

A CONTEMPORARY OVERVIEW OF THE APPLICATION OF COLLABORATIVE CONSUMPTION IN TOURISM

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Abstract: Collaborative consumption is a current global trend which is changing the way in which people use goods and services. This trend also affects the state of the tourism market. With reference to this the article studies the increased use of this business model nowadays by outlining its main characteristic features and the reasons that have caused its appearance. In addition, the article classifies the wide variety of services and products that fall within the scope of this model. Special attention is paid to the factors which limit and stimulate its development. The article also provides a summary of the most widely used digital platforms for sharing tourism – related services. In conclusion, it systematizes the advantages and disadvantages of collaborative consumption and its effects on the conventional supply of tourism products and services.

Key words: tourism, tourism market, collaborative consumption, digital platforms, digital technologies.

JEL: L83, M21.

Introduction

The increased use and importance of digital technologies have created both challenges to and new opportunities for the tourism industry. Tourists have never been so often on the Internet

than nowadays. They use various mobile applications and have access to online news and information regarding transport and accommodation. They also use the social networks to view, access and book accommodation, restaurants, or other tourism - related services. This trend in the tourist behaviour and the expectations tourists have with reference to the digital economy have led to the development of both digital marketing and promotion and an environment for creating capacity and product development.

The collaborative consumption economy¹ or the participative economy as well as the sharing economy are concepts which illustrate the increased use of a business model that is characterised by offering services or the right of using resources on peer – to – peer (P2P) basis without acquiring property. The word “sharing economy” was introduced by the Oxford Dictionary of English language in 2015. It means „an economic system in which assets or services are shared between private individuals either free or for a fee, typically by means of the Internet” (Neo, 2016, p. 167). This model is not new, however. What is more, it is connected to some of the oldest and most primitive forms of trade such as the exchanging, bartering, renting, sharing and borrowing of products and services. What is new, however, is that these methods of trade have been rediscovered nowadays. They are very well accepted and widely used by the market. In addition, they are rapidly developed in a new and flexible manner due to the Internet platforms and mobile applications.

With reference to the above mentioned, the *main purpose* of the article is to study the use of collaborative consumption on the present-day tourism market by clarifying its nature and the reasons leading to its increasing popularity. The article also outlines the digital platforms used for offering shared tourism – related services and analyses the strengths, weaknesses, opportunities and threats to this type of consumption.

¹ The documents, published in the Official Journal of the European Union (opinions, reports), which discuss the current trends in the tourism industry use the term “collaborative consumption”. It will be used in the present article too.

1. Collaborative consumption as a current economic trend

At the present stage of economic development, the number of commercial transactions involving change of property ownership goes down. In contrast, the number of transactions related to renting property rises. (Ribov, M. et al., 2016, p.15).

The Opinion of the European Economic and Social Committee states that “*Cooperative or participatory **co-consumption** is spreading to more and more communities and cities around the world that use technology networks to receive more with less money through activities such as hiring, borrowing, exchanging, bartering, giving away, or sharing products on an unthinkable scale*”.

Another definition also puts an emphasis on the relationship between those who offer and those who consume the services. According to it collaborative consumption is “*the use of online markets and social network technologies to facilitate the peer – to – peer sharing of resources (such as places, money, products, skills and services) between individuals who can either offer or consume these resources*” (Barnes, S. J., J. Mattsson, 2016, p.201). Collaborative consumption refers to the use of products and services based on access. This use can be both online and offline with the main purpose of *limiting the costs for the two parties involved*.

The research literature in the field of collaborative consumption identifies **three main research areas**: *first*, collaborative consumption as a business model and its effects; *second*, the nature of collaborative consumption and *third*, the sustainable development and the economy of collaborative consumption (Cheng M. P 2016, p. 70).

An interesting aspect of the collaborative consumption is why it has appeared at this particular stage of the current economic development. Nowadays, the following main preconditions determine this process, namely:

- The increased density of population in particular places²;
- The development of digital technologies and Internet of things (common network, connecting objects from the real world with virtual reality objects);
- The global recession this has changed the customer behaviour.

The multitude of factors which, on one hand, stimulate the development the collaborative consumption business model and, on the other hand limit it is presented in Table 1.

According to the experts, the most important factors which stimulate the development of collaborative development are the economic ones. These factors are determined by the existing problems and the need of effective use of available resources. The technological factors – mobile applications, social media and the Internet as well as the social and cultural factors also have significant effects. At present, the environmental factors stimulating the processes of collaborative consumption are not very highly evaluated.

With reference to the barriers to the development of collaborative consumption, the situation is absolutely different. The most significant factors are the social and cultural ones. The government policies and the behaviour of the businesses are also important factors that stop the development of this business model.

The forecasts say that the overall economic development will continue to be the main factor that stimulates the sharing of various activities. The technological, social and cultural developments also have similar facilitating roles. It is expected that during the next decade the political, business and legislative problems will be solved. It is also expected that the ecological factors will increase their significance.

² This increases the possibility of establishing relationships between people who need an access to particular resources and people who have such resources and can lend, let, exchange or give them as gifts.

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Table 1.
Factors which stimulate and limit the development of collaborative consumption

Stimulating factors	Limiting factors
<ul style="list-style-type: none"> ● Low transaction costs due to the use of Information Technologies (IT) ● Technological capabilities ● The global economic crisis ● The social networks and the maintenance of digital relationships ● Financial benefits for all participants ● Consumers nowadays have higher IT literacy ● Need of more effective use of available resources ● Environmental sustainability ● Desire for social connection ● Properly prices ● Social transition from individualism to belonging to a community ● Lack of opportunities for conventional employment ● Reaction to excessive consumption ● Disliking of corporate politeness ● More personalized customer experience ● Ethics and justice ● Globalization ● Sustainable development 	<ul style="list-style-type: none"> ● Lack of high – level consciousness ● Necessity of creating trust ● Legislative and regulatory issues ● Cultural norms ● Property related corporate interests ● Lack of a public institution/ body facilitating the development of the model ● Fiscal charges ● Fear of the unknown ● Lack of access for certain groups of individuals ● Lack of IT infrastructure at certain places ● The conveniences provided by the old business model ● Capitalism is associated with excessive consumption ● Culture of independence ● Negative perception/ prejudices towards novelties ● Bad practices ● Safety and insurance ● Technological literacy ● Fear of the model's effect on the economy ● Inadequate customer service processes ● Competition ● Negative media coverage

Source: Barnes S. J., J. Mattsson. Understanding current and future issues in collaborative consumption: A four-stage Delphi study//*Technological Forecasting & Social Change* 104 /2016, p.200–211.

The online technologies not only intensify the mass character of the process but also add a certain degree of transparency which is of great importance to the sharing economy. Reputation is also of key importance. Although the cases of fraud, pyramid schemes and terrorism are becoming more and more common, the idea is well accepted by a certain group of customers due to the pinch of adventure which adds certain charm to the experience.

The attempts to organize the variety of initiatives within the scope of the collaborative consumption concept has resulted into their categorization on the basis of three systems, determined by the redistribution markets, the product itself and the shared way of life.

With reference to the **sector cross section**, the main sectors of sharing economy are shared financing (LendingClub, Prosper), shared services, skills and jobs (TaskRabbit, Fiverr, Gigwalk), property rentals (Airbnb³, HomeAway), shared cars (Uber, Lyft, RalayRides), music and video streaming (Sportify).

On the other hand, depending on the **relations between the providers and obtainers** of services, the scope of the collaborative consumption concept is studied in four fields in the sharing economy, namely *first*, relations between customers or C2C (customer – to – customer) relations; *second*, relations between customers but through the business as an intermediary (C2B – customer to business); *third*, between customer and businesses (B2C – business to customer) and *fourth*, between the businesses themselves (B2B – business to business).

Some of the more popular digital platforms for collaborative consumption, ***with reference to the elements of the tourism product***, include:

³ Airbnb stands for of air bed and breakfast). In 2008, Brian Chesky, a student who was trying to find a job to pay his rent in San Francisco, decided to offer a corner at his house equipped with an air bed to tourists and people travelling on business for rent. First he created a small web site to popularize the service and then started to offer breakfast to his guests. Gradually the service became popular with his friends and acquaintances who were also willing to have their houses for rent. Chesky published the information for a commission on the money received from rents. Today this platform is associated with the boom of the so called sharing economy.

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Travelling: Lift, Uber, Sidecar, Carpooling, BlaBlaCar, Zimride, RelayRides, Getaround, Flightcar.

Accommodation: Airbnb, Homeaway, Vrbo, Flipkey, Roomorama, Wimdu, 9flats, Onefinestay, Housetrip, Homestay, Couchsurfing, HomeExchange, Lovehomeswap, Guesttoguest.

Eating: Eatwith, Feastly, Cookening, Cookisto, Kithensurfing, VizEat, EatWith, BonAppetour.

Entertainment: Vayble, TouristByLocals, Sidetour, Incredible, Getyourguide, Boatbound, Getmyboat, Dopios.

2. Effects of collaborative consumption on the tourism market

The use of online platforms for shared consumption of various elements of the tourism products allows customers to make a different, low – cost travel. Virgo & Lush (Virgo & Lush, 2004, p.17) have introduced the concept of service-dominant logic (SDL). SDL shifts the focus of the existing paradigm, namely creating company centred value, on creating value developed with the mutual efforts of both companies and customers. An emphasis is put on the importance of the relationship between the providers and obtainers of services, which permits the shared creation of value. Later other authors (Shaw, Bailey, & Williams, 2011, p. 207) discuss SDL as a research paradigm in the management of tourism and a main characteristic of the experience economy. The quality of the social interrelations is a key factor of achieving customer satisfaction when such services are offered to them.

As it has already been mentioned, the alternative services that are offered most frequently in the field of tourism are renting rooms or entire apartments or houses for short periods of time, private transport services with personal vehicles or temporary renting of automobiles, provision of meals/food and tourist guide services. With reference to this, the most widely used platforms and the main indicators revealing their performance results are shown in Table 2.

Table 2.
Tourism and collaborative consumption – platforms and main performance indicators

Accommodation	
<u>Airbnb</u> is a platform for short – term accommodation. It was established in 2008. Users who have found accommodation through it pay a rent.	
<i>Number of users</i>	As of 2015 – approximately 1 million tourists used this method of finding accommodation. The platform offers 2 million accommodation places.
<i>Annual turnover</i>	2013 – 250 million USD. Preliminary data for 2015 – 900 million USD.
<i>Company net worth</i>	25,5 billion USD as of June 2015.
<i>The company operates</i>	Globally – in more than 190 countries and provides access to 34 000 places of accommodation.
HomeAway was established in 2005. It offers holiday accommodation for rent. The business model is based on subscription but the platform also offers reservations outside the subscription model with a higher commission.	
<i>Number of users</i>	Over 1 million .
<i>Annual turnover</i>	For 2014 – 446,8 million USD.
<i>Company net worth</i>	As of February 2015 - 3 billion USD.
<i>The company operates</i>	Globally in 190 countries.
<u>Couchsurfing</u> was established in 2004. This platform is a social network and a non – profit organisation. It offers exchange of accommodation.	
<i>Number of users</i>	Approximately 10 million members.
<i>Annual turnover</i>	Free registration and membership.
<i>The company operates</i>	Globally – provides access to 200 000 places of accommodation.
Transport	
<u>Uber</u> was set up in 2009. It is a platform for sharing travelling and technologies by offering peer-to-peer services. The drivers pay a booking fee to the company.	
<i>Number of users</i>	More than 1 million active partner drivers who make more than 4 rides per month. The platform registers more than 3 million rides every day.
<i>Annual turnover</i>	As of 2014 – 2 billion USD. Preliminary data for 2015 – 10 billion USD.
<i>Company net worth</i>	As of January 2016 – 62,5 billion USD.
<i>Operations</i>	Almost globally – 400 locations in 62 countries.
<u>Lift</u> . Established in 2012, this platform offers shared travelling services. The drivers pay 20% commission.	
<i>Number of users</i>	100 000 registered users and 2,5 million rides per month on average.
<i>Annual turnover</i>	For 2015 – 1,2 billion USD.
<i>Company net worth</i>	As of March 2015 – 2,5 billion USD.

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<i>The company operates</i>	Nationally – 60 locations in 29 states in the USA
	<u>BlaBlaCar</u> is a platform for shared travelling services. It was established in 2006. It is based on the concept of maintaining and belonging to a community. The drivers do not make profit while the transported customers cover their transport costs.
<i>Number of users</i>	20 million registered users. Approximately 3 million travels per month.
<i>Annual turnover</i>	72 million – based on the travel costs.
<i>Company net worth</i>	As of September 2015 – 1,2 billion USD.
<i>The company operates</i>	Established in France, the company also operates in 18 more countries, i.e. Belgium, the Netherlands, Luxemburg, Croatia, Germany, Hungary, India, Italy, Mexico, Poland, Portugal, Serbia, Spain, Romania, Russia, Turkey, Ukraine and the United Kingdom.
<i>Eating</i>	
	<u>VizEat</u> . Established in 2013, this platform provides shared dining experiences by connecting hosts and guests. The hosts pay a commission of 15% to the platform.
<i>Number of users</i>	More than 20 000 registered users.
<i>Operations</i>	Internationally in 50 countries.
	<u>EatWith</u> . Established in 2012, this is a platform for shared dining experiences. It arranges parties hosted by popular chefs. The company collects a commission of 15%.
<i>Number of users</i>	500 hosts as of 2014.
<i>The company operates</i>	Internationally – 160 locations in 30 countries.
	<u>BonAppetour</u> is a web platform for tourists. It allows its users to arrange meals and high-quality cooking experiences at the houses of local people. It was established in 2013.
<i>Number of users</i>	There are more than 500 hosts registered online.
<i>The company operates</i>	Internationally – 80 locations with very strong presence in Italy and France.
<i>Other tourism – related experiences</i>	
	<u>Vayable</u> This is an online market for personal tours and tourism – related experiences. It was established in 2011. Connects visitors with local people.
<i>Number of users</i>	No data available.
<i>Annual turnover</i>	1,4 million USD as of July 2013.
<i>Company net worth</i>	2,1 million USD.
<i>The company operates</i>	Internationally.
	<u>Tourist by Locals</u> . This is an online platform which was established in 2013. It connects travellers with local inhabitants with the purpose of organizing and conducting private tours.
<i>Number of users</i>	The platform has 1645 registered tourist guides and 350 000 registered travellers
<i>The company operates</i>	Internationally in 134 countries.

Source: OECD Tourism Trends and Policies 2016, p.93.

The studies of the factors which influence the use of online platforms for collaborative consumption in the field of tourism indicate that (Jeon and Park, 2015):

- Competitiveness based on pricing is important but what is more important is the development of differentiated services with their own identity that can be offered via the online platforms for collaborative consumption. In comparison with the *social* and *informational* importance and value, the *economic value* of the online platforms is the most important factor that determines their use. In addition, these platforms offer service and experience which is attractive for a certain group of users.
- The online platforms for collaborative consumption can stimulate both the providers and consumers of services to establish relationships so that the business can get repeat business.

At the macro level, collaborative consumption is also evaluated as a method of creating jobs and a *complementary* market instrument. The offering and consumption is not viewed as possession of goods but as a shared access to their use with the aim of satisfying real needs as opposed to excesses of over consumption. The underlying idea is that it is not necessary to accumulate wealth such as possessions in order to achieve well – being. Collaborative consumption is based on reputation, sense of belonging to a community and shared access unlike the model of hyper consumption which is built on the premises of crediting, advertising and individual ownership. Collaborative consumption is also perceived as economic, social and cultural change. The development of this type of business – model is in line with the concept of *sustainable development* and encompasses its main aspects, namely economic austerity, development and taking care of social needs, awareness of the excessive nature of consumerism and the issues of global warming and environmental pollution.

However, the companies of the tourism industry, whose product can be shared, are **affected by** the sharing economy. The hotels are still monitoring carefully the trend but the companies

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operating taxi driving services have already got in direct conflicts with Uber in many countries, including Bulgaria.

Based on the review of the specialized literature, we could provide a summary of the main strengths, weaknesses, opportunities and threats, i.e. perform a SWAT analysis of the collaborative consumption in the field of tourism (see Table 3).

Table 3.
SWOT analysis of collaborative consumption in the field of tourism

Strengths	Weaknesses
<ul style="list-style-type: none"> • Expands and diversifies tourism supply; • Occupies a niche market; • Increases the accommodation, transport, catering and entertainment capacity during the high season or in cases of special events; • Offers services and products at lower prices; • Generates incomes for the local population; • Contributes to the sustainability of the economic development; • Provides unique experience in the field of tourism; • Has the capacity to secure additional fiscal revenues. 	<ul style="list-style-type: none"> • The lack of regulations makes the quality control of offered products more difficult; • The unidentified liabilities place collaborative consumption in the scope of the grey economy; • Disruption of public order and control (accommodating travellers at residential areas/places causes problems with neighbours); • There is not enough guarantees about the safety of the money transactions and personal data; • There is a higher degree of risks.
Opportunities	Threats
<ul style="list-style-type: none"> • Traditional providers of tourism services can use this business model to diversify their services and products; • Obtaining appropriate government support and regulation; • Expanding the use of the application by taking advantage of the increased influence of the information technologies, cheap and efficient wi - fi connection and the Internet of Things; • Developing contemporary, up – to – date image; • The model provides attractive investment opportunities because the companies which offer collaborative consumption increase their net worth. 	<ul style="list-style-type: none"> • Platforms can be used as not intended because of negative practices which can lead to gaining negative reputation; • Opportunities for unfair competition with regard to the tradition providers of tourism services; • User scepticism; • Unprofessional service and lack of standards; • Law suits for non – compliance with existing regulations.

The collaborative consumption economy **forces** the traditional providers of tourism services to adapt their business to the new market conditions. For example, the National Railway Company in France has developed and has started to offer new, low – cost, railway and bus transport products such as OUIGO, OUIBUS in order to answer the challenges of BlaBlaBla and other platforms for shared travelling. The BMW Company has launched a programme, called DriveNow, providing the temporary use of their automobiles. Other companies such as Ford, GM and Renault also offer similar services and partnerships. The AccorHotels chain, which operates the Sofitel and Raffles brands, has made direct investments in the field of shared accommodation in London by launching the Onefinestay service which is aimed at the upmarket homeowners (Glusak, 2016).

Regarding its regulation, collaborative consumption poses certain challenges to the legislative systems of the different countries. It is important, however, that with reference to the type of regulation and taxation we should distinguish the non – profit business activities, such as the ones carried out by Couchsurfing, from the profit generating business activities.

The need to adapt to the economy of collaborative consumption highlights the following more important aspects:

- Reinforcing the strategic operating network that studies the effects of collaborative consumption on tourism in particular and a wider spectre of social objectives in general as well as the role of the government on the market.
- Rethinking the incentives, a better understanding of the business environment and developing new approaches, setting up and supporting innovation labs to develop products that can be widely used.
- Modernizing the management regulating approaches in the destinations and adapting them to the common government perspectives. Development based on actions and self – regulation, use of data and information generated by / in the platforms for collaborative consumption.

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- Increasing the gathering of information and researching the effects of collaborative consumption on the tourism industry and the local communities. Supporting and popularizing the good practices and professional experience in the field at all management levels, developing responsible regulatory practices.

Conclusion

The price of ignoring change is always high unless companies research thoroughly possible alternative strategies. Therefore, in order to be adequate to the increasing trend of collaborative consumption, when developing its policies the tourism industry should pay attention to the following aspects:

- *To identify unutilized capacity.* It could be economic, social, or environmental. It can also be related to tourists, production companies from the tourism sector or units along the distribution chain or a particular destination.
- *To create unique experience for consumers* since people look for opportunities to express their individuality.
- *To research and use possibilities offered by the e-commerce market.*

In conclusion, it can be said that the development prospects to the collaborative consumption economy are not assessed unambiguously. Currently there are assumptions that it could possess the effect of the next industrial revolution, which, however it will happen on the personal level. This is based on the fact that since a new technology appears every day and the need of social communication is constantly increasing, the need of social interaction will continue to increase and new forms of collaborative consumption will appear. Others are more moderate in their expectations and prefer to make evaluations as to the benefits and possible damages caused by collaborative consumption at a later moment. According to us, this model offers a possibility for extending the array of available methods of conventional supply and demand in the field of tourism.

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