THE COLLABORATIVE ECONOMY AND SCOTTISH TOURISM

EXECUTIVE SUMMARY

THE SCOTTISH TOURISM ALLIANCE
LEADING ON INDUSTRY MATTERS

Scottish Government
Riaghaltas na h-Alba
gov.scot

BACKGROUND & INTRODUCTION

Few sectors have seen such rapid development in the collaborative economy as the tourism sector. The collaborative economy movement has accelerated the digitalisation of the travel and tourism industry and has allowed individual hosts, drivers, tour guides and home-cooks to compete in the same marketplace as multinational corporations that have existed for many decades. Furthermore, the various platforms and business models which have emerged (P2P, B2B, B2C, C2B) often bypass established businesses which have operated for many decades.

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. This provided the motivation for Scottish Enterprise to find out how the Scottish tourism sector can seize the opportunities that the collaborative economy could bring, while gaining a better understanding of any negative effects by taking a smart approach to forming regulations.


The Collaborative Economy today (Source: Owyang, J., 2016[1])

The Collaborative Economy and Scottish Tourism explores the growth of the collaborative economy in in Scotland's tourism sector, the current situation for the major players in each sub-sector, and how much the collaborative economy has made its presence felt in Scotland's tourism sector. It considers the extent to which different sectors in the collaborative economy have faced, and could face, tighter legislation, and includes a series of case studies from around the world. In addition to conducting a wide-ranging review of contemporary literature on the collaborative economy, the researchers use evidence and opinion from a variety of Scottish tourism sector stakeholders collected via an online survey, a series of in-person interviews, and an industry event, the **Scottish Tourism Alliance** Autumn Conference on 3rd October 2017.

This report is the result of cooperation between Scottish Enterprise, the Scottish Tourism Alliance and the Scottish Government, and was prepared by TOPOSOPHY Ltd. We would like to express our sincere thanks to all who contributed their time and insights to this study.

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

What's behind the rise of the collaborative economy in tourism?
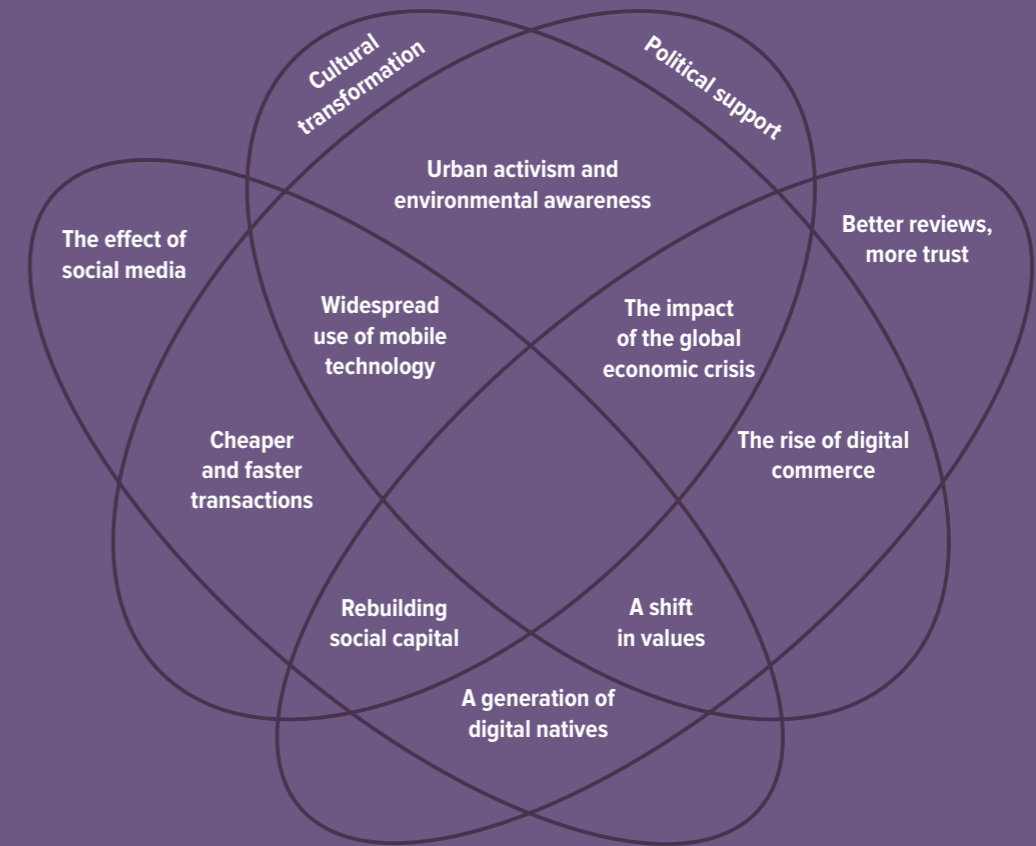
35% of Scottish adults have used a collaborative economy platform. **Over half** of Scottish adults who've used a collaborative economy platform are aged 18-34. **21%** of collaborative economy users in Scotland have used an online home-sharing service[2]. **52%** of adult EU citizens are aware of the services of the collaborative platforms, **32%** have provided a service through a collaborative economy platform at least once[3]. **Millennials are leading:** adult EU citizens **aged 25-39** are the **most likely** age group to use the collaborative economy, however the profile of **users** and **providers** is becoming **more diverse every day.**

AIRBNB IN SCOTLAND

- **21,000 active listings in Scotland[4]**
- **12,600 hosts who hosted from 1st March 2016-1st March 2017, hosting 802,000 inbound guests**
- **£68 million total income earned by host community**
- **2.8 nights average length of stay per guest**
- **58% of listings for entire home, 41% for private room, and 1% for shared room**
- **Average host age in Scotland: 44 years, 64% female, 36% male[5]**
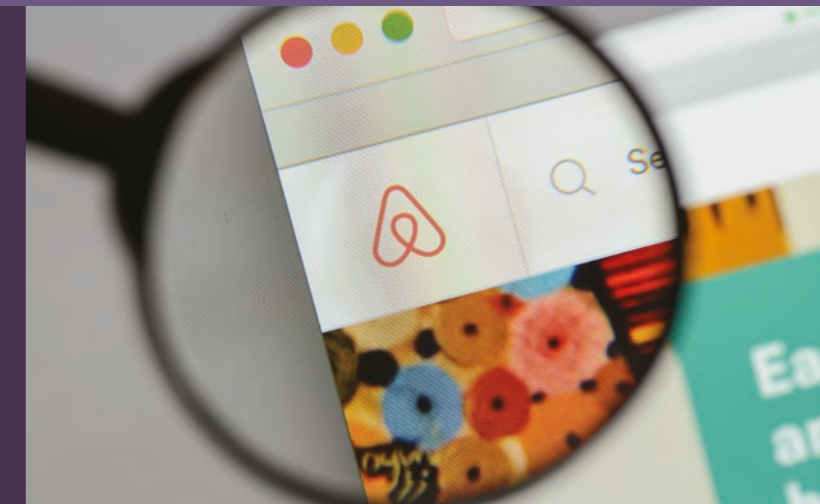
[2]Scottish Government (2017), Paper 3: Consumer experiences and views: Results from a Scottish Government survey on the collaborative economy, April 2017, p.2
[3]European Commission (2016), Flash Barometer 438: The use of collaborative platforms, p.3
[4]Airbnb (2017), UK Insights Report, based on data from 1st July 2016- 1st July 2017
[5]Airbnb (2017), Overview of the Airbnb Community in Scotland, based on data from 1st March 2016-1st March 2017

The collaborative economy in Scotland

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. Meanwhile, new start-ups are competing with well-known brands to harness the powerful combination of smartphone technology and big data to offer new services to travellers. This report looked at five tourism-related sectors with a view to finding out to what extent they have developed in Scotland:

ACCOMMODATION

Accommodation is one of the most visible and dynamic sectors within the collaborative economy today. The rapid expansion of Airbnb and other popular platforms has popularised the notion of owners renting the whole or part of their primary or secondary residence. It has also brought the concept of holiday rentals firmly into towns and cities. It has also spurred investment in professionally-managed properties for short-term rental and has driven the growth of on-demand domestic services such as cleaning and key exchange. The biggest P2P accommodation platforms with listings in Scotland include Airbnb, Couchsurfing, Flipkey, Homeaway, Housetrip and Wimdu.

P2P TRANSPORT

In counties such as Germany, France and Spain, city-to-city ride sharing has been popular for more than a decade. However smartphone-based ride sharing apps have helped to popularise this movement in the UK. In order to stay within the law, drivers may only collect a contribution towards the cost of petrol, insurance and wear-and-tear, rather than making a profit from the ride. The main long-distance ride sharing platforms with listings in Scotland are BlaBlaCar and Liftshare. Currently the vast majority of rides offered in Scotland are concentrated on commuter routes between large cities.

FOOD & MEALS

'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. This market is still relatively undeveloped in Scotland; currently the only major meal sharing platform to host private dining experiences in Scotland is VizEat.

TOURS & ACTIVITIES

The degree to which tours and activities operators in Scotland are engaging with online platforms of any time (OTAs and collaborative economy platforms) depends largely on their size and type of tour/activity offered. Currently, the only platform which is most aligned with the collaborative economy in this sector in Scotland is Vayable, a relatively small platform in a global context. Its listings in Scotland include several Highland excursions, daytrips and moviethemed tours.

ON-DEMAND DOMESTIC SERVICE

The demand for short-term private accommodation rentals in large cities has created a spin-off industry for cleaning and servicing properties. In most locations in Scotland this is currently done through agencies (e.g. Airsorted, BNBbuddy, BNBhost.co.uk and Passthekeys). Platforms offering on-demand cleaning such as Handy or Helpling are, as yet not operating in Scotland.

> " *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.*
> – Ali Clabburn, Liftshare.com "

Can the collaborative economy help Scotland fulfil its growth targets for the visitor economy and align itself with consumer demand?

On a global level, collaborative economy platforms also appear to be well aligned with those trends shaping Scottish tourism which include: an increased interest among Millennials; consumers' desire for authentic 'micro' experiences; an increase in fluid itinerary travel), and; the digitalisation of consumers' lives, allowing them to plan and book their journey more easily with a smartphone. Furthermore 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. So, to what extent is this happening today in Scotland?

WE FOUND 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. Furthermore, some platforms dominate and have seen runaway success, while others are relatively un-developed in Scotland compared to competitor destinations

- **Some sectors such as food and meals or 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

- **Hosts/drivers/providers/cooks/tour guides in Scotland who are offering services through collaborative economy platforms in return for payment might not be captured in official measurements of tourism activity,** so any growth in the collaborative economy in Scotland's tourism sector might not be reflected in official statistics

WHAT DOES THE SCOTTISH TOURISM SECTOR THINK?

The online survey and interviews for this report revealed that there are gaps in understanding among established tourism sector businesses and destination authorities in Scotland. They would like to understand better:

- 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 (e.g. B2B, B2C, P2P, C2B), and; how these models might be applied to their organisation
- Liability and 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 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

LEVELLING THE PLAYING FIELD: The survey and interviews also revealed concerns about existing regulations, how they are applied and the effect of short term private accommodation rentals on community life, both in cities and in rural areas

HOW COULD THE COLLABORATIVE ECONOMY SHAPE UP IN SCOTLAND? Four scenarios, presented on p. 77 of the full report describe how the collaborative economy could develop in Scotland, subject to a range of internal and external factors.

ENSURING A LEVEL PLAYING FIELD: THE COLLABORATIVE ECONOMY & REGULATION

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 AND 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 AND 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?

Learning points and 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 (see previous page). This could be done through:

- Masterclasses, examining the collaborative economy sector-by-sector;
- Seminars that coincide with major industry events such as travel fairs;
- A regional roadshow (i.e., to reach SMEs who may not always have the budget to attend large events). NB: Local council representatives whose work touches on regulatory aspects of the collaborative economy should also be encouraged to attend
- Extending programmes such as those offered by Digital Tourism Scotland 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

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.

UPDATE AND REGULATE: The Scottish Government should 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.

EVALUATE: Working with platforms, monitor the nature and scale of the collaborative economy across Scotland's many destinations. Partnerships with platforms should always be set up with the government's long-term policy goals in mind

CLEAR UP DOUBTS: Public bodies should work with collaborative economy platforms to ensure that providers (hosts, cooks, drivers) are given clear guidance the law, and best practice in areas such as fire safety, food hygiene and vehicle maintenance

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.

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.

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.

THIS REPORT IS PUBLISHED IN COLLABORATION WITH:

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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