



Scottish Enterprise

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# THE COLLABORATIVE ECONOMY AND SCOTTISH TOURISM

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A report commissioned by Scottish Enterprise, in partnership with  
the Scottish Government and the Scottish Tourism Alliance



Scottish Government  
Riaghaltas na h-Alba  
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TOPOSOPHY is a full-service, integrated destination marketing and management agency. With offices in Athens and London, and experts across Europe, TOPOSOPHY’s offers a range of services in research, strategy and partnership-building connected with the collaborative economy and tourism.

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# BACKGROUND & INTRODUCTION



This report has been designed to examine the current state of the collaborative economy in Scotland's tourism sector, and evaluate how it may develop in the future. It comes at an opportune time not just for Scotland's tourism sector, but for Scotland's economy as a whole. At the time of writing, the Scottish government is exploring how to further its policy development on the collaborative economy by taking advantage of the opportunities and overcoming any regulatory, economic and social challenges it may pose.<sup>1</sup>



Few sectors have seen such rapid development in the collaborative economy as the tourism sector. Some of the world's best-known online platforms connect individuals with each other, individuals with businesses and businesses with other businesses with the aim of providing accommodation, transport services and a range of leisure-based activities. In this sense, collaborative economy platforms have allowed individual hosts, drivers, tour guides and home-cooks to compete in the same marketplace as multinational corporations that have existed for many decades. The collaborative economy movement has accelerated the digitalisation of the travel and tourism industry. Furthermore, the various platforms and business models which have emerged (P2P, B2B, B2C, C2B<sup>2</sup>) often bypass established businesses which have operated

for many decades. Many businesses which have found themselves in this position have started their own peer-to-peer network, put their inventory on an existing collaborative economy platform or changed their own business model entirely. For this reason, many have questioned whether the collaborative economy is essentially becoming the 'new economy' for this age. Many have also questioned the legitimacy of some collaborative networks, and their capacity to seemingly bypass established rules and regulations that ensure a safe and pleasant visitor experience. However one thing is clear to us: that it is a phenomenon that is here to stay. It is also clear that for increasing numbers of travellers, including P2P accommodation, meals, tours and other experiences during their trip is becoming a way of life.

As a result of this movement, the travel and tourism marketplace (and many others besides) have witnessed considerable disruption from collaborative economy activities. Its expansion also appears to be causing other side-effects (both positive and negative) on the visitor experience, life in city neighbourhoods and a whole range of other areas. For this reason, the subject merits discussion of how the Scottish tourism sector and the Scottish Government can work together to in order to seize the opportunities that the collaborative economy could bring, while mitigating any negative effects by taking a smart approach to regulation.



This report is the result of cooperation between Scottish Enterprise, the Scottish Tourism Alliance and the Scottish Government, and was prepared by TOPOSOPHY Ltd. In addition to conducting a wide-ranging review of contemporary literature on the collaborative economy, the researchers have taken evidence and opinion from a variety of Scottish tourism sector stakeholders through an online survey, a series of in-person interviews, and an industry event, the STA Autumn Conference on 3rd October 2017.

We would like to express our sincere thanks to all who contributed their time and insights to this study.

## DEFINING THE COLLABORATIVE ECONOMY

The Scottish Government has defined the collaborative economy as ‘connecting individuals or communities via online platforms enabling the sharing or provision of goods and services, assets and resources without the need for ownership’.

As collaborative economy platforms evolve and expand into new areas of modern life, the terminology used to describe it is evolving too. The following terms have also been associated with this phenomenon: ‘sharing economy’, ‘gig economy’, ‘P2P economy’, ‘on-demand economy’, ‘network economy’, and ‘collaborative consumption’. The Scottish Government has opted to use the term ‘collaborative economy’ as one which encompasses the nature of users, providers and transactions which take place. According to NESTA, a major UK innovation charity, there are five defining traits to the collaborative economy:<sup>3</sup>

- Enabled by internet technologies
- Connecting distributed networks of people and/or assets
- Making use of the idling capacity of tangible and intangible assets
- Encouraging meaningful interactions and trust
- Embracing openness, inclusivity and the commons

The term ‘P2P economy’ is commonly used as an alternative to the ‘collaborative economy’, however this term only partly describes the relationship between ‘providers’ and ‘users’ (or ‘haves’ and ‘have-nots’) in this economic system. In reality, the collaborative economy has already seen various models of collaboration develop, according to the five traits outlined above. NESTA outlines the following delivery models as a means of describing who takes part in specific activities and how individuals and organisations participate:<sup>4</sup>

- **Business-to-Consumer (B2C):** The interaction between consumers and companies who own or directly manage their inventory.
- **Business-to-Business (B2B):** The interaction between a business and other companies who own or directly manage their inventory.
- **Peer-to-Peer (P2P):** The interaction between two or more people to trade or exchange a good or service facilitated and supported by a company, organisation or platform that is not directly involved in the transaction.
- **Consumer-to-Business (C2B):** The interaction between consumers and a company where the company benefits from and pays for the knowledge or assets of the consumer.

It is also notable that some platforms may feature more than one model of ‘collaboration’ at the same time. For example, Airbnb enables P2P transactions (individual home owners renting their rooms or property to each other), as well as B2C transactions (serviced apartment companies renting apartments to individuals).

## THE OBJECTIVES AND SCOPE OF THIS REPORT

This report has the following objectives:

- Make an analysis of current trends within tourism and the collaborative economy, focussing on five sub-sectors:
  - Accommodation
  - P2P transportation (in particular, long-distance ride sharing)
  - Food and meals
  - Tours and activities
  - On-demand domestic services
- Build a picture of the influence the collaborative economy can have on Scotland’s visitor economy and the opportunities and challenges it presents
- Review policy development in the collaborative economy around the world (supported by case studies)
- Draw up a series of scenarios to illustrate how the collaborative economy may evolve in Scottish tourism according to different conditions
- Present recommendations on the future development of the collaborative economy in Scottish tourism

The insights presented in this report are drawn from desk research, interviews with industry representatives and a wide-reaching online survey. The authors have aimed consistently to seek input and draw lessons from across Scotland, as well as a broad cross section of its tourism sector.

A full redaction of the interviews carried out for this report is included in Appendix 1.

# THE COLLABORATIVE ECONOMY IN TOURISM: GROWTH FACTORS & GLOBAL TRENDS

Sharing resources or trading on a small scale across localised networks is nothing new: it has been happening for centuries. eBay, now a household name across large parts of the world, was founded over thirty years ago. Since that time, an expanding array of platforms has emerged, spreading into new sectors of the economy, and allowing individuals, small and medium sized enterprises and multinational corporations to compete alongside each other in a global online marketplace. Where once consumers placed their trust only in government institutions or long-established companies, platforms serving as intermediaries now carry out the function of providing a secure environment for transactions, and building up the crucial element of trust between users and providers. It is no coincidence therefore, that collaborative economy platforms are attracting investment from major corporations in a diverse range of sectors.



*Web-Strategist.com (2016) Honeycomb 3.0: The Collaborative Economy Market Expansion (10-03-2016)*

What lies behind the growth of the collaborative economy? In this chapter we set out a series of interlinked factors which help to explain this change, and why engaging in the collaborative economy has quickly become a way of life for an increasing number of travellers today.

## THE RISE OF DIGITAL COMMERCE



Over the past 20 years consumers have steadily become more comfortable with the efficiency and safety of purchasing goods and services online from countries they've never visited and from people they've never met. Online retailers such as Amazon and eBay led the way, however many of the biggest names in travel today (e.g. Booking.com, Expedia, easyJet, LastMinute) were among the first to seize the new model of distribution that the internet offered. As consumers have grown more confident and adept at planning and booking their travel entirely online, these companies and many others have continued to prosper. In fact, according to Euromonitor, in 2016 online commerce in travel helped to propel digital commerce growth as a whole, and this trend is set to continue.<sup>5</sup> The rise of digital commerce has also been accompanied by the associated growth factors outlined in the following pages.

1



### Widespread use of mobile technology

Mobile devices such as tablets and smartphones have become the principal device through which people manage their lives online. They allow travellers to search and book accommodation, meals and other experiences while 'on the go'. Mobile devices equipped with GPS and near-field technology (enabling users to navigate their surroundings more easily, following a signal emitted by satellites or beacons fixed to buildings) have also made it much easier for residents and visitors alike to search for and access the nearest available guest room, car, parking space or home-cooked meal in real-time.

2

### A generation of digital natives

With digital commerce an increasingly common aspect of modern life over the past two decades, the Millennial generation, and to a greater extent, Generation Z have grown up in the era of 'internet everywhere'. The internet has become the go-to resource for young consumers, itself driving demand for providers (whether they are supermarkets, airlines or banks) to conduct their business online. (NB: the characteristics of Millennials and Generation Z are covered in more depth in Chapter 3).



3



### Better reviews, more trust

In the words of collaborative economy specialist Rachel Botsman, "trust is the currency of the new economy".<sup>6</sup> As consumers interact, trade and share resources online, reviews are what help consumers to take a 'leap of trust' and make something that was previously seen as risky (e.g. ride sharing, or staying in a stranger's home) much more commonplace. Today, the experience has become common practice to the point that online peer reviews are frequently cited by consumers as their most trusted guide at the time of making a decision to purchase. NB: While online reviews are increasingly trusted by consumers, the increased use of the collaborative economy has also revealed an the problem of 'asymmetric information', where consumers may not be aware of who is responsible in case of problems with good and services provided through collaborative economy platforms. This is discussed in further detail in Chapter 6.

4

### Cheaper and faster transactions

In recent years, major advances in sales and payment/transaction software have ensured that businesses can meet the increasing demand with technology on a much greater scale and at a lower cost than was previously possible.



5



### The effect of social media

The use of social media has enabled individuals to grow and maintain a network of trusted contacts and has created a powerful influential force on consumer behaviour. Collaborative economy platforms have connected users' and providers' social media profiles with their profile on the platform and allowed for a fast and efficient means to cross-reference and build trust among strangers.

## A shift in values

According to Euromonitor, today consumers are seeking to reassess their values and priorities and focus on obtaining the most out of life, whether this is prioritising experience over possessions, sharing over owning, or valuing time over money.<sup>7</sup>

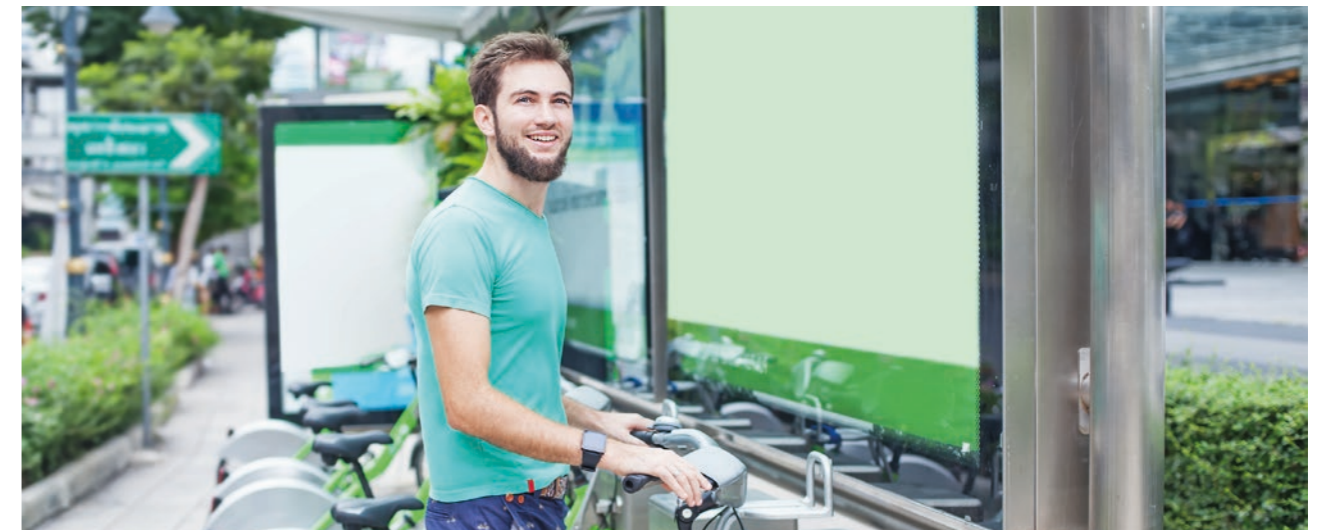
## Cultural transformation and rebuilding social capital

Significant societal changes, such as increased geographic mobility and urbanisation have caused many people to seek to ‘rebuild cultural ties’ and recover ‘lost social capital’. In some ways, the collaborative economy is enabling people to rebuild networks, create meaningful interactions between strangers and foster trust.<sup>8</sup> For consumers travelling in an increasingly globalised and interconnected world, an attractive aspect of the collaborative economy is its ability to connect them quickly and easily with local people and elements of local heritage such as food and crafts.



## Urban activism and environmental awareness

Partly in response to increased urbanisation and the challenges this brings, many people have turned to collaborative economy networks to share local resources in cities (such as indoor spaces for cultural events, or land for growing food), or to address problems such as homelessness or vandalism. At the same time, many have engaged with specific collaborative economy networks for their capacity to reduce consumption and support greater environmental sustainability.



## The impact of the global economic crisis

While the global economic crisis (GEC) was triggered more than a decade ago, its role as a catalyst for the expansion of the collaborative economy should not be overlooked. Across much of the developed world, unemployment, frozen or decreased household incomes and rising costs for consumer goods have been common themes which continue today. These factors have led providers to seek to create value out of idle assets and develop new sources of income, and have led consumers to search for goods and services that are more cost-effective.<sup>9</sup>



## Political support

The European Commission sees the collaborative economy as one of the key elements for its Single Market Strategy, aimed at deepening the single market, boosting competitiveness and job creation. In particular it sees the collaborative economy as a way to ‘scale up and grow across borders, unlock investment (in particular for SMEs), modernise the regulation of professions, address restrictions in retail establishment and prevent unjustified discrimination against consumers and entrepreneurs.<sup>10</sup>

# WHO'S ON BOARD? PROFILING CONSUMERS IN THE COLLABORATIVE ECONOMY

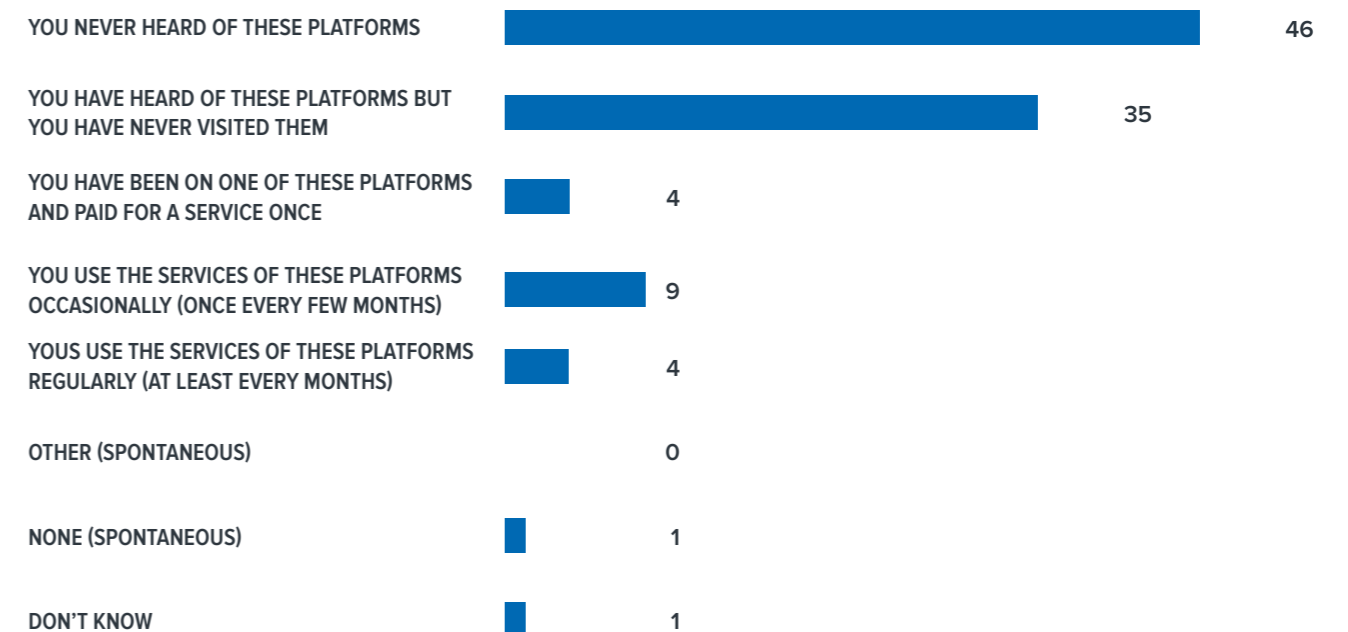


## WHO IS PARTICIPATING IN THE COLLABORATIVE ECONOMY?

Given the disruptive effect that collaborative economy platforms have had on existing market operators and the regulatory challenges that have emerged, government and business have put considerable effort into better understanding who is participating today. In this section we will examine the profile of who is participating in the collaborative economy, in terms of age, socioeconomic background and traveller type.

### Awareness and usage of collaborative platforms

A study carried out by the European Commission among more than 7,000 adults in the EU in 2016<sup>11</sup> indicates that a majority of respondents are aware of the services of the collaborative platforms (52%). The same study found that one in five declare they have used the services of these platforms at least once (17%), with almost one in ten who say they do so once every few months (9%) and 4% at least every month.



Source: European Commission (2016)

In this same study, among the respondents who had visited collaborative platforms (numbering 2,484), almost one third said they have provided a service on this kind of platform at least once (32%), which signals that a consistent proportion of users are also likely to act as service providers. Slightly less than one in ten said they had offered services via collaborative platforms only once (9%), while almost two in ten say they do so occasionally (18%) and 5% say they act as service providers regularly.<sup>12</sup>

The level of awareness among UK consumers about the collaborative economy seems to be corroborated by a 2017 study conducted by Ipsos MORI (in which the definition ‘sharing economy was used’). In this study, 50% said they had heard about the sharing economy, however only 8% said that they know at least a fair amount about it. Around a quarter (26% and 24% respectively) had heard of car sharing platforms Zipcar and Zopa, and still fewer (15% and 12% respectively) have heard of ridesharing platforms Blablacar or Stripe. Awareness was higher for the bigger players in the sector, Uber and Airbnb; at 75% and 58% respectively.<sup>13</sup>

In terms of actual engagement with the collaborative economy in the UK, the 2014 study by NESTA found that 25% of the UK population had used websites and apps to participate across in a broad range of sectors (clothes and accessories, media, household goods), of which 5% had been for arranging holidays.<sup>14</sup> Specifically, the 2017 Ipsos MORI study found that 5% of the UK adult population had used Airbnb in the last year, which rose to 10% of 25-34 year olds.<sup>15</sup> This raises an important question about the age of participants in the collaborative economy, which will be explored in more depth in the following section.

Awareness and use of the collaborative economy among Scottish adults

In February 2017, the Scottish Government commissioned YouGov to find out more about Scottish consumers’ experiences and views about the collaborative economy. The survey found that 35 per cent of Scottish adults had used a collaborative economy platform. Usage was highest amongst younger adults, with over half of those aged between 18 and 34 having used a platform compared with just 20 per cent of those aged over 55. The survey also found a degree of regional variation, with usage highest in North East Scotland (41 per cent of adults), Lothian (40 per cent) and Glasgow (39 per cent). There was also a variation in use between social grades: 41 per cent of adults in ABC1 social grade had used the collaborative economy compared with 31 per cent of those in C2DE. Of those who had used a collaborative economy platform, the highest share had used it to purchase used/second-hand goods online. In terms of transport and accommodation, 21 percent had used a ‘ride-hailing’ app, and 21 percent had used an online home-sharing service.<sup>16</sup>

AIRBNB IN THE UK

✓ 168,000 listings in approximately 2,500 villages, towns and cities

✓ +64% increase in UK residents travelling on Airbnb July 2016-June 2017

✓ 62% of hosts are female, 38% are male

✓ Average age of UK host: 43

✓ Average number of years a host has lived in their home town: 22

14% of trips in the UK with Airbnb are taken by families

14% of Airbnb guest arrivals to Scotland are families

Airbnb (2017), UK Insights Report, based on data from 1st July 2016- 1st July 2017

AIRBNB IN SCOTLAND

1. 21,000 active listings in Scotland (NB: data from Airbnb UK Insights report)

2. 12,600 hosts who hosted from 1st March 2016-1st March 2017, hosting 802,000 inbound guests

3. £68 million total income earned by host community

4. 2.8 nights average length of stay per guest

5. 58% of listings for entire home, 41% for private room, and 1% for shared room

6. Average host age in Scotland: 44 years, 64% female, 36% male

7. Hosts in Scotland typically share their space for 38 nights per year. 59% of hosts hosted on Airbnb in their property for under 30 nights per year

8. Top five destination in Scotland, by number of listings (as of 1 July 2017) and guest arrivals (1 July 2016-1 July 2017):

Destination	Listings	Guest Arrivals
City of Edinburgh	9,000	496,000
Highlands	3,100	175,000
Glasgow City	2,200	114,000
Argyll and Bute	920	39,000
Fife	910	25,000

9. Number of hosts per number of listings in Scotland’s top five destinations (as of 1 July 2017):

1 listing	78%
2 listings	14%
3 listings	4%
4 listings	2%
5 listings	1% (=99%)

NB:

• Data in point 1 from Airbnb (2017), UK Insights Report, based on data from 1st July 2016 - 1st July 2017

• Data in points 2-6 from Airbnb (2017), Overview of the Airbnb Community in Scotland, based on data from 1st March 2016-1st March 2017

• Data in points 7-9 from Airbnb (2017) Airbnb Position Paper: The Collaborative Economy and Tourism in Scotland, 3 November 2017.

## MILLENNIALS AND MORE

As collaborative economy platforms have come to prominence over the past five to ten years, one generation is mentioned consistently as driving demand and supply: Millennials. Indeed, it is generally accepted that the Millennial generation (so-called, as it is the generation which entered adulthood from the year 2000 onwards, and is currently aged between approximately 18-35 years old), has been the driving force behind the growth of the collaborative economy. Referring to the European Commission study cited above, respondents aged between 25 and 39 years (27%) were the most likely to use the services of collaborative platforms.<sup>17</sup> The NESTA study in the UK found that there was higher than average engagement in the collaborative economy among adults aged 25-44<sup>18</sup>. It is notable that there is some overlap with Generation X (aged approximately 35-50) here, with Gen X and older Millennials (aged 30



and above) more likely to have used home sharing services.<sup>19</sup> According to the aforementioned YouGov research conducted for the Scottish Government, usage of collaborative economy platforms was highest amongst younger adults, with over half of those aged between 18 and 34 having used a platform compared with just 20 per cent of those aged over 55.<sup>20</sup>

Aside from the fact that older Millennials (and Gen X) currently represent the largest share of users of the collaborative economy, there is a further set of reasons why, in the context of the collaborative economy and travel, Millennials are significant:

- **Looking to the future:** By 2025 Millennials are expected to make up 75% of the global workforce.<sup>21</sup> The travel habits formed in their youth are likely to be replicated as they reach positions of responsibility in the workplace, make business travel decisions and travel with their own children.
- **Europe is on the travel wish list for long-haul Millennial travellers:** Results from the European Travel Commission's Long-Haul Travel Barometer of five key markets (Brazil, China, Japan, Russia and the United States) indicate that across generations, Millennial travellers from the highest-volume overseas markets demonstrate the strongest intention to visit Europe in the future. The Barometer data reveals that well-known European destinations are at the top of the list for the younger travellers and that Europe's natural environment is seen as the most appealing pull factor for the members of this age group.<sup>22</sup>

- **The engine of growth in emerging markets:** As the generation which benefitted most from social and economic development, Millennials are driving growth from the emerging outbound markets<sup>23</sup>
- **Access vs. ownership:** It has become well documented that Millennials' ownership of big-ticket assets such as houses and cars is comparatively lower than older generations. In the United States, the share of 18-34 year olds who own a home is at a 30-year low,<sup>24</sup> while in the UK young people are faced with high house prices and poor access to credit. The collaborative economy which provides access over ownership has thus proved popular with a generation which has found it difficult to raise the capital for large ticket items.
- **Tech use:** Millennials are the generation to have grown up in the era of internet everywhere, comfortable with using digital devices and most likely to base their purchase decisions on the recommendations from peers.
- **Globally minded, locally curious:** Studies on the values and attitudes of Millennials have consistently highlighted elements such as authenticity, entrepreneurialism and a desire to understand local traditions and a local way of life when travelling. These are common themes behind the goods and services provided through collaborative economy platforms.
- **Selective spenders:** As the generation which grew up with the internet as their 'go-to' tool for travel planning and booking, this has created a culture of selective spending, whereby luxury and budget services form a natural part of the same trip.

## USERS AND PROVIDERS IN THE COLLABORATIVE ECONOMY: MORE DIVERSE EVERY DAY

While Millennials currently represent the largest share of users in the collaborative economy, it must be underlined that they are by far from being the only users. According to Pew Research Center, the median age of home sharing users (guests) in the United States is 42,<sup>25</sup> while Airbnb states that the average age of a UK host is 43. Furthermore, Microsoft's search engine Bing has noted that while during the year January 2015 – January 2016 39% of sharing economy searches were made by consumers aged under 34, sharing economy searches grew year on year by 203% among consumers aged 50-64 and by 176% among those aged over 65.<sup>26</sup>

It is possible that as older travellers try out collaborative economy services such as private accommodation or car rentals for the first time, they will amplify the 'mirror effect' of like-minded consumers, who have persuaded their peers of the benefits of doing the same thing. Thus the profile of suppliers in the collaborative economy could well evolve as more 'asset heavy' baby boomers put up their spare room, second house or car up for rent on P2P platforms.

## ENGAGEMENT WITH THE COLLABORATIVE ECONOMY IN SCOTLAND'S KEY MARKETS

To what extent could engagement with the collaborative economy in Scotland's key inbound markets determine the demand for it among visitors from those markets? The national tourism strategy *Tourism Scotland 2020* defines Scotland's current and future key inbound markets according to the following groups according to their value in terms of visitor spend in Scotland:<sup>27</sup>

**Home turf:** England, Scotland, Northern Ireland, Wales

**Near neighbours:** Scandinavia, Germany, France, Spain, Ireland, Netherlands, Italy

**Distant cousins:** USA, Australia, Canada

**Emerging markets:** India, China, Russia, Brazil

While it is possible to observe the growth in market value and use of individual platforms, and the general growth of the collaborative economy worldwide, few studies have been carried out that enable us to compare like-for-like use of the collaborative economy from country to country. Instead, existing studies tend to measure collaborative economy use among consumers of different age groups in one country, as well as the comparative demand for different services (e.g. ride sharing or home rentals) within that country. Nevertheless, a literature review for this study revealed the following:

### Home turf:

- According to PriceWaterhouseCoopers, the UK's sharing economy has grown the fastest in Europe and UK has emerged as a hub for the sharing economy within the region, contributing to around a third of this activity in 2015. Forecasted growth is 30% per year over the decade 2015-2025, largely driven by the growth of collaborative finance, on-demand professional and household services, P2P transportation and accommodation.<sup>28</sup>
- According to Airbnb, 53% of all guests in the UK start their journey in the UK, while Scottish people represented the highest percentage of guests that chose to stay in their region when travelling with Airbnb

### Near neighbours:

A study of the sharing economy conducted by ING in 2015 among European consumers found that:<sup>29</sup>

- Around one third of European consumers have heard of the collaborative economy;
- Around 5% of European consumers had declared having participated in the collaborative economy in the past year;
- Participation is highest amongst younger generations (under 35) and well-educated;
- Cars were the most shared item, but holiday accommodation was expected to overtake this over the following year;
- The majority of sharers in Europe made €1,000 or less (the median of earnings for sharers in Europe was found to be around €300);

- ING found the strongest awareness and adoption in Southern European member states of Spain and Italy, at roughly three times the participation rate seen in some of the Northern European member states such as Germany and Austria, attributing this to cost saving considerations due to high unemployment and weak economic performance in those markets

### Distant cousins:

**Canada:** According to statistics Canada, from November 2015 to October 2016, an estimated 9.5% of persons (or 2.7 million people) aged 18 and older living in Canada participated in the sharing economy. The study The Sharing Economy in Canada found that 7% of persons aged 18 and older in Canada used peer-to-peer ride services, while 4.2% used private accommodation services.<sup>31</sup>

### United States

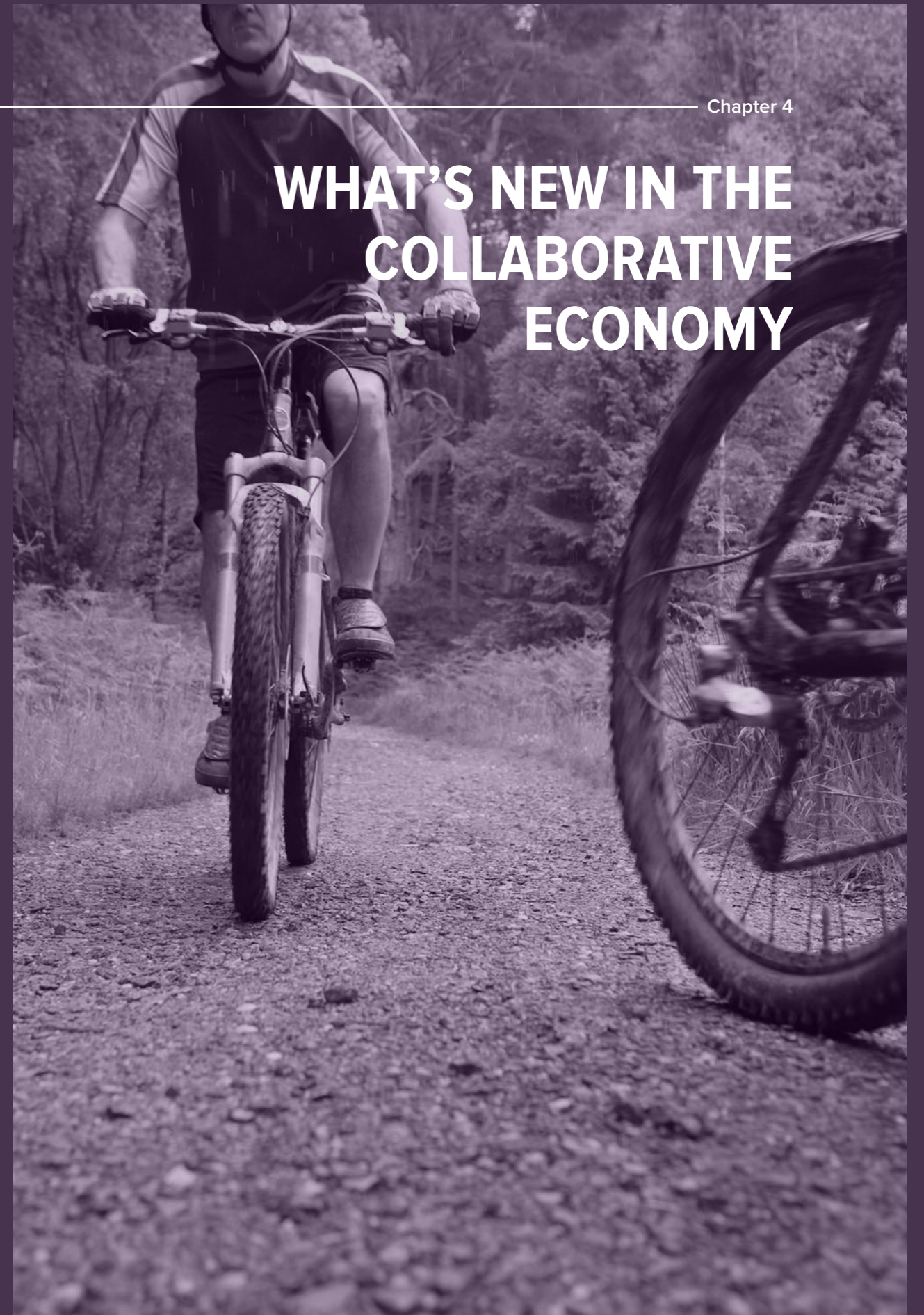
As the home of some of the world's biggest and most recognisable collaborative economy platforms, the United States has attracted the most attention with regard to research on the social and economic impact of the collaborative economy. One study of note is the Pew Research Center (PRC) study Shared, Collaborative and on-Demand: The New Digital Economy of May 2016 as it explores collaborative economy use among different age groups and socio-economic profiles. The study reveals patterns of behaviour which appear common in Scotland's other key markets, in that exposure to shared, collaborative and on-demand services at a broad level is heavily concentrated among certain demographic cohorts of Americans, in particular:<sup>32</sup>

- College graduates – 39% of college graduates have used four or more of these services, compared with just 8% of those with a high school degree or less.
- Those with relatively high household incomes – 41% of Americans with an annual household income of \$100,000 or more have used four or more of these services, three times the proportion among households earning less than \$30,000 annually.
- Those under the age of 45 – exposure to these shared and on-demand services begins to drop off rapidly starting at around age 45. Around one-third of those ages 18-44 have used four or more of these services. By contrast, 44% of Americans ages 50 and older (and 56% of those ages 65 and older) have not used any of the 11 platforms analysed.
- A number of collaborative economy services are offered primarily in and around urban population centres. And urban and suburban residents are around twice as likely as those living in rural areas to use four or more of these services
- 11% of Americans have used home-sharing platforms like Airbnb or VRBO

While this is not explicitly stated in the PRC study, it could be surmised that the characteristics of those Americans who exhibit higher levels of engagement with the collaborative economy are aligned with those who are also more likely to travel internationally.

From this preliminary review of trends from some of Scotland's current and future key markets, as well as evidence presented elsewhere in this report we can conclude that the share of the total population currently engaged in the collaborative economy is relatively low, however it is concentrated among younger, tech-savvy, more highly educated and more affluent consumers. Thus, Scotland could see future demand rise among its international visitors for goods and services provided through collaborative economy platforms. Finally, it must be noted that platforms are best positioned to give the most accurate picture of demand from different international markets in Scotland, however this type of information (if released at all), is usually released under a formal commercial agreement.

# WHAT'S NEW IN THE COLLABORATIVE ECONOMY



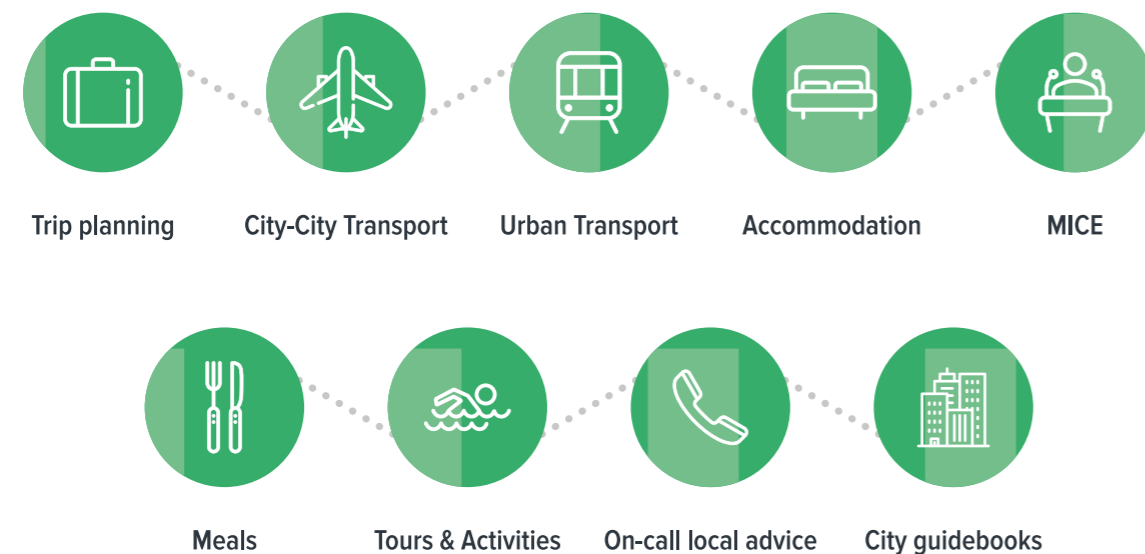
# TRENDS ANALYSIS, SECTOR BY SECTOR

As we have established in Chapter 1, the collaborative economy is a dynamic concept and is evolving very quickly. Every day across a broad range of sectors, individuals enter collaborative networks to rent space, clothing, equipment, cars, bikes and much else, sell food and teach languages (to name just a few activities). Meanwhile, new start-ups are emerging every day, keen to harness the powerful combination of smartphone technology and big data to offer new services to consumers, particularly travellers.

Against this backdrop, it is understandable that the biggest names in online travel are fighting to stay ‘front of mind’ for consumers, stay innovative, better understand the P2P market, and ensure that they occupy a larger share of travellers’ plans and budget. This has resulted in a number of partnerships between collaborative platforms (e.g. Airbnb and VizEat partnered in 2015), acquisitions of P2P platforms by established online travel agents (OTAs) (e.g. Expedia bought Homeaway in 2015) or even acquisitions of P2P platforms by established accommodation brands (e.g. Accor bought Onefinestay in 2016). Some P2P platforms have also expanded into new areas of activity (e.g. Airbnb launched its Trips brand in 2016, offering local tours and other experiences).

It is sometimes easy to gain the impression that the collaborative economy space is dominated by just a few big names. While it is true that the success of platforms is predicated on building up a large inventory of listings and options for consumers to browse, it is important to remember that business models, brand propositions and geographic presence tend to vary considerably between platforms. Furthermore, it is important not to overlook initiatives that are set up and promoted by government authorities in some locations (e.g. bicycle sharing schemes or car clubs) in order to tackle a policy challenge such as pollution or traffic congestion.

In this section we will look at five travel-related sectors which have proved to be particularly dynamic and have seen some of the greatest expansion in recent years: accommodation, transportation (in particular, long-distance ride sharing); food and meals; tours and activities, and; on-demand domestic services. For each sector we will discuss the concept, major players globally and in Scotland and recent trends observed among platforms and consumers.



# ACCOMMODATION

The accommodation sector represents one of the most visible and dynamic sectors within the collaborative economy today. Airbnb, the largest platform operating in this space has become a household name as it has introduced a new category of rental: the underutilized resident-occupied flat, room, home, villa, treehouse, houseboat, and other forms of non-hotel accommodation. In doing so, it has disrupted and transformed the world of property rentals and holiday lets.<sup>33</sup>



Of course, short-term holiday rentals are not a new concept; there is a long tradition in the UK and elsewhere in Europe of properties being let for short term leisure use. This type of accommodation tended to be concentrated in coastal and rural locations, and in the UK, operated by owners letting one, or a small number of properties as a small business. The concept of home sharing arranged online started to become more popular with the emergence of Couchsurfing in 2004, which operated as a community of travellers who would offer a couch or spare room to other members of the community on the basis of it being reciprocated for their own travels.

The rapid expansion of Airbnb (since 2008), along with other popular platforms such as Homeaway, 9flats and Wimdu have popularised the notion of owners renting the whole or part of their primary or secondary residence, and has also brought the concept of holiday rentals firmly into towns and cities. As travel news portal Skift explains, holiday rentals have already ‘gone mainstream’ with the consumer. However on a global level, the inventory remains fragmented between individual owners and professional property managers.<sup>34</sup> In addition to major players such as Airbnb, Expedia has acquired Homeaway, TripAdvisor has acquired FlipKey (for rental reviews) and Booking.com has launched holiday rentals through its main platform.

As holiday rentals have become so popular, this has spurred investment in professionally-managed properties for short-term rental, as well as the technology to support the management of different types of property in multiple geographic locations.<sup>35</sup> It has also driven the growth of a new sector; that of on-demand domestic services such as cleaning and key exchange (explored in more detail at the end of this chapter).

The surge in numbers of short term rentals has not been without controversy. The considerable increase in demand and supply, particularly in popular urban tourist destinations has caused a range of concerns among local residents, local authorities and established businesses which will be explored further in Chapters 7 and 8.

According to Skift, between all major distribution platforms there are currently around seven million listings, of which 2 to 3.5 million are concentrated in Europe and the Americas. Research for this study found that the biggest P2P accommodation platforms with listings in Scotland include Airbnb (21,900 active listings<sup>36</sup> and 12,600 hosts<sup>37</sup> in Scotland), Couchsurfing (64,500 hosts in Scotland of which 11,000 in Edinburgh), Flipkey (7,000 listings in Scotland), Homeaway (2,500 listings in Scotland), Housetrip (7,000 listings in Scotland) and Wimdu (under 1,000 listings)<sup>38</sup>

It is important to note that according to the platform in question, a listing may consist of a shared room, a private room or a whole property. Platforms such as Airbnb usually feature whole-property listings by non-professional owners (e.g. someone who rents out their permanent residence while they are away on holiday), non-professional owners who renting out their second home, or by a commercial agencies renting serviced apartments. Data released by STR in 2017 reveals the buoyancy of the serviced apartment sector in Edinburgh, which it describes as second only to London (£169.05 vs £105.17 revenue per available room) due to the city’s popularity as a tourism destination and the demand created by the Edinburgh festival. This is significant given that London accounts for more than half of the UK’s supply of serviced apartments, while Edinburgh accounts for only 6%.<sup>39</sup>

## FOCUS ON AIRBNB

Of all the travel platforms which have become part of consumer lexicon around the world in the past five years, Airbnb is one of the most ubiquitous. On any given night, 2 million people are staying in other people’s homes around the world on Airbnb.<sup>42</sup> In 2017 the company was valued at \$30bn, ranking it as the second most highly valued hospitality brand in the world after Marriott Hotels & Resorts. These figures would be significant for any company; however Airbnb has been in existence for only nine years and has no rental property of its own. Nevertheless, the Airbnb brand has become well known around the globe, and in many respects the company is defining the rules for the sector as a whole.

### AIRBNB GLOBAL HEADLINE FIGURES:<sup>40</sup>

- **Current market valuation:** \$30bn<sup>41</sup>
- **Number of listings worldwide:** 4 million
- **Number of instantly bookable listings:** 1.9 million
- **Number of countries where present:** 191
- **Top five countries by number of listings:** US 660,000; France 485,000; Italy 340,000; Spain 245,000; United Kingdom 175,000 (21,900 in Scotland)



Today, Airbnb listings are available in 191 countries around the globe; however these are especially concentrated in the world’s most popular city destinations. This has led to a rapidly evolving public debate over the role of short term private accommodation rentals on various aspects of urban life which will be discussed in greater detail in Chapters 6 and 7.

### Airbnb in Scotland

According to the 2017 Airbnb UK Insights Report,<sup>43</sup> there are 21,900 active Airbnb listings in Scotland, (offered by 12,600 hosts<sup>44</sup>) which over the past year have received more than 1 million guest arrivals, and saw a year-on-year increase in guest arrivals of 104%. A typical listing is rented for 38 nights per year, and a typical host earns £3,600 per year from his or her listing, with a total of £86m earned by hosts in Scotland in the past year. According to the 2017 Overview of the Airbnb Community in Scotland, 58% of listings are for an entire home, while 41% of listings are for a private room.

Airbnb estimates the total economic activity generated by hosts and guests in Scotland at £499m. According to Airbnb, while 56% of guest arrivals in the past year were international, Scotland is also the region in the UK where the highest share of arrivals was from their own region. It is also worth noting that 14% of Airbnb guest arrivals in Scotland were families. One notable feature of Airbnb's promotion of Scotland has been the unusual properties that are available to rent. As of late October 2017, there were 52 castles available to rent via Airbnb in Scotland.



## Airbnb: recent developments

**Airbnb Business Traveller Programme:** While 90% of Airbnb revenue stems from leisure travel, within the last two years, the company has made a strong push into the business travel sector. According to Airbnb, more than 250,000 companies now use the platform. Users can search for properties that are “Business Travel Ready” and will only show houses and apartments with internet, a laptop-ready workspace, 24/7 self-check-in, and travel essentials like hair dryers, shampoo, and an iron. Business-ready listings must also be an entire home or apartment and also require a specific number of positive reviews from established hosts.<sup>45</sup> NB: These requirements are likely to favour the serviced apartment sector in Scottish cities, rather than whole properties rented by non-professional hosts, or those offering only a private room. At the same time, it is important for tourism businesses that regularly supply the business travel sector (e.g. airport transfer, corporate events, incentives) to keep in mind that this type of accommodation option is becoming more popular for business travellers, and be prepared to adapt their marketing and product development accordingly. There is currently no public data available on the number of Airbnb business-ready listings in Scotland.

**Airbnb makes a move for luxury:** In the first quarter of 2017 Airbnb bought the Montreal-based Luxury Retreats International, a luxury rental platform with around 4,000 home listings that will be integrated into the platform over time. Some speculate that following this acquisition, Airbnb may soon set up its own luxury brand.<sup>46</sup>

**Airbnb partners with John Lewis in Edinburgh to offer ‘The Perfect Host’ Masterclasses.** For three days in October 2017, John Lewis Edinburgh hosted a series of masterclasses, delivered by the store's Home Design Advisors in order to equip the public with a range of tools, tips and hacks for preparing their spare room for guests staying over Christmas and New Year season.<sup>47</sup>

**One Host, One Home:** In November 2016 Airbnb introduced its ‘One Host, One Home’ policy in New York and San Francisco, allowing only one listing per host in select parts of the city, in order to distinguish between ‘home sharers’ and ‘professional operators’ (who must be clear about sharing their company information in their profile). This policy now applies to other select districts within certain destinations including London and Barcelona.

**Airbnb Policy Tool Chest:** In December 2016 Airbnb released a ‘Policy Tool Chest’, describing it as “a resource for governments to consider as they amend the rules [on home sharing]”. The document set out a series of policy options for consideration, namely tax collection, good neighbour practices, accountability, transparency and privacy.<sup>48</sup> The Tool Chest does not cover every aspect of the platform's impact; rather it sets forth a basis for collaboration with the company. At the start of 2017 the company stated its desire to reach tax collection agreements with 700 cities worldwide.

**Airbnb Trips:** In November 2016 Airbnb launched Trips, with 500 experiences (such as behind-the-scenes tours, sports and cooking classes) in 12 cities worldwide.<sup>49</sup> This is expected to expand to 50 cities by the end of 2017, and all major cities thereafter. The company also announced plans to add flight bookings and other travel services to Trips.<sup>50</sup> In August 2017, Airbnb partnered with Vice Media (a media network specialising in cutting edge journalism oriented towards Millennials), running an online contest to send 100 people on one of four free custom-made tours in South Africa, Paris, New York, or Tokyo.<sup>51</sup>

**Listing a whole country on Airbnb:** In May 2017 Airbnb announced a partnership with Visit Sweden to list the ‘whole of Sweden on Airbnb’. The move is also connected “Allemansrätten” – the Swedish notion of “freedom to roam” which allows Swedes to wander all over their homeland. Under national law, private gardens and cultivated fields are off limits - but forests, meadows, lakes, mountains and enormous areas of wilderness can be openly accessed. On the Airbnb website, extensive parts of the country's landscape listed as places to stay. They are presented in the website's usual format, with a basic description – plus details on the space available and extra amenities. Visitors cannot ‘book’ the space in the traditional sense, however they may leave a review.<sup>52</sup>

## P2P TRANSPORT

As with accommodation, the growth of shared transport options within the collaborative economy has demonstrated the power of the internet in changing perceptions of what were once private space and private possessions (a car or a bike) into a public commodity. Around the world, some shared mobility schemes (in particular car sharing, ride sharing, bike sharing and shared parking) have won political and financial support from government bodies, as they are seen as part of the solution in managing the challenges posed by urbanisation.

Research firm Roland Berger has identified four trends that are driving mobility services in the collaborative economy:<sup>53</sup>

1. **New consumption culture:** Consumers are increasingly content not to own large-ticket items such as cars and bikes if they can be borrowed easily and at low cost
2. **Scarce resources:** The price of fossil fuels is rising, cities have little space for expanding their traffic infrastructure and lack the funds to invest heavily in large public transport networks
3. **Digitalisation:** The smartphone has essentially become the 'control panel' for everyday life
4. **Demographic trends:** Urbanisation and the traffic congestion that comes with it, as well as an increasingly atomised population creates a need for smarter, more personalised transport options

### Mobility services in towns and cities

To date, the vast majority of car sharing, ride sharing, bike sharing and parking schemes have been concentrated in towns and cities. This is logical, given that cities are where the largest concentration of 'haves' and 'have-nots' are to be found. Furthermore, a dense population helps to power the instantaneous and flexible nature of ride and car sharing schemes. In the same way that the growth of short term private accommodation rentals has raised concerns about its impact on (principally) urban life, the high volume of ride sharing in cities has raised questions about the true impact on city life, in particular its contribution to increasing traffic congestion and the employment conditions of drivers. The withdrawal by Transport for London of Uber's operating licence in late 2017 also highlighted concerns about the company's compliance with existing health and safety regulations established for taxi drivers.



## FOCUS ON UBER

Uber is the world's largest ride sharing app, connecting passengers with drivers in exchange for a fee which is determined by the app. Uber is present in 633 cities worldwide, including Edinburgh and Glasgow (Uber has also lodged an application to operate in Aberdeen). In some cities around the world Uber is banned, or certain services are restricted. As part of the research for this study, Uber was invited to provide data on the extent of its operations in Scotland, across a range of categories defined by the researchers. The information provided by Uber is noted as follows:

- No of Drivers / Vehicles - 500-1,000
- Share of Drivers / Vehicles among Scotland's 15 Regions OR 32 Council Areas – "this is generally even split across Glasgow and Edinburgh (including their immediate surrounds), where our service is available".
- Share of Drivers / Vehicles among Glasgow's / Edinburgh's Neighbourhoods – "see above"

For the following requested data categories, the answer supplied was "N/A": Edinburgh & Lothian Monthly UBER Pickups; Share of Monthly UBER Pickups at Edinburgh Airport; Greater Glasgow & Clyde Valley Monthly UBER Pickups; Share of Monthly UBER Pickups at Glasgow Airport.

### Characteristics of UBER Activity in Scotland

- Average cost per ride - N/A
- Average No of Working Hours monthly per UBER Driver - fewer than half (48%) of the drivers in Scotland use Uber for 30+ hours per week. 27% of drivers use Uber for 40+ hours per week.
- Average Wage of UBER Driver per Hour - drivers in Scotland (across each of Glasgow and Edinburgh) earn around £15 per hour after Uber's service fee and before a driver's other costs are taken into account.

Uber launched in Glasgow in October and in Edinburgh in November 2015. The company operates with a licence and registered booking office in these cities (as per the regulation), and drivers are required to obtain a private hire licence which allows them to operate private taxis, but not black hackney taxis. A sharp rise in applications for these licences from Edinburgh City Council in the years since Uber launched in the city have caused alarm among drivers of public hire black taxis. In August 2017 The Scotsman reported that statistics from Edinburgh City Council showed that in the year to October 2015 there were 1143 applications for a private hire licence. However, that increased to 1763 for the following year, a rise of 54 per cent.<sup>54</sup>

During 2016-2017 Uber encountered a series of high profile setbacks, notably the decision by Transport for London (TfL) not to renew its operator's licence after its expiry in September 2017. Currently, some 3.5 million users, and 40,000 drivers use Uber in London, however TfL concluded the ride-hailing app firm was not fit and proper to hold a London private hire operator licence, and took its decision on the grounds of "public safety and security implications". In a statement, TfL explained that Uber's approach and conduct demonstrate a lack of corporate responsibility in relation to a number of issues which have potential public safety and security implications. These include:

- Its approach to reporting serious criminal offences.
- Its approach to how medical certificates are obtained
- Its approach to how Enhanced Disclosure and Barring Service (DBS) checks are obtained.
- Its approach to explaining the use of Greyball in London - (i.e., software that could be used to block regulatory bodies from gaining full access to the app and prevent officials from undertaking regulatory or law enforcement duties).

Uber has contested TfL's decision, and a ruling on this case is expected by the end of 2017.

## Long-distance ride sharing

Given the nature of Scotland's geography and sparse population, the authors of this report were particularly interested in focussing on trends in understanding UK trends in long-distance ride sharing.

In countries such as Germany, France and Spain, city-to-city ride sharing has been popular for more than a decade. Previously this was mainly arranged through online forums and noticeboards, however smartphone-based ride sharing apps have helped to popularise this movement further. Crucially, in order to stay within the law and comply with insurance policy rules, drivers may only collect a contribution towards the cost of petrol, insurance, wear-and-tear etc., as opposed to making a profit from the ride. The upper limit of the contribution is established and collected by the ride sharing platform, which typically takes a commission of around 10-15%.



## Long-distance ride sharing in Scotland

The main long-distance ride sharing platforms with listings in Scotland are BlaBlaCar (a leader in Europe, and with more than 30 million users worldwide) and Liftshare (the UK's largest). Listings tend to work on the basis of a short lead time, e.g. the coming week, and tend to be more numerous between larger cities, between which car journeys are most frequent (for example, between Edinburgh and Glasgow). A search made for this report for the period 15-22 October 2017 with Liftshare found 29 offers of lifts from Edinburgh to Glasgow, for a fee of between £3.50 and £5.00 according to driver and departure time. Rides were also found from Edinburgh to St Andrews and Edinburgh to Aberdeen, however these were much fewer in number prices ranged from £6-£11). Fewer or no lifts were found in the more rural parts of Scotland.

Despite the gradual increase in ride sharing in the UK, it is yet to reach the scale observed in countries such as France, Germany or Spain. According to BlaBlaCar Founder François Delattre, drivers in the UK are most concerned about their insurance liability. This is in spite of the fact that all motor insurers within the Association of British Insurers have agreed that cover will not be affected as long as the fees contribute towards the running costs and no profit is made. The platform also offers additional insurance through a partnership with Axa.<sup>55</sup>

## FOOD & MEALS

Food has always played an important part of the traveller's journey; however, in recent years food has acquired a much greater role in that journey than was the case just a decade ago. In fact, in few countries has food (and the buying, preparing, eating and sharing of it) undergone as much of a cultural transformation as in the UK. Consumers today have a much greater interest in their diet, their physical and mental wellbeing, how and where food is produced and its effect on the environment. At the same time, the internet has enabled a much more participatory culture for individuals and SMEs in everything from food production, preparation, service, delivery and much more.

In recent years it has become clear that for an increasing number of travellers, food has become if not the leading motivator to travel, then one of the most significant reasons for leaving home and discovering a destination<sup>56</sup>. For residents and visitors, rising income levels, better eat-out (order-in) options, busier lives, less time to cook at home, and other factors are also pushing people to cook less and spend more on prepared food and restaurant experiences.<sup>57</sup> Crucially, food and drink experiences also have the capacity to draw visitors away from the most crowded destinations towards rural and coastal locations. A study of Millennial-aged travellers from 13 Asian countries conducted by the Pacific Asia Travel Association in 2016 found that 51% of travellers were motivated to travel outside of large cities in order to specifically try traditional or unique foods, and 35% to try traditional or unique drinks.<sup>58</sup>

It is unsurprising therefore that so many businesses and tourism promotion organisations around the world are working to connect travellers with food: through attractions, events and of course bars, cafes and restaurants. Yet, since the internet has enabled a more participatory culture by individuals and SMEs in food, it is unsurprising that the collaborative economy has undergone such rapid growth in this area, connecting individuals, SMEs and large corporations in a similar way to that seen in the accommodation sector. Some of the biggest P2P platforms in the travel and food arena now connect travellers with a variety of experiences which are generally clustered around food tours, meal sharing, and cooking classes.

## Meal sharing

In the strictest sense, 'meal sharing' refers to the practice of individual hosts providing a meal for strangers in their own home in return for payment. However it must be noted that the actual variety of experiences available to book through platforms such as Airbnb Trips, VizEat, Feastly and Withlocals may also include local food and historical tours, wine tasting and cooking classes, sometimes in combination. Hosts may be professional or non-professional chefs, or may come from a different cultural background to the one they are hosting in, and wish to share their home cuisine with visitors. Potential users search for experiences by location and date, and browse the experiences available. In most cases they will make a booking request, which the host will consider and then confirm the reservation. Payment is handled by the platform, and a commission of around 15-20% taken. Some platforms carry out quality assurance and marketing support to hosts via a network of local supervisors.

While meal sharing has risen in popularity in recent years, it has not yet reached the scale or value of that seen in accommodation or transport, one of the challenges facing the meal-sharing industry is that of scale. Unlike home-sharing or ride sharing which requires a relatively simple conversion of an existing asset to be rented or exchanged on a platform, meal sharing services generally require a level of experience and preparation required to offer an experience (especially food) of sufficient quality, something which platforms generally prefer to supervise, which adds to costs. Furthermore, group catering, or hosting in certain venues in particular requires a level of experience and capital that makes it difficult for non-professional operators to enter the market with ease. The lower price and reduced frequency of private meals in comparison to apartment rentals or rides also mean that the return on investment offered by meal sharing platforms is lower than those in the accommodation or transport sectors. For this reason, while meal sharing platforms may continue to attract small-scale (home-based) hosts, any significant growth in volume is likely to come from existing restaurant or food service operators.

With regard to regulation, since the level of home-based meal sharing is still relatively low, and professional chefs and existing operators are using meal sharing platforms as an alternative ‘route to market’, it has not yet attracted the attention of regulators on the same global scale as has occurred with the accommodation and transportation sectors. This does not mean that there are not legitimate concerns regarding food hygiene, host liability and other matters nor that there is a lack of existing regulations regarding those who operate some type of ‘home restaurant’. These discussed in Chapter 6.



## Meal sharing in Scotland

At the time of writing (October 2017) VizEat is the only major meal sharing platform to host private dining experiences in Scotland. Founded in 2013 and based in France, VizEat features more than 20,000 hosts in 130 countries, offering over 5,000 culinary experiences which include private dining, supper clubs and cooking classes. In its short time of operation, VizEat has set up a number of significant partnerships, including with the Travel Corporation (operator of Contiki, Evan Evans Tours, Trafalgar and Uniworld Cruises, among others) as well as the luxury travel agent network Virtuoso to offer selected customers of those companies the experiences available through VizEat. The company also expanded its portfolio in September 2017 with the acquisition of the US-based Eatwith.

A search made on VizEat for this report on a variety of dates in November and December 2017 showed one host offering five different experiences in Inverness, and four other hosts each offering a different experience in Edinburgh.

Based on this assessment, and the evaluation of meal-sharing trends explained above, meal sharing (in the strictest sense) is still relatively undeveloped in Scotland. Those cities which host the widest range of meal sharing listings appear to have much larger populations, as well as visitor numbers. They have also seen strong growth in countries such as France and Italy with a rich domestic food culture which is globally famous (piquing the interest of visitors before they arrive), as well as cities with a large immigrant population (e.g. New York, San Francisco) who may offer competitive meal sharing experiences based on their home food culture. Nevertheless, food marketing in tourism has seen a huge amount of innovation and Scotland may prove fertile ground for this in future years.

## TOURS AND ACTIVITIES

The concept of tours and activities is a very disparate one and not easy to pin down, however Skift has labelled it as ‘the next (if not final) frontier in online travel’<sup>59</sup>. Browsing ‘tours and activities’ on the world’s major online distribution platforms reveals any number of possibilities including: day excursions from major cities, entry to museums and attractions, guided cycle and walking tours, through to more high-adrenaline pursuits such as adventure sports. There are a number of factors which make this sector a complex one for any business or individual to offer through online channels:

- While flight and accommodation bookings are generally made long in advance of a trip, travellers are highly accustomed to planning activities only once they arrive in the destination, and ‘playing it by ear’. Therefore, platforms offering tours and activities are less able to secure a steady flow of advance bookings and payment than those offering accommodation or meals.
- Outdoor activities tend to require a high degree of planning and coordination between the customer and supplier. Sometimes they may be dependent on each customer’s weight, height, fitness and medical conditions, as well as weather conditions. These factors also reduce the relevance or utility of a simple ‘book now’ function
- Specialists interviewed for this report described how small tour businesses often get more value from relying on referrals from local tourism partners through word of mouth, leaflets and brochures and targeted social media advertising than using an online distributor and paying a large commission on each booking.
- Online distribution requires a high degree of attention in terms of profile management, reputation management and handling booking enquiries. This can pose a challenge for smaller / sole trader operators whose time may be occupied by running their own tours.
- For those looking to offer guided tours, most major attractions only allow self-guided or officially guided tours of their own
- Travellers and locals are sometimes attuned to using different channels for bookings and reviews (e.g. Yelp or Google Reviews) Despite the circumstances outlined above, there is still a noticeable shift among consumers towards seeking online planning, reviews and booking, meaning that there is much room for the growth of online distribution in this area.

### Tours, activities and the collaborative economy in Scotland

The degree to which tours and activities operators in Scotland are engaging with online platforms of any kind (OTAs and collaborative economy platforms) depends largely on their size and type of tour/ activity offered. Commercial operators with a high customer volume (e.g. Edinburgh bus tours or popular attractions in the city) are using OTAs such as Viator, Expedia and GetYourGuide. These operators have usually been established for some years and run businesses that require a high capital investment in vehicles, equipment, trained staff and insurance.

More specialised platforms such as ToursByLocals offer to match customers with personal guides, however the guides on its register are experienced and are officially accredited with a green or blue badge by the Scottish Tourist Guides Association. Subsequently, ToursByLocals has confirmed to the authors of this report that they consider themselves to be more of a tour operator than a P2P platform.



Currently, the only platform which is most aligned with the collaborative economy in this sector in Scotland is Vayable (NB: Airbnb has not yet established its Trips service in Scotland). Vayable is a relatively small platform in a global context, and based on a search for this study, currently features 14 listings in Scotland that include several Highland excursions, daytrips and movie-themed tours. Guides use their own time and knowledge to create tours, and take full responsibility for the tours that they offer. Some listings on this platform may be professional guides with a blue/green badge and their own commercial vehicle, or they may be non-professional people offering their services as a guide to the local area (i.e. more akin to a P2P approach).

## ON-DEMAND DOMESTIC SERVICES

The demand for short-term private accommodation rentals (STPAR) in large cities has created a spin-off industry, that of cleaning and servicing short-term rental properties. In most locations in the UK (including Scotland) this is currently done through agencies which act in a very similar way to standard rental agencies (see Scotland section below), however in cities with a very high demand for STPAR, some collaborative economy platforms have set up, connecting hosts or property management agencies with individuals who carry out tasks such as cleaning and maintenance.

According to a report by PWC in 2016, on-demand household services (e.g. cleaning, maintenance, building work) will be the fastest growing of the five sectors of the collaborative economy in Europe, expanding its revenues at roughly 50% per year to 2025, and overtaking peer-to-peer accommodation as the second-biggest sharing economy marketplace by revenue.<sup>60</sup> One company worthy of note in this sector is Handy which currently operates in several cities in US and Canada, plus London.. Handy is branded ‘the leading platform for connecting individuals looking for household services with top-quality, pre-screened independent service professionals’. Handy currently has no service in Scotland, however it is possible that it could expand to Scotland in the future.

Another platform with a greater presence in the UK is Helping. Based in Berlin, Helping acquired UK-based platform Hassle in 2015 and offers to match property owners with cleaners in their area. The platform currently offers cleaning services in 19 UK cities, including Edinburgh and Glasgow. The cleaners are self-employed contractors who are interviewed and reference-checked and run their own cleaning micro-business through the platform.



## Property management companies

Airbnb property management’ companies handle a range of services on behalf of the property owner, typically including:

- **Creating and managing property listings**
- **Communication with guests (including giving tourist information)**
- **Price optimisation**
- **Check in and key exchanges (sometimes 24 hours)**
- **Property maintenance and replenishment**

This study identified the following ‘Airbnb property management’ companies in Scotland:

- **Airsorted.co.uk:** Based in London, offers services in London, Edinburgh, Dublin and Sydney
- **BNBbuddy.co.uk:** Based in and operates exclusively in Edinburgh
- **BNBhost.co.uk:** Based in and operates in Glasgow
- **Passthekeys.com:** Based in London, operates in eight UK cities including Edinburgh



These operate in a very similar way to standard property management companies, in that the owner signs a contract with the company to carry out all or part of the listing’s management, while typically paying a commission of around 13-15%. Owners may include a cleaning fee within their charges to the customer, so this fee is usually passed on by the company to the customer. Given that these companies operate in a similar way to regular property management agencies, they cannot be considered as on-demand services. The concentration of these companies in the largest UK cities (especially those with a high volume of visitor arrivals) suggests that a sufficient concentration of properties and volume of bookings is required in order to make such a service profitable.

# ONLINE SURVEY

Research for this study included an online survey of a range of stakeholders: government organisations, community associations, tourism industry businesses, collaborative economy platforms and, knowledge and innovation organisations.

About the scope of the research:

The online survey was open between 4th September and 8th October 2017. It was circulated among the various stakeholder groups in Scotland and during an open online invitation via social media. The online survey received a total of 126 responses, however some were incomplete, or respondents did not provide full information/contact details that might allow verification of their identity or organisation’s background. Therefore the analysis of findings is based on a total of 101 answers:

- 3 responses from Collaborative Economy Platforms
- 32 responses from Public Sector or Industry Groups
- 54 responses from Travel & Tourism Providers
- 6 responses from Local Community Organizations
- 6 responses from Knowledge and Innovation Organizations

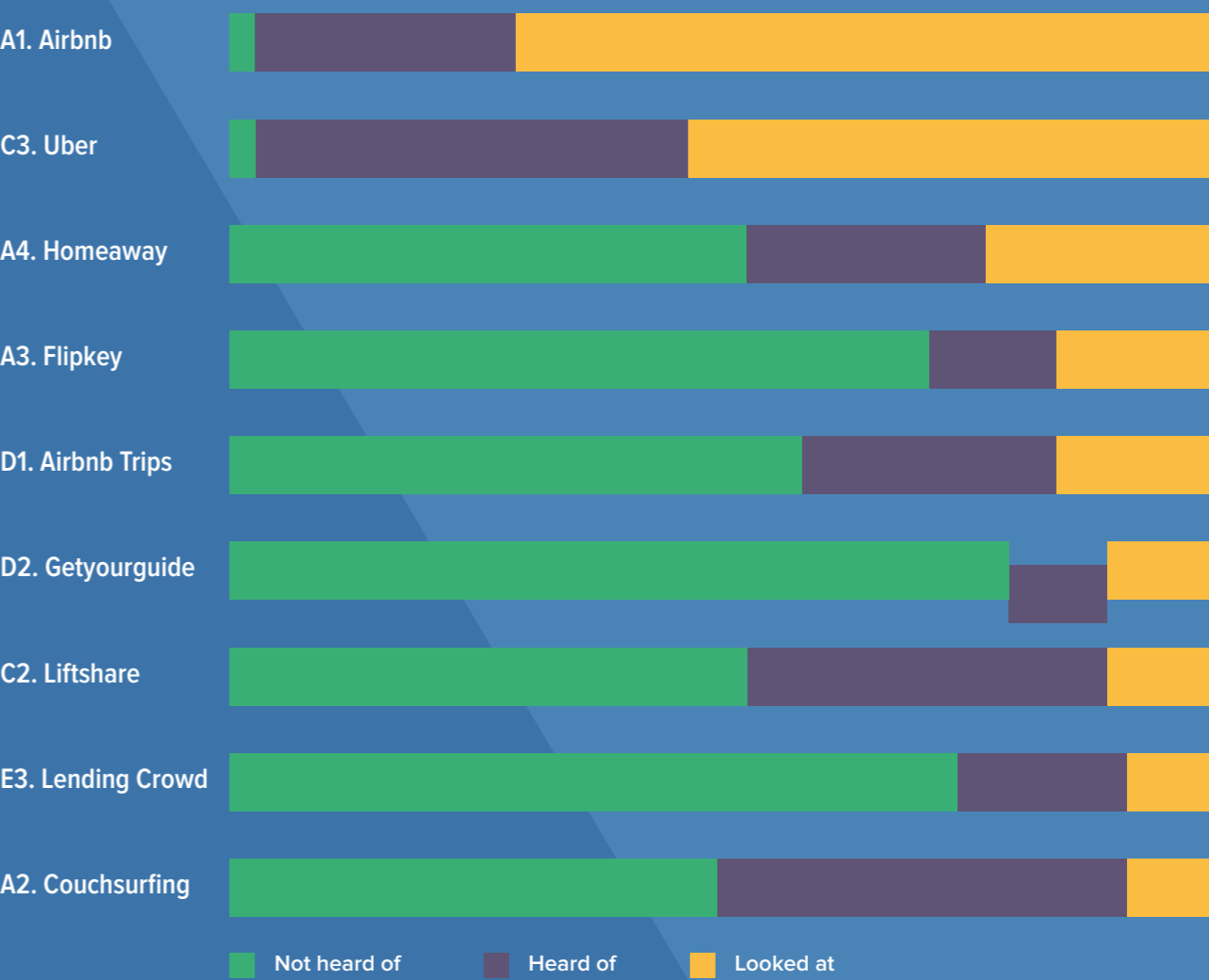
Based on the above:

- The sample of answers was small and unequal among different groups of stakeholders, providing, nevertheless, rich content for an exploratory type of research.
- Replies of both common and group-specific questions were analysed separately per each group of stakeholders, taking into account the relevant limitations
- The same approach was also taken internally in the ‘Travel & Tourism Providers’ group due to a disproportionately large share of replies from taxi drivers

Firstly, in order to understand the level of awareness of different collaborative economy platforms, we asked the following question: ‘Which of following online platforms have you heard of or looked at?’ Respondents were able to choose from the following list, the majority of which either had listings in Scotland, or were well established on a global scale:

ACCOMMODATION RENTALS	SHORT-TERM RENTAL MANAGEMENT	CAR SHARING & RIDE SHARING	TOURS, ACTIVITIES & MEALS	CROWD FUNDING
Airbnb	Airsorted	BlaBlaCar	Airbnb	BloomVC
Couchsurfing	Bnbbuddy	Easycar	Getyourguide	Indiegogo
Flipkey	Bnbhost	Liftshare	Mealsharing	Kickstarter
Homeaway	Passthekeys	Shareyourride	Toursbylocals	LendingCrowd
Housetrip		Uber	Vayable	
Wimdu		Zipcar	VizEat	
			Withlocals	

Top most familiar platforms (all respondents)



	NOT HEARD OF	HEARD OF	LOOKED AT
Airbnb	3.06%	26.53%	70.41%
Uber	3.06%	43.88%	53.06%
Homeaway	53.06%	24.49%	22.45%
Flipkey	71.43%	13.27%	15.31%
Airbnb Trips	58.16%	26.53%	15.31%
Getyourguide	79.59%	10.20%	10.20%
Liftshare	53.06%	36.73%	10.20%
LendingCrowd	74.49%	17.35%	8.16%
Couchsurfing	50.00%	41.84%	8.16%

Our survey revealed that the level of awareness of these platforms among the respondents as a whole is relatively low.

# GLOBAL GOES LOCAL: Matching the collaborative economy trends analysis with Scotland's visitor economy growth prospects



According to VisitScotland, 'visitor economy' is the term given to the interaction in economic terms between visitor spend and the services which contribute to and benefit from this in Scotland. It has at its core the tourism sector with its traditional areas of accommodation, activities, travel and attractions.<sup>61</sup> VisitScotland also describes how the actual economic impact of the visitor spend spreads out from the traditional component parts of the tourism industry into other sectors such as arts and crafts, food and drink, cultural activities, sports events and activities and retail.<sup>62</sup>

Over the past five years, the trajectory of visitor arrivals and spending in Scotland has been largely positive, as it has been characterised by:

- An increase of total overnight visitor spend (among visitors from the UK and overseas) of 15% from 2012 to 2016<sup>63</sup>
- Strong growth in arrivals from high spending markets such as the US (10% increase in 2016) and Canada (52% increase in 2016) due to a favourable currency rate and improved air connectivity<sup>64</sup>
- An increasingly diverse profile of international visitors, boosted by improved air connectivity from the Middle East<sup>65</sup>
- Strong performance from the GB domestic market: Despite a 4% decline in arrivals among GB residents from 2015 to 2016, people from within GB account for the majority of tourism in Scotland, with a high willingness to spend on leisure activities<sup>66</sup>
- Strong loyalty among Scottish residents to take holidays and short breaks in their own country. According to VisitScotland, 38% of all tourism trips<sup>67</sup> (and 90-95% of all tourism day trips) in Scotland are by Scottish residents<sup>68</sup>

## Visitor spend forecasts:

According to the national tourism strategy, Tourism Scotland 2020, three main pillars will account for most of Scotland's visitor spending in 2020, in line with the current trend:<sup>69</sup>

### Home turf:

England, Scotland, Northern Ireland, Wales

£3,127m in 2011

potential £3,586m–£4,238m in 2020

### Near neighbours:

Scandinavia, Germany, France, Spain, Ireland, Netherlands, Italy

£731m in 2011

potential £875m–£1,035m in 2020

### Distant cousins:

USA, Australia, Canada

£414m in 2011

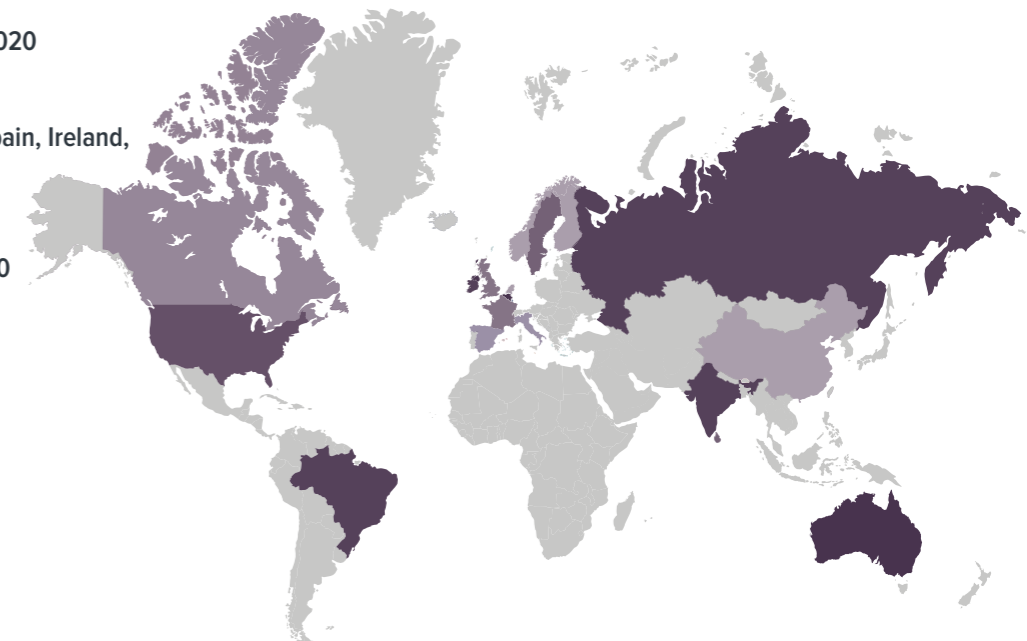
potential £505m–£598m in 2020

### Emerging markets:

India, China, Russia, Brazil

£33m in 2011

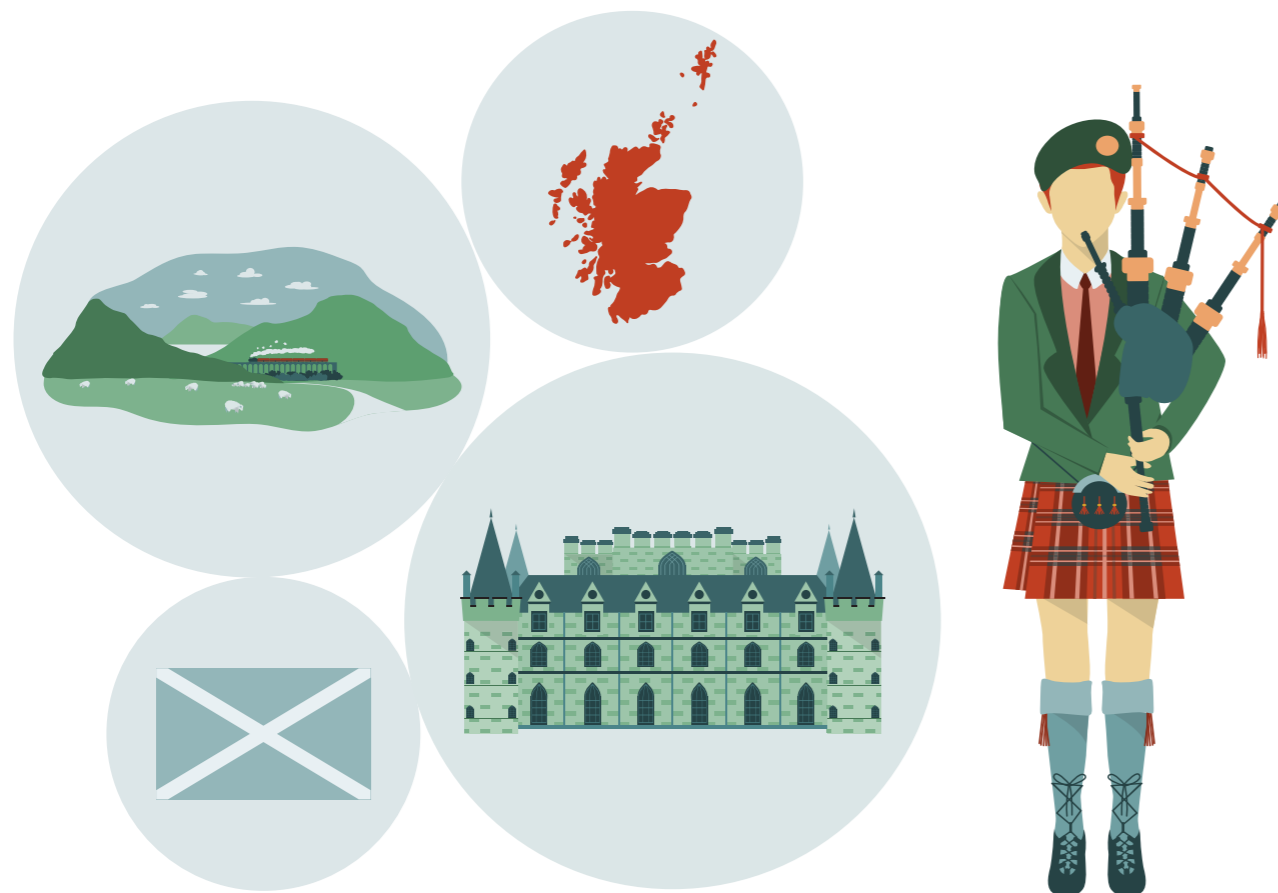
potential £70m–£83m in 2020



## Key trends shaping Scotland's visitor economy

In addition to the facts and figures, in considering the growth prospects for Scotland's visitor economy, it is important to understand the wider consumer trends that are influencing visitor behaviour and expectations from their visit to Scotland. The VisitScotland Insights Department issues an annual report highlighting these trends. Notable trends from recent years (2015-2017) have included:

- Visitors' desire for honest authenticity, through discovering real life for Scottish people. Businesses are encouraged to promote regional dishes, local ales, and farmers markets
- The willingness of Millennials to explore Scotland, especially outside of peak season. They are motivated to find quality experiences, and do have money to spend
- Flexible 'micro experiences', short escapes from hectic lives. Personalised outings to small craft centres/breweries, unique short-stay accommodation or micro-adventures that need little planning
- A willingness to get back to discovering the great outdoors, through experiences such as 'mild-camping' (with equipment provided)
- Fluid itinerary travel, making the great 'road trip' in Scotland with little or no fixed itinerary, and aiming to discover attractions that are 'off the beaten track' and not typically part of the country's tourism infrastructure.
- Increasing reliance on digital devices (esp. smartphones) as the 'control panel' for daily life, and especially for planning and retaining important travel information (also relates to mobile coverage remote areas of Scotland)



## To what extent can the collaborative economy help the Scottish tourism sector to fulfil growth targets and align itself with consumer trends?

The national tourism strategy, Tourism Scotland 2020, highlights the need to secure growth through turning Scotland's tourism assets into authentic experiences which cannot be easily replicated by Scotland's competitors.

As we have seen in Chapters 2, 3 and 4, the hallmarks of the collaborative economy in tourism have become:

- a high degree of personalisation
- access to unique and authentic experiences;
- the curation and attractive presentation of these experiences through digital channels;
- a large amount of interaction with local people, and;
- access to places that do not traditionally form part of the visitor infrastructure.

However the collaborative economy has not just brought benefits for consumers. It has also spurred innovation among established tourism businesses, and opened up a space in the global tourism market for individuals and small and medium sized enterprises from beyond the tourism sector to cater to businesses (*NB: this is also the source of negative disruption which has caused concern among various tourism stakeholder groups, and which is discussed in Chapter 6 of this report*). As far as existing research is able to show, users of collaborative economy platforms tend to trend more towards those sectors of the population who are younger, with a higher level of education and a greater level of disposable income; a profile of consumer of interest to the tourism sector.

On a global level, collaborative economy platforms also appear to be well aligned with those trends shaping Scottish tourism, namely: increased interest among Millennials (for travelling widely across the country, and out of peak season); consumers' desire for authentic 'micro' experiences, an increase in fluid itinerary travel (requiring a more flexible on-demand supply), and; the digitalisation of consumers' lives, allowing them to plan and book their journey more easily with a smartphone.



ONLINE SURVEY

As part of the research for this study, we asked the following question to Scottish tourism industry stakeholders via an online survey:

“To what extent do you think that the development of the collaborative economy in Scotland’s tourism sector could help achieve the following objectives?” The score out of 5 represents the overall average level of enthusiasm when all options could be ranked on a scale 1-5.

COLLABORATIVE ECONOMY PLATFORMS (N=3, score = 5.00)

- Raise the quality of transport and mobility
- Raise the quality of visitor accommodation
- Spread visitors beyond the most popular destinations
- Increase number of overnight stays in Scotland
- Increase digital engagement with visitors
- Turn Scotland’s assets into authentic, value-added experiences

PUBLIC SECTOR / INDUSTRY GROUPS (N=22, score 4.41)

- Turn Scotland’s assets into authentic, value-added experiences
- Create new tourism products and experiences
- Increase number of overnight stays in Scotland
- Attract more international visitors

TRAVEL & TOURISM PROVIDERS (N=54, score 3.59)

- Create new tourism products and experiences
- Increase number of overnight stays in Scotland
- Spread visitors beyond the most popular destinations
- Increase digital engagement with visitors
- Attract more international visitors

LOCAL COMMUNITY ORGANISATIONS (N=5, score 3.83)

- Raise the quality of transport and mobility
- Spread visitors beyond the most popular destinations
- Expand accessible tourism (for those with a disability or low income)
- Increase digital engagement with visitors
- Raise the quality of tours and activities

KNOWLEDGE & INNOVATION GROUPS (N=5, score= 4.50)

- Create new tourism products and experiences
- Turn Scotland’s assets into authentic, value-added experiences
- Spread visitors beyond the most popular destinations
- Increase digital engagement with visitors
- Expand accessible tourism (for those with a disability or low income)

Q6. The top two benefits for visitors of the expansion of the collaborative economy in Scotland’s tourism sector, according to...

KNOWLEDGE GROUPS

- 1. Increased range of products/experiences
- 2. Opportunity to explore beyond most popular sites

TRAVEL AND TOURISM PROVIDERS

- 1. Increased range of products/experiences
- 2. Lower prices

LOCAL COMMUNITY GROUPS

- 1. A more ‘authentic’ Scottish experience
- 2. Increased range of products/experiences

COLLABORATIVE ECONOMY PLATFORMS

- 1. Opportunity to meet and interact with local people
- 2. More personalised experience

PUBLIC SECTOR / DESTINATION ORGANISATIONS

- 1. Increased range of products/experiences
- 2. Opportunity to meet and interact with local people

The results of these survey questions reveal a fairly even spread of responses. In terms of how the collaborative economy could help achieve a certain range of objectives, respondents associated it most frequently with ‘spreading visitors beyond the most popular destinations’, and ‘increasing digital engagement with visitors’. In terms of benefits for the tourism sector, according to almost all groups of survey respondents it would be most likely to lead to an increased range of products and experiences.

Thus far, we have seen how the collaborative economy has stimulated the tourism sector at global level, and evaluated how Scottish tourism stakeholders believe it could benefit Scotland’s tourism sector. However, to what extent is this actually taking place? Our analysis of the presence of collaborative economy platforms in key tourism sectors in Scotland reveals that:

- Collaborative economy activity, especially in accommodation is not evenly spread across Scotland. It is highly concentrated in cities (and in certain central districts of those cities). Long-distance P2P transport is concentrated only on those routes most frequented by commuters
- Some platforms dominate, and have seen runaway success (e.g. Airbnb arrivals in Scotland increased by 104% from July 2016 to June 2017)
- Some sectors (e.g. food and meals, tours and activities) are relatively underdeveloped, and the full diversity of what Scotland does have to offer in those areas is not currently reflected in their Scottish listings, particularly in responding to the consumer trends highlighted in recent years by VisitScotland
- Scottish hosts/drivers/providers/cooks/tour guides who are offering services through collaborative economy platforms in return for payment may not be captured in official measurements of tourism activity in Scotland, thus any growth in the collaborative economy in Scotland’s tourism sector may not be reflected in official statistics.

The extent to which the collaborative economy is able to contribute to the development of Scotland’s visitor economy will depend on the following series of internal factors (those which may be determined by Scottish public and private sector and civil society) and external factors (determined by organisations and market trends outside of Scotland):

## INTERNAL FACTORS

- **The constraints of regulation:** As the collaborative economy develops and policy is brought up to date in Scotland this may place different constraints on providers, users and the platforms themselves
- The openness of individuals and SMEs in Scotland towards innovating, leveraging their unused assets and participating in the P2P marketplace
- **The presence of a critical mass of demand and supply for specific products and services in Scottish destinations.** With low margins on transactions for services such as ride sharing, it is important for there to be a critical mass of those offering accommodation/rides/meals/tours and those who wish to use them, in order to make a P2P service viable

- **The extent to which collaborative economy activities are formally considered to be part of Scotland’s visitor economy and measured and reported as such**
- **The level of support among government agencies to set up and nurture localised collaborative networks** in order to support tourism growth
- **Mobile and broadband connectivity around Scotland** that enables visitors to search and book easily via smartphone, and providers to be able to manage bookings easily

## EXTERNAL FACTORS

- **External regulation: regulations formed at supranational (European) level which may affect the collaborative economy and the law in Scotland.** One aspect in particular will be the consideration of collaborative economy providers (e.g. hosts, drivers, guides, cooks) as employees, as opposed to ‘service providers’ which may make platforms liable for payments such as sick leave and holiday pay etc.
- **The perception and experience among P2P platforms of Scotland as an innovative-forward thinking place to operate,** where regulators work with platforms to evaluate and overcome economic and social challenges that may be posed by their activity
- **The economic performance of inbound markets** that determine visitor spending in Scotland as a whole

*NB: In Chapter 8 we consider how these factors may interact to form different scenarios for the development of the collaborative economy in Scottish tourism.*

# POLICY UPDATE: TOURISM & THE COLLABORATIVE ECONOMY, SECTOR BY SECTOR



While P2P platforms have raised considerable sums of capital, amassed users and providers and changed the rules of the game in many areas of the economy, policymakers have raced to keep up with the challenges and the opportunities that it has created. While platforms such as Airbnb, Uber and VizEat operate across many borders, the approach to regulating on matters as diverse as workers' rights, taxation and land use -and the rationale for doing so- changes from city to city, not to mention between nations.

For its part, the European Parliament has urged the Commission and Member States 'to analyse the best possible initiatives on the sharing economy to be taken at European, national, regional and local level', and to 'give consideration to establishing an appropriate regulatory framework which must be flexible and ensure a level playing field for companies'.<sup>70</sup> Thus far, the response of policymakers across Europe has been ad-hoc, and the process of legislation has often struggled to keep up with the speed of innovation demonstrated by P2P platforms.

The authors of this report acknowledge the ongoing work of the Scottish Expert Advisory Panel on the Collaborative Economy which has been taking evidence from a wide range of stakeholders during 2017. The Panel's purpose is to provide advice, expertise and experience to on-going policy development on the collaborative economy and to make recommendations to Scottish Ministers on how Scotland can position itself to take advantage of the many opportunities of the collaborative economy and overcome regulatory, economic and social challenges. The Panel's work includes considering the regulatory landscape and the collaborative economy in Scotland, the outcome of which will be presented in late 2017. For more information, please visit: <https://stage.beta.gov.scot/groups/scottish-expert-advisory-panel-collaborative-economy/>

## Sector-by-sector analysis

In this report we outline the areas of regulation which have come into focus as a result of the growth of the collaborative economy in the five sectors outlined in Chapter 4; accommodation, mobility, food & meals, tours and activities, and on-demand domestic services. Of those five sectors, only accommodation (in particular short-term private home rentals) and transport (notably short-distance ride sharing) have thus far attracted the widespread attention of policymakers. In both cases, complaints have been raised by incumbents in the industry (the traditional hospitality sector, namely hotels and guest houses as well as local residents in the case of accommodation, and taxi drivers and workers' rights groups in the case of short-distance ride sharing). The remaining three sectors do not yet appear to have either disrupted established markets to such a great extent, or have triggered significant concerns about issues such as workers' rights or unfair competition. This does not mean that there may be legitimate concerns to be raised, but that the nature and scale of the activity has not yet provoked any strong reaction on the part of the public or established industry players. In some cases, rather than seeing collaborative platforms as direct competitors, established operators in the food service or tours sector have turned to collaborative economy platforms in order to diversify their sales channels.

# THE COLLABORATIVE ECONOMY: POLICY IMPLICATIONS



CONSUMER PROTECTION

- Do premises/facilities/equipment meet basic health and safety standards?
- Do they meet acceptable quality standards?
- Does the online verification system in place ensure that these standards are met?
- Is consumers' data properly managed and protected?
- Is there a viable and transparent system of reviews?
- Are users and providers made aware of their rights/obligations/under the law?
- Are users and providers aware of who is responsible in case of a problem with the product or service that is purchased?



EMPLOYMENT RIGHTS & BENEFITS

- What is the employment status of individuals supplying collaborative economy services (providers)? These criteria can be based on criteria such as: the frequency of transactions, the number of assets traded, and amount of revenue generated, the extent to which platforms determine their pay, working conditions, breaks etc.
- Do providers contribute to, and are they covered by the social security system?
- Do providers of services such as cooking or training require basic training / certification (e.g. food hygiene standards, or adventure sports qualification)?



ZONING

- How is property use (commercial/non-commercial) defined? How is it monitored? What reporting mechanisms are in place?
- What constitutes an appropriate frequency and duration for short term accommodation rentals?
- Are appropriate council services deployed in areas with increased tourist visitation?



CONGESTION MANAGEMENT & DISPERSAL

- Which districts are defined specifically for tourism activity? Is it necessary to place limits/controls on areas with high tourist concentration, or encourage visitors to stay in other areas?
- Have local residents been consulted on the designation of these districts?
- What systems are in place to educate, monitoring and intervene with regard to antisocial behaviour?



TAXATION

- How is income from collaborative economy activity declared?
- Are providers paying tax relative to their income from collaborative economy services?
- Is there an effective system of collecting and remitting tourism/bed night tax (where appropriate)?
- How is VAT collected and remitted to the authorities?



UPGRADE REGULATIONS

- Ensure that legal definitions reflect the scope and scale of collaborative economy services



ENFORCEMENT

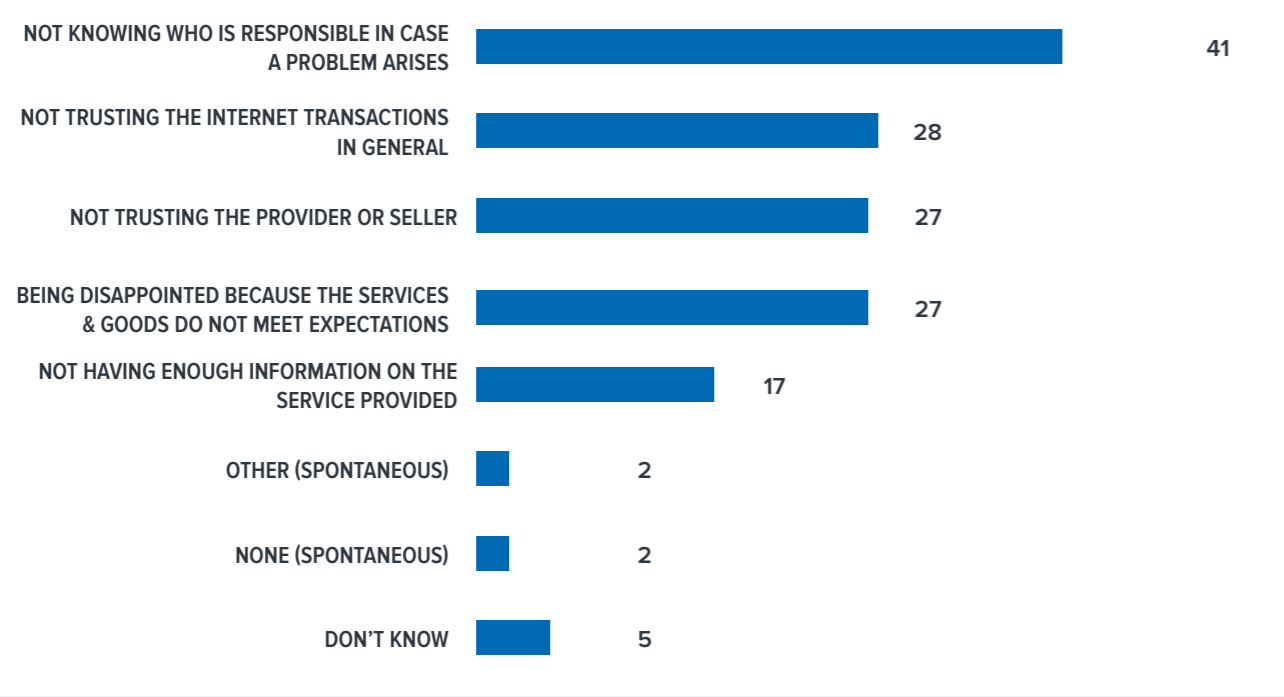
- Where regulations are updated, what mechanisms are in place to enforce them?

Here we present what we consider are the main policy considerations to be taken into account with regard to each sector and, where applicable, the measures that have been taken by some authorities around Europe to address these. A range of case studies from various destinations is presented in the next chapter.

ALL SECTORS

**Area of concern:** The use of collaborative economy platforms has revealed the issue of ‘asymmetric information’, where platforms acquire information about consumers, yet consumers buy products and services without knowing who is responsible in case of a problem. Since consumer protection is an issue dealt with under European law, the European Commission has drawn attention to this situation through its own research.

**Q4. Compared to the traditional commerce of goods and services, what do you think are the main problems for the people using the services offered on these platforms? (MAX 2 ANSWERS) (% - EU)**



European Commission (2016), Flash Barometer 438: The use of collaborative platforms, p.6

According to a survey of over 7,000 European consumers for the European Commission’s Flash Barometer, around four in ten respondents who have heard of or visited collaborative platforms say that not knowing who is responsible in the event of a problem is one of the main drawbacks of this type of platforms (41%). Over a quarter mention not trusting Internet transactions in general (28%) and not trusting the provider or seller (27%).

According to the YouGov research on the collaborative economy carried out for the Scottish Government in 2017, if Scottish users of collaborative economy platforms were to have an issue with poor service, just 43 per cent would know how to make an official complaint. When asked who they felt was responsible for resolving complaints when using collaborative economy platforms, the majority of Scottish consumers (18 per cent) cited the provider as being responsible.<sup>71</sup>

Area of concern: WORKERS' RIGHTS

The rights of providers (hosts, drivers, cleaners, couriers) in the UK collaborative economy has become an increasing cause for concern among providers themselves, workers’ unions, and the UK government. Attention has focussed in particular on the status of Uber drivers, package couriers (e.g. Hermes), and food delivery couriers (e.g. Deliveroo). These platforms have generally argued that providers are independent contractors, and free to choose when and where they work. Providers have argued that they are required to conform to the company’s regulations (including in some cases, wearing a uniform and determining working times), so this constitutes being employed.

Research by Citizens Advice has suggested that as many as 460,000 people could be falsely classified as self-employed, costing up to £314m a year in lost tax and employer national insurance contributions. In a landmark ruling in October 2016, Uber lost the right to classify its drivers as self-employed, and would be required to pay its drivers the minimum wage and holiday pay, a decision which it has contested. A ruling is expected on this appeal before the end of 2017.<sup>72</sup> Among the recommendations of a review conducted by Matthew Taylor for the UK government in 2017 was the recommendation that workers at gig economy employers should be classified as dependent contractors rather than self-employed.

## ACCOMMODATION

**Area of concern:** Concentration of short term private accommodation rentals (STPAR) in certain locations (e.g. city centres, historic districts, popular rural/coastal tourism destinations). **Property in popular cities (especially in popular neighbourhoods) may be taken off the market for long-term rental and dedicated to STPAR, thus reducing the supply of housing available to local residents for rental.** High concentrations of tourist accommodation among residential accommodation (especially without planning permission) can lead to conflict with local residents caused by antisocial behaviour, and concerns among local residents about building security.

### Measures taken:

- **Hosts required to register their property with local authorities so that rental locations can be mapped and traced more effectively**
- Designate specific districts for tourism development, or areas of high concentration where limits may need to be applied
- **Require that all hosts place their property for long-term rental, and not exclusively for short-term rental**

### Area of concern:

High frequency of stays and total number of rental days to different guests during the year raise questions over the use of residential property (from non-commercial to commercial). Multiple properties are rented by one host/owner. (NB: A study by the American Hotel & Lodging Association in 2017 estimated that Airbnb ‘hosts’ renting out two or more entire home units are the fastest growing segment of the company’s business in the US, generating 40% of its entire-unit revenue in 2016)<sup>73</sup> Other hotel associations in Europe have also raised concerns about ‘illegal hotels’ that may be unregulated properties in residential neighbourhoods.

### Measures taken:

- Apply thresholds of the number of nights per year for which a host may rent out his or her property (current threshold examples: Amsterdam 60 nights, London 90 nights, Paris 120 nights) above which a property would be considered to have changed its use. NB: In the UK there is currently no national threshold: the criteria for building use are determined by each local authority. See note on Edinburgh and Glasgow below). **Agree with platforms that the applicable threshold will be applied automatically to bookings within the destination**
- Work with platforms to apply limits to the number of properties that one host/owner may list on any one platform

*NB: Currently no threshold exists in Edinburgh. Glasgow does not give a definitive number of days but states that where a property is being used principally to provide short-stay accommodation, this may constitute a material change of use.<sup>74</sup> Currently property owners in Edinburgh are not required to seek permission from the city council in order to rent their property out for a short term let. Permission is only required when a property*

*owner wants to let out a property for three or more unrelated persons at one time and it will be the tenants’ sole or principal residence. In this case, a Houses in Multiple Occupancy (HMO) licence is required.<sup>75</sup>*

**Area of concern:** Income raised through short-term private accommodation rentals is not being taxed appropriately, or is going undeclared. Bed/tourism tax is not being collected for stays arranged via P2P platforms. This may create unfair competition with established hotels and guest houses where they are required to collect tourism tax on overnight stays. Tax authorities rely on self-declaration of income among by hosts which can be unreliable and lead to fraud.

### Measures taken:

- Ensure that tax codes are brought up to date to reflect individuals’ capacity to raise income through short-term property rentals
- Platforms facilitate self-declaration through providing timely income statements
- Remit applicable tax payments (e.g. tourism tax) directly to the authorities on behalf of hosts

### Area of concern:

Some short-term private accommodation rentals may lack basic health and safety standards, conformity with established regulations to uphold these standards, or be of generally poor quality. Besides leading to a poor, or potentially dangerous experience for the visitor, unregulated accommodation is competing unfairly with regulated accommodation (e.g. by avoiding the cost of complying with fire protection measures, or food safety)

### Measures taken:

- Inform citizens wishing to start rental activity of their responsibilities to maintain good health and safety practices. Make information about health and safety standards (e.g. fire safety, boiler safety) clear and easily available.
- Work with platforms to identify sub-standard accommodation and remove sub-standard listings
- Carry out periodic health & safety checks on STPAR (this would require them to be registered, so they may be identified and tracked)

### Area of concern:

Antisocial behaviour caused by guests staying in short-term private rented accommodation can cause a nuisance to local residents. This may contribute to a growth in resentment against tourists among local residents in general.

### Measures taken:

- Require hosts to inform neighbours and/or seek their permission before starting rental activity
- Create effective mechanism for reporting complaints about nuisance behaviour in private short-term rentals
- Establish a maximum number of guests that may stay in any one property

## P2P TRANSPORT (long-distance ride sharing)

**Policy consideration:** Driver licensing and health

**Possible solutions:** Platforms currently offering long distance ride sharing in the UK provide guidance on driver liability. Drivers are not liable to complying with any extra measures beyond those required for standard driving, as long as they only cover the cost of each journey

**Policy consideration:** Vehicle condition

**Possible solutions:** Work with platforms to make drivers aware of good practice in keeping vehicles in good condition. Establish criteria, in partnership with platforms for allowing drivers to offer long-distance rides, such as vehicle age or other checks (see Liftshare case study in Chapter 7 on TrustSeal)

*NB: As explained in Chapter 4, long-distance ride sharing (e.g. Liftshare) differs from short-distance ride sharing (e.g. Uber), in that long-distance drivers are only able to cover their costs, rather than make a profit on rides given. When drivers collect a profit on rides, this changes their status from a casual driver to a professional one (similar to a taxi driver), requiring them to undergo health checks and criminal background checks.*

## FOOD & MEALS

**Policy consideration:** Hosts and food preparation facilities' compliance with basic health and safety standards

**Current situation:** Currently most major food sharing platforms carry out a series of checks on hosts offering private dining experiences. These are intended to check the quality of the food and welcome, and the general condition of the kitchen. VizEat, for example also guarantees all hosts and guests insurance cover of up to €300,000. Hosts will generally declare if they are a professional/non-professional chef. Experience and quality thus far appear to have been governed by the platforms' review systems.

**Possible solution:** Work with platforms to make hosts aware of good food safety practices.

**Licensing:** Lack of clarity, or awareness among providers of permitted activities in commercial and non-commercial properties, also in relation to alcohol licensing'

**Current situation:** Hosts are responsible for complying with the regulations that relate to the type of property that they are using for hosting (i.e. if hosting in a restaurant, or a venue with a licence to serve alcohol, hosts must abide by the health & safety and alcohol licencing laws of that venue). However the emergence of the 'home restaurant' may require a review of the health and safety rules that relate to serving food and drink (especially alcohol) in exchange for payment. ,

*(NB: See the 'Italy home-restaurant' case study in Chapter 7 for an example of how this has been addressed).*

## TOURS AND ACTIVITIES

**Policy consideration:** Health and safety compliance for tours and activities.

**Current situation:** The investment in equipment and preparation required for this type of activity usually ensures that only experienced, qualified professionals offer their services in this field. These usually advertise their credentials clearly in their profile listing as a point of attraction. Aside from this, thus far experience and quality thus far appear to have been governed by the platforms' review systems.



## ON-DEMAND SERVICES

Companies which service private rental accommodation currently appear to operate as current rental management agencies, and employ their staff for cleaning and key handover as-such. However, as demand for on-demand services increases, employment practices and the status of people who work for such platforms will come under closer scrutiny in a similar way to that which has occurred for those working on behalf of companies such as Uber and Deliveroo.

## ONLINE SURVEY

Results from an online survey of a range of stakeholders conducted for this report.

We asked respondents: “Which negative effects, if any, do you feel have occurred in the past year in Scotland as a result of the expansion of the collaborative economy?”

### KNOWLEDGE GROUPS

- Lack of sufficient oversight / accountability of platforms
- Unfair competition with existing businesses
- Lack of sufficient oversight / accountability of hosts/providers
- Poor quality of visitor experience
- Tax evasion

### COLLABORATIVE ECONOMY PLATFORMS

No clear findings/unanswered

### PUBLIC SECTOR / DESTINATION ORGANISATIONS

- Unfair competition with existing businesses
- Risk to visitors' health and safety
- Tax evasion
- Lack of sufficient oversight / accountability of hosts/providers
- Lack of affordable housing

### TRAVEL AND TOURISM PROVIDERS

- Unfair competition with existing businesses
- Erosion of workers' rights / employment conditions
- Tax evasion
- Lack of Affordable housing
- Lack of sufficient oversight / accountability of hosts/providers

### LOCAL COMMUNITY GROUPS

- Unfair competition with existing businesses - Erosion of workers' rights / employment conditions
- Tax evasion
- Lack of Affordable housing
- Lack of sufficient oversight / accountability of hosts/providers

The results of the online survey for this question reveal that the greatest concern among Scotland's tourism sector stakeholders tend to cluster around the same five concerns; unfair competition with existing businesses (uniformly the greatest source of concern), workers' rights, a lack of affordable housing, tax evasion and a lack of oversight or accountability among hosts/providers. It is also notable that these are also the themes which are discussed most frequently in the media in relation to regulation and the collaborative economy.

## On the agenda: summary of quotes from respondents to the online survey carried out for this report:

“ The collaborative economy offers consumers choice and variety but does not guarantee quality of facilities or consumer experience. CE platforms, as intermediaries, have no legal responsibility for services offered; Regulatory thresholds should be harmonised and proportionate regulations applied and enforced equitably. ”

British Hospitality Association

“ We are extremely concerned that this sector is in practice entirely unregulated - because there is no inspection or enforcement. Further regulation is likely to be required, in order to level the playing field and to protect consumers from a poor or unsafe experience. ”

Scottish Bed & Breakfast Association

“ We are keen to see that peer-to-peer accommodation providers (that are new to the sector) comply with the same regulations and requirements as the traditional sector. The opportunities provided by the collaborative economy outweigh the negatives. ”

Association of Scotland's Self-Caterers

“ Hosts renting on P2P platforms alone tend not to be quite as plugged in to the local industry (...). In addition, accommodation for staffing is at a premium and in outlying areas, rooms previously rented for staff accommodation are now being used for vacation rentals arranged through P2P platforms. ”

Visit Arran

“ In our experience of working in Scotland over the last 18 years, there is more openness to sharing than in nearly all other parts of the UK. (...) It is important to note that in Scotland and in the rest of the UK there is a tendency to overlook local success stories and highlight international examples instead. The lift sharing communities operated by each of the regional transport partnerships are some of the best examples of public solutions in the world and have been showcased in several EU projects over the last few years. ”

Liftshare

# CASE STUDIES ON THE COLLABORATIVE ECONOMY AND THE TOURISM SECTOR



Here we present a series of case studies to show the approach taken by regulators as a reaction to the emergence of different types of collaborative economy activity in recent years. We also present the approaches made by two platforms (Airbnb and Liftshare) towards promoting more responsible behaviour in their respective fields. It must be noted that against a backdrop of near-constant innovations, mergers and acquisitions among collaborative economy platforms, keeping regulations updated and enforced presents a constant challenge to government authorities.

## Short term private accommodation rentals (STPAR) PORTLAND, USA

The case of Portland highlights the challenges of enforcing laws on STPAR once they are passed, and also in gaining cooperation from platforms that enable STPAR in doing this. In September 2014 the city of Portland introduced a series of guidelines that would allow hosts to operate legally in the city,. According to the guidelines hosts are required to obtain an 'Accessory Short Term Rental (ASTR) permit', for \$178, valid for 2 years, after which hosts must self-renew (making a declaration of safety) up to a maximum of 6 years, after which the property must be inspected by the city. Hosts are required to display the property's permit number in all advertising, plus the property itself, and live in the property itself for all but 90 days of the year.<sup>76</sup>

However, take-up of the permit system has been low. According to an ASTR Monitoring Report issued by the city in September 2016, only 22% of the total number of listings and locations had been issued ASTR permits. The total of 5,000 ASTR listings on Airbnb in 3,000 locations had also grown considerably since the amendments were adopted in September 2014.<sup>77</sup> For its part, Airbnb announced in August 2017 that it had removed 524 listings in Portland through its One Home, One Host policy, however critics of this policy have complained that this policy fails to rid the site of commercial operators who may seek to register their properties under more than one name.<sup>78</sup>

## TASMANIA, AUSTRALIA

In June 2017 the Tasmanian Government announced that it would 'support continued growth in the tourism and hospitality sector by embracing the sharing economy'. Starting July 1st 2017, it liberalised the accommodation licencing system, by allowing any home with up to four bookable rooms, and under 300sqm to charge a fee for accommodation without the need for a permit. Hosts with homes of more than four bookable rooms and investment properties for rental via sharing economy sites may operate, but under a permit system after consultation with their local council.<sup>79</sup>

According to data from Airbnb, Airbnb hosts in Tasmania earn A\$2,000 more than the national average. The average number of nights hosted per year is 39, while the average length of stay is 3 nights. Some speculate that the higher earnings in Tasmania may be due to the shortage of hotel beds in the state.<sup>80</sup>

## AMSTERDAM, THE NETHERLANDS

The case of Amsterdam has become widely quoted with regard to STPAR, and the fact that the city council was one of the first in the world to reach a formal agreement with Airbnb on the collection and remission of the city's tourism tax, which entered into force on 1st January 2015. In March that year the city established clear distinctions between the varying uses of residential property for short term rental purposes, in order to define when owners would have to apply for a change of use permit. Home owners would have to limit rentals to one property per owner, for a maximum of 60 nights per year and to a maximum of 4 people at a time. Airbnb would collect the city's tourism tax on behalf of the host, and submit it directly to the tax authorities. The city also has a hotline for complaints relating to STPAR and a fine of €20,000 for non-compliance.

In December 2016, following public complaints about abuse of the rules (hosts renting multiple properties at once, and surpassing the 60-night limit) Amsterdam city government and Airbnb reached a new agreement which saw Airbnb place a limiter on the website, preventing hosts from breaking the 60-night limit.<sup>81</sup>

## BARCELONA, SPAIN

Barcelona, one of Europe's most popular city destinations has seen growing public disquiet about the influence of tourism on life for local citizens, particularly in busy central districts of the city. The city's authorities have clashed with P2P platforms that enable STPAR (such as Airbnb and Homeaway) on numerous occasions, and have issued large fines to them for displaying listings for properties that do not hold the required licence.

According to regulations that govern the whole of Catalonia, STPAR properties must be registered on the Catalan Tourism Register (CTR) and pay a fee. The registration number must be communicated to the relevant city hall and must appear in any type of publicity or listing. Properties on the register must meet minimum quality and safety requirements; remit an annual tax associated with rental income as well as the region's tourism tax. Rentals may last a maximum of 31 days, and must occur two or more times during one year. In February 2017 Airbnb agreed to limit listings to one property per host in the city's Old Town (Ciutat Vella) and to remove those which did not comply. In July 2017 the city requested Airbnb to only allow properties with a registration number to list on the site.<sup>82</sup>

## DENMARK

During 2017 the Danish government has made moves to integrate the collaborative economy within its legal system. The government is keen to allow Danes to make the most of the potential that the collaborative economy offers, while ensuring that revenue generated goes towards the country's welfare system and that workers' rights are properly protected.<sup>83</sup> According to TTG Nordic, the number of overnight stays in Denmark booked via Airbnb nearly doubled in 2016, from 1.7 million the previous year to 3 million, while the number of people providing accommodation on the site rose from 21,000 to 30,000.<sup>84</sup> Under the proposed rules, for hosts renting through platforms that collaborate with the government by sharing data, any local hosting limits will not fall below 90 nights a year. For hosts renting through platforms that do not share data with the government, local authorities can limit rentals to 30 nights a year. Another proposal

envisages an increase in tax free earnings limits up to 36,000 DKK (£4,200) for those hosting via platforms that collaborate with the government to support accurate income tax payment.<sup>85</sup>

## AIRBNB IN RURAL AND REGIONAL IRELAND

In November 2016 Airbnb released Home Sharing: Empowering Regional and Rural Ireland, to explain the scale and economic impact of STPAR in rural parts of the country. According to the report, between September 2015 and August 2016, 6,000 hosts in regional and rural Ireland earned an average of €2,700 from home sharing, with the Airbnb hosts and users in these areas generating a combined total economic activity of €74 million.

The introduction to the report was provided by Minister for Arts, Heritage, Regional, Rural and Gaeltacht Affairs, Heather Humphreys, who said: "The benefit of the Airbnb model is that it can bring new visitors to remote and perhaps previously undiscovered locations, providing a new potential source of revenue for communities which might be otherwise off the beaten track". According to Airbnb, home sharing has supported the lengthening of the tourist season in many places. It also states that there is evidence that seasonal tourism-related businesses are staying open longer, new food offerings are opening in rural areas, and there has been an increase in investment and pride in the natural assets and amenities of rural communities.<sup>86</sup>

## LONDON, UK

Starting from 1st January 2017, Airbnb has placed an automatic 90-day limit rentals in the Greater London area, unless hosts can prove that they have the relevant permission from the local authority to rent beyond that period. The law requires anyone who wishes to rent for more than three months to obtain planning permission, however in November 2016 the company admitted that nearly 5,000 of its "entire home" [London](#) listings – 23% of the total – were let out for three months or more.<sup>87</sup> 11% (2,444 properties) of Airbnb's entire home rentals were let for more than six months of the year. Since the limit was applied, seven London councils have appealed for tougher legislation to prevent illegal lettings; in light of concerns about the detrimental impact short-term letting is having on housing availability in London.<sup>88</sup>

## EDINBURGH, UK

As a popular tourism destination, and home to the largest arts festival in the world, Edinburgh has a long history of short-stay letting, including in private residences for short periods of the year. However, the expansion of collaborative economy platforms that enable STPAR has led local residents, businesses and City of Edinburgh Council (CEC) to re-evaluate the scope of STPAR in the city.

A report submitted to CEC's Planning Committee on 2 March 2017 described efforts by CEC to assess the extent of STPAR in the city (defined by CEC as Short Stay Commercial Visitor Accommodation – SSCVA), and whether a standard definition of SSCVA could be found, so as to help CEC evaluate whether properties listed for short stay lets could be considered to have undergone a change of use from purely residential domestic to SSCVA.

The report found that while 54.7% of Edinburgh listings on Airbnb between January 2012 and July 2016 were for entire properties and 59.9% of those were for over 90 days per year (indicating a change of use), a correct definition of a property's use was also dependent on factors such as the size of the property and pattern of activity associated with its use. No areas of the city had (yet) been defined as 'sensitive' in respect of SSCVA, so it was not possible to correlate property availability with specific areas of the city. The report also considered the implications of SSCVA on waste collection, parking, neighbourhood plans, student housing and tourism. The Edinburgh Tourism Strategy 2020, prepared by the Edinburgh Tourism Action Group (ETAG), targets an increase in the number of overnight trips to Edinburgh of 680,000 per year by 2020. To reach this additional capacity, ETAG anticipates further development in the hotel industry and the continued rise in the use of Airbnb and other home sharing websites. In light of this, CEC noted how it is important for quasi hotels or commercial businesses to pay the correct property and business taxes.<sup>89</sup>

According to evidence submitted by Airbnb for this report,<sup>90</sup> from 1st July 2016 to 1st July 2017 there were 496,000 guest arrivals to Airbnb listings in Edinburgh. During this period there were 9,000 listings in the city region, which grew 43% on the same period in the previous year. According to Airbnb's Overview of the Airbnb Community in Scotland report citing data from 1st March 2016 to 1st March 2017, there are 5,400 active hosts in Edinburgh, and a typical host in the city earns an average of £5,900 during the year. Readers may wish to note that other sources of data on STPAR are available from websites such as InsideAirbnb, which 'scrape' data from the official source to build up a picture of STPAR availability in a city over time. The data supplied by these sites is often contested by the companies concerned.

In May 2017 the BBC reported concerns among local residents and politicians about the scale of SSCVA in central Edinburgh, citing the Scottish Green Party MSP's proposal to include more class-orders (relating to residential property) use in the planning system.<sup>91</sup>

## QUICK CASE STUDY:

In September 2014, Spanish-owned RoomMate Hotels opened BeMate, whereby guests can rent apartments which are serviced by nearby hotels. Apartments are available in 10 cities in Europe and North America. The service originally started with only those apartments owned by RoomMate, however more hotels and apartment owners are invited to join the network. Each apartment listed on Be Mate benefits from the services and support of an associated hotel. This means that the guest has access to most of the same services a Room Mate Hotel guest has, such as luggage storage, key delivery, 24 hours reception and any other extra service provided by the Hotel. Guests staying in BeMate apartments can also use the chain's City Mate service providing a personal concierge to make local tour bookings, arrange a baby sitter or buy food supplies.

## QUICK CASE STUDY:

Various global hotel chains are starting to use more of their properties for flexible office space. Marriott's partnership with LiquidSpace in 2014 was one of the first of a range of partnerships between hotels and operators of shared work spaces. In 2017 Marriott started testing a new concept called Workspace on Demand, allowing guests and non-guests to book small-scale meeting space for \$50 an hour in 35 hotels

throughout the U.S, and one in Europe. In 2017 Westin Hotels & Resorts launched Tangent, which is similarly a transient workforce. Rooms are priced at \$50 to \$60 an hour, accommodate a smaller audience (four max), and include features such as a worktable that lets multiple users drag and share documents from their person device, a whiteboard for brainstorming and an Xbox. There is also a lounge area to help facilitate job interviews, a function that guests were previously performing in the hotel lobby.<sup>92</sup>

## P2P TRANSPORT: LIFTSHARE AND TRUSTSEAL

In September 2016 Liftshare became the world's first car sharing company to be awarded the sharing economy TrustSeal. TrustSeal, the first kite mark for sharing economy companies was developed in the UK and. It is a set of good practice principles to set out minimum standards for sharing economy businesses to ensure that they act with integrity and maintain professional standards in order to convey a sense of trust and good standing in the market, with both providers and consumers of services.

Speaking in July 2016, Debbie Wosskow, then Chair of Sharing Economy UK (and CEO of LoveHomeSwap) explained *"we've developed the TrustSeal for the broad church of the sharing economy. "Our aim is for companies of all shapes and sizes from all kinds of sectors to embrace this kite mark as a symbol of high standards and best practice. We'd love for this to be something businesses are proud of and a sign consumers trust in. She also explained that the ultimate ambition was "to do with the TrustSeal in the sharing economy sector what the Fairtrade mark did for international fair trade standards."*<sup>93</sup>

The performance criteria, outlined by world-class business and sharing economy experts are assessed over 8 broad principles of good practice including:

1. Identity verification
2. Criminal and background checks
3. Education and employment history checks
4. Transparent communications
5. Customer help and support
6. Secure payments, clear pricing and refunds
7. Insurance and guarantees
8. Data protection

Platforms are invited to apply for the TrustSeal. Their application is then reviewed by PriceWaterhouseCoopers which then reports to the Sharing Economy UK TrustSeal Advisory Panel, established to grant the TrustSeal to businesses meeting its principles.<sup>94</sup> The committee will also have the power to remove it in cases of non-compliance. The TrustSeal was established by Sharing Economy UK in partnership with Oxford University and SAID Business School.

At the time of writing (October 2017), the following companies had been awarded the TrustSeal:<sup>95</sup>

First wave (awarded June 2016): GrubClub, LiftShare, MyShowcase, Under The Doormat,

Second wave (awarded May 2017): Airbnb, HiyaCar, StubHub, TrustedHousesitters

## QUICK CASE STUDY:

ParkFlyRentis a car sharing platform that, in combination with travellers, makes mobility more social, sustainable and affordable by using existing, idle cars. Through the service, which opened in 2017, travellers arriving at Amsterdam and Eindhoven airports can rent private or business fleet cars which would otherwise sit idle while their owners are away, or did not need them. Use of the service leads to car owners saving on airport parking costs, the rental company managing other owners' cars rather than buying its own, and a more sustainable use of vehicles left at airport car parks.

## FOOD & MEALS

### VIZEAT PARTNERS WITH TOURISM BOARDS

Meal-sharing platform VizEat has ongoing partnerships with the Paris Tourist Office, as well as France's overseas promotion agency Atout France and London & Partners. Co-founder and CEO of VizEat Jean-Michel Petit explained that this is to help tourism boards promote a more authentic and local view of destinations.<sup>96</sup> VizEat hosts have hosted journalists and bloggers invited by Atout France for press trips, and also join other tourism sector businesses on the country's stand at overseas trade fairs. Rather than a one-off joint marketing campaign, VizEat has joined these tourism boards as a member, and appears to be working on the basis of it being an on-going partnership. This marks an important step, in the sense that a very new P2P business has a formal agreement with a city tourism board, marking a tacit legitimisation of its activities while helping the cities to connect visiting journalists and bloggers with a more bespoke range of experiences.

### AIRBNB MOVES CONNECTS GUESTS WITH RESTAURANTS IN THE US

In September 2017 Airbnb announced a new partnership with the restaurant reservations service Resy. As part of this partnership, Airbnb guests can book nearly 650 restaurants in 16 US cities. The roll-out of this service is expected to expand to more cities in the coming months. Using the restaurants tab on Airbnb's website or app, users can search for restaurants based on cuisine, time of day or view a map to find a restaurant in a certain neighbourhood. Resy operates in a similar way to OpenTable and TheFork.<sup>97</sup>

**ITALY PROPOSES RULES ON THE 'HOME RESTAURANT'** As a reaction to concern among traditional established restaurants, a bill has been approved by the Italian parliament (pending approval by the Senate) on the discipline of the restaurant business in private houses. Bill Ddl. AC-2358 proposes that:

- Home restaurant activity is considered an occasional activity and, for this reason, it may not bill more than 5 thousand euro per year, nor serve a seating capacity of over 500 units per calendar year;
- It introduces the obligation to rely on dedicated digital platforms to interact with potential customers, and, above all, the mandatory payment through electronic systems to prevent tax evasion (phone reservations and cash payments are not allowed);
- A requirement that has caused much discussion is the mandatory online presentation of the SCIA, a declaration for starting commercial activity;

- In addition, a health certification (hygienic sanitary certification – HACCP) is required, as well as the stipulation of a home insurance that covers the risks connected with the activity;
- The “kitchen operators” must also meet the integrity requirements of Article 71 of Legislative Decree 59/2010 (the absence of criminal convictions for various offenses);
- Approved also the quibble ratified in the article 5: “the home restaurant business cannot be exercised in residential real estate unities in which tourists' accommodation activities in a non-business form or rental activities for periods of less than thirty days are exercised”; the article expresses the clear will to break the combo “social eating-Airbnb”.

While the bill has been lauded by some lawmakers in light of its ambition to clear up possible tax evasion among hosts, it has been criticised by supporters of the home restaurant movement as being too restrictive, particularly to newcomers and favouring the demands of the restaurant lobby.<sup>98</sup>

## QUICK CASE STUDY: DELIVEROO 'ROOBOXES'

By the end of 2017 food-delivery firm Deliveroo is expected to operate 30 sites with 'dark kitchens' around the world. The 'Rooboxes' or 'Deliveroo Editions' kitchens are set up in shipping containers located in car parks at strategic parts of the city and exist solely to supply the food delivery market. Five sites are currently in operation in London. They are operated by restaurants that want to expand their business, while saving on rent from more expensive high-street locations.<sup>99</sup> Concerns have already been raised about the 'dark kitchens' by local residents and authorities concerned about the noise associated with the activity, and restaurants bypassing planning regulations.<sup>100</sup>

## QUICK CASE STUDY: TOURS & ACTIVITIES

Established in 2013, Australian platform YouCamp allows land owners to offer their land for rental/use by campers. Offering 'adventures on private land', the platform has expanded to bring users access to single camp sites, cabins, outdoor activities, guided tours, farm produce, firewood and equipment hire. Australian start-ups [Unyoked](#) and [Shaky](#) both offer landowners to monetise unused land in rural Australia, while offering city residents the opportunity to stay in a small, attractive cabin in the wilderness. Cabins tend to be around 15-20m<sup>2</sup> and are equipped with bedding, a stove, bar fridge and a hot shower. composting WC, BBQ and a fan.

# THE COLLABORATIVE ECONOMY IN SCOTLAND: PENDING CHALLENGES AND OPPORTUNITIES FOR GROWTH

This report has been compiled at a time of rapid evolution for the collaborative economy, not just in Scotland but around the world. The collaborative economy is moving into a wider and wider range of economic sectors. It is driven by multiple, interconnected factors, such as the possibilities brought about by advances in technology, aggressive investment in and expansion of P2P platforms, and; the consumer motivations for using and providing the products and services that are connected by these platforms. It is in this context that we present the conclusions for this report.

This report has explored the growth of the collaborative economy in five sub-sectors of the tourism sector, the current situation for the major players in this space, as well as the extent to which the collaborative economy has made its presence felt in Scotland's tourism sector. It has considered the extent to which different collaborative economy have faced, and could face, tighter legislation, and looked at a series of case studies from around the world. It has taken evidence and opinion from a variety of Scottish tourism sector stakeholders through an online survey, a series of in-person interviews, and an industry event, the STA Autumn Conference on 3rd October 2017.

## Pending challenges

The online survey and interviews conducted for this report revealed that among Scotland's tourism sector, there are large variations in the level of awareness, understanding and acceptance of the collaborative economy. While companies such as Airbnb and Uber are becoming household names (they are also the platforms most regularly cited by the media in connection with the collaborative economy), there are gaps in understanding among established tourism sector businesses and destination authorities about:

- How distribution through collaborative economy platforms generally works
- The opportunities for growth in the field of food & meals, tours & activities
- The different models for participation that exist (B2B, B2C, P2P, C2B);
- How these models might be applied to, or might benefit their organisation

The online survey and interviews for this report revealed that acceptance of collaborative economy platforms as a legitimate means of providing products and services in the tourism sector varied from place to place, and business sector to sector. This was most keenly felt in more rural areas where the unintended consequences of short term private accommodation on the local economy were more obvious. In this case, both destination authorities and local businesses were more concerned about its impact and questioned its legality. More research is required to understand these concerns and which actions should be taken by public authorities to address these concerns and mitigate any adverse effects.

### Getting up to speed: improving understanding of the collaborative economy at all levels

- The research for this report demonstrated a widespread desire across the sub-sectors of the tourism sector, as well as government bodies and community organisations to understand better;
- Current market developments: major players, their modus operandi, models of collaboration (B2B, B2C, P2P etc.), and sectors with the greatest potential (NB: this is something that Scottish Enterprise and partners hope to address with the publication of this report);
- The extent to which individual businesses and organisations can and should engage with the collaborative economy (i.e. 'is it OK to do this?');
- How setting up collaborative economy networks might help public bodies to address specific policy issues;
- The legal implications and liability of those who offer products and services through collaborative economy platforms under existing regulations;
- The current regulatory environment regarding collaborative economy activities in Scotland, and how this may change in the future, and;
- How to adapt existing products and services to compete with those being provided through collaborative economy platforms

### The collaborative economy as 'a fact of life'

While both the destination marketing organisations in Edinburgh and Glasgow (plus Highland Council) had received complaints regarding aspects such as fair competition, they largely accepted the collaborative economy more as a 'fact of life', and even something which has the potential to make their destination more competitive by putting it on the global stage, diversifying the range of experiences available, and in doing so, diversifying the profile of visitors.

### Striking the right balance in destinations

Throughout the world, the largest collaborative economy platforms in the tourism sector have grown largely with little intervention (in favour of or against), on the part of public authorities. Nevertheless, they are usually asked to intervene when businesses or members of the public have a complaint about some form of collaborative economy activity. As short term accommodation rentals (STPAR) in particular have grown in recent years (Airbnb recorded a 104% year-on-year increase in guest arrivals in Scotland in from 2016-2017<sup>101</sup>), the local councils interviewed and surveyed for this report expressed concern about:

- The concentration of STPAR short term private accommodation rentals in specific locations (e.g. Edinburgh city centre)
- The impact on demand for council services caused by a higher concentration of STPAR in certain locations
- The effect of short term private accommodation rentals on the availability of affordable accommodation for longer-term rent, for both for long-term residents and seasonal workers (e.g. Inverness, Loch Ness, Skye)
- The lack of information about the number of properties which could be considered to have switched from domestic to commercial use
- The lack of information in general which might help to indicate the scale of STPAR

### Levelling the playing field

On the part of established accommodation businesses (hotels, guest houses, long-established holiday lets), reactions to STPAR included a mixture of acceptance (some viewed platforms such as Airbnb as 'just another route to market'), while a significant share raised concerns about:

- A perceived lack of compliance with existing regulations, either through lack of awareness or purposely in order to avoid higher business costs
- A perceived evasion of business tax rates among STPAR hosts using platforms such as Airbnb
- A perceived potential to harm the collective reputation of accommodation providers through failing to meet quality, health and safety standards

It must be noted here that only the accommodation (STPAR) and mobility sectors (short-distance ride sharing) were mentioned by any survey respondents as a cause of concern. No comment was made regarding the legality or otherwise of P2P meal sharing. With regard to tours and activities, one interviewee expressed concern about the potential for unlicensed adventure sports operators offering their services. Finally, on-demand domestic services are currently being provided in Scotland through agencies which operate in a very similar way to those managing standard long-term property rentals. If and when this sector develops in Scotland, further research will be required.

As this report has explained, there are a variety of policy tools that can and have been implemented to address the concerns of local residents and tourism businesses regarding the impact of STPAR and other collaborative economy activities.

### Opportunities for growth: How could the collaborative economy contribute to the Tourism Scotland 2020 Strategic Priorities?

In June 2012 the national tourism strategy Tourism Scotland 2020 put forward as comprehensive agenda for the Scottish tourism industry's ambition to grow visitor spend in Scotland by at least £1bn by 2020. At the end of 2015, a [Mid Term Review](#) of the strategy's direction was undertaken. The review, announced in 2016, placed a focus on four key priorities. These priorities would build on, support and accelerate existing activities underway within the sector.<sup>102</sup> They are:

1. **Strengthen industry leadership**
2. **Strengthen digital capabilities**
3. **Influence investment**
4. **Enhance the quality of the visitor experience**

In evaluating the contribution and potential future of the collaborative economy in Scottish Tourism, we evaluated these, as well as a more general series of aims for the Scottish tourism sector that were also set out in the online survey carried out for this report. The top five ways that our survey respondents felt the collaborative economy could contribute to the development of Scottish tourism were:

- Create new tourism products and experiences
- Turn Scotland's assets into authentic, value-added experiences
- Increase digital engagement with visitors
- Spread visitors beyond the most popular destinations
- Increase number of overnight stays in Scotland

The contributing factors highlighted above relate most strongly to priorities 2 and 4 from Tourism Scotland 2020, in that the collaborative economy is inherently digital in nature, as it functions through the use of online platforms. As we have explained in this report, the search for unique, authentic experiences beyond what is typically available from the tourism industry is a major reason why consumers are opting to use P2P platforms when planning their trips. Thus the collaborative economy could serve as a valuable tool to providing these experiences to visitors in Scotland, whether by 'established' tourism businesses, new start-ups or even individuals with a passion for sharing their own skills, knowledge or assets. The extent to which the Scottish tourism sector is well positioned to capitalise on the opportunities presented by the collaborative economy is outlined in Chapter 5.

## THE SHAPE OF THINGS TO COME: BUILDING SCENARIOS FOR THE FUTURE OF COLLABORATIVE ECONOMY GROWTH IN SCOTTISH TOURISM



In order to present our knowledge of the collaborative economy so far, the input received from Scottish tourism stakeholders and the internal/external growth factors in a format that will aid decision making, we have presented a range of scenarios for how the collaborative economy and Scottish tourism may shape up in the coming 5-10 years. Getting a clearer view of each scenario and choosing a preferred one can help policymakers and the Scottish tourism sector define their goals more clearly, as it helps them to work towards a common goal.

The following scenarios are based upon factors that enable or impede the growth of the collaborative economy (CE), and the extent to which it becomes more or less popular among users and providers.

### Scenario 1 - Collaborative Scotland (CE popular, boosted by positive environment)

- Growth of the collaborative economy in all its forms takes off
- P2P platforms used by large operators for distributing their inventory of rooms, meals, tours and rides, alongside smaller users, drawing customers to platforms
- A wide variety of P2P platforms are available to the established tourism sector in each sector, providing a competitive and innovative business environment
- Government signals that it is in favour of individuals, SMEs and larger businesses fully participating in the collaborative marketplace
- Scottish SMEs receive training in profile management and innovation in product development in order to expand and improve experiences in food and drink, tours and activities. Initiatives are set up beyond the popular urban destinations to boost understanding of the collaborative economy and how to enter the market
- Innovative services such as luggage collection and drop off, ridesharing for hikers and food trucks make the headlines
- Following product innovation and a growth in providers entering the market, Scotland is positioned as a dynamic tourism destination on collaborative economy platforms

- High quality mobile and broadband coverage are extended to all but the most remote areas
- Scottish Government updates regulations to reflect the scale and development of the collaborative economy and promote its expansion, however this risks protest from the incumbent tourism sector about a ‘free-for-all’
- Some smaller businesses fail to compete on product or digital engagement and fall further behind

**IMPACT ON THE VISITOR ECONOMY IN SCOTLAND:** Providing the authorities are able to measure the collaborative economy’s contribution to the visitor economy by officially recognising revenue generated through platforms, this scenario could give a significant boost to the Scotland’s visitor economy. It would enable individuals and SMEs to innovate, offering a range of products and services more in line with visitor demand and global trends (as identified by VisitScotland). It would also provide a way for those providers beyond the most popular destinations to enter the collaborative marketplace and become more visible.

#### Scenario 2 – Two-speed Scotland (CE less popular, government provides support in certain areas)

- Use of collaborative economy platforms continues to accelerate in Edinburgh, Glasgow and the larger towns with younger/student populations, however rural communities fall behind
- Traditional tourism businesses are forced to put their inventory on a handful of platforms or risk not being found. Smaller providers unable to compete with larger providers (e.g. on the size of inventory or price) or unable to afford the commissions charged by platforms drop out and close their business
- Scotland’s range of tourism experiences (accommodation, tours etc.) is widely visible on collaborative economy platforms, however it tends to only reflect what is provided by larger, established operators
- Some local authorities set up and run smaller platforms to address local transport/home help issues however their use is limited to local people only and therefore not accessible by tourists.
- Some sectors (e.g. food and drink) given a boost by signing formal partnership with a major meal sharing or food sales platform
- Mobile and internet coverage works well in city centres, boosted by free public Wi-Fi scheme. Rural areas catch up as and when Government’s broadband targets are achieved

**IMPACT ON THE VISITOR ECONOMY IN SCOTLAND:** This scenario would accentuate the effect of the most popular destinations providing the motor of the visitor economy, while other areas of the country lag behind. Since the market would be continue to be dominated by larger, more established companies (i.e. by putting their inventory on collaborative economy platforms), the visitor economy may only grow by the extent to which it is driven by the actions of these companies, as opposed to any significant growth among SMEs.

#### Scenario 3 – Sector by sector in Scotland

- Collaborative economy platforms continue at a moderate pace of growth in Scotland, with organic growth driven by consumer demand only
- Government makes ad-hoc intervention banning non-licensed operators from participating in some sectors, while allowing others
- The supply of products available in Scotland through collaborative economy platforms is highly concentrated in some areas (e.g. accommodation), but sparse in others (e.g. food and drink).

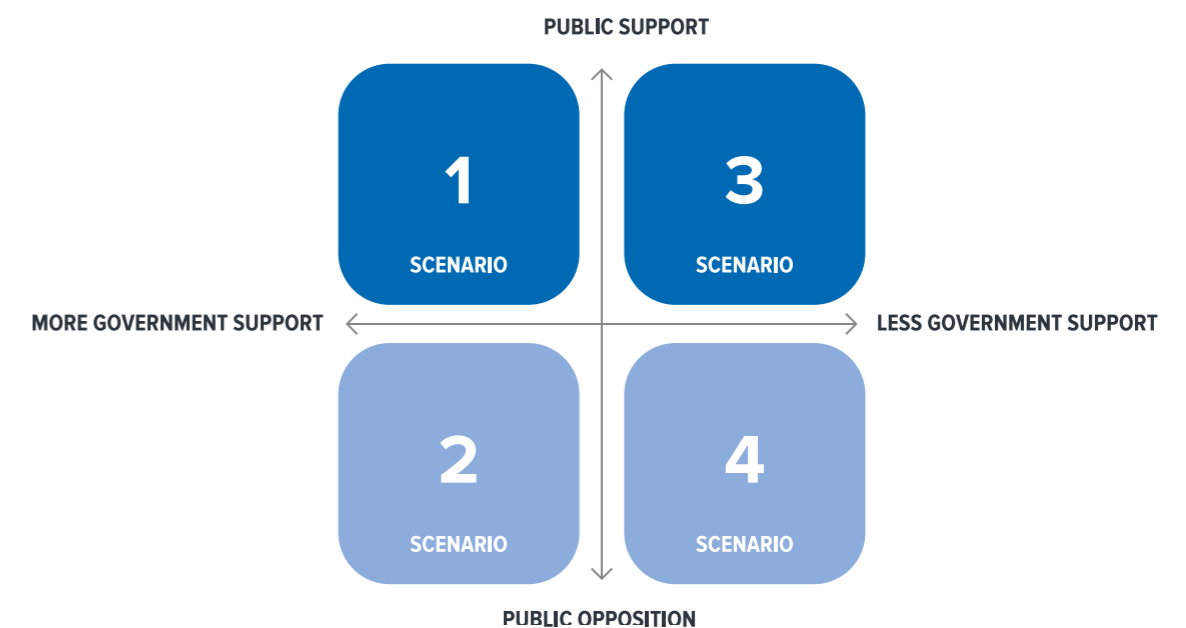
- UK Government creates special category of dependent contractor , clearing the way for increasing tax contributions from them
- Mobile coverage receives no further investment than the current level

**IMPACT ON THE VISITOR ECONOMY IN SCOTLAND:** This scenario assumes no significant growth in supply among Scottish providers in the collaborative economy. Certain providers might continue to run profitable businesses (e.g. serviced apartment rentals on the basis of high demand but a low supply of new residential properties entering the market), however overall the pace of growth would be no greater than the current pace. A blanket ban on some aspect of collaborative economy activity could cause a platform to pull out of Scotland, or for visitors to decide to look elsewhere for that particular product or service.

#### Scenario 4 – Sharp rise in opposition to the collaborative economy in Scotland

- Public opposition grows to collaborative economy services provided by non-licensed operators and by non-professional hosts. Public anger grows at the lack of affordable accommodation for residents in Edinburgh, linking this with the rise in STPAR
- High profile incident involving health and safety during a home stay or meal share reaches global media, as the host, provider, platform and local authority each shift the blame onto each other
- Government intervenes and applies the brakes in a high-profile clampdown on ‘non-official’ tourism services
- Some individuals and small businesses are put out of business by platforms raising commission and lowering prices
- Visitors find fewer and fewer options available when searching collaborative economy platforms for products and services in Scotland

**IMPACT ON THE VISITOR ECONOMY IN SCOTLAND:** We could assume that this scenario could lead to a negative impact on Scotland’s visitor economy, since it would reduce supply for products and services which are seeing a global increase in demand. It would also cut off a route to market for SMEs which are already using collaborative economy platforms to diversify their sales channels.



# LEARNING POINTS & KEY RECOMMENDATIONS



"The collaborative economy creates new opportunities for consumers and entrepreneurs. The [European] Commission considers that it can therefore make an important contribution to jobs and growth in the European Union, if encouraged and developed in a responsible manner. Driven by innovation, new business models have a significant potential to contribute to competitiveness and growth. The success of collaborative platforms are at times challenging for existing market operators and practices, but by enabling individual citizens to offer services, they also promote new employment opportunities, flexible working arrangements and new sources of income. For consumers, the collaborative economy can provide benefits through new services, an extended supply, and lower prices. It can also encourage more asset-sharing and more efficient use of resources, which can contribute to the EU's sustainability agenda and to the transition to the circular economy."

European Commission (2016)

A European agenda for the collaborative economy, 02-06-2016, p.2



ONLINE SURVEY

Results from an online survey of a range of stakeholders conducted for this report.

We asked:

Based on your organisation’s knowledge of the collaborative economy, which issues do you feel need to be addressed?

TOURISM INDUSTRY

Quality of the visitor experience  
Liability (i.e. insurance) of hosts/providers  
**Taxation**  
Unfair competition  
Protection of consumers  
Hosts’ rights and employment conditions

TOURISM INDUSTRY

Protection of consumers  
Quality of the visitor experience  
**Liability (i.e. insurance) of hosts/providers**  
**Taxation**  
Unfair competition  
Hosts’ rights and employment conditions

TOURISM SECTOR ASSOCIATIONS

Protection of consumers  
**Liability (i.e. insurance) of hosts/providers**  
Unfair competition  
Quality of the visitor experience  
Use of land and buildings (zoning)

GOVERNMENT AGENCIES, LOCAL AUTHORITIES  
& REGIONAL DESTINATION GROUPS

Taxation  
**Protection of Consumers**  
Quality of the visitor experience  
Liability (i.e. insurance) of hosts/providers  
Unfair competition

COMMUNITY ASSOCIATIONS

Liability (i.e. insurance) of hosts/providers  
**Taxation**  
Protection of consumers  
Quality of the visitor experience  
Unfair competition

What have we learned?

The conclusions drawn from the online survey conducted for this report, the personal interviews and the analysis of global trends and case studies show us that the collaborative economy is fast-growing and complex. As European Cities Marketing explains in their 2016 report, while it is easy for government authorities in tourism to see the collaborative economy as just a cluster of challenges, if managed effectively, destination authorities can turn the tables and make the most of what the collaborative economy offers; an opportunity to become more sustainable, leverage local assets to generate revenue and connect visitors with local people in a more authentic and natural way.<sup>103</sup>

The key here is in managing this process effectively. Sectors such as accommodation and mobility that have seen massive growth in recent years have also shown their ability to trigger consequences far beyond their traditional sphere. Today, ‘liveability’ and ‘localism’ are the star attractions in destinations, having become a major motivational factor for visitors to travel and discover a place. However the quest for helping visitors to ‘live like a local’ should not be at the expense of local residents’ quality of life. The phenomenon of ‘overtourism’ (overcrowding by visitors in one place at one time) is complex and growing in significance in destinations around Europe. By encouraging the growth of the collaborative economy, in tourism it is important not to cause more problems than it solves. With this in mind, we put forward the key recommendations for growing the collaborative economy in Scottish tourism.

## Key recommendations

### EDUCATION

Scottish Enterprise and its partners should consider how best to address the gaps in understanding across the tourism industry that relate to the collaborative economy, as set out in Chapter 8:

- Current market developments: major players, their modus operandi, models of collaboration (B2B, B2C, P2P etc.), and sectors with the greatest potential;
- The extent to which individual businesses and organisations can and should engage with the collaborative economy (i.e. 'is it OK to do this?');
- How setting up collaborative economy networks might help public bodies to address specific policy issues;
- The legal implications and liability of those who offer products and services through collaborative economy platforms under existing regulations;
- The current regulatory environment regarding collaborative economy activities in Scotland, and how this may change in the future, and;
- How to adapt existing products and services to compete with those being provided through collaborative economy platforms

Sharing this knowledge may take the form of a series of:

- Masterclasses, examining the collaborative economy sector-by-sector
- Seminars that coincide with major industry events such as travel fairs;
- A regional roadshow (particularly to reach SMEs who may not always have the budget to attend large events). In addition to working with the tourism sector, local council representatives whose work touches on regulatory aspects of the collaborative economy should also be encouraged to attend.

Additionally, programmes that focus on subjects such as how to do business online, how to handle and promote mobile bookings, how online distribution (OTAs) work, and general programmes to improve IT literacy should be continued or expanded. This could be done through the multi partner Digital Tourism Scotland (DTS) programme which currently engages with businesses throughout Scotland to provide online tutorials, face-to-face advice and local events to help put Scottish tourism businesses to compete effectively in the digital marketplace.

Such measures could help consolidate Scottish Enterprise's position as a knowledge and innovation hub for the collaborative economy in Scotland; a government agency which is well positioned to help educate, stimulate innovation and support the competitiveness of Scotland's economy.

## REGULATION

**Listen carefully:** Local authorities in Scotland should set up clear lines of communication to inform providers and platforms about the regulations that apply in their area. They should also ensure that they can handle complaints on aspects such as antisocial behaviour in an effective and timely manner.

*NB: The recommendations provided here are not intended to preclude any presented by the Scottish Expert Advisory Panel on the Collaborative Economy.*

Regulations are put in place to ensure fairness and protection for everyone, however, the collaborative economy has caused the digital world to clash with the physical world in unintended ways. **Therefore it is time to review specific areas of legislation that relate to collaborative economy activities in tourism, and where necessary, update them to ensure that visitors' consumer rights are adequately protected, that they find products and services of good quality, and that the quality of life of local residents is not adversely affected by these activities.**



**Monitor:** The first step to doing this in an intelligent way is to monitor the nature and scale of the collaborative economy across Scotland's many destinations; this may well involve working with platforms providing listings in Scotland in order to understand what type of activity is taking place, and, by contrasting this with a review of complaints received, detect where the problem areas or 'crunch points' really lie. Platforms such as Airbnb would normally expect to enter into some form of agreement in order for data sharing of this nature to take place. If changes to zoning legislation are foreseen, the Scottish Government could carry out a wide ranging review of local authorities and the complaints received in relation to STPAR or other aspects of collaborative economy activity.



*Factors to take into consideration when considering partnerships and policy initiatives on the sharing economy*

**Stay up to date:** It is not just Scottish destinations that face the public policy challenges presented by the collaborative economy. It is important to stay up to date with public policy moves in other destinations in the UK and overseas to evaluate their effectiveness and how they may be applied in Scotland.

**Clear up doubts:** Given the widespread desire for information on liability for providers and the general legality of collaborative economy activities, it is important to take steps now to provide clear information on what the law says on these matters (pending any policy update). Public bodies should work with collaborative economy platforms to ensure that providers (hosts, cooks, drivers) are given clear guidance on good practice on areas such as fire safety, food hygiene and vehicle maintenance, and that they keep these 'front of mind' for providers.

## INNOVATION

Given the ability of collaborative platforms to providing visitors with new, value-added experiences in a highly flexible and personalised manner, Scottish Enterprise should work with its partners to spur innovation in product development and experience design among Scottish tourism stakeholders and work to ensure that Scotland shows off what it does best on collaborative economy platforms that are popular with its visitors.

**Bring creative minds to the table:** Universities and start-up incubators are a good source of fresh ideas for tackling challenges that the market or local authorities cannot solve on their own. Examples of such challenges include how to move hikers' and bikers' luggage from place to place, how to offer improved refreshment and toilet facilities on popular routes such as the North Coast 500), or how to attract new profiles of visitor to Scotland's heritage sites and natural parks.

**Partner with a platform:** Working with a platform to help develop one particular sector (e.g. food and drink or tours and activities) could help to put Scotland on the map for and improve digital commerce literacy among providers in that sector at the same time. The case of 'the whole of Sweden on Airbnb' (see Chapter 4) provides an interesting example that could warrant further exploration, whether with Airbnb or another platform. Furthermore, it is important to bear in mind that collaborative economy networks may help to tackle pre-existing policy challenges relating to the local population (for example mobility for the elderly, as highlighted in the interview with Highlands and Islands Enterprise).

**Be guided by policy goals:** Ultimately, government authorities should consider the wider public policy goals in each situation and consider to what extent collaborative economy activities may promote those goals or detract from them. Such goals could be environmental, employment/economic, community development, innovation in service delivery or improving consumer choice. A range of tools are available, including financial incentives to promote collaboration, actively promoting it or even making government assets available for sharing.

# ANNEXE

## INTERVIEWS WITH KEY STAKEHOLDERS IN THE SCOTTISH TOURISM INDUSTRY

During October 2017 a total of ten interviews were carried out in-person and via telephone with key stakeholders in the Scottish Tourism Industry. They are summarised in this annexe.

### Interview with Fiona Campbell, Chief Executive, the Association of Scottish Self Caterers (ASSC)

Since 1978 the ASSC has represented the interests of owners of self-catering establishments in Scotland. However in recent years the Association's membership has grown substantially as a result of the large number of new entries to the self-catering market in the form of hosts offering self-catered accommodation through P2P platforms. Thus the ASSC includes hosts from both 'traditional' self-catered establishments and those offering their accommodation on a more informal basis through P2P platforms such as Airbnb. In comparison to similar associations elsewhere in Europe, this represents a progressive position, whereby both 'traditional' self-catered providers and recent entrants to the market through P2P platforms coexist within the same industry association.

During the interview Ms Campbell explained that the core objectives of the ASSC today are essentially twofold; firstly to advocate for the self-catered accommodation sector to government authorities, and secondly to establish and promote a set of standards (in the form of a Code of Practice) that provides a reference for all self-catered establishments in Scotland.

With regard to the first objective, the ASSC seeks to defend self-catered establishments of all types from becoming subject to further legislation. This role has become particularly relevant –in the view of the ASSC- due to the increased level of public debate surrounding the growth of P2P accommodation and political interest in placing restrictions on this growth. In the view of Ms. Campbell, there was a possible need for recent entrants to the sector (P2P hosts) to bring their health, safety and quality standards into line with existing providers (hence the Code of Practice applicable to all), but there was no need for further regulation.

With regard to the second objective, in 2014 Ms Campbell drafted a Code of Practice (available on the Association's website) and following consultation with ASSC members this was established as the Association's own, to be shared and adhered to among all members. In the view of the ASSC, a host's adherence to the Code of Practice should provide reassurance to all stakeholders: (local authorities, guests, neighbours) on the points addressed in the Code. Ms Campbell also expressed confidence in the review system used by platforms such as Airbnb that sub-standard properties would be filtered out by the market. The Code of Practice has been submitted to Edinburgh City Council (among others) to be considered for formal adoption, and Airbnb (soon to become an Associate/Business Partner of ASSC) has expressed an interest in publishing it on its own website for referral by Airbnb hosts in Edinburgh.

In the view of Ms Campbell, any problems that may arise from an increased in self-catered accommodation rentals such as nuisance from guests or a reduction in long-term housing for rent were either negligible or extremely localised. For this reason, any further legislation from the Scottish Government or local councils would be unnecessarily restrictive; however the ASSC would welcome increased enforcement of existing regulations.

For more information, please [visit www.assc.co.uk](http://www.assc.co.uk)

## Interview with Anna Miller, Head of Tourism, and Steven Dott, Senior Development Manager for Tourism, Highlands and Islands Enterprise

Highlands and Islands Enterprise is a government agency charged with promoting the Scottish Highlands and Islands as a place to live, work, study and invest.

The principle economic sectors in the Highlands and Islands are agriculture, fishing and tourism. Many communities in the Highlands and Islands of Scotland are remote, a situation which has required them to be self-sufficient and develop a collaborative spirit between neighbours. In this way, a spirit of collaboration has always existed in the Highlands, something which could potentially form a good basis for a more formal engagement with the collaborative economy, if it is done in the right way.

While routes such as the North Coast 500 have brought an increased number of visitors and expenditure to the region, this has also highlighted the deficiencies in public and tourism infrastructure in the area. During this interview, and a subsequent follow-up interview, Highlands and Islands Enterprise representatives noted the following challenges in the tourism industry:

- **Accommodation:** A shortage of accommodation particularly in peak season. There is also a large variation in the quality of accommodation provided
- **Route infrastructure:** A lack of suitable toilet and refreshment stops in remote areas. In some places public toilets remain in place, but have stayed locked up due to cuts in local council funding for maintaining them. NB: these are problems which affect tourist and local people alike, particularly in light of the region's increasingly ageing population
- **Mobility:** Public transport coverage is patchy and visitors (e.g. hikers and cyclists) cannot always rely on it matching their plans. Many walkers and cyclists would also benefit from being able to move their luggage from place to place more easily or cheaply, i.e. those who didn't already have such an arrangement through a formal tour operator
- **Seasonal nature of work:** Many jobs in tourism and agriculture are seasonal (though it was noted that in some places this may prove to be complimentary)

With regard to the collaborative economy's role in the Highlands' tourism industry, the group saw a lot of potential for it addressing the issues listed above for local people and visitors alike. Given the flexible nature of work and the collaborative spirit already present in many Highland communities, there was good potential for it working well. However the group agreed that the first step would surely be to improve awareness about the collaborative economy, how it works and the type of P2P platforms that might serve the area well. There is also a need to improve IT literacy and ensure that any development of the collaborative economy in the region is done with sustainability among fragile communities in mind.

For more information, please visit [www.hie.co.uk](http://www.hie.co.uk)

## Interview with Jim Galloway, Head of Enterprise and Innovation, Edinburgh City Council (ECC)

Edinburgh is home to one of the most diverse and dynamic business environments in the UK, and it is the task of Edinburgh City Council to stimulate this through a range of teams and programmes; working with businesses of all sizes to ensure that the economic benefits of this activity are shared throughout the city. There is a deep understanding at institutional level that the city's status as a political, entrepreneurial and cultural hub helps to serve a very buoyant tourism industry.

To what extent is ECC engaging with the collaborative economy? Aside from an awareness of the collaborative economy's increasing role in the city's tourism industry, an initiative was launched in 2017 to make ECC a 'Cooperative Council', whereby the council would seek to find cooperative solutions to policy challenges. This has been enacted in part through community empowerment regulations, giving local people better access to council assets (such as public buildings, community spaces) that were going unused. Other initiatives taken by or supported by the council include:

- **Contracting CGI as the Council's IT provider**, enabling small and medium sized enterprises (SMEs) to supply IT products and services to the council
- **Open Innovation Programme:** a network of SMEs to carry out problem-solving for the city's larger corporations
- **Supporting Interspace:** an online directory to allow individuals and organisations to advertise and book spaces for private parties, rehearsals, workshop space etc.
- **Supporting Creative Edinburgh** (established by Scottish Enterprise), a collaborative platform with more than 4,000 members, set up to sustain the creative industries and allow for easier P2P exchange of services and creative talent throughout the city

With regard to the collaborative economy and the tourism industry, Mr Galloway noted that due to the scale and duration of the Edinburgh Festival, the city was used to a large number of people using public and private spaces (houses, pubs, living rooms) as accommodation and performance venues.

Nevertheless, there is an increasing disquiet among ECC elected members and council officers about the volume of accommodation in Edinburgh being used for short term private accommodation rentals during the year. Anecdotally, concerns surrounded its effect on the availability of long term accommodation for rent, as well as its concentration in certain historic parts of the city. He noted that the Council's Committee report proved inconclusive about these issues, and that more research and monitoring are required before ECC can form an official opinion on the situation. With regard to the new tourism business improvement district being formed in the city centre, Mr Galloway noted that the organisation had decided to exclude private self-catered accommodation (i.e. owners who pay domestic council tax rates, rather than business rates) from participating in the scheme.

For further information: [www.edinburgh.gov.uk](http://www.edinburgh.gov.uk)

## Interview with John Donnelly, CEO, Marketing Edinburgh

Marketing Edinburgh is the organisation dedicated to promoting Edinburgh to the world, promoting and championing Scotland's capital city locally, nationally and internationally. To date, the most visible aspect of the collaborative economy in the tourism industry has been that of short term private accommodation rentals (STPAR), which have risen greatly in number in recent years due to increased use of P2P platforms. In the view of Mr Donnelly, these platforms have largely had a positive effect on the city's tourism industry, increasing the availability of accommodation in a city with high demand and high hotel occupancy, 'democratising' the supply of visitor accommodation, and attracting new profiles of visitor who might not otherwise have considered visiting. Furthermore, the high demand for accommodation caused annually by the Edinburgh Festival has created a culture of accommodation rentals in the city so this type of accommodation is nothing new for the city.

Aside from accommodation, P2P meals, tours and activities have not yet sparked much public debate or become a cause for concern for Marketing Edinburgh. In terms of tours, Mr Donnelly observed that Edinburgh already has one of the UK's most diverse ranges of themed walking tours with official guides, something which may possibly temper demand for guides contracted through P2P platforms. It is possible that Marketing Edinburgh may wish, in the future to partner with a P2P platform of some type, however such an arrangement would have to clearly serve the objectives of Marketing Edinburgh in terms of target audience, or tackling issues such as seasonality.

With regard to regulation Mr Donnelly noted that the study commissioned by Edinburgh City Council has proved inconclusive, and that more research on the effects of STPAR would have to be carried out. There was a need to ensure that it stayed within fair limits, especially with regard to hosts that rented multiple properties. He also welcomed an informed debate about the creation of a city bed/tourism tax which would help raise revenues for the city's tourism marketing and management.

For more information, please [visit: www.edinburgh.org](http://www.edinburgh.org)

## Interview with Kathleen Brogan, Managing Director, Mercat Tours

Established in 1985, Mercat Tours offers guided history walks and ghost tours in Edinburgh. The company also offers through its international division, overseas historic tours for adults and school pupils. In addition to being Managing Director of Mercat Tours, Ms Brogan is a board member of the Association of Scottish Visitor Attractions.

In terms of the way that Mercat Tours operates, tours are sold through online travel agents, however this is not the most important distribution channel (the company's own website, social media accounts, brochures and word of mouth combined being more significant in terms of sales).

Ms Brogan noted how during the last 10 years, the market for tours in Edinburgh had diversified considerably (visitor numbers have also increased). While five to six large operators still continue to do business, a larger number of smaller operators had also entered the market, likely aided by the opportunities afforded by online distribution (some OTAs, others possibly platforms that linked visitors to peers/non-professional guides). Another noticeable trend has been the growth of 'free' tours, where the a tour is given for free, and participants tip the guide as they wish. The growth of those tours can be attributed to word of mouth, social media, leaflets and local partners, rather than online booking.

Given the importance of good online customer reviews to ensuring the success of the business, Ms Brogan explained the company's consistent and relentless approach towards ensuring the quality of its tours. While there is no official permit system for guides in the UK, the company trains its guides to a high standard on a course that has been externally accredited by Napier University and qualified at SQF Level 10, Post Graduate which affords all staff trained by the company a formal qualification. This assures quality for the visitor through robust external assessment of the company's standards as well as a formal qualification for staff. The company also has public liability insurance and ensures that guides are trained in first aid. She also described how the use of buses for tours requires another level of liability insurance and training that would make it difficult for an amateur organisation to enter the market with ease.

In the view of Ms Brogan, companies offering tours in Scotland could best be helped to ensure that their services met or exceeded all the relevant health and safety standards, and that tours were of good quality.

For more information, please [visit www.mercattours.com](http://www.mercattours.com)

## Interview with Kimberly Hurd, CEO, Tabl.com

Tabl is an online platform, based in London, which hosts a community of independent producers, hosts, chefs, and home cooks around the UK. The aim of Tabl is to connect food lovers with new experiences and offer independent producers a means to innovate and diversify their business. Among the activities that Tabl coordinates are private dining experiences, usually hosted in a specific public venue or small restaurant as part of a cooking class or corporate event (and less often, in a private home). A small number of hosts and producers on Tabl's platform are based in Scotland, and the platform has advertised food-based events in Scottish cities.

Tabl could be considered part of the collaborative economy in that it connects amateur (budding) cooks, professional chefs and hosts and venue owners for food-based experiences. The platform is not aimed directly at travellers per se, however, people may travel in order to attend a group event via Tabl. Given that the platform also hosts chefs and food producers, it also pitches the enjoyment of food as an everyday experience, as opposed to something exclusive to be enjoyed while travelling. When selling food events or private dining experiences, Tabl operates as an intermediary, collecting payment from all participants on behalf of the host, from which it takes a small fee to cover the transaction cost. In the view of Ms Hurd, setting up and running the type of large food events of the type organised through Tabl require (e.g. wine tasting for 20 people, or a dinner for 50 people) require a level of experience and resources (venue, professional kitchen) that would make it difficult for someone with an entirely amateur background to enter the market with ease. For the company's part, when newcomers wish to list on the platform, the company's aim is to provide them with guidance on event management, marketing and running their site profile so that they can operate successfully by themselves with limited intervention from Tabl staff.

With regard to competition with established restaurants and the question of regulation, Ms Hurd reported that she had experienced no opposition from restaurant owners, who instead viewed the platform as another marketing/sales channel, particularly for attracting groups or filling spare capacity. Ms Hurd also described how, in her view, platforms such as Tabl were triggering innovation in the established restaurant sector by enabling them to diversify the experiences that they offer such as hosting food tasting sessions, kitchen tours or cooking classes.

In terms of the type of action required on behalf of government agencies in Scotland, Ms Hurd explained that platforms such as hers should be promoted towards visitors as a means of experiencing the destination, since food is becoming an integral part of enjoying the destination for an increasing number of travellers. Furthermore, she argued that where possible, support should be given to smaller platforms whose ethics and product proposition may make them a valuable partner in the longer term.

For more information, please [visit www.tabl.com](http://www.tabl.com)

## Interview with Peter Syme, Director, Rafting.co.uk

Rafting.co.uk is the online portal for Splash White Water Rafting Scotland, one of the UK's oldest expert outdoor adventure activity providers. The company is based in Aberfeldy in Perthshire and at Pinkston water sports centre in Glasgow city centre. As well as white water rafting, the company offers other adventure activities including river bugs, duckies, stand up paddle boarding, climbing and abseiling.

The company's activities are offered through its own staff and a network of local providers, some of whom offer their own activities on a direct B2C basis. Approximately 75% of sales are direct (e.g. through the company's website or by phone) while around 25% are sold through travel trade resellers, which may include online travel agents such as Vayable, or TripAdvisor.

Mr Syme explained how, in comparison to private houses rented on home sharing platforms, or meals cooked in private homes, activities of the type offered by his company require significant investment in equipment and facilities, staff training and insurance, among other expenses. Compliance with health and safety legislation takes considerable time and expense, so it is not easy for smaller, amateur operators to enter the market with ease. That said, Mr Syme said that he was aware of unlicensed/amateur adventure sports operators touting their services in parts of Scotland with high concentrations of visitors. With regard to platforms that allowed visitors to connect directly with such operators, there is a risk that unlicensed operators selling tours through these platforms may be unaware of their liability towards the customer until an accident occurred.

Mr Syme's main concerns mainly surrounded the general shift in the market for tours and activities towards distribution via large online travel agents (OTAs), in a similar way to that which has been seen in the accommodation sector. In his view, the modus operandi of large platforms has been to expand their listings rapidly, offering the prospect of worldwide distribution, but at a cost of taking a high commission rate and even placing adverts for competitors (or the eventual local provider) in order to induce higher payments to improve the listing position.

More work is needed, in Mr Syme's view, to help improve understanding among SMEs in the tours and activities sector about the implications of listing on OTAs, and how to ensure that visitor spending on such activities is retained among the network of local providers, as opposed to that spending being retained by large platforms that are based overseas. Thus greater collaboration is needed in the local tourism sector as a whole to ensure that visitors are made aware of the tours and activities options available, without necessarily having to book via a large OTA.

For more information, please visit [www.rafting.co.uk](http://www.rafting.co.uk)

## **Interview with Stuart Black, Director of Development and Infrastructure, and Colin Simpson, Principal Tourism & Film Officer, Highland Council**

Based in Inverness, Highland Council provides local authority services for Highland, the largest local government area in the United Kingdom. As the Council noted in its submission to the Expert Advisory Panel on the Collaborative economy in June 2017, tourism is the largest industry in Highland being worth around £1.2bn in 2016 and supporting around 24,000 jobs, many of these being self-employed.

Both Mr Black and Mr Simpson noted that in the view of the Council, the experience of seeing collaborative economy platforms such as Airbnb expand their presence in the Scottish Highlands had generally been positive. This was due to the fact that such platforms had increased accommodation capacity, particularly in peak season, and were likely to have attracted younger visitors to the area.

At the same time, both had heard anecdotal evidence from residents and businesses in popular locations such as Inverness and Skye that the shift of properties from long-term rental to short term holiday rental had had the effect of removing long-term rental supply for local people. This caused a knock-on effect, particularly for seasonal tourism businesses that were required to increase wages to their temporary staff, as reduced supply had driven up rental prices.

Beyond accommodation, Highland Council has, as yet received few comments or complaints regarding other types of activity provided through collaborative economy platforms such as meals and tours. However with regard to transport, Mr Black highlighted the Highlands and Islands Transport Partnership (HITRANS). Among the Partnership's various programmes was the improvement of mobility options between remote communities, including better timetabling, smart ticketing and ridesharing, which will be developed in the coming years with the aid of European Regional Development Funds. HITRANS has also been supporting the development of Car Clubs around the Highlands and Islands. Clubs already operate in Inverness (2), Findhorn, Forres, Mallaig and Arisaig the formation of new clubs is being encouraged in towns such as Nairn, Kinloss, Elgin, Oban, Fort William, Thurso, Wick, Stornoway and Kirkwall.

For more information, please visit: [www.highland.gov.uk](http://www.highland.gov.uk)

## **Interview with: Susan Deighan, Director of City Marketing & External Relations, Glasgow Life Tom Rice, Director of Marketing Communications, Glasgow Life**

Glasgow Life is a charity that delivers cultural, sporting and learning activities on behalf of Glasgow City Council. These activities include arts, music, sports, events and festivals, libraries, community development and learning programmes. In the context of tourism, the organisation acts as the city's destination marketing and management organisation.

Glasgow City Council has taken an interest in the effect of collaborative economy platforms on city life, in both positive and negative ways. As a result, it was keen for Glasgow Life to submit evidence to the Expert Panel on the Collaborative Economy.

Overall, the concept of the collaborative economy and the way in which it brings people together sit well with the city's tradition of cooperative movements, and the welcoming spirit of residents towards visitors. Furthermore, a greater presence by Glaswegian businesses and individuals offering services through collaborative economy platforms is seen as a good thing, since it helps to raise the city's profile to potential visitors, and give the city greater exposure in a competitive market.

The potential of accommodation platforms (and other types) to disperse visitors beyond the city centre as a means of encouraging them to understand the city better is also generally seen as positive. However, in light of the efforts of Glasgow City Council and local businesses to ensure a dynamic, prosperous city centre, there is also nervousness about the effect of dispersal in the longer term. Nevertheless, the increased accommodation capacity that Airbnb (and similar platforms) would bring, would help the city to fulfil its growth ambitions, as the existing hotel supply is not fully adequate for this (occupancy in the city is generally seen as been quite buoyant). Glasgow Life has, in the past had conversations with Airbnb about potential forms of collaboration however no formal projects have been put in place yet. Glasgow life would like to take a progressive stance on the collaborative economy, and work with any platform, as long as it is in the interests of the city and its people to do so.

In terms of concerns about the expansion of collaborative economy platforms, Ms Deighan and Mr Rice described these as being broadly similar to other cities; a wish to avoid rentals that would cause a nuisance to local people ('party flats'), and ensure that regulations regarding health and safety and taxation are brought up to date, to ensure clarity for all stakeholders. For this reason, Glasgow Life and Glasgow City Council are keen to learn from other cities and will follow rulings by the Scottish Government on this issue closely in the coming months.

For more information, please visit [www.glasgowlife.org.uk](http://www.glasgowlife.org.uk)

## Interview with Riddell Graham, Head of Partnerships, VisitScotland

VisitScotland is the national tourism organisation for Scotland. The organisation's main aim is to contribute significantly to the advancement of Scottish tourism by giving it a real presence in the global marketplace and benefiting the whole of Scotland.

Overall, Mr Graham expressed concern not so much about the growth of the collaborative economy but rather the Scottish tourism industry's ability to keep up with change and compete in the same environment.

Since VisitScotland is largely concerned with monitoring consumer trends and helping to shape the country's tourism marketing and product development accordingly, Mr Graham explained a large, and rather worrying disconnect between what the 'disruptors' are offering (global distribution, easy booking online, attractive product), and what more traditional players are offering, especially when it comes to ease of booking (a high share of traditional accommodation listings on the VisitScotland website are NOT bookable online - yet by nature, every listing on a collaborative economy platform is, so there is still a long way to catch up. There is also much to be learned, in Mr Graham's view about the attractive presentation style used by sites such as Airbnb.

Thus far VisitScotland's with other sectors of the collaborative economy such as food & meals, tours and activities has been quite limited, and that more action was needed to engage with them. Firstly there is a need to understand more about how it works, and how to bring together a very wide range of small operators. This has been a challenge so far, especially because so many of the activity operators are rural, less digitally aware and lack the time and knowledge to expand their business in this regard.

In terms of future partnerships with platforms, it would be important to be fair, (not favouring just one platform) and the main aim would not to replicate something that's already there.

Finally, Mr Graham expressed his view that the whole of the Scottish tourism sector should be embracing the collaborative economy more fully, expanding its potential to more sectors. It was the job of VisitScotland to be brave, show leadership and demonstrate that their actions were for the right reasons. We need to be braver and embrace the opportunity.

For more information, please [visit www.visitscotland.org](http://www.visitscotland.org)

## REFERENCES

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<sup>2</sup> See section ‘Defining the collaborative economy’ for further information

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