

# The Sharing Economy and How It Affects the Conditions of Consumption and Competition in the Tourism Industry: The Case of Airbnb in Greece



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**Abstract** The purpose of this study is to investigate the issue of new participatory economy online companies and how these affect the conditions of consumption and competition in the tourism sector. The main trigger for this research was the fact that in Greece there have been several studies on the subject, while there are no participatory economies with the success of international efforts. The paper has made a literature review on the possible effects of the sharing economy in the tourist industry, with a focus in the hotel industry, based on the literature review which has derived during the past 6 years by using relevant keywords, such as “airbnb and Greece”. The contribution of the paper is that it makes an investigation of the effect of airbnb in the Greek hotel industry’s consumption and competition based on the existing literature; therefore to make a critical analysis of the existing literature. It is a fact that sharing economies, and in particular Airbnb, have entered a very sudden

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way into the business process, with the result that there are no required regulatory safeguards to ensure fair competition on the market and consumer protection. However, it is necessary to set as a basic proposal of this study the further regulation of Airbnb transactions in the field of taxation, consumer protection and competition. It is certain that these companies offer very competitive services from an economic point of view, but it is also necessary for consumers to weigh all the benefits of doing so and to be particularly careful in choosing their place of stay.

**Keywords** Airbnb · Debate · Tourist marketing · Greece · Disadvantages · Benefits

## 1 Introduction

The continuous changes in the business setting in recent years are due largely to the rapid development of technology that is now an integral part of human life. Together with the technological development, not only the processes followed by the business sector, but also the way in which businesses operate. In particular, the internet, and its widespread use by almost all social structures, has brought about significant changes in the way human activities work.

The modern economy has to cope with the constant changes in political decisions, terrorism and other important events, while the corrupt—if any—state has imposed on citizens a new thinking that is intended for a more “autonomous” entrepreneurship that has as its core value the notion of participation. Clearly, in the above exercise, technology is helping this new economy, sharing economy, which is an economic model that has mystified and commercialized the ideas of co-operation and redistribution of assets under exploitation. In order to clarify the above conceptual approach, it should be noted that one of the basic principles of a participatory economy is participative decision-making on the production, consumption and distribution of resources. That is, participatory economics is primarily aimed at self-management while promoting equality and solidarity [1].

The plethora of tourism interests has highlighted new areas, new values and orientations, stimulating new alternative forms of tourism, as well as Airbnb. That is to say, having the tourist the possibility of staying alone or together with the owner in an intimate, is a habit of hospitality that did not exist in previous years. The way of stay is changing, hotels are no longer the absolute choice and tourists choose to stay in homes that they rent. The above condition may sound simple, but it is particularly complex if you look at the tourist preferences of consumers in previous years and the different circumstances that apply today even in the place where tourists will stay. However, we should not forget to mention the fact that the development and diversification of the tourism phenomenon has created the need for an organizational and legislative framework that includes all activities related to it [2]. These regulations, in the case of Airbnb, have been designed and implemented by the company itself to ensure confidence, elimination of risk and transparency. Besides, for the

proper functioning of any organized function, especially when there is a great deal of people involved, it is necessary to have appropriate organizational and legislative arrangements that will be able to contribute to the protection of the interests of all parties [3].

The main objective of this study is to investigate the factors that affect the consumption and competition of participatory economy enterprises, and in particular Airbnb, which is active in the wider tourism industry.

The importance of this study originally generated by the timeliness of the subject which is undeniable given the upsurge scoring online companies and participatory economy companies, as is indicated by the majority of researchers have addressed the issue [4–6]. In particular, modern society is characterized by the rapid technological development that has contributed to the creation of a series of needs for people who are inseparably linked to technological derivatives and products.

The main reason that led the researchers to deal with the case of Airbnb and the way it affects the conditions of consumption and competition in the tourism sector is mainly the rapid growth of the company that started operating in 2009 [6]. Since then, Airbnb has evolved rapidly and is currently booking millions of rooms for tourists to stay globally, with the result that research interest in this particular company is particularly high [7]. It is also of great interest to study the impact of Airbnb's development on consumption and competition in tourism [4, 8]. Finally, several researchers have dealt with the way in which Airbnb has influenced the consumption of purely tourism businesses such as hotels, and many of them believe that corresponding studies should be carried out around the world [4, 9].

## 2 Methodology

The methodology that was used in this paper is the critical review of the current literature. Relevant literature selection was derived from popular online bibliographic databases, like Science Direct, Emerald, EBSCO host and scientific search engines like Google Scholar. The expected outcome is to deliver a paper which will clarify the effect of airbnb on the hotel industry of Greece. The types of bibliographic sources included in the research are articles published on scientific journals, books, conference proceedings, company papers and studies, white papers, online sites and online journals. The selection criteria of these literature sources were based on the relevance to the topic of the paper and this research is not exhaustive.

### 3 Literature Review

#### 3.1 *The Sharing Economy*

The concept of sharing economy was imprinted by William Morris, who defined the concept through his desire to create appropriate social conditions in order not to have rich and poor, people who work hard or do not work at all [1]. There is a society that lives through equality and manages relationships effectively, knowing that harming someone means harming the whole of society. He also determined that the ideal society he described should have fully realized the importance of pursuing a world good practice.

Albert and Hahnel [10] have developed in their book the concept of sharing economics and the view that most professional economists have now accepted that human nature in connection with modern technology has certainly led to “sharing” choices. The researchers, however, began to analyze this type of economy from the fall of communism, which, in their opinion, equality and justice cannot be forced by force, since each person must have freedom of choice while designing creative and efficient workers.

According to the researchers, for a long time the companies followed an operational plan that included specific inflows and outflows that did not allow employees and consumers to decide on certain issues. Ultimately, businesses created an unequal relationship between consumption and job opportunities, resulting in the establishment of a treaty on unequal terms. The same researchers have developed in their book the idea that an ideal economy should distribute tasks and earnings in a fair manner while in the process the people involved in the economy should be able to develop their views to such an extent which eventually produces a fair result. Also, this “ideal” economy to which authors refer should develop a range of skills for the people involved in it, such as creativity, cooperation, compassion, while at the same time making good use of human and natural resources in the light of effective functioning of society [4]. One example of sharing economy application is the case of Airbnb.

#### 3.2 *Airbnb as a Key Example of Sharing Economy Activity*

There has been a lot of debate on sharing economy, where Airbnb seems that it has attracted the majority of the academic interest, where there have been lot of debate on the pros and cons of Airbnb [11, 12]. Those who are in favour argue that, apart from everything else, the participatory economy will also have a positive impact on global pollution. On the other hand, critics advise on the shared economy that it is a way to boost economic self-interest rather than enhance sharing. This view is based on the basic idea that the world is made up of people who pretend to use the participatory economy to take advantage of—economically—in other ways—consumers.

However, the researcher's opinion differs to a certain extent from the above positions, which concludes that this new kind of participatory economy has several "dark" aspects that should be explored in order finally to make this kind of economy work for the benefit of societies. In particular, it concludes that the emergence of P2P (Peer to Peer) communities, such as Airbnb, has several benefits, such as sharing goods and reducing costs, while stressing that they can form the basis for developing less socially dependent societies and can differentiate their income and their ability to offer goods and services. However, according to the same researcher, the cooperative economy platforms are still at an early stage, and there is a risk that a notional surplus value will be created that would hit the "common" type of business [9].

#### **4 Discussion: The Effect of Airbnb to the Consumption and Competition in the Tourism Industry in Greece**

It is important to study the case of Airbnb in Greece, which seems that it constitutes a solution for the owners of properties who suffer from the crisis. Psaros et al. [12] carried out a study titled "The Impact of Sharing Economy in the Tourism and Hospitality Sector in Greece", which focused on the analysis of the way resources and assets are shared within of the widespread outburst of the phenomenon in recent years with major online businesses taking up much of this new sharing economy. According to the study, consumers have the possibility of temporary access to goods and services in order to use them according to their existing needs. As pointed out by the researchers, there are strategic reasons for the Greek tourism sector for this growing participation of participatory businesses in tourism and hospitality industries to be studied in depth. According to the survey, it is necessary to examine the factors that shape the perceptions and the behavior of travelers around the world in order to have a clear picture of this new kind of participatory economy [12]. Thus, following their research, they concluded that the increase in consumer participation in co-operative enterprises is due to three main factors: (a) the impact of the global economic crisis; (b) technological developments; and (c) the impact of social media, which in essence constitute a large network of contacts through which consumer behavior is shaped.

Following on from their study, the researchers present a series of concerns and issues to deal with, mainly related to the rapid spread of the phenomenon, coupled with the fact that the way in which goods and services were previously largely disturbed. The researchers, however, point out that these participatory economies have been widely deployed in sectors related to transport, accommodation and entertainment, with the result that the tourism industry is at the heart of the scholars in terms of its impact new businesses. However, as noted, the key issues to be resolved to safeguard the interests of all parties are taxation, licensing and certification in order to avoid unfair competition, consumer safety and consumer protection as well as the proper sharing of activity areas so as not to disrupt the viability of

existing businesses. As mentioned previously, the research by [12] also presented the impact of participating societies in the tourism sector in Greece, among other things they were mentioned in the case of Airbnb.

According to the statistics gathered for the presence of Airbnb in Greece, they reported the following

1 million overnight stays each month

11,800 listings of entire sites

68.5% share of cost-per-night registrations

68.0% share of the cost per night for the 2300 entries in Athens

55.5% cost-per-night cost share of 1000 entries in Mykonos.

According to [13] a key element which affects consumption and it is related with Airbnb is the case of the tourist unit's popularity. Reputation is thus a form of capital that is concentrated on good behavior and then on future P2P transactions. Botsman and Rogers [7] recently claimed that reputation would soon become the most precious asset of a person. Fame may become the judge of online markets and other enterprises in the participatory economy, which, as evidenced by the growing number of people involved in them, will grow to a much greater extent in the years to come. Information on creating and maintaining confidence in P2P electronic platforms is becoming more important than ever before, and ongoing academic research on these issues is particularly necessary in order to find appropriate regulatory rules that will further safeguard the user security, protection of competition and entrepreneurship. In addition to this, [14] has referred on the fact that hotel owners in Athens afraid of the competition driven from Airbnb. However, [13] seems to agree with authors such as [15–17] who argue that Airbnb does not pose a direct threat on the hotel industry. It is addressed for a different type of customers, who if they did not have the solution of the Airbnb they would just not visit the destination. According to [16] the service expectations are totally different in Airbnb from the average hotel, so there is not a direct competition between the hotel industry and Airbnb. In addition to this, a tourist destination will have only to gain from having Airbnb from the increase in demand due of Airbnb.

## 5 Conclusions and Recommendations

Airbnb is a reality for the tourist industry, especially in Greece. From the findings of this literature review, there is a clear evidence that Airbnb, as a instrument of sharing economy, affects the conditions of consumption and competition in the tourism industry. More precisely Airbnb has boosted reputation as a factor which affects consumption. Also Airbnb does not post a direct threat as a competitor for local hotels. Instead, Airbnb can be a factor which will leverage the competitive position. These conclusions further reflect a simultaneous trend in the modern area of sharing economy: a digital signature utilizing the movement of a person and building a credible reputation. A number of new companies, in fact, has recently tried to resolve

trust and safety issues associated with transactions P2P to develop global trust system for the Internet that combine social, transactional and personal data from various markets, social networks, and other sources [11]. Based on the fact that certain parameters exceed expectations slashes different participatory economy, different vertical sharing economy, these collective confidence data could be presented as grade portable Fame will theoretically follow a person throughout the internet.

The findings of the case study are intended to serve as a basis for future research since they can be extended by the same method to a larger research sample. However, it is important to highlight the centrality—which is empirically demonstrated through quality interviews—of this emerging philosophy of “as much information as the best”, since it is a basic criterion for Airbnb users, and therefore it would be useful to develop a study will analyze how each user understands the profile of the owner and what are the characteristics that encourage him/her or prevent him/her from entering into an agreement with him/her. Furthermore, it would be useful to further investigate the impact of reputation systems and the Social Inclusion Chart on confidence building among Airbnb users as this would lead to facilitating transactions through Airbnb. Finally, it is essential to study the relationship of the tax system with Airbnb having the tax reforms as trigger for increase of the interest of property owners for Airbnb.

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