



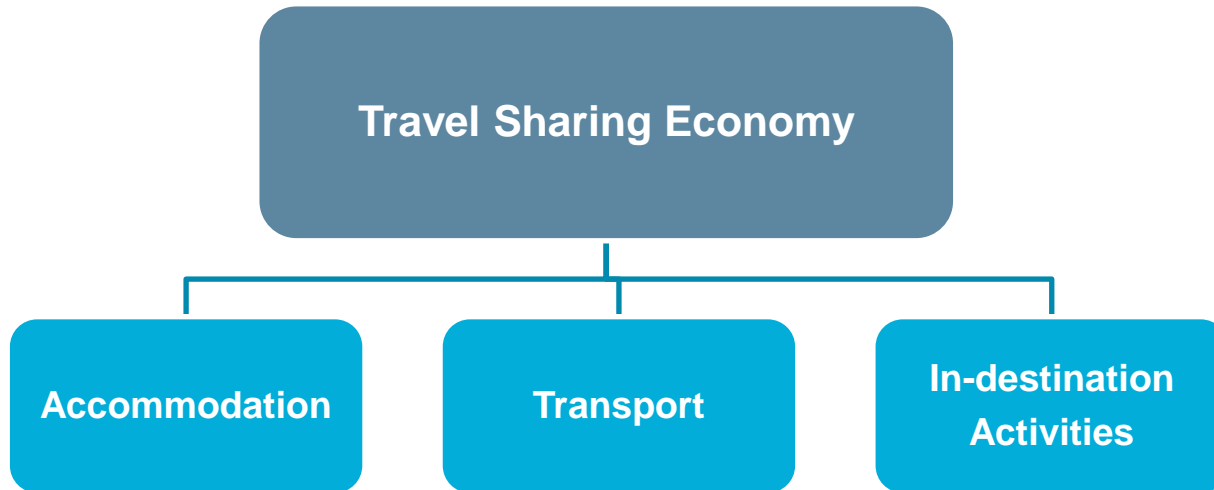
# Passport

## TRAVEL AND THE SHARING ECONOMY

September 2014

# Scope

- All values expressed in this report are in local currency in current price terms.
- 2013 figures are based on part-year estimates.
- All historical and forecast data are expressed in constant terms; inflationary effects are discounted. Conversely, all historical data are expressed in current terms; inflationary effects are taken into account.



## Disclaimer

Much of the information in this briefing is of a statistical nature and, while every attempt has been made to ensure accuracy and reliability, Euromonitor International cannot be held responsible for omissions or errors.

Figures in tables and analyses are calculated from unrounded data and may not sum. Analyses found in the briefings may not totally reflect the companies' opinions, reader discretion is advised.

*The travel sharing economy is host to some of the world's most famous peer-to-peer brands like Airbnb and Uber. It's a love-hate relationship as consumers enjoy the convenience and price of renting from peers, whilst travel players have been caught on the back-foot by the speed of change. Faced with legislative challenges, the future of the sharing economy remains uncertain, however, we expect travel and retail heavyweights to enter the fray and add to the sector's legitimacy.*

## EXECUTIVE SUMMARY

DEFINING THE SHARING ECONOMY

AIRBNB SHAKES UP ACCOMMODATION

CAR SHARING AT A CROSSROADS

OPPORTUNITIES AND FUTURE DIRECTION



# Key findings

|   |   |
|---|---|
| Transformed by technology                               | The sharing economy has existed for many years, but has now been transformed by advancements in technology enabling secure online payment and geo-location applications.  |
| Travel industry well suited                             | The travel industry has embraced the sharing trend, with opportunities in accommodation, car sharing and experiences all growing.   |
| Airbnb leading the way                                  | Airbnb is the sharing economy's most successful company, recently valued at US\$10 billion and operating on a global scale. However, Airbnb has faced problems in a number of cities with issues of legislation, zoning and tax avoidance.    |
| Car sharing strong in urban populations                 | Car sharing is popular in urban populations, with competition being spread through independent companies, car rental companies and car manufacturers.   |
| Young consumers eagerly embrace sharing                 | Generation Y are traditionally seen as the key participants in the sharing economy, although this profile is changing with increasing numbers of older people joining in.   |
| Diverse future opportunities but legislation is crucial | More travel sharing opportunities are likely, but new entrants need to be aware of the limitations due to existing legislation. Some cities have changed laws to allow for accommodation and lift sharing but the process is lengthy.         |
| Global expansion but facing cultural limitations        | The sharing economy is growing globally, with Brazil and China in particular seen as central to expansion. However, cultural limitations are expected in many developing countries where a key aim is to acquire material goods such as cars. |

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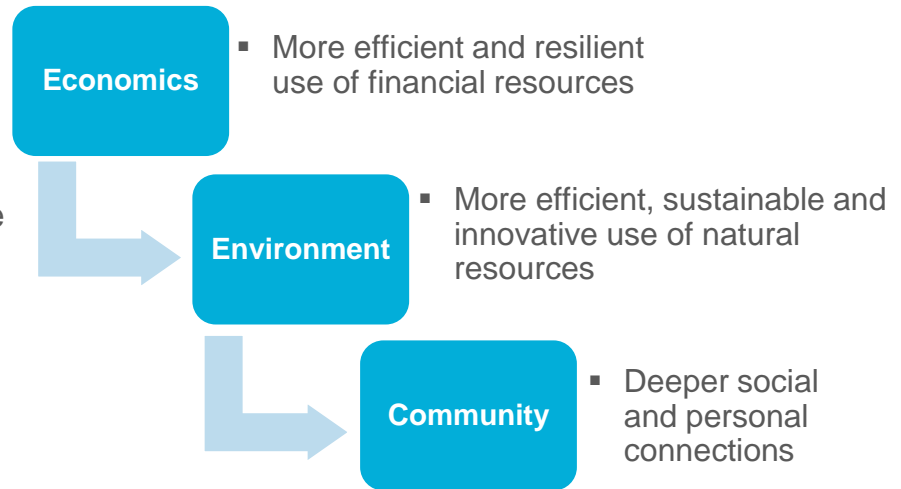
OPPORTUNITIES AND FUTURE DIRECTION



# What is the sharing economy?

- The term “sharing economy” was first seen in the mid 2000s, and is also referred to as collaborative consumption, or the peer-to-peer economy.
- It describes traditional thrift-led behaviour bringing consumers and producers together, such as lending, exchange, swapping and bartering. Due to the developments made in technology in recent years, they are now able to operate at scale and across geographic boundaries.
- Access to goods and services rather than ownership is a key component of the sharing economy, with tourism benefiting in accommodation, transportation and travel advice and expertise.
- Many peer-to-peer firms have been established after the global financial crisis of 2007/2008 where consumers needed to spend less and possibly as an antidote to previous overconsumption.
- The sharing economy is primarily an urban phenomenon, where the proximity of a large population combined with a large number of potential services works well.

- While certain aspects of the sharing economy are global, there are cultural issues to overcome. In developing countries with growing numbers of middle-class consumers, a key aim for many is to achieve the purchase of a car or other material goods.
- According to Rachel Botsman, co-author of *What’s Mine is Yours: the Rise of Collaborative Consumption* (2010), there are three main benefits driving the sharing economy:



## Areas of activity

### Travel

Accommodation:  
rental, couchsurfing

Transport:  
car-sharing, lift-pooling, bike-sharing

In-destination activities:  
tours, guides

### Non-Travel

Finance

Services

Food

Leisure

# Why sharing and why now?

## Response to recession?

- The global economic recession of recent years and the continuing austerity culture faced by many countries has helped the success of the sharing economy. It can be said that sharing is a post-crisis response to the overconsumption seen before the financial crisis.
- Many peer-to-peer car rental firms were established in the aftermath of the financial meltdown between 2008 and 2010 as consumers needed to save money.

## Green zeitgeist?

- The sharing economy can be considered as a key part of the green zeitgeist. Ride-sharing and city bikes schemes are easily identified as environmentally friendly. One of the leading car share schemes, Zipcar, claims that every time someone rents from them, 20 personally-owned vehicles are taken off the road.
- A growing percentage of consumers are keen to utilise their own as well as other people's resources more efficiently and effectively, thereby reducing the impact upon the global environment.

## Longing for community?

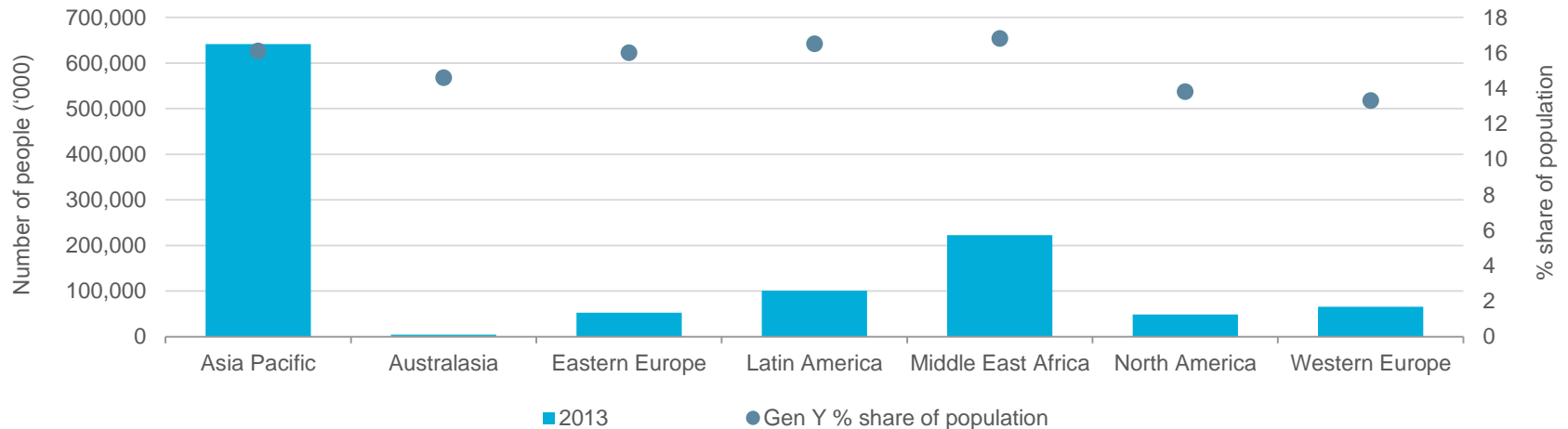
- Most sharing thrives in highly populated urban areas and can be thought of as a consumer desire for more community.
- According to Albert Cañigueral, a specialist in collaborative consumption, exposure to digital culture is making people more accepting to the sharing economy as part of everyday life. The main reason for sharing is economic, but it then becomes more social.



# Demographics: Generation Y leads the way

- Many sectors of the sharing economy have traditionally been the preserve of Generation Y, with these young people happy to couchsurf or lift share with strangers. Globally Generation Y members are more numerous in Asia Pacific, accounting for 16% of the total population, while in North America and Western Europe, numbers make up 13.8% and 13.3% of the total population, respectively.
- However, as the market matures, a more diverse consumer population is embracing the concept, particularly in developed countries such as the US and Spain.
- A survey conducted by Spanish car-sharing company Avancar during early 2014 found that 79% of men and 73% of women had shared goods or services on at least one occasion. Those aged between 35 years and 44 years and residents of Madrid and Barcelona were found to be the biggest sharers. Male respondents said they wanted to share luxury cars, while women preferred to share clothing and accessories.

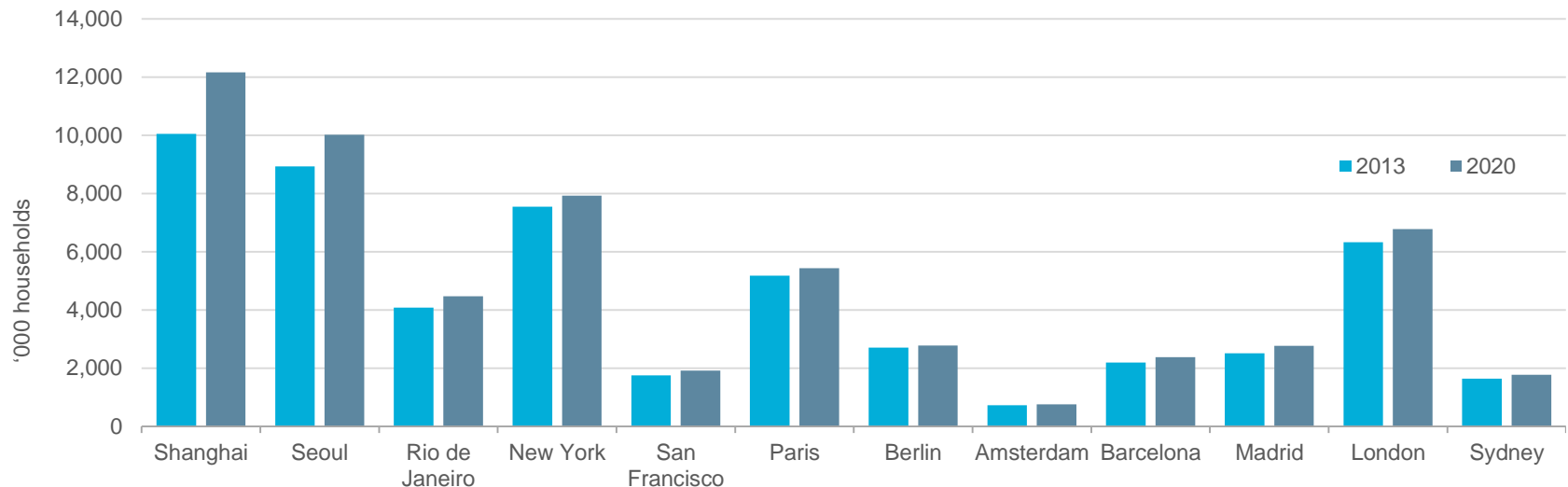
Generation Y Population by Region 2013



## Urbanisation is a key driver

- The sharing economy is mainly an urban phenomenon, whereby a high density of consumers is coupled with a limited space enabling sharing of certain resources to take place with ease. By contrast, rural populations struggle to make sharing convenient or practical, key drivers behind the trend.
- Urban populations are growing across the world, with Euromonitor International predicting that 70% of households globally will be urban by 2030.
- This strong urban population expansion will continue to put pressure on infrastructure, environment and city resources. However, urban consumers enjoy higher incomes than their rural counterparts with a leaning towards higher skills and educational attainment, so urbanisation can result in greater consumer market gains.

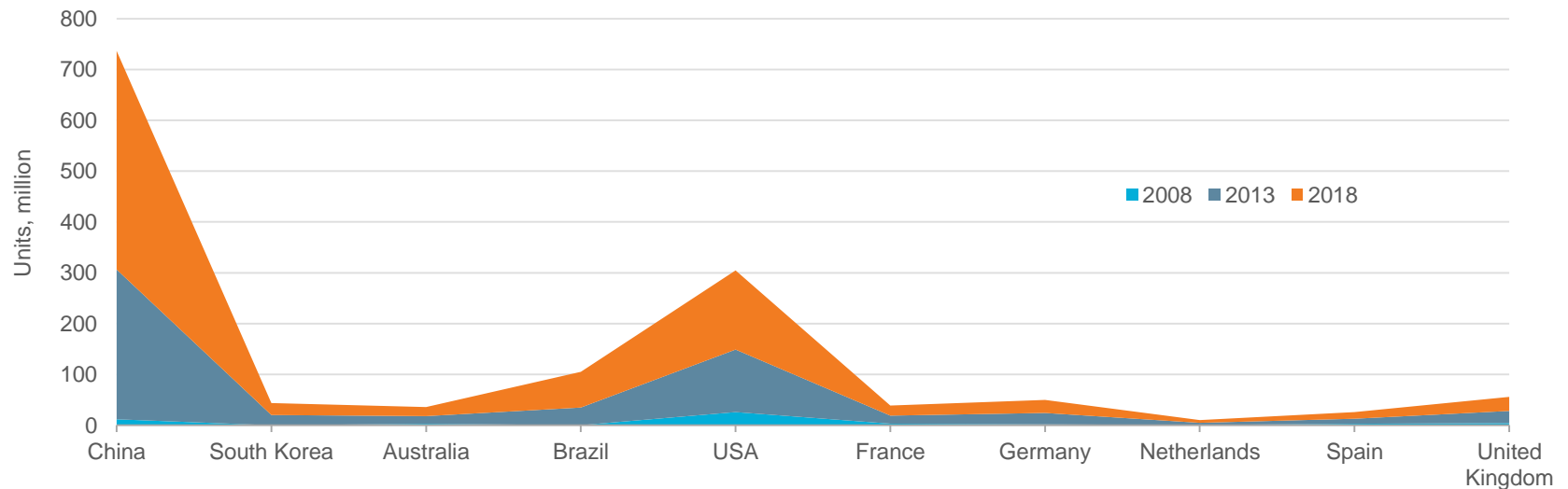
Number of Households in Major Cities 2013/2020



# Technological disruption plays a critical role

- Technology has played a key role in developing the sharing economy. The growth in trust and reliability of online payment process has given consumers confidence in purchasing and hiring services and goods on the internet through peer-to-peer networks and companies.
- Peer-to-peer social networks have also provided consumers with confidence in terms of reviews and ratings. Peer ratings are a critical aspect of success for sharing companies, providing consumers with trust and transparency in business dealings.
- The growth in mobile technologies, and particularly geo-based applications has enabled consumers to carry out transactions wherever they are, as well as have real time information on services. The rise in mobile phones and tablets has also turned the standard payments business model on its side.

Smartphones Volume Sales in Key Countries 2008/2013/2018



## Legislative hurdles to overcome

Many of the existing laws and legislations within the tourism industry were designed to protect and limit commercial entities, be they corporate or individual. As this paradigm has shifted, as is the case with the current sharing economy, the law has formed restrictive barriers rather than protective ones, and so has to be skirted or changed by the new entrants.

### Tax

- Many owners are not paying tax on the revenue obtained from renting out their property rooms, or services, with drivers similarly not declaring income.

### Workers' rights

- Companies are able to avoid paying insurance, pension, overtime and holiday pay as workers are essentially self-employed.

### Industry regulations

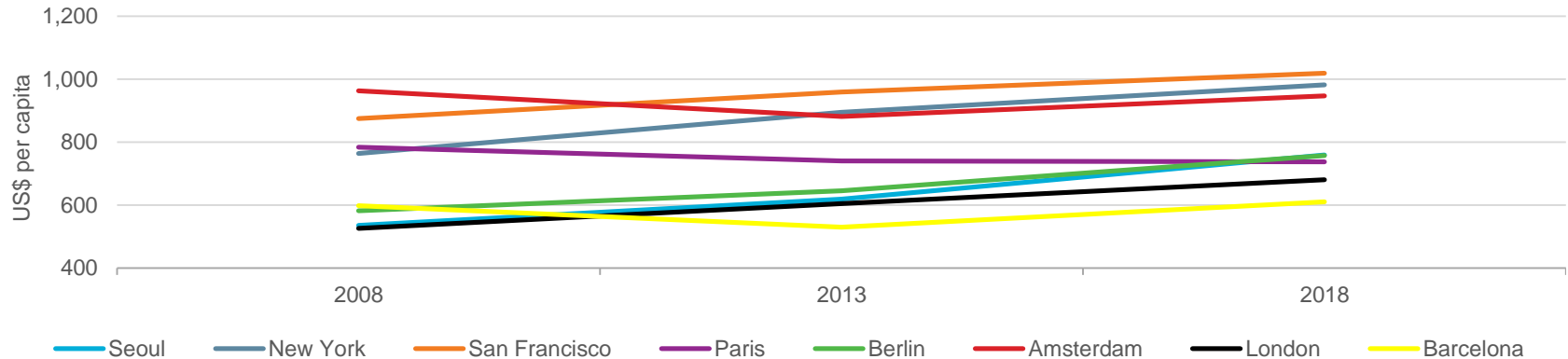
- Unlicensed drivers are not always checked for insurance, criminality and road knowledge.
- House shares do not have to meet hotel safety regulations.

### Zoning

- Residential zones are ignored by house shares, which can lead to nuisance noise for neighbours, as well as breaking laws designed to protect housing stock.

# Debunking the myths

Consumer Expenditure on Communication Per Capita  
in Key Sharing Cities 2008/2013/2018



- No longer the domain of backpackers who embrace couchsurfing, the sharing economy demographic has evolved to include leisure, business travellers and is open to all age groups.
- According to Airbnb, 38% of its hosts are aged between 30-39 years, while 31% of guests fall into the same category. Over 20% of guests are over 50 years old, with 4% of these being over 65. With more niche categories appearing in the sharing economy, the age profile of users is likely to evolve further.
- While its rise has coincided with the global economic recession, it is clear that some of the world's most active sharing cities have a high level of consumer expenditure on communication. This is particularly noticeable in San Francisco, home to Airbnb, but also a city that prides itself on its technological prowess.
- European cities tend to have a lower spend, indicating their reaction to sharing may be more focused on the value for money aspect.

# SWOT: Sharing economy

## STRENGTHS

### Value for money

- The sharing economy offers consumers a chance to gain financially from sharing their goods or services, combined with users paying a competitive price for the service.

### Using under-utilised resources

- Consumers are able to offer up their under-utilised resources (a spare room, car or skillset), thereby offsetting an initial cost and using the item more productively.

## OPPORTUNITIES

### Niches develop

- Niche opportunities are growing via specialised sharing sites.
- Business travel is the next area of expansion, offering greater choice to road warriors.

### Big companies join in

- As the reputation of the sharing economy becomes increasingly stable and successful, venture capital firms are investing and mainstream companies are keen to join.

## WEAKNESSES

### Lack of rural sharing

- The sharing economy is very much an urban concept, with rural dwellers unable to participate due to a lack of proximity to potential users.

### Legal implications

- Many sharing economy businesses are not meeting legal obligations in terms of hospitality tax payments as well as various city regulations such as zoning.

## THREATS

### Industrial action

- Recent strike protests by taxi drivers across Europe against the rise of Uber have illustrated the ongoing issues with regulating the sharing economy and working with established competition.

### Health and safety

- The unregulated nature of the sharing economy has led to concerns about health and safety regulations not being met, as well as being difficult to enforce and check.

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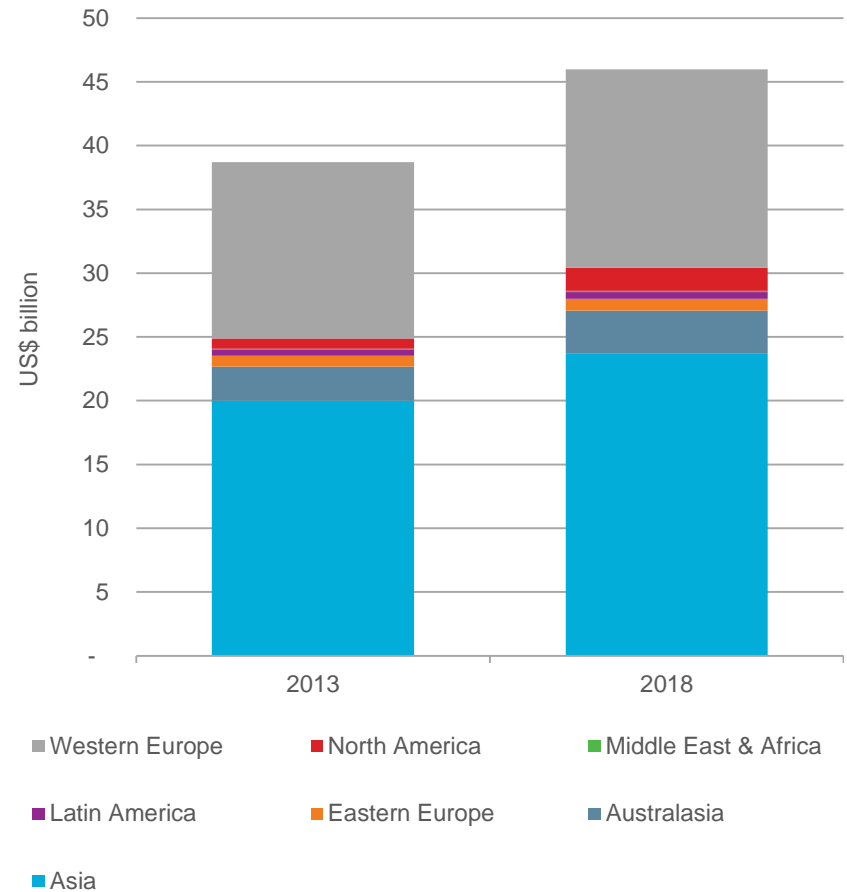


# Quantifying peer-to-peer accommodation

- Private rentals value sales amounted to US\$39 billion globally in 2013, and are expected to grow 19% over 2013-2018 to reach US\$46 billion by 2018. These figures include both formal rentals (such as Airbnb and HomeAway) and informal rentals such as locally-organised homestays.
- Asia Pacific accounts for 52% of global value sales of private rentals, with China accounting for the bulk of this total. Airbnb does not yet have an official presence in China although it does list over 1,000 hosts, but domestic sites Tujia, Mayi and Xiaozhn are more successful.



Private Rentals Value Sales by Region  
US\$ billion 2013/2018

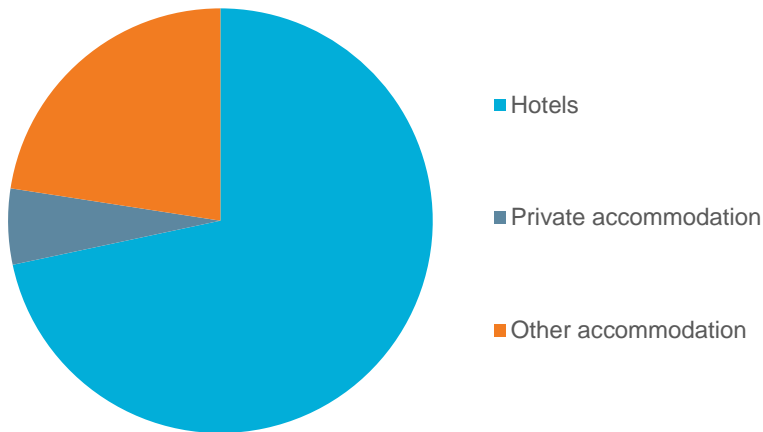




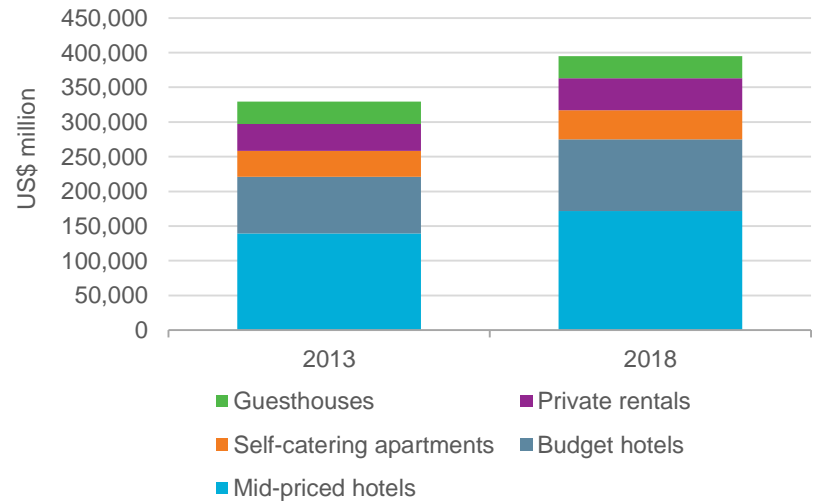
# Private rentals vs hotels: David and Goliath

- Private rentals, however, remain an extremely small part of the travel accommodation market, accounting for only 6% of global travel accommodation value in 2013 compared to hotels with 72% of value. These percentage shares are not predicted to change significantly by the end of the forecast period.
- Other travel accommodation categories that compete more directly with private rentals include budget hotels, self-catering apartments and guesthouses.
- Budget hotels are predicted to show a higher rate of growth in actual value terms over 2013-2018, at 27%, while private rentals is only forecast 19% growth. In terms of value, the former are also valued globally at US\$81.4 billion in 2013, more than double the value of private rentals at US\$38.7 billion.

Global % Value Breakdown of Travel Accommodation 2013



Global Private Rentals vs Competing Categories Sales 2013/2018



## Hotels' response to the sea-change

- Many hotel groups have dismissed the threat of P2P companies, with Hyatt CEO Mark Hoplamazian saying that he saw no need for a direct business response to Airbnb, in part because it is offering a fundamentally different product than that offered by his branded hotels. He added that there had long been an industry that matched travellers with resident-hosted accommodations such as holiday homes.
- However, in May 2014 the American Hotel and Lodging Association, which represents 52,000 properties in the US, announced that it was planning to work across the US against the current practices of the short-term rental companies. The campaign aims to fight these companies at the local level in terms of health and safety regulations, and ensuring tax and legislations are applied.
- In New York, the situation is extremely complicated. Airbnb has started taking steps to ensure that it will be able to collect hospitality taxes in the summer of 2014, and called for a change in the local laws to enable this. However, the Hotel Association of New York has said it would not agree to such changes, possibly because it could be seen to be legitimising the peer-to-peer rental business.



# Sharing grows into accommodation

## MAIN DRIVERS FOR PEER-TO-PEER ACCOMMODATION

Peer-to-peer accommodation involves the renting of both properties and rooms across the globe. The process of booking takes place online at virtual marketplaces, which connect people who have a space to share (hosts) with those who are looking for a place to stay (guests).

### Social

The need to make **REAL CONNECTIONS**, the search for **UNIQUE** and more **LOCAL EXPERIENCES** and a growing **ENVIRONMENTAL AWARENESS** are driving interest towards peer-to-peer accommodation.

### Economic

**CONVENIENCE** and **PRICE** are unquestionably key advantages peer-to-peer accommodation has over hotels.

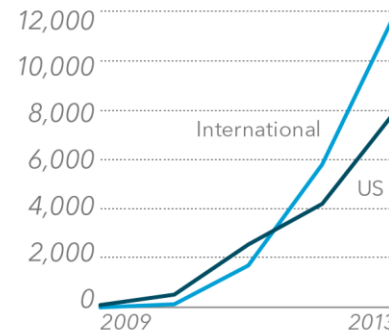
### Technological

**MOBILE TECHNOLOGY** and **SOCIAL MEDIA** make it possible to match supply and demand among a much wider network, and with a reasonable level of trust. **ONLINE PAYMENT SYSTEMS** also take away opportunities for fraud.

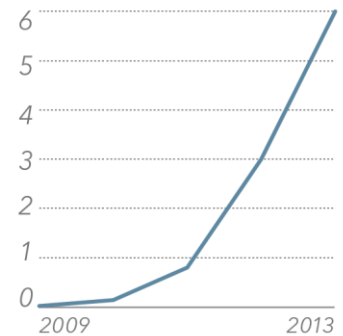
# Airbnb: Architect of change

- Airbnb is one of the undoubted success stories of the sharing economy. Recently valued at over US\$10 billion after the latest round of fundraising was closed at US\$450 million.
- For each Airbnb stay, the company makes 3% from the host's booking and 6% to 12% from each guest.
- In 2013, the company saw bookings of 20 million nights globally, attracting over 6 million guests.
- Through its 600,000 units listed worldwide, Airbnb recorded US\$2 billion in revenues in 2013.
- New York City tops the list of most popular city destinations by number of guests - a total of 400,000 in 2013. The company has faced a number of challenges such as potential tax avoidance by hosts in terms of income tax and renters in terms of local hospitality taxes which are normally applied to tourists.
- Problems have also been faced in cities in both Europe and the US with hosts violating local renting code practice. Airbnb recently removed over 2,000 hosts in New York which were operating illegally.

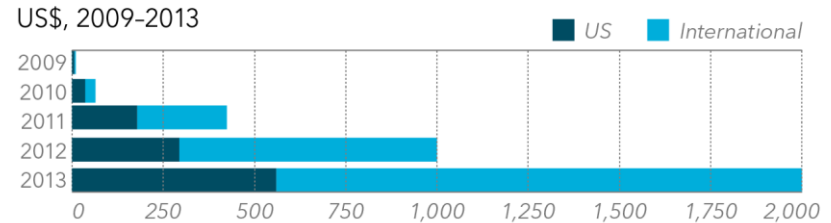
**Nights Booked**  
'000 nights, 2009-13



**Guests per Year**  
millions, 2009-13



**Room Revenue Splits**

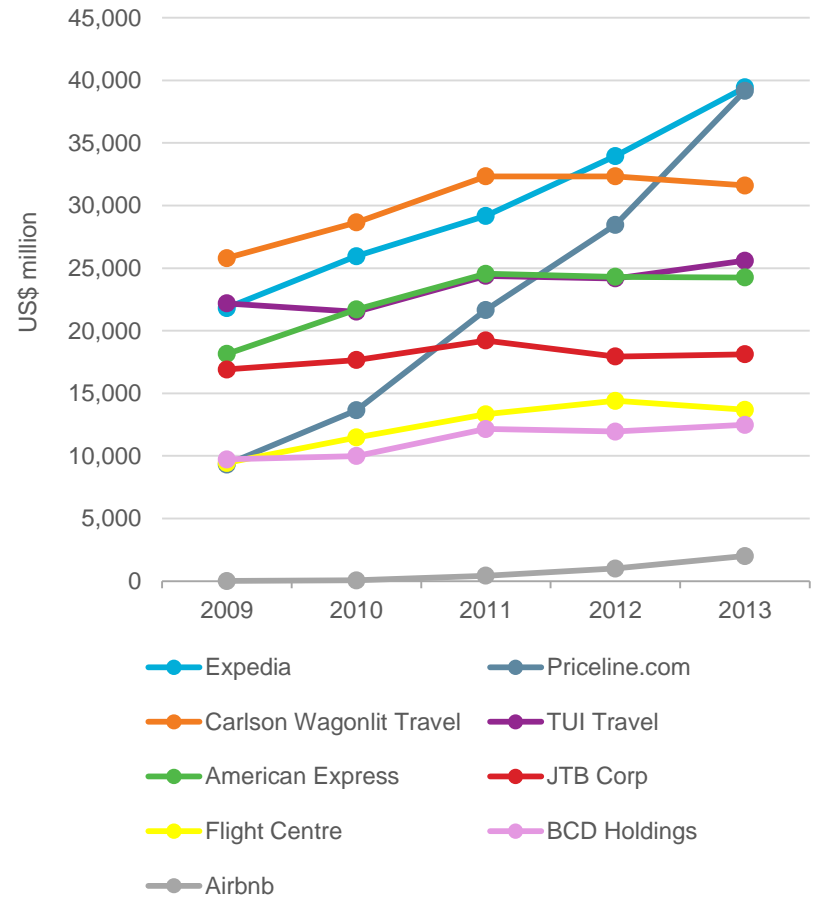


# From zero to sharing hero

- Airbnb and the other sharing accommodation websites have yet to challenge the online agents, with their vast distribution systems.
- However, Expedia recently started listing HomeAway properties, and Priceline's booking.com website has expanded into apartment and villa rental in Europe in an attempt to join the competition.
- With sharing brands attempting to break the business travel market, it is likely that private rental brands will eventually enter the GDS channel and also partner with an increased number of OTAs.



World Travel Intermediaries Value Sales 2009-2013



# Imitation is the sincerest form of flattery

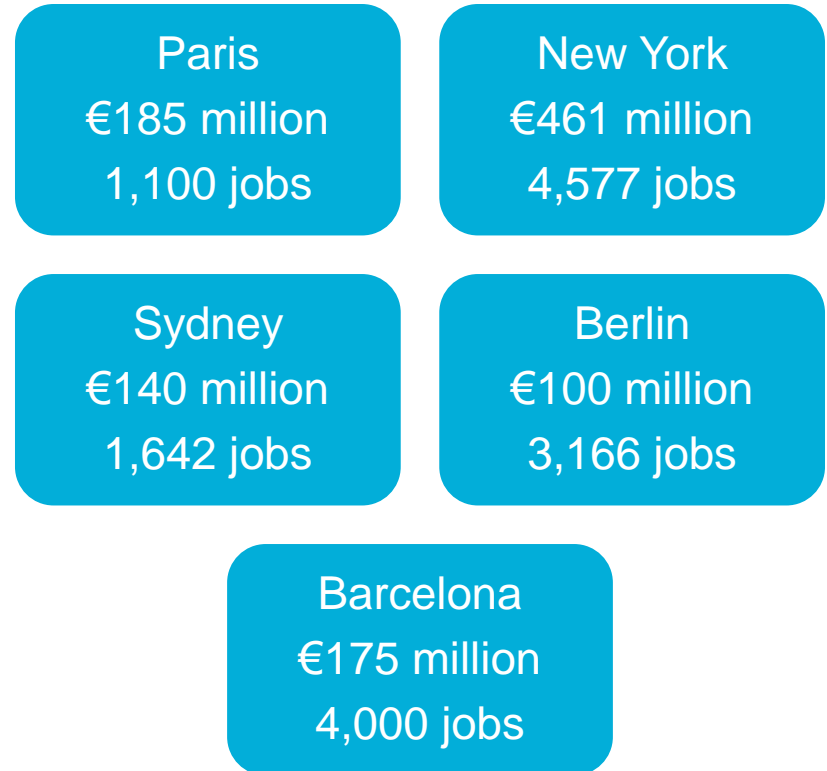
## Airbnb Private Rental Competitors

| Company         | Concept  | Established                                   | Key Facts   |
|-----------------|--|---|---|
| HomeAway        | Vacation rental platform, comprising country-specific websites | 2005, headquartered in Texas                  | 1 million listings in 192 countries   |
| HouseTrip       | Peer-to-peer house or apartment rentals                        | 2009, headquartered in Lausanne               | 300,000 properties in 6 continents  |
| 9Flats          | Peer-to-peer accommodation rentals                             | 2011, headquartered in Berlin                 | 120,000 properties in 109 countries   |
| Wimdu           | Peer-to-peer apartment or room rentals                         | 2011, headquartered in Berlin                 | 300,000 properties in 100 countries   |
| Onefinestay     | Luxury peer-to-peer rentals                                    | 2010, headquartered in London                 | Operating in London, New York, Paris and Los Angeles only                   |
| Roomerama       | Peer-to-peer short-term rentals, no cost to host               | 2009, headquartered in Singapore              | 120,000 properties, 80% business travellers                                 |
| Sleepout        | Peer-to-peer holiday rentals                                   | 2012, headquartered in Nairobi, Kenya         | Operating in 425 cities in 53 countries, focus was on Africa, now worldwide |
| Holidaylettings | Holiday home rentals, owned by TripAdvisor                     | 1999, bought by TripAdvisor in 2010, UK-based | 140,000 properties in 150 countries   |

# Economic impact on global cities

- Cities in North America and Western Europe are the key markets for Airbnb. It is primarily an urban phenomenon, although rural rentals are available.
- Ongoing issues with the legality of short-term rents have caused problems with various local authorities.
- Amsterdam City Council has updated its legislation to make it legal for occasional short-term rentals, as long as tourist and income taxes are paid. San Francisco has a ban on all short-term rents (unless hosts have a conditional use permit) but it is probable that the city will soon change its laws, as it is now collecting a tourist tax from Airbnb visitors.
- Despite its ongoing tumultuous relationship with New York city authorities, Airbnb partnered with them during Hurricane Sandy to provide free or low cost housing.
- Conversely, some cities have worked with Airbnb to provide extra accommodation when supply is limited. The 2014 FIFA World Cup in Brazil highlighted how Airbnb can boost a city's accommodation supply. Rio de Janeiro has a notoriously small supply of hotel rooms, and Airbnb provided an extra 14,000 rooms to help tourists visiting for the World Cup.

## Economic Impact of Airbnb 2013



Source: Airbnb

# Bumpy road ahead

## What next?

- July 2014 saw a rebranding of Airbnb with a new logo and an updated website. The company is also planning to introduce new services such as room cleaning and airport transfers.
- The aim behind the rebrand is a shift from being a technology-based hospitality brand into a lifestyle brand where people identify themselves through values and a sense of belonging.

## Lifestyle choice

- Regardless of the hurdles it has faced so far, Airbnb offers choice and value for money for a growing number of travellers worldwide.
- It neatly provides the “live like a local” experience increasingly sought after by visitors.
- However, the recent move into a lifestyle branding could prove risky as it becomes more difficult to provide consistent standards across listings.

### Illegal renting

- Airbnb is facing strong opposition from local governments, which contend that peer-to-peer lodging aids residents in breaking laws. Many landlords and condominium boards also forbid the practice.

### Zoning

- Airbnb operates in residential zones, which exist in numerous cities in order to prevent businesses operating in areas reserved for housing.

### Taxes

- Airbnb hosts are legally obliged to pay any taxes owed from income gained; this is not always complied with and difficult to check.
- Visitors are also obliged to pay hospitality taxes.



# Opportunities and threats

## Opportunities

Develop hospitality standards and grow internationally

- Improve on guest and host experience, building on its hospitality standards. China and Brazil are in line for future growth.

Resolve legislative issues

- Work with legislators on regulation and taxes, especially through its Shared Cities initiative.

Invest in new technologies

- Mobile key for future development, including mobile payments and also experimenting with new disruptors like bitcoin

## Threats

Legislative issues

- Airbnb must work on resolving its legislative issues; recent progress has seen changes to some city laws as a result.

Supply

- Future supply and revenue growth could be restricted if local governments, home owners' associations and landlords continue restrictions on short-term rentals.

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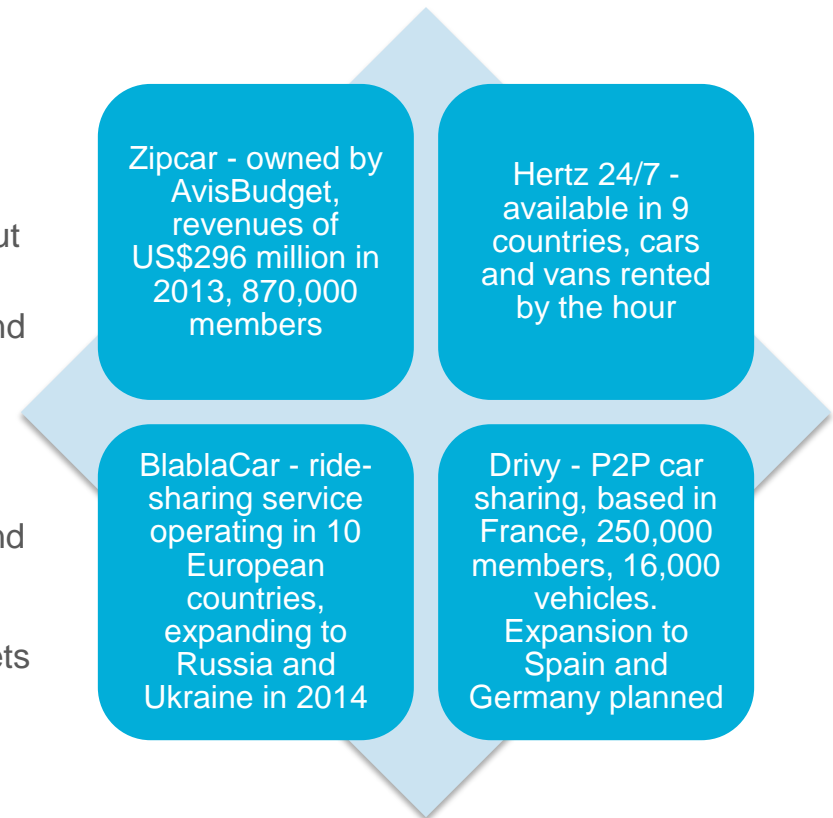
OPPORTUNITIES AND FUTURE DIRECTION



# Sharing and car rental converge

- Traditionally the preserve of students trying to head home for the holidays, car sharing has now hit the big time, largely due to developments in the internet and mobile technology, combined with the growth of the sharing economy.
- Internet car sharing is largely confined to cities in Europe and North America. According to Navigant Research, there were 2.3 million members in 2013, but this will grow to 12 million by 2020.
- The market is divided into independent car sharing and ride-sharing companies; those run by traditional car rental companies and car sharing offered by car manufacturers.
- One-way car sharing is growing in popularity in urban populations. Companies such as Autolib in France, and DriveNow and Car2Go throughout Europe enable consumers to use the cars for point-to-point destinations, with the vehicles left parked on city streets when journeys are completed.
- These services are seen as complementary to city public transport systems, and not in competition as most car sharing consumers will also rely on city bus and rail services.

## Key Players in Car Sharing



## Automotives get in on the act

- Car manufacturers are also expanding into the car sharing space, although for many companies, operations are largely restricted to one European country. In particular, the French and German markets are extremely competitive, with manufacturers operating solely in their country of origin.

### Car Manufacturers and the Sharing Economy

| Manufacturer        | Company          | Service  | Key Facts  |
|---------------------|------------------|--|--|
| Daimler             | Car2Go           | One-way point-to-point rentals                 | Smart cars, electric or petrol, 700,000 customers in 8 countries; unsuccessful in UK - operations suspended 2014   |
| BMW/Mini            | DriveNow         | Joint car sharing venture between Sixt and BMW | 2,350 vehicles, 215,000 customers, operating in 5 German cities and San Francisco  |
| VW                  | Quicar           | Car sharing in Hannover                        | 200 vehicles for round trip services at 50 locations throughout Hannover. VW also purchased 60% stake in Netherlands-based Greenwheels car sharing company in 2013 |
| Peugeot/<br>Citroen | Share Your Fleet | Corporate car sharing, collaboration with Sixt | Dedicated fleet for shared use among company employees   |
| Toyota              | Ha:mo            | Car sharing with electric vehicles             | Trials continuing in Japan and France for launch of electric 3-wheeled vehicle, iRoad  |

## Uber makes waves

- Uber is a car sharing company that offers a mobile app connecting passengers and self-employed drivers for hire and ride-sharing services.
- Established in 2009 in San Francisco, the company has grown throughout the world operating in 128 cities in 37 countries.
- June 2014 saw the company valued at US\$18.2 billion, according to Reuters, with Google Ventures investing US\$250 million in 2013, and other funding from Goldman Sachs.
- The company operates a dynamic pricing model for its services, leading to steep rises in fares when demand is high.
- Uber has caused controversy in a number of locations worldwide, with unresolved issues regarding the violation of taxi laws. Taxi drivers and unions are complaining that e-hailing apps such as Uber create unfair competition because they sidestep the rules that regular taxis have to follow.
- There were a number of strikes in June 2014 across European cities by taxi drivers protesting at governments failing to regulate Uber as strictly as other metered car services.
- The protests by taxi drivers backfired somewhat with Uber recording a 850% increase in new users in London on the day of the strike.
- However, Uber is banned from operating in Brussels, Berlin and the state of Virginia in the US, but Uber successfully managed to overturn a similar ban in New York in 2013.
- In August 2014, Sabre's TripCase announced the integration of Uber's API in its mobile travel management app. Gaining access to the GDS opens up the lucrative corporate travel market.



# Bike sharing: global success story

- Bike sharing in cities is a success story across the globe. With cities in all seven global regions involved, bike sharing has been embraced by local populations and tourists alike.
- As of June 2014, there were over 500 bike sharing programmes globally, across 51 countries.
- Bike sharing usage has been improved by the development of mobile apps showing the location of nearby bike stations and how many bikes are available at each station. This has advantages for both people looking to hire a bike, and those seeking to return one.
- The largest bike sharing system is in the city of Hangzhou, China, which has over 60,000 bikes.
- Some cities have experienced initial teething problems with the scheme, in terms of vandalism, theft and maintenance. Most schemes, however, are successful although a few in smaller cities have been abandoned after unsuccessful starts.

Bike Sharing Schemes Around the World 2014

| Region                | Number of Countries | Number of Bikes |
|-----------------------|---------------------|-----------------|
| Asia Pacific          | 8                   | 300,000         |
| Australasia           | 1                   | 3,000           |
| Eastern Europe        | 10                  | 10,000          |
| L America             | 7                   | 5,000           |
| Middle East<br>Africa | 3                   | 2000            |
| North America         | 2                   | 40,000          |
| Western Europe        | 20                  | 100,000         |

Source: *bikesharingmap.com* June 2014

## Private jets and boats jump aboard

- Air travel is one area of transport seemingly resistant to the sharing economy. However, a number of companies are trying to participate, focusing on private jets, and charter flights, as well as connecting boat owners with potential renters.
- Jump Seat was created in Boston in 2013 and matches up empty seats on private jets with people who are looking to book those routes. Under each listing on the Jump Seat site, the company lists the city pairs available, number of seats available, type of aircraft and price, which is listed per seat or planeload. There is no membership fee for Jump Seat, but participants must register and go through a background check.
- Wheels Up, based in New York, has recently established a mobile app targeting the “working wealthy”. After paying a US\$15,000 initiation fee, members can book time on a private jet which can be shared thereby reducing the cost. While the company acknowledges that often people want a private jet because it is by its very nature exclusive, there can be times when a semi-private option could be appealing.
- Incrediblu in Greece, is a P2P sharing for boats in Europe, launched in 2013 with €100,000 funding. Boat owners can register boats for free, with guests connecting via a website to review boat profiles and manage bookings. The company takes 15% of the price of confirmed bookings, and offers a concierge service.
- In the US, a number of local boat sharing companies started in 2013/14, such as in South Florida and Boatbound in San Francisco, although both operations have boats across the US. There are 12.2 million boats registered in the US, with the average usage only 26 days a year. Insurance is a key issue, with many private boats not covered for rentals making third party insurance vital.



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DEFINING THE SHARING ECONOMY

AIRBNB SHAKES UP ACCOMMODATION

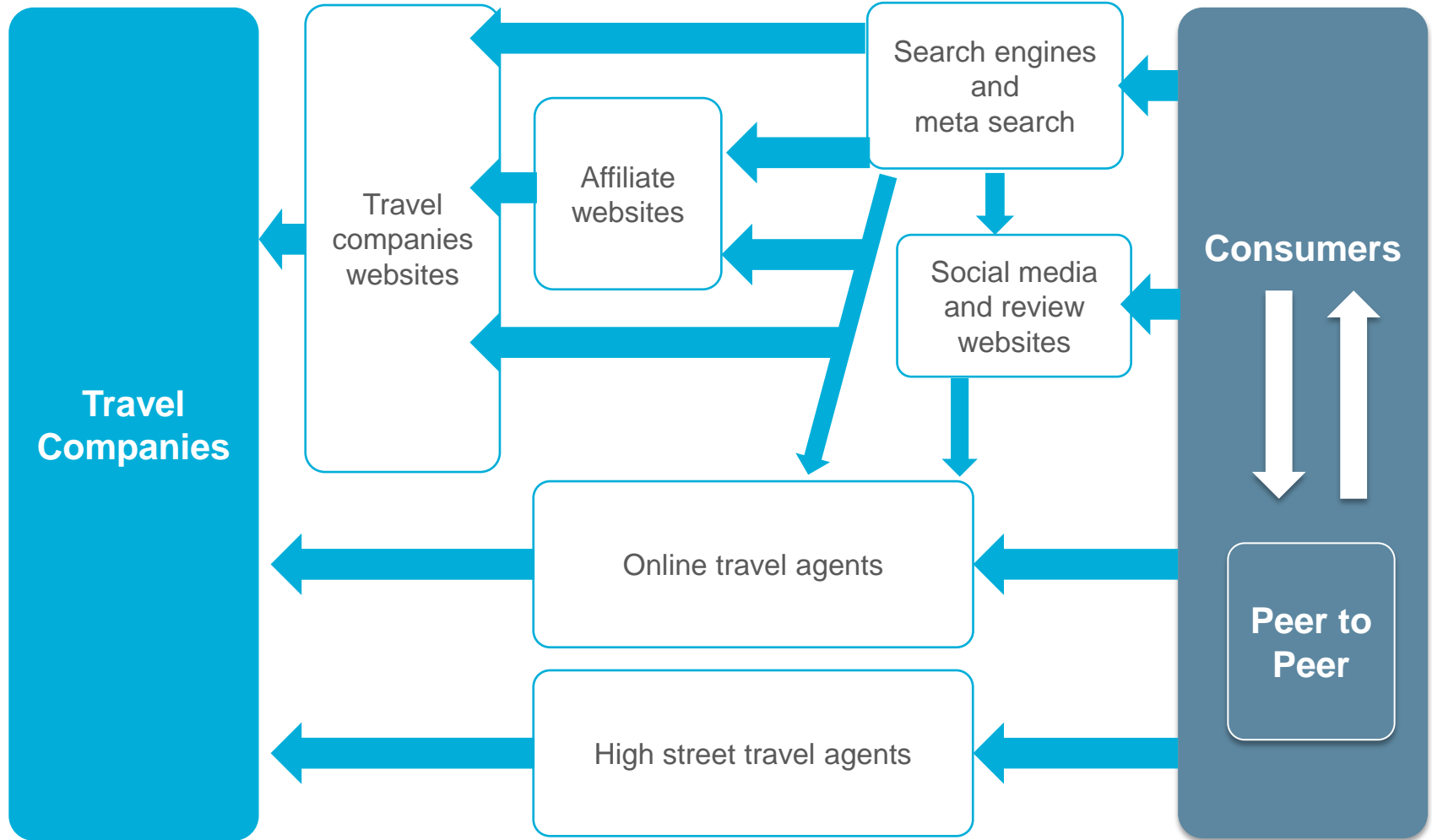
CAR SHARING AT A CROSSROADS

**OPPORTUNITIES AND FUTURE DIRECTION**





# New travel landscape with peer to peer



# Leaning into the sharing economy

## Independents

- One of the great benefits of the sharing economy is that the individuals can participate with minimum cost and infrastructure.
- Small bed and breakfast operations can list their property on Airbnb for example, at no cost until they receive any guests. Additionally it is also one of the few areas where rural businesses can successfully participate as all too often a small and scattered population leads to a lack of demand or convenience for sharing services.
- A key aspect for independent participation is the need to pay tax on any income.

## Corporates dipping in

- Many corporate giants are dipping a toe in the water of the sharing economy by establishing a joint venture or enabling consumers to participate via their websites.
- Expedia recently linked up with HomeAway to list vacation rentals in 2014; it is not yet known whether this will be through a separate tab or alongside hotels at destinations.
- Four Seasons Resort Maui offers guests lifts from homes to their local airports via Uber.
- Travelport has an agreement with Flight Car, a service that lets people parking at airports rent out their cars to travellers. The service is now bookable at travel agents across the US.

## Global expansion?

- There are a number of cultural barriers to overcome before the sharing economy is widely accepted into the mainstream.
- Firstly, payment options are restrictive as despite growing internet access globally, credit card ownership is low.
- Airbnb has overcome this hurdle in Asia by adopting PaySecure International, a debit card system.
- For the expanding middle classes in developing countries, ownership of material goods such as cars is a key aim and many would not wish to share once they have acquired such possessions.

## Opportunities: tours and activities

- Tours and activities are becoming a valuable part of the travel sharing economy, where locals can offer their services to tourists. Sites such as Touristlink, Peek and Vayable, link travellers with local residents who can add something unique. While these companies claim to operate globally, they largely cover main tourist areas and do not tend to cater for less mainstream attractions.
- Social media is a key aspect, as consumer feedback coupled with word-of-mouth recommendations between online contacts helps to encourage future bookings. The importance of trust and connections is important, as those tour guides who get the best reviews are the ones who will see future bookings.
- The activities sector has found it difficult to go global, with travel search site Kayak ending its relationship in 2013 with Berlin-based GetYourGuide, a mobile provider of tours and activities.
- Many holidaymakers choose to book this kind of entertainment while on holiday and not during the booking process. The market is also extremely fragmented and offers limited online booking for unusual activities.
- However, TripAdvisor entered the tours and activities scene partnering with Viator in 2013. Viator is a global resource for booking activities, and consumers can now link directly to the site when using the TripAdvisor City Guide app.



# Opportunities: China and business travel

## China's nascent market

- China has yet to be converted to the sharing economy. The potential is thought to be low for travel accommodation as there is a reluctance among Chinese consumers to share rooms in their own homes.
- However C-trip, one of the leading OTAs in China, has invested in Tujia.com, a Chinese vacation home rental start-up, where you can turn an apartment into a hotel. Tujia offers over 40,000 apartments and villas for rent in 65 Chinese cities.
- A recent round of funding raised US\$100 million from investors, including HomeAway, the world's largest P2P rental company, with whom Tujia works in partnership for overseas listings.
- The company also has an offline team to ensure the cleaning and servicing of listed properties.
- Uber has set up in China, but it is not allowed to use private cars by the government and the company can only connect users with cars from rental companies making journeys very expensive.

## Business travel next step

- Post-recession there is continued focus on controlling travel costs and tech-savvy corporate travellers seek a different experience which has led to sharing brands targeting corporate business travel.
- Technology companies were one of the first to adopt sharing brands, with Google spending US\$2 million with Airbnb over May 2013/2014.
- Airbnb and Uber launched dedicated business websites. While FlightCar is the only sharing economy company that has an agreement with a global distribution system, signed with Worldspan in December 2013
- Corporate car sharing is on the rise, as well as sites such as LiquidSpace enabling business travellers to utilise office space when necessary.
- Concur (a travel and expense management company) recently integrated Uber and Airbnb into its Triplt platform, in response to greater use of these brands by its corporate travel clients including half of the Fortune 500.

## Opportunities: DIY weddings

- Wedding costs are growing internationally, with the average price in the US at US\$25,200 in 2013. The UK was slightly ahead with an average price of US\$27,464. As a result, consumers are searching for ways to reduce the costs, but retain the authenticity of their wedding and some are turning to the sharing economy.
- Wedding dresses are already a fixture on the sharing economy scene, with many brides choosing to hire a dress, either from a professional company or an individual. As most brides will only wear a wedding dress once, it is an ideal service.
- Many other wedding features can also be shared from venues, decorations, catering and music. Sharing services such as Taskrabbit can be used to source waiting staff and photographers, with Airbnb being used to source the venue.
- In May 2014, a couple from New York held a wedding costing under US\$10,000 using only technology-driven start-up companies to help. Weddings in New York typically cost US\$86,916, way above the national average.
- Peer-to-peer loans, also known as crowdfunding, are also a growing choice for funding a wedding or a honeymoon, with companies such as Zopa, Prosper.com and Lendingclub.com.
- The US leads the market for this type of funding, with 72% of global transactions according to a 2013 industry report.



## Seoul: sharing city model

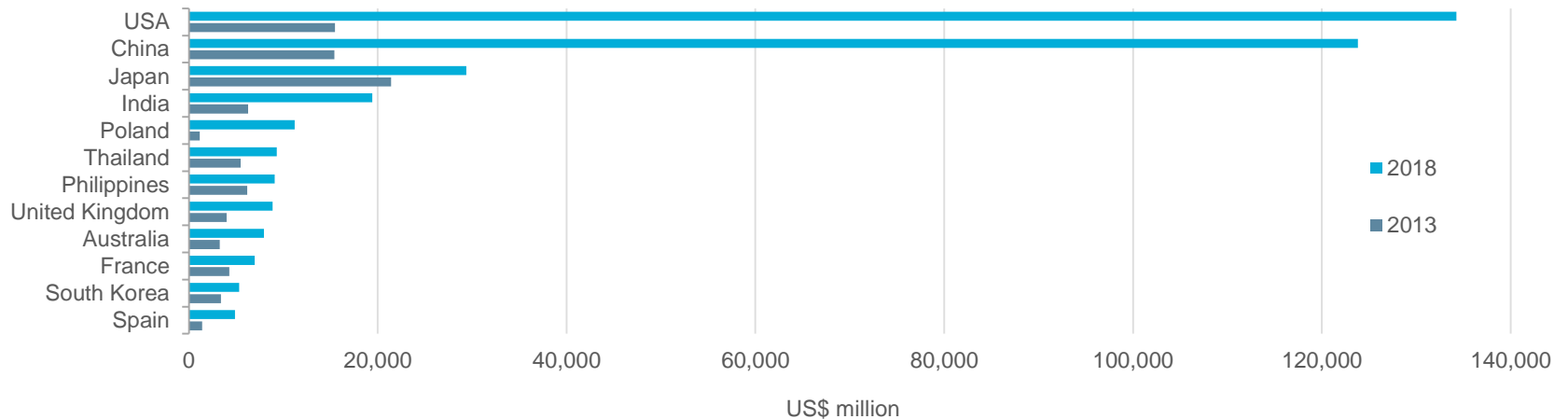
- The South Korean capital is well known for being extremely high tech with 97.5% of citizens having broadband internet connections.
- It is also very highly populated, with 10 million inhabitants in the city itself, and a total of 25 million living in the surrounding area. Space is crowded, pollution is a growing problem and the city has an ageing population.
- As a result, the sharing economy has taken off in Seoul, with the mayor Park Won-Soon creating the Sharing City Seoul project in 2012. The government has aided start-ups to build up sharing services, from food sharing, lending equipment, parking spaces, rooms and clothing exchanges.
- The key aim is to bring the sharing economy to all Seoul citizens by expanding and enhancing the sharing infrastructure, maximise the usage of idle public resources, and making data and digital works more accessible.
- According to Kim Tae Kyoon, director of Seoul's Social Innovation Division, the rediscovery of a sense of community is vital to the project.
- “The Sharing City not only creates new jobs, increases income and efficiently uses resources,” he says, “but it will reproduce communities that disappeared, due to rapid urbanization and industrialization, in a modern mode using information technologies and social networking services.”
- So far the project is proving to be an example for other South Korean cities, with representatives from Busan and Gwangju implementing their own sharing policies after visiting the capital.



# Future technology facilitates sharing

- As digital wallets such as Google’s Instant Buy, Visa’s V.me and MasterCard’s MasterPass increase in popularity, there is the potential for the smartphone to one day entirely replace the traditional wallet in the purchase process.
- However, ongoing concerns about mobile payments making consumers more vulnerable than ever before to identity theft and invasive data collection are likely to persist.
- Nonetheless, the rise in mobile technology is crucial to the expansion of the sharing economy. Many of the countries showing strong growth in mobile internet subscriptions are home to mega cities such as Mexico City and Lagos where with time, sharing is likely to prosper.
- As connectivity improves worldwide, accessibility to services such as Bitcoin enables more people and small businesses to use digital wallets.
- Apple is developing its own digital currency, after allowing software developers to include virtual currency transactions in its applications in June 2014.

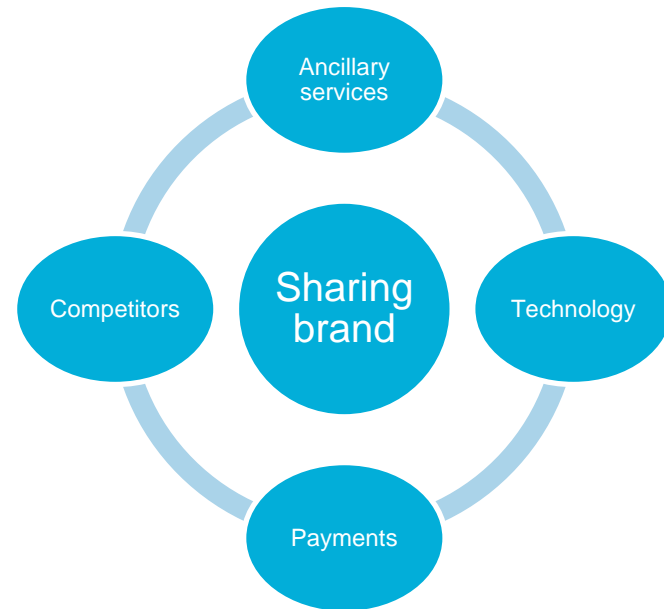
M-Commerce in Key Countries US\$ Million 2013/2018





## Creation of a new ecosystem

- Accompanying the rise of the giants of the sharing economy such as Airbnb, Uber etc has been the creation of numerous smaller companies, building on their success.
- The majority of these new start-ups support Airbnb guests and hosts, in areas such as cleaning, welcome packs, housekeeping and linen rental. Some, such as Airenvy, offer a complete property management service.
- Other services cater to other aspects of the guest experience such as Vayable, which offers local touring and guides; Feastly, provides Airbnb guests with in-house dining; Dogvacay, giving dog owners a home stay option for their pets, etc.
- While these new companies do not have formal relationships to Airbnb, consumers and hosts may often interact with them to create a better and more efficient service for both sides.
- Innovating and looking at disruptive models will continue to appeal to sharing brands. Mobile payments will be critical for future growth and digital currencies like bitcoin will be trialled.
- In common with other internet and technology giants such as eBay, Twitter, Google and Facebook, it is likely that Airbnb will open up select APIs for partners. This will create a bigger platform for developers and allow the growing ecosystem of start-ups to co-ordinate and centralise payments, data and customer profiles. As these platforms grow, more companies will join the ecosystem, creating further links into the sharing economy.





## Future entrants to the sharing economy: Who's next?



Facebook is already the preferred verification sign-in for many sharing companies and with over 1 billion users worldwide, peer-to-peer potential is huge.

The company has applied for an e-money licence in Ireland that would enable P2P money transfers.



In June 2014, Amazon announced that it is launching a local services marketplace which will offer consumer a multitude of business services. While not strictly P2P, it will enable Amazon to build up local relationships and diversify from pure play selling.



One of the pioneers of the sharing economy, ebay sells a limited number of hotel rooms and package tours already, including P2P accommodation options.

With a strong rating and trust system, eBay has the potential to offer Airbnb-like room rentals.



Apple's involvement in P2P has been focused on building hardware and software to facilitate sharing such as Uber and Airbnb apps on iPhones and iPads. With the launch of iPhone 6 and Apple's likely to enter mobile payments in a big way which will boost bookings via mobile devices.

# Forecast scenarios for the travel sharing economy

## Worst case - zero tolerance

- Successful lobbying by global hotel chains means governments apply stifling regulation leading to an outright global ban.
- Private rentals are cast as illegal in world's leading cities, taking lead from Paris and Madrid and ban is enforced.
- Airbnb follows fate of once trailblazing brands such as
- Nokia and Blackberry.
- Retroactive taxation and fines applied to brands and hosts.
- Consumer backlash in response to the polemic.
- Private rentals sales plummet along with peer brands' share prices.
- Sharing movement slowly dies out.



## Best case – positive action

- Update of current legislation to create open market for sharing brands to flourish.
- Removal of protective measures and creation of positive and encouraging legislation.
- Brands such as Airbnb and Uber mature to become like eBay and Amazon as hosts professionalise.
- Further segmentation and niche development, mining big data for greater customisation.
- Hotel brands launch their own sharing platforms and sharing brands enter the GDS, opening up the business travel market.
- Sharing movement goes global and mainstream.

# Post-peer landscape

## Best of both worlds

- The sharing economy is expected to remain as conspicuous consumption continues to decline, with Generation Y leading with the ethic of “sharing more and owning less” although the sector is likely to align itself more with industry standards and regulation.
- As travel remains vital for many consumers, enhancing the industry’s collaborative credentials will become increasingly important for travel brands.

## Legislation likely to change

- City authorities need to proactively examine their legislation in order to consider the legality or otherwise of the new sharing companies.
- Cities such as Berlin, Madrid, and Paris have effectively banned some sharing companies but are not enforcing the decision.

## Corporates on board

- Corporate travel companies will need to become more involved in the sharing economy, whether as full participants or offering consumers more choice for their travel decisions.
- The changing technology means that consumers are increasingly involved and informed about every step of a purchase process. These growing peer-to-peer relationships mean that people are less dependent on established corporations to satisfy their travel needs unless the latter are prepared to be more creative in their business processes.

# Data parameters and report definitions

- 2013 figures are provisional and based on part-year estimates.
- All forecast value data cited in this report is expressed in constant terms; inflationary effects are discounted. All historical data to 2013 are also expressed in constant value terms, with inflationary effects discounted.
- Accommodation used by incoming tourist arrivals and domestic tourists includes campsites, hotels, motels, self-catering, chalets, guesthouses, hostels and private rentals.
- Private rentals refers to privately-owned houses or individual rooms rented to tourists on an unofficial basis and not always authorised by tourist authorities. This includes sales of rooms/homes by peer-to-peer brands such as Airbnb, HouseTrip and Wimdu and also home stays in Asia.
- Mid-priced hotels include mid-priced chained and independent outlets and their corresponding sales that may or may not serve food and beverages. Includes 3-star outlets. The mid-priced classification can also be determined by the brand's positioning and marketing.
- Budget hotels include budget chained and independent outlets and their corresponding sales. Includes 1-2 star outlets. The budget classification is also determined by the brand's positioning and marketing.
- Vacation rentals such as offered by Wyndham are included under self-catering.
- Definitions for industry-specific and other terminology/abbreviations used in this report:
  - API - application programming interface
  - CAGR - compound annual growth rate
  - GDS - global distribution system
  - OTA - online travel agent
  - P2P - peer-to-peer

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