Seminar on New Business Models: Disruption and Opportunities

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Tourism, changes and technology

World, economy and tourism constantly changing thanks to:

- Changes in the environment and in customers due to political, economic, social, technology, legal, environmental, ethics, demographic factors

- Reaction to changes and innovation: new ideas, R+D (C+I), entrepreneurship, business models, organisation, architecture, design, new or improved services, human resource development, etc.

- Tourism is a strong driver for tourism (as for other sectors of the economy)
  - Connectivity: transport, infrastructure, facilitation
  - Logistics, management and administration
  - Safety & security
  - Hospitality and catering
  - Marketing and promotion

- Tourism is continuously evolving
  - This often leads to incremental changes but sometimes to shifts, disruption (e.g. steam engine to combustion and electric engine; some new things come and go rapidly, e.g. pager, fax, ipod)
ICT: Connected world

Computer, internet, social media, mobile technology (apps, GPS, etc.) single biggest change in past decades

- The airline industry is one of the pioneers developing automated computers reservations systems (CRS) that evolved in Global Distribution Systems (GDS) in the 1970s and 1980s for reservation of air transport, hotel rooms, rental cars, etc. through companies such as Amadeus, Galileo, Sabre, etc.

- With the emergence of the internet in the 1990s a generic infrastructure became available that quickly spread to billions of users. Internet as gateway underpins a lot of both traditional and new businesses for information, transactions and marketing.

- Online travel agencies (OTA) and booking engines, such as Expedia, booking.com, Rumbo and Tui.com, were among the first companies to exploit the internet as a platform to connect supply and demand.
The rise of P2P marketplace platforms

While the previous transactions were predominantly B2B and B2C, a comparatively recent trend is the entry of alternative suppliers through peer to peer (P2P) platforms in tourism, where private persons offer products and services to others through an intermediary company. This is often referred to as ‘sharing’ or ‘collaborative’ economy.

But is P2P really sharing or collaborative? Need to distinguish between:

- P2P exchange without economic transaction beyond cost recovery, true sharing / collaborative economy
  - Sharing of opinions, reviews, comments, tips, etc., such as in Tripadvisor, Yelp, etc.
  - Most longer distance ride share such as Blablacar; most cooking and dining at home, such as eatwith and eatfeastly, etc.

- P2P exchange with economic transaction beyond recovery of marginal costs / for benefit
  - Short term holiday rental, such as in Airbnb, Homeaway; short-distance transport services, such as Uber, Lyft, Cabify; activities such as bemyguest.com.sg
  - For this category sharing or collaborative economy is a misnomer, as generally the activity takes the shape of a business and needs to be recognised as such
Disruption?

Opportunities and challenges

- Offer not always new, but internet makes transactions far easier and with worldwide reach
- Large variety of products and services on offer, generally not the same product as existing ones
- Might challenge some existing rules, but not necessarily illegal
- Traditions and regulations differ widely by destination, for instance
  - B&B common in Anglo-Saxon countries
  - Private rental long established practice in many coastal and mountain destinations, e.g., ‘zimmer frei’
  - Sometimes incorporated in specific categories such as ‘casas particulares’ in Cuba, Riad in Morocco, homestay programs in emerging destinations, etc.
- Makes better use of underused assets
- Additional supply can cushion demand in peak periods
- In most cases need to recognise it is an economic activity
- Increased competition might be disruptive for part of traditional operators
- For others, the new offer may also be a line of business
Adaptation

Governance

- Competition, maintain level playing field
  - Registration, licensing, certification, taxation, etc.
- Quality, consumer protection and privacy
- Labour conditions
- Tourism planning and sustainability

The way forward

- Dialogue with all stakeholders (vitamin 3C: Collaboration, Cooperation, Coordination), including with local communities and residents
- Rethink regulation
  - Review current rules and adjust if needed, replace obsolete bits and take inefficiencies out, can mean additional rules, but also liberalisation
- Guarantee enforcement
- Some companies already started to embrace elements of the new offer
Change as a driver of development

Resulting in:

• Offering of new or better products and services
• Increase of choice, further differentiation, diversification and sophistication
• Enhancing experience
• Use of economies of scale / lower costs
• Increase labour productivity / value-added
• Source of market growth
  – Inclusiveness, open up for a broader part of society
  – Enables more frequent trip-taking
• Source of market and social tensions. How do we deal with them?
Evolution and disruption

‘The only thing that is constant is change’

Heraclitus

c. 535 - 475 BC
Thank you very much for your attention!

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