and spiritual wellness.

### ***Hospitality Employees' Interpretation of Purpose & Meaning***

The purpose of a company or an industry addresses the "why" question. When employees understand how their work contributes to the organization's or even the industry's purpose, they find motivation and meaning (McAllister & Odom, 2023). Meanings are crucial to employees as they are linked to employee performance. For example, employees who find their work to be highly meaningful perform it more passionately and are motivated to work (Jung & Yoon, 2016). Employees' understanding of their job meanings, such as work centrality, interpersonal relations, economic orientation, and obligation norms, significantly affect employees' job engagement and organizational commitment (Jung & Yoon, 2016). Yet, some researchers also found employees do not understand the meaning of their work (Golubovskaya, Robinson, & Solnet, 2017). Can the traditional hospitality industry's purpose provide meaning to employees and attract and retain talent? What is the purpose of the hospitality industry?

Golubovskaya et al. (2017) found that hospitality employees interpreted hospitality meaning with service management terminology, and the essence of hospitality and the hospitality lexicon is diminishing. If providing services was not the only purpose of the hospitality industry, what should the purpose be?

## Discussions

Ramon Oldenburg and Dennis Brissett defined *the third place* as a place that is neither home nor workplace. *A third place* is "a public setting accessible to its inhabitants and appropriated by them as their own" (Oldenburg & Brissett, 1982). *A third place* offers the possibility of socializing, spontaneity, and a willingness among all involved participants to go wherever the conversation leads them. Starbucks initially positioned itself as *a third place*, lost this essence, but aimed to bring it back (Lucas, 2024). Brian Niccol, the Starbucks CEO, wanted to reintroduce more personal touches and make his locations feel like *third places* for guests to work and socialize (Lucas, 2024).

Societal changes such as urbanization, the increasing number of single households, the long working hours, and technology all contribute to the weakening of social support and the rising of loneliness in society. In fact, the World Health Organization, the United States, and the United Kingdom all declared loneliness as an epidemic and encouraged social connections and human interactions to combat loneliness. For these reasons, the hospitality industry may find its new purpose – **becoming the third place for social connection and human interaction**.

Song, Altinay, Sun, & Wang (2017) found social interactions with employees and customers have a positive effect on senior customers' experiences, and the service manner of employees reduces senior customers' loneliness. Altinay, Song, Madanoglu, and Wang (2019) found that, in local coffee shops, elderly customers' interactions with other customers have a direct effect on customer satisfaction and social well-being. Similarly, Kim and Jang (2017) found that traveling and dining out provide significant therapeutic benefits by repairing feelings of loneliness. Furthermore, Velthuis, Mitas, Losekoot, & Bastiaansen (2024) identified six levels of commercial friendship in pubs, and these friendships can be deepened through mutual personal disclosure and social support. In other words, researchers have already found that by visiting third places and socializing, customers feel less lonely and even develop friendships with either employees or other customers. Mody et al. (2017 & 2019) already suggested that the hotel industry incorporates more hospitableness and experiential elements into their hotel concepts in order to contend with the sharing economy. Hence, **becoming the third place for social connection and human interactions** can be a new value proposition for customers in the hospitality industry.

On the other hand, **becoming the third place for social connection and human interactions** to relieve loneliness and contribute to well-being can be the new value proposition for employees. Most front-line employees defined the meaning of hospitality with service delivery, but they failed to articulate hospitableness (Golubovskaya et al., 2017). Although hospitality generally refers to the provision of food, beverage, and accommodation, it should have the hospitableness element. Yet, hospitableness is a personal trait, attitude, or orientation that does not equal the meaning of a job. The meaning of a job and work are the foundations of self-actualization (Jung & Yoon, 2016). **Becoming the third place for social connection and human interactions** to relieve loneliness and contribute to well-being makes one's job more meaningful than delivering services. With this new purpose, employees find meaning in their work and intrinsically become more motivated and perform better.

## Conclusion

Through literature review, this research aimed to identify the competitive advantages of the traditional hospitality industry over the peer-to-peer lodging industry to win the competition. Offering experiences can only put the hospitality industry on par with its competitors. The hospitality industry needs to leverage its competitive human touches in order to win over customers' hearts. Yet, this competitive advantage relies on talented employees who have been discouraged and demotivated by the industry.

This research advocates **becoming the third place for social connection and human interactions** to

relieve loneliness and contribute to well-being as the new value proposition for customers and employees. With this new value proposition, employees who align with this new purpose will find meaning in their work and commit to the industry, while customers will find friendships and eventually enhance their well-being.

With this new value proposition, the industry also needs to make some operational changes. First, the industry needs to understand the relationship between social connection, human interactions, and well-being. Having good social relationships has been identified as one of the key elements for well-being (Waldinger & Schulz, 2023). A clear understanding of the critical importance of good social relationships and the new value proposition will change employees' interpretation of their job meanings and work. Second, the hospitality industry also needs to identify best practices to initiate co-creation among employees and customers. Because employees will design and lead customers to co-create experiences, they will need new skills, such as initiating meaningful small talk and creating programs to co-create with customers. Third, employees will spend more time socializing, hosting, and co-creating with customers. Employees need to understand the benefits of social connections and human interaction to well-being and their crucial role in creating the benefits. Hopefully, the joy from human interaction will reduce work-related stress and emotional labor on employees. Fourth, employees will work with technology such as robots to reduce their time on repetitive tasks. More hospitality owners and managers are willing to invest in technology to solve problems associated with talent shortage. Hopefully, employers will share the savings gained from technology efficiency with employees to increase their financial well-being and retain talent. Fifth, segmentation and targeting will become more crucial as customers prefer to interact with people similar to themselves (Hanks, Zhang, & Line, 2020). The hospitality companies identify the niche market and serve as *the third place* for this segment. Sixth, the performance indicators will include not only revenues and profits but also the number of friends made, the duration of friendships, and the quality of friendships.

This research is not without limitations. This research relies on literature review, and the suggested new value proposition is conceptual. Future research can explore the feedback from hospitality industry practitioners and customers. Furthermore, researchers can develop and empirically test a theoretical model incorporating the relationship between threats from the peer-to-peer lodging industry and talent shortage, suggested new value propositions, and potential outcomes (e.g., performance indicators).

The hospitality industry is facing the unprecedented threats from peer-to-peer platforms and talent shortages. Although hotels and restaurants will not disappear in the near future, their contribution to the economy and employment may decrease. The academia needs to take a multi-discipline approach to draw insights from experience economy, talent management, well-being, organizational behavior in order to find the future of the hospitality industry. **Becoming the third place for social connection and human interactions** may be one of the feasible solutions.

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