

## The sharing economy and tourism

The irruption of the sharing economy can be seen in many areas of the economy, but it is having a particularly big impact on the tourism sector. Many of the services offered between peers (P2P) through the sharing platforms are seen as an alternative to professional tourism services of accommodation, leisure and transportation. Given the scale that many of these platforms have reached over the last few years, it is no wonder that part of the tourism ecosystem has been altered. In this article, we analyse the impact that the sharing economy is having on the tourism market.

The popularisation of the sharing economy is changing the way in which some tourism services are provided and has generated new ways of travelling (see figure). However, platforms' level of penetration in the tourism market varies across subsectors. In particular, the impact is high in the initial phase of the customer journey, where platforms that connect people who rent out properties with potential customers act as de facto booking centres for tourist accommodation, complementing traditional providers. Likewise, we find platforms that help users to create their own tourism packages by facilitating the exchange of information (reviews, recommendations, etc.) with other tourists and local residents to help them plan their trip. Similarly, in the travel and destination phases, passenger land transportation services have been altered by the sharing economy. In fact, the temporary rental of vehicles between peers is one of the most prominent examples of the sharing economy in the tourism sector.

### Impact of the sharing economy in the different stages of the tourism customer journey

| Pre-trip (booking)                                 | Journey                             | Destination  | Post-trip  |
|--|-------------------------------------|--|--|
| Accommodation                                      | Land-based passenger transportation | Sporting, recreational and entertainment activities              | Review platforms   |
| Traditional  | Share the cost of travel            | Equipment rental   | Exchange of views and recommendations on the quality of tourist services |
| House swap between two individuals                 | Taxi services                       | Tours and tourist activities                                     |  |
| House sitting                                      |                                     | Workshops and classes  |  |
| Work in exchange for accommodation                 |                                     | Food and drink services  |  |
| Hotel booking resale platforms between individuals |                                     | Gastronomic activities   |  |
| Review platforms                                   |                                     | Vehicle rental between individuals (bicycles, boats, cars, etc.) |  |
| Exchange of information between users              |                                     |  |  |

Source: CaixaBank Research.

crucial for understanding the rise of the sharing economy.<sup>1</sup> Although the provision of tourism activities between individuals is nothing new – non-conventional or alternative exchanges between individuals have always existed – these interactions used to be limited to friends and acquaintances. Digital platforms have made it possible to extend these small exchanges to relations between strangers at an unprecedented scale by reducing the cost of access to market for individual providers, as well as transaction costs. Specifically, peer-to-peer platforms allow consumers to easily compare prices between different suppliers, find out more about the product or service being offered, review other users' opinions and, in many cases, communicate directly with the provider of the product or service.

Secondly, cultural changes and economic developments that have taken place in recent years have led consumers to be increasingly open to the idea of sharing resources and accessing goods on a temporary basis, rather than owning them. Among these changes, of particular note is the greater interest in the social element and the community – the desire to expand one's social circle through new related connections–, as well as the greater concern for the environment.<sup>2</sup> In this context, today's tourists also tend to place greater emphasis on the cost and the value for money of the services they use, partly because of the

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Also at the destination, where services provided are typically very labour-intensive, particularly at customer touchpoints, sharing platforms which offer more personalised services have become extremely popular. Such services might include gastronomic experiences in which tourists can share a meal with local residents, or travel experiences, such as sightseeing tours organised by locals who present themselves as a more «authentic» alternative to the services offered by traditional tour operators.

There are several factors that can explain the rise in popularity of the sharing economy in the tourism sector. Firstly, digitisation and new technologies are

1. European Parliament (2017), «Tourism and the sharing economy», Briefing.

2. Botsman, R. and Rogers, R. (2010), «What's Mine Is Yours: The Rise of Collaborative Consumption», New York: Harper Collins.

wide range of services available to them. Against this background, the tourism industry is an ideal candidate for the expansion of business models associated with the sharing economy, due to the nature of the services offered. Products that cost more and are used more occasionally are the most likely to be «shared» with third parties, so it is no surprise that accommodation and transportation services are those most affected by the emergence of these new consumption models.

Thirdly, tourists' expectations have changed. Tourist consumers – especially young people – are more open to organising their trips themselves and increasingly demand unique and personalised experiences.<sup>3</sup> This growing desire to enjoy «authentic» experiences has led to the emergence of new niche markets. In this context, the sharing economy has gained popularity by offering the possibility to engage in these types of experiences, which are more flexible and less standardised,<sup>4</sup> such as stays in unusual places and shared dining experiences with local residents.

In addition, the activities of the sharing economy have been developed at a time of rapid growth in the tourism sector<sup>5</sup> – the number of international tourists has increased by 38% since 2010–,<sup>6</sup> hence the growth of these kinds of activities has been even more visible.

### What effects does it have on the tourism market?

From tourism companies' point of view (supply), the arrival of the sharing economy is transforming the environment in which they operate. With the emergence of these P2P digital platforms, the offer of tourist services, usually made up of traditional companies, has grown considerably, as barriers to entry have been reduced considerably (it is easier for any individual to become a provider of tourism services). In this context, incumbent firms have been forced to respond to these changes in order to remain competitive. Many of them have focused their efforts on trying to meet tourists' expectations, often by reducing prices, improving the quality of the services offered, innovating or expanding the range of services. For example, traditional providers of tourist accommodation have introduced loyalty programmes that offer additional benefits to their customers, and they have started to offer activities and events which seek to «connect» guests with local residents and the local culture. However, many of the activities associated with the sharing economy are not covered by the current legislation, and thus unfair competition can occur, since incumbent firms are subject to stricter regulations. It is therefore important to develop a regulatory framework which provides legal protection and a level playing field for all competitors (for more details, see the article «The challenges of regulation in the face of the sharing economy» in this Dossier). On the other hand, up until now, the sharing economy has primarily affected transactions between peers, where one of the parties is a final consumer. Over the medium term, however, there is significant potential for business models associated with the sharing economy in which companies can share resources so as to reduce costs and improve the efficiency with which they operate.

For consumers (demand), this increase and improvement in the range of tourist services has been very positive, since it gives them greater choice and control.<sup>7</sup> Today, tourists have at their disposal more options for accommodation, leisure and transportation, which allows them to choose whichever option best suits their tastes, needs and willingness to pay. Furthermore, they can easily compare quality among different providers from all over the world and read the opinion of other tourists before deciding on a good or service. On the other hand, the sharing economy has also contributed to generate a new demand in the tourism market.<sup>8</sup> Given that P2P platforms provide an alternative range of tourist services, they attract new and different types of tourists. Some of these new tourists are attracted by the supply of local experiences, while for others, especially young tourists, the attraction is the lower price and the digital access to the service. In this sense, this «new» supply can help to create new niche markets or to attract tourists to destinations that were not popular before. However, in order to ensure an adequate level of consumer protection and minimum quality standards, it is necessary to include these activities in the legislation.

In short, the arrival of the sharing economy and of the new business models associated with it has had a disruptive effect on the tourism industry and has changed the way consumers see and use traditional tourist services. The sharing economy can help to improve the sector's competitiveness and to complement the traditional supply. However, the rapid growth that it has experienced in recent years poses a significant regulatory challenge, given that many of these activities are not covered by the current legislation. Adapting the legal framework to respond to this new paradigm, therefore, is crucial.<sup>9</sup>

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3. Amadeus Research Study (2013), «Trending with NextGen Travelers».

4. OECD (2016), «Tourism Trends and Policies 2016», OECD Publishing.

5. European Parliament (2017).

6. Data from the World Tourism Organization (UNWTO).

7. A. Stephany (2015), «The Business of sharing: Making it in the New Sharing Economy», Palgrave Macmillan.

8. OECD (2016).

9. European Commission (2016), «A European agenda for the collaborative economy - supporting analysis», Commission Staff Working Document.