

The sharing economy and tourism Tourist accommodation

SUMMARY

Tourism services have traditionally been provided by businesses such as hotels, taxis or tour operators. Recently, a growing number of individuals are proposing to share temporarily with tourists what they own (for example their house or car) or what they do (for example meals or excursions). This type of sharing is referred to as the 'sharing economy'. It is not limited to tourism and can be found in many areas of social and economic activity, although tourism has been one of the sectors most impacted.

Sharing goods and services between individuals is nothing new in itself. However, the development of the internet and, as a consequence, the creation of online platforms has made sharing easier than ever. In the past decade, many companies managing such platforms have emerged on the market. A well-known example of a platform is one on which people can book accommodation (Airbnb).

The sharing economy has had a positive impact on tourism as well as a negative one. Its advocates think that it provides easy access to a wide range of services that are often of higher quality and more affordable than those provided by traditional business counterparts. Critics, on the other hand, claim that the sharing economy provides unfair competition, reduces job security, avoids taxes and poses a threat to safety, health and disability compliance standards.

The response to the sharing economy remains fragmented in the EU. Some activities have been regulated at local level. Neither the European Commission nor the Parliament have taken an official position so far, though a recent report from the Transport and Tourism Committee touches upon the issue. The Commission has announced that it plans to assess the role of platforms in order to see if any changes or new legislation is needed.



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Background

The sharing economy is developing against a background of rapid growth in international tourist arrivals in the world, as well as in the European Union (EU). Compared to 331 million arrivals in 2000, EU-28 countries received 457 million international tourists in 2014.¹ [Worldwide](#), international tourist arrivals grew in the same period from 674 million to over 1.1 billion. In the longer term, these numbers are forecast to grow both in the EU and worldwide, leading to increased demand for tourist services.

Tourism in the EU as well as in many other regions of the world is also evolving in response to changes in tourist behaviour. As the OECD points out in a 2014 [report](#), tourists are, in general, more open to self-guided holidays and look more at information from other tourists (friends and family or anonymous tourists who post reviews on the internet) than in the past. Many tourists use internet, smartphones and tablets to plan or purchase travel. They demand sustainable tourism products as well as individual and authentic tourism experiences. Furthermore, the economic crisis and unemployment and reduced purchasing power has pushed many to pay increasing attention to prices and value for money. All these factors have favoured the development of the sharing economy.

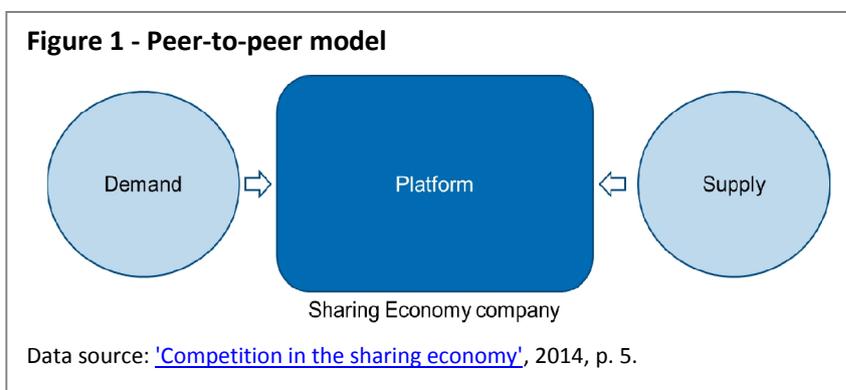
What is the sharing economy?

Although the [sharing economy](#) (also called shared, collaborative, peer or access economy) does not have a single definition, it has been explained in several analyses. Botsman and Rogers² describe it as an economic model driven by network technologies that enables things and skills to be shared or exchanged in ways and on a scale not possible before.

Another way of analysing the sharing economy is in comparison with the 'traditional' economy. For example [Dervojeđa](#) et al. explain that, in traditional markets, consumers buy products (which they then own) and services, whereas in the sharing economy suppliers share their resources temporarily with consumers, either free or for a return (financial or non-financial). Virtually anyone can share almost anything, from products and property (e.g. an apartment, a car, a bicycle, travel equipment) to time, skills and competencies (e.g. cooking and photography skills, knowledge of a town, places to see).

This type of sharing or exchange of goods or services is generally facilitated via online platforms that match demand and supply. In many cases, these platforms are created and managed by private companies, also referred to as peer-to-peer companies

or sharing economy companies. The most commonly known sharing economy model is a peer-to-peer model (see Figure 1) in which peers (mostly individuals) offer and request goods and services. The platform then acts as an intermediary between them.



Many companies like to position themselves under the broad umbrella of the sharing economy, among other reasons, because of the magnetism of innovative digital technologies, rapidly growing volume of sharing activity and the positive symbolic meaning of sharing: using, occupying, or enjoying something with others.³ Whether or to what extent they actually are part of the sharing economy is difficult to evaluate, as there is no clear demarcation between those companies which are included (wholly or partially) in the sharing economy and those which are not.

The example of Airbnb

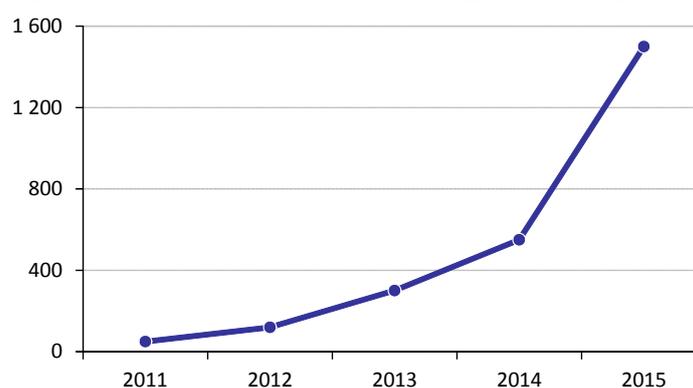
Over the past decade, many peer-to-peer companies have emerged on the market.⁴ Many of them also serve tourists' needs, although they are not limited to tourists but open to practically anyone.

One of the most discussed examples is Airbnb – an online platform where people can book rooms/accommodation. The basic idea behind Airbnb is not new: it helps those who want to provide short-term rentals to get in touch with those who want to rent these spaces (tourists, people who have just moved to a new city, etc.). What is [new](#) is the speed and scale at which the peer-to-peer business model together with the development of high-speed internet has made short-term home rentals a common practice (see Figure 2). The company claimed on its [website](#) in September 2015 that it had more than 1.5 million listings⁵ in more than 190 countries worldwide, which means that Airbnb hosts are offering more lodgings than, for instance, [Hilton Worldwide](#). By September 2015, more than 40 million people worldwide had rented accommodation on Airbnb since the website was created in 2008. In June 2015, [investors](#) valued the company at US\$25.5 billion (see Figure 3).

Airbnb itself does not own, rent, manage or control the properties that are rented out on its website. Its [tasks](#) are limited to listing spaces, processing payments, acting as an escrow⁶ and offering damage insurance to hosts.⁷ The company takes a 9-12% service fee for each reservation.

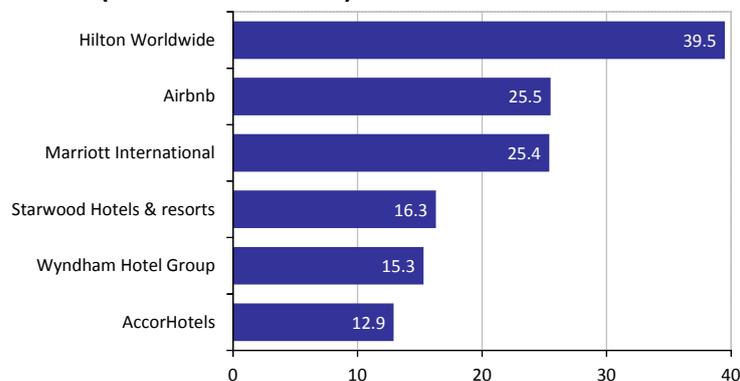
Airbnb [hosts](#) rent various types of spaces for periods from one day up to several months. The space can be a 'shared or private room', where the host usually remains present during the stay or an 'entire place' (apartment/house/castle/tree-house/yurt, etc.), where the host is not present during the stay. Hosts describe themselves, the

Figure 2 - The number of Airbnb listings (in 1 000s)



Data source: [Airbnb](#), 2015 and [VentureBeat](#), 2014.

Figure 3 - Global hotel groups market capitalisation versus Airbnb (in billion US dollars)



Data source: [Hospitality On](#), 2015.

place they are renting out, establish the price and are, according to Airbnb [conditions](#), responsible for compliance with any laws, rules and regulations. Hosts and guests can both rate and review each completed stay. However, recent studies⁸ have found some inaccuracies in this rating system, in particular the tendency to overrate positive experiences and underrate negative ones.

Although the majority of Airbnb hosts offer one or two listings, some have tens or hundreds of listings. In New York (one of Airbnb's most important markets), the highest earning host had, according to a 2014 report,⁹ 272 listings and received US\$6.8 million in revenue in the reference period (January 2010 – June 2014). The report found that hosts with more than two listings accounted, in this period, for 6% of all Airbnb hosts in New York, but earned 37% of revenue with 36% of all Airbnb bookings.

Impact on tourism

Independent study of the sharing economy in the European Union is still in its early stages. Most studies on the impact of the sharing economy have been published in the United States, where many platforms in the sharing economy began their activity.

For instance, Samuel Nadler [considers](#) that the sharing economy has widened the overall supply of travel options. In the sharing economy, anyone can start a tourism business. Online platforms [provide](#) easy access to a wide range of services, many of them of higher quality and more affordable than their traditional business counterparts.

[Advocates](#) of the sharing economy claim that the sharing economy allows more flexibility. Some tourists appreciate these platforms for [personalisation](#), authenticity and contacts with local citizens. [Journalists](#) have suggested also that the sharing economy helps to respond better to peaks and troughs in demand for tourism services. Furthermore, Airbnb itself [claims](#) that 'travelling on Airbnb results in significant reduction in energy and water use, greenhouse gas emissions, and waste, and encourages more sustainable practices among both hosts and guests'. However, there are almost no comprehensive studies on the ecological impact of home sharing.¹⁰

Critics see a number of aspects in which the sharing economy can impact negatively on tourism. Some believe that it is increasing the number of part-time workers in the tourism sector and 'creating an economy where job security is less and less normal every day'.¹¹ Namely, if the work in the sharing economy is the [only](#) source of income, it provides no social security to the worker (for instance, no paid sick leave).

[Critics](#) see in the sharing economy a threat to safety, health and disability compliance standards. They criticise the sharing economy for tax evasion and unfair competition. As [hoteliers](#) at a 2014 Berlin conference mentioned, hoteliers 'have to deal with environmental protection, labour law, municipal tourism fees, consumer protection, various taxes (value-added tax, taxes for cities, environmental protection, safety, etc.)' whilst many hosts on online sharing platforms do not comply with the same rules and laws. In a New York [report](#), at least 72% of Airbnb rentals violated some law (e.g. zoning laws which prohibit people from running a business in a residential area).

Furthermore, hoteliers claim they have lost revenue because of the rise of accommodation-sharing platforms. A recent Boston University study¹² estimated that Airbnb reduced hotel revenue in the market studied (Austin, United States) by 8-10% between 2008 and 2014. The greatest impact was on lower-priced hotels and hotels lacking conference facilities.

Reactions of public authorities

European cities

Some activities in the sharing economy have been regulated at local level. Certain European cities have begun, for instance, to regulate short-term home rentals (the name used for this type of rentals varies from city to city). Although some rules are common to several cities, there are also marked differences in approach, which in turn may make this type of rental more or less attractive to hosts from one city to the next.

Some cities have adopted a relatively restrictive approach. [Berlin](#) has passed a law banning unregistered short-term rentals, and inspects properties to check if the law is correctly implemented. In [Brussels](#), hosts will (as of January 2016) have to ask permission from the commune and co-owners of the building. In comparison, a number of [French cities](#) (Paris, Marseille and Lyon) do not require such authorisation if the rented residence is the primary residence of the host.

Other cities (such as [Amsterdam](#), [London](#) and the above-mentioned French cities) regulate short-term home rentals in a way that might be more favourable for the development of the sharing economy. They mostly [limit](#) short-term rentals through the number of rooms that can be rented and the rental period. There are also other rules. Amsterdam limits, for instance, the number of people (four) that the host can accept for one reservation. Furthermore, some cities (for example, [Barcelona](#)) require the host to be present during the rental period. Otherwise, the rental falls under other laws, e.g. laws on bed and breakfast type tourist accommodation.

In some cities, Airbnb is collecting or will [collect](#) taxes directly for each reservation. A number of cities (including Barcelona and Paris) have also fined Airbnb or its users for violating various laws.

European Commission

The Commission has not so far taken any official position on the sharing economy. It noted in its 2015 digital single market [strategy paper](#) that the sharing economy 'offers opportunities for increased efficiency, growth and jobs, through improved consumer choice, but also potentially raises new regulatory questions'. In May 2015, the Transport Commissioner, Violeta Bulc, [added](#) that, 'Whilst the Commission does not favour any business model over another, it does support any regulatory regime which allows innovative business models to emerge provided it is fully compliant with the applicable EU and national rules and regulations, including with the standards on working conditions.'

The Commission also announced in its digital single market strategy paper that it will launch, before the end of 2015, 'a comprehensive assessment of the role of platforms, including in the sharing economy, and of online intermediaries'. The aim of this assessment is to gather evidence on the sharing economy and consider whether any action is needed at EU level. As part of this assessment, the Commission has launched a [public consultation](#) on online platforms.

European Parliament

The European Parliament has not taken a formal position on the sharing economy, though the EP's Transport and Tourism Committee has highlighted the issue in a recent [report](#) on the promotion of tourism. The report calls for a measured and appropriate reaction to the sharing economy. Activities on these platforms should be categorised in order to distinguish between informal, ad-hoc sharing and professional services.

Moreover, companies should inform users offering goods and services on these platforms about their obligations and how to remain fully compliant with local laws. The report is expected to be voted in plenary in October 2015.

Main references

Samuel Nadler, ['The sharing economy: what is it and where is it going?'](#), 2014

Juliet Schor, ['Debating the Sharing Economy'](#), 2014.

Endnotes

¹ Data source for the year 2000: ['International tourism trends in EU-28 member states. Current situation and forecasts for 2020-2025-2030'](#), United Nations World Tourism Organization (UNWTO), 2014, p. 5. Data source for the year 2014: ['World Tourism Barometer'](#), (UNWTO), January 2015, p. 3.

² Rachel Botsman and Roo Rogers, 'What's Mine Is Yours: The Rise of Collaborative Consumption', 2010.

³ Juliet Schor et al., ['Collaborating and Connecting: The emergence of the sharing economy'](#), 2014, p. 4.

⁴ Some examples can be found in ['Debating the Sharing Economy'](#), 2014, in particular on pp. 3-5.

⁵ Listings usually display attributes like location, price, a brief textual description, photos, capacity, availability, check-in and check-out times, cleaning fees and security deposits (if applicable).

⁶ Airbnb holds booking fees paid by the guest at the time of booking confirmation and sends the payment to the host at the arrival day of the guest.

⁷ The insurance (Host Guarantee) reimburses for up to US\$1 million in damage to property. In September 2015, Airbnb hosts were protected (under certain conditions) against damage to property in 12 EU Member States. The full list of countries where Airbnb offers Host Guarantee is on the Airbnb [website](#).

⁸ For instance, Benjamin G. Edelman and Damien Geradin, ['Efficiencies and regulatory shortcuts: how should we regulate companies like Airbnb and Uber?'](#), 2015, p. 21.

⁹ Eric Schneiderman, ['Airbnb in the city'](#), 2014.

¹⁰ As Juliet Schor pointed out in ['Debating the Sharing Economy'](#) (p.7-8), staying in existing homes might reduce the demand to build new hotels. However, if we want to analyse the overall ecological impact, one might ask whether hosts and tourists do not use the money earned or saved to buy more products or to travel more.

¹¹ Alan E. Young, ['How the Sharing Economy is \(Mis\)shaping the Future'](#), 2015.

¹² Georgios Zervas et al., ['The Rise of the Sharing Economy: Estimating the Impact of Airbnb on the Hotel Industry'](#), 2015, p. 1.

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