Private tourism services through digital platforms
17th meeting Committee on Statistics and the Tourism Satellite Account
UNWTO HQ, Madrid, Spain
24-25 January 2017
John G.C. Kester
Director Tourism Market Trends Programme

Research UNWTO work in progress

Living project
Subject is constantly evolving and requires unconventional approach

• Discussion paper
• Survey for Members (full and AM) and city network, to take stock of to what extent is an issues and how it is dealt with, as well as to identify cases
• Cases studies
• Open area on UNWTO website for discussion paper, links to relevant material, pieces of research, and LinkedIn channel for discussion
• Offer relevant content when required, i.e. for meetings, conferences, etc.
Tourism and change

Actual Trend vs. Tourism Towards 2030 projection World

Source: World Tourism Organization (UNWTO)
External factors continuously change the world and tourism

- Social
- Technology
- Economy
- Environment
- Politics
- Legal
- Ethics
- Demography

Tourism

STEEPLED analysis (extension of PEST)

T is a strong driver for tourism (as for most sectors of the economy)

- Connectivity: transport, infrastructure, facilitation
- Logistics, management and administration
- Safety & security
- Hospitality and catering
- Marketing and promotion

T is continuously evolving

This often leads to incremental changes but sometimes to shifts, disruption (e.g. steam engine to combustion and electric engine, typewriter to word processor and printer; some new things come and go rapidly, e.g. pager, fax, ipod)

but T is a tool, tourism is an experience
Tourism, change and technology

World, economy and tourism constantly changing

Reaction to changes:
• Innovation: new ideas, R+D (C+I), entrepreneurship, investment, passion and perseverance
• Not all change is tech: e.g. business models, organisation, architecture, design, new or improved services, human resource development, etc.

Some recent game changers
• low cost airlines
• consolidation of traditional airlines
• mega hubs in Middle East and Turkey
• visa facilitation – safe, secure and seamless travel
• all inclusive resorts
• upgraded hotel club lounges/floors
• cruise lines
• experience economy
• storytelling

Future drivers of tourism development

Tech of the future
- ever increasing connectivity
- internet of things
- big data
- clean energy
- self-driving vehicles
- drones
- 3d printing
- voice recognition
- machine translation
- augmented / virtual reality
- flat screen advertisement
- artificial intelligence / robotics
- nanotechnology
- biotech

Other major areas of change
- demographic and social change
  - aging
  - migration
  - diversification of family structure
  - changing values and lifestyles
- sustainability
  - use of resources, waste
  - climate change adaptation and mitigation
- safety and security
- changing role of NTAs / NTOs
- Etc.
ICT: Connected world

Information and Communication Technology single biggest driver in past decades

1970-1990: from analog to digital
• use of computer for administration and management
• CRS’s/GDS’s pioneered by the airline industry for B2B transactions
• variable pricing, capacity, yield and revenue management
• entry of stand alone Personal Computers (PC) for office tasks and first local networks (LAN)

1990-2005: connecting the world
• mobile phone for speech and SMS
• Internet and the world wide web (www): a generic infrastructure became available that quickly spread to billions of users, underpinning both traditional and new businesses for information, communication transactions and marketing
• Online Travel Agencies (OTA’s) and booking engines, B2C
ICT: Connected world

Information and Communication Technology single biggest driver in past decades

2005-2016: the internet goes mobile and social
- paperless travel (tickets, boarding cards)
- mobile technology
- smart phone
- social media
- user created content, reviews
- digital footprint, big data
- e-marketing (use of internet and social media in marketing and promotion)
- GPS navigation and geo relevant content
- private tourism services through digital platforms, aka ‘sharing’ or ‘collaborative’ economy
Private tourism services through digital platforms

- While initially transactions used to be predominantly B2B and B2C, a more recent trend is the entry of alternative suppliers through peer to peer (P2P) platforms, were private persons offer products and services to others through an intermediary platform run by an organisation or a company.
  - Peer to peer exchanges first gained popularity in collaborative development of open source software such as in Mozilla Firefox, file sharing such as in YouTube and knowledge sharing such as in Wikipedia. Furthermore, peer to peer market places also soon appeared, such as eBay, Amazon market place, moving second hand goods and books from shops and classifieds to the internet.
- This is often referred to as ‘sharing’ or ‘collaborative’ economy, understood as sharing of access to goods and services from peer-to-peer, coordinated through community-based online services.
- The idea of transactions between peers is that the supplier and user or customer are on a rather equal level, and that the supplier is not a formal company but generally a private person.

In tourism the private offer developed in the areas of:

- information (such as Tripadvisor and Yelp)
- accommodation (such as Airbnb and homeaway)
- transport (both taxi type such as Uber and Cabify and longer distance such as Blablacar)
- food (such as eatwith)
- attractions (such as bemyguest)
### Private tourism services through digital platforms

**But are these private services really sharing or collaborative?**

**Need to distinguish between:**

- 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; some cooking and dining at home, such as eatwith and eatfeastly, etc.

- exchange with economic transaction beyond recovery of marginal costs / for benefit
  - short term rental of accommodation, 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 activity takes the shape of a business

### Private tourism services through digital platforms

<table>
<thead>
<tr>
<th>3 stakeholders:</th>
</tr>
</thead>
<tbody>
<tr>
<td>private providers / digital platforms / visitors</td>
</tr>
</tbody>
</table>

- Private providers by no means new
- Digital platforms also present for longer term
- Demand also always have been there

In most cases services offered are for benefit, so are businesses and need to be recognised as such
### Private offer

- There are plenty of people that are interested to supply and there is demand interested in using it.
- Makes better use of underused assets / value access over ownership
- Large variety and diverse range of products and services on offer by a diversity of suppliers
- Offer not always new and generally not the same as existing one
- Might break some existing rules, but is 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.
- Additional supply can cushion demand in peak periods
- Listings often temporal, hosts do often not stick with it
- Can serve as low threshold entry in tourism sector
- In most cases need to recognise it is an economic activity

### Digital platforms

- In principle suppliers and users could contact directly, but the internet makes transactions far easier and with worldwide reach
- The intermediary facilitates a platform uniting offers that can be searched and filtered and where transactions can be made, reviews and feedback are shared, does marketing and promotion, might intermediate in case of disputes and build confidence and trust among sellers and buyers
- Increased competition might be disruptive for part of traditional operators
- Concentration of market power: while the suppliers finally dealt with are generally very small, the intermediaries are a comparatively small number of large multinational operators. This is not specific for the peer to peer economy, though, as it is also the case for for instance more traditional online travel agencies and booking engines, such as Expedia or Booking.com
10% of total Airbnb listings are likely competitive with hotels

• 24.6 million in 2015, up from 8.5 mn in 1975
• number of bed places about double
• +2.7% a year average growth in 1995-2015
• comparatively slow growth due to 1) higher occupancy, 2) shorter stays, 3) faster growth in other type of accommodation (apartments, houses, second homes, timeshare, etc.)
• about 7.4 billion room nights on offer and 15 billion person nights
• occupancy around 60%
• 4.4 billion room nights sold
• around 3 nights average length of stay
• 1.5 billion travel parties received
• 2.2 billion guests received

Hotel rooms by region: 1975, 1995 and 2015

Source: World Tourism Organization (UNWTO)
Which Cities Have The Most Airbnb Listings?
Number of Airbnb listings in cities worldwide in 2016*

- Paris: 78,000
- London: 47,000
- New York: 46,000
- Rio de Janeiro: 33,000
- Los Angeles: 26,000
- Barcelona: 23,000
- Rome: 23,000
- Copenhagen: 20,000
- Sydney: 20,000
- Amsterdam: 17,000

* Listing refers to entire flats, private rooms and shared rooms
Source: Airbnb Data & Analytics

Airbnb occupancy rather lower, but highest in full markets

Airbnb occupancy the highest in markets that are full
07/16 12MMA

Includes Airbnb listings of all sizes

Airbnb listings are growing, but data suggests that only about 50% of listings last a year

Change as 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
- Need to stay competitive
- Source of market growth
  - Inclusiveness, open up for broader part of society
  - Enables more frequent trip taking
  - Opportunity for entry of new entrepreneurs

www.planetizen.com/node/87636/airbnbs-listings-expanded-2015-many-dont-last-long
Adaptation

Governance

• fair competition, maintain level playing field
  — rules, registration, licensing, certification, taxation, etc.
• consumer protection
  — quality standards, safety and privacy, etc.
• labour conditions service providers / workforce
  — e.g. Airbnb hosts, Uber drivers
• tourism planning and sustainability
  — unplanned development, congestion, nuisance, etc.

The way forward

There is no ‘one size fits all’ recipe, as traditions and realities vary widely and business environments can range from very regulated to very liberal. However, in general there is need to:

• Recognition that traditions and regulations differ widely by destination
• Dialog with all stakeholders
  — vitamin 3C: Collaboration, Cooperation, Coordination
• Rethink regulation, i.e. tailored to the new situation and proportionate to the scale of operation
  — review current rules and adjust if needed, replace obsolete bits and take inefficiencies out, can mean additional rules, but also liberalisation
• Measurement and research to take informed and evidence based decisions
• Guarantee enforcement
  — makes no sense to introduce rules that cannot be reinforcement adequately
• Adjustment to new situation
  — Some destination and companies already started to embrace elements of the new offer
Research UNWTO work in progress

Living project
Subject is constantly evolving and requires unconventional approach

• Discussion paper
• Survey for Members (full and AM) and city network, to take stock of to what extent is an issue and how it is dealt with, as well as to identify cases
• Cases studies
• Open area on UNWTO website for discussion paper, links to relevant material, pieces of research, and LinkedIn channel for discussion
• Offer relevant content when required, i.e. for meetings, conferences, etc.

‘The only thing that is constant is change’
Heraclitus, c. 535 - 475 BC

Thank you very much for your attention!

John G.C. Kester
Tourism Market Trends Programme
World Tourism Organization (UNWTO)
www.unwto.org
The millennial traveller

≈ generation born 1980-1995, so now aged 20-35
- in practice a rather heterogeneous group, term used in marketing not a scientific one
- grown up in a connected and globalised world, with internet, mobile devices and social media
- predominantly urban
- different attitude to work and leisure
- looking for interaction
- looking for authentic experiences
- like to share
- selective spenders
- driving growth across emerging markets with large young population eager to travel
The millennial traveller

Implications
- demand of today and tomorrow
- need to be well connected yourself (presence online)
- need to connect your guests (i.e. free wifi)
- need to connect with your guests (social media, apps)
- need to know your visitors: data and research
- personalise products, services, and experiences
- e-marketing

RECENTLY IN THE RESTAURANT

SPOILED BY THE FACEBOOK EFFECT

The millennial traveller

Embracing the consumer class and the era of the millennial traveller

The millennial traveller

Handbook on E-marketing for Tourism Destinations
Fully revised and extended version 3.0

Outbound market ‘netnographic’ studies based on the analysis of the blogosphere