



UNWTO Discussion Paper

Private tourism services through digital platforms

UNWTO Tourism Market Trends Programme

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Introduction

The emergence of the supply of tourism products and services by private providers through digital platforms – often referred to as the ‘sharing economy’ or ‘collaborative economy’ – has been welcomed by both visitors and the providers of these services. However, at the same time this has also raised questions and concern among traditional operators as well as among destinations.

UNWTO has prepared this discussion paper and is undertaking research with the objective of enhancing the understanding of this phenomenon by putting it into a context of development and change. This discussion paper aims at providing a first assessment of the situation and the identification of key issues. In addition, the research that is currently being undertaken seeks to specifically examine the impact of the so-called ‘sharing economy’ in different destinations, whether it is being addressed and how, the different opportunities and challenges at stake, as well as uncovering relevant case studies in the different parts of the world, ultimately contributing to the discussion on the way forward regarding how to adapt to the new situation. This paper is still work in progress and may be updated in time. The views reflected might therefore be subject to change in due course.

1 Tourism development and change

1.1 *Technology as a factor of change*

Tourism, like society and the economy, is constantly developing under the influence of, and often thanks to, many external factors. Following the comprehensive STEEPLD analysis, the **S**ocial, **T**echnological, **E**conomic, **E**nvironmental, **P**olitical, **L**egal, **E**thical and **D**emographic factors driving change can be identified.

As a result of change and innovation, the tourism landscape has been continuously evolving, with in recent decades, e.g. the appearance of airline alliances, the incorporation of low cost airlines, dynamic pricing and yield management, paperless travel through electronic ticketing and check-in, online travel agencies, all-inclusive resorts, time-share properties, boutique hotels, wellness, themed holidays, the Chinese tourism boom, the mega hubs in the Middle East, the cruise boom, the experience economy, storytelling, etc.

Analysis of factors of change

PEST

Political

Economic

Social

Technological

SLEPT

+ Legal

PESTEL or PESTLE

+ Environmental

STEEPLE

+ Ethical

STEEPLED

+ Demographic

Whilst technology is one of the major factors driving tourism development, it is by no means the only one. The growth of tourism has only been possible thanks to the development of transport means and infrastructure, enabling great capacity, higher speed and more comfort and safety when travelling, and lowering the cost of travel. Both step-by-step changes and incremental changes have shown an evolution from horse and sailing boat to jet plane. Technology also plays a key role in the evolution of buildings (heating, cooling, lightning, elevators, sound and images, cleaning, etc.), pools, attractions, food preparation, facilitation, safety and security, etc.

1.2 *Change and development*

Generally, change is an important driver of development as it tends to result in the:

- Incorporation of new products, markets and segments and the transformation of existing ones
- Offering of new, different, better or better value for money products and services
- Increase in choice, further differentiation, diversification and sophistication
- Enhancing user experience
- Use of economies of scale / lower costs
- Increase in labour productivity /added value
- Increase in competitiveness
- Overall, changes are a major source of market growth:
 - o Inclusiveness, i.e. they open up tourism participation to a broader section of society;
 - o They enable more frequent trip taking;
 - o They offer the opportunity for new entrepreneurs to enter the market.
- However, change also can be disruptive for traditional operators as they might become less relevant or even obsolete and might have to adapt in order to survive.

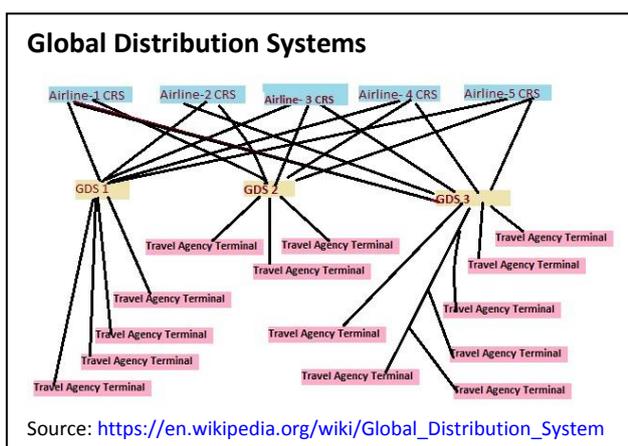
2 The ICT revolution

2.1 *Connecting the world*

In recent decades, the development of information and communications technology (ICT) has probably been the single biggest driver of change. The combination of telecommunications, computers, databases, networks, internet, mobile phones, wireless technology, global positioning systems and smart phones, etc. has facilitated the development of effective platforms to connect people and businesses, exchange information and execute transactions. For both public entities and private companies alike it offers an indispensable and very

powerful tool for management, logistics, distribution and marketing. ICT underpins many industries, such as the banking sector which uses ICT for accounts and financial transactions, or manufacturing which uses it for production and retail for sales. Some other industries have also been radically transformed by ICT development, such as the media and entertainment sector.

Tourism companies have been among the first to tap into the possibilities ICT offers. Tourism and ICT match very well, as tourism is more a virtual than a physical product, and one that only becomes tangible at the end of the process, when the traveller actually travels. The airline industry is one of the pioneers in developing automated Computer Reservations Systems (CRS) that evolved in Global Distribution Systems (GDS) in the 1970s and 1980s to facilitate the management of reservations and sales of air travel, hotel rooms, rental cars, etc. through companies such as Sabre, Amadeus and Galileo.



2.2 Tourism and the digital platform economy

With the spread of the internet in the 1990s, a generic infrastructure became available that quickly connected billions of users. Whereas in the past electronic transactions were predominantly conducted between businesses (B2B) through a dedicated infrastructure, the internet added the possibility to directly connect to and transact with customers (B2C).

Among the first companies in tourism to exploit the internet as a platform to connect supply and demand were the online travel agencies (OTA) and booking engines, such as Expedia, booking.com (both started in 1996) and Rumbo. Sometimes these were virtual extensions of existing physical businesses, but sometimes they were also start-ups, or new entrants in the tourism sector originating from tech firms, or companies linked to the GDSs bypassing the travel agencies they used to work with. Also, most airlines and hotel chains opened up to direct sales via the internet, bypassing any intermediary.

Additionally, B2C services that were previously covered only to a very limited degree, started to be offered through the internet, such as thefork.com/lafourchette.com or bemyguest.com.sg which opened up the areas of online reservations for restaurants and activities, respectively.

The exponential evolution of ICT enabled exploitation of the many new opportunities offered by the combination of digital platforms, mobile technology and smartphones, user-generated content, reviews and feedback, the integration with social media, the incorporation of global positioning services (GPS) to link with location, and the utilisation of big data and artificial intelligence.

3 Private tourism services through digital platforms

3.1 *From B2B and B2C to exchanges between private persons*

While transactions predominantly used to be B2B and B2C, a comparatively recent trend is the supply of private tourism services through digital platforms, where private persons offer products and services to others via an intermediary platform run by an organisation or a company.

This supply of private tourism services through digital platforms is often referred to as the 'sharing' or 'collaborative' economy, which can be understood as sharing information, goods and services in community-based peer-to-peer (P2P) networks. There are several terms which are used interchangeably with the term 'sharing economy'. They include, but are not limited to the 'collaborative economy', 'collaborative consumption', 'peer to peer (P2P)', 'consumer to consumer (C2C) economy', and 'participative economy'. The idea of transactions between peers is that supplier and user are on a rather equal level, and that the supplier is not a company, but generally a private person offering a product, service or information through an intermediary platform.

Peer to Peer exchanges first gained popularity in the collaborative development of open source software such as Mozilla Firefox, video file sharing like YouTube and knowledge sharing such as Wikipedia. Peer to Peer market places also opened at the same time, such as eBay, Amazon Market Place, Abebooks and Bookfinder, moving second hand goods and books from shops and classifieds advertisements to the internet.

In the tourism sector, instead of selling goods, the paid or unpaid provision of services and information prevail. Peer-to-peer activities has developed in the areas of information (e.g. TripAdvisor and Yelp), accommodation (e.g. Airbnb, HomeAway and Couchsurfing), transport (both taxi type such as Uber and Cabify and longer distance ridesharing such as BlaBlaCar), food (e.g. Eatwith, Feastly and VizEat) and things to do (e.g. BeMyGuest, ToursByLocals and Vayable). The names given as examples here do not describe the service, but rather the name of a platform. This is a characteristic of the peer-to-peer economy: In its pure form, private persons act as suppliers and users of private tourism services and rely on professional digital platforms to facilitate the necessary transaction.

Although the popularity of these services has reportedly been growing in recent years, understanding what this exchange between private persons actually represents poses a significant challenge.

3.2 *Are these private services really sharing or collaborative?*

Does the exchange between private persons really embody sharing or collaboration? In this regard, there is a need to distinguish between:

- Exchange that does not generate economic benefit beyond cost recovery or involves only occasional transactions; this form could be considered 'true sharing', e.g.;

- Sharing of opinions, reviews, ratings, comments, tips, etc., such as in TripAdvisor (at least with regard to user-generated content, on the other hand TripAdvisor acts like an OTA), Yelp, etc;
 - Hospitality exchange on platforms such as Couchsurfing, but also part of the offer on platforms like Airbnb;
 - The majority of longer-distance ridesharing services, on platforms such as Blablacar;
 - Part of home cooking and dining services, on platforms such as Eatwith, Feastly and VizEat, etc.
- Exchange that generates economic benefit beyond the recovery of marginal costs and involves frequent or systematic transactions; this form could be considered ‘commercial activity by private persons’, e.g.
- Part of the short-term short-term rental of accommodation, on platforms such as Airbnb, Homeaway;
 - Taxi-type transport services on platforms such as Uber, Lyft, Cabify;
 - Part of the activities and experiences offered by platforms such as BeMyGuest, ToursByLocals and Vayable.

For this category of commercial transactions, the term ‘sharing or collaborative economy’ is something of a misnomer, as activity generally takes the shape of a business and needs to be recognised as such.

However, this distinction is generally not as clear-cut in practise, as most platforms include both ‘true sharing’ and ‘commercial activities by private persons’, and many also include offers from regular companies alongside privately-offered tourism services.

As the services on the platforms described above seems to only concerns true sharing to a rather limited extent, we propose to refer to this type of supply more neutrally as ‘private tourism services through digital platforms’, and to abandon the use of the term of ‘sharing economy’.

‘Private tourism services through digital platforms’ refer both to:

- Private suppliers providing services and information to private users, both in terms of ‘true sharing’ and ‘commercial activities by private persons’, and
- The digital platforms facilitating these transactions.

4 Opportunities and challenges

In order to properly understand this new supply of private tourism services through digital platforms, it is necessary to distinguish clearly between the different actors involved:

- 1) the private providers,
- 2) the digital platforms, and
- 3) the users or customers.

It is important to identify what their interests are, as well as how they are affected in terms of opportunities and challenges. By taking a closer look at current practices, a few conclusions can already be drawn:

➤ **Private providers**

- There are plenty of private people interested in supplying products and services.
- A large variety and wide range of products and services is offered by a diversity of suppliers, for instance the offer through Airbnb ranges from unused couches to luxury castles.
- The motivation to take part is varied. It might be driven by the wish to gain some (extra) income, but it might also fulfil a desire to meet and engage with people, to share knowledge and experience, to do something meaningful or to contribute something positive to the world.
- The new offer is generally thought to make better use of underused assets (real estate, cars, equipment, etc.).
- For new suppliers, privately-offered products and services can serve as a low threshold entry in the tourism sector, turning into a regular business over time.
- The offer is often not entirely new, e.g. private short-term rental and private longer distance transport existed long before the emergence of the digital platforms (offered, for instance, through personal networks the bulletin board of the local supermarket or a classified advertisement in the local newspaper).
- Newly-offered private tourism products and services are generally not the same as the existing products and services offered by traditional suppliers, thus they complement the regular offer.
- The offer is not always permanent, but often temporary, depending on the available capacity and time of private providers. Also hosts or drivers might opt out at any given moment.
- Additional supply can cushion demand in peak periods. For instance, Airbnb was able to increase capacity in some of the Brazilian cities where the 2014 FIFA World Cup tournament was played.
- The new offer might break some existing rules (ranging from national to local, as well as, for instance, the rules for homeowners and tenants) but is not necessarily illegal.

- Traditions and regulations differ widely across destinations. For instance, new supply in some destinations has traditionally been part of the long-existing offer in others, such as:
 - o Bed and breakfast (B&B) is common in the Anglo-Saxon countries;
 - o Private rental is a long-established practice in many coastal and mountain destinations, e.g. 'Zimmer frei', especially in the peak season;
 - o Sometimes this type of offer is incorporated in specific categories such as 'casas particulares' in Cuba, Riads in Morocco, homestay programs in emerging destinations, etc.
- For a large part of the offer, it needs to be recognised that private supply offered through the various platforms is an economic activity that needs to find its place alongside the existing activity.

➤ **Digital platforms**

- In principle, suppliers and users can contact each other directly without the need for intermediaries. Digital platforms, however, enable to market services cost-effectively and with a worldwide reach and make transactions far easier.
- The platforms specifically focusing on private tourism services function as intermediaries that aggregate offer that can be searched and filtered, facilitate transactions, allow the sharing of reviews and feedback, provide with marketing and promotion, intermediate in case of disputes and build confidence and trust among sellers and buyers.
- Platform companies predominantly act as middlemen and hence avoid the risks and costs associated with the services offered, which instead rest with the providers of these services. For instance, drivers are responsible for their own cars if they do not carry any passengers and suppliers of accommodation are responsible for their apartments. While there have been some small developments, there still is a very large grey area in legal terms. As a result, in some cases, private suppliers may not be aware of their rights and responsibilities.
- Contractual terms vary. The actual provider of the service can be autonomous, an employee from a subcontracted company or a collaborator under a commercial contract with the platform for the supply of services.
- The review and rating system by customers and providers is an important feature of the platforms, valued by both customers and providers, as it helps to make a better-informed choice and increases trust and safety. However, issues could arise with regard to the veracity of the reviews. Also discrimination (racial, gender or otherwise) by both suppliers as well as customers (ratings acceptance) could be a concern.
- Digital platforms are not unique for private tourism services. Comparable platforms also exist for regular business, in particular the Online Travel Agencies (OTAs).

- Increased competition might be disruptive for some of the traditional operators. Companies might have to adjust to the new environment. However, this is not exclusively the case for private tourism services. This was also the case with the appearance of low-cost airlines or the entry of the online travel agencies. There is a new understanding of consumer needs and wishes, and traditional businesses are increasingly incorporating aspects of these private services into their own businesses.
- Platforms generally tend to be operated by large multinational companies, as consumers search for the most comprehensive aggregation of offers. This could lead to:
 - o The concentration of market domination on the side of these companies: while final suppliers are generally very small, the intermediaries comprise a comparatively small number of large multinational operators. This could result in them having excessive power in the marketplace and hence lack of competition;
 - o Fiscal engineering -or even tax evasion- with regard to the taxes to be paid by the platform companies regarding their activity may occur, as the transaction can be done in a different country (e.g. tax havens) where corporate taxes are lower than in the country where the service was consumed;
 - o However, both issues above are not specific to the platforms aiming to facilitate exchange between private persons, as they generally apply to all platforms, including more traditional online travel agencies and booking engines, such as Expedia or Booking.com.

➤ ***Users / consumers***

- There are plenty of visitors interested in using privately-offered products and services.
- Motivation to use privately-offered products and services varies. It is often thought that this type of demand is predominantly price-driven. For some travellers with modest budgets it may indeed enable travel. However, there are many other motivations, such as:
 - o The desire for a different type of experience (for instance, interaction with locals);
 - o The search for something that better suits ones needs or preferences (for instance, when travelling with young children it may be more convenient to stay in an apartment than in a hotel);
 - o The choice of options currently not available in the market, or in areas which are not sufficiently well-served. For instance, regular taxis do not generally facilitate sharing a ride with another client, whereas this is one of the options available with Uber. Likewise, some people might be fine with sharing a room if this enables them to travel. In longer-distance ride-sharing one might also be able to find a ride on a route that is not served by regular transport services, particularly in the case of more remote places;
 - o Safety and security can play a role, in particular with taxi type transportation, as in various countries, passengers may feel safer due to the registration of the driver and the

car in the system, the clear pricing system that cannot be easily manipulated and the system of ratings and reviews.

- Demand is also a reflection of a trend that values access to assets over ownership.
- The private offer is often not guided by the same rules that apply to regular businesses, which could give rise to consumer protection issues regarding quality standards, health and safety, privacy or equal treatment (non-discrimination policy).

5 Governance

In practice, as can be perceived from the ongoing discussion, the supply of private tourism services through digital platforms can give rise to a number of governance issues, focussing on four broad areas:

a) Fair competition and market conditions, maintaining a level playing field

As many transactions in fact are commercial, private tourism services often take the shape of a business, and hence need to be recognised and treated as such. In order to avoid unfair advantages, the new and the traditional offer should compete under comparable conditions, whilst at the same time taking the specific characteristics of their activity into account, such as size and regularity. In particular, there is often a need to address issues with regard to:

- registration, licensing or certification of the activity, and
- taxation (VAT, income tax, corporate tax, local tax, etc.).

Existing regulation often fails to properly cover or fit private tourism services, and transactions fall into a grey area.

b) Consumers protection

When dealing with private suppliers, consumers are essentially responsible for themselves and are generally not protected in the same way as in the case of traditional suppliers. Digital platforms establish guidelines and standards, which rely on self-regulation and 'complaint reporting mechanisms' to enforce these, meaning that in many cases there are no guarantees that private providers and consumers are properly protected. These limitations have been recognised by the platforms themselves. In this area, the following aspects should be reflected:

- Transparency of information
- Quality standards
- Health and safety
- Privacy
- Equal treatment (non-discrimination policy)
- Accessibility requirements

- etc.

c) Labour conditions of the work force

The supply of private tourism services has generated new employment opportunities, but regularly in the form of self-employment. In the same way as consumers have to rely on themselves, this is true for the suppliers as well. However, it is not always clear what terms and conditions are agreed between private providers and platforms, as well as what are the rights and obligations to suppliers (as ‘workers’) and consumers. In addition, a ‘second level industry’ starts to emerge, providing the original suppliers of private services with backing services such as cleaning apartments or insuring cars. All this may create uncertainty and blurred boundaries in the following areas:

- Hours and remuneration
- Health and safety
- Social legislation, social security / insurance
- Qualification and training
- Externalised labour (independent contractors, precarious and undeclared work, background checks of workers)
- Insurance, liability and responsibility
- Equal treatment (non-discrimination policy, equal opportunities)
- etc.

d) Public sector and civil society: tourism planning and sustainability

Private tourism services provided through digital platforms can play a role in boosting economic development, developing neighbourhoods and offering new employment opportunities for the local population. When integrated into a responsible and sustainable framework, tourism can clearly have a positive effect for local residents and the livelihood of neighbourhoods (e.g. through the economic activity it creates, the availability of more services and increased safety). However, when growth is too big or too fast, or tourists behave inadequately, tourism can become a burden and negatively affect the quality of life, to the extent that residents start to perceive tourism predominantly in negative terms as has happened in various popular destinations. Private tourism services can add to this pressure, especially as growth might take place in a rather uncontrolled fashion.

Key issues and concerns in this area include:

- Territorial development and urban planning and housing (unplanned development, uncontrolled and unsustainable growth, housing availability and affordability, tourism gentrification and crowding out of traditional residents, ineffectiveness of zoning)
- Quality of life (overcrowding and congestion, increased tourist traffic in residential areas, nuisance to neighbours and neighbourhoods)

- Issues of cleanliness and waste collection, noise levels
- Safety and security (theft, vandalism and violence)
- Environmental protection
- etc.

6 Adaptation and the way forward

There is no 'one size fits all' recipe, as traditions and realities vary widely and business environments can range from the very regulated to the very liberal. Up until now, the discussion on this topic has been largely centred on North America and Europe. For this reason, it is important to underline that the impact of these private services varies with the geographical location and market maturity of a destination, hence the need to adopt a differentiated and tailored approach for each sector and destination.

In terms of the way forward, there is an overall need for:

- Dialogue with all stakeholders, i.e. traditional operators, new operators, national and local authorities, etc. (Vitamin 3C: Collaboration, Cooperation, Coordination).
- Measurement, which is key to properly understanding the impact of this activity, and to taking informed and evidence-based decisions.
- Rethinking regulation, i.e. reviewing current rules and adjusting, if needed, in order to replace obsolete parts and remove inefficiencies. This could translate into additional rules, but also into liberalisation. It is vital to tailor regulation by case and destination, and to make sure that it is proportionate to the scale of the operation.
- Guaranteeing enforcement (if rules are not or cannot be enforced, they may do more harm than good).
- Some destinations and companies have already started to embrace and incorporate elements of the new offer, for instance, hotels serving as a reception desk for properties in the neighbourhood, handing out keys, responding to queries and solving problems, as well as giving access to facilities such as restaurants and gyms.

7 Research

In order to guide UNWTO Members with regard to the issues related to the emergence of private tourism services through digital platforms, research is undertaken focussing on the following three components is being undertaken:

- a) Desk research to make an inventory and produce an overview of relevant international research, such as produced by the Organisation for Economic Co-operation and Development (OECD), the European Union, HOTREC (the umbrella Association of Hotels, Restaurants and Cafes and similar establishments in Europe), the American



Hotel & Lodging Association (AHLA), the Caribbean Tourism Organization (CTO), the Pacific Asia Travel Association (PATA), European Cities Marketing (ECM), the World Travel & Tourism Council (WTTC).

- b) A survey among Members, selected Affiliate Members and selected cities from the city network in order to take stock of the extent to which the phenomenon exists, raises issues, and how these are addressed.
- c) Collection, analysis and compilation of relevant case studies on how destinations are addressing the issue, selected through work done on sections a) and b) and aiming to reflect the variation in the approaches chosen.