

Saimaa University of Applied Sciences
Faculty Of Business Administration Lappeenranta
Degree Program In International Business

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Sharing Economy: Home Sharing in Modern Society
Case company: Hostaway

Thesis 2017

Abstract

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Sharing Economy: Home Sharing In Modern Society, 56 pages

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Mr Marcus Räder, CEO, Hostaway.

The idea for the following research was suggested by Marcus Räder. The author had no previous knowledge of sharing economy as a phenomenon. This research was aimed at increasing knowledge on sharing economy and exploring its current state, with focus on home sharing sector.

The research results are reliable for limited time, due to the nature of the industry. The material provided in this research gives insight into the development of sharing of sharing economy, its current state and role in modern society. The practical part consisted of surveys, interviews, and city data analysis. The theoretical data was gathered from books, e-magazines and reliable online articles.

The research in the field could be continued as a lot of topics were left uncovered due to research limitations. The presented research can be used by Airbnb users, those who would like to learn about sharing economy and as theoretical base for future research.

Keywords: sharing economy, home sharing, collaborative consumption, governmental regulations, accommodation, rentals, short-term rentals

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1. Introduction

The rapid development of online platforms-based services has marked the latest years. Most of us have gotten Uber ride or booked an AirBnb apartment at least once. However, few people are aware that those services are part of a new trend – Sharing Economy, which coordinates sharing of goods and services via online platforms.

Considering the relatively young nature of social media development, sharing economy is a new phenomenon and still lacks research. People are not sure if sharing economy is a temporary trend or is here to stay. However, modern society does have a strong opinion on sharing economy subject, so, when Marcus Räder, the CEO of the company Hostaway, suggested to make home sharing the subject of this thesis, it sounded like an excellent opportunity.

The author had no previous knowledge on sharing economy, so it took some theoretical research to formulate the specific thesis topic. It has been found that one of the biggest issues in current state of sharing economy development is lack of governmental regulations and the issues it causes. However, there is an ongoing debate on whether sharing economy (home sharing in particular) should be subject of governmental invasion at all.

This thesis will explore the need for governmental regulations and suggest most effective legal measures that could be applied. The cities that have already applied any kind of home sharing regulations will be examined. Finally, some prospects on the future of sharing economy will be made.

1.1 Objectives of the study

The first objective stated for this thesis is **to explore the role of sharing economy in modern society and the need for governmental regulations in home sharing.**

The second objective is **to get to know what are the predictions about the future of sharing economy in the nearest five years.**

1.2 Research Questions

The following research questions have been formulated to reach the objectives.

1. What is the role of sharing economy in the modern society and how did this phenomenon develop?
2. What do people from different regions think about regulations in sharing economy and what regulatory measures they consider to be the best?
3. Is there any kind of correlation between governmental rental restrictions and the number of rentals and overall renting services popularity?
4. What are the future perspectives for home sharing platforms development?

2 Theoretical Part

2.1 Sharing Economy

2.1.1 Overview

“The sharing economy is the value in taking underutilized assets and making them accessible online to a community, leading for a reduced need for ownership of those assets” (Stephany 2015).

Sharing economy is generally defined as *“the peer-to-peer-based activity of obtaining, giving, or sharing the access to goods and services, coordinated through community-based online services”* (Yaraghi and Ravi 2016). The term “sharing economy” is a bit controversial. When thinking of sharing, the first associations to come to mind are “non-commercial”, “social” and “exchange”, in other words, not involving payments or motivated by generosity. On the other hand, the word “economy” implies the market transaction, aimed to satisfaction of self-interest needs by getting products or services in exchange for money. Hence, the term “sharing economy” has stretched the understanding of sharing and caused a lot of debate on whether or not the name is suitable for this phenomenon. (Slee 2015.) Sharing economy is also known as

collaborative consumption, access based consumption, the mesh, connected consumption, however, sharing economy is the one used in official documents most commonly (Codagnone and Martens 2016). All those names imply that the main idea for sharing economy has been present for many centuries - the phenomenon of exchange in goods and services. However, sharing economy has been fully accepted as a new economic phenomenon with the creation of online platforms, which allowed people to collaborate with strangers, not limiting the number of users to people they know.

The question asked by lots of people is why sharing economy has its name when it seems as usual renting process, as the term “sharing” usually implies the meaning of shared ownership with no money issues involved. Some even blame sharing economy to be the new way for corporations to make their actions seem more moral. There are many arguments on this point, however, the best “pro sharing economy argument” that has been found comes from John Harvey, a researcher on the digital economy from the UK, who described sharing as “*wrestled back from the jaws of those using it to profiteer*” (Stephany 2015).

Sharing economy covers major economic sectors, including transportation, accommodation and rental, retail, logistics, finance and credit and the labor market (Codagnone and Martens 2016). It is even present in educational field as millions are taking online tutorials. Considering its global influence, it is not surprising that sharing economy is a subject of constant discussion in modern society, having its supporters and opponents.

Cooperation with modern technologies has allowed sharing economy to influence the sustainable economy, social and environmental benefits. It has been achieved by cutting down costs, conserving resources and limiting the impact on environment (The Rise Of Sharing Economy 2015).

Liza Gansky, a successful entrepreneur, has a strong opinion on sharing economy and described her thoughts in her book *The Mesh: Why The Future Of Business Is Sharing*. Characteristics of mesh business (as referred to in Gansky’s book): should include product, service or raw material that could be shared; advanced web and

mobile services are used to track goods, collect information and aggregate usage; main focus is on shareable physical goods, and make local delivery valuable and relevant; the main factor affecting the growth of popularity and usage is word of mouth, augmented by social network services. Gansky referred to this new way of business making as Mesh since it builds a network where all parts are connected between each other and move in a tandem which makes a whole new era of information-based services. The Mesh model is built on chain of transactions that allows to rent the same product over and over. The model requires two essential blocks in order to function: the first one is creation of sharing platform itself and the second one is the development of information infrastructure, that allows to take advantage of mobile, web and social networks. (Gansky 2010.)

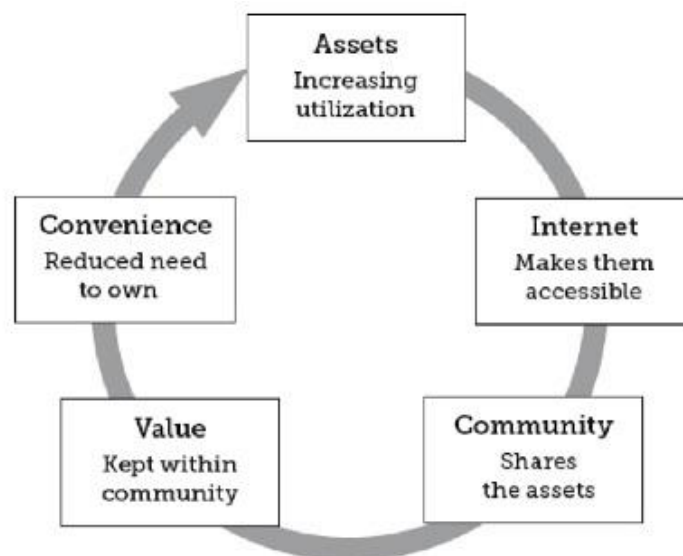


Figure 1. How Sharing Economy Is Increasing Asset Utilization (Stephany 2015)

Gansky separates two types of Mesh models: Full Mesh and Own-To-Mesh. The example of Full Mesh is Zipcar, that means that the company owns and maintains the vehicles. The company is driven by the information, not the inventory - it collects information on how, where and when the car is being used. The data is then used to provide the greatest value and build partnerships with other services. Own-To-Mesh platforms are connecting people who own things they would like to share and those who need that things. (Gansky 2010.) Alex Stephany talks about the same issue separating sharing economy businesses into two types: B2C (business-to-customer) and P2P (peer-to-peer). B2C business owns and maintains the products, renting them to the customers, while P2P marketplace allows owners to rent their personal property and the service/product provider is not company but a person (Stephany 2015).

The difference is explained by Duncan McLaren and Julian Agyeman in their book “Sharing Cities: A Case For Truly Smart And Sustainable Cities” (2015), dividing sharing services into communal and commercial sharing. The authors see sharing as an opportunity to rebuild trust and create a more solid community. However, they make emphasis on the fact that cities should support communal models of sharing, that are designed around equity and justice, not those powered by commercial interests. So, “sharing city” should become future purpose for modern society due to trends as overpopulation, overproduction and etc. , which will lead to sustainable way of leaving and will be helpful for environment.

Key Dimensions of the Sharing Paradigm		
	(Inter)mediated sharing (learned)	Sociocultural sharing (evolved)
Communal sharing (intrinsically motivated)	“Peer-to-peer” sharing, enabled by not-for- profits, such as Freecycle or Peerby	The “collective commons” including public space and public services
Commercial sharing (extrinsically motivated)	The “sharing economy” of Airbnb, TaskRabbit and Zipcar	The “collective economy” of co-production and open sourcing in business

Figure 2. Key Dimensions Of The Sharing Paradigm (McLaren and Agyeman 2015)

Sharing economy services do not necessarily include money transactions, for example, Couchsurfing and GuestToGuest allow travelers to stay at homes of locals for free or TimeRepublik, that is an alternative to TaskRabbit and allows you to pay for services with your own time and skills (Peters 2015). However, only businesses that are involving actual payments in their services will be examined in this thesis as the governmental regulations are targeting those companies.

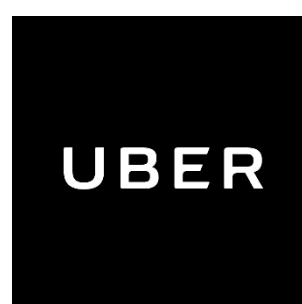
Word Of Mouth has been proven to be more effective in cultivating new customers than traditional advertising. Study by McKinsey has shown that people are 50(!) times more likely to try new product or brand when receiving recommendation from a trusted source as family member or a friend. Since social media networks are aimed to connect friends and family members, when community members are acting as discoverers of a new sharing platform, the business has great opportunity of spreading

feedback through social media channels. So, mesh businesses often encourage this information sharing by rewarding the “discoverers”. (Gansky 2010.)

What makes current time perfect for development of sharing economy? Gansky provides five main reasons to explain it.

1. Lost trust to old brands and models after the economic crisis. Companies that seemed to be stable have cashed out equity and bonuses, cutting workplaces and leaving thousands of people jobless.
2. Crisis has forced people to reconsider their values, as in the times of change customers are opened for new business models and solutions. People are feeling unsatisfied at jobs that require fancy clothing and long commute and start thinking about what really makes them happy. The cult of possession loses its power as people start to appreciate less materialistic values. The culture of sharing is not new and goes long way back, but it takes hard times and recession to make people understand that they can help each other.
3. Growing population and resource pressure. Simple logic shows that with rapidly growing populations the society will shortly run out of resources and hence the best way to postpone this process is to share resources we already have.
4. Climate change is making production of goods costlier. Moreover, people are now shifting their mindsets towards green and sustainable solutions. Brand is considered more favorable if it has good environmental policy.
5. Development of information networks has allowed businesses to provide fast and personalized services. (Gansky, 2010.)

Sharing economy is rapidly developing, however it has the most weight in the three following areas: transportation, hospitality, food and beverage. The two acknowledged leaders of the industry are AirBnb and Uber, as these companies are first to come to mind when talking about sharing economy (Slee 2015).



(Airbnb, 2017)

(Uber.com, 2017)

The main concept of services as AirBnb and Uber lies in matching the supply and specific demand, which helps to avoid excessive inventory and create new markets. For example, Uber helps to cut time and gasoline spending. Consumers contact the nearby drivers who are verified by the system and get a ride with the price set by service. Most popular service providers in the transportation field are Uber and Lyft.

Hospitality field allows hosts to rent entire living spaces or shared rooms to guests. Roomorama, established in 2008, is a P2P platform for short-stay home sharing. It was created as a response to complicated system of payments and arrangements faced by those engaged in rentals with short term travelling (Gansky 2010). The most popular provider at the moment is AirBnb, however, a lot of competitors are entering the market. AirBnb rentals that are not used for short-term rentals can be rented for long terms, unlike hotel rooms that stay empty during low seasons.

Food and beverage service targets the demand for making food delivery and payment more efficient. In the restaurant industry, the on-demand technology has enhanced the delivery facilities and allowed the restaurants not only improve their delivery services but also reduce the dining space and cut operating costs. Most popular providers include Swiggy, FoodPanda, Zomato. The services have information on best places for lunch, dinner, delivery on different budget and provide reviews from the customers. (The Rise Of Sharing Economy 2015.)

Sharing economy's agenda appeals to idea that modern society is eager for: equality, sustainability and community. Participation in sharing economy encourages helping each other rather than being passive materialist consumers. It calls to choosing access over ownership. Supporters of sharing economy refer to it not only as to a new type of business making, but also as to a social movement (Slee 2015.)

However, as every economic trend, sharing economy does have its positive and negative aspects. The history of the phenomenon, its impact on modern society, benefits and challenges will be reviewed in the following chapters.

2.1.2 History

Of course, sharing is not new and it is no surprise for anyone. Long time ago humans realized that becoming cooperative species within a group is highly beneficial and the value was placed on those facilitating it.

The idea of resource sharing has been existent for a long time in different areas. Car sharing goes back to 1948 in Zurich and got very popular in Northern Europe in the period of 1980s. Sharing was operated through non-profit community based organizations (Codagnone and Martens 2016). Other example of non-online sharing is such a usual thing as library, you come, you borrow book, you return it after reading – classic sharing.

However, even though sharing is not new, the way sharing economy works is unlike any attempt in the past. The term “collaborative consumption” has been first mentioned much earlier than could be expected – in 1978 by Marcus Felson in the paper “Community Structure And Collaborative Consumption: A Routine Activity Approach” that was focused on new concept of car-sharing. In the paper the author defined collaborative consumption as “*those events in which one or more persons consume economic goods or services in the process of engaging in joint activities with one or more others*” (Buczynski 2013). There is no certain date of the beginning of online sharing economy era, however, the foundation of websites as eBay and Craigslist (1995) can be considered the starting point for collaborative online consumption (Yaraghi and Ravi 2016). It was followed by the development of websites as Amazon, Uber, AirBnb and etc that form sharing economy as we know it now. The real active development of sharing economy started in 2013-2014 (Slee 2015).

Considering the fact that the era of online services has just began, it is not surprising that many people have been unfamiliar with the term “Sharing economy” - for example, survey held in the US in May 2016 has shown that 73% of Americans did not know about this phenomenon as a separate economic division (Yaraghi and Ravi 2016).

However, even despite lack of acquaintance with the term, people do have strong opinions towards sharing economy platforms and the modern world is currently facing

the opposition of supporters and enemies of sharing economy. It started after 2015, as before (2012-2015) the sharing economy platforms have been receiving mostly positive feedback from the media and users. 2015 has been marked by the development of first debates, ruled by the facts that government started interfering in the operations of the platforms, the denial of platforms to disclose important metrics and cooperate with researchers and even the appearance of “fake” data on the market. (Codagnone and Martens 2016.)

The positive and negative features of sharing economy along with its impact on the society will be discussed in the following chapters.

2.1.3 Impact On The Society

Sharing economy has had its impact on modern society in various ways. Its development created new markets to make use of unused resources and allowed its users to access goods and services at lower costs. One of the factors that makes sharing economy stay out traditional economy is the fact that it is less controlled, which makes dependent on governmental regulations and more dependent on trust among product/service provider and its user. Some say that that sharing economy’s impact on how we consume and its ability to boost economic growth is one of the most crucial changes brought to us by Internet. (Stephany 2015.)

While the traditional business model is to “sell more”, persuading the society that it is easier to purchase a new product than fixing it, the sharing economy goes back to first principles, when high quality product is aimed for repeated uses and making most value through the period of its functionality. The “throwaway” logic that has been leading the society during last years is being questioned, as the products are getting repaired, customized and reused. Hence, the products involved in sharing economy business tend to have four major characteristics: *durability*, *flexibility*, *reparability*, and *sustainability* (Gansky 2010).

Durability: products used in sharing need to be safe and long lasting.

Flexibility: products should be easily personalized and modular at the same time.

Reparability: products should have standardized design so that parts could be easily replaced, encouraging the culture of reparability.

Sustainability: products should be targeted towards waste reduction, with improved efficiency and less costs.

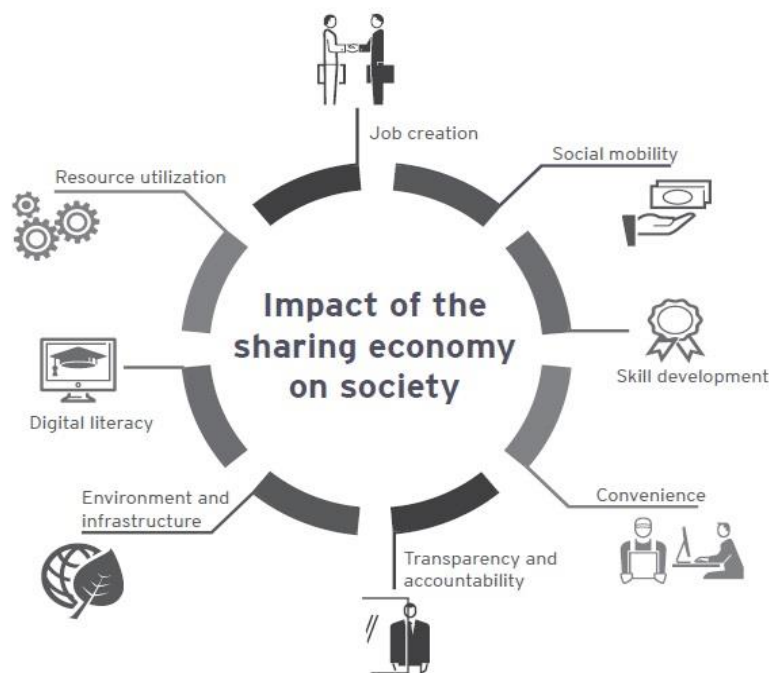


Figure 3. Impact Of Sharing Economy On The Society (The Rise Of Sharing Economy 2015)

As have already been mentioned, the impact of sharing economy varies and can be divided into several categories.

First, and most obvious, is economic influence. The study by Zervas, Proserpio and Byers (2015) have proved that platforms like AirBnb have negative effect on hotel revenues. Their study explored the relationship between AirBnb and hotels in the state of Texas. Monthly hotel room revenue was estimated as a function of Airbnb entry in

the market. The study has shown that each 10% increase in the size of Airbnb market has resulted into 0.39% in hotel room revenue. It has been noticed, that AirBnb's ability to provide flexible supply compared to hotels' seasonal demand has limited hotel's pricing powers in periods of highest demand and has been proved that AirBnb can affect hotel revenues in two ways - lower occupancy rates and decreased hotel room prices. The dataset reviewed for this research covered periods from January 2003 and August 2014. (Lyons K. and Wearing S. 2015.)

As for car sharing services, the growing popularity of these services has appeared as a great response to the costs and footprint associated with car ownership. Moreover, car sharing affects night economy, as in several big cities private transport plays the major role in moving people after 6pm (example: Sydney) (Lyons K. and Wearing S. 2015). However, the long-term perspective view shows that if sharing economy keeps lacking governmental regulations, government revenue will face negative impact through taxation and levies, which is a challenge faced currently by many countries.

When it comes to social impact, sharing economy is helping the society by answering the need for temporary experience rather than full time ownership, breaking the mindset that has been cultivated during last decade. The community gets more engaged and is opened to innovations. However, as have been mentioned before, the platforms facilitate illegal profit that cannot be controlled with one legal framework due to dynamics and differentiation of the sharing economy. There is an existing threat of losing traditional workplace market in the future, which brings up more discussions on governmental restrictions. (Lyons K. and Wearing S. 2015.)

Sharing economy has impact on consumer and public safety as well. Due to the lack of regulations members of home sharing community have to deal with issues as noise, cleaning, thefts and etc by themselves while businesses operating outside sharing economy, as bed and breakfast and hotels have to operate under legislations as business activity permits, food licensing, fire suppression and etc. However, for example, AirBnb does have its rules and guidelines, but they are not enforced, so everything is relying on self-regulation. (Lyons K. and Wearing S. 2015.)

Not only home sharing customers are affected. Service EatWith, which allows customers to buy meals from other people's kitchens and give someone an opportunity to become a temporary chef, is often referred to as a form of culinary tourism since it allows travelers to enjoy home cooked meal and engage into social experience with locals. But it does have major disadvantage - lack of knowledge leading to food poisoning. London based startup Eatro had to switch its way of operations by enabling professional chefs to cook for customers and arranging a 30 min home delivery. By this model sharing economy services are becoming closer to traditional business model. (Lyons K. and Wearing S. 2015.)

2.1.4 Benefits

Being a controversial subject of constant discussion, sharing economy does have its benefits which will be described below.

1. Creation of new services

Sharing economy is formed by people's needs and desires and creates new services as soon as demand for them appears.

2. Workplace flexibility

It has been already mentioned that sharing economy has formed a new workplace market, allowing its participants to get more free time for travelling or hobbies, while being able to raise money: the concept of paying for travelling with apartment rental money is getting more and more popular.

3. Strengthened community

By renting apartment from an AirBnb host, customers get the chance to receive some recommendations on new city from a local and just meet new people. By sharing resources people feel like a part of big community and engage in creation of shared value.

4. The low costs of starting new business

As have been mentioned in Stephany's book, the specific nature of sharing economy makes it a perfect field for micro entrepreneurs. Lack of legal regulations makes creation of new startups fast, cheap and easy.

5. The mindset promoted by sharing economy perfectly fits into modern society

The promise sharing economy makes gets people to believe that the new way of spending will make a difference and make positive impact on society and environment.

6.It is cheaper

The majority of sharing economy users admit that they would choose sharing services over traditional businesses due to the low cost. However, when it comes to security and safety issues, traditional economy has better options (Fortune.com 2015), (Relander 2016).

As can be seen, sharing economy does have good prospects for development and becoming a long-term part of modern community. However, those benefits will only bring use if the challenges of sharing economy will be addressed.

2.1.5 Challenges

Despite all the bright promises at the beginning of the sharing economy era it has proved to have issues, that, if not solved, might make sharing economy era short. After several years of sharing economy development, the downsides of the industry have become clear. Leading sharing economy companies have pushed “deregulated and harsh” free markets into the areas of modern life that used to be protected. Those companies are taking more intrusive role in the exchange processes, making them not sustainability oriented, but profit and brand strengthening focused, which goes against core value of sharing economy principles. The “dark side” of sharing consumption lies in the fact that the “a little extra money” motto, which is so popular among hosts, Uber drivers and etc, might lead to the same attitude that women jobs faced 40 years ago, when the job was not considered “real”, and hence did not get the same payment and working conditions as other positions. So, instead of providing a more “freeing” lifestyle for individuals, share economy companies just eliminate the legal support that workers have been struggling to get for decades. Hence, the major threat of sharing economy is in development of unregulated free markets to more economic sectors and not creating an alternative for corporate-driven markets. (Slee 2015.)

The other challenge, that has been briefly mentioned before, is the belief of owning that has been cultivated for decades. As people get older they know how much effort it takes to be able to afford quality things and see the difference in value. So, some

people see sharing as a form of “cheating”. Of course, for the person who grew up in the era powered by the beliefs that only hard work will bring you quality and expensive things, owning which is the guaranty of success it is hard to accept sharing economy. So, sharing seems like a childish idea, while adults buy things for the money they earned, not borrow them (Buczynski 2013).

The other issue, which might seem unusual but is still used an excuse is the lack of time to investigate sharing economy and understand how the services work. When participating in sharing economy it needs to be considered that it will affect your routine schedule, and coordinate your time with other people (Buczynski 2013).

The last but not the least aspect is the concern of safety and lack of trust.

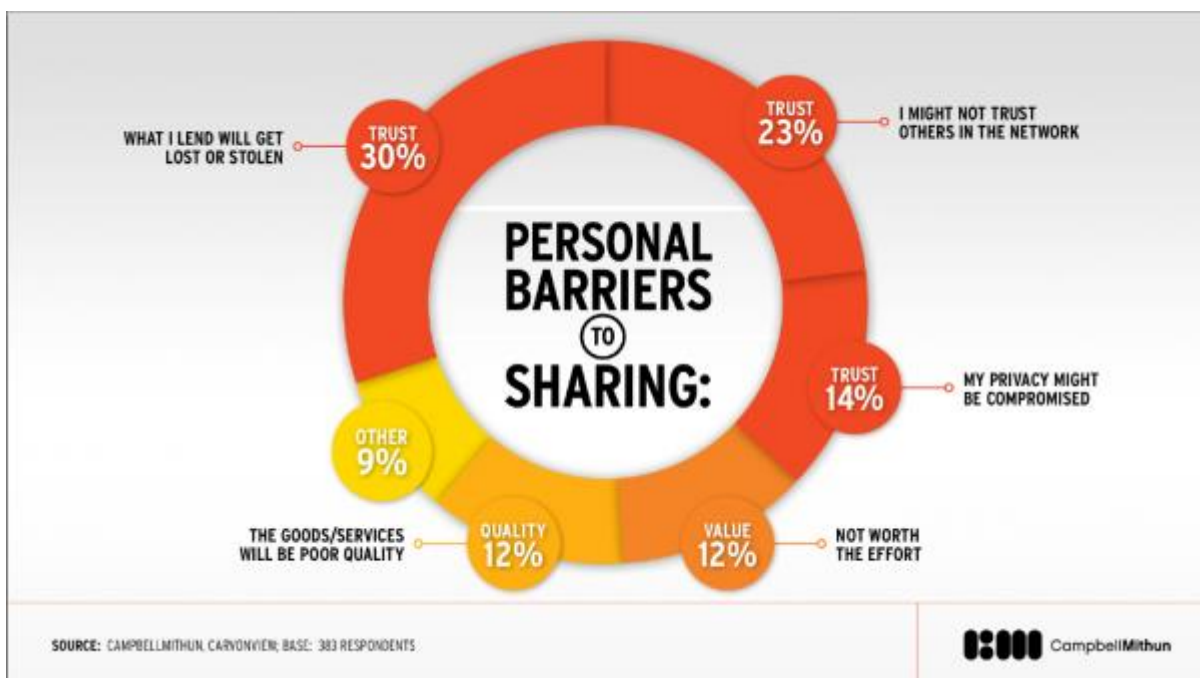


Figure 4. Personal Barriers To Sharing (Pailhes, n.d..)

Staying in someone’s house means that you might have to deal with unexpected situations and not expecting the level of service you would get at the hotel. Sometimes the hosts provide excellent conditions, but some leave unpleasant experience, and no one wants their vacation to be ruined by bad living conditions or shared car ride that did not go along with scheduled plan. And in sharing economy, there is no manager

who you could complain to or get a compensation. And most of us also hate being in unfamiliar situations when they do not feel safe and controlling. (Buczynski 2013.)

Majority of the challenges mentioned above could be solved with implementation of proper governmental regulations. Moreover, all the challenges exist in property sharing sector. The following chapter will examine home sharing industry and discuss governmental regulations in property sharing implemented in some cities.

2.2 Home Sharing

2.2.1 Accommodation business before sharing economy

Hospitality industry goes back in history. The first ever accommodations were closely connected to religion since offering hospitality to travelers was considered duty of Christians. The first ever “hotels” were some monasteries and churches, providing food and accommodation. However, it was driven by no commercial purpose.

Turning hospitality into business was first suggested in 1282 in Florence Italy by association of innkeepers, who got inns licensed and became guild members. The new trend quickly spread through Italy and rest of Europe. In 16-18th centuries the design of inns and taverns have been constantly Improving, providing better services and facilities. French Hotel de Henri IV was built in 1788 and was considered best in Europe. Of course, there have been different types of hotels, targeting people with different levels of income. (Gallagher 2017.)

Home sharing is not new as well. Already in 1953 the Dutch and Swiss teacher unions established home-swapping to make summer travelling to foreign countries affordable for teachers. Even though the home sharing platforms as we know them now developed several years ago, there were pioneers back in 1995, when Vacation Rentals by Owner (VRBO) website was established. (Gallagher 2017.)

VRBO has been created by Dave and Lynn Clouse, whose main idea was that people should be able to arrange vacation rentals directly between each other. Before that, vacation rentals were managed through local real estate brokers, in special travel

magazines or by expensive ads. None of those options was convenient. (Gallagher 2017.)

However, majority of people considered the idea of home swapping controversial and kept using the hotels. Nevertheless, VRBO has been great success, reaching 65 thousand properties and 25 million travelers per year by mid 2000s. In 2006 was sold to HomeAway, which is now one of the most popular home sharing platforms. (Gallagher 2017.)

2.2.2 Current state of accommodation business

The industry of home sharing platforms is rapidly developing and new startups appear all the time. Among most popular could be listed AirBnb, Couchsurfing, Tansler, HomeAway and TripAdvisor vacation rentals. All of those platforms have similar way of operations but each adds its unique features.

Short-term rental platforms have allowed tourists and newcomers to get in touch with those who are renting places, and with the help of high-speed Internet and growing popularity of peer-to-peer business model has turned short-term property sharing into common practice.

Home sharing appeals to broad age sector, and the survey held among US users has revealed that those aged 35-44 are almost twice likely to use home-sharing services compared to those aged 18-24 (16% vs 9%).

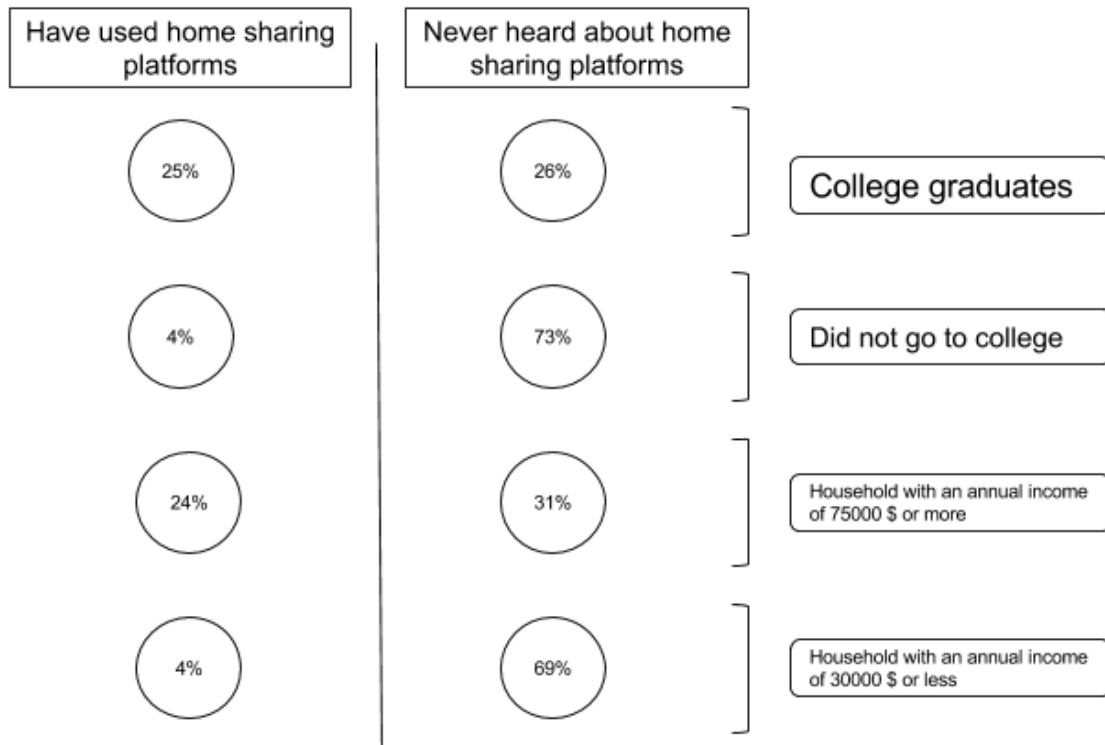


Figure 5. Awareness Of Home Sharing Platforms (Smith 2016)

Why are home sharing platforms so appealing for people with high education and those leaving with high class households? The answer is simple: some people are getting tired of typical luxury hotel experience and are willing to try something new. Moreover, those who travel a lot want to have most authentic and cultural experience as possible, and staying in apartment of a local, with opportunity to get useful tips and live in a not tourist area helps to get unique travel memories.

But hotels still remain the major for those who have not heard about sharing economy platforms or simply do not trust them. The ongoing debate is whether AirBnb and similar platforms are threatening hotel chains. It has been scientifically proved that AirBnb does have impact on hotel revenue, but the chains as Four Seasons believe that they do not get affected by home sharing. They are appealing to different customer segment, which is more focused on paying more but getting more sophisticated and detailed service in a regulated property, rather than saving money but getting safety and trust questioned. (Strong n.d.)

However, as AirBnb is getting more popular and the strong management team is working on making it a more serious hospitality brand, the hotels start competitive actions. They have understood that the reason why AirBnb and other sharing economy services are as successful as they respond to the need for authentic, local and cultural experience expressed by travelers, and are now trying to adjust their services to satisfy this demand. For example, Marriott offering a sharing economy style workspace on demand or hotels creating “chill” areas with traditional food and drinks bars that will allow guests “share” the services together and overall interiors are made to fit with the local culture – changing the way in which people want to experience travel destination. (StayNTouch 2016.)

2.2.3 Governmental regulations in property sharing

The governments and citizens of many cities have expressed concern about how sharing economy is regulated. The major concern expressed include the loss of tax revenue, the overflow of rentals and the rise of rental pricing in areas, and the consumer protection - who is going to deal with damage, thefts and other issues that are part of property sharing. This concern is risen most in the tourist areas in big cities, as most popular AirBnb locations. The number of international tourists have grown twice compared to the statistics on 20 years ago. Hence, the major issue that governments of many cities have faced in recent years is the need for regulations that will keep the tourism rentals under control to ensure that the areas are livable for its permanent residents. (Slee 2015.)

However, each city faces different challenges, which is why it is important to understand what measures will be most effective for each case. Some actions have been already taken, for example Uber and AirBnb adding safety features. In case of AirBnb it is ID verification check and peer review systems, operating as a form of self-regulation (Dostmohammad and Long 2015). Also, in some controversial cases, when host is not sure whether or not to approve the guest, he can ask for advice on special forums and Facebook groups and get opinions of experienced hosts.

So far, the biggest difficulties for creating regulatory framework for sharing economy included outdated regulations, different nature of organizational culture in different

countries and lack of inter-governmental cooperation. Another issue is that core basis of governmental regulations lies in protection of private information while sharing economy's way of operation is based on sharing this information, not mentioning that the nature of sharing economy changes rapidly and governments are slow with responses. (Dostmohammad and Long 2015.)

The main issues that need to be considered when thinking about proper way of sharing economy regulations are market, social and economic benefits, and growing popularity of these services. If the regulatory measures are misguided, they can lead to creation of barriers to innovations. When it comes to social and economic benefits, governments need to keep in mind that sharing economy has positive environmental impact, with AirBnb being threat to hotels (and hotels cause 21% of carbon emissions (Kyriakidis and Felton 2008).) and Uber cutting down the number of cars on the roads (Dostmohammad and Long 2015). The faster sharing economy grows, the more it becomes a potential threat of a large illegal economic sector.

Currently there is a conflict between sharing economy firms and governments. Since taxi and hotel industries are regulated differently, same approach needs to be considered for their sharing economy analogues. Short-term rentals sector has more concerns than any other sharing economy department, as above usual safety issues it has to address insurance issues, common areas in buildings with multiple units, compliance with zoning and building codes, leases, tax payments and etc. (Miller 2016).

More and more governments begin to realize that banning platforms like AirBnb is not a solution and will only be effective for a short period of time. Cities understand that sharing economy could be used as a tool to solve issues that governments have been suffering to deal with. For example, the idea of asset redistribution is appealing to governments since it would be highly beneficial for poor communities as would give them access to goods that could not be achieved in other way, and cities have been searching for the tool to make it happen. However, as have been mentioned before, sharing economy services are mostly marketed towards upper class communities and hence are not helping cities to redistribute resources to poor residents, despite having tools to do so. So, the sharing economy companies are seeking for freedom of

operations without excessive interference from governments, and governments are seeing sharing economy as a way of giving the “urban poor” access to shared services. Hence, if sharing platforms will start marketing towards lower class, the cities can give regulatory approval to their operations. (Rauch and Schleicher 2016.)

So, what are the possible approaches to regulate short-term rentals? First of all, taxation, since the development of home sharing is a threat to hotels that make part of governmental tax revenue. Tax implementation can be done in two ways – either the unit owner calculating the tax and paying it or the sharing platform (for example, AirBnb) calculates and pays the taxes for all rentals under the authority of the area of operations (Miller 2016).

Despite tax being the major governmental concern, another issue is the violation of city zoning laws, since vacation rentals are giving tourists access to neighborhoods that are off limits for hotels, since the city districts are usually divided into “gay” neighborhoods, “family” neighborhoods and etc, and tourist overflow in those areas disrupt local environment (Miller 2016).

Some cities have chosen to limit the use of rentals, for example, San Francisco’s ordinance says that tenant should occupy his/her residential unit for at least 275 days per year, and in Portland this limitation is expanded to 270 calendar days. Another regulatory instrument is licensing and permits. In San Francisco, it is mandatory to have a business registration certificate while short term rental businesses in Portland operate under more complex regulatory system where the hosts need to submit information on rental conditions in form of notification letter. San-Francisco has also implemented the law by which sharing platforms must inform tenants about legal regulations governing the process of renting. (Miller 2016.)

An example of effective cooperation of government and AirBnb is New Orleans. For almost a year city officials and home sharing supporters have been arguing on regulations and the result have been satisfactory for both sides. AirBnb agreed to share hosts’ data (names and addresses), which company refuses to do elsewhere, and hosts are operating under a permit, since the information on the host is transferred to government from the moment of sign up. However, thing do not go as smoothly in

other regions, as, for example, in 2015 AirBnb's representatives have sued New York and San Francisco for trying to stop the growth of the company (Benner 2016).

However, even the example of New Orleans cannot be a guaranty of future success, as the more the industry grows, the more effective measures are required to control it. The practical part will explore opinions of AirBnb hosts and those working for home sharing companies, and provide an analysis of data on cities that are actively involved in home sharing.

2. Practical Part

3.1 Company Hostaway



Hostaway is a Finnish startup that was founded by Marcus Räder, after he conducted a research in rental industry and found out that a lot of companies faced big problems in managing their sales channels and understood that there was no working software for it (Cord 2016).

Hostaway is ran by Marcus Räder, Mikko Nurminen and Saber Kordestanchi. The team actively organises AirBnb events in Helsinki and Toronto and actively market company through social media channels (Sundman 2016).

The main aim of Hostaway is to help vacation rental managers get more bookings and increase revenues with less hassle. The company uses automated channel manager to solve double-bookings, makes guest communication easier and let rental companies and individuals focus on their business (Hostaway 2016).

Service is unique since it is not a rival to rental services but rather a complementary service for hosts. It allows hosts to use a single platform to advertise and manage renting out their apartment or apartments across all rental services, Airbnb included. Airbnb cannot monopolize the market in that way, since Hostaway accepts bookings from every traveler who books online, regardless of which site they use, letting other companies enter the competition (Nordic.businessinsider.com 2016).

The rental services that are used by Hostaway hosts included Airbnb, booking.com and 9flats.com already in the early version of the product. Hostaway received its initial funding from tech firm Sontek Oy that provided 111,000 euros for developing the product for the official launch (Virki 2016).

Other funding has come from Nubacom Group Oy that provided 50,000 Euro and Hostaway co-founder Mikko Nurminen, also an undisclosed amount was received from Tekes, the agency of the Finnish government responsible for funding innovation. The money is planned to be spent on launching and scaling-up. Although the service has not yet launched, they have already established themselves as an international company, with offices in Helsinki and Toronto. (Maynard 2016.)

3.2 Companies' Point Of View

Interviews were held in semi-structured style. Eight main questions had been designed beforehand, however several additional questions were asked when appropriate, depending on the answers.

The interview questions were based on the research questions designed for the thesis, covering the following topics: the role of governmental regulations in home sharing, positive and negative sides of home sharing, impact of home sharing on modern society and the future predictions on the development of home sharing. The interviews were held via Skype software, followed by transcript of records.

3.2.1 Interview with Marcus Räder from Hostaway.

Company Hostaway and its way of operations has been introduced at the beginning of the chapter, and can be briefly described as a channel manager helping thousands of home-sharers find more guests by getting their properties visibility on the largest travel websites.

Marcus Räder, the CEO of the company, is very passionate about sharing economy and provides solid reasons for why modern society should seriously consider accepting this way of living. *“With a growing population and resources being more concentrated to a smaller part of the population, sharing underutilized resources such as real estate, cars, parking spots or tools is a brilliant solution. The millennial generation prefers accessibility over ownership, and the sharing economy serves both*

these needs. My personal interest is how regulations will turn out when it comes to services such as Airbnb and Uber - will the politicians see an opportunity or a threat?" Mr. Räder mentions *"more flexibility for moving and traveling around the world, working abroad or even living in your own city"* as positive side of sharing economy. However, he thinks that *"lack of economic knowledge and misinformation risk"* mostly cause the negative image of sharing economy.

Mr. Räder says that the need for governmental regulations in sharing economy varies depending on the country, state, municipality, and city. *"Leveling the playing field by requiring taxes and addressing safety issues is positive."*

When asked about most efficient measures that government could implement, Mr. Räder suggests governments to *"...spread information about taxation and ensure everyone follows the same laws. They should also empower municipalities, cities and condos to ensure their own by-laws on the subject."*

Hence, there is no use in one legislative framework, it should be personalized for every location and adjusted to its own needs. *"If left unregulated, or if regulated in a similar fashion, it may have devastating effects for cities that have different demographics. An industrial location can benefit highly from allowing temporary employees to live comfortably in a real home while working, while a tourist destination with a strong local economy has different needs."*

Since sharing is not new for the society, as has been described in previous chapters, the main difference is the access to innovative technology, available for modern users. So, when asked about the impact of sharing economy on modern society, Mr. Räder gives following answer: *"This technological shift has opened a lot of opportunities for people globally, and banning or severely limiting it now will only result in black markets which no regulation can affect."*

Finally, talking about the future of sharing economy, Mr. Räder believes that the industry will continue to grow and develop, with necessary changes implemented. *"The sharing economy will expand from capital-expensive resources such as real-estate (Airbnb) and cars (Uber) into services such as experiences or handywork. It will also*

allow more flexible use of resources that are needed by seldom used, such as power tools and professional equipment.”

3.2.2 Interview with Michelle Himden from Cityami



Cityami, the New York based company, offers services that aim to help AirBnb users to rent their apartments without hassle. Cityami handles guest care, cooking and cleaning. The company has two services. Full service includes listing of the place, managing the booking and taking care of all the arrangements. For those who want to manage their own listing and choose their own guests, but need someone to be in the city and take care of the cleaning and to be there if there is an emergency that happens, Cityami offers guest care and cleaning.

Michelle Himden is the owner of the company. She is an active member of AirBnb community and as she travels frequently, she would rent her apartment every time she traveled so it would pay for her travels.

“But every time I was away it seemed like there was another disaster that happened and then it got to the point when it was so stressful to rent my place that I thought “I have to hire someone to do this” and I spent some time looking for someone to do it for me and there were no companies doing it at that time. There were traditional property managers, but property managers are not interested in renting your home while you are travelling.” – that is the reason Ms. Himden decided to launch Cityami.

Ms. Himden says that the main negative feature of home sharing is inconvenience connected to dealing with guest’s problems while you are away, for example when the guest loses the key and the host is travelling, so he/she needs to call friends or neighbors for the spare key. However, despite this negative side, Ms. Himden says

that home sharing is more beneficial and ecofriendly way compared to the hotels. She marks that hotels take a lot of energy, a lot of air space and they are not giving people the local experience. Half of the year hotels stay empty yet they must continue to operate, so they continue to use the same amount of energy and the same amount of space whether they are occupied or not. Ms. Himden thinks home sharing is a great way because *“people get to rent their home and help them pay for their travels and people who are travelling to New York get a different kind of experience instead of staying with tourists, they stay in real neighborhoods where real people live because the hotels are on business districts, as tourism industry is built around it, but you are not getting local experience. People come to New York and they think that we have nothing but tall buildings and busy roads and that is because they are in the business district.”*

When asked about the impact of sharing economy on modern society, Ms. Himden provides simple yet great explanation of how sharing economy is changing the way people think. *“I think that sharing economy as whole is pushing us away from the “Everyone has to have their own car, everyone has to have their own everything. ”If I live in two cities then I have to have houses in two cities, it is now like people can share. I have a car, I do not actually have a car, but if I had a car sitting in my driveway, sure, I would have a car, I live in New York city, I do not need it but I want to take my car out on weekends, but five out of seven days in a week my car is just sitting there so why shouldn't my car be for someone else to use? Why should they have to buy their own car for those few trips a week they make? Same goes if I am only taking my car out on weekends, maybe someone does not drive their car on weekends and instead of owning a car, contributing to more manufacturing waste, I can just share.”*

Ms. Himden thinks that home sharing should be governmentally regulated to some extent, especially in major cities like Paris and New York. *“Neighborhoods that three years ago were very much inhabited by New Yorkers, are now fully completely tourist centers because they are just turned into permanent AirBnbs. Home sharing is great when someone runs the place on the part time basis but in a place, that is zoned for New Yorkers to live, I think New Yorkers should be living for most of the year.”*

Ms. Himden emphasizes that there is huge difference between the situation when the owner gets a license to convert the property into kind of a hybrid, (when it is not a home but it is more of a business, corporate housing, for business travelers) and when people are solely focused on getting profit, not caring about the neighborhood and safety. *“I think when the landlord comes and he is very clean and transparent with the city and he says “Look, I’m going to turn this apartment into corporate housing. There is going to be someone at the front door, the whole place is going to be regulated. I think it is fine. But for people who are just taking rents and turning it into commercial properties I think that is not okay, not in major cities at least.”*

When it comes to most effective governmental measures, Michelle considers the example of San Francisco successful, when you can rent your place for 90 days a year without license, however if this term is exceeded then there is a need for a proper license to transform it into commercial venture. And the city can control how many of those (commercial ventures) there are so that the entire city is not turned into commercial ventures. *“You lose the uniqueness of the city when the entire city turns into tourist zone, which is, again, what happened in Paris. It is happening in other cities, in Amsterdam, as well.”* Michelle believes that banning AirBnb and similar companies (like some cities did to Uber) will not work, however keeping it legalized yet controlled would work for cities' benefits.

Talking about the future of sharing business, Ms. Himden thinks that people will continue to push it to become more normal for everyone to do it, people are going to be more comfortable with it, more experienced. *“I think the whole AirBnbing process is going to become more normalized, there will be cultural rules that will grow up around the industry and make it more of a household idea for everyone.”*

3.3 Survey held among hosts in Facebook groups

During the theoretical data search, it has been noticed that a lot of media sources, especially in big urban areas, have shown strong negative attitude towards home sharing platforms and hosts using them. That is why when it has been decided to

conduct a research among hosts in home sharing Facebook groups to find out the opinions of people in different regions.

Before analyzing the survey results, it is important to mention that participants have been reacting in different ways. On the one hand the research has received a lot of support and help from people all over the world, on the other, however, a significant number of target audience refused to participate explaining it by the desire to avoid the threat of getting negative image in the research. That point of view is understandable, as similar cases have occurred before and people have lost trust to any home sharing based research that is going to be published.

But even though both positive and negative feedback has been received, modern community has strong feelings towards the subject of sharing economy and proved the need for this kind of research.

The questionnaire included different types of questions, some options have been changed or edited after discussion with hosts and receiving their feedback.

Questionnaire includes 8 questions, as it was important to keep it short to get more participants. Questions include both open- and close- ended ones, as participants were eager to get opportunity to express their opinions and not simply choosing yes or no options.

Google Forms software has been used to collect answers and the link to the questionnaire has been spread among different host groups, some of which were recommended by Marcus Räder, some have been advised by individual hosts.

60 participants took part in the survey.

1. Which of the following home sharing platforms do you prefer to use?

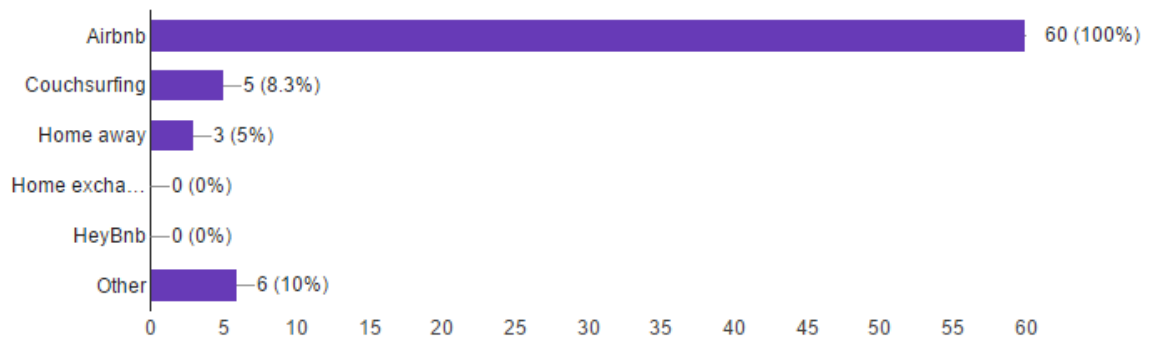


Chart 1. Sharing platforms.

As can be seen, 100% of participants are using AirBnb, proving company's dominance on the market. Among other platforms have been mentioned Flatmates.com, Mister B&B, Flipkey and Tripadvisor.

2. Are you located in rural or urban neighborhood?

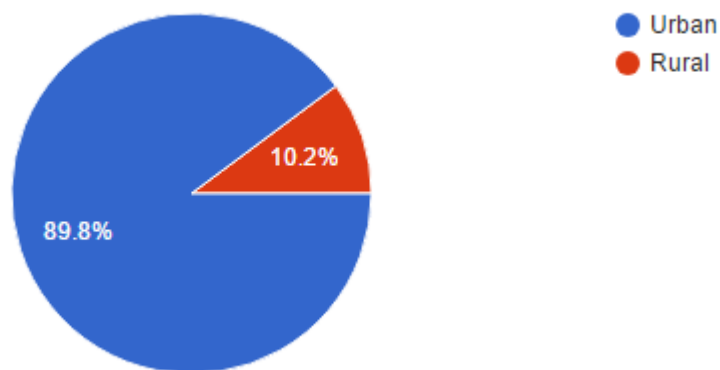


Chart 2. Neighborhood.

Due to the higher need for shared apartments in tourist areas, it is natural that the majority of hosts rent their apartments in urban areas. However, as the idea of sharing gets more popular is shifting to rural areas as well, shown by 10% of rentals.

3. In which geographical area are you hosting your properties?

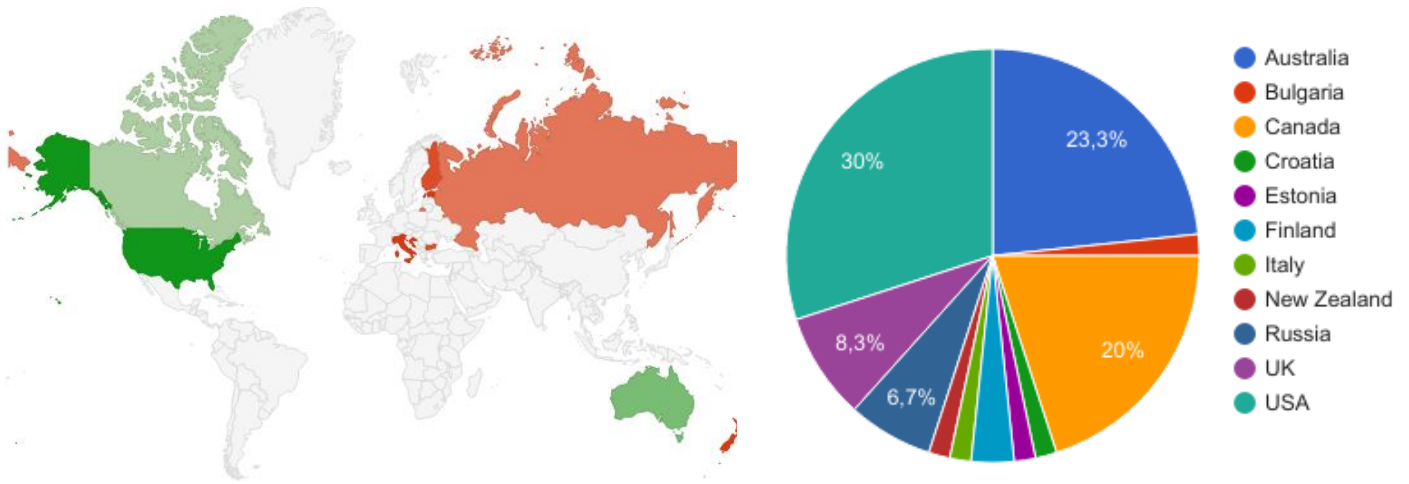


Chart 3. Geographical location.

As can be seen, the majority of participants are hosting properties in the US (30%), Australia (23,3%) and Canada (20%). Five participants were from the UK and four from Russia, making it 8,3% and 6,7% accordingly. Other participants' countries included Finland (3,3%), Bulgaria (1,7%), Italy (1,7%), Croatia (1,7%), Estonia (1,7%) and New Zealand (1,7%).

Even though home sharing is extremely popular in the EU, European hosts were least eager to participate. However, the need for governmental regulations have been actively discussed in the US, Canada, UK and Australia so the opinion of hosts in those locations was extremely helpful for the research. However, European cities still will be included into city analysis.

4. Do you think that home sharing in your area has positive or negative impact on the economy and rental business?

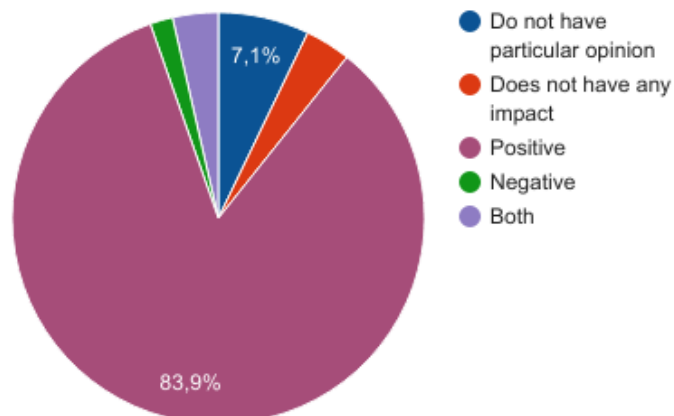


Chart 4. Positive and negative impact.

The majority (83,9%) of hosts do see positive impact of home sharing, 7,1% do not have opinion on the matter, 3,6% did not notice any changes caused by the development of sharing businesses, 3,6% consider home sharing to have both positive and negative impact and 1,8% consider this phenomenon to have negative impact. Some participants chose to give detailed answers for this question and provided reasons behind their responses.

One of the reasons that was mentioned most frequently was positive impact on local economy due to tourists.

“I think it has boosted our economy. Our little shops are selling clothing, homes goods and specialty food. Our restaurants are always crowded. It's so fun to share the amazing ocean views to people who have never seen the Pacific Ocean!”

“Very positive - there are few hotels in the area and our guests dine out, grocery shop, purchase local gifts etc.”

Another reason is competitive pricing of the apartments.

“I think it might attract more tourists to Helsinki if they find cheap/free accommodation in such an expensive country as Finland.”

“People spend less for accommodations, therefore have more to spend sight-seeing, eating at restaurants, shopping, etc.”

However, several participants considered home sharing to have positive impact on economy but negative on rentals.

“Economy yes - rentals no. I could be renting out my apartment full time but I make more money on Airbnb so it takes that apartment out of that market.”

“Economy yes, rental business no as it seems quite a few hosts might rent out 3 or 4 apartments for short stays only which means those 3 or 4 apartments are no longer available for residents who want to live in the area.”

“Positive on the economy but it does take rental properties off the market.”

“Not sure, probably not so positive, rents in the area where my property are rising.”

5. Why are some people feeling so negative about Airbnb and other home sharing platforms?

This question was open-ended and every participant had something to say. Among most common reasons were mentioned: ***fear of double bookings, communication problems, fear of damage, theft and unsafety, assumption that home owners do not pay taxes on income, negative impact on rents and fear of changes and new things.***

“Because they believe it is pushing up rents in an area and reducing the sense of community. If they don't understand how something works they think the worst.”

“Because some hosts are not renting homes they live in. They are taking units that could be monthly rentals out of the housing market and treating them like hotels, but not paying the same taxes as hotels.”

Hosts also tend to blame hotels for creating negative social media image for sharing platforms, caused by increasing fear of competition.

“I think a lot of the negativity comes from the Hotel Industry that is losing market share due to increased competition and the lack of regulation regarding home sharing”

“Media publicity focuses on problems only eg parties getting out of hand.”

The reasons provided by hosts match with those described in theoretical part once again stating that half of the negativity develops from reasons connected to insecurity and lack of regulations.

6. Do you think that home sharing should be controlled on governmental level?

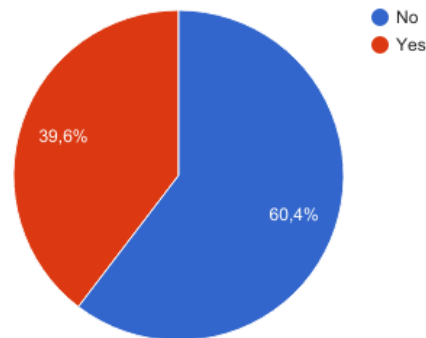


Chart 5. Governmental control opinions.

As can be seen from the chart, even though hosts do realize the negative sides of home sharing, they are not sure that governmental intervention will be able to solve those issues with 60,4% of participants being against governmental regulations.

Below are provided some opinions for negative attitude:

“No! I think if the government got involved, they would implement too many rules that would probably ruin this type of system.”

“No absolutely NOT. My property. I keep it in better condition than anyone else in my neighborhood and screen guests better than any neighbor screens strangers that may come to their house: workmen, salespeople, parties of unknown folks. I have a vested interest in my home.”

“No, I think if you make a living out of it and not a problem for anyone by choosing carefully all your guests then everyone should be able to decide themselves, not the government.”

However, some participants agreed that while there is no need for federal and national regulations, municipal and local regulations are required.

“Not federally or nationally, but maybe locally or municipally.”

“If we follow our town bylaws and claim our income on our taxes, then there needs to be no additional control.”

“I think that some regulation is ok, for professional hosts such as myself I prefer that all home share options are held to a certain standard of safety, cleanliness, etc. so that there is less bias against the industry as a whole. If all offerings are good, and screen their guests properly there will be less negative incidents for the media to grab onto.”

“Yes and no. Some regulation is inevitable but I prefer control of my private home. However, the private home sharing business is quickly morphing in a home renting business with individuals buy homes for the sole purpose of short term rentals. Regulation should be the same as that for long term rental businesses where owners do not occupy the property.”

Supporters of governmental regulations explained it by the guaranty of safety and equality in society.

“Yes - make it illegal for anything except your personal residence to be used for holiday letting.”

“It's good to have rules governing it. Most people do a good job and have good guests, but when they don't, there should be recourse.”

- 7. If you answered yes to previous question, to which extent do you think should government regulate home sharing? (Taxation, mandatory registration within the city, limitation on % of properties that can be rented within an area, etc)**

This question was open-ended and respondents gave very informative and broad answers. **Taxation** and **limitation in the number of rentals** were listed among most popular measures of home sharing regulations and considered to be “fair in super-packed urban communities”.

“I’m really not sure. Perhaps a license of some kind, perhaps a small tax, and quality/safety inspections.”

“Probably registration and limitation in number of units.”

“I got a Business License, pay my TOT (transient occupancy tax) taxes from the beginning. It bothers me that others don't!”

One of the hosts expressed concerned about an issue that has not been mentioned a lot – while seeing no need for governmental regulations, requirement for some safety measures connected to political situation.

“Considering the current situation with lots of refugees all over the Europe and just generally crazy tourists that are potentially able to make or be involved any criminal actions, I guess it would be wise for Europeans to register the rental property just in case the police investigation will touch it. The rest isn't necessary from my point of view.”

One of the hosts supported the idea to use home sharing platforms as an instrument to collect tax, including it into pricing.

"I believe these home-sharing platforms should collect taxes on behalf of the host. Costs would be passed on the the guests, but everything would be streamlined. Mandatory registration/permits/licences would be too hard to enforce. Zoning would be the same thing."

However, some hosts are strongly against taxation and registration from governmental side, insisting that it should be up to housing units and local neighborhoods, emphasizing that each city’s case is unique and needs to be treated differently.

“No registration with the city as they generally have poor understanding of the platform and penalize those who register without addressing unregistered (See San Francisco where regulation only limits registered while unregistered continue illegal operations over 90 days). The income is already taxed. They shouldn't offer licenses for my own home. The model should be unique to each community. In NYC, rental full flats should continue to be illegal.”

“I think government involvement should be minimal. Let the market sort itself out however condos are a different story. I think condo boards should be able to decide what works for their building.”

“There should be basic regulation in place to protect the consumer and home owner. I do not think there need to be additional taxes, registration or limitations on free business enterprise.”

Tourism fees and hotel alike regulations were also mentioned as possible solutions, but these opinions were least popular. Opinions expressed towards governmental regulations could be explained by the fact that the hosts do see positive impact of home sharing and are concerned that governmental intervention will ruin the complex nature of home sharing.

8. What are your thoughts on the development of home sharing in the next 5 years?

One thought expressed by majority of respondents is that home sharing industry will grow. It is believed to become more professional and keep providing competitive alternative to hotels. Its impact on the society and economy is believed to continue to rise.

“Home sharing will have an incredible impact on small business entrepreneurs. One from hosts, who will have the opportunity to start a business from home sharing profits and also from the small businesses that will gain more traffic from the close knit in depth community penetration home sharing brings.”

Two main threats to the future of home sharing, expressed by concerned home owners are overregulation and companies as AirBnb turning into commercial ventures and losing the main concept of sharing.

“I hope it doesn't get ridiculously over regulated because it's helpful to so many.”

“The industry is becoming more about making money than altruism.”

“Airbnb will go bust. Another company will rise up to take its place.”

So, the main challenge for government-sharing company's relations is in finding the adequate balance between regulations and keeping the initial nature of sharing. The host community is eager to cooperate and express their opinions, so every government could get feedback and valuable ideas from their local hosts.

3.4 City Data Analysis

Several factors that affected choice of the analyzed cities were: the availability of data, different geographical locations, participants of the questionnaire, popularity of home sharing platforms and level of attention to sharing economy issues, population.

The following cities have been selected:

San Francisco (has successfully implemented regulations, commonly discussed in social media, locals participated in survey)

New York (faced trouble legalizing AirBnb, ongoing discussions on regulations, locals participated in survey)

Amsterdam (listed among cities facing AirBnb issues, currently has active regulations)

Paris (listed among cities facing AirBnb issues, currently has active regulations)

Toronto (not regulated, locals participated in survey)

Vancouver (strict zoning laws, time period regulations, locals participated in survey)

The city data has been collected from AirDna, a website recommended by Marcus Räder as trustworthy.

3.4.1 San Francisco

Active regulations: San Francisco has enabled regulations from February 1, 2015. The first rule is that only permanent residents of San-Francisco (those residing in their units for at least 275 days per year) can engage in short-term rentals. Owners of multi-unit buildings may only register and rent the specific residential units in which he or she resides, but bedrooms can be rented and listed separately. (Fishman 2016.)

Since hosts must reside in their units for min of 275 days, the maximum rental limit is 90 days. The violators of this room are fined with 484\$ for first offence and 968\$ for following. (Fishman 2016.)

Hosts willing to operate in San Francisco are entitled to register in The Office Of Short Term Rentals and pay 250\$ fee every 2 years. Hosts also need to get city business license, so that cities can track the listings (Sf-planning.org 2016).

Currently there are 4,447 active hosts in San Francisco, with majority of them managing 1 listing, which can be explained by city regulations.

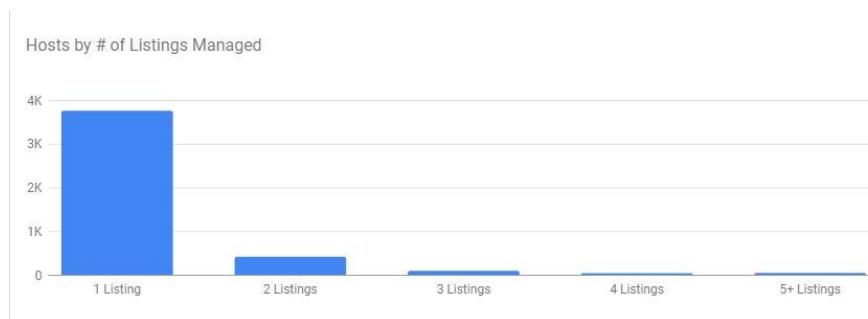


Chart 6. Number of hosts San Francisco (Airdna 2017.)

There are 5,829 active listings in San Francisco, with 56,8% of them renting out the entire property and 40% - single room. As can be seen from the chart below, the number of listings has been steadily rising from 2011.

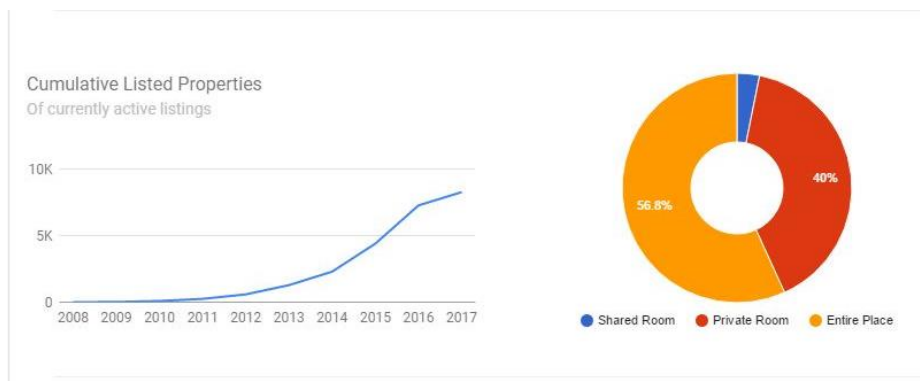


Chart 7. Number of listings San Francisco (Airdna 2017.)

Finally, the charts below show the number of months that listings are rented for. 51,6% of the apartments are rented within the 90 days' period, hosts finding it easier to stick to 90 days rule without excessive hassle.



Chart 8. Number of months rented (Airdna 2017.)

3.4.2 New York

Active regulations: The current regulations prohibit to rent place for period under 30 days, if it is an “unhosted” dwelling (situation when host is not present in the apartment during the rental period). This rule does not apply for shared rooms or private rooms. In October 2016, MDL (New York State Multiple Dwelling Law) enacted the law by which any sort of advertisement of short-term rental platforms should be prohibited and fined if violated. However, the AirBnb filed a lawsuit against this rule and this act will not be enforced until the suit is resolved. (Fishman 2017)

Currently, there are 22,621 active hosts in the NYC. Majority is listing only 1 unit.

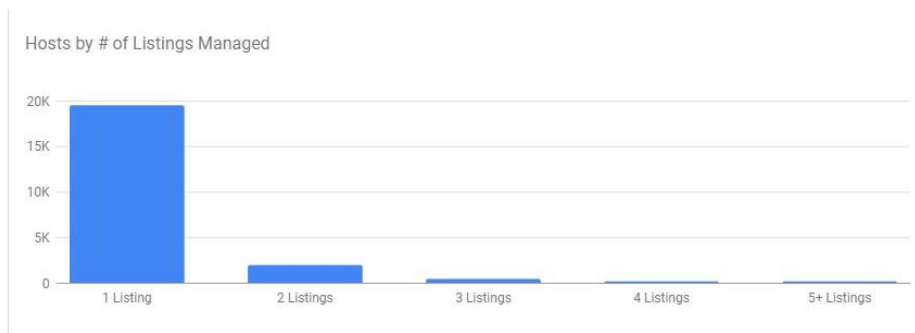


Chart 9. Number of hosts New York (Airdna 2017.)

There are 27,781 active listings in NY, with 47,6% of them renting out the entire property and 48,9% - single room. The high amount of private room listings can be explained by the regulation mentioned above.

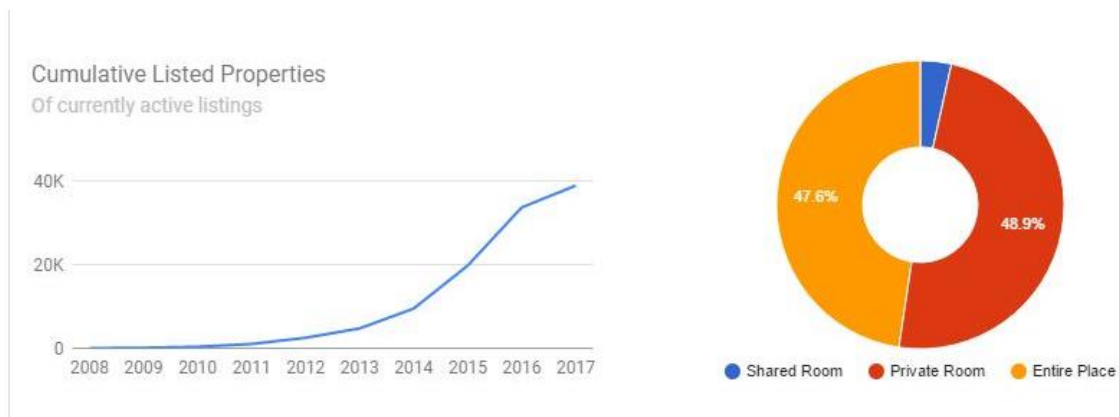


Chart 10. Number of listings New York (Airdna 2017)

The charts below show the number of months that listings are rented for. 56,6% of the apartments are rented within the 90 days' period.



Chart 11. Number of months rented New York (Airdna 2017)

3.4.3 Amsterdam

Active regulations: Amsterdam city council and AirBnb have reached an agreement on the length of rental period-to be no longer than 60 days. Apartments that have been listed for 60 days disappear from the website. (O'Sullivan 2016.)

There are 8,824 active hosts in Amsterdam, majority listing 1 apartment.

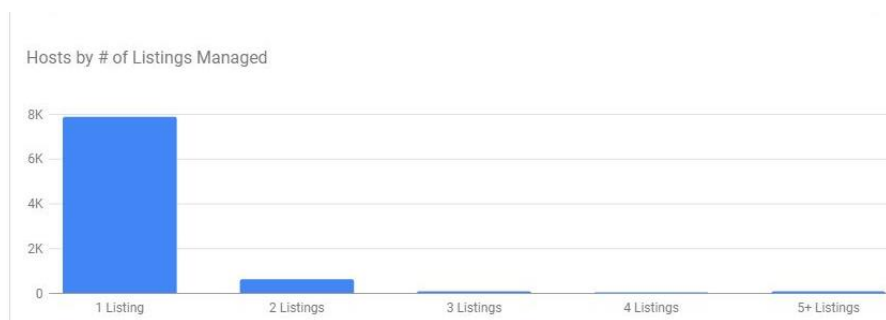


Chart 12. Number of hosts Amsterdam (Airdna 2017.)

There are 10,758 active listings in Amsterdam, with 74,2% of them renting out the entire property and 25,3% - single room. Unlike previous cities, shared rooms are almost nonexistent.

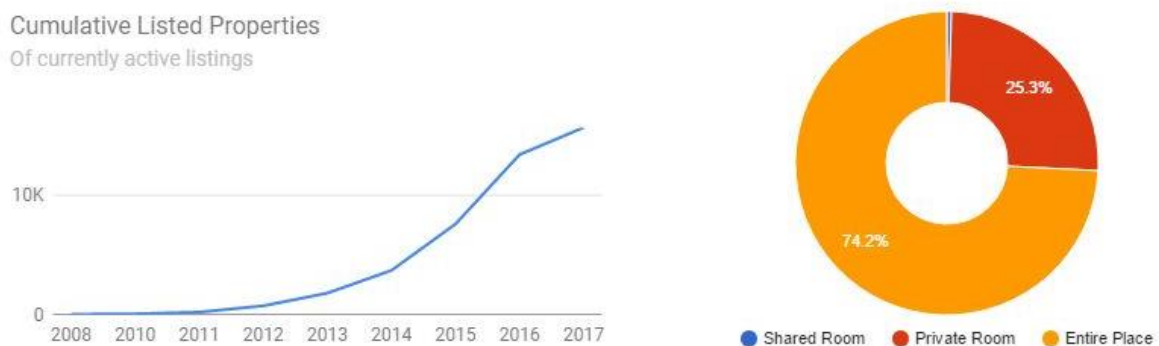


Chart 13. Number of listings Amsterdam (Airdna 2017.)

62,9% of rentals are rented for 1-3 months period.



Chart 14. Number of months rented Amsterdam (Airdna, 2017.)

3.4.4 Paris

Active regulations: AirBnb has agreed to collect local tourist tax as a measure of rentals control. Hosts are obliged to register with local authorities. The rent limit is 120 days. (Gilbert 2017.)

There are 33,297 active hosts in Paris, majority listing 1 apartment.

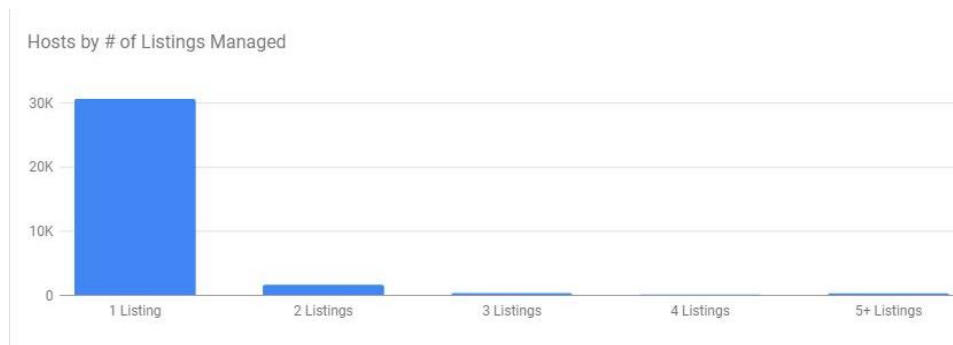


Chart 15. Number of hosts Paris (Airdna 2017.)

There are 40,695 active listings in Paris, with 87,1% of them renting out the entire property and 11,8% - single room.

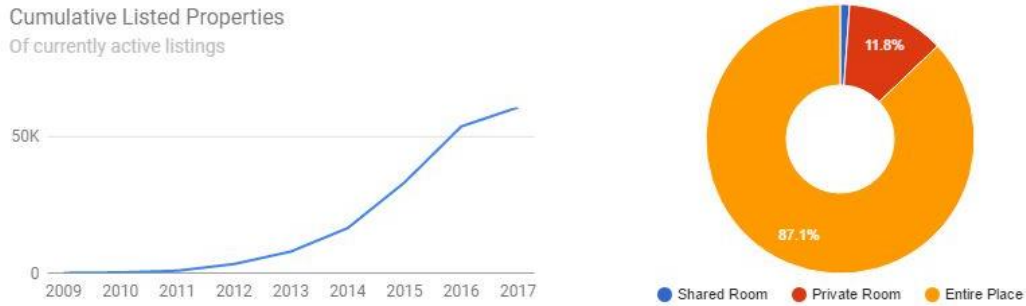


Chart 16. Number of listings Paris (Airdna 2017.)

64,7% of rentals are rented for 1-3 months period.



Chart 17. Number of months rented Paris (Airdna 2017.)

3.4.5 Toronto

Active regulations: currently there are no active laws restricting short term rentals in Toronto, leaving the market unregulated.

There are 6,720 active hosts in Toronto, majority listing 1 apartment.

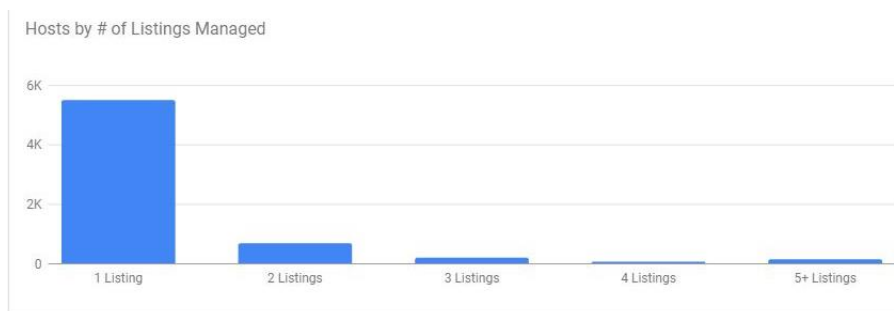


Chart 18. Number of hosts Toronto (Airdna 2017.)

There are 9,554 active listings in Toronto, with 62,5% of them renting out the entire property and 35,9% - single room.

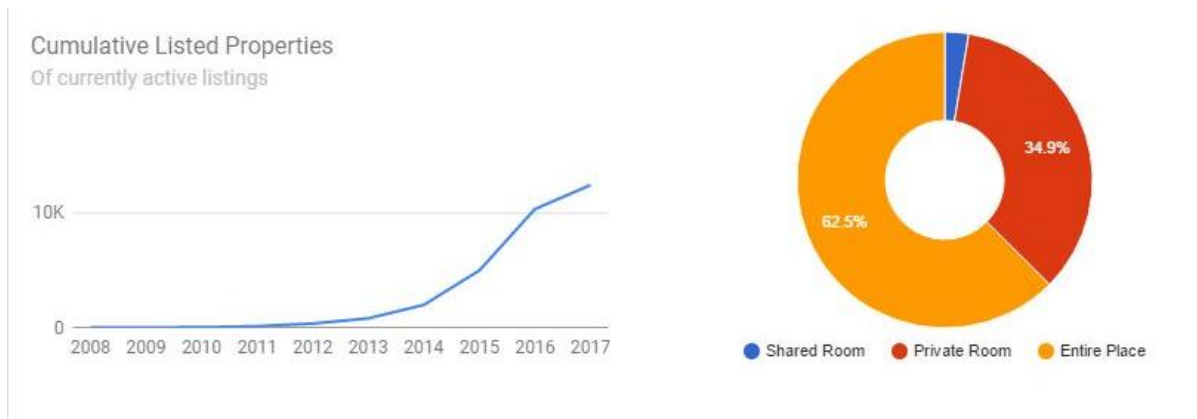


Chart 19. Number of listings Toronto (Airdna 2017.)

64,2% of rentals are still rented for 1-3 month period, even though there is no legal limit



Chart 20. Number of months rented Toronto (Airdna 2017.)

3.4.6 Vancouver

Active regulations: In Vancouver zoning regulations don't allow short-term rentals, so if those who would like to rent their apartment for less than 30 days. Renting your property for fewer than 30 days is only allowed in a licensed bed and breakfast. (CBC News, 2016.)

There are 3,237 active hosts in Vancouver, majority listing 1 apartment.

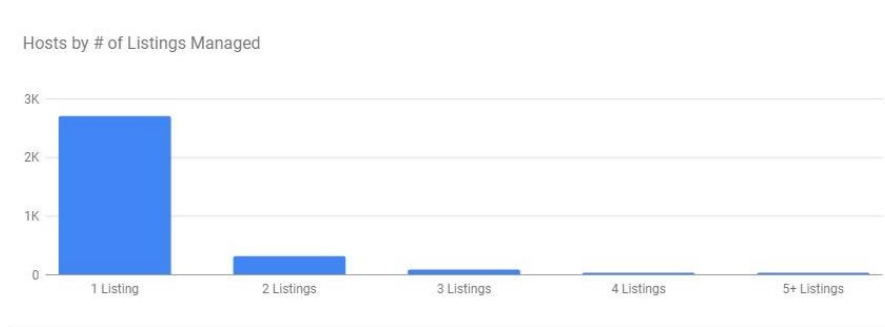


Chart 21. Number of hosts Vancouver (Airdna 2017.)

There are 4,244 active listings in Vancouver, with 67,2% of them renting out the entire property and 30,5% - single room.

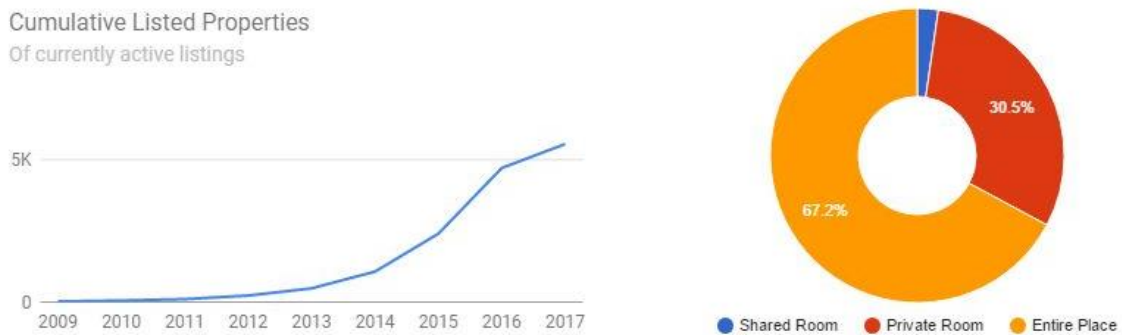


Chart 22. Number of listings Vancouver (Airdna 2017.)

56,6% of listings are rented for 1-3 month period, however, all of the legal ones are listed for 1 month+ period.

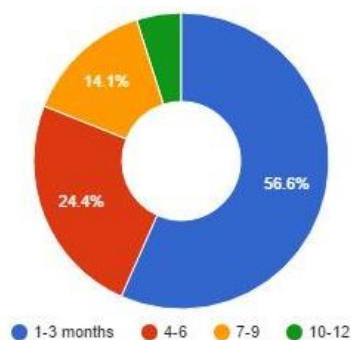


Chart 23. Number of months rented Vancouver (Airdna 2017.)

3.3.7 Conclusion

As can be seen, each city has chosen its original approach to handling home sharing. Some of those attempts have been successful, as in the Amsterdam case, some not so much, for example the law suit filed against the NYC council by AirBnb.

The 1 to 3 months rental period has been most popular in all examined cities, not entirely depending on governmental restrictions, but also caused by the reason that people are actually using it as a way to support their own travels, which do not tend to last longer 90 days period in general.

Shared room turned out to be least popular rental option, while entire dwellings got majority of bookings in every examined city except New York, where % of private room rentals was higher than entire property's one. But that is explained by the city legislation.

Graphs show that the number of listings has been actively growing in all cities from 2011 to now on, which allows to predict future growth, if governmental regulations are entered correctly. Airbnb's revenues might go down due to the new laws, but the company should still stay profitable, yet now regulated.

However, unlike the situation with Uber, when some governments tried to simply ban it, the authorities understand that platforms like AirBnb and home sharing create a more complex system, and banning it will result in negative reaction from society, not talking about the impact on tourist industry.

3. Summary

Both objectives of the research were achieved. The author has gained knowledge on the history of sharing economy, its main positive and negative aspects and ways in which it affects modern society. Special attention was paid to home sharing and platforms as AirBnb, since focus of practical part was on that segment of sharing economy.

It has been found that people certainly do have interest in the subject of home sharing and are willing to express their opinions. 60 people took part in the survey, and some declined but chose to express their opinion in personal messages to the author or comment section, stating the reason for it – mostly the previous negative experience caused by social media, reporting only downfalls of sharing experiences. Throughout the research a lot of help was received, people worldwide were recommending articles, books and sending links, willing to share their collaborative consumption experience and explain why AirBnb and sharing economy are here to stay.

Different approach has been observed in the work of governments of different regions as well. Now it becomes more clear, that if authorities would like sharing economy to be regulated, they need to prepare unique system for each area, or allow municipality to act by its own by-laws. The local hosts could provide great help, as they get the insight view on the life of the area and could give recommendations that would help in engaging most productive government-Airbnb relationship, as in the Amsterdam case.

Initially four company representatives were expected to take part in the interview process, however, only Marcus Räder and Michelle Himden could make it. Nevertheless, getting the opinions of those operating the sharing platforms was very valuable for the research. Both Mr. Räder and Ms. Himden do agree that there is the need for governmental regulations, however they emphasize the need for the region

differentiation when considering the implementation of regulatory measures, and importance of picking suitable measures for each area. Mr. Räder and Ms. Himden believe that if home sharing solves trust and safety issues, more people will be engaging into it.

All in all, author hopes that the research would be helpful for those interesting in sharing economy and home sharing, for hosts and Airbnb users and future researchers, since part of the results are only valid for short time, as governments are currently working on new regulatory measures and developing existing ones.

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