

A discussion of the economic impact of the sharing economy in tourism - The case of Denmark

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Presented at the 10th International Seminar on Innovation and Tourism, www.visitinnovation.com, which took place in Palma de Mallorca on the 8th and 9th of October 2015.

Theme: Sharing economy in tourism – INTO 2015.

Session: Development of the economic impact of shared tourism

Arranged by: Department of Applied Economics, University of the Balearic Islands.

Overview

1. The context, the brief
 2. Defining collaborative / sharing economy
 3. How to measure tourism part of the S.E.
 4. Some statements and data from Denmark
 5. A study of Airbnb on Bornholm, Denmark
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- Questions, comments, discussion

The context .. the brief

Overall theme: Sharing economy in tourism

The focus of this session is especially on the economic importance of new business models and SMEs in the field.

In this presentation:

Tourism examples (business models) in Denmark and statistical data on the importance of the sharing economy in tourism.

From defining sharing economy to defining sharing (economy in) tourism

- **The Sharing Economy is a socio-economic ecosystem built around the sharing of human and physical resources.**

It includes the shared creation, production, distribution, trade and consumption of goods and services by different people and organisations.

- .. The Sharing Economy is currently in its infancy, known most notably as a **series of services and start-ups which enable P2P exchanges through technology ..**

Source: thepeoplewhoshare.com/blog/what-is-the-sharing-economy/

- **DEFINITION of 'Sharing Economy'. An economic model in which individuals are able to borrow or rent assets owned by someone else.**

Source: www.investopedia.com/terms/s/sharing-economy.asp

A pragmatic definition of the sharing economy in tourism

The peer-to-peer sharing economy in tourism can be identified – or defined – as assets disposed over by private persons being rented out to overnight tourists* which are bookable** via novel internet-based platforms and apps.

The main examples of such tourism related assets include accommodations and cars.

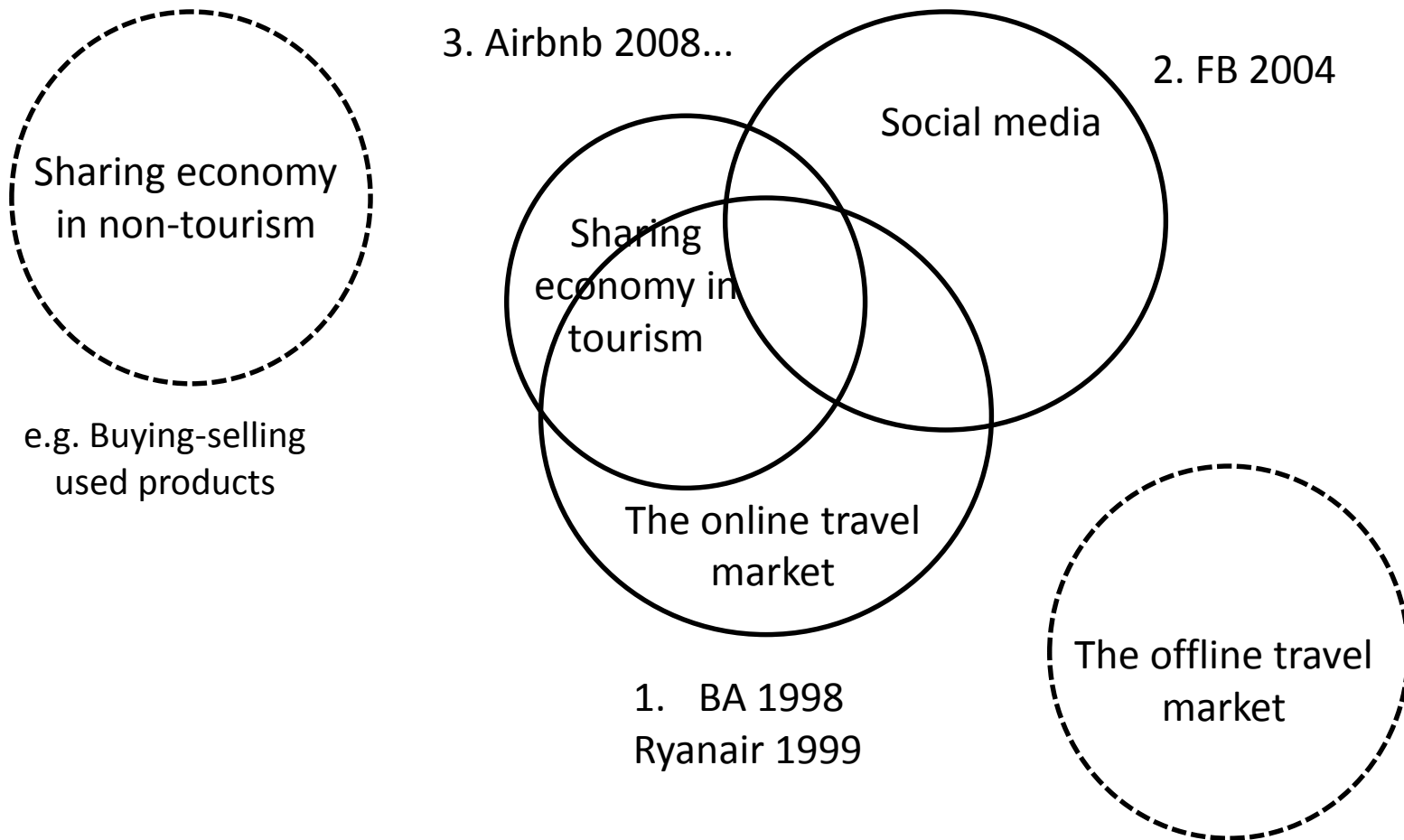
* Traditionally, "tourists" have been defined as people being away from their normal environment for at least one night.

Whether day-tourists (same day) tourists should be included is debatable.

** With or without instant confirmation.

Note: Daily commuting is not tourism. – Long-term renting is not tourism.

Inter-linking (recent) concepts

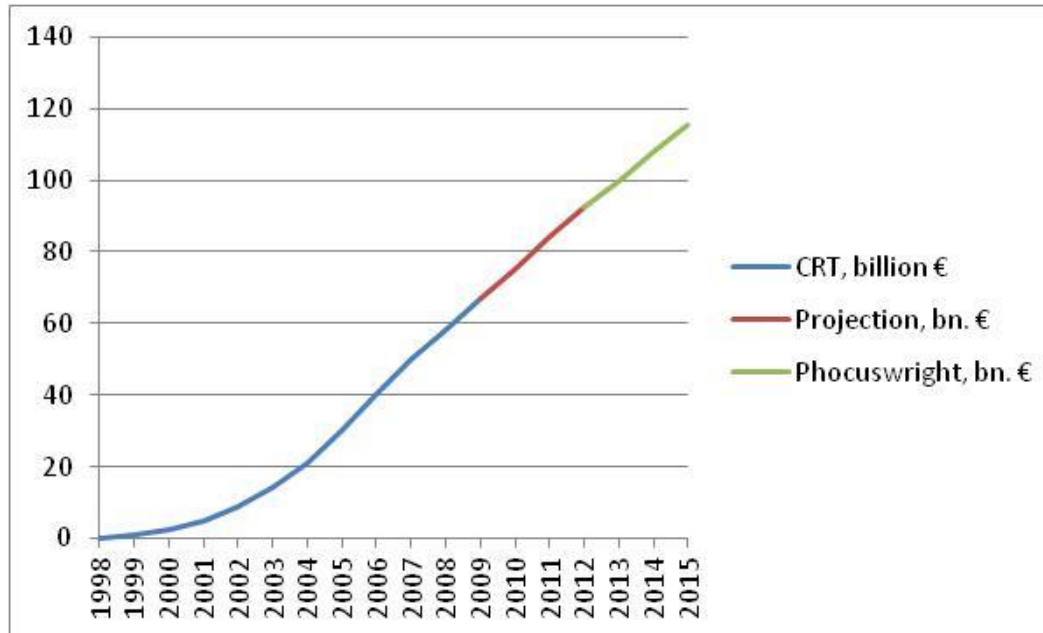


A puzzling question

Traditionally, the online travel market has been sized simply by adding up the revenue generated by all the big players and allowing a share for the remaining small players.

If the sharing economy in tourism by definition is undertaken by internet-based platforms, is it then just a question of **adding a few new major players in the online travel market?**

The European online travel market



1.

2014:

Hotels and other accommodations

~20% of ~108 bn. €

~22 bn. € - of which intermediaries

maybe 16 bn. (~3/4)

Gross bookings by

Europeans on Airbnb

should be seen in relation to this, and in due course be included in this.

2.

Airbnb, 2014: 37 million room-nights, globally, of which at least 36% in Europe, say 13 million room nights, at say 50 € per room night = 0.65 bn. €.

– This is 4%, in 2014 – of online intermediary accommodation sales in Europe.

3.

Airbnb, 2015:

As 2014 * factor 1,6 – 2.

How to integrate tourism sharing economy in a regional economic model?

1. Starting point is official national statistics for number of person overnights (few types of accommodation). – Denmark's Statistics – and Eurostat
2. Adding bednights for small accommodations.
Private, commercial, letting of holiday cottages.
3. Additional types of accommodations.
4. Adding same day tourists.
5. Fitting in the sharing economy overnights in "2" or "3".
6. Adjusting daily spending? Cheaper accom.? Cheaper transport?

The effect of the sharing economy in tourism may be positive for some actors (such as the new hosts), and negative for others (e.g. hoteliers).

Business-to-person sharing economy

Examples of major travel and tourism suppliers adopting ideas from the sharing economy:

Railways offering cars (joint ventures of car manufacturers and car rental companies).

Bus operators referring travellers to "alternative taxis" (Northern Jutland -- GoMore)

Deutsche Bahn

Car2go

Arriva DK

Drivenow

Regional bus operator

Gomore

Major shared economy players in Denmark – in tourism

- **Airbnb** 12,000 listings mid 2014
~20,000 do. mid 2015: +66%
- **Gomore** Ride share
Rent private car
- **Uber** Alternative taxis

Different view of shared economy (in the Danish tourism industry)

- The national hotel and restaurant association: It's bad
- The national tourist board: It's good .. because ..
- The association of the cottage letting agencies:
We have always done it – it's best to do it our way

An online survey* by TNS Gallup for Nordea Bank, Denmark found that ...:

- **Sharers are aged between 18 and 39**
- **Happiest to share other people's things**
- **Sharing for the money**
- **Unclear rules not a deterrent from the sharing economy**
- **We prefer buying new stuff to sharing**
- **Same pattern in neighbouring countries (S: n=1001; N: n=1138)**

* Number of respondents (n)=1157. Period: 1 to 9 September 2015.

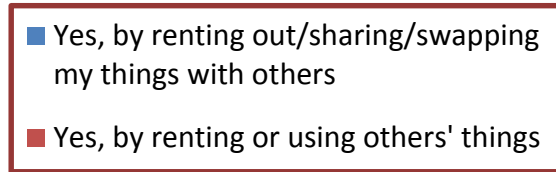
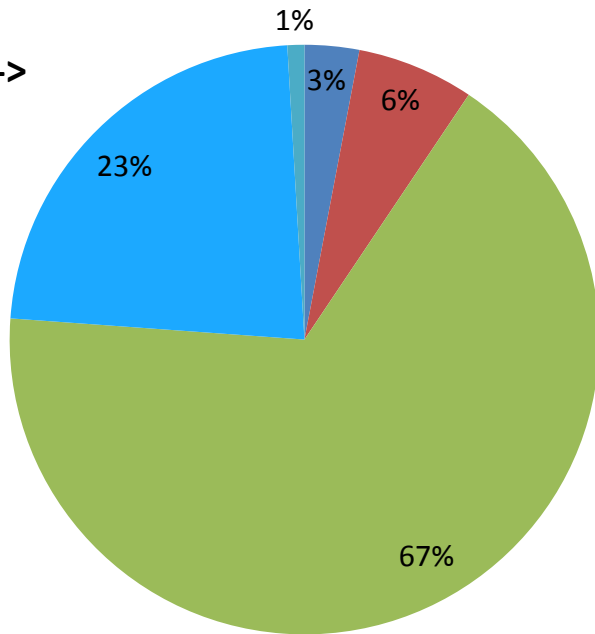
Share of participants in the sharing economy has tripled in a year

Have you taken part in the sharing economy over the past six months?

With the widespread use of the Internet many have started to rent and/or rent out/share/swap their products and services with other consumers. This is called the sharing economy.

For example renting/renting out of homes, cars, clothes etc. Participants include AirBnB, GoMore, Uber and Resecond.

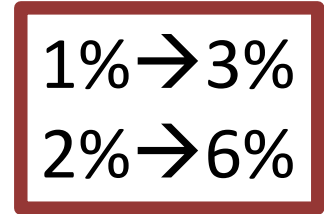
2015 ->



■ No, it has not been relevant for me

■ No, I wouldn't dream of it

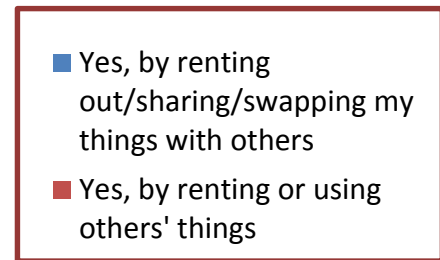
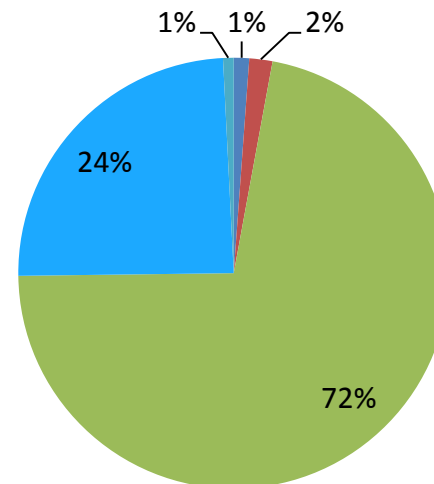
■ Don't know



Base: 1,157

Source: TNS for Nordea 2015

2014 ->



■ No, it has not been relevant for me

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Renting out – and renting – six months 2015

105,000 (3% of 3,5 million adult danes) have made their products/services available to others, earning a total of DKK 480m (64m €) – Average income 4,600 DKK (617 €).

210,000 (6% of 3,5 million adult danes) have used others' products/services, spending a total of DKK 685m (92m €) on the sharing economy – Average expense 3,260 DKK (437 €).

Base: 1,157

Source: TNS for Nordea

2015

Business model (revenue sources) of Airbnb

The company's revenue comes from a 6% to 12% commission of the guest payment and 3% of what the host receives. (wikipedia.org).

“Airbnb charges hosts a 3% host service fee every time a booking is completed on our online platform. This fee covers the cost of processing guest payments .. “

Danish example: $10\% + 3\% = 13\% + \text{VAT } (\frac{1}{4}) \sim 3\% = 16\%$.

According to Danish law* – and probably all across the EU** – suppliers such as airlines and online intermediaries are required to advertise or **show the final price from the beginning of the booking process.**

However, as of early October 2015, prices at Airbnb are/were shown *without* the mandatory service fees inclusive of VAT from the outset.

* Note: The Danish marketing law, §12A, section 1 no. 6 and/or §13.

** Note: www.out-law.com/en/articles/2015/january/flight-booking-systems-must-display-final-price-at-first-instance-rules-eu-court/

Main markets for overall – and for Airbnb for tourist overnights in Denmark

	<u>Overall</u>	<u>Airbnb</u>
1.	Denmark	Denmark
2.	Germany	Germany
3.	Norway	
4.	Sweden	
5.	Netherlands	
6.	United Kingdom	United Kingdom
7.	USA	USA
8.	Italy	
9.	France	France
10.	Switzerland	

Peer-to-peer property rental 2015

	Denmark	Bornholm
• Airbnb	19,760	220
• HomeAway	13,930	901
• 9flats	7,194	222
• HouseTrip, Roomorama, Vive Unique, Wimdu, Vrumi		

• Cofman.com	28,362	947
• Booking.com	?	849

What determines the number of reviews (~bookings) at Airbnb ?

1. Number of years (+fraction of years) at Airbnb

2. Low price

3. Not at Booking.com *

Other factors (not significant):

4. Online booking

5. Small number of bedrooms

6. English language

Based on: Bornholm island, Denmark. N=220.

Explanatory power, adjusted: 20.4 %.

*) Those not on Booking.com get more reviews at Airbnb and vis versa. Little overlap (12/220=5.5%).

Thank you for your attention

Questions? Comments?